# TOP PICKS

NOVEMBER 2026



AXIS DIRECT

# Opportunities Beyond Volatility With Focus On Quality

## Market Performance- October 2026. Recovery in Headline Indices, but Breadth Remains Weak

**+1.9%**

Nifty 50 in October 2026

Indian equities enter November after a volatile October in which the Nifty 50 recovered and ended the month higher, while mid- and small-cap indices remained under pressure. The sharp divergence between large caps and the broader market highlights a continued preference for liquidity, earnings visibility, and relatively defensible balance sheets. The Nifty IT index was a notable outperformer, rising 17.7% in October, supported by better sentiment towards AI monetisation and more reasonable valuations after its earlier correction. At the same time, Brent crude rose to around US$117 per barrel, foreign portfolio investors remained net sellers, and the US 10-year yield stayed close to 5%, limiting the scope for a broad-based re-rating. **In October, the Nifty 50 inched up by 1.9%, while the Nifty Midcap 100 fell 3.04%, Nifty Smallcap 250 declined by 5.8%, and Nifty 500 dropped 2.9%.**

## November- Constructive but Selective

**GDP growth**

Remains resilient at 7.8%

For November, our stance is constructive on a selective basis. Domestic growth remains resilient; Q2FY27 results have so far been broadly steady, and domestic institutional flows continue to provide support. Nevertheless, the combination of elevated energy prices, a deficient monsoon, persistent external uncertainty, and a valuation premium over emerging markets argues against indiscriminate buying. **We prefer businesses with sustainable earnings growth, strong balance sheets, reasonable valuations, and the ability to protect margins**.

## Q2FY27 Earnings: Resilience and Constructive

**Q2FY27**

Largely in line or above expectation so far

The Q2FY27 earnings season has been broadly resilient so far, with several companies reporting results in line with or ahead of expectations. Till date 35 Nifty50 companies have reported earnings growth of 21% YoY The market response, however, has been highly stock- and sector-specific. **Management commentary on demand, order execution, pricing, wage and input costs, capex plans and FY27 guidance will be as important as the reported quarter.** The more important tests are the proportion of companies beating estimates, the breadth of revenue growth, operating margin movement, and working-capital discipline.

**Elevated crude prices during the quarter make the margin trajectory particularly important. Companies that can maintain volumes, protect gross margins, and sustain guidance despite higher energy and logistics costs could see relative earnings resilience, whereas companies dependent on aggressive price increases may face a volume-growth trade-off.**

## Festive Season Demand

### Positive, but Sustainability Matters

Volume growth, Consumption Quality & post-festive sustainability

The festive season has provided encouraging signs of demand recovery across automobiles, consumer durables, apparel, and discretionary consumption. Initial industry commentary has pointed to healthy festive activity in several categories. However, festive-period strength should not automatically be extrapolated into a broad-based and sustained consumption recovery. **Volume growth**: Determine whether festive sales translate into sustained volume growth through November and December, rather than merely advancing purchases. **Consumption quality**: Assess whether demand is broad-based across income categories or disproportionately driven by premiumisation and affluent consumers. **Post-festive sustainability**: Monitor dealer inventories, discounting, channel checks and order trends after Diwali. **We maintain a constructive but selective stance on consumption businesses demonstrating volume growth, market-share gains, and operating leverage.**

## West Asia: The Principal Near-Term Macro Risk Continues to Drive Market Volatility

### $85 | $100–115

Oil per bbl: Positive below, Risk above

Geopolitical uncertainty remains one of the largest external risks for global financial markets. Escalating tensions in West Asia have increased concerns regarding disruption to global energy supplies, shipping routes and international trade. **The near-term direction of oil will be crucial. A sustained move below $85 would be positive for India by improving inflation, corporate margins, the current account and the rupee. Conversely, a prolonged period above $100–115/bbl would increase the probability of earnings downgrades in energy-intensive sectors and could constrain discretionary consumption.** The impact is uneven across sectors: upstream producers may benefit from higher realizations, while oil marketing companies, aviation, paints, tyres, chemicals, logistics and other fuel-intensive businesses may face margin pressure unless they can pass on costs. Investors should focus on the duration of elevated prices rather than react to one-day moves.

# TOP PICKS

## US Bond Yields – Key Headwind for Emerging Markets

**5.31%**
US 10-yr yield touched; Fed 3.75–4.00%

The US Federal Reserve kept its policy rate unchanged at 3.75%–4.00% on 28th October 2026. The decision was not a clear signal of imminent easing. The US 10-year Treasury yield traded around 5% following the decision. Elevated long-term yields reflect a combination of inflation uncertainty, fiscal and term-premium concerns, and expectations that policy rates may remain restrictive

**Higher US yields increase the relative attractiveness of dollar assets, put pressure on emerging-market currencies, and raise the discount rate applied to equity valuations.** For India, the combination of a weak rupee, higher US yields, and elevated oil prices is particularly challenging because it can simultaneously affect capital flows, inflation expectations, and domestic interest rates.

## FIIs vs DIIs: Strong Domestic Liquidity

**$15 Bn out | $48 Bn in**
FII vs DII, FY27 YTD

Foreign investors remain cautious toward Indian equities. Domestic institutional investors have largely offset FII selling through consistent mutual fund inflows and systematic investment plans. This divergence between foreign selling and domestic buying remains an important stabilising factor for the market.

However, domestic liquidity can cushion but may not fully offset sustained foreign selling if the global risk-off environment persists. On a positive note, we witnessed some buying by FIIs towards the fag end of October. **Total FII outflows in FY27 YTD have reached nearly $15 Bn, while DIIs have infused $ 48 Bn.**

## US Midterm Elections: Event Risk, Not Yet an Outcome

**3rd November, 2026**
Volatility trigger?

The US midterm elections are scheduled for 3rd November 2026. The election matters to markets through the potential implications for US fiscal policy, trade and tariff policy, energy policy, sanctions, and the administration's approach to Iran and other geopolitical issues. A divided Congress could constrain the policy agenda, while a change in control of either chamber could alter the legislative and fiscal outlook.

For Indian investors, the relevant transmission channels are crude prices, the dollar, US Treasury yields, risk appetite and trade-policy uncertainty. **The election should be treated as a volatility trigger rather than a standalone directional call on Indian equities.** The subsequent policy signals and actual geopolitical developments will matter more than the result headline.

## AI-led Global Technology Volatility

**Indian IT Companies**
Pivoting for better outcome

The late-October correction in US technology and semiconductor stocks highlighted growing investor scrutiny of AI investment economics. Major semiconductor names and server-related stocks also declined. This is best understood as a reassessment of capital intensity, payback periods, and valuation assumptions rather than evidence that enterprise AI adoption has stopped.

For Indian IT companies, it may create new consulting, integration, cybersecurity, and managed-services opportunities. The key variables are deal wins, total contract value, conversion into revenue, client budgets, pricing, productivity gains, and the ability to protect margins. **October's rebound in Indian IT shares, supported by strong sector performance and renewed interest in AI-related revenue, suggests that investors are differentiating between global AI hardware valuations and Indian IT services execution.**

## RBI Policy: A Shift Towards Calibrated Tightening

**5.5%**
Repo rate, increased 25bps

At its 5–7 October 2026 meeting, the RBI's Monetary Policy Committee raised the policy repo rate by 25 basis points to 5.50% and changed its stance to calibrated tightening. The RBI raised its FY27 CPI inflation projection to 5.2% and its real GDP growth projection to 7.1%. The decision reflected concern that the inflation outlook was no longer as benign, particularly with energy and food-price risks. A calibrated tightening stance suggests that the central bank is prioritising inflation and currency stability, while remaining mindful of the effect of higher rates on growth. **Rate-sensitive sectors such as real estate, autos and consumer durables may face some moderation if lending rates rise further.**

## LTCG, STCG and STT: Can Tax Rationalization Bring FIIs Back?

**12.5%-LTCG; 20%-STCG**
Tax rationalization ??

A reduction in LTCG, STCG, or STT could improve India's post-tax investment proposition and transaction economics. It may also help sentiment and improve relative competitiveness when global investors compare India with other emerging and Asian markets. Tax reform could be a positive catalyst, but it is unlikely to reverse foreign portfolio outflows on its own. Sustainable FPI buying will depend more fundamentally on India's relative earnings growth, valuation premium versus competing markets, US bond yields, dollar direction, rupee stability, and global asset-allocation decisions.

**Tax rationalization can improve the probability of foreign inflows returning, but it is not a standalone trigger.** Track FPI cash-market flows, DII absorption, currency movement, and sectoral buying rather than treating a tax-related announcement as an automatic buy signal.

## Valuation Perspective

**17.3x vs 18.4x**
Nifty forward PE vs long-term average

The Nifty is currently trading at 17.3x on a one-year forward basis, below its long-term average valuation multiple of 18.4x, and continues to command a premium over most emerging markets. India's premium is supported by superior earnings growth, stronger corporate governance, macroeconomic stability, and favourable demographic trends. **However, valuation compression does not automatically mean that every constituent is attractive; earnings quality, return ratios, leverage and the sustainability of growth remain critical.**

## Indian Economy Nearing Cyclical Recovery Amid Persistent Global Risks

**CY26**
Shift to earnings-driven markets

Despite persistent global uncertainties, India's domestic growth outlook remains resilient, with macroeconomic indicators suggesting improved momentum in FY27 compared to FY26. India's real GDP grew 7.8% YoY in Q1FY27, supported by manufacturing and services. The government reported real GVA growth of 8.2%, investment growth of 11.9% and private consumption growth of 7.1%, export growth at 12% and improvement in GST collection YoY. This provides a strong starting point for FY27 and underlines the relative resilience of domestic demand compared with several large economies. **In CY26, Indian equities are shifting from a consolidation phase to one driven by earnings visibility, fiscal discipline, and sustainable growth.**

## Relative Underperformance Provides an Opportunity to Add Equity for the Long Term

**47% vs 97%**
PE premium to EM: Now vs Sep'24

In CY25 as well as in CY26, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 47% 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 47% 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.**

# TOP PICKS

## Style & Sector Rotation - A Key to Generating Alpha Moving Forward

**Quality Large Caps and Select SMID Opportunity**

Earnings, Balance Sheets, Returns

Largecap companies with strong balance sheets, predictable cash flows, and reasonable valuations can provide portfolio stability while global risks remain elevated. Mid- and Smallcap exposure should be restricted to businesses where earnings growth, governance, liquidity, and valuation offer a clear margin of safety after the recent correction in broader indices. **We prefer a stock- and sector-specific approach, focusing on companies with visible earnings growth, strong balance sheets, high return ratios, and reasonable valuations. Sector rotation and earnings delivery are likely to be key drivers of alpha in the coming months.**

**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:** Banking, Telecom, Capital goods, Industrials, Healthcare, Pharma, and Select Auto
2. Maintain **a positive view on select discretionary and retail consumption** plays
3. Prefer **select capex-linked cyclical stocks,** which now offer attractive valuations and reasonable growth visibility
4. Remain **selective in the IT space** with a preference for midcap stocks.

## November Strategy – Staggered Deployment and Stock-specific Selectivity

**Earnings-driven**

Stock selection in November

We recommend a measured, staggered investment approach for November. The October rebound in the Nifty 50 has not yet been matched by a recovery in mid- and small-cap indices or by consistently strong market breadth. Investors should avoid chasing sharp one-day rallies and instead deploy capital in phases, preferably on market weakness and after confirming earnings delivery. **The domestic economy continues to expand at a healthy pace, the capex cycle remains intact, and corporate balance sheets are comparatively strong**. However, the external environment has become more challenging, with West Asia, crude oil, US yields, currency volatility, and foreign selling creating a meaningful near-term risk premium.

## Market Outlook: Selective optimism with a quality bias

**Balanced & Selective**
earnings visibility is the focus

As we enter November, the investment environment warrants a more balanced and selective approach. The festive season has provided encouraging signs of demand recovery across automobiles, consumer durables, and discretionary consumption, although the sustainability of this momentum beyond Diwali remains critical. Meanwhile, discussions around rationalization of LTCG, STCG, and STT could improve India's attractiveness to foreign portfolio investors, but any revival in FPI flows will ultimately depend on relative valuations, earnings growth, global interest rates, and currency stability. November should mark a shift towards quality and valuation discipline, not an indiscriminate risk-off strategy. **Give large caps a greater share of incremental allocation, while using market corrections to selectively accumulate high-quality SMIDs where long-term earnings prospects remain intact.**

## Key Risks to Our Outlook

**Crude > 100-115$/bbl**
key risk

Our constructive outlook remains subject to several risks. The principal risks are continuation in the US-Iran conflict, elevated crude prices, further rupee depreciation, sustained US Treasury yields above 5%, persistent FII selling, weaker-than-expected Q2FY27 results, and a slowdown in private consumption. In addition, the elevated valuations of mid- and Smallcaps increase the risk of sharp stock-specific corrections.

## We have refreshed our Top Picks basket, adding LTM and Dr Lal Pathlabs Ltd and exiting Dalmia Bharat Ltd and Chalet Hotels Ltd.

**27,360**
Dec 2026 Nifty target, 19.5x

We remain constructive on Indian equities, supported by strong macroeconomic fundamentals, sustained government capital expenditure, GST 2.0 reforms, and an improving corporate earnings cycle. We expect Nifty earnings to grow at 13% CAGR over FY23–FY28, underpinning healthy medium-term market returns. However, geopolitical tensions, crude oil volatility, and currency movements may create near-term volatility. **Our December 2026 Nifty target stands at 27,360, based on 19.5x December 2027E earnings.**

# TOP PICKS

## Market Volatility (VIX)

Increased from 13.4 to 15.3

Market volatility in India, as reflected in the VIX, has increased after the recent correction. It is currently at 15.3, indicating higher volatility in the near term. While extreme volatility as observed during the earlier month has subsided, the market is not out of the woods. Intermittent spikes may persist, especially given ongoing global uncertainties. **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 earnings visibility is quite high) with an investment horizon of 12-18 months.**

## Bull Case: We value NIFTY at 20.5x, implying a Dec'26 target of 28,770

Markets are closely tracking the global growth outlook under President Trump, with expectations of easing tariff-related uncertainties in 2026. Domestically, a revival in private capex, supported by policy continuity and improving business confidence, along with political stability, fiscal discipline, and rural recovery, is likely to drive growth. With Nifty earnings expected to sustain a 13%+ CAGR over FY23–28, this backdrop could attract fresh capital inflows into Indian markets and support a re-rating of valuations, strengthening the equity outlook.

**Bear Case | 16.5x**

**23,155**

*Dec'26 target*

**Base Case | 19.5x December 2027E earnings**

**27,360**

*Dec'26 target*

**Bull Case | 20.5x**

**28,770**

*Dec'26 target*

# TOP PICKS

## Bear Case: We value NIFTY at 16.5x, implying a Dec'26 target of 23,155

While valuations may remain above average amid potential policy shifts under the Trump regime, persistent inflation in developed markets and historically elevated interest rates increase downside risks. Uncertainty around currency movements, oil prices, and global trade is likely to weigh on export-driven growth. Additionally, concerns over global growth, exacerbated by tariffs and geopolitical tensions, could compress market multiples in the near term.

## Based on the above themes, we recommend the following stocks:

| | | |
|---|---|---|
| Kotak Bank | Bajaj Finance | Bharti Airtel |
| ICICI Bank | Varun Beverages | APL Apollo Tubes |
| HCG Ltd | LG Electronics (I) | Nestle India Ltd |
| Eternal Ltd | Dr Lal Path labs | Minda Corporation |
| LTM Ltd | City Union Bank | CCL Products |

Please click on the respective company name to view its details.

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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 | 939 | 1,255 | 34% | 22.9 | 4.2 | 0.6 | -2.1 | -17.7 | 0.8 | -4.3 |
| Large Cap | Varun Beverages Ltd. | Consumer Staples | 392 | 515 | 31% | 38.8 | 6.0 | 0.1 | -9.3 | -11.4 | -23.6 | -19.7 |
| Large Cap | Kotak Mahindra Bank Ltd. | Financials | 462 | 550 | 19% | 20.5 | 2.3 | 0.1 | 10.7 | 18.3 | 20.6 | 5.0 |
| Large Cap | Bharti Airtel Ltd | Communication Services | 1,974 | 2,530 | 28% | 31.2 | 6.9 | 1.2 | 12.3 | 0.1 | 5.9 | -5.1 |
| Large Cap | ICICI Bank Ltd. | Financials | 1,398 | 1,865 | 33% | 15.6 | 2.4 | 0.9 | 5.8 | -1.8 | 11.6 | 5.0 |
| Large Cap | Nestle India Ltd. | Consumer Staples | 1,167 | 1,470 | 26% | 53.0 | 35.6 | 1.0 | -10.9 | -22.7 | -19.6 | -8.5 |
| Large Cap | Eternal Ltd. | Consumer Discretionary | 344 | 390 | 13% | 269.3 | 9.9 | NA | 7.4 | 13.6 | 39.1 | 23.6 |
| Large Cap | LTM Ltd | Information Technology | 4,234 | 4,960 | 17% | 21.1 | 4.6 | 1.8 | 5.3 | -2.4 | 1.1 | -28.8 |
| Mid Cap | LG Electronics India Ltd. | Consumer Discretionary | 1,660 | 1,965 | 18% | 49.6 | 11.9 | NA | -3.7 | 11.4 | 4.2 | 9.1 |
| Mid Cap | APL Apollo Tubes Ltd. | Materials | 2,165 | 2,500 | 15% | 40.1 | 9.2 | 0.4 | -1.1 | 19.5 | 14.1 | 13.6 |
| Small Cap | City Union Bank Ltd | Financials | 214 | 280 | 31% | 12.2 | 1.8 | 0.9 | -5.2 | 3.7 | 6.8 | -0.8 |
| Small Cap | CCL Products (India) Ltd | Consumer Staples | 928 | 1,255 | 35% | 24.6 | 4.5 | 0.3 | -9.0 | -19.5 | -18.0 | -1.2 |
| Small Cap | Dr.Lal Pathlabs Ltd | Healthcare | 1,907 | 2,315 | 21% | 51.1 | 11.1 | 0.8 | -4.0 | 0.1 | 40.2 | 29.6 |
| Small Cap | Minda Corporation Ltd. | Consumer Discretionary | 630 | 815 | 29% | 33.1 | 4.7 | 0.2 | -9.1 | -10.0 | 21.3 | 10.0 |
| Small Cap | Healthcare Global Enterprises Ltd. | Healthcare | 585 | 820 | 40% | 68.5 | 6.0 | NA | -12.2 | -12.8 | 2.2 | -11.1 |

Source: Company, Axis Securities, CMP as of 30th October 2026; All Target Prices have an investment horizon of over one year.

**Multi-Asset Scorecard**

- Gold emerged as the top-performing asset class in 2025. In YTD-CY26, the S&P 500 has taken the lead, outperforming Gold. Small Caps have also delivered strong performance and rank next after the S&P 500 and Gold on a YTD basis. Domestically, the broader market was the best-performing asset class in 2023 and 2024. However, the sharp correction witnessed since October 2024 moderated overall returns. Markets remained volatile during Jan–Oct'26, although the broader market staged a strong recovery, with Small and Midcaps significantly outperforming the Nifty 50 on a YTD basis.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling. The index has remained under pressure owing to geopolitical uncertainty amidst the West Asia crisis. In 2026 YTD, Emerging and Developed Markets have outperformed the Nifty 50 by a notable margin.

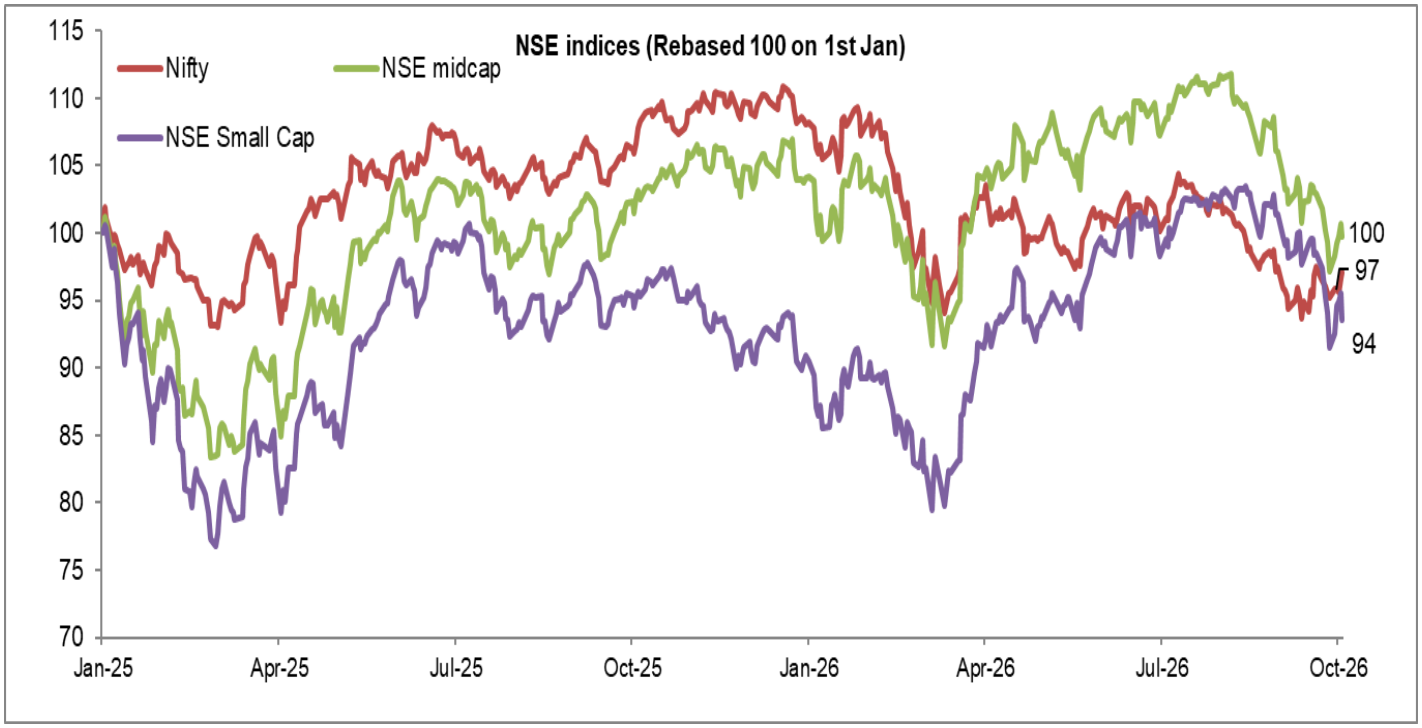
**Yearly performance of Asset Classes (%)**

| Rank | 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% | S&P 500: 12.8% |
| 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% | MCX Gold: 4.3% |
| 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% | SmallCap 100: 4.2% |
| 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% | EM Index: 2.4% |
| 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% | NSE G Sec composite: 0.72% |
| 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% | Midcap 100: -5.3% |
| 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% | Nifty 50: -11.8% |

Source: Bloomberg, Axis Securities.

**2025 & 2026 YTD: A Year of Divergence in the Returns**

- After almost 15 months of underperformance, Nifty touched the all-time high level of 26,216 in 2025 (similar levels earlier seen in Sep'24). In 2025, Nifty and Small Caps saw huge divergence in returns. This gap started reversing in 2026. In Jan'26, NIFTY touched an all-time high of 26,329 but has corrected by ~11.8% due to geopolitical unrest in the Middle East and has marked a low of 22,180 in Oct'26. Nifty is lagging and continues to underperform broader indices though broader indices also corrected after their recent run up.



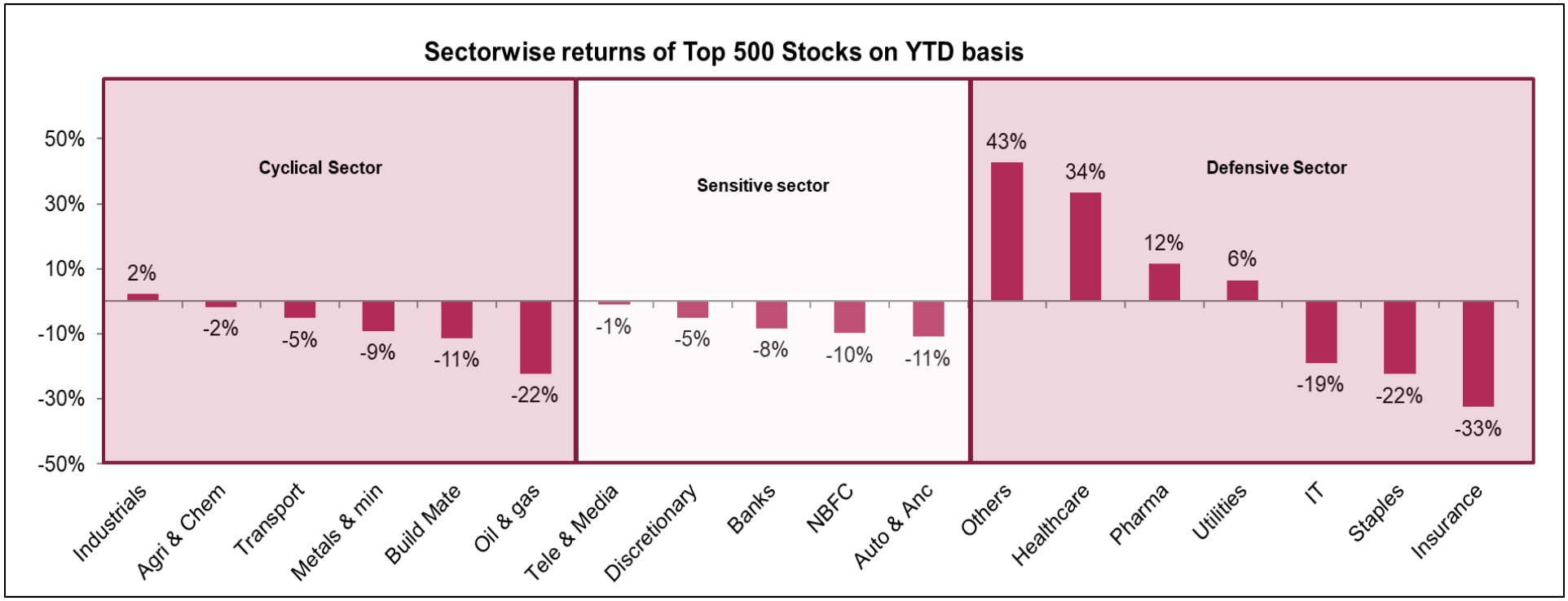

Source: Bloomberg, Axis Securities

**Correction/Growth from 1st Jan'26**

- Nifty 50: -11.8%
- NSE Mid Cap 100: -5.7%
- NSE Small Cap 250: 0.6%

## Performance on a YTD basis [31st Dec'25 to 30th Oct'26]

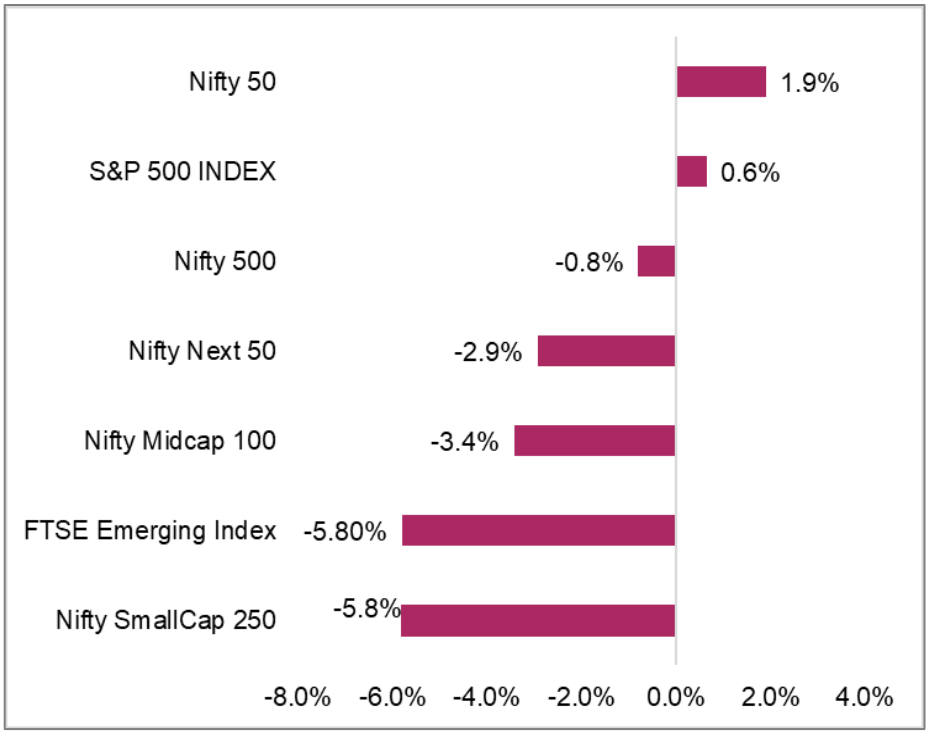
- YTD rally has been led by Healthcare, Pharma & Others among defensive sectors, while Industrials have outperformed within cyclicals. Sensitive sectors witnessed correction during the month on the back of inflation concern and rising interest cost. IT continues to remain under focus amid concerns around AI-led disruption, corrected sharply YTD despite 18% rally in the month of October. Market has slightly shifted towards the Defensive sectors.
- Export-oriented sectors continue to face challenges in the volatile global environment amidst the ongoing West Asia Crisis.

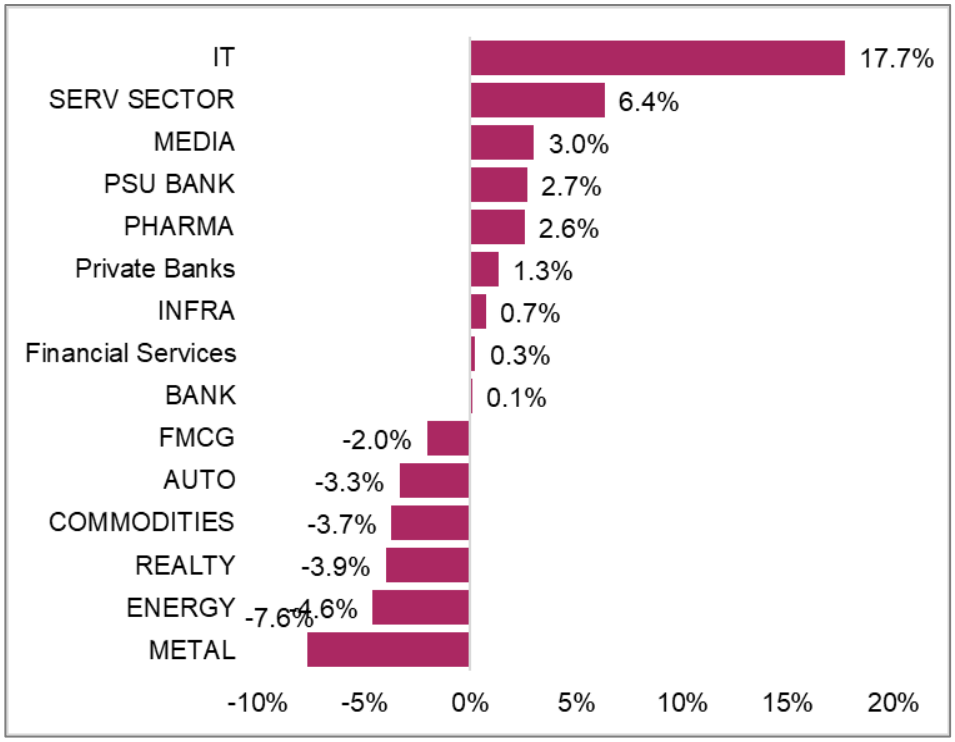



Source: Bloomberg, Axis Securities

**What Happened in the Last One Month?**

- All major indices witnessed negative performance during the month except Nifty 50 and S&P 500. Nifty Small Cap, Nifty Next 50 Nifty 500 all corrected, Nifty Smallcap remained the worst performer on the back of elevated crude oil prices , inflation concern and deepening West Asia Crises. FTSE emerging index also corrected sharply by 5.8% due to sell off in Semi-conductor stocks
- Sectorial performance remained mix with IT outperforming all other sectors followed by Media and Services. Metal, Energy and Realty was the biggest underperformer this month.




Source: Bloomberg, Axis Securities

## Quarterly Sector Scorecard

- Nearly 66.7% of the sectors outperformed the Nifty 50 during Q2FY2026 indicating that market participation remained selective and the broad-based buying momentum seen during the April–June quarter has moderated. In the Q3 (Oct-Dec) performance has deteriorated further and only 33% of the sectors outperformed the Nifty. Investors increasingly favoured sectors and companies with stronger earnings visibility and resilient fundamentals over momentum-driven trades.
- In Q3 (Oct-Dec 26) IT, Pharma, Media and PSU banks outperformed the Nifty 50 index . IT was an outlier after several quarters of under-performance. Metal, Realty, Energy and FMCG remained underperformer.

| 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 | Mar'26 | Jun'26 | Sep'26 | Oct'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% | 46.7% | 93.3% | 66.7% | 33.3% |
| Nifty 50 | 1% | -10% | 8% | 6% | -4% | 11% | 2% | 11% | 3% | 7% | 8% | -8.4% | -0.5% | 8.5% | -3.6% | 5.4% | -13.9% | 6.9% | -5.2% | 1.9% |
| Nifty Next 50 | -3% | -11% | 16% | 0% | -10% | 16% | 3% | 18% | 14% | 18% | 8% | -11.7% | -7.4% | 9.4% | -1.7% | 1.2% | -12.1% | 18.7% | -2.6% | -2.9% |
| Nifty 500 | -1% | -10% | 11% | 4% | -6% | 13% | 5% | 12% | 4% | 11% | 8% | -7.8% | -4.6% | 10.7% | -3.7% | 4.1% | -13.3% | 12.0% | -4.0% | -0.8% |
| Nifty Midcap 100 | -2% | -11% | 16% | 3% | -5% | 19% | 13% | 14% | 4% | 15% | 9% | -4.9% | -9.6% | 15.6% | -5.4% | 6.0% | -12.1% | 17.4% | -4.0% | -3.4% |
| Nifty SmallCap 250 | -4% | -14% | 14% | 3% | -7% | 20% | 16% | 15% | 2% | 19% | 8% | -4.2% | -14.4% | 17.8% | -6.2% | -1.2% | -13.4% | 24.0% | 0.4% | -5.8% |
| AUTO | -4% | 11% | 9% | -1% | -3% | 24% | 7% | 15% | 15% | 17% | 8% | -16% | -6% | 12.1% | 11.2% | 5.1% | -14.8% | 11.4% | -0.7% | -3.3% |
| BANK | 3% | -8% | 16% | 11% | -6% | 10% | 0% | 8% | -2% | 12% | 0% | -4% | 1% | 11.1% | -4.7% | 8.3% | -15.0% | 14.5% | -5.1% | 0.1% |
| COMMODITIES | 7% | -16% | 11% | 7% | -7% | 9% | 8% | 19% | 8% | 9% | 8% | -18% | 5% | 5.5% | 0.5% | 4.2% | -2.5% | 7.3% | -4.9% | -3.7% |
| Financial Services | -1% | -10% | 13% | 8% | -5% | 11% | -1% | 8% | -2% | 12% | 4% | -4% | 6% | 8.4% | -4.2% | 5.2% | -14.1% | 12.9% | -7.2% | 0.3% |
| ENERGY | 14% | -3% | 2% | 1% | -12% | 8% | 11% | 22% | 17% | 5% | 8% | -21% | -3.6% | 8.9% | -4.3% | -0.5% | 0.1% | 14.0% | -7.8% | -4.6% |
| FMCG | -3% | 4% | 18% | -1% | 4% | 14% | -1% | 10% | -5% | 5% | 16% | -14% | -5% | 2.4% | -0.3% | 0.6% | -17.3% | 7.1% | -8.8% | -2.0% |
| IT | -6% | -23% | -3% | 6% | 0% | 3% | 8% | 12% | -2% | 1% | 18% | 5% | -16.1% | 5.6% | -13.6% | 12.9% | -23.5% | -9.5% | 5.3% | 17.7% |
| INFRA | 1% | -8% | 7% | 6% | -3% | 13% | 9% | 17% | 14% | 8% | 6% | -12% | 0% | 11.3% | -4.3% | 5.5% | -9.9% | 9.7% | -7.0% | 0.7% |
| MEDIA | 7% | -20% | 9% | -3% | -15% | 3% | 30% | 5% | -25% | 13% | 6% | -15% | -18.9% | 18.9% | -12.1% | -7.7% | -11.3% | 17.2% | 7.1% | 3.0% |
| METAL | 16% | -27% | 24% | 17% | -18% | 13% | 10% | 17% | 3% | 18% | 5% | -16% | 6% | 4.9% | 5.3% | 9.7% | 1.2% | 12.4% | 1.9% | -7.6% |
| PHARMA | -4% | -10% | 7% | -3% | -5% | 15% | 12% | 9% | 13% | 3% | 19% | 0% | -9.1% | 4.3% | -2.7% | 5.1% | -1.4% | 13.9% | 4.4% | 2.6% |
| PSU BANK | 8% | -11% | 23% | 44% | -14% | 11% | 28% | 9% | 23% | 5% | -8% | -4% | -3.5% | 15.0% | 4.5% | 12.0% | -6.6% | 7.9% | -5.6% | 2.7% |
| Private Banks | 2% | -9% | 19% | 10% | -6% | 11% | 1% | 8% | -5% | 12% | 1% | -7% | 4% | 9.8% | -6.3% | 7.4% | -15.1% | 15.7% | -4.4% | 1.3% |
| REALTY | -4% | -17% | 10% | 2% | -10% | 34% | 11% | 36% | 15% | 22% | 0% | -4% | -19.3% | 15.9% | -12.1% | 0.3% | -25.1% | 27.4% | 2.1% | -3.9% |
| SERV SECTOR | -1% | -12% | 10% | 6% | -7% | 8% | 1% | 10% | 1% | 9% | 9% | -4% | -1.3% | 8.3% | -5.6% | 5.2% | -15.4% | 7.5% | -4.9% | 6.4% |

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

## Performance of Various Indices & Sector Outlook

- Benchmark Nifty outperformed S&P 500 during the month as large cap stocks witnessed buying. Broader indices corrected sharply during the month. Most Global indices performance remained mixed during the month. Maxico, and Dow outperformed all other market in last one month while Indonesia, Korea market were the largest underperformer during the month .
- Positive Near-term Outlook: Pharma, Banks , Media
- Near term Negative: FMCG, Energy and Metal
- Improving Outlook: IT sector witnessed buying in last six month and returned positively however the sustainability of this outperformance will largely depend on the pace of AI adoption by Indian IT companies, their ability to monetize AI-led opportunities through higher deal wins and productivity gains, and a broader recovery in discretionary technology spending across key global markets

| National Index | | | | | | |
|---|---|---|---|---|---|---|
| **Index Performance (%)** | **1m** | **3m** | **6m** | **Since 28 Feb'25** | **Since 26 Sep'24** | **1Year** |
| **Nifty 50** | 1.9% | -5.5% | -3.9% | 4.2% | -12.1% | -10.9% |
| **Nifty Next 50** | -2.9% | -8.1% | -2.8% | 18.7% | -12.2% | -3.4% |
| **Nifty 500** | -0.8% | -6.7% | -3.5% | 10.1% | -10.6% | -8.2% |
| **Nifty Midcap 100** | -3.4% | -8.9% | -4.2% | 19.6% | -5.2% | -4.7% |
| **Nifty SmallCap 250** | -5.8% | -6.4% | 0.2% | 21.1% | -9.1% | -3.7% |
| **Sector Index (%)** | **1m** | **3m** | **6m** | **Since 28 Feb'25** | **Since 26 Sep'24** | **1Year** |
| **NIFTY AUTO** | -3.3% | -11.6% | -1.9% | 24.0% | -7.5% | -5.2% |
| **NIFTY BANK** | 0.1% | -4.5% | -0.3% | 13.1% | 0.6% | -5.8% |
| **NIFTY COMMODITIES** | -3.7% | -9.1% | -12.4% | 18.0% | -7.8% | -5.5% |
| **Nifty Financial Services** | 0.3% | -7.1% | -3.7% | 7.3% | -1.8% | -9.7% |
| **NIFTY ENERGY** | -4.6% | -9.7% | -14.3% | 16.5% | -20.8% | -3.9% |
| **NIFTY FMCG** | -2.0% | -11.2% | -14.6% | -14.0% | -34.1% | -22.6% |
| **NIFTY IT** | 17.7% | 6.2% | 11.1% | -12.6% | -22.7% | -9.2% |
| **NIFTY INFRA** | 0.7% | -6.5% | -6.6% | 14.8% | -8.9% | -8.4% |
| **NIFTY MEDIA** | 3.0% | 0.8% | 12.0% | 17.6% | -24.1% | 4.6% |
| **NIFTY METAL** | -7.6% | -7.3% | -8.2% | 43.4% | 18.0% | 9.8% |
| **NIFTY PHARMA** | 2.6% | 2.2% | 16.6% | 36.9% | 16.7% | 21.6% |
| **NIFTY PSU BANK** | 2.7% | -1.6% | -2.9% | 45.7% | 21.0% | 2.2% |
| **Nifty Private Banks** | 1.3% | -1.7% | 2.9% | 11.7% | -0.7% | -4.3% |
| **NIFTY REALTY** | -3.9% | -9.7% | 2.6% | 2.0% | -28.1% | -14.4% |
| **NIFTY SERV SECTOR** | 6.4% | -1.3% | 2.0% | 4.9% | -8.5% | -7.9% |

| International Index | | | | | | |
|---|---|---|---|---|---|---|
| **Index Performance (%)** | **1m** | **3m** | **6m** | **Since 28 Feb'25** | **Since 26 Sep'24** | **1Year** |
| **Shanghai Comp** | -6.3% | -6.1% | -12.5% | 8.4% | 19.9% | -9.7% |
| **Bovespa** | -9.2% | -5.0% | -9.7% | 37.8% | 27.2% | 13.7% |
| **south africa** | -0.1% | -2.5% | -6.1% | 28.2% | 27.1% | -1.6% |
| **Korea** | -16.2% | -13.1% | -13.2% | 126.3% | 114.5% | 40.2% |
| **Mexico** | 9.8% | 4.7% | 3.1% | 34.9% | 31.1% | 11.7% |
| **Indonesia** | -16.7% | -18.9% | -27.3% | -19.4% | -34.7% | -38.2% |
| **Argentina** | 1.1% | -13.4% | 0.6% | 29.2% | 66.1% | 2.0% |
| **Japan** | -5.2% | -1.7% | 6.8% | 70.3% | 62.6% | 23.3% |
| **Hongkong** | -5.4% | -10.0% | -9.6% | 1.5% | 16.9% | -11.4% |
| **Philipines** | 0.0% | -8.9% | -2.6% | -5.3% | -23.8% | -4.2% |
| **Taiwan** | -5.7% | 4.9% | 16.1% | 96.1% | 97.8% | 59.8% |
| **Singapore** | -5.3% | -4.5% | 9.4% | 38.0% | 50.1% | 21.2% |
| **Thailand** | -2.6% | -6.5% | 1.7% | 26.2% | 4.4% | 15.5% |
| **Veitnam** | -1.5% | 0.3% | -6.1% | 33.4% | 34.9% | 4.3% |
| **Dow** | 2.8% | -0.3% | 5.4% | 19.4% | 24.1% | 10.1% |
| **Nasdaq** | -2.5% | 3.2% | 5.2% | 38.9% | 43.9% | 11.0% |
| **FTSE 100 INDEX** | 1.3% | -1.1% | 3.6% | 22.0% | 29.7% | 10.1% |
| **DAX INDEX** | 2.7% | 1.0% | 6.6% | 14.8% | 34.6% | 7.3% |
| **CAC 40 INDEX** | 0.2% | -6.2% | -1.7% | -1.6% | 3.1% | -2.2% |
| **S&P 500 Index** | 0.9% | 3.1% | 7.1% | 29.7% | 34.4% | 13.2% |

Source: Bloomberg, Axis Securities, and Performance as of 30th Oct 2026

## Commodity prices continued to remain Elevated in the Last Month

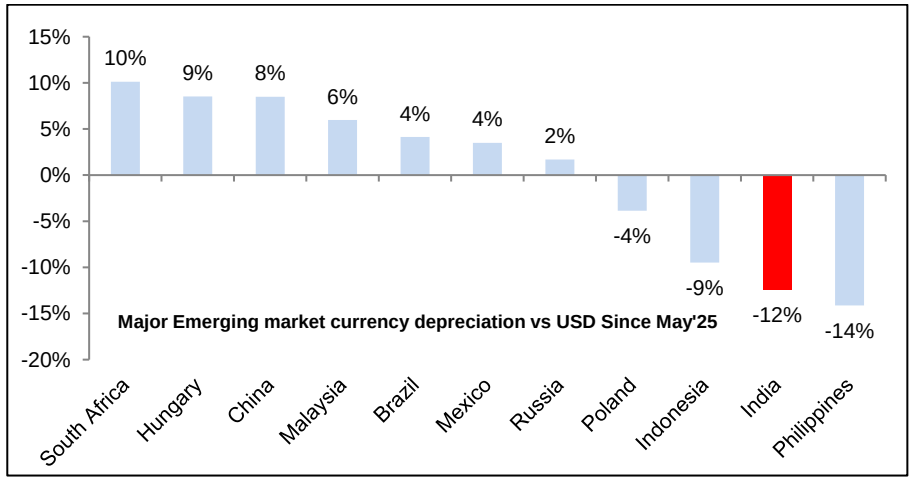
- **Precious Metals:** Gold prices witnessed correction MoM and is down nearly 14% in last six month on strengthening of USD.
- **Industrial Metals:** Aluminium prices have corrected sharply, declining 12.9% over the past six months. In contrast, copper prices have remained firm, gaining 12.9% during the same period. Zinc prices also firmed up and is up 18.3% over the last six months. Steel prices, meanwhile, have witnessed a correction over the past month
- **Crude:** Oil prices remained volatile amidst US-Iran war and touched high of USD117/bbl. **Rupee continued to weaken against the dollar and was the second worst performing currency after Philippines.** India Vix increased during the month indicating market volatility has increased.

| Market Indicator | 30-10-2026 | 1m ago | 3m ago | Since 28 Feb'25 | Since 26 Sep'24 | 1Year |
|---|---|---|---|---|---|---|
| Brent Crude ($/bbl) | 117.8 | 103.5 | 90.1 | 73.2 | 71.6 | 65.0 |
| Bond Yield (GOi 10Yr) | 7.4 | 7.2 | 6.8 | 6.7 | 6.7 | 6.6 |
| USD/INR | 95.0 | 95.8 | 95.4 | 87.5 | 83.6 | 88.7 |
| India Vix | 15.3 | 13.5 | 11.8 | 13.9 | 12.0 | 12.1 |

| Commodity Index | 1m | 3m | 6m | Since 28 Feb'25 | Since 26 Sep'24 | 1Year |
|---|---|---|---|---|---|---|
| Gold ($/OZ) | -4.3% | -1.6% | -13.8% | 39.3% | 48.9% | -1.1% |
| Steel ($/ton) | -1.0% | 2.1% | -1.0% | 4.2% | 6.5% | 8.8% |
| Aluminium ($/ton) | -4.2% | -3.9% | -12.9% | 16.4% | 20.0% | 8.7% |
| Copper ($/ton) | 0.9% | 5.4% | 12.9% | 56.1% | 46.6% | 33.8% |
| Zinc ($/ton) | 0.7% | 7.3% | 18.3% | 43.8% | 31.0% | 26.8% |

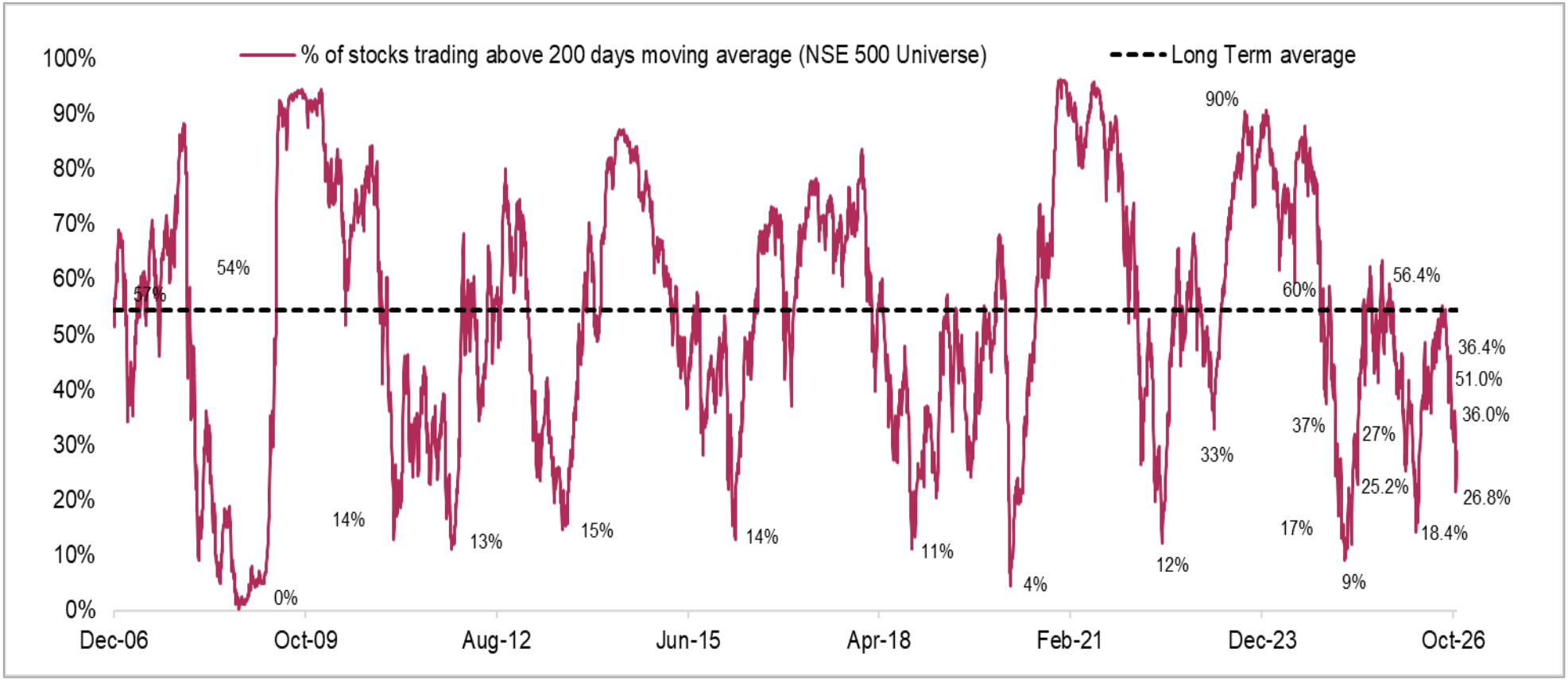
Source: Bloomberg, Axis Securities, Performance as of 30th Oct 2026



**NSE 500 Universe (200-day Moving Average) Near Average Levels**

- Following the recent weakness, the market has slipped below the neutral zone, with approximately 36% of NSE 500 stocks trading near their long-term averages. In the near to medium term, market performance will remain sensitive to macroeconomic data, geopolitical developments in the Middle East, energy prices and their impact on corporate earnings. Sectoral and style rotation is likely to remain a key feature of the market, reinforcing the need for selective, disciplined stock picking.




Source: Bloomberg, Axis Securities

**52W-High Analysis**

- Only 25 stocks among large, mid and small cap (vs. 6 in Mar'26, 77 in Aug'26) are now trading near their 52-week highs indicating broad correction in the market.
- 140 (~28%) stocks are still trading below 20% to 30% of their 52-week highs (vs. 123 (~25%) in Aug'26 indicating softness in market .
- 206 (~41%) of the stocks have corrected by over 30% from their 52-week high (vs. 25% in Mar'26). Correction has been sharp in SMIDs last month.
- Out of 55 PSUs, 0 stock are near their 52-week high, (vs 1 stock in Mar'26 and 2 In Aug'26) reflecting current market volatility again post rising Iran-US tensions and rise in crude prices.

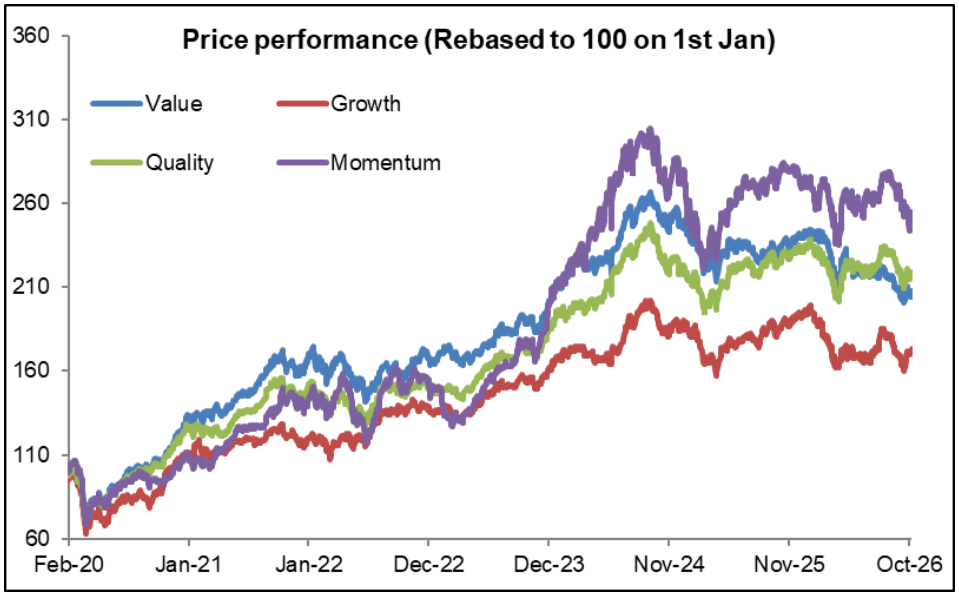
| | | Current level of number of stocks as compared to 52W high | | | |
|---|---|---|---|---|---|
| **Sector** | **No of Stocks** | **Near to 52W high** | **5%-20% below 52W high** | **20%-30% below 52W high** | **Below 30%** |
| Agri & Chem | 33 | 1 | 4 | 10 | 18 |
| Auto & Anc | 44 | 3 | 11 | 12 | 17 |
| Banks | 28 | 2 | 11 | 8 | 7 |
| Build Mate | 39 | 0 | 10 | 8 | 21 |
| Discretionary | 32 | 2 | 9 | 4 | 17 |
| Healthcare | 54 | 9 | 26 | 10 | 9 |
| Industrials | 49 | 1 | 8 | 21 | 19 |
| IT | 40 | 3 | 8 | 9 | 20 |
| Metals & min | 25 | 1 | 6 | 11 | 7 |
| NBFC | 58 | 1 | 12 | 19 | 26 |
| Oil & gas | 19 | 0 | 6 | 5 | 8 |
| Others | 9 | 0 | 3 | 2 | 4 |
| Staples | 30 | 0 | 3 | 10 | 17 |
| ssssTele & Media | 14 | 2 | 4 | 3 | 5 |
| Transport | 8 | 0 | 3 | 3 | 2 |
| Utilities | 18 | 0 | 4 | 5 | 9 |
| **Total** | **500** | **25** | **128** | **140** | **206** |
| **Large cap** | **100** | **4** | **35** | **39** | **17** |
| **Mid cap** | **150** | **8** | **39** | **42** | **52** |
| **Small cap** | **250** | **13** | **54** | **59** | **137** |
| **PSUs** | **55** | **0** | **13** | **17** | **23** |

Source: Bloomberg, Axis Securities

## Style Indicators

**Quality was the Best-Performing Theme in last two Years**

- Quality and Growth outperformed Value and Momentum in 2025. Over the past year, Quality has delivered the strongest performance among all investment styles, followed by Growth. However, the trend has shifted over the past six months, with Growth taking the lead, followed by Quality, indicating a continued market preference for companies with strong earnings potential and sustainable business performance.
- We believe that structural growth and high-quality companies, backed by strong balance sheets and sustainable long-term earnings visibility, are well-positioned to outperform the broader market, despite near-term volatility.



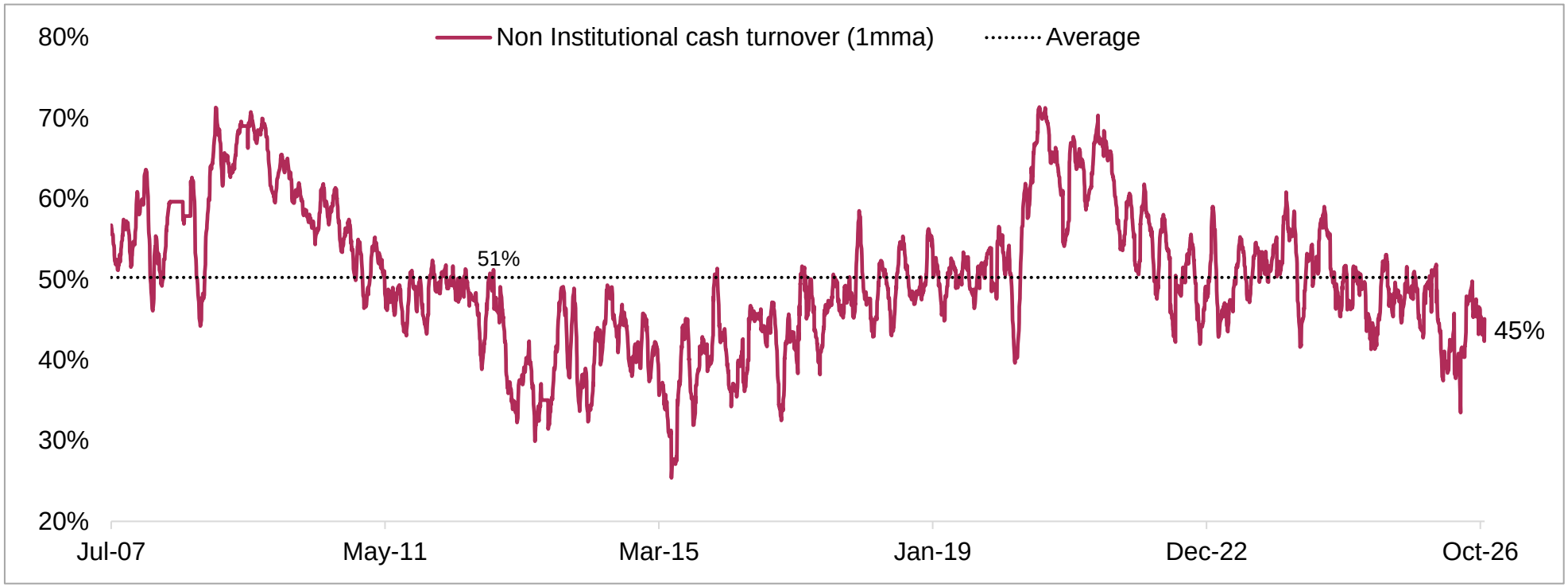

Source: Bloomberg, Axis Securities

| Performance (%) | | | | |
|---|---|---|---|---|
| Perf | 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 | 2.1% | 5.4% | 1.9% | -2.7% |
| 3m | -5.0% | -4.7% | -4.3% | -6.1% |
| 6m | -7.2% | 1.5% | -1.7% | -1.7% |
| 1YR | -12.1% | -7.5% | -4.3% | -9.4% |
| 2YR | -16.5% | -4.8% | -2.8% | -7.4% |

Source: Bloomberg, Axis Securities, Performance as of 30th Oct 2026

**Non-institutional Turnover Remains below Average Levels**

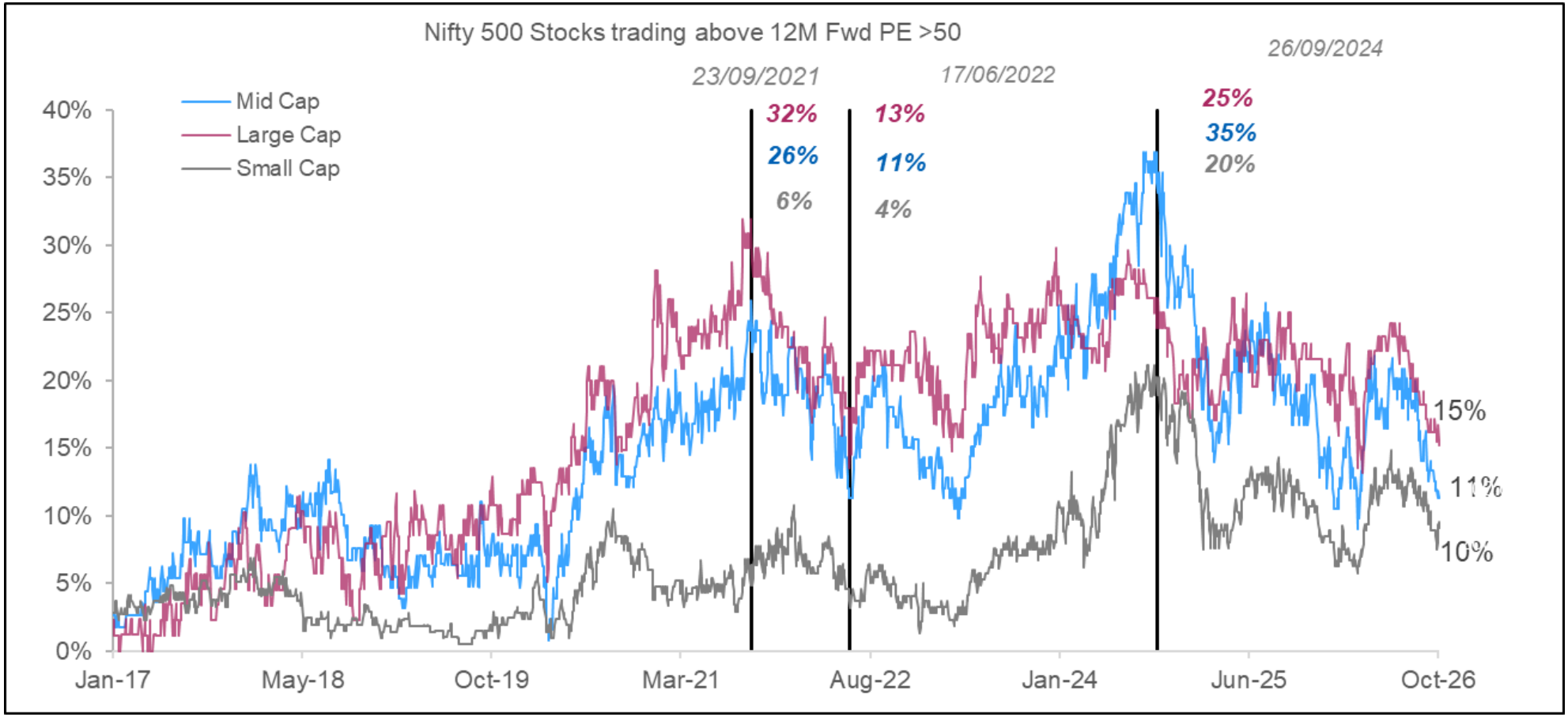
- Non-institutional (Retail) cash turnover is currently sitting at 45%, which is slightly below its long-term average of 51%. The turnover saw a noticeable dip over the last three months as retail investors paused amid heightened global volatility.
- Retail investor participation will be key monitorable and is expected to improve 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**

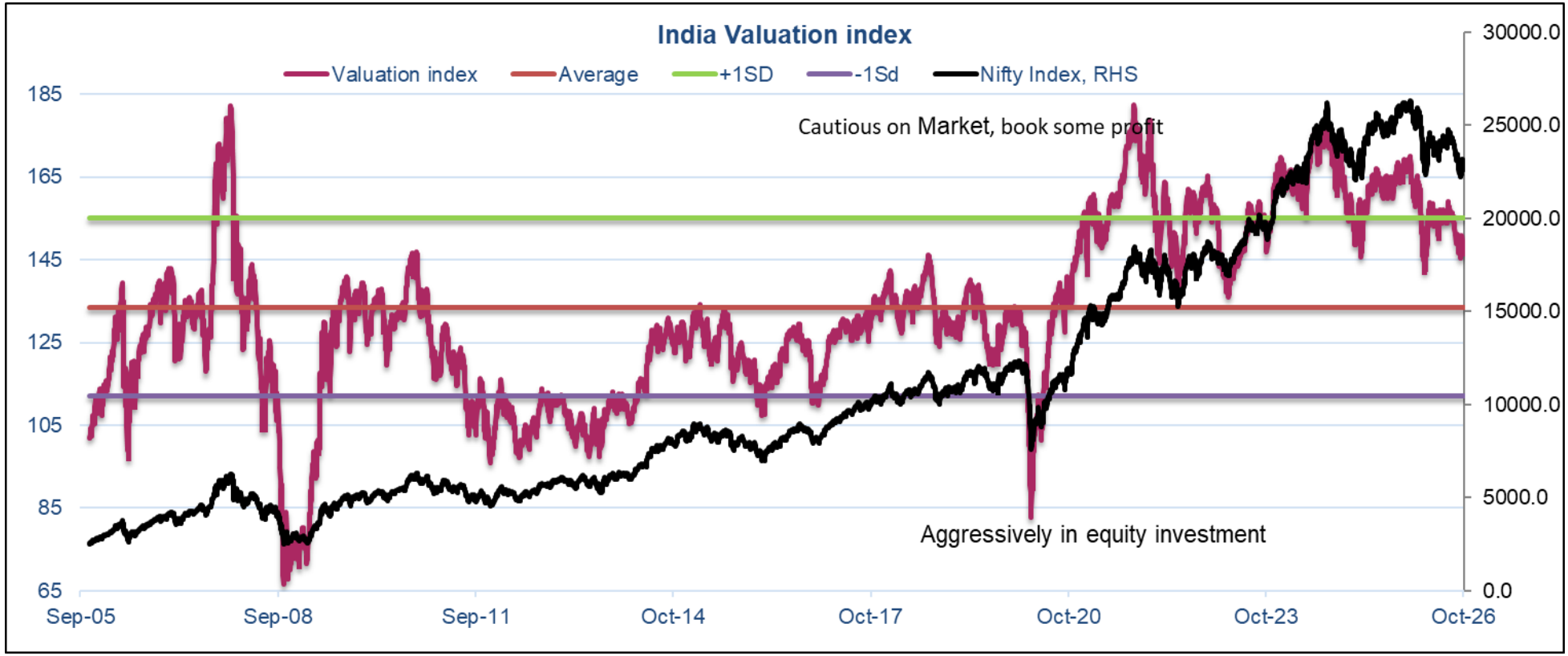
- PE compression was observed across the board during the previous FII selling phase between 09/2021 and 06/2022, when total FII outflows exceeded $34.5 Bn. 12MF P/E of stocks is currently still lower than the Sep'24 levels.




Source: Refinitiv, Axis Securities

**India Valuation Index: Corrected over last 1 month ; Earnings commentary Remains Critical**

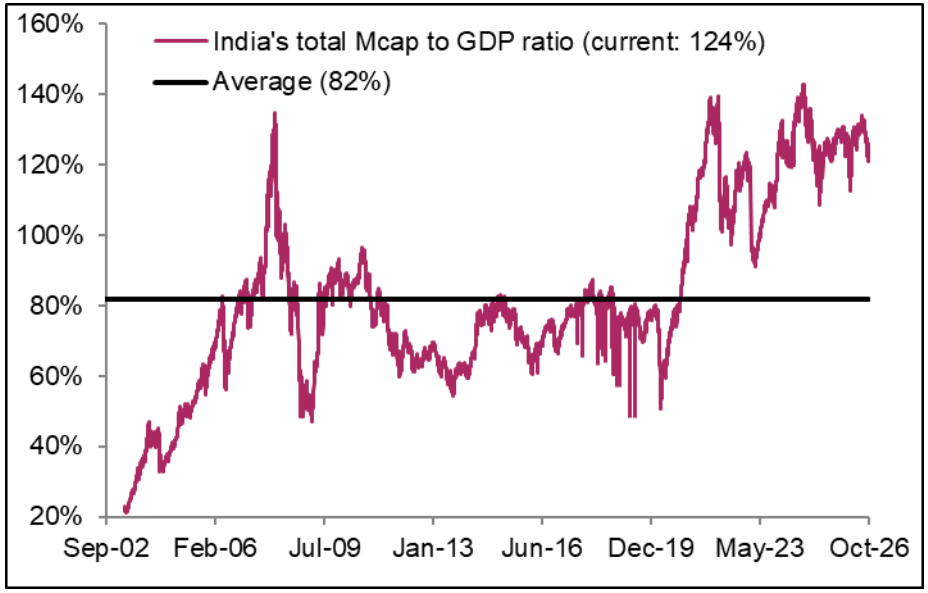
- Market valuation index is currently trading below the +1stdev line, following a sharp correction in last one month. Valuations have corrected but scope for further re-rating will depend on earnings growth, Softening in crude prices, Stability in Interest rate Geo-political conditions. Stock selection and tactical sector rotation will be key to achieving 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).

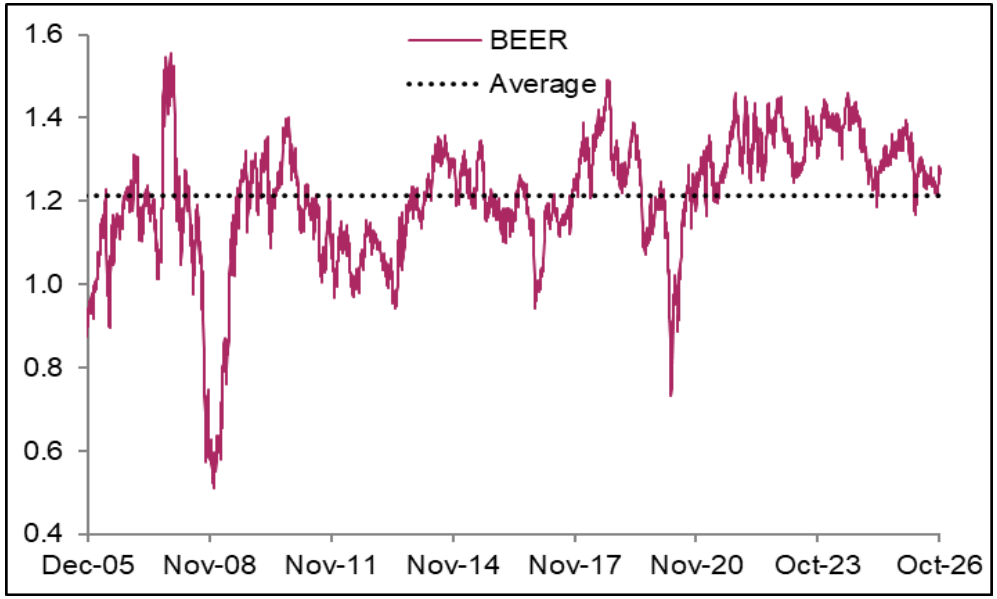



Source: Bloomberg, Axis Securities

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

- **BEER:** India's 10-year government bond yield has increased to 7.4% from 7% last month. Domestic bond sentiment remained cautious after the RBI's latest policy minutes indicated that a rate hike could be considered later in the fiscal year. The Bond to Equity Earnings Yields ratio is now trading slightly above the long-term average.
- **India's Total Market Cap to GDP has rebounded to 124**% from the recent trough of 112% in Mar'26 (still below 143% in Sep'24), though above its long-term average (rebased after the FY26 GDP estimate of Rs 345.47 Tn released by the government on 27th Feb'26). The rise in market cap to GDP ratio indicates valuation have expanded for broader market despite Nifty underperformance.
- **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%.



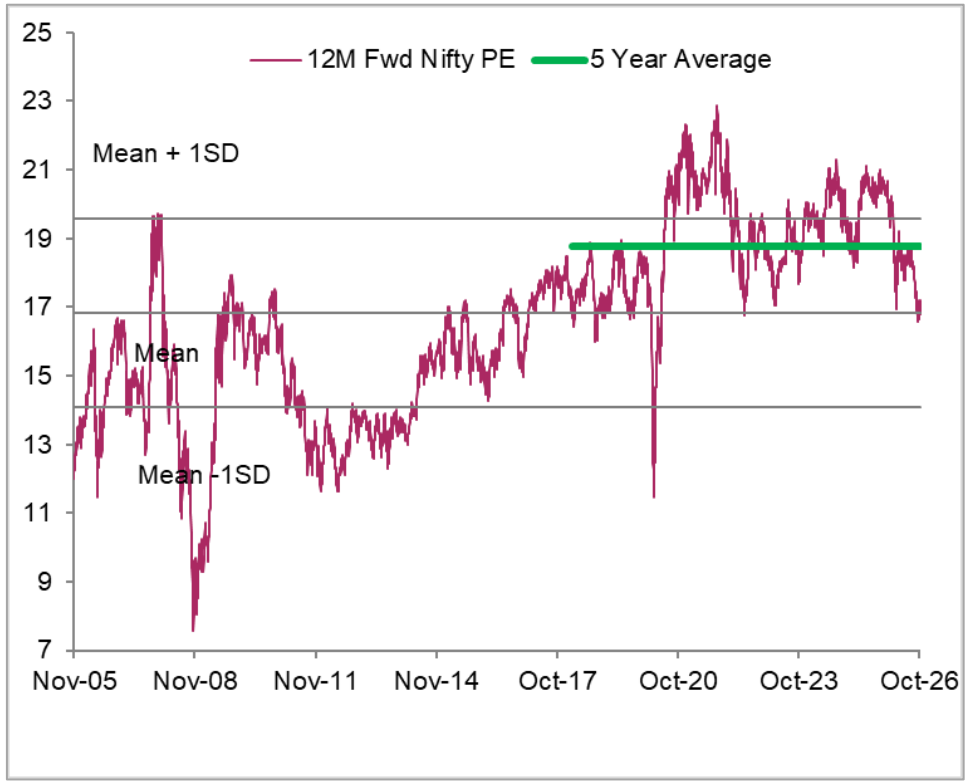




Source: Bloomberg, Axis Securities

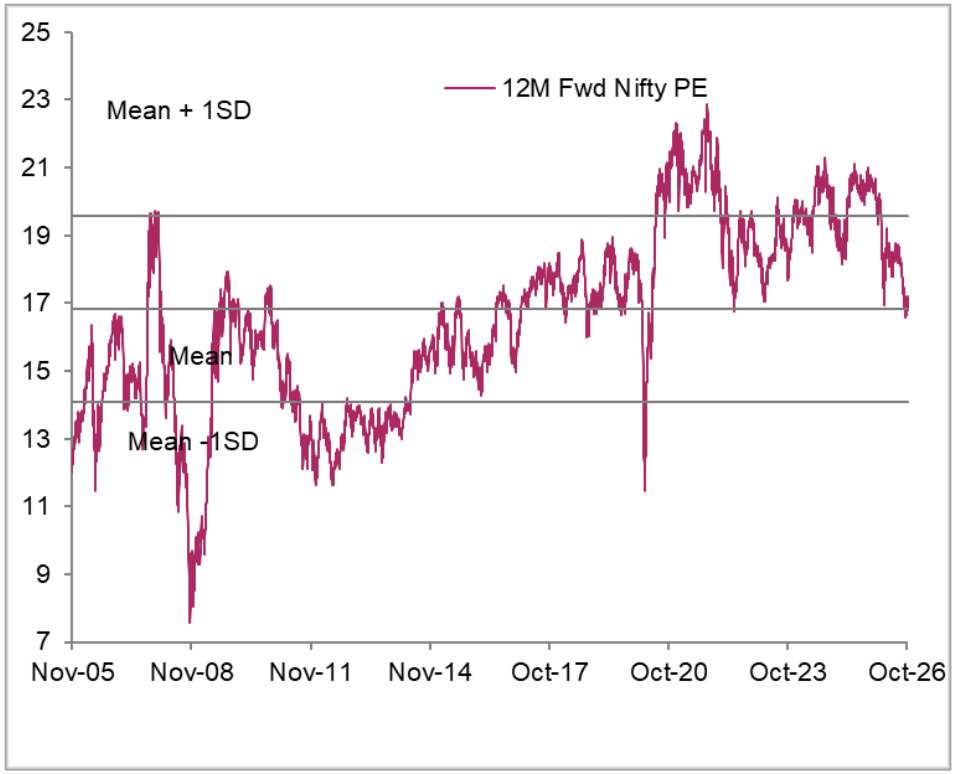
**Market Valuation: 12M Fwd PE Now Trading at 17.3x ; still below recent high of 21x**

- NIFTY is currently trading at 17.3x on a 12M Fwd PE, which stands below its long-term average of 18.4x. Nifty 12M Fwd PB has also witnessed correction and now trading below its mean indicating valuation correction.
- Current valuations although corrected, rerating will be dependent on complete resolution of Iran War, Interest rate outlook and earnings outlook. Style rotation and sector selection are keys to generating alpha.

**Nifty 12M Fwd PE**




**Nifty 12M Fwd PB**




Source: Bloomberg, Axis Securities

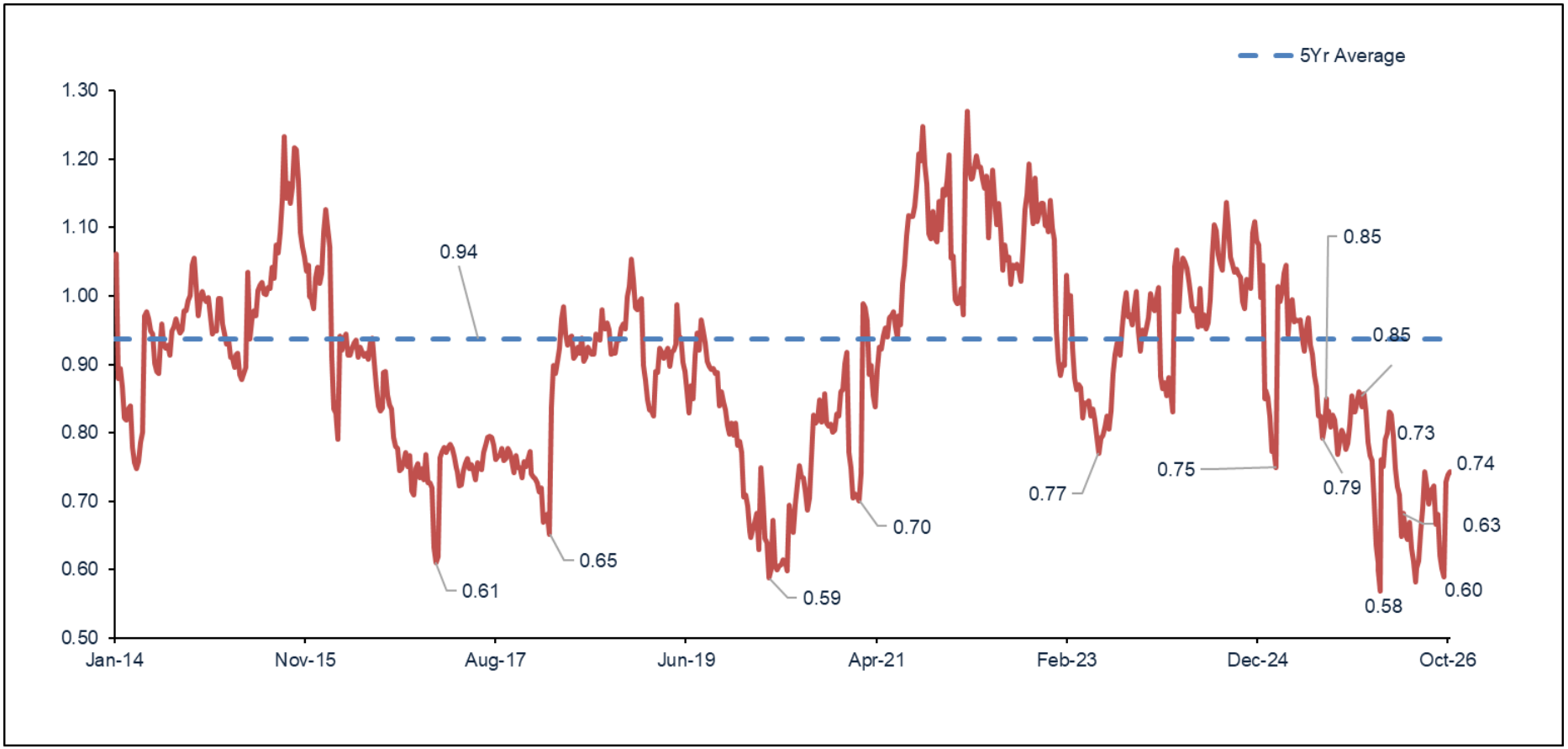
## Valuation Correction in The Broader Index

- Many sectors are still in the Oversold zone as compared to the Sep'24 levels except Pharma and PSU Banks

| | 12m fwd PE | Long term Avg | Valuation as on Sep'24 | % down from Sep'24 |
|---|---|---|---|---|
| Pharma | 34.4 | 24.5 | 30.8 | 11.8% |
| PSU Banks | 7.6 | 9.9 | 7.6 | 0.9% |
| Service sec | 18.3 | 18.4 | 20.6 | -11.1% |
| Media | 22.2 | 22.4 | 25.1 | -11.7% |
| Infra | 19.2 | 18.8 | 22.4 | -14.5% |
| Auto | 20.9 | 19.6 | 24.8 | -15.8% |
| Energy | 12.6 | 11.8 | 15.3 | -17.8% |
| Banks | 11.6 | 15.5 | 14.2 | -18.0% |
| Metal | 13.1 | 11.6 | 16.2 | -19.0% |
| **Nifty** | 17.3 | **18.4** | **21.4** | **-19.4%** |
| FMCG | 28.6 | 33.4 | 42.8 | -33.2% |
| IT | 18.0 | 20.6 | 29.2 | -38.3% |
| Realty | 25.1 | 27.0 | 44.8 | -43.9% |

Source: Bloomberg, Axis Securities

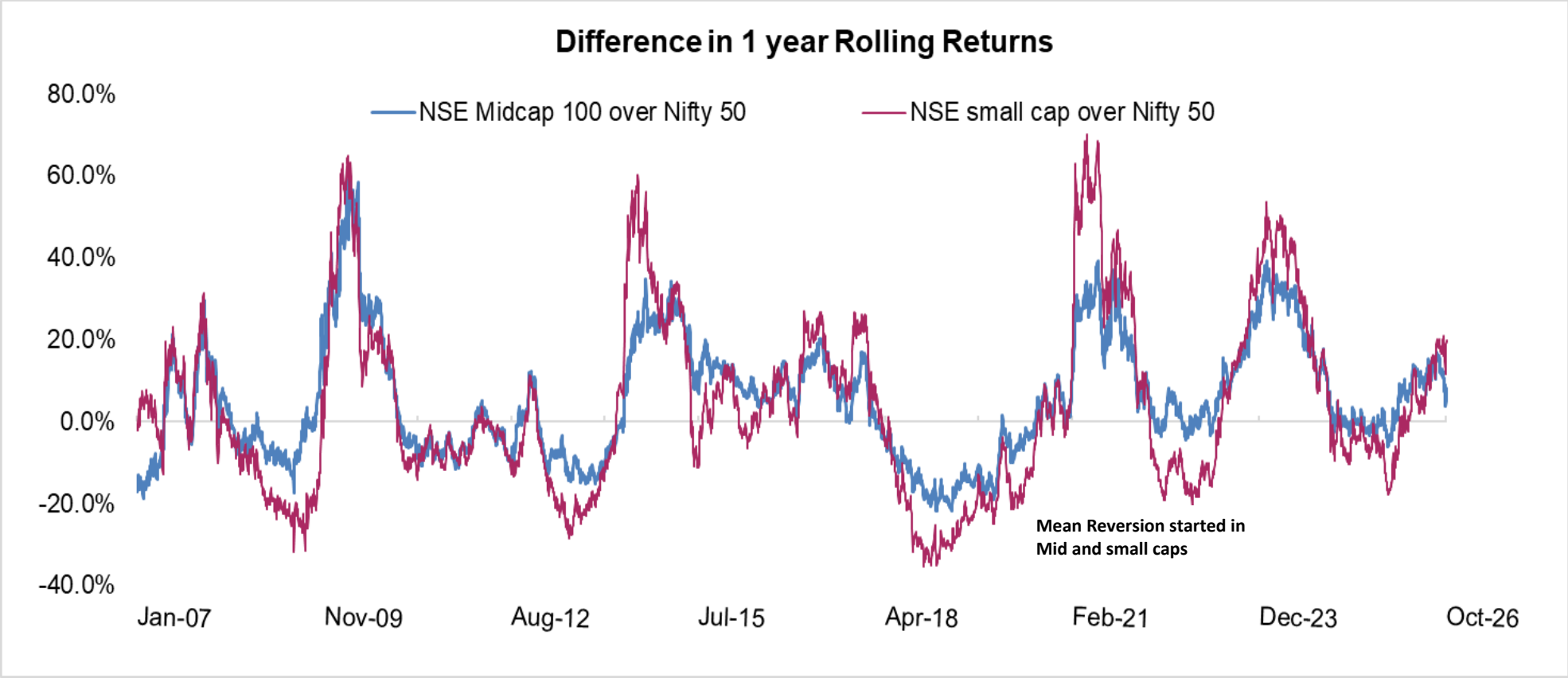
**Nifty IT vs NASDAQ 100 - Relative 12M Fwd PE**




Source: Bloomberg, Axis Securities

**Mean reversion in 1-year Rolling Returns**

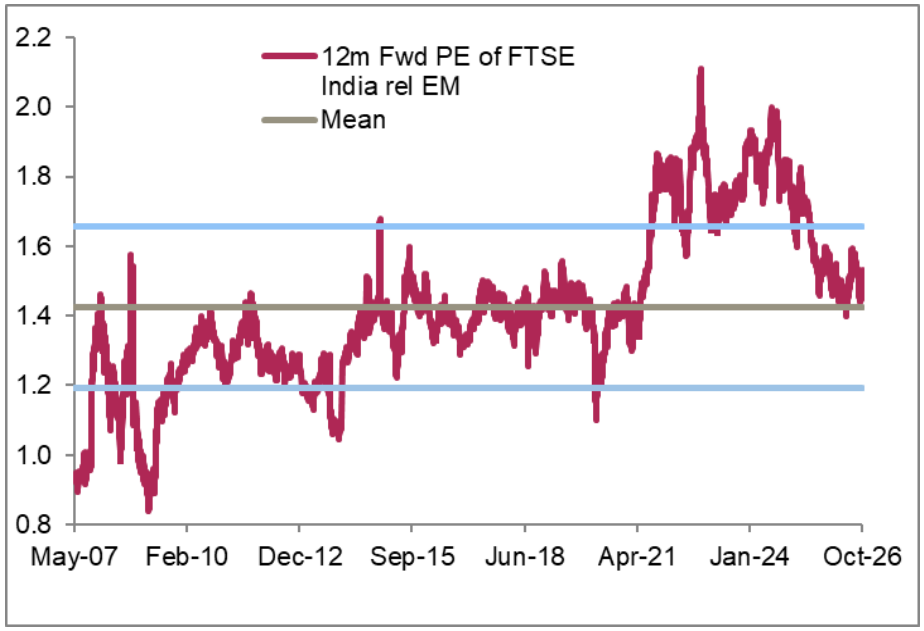
- NSE Midcap and Small cap 100 valuation has reverted and now trading substantial higher in 1-year rolling returns against Nifty 50.

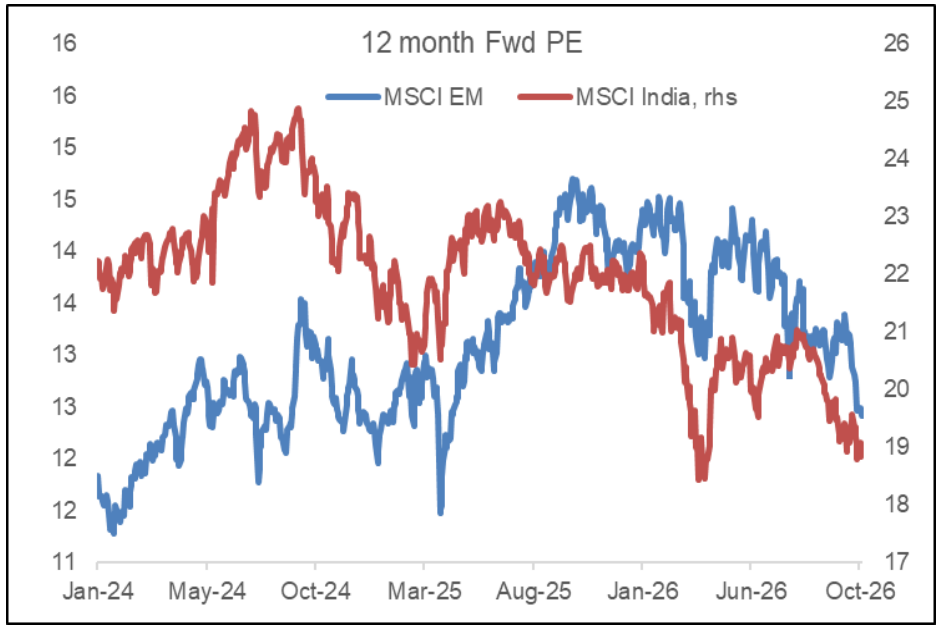



Source: Bloomberg, Axis Securities

**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. FTSE India is now trading at a PE premium of 47% (56% vs last month) to the EM index (PE). During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 47% 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

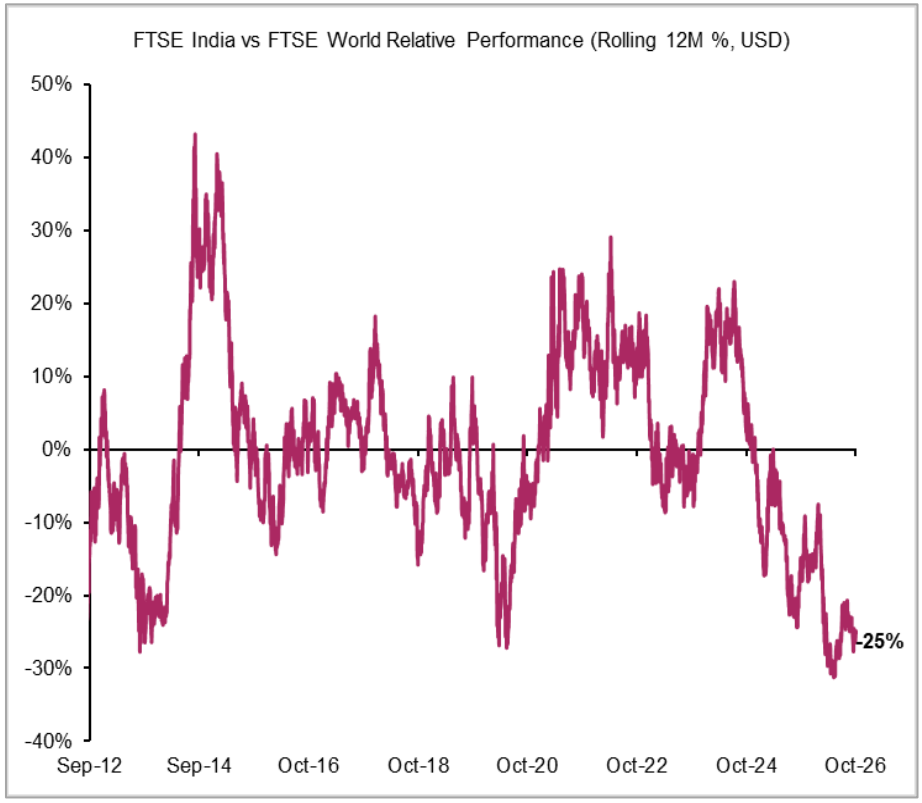


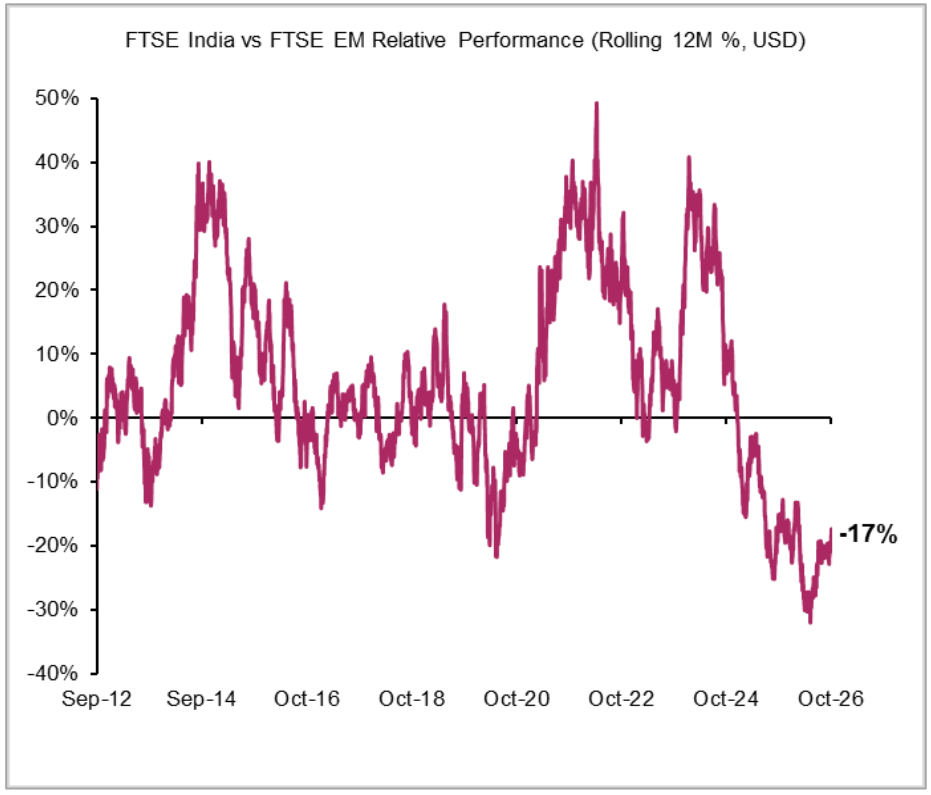




Source: Bloomberg, Axis Securities

**India's Standing vs the Emerging Market and World Index**

- Relative underperformance of the Indian market vs the world and the emerging markets.
- Earnings recovery, and stable macro policy could lead to mean reversion going forward. Prolonged Crisis in ME will be the key risk.

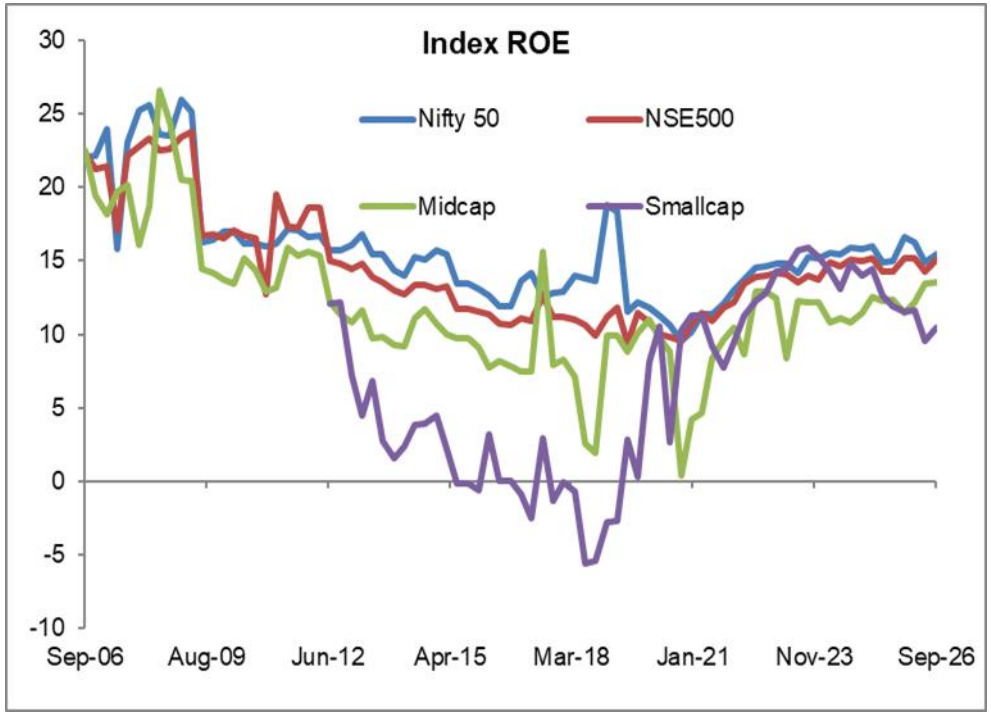


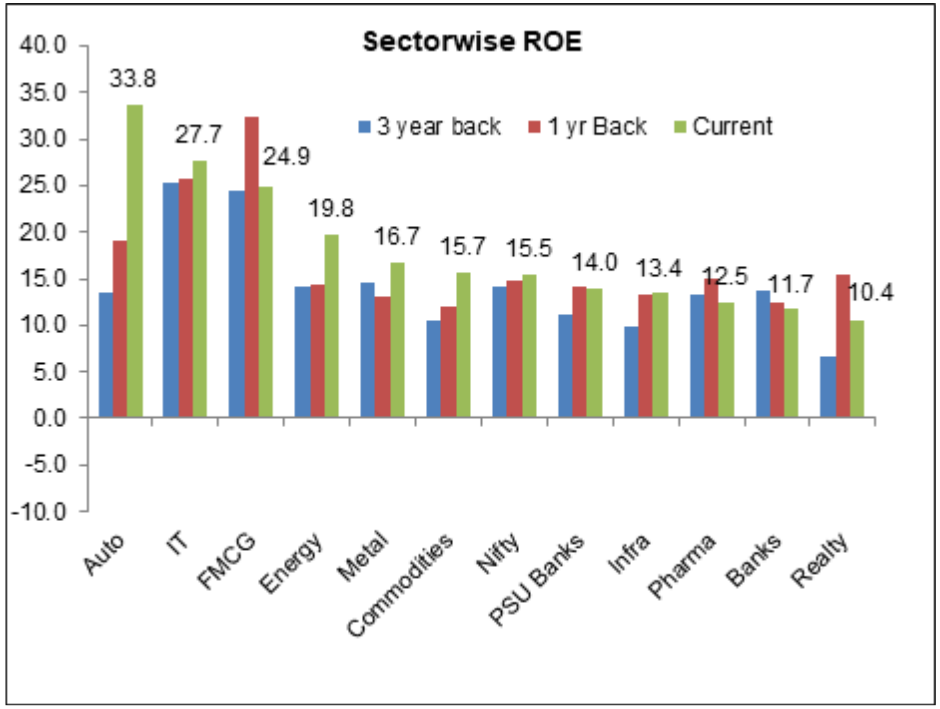




Source: Bloomberg, Axis Securities

**Return Ratios Analysis**

- ROE is improving with MIDCAP outperforming other indices while Small cap ROE also improving. Nifty ROE remains largely consistent.
- Some moderation seen in the ROE of the pharma, Banks, FMCG and Realty sector in last one year. Energy & Metal sector witnessed improvement in ROE in last one year.
- The Auto sectors' profitability has improved in the past one year based on the positive outlook and premiumization. Sector wise FMCG and IT ROE remains best in class in last three years

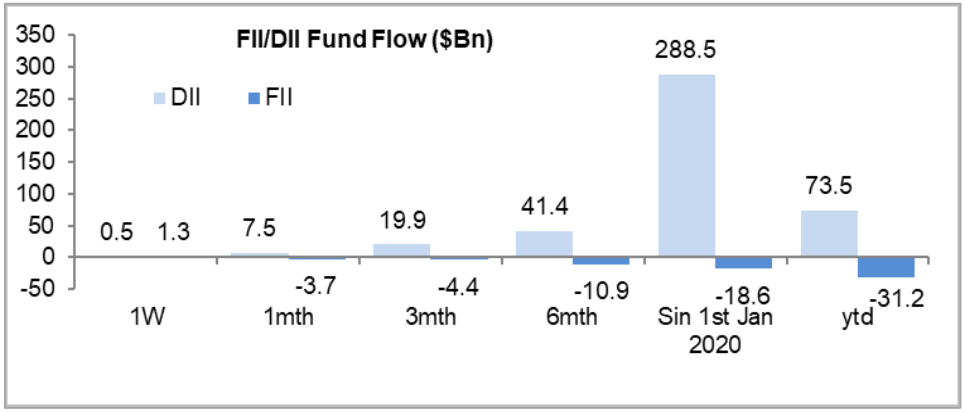


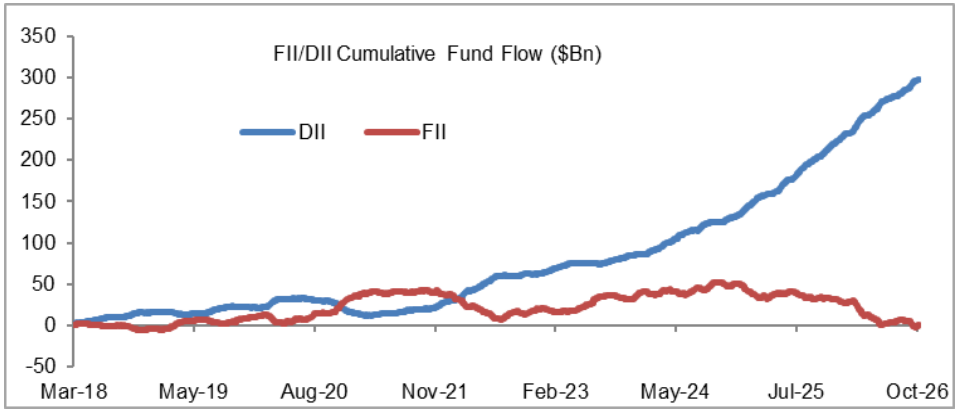



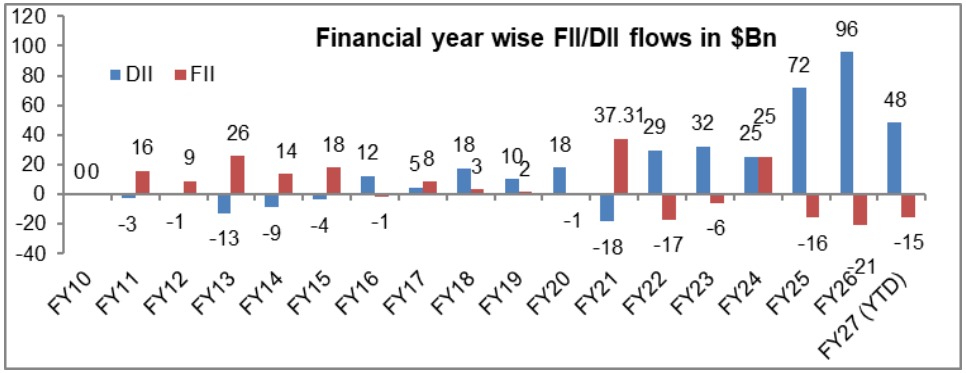

Source: Bloomberg, Axis Securities

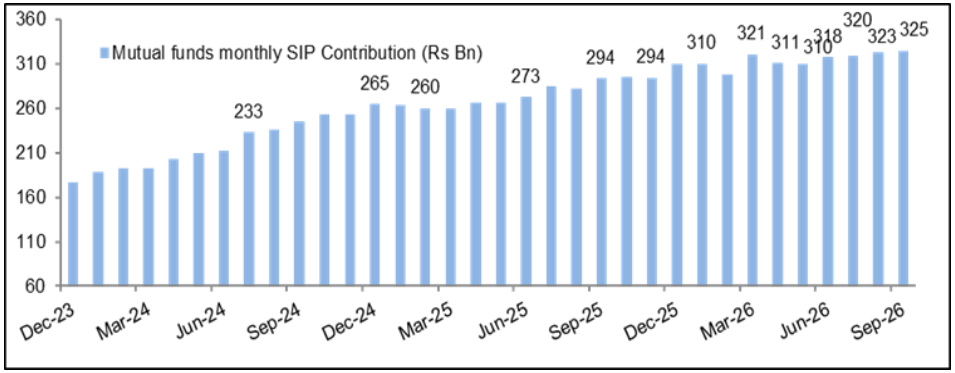
**FII Selling Seen in FY25 and FY26**

- The Indian market has emerged from the overdependence on the FII flows since FY20. From FY20 till now, DIIs have invested $288.5 Bn while FIIs have sold $18.6 Bn in the Indian market. Even with FII selling, our market remains resilient, and buying has been seen at every level, indicating the improvement in the risk appetite of the domestic investors and confidence in the India story.
- In Apr-Oct'26 DII buying continued, while FII remained net sellers. FIIs turned net buyers in July 26 after being net sellers since last 6 month. In Sept –Oct 2026 again FIIs turned net sellers . Notably, mutual fund SIP contributions in Sept'26 stood at Rs 32,500 Cr .



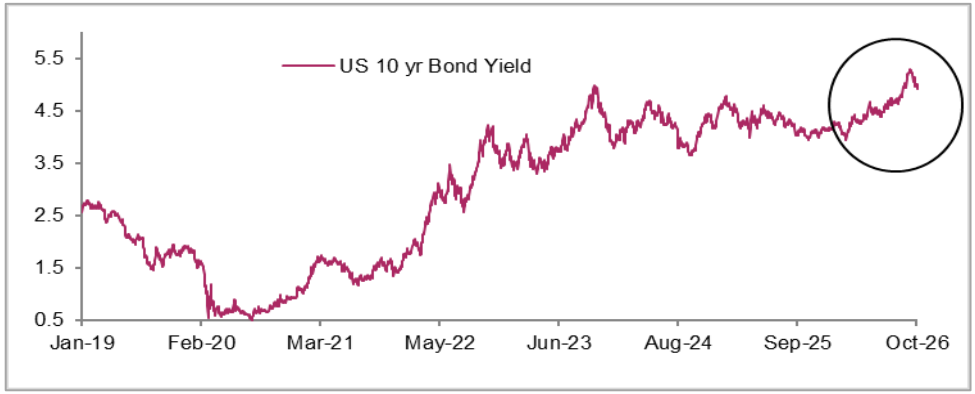



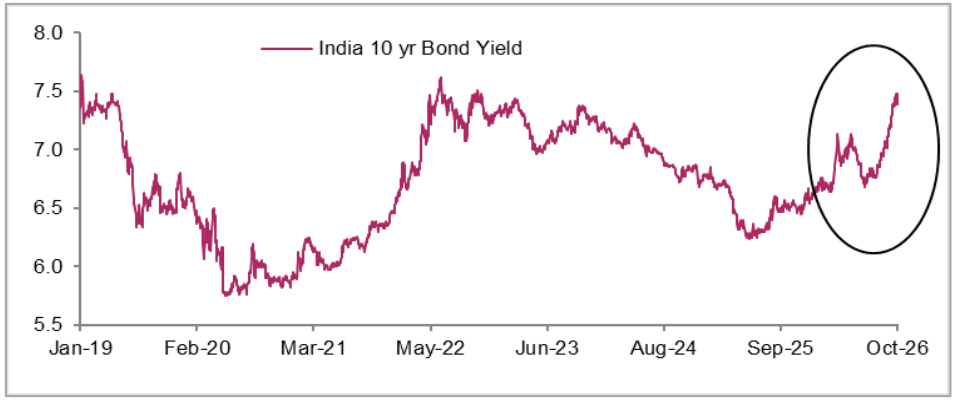




Source: Bloomberg, Axis Securities

**Macro Continues to Drive Near-Term Market Fundamentals**

- US 10 year bond yields have slightly retraced to 5.02% from 5.20% . Markets is expecting another rate hike by Fed to contain inflation by 25 bps in next Fed meeting in December.
- Indian bond yields rose to 7.47% in Oct 2026 indicating potential hike in interest rate again in December 2026 RBI meeting.
- The correlation between the Indian and US markets continued to be decoupled and stood at -28% levels vs. the historical pattern of 70%.



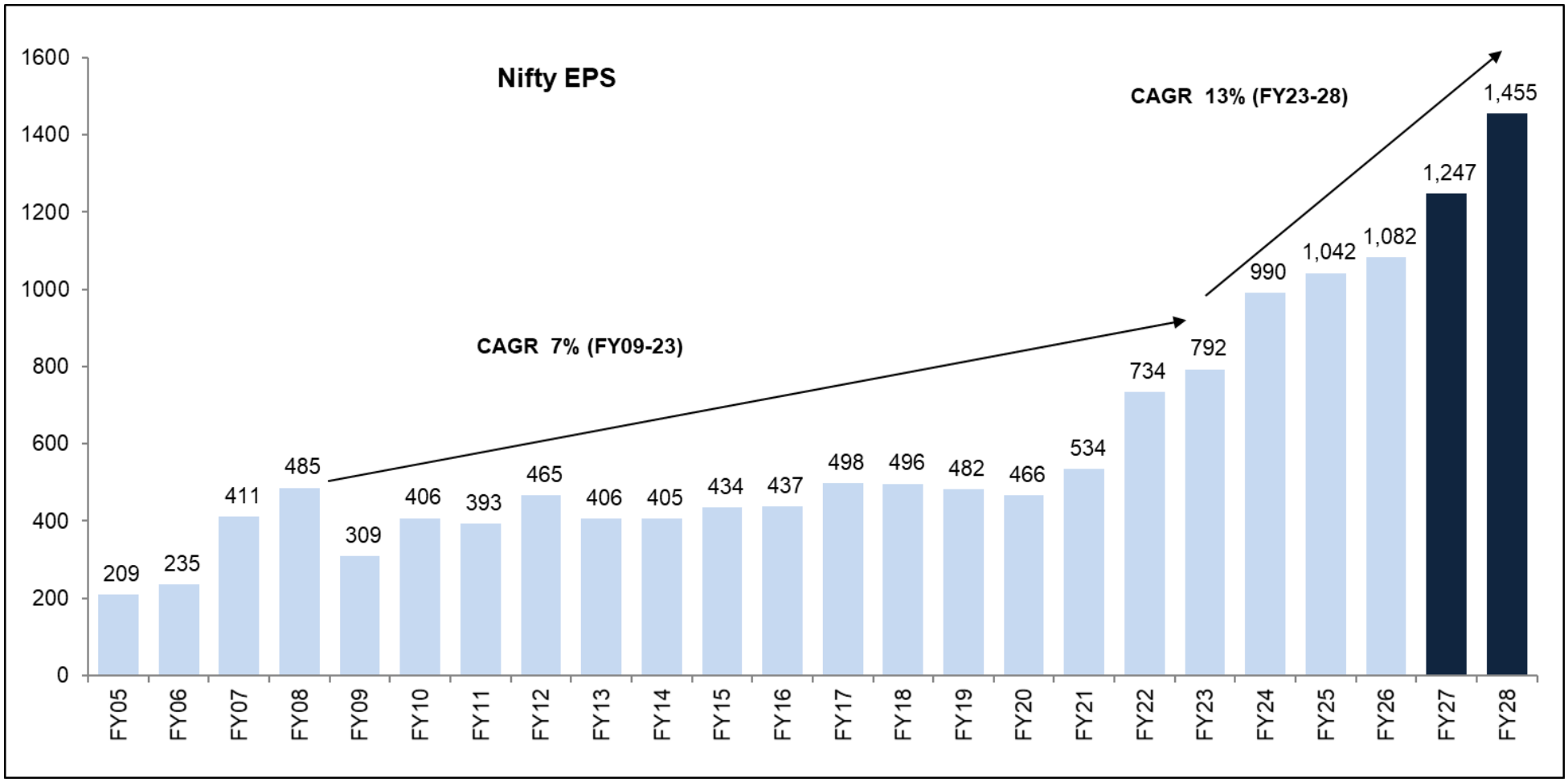




Source: Bloomberg, Axis Securities

## NIFTY EPS Growth Expectation Remains Robust - Prolonged Middle East war is a significant risk to earnings

- Nifty EPS is expected to grow at 13% CAGR over FY23-FY28 vs. 7% CAGR over FY09-FY23.




Source: Bloomberg, Axis Securities

**Marginal increase FY27 and FY28 Nifty EPS by 0.3% each**

- After Q1FY27, we foresee FY27/28 NIFTY Earnings at 1247/1,455. We have upgraded our FY27/fy28 Nifty EPS expectations by 0.3% each. The majority of the upgrades are related to Financials, IT, Oil & Gas and Telecom while downgrade were visible in Metals, Industrials and Automobile .
- Q1FY27 earnings were better than expectation reflecting improving business momentum. The near-term market outlook remains cautiously constructive despite elevated volatility. Indian equities continue to benefit from structural domestic growth drivers, strong government capex, healthy banking system balance sheets, formalization of the economy, and sustained domestic liquidity inflows. However, investors should remain mindful of rising geopolitical risks, elevated oil prices, monsoon uncertainty and currency volatility.

| Nifty EPS | Post Q4FY26 | | Post Q1FY27 | | Chg post Q1FY27 | |
|---|---|---|---|---|---|---|
| **Sector** | **FY27E** | **FY28E** | **FY27E** | **FY28E** | **FY27E** | **FY28E** |
| Financial | 531 | 629 | 548 | 638 | 3.2% | 1.4% |
| IT | 122 | 127 | 134 | 141 | 9.9% | 11.2% |
| Oil & Gas | 121 | 134 | 127 | 137 | 5.1% | 2.2% |
| FMCG/Discretionary | 74 | 89 | 69 | 88 | -6.6% | -1.1% |
| Power | 44 | 48 | 45 | 48 | 3.0% | -0.1% |
| Industrial | 79 | 96 | 69 | 83 | -12.6% | -13.3% |
| Pharma | 33 | 41 | 32 | 40 | -1.7% | -1.4% |
| Metals | 109 | 119 | 99 | 107 | -8.8% | -10.4% |
| Automobile | 83 | 101 | 72 | 91 | -13.5% | -10.3% |
| Cement | 9 | 11 | 9 | 11 | 1.4% | -0.1% |
| Telecom | 41 | 54 | 43 | 57 | 5.8% | 6.1% |
| **Total** | **1,244** | **1,451** | **1,247** | **1,455** | **0.3%** | **0.3%** |

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:**

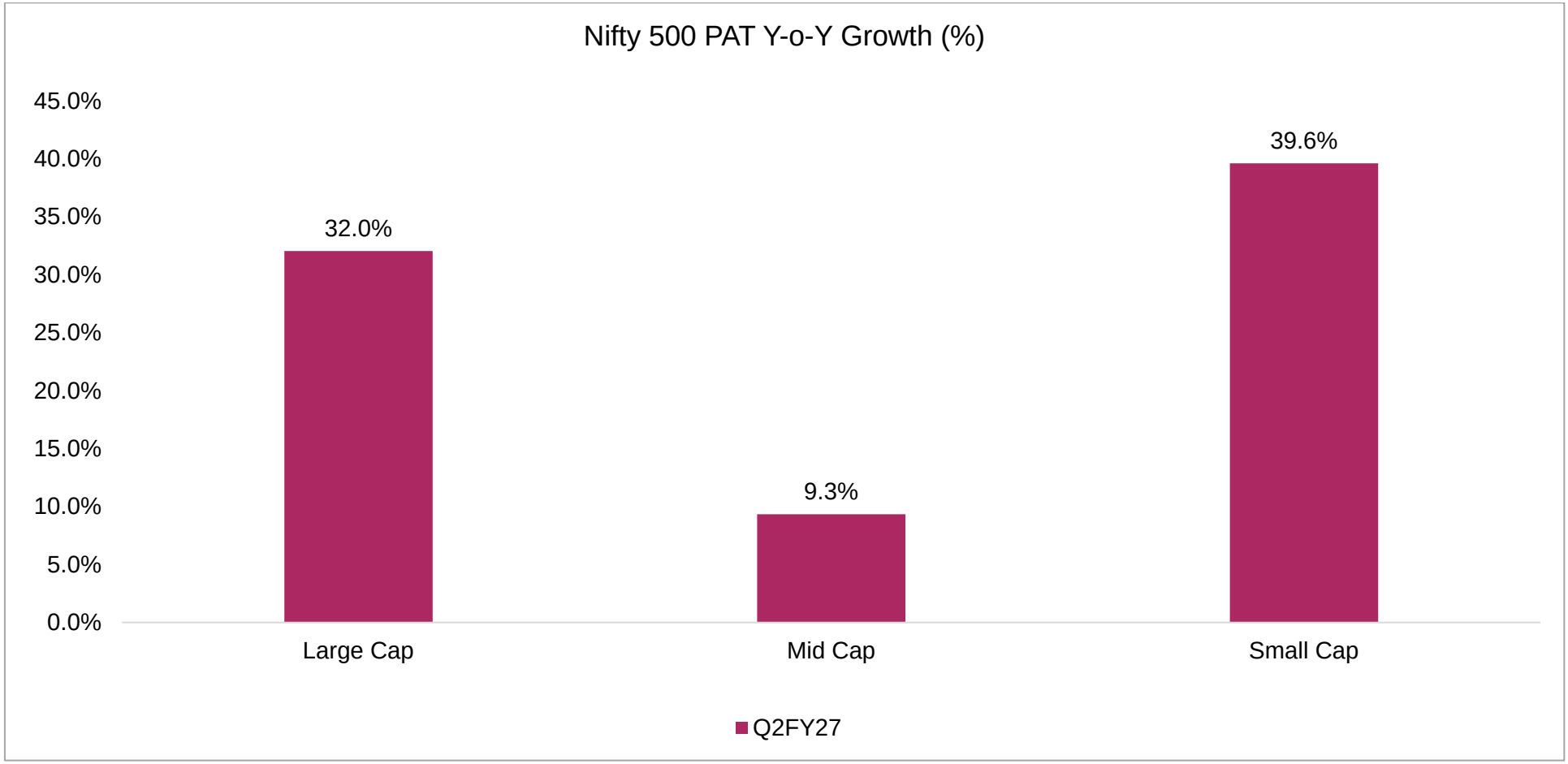
- The last 4 quarters' cumulative net profit reached an all-time high in Q1FY27, crossing the mark of 17.35 Lc Cr.
- NSE 500 earnings grew by 11.6% YoY, indicating a broad-based recovery in earnings during the quarter. Auto, Metals, Financials, IT and industrials witnessed notable YoY growth, while Staples, Tele & Media and Transport witnessed decline.

**Sector-wise Net profit for NSE 500 – Trailing 4 Quarters (In Cr)**

| | Q2FY20 | Q4FY23 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 | Q2FY26 | Q3FY26 | Q4FY26 | Q1FY27 | 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 | 92,462 | 93,194 | 0.8% | 20.0% |
| **Staples** | 34,044 | 49,516 | 48,309 | 50,298 | 49,873 | 50,775 | 69,875 | 70,478 | 70,070 | 74,705 | 61,087 | 60,596 | -0.8% | -14.0% |
| **Discretionary** | 18,283 | 30,085 | 30,085 | 33,752 | 35,517 | 37,134 | 38,828 | 36,400 | 29,207 | 30,731 | 32,127 | 36,001 | 12.1% | -1.1% |
| **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 | 6,32,649 | 6,57,077 | 3.9% | 13.5% |
| **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 | 1,45,314 | 1,49,557 | 2.9% | 10.3% |
| **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 | 2,32,660 | 2,02,772 | -12.8% | 8.4% |
| **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 | 1,47,955 | 1,60,511 | 8.5% | 37.5% |
| **Industrials** | 31,188 | 37,174 | 48,191 | 50,923 | 59,526 | 60,645 | 70,638 | 72,172 | 82,227 | 84,937 | 88,228 | 93,254 | 5.7% | 29.2% |
| **Build Mate** | 22,387 | 23,965 | 36,531 | 37,477 | 37,743 | 45,690 | 37,098 | 38,758 | 46,008 | 46,897 | 47,241 | 48,189 | 2.0% | 24.3% |
| **Healthcare** | 28,133 | 39,045 | 50,109 | 59,490 | 62,670 | 64,931 | 69,323 | 64,035 | 67,356 | 67,755 | 67,286 | 68,166 | 1.3% | 6.5% |
| **Utilities** | 27,165 | 59,631 | 74,954 | 71,391 | 67,802 | 68,312 | 72,397 | 74,382 | 76,201 | 76,250 | 81,064 | 84,021 | 3.6% | 13.0% |
| **Transport** | 2,462 | 4,152 | 13,326 | 13,307 | 12,377 | 11,988 | 13,445 | 12,705 | 11,014 | 9,704 | 4,919 | 3,574 | -27.3% | -71.9% |
| **Agri & Chem** | 12,424 | 31,842 | 17,428 | 16,874 | 17,128 | 19,783 | 23,502 | 24,661 | 24,003 | 23,692 | 22,154 | 23,829 | 7.6% | -3.4% |
| **Tele & Media** | -19,015 | 12,474 | 15,212 | 18,160 | 22,784 | 38,279 | 50,953 | 52,344 | 52,597 | 41,866 | 38,861 | 41,864 | 7.7% | -20.0% |
| **Others** | 12,486 | 16,661 | 16,277 | 23,158 | 29,535 | 26,194 | 13,991 | 12,780 | 12,984 | 17,884 | 14,301 | 12,922 | -9.6% | 1.1% |
| **Total** | **5,31,208** | **10,66,015** | **13,52,675** | **13,74,433** | **14,04,634** | **14,57,405** | **15,15,109** | **15,54,882** | **16,21,832** | **16,63,611** | **17,08,308** | **17,35,527** | 1.6% | 11.6% |
| **Ex Oil and Gas** | **4,31,004** | **9,37,354** | **11,23,493** | **11,74,556** | **12,31,448** | **12,87,440** | **13,47,448** | **13,67,737** | **14,16,617** | **14,42,371** | **14,75,648** | **15,32,755** | | |
| **Total Growth** | | **2%** | **3%** | **2%** | **2%** | **4%** | **4%** | **3%** | **4%** | **3%** | **3%** | **2%** | | |
| **Growth ex Oil and Gas** | | **8%** | **4%** | **5%** | **5%** | **5%** | **5%** | **2%** | **4%** | **2%** | **2%** | **4%** | | |

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

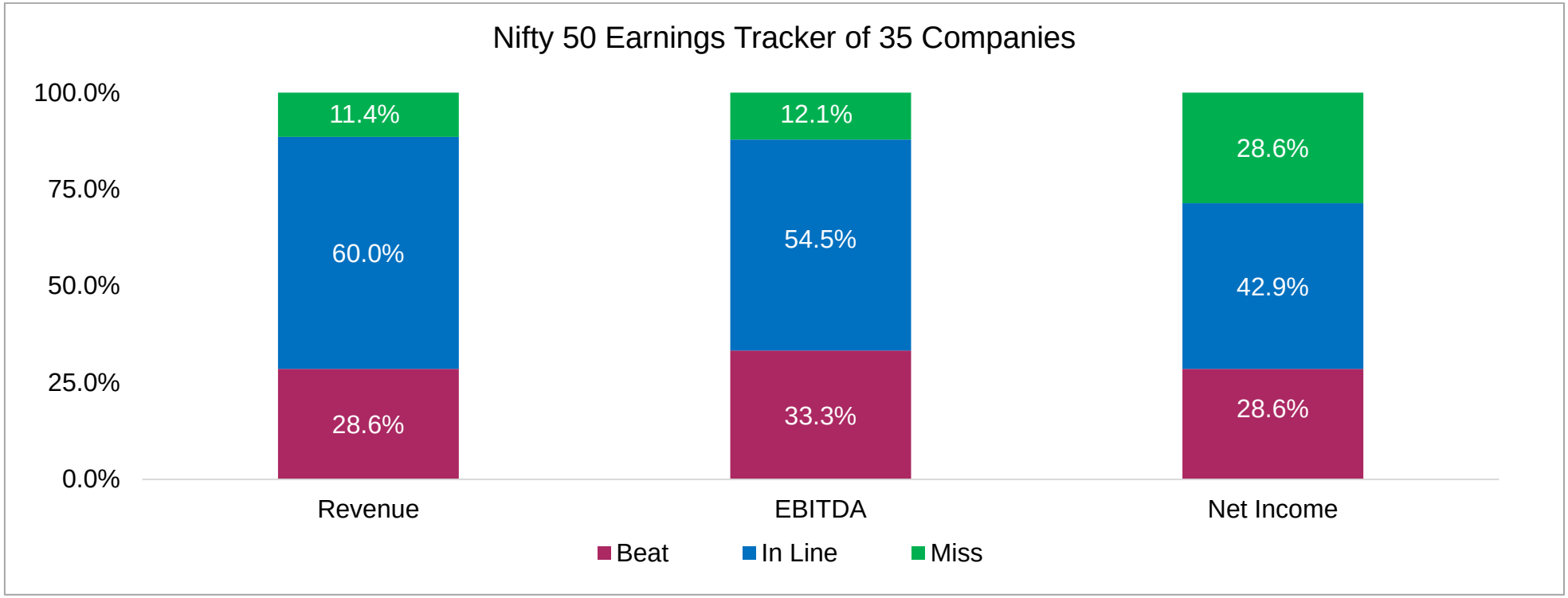
## Q2FY27: Nifty 500 PAT Y-o-Y Growth (%) so far




Source: Bloomberg, Axis Securities

## Q2FY27 Earnings Performance So Far: Earnings Resilient and Improving YoY

- 88% 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. Management highlighted the margin pressures due to rising input costs (especially fuel, logistics, and commodities), Demand is resilient but commentary cautious on the backs of Geo-political tensions.




Source: Bloomberg, Axis Securities

## BAJAJ FINANCE – SETTING THE BENCHMARK; WINNING THROUGH EXECUTION!

**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.**

**Industry view**



**Over Weight**

**CMP**
939

**Target Price**
1,255

**Upside**
34%

### Key Rationale

- **Growth Momentum Remains Broad-Based; Growth Guidance Raised to 26-27%:** BAF's growth remained broad-based across consumer and commercial lending. **Considering the strong growth delivery in H1 and factoring in the early festival-season momentum, the management has raised its AUM growth guidance to 26-27% in FY27 vs earlier guidance of 22-24%.** Importantly, the revised growth guidance already factors in BAF's calibrated approach to lending in select geographies and customer segments amid weather-related risks. The company is actively pruning originations in pockets where early-vintage credit indicators are weakening, particularly in certain rural and self-employed customer segments, highlighting priority to maintaining underwriting discipline rather than pursuing irrational growth**. We bake in a strong 25% CAGR AUM growth over FY26-29E.**
- **CoF Relief Offers Support to Q2 NIMs; Rate Hikes to Extend Margin Pressure over H2**: In Q2, BAF's margins contracted by 10-12bps QoQ despite CoF improving by 9bps QoQ, partly supported by interest-rate hedging undertaken. Over H1, NIMs have contracted by ~5bps vs Mar'26. However, **the impact of the rate hike is expected to be visible on CoF over H2, prompting management to indicate a slightly higher NIM compression vs earlier guidance of 10-15bps, though the pressure remains manageable at this stage**. BAF expects to navigate the margin headwind through a combination of operating efficiencies (25-40bps C-I Ratio improvement in FY27) and lower credit costs, thereby protecting overall RoA.
- **Strong Capital Infusion to Support Long-Term Growth:** BAF remains well-capitalised, with CRAR/Tier I at ~20.3%/19.4% in Q2. The company plans to raise Rs 175 Bn through a Rs 117 Bn QIP and Rs 58 Bn promoter warrants. **The fundraise represents ~13% of our FY27E networth estimates and is expected to increase FY27E BVPS by ~8%.** The capital will support its long-term growth ambitions, including the targeted Rs 11 Lc Cr AUM by FY30, while strengthening balance-sheet resilience. **Management also indicated a move towards a lower leverage range of 5-5.5x from 5.5-6x, providing greater flexibility to sustain growth and absorb cyclical credit costs.**
- **Regulatory Risks Remain a Medium-Term Monitorable:** Management remains comfortable with sustaining long-term fee-income growth of 15-18% vs the current ~20% run-rate, supported by business-mix adjustments and operating efficiencies**.** However, potential regulatory changes in insurance distribution and other fee-generating products remain key monitorables
- **Outlook & Valuation:** BAF remains well-positioned to sustain industry-leading growth, supported by its diversified portfolio, strong customer franchise and disciplined risk management. **Management has raised FY27 AUM growth guidance to 26-27%, factoring in strong H1 performance and festive-season momentum**. Investments in distribution, AI-led automation and cross-selling should drive operating leverage and support structurally lower operating costs. While rising interest rates may pressure margins and regulatory changes pose risks to fee-income growth, resilient asset quality and improving operating leverage should support profitability. We marginally raise FY27 growth estimates while broadly maintaining NII and earnings estimates. **We expect AUM/NII/earnings to grow at 25%/23%/27% CAGR over FY26-29E, with RoA/RoE of 4.5%+/20-22% over the medium term.**
- **Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

### 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 (%) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 441 | 355 | 193 | 31.1 | 185.8 | 5.1 | 4.3 | 0.4 |
| FY27E | 546 | 441 | 263 | 42.3 | 219.4 | 4.3 | 4.6 | 0.4 |
| FY28E | 665 | 536 | 319 | 51.3 | 260.1 | 3.6 | 4.5 | 0.5 |
| FY29E | 819 | 660 | 395 | 63.5 | 310.5 | 3.0 | 4.5 | 0.5 |

Source: Company, Axis Securities

## Income Statement (Rs Bn)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Net Interest Income | **441** | **546** | **665** | **819** |
| Other Income | 92 | 113 | 133 | 157 |
| **Total Income** | **533** | **659** | **798** | **976** |
| Total Operating Expense | 178 | 218 | 261 | 316 |
| **PPOP** | **355** | **441** | **536** | **660** |
| Provisions & Contingencies | 95 | 88 | 109 | 130 |
| **PBT** | **260** | **353** | **428** | **530** |
| Provision for Tax | 65 | 90 | 109 | 135 |
| **PAT** | **193** | **263** | **319** | **395** |

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 6 | 6 | 6 | 6 |
| Reserves and Surplus | 1,170 | 1,386 | 1,647 | 1,971 |
| Shareholders' funds | **1,176** | **1,392** | **1,653** | **1,977** |
| Borrowings | 4,351 | 5,641 | 7,044 | 8,746 |
| Other Liabilities and provisions | 72 | 114 | 141 | 1,73 |
| **Total liabilities** | **5,600** | **7,147** | **8,838** | **10,897** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 158 | 180 | 222 | 274 |
| Investments | 306 | 355 | 438 | 541 |
| Advances | 4,989 | 6,354 | 7,868 | 9,711 |
| Fixed Assets & Other Assets | 147 | 258 | 310 | 371 |
| **Total assets** | **5,600** | **7,147** | **8,838** | **10,897** |

Source: Company, Axis Research

## Valuation Ratios (%)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| EPS | 31.1 | 42.3 | 51.3 | 63.5 |
| Earnings growth (%) | *15.0* | *36.1* | *21.2* | *23.8* |
| BVPS | 189.1 | 223.8 | 265.9 | 318.0 |
| Adj. BVPS | 185.8 | 219.4 | 260.1 | 310.5 |
| ROAA (%) | 4.3 | 4.6 | 4.5 | 4.5 |
| ROAE (%) | 18.0 | 20.6 | 21.0 | 21.8 |
| P/E (x) | 30.2 | 22.2 | 18.3 | 14.8 |
| P/ABV (x) | 5.1 | 4.3 | 3.6 | 3.0 |
| Dividend Yield (%) | *0.6* | *0.8* | *1.0* | *1.2* |
| | | | | |
| **PROFITABILITY & OPERATING EFFICIENCY** | | | | |
| NIM (%) | 8.8 | 8.8 | 8.6 | 8.6 |
| Cost/Avg. Asset Ratio (%) | 3.5 | 3.4 | 3.3 | 3.2 |
| Cost-Income Ratio (%) | 33.3 | 33.1 | 32.7 | 32.4 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Loan Growth (%) | 21.6 | 27.4 | 23.8 | 23.4 |
| Borrowings Growth (%) | 20.4 | 29.7 | 24.9 | 24.2 |
| Equity/Assets (%) | 23.6 | 21.9 | 21.0 | 20.4 |
| Equity/Advances (%) | 21.0 | 19.5 | 18.7 | 18.1 |
| Total Capital Adequacy Ratio | 21.6 | 20.6 | 19.5 | 18.7 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (Rs Bn) | 51 | 68 | 89 | 115 |
| Net NPLs (Rs Bn) | 21 | 28 | 36 | 47 |
| Gross NPLs (%) | 1.0 | 1.1 | 1.1 | 1.2 |
| Net NPLs (%) | 0.4 | 0.4 | 0.5 | 0.5 |
| Coverage Ratio (%) | 59.7 | 60.0 | 60.0 | 60.0 |
| Provision/Avg. Loans (%) | 2.1 | 1.6 | 1.5 | 1.5 |
| | | | | |
| **ROAA TREE** | | | | |
| Net Interest Income | 8.6 | 8.6 | 8.3 | 8.3 |
| Non-Interest Income | 1.8 | 1.8 | 1.7 | 1.6 |
| Operating Cost | 3.5 | 3.4 | 3.3 | 3.2 |
| Provisions | 1.8 | 1.4 | 1.4 | 1.3 |
| Tax | 1.3 | 1.4 | 1.3 | 1.4 |
| ROAA | 3.8 | 4.1 | 4.0 | 4.0 |
| Leverage (x) | 4.7 | 5.0 | 5.2 | 5.4 |
| ROAE | 18.0 | 20.6 | 21.0 | 21.8 |

Source: Company, Axis Research

## Varun Beverages – Geared For Growth

**VBL is a key player in the global beverage industry and the second-largest franchisee of PepsiCo worldwide (outside the US), with operations across 10 countries under franchise rights and an additional 4 countries under distribution rights. The company contributes ~90% of PepsiCo's beverage sales volume in India, which remains its largest market, accounting for ~73% of net revenues in CY24. VBL holds franchise rights for PepsiCo products in Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini and DRC along with distribution rights in Namibia, Botswana, Mozambique, and Madagascar.**

### Key Rationale

- **Strong Volume-led Growth:** Consolidated revenue grew by 33.2% in Q3CY26 to Rs. 6,608 Cr supported by robust volume growth. Consolidated volumes increased 28.7% YoY to 354.4 Mn cases in Q3CY26, driven by growth across markets - 22.5% in India and 39.9% in international markets as demand continued its momentum gained since May. Consolidated realisations per case increased 2.2% supported by a 0.5% increase in India on account of growth in higher-value categories such as dairy beverages and additionally the launch of premium offerings, including 'Ad Rush' and the 'Everyess' mixers range.
- **International operations:** International volumes grew ~40% during the quarter, driven by strategic expansion across Africa. Growth was bolstered by the inclusion of 15.3 million cases from the Twizza acquisition in South Africa following its merger with BevCo, effective August 1, 2026, which is expected to yield substantial operational synergies in coming quarters
- **Inflation Weigh-down margins:** In Q3CY26, gross margin contracted 334bps YoY to 53.1%, primarily due to elevated input costs and adverse mix. Packaging inflation, with PET accounting for 10-15% of raw material costs, resulted in an estimated 300bps headwind amid geopolitical disruptions affecting preforms, shrink films, closures and cans. Additionally, a 104% increase in sales of non-beverage products (preforms, caps, etc.) in India, which carry higher COGS, further impacted gross margins by ~100bps. These pressures were partly offset by favourable beverage mix, as the share of low- and no-sugar beverages in India doubled to 88% from 44% in Q3CY25, largely neutralising the ~16% rise in sugar prices, net of benefit-sharing with PepsiCo. Consequently, EBITDA margin declined 140bps YoY to 21.6%, with operating leverage from strong volume growth across India and international markets providing a partial cushion.
- **Demand Outlook:** Management remains optimistic about the long-term growth outlook, supported by an expanded manufacturing footprint, robust distribution network, and continued investments in chilling infrastructure. Furthermore, the company's strategic investment into international market and expanding into adjacencies is set to broaden the company's portfolio offerings.
- **Outlook:** VBL is poised to maintain its strong growth trajectory, driven by multiple levers: 1) Strengthening foot fold in South Africa with acquisition of Twizza and Crickley; 2) Expansion of its snacks portfolio beyond India, particularly in Zimbabwe and Zambia; 3) Continued efforts to enhance distribution reach with a focus on rural penetration; 4) Ongoing distribution expansion and adequate capacity position the company well to sustain growth; 5) Ongoing expansion of the high-margin Sting energy drink (launched Sting Classic – Gold & Black & Sting in Cans), along with a sharper focus on value-added dairy, sports drinks (Gatorade), and juice categories; and 6) Entry into alcoholic beverages. These strategic initiatives are set to support sustained revenue and margin expansion. We expect revenue/EBITDA/PAT to grow at 20%/18%/23% CAGR over CY25-28E.

**Industry view**



**Equal Weight**

**CMP**
392

**Target Price**
515

**Upside**
31%

### Key Financials (Consolidated)

| Y/E Dec (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBITDA (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| CY25 | 20,835 | 5,049 | 3,036 | 9.0 | 43.5 | 26.5 | 15.7 | 16.1 |
| CY26E | 24,500 | 5,225 | 3,337 | 9.9 | 40.0 | 25.1 | 15.1 | 15.0 |
| CY27E | 29,784 | 6,588 | 4,348 | 12.9 | 30.7 | 19.5 | 17.0 | 17.2 |
| CY28E | 36,277 | 8,340 | 5,658 | 16.7 | 23.6 | 14.9 | 18.6 | 19.2 |

Source: Company, Axis Securities

## Profit & Loss (Rs Cr)

| Y/E DEC | CY25 | CY26E | CY27E | CY28E |
|---|---|---|---|---|
| **Net sales** | **20,835** | **24,500** | **29,784** | **36,277** |
| Growth, % | 7.1 | 17.6 | 21.6 | 21.8 |
| Other operating income | 851 | 936 | 1,029 | 1,132 |
| Total income | 21,685 | 25,435 | 30,813 | 37,409 |
| Raw material expenses | (9,715) | (11,659) | (13,874) | (16,510) |
| Employee expenses | (2,201) | (2,894) | (3,704) | (4,741) |
| Other Operating expenses | (4,720) | (5,658) | (6,647) | (7,818) |
| **EBITDA (Core)** | **5,049** | **5,225** | **6,588** | **8,340** |
| Growth, % | 7.2 | 3.5 | 26.1 | 26.6 |
| Margin, % | 24.2 | 21.3 | 22.1 | 23.0 |
| Depreciation | (1,216) | (1,160) | (1,235) | (1,310) |
| EBIT | **3,833** | **4,065** | **5,353** | **7,030** |
| Growth, % | 1.8 | 6.1 | 31.7 | 31.3 |
| Margin, % | 18.4 | 16.6 | 18.0 | 19.4 |
| Other Income | 352 | 388 | 419 | 452 |
| Non-recurring Items | - | - | - | - |
| Pre-tax profit | **4,016** | **4,368** | **5,691** | **7,405** |
| Tax provided | (948) | (1,031) | (1,343) | (1,747) |
| **Net Profit** | **3,068** | **3,337** | **4,348** | **5,658** |
| Unadj. shares (Cr) | 338 | 338 | 338 | 338 |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E DEC | CY25 | CY26E | CY27E | CY28E |
|---|---|---|---|---|
| Cash & bank | 1,998 | 4,456 | 7,156 | 11,117 |
| Debtors | 1,249 | 671 | 816 | 994 |
| Inventory | 2,952 | 3,471 | 4,220 | 5,140 |
| Loans & advances | 1,178 | 1,178 | 1,178 | 1,178 |
| Other current assets | 512 | 512 | 512 | 512 |
| Total current assets | 7,889 | 10,288 | 13,881 | 18,941 |
| Investments | 11 | 11 | 11 | 11 |
| Gross fixed assets | 23,768 | 25,268 | 26,768 | 28,268 |
| Less: Depreciation | (6,841) | (8,001) | (9,236) | (10,546) |
| Add: Capital WIP | 266 | 266 | 266 | 266 |
| Net fixed assets | 17,193 | 17,533 | 17,798 | 17,988 |
| Non-current assets | 302 | 302 | 302 | 302 |
| **Total assets** | **25,559** | **28,297** | **32,155** | **37,405** |
| | | | | |
| Current liabilities | 4,067 | 4,313 | 4,669 | 5,106 |
| Provisions | 190 | 190 | 190 | 190 |
| Total current liabilities | 4,257 | 4,504 | 4,859 | 5,296 |
| Non-current liabilities | 1,560 | 1,560 | 1,560 | 1,560 |
| Total liabilities | 5,817 | 6,064 | 6,419 | 6,856 |
| Paid-up capital | 676 | 676 | 676 | 676 |
| Reserves & surplus | 18,902 | 21,394 | 24,897 | 29,710 |
| Shareholders' equity | 19,741 | 22,233 | 25,736 | 30,549 |
| **Total equity & liabilities** | **25,558** | **28,297** | **32,155** | **37,405** |

Source: Company, Axis Research

## Cash Flow (Rs Cr)

| Cash Flow | CY25 | CY26E | CY27E | CY28E |
|---|---|---|---|---|
| Pre-tax profit | 4,016 | 4,368 | 5,691 | 7,405 |
| Depreciation | 1,216 | 1,160 | 1,235 | 1,310 |
| Chg in working capital | (703) | 305 | (538) | (661) |
| Total tax paid | (821) | (1,031) | (1,343) | (1,747) |
| **Cash flow from operating activities** | **3,708** | **4,802** | **5,045** | **6,307** |
| Capital expenditure | (3,788) | (1,500) | (1,500) | (1,500) |
| Change in marketable securities | - | - | - | - |
| **Cash flow from investing activities** | **(3,793)** | **(1,500)** | **(1,500)** | **(1,500)** |
| Free cash flow | (85) | 3,302 | 3,545 | 4,807 |
| Equity raised/(repaid) | - | - | - | - |
| Dividend (incl. tax) | (227) | (845) | (845) | (845) |
| **Cash flow from financing activities** | **(495)** | **(845)** | **(845)** | **(845)** |
| Net chg in cash | (580) | 2,457 | 2,700 | 3,962 |
| Opening cash balance | 2,450 | 1,998 | 4,456 | 7,156 |
| Closing cash balance | 1,998 | 4,456 | 7,156 | 11,117 |

Source: Company, Axis Research

## Ratio Analysis (%)

| Key Ratios | CY25 | CY26E | CY27E | CY28E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 9.0 | 9.9 | 12.9 | 16.7 |
| Growth, % | 16.4 | 8.8 | 30.3 | 30.1 |
| Book NAV/share (INR) | 57.9 | 65.3 | 75.7 | 89.9 |
| FDEPS (INR) | 9.1 | 9.9 | 12.9 | 16.7 |
| CEPS (INR) | 12.7 | 13.3 | 16.5 | 20.6 |
| CFPS (INR) | 9.5 | 13.1 | 13.7 | 17.3 |
| DPS (INR) | 0.7 | 2.5 | 2.5 | 2.5 |
| **Return ratios** | | | | |
| Return on assets (%) | 13.3 | 12.7 | 14.7 | 16.5 |
| Return on equity (%) | 15.7 | 15.1 | 17.0 | 18.6 |
| Return on capital employed (%) | 16.1 | 15.0 | 17.2 | 19.2 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 1.1 | 1.2 | 1.4 | 1.7 |
| Receivable days | 21.9 | 10.0 | 10.0 | 10.0 |
| Inventory days | 51.7 | 51.7 | 51.7 | 51.7 |
| Payable days | 30.7 | 29.8 | 30.2 | 30.6 |
| Working capital days | 32.0 | 22.6 | 25.2 | 27.3 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 1.9 | 2.4 | 3.0 | 3.7 |
| Quick ratio (x) | 1.2 | 1.6 | 2.1 | 2.7 |
| Interest cover (x) | 22.6 | 47.9 | 66.5 | 91.9 |
| Total debt/Equity (%) | 0.1 | 0.1 | 0.1 | 0.1 |
| Net debt/Equity (%) | (0.1) | (0.3) | (0.4) | (0.5) |
| **Valuation** | | | | |
| PER (x) | 43.5 | 40.0 | 30.7 | 23.6 |
| PEG (x) - y-o-y growth | 2.7 | 4.6 | 1.0 | 0.8 |
| Price/Book (x) | 6.8 | 6.1 | 5.2 | 4.4 |
| EV/Net sales (x) | 6.4 | 5.4 | 4.3 | 3.4 |
| EV/EBITDA (x) | 26.5 | 25.1 | 19.5 | 14.9 |

Source: Company, Axis Research

## KOTAK MAHINDRA BANK LTD – POISED FOR SUSTAINED, HIGH-QUALITY GROWTH AND RoA IMPROVEMENT

**Kotak Mahindra Bank (KMB) is one of India's leading diversified financial services groups, offering a broad range of solutions across customer segments and geographies. Through its subsidiaries, the bank operates in investment banking, equity broking, securities-backed lending, and vehicle financing. It serves retail customers (including salaried and self-employed), small businesses, NRIs, institutions, and government entities, supported by a strong focus on convenience, innovation, and digital-first offerings.**

**Industry view**



**Over Weight**

**CMP**
462

**Target Price**
550

**Upside**
19%

### Key Rationale

- **Credit Growth Broad-Based; FCNR(B) Liquidity to Support Further Expansion**: In Q2, KMB delivered healthy credit growth of 25% YoY and 12% QoQ, with growth remaining broad-based across corporate banking, SME and Retail segments. Advances included lending against FCNR(B) of Rs 161.1 Bn and a Rs 89.2 Bn portfolio transferred from Kotak Mahindra Investment Limited (KMIL). Excluding these, credit growth remained healthy at 16% YoY and 6% QoQ. **Growth trajectory is expected to remain healthy as KMB continues to deploy the FCNR(B) flows into customer assets over the next few quarters**. In Q2, unsecured asset growth improved, with a recovery across MFI, PL and credit cards. **Within the unsecured segment, KMB remains focused on lending to existing customers, leveraging relationship data and distribution capabilities to maintain underwriting discipline and control acquisition costs.** The credit card business is benefiting from improved product positioning, including the Solitaire proposition, while PL and BL are offered through a combination of term loans and overdraft products tailored to different customer segments. **Management remains confident of delivering credit growth of 1.5-2x nominal GDP growth.** We expect KMB's credit growth to outpace system growth and build in a strong ~17% CAGR over FY26-29E.
- **Asset Quality Improves; Credit Costs Normalise:** Asset quality improved across segments in Q2, with unsecured credit costs and delinquencies moderating within management's risk appetite. CV collections have strengthened, while retail CV delinquencies have stabilised. Tractor financing remains a monitorable amid weather-related risks, though no deterioration has been observed so far. **On ECL transition, management expects a one-time net worth impact of less than 2%, while the recurring credit cost impact remains under assessment.**
- **NIMs Under Near-Term Pressure; Recovery Supported by Liquidity Deployment and Rate Transmission**: The 22 bps margin compression in Q2 was primarily attributable to FCNR(B) mobilisation, which had a 15 bps QoQ impact. **Management indicated that core NIMs remained broadly stable QoQ. The near-term margin trajectory is likely to reflect opposing forces, with Q3 NIMs capturing the full-quarter impact of FCNR(B) mobilisation, while the benefit of deploying unutilised liquidity into higher-yielding customer assets is expected to accrue progressively.** Further, repo rate transmission across 65-70% of the loan book (60% repo-linked) should support margins from Q3, with a larger benefit in Q4. **We expect margin expansion from Q4 onwards, with NIMs ranging between 4.4-4.6% over FY27-29E.**
- **Outlook & Valuation:** KMB's earnings trajectory is poised for meaningful improvement, driven by strong credit growth, deployment of FCNR(B)-funded liquidity and the transmission of higher lending rates, supporting growth and NIM recovery**. The appointment of Mr Anup Saha as MD & CEO, effective Jan'27, addresses the key leadership overhang**, provides longer leadership tenure and brings an experienced consumer-finance leader with a strong execution track record to the helm. **We expect KMB to consistently deliver RoA/RoE of 2.1-2.2%/12-14% over FY27-29E. These metrics would remain the second-best among larger private banks, after ICICIB.**
- **Key risks:** a) Slowdown in overall credit momentum which could potentially derail the bank's earnings, b) Focus on unsecured growth may improve margins but could pressure asset quality.

### 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 (%) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 300 | 221 | 140 | 14.1 | 134.8 | 3.4 | 1.9 | 0.3 |
| FY27E | 347 | 267 | 179 | 18.0 | 151.9 | 3.0 | 2.1 | 0.2 |
| FY28E | 421 | 332 | 217 | 21.8 | 172.6 | 2.7 | 2.1 | 0.2 |
| FY29E | 500 | 401 | 263 | 26.5 | 197.7 | 2.3 | 2.2 | 0.2 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Bn)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Net Interest Income** | **300** | **347** | **421** | **500** |
| Other Income | 116 | 140 | 165 | 195 |
| **Total Income** | 416 | 487 | 586 | 695 |
| Total Operating Exp. | 196 | 220 | 254 | 294 |
| **PPOP** | **221** | **267** | **332** | **401** |
| Provisions & Contingencies | 35 | 30 | 44 | 52 |
| Exceptional Items | 0 | 0 | 0 | 0 |
| **PBT** | **186** | **238** | **287** | **349** |
| Provision for Tax | 46 | 58 | 70 | 85 |
| **PAT** | **140** | **179** | **217** | **263** |

Source: Company, Axis Research

## Balance Sheet (Rs Bn)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 10 | 10 | 10 | 10 |
| Reserves and Surplus | 1,342 | 1,515 | 1,723 | 1,975 |
| Shareholders' funds | 1,353 | 1,526 | 1,735 | 1,988 |
| Deposits | 5,725 | 7,018 | 8,246 | 9,666 |
| Borrowings | 325 | 461 | 542 | 727 |
| Other Liabilities, provisions | 428 | 371 | 434 | 511 |
| **Total liabilities** | **7,830** | **9,377** | **10,957** | **12,891** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 841 | 745 | 761 | 892 |
| Investments | 1,725 | 2,108 | 2,477 | 2,904 |
| Advances | 4,960 | 6,197 | 7,338 | 8,647 |
| Fixed Assets & Other Assets | 304 | 326 | 381 | 448 |
| **Total assets** | **7,830** | **9,377** | **10,957** | **12,891** |

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 14.1 | 18.0 | 21.8 | 26.5 |
| *Change (%)* | *-14.9* | *28.0* | *21.0* | *21.3* |
| BVPS | 136.0 | 153.5 | 174.4 | 199.8 |
| Adj. BVPS | 134.8 | 151.9 | 172.6 | 197.7 |
| ROAA (%) | 1.9 | 2.1 | 2.1 | 2.2 |
| ROAE (%) | 11.1 | 12.5 | 13.3 | 14.1 |
| P/E (x) | 32.8 | 25.6 | 21.2 | 17.4 |
| P/ABV (x) | 3.4 | 3.0 | 2.7 | 2.3 |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) | 4.6 | 4.4 | 4.5 | 4.6 |
| Cost-Assets Ratio | 2.7 | 2.6 | 2.5 | 2.5 |
| Cost-Income Ratio | 47.0 | 45.2 | 43.4 | 42.3 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Loan Growth (%) | 16.2 | 24.9 | 18.4 | 17.8 |
| Deposit Growth (%) | 14.7 | 22.6 | 17.5 | 17.2 |
| C-D Ratio (%) | 86.6 | 88.3 | 89.0 | 89.5 |
| Equity/Assets | 17.3 | 16.3 | 15.8 | 15.4 |
| Equity/Loans | 27.3 | 24.6 | 23.6 | 23.0 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (%) | 1.2 | 1.1 | 1.1 | 1.1 |
| Net NPLs (%) | 0.3 | 0.2 | 0.2 | 0.2 |
| PCR | 79.0 | 78.0 | 78.0 | 78.0 |
| Credit Cost | 1.2 | 1.1 | 1.1 | 1.1 |

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.**

**Industry view**

**Over Weight**

**CMP**
1,974

**Target Price**
2,530

**Upside**
28%

### Key Rationale

- **Strong Subscriber Gains & ARPU Momentum:** The Indian mobile business delivered strong growth during the quarter driven by solid customer additions and plan upgrades. The company added 3.3 Mn revenue-earning users along with 5 Mn smartphone data users. Moreover, postpaid performance hit a major milestone with 1 Mn new additions, one of the highest quarterly increases ever, taking postpaid users to over 8% of the total customer base. Average Revenue Per User (ARPU) reached Rs 264, supported by 5G adoption, higher data usage, customer premiumization and an extra day in the calendar quarter. Management highlighted that long-term ARPU growth depends on repairing the industry's tariff structure mainly by moving toward charging directly for higher data consumption instead of offering unlimited data at low price points.
- **Focus on Network Expansion & B2B Strategy:** Bharti Airtel continues to focus on its transport network by expanding cable capacity, connecting data centres, and expanding its existing 139,000 km optical fibre backbone. Moreover, its capital expenditure allocation is actively redirecting to fibre transport, homes, and data centres as its Radio Capex moderates while standalone 5G Capex remains modest and software-led. Airtel Business is capturing high-margin connectivity, B2B, and IoT demand while navigating lower margins in expanding cloud and CPaaS operations.
- **AI Deployment Enhances Cost Efficiencies:** The company is integrating agentic AI platforms to enhance speed, safety, privacy, and cost-efficiency. During the period, it executed 7.7 Bn Next Best Actions across channels, blocked over 93 Mn spam calls and 4 Bn spam messages, prevented access to 1.4 Mn throttling links, and handled 309 Mn call centre interactions via Voice Bot. A patented Small Language Model was deployed on the endpoint handsets of 30,000 field engineers to standardise workmanship and repairs, eliminating cloud inferencing costs of Rs 300–450 Mn.
- **Africa Business to Become a Key Growth Driver:** During Q1FY27, Africa continued to deliver strong growth, with 5.7% sequential constant currency revenue growth while Bharti Airtel increased its stake in the business to over 79% through a share swap transaction. Management believes Africa offers a significant long-term opportunity due to its low telecom, smartphone and broadband penetration, similar to India's growth phase a decade ago. Airtel is also expanding its growth platforms through Airtel Money, which recorded over $400 Mn in quarterly revenue and is preparing for a London listing, while Indus Towers is bringing its low-cost tower and energy management model to three African markets.
- **Valuation & Recommendation:** Based on SOTP valuation, 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 into the company's market share, resulting in loss of sustainable revenue.

### 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 | 61.5 | 32.1 | 38.3 | 17.7 | 13.9 |
| FY26 | 2,10,973 | 1,19,675 | 33,823 | 55.5 | 35.6 | 25.7 | 13.9 | 10.6 |
| FY27E | 2,45,102 | 1,39,277 | 44,210 | 72.5 | 27.2 | 26.9 | 15.7 | 8.6 |
| FY28E | 2,78,614 | 1,57,974 | 54,754 | 89.8 | 22.0 | 27.4 | 17.3 | 7.2 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Net sales** | **1,72,985** | **2,10,973** | **2,45,102** | **2,78,614** |
| Change (YoY, %) | 15 | 22 | 16 | 14 |
| **Operating expenses** | **79,826** | **91,298** | **1,05,825** | **1,20,640** |
| **EBITDA** | **93,159** | **1,19,675** | **1,39,277** | **1,57,974** |
| *Change (YoY, %)* | *19.0* | *28.5* | *16.4* | *13.4* |
| Margin (%) | 53.9 | 56.7 | 56.8 | 56.7 |
| Depreciation | 45,570 | 52,711 | 57,310 | 60,548 |
| **EBIT** | **47,589** | **66,964** | **81,967** | **97,426** |
| Interest paid | 21,754 | 21,555 | 22,334 | 22,961 |
| Other income | 1,574 | 2,817 | 3,332 | 3,622 |
| **PBT** | **34,696** | **44,808** | **62,611** | **78,087** |
| Tax | 917 | 11,350 | 17,969 | 22,800 |
| Effective tax rate (%) | 3% | 25% | 29% | 29% |
| Share of JV/Associate | 3,703 | (365) | (433) | (533) |
| Exceptional items | 7,287 | 3,418 | 353 | - |
| **Net profit** | **37,481** | **33,823** | **44,210** | **54,754** |
| **Reported EPS** | **62** | **55** | **73** | **90** |
| **Adjusted net profit** | **44,768** | **37,240** | **43,857** | **54,754** |
| Change (YoY, %) | 2 | (17) | 18 | 25 |
| **Adj EPS** | **50** | **49** | **72** | **90** |
| Dividend per share | 16 | 24 | 24 | 24 |
| Dividend Payout (%) | 26 | 26 | 26 | 26 |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 2,900 | 3,047 | 3,047 | 3,047 |
| Reserves & surplus | 1,10,772 | 1,46,010 | 1,76,108 | 2,16,951 |
| Shareholders' funds | 1,13,672 | 1,49,057 | 1,79,155 | 2,19,998 |
| Total Debt | 1,48,312 | 1,21,671 | 1,01,671 | 89,671 |
| Other liabilities | 75,589 | 81,598 | 81,598 | 81,598 |
| **Current Liabilities & provisions** | **1,80,440** | **1,74,506** | **2,03,378** | **2,20,935** |
| Current liabilities | 1,00,837 | 1,17,136 | 1,34,014 | 1,46,749 |
| Provisions | 36,155 | 35,783 | 51,063 | 58,054 |
| Total liabilities | 3,60,893 | 3,56,188 | 3,68,346 | 3,76,063 |
| **Total equity & liabilities** | **5,14,360** | **5,52,152** | **5,99,098** | **6,51,786** |
| | | | | |
| Net fixed assets | 1,43,272 | 1,57,066 | 1,42,756 | 1,28,207 |
| Investments | 544 | 1,139 | 1,139 | 1,139 |
| Other non-current assets | 3,03,376 | 3,03,732 | 3,03,732 | 3,03,732 |
| **Current assets** | **67,589** | **90,216** | **1,51,472** | **2,18,708** |
| Inventories | 452 | 601 | 601 | 601 |
| Sundry Debtors | 7,456 | 7,978 | 9,268 | 10,535 |
| Cash & Liquid | 16,720 | 30,377 | 83,051 | 1,46,227 |
| Other Current Assets | 16,195 | 26,834 | 34,126 | 36,918 |
| **Total assets** | **5,14,781** | **5,52,152** | **5,99,098** | **6,51,786** |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Pre tax** | **38,399** | **45,173** | **62,178** | **77,554** |
| Depreciation | 45,570 | 52,711 | 57,310 | 60,548 |
| Change in working capital | 32,840 | (14,904) | 20,289 | 13,497 |
| Other operating activities | 12,893 | 15,321 | 18,649 | 19,339 |
| **Cash flow from operations (a)** | **1,28,785** | **86,950** | **1,40,458** | **1,48,139** |
| Capital expenditure | 1,14,460 | (66,504) | (43,000) | (46,000) |
| Chg in investments | 3,142 | 5,064 | - | - |
| Other investing activities | (2,41,359) | (3,617) | 3,332 | 3,622 |
| **Cash flow from investing (b)** | **(1,23,756)** | **(65,058)** | **(39,668)** | **(42,378)** |
| Equity raised/(repaid) | 24 | 147 | - | - |
| Debt raised/(repaid) | (604) | 1,230 | (16,714) | (9,840) |
| Dividend (incl. tax) | (9,751) | (14,627) | (14,977) | (14,977) |
| Chg in minorities | 16,251 | 7,111 | 4,691 | 4,128 |
| Other financing activities | (10,568) | (2,096) | (21,116) | (21,896) |
| **Cash flow from financing (c)** | **(4,649)** | **(8,235)** | **(48,116)** | **(42,585)** |
| Net change in cash (a+b+c) | 380 | 13,657 | 52,674 | 63,176 |
| Opening cash balance | 16,340 | 16,720 | 30,377 | 83,051 |
| Closing cash balance | 16,720 | 30,377 | 83,051 | 1,46,227 |

Source: Company, Axis Securities Research

## Ratio Analysis (%)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Book Value (Rs)** | 186.5 | 244.6 | 294.0 | 361.0 |
| Adj EPS (Rs) | 49.5 | 48.7 | 72.0 | 89.8 |
| Adj EPS growth (%) | 85.7 | (1.7) | 47.8 | 24.8 |
| EBITDA margin (%) | 53.9 | 56.7 | 56.8 | 56.7 |
| Pre-tax margin (%) | 20.1 | 21.2 | 25.5 | 28.0 |
| Debt/Equity (x) | 0.9 | 0.7 | 0.5 | 0.3 |
| ROCE (%) | 17.7 | 13.9 | 15.7 | 17.3 |
| ROE (%) | 38.3 | 25.7 | 26.9 | 27.4 |
| **Financial leverage ratios** | | | | |
| Debt / Equity (x) | 0.9 | 0.7 | 0.5 | 0.3 |
| Interest Coverage (x) | 4.3 | 5.6 | 6.2 | 6.9 |
| Interest / Debt (%) | 18.4 | 21.0 | 24.3 | 29.3 |
| **Working Capital & Liquidity Ratio** | | | | |
| Inventory days | 0 | 0 | 0 | 52.6 |
| Receivable days | 15.5 | 13.6 | 13.6 | 36.9 |
| Payable days | 79.4 | 76.8 | 76.8 | 60.6 |
| **Valuation ratio** | | | | |
| PER (x) | 32.1 | 35.6 | 27.2 | 22.0 |
| Adjusted PER (x) | 39.8 | 40.5 | 27.4 | 22.0 |
| P/BV (x) | 10.6 | 8.1 | 6.7 | 5.5 |
| EV/EBITDA (x) | 13.9 | 10.6 | 8.6 | 7.2 |
| Market Cap. / Sales (x) | 7.0 | 5.7 | 4.9 | 4.3 |

Source: Company, Axis Securities Research

## ICICI BANK LIMITED – STEADY SHIP AMIDST TURBULENT MACROS; BEST ROA DELIVERY AMONGST PEERS

**ICICI Bank (ICICIBC) is one of the largest private sector banks in India with business operations spread across Retail, Corporate, and Insurance. It is supported by a strong liability franchise and a healthy retail corporate mix. The bank's subsidiaries such as ICICI Venture Funds, ICICI Pru AMC, ICICI Securities, ICICI Prudential, and ICICI Lombard are among the leading companies in their respective domains.**

**Industry view**

**Over Weight**

**CMP**
1,398

**Target Price**
1,865

**Upside**
33%

### Key Rationale

- **NIMs Contract on FCNR(B) Impact; NIM Improvement from Q4 Onwards:** In Q2, ICICI Bank's NIM contracted by 18 bps QoQ (10 bps excluding the impact of the tax refund in Q1), reflecting a higher proportion of overseas assets and a sharp increase in TDs, which diluted the average CASA ratio. Domestic NIM, excluding the impact of the tax refund, stood at 4.32% compared with 4.36% in Q1. Management indicated that the full-quarter impact of FCNR(B) deposits mobilised during Q2, along with seasonally higher KCC slippages, is likely to result in **further NIM moderation in Q3,** partly offset by the recent policy rate hike. Currently, 57% of the domestic loan portfolio is EBLR-linked, 14% is MCLR-linked, and the remaining 29% is fixed-rate. However, **management expects the pressure to be transient, with NIM likely to recover from Q4 onwards, even assuming no further rate hikes.**
- **Credit Growth Broad-Based; Retail Traction Improving:** ICICIB's credit growth has been the best amongst the larger private banks (+30/12% YoY/QoQ in Q2), aided by lending against FCNR(B) deposits. Barring this, growth would have been 24/7% YoY/QoQ, indicating that underlying credit expansion remains robust. The management expects excess liquidity to be deployed over the next 2 quarters, supporting growth. Retail loan growth has recovered from single-digit levels to ~15%, led by personal loans (PL) and mortgages. The strong corporate credit growth (+10% QoQ) also reflects sustained customer demand, working capital requirements, investment activity, and a shift in funding from bond and offshore borrowing markets towards domestic bank credit, and not merely temporary deployment of FCNR(B) deposits. **ICICIB remains open to pursuing growth across both retail and corporate segments, while considering risk-adjusted returns and prevailing pricing conditions**.
- **Asset Quality Pristine:** In Q2, ICICIB's asset quality remained resilient with improvement visible across segments. The management confirmed that fresh stress accretion in the corporate segment has been negligible, while that in the PL and credit card portfolios has been on a downward trend over the past few quarters. Business banking asset quality also continues to be healthy. While Q2 credit costs (calc.) were materially lower at 20bps, management indicated that they benefited from a relatively large corporate recovery, while also reflecting higher standard asset provisions against FCNR(B) lending and seasonal agricultural provisioning. **Adjusting for these factors, one-off corporate recoveries and other specified items, management expects normalised credit costs to remain at 50bps**
- **Outlook & Valuation:** ICICIB continues to deliver consistent performance across key operating parameters, supported by a balanced growth strategy, strong risk management and a high-quality liability franchise. The bank remains well placed to sustain healthy loan growth, stable margins, improving fee income and low credit costs, while maintaining best-in-class asset quality. Despite near-term margin headwinds, sustained credit growth, resilient asset quality and an expected recovery in NIMs from Q4 underpin a constructive earnings outlook.While margins are expected to improve from Q4 onwards after a dip in Q3, we revise our NII estimates upwards by ~2% in FY27 and 4-5% over FY28-29E. **Contained opex growth and a benign credit costs environment, along with sustained fee income growth, should enable ICICIB to deliver strong earnings growth, resulting in an upward revision in our PAT estimates by ~4-6% each over FY28-29E.**
- **Key risks:** a) Significant slowdown in credit growth

### 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 (%) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 881 | 716 | 501 | 70.0 | 431.6 | 3.2 | 2.2 | 0.4 |
| FY27E | 1,051 | 878 | 611 | 85.1 | 502.2 | 2.8 | 2.2 | 0.3 |
| FY28E | 1,265 | 1,074 | 736 | 102.5 | 588.3 | 2.4 | 2.3 | 0.3 |
| FY29E | 1,453 | 1,238 | 847 | 118.1 | 687.4 | 2.0 | 2.3 | 0.3 |

Source: Company, Axis Securities.

**Profit & Loss** (Rs Bn)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Net Interest Income | **881** | **1,051** | **1,265** | **1,453** |
| Other Income | 308 | 365 | 422 | 484 |
| Total Income | **1,188** | **1,416** | **1,687** | **1,937** |
| Total Operating Exp. | 472 | 538 | 614 | 699 |
| PPOP | **716** | **878** | **1,074** | **1,238** |
| Provisions & Contingencies | 54 | 68 | 98 | 114 |
| PBT | **662** | **809** | **975** | **1,124** |
| Provision for Tax | 161 | 199 | 240 | 276 |
| PAT | **501** | **611** | **736** | **847** |

Source: Company, Axis Research

**Balance Sheet** (Rs Bn)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 14 | 14 | 14 | 14 |
| Reserves and surplus | 3,359 | 3,880 | 4,507 | 5,228 |
| **Shareholders' funds** | **3,374** | **3,895** | **4,522** | **5,242** |
| Total Deposits | 17,946 | 22,508 | 25,919 | 29,811 |
| Total Borrowings | 19,196 | 25,138 | 28,274 | 32,799 |
| Other Liabilities, provisions | 1,155 | 1,358 | 1,643 | 1,905 |
| **Total** | **23,725** | **30,391** | **34,438** | **39,947** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 2,303 | 3,046 | 2,601 | 2,991 |
| Investments | 4,922 | 6,128 | 7,057 | 8,117 |
| Advances | 15,539 | 20,138 | 23,454 | 27,221 |
| Fixed Assets & Other Assets | 961 | 1,079 | 1,326 | 1,618 |
| Total Assets | **23,725** | **30,391** | **34,438** | **39,947** |

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY28E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 70.0 | 85.1 | 102.5 | 118.1 |
| Earnings Growth (%) | *5.6* | *21.5* | *20.5* | *15.2* |
| BVPS | 471.1 | 542.8 | 630.2 | 730.7 |
| Adj. BVPS | 431.6 | 502.2 | 588.3 | 687.4 |
| ROAA (%) | 2.2 | 2.2 | 2.3 | 2.3 |
| ROAE (%) | 15.9 | 16.8 | 17.5 | 17.4 |
| P/E (x) | 20.0 | 16.4 | 13.6 | 11.8 |
| P/ABV (x) | 3.2 | 2.8 | 2.4 | 2.0 |
| Dividend Yield (%) | *0.8* | *1.0* | *1.2* | *1.3* |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) – Domestic | 4.3 | 4.3 | 4.3 | 4.3 |
| Cost-Asset Ratio | 2.1 | 2.0 | 1.9 | 1.9 |
| Cost-Income Ratio | 39.7 | 38.0 | 36.4 | 36.1 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY28E |
|---|---|---|---|---|
| Loan Growth (%) | 15.8 | 29.6 | 16.5 | 16.1 |
| Deposit Growth (%) | 11.4 | 25.4 | 15.2 | 15.0 |
| C-D Ratio (%) | 86.6 | 89.5 | 90.5 | 91.3 |
| Equity to Assets (%) | 14.2 | 12.8 | 13.1 | 13.1 |
| Equity to Loans (%) | 21.7 | 19.3 | 19.3 | 19.3 |
| CRAR (%) | 17.2 | 16.0 | 15.0 | 14.8 |
| Tier I (%) | 16.4 | 15.3 | 14.3 | 14.3 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (%) | 1.5 | 1.3 | 1.3 | 1.3 |
| Net NPLs (%) | 0.4 | 0.3 | 0.3 | 0.3 |
| PCR | 75.8 | 75.0 | 75.0 | 75.0 |
| Credit cost | 0.4 | 0.4 | 0.5 | 0.5 |

Source: Company, Axis Research

## Nestle India Ltd – Long Term story remains intact

**Nestlé India manufactures and markets a wide range of food and beverage products, including milk and milk products, coffee, tea, noodles, chocolates, confectionery, and infant nutrition. Some of its popular brands in India include Maggi, Nescafé, KitKat, MilkyBar, and Nestle Everyday. Furthermore, it recently acquired Purina Petcare to enter into the pet care business and launched Gerber Cereals to drive the premiumisation agenda. The company operates a robust distribution network that covers both urban and rural areas of India.**

**Industry view**

Equal Weight

**CMP**
1,167

**Target Price**
1,470

**Upside**
26%

### Key Rationale

- **Volume-Led Growth:** Nestlé India reported 20.5% YoY revenue growth, driven by double-digit volume expansion across key categories, although sequential growth moderated. Confectionery and beverages led growth, supported by sustained brand investments, while Prepared Dishes, Pet Food, and Milk & Nutrition continued to perform well. MAGGI noodles gained traction on the back of improved rural reach, while exports grew 22.0% YoY despite geopolitical headwinds. However, we expect growth to moderate going forward as the benefit of a favourable base tapers off.
- **Demand Environment:** Commodity prices are expected to remain broadly stable. Coffee prices are likely to trade within a narrow range amid limited near-term volatility. Sugar and edible oil prices have stabilised at elevated levels, indicating continued cost pressures. Cocoa prices remain volatile due to weather-related supply uncertainties across key producing regions. Meanwhile, milk prices have firmed up due to seasonal factors but are expected to moderate as increased milk availability during the flush season eases supply constraints.
- **Inflation Remains a Key Concern:** Management indicated that rising inflation, particularly food inflation, remains a key challenge. However, the company remains focused on mitigating commodity cost pressures through continuous innovation, sustained brand investments, and improvements in productivity and operational efficiencies.
- **Outlook:** We remain constructive on Nestlé India's long-term prospects, supported by improving consumption trends and the potential demand boost from GST 2.0 reforms. Growth will be driven by deeper rural penetration through the RURBAN strategy, continued innovation, premiumisation across core categories, and expansion into emerging segments such as Nespresso, Purina Pet Care and Gerber's toddler nutrition. The D2C platform and growing nutraceutical portfolio are expected to further strengthen consumer engagement and unlock growth opportunities. However, we expect growth to moderate in H2FY27, while rising inflationary pressures remain a key near-term concern.

### 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 (%) |
|---|---|---|---|---|---|---|---|
| FY26 | 23,071 | 5,306 | 3,424 | 17.8 | 65.9 | 81.3 | 45.4 |
| FY27E | 26,567 | 6,218 | 4,004 | 20.8 | 56.3 | 74.1 | 49.7 |
| FY28E | 29,940 | 6,945 | 4,484 | 23.3 | 50.3 | 69.8 | 46.9 |
| FY29E | 33,381 | 7,756 | 5,026 | 26.1 | 44.9 | 63.0 | 44.7 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Cr)

| Y/E Mar (Rs Cr) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Net sales** | **23,071** | **26,567** | **29,940** | **33,381** |
| Growth, % | 15 | 15 | 13 | 11 |
| Other operating income | 83 | 91 | 101 | 111 |
| Total income | 23,155 | 26,658 | 30,040 | 33,492 |
| Raw material expenses | (10,341) | (11,686) | (13,146) | (14,658) |
| Employee expenses | (2,166) | (2,686) | (3,035) | (3,186) |
| Other Operating Expenses | (5,341) | (6,069) | (6,915) | (7,891) |
| **EBITDA (Core)** | **5,306** | **6,218** | **6,945** | **7,756** |
| **Growth, %** | 11 | 17 | 12 | 12 |
| **Margin, %** | 23 | 23 | 23 | 23 |
| Depreciation | (699) | (697) | (779) | (861) |
| **EBIT** | **4,607** | **5,521** | **6,166** | **6,895** |
| **Growth, %** | 9 | 20 | 12 | 12 |
| **Margin, %** | 20 | 21 | 21 | 21 |
| Interest paid | (158) | (159) | (160) | (162) |
| Other Income | 40 | 48 | 53 | 59 |
| Non-recurring Items | (121) | - | - | - |
| **Pre-tax profit** | **4,368** | **5,411** | **6,059** | **6,792** |
| Tax provided | (1,065) | (1,407) | (1,575) | (1,766) |
| **Profit after tax** | **3,303** | **4,004** | **4,484** | **5,026** |
| Unadj. shares (Cr) | 193 | 193 | 193 | 193 |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E Mar (Rs Cr) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Cash & bank | 1,341 | 1,696 | 2,885 | 4,707 |
| Marketable securities at cost | - | - | - | - |
| Debtors | 329 | 291 | 328 | 366 |
| Inventory | 2,569 | 2,958 | 3,334 | 3,717 |
| Loans & advances | 80 | 80 | 80 | 80 |
| Other current assets | 340 | 340 | 340 | 340 |
| Total current assets | 4,660 | 5,365 | 6,968 | 9,211 |
| Investments | 706 | 706 | 706 | 706 |
| Gross fixed assets | 8,538 | 9,538 | 10,538 | 11,538 |
| Less: Depreciation | (3,069) | (3,766) | (4,544) | (5,405) |
| Add: Capital WIP | 507 | 507 | 507 | 507 |
| Net fixed assets | 5,976 | 6,279 | 6,500 | 6,640 |
| Non-current assets | 1,195 | 1,195 | 1,195 | 1,195 |
| **Total assets** | **12,535** | **13,545** | **15,368** | **17,751** |
| | | | | |
| Current liabilities | 4,970 | 4,358 | 4,756 | 5,161 |
| Provisions | 2,824 | 3,251 | 3,664 | 4,085 |
| Total current liabilities | 7,794 | 7,610 | 8,420 | 9,247 |
| Non-current liabilities | 528 | 528 | 528 | 528 |
| Total liabilities | 8,322 | 8,138 | 8,948 | 9,775 |
| Paid-up capital | 193 | 193 | 193 | 193 |
| Reserves & surplus | 4,021 | 5,214 | 6,227 | 7,783 |
| Shareholders' equity | 4,214 | 5,407 | 6,420 | 7,976 |
| **Total equity & liabilities** | **12,535** | **13,545** | **15,368** | **17,751** |

Source: Company, Axis Research

## Cash flow (Rs Cr)

| Y/E Mar (Rs Cr) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Pre-tax profit | 4,368 | 5,411 | 6,059 | 6,792 |
| Depreciation | 699 | 697 | 779 | 861 |
| Chg in working capital | 428 | (535) | 398 | 406 |
| Total tax paid | (1,013) | (1,407) | (1,575) | (1,766) |
| Other operating activities | - | - | - | - |
| **Cash flow from operating activities** | **4,483** | **4,166** | **5,660** | **6,292** |
| Capital expenditure | (29) | (1,000) | (1,000) | (1,000) |
| Chg in investments | - | - | - | - |
| Chg in marketable securities | - | - | - | - |
| Other investing activities | - | - | - | - |
| **Cash flow from investing activities** | **(29)** | **(1,000)** | **(1,000)** | **(1,000)** |
| Free cash flow | 4,454 | 3,166 | 4,660 | 5,292 |
| Equity raised/(repaid) | 96 | 274 | - | - |
| Debt raised/(repaid) | (2) | - | - | - |
| Dividend (incl. tax) | (2,459) | (3,085) | (3,470) | (3,470) |
| Other financing activities | - | - | - | - |
| **Cash flow from financing activities** | **(2,364)** | **(2,811)** | **(3,470)** | **(3,470)** |
| **Net change in cash** | 2,090 | 355 | 1,190 | 1,822 |
| **Opening cash balance** | 96 | 1,341 | 1,696 | 2,885 |
| **Closing cash balance** | 1,341 | 1,696 | 2,885 | 4,707 |

Source: Company, Axis Research

## Ratios (%)

| Y/E Mar | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| EPS (Rs) | 17.8 | 20.8 | 23.3 | 26.1 |
| Growth, % | (43.4) | 17.0 | 12.0 | 12.1 |
| Book NAV/share (Rs) | 21.9 | 28.0 | 33.3 | 41.4 |
| FDEPS (Rs) | 17.8 | 20.8 | 23.3 | 26.1 |
| CEPS (Rs) | 22.0 | 24.4 | 27.3 | 30.5 |
| CFPS (Rs) | 26.9 | 21.4 | 29.1 | 32.3 |
| DPS (Rs) | 12.8 | 16.0 | 18.0 | 18.0 |
| **Return ratios** | | | | |
| Return on assets (%) | 27.8 | 31.9 | 32.1 | 31.3 |
| Return on equity (%) | 81.3 | 74.1 | 69.8 | 63.0 |
| Return on capital employed (%) | 45.4 | 49.7 | 46.9 | 44.7 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 4.6 | 5.8 | 5.6 | 6.0 |
| Sales/Total assets (x) | 1.9 | 2.0 | 2.1 | 2.0 |
| Sales/Net FA (x) | 3.7 | 4.3 | 4.7 | 5.1 |
| Receivable days | 5.2 | 4.0 | 4.0 | 4.0 |
| Inventory days | 40.6 | 40.6 | 40.6 | 40.6 |
| Payable days | 64.6 | 52.0 | 51.9 | 51.9 |
| Working capital days | (26.1) | (9.5) | (8.2) | (7.2) |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 0.9 | 1.2 | 1.5 | 1.8 |
| Quick ratio (x) | 0.4 | 0.6 | 0.8 | 1.1 |
| Interest cover (x) | 29.1 | 34.8 | 38.5 | 42.6 |
| Total debt/Equity (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| **Valuation** | | | | |
| PER (x) | 65.9 | 56.3 | 50.3 | 44.9 |
| PEG (x) - y-o-y growth | (1.5) | 3.3 | 4.2 | 3.7 |
| Price/Book (x) | 53.5 | 41.7 | 35.1 | 28.3 |
| EV/Net sales (x) | 9.7 | 8.4 | 7.4 | 6.6 |
| EV/EBITDA (x) | 42.3 | 36.0 | 32.1 | 28.5 |
| EV/EBIT (x) | 48.7 | 40.6 | 36.1 | 32.0 |

Source: Company, Axis Research

## Eternal Ltd – REDEFINING THE CONSUMPTION INDUSTRY

**Eternal Limited, formerly Zomato Limited, operates as an Internet portal that helps in connecting users, restaurant partners/third-party merchants, and delivery partners. The company has an asset-light business model based on aggregating demand and supply while enabling efficient last-mile logistics, creating strong network effects, and high user engagement. It consists of four major businesses, namely Zomato, Blinkit, District, and Hyperpure.**

**Industry view**

**Over Weight**

**CMP**
344

**Target Price**
390

**Upside**
13%

### Key Rationale

- **Food Delivery Maintains Strong Momentum with Higher Margins:** Food delivery NOV grew 21.5% YoY to Rs 11,445 Cr. Adjusted EBITDA stood at Rs 627 Cr, with a margin of 5.5% compared with 5.6% in Q1. Monthly transacting customers increased 16% YoY to 28 Mn. Competition intensified during the quarter, partly due to higher investments by Zomato itself. Management remains focused on growing absolute EBITDA, while margins are expected to remain broadly stable over the next 1–2 years. Management believes growth and profitability can continue to improve together, as growth is being driven by better products rather than higher customer acquisition spending.
- **Dark.Ai and New Tech Platforms Bets:** Dark.ai is a privacy-focused AI assistant built using fine-tuned open-weight models on Eternal's own infrastructure. It is aimed at power users and is expected to launch globally in 2026. Current costs are low and included under Others, while any increase in spending would mainly be on hardware and computing. Management sees Dark.ai as a high-risk initiative and plans to discontinue it if it fails to gain traction. The next 12 months should also provide more clarity on the growth potential of Nugget and other AI initiatives.
- **Increasing Investment in Tech Platform & Consumer Applications:** Eternal is developing enterprise AI capabilities, including Nugget, while prioritising technology investments over expanding into additional physical service lines. Management introduced Dark.ai (a privacy-focused AI platform designed to improve employee productivity and automate internal workflows), a potential multi-billion-dollar opportunity, while remaining prepared to discontinue the initiative if it fails to gain traction. Separately, the Zomato app's AI chatbot is undergoing product changes, although users currently continue to prefer visual browsing over conversational ordering. Such investments are expected to improve user experience and provide clear practical benefits.
- **Assortment and Inventory:** Blinkit assortment in Delhi NCR increased from around 80,000 to 100,000 SKUs over the past two quarters. Around 90–95% of sales now come from its inventory-led (1P) model, and management does not expect any further impact on working capital from the current mix. The company believes the gap between quick commerce and e-commerce will gradually narrow, except in categories like fashion. Blinkit has no plans to introduce private-label products in quick commerce.
- **Blinkit Remains Key Growth Catalyst:** Blinkit quick commerce NOV grew 79.3% YoY and 22.2% QoQ to Rs 20,940 Cr, supported by 399 Mn orders and 37 Mn monthly customers. NOV per store per day increased 17% YoY to Rs 9 Lc, compared with the steady-state target of around Rs 11 Lc. Average order value stood at Rs 525. The dark store expansion capex requirement remains a blended average of Rs 2.5 Cr per store.
- **Aim for Store Expansion:** Management raised its store expansion target to over 3,500 stores by Mar'27 from the earlier target of 3,000, and expects to reach around 5,000 stores by Mar'28. Most new stores will be added in smaller cities and newer categories. These stores are reaching 1,000 daily orders at a pace similar to metro stores, with average order values at 85–90% of metro levels and similar customer retention. The Rs 2.5 Cr capex per store guidance already factors in this expansion mix.
- **Valuation & Recommendation:** Based on SOTP Valuation, we maintain our **BUY rating on the stock**, driven by the company's transition to adj. EBITDA positive in key verticals, strong scalability potential, and continued expansion into adjacent consumption categories.
- **Key risks:** a) Slowdown in discretionary spending; b) Competitors may eat into market share, resulting in loss of sustainable revenue.

### 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 | 20,243 | 637 | 527 | 0.61 | 566.0 | 2.1% | 2.4% | 483.6 |
| FY26 | 54,364 | 1,208 | 366 | 0.38 | 907.0 | 1.2% | 1.8% | 260.2 |
| FY27E | 1,03,990 | 3,362 | 1,350 | 1.4 | 245.9 | 4.3% | 4.9% | 98.2 |
| FY28E | 1,52,184 | 5,285 | 3,172 | 3.3 | 104.6 | 9.4% | 9.9% | 62.0 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Net sales** | **20,243** | **54,364** | **1,03,990** | **1,52,184** |
| Change (YoY, %) | 67.1 | 168.6 | 91.3 | 46.3 |
| Operating expenses | **19,606** | **53,156** | **1,00,629** | **1,46,899** |
| **EBITDA** | **637** | **1,208** | **3,362** | **5,285** |
| Change (YoY, %) | NA | 89.6 | 178.3 | 57.2 |
| Margin (%) | 3.1 | 2.2 | 3.2 | 3.5 |
| Depreciation | 863 | 1,597 | 2,158 | 2,266 |
| **EBIT** (incl. Other income) | **851** | **1,007** | **2,705** | **4,998** |
| Interest paid | 154 | 392 | 630 | 768 |
| Other income | 1,077 | 1,396 | 1,501 | 1,978 |
| **Pre-tax profit** | **697** | **615** | **2,075** | **4,230** |
| Tax | 170 | 249 | 725 | 1,057 |
| Effective tax rate (%) | 24 | 40 | 35 | 25 |
| Share of associates | 0 | 0 | 0 | 0 |
| **Net profit** | **527** | **366** | **1,350** | **3,172** |
| Exceptional items | 0 | 0 | 0 | 0 |
| **Adjusted net profit** | **527** | **366** | **1,350** | **3,172** |
| Change (YoY, %) | 50.1 | -30.6 | 268.9 | 134.9 |
| **Adj. EPS** | **0.61** | **0.38** | **1.4** | **3.3** |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 907 | 919 | 919 | 919 |
| Reserves & surplus | 28,157 | 30,061 | 31,411 | 34,583 |
| Shareholders' funds | 30,317 | 30,980 | 32,330 | 35,502 |
| Total Debt | 0 | 0 | 0 | 0 |
| Other liabilities | 1,987 | 4,091 | 3,989 | 3,989 |
| **Current Liabilities & Provisions** | **3,326** | **5,672** | **8,439** | **11,117** |
| Current liabilities | 2,874 | 4,928 | 7,695 | 10,373 |
| Provisions | 452 | 744 | 744 | 744 |
| Total liabilities | 5,313 | 9,763 | 12,428 | 15,106 |
| **Total equity & liabilities** | **35,623** | **40,736** | **44,751** | **50,601** |
| | | | | |
| Net fixed assets | 965 | 2,033 | 2,103 | 2,208 |
| Investments | 10,920 | 9,742 | 9,742 | 9,742 |
| Other non-current assets | 12,037 | 13,261 | 13,261 | 13,261 |
| **Current assets** | **11,701** | **15,700** | **19,645** | **25,390** |
| Inventories | 176 | 2,181 | 4,172 | 6,105 |
| Sundry Debtors | 1,946 | 1,764 | 3,374 | 4,938 |
| Cash & Liquid | 3,614 | 1,523 | 1,867 | 4,114 |
| Other Current Assets | 5,965 | 10,232 | 10,232 | 10,232 |
| **Total assets** | **35,623** | **40,736** | **44,751** | **50,601** |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Pre tax** | **527** | **366** | **1,350** | **3,172** |
| Depreciation | 863 | 1,597 | 2,158 | 2,266 |
| Chg in working capital | (2,117) | (3,744) | (834) | (820) |
| Other operating activities | (60) | 593 | 1,287 | 1,056 |
| **Cash flow from operations (a)** | **(1,650)** | **(2,785)** | **1,803** | **3,408** |
| Capital expenditure | (1,541) | (2,665) | (1,000) | (1,500) |
| Chg in investments | (3,017) | 1,138 | - | - |
| Other investing activities | (1,252) | 212 | 1,501 | 1,978 |
| **Cash flow from investing (b)** | **(5,810)** | **(1,315)** | 501 | **478** |
| Equity raised/(repaid) | 609 | (1,241) | **-** | **-** |
| Debt raised/(repaid) | 1,120 | 2,104 | (102) | - |
| Dividend (incl. tax) | - | - | - | - |
| Chg in minorities | - | - | - | - |
| Other financing activities | 8,614 | 1,146 | (1,858) | (1,639) |
| **Cash flow from financing (c)** | **10,343** | **2,009** | **(1,960)** | **(1,639)** |
| Net change in cash (a+b+c) | 2,883 | (2,091) | 344 | 2,247 |
| Opening cash balance | 731 | 3,614 | 1,523 | 1,867 |
| Closing cash balance | 3,614 | 1,523 | 1,867 | 4,114 |

Source: Company, Axis Securities Research

## Ratio Analysis (%)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Book Value (Rs) | 34.9 | 32.1 | 33.5 | 36.8 |
| Adj EPS (Rs) | 0.6 | 0.4 | 1.4 | 3.3 |
| Adj EPS growth (%) | 50.1 | -37.6 | 268.9 | 134.9 |
| EBITDA margin (%) | 3.1 | 2.2 | 3.2 | 3.5 |
| Pre-tax margin (%) | 3.4 | 1.1 | 2.0 | 2.8 |
| Debt/Equity (x) | - | - | - | - |
| ROCE (%) | 2.4 | 1.8 | 4.9 | 9.9 |
| ROE (%) | 2.1 | 1.2 | 4.3 | 9.4 |
| **Financial leverage ratios** | | | | |
| Debt / Equity (x) | - | - | - | - |
| Interest Coverage (x) | 5.5 | 2.6 | 4.3 | 6.9 |
| Interest / Debt (%) | - | - | - | - |
| **Working Capital & Liquidity Ratio** | | | | |
| Inventory days | 3 | 14 | 14 | 14 |
| Receivable days | 35 | 12 | 12 | 12 |
| Payable days | 27 | 20 | 20 | 20 |
| **Valuation ratio** | | | | |
| PER (x) | 566.0 | 907.0 | 245.9 | 104.6 |
| Adjusted PER (x) | 566.0 | 907.0 | 245.9 | 104.6 |
| P/BV (x) | 9.8 | 10.7 | 10.3 | 9.4 |
| EV/EBITDA (x) | 483.6 | 260.2 | 98.2 | 62.0 |
| Market Cap. / Sales (x) | 15.4 | 5.8 | 3.2 | 2.2 |

Source: Company, Axis Securities Research

## LTM Ltd - An AI-centric global technology services provider

**LTM is an AI-centric global technology services provider that helps enterprises drive business transformation, improve productivity and create value by combining technology, domain expertise and AI. It operates under four segments: Banking, Financial Services & Insurance; Technology; Consumer Business; and Production. It offers services in cloud and infrastructure training, consulting, cybersecurity, data and insights, digital engineering, disruptive software-as-a-service (D-SaaS), platform operations, and quality engineering.**

**Industry view**



**Equal Weight**

**CMP**
4,234

**Target Price**
4,960

**Upside**
17%

### Key Rationale

- **Strong Order Inflow:** The company reported order inflows of US$1.3 Bn in Q2FY27, with management highlighting a strategic shift towards shorter-duration AI-led deals. These contracts are expected to convert into revenue faster than traditional multi-year IT outsourcing deals, which often involve lengthy transition periods. Management clarified that lower TCV was driven by changing sales priorities rather than deal cancellations or weak demand. The large vendor consolidation deals are expected to continue, though AI-led contracts are expected to play a bigger role in future growth.
- **AI-led Services Gaining Traction:** LTM is gradually building a stronger AI-led business, with AI contributing 13.4% of revenue and growing 40% YoY in Q2FY27. Its solutions across software engineering, marketing and industrial operations are helping clients improve productivity and reduce execution time. As customers move from pilot projects to large-scale deployments, the company has an opportunity to capture a larger share of technology spending. LTM's Blueverse platform and strategic technology partnerships further strengthen its competitive positioning.
- **Demand Environment and AI Pricing:** As per the company, the overall demand environment remained broadly stable over the past three quarters, with no significant deal slippages. The pricing pressure continues in traditional, commoditised IT services, while specialised AI offerings command better pricing. LTIMindtree has addressed productivity-related deflation across around 60–70% of its client portfolio, including major BFSI and technology accounts. Management believes the wider IT services industry may take another two years to fully absorb these productivity-related pricing pressures.
- **Strong Client Mining and Deal Expansion:** LTM added a new banking client to its US$100 Mn+ revenue account category for the first time, with AI engagements helping to scale up accounts. At an existing large BFSI client, the company emerged as a primary consolidator following a reduction in the vendor base from over 50 providers to around five. The account has delivered strong sequential growth in Q1 and Q2, with further expansion expected in H2, reflecting the company's ability to deepen existing relationships and capture a larger share of client technology spending.
- **Growth Momentum to Remain Better in H2FY27:** Management expects sequential growth to accelerate in Q3 and Q4, following temporary weakness in technology and Saudi Arabia-related business. The Saudi slowdown impacted Q2 sequential growth by around 0.6–0.7%, while the Technology and Services vertical is expected to return to normal growth from Q3. Additionally, LTM is benefiting from vendor consolidation at a large BFSI client, where it has emerged as a primary technology partner. Moreover, the planned Randstad acquisition is expected to provide an additional growth lever from FY28.
- **Valuation & Recommendation:** The company is increasingly positioning itself around AI-led services, faster deal conversion and proprietary technology offerings. We believe its strong AI revenue growth, deal wins and client expansion strategies will offset lower TCV, pricing pressure in traditional services and acquisition costs around Randstad in subsequent quarters. Hence, we remain positive on the long-term outlook of the company and value it at 23x FY28E EPS.
- **Key risks:** a) Uncertainty in demand environment; b) Rising subcontracting cost.

### Key Financials (Consolidated)

| Y/E March | Sales (Rs Cr) | EBIT (Rs Cr) | PAT (Rs Cr) | EPS (Rs) | P/E (X) | ROE (%) | ROCE (%) | EV/EBITDA (X) |
|---|---|---|---|---|---|---|---|---|
| FY25 | 38,008 | 5,503 | 4,602 | 156 | 27.2 | 21.5% | 20.7% | 18.7 |
| FY26 | 42,308 | 6,501 | 5,018 | 170 | 25.0 | 21.5% | 19.9% | 16.2 |
| FY27E | 47,460 | 7,260 | 5,819 | 197 | 21.5 | 22.5% | 20.7% | 14.2 |
| FY28E | 50,635 | 7,814 | 6,383 | 216 | 19.6 | 21.5% | 20.1% | 12.7 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Net sales** | **38,008** | **42,308** | **47,460** | **50,635** |
| Change (YoY, %) | 7.0 | 11.3 | 12.2 | 6.7 |
| Operating expenses | 31,513 | 34,752 | 39,050 | 41,521 |
| **EBITDA** | **6,495** | **7,555** | **8,410** | **9,114** |
| Change (YoY, %) | 1.7 | 16.3 | 11.3 | 8.4 |
| Margin (%) | 17.1 | 17.9 | 17.7 | 18.0 |
| Depreciation | 992 | 1,054 | 1,150 | 1,300 |
| **EBIT** | **5,503** | **6,501** | **7,260** | **7,814** |
| Interest paid | 279 | 276 | 312 | 353 |
| Other income | 990 | 1,094 | 876 | 1,165 |
| Exceptional items | - | (528) | - | - |
| **Pre-tax profit** | **6,214** | **6,791** | **7,824** | **8,626** |
| Tax | 1,612 | 1,808 | 2,020 | 2,243 |
| Effective tax rate (%) | 26 | 27 | 26 | 26 |
| **Net profit** | **4,602** | **5,018** | **5,819** | **6,383** |
| **EPS** | **156** | **170** | **197** | **216** |
| **Adjusted net profit** | **4,602** | **5,546** | **5,819** | **6,383** |
| Change (YoY, %) | 0.4 | 20.5 | 4.9 | 9.7 |
| Adj. EPS | 156 | 187 | 197 | 216 |
| Dividend per share | 65 | 75 | 75 | 75 |
| Dividend Payout (%) | 42 | 44 | 38 | 35 |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Share capital | 30 | 30 | 30 | 30 |
| Reserves & surplus | 22,669 | 23,995 | 27,580 | 31,744 |
| Shareholders' funds | 22,698 | 24,025 | 27,609 | 31,774 |
| Total Debt | - | - | - | - |
| Other liabilities | 1,953 | 3,305 | 3,305 | 3,305 |
| **Current Liabilities & Provisions** | **5,966** | **9,784** | **10,096** | **10,254** |
| Current liabilities | 4,997 | 8,610 | 8,922 | 9,080 |
| Provisions | 969 | 1,174 | 1,174 | 1,174 |
| Total liabilities | 7,919 | 13,088 | 13,400 | 13,559 |
| **Total equity & liabilities** | **30,630** | **37,196** | **41,092** | **45,415** |
| | | | | |
| Net fixed assets | 1,959 | 2,092 | 2,363 | 2,633 |
| Investments | 2,471 | 532 | 532 | 532 |
| Other non-current assets | 5,263 | 6,875 | 6,966 | 7,067 |
| **Current assets** | 20,938 | 27,697 | 31,231 | 35,183 |
| Sundry Debtors | 5,868 | 7,425 | 7,910 | 8,439 |
| Cash & Liquid | 3,588 | 2,812 | 5,861 | 9,284 |
| Other Current Assets | 11,479 | 17,457 | 17,457 | 17,457 |
| **Total assets** | **30,630** | **37,196** | **41,092** | **45,415** |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **Pre tax** | 4,602 | 5,018 | 5,819 | 6,383 |
| Depreciation | 992 | 1,054 | 1,150 | 1,300 |
| Chg in working capital | (1,097) | (3,717) | (173) | (370) |
| Other operating activities | (711) | (818) | (564) | (812) |
| **Cash flow from operations (a)** | **3,786** | **2,065** | **6,232** | **6,501** |
| Capital expenditure | (1,064) | (1,187) | (1,000) | (1,000) |
| Chg in investments | (11) | (89) | - | - |
| Other investing activities | 97 | 1,510 | 784 | 1,064 |
| **Cash flow from investing (b)** | **(977)** | **234** | **(216)** | **64** |
| Equity raised/(repaid) | - | - | - | - |
| Debt raised/(repaid) | 159 | 1,352 | - | - |
| Dividend (incl. tax) | (1,923) | (2,219) | (2,219) | (2,219) |
| Chg in minorities | 4 | 70 | - | - |
| Other financing activities | (277) | (1,749) | (749) | (923) |
| **Cash flow from financing (c)** | **(2,037)** | **(3,074)** | **(2,967)** | **(3,142)** |
| Net change in cash (a+b+c) | 772 | (776) | 3,049 | 3,422 |
| Opening cash balance | 2,816 | 3,588 | 2,812 | 5,861 |
| Closing cash balance | 3,588 | 2,813 | 5,861 | 9,284 |

Source: Company, Axis Securities Research

## Ratio Analysis (%)

| Y/E March | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Book Value (Rs) | 767 | 812 | 933 | 1,074 |
| Adj EPS (Rs) | 156 | 187 | 197 | 216 |
| Adj EPS growth (%) | 0.4 | 21 | 5 | 10 |
| EBITDA margin (%) | 17.1 | 17.9 | 17.7 | 18.0 |
| Pre-tax margin (%) | 16.3 | 16.1 | 16.5 | 17.0 |
| Debt/Equity (x) | - | - | - | - |
| ROCE (%) | 21 | 20 | 21 | 20 |
| ROE (%) | 21.5 | 21.5 | 22.5 | 21.5 |
| **Financial leverage ratios** | | | | |
| Debt / Equity (x) | **-** | **-** | **-** | **-** |
| Interest Coverage (x) | 23 | 27 | 27 | 26 |
| Interest / Debt (%) | **-** | **-** | **-** | **-** |
| **Working Capital & Liquidity Ratio** | 3 | 0 | 0 | 0 |
| Inventory days | 56 | 64 | 60 | 60 |
| Receivable days | 15 | 18 | 18 | 18 |
| Payable days | | | | |
| **Valuation ratio** | | | | |
| PER (x) | 27.2 | 25.0 | 21.5 | 19.6 |
| Adjusted PER (x) | 27.2 | 25.0 | 21.5 | 19.6 |
| P/BV (x) | 5.5 | 5.2 | 4.5 | 3.9 |
| EV/EBITDA (x) | 18.7 | 16.2 | 14.2 | 12.7 |
| Market Cap. / Sales (x) | 3.3 | 3.0 | 2.6 | 2.5 |

Source: Company, Axis Securities 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 strong presence 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).**

### Key Rationale

- **Market Leader:** LG Electronics India delivered a strong performance in Q1FY27, reporting net sales of Rs 7,233 Cr (up 15.5% YoY). The quarter was highlighted by a 106 bps YoY EBITDA margin expansion to 12.5% and net profit growth of 27.2% YoY to Rs 653 Cr, driven by structural premiumisation, operating leverage, and calibrated price adjustments. The Home Entertainment (HE) segment grew 22.3% YoY, boosted by 55-inch+ televisions (which now account for ~50% of total TV sales), while Home Appliances & Air Solutions (HA) rose 13.6% YoY. Concurrently, the Essential Series continues to expand market share in Tier-2/3 regions at standard B2C margin levels.
- **Structural Margin Levers & Localisation:** Expanding local manufacturing serves as a major efficiency driver and currency hedge. LG targets increasing localisation to 65% (up from 55.2%). Profitability is further bolstered by restricted domestic compressor import limits and higher-margin export operations, which expanded 30% YoY in Q1 across 65 countries.
- **Diversified Revenue:** LG is also building multiple high-growth verticals that can diversify revenue streams. High-margin ancillary channels—including B2B solutions, information displays (36% market share), commercial ACs, and long-term data-centre cooling solutions—continue to build recurring momentum. B2B operations remain on a target trajectory of a 20% CAGR.
- **Outlook & Guidance:** Management maintains strong optimism for FY27, guiding for mid-teen revenue growth along with early double-digit EBITDA margins. Demand momentum across Home Appliances and Home Entertainment is expected to stay healthy throughout the fiscal year. Televisions and washing machines are projected to be key growth drivers in H2FY27, backed by aggressive festive season demand and event-led buying. The company's cash position of Rs 5,707 Cr provides full coverage for its Rs 5,000 Cr Sri City manufacturing facility expansion without incurring debt.
- **Recommendation & Valuation:** We raise our Target Price to Rs 1,965/share (valued at 47x FY28E EPS), implying a 18% upside from the CMP of Rs 1,661

**Industry view**



**Over Weight**

**CMP**
1,660

**Target Price**
1,965

**Upside**
18%

### Key Financials (Consolidated)

| Y/E March | Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs Cr) | PER (X) | EV/EBITDA (X) | RoE (%) | Net Debt/Equity (X) |
|---|---|---|---|---|---|---|---|---|
| FY25 | 24,367 | 3,110 | 2,203 | 32 | 51 | 37 | 37 | 0.9 |
| FY26 | 24,605 | 2,408 | 1,685 | 25 | 67 | 47 | 22 | 0.8 |
| FY27E | 27,868 | 3,483 | 2,600 | 38 | 43 | 32 | 29 | 0.7 |
| FY28E | 31,006 | 4,031 | 2,841 | 42 | 40 | 28 | 27 | 0.7 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E Mar, Rs Cr | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Total operating revenues | 24,367 | 24,605 | 27,868 | 31,006 |
| Growth (%) | 14 | 1 | 13 | 11 |
| EBITDA | 3,110 | 2,408 | 3,483 | 4,031 |
| EBITDA margin (%) | 13 | 10 | 13 | 13 |
| *Growth (%)* | *40* | *-23* | *45* | *16* |
| Depreciation & amortization | 380 | 396 | 471 | 596 |
| EBIT | 2,730 | 2,012 | 3,183 | 3,544 |
| EBIT margin (%) | 11 | 8 | 11 | 11 |
| Interest | 31 | 41 | 41 | 45 |
| Other income | 264 | 328 | 371 | 341 |
| Profit before tax | 2,963 | 2,300 | 3,514 | 3,839 |
| Total Tax | 760 | 614 | 914 | 998 |
| Profit After Tax | 2,203 | 1,685 | 2,600 | 2,841 |
| Net margin (%) | 9.0 | 6.8 | 9.3 | 9.2 |
| EPS (Rs) | 32 | 25 | 38 | 42 |
| Growth (%) | 46% | -24% | 54% | 9% |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| As of 31st Mar, Rs Cr | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Equity share capital | 679 | 679 | 679 | 679 |
| Other equity | 5,291 | 6,987 | 8,287 | 9,828 |
| Total Equity | 5,970 | 7,666 | 8,966 | 10,507 |
| **Non-Current Liabilities** | | | | |
| Financial Liabilities | 331 | 344 | 344 | 344 |
| Other Non-current liabilities | 318 | 456 | 456 | 456 |
| *Total Non-Current Liabilities* | 649 | 801 | 801 | 801 |
| **Current Liabilities** | | | | |
| Financial Liabilities | 97 | 115 | 115 | 115 |
| Other Current Liabilities | 4,801 | 5,055 | 5,512 | 5,959 |
| *Total Current Liabilities* | 4,898 | 5,170 | 5,627 | 6,074 |
| **Total Equity & Liabilities** | 11,517 | 13,636 | 15,393 | 17,382 |
| **APPLICATION OF FUNDS** | | | | |
| **Non-Current Assets** | | | | |
| Net Fixed Assets | 1,404 | 2,018 | 2,548 | 3,452 |
| Financial Assets | 572 | 860 | 860 | 860 |
| *Total Non Current Assets* | 1,976 | 2,878 | 3,407 | 4,311 |
| **Current Assets** | | | | |
| Inventories | 3,031 | 2,962 | 3,130 | 3,483 |
| Financial Assets | 6,266 | 7,550 | 8,609 | 9,341 |
| Other current assets | 243 | 247 | 247 | 247 |
| *Total Current Assets* | 9,541 | 10,758 | 11,986 | 13,070 |
| **Total Assets** | 11,517 | 13,636 | 15,393 | 17,382 |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E Mar (Rs Cr) | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| PBT | 2,963 | 2,300 | 3,514 | 3,839 |
| Depreciation | 380 | 396 | 471 | 596 |
| Others | -233 | -178 | 0 | 0 |
| Tax Paid | -754 | -621 | -914 | -998 |
| Changes in Working Capital | -703 | -175 | 746 | -172 |
| **Net Cash from Operations** | 1,654 | 1,721 | 3,817 | 3,265 |
| Capex | -335 | -1,172 | -1,000 | -1,500 |
| Change in Investment | 248 | 268 | 0 | 0 |
| Others | 59 | 48 | 0 | 0 |
| **Net Cash from Investing** | -28 | -856 | -1,000 | -1,500 |
| Change in debt | -76 | -91 | 0 | 0 |
| Change in Equity | 0 | 0 | 0 | 0 |
| Others | -30 | -36 | 0 | 0 |
| **Net Cash from Financing** | -106 | -127 | 0 | 0 |
| **Net Change in Cash** | 1,520 | 737 | 2,817 | 1,765 |

Source: Company, Axis Securities Research

## Ratio Analysis (x,%)

| Y/E Mar | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| **PROFITABILITY RATIOS** | | | | |
| EBITDA Margin (%) | 13% | 10% | 13% | 13% |
| Net margin (%) | 9.04 | 6.85 | 9.33 | 9.16 |
| Return on invested capital (%) | 41 | 24 | 33 | 31 |
| Return on equity (%) | 37 | 22 | 29 | 27 |
| **EFFICIENCY RATIOS** | | | | |
| Fixed Asset Turnover | 17.35 | 12.19 | 10.94 | 8.98 |
| Debtor days | 31 | 38 | 34 | 29 |
| Inventory days | 60 | 64 | 59 | 57 |
| Payable days | 70 | 73 | 72 | 73 |
| **PER SHARE DATA** | | | | |
| EPS (Rs) | 32.46 | 24.83 | 38.31 | 41.86 |
| Book value per share (Rs) | 87.96 | 112.94 | 132.10 | 154.81 |
| **VALUATION RATIOS** | | | | |
| P/E | 52 | 67 | 43 | 40 |
| P/BV | 19 | 15 | 13 | 11 |
| EV/EBITDA | 38.33 | 47.43 | 32.49 | 28.07 |
| **LIQUIDITY RATIOS** | | | | |
| Total Debt/Equity(x) | 0.93 | 0.78 | 0.72 | 0.65 |
| Total Asset/Equity(x) | 1.93 | 1.78 | 1.72 | 1.65 |
| Current Ratio(x) | 1.95 | 2.08 | 2.13 | 2.15 |
| Quick Ratio(x) | 1.33 | 1.51 | 1.57 | 1.58 |
| Interest Cover(x) | 89.07 | 49.58 | 78.44 | 77.96 |

Source: Company, Axis Securities Research

## APL APOLLO TUBES LTD – RECORD Q2 PERFORMANCE; CORE GROWTH & MARGIN GUIDANCE REAFFIRMED

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

**Industry view**

**Over Weight**

**CMP**
2,165

**Target Price**
2,500

**Upside**
15%

### Key Rationale

- **Robust Volume Rebound Driven by Core Momentum and Roofing Scale-up:** Sales volume for Q2FY27 rebounded sharply to ~9.6 Lc tonnes (+13% YoY), taking H1FY27 volumes to ~17.1 Lc tonnes (+4% YoY) despite continuing disruptions in UAE operations. The performance was anchored by strong domestic traction in core APL Apollo branded products (targeting 15-20% YoY growth) alongside accelerated adoption in roofing products (achieving ~1.35 Lc tonnes in Q2FY27, with a quarterly target of ~1.75 Lc tonnes). While consolidated volume guidance remains flexible due to export uncertainties, management has guided for continued volume momentum into H2FY27 led by domestic infrastructure, housing demand, and firm brownfield debottlenecking, even as volumes and absolute earnings softened.
- **Value-Accretive Product Mix and Structural Margin Expansion:** Prioritising profitable sales over low-margin tonnage yielded significant unit profitability expansion, with EBITDA/t reaching ~Rs 5,999/t (+15% YoY) and absolute EBITDA growing +29% YoY to ~Rs 578 Cr. This structural improvement in spreads was driven by: (i) premium realisations and brand pricing power in core black pipes (commanding a Rs 1,000-2,000/t premium over peers); (ii) a richer product mix led by higher-margin roofing products; (iii) operational efficiencies, including power cost optimisation, freight savings, and fixed-cost operating leverage; and (iv) disciplined reduction of low-margin discounts. Management considers the ~Rs 6,000/t EBITDA spread sustainable going forward, expecting Q3FY27 spreads to improve further, and is targeting FY27 absolute EBITDA to ~Rs 2,200 Cr.
- **Long-Term Capacity Scaling, De-commoditization, and Strategic Optionality:** Capacity expansion remains fully on track to scale towards ~8.0 MTPA by FY28 via balanced greenfield, brownfield, and debottlenecking initiatives. The strategy focuses: (i) reducing exposure to secondary-steel and price-sensitive product categories over the next 1-2 years to cushion against raw-material swings; (ii) expanding roofing capacity to ~7 Lc tonnes annually across diversified housing (50%) and industrial/commercial (50%) end-markets; (iii) scaling the newly commissioned specialised tube mill into high-barrier defence and aerospace applications; and (iv) scaling UAE capacity towards ~5 Lc tonnes annually, which presents as asymmetric upside of EBITDA/tonne of ~Rs 8,000-10,000/t upon geopolitical normalisation.
- **Outlook & Recommendation:** Management reaffirmed its robust operational outlook, targeting 15-20% YoY volume expansion in core branded products while maintaining EBITDA/t guidance around a sustainable ~Rs 6,000/t level, with Q3 expected to be even stronger. A rigorous pricing discipline and reduced discounting will continue across primary offerings to protect manufacturing spreads, alongside tactical flexibility in price-sensitive lines like SG Premium. Supported by progressive capacity ramp-ups toward ~8 MTPA by FY28, strong traction in the roofing portfolio, and steady domestic housing and infrastructure inquiries. Thus, we maintain our **BUY** rating on the stock and value the company on FY28E EPS using a 1-year forward P/E target of 35x (Unchanged) to arrive at a TP of Rs 2,500/share.

### 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) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 22,460 | 1,802 | 1,203 | 43.3 | 50.0 | 28.6 | 25.3 | 33.6 |
| FY27E | 28,576 | 2,203 | 1,526 | 55.0 | 39.4 | 29.3 | 25.5 | 27.5 |
| FY28E | 34,619 | 2,814 | 1,985 | 71.5 | 30.3 | 30.9 | 26.2 | 21.5 |
| FY29E | 38,118 | 3,145 | 2,233 | 80.4 | 26.9 | 28.0 | 23.4 | 19.2 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Total Sales** | **22,460** | **28,576** | **34,619** | **38,118** |
| Total Raw Materials | 18,890 | 24,188 | 29,243 | 32,115 |
| COGS | 20,288 | 25,922 | 31,320 | 34,402 |
| **EBITDA** | **1,802** | **2,203** | **2,814** | **3,145** |
| **EBITDA per tonne** | **5,161** | **5,739** | **6,038** | **6,118** |
| Depreciation | 231 | 256 | 275 | 318 |
| Interest & Finance charges | 125 | 95 | 66 | 41 |
| Other Income | 112 | 147 | 138 | 152 |
| **EBT (as reported)** | **1,557** | **1,998** | **2,611** | **2,938** |
| Tax | 354 | 472 | 627 | 705 |
| **RPAT** | **1,203** | **1,526** | **1,985** | **2,233** |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Equity Share Capital | 56 | 56 | 56 | 56 |
| Reserves | 5,241 | 6,615 | 8,446 | 10,527 |
| Net worth | 5,297 | 6,670 | 8,502 | 10,583 |
| Total loans | 452 | 352 | 252 | 152 |
| Deferred tax liability (Net) | 180 | 180 | 180 | 180 |
| **Capital Employed** | **6,156** | **7,493** | **9,285** | **11,301** |
| Net block | 3,740 | 3,984 | 4,109 | 4,291 |
| Investments | 48 | 229 | 277 | 305 |
| Inventories | 1,445 | 2,192 | 2,561 | 2,820 |
| Sundry debtors | 351 | 313 | 379 | 418 |
| Cash and cash equivalents | 644 | 1,278 | 2,925 | 4,695 |
| Total Current Assets | 3,854 | 5,066 | 7,364 | 9,554 |
| Total Current Liabilities | 1,177 | 1,937 | 3,576 | 5,384 |
| Net Current Assets | 2,677 | 3,129 | 3,789 | 4,170 |
| **Capital Deployed** | **6,156** | **7,493** | **9,285** | **11,301** |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E March | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| PBT | 1,557 | 1,998 | 2,611 | 2,938 |
| Depriciation & Amortization | 231 | 256 | 275 | 318 |
| Incr/(Decr) in Deferred Tax Liability | 545 | (126) | 9 | (39) |
| (Incr)/Decr in Working Capital | **2,103** | **1,605** | **2,196** | **2,400** |
| **Net Cash Flow from Operating** | | | | |
| | | | | |
| (Incr)/ Decr in Gross PP&E incl Capital Advances | (696) | (500) | (400) | (500) |
| (Incr)/Decr In Work in Progress | - | - | - | - |
| (Incr)/Decr In Investments | - | (180) | (48) | (28) |
| (Incr)/Decr in Other Non-Current Assets | - | (131) | (81) | (46) |
| **Cash Flow from Investing** | **(1,394)** | **(601)** | **(330)** | **(387)** |
| | | | | |
| (Decr)/Incr in Borrowings | (162) | (100) | (100) | (100) |
| Dividend | (160) | (153) | (153) | (153) |
| **Cash Flow from Financing** | **(438)** | **(348)** | **(318)** | **(294)** |
| Cash at the Start of the Year | 369 | 644 | 1,300 | 2,847 |
| **Cash at the End of the Year** | **644** | **1,300** | **2,847** | **4,567** |

Source: Axis Securities Research

## Ratio Analysis (%)

| Ratios | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Sales | 8.6 | 27.2 | 21.1 | 10.1 |
| EBITDA | 50.3 | 22.2 | 27.7 | 11.8 |
| APAT | 58.9 | 26.9 | 30.0 | 12.5 |
| **Profitability (%)** | | | | |
| EBITDA Margin | 8.0 | 7.7 | 8.1 | 8.3 |
| Adj. Net Profit Margin | 5.4 | 5.3 | 5.7 | 5.9 |
| ROCE | 28.6 | 29.3 | 30.9 | 28.0 |
| ROE | 25.3 | 25.5 | 26.2 | 23.4 |
| **Per Share Data (Rs.)** | | | | |
| AEPS | 43.3 | 55.0 | 71.5 | 80.4 |
| Reported CEPS | 52.3 | 63.0 | 80.2 | 90.6 |
| BVPS | 190.7 | 240.2 | 306.2 | 381.1 |
| **Valuations (x)** | | | | |
| PER (x) | 50.0 | 39.4 | 30.3 | 26.9 |
| PEG (x) | 0.8 | 1.5 | 1.0 | 2.1 |
| P/BV (x) | 11.4 | 9.0 | 7.1 | 5.7 |
| EV/EBITDA (x) | 33.6 | 27.5 | 21.5 | 19.2 |
| Dividend Yield (%) | 0.39% | 0.25% | 0.25% | 0.25% |
| **Turnover days** | | | | |
| Inventory Days | 27.6 | 25.6 | 27.7 | 28.5 |
| Debtor Days | 5.2 | 4.4 | 3.8 | 3.9 |
| Payable Days | 45.9 | 40.9 | 40.3 | 42.2 |
| **Gearing Ratio** | | | | |
| D/E | 0.1 | 0.1 | 0.0 | 0.0 |

Source: Axis Securities Research

## CITY UNION BANK LTD. - GROWTH, ASSET QUALITY & PROFITABILITY ON TRACK

**City Union Bank Ltd. (CUB) is a 120+ year-old private sector bank, headquartered in Tamil Nadu. The bank has evolved from its regional roots into a pan-India franchise with 1,000+ branches, while retaining a strong presence in Tamil Nadu. CUB follows a granular, collateral-backed lending model, with MSMEs as its core focus, complemented by gold, agriculture, retail and other business loans. Its diversified loan and deposit base, extensive branch network and prudent risk management support sustainable growth and a disciplined risk profile.**

**Industry view**



**Over Weight**

**CMP**
214

**Target Price**
280

**Upside**
31%

### Key Rationale

- **Broad-Based Momentum Across Key Segments:** CUB's growth engine has been up and running, delivering strong growth (+26/7% YoY/QoQ in Q1). Management reiterated its growth strategy, with continued focus on **core MSME, Gold loans, and Secured Retail loans**, **targeting 2-3% above system growth**. The core MSME segment remains the key growth driver, with management indicating SME credit line utilisation improved to 71-72% vs 69% QoQ, suggesting healthy underlying demand. **Gold loan growth was strong (+24/10% YoY/QoQ); however, management indicated that it does not intend to increase the segment's share of advances materially beyond 31-32%.** The bank continues to maintain a disciplined approach towards customer selection and undertakes bureau checks, evaluates repayment behaviour and conducts customer-level assessments through its branch network, with larger exposures subject to central credit scrutiny. **Overall, the bank's calibrated approach to growth, supported by disciplined underwriting and a focus on secured lending, should help sustain credit growth of ~22% CAGR over FY26-29E, while keeping risks in check**.
- **Asset Quality Continues to Strengthen; Net Slippages Continue to Remain Negative:** Asset quality metrics continued to improve steadily, with aggregate SMA (0+1+2) declining sharply to 2.53% vs 2.85% in Q1, while SMA2 continued to be maintained <1%. The bank also created a contingent provision of Rs 50 Cr during Q2 to provide a buffer against unforeseen economic uncertainties, with management indicating an intention to build this further over subsequent quarters**. Management estimated the one-time impact on ECL transition to be ~Rs 300 Cr as of Sep'26 vs the bank's earlier assessment of Rs 445 Cr as on Mar'25, thereby reflecting sustained improvement in asset quality**. Overall, the continued improvement in portfolio quality metrics, benign stress indicators, robust recovery trends and a limited ECL impact reinforce confidence that asset quality will remain a key strength supporting sustainable superior earnings
- **Rate Hike Provides Boost to Margins; Guidance Raised:** In Q2, NIMs were supported by better yields and a marginal decline in the CoD, aided by improved liquidity following FCNR(B) inflows. **Going ahead, management expects NIM to remain in the range of 3.85-3.95% in Q3 and Q4**, an improvement over its earlier expectation of 3.7-3.75%. At present, **~55% of the portfolio is repo-linked, 33% is fixed, and 12% is MCLR-linked**. Gold loans are predominantly fixed-rate and offer a NIM differential of around 100bps between agri and non-agri loans. However, CUB also acknowledged that CoD is expected to inch up in the coming quarter. **Factoring in strong H1 performance on NIMs and tailwinds from the rate hike, we revise our NIM estimates upwards to 3.9% (+/-5bps) over FY27-29E**
- **Outlook & Valuation:** CUB has guided for strong growth momentum to continue, supported by healthy demand visibility in both MSME and Gold and a favourable operating environment. **The bank intends to maintain credit growth of 2-3% over systemic growth.** Deposit growth is expected to mirror credit growth, enabling CUB to maintain a steady LDR. Factoring in strong growth and a positive margin outlook, we revise our NII estimates upwards by 5-10% over FY27-29E. Strong NIM, contained credit costs and improving operational efficiency collectively should drive strong earnings growth. We revise our earnings estimates upwards by 5-7% over FY27-29E. **We expect CUB to deliver strong Credit/Deposit/NII/Earnings growth of 22/21/23/23% CAGR over FY26-29E.**
- **Key risks:** a) Slower credit growth could impact our earnings estimates; b) Stress in core MSME could raise credit costs and weigh on earnings.

### Key Financials

| Y/E Mar | NII (Rs Cr) | PPOP (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | ABV (Rs) | P/ABV (x) | ROAA (%) | NNPA (%) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 2,830 | 2,014 | 1,326 | 17.8 | 136.1 | 1.6 | 1.6 | 0.7 |
| FY27E | 3,625 | 2,592 | 1,728 | 17.4 | 118.4 | 1.8 | 1.7 | 0.4 |
| FY28E | 4,468 | 3,194 | 2,083 | 21.0 | 136.6 | 1.6 | 1.7 | 0.4 |
| FY29E | 5,310 | 3,804 | 2,476 | 25.0 | 157.6 | 1.4 | 1.7 | 0.4 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Cr)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Net Interest Income** | **2,830** | **3,625** | **4,468** | **5,310** |
| Other Income | 1,039 | 1,191 | 1,371 | 1,588 |
| **Total Income** | **3,869** | **4,816** | **5,839** | **6,898** |
| Total Operating Exp. | 1,854 | 2,223 | 2,645 | 3,093 |
| **PPOP** | **2,014** | **2,592** | **3,194** | **3,804** |
| Provisions & Contingencies | 343 | 372 | 517 | 622 |
| **PBT** | **1,671** | **2,220** | **2,677** | **3,182** |
| Provision for Tax | 345 | 493 | 594 | 706 |
| **PAT** | **1,326** | **1,728** | **2,083** | **2,476** |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Share capital | 74 | 99 | 99 | 99 |
| Reserves and Surplus | 10,491 | 11,986 | 13,818 | 15,996 |
| Shareholders' funds | **10,565** | **12,085** | **13,917** | **16,095** |
| Deposits | 78,308 | 96,101 | 1,16,031 | 1,38,444 |
| Borrowings | 5,327 | 7,886 | 10,945 | 12,801 |
| Other Liabilities, provisions | 2,825 | 3,481 | 4,225 | 5,018 |
| **Total liabilities** | **97,024** | **1,19,552** | **1,45,118** | **1,72,358** |
| | | | | |
| **APPLICATION OF FUNDS** | | | | |
| Cash & Bank Balance | 8,927 | 9,130 | 10,994 | 12,425 |
| Investments | 18,987 | 24,070 | 29,062 | 34,675 |
| Advances | 65,875 | 82,367 | 1,00,223 | 1,19,510 |
| Fixed Assets & Other Assets | 3,235 | 3,986 | 4,839 | 5,747 |
| **Total assets** | **97,024** | **1,19,552** | **1,45,118** | **1,72,358** |

Source: Company, Axis Research

## KEY RATIOS (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **VALUATION RATIOS** | | | | |
| EPS | 17.8 | 17.4 | 21.0 | 25.0 |
| Earnings Growth (%) | *17.7* | *-2.3* | *20.5* | *18.9* |
| BVPS | 142.2 | 122.0 | 140.5 | 162.4 |
| Adj. BVPS | 136.1 | 118.4 | 136.6 | 157.6 |
| ROAA (%) | 1.6 | 1.7 | 1.7 | 1.7 |
| ROAE (%) | 13.2 | 16.2 | 17.0 | 17.5 |
| P/E (x) | 12.0 | 12.3 | 10.2 | 8.6 |
| P/ABV (x) | 1.6 | 1.8 | 1.6 | 1.4 |
| | | | | |
| **PROFITABILITY** | | | | |
| NIM (%) | 3.7 | 3.9 | 3.9 | 3.9 |
| Cost-Assets Ratio | 2.1 | 2.1 | 2.0 | 1.9 |
| Cost-Income Ratio | 47.9 | 46.2 | 45.3 | 44.8 |

Source: Company, Axis Research

## Balance Sheet Structure Ratios (%)

| Y/E MAR | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Loan Growth (%) | 20.8 | 17.7 | 17.3 | 18.3 |
| Deposits Growth (%) | 19.5 | 17.6 | 17.7 | 18.7 |
| Equity/Assets (%) | 84.1 | 85.7 | 86.4 | 86.3 |
| Equity/Loans (%) | 10.9 | 10.1 | 9.6 | 9.3 |
| Total Capital Adequacy Ratio (CAR) | 16.0 | 14.7 | 13.9 | 13.5 |
| | | | | |
| **ASSET QUALITY** | | | | |
| Gross NPLs (%) | 1.9 | 1.3 | 1.2 | 1.2 |
| Net NPLs (%) | 0.7 | 0.4 | 0.4 | 0.4 |
| PCR | 64.7 | 68.0 | 68.0 | 68.0 |
| Credit costs | 0.6 | 0.5 | 0.6 | 0.6 |

Source: Company, Axis Research

## CCL Product Ltd – VOLUME-LED GROWTH KEEPS THE BREW STRONG

**CCL Products (India) Ltd. is engaged in the manufacturing and export of instant coffee, primarily catering to B2B and private label customers. The company operates manufacturing facilities in India and Vietnam, with marketing and distribution presence through its subsidiary in Switzerland.**

**Industry view**

**Equal Weight**

**CMP**
928

**Target Price**
1,255

**Upside**
35%

### Key Rationale

- **Volume-led Growth; FDC Mix Supports Margins:** CCL Products reported 7.5% YoY revenue growth, driven by double-digit volume growth of 10-15%, although lower coffee prices weighed on realisations. Gross margin expanded by 339 bps to 37.9%, supported by a favourable FDC mix, while EBITDA grew 7.6% with margins stable at 17.5%, as higher freight and insurance costs offset gross profit gains. Management expects to recover the incremental costs through price revisions. Demand for FDC continues to outpace SDC, supported by premiumisation and new customer additions. With its 17,000 MT FDC capacity approaching full utilisation over the next year, management expects to update its expansion plans by end-Q4FY27 or early Q1FY28, potentially through a strategic partnership. Improved coffee price stability has also enabled the resumption of longer-term customer contracts, enhancing demand visibility. Near-term performance will depend on cost pass-through, coffee price movements, and timely capacity expansion.
- **Branded Segment Maintains Momentum:** Brand momentum remains strong, with 25% YoY growth driven entirely by volume gains across key channels, including e-commerce, modern trade and general trade. Domestic turnover reached Rs 210 Cr, of which branded sales contributed Rs 140 Cr. Management has guided for full-year branded sales of Rs 550-600 Cr, with performance expected to accelerate in H2, supported by favourable seasonality in the Indian market. Management aims to sustain the 25% growth momentum going forward.
- **Commodity Prices to Remain Steady:** Green coffee prices remain steady within the US$3,400 to 3,800 per ton range, exhibiting limited volatility prior to the upcoming harvest. The market trajectory hinges on the Vietnam crop arrival scheduled for November-December, which is anticipated to influence future price movements.
- **Management Maintains Guidance:** Management has reiterated its FY27 guidance of 15% volume and EBITDA growth, supported by strong expectations for H2 performance. Customers are currently deferring commitments until the Vietnam harvest materialises, with order inflows expected to accelerate from Nov-Dec onwards. Meanwhile, EBITDA/kg is expected to remain stable at Rs 135-140.
- **Investment View:** We remain constructive on CCL Products' long-term growth prospects, supported by strong customer demand, a healthy order pipeline, new client additions, expanding branded sales and ongoing capacity expansion. With significant headroom for volume growth driven by under utilised capacities and improving utilisation trends, the company is well positioned to deliver healthy earnings growth over the next 3–4 years. **Hence, we are recommending a BUY on the stock.**

### Key Financials (Consolidated)

| Y/E Mar (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|
| FY26 | 4,457 | 733 | 388 | 29.2 | 32.1 | 16.6 | 19.1 |
| FY27E | 4,956 | 854 | 479 | 36.0 | 26.0 | 17.4 | 20.4 |
| FY28E | 5,717 | 1,046 | 635 | 47.7 | 19.6 | 19.1 | 22.1 |
| FY29E | 6,659 | 1,273 | 821 | 61.7 | 15.2 | 20.1 | 23.1 |

Source: Company, Axis Securities.

## Profit & Loss (Rs Cr)

| Y/E Mar | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Net sales** | **4,457** | **4,956** | **5,717** | **6,659** |
| Growth, % | 43.5 | 11.2 | 15.4 | 16.5 |
| Total income | 4,457 | 4,956 | 5,717 | 6,659 |
| Raw material expenses | (2,904) | (3,223) | (3,675) | (4,255) |
| Employee expenses | (193) | (201) | (217) | (234) |
| Other Operating expenses | (628) | (678) | (780) | (897) |
| **EBITDA (Core)** | **733** | **854** | **1,046** | **1,273** |
| Growth, % | 32.0 | 16.5 | 22.5 | 21.7 |
| Margin, % | 16.4 | 17.2 | 18.3 | 19.1 |
| Depreciation | (152) | (170) | (178) | (186) |
| **EBIT** | **581** | **684** | **868** | **1,087** |
| Growth, % | 27.2 | 17.7 | 26.9 | 25.3 |
| Margin, % | 13.0 | 13.8 | 15.2 | 16.3 |
| Interest paid | (129) | (135) | (139) | (143) |
| Other Income | 8 | 8 | 9 | 10 |
| Non-recurring Items | - | - | - | - |
| **Pre-tax profit** | **461** | **556** | **738** | **954** |
| Tax provided | (73) | (78) | (103) | (134) |
| **Profit after tax** | **388** | **479** | **635** | **821** |

Source: Company, Axis Research

## Balance Sheet (Rs Cr)

| Y/E Mar | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Cash & bank | 218 | 520 | 893 | 1,394 |
| Debtors | - | - | - | - |
| Inventory | 817 | 908 | 1,048 | 1,220 |
| Loans & advances | 1,042 | 1,159 | 1,337 | 1,557 |
| Other current assets | 133 | 133 | 133 | 133 |
| Total current assets | 2,209 | 2,720 | 3,410 | 4,304 |
| Investments | 3 | 3 | 3 | 3 |
| Gross fixed assets | 2,027 | 2,127 | 2,227 | 2,327 |
| Less: Depreciation | - | (170) | (348) | (535) |
| Add: Capital WIP | 3 | 3 | 3 | 3 |
| Net fixed assets | 2,031 | 1,961 | 1,882 | 1,796 |
| Non-current assets | 83 | 83 | 83 | 83 |
| **Total assets** | **4,326** | **4,767** | **5,378** | **6,186** |
| | | | | |
| Current liabilities | 1,519 | 1,547 | 1,591 | 1,644 |
| Provisions | 4 | 4 | 4 | 4 |
| Total current liabilities | 1,523 | 1,551 | 1,595 | 1,648 |
| Non-current liabilities | 459 | 459 | 459 | 459 |
| Total liabilities | 1,982 | 2,010 | 2,053 | 2,107 |
| Paid-up capital | 27 | 27 | 27 | 27 |
| Reserves & surplus | 2,318 | 2,730 | 3,298 | 4,052 |
| Shareholders' equity | 2,344 | 2,756 | 3,325 | 4,079 |
| **Total equity & liabilities** | **4,326** | **4,767** | **5,378** | **6,186** |

Source: Company, Axis Research

## Cash flow (Rs Cr)

| Y/E Mar | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Pre-tax profit | 461 | 556 | 738 | 954 |
| Depreciation | 152 | 170 | 178 | 186 |
| Chg in working capital | (124) | (179) | (274) | (339) |
| Total tax paid | (65) | (78) | (103) | (134) |
| Other operating activities | (10) | (10) | (10) | (10) |
| **Cash flow from operating activities** | **414** | **459** | **529** | **658** |
| Capital expenditure | (111) | (100) | (100) | (100) |
| Other investing activities | - | - | - | - |
| **Cash flow from investing activities** | **(114)** | **(100)** | **(100)** | **(100)** |
| Free cash flow | 300 | 359 | 429 | 558 |
| Other financing activities | (59) | (59) | (59) | (59) |
| **Cash flow from financing activities** | **(238)** | **(59)** | **(59)** | **(59)** |
| Net chg in cash | 62 | 300 | 370 | 499 |
| Opening cash balance | 98 | 218 | 520 | 893 |
| Closing cash balance | 218 | 520 | 893 | 1,394 |

Source: Company, Axis Research

## Ratios (%)

| Y/E Mar | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Per Share data** | | | | |
| EPS (INR) | 29.2 | 36.0 | 47.7 | 61.7 |
| Growth, % | 25.1 | 23.3 | 32.7 | 29.3 |
| Book NAV/share (INR) | 176.2 | 207.2 | 249.9 | 306.6 |
| FDEPS (INR) | 29.2 | 36.0 | 47.7 | 61.7 |
| CEPS (INR) | 40.6 | 48.8 | 61.1 | 75.7 |
| CFPS (INR) | 54.7 | 34.7 | 39.8 | 49.4 |
| **Return ratios** | | | | |
| Return on assets (%) | 12.1 | 13.5 | 15.3 | 16.7 |
| Return on equity (%) | 16.6 | 17.4 | 19.1 | 20.1 |
| Return on capital employed (%) | 19.1 | 20.4 | 22.1 | 23.1 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 1.2 | 1.4 | 1.6 | 1.7 |
| Sales/Total assets (x) | 1.0 | 1.1 | 1.1 | 1.2 |
| Sales/Net FA (x) | 2.2 | 2.5 | 3.0 | 3.6 |
| Working capital/Sales (x) | 0.1 | 0.1 | 0.2 | 0.2 |
| Receivable days | 66.9 | 66.9 | 66.9 | 66.9 |
| Inventory days | 85.3 | 85.3 | 85.3 | 85.3 |
| Payable days | 24.9 | 25.1 | 25.4 | 25.7 |
| Working capital days | 38.7 | 48.0 | 59.1 | 69.4 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 1.5 | 1.8 | 2.1 | 2.6 |
| Quick ratio (x) | 0.8 | 1.0 | 1.3 | 1.7 |
| **Valuation** | | | | |
| PER (x) | 32.1 | 26.0 | 19.6 | 15.2 |
| PEG (x) - y-o-y growth | 1.3 | 1.1 | 0.6 | 0.5 |
| Price/Book (x) | 5.3 | 4.5 | 3.7 | 3.1 |
| EV/Net sales (x) | 3.0 | 2.7 | 2.3 | 1.9 |
| EV/EBITDA (x) | 18.5 | 15.5 | 12.3 | 9.7 |
| EV/EBIT (x) | 23.4 | 19.4 | 14.9 | 11.4 |

Source: Company, Axis Research

## DR LAL PATHLABS – Diagnostic Sector

**Dr. Lal PathLabs Limited (DLPL) is one of India's leading consumer healthcare brands in diagnostic services, operating an integrated nationwide network that provides a comprehensive range of diagnostic tests and related healthcare services. The company caters to individual patients, hospitals, healthcare providers, and corporate clients, supporting disease diagnosis, prevention, monitoring, and treatment through its wide portfolio of testing services.**

**Industry view**



**Over Weight**

**CMP**
1,907

**Target Price**
2,315

**Upside**
21%

### Key Rationale

- **Strong B2C Brand Equity and Direct Patient Engagement:** DLPL has a predominantly consumer-facing business, with approximately 74% of revenue derived directly from patients (FY25/26). Its B2C-focused model supports stronger pricing power, higher realisation per sample (Rs 285), and lower dependence on institutional intermediaries. Direct patient engagement also strengthens brand loyalty and contributes to healthy operating margins of 28.3%.
- **Scaling Preventive and Precision Diagnostics:** DLPL is driving a shift from reactive testing towards preventive healthcare through its SwasthFit wellness platform, with the wellness segment growing at approximately 25% CAGR and contributing around 27% of revenue in FY26, up from 15% in FY20. Investments in Sovaaka, its AI-powered precision diagnostics platform, and advanced genomics capabilities further strengthen its service portfolio and support higher revenue per patient.
- **Asset-Light Expansion into Tier 3 and Rural Markets:** DLPL is expanding its presence in underpenetrated markets through a scalable hub-and-spoke network and franchise-led collection centres. Tier 3 and smaller markets contributed approximately 39% of revenue in FY26, recording around 17% CAGR over FY20–26. Its presence across 27 states and 4 Union Territories, supported by digital reporting capabilities, enables wider market access and strengthens its competitive position in semi-urban and rural India.
- **Strong Capital Efficiency and Financial Flexibility:** DLPL combines efficient capital utilisation with robust cash generation, reflected in a ROCE of 43.6% excluding cash. With zero net debt and liquid reserves of approximately Rs 1,332 Cr as of FY26, the company has the financial flexibility to fund network expansion, invest in advanced diagnostic capabilities, and pursue strategic acquisitions to strengthen its presence across existing and new markets.
- **Outlook & Valuation:** DLPL is well-positioned to sustain growth, supported by rising preventive healthcare adoption, expansion into underpenetrated markets, and increasing demand for advanced diagnostics. Its strong brand, asset-light network, and healthy balance sheet provide scope for further market share gains, margin resilience, and long-term value creation.
- **Key Risks:**
  - Intense Competition and Pricing Pressure
  - Dependence on Brand Reputation and Test Quality
  - Execution Risks in Tier 3 and Rural Market Expansion
  - Regulatory and Compliance Risks
  - Risks Associated with Acquisitions and Technology Investments
  - Margin Pressure from Rising Operating Costs

### Key Financials (Consolidated)

| Y/E March | Sales (Rs Cr) | EBITDA (Rs Cr) | PAT (Rs Cr) | EPS (Rs) | P/E (X) | ROE (%) | P/B (X) | EV/EBITDA (X) |
|---|---|---|---|---|---|---|---|---|
| FY25 | 2,461 | 695 | 487 | 29 | 43 | 22 | 9 | 30 |
| FY26 | 2,762 | 782 | 504 | 30 | 44 | 20 | 9 | 28 |
| FY27E | 3,177 | 884 | 593 | 35 | 54 | 21 | 11 | 36 |
| FY28E | 3,622 | 1034 | 705 | 42 | 45 | 22 | 10 | 30 |

Source: Company, Axis Securities Research

## Income Statement (Rs Cr)

| Y/E Mar | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Net Sales | 2,461.4 | 2,762.9 | 3,177.3 | 3,622.2 |
| Growth (%) | 10.5 | 12.2 | 15.0 | 14.0 |
| Total Expenditure | 1,765.8 | 1,980.4 | 2,293.2 | 2,587.5 |
| COGS | 481.5 | 534.6 | 620.0 | 680.0 |
| % of sales | 19.6 | 19.3 | 19.5 | 18.8 |
| Gross margins (%) | **80%** | **81%** | **80%** | **81%** |
| Employee Expenses | 482.4 | 503.3 | 603.7 | 688.2 |
| % of sales | 19.6 | 18.2 | 19.0 | 19.0 |
| Other Expenses | 460.3 | 540.1 | 643.6 | 733.7 |
| % of sales | 18.7 | 19.5 | 20.3 | 20.3 |
| EBITDA | 695.6 | 782.5 | 884.1 | 1,034.7 |
| EBITDAM (%) | 28% | 28% | 28% | 29% |
| EBIT | 553.7 | 620.7 | 715.4 | 848.2 |
| EBITM (%) | 22% | 22% | 23% | 23% |
| Other Income | 93.4 | 101.3 | 103.5 | 118.0 |
| Exceptional Items | 0.0 | 30.1 | 0.0 | 0.0 |
| Share of P/L of Associates | | | | |
| PBT | 624.8 | 669.1 | 790.8 | 941.0 |
| Tax Rate (%) | 21% | 24% | 25% | 25% |
| Tax | 132.6 | 159.3 | 197.7 | 235.2 |
| Reported PAT | 487.1 | 504.8 | 593.12 | 705.7 |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E Mar | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Share Capital | 84 | 168 | 168 | 168 |
| Reserves & Surplus | 2089 | 2341 | 2672 | 3067 |
| Shareholders Fund | 2173 | 2508 | 2840 | 3234 |
| Minority Interest | 34 | 33 | 33 | 33 |
| - Long Term Borrowings | 103 | 145 | 131 | 118 |
| - Deferred Tax Liabilities (Net) | 87 | 88 | 88 | 88 |
| - Other Long-Term Liabilities | 4 | 1 | 1 | 1 |
| - Long Term Provisions | 2 | 3 | 3 | 3 |
| **Total Non Current Liabilities** | **108** | **154** | **140** | **126** |
| - Short Term Borrowings | 55 | 54 | 48 | 43 |
| - Trade Payables | 0 | 54 | 0 | 0 |
| - Other Current Liabilities | 43 | 7 | 42 | 42 |
| - Short Term Provisions | 35 | 94 | 74 | 74 |
| **Total Current Liabilities** | **402** | **451** | **480** | **497** |
| **Total Liabilities** | **510** | **605** | **620** | **623** |
| **Total Equity+Liabilities** | **2,717** | **3,146** | **3,493** | **3,890** |
| Gross Block | 502 | 662 | 802 | 952 |
| Accumulated Depreciation | 302 | 353 | 421 | 608 |
| - Fixed Assets | 455 | 508 | 479 | 443 |
| - Non-Current Investments | 33 | 33 | 33 | 33 |
| - Deferred Tax Asset(Net) | 87 | 88 | 88 | 88 |
| - Long Term Loans & Advances | 0 | 0 | 0 | 0 |
| - Other Non-Current Assets | 4 | 1 | 1 | 1 |
| **Total Non-Current Assets** | **1,353** | **1,580** | **1,551** | **1,514** |
| - Inventories | 36 | 44 | 52 | 57 |
| - Trade Receivables | 88 | 111 | 119 | 135 |
| - Cash & Cash Equivalents | 293 | 243 | 602 | 1015 |
| - Short Term Loans & Advances | 1 | 2 | 2 | 2 |
| - Other Current Assets | 22 | 22 | 22 | 22 |
| **Total Current Assets** | **1,364** | **1,567** | **1,942** | **2,376** |
| **TOTAL ASSETS** | **2,717** | **3,146** | **3,493** | **3,890** |

Source: Company, Axis Securities Research

## Cash Flow Statement (Rs Cr)

| Y/E Mar | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| PBT | 492 | 510 | 791 | 941 |
| Add: depreciation | 142 | 162 | 169 | 186 |
| Add: Interest | 22 | 23 | 28 | 25 |
| Other Operating Profit changes | 75 | 90 | (103) | (118) |
| Cash flow from operations | 732 | 784 | 884 | 1,035 |
| Change in working capital | 1 | 27 | 19 | (1) |
| Taxes | (164) | (175) | (198) | (235) |
| Miscellaneous expenses | | | | |
| Net cash from operations | 569 | 636 | 706 | 799 |
| Capital expenditure | (53) | (173) | (140) | (150) |
| Change in Investments | (253) | (252) | 103 | 118 |
| Net cash from investing | (307) | (425) | (37) | (32) |
| Increase/Decrease in debt | (124) | (41) | (48) | (43) |
| Dividends | (207) | (223) | (262) | (311) |
| Proceedings from equity | | | | |
| Interest | (3) | (0) | 0 | 0 |
| Others | | | | |
| Net cash from financing | (334) | (264) | (309) | (354) |
| Net Inc./(Dec.) in Cash | (72) | (53) | 360 | 412 |
| Opening cash balance | 361 | 293 | 243 | 602 |
| Closing cash balance | 293 | 243 | 602 | 1,015 |

Source: Company, Axis Securities Research

## Valuation ratios (%)

| Y/E Mar | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|
| Net Sales | 2,461 | 2,763 | 3,177 | 3,622 |
| EBITDA | 696 | 783 | 884 | 1,035 |
| Net Profit | 487 | 505 | 593 | 706 |
| EPS | 29 | 30 | 35 | 42 |
| PE (x) | 43 | 44 | 54 | 45 |
| P/BV (x) | 9 | 9 | 11 | 10 |
| EV/ EBITDA | 30 | 28 | 36 | 30 |
| RoE (%) | 22 | 20 | 21 | 22 |
| RoCE (%) | 23% | 23% | 23% | 25% |

Source: Company, Axis Securities Research

## MINDA CORPORATION LTD - Premiumization, Minda Vast, and New Product Launches Powering Growth

**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.**

**Industry View**

**Over Weight**

**CMP**
630

**Target Price**
815

**Upside**
29%

### Key Rationale

- **Premium Product Expansion & Technology-Led Growth:** MCL's product strategy in Q1FY27 continues to reflect a strong shift toward premiumization, higher-content solutions, and EV-focused technologies across segments. The company strengthened its PV portfolio through the consolidation of Minda Vast, which offers advanced vehicle access solutions including door handles, lock sets, latches, and smart keyless entry, with a current kit value of Rs. 8,000-13,000, expected to double (2x) as new products are commercialised. MCL also continued to see strong traction in wiring harnesses and instrument clusters, which grew by >30% and >35% YoY, respectively, supported by rising electronic content and premiumization. Further, the Spark Minda HCMF JV is on track for SOP in Q2FY27, while the Turntide Technologies JV motor controller facilities are fully set up ahead of the October/November SOP. The Spark Minda Toyota JV also secured a lifetime order book of >Rs 1,000 Cr, with SOP targeted for Q4FY27/Q1FY28. On the innovation front, MCL filed 7 new patents during Q1FY27, taking cumulative patent filings to more than 335, of which 150 have been granted.
- **Strong Order Book & Revenue Visibility:** Minda Corporation's order book continues to provide strong medium-term revenue visibility, supported by healthy order inflows across core business segments and new-age automotive technologies. The company secured ~Rs 2,500 Cr of new lifetime orders in Q1FY27, taking the order pipeline to a strong level across vehicle access, castings, wiring harnesses, instrument clusters, and new energy/electronic solutions. Importantly, ~8-10% of the order book is export-linked, supporting geographical diversification and reducing dependence on domestic cyclicality. The strong order pipeline, combined with upcoming SOPs across sunroofs, motor controllers, and switches, provides healthy revenue visibility over the medium term, while capacity expansion in casting and wiring harnesses is expected to support execution of these orders without capacity bottlenecks.
- **Flash Electronics:** Strong Growth & EV Traction: Associate company, Flash Electronics, delivered a strong operational performance in Q1FY27, supported by robust domestic demand and strong traction in its EV business. Flash reported quarterly revenues of Rs 533 Cr (+42% YoY), while EBITDA margins stood at 15.4%, impacted by temporary commodity and labour cost inflation. The company expects profitability to normalise over the next 1-2 quarters, with a long-term target of 16-17% EBITDA margins and 20-24% profitable growth. Importantly, Flash's EV business grew 90% YoY, contributing ~30% of total revenue, driven by increasing penetration in three-wheelers and higher kit values from integrated 2-in-1 and 3-in-1 solutions. Strategically, Flash continues to strengthen its EV technology portfolio, with magnetless traction motors currently undergoing customer testing, while pursuing new strategic partnerships to expand its presence in the PV EV mobility segment.
- **Valuation & Outlook:** We remain positive on Minda Corp's growth trajectory, supported by strong order inflows, premiumization, Minda Vast consolidation, expanding EV opportunities, and technology-led product offerings. Backed by robust order visibility and management's target of ~1.5x industry growth, we project a CAGR of 21%/23%/27% in Revenue/EBITDA/Adj PAT over FY26-29E, with upcoming JV launches and improving associate profitability supporting earnings 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 | 12.2 | 23.4 |
| FY26 | 6,185 | 721 | 360 | 15.0 | 34.0 | 16.2 | 14.7 | 17.6 |
| FY27E | 7,762 | 920 | 437 | 18.3 | 34.6 | 18.1 | 15.2 | 17.0 |
| FY28E | 9,206 | 1,114 | 574 | 24.0 | 26.3 | 19.9 | 17.2 | 13.8 |

Source: Company, Axis Securities Research

## Profit & Loss (Rs Cr)

| Y/E Mar | FY25A | FY26A | FY27E | FY28E |
|---|---|---|---|---|
| **Net sales** | **5,056** | **6,185** | **7,762** | **9,206** |
| Raw materials | 3,147 | 3,900 | 4,929 | 5,827 |
| Staff costs | 782.5 | 933.5 | 1,095.5 | 1,270.8 |
| Other expenses | 552.5 | 631.2 | 817.2 | 993.3 |
| **Total expenses** | 4,482 | 5,464 | 6,842 | 8,091 |
| **EBITDA** | **575** | **721** | **920** | **1,114** |
| Depreciation | 204 | 230 | 289 | 339 |
| **EBIT** | **371** | **491** | **631** | **775** |
| Other income | 32 | 15 | 18 | 26 |
| Interest expense | 67 | 122 | 139 | 163 |
| Exceptional (expenses)/income | 0 | -1 | 124 | 0 |
| **Profit before tax** | **336** | **383** | **634** | **638** |
| Tax expense | 96 | 106 | 150 | 164 |
| Associates | 16 | 81 | 78 | 100 |
| Adjusted PAT | **255** | **359** | **467** | **574** |
| **Reported PAT** | **255** | **360** | **467** | **574** |
| No. of shares | 23.9 | 23.9 | 23.9 | 23.9 |
| Reported EPS (Rs/share) | **10.68** | **15.04** | **18.28** | **24.02** |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E Mar | FY25A | FY26A | FY27E | FY28E |
|---|---|---|---|---|
| **Total assets** | **3,882** | **4,202** | **4,577** | **4,894** |
| Net Block | 1,347 | 1,446 | 1,353 | 1,209 |
| CWIP | 65 | 129 | 184 | 239 |
| Goodwill | 93 | 93 | 93 | 93 |
| Investments | 1,476 | 1,558 | 1,558 | 1,558 |
| Wkg. cap. (excl cash) | 805 | 828 | 1,275 | 1,472 |
| Cash / Bank balance | 97 | 147 | 114 | 323 |
| Misc. Assets | 0 | 0 | 0 | 0 |
| | | | | |
| **Capital employed** | **3,882** | **4,202** | **4,577** | **4,894** |
| Equity capital | 48 | 48 | 48 | 48 |
| Reserves | 2,154 | 2,596 | 3,045 | 3,486 |
| Pref. Share Capital | 0 | 0 | 0 | 0 |
| Minority Interests | 0 | 15 | 15 | 15 |
| Borrowings | 1,668 | 1,534 | 1,448 | 1,323 |
| Def tax Liabilities | 12 | 9 | 21 | 22 |

Source: Company, Axis Securities Research

## Cash Flow (Rs Cr)

| Y/E Mar | FY25A | FY26A | FY27E | FY28E |
|---|---|---|---|---|
| **Sources** | **1,473.5** | **368.2** | **663.8** | **656.5** |
| Cash profit | 511 | 629 | 912 | 977 |
| (-) Dividends | 16.7 | 16.7 | 33.5 | 33.5 |
| Retained earnings | 494.0 | 611.8 | 878.1 | 943.4 |
| Issue of equity | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Oth. Reserves | 0.0 | 15.0 | 0.0 | 0.0 |
| Borrowings | 1,074.3 | (138.1) | (87.0) | (125.0) |
| Others | (94.8) | (120.6) | (127.3) | (161.9) |
| | | | | |
| **Applications** | **1,473.5** | **368.2** | **663.8** | **656.5** |
| Capital expenditure | 497.1 | 419.6 | 250.0 | 250.0 |
| Investments | 1,127.9 | 82.8 | 0.0 | 0.0 |
| Net current assets | (57.3) | (3.5) | 447.3 | 197.4 |
| Change in cash | (94.2) | (130.7) | (33.5) | 209.1 |

Source: Axis Securities Research

## Ratio Analysis (%)

| Key Ratios | FY25A | FY26A | FY27E | FY28E |
|---|---|---|---|---|
| **Sales growth** | **8.7** | **22.3** | **25.5** | **18.6** |
| | | | | |
| **EBITDA margin** | **11.4** | **11.7** | **11.9** | **12.1** |
| EBITDA growth | 11.7 | 25.5 | 27.6 | 21.1 |
| COGS / Net sales | 26.4 | 25.3 | 24.6 | 24.6 |
| Overheads/Net sales | 28.3 | 27.7 | 26.6 | 26.6 |
| Depreciation / G. block | 9.3 | 9.1 | 10.6 | 11.6 |
| Effective interest rate | 6.7 | 9.0 | 6.3 | 7.9 |
| | | | | |
| Net wkg.cap / Net sales | 0.1 | 0.1 | 0.1 | 0.1 |
| Net sales / Gr block (x) | 2.3 | 2.4 | 2.8 | 3.2 |
| | | | | |
| **RoCE** | **15.3** | **16.2** | **18.1** | **19.9** |
| Debt/equity (x) | 0.7 | 0.6 | 0.4 | 0.4 |
| Effective tax rate | 28.7 | 27.7 | 23.7 | 25.6 |
| **RoE** | **12.2** | **14.7** | **15.2** | **17.2** |
| Payout ratio (Div/NP) | 6.6 | 4.7 | 6.0 | 5.8 |
| | | | | |
| **EPS (Rs.)** | **10.7** | **15.0** | **18.3** | **24.0** |
| EPS Growth | 12.4 | 40.8 | 21.6 | 31.4 |
| **Adj EPS (Rs.)** | **10.7** | **15.0** | **18.3** | **24.0** |

Source: Axis Securities Research

## HEALTHCARE GLOBAL ENTERPRISES – ONCOLOGY FOCUSED HOSPITAL CHAIN

**Healthcare Global Enterprises (HCG) has strategically positioned itself as India's foremost pure-play oncology powerhouse, commanding a network of nearly 22 Comprehensive Cancer Centers (CCCs) and dedicated infusion facilities across the nation. It has a total of 25 hospitals with an operating capacity of 2,304 beds across 19 cities, and a strong track record of being the first to introduce advanced technologies in India, such as Adaptive Radiation, Tomotherapy, and MR-LINAC.**

**Industry view**



**Over Weight**

**CMP**
585

**Target Price**
820

**Upside**
40%

### Key Rationale

- **Inline Revenue Performance:** HCG delivered revenues of Rs 695 Cr, growing a steady 13% YoY, supported by broad-based performance with 16 centres reporting highest-ever quarterly revenues; top-line growth was slightly tempered (~1.5%) by the strategic discontinuation of low-margin chemotherapy.
- **Margin Performance:** The company reported an EBITDA margin of 17.6%, while Adjusted EBITDA margin expanded 103 bps YoY to 19.3% (Adjusted EBITDA of Rs 134 Cr, up 19.8% YoY). Reported PAT stood at Rs 16 Cr, up 175% YoY, despite initial startup losses of Rs 7 Cr at the new North Bangalore facility.
- **Patient Volumes Grew 11% YoY (Excluding Fertility):** This was supported by strong demand across network clusters and recent bed additions. Average Revenue Per Patient (ARPP) stood at Rs 85,943, a 2% YoY increase, as positive payor mix gains (non-institutional mix rising to 69%) were partially offset by case mix rationalisation.
- **Strategic Drivers for Accelerated Margin Expansion:** HCG is entering a highly margin-accretive phase, positioning its EBITDA margins for meaningful acceleration. This upward trajectory is primarily driven by unlocking strong operating leverage, achieved through increased utilisation rates at existing centres and strategic new LINAC installations. The expansion is further supported by targeted brownfield additions and an optimised case-and-payer mix. Backed by KKR's proven execution capabilities, HCG's new management team is well-equipped to instil rigorous operational and financial discipline. This powerful combination will accelerate value creation, structurally shifting the company toward higher profitability, superior capital efficiency, and sustainable long-term growth.
- **Outlook & Valuation:** Outlook remains strong, with management guiding for mid-teens revenue growth going forward. The North Bengaluru greenfield facility (120+ beds) commenced operations in May'26, while a total of 1,000 beds (60% brownfield) are planned through FY30 across the network. Margin trajectory is expected to improve, with EBITDA targeted at 21.8% in 2 years and ~25% over 4–5 years, supported by payor mix gains and operating leverage. The successfully completed rights issue has strengthened the balance sheet and will support the ongoing expansion pipeline.
- **Key Risks:** a) Increased debt levels due to expansion plans of 45% by FY30. (b) Competitive market with large chain hospitals entering the space. (c) Adverse pricing regulations to cater to the general masses could lead to lower profitability.

### Key Financials (Consolidated)

| Y/E Dec (Rs Cr) | Net Sales (Rs Cr) | EBITDA (Rs Cr) | Net Profit (Rs Cr) | EPS (Rs) | PER (x) | EV/EBITDA (x) | ROE (%) | ROCE (%) |
|---|---|---|---|---|---|---|---|---|
| FY26 | 2,545 | 466 | 23 | 1.5 | 344 | 19.4 | 1.7 | 8.5 |
| FY27E | 2,847 | 541 | 101 | 6.7 | 87 | 17.8 | 7.0 | 10 |
| FY28E | 3,224 | 693 | 273 | 18.3 | 32 | 13.2 | 16.0 | 19 |
| FY29E | 3,630 | 780 | 356 | 23.8 | 25 | 11.0 | 17.3 | 23 |

Source: Company, Axis Securities Research

## Income Statement (Rs Cr)

| Particulars (Rs Cr) P/L | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| **Net Sales** | **2,545** | **2,847** | **3,224** | **3,630** |
| **Growth (%)** | **14.5%** | **11.9%** | **13.2%** | **12.6%** |
| Total Expenditure | 2,080 | 2,306 | 2,531 | 2,849 |
| Raw Material Consumed | 702 | 746 | 816 | 918 |
| % of sales | 27.2% | 26.2% | 25.3% | 25.3% |
| **Gross margins (%)** | **72.8%** | **73.8%** | **74.7%** | **74.7%** |
| Employee Expenses | 379 | 421 | 464 | 523 |
| % of sales | 14.9% | 14.8% | 14.4% | 14.4% |
| Other Expenses | 1,009 | 1,139 | 1,251 | 1,408 |
| % of sales | 39.6% | 40.0% | 38.8% | 38.8% |
| **EBITDA** | **466** | **541** | **693** | **780** |
| **EBITDAM (%)** | **18.3%** | **19.0%** | **21.5%** | **21.5%** |
| EBIT | 222 | 251 | 442 | 520 |
| EBITM (%) | 8.7% | 8.8% | 13.7% | 14.3% |
| Other Income | 25 | 25 | 25 | 25 |
| Exceptional Items | 45 | 0 | 0 | 0 |
| Share of P/L of Associates | 1 | 1 | 1 | 1 |
| **PBT** | **27** | **126** | **341** | **445** |
| Tax Rate (%) | 15.4% | 20.0% | 20.0% | 20.0% |
| Tax | 4 | 25 | 68 | 89 |
| **Reported PAT** | **23** | **101** | **273** | **356** |

Source: Company, Axis Securities Research

## Balance Sheet (Rs Cr)

| Y/E Mar, Rs. Cr (Balance Sheet) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Share Capital | 149 | 149 | 149 | 149 |
| Reserves & Surplus | 1,183 | 1,283 | 1,556 | 1,912 |
| Shareholders Fund | 1,332 | 1,433 | 1,706 | 2,061 |
| Minority Interest | 78 | 79 | 80 | 81 |
| - Long Term Borrowings | 1,359 | 1,229 | 1,099 | 969 |
| - Deferred Tax Liabilities (Net) | 2 | 4 | 4 | 4 |
| - Other Long-Term Liabilities | 108 | 62 | 71 | 80 |
| - Long Term Provisions | 25 | 21 | 21 | 21 |
| Total Non-Current Liabilities | 1,495 | 1,317 | 1,195 | 1,074 |
| - Short Term Borrowings | 311 | 281 | 251 | 221 |
| - Trade Payables | 351 | 421 | 477 | 537 |
| - Other Current Liabilities | 267 | 289 | 327 | 368 |
| - Short Term Provisions | 23 | 19 | 19 | 19 |
| Total Current Liabilities | 1,017 | 1,070 | 1,129 | 1,195 |
| **Total Liabilities** | **3,922** | **3,899** | **4,110** | **4,411** |
| Gross Block | 2,533 | 2,633 | 2,733 | 2,833 |
| Depreciation | 1,140 | 1,430 | 1,681 | 1,942 |
| % of GB | 45.0% | 54.3% | 61.5% | 68.5% |
| - Fixed Assets | 2,487 | 2,405 | 2,254 | 2,093 |
| - Non-Current Investments | 7 | 7 | 7 | 7 |
| - Deferred Tax Asset (Net) | 40 | 25 | 25 | 25 |
| - Long Term Loans & Advances | 107 | 86 | 86 | 86 |
| - Other Non-Current Assets | 146 | 111 | 111 | 111 |
| Total Non-Current Assets | 2,787 | 2,634 | 2,482 | 2,322 |
| - Inventories | 60 | 59 | 67 | 76 |
| - Trade Receivables | 421 | 468 | 530 | 597 |
| - Cash & Cash Equivalents | 541 | 695 | 988 | 1,375 |
| - Short Term Loans & Advances | 3 | 3 | 3 | 3 |
| - Other Current Assets | 110 | 39 | 39 | 39 |
| Total Current Assets | 1,135 | 1,265 | 1,628 | 2,090 |
| **TOTAL ASSETS** | **3,923** | **3,899** | **4,110** | **4,411** |

Source: Company, Axis Securities Research

## Cash Flow Statement (Rs Cr)

| Y/E Mar, Rs. Cr (Cash Flow) | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| PBT | 27 | 126 | 341 | 445 |
| Add: depreciation | 244 | 290 | 251 | 261 |
| Add: Interest | 177 | 151 | 126 | 101 |
| Cash flow from operations | 448 | 567 | 719 | 806 |
| Change in working capital | 93 | -120 | -32 | -35 |
| Taxes | 4 | 25 | 68 | 89 |
| Miscellaneous expenses | 0 | 0 | 0 | 0 |
| Net cash from operations | 351 | 662 | 683 | 752 |
| Capital expenditure | -260 | -208 | -100 | -100 |
| Change in Investments | -0 | 0 | 0 | 0 |
| Net cash from investing | -260 | -208 | -100 | -100 |
| Increase/Decrease in debt | -102 | -165 | -165 | -165 |
| Dividends | 0 | 0 | 0 | 0 |
| Proceedings from equity | 10 | 0 | 0 | 0 |
| Interest | -177 | -151 | -126 | -101 |
| Others | 371 | 17 | 1 | 1 |
| Net cash from financing | 103 | -299 | -290 | -265 |
| Net Inc./(Dec.) in Cash | 193 | 154 | 293 | 387 |
| Opening cash balance | 348 | 541 | 695 | 988 |
| Closing cash balance | 541 | 695 | 988 | 1,375 |

Source: Company, Axis Securities Research

## Valuation ratios (%)

| Y/E Mar, Rs Cr | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|
| Net Sales | 2,545 | 2,847 | 3,224 | 3,630 |
| EBITDA | 466 | 541 | 693 | 780 |
| Net Profit | 23 | 101 | 273 | 356 |
| EPS | 1.5 | 6.7 | 18.3 | 23.8 |
| PE (x) | 344.1 | 87.0 | 32.0 | 24.6 |
| P/BV (x) | 5.9 | 6.1 | 5.1 | 4.2 |
| EV/ EBITDA | 19 | 18 | 13.2 | 11.0 |
| RoE (%) | 1.7 | 7.0 | 16.0 | 17.3 |
| RoCE (%) | 8.5 | 10.0 | 18.6 | 23.3 |

Source: Company, Axis Securities Research

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