

TOP PICKS

February 2026



Navigating Budget Signals, Earnings Trends, and Global Volatility

India enters Feb'26 with markets navigating a complex backdrop of strong domestic growth projections, external volatility, currency weakness, and significant policy catalysts. According to the recently tabled Economic Survey, India's real GDP is projected to expand 6.8–7.2% in FY 27, driven by robust domestic demand and sustained capital expenditure, underscoring the economy's resilience even as global conditions remain uneven. Despite this solid growth outlook, **equity markets have exhibited caution and volatility**, with benchmark indices like the Nifty 50 down through January and sentiment tempered by persistent foreign portfolio outflows, mixed corporate earnings, and geopolitical risk premiums.

Budget Backdrop and Market Reaction: The Union Budget 2026–27, presented on 1st February 2026, continued the government's focus on growth while emphasising fiscal prudence. Capital expenditure was raised to Rs 12.2 Lc Cr for FY27, up around 9 % from the previous year, reinforcing the infrastructure-led growth strategy. The fiscal deficit target was set at 4.3% of GDP, reflecting ongoing consolidation efforts. However, immediate market sentiment was weak, with the Nifty50 and Sensex dropping sharply on budget day, partly due to policy surprises such as changes in Securities Transaction Tax (STT) and broader macro uncertainty. The Budget largely stayed the course, focusing on sustaining growth while maintaining fiscal discipline, which markets generally view as a positive signal for long-term stability, though near-term reactions may remain mixed.

Currency Depreciation: The Indian rupee has remained under pressure in recent months, reflecting global FX volatility and capital outflows. The USD/INR pair has traded with the rupee weakening by around 5.7% over the past 12 months, recently moving around 91.6–92.0 levels, which heightens input cost pressures for importers while benefiting exporters to some extent.

FII & DII Flows – A Key Market Driver: Foreign investors have remained cautious. Data shows foreign portfolio investors (FPIs) making net equity outflows of around \$3.4 Bn in Jan'26. This trend reflects risk aversion amid global macro uncertainty. In contrast, domestic institutional investors (DIIs) have increased their market share and holdings, with DIIs holding nearly 18.7% of NSE-listed equities, underscoring their role in stabilising market flows.

Q3FY26 Earnings – Mixed Signals from Corporates: The Q3FY26 earnings season for Nifty50 companies has been mixed. Financials have largely delivered stable performance, supported by healthy balance sheets and steady credit growth. In contrast, export-oriented sectors such as IT have faced margin and demand pressures due to global slowdown concerns. Consumption-linked sectors have shown signs of moderation, reflecting uneven demand conditions. Overall, earnings growth remains intact but selective, reinforcing the need for bottom-up stock selection.

Indian Economy on the Verge of Cyclical Recovery; However, Global Challenges

Likely to Persist: Despite external risks, India's domestic growth trajectory remains intact, with key macroeconomic factors supporting a stronger FY26 compared to FY25. Both the RBI and the government are providing support by front-loading all pro-growth fiscal and monetary measures to the Indian economy. These developments collectively indicate that our economy is at an inflection point and will gain benefits in the second half and onwards. All these factors indicate an even better FY27 vs FY26. As we enter CY26, Indian equity markets are transitioning from consolidation to one increasingly driven by earnings visibility, valuation comfort, fiscal discipline, and growth sustainability. However, a key overhang for markets over the past year has been India–US trade and tariff-related uncertainty, which temporarily weighed on export-oriented sectors and foreign investor sentiment. While clarity is still evolving, trade normalisation remains a medium-term structural positive for India's export competitiveness. A gradual easing of global financial conditions, coupled with stabilising bond yields, is also expected to improve capital flow dynamics into emerging markets, including India.

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

Term: In 2025, the Indian market has underperformed the US market and other emerging markets by a notable margin. FTSE India is now trading at a PE premium of 46% to the EM index (PE). During Sep'24, the Indian market traded at a 97% PE premium to EM. And now, after the correction, it is trading at a 46% premium, which looks attractive compared to the past. That said, it is to be noted that relative valuation stabilisation does not necessarily translate into an immediate rally in the current scenario. Markets, in addition to various other developments, are expected to track the following four key parameters: 1) Progress on US trade negotiations, 2) Revival of the earnings growth cycle, which is likely to start from Q3FY26 onwards, 3) Revival in a credit growth cycle, and 4) Currency Volatility.

Style & Sector Rotation - A Key to Generating Alpha Moving Forward: Risk-reward is gradually improving in mid- and small-cap stocks, though recovery is expected to be slow and gradual through 2026. Near-term consolidation is likely, with market breadth remaining narrow.

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

1. Overweight: BFSI, Telecom, Consumption, Hospitals, and Interest-rate Sensitive Sectors
2. Maintain a positive view on discretionary and retail consumption plays
3. Prefer select capex-linked cyclical stocks, which now offer attractive valuations and reasonable growth visibility
4. Remain cautious on export-oriented sectors due to tariff uncertainty and global macro risks

Volatility in the Near Term, Opportunity Over the Long Term: Looking ahead to Feb'26, equity markets are likely to remain range-bound with heightened volatility, as

investors digest the Budget implications, earnings trajectory, and global cues. While near-term triggers may be limited, India's structural growth story remains intact, supported by public capex, manufacturing push, and policy continuity. Investors may benefit from maintaining a balanced approach, focusing on quality companies aligned with long-term themes, while being mindful of short-term macro and global risks.

We have updated our Top Picks by replacing Inox Wind with Dalmia Bharat Ltd, as we remain focused on identifying superior-quality companies aligned with our thematic investment approach.

We maintained the Dec'26 Nifty target at 28,100

We believe the Indian economy remains well-positioned for growth, serving as a stable haven amidst global economic volatility. We remain confident in India's long-term growth story, supported by its favourable economic structure, rising capex, and the consumption boost from the recent Union Budget and GST 2.0 reforms, driving credit growth for banks. This is expected to support double-digit earnings growth, ensuring that Indian equities can deliver strong double-digit returns over the next 2-3 years. Against this backdrop, we foresee Nifty earnings to post excellent growth of 13% CAGR over FY23-28. Financials will remain the biggest contributors for FY26/27 earnings. However, trade policy uncertainty, rupee depreciation, and delay in earning revival remain key risks to near-term market multiples. In our base case, **we maintain the Dec'26 Nifty target at 28,100** by valuing it at 20x on Dec'27 earnings. Based on the expectations of the earnings upgrade starting from Q3FY26 onwards, we see upside risk to our target.

Bull Case: In the bull case, **we value NIFTY at 21x, translating into a Dec'26 target of 29,500.** Our bull case assumption is based on the Goldilocks scenario, which assumes an overall reduction in volatility and a successful soft landing in the US market. The market is keenly watching the global growth scenario in 2026 under Trump's presidency, in which uncertainty related to tariffs is likely to be reduced compared to 2025. Furthermore, private Capex, which has been sluggish for the last several years, is expected to receive a much-needed boost in the upcoming years, with the expectation of policy continuity. Backed by expectations of political stability, policy continuity, fiscal prudence, an improving private Capex cycle, rural revival, and a soft landing in the US market, Nifty earnings are likely to grow at 13%+ CAGR for FY23-28. This would augur well for capital inflows into emerging markets (EMs) and increase the market multiples in the domestic market.

Bear Case: In the bear case, **we value NIFTY at 17x, translating into a Dec'26 target of 24,000.** We assume the market will trade at above-average valuations, led by the likelihood of a policy shift in the Trump regime. Moreover, we presume that inflation will continue to pose challenges in the developed world. The global market has not seen such elevated interest rates in the recent past. Hence, the chances of going wrong have increased significantly. Nonetheless, the direction of currency, oil prices, and global trade developments will likely put pressure on export-oriented growth in 2026. Moreover, the question mark on the global growth has significantly increased after the imposition of Trump tariffs. These developments will likely bring down the market multiple in the near term. However, based on the recent developments, the chances of this scenario playing out have reduced significantly.

Based on the above themes, we recommend the following stocks: HDFC Bank, Bajaj Finance, Bharti Airtel, Avenue Supermarts, State Bank of India, Max Healthcare, Kirloskar Brothers, Kalpataru Projects, APL Apollo Tubes, Mahanagar Gas, Prestige Estates, Ujjivan Small Finance Bank, Chalet Hotels, Sansera Engineering, Dalmia Bharat Limited

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Axis Securities Top Picks

Category	Company Name	Sector	Stock price	Target Price	Upside (%)	12 Month Fwd PE	12 Month Fwd P/BV	Dividend Yield	TR 1M %	TR 3M%	TR 6M%	TR YTD%
Large Cap	Bajaj Finance Ltd.	Financials	902	1,200	33%	27.6	4.9	0.5	-8.9	-13.5	3.1	-8.6
Large Cap	State Bank of India Ltd	Financials	1,018	1,135	11%	11.4	1.7	1.6	1.9	8.7	28.2	3.7
Large Cap	HDFC Bank Ltd.	Financials	918	1,190	30%	18.4	2.5	1.2	-7.9	-6.6	-8.3	-7.0
Large Cap	Bharti Airtel Ltd	Communication Services	1,946	2,530	30%	42.5	8.7	0.8	-7.5	-5.1	3.4	-7.4
Large Cap	Avenue Supermarts Ltd.	Consumer Staples	3,614	4,450	23%	76.5	9.6	NA	-2.9	-13.0	-13.9	-4.5
Large Cap	Max Healthcare Institute Ltd.	Health Care	977	1,250	28%	54.7	8.0	0.2	-8.1	-14.9	-21.6	-6.5
Mid Cap	Prestige Estates Projects Ltd	Real Estate	1,500	1,900	27%	45.0	3.8	0.1	-7.3	-14.0	-5.9	-5.9
Mid Cap	Dalmia Bharat Ltd	Materials	2,005	2,520	26%	32.6	2.1	0.4	-6.6	-4.4	-8.9	-5.9
Mid Cap	APL Apollo Tubes Ltd.	Materials	2,049	2,250	10%	47.4	10.9	0.3	6.1	14.4	29.0	7.0
Small Cap	Mahanagar Gas Ltd.	Utilities	1,047	1,540	47%	11.1	1.6	2.9	-8.3	-18.0	-20.6	-7.9
Small Cap	Ujjivan Small Finance Bank Ltd.	Financials	62	74	19%	18.3	1.8	NA	11.9	20.3	44.3	17.7
Small Cap	Chalet Hotels Ltd.	Consumer Discretionary	856	1,120	31%	34.1	5.1	0.1	-5.1	-9.7	-3.7	-1.6
Small Cap	Kirloskar Brothers Ltd	Industrials	1,490	2,330	56%	NA	4.9	0.5	-9.4	-20.5	-20.2	-7.4
Small Cap	Sansera Engineering Ltd	Consumer Discretionary	1,699	1,950	15%	36.2	3.5	0.2	-9.2	12.3	28.1	1.3
Small Cap	Kalpataru Projects International Ltd.	Industrials	1,165	1,475	27%	20.4	2.7	0.8	-2.6	-7.3	3.9	-3.1

Source: Company, Axis Securities, CMP as of 01st February 2026; All Target Prices have an investment horizon of over one year.

Multi-Asset Scorecard

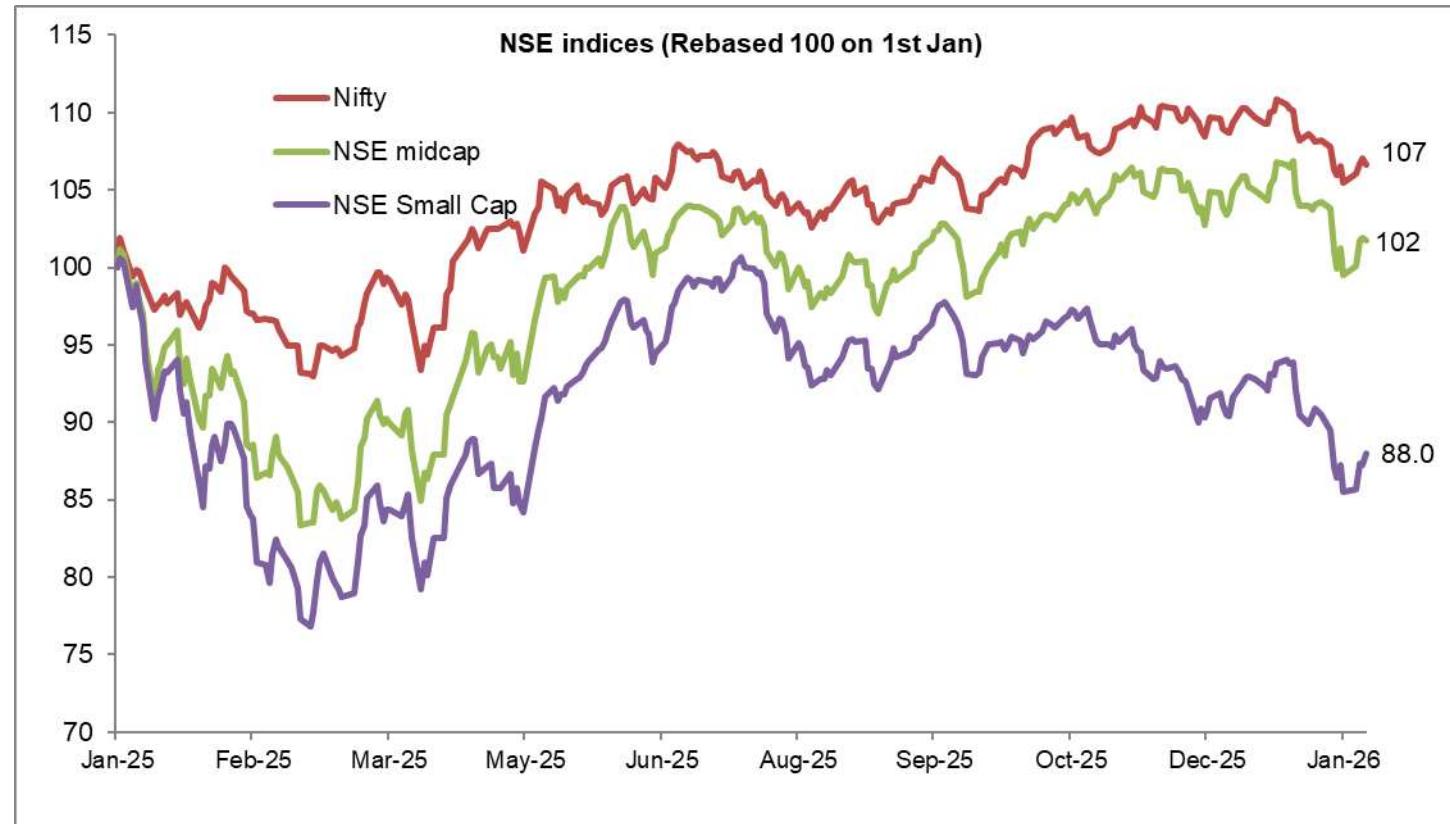
- In 2025, Gold emerged as the top-performing asset class. In Jan'26 so far, Gold remains the top-performing asset class.
- Gold led asset performance in 2024 until the end of May, after which the broader market took the lead. However, by Oct'24, Gold reclaimed its position as the top-performing asset class. In 2025, Gold remains the best-performing asset.
- The broader market was the best-performing asset class domestically in 2023 and 2024. However, a sharp correction since Oct'24 impacted overall returns. Broder market remained under pressure in Jan'26.
- Nifty 50 ranked at the bottom in 2024 for the first time in history, primarily due to sustained FII selling in the last three months of the year.
- In 2025, Emerging and Developed Markets have outperformed the Indian market by a notable margin.**

Yearly performance of Asset Classes (%)																	
Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 (YTD)	
1	MCX Gold: 32%	Mid Cap: 39%	S&P 500: 30%	Mid Cap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	SmallCap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	SmallCap: 59%	MCX Gold: 14.3%	SmallCap: 55.6%	SmallCap: 23.9%	MCX Gold: 61.5%	MCX Gold: 18.1%	
2	Crisil comp Bond: 7%	SmallCap: 37%	Nifty 50: 7%	SmallCap: 55%	SmallCap: 7%	EM Index: 10%	Mid Cap: 47%	Crisil comp Bond: 6%	MCX Gold: 25%	Mid Cap: 22%	Mid Cap: 46%	Nifty 50: 4.3%	Midcap: 46.6%	Midcap: 23.8%	EM Index: 18.7%	EM Index: 6.0%	
3	S&P 500: 0%	Nifty 50: 28%	Crisil comp Bond: 4%	Nifty 50: 31%	Mid Cap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	SmallCap: 21%	S&P 500: 27%	Mid Cap: 3.5%	S&P 500: 24.6%	S&P 500: 23.8%	S&P 500: 11.2%	S&P 500: 1.8%	
4	EM Index: -21%	EM Index: 14%	Mid Cap: -5%	Crisil comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%	BSE Bond index: 2.9%	Nifty 50: 20%	MCX Gold: 20.9%	Nifty 50: 10.25%	Nifty 50: -3.1%	
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Mid Cap: 7%	S&P 500: 19%	Mid Cap: -15%	Crisil comp Bond: 11%	Nifty 50: 15%	Crisil comp Bond: 2%	SmallCap: -13.8%	MCX Gold: 14.9%	NSE G Sec composite: 9.9%	NSE G Sec composite: 6.2%	Midcap: -3.4%	
6	Mid Cap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Mid Cap: -4%	EM Index: 13%	EM Index: -2%	S&P 500: -19.2%	BSE Bond index: 7.9%	EM Index: 9.5%	Midcap: 5.4%	NSE G Sec composite: 6.3%	
7	SmallCap: -34%	Crisil comp Bond: 9%	SmallCap: -8%	MCX Gold: -6%	EM Index: -18%	SmallCap: 2%	Crisil comp Bond: 5%	SmallCap: -29%	SmallCap: -10%	Crisil comp Bond: 12%	MCX Gold: -4%	EM Index: -19.6%	EM Index: 5.7%	Nifty 50: 8.8%	SmallCap: -4.9%	SmallCap: -4.7%	

Source: Bloomberg, Axis Securities.

2025: A Year of Divergence in the Returns

After almost 15 months of underperformance, Nifty touched the all-time high level of 26,203 in 2025 (similar levels earlier seen in Sep'24). In 2025, Nifty and Small Caps saw huge divergence in the returns. This gap could reverse in 2026. In Jan'26, NIFTY touched all time high of 26,329, but has corrected since then by 4%.



Correction from 1st Jan'26

Nifty 50: 3%

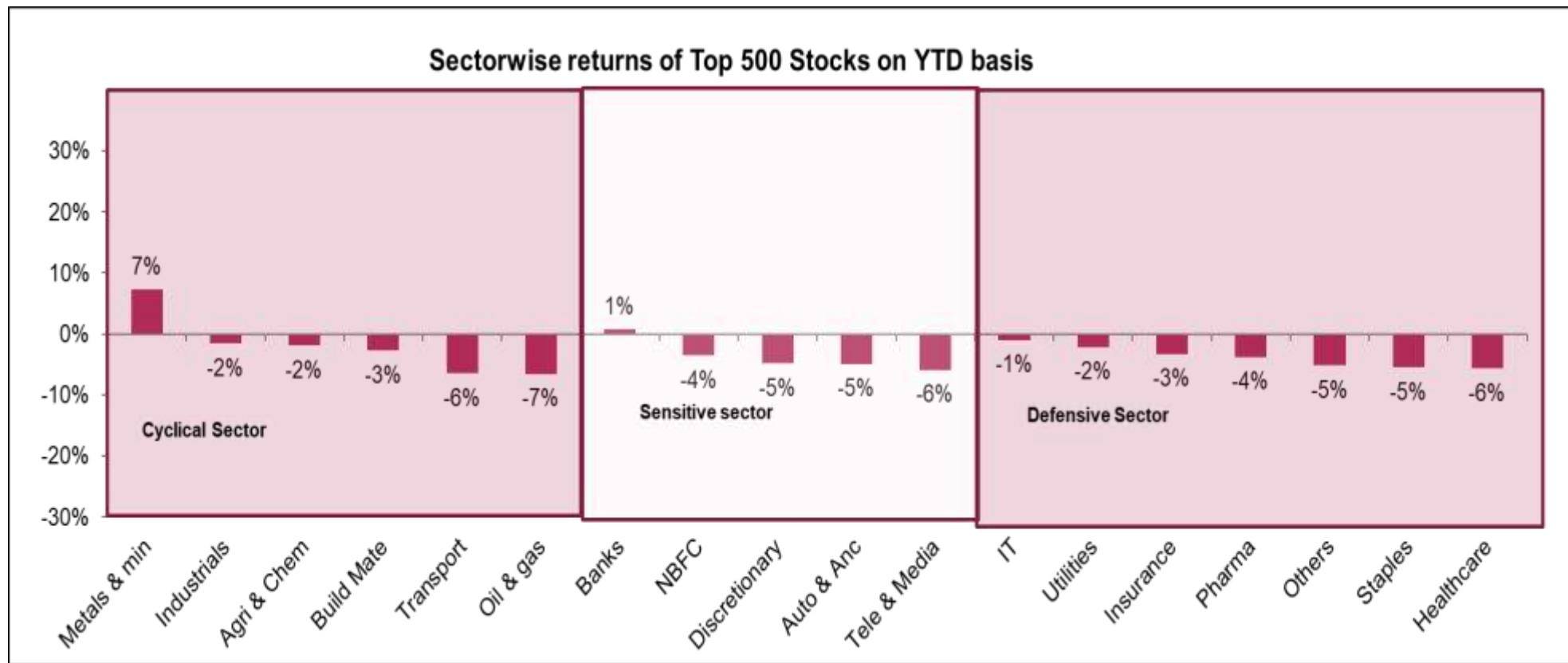
NSE Mid Cap 100: 4%

NSE Small Cap 250: 5%

Source: Bloomberg, Axis Securities

Performance on a YTD basis [31st Dec'25 to 30 Jan'26]

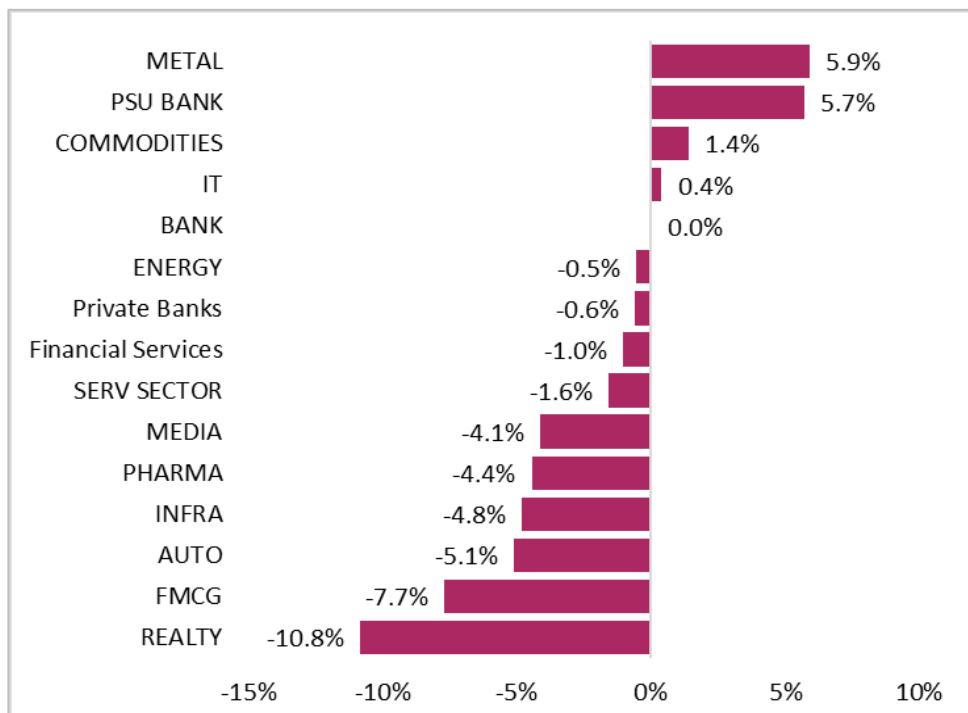
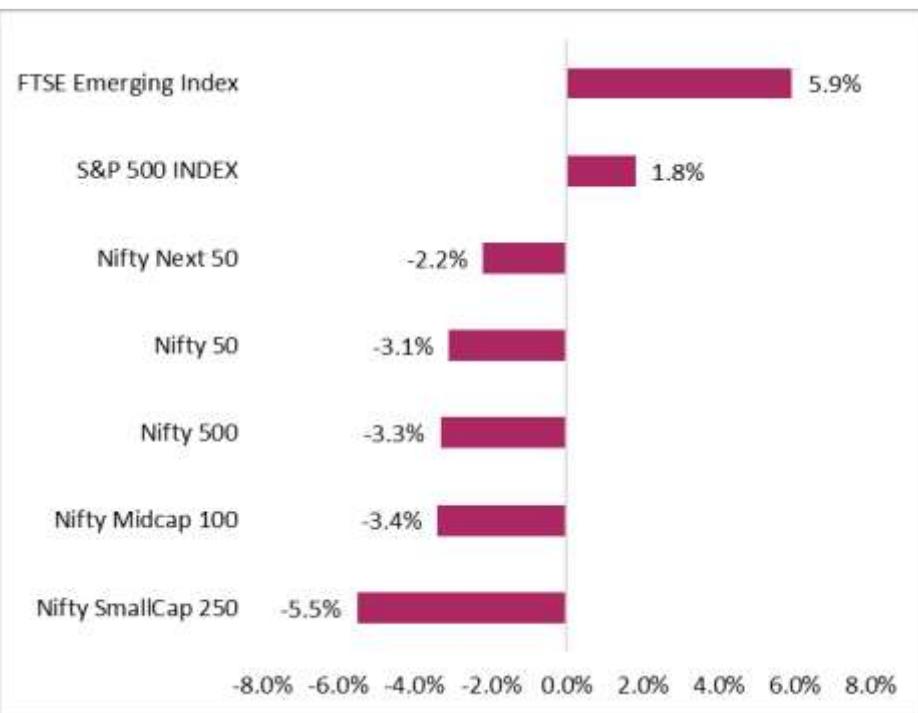
- Cyclical and rate-sensitive sectors have outperformed the Defensive sector by a notable margin.
- Market positioning is slightly shifting towards rate-sensitive and domestic-oriented sectors.
- Export-oriented sectors continue to face challenges in the volatile global environment of the Trump tariff.



Source: Bloomberg, Axis Securities

What Happened in the Last One Month?

- Strong performance was seen in emerging markets [major weight of China and Taiwan].
- S&P 500 Index stood at distant second
- Market breadth stood very narrow with only Metals and PSU Banks generating positive returns, while other sectors showcased subdued performance.



Source: Bloomberg, Axis Securities

Quarterly Sector Scorecard

- 60% of the sectors have outperformed the Nifty 50 in Jan'26, indicating that a majority of the negatives are already priced in.
- Dec'24 and Mar'25 quarters' performance was similar to the Jun'22 (Russia-Ukraine) and Mar'23 (Adani crisis) quarters.
- In Jan'26, the Metals, PSU Banks, IT, Private Banks, and Services are the few sectors that have outperformed the Nifty 50 index

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

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

India's Macro Fundamentals Remain Structurally Strong

- Indian equities have moved from a valuation-led rally into a consolidation phase, even as global markets—especially North Asia and the Americas—rallied on the AI super-cycle and US resilience. Despite near-term underperformance, India's macro fundamentals remain structurally strong. The ongoing valuation reset is healthy and sets the stage for an earnings-led re-rating and stronger performance in FY27, supported by potential catalysts such as a US-India trade deal.
- Positive Near-term Outlook:** Metals and Mining, Domestic-oriented stocks; Telecom; Rural theme; Domestic Cyclical PSUs
- Improving Outlook:** IT, BFSI.
- Mixed Bag:** Pharma, Discretionary, Consumption, Industrials, Cement.
- Near-term Challenging but Well-placed for Longer-time Horizons:** Real Estate, Speciality Chemicals

National Index						
Index Performance (%)	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Nifty 50	-3.1%	-1.6%	2.2%	14.4%	-3.4%	7.7%
Nifty Next 50	-2.2%	-2.8%	1.1%	18.9%	-12.0%	7.5%
Nifty 500	-3.3%	-2.7%	0.7%	16.1%	-5.8%	6.9%
Nifty Midcap 100	-3.4%	-2.3%	1.8%	21.9%	-3.4%	8.8%
Nifty SmallCap 250	-5.5%	-9.0%	-8.1%	13.9%	-14.5%	-0.6%
Sector Index (%)						
	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
NIFTY AUTO	-5.1%	-0.2%	13.1%	30.5%	-2.7%	17.0%
NIFTY BANK	0.0%	3.2%	6.5%	23.3%	9.6%	20.2%
NIFTY COMMODITIES	1.4%	2.6%	10.3%	27.0%	-0.8%	19.3%
Nifty Financial Services	-1.0%	0.7%	2.6%	18.7%	8.6%	17.7%
NIFTY ENERGY	-0.5%	-3.1%	0.1%	17.1%	-20.4%	3.7%
NIFTY FMCG	-7.7%	-8.9%	-8.2%	1.0%	-22.6%	-9.7%
NIFTY IT	0.4%	6.5%	7.7%	1.9%	-9.8%	-10.8%
NIFTY INFRA	-4.8%	-4.3%	1.0%	19.4%	-5.3%	9.6%
NIFTY MEDIA	-4.1%	-10.0%	-14.8%	-0.1%	-35.5%	-12.3%
NIFTY METAL	5.9%	11.5%	27.4%	43.9%	18.4%	40.8%
NIFTY PHARMA	-4.4%	-2.1%	-4.6%	9.6%	-6.6%	1.3%
NIFTY PSU BANK	5.7%	10.2%	31.7%	59.6%	32.5%	42.8%
Nifty Private Banks	-0.6%	1.8%	5.4%	17.9%	4.8%	17.1%
NIFTY REALTY	-10.8%	-17.4%	-14.2%	-1.9%	-30.8%	-15.0%
NIFTY SERV SECTOR	-1.6%	-0.2%	1.2%	12.7%	-1.7%	7.9%

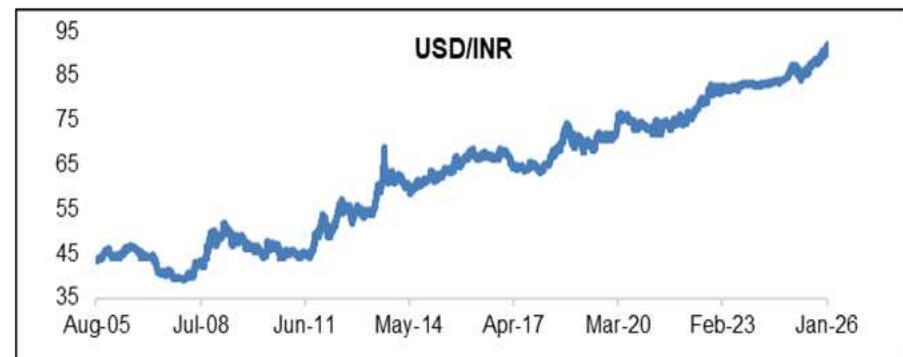
Source: Bloomberg, Axis Securities, and Performance as of 30th January 2026

International Index						
Index Performance (%)	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Shanghai Comp	3.8%	4.1%	15.2%	24.0%	37.2%	26.7%
Bovespa	13.4%	22.2%	37.3%	48.8%	37.4%	44.9%
south africa	4.6%	10.7%	24.4%	43.7%	42.5%	45.1%
Korea	24.0%	27.2%	61.0%	106.3%	95.6%	107.5%
Mexico	7.6%	10.3%	21.9%	33.0%	29.3%	36.3%
Indonesia	-3.7%	2.0%	11.3%	32.8%	7.6%	17.2%
Argentina	5.2%	6.9%	38.4%	45.6%	87.2%	25.2%
Japan	5.9%	1.7%	29.8%	43.5%	37.0%	34.7%
Hongkong	6.9%	5.7%	10.6%	19.4%	37.5%	35.4%
Philippines	4.6%	6.7%	1.2%	5.5%	-15.1%	8.0%
Taiwan	10.7%	13.6%	36.2%	39.1%	40.3%	36.3%
Singapore	5.6%	10.8%	17.5%	25.9%	36.9%	27.2%
Thailand	5.2%	1.2%	6.7%	10.1%	-8.9%	0.8%
Vietnam	2.5%	11.6%	21.7%	40.1%	41.6%	44.6%
Dow	2.1%	3.2%	11.2%	11.9%	16.4%	10.2%
Nasdaq	1.9%	-0.2%	12.1%	25.7%	30.2%	20.7%
FTSE 100 INDEX	2.7%	5.0%	11.7%	15.8%	23.2%	17.6%
DAX INDEX	0.0%	2.2%	1.7%	8.6%	27.3%	12.7%
CAC 40 INDEX	-0.4%	0.0%	4.5%	0.1%	4.9%	2.1%
S&P 500 Index	1.8%	1.9%	9.9%	17.0%	21.3%	15.4%

Commodities Saw a Mixed Trend in the Last Month

- Precious Metals:** Gold prices increased by 53% in the last 6 months due to global uncertainties.
- Industrial Metals:** Aluminium, Copper and Zinc continue to do well in the last 6 months
- Crude:** Brent crude is rangebound between \$58/bbl and \$68/bbl with prices oscillating amid rising geopolitical risk, ongoing supply-side concerns, and recessionary fears.

Market Indicator	30-01-2026	1m ago	3m ago	Since 28 Feb'25	Since 26 Sep'24	1Year
Brent Crude (\$/bbl)	70.7	60.9	65.1	73.2	71.6	76.8
Bond Yield (GOI 10Yr)	6.7	6.6	6.5	6.7	6.7	6.7
USD/INR	92.0	89.9	88.8	87.5	83.6	86.6
India Vix	13.6	9.5	12.2	13.9	12.0	16.2



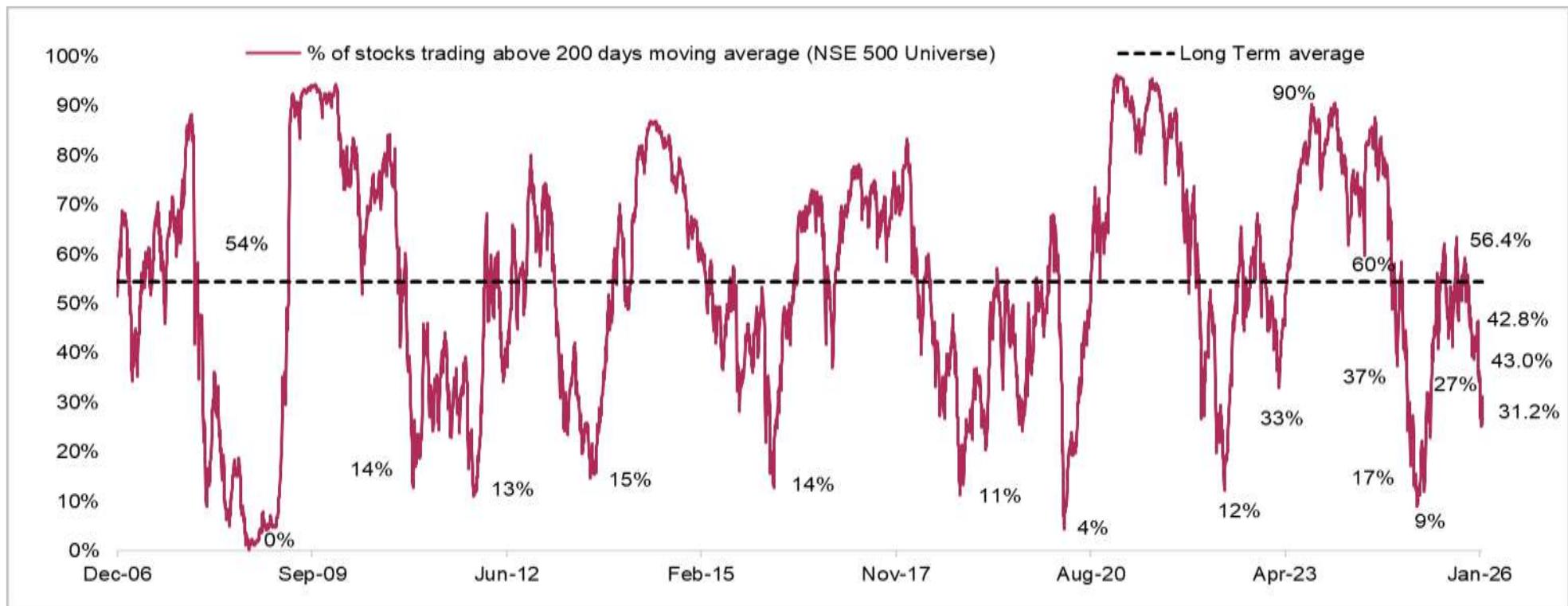
Commodity Index	1m	3m	6m	Since 28 Feb'25	Since 26 Sep'24	1Year
Gold (\$/OZ)	16.6%	25.9%	53.1%	76.3%	88.5%	80.0%
Steel (\$/ton)	3.4%	3.4%	-3.2%	-3.2%	-1.1%	-3.2%
Aluminium (\$/ton)	12.0%	15.3%	28.9%	26.1%	29.9%	28.0%
Copper (\$/ton)	8.6%	24.4%	41.5%	44.8%	36.0%	51.5%
Zinc (\$/ton)	13.8%	10.0%	25.9%	26.0%	14.8%	28.6%



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

NSE 500 Universe (200-day Moving Average) Maintained Slightly Above the Average Levels

After a recent weakness, the market is now trading around the neutral zone, with only 31% of the NSE 500 stocks currently trading above the long-term average. Nonetheless, it will continue to be driven by macroeconomic data in the near term. Its performance is likely to be range-bound for at least one quarter until signs of relief in tariff negotiations and earnings revival become visible. Sector and Style Rotation will likely be visible in the market moving forward.



Source: Bloomberg, Axis Securities

52W-High Analysis

- Nifty has corrected by 4.4% since 2nd Jan'26 (recent peak of 26,328). Only 41 stocks are now trading near their 52-week highs.
- 140 (30%) stocks are trading below 20% of their 52-week highs
- 129 (26%) of the stocks have corrected by over 30% from their 52-week high, indicating that the majority of the negative factors are now priced in.
- The Large-cap market looks attractive at current levels.
- Out of 55 PSUs, 12 stocks are near their 52-week high.

Current level of the number of stocks as compared to 52W high

Sector	No of Stocks	Near 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri & Chem	36	1	12	12	11
Auto & Anc	42	5	21	8	7
Banks	28	13	11	2	2
Build Mate	40	1	14	9	16
Discretionary	30	0	7	11	12
Healthcare	49	4	17	20	8
Industrials	46	2	17	10	17
IT	42	2	11	16	13
Metals & min	25	5	14	3	3
NBFC	61	2	29	17	12
Oil & gas	16	3	8	3	2
Others	8	0	4	3	1
Staples	34	1	8	10	14
Tele & Media	15	1	3	5	6
Transport	10	0	5	5	0
Utilities	18	1	6	6	5
Total	500	41	187	140	129
Large cap	100	17	53	20	4
Mid cap	150	16	58	39	26
Small cap	250	8	76	81	99
PSUs	55	12	21	15	6

Source: Bloomberg, Axis Securities

Style Indicators

Quality and Value are the Best-Performing Themes on a YTD Basis

- Quality has emerged as a consistent outperformer in the market. In the last 1 month, both value and quality fared better than growth and momentum, reflecting narrow market breadth and a tight tolerance level of markets, which is rewarding only quality and value stocks with strict earning potential, while momentum and narrative-based themes have underperformed.
- The selected value stocks from the PSU, Metals, Commodities, and Cement sectors are well-placed to deliver superior performance. Furthermore, structural growth plays, offering long-term earnings visibility, will continue to do well.

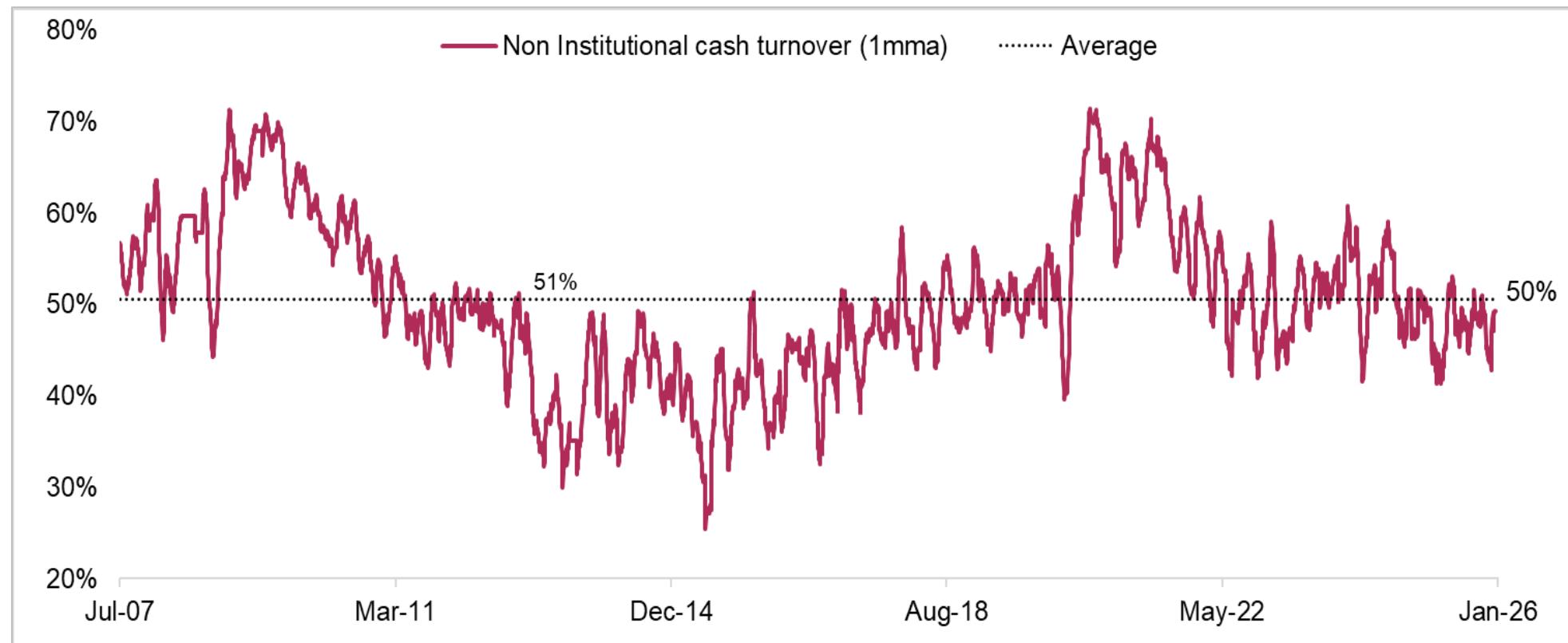


Perf	Value	Growth	Quality	Momentum
2022	-0.9%	12.4%	-0.9%	7.1%
2023	27.8%	24.8%	32.0%	39.0%
2024	15.6%	9.8%	11.3%	30.0%
2025	-1.2%	5.4%	7.3%	-0.7%
1m	-0.4%	-4.1%	-0.8%	-3.9%
3m	2.2%	-0.3%	1.5%	-6.5%
6m	5.7%	4.3%	6.1%	-3.4%
1YR	0.0%	1.2%	6.6%	2.8%
2YR	10.5%	9.7%	19.5%	17.3%

Source: Bloomberg, Axis Securities, Performance as of 30th January'26

Non-institutional Turnover Remains Around Average Levels

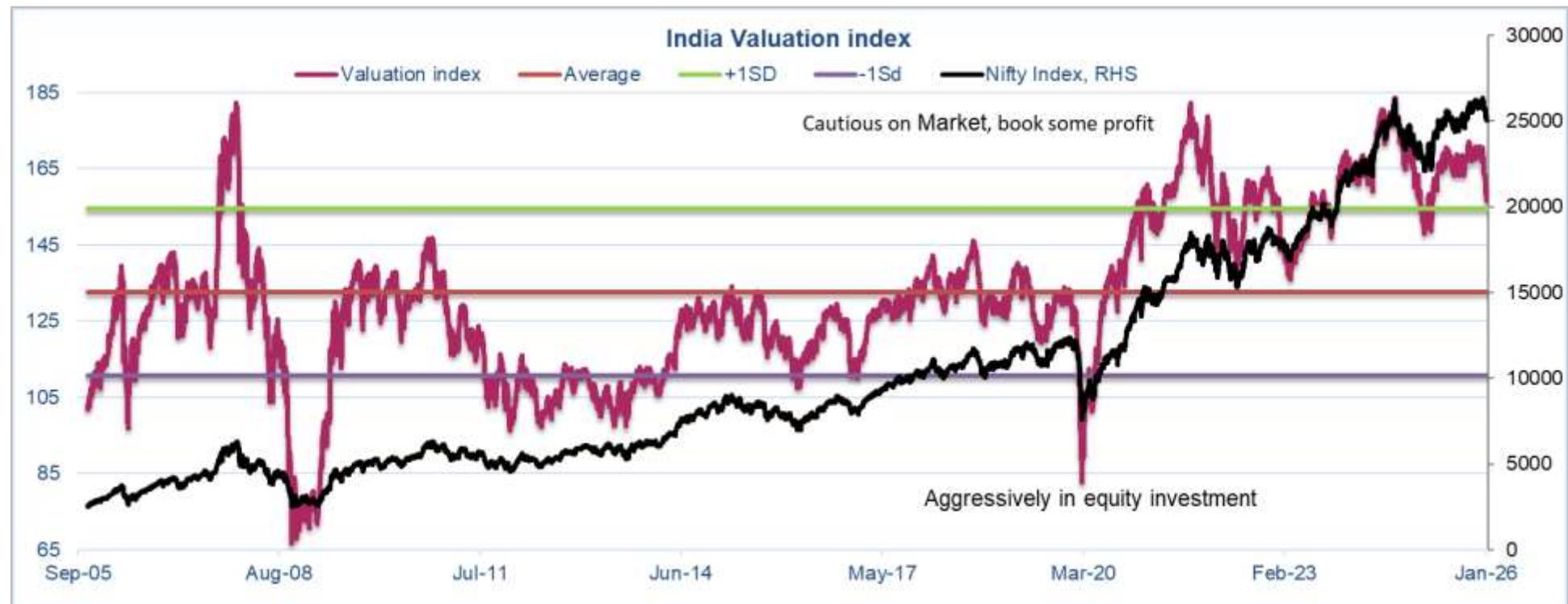
- Non-institutional (Retail) turnover is currently slightly below its long-term average of 50%. Turnover saw a dip in the last two months due to lower-than-expected returns in the broader market.
- Retail investor participation is expected to improve further in the coming months, given that equity is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



Source: Bloomberg, Axis Securities

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

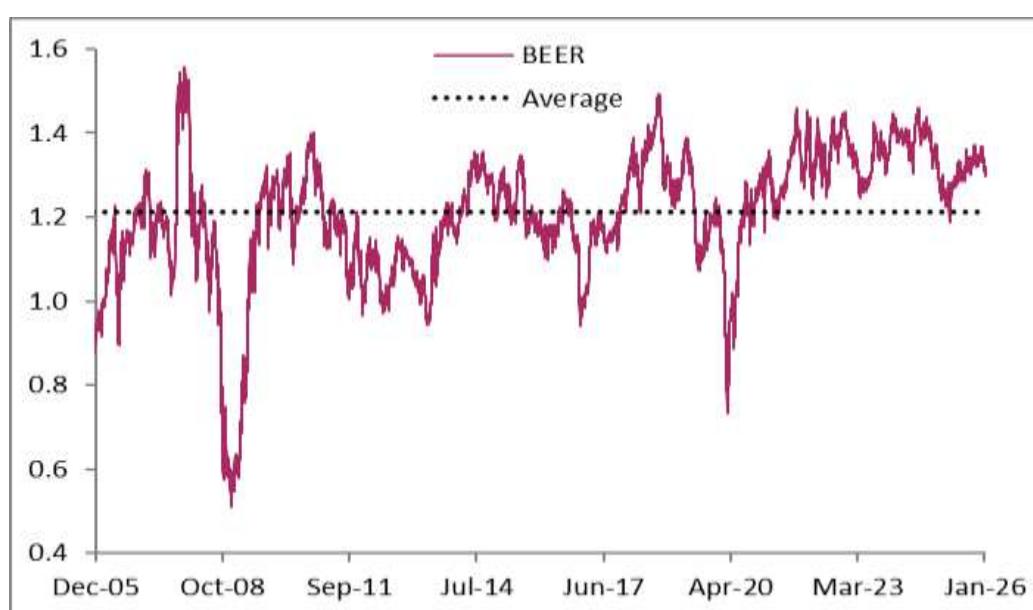
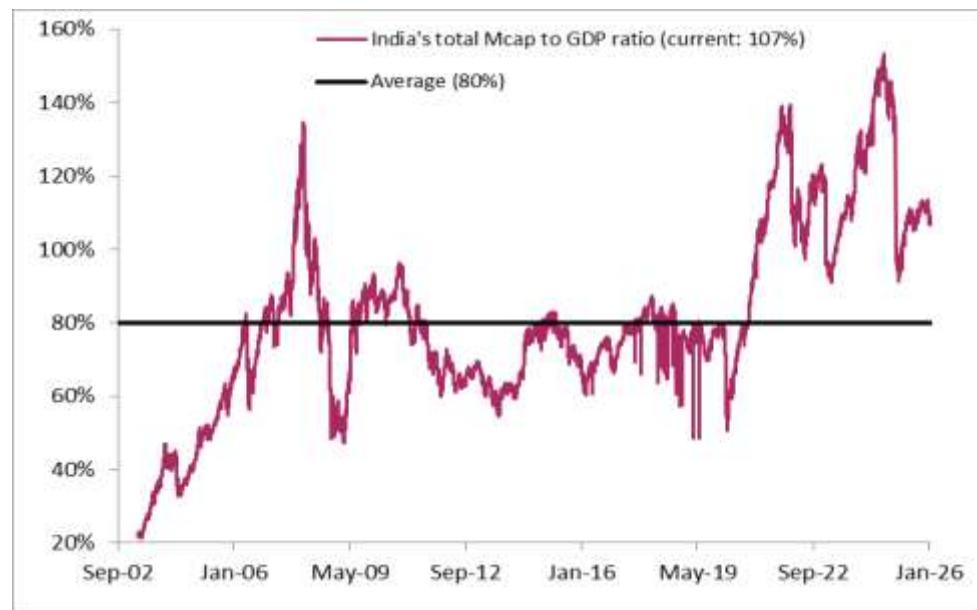
- Even after the recent correction, our market valuation index continues to trade slightly above the 1stdev. Current valuations offer limited scope for re-rating. Hence, the market will follow earnings growth. Stock selection and sector rotation will be key to achieving outperformance.
- The calculation of the India Valuation Index is based on four fundamental market parameters (12m fwd PE, 12m fwd PB, Bond Equity Earnings Yield Ratio, and MCAP to GDP Ratio).



Source: Bloomberg, Axis Securities

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

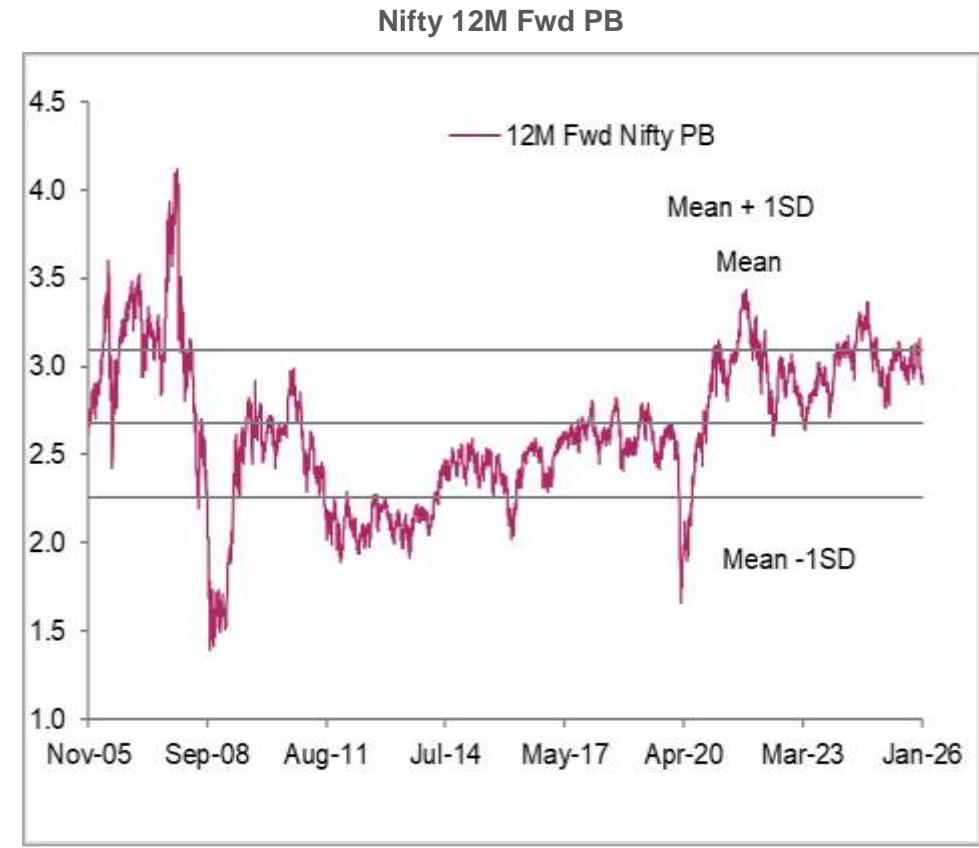
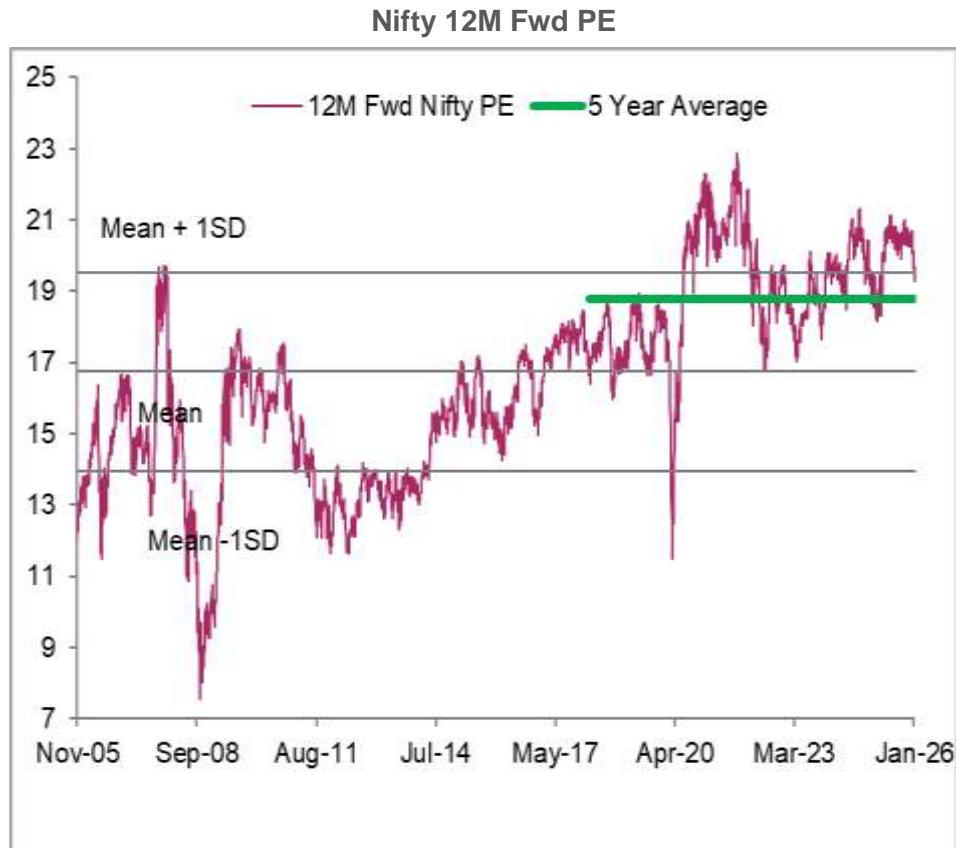
- **BEER:** Indian bond yields have corrected by 15-16 bps since Sep'24 (the start of the US Fed's Rate cut cycle). A consumption boost, fiscal consolidation in the Union Budget, and rate cuts by the RBI indicate some cooling off in bond yields. After correction in the equity market, the Bond to Equity Earning Yields ratio is now trading slightly above the long-term average.
- **India's Total Market Cap to GDP has eased from recent highs** and is trading at 107%, though above its long-term average (rebased after the FY26 GDP of Rs 397 Trn released by the government on 1st Feb'26). This indicates that market has now retraced from overvaluation to fair valuation.
- **Historical Perspective:** Historically, similar upward earnings momentum was witnessed in FY10 earnings immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we will likely see higher MCAP-to-GDP ratio levels in the upcoming quarters.



Source: Bloomberg, Axis Securities

Market Valuations: 12M Fwd PE Now Trading at 19.5x – slightly eased from recent high of 21x

- NIFTY is currently trading at 19.5x on a 12M Fwd PE, which stands at 1.3 std to its long-term average (18.2x). However, it trades slightly below the 1std to its long-term average of a 12M Fwd PB.
- Current valuations provide limited scope for rerating. Style rotation and sector selection are keys to generating alpha as earnings expectations from the broader market remain intact.



Source: Bloomberg, Axis Securities

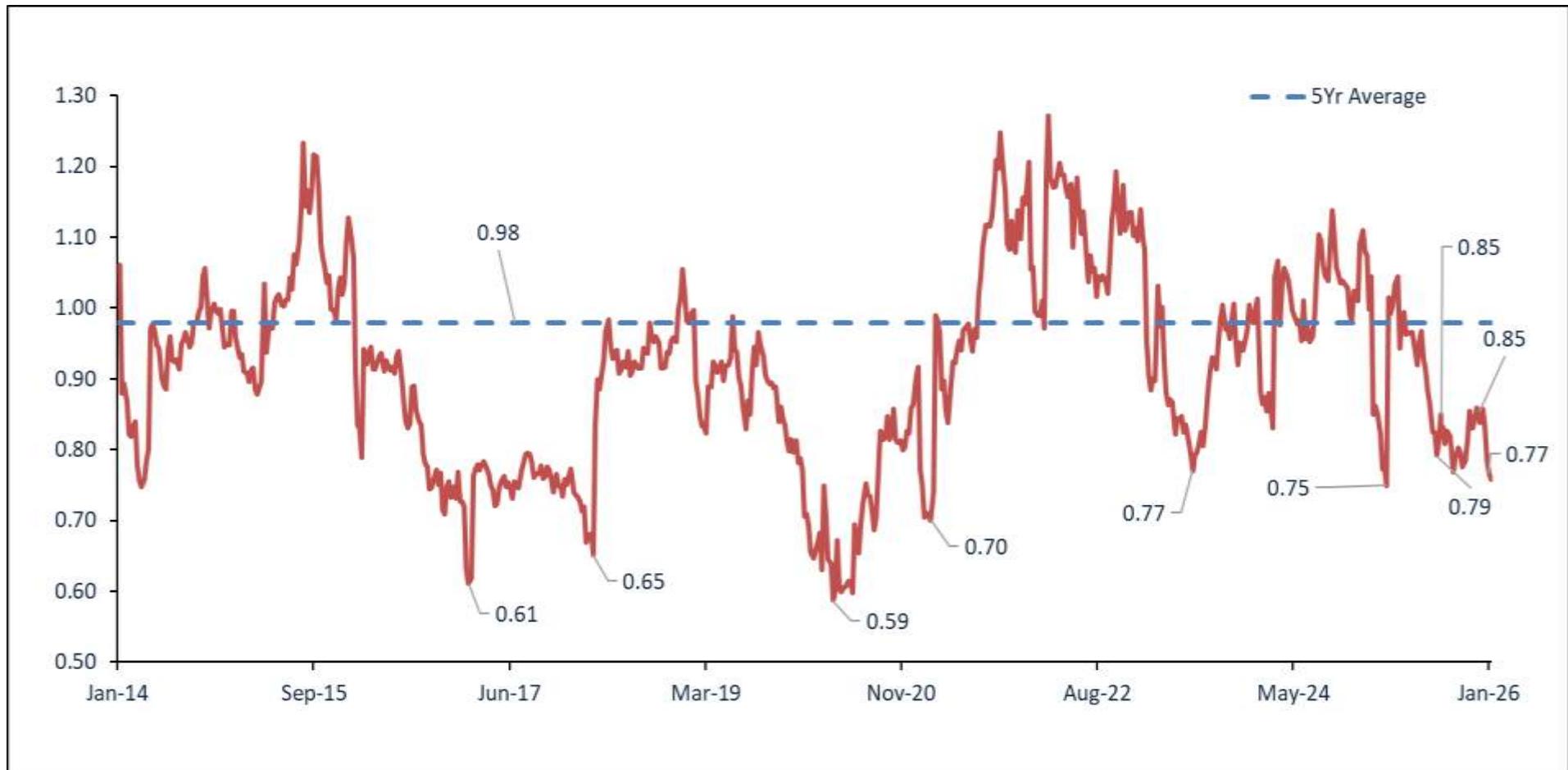
Valuation Correction in the Broader Index

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

	12m fwd PE	Long-term Avg	Valuation as of Sep'24	% down from Sep'24
PSU Banks	10.1	10.0	7.6	33.0%
Banks	15.2	15.9	14.2	6.7%
Service sec	19.3	18.3	20.7	-6.8%
Nifty	19.5	18.2	21.3	-8.4%
Energy	14.0	11.7	15.3	-8.5%
Infra	20.2	18.8	22.6	-10.6%
Pharma	27.3	24.0	30.8	-11.5%
Metal	14.2	11.3	16.2	-12.3%
Auto	21.2	19.3	24.8	-14.4%
IT	24.0	21.1	29.2	-17.7%
Media	18.2	22.5	25.3	-28.3%
Realty	25.5	27.0	44.9	-43.3%
FMCG	23.2	33.5	42.9	-45.9%

Source: Bloomberg, Axis Securities

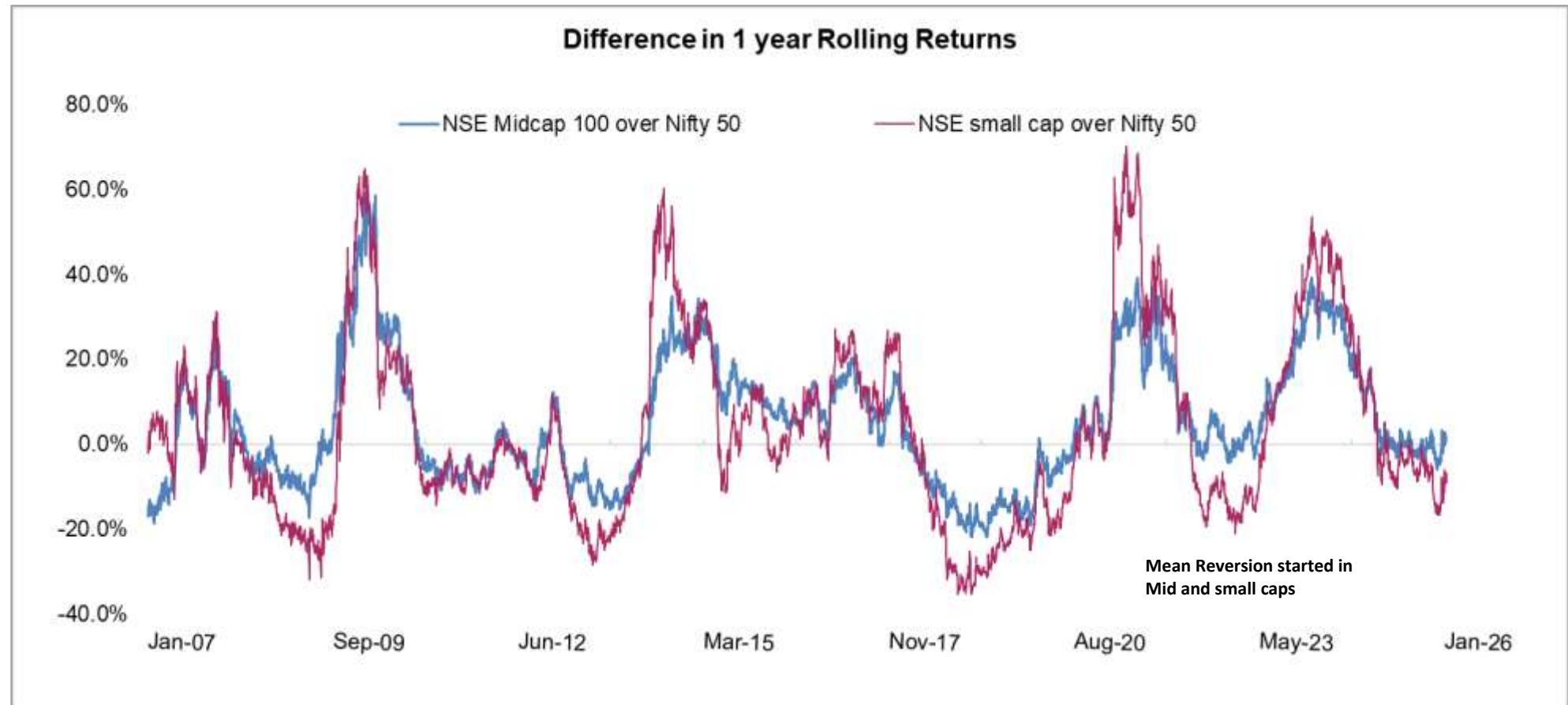
Nifty IT vs NASDAQ 100 - Relative 12M Fwd PE



Source: Bloomberg, Axis Securities

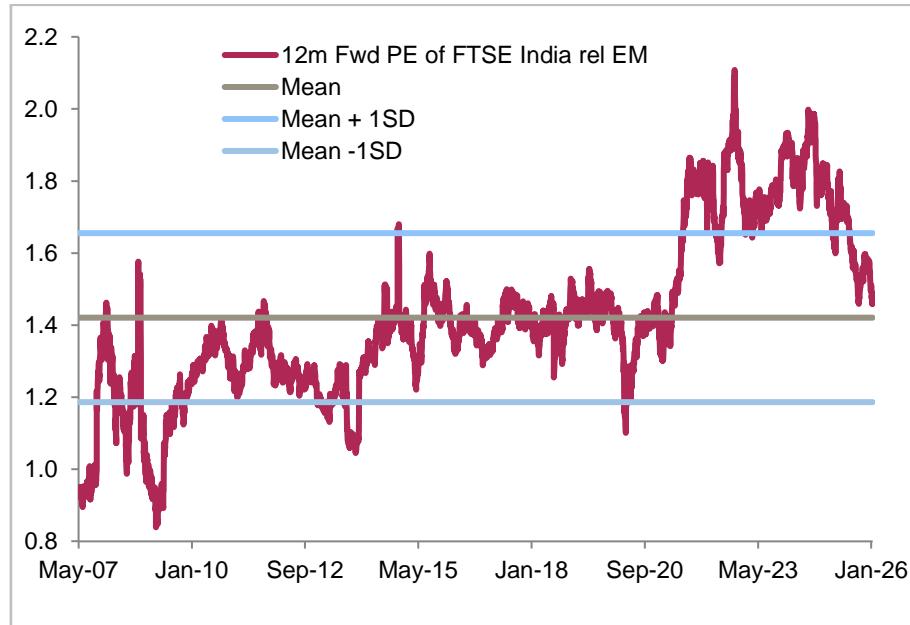
The Market is on the Verge of Mean Reversion in 1-year Rolling Returns

The broader market is on the verge of mean reversion.

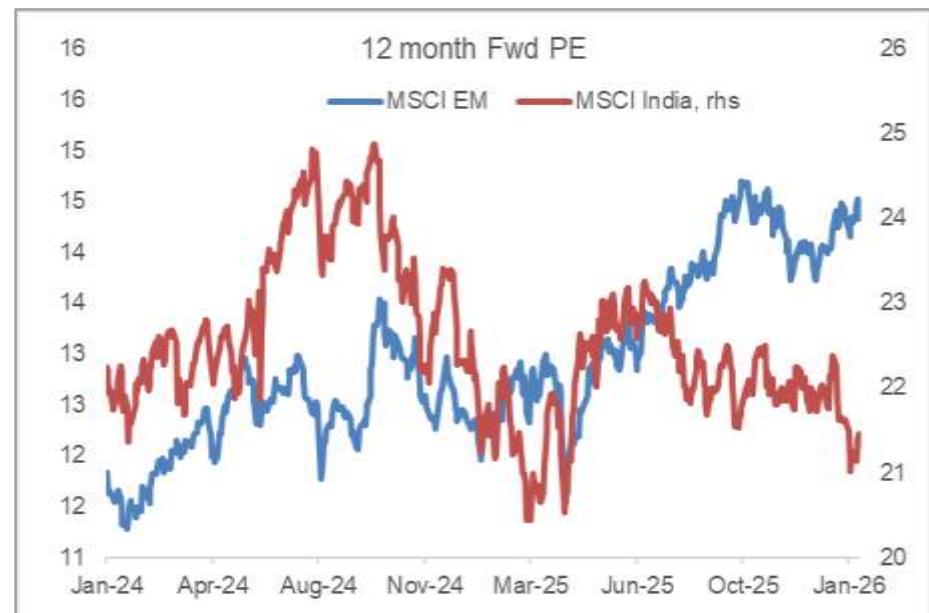


Market Valuations: On a Relative Basis, India Looks Attractive vs the EM Index

- Benchmark indices have corrected from all-time highs, and so have the valuations. FTSE India is now trading at a PE premium of 46% to the EM index (PE). During Sep'24, the Indian market traded at a 97% PE premium to EM, and now, after the correction, it is trading at a 46% premium, which looks attractive compared to the past.
- We believe the Indian equity market will continue to trade at a higher premium to EM over the next year due to a) Strong economic growth compared to other EM countries, b) A healthy earnings outlook for FY27, c) Sustained demand across sectors, d) A well-capitalized banking sector with improving fundamentals, e) Expectations of a revival in the private Capex cycle, and f), and g) GST 2.0 reforms.

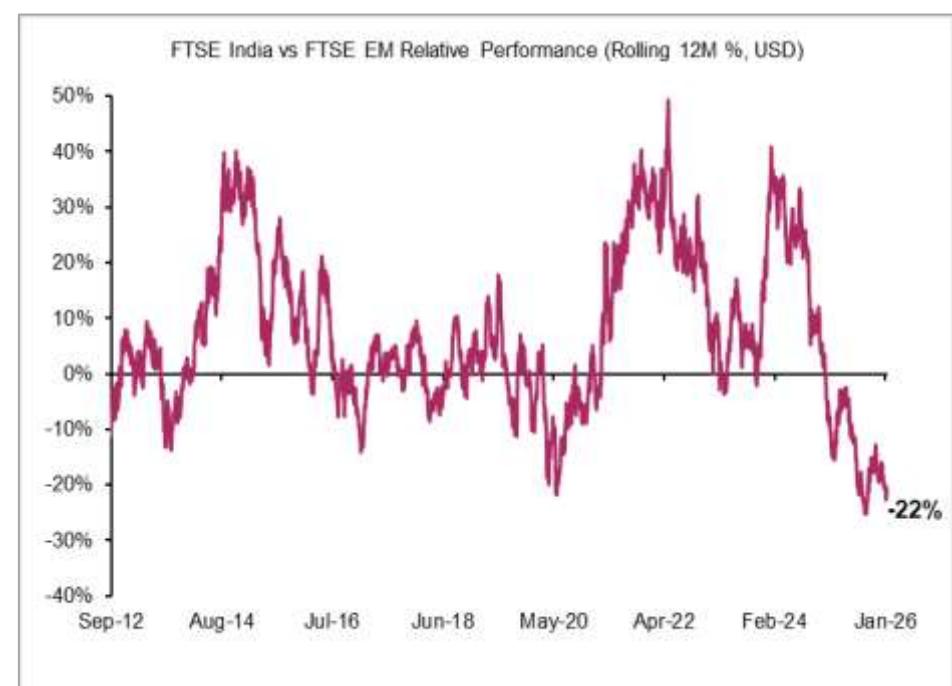
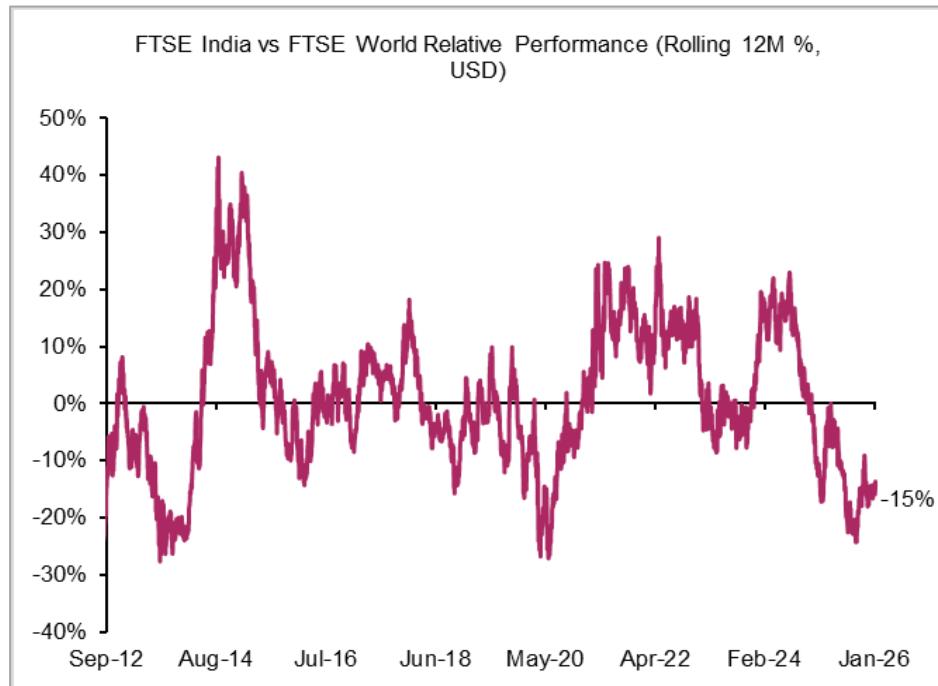


Source: Bloomberg, Axis Securities



Where India Stands vs the Emerging Market and World Index

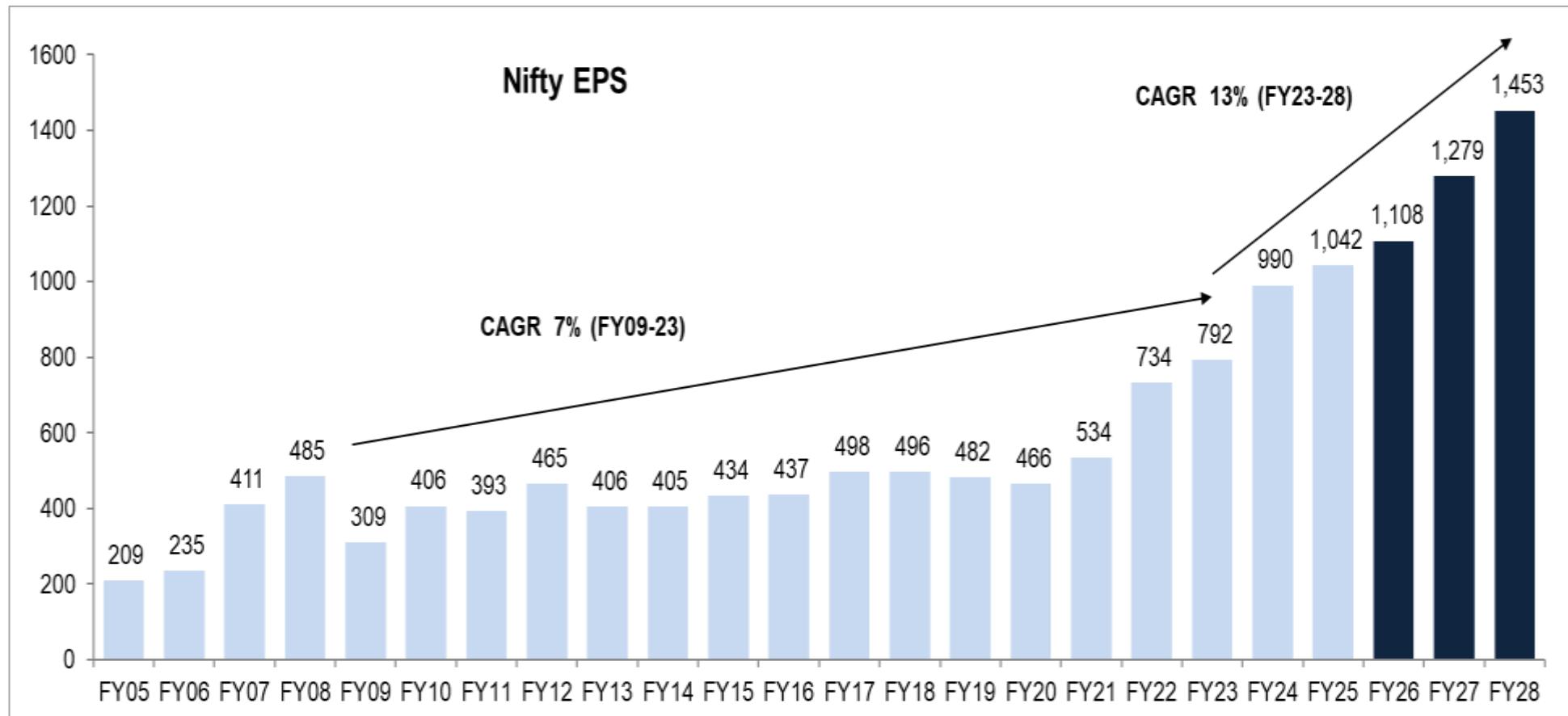
- Relative underperformance of the Indian market has led once again to near all-time low levels vs the world and the emerging markets.
- Stable currency, earnings recovery, and stable macro policy could lead to mean reversion going forward.



Source: Bloomberg, Axis Securities

NIFTY EPS Growth Expectation Remains Robust

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



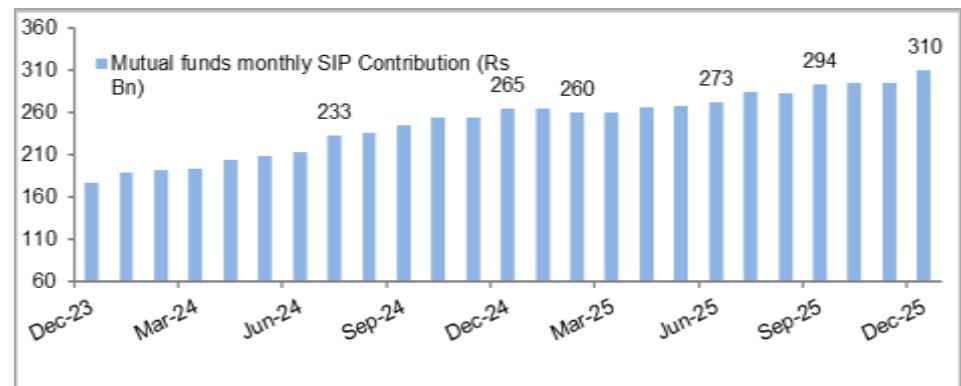
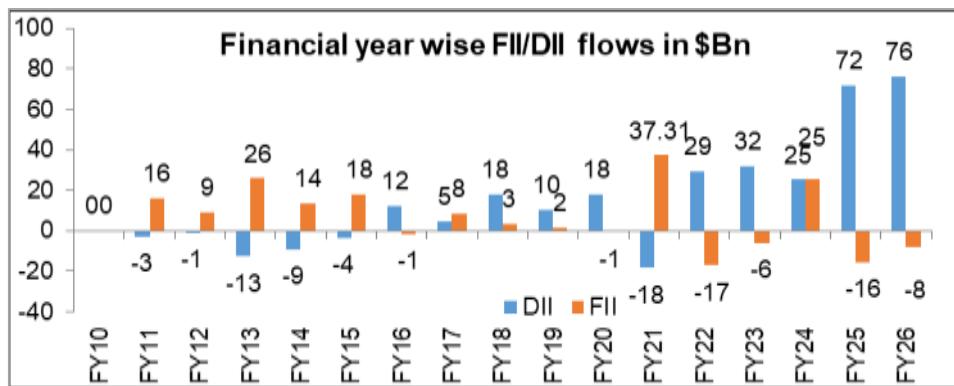
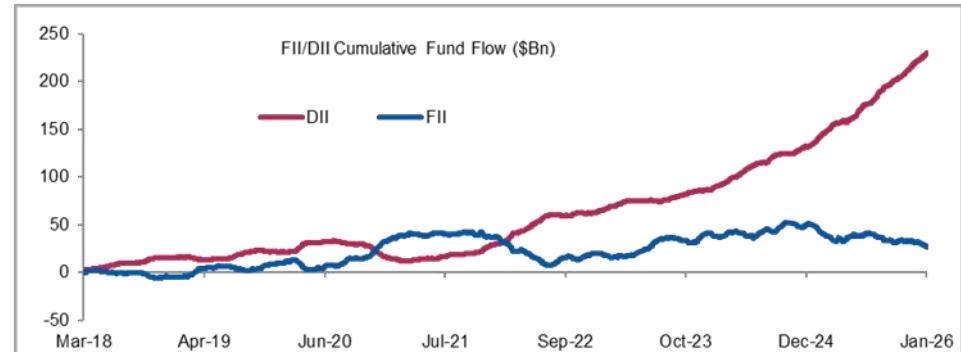
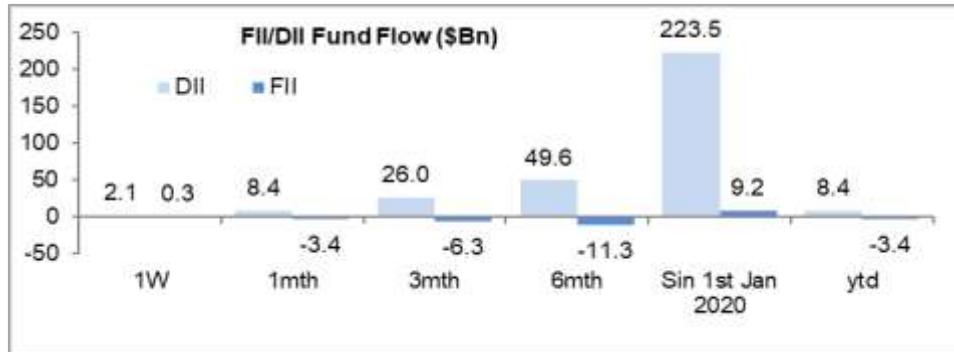
Source: Bloomberg, Axis Securities

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

FII Selling Seen in the Last 1M/3M

The Indian market has emerged from the overdependence on the FII flows since FY20. From FY20 till now, our DIIs have invested \$223.5 Bn while FIIs have taken out \$92.2 Bn from the Indian market. Even with FII selling, our market remains resilient, and buying has been seen at every level, indicating the improvement in the risk appetite of the domestic investors and confidence in the India story.

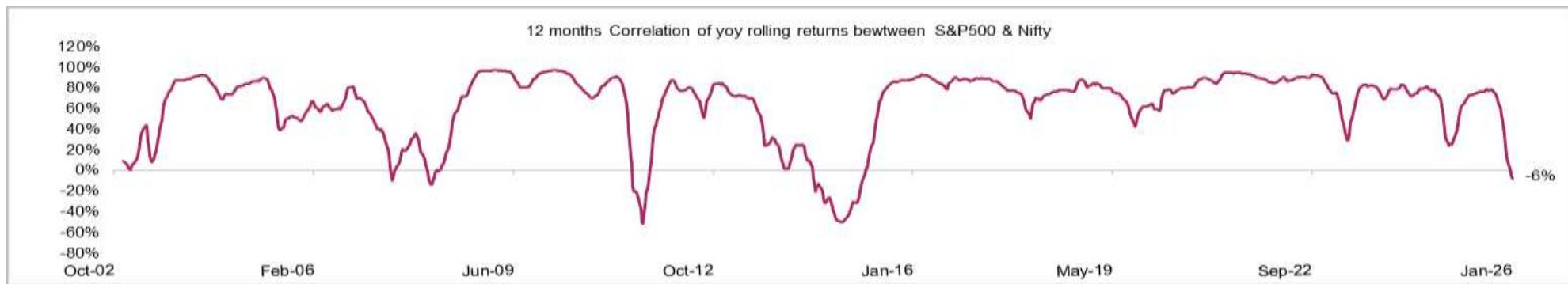
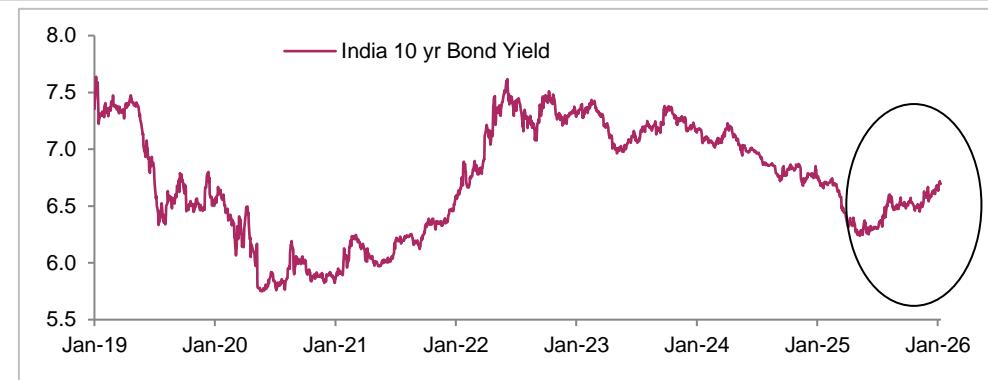
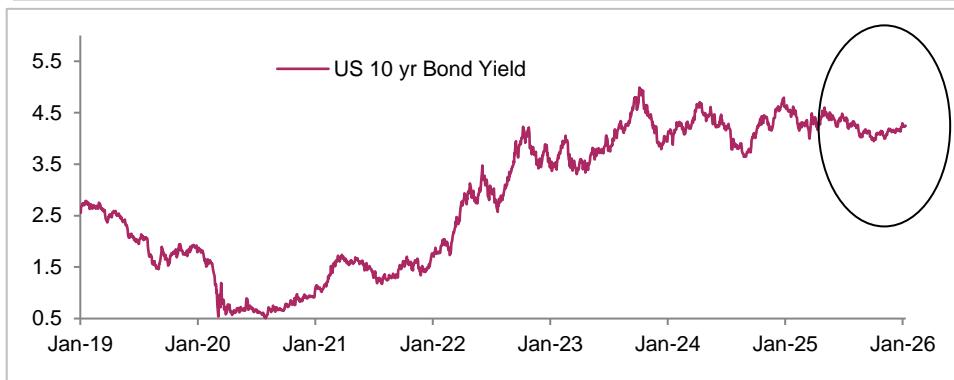
In FY26 so far, FIIs have pulled out only \$8 Bn, while DIIs have invested \$76 Bn in the Indian equity market. Notably, mutual fund SIP contributions crossed Rs 29,000 Cr for the first time in Sep'25. Dec'25 SIP Contribution stood at Rs 31,002 Cr.



Source: Bloomberg, Axis Securities

Macro Continues to Drive Near-Term Market Fundamentals

- US bond yields have been largely flattish in the last month and are hovering around 3.9%-4.1% levels. Further direction remains critical for the market.
- Indian bond yields corrected on a YTD basis and adjusted for the 125 bps rate cut by the RBI.
- The correlation between the Indian and US markets has now returned to 6% levels vs. the 44% seen as of 28th Feb'24.



Source: Bloomberg, Axis Securities

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

- 1) 81% of Nifty 50 companies either beat or were in line with the revenue expectations, while 67% were either in line or beat the earnings expectations. Nonetheless, the commentaries are slightly improving, and the recovery is expected to continue.
- 2) In Q3FY26, the Indian IT sector delivered modest revenue growth on account of seasonal headwinds (holiday furloughs, lower budgets, and ongoing demand caution in global markets). We saw a low single-digit sequential growth for large firms, while mid-cap companies continue to witness outperformance.
- 3) In Q3, banks saw strong credit growth, with management expecting this trend to continue. NIMs were flat for larger private banks but expanded for mid and smaller banks. Opex growth was slightly higher due to the impact of the labour law revision. Credit costs dropped significantly, with a decline in slippages, particularly in unsecured segments. Asset quality improved, and trends are expected to remain favourable.

Q3FY26 Performance So Far

Beat results: UltraTech, HDFC Bank, Dr Reddy's, BEL

Missed results: ICICI Bank, Eternal, Maruti

Nifty Q3FY26		Earnings			EBITDA			Revenue		
Results Out	BEAT	IN LINE	MISS	BEAT	IN LINE	MISS	BEAT	IN LINE	MISS	
31	12	09	09	07	12	08	06	19	4	

BAJAJ FINANCE – PRIORITISING ASSET QUALITY OVER GROWTH

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

Key Rationale

- Festive Cheer Spurs Growth:** BAF reported a robust festive season (Navratri – Diwali) business growth driven by a strong consumption-led growth. This was supported by the structural reforms in income tax and GST, lifting consumer sentiment and spurring consumption. The company disbursed a record 6.3 Mn consumer loans, recording a growth of 27% YoY in volume and 29% YoY in value terms. Overall disbursement volume during this period was 7.4 Mn loans, recording a growth of 26% YoY, compared to the previous festive period. During the same period, the company added 2.3 Mn new customers, with ~52% being NTC. BAF not only witnessed a surge in disbursements, but also a premiumization trend with consumers shifting to higher-quality products (mainly TVs and ACs) for better lifestyles.
- Growth Guidance Cut Due to Captive 2/3Wheeler and MSME:** BAF has been seeing stress in the SME and Captive 2/3-Wheeler businesses, with the latter already running down. As a corrective step, the company has cut unsecured MSME volumes by 25%, and SME growth is now expected to moderate to 10-12% in FY26. Management expects the worst to be behind by Q4FY26/Q1FY27, after which growth will be recalibrated. With slower growth expected in Mortgages (BHFL) and SME-together forming 42% of the portfolio, overall FY26 growth guidance has been lowered to 22–23%. However, strong traction in Gold, New Car Financing, LAP, and Tractor loans should cushion the impact. As SME stabilizes, we expect growth to revert to ~24-25% CAGR over the medium term.

Key Financials (Consolidated)

Y/E Mar (Rs Cr)	NII (Rs Cr)	PPOP (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	36,393	30,028	16,779	27.0	153.0	5.9	4.5	0.4
FY26E	44,439	36,492	20,594	33.1	180.3	5.0	4.4	0.5
FY27E	55,252	44,946	25,799	41.5	214.5	4.2	4.5	0.5
FY28E	68,949	55,650	31,882	51.3	256.8	3.5	4.4	0.5

Source: Company, Axis Securities

Industry view



Over Weight

CMP
902

Target Price
1,200

Upside
33%

- Asset Quality and Credit Costs to Improve Over H2:** During Q2, credit costs remained elevated, driven by stress in the 2W/3W and MSME portfolios. Management indicated that the rise in GNPA had a seasonal component, though MSME (+6 bps) and the captive business (+12 bps) contributed more significantly. BAF has taken corrective actions in MSME and expects credit costs to taper through H2. The captive 2W/3W book is being run down, with its ~9% contribution to credit costs likely to fall meaningfully in H2 and further in FY27. Other portfolios continue to show strong asset quality. The company restructured Rs. 288 Cr of standard advances (vs Rs. 219 Cr QoQ) but expects limited restructuring ahead. Management has maintained FY26 credit cost guidance at 185-195 bps, and we estimate 1.8-2.0% over FY26-28E.
- Outlook & Valuation:** We expect BAF to continue its growth trajectory, reporting a consistent ~24-25% CAGR AUM growth over the medium term, with growth resuming from FY27 onwards, with contribution from the core existing products and a further push from the scale-up of the new products. We expect BAF to deliver a strong AUM/NII/Earnings growth of 25/25/24% CAGR over FY27-28E, driven by (i) steady NIMs, (ii) Operating leverage driving cost ratio improvement, and (iii) downward trending credit costs backed by asset quality improvement. We expect BAF to deliver a RoA/RoE of 4.4-4.5%/19-22% over FY26-28E, broadly in line with the management's long-term guidance.
- Key Risks:** a) Slowdown in credit growth momentum, b) Asset Quality challenges in newer segments

Income Statement		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E March		FY25	FY26E	FY27E	FY28E	Y/E March		FY25	FY26E	FY27E	FY28E
Net Interest Income		36,393	44,439	55,252	68,949	SOURCES OF FUNDS					
Other Income		8,561	9,962	11,460	13,176	Share capital		124	622	622	622
Total Income		44,954	54,402	66,712	82,126	Reserves and Surplus		96,569	1,14,074	1,36,003	1,63,103
Total Operating Expense		14,926	17,909	21,766	26,476	Shareholders' funds		96,693	1,14,695	1,36,625	1,63,724
PPOP		30,028	36,492	44,946	55,650	Borrowings		3,61,249	4,50,228	5,66,065	7,10,769
Provisions & Contingencies		7,984	9,001	10,519	13,116	Other Liabilities and provisions		8,185	10,098	12,560	15,631
PBT		22,044	27,491	34,427	42,534	Total liabilities		4,66,127	5,75,021	7,15,250	8,90,124
Provision for Tax		5,300	6,938	8,692	10,741	APPLICATION OF FUNDS					
PAT		16,779	20,594	25,799	31,882	Cash & Bank Balance		13,544	14,407	17,921	22,302
Source: Company, Axis Research						Investments		34,441	38,174	46,768	58,203
Source: Company, Axis Research						Advances		4,07,844	5,03,791	6,28,257	7,82,849
						Fixed Assets & Other Assets		10,298	18,649	22,304	26,769
						Total assets		4,66,127	5,75,021	7,15,250	8,90,124

Source: Company, Axis Research

Source: Company, Axis Research

Valuation Ratios (%)					Balance Sheet Structure Ratios (%)				
Y/E March	FY25	FY26E	FY27E	FY28E	Y/E March	FY25	FY26E	FY27E	FY28E
EPS	27.0	33.1	41.5	51.3	Loan Growth (%)	26.0	23.5	24.7	24.6
Earnings growth (%)	-88.4	22.6	25.3	23.6	Borrowings Growth (%)	23.1	24.6	25.7	25.6
BVPS	155.7	184.5	219.8	263.4	Equity/Assets (%)	23.7	22.8	21.7	20.9
Adj. BVPS	153.0	180.3	214.5	256.8	Equity/Advances (%)	20.7	19.9	19.1	18.4
ROAA (%)	4.5	4.4	4.5	4.5	Total Capital Adequacy Ratio	21.9	21.5	20.6	19.6
ROAE (%)	19.0	19.5	20.5	21.2	ASSET QUALITY				
P/E (x)	33.5	27.3	21.8	17.6	Gross NPLs	3,678	5,472	6,850	8,568
P/ABV (x)	5.9	5.0	4.2	3.5	Net NPLs	1,720	2,625	3,285	4,115
Dividend Yield (%)	0.6	0.5	0.7	0.9	Gross NPLs (%)	0.9	1.1	1.1	1.1
PROFITABILITY & OPERATING EFFICIENCY					Net NPLs (%)	0.4	0.5	0.5	0.5
NIM (%)	8.8	8.8	8.8	8.9	Coverage Ratio (%)	53.7	52.5	52.5	52.5
Cost/Avg. Asset Ratio (%)	3.5	3.4	3.4	3.3	Provision/Avg. Loans (%)	2.2	2.0	1.9	1.9
Cost-Income Ratio (%)	33.2	32.9	32.6	32.2	ROAA TREE				

Source: Company, Axis Research

Source: Company, Axis Research

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

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

Key Rationale

- Growth Buoyancy to Continue:** SBI's strong credit growth momentum is expected to sustain, driven by robust performance in (a) home loans (projected at 15-16% growth), (b) revival in Xpress Credit, and (c) improving growth traction in the corporate segment. The bank has visibility of meaningful acceleration in corporate growth, supported by a strong sanction pipeline of Rs 7 Tn, of which ~50% has already been sanctioned and is awaiting disbursement. The Xpress Credit segment has been a laggard, delivering muted growth. Some cannibalisation has been observed from the Xpress Credit book towards the gold loan portfolio, driven by lower rates and favourable gold prices. In the international book, the bank will continue to remain selective in pursuing growth without compromising on margins. With strong growth visibility across segments, the management is confident of growing faster than the industry and has guided for credit growth of 12-14% for FY26 and endeavours to 2x the balance sheet every 6 years. We pencil-in healthy credit growth sustaining at ~13% CAGR over FY26-28E.
- Confident in Maintaining Domestic NIMs at 3%:** In Q2, SBI's Domestic/Global NIMs expanded by 7bps QoQ, each driven by effective liability management. The bank is taking conscious steps towards optimising the CoF by reducing reliance on bulk deposits and focusing efforts towards CASA mobilisation. The management expects tailwinds on NIMs in the form of CRR cut (benefit to flow through by Nov-end) and continued repricing of TDs to adequately offset the impact of MCLR repricing. Thus, margins have bottomed out and should move with a positive bias over H2. Presently, ~31% of the bank's portfolios are EBLR-linked, 29% MCLR-linked, 22% Fixed, and 15% is linked to T-Bills. SBI's management remains confident of NIMs sustaining at 3%+ over the medium term.

- Asset Quality No Cause for Concern; ECL impact manageable:** The bank continues to see healthy progress on asset quality, driven by controlled slippages and healthy recoveries. Presently, asset quality trends continue to remain encouraging, and we do not foresee any adverse impact on asset quality. Thus, credit costs are expected to remain steady at ~50bps (+/-5bps) over FY26-28E. The management has not guided on the impact of ECL provisioning; however, it hinted at a possible impact for the SMA pool in light of the floor rates, with provision buffers being lower.
- Non-banking Subsidiaries to Boost Overall Performance:** Apart from the core banking, SBI's subsidiaries are expected to continue adding further value. The bank has a strong presence in various financial services operations, most of which are generating stable returns and support the overall performance of the bank.
- Outlook & Valuation:** SBI's performance has been the best amongst the larger banks, and the bank remains well-poised to sustain its performance supported by the management's focus on deepening liability franchise, allocating capital to higher RoRWA assets, maintaining a disciplined pricing approach and leveraging tech to drive operating efficiency. The outperformance on NIMs in Q2, with the trend reversing earlier than expected, provides cushion to the bank's 1% RoA delivery. Continued repricing on TDs and CRR cut should adequately offset the MCLR repricing impact and drive NIMs higher in H2. Barring the on-time impact of the stake sale in Yes Bank, SBI's RoA has remained at 1+. The bank is making concentrated efforts to contain Opex growth by focusing on improving productivity and maintaining the C-I Ratio.
- Key risks:** a) Significant slowdown in credit growth

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,670	1,106	709	79.4	472.3	2.2	1.1	0.5
FY26E	1,784	1,203	782	84.8	552.5	1.8	1.1	0.4
FY27E	2,048	1,384	841	94.1	624.5	1.6	1.1	0.4
FY28E	2,302	1,542	926	100.3	702.2	1.5	1.0	0.4

Source: Company, Axis Securities.

Industry view

Over Weight

CMP
1,018

Target Price
1,135

Upside
11%

Profit & Loss					Balance Sheet				
Y/E MAR	(Rs Bn)				Y/E MAR	(Rs Bn)			
	FY25	FY26E	FY27E	FY28E		FY25	FY26E	FY27E	FY28E
Net Interest Income	1,670	1,784	2,048	2,302	Share capital	9	9	9	9
Other Income	617	694	725	753	Reserves and surplus	4,403	5,278	5,951	6,691
Total Income	2,286	2,478	2,773	3,055	Shareholders' funds	4,412	5,287	5,960	6,700
Total Operating Exp.	1,181	1,275	1,389	1,513	Total Deposits	53,822	59,592	66,384	73,883
PPOP	1,106	1,203	1,384	1,542	Total Borrowings	59,458	66,617	74,686	84,026
Provisions & Contingencies	153	206	263	308	Other Liabilities, provisions	2,891	3,137	3,519	3,959
Exceptional Items	0	46	0	0	Total	66,761	75,042	84,164	94,685
PBT	953	1,043	1,121	1,234	APPLICATION OF FUNDS				
Provision for Tax	244	261	280	309	Cash & Bank Balance	3,402	4,065	4,329	4,818
PAT	709	782	841	926	Investments	16,906	18,480	20,586	22,912
					Advances	41,633	47,080	53,173	60,120
					Fixed Assets & Other Assets	4,819	5,417	6,076	6,835
					Total assets	66,761	75,042	84,164	94,685

Source: Company, Axis Research

Source: Company, Axis Research

KEY RATIOS (%)				Balance Sheet Structure Ratios (%)					
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	79.4	84.8	91.1	100.3	Loan Growth (%)	12.4	13.1	12.9	13.1
Earnings Growth (%)	16.1	6.7	7.5	10.1	Deposit Growth (%)	9.5	10.7	11.4	11.3
BVPS	494.3	572.8	645.7	725.9	C-D Ratio (%)	77.4	79.0	80.1	81.4
Adj. BVPS	472.3	552.5	624.5	702.2	Equity to Assets (%)	6.6	7.0	7.1	7.1
ROAA (%)	1.1	1.1	1.1	1.0	Equity to Loans (%)	10.6	11.2	11.2	11.1
ROAE (%)	17.3	16.1	15.0	14.6	CRAR (%)	14.3	14.4	14.1	13.6
P/E (x)	12.8	12.0	11.2	10.2	Tier I (%)	12.1	12.5	12.3	11.9
P/ABV (x)	2.2	1.8	1.6	1.5					
Dividend Yield (%)	1.6	1.7	1.8	2.0	ASSET QUALITY				
PROFITABILITY					Gross NPLs (%)	1.8	1.6	1.5	1.4
NIM (%) – Domestic	3.3	3.1	3.2	3.2	Net NPLs (%)	0.5	0.4	0.4	0.4
NIM (%) - Global	3.2	3.1	3.2	3.2	PCR	74.4	75.0	75.0	75.0
Cost-Income Ratio	51.6	51.5	50.1	49.5	Credit cost	0.4	0.5	0.5	0.5

Source: Company, Axis Research

Source: Company, Axis Research

HDFC BANK LTD – EMBRACING THE UPTURN!

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

Industry view



Equal weight

CMP
918

Target Price
1,190

Upside
30%

Key Rationale

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

Key Financials (Standalone)

Y/E Mar	NII (Rs Bn)	PPOP (Rs Bn)	Net Profit (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	1,227	1,001	673	44.0	320.3	2.9	1.8	0.4
FY26E	1,300	1,196	729	47.4	354.0	2.6	1.8	0.4
FY27E	1,547	1,331	884	57.5	396.6	2.3	1.9	0.4
FY28E	1,784	1,538	1,022	66.4	445.8	2.1	1.9	0.4

Source: Company, Axis Securities.

Profit & Loss		(Rs Bn)				Balance Sheet		(Rs Bn)			
Y/E MAR		FY25	FY26E	FY27E	FY28E	Y/E MAR		FY25	FY26E	FY27E	FY28E
Net Interest Income		1,227	1,300	1,547	1,784	SOURCES OF FUNDS					
Other Income		456	634	609	688	Share capital		8	15	15	15
Total Income		1,683	1,934	2,156	2,472	ESOPs		38	46	56	66
Total Operating Exp.		682	739	825	934	Reserves and Surplus		4,969	5,515	6,178	6,944
PPOP		1,001	1,196	1,331	1,538	Deposits		5,014	5,576	6,249	7,026
Provisions & Contingencies		116	237	159	183	Shareholders' funds		27,147	30,765	36,219	42,902
PBT		885	959	1,172	1,355	Borrowings		5,479	5,191	4,776	4,877
Provision for Tax		211	230	288	333	Other Liabilities, provisions		1,461	1,750	1,991	2,310
PAT		673	729	884	1,022	Total liabilities		39,102	43,283	49,236	57,115
Source: Company, Axis Research						APPLICATION OF FUNDS					
						Cash & Bank Balance		2,396	2,161	2,472	2,799
						Investments		8,364	9,234	10,147	12,020
						Advances		26,196	29,447	33,841	39,076
						Fixed Assets & Other Assets		2,147	2,440	2,776	3,220
						Total assets		39,102	43,283	49,236	57,115

Source: Company, Axis Research

Source: Company, Axis Research

KEY RATIOS (%)				Balance Sheet Structure Ratios (%)					
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	44.0	47.4	57.5	66.4	Loan Growth (%)	5.4	12.4	14.9	15.5
Change (%)	9.9	7.7	21.3	15.6	Deposit Growth (%)	14.1	13.3	17.7	18.5
BVPS	327.6	362.4	406.2	456.7	C-D Ratio (%)	96.5	95.7	93.4	91.1
Adj. BVPS	320.2	354.0	396.6	445.8	CRAR	12.8	12.9	12.7	12.3
ROAA (%)	1.8	1.8	1.9	1.9	Tier I	19.1	18.9	18.5	18.0
ROAE (%)	14.3	13.8	14.9	15.4	ASSET QUALITY				
P/E (x)	20.9	19.4	16.0	13.8	Gross NPLs (%)	1.3	1.3	1.3	1.3
P/ABV (x)	2.9	2.6	2.3	2.1	Net NPLs (%)	0.4	0.4	0.4	0.4
PROFITABILITY									
NIM (%)	3.5	3.3	3.5	3.5	PCR	67.9	67.0	67.0	67.0
Cost-Assets Ratio	1.8	1.8	1.8	1.8	Credit Cost	0.5	0.9	0.5	0.5
Cost-Income Ratio	40.5	38.2	38.3	37.8	Source: Company, Axis Research				

Source: Company, Axis Research

BHARTI AIRTEL LTD – HIGHEST ARPU IN THE INDUSTRY

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

Key Rationale

- Best ARPU in the Industry:** Bharti Airtel leads the industry in ARPU, with management expecting further improvement from the current Rs 256 level, compared to Reliance's Rs 214. This growth is driven by a more diverse customer base, continued migration from 2G to 4G/5G, and increasing adoption of value-added services. The company remains on track to reach its ARPU target of Rs 300, supported by rising data consumption and deeper rural penetration. Average data usage per customer remains strong at 28.3 GB/month, further bolstering revenue growth.

Huge Revenue and Profit Growth Potential: Bharti Airtel's business fundamentals remain strong, with continued improvements across key metrics. Management anticipates sustained revenue and profit growth driven by expanding rural distribution, network investments, and increasing 4G coverage. The company also sees strategic opportunities in tower sales, minority investments, and potential IPOs in mobile money. Airtel's digital portfolio is gaining traction alongside market share expansion. It has maintained a substantial share of 4G/5G net additions, with the smartphone customer base growing by 5.1 Mn QoQ, now accounting for 78% of the total customer base. Moreover, Airtel's Africa business is expected to continue its strong performance on a sequential basis.

- Improvement in the Digital/Home Segment:** Bharti Airtel's management anticipates an improvement in the Home Segment by offering multiple solutions simultaneously. The company has adopted a "Hunting" strategy, targeting existing high-value customers (primarily 50 Mn customers with strong financial profiles), while aggressively acquiring new ones. This approach is expected to drive growth in the Home Segment, enhancing revenue realisation and strengthening the overall business model. Management remains confident in achieving industry-leading growth, supported by intense rural penetration and an expanded service portfolio.
- Moderated Capex and Capital Allocation Initiatives:** Bharti Airtel does not anticipate any immediate significant capex despite the ongoing 5G rollout. Management expects capex levels to remain stable, with investments primarily directed toward broadband expansion, enterprise solutions, and data centres. However, capex related to 4G radio is expected to decline with the completion of rural rollout. Airtel aims to implement a few initiatives, such as deleveraging the balance sheet, dividend payments, and selective investment verticals.
- Valuation & Recommendation:** We maintain our **BUY** rating on the stock, driven by the company's superior margins, impressive subscriber growth, and increased 4G conversions.
- Key risks:** a) Competitors may eat market share, resulting in loss of sustainable revenue.

Key Financials (Consolidated)

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	ROCE (%)	EV/EBITDA (X)
FY24	1,49,982	78,292	8,558	13.2	147.4	10.7	6.5	17.8
FY25	1,72,985	93,159	37,481	58.6	33.2	38.3	17.7	14.8
FY26E	2,15,196	1,19,987	34,598	56.8	34.3	27.8	14.8	11.1
FY27E	2,55,045	1,42,825	48,025	78.8	24.7	31.7	17.5	8.9

Source: Company, Axis Securities

Industry view



Over Weight

CMP
1,946

Target Price
2,530

Upside
30%

Profit & Loss

Y/E March	FY24	FY25	FY26E	FY27E
Net sales	1,49,982	1,72,985	2,15,196	2,55,045
Change (YoY, %)	7.8	15.3	24.4	18.5
Operating expenses	71,691	79,826	95,209	1,12,220
EBITDA	78,292	93,159	1,19,987	1,42,825
Change (YoY, %)	9.8	18.9	28.8	19.0
Margin (%)	52.2	53.8	55.7	56.0
Depreciation	39,538	45,570	51,276	57,876
Interest paid	22,648	21,754	22,539	23,250
Other income	1,435	1,574	2,940	4,088
PBT	9,970	34,696	49,113	65,787
Tax	4,121	917	14,191	17,762
Effective tax rate (%)	41%	3%	29%	27%
Share of JV/Associate	2,709	3,703	(324)	-
Exceptional items	(7,572)	7,287	-	-
Net profit	8,558	37,481	34,598	48,025
Adjusted net profit	16,130	30,195	34,598	48,025
Change (YoY, %)	24	87	15	39
Adj EPS	27	50	57	79
Dividend per share	8	16	21	27
Dividend Payout (%)	57	26	26	26

Source: Company, Axis Securities Research

Balance Sheet

Y/E March	FY24	FY25	FY26E	FY27E
Share capital	2,877	2,900	2,900	2,900
Reserves & surplus	79,142	1,10,772	1,32,694	1,64,239
Shareholders' funds	82,019	1,13,672	1,35,594	1,67,139
Total Debt	1,38,747	1,48,312	1,46,312	1,44,312
Other liabilities	50,094	75,589	75,589	75,589
Current Liabilities & Provisions	1,38,668	1,80,440	2,05,716	2,28,915
Current liabilities	99,252	1,00,837	1,16,990	1,32,487
Provisions	31,631	36,155	44,833	53,134
Total liabilities	3,19,724	3,60,893	3,83,723	4,05,522
Total equity & liabilities	4,25,288	5,14,360	5,61,103	6,16,536
Net fixed assets	3,03,303	1,43,272	1,36,996	1,39,120
Investments	31,333	544	544	544
Other non-current assets	32,376	3,02,956	3,02,956	3,02,956
Current assets	58,276	67,589	1,20,607	1,73,917
Inventories	364	452	452	452
Sundry Debtors	4,728	7,456	9,564	11,335
Cash & Liquid	16,340	16,720	64,239	1,12,456
Other Current Assets	36,845	16,195	19,586	22,907
Total assets	4,25,288	5,14,361	5,61,103	6,16,536

Source: Company, Axis Securities Research

Cash Flow

	(Rs Cr)			
Y/E March	FY24	FY25	FY26E	FY27E
Pre-tax Profit	12,679	38,399	48,789	65,787
Depreciation	39,538	45,570	51,276	57,876
Change in working capital	18,851	32,840	19,776	18,107
Other operating activities	28,785	12,893	19,598	19,162
Cash flow from operations (a)	95,731	1,28,785	1,25,249	1,43,170
Capital expenditure	(48,971)	1,14,460	(45,000)	(60,000)
Change in investments	(3,444)	3,142	-	-
Other investing activities	33,957	(2,41,359)	2,940	4,088
Cash flow from investing (b)	(18,458)	(1,23,756)	(42,060)	(55,912)
Equity raised/(repaid)	40	24	-	-
Debt raised/(repaid)	(18,217)	(604)	(2,445)	(1,400)
Dividend paid	(4,838)	(9,751)	(10,726)	(11,262)
Change in minorities	(5,336)	16,251	1,990	2,089
Other financing activities	(46,001)	(10,568)	(24,489)	(28,467)
Cash flow from financing (c)	(74,352)	(4,649)	(35,671)	(39,040)
Net change in cash (a+b+c)	2,921	380	47,519	48,217
Opening cash balance	13,419	16,340	16,720	64,239
Closing cash balance	16,340	16,720	64,239	1,12,456

Source: Company, Axis Securities Research

Ratio Analysis

Y/E March	FY24	FY25	FY26E	FY27E
Book Value (Rs)	136	187	222	274
Adj EPS (Rs)	27	50	57	79
Adj EPS growth (%)	24	87	15	39
EBITDA margin (%)	52	54	56	56
Pre-tax margin (%)	7	20	23	26
Debt/Equity (x)	1.6	0.9	0.8	0.6
ROCE (%)	6	18	15	17
ROE (%)	11	38	28	32
Financial leverage ratios				
Debt / Equity (x)	1.6	0.9	0.8	0.6
Interest Coverage (x)	3.5	4.3	5.3	6.1
Interest / Debt (%)	16	18	22	23
Working Capital & Liquidity Ratio				
Inventory days	-	-	0	0
Receivable days	11	16	16	16
Payable days	84	79	80	80
Valuation ratio				
PER (x)	147	33	34	25
Adjusted PER (x)	77	42	37	27
P/BV (x)	15.2	11.0	9.5	7.7
EV/EBITDA (x)	17.4	14.4	11.1	8.9
Market Cap. / Sales (x)	8.3	7.3	6.0	5.1

Source: Company, Axis Securities Research

Avenue Supermarts Ltd – POSITIONING FOR THE NEXT PHASE OF GROWTH

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

Key Rationale

- Positioning for the next phase of growth:** D-Mart has consistently delivered 17-20% CAGR revenue growth over the past several quarters, driven by 14-15% expansion in its network and retail space. The recent investment in D-Mart Ready to support operations, working capital, and expansion, is a step in the right direction. This strategic move will strengthen the company's position in the competitive online grocery market and is expected to yield long-term benefits. In fact, in Q2FY26, DMart reported 13.3% YoY revenue growth, with like-for-like growth at 5.6%.
- Margins remain intact:** Despite a challenging environment marked by pressure in GM&A sales and rising competition from other value retailers and Q-commerce players, the company has maintained its overall Gross and EBITDA margins at approximately 15% and 7-8%, respectively, over the past several quarters. This reflects D-Mart's strong execution capabilities, robust business model (EDLP), and operational efficiencies.
- Extensive retail network:** D-Mart has consistently maintained its store opening expansion, with its total store network reaching 445 as of the date. This represents a 14% CAGR, positioning the company to benefit as demand revives in the coming quarters. The company aims to increase its store count by 10-20% in the coming years. Further, the management sees potential for 1800+ store additions across India over a longer period.

Key Financials (Standalone)

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)
FY25	59,358	4,487	2,707	41.6	86.6	12.6	13.4
FY26E	71,232	5,533	3,355	51.6	69.9	13.5	14.4
FY27E	85,371	6,627	3,874	59.5	60.5	13.5	14.4
FY28E	1,01,384	7,772	4,326	66.5	54.2	13.1	14.0

Source: Company, Axis Securities.

Industry view



Equal Weight

CMP

3,614

Target Price

4,450

Upside

23%

Profit & Loss

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

Source: Company, Axis Research

Balance Sheet

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

Source: Company, Axis Research

Cash flow		(Rs Cr)				Ratios (%)					
Y/E Mar		FY25	FY26E	FY27E	FY28E	Y/E Mar		FY25	FY26E	FY27E	FY28E
Pre-tax profit		3,673	4,596	5,307	6,008	EPS (INR)		41.6	51.6	59.5	66.5
Depreciation		870	1,013	1,422	1,898	Growth, %		6.8	23.9	15.5	11.7
Change in working capital		(244)	(826)	(983)	(1,113)	Book NAV/share (INR)		329.3	380.8	440.4	506.9
Total tax paid		(945)	(1,241)	(1,433)	(1,682)	FDEPS (INR)		41.6	51.6	59.5	66.5
Cash flow from operating activities		3,353	3,542	4,313	5,110	CEPS (INR)		55.0	67.1	81.4	95.6
Capital expenditure		(3,826)	(3,300)	(3,300)	(3,300)	CFPS (INR)		50.6	52.2	63.5	75.2
Change in marketable securities		105	-	-	-	Return ratios					
Cash flow from investing activities		(3,656)	(3,300)	(3,300)	(3,300)	Return on assets (%)		12.2	13.1	13.2	12.8
Free cash flow		(302)	242	1,013	1,810	Return on equity (%)		12.6	13.5	13.5	13.1
Equity raised/(repaid)		-	-	-	-	Return on capital employed (%)		13.4	14.4	14.4	14.0
Dividend (incl. tax)		-	-	-	-	Turnover ratios					
Cash flow from financing activities		-	-	-	-	Asset turnover (x)		3.1	3.2	3.4	3.6
Net change in cash		(302)	242	1,013	1,810	Sales/Total assets (x)		2.6	2.7	2.8	3.0
Opening cash balance		638	358	601	1,614	Sales/Net FA (x)		3.8	3.9	4.2	4.6
Closing cash balance		358	601	1,614	3,424	Working capital/Sales (x)		0.1	0.1	0.1	0.1

Source: Company, Axis Research

Source: Company, Axis Research

MAX HEALTHCARE – LEADER IN CHARGE

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

Key Rationale

- Strong Quarterly Performance:** Max Healthcare reported net revenue of Rs 2,580 Cr, registering 21.4% YoY and 5% QoQ growth, broadly in line with expectations. The performance was supported by steady ARPOB, stable occupancy, and the addition of new beds, which together drove a 19% increase in occupied bed days. International patient revenue rose 25% YoY and now contributes 9% to overall revenue. Existing units delivered a strong 14% like-for-like revenue growth, reflecting sustained operational momentum across the network.
- Expansion-Focused Growth with Prudent Leverage:** Max Healthcare continues to pursue an aggressive yet capital-efficient expansion strategy, primarily led by brownfield additions that support a strong multi-year growth trajectory. The company plans to increase bed capacity from ~5,000 in FY25 to ~9,000–9,500 by 2028, driven by key projects such as Nanavati Max (268 beds), Max Smart Saket (400 beds), and Max Mohali (160 beds), alongside additional developments in Lucknow and Gurgaon. Brownfield assets enable faster ramp-ups, quicker EBITDA breakeven, and improved earnings visibility.
- Strong Operating KPI:** ARPOB stood at Rs 77,300, flat YoY (with existing units delivering 3% YoY growth), while overall occupancy improved to 77% with a 19% increase in occupied bed days, and mature hospitals reported 79% occupancy. IP and OP volumes grew 22.5% and 27%, respectively.
- Recent Update:** Additionally, Max Healthcare has announced its entry into Pune with a planned 450-bed super speciality hospital in Yerawada, involving an investment of over Rs 1,000 Cr. The project will be developed on freehold land acquired through Yerawada Properties Pvt Ltd and is expected to be commissioned over the next three years, further expanding Max's presence in Western India and tapping into growing healthcare demand in the region.
- Outlook & Valuation:** Management reiterated guidance of 6–7% ARPOB growth in mature hospitals, supported by higher case complexity and an improving clinical mix, alongside sustained occupancy of around 80%. Developing hospitals are expected to ramp up gradually, driving incremental occupancy and revenue growth. The company remains focused on scaling oncology and international patient businesses while maintaining strong return ratios. The recent CGHS rate revision is expected to generate a revenue uplift of over Rs 200 Cr once fully implemented across CGHS and CGHS-linked schemes such as ECHS. Management indicated that 85–90% of this incremental revenue is likely to flow through to EBITDA, as the cost base for servicing these patients is already largely established. The full benefit, particularly from the newly introduced "super-specialty hospital" category, is expected to materialise from FY27 onward.
- Valuation:** We value the stock at 27x EV/EBITDA FY28E.

Key Financials (Consolidated)

Y/E March (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25	8,621	2,193	1,335	14	71	44	9	13
FY26E	11,201	2,901	1,877	19	50	33	8	15
FY27E	13,114	3,436	2,275	23	42	28	7	16

Source: Company, Axis Securities

Industry view



Equal Weight

CMP
977

Target Price
1,250

Upside
28%

Profit & Loss		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E Mar, Rs. Cr		FY25	FY26E	FY27E	FY28E	Y/E Mar, Rs. Cr		FY25	FY26E	FY27E	FY28E
Net sales		8,621	11,201	13,114	16,806	Share Capital		972	972	972	972
Growth		27%	30%	17%	28%	Reserves & Surplus		9561	11341	13519	16489
Total Expenditure		6,428	8,300	9,678	12,353	Shareholders Fund		10533	12313	14491	17461
Raw Material Consumed		2,115	2,834	3,305	4,235	- Long Term Borrowings		3029	3429	3229	3029
Gross Margins (%)		75.5%	74.7%	74.8%	74.8%	- Deferred Tax Liabilities(Net)		151	37	37	37
EBITDA		2,193	2,901	3,436	4,454	- Other Long-Term Liabilities		95	95	95	95
EBITDA (%)		25.4%	25.9%	26.2%	26.5%	- Long Term Provisions		489	614	719	921
Depreciation		406	482	533	573	Total Non-Current Liabilities		3764	4175	4080	4082
% of GB		6%	5%	5%	5%	TOTAL EQUITY & LIABILITIES		14297	16488	18571	21543
Interest & Fin Chg.		84	141	132	124	Net Block		5597	7461	8129	8356
EBIT		2,109	2,761	3,303	4,329	CWIP		1292	445	445	445
EBIT (%)		0	0	0	0	Goodwill		4795	4795	4795	4795
Other Income		45	80	88	96	Other intangible assets		698	1459	1459	1459
Exceptional Items		(74)	-	-	-	Right-of-use asset		1344	1344	1344	1344
Share of P/L of Associates		-	-	-	-	- Fixed Assets(incl. Capital Work in Progress)		13726	15505	16172	16399
PBT		1,674	2,358	2,859	3,853	Total Non-Current Assets		13726	15505	16172	16399
Tax Rate (%)		20%	20%	20%	20%	- Current Investments		4	66	66	66
Tax		339	481	583	786	- Inventories		134	184	216	276
Reported PAT		1,335	1,877	2,275	3,067	- Trade Receivables		857	1013	1186	1519
Source: Company, Axis Research											
Source: Company, Axis Research											

Source: Company, Axis Research

Cash Flow

Y/E Mar	(Rs Cr)			
	FY25	FY26E	FY27E	FY28E
PBT	1,674	2,358	2,859	3,853
Add: depreciation	406	482	533	573
Add: Interest	84	141	132	124
Cash flow from operations	2,164	2,981	3,524	4,550
Change in working capital	-169	81	100	192
Taxes	339	481	583	786
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,994	2,419	2,841	3,572
Capital expenditure	-3,943	-2,261	-1,200	-800
Change in Investments	62	-62	0	0
Net cash from investing	-3,881	-2,323	-1,200	-800
Increase/Decrease in debt	1,679	400	-200	-200
Dividends	-97	-97	-97	-97
Proceedings from equity	1	0	0	0
Interest	-84	-141	-132	-124
Others	113	-114	0	0
Net cash from financing	1,612	48	-430	-421
Net Inc./Dec.) in Cash	-275	144	1,211	2,350
Opening cash balance	1,286	1,011	1,155	2,367
Closing cash balance	1,011	1,155	2,367	4,717

Source: Company, Axis Research

Ratio Analysis

Key Ratios	FY25	FY26E	FY27E	FY28E
Sales growth	27	30	17	28
OPM	25	26	26	27
Operating profit growth	40%	61%	57%	54%
COGS / Net sales	25%	25%	25%	25%
Depreciation / G. block	6%	5%	5%	5%
Effective interest rate	3%	4%	4%	4%
Net working capital / Net sales	-12%	-8%	-6%	-4%
Net sales / Gr block (x)	1.2	1.2	1.2	1.5
ROCE	12	14	17	21
Debt/equity (x)	0.3	0.3	0.2	0.2
Effective tax rate	20%	20%	20%	20%
RoE	13	15	16	18
Payout ratio (Div/NP)	10%	10%	10%	10%
EPS (Rs.)	14	19	23	32
EPS Growth	4%	41%	21%	35%
CEPS (Rs.)	18	24	29	37
DPS (Rs.)	1	1	1	1

Source: Company, Axis Research

PRESTIGE ESTATES PROJECTS LTD – LAYING FOUNDATION FOR A ROBUST FY26

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

Key Rationale

- Record Nine-month Performance:** Prestige reported pre-sales of Rs 4,184 Cr for the quarter, registering a 39% YoY growth, surpassing the last full year, in line with expectations. Collections stood at Rs 4,548 Cr, marking the highest-ever level for the period, while 9MFY26 collections reached Rs 13,283 Cr, surpassing the collections achieved in the previous full financial year. During Q3FY26, the company launched 5 Mn sq. ft. development across three projects, including Eden Park at TPC and Prestige Tech Hub. The total GDV of launched projects stood at approximately Rs 19,600 Cr for 9MFY26, with NCR contributing 59%, Chennai 17%, and Mumbai 10%. Key sales contributors included Prestige Garden Trails, TPC Indirapuram, and Prestige City Hyderabad. Prestige has guided for a launch pipeline of GDV Rs 43,000 Cr and has revised its pre-sales guidance upwards to Rs 30,000 Cr for FY26. Currently, the company has achieved 74% of its guidance.
- Annuity Continues Momentum:** The company reported healthy occupancy levels of around 95%+ in its office segment and a strong 99% in its retail portfolio, generating GTO of Rs 702 Cr. The upcoming development pipeline includes 14 Mn sq. ft. of commercial and 8 Mn sq. ft. of retail space, with an annuity capex of approximately Rs 15,000 Cr with free cashflows of ~Rs 50,000 Cr coming from ongoing and upcoming projects. It recently completed assets in Bengaluru — Prestige Lakeshore Drive, Prestige Tech Hub, and Prestige Capital Square — together adding ~3.7 Mn sq. ft. of premium office space that will progressively contribute to rental income as leasing ramps up. In the retail segment, the growth runway is significant, with 14 malls in the development pipeline, which are expected to take retail annuity income to ~Rs 1,175 Cr by FY30.

Key Financials (Consolidated)

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

Source: Company, Axis Securities

Industry view



Equal Weight

CMP

1,500

Target Price

1,900

Upside

27%

Resilient Cashflows leading to Healthy BD: The company added projects worth approximately Rs 6,850 Cr in GDV across four projects during the quarter, taking the total 9MFY26 GDV additions to Rs 39,920 Cr. It has spent Rs 4,700 Cr on BD YTD and expects to close the year at Rs 5,500-6,000 Cr. Management indicated that ~60% of growth capex and BD is expected to be funded through internal accruals, with only ~40% through debt, and overall leverage is expected to remain broadly stable rather than rise materially. Net debt stands at Rs 8,771 Cr, with a net debt-to-equity ratio of 0.53x, which is expected to remain below 0.5x going forward.

Recommendation & Valuation Prestige is positioned for sustained growth, supported by strong pre-sales momentum and a steadily scaling annuity income. Disciplined BD and stable leverage underpin expansion at a reasonable rate. Management remains confident of meeting the Rs 30,000 Cr FY26 pre-sales guidance and maintaining a steady growth going forward. We maintain our **BUY** recommendation on the stock and continue to value the company using a DCF-based valuation to arrive at a TP of Rs 1,900/share.

Profit & Loss

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

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

Balance Sheet

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

Source: Company, Axis Research

Cash Flow

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

Source: Company, Axis Research

Ratio Analysis

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

Source: Company, Axis Research

Dalmia Bharat Ltd – Capacity Expansion and Profitable Growth to Drive Margins

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

Industry view



Equal Weight

Key Rationale

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

CMP
2,005

Target Price
2,520

Upside
26%

Key Financials

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

Source: Company, Axis Securities

Profit & Loss

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

Source: Company, Axis Research

Balance Sheet

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

Source: Company, Axis Research

Cash Flow

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

Source: Company, Axis Research

Ratio Analysis

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

Source: Company, Axis Research

APL APOLLO TUBES LTD – LEADING THE STRUCTURAL STEEL TUBES GROWTH STORY

APL Apollo Tubes (APT) is a leading structural steel tube brand with an extended distribution network of warehouses and branch offices in 29 cities across the country. The company caters to domestic as well as 20 countries worldwide. Its multi-product offerings include over 2,500 varieties of Pre-Galvanised Tubes, Structural Steel Tubes, Galvanised Tubes, MS Black Pipes, and Hollow Sections. It has a 5.0 MTPA capacity for structural steel tubes. The company operates 11 manufacturing facilities. Its vast 3-tier distribution network, comprising over 800 distributors, is spread across India.

Industry view



Equal Weight

CMP
2,049

Target Price
2,250

Upside
10%

Key Rationale

- Leader in the Structural Steel Tubes Market in India:** The company is the leader in the structural steel tubes market in India with the largest saleable capacity of ~5 MT. It plans to raise its total capacity to 10 MT by FY30 from the current 5 MT, through a combination of greenfield capacity (2 MT by FY28) plus de-bottlenecking (1 MT by FY28) and the rest 2 MT by FY30 will be of speciality tubes. The 5 MT to 8 MT phase will have 1) Greenfield Projects: A 2 MT addition via four new greenfield plants in Gorakhpur, Siliguri, New Malur, and Bhuj, along with a brownfield expansion in Raipur for value-added products. 2) De-bottlenecking: 1 MT increase achieved through modernising and improving the efficiency of existing mills. Capex: Greenfield projects will require Rs 1,300 Cr, while de-bottlenecking capex is estimated at Rs 200 Cr. The speciality tubes project scope has been enhanced to 2 MT (from 0.5 MT earlier).
- Long-term Growth Vision:** The company's vision is to expand its capacity to 10 MTPA by FY30, providing a growth tailwind in the longer term. India's structural steel tube market is expected to grow by 10% CAGR from 9.0MT to 17.3MT over 2024-30: Out of this, the hot-rolled coil-based structural steel tube market (APT Apollo's addressable market) is expected to grow faster at a 20% CAGR over the same period, increasing from 4.5MT to 13.3MT.
- Capacity Expansion in Value-added Segment:** The company will add 4x2,50,000 tons of value-added plants, which will include seamless, API, automotive tubes, and SS pipes. This expansion is expected by 2030 and will require a capex outlay of Rs 1,000 Cr.
- Robust Q3FY26 - Enhanced Brand Equity Drives EBITDA/t Upward:** In Q3FY26, EBITDA/t surpassed Rs 5,100/t. EBITDA spread expansion was driven by the launch of SG premium in the base category, which helped compete with smaller, unorganised Patra players, while Apollo-branded products maintained a premium of Rs 3,000-4,000/t across the structural steel tube segment.
- Outlook & Valuation:** With the growth drivers intact, we believe APL Apollo Tubes is well-positioned to capture India's infrastructure growth. We project EBITDA CAGR of 30% over FY25-28E. The stock is trading at a 12-month forward P/E of 38x. We maintain our BUY rating on the stock with a TP of Rs 2,250.

Key Financials (Consolidated)

Y/E Mar	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	EV/EBITDA (X)	ROE (%)	ROCE (%)
FY24	18,119	1,192	732	26.4	56.7	35.8	22.2	22.8
FY25	20,690	1,199	757	27.3	56.1	35.9	19.4	20.1
FY26E	22,940	1,790	1,189	42.8	47.8	32.0	24.9	28.2
FY27E	28,347	2,289	1,567	56.5	36.2	25.0	25.7	30.0

Source: Company, Axis Securities

Income Statement		(Rs Cr)			Balance Sheet		(Rs Cr)		
Y/E March	FY25	FY26E	FY27E	FY28E	Y/E March	FY25	FY26E	FY27E	FY28E
Total Sales	20,690	22,940	28,347	32,354	Equity Share Capital	56	56	56	56
Total Raw Materials	17,870	19,353	23,982	27,371	Reserves	4,153	5,287	6,799	8,577
COGS	19,158	20,781	25,683	29,312	Net worth	4,209	5,342	6,854	8,633
EBITDA	1,199	1,790	2,289	2,611	Total loans	615	515	415	315
EBITDA per tonne	3,797	5,020	5,449	5,440	Deferred tax liability (Net)	153	153	153	153
Depreciation	201	228	251	275	Capital Employed	5,172	6,222	7,684	9,399
Interest & Finance charges	133	116	91	69	Net block	3,370	3,642	3,891	4,116
Other Income	96	102	117	129	Investments	126	184	227	259
EBT (as reported)	960	1,549	2,062	2,396	Inventories	1,623	1,823	2,175	2,393
Tax	203	360	495	563	Sundry debtors	267	251	311	355
RPAT	757	1,189	1,567	1,834	Cash and cash equivalents	369	448	1,460	2,843

Source: Company, Axis Research

Source: Company, Axis Research

Cash Flow					Ratio Analysis (%)				
Y/E March	FY25	FY26E	FY27E	FY28E	Ratios	FY25	FY26E	FY27E	FY28E
PBT	960	1,549	2,062	2,396	Growth (%)				
Depreciation & Amortization	201	228	251	275	Sales	14.2	10.9	23.6	14.1
Incr/(Decr) in Deferred Tax Liability	-	-	-	-	EBITDA	0.6	49.3	27.8	14.1
(Incr)/Decr in Working Capital	167	(506)	(84)	(20)	APAT	3.4	57.1	31.8	17.0
Net Cash Flow from Operating	1,213	924	1,709	2,028	Profitability (%)				
(Incr)/ Decr in Gross PP&E incl Capital Advances	(723)	(500)	(500)	(500)	EBITDA Margin	5.8	7.8	8.1	8.1
(Incr)/Decr In Work in Progress	-	-	-	-	Adj. Net Profit Margin	3.7	5.2	5.5	5.7
(Incr)/Decr In Investments	-	(57)	(43)	(32)	ROCE	20.1	28.2	30.0	27.8
(Incr)/Decr in Other Non-Current Assets	-	(136)	(74)	(54)	ROE	19.4	24.9	25.7	23.7
Cash Flow from Investing	(375)	(574)	(450)	(420)	Per Share Data (Rs.)				
(Decr)/Incr in Borrowings	(514)	(100)	(100)	(100)	AEPS	27.3	42.8	56.5	66.1
Dividend	(153)	(56)	(56)	(56)	Reported CEPS	35.6	49.9	64.6	74.5
Cash Flow from Financing	(815)	(271)	(247)	(225)	BVPS	151.6	192.4	247.0	311.0
Cash at the Start of the Year	345	369	448	1,460	Valuations (x)				
Cash at the End of the Year	369	448	1,460	2,843	PER (x)	56.1	47.8	36.2	31.0
Source: Company, Axis Research					PEG (x)	16.7	0.8	1.1	1.8
					P/BV (x)	10.1	10.6	8.3	6.6
					EV/EBITDA (x)	35.9	32.0	25.0	21.9
					Dividend Yield (%)	0.38%	0.10%	0.10%	0.10%
					Turnover days				
					Inventory Days	31.1	30.3	28.4	28.4
					Debtor Days	3.7	4.3	3.7	3.9
					Payable Days	43.6	40.8	35.3	36.6
					Gearing Ratio				
					D/E	0.1	0.1	0.1	0.0
Source: Company, Axis Research									

Mahanagar Gas Ltd – Robust Fundamentals at Attractive Valuation

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

Key Rationale

- **Strategic Expansion Unlocking New Growth Avenues:** MGL's volume growth stood at 4.9% CAGR over FY19-24, which lagged the CGD sector growth of 7.9% CAGR over the same period. This was due to the lower capex spend of Rs 300-400 Cr per annum till FY21. The company has stepped up capex from FY22 onwards, reaching 1,000 Cr in FY25 and guided for higher capex of Rs 1,100-1,300 Cr at least for the next couple of years. It also acquired Unison Enviro Pvt Ltd (UEPL) in Feb'24, adding the prospective Ratnagiri, Latur-Osmanabad, and Chitradurga-Davangere districts to its portfolio. These newer geographical areas (GAs) offer large untapped potential, especially in commercial and industrial segments where PNG penetration remains low. Higher capex spending will boost the infrastructure in newer GAs, which, along with the marketing initiatives, will drive volume growth in the future. In FY25, it achieved gas volumes of 4.24 mmscmd (up 13% YoY), a 17.6% CAGR over FY21-25 (FY21 impacted base). Management guides at high single-digit to low double-digit volume growth for at least 2-3 years. We estimate volume to grow at 9.4% CAGR over FY25-28E and 8.7% CAGR over FY25-30E.
- **Volume Growth to Support Earnings:** We estimate a robust 9.5%/8% EBITDA/PAT CAGR over FY25-28E, driven by a 9.4% volume CAGR over the same period. Volume growth should be driven by network expansion in GA-3 (Raigad) and UEPL (~50%/~40% YoY growth in GA-3 and UEPL in FY25). Growth could get a further boost if regulatory or legislative actions pick up to promote clean air in the Mumbai Metropolitan Region (MMR). In Q2FY26, EBITDA/scm was down 25%/35% YoY/QoQ to Rs 8/scm, mainly led by higher gas cost, and FY26 guidance is revised down to Rs 8.5-9/scm; however, MGL expects strong volume growth, and the expected ramp-up of the long-term gas contracts is likely to drive cost efficiencies and support the EBITDA margins over the medium term.
- **Valuation & Recommendation:** We value the company using the DCF method, considering a WACC of 11.5%. We forecast cash flows for 15 years and post that use a terminal growth rate of 3.0% to arrive at the terminal value. We add net cash and investments at a 30% discount to arrive at our target price of Rs 1,540 per share.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY25	6,924	1,510	1,041	105	10	20%	18%	5.9
FY26E	8,397	1,557	1,025	104	11	18%	15%	5.5
FY27E	9,225	1,828	1,217	123	8	19%	16%	4.6
FY28E	10,384	1,985	1,311	133	8	19%	16%	4.1

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP

1,047

Target Price

1,540

Upside

47%

Profit & Loss

Y/E Mar	FY25	FY26E	FY27E	(Rs Cr) FY28E
Total Operating Income	6,924	8,397	9,225	10,384
Cost of Natural Gas	4,458	5,772	6,204	7,065
Change in inventories	(0)	-	-	-
Employees Cost	138	145	152	159
Other Expenses	818	922	1,041	1,175
Total Expenditure	5,414	6,839	7,397	8,399
EBITDA	1,510	1,557	1,828	1,985
Depreciation and Amortisation	306	315	368	413
EBIT	1,204	1,242	1,460	1,571
Other Income	184	125	160	172
Less: Interest & Fin Chg.	13	14	14	14
Profit before tax	1,374	1,353	1,606	1,729
Provision for Tax	329	324	385	414
Net Profit from associates/JVs	(4)	(4)	(4)	(4)
Reported PAT	1,041	1,025	1,217	1,311
EPS (Rs/sh)	105.3	103.8	123.2	132.7
DPS (Rs/sh)	30.0	29.5	35.1	37.8

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	FY25	FY26E	FY27E	(Rs Cr) FY28E
Net Block	4,153	4,377	5,584	6,518
CWIP	1,068	1,358	1,032	935
Intangible assets	421	421	421	421
Investments	1,054	1,054	1,054	1,054
Inventories	52	68	73	83
Trade Receivables	364	442	485	546
Cash / Bank balance	333	726	857	1,136
Misc. Assets	824	836	847	858
Total assets	8,270	9,280	10,354	11,551
Equity capital	99	99	99	99
Reserves	5,781	6,522	7,397	8,339
Minority Interest	15	15	15	15
Borrowings	-	-	-	-
Def tax Liabilities	277	277	277	277
Other Liabilities	1,592	1,734	1,891	2,063
Provisions	75	75	75	75
Trade Payables	431	558	600	683
Capital employed	8,270	9,280	10,354	11,551

Source: Company, Axis Securities Research

Cash Flow				(Rs Cr)				Ratio Analysis (%)			
Y/E Mar	FY25	FY26E	FY27E	FY28E	Y/E March	FY25A	FY26E	FY27E	FY28E		
Profit After Tax	1,045	1,029	1,221	1,315	Operational Ratios						
Depreciation	306	315	368	413	Sales growth (% YoY)	11%	21%	10%	13%		
Change in W/C	(15)	177	150	184	EBITDA growth (% YoY)	-18%	3%	17%	9%		
Operating Cash Flow	1,336	1,521	1,739	1,913	Op. profit growth (% YoY)	-23%	3%	18%	8%		
Capital Expenditure	(1,051)	(829)	(1,250)	(1,250)	Net Profit growth (% YoY)	-18%	-2%	19%	8%		
Free Cash Flow	286	692	489	663	EBITDA Margin %	22%	19%	20%	19%		
Other Investments	(141)	(11)	(11)	(12)	Net profit Margin %	20%	16%	17%	17%		
Investing Cash Flow	(1,192)	(840)	(1,261)	(1,262)	Tax Rate %	24%	24%	24%	24%		
Dividend paid	(296)	(296)	(292)	(346)	Efficiency Ratios						
Other Financing cash flow	59	8	(55)	(27)	Total Asset turnover (x)	0.9	1.0	0.9	0.9		
Financing Cash Flow	(238)	(288)	(346)	(373)	Sales/Net block(x)	1.3	1.4	1.4	1.4		
Change in Cash	(93)	393	132	278	Working capital/Sales (x)	(0.0)	(0.0)	(0.0)	(0.0)		
Opening Cash	426	333	726	857	Valuation Ratios						
Closing Cash	333	726	857	1,136	PER (x)	9.9	10.0	8.4	7.8		

Source: Axis Securities Research

Source: Axis Securities Research

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

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

Key Rationale

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

Key Financials (Standalone)

Y/E Mar	NII (Rs Cr)	PPOP (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	ABV (Rs)	P/ABV (x)	ROAA (%)	NNPA (%)
FY25	3,636	1,689	726	3.8	30.2	2.1	1.6	0.5
FY26E	3,869	1,681	655	3.4	32.9	1.9	1.3	0.6
FY27E	4,656	2,170	1,071	5.5	37.8	1.6	1.7	0.5
FY28E	5,502	2,698	1,446	7.5	44.3	1.4	1.9	0.5

Source: Company, Axis Securities.

Industry view

Equal weight

CMP
62

Target Price
74

Upside
19%

Profit & Loss		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E MAR		FY25	FY26E	FY27E	FY28E	Y/E MAR		FY25	FY26E	FY27E	FY28E
Net Interest Income		3,636	3,869	4,656	5,502	SOURCES OF FUNDS					
Other Income		846	1,101	1,282	1,512	Share capital		1,935	1,935	1,935	1,935
Total Income		4,482	4,970	5,938	7,014	Reserves and Surplus		4,059	4,648	5,612	6,914
Total Operating Exp.		2,793	3,289	3,768	4,316	Shareholders' funds		5,994	6,583	7,547	8,849
PPOP		1,689	1,681	2,170	2,698	Deposits		37,630	45,488	55,755	68,837
Provisions & Contingencies		748	818	739	765	Borrowings		2,845	2,925	4,241	5,764
PBT		941	862	1,432	1,933	Other Liabilities, provisions		1,130	1,338	1,643	2,031
Provision for Tax		215	207	361	487	Total liabilities		47,689	56,465	69,362	85,701
PAT		726	655	1,071	1,446	APPLICATION OF FUNDS					
Source: Company, Axis Research						Cash & Bank Balance		3,170	2,828	3,382	4,073
						Investments		11,730	13,633	16,710	20,631
						Advances		31,390	38,234	47,095	58,310
						Fixed Assets & Other Assets		1,399	1,770	2,174	2,686
						Total assets		47,689	56,465	69,362	85,701
Source: Company, Axis Research											

KEY RATIOS (%)					Balance Sheet Structure Ratios (%)				
Y/E MAR	FY25	FY26E	FY27E	FY28E	Y/E MAR	FY25	FY26E	FY27E	FY28E
VALUATION RATIOS									
EPS	3.8	3.4	5.5	7.5	Loan Growth (%)	7.9	21.7	23.2	23.8
Earnings Growth (%)	-43.5	-9.7	63.5	35.0	Deposits Growth (%)	19.6	20.9	22.6	23.5
BVPS	31.0	34.0	39.0	45.7	Equity/Assets (%)	8.5	8.2	8.1	8.1
Adj. BVPS	30.2	32.9	37.8	44.3	Equity/Loans (%)	19.1	17.2	16.0	15.2
ROAA (%)	1.6	1.3	1.7	1.9	Total Capital Adequacy Ratio (CAR)	23.1	21.4	19.8	18.7
ROAE (%)	12.6	10.4	15.2	17.6	ASSET QUALITY				
P/E (x)	16.5	18.3	11.2	8.3	Gross NPLs (%)	2.2	2.2	2.0	1.8
P/BV (x)	2.1	1.9	1.6	1.4	Net NPLs (%)	0.5	0.6	0.5	0.5
PROFITABILITY									
NIM (%)	8.7	7.8	7.8	7.5	PCR	78.1	75.1	75.0	75.0
Cost-Assets Ratio	6.3	6.3	6.0	5.6	Credit costs	2.6	2.4	1.7	1.5
Cost-Income Ratio	62.3	66.2	63.5	61.5	Source: Company, Axis Research				

Source: Company, Axis Research

CHALET HOTELS LTD. – DELIVERING HOSPITALITY WITH SCALE, STRATEGY, AND SUPERIOR MARGINS

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

Key Rationale

- Stabilised Q2:** Chalet Hotels reported revenue of Rs 735 Cr, up 95% YoY, supported by the recognition of Rs 282 Cr from residential unit sales. Excluding this, the core hospitality business delivered Rs 453 Cr, up 20% YoY but flat sequentially, as industry demand was impacted by heavy monsoon rains and delayed foreign tourist arrivals amid geopolitical tensions. Occupancy stood at 67%, down 7% YoY, mainly due to weather disruptions, the ramp-up of new inventory at Bengaluru Marriott, and the start of its own in-house brand "ATHIVA" with overall demand moderation.
- Diversified Portfolio:** Chalet Hotels Limited operates a diversified portfolio across hospitality, commercial, and residential segments, with its core strength in hospitality. It has 11 hotels with over 3,350 keys as of H1FY26, managed under long-term partnerships with Marriott International and Accor Hotels, including brands like JW Marriott, Westin, Four Points, Courtyard, Lakeside Chalet, and Novotel. The commercial portfolio spans 2.4 Mn sq. ft., providing steady rental income and healthy cash flows, while the residential segment comprises two premium towers in Koramangala with 321 units, of which only 13 remain unsold. Chalet's integrated asset model ensures diversified revenue streams, operational resilience, and sustainable growth.
- Capex with Focused Debt Level:** Chalet Hotels Limited has planned a Rs 2,000 Cr capex for its announced projects by FY27, largely funded through internal accruals. The management targets to maintain a prudent leverage profile of around 3.5x EBITDA. As of Q2FY26, net debt stood at Rs 2,100 Cr, with the average cost of finance declining 40 bps QoQ to 7.6%, while the company maintained a healthy liquidity buffer of Rs 320 Cr, supporting its aggressive expansion and operational needs.

Key Financials (Standalone)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	P/BV (x)	ROE (%)
FY25A	1,718	736	143	7	131	29	6	5
FY26E	2,868	1,262	650	30	29	16	5	18
FY27E	3,399	1,482	806	37	23	14	4	18
FY28E	3,006	1,368	726	33	26	15	4	14

Source: Company, Axis Securities Research

Industry view



Under Weight

CMP
856

Target Price

1,120

Upside

31%

Profit & Loss		(Rs Cr)		Balance Sheet		(Rs Cr)	
Y/E Mar		FY25A	FY26E	FY27E	FY28E	Y/E Mar	
Net Sales		1,718	2,868	3,399	3,006	Share Capital	218
Growth (%)		21.2%	67.0%	18.5%	-11.6%	Reserves & Surplus	2,827
Total Expenditure		982	1,606	1,917	1,638	Net Worth	3,046
Raw Material Consumed		117	344	387	271	Total Loan funds	2,679
Gross margins (%)		91.0%	88.0%	88.6%	91.0%	Deferred Tax Liability	85
Employee Expenses		234	315	408	346	Long Term Provisions	16
% of sales		13.5%	11.0%	12.0%	11.5%	Other Long-Term Liability	41
Other Expenses		631	946	1,122	1,022	Capital Employed	7,063
% of sales		37.0%	33.0%	33.0%	34.0%	Gross Block	4,684
EBIDTA		736	1,262	1,482	1,368	Less: Depreciation	1,472
EBITDAM (%)		42.8%	44.0%	43.6%	45.5%	Net Block	3,212
Depreciation		179	215	253	280	Investments	99
% of GB		3.6%	4.0%	4.0%	4.0%	Sundry Debtors	78
EBIT		557	1,047	1,229	1,088	Cash & Bank Bal	186
EBITM (%)		32.4%	36.5%	36.1%	36.2%	Loans & Advances	23
Interest		159	196	169	142	Inventory	633
Other Income		36	40	44	48	Other Current Assets	147
Share of P/L of Associates		0	0	0	0	Total Current Assets	2,204
PBT		434	890	1,103	994	Curr Liab & Prov	1,165
Tax Rate (%)		67.2%	27.0%	27.0%	27.0%	Net Current Assets	-1,039
Tax		292	240	298	268	Total Assets	7,063
Reported PAT		143	650	806	726	Source: Company, Axis Securities Research	7,196
							7,550
							7,805

Source: Company, Axis Securities Research

Cash Flow

Y/E Mar	(Rs Cr)			
	FY25A	FY26E	FY27E	FY28E
PBT	434	890	1,103	994
Add: depreciation	179	215	253	280
Add: Interest	159	196	169	142
Cash flow from operations	772	1,302	1,526	1,416
Change in working capital	54	-362	-52	104
Taxes	292	240	298	268
Net cash from operations	427	1,424	1,280	1,044
Capital expenditure	-1,130	-639	-950	-670
Net cash from investing	-1,228	-569	-950	-670
Increase/Decrease in debt	-271	-500	-300	-300
Dividends	0	-10	-20	-20
Proceedings from equity	13	0	0	0
Interest	-159	-196	-169	-142
Others	1,272	78	-0	0
Net cash from financing	855	-627	-489	-462
Net Inc. / (Dec.) in Cash	53	227	-159	-88
Opening cash balance	132	186	413	254
Closing cash balance	186	413	254	167

Source: Axis Securities Research

Ratio Analysis

Key Ratios	FY25A	FY26E	FY27E	FY28E
Sales growth	21.2	67.0	18.5	(11.6)
OPM	42.8	44.0	43.6	45.5
Oper. profit growth	25.9	71.5	17.4	(7.7)
COGS / Net sales	9.0	12.0	11.4	9.0
Overheads/Net sales	50.4	44.0	45.0	45.5
Depreciation / G. block	3.6	4.0	4.0	4.0
Effective interest rate	67.2	27.0	27.0	27.0
Net wkg.cap / Net sales	0.1	(0.1)	(0.1)	(0.1)
Net sales / Gr block (x)	0.4	0.5	0.5	0.4
RoCE	9.4	17.6	19.2	16.1
Debt/equity (x)	0.9	0.6	0.4	0.3
Effective tax rate	67.2	27.0	27.0	27.0
RoE	4.7	17.6	18.0	14.0
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	6.5	29.8	36.9	33.3
EPS Growth	(48.7)	356.0	23.9	(9.9)
CEPS (Rs.)	14.7	39.7	48.6	46.1
DPS (Rs.)	0.0	1.0	2.0	2.0

Source: Axis Securities Research

KIRLOSKAR BROTHERS LTD – STRONG ORDER Book UNDERPINS GROWTH OUTLOOK

Kirloskar Brothers Limited (KBL) is a world-class pump manufacturing company with expertise in engineering and manufacturing fluid management systems. Established in 1888 and incorporated in 1920, KBL is the parent company of the Kirloskar Group. It provides complete fluid management solutions for large infrastructure projects across sectors such as water supply, power plants, irrigation, building & construction, oil & gas, and marine & defence. KBL manufactures a wide range of industrial, agricultural, and domestic pumps, along with valves and hydro-turbines.

Key Rationale

- Robust Order Pipeline Ensuring Revenue Visibility:** KBL posted a marginal decline in revenue by 0.8% YoY in Q2, impacted by seasonal factors such as a prolonged monsoon and external headwinds. Demand momentum, however, stayed firm across both the small pump and industrial segments. The consolidated order book expanded to Rs 3,564 Cr (vs Rs 3,345 Cr in Q1FY26), ensuring healthy visibility for upcoming quarters. The company's strong order book, diversified operations, and strong execution record indicate very strong growth prospects in H2FY26 and FY27.
- Strong International Operations:** During Q2, KBL's overseas subsidiaries reported robust growth, led by a strong recovery in the U.S. and Thailand, which posted constant currency growth of 21% and 158%, respectively. This performance was supported by the execution of deferred orders and an improvement in underlying demand. South Africa also delivered a strong 27% growth, while the U.K. business witnessed temporary softness owing to project deferrals. The international order book grew YoY steadily to Rs 1,289 Cr, reflecting sustained demand traction across key geographies.

- Profitability Impacted by Mix and Forex, Efficiency Measures Underway:** Q2FY26 EBITDA margins dipped to 10.5% (vs 13.7% in Q2FY25). The YoY moderation was primarily driven by product mix variations and adverse forex movements. Nevertheless, KBL continues to emphasise operational efficiency and cost optimisation initiatives, which are expected to aid margin recovery in the coming quarters. Management remains confident about achieving sustainable growth backed by balanced exposure between domestic and international markets, a strong order pipeline, and continued focus on operational excellence.
- Outlook & Recommendation:** With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility, with the execution cycle ranging from a few weeks to as much as 18 months. Order intake is also expected to remain strong. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion. Accordingly, we value the stock at 25x Sep'27E EPS and maintain a BUY rating on the stock.

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
FY24	4,001	578	333	44	34	28	22	22
FY25	4,492	681	411	52	29	28	21	19
FY26E	5,089	795	471	62	24	28	20	15
FY27E	6,655	1,033	648	84	18	31	23	11
FY28E	7,780	1,247	800	103	15	32	23	9

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP
1,490

Target Price
2,330

Upside
56%

Profit & Loss

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	4,001	4,492	5,089	6,655	7,780
Growth (%)	7.3	12.3	13.3	30.8	16.9
Total Income	4,001	4,492	5,089	6,655	7,780
Raw Material Expense	1,983	2,198	2,484	3,248	3,765
Employee Expense	673	708	774	1,012	1,175
Other Operating Expense	826	977	1,109	1,438	1,673
EBITDA (Excl. Other Income)	520	609	723	958	1,167
Growth (%)	30	17	19	33	22
EBITDA Margin (Excl. Other Income - %)	13.0	13.6	14.2	14.4	15.0
Other Income	59	72	72	75	80
EBITDA (Incl. Other Income)	578	681	795	1,033	1,247
Growth (%)	35.6	17.8	16.7	30.1	20.7
EBITDA Margin (Incl. Other Income - %)	14.5	15.2	15.6	15.5	16.0
Depreciation	78	89	99	123	138
EBIT	500	592	695	910	1,109
Interest Cost	26	25	25	18	10
Profit Before Tax	474	567	671	892	1,099
Tax	141	156	200	244	299
Profit After Tax	333	411	471	648	800
Growth (%)	45.2	23.5	14.5	37.6	23.4
Exceptional Items	6.6	-7.8	-	-	-
Share of Profit of an associate/OCI	9	12	25	16	17
Net Profit (Adjusted)	348	415	496	664	816
EPS	44	52	62	84	103

Source: Company, Axis Securities Research

Balance Sheet

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1708	2086	2510	3082	3807
Net Worth	1724	2101	2525	3098	3823
Borrowings	192	182	150	90	40
Other Liabilities	1409	1383	1303	1428	1584
Total Liabilities	1601	1564	1453	1518	1624
Total Equity & Liability	3325	3665	3978	4616	5447
APPLICATION OF FUNDS					
Cash & Bank Balance	293	349	569	745	1269
Investments	410	619	619	619	619
Advances	201	108	108	108	108
Fixed & Other Assets	2421	2590	2683	3145	3452
Total Assets	3325	3665	3978	4616	5447

Source: Company, Axis Securities Research

Cash Flow

Y/E Mar	(Rs Cr)				
	FY24	FY25	FY26E	FY27E	FY28E
PBT	474	559	671	892	1099
Depreciation & amortisation	78	89	99	123	138
Interest expense	26	14	25	18	10
Interest / Dividend	-47	-36	-47	-59	-63
Other Adjustments	3	17	0	0	0
(Inc)/Dec in working capital	-95	-97	-121	-210	-39
Tax paid	-141	-160	-200	-244	-299
CF from operating activities	299	386	427	520	845
Capital expenditure	-174	-89	-150	-250	-250
(Purchase) / Sale of Investments	0	0	0	0	0
Income from investments and others	-5	-151	72	75	80
CF from investing activities	-179	-240	-78	-175	-170
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-94	-24	-32	-60	-50
Dividends & Interest paid	-83	-52	-96	-109	-101
Other Financial Activities	0	-17	0	0	0
CF from financing activities	-177	-92	-128	-169	-151
Net cash flow	-57	54	221	175	524
Opening balance	253	266	349	569	745
Other Bank Balance	0	3	0	0	0
Closing balance	293	349	569	745	1269

Source: Axis Securities Research

Ratio Analysis

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Financial Ratios					
RoE (%)	21.7	21.1	20.4	23.1	23.1
RoCE (%)	27.7	28.2	28.1	31.0	31.5
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
EBIT/Interest (x)	19.4	23.9	28.0	50.6	113.7
Turnover Ratios					
Asset turnover (x)	2.1	2.0	1.9	2.1	2.0
Sales/Net FA (x)	6.0	6.5	6.9	7.7	8.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1	0.1
Working capital days	7.0	8.0	17.0	25.0	23.0
Liquidity Ratios					
Current ratio (x)	1.6	1.7	2.0	2.2	2.4
Quick ratio (x)	1.0	1.1	1.3	1.4	1.6
Interest cover (x)	17.2	20.9	23.9	43.9	97.2
Net debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
Valuation (x)					
PE	34.1	28.6	23.9	17.9	14.5
PEG (x) YoY growth	0.7	1.5	1.4	0.5	0.6
P/BV	6.9	5.6	4.7	3.8	3.1
EV/EBITDA	22.1	18.6	15.4	11.3	8.8
EV/Sales	2.9	2.5	2.2	1.6	1.3
EV/EBIT	23.0	19.2	16.0	11.9	9.3

Source: Axis Securities Research

SANSERA ENGINEERING LTD - STRONG ORDER BOOK & BALANCE SHEET TO SUPPORT FUTURE GROWTH

Sansera Engineering (Sansera), incorporated in 1981 and headquartered in Bengaluru, is a technology-driven manufacturer of complex and critical high-precision iron and aluminium components for automotive and non-automotive sectors. It is the largest supplier of Connecting Rods, Rocker Arms, and Gear Shifter Forks for the 2W segment and the largest supplier of Connecting Rods and Rocker Arms for LMV in India. With a strong presence in high-precision IC engine components, it extends its design and engineering capabilities to cater to fast-growing areas like EV, Defence, and Aerospace, among others. It has 17 integrated manufacturing facilities (16 in India and 1 in Sweden) and has evolved organically by supplying premium quality components to Auto ICE, Tech Agnostic, xEV, and Non-Auto OEMs globally.

Key Rationale

- **ADS Segment Demonstrates Strong Momentum & Visibility:** Sansera's Aerospace, Defence and Semiconductor (ADS) segment continues to exhibit strong performance, reaffirming its position as a key growth engine for the company. Revenue stood at Rs 50 Cr in Q2FY26, taking H1FY26 sales to Rs 86 Cr, with management maintaining its full-year guidance of ~Rs 300 Cr, supported by consistent QoQ growth visibility. Segment margins remain significantly above the company average, estimated at 25–30%, and are currently trending toward the higher end of the range. The ADS business holds a robust cumulative order backlog exceeding Rs 3,950 Cr (lifetime value through FY30), ensuring strong multi-year revenue visibility. To support this growth trajectory, Sansera is augmenting capacity with a new 70,000 sq. ft. facility around two-thirds the size of the existing plant, expected to be operational by H1FY27.
- **Diversified Orderbook:** Sansera's order book stands at Rs 2,146 Cr in peak annual revenue potential, well-diversified across ADS (24%), xEV (7%), tech-agnostic auto components (10%), ICE PV+CV (31%), and two-wheelers (17%). In H1FY26, the company secured new orders worth Rs 1,168 Cr, demonstrating its strong execution capabilities and resilience amid challenging market conditions. Key order wins included xEV programs from North American OEMs, new business from an American tractor OEM, and incremental orders from Collins Aerospace.
- **Export PVs:** The export PV segment remained under pressure, with shipments (both xEV and ICE OEMs) declining 22% YoY in Q2FY26 and 25.8% in H1FY26, primarily due to delayed model launches across key programs. However, a recovery is anticipated in H2FY26 as offtake improves with new model introductions.
- **MRFIC Investment:** The ADS business currently excludes MMRFIC. The Board has approved an additional investment of Rs 30 Cr to be deployed before the end of FY26, aimed at increasing the company's holding beyond 50% (from the current ~31%).
- **Valuation & Outlook:** Given factors such as a) A higher sales mix in Non-Auto ICE components, b) Increased premiumisation trend, c) A focused approach on improving margin trends, d) Strong ability to generate operating cash flows, and e) Capacity expansion plans, we expect Revenue, EBITDA, and PAT to grow at CAGR of 12%, 14%, and 21%, respectively, over FY26E-28E.
- **Key risks:** Macro Economic Uncertainty, Low Promoter Holding

Key Financials (Consolidated)

Y/E Mar	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY25	3,017	515	217	37.4	32.5	13.81%	10.50%	13.69
FY26E	3,401	588	288	46.1	36.9	13.86%	9.90%	17.66
FY27E	3,819	680	349	55.9	30.4	15.75%	10.90%	15.06
FY28E	4,355	784	412	66.0	25.8	17.42%	11.58%	12.78

Source: Company, Axis Securities Research

Industry view



Over Weight

CMP

1,699

Target Price

1,950

Upside

15%

Profit & Loss

	(Rs Cr)			
Y/E Mar	FY25A	FY26E	FY27E	FY28E
Net sales	3,017	3,401	3,819	4,355
Raw materials	1,241	1,428	1,611	1,829
Staff costs	443	500	535	610
Other expenses	818	884	993	1,132
Total expenses	250	281	314	357
EBITDA	515	588	680	784
Depreciation	174	199	214	240
EBIT	341	389	466	544
Other income	20	33	32	29
Interest expense	70	37	29	20
Share of Profit/loss from associates	-	-	-	-
Exceptional (expenses)/income	-	-	-	-
Profit before tax	291	386	469	554
Tax expense	75	100	122	144
Adjusted PAT	-	-	1	1
Reported PAT	217	288	349	412
No. of shares	58.0	61.9	61.9	61.9
Reported EPS (Rs/share)	37.4	46.1	55.9	66.0

Source: Company, Axis Securities Research

Balance Sheet

	(Rs Cr)			
Y/E Mar	FY25A	FY26E	FY27E	FY28E
Equity Share Capital	12	12	12	12
Reserves and Surplus	2,738	3,005	3,328	3,710
Non-Controlling Interest	17	20	22	26
Total Shareholders' Funds	2,768	3,037	3,363	3,748
NON-CURRENT LIABILITIES				
Long-term Borrowings	171	81	-19	-119
Long-Term Finance/Lease Liabilities	94	94	94	94
Long Term Provisions	4	4	4	4
Deferred Tax Liabilities	80	80	80	80
Other LT liabilities	46	46	46	46
Total Non-Current Liabilities	396	306	206	106
CURRENT LIABILITIES				
Short-Term Borrowings	128	128	128	128
Short-Term Lease Liabilities	13	13	13	13
Trade Payables	362	408	459	523
Other Current Liabilities	68	68	68	68
Total Current Liabilities	572	618	668	732
Total Capital and Liabilities	3,736	3,961	4,237	4,587
ASSETS				
NON-CURRENT ASSETS				
Net Tangible Assets	1,778	1,779	1,805	1,806
Capital Work in progress	195	245	305	365
Intangible Assets	160	160	160	160
Financial Assets	82	82	82	82
Other Non-Current Assets	62	62	62	62
Total Non-Current Assets	2,276	2,327	2,413	2,474
CURRENT ASSETS				
Inventories	501	565	634	723
Current Investments	1	1	1	1
Trade Receivables	455	512	575	656
Cash And Cash Equivalents	427	480	537	657
Other Current Assets	76	76	76	76
Total Current Assets	1,459	1,633	1,823	2,113
TOTAL ASSETS	3,736	3,961	4,237	4,587

Source: Company, Axis Securities Research

Cash Flow		(Rs Cr)			
Y/E Mar		FY25A	FY26E	FY27E	FY28E
Cash flows from operating activities					
Profit before tax for the year	292	388	471	556	
Finance costs	70	37	29	20	
Depreciation and amortisation	174	199	214	240	
Others	-78	-100	-122	-144	
Cash Flow from Operations before Changes in WC	458	523	592	671	
Change in operating assets and liabilities	-81	-75	-82	-106	
Net cash generated by operating activities	377	448	509	566	
Cash flows from investing activities					
Capex	-596	-250	-300	-300	
Investments	-371	-	-	-	
Others	12	-	-	-	
Net cash (used in)/generated by investing activities	-955	-250	-300	-300	
Cash flows from financing activities					
Change in borrowing	665	-90	-100	-100	
Interest on borrowings	-65	-37	-29	-20	
Other	-	-	1	1	
Dividends paid (-)	-16	-19	-23	-26	
Net cash used in financing activities	583	-145	-151	-145	
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	52	524	576	1,198	
CCE at the beginning of the year	49	51	104	161	
Effect of exchange differences on translation of foreign currency cash and cash equivalents	-2	-	-	-	
CCE at the end of the year	515	1,039	1,614	2,813	

Source: Axis Securities Research

Ratio Analysis (%)				
Key Ratios	FY25A	FY26E	FY27E	FY28E
Valuation Ratios				
PER	32.5	36.9	30.4	25.8
P/BV (x)	2.5	3.5	3.1	2.8
EV/EBITDA (x)	13.7	17.7	15.06	12.8
EV/Sales (x)	2.3	3.1	2.7	2.3
Dividend Yield %	0.3%	0.2%	0.2%	0.3%
Return Ratios				
ROE	10.5%	9.9%	10.9%	11.6%
ROCE	13.81%	13.86%	15.75%	17.42%
ROIC	14.6%	12.7%	14.2%	15.3%
Leverage Ratios				
Debt/equity (x)	0.2	0.1	0.1	0.0
Net debt/ Equity (x)	0.0	-0.1	-0.1	-0.1
Net debt/EBITDA (x)	0.0	-0.3	-0.5	-0.7
Operational Ratios				
Sales growth (% YoY)	7.3%	12.7%	12.3%	14.1%
EBITDA growth (% YoY)	7.3%	14.3%	15.5%	15.3%
Net Profit growth (% YoY)	15.6%	32.7%	21.3%	18.0%
EBITDA Margin %	17.1%	17.3%	17.8%	18.0%
Net profit Margin %	7.2%	8.5%	9.1%	9.5%
Efficiency Ratios				
Total Asset Turnover (x)	0.9	0.9	0.9	1.0
Sales/Net block(x)	1.9	1.9	2.1	2.4

Source: Axis Securities Research

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

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

Key Rationale

- Robust Order Book to Support Revenue Growth:** As of 30th Sep, '25, the company's order book stands at Rs 64,682 Cr, with 40% from T&D, 29% from B&F, 13% from Water, 9% from Oil & Gas, 5% from Railways, and 4% from Urban Infra. Backed by a strong execution track record and expanding opportunities across all segments, the company is positioned for steady revenue growth, projecting a 20% CAGR from FY25 to FY27E.
- New Order Inflow to Sustain Growth:** The YTD order inflow stood at Rs 17313 Cr. The management expects a full-year order inflow of Rs 25,000 Cr plus, with a major focus on the T&D and B&F segments. The management foresees opportunities across power transmission, distribution, solar EPC, residential and commercial buildings, oil and gas pipeline network, underground and tunnelling, urban mobility, and select international projects in the civil business.
- T&D business to be a major growth contributor:** T&D business remains very optimistic in the domestic and overseas market, with a tender pipeline in excess of Rs 1,50,000 Cr over the next 12-18 months. The company is also favourably placed in tenders worth Rs 5,000 Cr, mainly in the international T&D business. The high margin T&D projects will drive growth, and we expect EBITDA Margin and PAT growth of CAGR 25% and 47% from FY25-27E.
- Outlook:** The company is well-placed to capitalise on its strong order book, favourable sectoral trends in domestic and international T&D and B&F segments, improved performance of international subsidiaries, supportive government initiatives, and anticipated margin gains. It is projected to deliver a CAGR of 20%/25%/47% over FY25–FY27E.
- Valuation:** The stock is currently trading at 20x/17x FY26E/27E EPS. We maintain our BUY rating on the stock with a TP of Rs 1,475/share, implying an upside of 27% from the CMP.
- Key risks:** a) Delay in collections may impact revenue growth; b) A rise in commodity prices may impact margins.

Industry view



Equal Weight

CMP

1,165

Target Price

1,475

Upside

27%

Key Financials

Y/E Mar (Rs Cr)	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	EV/EBITDA (x)	ROE (%)	ROCE (%)
FY24	19,626	1,629	516	31.9	37	13.6	10.4	16.1
FY25	22,316	1,834	567	33.2	36	12.5	9.6	16.8
FY26E	27,688	2,439	1,036	60	20	9.2	14.7%	21.3%
FY27E	32,046	2,852	1,232	72	17	8.0	15.3%	22.9%

Source: Company, Axis Securities

Profit & Loss		(Rs Cr)				Balance Sheet		(Rs Cr)			
Y/E Mar		FY24	FY25	FY26E	FY27E	Y/E Mar		FY24	FY25	FY26E	FY27E
Net sales		19,626	22,316	27,688	32,046	Capital Applied		7,659	8,971	9,757	10,809
Other operating income		0	0	0	0	Net Block		2,970	3,090	3,164	3,167
Total income		19,626	22,316	27,688	32,046	Other non-current assets		788	984	984	984
Net RM		8,205	8,581	10,615	13,267	Wkg. cap. (excl cash)		1,850	2,114	2,352	3,895
Contribution (%)		58.2%	61.5%	61.7%	58.6%	Cash / Bank balance		1,032	1,759	2,234	1,739
Other Expenses		9,793	11,901	14,634	15,927	Misc Assets		1,019	1,024	1,024	1,024
Operating Profit		1,629	1,834	2,439	2,852	Capital employed		7,659	8,970	9,757	10,808
Other income		64	62	85	96	Equity capital		32	34.1	34.1	34.1
PBIT		1,693	1,897	2,524	2,948	Reserves		5,105	6,479	7,385	8,487
Depreciation		473	497	526	597	Minority Interests		(25)	(44)	(44)	(44)
Interest & Fin Chg.		518	577	574	641	Borrowings		1,448	1,467	1,348	1,298
E/o income / (Expense)		0	0	0	0	Other non-current liabilities.		1,099	1,035	1,035	1,035
Share of Profit from Associates		0	0	0	0	Source: Company, Axis Research					
Pre-tax profit		701	823	1,424	1,711						
Tax provision		185	256	388	479						
PAT		516	567	1,036	1,232						

Source: Company, Axis Research

Cash Flow

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

Source: Company, Axis Research

Ratio Analysis

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

Source: Company, Axis Research

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