

Retail Research

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Investment aur Trust, Dono

07th October, 2025



Brighten up your investment
portfolio with these

Diwali Picks 2025

Sr No.	Company Name	NSE Code	Sector	Mcap (Rs cr)	CMP (Rs)	Target (Rs)	Upside (%)
1	HDFC Bank Ltd.	HDFCBANK	BFSI	14,95,579	973	1,110	14.0
2	TVS Motor Company Ltd.	TVSMOTOR	Automobile & Ancillaries	1,66,798	3,511	3,975	13.2
3	Apollo Hospitals Enterprise Ltd.	APOLLOHOSP	Healthcare	1,10,168	7,662	8,675	13.2
4	Indian Bank	INDIANB	BFSI	1,02,107	758	875	15.4
5	Ashok Leyland Ltd.	ASHOKLEY	Automobile & Ancillaries	80,924	138	170	23.2
6	Jubilant FoodWorks Ltd.	JUBLFOOD	FMCG	41,131	623	720	15.5
7	National Aluminium Company Ltd.	NATIONALUM	Metals and Mining	39,882	217	260	19.7
8	National Securities Depository Ltd.	544467*	BFSI	23,990	1,198	1,380	15.2
9	Azad Engineering Ltd.	AZAD	Aerospace & Defence	11,101	1,719	2,105	22.5
10	Oswal Pumps Ltd.	OSWALPUMPS	Capital Goods	8,832	775	970	25.2
11	Subros Ltd.	SUBROS	Automobile & Ancillaries	7,296	1,118	1,355	21.2
12	Indian Metals & Ferro Alloys Ltd.	IMFA	Metals and Mining	6,277	1,163	1,415	21.7
13	Fiem Industries Ltd.	FIEMIND	Automobile & Ancillaries	5,028	1,910	2,340	22.5
14	Swaraj Engines Ltd.	SWARAJENG	Automobile & Ancillaries	5,001	4,117	5,112	24.2
15	Pondy Oxides & Chemicals Ltd.	POCL	Metals and Mining	3,731	1,240	1,530	23.4

* Listed only on BSE

For detailed investment rationale click on the company name.

CMP as on 6th October, 2025

Performance of previous year's Diwali Picks

Our Diwali picks of 2024, amidst weak market performance (Nifty gaining mere 1.3%), have outperformed the benchmark delivering an average gross gain of 6.8%, assuming an equal weight portfolio. This performance is with an assumption that all the 5 open calls (1 in green and 4 in negative territory) have been exited at closing price as of 6th Oct'25. Strike rate of the entire basket is 66.7% (i.e Out of 12 calls, 8 calls are in positive territory). Out of the 5 open calls, we believe 4 companies (Chalet Hotels, Escorts Kubota, Arvind Fashion and Titagarh Rail) have potential to appreciate further from hereon and add incremental returns to the basket over the next 30-60 days. Kindly note, all the 5 open calls will be squared off over the next few days.

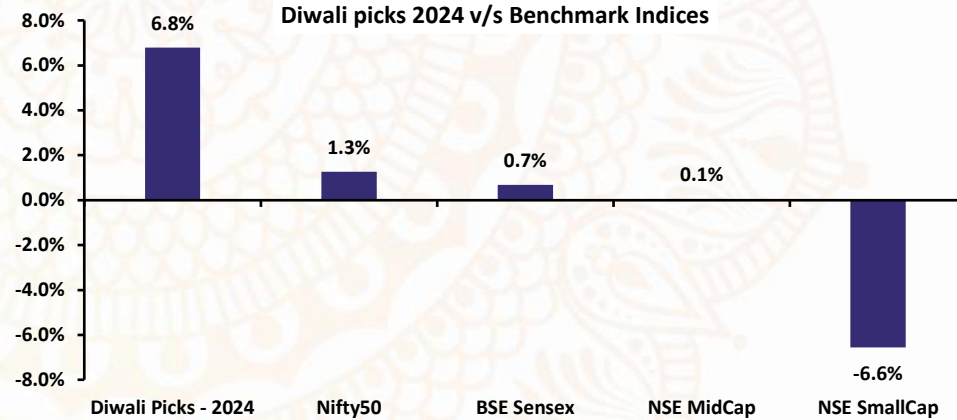
Performance of Diwali Picks - 2024

Sr No.	Company Name	Date of report	Rec. Price (Rs)	Target Price (Rs)	Booked Profit @ (Rs)	% Return	Days to target	Highest price during the period (Rs)	Highest price Date	Return % assuming highest price
1	Kilburn Engineering Ltd.	21-Oct-24	431.0	532.0	532.0	23.4	276.0	618.4	30-Sep-25	43.5
2	Nippon Life India Asset Mgmt.	21-Oct-24	702.0	825.0	853.0	21.5	268.0	898.0	03-Oct-25	27.9
3	PG Electroplast Ltd.	21-Oct-24	617.0	735.0	747.2	21.1	42.0	1,055.0	06-Jan-25	71.0
4	Lodha Developers Ltd.	21-Oct-24	1,161.0	1,398.0	1,400.5	20.6	50.0	1,534.3	09-Jun-25	32.1
5	Newgen Software Technologies	21-Oct-24	1,258.0	1,475.0	1,487.0	18.2	57.0	1,795.5	15-Jan-25	42.7
6	Bharti Hexacom Ltd.	21-Oct-24	1,507.0	1,747.0	1,719.0	14.1	199.0	2,051.0	01-Jul-25	36.1
7	Glaxosmithkline Pharmaceuticals	21-Oct-24	2,659.0	3,195.0	2,877.0	8.2	150.0	3,516.0	05-Jun-25	32.2
8	Chalet Hotels Ltd.*	21-Oct-24	873.0	1,106.0	976.1	11.8	-	1,080.0	01-Aug-25	23.7
9	Escorts Kubota Ltd.*	21-Oct-24	3,815.0	4,408.0	3,597.1	-5.7	-	4,171.4	04-Sep-25	9.3
10	Arvind Fashions Ltd.*	21-Oct-24	601.0	725.0	539.6	-10.2	-	599.9	07-Nov-24	-0.2
11	Coal India Ltd.*	21-Oct-24	492.0	593.0	415.4	-15.6	-	487.5	22-Oct-24	-0.9
12	Titagarh Rail Systems Ltd.*	21-Oct-24	1,197.0	1,510.0	887.0	-25.9	-	1,368.9	16-Dec-24	14.4
Average return (%)						6.8				27.7

* Open Calls, CMP for open calls are as of 3rd Oct 2025. | Coal India CMP includes dividend of Rs 32 during the period
Escorts Kubota CMP includes dividend of Rs 28 during the period

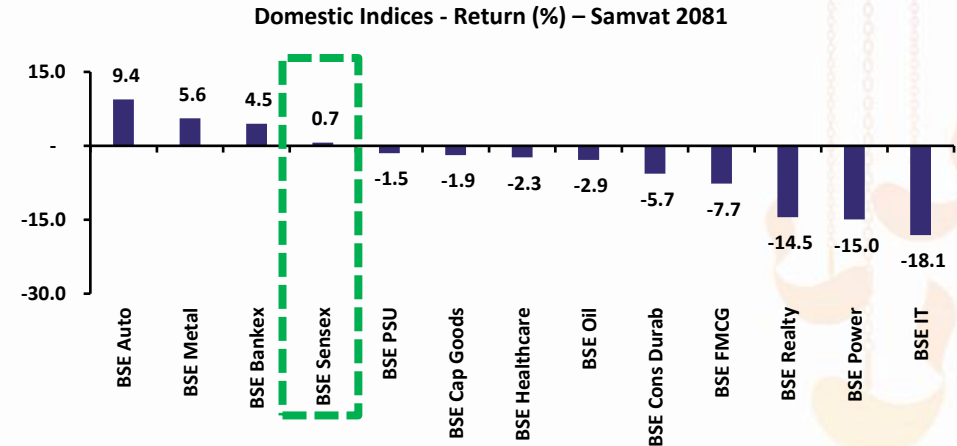
Summary – SAMVAT 2081

SSL Diwali Picks 2024 outperformed the benchmark indices



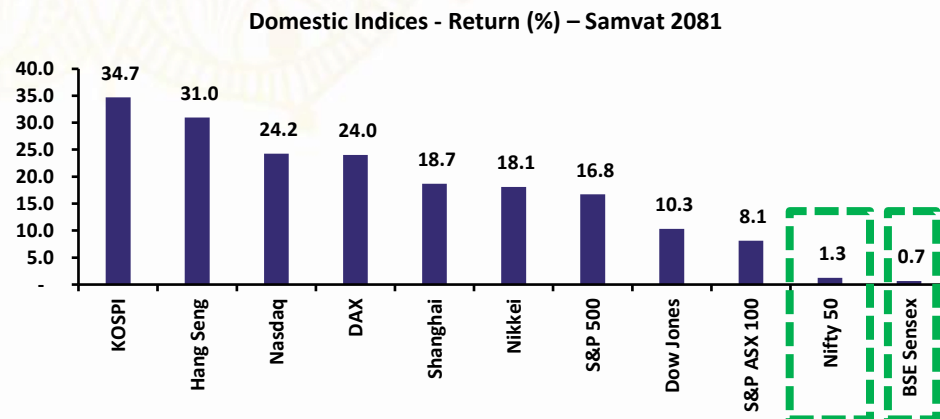
Source: Bloomberg; SSL Research | Data Period: 1st Nov'24 - 30th Sep'25

SAMVAT 2081: Tepid Returns Across Most Indices & Sectors



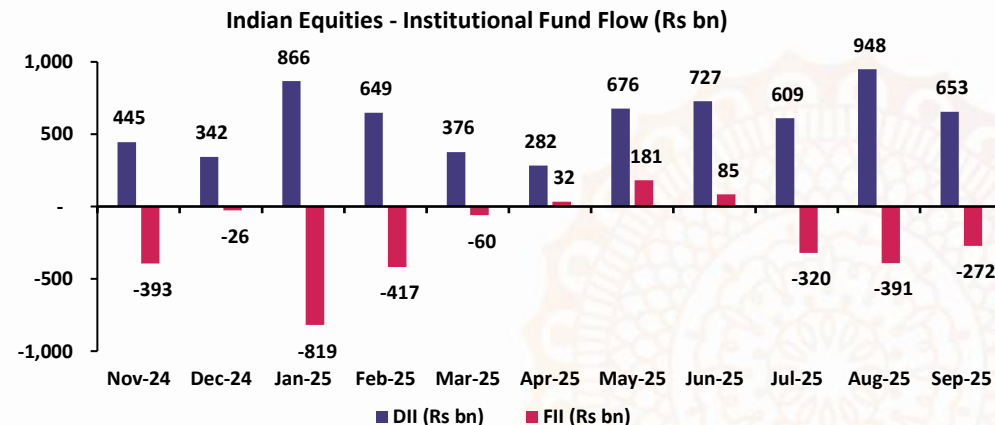
Source: Bloomberg; SSL Research | Data Period: 1st Nov'24 - 30th Sep'25

Global Indices Outshine; India Lags!!



Source: Bloomberg; SSL Research | Data Period: 1st Nov'24 - 30th Sep'25

DII's Step Up as FIIs Pull Back from Indian Equities



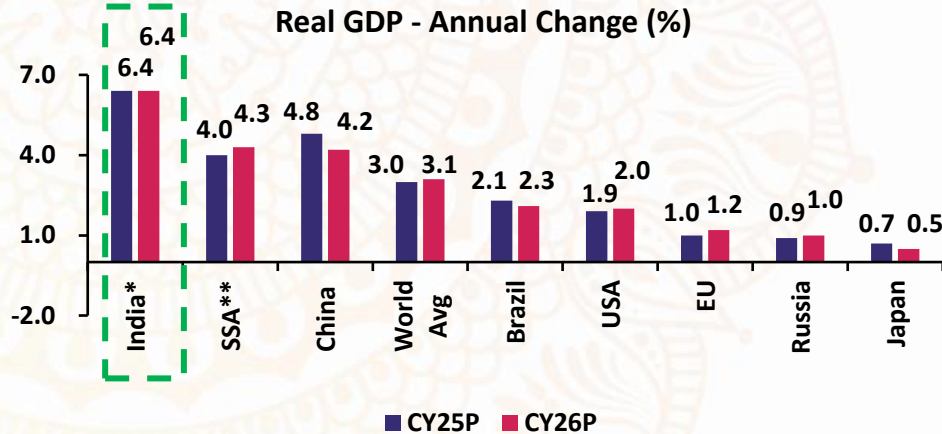
Secondary market net flows | Source: NSDL/BSE

- **Muted performance during SAMVAT 2081:** The leading indices exhibited subdued performance throughout SAMVAT-2081 due to various challenges. The returns were significantly impacted by disappointing corporate earnings, uncertainties stemming from global tariffs, persistent selling by foreign institutional investors in the secondary market, rupee's underperformance against the dollar, and a buoyant primary market resulting in substantial equity supply (~Rs 1.7 trillion raised in the last 12 months). From Diwali 2024 to September 30, 2025, the Nifty 50 and Sensex recorded minimal returns of 1.3% and 0.7% respectively. Additionally, the broader market activity was lackluster, with the Nifty SmallCap index declining by 6.6%. Weakness was prevalent across sectors with IT, Power, and FMCG sectors falling by 18.1%, 15.0%, and 7.7% respectively. Conversely, the Auto index emerged as the standout performer, achieving a return of 9.4% led by GST reduction and demand recovery.
- **Corporate earnings and uncertainties stemming from tariffs have posed significant challenges:** The Nifty 50 index, after achieving record highs in September 2024, has faced pressure due to disappointing earnings during 2HFY25. The earnings growth for Nifty 50 companies in 2QFY25 was the lowest since Dec'22, reflecting a modest Nifty EPS growth 7.6% YoY, as the General and State election code of conduct affected capital expenditure activities. Furthermore, the implementation of the Liberation Day tariff by the United States on April 2, 2025, which introduced a 10% baseline tariff on imports from nearly all countries, has created uncertainty and dampened demand for export facing sectors such as auto components, textile, gems & jewellery, marine & pharma. The uncertainty surrounding tariffs continues, as India is yet to finalize a trade agreement with the United States. India continues to be the most tariffed nation amongst the emerging markets along with Brazil while peers in South Asia, ASEAN, Latin America and Middle East have managed lower tariff rates.
- **FII pullback from Indian equities; USD/INR hit record low:** FIIs have net offloaded equities worth Rs 2.4 trillion from Nov'24 to Sep'25, while DIIs have significantly countered this trend with net purchases amounting to approximately Rs 6.6 trillion. Meanwhile, the US market continues to achieve record highs. Factors such as robust US corporate earnings, tax relief measures (notably the One Beautiful Bill act), improved GDP figures, and interest rate reductions are propelling the market upward. The prospect of an additional two rate cuts is contributing to a buoyant bond market. The rupee is approaching Rs 89 per dollar, making it one of the poorest performing emerging market currencies, adversely affected by substantial FPI selling, restrictions on H1-B visas, and secondary tariffs imposed by the US.

- **Above average monsoon:** The monsoon season of 2025 commenced earlier than the typical timeframe. As of September 25, 2025, the rainfall across India stands at 7% above the long-term average. With the exception of the East and North-East regions, all other areas have experienced above-average rainfall. The North-West region has recorded more than 25% above the long-term average with states such as Himachal Pradesh, Uttarakhand, Jammu & Kashmir, Punjab and Maharashtra experiencing severe floods along with crop damage. As of September 18, 2025, the live storage in India's 161 major reservoirs amounts to 163.909 billion cubic meters (BCM). This volume accounts for nearly 90% of their total storage capacity of 182.496 BCM. The kharif sowing, which has reached 1,073.98 lakh hectares by mid-September 2025, is 3% higher than the previous year. This increase in food production is expected to contribute to a reduction in food inflation in the future. Higher water levels in reservoirs will also benefit sowing in the rabi season and boost rural incomes in 2HFY26.
- **Bonanza of reduction in interest rate, income tax and GST:** The Union Budget for 2025-26 has provided much-needed relief to the middle class by making income up to Rs 12 lakh tax-free under the new I-T regime. This initiative is a positive step towards boosting consumption. The Reserve Bank of India (RBI) has implemented three rate cuts, resulting in a total reduction of 100 basis points in the repo rate, bringing it down to 5.5%. The recent RBI policy indicated more rate cuts are in store ahead. Additionally, the Cash Reserve Ratio (CRR) is expected to decrease from the current 4% to 3% by November 2025, further easing liquidity in the banking system. In its recent policy meeting, the RBI unveiled fresh set of measures to boost growth such as allowing banks to finance M&As, enhancing the limit for IPO financing as well as reduction in the risk weights for lending to MSME and Realty sectors. The rationalization of the Goods and Services Tax (GST), the first since its implementation, has resulted in two slabs of 5% and 18% along with a 40% slab for certain discretionary and luxury goods, instead of the four slabs earlier. The GST rate on most goods and services has been either reduced or exempted. Notable beneficiaries of this change include the automotive, insurance, Fast-Moving Consumer Goods (FMCG), Consumer Durables, etc. This will enhance affordability and consumption. Demand revival in the initial days of Navratri has been strong in the entry level cars & motorcycles segment and is expected to sustain through the festive season.

Indian Economy Engines on Solid Footing!!!

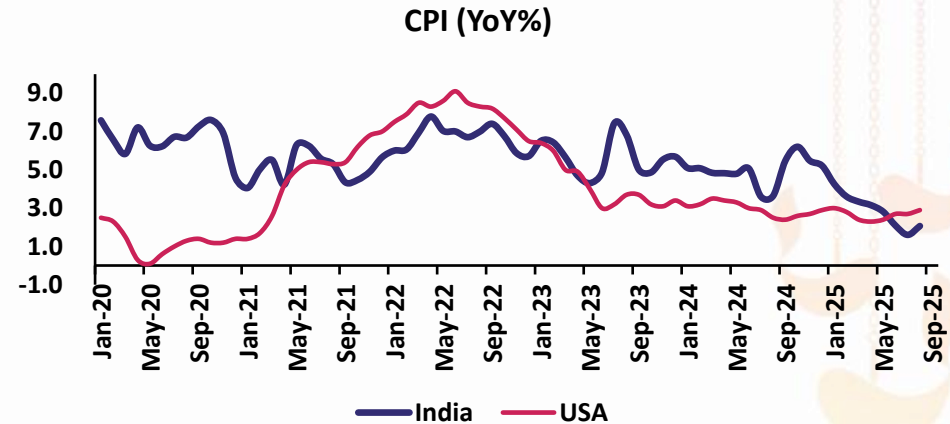
Indian Economy – Structural Outperformance vs Peers



*Fiscal year basis, **Sub Saharan Africa

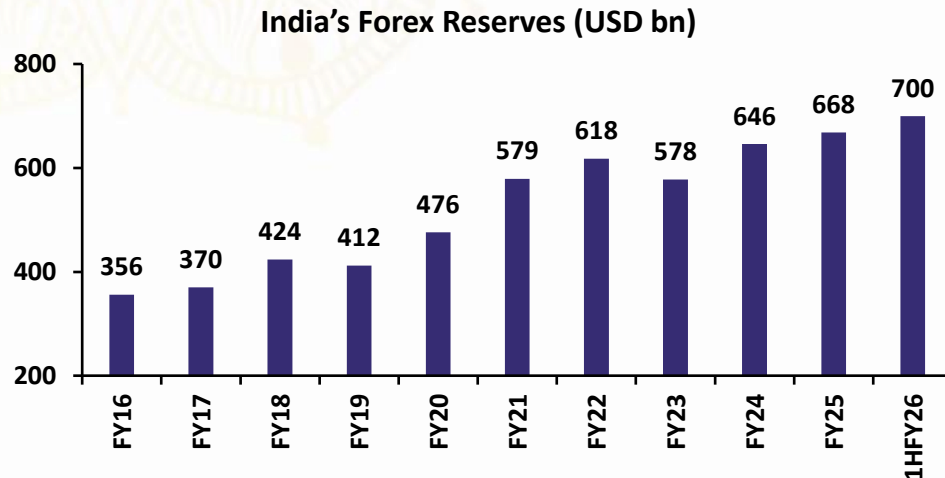
Source: IMF, SSL Research

India's inflation under control; Offers flexibility to RBI



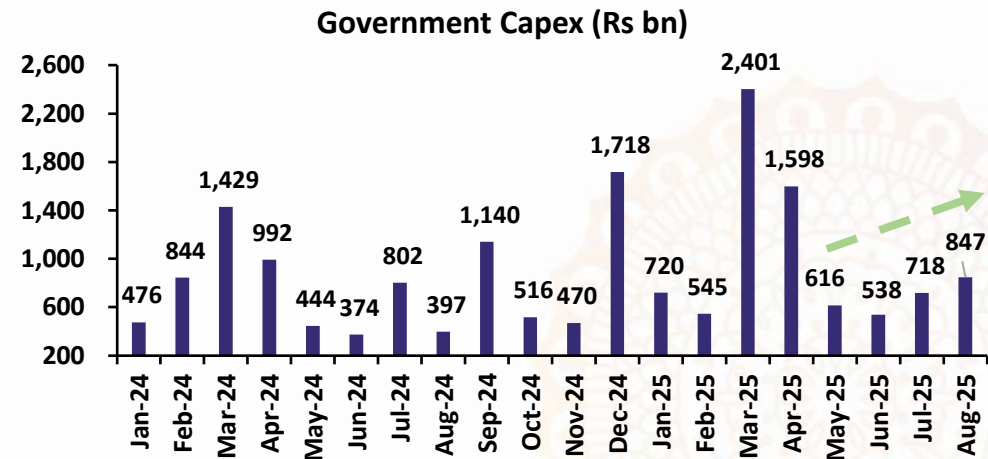
Source: Bloomberg

US \$ 700 bn forex reserves; Offers 11 months of import cover



Source: Bloomberg, SSL Research

Govt capex regains momentum...



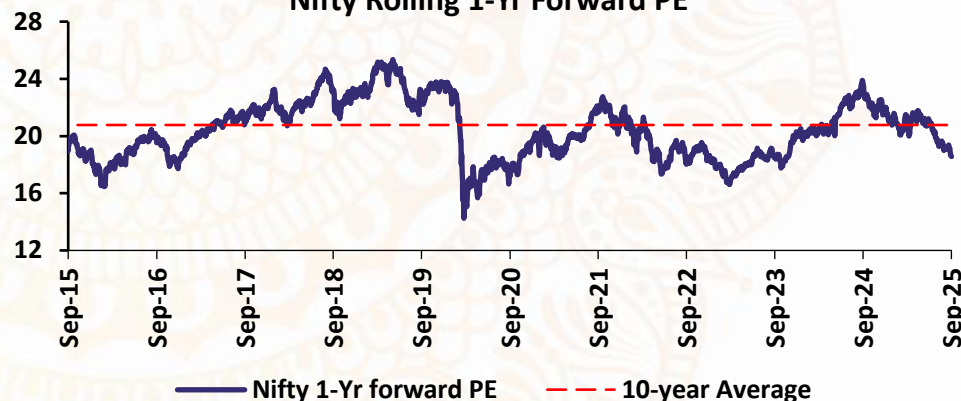
Source: Bloomberg, SSL Research

- **India remains the world's fastest-growing major economy – Structural Outperformance vs Peers:** India remains the fastest-growing major economy with real GDP growth projected at 6.4% each for FY26 and FY27 (as per IMF), more than 2x the world average (~3%). On 1st Oct'25, the RBI revised India's GDP growth forecast higher from 6.5% to 6.8% for FY26 and 6.6% for FY27. The domestic growth is anchored by strong consumption, investments, and government spending, with supportive factors like good monsoon, GST 2.0, better credit flow and rising capacity utilisation sustaining the positive outlook. In contrast, China's growth is moderating (4.8% to 4.2%), while developed economies remain sluggish (US ~2%, EU & Japan ~1%).
- **Inflation eases into RBI's comfort zone – Policy flexibility, Macro resilience intact:** Headline consumer price index (CPI) inflation fell for nine consecutive months, reaching an eight-year low of 1.6% in Jul'25, before slightly increasing to 2.1% in Aug'25. However, it remained within the RBI's inflation target range, contrasting with sticky price pressures in the US/EU where inflation still hovers above central bank targets, highlighting India's relative macro strength. Consumer prices in the US rose 2.9% YoY in Aug'25 as companies continued to push tariff costs on the customer and remained above the Fed's 2% target.
- **Strong Forex Reserves:** India holds the 4th largest forex reserves globally, covering ~11 months of imports. Reserves rose from \$356 bn in FY16 to \$700 bn in 1HFY26, providing a robust buffer against global shocks.
- **Capex:** The government capex growth slowed during May'24-Nov'24 period, reflecting fiscal consolidation ahead of General elections in 2024. However, post Dec'24, spending has accelerated sharply and sustained higher allocations thereafter. This renewed thrust reaffirms the government's commitment to capex-led growth and is a clear positive for the economic growth including sectors like infra, capital goods, cement, electronics, agriculture, consumption, etc.

FY27 Set for Double-Digit Earnings Growth; Comfortable Valuations

Nifty 50 Valuation Neither Cheap Nor in Euphoric Zone

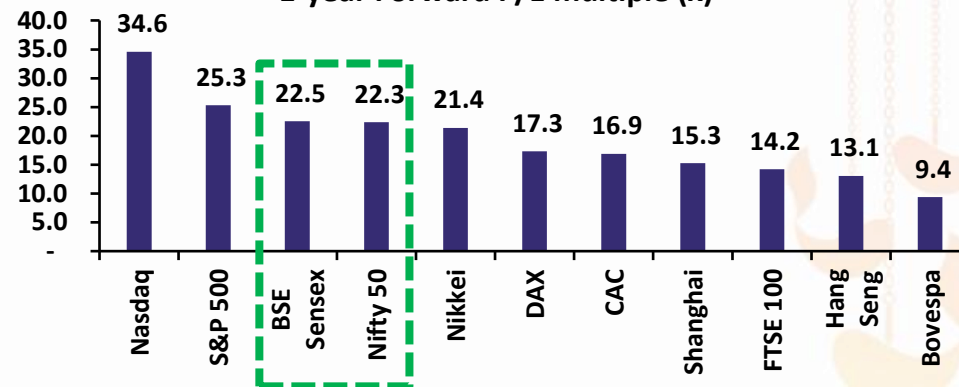
Nifty Rolling 1-Yr Forward PE



Source: Bloomberg, SSL Research

..However, Trading at Relatively Premium Valuation vs Peers

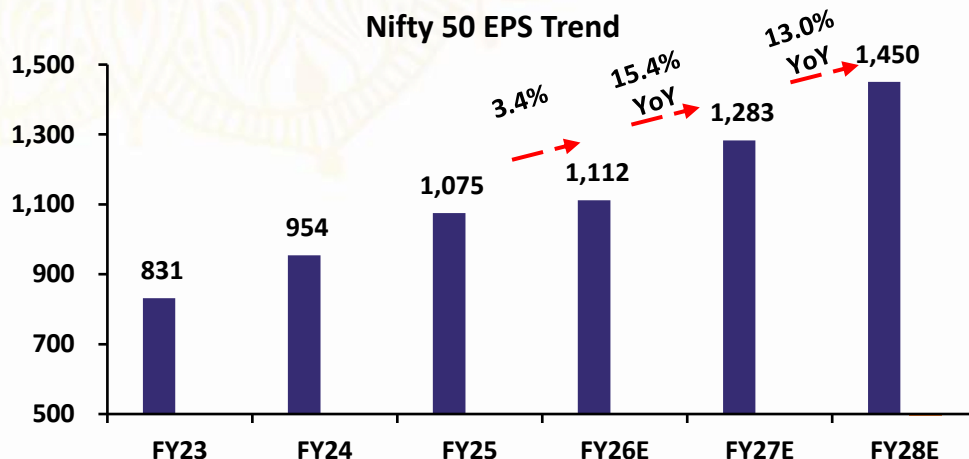
1-year Forward P/E multiple (x)



Source: Bloomberg, SSL Research

Earnings Growth Likely to Accelerate from FY27E

Nifty 50 EPS Trend



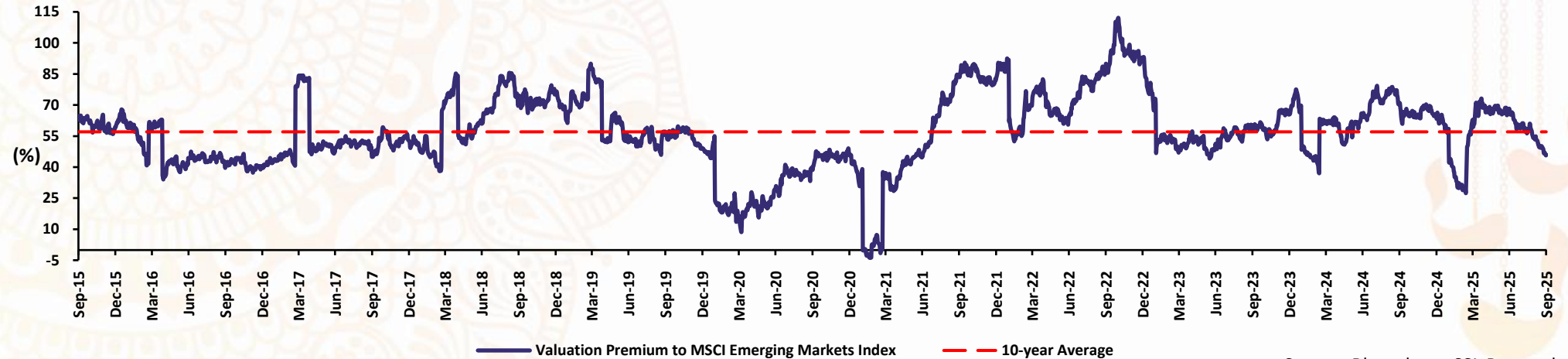
Source: Bloomberg, SSL Research

Summary

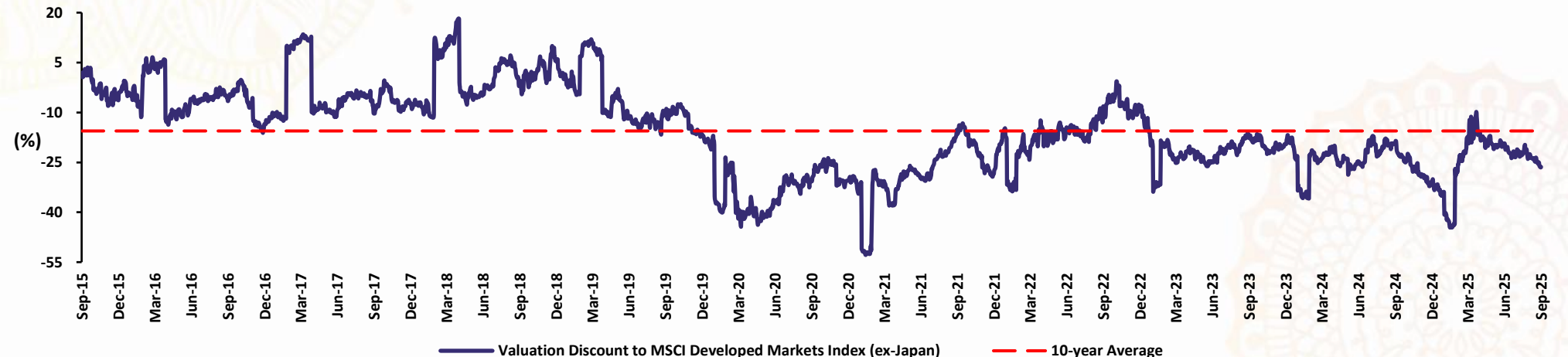
- Nifty 50 is currently trading at FY26E/FY27E/FY28E P/E multiple of 22.6x/19.5x/17.3x respectively.
- After a blip in FY26E, Nifty 50 EPS is likely to return to double digit growth and is likely to report CAGR of 14.2% between FY26E-FY28E period.
- On a relative basis, Nifty 50 continues to trade at a premium valuation to the MSCI EM; albeit premium has shrunk from 72% in Sep'24 to 46% in Sep'25, which is below the 10 year average.

Valuation Premium of Nifty 50 vs MSCI EM has Shrunk; Discount Expanded vs MSCI Developed Market Index (ex-Japan)

Valuation Premium of Nifty 50 compared to MSCI Emerging Markets Index below 10-year average



Valuation Discount of Nifty 50 compared to MSCI Developed Markets Index (ex-Japan) below 10-year average



India – One of the best performing economies in the world amidst the shaky uncertain business environment; Equity market ready to leap forward post 12-15 months of consolidation

- **SAMVAT 2081 Flashback:** As stated in our last Diwali Pick report, Samvat 2081 turned out to be a year of consolidation with Nifty50/Sensex up by 1.3%/0.7% between Nov'24 and Sep'25 period. Moreover, Nifty Midcap delivered benign return of 0.1% while Nifty Smallcap/NSE500 gave negative returns of 6.6%/0.4% respectively during the same period. Within NSE500, ~64% stocks are still trading below the levels seen when Nifty50 scaled life high of 26,277 on 27th Sept'24.
We were right in our assessment for Samvat 2081 that investors should focus on conserving profits rather than taking aggressive leveraged bets. Our assessment was backed by the thesis of (a) deceleration in the earnings growth led by slowdown in government capex, (b) overhang on exports led by euphoric win of Mr. Trump in USA and then narrative of unfair deal of trading partners with USA (c) relatively expensive valuations as compared to other global equity markets and (d) likely profit booking, post extraordinary CAGR of 27%/30%/42%/44%/30% in Nifty50/Nifty Next 50/Nifty Midcap/Nifty Smallcap/NSE 500 during FY20- FY24 period. As stated, Samvat 2081 turned out to be bottoms-up stock pickers market and many stocks across sectors like Auto, Auto Anc., EMS, Cement, NBFCs, Defence, Telecom, etc. delivered fabulous returns in the benign market environment.
- **India's macros on strong footing; S&P Global's credit rating upgrade after span of 18 years echoes the same; India remains the best performing economies in the world:** In the month of Aug'25, S&P Global Ratings raised its long-term unsolicited sovereign credit ratings on India to 'BBB' from 'BBB-', and its short-term ratings to 'A-2' from 'A-3'. India's domestic macro is on a very strong footing with inflation and twin deficit in control coupled with comfortable forex reserves of \$700 bn (11 months of import cover). S&P Global expects India's economy to sustain strong growth momentum over the next 3 years aided by sound economic fundamentals, with GDP growing 6.8% annually over the next 3 years, underpinned by public investment and consumer momentum. S&P expects effects of US tariffs on the Indian economy to be manageable. Exports to the US constitutes only 2% of GDP, while about 60% of India's economic growth stems from domestic consumption. Going forward, we are optimistic on optimum trade deal between India-US. Moreover, India's approach to diversify its exports by entering into agreements with various other countries is likely to bear fruits in medium to long term.
- **Troika of Rate Cut + GST Rationalization + Tax benefit likely to drive domestic consumption; Indian consumer's balance sheet is on a strong footing led by stellar rally in gold prices:** Since Dec'24, RBI has slashed repo rate by 100 bps to 5.5%. This, coupled with CRR cut of 100 bps to 3% in 4 equal tranches on 6th Sep'25, 4th Oct'25, 01st Nov'25 and 29th Nov'25, will foster credit growth which can eventually contribute to economic growth in the country. Indian families own more than ~25,000 tonnes of gold, making them the biggest private holders of gold globally and gold prices have appreciated by ~52% in the last one year to scale highs of Rs 1,20,000/10 gms. This is likely to create a wealth effect, acting as a confidence booster for Indian households and will further boost retail consumption. This, coupled with recent GST rationalization beginning 22nd Sep'25 and increase in tax free limit for income up to Rs 12 lakh/annum for tax payers, is likely to put more money in the hands of consumer.

- **Earnings growth likely to go back to double digit beginning Dec'25 qtr; Normalized inflation of 3-5% during FY27E is likely to be supportive of earnings growth:** During FY20-FY25 period, Nifty50 has reported EPS CAGR of 12.7% to Rs 1,074/share. Earnings growth started to weaken beginning Sept'24 quarter and during the last 4 quarters Adj. EPS for Nifty50 has reported muted growth of 8.2% YoY. We expect earnings growth to revive to low double digit beginning Dec'25 quarter and is likely to further accelerate in FY27E and FY28E. During YTD FY26E, inflation has been benign (Jul'25 CPI/WPI: 1.6%/-0.6) and as inflation returns to normal band of 2-6%, this will further aid the earnings growth.
- **Strong domestic liquidity to rescue incessant supply of paper and FIIs outflow:** FIIs have been in the sell mode and have withdrawn Rs 2.4 tn during the Nov'24-Sept'25 period and DIIs have supported the market with buying to the tune of Rs 6.6 tn. As of Mar'25 quarter, FIIs holding in the NSE500 is at a decadal low of 18.8%. Moreover, mainboard IPO market has been very buoyant with total money mobilized to the tune of Rs 1,62,517 cr in FY25 and Rs 51,327 cr till FY26 Aug'25 YTD. This supply of paper has been offset by robust liquidity at DIIs' end. Domestic liquidity continues to be robust with monthly gross MF SIP inflows hovering closer to life highs of ~Rs 28,000 cr+ and number of demat accounts crossing 20 cr mark. As SEBI tightens regulations on F&O front coupled with ban on real money gaming and low bank deposit rates, inflow in the cash market is likely to get a boost either directly or indirectly through MFs, Insurance, etc.
- **Valuation premium v/s MSCI EM has contracted:** When Nifty50 scaled life high in the month of Sept'24, Nifty50 PE multiple was trading at a premium of 72.2% to the MSCI EM and at a discount of -19.3% to the MSCI DM (ex Japan). The premium has now contracted to 46.0% and the discount has increased to -26.4%, thereby offering better risk-reward environment as compared to the year ago period. Nifty50 is trading at FY26E/FY27E PE multiple of 22.2x/19.2x respectively which is neither cheap nor expensive. Averages can hide many things and one should not get complacent looking at the average valuation multiples. Investors are recommended to deep dive to identify the good businesses having robust growth potential, reasonable valuations and capability to scrape through the current uncertain volatile business environment.
- **Opportunities galore with many new sectors opening up for investments:** With close to 70-90 companies getting listed annually, investors have a wider pool available for investment. Companies from the old economies as well as new economy are getting listed, viz, new age platform businesses, co-working spaces, B2B jewellery, PEB, industrial gases, precision engineering, consumption, etc. Investors are spoilt for choice to build the portfolios and need to have exposure towards right stock in the right sector.

During SAMVAT 2082, post consolidation of last 12 months, we expect Indian equities to shed its underperformer tag and is likely to deliver better returns backed by (a) 2-digit earnings growth in the backdrop of subdued crude oil prices; (b) likely optimum trade deal between US-India coupled with India diversifying its export basket; (c) shift of money flow from safe haven to EMs like India and (d) likelihood of further reforms by government to accelerate economic growth.

Going forward, we believe winners will emerge from the following pockets (1) Auto OEMs and Auto Anc., (2) Cement, (3) NBFCs particularly with focus on MSME, Housing, Gold, etc. (4) Capital market play like wealth managers and AMCs, (5) Select Banks, (6) EMS, (7) Recycling, (8) New age businesses, (9) Pharma - CDMO, (10) Structural Steel Tubes, (11) Office leasing (12) Hotels, (13) Hospitals, (14) Manufacturing (PEB, Defence, Aerospace Engineering, Railway Wagons, Power Equipment including BESS, Pharma ancillary etc), (15) Metals/Mining.

1

Trade Tension

Trade tensions persist as India is yet to finalize a bilateral trade agreement with the USA. Should there be an extended delay in reaching this trade deal, both Indian exports and the value of the USD-INR are likely to suffer significantly. Depreciation in USD-INR may further undermine FII sentiment, potentially leading to continued outflows from the equity market.

2

Delay in Earnings Recovery

Market participants will closely monitor the recovery of earnings growth. The government and regulatory bodies have already implemented measures necessary to stimulate consumption. The effects of the GST reduction are becoming evident in the initial auto sales figures during Navratri. With Diwali and the wedding season approaching, the third quarter of FY26 is anticipated to be strong. Market is likely to overlook the impending 2QFY26 earnings season and focus on the outlook and earnings recovery for 2HFY26. However, if the benefits of macroeconomic reforms do not translate into increased consumption, we may witness ongoing weakness in the equity markets.

3

Geopolitical Tension

The continuing conflict between Russia-Ukraine could lead to imposition of more sanctions on Russia and its trading partners leading to spike in crude oil, natural gas and fertilizer prices. India is highly dependent on imports of these 3 commodities and any further increase in tariffs or non-trade barriers from USA and EU could impact India's macro-economic stability. China continues to play hard-ball with respect to supply of critical components such as heavy rare earth magnets required in EV motors despite easing of tensions between the two countries. Raw material shortages could disrupt domestic supply chains and impact GDP growth.

4

Valuation Concerns

Despite underperformance in the last 1 year, Indian markets continue to trade at premium compared to global and emerging market peers. Should corporate earnings growth fall short of expectations, it could continue to keep the market subdued. FIIs could continue to prefer other emerging markets over India. The supply in the primary market is expected to continue unabated despite subdued secondary market conditions. Close to Rs 3 trillion equity issuance is in the pipeline which could keep inflows in the secondary market under pressure.

1

State Assembly Election Outcomes

The State Assembly election cycle will resume after a lull of 1 year with Bihar scheduled to go to polls in Nov'25 followed by elections in West Bengal, Assam, Tamil Nadu & Kerala in the summer of 2026. Market will keep an eye on the performance of the NDA in these elections given the populist measures taken by the government in the last 1 year (Income tax and GST rationalization, women centric schemes).

2

Global Trade – Tariffs & Agreements

Geopolitical trade challenges emanating out of the US tariffs will continue to remain in focus and keep global markets volatile. Likely impact of such tariffs will be watched out in the key economic data releases such as CPI, GDP growth, PPI, PMI, etc. of the nations. India is currently negotiating trade deals with multiple nations/blocs – USA, EU, GCC, Qatar, Oman, New Zealand, etc. Progress on these could be crucial for export facing sectors.

3

Global Central Bank Policies

Monetary Policies of global central banks, especially US, will continue to influence global markets particularly through their interest rate decisions. President Trump will be appointing a new Fed Reserve Chairman post retirement of Jerome Powell. In India, RBI is expected to keep neutral stance on monetary policy maintaining its focus on growth while keeping inflation within the targeted range.

4

Budget 2026

The Union Budget 2026-27 in Feb'26 will be keenly tracked for any major policy announcements and government's economic priorities for the year. The growth in the budgeted capex number will remain under focus. Besides the budget announcements, additional growth enhancing measures such as Semiconductor Mission 2.0, land & labour reforms will be keenly awaited.

CMP:	₹ 973
Target:	₹ 1,110
Upside:	14.0%

STOCK DATA	
Bloomberg Code	HDFCB IN
NSE Code	HDFC BANK
BSE Code	500180
Mcap (Rs cr)	14,95,579
52 Week High/Low (Rs)	1,018/806
Avg. Del. Volume in lakh (3M/12M)	76.5/87.3

Rs cr	FY24A	FY25A	FY26E	FY27E
Adv. (Rs bn)	24,849	26,196	28,999	32,624
NII	1,08,530	1,22,670	1,30,740	1,57,070
PPOP	94,390	1,00,130	1,18,140	1,32,260
PAT	60,810	67,350	72,140	87,160
EPS (Rs)	45.2	46.4	50.5	55.1
BVPS (Rs)	289.8	327.6	359.9	402.5
P/E (x)	21.5	21.0	19.3	17.7
P/BV (x)	3.4	3.0	2.7	2.4
GNPA (%)	1.2	1.3	1.4	1.4
NNPA (%)	0.3	0.4	0.4	0.4
RoA (%)	2.0	1.7	1.8	1.8
RoE (%)	17.2	14.5	13.8	14.4

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

HDFC Bank Ltd (HDFC) is one of India's leading private sector banks, established in 1994. As of Jun'25, HDFC Bank has a banking network of 9,499 branches with a customer base of 9.8 cr. The Bank is emerging from a period of strategic balance sheet adjustment post-merger, with its growth engines now being re-accelerated. As of June 2025, deposits stood at Rs 26.5 tn, advances at Rs 27.4 tn, and the CASA ratio at 34.0%.

Investment rationale:

Loan growth set to accelerate: Bank intentionally slowed down its loan growth to 5.4% YoY in FY25 as part of a strategic recalibration to optimise its credit-to-deposit ratio. This deliberate slowdown has enabled the bank to strengthen its liability base and enhance operational efficiency, setting the stage for a stronger growth phase ahead. Management's guidance suggests loan growth recovery to 10% in FY26E and 13% in FY27E, outpacing industry averages from FY27E onwards, driven by Corporate and Retail Banking (CRB), technology-enabled sourcing, and branch expansion.

Robust deposit growth and improving liability profile: Deposits grew 14% YoY in FY25 and 16% YoY in 1QFY26. Granular, high-quality deposits are replacing bulk funding, improving the bank's liability profile. CASA ratios, though lower, are expected to stabilise with targeted initiatives in retail deposits. The CD ratio is projected to moderate going ahead, resulting in a more balanced funding structure.

Margin recovery supported by rebalancing: Margin pressure from policy rate cuts is expected in the near term, but rebalancing toward retail assets and granular deposits should drive NIM recovery by FY27E. This will be supported by easing funding costs and a more favourable asset mix.

Best-in-class asset quality and controlled credit costs: HDFC Bank maintains one of the strongest asset quality profiles in the sector, with GNPA/NNPA at 1.4%/0.5% as of Jun'25. Disciplined underwriting and prudent deployment of stake sale gains are expected to keep credit costs low at ~50bps.

Valuation: For FY25-FY27E, we expect NII/PPOP/PAT to grow at a CAGR of 13%/15%/13% to Rs 1.5 tn/Rs 1.3 tn/Rs 0.8 tn respectively. At CMP of Rs 973, the stock is trading at a P/BV multiple of 2.7x/2.4x of its FY26E/FY27E book value estimates respectively. The stock is presently trading below its 10-year average P/BV multiple of 3.8x; we expect the stock to rerate as the bank is back on the growth path.

Key risks: Slower-than-expected loan growth; Slower accretion in the deposit book can drag the CD ratio.

CMP:	₹ 3,511
Target:	₹ 3,975
Upside:	13.2%

STOCK DATA	
Bloomberg Code	TVSL IN
NSE Code	TVSMOTOR
BSE Code	532343
Mcap (Rs cr)	1,66,798
52 Week High/Low (Rs)	3,606/2,179
Avg. Del. Volume in lakh (3M/12M)	5.2/4.6

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	31,776	36,251	42,375	48,051
EBITDA	3,514	4,454	5,421	6,404
OPM (%)	11.1	12.3	12.8	13.3
PAT	1,972	2,703	3,401	4,093
EPS (Rs)	41.5	56.9	71.8	86.2
P/E (x)	84.6	61.7	48.9	40.7
P/BV (x)	21.6	16.8	13.1	10.3
RoE (%)	25.5	27.2	29.3	27.9

Standalone

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

TVS Motor Company Ltd (TVSM) is India's 3rd largest two-wheeler OEM with a retail market share of 18-19% in the domestic market. Its popular models include Jupiter, Ntorq and iQube in the scooter segment and Raider, Ronin and Apache in the motorcycle segment. TVSM is also India's 2nd largest exporter of two-wheelers after Bajaj Auto. The company is also gaining market share in the three-wheeler industry across both ICE and EV segments.

Investment rationale:

GST 2.0 to drive growth in the 2W Industry: The overall domestic 2W industry is expected to have a robust 2HFY26 with GST rate rationalization from 28% to 18% for two-wheelers upto 350cc engine capacity reviving demand in the entry level motorcycle segment which also has an additional tailwind in the form of improved rural sentiment following good monsoon. Bookings and enquiries have picked up significantly across dealerships and the growth momentum is expected to sustain in the coming months. 100 bps cumulative interest rate reduction alongwith easing of banking system liquidity through reduction in CRR bodes well for two-wheeler financing.

Healthy monsoon to drive improvement in rural sales: The monsoon this year has been robust with the Southern Peninsula receiving 8% above average rainfall. Healthy water levels in reservoirs across the country are also likely to boost Rabi output resulting in significant boost to rural incomes. TVSM has a significant market share in the rural market especially in South India and is expected to be key beneficiary of the uptick in rural consumer spending.

Strong export momentum: TVSM is focusing on the Latin American market where the company has been a late entrant, however is gaining share now through its robust product portfolio and distribution expansion. The Africa market is also showing signs of recovery besides Sri Lanka in South Asia. The company will also unveil the premium range of motorcycles under the Norton brand which will further boost exports to Europe.

Three-Wheeler segment – New growth opportunity: TVSM's market share in the domestic 3W market has doubled in the last 12 months from 2.1% in Aug'24 to 4.3% in Aug'25 as per the Vahan registration data. Its passenger electric 3W market share has risen swiftly from 2.6% in Feb'25 to 12.3% in Aug'25 on back of new launches and distribution expansion.

Valuation: At CMP of Rs 3,511, the stock is trading at FY26E/FY27E P/E of 48.9x/40.7x respectively on standalone earnings. GST 2.0 will act as a key catalyst for volume growth in the next 12 months. Operating leverage benefits from higher capacity utilization will help maintain/improve margins.

Key Risks: Supply chain challenges – Rare earth magnet shortage to impact EV volumes; Higher competitive intensity could impact margins

CMP:	₹ 7,662
Target:	₹ 8,675
Upside:	13.2%

STOCK DATA	
Bloomberg Code	APHS IN
NSE Code	APOLLOHOSP
BSE Code	508869
Mcap (Rs cr)	1,10,168
52 Week High/Low (Rs)	7,980/6,001
Avg. Del. Volume in lakh (3M/12M)	2.7/2.4

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	19,059	21,794	25,455	30,525
EBITDA	2,391	3,033	3,784	4,656
OPM (%)	12.5	13.9	14.9	15.3
PAT	899	1,446	1,919	2,462
EPS (Rs)	62.5	100.6	133.7	171.4
P/E (x)	122.6	76.2	57.4	44.7
EV/EBITDA (x)	47.0	37.6	29.9	24.1
RoE (%)	13.7	19.1	20.7	21.9

Source: Company, NSE, Bloomberg, SSL Research

Note: CMP as of 6th Oct'25 closing

Apollo Hospitals Enterprise Ltd (Apollo) is one of the world's largest integrated healthcare platform, operating over 10,000+ beds across 73 hospitals as of Jun'25. The company also operates a network of 6,700+ pharmacies, 280+ clinics and 2,200+ diagnostic centers as of Jun'25. Apollo's integrated healthcare offerings include diagnostic, primary & specialty care services through Apollo Health & Lifestyle Ltd (AHLL) and pharmacy & remote comprehensive healthcare services through Apollo HealthCo Ltd. (AHCL).

Investment rationale:

Robust expansion plans in the Hospitals business: As of Jun'25, Apollo owned a network of 73 hospitals and 8,000+ operational census beds. The company is on-track for commissioning 1,937 beds during FY26 and expects these new beds to contribute ~Rs 1,000 cr to FY27 revenue. Further, the company has also set an ambitious bed addition target of 2,435 beds (ex-FY26 bed additions) over the next 3-4 years with capital outlay of ~Rs 4,438 cr (sourced primarily through internal accruals); taking the total owned operational census bed capacity to 11,602 beds.

Margin expansion in Apollo HealthCo (AHCL): Apollo HealthCo Ltd reported its 4th consecutive quarter of profitability during 1QFY26 after achieving break even in 2QFY25. Apollo 24/7, the digital platform which accounted for 11.9% of AHCL's FY25 revenue, added 20 lakh customers and is expected to achieve cash break even in late 3QFY26 or early 4QFY26. Going forward, the company expects to maintain Gross Merchandise Value (GMV) growth of 25% to 30% in FY26 with GMV conversion ratio improving from ~37% in FY25 to ~45% in FY26. Further, EBITDA margin (ex-Apollo 24/7) is expected to be in the range of 17% to 18% in FY26 vs ~7% in FY25; driven by scaling up in the insurance vertical, app monetization initiatives, etc.

Demerger of Apollo HealthCo to unlock value: The company on 30th June 2025, approved a composite scheme of arrangement wherein the company will demerge its digital health and pharmacy distribution arm "Apollo HealthCo Ltd" into a new listed entity "Apollo Healthtech Ltd". Additionally, Keimed Pvt Ltd which is one of the largest pharmaceutical wholesaler in India will be amalgamated with Apollo Healthtech Ltd. The new entity will be one of India's largest omni-channel pharmacy distribution and digital health platform. On a merged basis, the entity is expected to clock in revenue of Rs 25,00 cr and EBITDA margin of ~7% by FY27.

Reasonable valuation: At CMP of 7,662, the stock trades at FY26E/FY27E EV/EBITDA multiple of 29.9x/24.1x respectively. The company is expected to deliver Revenue/EBITDA/PAT CAGR of 18.3%/23.9%/30.5% respectively between FY25-FY27 driven by i) sustained momentum in the core hospital business, ii) increased contribution from newer capacities, iii) increasing traction in AHLL helping margins, iv) break-even in Apollo 24/7 (Apollo HealthCo) helping overall margins, and v) demerger of Apollo HealthCo unlocking value for investors.

Key Risks: Delay in launch of incremental beds; Changes in regulatory environment; Failure to attract and retain top doctors & talent; Damage to brand or reputation.

CMP:	₹ 758
Target:	₹ 875
Upside:	15.4%

STOCK DATA	
Bloomberg Code	INBK IN
NSE Code	INDIANB
BSE Code	532814
Mcap (Rs cr)	1,02,107
52 Week High/Low (Rs)	760/474
Avg. Del. Volume in lakh (3M/12M)	0.8/0.8

Rs cr	FY24A	FY25A	FY26E	FY27E
Adv. (Rs bn)	5,149	5,711	6,396	7,164
NII	23,274	25,176	27,545	30,020
PPOP	16,840	18,998	20,983	23,220
PAT	8,063	10,918	12,106	13,347
EPS (Rs)	59.7	80.9	89.7	98.9
BVPS (Rs)	432.5	513.4	603.1	701.9
P/E (x)	12.7	9.4	8.5	7.7
P/BV (x)	1.8	1.5	1.3	1.1
GNPA (%)	4.0	3.1	2.5	2.4
NNPA (%)	0.4	0.2	0.2	0.2
RoA (%)	2.0	1.3	1.3	1.3
RoE (%)	27.6	17.1	16.1	15.2

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Indian Bank (INDIANB) is among India's leading public sector banks. It became the sixth-largest PSB in terms of Advances, with a total business of Rs 13.45 tn as of June 2025. It operates 5,909 branches, including rural (1,993), semi-urban (1,560), urban (1,185), and metro (1,171) centres, with 5,466 ATMs/BNAs and 15,080 business correspondents. GoI holds a 73.84% stake. With Mr. Binod Kumar as MD & CEO from Jan 2025, Indian Bank is focusing on retail and RAM (Retail, Agri & MSME) -led growth. As of June 2025, deposits stood at Rs 7.4 tn, advances at Rs 6.0 tn, and the CASA ratio at 38.9%.

Investment rationale:

Stable growth anchored by RAM: Loan growth is expected to be driven by the RAM segment (~65% of book). Retail mortgages, agriculture loans, and MSMEs are expected to show strong traction, while corporate lending is expected to remain selective. Over FY25–27E period, loans are expected to grow at a 10% CAGR, supported by granular RAM growth and steady demand in retail and Agri lending.

Balanced deposit growth: Deposit growth is expected to remain healthy while keeping the CD ratio below 80%. CASA remains a structural challenge, with flows shifting to term deposits. Initiatives like salary accounts, QR-based payments, and targeted mobilisation aim to defend CASA. We expect ~9% CAGR in deposits over FY25–27E period.

Margins to stabilise going ahead: In the total MCLR book, almost 81% of loans are linked to 1-year MCLR, which is expected to provide yield protection. 2QFY26 is expected to witness some modest NIM contraction aided by bulk deposit price correction. RAM expansion is expected to support blended yields, while selective corporate growth will avoid yield dilution. NIM is expected to stabilise by 3QFY26.

Strong asset quality and well-capitalised: As of Jun'25, GNPA stood at 3.0% and NNPA at 0.2%. Slippages are guided below 1% of loans, supported by strong recoveries, with Rs 2,060 cr recovered in 1QFY26 in line with a target guidance of Rs 5,500–6,500 cr for FY26E. PCR stands at 94% (98% incl. write-offs). CET-1 at 15.3% and CAR at 17.8% provide ample capital for growth and contingencies.

Valuation: For FY25-FY27E, we expect NII/PPOP/PAT to grow at a CAGR of 9%/10% /10% to Rs 300 bn/Rs 232.2 bn/Rs 133.4 bn, respectively. At CMP of Rs 758, the bank is trading at a P/BV multiple of 1.3x/1.1x of its FY26E/FY27E book value estimates, respectively.

Key risks: Slower-than-expected CASA recovery; NIM compression from a prolonged rate cut cycle; Higher slippages in stressed sectors.

CMP:	₹ 138
Target:	₹ 170
Upside:	23.2%

STOCK DATA	
Bloomberg Code	AL IN
NSE Code	ASHOKLEY
BSE Code	500477
Mcap (Rs cr)	80,924
52 Week High/Low (Rs)	144/95
Avg. Del. Volume in lakh (3M/12M)	68.5/43.0

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	38,367	38,753	41,635	45,239
EBITDA	4,607	4,931	5,351	5,957
OPM (%)	12.0	12.7	12.9	13.2
PAT	2,632	3,194	3,505	3,944
EPS (Rs)	4.5	5.4	6.0	6.7
P/E (x)	30.8	25.4	23.0	20.5
P/BV (x)	9.2	7.0	6.3	5.5
RoE (%)	29.9	27.7	28.3	27.7

Standalone

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Ashok Leyland Ltd (ALL) is the 2nd largest manufacturer of commercial vehicles in India. Its product portfolio consists of light, medium and heavy commercial vehicles such as trucks and buses. It also exports its products to over 50 countries including South Asia, Africa and Middle East.

Investment rationale:

Signs of recovery in the domestic CV industry: The domestic CV industry is showing signs of recovery with pickup in execution of major infrastructure and mining projects across the country as well as revival in the logistics sector. The company expects healthy sales momentum in 2HFY26 supported also by the GST rate rationalization on CVs to 18% from 28%. The truck replacement cycle in India is overstretched at 10-10.5 years currently vs historical average of 7-7.5 years. The GST rate cut, interest rate cut and overall increase in demand for goods transportation is likely to trigger an upcycle in the CV industry from 2HFY26.

Strong growth momentum in Bus segment: ALL is witnessing healthy demand in the bus segment and expects the strong demand momentum to continue in 2HFY26 and FY27. It has a market share of ~38% in the domestic bus industry. State Transport Undertakings are coming out with tenders for inter city buses and company expects to grab a substantial share of the business. The greenfield facility in Andhra Pradesh is being ramped up while the greenfield unit at Lucknow will come onstream by 3QFY26. Company is also evaluating expanding its current facilities at Alwar & Trichy to cater to the increasing demand for fully assembled buses. Management aims to scale the total capacity from 900 buses per month currently to 1,600 per month.

Switch Mobility India close to achieving breakeven: The electric vehicle business of ALL is exhibiting strong growth with Switch India turning PBT positive in 1QFY26 after posting EBITDA profit in FY25. It remains on course to breakeven at the PAT level in FY26. The order book of more than 1,500 electric buses will be executed over the next 12-18 months. The redundancy elimination process at Switch UK is progressing well and is likely to conclude by early 3QFY26.

Steady margin improvement: ALL's standalone margin profile has been on a steady improvement led by cost efficiencies, lower steel prices, favourable product mix and higher average selling price led by pricing discipline. The company has halved the breakeven volume required for profitability through several measures over the last few years. Higher share of Tippers and Multi Axle Vehicles which are margin accretive should drive further margin improvement as witnessed during 1QFY26.

Valuation: At CMP of Rs 138, the stock trades at FY26E/FY27E P/E of 23.0x/20.5x respectively on standalone earnings.

Key Risks: Increase in competitive intensity with respect to product pricing; Slowdown in government capex; Poor response to new product launches.

CMP:	₹ 623
Target:	₹ 720
Upside:	15.5%

STOCK DATA	
Bloomberg Code	JUBI IN
NSE Code	JUBLFOOD
BSE Code	533155
Mcap (Rs cr)	41,131
52 Week High/Low (Rs)	797/558
Avg. Del. Volume in lakh (3M/12M)	7.1/8.3

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	5,655	8,142	9,179	10,485
EBITDA	1,144	1,572	1,849	2,104
OPM (%)	20.2	19.3	20.1	20.1
PAT	400	217	365	529
EPS (Rs)	6.1	3.3	5.5	8.0
P/E (x)	102.8	189.4	112.8	77.8
EV/EBITDA (x)	37.1	27.0	22.9	19.9
EV/Sales (x)	7.5	5.2	4.6	4.0
RoE (%)	19.0	10.2	16.3	20.8

Source: Company, NSE, Bloomberg, SSL Research

Note: CMP as of 6th Oct 2025

Jubilant FoodWorks Ltd (JFL), part of the Jubilant Bhartia Group, is one of the largest food service companies in India. Its Group network comprises of 3,387 stores across six markets – India, Turkey, Bangladesh, Sri Lanka, Azerbaijan and Georgia. The Group has a strong portfolio of brands in emerging markets with franchise rights for three global brands - Domino's, Popeyes and Dunkin' – and two own-brands, Hong's Kitchen, an Indo-Chinese QSR brand in India, and a CAFÉ brand - COFFY in Turkey.

Investment rationale:

Operating leverage benefits to aid margins in medium-term: The company expects 200 bps improvement in its standalone margins by FY28 driven by gradual improvement in its newer brands and operating efficiencies through decentralized leadership team, technology integration and supply chain.

Consistent growth in Delivery channel: JFL's Delivery revenue is growing consistently in double-digits from last 6 quarters aided by its multiple efforts such as delivering value to customers, menu innovation, delivery within 20 minutes and waiving off delivery charges. The Delivery channel revenue grew 24.6% YoY in 1QFY26 driven by strong order led growth which saw a rise of 25.7% YoY. Domino's delivery LFL (like-for-like) growth was at 20.1%. Delivery channel mix was 72.9% in 1QFY26.

Initiatives to revive Dine-in sales channel: The company's Dine-in revenues have been sluggish from last 2 quarters. The recent 1QFY26 Dine-in revenue growth was 2.5% YoY majorly driven by lunch hour meals. In order to revive its Dine-in revenues, the company has started with value offerings during lunch time to bring back store traffic. On the innovation side, it has launched chicken wings, volcano pizza, etc. in FY25 and has recently launched Big Bharti Pizza with 6 flavours in one pizza. The company is actively working to shape demand towards dining (which is P&L accretive) and expects this growth to increase to 5-6%.

Beneficiary of GST 2.0: The recent GST rate rationalization is expected to stimulate consumption and drive discretionary spending on F&B which can benefit QSR players. JFL will also benefit through reduced input cost on key materials such as pizza bread, cheese, butter, etc. which have been moved from 12% to 5%. The cost savings are likely to enhance JFL's competitive pricing resulting in increased demand and LFL growth.

Valuation: At CMP of Rs 623, the stock trades at FY26E/FY27E EV/Sales of 4.6x/4.0x respectively.

Key Risks: Increase in commodity prices; Moderation in LFL growth of Domino's India business; Rise in competition; Continued consumption slowdown

CMP:	₹ 217
Target:	₹ 260
Upside:	19.7%

STOCK DATA	
Bloomberg Code	NACL IN
NSE Code	NATIONALUM
BSE Code	532234
Mcap (Rs cr)	39,882
52 Week High/Low (Rs)	263/138
Avg. Del. Volume in lakh (3M/12M)	36.5/45.0

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	13,149	16,788	14,941	16,191
EBITDA	2,801	7,508	5,407	5,709
OPM (%)	21.3	44.7	36.2	35.3
PAT	1,681	5,267	3,778	3,956
EPS (Rs)	10.8	28.7	20.5	22.2
P/E (x)	20.0	7.6	10.6	9.8
EV/EBITDA (x)	12.3	4.6	6.5	6.1
RoE (%)	11.7	29.6	18.8	18.0

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

National Aluminium Company Limited (NALCO) is a Scheduled 'A' Navratna CPSE established on 7th January 1981, having its registered office at Bhubaneswar. It is one of the largest integrated Bauxite, Alumina, Aluminium and Power complexes in India. The company has been operating its captive Panchpatmali Bauxite Mines for the pit head Alumina refinery at Damanjodi, in the district of Koraput in Odisha and Aluminium Smelter, Captive Power Plant (CPP) & Captive Coal Mines at Angul.

Investment rationale:

Fully integrated aluminium producer: NALCO is a fully integrated aluminium producer encompassing mining ore to metal. Due to its integrated operations, the company is the lowest-cost producer of bauxite and alumina globally. Capacities for respective segment are as follows: (a) **Bauxite mining:** 68,25,000 TPA (North & Central Block) & 31,50,000 TPA (South Block), (b) **Alumina production:** 21,00,000 TPA, (c) **Aluminium metal production (smelter plant):** 4,60,000 TPA, (d) **Captive power plant:** 1,200 MW, (e) **Utkal D & E coal blocks:** 40,00,000 TPA, and (f) **Wind power:** 198 MW.

1 MTPA Alumina refinery expansion: The company is in the process of setting up a 5th stream in its existing Alumina refinery, which shall add 1 MTPA to its existing installed capacity of 2.1 MTPA to 3.1 MTPA. Till 30th Jun'25, about 75% of physical progress has been completed and the trial run is likely to commence from Jan'26, followed by commencement of production from Apr'26.

FY26 coal sourcing: The total coal requirement for the captive power plant is around 7.2 MTPA. For FY26, the company is targeting to produce around 4 MTPA from Utkal D & E coal blocks (2 MTPA each) vs production of 2.7 MTPA in FY25. The rest of the coal requirement will be met through coal linkages from Coal India Ltd (CIL). The difference between CIL and own mined coal cost is ~Rs 300-400/t.

FY26 Alumina Sales and Cost of Production (CoP) guidance: For FY26, the company targets to produce 22,50,000 tonnes of Alumina with a sales target of 12,75,000 tons, of which 12,30,000 tons are planned for exports. Additionally, the company's current alumina cost of production (as of 1QFY26) is between Rs 20,000/t – Rs 21,000/t of which ~60% constitutes variable cost. Going forward, the company expects CoP to reduce further on back of improvement in operational performance.

Reasonable valuation: At CMP of Rs 217, the stock is trading at FY26E/FY27E EV/EBITDA multiple of 6.5x/6.1x respectively.

Key Risks: Regulatory challenges; Increased competition from private players; Lower LME Aluminium prices.

CMP:	₹ 1,198
Target:	₹ 1,380
Upside:	15.2%

STOCK DATA	
Bloomberg Code	NSDL IN
NSE Code	-
BSE Code	544467
Mcap (Rs cr)	23,990
52 Week High/Low (Rs)	1,425/880
Avg. Del. Volume in lakh (3M)	17.9

Rs cr	FY24A	FY25A	FY26E	FY27E
Revenue	1,268	1,420	1,379	1,557
EBITDA	285	375	393	465
OPM (%)	22.5	26.4	28.5	29.9
PAT	277	340	382	439
EPS (Rs)	13.8	17.0	19.1	22.0
BVPS (Rs)	84.0	100.0	117.2	137.0
P/E (x)	86.8	70.5	62.7	54.6
RoE (%)	17.8	18.5	17.0	17.1

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

National Securities Depository Ltd. (NSDL) is a SEBI-registered market infrastructure institution and a critical enabler of India's capital markets, offering secure and efficient depository services to investors, issuers, and intermediaries. As of Jun'25, NSDL serviced 99.99% of foreign portfolio investor (FPI) assets in dematerialised form, reflecting its dominance in the institutional segment. With an 86.6% share of total demat value and presence across 99.3% of India's pin codes and 194 countries, NSDL demonstrates both depth and reach. Though it holds 33.9% share in the number of depository participants (DPs), it commands a stronger 77.6% share in DP centres, reflecting a high-quality and widely distributed participant network.

Investment rationale:

First and leading depository of India: NSDL is India's first and largest depository in terms of the number of issuers, active investors, demat value of settlements, and value of assets under custody as of Jun'25. Demat account (net to A/c) market share on a run rate basis for 1QFY26 stood at 15.5% vs 1QFY25 market share at 9.4%. It has crossed 4 crore accounts as of 30 June 2025.

Leadership in unlisted market: Market share increased in the unlisted market as the number of companies admitted in 1QFY26 stood at 10,392, with an overall market share of 73.2% (equity) compared with 1QFY25 at 70.8%.

Technology & Innovation: Its scalable and interoperable technology backbone ensures real-time settlement processing, enhanced transparency, and improved user experience. Continuous tech upgrades and automation have enabled faster onboarding, efficient KYC management, and seamless integration with intermediaries and exchanges.

Strong subsidiary performance: NSDL has built complementary verticals through its subsidiaries. NSDL Database Management Ltd (NDML) operates as a tech-driven services provider, supporting ~1,728 SEBI-registered intermediaries and managing ~1.9 crore KYC records through its Central KYC Registry (CKYCR) licence. Meanwhile, NSDL Payments Bank Ltd (NPBL) delivers digital financial products, including prepaid cards, DAP-linked accounts, and payment solutions to corporate and government clients under a B2B2C model.

Valuation: For FY25–FY27E, we expect Revenue/PAT to grow at a CAGR of 5%/14% to Rs 1,557 cr/Rs 439 cr, respectively. At CMP of Rs 1,198, the stock is trading at a P/E multiple of 62.7x/54.6x of its FY26E/FY27E, respectively. NSDL is one of the proxy plays on the likely revival in the market sentiment over the next 3-6 months.

Key risks: Prolonged weak capital market sentiment; Potential drag from the payments bank subsidiary.

CMP:	₹ 1,719
Target:	₹ 2,105
Upside:	22.5%

STOCK DATA	
Bloomberg Code	AZAD IN
NSE Code	AZAD
BSE Code	544061
Mcap (Rs cr)	11,101
52 Week High/Low (Rs)	1,930/1,159
Avg. Del. Volume in lakh (3M/12M)	1.1/1.3

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	341	453	613	832
EBITDA	117	161	221	301
OPM (%)	34.2	35.5	36.0	36.2
PAT	59	89	124	180
EPS (Rs)	9.1	13.7	21.8	31.0
P/E (x)	189.6	125.4	78.7	55.5
P/BV (x)	17.2	7.9	6.6	5.9
RoE (%)	13.8	8.6	9.1	10.9

Source: Company, NSE, Bloomberg, SSL Research

Note: CMP as of 6th Oct 2025 closing

Azad Engineering Ltd (AEL) is a leading manufacturer of world class, complex and mission critical equipment for Aerospace, Defence, Energy, Oil & Gas sector, etc. The products include 3D rotating airfoil portions of turbine engines and other critical products for defence and civil aircrafts, spaceships, defence missiles, nuclear power, hydrogen, gas power, oil and thermal power, etc.

Investment rationale:

Leading player in aerospace and defence; Marquee clients: The company has over 15 years of experience as a tier-I supplier of high-precision, precision forged and machined components for aerospace, energy and defence. It supplies products like Aero Engine Assembly, Auxiliary Power Unit, Air Generation & Valve Assembly, Actuator & Hydraulic Systems and Airframes & Booster, etc. which are used in Business, Commercial, Defence, Training Aircrafts, Helicopters and Defence & Missile manufacturing. The company's products are exported to 12 countries with export constituting 92% of FY25 revenue. The company has diversified marquee clients across segments. In Aerospace, it serves Honeywell, General Electric and Eaton Aerospace. In energy, it has clients like General Electric, Siemens Energy, Mitsubishi, MAN, Honeywell, etc.

Global Competitiveness: The company continues to strengthen its global competitiveness, leveraging a significant cost advantage of 20–25% over China, Japan and other close competitors. It is the only Indian firm accredited by EDF as an approved global supplier for nuclear power components, underscoring its credibility in high-stakes industries. In the defence sector, the company is making history by manufacturing advanced gas turbine engine for DRDO, with two engines scheduled for delivery in FY26.

Strong order book; scaling up manufacturing backed by large TAM: The current order book is approximately Rs 6,600 cr which is 14.5x of its FY25 consolidated revenue thus providing a solid revenue visibility for long term. The aerospace and defence TAM (Total Addressable Market) size is expected to touch Rs 2,190 bn while energy and Oil & Gas are expected to reach Rs 310 bn and Rs 930 bn respectively. As part of this expansion, eight dedicated lean manufacturing facilities are planned, with two already inaugurated between Mar'25 and Apr'25. The remaining facilities are expected to become operational within the next 12 to 18 months.

Valuation: For FY25-FY27E, Revenue/EBITDA/PAT are expected to grow at a CAGR of 35.5%/36.7%/42.7% respectively to Rs 832 cr/ Rs 301 cr/ Rs 180 cr respectively. At CMP of Rs 1,719, the stock is trading at a PE multiple of 78.7x/55.5x of its FY26E/FY27E earnings respectively.

Key Risks: Long execution time line; Risk of losing key clients; Exposed to global uncertainties; Long product approval process.

CMP:	₹ 775
Target:	₹ 970
Upside:	25.2%

STOCK DATA	
Bloomberg Code	OSWALPUM IN
NSE Code	OSWALPUMPS
BSE Code	544418
Mcap (Rs cr)	8,832
52 Week High/Low (Rs)	888/614
Avg. Del. Volume in lakh (3M/12M)	3.6/6.2

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	759	1,430	2,040	2,693
EBITDA	150	420	560	742
OPM (%)	19.8	29.4	27.5	27.6
PAT	98	281	372	483
EPS (Rs)	9.8	28.2	37.4	48.5
P/E (x)	78.9	27.5	20.7	16.0
P/BV (x)	43.0	16.7	10.1	6.7
RoE (%)	75.6	87.5	60.8	50.6

Source: Company, NSE, Bloomberg, SSL Research

Note: CMP as of 6th Oct 2025closing

Oswal Pumps Ltd is a vertically integrated solar pump manufacturer in India. The company manufactures solar-powered and grid-connected submersible and monoblock pumps, electric motors comprising induction and submersible motors as well as solar modules.

Investment rationale:

Vertically integrated business model with over 2 decades of experience: The company has end-to-end pump manufacturing capabilities, encompassing manufacturing components of monoblock and submersible pumps. Over the years, the company has undertaken extensive backward integration initiatives, enabling it to produce several critical components of pumps and motors and undertake various processes in-house which provides a competitive advantage over others.

One of the largest suppliers of solar powered agricultural pumps under the PM Kusun Scheme: It started supplying solar powered agricultural pumps to Turnkey Solar Pumping System providers. After its direct entry into PM-KUSUM in 2021, the company emerged as one of the largest suppliers of solar powered agricultural pumps under the scheme with total installation of 45,545 systems till Apr'25.

Strong addressable market: India's Agriculture, Industrial and Residential pump market has strong growth tailwinds. The overall pump market is expected to grow at a CAGR of 9.7% to USD 7 bn. The solar pump market size is expected to touch USD 3.2 bn by FY30 from current USD 1.9 bn as of FY25. Additionally, replacement of diesel pumps could constitute a potential USD 14.5 bn market opportunity for solar pumps, while the untapped addressable market – servicing farmers currently without pumps is estimated at USD 29.1 bn.

Strong presence in major agricultural states in India: It has a strong presence in North India particularly in the major agricultural states such as Haryana, Maharashtra, UP, Rajasthan, Chhattisgarh and Punjab. It has 925 distributors in India with long standing relationship. Under the PM Kusun Scheme, 1.22 million Turnkey Solar Pumping Systems have been sanctioned across India. However, only 0.77 million have been installed leaving further headroom for growth.

Guidance: The management has guided for 50%-60% growth in FY26 revenue (~Rs 2,500 cr) and medium-term growth aspiration is 30-35% in revenue. The EBITDA margin is anticipated to be between 27% to 29% along with net margin of 18% to 20%.

Valuation: For FY25-FY27E, Revenue/EBITDA/PAT are expected to grow at a CAGR of 37.2%/32.9%/31.1% respectively to Rs 2,693 cr/ Rs 742 cr/ Rs 483 cr respectively. At CMP of Rs 775, the stock is trading at a PE multiple of 20.7x/16.0x of its FY26E/FY27E earnings respectively.

Key Risks: High dependence on government scheme and subsidy; Backward integration may elevate capital requirement; High geographical and customer concentration risks; Risk of high raw material prices.

CMP:	₹ 1,118
Target:	₹ 1,355
Upside:	21.2%

STOCK DATA	
Bloomberg Code	SUBR IN
NSE Code	SUBROS
BSE Code	517168
Mcap (Rs cr)	7,296
52 Week High/Low (Rs)	1,212/502
Avg. Del. Volume in lakh (3M/12M)	0.7/0.5

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	3,071	3,368	3,742	4,241
EBITDA	255	323	450	503
OPM (%)	8.3	9.6	12.0	11.9
PAT	96	148	239	278
EPS (Rs)	14.7	22.7	29.4	36.7
P/E (x)	75.9	49.3	38.0	30.5
P/BV (x)	7.6	6.7	5.5	4.7
RoE (%)	10.0	13.5	17.3	17.5

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Subros Ltd. (SL) is engaged in the manufacturing of air conditioning systems and components for Passenger Vehicles, Commercial Vehicles such as Trucks and Buses as well as Railways. It has a technical collaboration with Denso Corporation. Both Denso Corp and Suzuki Motor (parent of Maruti Suzuki India) hold 20%/12% stake in Subros respectively. Maruti Suzuki India Ltd (MSIL) is the primary customer for Subros.

Investment rationale:

GST rationalization to drive volume growth: The GST council rationalized the GST rate on entry level cars from 28% to 18% which is expected to boost volumes of SL's main client Maruti Suzuki India Ltd. SL has a high share of business across all the major models of MSIL and will directly benefit from the increase in demand and Subros also derives significant business from M&M in the passenger vehicle segment which has been consistently outperforming the industry. MSIL witnessed ~3 lakh unit bookings during the 10 day Navratri and Dussehra period while the retail sales for M&M were up 60% YoY during the same period.

Industry leading market share : Subros commands a market share of 42%/44% in the domestic PV/CV industry for AC systems. It has also established its presence in the electric vehicle segment by becoming a primary supplier for M&M's BEV models as well as the recently launched E-Vitara from MSIL. The content per vehicle in EV/Hybrid vehicles is higher than conventional ICE vehicles by ~20-30% which will further boost the content per vehicle and value market share for Subros.

Mandatory AC cabin norms in CVs to drive AC adoption: Subros posted a 34% YoY growth in revenue from the CV segment in 1QFY26 with the implementation of the mandatory AC cabin norms in trucks from Jun'25 being the key growth driver. Key customers include leading CV OEMs such as Ashok Leyland, Tata Motors, SML Isuzu, Mahindra Trucks & Buses and Daimler. The recent GST cut on trucks and buses from 28% to 18% along with the higher than normal replacement cycle is expected to drive improvement in CV volumes from 2HFY26. Subros is also engaging with existing customers in the bus segment and participating in the tenders for EV buses for incremental orders.

Decent valuation: At CMP of Rs 1,118, the stock trades at 38.0x/30.5x FY26E/FY27E consensus Bloomberg earnings estimates. The upcycle in the PV/CV industry volumes on back of the recently announced GST rate cuts along with the supportive monetary policy is likely to drive growth for Subros Ltd.

Key Risks: Volatility in raw material and forex costs; Lesser than expected performance of newly launched models of client OEMs; Supply chain dislocation

CMP:	₹ 1,163
Target:	₹ 1,415
Upside:	21.7%

STOCK DATA	
Bloomberg Code	IMFA IN
NSE Code	IMFA
BSE Code	533047
Mcap (Rs cr)	6,277
52 Week High/Low (Rs)	1,197/551
Avg. Del. Volume in lakh (3M/12M)	0.6/0.7

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	2,780	2,565	2,910	3,228
EBITDA	587	531	703	774
OPM (%)	21.1	20.7	24.1	24.0
PAT	344	379	488	508
EPS (Rs)	63.7	70.2	90.4	94.2
P/E (x)	18.3	16.6	12.9	12.3
EV/EBITDA (x)	11.3	12.5	8.2	7.5
RoE (%)	16.3	16.1	19.3	17.7

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Indian Metals & Ferro Alloys Ltd. (IMFA) is headquartered in the mineral-rich state of Odisha and has emerged as a best-in-class and cost-effective producer of value added Ferro Chrome through its complete backward integrated capabilities encompassing of captive chrome ore mining and captive power generation.

Investment rationale:

India's leading integrated producer of Ferro Chrome (FeCr): IMFA is India's leading fully integrated producer of value-added FeCr with a production capacity of 2,84,000 metric tonnes per annum (MTPA). The company's installed furnace capacity stands at 190 MVA, backed by captive chrome ore mines and captive power generation capabilities. IMFA's captive ore raising capacity stands at 7,30,000 MTPA coupled with a captive power generation capacity of 204.5 MWp.

Guidance & Outlook: For 1HFY26, the company targets to produce 1,30,000 tonnes of FeCr and aims to ramp up in 2HFY26 following the Kalinganagar Phase I expansion. For FY28, the company aims to produce 3,60,000 MTPA of ferrochrome.

Kalinganagar Phase I expansion: Kalinganagar Phase I expansion is on track and the commissioning of the first furnace is targeted by Jun'26 and the second furnace by Sep'26. This is expected to add 96,000 MTPA of ferrochrome capacity (~40% of overall capacity). The cost of production at Kalinganagar is expected to be at similar levels as compared to current levels, adjusted for inflation, with a slight logistics advantage.

Update on Ethanol project: Construction work for the 120 KLD ethanol project in Therubali has commenced in 1QFY26 and is on track for commissioning by 4QFY26.

Operational Highlights (1QFY26 vs 1QFY25): (a) **Ferro Chrome production:** 65,929 tonnes vs 60,976 tonnes, (b) **Ferro Chrome sales:** 66,580 tonnes vs 63,035 tonnes, (c) **Power generation (million units):** 278 vs 277 and (d) **Chrome Ore raising:** 1,03,780 tonnes vs 2,02,772 tonnes. Chrome ore raising witnessed a reduction compared to 4QFY25 (2,20,000 tons) and 1QFY26 (2,02,772 tons), primarily attributed to an earlier monsoon (starting in late May) and having sufficient stock (more than four months at plants and two months at mines). Production is expected to ramp up in 3QFY26/4QFY26.

Reasonable valuation: At CMP of Rs 1,163, the stock trades at FY26E/FY27E P/E multiple of 12.9x/12.3x respectively.

Key Risks: Unfavorable changes in Ferro Chrome & Chrome Ore prices; Delay in capacity expansion.

CMP:	₹ 1,910
Target:	₹ 2,340
Upside:	22.5%

STOCK DATA	
Bloomberg Code	FIEM IN
NSE Code	FIEMIND
BSE Code	532768
Mcap (Rs cr)	5,028
52 Week High/Low (Rs)	2,276/1,156
Avg. Del. Volume in lakh (3M/12M)	0.7/0.4

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	2,029	2,423	2,806	3,223
EBITDA	269	322	379	438
OPM (%)	13.3	13.3	13.5	13.6
PAT	166	202	240	279
EPS (Rs)	63.1	76.8	91.1	106.2
P/E (x)	30.3	24.9	21.0	18.0
P/BV (x)	5.7	4.8	4.4	3.8
RoE (%)	18.7	19.5	20.7	20.8

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Fiem Industries Ltd (FIL) is one of India's leading manufacturer and supplier of automotive lighting solutions and rear view mirrors. It primarily supplies to the two-wheeler industry. FIL's manufacturing facilities are located across all the leading automobile manufacturing clusters in India from Hosur & Mysore in the South to Sonapat, Tapukara, Nalagarh in the North besides Ahmedabad in the West.

Investment rationale:

Transition towards LED lighting to drive margin improvement: The Indian automotive industry is rapidly transitioning from traditional halogen lamps to LEDs which are more energy efficient and have a longer life thus eliminating the need for replacement. LED lighting currently accounts for 64% of FIL's revenue and is expected to increase further with the entire new product pipeline being LED based.

Presence across leading 2W OEMs : FIL is a supplier to all the leading 2W OEMs with ~33% market share. Key clients include HMSI, TVS Motor, Royal Enfield, Hero MotoCorp, Suzuki Motorcycles and Yamaha. The company is steadily increasing the share of business with Hero MotoCorp. As of FY25, TVS Motor and HMSI contribute 28% each to the total revenue. FIL supplies lighting to popular 2W models such as TVS iQube, Apache, Hero Xtreme 250, Mavrick 440 and Royal Enfield Classic 350.

GST 2.0 to drive growth in the 2W Industry: The overall domestic 2W industry is expected to have a robust 2HFY26 with GST rate rationalization from 28% to 18% for two-wheelers upto 350cc engine capacity reviving demand in the entry level motorcycle segment which also has an additional tailwind in the form of improved rural sentiment following good monsoon. Bookings and enquiries have picked up significantly across dealerships and the growth momentum is expected to sustain in the coming months.

Diversification into Passenger Vehicles to improve content per vehicle: FIL has received orders/RFQs from multiple OEMs notably M&M, Force Motors as well as Mercedes Benz (Germany) for lighting solutions including ambient lighting which is a premium product. Some of these orders are expected to go into production in 2HFY26 and FY27 which should help the company reduce the reliance on the 2W industry which contributes 97% of total revenue.

Reasonable valuation: At CMP of Rs 1,910, the stock is trading at FY26E/FY27E P/E of 21.0x/18.0x respectively. Tailwinds in the form of robust underlying growth in the two-wheeler industry as well as increase in content per vehicle with transition to LED lighting and foray into the PV segment should act as key catalyst for the stock.

Key Risks: Delay in launch by Fiem Industries or the client OEMs; Overdependence on the two-wheeler industry; Frequent technology changes in the lighting industry

CMP:	₹ 4,117
Target:	₹ 5,112
Upside:	24.2%

STOCK DATA	
Bloomberg Code	SWE IN
NSE Code	SWARAJENG
BSE Code	500407
Mcap (Rs cr)	5,001
52 Week High/Low (Rs)	4,726/2,530
Avg. Del. Volume in lakh (3M/12M)	0.2/0.1

Rs cr	FY23A	FY24A	FY25A	FY26E
Sales Volume (Units)	1,37,005	1,38,761	1,68,820	1,99,208
Net Sales	1,422	1,419	1,682	1,992
EBITDA	186	188	227	275
OPM (%)	13.1	13.2	13.5	13.8
PAT	134	138	166	206
EPS (Rs)	110.7	114.0	137.2	170.4
P/E (x)	37.2	36.1	30.0	24.2
P/BV (x)	14.6	13.6	6.0	5.2
RoE (%)	39.2	37.5	39.6	44.8

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Swaraj Engines Ltd (SEL), a subsidiary of M&M Ltd, manufactures diesel engines for the 'Swaraj' brand of tractors manufactured and sold by M&M. It has an installed capacity of 1,95,000 engines per annum at its manufacturing facility located at Mohali in Punjab. It caters to the 20 to 65 HP tractors, thereby covering the entire range of tractors sold in India.

Investment rationale:

Domestic tractor industry on a firm footing: The above normal monsoon for the 2nd consecutive year has led to healthy water levels in reservoirs which should also translate into good rabi season. MSP hike across all the key crops as well as stable prices of key farm inputs such as seeds, fertilizers and crop protection chemicals has led to improvement in the terms of trade for the farmers. GST 2.0 has led to cut in the GST rates for agri/non agri tractors from 12%/18% to 5% which will lower the cost of acquisition for farmers and is also expected to trigger replacement demand. The overall domestic tractor industry was expected to grow in high single digit before the GST rate cut. This forecast is likely to get upgraded in the coming days.

Supplier to market leader M&M: SEL supplies all of its engines to M&M which is a leader in the domestic tractor industry with a 42% market share. Its Swaraj brand of tractors is the 2nd largest brand in India after the flagship Mahindra brand, commanding a retail market share of 18-20%.

Enhanced need for farm mechanisation: The rising cost of farm labour in rural areas due to migration of workers out of villages led by higher demand for labour in cities for infrastructure and real estate construction has led to farmers turning to tractors and other farm equipment for critical operations such as ploughing, sowing, chemical spraying and harvesting. Tractors also help the farmers in transporting the produce from the farms to the markets. This is likely to drive demand for tractors over the medium to long term.

Government support: Both the Central as well as State Governments have announced multiple schemes such as the PM Kisan Samman Nidhi which provides direct cash support to farmers. These measures are likely to increase the cashflow in the agri economy leading to greater demand for tractors.

Capacity expansion to help cater to the higher demand: SEL expanded its manufacturing capacity from 1,35,000 engines to 1,95,000 engines in FY25. The capacity will further be increased to 2,40,000 engines.

Valuation: At CMP of Rs 4,177, the stock trades at 24.2x FY26E earnings. The company has a healthy average dividend payout ratio of 85-90% and dividend yield of 3%.

Key Risks: Loss in Swaraj brand market share; Volatility in raw material costs

CMP:	₹ 1,240
Target:	₹ 1,530
Upside:	23.4%

STOCK DATA	
Bloomberg Code	POCL IN
NSE Code	POCL
BSE Code	532626
Mcap (Rs cr)	3,731
52 Week High/Low (Rs)	1,360/493
Avg. Del. Volume in lakh (3M/12M)	1.9/1.1

Rs cr	FY24A	FY25A	FY26E	FY27E
Net Sales	1,542	2,057	2,992	4,000
EBITDA	73	106	177	240
OPM (%)	4.7	5.2	5.9	6.0
PAT	32	58	104	146
EPS (Rs)	12.7	20.6	37.0	52.0
P/E (x)	98.0	60.1	33.5	23.8
EV/EBITDA (x)	52.0	35.8	21.5	15.8
RoE (%)	8.9	9.8	14.9	17.3

Source: Company, NSE, Bloomberg, Ace Equity, SSL Research

Note: CMP as of 6th Oct 25 closing

Pondy Oxides & Chemicals Ltd (POCL) is India's leading recycling and manufacturing company pioneering in Lead and Lead Alloys. The company has a diverse procurement base and customer network in India as well as internationally; with brand approvals from all the major battery manufacturers. POCL is also India's first 3N7 London Metal Exchange (LME) Registered Lead brand.

Investment rationale:

Resilient business model: POCL has presence across the 4 major recycling verticals of Lead, Copper, Plastics and Aluminium. The company boasts a total production capacity of 1,32,000 metric tonnes per annum (MTPA) across the verticals with another 72,000 MTPA expansion in progress.

Vision 2030: (a) New Recycling Vertical: Lithium-ion; (b) Volume CAGR: 15%; (c) Revenue and PAT CAGR: 20%+; (d) EBITDA margins: 8%+; (e) ROCE: 20%+; (f) Value-added products: 60%+; (g) Reduction in energy consumption to reduce carbon footprints: 20%+.

Lead capacity expansion: Phase-1 (36,000 MTPA) at the company's plant in Thervoykandigai (TKD) is completed and commercial production has been commissioned during 1QFY26, operating at ~45% utilization (target to achieve 70% utilization in upcoming quarters). Phase-2 of the expansion (36,000 MTPA) is expected to be commissioned by 2HFY26.

New segments: a) Aluminium segment expected to start generating revenues in 2QFY26; b) Lithium-ion Battery Recycling: POCL is in discussions with technological partners to identify suitable chemistry.

FY26 guidance: For FY26, the company has guided for a consolidated revenue growth of 30% YoY with an upward revision in its blended EBITDA margin from 6% to 7% targeting lead volumes of around 1,20,000 MT.

Reasonable Valuation: At CMP of Rs 1,240, the stock trades at FY26E/FY27E P/E ratio of 33.5x/23.8x respectively.

Key Risks: Unfavourable changes in government policies; Delay in capacity expansion.

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