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# TOP PICKS

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March 2026



## Earnings Reset Amid Global Uncertainty

**Transitioning toward an Earnings-Led Phase:** Indian equities enter March 2026 in a transitional phase. As highlighted in our prior outlook, markets are gradually shifting from macro and liquidity-driven volatility toward an earnings-led cycle. The combination of easing trade tensions, stabilising global yields, manageable commodity prices, and improving domestic earnings visibility provides a more constructive medium-term backdrop. However, geopolitical risks, AI-led disruption in global technology markets and currency, and crude volatility continue to create tactical uncertainties.

**Q3FY26 Earnings Review: Gradual Recovery with Sectoral Divergence: Q3FY26 Nifty earnings trends suggest gradual normalisation with 7% YoY growth for NIFTY50, while Nifty500 and Nifty Small Cap 250 growth stood at 13% and 29% respectively.** Financials delivered steady performance supported by robust credit growth and stable asset quality. Capital goods and infrastructure names reported strong order inflows, reflecting continued momentum in public and private capex. Consumption sectors are showing early recovery signals, particularly in rural-linked categories. IT services performance remains mixed. Revenue growth has moderated amid global tech spending caution, though deal pipelines remain intact. Commodity-linked sectors remain sensitive to global pricing trends. Overall, earnings growth is improving sequentially but remains uneven across sectors, reinforcing the need for selectivity.

**RBI Policy & Domestic Liquidity: Supportive but Vigilant:** The Reserve Bank of India has maintained a balanced policy stance, prioritizing inflation control while ensuring adequate system liquidity. Importantly, credit growth is showing signs of re-acceleration after earlier regulatory tightening. Banking system credit growth, which had moderated, is now accelerating, supported by: Retail credit resilience, MSME loans, and infrastructure financing momentum. RBI kept the repo rate unchanged at 5.25%. **India's real GDP is projected to grow between 6.8% -7.2% in FY27, driven by rising investments, a resilient banking sector, and increased consumer demand.**

**India-US Trade Deal: Structurally Positive:** The trade deal is structurally positive for India's medium-term growth and external stability. Improved market access and tariff certainty are likely to boost exports, support manufacturing investment, and strengthen inflows of foreign direct investment (FDI). Over time, this should help narrow the current account deficit, stabilise the rupee, and reduce India's vulnerability to global shocks. **For equity markets, the deal enhances earnings visibility, supports valuation re-rating, particularly for export-oriented and capex-linked sectors, and reinforces India's positioning as a relatively safe haven among emerging markets.**

**AI Shock & IT Sector; Transitional Disruption:** The Nifty IT index has experienced a severe correction in February 2026, (-19%) marking its worst monthly performance since the 2008 global financial crisis. The rapid acceleration of generative AI adoption globally has created near-term uncertainty for traditional IT services models. Concerns around automation-led productivity gains, pricing pressure, and shorter deal cycles have weighed on sentiment toward Indian IT stocks. The sector may experience temporary margin compression and slower growth before entering a renewed structural expansion phase driven by AI-related opportunities in the long term.

**FII Flows Showing Signs of Revival: Foreign Institutional Investors (FIIs) turned net buyers in February, recording their highest monthly inflow in 17 months at ~\$2.1 Bn — the strongest since September 2024, when inflows touched nearly \$5.95 billion.** While foreign investors have remained measured on a year-to-date basis, with modest net outflows of around \$1.1 Bn reflecting global macro caution, the recent shift to net buying signals improving sentiment and confidence toward Indian equities. In contrast, domestic institutional investors (DIIs) have increased their market share and holdings, with DIIs holding nearly 18.7% of NSE-listed equities, underscoring their role in stabilising market flows.

**Crude Oil: A Swing Variable but Not a Structural Threat:** Crude oil prices surged to seven-month highs in February 2026, with Brent approaching US\$72 per barrel and WTI crossing US\$66 per barrel by late February. Crude oil prices remain volatile amid geopolitical developments, but currently sit within a manageable range for India's macro framework. At prevailing levels, oil does not materially threaten inflation or fiscal stability. **However, any sustained spike would have implications for currency stability, bond yields, and consumption-linked sectors.**

**Can AI Trade Reversal Benefit Indian Markets? Yes.** A reversal of the crowded global AI trade, where capital was concentrated in a handful of US mega-cap technology stocks, can lead to capital reallocation toward reasonably valued emerging markets. If global investors diversify away from over-owned US AI names, India could benefit through renewed FII flows into financials, industrials, and consumption-driven sectors where earnings visibility is stronger, and valuations are relatively balanced.

**Indian Economy Nearing Cyclical Recovery Amid Persistent Global Risks:** Despite ongoing global challenges, India's domestic growth trajectory remains resilient, with macro indicators pointing to a stronger FY26 compared to FY25. Coordinated fiscal and monetary support from the government and the RBI, including front-loaded pro-growth measures, suggests the economy is at an inflection point, with momentum likely to strengthen in H2FY26 and further improve in FY27. In CY26, Indian equities are shifting from a consolidation phase to one driven by earnings visibility, valuation comfort, fiscal discipline, and sustainable growth. **Broader market witnessed a recovery in February 2026, with the Nifty Next 50, Nifty Mid Cap, and Small Cap indices rising by 2.8%, 1.2%, and 0.7%, while NIFTY 50 corrected 0.6% in February 2026.**

**Relative Underperformance Provides an Opportunity to Add Equity for the Long Term:** In 2025, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 55% to the EM index (PE). During Sep'24, the Indian market traded at a 97% PE premium to EM. Now, after the correction, it is trading at a 55% premium, which looks attractive compared to the past. That said, it is to be noted that relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario.

**Style & Sector Rotation - A Key to Generating Alpha Moving Forward:** Risk-reward is gradually improving in Mid and Smallcap stocks, though recovery is expected to be slow and

gradual through 2026. Near-term consolidation is likely, with market breadth remaining narrow.

In this environment, our strategy focuses on Growth at a Reasonable Price (GARP), quality businesses, market leaders, domestically-oriented sectors, and selected export plays. We continue to:

1. **Overweight:** BFSI, Telecom, Consumption, Healthcare, and Interest-rate Sensitive Sectors
2. Maintain a **positive view on discretionary and retail consumption** plays
3. Prefer **select capex-linked cyclical stocks**, which now offer attractive valuations and reasonable growth visibility
4. Remain **cautious on IT** in the medium term

**Consolidation with Constructive Bias:** March 2026 is likely to remain consolidation-oriented, with stock-specific performance driving returns rather than broad index expansion. Markets may remain range-bound in the near term, influenced by geopolitical situations, global yield movements, oil prices, and FII flows. **However, as India transitions into FY27, improving earnings momentum, fiscal stability, easing trade uncertainty, and potential global capital rotation provide a constructive medium-term foundation.** Investors may benefit from maintaining a balanced approach, focusing on quality companies aligned with long-term themes, while being mindful of short-term macro and global risks

**We have refreshed our Top Picks by booking profits in APL Apollo Tubes and Sansera Engineering Ltd, exiting Kirloskar Brothers Ltd, while adding LG Electronics (I) Ltd, Minda Corporation Ltd, and Navin Fluorine. The changes reflect our disciplined profit-bookings strategy and continued focus on identifying high-quality businesses that align with our core thematic investment framework and offer strong medium-term growth visibility.**

**We maintain the Dec'26 Nifty target at 28,080**

We believe the Indian economy remains well-positioned for sustained growth, acting as a relative safe haven amid global economic volatility. Our constructive long-term outlook is underpinned by India's favourable economic structure, increased capital expenditure outlined in the Union Budget 2026–27, and the implementation of GST 2.0 reforms, all of which are expected to accelerate credit growth, particularly for banks. These structural drivers should support double-digit corporate earnings growth, enabling Indian equities to deliver healthy double-digit returns over the next 2–3 years. We project Nifty earnings to grow at a robust 13% CAGR over FY23–28, with financials expected to remain the largest contributors to earnings growth in FY26 and FY27. That said, near-term risks to market multiples include

geopolitical tensions, crude price volatility, rupee depreciation, and any delay in the earnings recovery cycle. In our base case, we maintain our December 2026 Nifty target of 28,080, based on a valuation of 20x December 2027 earnings. We have marginally revised our FY27 and FY28 earnings estimates downward by 0.5% and 0.3%, respectively.

**The current level of India VIX remains below its long-term historical average, indicating that the market is not pricing in extreme panic despite heightened geopolitical tensions. However, the recent escalation in the US–Iran conflict has materially increased global uncertainty, particularly in the commodities space. While the medium-to-long-term outlook for the Indian economy and corporate earnings remains constructive—supported by domestic demand resilience, improving earnings visibility, and structural reforms—the near term may witness increased volatility driven by commodity price movements, global risk aversion, and foreign fund flows. Hence, we recommend investors maintain good liquidity (10-15%) to use any dips in a phased manner and build a position in high-quality companies (where the earnings visibility is quite high) with an investment horizon of 12-18 months.**

**Bull Case:** In the bull case, we value NIFTY at 21x, translating into a Dec'26 target of 29,480. Markets are closely monitoring the global growth outlook for 2026 under President Trump's leadership, with expectations that tariff-related uncertainties could ease compared to 2025. Domestically, private capex—which has remained subdued over the past few years—is anticipated to witness a meaningful revival, supported by policy continuity and improving business confidence. Combined with expectations of political stability, fiscal prudence, rural recovery, and a constructive global backdrop, we believe Nifty earnings can sustain 13%+ CAGR growth over FY23–28. Such a scenario would be favourable for renewed capital inflows into emerging markets and could lead to a re-rating of domestic market multiples, further strengthening the equity outlook.

**Bear Case:** In the bear case, we value NIFTY at 17x, translating into a Dec'26 target of 23,865. We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2026. Moreover, the question mark on the global growth has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

**Based on the above themes, we recommend the following stocks: HDFC Bank, Bajaj Finance, Bharti Airtel, Avenue Supermarts, State Bank of India, Max Healthcare, Navin Fluorine, Kalpataru Projects, LG Electronics (I) Ltd, Mahanagar Gas, Prestige Estates, Ujjivan Small Finance Bank, Chalet Hotels, Minda Corporation Ltd, Dalmia Bharat Ltd.**

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## Axis Securities Top Picks

Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M %	TR 3M%	TR 6M%	TR YTD%
Large Cap	Bajaj Finance Ltd.	Financials	996	1,150	15%	31.9	5.5	0.4	7.1	-4.0	13.4	0.9
Large Cap	State Bank of India Ltd	Financials	1,202	1,350	12%	12.8	2.0	1.3	11.6	22.7	49.7	22.3
Large Cap	HDFC Bank Ltd.	Financials	888	1,190	34%	24.2	2.4	1.2	-4.5	-11.9	-6.7	-10.4
Large Cap	Bharti Airtel Ltd	Communication Services	1,879	2,530	35%	40.5	8.3	0.9	-4.5	-10.6	-0.5	-10.7
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	3,848	4,450	16%	81.4	10.2	NA	4.3	-3.7	-19.1	1.7
Large Cap	Max Healthcare Institute Ltd.	Health Care	1,092	1,250	14%	63.8	9.0	0.1	14.1	-6.1	-5.4	4.5
Large Cap	LG Electronics India Ltd.	Consumer Discretionary	1,589	1,815	14%	60.8	15.5	NA	8.6	-4.2	NA	4.4
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,393	1,900	36%	42.5	3.5	0.1	-4.7	-16.9	-10.7	-12.7
Mid Cap	Dalmia Bharat Ltd	Materials	1,993	2,520	26%	32.3	2.0	0.5	-3.7	-0.8	-16.9	-6.5
Small Cap	Mahanagar Gas Ltd.	Utilities	1,220	1,540	26%	13.1	1.8	2.5	17.1	2.7	-1.5	8.5
Small Cap	Ujjivan Small Finance Bank Ltd.	Financials	58	74	27%	17.2	1.7	NA	-11.2	6.7	36.0	9.6
Small Cap	Chalet Hotels Ltd.	Consumer Discretionary	808	1,120	39%	32.7	4.8	0.1	-7.1	-8.8	-19.9	-7.2
Small Cap	Minda Corporation Ltd.	Consumer Discretionary	556	710	28%	41.4	5.3	0.3	-1.2	-4.3	11.5	-3.1
Small Cap	Navin Fluorine International Ltd.	Materials	6,257	7,400	18%	52.1	8.6	0.2	2.6	9.1	33.6	5.7
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,240	1,450	17%	22.2	2.9	0.7	8.4	3.4	-0.7	3.1

Source: Company, Axis Securities, CMP as of 27<sup>th</sup> February 2026; All Target Prices have an investment horizon of over one year.

## Multi-Asset Scorecard

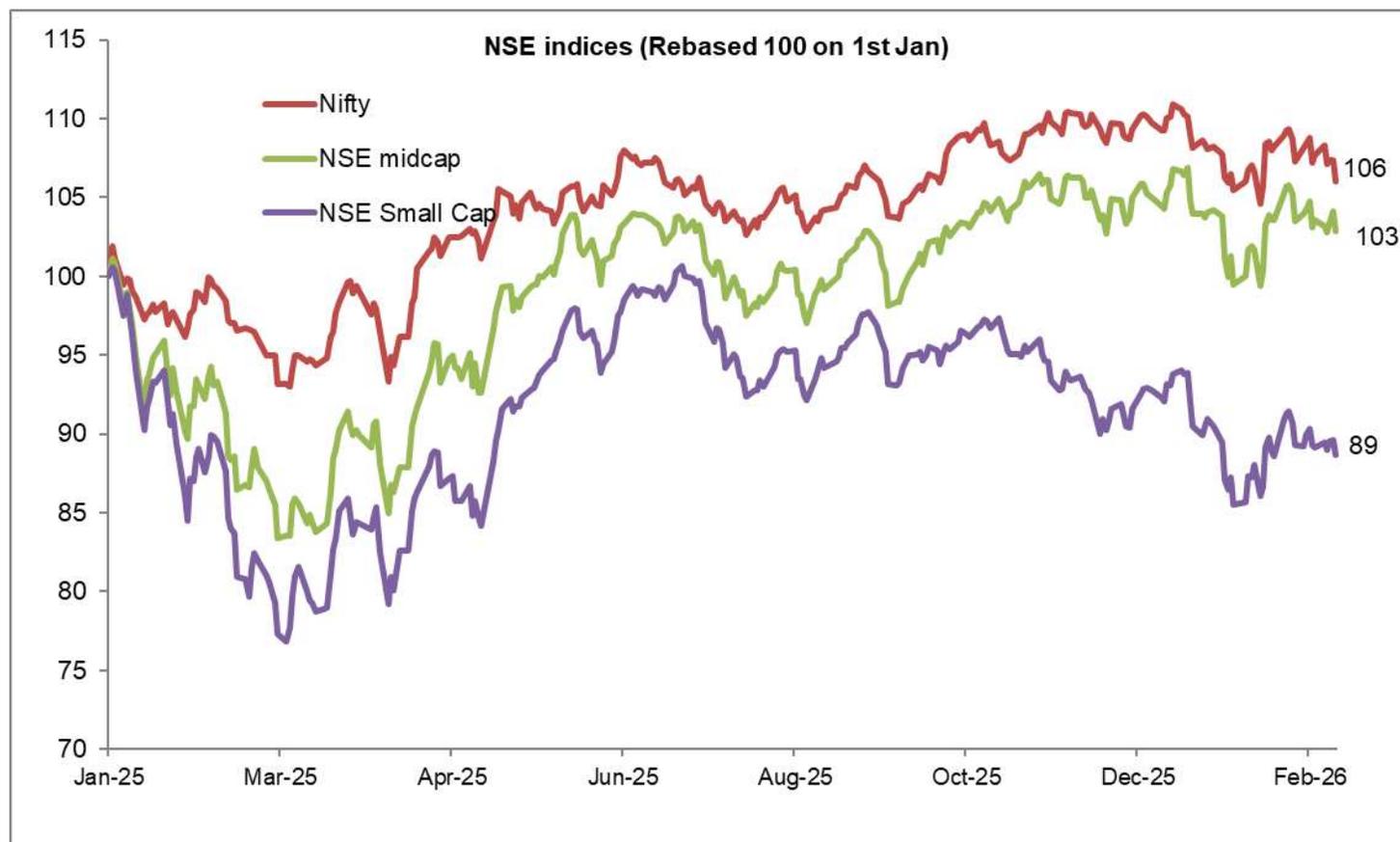
- In 2025, gold emerged as the top-performing asset class, and this trend has continued into February 2026, with gold remaining the best-performing asset class so far.
- Gold emerged as the leading asset class in 2024 until May, after which broader equity markets outperformed for a brief period. However, by October 2024, Gold regained its position as the top-performing asset class and has continued to maintain its leadership, remaining the best-performing asset in 2025.
- The broader market emerged as the best-performing domestic asset class in 2023 and 2024. However, a sharp correction since October 2024 has weighed on overall returns, with the broader market continuing to remain under pressure through February 2026.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- **In 2025, both Emerging Markets and Developed Markets have outperformed the Indian market by a notable margin. On a year-to-date basis, Indian equities continue to lag the broader EM index.**

Rank	Yearly performance of Asset Classes (%)															
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 (YTD)
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 61.5%	MCX Gold: 19.2%
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	EM Index: 18.7%	EM Index: 8.0%
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	S&P 500: 11.2%	S&P 500: 0.9%
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	Nifty 50: 10.25%	Nifty 50: -3.6%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	NSE G Sec composite: 6.2%	Midcap: -2.3%
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: 5.4%	NSE G Sec composite: 0.5%
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -4.9%	SmallCap: -4.4%

Source: Bloomberg, Axis Securities.

## 2025: A Year of Divergence in the Returns

After nearly 15 months of underperformance, the NIFTY 50 touched an all-time high of 26,216 in 2025, similar to levels previously seen in September 2024. During 2025, a sharp divergence was observed between Nifty and small-cap returns, with performance gaps widening significantly — a trend that could potentially reverse in 2026. In January 2026, Nifty scaled a fresh all-time high of 26,329, but has since corrected by approximately 3.6%.



### Correction from 1<sup>st</sup> Jan'26

Nifty 50: 3.6%

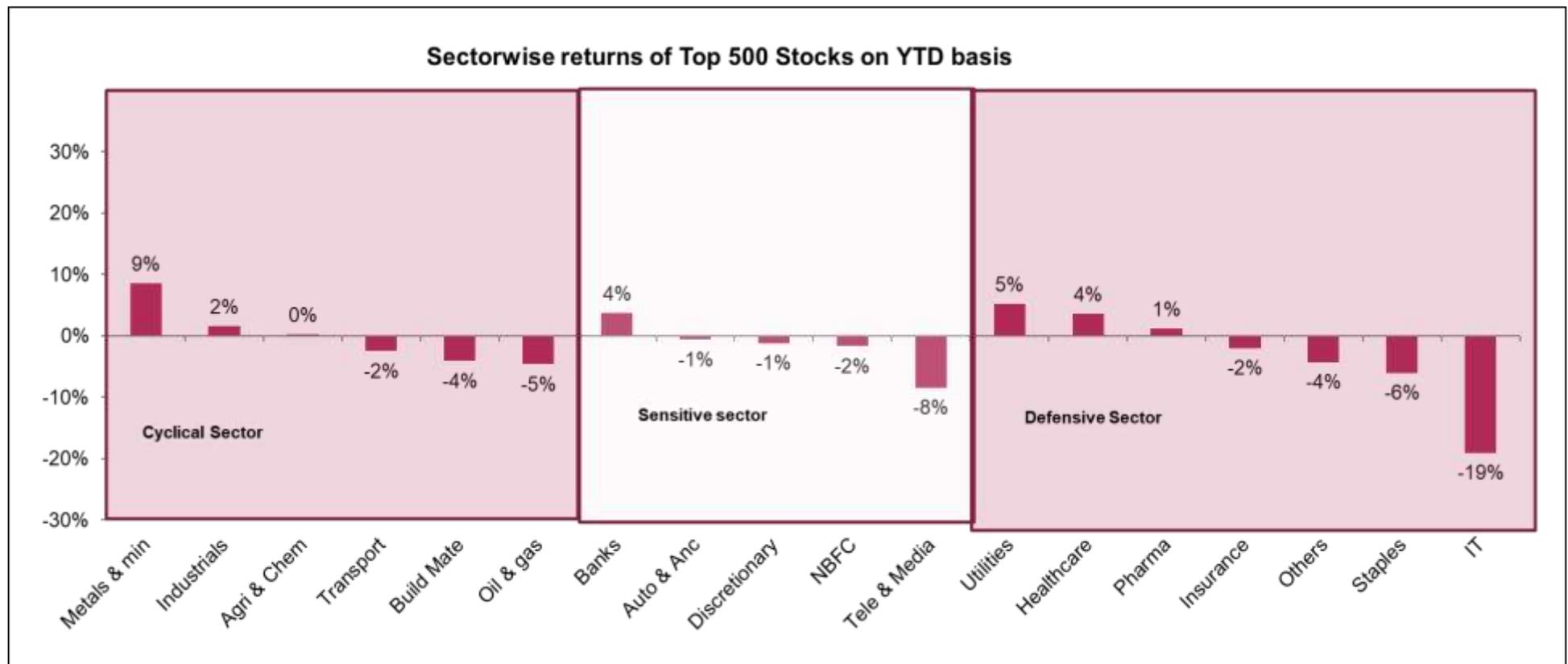
NSE Mid Cap 100: 2.3%

NSE Small Cap 250: 4.4%

Source: Bloomberg, Axis Securities

## Performance on a YTD basis [31<sup>st</sup> Dec'25 to 27 Feb'26]

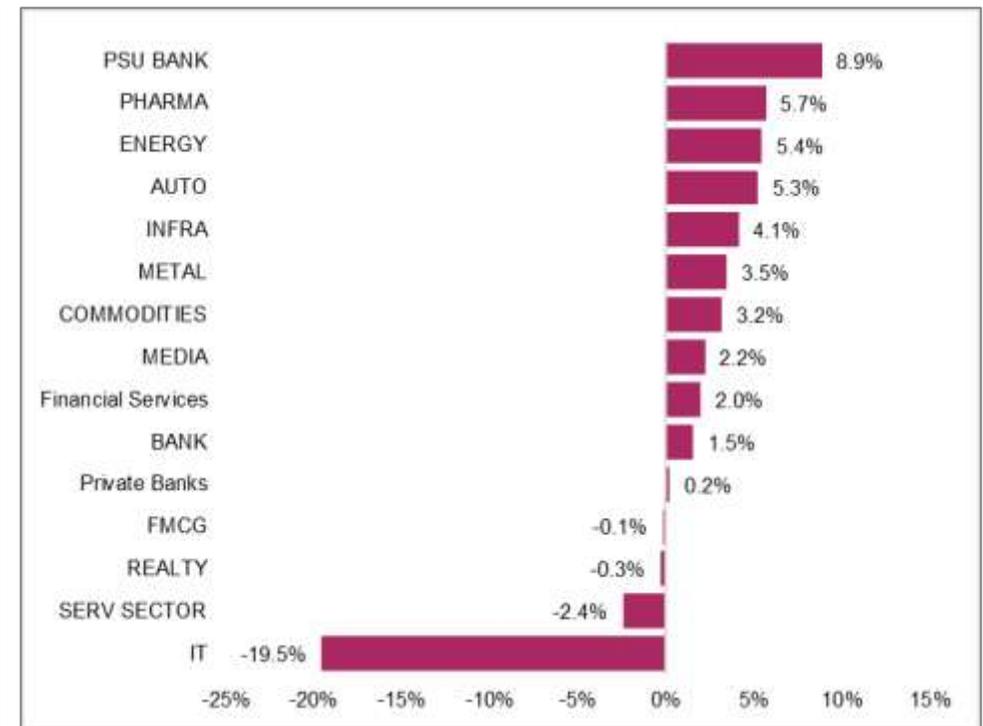
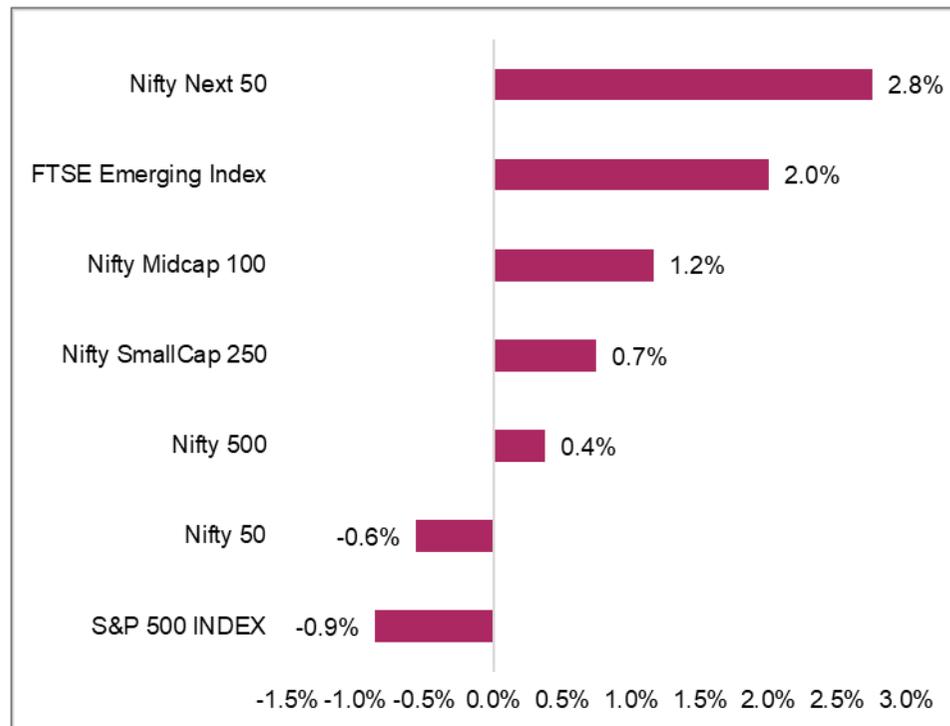
- The cyclical sector has outperformed both the sensitive and defensive sectors, while the defensive sector, particularly Utilities and Healthcare, witnessed notable recovery. **IT Sector Underperformance is in focus – led by AI concerns**
- Market positioning is slightly shifting towards cyclical and domestic-oriented sectors
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariff.



Source: Bloomberg, Axis Securities

## What Happened in the Last One Month?

- The broader market witnessed a recovery during the month, with the NIFTY 500, NIFTY Midcap 100, and NIFTY Small Cap 100 delivering positive returns. The NIFTY Next 50 outperformed the FTSE Emerging Markets Index, reflecting relative strength in select large-cap names. However, the S&P 500 and the NIFTY 50 remained subdued during the period, generating negative returns.
- Market breadth improved during the month, with several sectors delivering positive returns. NIFTY PSU Bank Index, NIFTY Pharma Index, NIFTY Energy Index, and NIFTY Auto Index led the gains. In contrast, the NIFTY IT Index was the primary laggard during the month, while the NIFTY Realty Index and NIFTY FMCG Index remained relatively subdued.



Source: Bloomberg, Axis Securities

## Quarterly Sector Scorecard

- 87% of the sectors have outperformed the Nifty 50 in Q4FY26 so far, indicating buying across the broader market.
- Dec'24 and Mar'25 quarters' performance was similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In Jan-Feb'26 so far, PSU Banks & Pharma remained major outperformers while **IT, Realty, and FMCG** underperformed the Nifty 50 index, dragging the index down.

	Quarterly returns (%)																	
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar'25	Jun'25	Sep'25	Dec'25	Jan'26	Feb'26
% of sectors outperformed the market	56%	50%	75%	38%	25%	63%	69%	50%	44%	56%	44%	50.0%	37.5%	50.0%	40.0%	46.7%	60.0%	86.7%
Nifty 50	1%	-10%	8%	6%	-4%	11%	2%	11%	3%	7%	8%	-8.4%	-0.5%	8.5%	-3.6%	5.4%	-2.4%	-0.6%
Nifty Next 50	-3%	-11%	16%	0%	-10%	16%	3%	18%	14%	18%	8%	-11.7%	-7.4%	9.4%	-1.7%	1.2%	-1.2%	2.8%
Nifty 500	-1%	-10%	11%	4%	-6%	13%	5%	12%	4%	11%	8%	-7.8%	-4.6%	10.7%	-3.7%	4.1%	-2.5%	0.4%
Nifty Midcap 100	-2%	-11%	16%	3%	-5%	19%	13%	14%	4%	15%	9%	-4.9%	-9.6%	15.6%	-5.4%	6.0%	-2.5%	1.2%
Nifty SmallCap 250	-4%	-14%	14%	3%	-7%	20%	16%	15%	2%	19%	8%	-4.2%	-14.4%	17.8%	-6.2%	-1.2%	-4.4%	0.7%
AUTO	-4%	11%	9%	-1%	-3%	24%	7%	15%	15%	17%	8%	-16%	-6%	12.1%	11.2%	5.1%	-4.1%	5.3%
BANK	3%	-8%	16%	11%	-6%	10%	0%	8%	-2%	12%	0%	-4%	1%	11.1%	-4.7%	8.3%	0.7%	1.5%
COMMODITIES	7%	-16%	11%	7%	-7%	9%	8%	19%	8%	9%	8%	-18%	5%	5.5%	0.5%	4.2%	3.1%	3.2%
Financial Services	-1%	-10%	13%	8%	-5%	11%	-1%	8%	-2%	12%	4%	-4%	6%	8.4%	-4.2%	5.2%	-0.2%	2.0%
ENERGY	14%	-3%	2%	1%	-12%	8%	11%	22%	17%	5%	8%	-21%	-3.6%	8.9%	-4.3%	-0.5%	0.9%	5.4%
FMCG	-3%	4%	18%	-1%	4%	14%	-1%	10%	-5%	5%	16%	-14%	-5%	2.4%	-0.3%	0.6%	-6.9%	-0.1%
IT	-6%	-23%	-3%	6%	0%	3%	8%	12%	-2%	1%	18%	5%	-16.1%	5.6%	-13.6%	12.9%	0.1%	-19.5%
INFRA	1%	-8%	7%	6%	-3%	13%	9%	17%	14%	8%	6%	-12%	0%	11.3%	-4.3%	5.5%	-3.7%	4.1%
MEDIA	7%	-20%	9%	-3%	-15%	3%	30%	5%	-25%	13%	6%	-15%	-18.9%	18.9%	-12.1%	-7.7%	-2.7%	2.2%
METAL	16%	-27%	24%	17%	-18%	13%	10%	17%	3%	18%	5%	-16%	6%	4.9%	5.3%	9.7%	7.4%	3.5%
PHARMA	-4%	-10%	7%	-3%	-5%	15%	12%	9%	13%	3%	19%	0%	-9.1%	4.3%	-2.7%	5.1%	-3.7%	5.7%
PSU BANK	8%	-11%	23%	44%	-14%	11%	28%	9%	23%	5%	-8%	-4%	-3.5%	15.0%	4.5%	12.0%	7.0%	8.9%
Private Banks	2%	-9%	19%	10%	-6%	11%	1%	8%	-5%	12%	1%	-7%	4%	9.8%	-6.3%	7.4%	0.4%	0.2%
REALTY	-4%	-17%	10%	2%	-10%	34%	11%	36%	15%	22%	0%	-4%	-19.3%	15.9%	-12.1%	0.3%	-10.0%	-0.3%
SERV SECTOR	-1%	-12%	10%	6%	-7%	8%	1%	10%	1%	9%	9%	-4%	-1.3%	8.3%	-5.6%	5.2%	-1.1%	-2.4%

Source: Bloomberg, Axis Securities, Note: Outperforming sectors (vs. Nifty during the quarter) highlighted in green for the quarter

## India's Macro Fundamentals Remain Structurally Strong

- Indian equities have continued to underperform broader emerging markets and remain in a consolidation phase, although the broader market witnessed a recovery during the month. The S&P 500 paused its strong AI-led rally, delivering a marginal negative return of ~0.4% over the past month. Despite near-term relative underperformance, India's macro fundamentals remain structurally resilient, supported by stable growth, fiscal discipline, and improving earnings visibility. As corporate earnings recovery gathers pace and global volatility moderates, we expect Indian markets to gradually narrow the performance gap with emerging markets in the coming quarters.
- Positive Near-term Outlook:** Select export-oriented stocks (beneficiary of US-India and EU-India trade deals); Capital Goods; Metals; Rural theme; Domestic Cyclical PSUs
- Improving Outlook:** BFSI, Industrials, Utilities, Pharma
- Mixed Bag:** Discretionary, Consumption, Pvt Banks
- Near-term Challenging but Well-placed for Longer-time Horizons:** IT, Real Estate

National Index						
Index Performance (%)	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Nifty 50	-0.6%	-3.9%	3.1%	13.8%	-4.0%	13.8%
Nifty Next 50	2.8%	0.8%	6.0%	22.2%	-9.6%	22.2%
Nifty 500	0.4%	-3.2%	3.1%	16.5%	-5.4%	16.5%
Nifty Midcap 100	1.2%	-3.2%	6.1%	23.4%	-2.2%	23.4%
Nifty SmallCap 250	0.7%	-5.1%	-3.8%	14.7%	-13.9%	14.7%
Sector Index (%)	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
NIFTY AUTO	5.3%	1.4%	12.8%	37.4%	2.4%	37.4%
NIFTY BANK	1.5%	1.3%	12.8%	25.2%	11.3%	25.2%
NIFTY COMMODITIES	3.2%	8.1%	16.1%	31.1%	2.3%	31.1%
Nifty Financial Services	2.0%	-0.1%	9.0%	21.0%	10.8%	21.0%
NIFTY ENERGY	5.4%	4.2%	10.1%	23.4%	-16.1%	23.4%
NIFTY FMCG	-0.1%	-8.0%	-8.9%	0.9%	-22.7%	0.9%
NIFTY IT	-19.5%	-18.2%	-13.0%	-18.0%	-27.4%	-18.0%
NIFTY INFRA	4.1%	-1.3%	7.4%	24.4%	-1.4%	24.4%
NIFTY MEDIA	2.2%	-3.5%	-12.1%	2.1%	-34.1%	2.1%
NIFTY METAL	3.5%	18.9%	33.7%	48.9%	22.6%	48.9%
NIFTY PHARMA	5.7%	-0.2%	5.3%	15.8%	-1.3%	15.8%
NIFTY PSU BANK	8.9%	15.3%	45.4%	73.7%	44.3%	73.7%
Nifty Private Banks	0.2%	-0.6%	9.8%	18.1%	5.1%	18.1%
NIFTY REALTY	-0.3%	-13.6%	-10.4%	-2.2%	-31.0%	-2.2%
NIFTY SERV SECTOR	-2.4%	-4.9%	1.7%	9.9%	-4.1%	9.9%

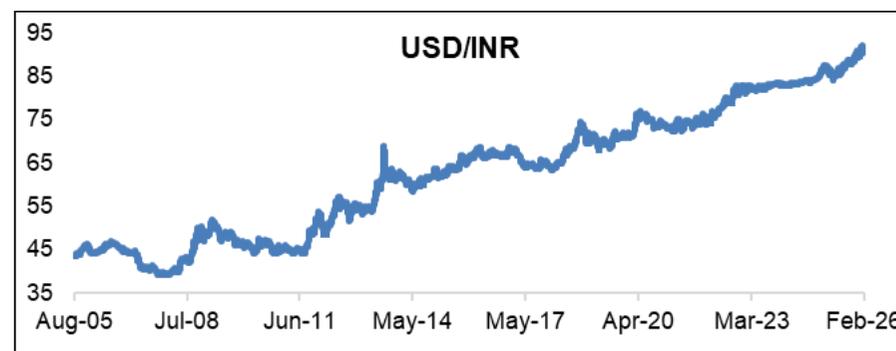
International Index						
Index Performance (%)	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Shanghai Comp	1.1%	7.1%	7.9%	25.4%	38.7%	25.4%
Bovespa	4.8%	19.5%	34.4%	54.8%	42.9%	54.8%
south africa	7.3%	16.6%	27.8%	53.3%	52.0%	53.3%
Korea	19.5%	59.0%	96.0%	146.5%	133.7%	146.5%
Mexico	5.6%	11.9%	22.1%	36.7%	32.9%	36.7%
Indonesia	-1.1%	-3.2%	5.2%	31.3%	6.3%	31.3%
Argentina	-13.9%	-9.0%	38.8%	24.9%	60.5%	24.9%
Japan	10.4%	17.1%	37.8%	58.4%	51.2%	58.4%
Hongkong	-2.8%	3.0%	6.2%	16.1%	33.7%	16.1%
Philippines	4.5%	9.8%	7.4%	10.2%	-11.4%	10.2%
Taiwan	10.5%	28.2%	46.1%	53.6%	54.9%	53.6%
Singapore	1.8%	10.4%	17.0%	28.2%	39.4%	28.2%
Thailand	15.3%	21.6%	23.6%	27.0%	5.0%	27.0%
Vietnam	2.8%	11.2%	11.8%	44.0%	45.6%	44.0%
Dow	1.2%	3.7%	8.7%	12.9%	17.4%	12.9%
Nasdaq	-2.5%	-2.1%	6.6%	21.4%	25.8%	21.4%
FTSE 100 INDEX	6.6%	12.1%	18.6%	23.7%	31.6%	23.7%
DAX INDEX	3.1%	6.1%	5.8%	12.2%	31.5%	12.2%
CAC 40 INDEX	5.9%	5.9%	11.7%	6.0%	11.1%	6.0%
S&P 500 Index	-0.4%	0.9%	6.9%	16.0%	20.3%	16.0%

Source: Bloomberg, Axis Securities, and Performance as of 27<sup>th</sup> February 2026

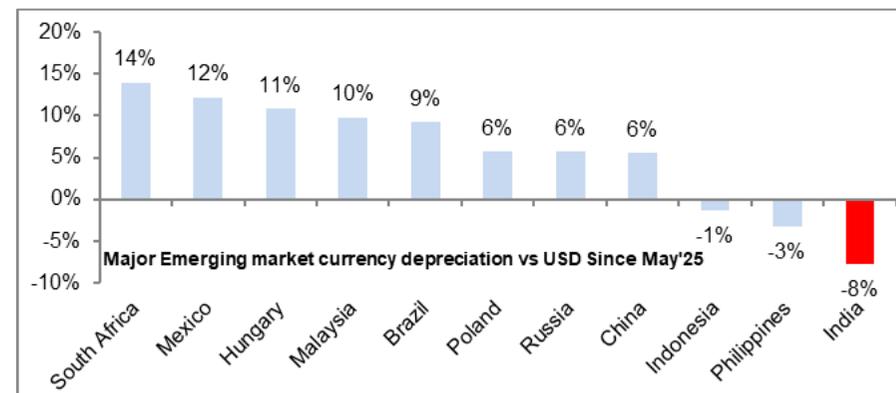
## Commodities Saw a Mixed Trend in the Last Month

- **Precious Metals:** Gold prices rally slowed down (+6.7% MoM) after a solid rally over the last 3-6 months.
- **Industrial Metals:** Aluminum and Copper corrected post recent rally, while Zinc rally also flattened during the month.
- **Crude:** Brent crude oil futures reached \$72.9 per barrel, near a seven-month high gaining 7% during the month, on US- Iran rising tension on nuclear negotiations.
- **Rupee:** The Indian rupee has continued to depreciate against the US dollar, declining nearly 8% since May 2025, underperforming several other emerging market currencies during the same period.

Market Indicator	27-02-2026	1m ago	3m ago	Since 28 Feb'25	Since 26 Sep'24	1Year
Brent Crude (\$/bbl)	72.9	70.7	63.2	73.2	71.6	73.2
Bond Yield (GOi 10Yr)	6.7	6.7	6.5	6.7	6.7	6.7
USD/INR	91.0	92.0	89.5	87.5	83.6	87.5
India Vix	13.7	13.6	11.6	13.9	12.0	13.9



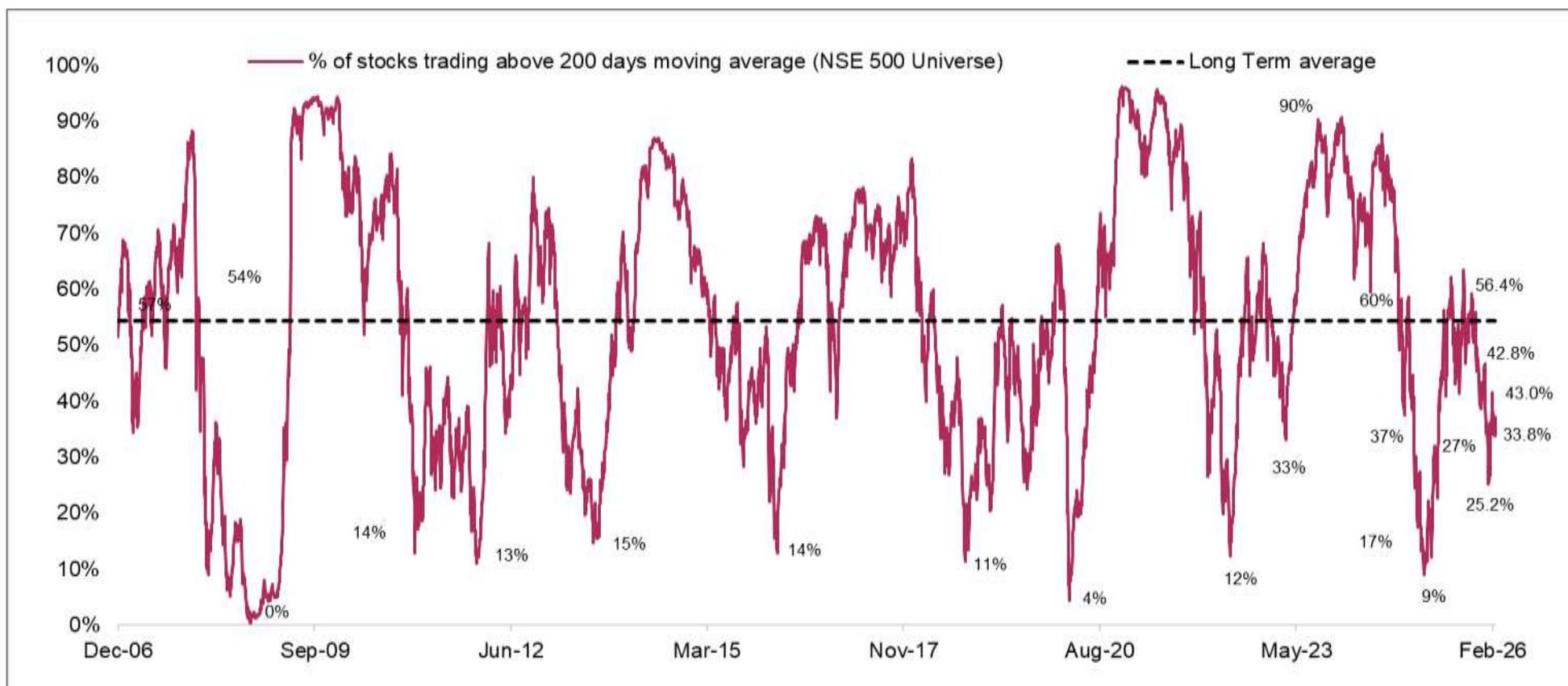
Commodity Index	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Gold (\$/OZ)	6.7%	23.2%	51.4%	82.7%	95.4%	82.7%
Steel (\$/ton)	1.1%	4.4%	-2.1%	-1.1%	1.1%	-1.1%
Aluminium (\$/ton)	0.4%	10.4%	19.1%	18.3%	21.9%	18.3%
Copper (\$/ton)	1.3%	17.8%	34.8%	41.7%	33.1%	41.7%
Zinc (\$/ton)	0.0%	2.7%	18.7%	20.7%	10.0%	20.7%



Source: Bloomberg, Axis Securities, Performance as of 27<sup>th</sup> February 2026

## NSE 500 Universe (200-day Moving Average) below the Average Levels

Only about 34% of the NIFTY 500 constituents are currently trading above their 200-day moving average, indicating that a significant portion of the correction may already be behind us and that the broader market is beginning to show early signs of recovery. However, the sustainability of this rebound will depend on a visible pickup in earnings growth, sustained FII inflows, stability in the rupee and crude oil prices, and easing geopolitical tensions. The interplay of these factors will be critical in determining the direction and strength of the next leg of the market cycle. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

## 52W-High Analysis

- Nifty has corrected by 0.6% since 30<sup>th</sup> Jan'26. 71 (vs. 41 in Jan'26) stocks are now trading near their 52-week highs.
- 174 (~35%) stocks are still trading below 20% of their 52-week highs (against 140 stocks in Jan'26).
- 126 (25%) of the stocks have corrected by over 30% from their 52-week high (vs. 26% in Jan'26).
- 30% of the Large caps are now at 52 Week high (vs. 17% in Jan'26), indicating funds shifted to stable Large cap names.
- Similarly, out of 55 PSUs, 16 stocks are near their 52-week high vs. 12 stocks in Jan'26, indicating funds flowed towards quality PSUs in the last one month.

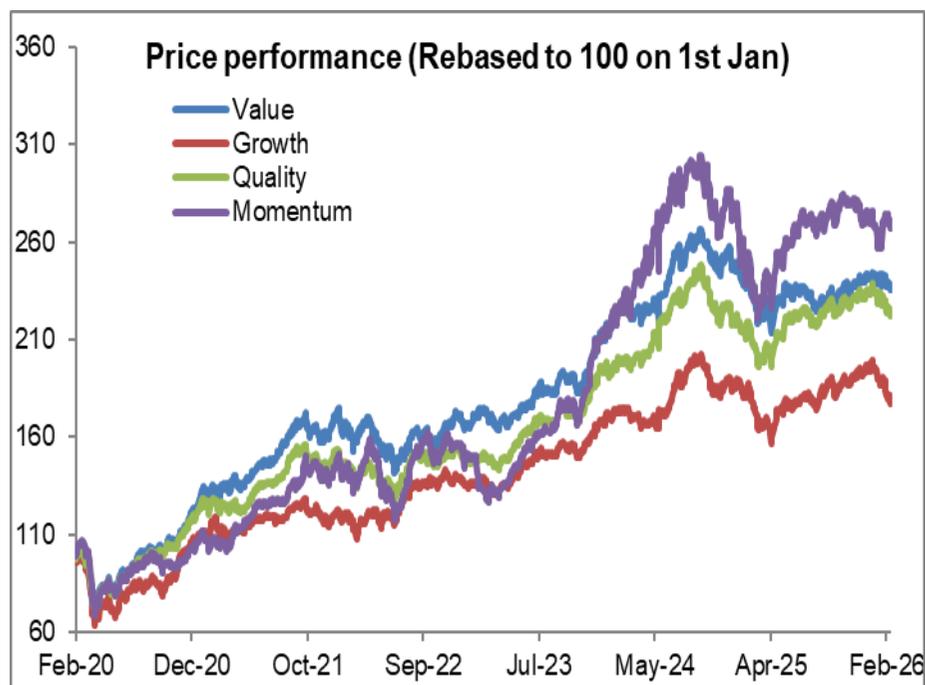
Sector	No of Stocks	Current level of number of stocks as compared to 52W high			
		Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	36	0	10	14	12
Auto & Anc	42	10	19	7	6
Banks	28	12	13	2	0
Build Mate	40	3	11	13	13
Discretionary	30	2	5	9	14
Healthcare	49	9	21	12	7
Industrials	46	11	11	7	16
IT	42	0	1	13	28
Metals & min	25	5	15	4	1
NBFC	61	5	26	16	12
Oil & gas	16	5	8	2	1
Others	8	1	4	1	2
Staples	34	3	7	12	12
Tele & Media	15	0	5	4	6
Transport	10	2	3	5	0
Utilities	18	2	9	3	4
<b>Total</b>	<b>500</b>	<b>71</b>	<b>174</b>	<b>126</b>	<b>129</b>
<b>Large cap</b>	<b>100</b>	<b>30</b>	<b>42</b>	<b>16</b>	<b>8</b>
<b>Mid cap</b>	<b>150</b>	<b>27</b>	<b>50</b>	<b>40</b>	<b>26</b>
<b>Small cap</b>	<b>250</b>	<b>14</b>	<b>82</b>	<b>70</b>	<b>95</b>
<b>PSUs</b>	<b>55</b>	<b>16</b>	<b>20</b>	<b>10</b>	<b>7</b>

Source: Bloomberg, Axis Securities

## Style Indicators

### Quality was the Best-Performing Theme in 2025; Momentum Gained Traction in Last One month

- Both quality and growth styles have outperformed value and momentum, reflecting investor preference for earnings visibility and balance-sheet strength amid uncertainty. However, over the past month, momentum has taken the lead, suggesting heightened volatility and limited market direction. Ongoing geopolitical developments and frequent global news flows have kept sentiment fragile, resulting in short-term trend-driven moves where momentum strategies have temporarily outpaced other style factors.
- We believe that structural growth plays, offering long-term earnings visibility from sectors like PSU, Capital goods, Metals, Banks, Auto, commodity will continue to do well irrespective of the near-term volatility.

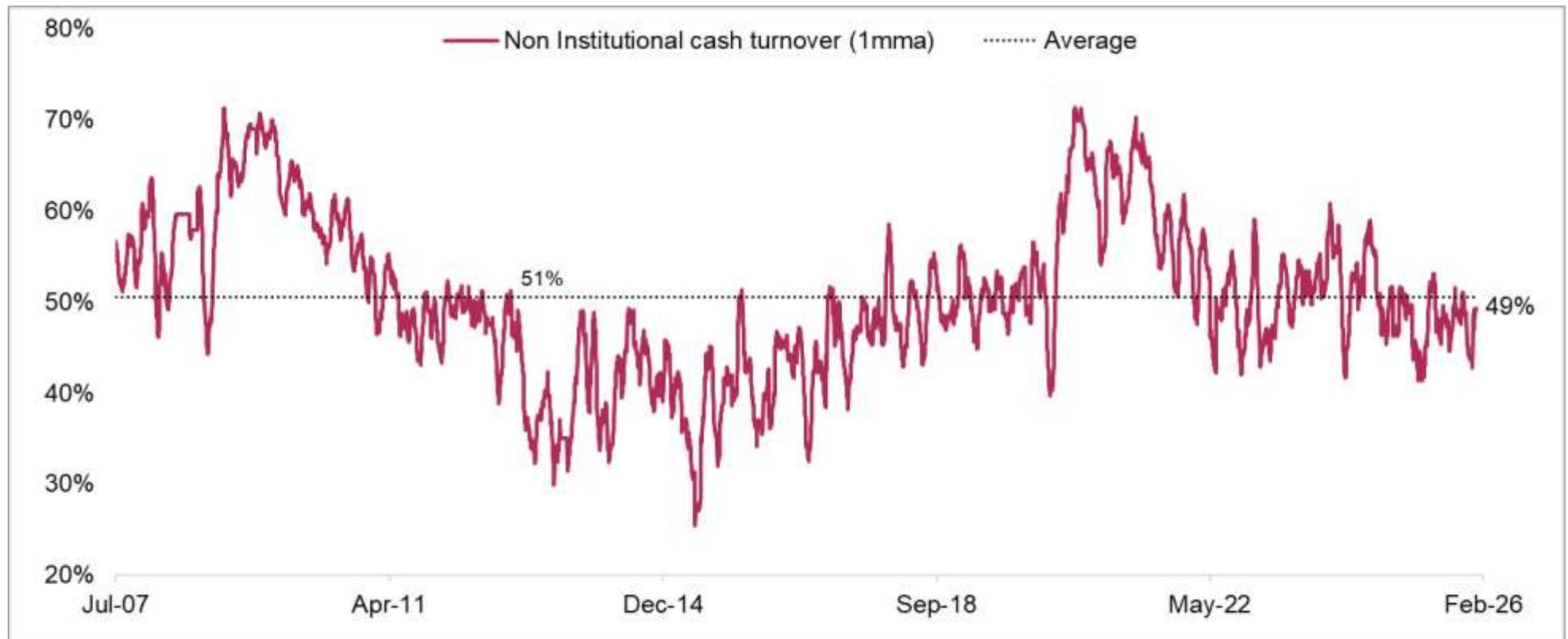


Perf	Performance (%)			
	Value	Growth	Quality	Momentum
2022	-0.9%	12.4%	-0.9%	7.1%
2023	27.8%	24.8%	32.0%	39.0%
2024	15.6%	9.8%	11.3%	30.0%
2025	-1.2%	5.4%	7.3%	-0.7%
1m	-2.5%	-4.3%	-4.1%	2.2%
3m	-1.8%	-7.8%	-4.4%	-5.1%
6m	3.2%	-1.5%	0.1%	0.5%
1YR	7.7%	8.5%	13.1%	20.9%
2YR	5.0%	2.9%	12.6%	19.4%

Source: Bloomberg, Axis Securities, Performance as of 27th February'26

## Non-institutional Turnover Remains Around Average Levels

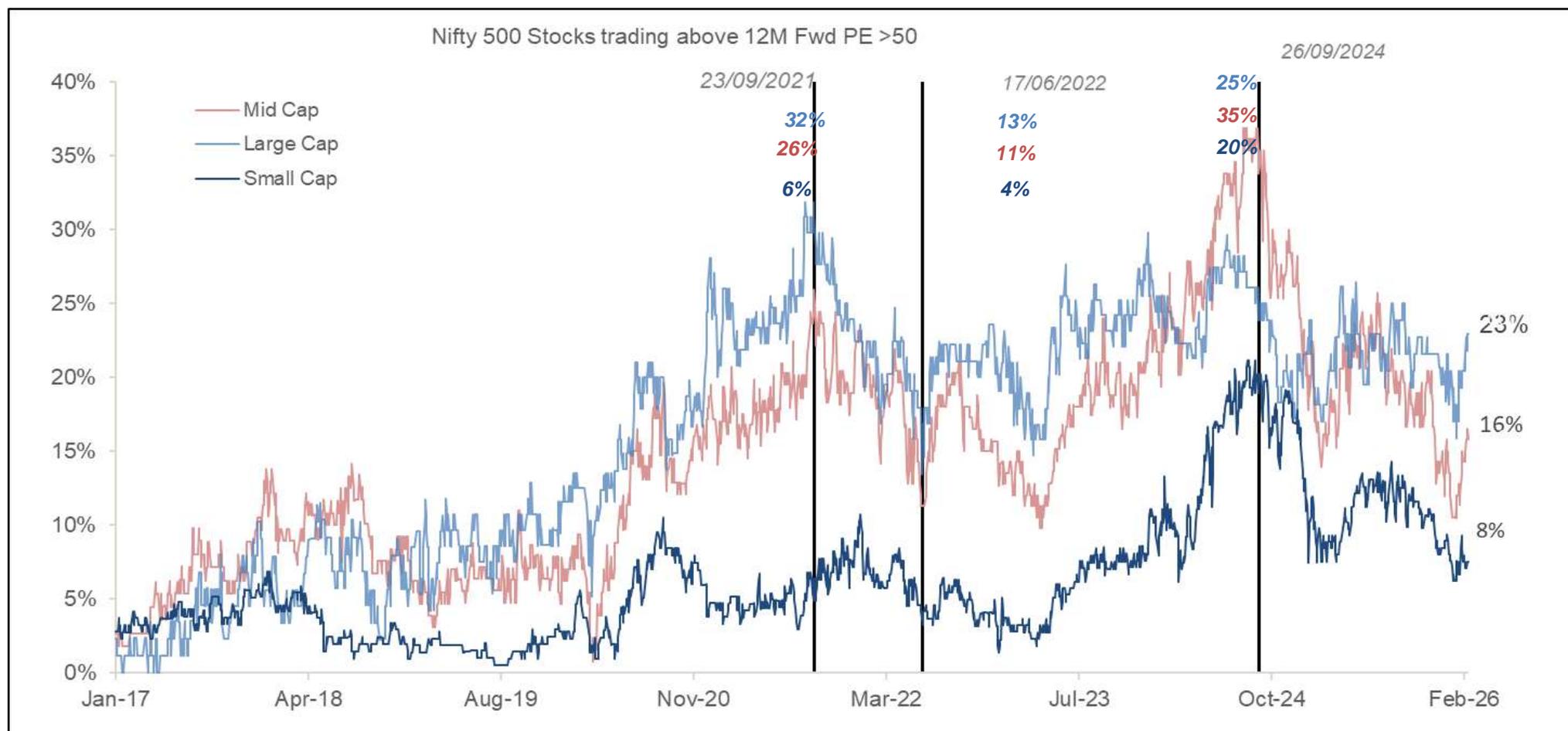
- Non-institutional (Retail) turnover is currently slightly below its long-term average of 50%. Turnover saw a dip in the last two months due to heightened volatility and lower-than-expected returns in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is the only asset class that has given a positive return on the longer time frame and outperformed other asset classes.



Source: Bloomberg, Axis Securities

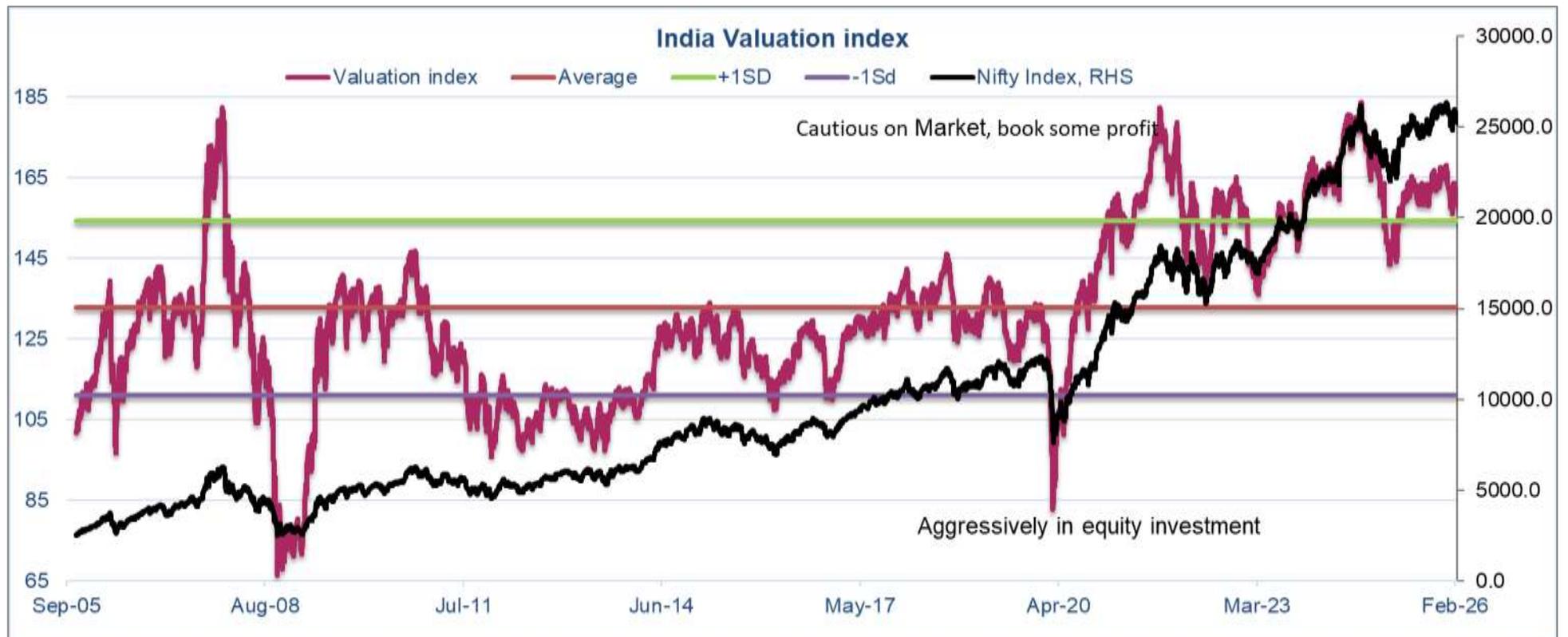
## Number of NSE 500 stocks trading above 12M Fwd PE>50

Valuation compression has been evident across large-, mid-, and small-cap segments since October 2024, primarily driven by sustained FII selling over the past 18 months amid valuation concerns and relatively more attractive opportunities in other emerging markets. In the current cycle, cumulative net FII outflows have reached approximately \$11.5 billion since FY2020, contributing to multiple contractions despite stable domestic fundamentals.



## India Valuation Index: Trading Slightly Above 1std; Earnings Upgrades/Downgrades Remain Critical

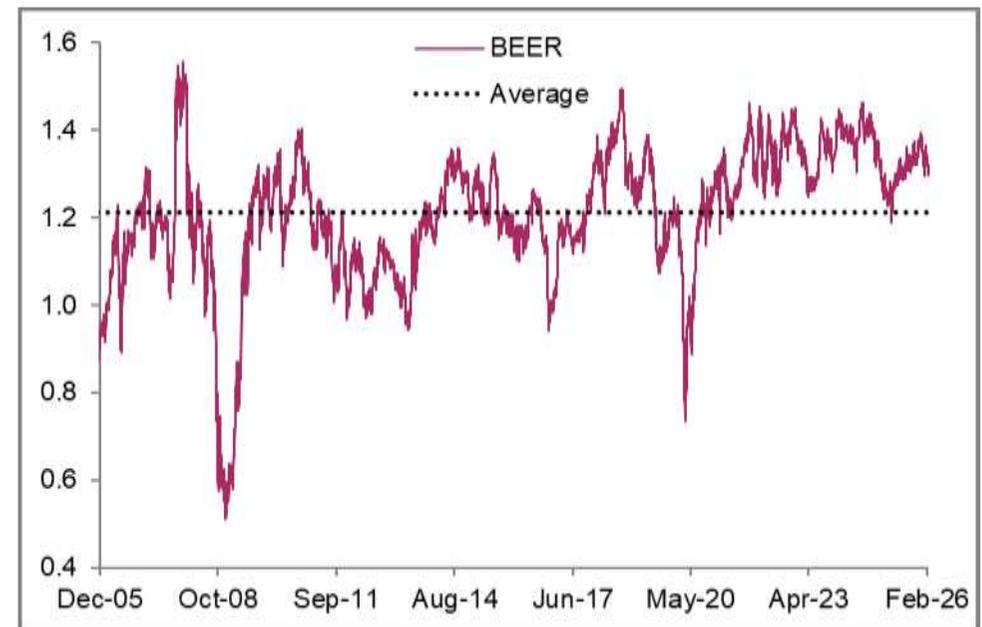
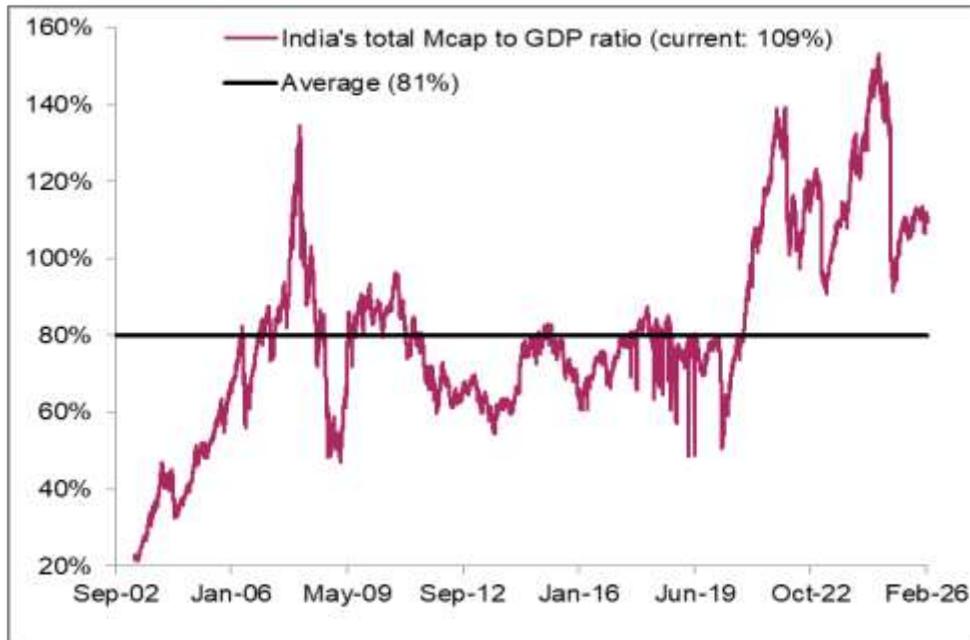
- Market valuations are currently trading slightly above the +1 standard deviation band, indicating that the scope for further multiple re-rating is limited at this stage. As a result, market performance is likely to be increasingly driven by earnings delivery rather than valuation expansion. In this environment, disciplined stock selection and timely sector rotation will be critical in generating alpha and achieving relative outperformance.
- The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and MCAP to GDP Ratio).



Source: Bloomberg, Axis Securities

## In terms of Mcap to GDP, India Stands Less Expensive than the US Market

- **BEER:** Indian bond yields have corrected by 15-16 bps since Sep'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union Budget, and rate cuts by the RBI indicate some cooling off in bond yields. After correction in the equity market, the Bond to Equity Earning Yields ratio is still trading slightly above the long-term average.
- **India's Total Market Cap to GDP has eased from recent highs** and is trading at 109%, though above its long-term average (rebased after the FY26 GDP estimate of Rs 393 Tn released by the government on 1<sup>st</sup> Feb'26). This indicates that the market has now retraced from overvaluation towards fair valuation.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.

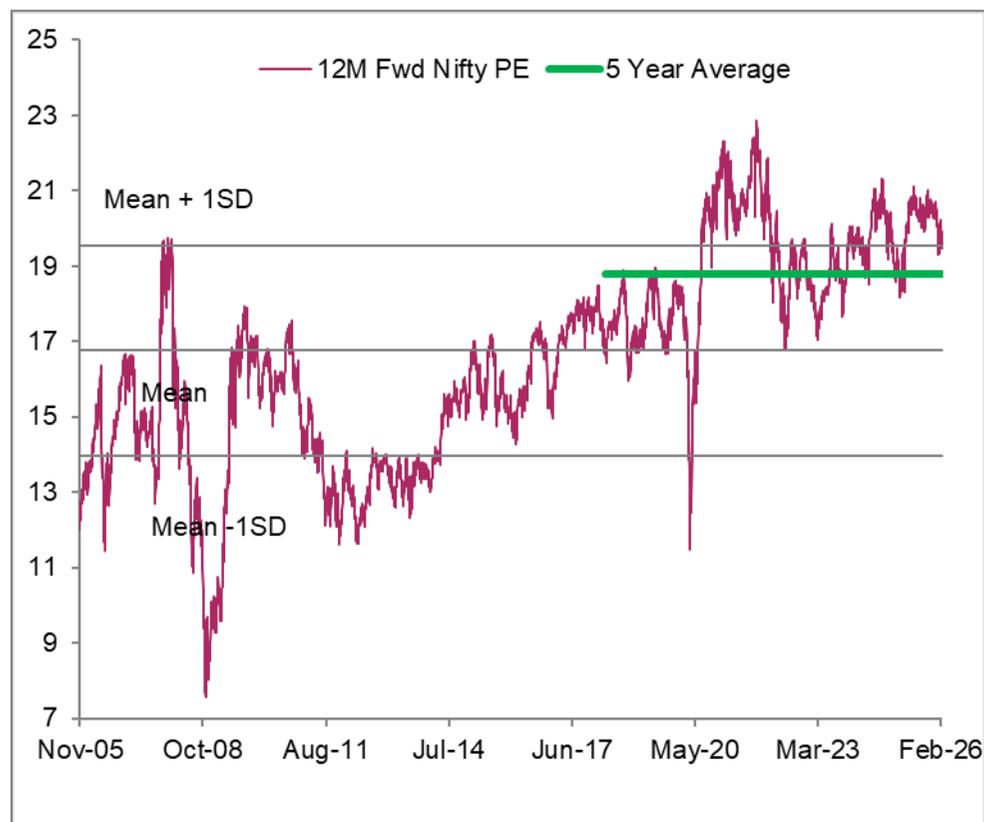


Source: Bloomberg, Axis Securities

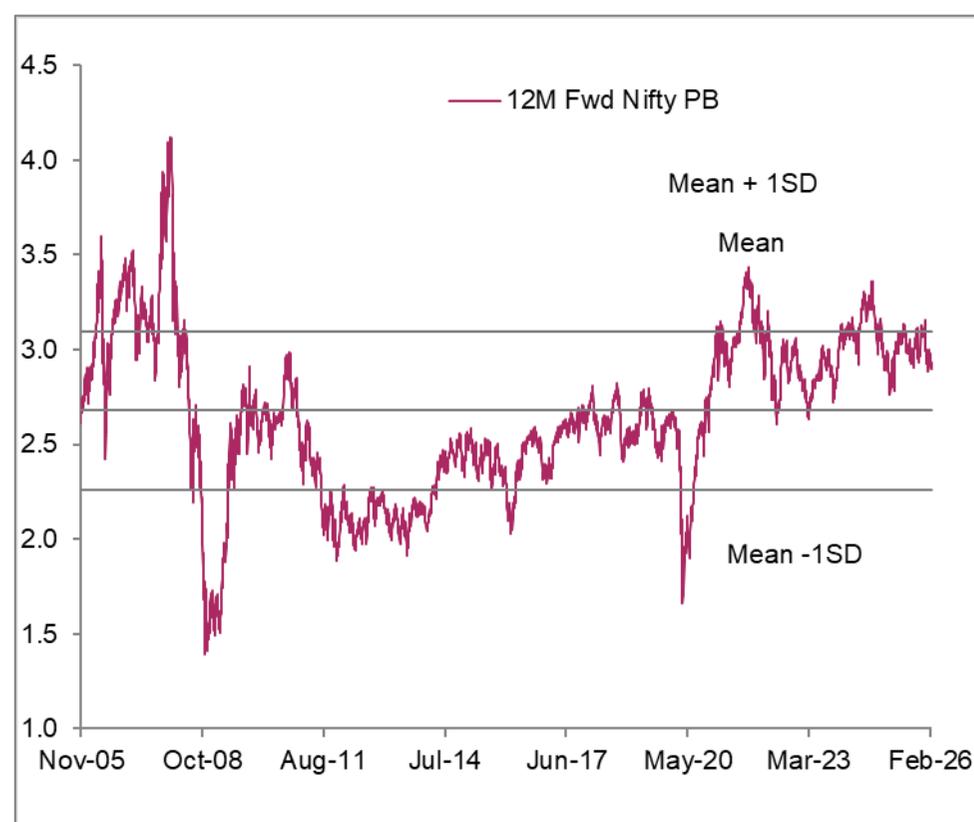
## Market Valuations: 12M Fwd PE Now Trading at 19.7x – slightly eased from recent high of 21x

- NIFTY is currently trading at 19.7x on a 12M Fwd PE, which stands near +1std to its long-term average. However, it trades slightly below the +1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.

Nifty 12M Fwd PE



Nifty 12M Fwd PB



Source: Bloomberg, Axis Securities

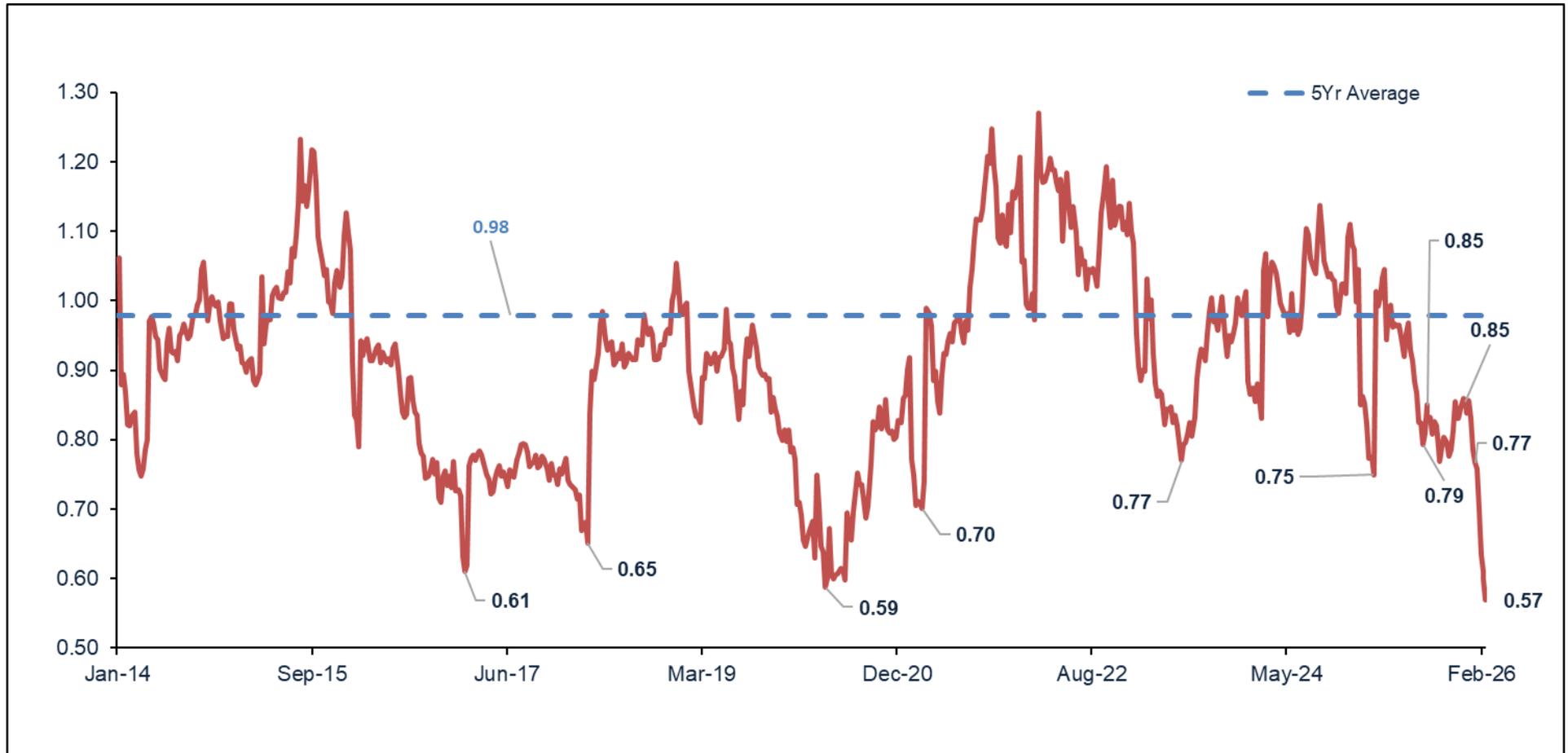
## Valuation Correction in the Broader Index

- Most of the sectors are still in the Oversold zone as compared to the Sep'24 levels.

	12m fwd PE	Long-term Avg	Valuation as of Sep'24	% down from Sep'24
PSU Banks	10.9	10.0	7.6	43.5%
Banks	14.9	15.9	14.2	4.8%
Auto	25.7	19.4	24.8	3.4%
Energy	14.8	11.7	15.3	-2.9%
Pharma	29.0	24.1	30.8	-6.0%
Infra	20.9	18.8	22.6	-7.7%
<b>Nifty</b>	19.5	<b>18.2</b>	<b>21.3</b>	<b>-8.3%</b>
Metal	14.3	11.3	16.2	-11.7%
Service sec	18.2	18.3	20.6	-11.7%
Media	18.9	22.5	25.3	-25.3%
IT	18.8	21.1	29.2	-35.6%
FMCG	25.4	33.5	42.9	-40.7%
Realty	25.4	27.0	44.7	-43.3%

Source: Bloomberg, Axis Securities

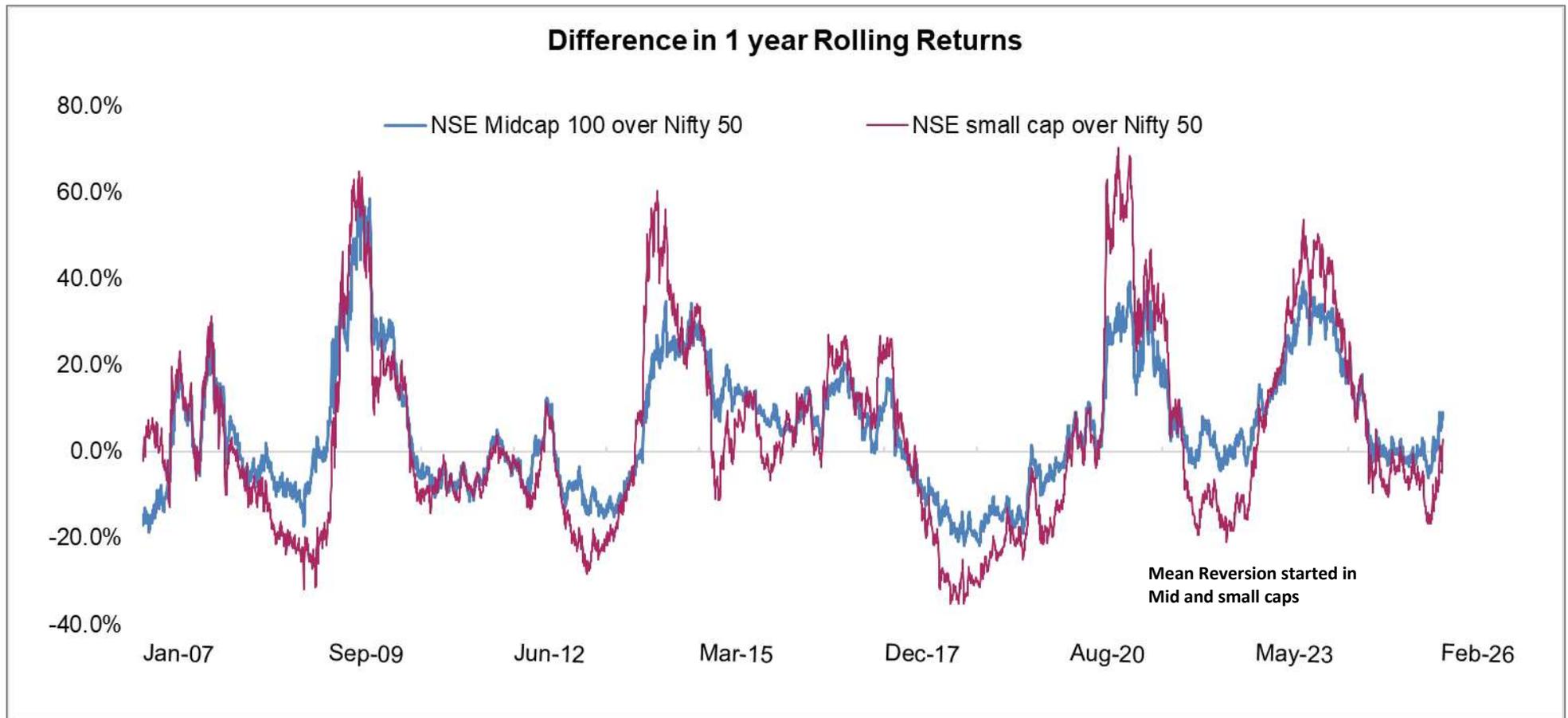
## Nifty IT vs NASDAQ 100 - Relative 12M Fwd PE



Source: Bloomberg, Axis Securities

## The Market is on the Verge of Mean Reversion in 1-year Rolling Returns

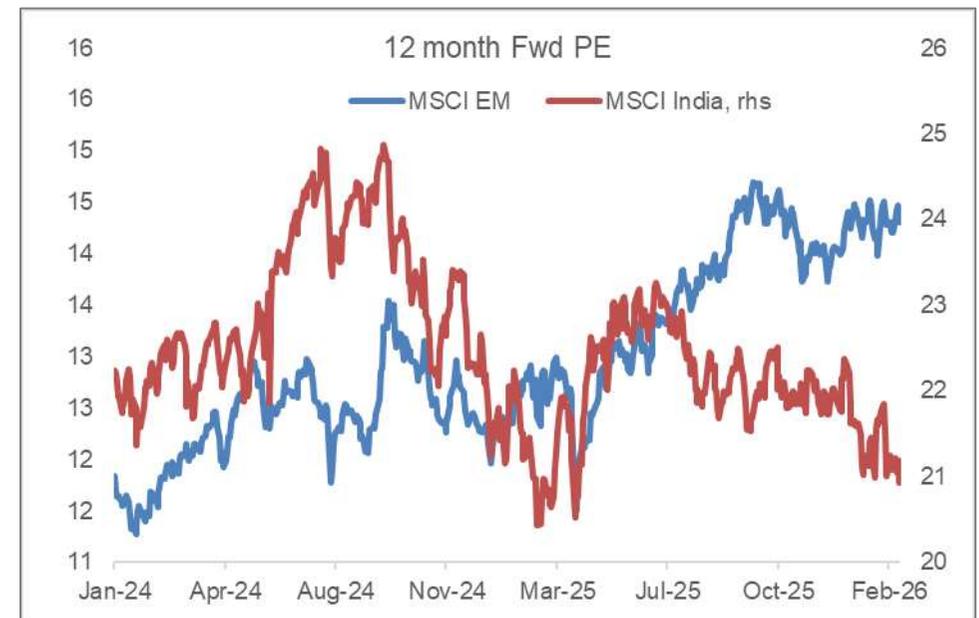
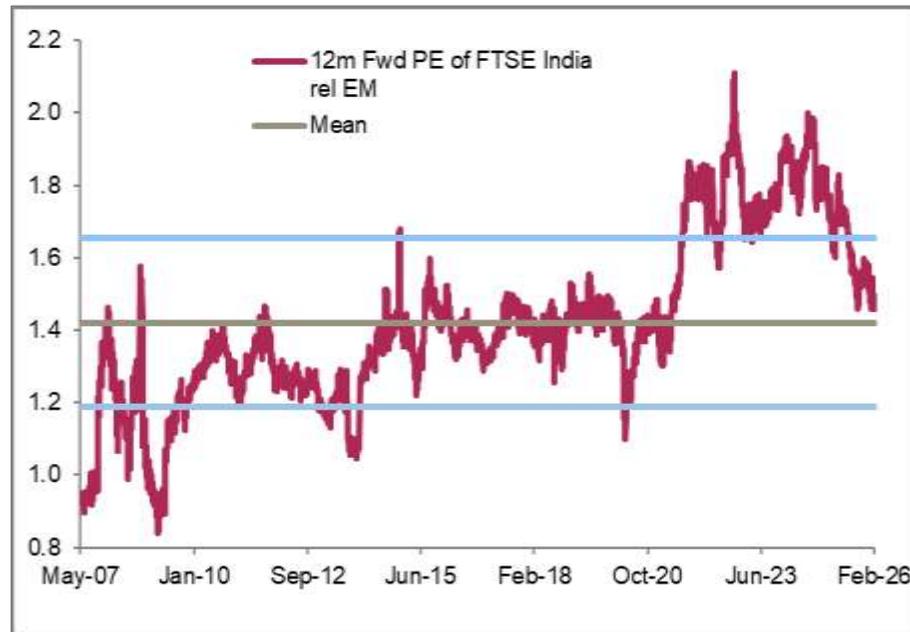
The broader market is on the verge of mean reversion.



Source: Bloomberg, Axis Securities

## Market Valuations: On a Relative Basis, India Looks Attractive vs the EM Index

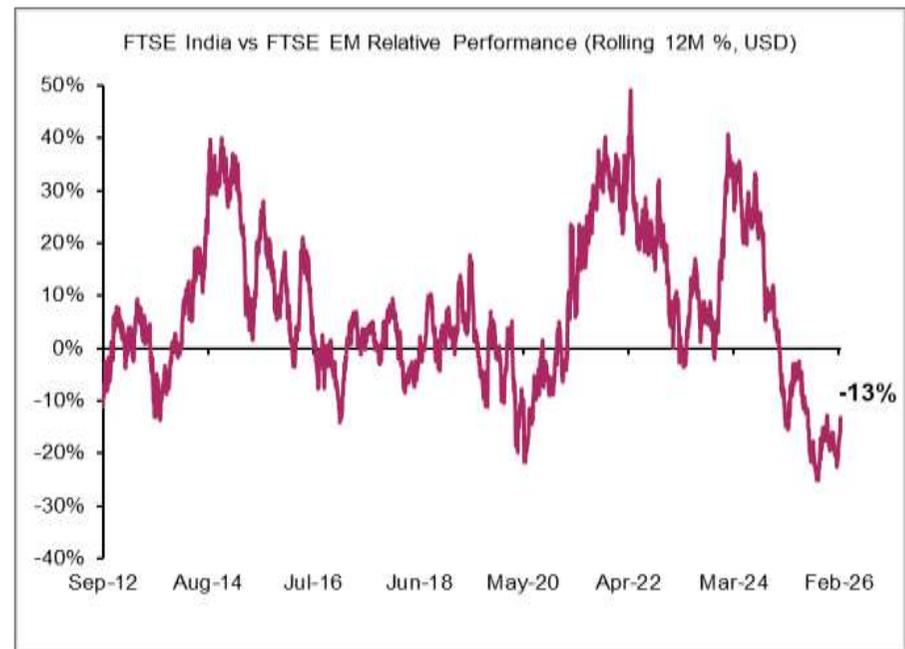
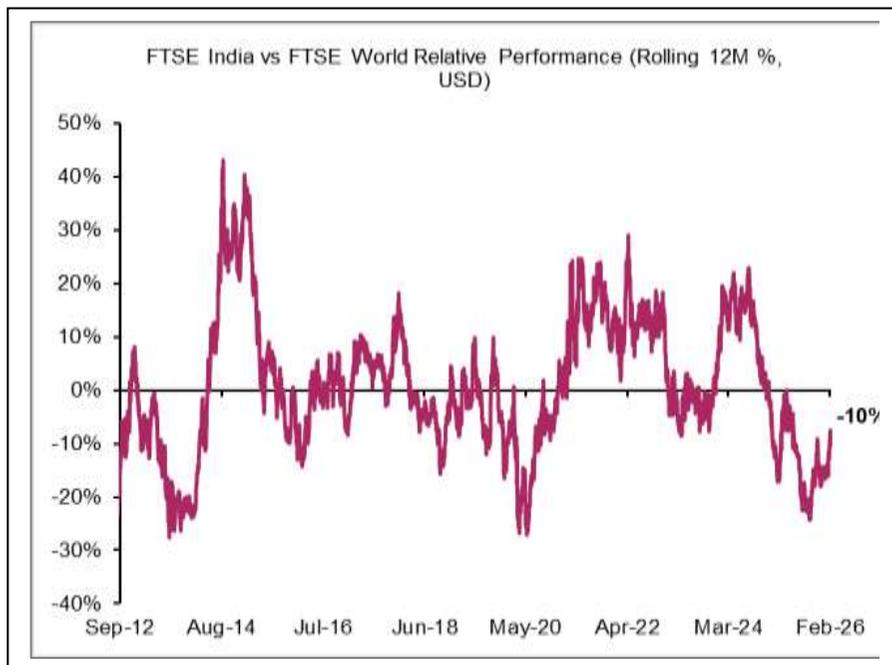
- Benchmark indices have corrected from all-time highs, and so have the valuations. As of early February 2026, the FTSE India index was trading at a PE premium of approximately 55% over the Emerging Markets (EM) index. During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 55% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY27, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, and f) GST 2.0 reforms.



Source: Bloomberg, Axis Securities

## Where India Stands vs the Emerging Market and World Index

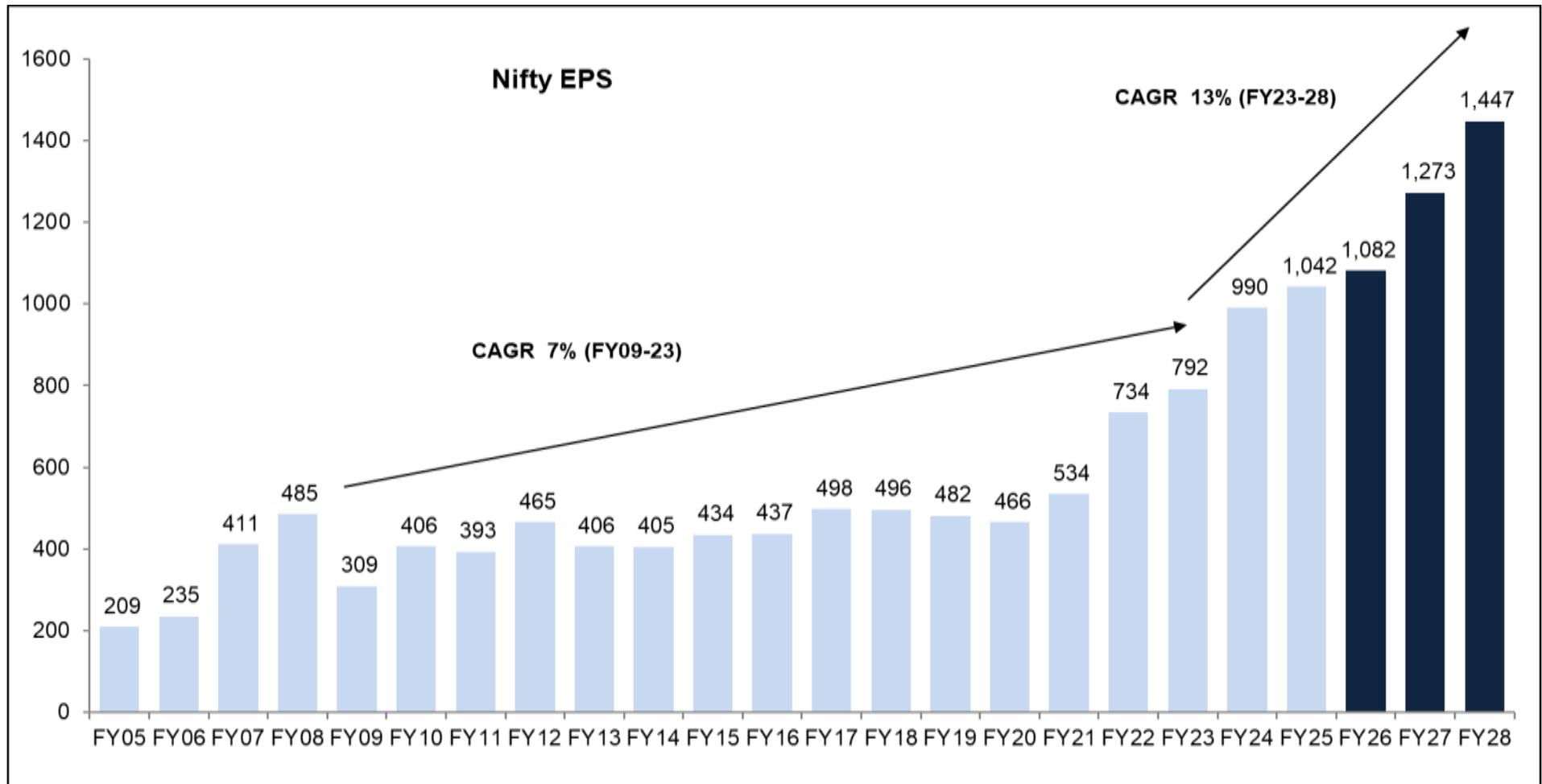
- Relative underperformance of the Indian market has led once again to lower levels vs the world and the emerging markets.
- Stable currency, earnings recovery, and stable macro policy could lead to mean reversion going forward.



Source: Bloomberg, Axis Securities

## NIFTY EPS Growth Expectation Remains Robust

- Nifty EPS is expected to grow at 13% CAGR over FY23-FY27 vs. 7% CAGR over FY09-FY23.



Source: Bloomberg, Axis Securities

## Marginal Cut in Nifty EPS.... No Major Downgrade

- After Q3FY26, we foresee FY27/28 NIFTY Earnings at 1273/1447. We have downgraded our FY27/28 expectations marginally by 0.5% and 0.4%, respectively. The majority of the downgrades are related to downgrades seen in FMCG (muted guidance), Auto (owing to TATA Motors passenger vehicle), the Pharma, Oil & Gas, and Cement sector, while upgrades were visible in Metals (continues improvement in Profitability trends). Auto earnings are expected to grow, except for TMPV.
- Q3FY26 earnings were largely in line with expectations, reflecting improving business momentum. GDP growth remained robust at 7.8% in Q3FY26, supported by strong performance in manufacturing and services. Corporate performance in Q4FY26 is also expected to remain healthy. We believe the earnings cycle is gradually strengthening, backed by sustained economic activity, higher capital expenditure, and a recovery in consumption. Overall, FY26 is likely to be stronger than FY25, with FY27 expected to see further improvement as operating leverage and credit growth accelerate.

Nifty EPS Sector	Post Q2FY26			Post Q3FY26			Chg post Q3FY26		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Financial	480	557	656	483	559	644	0.6%	0.4%	-1.9%
IT	118	128	138	116	129	137	-1.0%	0.9%	-1.0%
Oil & Gas	116	129	143	115	126	136	-1.1%	-2.1%	-5.1%
FMCG/Discretionary	71	85	98	65	78	89	-8.4%	-8.6%	-9.9%
Power	42	41	49	42	46	48	-0.5%	11.7%	-1.3%
Industrial	59	73	86	59	73	85	0.9%	-0.8%	-1.3%
Pharma	33	36	41	32	35	40	-1.2%	-2.6%	-2.9%
Metals	75	88	96	72	91	98	-3.8%	2.9%	2.1%
Automobile	73	87	98	55	80	96	-24.8%	-7.6%	-2.1%
Cement	8	10	12	7	10	12	-5.5%	-4.3%	-4.9%
Telecom	29	41	52	28	41	51	-2.2%	-0.4%	-0.9%
<b>Total</b>	<b>1,108</b>	<b>1,279</b>	<b>1,453</b>	<b>1,082</b>	<b>1,273</b>	<b>1,447</b>	<b>-2.3%</b>	<b>-0.5%</b>	<b>-0.4%</b>

Source: Bloomberg, Axis Securities

## The Last 4 Quarters' Rolling Profits for NSE 500 (Sum of the Earnings of the Last 4 Quarters)

### A few interesting findings from our study: Sector-wise:

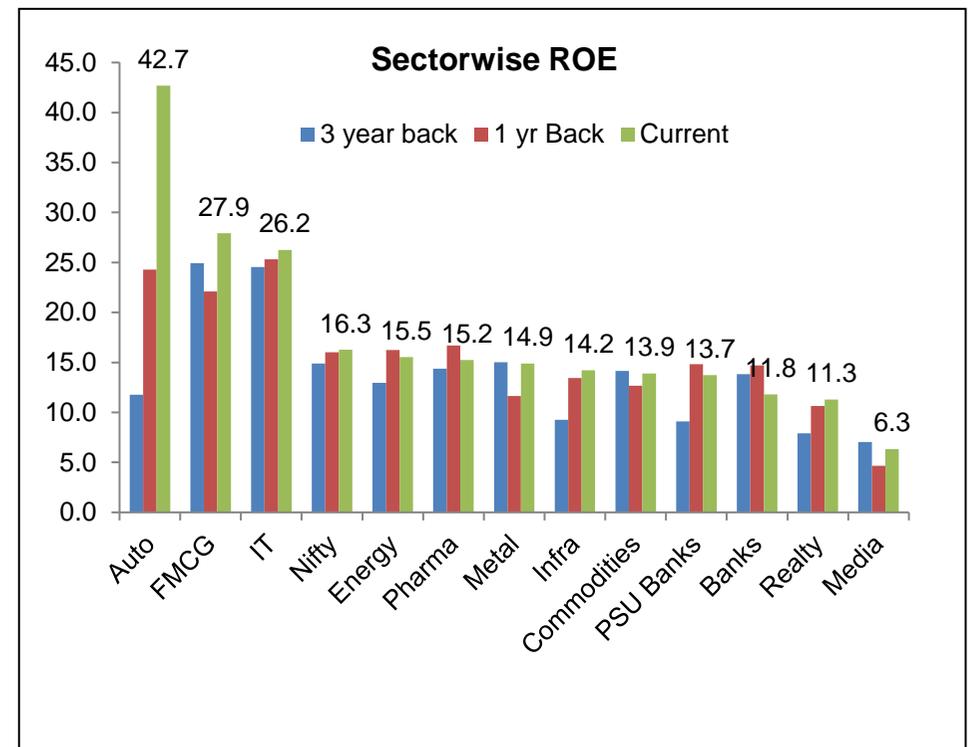
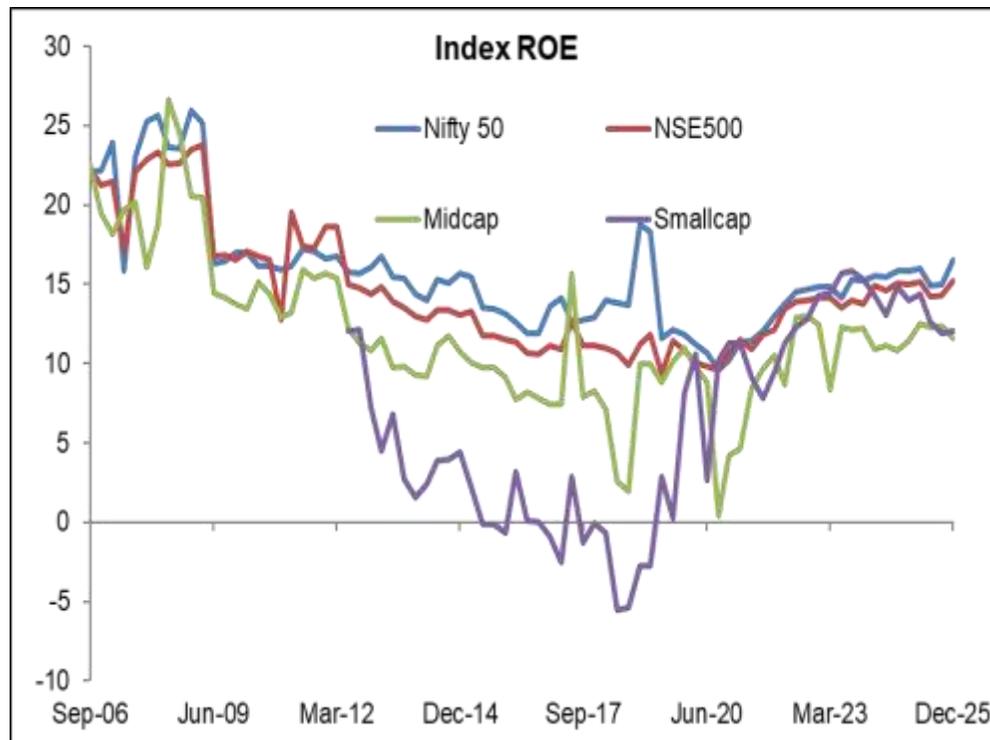
- The last 4 quarters' cumulative net profit reached an all-time high in Q3FY26, crossing the mark of 16.5 Lc Cr.
- NSE 500 earnings grew by 14% YoY, indicating a broad-based recovery in earnings during the quarter. Auto, Metals, Staples, Oil & Gas, and industrials witnessed notable YoY growth, while IT and Health care witnessed moderate growth.

Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)												
	Q2FY20	Q4FY23	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q-o-Q Growth %	Y-o-Y Growth %
Auto & Anc	36,212	43,028	68,426	70,977	72,945	73,813	75,509	77,647	84,321	88,623	5.1%	20.1%
Staples	34,044	49,516	48,309	50,298	49,873	50,775	69,875	70,478	70,070	74,705	6.6%	47.1%
Discretionary	18,283	30,085	30,085	33,752	35,517	37,134	38,828	36,400	29,207	30,731	5.2%	-17.2%
Financials	85,507	3,87,050	4,91,062	5,12,352	5,32,335	5,55,935	5,67,553	5,79,079	5,97,883	6,16,356	3.1%	10.9%
IT	81,462	1,14,293	1,22,274	1,24,997	1,29,644	1,33,100	1,32,401	1,35,566	1,43,461	1,39,716	-2.6%	5.0%
Oil & gas	1,00,204	1,28,660	2,29,182	1,99,877	1,73,186	1,69,965	1,67,660	1,87,145	2,05,215	2,21,240	7.8%	30.2%
Metals & min	58,266	88,438	87,823	91,399	1,01,569	1,00,859	1,11,935	1,16,729	1,19,285	1,23,257	3.3%	22.2%
Industrials	31,188	37,174	48,191	50,923	59,526	60,645	70,638	72,172	82,227	84,937	3.3%	40.1%
Build Mate	22,387	23,965	36,531	37,477	37,743	45,690	37,098	38,758	46,008	46,897	1.9%	2.6%
Healthcare	28,133	39,045	50,109	59,490	62,670	64,931	69,323	64,035	67,356	67,755	0.6%	4.3%
Utilities	27,165	59,631	74,954	71,391	67,802	68,312	72,397	74,382	76,201	76,250	0.1%	11.6%
Transport	2,462	4,152	13,326	13,307	12,377	11,988	13,445	12,705	11,014	9,704	-11.9%	-19.1%
Agri & Chem	12,424	31,842	17,428	16,874	17,128	19,783	23,502	24,661	24,003	23,692	-1.3%	19.8%
Tele & Media	-19,015	12,474	15,212	18,160	22,784	38,279	50,953	52,344	52,597	41,866	-20.4%	9.4%
Others	12,486	16,661	16,277	23,158	29,535	26,194	13,991	12,780	12,984	17,884	37.7%	-31.7%
<b>Total</b>	<b>5,31,208</b>	<b>10,66,015</b>	<b>13,52,675</b>	<b>13,74,433</b>	<b>14,04,634</b>	<b>14,57,405</b>	<b>15,15,109</b>	<b>15,54,882</b>	<b>16,21,832</b>	<b>16,63,611</b>	<b>2.6%</b>	<b>14.1%</b>
<b>Ex Oil and Gas</b>	<b>4,31,004</b>	<b>9,37,354</b>	<b>11,23,493</b>	<b>11,74,556</b>	<b>12,31,448</b>	<b>12,87,440</b>	<b>13,47,448</b>	<b>13,67,737</b>	<b>14,16,617</b>	<b>14,42,371</b>		
<b>Total Growth</b>		<b>2%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>		
<b>Growth ex Oil and Gas</b>		<b>8%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>2%</b>	<b>4%</b>	<b>2%</b>		

Source: Bloomberg, Axis Securities, Note: Tata Motors, IRB and Vodafone are not included in the study.

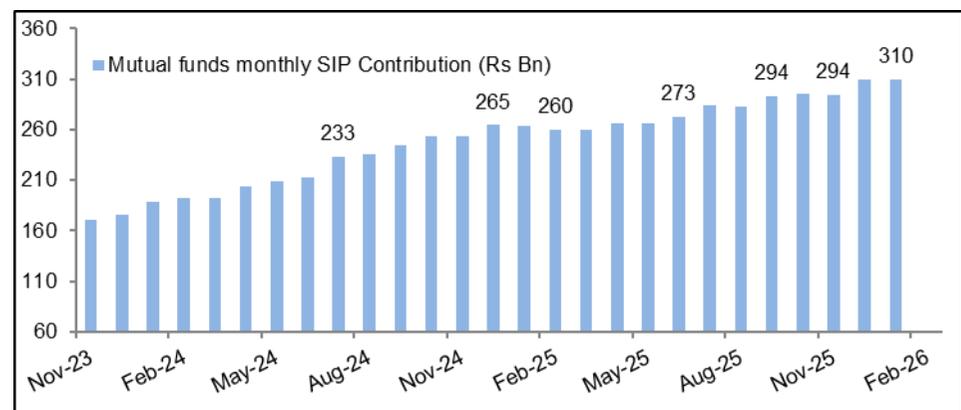
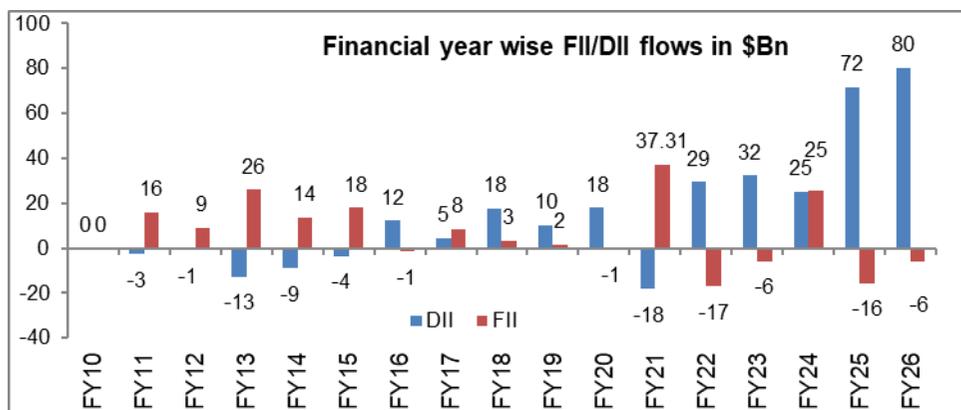
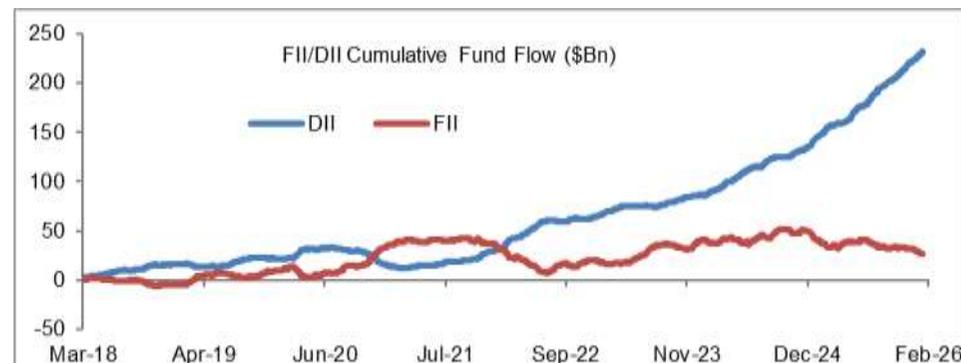
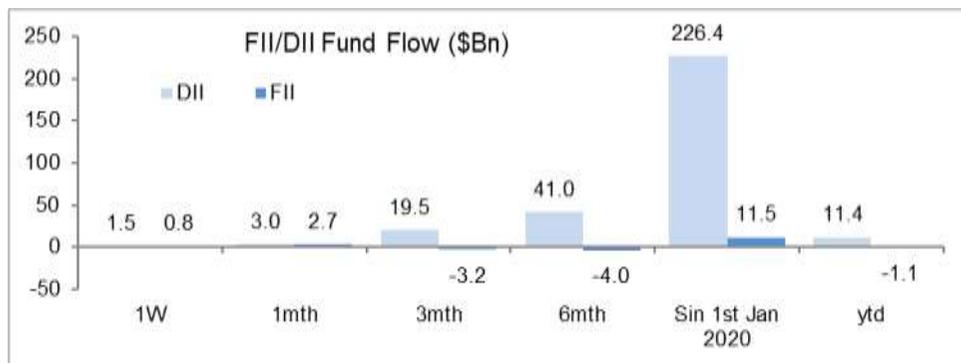
## Return Ratios Improving

- ROE is improving across the market caps, particularly Nifty50 and NSE 500.
- Some moderation seen in the ROE of the cyclical sector. However, current ratios are higher than the pre-pandemic levels.
- Significant improvement has been seen in the PSU banks' ROE in the last 1year.
- The Auto, Energy, and Pharma sectors' ROE has improved in the past year based on the positive outlook.
- Return on equity for the NIFTY 50 has improved over the past year and currently stands at 16.3%, indicating strengthening corporate profitability. At the same time, the index is trading at around 20x FY27 forward earnings, suggesting valuations appear broadly balanced in the context of improving ROE and earnings visibility, though they cannot be



## Institutional Flows Reflect Strengthening Domestic Resilience

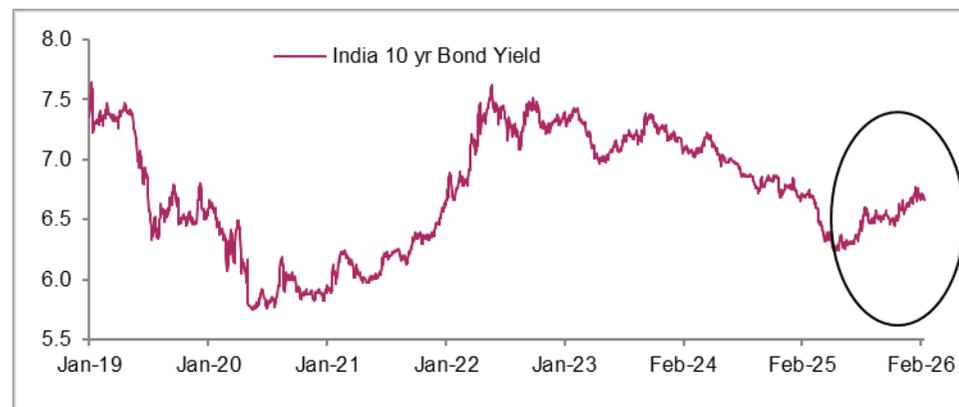
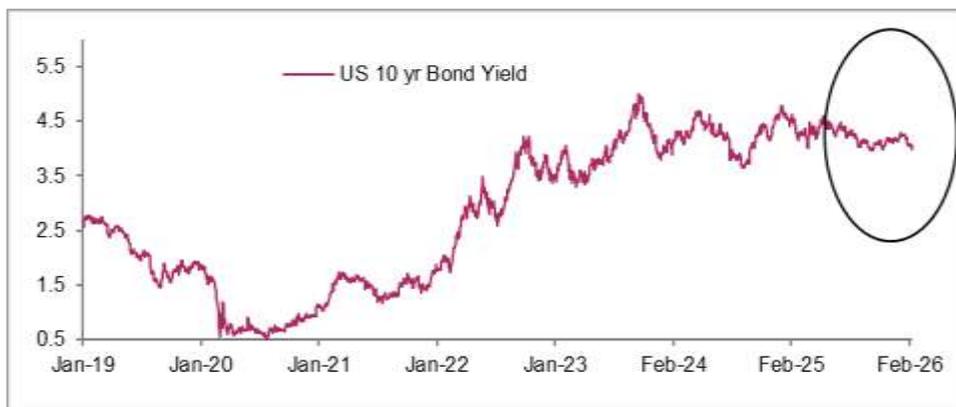
- While FII flows remained negative over the past three months, February 2026 marked a meaningful shift, with foreign investors turning net buyers to the tune of \$2.1 billion — the highest monthly inflow in the last 17 months. This reversal signals improving global sentiment toward Indian equities. Importantly, the Indian market has structurally reduced its overdependence on FII flows since FY20. During this period, Domestic Institutional Investors (DIIs) have invested a robust \$226.4 billion, compared to cumulative FII inflows of \$11.5 billion. The strong and consistent domestic participation has provided stability to markets, reinforcing the depth and resilience of India's equity ecosystem while positioning it well to benefit from renewed foreign inflows.
- In FY26 so far, FIIs have pulled out \$6 Bn, while DIIs have invested \$80 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 29,000 Cr for the first time in Sep'25. FEB'26 SIP Contribution stood at Rs 31,000 Cr.



Source: Bloomberg, Axis Securities

## Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last month and are hovering around 3.9%-4.1% levels. Fed cut direction remains critical for the market.
- Indian bond yields rose from 6.3% in Feb'25 to 6.7% in Feb' 26 despite a 125-bps rate cut by the RBI in 2025. Higher budgeted borrowings (Rs 17.2 Lc Cr), RBI's pause, and low deposit growth in Banks led to the recent rise in bond yields.
- The correlation between the Indian and US markets has now decoupled and stands at -19% levels vs. the historical pattern of 70%.



## Q3FY26 Earnings Performance: Earnings Seem to be Bottoming Out, Optimism Improving for FY27 Onwards

- 1) 84% of Nifty 50 companies either beat or were in line with the revenue expectations, while 72% were either in line or beat the earnings expectations. Nonetheless, the commentaries are slightly improving, and the recovery is expected to continue.
- 2) The Nifty delivered a ~7% YoY PAT growth. Nifty reported a single-digit earnings growth for the seventh consecutive quarter since the pandemic.

Nifty Q3FY26		Earnings			EBITDA			Revenue	
Results Out	BEAT	INLINE	MISS	BEAT	INLINE	MISS	BEAT	INLINE	MISS
50	23	13	13	17	17	13	10	32	7

Source: Bloomberg, Axis Securities

## BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH

Bajaj Finance (BAF) is one of India's largest NBFCs for consumer finance with a wide product portfolio comprising loans for two-wheelers, consumer durables, housing, and small businesses, among others. The company operates its business through 1,550+ urban and 2,600+ rural lending branches, with over 2.3+ Lc distribution points, and caters to a customer base of 100+ Mn.

### Key Rationale

- LGD Reset to Strengthen Balance Sheet; Incremental Impact Limited:** With a view to enhance balance sheet resilience amidst volatile global and sectoral environment, BAF has strengthened its provisioning framework by implementing a minimum Loss Given Default (LGD) floor across all businesses, resulting in an accelerated ECL provision of Rs 14.1 Bn in Q3 across all stages and a meaningful improvement in PCR. This action is a voluntary, though permanent change, with the revised LGD floors being applied consistently going forward. BAF has seen improvement in the Stage 2 pool, while the vintage credit performance across cohorts has strengthened materially, instilling optimism on the FY27 credit cost trajectory. **While the management alluded that there would be some cascading impact of the policy change, it is expected to be limited to Rs 3-4 Bn for FY27 and would be spread evenly throughout the year. Gauging the current credit environment, the management has guided for credit costs of 165-175bps for FY27.** A key lever in moderating credit costs stress would be the run-down in the captive finance business, which is a major contributor to asset quality stress (~8-9% credit costs and 14% contribution to GNPA).
- Discipline First, Growth to Follow from FY27:** In Q3, BAF's AUM growth was in line with management guidance, impacted by tightening actions in the MSME portfolio and the run-down of the captive 2W business. The MSME growth slowed down following stricter underwriting actions, resulting in business volumes declining by 25-30%; however, as stress recedes, the management expects the MSME segment to resume strong growth of 20+% from Q2FY27 onwards. On a segmental basis, the **B2B business is expected to grow in mid-teens given its scale, while most other businesses are guided to grow in the 20-25% range.** The newer businesses are expected to scale up on a favourable base, with the new car book expected to grow by early-30% and the CV & Tractor portfolio by 30-40% in FY27. However, BAF expects improved trends from H2 onwards. Gold loans have been registering a robust growth, albeit on a lower base.

Going ahead, continued distribution expansion and improving branch productivity should drive sustained strong growth. **Overall, the management emphasised that growth across businesses will continue to remain strong while maintaining RoA discipline. BAF has maintained its growth guidance at 22-23% for FY26.**

- NIMs To Remain Steady:** BAF maintained stable NIMs in Q3, aided by marginally lower CoF and a stable portfolio mix. The management expects CoF to remain range-bound between 7.55-7.6% in FY26, with scope for further improvement being limited. BAF continues to optimize its borrowing mix and will continue to grow its deposit franchise in a calibrated manner to maintain CoF. **Thus, barring any significant changes in the portfolio mix, we expect NIMs to remain broadly stable over FY27-28E vs FY26E at ~8.8% (+/-5bps).**
- Outlook & Valuation:** We expect BAF to revert to its AUM growth trajectory of 24% CAGR from FY27 onwards as stress in the MSME book recedes and the captive finance book runs down. With limited scope for CoF improvement and portfolio mix remaining broadly stable, we expect NIMs to remain rangebound between 8.7-8.8% over FY27-28E. Resultantly, we trim our NII estimates by 2-4% over FY27-28E. With the company prudently strengthening its provisioning framework, resulting in higher credit costs in FY26 and a cascading though limited impact in FY27E, we trim our earnings estimates by 3-5% over FY27-28E and ~7% in FY26E. We expect BAF to deliver a healthy AUM/NII/Earnings growth of 24/22/27% CAGR over FY27-28E, driven by (i) steady NIMs, (ii) Operating leverage driving cost ratio improvement, and (iii) downward trending credit costs backed by asset quality improvement. We expect BAF to deliver a RoA/RoE of 4.3-4.4%/19-21% over FY26-28E, broadly in line with the management's long-term guidance.
- Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

### Industry view



Over Weight

**CMP**  
996

**Target Price**  
1,150

**Upside**  
15%

### Key Financials (Consolidated)

Y/E Mar (Rs Bn)	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	364	300	168	27.0	153.0	6.5	4.5	0.4
FY26E	443	362	192	30.9	180.9	5.5	4.2	0.4
FY27E	539	437	246	39.6	214.0	4.7	4.4	0.4
FY28E	662	536	308	49.5	255.0	3.9	4.4	0.4

Source: Company, Axis Securities

## Income Statement (Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Interest Income	364	443	539	662
Other Income	86	99	112	128
<b>Total Income</b>	<b>450</b>	<b>541</b>	<b>651</b>	<b>790</b>
Total Operating Expense	149	180	214	255
<b>PPOP</b>	<b>300</b>	<b>362</b>	<b>437</b>	<b>536</b>
Provisions & Contingencies	80	105	108	125
<b>PBT</b>	<b>220</b>	<b>256</b>	<b>329</b>	<b>410</b>
Provision for Tax	53	64	83	103
<b>PAT</b>	<b>168</b>	<b>192</b>	<b>246</b>	<b>308</b>

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>				
Share capital	1	6	6	6
Reserves and Surplus	966	1140	1349	1611
Shareholders' funds	<b>967</b>	<b>1146</b>	<b>1355</b>	<b>1617</b>
Borrowings	3612	4443	5532	6913
Other Liabilities and provisions	82	100	123	152
<b>Total liabilities</b>	<b>4,661</b>	<b>5,688</b>	<b>7,011</b>	<b>8,682</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank Balance	135	143	176	218
Investments	344	378	458	568
Advances	4078	4983	6157	7634
Fixed Assets & Other Assets	103	185	220	263
<b>Total assets</b>	<b>4,661</b>	<b>5,688</b>	<b>7,011</b>	<b>8,682</b>

Source: Company, Axis Research

Valuation Ratios				(%)
Y/E March	FY25	FY26E	FY27E	FY28E
EPS	27.0	30.9	39.6	49.5
Earnings growth (%)	-88.4	14.4	28.2	24.8
BVPS	155.7	184.3	218.0	260.1
Adj. BVPS	153.0	180.9	214.0	255.0
ROAA (%)	4.5	4.2	4.4	4.4
ROAE (%)	19.0	18.2	19.7	20.7
P/E (x)	36.9	32.2	25.1	20.1
P/ABV (x)	6.5	5.5	4.7	3.9
Dividend Yield (%)	0.6	0.5	0.6	0.7
<b>PROFITABILITY &amp; OPERATING EFFICIENCY</b>				
NIM (%)	8.8	8.8	8.8	8.7
Cost/Avg. Asset Ratio (%)	3.5	3.5	3.4	3.2
Cost-Income Ratio (%)	33.2	33.2	32.9	32.2

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E March	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	26.0	22.2	23.6	24.0
Borrowings Growth (%)	23.1	23.0	24.5	25.0
Equity/Assets (%)	23.7	23.0	22.0	21.2
Equity/Advances (%)	20.7	20.1	19.3	18.6
Total Capital Adequacy Ratio	21.9	21.7	20.8	19.9
<b>ASSET QUALITY</b>				
Gross NPLs (Rs Bn)	37	55	68	92
Net NPLs (Rs Bn)	17	21	25	32
Gross NPLs (%)	0.9	1.1	1.1	1.2
Net NPLs (%)	0.4	0.4	0.4	0.4
Coverage Ratio (%)	53.7	62.0	64.0	66.0
Provision/Avg. Loans (%)	2.2	2.3	1.9	1.8
<b>ROAA TREE</b>				
Net Interest Income	8.6	8.6	8.5	8.4
Non-Interest Income	2.0	1.9	1.8	1.6
Operating Cost	3.5	3.5	3.4	3.2
Provisions	1.9	2.0	1.7	1.6
Tax	1.3	1.2	1.3	1.3
ROAA	3.9	3.7	3.9	3.9
Leverage (x)	4.9	4.9	5.1	5.3
ROAE	19.0	18.2	19.7	20.7

Source: Company, Axis Research

## STATE BANK OF INDIA – STEADY SHIP AMIDST TURBULENT MACROS; 1+% ROA DELIVERY TO CONTINUE!

State Bank of India (SBI) is the largest public sector bank in terms of assets, deposits, branches, number of customers, and employees, and has a pan-India presence. The RBI has designated SBI as a Domestic Systemically Important Bank (D-SIB), underscoring its continued functioning as critical for the Indian economy.

### Key Rationale

- Broad-based Growth; Buoyancy to Continue:** SBI's management has revised its growth guidance upwards to 13-15% vs 12-14% earlier, supported by the broad-based growth trends visible so far. The RAM segment has seen continued healthy growth, while the corporate book has seen a decisive revival in growth and is expected to deliver a healthy double-digit growth going into Q4. Within the retail portfolio, the Xpress Credit segment was expected to deliver double-digit growth in Q3; however, it was impacted by a shift towards gold loans driven by better yields and higher gold prices, especially amongst the corporate salary borrowers. This switch resulted in moderate Xpress Credit growth despite healthy disbursement momentum. The gold loan growth has been robust, with the management indicating that the gold loan LTV is comfortable, thereby offering a significant margin of safety, leaving enough headroom to factor in sharp price movements. Furthermore, SBI's SME segment market share ranges between 15-16%, and the bank remains well-placed to benefit from the budgetary announcements towards MSMEs. **Overall, the management remains upbeat on growth momentum sustaining, driven by Income Tax cuts, GST rate rationalisation, Trade Deals, and Budgetary push, with SBI well-positioned to capitalize on these opportunities.**
- Corporate Growth Revival Underway Supported by Multiple Levers:** In Q3, SBI's corporate portfolio delivered healthy growth of 13/8% YoY/QoQ, and the management remains constructive on the corporate growth momentum persisting even in Q4. The overall corporate pipeline stands at Rs 7.86 Tn. Another sector contributing to strong growth momentum is green energy, wherein the bank's portfolio has reached Rs 1 Tn, largely aided by renewable energy. **The bank sees incremental growth opportunities in REIT funding and M&A financing pursuant to regulatory guidelines being finalised, and steady traction in the metals and infrastructure sectors, and the power sector.**
- NIMs To Remain 3+% Across Cycles:** In Q3, NIM improvement lagged LDR (+317bps QoQ) due to higher working capital loans vs term loans. Management reaffirmed that SBI will maintain 3%+ NIMs across cycles, including Q4FY26E, supported by granular retail deposits, CASA expansion, and disciplined pricing. The bank continues to avoid high-cost wholesale deposits, with incremental mobilization skewed toward bulk card-rate deposits priced close to retail. Strong corporate credit growth came without margin dilution.
- Non-banking Subsidiaries to Boost Overall Performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance.
- Outlook & Valuation:** SBI's performance has been the best amongst the larger banks, and the bank remains well-poised to sustain its performance. SBI has upgraded its credit growth guidance to 13-15%, driven by a strong corporate revival and resilient RAM momentum. The bank's ability to maintain margins given its disciplined risk-adjusted pricing and continued focus on retail, granular CASA deposits should enable SBI to maintain margins at >3% over the medium term. Strengthening the fee income profile, along with controlled costs driven by operational efficiency, should support earnings growth. Moreover, asset quality remains at decadal best levels, with credit costs remaining benign, further extending support to earnings. We expect SBI to deliver a strong Credit/Deposit/NII/Earnings growth of 14/11/14/9% CAGR over FY26-28E. **At present, we do not see downside risks to a comfortable, sustained RoA delivery of 1+% over the medium term.**
- Key risks:** a) Significant slowdown in credit growth

### Industry view



Over Weight

**CMP**  
1,202

**Target Price**  
1,350

**Upside**  
12%

### Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,670	1,106	709	79.4	472.3	2.5	1.1	0.5
FY26E	1,762	1,273	799	86.6	554.9	2.2	1.1	0.4
FY27E	2,032	1,396	854	92.5	627.6	1.9	1.1	0.3
FY28E	2,290	1,567	944	102.2	706.8	1.7	1.1	0.3

Source: Company, Axis Securities.

## Profit & Loss (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,670	1,762	2,032	2,290
Other Income	617	778	771	824
Total Income	2,286	2,540	2,803	3,114
Total Operating Exp.	1,181	1,267	1,407	1,547
PPOP	1,106	1,273	1,396	1,567
Provisions & Contingencies	153	206	257	307
PBT	953	1,067	1,140	1,260
Provision for Tax	244	268	286	316
PAT	709	799	854	944

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

Y/E MAR	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>				
Share capital	9	9	9	9
Reserves and surplus	4,403	5,292	5,974	6,729
Shareholders' funds	4,412	5,301	5,984	6,739
Total Deposits	53,822	59,062	65,493	72,547
Total Borrowings	59,458	66,117	74,768	84,324
Other Liabilities, provisions	2,891	3,000	3,392	3,825
<b>Total</b>	<b>66,761</b>	<b>74,418</b>	<b>84,144</b>	<b>94,888</b>
<b>APPLICATION OF FUNDS</b>				
Cash & Bank Balance	3,402	3,261	3,616	4,006
Investments	16,906	17,725	19,655	21,772
Advances	41,633	48,060	54,798	62,261
Fixed Assets & Other Assets	4,819	5,372	6,074	6,850
Total assets	66,761	74,418	84,144	94,888

Source: Company, Axis Research

KEY RATIOS				(%)
Y/E MAR	FY25	FY26E	FY27E	FY28E
<b>VALUATION RATIOS</b>				
EPS	79.4	86.6	92.5	102.2
Earnings Growth (%)	16.1%	9.0%	6.8%	10.6%
BVPS	494.3	574.3	648.2	730.0
Adj. BVPS	472.3	554.9	627.6	706.8
ROAA (%)	1.1	1.1	1.1	1.1
ROAE (%)	17.3	16.5	15.1	14.8
P/E (x)	15.1	13.9	13.0	11.8
P/ABV (x)	2.5	2.2	1.9	1.7
Dividend Yield (%)	1.5	1.6	1.7	1.9
<b>PROFITABILITY</b>				
NIM (%) – Domestic	3.3	3.1	3.2	3.2
NIM (%) - Global	3.2	3.0	3.1	3.1
Cost-Income Ratio	51.6	49.9	50.2	49.7

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	12.4	15.4	14.0	13.6
Deposit Growth (%)	9.5	9.7	10.9	10.8
C-D Ratio (%)	77.4	81.4	83.7	85.8
Equity to Assets (%)	6.6	7.1	7.1	7.1
Equity to Loans (%)	10.6	11.0	10.9	10.8
CRAR (%)	14.3	14.5	14.2	13.6
Tier I (%)	12.1	12.5	12.4	12.0
<b>ASSET QUALITY</b>				
Gross NPLs (%)	1.8	1.5	1.4	1.4
Net NPLs (%)	0.5	0.4	0.3	0.3
PCR	74.4	75.5	75.0	75.0
Credit cost	0.4	0.5	0.5	0.5

Source: Company, Axis Research

## HDFC BANK LTD – EMBRACING THE UPTURN!

HDFC Bank (HDFCB) is the second-largest bank in the country with a balance sheet size of over ~Rs 36+ Tn (post-merger). The bank has over 9,000 branches and 20,000 ATMs spread across 4,000+ Indian cities. Key subsidiaries of the bank post the merger with HDFC Ltd. are HDFC Life, HDFC ERGO General Insurance, HDFC AMC, HDB Financial, and HDFC Securities.

### Key Rationale

- Growth Outlook Remains Buoyant; LDR Improvement on Track:** The management remains confident on the medium-term growth trajectory, with LDR normalisation to near pre-merger levels and confidence of delivering better-than-system credit growth in FY27. The management does not intend to sacrifice profitable growth to achieve the targeted LDR and has expressed confidence in LDR trending directionally downwards. For FY26, the management is comfortable operating within a 90-96% band, while maintaining credit growth broadly in line with the system. In Q3, credit growth was slightly ahead of the management's expectations and was supported by CRR cuts, easing rate cycle, and a benign credit costs environment. The management has pegged FY27 system credit growth at 12-13% and remains confident of outperforming systemic growth by ~200bps. This confidence is underpinned by improved retail distribution, stronger MSME positioning, and renewed traction in the wholesale book. Thus, with pick-up in growth visible in Q3 and the momentum expected to persist going into Q4, we expect HDFCB to exit FY26 with credit growth of ~13%. This is expected to further accelerate to ~15% CAGR over FY26-28E.
- Asset Quality Not A Cause Of Concern:** HDFCB's asset quality has continued to remain pristine, with GNPA/NNPA at a decadal low. During Q3, the bank reported a one-time impact on provisions to the tune of Rs 5 Bn for Agri PSL compliance, pursuant to the annual review undertaken by the RBI. The bank will work towards adjusting its agri lending to ensure regulatory compliance. Apart from this, slippages across segments continue to remain benign, with no specific segment exhibiting signs of stress.
- NIMs to Move in Upward Trajectory:** The management has indicated that the primary lever for margin improvement remains CoF. TD repricing is underway with only 2/3<sup>rd</sup> of the rate cut having flown through so far, reflecting the lag in rate transmission. The full benefit of the rate cut is expected to reflect over a period of 5 quarters, part of which is already reflected in the CoF. Another lever driving margin improvement is a lower mix of borrowings, followed by the bank's continued focus on CASA accretion. Collectively, the management expects margins to witness a gradual improvement over the medium term. We pencil-in NIMs to improve to 3.5-3.6% over FY27-28E vs ~3.4% in FY26E.
- Outlook & Valuation:** HDFCB has been consistently performing on its guidance in its endeavour to revert to its pre-merger levels across metrics, and its execution capabilities remain strong. The management has indicated that LDR normalisation remains a key medium-term objective; it will not act as a limiting factor in pursuing credit growth. However, it will take constructive steps to strengthen its retail-focused deposit franchise with an emphasis on mobilizing CASA Deposits. Though margin recovery is taking longer than expected, we expect continued TD repricing, high-cost borrowings getting replaced, strong CASA mobilisation, and improved growth to drive gradual margin improvement.
- Key risks:** a) Slowdown in overall credit momentum owing to the bank's inability to ensure deposit mobilisation, b) Slower substitution of higher-cost debt with lower-cost deposits

### Industry view



Over weight

**CMP**  
888

**Target Price**  
1,190

**Upside**  
34%

### Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,227	1,001	673	44.0	320.3	2.8	1.8	0.4
FY26E	1,300	1,196	729	47.4	354.0	2.5	1.8	0.4
FY27E	1,547	1,331	884	57.5	396.6	2.2	1.9	0.4
FY28E	1,784	1,538	1,022	66.4	445.8	2.0	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)			
Y/E MAR	FY25	FY26E	FY27E	FY28E	
<b>Net Interest Income</b>	<b>1,227</b>	<b>1,300</b>	<b>1,547</b>	<b>1,784</b>	
Other Income	456	634	609	688	
<b>Total Income</b>	<b>1,683</b>	<b>1,934</b>	<b>2,156</b>	<b>2,472</b>	
Total Operating Exp.	682	739	825	934	
<b>PPOP</b>	<b>1,001</b>	<b>1,196</b>	<b>1,331</b>	<b>1,538</b>	
Provisions & Contingencies	116	237	159	183	
<b>PBT</b>	<b>885</b>	<b>959</b>	<b>1,172</b>	<b>1,355</b>	
Provision for Tax	211	230	288	333	
<b>PAT</b>	<b>673</b>	<b>729</b>	<b>884</b>	<b>1,022</b>	

Source: Company, Axis Research

Balance Sheet		(Rs Bn)			
Y/E MAR	FY25	FY26E	FY27E	FY28E	
<b>SOURCES OF FUNDS</b>					
Share capital	8	15	15	15	
ESOPs	38	46	56	66	
Reserves and Surplus	4,969	5,515	6,178	6,944	
Deposits	<b>5,014</b>	<b>5,576</b>	<b>6,249</b>	<b>7,026</b>	
Shareholders' funds	27,147	30,765	36,219	42,902	
Borrowings	5,479	5,191	4,776	4,877	
Other Liabilities, provisions	1,461	1,750	1,991	2,310	
<b>Total liabilities</b>	<b>39,102</b>	<b>43,283</b>	<b>49,236</b>	<b>57,115</b>	
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	2,396	2,161	2,472	2,799	
Investments	8,364	9,234	10,147	12,020	
Advances	26,196	29,447	33,841	39,076	
Fixed Assets & Other Assets	2,147	2,440	2,776	3,220	
<b>Total assets</b>	<b>39,102</b>	<b>43,283</b>	<b>49,236</b>	<b>57,115</b>	

Source: Company, Axis Research

KEY RATIOS	(%)			
	Y/E MAR	FY25	FY26E	FY27E
<b>VALUATION RATIOS</b>				
EPS	44.0	47.4	57.5	66.4
Change (%)	9.9	7.7	21.3	15.6
BVPS	327.6	362.4	406.2	456.7
Adj. BVPS	320.2	354.0	396.6	445.8
ROAA (%)	1.8	1.8	1.9	1.9
ROAE (%)	14.3	13.8	14.9	15.4
P/E (x)	20.2	18.7	15.5	13.4
P/ABV (x)	2.8	2.5	2.2	2.0
<b>PROFITABILITY</b>				
NIM (%)	3.5	3.3	3.5	3.5
Cost-Assets Ratio	1.8	1.8	1.8	1.8
Cost-Income Ratio	40.5	38.2	38.3	37.8

Source: Company, Axis Research

Balance Sheet Structure Ratios	(%)			
	Y/E MAR	FY25	FY26E	FY27E
Loan Growth (%)	5.4	12.4	14.9	15.5
Deposit Growth (%)	14.1	13.3	17.7	18.5
C-D Ratio (%)	96.5	95.7	93.4	91.1
CRAR	12.8	12.9	12.7	12.3
Tier I	19.1	18.9	18.5	18.0
<b>ASSET QUALITY</b>				
Gross NPLs (%)	1.3	1.3	1.3	1.3
Net NPLs (%)	0.4	0.4	0.4	0.4
PCR	67.9	67.0	67.0	67.0
Credit Cost	0.5	0.9	0.5	0.5

Source: Company, Axis Research

## BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

Bharti Airtel (Airtel), headquartered in New Delhi, is an Indian multinational telecommunications company operating in 18 countries across South Asia, Africa, and the Channel Islands. It is India's second-largest telecom operator, boasting a strong domestic presence and a comprehensive digital services portfolio that includes fibre optic networks, mobile and desktop telephony, and other digital solutions.

### Key Rationale

- Best ARPU in the Industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 259 level, compared to Reliance's Rs 214. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 29.8 GB/month, further bolstering revenue growth.
- Huge Revenue and Profit Growth Potential:** Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. It has maintained a substantial share of 4G/5G net additions, with the smartphone customer base growing by 5.2 Mn QoQ, now accounting for 79% of the total customer base. Moreover, Airtel's Africa business is expected to continue its strong performance on a sequential basis.
- Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles), while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- Moderated Capex and Capital Allocation Initiatives:** Bharti Airtel does not anticipate any immediate significant capex despite the ongoing 5G rollout. Management expects capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives, such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- Valuation & Recommendation:** We maintain our **BUY** rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

### Industry view



Over Weight

**CMP**  
1,879

**Target Price**  
2,530

**Upside**  
35%

### Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY25	1,72,985	93,159	37,481	58.6	32.0	38	18	14.3
FY26E	2,12,270	1,19,414	32,052	52.2	36.0	26	14	10.7
FY27E	2,47,901	1,38,824	43,787	71.8	26.2	30	16	8.9
FY28E	2,81,006	1,56,493	53,936	88.5	21.2	31	17	7.5

Source: Company, Axis Securities Research

## Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>1,72,985</b>	<b>2,12,270</b>	<b>2,47,901</b>	<b>2,81,006</b>
Change (YoY, %)	15.3	22.7	16.8	13.4
<b>Operating expenses</b>	<b>79,826</b>	<b>92,856</b>	<b>1,09,076</b>	<b>1,24,513</b>
<b>EBITDA</b>	<b>93,159</b>	<b>1,19,414</b>	<b>1,38,824</b>	<b>1,56,493</b>
Change (YoY, %)	19.0	28.2	16.3	12.7
Margin (%)	53.9	56.3	56.0	55.7
Depreciation	45,570	52,675	57,876	63,376
Interest paid	21,754	22,539	23,250	21,927
Other income	1,574	2,789	3,973	4,777
<b>PBT</b>	<b>34,696</b>	<b>46,733</b>	<b>61,672</b>	<b>75,967</b>
Tax	917	14,304	17,885	22,030
Effective tax rate (%)	3%	31%	29%	29%
Share of JV/Associate	3,703	(376)	-	-
Exceptional items	7,287	257	-	-
<b>Net profit</b>	<b>37,481</b>	<b>32,052</b>	<b>43,787</b>	<b>53,936</b>
Adjusted net profit	44,768	32,309	43,787	53,936
Change (YoY, %)	2	(28)	36	23
Adj EPS	50	52	72	89
Dividend per share	16	21	27	35
Dividend Payout (%)	26	26	26	26

Source: Company, Axis Securities Research

## Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Share capital</b>	<b>2,900</b>	<b>2,900</b>	<b>2,900</b>	<b>2,900</b>
Reserves & surplus	1,10,772	1,30,148	1,57,456	1,89,969
Shareholders' funds	1,13,672	1,33,048	1,60,356	1,92,869
Total Debt	1,48,312	1,46,312	1,44,312	1,42,312
Other liabilities	75,589	75,589	75,589	75,589
Current Liabilities & Provisions	1,80,440	2,03,969	2,24,648	2,43,819
Current liabilities	1,00,837	1,15,852	1,29,708	1,42,582
Provisions	36,155	44,223	51,646	58,543
<b>Total liabilities</b>	<b>3,60,893</b>	<b>3,81,976</b>	<b>4,01,255</b>	<b>4,19,026</b>
<b>Total equity &amp; liabilities</b>	<b>5,14,361</b>	<b>5,56,810</b>	<b>6,05,486</b>	<b>6,57,964</b>
Net fixed assets	1,43,272	1,35,598	1,37,722	1,24,346
Investments	544	544	544	544
Other non-current assets	3,02,956	3,02,956	3,02,956	3,02,956
Current assets	67,589	1,17,713	1,64,265	2,30,119
Inventories	452	452	452	452
Sundry Debtors	7,456	9,434	11,018	12,489
Cash & Liquid	16,720	61,718	1,03,717	1,65,342
Other Current Assets	16,195	19,343	22,312	25,070
<b>Total assets</b>	<b>5,14,361</b>	<b>5,56,810</b>	<b>6,05,486</b>	<b>6,57,964</b>

Source: Company, Axis Securities Research

## Cash Flow

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Pre-tax Profit</b>	<b>38,399</b>	<b>46,356</b>	<b>61,672</b>	<b>75,967</b>
Depreciation	45,570	52,675	57,876	63,376
Change in working capital	32,840	18,403	16,127	14,941
Other operating activities	12,893	19,493	19,277	17,150
<b>Cash flow from operations (a)</b>	<b>1,28,785</b>	<b>1,22,623</b>	<b>1,37,066</b>	<b>1,49,403</b>
Capital expenditure	1,14,460	(45,000)	(60,000)	(50,000)
Change in investments	3,142	-	-	-
Other investing activities	(2,41,359)	2,789	3,973	4,777
<b>Cash flow from investing (b)</b>	<b>(1,23,756)</b>	<b>(42,211)</b>	<b>(56,027)</b>	<b>(45,223)</b>
Equity raised/(repaid)	24	-	-	-
Debt raised/(repaid)	(604)	(2,445)	(1,400)	(1,400)
Dividend paid	(9,751)	(10,726)	(11,262)	(486)
Change in minorities	16,251	1,990	2,089	2,194
Other financing activities	(10,568)	(24,232)	(28,467)	(42,864)
<b>Cash flow from financing (c)</b>	<b>(4,649)</b>	<b>(35,414)</b>	<b>(39,040)</b>	<b>(42,556)</b>
<b>Net change in cash (a+b+c)</b>	<b>380</b>	<b>44,998</b>	<b>42,000</b>	<b>61,624</b>
Opening cash balance	16,340	16,720	61,718	1,03,717
Closing cash balance	16,720	61,718	1,03,717	1,65,342

Source: Company, Axis Securities Research

## Ratio Analysis

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Book Value (Rs)</b>	<b>187</b>	<b>218</b>	<b>263</b>	<b>316</b>
Adj EPS (Rs)	50	52	72	89
Adj EPS growth (%)	86	5	38	23
EBITDA margin (%)	54	56	56	56
Pre-tax margin (%)	20	22	25	27
Debt/Equity (x)	0.9	0.8	0.6	0.5
ROCE (%)	18	14	16	17
ROE (%)	38	26	30	31
<b>Financial leverage ratios</b>				
Debt / Equity (x)	0.9	0.8	0.6	0.5
Interest Coverage (x)	4.3	5.3	6.0	7.1
Interest / Debt (%)	18	22	23	22
<b>Working Capital &amp; Liquidity Ratio</b>				
Inventory days	0	0	0	53
Receivable days	16	16	16	37
Payable days	79	80	80	61
<b>Valuation ratio</b>				
PER (x)	32	36	26	21
Adjusted PER (x)	41	39	28	23
P/BV (x)	10.9	9.3	7.7	6.4
EV/EBITDA (x)	14.3	10.7	8.9	7.5
Market Cap. / Sales (x)	7.2	5.9	5.0	4.4

Source: Company, Axis Securities Research

## Avenue Supermarts Ltd – POSITIONING FOR THE NEXT PHASE OF GROWTH

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. The company was founded by Mr. Radhakishan Damani and his family to cater to the evolving needs of the Indian family. Since the launch of its first store in Powai in 2002, D-Mart has established a strong presence with 422 locations across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh, NCR, Tamil Nadu, Punjab, and Rajasthan. Additionally, the company operates in the online and multi-channel grocery retail segment under the brand name D-Mart Ready. Through D-Mart Ready, customers can order a broad range of grocery and household products via its mobile app and website, [www.dmart.in](http://www.dmart.in). Orders can be picked up from designated D-Mart Ready Pick-up Points or delivered directly to customers' doorsteps. Many Pick-up Points also feature a curated selection of merchandise available for instant purchase.

### Industry view



Equal Weight

**CMP**  
3,848

**Target Price**  
4,450

**Upside**  
16%

### Key Rationale

- Positioning for the next phase of growth:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready to support operations, working capital, and expansion is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q3FY26, DMart reported 13.3% YoY revenue growth, with like for like growth at 5.6%.
- Margins remain intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- Extensive retail network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 452 as on date. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 10-20% in the coming years. Further, the management sees potential for 1800+ store additions across India over a longer period.
- Improving outlook:** D-Mart has faced several challenges over the past few years, impacted by a subdued demand environment, particularly in the value segment. Larger and newer stores have longer gestation periods, affecting overall profitability, long with increasing competition from both organised players and online platforms. However, the company has undertaken several initiatives to address these challenges, such as: 1) changes in leadership to revamp the slowing GM&A category, 2) focusing on improving profitability in D-Mart Ready through a gradual expansion strategy, and 3) targeting a 10-20% store addition on an existing base of 442 stores, which is a step in the right direction. The overall improving consumer demand, supported by stable macroeconomics is expected to further support these initiatives and drive growth in high-margin general merchandise and apparel categories. Additionally, reduction on GST rate cut has spur consumption and indirectly support discretionary spending. **Hence, we maintain our BUY rating on the stock.**

### Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY25	59,358	4,487	2,707	41.6	92.4	12.6	13.4
FY26E	71,232	5,533	3,355	51.6	74.6	13.5	14.4
FY27E	85,371	6,627	3,874	59.5	64.6	13.5	14.4
FY28E	1,01,384	7,772	4,326	66.5	57.8	13.1	14.0

Source: Company, Axis Securities.

## Profit & Loss

(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>59,358</b>	<b>71,232</b>	<b>85,371</b>	<b>1,01,384</b>
Growth, %	16.9	20.0	19.8	18.8
Raw material expenses	(50,552)	(60,662)	(72,794)	(86,625)
Employee expenses	(1,166)	(1,411)	(1,707)	(2,065)
Other Operating Expenses	(3,153)	(3,626)	(4,243)	(4,921)
<b>EBITDA (Core)</b>	<b>4,487</b>	<b>5,533</b>	<b>6,627</b>	<b>7,772</b>
Growth, %	9.3	23.3	19.8	17.3
Margin, %	7.6	7.8	7.8	7.7
Depreciation	(870)	(1,013)	(1,422)	(1,898)
<b>EBIT</b>	<b>3,618</b>	<b>4,520</b>	<b>5,205</b>	<b>5,874</b>
Growth, %	7.3	24.9	15.1	12.9
Margin, %	6.1	6.3	6.1	5.8
Other Income	124	149	179	214
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>3,673</b>	<b>4,596</b>	<b>5,307</b>	<b>6,008</b>
Tax provided	(965)	(1,241)	(1,433)	(1,682)
<b>Profit after tax</b>	<b>2,707</b>	<b>3,355</b>	<b>3,874</b>	<b>4,326</b>

Source: Company, Axis Research

## Balance Sheet

(Rs Cr)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Cash & bank	358	601	1,614	3,424
Debtors	154	185	221	263
Inventory	5,044	6,053	7,255	8,616
Loans & advances	-	-	-	-
Other current assets	835	835	835	835
<b>Total current assets</b>	<b>6,392</b>	<b>7,674</b>	<b>9,926</b>	<b>13,138</b>
Investments	178	178	178	178
Gross fixed assets	20,097	23,397	26,697	29,997
Less: Depreciation	(3,897)	(4,909)	(6,332)	(8,230)
Add: Capital WIP	1,099	1,099	1,099	1,099
Net fixed assets	17,299	19,586	21,464	22,866
Non-current assets	452	452	452	452
<b>Total assets</b>	<b>24,321</b>	<b>27,891</b>	<b>32,020</b>	<b>36,634</b>
Current liabilities	2,212	2,426	2,681	2,970
Provisions	-	-	-	-
<b>Total current liabilities</b>	<b>2,212</b>	<b>2,426</b>	<b>2,681</b>	<b>2,970</b>
Non-current liabilities	681	681	681	681
<b>Total liabilities</b>	<b>2,894</b>	<b>3,108</b>	<b>3,363</b>	<b>3,652</b>
Paid-up capital	651	651	651	651
Reserves & surplus	20,777	24,132	28,006	32,332
Shareholders' equity	21,428	24,783	28,657	32,983
<b>Total equity &amp; liabilities</b>	<b>24,321</b>	<b>27,891</b>	<b>32,020</b>	<b>36,634</b>

Source: Company, Axis Research

Cash flow	(Rs Cr)			
	Y/E Mar	FY25	FY26E	FY27E
Pre-tax profit	3,673	4,596	5,307	6,008
Depreciation	870	1,013	1,422	1,898
Change in working capital	(244)	(826)	(983)	(1,113)
Total tax paid	(945)	(1,241)	(1,433)	(1,682)
Cash flow from operating activities	<b>3,353</b>	<b>3,542</b>	<b>4,313</b>	<b>5,110</b>
Capital expenditure	(3,826)	(3,300)	(3,300)	(3,300)
Change in marketable securities	105	-	-	-
Cash flow from investing activities	<b>(3,656)</b>	<b>(3,300)</b>	<b>(3,300)</b>	<b>(3,300)</b>
Free cash flow	(302)	242	1,013	1,810
Equity raised/(repaid)	-	-	-	-
Dividend (incl. tax)	-	-	-	-
Cash flow from financing activities	-	-	-	-
Net change in cash	(302)	242	1,013	1,810
Opening cash balance	638	358	601	1,614
Closing cash balance	358	601	1,614	3,424

Source: Company, Axis Research

Ratios	FY25				FY26E				FY27E				FY28E			
	Y/E Mar	FY25	FY26E	FY27E	FY28E	Y/E Mar	FY25	FY26E	FY27E	FY28E	Y/E Mar	FY25	FY26E	FY27E	FY28E	
<b>Per Share data</b>																
EPS (INR)		41.6	51.6	59.5	66.5		41.6	51.6	59.5	66.5		41.6	51.6	59.5	66.5	
Growth, %		6.8	23.9	15.5	11.7		6.8	23.9	15.5	11.7		6.8	23.9	15.5	11.7	
Book NAV/share (INR)		329.3	380.8	440.4	506.9		329.3	380.8	440.4	506.9		329.3	380.8	440.4	506.9	
FDEPS (INR)		41.6	51.6	59.5	66.5		41.6	51.6	59.5	66.5		41.6	51.6	59.5	66.5	
CEPS (INR)		55.0	67.1	81.4	95.6		55.0	67.1	81.4	95.6		55.0	67.1	81.4	95.6	
CFPS (INR)		50.6	52.2	63.5	75.2		50.6	52.2	63.5	75.2		50.6	52.2	63.5	75.2	
<b>Return ratios</b>																
Return on assets (%)		12.2	13.1	13.2	12.8		12.2	13.1	13.2	12.8		12.2	13.1	13.2	12.8	
Return on equity (%)		12.6	13.5	13.5	13.1		12.6	13.5	13.5	13.1		12.6	13.5	13.5	13.1	
Return on capital employed (%)		13.4	14.4	14.4	14.0		13.4	14.4	14.4	14.0		13.4	14.4	14.4	14.0	
<b>Turnover ratios</b>																
Asset turnover (x)		3.1	3.2	3.4	3.6		3.1	3.2	3.4	3.6		3.1	3.2	3.4	3.6	
Sales/Total assets (x)		2.6	2.7	2.8	3.0		2.6	2.7	2.8	3.0		2.6	2.7	2.8	3.0	
Sales/Net FA (x)		3.8	3.9	4.2	4.6		3.8	3.9	4.2	4.6		3.8	3.9	4.2	4.6	
Working capital/Sales (x)		0.1	0.1	0.1	0.1		0.1	0.1	0.1	0.1		0.1	0.1	0.1	0.1	
Receivable days		0.9	0.9	0.9	0.9		0.9	0.9	0.9	0.9		0.9	0.9	0.9	0.9	
Inventory days		31.0	31.0	31.0	31.0		31.0	31.0	31.0	31.0		31.0	31.0	31.0	31.0	
Payable days		7.1	7.1	7.1	7.1		7.1	7.1	7.1	7.1		7.1	7.1	7.1	7.1	
Working capital days		23.5	23.8	24.1	24.3		23.5	23.8	24.1	24.3		23.5	23.8	24.1	24.3	
<b>Liquidity ratios</b>																
Current ratio (x)		2.9	3.2	3.7	4.4		2.9	3.2	3.7	4.4		2.9	3.2	3.7	4.4	
Quick ratio (x)		0.6	0.7	1.0	1.5		0.6	0.7	1.0	1.5		0.6	0.7	1.0	1.5	
<b>Valuation</b>																
PER (x)		92.4	74.6	64.6	57.8		92.4	74.6	64.6	57.8		92.4	74.6	64.6	57.8	
PEG (x) - y-o-y growth		13.6	3.1	4.2	5.0		13.6	3.1	4.2	5.0		13.6	3.1	4.2	5.0	
Price/Book (x)		11.7	10.1	8.7	7.6		11.7	10.1	8.7	7.6		11.7	10.1	8.7	7.6	
EV/Net sales (x)		4.2	3.5	2.9	2.4		4.2	3.5	2.9	2.4		4.2	3.5	2.9	2.4	
EV/EBITDA (x)		55.7	45.1	37.5	31.8		55.7	45.1	37.5	31.8		55.7	45.1	37.5	31.8	
EV/EBIT (x)		69.1	55.2	47.8	42.0		69.1	55.2	47.8	42.0		69.1	55.2	47.8	42.0	

Source: Company, Axis Research

## MAX HEALTHCARE – LEADER IN CHARGE

Max Healthcare is a market leader in the Delhi-NCR and Mumbai regions, with over 2,900 beds and a strong presence in oncology. The company plans to add 3,000 beds over the next three years, primarily through brownfield expansions. Strong operational performance has driven significant EBITDA growth, with margins currently at 26.5%. Backed by robust cash flows and strategic expansions, Max Healthcare is well-positioned for sustained profitability and growth.

### Key Rationale

- Revenue Growth Moderates:** Max Healthcare reported Q3FY26 net revenue of Rs 2,484 Cr, up 9% YoY but down 3.7% QoQ, moderately below expectations. Performance was supported by stable ARPOB; however, revenues were impacted by (1) lower incidence of borne diseases affecting occupancy, (2) temporary substitution of Standalone Health Insurer (SAHI) patients with PSU beneficiaries due to disruption in cashless services (largely resolved toward quarter-end), and (3) discontinuation of high-value patented chemotherapy drugs following restrictive CGHS pricing guidelines. The upward revision in CGHS tariffs, expected to be fully implemented by Apr'26, should partially offset these pressures. Revenue from international patients grew 14% YoY, contributing 9% of total revenue.
- Expansion-Focused Growth with Prudent Leverage:** Max Healthcare continues to pursue an aggressive yet capital-efficient brownfield expansion strategy, underpinning strong multi-year growth visibility. Bed capacity is targeted to scale from ~5,000 beds in FY25 to 9,000-9,500 by 2028. Recently commissioned projects include a 400-bed tower at Max Smart Saket, along with phased additions at Nanavati Max (Mumbai) and Max Mohali, both already EBITDA accretive with margins of 31% and 39%, respectively. Despite deploying Rs 408 Cr in quarterly capex, the balance sheet remains robust with net debt at Rs 2,166 Cr, keeping Net Debt/EBITDA well below 1.0x. Management has further approved a 260-bed expansion at Max Dwarka and secured land in Pune for a future 450-bed hospital.
- Margin Compression due to Transitory Factors:** EBITDA margins declined 87 bps YoY and 76 bps QoQ to 25.5%, driven by transitional payor mix shifts and regulatory pricing changes in oncology drugs. EBITDA grew 5.3% YoY but declined 6.5% QoQ. Reported PAT stood at Rs 344 Cr, impacted by a one-time labour provision of Rs 55 Cr. Adjusted PAT was Rs 399 Cr. We believe margins are likely to normalise going forward, supported by the implementation of revised CGHS rates, ramp-up and operating leverage from recently added beds, and resolution of SAHI-related cashless service disruptions, which should improve the payor mix and profitability.
- Outlook & Valuation:** Max Healthcare Institute maintains a positive multi-year outlook, underpinned by 6–7% ARPOB growth in mature hospitals and a sustained network occupancy target of ~80%. This trajectory is reinforced by an aggressive expansion plan, on track to add ~1,500 beds in FY26, including the recently commissioned 160-bed expansion at Max Mohali and phased commissioning at Nanavati Max (Mumbai) and Max Smart (Saket). Management expects a meaningful long-term tailwind from the recent CGHS rate revision, translating into a revenue uplift of ~Rs 200 Cr. Given the largely fixed cost base, 85–90% of this incremental revenue is expected to flow through to EBITDA. While partial benefits should accrue in the near term, the full impact—particularly from the newly introduced “super-speciality hospital” category, which carries a 15% higher tariff—should materialise from FY27 onwards. Concurrently, the company remains focused on scaling high-margin oncology services and international patient volumes, which should further support margin normalisation and earnings compounding over the medium term.
- Strong Operating KPI:** ARPOB stood at Rs 77,900, up 2.6% YoY. Overall occupancy declined to 74%, though occupied bed days increased 7% YoY, reflecting resilience despite weak seasonality. IP volumes grew 2% YoY, while OP volumes increased 9% YoY.
- Valuation:** We value the stock at 26x EV/EBITDA FY28E.

### Industry view



Over Weight

**CMP**  
1,092

**Target Price**  
1,250

**Upside**  
14%

### Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25	8,621	2,193	1,335	14	80	49	10	13
FY26E	11,201	2,856	1,798	18	59	38	9	15
FY27E	13,114	3,410	2,243	23	47	31	7	16
FY28E	16,806	4,420	3,007	31	35	24	6	17

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)			
Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E	
<b>Net sales</b>	<b>8,621</b>	<b>11,201</b>	<b>13,114</b>	<b>16,806</b>	
Growth	27%	30%	17%	28%	
Total Expenditure	6,428	8,345	9,704	12,386	
Raw Material Consumed	2,115	2,834	3,305	4,235	
Gross Margins (%)	75.5%	74.7%	74.8%	74.8%	
<b>EBITDA</b>	<b>2,193</b>	<b>2,856</b>	<b>3,410</b>	<b>4,420</b>	
<b>EBITDA (%)</b>	<b>25.4%</b>	<b>25.5%</b>	<b>26.0%</b>	<b>26.3%</b>	
Depreciation	406	482	523	573	
% of GB	6%	5%	5%	5%	
Interest & Fin Chg.	84	141	157	165	
EBIT	2,109	2,716	3,253	4,255	
EBIT (%)	0	0	0	0	
Other Income	45	80	88	96	
Exceptional Items	(74)	(55)	-	-	
Share of P/L of Associates	-	-	-	-	
PBT	1,674	2,258	2,818	3,778	
Tax Rate (%)	20%	20%	20%	20%	
Tax	339	461	575	771	
<b>Reported PAT</b>	<b>1,335</b>	<b>1,798</b>	<b>2,243</b>	<b>3,007</b>	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E	
Share Capital	972	972	972	972	
Reserves & Surplus	9561	11261	13407	16317	
<b>Shareholders Fund</b>	<b>10533</b>	<b>12234</b>	<b>14379</b>	<b>17289</b>	
- Long Term Borrowings	3029	3429	3829	4029	
- Deferred Tax Liabilities(Net)	151	37	37	37	
- Other Long-Term Liabilities	95	95	95	95	
- Long Term Provisions	489	614	719	921	
<b>Total Non-Current Liabilities</b>	<b>3764</b>	<b>4175</b>	<b>4680</b>	<b>5082</b>	
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>14297</b>	<b>16408</b>	<b>19059</b>	<b>22371</b>	
Net Block	5597	7461	7939	8366	
CWIP	1292	445	445	445	
Goodwill	4795	4795	4795	4795	
Other intangible assets	698	1459	1459	1459	
Right-of-use asset	1344	1344	1344	1344	
- Fixed Assets(incl. Capital Work in Progress)	<b>13726</b>	<b>15505</b>	<b>15982</b>	<b>16409</b>	
<b>Total Non-Current Assets</b>	<b>13726</b>	<b>15505</b>	<b>15982</b>	<b>16409</b>	
- Current Investments	4	66	66	66	
- Inventories	134	184	216	276	
- Trade Receivables	857	1013	1186	1519	
- Cash & Cash Equivalents	1011	1076	3045	5535	
- Other Current Assets(Net)	-1435	-1435	-1435	-1435	
<b>Total Current Assets</b>	<b>571</b>	<b>904</b>	<b>3077</b>	<b>5962</b>	
<b>TOTAL ASSETS</b>	<b>14297</b>	<b>16408</b>	<b>19059</b>	<b>22371</b>	

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY25	FY26E	FY27E	FY28E	
PBT	1,674	2,258	2,818	3,778	
Add: depreciation	406	482	523	573	
Add: Interest	84	141	157	165	
Cash flow from operations	2,164	2,881	3,498	4,516	
Change in working capital	-169	81	100	192	
Taxes	339	461	575	771	
Miscellaneous expenses	0	0	0	0	
Net cash from operations	1,994	2,339	2,823	3,553	
Capital expenditure	-3,943	-2,261	-1,000	-1,000	
Change in Investments	62	-62	0	0	
Net cash from investing	-3,881	-2,323	-1,000	-1,000	
Increase/Decrease in debt	1,679	400	400	200	
Dividends	-97	-97	-97	-97	
Proceedings from equity	1	0	0	0	
Interest	-84	-141	-157	-165	
Others	113	-114	0	0	
Net cash from financing	1,612	48	146	-62	
Net Inc./ (Dec.) in Cash	-275	65	1,969	2,491	
Opening cash balance	1,286	1,011	1,076	3,045	
Closing cash balance	1,011	1,076	3,045	5,535	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY25	FY26E	FY27E	FY28E	
Sales growth	27	30	17	28	
OPM	25	26	26	26	
Operating profit growth	40%	58%	55%	55%	
COGS / Net sales	25%	25%	25%	25%	
Depreciation / G. block	6%	5%	5%	5%	
Effective interest rate	3%	4%	4%	4%	
Net working capital / Net sales	-12%	-8%	-6%	-4%	
Net sales / Gr block (x)	1.2	1.2	1.3	1.5	
ROCE	12	14	17	21	
Debt/equity (x)	0.3	0.3	0.3	0.2	
Effective tax rate	20%	20%	20%	20%	
RoE	13	15	16	17	
Payout ratio (Div/NP)	10%	10%	10%	10%	
EPS (Rs.)	14	18	23	31	
EPS Growth	4%	35%	25%	34%	
CEPS (Rs.)	18	23	28	37	
DPS (Rs.)	1	1	1	1	

Source: Company, Axis Research

## LG ELECTRONICS LTD – HIGH VOLTAGE GROWTH STORY

LG Electronics is the market leader in India across major home appliances and consumer electronics. The company holds leadership positions across several key product categories, including washing machines, refrigerators, panel televisions, inverter air conditioners, and microwave ovens. Its strength in the offline channel is particularly significant, as this segment accounts for nearly 80% of the total value of the major home appliances and consumer electronics market in India (excluding mobile phones).

### Industry view



Over Weight

**CMP**  
1,589

**Target Price**  
1,815

**Upside**  
14%

### Key Rationale

- Market Leader in a Structurally Strong Space:** LGEIL has been consistently enjoying a high market share across categories, with an increasing share in premium segments and leadership in Side-by-Side refrigerators. Supported by superior R&D and a strong distribution network, the company is expected to maintain its consolidation in premium ranges as well as entry-level brands. It also has further scope to improve market share through entry into LG Essentials (an entry-level brand), capacity enhancements, and a robust supply chain, which should support improvement in the company's overall profitability. The consumer durables sector is expected to witness deeper penetration in tier 2/3 cities, where LGEIL's strong distribution capabilities are likely to further strengthen its overall market position.
- Innovative Technologies Tailored to Indian Consumers:** Over nearly three decades in India, the company has leveraged LG Electronics' global technology leadership to deliver consumer-centric innovations tailored to local requirements, thereby establishing a strong competitive edge. It has consistently introduced industry-first products, including early launches of OLED, 4K, and Smart TVs, where it commands a dominant market share. Innovation extends across categories through energy-efficient inverter air conditioners, customised washer-dryer solutions suited to Indian climatic conditions, and microwave ovens adapted to Indian cooking habits. Localised design features, supported by a nationwide after-sales service network, further strengthen brand loyalty, reinforcing the company's position as a preferred household electronics brand in India.
- Operational Efficiencies through Localised Supply Chains:** The company's operational efficiency is supported by a deeply localised and well-integrated supply chain. It works with 287 long-standing suppliers, with an increasing share of components sourced domestically; local procurement has risen to 54% in FY25, lowering costs, mitigating currency risk, and reducing lead times. Large in-house manufacturing capacity, component-level backward integration, and improved utilisation levels support tighter cost control and consistent product quality. The upcoming Sri City plant is expected to further enhance localisation, scale, and logistics efficiency. The company's Rs 705 Cr incentive in the government's manufacturing scheme shows the company's participation in the mega-expansion scheme.
- Fully Integrated Model for Sustained Profitability:** The company operates a fully integrated business model that consistently delivers strong profitability and superior returns. High capital efficiency, reflected in a ROCE of 41% in FY25, efficient working capital management, and healthy cash generation underpin sustained earnings quality. Integration across manufacturing, product development, and distribution enables effective cost control, scale advantages, and margin stability. Drivers like expansion into B2B segments, doubling exports by FY27, entry into new product categories, and rising localisation under the 'Make in India' initiative further strengthen the operating model.
- Recommendation & Valuation:** We expect a Revenue/EBITDA/PAT CAGR of 9%/19%/14% from FY26-28E. Valuing the company at 43x FY28E EPS, we arrive at a target price of Rs 1,815/share.

### Key Financials (Consolidated)

Y/E	Sales	EBITDA	Net Profit	EPS	PER	EV/EBITDA	RoE	Net Debt/Equity
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs Cr)	(X)	(X)	(%)	(X)
FY25	24,367	3,110	2,203	32.5	48.5	35.0	36.9	0.9
FY26E	25,585	2,814	2,145	31.6	49.8	38.4	31.5	0.8
FY27E	28,112	3,514	2,567	37.8	41.6	30.6	31.8	0.8
FY28E	30,642	3,983	2,797	41.2	38.2	26.9	29.2	0.7

Source: Company, Axis Securities

## Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Total operating revenues	24,367	25,585	28,112	30,642
Growth (%)	14	5	10	9
EBITDA	3,110	2,814	3,514	3,983
EBITDA margin (%)	13	11	13	13
<i>Growth (%)</i>	<i>40</i>	<i>-10</i>	<i>25</i>	<i>13</i>
Depreciation & amortization	380	383	458	583
EBIT	2,730	2,655	3,197	3,485
EBIT margin (%)	11	10	11	11
Interest	31	33	33	37
Other income	264	277	305	332
Profit before tax	2,963	2,899	3,469	3,780
Total Tax	760	754	902	983
Profit After Tax	2,203	2,145	2,567	2,797
net margin (%)	9.0	8.4	9.1	9.1
EPS (Rs)	32	32	38	41
Growth (%)	46%	-3%	20%	9%

Source: Company, Axis Research,

## Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Equity share capital	679	679	679	679
Other equity	5,291	6,137	7,404	8,901
Total Equity	5,970	6,816	8,082	9,580
<b>Non-Current Liabilities</b>				
Financial Liabilities	331	331	331	331
Other Non-current liabilities	318	318	318	318
<i>Total Non-Current Liabilities</i>	<i>649</i>	<i>649</i>	<i>649</i>	<i>649</i>
<b>Current Liabilities</b>				
Financial Liabilities	97	97	97	97
Other Current Liabilities	4,801	5,009	5,439	5,799
<i>Total Current Liabilities</i>	<i>4,898</i>	<i>5,106</i>	<i>5,536</i>	<i>5,897</i>
<b>Total Equity &amp; Liabilities</b>	<b>11,517</b>	<b>12,570</b>	<b>14,267</b>	<b>16,125</b>
<b>APPLICATION OF FUNDS</b>				
<b>Non-Current Assets</b>				
Net Fixed Assets	1,404	1,521	2,063	2,980
Financial Assets	572	572	572	572
<i>Total Non-Current Assets</i>	<i>1,976</i>	<i>2,093</i>	<i>2,635</i>	<i>3,552</i>
<b>Current Assets</b>				
Inventories	3,031	3,154	3,158	3,442
Financial Assets	6,266	7,079	8,231	8,888
Other current assets	243	243	243	243
<i>Total Current Assets</i>	<i>9,541</i>	<i>10,477</i>	<i>11,632</i>	<i>12,573</i>
<b>Total Assets</b>	<b>11,517</b>	<b>12,570</b>	<b>14,267</b>	<b>16,125</b>

Source: Company, Axis Research

## Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
PBT	2,037	2,963	2,899	3,469
Depreciation	364	380	383	458
Others	-153	-233	0	0
Tax Paid	-570	-754	-754	-902
Changes in Working Capital	-13	-703	63	422
<b>Net Cash from Operations</b>	<b>1,665</b>	<b>1,654</b>	<b>2,591</b>	<b>3,447</b>
Capex	-240	-335	-500	-1,000
Change in Investment	199	248	0	0
Others	21	59	0	0
<b>Net Cash from Investing</b>	<b>-20</b>	<b>-28</b>	<b>-500</b>	<b>-1,000</b>
Change in debt	-65	-76	0	0
Change in Equity	0	0	0	0
Others	-2,120	-30	0	0
<b>Net Cash from Financing</b>	<b>-2,185</b>	<b>-106</b>	<b>0</b>	<b>0</b>
<b>Net Change in Cash</b>	<b>-540</b>	<b>1,520</b>	<b>2,091</b>	<b>2,447</b>
<b>Free cash flow (FCF)</b>				

Source: Company, Axis Research

## Ratio Analysis

(x,%)

Y/E Mar	FY25	FY26E	FY27E	Fy28E
<b>PROFITABILITY RATIOS</b>				
EBITDA Margin (%)	10%	13%	11%	13%
net margin (%)	7.08	9.04	8.39	9.13
Return on invested capital (%)	43	41	36	37
Return on equity (%)	40	37	31	32
<b>EFFICIENCY RATIOS</b>				
Fixed Asset Turnover	15.90	17.35	16.82	13.62
Debtor days	28	31	34	31
Inventory days	62	60	66	60
Payable days	74	70	74	72
<b>PER SHARE DATA</b>				
EPS (Rs)	22.26	32.46	31.61	37.82
Book value per share (Rs)	55.58	87.96	100.42	119.09
<b>VALUATION RATIOS</b>				
P/E	70.75	48.52	49.83	41.64
P/BV	28.34	17.91	15.68	13.23
EV/EBITDA	49.17	34.95	38.42	30.56
<b>LIQUIDITY RATIOS</b>				
Total Debt/Equity(x)	1.25	0.93	0.84	0.77
Total Asset/Equity(x)	2.25	1.93	1.84	1.77
Current Ratio(x)	1.59	1.95	2.05	2.10
Quick Ratio(x)	1.02	1.33	1.43	1.53
Interest Cover(x)	65.27	89.07	80.96	97.50

Source: Company, Axis Research

## PRESTIGE ESTATES PROJECTS LTD – RECORD SALES AND ANNUITY RAMP UP

Prestige Group, established in 1986, is one of India's leading real estate developers with a strong foothold in Bangalore and an expanding presence across major metro cities. With over 38 years of experience, the company has developed a diverse portfolio across all asset classes. It has successfully completed over 300 projects, delivering more than 180 Mn sq. ft.

### Key Rationale

- Record Nine-month Performance:** Prestige reported pre-sales of Rs 4,184 Cr for the quarter, registering a 39% YoY growth, surpassing the last full year, in line with expectations. Collections stood at Rs 4,548 Cr, marking the highest-ever level for the period, while 9MFY26 collections reached Rs 13,283 Cr, surpassing the collections achieved in the previous full financial year. During Q3FY26, the company launched 5 Mn sq. ft. development across three projects, including Eden Park at TPC and Prestige Tech Hub. The total GDV of launched projects stood at approximately Rs 19,600 Cr for 9MFY26, with NCR contributing 59%, Chennai 17%, and Mumbai 10%. Key sales contributors included Prestige Garden Trails, TPC Indirapuram, and Prestige City Hyderabad. Prestige has guided for a launch pipeline of GDV Rs 43,000 Cr and has revised its pre-sales guidance upwards to Rs 30,000 Cr for FY26. Currently, the company has achieved 74% of its guidance.
- Resilient Cashflows leading to Healthy BD:** The company added projects worth approximately Rs 6,850 Cr in GDV across four projects during the quarter, taking the total 9MFY26 GDV additions to Rs 39,920 Cr. It has spent Rs 4,700 Cr on BD YTD and expects to close the year at Rs 5,500-6,000 Cr. Management indicated that ~60% of growth capex and BD is expected to be funded through internal accruals, with only ~40% through debt, and overall leverage is expected to remain broadly stable rather than rise materially. Net debt stands at Rs 8,771 Cr, with a net debt-to-equity ratio of 0.53x, which is expected to remain below 0.5x going forward.
- Annuitiy Continues Momentum:** The company reported healthy occupancy levels of around 95%+ in its office segment and a strong 99% in its retail portfolio, generating GTO of Rs 702 Cr. The upcoming development pipeline includes 14 Mn sq. ft. of commercial and 8 Mn sq. ft. of retail space, with an annuity capex of approximately Rs 15,000 Cr with free cashflows of ~Rs 50,000 Cr coming from ongoing and upcoming projects. It recently completed assets in Bengaluru — Prestige Lakeshore Drive, Prestige Tech Hub, and Prestige Capital Square — together adding ~3.7 Mn sq. ft. of premium office space that will progressively contribute to rental income as leasing ramps up. In the retail segment, the growth runway is significant, with 14 malls in the development pipeline, which are expected to take retail annuity income to ~Rs 1,175 Cr by FY30.
- Recommendation & Valuation** Prestige is positioned for sustained growth, supported by strong pre-sales momentum and a steadily scaling annuity income. Disciplined BD and stable leverage underpin expansion at a reasonable rate. Management remains confident of meeting the Rs 30,000 Cr FY26 pre-sales guidance and maintaining a steady growth going forward. We maintain our **BUY** recommendation on the stock and continue to value the company using a DCF-based valuation to arrive at a TP of Rs 1,900/share.

### Industry view



Equal Weight

**CMP**  
1,393

**Target Price**  
1,900

**Upside**  
36%

### Key Financials (Consolidated)

Y/E	Sales	EBITDA	Net Profit	EPS	PER	EVEBITDA	RoE	RoCE	Net Debt/Equity
March	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs Cr)	(X)	(X)	(%)	(%)	(X)
FY25	7,349	2,559	617	11.7	125.2	25.7	3%	0.5	7,349
FY26E	9,724	3,247	1,270	29.2	50.0	20.4	7%	0.5	9,724
FY27E	13,489	4,657	2,320	52.8	27.6	12.7	11%	0.0	13,489
FY28E	16,068	5,569	2,785	56.5	25.8	9.3	11%	(0.3)	16,068

Source: Company, Axis Securities

## Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Sales & other receipts	7,349	9,724	13,489	16,068
% YoY growth	-7%	32%	39%	19%
Cost of construction	1,203	4,337	5,864	6,964
Employee Cost	822	681	944	1,125
Other Expenses	2,766	1,459	2,023	2,410
Total expenditure	4,791	6,476	8,832	10,499
<b>EBITDA</b>	<b>2,559</b>	<b>3,247</b>	<b>4,657</b>	<b>5,569</b>
<b>EBITDA margin (%)</b>	<b>35%</b>	<b>33%</b>	<b>35%</b>	<b>35%</b>
Depreciation	812	911	1,005	1,193
Ebit	1,747	2,337	3,652	4,376
Interest	1,334	1,022	1,089	1,202
Other Income	386	386	386	425
PBT	799	1,701	2,949	3,599
Taxes	139	374	649	720
% of PBT	17%	22%	22%	20%
Profit in Associates	43	57	19	94
<b>Group PAT (before Minority &amp; Associates)</b>	<b>617</b>	<b>1,270</b>	<b>2,320</b>	<b>2,785</b>
Minority interest	149	99	203	519
<b>PAT</b>	<b>468</b>	<b>1,171</b>	<b>2,117</b>	<b>2,266</b>
<b>PAT Margin (%)</b>	<b>6%</b>	<b>12%</b>	<b>16%</b>	<b>14%</b>

Source: Company, Axis Research, \*P&L numbers are adjusted for split

## Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Shareholders' funds	15,423	16,522	18,567	20,760
Share capital	431	431	431	431
Reserves and surplus	14,992	16,091	18,136	20,330
Non-Controlling Interest	482	580	783	1,302
Loan funds	10,600	12,100	12,100	14,600
Deferred tax liability	584	584	584	584
<b>Total liabilities &amp; shareholders' funds</b>	<b>27,089</b>	<b>29,787</b>	<b>32,034</b>	<b>37,247</b>
Fixed assets (including Investments)	13,219	15,265	17,511	19,896
Gross block	13,697	16,653	19,906	23,483
Depreciation	3,206	4,116	5,121	6,315
Net block	10,491	12,537	14,784	17,168
Capital WIP	1,424	1,424	1,424	1,424
Goodwill	53	53	53	53
Inventories	31,883	46,012	62,581	79,149
Other Current Assets	6,423	6,423	6,423	6,423
Receivables	1,358	1,358	1,358	1,358
Cash and bank balance	2,393	3,563	10,526	20,318
Current Liabilities	31,706	46,354	69,885	93,416
Trade Payables	1,871	1,871	1,871	1,871
Lease Liabilities	2,580	2,580	2,580	2,580
Provisions	520	520	520	520
<b>Total assets</b>	<b>27,089</b>	<b>29,787</b>	<b>32,034</b>	<b>37,247</b>

Source: Company, Axis Research

## Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
PBT	756	1,701	2,949	3,599
Add: Share of JVs	44	0	0	0
Add: Depreciation	812	911	1,005	1,193
Interest Paid	1,334	1,022	1,089	1,202
Interest & dividend income	-293	-386	-386	-425
Change in Working Capital	-2,084	519	6,962	6,962
Cash from operations	526	3,766	11,620	12,532
Taxes paid	-396	-374	-649	-720
<b>Cash from operating activities</b>	<b>131</b>	<b>3,392</b>	<b>10,971</b>	<b>11,812</b>
Change in Fixed Assets	-1,583	-2,957	-3,252	-3,577
Change in Investments & Others	-44	0	0	0
Interest/ Dividend received	278	386	386	425
<b>Net cash from investing activities</b>	<b>-1,348</b>	<b>-2,627</b>	<b>-2,847</b>	<b>-3,247</b>
Proceeds from Equity	5,000	0	0	0
Proceeds from Borrowings	-862	1,500	0	2,500
Interest paid	-1,666	-1,022	-1,089	-1,202
Dividend paid	-78	-72	-72	-72
<b>Net Cash from Financing</b>	<b>959</b>	<b>406</b>	<b>-1,161</b>	<b>1,226</b>
Net cash for the period	-259	1,170	6,963	9,791
Cash at the end of the period	2,009	3,180	10,143	19,934

Source: Company, Axis Research

## Ratio Analysis

(x,%)

Y/E Mar	FY25	FY26E	FY27E	Fy28E
Total Debt	10,600	12,100	12,100	14,600
Less Cash and Cash Equivalents	2,393	4,420	11,383	21,175
Net debt / (cash)	8,207	7,680	717	-6,574
Net D/E	0.53	0.46	0.04	-0.32
ROIC	6%	8%	15%	25%
ROE	3%	7%	11%	11%
ROCE	11%	14%	20%	21%
Capex (% of sales)	0.4	0.3	0.2	0.2
Depreciation (% of sales)	-0.1	-0.1	-0.1	-0.1
FCF/OCF Ratio	-2.0	0.3	0.6	0.8
Cashflow Coverage	-2.2	0.4	7.1	6.9

Source: Company, Axis Research

## Dalmia Bharat Ltd – CAPACITY EXPANSION AND PROFITABLE GROWTH TO DRIVE MARGINS

Dalmia Bharat Limited (DBL), established in 1939, has emerged as one of the fastest-growing players in the Indian cement sector. It holds a 5% share of Indias cement capacity in its operational areas. DBL boasts a total cement production capacity of 49.5 million tonnes per annum (mtpa), a clinker capacity of 27.1 mtpa, and a power generation capacity of 397 MW, including waste heat recovery systems (WHRS) and solar power. The company's operations extend across 15 locations in India, encompassing integrated plants and 7 grinding units, supported by a robust distribution network of over 46,000 channel partners nationwide.

### Industry view



Equal Weight

### Key Rationale

- Strategic Capacity Addition to Fuel Growth:** The company had earlier announced a comprehensive capacity expansion plan involving a 6 MTPA cement unit and a 3.5 MTPA clinker unit at Kadapa (clinker capacity: 3 MTPA) and a 3 MTPA bulk terminal in Chennai, entailing a total capital outlay of Rs 3,287 Cr. These projects are targeted to become operational by Q2FY28. Additionally, its 6 MTPA capacity addition in the western region (3 MTPA each at Pune and Belgaum) is progressing as per schedule and is expected to be commissioned by Q4FY27. With improved utilisation and incremental capacity coming onstream, the company is projected to deliver a 7% volume CAGR over FY25–27E.
- Improved Realisations and Cost Efficiency to Support Margins:** The company's quarterly performance was aided by a 9% YoY increase in volume reaching 7.3 mtpa. With cement prices expected to improv in Q4 driven by better demand, margins are expected to stay elevated in movig forward. The company is also expecting cost savings of Rs 150–200/tonne over the next two years through enhanced operational efficiency and process optimisation. We pencil in higher EBITDA margins in the range of 21-22% over FY26-27E.
- Higher Consolidation and Profitable Growth Strategy to Benefit the Company:** The Indian cement industry is witnessing a wave of consolidation, with larger players acquiring regional or mid-sized firms to enhance market presence, optimise logistics, and achieve cost synergies. This consolidation trend is expected to reduce competitive intensity, enabling better price discipline and margin stability across the sector.
- Outlook:** The company is undertaking strategic capacity additions to capitalise on strong demand and improve market presence. These expansions are expected to enhance volume growth, capture incremental market share, and support long-term revenue and EBITDA growth. Timely commissioning of new capacity will be key to sustaining competitive advantage amid sector consolidation.
- We remain positive on the company's growth prospects and expect it to deliver a Volume/Revenue/EBITDA/PAT CAGR of 7%/11%/26%/45% over FY25-FY27E. Capacity expansion, market share gains, and operational efficiencies will drive this growth. Pricing remains a key factor to monitor closely.
- Valuation:** The stock is currently trading at 13x and 11x FY26E/FY27E EV/EBITDA and EV/tonne of \$91 and \$82. The valuation remains attractive compared to other larger peers. We maintain our BUY rating on the stock with a TP of Rs 2,520/share, implying an upside of % from the CMP.
- Key risks:** a) Lower realisation and demand in its key markets, b) Delay in capacity expansion and higher input costs may impact margins.

**CMP**  
1,993

**Target Price**  
2,520

**Upside**  
26%

### Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	14,680	2,628	827	44	47	15	5	7
FY25	13,980	2,407	796	36	57	17	4	6
FY26E	15,133	3,186	1,221	68	30	13	7	8
FY27E	17,140	3,812	1,434	76	27	11	7	9

Source: Company, Axis Securities

## Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	14,680	13,980	15,133	17,140
Other operating income	0	0	0	0
Total income	14,680	13,980	15,133	17,140
Raw Material	2,703	2,328	2,376	2,661
Power & Fuel	3,116	2,903	3,116	3,459
Freight & Forwarding	3,203	3,286	3,270	3,613
Employee benefit expenses	871	885	905	995
Other Expenses	2,159	2,171	2,281	2,600
<b>EBITDA</b>	<b>2,628</b>	<b>2,407</b>	<b>3,186</b>	<b>3,812</b>
Other income	326	253	257	257
PBIDT	2,954	2,660	3,443	4,069
Depreciation	1,498	1,331	1,309	1,668
Interest & Fin Chg.	386	399	468	468
E/o income / (Expense)	-	-	-	-
Pre-tax profit	1,070	930	1,666	1,933
Tax provision	216	118	428	483
<b>RPAT</b>	<b>854</b>	<b>812</b>	<b>1,237</b>	<b>1,450</b>
Minority Interests	27	16	16	16
Associates	-	-	-	-
<b>APAT after EO item</b>	<b>827</b>	<b>796</b>	<b>1,221</b>	<b>1,434</b>

Source: Company, Axis Research

## Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E
<b>Total assets</b>	<b>27,749</b>	<b>30,226</b>	<b>32,513</b>	<b>34,044</b>
Net Block	17,855	19,228	21,218	22,979
CWIP	2,284	2,497	2,497	2,497
Investments	588	675	675	675
Wkg. cap. (excl cash)	738	736	805	915
Cash / Bank balance	582	158	460	646
Misc. Assets	5,702	6,932	6,857	6,333
<b>Capital employed</b>	<b>27,749</b>	<b>30,226</b>	<b>32,513</b>	<b>34,044</b>
Equity capital	38	38	38	38
Reserves	16,359	17,336	18,512	19,852
Minority Interests	110	126	142	158
Borrowings	4,630	5,258	6,458	6,458
Def tax Liabilities	1,795	2,036	2,036	2,036
Other Liabilities and Provision	4,817	5,432	5,327	5,502

Source: Company, Axis Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY24	FY25	FY26E	FY27E	
<b>Profit before tax</b>	1,069	817	1,714	1,933	
Depreciation	1,498	1,331	1,309	1,668	
Interest Expenses	386	399	468	468	
Non-operating/ EO item	-304	-258	-257	-257	
Change in W/C	46	-230	-69	-110	
Income Tax	-54	-71	-428	-483	
<b>Operating Cash Flow</b>	2,635	2,117	2,736	3,218	
Capital Expenditure	-2,827	-2,664	-3,329	-3,428	
Investments	-570	-54	-	700	
Others	47	371	257	257	
<b>Investing Cash Flow</b>	-2,750	-2,270	-3,072	-2,471	
Borrowings	951	648	1,200	-	
Interest Expenses	-439	-444	-468	-468	
Dividend paid	-169	-169	-94	-94	
Others	-13	-20	-	-	
<b>Financing Cash Flow</b>	33	2	64	-56	
Change in Cash	107	-192	302	186	
Opening Cash	234	341	149	451	
Closing Cash	341	149	451	637	

Source: Company, Axis Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25	FY26E	FY27E	
Sales growth	8%	-5%	8%	13%	
OPM	18%	17%	21%	22%	
Op. profit growth	13%	-8%	32%	20%	
COGS / Net sales	61%	61%	58%	57%	
Overheads/Net sales	21%	22%	21%	21%	
Depreciation / G. block	5.5%	4.5%	4.0%	4.6%	
Effective interest rate	8.3%	7.6%	7.2%	7.3%	
<b>Efficiency Ratios</b>					
Total Asset turnover (x)	0.53	0.46	0.47	0.50	
Sales/Gross block (x)	0.54	0.47	0.46	0.47	
Sales/Net block(x)	0.82	0.73	0.71	0.75	
Working capital/Sales (x)	0.21	0.21	0.20	0.14	
<b>Valuation Ratios</b>					
P/BV (x)	2.34	2.21	2.07	1.93	
PER (x)	47	57	30	27	
EV/Ebitda (x)	14.8	16.5	12.7	10.8	
EV/Sales (x)	2.7	2.8	2.7	2.4	
EV/Tonne \$ (x)	97	93	91	82	

Source: Company, Axis Research

## Mahanagar Gas Ltd – ROBUST FUNDAMENTALS AT ATTRACTIVE VALUATION

Mahanagar Gas Ltd is one of the largest City Gas Distribution (CGD) companies in India, providing Compressed Natural Gas (CNG) for mobility and Piped Natural Gas (PNG) to residential (D-PNG), commercial, and industrial customers (C&I), serving Mumbai, Urban Thane, and the Raigad district of Maharashtra. MGL did a strategic acquisition of 100% equity share capital of Unison Enviro Private Limited (UEPL) in Feb'24, which operates in the Geographical Areas (GAs) of Ratnagiri, Latur, and Osmanabad in the state of Maharashtra, and Chitradurga and Davanagere in the State of Karnataka.

### Key Rationale

- Strategic Expansion Unlocking New Growth Avenues:** MGL's volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. The company has stepped up capex from FY22 onwards, reaching 1,000 Cr in FY25 and guided for higher capex of Rs 1,100-1,300 Cr at least for the next couple of years. It also acquired Unison Enviro Pvt Ltd (UEPL) in Feb'24, adding the prospective Ratnagiri, Latur-Osmanabad, and Chitradurga-Davanagere districts to its portfolio. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. Higher capex spending will boost the infrastructure in newer GAs, which, along with the marketing initiatives, will drive volume growth in the future. In FY25, it achieved gas volumes of 4.24 mmscmd (up 13% YoY), a 17.6% CAGR over FY21-25 (FY21 impacted base). Management guides at high single-digit to low double-digit volume growth for at least 2-3 years. We estimate volume to grow at 9.4% CAGR over FY25-28E and 8.7% CAGR over FY25-30E.
- Volume Growth to Support Earnings:** We estimate a robust 9% EBITDA CAGR over FY25-28E, driven by a 9.4% volume CAGR over the same period. Volume growth should be driven by network expansion in GA-3 (Raigad) and UEPL (~50%/~40% YoY growth in GA-3 and UEPL in FY25). Growth could get a further boost if regulatory or legislative actions pick up to promote clean air in the Mumbai Metropolitan Region (MMR). In Q3FY26, despite higher Henry Hub (HH) gas prices, EBITDA/scm improved by 4% QoQ (down 1% YoY) to Rs 8.3/scm. MGL optimized its sourcing mix, replacing high-cost HH with HPHT or spot gas where viable. Management noted that lower Brent prices provided a 20-cent saving on linked contracts, which more than offset the 1.4-cent rise in HH costs. Full benefits from the Sep'25 price hike also accrued this quarter, lifting overall EBITDA by 30 paisa per scm.
- Valuation & Recommendation:** We value the company using the DCF method, considering a WACC of 11.5%. We forecast cash flows for 15 years and post that use a terminal growth rate of 3.0% to arrive at the terminal value. We add net cash and investments at a 30% discount to arrive at our target price of Rs 1,540 per share.

### Industry view



Equal Weight

**CMP**

1,220

**Target Price**

1,540

**Upside**

26%

### Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY25	6,924	1,510	1,041	105	11.5	20%	18%	7.1
FY26E	8,408	1,555	953	96	12.6	17%	14%	6.6
FY27E	9,221	1,806	1,121	114	10.7	18%	15%	5.6
FY28E	10,379	1,960	1,202	122	10.0	17%	15%	4.9

Source: Company, Axis Securities Research

<b>Profit &amp; Loss</b>		<b>(Rs Cr)</b>			
<b>Y/E March</b>	<b>FY25A</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
Total Operating Income	6,924	8,408	9,221	10,379	
Cost of Natural Gas	4,458	5,772	6,204	7,065	
Change in inventories	(0)	-	-	-	
Employees Cost	138	158	174	183	
Other Expenses	818	922	1,037	1,171	
Total Expenditure	5,414	6,853	7,415	8,418	
<b>EBITDA</b>	<b>1,510</b>	<b>1,555</b>	<b>1,806</b>	<b>1,960</b>	
Depreciation and Amortization	306	401	469	536	
<b>EBIT</b>	<b>1,204</b>	<b>1,154</b>	<b>1,337</b>	<b>1,425</b>	
Other Income	184	125	163	183	
Less: Interest & Fin Chg.	13	20	21	21	
<b>Profit before tax</b>	<b>1,374</b>	<b>1,259</b>	<b>1,480</b>	<b>1,586</b>	
Provision for Tax	329	302	355	380	
Net Profit from associates/JVs	(4)	(4)	(4)	(4)	
<b>Reported PAT</b>	<b>1,041</b>	<b>953</b>	<b>1,121</b>	<b>1,202</b>	
<b>EPS (Rs/sh)</b>	<b>105.3</b>	<b>96.5</b>	<b>113.5</b>	<b>121.7</b>	
<b>DPS (Rs/sh)</b>	<b>30.0</b>	<b>27.5</b>	<b>32.3</b>	<b>34.6</b>	

Source: Company, Axis Securities Research

<b>Balance Sheet</b>		<b>(Rs Cr)</b>			
<b>Y/E March</b>	<b>FY25A</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	
Net Block	4,153	4,291	5,373	6,142	
CWIP	1,068	1,358	1,007	902	
Intangible assets	421	421	421	421	
Investments	1,054	1,054	1,054	1,054	
Inventories	52	68	73	83	
Trade Receivables	364	442	485	546	
Cash / Bank balance	333	760	974	1,347	
Misc. Assets	824	836	847	858	
<b>Total assets</b>	<b>8,270</b>	<b>9,229</b>	<b>10,233</b>	<b>11,353</b>	
Equity capital	99	99	99	99	
Reserves	5,781	6,470	7,277	8,141	
Minority Interest	15	15	15	15	
Borrowings	-	-	-	-	
Def tax Liabilities	277	277	277	277	
Other Liabilities	1,592	1,734	1,891	2,063	
Provisions	75	75	75	75	
Trade Payables	431	558	600	683	
<b>Capital employed</b>	<b>8,270</b>	<b>9,229</b>	<b>10,233</b>	<b>11,353</b>	

Source: Company, Axis Securities Research

## Cash Flow

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Profit After tax	1,045	957	1,125	1,206
Depreciation	306	401	469	536
Change in W/C	(15)	176	151	185
<b>Operating Cash Flow</b>	<b>1,336</b>	<b>1,534</b>	<b>1,744</b>	<b>1,927</b>
Capital Expenditure	(1,051)	(829)	(1,200)	(1,200)
<b>Free Cash Flow</b>	<b>286</b>	<b>706</b>	<b>544</b>	<b>727</b>
Other Investments	(141)	(11)	(11)	(12)
<b>Investing Cash Flow</b>	<b>(1,192)</b>	<b>(840)</b>	<b>(1,211)</b>	<b>(1,212)</b>
Dividend paid	(296)	(296)	(271)	(319)
Other Financing cash flow	59	28	(48)	(23)
<b>Financing Cash Flow</b>	<b>(238)</b>	<b>(268)</b>	<b>(319)</b>	<b>(342)</b>
<b>Change in Cash</b>	<b>(93)</b>	<b>427</b>	<b>214</b>	<b>373</b>
Opening Cash	426	333	760	974
<b>Closing Cash</b>	<b>333</b>	<b>760</b>	<b>974</b>	<b>1,347</b>

Source: Axis Securities Research

## Ratio Analysis

(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
<b>Operational Ratios</b>				
Sales growth (% YoY)	11%	21%	10%	13%
EBITDA growth (% YoY)	-18%	3%	16%	9%
Op. profit growth (% YoY)	-23%	-4%	16%	7%
Net Profit growth (% YoY)	-18%	-8%	18%	7%
EBITDA Margin %	22%	18%	20%	19%
Net profit Margin %	20%	15%	16%	15%
Tax Rate %	24%	24%	24%	24%
<b>Efficiency Ratios</b>				
Total Asset turnover (x)	0.9	1.0	0.9	1.0
Sales/Net block(x)	1.3	1.4	1.4	1.5
Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)
<b>Valuation Ratios</b>				
PER (x)	11.5	12.6	10.7	10.0
P/BV (x)	2.0	1.8	1.6	1.5
EV/EBITDA (x)	7.1	6.6	5.6	4.9
EV/Sales (x)	1.5	1.2	1.1	0.9
<b>Return Ratios</b>				
ROE	17.7%	14.5%	15.2%	14.6%
ROCE	19.9%	17.1%	17.9%	17.1%
ROIC	20.3%	18.4%	19.0%	18.5%
<b>Leverage Ratios</b>				
Debt / Equity (x)	-	-	-	-
Net debt / Equity (x)	(0.2)	(0.3)	(0.3)	(0.3)
Net debt / EBITDA (x)	(0.9)	(1.2)	(1.1)	(1.2)

Source: Axis Securities Research

## UJJIVAN SMALL FINANCE BANK LIMITED – STANDING TALL THROUGH THE MFI DOWN CYCLE

Ujjivan Small Finance Bank Ltd. (UJSFB) is a leading and diversified SFB that transitioned from a NBFC (Ujjivan Financial Services Ltd.) in Feb'17. The bank primarily serves low and middle-income individuals and businesses in metro and urban areas with limited or no access to formal banking and financial services. Its diversified portfolio includes Microfinance—both group and individual products, MSE Finance, Affordable Housing Finance, FIG Finance, and newly introduced offerings such as vehicle loans and gold loans.

### Key Rationale

- Asset quality Stress Waning; Credit Cost Normalisation from H2FY27 Onwards:** UJSFB has navigated the MFI down cycle stress well and emerged stronger with a sharp improvement across asset quality metrics. X-bucket CE is expected to have stabilised across all geographies since Nov'25. In Q3, slippages came in lower at Rs 221 Cr, with MFI contributing to ~80% of the overall slippages. With improvement trends visible in both GL and IL portfolios, the management has highlighted that credit costs in Q4 will be materially lower sequentially. While some residual stress may flow through in Q1FY27, credit costs normalisation will be visible by the end of H1FY27. Post this, the management expects credit costs to normalise at 1-1.5% on a steady state basis, and declining credit costs remain a key lever driving RoA improvement. The bank does not intend to make a meaningful reduction in the collections team in Q4; however, a gradual rationalisation of ~100-150 personnel per quarter from Q1 onwards would commence as CE stabilises.
- Growth Momentum to Build-up:** UJSFB's MFI portfolio has seen a consistent improvement in the customer acquisition run-rate, and management expects further improvement in Q4. Rejection rates had risen sharply post implementation of MFIN 2.0 guardrails to 46-47%, primarily due to lender caps and tighter underwriting. However, rejection rates have started to moderate and currently stand at 30-35%, with expectations of them settling at these levels. Growth momentum continues to remain strong with the management guiding for sequentially higher disbursements in Q4 supported by a strong recovery in MFI and continued traction in the non-MFI segment, as UJSFB aims to end FY26 with advances growth of 20%. The newer segment, Vehicle and Gold Finance, continues to scale up well, albeit on a lower base. The improvement in growth appears durable, and UJSFB remains confident of delivering a strong growth of 23% CAGR over FY26-28E.
- NIMs to Find Support From Lower CoF in FY27:** UJSFB's NIMs expanded by 33 bps QoQ, driven by lower CoF, CRR cut benefits, lower excess liquidity, and lower interest reversals. The management remains confident of maintaining margins at current levels, with room for further expansion supported by continued TD repricing and benefit from the recent SA rate cut taken in Jan'26 alongside revival in MFI growth. The bank has reduced SA rates by 25 bps in the <Rs 1 Lc bucket and 50 bps in the Rs 1-5 Lc bucket, which together account for ~46% of SA balances. The management has guided for the exit CoF to be at ~7%, with further improvement seen through FY27. Over the medium term, overall yields are expected to gradually decline as the loan mix shifts towards secured lending, with the bank looking to maintain a 50:50 mix in FY26 and improving the secured portfolio share to 65-70% by FY30. We factor-in NIMs to be largely defended in FY27, with support from lower CoF, though gradually decline to 7.5% by FY28 vs ~7.8% in FY26-27E.
- Outlook & Valuation:** stabilising asset quality, as the MFI down cycle appears largely behind and collections remain strong across geographies. NIMs are expected to stay resilient in the near term, supported by continued CoF improvement in FY27 and revival in MFI growth, despite a gradual portfolio mix shift towards secured lending weighing on yields. With credit costs normalising to 1–1.5% from H2 FY27, RoA is likely to trend structurally higher. Sustained robust growth momentum, improving CASA franchise, and a strong earnings trajectory position UJSFB to deliver a RoA/RoE of 1.7-1.9%/15-18% over FY27-28E. The granting of the Universal Banking License could act as a strong catalyst for further re-rating of the stock
- Key risks:** a) Scalability of new products, b) Asset quality concerns in the MFI segment, and (c) non-issuance of Universal Banking License

### Industry view



Over weight

CMP  
58

Target Price  
74

Upside  
27%

### Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	3,636	1,689	726	3.8	30.2	1.9	1.6	0.5
FY26E	3,869	1,681	655	3.4	32.9	1.8	1.3	0.6
FY27E	4,656	2,170	1,071	5.5	37.8	1.5	1.7	0.5
FY28E	5,502	2,698	1,446	7.5	44.3	1.3	1.9	0.5

Source: Company, Axis Securities.

Profit & Loss		(Rs Cr)			
Y/E MAR	FY25	FY26E	FY27E	FY28E	
<b>Net Interest Income</b>	<b>3,636</b>	<b>3,869</b>	<b>4,656</b>	<b>5,502</b>	
Other Income	846	1,101	1,282	1,512	
<b>Total Income</b>	<b>4,482</b>	<b>4,970</b>	<b>5,938</b>	<b>7,014</b>	
Total Operating Exp.	2,793	3,289	3,768	4,316	
<b>PPOP</b>	<b>1,689</b>	<b>1,681</b>	<b>2,170</b>	<b>2,698</b>	
Provisions & Contingencies	748	818	739	765	
<b>PBT</b>	<b>941</b>	<b>862</b>	<b>1,432</b>	<b>1,933</b>	
Provision for Tax	215	207	361	487	
<b>PAT</b>	<b>726</b>	<b>655</b>	<b>1,071</b>	<b>1,446</b>	

Source: Company, Axis Research

Balance Sheet		(Rs Cr)			
Y/E MAR	FY25	FY26E	FY27E	FY28E	
<b>SOURCES OF FUNDS</b>					
Share capital	1,935	1,935	1,935	1,935	
Reserves and Surplus	4,059	4,648	5,612	6,914	
Shareholders' funds	<b>5,994</b>	<b>6,583</b>	<b>7,547</b>	<b>8,849</b>	
Deposits	37,630	45,488	55,755	68,837	
Borrowings	2,845	2,925	4,241	5,764	
Other Liabilities, provisions	1,130	1,338	1,643	2,031	
<b>Total liabilities</b>	<b>47,689</b>	<b>56,465</b>	<b>69,362</b>	<b>85,701</b>	
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	3,170	2,828	3,382	4,073	
Investments	11,730	13,633	16,710	20,631	
Advances	31,390	38,234	47,095	58,310	
Fixed Assets & Other Assets	1,399	1,770	2,174	2,686	
<b>Total assets</b>	<b>47,689</b>	<b>56,465</b>	<b>69,362</b>	<b>85,701</b>	

Source: Company, Axis Research

KEY RATIOS				(%)
Y/E MAR	FY25	FY26E	FY27E	FY28E
<b>VALUATION RATIOS</b>				
EPS	3.8	3.4	5.5	7.5
Earnings Growth (%)	-43.5	-9.7	63.5	35.0
BVPS	31.0	34.0	39.0	45.7
Adj. BVPS	30.2	32.9	37.8	44.3
ROAA (%)	1.6	1.3	1.7	1.9
ROAE (%)	12.6	10.4	15.2	17.6
P/E (x)	15.5	17.1	10.5	7.8
P/BV (x)	1.9	1.8	1.5	1.3
<b>PROFITABILITY</b>				
NIM (%)	8.7	7.8	7.8	7.5
Cost-Assets Ratio	6.3	6.3	6.0	5.6
Cost-Income Ratio	62.3	66.2	63.5	61.5

Source: Company, Axis Research

Balance Sheet Structure Ratios				(%)
Y/E MAR	FY25	FY26E	FY27E	FY28E
Loan Growth (%)	7.9	21.7	23.2	23.8
Deposits Growth (%)	19.6	20.9	22.6	23.5
Equity/Assets (%)	8.5	8.2	8.1	8.1
Equity/Loans (%)	19.1	17.2	16.0	15.2
Total Capital Adequacy Ratio (CAR)	23.1	21.4	19.8	18.7
<b>ASSET QUALITY</b>				
Gross NPLs (%)	2.2	2.2	2.0	1.8
Net NPLs (%)	0.5	0.6	0.5	0.5
PCR	78.1	75.1	75.0	75.0
Credit costs	2.6	2.4	1.7	1.5

Source: Company, Axis Research

## CHALET HOTELS LTD – ARR LED GROWTH

Chalet Hotels Limited is a leading owner, developer, and asset manager of high-end hotels in India, primarily operating in key metro cities such as Mumbai, Hyderabad, Bengaluru, and Pune. The company's portfolio comprises luxury and upper upscale hotels managed by renowned global brands like Marriott, Westin, and Four Points. Chalet follows an integrated business model that combines hospitality with commercial and mixed-use developments, leveraging synergies in operations, location, and asset management. With a focus on premium urban markets, efficiency, and sustainable practices, Chalet continues to enhance its portfolio through strategic expansions and redevelopment projects.

### Industry view



Over Weight

CMP  
808

Target Price  
1,120

Upside  
39%

### Key Rationale

- Strong ARR:** The hospitality business reported 23% YoY revenue growth, with ARR increasing to Rs 14,970 (+15.7% YoY), driven by 25% growth in non-MMR assets. Occupancy stood at 68%, down 230 bps YoY. While MMR and NCR reported muted ADR growth YoY, Hyderabad, Pune, and Bengaluru delivered strong ADR growth. The occupancy softness was primarily due to key additions in Bengaluru and Khandala, leading non-MMR assets to witness a sharper 490 bps decline.
- Annuity Surge:** The rental annuity segment saw strong growth of 29% YoY, driven by 83% occupancy of leased area, with a monthly run rate of ~Rs 24 Cr, expected to increase to Rs 28–30 Cr by FY27E. Consolidated margins (ex-residential) stood at 46%, flat YoY, driven by the annuity business supporting profitability and strict operating cost discipline. The company's reported PAT was Rs 124 Cr.
- Aggressive Growth Pipeline & Strategic Development:** Chalet has planned Rs 2,500 Cr of capex over FY27–FY29 to expand both its hospitality and commercial portfolios. Strategic projects such as the Taj at Delhi International Airport and Hyatt Regency, Airoli, are progressing, with the Delhi airport project targeting a partial launch by Q4FY27 from earlier H1FY27. The successful rebranding of the Aravali Resort and the upcoming rebranding of the Vashi property under the Athiva brand are expected to drive further ADR uplifts.
- Outlook:** The company maintains a highly optimistic outlook, driven by a strategic focus on the upper upscale and luxury segments, aiming for a portfolio mix of approximately 20% leisure and 80% business hotels. Management expects strong revenue and RevPAR growth to continue, supported by the stabilisation of new inventory in Bangalore and Khandala over the next few quarters. This positive outlook is underpinned by the sustained success of the core "double engine strategy" (hospitality and commercial real estate, which provides the solid financial foundation, including an annual CRE cash flow of Rs 3-4 Bn, necessary to pursue growth, brand expansion with ATHIVA, and selective acquisitions like the bid for JW Marriott Bangalore.
- Recommendation & Valuation:** We remain confident in Chalet's strong execution capabilities. Its diversified portfolio across corporate and leisure hotels, annuity assets, and a robust development pipeline —particularly in high-demand metro locations—positions it well to deliver revenue growth above industry averages. We value the stock at an EV/EBITDA of 19x on FY28E earnings, arriving at a target price of Rs 1,120/share. We maintain our BUY recommendation on the stock.

### Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25	1,718	736	143	7	137	30	6	5
FY26E	2,884	1,278	633	29	31	17	5	17
FY27E	3,271	1,426	736	34	27	15	4	17
FY28E	3,088	1,390	713	33	34	19	5	14

Source: Company, Axis Securities

## Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>1,718</b>	<b>2,884</b>	<b>3,271</b>	<b>3,088</b>
<b>Growth (%)</b>	<b>21.2%</b>	<b>67.9%</b>	<b>13.4%</b>	<b>-5.6%</b>
Total Expenditure	982	1,606	1,845	1,698
Raw Material Consumed	117	337	373	278
<b>Gross margins (%)</b>	<b>91.0%</b>	<b>88.3%</b>	<b>88.6%</b>	<b>91.0%</b>
Employee Expenses	234	317	393	371
% of sales	13.5%	11.0%	12.0%	12.0%
Other Expenses	631	952	1,080	1,050
% of sales	37.0%	33.0%	33.0%	34.0%
<b>EBIDTA</b>	<b>736</b>	<b>1,278</b>	<b>1,426</b>	<b>1,390</b>
<b>EBITDAM (%)</b>	<b>42.8%</b>	<b>44.3%</b>	<b>43.6%</b>	<b>45.0%</b>
Depreciation	179	227	265	292
% of GB	3.6%	4.0%	4.0%	4.0%
EBIT	557	1,050	1,161	1,097
EBITM (%)	32.4%	36.4%	35.5%	35.5%
Interest	159	223	196	169
Other Income	36	40	44	48
Share of P/L of Associates	0	0	0	0
PBT	434	867	1,009	977
<b>Tax Rate (%)</b>	<b>67.2%</b>	<b>27.0%</b>	<b>27.0%</b>	<b>27.0%</b>
Tax	292	234	272	264
<b>Reported PAT</b>	<b>143</b>	<b>633</b>	<b>736</b>	<b>713</b>

Source: Company, Axis Research,

## Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	218	219	219	219
Reserves & Surplus	2,827	3,450	4,167	4,860
Net Worth	3,046	3,669	4,385	5,078
Total Loan funds	2,679	2,479	2,179	1,879
Deferred Tax Liability	85	170	170	170
Long Term Provisions	16	16	16	16
Other Long-Term Liability	41	79	90	85
<b>Capital Employed</b>	<b>7,063</b>	<b>7,481</b>	<b>7,748</b>	<b>8,017</b>
Gross Block	4,684	5,684	6,634	7,304
Less: Depreciation	1,472	1,699	1,964	2,257
Net Block	3,212	3,985	4,669	5,047
Investments	99	28	28	28
Sundry Debtors	78	103	117	110
Cash & Bank Bal	186	410	180	111
Loans & Advances	23	23	23	23
Inventory	633	310	100	60
Other Current Assets	147	147	147	147
Total Current Assets	2,204	1,876	1,615	1,397
Curr Liab & Prov	1,165	1,020	594	479
Net Current Assets	-1,039	-856	-1,021	-918
<b>Total Assets</b>	<b>7,063</b>	<b>7,481</b>	<b>7,748</b>	<b>8,017</b>

Source: Company, Axis Research

## Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E	FY28E
PBT	434	867	1,009	977
Add: depreciation	179	227	265	292
Add: Interest	159	223	196	169
Cash flow from operations	772	1,318	1,470	1,438
Change in working capital	54	-364	-39	84
Taxes	292	234	272	264
Net cash from operations	427	1,447	1,237	1,090
Capital expenditure	-1,130	-939	-950	-670
Net cash from investing	-1,228	-869	-950	-670
Increase/Decrease in debt	-271	-200	-300	-300
Dividends	0	-10	-20	-20
Proceedings from equity	13	0	0	0
Interest	-159	-223	-196	-169
Others	1,272	78	0	0
Net cash from financing	855	-354	-516	-489
Net Inc./(Dec.) in Cash	53	223	-229	-69
Opening cash balance	132	186	410	180
Closing cash balance	186	410	180	111

Source: Company, Axis Research

## Ratio Analysis

(x,%)

Y/E Mar	FY25	FY26E	FY27E	FY28E
<b>Sales growth</b>	<b>21.2</b>	<b>67.9</b>	<b>13.4</b>	<b>(5.6)</b>
<b>OPM</b>	<b>42.8</b>	<b>44.3</b>	<b>43.6</b>	<b>45.0</b>
Oper. profit growth	25.9	73.6	11.6	(2.6)
COGS / Net sales	9.0	11.7	11.4	9.0
Overheads/Net sales	50.4	44.0	45.0	46.0
<b>Depreciation / G. block</b>	<b>3.6</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Effective interest rate	67.2	27.0	27.0	27.0
Net wkg.cap / Net sales	0.1	(0.1)	(0.1)	(0.1)
Net sales / Gr block (x)	0.4	0.5	0.5	0.4
<b>RoCE</b>	<b>9.4</b>	<b>16.9</b>	<b>17.4</b>	<b>15.6</b>
Debt / equity (x)	0.9	0.7	0.5	0.4
Effective tax rate	67.2	27.0	27.0	27.0
<b>RoE</b>	<b>4.7</b>	<b>17.3</b>	<b>16.8</b>	<b>14.0</b>
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
<b>EPS (Rs.)</b>	<b>6.5</b>	<b>29.0</b>	<b>33.8</b>	<b>32.7</b>
EPS Growth	0.0	0.0	0.0	0.0
CEPS (Rs.)	14.7	39.4	45.9	46.1
DPS (Rs.)	0.0	1.0	2.0	2.0

Source: Company, Axis Research

## MINDA CORPORATION LTD - HEALTHY GROWTH ANCHORED BY TECH-ENABLED PREMIUM MIX

Minda Corporation Ltd (Minda), established in 1958 and headquartered in Noida, India, is a major technology-driven manufacturer of automotive components and systems for both domestic and global original equipment manufacturers (OEMs). It is the flagship company of the Spark Minda Group and a leading supplier of mechatronic products, wiring harnesses, vehicle access systems, instrument clusters, connectivity systems, and interior & plastic components across passenger vehicles, commercial vehicles, two-wheelers, three-wheelers, and off-road vehicles.

### Key Rationale

- Product Portfolio Expansion & Key Order Wins:** MCL's order wins during 9MFY26 highlight its strategic shift toward higher-value, premium product categories and deeper penetration in the passenger vehicle (PV) segment. The company secured its first-ever sunroof order worth ~Rs 350 Cr from a leading OEM through a 50:50 joint venture with CMF, with commercial production expected in Q1FY27 and peak contribution likely in FY28, marking its entry into the premium PV accessories space. Additionally, MCL received a significant switch order with a lifetime value exceeding Rs 1,000 Cr from a leading two-wheeler OEM, while its collaboration with Toyota Denso enabled it to bag new switch orders from multiple leading OEMs, with SOP targeted for Q4FY27. On the innovation front, the company filed four new patents during Q3FY26, taking its total patent filings to over 320.
- Flash Electronics Performance:** In Q3FY26, Flash Electronics posted revenue of Rs 488 Cr, with EBITDA rising to Rs 90 Cr and margins at 18.4%. Growth was driven by higher-margin export programs, particularly in premium 2W and PV components, as well as productivity gains in utilities and overheads. The partnership focuses on high-growth offerings such as battery management systems, EV chargers, and sensors. Flash Electronics is pursuing DVS certification for its EV chargers to enable wider market access and future growth. The client portfolio includes BMW, Ducati, and Volkswagen. Management expects low double-digit growth as new export orders reach full execution and EV penetration increases.
- Strong Order Book:** Minda Corporation's order book provides strong revenue visibility and underscores its accelerating transition toward premium and technology-driven products. The company reported a record lifetime order book exceeding Rs 7,000 Cr in 9MFY26, anchored by marquee wins across sunroofs, high-voltage wiring harness, TFT digital clusters, and smart key systems.
- Valuation & Outlook:** We remain positive on Minda Corp's growth trajectory, underpinned by new order wins and a clear focus on EVs. Backed by a robust order book and management's confidence in outperforming industry growth through both organic and inorganic routes, we project a CAGR of 17%/23%/30% in Revenue/EBITDA/Adj PAT over FY25-28E, with a higher share of profits from associates expected to further support PAT growth.
- Key risks:** Macro-economic uncertainty, Higher depreciation cost.

### Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY25	5,056	575	255	10.7	50.5	15.3	12.1	23.4
FY26E	6,081	717	338	14.1	39.6	16.5	14.4	19.6
FY27E	6,978	873	439	18.3	30.4	19.0	16.6	15.9
FY28E	8,075	1,065	566	23.7	23.6	21.1	18.4	12.8

Source: Company, Axis Securities Research

### Industry view



### Over Weight

**CMP**  
556

**Target Price**  
710

**Upside**  
28%

Profit & Loss		(Rs Cr)			
Y/E Mar	FY25A	FY26E	FY27E	FY28E	
<b>Net sales</b>	5,056	6,081	6,978	8,075	
Raw materials	3,146	3,790	4,326	5,007	
Staff costs	782.5	935.6	1,027.0	1,132.4	
Other expenses	552.5	638.5	751.4	871.4	
<b>Total expenses</b>	<b>4,481</b>	<b>5,364</b>	<b>6,104</b>	<b>7,010</b>	
<b>EBITDA</b>	<b>575</b>	<b>717</b>	<b>873</b>	<b>1,065</b>	
Depreciation	204	232	263	299	
<b>EBIT</b>	<b>371</b>	<b>485</b>	<b>610</b>	<b>764</b>	
Other income	32	17	29	29	
Interest expense	67	125	121	121	
Exceptional (expenses)/income	-	-	1	-	
<b>Profit before tax</b>	<b>336</b>	<b>378</b>	<b>519</b>	<b>673</b>	
Tax expense	96	105	144	187	
Associates	16	65	65	80	
Adjusted PAT	<b>255</b>	<b>338</b>	<b>439</b>	<b>566</b>	
<b>Reported PAT</b>	<b>255</b>	<b>338</b>	<b>439</b>	<b>566</b>	
No. of shares	23.9	23.9	23.9	23.9	
Reported EPS (Rs/share)	<b>10.68</b>	<b>14.13</b>	<b>18.39</b>	<b>23.67</b>	

Source: Company, Axis Securities Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY25A	FY26E	FY27E	FY28E	
<b>Total assets</b>	<b>3,882</b>	<b>4,046</b>	<b>4,297</b>	<b>4,651</b>	
Net Block	1,347.0	1,310.5	1,242.4	1,138.0	
CWIP	64.8	119.7	174.5	229.4	
Goodwill	92.9	92.9	92.9	92.9	
Investments	1,475.6	1,475.6	1,475.6	1,475.6	
Wkg. cap. (excl cash)	805	1,087	1,229	1,376	
Cash / Bank balance	96.6	(39.8)	81.9	339.3	
Misc. Assets	0.0	0.0	0.0	0.0	
<b>Capital employed</b>	<b>3,882</b>	<b>4,046</b>	<b>4,297</b>	<b>4,651</b>	
Equity capital	47.8	47.8	47.8	47.8	
Reserves	2,154	2,411	2,786	3,263	
Pref. Share Capital	0.0	0.0	0.0	0.0	
Minority Interests	0.0	0.0	0.0	0.0	
Borrowings	1,668	1,568	1,443	1,318	
Def tax Liabilities	11.9	18.6	20.1	21.6	

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY25A	FY26E	FY27E	FY28E	
<b>Sources</b>	<b>1,506.5</b>	<b>395.0</b>	<b>514.5</b>	<b>653.6</b>	
Cash profit	511	629	759	906	
(-) Dividends	21.5	16.7	0.0	8.4	
Retained earnings	489.2	612.7	758.7	897.8	
Issue of equity	0.0	0.0	0.0	0.0	
Change in Oth. Reserves	3.9	0.0	0.0	0.0	
Borrowings	1,074.3	(100.0)	(125.0)	(125.0)	
Others	(60.9)	(117.7)	(119.3)	(119.3)	
<b>Applications</b>	<b>1,506.5</b>	<b>395.0</b>	<b>514.5</b>	<b>653.6</b>	
Capital expenditure	531.3	250.0	250.0	250.0	
Investments	1,195.1	0.0	0.0	0.0	
Net current assets	(124.5)	281.4	142.7	146.2	
Change in cash	(95.3)	(136.4)	121.7	257.4	

Source: Axis Securities Research

Ratio Analysis		(%)			
Key Ratios	FY25A	FY26E	FY27E	FY28E	
<b>Sales growth</b>	<b>8.7</b>	<b>20.3</b>	<b>14.7</b>	<b>15.7</b>	
<b>EBIDTA margin</b>	<b>11.4</b>	<b>11.8</b>	<b>12.5</b>	<b>13.2</b>	
EBITDA growth	11.7	24.8	21.8	22.0	
COGS / Net sales	26.4	25.9	25.5	24.8	
Overheads/Net sales	28.3	27.7	27.5	26.8	
Depreciation / G. block	9.1	9.5	10.0	10.6	
Effective interest rate	6.7	9.0	6.3	8.0	
Net wkg.cap / Net sales	0.15	0.12	0.13	0.13	
Net sales / Gr block (x)	2.3	2.5	2.7	2.9	
<b>RoCE</b>	<b>15.3</b>	<b>16.5</b>	<b>19.0</b>	<b>21.1</b>	
Debt/equity (x)	0.73	0.61	0.49	0.38	
Effective tax rate	28.7	27.8	27.8	27.8	
<b>RoE</b>	<b>12.1</b>	<b>14.4</b>	<b>16.6</b>	<b>18.4</b>	
Payout ratio (Div/NP)	8.4	5.0	0.0	1.5	
<b>EPS (Rs.)</b>	<b>10.68</b>	<b>14.13</b>	<b>18.39</b>	<b>23.67</b>	
EPS Growth	12.4	32.3	30.1	28.7	
<b>Adj EPS (Rs.)</b>	<b>10.7</b>	<b>14.1</b>	<b>18.3</b>	<b>23.7</b>	

Source: Axis Securities Research

## NAVIN FLUORINE INTERNATIONAL LTD – SYNERGISTIC GROWTH ACROSS SEGMENTS

Navin Fluorine International Ltd. (NFIL), established in 1967, is one of India's largest manufacturers of speciality fluorochemicals. Part of the Padmanabh Mafatlal Group, the company operates one of India's largest integrated fluorochemical complexes, positioning itself as a preferred partner for a diverse range of fluorochemicals globally. NFIL's portfolio includes synthetic cryolite, fluorocarbon gases, hydrofluoric acid, and other fluorine-based chemicals. It also offers contract research and manufacturing services. With manufacturing capabilities for both anhydrous and diluted hydrofluoric acid in India, NFIL caters to industries such as stainless steel, glass, oil & gas, abrasives, electronics, and life & crop sciences.

### Industry view



Equal Weight

**CMP**  
6,257

**Target Price**  
7,400

**Upside**  
18%

### Key Rationale

- Volume and Pricing-led Growth Continues in HPP:** HPP business delivered strong revenue growth during Q3FY26, supported by higher realisations and improved volumes amid a favourable pricing environment. The AHF project was successfully commissioned in Q4FY26, with dispatches already underway. The recently commissioned R32 capacity is operating at optimal utilisation. Additionally, capex for incremental HFC capacity (up to 15,000 MTPA of R32) remains on track for commissioning in Q3FY27. This expansion is expected to deliver (incremental) peak annual revenues in the range of Rs 600–825 Cr.
- Strong Order Visibility and Capacity Expansion to Drive Growth in Speciality Chemicals:** The Speciality Chemicals segment marked its highest-ever quarterly performance during Q3FY26. The outlook remains favourable, supported by a strong order pipeline extending into Q4FY26 and beyond. The product portfolio continues to expand with the scale-up of existing molecules and multiple new product introductions. The Chemours project is progressing as planned and is expected to be commissioned by Q1FY27. Furthermore, the capex to debottleneck its MPP facility at Dahej, targeted for commissioning in Q3FY27 and expected to add peak annual revenue capability of Rs 140–160 Cr.
- CDMO Progressing as per Expectations:** The CDMO segment maintained its growth momentum, aided by strong execution and growing customer engagements. During Q3FY26, NFIL successfully completed validation and commenced commercial supplies from its cGMP4 Phase I facility for a European client, providing multi-year revenue visibility. Additionally, a scale-up order from another major European customer is scheduled for delivery in Q4FY26.
- Outlook & Recommendation:** NFIL continue to prioritise capacity expansion, productivity enhancement, and operational efficiency across its business segments. Strategic initiatives, along with favourable demand dynamics, have helped the company deliver robust growth and margins in the recent quarters. Furthermore, a strong order book underpins future revenue visibility. With incremental capacities, new molecule launches, and sustained traction in CDMO partnerships, NFIL is well-positioned for robust growth over FY26–FY28. Management has articulated a sustainable EBITDA margin target of ~30% (± 200 bps) on an annualised basis, which is expected to be comfortably met or surpassed. Accordingly, we value the stock at 31x FY28E EPS and maintain a **BUY** rating on the stock.

### Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY24	2,065	398	271	54.6	115	8	11	81
FY25	2,349	534	289	58.2	107	11	11	61
FY26E	3,381	1,116	685	133.9	47	19	17	29
FY27E	4,248	1,402	934	182.5	34	21	19	23
FY28E	5,435	1,794	1,221	238.6	26	22	20	18

Source: Company, Axis Securities Research

## Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>2,065</b>	<b>2,349</b>	<b>3,381</b>	<b>4,248</b>	<b>5,435</b>
COGS	935	1,039	1,403	1,763	2,256
Employee Cost	286	297	304	382	489
Other Expenses	445	480	558	701	897
Total Expenditure	1,667	1,816	2,265	2,846	3,642
<b>EBITDA</b>	<b>398</b>	<b>534</b>	<b>1,116</b>	<b>1,402</b>	<b>1,794</b>
EBITDA Margin %	19.3%	22.7%	33.0%	33.0%	33.0%
Depreciation	96	119	146	173	220
EBIT	302	414	970	1,229	1,574
Interest	75	78	118	80	69
<b>PBT</b>	<b>228</b>	<b>336</b>	<b>852</b>	<b>1,149</b>	<b>1,505</b>
Exceptional Items	52	-	(20)	-	-
Other Income	56	44	64	64	82
PBT	336	380	896	1,213	1,586
Tax	65	91	210	279	365
Tax Rate %	19.4%	24.1%	23.5%	23.0%	23.0%
<b>PAT</b>	<b>271</b>	<b>289</b>	<b>685</b>	<b>934</b>	<b>1,221</b>
EPS	54.6	58.2	133.9	182.5	238.6

Source: Company, Axis Securities Research

## Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	10	10	10	10	10
Reserves & Surplus	2,373	2,616	3,992	4,866	6,028
<b>Total Equity Capital</b>	<b>2,383</b>	<b>2,626</b>	<b>4,002</b>	<b>4,877</b>	<b>6,039</b>
Trade Payables	303	327	417	489	596
Other Financial Liabilities	84	99	99	99	99
Other Current Liabilities	40	52	52	52	52
<b>Total Current Liability</b>	<b>787</b>	<b>915</b>	<b>817</b>	<b>889</b>	<b>996</b>
Long-Term Borrowings	1,023	1,053	800	700	700
<b>Total Non-Current Liabilities</b>	<b>1,208</b>	<b>1,289</b>	<b>1,050</b>	<b>961</b>	<b>977</b>
<b>Total Liabilities</b>	<b>1,994</b>	<b>2,204</b>	<b>1,867</b>	<b>1,851</b>	<b>1,973</b>
<b>Total Equity + Liabilities</b>	<b>4,377</b>	<b>4,830</b>	<b>5,869</b>	<b>6,727</b>	<b>8,011</b>
<b>Assets</b>					
Inventories	372	322	417	466	596
Trade Receivable	513	582	695	757	968
Investments	486	472	500	422	422
Cash and Equivalents	7	20	269	268	430
Other Current Assets	137	153	153	153	153
<b>Total Current Assets</b>	<b>1,553</b>	<b>1,589</b>	<b>2,073</b>	<b>2,104</b>	<b>2,608</b>
Net Block	1,685	2,550	3,105	3,932	4,713
Capital Work in Progress	711	350	350	350	350
Goodwill on consolidation	88	88	88	88	88
<b>Total Non-Current Assets</b>	<b>2,824</b>	<b>3,242</b>	<b>3,796</b>	<b>4,623</b>	<b>5,404</b>
<b>Total Assets</b>	<b>4,377</b>	<b>4,830</b>	<b>5,869</b>	<b>6,727</b>	<b>8,011</b>

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)				
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E	
PBT	336	380	896	1,213	1,586	
Depreciation & Amortization	96	119	146	173	220	
Chg in Working cap	361	93	(145)	40	(235)	
Direct tax paid	(34)	(78)	(210)	(279)	(365)	
Others	(8.6)	56.1	116.4	78.3	67.6	
<b>Cash From Operating Activities</b>	<b>750</b>	<b>571</b>	<b>802</b>	<b>1,225</b>	<b>1,274</b>	
Chg in Gross Block	(732)	(567)	(700)	(1,000)	(1,000)	
Interest Received	3	2	2	2	2	
<b>Cash Flow from Investing Activities</b>	<b>(1,093)</b>	<b>(511)</b>	<b>(698)</b>	<b>(998)</b>	<b>(998)</b>	
Proceeds / (Repayment) of Borrowings (Net)	491.3	101.4	(440.7)	(100.0)	-	
Proceeds from the issue of Equity Instruments of the company	-	0	750	-	-	
Finance Cost paid	(75)	(79)	(118)	(80)	(69)	
Dividends paid	(74)	(60)	(59)	(59)	(59)	
Others	(6.5)	(10.1)	14.0	11.4	15.3	
<b>Cash from Financing Activities</b>	<b>336</b>	<b>(47)</b>	<b>146</b>	<b>(228)</b>	<b>(113)</b>	
Opening Cash & Cash Equivalents	14	7	20	269	268	
Chg in cash	(8)	13	250	(2)	162	
<b>Closing Cash &amp; Cash Equivalent</b>	<b>7</b>	<b>20</b>	<b>269</b>	<b>268</b>	<b>430</b>	

Source: Axis Securities Research

Ratio Analysis		(%)				
Key Ratios	FY24	FY25	FY26E	FY27E	FY28E	
<b>Growth (%)</b>						
Net Sales	-1%	14%	44%	26%	28%	
EBITDA	-28%	34%	109%	26%	28%	
APAT	-28%	7%	137%	36%	31%	
<b>Profitability (%)</b>						
EBITDA Margin	19%	23%	33%	33%	33%	
Adj. PAT Margin	13%	12%	20%	22%	22%	
ROCE	8%	11%	19%	21%	22%	
ROE	11%	11%	17%	19%	20%	
<b>Per Share Data (Rs.)</b>						
Adj. EPS	55	58	134	182	239	
BVPS	481	530	782	953	1180	
DPS	15	12	12	12	12	
<b>Valuations (X)</b>						
PER	115	107	47	34	26	
P/BV	13	12	8	7	5	
EV / EBITDA	81	61	29	23	18	
EV / Net Sales	16	14	10	8	6	
<b>Turnover Days</b>						
Asset Turnover	1.1	0.9	1.0	1.0	1.1	
Inventory days	74	54	45	40	40	
Debtors' days	95	85	75	65	65	
Creditors' days	48	49	45	42	40	
Working Capital Days	121	90	75	63	65	

Source: Axis Securities Research

## KALPATARU PROJECTS INTERNATIONAL LTD – ROBUST EXECUTION & STRONG ORDER BOOK TO PROPEL GROWTH

KPIL, founded in 1981, is a prominent specialised EPC company with a strong global presence across 75 countries. The company has established itself as a key player in the international EPC market, leveraging its high-growth and diversified business model to deliver innovative solutions. KPIL consistently focuses on creating sustainable value for diverse stakeholders, reinforcing its reputation as a reliable and forward-looking organisation.

### Industry view



Equal Weight

**CMP**  
1,240

**Target Price**  
1,450

**Upside**  
17%

### Key Rationale

- Robust Order Book to Support Revenue Growth:** As of 31<sup>st</sup> December, 2025, the company's order book stands at Rs 63,287 Cr, with 41% from T&D, 29% from B&F, 13% from Water, 8% from Oil & Gas, 4% from Railways, and 5% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, KPIL is positioned for steady revenue growth, projecting a 21% CAGR from FY25 to FY27E.
- New Order Inflow to Sustain Growth:** The YTD order inflow stood at Rs 19,546 Cr. The company holds L1 positions in projects worth ~Rs 7,000 Cr, largely concentrated in the T&D and B&F segments. Management expects full-year order inflows to exceed Rs 25,000 Cr, with a continued strategic focus on T&D and B&F. It highlighted strong opportunity visibility across power transmission and distribution, solar EPC, residential and commercial buildings, oil & gas pipeline networks, underground and tunnelling works, urban mobility, and select international civil projects.
- T&D and B&F Business to be a Major Growth Contributor:** The T&D business remains highly optimistic across domestic and overseas markets, supported by a strong tender pipeline. The B&F segment achieved a record-high order inflow of Rs 10,911 Cr, and this momentum is expected to continue. The rising share of high-margin T&D and B&F projects is likely to support margin expansion and improved profitability. We expect EBITDA margin expansion and PAT growth to deliver a CAGR of 24% and 46%, respectively, over FY25–27E, driven by strong execution capabilities and a healthy order pipeline.
- Outlook:** The company is well-placed to capitalise on its strong order book, favourable sectoral trends in domestic and international T&D and B&F segments, improved performance of international subsidiaries, supportive government initiatives, and anticipated margin gains. It is projected to deliver a CAGR of 21%/24%/46% over FY25–FY27E.
- Valuation:** The stock is currently trading at 21x/17x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,450/share, implying an upside of 17% from the CMP.
- Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

### Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	19,626	1,629	516	31.9	34	13.6	10.4	16.1
FY25	22,316	1,834	567	33.2	29	12.5	9.6	16.8
FY26E	27,688	2,439	1,036	60	21	9.2	14.7	21.3
FY27E	32,046	2,852	1,232	72	17	8.0	15.3	22.9

Source: Company, Axis Securities Research

Profit & Loss		(Rs Cr)			
Y/E Mar	FY24	FY25	FY26E	FY27E	
<b>Net sales</b>	<b>19,626</b>	<b>22,316</b>	<b>27,688</b>	<b>32,046</b>	
Other operating income	0	0	0	0	
<b>Total income</b>	<b>19,626</b>	<b>22,316</b>	<b>27,688</b>	<b>32,046</b>	
Net RM	8,205	8,581	10,615	13,267	
Contribution (%)	58.2%	61.5%	61.7%	58.6%	
Other Expenses	9,793	11,901	14,634	15,927	
<b>Operating Profit</b>	<b>1,629</b>	<b>1,834</b>	<b>2,439</b>	<b>2,852</b>	
Other income	64	62	85	96	
<b>PBIDT</b>	<b>1,693</b>	<b>1,897</b>	<b>2,524</b>	<b>2,948</b>	
Depreciation	473	497	526	597	
Interest & Fin Chg.	518	577	574	641	
E/o income / (Expense)	0	0	0	0	
Share of Profit from Associates	0	0	0	0	
<b>Pre-tax profit</b>	<b>701</b>	<b>823</b>	<b>1,424</b>	<b>1,711</b>	
Tax provision	185	256	388	479	
<b>PAT</b>	<b>516</b>	<b>567</b>	<b>1,036</b>	<b>1,232</b>	

Source: Company, Axis Securities Research

Balance Sheet		(Rs Cr)			
Y/E Mar	FY24	FY25	FY26E	FY27E	
<b>Capital Applied</b>	<b>7,659</b>	<b>8,971</b>	<b>9,757</b>	<b>10,809</b>	
Net Block	2,970	3,090	3,164	3,167	
Other non-current assets	788	984	984	984	
Wkg. cap. (excl cash)	1,850	2,114	2,352	3,895	
Cash / Bank balance	1,032	1,759	2,234	1,739	
Misc Assets	1,019	1,024	1,024	1,024	
<b>Capital employed</b>	<b>7,659</b>	<b>8,970</b>	<b>9,757</b>	<b>10,808</b>	
Equity capital	32	34.1	34.1	34.1	
Reserves	5,105	6,479	7,385	8,487	
Minority Interests	(25)	(44)	(44)	(44)	
Borrowings	1,448	1,467	1,348	1,298	
Other non-current liabilities	1,099	1,035	1,035	1,035	

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)			
Y/E Mar	FY24	FY25	FY26E	FY27E	
PAT	516	567	1036	1232	
Depreciation	473	497	526	597	
Interest Expense	518	577	574	641	
Changes in Working Capital	(635)	(677)	(238)	(1543)	
Others	253	222	304	383	
Tax Paid	(282)	(272)	(388)	(479)	
<b>Net Cash from Operations</b>	<b>843</b>	<b>914</b>	<b>1813</b>	<b>830</b>	
Capex	(352)	(575)	(600)	(600)	
Others	89	(144)	85	96	
<b>Net Cash from Investing</b>	<b>(263)</b>	<b>(719)</b>	<b>(515)</b>	<b>(504)</b>	
Borrowings	137	487	(120)	(50)	
Interest Expense	(504)	(566)	(574)	(641)	
Dividend paid	(114)	(130)	(130)	(130)	
Others	182	200	0	0	
<b>Net Cash from Financing</b>	<b>(524)</b>	<b>400</b>	<b>(823)</b>	<b>(821)</b>	
<b>Net Change in Cash</b>	<b>56</b>	<b>596</b>	<b>474</b>	<b>(494)</b>	
Opening cash	956	1009	1602	2076	
<b>Closing cash</b>	<b>1009</b>	<b>1602</b>	<b>2076</b>	<b>1582</b>	
FCF	492	340	1036	1232	

Source: Company, Axis Securities Research

Ratio Analysis		(%)			
Key Ratios	FY24	FY25	FY26E	FY27E	
Sales growth	<b>20.0%</b>	<b>14%</b>	<b>24%</b>	<b>16%</b>	
OPM	<b>8.3%</b>	<b>8.2%</b>	<b>8.8%</b>	<b>8.9%</b>	
Operating profit growth	19%	13%	33%	17%	
COGS / Net sales	42%	38%	38%	41%	
Overheads/Net sales	50%	53%	53%	50%	
Depreciation / G. block	10%	10%	9%	10%	
Effective interest rate	13.6%	14.2%	13.9%	15.8%	
Net working capital / Net sales	0.21	0.21	0.18	0.19	
Net sales / Gr block (x)	4.2	4.4	4.9	5.1	
RoCE	<b>16%</b>	<b>17%</b>	<b>21%</b>	<b>23%</b>	
Debt/equity (x)	0.8	0.6	0.5	0.5	
Effective tax rate	26.4%	31.0%	27.3%	28.0%	
RoE	<b>10%</b>	<b>10%</b>	<b>15%</b>	<b>15%</b>	
Payout ratio (Div/NP)	22.0%	23%	13%	11%	
EPS (Rs.)	<b>31.9</b>	<b>33.2</b>	<b>60.6</b>	<b>72.0</b>	
EPS Growth	18.6%	4.2%	82.6%	18.9%	
CEPS (Rs.)	61.1	62.3	91.3	106.9	
DPS (Rs.)	7.0	7.6	7.6	7.6	

Source: Company, Axis Securities Research

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