MARKET STRATEGY 2026

Confidence in fundamentals beyond volatility...

Murphy's Law encapsulates Indian Equities

Indian Equities, in CY25, has manifested "*Murphy's Law*", *which states "Anything that can go wrong will go wrong"*. This law emphasises that no matter how good the scenario is something unforeseen might occur and same can be stated for India equities, which delivered single digit returns for the year. The mediocre performance reflected the unforeseen geopolitical tensions of H1, tariff tantrums and continued deadlock on resolution thereby aggravating economic anxiety, liquidity finding home in other equity markets/asset classes given India commanded rich multiples vis-à-vis resurrecting corporate earnings cycle

Liquidity too fickle in CY25

Foreign institutional investors have been sellers of Indian equities to the tune of US$17.8 billion in CY25 as this liquidity found its way into other global equity markets like China, Japan, Europe and USA. Consequently, Indian markets delivered a mediocre returns vis-à-vis global peers where equity returns ranged between 12-61% and emerging market index delivering 23% returns. Even within the Indian capital markets, huge pipeline of primary (IPO) offerings took sheen off the secondary markets as some of the FII selling in secondary markets was channelised in the primary markets. FII's, in CY25, have invested US$7.1 billion in IPO's, which is ~40% of the proceeds they sold in secondary markets. On the other hand, domestic mutual fund (MF) industry continued to witness strong SIP flows which are pegged at ~₹ 3.2 lakh crore in CY25E, but the same found its way more into large caps and IPO offering/absorbing paper from exiting promoters/PE's. Hence, broader markets saw more significant corrections.

Positives marred in CY25 conundrum

- Indian macros are on a solid foundation be it the inflation scenario (averaging at 2.1%), low interest rates (125 bps cut already done), strong government spending (60% of the capex target met by Oct 25), rationalisation of income tax (no tax till ₹ 12 lakh of income), GST rates rationalisation (abolishing 12% and 28% tax rates), which will lead to consumption boost and will have a positive rub off on investment cycle in the medium term.

- We believe Q2FY26 is the turning point in terms of recovery in the corporate earnings cycle wherein the listed universe delivered a 12% YoY growth in earnings and broader markets (excluding Nifty companies) delivered 21% YoY growth, which will be further supported by a strong H2FY26. Going ahead, we expect the Nifty EPS to grow at a CAGR of 15% over FY26-28E, led by Telecom, BFSI and Capital goods space with similar 2 year EPS CAGR for midcaps and small caps pegged at 19-21%.

Nifty Outlook for CY26

With domestic equities underperforming other asset classes namely global equities, precious metals (gold and silver) in 2025 and corporate earnings on the cusp of revival, we are positive on domestic equity markets. Introducing FY28E and rolling over our valuations, ***we now value Nifty at 29,500 i.e. 21x P/E on FY28E. Our corresponding target for Sensex is pegged at 98,500***. We expect markets to deliver healthy double digit returns over the next 12 months. Given more rational valuations in mid & small caps and strong growth trajectory, we do expect mid &small caps to deliver strong returns in CY26E.

Sectors to watch out for

- BFSI: Revival of credit growth, strong asset quality, valuations at historical mean - strong risk reward in PSU banking space
- IT: Time to relook post healthy corrections as valuations have hit a floor and CY26E will see growth bouncing back
- Capital Goods: Momentum in new projects/tenders point to strong ordering activity in CY26E
- Real Estate: Huge run way of growth as the sector can multiply by 3x over the next 5 years

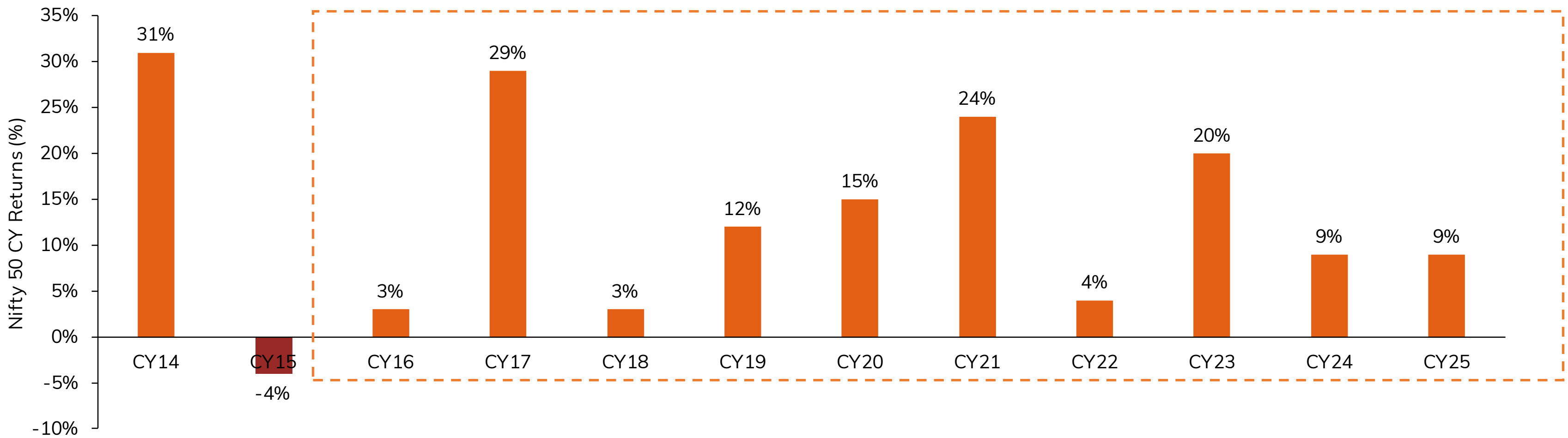
Top Picks for CY26

Company	Stock Code	Market Cap (₹ crore)	CMP (₹)	Target Price (₹)	Potential Upside (%)
Bank of Baroda	BANBAR	149,246	290	340	17%
Bajaj Finance	BAJFI	625,671	1,000	1,180	18%
NRB bearings	NRBBEA	2,730	280	350	25%
KPIT	KPITE	33,209	1,225	1,475	20%
Bharti Airtel	BHAAIR	12,54,239	2,095	2,450	17%
Phoenix mills	PHOMIL	65,500	1,830	2,210	21%
Dalmia Bharat	ODICEM	37,700	2,010	2,650	32%

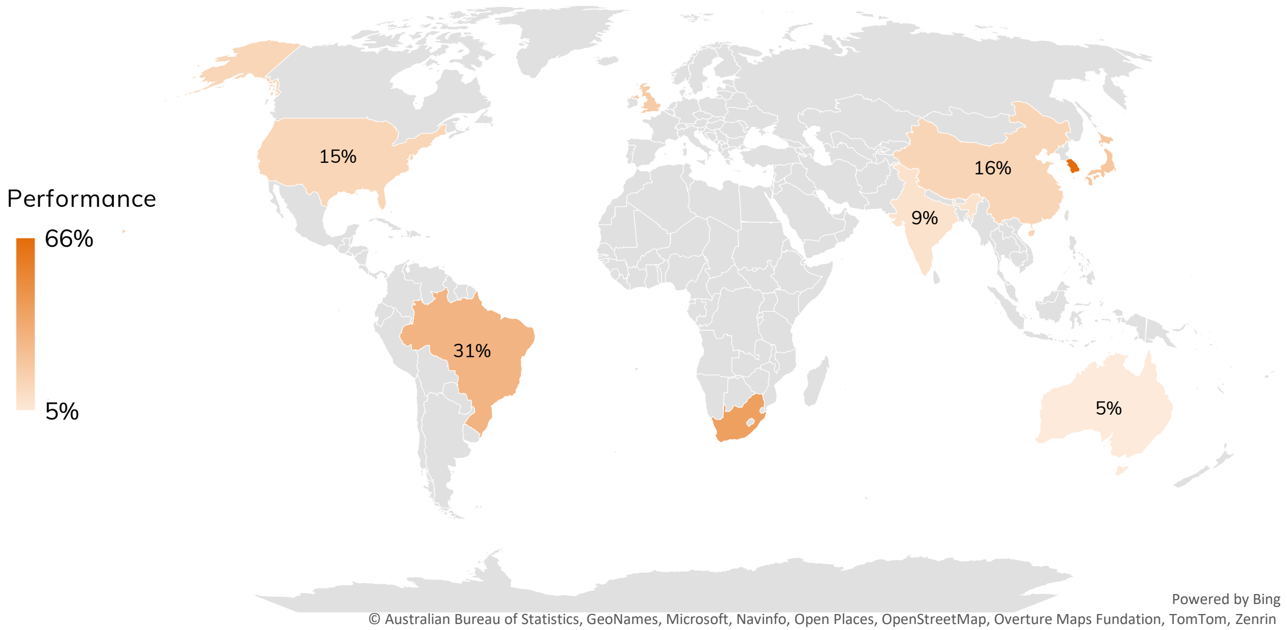
Sensex & Nifty Target (12 month rolling target)

Earning Estimates	FY23	FY24	FY25	FY26E	FY27E	FY28E
Nifty EPS (₹/share)	795	960	980	1,060	1,225	1,400
Growth (% YoY)	10.5%	20.7%	2.0%	8.2%	15.5%	14.3%
Earnings CAGR over FY26-28E						15.0%
FY28E EPS						1,400
PE Multiple Assigned						21
Nifty Target (using FY28E EPS)						29,500
Corresponding Sensex Target						98,500

India: Steady CY25... A decade of positive returns!!



Countries	CY25 Performance
South Korea	66%
South Africa	41%
Brazil	31%
Emerging Market Index	26%
Japan	23%
UK	20%
China	16%
US	15%
India	9%
Australia	5%

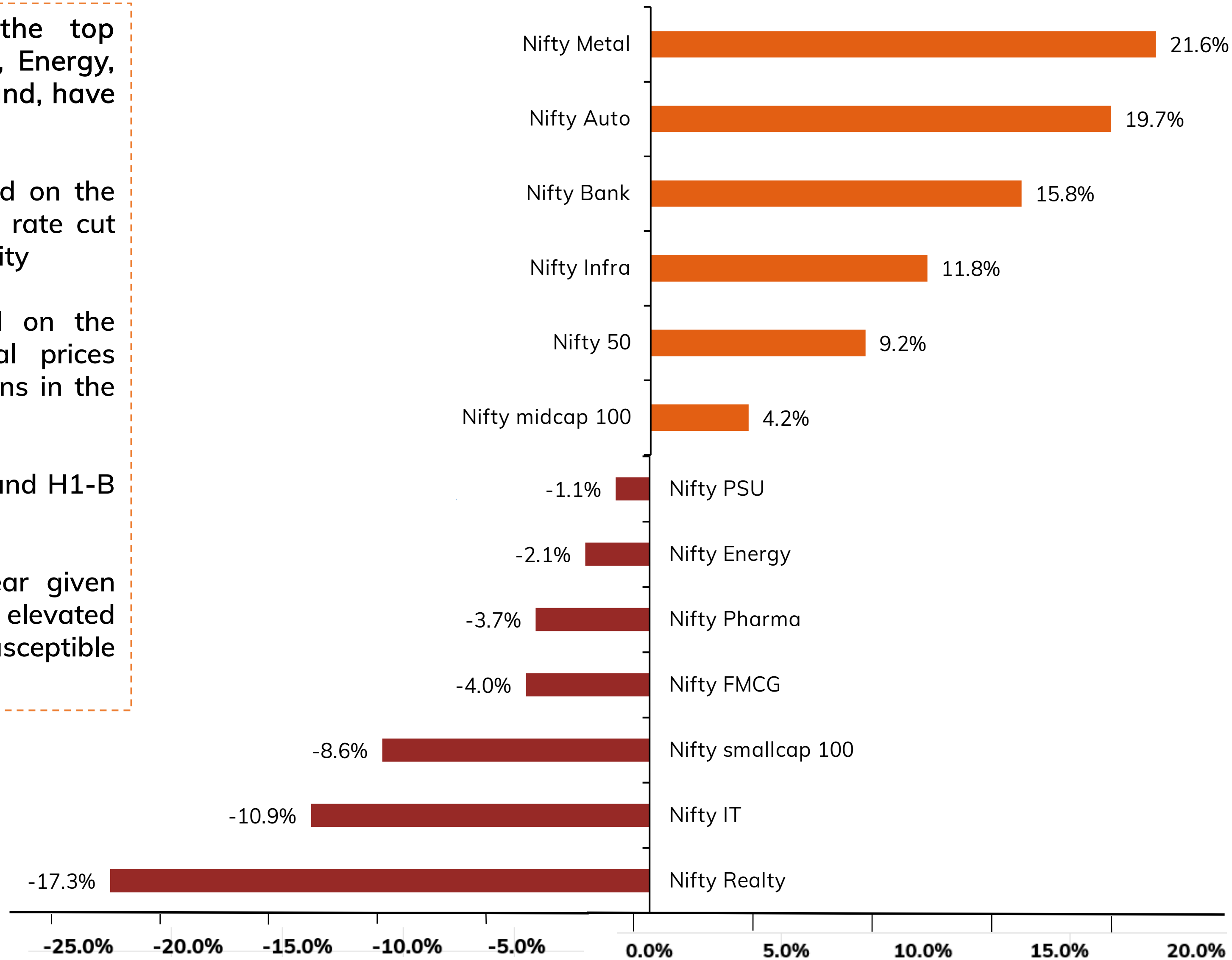


Source: Bloomberg, ICICI Direct Research

Sectoral performance in CY25

Auto & Metal have been the top performers in CY25. Realty, IT, Energy, FMCG and PSU, on the other hand, have been the laggards

- Auto Sector has outperformed on the back of income tax and GST rate cut leading to improved affordability
- Metals have performed well on the back of rise in base metal prices coupled with capacity additions in the steel space
- IT has borne the brunt of AI and H1-B visa led risk to business model
- Small-Cap's had a weak year given muted earnings and elevated valuations amid businesses susceptible to global risks

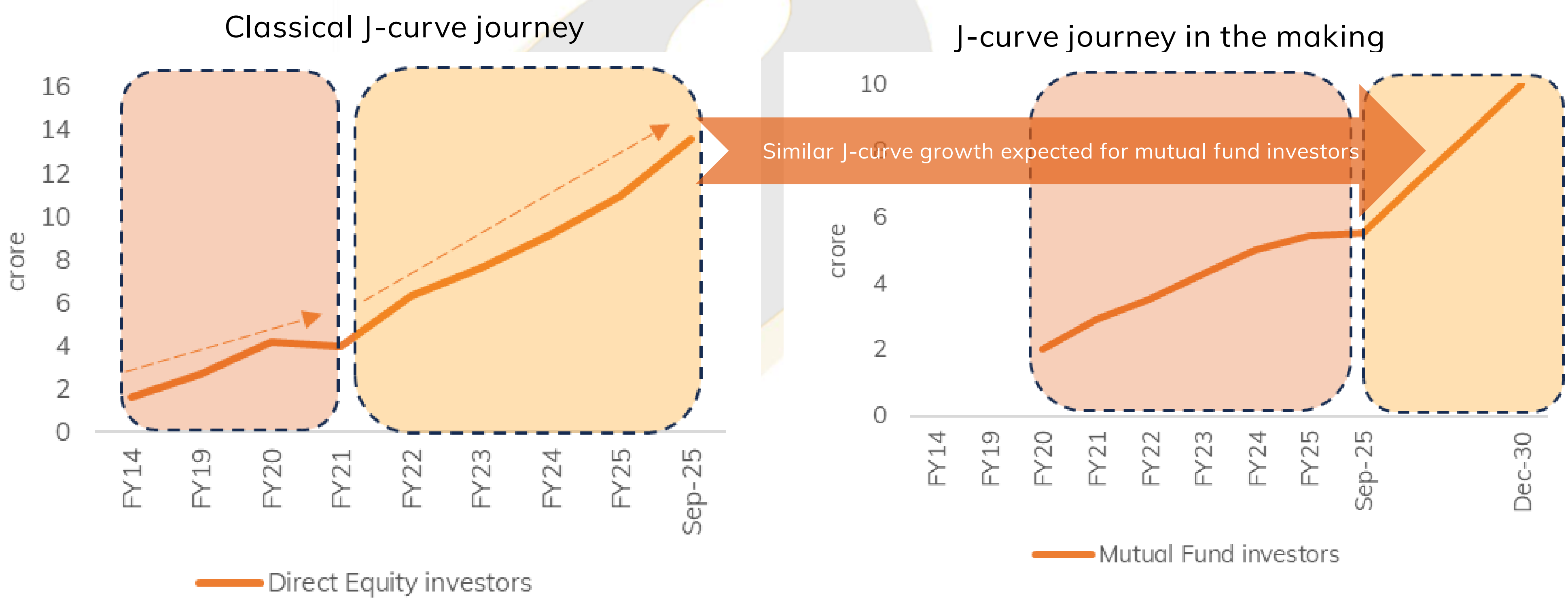


Source: Bloomberg, ICICI Direct Research

Flows, Earnings and Nifty Target

Direct Equity investors		
Period	Investor Count	Growth
2014 to 2021	1 Crore to 4 Crore	4x in 8 Years
2021 to 2025	4 crore to 14 crore	3.5x in 4 Years

Mutual Fund investors		
Period	Investor Count	Growth
2012 to 2025	1 Crore to 5.5 Crore	5.5x in 13 Years
2025 to 2030E	5.5 crore to 10 crore	2x in 5 Years

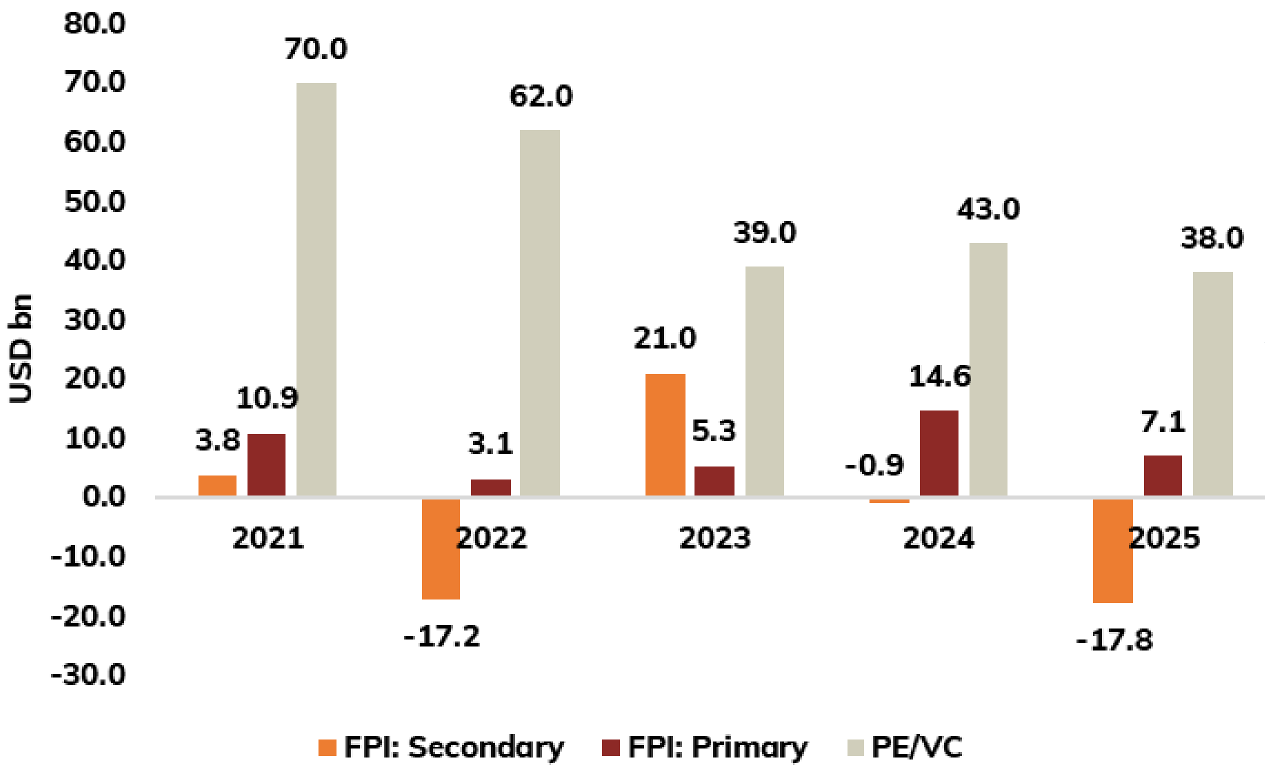


- Domestic mutual fund industry likely to add 1 crore investors every year. Assuming a 20% organic growth and 10% new investor growth, SIP inflows could average monthly run-rate of ₹ 40,000 crore or ₹ 5 lakh crore for the year.

Source: NSE, AMFI, ICICI Direct Research

Foreign Capital: Unlisted and primary flows remain robust

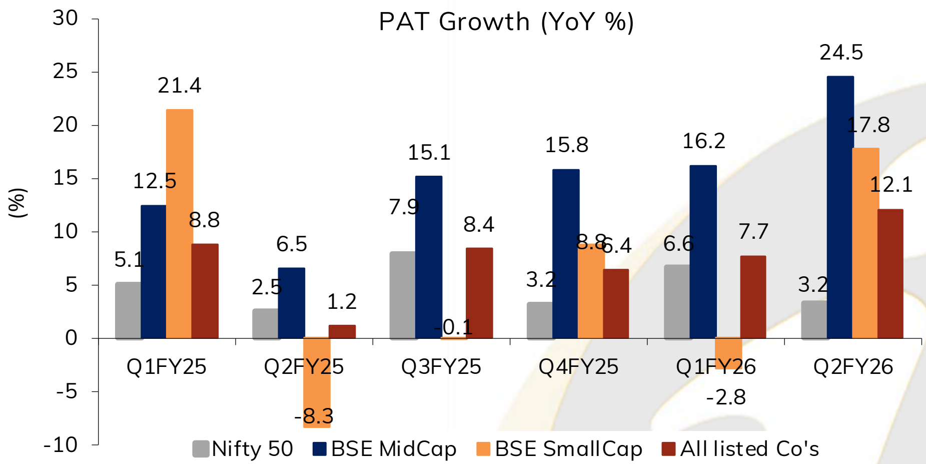
While foreign portfolio investors at times have been net sellers in secondary equity market, overall foreign capital flows into India continue to be strong through private channels and primary market

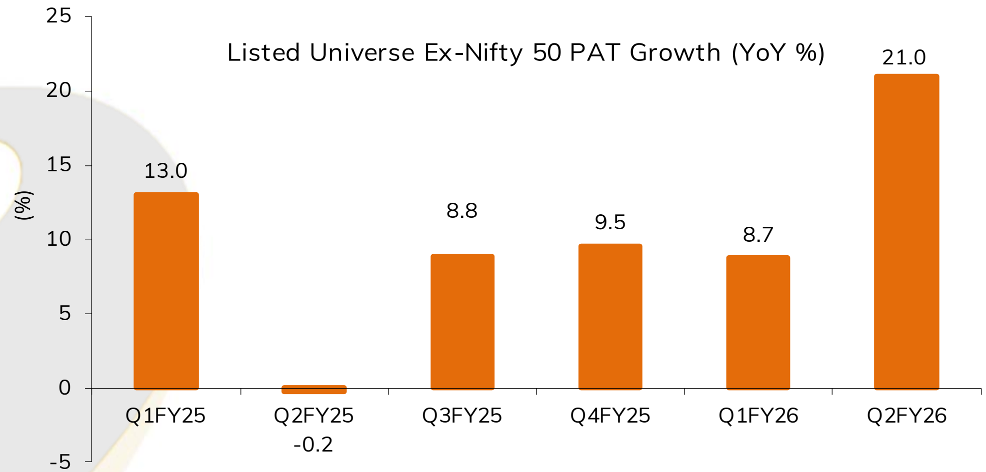


Investment through primary and PE/VC funding remain consistent and strong, while secondary market activity may be tactical

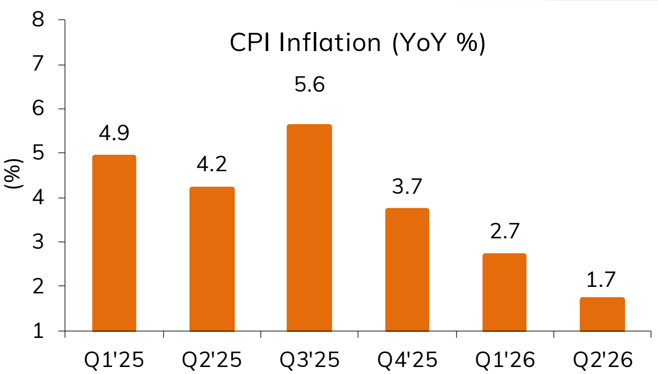
Source: Bain & Co., EY-IVCA, VCCEdge

Q2FY26 is the pivotal quarter indicating resumption of double-digit earnings growth wherein earnings for listed universe grew 12% YoY. Interestingly, earnings for the listed universe excluding Nifty 50 came in robust at 21% YoY in Q2FY26 (multi quarter high)

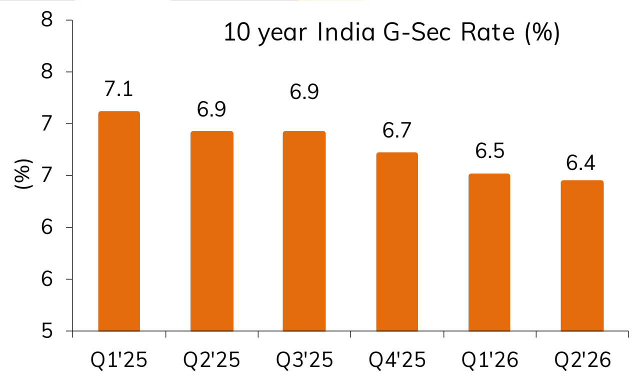




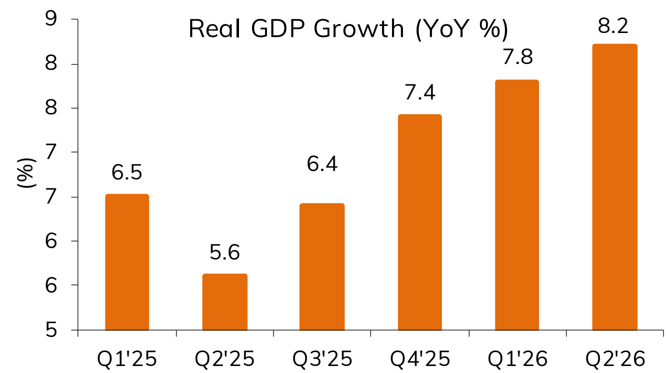
Controlled Inflation



Declining Interest rate trajectory



Healthy GDP growth

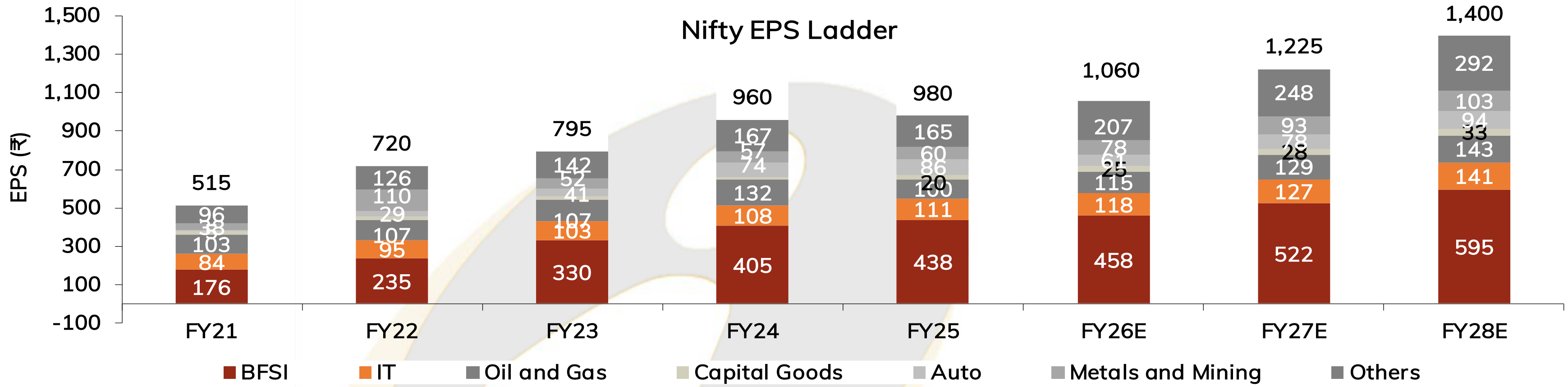


India offers perfect trilogy- lower inflation, lower bond yields & improving growth, supporting positive equity outlook going forward

Source: Capitaline, Government of India, ICICI Direct Research

Nifty earnings growth pegged at 15% CAGR over FY26-28E

With Q2FY26 earnings staging a smart recovery & fundamental levers for economic growth, we expect double digit growth to resume going forward. We expect Nifty earnings to grow 15% CAGR over FY26-28E.



Sectoral break up of Nifty 50 Earnings

₹/share	Sectoral Weight (%)	EPS FY25	FY26E	FY27E	FY28E	FY25-28E EPS CAGR	FY26-28E EPS CAGR
BFSI	36.3%	438	458	522	595	10.6%	14.0%
IT	10.0%	111	118	127	141	8.3%	9.3%
Oil and Gas	9.3%	100	115	129	143	12.4%	11.2%
FMCG	6.8%	44	52	58	65	13.6%	12.4%
Capital Goods	**3.8%**	**20**	**25**	**28**	**33**	**17.7%**	**15.4%**
Auto	6.9%	86	61	78	94	3.0%	24.2%
Metals & Mining	**4.1%**	**60**	**78**	**93**	**103**	**19.6%**	**15.1%**
Power	2.4%	38	41	45	47	7.7%	8.0%
Telecom	**5.0%**	**19**	**29**	**40**	**51**	**39.2%**	**31.5%**
Pharma	4.2%	30	33	36	41	11.1%	12.0%
Others	11.2%	34	52	69	88	36.1%	29.9%
Aggregate	100%	980	1,060	1,225	1,400	12.5%	14.9%

Key sectoral earnings over FY26-28E :

- BFSI is expected to report healthy double-digit earnings growth led by continued credit momentum, stable asset quality and improvement in RoA.
- Capital goods remains growth compounder (double digit) led by better execution & revival in capex cycle
- Telecom is seen leading the growth charge led by successful pass through of price hikes i.e. rise in ARPU's and B/S deleveraging (lower interest costs)
- IT sector is expected to witness revival in earnings to high single digit aided by Gen AI led investments with valuations providing favorable risk-reward

Source: ICICI Direct Research

Nifty seen at 29,500 by December 2026

- **With domestic equities underperforming other asset classes namely global equities, precious metals (gold and silver) in 2025 and corporate earnings on the cusp of revival we are positive on domestic equity markets.**
- **Introducing FY28E and rolling over our valuations,** we now value Nifty at 29,500 i.e. 21x P/E on FY28E. Our corresponding target for Sensex is pegged at 98,500. **We expect markets to deliver healthy double digit returns over the next 12 months.**

Sensex & Nifty Target (12 month rolling target)						
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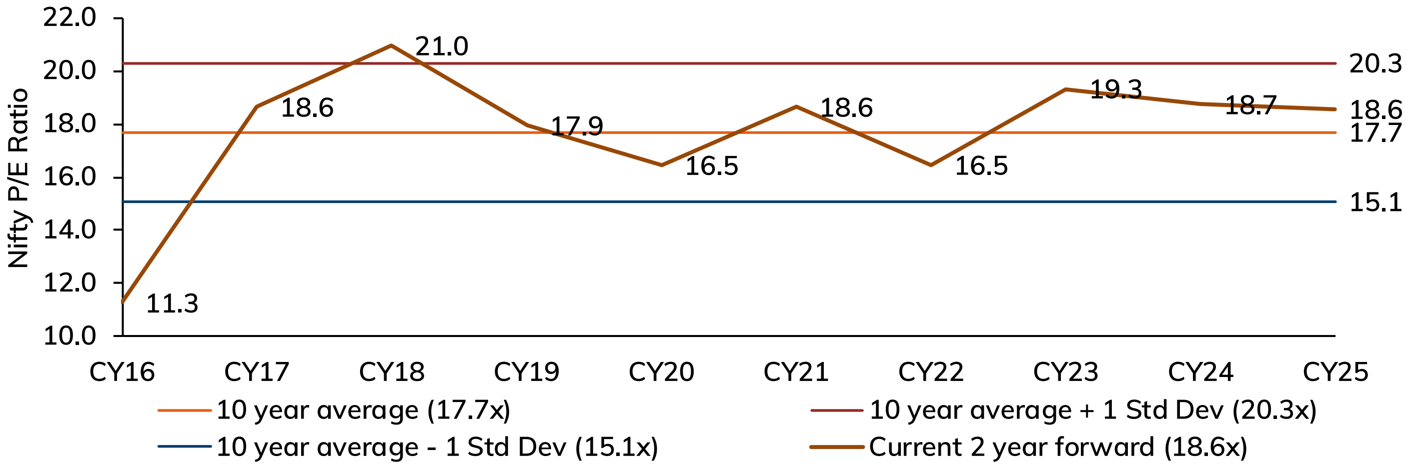
On 2 year forward basis, Nifty trades at a P/E ratio of 18.6x i.e. within 1 standard deviation of 10-year average

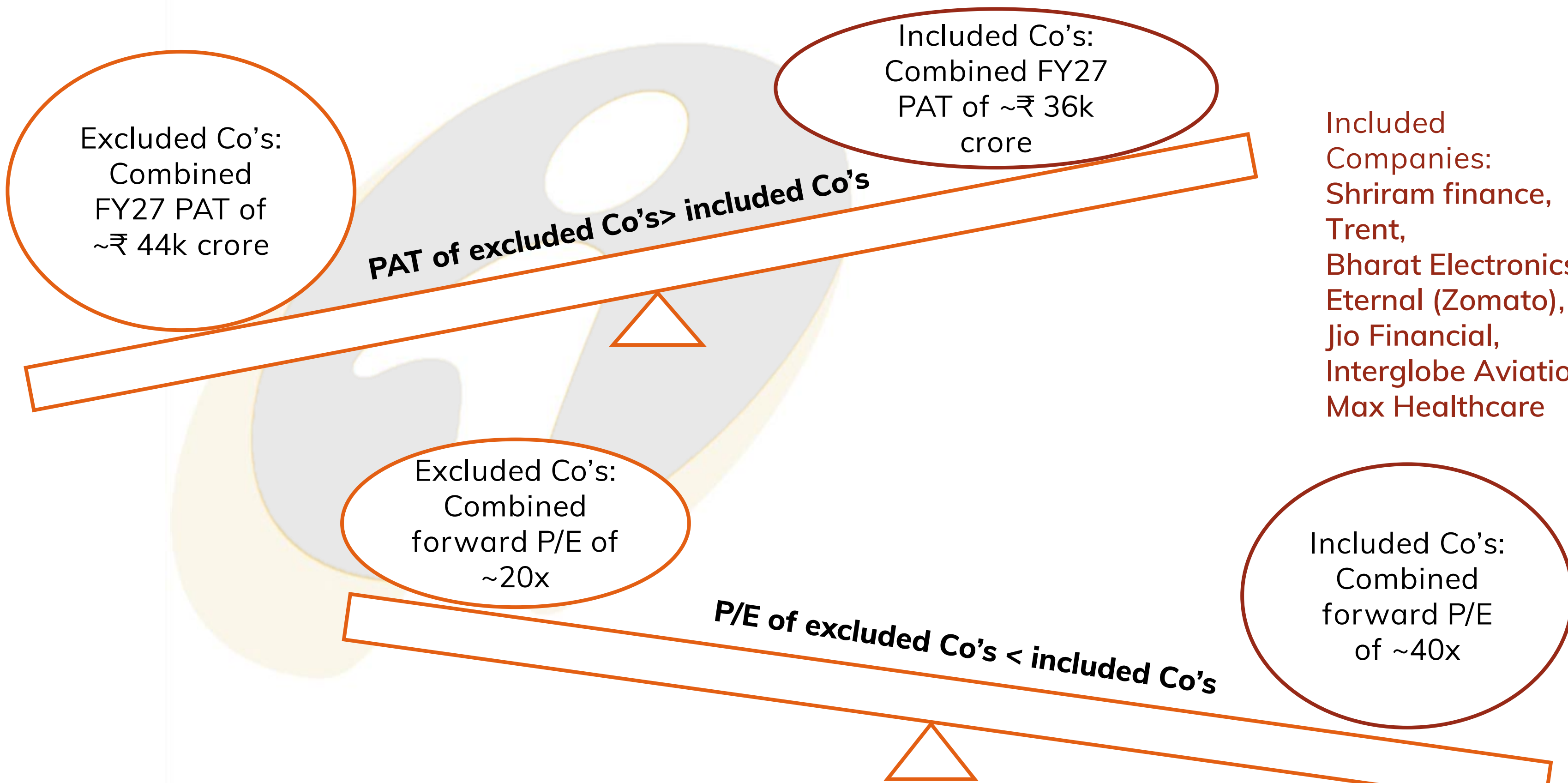


Source: Bloomberg, ICICI Direct Research

ICICI Direct

- **Headline Indices constituents are periodically changed on the basis of their free float market capitalization.**
- **It has been observed that over a period of time**, low P/E stocks get excluded from Nifty while higher P/E stocks find inclusion.

Excluded Companies:
UPL,
Divi's Laboratories,
LTI Mindtree,
BPCL,
Britannia,
Hero MotoCorp,
IndusInd Bank



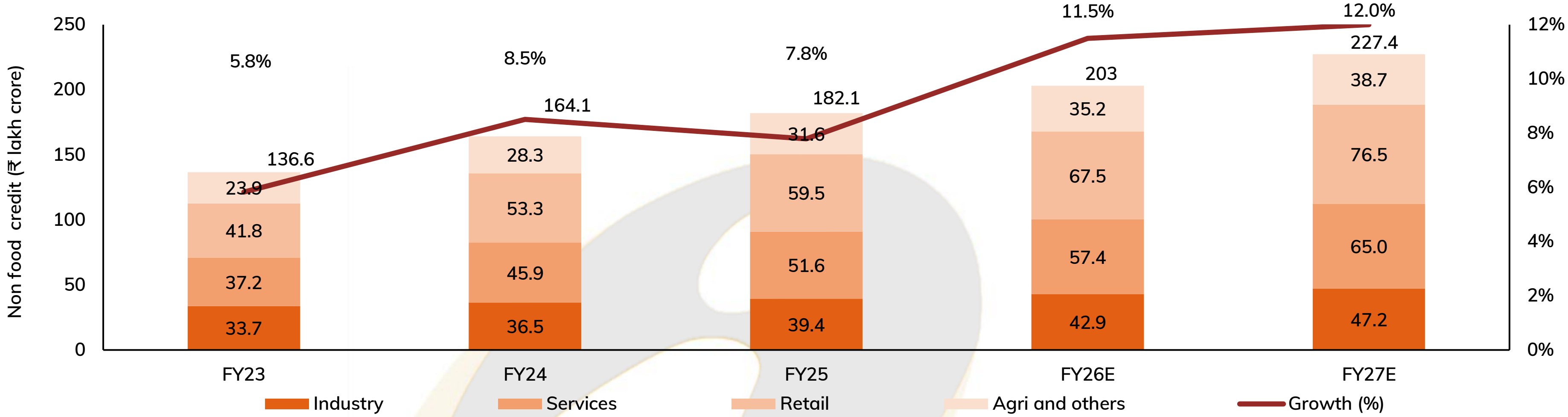
Included Companies:
Shriram finance,
Trent,
Bharat Electronics,
Eternal (Zomato),
Jio Financial,
Interglobe Aviation,
Max Healthcare

- With such index changes, blended forward P/E of Nifty is inching upwards
- Historical long term forward P/E averages for Nifty 50 have been ~16-18x which has now comfortably scaled to ~20x

Source: Bloomberg, ICICI Direct Research

Themes to bet in CY26

BFSI: Structural levers underpinning sustained credit growth



Corporate credit revival (21.6%)

M&A Funding

RBI's approval for domestic banks to fund M&A, PSU divestment, and IPO subscriptions, effective April 1, 2026, is expected to unlock ~₹1.5 lakh crore of system wide credit.

Management commentary suggest strong corporate pipeline

Aggregate corporate credit pipeline is around ₹7 lakh crores.

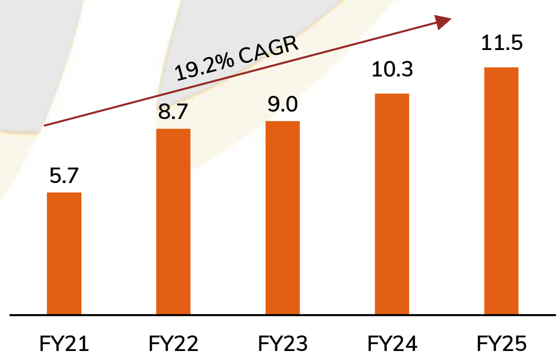
- Mr. C S Setty – Chairman, SBI

We have a pipeline of more than ₹70,000 crores, global pipeline, more than ₹50,000 crores is coming from the corporate credit.

- Shri Rajneesh Karnatak, MD & CEO, BOI

Acceleration in MSME (28.3%)

MSME credit growth outpacing industry

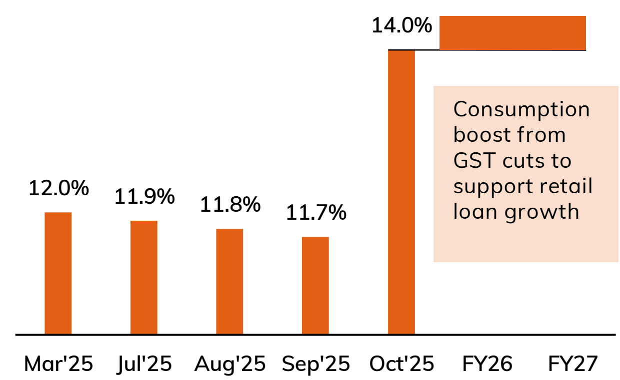


The government has introduced targeted reforms to ease credit barriers, including raising CGTMSE guarantee limit from ₹5 crore to ₹10 crore and launching Credit Guarantee Scheme for Exporters with a ₹20,000 crore corpus for collateral free support.

Retail lending resilience (32.6%)

8th Central Pay Commission

The rollout of 8th Pay Commission is expected to result in outlay of ~₹2 lakh crore. This equates to a credit opportunity of ~₹1.6 lakh crore for banks.



Source: RBI, Company, Media sources, ICICI Direct Research

Reform led strengthening of PSU banks fundamentals

2017 — **2019** — **2020** — **2026E**

2017: SBI Mega Merger

State Bank of India merged with:

State Bank of Travancore (SBT)
State Bank of Bikaner and Jaipur (SBBJ)
State Bank of Hyderabad (SBH)
State Bank of Mysore (SBM)
State Bank of Patiala (SBP)
Bhartiya Mahila Bank (BMB)

2019: BOB merger

Bank of Baroda was merged with:

Vijaya Bank
Dena Bank

2020: Mega Consolidation of 10 PSBs into 4

- Amalgamation of Oriental Bank of Commerce and United Bank of India into Punjab National Bank
- Amalgamation of Syndicate Bank into Canara Bank
- Amalgamation of Andhra Bank and Corporation Bank into Union Bank of India
- Amalgamation of Allahabad Bank into Indian Bank

2026E: Anticipate Proposed Mega Consolidation in PSBs

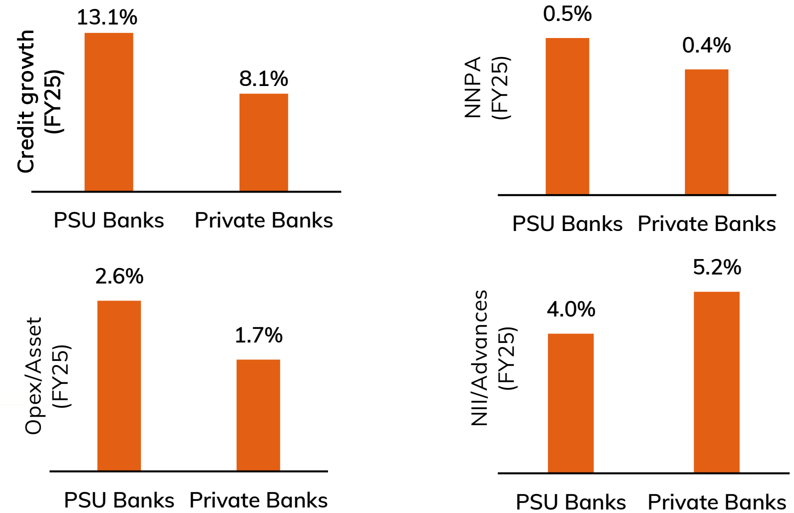
Mid-sized banks such as Indian Overseas Bank (IOB), Central Bank of India (CBI), Bank of India (BoI),and Bank of Maharashtra (BoM) are likely to be merged with larger institutions.

Regulatory convergence narrowing PSU-private bank gap

Regulation	Private Sector Banks	Public Sector Banks	Proposed regulatory alignment with private banks
FDI Limit	49% (automatic route) Upto 74% (government approval)	20%	20% → 49%
Voting rights for single shareholder	26%	10%	10% → 26%

Source: RBI, Company, Media sources, ICICI Direct Research

PSB well positioned on growth and asset quality – operational metrics to be focused here on



IT: Valuation floor + Likely growth recovery = Time to re-look

Macro tailwinds consolidating - all aligning simultaneously paving the way for a valuation springboard moment for IT

Tailwind	Current Status	Tailwind	Current Status
H-1B Relief *Overhang lifted*	Trump administration has taken a U-turn with U.S. policy stance turned supportive, in the form of expanded exemptions for H1B visa related issuance/extensions.	India-US trade deal *Ongoing*	Positive movement on the deal could act as a sentiment catalyst for Indian IT.
Index weight compression *Largely played out*	Despite a ~15% earnings contribution to NIFTY 50 PAT, the IT sector weightage at~10% is at decadal low, indicating that multiple compression is largely complete.	Currency Depreciation *Ongoing* $	INR depreciation vs US dollar (~6% in 6 months) partially supports margin tailwinds.
AI capex moderation and productivity boost *Turning positive now*	Post U.S. AI hardware frenzy, hyperscalers' capex intensity is normalising as hardware productivity is flattening. Services demand is set to re-accelerate.	GCC an enabler *Positive structural trend*	GCCs are increasingly being perceived as demand enablers & accelerators vs competitive risks; Tier 1 firms like Hexaware, Wipro, HCLTech, LTIM and Infosys continue to scale dedicated GCC segments.

Source: ICICIDirect Research

GenAI costs to drive uneven tech spending recovery in 2026....

Global IT spending forecast (USD bn)	2025		2026	
	Spending	Growth	Spending	Growth
Data Center Systems	489.5	46.8%	582.4	19.0%
Devices	783.2	8.4%	836.3	6.8%
Software	1,244.3	11.9%	1,433.0	15.2%
IT Services	1,719.3	6.5%	1,869.3	8.7%
Communication Services	1,304.2	3.8%	1,363.1	4.5%

Source: Gartner; ICICIDirect Research

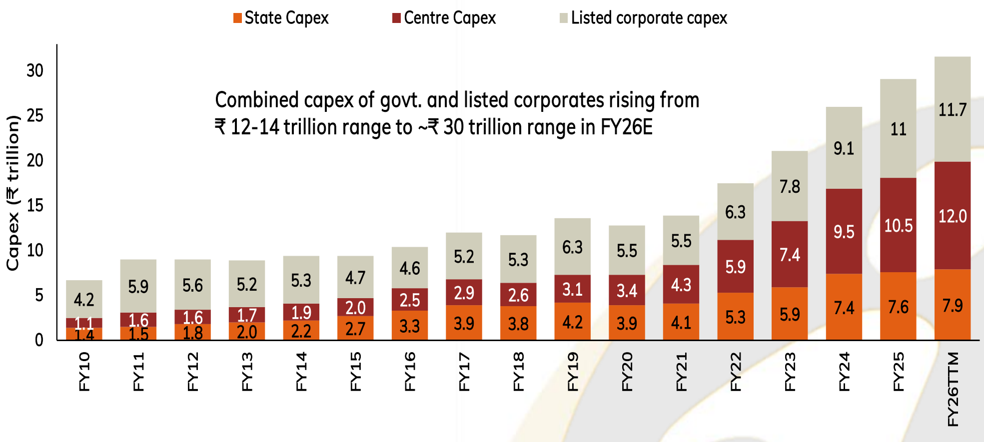
Valuation comfort emerging as NIFTY 50 IT constituents trade below 5Y median P/E ...

Company	TCS	Infosys	HCL Tech	Wipro	Tech M
1 year forward P/E	22.6	23.3	23.8	20.4	23.9
5Y median P/E	30.9	27.8	23.8	22.1	28.9
USD revenue growth CAGR FY20-25	6.5	8.6	9.9	5.0	3.9
USD revenue growth CAGR FY25-28E	4.0	5.5	6.3	3.6	5.1
PAT growth CAGR FY20-25	8.5	10.0	9.5	6.2	2.2
PAT growth CAGR FY25-28E	7.2	7.5	9.1	3.2	20.3
12M Dividend Yield (%)	3.94	2.71	3.60	4.25	2.88

Source: ICICIDirect Research

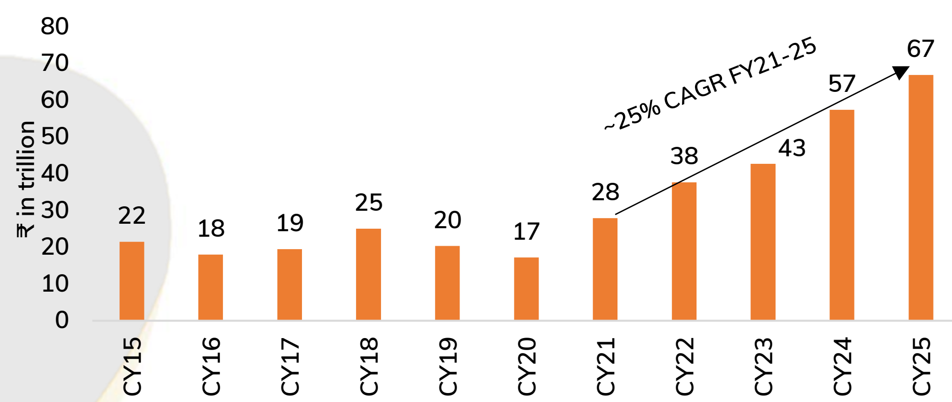
Capex: Momentum in new projects/tenders point to strong ordering activity in CY26E…

Private sector capex overtakes government capex



Source: I-Sec Research

Projects worth ₹124 trillion announced in CY24 & 25



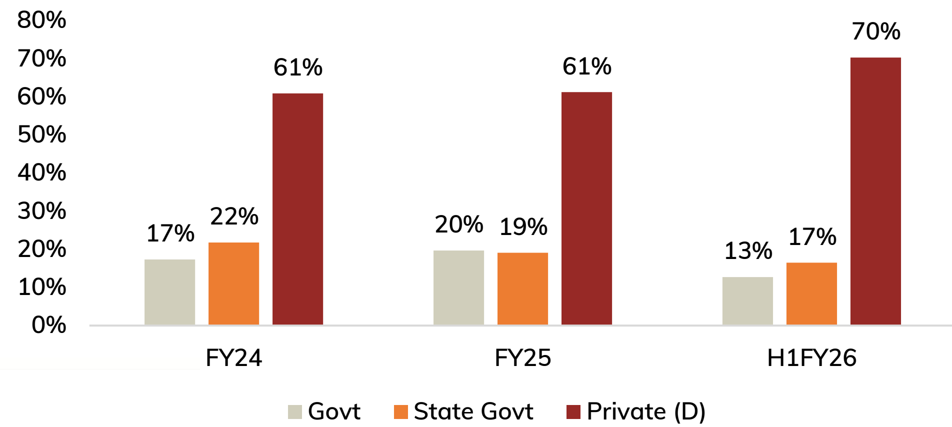
Source: Projects today, CY25 numbers upto 30th November 2025

Power, BI, TI and Water garnering interest (₹ crore)

Sectors	CY23	CY24	CY25	CAGR
Power	10,05,103	18,05,498	23,09,116	52%
Manufacturing	15,81,696	13,82,748	18,26,511	7%
Building Infrastructure	7,18,791	11,81,237	12,88,070	34%
Transport Infrastructure	6,35,068	7,33,605	10,82,602	31%
Water	1,42,542	1,59,871	2,28,054	26%
Oil & Gas	1,58,960	1,69,248	1,34,384	-8%
Mining	44,122	62,982	47,290	4%
Total	**42,86,282**	**54,95,189**	**69,16,027**	**27%**

Source: Projects today, CY25 numbers upto 30th November 2025

Rising private share in fresh project announcements

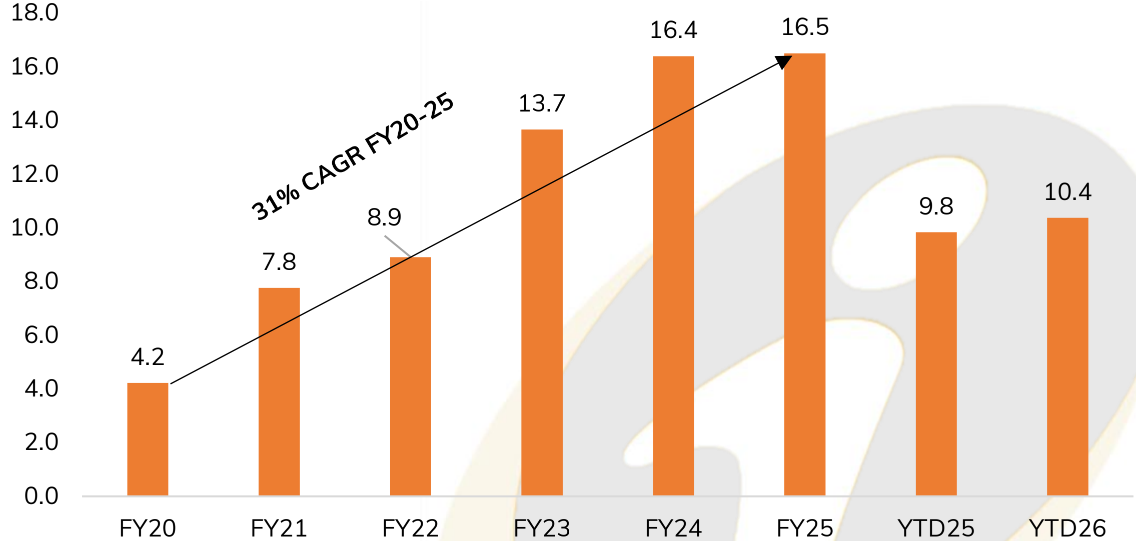


Source: Capitaline

Capex: Tendering/Ordering to remain strong on back of momentum in new projects announced

ICICI Direct

New tenders issued to register double digit growth in FY26



Source: Projects today, YTD = Data till 30th November.

Tendering till Nov 25 (YTD FY26) is already up 5% YoY vs YTD FY25 tendering. With 2nd half expected to be heavy, we believe new tenders issued in FY26E will grow in double digits and will lead to strong ordering activity over CY26/FY27

Building, Transport and Power sees sustained activity (₹ crore)

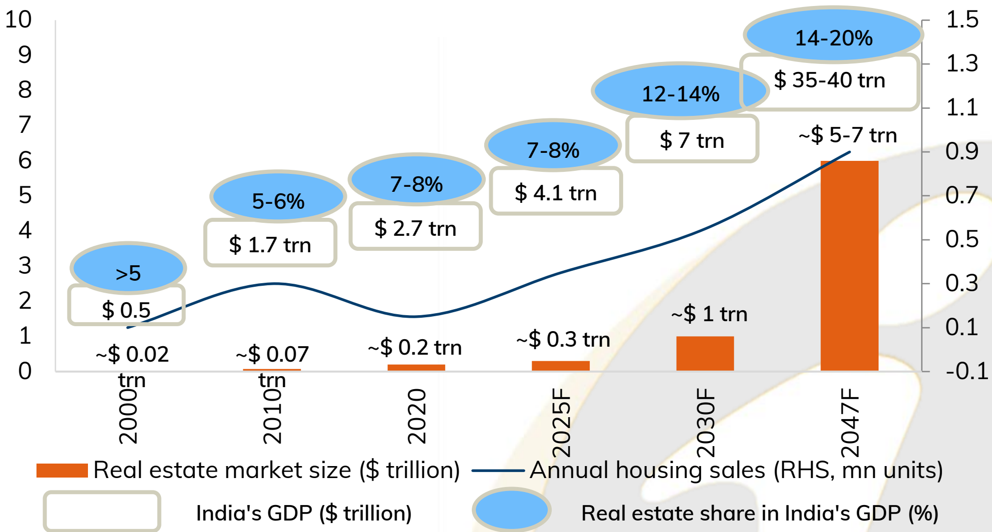
Sectors	YTD23	YTD24	YTD25	CAGR
Power	81,272	1,32,458	94,745	8%
Manufacturing	3,470	3,637	3,493	0%
Building Infrastructure	1,80,573	2,31,213	2,61,396	20%
Transport Infrastructure	4,16,402	4,44,371	5,20,606	12%
Water	2,21,153	1,65,105	1,49,623	-18%
Oil & Gas	1,055	2,001	1,732	28%
Mining	8,083	4,725	5,970	-14%
Total	**9,12,008**	**9,83,510**	**10,37,565**	**6.7%**

Source: Projects today, YTD is upto 30th November of respective year. YTD refers to fiscal year till date

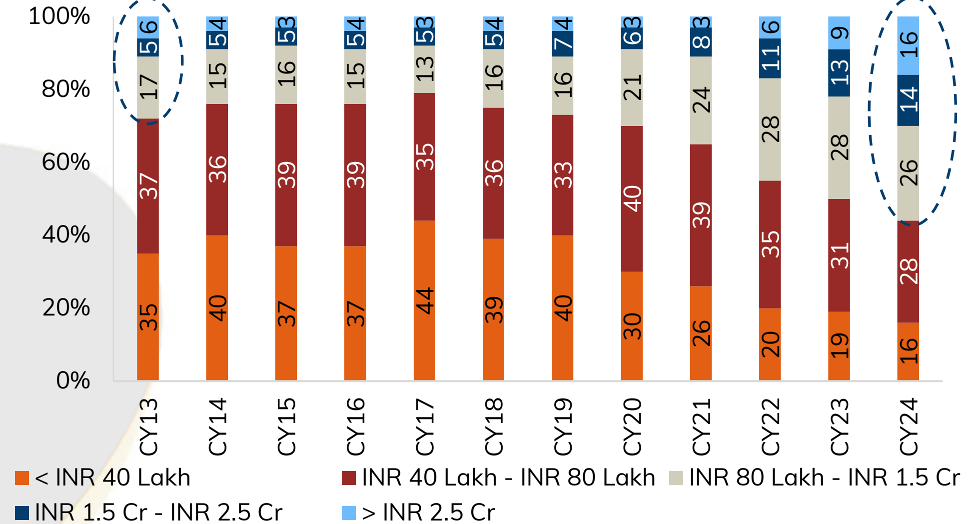
- *Segments like Buildings & Transportation has seen strong growth in tendering as the same grew by 13% and 17% YoY respectively in YTD25*
- *Power segment (Thermal/renewable and T&D) has seen strong momentum continued in CY25. Thus, we expect power to see significant increase in ordering going ahead*

Real Estate: On an accelerated growth journey

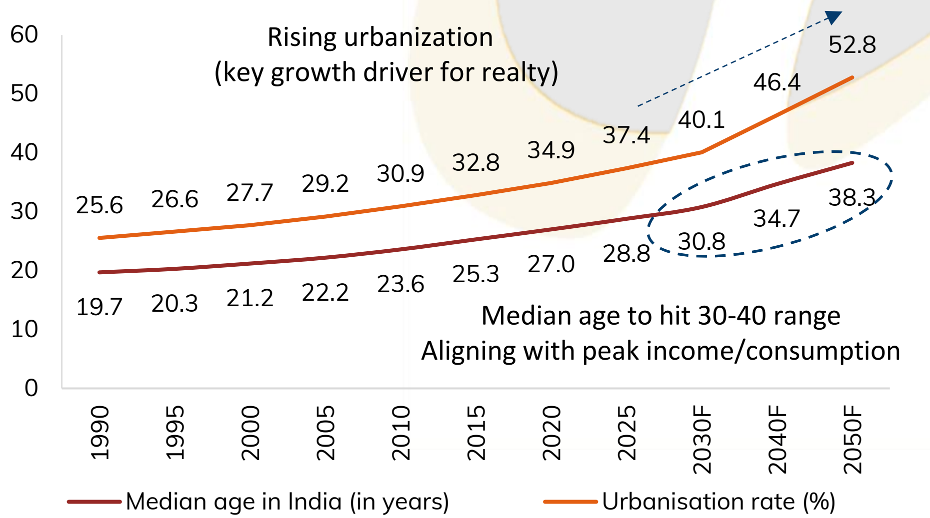
Real estate market size can multiply ~3x/20x by 2030/2047



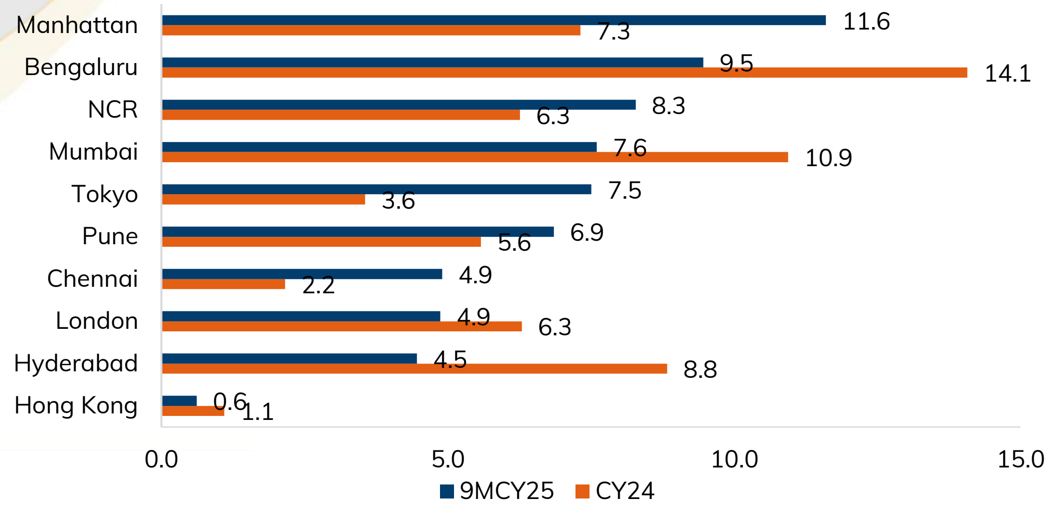
Residential unit launch budget-wise segmentation



Rising Urbanisation/ Median Age population



Indian cities Grade A office net absorption highest Vs key global peers (msf)



Source: Confederation of Indian Industry, Colliers, Anarock, Cushman & Wakefield, ICICI Direct Research

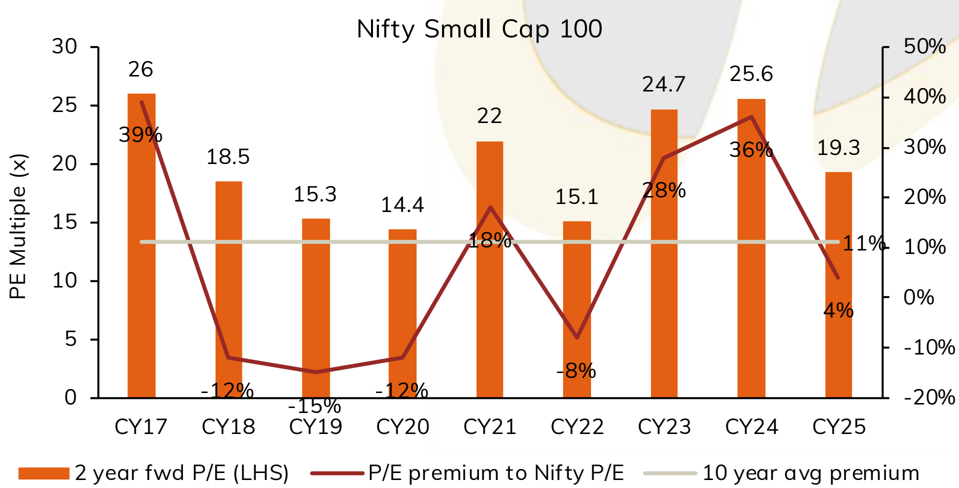
Small Caps offering attractive risk reward play

Annual Index Returns (%) in Calendar year	CY05	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18*	CY19	CY20	CY21	CY22	CY23	CY24	CY25
Nifty 50	36	40	55	-52	76	28	-25	38	7	31	-4	3	29	3	12	15	24	4	20	9	9
Nifty Mid Cap 100	35	29	77	-59	99	19	-31	39	-5	56	6	7	47	-15	-4	22	46	4	47	24	4
Nifty Small Cap 100	62	42	87	-71	107	18	-34	37	-8	55	7	2	57	-29	-10	21	59	-14	56	24	-9

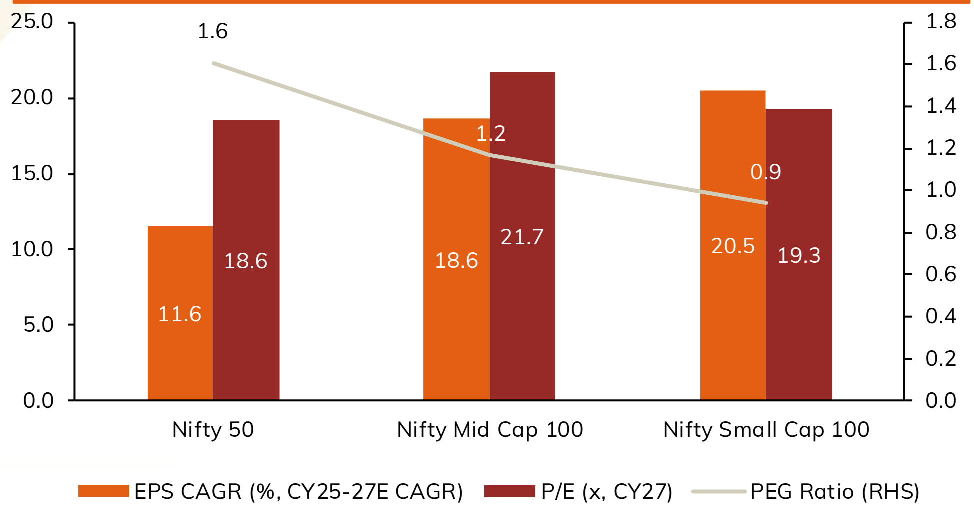
- Interestingly, it has been observed that there exists low probability (14%) of small caps correcting in two consecutive years
- In the past 20 years, there have been 7 instances of calendar year (CY) returns being negative for the small cap index (CY08, CY11, CY13, CY18, CY19, CY22 and CY25), however there has been only 1 incidence of it being consecutive years (CY18 and CY19)
- Thus, odds (86% probability) are in favor of small caps resuming the up move and delivering healthy double digit returns in CY26E

**CY18 fall is partially also attributable to strict market capitalization rules enforced by SEBI and AMFI in Oct 2017*

Small-cap's 2 year forward P/E premium to Nifty 50 corrects to 4% ...well below its 10-year average of 11%



Nifty Small Cap index trades at 19.3x P/E on CY27E vs. CY25-27E earnings CAGR of 20.5%; i.e. attractive (<1 PEG) vs. its peers.



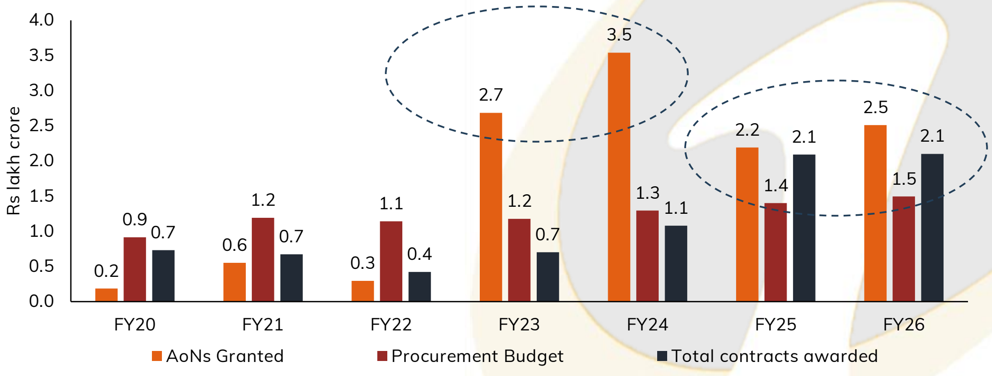
Source: Bloomberg, ICICI Direct Research

Other Sectoral Outlook

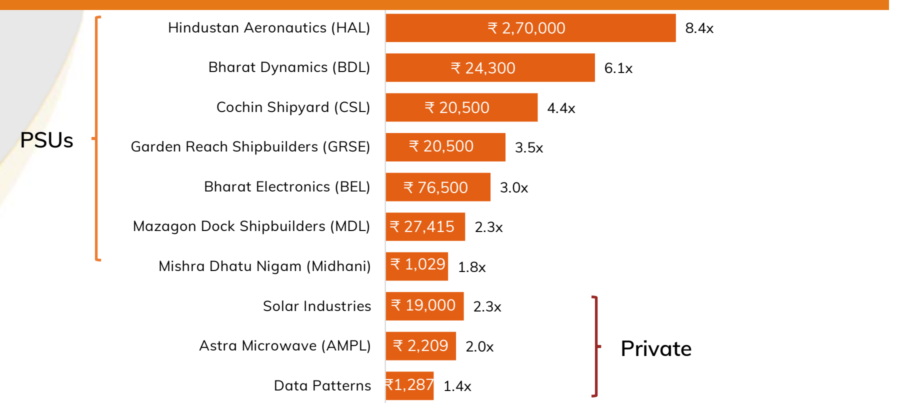
Structural long term investment thesis for these sectors stays intact, price action however could lag in CY26 and hence comes lower in our pegging order list

- Government focus on import substitution across platforms, subsystems and components (aircraft, missiles, ships, armor, radars, EW, avionics etc.) continues to structurally expand the domestic defence opportunity
- Increasing private participation and streamlining acquisition timelines (from ~96 weeks to ~24 weeks) would improve overall execution
- Significant rise in granting approvals (Acceptance of Necessities - AoNs) from government to lead to substantial rise in contract awarding
- With defence budget targeted at ~2.5% of GDP and capital outlay at ~0.8% by FY30E, domestic procurement is expected to grow ~18% CAGR, driving defence production (~19% CAGR) and exports (~21% CAGR) over FY25-30E

Significant rise in approvals from FY23 onwards has led to sharp rise in contracts awarding during FY25 & FY26



Defence sector's aggregate order-backlog stands at 4.9x TTM revenue as of Sep' 25



Major equipments across value chain; total orders opportunity is estimated to be reach at least ₹ 10 lakh crore over the period of next five years

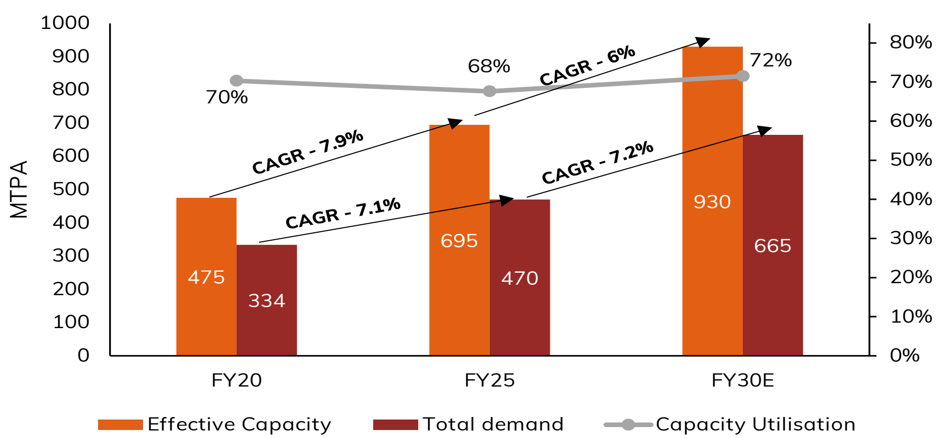
Aircrafts (incl. electronics & engines) ~₹ 4.5 - 5 lakh crore	Helicopters ~₹ 1 - 1.5 lakh crore	Warships & Submarines ~₹ 2.5 - 3 lakh crore	Tanks & Artilleries ~₹ 70,000 to 1 lakh crore	Missiles & Air Defence Systems ~₹ 50,000 to 70,000 crore	Other Weapons ~₹ 50,000 crore to 1 lakh crore
Light Combat Aircraft (LCA) Mark 2	Light Utility Helicopters (LUH)	Next Generation Corvettes	Main Battle Tanks	QRSAM	Drones (MALE, HALE)
Multi-Role Fighter Aircraft (MRFA)	Indian Multi-Role Helicopter (IMRH)/ DBMRH	Next Generation Destroyers	Future combat Vehicles	ATGMs (NAG/Helina)	Torpedoes & Underwater Mines
Advanced Medium Combat Aircraft (AMCA)	Naval Utility Helicopter (NUH)	Project 17B stealth frigates	Howitzers (ATAGS, MGS)	Astra Mk-1 and Mk2	Bombs & Ammunitions
Sukhoi Upgrades	Advanced Light Helicopter (ALH)	P-75 and P-75I Submarines	Multipurpose Vehicles	SAAW	Counter Measure Dispensing Systems
Twin Engine Deck Based Fighter (TEDBF)		Aircraft Carrier		Akash SAM	Counter Drone systems
Combat Unmanned Ariel Vehicles		Other vessels/crafts		Other missiles	Loitering Munitions

Source: Industry, ICICI Direct Research

- Cement sector is on a cusp of upcycle, led by expected improvement in industry's utilization rates over the next 4-5 years as total demand CAGR is set to outpace total supply CAGR
- Large and mid-sized companies remain focused on expanding capacities with an aim of improving market shares. With healthy demand outlook, most of these larger players are targeting better-than-industry volume growth in the coming years. Share of top-5 players is expected to increase to ~65% by FY28E (vs ~50% in FY23)
- Continuous focus on cost optimization led by increase in usage of green power, alternative fuels and optimizing logistics cost would help companies in overall improvement in EBITDA/ton. Also, increasing share of premium products helping companies in better realization and managing price sensitivity

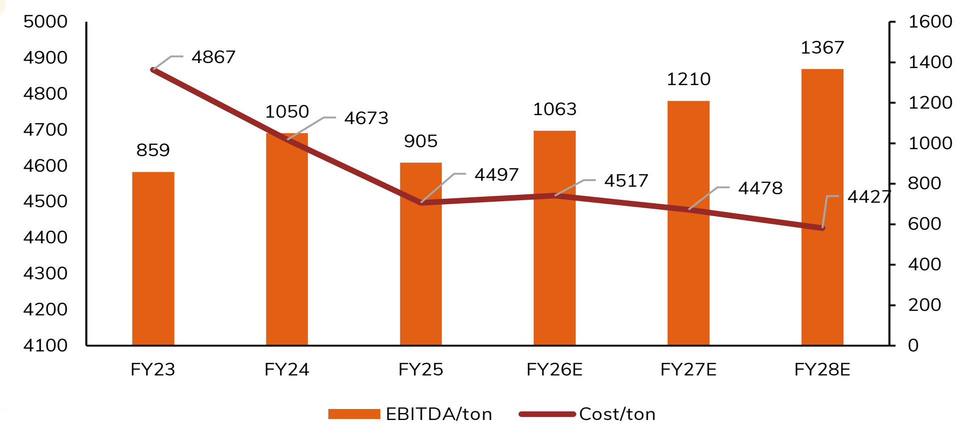
Cement demand segments	Share of demand (FY25)	Expected CAGR (FY26E-FY30E)	Demand drivers
Rural housing	32-34%	7-8%	Pradhan Mantri Awas Yojna - Gramin (PMAY-G), govt's focus on agricultural development via various schemes, etc
Urban housing	22-24%	6-7%	Rising urbanisation, Pradhan Mantri Awas Yojna - Urban (PMAY-U), focus on low-cost housing, etc
Infrastructure	29-31%	8.5-9.5%	Rise in govt capex for roads/highways, railways, metros, airports, bullet train, smart cities, etc
Industrial & Commercial	13-15%	6.5-7.5%	Industrial capex push by large players across sectors, PLI scheme, overall economic recovery, etc

Total demand CAGR expected to outpace supply CAGR in next 5 years



Source: Industry, ICICI Direct Research

Average EBITDA/ton and Cost/ton trend to improve going ahead (top 5 players)

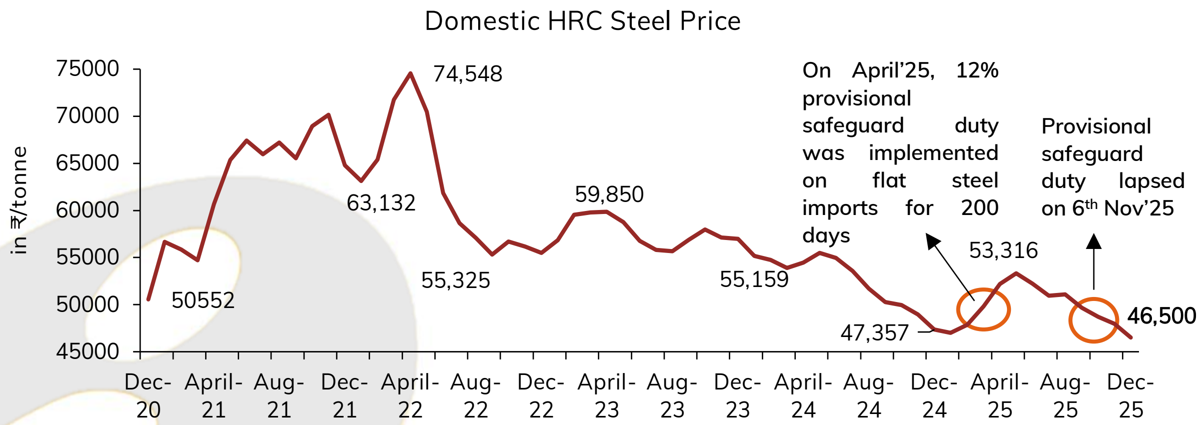


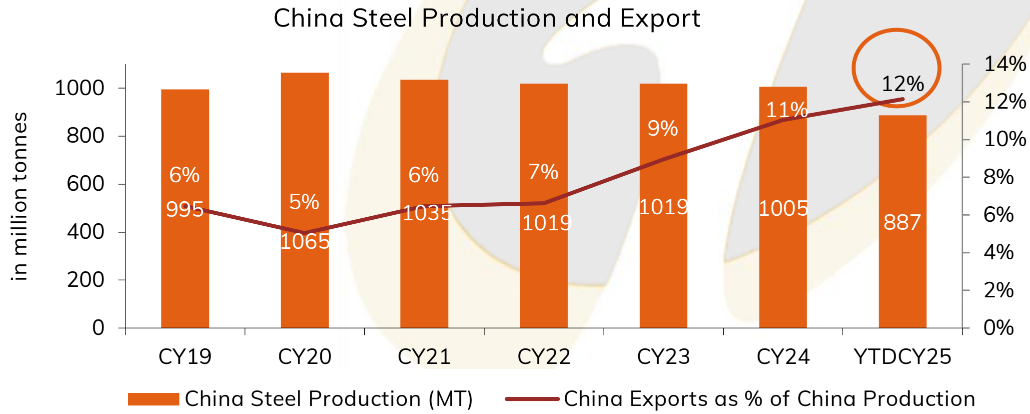
Source: Industry, ICICI Direct Research

Steel: Not out of the woods, policy support need of the hour to mitigate Chinese surplus!

Safeguard duty expiries, domestic steel prices give up all the gains

- Domestic steel prices has declined to 5 years low of ~₹46,500/ton driven by oversupply from newly commissioned capacities and cheap steel imports.





Decline in China's steel production - encouraging, the higher Chinese exports remain a challenge!!

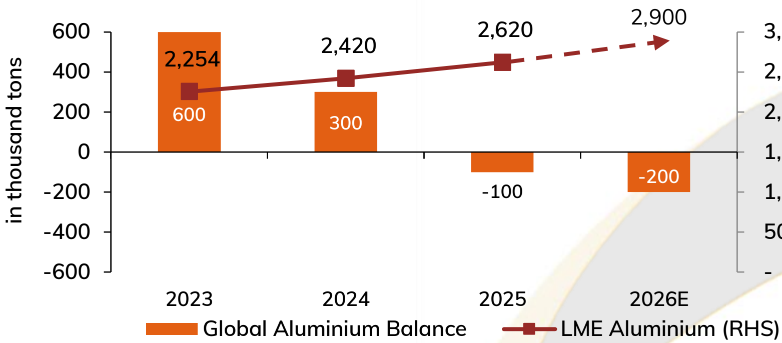
- China's anti-involution push has kept China steel production at lower levels (YTD'25 down 4% at 887 MT).
- China's steel exports however remain elevated at 12% of production & could reach ~120 MT in 2025 (110 MT-CY24).
- Thus, Safeguard measures are the need of hour to protect domestic steel players amid rise in Chinese exports & inward-looking policies elsewhere.

Structurally, we remain positive on domestic steel sector, with imposition of safeguard duty around the corner leading to price recovery, major players undertaking capacity expansion and benign raw material prices (iron ore & coking coal). Our top bet in this domain is Tata Steel backed by strategic capacity expansion, Europe restructuring & continued focus on cost optimization

Source: Bloomberg, World Steel Association, ICICI Direct Research

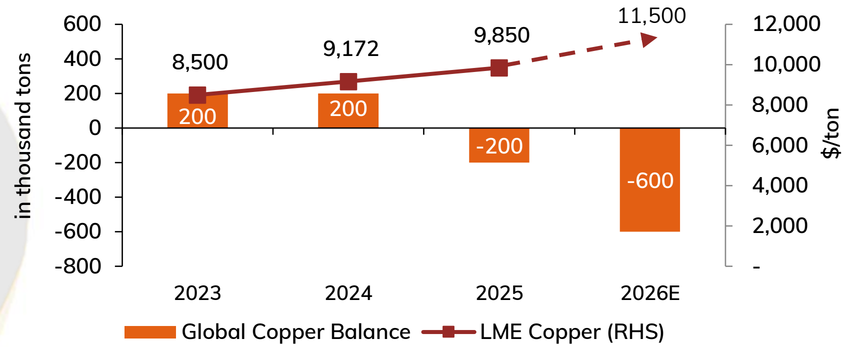
Supply disruptions coupled with strong demand from sunrise sectors such as electric vehicle & renewable energy are expected to keep metal prices elevated in 2026, which will strengthen earnings prospects for domestic non-ferrous industry

Global Aluminium balance & LME Aluminium Price



Aluminum & Copper turning deficit from surplus !

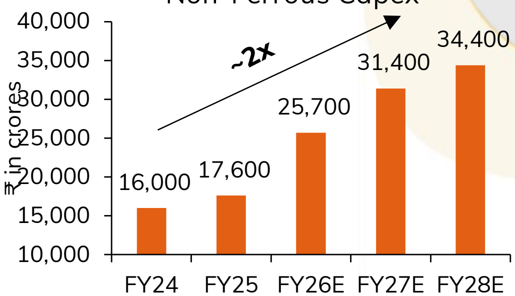
Global Copper balance & LME Copper Price



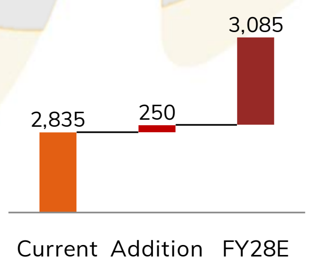
Note: Metal Balance: Production –Consumption; positive: Surplus, negative : Deficit

Non-Ferrous capex is set to pick-up pace over the next 2 years amidst ambitious expansion plans at prominent players

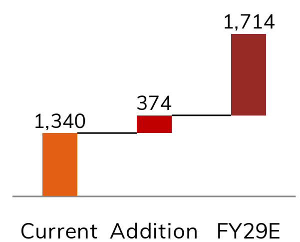
Non-Ferrous Capex



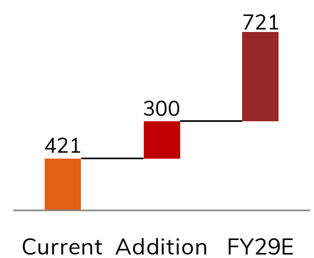
Vedanta Aluminium Capacity (in KTPA)



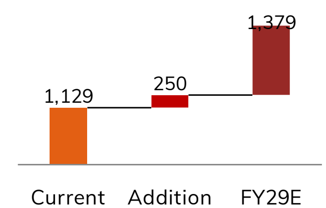
Hindalco Aluminium Capacity (in KTPA)



Hindalco Copper Capacity (in KTPA)



Hindustan Zinc Refined Metal Capacity (in KTPA)

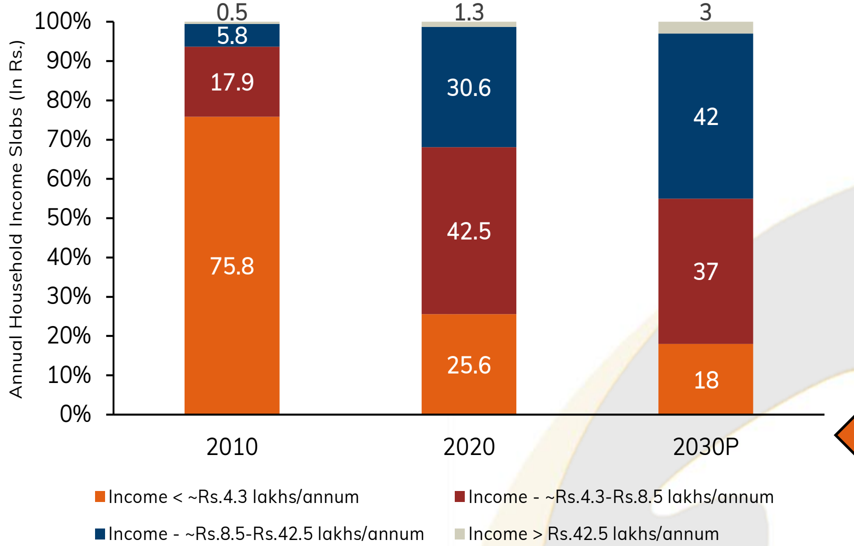


With such industry tailwinds and robust non-ferrous metal prices, we remain positive on the Non-ferrous space. Our top bet in this domain is Vedanta, as it will be the largest beneficiary of recent run-up of non-ferrous prices owing to its recent expanded capacities, focuses on value added products and capital efficient operations.

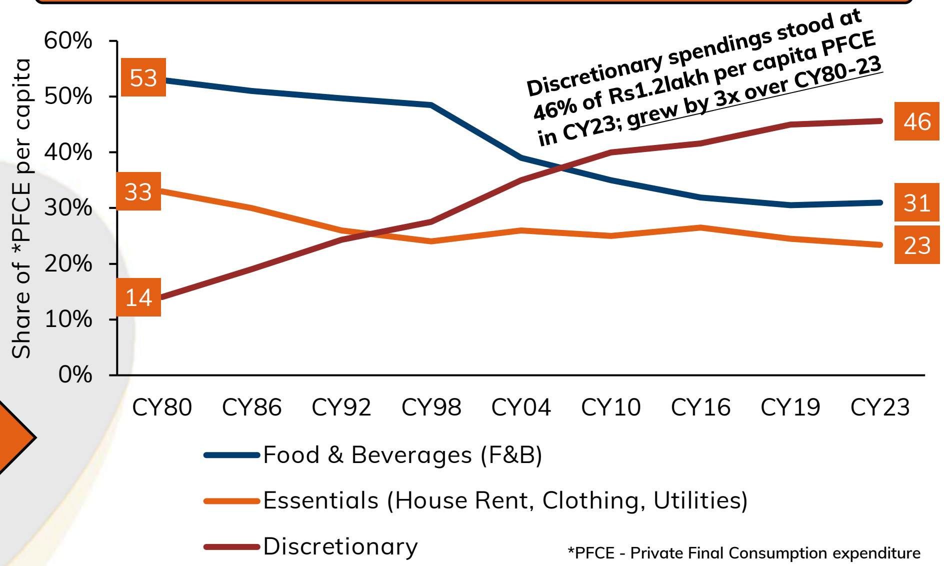
Source: ING Research, Bloomberg, ICICI Direct Research

Discretionary consumption on rise

Share of upper middle-class & above growing faster



Share of discretionary consumption growing faster

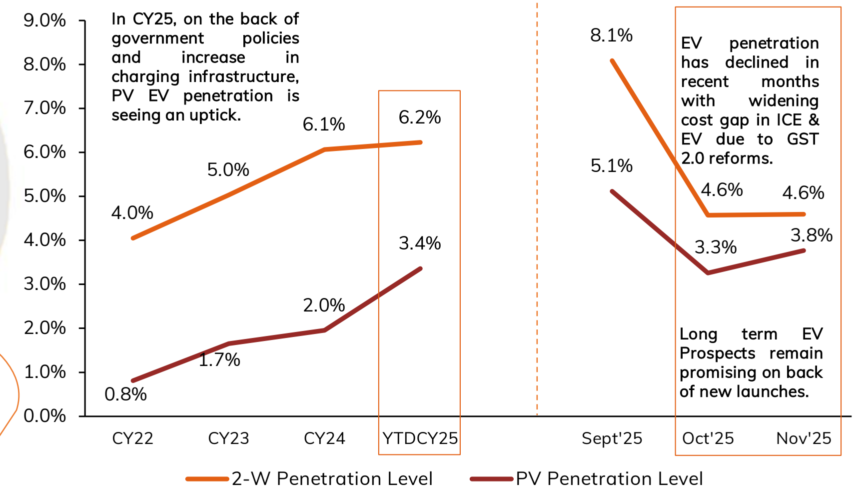


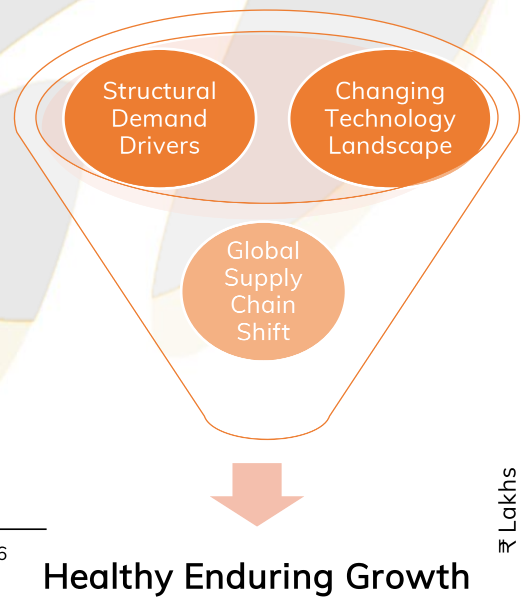
*PFCE - Private Final Consumption expenditure

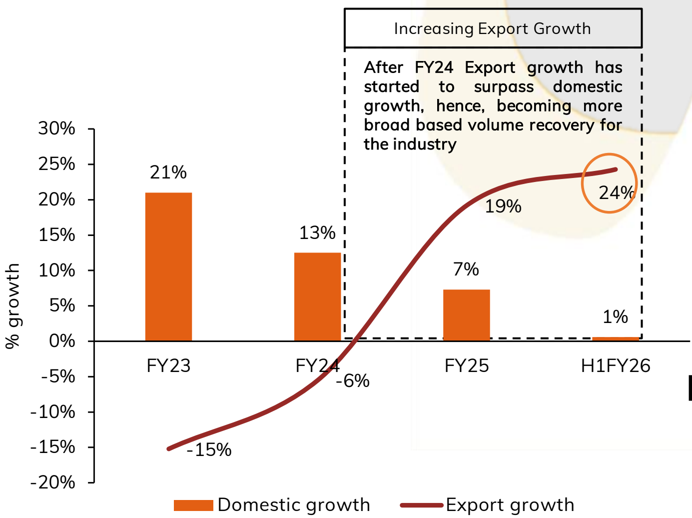
Type of Categories	Categories	FY19	FY20	FY21	FY22	FY23	FY27P	CAGR (FY19-23)	CAGR (FY23-27P)
	Total Retail (In Rs.cr)	54,48,100	59,71,700	57,75,700	67,51,700	76,06,600	1,13,39,900	8.7%	10.5%
Need-based	Food & Grocery	65%	65%	71%	68%	65%	59%	8.8%	8.0%
	Pharmacy & Wellness	3%	3%	3%	3%	3%	3%	9.6%	12.0%
Discretionary	Apparel & Accessories	7%	8%	5%	6%	7%	9%	8.0%	18.2%
	Non-Apparel Accessories	1%	1%	0%	1%	1%	1%	8.7%	14.8%
	Jewellery	8%	8%	6%	7%	7%	9%	8.0%	15.5%
	Consumer Electronics	6%	6%	6%	6%	7%	8%	10.1%	15.0%
	Watches	0%	0%	0%	0%	0%	0%	6.5%	15.2%
	Home & Living	4%	4%	3%	4%	4%	5%	6.9%	14.2%
	Footwear	1%	1%	1%	1%	1%	1%	3.8%	18.1%
	Others	5%	5%	5%	5%	5%	5%	10.1%	9.0%

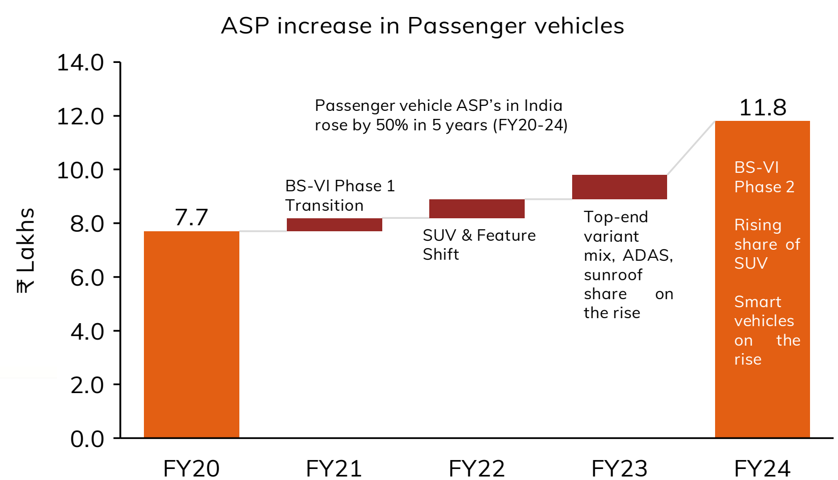
Source: PN Gadgil Jewellers Ltd. RHP, Industry Reports, ICICI Direct Research

Auto sector is at an interesting confluence of three major forces; (i) Structural demand drivers **supporting long term domestic volume growth (low cars penetration, GST & income tax rate cuts, rising per capita income, decline in interest rates); (ii)** Changing technology landscape **including Electrification & premiumization (increase in ADAS, sunroof, connected cars, 6 airbags as standard; impending ABS in 2W segment) and (iii)** Changing global supply chain **(tariffs led export volatility and China+1 strategy).**





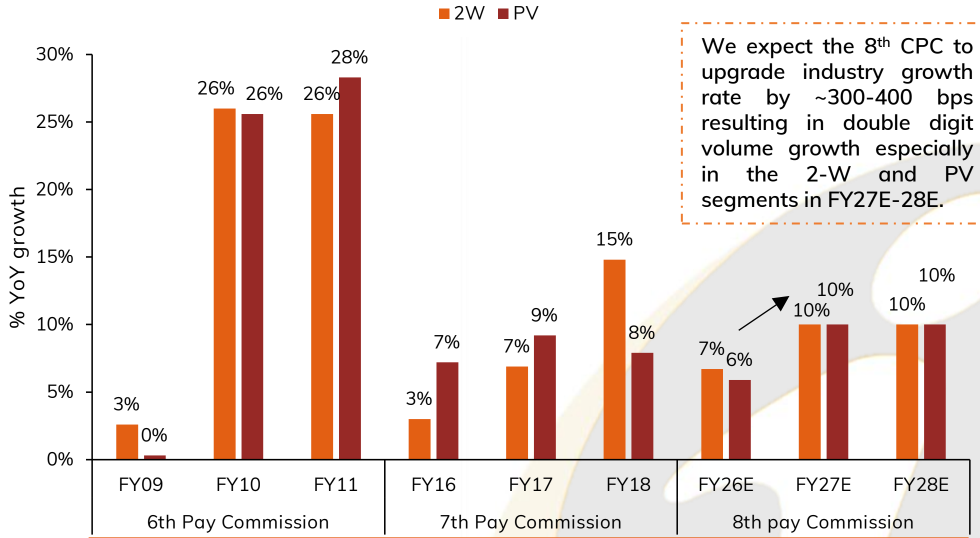




Source: SIAM, Vahan, Industry Reports

…8th pay commission, declining interest rates added positives

Central Pay Commission (CPC) - Positive impact on auto industry

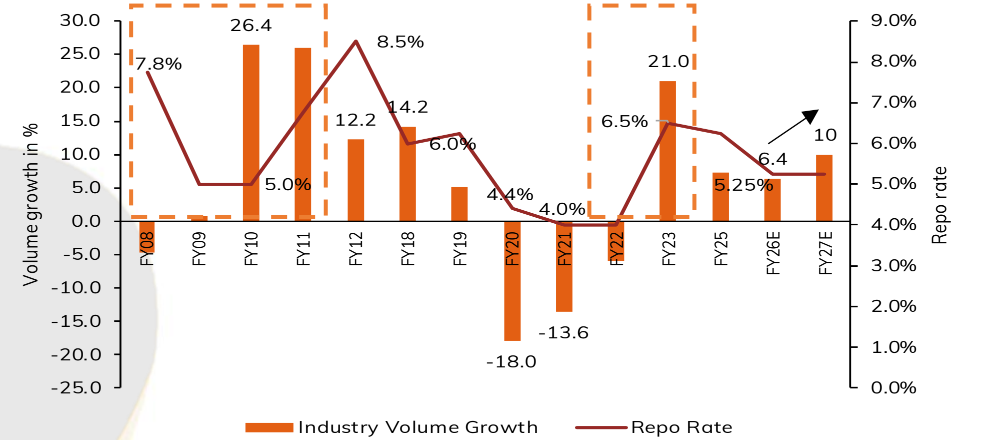


We expect the 8th CPC to upgrade industry growth rate by ~300-400 bps resulting in double digit volume growth especially in the 2-W and PV segments in FY27E-28E.

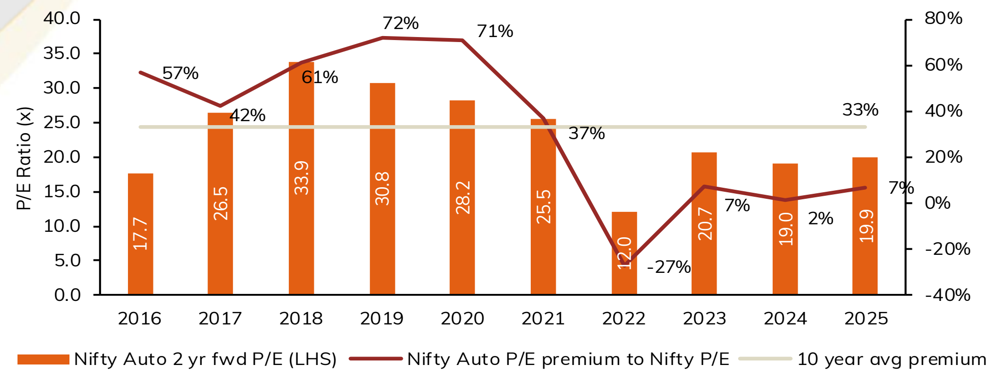
FY09-FY11	FY16-FY18	FY26E-FY28E
• 6th CPC awarded a ~35% salary hike with arrears paid as 40% in FY09, 60% in FY10. • Total outlay at >₹25,000 crores. • It sharply revived consumer spending, driving 26-28% YoY growth in 2W and PV volumes in FY10-11. It was also supported by govt. measures in the aftermath of GFC (global financial crisis)	• 7th CPC provided a ~23-24% salary increase. • Total outlay exceeded ₹1.02 lakh crores, with ₹65,000 crores hitting the system in FY17. • Despite demonetisation, the income effect supported 7-15% YoY volume growth across 2W & PVs.	• 8th CPC is expected to provide a ~20-30% salary increase. • It will benefit ~50 lakh central govt. employees & ~69 lakh pensioners. • Pay is due for revision from 1st Jan 2026 while its rollout is expected anytime in CY26-27E. • Total outlay is expected at ~₹2 lakh crores

Source: SIAM, GoI, Bloomberg, Industry Reports

Decline in interest rates.. precursor for auto volume growth



Nifty Auto 2-yr forward P/E premium to Nifty 50 is pegged at 7%..well-below its 10-year avg. of 33%, scope to outshine



- With these positive levers of low vehicle penetration, GST rate cut, 8th pay commission rollout and lower interest rates auto sector is well posed for double digit value growth over the next 3-5 years. Underlying premiumization trend remains unabated. Our Top bets are Maruti Suzuki and M&M in the Auto OEM space; Apollo Tyre, Sansera Engineering, Lumax Auto Tech & Uno Minda in the ancillary domain

Hotels: Demand-Supply gap to widen over FY24-28E

	GDP CAGR (%)	Consumer spending CAGR (%)			
	Nominal GDP	Restaurant& Hotels	Recreation & culture	Accommodation	Package Holidays
2011-19	11%	11%	9%	12%	10%
	Nominal GDP to Consumer spending = 1x				
2022-31	10%	14%	12%	15%	13%
	Nominal GDP to Consumer spending = 1.4x				

Domestic leisure tourism – demand enablers

- India's spending on travel & restaurants to grow by 1.4x the GDP growth over CY22-31.
- India's wedding market is valued at USD 77bn, expected to grow at CAGR of 10-12%; around 30-35% wedding spends are on location, food and banquet.
- India to develop 50 key tourist destinations through state partnership.
- Tourism ministry expects FTA to grow by 3x to ~30bn by CY37.

ICC Cricket T20 World Cup 2026

Indian Premier League

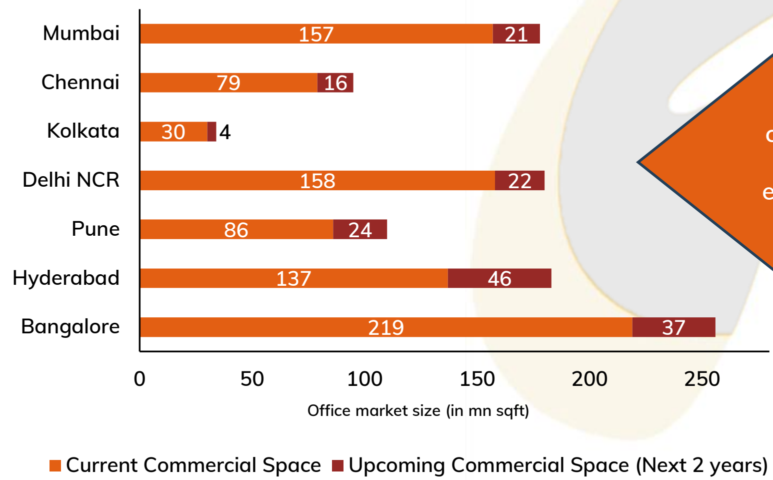
Simhasta Kumbh Mela 2026, Nashik

International Music Concerts

Commonwealth Games 2030, India

BRICS Summit 2026

Corporate/events room demand to remain strong



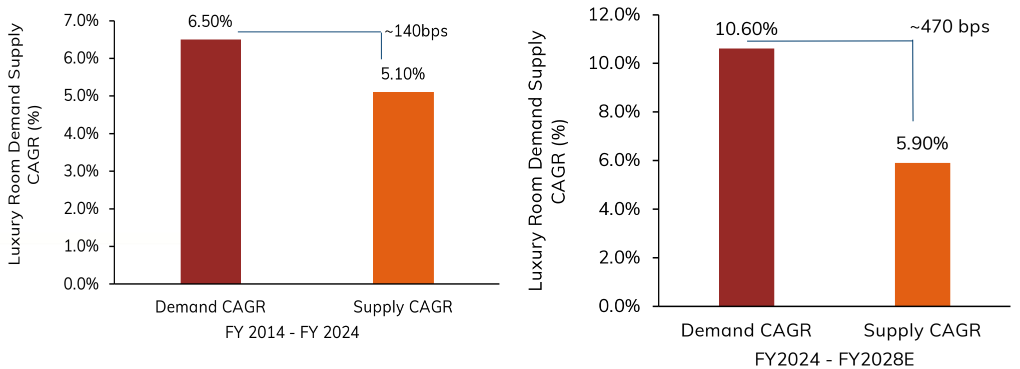
Growing corporate and high-profile events to drive demand

Luxury and Tier-1 supply will be lowest in the coming years

Segment (FY24-27P)	Luxury	Upper upscale	Upscale	Upper midscale	Midscale Economy	Total
Room addition ('000)	6	8	15	12	19	60
% of room addition	10	13	25	20	32	100

Source: Leela Palaces, Hotels & Resorts RHP, Company Presentations, ICICI Direct Research

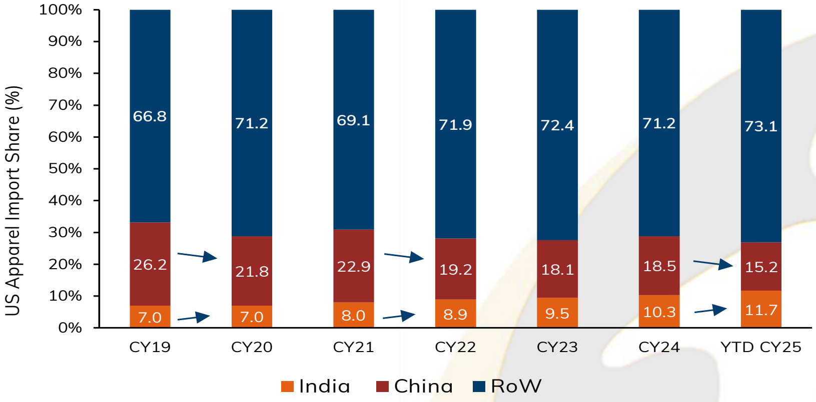
Demand-supply gap to increase over FY24-28E



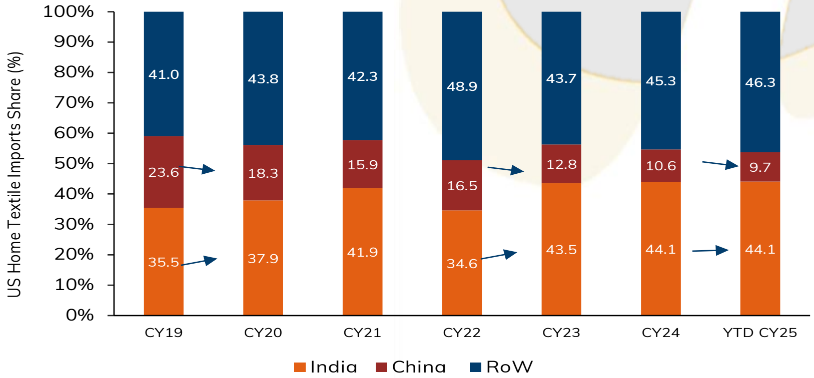
Textile: Diversification to expand export opportunities

'China + 1' creates opportunities for Indian textile cos to improve export share in key markets (such as US)

India's share in US cotton **apparel** imports improved to 12% from 7% over CY20-25



India's share in US home textile (bed sheets & terry towels) imports improved to 44% from 38% over CY20-25



- India's share in US cotton apparels and home textile (terry towel & bed sheet) improved by 500-600bps, while China loose substantial share in US textile exports over CY20-25.

Source: OTEXA, Trademap.org, ICICI Direct Research

'Diversification' will de-risk & enhance business opportunities for Indian textile cos in global markets

Textile export opportunity for India across potential FTA / trade deal countries / regions

Country	Apparel			Home Textiles & Worn cloths		
	Total Imports (In USD bn)	India's exports (In USD Bn)	India's share (%)	Total Imports (In USD bn)	India's exports (In USD Bn)	India's share (%)
UK (FTA)	19.84	1.41	7.1%	2.62	0.28	10.5%
EU-27	197.03	4.48	2.3%	21.30	1.13	5.3%
Japan (FTA)	23.00	0.20	0.9%	3.70	0.06	1.7%
Canada	10.94	0.24	2.2%	1.55	0.17	11.0%
Australia (FTA)	7.95	0.34	4.3%	1.68	0.20	11.7%
UAE (FTA)	6.80	0.25	3.7%	0.80	0.29	36.3%
NZ	1.20	0.04	3.2%	0.28	0.03	10.7%
Israel	2.60	0.09	3.4%	0.36	0.08	22.2%
Incremental export opportunity	**269.36**	**7.05**	**2.6%**	**32.29**	**2.23**	**6.9%**
USA	84.61	5.26	6.2%	18.10	2.95	16.3%

*FTA – Signed free trade agreements

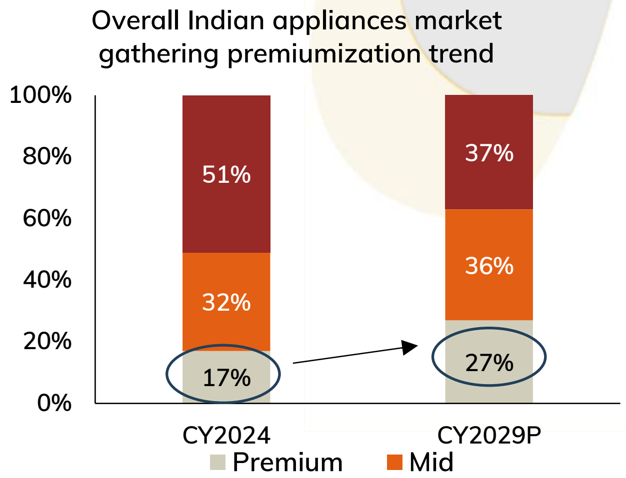
- Diversification of customer and production base is considered as a well-defined strategy to mitigate from (US) tariff led uncertainties.
- Potential FTA/trade deal with countries/regions will result in apparel export opportunity of USD 270bn, 3x bigger than the US market.
- India currently caters to 2.5% and 6.9% of the apparel and home textile export opportunity (excluding US) indicating substantial headroom for growth.
- India advantage: 1) Cotton prices reduced by half to Rs56,000/candy (Rs157/kg) from its peak of Rs1,00,681/candy (Rs283/kg). 2) FTA will reduce import duties to nil on various textile products making it more competitive in the global markets and 3) Government support through various scheme will aid in adding capacities in the coming years.

Consumer durables: Steady growth, aided by premiumization trend…

Products	*Market Size (CY24) (₹ crore)	*Market Size (CY29E) (₹ crore)	Growth rate (FY24-29E)	Penetration (India)	Penetration (US & China)
RAC	32,000	71,000	17%	13%	80-90%
Washing Machine	24,500	38,000	9%	22%	70-80%
Refrigerator	31,500	62,000	15%	35%	80-99%
TV & Audio devices	89,500	1,72,500	14%	78%	85-95%
Mobile	3,12,500	4,77,500	9%	79%	90-100%
Others#	96,000	1,78,000	13%	-	-
Total Appliances Mkt	**5,86,000**	**9,99,000**	**11%**	**-**	**-**

** Market size attributes to B2C category; # Other incl. small kitchen appliances, personal care devices, B2B systems, etc.*

Overall appliances market gathering premiumization trend

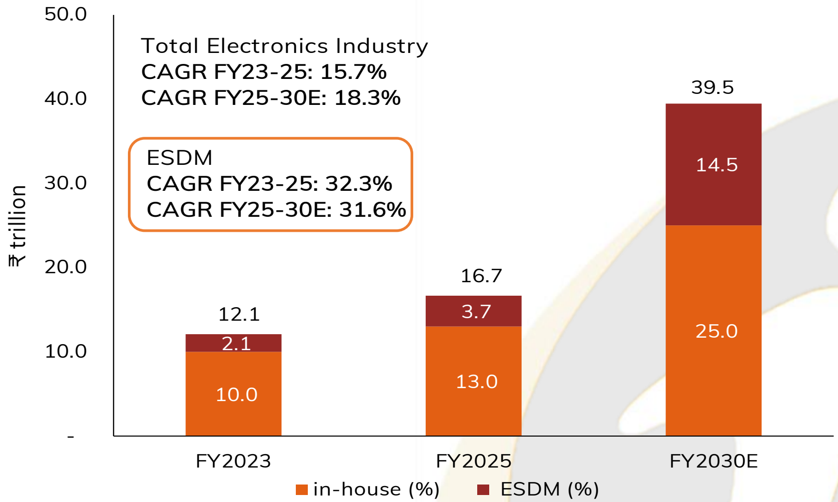


Recent GST rate cut in conjunction with income tax rationalization announced earlier has increased disposable income and affordability, especially across premium segments.

- Long term outlook for RACs, washing machines, refrigerators, TVs and other products remains positive driven by rising category penetration.
- Shift towards premiumisation through higher-star ACs, front-load washers, >32" TVs, and double-door/side-by-side refrigerators gaining traction.
- Both consumer durables and contract manufacturers (EMS companies) are well poised to benefit from sustained, healthy demand momentum.

Source: LG RHP, Amber QIP doc, Industry reports, ICICI Direct Research

Domestic electronics industry is poised for strong growth supported by government initiatives (PLI & Subsidies)



Particulars	FY25	FY30E	CAGR (FY25-FY30E)
ESDM industry (₹ trillion)	3.7	14.5	**31.3%**
Segmental Mix			
-Mobile Phones	62.6%	64.5%	**32.1%**
-Consumer electronics	13.7%	11.2%	**26.1%**
-Automotive	4.6%	4.0%	**27.7%**
-Industrial	3.7%	2.6%	**22.4%**
-Others	15.4%	17.7%	**35.0%**

Within electronics industry, trend towards outsourcing shall continue to outpace, and thus electronics system design & manufacturing (ESDM) industry shall be a key beneficiary. Robust growth is expected across categories in this segment.

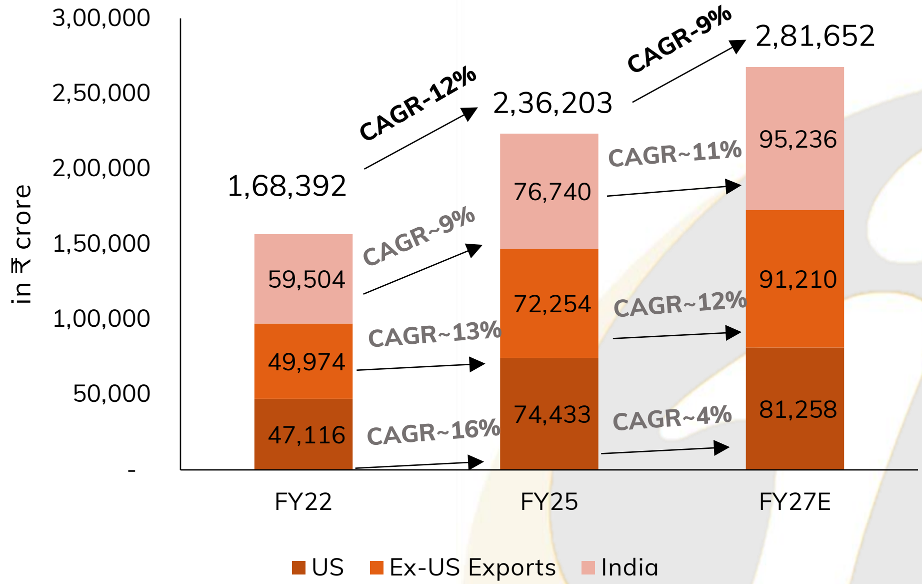
Domestic value addition to grow significantly supported by component localization, thus reducing import dependence…

- Electronics manufacturing to witness robust growth across categories i.e. consumer, industrials, automotive, etc. backed by strong local demand & localisation push through government initiatives.
- Domestic players are actively scaling up capabilities with significant investments underway in OSAT, PCBs, camera modules, display fabs, display modules, and other key component projects. As per Niti Aayog, value addition is expected to increase from ~18% to 35%+ by FY30E.
- Manufacturers moving beyond assembly operations to producing high-value components, thus moving up the value chain. This shall deepen backward integration, add manufacturing capabilities while being margin accretive.

Source: Amber QIP doc ,Niti Aayog, ICICI Direct Research

Pharma: India and other markets to lead growth as US slowdown apparent…

India growth **would be driven by ongoing structural chronic and quality shifts while** other export markets **would be driven by complex launches. This, we believe could compensate for an apparent** US slowdown **due to exclusivity vacuum in FY26 and FY27.**



Ex- India & US momentum to be backed by complex launches such as Biosimilars and weight loss drugs-

- **28+ biosimilars launches in Europe and EMs during FY25-27.**
- **GLP-1 (Weight loss drug) Launches in Non-US Geographies.**

Chronic therapy focus to drive India formulations.

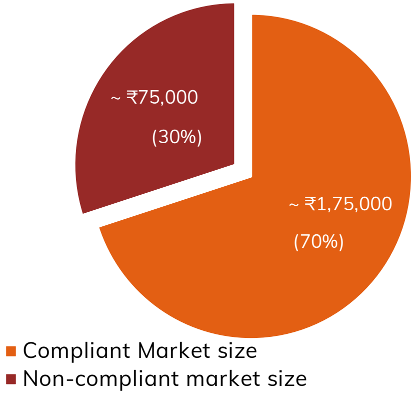
Government's crackdown on quality non-compliance could provide incremental growth avenues.

Stricter quality norms for domestic formulations to weed out non-compliant players

Comparison	Old Schedule M	Revised Schedule M
Quality Management	Basic internal inspection only.	Mandatory Pharmaceutical Quality System (PQS) and Quality Risk Management (QRM).
Documentation	General record-keeping.	Strict Data Integrity Principles
Validation	Minimum focus on equipment qualification.	Full lifecycle approach; Computerized System Validation required.
Upgradation Cost	-	Minimum 1.5x cost burden

Over 60% of India's registered SME Pharma units, which contribute~30% of overall India formulations in value terms, could be compelled to cease operations due to non-compliance with revised Schedule M rules for maintaining better quality standards.

IPM ~2,50,000 (in ₹ crore)



Source: ICICI Direct Research, Various Industry Reports

Long term outlook intact, intermittent corrections a regular phenomenon

$7 USD Trillion GDP

By 2030 , GDP is expected to reach US $ 7 trillion

~7 % GDP Growth Expected

Economic growth is expected to average ~7 % over the next 10 years, making it one of the world’s fastest growing economies.

12-15% CAGR in Equities

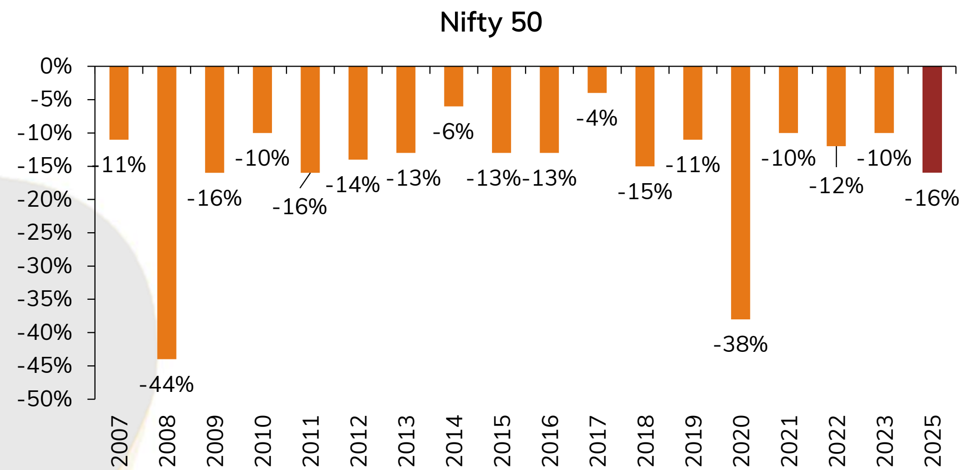
Indian Equities are expected to compound at 12-15% as seen historically

Historically, major index witness a correction from recent highs along these lines :

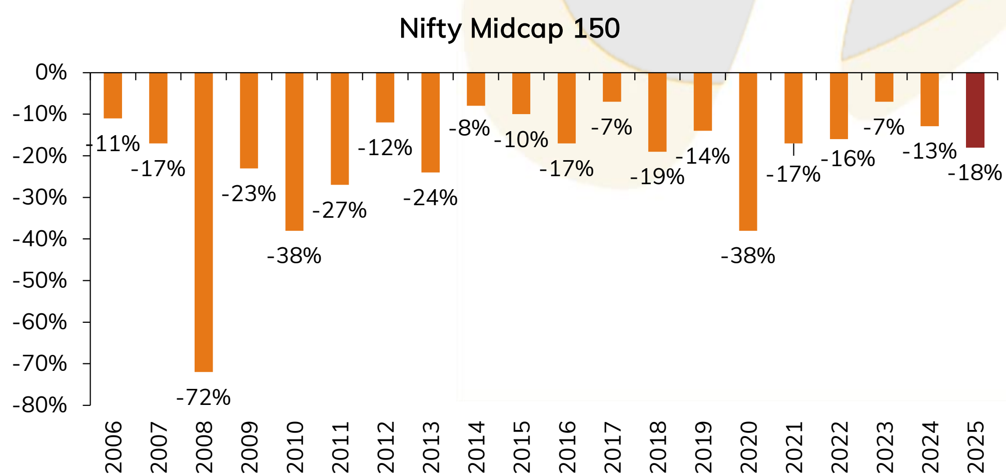
- **Nifty 50 index by 10%-15%**
- **Nifty Midcap 150 index by 15%-25%**
- **Nifty Smallcap 100 index by 20%-35%.**

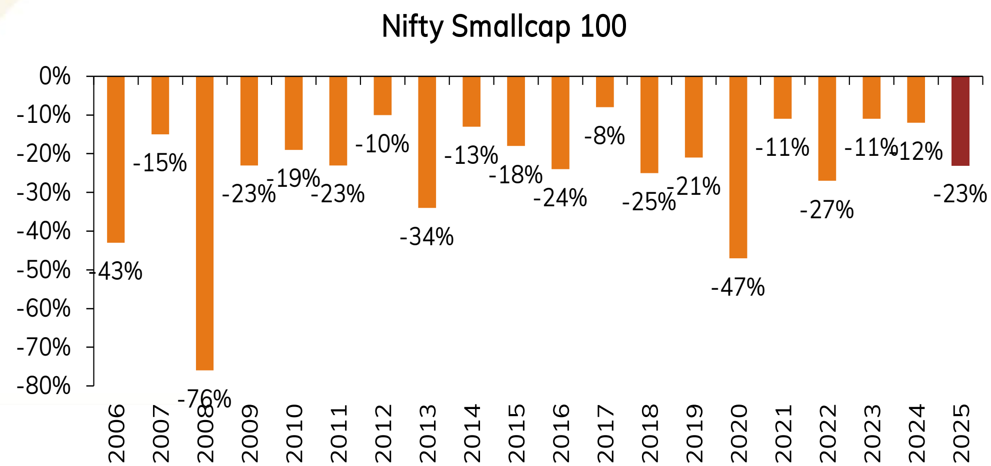
However, rebounds are equally sharper as witnessed in April-June 2025 period, wherein rebound was seen along these lines :

- **Nifty 50 index by 14%**
- **Nifty Midcap 150 by 18%**
- **Nifty Smallcap 100 index by 23%**



Correction from highs





Source: Bloomberg, ICICI Direct Research

Stock Picks -2026

Bank of Baroda (BANBAR) — Target Price: ₹ 340 (17% Upside)

Consistent performance, structurally well placed for consolidation

- Bank of Baroda is the third largest public sector bank with a global loan book of ~₹ 12.3 lakh crore. The bank has a meaningful presence in international operations with its JVs and subsidiaries. ~17% of total business comes from overseas.
- After a relatively slower business growth in H1FY26 due to muted traction in corporate segment, credit momentum is expected to accelerate in H2FY26, supported by seasonal pickup in disbursement & a strong corporate sanctioned pipeline of ₹40,000 crore, (while ₹25,000 crore under process). Overall, we expect credit growth to track system level at ~11-12% in FY26-28E, led by robust retail segment growth (17.6% YoY in Q2FY26); reduction in GST and 25 bps cut in repo rate, while continued focus on granular liabilities is expected to support funding cost stability.
- Margins are expected to remain resilient and broadly range bound with FY26E NIM guided at ~2.85–3%, supported by calibrated repricing and healthy RAM mix, with gradual improvement from FY27E. Asset quality remains strong with GNPA/NNPA at 2.16%/0.57%, steady quarterly recoveries of ₹700–750 crore and floating provisions of ₹1,000 crore, while management guidance of GNPA <2%, credit cost <75 bps and slippages at 1–1.25%, support improved earnings visibility and balance sheet stability ahead.
- Strong RAM-led growth, healthier liabilities mix, and resilient asset quality are expected to support profitability. We value the bank at ~1x FY28E BV and recommend BUY rating with a target of ₹340
- Key Risks: a) Elevated volatility in margin; b) Lower than anticipated credit growth

Particulars (₹ crore)	FY25	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
NII	45,659	47,214	52,969	58,520	8.6%
PPP	32,435	31,694	35,218	39,035	6.4%
PAT	19,581	18,731	19,683	21,779	3.6%
ABV (₹)	252.0	286.0	322.0	360.1	
P/E	7.6	8.0	7.6	6.8	
P/ABV	1.1	1.0	0.9	0.8	
RoA	1.2	1.0	1.0	1.0	
RoE	15.7	12.8	11.9	11.8	

Bajaj Finance (BAJFI) — Target Price: ₹ 1180 (18% Upside)

Best positioned to benefit from GST reform, formalization of MSME

- Bajaj Finance, a strong NBFC with digital footprint, have delivered consistent robust growth with consolidated AUM touching ~₹4.62 lakh crore. Bajaj Finance maintained strong operating metrics over long-term leading to ~19% RoE, >4% RoA.
- Bajaj Finance is transitioning from a product-led to a customer-centric franchise, targeting deeper engagement, higher wallet share and stronger market positioning. With its >10 crore customer base targeted to scale to 20–22 crore by FY30 and product per customer expected to rise from 6.05 to 6.5–7.5. Disbursements are expected to scale 10x from ~₹800 crore to ~₹8,000 crore per month, supporting >20% AUM growth and 22–24% PAT CAGR over FY26–30, enabling credit market share to rise from 2.32% to 3.2–3.5%.
- Macro tailwinds through GST-led consumption revival and strengthening discretionary demand provide a strong platform for growth, while AI-enabled operations enhance scalability and risk discipline. Automation processes is expected to reduce risk evaluation timelines from 10–15 days to ~1 day, cut operating costs by ~50% by FY30 and lower credit cost by ~15–20 bps, supporting profitability resilience and healthy asset quality trajectory with GNPA expected <1.2% and NNPA <0.4%.
- We value standalone business at 3.8x FY28E BV and ₹119 for subsidiaries. **Recommending BUY with a target of ₹1,180.**
- Key Risks: a) Growth margin trade-off amid tighter liquidity ; b) Elevated level of delinquencies to impact earnings

Particulars (₹ crore)	FY25	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
NII	44,913	53,998	66,824	81,052	21.7%
PPP	30,046	36,279	45,613	55,660	22.8%
PAT	16,779	20,061	25,979	31,830	23.8%
ABV (₹)	766.6	180.4	217.9	263.3	
P/E	73.8	31.0	23.9	19.5	
P/ABV	13.0	5.5	4.6	3.8	
RoA	4.0	3.9	4.1	4.1	
RoE	19.4	18.8	20.1	20.2	

Bharti Airtel (BHAAIR) — Target Price: ₹ 2,450 (17% Upside)

A Structural winner in India's Telecom Oligopoly

- Bharti Airtel (Airtel) is India's second largest telecom operator with ~36.4 crore wireless customers in India & ~17.4 crore subscribers in 14 African countries as of Q2FY26
- Bharti Airtel continues to enjoy leadership across key metrics such as a) ARPU of ₹ 256 vs. ₹ 211.4 for Jio), and b) Margins (Overall Indian margin (ex-tower) is at 58.5% vs. 54.2% for Jio along with c) strong cash flow generations (annualized FCF (post interest) of ~₹ 60000+ crore
- In the non wireless business, Bharti Airtel via Nxtra will do data centre build-out partially for Google. We highlight that Nxtra aims to have +1GW data centre capacity (more than double from current) over the next few years (including above data centre build-out capacity) with an aim to step up Nxtra's market share from current 12-15%. Furthermore, there is significant runway for growth ahead in the Homes Broadband, as it expects the overall connected homes in India, over the medium term, to double to 100 mn vs. current levels of 50 mn
- We expect Airtel's ARPU to witness ~11% CAGR over FY25-27E to ₹ 288, baking in ~10% tariff hike in FY26 end along with mix led improvement. The stepped-up tariff will also drive India margins improvement to 61% in FY27.
- With a formidable digital ecosystem offering and overall efforts through premiumisation and higher wallet share, the industry leading ARPU, wireless margins and cash flows, we remain constructive on Airtel. **Recommending BUY with a target of ₹2,450.**
- Key Risks: a) Market share loss in wireless business; b) Increasing competition

Particulars (₹ crore)	FY25	FY26E	FY27E	FY28E	3 year CAGR FY25-28E
Net Sales	1,72,985	2,09,223	2,35,547	2,60,710	14.7%
EBITDA	93,159	1,19,037	1,36,885	1,54,511	18.4%
EBITDA margin (%)	53.9	56.9	58.1	59.3	
Adj. PAT	17,552	27,453	37,491	47,478	39.3%
EPS (₹)	57.9	45.1	61.6	78.0	
P/E (x)	36.2	46.4	34.0	26.8	
EV/EBITDA (x)	15.1	11.4	9.5	8.0	
RoCE (%)	12.7	17.9	21.8	25.3	
RoE (%)	15.4	21.1	24.0	24.7	

NRB Bearings (NRBBEA) — Target Price: ₹ 350 (25% Upside)

Expanding growth horizon, quasi auto play, inexpensive valuations

- NRB Bearings is India's largest needle and conventional cylindrical roller bearings producer. Domestic markets contribute ~70% to total revenues
- Focus on increasing exposure in new higher-growth segments: After the recent family settlement agreement with NRB Industrial Bearings (NIBL), the company is looking to re-invent its growth strategy to gain market share in underpenetrated segments (like Electric & Hybrid Vehicles, industrial mobility and after-market). With 77% revenue share, company is currently focused on automobile segment. Industrial mobility segment contributes ~11% to revenues while after-market segment contributes ~12% to revenue.
- Capex announced for expanding capacity for newer segments: Company announced a capex plan of ~₹ 500 crore of which ₹ 200 crore will be invested over the next two year for expanding and upgrading its manufacturing capabilities and R&D. This will be primarily towards enhancing capacities for cylindrical roller bearings, needle roller bearings, thrust & combination bearings and taper roller bearings and is expected to be completed by Q4FY27E which will increase company's total production capacity by 15-25% across product portfolio and provides longer-term growth visibility.
- Valuations at 17x P/E on FY27E earnings, is at significant discount as compared to peers' valuations. Despite factoring in the fact that NRB's presence in only auto space, we believe that this seems unjustified considering the company's focus on growth. We recommend BUY on NRB Bearings with a target price of **₹ 350** per share (based on 21x P/E on FY27E EPS)
- Key Risks: a) slowdown in automotive and industrial segment (b) increase in commodity prices

Particulars (₹ crore)	FY24	FY25	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Revenue	1,094.0	1,198.6	1,348.4	1,501.8	11.9%
EBITDA	173.8	199.2	235.2	260.8	14.4%
EBITDA margin (%)	15.9	16.6	17.4	17.4	
Adjusted Net Profit	54.1	134.2	147.7	162.2	9.9%
Adjusted EPS (Rs)	5.6	13.8	15.2	16.7	
P/E (x)	11.4	33.6	18.7	17.0	
EV/EBITDA	16.3	14.5	12.1	11.4	
RoCE (%)	14.4	15.7	17.7	17.7	
RoE (%)	6.3	14.6	14.8	15.0	

Phoenix Mills (PHOMIL) Target Price: ₹ 2,210 (21% Upside)

Proxy domestic consumption play riding premiumization wave

- Phoenix Mills (PML) is a leading owner, operator and developer of retail led mixed-use developments pan-India. PML has an operational retail area of ~11.5 msf, spread across 12 operational malls and plans to reach 18 msf across 17 malls by FY30. It has 5msf/588 keys operational commercial office/hotels and plans to reach 9msf/2188 keys by 2030.
- The management targets double-digit consumption growth for FY26 (13% YoY in H1FY26). The same is expected to be driven by premiumization, brand churns and benefits accruing from GST rationalization. PMC Pune and Bengaluru are expected to see positive impact from occupancy churns from Q4FY26 onwards.
- The company's expansion plans across various segments is backed by strong internal cash flow generations and headroom for leverage. It can potentially generate over ₹ 8500 crore operating cash flows over FY26-FY30 (₹ 1700+ crore in FY25) while its net debt to EBITDA stood less than 1x as on H1FY26, which would aid in organic as well as inorganic expansions.
- We believe Phoenix mills is a Proxy Play for India's consumption story. With a robust pipeline in Retail, office, hospitality and residential vertical, the stock is positioned for re-rating as new assets become operational. We expect revenue to grow and PAT to grow 14% and 18% over FY25-28. We value Phoenix mills at a 60% premium to NAV with a Target price of ₹ 2,210. Recommend BUY
- Key Risk: (a) Slowdown in consumption trend and slower commercial leasing (b) Delay in execution of new projects

Particulars (₹ crore)	FY25	FY26E	FY27E	FY28E	3 Year CAGR (FY25-FY28E)
Net sales	3,814	4,620	5,398	5,621	14%
EBITDA	2,161	2,630	3,064	3,270	15%
EBITDA Margin (%)	56.7	56.9	56.8	58.2	
Adj. Net Profit	997	1,289	1,517	1,652	18%
Adj. EPS (₹)	36.7	45.9	53.9	58.3	
P/E (x)	66.0	50.4	42.8	39.3	
EV/EBITDA (x)	31.6	25.5	21.3	19.5	
Price / Book (x)	6.2	5.5	4.9	4.3	
RoCE (%)	10.0	11.2	11.6	11.4	
RoE (%)	9.5	10.9	11.3	10.9	

KPIT Technologies (KPITE) Target Price: ₹ 1,475 (20% Upside)

A pure-play auto ER&D bet on EV and autonomous vehicles

- KPIT is a pure-play automotive ER&D services company, focused on helping global OEMs and Tier 1 suppliers accelerate their transition toward SDVs. It has delivered ROE of 25%+ and ROCE of 30%+ over the last two FYs.
- KPIT's strategic transition from services to end-to-end solutions and increased fixed-price contracts enhances delivery efficiency & profitability potential as management remains confident of maintaining 21% EBITDA margins.
- M&A has been pivotal to KPIT's capability expansion & profitability. Caresoft acquisition (largest in 5 years brings Commercial Vehicle/off-highway expertise, software benchmarking, and China market access), investment in helm.ai (autonomous driving software company), & entry into adjacencies like micromobility & industrial verticals strengthen long-term capabilities for KPIT.
- It is seeing improving client sentiment & renewed traction in autonomous, cybersecurity, after sales diagnostics, and commercial vehicle programs. Moreover, strengthening demand from Europe, India and China, along with robust pipeline underpin revenue recovery and visibility into FY27.
- Notably, KPIT is piloting sodium-ion battery tech for e-Commercial Vehicles which could offer optionality in future growth pools. Such geographic & portfolio diversification de-risks growth, lowers concentration, & strengthens resilience against Passenger Vehicle (~80% of revenue mix) downcycles. Recommending BUY with a target of ₹1,475, valuing it at 34x P/E on FY28E
- Key Risks: a) Lower than anticipated synergies through M&A; b) Lower than expected margins

Particulars (₹ crore)	FY25	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	5,842.3	6,446.4	7,341.1	8,279.9	12.3%
EBITDA	1,225.1	1,331.3	1,595.4	1,802.9	13.7%
EBITDA margin (%)	21.0	20.7	21.7	21.8	
Net Profit	754.5	753.0	992.4	1,174.8	15.9%
Diluted EPS (Rs)	30.7	27.6	36.5	43.2	
P/E (x)	44.0	44.2	33.5	28.3	
RoCE (%)	34.6	28.9	30.1	30.3	
RoE (%)	25.9	22.0	24.3	24.6	

ICICI Direct

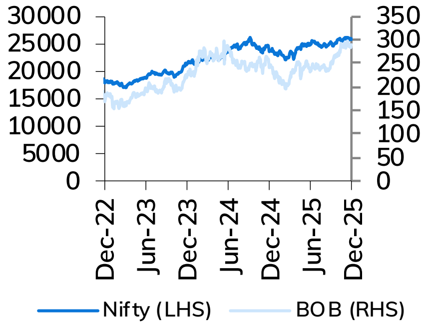
Dalmia Bharat (ODICEM) Target Price: ₹ 2,650 (32% Upside)

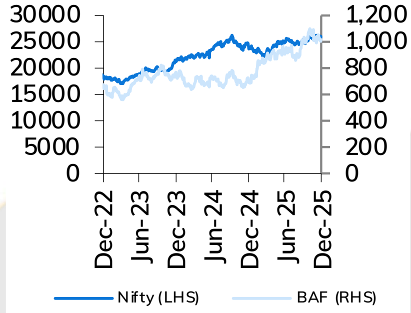
Targeting pan-India scale up, valuations yet to catch up

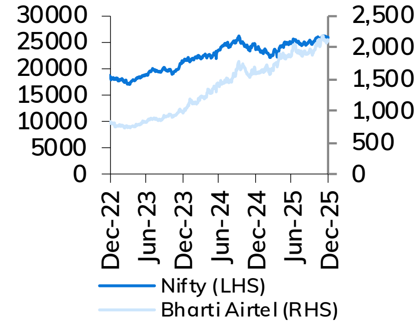
- Dalmia Bharat is the fourth largest cement manufacturer in India with cement capacity of 49.5 mtpa as of FY25 end (~44% in south region, ~50% in east & north-east and ~6% is in west region)
- Company has almost doubled its capacity in the last 5 years, which has resulted in ~9% volume CAGR over this period. It is further scaling up its cement capacity to 61.5 mtpa by FY28E, through 3 mtpa each in Karnataka & Maharashtra and 6 mtpa in AP (expected by FY27 and FY28 end respectively). With this expansion plan & healthy demand outlook, we believe company's volume growth to remain healthy (~8% CAGR over FY25-28E). Moreover, company targets to reach 75 mtpa by FY28E and 110-130 mtpa by FY31E, provides long term visibility.
- The company aims to boost profitability by increasing its premium product mix and driving operational efficiencies (lower clinker factor, more green power and waste use, and logistics optimization). Management maintains a cost-reduction target of ₹150–200/ton over the next two years. We expect EBITDA/ton to rise significantly to ₹1,362 by FY28E from ₹819 in FY25
- Valuations look attractive considering the scale of operations, significant growth capex with incremental return on capital. Despite significant capex, company's leverage position is expected to remain comfortable. We value it at ₹ 2,650/share (based on 11.5x EV/EBITDA on FY27E & FY28E average) and recommend BUY.
- Key Risks: (a) Slowdown in demand and delay in capacity expansions (b) increasing competition and increase in coal/pet-coke prices

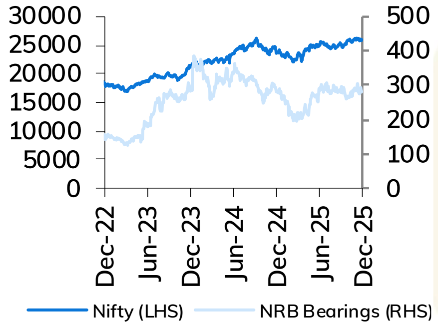
(Rs crore)	FY25	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	13,980	15,339	16,897	19,192	11%
EBITDA	2,407	3,289	4,043	5,035	28%
EBITDA margin (%)	17.2	21.4	23.9	26.2	
Adjusted PAT	683	1,406	1,635	2,072	45%
P/E (x)	48.3	26.8	23.1	18.2	
EV/EBITDA (x)	16.0	11.9	9.8	8.1	
EV/ton ($)	91.5	93.2	84.3	77.5	
RoCE (%)	5.8	8.9	9.7	11.0	
RoE (%)	4.5	7.6	8.3	9.7	

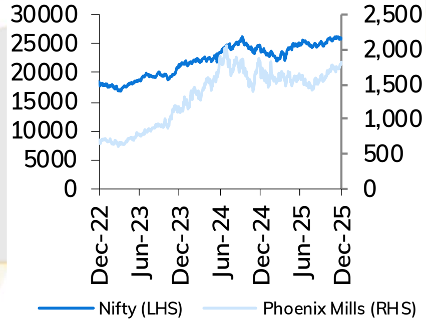
3-Year price chart of recommended stocks

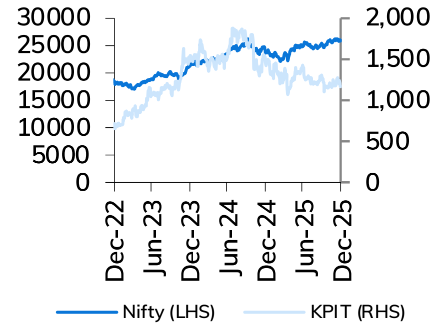


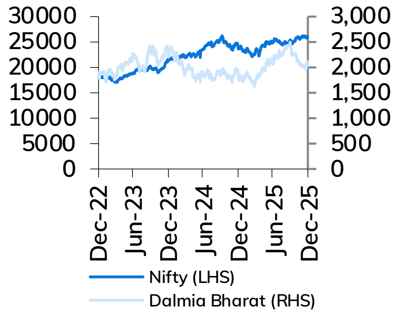












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