



VOICES

India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates, and transcripts links of the respective conference calls.

This quarterly report contains

- Key takeaways from the post results management commentary for 292 companies, with links to the full earnings call transcripts
- Links to our Results Updates on each of the companies included

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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VOICES - INDIA INC ON CALL

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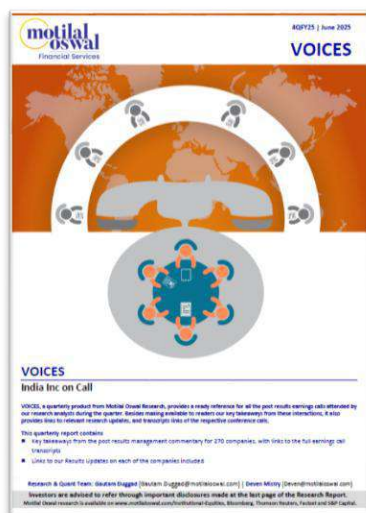


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Note: All stock prices are as on 18th November 2025, unless otherwise stated.

BSE Sensex: 85,633

S&P CNX: 26,192



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Tailwinds ahead: 2H commentaries turn optimistic

In this report, we present the detailed takeaways from our 2QFY26 conference calls with various company managements as we refine the essence of India Inc.'s 'VOICES'.

- **Corporate earnings – Global cyclicals outperform:** Corporate earnings for 2QFY26 concluded on a healthy note, with overall earnings growth driven by OMCs, Telecom, Metals, Technology, NBFC - Lending, Cement, and Capital Goods. Conversely, Oil & Gas (ex-OMCs), Automobiles (led by Tata Motors), and Banks (Private and PSU) dragged overall profitability. The aggregate earnings of the MOFSL Universe companies grew 12% YoY (vs. our est. of 9% YoY) in 2QFY26. Excluding financials, earnings grew 18% YoY (vs. our est. of 16% YoY). Meanwhile, excluding global commodities (i.e., Metals and O&G), the MOFSL Universe grew 6% YoY, in line with our estimate.
- Most **banks** become optimistic about 2HFY26, supported by improving growth trends, easing credit costs, and anticipated NIM expansion. Several banks highlighted that growth in the unsecured portfolio should revive as stress levels moderate. Collection efficiency is expected to improve, leading to better credit-cost outcomes. Overall, the sector's outlook suggests improving momentum into 2HFY26, with banks anticipating a more stable and constructive operating environment.
- Within **NBFCs and HFCs**, management teams highlighted that lenders expressed greater confidence in scaling their unsecured portfolios, supported by improving borrower profiles and a more risk-calibrated approach. Asset quality trends were mixed, with certain segments – such as CV, unsecured MSME, and micro-LAP – continuing to exhibit stress, while others, including NBFC-MFIs and personal loans, depicted relatively stable trends.
- For **IT services**, management indicated that spending remains steady, with no major changes likely through FY26. Clients continue to keep discretionary budgets tight and are prioritizing vendor consolidation. Among Tier-1 firms, HCLTech highlighted strong deal wins and subsequently raised its services revenue guidance, positioning itself as the fastest-growing company among the top four.
- For the **Automobiles** sector, management indicated broad-based optimism across automotive segments for 2HFY26, supported by GST rate cuts, improving consumption trends, and strengthening festive demand. CV demand has picked up meaningfully, with LCVs leading the recovery and MHCVs expected to improve in the coming quarters as freight activity increases.
- For the **Capital Goods** sector, management maintained a broadly positive outlook, highlighting an anticipated revival in the domestic capex cycle, fueled by demand for power generation, a steady industrial recovery, and healthy momentum across railways, marine, and infrastructure.
- For **Metals** in the ferrous segment, management expects net sales realization (NSR) to remain steady or improve slightly, with coking coal costs likely rising by USD 3–6/t in 3QFY26. Higher volumes from new capacities and an increasing share of captive raw material are expected to support margins. In the non-ferrous segment, the cost of production (CoP) is guided to remain stable, while favorable pricing should lift margins in the coming quarters.



- In the consumer staples sector, with trade stabilizing following the GST reduction, companies anticipate a gradual pickup, supported by a steady rural recovery and improving urban sentiment. A favorable winter is expected to further boost demand for health supplements, winter personal care products, beverages, and packaged foods.
- For the **Healthcare** sector, management teams of pharma companies indicated that the GST transition had a noticeable impact on domestic formulation sales during the quarter. Distributors and retailers experienced inventory disruptions, which weighed on their near-term revenue. Management expects a recovery from October onwards, once channel stock levels normalize and regular trade flows resume.

Autos

- Management indicated broad-based optimism across automotive segments for 2H FY26, supported by GST rate cuts, improving consumption trends, and strengthening festive demand. CV demand has picked up meaningfully, with LCVs leading the recovery and MHCVs expected to improve in the coming quarters as freight activity rises. Two-wheeler OEMs expect 6-8% growth in motorcycle demand, while PV manufacturers foresee mid-single-digit industry growth in FY26. Export performance remains mixed across OEMs. EV adoption continues to accelerate across segments, especially in urban markets. Commodity costs are expected to remain stable, resulting in generally stable margin expectations for the near term.

Capital Goods

- Management maintained a broadly positive outlook, highlighting an expected revival in the domestic capex cycle, led by power generation demand, steady industrial recovery, and healthy momentum across railways, marine, and infrastructure. The inquiry and tender pipelines remain strong across T&D, hydrocarbons, metals, utilities, sugar, defense, petrochemicals, oil & gas, and green energy, supported by rising data-center cooling needs and expanding clean-energy capacity. Export sentiment is mixed, with traction seen across MENA and select global regionals, though for some companies, overall export order build-up has been sluggish for few due to geopolitical uncertainty, with some revival expected as tariff-delayed finalizations resume. Powergen market demand has surprised, and going ahead, companies have indicated that growth will be volume-driven as prices have more or less stabilized. For the Defense sector, a few large-sized orders were booked during the quarter, and more are expected to be finalized by the end of FY26. Companies have planned meaningful capex over the near-to-medium term to expand capacity, backward integrate, and upgrade manufacturing, while order inflows are expected to strengthen in 2H as pending awards materialize. Overall, management sees supportive domestic demand, private and government capex revival (though both remain selective), and improved traction in export markets as key tailwinds.

Cement

- Many cement companies are experiencing a steady momentum, with demand expected to grow 7–8% in FY26, supported by strong infrastructure activity, favorable monsoons, and a healthy real estate cycle. However, margins may remain under pressure in the near term as Oct'25 brought softer demand and weaker non-trade pricing. At the same time, full GST pass-through and capacity



expansion plans by leading players are keeping pricing disciplined, resulting in a stable but competitive operating environment.

Chemicals

- The sector outlook remains cautiously optimistic, with near-term growth expected to be supported by resilient domestic demand, moderating input costs, and upcoming capacity additions, while challenges such as Chinese dumping, global oversupply, and geopolitical uncertainties may persist; however, improving utilization levels and a healthy capex pipeline position the industry for a gradual and sustained profitability recovery.



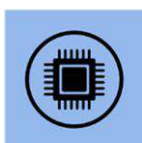
Consumer

- In staples, with trade stabilizing after the GST reduction, companies are expecting to see a gradual pickup, supported by a steady rural recovery and improving urban sentiment. A favorable winter should further drive demand in health supplements, winter personal care, beverages, and packaged foods. Government measures to boost rural incomes are likely to strengthen consumption from 3QFY26. Paints are also witnessing better traction, driven by festive demand and stronger construction activity. In liquor, premiumization continues to support healthy double-digit growth in spirits. The innerwear segment is seeing a slow but steady recovery as channel inventory normalizes, with the winter season expected to boost thermal and winterwear demand.



Consumer Durables

- The C&W industry is witnessing a clear turnaround, with demand recovering sharply in 2HFY26 after a weak first half marked by weather-related softness, early monsoons, currency volatility, US tariffs, and a temporary pause following the GST rate cut. As the new GST structure stabilized, sales rebounded quickly—supported by festive and wedding-season demand—and companies are now fully aligned with the upcoming Jan'26 energy-labeling norms. Overall, the industry is benefiting from strong infrastructure spending, rising formalization in the electrical ecosystem, and a growing consumer shift toward branded, energy-efficient products.



EMS

- Most management teams have reaffirmed their revenue growth outlook, while Avalon has further upgraded its guidance, underpinned by sustained demand strength, timely project ramp-ups, scaling efficiencies from newly commissioned capacities, and robust order book visibility into 2HFY26. The momentum is expected to be reinforced by strategic global alliances, selective acquisitions, and continued diversification across end markets. Concurrent investments in capex, R&D, and backward integration are poised to drive structural margin expansion and strengthen the companies' competitive positioning over the long term.



Financials

Banks

- Management teams across most banks have turned optimistic about 2HFY26, supported by improving growth trends, easing credit costs, and expected NIM expansion. Many banks highlighted that unsecured portfolio growth should revive

as stress moderates. Collection efficiency is expected to improve, driving better credit-cost outcomes.

- Following a dip in 1Q, NIMs witnessed marginal improvement, aided by lower cost of funds and stronger loan growth. Most banks expect further NIM expansion, driven by continued CoF reduction and the benefit of CRR cuts.
- Banks broadly indicated that asset-quality concerns are largely behind them, with the outlook on unsecured portfolios improving and growth gradually returning. PSBs reported stable asset-quality trends with no notable near-term stress. Select banks such as Kotak remain cautious on retail CV exposures, where stress persists.
- Overall, the sector's tone suggests improving momentum into 2HFY26, with banks expecting a more stable and constructive operating environment.

NBFC

- Within NBFC/HFC, various management teams highlighted the following: Lenders expressed greater confidence in scaling their unsecured portfolios, supported by improving borrower profiles and a more risk-calibrated approach. Asset quality trends were mixed, with certain segments such as CV, unsecured MSME, and micro-LAP continuing to exhibit stress, while others, including NBFC-MFIs and personal loans, showed relatively stable trends. However, most lenders expect a stronger recovery in asset quality in 2HFY26, driven by stronger rural cash flows post monsoon, improving macros, and better collection efficiency. With MFIs now exhibiting early recovery, we also expect micro-LAP lenders to recover within the next six months. Any interest rate cut in Dec'24/Mar'25 MPC meeting will be positive for fixed-lenders and only marginally negative for large HFCs.

Capital Markets

- Management witnessed a clear rebound in F&O participation, even as cash market activity remained soft amid ongoing volatility. Exchanges and brokerages are gradually normalizing after the regulatory-driven dip, and the broader market structure is stabilizing well. On the asset-management front, mutual fund flows should remain strong, supported by better performance, rising retail engagement, and the continued resilience of SIPs. Within wealth management, the structural momentum remains intact. Inflows are healthy, client engagement is deepening, and the shift toward advisory-led, recurring revenue streams is becoming more pronounced. This transition is steadily improving visibility, stability, and the overall quality of earnings across the industry.

Insurance

- Life Insurance APE growth softened after mid-teen growth in Jul'25, as buyers delayed purchases following the GST exemption announcement, resulting in ~9% YoY growth in 2QFY26. Higher non-par mix, increased sum assured, and rising rider attachments supported broad-based VNB margin expansion. Management teams expect further margin gains, driven by product mix shift, GST-led higher sum assured, stronger rider penetration, and better persistency. The GST-related loss of input tax credit led to <1% EV impact for all players, with mitigation underway via commission renegotiation and efficiencies. The general insurance industry growth in 2QFY26 remained soft, weighed down by the 1/n regulation in health and some postponement of purchases post the GST-exemption announcement, partly offset by a recovery in motor.



Healthcare

- During the quarter, management teams of pharma companies indicated that the GST transition had a noticeable impact on domestic formulations sales as distributors and retailers experienced inventory disruptions, which weighed on near-term revenues. Management expects a recovery from October onwards, once channel stock levels normalize and normal trade flows resume.
- Within the CDMO segment, management highlighted that while customer interest and pipeline enquiries continue to rise, the conversion into meaningful revenue is expected to be gradual. The company is steadily expanding its technical capabilities, particularly in complex areas such as injectables and peptides. Management also indicated plans to scale capacity across India and select international locations to strengthen the long-term growth opportunity.
- The ANDA approval momentum remained healthy in this quarter, with several products continuing to progress through the pipeline. Management indicated that price erosion had a minimal impact during the period, and the strategic focus remains on complex therapies and specialty pharma to mitigate future erosion and support gradual price improvement. Companies are leveraging a mix of partnerships and targeted acquisitions to strengthen their portfolios and sustain growth across Europe and other emerging markets.
- Growth for hospitals was lower YoY, largely due to a higher base in prior periods. Management remains constructive on long-term prospects and will continue to expand capacity through a mix of greenfield and brownfield projects, complemented by selective inorganic opportunities. Priority initiatives include deeper penetration into Tier-2 and Tier-3 markets. Hospitals having exposure in metro cities highlighted that they are diversifying revenue by going international with medical-tourism inflows from multiple countries to mitigate geopolitical concentration risk, and strengthening revenue streams through a focus on high-end treatments.



Logistics

- The logistics industry is navigating a mixed environment, with segment-wise performance diverging through 2QFY26. Port volumes remained subdued with stable margins, while rail logistics continued to deliver steady growth despite realization pressures. Management teams indicated that 'Express' and 'PTL' businesses experienced strong YoY volume expansion, driven by festive demand and ongoing network integration, though margins reflected the impact of integration and select contract dynamics. Supply chain services continued to outperform with healthy double-digit growth, even as freight-led operations faced some softness due to GST-related demand deferment and a few strategic contract exits. However, we remain optimistic about a stronger 2HFY26 as seasonal demand picks up and business traction continues to improve.



Metals

- In the ferrous segment, management expects NSR to remain steady to slightly better, with coking coal costs likely rising by USD 3–6/t in 3Q. Higher volumes from new capacities and an increasing share of captive raw material are expected to support margins. In the non-ferrous segment, CoP is guided to remain stable, while favorable pricing should lift margins in the coming quarters. Overall, companies delivered a healthy 2Q performance, with further improvement anticipated in 2H, driven by stronger volumes, supportive prices, and stable costs.



While global uncertainties may pressure global metal and raw material prices, management believes safeguard duties (ferrous) will protect domestic operations from significant downside risks.

Oil & Gas

- **OMCs:** Management commentary indicates that the marketing segment should remain resilient, with lower MS/HSD margins likely to be offset by reduced LPG under-recoveries. CGDs: Companies remain optimistic about sustained growth in CNG and D-PNG volumes, coupled with improvement in EBITDA/scm margins, driven by tax and tariff reforms and lower input costs. However, GUJGA expects Morbi volumes to remain weak in 3Q. GAIL: The company has lowered its transmission volume guidance. ONGC & OINL: Both companies continue to foresee strong production growth from KG-98 and NRL, albeit at levels below their earlier estimates.



Real Estate

- Developers remain optimistic about sustained demand in the coming years. Average price realizations grew 10% in 2QFY26, with a similar trajectory expected ahead. With approval processes gradually improving, the launch pipeline for 2HFY26 looks stronger, while companies are also actively pursuing land acquisitions to bolster their future development portfolio. Real estate companies reported a 42% YoY surge in bookings during 2QFY26, driven largely by major launches from Indirapuram, Westpark, and Dahlias by PEPL and DLF.



Retail

- **Retail:** Most retailers cited improvement in the demand environment, driven by the early festive season. However, the improvement was partially offset by prolonged monsoons, transitory impact from the GST implementation, and the deferral of customers' purchases in anticipation of GST rate cuts. Value fashion retailers are focusing on aggressive store expansions to cater to improved consumer sentiment in tier 2 and beyond towns, amid a shift from unorganized to organized retail. Overall, management teams across our retail coverage remain cautiously optimistic, with expectations of a demand recovery continuing through the wedding season and the second half, driven by recent policy measures such as GST rationalization, income tax cut, and lower interest rates.
- **Jewelry:** The jewelry companies witnessed healthy festive demand during Diwali despite elevated gold prices, supported by an uptick in old gold exchange and resilient consumer sentiment. Management commentary across players indicates that the strong momentum is likely to sustain through the upcoming wedding season, aided by steady footfalls and continued preference for wedding-led purchases.
- **QSR:** Demand for out-of-home consumption remained soft in 2QFY26, reflecting weak discretionary spending through the quarter. However, management highlights visible green shoots emerging from October, with early signs of recovery expected to sustain as consumer discretionary spending improves. Margin recovery is likely to follow with a lag, driven by operating leverage as demand strengthens through 2HFY26.



Technology

- Management indicated that IT services spending remains steady, with no major changes expected through FY26. Clients continue to keep discretionary budgets tight and are prioritizing vendor consolidation. Among Tier-1 firms, HCLTech highlighted strong deal wins and subsequently raised its services revenue



guidance, positioning itself as the fastest-growing among the top four. Infosys reiterated the top end of its full-year guidance, signaling a gradual pace of recovery, while TCS commentary pointed to a measured demand environment through 2H.

- Management commentary in BFSI remained relatively steady. However, management highlighted pressures in manufacturing, retail, and healthcare due to macro and trade headwinds. Several companies also indicated potential pressure in 2HFY26 as wage hikes, furloughs, and large-deal ramp-ups take effect.

Telecom

- Overall, the quarter reflected steady operational momentum across the sector, with 5G adoption accelerating, home broadband seeing strong traction, and enterprise order books holding firm. Policy developments—particularly the AGR reassessment ruling—have improved sentiment, even as telcos continue engaging with the government for broader sectoral relief. Capex intensity remains elevated in parts of the ecosystem due to network expansion, energy efficiency initiatives, and data-center investments, though most players expect a directional moderation through FY26.

Utilities

- Management noted that India's power sector has surpassed 500GW of installed capacity, with non-fossil sources now making up half the mix. Renewable additions remained strong in 1HFY26, while power demand grew modestly due to weather effects, but still reflects healthy economic momentum. Progress is being made on parallel distribution licenses, which may be taken up in the upcoming Budget session. Wind energy companies expect installations to reach ~6GW by FY26 and 8GW by FY27. Supportive policy steps—including MNRE's new SOP for ALMM inclusion and a GST cut on solar and wind equipment from 12% to 5%—are improving project viability and boosting renewable energy competitiveness.

Key takeaways from management commentary

AUTOMOBILES



- Management indicated broad-based optimism across automotive segments for 2HFY26, supported by GST rate cuts, improving consumption trends, and strengthening festive demand. CV demand has picked up meaningfully, with LCVs leading the recovery and MHCVs expected to improve in the coming quarters as freight activity rises. Two-wheeler OEMs expect 6-8% growth in motorcycle demand, while PV manufacturers foresee mid-single-digit industry growth in FY26. Export performance remains mixed across OEMs. EV adoption continues to accelerate across segments, especially in urban markets. Commodity costs are expected to remain stable, resulting in generally stable margin expectations for the near term.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Demand outlook	Other key takeaways from the call
Ashok Leyland	Outlook: Management highlighted a visible improvement in CV demand after the GST rate cuts, with the domestic MHCV segment growing 5% in 2Q and LCVs expanding strongly by 13%. The momentum remained healthy in Oct as well, with MHCV sales up 7% YoY and LCVs up 15% YoY. - While LCV demand has already strengthened, management expects MHCV demand to gradually improve in the coming quarters, aided by a steady pickup in consumption and the resulting uptick in freight movement.	- The Saathi (LCV) model has been well accepted and now accounts for 22-25% of total LCV volumes. - Exports grew 45% in 2Q and 35% in 1H. AL aims to export 18k units in FY26E (15k in FY25) and sustain 20% volume CAGR in the next 2-3 years in exports. - Switch India has now achieved EBITDA and PAT breakeven in 1HFY26, and AL has kept a target for this business to be FCF positive by FY27. Switch India will look to participate in the upcoming 10k+ bus order under the PM-e drive scheme, which will open up soon.
Bajaj Auto	Outlook: After GST rate cuts, management expects the motorcycle industry to post 6-8% growth in 2HFY26. - The company expects further commodity inflation in the coming quarters, though currency tailwinds should help offset the impact of the same. BJAUT is currently producing at peak capacity in 3Ws, with further capacity being added to meet export demand.	- BJAUT's focus areas include: 1) competitive growth in the 125 cc plus segment; 2) targeting to sustain export growth at 15-20%; 3) regaining momentum in the EV segment by unlocking supply chain constraints; 4) focusing on reviving KTM. - The export momentum is likely to continue in the coming quarters, backed by strong demand from Latin American and Asian markets and stabilization in regions like Africa.
Eicher Motors	- After the GST rate hike in the >350cc segment, its 450cc is seeing much slower demand, while its 650cc is showing initial signs of a pickup. Apart from the price hikes, the slowdown in these models is also a function of the strong pre-buying that these models saw before the GST rate hike. - The GST rate cut is expected to support demand by increasing consumption and facilitating the movement of goods across regions. The company expects HCV demand to pick up in 2HFY26.	- The company maintains its leadership in SAARC markets, ranking No. 2 in key regions such as the UK, Argentina, Thailand, and Korea, and No. 3 in Brazil and Australia, and No. 4 in the EU. - Other expenses were higher during 2Q due to higher marketing spending for brand building, community engagement, and market activations, which are expected to continue going forward.
Hero MotoCorp	Outlook: Management expects the industry to post 8-10% growth in 2H. It expects pickup in demand to last for 2-3 years, as seen during similar excise rate cuts in the past. - Global business showcased one of its strongest performances in recent years, with dispatches growing 77% YoY, almost 3x the industry growth rate. This momentum is expected to continue in the coming quarters as per management.	- HMCL achieved nearly 1m retail sales on Vahan in Oct'25, expanding its market share to 31.6% (+3.7% YoY). Management highlighted that demand has remained buoyant even after the festive season. - Market share gains in EVs were particularly strong in urban and metro markets, with VIDA achieving a 20%+ market share in 49 towns, including in metros like Delhi and Mumbai. Further, HMCL is among the top 2 EV players in about 56 towns.
Hyundai	Domestic PV demand remains challenging but HMIL expects to grow in line with the industry in the domestic market in 2H, aided by the launch of new Venue and future product interventions.	From Navratri to Diwali, retail sales grew 23% for HMIL. Hatchback sales rose 16%, sedans grew 47% and SUVs grew 21%. Within SUVs, Venue and Exter outperformed with 28% growth. However, Venue

	Exports are likely to exceed its initial growth guidance of 7-8% in FY26.	growth was limited due to its upcoming new variant launch scheduled for 4th Nov. Pune plant commenced operations in Oct. Costs may rise by ~20% in the near term until the plant ramps up and operating leverage benefits kick-in.
M&M	- Auto: Management has maintained its mid- to high-teen volume growth guidance for SUVs for FY26. - Tractors: Management has increased its FY26 tractor growth guidance for the industry to 10-12% from 6-7% earlier.	- MM's retail volume growth was in the mid-to-high-teens in the festive season, while booking growth was even stronger. - Further, LCV demand seems to have revived after the GST rate cuts. Management expects demand to be sustained in 2HFY26, and hence, it expects the industry to grow in the low double digits in FY26.
Maruti	Demand outlook: In 2HFY26 and beyond, management expects the PV industry to grow by 6% YoY, while the small car segment is projected to grow by 10% YoY (on a low base). Exports: MSIL expects to exceed its FY26 export guidance of 400k units, having already exported over 200k units in 1HFY26.	- MSIL has seen strong bookings in the festive period. Total bookings reached 500k units vs. 350k units YoY. Outstanding bookings currently stand at ~200k units. - Management reiterates its long-term objective of achieving 50% market share in PVs. MSIL earmarked eight new SUV launches by 2031 (exc. Victoris), which will help MSIL move toward this target.
Tata Motors	- India CV: After GST reforms, demand has picked up in LCVs. Given the uptick in consumption trends, management expects demand to pick up in MHCVs as well in the coming quarters. With increased consumption, fleet utilization has improved and freight rates have inched up, thereby creating an overall positive sentiment. - Indian PV business has seen a marked revival in demand after GST cuts, with wholesales up 10% YoY. With positive sentiment in the market, TTMT expects the PV industry to post double-digit growth in 2H and mid-single digit growth in FY26.	JLR: Management indicated that Q3 will also see some impact of the cyber incident although production has now normalized in November (October production was just at 17k units). While about 20k of lost production was in 2Q, the balance is expected to be accounted in 3Q.
TVS Motor	- Domestic: In the festive season, TVS posted 32% YoY growth in retail volumes on a like-for-like basis, outperforming the industry's 24% growth. TVSL is confident of sustaining its outperformance going forward. - International: TVSL has successfully expanded its footprint in Africa and LATAM. While its LATAM presence is relatively smaller, it is outperforming the industry. Moreover, TVSL remains confident of sustaining its outperformance in the region in the coming quarters. It also continues to witness strong traction in its key Asian markets.	- TVSL is gaining strong traction in the 3W EV segment, having already doubled its market share to 11%. - Norton will unveil its first bike at the EICMA in Milan, Italy, next week, with the India launch scheduled for Apr'26. The brand's entry strategy for India will be distinct from that of TVSL, reflecting a more targeted approach for this premium brand. In the European Union, Norton has already begun laying the groundwork for its distribution plans.
BIL	- European demand remains weak but is showing early signs of stabilization. Management expects a gradual recovery in 2H. - Currently, no global exporters are exporting to the US due to the sharp rise in tariffs. Most distributors are consuming existing stock and are adopting a wait-and-watch approach regarding the tariff situation. Thus, a favorable outcome on tariffs could prompt inventory restocking in the US.	- The impact of the EUDR regulation has started reflecting in 2Q and will be fully realized in 3Q. However, management expects this to be offset by the softening of commodity prices. - Capex for 1HFY26 stood at INR16.7b, mainly for the new TBR/PCR tire project and carbon black capacity expansion. FY26 capex is expected to be INR20-22b, with the remaining ~INR35b three-year plan to be incurred in subsequent years. Net debt currently stands at INR4.5b.
	Management stated that 3Q performance is expected to be similar to 2Q, with an uptick expected in 4Q. The domestic CV business is likely	The defense order book stands at INR94.7b. Apart from this, BHFC has recently won an order to supply carbines worth INR14b and another order from the

BHFC

to remain flat YoY in 2H. GST rate cuts augur well for the domestic PV segment, which should see a continued pickup in demand in 2H.

- EU exports are weak currently, primarily due to destocking. However, a recovery is expected in the coming quarters. Management expects exports to the US to decline in 2H. However, this may be offset by a pickup in demand in segments like domestic non-auto, exports to non-US regions and ramp-up in defense and aerospace segments.

Navy worth INR2.5b+ for the supply of Unmanned Marine Systems.

- Management expects aerospace revenue to cross INR3.5b in FY26, and BHFC expects this run rate to continue for the next 3-4 years.

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Standalone update

- **Demand outlook:** The company witnessed a 4% overall volume growth in 2Q. Growth in truck and passenger car tyres remained in the low single digits, whereas farm and two-wheeler segments saw stronger traction. Exports delivered double-digit growth in 2Q, and the company expects exports to continue this growth momentum in 2H as well.
- October also witnessed strong momentum, and the company expects 3Q revenue growth to be similar or better than 2Q. Overall, the company anticipates volume growth to continue, supported by a strong export recovery and balanced growth in both replacement and OEM channels, wherein replacement is expected to record a mid-to-high single digit volume growth in 2H. Volumes would be supported by higher demand post GST rate cuts. On the OEM side, management is seeing a pickup in demand from CV OEMs compared to PV OEMs post the festive season.
- 2QFY26 marked the highest-ever Vredestein volumes, at 10,000 tyres per month, within the company's overall monthly production of 450,000–500,000 tyres. Vredestein will remain positioned as the super-premium brand, and the company plans to secure more high-end fitments.
- **Revenue Mix:** Standalone revenue mix by product – TBR at 54%, PCR at 21%, farm specialty tyres at 7%, LCV at 8%, and other specialty products at 9%. The replacement segment is still a major contributor, making up ~65% of revenue, followed by OEMs at 24% and export at 11%. India remains the primary focus, contributing 66% of consolidated revenue, Europe follows at 27%, and other geographies make up 7%.
- Segmental trends and market share: According to APTY's internal estimates, the company holds a ~29% market share in TBR replacement and ~20% in PCR replacement. Management has indicated that it has been able to arrest the decline in the TBR market share that it experienced in 1Q.
- OEM market share has been maintained. The company had earlier lost some PCR OEM share due to consciously avoiding low-profitability programs but remains firm that it will not resort to discounting to gain volumes going forward.
- Competitive intensity in the industry remains similar, with the same few players continuing to fight for market share.

Raw material update and margin outlook:

- Raw materials were down 3% QoQ in 2Q.
- 2Q RM costs were as follows: Natural rubber – INR210/kg, synthetic rubber – INR175/kg, Carbon black – INR115/kg, Steel cord – INR155/kg.

- The company expects RM costs to remain slightly lower in 3Q as well, thus supporting profitability.
- Given the benign RM environment and improving mix towards replacement and exports, the company expects profitability to improve in 3Q.

Europe business update

- **Demand:** The company continued to face demand-related challenges in the EU, though conditions have improved compared with two quarters ago. Despite the weak environment, management expects low single-digit growth to return as markets gradually stabilize.
- Europe revenue stood at EUR177m, with an EBITDA of EUR22m, translating into a margin of 12.7%. While margins remain below the company's long-term aspirations for the region, management believes that FY26 is a transition year, positioning the EU business well for future performance.
- Top-line growth in the EU was 4% (in EUR terms), driven entirely by volume growth, as no price increases were taken in 2Q.
- The UHP tyre mix improved to 49%, up from 46% YoY, reflecting a richer product mix.
- Enschede plant shutdown is scheduled to take place in FY27. This has led to an exceptional restructuring charge of EUR17m in 2Q, primarily related to employee settlements. The cash outflow associated with this payout will occur in FY27. The total shutdown cost is EUR55m, with an expected payback period of two years.

Other highlights

- APTY is expanding its capacity for PCR Tyres in Hungary and Andhra Pradesh. While the Hungary plant is expected to commence production by the start of FY27, the Andhra plant will commence production only by the end of FY27.
- Consol. net debt stood at INR26b, flat vs FY25, while net debt to equity stood at 0.8x.
- India's net debt stood at INR27b, flat vs Mar'25, while net debt/EBITDA stood at 1.1x.
- There is no change from the previous capex guidance of INR15b, which includes INR7b for maintenance and INR8b for expansion.
- RoCE target remains at 15%.

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Amara Raja Energy

Buy

Current Price INR 956

Result highlights

- ARENM's revenue rose 8% YoY to INR33.9b, driven by robust OEM demand in both 4W and 2W segments, healthy traction in industrial and lubes, and a strong growth in the new energy business.
- Revenue from the core lead-acid segment stood at INR32.97b, up 4.7% YoY, supported by strong OEM demand across 4W and 2W segments (+30% YoY). Aftermarket volumes remained stable (while 4W was flat, 2W grew 1-2% YoY) due to temporary GST-related channel destocking, while industrial demand was mixed with telecom volumes declining 35% YoY but UPS volumes growing modestly at 5%.
- The lubricants business crossed INR500m in quarterly revenue, showcasing continued momentum.

Amara Raja

Quarterly Results

For the quarter ended 31st March 2026

Particulars	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25
Revenue	1,700.00	1,650.00	1,600.00	1,550.00
EBITDA	210.00	200.00	190.00	180.00
EBIT	180.00	170.00	160.00	150.00
PAT	120.00	110.00	100.00	90.00

Management Commentary:

The company reported a strong performance in Q1 FY26, with revenue growth of 3.0% YoY and EBITDA growth of 5.0% YoY. The company's new energy division reported a sharp rise in revenue to INR1.7b, driven by strong traction in telecom lithium packs (150 MWh supplied) and continued momentum in EV chargers, where the order book crossed 5,000 units. The company has also begun commercial supplies of LFP-based 3W battery packs. Export revenue remained muted due to tariff uncertainties and logistical disruptions. The company expects a gradual recovery as global trade conditions stabilize in 2HFY26. Gross margins expanded sequentially in 2QFY26, aided by a favorable product mix, lower antimony prices (down ~10%), and reduced trading of tubular batteries as in-house production ramped up. However, elevated warranty and EPR provisions partly offset these gains. However, reported PAT grew 25.4% YoY on account of an exceptional gain of INR1.2b as reimbursement for an insurance claim. Adjusted for one-offs, PAT declined 12.1% YoY to INR2.1b.

- The new energy division reported a sharp rise in revenue to INR1.7b, driven by strong traction in telecom lithium packs (150 MWh supplied) and continued momentum in EV chargers, where the order book crossed 5,000 units. The company has also begun commercial supplies of LFP-based 3W battery packs.
- Export revenue remained muted due to tariff uncertainties and logistical disruptions. The company expects a gradual recovery as global trade conditions stabilize in 2HFY26.
- Gross margins expanded sequentially in 2QFY26, aided by a favorable product mix, lower antimony prices (down ~10%), and reduced trading of tubular batteries as in-house production ramped up. However, elevated warranty and EPR provisions partly offset these gains.
- However, reported PAT grew 25.4% YoY on account of an exceptional gain of INR1.2b as reimbursement for an insurance claim. Adjusted for one-offs, PAT declined 12.1% YoY to INR2.1b

Auto demand outlook

- Demand outlook: OEM volumes across both 4W and 2W grew ~30% YoY, supported by strong festive season demand and pre-buying following GST revisions. Management expects growth to normalize to industry levels in subsequent quarters.
- Replacement demand remained stable, impacted temporarily by channel inventory corrections post-GST rate changes. Retailers are expected to resume normal stocking in the coming quarters.
- UPS volumes grew 5% YoY, while telecom lead-acid demand declined ~35%, offset by higher lithium telecom pack sales. Combined, telecom and UPS make up ~20% of the company's total revenue base.
- Export remained muted due to tariff challenges and weaker demands in some of the markets. ARENM continues expanding its international footprint, with new offices in Dubai, and the first Amaron pit stops launched in Qatar and Morocco.
- Management reiterated confidence in sustaining high single-digit growth in the lead-acid business and new energy business to contribute 7–8% of total revenue by FY27.

Margin outlook

- Management has indicated that rising lead price remains a concern in the near term.
- However, over the medium term, management guided for further margin improvement as the tubular battery plant ramps up to full capacity in 3Q and the battery recycling facility commences operations in 4QFY26.
- The company aims to restore consolidated EBITDA margins at 13–14% over time, driven by operational efficiencies, backward integration through recycling, and cost normalization.
- Warranty and EPR related costs are unlikely to be recurring expenses.

Capex guidance

- FY26 outlay of INR13b is planned. Of this, about INR 6b is likely to be invested in the lead acid battery business (including tubular plant and battery breaking operations) and another INR 7b is likely to be invested in the cell manufacturing facility. Of this, they have invested INR 4b in H1.
- About INR 12b is invested in the new energy business so far.
- The company is likely to incur capex of INR3.5-4b in the lead acid business in FY27E, and INR10b in its cell manufacturing facility.



Ashok Levland

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Results Update**

[illegible]

- The advanced lead recycling plant (1.5 lakh MTPA) has commenced refinery operations. The battery-breaking operations are scheduled to begin in 4QFY26, enhancing lead recovery.

Ashok Leyland

Buy

Current Price INR 147

Industry/Business outlook

- The Domestic MHCV segment grew by 5% in Q2, while the LCV segment saw a 13% growth in Q2. After the GST rate cuts, CV demand has seen a pick-up, especially in LCVs. In October, while MHCV sales were up 7% YoY, LCV grew 15% YoY.
- While LCV demand is already seeing signs of a pick-up for last-mile distribution, management expects the MHCV demand also to pick up in the coming quarters on the back of a pick-up and expectation of continued pick-up in consumption across the country, which is likely to, in turn, drive higher freight demand.
- The Saathi (LCV) model has been very well accepted and now accounts for 22–25% of total LCV volumes. Contrary to expectations, Saathi has had low single-digit cannibalization with the Dost.
- Ashok Leyland's LCV capacity currently stands at 80,000 units. The company plans to expand this to 110,000–120,000 units within 6–9 months through debottlenecking. Management does not expect a significant capex requirement for the same.
- Ashok Leyland will inaugurate its bus body building plant at Lucknow soon, which will take the total bus body building capacity to 20K units per annum from the current capacity of 12K units.

Product launches

- New tipper models in the MHCV segment, with 320 and 360 HP and higher peak torque, will be launched in Q3/Q4. These products will offer 20-30% better peak torque compared to the best in the market and will command a premium price, supporting margin expansion via premium mix. This would also help AL recover its lost share in the segment.
- In the bus segment, a new 13.5-meter ICE bus is expected to be launched, along with a 15-meter bus, which has the maximum sleeper capacity, both in H2.
- In the 2-4T segment, AL does not have a bi-fuel product (CNG + petrol), which is now being increasingly sold in regions like NCR. Mumbai etc. AL plans to launch a bi-fuel product in this segment in 2–3 quarters.

Exports

- Exports have shown significant growth, with a 35% increase in H1 (+45% in Q2) across markets in SAARC, Africa, GCC, and ASEAN.
- Exports have grown from 1,000 units in FY22 to 15,000 units in FY25, with a target of 18,000 units in FY26 and 25,000 units in the next three years. AL maintains its target to achieve a 20% CAGR in exports over the next few years.
- Ashok Leyland's long-standing presence in GCC and SAARC countries has allowed it to invest in local production, supply chains, and dealerships, which have helped drive growth.

Margin guidance

- Ashok Leyland is focused on cost-cutting initiatives to drive margin expansion.

- Further, higher growth in non-truck segments, such as buses, LCVs, spares, and exports, is supported by margin improvement over the last few years. Its non-truck mix has improved to 49% of total revenues in 1Q from 40% in FY22. Revenue contribution from non-truck business in 1Q was: Buses – 13%, LCV – 12%, Spares – 10%, Exports – 7-8%. Even in H1, the non-truck business has seen strong growth: aftermarket up 11% YoY, power solutions up 14% YoY, and defense-related business up 25% YoY.
- These non-truck businesses have higher margins than the domestic truck business and have helped reduce its break-even levels significantly from 6-7k units per month to just 1200 units per month.
- Management expects discounting trends to gradually ease post GST rate cuts, with demand picking up.
- Raw material costs are expected to decline a bit QoQ in Q3, which should support margin improvement.
- While there was no price increase in Q2, the company has seen better average selling prices (ASP) due to a more favorable product mix.
- Aided by new product launches and an improving mix towards non-truck sales, management has retained its medium-term guidance of achieving mid-teen margins.

Update on capex and investments

- AL reported a capital expenditure of INR4.2b for Q2, with a total of INR6.6b for 1H. For FY26, capex guidance stands at ~INR10b. H1 capex spend was utilized for the Center of Excellence, new product development, and the purchase of land adjacent to the corporate office for expansion purposes.
- Investments in H1 were nil, but they may need to infuse some money into Associates like Ohm Mobility and the Finance arm. However, the total infusion into these is unlikely to exceed INR5b.
- The net cash position as of September 2025 stood at INR10b vs net debt of INR5b as of September 2024, as a result of strong operating performance and a sharp reduction in working capital (down 50% YoY in H1).

Subsidiaries

- **Switch:** In 1H, Switch India (the electric vehicle subsidiary) sold 600 electric buses and 600 electric LCVs. The order book currently stands at 1,650 units. More importantly, Switch India has now achieved EBITDA and PAT break-even in H1, and AL has kept a target for this business to be FCF positive by FY27. Due to the high cost of operations, AL is now shifting the production of EV buses in Switch UK to RAK (Ras Al Khaimah) in the UAE. Switch India will look to participate in the upcoming 10k+ bus order under the PM-e drive scheme, which will open up soon.
- **Ohm:** Ohm is currently operating over 1,100 buses at 98% utilization levels, having added 250 buses in 2Q. They are on track to reach 2,500+ units under operations within the next 12 months. Also, all the GCC contracts are now operating at a healthy double-digit IRR for Ohm.
- **HLF:** The assets under management (AUM) of HFL reached INR526b, a growth of 26% YoY. The company's housing finance subsidiary's (HHF) AUM grew 20% to INR149b. HLF recorded a PAT of INR1.9b in 2Q with NNPA of 1.59% and had a

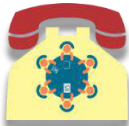
book value of INR74b. They have received RBI's approval to merge HLF with NxtDigital, and its listing is expected to happen post Q1FY27.

Other highlights

- AL has expanded its network by adding 27 new MHCV touchpoints and 26 new LCV touchpoints in Q2FY26, the bulk of them in North, East, and Central regions. AL now has total touchpoints of ~2,000 (1,100 for MHCV and 876 in LCV)
- AL has declared an interim dividend of INR1 per share.
- Other income in the quarter was higher due to fair valuation gain in Switch India, amounting to INR500m.



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Bajaj Auto
Q2 FY26 Results Presentation

Particulars	Q2 FY26	Q2 FY25	Q2 FY24
Revenue	1,01,100	98,500	95,000
EBITDA	15,500	14,500	13,500
EBIT	14,500	13,500	12,500
Profit After Tax	10,500	9,500	8,500
EPS	105	95	85

Bajaj Auto

Neutral

Current Price INR 8,915

Growth/Focus Areas

- Competitive growth in the 125 cc plus segment.
- Goal to sustain export growth at 15-20%.
- Regain momentum in the EV segment by unlocking supply chain constraints.
- Focus on reviving back KTM.

Domestic motorcycles update

- The GST rate cut supported the industry, and all of BJAUT's business units benefited during the festive season. Although August saw sluggish demand, festive demand rebounded strongly from Sep onwards, leading to historic festive growth.
- The impact of GST was visible in consumer behavior, with a sharp preference for up-trading—higher-end models outperformed base variants. The top-end Pulsar models, particularly the N and NS series, saw strong demand.
- BJAUT maintained pricing in its 350cc+ segment despite increase due to GST rate hikes (from 31% to 40% GST for this category), absorbing the impact internally, while benefits were passed on to customers in the sub-350cc range.
- The company achieved all-time-high retail volumes, both in unit and revenue terms, with the Pulsar portfolio delivering peak performance.
- Market share increased in the 125cc+ segment, driven by the 150cc+ sports category.
- Management expects the motorcycle industry to post 6-8% growth in 2H.
- New Pulsar variants are planned for launch in December, March, and May, with the aim of outpacing the industry and gaining further share in the 125cc+ segment.
- A new non-Pulsar product is also scheduled for launch in FY27 (likely to be in the 125cc segment).
- Triumph and KTM portfolios are being recalibrated for the under-350cc segment to reap the benefits of lower GST and remain competitive to the market leader.

2W exports

- Export volumes grew 24% YoY in 2Q, with broad-based growth across multiple markets.
- BJAUT has clocked 200k units in monthly volumes in exports after almost 40 months. However, previously, 200,000 monthly exports included 50,000–60,000 units from Nigeria; which has now reduced to 25,000 units, highlighting their reduced dependence in the region.
- Export revenues stood at around USD 600 million in Q2FY26.

- The top 30 export markets account for 70% of the total emerging market. While this industry grew 14% in 2Q in these markets, BJAUT grew at twice that rate and, hence, gained a share in the key markets.
- Asia and Africa delivered double-digit growth, driven by Sri Lanka, the Philippines, and East Africa, while Nigeria remained steady.
- KTM exported 20,000 units to KTM Austria in 2QFY26, +20% QoQ, signalling a gradual recovery in volumes.

2W EVs

- Supply chain issues led to a 50% shortfall versus plan. The company has now transitioned fully to LRE-based motors to overcome this issue. BJAUT became the first OEM to complete full re-homologation of its entire EV range using alternate LRE-based magnets, ensuring performance parity while diversifying sourcing across geographies.
- A new Chetak model will be launched early next year.
- The 2W EV network includes 390 exclusive Chetak stores and 4,000 touchpoints across 800 cities.
- EVs (2W + 3W) contributed 18% of domestic revenues, generating INR17b with double-digit EBITDA margins, for the first time ever. Profitability was supported by improved economics in 2W EVs and higher volumes in 3W EVs. While the PLI supports the overall profitability in the EV segment, the 2W EV business has become EBITDA neutral. PLI benefits are available till March 2028.
- The GST cut on ICE vehicles is not expected to materially affect 2W EV demand, given the continued TCO benefits.

Update on domestic 3Ws

- The ICE three-wheeler segment moved from a YTD (Aug) decline to growth in October. The current decline in demand could turn to flat growth for FY26E, post the GST rate cuts, as per management. BJAUT continues to enjoy almost 80% market share in this segment.
- The e-auto segment was growing at robust 75% pre GST. However, post the GST rate cut, growth has come down to 50% as: 1) payback for CNG 3Ws has now reduced to 13 months vs 19 months for e-autos and, hence, customers now prefer CNG 3Ws; 2) supply constraints due to chip shortage. While BJAUT was a market leader in this segment earlier, it has lost its leadership position due to the supply constraints it faced in 2Q. It expects to regain its leading position in the coming quarters. In this segment, while competitors offer just one model, BJAUT has two successful models and plans to launch two more in the coming quarters.
- E-rickshaw demand declined as customers traded up to e-autos. Additionally, movement restrictions in certain States like UP have also constrained e-rick growth.

Outlook on input costs and currency trends

- Dollar realization improved to INR87.1 vs. INR85.6 in 1QFY26 and INR83.8 in 2QFY25.
- Raw material cost inflation (net of a small price hike taken) surged by 40bp for 2QFY26 due to higher steel, copper, rubber, platinum, and rhodium prices. Operating leverage, favorable currency, and product mix offset the impact of commodity cost inflation.

- The company expects some commodity inflation in Q3, but currency tailwinds should help offset the impact of the same.
- No major price increases were taken during the quarter.

Update on KTM

- KTM will remain classified as an associate company until regulatory approvals for its complete acquisition are in. The upcoming quarter will be the last before full consolidation is achieved.
- The restructuring was completed in June, and KTM production resumed in July.
- Approvals have been received from the Foreign Investment Control Authority in Austria and the Austrian Takeover Commission, with only the European Commission approval pending. The change of control to BJAUT management is expected within the next few weeks.

Other highlights

- FCF of INR45b was generated in H1, with cash conversion at ~100% of PAT.
- Cash liquidity stood at INR142 billion after distributing ~INR60b in dividends and investing over INR20b in subsidiaries (INR15b for the KTM Austria transaction and INR5b for Bajaj Auto Credit).
- Spares revenues in 2Q stood at INR18b (+21% YoY).
- **Bajaj Auto Credit (BACL):** Added 200,000 new customers in 2Q; AUM crossed INR140bn. PAT for 2Q stood at INR1.32b with H1 ROE of 17.4%. Capital Adequacy ratio stood at 19.8%. Debt-to-equity ratio at 4–4.5x, expected to be serviced through profits. Financing penetration: 70% for motorcycles, 90% for 3Ws; BACL penetration at 40% for 2Ws and 50% for 3Ws. BJAUT has so far invested a total of INR29b in BACL, with further potential requirement of INR2–3b, post which it will be in a position to fund its own operations from internal accruals.



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Balkrishna Inds
Neutral
Current Price INR 2,308

- 2QFY26 was impacted by tariff headwinds in the US, with import duties raised to 50% from 25%, sharply affecting US sales. BIL's US sales accounted for ~10% of FY25 sales volumes. Given that the US is a net importer of OHT tires, some relief is expected in tariff measures from the US in the coming months.
- As a consequence, export volumes to the US have been halted due to unviable economics under current tariff levels.
- Currently, none of the global exporters are exporting to the US, given the sharp rise in tariffs. Most distributors are currently consuming existing stock and are in a wait-and-watch mode over the tariff situation. Thus, a favorable outcome on tariffs may prompt inventory restocking in the US.
- European demand remains weak but is showing early signs of stabilization. Management expects a gradual recovery in 2H. Market share in Europe is likely to have remained largely stable for BKT. The Indian market now contributes ~35% of revenue.
- Margins were primarily impacted this quarter due to an unfavorable geographical and product mix. Impact related to the EUDR regulation has started reflecting in 2Q and will be fully realized in 3Q. However, management expects this impact to be offset by the softening of commodity prices.

Birla Industries

11 November 2025
Birla Industries Industries

Current Price: ₹1,397

Target Price: ₹1,450

Rating: Buy

Key Metrics (FY25 / FY26):

Metric	FY25	FY26
Revenue (₹ Cr)	1,200	1,300
EBITDA (₹ Cr)	150	160
EBIT (₹ Cr)	140	150
Net Profit (₹ Cr)	100	110
EPS (₹)	100	110
P/E Ratio	14.0	12.7

Key Highlights:

- Revenue growth of 8% in FY25, driven by strong demand in the automotive segment.
- EBITDA margin improved to 12.5% in FY25, reflecting operational efficiency.
- Net profit grew by 10% in FY25, supported by higher margins and cost savings.
- EPS increased to ₹100 in FY25, up from ₹90 in FY24.
- P/E ratio stands at 14.0x, which is attractive compared to the industry average of 15.0x.

Key Risks:

- Fluctuating raw material prices, particularly for steel and rubber.
- Intense competition in the automotive market.
- Global economic uncertainty and its impact on demand.

Conclusion:

Birla Industries is a well-positioned company with strong growth potential. The company's focus on operational efficiency and cost management is likely to drive continued growth in the coming years. We recommend a Buy rating for the stock.



BHARAT FORGE

[Click below for Results Update](#)

Bharat Forge

11 November 2025
Bharat Forge

Current Price: ₹1,397

Target Price: ₹1,450

Rating: Buy

Key Metrics (FY25 / FY26):

Metric	FY25	FY26
Revenue (₹ Cr)	1,200	1,300
EBITDA (₹ Cr)	150	160
EBIT (₹ Cr)	140	150
Net Profit (₹ Cr)	100	110
EPS (₹)	100	110
P/E Ratio	14.0	12.7

Key Highlights:

- Revenue growth of 8% in FY25, driven by strong demand in the automotive segment.
- EBITDA margin improved to 12.5% in FY25, reflecting operational efficiency.
- Net profit grew by 10% in FY25, supported by higher margins and cost savings.
- EPS increased to ₹100 in FY25, up from ₹90 in FY24.
- P/E ratio stands at 14.0x, which is attractive compared to the industry average of 15.0x.

Key Risks:

- Fluctuating raw material prices, particularly for steel and rubber.
- Intense competition in the automotive market.
- Global economic uncertainty and its impact on demand.

Conclusion:

Bharat Forge is a well-positioned company with strong growth potential. The company's focus on operational efficiency and cost management is likely to drive continued growth in the coming years. We recommend a Buy rating for the stock.

- Freight cost this quarter stood at around ~6-7% of sales and is expected to remain stable going ahead.
- Carbon black sales (to third party) accounted for ~10% of total revenue, with 55% of total carbon black production being consumed internally. Specialty grade carbon black ramp-up is expected in FY27.
- Capex for 1HFY26 was INR16.7b, which was mainly directed towards the new TBR/PCR tire project and carbon black capacity expansion. FY26 capex is expected to be at INR20-22b, with the balance of the ~INR35b three-year plan to be spent in subsequent years. Net debt currently stands at INR4.5b.
- Pilot production for TBR tires is expected to begin in 4QFY26, followed by PCR in 3QFY27. The company expects to ramp up this business gradually over FY27-FY28.
- Management has reaffirmed its long-term revenue target of INR230b by FY30, supported by its OHT, carbon black, and new tire categories in India.
- BIL is investing in brand-building activities aimed at strengthening its presence in the mining and OHT segments, which will eventually support its upcoming strategic initiatives.
- BIL does not plan to set up a local manufacturing plant in the US due to unfavorable economics. The company focuses on India as a global production hub.

Bharat Forge

Neutral

Current Price INR 1,397

2Q highlights

- On account of the tariff-led uncertainty and destocking, CV exports to the US declined 48% QoQ and 67% YoY.
- However, PV and industrial exports remained resilient. Non-auto export growth was led by good demand in power generation equipment, construction and mining segments, and aerospace.
- BHFC's 2Q financials included the INR240m impact of US tariffs that the company absorbed in the quarter.
- KSSL margin improvement in 2Q was aided by an improved product mix.
- Total order wins for 1H stood at INR15.8b — forgings and industrials at INR8.2b, defense at INR5.5b, and castings at INR2b.
- Cash balance at the end of 1H stood at INR23b.

Update on defense and aerospace

- The defense order book stands at INR94.7b. Moreover, BHFC has recently won an order to supply carbines worth INR14b — SOP is expected in 9-12 months once this order is signed. The company recently won an order from the Navy worth INR2.5b+ for the supply of Unmanned Marine Systems. This is the second order from the Navy, with delivery expected from its Pune facility within a year.
- New wins and additions are expected, with execution for ATAGS set to begin in 6-9 months. It will take over three years to execute the entire order of 187 guns.
- Aerospace contributes to 13% of industrial exports and revenue for FY25 stood at INR2.5b.
- Management expects aerospace revenue to cross INR3.5b in FY26, and BHFC expects this run rate to continue for the next 3-4 years.

Update on JSA

- In 2Q, JSA saw 26% YoY revenue growth and 44% EBITDA growth.
- JSA is seeing margin improvement, led by revenue growth and an improved mix.
- The business continues to see strong traction from its customers and management expects to see better growth in revenue and EBITDA in H2

Update on overseas subsidiaries

- Demand in EU remained weak in a seasonally weak quarter. EU aluminum utilization stood at 60-65%.
- The restructuring plans for EU steel forging units is under consideration.
- US aluminum utilization also stood at 65%.

Outlook

- 3Q performance is expected to be similar to 2Q, with an uptick expected in 4Q.
- The domestic CV business is likely to remain flat YoY in 2H.
- GST rate cuts augur well for the domestic PV segment, which is expected to see a continued pickup in demand in 2H.
- EU exports are weak currently, primarily due to destocking. However, a recovery is expected in the coming quarters.
- Management expects exports to the US to decline further in 2H. However, this is likely to be more than offset by a pickup in demand in segments like domestic non-auto, exports to non-US regions and ramp-up in defense and aerospace segments.

Other highlights

- 2Q was the first quarter of consolidation for American Axles CV business in India (now renamed as K-Drive Mobility). This entity reported revenue of INR2.96m and EBITDA of INR92m. Management expects this business to benefit from good opportunities in the HPV, IPV, and SUV segments in India. There is a non-compete clause for exports to North America for the next five years.
- BHFC is still evaluating the value chain of server manufacturing business in India, which is a huge growth opportunity for the future.
- The company has taken an enabling resolution to raise up to INR20b through debt and non-convertible debentures for both organic and inorganic growth opportunities.



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BOSCH
Neutral
Current Price INR 37,032
Segmental Updates:

- The mobility solutions segment's revenue grew ~12% YoY, led by a 9.5% growth in the power solutions segment and 81.8% growth in the 2W segment. Growth in power solutions was driven by demand for diesel components for PVs and off-highway vehicles. The 2W segment's growth was driven by its new order wins for OBDII norms.
- Mobility aftermarket grew 3.7% YoY despite being temporarily impacted by GST 2.0 related destocking. Management expects sales momentum to normalize starting 3Q once dealers begin restocking post GST cuts.
- BOS plans to expand its aftermarket product offerings in filters, diagnostics, and diesel systems in the coming quarters.
- Consumer goods revenue rose by a marginal 1.8% YoY. Healthy demand from new launches in the entry and mid-price hand tools categories and outdoor



garden segments was offset by exchange rate headwinds and GST-related adjustments. Management expects margins to recover with festive demand normalization.

- The power tools segment saw encouraging traction from e-commerce, with high double-digit growth in online sales, aided by successful festive campaigns and growing adoption of Cordless 2.0 technology (battery driven tools).

Operational and Strategic Updates:

- Localization efforts are yielding tangible benefits in the form of lower material costs and subsequently improved gross margins. By reducing import dependence, BOS was able to cut on forex volatility and raw material inflation.
- The company launched its sensor less quick-shift technology in India and deployed its Lambda Sensor in TVS Ntorq 150 and Bajaj Pulsar NS400.
- The EV segment observed steady progress, with key customers being 2W scooter OEMs. Margins remain under pressure due to early-stage market economics. BOS is continuing to develop non-ferrite based motor technology.

Guidance and Outlook:

- Management expects demand to pick up across key auto segments (2Ws, PVs, CVs and tractors), supported by GST 2.0 reforms, improving rural sentiment, and a reduction in interest rates.
- The automotive segment is transitioning from legislation-led to feature-led demand, which is expected to drive higher content per vehicle. Clean energy technologies, hybrid systems, flex fuel systems, and electrification are expected to drive growth in the future.
- The company is actively engaging with Indian OEMs to develop hybrid powertrains.
- Hydrogen ICE systems in MHCVs are currently in the pilot stage, and various OEMs are test-marketing the same. Management expects hydrogen-powered HCV engines to reach 8-15% market penetration by 2030.
- Geopolitical instability resulted in muted short-term export growth. However once macro conditions stabilize, management plans to expand on export competitiveness, supported by ongoing localization strategies.

CEAT

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Results Update



CEAT

Buy

Current Price INR 3,884

Result highlights

- **Replacement segment:** In Sep'25, replacement demand decreased slightly as dealers did not want to stock-up ahead of the GST reduction. However, overall 2Q saw mid-single-digit growth. The 2W segment showed strong growth, particularly in rural areas, while PV saw mid-single-digit growth. Market share grew in both PV and 2W, while the TBR segment remained stable.
- **OEM segment:** The OEM segment saw YoY growth in mid-20s, with a major contribution from the PV sector, which benefited from strong sales of new car models. The Motorcycle segment also showed strong growth, while the Farm segment grew in the mid-teens. TBR volumes grew in high-teens over a low base. The market share for EVs stands at 30% in the PV segment and 20% in the 2W segment.
- **International markets:** The company saw high-teen growth in its international business, particularly driven by strong demand for 2W and 3W tyres in Africa

The image shows a screenshot of a financial statement for CEAT. It includes a table with columns for 'QoQ', 'YoY', and 'FY'. The table lists various financial metrics such as Revenue, EBITDA, and Net Profit. Below the table, there are several bullet points providing additional context and analysis of the company's performance.

and LATAM. PV growth was led by strong performance in the EU market. The Farm segment also showed robust growth, driven by demand from the EU, LATAM, and other regions. The US market was affected by tariffs, but the impact on CEAT was limited due to its low exposure.

- Realization grew by 1% QoQ, driven by improvements in pricing, and product mix. Overall, the company achieved an impressive 11%+ YoY volume growth.
- Capacity utilization stood at 80-85%.
- EBITDA margin improved 400bp QoQ primarily due to reduction in input costs by 5% QoQ, better than earlier expected.

Demand outlook – domestic

- GST rate reduction is expected to have a positive impact, especially in semi-urban and rural markets, where demand for low-ticket items is anticipated to perform well. Factors such as GST cuts, premiumization, and the growing adoption of EVs are expected to result in single-digit growth for the industry in the near term. Additionally, a normal monsoon, interest rate cuts, and the Kharif season are expected to further support growth in the near term.
- The GST on auto tyres has been reduced from 28% to 18%, while farm tyre GST has been reduced from 18% to 5%. The company has passed on the entire benefit of the GST reduction to its channel partners, who, in turn, have passed it on to the customers. This has resulted in a net benefit of 7-8% on the selling price. For a segment like trucks, this translates to reduction of ~ INR1,500 per tyre, which is sizeable for the segment.
- Restocking is expected in 3Q in replacement segment as dealers would look to normalize stock levels post GST rate cuts. However, 3Q is seasonally a weak quarter even on a QoQ basis. Demand is particularly lower in parts of the North and East regions of India due to winter.
- The replacement segment is expected to experience high single-digit growth, with TBR anticipated to be in line with the overall GDP growth. The 2W segment is expected to grow by 7-8%, and the PV segment is projected to grow modestly, ranging from 0% to low single digits.

Demand outlook - exports

- The tariff on PCR tyres to the US stood at 25%, while the same for OHT has increased to 50%.
- In the export markets, demand for Agri Radial and Off-Highway tyres is expected to remain strong across key markets in the EU, Africa, and LATAM.
- Exports of OHT to the US dropped to nil by the end of the quarter due to the sharp tariff hike, while exports of PV and TBR continued to perform well.
- In the non-specialty business, there was mid-teen volume growth, with strong demand from EU, Africa, and the MEA region.
- EU market remains the most profitable and is showing the highest growth, with strong traction in the PV segment.
- PV and TBR tyres together contribute to 65% of the company's total exports, and CEAT is the leading exporter of PV tyres from India.
- The company expects some resolution on the high tariffs especially in OHT, soon. The company has passed on tariffs partially to OEMs and it is absorbing the balance. However, the impact on CEAT is not material given its limited exposure to US currently.

Update on operational performance

- Gross margin was supported by better realization in the replacement and international markets, along with lower RM costs.
- Overall RM prices were 5% lower QoQ.
- Crude oil prices remained stable at around USD65 (± USD2) in 2Q.
- International rubber prices remained stable at USD1,700–1,750 per ton.
- Domestic rubber price was higher than the import parity level for Jul-Aug, but by Sep, it returned to parity with imports.
- Carbon black prices remained flat QoQ.
- Synthetic rubber prices were 3-3.5% lower, and nylon fabric prices were 2-2.5% lower, both of which were beneficial to margins.
- Steel prices were 4-5% lower.
- Employee costs increased due to the annual increment.
- Other expenses were higher due to increased outsourcing, distribution, marketing, and higher manufacturing activities.
- 3Q RM is expected to remain flat QoQ, including the impact of INR depreciation.
- As a result, margin is likely to remain stable QoQ in 3Q.

Update on Camso

- The Camso acquisition was completed on 1st Sep.
- For the next 5-6 quarters, the company will source semi-furnished raw materials from Michelin until it fully establishes its value chain.
- Camso sales would also be done through Michelin's network till CEAT develops its own distribution network. Direct customer relationships are expected to be developed in 3-4 quarters.
- Sales realization and the cost structure for the acquisition were in line with management expectations.
- Capacity utilization currently stands at 50%, with a gradual ramp-up expected. Once the direct relationship with customers is established, the business is expected to perform well.
- Camso products face a 20% duty on exports from Sri Lanka to the US.
- The Michelin sales team has already passed on part of the tariff impact to customers. The full impact is expected to be passed on over the next 2-3 quarters, with around 50% of the tariff absorbed so far.
- Over the medium term, the business is expected to be margin-accretive.

Update on capex and debt

- 2Q capex stood at INR1.85b, with 1H capex amounting to INR4.2b. Additionally, the company spent INR2.4b on Camso to acquire trademarks and patents.
- Capex breakdown for 1H: INR1b for R&D, INR0.5b for TBR expansion, INR0.7b for the Amerbath expansion, INR1.6b for Chennai PCR downstream expansion, and INR0.4b for de-bottlenecking processes.
- The capex target for FY26 is maintained at INR10b.
- The company's total debt stands at INR29.4b, up INR10.3b QoQ due to the Camso acquisition. The company has increased its RM inventory in anticipation of 3Q requirements.
- The Debt/EBITDA ratio stands at 1.8x, while the Debt/Equity ratio is at 0.64x. The company will maintain its internal targets of leverage and will not exceed 3x on Debt/EBITDA and 1x on Debt/Equity.



CIE Automotive

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CIE Automation

Buy

Current Price INR 425

India performance update

- The India business delivered its highest-ever quarterly sales, with growth outperforming the weighted average of key end markets. Revenues increased by 6% YoY in Q3 CY2025, supported by broad-based improvement across segments—particularly tractors and two-wheelers.
- New order inflows that were earlier delayed have now resumed, signaling normalization in customer demand.
- Market conditions have been favorable across LCVs and farm equipment for Q3, while passenger vehicle growth remains modest. Light vehicle demand continues to be muted, with tractor sales emerging as the key revenue driver.
- An increase in energy tariffs in Maharashtra, where several plants are located, had a marginal ~0.5% impact on operating margins. However, ongoing efficiency measures are expected to offset the cost pressures, ensuring steady EBITDA performance.
- Management expects market sentiment to improve in H2 FY2025, supported by GST reductions driving vehicle affordability. Average long-term growth forecast over three years across segments has now increased by 200-300bp relative to earlier expectations, post GST rate cuts. For instance, the PV segment is now expected to post a 5-6% CAGR over three years.
- Recent U.S. import tariffs—25% on light vehicles and up to 50% on trucks, tractors, and off-highway components—pose a limited challenge, with only ~1% of Indian revenues at high risk. Indian players' competitiveness in other lower-cost markets, such as Vietnam and other Asian countries, remains intact after the tariff surge in PVs.
- M&M continues to contribute roughly one-third of Indian revenues. Of this, while 2/3rd is contributed by PV (including LCVs), the balance is contributed by tractors.

Europe performance update

- The European business continues to face weak market sentiment (0.3% growth in 3Q but -2.6% for 9M). However, the YoY growth seen in Q3 is largely a function of the low base of last year. However, the European market demand continues to be stagnant.
- For 3QCY25, European revenue grew 18% YoY in INR terms. However, while revenue in Euro terms was 7%, a favorable exchange rate led to a balance +11% growth. EBITDA margin stood at 13.2%, stable QoQ, ex of one-time restructuring costs at Metalcastello.
- Light vehicle production in Europe is expected to remain flattish at ~16 million units annually over CY2025–27. The MHCV segment also remains subdued, with only mild recovery anticipated from CY2026 onwards
- Mexico subsidiary revenue is at a run-rate of EUR45m pa.
- The Metalcastello restructuring process has been completed, and margins have returned to normalized levels. The business maintains a strong relationship with Caterpillar, with potential upside as the off-highway segment recovers.



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- The European forging industry is witnessing financial stress and insolvencies among peers, presenting potential consolidation opportunities for CIE Automotive.

Craftsman Automation

Neutral

Current Price INR 6,715

Overall guidance

- Management expects consolidated revenue to continue to grow in double digits over the next several years. 2HFY26 performance is likely to exceed 1H performance as the new aluminum and alloy-wheel facilities ramp up and Sunbeam's operations stabilize.
- FY26 capex is guided at INR10b for standalone business and INR2.8b for DR Axion. Capex for Sunbeam is expected to be negligible.
- Management expects India to become a central manufacturing hub for CV powertrains and stationary engines in the coming years.
- Generators manufactured for data centers are highly tech intensive as they may shut down even with small fluctuation in power. Globally, only 8-9 companies are present in this segment, of which the top four command almost 70-80% market share. Craftsman is currently working with three of these top four global companies.

Update on powertrain business

- Margins declined 60bp QoQ to 14.6%, due to higher input and machining costs and softening in demand for higher-margin CV components. Craftsman continues to strengthen its position in import substitution for critical parts such as cylinder heads, blocks, camshafts, bearing caps and turbochargers.
- Segment mix is diversified across CVs (46%), tractors (19%), off-highway (21%) and PVs (14%). Currently, tractor volumes are providing incremental growth, offsetting softness in CVs. However, management remains optimistic that CV industry will see improvement in the long term.
- The Kothavadi plant is currently in phase 1 and is operational for engineering components. Management has reiterated a long-term revenue guidance of USD100m from the stationary engines business by FY30. Half of the order book (USD50m) has already been secured, and the remaining is under advanced stages of negotiations. Commercial revenue is expected to flow in from FY29 as these are long-gestation projects.
- The Fronberg subsidiary caters to large engine castings for data center power generation. For 1HFY26, revenue came in at INR1.6b with EBITDA of INR149m and PAT of INR80m. The subsidiary operates at full capacity currently and has maintained a full order book for the next few years. They are currently doing all the development work in Germany, which is giving a lot of confidence to global customers to place future orders.

Update on aluminum business

- Craftsman is now getting cylinder block business in the aluminum segment.
- Management has indicated that margins for the aluminum business are sustainable for the foreseeable future as the setup costs for the Bhiwadi plant have normalized, and the Hosur facility is currently in the ramp-up phase.

Further, sharing of infrastructure for Bhiwadi plant with Sunbeam is also helping drive better margins.

- Aluminum utilization is improving sequentially, aided by higher export contribution and increased share from EV and structural parts. DR Axion is currently running near full utilization. DR Axion has initiated INR2.8b capacity expansion for a new cylinder-block program based on existing customer requirements.

Update on Sunbeam

- Sunbeam reported revenue of INR3.3b in 2QFY26. EBITDA margins currently stand at 6%. While revenue is likely to remain stable in FY27, management will now focus on improving efficiencies in this business and hence expects EBITDA margin to improve to double digits by FY27.
- Integration with Craftsman and DR Axion is driving customer synergies and shared cost efficiencies. The Gurgaon facility will be completely vacated by end of 2025, with the land being ready for sale from start of 2026. The proceeds from land sale will be used to pay off accumulated debt (net D/EBITDA likely to reduce to 2x in FY27E from 2.5x currently).

Updates on alloy wheel business

- Combined installed capacity in Bhiwadi and Hosur stands at 5.8 million wheels, with an additional 2 million wheels being installed under Phase 2 expansion at Hosur. Total planned capacity is 7 million wheels, while orders in hand already exceed 6 million units annually.
- Commercial sales have begun from Hosur (first shipment started in 2Q), while Bhiwadi continues to ramp up to full capacity. Full-scale operations are expected by 2Q.

Update on storage business

- Industrial & Engineering segment reported 1H revenue of INR4.8b (+17% YoY) and EBIT of INR80b (+70% YoY). Storage contributes ~63% of the segment, with the rest from contract manufacturing and assembly solutions.
- The segment is viewed as a stable cash-generating business, and margin improvement is expected to continue as utilization from the Pune and Coimbatore facilities increases. Management plans to maintain steady margins rather than chasing aggressive expansion.

Other highlights

- Net debt currently stands at INR28b, with net debt-to-equity ratio at 0.94x and net debt-to-EBITDA ratio at 2.46x. RoCE (annualized) stood at 15%.
- The company will not consider any large inorganic growth opportunities at least for the next 18 months.



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Eicher Motors

Sell

Current Price INR 6,812

Royal Enfield update

Product Launches

- Royal Enfield launched three product refreshes in 2Q, including a refreshed Meteor 350, which is now available in four variants and seven new colors. A new Graphite Grey Hunter 350 and Shadow Ash Guerrilla 450 were also introduced.
- The Meteor 350 saw strong demand following the introduction of new colors in September, contributing to a 30% YoY growth.



The screenshot shows a research report for Eicher Motors. The report includes a table of contents, a summary of key findings, and a detailed analysis of the company's performance. The table of contents lists sections such as 'Investment Highlights', 'Company Overview', 'Financial Performance', 'Valuation', and 'Risk Factors'. The summary section highlights the company's strong performance in the 2Q, with a 41% YoY growth in the Hunter 350 and a 70% YoY growth in the Bullet 350 (Battalion Black).

- The Hunter 350 saw a healthy 41% YoY growth, while the Classic 350 grew 24.5% YoY in 2Q, supported by a targeted campaign.
- The Bullet 350 (Battalion Black) continued to see strong demand and saw a 70% YoY growth in 2Q.

Domestic Demand

- Royal Enfield holds a dominant 84% market share in the mid-size motorcycle segment.
- Retail sales grew strongly during the festive season, with a total of over 249k units sold. The South and East regions have performed particularly well in 2Q.
- Post-GST, demand has remained strong, particularly in the 350cc+ segment, with 350cc models.
- The GST reform has also made the 350cc motorcycles more accessible and increased inquiries and bookings, resulting in improved conversion rates, which have increased from 20% to 30%.
- The retail demand was strong in Oct'25 due to the festive season, and has held up in Nov as well. This has led to a decline in inventory, which would need replenishment, further aiding wholesale volumes in the coming months.
- After the GST rate hike in the >350cc segment, its 450cc is seeing much slower demand, while its 650cc is showing initial signs of picking up. Apart from the price hikes, the slowdown in these models is also a function of the strong pre-buy that these models saw before the GST rate hike.

Exports

- Exports saw significant growth in 2Q, with a 49% YoY increase. Retail sales were higher than wholesale volumes, indicating strong demand in key export markets.
- The company maintains its leadership in SAARC markets, ranked No. 2 in key regions such as the UK, Argentina, Thailand, and Korea, and is ranked No. 3 in Brazil and Australia, and No. 4 in the EU.
- Brazil continues to perform well, and Royal Enfield is looking to invest in a new facility to further strengthen its presence in the region.
- The company is also planning to set up a subsidiary in Germany to cater to the EU demand.

Margins

- Input cost inflation for 2Q stood at 40bp, which was offset by the price hike they took
- Other expenses were higher during 2Q due to higher marketing spend for brand building, community engagement, and market activations, which are expected to continue going forward.

Capacity expansion

- Royal Enfield has increased its production capacity to 1.3-1.35m units per annum from earlier 1.2m by debottlenecking its facilities. Further, an additional module capacity is expected to come online by 1QFY27, increasing the installed capacity without the need for major capex, as they have additional space in the existing Cheyyar plant.

VECV update

2Q results

- VECV EBITDA margin improved 70bp YoY to 8% for 2Q
- VECV is now the market leader in LMD trucks with 34.8% market share

- Parts business posted 12% YoY growth in 2Q
- Eicher signed a Memorandum of Understanding (MOU) with Tata Power and Jio-BP Pulse to provide access to 6,000+ public chargers for its Eicher EV trucks, further enhancing the support for the EV infrastructure.

Product portfolio

- Eicher launched the Eicher Pro+, which includes an AC cabin and an upgrade to the load-carrying capacity in the light and medium-duty truck segment.
- VECV is one of the market leaders in the CNG segment, with presence in both the cargo and passenger segments within the light and medium duty range.
- In the EV space, VECV has launched the Pro X range to cater to the 2-3.5T cargo segment. In the EV bus space, VECV has a 9-meter bus and a 12-meter bus, where it plans to participate in the new PM e-drive tender expected to open soon.
- The company is also working on electric models for the tippers and for the tractor-trailers.

Domestic demand

- All segments, except for MHCV cargo, are experiencing growth.
- The GST rate cut is expected to support demand by increasing consumption and facilitating the movement of goods across regions. The company expects HCV demand to pick up in H2.
- Lower interest rates and inflation are also expected to support growth in the domestic CV market.

Capex

- VECV announced an INR5.4b investment for the assembly and production of Volvo Group's state-of-the-art 12-speed automated manual transmission. This is the 2nd such project of the Volvo group in India, post the engine sourcing. The locally produced transmissions will be exported to Asia and Oceania.



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Endurance Technologies

Buy

Current Price INR 2,617

Update on ABS and braking systems opportunity

- The current ABS capacity for ENDU will be ramped up to 640k units pa by 4QFY6. The company has now ordered another 1.2m units line, which can potentially be operational by 1QFY27. The balance 1.2m units line will be set up based on the timeline of the mandatory ABS regulation to be notified by the authorities.
- A new integrated disc-brake plant is under setup with SOP targeted in 2QFY27, planned annual output of ~3m disc-brake assemblies and 4m brake discs, and an expanded brakes R&D facility (double the existing size) due by 4QFY26.

Snapshot of order wins

- 1H order wins for ENDU stood at INR9.1b, which includes INR3b for the Talegaon battery-pack program and INR210m of BMS orders at Maxwell. It has close to INR42.1b worth of RFQs in discussion and expects another INR15b worth of new order wins in the coming 1-1.5 years.
- Cumulative EV orders so far (excluding battery packs) stand at INR10.1b; including BAL, they stand at ~INR12b. 1HFY26 EV orders formed ~30% of total wins, vs 49% in FY25 and 5% in FY24.

The image shows a screenshot of a financial report for Endurance Technologies. The report includes a table with financial data for the last 12 months and a summary of key financial metrics. The table has columns for various financial items and their values. The summary section highlights key performance indicators and provides a brief overview of the company's financial health.

- 1HFY26 Europe order wins stood at EUR12.7m, taking the cumulative five-year order book to EUR242m. Of these, EUR94m (41%) is for EV and EUR109m (45%) for hybrid applications. ICE's contribution to revenue (~40% in FY25) is expected to reduce to 25% by FY28.

Update on suspensions

- ENDU remains a market leader in 2W suspensions, having ~43% market share in front forks and 37% share in shock absorbers. Its market share in inverted front forks is likely to be higher. New SOPs with TVSL and HMCL, along with potential opportunities with a Chinese OEM, will further help scale up volumes.
- With support from a Korean technology partner for 4W suspensions, ENDU is close to securing an OEM entry.

Update on the Transmissions business

- The company has started on-vehicle testing for its 4W driveshaft order with SOP expected in 4QFY26, and is establishing a dedicated assembly line to address increasing 3W and 4W demand. Management expects a steady volume ramp-up by FY27 once SOP is achieved. This business is expected to generate INR5b worth of business by FY28.
- The company is actively engaging with two domestic OEMs for future driveshaft and clutch-system supply, one in the light commercial 4W segment and another in electric 3W applications.
- ENDU has commenced commercial production of the APTC clutch for premium and high-performance 2Ws in 2QFY26. Management has indicated that this clutch is a high-margin, proprietary product. Further, the company is now developing hybrid and EV-compatible clutch systems.
- Management emphasized that the transmission business is still at an early stage but highly strategic, as it completes ENDU's positioning as a 'full-system supplier' for 2W and 3W drivetrains.

Update on Maxwell

- In 1QFY26, ENDU purchased the remaining 38.5% stake in Maxwell and now owns 100% of the company.
- Maxwell was able to narrow PAT losses this quarter due to improvements in operating leverage from higher volumes, internal efficiencies, and a better mix of higher-value BMS variants.
- Maxwell continues to supply large volumes of its AVA BMS platform to 2W OEMs and has launched newer HP-Safe, CT-Lite, and LT+PRI BMS variants, winning INR210m worth of orders in FY26 YTD.
- The company is also expanding the SMT (Surface Mount Technology) capacity — the first SMT line at Chakan currently supports 44,000 BMS units per month, and a second SMT line is being installed by March 2026, doubling the total BMS capacity to ~88,000 units per month. This expansion is being funded internally and will help support both EV and non-automotive energy applications.
- Maxwell is spearheading ENDU's move into battery-pack assembly, with a dedicated lithium-ion battery-pack facility coming up in Talegaon, Pune. The plant is scheduled to begin SOP in 4QFY26. The first confirmed battery-pack order is from a leading Indian 2W OEM, carrying a peak annual potential of INR30b.

- Maxwell has received an LoI for supplying battery packs from a large 2W OEM and is in advanced discussions with three other OEMs across the 2W, 3W, and tractor segments. The company is also pursuing INR1.4b worth of live RFQs, including opportunities in stationary energy storage and non-automotive applications such as telecom and renewable energy systems.

Update on Europe

- ENDU has completed the acquisition of a 60% stake in Stoferle and plans to acquire the remaining 40% over the next five years.
- Most major OEM customers in Europe, including Stellantis, Daimler, Volkswagen Group (including Porsche and Audi), and Renault, maintained steady volumes through the quarter.
- Management expects new hybrid and EV programs to reach peak invoicing of EUR150m between FY27 and FY29.
- ENDU is localizing sub-components within EU operations. It has reported a new supply award from a premium European OEM for lightweight aluminum gearbox housing.
- New RFQs from European OEMs are increasingly focused on high-complexity castings and hybrid housings, where ENDU has a competitive edge due to its process capability and cost efficiency in die-casting and machining.

Update on new capacity addition and capex guidance

- It has so far invested INR4.6b in capex in 1H, and FY26 guidance stands at INR8b for its new projects.
- In response to draft regulations, ENDU is setting up dual-channel ABS lines and additional disc-brake capacities at Waluj and Chennai.
- ENDU is setting up the AURIC Shendra machined-casting facility (4W & non-auto focus) with SOP expected by 4QFY26, and an additional machining/casting capacity is being added to meet specific export and premium OEM programs.
- Europe capex for FY26 is being targeted at EUR30-32m (having invested Euro20m in H1), focused on capacity additions coupled with tooling and automation across Italy and Germany.



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Escorts Kubota

Current Price INR 3,609

Neutral

- **Domestic Tractor:** Domestic tractor industry volumes for Q2 grew ~31% YoY at 275k. Substantial growth was observed in the southern and western regions, aided by healthy rainfall and improved sentiment. The northern markets were stagnant over the past few months; however, this region is now seeing positive movement, as per management.
- EKL's domestic volumes stood at 32,329 units (+31% YoY) with a market share of 11.8% in 2Q compared with 10.1% in 1QFY26 and 11.8% in 2QFY25.
- Dealer inventory is currently less than four weeks.
- Management expects the tractor industry to deliver low double-digit growth in FY26, supported by healthy reservoir levels, increased minimum support prices, and favorable terms of trade.
- Industry tractor exports remained flattish, growing by 4.4% YoY to 25.6k units as of Q2FY26. For EKL, exports remain a key strategic growth lever. EKL's export numbers grew 26.2% YoY to 1.5k units. The growth was primarily supported by stronger shipments to Europe and an initial ramp-up of supplies to Mexico

The image shows a screenshot of the Escorts Kubota financial statements. It includes a table of contents with sections like 'Financial Results', 'Management Discussion and Analysis', and 'Financial Statements'. Below this, there are several tables containing financial data, including a table for 'Financial Results' with columns for 'Particulars' and 'Amount in Lakhs'.

through the Kubota Global Network, which now accounts for 50% of export volumes. Export market share was 6.0% in 2QFY26, slightly lower than 6.8% in 1QFY26, but above 5.0% in 2QFY25.

- The company expects to significantly expand its export footprint once the upcoming greenfield facility becomes operational (likely by FY28). After this, it expects to commence exports to the US. Escorts would also look at making India a global hub for certain Kubota models.
- EKL launched the PROMAXX series under the Farmtrac brand (30-50 HP) in January to strengthen its presence in Gujarat, Maharashtra, Chhattisgarh, Odisha, and MP, and has successfully captured 70% of the segment. They have recently launched the Kubota MU series in the 41-50HP category, which has received a favorable initial response. The set of launches for the Powertrac series originally planned for 2Q has been deferred to 4Q. Once these are launched, management expects market share improvement across regions for the Powertrac series as well.
- **Non-tractor revenue & machinery:** Non-tractor revenue (spares, engines, implements) contributed ~17% to agri machinery revenue. The segment grew ~29% YoY, outpacing the core tractor business, with EBIT margins expanding 370bps to 12.8% YoY. EKL expects contribution from non-tractor business to increase gradually over the next few quarters, particularly as the pace of tractor growth normalizes. Management highlighted that robust demand for harvesters and mechanized implements will be sustained over the coming quarters. In harvesters, Escorts Kubota currently enjoys a ~30% market share and plans to expand into the larger wheel-type segment, which dominates the domestic market.
- **Construction equipment (CE):** The construction equipment business faced a subdued quarter, impacted by weak industry volumes due to the extended monsoon, lower-than-expected mobilization of infrastructure projects on the ground, and additional costs arising from the transition to BS-VI emission norms. Industry volumes declined 4% YoY, led primarily by a 13% contraction in cranes. For EKL, mini-excavators continued to gain traction with market share increasing by 150bps to 18.5%. Total volumes for EKL in this segment fell ~18% YoY to 1,146 units. Segment EBIT contracted largely due to lower production volumes and unfavorable operating leverage. Management expects a gradual recovery from mid-3QFY26, aided by the government's infrastructure push and improved project mobilizations after the extended monsoon. It is optimistic that margins will recover to high single digits in the second half, aided by normalization of volumes and easing input costs. • The company's captive finance subsidiary, launched in late FY25, is currently operational in four to five states and remains in its stabilization phase. EKL is planning a nationwide rollout in FY27, targeting a 25–35% penetration level over the next three to four years, consistent with industry benchmarks. The financing arm is likely to break-even in FY27 and turn profitable in FY28.
- **Localization effort:** The company has commenced local production of transplanters, with manufacturing expected to start next year. Localization of key harvester components is being pursued through contract manufacturing partnerships in India with Vietnam, and Japan, to optimize costs and reduce reliance on imports. For Kubota-branded tractors, the company continues to

explore localized engine development, though management highlighted that current volumes do not justify the investment. However, within two years, a new co-branded range with locally produced engines is expected to be launched, which should improve profitability for the Kubota brand.

- Management clarified that the commercial domestic launch of electric tractors remains unviable due to high battery costs and limited charging infrastructure. Electric tractors are currently exported to developed markets, although demand has softened following subsidy withdrawals in the US.
- **Greenfield Plant:** Land acquisition for the upcoming greenfield project is nearing completion by the Government, with only minor parcels pending transfer. The first phase of the project will add 100,000 units of annual capacity (tractors and CE combined) and would add another 1k units in phase 2. The company's current installed capacity is ~170,000 units, expandable to 200,000 units with minor balancing investments.
- **Capex** for FY26 is expected to be INR3.5-4.0b, and is likely to be similar for FY27E. The greenfield expansion will be over and above this base level, with the initial focus on capacity creation for export models and construction equipment.



HAPPY FORGINGS LIMITED

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Happy Forgings

Current Price INR 1,022

Buy

Outlook

- The 14,000-ton press line utilization stood at ~55–60%, with headroom to go up to ~75%.
- With its focus on diversification, they expect the mix for CV + farm to come down to about 50% over the next few years, and the balance to be contributed by Industrial + Off-highway + PV + Others.
- New order wins for 1H stood at INR800m with better realization. However, 1H growth remained muted due to a decline in the existing business along with a challenging global business environment. 3Q is expected to see the commencement of some of the new orders, which would see a ramp-up in 4Q and beyond, according to the management.
- Revenue growth is expected to come from execution of new orders in PV, off-highway (large axle for German OEMs), new lines for wind and heavy tractor, and the industrial business over the medium term. GST rate cuts are expected to further support growth in the domestic markets. Thus, FY27 revenue growth is likely to be much better than the current fiscal.
- Management is evaluating a few probable inorganic opportunities. These would be largely in forgings space, in areas where HFL would not have a presence, and where they could be able to add some new technology as well as new customers/components.

CV update

- Domestic MHCV saw marginal growth, supported by infrastructure activity, higher freight, and demand from steel/cement/construction.
- However, CV revenues remained muted due to weak export demand. Volumes for one of its key CV export OE fell to 24K run-rate from 40k units YoY in 2Q. However, as per this OEM, its volumes are expected to pick up to 36k run-rate in FY27E, and hence management is hopeful of CV exports recovery in FY27.
- They are working on a few CV orders, which are yet to materialize

Happy Forgings

Buy

Current Price INR 1,022

Outlook

- The 14,000-ton press line utilization stood at ~55–60%, with headroom to go up to ~75%.
- With its focus on diversification, they expect the mix for CV + farm to come down to about 50% over the next few years, and the balance to be contributed by Industrial + Off-highway + PV + Others.
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- The domestic CV business is expected to improve in the coming quarters on the back of the execution of new orders from a leading CV OEM.

PV update

- Mid-double-digit growth driven by ramp-up of a key SUV program.
- One of the PV export orders to the US is expected to gradually ramp up from 4Q, given the 25% tariff on PV component exports from India.
- HFL would be investing INR800m capex in FY26E for the PV business itself. On the back of the new order wins, it targets to increase the PV contribution to its revenues to 8-10% over the next two years.

Farm/Off-Highway update

- On the back of pick-up in tractor demand in the domestic market, overall tractor mix improved to 34% from 33% YoY.
- While direct exports of tractors are just about 1%, they have deemed exports which eventually go into European / US OEMs. A sharp slowdown (~45% decline) European tractor industry offset the strong growth seen in the domestic market. The outlook for the US / European tractor industry for H2 remains subdued, with uncertainty over the outlook for FY27.
- Management expects Off-highway momentum to improve in FY27 with new programs ramping up.

Industrials update

- Capex of INR6.5b is on schedule. Phase 1 capex would be INR5.5b
- Out of the INR5.5b, INR1.5b would be for the wind and farm segment, while the remaining INR4b would be for the large hammer. Of the INR6.5b, INR2b would be spent on machining lines in two phases.
- For this new capex, they have already garnered orders worth INR3.5b, of which INR2.5b are for fully machined components and INR1b semi-machined.
- Some of the order wins include: 1) INR3b lifetime order (INR600-700m pa) won for wind shafts, which is likely to commence from Jan'26, 2) fully machined order worth INR1.8b pa for data center application, 3) INR500m order for 500HP tractor to be supplied to Europe / North American markets. Only about 15-20% of the above orders are for the domestic market.
- Once the first phase is operational, management is confident of garnering higher orders as clients are waiting to see their plant before awarding further orders.

Exports update

- 50% of direct exports come from industrials, while the rest come from the CV segment.
- Overall exposure to overseas customers stands at ~40% of revenues: direct exports 18-20%, deemed exports 10-12% and the balance is component assemblies that eventually go to overseas locations.
- US exposure for HFL is about 10% of the mix (direct + deemed). This total US revenue for HFL has fallen by 35-40% which has led to muted exports. While US tariffs on PV component exports from India are 25%, the same for CV components and non-auto, including agri, are 50%. For the 50% tariff category, customers are largely in a wait-and-watch mode and are buying only in cases where inventory has been exhausted. Management is hopeful that the US tariffs, especially for the 50% bracket, will reduce going forward.
- One of the genset orders for the US is currently under testing and is likely to be delayed, given the 50% tariff on the components.



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Hero MotoCorp

Buy

Current Price INR 5,799

Domestic 2Ws – industry update

- HMCL reported a strong performance in the domestic 2W market, supported by improving customer sentiment after GST rate cuts ahead of the festive season. It achieved nearly 1 million retail sales on Vahan in Oct'25, expanding its market share to 31.6% (+3.7% YoY). Management highlighted that demand has remained buoyant even after the festive season.
- HMCL was able to expand its market share meaningfully across all major categories. In the entry segment, the company expanded its share for the second consecutive quarter, driven by the successful launch of the HF Deluxe pro and steady performance of Splendor. Given the pickup in demand, the contribution of entry segment at an industry level has recovered to 9.2% in 2Q from a low of 7.9% seen in 4QFY25.
- Hero's newly launched Glamour X in the 125cc segment has received a strong response from customers. The Xtreme 125R was upgraded and launched with a dual channel ABS variant to further improve its offerings in this segment.
- The scooter portfolio also delivered a notable performance, growing 39% in 2Q. The recent launches of Destiny 125 and Xoom 125 have helped to improve HMCL's market share in the 125cc segment to nearly 10% market. Hero plans to further expand its scooter portfolio with the ramp-up of the Destini 110 metal-body scooter and the premium Xoom 160.
- HMCL's premium network has now expanded to 100 exclusive stores. Premium models recorded strong double-digit retail growth, with XPulse growing 31% YoY.
- Contribution of first-time buyers has increased to 80-85% from ~70% in the festive season.
- Management expects the industry to post 8-10% growth in 2H. Further, it expects the pickup in demand to last for 2-3 years, as seen during excise rate cuts in the past.

Update on EVs

- VIDA brand continued its strong growth trajectory and registered its highest-ever quarterly EV market share of 11.7% (+6.8% YoY), led by the success of the VIDA Vooter VX2. VIDA VX2 is equipped with a removable battery.
- HMCL has also introduced BaaS offering to customers who want to 'pay as per their ride'.
- Market share gains for EVs were particularly strong in urban and metro markets, with VIDA achieving a 20%+ market share in 49 towns, including in metros like Delhi and Mumbai. Further, it is among the top 2 EV players in about 56 towns.

Update on exports

- Global business showcased one of its strongest performances in recent years, with dispatches growing 77% YoY, almost 3x the industry growth rate.
- Growth was broad-based and driven primarily by key markets like Bangladesh, Nepal, Sri Lanka and Columbia.
- HMCL introduced its Euro5+ compliant vehicle portfolio, which helped the company launch its vehicles in European and UK markets.

Other Highlights

- This festive period showed the highest-ever collections, bringing the receivables for HMCL down to ~12 days from 30.
- Management maintained its EBITDA margin guidance of 14-16% for the coming quarters. Marketing spend was up +10% YoY in 1H as HMCL focused on brand-building activities.
- HMCL announced the appointment of Mr. Harshavardhan Chitale as the new CEO, effective Jan'26.
- Hero continued to invest in long-term capability building, approving INR1.7b in additional capex for Global Part Center (GPC) 2.0 in Tirupati, which is expected to commence operations in FY28.



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Hyundai Motor

Buy

Current Price INR 2,391

Update on Domestic business

- SUVs accounted for 71% of total volumes in 2Q, the highest ever since inception.
- Both urban and rural markets have seen strong growth in the SUV segment, with rural contribution rising to its highest level of 23.6% of domestic volumes in 2Q.
- From Navratri to Diwali, retail sales grew 23% for HMIL. Hatchback sales grew 16%, sedans grew 47% and SUVs grew 21%. Within SUVs, Venue and Exter outperformed with 28% growth. However, Venue growth was limited due to its upcoming new variant launch scheduled for 4th Nov.
- According to a PTI report, 80% of car buyers surveyed after the GST reforms indicated that they used the tax relief to upgrade to a better model/brand/premium add-ons during the festive season. 60% of buyers plan to upgrade to higher variants within the same brand, while 46% have already shifted from hatchbacks to SUVs.
- Hybrid penetration in the industry remained stagnant at 2.5% in Aug'25 vs. FY25. In contrast, EV penetration has increased significantly, from 2.5% in FY25 to 6% in Au'25.
- Current inventory stands at 3-3.5 weeks, down from 5 weeks earlier, and is at normal levels after the festive season.
- HMIL expects to grow in line with the industry in the domestic market in 2H, supported by the launch of new Venue and future product interventions.

Update on exports

- HMIL exports grew ~22% in 2Q, led by strong demand from key markets, particularly in the Middle East and Africa (up 35%), while Mexico grew 11%.
- This growth is expected to continue going forward, supported by the new Talegaon plant and new launches.
- HMIL expects its exports to exceed its initial growth guidance of 7-8% for FY26.

Other highlights

- The Pune plant commenced operations in Oct. Costs (employee expense, overheads and depreciation) are likely to rise by ~20% in the near term, until the plant ramps up and operating leverage benefits kick-in. This could impact profitability in the near term, though operating efficiency and cost control measures are expected to offset this impact partially.

- Other operating income was higher QoQ due to export duty incentives and Tamil Nadu incentives, which are accrued annually from mid-Aug. HMIL will start accruing Maharashtra incentives after the Pune plant is commercialized.
- Discounts stood at 3.2% in 2Q, down from 3.4% QoQ. Management indicated that HMIL would continue to focus on quality of sales and maintain a balance between volumes and discounts. It believes discounts are likely to have peaked and would come down in the coming quarters.
- There was commodity cost pressure in 2Q, but localization and value engineering helped to keep material costs in check. Current localization level has improved to 82% from 78% in FY25. The goal is to reach 90% by FY30.
- Royalty in 2Q stood at 2.8% of revenue.
- The Nexperia chip shortage has so far not impacted HMIL's production. It is monitoring the stock levels with its supply chain and actively evaluating alternate sourcing options.
- Of the total capex of INR450b to be invested by FY30, 60% is allocated to product-related expenses and 40% to capacity expansion, localization, etc.



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Mahindra & Mahindra

Buy

Current Price INR 3,696

Auto update

- MM's 2Q volumes were partially hit by the GST transition and complex logistics issues, but it managed to make up for the losses in Aug and Sep'25 in October.
- While retail volume growth for MM was mid-to-high teens for this festive season, growth in bookings was even stronger.
- Management has maintained its mid-to-high teens volume growth guidance for SUVs for FY26.
- Further, LCV demand seems to have revived post the GST rate cuts. Management expects the momentum to sustain in H2 and hence expects the industry to grow in low double digits for FY26.
- Exports have been strong, and the company expects the momentum to sustain for H2. XUV 3XO and XUV700 have witnessed strong demand in South African and Australian markets, which have been key growth drivers for exports
- The 3XO model is primarily a petrol offering, with no significant shift seen towards the diesel variant post the GST cut. The rest of the M&M vehicle portfolio is still predominantly (70-75%) diesel-powered.
- MM has so far sold 30k EVs between 25th Mar and 31st Oct. The penetration of e-SUVs for M&M has increased to 8.7% in 2Q vs. 7.4% for the industry.
- For EVs, Pack 1 currently accounts for less than 10% of the mix, Pack 2 makes up 35-40%, and Pack 3 accounts for 50-60%.
- The company has launched new versions of the Bolero and Bolero Neo, all priced below INR1m, after the GST rate cuts.
- Core automotive margins stand at 10.3%, while contract manufacturing margins were at 0.3%. This led to the standalone auto segment margins at 9.2% for Q2. EBITDA margin for the EV subsidiary (MEAL) stood at 5.3% post PLI incentives
- Currently, only the XEV 9e is compliant with PLI, while the BE 6E is likely to be PLI compliant by 1QFY27.

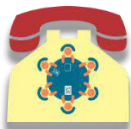
- Total PLI accrued in Q2 stood at INR46b, of which INR1.5b pertained to 2Q, while the balance was for prior quarters. PLI is reported in MEAL and not in the standalone entity.
- MM does not see any impact on production due to the Nexperia issue in the coming quarters.

FES segment update

- M&M achieved 44% market share in the domestic tractor business in H1FY26 (+80bp over FY25).
- In Q2, strong double-digit growth in demand was visible in states such as Maharashtra and Karnataka, while Uttar Pradesh and Rajasthan have shown high single-digit growth (8-9%). These states are expected to outperform, with the geographical mix not expected to change significantly. The regional mix continues to be favorable for MM as these are its strong markets.
- The strong demand in the festive season for tractors was supported by favorable rainfall, healthy reservoir levels, favorable terms of trade, and GST cuts.
- Management has increased its FY26 tractor growth guidance for the industry to 10-12% from 6-7%.
- TMA has proposed moving TREM V norms for 25-50 HP tractors from 2026 to 2028.
- Exports growth for MM in tractors has been strong, driven by a pick-up in demand in neighboring countries (Sri Lanka, Nepal, and Bangladesh), as well as its entry into Algeria.
- Farm machinery revenue for Q2 was INR3.3b – a healthy 30% YoY growth.
- Core tractor PBIT margin for Q2 stood at 20.6%.



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Maruti Suzuki

Buy

Current Price INR 15,929

Update on the Domestic Market

- For 2QFY26, MSIL achieved 394k retail sales Vs wholesales of 440k units.
- Buoyed by GST rate cuts, retail sales during the festive period (22nd Sep to 31st Oct'25) have been very strong, with MSIL recording 400k units sales in this period, up sharply from 211k units YoY. Within this, small cars contributed about 250k units, reflecting 100% YoY growth.
- In terms of customer profile, MSIL saw a rise in 2W customers looking to upgrade to cars. Also, the share of cars in their overall mix has seen an increase to 20.5% of sales from 16.5% pre-GST cut.
- MSIL has also seen strong bookings in the festive period. Total bookings reached 500k units vs. 350k units YoY. Outstanding bookings currently stand at ~200k units. Notably, bookings from the top 100 cities increased by 50%, while cities beyond the top 100 grew by 65%.
- In October, MSIL's retail sales grew 20% YoY. Within this, the small-car segment (in the 18% tax bracket) grew by 30% YoY.
- Inventory stood at around 38 days at the end of Sep'25, and is expected to have further reduced in Oct'25, given the demand surge in festive season, with a few models going on some waiting period.
- For 2HFY26 and beyond, MSIL expects the overall PV industry to grow about 6% YoY, while the small-car segment is projected to grow by around 10% YoY (on a

small base). Sedan growth is currently outpacing SUV growth for the industry, largely driven by the strong performance of the Dzire.

- Management reiterated that reaching a 50% market share in PVs remains its long-term objective. MSIL earmarked eight new SUV launches until 2031 (excluding Victoris), which will help the company move towards this target. Further, it would also be working to achieve a 10% EBIT margin in the long run, which is Suzuki Motor Corporation's guidance for the whole group as well.
- MSIL's dealer & service network stood at 5,640 touchpoints across 2,818 cities.

Update on Victoris

- The recently introduced Victoris is expected to play a significant role in strengthening MSIL's position in the SUV category. The model comes equipped with a comprehensive suite of new-age features, including "Theatre on Wheels" sound and lighting experience, a Smart Play Pro X touchscreen infotainment system with over-the-air (OTA) updates, and a smart power tailgate with gesture control. In terms of safety and technology, Victoris offers Level 2 ADAS, six airbags, an HD 360-degree camera, and a five-star Bharat NCAP safety rating for both adult and child occupant protection. The vehicle also features the next-generation Suzuki Connect telematics system, incorporating e-Call functionality and over 60 connected features.
- As of end-October, the Victoris had received around 30,000 bookings, reflecting strong initial demand.

Update on Exports

- Exports volumes grew 42.2% YoY to 110,487 units in Q2. Exports revenues for 2Q exceeded INR83b.
- MSIL's PV exports share stood at 45.4% for Q2
- Fronx has been India's first model to complete 100k units of exports in a short time.
- E Vitara exports has ramped upto over 7k units so far.
- MSIL expects to exceed its FY26 export guidance of 400k units for FY26E, having already exported over 200k units in 1HFY26.

Update on operating performance

- Margin tailwinds on a sequential basis included 50bp from lower operating expenses and around 110bp from operating leverage, which was partly offset by higher discounts (75bp), price correction measures on select models (20bp), increased ad spend (15bp), and commodity and forex movement (30bp).
- Depreciation expenses increased during the quarter, due to the ramp-up of the Kharkhoda plant, as well as the new Victoris launch.



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Results Update**

Samvardhana Motherson

Buy

Current Price INR 109

- **Operation updates:** SAMIL currently has 10 greenfield projects at various stages of completion spread across India, Poland, the UAE, and Morocco. During the current quarter, two of these were operationalized – one for the wiring harness division and another for consumer electronics. The remaining are expected to start operations over FY26-FY28: Technology and Industrial Solutions greenfield project SOP planned by 4QFY26, Lighting and Electronics by 2QFY27, Modules and Polymers and Elastomers by 1QFY27, and Vision Systems by 1QFY28.

Metric	Q2 FY26	Q2 FY25	Q2 FY24
Revenue (INR b)	116.5	113.3	110.5
EBITDA (INR b)	11.6	11.3	11.0
Net Profit (INR b)	3.5	3.3	3.0
Operating Profit (INR b)	10.5	10.2	9.8
EBIT (INR b)	10.0	9.8	9.5
Net Income (INR b)	3.5	3.3	3.0
EPS (INR)	1.1	1.0	0.9

- **SAMIL** additionally announced three strategic acquisitions during the quarter. The acquisition of Yutaka Giken deepens their partnership with Honda Motors while simultaneously adding advanced capabilities in motor rotors, stator assemblies, drive and brake systems, and thermal management solutions. The purchase of Rubbertec in Australia enhances its elastomer product portfolio and strengthens vertical integration within the polymer business. The acquisition of Rider Dome in Singapore marks SAMIL's entry into Advanced Rider Assistance Systems (ARAS) for the two-wheeler segment, positioning it for growth in intelligent safety systems.
- **SAMIL outperforms industry:** While SAMIL revenue grew 8.5% YoY in 2Q, the global LV market growth stood at ~3%. Revenue growth included the benefit from currency translation (Euro-INR) of about 3% and the Atsumitec acquisition (~3%). However, when one compares the sharp decline seen in the US Class 8 market (which was down 25% YoY) where SAMIL has an exposure, it is clear that SAMIL has outperformed the industry even on a like-for-like basis.
- **Financial performance and capital allocation:** Effective net debt rose to INR116b (vs. INR113b QoQ) due to expanded working capital and sharp forex volatility; leverage ratio stood at 1.1x (flat QoQ). Management expects the same to reduce further to 0.9x by FY26-end.
- Capex guidance is maintained at INR60b for FY26, with current quarter capex standing at INR14.5b (INR26.5b for 1HFY26).

Segmental updates

- **Wiring Harness:** Revenue grew 4.7% YoY to INR85.5b, with margins slightly lower at 10.5% (vs. 11.2% YoY) due to weak demand in the US Class 8 market, and early-stage greenfield integration cost. Revenue growth was supported by content increase and the ramp-up of new programs. One new greenfield facility is expected to start SOP in Q1FY27.
- **Vision Systems:** Both revenue and margins were flat YoY at INR50.8b and 9.2% respectively. New model launches and OEM programs in Europe and Asia helped maintain the revenue trajectory. A new greenfield plant is planned in the UAE for 1QFY28.
- **Integrated Assemblies:** Revenue was up 8.2% YoY at INR25.8b; margins expanded 30bps YoY to 11.8% on operating efficiencies and new order wins. Three greenfield sites in China and Mexico are coming up to support new/existing customers.
- **Emerging business margins declined 380b YoY to 9.5% due to:** 1) start-up costs of greenfields at the Consumer Electronics division; 2) weak business mix.
- **Modules and Polymers business** grew 12.3% YoY to INR153.7b. Strategic acquisitions in Europe, internal restructuring, and completion of transitory work, coupled with the use of automation and AI for efficiency gains, have led to this robust growth. Margins remained flat YoY at 7.4%.
- **Consumer Electronics:** The Consumer Electronics vertical achieved a 36% sequential revenue increase (September run rate) and continues to ramp up production. Two plants are operational, and Motherson's largest-ever facility is scheduled for SOP by 3QFY27.
- **Aerospace:** The Aerospace business achieved 37% YoY revenue growth in H1 FY26. SAMIL has been empaneled as a Tier-1 supplier with Airbus, opening high-

value complex RFQ opportunities. With 17 facilities across four countries, the division offers near-shore and cost-efficient manufacturing options to OEMs.

- Aerospace and consumer electronics combined booked business reached USD3b, up from USD2.7b in Mar'25.

Other key takeaways

- Order book worth USD87.2b has been generated with USD3b in non-auto related orders. EV share in automotive booked business has dipped from 24% at the end of FY25 to 22% in this quarter. The primary reason for this dip was a slowdown in EV adoption.
- SAMIL has incurred ~USD10m in tariff-related costs. Given that most of their facilities are close to customers, their impact has been minimal, considering the global scale of their business.
- SAMIL is currently supplying to 7 out of the top 10 new energy vehicle Chinese players and is actively supporting them in their production outside China.
- Management noted that the Nexperia chip crisis will have minimal impact on their business as customers are actively working around it, and they remain optimistic about its resolution soon.
- The company has increased its exposure to Gen-AI by setting up a global capability center that is expected to open by Q4FY26. They plan to add ~5000 engineers over the course of the next 5 years.



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SONA BLW Precision

Neutral

Current Price INR 489

Business update

- Growth in 2Q primarily came from the integration of the tractor division and healthy demand in traction motors, while other segments saw flat to moderate growth.
- BEV revenue fell 17%, with BEV contribution falling to 30% in 1H from 36% YoY. The decline was primarily due to issues faced by a major customer in a specific EV model that saw a fall in production volumes.
- Hybrid revenue share stood at 24% of the automotive revenue.
- Margins were lower YoY due to an adverse product mix, lower operating leverage and the integration of the railway business.
- RoCE and RoE dipped temporarily due to the recent capital raise, but management expects them to improve going forward.
- Three direct driveline competitors in the EU have filed for insolvency in the past six months. Sona BLW is emerging as a key beneficiary of the same, as it is seeing a meaningful rise in customer RFQs for new business.
- Sona Comstar and JNT have mutually agreed to put their proposed joint venture in China in abeyance due to geopolitical challenges.
- Demand uncertainty persists given the evolving tariff situation in the US. However, the US govt's decision to relax tariffs for OEMs that have assembly plants in the US comes as a relief to many of Sona's key OEMs in the US.
- Margin guidance (with Railway division merger) stands at 24-26% range.

Order book update

- The total net order book stood at INR236b as of 2Q end, with EVs forming 70% of the order book. As a prudent measure, management has adjusted its order book for orders that seem difficult to fructify due to global headwinds.
- Sona Comstar now has 62 active programs across 32 customers, with 29 programs yet to commence production. The company added two new EV programs in 2Q.
- It received its first order for the driveline plant in Mexico to supply differential assemblies to an existing North American OEM of recreational off-highway vehicles. This program added INR2.6b to the order book and is expected to start production in 2QFY28. This is the second order from the same customer, validating its decision to set up the Mexico plant.
- Sona has been nominated for two programs to supply integrated motor controller modules for active suspension systems: 1) One from an existing Asian EV OEM (INR6.4b order), 2) the other from a European luxury performance car OEM (INR1.8b order).
- These two programs are expected to start production in 2QFY27. The orders will be supplied from Sona to ClearMotion and then to the end customers, showcasing the increasing adoption of its suspension motor systems.
- The railway order book stood at INR13b and these orders are likely to be executed within the next 12 months.

Customer diversification

- Top 5 customers contributed 51% of 2Q revenue, down from 62% in FY22. Top 10 customers contributed to 72% of revenue, down from 80% in FY22.
- The largest customer's share in FY25 has come down from 23% to 6% in 2QFY26, indicating a strong ramp-up in other customers. Similarly, the current largest customer, two out of the top 5, and three out of the top 10 customers were not present in the customer base in FY22.

External headwinds

- Impact on Sona due to the ongoing Nexperia chip shortage is limited as this has more impact on European OEMs.
- The Novelis aluminum plant fire in the US has affected Ford's production, including F-Series, for which Sona is a supplier. This is expected to have some impact on supplies to this OEM in the near term.

Technological developments and innovations

- Sona Comstar has signed an MoU with Neura Robotics (Germany) to jointly develop advanced technologies, components, and subassemblies for robots and humanoids targeted at India and other agreed markets. Management expects a meaningful ramp-up in this segment after five years. However, the addressable market for these products could be bigger than the automotive industry size in the next 15 years.
- The company successfully developed, tested, and validated a rare-earth-free, ferrite-assisted synchronous reluctance motor for electric three-wheelers and light commercial vehicles. This includes both mid-drive and hub motor configurations. The new motor is not dependent on China for raw materials and offers performance comparable to ferrite motors. The ferrite free motor has lower temperature-related degradation, making it a viable and cost-effective alternative.

Update on railway business

- The company remains optimistic about medium-term potential in the railway segment.
- New products are in testing or development phases, and strong growth is expected over the next five years.
- The company sees a large opportunity to improve the cash conversion cycle in this vertical.



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The screenshot shows a detailed financial report for Tube Investments of India. It includes a table of contents, a summary of key financial metrics, and a detailed analysis of the company's performance across various segments. The report is dated 28 November 2025.

Tube Investments

Buy

Current Price INR 3,030

- **Engineering:** The engineering segment witnessed a 10% YoY growth in volumes, driven by sustained demand from both automotive and non-automotive customers. Revenues grew 4.4% YoY to 13.8b. Capacity utilization remains within the 80-85% range for existing plants, with sufficient headroom from recently commissioned facilities at Nashik (for cold rolled strips) and Phaltan, ensuring adequate capacity for the coming 1-2 years.
- **Metal Formed:** Revenues for this quarter in the metal formed segment grew marginally to INR4.1b. Market share in auto chains and industrial chains remains strong, with a marginal improvement YoY. TIINDIA currently commands nearly 50% market share in the INR9b industrial chains segment.
- **Railway orders:** The railway order at the Metal Formed division, which was expected to be commissioned by 4QFY26, is likely to see a delay of one quarter due to a lack of readiness among other suppliers.
- **Mobility:** The mobility business' revenue grew by a healthy ~16% YoY to INR1.9b in Q1. Growth was primarily led by focus on premium and specialized bikes, the launch of e-bikes, and increased traction in the fitness and leisure segment. Management expects the growth momentum to sustain, which is likely to help sustain margins as well.
- **EV segment:** TI Clean Mobility (TICM) reported its best-ever quarter in Q2 FY26, with revenue rising 21% YoY and 31% sequentially.
- **Update on e-3Ws:** E-3W volumes stood at 2,082 units in 2Q, modest growth of 2% YoY. This was partly led by some demand moderation in the 3W EV segment post GST rate cuts, as demand was seen shifting a bit to the 3W diesel segment. Apart from this, some product-related issues at the TI end also impacted their sales, which have now been addressed. On the back of this and the expected launch of a model in the cargo EV segment, management expects the 3W EV segment to see a ramp-up from 4Q onwards.
- **Update on the e-truck segment.** The electric heavy truck segment maintained solid momentum, with 2Q volumes of 44 units and continued market leadership with over 50% share despite intensifying competition from 7-8 other players. TICM expanded its product range with the launch of a 4x2 variant and battery-swapping technology for both 4x2 and 6x4 models, and plans to introduce an electric tipper in 4QFY26. Customer feedback and repeat orders remain strong.
- **Update on e-SCVs:** The electric small commercial vehicle (SCV) business recorded volumes of 167 units in 2Q, showing healthy sequential growth and positive customer reception. The segment has been relatively insulated from the impact of GST cuts on ICE vehicles, with TCO parity achievable within two to

three months. TICM continues to focus on expanding applications and improving operational efficiency, viewing SCVs as a key medium-term growth driver within its clean mobility portfolio.

- **Exports:** Export contribution currently stands at 15% of standalone revenues. Q2 exports were slower, particularly in the US, which saw a 10% dip and contributed to ~4-5% of TI's overall revenue. Volumes were hit by higher import tariffs.
- **TI Medical:** Performance was flattish YoY, primarily due to a temporary slowdown in September from GST-related dealer destocking and weaker hospital demand. Management expects recovery from November–December 2025, aided by new product introductions. Growth target of 15% for the near term was maintained, with 25% CAGR over the long term as new verticals are launched beyond sutures.
- **CDMO business:** Of the INR3b investment planned, INR2.5b has been deployed already, while the remaining will be invested over the remainder of this fiscal year, provided certain milestones are achieved.
- **Future capital allocation:** For FY26, capex for the base business is expected to be at INR3-4b. They would look to invest about INR4b between their CDMO business and TI Medical, and INR2-3b will be earmarked for potential M&A opportunities in adjacent sectors.



Click below for
Detailed Concall Transcript &
Results Update



TVS Motors

Buy

Current Price INR 3,479

Update on domestic market

- TVS ICE volumes grew 23% in Q2FY26, outperforming the industry's overall growth rate of 11%.
- During the festive season, on a like to like basis, TVS posted a 32% YoY growth in retail volumes, outperforming the industry's 24% growth. Industry growth was supported by strong demand in both rural (+24%) and urban markets (+26%).
- On the back of benefits from GST cuts, management expects the industry demand momentum to sustain, and projects the industry to post 8% growth in H2. Management remains confident of outperforming the 2W industry going forward.
- Jupiter 125 now contributes to 35-36% of the brand's overall volumes.
- TVS added 100 touchpoints in the domestic 3W network in CY25.
- In terms of dealer stock, only EV variants are facing a stock crunch with dealers, given the ongoing shortage of rare earth magnets.

Update on EVs

- The EV industry in India grew by 8% in Q2FY26, despite facing constraints due to the magnet shortage, which affected production and supply.
- EV revenue for TVS stood at INR12.7b for Q2FY26, majority of which is eligible for PLI. While it is delivering positive contribution margins, it remains negative at the EBIDTA level.
- TVS is gaining strong traction in the 3W EV segment, having already doubled its market share to 11%.

Update on new product launches

- Ntorq 150 has been launched as the most powerful scooter in its category, positioning itself as the first hypersport scooter. With a top speed of 104 km/h, it is the quickest in its class, receiving excellent feedback from riders.
- In October, TVS has launched a new Raider, featuring 'boost mode' with iGo Assist, dual front and rear disc brakes, and single channel ABS.
- To celebrate 20 years of the Apache series, TVS introduced an exclusive series in the RTR 150, 180, 200, 310, as well as RR-310.
- TVS launched Orbitor, a new electric vehicle (EV) aimed at attracting young, urban customers. Orbitor features an impressive 158 km range, hill hold assist, 34L boot space, and a 14-inch front wheel. Priced at INR99,900, it has initially been launched in Maharashtra and Karnataka, with plans for pan-India availability by Q4FY26.
- TVS also unveiled King Cargo HD EV, an electric vehicle designed for urban logistics and cargo mobility. It features a high load capacity, a 6.6ft load deck, a spacious cabin with improved ventilation, and a power gear mode to optimize performance. With a top speed of 60 km/h and a range of 156 km, King Cargo HD EV is designed to cater to the growing demand for efficient urban cargo solutions. Additionally, TVS Connect is included to enhance operational optimization and fleet management, aligning with the company's focus on smart mobility solutions.

Update on Exports

- Exports revenue stood at INR28.8b in Q2. Its USD-INR realization was flat QoQ at INR86.4.
- TVS exports grew 31% YoY in Q2FY26 vs industry growth of 26%. TVS has successfully expanded its footprint in both Africa and LATAM. While the company's presence in LATAM remains relatively small, it is outperforming the industry and remains confident of sustaining its outperformance in the region over coming quarters.
- TVS has established a solid presence in several key Asian markets, particularly in Sri Lanka and Nepal, both of which have shown strong performance. Additionally, the company is expanding its footprint in Bangladesh, further solidifying its position in Asia.

Update on subsidiaries and investments

- TVS Credit's total book stood at INR278.1b, with a customer base of 21.3m. PBT for Q2 stood at INR2.8b, up 28% YoY.
- In Q2FY26, TVS invested INR5.5b towards Norton, e-bikes, and for setting up an office in Dubai.
- Norton will unveil its first bike at the EICMA in Milan, Italy, next week, scheduled for launch in India in April 2026. The strategy for Norton's entry into the Indian market will be differentiated from that of TVS, reflecting a more targeted approach for this premium brand. In the European Union, Norton has already begun laying the groundwork for its distribution plans.

Other highlights

- Spares revenue in Q2FY26 stood at INR10.73b.
- There was a 0.5-0.6% increase in input costs in Q2. TVS has implemented price hikes to offset the same. The company expects a slight rise in commodity costs in Q3.

CAPITAL GOODS



- Management maintained a broadly positive outlook, highlighting an expected revival in the domestic capex cycle, led by power generation demand, steady industrial recovery, and healthy momentum across railways, marine, and infrastructure. The inquiry and tender pipelines remain strong across T&D, hydrocarbons, metals, utilities, sugar, defense, petrochemicals, oil & gas, and green energy, supported by rising data-center cooling needs and expanding clean-energy capacity. Export sentiment is mixed, with traction seen across MENA and select global regionals, though for some companies, overall export order build-up has been sluggish for few due to geopolitical uncertainty, with some revival expected as tariff-delayed finalizations resume. Powergen market demand has surprised, and going ahead, companies have indicated that growth will be volume-driven as prices have more or less stabilized. For the Defense sector, a few large-sized orders were booked during the quarter, and more are expected to be finalized by the end of FY26. Companies have planned meaningful capex over the near-to-medium term to expand capacity, backward integrate, and upgrade manufacturing, while order inflows are expected to strengthen in 2H as pending awards materialize. Overall, management sees supportive domestic demand, private and government capex revival (though both remain selective), and improved traction in export markets as key tailwinds.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Domestic Capex Cycle
Larsen and Toubro	■ Order inflow growth is expected to exceed the previous guidance of 10% YoY in FY26. ■ Revenue growth guidance stands at 15% YoY. ■ Core E&C margin is targeted to be at 8.5%. ■ NWC-to-revenue ratio guidance stands at 12%	■ The prospect pipeline for 2HFY26 stands at INR10.4t (+29% YoY). ■ Of this: Infra is INR6.5t (+20% YoY), hydrocarbon INR2.9t (+30% YoY), carbon-lite solutions INR0.5t (+92% YoY), green and clean energy INR0.2t, and heavy engineering INR0.3t.
ABB India	■ QCO-related challenges continue to persist. ■ CY25 PAT margin guidance is expected to remain within the 12-15% operating band.	■ Tailwinds include private consumption, government capex, and moderating inflation, while headwinds include trade uncertainty, prolonged geopolitical tensions, and foreign exchange volatility.
Siemens Ltd	■ The easing of income tax rates and GST reforms is expected to increase consumption in the coming quarters, leading to a pickup in private sector capex.	■ Government-led capex in infra is expected to continue.
Kalpataru Projects	■ FY26 revenue guidance is >25% for FY26. ■ PBT margin is expected to improve at least 50bp YoY in FY26. ■ EBITDA margin is likely to trend towards 9% in FY27. ■ The order inflow guidance is >INR250b in FY26. ■ Consolidate/standalone NWC is expected to remain below 100/90 days.	■ The T&D tender pipeline for the next 12-18 months is INR1.5t, which includes INR500b from domestic HVDC. ■ The LMG subsidiary's order backlog is expected to expand at a 20-25% CAGR over the next 2-3 years.
KEC International	■ FY26 revenue growth guidance is ~15% YoY, with an EBITDA margin of 8%, implying >8.5% margin in 2H. ■ Net debt is projected to reduce to INR50b, and interest cost will remain at ~2.5% of sales.	■ The tendering pipeline stood at INR1.8t, led by T&D and civil segments, with T&D's share at ~INR600b-650b. ■ FY26 capex is estimated at INR4b.
Cummins	■ The company has expressed double-digit revenue growth guidance for FY26. ■ Margins are expected to hold steady.	■ Both Powergen demand and overall data center demand are expected to remain strong. ■ In Industrials, demand from construction is expected to revive, while marine and railways are expected to remain strong. ■ The company remains cautious on exports, given the ongoing geopolitical uncertainties.
KOEL	■ The company is targeting USD2b by FY30 ('2B2B' strategy). ■ It remained focused on the planned rollout of products in 3QFY26.	■ Powergen demand in the domestic market is likely to be driven by volumes and an increased share in HHP. ■ Demand in the industrial business is expected to remain broad-based going forward.

		Export demand remains strong in the MENA region.
Hitachi Energy	Margins are expected to be in double digits.	The company aims to utilize QIP funds toward capacity enhancement, factory expansion, purchase of machinery, safety improvements, and infrastructure upgrades of its Business Units. FY26: INR7.6b, FY27: INR7.2b, FY28: INR2.7b, and FY29: INR2.6b.
Bharat Electronics	- FY26 order inflow guidance is expected at INR270b (excluding QRSAM). - FY26 revenue growth guidance is 15%, with EBITDA margin of >27%. - Export revenue is expected to reach 5% of total revenue in the next 2-3 years and 10% over the long term. - R&D investment stands at >INR16b.	Capex guidance stands at INR10b for FY26, and another INR14b is expected to be invested over the next three to four years for a new Defence System Integration Complex (DSIC) in Andhra Pradesh, covering 920 acres.
Bharat Dynamics	- The company expects order inflows worth INR200b over the next 2-3 years. - Annual revenue is expected to reach INR100b by FY30-31. - Margins are expected to expand.	FY26 capex guidance stands at INR2b.
Zen Technologies	- The company aims for 50% revenue CAGR, achieving cumulative revenue of INR60b by FY28. - It does not anticipate any threat of margin being compromised.	Inflows are likely to pick up in 2H as pending INR6.5b simulator orders and anti-drone orders move forward.
Thermax	- The company expects revenue and PAT to grow YoY despite one-off impact in 2Q, with a stable margin profile. - Order inflow growth guidance stands at 20% YoY for FY26. - Industrial infra margin profile for new projects is 5-8% for domestic, 10%+ for international. - The company has planned an investment of INR7.5b in the green solutions business over the years.	- The company has a reasonable pipeline across the power, metals, refining, petrochemical, and fertilizer sectors. It experiences steady traction internationally in HRSGs, oil and gas boilers, and data center power projects. - Industrial Products: Data center cooling demand is rising, and the services share is targeted to reach mid-teens (from low-doubles). - Green solutions are expected to exceed 300 MW capacity by FY26, with an additional 200-350 MW by FY27. Investment in this segment stands at ~INR7.5b.
Triveni Turbine	Revenue growth is expected to be back-ended, with strong growth anticipated in 2H, leading to overall YoY growth in FY26.	- The domestic inquiry pipeline increased ~86% YoY, driven by strong traction across key sectors, including steel, cement, sugar, and drive turbines for the utility power segment. - The finalization of export orders, which was delayed due to tariffs, is expected to resume soon.



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ABB India

Current Price INR 5,080

Buy

- Order Inflows and Order Book:** Base orders grew 13% YoY, reflecting healthy growth across all business divisions, while total orders declined 3% YoY due to the absence of large orders in the current quarter. The order backlog stood at INR99b, providing good visibility for the coming quarters. The backlog comprises about 30% large orders and 70% smaller orders that are executed on a month-to-month basis. ABB stated that there are no slow-moving or non-moving orders and that all backlogs are lined up for execution over the next few quarters.
- Material Costs:** The costs increased due to changes in product mix, competition intensity, and the introduction of QCO certification requirements. The company noted that the post-Covid pricing premium that existed in prior quarters has

ABB India
Q3 FY25 Results

Particulars	Q3 FY25	Q3 FY24	Q3 FY23
Revenue	1,100.00	1,150.00	1,120.00
EBITDA	180.00	200.00	190.00
EBIT	160.00	180.00	170.00
Profit before tax	140.00	160.00	150.00
Profit after tax	120.00	140.00	130.00

The screenshot shows a detailed financial statement for ABB India for the third quarter of FY25. It includes a summary of key financial metrics and a detailed breakdown of the income statement. The revenue for Q3 FY25 is 1,100.00, compared to 1,150.00 in Q3 FY24 and 1,120.00 in Q3 FY23. The profit after tax for Q3 FY25 is 120.00, compared to 140.00 in Q3 FY24 and 130.00 in Q3 FY23. The statement also includes a section on the impact of foreign exchange and other non-recurring items.

now dried up, contributing to a higher material cost ratio. The increase also reflects portfolio shifts and a slowdown in certain customer decisions affecting mix and pricing.

- **Margins:** Profit before tax margin stood at 16.4%, compared with 20.5% in 3QCY24 and 14.9% in 2QCY25. The company attributed the decline to the mix of revenues, competitive pricing, forex impact, and QCO-related costs. The impact on margins was quantified as approximately 1% from mix, 1–1.5% from pricing, 0.75–0.8% from QCO, and 0.6% from forex, resulting in a gap of about 3% versus earlier quarters.
- **Prospect Pipeline:** The company reported high engagement in data centers, electronics, and renewables, which continue to provide long-term growth opportunities. It observed moderate growth in mid-tier sectors and low growth in others that tend to rotate over time. Within renewables, the company highlighted opportunities in battery energy storage systems (BESS) and green hydrogen, while rail and metro projects continue to receive strong investment support. Co-location data centers were reported as growing strongly, while hyperscale data centers saw sluggish demand in the quarter.
- **Competition from Chinese Players:** The company mentioned that with the recent improvement in India–China trade relations, more business exchanges are taking place between the two countries. It stated that the impact of Chinese imports into India remains unclear and that customers in process industries are evaluating how this may affect pricing and demand conditions. The company added that the extent to which Chinese imports may enter the market could influence the future demand curve of domestic industries.
- **NVIDIA Opportunity:** The company confirmed its global engagement with NVIDIA to develop solid-state drives and power solutions for AI data centers. It stated that all technologies developed by ABB globally are available to customers in India, provided there are no geographic restrictions on their application.
- **Pricing Impact:** The company stated that competition has intensified across multiple segments, and the price premium of 1–1.5% enjoyed earlier is no longer available. It also noted that market dynamics have slowed decision-making in certain orders, which has limited pricing flexibility in the near term.
- **Forex Losses:** The company reported a foreign exchange impact of about 0.6% on profitability. It stated that, unlike the previous quarter, there were no significant forex one-offs during 3QCY25. The forex exposure primarily affected divisions with high import content, such as Motion and Electrification.
- **QCO Impact:** The QCO introduced by the Indian government requires BIS certification for locally manufactured components. Due to limited testing capacity and long certification timelines, the company has been using imported components that are already certified globally. This has led to higher material costs and forex exposure. The company estimated the margin impact at 0.75–0.8% and expects the issue to continue for the next three to four quarters. It added that the deadlines for implementation are subject to government extensions due to industry-wide certification bottlenecks.
- **US Tariff Impact:** The company indicated that the US tariff measures have created challenges for India’s textile sector, but India is diversifying its export

markets and the government is supporting the sector through initiatives such as the PLI scheme and GST rationalization.

- **Guidance:** For the near term, the company stated that tailwinds include private consumption, government capital expenditure, and moderating inflation, while headwinds include trade uncertainty, prolonged geopolitical tensions, and foreign exchange volatility. It noted that QCO-related challenges are expected to take three to four quarters to resolve. The company reiterated that PAT margins remain within the 12–15% operating band.



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Bharat Electronics

Buy

Current Price INR 421

- **Key order inflows announced so far:** Key orders worth ~INR72b since the start of 2QFY26 include: 1) navigation systems, jammers, seekers, and antenna units worth INR5.6b; 2) Atulya air defense radar worth INR16.4b; 3) optronic systems, IFMIS software, and communication equipment worth INR5.5b; 4) data center and electronic systems worth INR6.4b; 5) IT infra, cyber security, and ESM systems worth INR7.1b; 6) EW and defense network upgrades, tank subsystems, and TR modules worth INR10.9b; 7) tank and communication systems, ship networks, train collision avoidance system for Kavach, and jammers worth INR5.9b; 8) sensor and fire control equipment for Cochin Shipyard worth INR6.3b; and 9) SDRs, tank subsystems, and missile components worth INR7.3b. We bake in order inflows of INR270b/INR584b/INR338b for FY26/27/28E.
- **Order book mix:** BHE's total order book stands at about INR756b, distributed almost equally across the Army, Navy, and Air Force. The top seven projects including LRSAM, electronic fuzes, BMP-2 upgrade, and Akash Army systems, account for ~INR250b.
- **2HFY26 pipeline:** Order prospects for 2HFY26 are encouraging, with several contracts in advanced stages of finalization. These contracts include emergency procurement worth INR20b, a QRSAM order, next-generation Corvette subsystems, Shatrughat, Samaghat, mountain radar, jammers, and LCA avionics packages. Together, these projects are expected to drive the targeted inflow for the year.
- **Key projects executed in 1HFY26:** During 1HFY26, BHE executed several large programs including LRSAM, Him Shakti, Battle Surveillance System, Akash Army, LCA Mk1A avionics, Lynx U2 Fire Control System, and Shakti EW systems. These seven programs together contributed roughly INR40b in revenue.
- **Execution visibility:** Execution momentum is expected to remain strong in the second half as major programs continue at full pace. The company is focused on timely deliveries and expects to achieve 90-100% of planned commitments for FY26.
- **Project Kusha progress:** BHE continues to work closely with DRDO on Project Kusha, where it is developing radar and control subsystems. Prototype development is expected to take another year, followed by system integration and trials. The first production order is anticipated by Dec'29 and is expected to be larger in value than the QRSAM contract.
- **QRSAM timeline:** The QRSAM order is likely to be finalized by Mar'26, with an execution timeline of about five to six years. The program will involve parallel

production for the Army and Air Force. The company has already aligned its stakeholders, including BDL and other subsystem partners, to ensure timely readiness for production once the contract is awarded.

- **LCA opportunities:** Management expects to receive orders worth about INR25b from HAL for avionics packages related to the additional 97 LCA Mk1A order. The company is well-positioned in this program as a key supplier of indigenous avionics and radar modules.
- **UAV development:** BHE is advancing the Archer UAV program with DRDO's ADE and has completed successful prototype trials. Archer is a smaller UAV, distinct from the MALE UAV program being developed by L&T and General Atomics. BHE also plans to participate in the upcoming Archer NG program, expanding its presence in the fast-evolving unmanned systems domain.
- **Capex expansion:** BHE plans to invest around INR14b over the next three to four years to establish a DSIC in Andhra Pradesh. The facility will handle system integration, testing, and validation for QRSAM, as well as other unmanned, radar, and missile programs.
- **Guidance:** Management has maintained its guidance of revenue growth of over 15%, an EBITDA margin above 27%, order inflows exceeding INR270b excluding QRSAM, capex of INR14b, and R&D investment above INR16b, with the defense-to-non-defense business ratio expected to remain around 90:10. Export revenue is targeted to reach 5% of total turnover within the next two to three years with long-term target set at 10%.



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Cummins India	
Current Price	INR 4,250
Market Cap	INR 1,300
Revenue	INR 1,300
Profit	INR 1,300
EPS	INR 1,300
P/E	INR 1,300
Dividend	INR 1,300
Yield	INR 1,300
ROE	INR 1,300
ROA	INR 1,300
Debt/Equity	INR 1,300
Current Ratio	INR 1,300
Operating Margin	INR 1,300
Net Margin	INR 1,300
Asset Turnover	INR 1,300
Equity Turnover	INR 1,300
Capital Turnover	INR 1,300
Fixed Asset Turnover	INR 1,300
Working Capital Turnover	INR 1,300
Inventory Turnover	INR 1,300
Receivable Turnover	INR 1,300
Payable Turnover	INR 1,300
Asset Turnover	INR 1,300
Equity Turnover	INR 1,300
Capital Turnover	INR 1,300
Fixed Asset Turnover	INR 1,300
Working Capital Turnover	INR 1,300
Inventory Turnover	INR 1,300
Receivable Turnover	INR 1,300
Payable Turnover	INR 1,300

Cummins India

Buy

Current Price INR 4,250

- **Domestic Powergen:** Sales rose 49% YoY to INR1.3b and 27% QoQ, led by strong execution in multiple project segments. Excluding data centers, core Powergen grew about 20% YoY, supported by broad-based demand across low, medium, and high horsepower gensets used in hospitals, real estate, and commercial buildings. Pricing has stabilized post-CPCB IV+ transition, though competitive intensity remains elevated across all horsepower segments.
- **Data centers:** The company stated that around 40% of Powergen sales in 2QFY26 came from data centers, mainly due to lumpy project execution and site clearances completed during the quarter, rather than sustained demand. The spike was driven by strong execution of large hyper-scaler projects, while demand from co-location players remained steady. The company noted that such large projects are not evenly spread across quarters and depend on execution schedules and clearances. While several data center announcements indicate long-term potential, the company believes India's data center growth is still at an early stage compared to the US, Europe, and China.
- **CPCB IV+ Products:** Volumes in low and medium-horsepower gensets have returned to pre-CPCB IV+ levels. Pricing has normalized following the transition, but remains under pressure amid increasing competition. The company's service network was upgraded ahead of the Jul'23 CPCB IV+ rollout to handle technologically complex products. It highlighted that aftermarket revenue gains are derived from a wide range of engines (CPCB II and IV+, as well as rail,

marine, and mining), so there is no distinct margin uplift solely from CPCB IV+ products.

- **Industrial Segment:** Industrial segment sales fell 5% YoY to INR3.9b, hit by extended monsoons delaying construction activity and slower coal mining tenders. Rail performed well with smooth execution, while mining remained weak due to limited tender openings. Within the industrial portfolio, marine activity has picked up, supported by increased government procurement interest, though it still forms a small portion of overall industrial revenue. Demand recovery in the segment will depend on a pickup in construction activity and tender flow in mining.
- **Distribution Segment:** Distribution revenue increased 21% YoY to INR8b and 2% QoQ, supported by a larger installed asset base and strong maintenance demand from industrial and powergen clients. Growth sustainability depends on continued economic activity and asset utilization. The company sees no major increase in competition from third-party service providers, which remain stable. The business remains largely domestic and localized, with limited export scope.
- **Exports:** Exports increased 24% YoY to INR5.5b, driven by strong demand from Europe and the Middle East across both high and low horsepower segments. High horsepower exports were INR2.8b (+40% YoY) and low horsepower INR2.2b (+11% YoY). The company highlighted softening order intake due to inventory correction at channel partners, particularly in the current quarter. Export growth prospects remain cautious given regional headwinds—credit availability in Latin America, competitive pressures from Chinese players in Africa, and slower economic growth in Europe. The company reiterated that data center exports are limited, as production for such projects typically occurs close to the end markets (US, Europe).
- **Guidance:** Management maintained its double-digit revenue growth outlook for FY26, driven by strong domestic demand in Powergen, industrial, and distribution segments. Exports will be pursued cautiously amid geopolitical and trade uncertainties, while margins are expected to hold steady on sustained volumes, a favorable mix, and cost efficiencies.



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KEC International

Buy

Current Price INR 781

- **TAM:** KEC delivered a strong performance in 2QFY26, with revenue of INR60.9b, up 19% YoY, driven by robust execution in the T&D and cable businesses. YTD order inflows rose 20% YoY to INR160b, with 74% contributed by the T&D segment across domestic and international markets. The company also holds L1 positions worth INR50b, taking the total order book plus L1 to INR440b. The overall tender pipeline of INR1.8t, led by T&D and civil, provides strong growth visibility and long-term expansion opportunities.
- **T&D:** The business remained the company's primary growth driver, delivering revenues of INR40.8b, up 44% YoY, while maintaining double-digit EBITDA margins. The segment secured orders worth INR120b in 1HFY26, including its largest-ever EPC order of INR31b in the UAE and an INR10b substation order in Saudi Arabia. SAE Towers reported INR4.3b in revenue, up 35% YoY, reflecting strong traction in international markets. Capacity expansions at Dubai, Jaipur,

KEC International

Recent performance, outlook and key risks

The company has reported a strong performance in FY25, with revenue growth of 19% YoY. The company is expected to continue this growth in FY26, with revenue growth of 15% YoY. The company's capital investment for e-beam and elastomeric cables is progressing as planned, with commercial production expected to commence by the end of FY26. The e-beam plant, which requires additional regulatory approvals, will be commissioned in 1QFY27, while the elastomeric cable line will start in 4QFY26. Management stated that these new products would cater to defense, automotive, and railway applications, and will enhance margins once operational. The EHV line is already fully booked and operational.

Cables: The division recorded INR5.2b in revenue, up 19% YoY, supported by an improved product mix and cost optimization. Profitability continued to improve. The company's capital investment for e-beam and elastomeric cables is progressing as planned, with commercial production expected to commence by the end of FY26. The e-beam plant, which requires additional regulatory approvals, will be commissioned in 1QFY27, while the elastomeric cable line will start in 4QFY26. Management stated that these new products would cater to defense, automotive, and railway applications, and will enhance margins once operational. The EHV line is already fully booked and operational.

Civil business: The segment reported INR9.7b in revenue in 2Q, impacted by monsoon delays, labor shortages, and slower payments in water projects. The order book plus L1 exceeds INR100b, with FY26 revenue expected at ~INR50b (~15% YoY growth). Margins remain in low-single digits but are guided to improve to high-single digits by FY27 as execution scales up in higher-margin building, factory, and data center projects. The company has exited low-margin metro and infra projects, focusing instead on larger residential, industrial, and selective water contracts to enhance operating leverage.

Railways: The business has an order book and L1 of INR30b and is expected to achieve INR20b in revenue in FY26. The segment is under consolidation, with a strategic shift toward technology-driven sub-segments like signaling, TCAS/Kavach, and BLT systems, both in India and overseas (Bangladesh, Middle East).

Water: Receivables in the water business stood at INR8.8b as of Sep'25, slightly higher than INR8.5b in Mar'25. Payments from Madhya Pradesh remain steady, while Odisha has been slower though improving. Execution continues on a cash-and-carry basis, limiting further exposure. The Jal Jeevan Mission order backlog stands at INR16b (INR10b from Odisha and INR6b from MP). The slow payment pace has impacted civil revenue, though recent discussions with authorities have turned more favorable.

O&G: The oil and gas pipeline business focused on global expansion, securing pre-qualification from a leading Middle East utility and positioning for a third international order. With weak domestic tendering and high competition, focus has shifted to overseas markets. KEC Spur underperformed due to limited execution but retains key international project qualifications for future opportunities.

Capacity expansion: Ongoing expansions at tower manufacturing and cable facilities - particularly the Butibori (Nagpur) plant, are expected to be completed by FY26-end. The company has installed robotic equipment in Brazil to enhance productivity. The elastomeric and e-beam cable plants are progressing, with commissioning scheduled for 4QFY26 and 1QFY27, respectively. FY26 capex is estimated at INR4.0b, higher than the typical INR2.5-3.0b, due to these ongoing expansions.

Debt and working capital: Net debt, including acceptances, stood at INR64.8b as of Sep'25, up from INR52.7b as of Sep'24 due to higher revenue, strategic

Jabalpur, and Butibori (Nagpur) are scheduled to conclude by FY26-end, enhancing both domestic and global manufacturing capacity. The T&D order book plus L1 position stood at INR290b, and the company reaffirmed its outlook of sustaining double-digit margins in this segment.

- **Cables:** The division recorded INR5.2b in revenue, up 19% YoY, supported by an improved product mix and cost optimization. Profitability continued to improve. The company's capital investment for e-beam and elastomeric cables is progressing as planned, with commercial production expected to commence by the end of FY26. The e-beam plant, which requires additional regulatory approvals, will be commissioned in 1QFY27, while the elastomeric cable line will start in 4QFY26. Management stated that these new products would cater to defense, automotive, and railway applications, and will enhance margins once operational. The EHV line is already fully booked and operational.
- **Civil business:** The segment reported INR9.7b in revenue in 2Q, impacted by monsoon delays, labor shortages, and slower payments in water projects. The order book plus L1 exceeds INR100b, with FY26 revenue expected at ~INR50b (~15% YoY growth). Margins remain in low-single digits but are guided to improve to high-single digits by FY27 as execution scales up in higher-margin building, factory, and data center projects. The company has exited low-margin metro and infra projects, focusing instead on larger residential, industrial, and selective water contracts to enhance operating leverage.
- **Railways:** The business has an order book and L1 of INR30b and is expected to achieve INR20b in revenue in FY26. The segment is under consolidation, with a strategic shift toward technology-driven sub-segments like signaling, TCAS/Kavach, and BLT systems, both in India and overseas (Bangladesh, Middle East).
- **Water:** Receivables in the water business stood at INR8.8b as of Sep'25, slightly higher than INR8.5b in Mar'25. Payments from Madhya Pradesh remain steady, while Odisha has been slower though improving. Execution continues on a cash-and-carry basis, limiting further exposure. The Jal Jeevan Mission order backlog stands at INR16b (INR10b from Odisha and INR6b from MP). The slow payment pace has impacted civil revenue, though recent discussions with authorities have turned more favorable.
- **O&G:** The oil and gas pipeline business focused on global expansion, securing pre-qualification from a leading Middle East utility and positioning for a third international order. With weak domestic tendering and high competition, focus has shifted to overseas markets. KEC Spur underperformed due to limited execution but retains key international project qualifications for future opportunities.
- **Capacity expansion:** Ongoing expansions at tower manufacturing and cable facilities - particularly the Butibori (Nagpur) plant, are expected to be completed by FY26-end. The company has installed robotic equipment in Brazil to enhance productivity. The elastomeric and e-beam cable plants are progressing, with commissioning scheduled for 4QFY26 and 1QFY27, respectively. FY26 capex is estimated at INR4.0b, higher than the typical INR2.5-3.0b, due to these ongoing expansions.
- **Debt and working capital:** Net debt, including acceptances, stood at INR64.8b as of Sep'25, up from INR52.7b as of Sep'24 due to higher revenue, strategic

inventory buildup amid lower steel prices, and delayed payments in water projects. This represents peak debt, which is expected to reduce to INR50b by FY26-end with inflows from Afghanistan, Saudi retentions, and metro clearances. Working capital days remain high at ~138 but should ease as collections materialize. Despite higher debt, interest cost declined to 2.8% of revenue, with a further drop to ~2.5% expected in 2HFY26.

- **Guidance:** Management has reiterated its FY26 guidance of ~15% revenue growth and 8% EBITDA margin, implying >8.5% margin in 2H. Net debt is projected to reduce to INR50b, and interest cost to stay at ~2.5% of sales. Civil and cable margins are set to improve, while T&D will sustain double-digit profitability.



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Results Update



Larsen & Toubro

Buy

Current Price INR 3,999

- **Execution:** The company reported consolidated revenue of INR680b in 2QFY26, +10% YoY, driven by strong execution in the energy and Hi-Tech manufacturing segments. International revenues constituted 56% of the total during the quarter. Execution in the infrastructure projects segment was relatively subdued due to extended monsoons and slower progress in rural water supply projects but the same is expected to pick up in 2H.
- **Order book up 31% YoY:** The order book at the end of 2QFY26 stood at INR6.7t. Order inflows during the quarter reached INR1.2t, up 45% YoY. The order book is evenly split between domestic (51%) and international (49%) operations. The domestic order book consists of orders from PSUs (32%), state governments (24%), the central government (14%), and the private sector (30%). The share of the private sector in the total order book has been on a rise for the past 4-5 quarters owing to increased real estate developments in commercial, residential, and data centers.
- **Strong ordering prospects for 2HFY26:** The company has a robust order prospect pipeline of INR10.4t for 2HFY26, +29% YoY. Infrastructure contributes INR6.5t (vs. INR5.4t last year, +20% YoY) to the pipeline, with segments such as heavy civil infra (16%), transportation (21%), renewables (11%), power T&D (14%), buildings and factories (13%), water (15%), and minerals and metals (10%). The total prospect pipeline for energy segment stands at INR3.6t, with INR2.9t (vs INR2.3t last year, +30%) from hydrocarbon, INR0.46t (vs INR0.24t last year) from carbon-lite, and INR0.18t (vs INR0.01t last year) from green energy - majority from international markets. Heavy engineering and precision prospects stood at INR0.3t vs. INR0.16t last year.
- **Working capital remains comfortable:** LT demonstrated strong discipline in working capital management, with net working capital improving to 10.2% of sales as of Sep'25 vs. 12.2% a year ago. This improvement was aided by better collections, tighter control over receivables, and restrained execution on projects facing delayed payments. Improved capital efficiency also supported a healthy ROE of 17.2%, up 110bp YoY, reflecting stronger profitability and balance sheet management.
- **GCC ordering:** LT continues to see strong order traction from the GCC, which accounts for about 84% of its international order book. In 2Q, LT secured

multiple large EPC orders in Saudi Arabia and the UAE across onshore gas, offshore structures, and energy infrastructure. The regional pipeline remains robust with multi-billion dollar opportunities in Saudi Arabia, Qatar, Kuwait, and the UAE, driven by diversification into renewables and gas-to-power projects. Management remains confident of sustaining healthy GCC inflows over the next few years, supported by disciplined bidding and deep local partnerships.

- **Hyderabad Metro performance:** Management said that average daily ridership decreased to 439,000 pax/day in 2QFY26 from 468,000 in 1QFY25. However, average fare revisions from INR38 per passenger to INR46 per passenger helped to boost revenue. The company has reached an in-principle understanding where the Government of Telangana will take over the debt and equity of LT.
- **Strategic partnerships:** During the quarter, LT entered into partnerships in renewables, green ammonia, defense, and semiconductors. Key initiatives include a green ammonia JV with Itochu Corporation, a defense collaboration with BEL for the AMCA program, and the acquisition of power module design assets from Fujitsu to bolster semiconductor capabilities.
- **FY26 guidance:** For FY26, management has mentioned that it will exceed its previous order inflow guidance of 10% with scope of more ultra-mega orders. Revenue growth guidance of 15% YoY is maintained, aided by execution ramp-up in 2HFY26, while the core E&C margin is targeted to be at 8.5% on better operating leverage and efficiency gains in the second half. The company expects to maintain net working capital-to-revenue ratio of 12%.



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Thermax

Sell

Current Price INR 2,944

- **Order Pipeline –** The company reported a healthy domestic order book in 1HFY26, and expects more than 20% growth for FY26, excluding TOESL reclassification. Management highlighted a strong pipeline across power, metals, refining, petrochemical, and fertilizer sectors, with steady traction internationally in HRSGs, oil and gas boilers, and data-center power projects. Conversion of pending large inquiries is expected in 2HFY26, with 3Q and 4Q described as strong quarters ahead.
- **Industrial Products –** The industrial products portfolio, which includes heating, water, environment, and cooling systems, continued to see broad-based growth. Water and Enviro businesses now operate at low double-digit margins and are expanding internationally, while heating and cooling maintain mid-to-high-teens profitability. Water desalination, zero-liquid discharge, and clean-air solutions contributed to growth, and heating recorded its highest-ever monthly order intake in Sep'25. Cooling demand from data centers strengthened, and management plans to increase the share of services from low double digits to the teens over time.
- **Industrial Infra –** 2QFY26 was termed the “kitchen-sink quarter,” as TMX absorbed most of the remaining hits on legacy projects. Of the total backlog of about INR5.7b, largely comprising PSU and Bio-CNG jobs, around 62% is planned for execution in 2HFY26, while the balance 38% will spill over into FY27. Low-margin FGD and refinery projects, including the NRL project (INR1.8b backlog), are being completed, and the company has now turned selective on new

tenders. A key highlight was an international boiler order from a Middle Eastern oil & gas customer, where TMX is the only qualified Indian vendor. Future projects are expected to carry 5–8% domestic and 10%+ international margins, as the company rebuilds its order book around higher-quality, profitable work.

- **Bio-CNG Projects** – The company has not taken any new Bio-CNG orders for two years, except one earlier commitment. Ongoing projects are expected to be handed over by 4QFY26, with Thermax currently producing the highest CBG volumes among operational Indian plants. Technology performance has stabilized at lower-than-expected yields, resulting in single-digit profitability. Management cited policy gap - digestate utilization, green-credit framework, electricity tariffs, and rice-straw pricing—as key hurdles to commercial viability.
- **Green Solutions** – The company revised TOESL’s accounting to include long-term contract value in the order book, aligning orders with revenue recognition. The company plans to invest around INR7.5b in this segment and expand its green-energy portfolio to about a gigawatt before bringing in an external partner. FEPL renewable capacity stands near 300 MW and is targeted to reach 500–650 MW by FY27. FEPL is executing two solar projects – one in ISDs and one in Gujarat, and expects to achieve breakeven next year. The focus remains on disciplined execution and selective expansion in renewables.
- **Chemicals** – The chemicals division faced weak international demand and pricing pressure from Chinese competition in 1HFY26. The company is carrying about INR150m in growth-related costs, including INR45m of incremental depreciation. Utilization dropped to 40% but began recovering in Sep’25, supported by improving volumes in construction chemicals. The quarterly order book stands at about INR2b and is expected to rise to INR2.3-2.5b in 3Q, with profitability expected to return to the teens.
- **Subsidiaries** – TBWES is seeing strong momentum and is expected to report significant growth in 2HFY26, driven by domestic and international boiler orders. The company remains constructive on coal-based and HRSG opportunities but is not participating in BTG contracts. FEPL’s solar operations are being scaled cautiously, with a focus on project quality amid supply-side constraints. ECPL’s renewable projects are progressing toward planned capacity, while TOESL’s reclassification aligns order intake with revenue, without impacting earnings.
- **Guidance** – The company guided for a strong recovery in 2HFY26, led by improved execution and higher order conversion across core businesses. Management expects revenue and profit growth in FY26 despite the one-off impact taken in 2Q on legacy projects. Order inflows are projected to grow by over 20% YoY, supported by a healthier mix of industrial and international projects with better profitability. The company anticipates a significant pickup in revenues in 3Q and 4Q, similar to the robust performance seen in 4QFY25, and expects to enter FY27 with a stronger and higher-quality backlog, driven by larger contributions from industrial products, TBWES, chemicals, and energy solutions.



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Triveni Turbine

Neutral

Current Price INR 540

- **Order inflow momentum:** The company reported a strong order inflow during the quarter. The performance was driven primarily by strong demand in the domestic market, which grew significantly on the back of fresh orders from steel, cement and sugar sectors as well as the drive turbine segment. Management highlighted that the company's order pipeline remains broad-based across industries and geographies.
- **Domestic market demand:** The domestic market has witnessed a notable recovery after a subdued FY25, supported by broad-based industrial activity. Management indicated that key sectors such as steel, cement and process co-generation have contributed meaningfully to order inflows. Demand from the utility turbine segment is also rising as new power and industrial projects are being finalized. The company has secured approvals from major customers, including NTPC, which provides long-term visibility in this segment.
- **Export market:** Export performance was mixed in 2Q. While customer inquiries remain good, some order finalizations were delayed due to global trade issues. The US market faced delays because of tariff-related uncertainty, though TRIV expects this to improve once the situation becomes clearer. Europe and the Middle East continued to perform well, while Southeast Asia was slower.
- **Aftermarket expansion:** The aftermarket business continued to perform well and remains a steady growth driver for the company. Higher refurbishment and service activity supported another strong quarter. With a large installed base in India and abroad, the company continues to see good demand for spares and maintenance work. The company has also expanded its service offerings to cover other rotating machinery, which increases its overall market reach. Management plans to keep growing this segment as it provides regular and higher-margin revenue.
- **Product and technology development:** The company continues to invest in developing advanced technologies to strengthen its engineering leadership. It has made significant progress on its carbon dioxide-based heat pump, which has received positive feedback from potential customers for its ability to deliver high-temperature output with superior energy efficiency. The newly developed mechanical vapor recompression compressor has also gained commercial traction with the first multi-unit order already secured. Both products align with global sustainability trends and expand the company's reach into process and energy efficiency markets.
- **Subsidiary integration:** During the quarter, the company completed the acquisition of the remaining minority stake in its South African subsidiary, TSE Engineering. This move brings the entity under TRIV's full ownership, simplifying the group structure and improving control over international operations. Management stated that the integration would help unlock operational synergies and streamline decision-making across subsidiaries.
- **Capacity and supply chain:** TRIV reiterated that it faces no production capacity constraints and remains well-positioned to meet rising demand. Continuous expansion of vendor and subcontractor networks has improved flexibility and lead-time management. The company is also investing in its Sompura facility,

which will be operational by mid next year and will further enhance testing and assembly capabilities. A new turbine test bed has been commissioned to simulate real operating conditions and ensure higher product reliability.

- **Market opportunities:** The company sees new opportunities emerging in the utility drive turbine segment which caters to auxiliary power requirements in large power projects. The addressable market for this category is expected to grow meaningfully over the next few years as new generation capacity comes online. TRIV also continues to strengthen its position in API turbine applications catering to oil and gas refineries where repeat orders from reputed customers are enhancing its reference base. Refurbishment and modernization demand is increasing globally as industrial operators seek energy-efficient upgrades. These trends provide a robust medium-term growth runway for the company.
- **Guidance:** Management maintained a confident outlook for 2HFY26 as execution and ordering momentum are expected to accelerate. The company anticipates higher activity in both domestic and export markets, supported by a healthy inquiry pipeline and a record order backlog. Continued traction in aftermarket and new products is expected to complement growth in core turbine sales.



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Zen Technologies

Neutral

Current Price INR 1,399

- **Weak performance:** The quarter remained weak for Zen Technologies, as revenues decreased, largely due to delayed government orders following the focus on emergency procurements post-Operation Sindoor. Despite lower topline, EBITDA margins stayed healthy at 34%, supported by cost efficiency and an asset-light model.
- **Strong financial resilience:** Zen maintained a strong balance sheet with INR11b in net cash and zero debt. Management reiterated that the company continues to operate efficiently with stable margins and strong liquidity, ensuring it remains well-positioned to scale up when order inflows improve.
- **Anti-drone edge:** Management reiterated that Zen's anti-drone systems are fully indigenous, cost-competitive, and technically superior. They emphasized ownership of complete IP and wideband jamming capability, which allows detection and neutralization across frequencies where global competitors often fall short.
- **Simulator demand revival:** Management highlighted strong medium-term growth in the simulator segment, driven by global rearmament and training needs amid heightened geopolitical tensions. The company sees sustained demand over the next 4-5 years, with regular replacement cycles keeping the opportunity recurring.
- **Potential export opportunities:** Exports are emerging as a strong growth lever, with traction building across Africa, the Middle East, CIS, and Southeast Asia. Leveraging ARI's presence in Singapore, Zen expects meaningful export orders in both simulation and anti-drone systems over the next few quarters.
- **AI-Driven innovation:** Management spoke about embedding AI into both internal processes and core products. In simulators, AI is being used to create

adaptive one-on-one training experiences, while in anti-drone systems, it enhances threat classification and autonomous response capabilities.

- **Order book visibility:** While 1HFY26 was muted, the company expects strong traction in 2HFY26 and 1HFY27, driven by simulator and anti-drone orders under emergency procurement. Management guided that each order under this scheme typically remains under INR3b, with most finalizations expected before Mar'26.
- **Long-term guidance reiterated:** Management reaffirmed its cumulative revenue guidance of INR60b over FY26-FY28, stating that most of the execution will occur in FY27 and FY28. The company ruled out any spill-over to FY29 and remains confident that the pipeline will support this scale-up.

CEMENT



- Many cement companies are experiencing a steady momentum, with demand expected to grow 7–8% in FY26, supported by strong infrastructure activity, favorable monsoons, and a healthy real estate cycle. However, margins may remain under pressure in the near term as Oct'25 brought softer demand and weaker non-trade pricing. At the same time, full GST pass-through and capacity expansion plans by leading players are keeping pricing disciplined, resulting in a stable but competitive operating environment.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
UltraTech Cement	■ Demand remained steady across rural, housing and infrastructure segments, aided by a good monsoon, higher MSPs, stable financing, and continued govt. capex, with projects like Vadhavan Port and Google's AI hub expected to drive multi-year growth. ■ Pricing was largely stable, with sharper corrections in the central region. Management reiterated that pricing is demand-led and expects stability to continue as activity normalizes, with FY26 demand growth estimated at 6-7% YoY.	■ Total capex guidance for ongoing projects is expected to be around INR100b per year for the next two years (FY26-FY27).
Ambuja Cements	■ Cement demand grew ~4% YoY in 2Q, dampened by an early monsoon, but management remains optimistic about a recovery and expects industry growth of ~7-8% in FY26, driven by GST cuts and sustained public and private investment.	■ ACEM has raised its FY28 capacity target to 155mt cement and 96mt clinker (from 140mt/84mt), driven by brownfield/greenfield additions and large-scale debottlenecking. Debottlenecking will add 15mt at low USD48/ton capex, with another 3mt from logistics optimization and small upgrades at plants like Sanghi. ■ Key projects include Salai Banwa, Marwa, Mundwa, Penna Marwar, Dahej, Kalamboli, Bathinda, Jodhpur, and Warisaliganj, with Bhattapara clinker trials underway and Krishnapatnam GU at 4mt. ACEM plans to add ~11.2mt in FY26, taking capacity to 118mt by Mar'26 and ramping to 155mt by FY28. Capex remains steady at ~INR80b annually, and the combined expansion strategy is expected to support its INR1,500/ton EBITDA target by FY28.
Shree Cement	■ Cement demand in 2QFY26 was affected by heavy monsoons, and current demand remains soft due to the festive season and labor shortages. However, GST cuts, strong infrastructure activity, a healthy housing cycle, and a good monsoon support a positive medium- to long-term demand outlook. ■ Realizations were broadly stable in 2QFY26 despite seasonal weakness, though Oct'25 saw slight pan-India price declines due to muted demand. The GST cut should structurally boost long-term demand, especially in low- and mid-income housing and Tier-1/2 markets, by improving overall affordability.	■ Capex is planned at ~INR30b annually over FY26-27, taking cement capacity to 72-75mt by FY27. The earlier 80mt target, once planned for FY28, is now likely to be achieved by FY29, depending on demand recovery and utilization levels. ■ The company has also approved a 3.0mtpa grinding mill expansion and 0.5mt clinker debottlenecking in the UAE, with a capex of AED110m funded entirely through local cash reserves, underscoring strong profitability in that market.
Dalmia Bharat	■ GST cut is fully passed on; expected to boost medium- to long-term demand and ease channel liquidity. ■ 1HFY26 demand was soft due to heavy rains and GST-transition delays, but a recovery is expected in 2H, with long-term growth estimated at 7-8%. ■ Prices were largely stable in 2Q, and management remains optimistic about pricing stability ahead.	■ FY26 capex is expected to be lower than what was earlier announced (now INR30.0b vs. INR40.0b earlier), driven by favorable credit terms negotiated with equipment suppliers and the deferral of certain non-essential capex projects to the next fiscal year. Capex in FY27 is pegged at INR40.0b. ■ In 1HFY26, capex stood at INR11.9b vs. INR13.9b in 1HFY25.
J K Cement	■ JKCE saw steady demand in the quarter, but prices softened temporarily after the GST rate cut, as the company fully passed on the benefit. Oct realizations were slightly weaker than 2Q realizations, though management expects demand to remain healthy and pricing to stabilize, with any recovery depending on costs and regional dynamics.	■ JKCE initiated work on a 0.6mtpa putty plant (greenfield expansion) at Nathdwara Rajasthan in Sep'25. Orders for the main plant and equipment have already been placed, and construction activities are underway at the site. The project is expected to be commissioned by 2QFY27. ■ Management guided for a capex of INR28-30b in FY26, higher than earlier estimates, supported by the

	It reiterated industry growth of ~7-8% for FY26 and maintained its grey cement volume guidance of 20mt (~10% YoY), with 1H growth aided by a low base.	simultaneous execution of multiple projects. For FY27, the company expects capex to be INR35b.
Birla Corp	- Demand was hit by prolonged monsoons, especially in the central region, the company's largest and weakest pricing market. The GST cut disrupted the non-trade segment, as larger players accelerated pre-change dispatches, causing stock build-up and sharp post-transition price corrections. - Management expects demand to recover in 2H, aided by improved northern markets and steady govt infrastructure spending, with 3Q volume growth estimated at ~4-5% YoY as seasonal pressures ease.	- The Kundanganj grinding unit is scheduled to start by end-3QFY26 or early 4QFY26, and overall expansion plans remain on track. - FY26 capex guidance is revised to INR8b, lower than the earlier INR9-10b. - The company is pursuing selective RMC growth under the Perfect Plus brand, focusing on key synergy markets like Lucknow and Ayodhya while avoiding low-margin vanilla RMC expansion.
JK Lakshmi Cement	- Demand in 2Q was better than in 1Q but impacted by intermittent and prolonged monsoons, especially in the North and East. Oct was weak due to unseasonal rains and the Diwali timing, but demand is expected to pick up from Nov. JKLC outperformed industry volume growth in 1H and expects to maintain above-industry growth in 2H. - Trade prices stayed stable across regions, while non-trade prices softened in Sep-Oct due to weaker demand and temporary price pass-through.	- For FY26, it plans capex of INR10-12b, mainly for the Durg project, land, and maintenance, with INR13-15b annually for FY27-28. Greenfield plants at Nagaur, Kutch, and Assam (~3mt each; Nagaur/Kutch with ~2mt clinker) are targeted for FY29-30 at an estimated cost of USD100/ton. - The company reiterated its goal of reaching 30mt capacity by FY30 while keeping net debt/EBITDA below 3-3.5x through the expansion cycle.
JSW Cement	- Demand in 1H was impacted by extended monsoons and GST-related transition effects, but JSWC remains confident of delivering mid-teen volume growth in FY26. Region-wise, the South grew 20%, while the East declined ~3% and the West saw modest ~1% growth. - Management expects a strong demand rebound ahead, supported by higher government spending, favorable monsoons, and improving rural demand.	- The company is making steady progress in its approved expansion program aimed at establishing a pan-India presence and scaling up its grinding capacity to 41.9mtpa and clinker capacity to 13.0mtpa. - The company has guided for a total capex of INR23b for FY26, of which INR5.1b, including maintenance capex, was incurred in 2Q, taking the cumulative spending to INR9.6b in 1H.

ACC

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ACC

Current Price INR 1,839

Neutral

- The company's current capacity stood at 40.4mtpa, which will rise to 43.7mtpa post commissioning of the Salai Banwa (2.4mtpa) and Kalamboli (1.0mtpa blending unit) in Q3FY26. Further, debottlenecking initiatives are expected to unlock an additional 5.6mtpa over the next 24 months. Moreover, ~30mtpa clinker-backed capacities coming up at the group level will be accessible to ACC under the MSA, supporting sustained double-digit volume growth.
- Fuel consumption cost was INR1.57/Kcal (flat YoY). Power cost stood at INR5.95/kwh vs. INR6.54/kwh in 2QFY25. The WHRS share was up 7pp YoY to 17%. Its overall green power share surged to 30.3% vs. 14.1% in 2QFY25. The target is to increase the green power share to ~60% by FY28.
- Primary lead distance reduced by 5km YoY to 269km. Direct dispatch increased by 6pp YoY to 52%. Logistics cost declined 4% YoY to 1,041/t.
- The company is also investing in older plants like Lakheri, Jamul, Wadi, and Kymore to enhance operational efficiency, while higher clinker supplies from the parent under the MSA have supported profitability improvement and return on equity.
- The company's trade receivables increased by INR25.2b due to bills raised for cement supplies to the parent company under the MSA framework, fully compliant with related-party norms and regular business practices. While this arose due to seasonal factors, it has benefited in terms of robust volume growth. This is expected to be cleared in 3QFY26.

- Other financial assets increased by INR2.4b, primarily due to interest accrued on an income tax refund outstanding as of Sep'25, which was subsequently received and settled in Oct'25.
- Other current assets rose by INR7.0b, mainly due to short-term trade advances under the MSA to ACEM and other associates such as Sanghi and Penna to secure clinker and cement supplies. These advances are expected to be settled in Q3FY25.
- The company currently operates 116 RMC plants across 45 cities and plans to expand to 365 plants by 2030, targeting a capacity of 35M m³. The investment will be funded through existing treasury and internal accruals. Rebranding RMC under Adani Concrete has driven strong growth in both volumes and margins, with EBITDA margins improving to 8.5% as of Sep'25, up from the historical average of ~5%.

**Ambuja
Cement**

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Detailed Concall Transcript &
Results Update



The screenshot shows a document titled 'Ambuja Cements' with sections for 'Financial Results' and 'Management Discussion'. It includes various financial metrics and a detailed narrative about the company's performance, challenges, and future outlook. The document is dated 28th November 2025.

Ambuja Cements

Buy

Current Price INR 558

Demand and pricing

- Cement demand across the industry grew ~4% YoY in 2Q due to an early monsoon, though management remains bullish about demand recovery and expects ~7-8% industry growth in FY26, supported by GST cuts and higher public/private investment.
- ACEM reported robust volume growth, led by strong traction in both retail and institutional segments, the integration of acquired assets, and better market penetration. The company's market share rose 1pp to ~17%, reflecting consistent outperformance vs. peers.
- Excluding recently acquired entities (Penna, Sanghi, and Orient Cement), ACEM's organic volume growth stood at ~11% YoY, outperforming the industry's growth rate. Management attributed this outperformance to the company's strengthened distribution network and deepening retail presence in western and southern markets, particularly Maharashtra, Gujarat, Telangana, and Andhra Pradesh, which saw strong housing and infrastructure-led demand.
- Looking ahead, management reiterated its confidence in sustaining double-digit growth for several quarters, driven by new capacity additions that will expand the company's cement capacity from 107mt currently to 118mt by FY26-end, 130-135mt by FY27, and further to 155mt by FY28.

Operational highlights

- Share of premium products increased to ~35% vs. ~33% of total trade volumes in 1QFY26, driven by strong consumer acceptance of Adani Cement branding and the introduction of value-added variants across key markets.
- Green power contributed to ~32.9% of total power requirement vs. 15.6%/28.1% in 2QFY25/1QFY26, and ACEM is targeting to increase this to ~60% by FY28. Total renewable capacity reached 673MW. This is expected to scale up to 900MW by FY26-end and 1,122MW by FY27. As a result, ACEM expects its average power cost to decline from INR6/unit to INR4.5/unit.
- Kiln fuel cost was at INR1.63/Kcal vs. INR1.60/INR1.59 in 2QFY25/1QFY26. This is among the lowest in the domestic cement industry. Management attributed this reduction to a favourable fuel mix, higher use of waste heat recovery and

renewable power, and process optimization initiatives under the Adani Group's centralized operations model.

- On the logistics front, the company further reduced its primary lead distance by 2km to 265km and brought down freight costs/ton through improved dispatch optimization and supply chain visibility enabled by its AI-driven CiNOC (Cement Intelligence Network Operations Center). This platform provides real-time data visibility and process automation, enhancing operational efficiency across the network.
- The company reduced its total cost/t by 5% YoY to INR4,200, aided by lower kiln fuel costs. ACEM expects to further reduce cost/ton to INR4,000 by FY26, INR3,800 by FY27, and INR3,650 by FY28, supported by better fuel mix, higher efficiency, and optimized logistics.
- Integration of Penna and Orient Cement progressed rapidly during the quarter, with all sales now routed under the ACEM or ACC brands, resulting in improved profitability at both subsidiaries. The company also highlighted its ongoing modernization and efficiency programs, including the installation of new blenders and low-heat clinker lines that will reduce heat consumption to around 680 kcal/kg (from 730-740 currently) and power usage to below 50 units/ton (from 60 units).

Capacity expansion and capex plan

- ACEM's current cement capacity stands at 107mt with 65mt of clinker. The company has raised its medium-term capacity target to 155mt cement capacity and 96mt clinker capacity by FY28, from the earlier target of 140mt and 84mt, respectively. This will be achieved through a mix of new brownfield and greenfield expansions along with large-scale debottlenecking at existing units.
- Management highlighted that debottlenecking remains in focus, enabling ~15mt of incremental capacity addition at a competitive USD48/ton capex, among the lowest globally. In addition, logistics and dispatch optimization will unlock another 3mt of effective capacity, while certain plants like Sanghi have inherent flexibility to expand from 6.5mt to 7.5mt with minimal investments.
- Major ongoing projects include Salai Banwa, Marwa, Mundwa, Penna Marwar, Dahej, Kalamboli, Bathinda, Jodhpur, and Warisaliganj. Trial runs have begun at Bhattapara (4mt clinker), while the Krishnapatnam GU (2mt) is operational, taking total there to 4mt. ACEM expects to add ~11.2mt in FY26, reaching 118mt cement capacity by Mar'26, and gradually scaling to 155mt by FY28.
- To support premium product growth, 13 blenders are being installed across sites over the next year, enhancing blending flexibility and material efficiency. ACEM has maintained a disciplined annual capex run-rate of ~INR80b, with INR14b incurred in 2QFY26 and INR28b in 1HFY26. Management has reaffirmed that all projects are progressing on schedule, with only minor quarter-level timing shifts. By FY28, a combination of new capacity, debottlenecking, and modernization is expected to lift operating leverage and help achieve the company's target EBITDA/ton of INR1,500.
- The company's net cash balance stood at INR18.1b vs. INR29.7b as of Jun'25.



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Birla Corp

Buy

Current Price INR 1,180

Demand and pricing

- Demand during the quarter was impacted by extended and heavy monsoons across key markets, particularly in the central region, which remains the company's largest market and where pricing stayed the weakest relative to other regions. The GST rate change in Sep'25 led to a temporary disruption in the non-trade segment, where large players with new capacities and incentive benefits pushed higher pre-change dispatches, resulting in stock build-up and sharp post-transition price corrections.
- The company's exposure to the non-trade segment is limited to ~15% of total sales, insulating it from the worst of the pricing volatility. The trade segment and premium product mix continued to support realizations and profitability despite regional headwinds.
- Management expects demand to revive in 2HFY26, aided by improved northern demand and continued government infrastructure spending. It anticipates ~4%–5% YoY volume growth in 3Q, led by better offtake as seasonal effects subside.

Operational performance

- Operations in 2QFY26 were temporarily affected by the need to purchase clinker, following a breakdown at one of the company's largest units toward the end of 1QFY26. Purchased clinker accounted for ~20-25% of total clinker requirements, slightly denting profitability during the quarter. The issue has since been resolved, and all plants are now operating at full capacity with adequate clinker availability.
- At Mukutban, heavy rains disrupted dispatches, but the company expects volumes to normalize in H2FY26. Overall, capacity utilization across older plants remained above ~90%, with efficiency benchmarks met for thermal and electrical performance. The company's capacity utilization stood at ~85% in 2QFY26 vs. ~78%/96% in 2QFY25/1QFY26.
- Blended cement sales stood at ~89% vs. ~83%/89% of total volumes in 2QFY25/1QFY26. Trade share stood at ~79% of total volumes in vs. ~71%/~78% in 2QFY25/1QFY26. Premium products contributed ~60% of trade volumes vs. ~62%/58% in 2QFY25/1QFY26.
- The flagship Perfect Plus brand is performing strongly in the A-category premium segment, while Samrat Advance continues to consolidate its position in the upper value segment. Management highlighted that its dual presence across both premium and value categories remains a strategic advantage, allowing flexibility across markets.
- The share of renewable power stood at ~30% vs. ~25%/27% in 2QFY25/1QFY26. The company has begun sourcing 6MW of wind-solar hybrid power at its Chanderia plant from Oct'25 and 6.98MW of renewable power at its Durgapur unit from early Nov'25. With these additions, the share of renewable energy in total power consumption is expected to rise to ~32% in the second half of the year. The Board has also approved an additional 9MW of Solar BESS (Battery Energy Storage System) power at Chanderia, while investments are underway to commission 5MW of solar generation capacity at Mukutban. Fuel consumption costs stood at INR1.48/Kcal vs. INR1.46/Kcal in 1QFY26. Lead distance stood at

- Accrued incentives stood at INR180m for 2QFY26 vs. INR230m in 1QFY26. 340km during Q2FY26.

Capacity expansion and net debt

- The Kundanganj grinding unit is expected to commence operations by the end of 3QFY26 or the beginning of 4QFY26. The company reiterated that its overall capacity expansion plans remain on schedule in line with earlier guidance.
- The capex outlay for FY26 has been revised to INR8b (earlier guidance of INR9.0-10.0b).
- The company continues to pursue selective growth in the RMC business under the Perfect Plus umbrella, focusing on brand synergy markets such as Lucknow and Ayodhya, and avoiding overexpansion in low-margin vanilla RMC.
- Net debt stood at INR24.5b as of Sep'25 vs. INR23.0b as of Jun'25.



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Results Update



Dalmia Bharat

Buy

Current Price INR 1,991

Demand and pricing

- The reduction in GST on cement from 28% to 18% is a long-awaited fiscal relief. The company is fully passing on this benefit to consumer. This reform is likely to boost consumption and support housing demand over the medium to long term. Moreover, the 10% tax reduction on cement will ease working capital pressures for channel partners, improving liquidity across the supply chain.
- Cement demand in 1HFY26 has been softer than expected, with a low single-digit growth due to erratic and heavy rains. Demand in Sep'25 was also slightly muted as the transition to the new GST regime led to slower inventory offtake and deferment of non-essential purchases. It expects demand to pick up in 2H, led by IHB, pent-up demand, consecutive good monsoon, and improving sentiments. It believes the long-term demand outlook is also positive, with an expected CAGR of 7-8%.
- On cement pricing its focus currently is to comply with the law that whatever gain has come from GST rate reduction is passed on to consumers. Further, it indicated that despite heavy monsoons, cement prices largely held firm in 2QFY26, and the company remains optimistic about pricing stability going forward.
- The company's strategy remains tailored to each micro market, depending on demand-supply conditions, its capacity utilization, and the strategic importance of that market. In some regions, its focus will be on market share gains, while in others, it will be on margin expansion.

Operational highlights and cost insights

- Trade sales accounted for 62% vs. 63%/68% in YoY/QoQ. Premium products contributed 22%, remaining flat YoY and QoQ. Raw material cost/t rose marginally by ~1% YoY, despite the additional impact of the mineral tax imposed by the Government of Tamil Nadu.
- Renewable energy share on a consumption basis stood at ~48% vs. 39%/41% YoY/QoQ. Power cost efficiencies are expected to further improve as the share of renewables in energy mix continues to rise. The company has commissioned 93MW of RE capacity during the quarter, primarily through the group captive route, and is on track to scale operational renewable capacity to 576MW by end-FY26.

- Power and fuel costs declined, driven by a decline in international fuel prices to USD100 from USD106 in 1QFY25 and an increase in the share of renewable energy (RE) to 41% from 35% in 1QFY25.
- The blended fuel consumption cost stood at INR1.38/kcal vs. INR1.33/kcal in 1QFY26. Lead distance was 287km vs. 280km in 1QFY26, and direct dispatches stood at 60% vs. 62% in 1QFY26. The C:C ratio at 1.62x vs. 1.71x in 1QFY26. The higher reduction in freight costs was also led by initiatives in logistics optimization and a two-months busy season surcharge relief from the railways.
- Incentives accrued during 2QFY26 stood at INR640m, while collections totaled INR500m. Incentives receivable stood at INR8.0b as of Sep'25. The company expects a pickup in incentives collection in 3QFY26.

Expansion plans and capex

- On capacity expansion, the Belgaum and Kadapa projects are progressing as planned and will together add 12MTPA of cement capacity, strengthening its presence in the West and South markets over the next couple of years.
- Additionally, it commenced trial production at the new 3.6 MTPA clinker line in Umrangso, Assam, in Sep'25, with commercial production expected to begin in 3QFY26. This clinker capacity will enable it to add another 2-2.5 MTPA of split grinding capacity in the future, catering to the fast-growing markets of the Northeast and potentially East India.
- Regarding Jaisalmer, activities related to land acquisition, approvals, and environmental clearances are progressing as planned. It has time until Mar'26 to begin construction, and by then, it also expects clarity on the outcome of the JP IBC proceedings. It will provide an update on both the Northeast and Jaisalmer expansions in the coming quarters.
- FY26 capex is expected to be lower than what was earlier announced (now at INR30.0b vs. earlier announced INR40.0b), driven by favorable credit terms negotiated with equipment suppliers and the deferral of certain non-essential capex projects to the next fiscal year. Capex in FY27 is pegged at INR40.0b.
- In 1HFY26, capex stood at INR11.9b vs. INR13.9b in 1HFY25.

Debt position and other key highlights

- The company's net debt (including investment in IEX of INR13.4b vs. INR18.6b as of Jun'25) increased to INR16.0b from INR873m as of Jun'25.
- The net debt-to-EBITDA ratio stood at 0.56x vs. 0.33x as of Jun'25. It indicated that, considering the announced capacity expansion plan, the net debt-to-EBITDA ratio will remain in its targeted range of below 2.0x.



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Results Update**

Grasim Industries

Buy
Current Price INR 2,762

Paints Segment

- Despite a weak industry backdrop, Birla Opus outperformed peers and grew significantly YoY, even as the organized decorative paints industry grew in low single digits. Excluding Birla Opus, the industry was marginally negative YoY. On a sequential basis, while peers saw a double-digit decline due to prolonged monsoons, Birla Opus reported only a low single-digit dip, followed by a sharp rebound in Sept-Oct.



- Birla Opus continues to gain market share in the Indian decorative paints segment despite an overall industry slowdown, driven by rapid expansion of its distribution network, stronger secondary sales, enhanced brand visibility, and sustained product quality differentiation. Premium and luxury paints contributed ~65% of revenues, covering emulsions, enamels, wood finishes, and waterproofing.
- With the commissioning of the Kharagpur plant in Oct'25, total installed capacity has reached 1,332MLPA, translating to an estimated ~24% industry capacity share, which is the second largest in India's decorative paints market.
- Demonstrating confidence in its product quality, the company launched 'Opus Assurance', an industry-first offer of free repainting (including labor), and rolled out PaintCraft, its premium service through dealers and franchisees, featuring EMI options and GST-compliant invoices. These initiatives, along with the successful 'Opus Boy' campaign, have received strong customer response, helping Birla Opus emerge as India's No. 2 decorative paints brand in top-of-mind recall.
- The distribution network has expanded to over 10,000 towns (vs. earlier guidance of 8,500) and 50,000 dealers, with growing depth in Tier-2/3 towns. The product portfolio has grown to 191 products with over 1,750 SKUs across six decorative paint categories, including 13 new product launches. About ~30% of dealers now handle 40–80 SKUs, indicating improved engagement and throughput.
- The total capex of the paints business stood at INR97.3b as of Sept'25.

B2B E-commerce

- Birla Pivot sustained its growth momentum, posting double-digit sequential revenue growth driven by new customer additions, strong repeat orders, and higher contribution from categories such as Non-ferrous, Bitumen, Chemicals, and Tiles & Ply.
- The business remains on track to achieve its revenue target of INR85b (USD 1 billion) by FY27, while continuously strengthening its value proposition across the three e-commerce pillars being Price, Assortment, and Experience.
- It is expanding its digital ecosystem with solutions that enhance convenience and user experience, supported by a wide portfolio across 35+ categories and 40,000+ SKUs sourced from over 300+ global and domestic brands, offering unmatched choice and driving customer engagement and loyalty.

VSF Segment

- The Cellulosic fiber business saw a decline of ~5% YoY due to logistics disruptions at the Vilayat plant, which have since been resolved. Specialty fiber volumes, however, grew ~53% YoY, driven by higher exports, with their share rising to ~24% in Q2FY26 from ~21% in Q2FY25.
- The Cellulosic Fashion Yarn segment grew ~3% YoY, supported by festive demand; however, realizations remained under pressure due to aggressive pricing by Chinese producers in the Indian market.
- Phase 1 of the 55K TPA Lyocell project at Harihar, Karnataka, is progressing well and is targeted for commissioning by mid-2027. Long-lead items have been ordered, basic engineering has been completed, and other orders and contracts are currently in process.
- China's operating rates stood at 89% in Q2FY26 vs. ~86%/82% in Q2FY25/Q1FY26. However, the average inventory holding increased to 15 days in Q1FY26 compared to an average of 8/20 days for Q2FY25/Q1FY26. CSF prices declined to

USD 1.51/kg in Q2FY26 from USD 1.52/kg in Q1FY26, as prices remained stable due to INR depreciation.

Chemical Business

- Caustic soda's international average spot prices (CFR-SEA) for 2QFY26 were down 5% YoY at USD449/ton. Domestic caustic sales volume was flat YoY, as production was impacted by constrained power availability. Specialty Chemicals volumes rose ~34% YoY, driven by improving utilization at the recently commissioned plant. However, elevated input costs continued to weigh on segment profitability.
- The segment added 11TPA of aluminum chloride capacity, increasing total chlorine integration to ~64%, which is expected to reach ~70% upon completion of ongoing projects. Key upcoming projects, including ECH and CPVC (in partnership with Lubrizol), remain on schedule with completion targeted by Q3FY26 and contribution expected from Q1FY27. It is advancing its sustainability agenda, with ~25% of its power sourced from renewables, aiming to increase this share to ~40% over the next 3 years, subject to state regulatory approvals.



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Results Update



JK Cement

Buy

Current Price INR 5,489

Demand, pricing, and operational highlights

- JKCE witnessed steady demand during the quarter, though cement prices came under temporary pressure after the GST rate reduction. Management indicated that the company has passed on the GST benefit to the market, which has put some near-term pressure on realizations (October showed a mild weakening vs 2Q). However, it expects the industry demand cycle to remain healthy and pricing to stabilize. Any potential recovery in prices will depend on cost trends and regional market conditions.
- Management has reiterated its industry growth guidance of ~7-8% for the year and maintained its volume guidance (grey cement) of 20mt for FY26 (~10% growth for the year). Volume growth in 1H was stronger, partly due to a low base.
- The central and south markets were the main growth engines in 2Q, while the North market remained flattish. Management noted that premiumization is progressing gradually, with the share of premium products rising slightly in 2Q. The company is actively promoting these products as part of its go-to market strategy.
- Trade constituted roughly ~70% of volumes historically, and the company aims to maintain a 70:30 of the trade-non-trade mix, although regional project wins can alter this marginally. Non-trade remains strategically important, and management is actively pursuing approvals to serve as a supplier on large projects.
- The lead distance was 431km vs. 436km/419km in 2QFY25/1QFY26. Fuel consumption cost/kcal was INR1.56 vs. INR1.53/INR1.65 in 2QFY25/ 1QFY26.
- Green energy contributed ~53% of energy requirements in 1QFY26 vs. 49% in 2QFY25. The company aims to raise the green power share to ~75% by FY30. The thermal substitution rate was 12.3% in 2QFY26 vs. 13% in 2QFY25, and the company aims to increase this to ~35% by FY30. Its green power capacity stood at 237.14MW, comprising 82.3MW of WHRS and 154.84MW of other RE (solar and wind).

- Clinker/cement capacity utilization was at 90%/69% in 2QFY26. The company expects only temporary utilization dips, maintaining confidence in its long-term capacity expansion roadmap.
- Blended cement sales were 67% vs. 68% in 1QFY26. Trade sales were 67% vs. 65%/68% in 2QFY25/1QFY26. Premium product sales were at 15% of trade volume vs. 14% (each) in 2QFY25/1QFY26.
- Incentive income will be marginally lower in FY26 (by ~INR500m). From FY27E onwards, incentives from the Bihar project are expected to commence, leading to an overall incentive run-rate of INR3b. In FY28, additional incentives will partially start flowing through with the commissioning of the Jaisalmer project, while some existing subsidies at Nimbahera are expected to conclude.
- Management reaffirmed its cost-saving target of INR150-200/t, with INR75-90/t expected to materialize in FY26 and the remaining INR75-80/t in FY27. These savings will come from operational efficiencies and scale benefits from upcoming capacities.

Capacity expansion and capex update

- The company has commissioned its 1mtpa Prayagraj grinding unit in Oct'25. The Hamirpur grinding unit is at an advanced stage of completion and is expected to be commissioned by 3QFY26. The new integrated plant at Panna is scheduled for completion by Dec'25.
- The 3mtpa greenfield grinding unit at Buxar (Bihar) is progressing well and is expected to be commissioned by 4QFY26. Management highlighted that once operational, the Buxar unit will significantly enhance logistics efficiency and strengthen market servicing in Bihar.
- The Jaisalmer integrated project (comprising 4mt clinker and 3mt grinding capacity) marked its foundation ceremony in Sept'25. Major civil and mechanical contractors have been finalized, equipment orders have been placed, and site work has commenced. The company is targeting commissioning by 1HFY28.
- The total capex for the Jaisalmer integrated project (including two split location GUs in Rajasthan and Punjab for which land acquisition is under progress and likely to be completed by end-FY26) is estimated at INR48b. Management also clarified that environmental clearances are closely linked to the completion of land acquisition, which is already in advanced stages for both locations. Incremental borrowing for Jaisalmer is projected at INR30b, leading to a net debt rise of INR20b, after accounting for scheduled repayments.
- JKCE initiated work on a 0.6mtpa putty plant (greenfield expansion) at Nathdwara Rajasthan in Sep'25. Orders for the main plant and equipment have already been placed, and construction activities are underway at the site. The project is expected to be commissioned by 2QFY27.
- Management guided for a capex guidance of INR28-30b in FY26, higher than earlier estimates, supported by the simultaneous execution of multiple projects. For FY27, the company expects capex to be INR35b.

Other highlights

- The paints segment delivered revenue of INR950b in 2QFY26, taking the 1HFY26 total to INR1.82b. Management reiterated confidence in achieving its full-year revenue target of around INR4b. The segment reported an EBITDA loss of

approximately INR140m for the quarter, reflecting continued investments in brand development, distribution expansion, and advertising.

- Standalone gross debt stood at INR52.9b vs. 51.0b as of Mar'25, and net debt stood at INR31.4b vs. INR25.6b as of Mar'25. Net debt/EBITDA at 1.3x (similar to FY25).



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JK Lakshmi Cement

Buy

Current Price INR 822

Demand and pricing

- Management indicated that demand trends in 2Q were better than 1Q, though still affected by intermittent rains and a prolonged monsoon, particularly in North and East India. October, however, remained subdued due to unseasonal rainfall and the timing of Diwali, but the company expects demand to improve from November onwards. The company outperformed the industry in volume growth in 1HFY26 and expects to maintain above industry growth through 2H.
- On pricing, trade segment prices have remained stable across regions, while non-trade prices saw a decline in Sept–Oct due to softer demand and temporary price pass-throughs to customers. Management expects non-trade prices to recover as demand normalizes. The company's blended realizations improved sequentially in 2Q, supported by a higher contribution from Northern markets (including Gujarat), better sales mix from premium products, and volume ramp-up from the newly commissioned Surat grinding unit.
- The company also undertook efforts to streamline its channel structure, reducing conflicts among dealers and distributors, which helped sustain better price discipline at the ground level.

Operational efficiency

- The company's sales mix shifted toward North and West markets, which carry stronger realizations. Lead distance reduced to 395m from 399km in 1QFY26. Blended cement share was ~62% v/s ~66%/63% in 2QFY25/1QFY26.
- The power and fuel costs rose sequentially, primarily due to lower WHRS output (shutdowns during 2Q), reduced solar generation from unfavorable weather, and higher petcoke prices. Management expects these costs to normalize in 2H with improved WHRS and solar generation. Freight costs rose due to dispatches into non-core and newer markets, as JKLC seeded volumes in geographies such as Bihar and Jharkhand ahead of future grinding capacity additions.
- Premium product share was at ~26% of trade volume vs. 23% in 1QFY26. Trade sales stood at ~53% v/s ~53%/56% in 2QFY25/1QFY26.
- Non-cement revenue stood at INR1.53b, including RMC revenue of INR720m.
- Average fuel cost stood at INR1.54/kcal vs. INR1.60/INR1.50 Kcal in 2QFY25/1QFY26
- Management reaffirmed its ongoing cost optimization program targeting savings of INR120/ton over 18–24 months. These savings will stem from a higher share of premium products, lower distribution costs, process efficiencies, renewable energy adoption, and digital AI-driven optimization at plant and grinding stations.
- Green power contribution currently stands at ~46% of the total power mix v/s ~47%/49% in 2QFY25/1QFY26 .

Capacity expansion and capex

- The company has achieved a total cement capacity of 18mtpa with the commissioning of the Surat grinding unit during Sep'25. The company's next leg of expansion includes the Durg brownfield project, which will raise total capacity to 22.6mtpa by FY28. Orders for major long-lead equipment for the Durg project have been placed, and commissioning is targeted by Mar'27 for 2.2mt capacity, with the balance by Mar'28. The Durg expansion entails an outlay of INR30b, of which only INR500m has been spent till Sept'25.
- For FY26, JKLC expects total capex of INR10b–12b, primarily toward the Durg project, land acquisition, and maintenance. Capex pegged at INR13–15b p.a. for FY27/FY28. The greenfield projects at Nagaur (Rajasthan), Kutch (Gujarat), and Assam are planned in FY29–30, each with ~3mt cement capacity (Nagaur and Kutch with ~2mt clinker each). Estimated project costs for greenfields are expected to be ~USD100/ton.
- The company reiterated its long-term roadmap to reach 30mt capacity by FY30, with leverage maintained below 3–3.5x net debt/EBITDA even after expansions.
- The company is awaiting the Ministry of Steel approval for leasing land and right of way for its long-pending overhead conveyor belt project at Durg. It remains under active follow-up, with alternative options being evaluated in parallel.
- It is also eligible for capital incentives at UCWL, which have been applied for but not yet recognized in books.



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Results Update**

JSW Cement

Neutral

Current Price INR 126

Demand and pricing

- During 1HFY26, demand was partly affected by extended monsoons and the transition linked to GST changes. Nevertheless, the company remains confident of achieving mid-teen volume growth for the full year. Regionally, southern markets registered robust ~20% growth, whereas the east declined ~3% and the west saw marginal ~1% growth in 1HFY26.
- Management expects a strong demand recovery in the coming quarters, aided by increased government spending, good monsoon and pick-up in rural demand.

Operational efficiency

- Clinker utilization in 2Q stood at ~86% vs. ~87%/76% in 1QFY26/FY25. Cement trade mix stood at ~52% vs. ~52% in 1QFY26. Clinker factor was 50% vs. ~51% in 1Q, the lowest in the industry. Blended cement mix was 67% vs. 67% in 1Q.
- Variable costs declined YoY, aided by a favorable change in product mix, lower slag prices, and higher production levels that enhanced operational efficiency. Lead distance stood at 283km vs. 288km/283km in 2QFY25/1QFY26.
- Premium product sales were ~58% of the trade mix in 2QFY26 vs. ~57% in 1QFY26, reflecting the company's continued thrust on premiumization.
- Green power share was ~21.4% vs. ~21.6% in 1Q (vs. 21.5% in FY25). JSWC aims to scale this up significantly to ~63% by FY27. Average fuel cost was INR1.50/kcal vs. INR1.52/1.55 kcal in 2QFY25/1QFY26.
- JSWC has reiterated its cost reduction target as it has already realized savings of INR200/t in 1H, with an additional INR200/t expected in the coming quarters. Initiatives in renewable energy and logistics optimization are expected to deliver

further cost savings and margin expansion. The company remains focused on protecting profitability and driving operational efficiency through high adoption of alternative fuels, greater supply chain integration, and a disciplined pricing approach. Management remains confident of sustaining mid-teen volume growth in FY26, supported by ongoing cost optimization efforts. This will further strengthen its profitability and operational performance in the coming quarters.

Capacity expansion and capex

- The 1.0mtpa grinding unit in Odisha was commissioned in Sep'25, taking the total grinding capacity to 21.6mtpa. The Nagaur integrated unit in Rajasthan (Phase I), with a clinker capacity of 3.3mtpa and a grinding capacity of 2.5mtpa, is expected to be commissioned by 4QFY26. Meanwhile, regulatory approvals for the proposed 2.8mtpa split grinding unit at Talwandi Sabo, Punjab, are underway, and the project is progressing as planned.
- The company is making steady progress in its approved expansion program aimed at establishing a pan-India presence and scaling up its grinding capacity to 41.9mtpa and clinker capacity to 13.0mtpa.
- The company has guided for a total capex of INR23b for FY26, of which INR5.1b, including maintenance capex, was incurred in 2Q, taking the cumulative spending to INR9.6b in 1H.



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Results Update

The screenshot displays the Motilal Oswal website interface for 'The Ramco Cements'. It includes a header with the company name and logo, followed by a table of financial data. The table has columns for 'Quarter', 'FY25', 'FY24', and 'FY23'. The data is presented in a structured format with various financial metrics listed in rows.

The Ramco Cement

Neutral

Current Price INR 984

Capex and project update

- The company aims to reach a cement capacity of 30mtpa by Mar'26 through the commissioning of line II at Kolimigundla and undertaking debottlenecking and grinding capacity expansions at existing sites with minimal capex.
- TRCL has monetized INR5.0b out of its targeted INR10b from non-core assets. The balance is expected to be monetized soon, following necessary approvals.
- A WHRS plant of 10MW capacity at R R Nagar was commissioned during Sep'25. An additional 15 MW of WHRS at Kolimigundla, AP, is expected to be commissioned in tandem with Kiln line II in FY27.
- At Kolimigundla, AP, a railway siding has been commissioned in Jul'25. The construction chemicals capacity in Odisha was commissioned in Jul'25.
- The company has acquired ~57% of the mining land and ~13% of factory land for the proposed greenfield project in Karnataka.
- The total capex was INR2.8b in 2QFY26, and it is pegged at INR12.0b for FY26.

Capacity utilization and volume

- Cement capacity utilization stood at ~71% vs. ~75%/~68% in 2QFY25/1QFY26. Cement volume was flat YoY at 4.4mt in 2QFY26. The decline in cement capacity utilization in 2Q was due to the addition of 1.3mtpa capacity through debottlenecking undertaken in 2HFY25.
- Volume share from South/East was ~83%/~17% in 2QFY26 vs. ~82%/~18% in 2QFY25.

Operational highlights

- The share of premium products was ~30% in 2QFY26 vs. ~27%/29% in 2QFY25/1QFY26 in the South region. In the East region, the share of premium products was ~24% in 2QFY26 vs. ~23%/22% in 2QFY25/1QFY26. The OPC share was ~35% of total volumes in 2QFY26 vs. 30%/31% in 2QFY25/1QFY26.

- Blended coal consumption cost was USD122/t (INR1.49/kcal) vs. USD130/ USD126 (INR1.60/INR1.55 per kcal) in 2QFY25/1QFY26.
- TRCL used 50% petcoke vs. 58%/54% in 2QFY25/1QFY26. Alternative fuel share remains low at 1-2%. Green energy contributed 48% of power requirements vs. ~39%/31% in 2QFY25/1QFY26. Avg. lead distance was 253kms in 2QFY26 vs. 244kms in 2QFY25 and 244kms in 1QFY26.
- RM cost/t rose ~10% YoY to INR995/t due to the new mineral bearing land tax (MBT) of INR160/t on limestone in Tamil Nadu, impacting variable cost by INR400m in 2Q. Tamil Nadu remains the only state with such a levy, and industry representations for its reduction are pending with the state government.
- Revenue from the Construction Chemicals business stood at INR2.1b in FY25, with plans to scale it up to INR20b over the next 4-5 years using existing production facilities.

Debt and other highlights

- Gross debt stood at INR46.8b vs. INR46.5b as of Mar'25. The cost of debt for 2QFY26 was at 7.18% as against 7.96% in 2QFY25.



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Detailed Concall Transcript &
Results Update



Ultratech Cement

Buy

Current Price INR 11,706

Demand and pricing

- UTCCEM reported strong performance despite an extended monsoon that impacted construction activity. Demand remained firm, led by steady growth in housing and rural segments, supported by favorable monsoon conditions, higher MSPs, and healthy rural incomes. The individual home builder and urban housing segments continued to witness traction, aided by improved affordability and stable financing conditions.
- Infrastructure demand remained strong, with government capex across roads, railways, and ports providing a steady momentum. Management also expects large-scale projects such as Vadhavan Port and Google's AI hub in Andhra Pradesh to act as multi-year demand enablers.
- Pricing largely held stable during the quarter, with the Central region witnessing a higher decline than other regions. Management indicated that pricing is fundamentally demand-led, not cost-driven, and expects stability to continue as construction activity normalizes in 2HFY26. The recent GST reduction is likely to support premiumization by making UTCCEM's higher-end brands easily accessible to consumers, enabling an improvement in the brand mix.
- Demand growth in FY26 is estimated to be 6-7% YoY. In 1QFY26, industry growth is estimated to be at 4.5-5% YoY.

Guidance on the operations of Kesoram and ICEM

- **Kesoram's operations:** Kesoram assets are ramping up well, though the quarter's performance was impacted by maintenance shutdowns, leading to a temporary dip in EBITDA/t compared to the previous quarter. Around half of Kesoram's output has already been transitioned to the UTCCEM brand, and this rebranding effort is yielding tangible benefits. The company noted a meaningful pricing premium for UTCCEM-labeled products vs legacy Kesoram brands. The full brand conversion is expected to be completed by Jun'26, after which the Kesoram operations are projected to achieve EBITDA per ton levels in line with UTCCEM's

core assets. Management also highlighted that the Sedam plant, Kesoram's key facility, serves the high-profitability western markets, which should further enhance its margin profile. Additionally, a capex program of around INR5b is underway at Kesoram for setting up WHRS and undertaking other efficiency improvements, which are expected to support long-term margin expansion.

- **India Cements' operations** : Brand transition for ICEM is progressing well with ~31% of volumes under the UTCEM brand, which will further increase to ~40% by 3Q-end. The complete brand transition is anticipated by Jun '26. Post-acquisition, ICEM has undertaken a large debottlenecking and efficiency improvement capex program of about INR15.9b, covering 21MW of WHRS, 192MW of renewable energy capacity, and other productivity initiatives. In addition, brownfield expansions are planned at the Chennai and Rajasthan plants, adding 2.4mt of capacity at a cost of INR4.2b, targeting returns of over ~20%. ICEM's operations should be able to generate EBITDA/t of INR1,000 and maintain a lean balance sheet with a net debt-to-EBITDA ratio of around 0.5x post the completion of expansion and efficiency improvement measures. India Cements has exited its Indonesian coal assets, and the cash proceeds from this sale will be utilized for debt reduction.

Operational and other highlights

- Lead distance reduced from 370km to 366km QoQ. The C:C ratio improved from 1.45x to 1.48x. The Green Power mix stood at ~41.6% in 2QFY26 vs 38%/39.5% in 2QFY25/1QFY26.
- Margins were affected due to: 1) maintenance of kilns, which resulted in 617 kiln shutdown days vs. 207 last quarter and had an impact of INR100/t; 2) increased advertising spend of INR500m, which had an impact of INR15/t; 3) annual employee bonuses and increments, which led to a higher expense of INR940m and had an impact of INR25/t, and 4) operating deleverage due to lower volumes, which had an impact of ~INR70/t. There will be a reversal of INR100/t of higher cost in 3QFY26 as operations normalize.
- Fuel costs remained largely stable sequentially due to a balanced mix of coal and petcoke. The company expects fuel inflation to stay contained following the reduction in clean energy cess on coal, benefiting UTCEM due to its higher coal usage. Blended imported fuel consumption (CV: 7500) stood at USD125/t; -5% YoY. Fuel consumption cost was at INR1.80/Kcal v/s INR1.85/1.78 per kcal in 2QFY25/1QFY26. Petcoke consumption was at 44% vs. 54%/52% in 2QFY25/1QFY26.
- The C&W business is on track to commence production by Q3FY26, with the plant commissioning in Jan'26 and key managerial hires underway.
- UTCEM remains on track to achieve 200mt capacity by FY26, including its recently acquired assets (ICEM and Kesoram). The company has announced a 22.8mt expansion (18mt in the North and 4.8mt in the West), bringing the total capacity to ~240-245mt by FY29. Of this, 15.7mt will be clinker capacity, ensuring a clinker ratio of 1.6x and green power adoption (target of 65%, which currently stands at ~42%).
- Total capex guidance for ongoing projects is expected to be around INR100b per year for the next two years (FY26-FY27). Consolidated net debt stands at INR197.1b vs. INR176.7b in Mar'25, while standalone net debt is at INR171.3b vs. INR150.1b in Mar'25.



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Shree Cement

Neutral

Current Price INR 26,432

Cement demand and pricing

- Cement demand during 2QFY26 was impacted by heavy monsoon across its key markets. Currently, demand momentum is subdued due to festive season and labour shortage across construction site. However, GST rate cut, accelerated infrastructure development, growth of housing sector, and good monsoon bode well for medium- to long-term cement demand growth.
- Realizations during 2QFY26 broadly remained stable, showing price resilience despite seasonal weakness. In Oct'25, cement prices were slightly lower pan-India due to lower demand amid the festive season.
- Following the government's reduction in GST on cement, SRCM passed on the entire benefit to consumers. This move is expected to have a structurally positive impact on long-term cement demand, particularly in the low- and mid-income housing segment and Tier-1 and Tier-2 cities, as affordability improves.

Operational highlights

- The share of premium products continued to rise sharply, reaching ~21% vs ~15% in Q2FY25. It aims to maintain this level in the coming quarters. While any further improvement would be welcome, its milestone was to achieve ~18%, and it has already surpassed that, reaching ~20-21% (up from 15%). The focus now is on sustaining this higher share of premium products within its trade volumes going forward.
- Avg. fuel cost increased to INR1.66/Kcal vs. INR1.59 in 1QFY26. Given the inventory levels, it expects fuel cost at similar levels or slightly lower than this. In 2QFY26, petcoke consumption stood at ~66%, with coal and AFR accounting for the remaining. The company's green power capacity stood at 612MW, and its green power share stood at ~63%, which remains one of the largest in the industry.
- There was a one-off impact of INR30/t related to the transfer of a power substation at the Guntur unit to the state transmission company.
- SRCM's UAE operations recorded their best-ever quarterly performance, with volumes up ~34% YoY to 1.31mt, revenues up ~50% YoY, and EBITDA rising sharply by 158% YoY to AED52.5m. The improvement was driven by robust local demand, higher realizations, and better operational efficiency.
- Lead distance was at 441 Km vs. 451 Km in 1QFY26. The trade sales mix remained healthy at 70% vs. 71% in 1QFY26, while blended cement contributed 68% of total sales vs. ~70% in 1QFY26.
- Logistics optimization remained a key focus area, with the share of rail dispatches at ~11%, targeted to increase to ~20% in the coming quarters. Management expects this shift to lead to cost savings of ~INR 100/t, supported by new rail sidings at Purulia (commissioned) and Kodla (for which the project work is ongoing, land acquisition has been done, and now the construction process has started).
- AFR usage improved to 2.3% vs from 1.5% in 2QFY25, and multiple projects are underway to enhance alternative fuel usage further in the coming years.
- SRCM continued to expand its RMC business, now operating 24 plants, including the country's first solar-powered RMC plant in Jaipur. The company also entered the East India market through its Raipur RMC facility and aims to scale up to 40 RMC plants by FY28.

Capacity expansion and capex plans

- It commissioned a 3.65mt clinker unit at Jaitaran, Rajasthan, in 2QFY26, with a 3.0mtpa cement mill at the same site expected to be commissioned shortly.
- The 3.0mtpa integrated plant at Kodla, Karnataka, is in the final stages of completion and is likely to be commissioned in Q3FY26. With these additions, total capacity is set to increase to 67mt by FY26 end.
- Capex pegged at INR30b annually over FY26–27, which will bring the total cement capacity to 72–75mt by FY27. The earlier 80mt target, initially planned for FY28, may now be achieved by FY29, depending on the pace of demand recovery and capacity utilization levels.
- The company emphasized that it possesses ample physical and financial resources to support its expansion plans and will continue to grow in line or slightly ahead of industry growth, while maintaining its strategic focus on profitability and brand strength.
- The company announced a 3.0mtpa grinding mill expansion and 0.5mt clinker debottlenecking in the UAE. This expansion involves a capex of AED110m, fully funded through local cash reserves, reflecting the strong cash generation in that market.

CHEMICALS



- The sector outlook remains cautiously optimistic, with near-term growth expected to be supported by resilient domestic demand, moderating input costs, and upcoming capacity additions, while challenges such as Chinese dumping, global oversupply, and geopolitical uncertainties may persist; however, improving utilization levels and a healthy capex pipeline position the industry for a gradual and sustained profitability recovery.

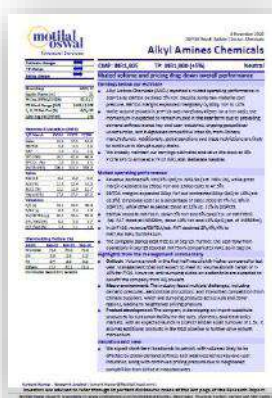
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Quarterly snapshot
Clean Science	■ The broader operating backdrop remains challenging, shaped by uncertain demand in end-markets, aggressive pricing behavior from Chinese suppliers, evolving tariff structures, and global supply chain adjustments. ■ The Chinese market, contributing 25-30% of revenue, remains challenging and unpredictable. Intense local competition led to deferred customer procurement. One of the company's FMCG products in China was impacted as a key customer may have undertaken backward integration, potentially leading to a permanent volume loss ■ The company's Project 1 (Performance Chemical) is currently undergoing chemical trials with satisfactory results, and commercialization is expected to be announced shortly. The product offers strong synergies with existing offerings through cross-selling opportunities and backward integration.	■ Clean Science (CLEAN) reported EBITDA of INR871m, down 3% YoY. Performance Chemicals revenue grew ~3% YoY to INR2.4b, while revenue from Pharma & Agro Intermediates/FMCG Chemicals declined ~9%/~45% YoY. ■ EBITDA declined 3% YoY to INR871m, below our estimate of INR977m as gross margin contracted to 60.7% and EBITDAM contracted to 35.6%.
Deepak Nitrite	■ The global environment remains difficult due to rising geopolitical tensions and trade barriers. While near-term conditions are challenging, the company expects 2H performance to be better, led by the ramp-up of new capacities and the launch of new products. Key projects are progressing well, with the Nitric Acid unit and Methyl isobutyl ketone (MIBK) and Methyl Isobutyl Carbino (MIBC) unit expected to be operational by 4QFY26. ■ The company's fully integrated Polycarbonate complex (India's first) is progressing as planned and is targeted for commissioning in Jan-Mar'28, supported by Petronet LNG tie-ups and strong regulatory tailwinds. ■ While upstream capacity is being built, the company is already supplying polycarbonate-based compounds to electronics and auto customers to secure early validation.	■ Deepak Nitrite (DN) reported a weak operating performance, with EBITDA declining 31% YoY to INR2b in 2QFY26. ■ Gross margin contracted 440bp YoY to 27.6% and EBITDA margin contracted 390bp, driven by macro headwinds, pricing trends, and tariff developments. ■ 2Q revenue declined 6% YoY to INR19b (est. INR19.3b), primarily due to a 3% and 8% decline in the Advanced Intermediates and Phenolic segments to INR5.9b/INR13.3b. EBITDAM stood at 10.7%. ■ EBITDA declined 31% YoY to INR2b, while EBIT for the Advanced Intermediates/Phenolic segments declined 47%/52% YoY to INR1.1b/INR230m.
Galaxy Surfactants	■ The company expects 3Q performance to remain similar to 2Q and maintains its confidence in medium-term consumption growth, driven by GST reforms despite temporary softness from inventory adjustments and reformulations. ■ The domestic performance witnessed short-term challenges, with flat volumes both YoY and QoQ. The GST rate cut on FMCG products led major players to recalibrate inventories, while elevated feedstock costs prompted some customers to reformulate products, affecting the performance segment volumes. Strong traction from Tier 2 customers helped offset weakness among Tier 1 accounts. ■ North America faced margin pressure as tariffs affected the Specialty Care segment, causing delays in US projects and launches. Customers, too, are dissatisfied with the recent tariffs being imposed, as they want to diversify their vendor base and are looking forward to resuming business with the company.	■ Galaxy Surfactants (GALSURF) delivered a weak quarter, with EBITDA declining 13% YoY. ■ EBITDA/kg stood at ~INR17, down 11% YoY in 2QFY26, primarily due to global tariff headwinds, reformulation within the performance segment, and lower domestic volumes following GST-driven inventory adjustments. ■ The overall volumes remained flat YoY and QoQ, impacted by short-term disruptions in both the domestic and North American markets. This softness was partly offset by strong double-digit growth in Latin America and Asia Pacific. ■ Consolidated revenue grew 25% YoY to INR13.3b (est. INR12.5), primarily led by higher realizations, while overall volumes remained flat YoY. ■ GALSURF's EBITDA margin contracted 370bp YoY to 8.3%, hurt by gross margin contraction of 850bp YoY to 24.5%. ■ The company's EBITDA declined 13% YoY and adj. PAT dipped 22% YoY.

Navin Fluorine	- Following the successful delivery of late-stage pipeline molecules, management highlighted that the plant was audited by three leading global innovators. Further, the order book pipeline till FY27 remains strong, backed by robust purchase orders. - The Board has approved capital expenditure of INR2.4b, adding 15,000 MTPA of R32 HFC capacity. This expansion is driven by strong global demand stemming from the transition to low-GWP gases and rising RAC and blend demand in both domestic and export markets. The project is expected to be completed by 3QFY27, with a peak revenue potential of INR6-8.25b. - Management remains optimistic about 2HFY26 and beyond, supported by a strong order book, deep customer relationships, and continued focus on R&D.	2QFY26 was a strong quarter for Navin Fluorine International (NFIL), with revenue rising 46% YoY, supported by strong performance across all three business segments. - NFIL reported revenue of INR7.6b (est. in line), up 46% YoY, driven by growth across all three segments. - Gross margin stood at 58.7%, while EBITDA margin stood at 32.5%, driven by operational efficiencies, a stable pricing environment, and a favorable product mix. - EBITDA stood at INR2.5b (est. INR1.7b), up 2.3x YoY, and PAT grew 2.5x YoY to INR1.5b in 1QFY26 (est INR892m). - Revenue in the HPP segment grew 38% to INR4b, driven by higher volumes and improved realizations in both domestic and international markets.
NOCIL	- In order to mitigate the impact of dumping in the domestic market, the company has filed anti-dumping petitions with the Indian government. These petitions are currently under investigation, with outcomes anticipated over the coming months. - The Brownfield expansion in Dahej is poised to commence from 1HCY26 onwards. This involves capex of INR2.5b, with 75-80% of the work already completed. - The company is introducing various cost savings and efficiency improvement initiatives to reduce conversion costs from 4QFY26 onwards and is focusing on geographies other than the US.	- NOCIL's 2QFY26 was weak, with revenue declining 12% YoY to INR3.2b. EBITDA also declined 44% due to continued pricing pressure in the domestic market. - Domestic volumes witnessed a positive traction in the quarter; however, volumes in international markets were subdued due to global uncertainties and US tariff issues. - NOCIL posted revenue of INR3.2b (est. of INR3.4b; down 12% YoY), due to a 3% YoY dip in sales volume to 13.8trmt. This was because volumes in international markets were dampened due to global uncertainties and the US tariff issues. - Gross margin at 41.3% contracted 190bp YoY, while EBITDA margin contracted 370bp YoY to 6.5%. This was due to a 9% YoY dip in realization to INR232.3/kg, led by dumping pressure in the domestic market. EBITDA/kg also declined 42% YoY to INR15.2.
Alkyl Amines	- Volume growth in the first half was slightly higher compared to last year. Management does not expect to meet its volume growth target of 7-10% for FY26. However, anti-dumping duties on acetonitrile are expected to benefit the company from 4Q onward. - The industry faced multiple challenges, including demand pressures, geopolitical disruptions, and intensified competition from Chinese suppliers, which are dumping products across Asia and other regions, leading to heightened pricing pressure. - The company is developing an import-substitute product at its Kurkumbh facility for the dyes, pigments, and electronics markets, with an expected launch in 1QFY27 and an asset turnover of 1.5x. It also has additional products in the R&D pipeline to further drive growth momentum.	- Alkyl Amines Chemicals (AACL) reported a muted operating performance in 2QFY26 as EBITDA declined 5% YoY. Despite some raw material cost pressure, EBITDA margins expanded marginally by 30bp YoY to 18%. - Revenue declined 6% YoY/4% QoQ to INR3.9b (est. INR4.2b), while gross margin expanded by 190bp YoY and 150bp QoQ to 47.3% - EBITDA margins expanded 30bp YoY but contracted 80bp QoQ to 18% (est. 18.3%). Employee costs as a percentage of sales stood at 7% (vs. 6% in 2QFY25), while other expenses stood at 22% vs. 21% in 2QFY25.
Ellenbarrie	- ELLEN is on track for its pan-India expansion, with the Uluberia-2 bulk plant scheduled to open by 3QFY26 and the East India on-site plant by 4QFY26. The North India project has faced a slight commissioning delay due to execution-related issues. Although this may cause a modest short-term impact, it does not alter the company's strong long-term growth outlook or its commitment to expanding national coverage. - Argon gas prices remained stable QoQ in 2Q, while the YoY decline was primarily due to an abnormal spike in the prior year. The company maintains a positive long-term outlook, supported by structural demand tailwinds that are expected to outpace supply. - The solar cell segment is witnessing strong traction with significantly higher margins, supported by the company's enhanced capability in ultra-high-purity gases. With India's value chain expanding rapidly, the company has already secured three solar cell contracts in the last quarter and continues to see robust inquiry momentum.	- ELLEN delivered a muted performance in 2QFY26 as EBITDA declined 8% YoY to INR335m. YoY growth was impacted by a one-time revenue of INR150m from Project Engineering in 2QFY25. - ELLEN reported total revenue of INR892m (est. in line) in 2QFY26, down ~6% YoY, impacted by one-time revenue of INR150m from Project Engineering in 2QFY25. - EBITDA margin contracted 70bp YoY to 37.5%; EBITDA stood at INR335m (est. in line), down 8% YoY. - Adj. PAT grew 24% YoY to INR367m (est. INR254m), led by higher other income (up 74% YoY). - Gases, related products & services revenue grew 10% YoY to INR879m, EBIT declined 8% YoY to INR362m, and EBIT margin was 41%. - Project engineering revenue stood at INR 12M, EBIT stood at INR3m, and EBIT margin was 28%. - For 1HFY26, revenue/EBITDA/adj. PAT grew 7%/10%/21% to INR1.7b/ INR642m/INR554m.



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Alkyl Amines

Neutral

Current Price INR 1,766

Outlook

- Volume growth in the first half was only slightly higher compared to last year. Looking ahead, management does not expect to meet its earlier expectations of 7-10% volume growth.
- Management remains optimistic about a slow and steady upward trend in performance, expecting gradual improvements over time and aiming for consistent and sustainable growth.
- The DEK molecule faced pressure earlier but has now stabilized. Production is running reasonably well at good capacity. Although margins are currently low, volumes are improving, and management expects a better performance in the second half.
- Demand for Ethylamines remains relatively stable because the focus is on the domestic market, shielding AACL from external demand fluctuations.
- For Ethylamines, the market size is expected to be around 30,000-35,000 tons, suggesting a stable and moderately sized demand outlook.

Macro environment

- The industry faced multiple challenges, including demand pressures, geopolitical issues, and impacts on customers from direct US exports. Despite flat revenue, it successfully managed margins to maintain profitability.
- Chinese suppliers have become more aggressive, diverting their products to other markets. They are dumping materials across Asia and other regions, creating pricing pressure and increasing competition.
- Raw material prices have been impacted by sanctions imposed by the US, particularly affecting suppliers who source materials from Iran. This has created cost pressure for the company's chemical production.
- Management expects the pricing environment to eventually stabilize and return to normal levels, easing cost pressures over time.

Product development

- Regarding its new product, mechanical completion of the project is expected by Feb-Mar'26. So far, INR1.2b has been invested, and the market currently appears promising, with hopes of achieving good profitability.
- The new product will primarily be used in the dyes and pigments industry. Currently, no other company in India is producing this chemical, giving the company a unique position in the market.
- The company plans to launch new products in the coming years, focusing on its R&D pipeline. In the next three to four months, management will conduct a detailed review to assess potential opportunities.
- Acetonitrile is now being exported globally, indicating the company's growing international presence. This expansion allows AACL to reach multiple markets and diversify its sales beyond the domestic sector.
- According to customer inquiries, the use of Acetonitrile is increasing, primarily because it is a key ingredient in the production of APIs (Active Pharmaceutical Ingredients), indicating rising demand from the pharmaceutical sector.
- Management has obtained approvals for Acetonitrile use in peptide-based diabetic weight loss drugs, but commercial production and market impact will take some time.

Other

- The company possesses the technology to produce DMF (Dimethylformamide), but it is currently not manufacturing it. This indicates potential for future expansion if management decides to enter this segment.
- There is potential demand for peptide-based diabetic weight loss drugs, which have just been launched. Management has obtained approvals for Acetonitrile use in these drugs, but commercial production and market impact will take some time.
- Last year, the company achieved a significant milestone by crossing one lakh tons in total production volume, reflecting strong operational performance and capacity utilization across its chemical product segments.



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Clean Science & Technology

Neutral

Current Price INR 932

Operational highlights

- HALS (Hindered Amine Light Stabilizers) volumes grew 25% QoQ, supported by an improved product mix and commercialization of higher grades such as HALS 2020. Material margins expanded to 35% (from 31%), with capacity utilization at 25% and sequential growth expected to continue.
- Established Products reported a 6.5% YoY decline in volumes, impacted by weak demand and continued pricing pressure across key categories.
- The commercialization of barbituric acid and Performance Chemical 1 (PC1) is underway, with trial results satisfactory and full-scale commercialization expected in 4QFY26.

Macro-economic outlook

- Sales during the quarter were impacted by a combination of global demand softness, pricing pressure, and intensifying competition from Chinese suppliers across key end-markets. The overall demand environment remained challenging, with customers adopting a cautious procurement stance amid heightened price volatility and uncertainty in their respective downstream industries.
- In China, the market environment continued to be particularly difficult, characterized by sustained price undercutting and excess supply. Customer destocking trends, coupled with potential backward integration by a key FMCG customer, further weighed on volumes. The company's exposure to China remains significant, accounting for approximately 25-30% of total revenue, making it susceptible to fluctuations in this market.
- Additionally, the evolving tariff landscape and trade-related uncertainties led to a cascading effect on global supply chains, prompting several customers to defer or moderate their procurement plans. These factors collectively contributed to lower order volumes and a softer sales trajectory during the quarter.

Capex and new projects

- The company invested INR1.5b in its subsidiary, CSTL, during the first half of the year.
- The company's Performance Chemical 1 is currently undergoing chemical trials with satisfactory results, and commercialization is expected to be announced shortly. The product offers strong synergies with existing offerings through

cross-selling opportunities and backward integration. The installed capacity stands at 10,000 tons, with full-scale revenue potential of around INR3b in FY28.

Geography and product dynamics

- In Americas, volumes were impacted by tariff-related uncertainties and temporary customer-specific slowdowns.
- The European market experienced minor realignment in demand patterns, while the domestic market remained broadly stable.
- The company continues to face limited competition from domestic players, with pricing and volume pressures primarily emanating from Chinese suppliers.



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Results Update

Deepak Nitrite

Sell

Current Price INR 1,704

Operational highlights:

- The marginal sequential revenue increase was driven by improved performance in the Phenolics segment, supported by lower feedstock prices, higher volumes, and a better product mix.
- However, YoY performance weakened due to global tariff actions in the US, underpriced Chinese imports, and softer realizations in several Advanced Intermediates products.
- EBITDA improvement on a sequential basis was driven by cost optimization measures, including lower energy costs, overhead rationalization, and improved production throughput.
- Profitability remained under pressure, largely due to weaker pricing in the Advanced Intermediates business.
- Aggressive cost optimization measures across power and fuel expenses, along with the rationalization of overheads, helped improve EBITDA on a QoQ basis.
- The company maintained stable volumes in Advanced Intermediates despite pricing challenges, supported by interventions such as focusing on market share protection, entering non-traditional geographies, and securing upstream feedstock availability.

Advanced Intermediates

- The segment reported revenue of INR5.88b, compared to INR6.05b in 1QFY26 and INR6.06b in 2QFY25.
- EBIT weakness was driven by US tariff actions and sustained inflow of Chinese products at lower prices.
- Despite this, the company maintained its volumes and wallet share. Input security is expected to improve once the Nitric Acid plant becomes fully operational in 4QFY26.
- Business was impacted by the direct and indirect impact of US tariff actions, along with the continued influx of underpriced Chinese products, which remains a major constraint on a broader sectoral rebound.
- The company drove interventions to increase volumes and maintain market share, thereby delivering largely stable revenue.
- While sustained pressure on realizations impacted profitability in the AI segment, multiple remedial measures and cost optimization actions were undertaken to partly mitigate the impact.

Phenolic

- The Phenolic segment recorded revenue of INR13.33b vs INR13.04b in 1QFY26, showing sequential growth driven by higher throughput and a favorable product mix.
- The segment also benefited from continuous variable cost optimization and deeper integration across the value chain.
- Stable domestic demand enabled the company to maximize the benefits of its deeply integrated manufacturing, resulting in continuous variable cost optimization.
- The company expanded its market share in the Phenolics segment.
- Additionally, the Phenolics business registered the highest quarterly production and sales of IPA in 2Q.

Polycarbonate:

- The company has planned investments in a large-scale complex that will house India's first integrated Polycarbonate project, marking a significant step toward achieving self-reliance and increasing value addition within the country.
- This project is supported by long-term feedstock supply arrangements with Petronet LNG and benefits from strong policy support under the Atmanirbhar Bharat initiative.
- Discussions are currently at an advanced stage regarding the supply of certain utilities as part of the integrated facility.
- The company's first priority is to ensure that polycarbonate can be produced in the most cost-efficient manner. However, since this is a large-scale project and will take a few years to complete, the company has simultaneously taken steps to move downstream.
- In the interim, the company has begun establishing its presence in the customers' ecosystem by offering compounded products that use polycarbonate as the base material.

Macro environment:

- The operating environment remains complex and challenging as the company enters FY26.
- Compared to the previous year, conditions have deteriorated meaningfully, with US tariffs, dumping intensity, and underpricing now far more severe.
- The company has countered these pressures by expanding into non-traditional geographies and proactively engaging with customers to protect market share and maintain volumes.
- The global operating environment remains strained due to rising geopolitical tensions and increasing trade barriers
- While near-term conditions are challenging, the company expects performance to improve in H2 with the ramp-up of new capacities and initial volumes from new products and SKUs, with additional upside if US tariffs ease.

Outlook

- A strong pipeline of upstream products, including Nitric Acid, and downstream products, such as MIBK and MIBC, is set to become operational over the next few quarters.
- The company is making rapid progress on its large CAPEX program, with new Phenol, Acetone, and IPA capacities supporting full integration toward PC resin production.

- Management expects a better trajectory for select agchem intermediates in 2H, with further upside possible if US tariffs ease.
- The Nitric Acid plant, expected to be fully operational by 4Q, will ensure reliable input supply and support margin improvement.
- A new world-class R&D center will drive innovation and product development.
- Backward integration for nitration products and the expansion of existing product lines remain key growth drivers.
- Performance is expected to improve on the back of higher agrochemical intermediate volumes from Europe and other regions.

Product development

- The company launched seven new products in 2Q, all developed in-house without external technology licenses. These include life-science products and effect chemicals used in polymers, flame retardants, and mining applications.
- These products are currently in customer validation cycles of 3–5 months, with full commercial ramp-up expected by end-4Q or mid-1Q. Early feedback indicates that product specifications exceed market standards.
- In the polymer compounding business, validation cycles can extend up to 18 months. The company has commissioned a pilot facility at Savli and is in discussions with potential strategic partners.

Others

- The company has secured supply arrangements similar to those for other key raw materials, enabling it to source ammonia both domestically and through imports.
- It plans to significantly increase internal consumption of nitric acid, with the new plant expected to operate at full capacity.
- The Oman facility is expected to take around 24 months from 2QFY26 to reach commercialization.
- Chinese dumping remains a major challenge, particularly in products like sodium nitrite and certain nitro aromatics, where pricing pressure is substantial.
- The company has planned a capex outlay of INR15b for FY26.



**ELLENBARRIE
INDUSTRIAL GASES LTD**

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Ellenbarrie Industrial

Buy

Current Price INR 422

Financial performance:

- 2Q revenue was INR892m, up 7% QoQ but down 6% YoY, impacted by one-off revenue of INR150m from the Project Engineering segment recorded in 2QFY25.
- Revenue from gas sales stood at INR879m, up 10% YoY and 9% QoQ.
- In 1HFY26, ELLEN reported RoCE/RoE stood at 26%/12%, maintaining its focus on delivering healthy return ratios over the medium term.

Operational highlights

- The company achieved a successful ramp-up of its Kurnool and Tata Steel Metaliks divisions. In addition, the merchant plant in East India is expected to become operational by the end of Nov'25.
- A new on-site plant in East India is scheduled to commence operations by 4QFY26, while another merchant plant in North India is expected to begin by 2HFY27.
- ELLEN's total owned and operated capacity is expected to increase from 1,370 TPD as of FY25 end to 1,910 TPD by FY26 end and to 2,130 TPD by FY27 end.

Ellenberrie Industrial Gases

Financial Performance Analysis

Particulars	2023-24	2022-23	2021-22	2020-21	2019-20
Revenue	1,23,45,67,890	1,12,34,56,789	1,01,23,45,678	90,12,34,567	89,01,23,456
EBITDA	23,45,67,890	21,34,56,789	19,23,45,678	17,12,34,567	15,01,23,456
Net Profit	12,34,56,789	11,23,45,678	10,12,34,567	9,01,23,456	8,90,12,345

- The company continues to focus on product mix optimization, emphasizing higher-value gases such as argon, which contributed 13% of total revenue in 2Q.

Expansion projects

- Geographical expansion remains in focus as the company aims to become a pan-India player. ELLEN has already begun moving beyond its traditional core regions, with substantial growth now emerging from Western, Central, and Northern India.
- The Uluberia-2 bulk plant in West Bengal with a capacity of 220 TPD is expected to be commissioned by 3QFY26, which will strengthen ELLEN's market presence in East India.
- The on-site plant in East India with a capacity of 320 TPD is also on track to be commissioned in 4QFY26 under a long-term contract with a steel producer.
- The North India project has faced a minor commissioning delay, which may have a modest short-term impact. However, the long-term outlook for the business remains strong and unchanged.

New-age industries

- The solar cell segment is already witnessing strong traction, while the semiconductor industry is expected to take some more time before generating significant demand for industrial gases.
- Margins in this solar cell segment are expected to be significantly higher compared to other manufactured products, while margins on traded products are around 15%.
- The solar cell and semiconductor value chain in India is expanding rapidly. These industries require two major categories of gases: 1) ultra-high purity gases, which the company is already manufacturing but now producing at enhanced purity levels, 2) other gases that the company imports.

Future Outlook

- Management anticipates that 2HFY26 will be significantly stronger, driven by the commissioning of new capacities and increased contribution from recently ramped-up plants.
- Revenue growth is expected to remain in the range of 20-22% CAGR.
- Over the next four years, ELLEN also aims to maintain EBITDA margins at ~40%.
- The company has firm plans to enter the Western India market as part of its broader capacity expansion strategy.
- Argon prices were stable QoQ in 2Q. The YoY decline reflects an abnormal price spike last year. In the long term, the company remains optimistic, as structural demand tailwinds are expected to help grow demand faster than supply.

Other

- Hydrogen will be positioned as just another gas within its product portfolio, unlike larger industry peers. The core growth driver will continue to be ASU gases, with hydrogen expected to remain a limited contributor to total revenue.
- Demand for industrial gases remains strong, and power prices have corrected to multi-year lows. Even if gas prices soften, margins are expected to remain protected, given the direct linkage between power costs and the pricing of end-product gases.
- Geographic expansion remains a key priority as the company aims to establish a pan-India presence and move beyond its traditional strongholds. Significant

growth is already coming from Western, Central, and Northern regions, with clear plans underway to scale up nationwide.

- In the West, the company is pursuing a merchant-model strategy, supported by strong demand from multiple industries. The site for the new plant has been largely finalized.



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Galaxy Surfactants

Current Price: INR 2,146

Financial Performance

During 2QFY26, Galaxy Surfactants Limited reported net revenue from operations of INR 13.26b, compared to INR 10.63b in Q2 FY25, registering a growth of 25% YoY.

For 1HFY26, total revenue stood at INR 26.21b, up 27.8% from INR 20.37b in H1 FY25.

However, EBITDA for the quarter declined by 14.7% YoY to INR 1.16b, primarily due to global tariff headwinds, tactical reformulations in the Performance Surfactant segment, and lower domestic volumes following GST-driven inventory adjustments.

EBITDA margins stood at 8.3%, down from 12.0% in the previous year.

EBITDA per metric tonne for the quarter stood at ~INR17,300.

Operational Highlights

Volumes during the quarter remained broadly flat both on a YoY and QoQ basis.

Specialty Care Products delivered strong double-digit growth, which helped offset a high single-digit decline in the Performance Surfactant segment.

India's domestic performance faced temporary headwinds, with volumes being flat YoY and QoQ, though temporary headwinds emerged following the GST rate reduction on FMCG products, which triggered inventory recalibration by large players.

In the AMET region, volumes declined in the high single digits YoY and low single digits QoQ, mainly due to share loss among Tier-1 customers in Egypt amid rising local competition.

The Rest-of-World (ROW) region maintained a high single-digit YoY growth, driven by strong performance in LATAM and APAC, where both Performance and Specialty segments saw double-digit growth.

North America experienced margin pressure due to reciprocal tariffs impacting Specialty Care, particularly in the masstige product category, although prestige product lines under Tri-K continued to perform well.

Raw material availability improved slightly; however, feedstock prices stayed elevated due to lower-than-expected output of Palm Kernel Oil.

Tariffs have led to delays in both projects and product launches in the US.

Egypt as an entity is performing well in terms of its project portfolio, and GALSURF is focused on enhancing operations and expanding its presence in the region.

Business Segments

In 1HFY26, Performance Surfactants' revenue was INR 16.81b, while Specialty Care Products contributed INR 9.40b, taking the total revenue to INR 26.21b.

Galaxy Surfactants

Buy

Current Price INR 2,146

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- Regionally, India saw low single-digit volume growth, the AMET region recorded a mid-single-digit decline, and the ROW segment achieved high single-digit volume growth.
- Overall, volume growth for 1HFY26 remained in the low single-digit range compared to the previous year. The company's product portfolio now includes 215+ grades, with 47+ under Performance Surfactants and 168+ under Specialty Care Products, serving over 1,500 clients across 80+ countries.

Raw Material and Supply Chain Trends

- Average fatty alcohol prices rose to USD 2,800 per MT in 2QFY26, compared to USD 2,723 in 1QFY26 and USD 1,926 in 2QFY25.
- Although freight costs have eased, shipment delays and port congestion continue to impact supply timelines.
- Raw material prices are increasing due to lower yields in Malaysia and Indonesia, where demand is outpacing supply.
- The supply situation has not been very supportive, and with the current headwinds in demand, a price correction is expected going forward.

Guidance

- The company remains confident that GST reforms will drive medium-term consumption growth in India, even though the Performance Surfactant segment experienced temporary softness due to inventory adjustments and reformulations.
- In the AMET region, Tier-1 customer share erosion impacted overall performance, but non-Tier-1 customers delivered robust growth YoY and QoQ, helping offset some of the decline.
- The ROW markets, led by LATAM and APAC, continue to show healthy traction in both product categories.
- Management reiterated its focus on sharpening strategic priorities, improving operational agility, and strengthening portfolio resilience to sustain performance amid global challenges.
- For the full year, some projects in the pipeline have been delayed; however, the company remains in constant communication with its customers regarding the impact.
- Customers are dissatisfied with the recent tariffs being imposed, and as they work to diversify their vendor base, they are also looking forward to resuming business with the company.
- Long-term growth is expected to be around 6–8%.
- For 3Q, the company aims to end in line with 2Q performance
- While 4Q is expected to show some positive developments, it is too early to provide a clear outlook.



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Navin Fluorine Intl

Neutral
Current Price INR 6,030

Specialty Chemicals

- The management remains confident about the outlook for the specialty chemical segment, backed by robust purchase orders.
- The Fluro specialty plant has started contributing meaningfully from this quarter.
- The Chemours project remains on track for completion in 1QFY27.



The screenshot shows a research report for Navin Fluorine International. It includes a table with financial data for FY2020, FY2021, FY2022, and FY2023. The table lists various metrics such as Revenue, EBITDA, Earnings, and Dividends in both INR Lakhs and US\$ Lakhs. Below the table, there is a section for 'Key Highlights' and 'Investment Thesis'.

	FY2020	FY2021	FY2022	FY2023
Revenue (INR Lakhs)	1,10,000	1,20,000	1,30,000	1,40,000
Revenue (US\$ Lakhs)	1,100	1,200	1,300	1,400
EBITDA (INR Lakhs)	15,000	18,000	20,000	22,000
EBITDA (US\$ Lakhs)	150	180	200	220
Earnings (INR Lakhs)	10,000	12,000	14,000	16,000
Earnings (US\$ Lakhs)	100	120	140	160
Dividends (INR Lakhs)	5,000	6,000	7,000	8,000
Dividends (US\$ Lakhs)	50	60	70	80

- Debottlenecking the MPP capacity at Dahej is further expected to support the launch of a new molecule for a global innovator.

CDMO

- The order book pipeline for the CDMO business remains strong, backed by purchase orders till FY27.
- Supplies have concluded in 2QFY26 for the material order for an EU major, and the company is in discussion for future supplies.
- The company has also received a scale-up order for supplies in 3Q and 4QFY26 from another EU major.
- Based on the successful deliveries of late-stage pipeline molecules, the company's plant was audited by three major global innovators.

HPP

- Revenue in the HPP segment was led by higher realizations and volumes in both domestic and international markets.
- Both the plants for R32 are running at optimal capacity.
- The mechanical trials for AHF are underway, with commissioning expected by 3QFY26.
- The global R32 demand-supply situation remains tightly balanced and is likely to remain so for the foreseeable future
- The HFC capacity addition directly addresses the global need for transitioning into low GWP commitments.
- The company remains highly constructive on the R32 gas demand, supported by increasing consumption from blends and export markets, with prices expected to stay firm going forward.
- R32 has been in a tight situation, given the current scenario. With China recording a 5% CAGR, there are clear signs that supply constraints will intensify going forward.
- Chinese capacity of R32 is largely expected to be consumed within China.

Capex

- The Board has approved a capital expenditure of INR2.36b to add HFC capacity equivalent to up to 15,000 MTPA of R32. This expansion is driven by a favorable global demand-supply environment, supported by the transition to low-GWP gases and rising RAC and blend demand in both domestic and export markets.
- The addition of the HFC capacity is expected to be completed by 3QFY27, with a peak revenue potential of INR6b-INR8.25b.
- Along with the capacity expansion of HFC, the company has also announced the debottlenecking of MPP capacity at Dahej to support the launch of a new molecule for a global innovator.
- The company plans to incur a capex of INR750m and targets to commission this by 3QFY27, with peak revenue potential of ~INR1.4b-INR1.6b.
- Both the capex plans are strategic in nature. One consolidating the company's position in rest gases and the other demonstrating the ability to deepen partnerships with global innovators. Contribution to growth from these capex plans will further help the company secure growth in FY27 and beyond.
- The capex will spill over into next year, with the overall investment framework for the next couple of years expected to be around INR10b.

Margin and guidance

- Management remains optimistic about 2HFY26 and beyond, supported by a strong order book, deep customer relationships, and continued focus on R&D. Reflecting this confidence, the company has raised its EBITDA margin guidance to 28-30% (from 25% earlier).
- It is targeting 28-30% EBITDA margins for the full year.

Others

- Building closer relationships with global innovators and securing a share of their future R&D pipeline is a strategic move in the right direction, from which the company is already beginning to benefit.
- The idea of the debottlenecking is to sweat the asset, drive further realization, and seek greater value.
- The business has benefited from significant volume growth (3/4th of the EBITDA growth is due to the volume growth) with some forex tailwind as well, leading to margin expansion along with operating leverage.



**Click below for
Results Update**

The screenshot shows a research report for NOCIL. The header includes the Motilal Oswal logo and the text 'NOCIL'. The report is dated 1 November 2025. The main body of the report contains financial data and analysis, including a table with columns for 'QoQ', 'YoY', and 'FY25'. The table lists various financial metrics such as Revenue, EBITDA, and Net Profit. The report also includes a section on 'Key Highlights' and 'Risks'.

NOCIL

Neutral

Current Price INR 172

Industry and market overview

- The Rubber Chemicals industry is facing multiple external shifts.
- The EU holds a dominant position in demand generation, while the US generates ~9% of the global demand for Rubber chemicals.
- Robust demand in the domestic market is expected due to GST 2.0 and Income tax rates, driving demand for automobiles and tyres.
- The domestic market for Rubber chemicals is estimated at 80-85KTPa, with NOCIL targeting ~40%
- NOCIL continues to maintain ~38-40% of the Domestic Market share

Operational performance

- NOCIL reported 4% QoQ volume growth despite tariff uncertainty and pricing pressures
- NOCIL is facing pricing pressure in the Domestic market, mainly due to foreign dumping
- NOCIL's export volume declined primarily due to tariffs, and sluggish growth is expected in the near months
- The company currently has 65% of the total capacity operational
- NOCIL's operating cash flows improved due to WC efficiency. Its receivables improved 20% due to inventory management, and lower prices and costs YoY aided in WC efficiency

Anti-Dumping Duty

- NOCIL has filed an ADD application for four products
- Detailed investigation is initiated in this matter, and NOCIL expects favorable results in 2-3 months

Capex update

- The capex program of INR2.5b for production capability enhancement for the TDQ antioxidant product in Dahej is expected to be commissioned from 1HCY26
- It is a brownfield expansion whose 75-80% of work is completed, and NOCIL has received a few orders for the same.

Outlook

- NOCIL to continue its focus on increasing Supplier reliability through long-term engagement with customers
- NOCIL is targeting to increase volumes in geographies other than the US
- NOCIL expects Conversion costs to reduce from 4QFY26 onwards, driven by cost savings initiatives and efficiency improvements
- The company expects healthy volume growth in FY27.



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The image shows a thumbnail of a research report titled 'PI Industries'. It includes a table with financial data and a summary of key points. The table has columns for 'Q1 FY26', 'Q4 FY25', and 'Q1 FY25'. The summary text mentions that PI reported a surplus cash net of debt at INR38.6b and that total capex for 1HFY26 stood at INR4.4b.

PI Industries

Buy

Current Price INR 3,458

Operating performance

- In 2Q, PI reported ~18% decline in agchem exports as volume declined ~17%, due to sluggish demand and customer-led shipment deferments.
- The new products launched over the past three years reported 27% YoY growth.
- PI commercialized five new molecules in agchem exports and three products in the domestic agri brand in 1HFY26.
- Domestic revenue declined ~13% YoY, led by volume decline of ~9% due to erratic rainfall disrupting the demand.
- Favorable product mix and operational efficiencies led to gross margin expansion.
- Overheads increased, comprising strategic development of new businesses and promotion of new products, offset by effective cost control in existing businesses.
- PI reported surplus cash net of debt at INR38.6b.
- Total capex for 1HFY26 stood at INR4.4b, reflecting continued investments in manufacturing capabilities and R&D infrastructure.
- Trade working capital in terms of days of sales stood at 115 vs. 73 in Mar'25 due to inventory build-up for 2H and calibrated credit extension in line with prevailing liquidity constraints.

Outlook and guidance

- Inventory levels likely to ease going ahead.
- Strong demand momentum expected for new products.
- Favorable reservoir levels for India and positive sowing trends in major crops signal a promising outlook for the Rabi season.
- 4Q should see early signs of improvement, but a full-scale recovery is not expected till FY27
- The company remains on track to commercialize 8 to 10 new molecules in the coming fiscal in agchem and 3-4 in domestic.
- Ongoing investments across growth sectors are laying a strong foundation for the next phase of expansion and long-term sustainable growth.
- While the long-term outlook remains intact, near-term conditions continue to be affected by macro headwinds, climate risks, and geopolitical uncertainties.
- ETR guidance remains steady at 20-23% over the next 2-3 years.
- Management remains positive on the company's long-term growth outlook and expects growth momentum to be restored over the coming years. A recovery in both domestic and export markets, particularly from 4QFY26, is anticipated to offset revenue and profitability pressure seen in 1H.
- Management reiterates its EBITDA margin guidance of 25-27%.

Industry Environment

- The global crop protection industry remains in a prolonged downtrend, weighed down by distributor and farmer destocking, sharp price deflation, and persistent Chinese overcapacity. The situation is further exacerbated by low commodity prices, elevated interest rates, and weather-related disruptions that curtailed spring applications across several regions.

Pharma business

- The pharma segment witnessed a strong 1H, with the company onboarding new customers.
- The decline in profitability was due to one-off processing related cost and product mix and higher overheads due to investments in capability building, people and processes.
- The company incurred a capex of INR167m in 2QFY26.
- Pharma platform doubled its revenue vs. 1HFY25, driven by deepening relationships with biotech and big pharma innovators. Pharma outlook is positive for the long term.
- Healthcare annual revenue is in the range of USD10m to USD12m.
- Pharma business is currently in an investment phase, which is expected to continue for another year; thereafter, it aims to sustain a positive EBITDA.
- In the Pharma CDMO business, PI onboarded seven new clients in 1H and continues to prioritize investments in this segment. The focus is on scaling up late-stage programs, which are expected to start contributing sustainable revenue over the next 2-4 years. The company remains on track to add two additional clients in 2H.
- Gross margins remained broadly in line with historical levels, with a slight dip in profitability owing to one-off processing-related costs and an unfavorable product mix.

Biological business

- Good traction witnessed in biologicals technology platform products in 1HFY26.
- PI has made significant investments in product development in the US, Brazil and Mexico.
- Unique biological solution for nematodes launched in Mexico.
- New registration filed for Bio-nematicide in the US.
- Regulatory changes in India for biological products have disrupted the market, but the company expects these issues to stabilize over the coming one to two quarters.
- In India the company is well on its way to becoming the biggest biological player in terms of product portfolio and revenue.
- In 2Q, PI commissioned a new biological research center in Hyderabad with a lab to study plant systems and support growth.

Others

- The increase in contract assets aligns with customer delivery schedules planned for 2H and is fully compliant with applicable accounting standards.
- The newly imposed US tariffs have created uncertainty around order placements and customer decision-making across both the agri and pharma sectors.
- Inorganic growth opportunities are being evaluated to strengthen the company's long-term growth trajectory.



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- The overall order book remains healthy at ~USD1.25b.
- Gross margins in the 50-52% range are considered sustainable.

SRF

Buy

Current Price INR 2,816

Chemicals business: Specialty chemicals

- Specialty Chemicals Business performance improved compared to last year, driven by higher volumes and operational efficiencies through cost, process optimization, and favorable product mix.
- Recently launched products continued to show positive traction
- The management anticipates the robust product pipeline to accelerate future growth momentum.
- SRF launched one new Active Ingredient (AI) along with three new Agro and one new Pharma product during 1HFY26.
- Product funnel remains strong, with several new Pharma intermediates and Agro AI opportunities under development.
- The new Odisha site is set to house future Chemical facilities, strengthening SRF's manufacturing footprint and supporting long-term capacity expansion.
- Agro majors have deferred procurement to the late 2HFY26 amid delayed demand from customers.
- Market dynamics are currently being shaped by sustained Chinese competition and uncertainty surrounding US tariffs.
- Raw material prices appear to have bottomed out
- The agrochemicals segment is expected to pick up gradually
- SRF continues to collaborate with global innovators on complex molecules, reaffirming SRF R&D leadership in delivering sophisticated solutions.
- Historically, 2H has always been stronger than 1H.
- Export stood at 65-66% of the revenue in 2QFY26
- Full-year growth guidance of specialty chemicals remains on track to surpass the 20% growth as previously guided, despite some deferment of demand seen in this space.

Chemical: Fluorochemicals

- The fluorochemicals business delivered a strong YoY performance driven by higher volumes and realizations of HFCs across key products.
- While some sequential softness in volumes was observed in the domestic market due to seasonality and an overall lower rack market, the business continued to demonstrate resilience by enhancing its export sales amid an uncertain global environment.
- SRF maintained its leadership in domestic RAC and MAC markets
- Thailand and the Middle East markets continued to perform well
- SRF entered into strategic agreements with The Chemours Company for manufacturing, supply, and distribution of certain fluoropolymers and fluoroelastomers, with the capex cost now enhanced to INR7.45b from INR5.95b. The project will be executed in phases and is expected to be completed by December 2026.
- The company is getting into newer products, which were not planned earlier. Of this INR4.50b is one of the products, which is a non-Chemours product, and the balance capex is for two products that are of Chemours.

- The rationale behind the Chemours deal lies in partnering with a global player to expand the company's fluoropolymer business and strengthen its presence in products that have a global market reach rather than being limited to localized segments.
- A large part of the production will be sold to Chemours for their requirement, while the Revenue from this agreement is expected to be fairly large
- Global HFC prices continue to remain firm, driven by China's quota-led supply restrictions and steady international demand.
- Management anticipates the domestic ref gas demand to recover in 2HFY26 after a weak 1H due to prolonged monsoons.
- The HFO project is expected to be commissioned in FY27, and revenue will start from FY28.
- The company wants to operate the plant at maximum capacity possible to avail a higher quota. SRF will end FY26 at maximum capacity.
- Export in 2QFY26 stood at 60%.
- Prices of R22 have been range-bound. Over the last 2-3 quarters, the price momentum has been positive.

PFF business

- The packaging film business achieved stable revenue in 2QFY26 with a higher margin compared to 2QFY25, led by higher volumes and realization for BOP and the ramp-up of production and sales of Aluminum foil; supported by higher realization in both the domestic and export markets.
- Improved performance in Thailand and Hungary, though competition from cheaper imports supported the growth of the segment
- Sequential softness reflected in weak demand and prices for BOPE
- SRF maintained its position as India's largest BOPET exporter
- The global supply for BOPET continues to exceed
- The Anti-dumping duty on Chinese aluminum foil imports in India supported better realizations and improved pricing stability demand.
- Chinese suppliers continue aggressive pricing in Southeast Asian markets
- GST 2.0 reforms implemented during the quarter seemed to have a short-term impact. Due to reprinting, repackaging, and resizing, the business remains focused on scaling, value-added products and sustainable structures
- There was some impact of the US tariff on the PFF segment, and SRF has taken countermeasures such as shifting some US demand to the Thailand unit.

Technical textiles business:

- The performance was adversely impacted by a weak market, with the Nylon Tyre Cord Fabric (NTCF) and Belting Fabric (BF) margin under pressure due to Chinese imports
- Demand for Polyester Industrial Yarn (PIY) remained soft due to the prolonged monsoons.
- The new Belting fabric capacity ramping up is expected to contribute to higher volumes in 2HFY26.
- SRF maintained its market share in NTCF as well as BF.

Other

- SRF continued to maintain a leadership position in the domestic market, both in volume and price, in the coated fabrics segment.

- SRF retained price leadership in the laminated fabrics market, backed by consistently strong on-time customer deliveries.
- R&D team, comprising of over 450 professionals, is focused on developing complex chemistries and advanced applications.
- SRF now holds 153 patents and has filed 501 process patents. R&D remains at the core of the strategy, enabling process development, scale-up up and commercialization across agrochemicals, pharmaceuticals.
- However, weakening of INR against USD and Euro has hit the overall 2Q results, with global interest rate cycles trending downwards, management anticipates further reduction in the borrowing costs in the near future.
- CFO will step down to pursue other opportunities. The company is in the process of identifying my successor and will ensure a smooth transition to maintain continuity and uphold its commitment to financial discipline and long-term value creation.
- The company plans to incur a capex of around INR22b-INR23b (including the Odisha land parcel ~INR2.82b) in FY26.



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Tata Chemicals

Neutral

Current Price INR 827

Demand-supply scenario

- Soda ash remains very well supplied across the world, with inventories high in certain regions.
- Soda ash prices remain weak and, in certain instances nearing record low levels. Global demand is estimated to be flat in the near term.
- Medium to long-term trend is positive, driven by sustainability applications (Solar PV + EV growth), even with short-term margin challenges.
- Lower revenue in the current quarter as compared to the previous year, driven by lower realization due to pricing pressure in all regions.
- Competition is particularly intense in Southeast Asian markets, where Chinese material is flowing heavily.

India

- This run rate of revenue is expected to continue going forward. 1H sales of salt are expected to continue in 2HFY26
- There is an ADD recommendation by DGFT, subject to MoF approval. If ADD is executed, the upper band results in a difference in price of USD70 -USD100 per ton. The lower end of the band is around USD30.
- Margins on a unit basis are down due to pricing being continuously under pressure.
- Sales of sodium bicarbonate in this business can be the growth driver going forward.
- Pricing in soda ash is expected to be range-bound.
- Average import prices to India are in the range of USD232-236 per ton. The minimum import prices (MIP) are extended until CY25.

North America

- Exports to Asia continued to be under price pressure.
- There has been a reduction in EBITDA due to two major reasons. One of the reasons is a one-time reduction in WIP, leading to under-absorption of fixed cost. The impact of the same was around INR400m.

- Further, more emphasis was put on exports this quarter. Generally, the ratio of exports is 50:50. However, exports were higher by 20k tons this quarter due to spillover.

Europe

- Margin improvement was led by the product mix.
- There was a one-off cost of INR650m because all the contractual obligations were reviewed this quarter.
- Revenue declined due to the cessation of Lostock. All the historical issues related to Lostock have been fully resolved, and savings in the power and fuel costs have been achieved due to the Lostock business.
- The company expects the business to turn positive by Q3FY26. Numbers are only expected to get better going forward.

Africa

- Volumes were lower this quarter; however, they are expected to rebound in 2HFY26
- Pending litigation with regard to land rates has been ruled in the company's favor. The company will wait to check if the local body takes this matter to the Supreme Court. However, other matters regarding tax have been completely resolved
- Realization is expected to remain low in the current financial year

Situation in China

- The policy of the Chinese government is 50% of the capacity to be natural and 50% to be synthetic
- This means that another 5m to 6m tons of natural capacity have to come on stream.
- Usually new capacity addition takes 36 months to come on stream
- The soda ash market is currently oversupplied with high inventory levels, particularly in China (1.65m tons), which is putting pressure on spot prices
- Intense competition in China due to new capacity coming online in Inner Mongolia has led to a significant price decline, with Chinese storage prices falling 56-58% between Q2 FY23 and Q2FY26

Other

- General-purpose NCDs are being issued for various plans. The company aims to debottleneck India and ensure that the Indian capacity goes up in phases. Company to come back with details by Q3 results
- The company has guided for an annual maintenance capex of INR10b for FY26. It plans to expand its Indian capacity by 50% in two phases (i.e., 15% + 35%). Further, it plans to add ~42k tons of capacity in Cuddalore and 60k tons of capacity in Mithapur. The company is planning to raise INR15b through NCDs for funding these initiatives.
- Debt has gone up majorly due to currency exchange rates (INR2.5b). There is no long-term debt falling due in 2H.



CONSUMER

- In staples, with trade stabilizing after the GST reduction, companies are expecting to see a gradual pickup, supported by a steady rural recovery and improving urban sentiment. A favorable winter should further drive demand in health supplements, winter personal care, beverages, and packaged foods. Government measures to boost rural incomes are likely to strengthen consumption from 3QFY26. Paints are also witnessing better traction, driven by festive demand and stronger construction activity. In liquor, premiumization continues to support healthy double-digit growth in spirits. The innerwear segment is seeing a slow but steady recovery as channel inventory normalizes, with the winter season expected to boost thermal and winterwear demand.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Takeaways from 2QFY26's performance	Outlook for FY26
Asian Paints	■ The paint industry grew by 3-3.5% in 1H, with visible recovery in Sep-Oct led by festive demand. ■ Over the last 6-9 months, APNT strengthened relationships with dealers, focusing on improving their RoI and driving higher retail-level business. ■ New product development contributed over 15% of total revenue, underscoring the company's strong innovation pipeline.	■ For FY26, the company expects mid-single-digit value growth and high-single-digit volume growth, with the 4-5% gap between value and volume likely to persist. ■ In 2HFY26, the company anticipates high-single-digit value growth supported by festive demand and improving macro conditions.
Britannia	■ BRIT expects transitionary impact to normalize progressively in 3QFY26. By Oct end, BRIT revised ~65% of its SKUs and by mid-Nov, all the SKUs will have revised grammages and prices. ■ Adj. for GST, BRIT sales could have grown 2-2.5% more in 2Q as Sep sales were impacted by 6-7%. ■ Big three national level players command ~70% market share; ~10-12% share is captured by significant regional players; rest 15% of the share held up by value players.	■ Going forward, both revenue and volume growth has to be in positive trajectory. The pricing has been slightly impacted by GST 2.0. ■ BRIT is looking to enter RTD protein drinks. ■ Annual A&P spends as a % of sales for FY26 to be at historical levels.
Dabur	■ For the last six consecutive quarters, rural markets have outperformed urban markets. ■ Management estimates the one-off GST pipeline impact at INR1bn (3-4% of sales) in 2QFY26. ■ Dabur expects the GST rate cuts, especially the reduction from 12% to 5% in juices, to aid demand recovery in 2HFY25.	■ Management guided for mid-to-high single-digit revenue growth and mid-single-digit volume growth for 2HFY26. ■ Margins to expand sequentially with normalization of input costs and higher operating leverage. ■ Dabur expects rural demand to sustain and urban consumption to recover in 2H as trade stabilizes.
Godrej Cons.	■ The GST rate reduction caused short-term trade disruption. Management quantified a ~3-4% hit to standalone revenue in 2Q from destocking and channel price adjustments. ■ Palm oil has been volatile but range-bound; GCPL says it is largely priced for current levels and does not expect material additional margin pressure from palm at current prices.	■ Management expects India standalone to achieve high-single-digit underlying volume growth for the year and consolidated high-single-digit revenue growth, with 2HFY26 to be better than 1HFY26. ■ International margins: In Africa, mid-teen EBITDA margins are considered a healthy structural target (but with volatility); Indonesia margins are below normative and under pressure from pricing competition and distributor changes.
Hindustan Unilever	■ Management expects the combined impact of GST cuts, easing inflation, and a more accommodative monetary policy to drive a gradual recovery in consumption, particularly in rural markets. ■ Volume impact of ~2% in 2Q was attributed to the GST transition and trade pipeline adjustments. ■ E-commerce contributes 8% to total sales (12% in urban markets), while general trade forms 70% and modern trade about 20%, with all channels recording growth.	■ HUVR remains focused on driving volume-led competitive growth through four strategic pillars: 1) sharper consumer segmentation, 2) modernizing core and premium brands, 3) strengthening marketing capabilities, and 4) reshaping the portfolio around high-growth demand spaces. ■ The near-term EBITDA margin guidance remains in the 22-23% range, with 50-60bp expansion expected following the demerger, as the low-margin Ice Cream business will be excluded.

Marico	■ GST-related disruption hit revenue by 2% in 2Q. ■ Volume growth should be better than 2Q levels in the coming quarters, supported by distribution gains and improved consumer offtake. ■ Copra prices are expected to meaningfully correct from March onward and will be range-bound for the next 2-3 months.	■ Revenue growth is expected to remain in double digits in FY26 in the medium term (unlike other FMCG peers), driven by pricing, expanded direct reach, and strong performance in Foods and Premium Personal Care. ■ MRCO expects to deliver double-digit EBITDA growth in 2HFY26 and foresees 200-250 bps margin expansion in FY27 as RM prices start to ease.
PIDI	■ Domestic operating environment should improve, aided by good monsoon, the indirect cascading impact of GST 2.0 on PIDI's demand, and improved growth in the construction sector driven by benign interest rates and enhanced liquidity. ■ For paints, focus remains on 'Rurban' markets, with consistent QoQ growth. ■ PIDI has not taken any pricing action. With no significant commodity inflation currently seen, the company does not plan any major price hikes.	■ Management expects strong volume growth to continue in 2HFY26 as well. ■ Capex to be in the range of 3% to 5% of sales. ■ PIDI expects gross margins to remain in the 54-55% range through FY26. ■ The company maintains its EBITDA margin guidance of 20-24% for FY26.
UNSP	■ The festive season (Oct-Dec) is expected to sustain healthy category growth and drive premiumization. ■ Pocket pack (180ml) format continues to drive penetration and recruit new consumers. ■ In Maharashtra, headwinds seen due to a ~35% price increase post-tax change. Consumer spending grew ~20-25%, implying ~10-15% volume decline for the industry.	■ UNSP expects that 2HFY26 expected to be more challenging than 1HFY26. ■ UNSP continues to target double-digit growth, but it remains cautious given the high base in Andhra Pradesh and ongoing challenges in Maharashtra. ■ Marketing reinvestment was 8.4% in 1H, in line with prior levels. Maintain guidance of 9.5-10% of net sales for FY26. ■ FY26 EBITDA margin guidance at mid-to-high teens.
RDCK	■ Luxury segment contributes ~10% of company sales. Management is confident of achieving INR5b sales from the luxury portfolio in FY26 (vs 3.4b in FY25). ■ The company has launched small SKUs in the P&A segment, which will lead to more consumer trails and boost growth. ■ The industry declined ~25% in Maharashtra and Radico declined by ~20%.	■ Over next three years, the company expects Magic Moments to do 10m cases vs 7m in FY25. ■ For FY26, Radico's overall volume growth to be in the 20%+ range with P&A continuing to grow 20%+ in 2HFY26 as well. ■ The company has maintained its margin expansion guidance of 125-150bps annual improvement for the next three years, aiming to reach high-teens margins. ■ Radico remains on track to be debt free by FY27.



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Results Update



Asian Paints

Neutral

Current Price INR 2,906

Business and Environment

- The decorative business in India reported 11% volume growth, supported by a favorable base (vs -0.5% in 2QFY25).
- Growth was further aided by improved consumer sentiment, supportive government policies, and an early festive season, despite the impact of an extended monsoon in September.
- Performance remained broad-based across both urban and rural markets, with all product categories contributing meaningfully, led by an improved offtake in PreLux and waterproofing products.
- Home décor contributed around 4% to decorative revenue, while the Beautiful Homes Network expanded to 73 stores, enhancing customer engagement and brand visibility.
- The company continued to strengthen its regional customization strategy by introducing state-specific variants across the full portfolio, ranging from economy to luxury offerings.

Q3 FY26 Earnings Report - Asian Paints

Particulars	Q3 FY26	Q3 FY25	Q3 FY24
Revenue	1,000.00	909.09	800.00
EBITDA	100.00	90.91	80.00
Net Profit	50.00	45.45	40.00
EPS	10.00	9.09	8.00

Key Highlights:

- Revenue grew by 10% QoQ, driven by strong demand in the B2B segment.
- EBITDA margin improved to 10% from 9% in Q3 FY25.
- Net profit grew by 11% QoQ, supported by higher margins.
- EPS grew by 11% QoQ, reflecting the overall profitability growth.

- Demand conditions showed improvement; however, the company remains cautious about the sustainability of growth, particularly in urban markets.
- GST 2.0 reforms and benign inflation are expected to support broader consumption recovery in the near term.
- The overall paint industry grew by about 3–3.5% in 1HFY26, with visible recovery during September and October, supported by festive demand.
- The company expects continued momentum from the festive and marriage seasons, with a good monsoon likely to further support rural growth in the coming quarters.
- The company highlighted that the practice of offering additional grammage in paints impacts retailer turnover and creates ambiguity regarding benefit allocation among painters, retailers, and consumers.
- The focus remains on strengthening brand equity through continued investments in regional and national media to enhance awareness and influence customer decisions.
- Marketing and technology spends are expected to remain elevated as the company continues to focus on innovation, brand saliency, and premiumization.
- Regional and micro-marketing initiatives are helping the company expand its reach in smaller towns, while innovations in premium and luxury products continue to drive demand.
- For FY26, the company expects mid-single-digit value growth and high-single-digit volume growth, with the 4–5% gap between value and volume likely to persist.
- In 2HFY26, the company anticipates high-single-digit value growth, supported by festive demand and improving macro conditions.
- The B2B delivered strong growth across all segments, driven by robust demand from builders, factories, and government projects.
- The B2B segment is expected to deliver double-digit growth, with further support from innovation and expansion into newer categories.

Cost and margins

- Gross margins were aided by sourcing and formulation efficiencies as well as raw material deflation, despite an adverse product mix and higher discounting.
- Material cost deflation stood at 1.6% in 2QFY26, providing additional support to margins.
- Raw material prices are expected to remain stable; however, geopolitical uncertainties and exchange rate volatility could pose upward risks
- The company aims to maintain its EBITDA margin guidance at 18–20%, supported by efficiency measures and product mix improvement, even as marketing and technology investments remain high amid elevated competitive intensity.

New launches and Innovation

- During the quarter, the company launched SmartCare Damp Secure, an exterior waterproofing primer that locks in paint and protects against dampness while enhancing the aesthetic appeal of homes.
- It also introduced Sparc Shyne under the Tractor and Ace range, offering a rich finish at an affordable price point, aimed at balancing aspiration and value.
- New product development (NPD) contributed over 15% of total revenue, underscoring the company's strong innovation pipeline.

- The company's painting services network has expanded to over 650 towns across India, improving accessibility and brand connect with consumers.

Segmental Information

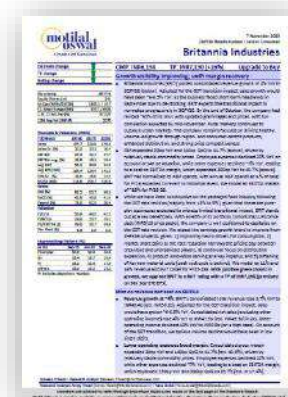
- White Teak (decorative and designer lighting) net sales decline 15% YoY, impacted by BIS-related challenges and subdued retail demand.
- Weatherseal (uPVC windows and doors) posted net sales growth of 57% YoY, driven by an expanded product portfolio, wider reach, and synergies with the Beautiful Homes Network.
- The Kitchen business saw a revenue decline of ~7% in 1Q due to weak demand conditions.
- The Bath business reported a revenue decline of ~5%, also impacted by muted demand.
- PPG Asian Paints (PPGAP) delivered 13% revenue growth, benefiting from strong performance in the Automotive and General Industrial segments.
- Asian Paints PPG (APPPG) posted revenue growth of 10%, driven by the Protective Coatings segment.

International performance

- The international business grew 9.9% in INR terms and 10.6% in constant currency, led by strong performance in Nepal, Sri Lanka, and the UAE, with PreLux and waterproofing categories driving growth.
- Profitability improved due to lower material costs and the divestment of loss-making operations in Indonesia.



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Britannia Inds

Buy

Current Price INR 5,843

Business environment and performance

- BRIT indicated that ~85% of its business underwent changes in GST rates wef 22nd September 2025. Business saw short-term headwinds in September due to de-stocking by distributors and channel partners, and delayed buying by consumers.
- BRIT has 60%-65% portfolio from LUPs/price packs (INR5/10).
- The company expects transitionary impact to normalize progressively in 3QFY26. By October end, BRIT revised ~65% of its SKUs and by mid-November, all its SKUs will have updated grammages and prices.
- The inverted duty structure has been adjusted for price cuts and grammages.
- Adjusted for the GST, BRIT sales could have growth 2-2.5% more in 2QFY26 as September sales were impacted by 6-7%.
- Rural market is growth ahead of urban growth. Rains have not impacted much.
- Going forward, both revenue and volume growth have to follow a positive trajectory. Pricing has been slightly impacted by GST 2.0.
- BRIT has maintained a healthy gap vs organized national players over the last three years. However, there has been a marginal share loss for large players to multiple local and regional competitors.
- Management alluded that some national competitors are increasing their focus on modern trade and discounting to offset regional sales losses. However, BRIT has not been impacted by this.
- The top three national level players command ~70% market share, ~10-12% is captured by significant regional players, and the remaining 15% is held by value players.

- In Glucose, BRIT currently holds a single-digit share and aspires to gradually grow its market share over time.
- Dairy is trending below BRIT's expectations. The cheese market saw high growth until last year, which has now moderated. The company expects cheese growth to rebound soon.
- BRIT is emphasizing RTD protein drinks over whey protein.
- Beverages saw some impact due to extended monsoons.
- The Eastern region is seeing normalization post the internal restructuring of the distribution network.
- In the international business, the African business continued growing well, with JV in Kenya taking healthy shape.
- BRIT is in discussion with various state governments that have made investments in those states to secure fiscal incentives.
- The company remains focused on aggressive revenue growth, even at the cost of slight margin contraction.
- The Hindi belt has been performing well albeit on a low base.

Adjacent categories

- The Croissant & Rusk segments delivered competitive double-digit growth during the quarter, driven by the strong momentum in E-commerce Channel.
- The wafer segment witnessed the 5th consecutive quarter of healthy double-digit growth. BRIT augmented additional capacity in North.
- Healthy growth for Cheese in E-com and General Trade (India), along with sequential market share gains.
- In Cakes, impulse products such as Brownie continued to gain traction in Urban markets.

Cost and margins

- 2QFY26 was a stable commodity quarter; flour costs increased 6%, palm oil deflated sequentially but rose 29% YoY, cocoa prices rose 9% YoY, and sugar inflation was 3% YoY, with slight seasonal inflation in milk (happens with the festival season).
- If commodity prices remain stable, margins are expected to improve.
- Annual A&P spends as a % of sales for FY26 are expected to be at historical levels.



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Dabur

Neutral

Current Price INR 520

Demand and Environment

- Overall demand environment remained mixed, with a softer start to the quarter due to heavy rainfall, floods, and GST-related trade disruptions.
- Rural markets continued to outperform urban, supported by improved farm cash flows, normal monsoon in core states, and deeper distribution reach through Project SETU and last-mile coverage.
- Rural growth outpaced urban markets, driven by higher consumption of mass and mid-tier products and effective localized marketing initiatives.
- Urban markets witnessed steady demand in premium and health-oriented categories but were impacted by short-term disruptions post-GST announcement.
- Management indicated recovery in consumption trends in October with normalization of trade and gradual channel restocking.

Particulars	Q3 FY26	Q3 FY25	Q3 FY24	Q3 FY23	Q3 FY22
Revenue	1,10,000	1,05,000	1,00,000	95,000	90,000
EBITDA	25,000	24,000	23,000	22,000	21,000
EBIT	20,000	19,000	18,000	17,000	16,000
Net Profit	15,000	14,000	13,000	12,000	11,000

GST Impact

- GST rate reductions across nearly 66% of the Indian portfolio are likely to boost consumption in the coming quarters by improving affordability and channel confidence. Currently, 86% of the company's portfolio comes under the 5% tax bracket.
- The company has passed on benefits of GST cuts to consumers through price reductions in key categories such as Oral care, Hair care, Juices, Health Supplements, and Home Care.
- Temporary trade disruptions post the GST rate announcement affected secondary sales and supply chain flow during the quarter.
- Management expects GST rate cuts, especially the reduction from 12% to 5% in juices, to aid demand recovery in 2HFY25.
- However, the transition created short-term trade disruptions and inventory re-pricing effects that temporarily depressed sales in September and carried into early October.
- Management estimates the one-off GST pipeline impact at ~INR1b (around 3-4% of sales) in 2QFY26.
- The company took a grammage increase in 27% of its LUPs portfolio.

Inverted duty structure

- Dabur highlighted the issue of an inverted duty structure — where weighted average input tax (~8–8.5%) exceeds output tax (~6.5–7%) — creating a structural cost disadvantage of ~125–150 bps.
- The company is implementing seven identified cost and supply chain measures to partly offset the impact while engaging with authorities for long-term resolution.
- If not addressed systemically, management may consider selective price adjustments or portfolio rationalization to offset the gap.

Cost and Margin

- Dabur delivered stable to improving operating margins during the quarter despite persistent input cost inflation and temporary trade disruptions.
- Gross margin expanded by ~20 bps YoY, supported by a favorable mix shift towards premium and healthcare portfolios and effective cost optimization measures.
- Key inflation drivers during the quarter included higher costs of packaging materials (PET, laminates) and certain agri-linked inputs like sugar and honey, leading to a weighted average inflation of ~8%.
- To mitigate these pressures, the company implemented selective price hikes of 3–4% across key categories, including oral care, hair oils, and home care.
- Management indicated that premiumization, scale leverage, and operational efficiencies (in manufacturing and logistics) provided additional cushion to margins.

International business

- International business grew 7.7% in INR terms and 5.5% in constant currency.
- Key markets such as the UK, Turkey, Bangladesh, Nigeria, and Dubai witnessed healthy performance, while Nepal saw a temporary slowdown due to political disruptions.
- Demand in GCC markets remained stable, and Africa continued to post healthy growth in the health supplements and home care segments.

- Management expects a pickup in international growth in 2HFY25 with increased brand support and new product introductions.

Winter Portfolio

- Winter products contribute significantly to Dabur's seasonal portfolio, led by Chyawanprash, Honitus, and Gulabari.
- The company is optimistic about strong winter demand, aided by normalizing trade post-GST and early festive loading in October.
- Management expects a higher offtake in immunity and skincare categories if the winter season is of normal to higher intensity.

Distribution

- Dabur continues to strengthen its rural distribution reach, with rural stockists and sub-stockist coverage expanding under Project SETU.
- The company now reaches over 1.4m retail outlets, with a focus on increasing direct coverage in semi-urban and rural areas.
- Rural secondary sales and off-take trends remain stronger than urban, aided by localized marketing campaigns and improved supply chain agility.
- Urban distribution efforts are focused on modern trade and e-commerce platforms, where premium SKUs are gaining traction.
- Distributor inventory levels normalized to ~22 days, indicating efficient stock management post-GST transition.

Channels

- E-commerce and modern trade channels continued to deliver robust double-digit growth.
- The contribution of digital channels increased, supported by strong sales in health supplements, personal care, and home care segments.
- General trade witnessed a temporary slowdown due to GST transition but is expected to recover strongly in 2HFY25. GT grew 7% in rural markets and 3% in urban markets.

New Launches

- Several new products were launched across segments:
- Oral Care: New SKUs under Dabur Red and Meswak to enhance regional relevance.
- Health Supplements: Honey variants with added health benefits.
- Home Care: Odonil Natural and new aerosol formats.
- Food & Beverages: Coconut water variants and new Activ Juices.
- Continuous focus on expanding the product portfolio and launching premium extensions to drive value growth.

M&A Plans and Dabur Ventures

- Dabur Ventures, a INR5b fund, has been established to invest in digital-first and high-growth consumer brands in adjacencies like health, wellness, and personal care.
- The Ventures division will pursue strategic minority or majority stakes in emerging D2C brands with the potential to scale.
- Management remains open to bolt-on acquisitions in both domestic and international markets that complement the core portfolio.

Guidance

- Management guided for mid-to-high single-digit revenue growth and mid-single-digit volume growth for 2HFY25.

- Margins are expected to expand sequentially with normalization of input costs and higher operating leverage.
- The company expects rural demand momentum to sustain and urban consumption to recover in H2 as trade stabilizes.

Segmental performance

HPC

- The HPC portfolio performed well with 9% YoY growth.

Oral Care

- The toothpaste portfolio recorded robust ~14% year-on-year growth, continuing to outpace the overall category and gain market share.
- Both Dabur Red Toothpaste and Meswak maintained their strong growth trajectory, supported by effective marketing and increasing consumer preference for natural ingredient-based products.
- Non-herbal portfolio grew 5x of the herbal portfolio.

Skin Care

- The 'Gulabari' franchise delivered high single-digit growth, led by healthy performance of the flagship Gulabari Rose Water and the Face Freshener range.
- Fem and Oxy brands also performed well during the quarter, benefiting from sustained consumer demand and improved visibility across channels.

Home Care

- Odonil sustained its double-digit growth trajectory, driven by strong momentum in gel and aerosol formats, resulting in continued market share gains in the air freshener category.
- Sanifresh exhibited healthy performance with high single-digit growth, supported by improved penetration and effective brand activations.

Hair Care

- The shampoo category registered high single-digit growth along with market share gains, reflecting recovery in discretionary consumption and successful brand campaigns.
- The hair oils portfolio grew ahead of the overall category and continued to gain market share, aided by strong traction in value-added and Ayurvedic sub-segments.

Healthcare

- The overall healthcare portfolio grew 1% YoY.

Health Supplements

- Dabur Honey delivered strong double-digit growth in the high twenties, driven by increased consumer focus on health and wellness and enhanced visibility across modern trade and e-commerce channels.
- Dabur Chyawanprash maintained its leadership position in the category, gaining 234 bps market share, supported by focused media initiatives and consistent brand communication emphasizing immunity benefits.

Digestives

- The Hajmola franchise registered double-digit growth and further strengthened its leadership position, gaining market share in the digestives category on the back of steady consumption trends and effective promotional activities.
- Pudín Hara Fizz continued to receive a positive consumer response, aided by focused advertising campaigns and expanded distribution reach.

OTC & Ethicals

- Honitus recorded strong double-digit growth, driven by seasonal demand and continued consumer trust in the brand's efficacy.
- Health Juices sustained their double-digit growth momentum, supported by rising consumer preference for natural and immunity-boosting beverages.
- The overall segment performance was partially impacted by the discontinuation of Diaper Baby Super Pants and temporary trade disruptions arising from the GST transition.

Food & beverages

- The foods and beverages segment saw 2% YoY growth in 2QFY26.
- The foods portfolio delivered double-digit growth during the quarter, led by strong performance in coconut milk, edible oils, and fats.
- The Activ range, which includes juices and coconut water, maintained its robust double-digit growth momentum, supported by higher penetration and increasing preference for healthier beverage options.
- The Real Juices portfolio, however, was impacted by heavy rainfall, floods, and landslides in key markets, which disrupted supply chains and affected on-ground consumption.
- The recent GST rate reduction from 12% to 5% on juices is expected to boost affordability and improve consumption trends in the coming quarters.
- Despite temporary headwinds in 2Q, the company outperformed the overall category, gaining 115 bp market share in the nectars category and a significant 1074 bp in the 100% juices segment, reaffirming its strong brand equity and market leadership.



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& Results Update



Emami

Buy

Current Price INR 519

Performance and outlook

- The implementation of GST 2.0 temporarily impacted offtake due to trade disruptions. Around 88% of the core domestic portfolio benefited, with 93% of it now falling under the 5% GST slab, following revisions across 293 products and 497 SKUs.
- Excluding GST-impacted categories, the non-impacted portfolio delivered a 10% YoY growth during the quarter.
- The summer portfolio witnessed a second consecutive challenging quarter, as excessive rainfall dampened offtake in the talc and prickly heat categories amid a high base.
- Trade and consumer purchases were deferred in anticipation of lower MRPs, while distributors prioritized liquidation of higher-cost inventory, leading to temporary moderation in sales.
- The timing of the GST revision coincided with peak winter pipeline build-up, resulting in a deferment of the company's winter portfolio loading.
- The company saw a recovery in Oct'25 with trade sentiment improving and deferred winter loading picking up; the first 10 days of November also witnessed healthy winter portfolio loading.
- Winter portfolio loading has been healthy across regions, and the company remains optimistic about a strong winter season.

- The consolidated sales were largely due to deferred winter loading (4.4%), summer portfolio weakness (4.5%), and GST implementation (4%), partially offset by 2.5% growth in the non-GST portfolio.

The domestic business volume declined 16% YoY.

- Distribution focus remains on modern trade and e-commerce, including Q-commerce, while maintaining a strong footing in general trade.
- Within domestic revenues, modern trade and e-commerce each contribute 11%. Q-commerce is 40% of e-commerce sales.
- Sachets accounted for ~20% of the domestic portfolio and experienced a grammage increase, while the rest of the portfolio witnessed MRP reductions to align with the revised GST rates.
- **The company expects high single-digit growth in 3QFY26, with the potential to deliver double-digit growth if the winter season continues to perform well.**

Cost and margins

- Gross margins remained stable, with no pressure from raw material costs.
- Management expects margin expansion and strong EBITDA growth in 2HFY26.

Segment performance

- The Smart & Handsome brand expanded into 12 new male grooming categories, including sunscreens, shower gels, under-eye creams, deodorants, face serums, and sheet masks.
- Kesh King was relaunched as Kesh King Gold, featuring refreshed packaging, sharper positioning, and an upgraded formulation enriched with Gro Biotin and Plant Omega 3-6-9 — proven actives that enhance the efficacy of 21 Ayurvedic herbs for visible, result-oriented performance.
- While Kesh King shampoo sachets continue to face some pressure, renewed focus on sachet growth — particularly in rural areas — has started showing encouraging traction.
- The company strengthened its Zanducare portfolio with Good Gut Cleanse & Detox Shots and Acidity & Bloating Relief Tablets, complementing three digital-first innovations introduced in 1Q.
- The strategic portfolio grew 16% YoY, and management expects double-digit growth in 2HFY26, outpacing 1HFY26 performance.
- International performance
- The international business reported modest growth across markets, with primary sales up 8% YoY.
- Several new product developments (NPDs) are being launched across key international markets.
- Nepal delivered over 100% growth despite operational disruptions.
- Growth of over 20% was recorded in SAARC and Bangladesh, while performance in GCC and MENA regions was flattish.



[Click below for Results Update](#)

Godrej Consumer

Buy

Current Price INR 1,142

Business operations and environment

- In India, underlying demand remains resilient as India (ex-soaps) delivered double-digit underlying volume growth in the quarter, signaling healthy core consumption despite GST disruption; overall India volumes were +3% and revenue +4% for the quarter.

The image shows a screenshot of a presentation slide from Motilal Oswal. The slide is titled 'Gadrey Consumer' and is part of a Q2 FY2020 investor presentation. It contains a table with financial data and a detailed text block explaining the company's performance and strategy. The table includes columns for 'Q2 FY2020', 'Q2 FY2019', and 'Q2 FY2018'. The text block discusses the company's performance in the consumer goods sector, highlighting its focus on innovation and growth. It mentions that the company has launched a new product line and is expanding its distribution network. The slide also includes a section on 'Key highlights' and a 'Conclusion' section.

- The recent GST rate reduction transition led to short-term trade disruptions as the channel adjusted to new pricing and cleared old inventory, particularly impacting Soaps and Hair colour. Despite this, GCPL continues to gain market share in Soaps and other key categories. Demand is expected to normalize in the coming months as trade channels return to normal.
- The GST rate reduction caused short-term trade disruptions. Management has quantified a ~3-4% hit to the standalone topline for the quarter from destocking and channel price adjustments.
- Soaps and hair colour were most impacted as the channel cleared old inventory and adjusted to new MRP bands. Roughly two-thirds of gram-pack SKUs saw price increases, while one-third saw price cuts.
- The company expects most restocking and pipeline normalization to be completed by the December quarter, with 2H volumes and margins normalizing sequentially.

Cost and margins

- In 2Q, India EBITDA was softer (GST deleverage), but management expects a sequential recovery and return to the normative standalone margin band (cited ~24-26%), likely toward the lower end in 2H.
- Key margin tailwinds include media/marketing efficiencies and cost saving initiatives.
- Commodity (palm): Palm oil has been volatile but range-bound (~4,000–4,500 MYR recently). The company says it is largely priced for current levels and does not expect any material additional margin pressure from palm oil at current prices. Adequate domestic refined palm availability and favorable pricing further support margins.
- International margins: Africa: Mid-teen EBITDA margins are considered a healthy structural target (but with volatility). Indonesia margins are below normative and under pressure from pricing competition and distributor changes.
- Consolidated EBITDA growth may be slightly lower than the earlier guidance due to temporary international weakness.

New launches

- **Home care:** The company has launched a toilet-cleaner SKU (entered ~INR30bn category) and Goodrich/Spic in selective South markets at aggressive pricing (INR59/500ml).
- Fab and Good-Knight Agarbathi continue to scale. The air Pocket (air freshener) rollout is getting strong consumer traction internationally.
- Household insecticides (HI): New molecule relaunched and INR50 packs supported affordability and share gains in electric formats. The company reported market share gains across electric, coils, and incense sticks (incense sticks reported strong growth).

Home care

- **Household Insecticide (HI):** Continued share gains across electrics and coils after new-molecule relaunch; electrics saw a good uptake, though 2Q seasonality tempered growth. Incense sticks saw a particularly strong growth (management cites ~100% growth in that sub-category).
- Air fresheners: Air fresheners delivered robust performance. The company launched new Air Pocket internationally, which received strong responses.

Personal care

- **Soaps:** The company reported volume share gains despite GST shocks; the decline in soaps during the quarter was attributed to GST-related destocking and price adjustments, but management expects a strong rebound. Post GST, two-thirds of the soaps portfolio experienced grammage increases while one-third saw price cuts.
- **Deodorants:** Park Avenue was extended into deo-lotions in Tamil Nadu (antiperspirant play); Park Avenue and other deodorant offerings are being scaled via both organic and extension moves.
- **Liquid detergents & bodywash:** Fab and liquid portfolios are performing well. The company is expanding liquid/pack formats as part of the soaps to liquid upgradation opportunity.

International business

- **Indonesia:** The business experiences a low single-digit volume growth (market slowdown + intense price competition). Its reported revenue was negative (-7%), including -4% impact due to pricing and distributor reclassification. Margin pressures are present, and near-term recovery is expected but may take a few quarters. Management expects industry volume to remain subdued (2-4%) in the near term.
- **Africa:** The business recorded strong performance, with ~25% INR growth (~15% constant currency) and ~20% EBITDA growth in 2Q. Management views mid-teens EBITDA margins as a good structural outcome, though currency and seasonality can add volatility. Growth may normalize to high-single digits on a tougher base.
- **Latin America:** The business faced temporary macro headwinds (and contributed to the consolidated softness). Management described LATAM as 'volatile' in the near term and has flagged this as a factor that may cause consolidated EBITDA growth to fall short of initial targets.

FY26 guidance

- Management expects India's standalone business to achieve high single-digit underlying volume growth for the year and consolidated high single-digit revenue growth, with 2HFY26 expected to be better than 1HFY26.
- India's standalone and GAUM businesses are expected to deliver double-digit EBITDA growth for the full year. The consolidated EBITDA growth may be marginally lower than the earlier guidance due to softness in Indonesia/LATAM, but management expects a sequential improvement.



Hindustan Unilever Limited

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Hindustan Unilever

Buy

Current Price INR 2,404

Operational environment

- Management stated that the recent GST rate cuts are a positive structural reform that will help boost consumption, improve disposable income, and strengthen overall consumer sentiment.
- Around 40% of HUL's portfolio has transitioned to the 5% GST bracket, and the company has undertaken pricing and grammage revisions across more than 1,200 SKUs to reflect the changes.
- The company extended support to trade partners during the transition period to ensure price pass-through and smooth implementation across the network.

The image shows a screenshot of a financial statement from Motilal Oswal for Hindustan Unilever. It includes a header with the company name and logo, followed by a table of financial data. The table has multiple columns and rows, with some cells highlighted in blue. The data appears to be a consolidated financial statement, likely for a quarter or year.

- Temporary disruptions were observed at distributor and retailer levels due to the GST rate revision, but management expects normal trading conditions to resume from early November.
- Management expects the combined impact of GST cuts, easing inflation, and a more accommodative monetary policy to drive a gradual recovery in consumption, particularly in rural markets.
- Volume impact of ~2% during the quarter was attributed to the GST transition and trade pipeline adjustments.
- Price elasticity varies by category, with higher elasticity seen in skin cleansing and tea, while home care continues to remain relatively resilient.
- E-commerce now contributes about 8% of overall sales and around 12% of urban sales, reflecting its growing importance in the channel mix.
- The company remains in the investment phase for e-commerce, following a 'design-for-channel' strategy to develop packs suited for e-commerce and quick commerce platforms while managing channel profitability.
- Over 50% of HUL's marketing investments are now allocated to digital media, supported by ROI-focused execution and data-driven insights from its in-house analytics platform, Sangam.
- The company continues to drive premiumization across categories, particularly in laundry and personal wash, with consumers gradually upgrading from powders to liquids and from soaps to body washes.
- Management noted that body wash penetration remains low at about 2%, compared to 7-8% for laundry liquids, indicating a significant opportunity for future growth.
- HUL remains focused on driving volume-led competitive growth through four strategic pillars: 1) sharper consumer segmentation, 2) modernizing core and premium brands, 3) strengthening marketing capabilities, and 4) reshaping the portfolio around high-growth demand spaces.
- HUL continues to focus on developing underpenetrated categories and shaping consumer habits to expand its market leadership across 85% of its portfolio.
- Management reiterated its medium-term focus on achieving volume-led growth and building long-term category development rather than short-term margin maximization.
- The company believes FY27 will serve as a more accurate benchmark for assessing the impact of its ongoing strategic initiatives and structural changes.
- The GST rate cuts have benefited about 40% of the portfolio, including Skin Cleansing, Packaged Foods, and Hair Care, though short-term disruption impacted these categories.
- The trade pipeline spans 4-6 weeks, with normalization occurring faster in modern trade and e-commerce, while general trade takes longer due to its 9m outlet reach.
- Home Care grew volumes in mid-single digits, demonstrating resilience, while Tea and Skin Care delivered high single-digit growth, both led by volume.
- The Horlicks portfolio showed early signs of recovery, with green shoots visible in the nutrition category.
- The company remains focused on volume-led revenue growth and expects consumption to improve with higher net disposable income and better consumer sentiment.

- Urban markets account for two-thirds of consumption, while rural represents two-thirds of livelihoods; demand in both segments remains stable with a positive outlook.
- HUL continues to adapt its pack-price architecture, improving grammage and introducing revised price points, with most new packs expected to be in trade by early November.
- E-commerce contributes 8% of total sales (12% in urban markets), while general trade forms 70% and modern trade about 20%, with all channels recording growth.
- Management highlighted India's 400m Gen-Z consumers as a key focus group, driving initiatives to enhance packaging, product propositions, and bold marketing for stronger youth engagement.
- Costs and margins
- Near-term EBITDA margin guidance remains in the 22-23% range, with 50-60bp improvement expected following the demerger, as the low-margin Ice Cream business is excluded.
- Ice Cream contributes around 3% of overall sales and operates at low single-digit margins. Post the demerger (expected in 3QFY26), margins will reflect excluding the Ice Cream business.
- Management guided that the GST rate change will have no material impact on EBITDA margins in the medium term.
- The company reiterated that commodities remained divergent — palm oil and SMP were inflationary, while tea and crude oil prices trended lower during the quarter.
- Employee and other expenses together accounted for 18-18.5% of sales, fluctuating slightly through the quarter.

Segmental highlights

Home Care

- Home Care delivered a sustained competitive, volume-led performance on a strong base.
- The segment reported mid-single digit UVG, which was offset by price reductions taken in previous quarters, resulting in a flat USG.
- Fabric Wash recorded mid-single digit volume growth, driven by strong double-digit growth in liquids, supported by successful innovations and competitive pricing actions.
- Household Care achieved double-digit UVG, led by robust growth in dishwash liquids.
- During the quarter, the company launched Comfort Perfume Deluxe, a premium fabric conditioner inspired by award-winning fragrances, featuring a perfume-first formulation that delivers a sophisticated fragrance experience for clothes.

Beauty & Wellbeing

- Beauty & Wellbeing delivered robust growth in Skin Care and Health & Wellbeing, partially offset by GST-led moderation in Hair Care.
- The segment reported 9% USG and flat volume growth, driven by strong performance in Skin Care and Health & Wellbeing.
- Hair Care continued to strengthen its market leadership during the quarter; however, turnover declined YoY due to the transitory impact of GST rate rationalization.

- Channels of the Future maintained its competitive double-digit growth trajectory.
- Health & Wellbeing sustained strong momentum, led by OZiva's triple-digit growth.
- During the quarter, the company launched Pond's Hydra Miracle Ultralight Biome moisturizer, offering advanced hydration and microbiome benefits; Vaseline Cloud Soft, specially formulated for Indian facial skin; and OZiva Phyto Ceramides + Collagen Builder, a science-backed ingestible skincare supplement that helps restore the skin barrier and boost collagen production.
- Minimalist delivered strong double-digit growth in 1HFY26.
- Personal care
- Personal Care reported flat sale growth, while UVG declined in high single digit during the quarter, impacted by the GST rate transition.
- Skin Cleansing delivered a competitive performance, supported by double-digit growth in premium soaps.
- Bodywash continued to strengthen its competitive position in the category.
- Oral Care witnessed a marginal decline, though Closeup recorded low-single digit growth.
- Premiumization remained a key focus area, highlighted by the re-launch of Pears with refreshed packaging and proposition, and the expansion of the Lux International soap range.

Food & Refreshment (F&R)

- Foods delivered 3% USG with low-single digit UVG during the quarter.
- Beverages (Tea and Coffee) grew in double digits, supporting the overall segment performance.
- Tea recorded high-single digit growth, driven by a healthy mix of price and volume, while Coffee sustained its strong double-digit growth momentum.
- Early green shoots were visible in Lifestyle Nutrition, with sustained UVG; however, turnover declined due to pricing actions taken in previous quarters to refine the pack-price architecture.
- Packaged Foods delivered a subdued performance amid the GST transition. Market Makers continued its robust growth momentum during the quarter.
- Ice Cream turnover declined YoY, impacted by prolonged monsoons in parts of the country and the GST transition.
- The quarter also saw the launch of Horlicks PRO Fitness, a science-backed meal replacement solution, and BRU Gold Edition, offering a premium coffee experience for consumers.



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Indigo Paints

Buy
Current Price INR 1,326

Performance and outlook

- Industry demand has improved after nearly six months of softness, despite continued weather-related disruptions from the extended monsoon.
- The company is witnessing clear signs of demand recovery, supported by robust secondary sales and strong dealer inflows.
- Product mix is expected to improve as exterior paint applications gain momentum.
- Within paints, the premium segment of emulsions and enamels continues to outperform the economy segment.

The image shows a screenshot of a financial data table for Motilal Oswal Indigo Paints. The table includes columns for various financial metrics such as Revenue, Profit, and Market Share, along with a detailed breakdown of the company's performance across different segments and regions. The data is presented in a structured format with multiple rows and columns, providing a comprehensive overview of the company's financial health and market position.

- Emulsions reported 4% volume growth and 7% value growth in 2QFY26.
- Enamels and wood coatings grew by 3% in volume and 6% in value.
- Putty and cement paints declined 7% in volume and 2% in value.
- Jul saw healthy offtake, Aug was weak, and Sep showed a recovery trend.
- This year, one month prior to Diwali, dealers typically stock up inventory; historically, this leads to an acceleration in post-Diwali sales.
- The company expects double-digit growth in 3QFY26 and high double-digit growth in 4QFY26.
- The company highlighted that larger competitors have not significantly impacted its performance over the last two years. Despite unprecedented trade discounts offered by peers, the company largely refrained from matching them, thereby preserving margins.
- In Bihar, only two phases of elections were conducted this time compared to five to six previously, resulting in fewer disruptions to transportation and logistics. The company does not anticipate any material positive or negative impact from the Bihar elections on demand.
- Management said that Bihar continues to be among the strongest performing states for INDIGOPN, delivering double-digit growth for the past 7-8 months despite broader industry weakness.
- The company holds the No. 2 position in Chhattisgarh, No. 3 in Kerala and No. 4 in most other states, indicating substantial headroom for market share gains.
- Management highlights that it normally takes 5-6 years to establish a strong foothold in any new state, as the process involves gradual distribution network expansion and brand penetration.

Guidance

- Gross margin expansion was supported by a gradual decline in raw material prices, without any corresponding price cuts, and a continued focus on premium product mix improvement.
- EBITDA margins for FY26 are expected to improve on the back of improvement in demand, lower raw material prices and an improved product mix.
- Ad spends declined to 5% of sales in 2QFY26, as highlighted earlier. A&P spends as a percentage of revenue may decline slightly in FY26, despite increased investments in digital marketing.

Distribution network

- It added 355 tinting machines in 2QFY26, bringing the total count to 11,656.
- As of Sep'25, the number of active dealers stood at 18,914, up by 358 QoQ.

Apple Chemie

- Apple Chemie has become the first construction chemical manufacturer to receive NABL accreditation.
- The company reported strong all-round growth, supported by a significant improvement in gross margins, driven by a better product mix.
- Maharashtra remains the key revenue contributor, while sales traction is strengthening in the Eastern and Southern regions.
- With refreshed branding, the company plans to launch new products and accelerate its growth momentum.
- It expects that Apple Chemie's sales contribution will increase to double digits next year from the current high-single-digit contribution.

Others

- The Jodhpur water-based plant (90,000 KLPA capacity) is in the final stages of construction and is expected to be commissioned in 4QFY26.
- Equipment commissioning is underway at the solvent-based plant (12,000 KLPA capacity), with commercial production expected to commence in Dec'25.
- Trial production has begun at the brownfield putty plant, with commercial operations scheduled for mid-Nov'25.
- Apart from these projects, the company does not anticipate any major capex over the next 3-4 years.



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LT Foods

Buy

Current Price INR 408

Industry and Domestic Scenario

- The Basmati and specialty rice market in India/NA/Europe+ UK/ME is estimated at ~INR500b/INR250b/INR75b/INR400b with expected Industry CAGR of ~7-9%/10-12%/4-6%/9-10%.
- LT Foods contributes 7-8% of the total basmati rice production in India, with production at par with the previous year.
- India constitutes 30% of revenue, with LT Foods having a 26% market share.
- The company is investing heavily to create a brand image in the Indian market.

Guidance

- LT Foods is expecting to achieve a 14% EBITDA margin in the next four years.
- The US tariff impact is expected to be clear in two months.

International business

- Golden Star continues to remain the number one Jasmine rice brand
- NA accounts for 46% of revenue for LT Foods and continues to be a key growth driver, with a 47% YoY revenue growth (16% normalized)
- Europe and the UK constituted 15% of overall revenue, driven by rising demand and expanding market reach
- The EMEA constituted 9% of the revenue (-18% YoY)

Acquisition in Hungary

- LT Foods entered into the EUR15b European processed canned food market via the acquisition of Global Green. The Acquisition was at an EV of ~EUR25m, financed largely by debt on an all-cash basis.
- Intangible value is ~EUR6-7m with the business having overall lower operational costs. This acquisition adds an est. EUR40m revenue.
- LT Foods has signed the SHA and is awaiting approval from the Hungarian government.
- This acquisition strengthens the Company's footprint across Central & Southern Europe.

Organic business

- The organic business is continuing its momentum, with a 21% growth in 2QFY26, driven by increasing consumer preference for healthier and sustainable food choices.
- Nature Bio Foods Limited has entered the B2C segment in Europe with the inauguration of a new facility in Rotterdam. With an initial investment of INR200m, further INR150m is planned to be deployed over the next three years. LT Foods is expecting incremental revenue of INR4000m by the next five years, with expected revenue acceleration from FY26-27.

- In 1HFY26, LT Foods outsourced operations to a third party as the company is building its private label business, which impacted the margins. The Company is expecting margin recovery from 4QFY26.

RTH and RTC

- LT Foods expanded its folio with the launch of Dawat Thai Green Curry Rice Kit, and the introduction of the Thai Green Curry kit was followed by a strong performance of Dawat Biryani Kit, which has crossed 1 million units of annual consumption since its inception.
- Heavy promotions and brand investments resulted in Margins decline for this segment.
- LT Foods faced a capacity constraint due to the production delay of the second unit of the RTC capacity setup in the US. Capacity improvements expected from 4QFY26.

Other

- The Company achieved the highest Revenue in the 2QFY26/1HFY26, led by strategic investments, improved distribution channels, and increasing consumer demand.
- CVD's public hearing was conducted for Ecopure Specialties Ltd; final determination postponed by 1 month; expected by 17th Nov 25.
- Trade payable days increased by 15 days YoY on account of better negotiation with suppliers.
- The US tariffs are being passed down to customers (initial 10% passed; for 20-50% duty, negotiations ongoing)
- LT Foods India's business is cash-surplus; the international business is financed by short-term borrowings.



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Marico

Buy

Current Price INR 756

Business environment and outlook

- The company witnessed steady demand trends across India during the quarter, except for a temporary disruption in the trade channel ahead of the implementation of new GST rates in September.
- The India revenue grew 35% YoY, supported by timely price hikes in core portfolios to counter sharp inflation in key raw materials.
- Offtake remained strong, with over 95% of the business gaining or sustaining market share and more than 75% gaining or sustaining penetration on a MAT basis, reflecting healthy consumer traction.
- Around 30% of the India business benefited from the recent GST rate rationalization, and the company has passed on these benefits to consumers to enhance affordability and support category growth.
- The operating environment continues to favor organized players, with improved rural sentiment, gradual urban recovery, and government-driven consumption stimulus aiding demand.
- The business witnessed some impact in the first half of October due to the GST transition, but demand has now fully normalized across channels.
- The GST-related disruption caused nearly a 2% revenue impact in 2Q.
- Management highlighted that volume growth should be better than 2Q levels in the coming quarters, supported by distribution gains and improved consumer offtake.

- Historically, whenever the industry enters a deflationary cycle after a prolonged inflationary period, the company sees 200–250 bps margin expansion, and it expects a similar improvement in FY27.
- The company expects to deliver double-digit EBITDA growth in 2HFY26, supported by improved operating leverage and normalization of input costs.
- The VAHO portfolio operates at margins higher than the company average, driven by strong pricing, premiumization, and an improved product mix.
- Copra prices are expected to meaningfully correct from March onwards and will be rangebound for the next 2-3 months.

Material costs, margin, and guidance

- Copra prices remained elevated due to hyperinflation, although they corrected by nearly 15% from the early 2Q peak, providing marginal relief for the Parachute franchise.
- Vegetable oils also stayed at higher-than-normal levels, limiting immediate margin expansion opportunities within the edible oils and personal care categories.
- Crude oil derivatives remained largely rangebound during the quarter, allowing some stability in packaging and freight costs.
- The company continues to use a mix of calibrated price increases, ml-age reductions, and cost optimization initiatives to protect profitability.
- Profitability in the Foods segment improved meaningfully, with ~1000 bps gross margin expansion over FY24–25, reflecting scale benefits and portfolio premiumization.
- Management expects gross and operating margins to gradually improve over the medium term as material cost inflation eases, scale efficiencies build, and premium personal care contributes a higher share.

Segmental performance

Parachute coconut oil

- Parachute posted a 3% volume decline, primarily due to unprecedented hyperinflation in copra prices, which elevated consumer price points.
- After adjusting for the ML-age reductions that were introduced to offset inflation, the brand's underlying volume performance was broadly flattish.
- The company temporarily rationed supplies to selected institutional customers to safeguard brand profitability during the period of extreme input cost pressure.
- Despite multiple price interventions, Parachute maintained its market share on a MAT basis, underscoring its strong brand equity, loyalty, and pricing inelasticity.
- Revenue for the brand grew 59% YoY, led by price increases and mix.

Saffola oil

- Saffola Edible Oils reported flattish volumes, given the relatively elevated pricing environment in the refined edible oils category.
- Despite volume softness, the business delivered 19% revenue growth, reflecting the price-led construct of the category.
- The newly launched Saffola Cold Pressed Oils range received encouraging consumer response, especially through E-commerce and Q-commerce channels.
- As part of its category-building initiatives, the brand launched an AI-powered "Heart to Heart Talk" campaign on World Heart Day to drive deeper awareness around heart health.

VAHO

- The VAHO portfolio grew 16% in value terms, marking the second consecutive quarter of strong double-digit growth and a sustained recovery trajectory.
- The franchise gained an additional 150 bps value market share on a MAT basis, supported by effective brand investments and distribution expansion.
- Growth within the portfolio was driven by stronger momentum in the mid-tier and premium segments, which continue to outperform the overall category.
- The company's direct distribution expansion through Project SETU, along with benefits from GST rate reductions, further strengthened the growth outlook.
- Management expects the VAHO franchise to maintain healthy growth over the near and medium term, supported by portfolio renovation and improved channel reach.

Foods

- The Foods portfolio grew 12% YoY, and its annualized revenue run rate crossed INR11bn, marking a significant milestone for the business.
- Saffola Oats continued to gain market share on a MAT basis and maintained its position as the #1 oats brand in India.
- True Elements and the plant-based nutraceuticals portfolio under Plix maintained strong growth momentum, supported by innovation and digital-led distribution.
- Towards the end of the quarter, True Elements expanded its ready-to-eat range with new high-protein, high-fiber Protein Bars and Overnight Oats, introduced across online channels.
- Premium Personal Care
- Premium Personal Care continued its strong double-digit growth trajectory, led by the robust performance of Digital-first brands such as Beardo, Just Herbs, and Plix Personal Care.
- The digital-first portfolio crossed INR10bn in ARR, reflecting the success of the company's digital acceleration strategy.
- The profitability of these brands has improved steadily, with Beardo expected to surpass a double-digit EBITDA margin this year and Plix delivering single-digit EBITDA while scaling rapidly.
- The company aims to scale the digital-first portfolio to ~2.5x of FY24 ARR by FY27, supported by TAM expansion, innovation, and deeper brand penetration across channels.
- Premium personal care continues to be a key pillar of diversification, progressively improving its share in India Net Contribution.

International business

- The international business delivered 20% constant currency growth, showcasing broad-based strength across core markets.
- Bangladesh grew 22% in CC terms, supported by a stable core portfolio and the scaling up of newer categories.
- Vietnam reported 6% CCG and displayed early signs of recovery after a period of macro softness.
- MENA delivered a strong 27% CCG, driven by growth across the Gulf region and Egypt.
- South Africa grew 1% CCG, with recovery expected in the second half of the fiscal year.



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- The NCD and exports segment posted a robust 53% growth, driven by renewed demand and improved route-to-market execution.
- Premium personal care in international markets has scaled at a 24% CAGR between FY21 and FY25, increasing its revenue share from ~20% to ~29%.
- The company plans to maintain double-digit constant currency growth in the medium term through portfolio diversification, premiumization, innovation, and targeted investments across its key geographies.

Page Inds

Buy

Current Price INR 39,246

Performance and outlook

- Consumption remained subdued through most of the bygone quarter. However, with the start of the festive season, we did see a good uptick in primary sales during latter half of Sep'25.
- The GST rate rationalization in Sep'25 also had a positive rub-off on consumer sentiment. PAGE has passed on the rate benefit to consumers as applicable. Almost 90% of PAGE sales are from less than INR1k category.
- PAGE has not been benefitted much from cost per se because even earlier, the costs were booked net off GST.
- The festive season has been better than first half of 2QFY26. PAGE expects 2HFY26 to be better than 1HFY26.
- Over last year, PAGE reduced inventory at partner level and hence, saw some volume volatility between quarters. In addition, seasonality impacts quarterly volumes. That said, the company has stabilized now (in terms of ARS, etc.) and thus volume volatility is likely to normalize.
- Primary sales are in line with secondary sales.
- PAGE expects double-digit sales growth in a normalized business environment.
- For FY26, PAGE plans two season launches for its JKY Groove - spring summer season saw healthy offtake. The second season with winter lineup will be launched in next two weeks. JKY Groove will operate in 150-200 EBOs (vs. 50 EBOs currently) and online channel across 50 cities.
- Jockey brand penetration in men's innerwear is in the range of 17.5-18%.
- PAGE launched a new product line with bonded technology in bras and men's innerwear in Sep'25 and the initial consumer response has been encouraging, despite higher price points compared to ASP of Jockey. The company will be expanding its reach gradually.
- The premium ranges outperforms the entry-level ranges across categories for PAGE.
- The company is working on various initiatives for tapping into the bottom-of-pyramid customer cohort.
- Women consumers are different from men and thus the women's innerwear category has much higher average order value.
- Modern retail, including ecommerce, continued to do well.
- PAGE's efforts to enhance operational efficiency while keeping product prices stable and focused marketing initiatives have contributed to steady profitability.
- Product prices in 2Q have remained unchanged.

- In athleisure, the company has revamped its designing and new products reach all the outlets in three months. Moreover, athleisure inventory levels are largely normalized.
- FY26 capex to be INR1400m and as of 1HFY26 ~INR570m has been used, largely for the Orissa plant.
- Capex-linked incentives of INR500m will be realized in FY27 in P&L as subsidy received.

Costs and margins

- The company is able to reduce its labor costs per minute and sewing efficiencies, which have been supporting YoY gross margin expansion.
- Employee expenses were high due to increments and increase in headcounts, and high marketing expenses weighed on 2QFY26 EBITDA margins.
- Ad spends are expected to be 4-5% for FY26.
- Marketing expenses were higher YoY but flat QoQ, leading to a rise in other expenses in 2QFY26.
- FY26 EBITDA margin guidance remains broadly unchanged at 19-21%.

Distribution channels

- PAGE has a distribution network comprising 110,636 MBOs, 1,527 EBOs, and 1,327 LFS as of Sep'25.
- Speedo brand is available in 841 stores and 34 EBOs across 150+ cities.
- Online business, including quick commerce, continues to see robust growth.
- Inventory levels across distribution network remained healthy in 2QFY26.
- Women's innerwear segment has gained in terms of sales and distribution reach over the last 3-4 years and the gap vs. men's innerwear segment has narrowed significantly.
- PAGE has headroom for increasing penetration in T2 and 3 cities.
- Geographically, PAGE categorized the country internally in eight parts and then targets to grow in selected regions.
- The company has not lost any shelf share in the GT market, indicating no major competitive pressure from industry peers.



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Pidilite Industries

Neutral

Current Price INR 1,491

Demand environment and outlook

- The domestic operating environment is expected to improve, aided by favorable monsoons, the indirect cascading impact of GST 2.0 on PIDI's demand, and accelerated growth in the construction sector driven by benign interest rates and enhanced liquidity.
- However, the company remains vigilant to geopolitical developments, given their potential to disrupt supply chains and create uncertainty around global tariffs.
- PIDI saw healthy growth from the C&B segment, which grew 10.4% YoY. The B2B business grew 9.9% YoY, while the domestic B2B business grew in mid-teens in 2QFY26.
- Demand trends remain healthy, with double-digit Underlying Volume Growth (UVG) seen across segments. Management expects the strong volume growth to continue in 2HFY26 as well.

**motilal
oswal**
Financial Services

Pidlite Industries

Company Overview

Financial Data

Key Metrics

Operating Environment

Company Outlook

- The company has not taken any pricing actions. With no significant commodity inflation currently seen, the company does not plan any major price hikes.
- Exports were impacted due to geopolitical uncertainties as well as tariffs in some markets.
- Rural growth continued to outpace urban growth in 2QFY26. That said, urban has been improving gradually.
- PIDI is positioned well to capture both new construction and renovation demand.
- It is building a full-fledged architect interior design program.
- The company's Haisha Paints business continues to make steady progress. It started with five southern states and is now present in several Eastern geographies. The focus remains on 'Rurban' (rural and smaller town) markets, with consistent QoQ growth.
- In its core categories, the company aims to grow at 1-2x GDP, while in its emerging or growth categories, it targets 2-4x GDP. However, given the current demand environment, growth may remain at the lower end of these ranges.
- PIDI remains open for any inorganic growth opportunities.
- The company's core portfolio continues to perform well, and its new, innovative product offerings are also gaining traction. Newer projects and preimmunized products have also started delivering strong performance, and these demand trends are expected to continue going forward.
- Capex is expected in the range of 3% to 5% of sales.

Cost and margin

- VAM prices in 2QFY26 were USD883 vs USD 980, leading to GM improvement of ~70bps YoY to 55%. The company expects VAM prices to remain benign and range bound.
- Ad spends increased 80% YoY, and as a percentage of sales, they rose ~150bps, resulting in flattish EBITDA margin YoY.
- The company expects gross margins to remain in the 54-55% range through FY26.
- The company maintains its EBITDA margin guidance of 20-24% for FY26.

New launches

- Professional Fevikwik Range - To address different professional user applications.
- Nio Pro - Professional Tile Adhesive range with Techno Adapt technology.



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Radico Khaitan

Buy

Current Price INR 3,290

Operating environment

- Three years ago, white spirits vodka was less than 2% of IMFL, and now it is ~4%, backed by increased marketing for the category. Magic Moments has ~85% of market share.
- The overall share of Radico in the Alcobev space has increased by ~200bp, primarily driven by its premiumization drive and broad-based growth across geographies.
- While the global trade environment presented short-term challenges, Radico's export remained strong, backed by its robust domestic portfolio.

Radico Khaitan
Financial Results for Q2 FY26

Management Commentary:

The company reported a strong performance in Q2 FY26, with sales growth of 15% and a 10% increase in profit. The management attributed this growth to the company's focus on the P&A category, which contributed 44% of the volume and 68% of the value. The company also reported a 10% increase in sales from the luxury segment, which is expected to continue in FY26. The management remains confident of achieving INR5b sales from the luxury portfolio in FY26 (vs. INR3.4b in FY25). The company remains confident of delivering strong double-digit growth in the P&A category. Over the next three years, the company expects Magic Moments to achieve volume of 10m cases vs. 7m in FY25. The company has launched small SKUs in the P&A segment, which will lead to more consumer trails and boost growth. Radico remains on track to be debt free by FY27. Sitapur distillery is completely stabilized with capacity utilization at 95%. Being backward integrated, the distillery is helping Radico's branded business grow. Moreover, Radico is able to save INR6-7 per liter currently. For FY26, Radico's overall volume growth will be in the 20%+ range, with P&A continuing to grow 20%+ in 2HFY26 as well. Radico will be entering into the tequila segment in a joint venture. The company now has enough distillation capacity for the next 5-6 years.

- In the luxury segment, Rampur Indian Single Malt, Sangam World Malt and Jaisalmer Indian Craft Gin continue to deliver robust performances.
- Regular segment returned to a strong growth path in 3QFY25 and the momentum has continued in 1HFY26, largely backed by a change in RTM in AP.
- The P&A category is ~44% of Radico's volume and ~68% of value in the branded business.
- Luxury segment contributes ~10% of company sales. Management is confident of achieving INR5b sales from the luxury portfolio in FY26 (vs. INR3.4b in FY25).
- The company remains confident of delivering strong double-digit growth in the P&A category.
- Over next three years, the company expects Magic Moments to achieve volume of 10m cases vs. 7m in FY25.
- The company has launched small SKUs in the P&A segment, which will lead to more consumer trails and boost growth.
- Radico remains on track to be debt free by FY27.
- Sitapur distillery is completely stabilized with capacity utilization at 95%. Being backward integrated, the distillery is helping Radico's branded business grow. Moreover, Radico is able to save INR6-7 per liter currently.
- For FY26, Radico's overall volume growth will be in the 20%+ range, with P&A continuing to grow 20%+ in 2HFY26 as well.
- Radico will be entering into the tequila segment in a joint venture.
- The company now has enough distillation capacity for the next 5-6 years.

State-specific updates

- In AP, Radico's market share improved significantly from 10% in 1HFY25 to 30% in 2QFY26, the highest in the industry.
- Given the policy change in Maharashtra, the spirits industry has been adversely impacted in the last three-four months as the prices of brands have increased by INR80-100 per bottle. Management remains watchful of the developments and expects things to settle down in 2-3 months.
- The industry saw a ~25% decline in Maharashtra and Radico declined by ~20%.
- A decade ago, Bihar volume was 10-12m cases for IMFL. The opening up of Bihar market will be a big opportunity for IMFL.

Brand performance

- Magic Moments Vodka maintained its strong growth trajectory with nearly 20% volume growth, achieving sales of around 2m cases during the quarter.
- After Dark Whiskey continued to deliver remarkable performance, recording 115% growth YoY in 1HFY26. It posted volume of 1.9m cases in FY25 and over 1.5m cases in 1HFY26 (the market size is 75m cases). The brand has expanded its footprint to 18 states.
- Royal Ranthambore Whisky also delivered an outstanding performance, with 67% growth in 2Q, driven by strong demand across both civil and CSD channels. The brand achieved a 10% market share in the CSD segment in 2QFY26.
- Morpheus Super Premium Whisky is now available in three states, and the initial response to the brand has been very encouraging. Radico plans to take it to 10 states in FY26.
- Spirit of Kashmir, a luxury vodka brand, continues to gain traction.

Cost and margins

- Gross margin remained flat YoY, given a benign raw material environment and cost management initiatives.
- EBITDA margin expanded by 130bp, backed by operating leverage.
- A&P to remain in the range of 6-8% of sales for FY26.
- Net debt reduced by INR1.46b since Mar'25, driven by improved profitability and tighter working capital management.
- Radico has maintained its margin expansion guidance of 125-150bp annually for the next three years, aiming to reach high-teen margins.

TATA CONSUMER PRODUCTS

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Tata Consumer Products

Buy

Current Price INR 1,154

Guidance

- Management expects to return to ~15% EBITDA margins by 4Q.
- Tea gross margins are expected to operate within the 34-36% range; going beyond this risks losing market share due to the competitive environment.
- The growth portfolio (~30% of the total portfolio) is expanding at a 30% rate, driven by low penetration, strong category tailwinds, and expanding distribution. It is expected to maintain the same growth rate in the near foreseeable future.

India packaged beverages business

- India packaged beverages business reported revenue growth of 12% YoY, with 5% volumes growth. This growth was broad-based across brands/segments.
- Margins showed a healthy recovery, supported by favorable input costs.
- Coffee continued its robust performance; revenue grew 56% in 2QFY26.
- Tata Tea Agni launched a category-first Energy Tea (with added caffeine) in select markets.
- Management reiterated its guidance for the tea segment – mid-single-digit volume growth along with a slight improvement in price mix, resulting in overall mid- to high-single-digit revenue growth.

India foods business

- The business posted 19% YoY revenue growth, with volume growth of 11% YoY.
- Salt revenue grew 16%, backed by strong 9% volume growth.
- In line with the company's premiumization agenda, value-added salt products maintained their strong momentum, up 23% YoY in 2QFY26.
- Tata Sampann delivered a notable 40% sales growth in 2QFY26. New launches and innovations continued to perform well.
- During the quarter, the company launched Tata Sampann Gravy Masala Mixes with four hyper-regional blends for restaurant-style curries at home.
- Tata Sampann introduced a range of unpolished millets to champion nutrition and meet rising consumer demand.
- Capital Foods accelerated innovation with multiple new product launches during the quarter- Chings Chilli Oil, Korean Ramen and Korean Kimchi noodles.

RTD

- Revenue rose 25% YoY to INR1.9b, led by strong volume growth of 31% despite headwinds from unseasonal rains and heightened competitive intensity.
- Tata Copper+ maintained its strong performance with 36% growth.

- The company has re-entered the caffeine energy segment with Zip Zap, India's first still-based energy drink, backed by a new marketing mix.
- Zip Zap, positioned around the value proposition at INR10 price point, is currently in an advanced pilot phase.
- RTD net revenue is expected to pick up in 2HFY26, in line with the anticipated volume growth.
- In RTD beverages, the company faced competition from Campa, which offered higher retailer margins, forcing them to adjust their own margins.

Capital Foods and Organic India

- Capital Foods/Organic India revenue stood at ~INR2.2b/INR1.3b. The two segments grew 16% on a combined basis (including international operations).
- Combined gross margin stood at 48% in 2QFY26 and 49% in 1HFY26.
- Capital Foods' sales, especially in Modern Trade, were adversely impacted in September following the GST rate change announcement.
- Healthy subscriptions on Amazon USA are generating predictable revenue.
- Around half of Organic India's business comes from exports. The supply chain challenges in the US, which affected the previous quarter, have now been resolved, leading to a strong rebound in performance.

Tata Starbucks

- 2Q revenue grew 8% YoY and the division reported same-store sales growth (SSSG).
- The company added seven new stores (net) in 2Q, with footprint growth in metros and smaller cities, including new store formats, bringing the total store count to 492 as of Sep'25 in 80 cities.
- The company boosted regional relevance with a special Pujo menu, with targeted marketing across East India, enhancing brand resonance.
- The recent innovations and launches continue to support growth.

Non-branded business

- Non-branded business revenue in constant currency grew 26% YoY in 2Q.
- Soluble business revenue in constant currency rose 34% YoY, while plantations delivered 17% growth.
- Coffee prices began climbing higher during the quarter.
- Profitability of the business remained healthy even as margins corrected YoY.

International operations

- Revenue from international operations grew 9% (constant currency) in 2QFY26 and 7% (constant currency) in 1HFY26.
- US business: The US continued to witness strong growth, up 21%. Eight O'clock continued to gain market share within bags as well as K-cups with a fourth consecutive quarter of growth. The market share for coffee bags reached 4.1%.
- In the US coffee segment, management implemented a price increase in July, with another planned for early next year, aligning its pricing strategy with broader market trends.
- UK business: 2Q revenue declined 5% YoY as the business had a high base; Teapigs penetration expanded 35% YoY, whereas Good Earth sales doubled in 2Q. The company's value market share in Everyday Black/Fruit & Herbal is 19.2%/9.9%.
- Management aims to maintain its share in the black tea segment in the UK market while driving growth in the fruit, herbal, and specialty tea categories.

- Canada business: It posted revenue growth of 7% YoY in 2Q, primarily driven by 13% YoY growth in specialty tea. Tetley retained its market leadership position. Meanwhile, ethnic foods portfolio continued to gain momentum.

Other highlights

- Momentum on innovation continued across categories, with focus on Heath & Wellness, Convenience, and Premiumization with 25 new launches in 2Q.
- Most of the growth-oriented businesses, including RTD, fall under the 12-18% GST bracket. While the company saw a temporary disruption toward the end of 2Q, this was largely offset by the RTD segment, which is driven by impulse consumption, where consumers tend to make immediate purchase decisions for products such as bottled water or glucose drinks.
- While tea prices are expected to normalize, coffee remains the key segment to watch in the coming quarters.
- E-commerce, quick commerce, and modern trade channels together contributed 37% to total sales during the quarter.
- Coffee prices had started to ease from around USD4 to nearly USD3 before the imposition of a 50% tariff in Brazil, which supplies ~30% of the US coffee demand, causing the prices to spike again. However, the prices have started to soften.
- The company cut prices of its INR10 and INR20 water bottles to INR9 and INR18, respectively.
- International margins faced pressure from coffee prices and tariffs, with normalization expected to take at least 1-2 quarters.
- For the non-branded business, margins normalized compared to last year, when they had benefited from low-cost inventory and higher price.
- The company prioritizes maintaining market share over margins when facing competitive pressure.



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United Breweries

Neutral

Current Price INR 1,768

Demand and environment

- In 2QFY26, there was an unusually heavy and prolonged monsoon, which significantly impacted beer consumption across multiple key markets. Despite the weather-related challenges, United Breweries outperformed the broader beer industry, showcasing resilience and effective execution of its commercial strategy.
- Overall volumes declined by around 3% YoY, reflecting a mixed performance across geographies.
- Management highlighted that ~1/3rd of the company's business witnessed robust growth, another 1/3rd was impacted by severe weather conditions, and the remaining 1/3rd faced pressures arising from affordability issues and high excise duties in certain states.
- Within the portfolio, the premium segment remained a standout performer, with volumes rising 17% YoY, led by the strong momentum in Kingfisher Ultra, Ultra Max, and Heineken Silver. This demonstrates the success of UBL's premiumization strategy and a continued shift in consumer preference toward higher-quality offerings.

The image shows a screenshot of the Motilal Oswal United Breweries Ltd. financial statement for Q3 FY 2023. The document is titled 'United Breweries' and includes a table of contents. The main table displays financial data for the quarter and year-to-date, comparing FY 2023 Q3 and FY 2022 Q3. The data is presented in both Indian Rupees (₹) and US Dollars (\$). The table includes various financial metrics such as Revenue, Profit, and Earnings Per Share (EPS). The document also includes a section for 'Key Highlights' and a 'Management Commentary'.

	FY 2023 Q3	FY 2022 Q3
Revenue (₹)	1,10,000	1,05,000
Profit (₹)	15,000	12,000
EPS (₹)	15.00	12.00

- The Heineken Silver brand continued to scale rapidly, posting ~34% YoY volume growth, reinforcing UBBL's leadership in the premium category.
- The company expects category demand to normalize as consumer sentiment improves post-monsoon. September witnessed a revival in demand with 4–5% volume growth after the double-digit decline in July and Aug.. Growth has also been seen in October.
- Management remains confident that the Indian beer category can deliver a 5–6% annual growth rate in a normalized environment.

State-wise performance

- Maharashtra: The state recorded 15–16% volume growth during the quarter, driven by strategic interventions, distributor redesign, improved in-store execution, and expansion in cooler infrastructure. The company also upgraded brewing and canning capacity to support higher output. Management expects the strong growth trajectory to continue, provided there is no adverse change in taxation.
- Karnataka: The beer category in the state declined by double digits due to a combination of high taxation, price increases on economy brands, and heavy rainfall. The company noted that Karnataka, once the beer capital of India, has seen excise hikes erode category growth from +8% CAGR historically to an estimated –14 to –15% decline currently. UBBL is actively engaging with the state government through the Brewers Association of India to advocate for tax rationalization, highlighting that the state is losing excise revenue as a result of the steep tax structure.
- Odisha: Category performance was weak due to high taxation and adverse weather. The company launched its London Pilsner (LP) economy brand in the state toward the end of the quarter, which has received encouraging initial offtake and distribution traction. The company expects this launch to help revive affordability and stimulate category growth.
- West Bengal: The beer market continued to decline in double digits. To rejuvenate demand, UBBL reintroduced Kalyani Black Label, a heritage local brand that was discontinued during the COVID simplification phase. The brand has received positive consumer response, although structural challenges due to taxation persist.
- Telangana: The state saw a ~20% category decline in July–September, aggravated by excessive monsoons and disruption from retail license renewals. Although the company benefited from a long-awaited price hike (first in nearly five years), consumer affordability remains a concern as the retail price increase far exceeded the manufacturer's realized gain. Despite these headwinds, UBBL continued to gain share in Telangana due to its strong brand equity and sustained marketing investments.
- Meghalaya: Following a reduction in excise duties, the company passed on the benefit to consumers through lower prices on Kingfisher, which is expected to drive demand recovery similar to what was seen in Assam.
- Uttar Pradesh: Growth was constrained by can supply shortage during the quarter, impacting availability. Nevertheless, the company's premium brands continued to gain share, and the state remains a key growth driver with a Greenfield brewery under construction to support future expansion.

Competitive intensity

- Management acknowledged heightened competitive activity during the quarter, with certain players engaging in unsustainable pricing and promotional practices in response to the category slowdown. UBBL considers these actions uneconomic and not aligned with long-term profitability.
- Despite these market dynamics, the company reported ~100bp YoY market share gains nationally, driven by strong sell-out performance across regions. Sequentially, UBBL also gained share even during the seasonally weak monsoon

Commodity prices

- Barley/Malt: Prices are expected to increase in high single digits in FY27, consistent with government notifications. The rise has been anticipated and factored into margin planning.
- Cans: The company is facing supply shortages and aluminum-linked cost inflation, posing near-term pressure on gross margins.
- Glass: Prices remain largely stable compared to the previous year.
- Hops: Witnessing mild inflation but within the expected range.

Costs and Margins

- To safeguard profitability, UBL has accelerated its productivity and cost optimization programs, including:
- Network optimization, with the closure of the Mangalore brewery to improve utilization levels.
- Enhanced bottle return efficiency, a key margin lever given the growing share of premium returnable SKUs.
- Variable cost restructuring, to improve flexibility during demand volatility.
- Gross margins were further impacted by cost inflation in key inputs, including higher aluminum-linked can prices and an anticipated rise in barley costs.
- EBITDA pressure during the quarter was mainly driven by a combination of temporary and structural factors. The company reported a 3 percent decline in volumes due to an unusually heavy monsoon, affordability pressures in key states, and disruptions caused by floods at three breweries, which reduced fixed cost absorption and led to temporary deleverage. In addition, the adverse state and product mix, with stronger growth in lower-margin regions and slower growth in high-margin markets such as Karnataka and Telangana, weighed on profitability.
- The higher marketing and capability spends, coupled with limited ability to take price hikes in regulated markets, added to the near-term margin pressure. Network optimization initiatives, including the closure of the Mangalore brewery and related restructuring expenses, also contributed to the decline.
- Management reiterated its goal of returning to double-digit EBITDA margins through a combination of improved scale, localized premium production, better returnable bottle mix, and tighter cost control.

Capex

- The company plans to step up capital expenditure to high single digits as a percentage of sales (vs mid-single digits historically). Key areas of investment include:
- Construction of a Greenfield brewery in Uttar Pradesh, expected to strengthen supply-chain flexibility in North India.

- Expansion of commercial infrastructure, notably the deployment of coolers, which have increased to 37,000 outlets from 15,000 previously.
- Upgrade of brewing and canning lines in Maharashtra to enhance output and support higher demand.

New Launches and Portfolio Initiatives

- London Pilsner (LP) was launched in Odisha to strengthen the company's presence in the value segment and address affordability challenges.
- Kalyani Black Label was reintroduced in West Bengal, tapping into local nostalgia and consumer loyalty for the heritage brand.
- The company continues to expand its economy offerings such as UB Export, Bullet, and London Pilsner across Karnataka, Maharashtra, and other relevant states to capture value-conscious consumers.
- On the premium side, Heineken Silver and Kingfisher Ultra remain key focus brands, supported by increased marketing investments and enhanced availability through localized production. Management reiterated that innovation and affordability balancing will remain a central part of its strategy to drive category expansion across price tiers.



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United Spirits

Neutral

Current Price INR 1,432

Demand environment

- The quarter saw a strong revenue and profitability performance, returning to double-digit growth for the quarter and 1HFY26, despite facing challenges in Maharashtra and AP.
- Management noted green shoots of recovery, with normal monsoons and improving rural consumption.
- Urban consumer sentiment improved due to progressive GST reforms and higher disposable income, which should aid consumption.
- The festive season (Oct-Dec) is expected to sustain healthy category growth and drive premiumization.
- Pocket pack (180ml) format continues to drive penetration and recruit new consumers.
- Distribution expansion is ongoing in emerging geographies like Jharkhand, Rajasthan, and AP.
- Off-trade performing well; management plans to ramp up on-trade visibility and activations over the next few quarters.
- UNSP expects that 2HFY26 is expected to be more challenging than 1HFY26.
- The company continues to target double-digit growth; however, it remains cautious given the high base in AP and ongoing challenges in Maharashtra.

Growth ex-AP

- Revenue growth, excluding AP, stood at ~5% YoY for 1HFY26.
- The P&A portfolio, excluding AP, grew by ~4.9%, supported by a better mix and price realization.
- Excluding Maharashtra and AP, the company delivered double-digit growth during 1HFY26, showcasing robust performance across other key markets.

Cost and margins

- Gross margin expanded by 190bp YoY to 47.1% in 2QFY26, driven by productivity gains, benign input inflation, and mix improvement.

- Key input costs like glass and packaging remained stable, while ENA and Scotch remained structurally inflationary.
- Marketing reinvestment was 7.6% of sales in 2Q and 8.4% in 1HFY26, in line with prior levels. Maintain guidance of 9.5-10% of net sales for FY26.
- Full-year EBITDA margin guidance remains at mid-to-high teens.

Brand performance

- Signature continues to lead growth in the Prestige segment, supported by purpose-driven storytelling and youth-focused campaigns.
- Royal Challenge outperformed category growth; the 180ml pocket pack continues to drive sampling and share gains.
- McDowell's No.1 reinforced leadership in the lower prestige segment through regional campaigns and new ambassador Vijay Deverakonda.
- Godawan (Indian single malt) reported strong double-digit growth, repeat orders, and won 100+ global awards; its collector's edition "Godawan 173" launched successfully.

State-wise performance

Maharashtra:

- Saw policy-induced headwinds due to a ~35% price increase post-tax change.
- Consumer spending grew ~20-25%, implying ~10-15% volume decline for the industry.
- UNSP declined less than the industry, aided by agile restructuring of the value chain and pricing strategy.
- MML launched recently at INR 160 for 180ml; too early to gauge, but management expects stable outcomes over coming quarters.

Andhra Pradesh:

- Completed four-quarter normalization post policy reset.
- Strong growth momentum continued, driven by Prestige and Premium segments.
- Management confident of sustaining India-like or better growth in FY26.
- Policy reforms in UP, Jharkhand, Karnataka, Rajasthan, and MP driving structural growth.
- Possible opportunity in Bihar if prohibition is lifted – management ready to respond swiftly.

MML

- Recently introduced at INR160 (180ml).
- Still in early stages; expected to source volumes either from country liquor or prestige IMFL segment.
- MML's consumer acceptance uncertain; may take a few quarters to assess impact.
- Distribution ramping up quickly, though trade feedback will determine sustainability.
- UNSP to rely on brand strength and quality execution to remain competitive.

New Launches

- Godawan 173 limited edition single malt (collector's edition).
- Smirnoff flavored variants – Minty Jamun, Mango Mirchi, and Citron.
- Don Julio Paloma Time festive on-trade campaign across 170 key accounts.
- MML new offering to tap into entry-level consumers.



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Varun Beverages

Buy

Current Price INR 457

Operating performance

- VBL delivered a steady performance during the quarter, with consolidated sales volumes rising by 2.4%, supported by healthy traction in international markets.
- While domestic volumes remained subdued due to prolonged rainfall across India, international operations grew by 9%.
- The ongoing backward integration initiatives across key locations are driving higher efficiency and operational resilience.
- In 9MCY25, the mix of low sugar/no added sugar product was ~56% of the consolidated sales volume and ~45% in India.
- The company remains debt-free on a consolidated basis.
- The GST rate cuts benefited 1/4th of the portfolio in India.
- The GST rate reduction had a minor impact, as some customers initially misunderstood the change and reduced their inventory levels; however, the overall effect on business was limited.

Guidance and outlook

- While the extended monsoon season impacted consumption trends in India, management remains confident in the significant long-term potential of the domestic beverage industry, with the low per capita consumption and rising penetration in semi-urban and rural markets the growth opportunities continue to be immense

India business

- India remains a long-term growth driver with low capita consumption and rising penetration in the semi-urban and rural market.
- The Hydration category witnessed significant growth of ~50% in Nimbooz and strong growth in value-added Dairy (over 100%).
- VBL has launched a new energy drink, 'Adrenaline Rush', positioned in the mid-premium segment at INR60, significantly below Red Bull but above Sting. The product has been introduced across four cities, with plans for gradual expansion.
- All CSD brands, including Sting, had experienced muted performance due to unfavorable weather conditions; however, they are now showing signs of recovery.

Strategic developments

- In line with the growth strategy, VBL is incorporating a wholly-owned subsidiary in Kenya under Varun Beverages Limited to carry on the businesses of manufacturing, distribution, and sale of beverages.
- VBL is also diversifying its product offerings with certain African subsidiaries to test market beer in their territories through an exclusive distribution agreement with Carlsberg Breweries A/S for its Carlsberg brand. The company is planning to expand its presence by launching operations in the southern regions of Africa.
- In Africa, the company can distribute alcoholic and non-alcoholic beverages through the same vehicles and channel partners, unlike in India.
- At the consumer's end, a large number of retail outlets are licensed to sell beers, with many serving as common points of sale for both alcoholic and non-alcoholic beverages.
- In several African regions, the beer market is comparable to or even larger than the soft drinks market, given the high consumption levels.

- VBL plans to begin operations in select regions by importing and distributing the product initially, with the possibility of setting up local bottling operations at a later stage based on performance.
- VBL has formed a joint venture, White Peak Refrigeration Private Limited, in partnership with Everest International Holdings Limited, to carry on the business of manufacturing visi-coolers and other refrigeration equipment in India.
- Addition of the alcoholic beverages business to the main objects clause of the MOA
- In response to the growing popularity of RTD and a variety of alcoholic beverages, VBL sees an opportunity for expansion into the business of RTD and Alcoholic Beverages of any type or description, including beer, wine, liquor, brandy, whisky, gin, rum, and vodka, in India and abroad.
- The company is strategically positioning its portfolio to be market-ready and plans to expand it further once the business environment becomes conducive.
- The global market for RTD and low-alcohol beverages is expanding rapidly. PepsiCo, the parent company, is also entering this segment, and VBL is in discussions with it to explore opportunities for launching select RTD products.

International business

- Performance in International territories continued to be healthy, with South Africa delivering another quarter of strong growth.
- VBL continues to see significant potential to further strengthen its market position in South Africa and continues to put in place the building blocks to support sustained growth in the region.
- The snack facility in Morocco has ramped up to full-scale operations, while the upcoming Zimbabwe plant is progressing towards commissioning, marking continued progress in diversifying VBL's portfolio beyond beverages.
- Africa initially faced challenges in growth, particularly in Zimbabwe, due to the sugar tax; however, conditions are improving, with the region recording approximately 10% growth in September.
- South Africa continues to register strong double-digit growth, with VBL currently holding an estimated market share of around 17% in the region.
- In the DRC, the company is recovering from past operational challenges and expects significant growth in the coming year, while performance for the current year is likely to remain subdued.
- In Nepal and Sri Lanka, the company is performing well and is expected to maintain its growth momentum in line with its Indian business.

Others

- Competition remains healthy and supportive, driving overall market expansion for all players. Although it has caused a minor short-term impact, it is expected to be favorable in the long term, promoting industry growth and allowing the company to respond with well-calibrated strategic actions.
- INR10 price point introduced by competitors represents a highly competitive and aggressive segment; however, the company is well-positioned to compete effectively and remains prepared to respond strategically to evolving market dynamics.
- The company plans to continue launching new products in the coming year and is currently focusing on expanding its hydration portfolio, with plans to introduce 1-2 new products next year.
- Food segment's revenue will be ~INR3b in CY25, driven primarily by Morocco, which began operations four quarters ago, along with Zimbabwe, which has only recently commenced operations.

CONSUMER DURABLES



- The FMEG segment is expected to witness a turnaround, with demand recovering sharply in 2HFY26 after a weak first half marked by weather-related softness, early monsoons, currency volatility, US tariffs, and a temporary pause following the GST rate cut. As the new GST structure stabilized, sales rebounded quickly—supported by festive and wedding-season demand—and companies are now fully aligned with the upcoming Jan’26 energy-labeling norms. Overall, the industry is benefiting from strong infrastructure spending, rising formalization in the electrical ecosystem, and a growing consumer shift toward branded, energy-efficient products.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
Havells	■ Cooling product sales were muted due to a weak summer and high channel inventory, though liquidation is underway and should normalize by end 3QFY26. ■ GST cuts on ACs, solar, and PV modules have boosted sentiment, and along with the festive season, they should drive strong 2H demand. The company offered short-term schemes (not price cuts) to aid secondary sales, which were withdrawn after the GST revision. ■ New BEE norms for fans and ACs from Jan’26 are prompting manufacturers to clear old inventory.	■ FY26 capex is guided at around INR14b, with FY27 estimated at INR10b, primarily allocated to capacity expansion in Cables, Lloyd, and Automation.
Polycab	■ The fans category saw marginal growth due to the prolonged monsoon and high starting inventory, while lighting, switches, switchgears, conduits, and solar products performed well, with solar driven by central and state incentive schemes. ■ C&W segment grew in the high teens in 2Q, with slightly stronger volume growth in cables than wires, and some inventory stocking occurred in late Sep amid rising copper prices	■ Capex in 2Q/1HFY26 was INR3.3b/INR7.5b, in line with the Project Spring guidance of annual capex of INR12-16b till FY30.
KEI Inds	■ Domestic C&W demand remains strong, driven by renewables, T&D, data centers, and construction activity across segments. ■ Management reiterated ~18% revenue growth for FY26 and +20% growth over the next 3-5 years, supported by rising exports, a better product mix, and capacity addition from the Sanand greenfield project.	■ Once fully commissioned, the Sanand plant is expected to generate ~INR60b in annual revenue, with a gradual ramp-up and stabilization. ■ Phase 1 (50% of capacity, INR30b revenue potential) was delayed by four months due to rains and labor issues, but trial runs have begun and commercial production is targeted for Nov’25, contributing from 4QFY26. ■ Phase 2, focused on EHV and medium-voltage cables, is delayed by about nine months because of the complexity of constructing the 158-meter vertical tower required for machinery installation.
RR Kabel	■ C&W demand remains strong, supported by infra expansion, renewables, and a shift toward organized, safety-compliant brands. ■ FMEG demand was weak in fans and small appliances but steady in switches and lighting, with stable losses driven by product rationalization and tight cost control.	■ The INR12b capex plan is on track, with ~80% directed toward cables, including expansion of up to 220 kV to meet growing demand from utilities, data centers, and B2B segments. ■ The phased, demand-linked capex ensures high asset utilization, while automation and digital upgrades are aimed at improving productivity and margins.
Voltas	■ With GST-linked price cuts and the Jan’26 BEE label change, channel stocking is expected to accelerate in 3Q-4Q as partners buy old-label SKUs before new-label prices rise, helping inventory normalize by Dec’25 and supporting consumer upgrades in 2H.	■ With a consolidated order book of INR62b (INR48b domestic, INR14b international) and a healthy bid pipeline, the segment is positioned for steady, counter-cyclical growth, supported by diversified exposure across MEP, electrical & solar, and water, while data centers and district cooling offer strong upside, with data centers alone potentially contributing ~30%.
LG Electronics	■ The first half of FY26 was marked by weak demand due to an unusually cool summer, early monsoons, currency volatility, US tariff changes, and geopolitical tensions in the Indo-Pak region. ■ The GST rate cut further slowed momentum as consumers and channels deferred purchases. Management expects localization and FX savings to drive 3-4 percent annual efficiency gains across categories.	■ A key strategic pillar is the upcoming INR50b Sri City facility, which will expand capacity, streamline the supply chain, and serve as a premium export hub under LG’s Global South initiative. ■ Operations will start with RACs in Oct’26, followed by compressors, refrigerators, and washing machines. The project, backed by a ~100% capital subsidy over 20 years, will be funded entirely through internal accruals.



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Havells India

Neutral

Current Price INR 1,468

Key highlights:

- The quarter was marked by a weaker summer, leading to subdued sales in cooling products such as air conditioners, fans, and air coolers. Elevated channel inventory carried over from 1Q further weighed on primary sales. Management noted that inventory liquidation is underway and should normalize by the end of 3QFY26.
- The recent GST rate reduction on air conditioners, solar, and PV modules has improved consumer sentiment, and management expects this, along with the festive season, to support stronger retail demand in 2H. It clarified that it did not implement any price cuts during the quarter; instead, it offered short-term consumer schemes to aid secondary sales and help channel partners clear excess inventory. These schemes have since been withdrawn following GST revisions.
- With new BEE norms for fans and air conditioners introduced in Jan'26, manufacturers are managing production to liquidate existing inventory. Prices are likely to rise, but management expects the cost increase to be passed to consumers with limited impact on volumes.
- **Lloyd:** Lloyd's performance was weak due to a short summer, which led to high channel inventory and lower production. The company did not cut prices but introduced short-term consumer schemes to help clear stocks.
- Inventory levels are expected to normalize by the end of 3Q, after which the company anticipates a pick-up in both secondary sales and manufacturing utilization.
- The management acknowledged increased competition, particularly from LG in the mass-premium segment, but believes that this will ultimately help category penetration in smaller towns. HAVL continues to focus on strengthening Lloyd's distribution, retail reach, and brand positioning across Tier 2 and Tier 3 markets.
- **Cables and Wires (C&W):** The segment maintained steady growth momentum, led by strong traction in power cables and sustained B2B demand from real estate, infrastructure, and industrial projects.
- The company reported that cable margins benefited during the quarter from stable raw material prices and inventory gains due to the rising trend in copper prices. Management indicated sustainable contribution margins in the range of ~15-16%, indicating stability at healthy levels.
- On a first-half basis, wire growth remained robust in the mid-double digits, despite some quarterly variations driven by stocking behavior and price movements.
- The Tumkur facility, commissioned last year, has ramped up well and is contributing to capacity growth. Additionally, the company has acquired a 39-acre land parcel adjacent to its existing cable facility to support future expansion.
- Management clarified that in cables, volume and value growth were broadly similar, while in wires, value growth outpaced volume growth due to higher copper prices. Overall, the company continues to maintain a strong market share in both categories.

- **ECD segment, small appliances, and lighting:** The ECD segment's contribution margin contracted due to lower revenues in fans and coolers, driven by weaker demand from a short summer, prolonged monsoon, and under-absorption of manufacturing overheads. Fans saw a mid-single-digit decline, while coolers declined sharply due to high humidity and channel overstocking. Margins were also impacted by higher EPR liabilities, which are being passed on during the peak season.
- Water heaters and small appliances delivered strong growth, offsetting part of the cooling category weakness. Management highlighted continued traction in appliances and water heaters as consumers shift toward energy-efficient and premium models.
- Other product categories witnessed margin expansion. Margins in fans are expected to recover from 3Q as inventory normalizes and demand picks up. The company continues its shift toward BLDC fans, which now constitute a major share of total fan sales.
- In lighting, performance improved with LED price stabilization and early signs of residential demand recovery, supported by real estate momentum. Margins remain healthy and industry-leading, supported by cost control and mix improvement. Contribution margin in the switchgear segment should be between 37-40% depending on the product-mix in the quarter.
- The company continues to invest in R&D, premiumization, and design-led innovation across these categories, focusing on expanding the energy-efficient and higher-value product portfolio to drive steady margin growth in the medium term.
- **Goldi Solar investment** The solar business remained soft in 2Q, as this is typically a low quarter for installations, but management expects a strong rebound in H2FY26, especially in 3Q and 4Q. The recent investment in Goldi Solar has already begun delivering benefits through better supply chain integration and improved component availability. The company expects meaningful growth momentum from rooftop solar and PV modules, with margins expanding gradually as volumes scale up. HAVL also plans to leverage this investment to strengthen its presence in renewable and other segments such as EV charging and automation solutions, positioning the business for long-term sustainable growth.
- **Working Capital and Capex:** Working capital increased due to higher inventory in Cables and Lloyd, which led to a reduction in cash balance (INR14.4b vs INR33.5b in Mar '25) and impacted interest income in 2Q.
- Working capital increased INR10.7b YoY, and there was a cash outflow of INR3.7b from operations vs an inflow of INR7.7b in Sep'24. Working capital is expected to be normalized by 4QFY26, though other income will be relatively lower in 3Q given the capex plans.
- FY26 capex is guided at around INR14b, with FY27 estimated at INR10b, primarily allocated toward capacity expansion in Cables, Lloyd, and Automation.



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KEI Industries

Current Price INR 4,127

Buy

Demand outlook and guidance

- C&W demand in the domestic market remains strong, supported by the energy sector, mainly renewable energy (solar and wind), the power transmission and distribution sector, data centers, and construction activities (across commercial, residential, and infrastructure sides).
- Exports remain a key focus area, and its key export markets are across the Middle East, Australia, Africa, Europe, and the US. It believes US exports will again pick up once the tariff-related issues are resolved. KEI believes the export revenue share will reach ~18% of total revenue by FY27E.
- Management reiterated its FY26 revenue growth guidance of ~18% and +20% growth over the next three to five years, driven by rising exports, an improved product mix, and large capacity addition through Sanand greenfield expansion.
- After full commissioning of Sanand expansion by FY28, it anticipates margin expansion of about 1.0–1.5pp, supported by economies of scale, higher export contribution, and a richer product mix led by EHV cables.

KEI – 2QFY26 performance

- KEI's pending order book stood at INR38.2b. The composition of the order book was: domestic institutional cables at INR20.7b, EHV cables and export cables at INR6.4b (each), and the EPC division at INR4.8b.
- Total cable institutional sale (B2B sale) contribution (including export) was 42% vs. 39% in 2QFY25. C&W dealer sales grew ~17% YoY to INR14.8b (~54% of revenue vs ~55% in 2QFY25). In the B2C segment, the C&W mix was 55% wires and 45% cable. However, largely the mix remains at 50:50 in C&W.
- The company continues to operate at healthy utilization levels across its key manufacturing categories. Cable capacity utilization stood at ~78%, house wires at ~65%, stainless steel wire at ~85%, and communication cables at ~46%.
- During the quarter, in its cables revenue mix, the higher-value copper cables share increased to ~45% from 42% earlier, while, aluminum cables share came down to ~55% from 58%. This shift has been primarily driven by strong demand from export markets, which are typically more copper-intensive, whereas aluminum cables continue to dominate the domestic institutional segment.
- On the retail front its active dealer base stood at 2,100 dealers vs. 2,038/2,094 in 2QFY25/1QFY26. The company continues to strengthen its channel presence and invest in retail expansion to further consolidate its B2C positioning.
- A major emerging opportunity lies in data centers, where the company supplies across all cable categories and all sizes of data centers - EHV, medium voltage, copper flexible, and control cables. It indicated that C&W typically accounts for ~8%-9% of a data center project's total cost, making this a large and structurally growing application area for the company's products.

Capex plan and net cash/debt position

- The Sanand expansion project once fully commissioned, the facility is expected to generate annual revenue of INR60b, with capacity ramp-up and stabilization will be gradual.
- The project is being developed in two phases. Phase 1, which accounts for ~50% of total capacity (or approximately INR30b in revenue potential), experienced a delay of about four months due to heavy rains and labour challenges. However,

trial runs have already commenced, and KELL remains confident that commercial production will begin in Nov'25. This will start contributing from 4QFY26.

- Phase 2, which will primarily cater to EHV and medium voltage cable production, faced a delay of roughly nine months because of the complexity involved in constructing the 158-meter-high vertical tower on which machines will be erected. Management confirmed that no further delays are expected. With both phases progressing toward completion, the company expects a meaningful ramp-up in revenue from Q4FY26, with the full benefit visible in FY27-28.
- The company's gross debt stood at INR1.8b vs. INR2.0b as of Jun'25. Cash & bank balance (incl. unutilized QIP proceeds of INR7.7b) stood at INR15.6b vs. INR17.0b as of Jun'25. Net cash balance (ex-acceptances) stood at INR7.3b vs. INR10.5b in Jun'25 and INR14.9b in Mar'25.



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LG Electronics

Buy

Current Price INR 1,624

Demand environment and localization efforts

- The first half of FY26 was shaped by a challenging external environment, with demand impacted by an unexpectedly cool summer, early monsoons, currency volatility, US tariff changes, and geopolitical tensions, especially in the Indo-Pak region. The GST rate cut further disrupted market momentum, as both consumers and channel partners postponed purchases in anticipation of lower prices. Despite these pressures, LGEL regained traction quickly after the revised GST rates came into effect, recovering nearly three months of sales in just six weeks as festive and wedding season demand accelerated.
- Amid these external pressures, the company continued to strengthen its cost structure through accelerated localization. Localization reached ~56% in 2QFY26, with a target of ~70% over the next 3-4 years. Progress has come from increased local sourcing of key components, the shift to in-house RAC compressor production, and the local manufacturing of premium OLED TVs and side-by-side refrigerators. These efforts are expected to deliver margin benefits through lower duties, reduced logistics costs, and lower FX exposure. Management indicated that localization and FX savings together could support ~3-4% annual efficiency gains depending on the product category.

LG Essential series

- LG Essential series is based on insights gathered from 1,200 Indian households, exploring their daily needs and expectations from its products. The survey highlighted that, beyond affordability, consumers increasingly seek energy-efficient solutions, washing machines that perform well under low water pressure, and refrigerators that eliminate the need for defrosting.
- Accordingly, it launched select SKUs last month during Diwali, including an 8kg top-loader and a 225-liter refrigerator, with two additional models planned for release later this year. It will also soon introduce a 0.9-ton RAC and a microwave with an air-fryer kit. These launches are well-received across the dealer network.
- The company has priced these products aggressively to offer entry-level customers a strong incentive to upgrade their first purchase, ensuring to exceed their expectations and become their preferred choice for future premium upgrades. The washing machine is priced in the INR16,000–18,000 range, while

the refrigerator is around INR20,000. These products are already available in the market and are receiving an encouraging customer response.

Home Appliances and Air Solutions segment

- This segment continued to reinforce LG's category leadership, with market share remaining strong across core categories: ~33% in washing machines, ~30% in refrigerators, and ~17% in RACs, all showing sequential increase in market share. In premium categories, the company extended its leadership with a ~63% share in side-by-side refrigerators, reflecting strong traction for higher-value products.
- Margin was impacted by commodity inflation, recycling cost increases, and higher go-to-market spends during the festive period.
- LGEIL continued advancing its dual-track portfolio strategy. The Essential Series targets aspirational first-time buyers by offering affordable yet energy-efficient appliances. Simultaneously, it widened its premium portfolio with new French door refrigerators and AI-enabled front-load washers.
- Demand is expected to strengthen in 2HFY26 due to GST-led price benefits, festive and wedding-related purchases, and the transition to new BEE star-rating norms from Jan'26. Promotional intensity has already moderated post Diwali, and the company expects steady momentum across both premium and value segments.

Home Entertainment segment

- The market share in TVs rose to ~28%, supported by premiumization and strong traction in large-screen formats. OLED market share increased sharply to ~63%, confirming LG's leadership in premium televisions.
- While the TV industry faced certain external headwinds due to tariffs and geopolitical issues, LGEIL expects demand to remain strong through H2HY26 as GST cuts and festive sentiment drive sales. Larger screen sizes continue to be the key upgrade driver, benefiting the company's premium TV mix.
- In the B2B segment, which contributes ~6% of revenue, performance was temporarily impacted by global IT budget realignments following US tariff changes. However, LGEIL maintains a strong pipeline and expects recovery as macro conditions stabilize. India-made display panels and leadership in inverter-based HVAC systems continue to offer advantages for the company.

Capex and exports updates

- A major part of the company's strategy is the upcoming INR50b Sri City manufacturing facility, which will significantly expand capacity, improve supply chain efficiency, and create a dedicated base for premium exports under LG's Global South initiative. The plant will begin operations with RAC production in Oct'26, followed by compressors, refrigerators, and washing machines in subsequent phases. The facility is being developed with a ~100% capital subsidy over 20 years and will be fully funded through internal accruals.
- This expansion complements LG's broader export strategy, where shipments to 54 countries contribute ~5–6% of revenue and are expected to rise as premium product lines expand.

Future outlook

- LGEIL is entering its next phase of growth with a clear strategy built around its Make for India, Make in India, Make India Global vision. The strong IPO response reinforced its position as an India-rooted company with high domestic trust. The

long-term plan focuses on adapting global technology for Indian needs, scaling local manufacturing, and building India as a meaningful export hub.

- Looking ahead, it aims to sustain its growth trajectory through premiumization, deeper penetration with the Essential Series, expansion of its premium appliance and TV range, and a stronger push in B2B segments such as HVAC and information displays. Growing AMC and recurring service revenue are expected to further support margins. Management remains confident of returning to double-digit growth and strong profitability as market conditions stabilize.

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Mittal Oswal
Group of Institutions

27 October 2024

DATE: _____

Polyacetylene India

Q.1 Write a short note on Polyacetylene.

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Polycab India

Current Price INR 7,663

C&W segment

Buy

- The C&W segment growth was in high teens during 2Q. In volume terms, growth was marginally higher in cables compared to wires. In 2QFY25, inventory stocking was seen in end-September due to rising copper prices. Hence, the base was high for wires. The current utilization rate for the segment is ~75%.
- The company has not experienced any significant inventory built-up during the quarter. Strong industry fundamentals have supported strong growth momentum. About 90% of the company's business is through distributors, where prices are revised on a monthly basis.
- Sales across both distribution and institutional channels showed healthy traction, indicating broad-based demand. Regionally, the North market led growth, followed by the West, South, and East markets.
- Growth was supported by higher government spending, improved project execution, and a favorable commodity environment. The company also gained market share and strengthened its market position.
- Demand remains robust as the central government's capex remains high. Private capex is also showing early signs of revival. The real estate market remains strong following last year's record sales and launches, and should support wire demand in the coming years.
- Exports grew 25% YoY and contributed 6.5% to revenue. The export order book remains robust, and the target remains to achieve ~10% of revenue through exports. It has not seen any pre-stocking in the export market due to fear of tariffs or RM price movements. 20% of the company's exports are into the US markets, and it is difficult to comment on this market as the tariff situation is changing.
- The segment's margin expansion was supported by operating leverage and a favorable business mix. In the wire business, the company saw improvement in premium wire sales over the last two quarters. Similarly, in the cables business, sales of higher-margin SKUs have shown growth. These factors have led to gross margin expansion.
- In the defense industry, the requirement of cables is different from normal cables and approvals are required before supply begins. The company has worked on developing products for this segment in last 2-3 years and has secured approvals. There has been a consistent improvement in supply to the defense sector, which is expected to continue going forward.
- The demand outlook is looking strong in 2H. Margin guidance of 11-13% is on a long-term basis, though in the near term, margin could be better than this.

- Capacity commissioning of UltraTech is expected to occur in 1.5 years, and the demand environment will need to be assessed at that time. Its focus initially will be on wires and this segment has historically been in an oversupply situation. The company has seen competition from unorganized as well as other players. Its focus will be on its own initiatives, strategies, and market share gains.

FMEG segment

- The fans category continued to face headwinds due to the prolonged monsoon season and elevated channel inventory in the beginning of 2Q and registered a marginal growth. Demand in other categories like lighting, switches, switchgears and conduit solutions was healthy. Solar products continued to see strong traction, led by central and state solutions incentive scheme.
- A focus on premiumization, along with operating leverage, helped the FMEG business achieve its third consecutive profitable quarter despite increasing A&P spends.
- The utilization rate of fans continues to be lower and is impacting overall performance of the FMEG segment. Improvement in the utilization rate of fans, along with a focus on increasing the contribution of higher-margin products like switchgears and switches, will support margin expansion in the FMEF segment in the medium term.
- There have not been any price cuts for fans due to expected BEE rating changes from Jan'26. In 2Q; a price hike was taken by the industry.
- The aim is to grow this business 1.5-2x of industry growth rate and achieve 8-10% margin by FY30.

EPC Segment

- A decline in the EPC segment's revenue is a factor of project execution cycle. Excluding one-off gain of INR330m, the segment's margin at ~10% was in-line with guidance.
- Revenue growth in 2HFY26 should be better due to execution of BharatNet project as well as cable supply portion within the RDSS contract. RDSS orderbook stands at INR33.5b, while BharatNet order book is at ~INR80b (ex-GST).

Capex and working capital

- Inventory days were marginally higher due to inventory build-up in anticipation of strong 3Q demand. Payables days also improved due to the use of letters of credits for raw material procurement. Hence, working capital days reduced to 33 days. This is expected to normalize to 50 to 55 days in the coming quarters.
- Capex in 2Q/1HFY26 was INR3.3b/INR7.5b, in-line with the Project Spring guidance of annual capex of INR12-16b till FY30. Asset turnover is typically 4-5x in the cable & wire segment .
- The EHV plant is on track with the timeline and will be commissioned by 4QCY26-end. Commercial production should start from early-'27.



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RR Kabel

Neutral

Current Price INR 1,349

C&W segment

- The C&W segment continued to be the core growth engine for the company. The business benefited from strong, broad-based demand across domestic and export markets. Volume growth stood at ~16% YoY (equally for both C&W),



The screenshot shows a financial research report for RR Kabel. It includes a table of contents, a summary of key financial metrics, and a detailed analysis of the company's performance. The report is dated 14 November 2025 and is prepared by Motilal Oswal Financial Services.

supported by robust growth from both institutional and retail channels. Demand remained steady across end-user industries, including housing, real estate, infrastructure, renewables, and electrification, driven by the government's capex push and sustained private investment activity.

- Management highlighted that the C&W industry continues to benefit from India's infrastructure expansion, renewable energy investments, and growing consumer preference for organized, branded, and safety-compliant products. This shift toward formal players has structurally supported the company's growth momentum.
- Export demand remained strong, growing ~20% YoY, led by Europe and the Middle East, which together account for ~75-80% of export revenue. The US market, which previously contributed around ~8%, saw a marginal decline of ~2% due to tariff issues, though the company compensated through new customer additions and approvals in newer geographies. Management expects exports to remain a consistent growth driver, aided by the rising global preference for Indian-manufactured cables that meet international standards.
- Margin expansion was driven by a better product mix, cost control, and operational efficiency, with no significant benefit from commodity inventory gains. EBITDA margin expansion was supported by operating leverage and disciplined execution.
- Capacity utilization remained strong at ~70% in wires and ~90% in cables, leaving limited headroom without capacity addition. Demand visibility remains strong across both domestic and export markets, and the company expects 2HFY26 to outperform 1HFY26, supported by sustained infrastructure activity and retail traction.
- Under Project RISE, it targets ~18% volume CAGR, an EBIT margin of ~10.5%-11% by FY28, and consistent improvement in capital efficiency. Management expects further gains from expansion in high-voltage and special cables, scale-driven efficiency, and product diversification.
- The company indicated that it is positioned to benefit from formalization and electrification-driven growth, supported by a strong brand and diversified product base. It has guided for an ROE of above ~20% over the next 2-3 years, driven by better asset turns, expanding margins, and disciplined capital allocation.

FMEG segment

- The FMEG segment reflected a weak demand environment in fans and small appliances, offset partly by steady performance in switches and lighting.
- Despite seasonal headwinds and subdued rural sentiment, the company maintained a stable performance. Segmental losses remained largely unchanged, highlighting effective cost management and operational discipline. Management attributed this to product rationalization, procurement optimization, and tighter cost control across operations.
- Demand indicators showed early signs of improvement. Management pointed to festive-led recovery, gradual restocking in Tier-2 and Tier-3 markets, and improving consumer sentiment post-monsoon as factors that should support growth in 2HFY26.
- Management reiterated its guidance to achieve FMEG breakeven by 4QFY26, maintaining that overall losses for FY26 will be negligible.

- The company continues to run FMEG as an independent vertical with a dedicated CEO and management team, emphasizing a focused product and channel strategy. It has invested significantly in R&D and design, introducing multiple new products across premium and mid-premium categories over the past two years.
- It has established a strong presence in North and West India, and continues to expand into Southern and Eastern regions to diversify its regional mix. The company believes that its superior product quality, competitive pricing, and increasing brand recall will enable it to gain market share and achieve sustainable scale in the medium term.
- As demand improves through FY26-27, management expects continued volume and margin recovery, supported by premiumization, network expansion, and brand strengthening initiative.

Capex and working capital

- The company's INR12b capex plan is progressing as per schedule, with ~80% allocated to the cables business. The expansion covers cables up to 220 kV to address rising demand in high voltage power cable, utilities, data centers, and B2B segments. Management indicated that the capex cycle is phased and demand-linked, ensuring strong asset utilization and cost control. The program also includes automation and digital upgrades aimed at boosting productivity and margins.
- Net working capital stood at 57 days vs. 56 in Mar'25 and 64/75 days in Mar'24/Mar'23. The company temporarily increased inventory to ensure uninterrupted supply amid rising demand, resulting in short-term cash flow moderation. Management expects normalization by FY-end, with collection cycles and payables remaining steady. The company continues to maintain tight control over liquidity, ensuring growth funding without leverage pressure.

VOLTAS

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Voltas

Neutral

Current Price INR 1,384

Macro trends

- Global growth remains steady but uneven, with advanced economies still facing inflationary pressures, while India continues to stand out as one of the fastest-growing major economies supported by public investment, strong domestic demand, and a resilient services sector.
- Despite geopolitical tensions affecting global trade, India's consumer and infrastructure momentum continues to create opportunities, particularly for the cooling and appliances sector, where stable energy costs and improving sentiment are expected to aid demand recovery.
- The IMF has maintained its global growth outlook at ~3% for the year, led by emerging markets such as India and Southeast Asia, even as developed economies adjust to slower consumption and policy tightening. The quarter reflected transitional pressures, including an extended monsoon and GST-related demand deferment, which moderated performance in the cooling segment.

Unitary Cooling Products (UCP)

- The UCP segment saw an atypical quarter, with muted retail offtake due to the lean season and delayed consumer purchases from mid-Aug to late-Sep



following the GST rate reduction, which led to elevated channel inventory. Despite these temporary disruptions, VOLT retained its market leadership and strengthened its presence across India's cooling and comfort solutions space.

- RACs remain the core of the segment, with higher marketing spending needed to maintain retail momentum and manage elevated channel inventory, which weighed on margins. Market share improved from ~16.0% in Q4FY25 to ~17.8% in Q1FY26 and ~18.5% in Q2FY26, widening the lead over the nearest competitor. Channel inventory is currently high at around two months, and the company is supporting sell-out so partners can resume seasonal stocking.
- With GST-led price cuts and the upcoming BEE energy-label change from Jan'26, channel buying is expected to pick up through Q3 and Q4 as partners stock old label SKUs ahead of new label price hikes. This should help inventory normalize by Dec'25 and drive consumer upgrades in H2FY26.
- The company has intensified efforts to refresh and upgrade its product portfolio with enhanced features, while expanding distribution, optimizing costs, and strengthening automation and process efficiency across its manufacturing footprint. Production planning has been realigned to real-time market demand and inventory trends. Although margins were temporarily affected by underabsorption at the new Chennai and Waghodia facilities, these strategic capacities are expected to deliver scale benefits and long-term competitiveness as utilization ramps up.
- Other categories like Air Coolers, Water Heaters, and Fans continue to gain traction, supported by product upgrades, wider channel reach, and digital initiatives, further reinforcing VOLT's presence in the broader comfort solutions market. Within UCP, the Commercial Air Conditioning business remains a key growth driver, supported by strong demand from institutional, retail, and light commercial customers. Commercial Refrigeration is also expanding across food service, retail, and healthcare applications, contributing steady, year-round business.

Electro-Mechanical Projects and Services

- EMPS continues to act as a strategic stabilizer for the company, helping offset the seasonality of the cooling business. The domestic Infra Solutions division demonstrated strong project execution across MEP, water, electrical, and solar verticals, reinforcing the company's engineering capabilities. The team remained focused on delivering projects on schedule, supporting healthier cash flows, and tightening execution timelines to improve efficiency and profitability.
- The International Operations Business Group maintained its disciplined project management approach, ensuring steady progress and delivering high-quality outcomes.
- With a consolidated order book of INR62b (INR48b domestic and INR14b international) and a strong bid pipeline, the segment is well placed to deliver steady, counter-cyclical growth. The order book is well diversified across MEP, electrical & solar, and water. Data centers and district cooling offer significant potential, with in-house high-efficiency centrifugal chillers providing a strong edge; data centers alone could contribute ~30%.

PES segment

- The EMPS segment remained operationally resilient despite a challenging macroeconomic environment. The Mining and Construction Equipment division recorded steady performance across both African and Indian markets, aided by strong after-sales momentum and advancements in hybrid machinery. The Textile division achieved its revenue and collection targets, with after-sales services becoming an increasingly important driver of profitability. The business is also exploring opportunities in the Post-Spinning space to unlock new growth avenues.
- Supported by ongoing localization efforts and the benefits from GST rationalization, the segment is well-positioned to leverage the expected industrial demand recovery and further strengthen its technology-driven product portfolio.

Voltas Beko

- The segment continues to be one of India's fastest-growing appliance brands, maintaining strong momentum across key categories. The business delivered growth with market share gains, supported by consumer preference for high-quality, energy-efficient, and locally made products. Performance remained broad-based across washing machines, refrigerators, and small domestic appliances.
- Its modern manufacturing base, wider product pipeline, and strong retail reach have helped it scale efficiently while staying agile on innovation. Increased marketing and a stronger digital presence have also lifted brand visibility.
- It remains central to VOLT's long-term strategy of diversification and premiumization, supporting its transition into a full-fledged home appliances player offering complete cooling and home solutions.

Outlook

- The company enters 2HFY26 with improved sentiment, supported by GST cuts and the upcoming BEE transition, which should unlock pent-up demand. Its focus on innovation, manufacturing, channel strength, and execution positions it well for the opportunities ahead. H2FY26 is expected to benefit from seasonal stocking and deferred AC demand, though the company has not quantified the impact given dependence on summer intensity.

EMS



- Most management teams have reaffirmed their revenue growth outlook, while Avalon has further upgraded its guidance, underpinned by sustained demand strength, timely project ramp-ups, scaling efficiencies from newly commissioned capacities, and robust order book visibility into 2HFY26. The momentum is expected to be reinforced by strategic global alliances, selective acquisitions, and continued diversification across end markets. Concurrent investments in capex, R&D, and backward integration are poised to drive structural margin expansion and strengthen the companies' competitive positioning over the long term.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Other key highlights
Avalon Tech	- Working capital: Inventory was temporarily high (by 15 days) to support the ramp-up of new programs scheduled in 3Q and 4QFY26. Large upcoming programs include: Energy storage systems (ESS) in the US, locomotive engine subsystems, and aerospace cabin sub-assemblies. - Segments: Avalon's growth is well-diversified across sectors. Energy storage is scaling rapidly (20-25% of revenue). Aerospace/railways posted 59%/58% YoY growth in 1H, with major ramp-ups due in FY26. Semiconductor prototyping starts in FY27, marking Avalon's entry into advanced tech manufacturing. - US tariffs: Avalon has paid over 50 unique tariffs over the last six months on different products supplied to the US. The dual-shore (US + India) model provides resilience and flexibility amid tariff changes.	- Avalon has raised its revenue guidance to 28-30% (vs. earlier 23-25%), driven by strong execution, healthy order book, and operational efficiency. - The company's long-term revenue trajectory is anticipated to remain strong, backed by: 1) its entry into the semiconductor equipment manufacturing space, 2) strategic collaborations leading to higher margins.
Cyient DLM	- Outlook: The book-to-bill ratio is ~1.6x now and the company aims to keep it at ~1.4-1.5x by FY26 end. - Order flows: CYIENTDL secured two global logos in 2Q: 1) a Japanese EVOTL company that focuses on future of mobility; 2) an EV charging company with focus on EV solutions. The company is optimistic about a multi-million-dollar opportunity from them in the near future. - Inorganic acquisitions: The company is actively looking for inorganic acquisition targets in NAM and EMEA to drive growth in the medical and industrial segments and new industries like EV.	- The company maintains a robust business mix, with strong contributions from both industrial and med-tech sectors; exports account for ~86% of revenue. Increasing momentum is anticipated from the domestic (India) market. - The company has made some improvements in the DIO in 2Q. NWC has dropped to 139 days from 165 days.
Data Pattern	- AMCA Jets: DATAPATT is participating in the AMCA program as part of a consortium alongside Bharat Forge and BML, aiming to leverage its unique electronics and avionics expertise for this major Indian fighter aircraft initiative. - Orders: The order book stands at INR6.7b, with new orders of INR3.5b+ received since the start of FY26, including significant wins from ECIL and the Brahmos. - Exports: The export order book is healthy at around INR782m, aided by growing traction in international markets. It has secured a European export order and is gaining traction in South America and the UK.	- The company has deployed QIP funds toward product development in Radar (Air-borne fire radars, long radars for detection, Electronic Warfare (EW), and Communication systems). - Revenue growth driven by strong execution in various projects.
Kaynes Tech	- Guidance: Management retained its full-year revenue guidance of INR4.5b (with INR42.5b from the EMS business, INR1b from the OSAT business, and INR1.8b from the Canadian business). - OSAT business: At the Sanand OSAT facility, Kaynes reached an important milestone by successfully delivering India's first commercially manufactured multi-chip module in collaboration with Alpha and Omega, L&T Semiconductor, and Mitsu & Co. - PCB: The first phase at Oragadam, Chennai, is on track for commissioning by FY26 end, with shipments expected from Apr'26. The facility will produce high-	- Working capital days are expected to improve meaningfully by FY26 end, with ~10-15 days reduction in receivables and ~15-20 days reduction in inventory, even as scale expands. - The company is preparing to start serving customers in railways electronics. It is also working on the railways network safety, which has made some good progress.

density interconnect (HDI), multi-layer (up to 76 layers), and flex PCBs, with interest already received from ~16 global and domestic customers. Kaynes has also received government approval and capital subsidy under the PLI scheme for the second phase (capex of INR37b) of its advanced PCB manufacturing project near Tuticorin.

Amber Enterprises

- Consumer Durables: Revenue growth guidance of 13-15% YoY for FY26 and to double by FY30.
- Electronics division: Revenue of INR32b in FY26 with PCBA contributing ~INR24b. Margins to reach 8-9% by FY26-end and cross double digits in FY27. Revenue to reach USD1b in three years.
- Railways: Revenue to double in 2 years, backed by INR26b order book and expected inflows of INR4-5b.
- NWC guided at 30-35days
- Capex plans: Planned capex of INR7b-8.5b in FY26 towards the electronics and consumer durable divisions. In FY27, INR3b for consumer durables. For electronics segment, INR6.5b at Ascent Circuits, INR12b at Korea Circuit JV, and INR1.5b-1.8b in PCBA. INR500m-600m in railways division.
- Funds raised: Management emphasized the successful INR10b QIP fundraise and INR17.5b investment in ILJIN Electronics from marquee investors.

Dixon Technologies

- Mobile phones: 40-42m units in FY26, 55-60m units in FY27 (including Vivo and Longcheer JV), Telecom to reach INR48b in FY26
- IT Hardware: FY26 revenue: INR12b-13b. In next 2 years: INR40b-50b.
- Consumer durables: In TV, ODM share enhanced to 65% volumes. In refrigerators, capacity expanded from 1.2m units to 1.7m units, and in next phase to expand to 2.5m units.
- Home Appliances: Launch of 16kg and 18kg semi-automatic washing machines by Dec'25. Robo-vacuum cleaners to start by Dec'25.
- INR5.5b capex done in 1H and similar run-rate expected in 2H.
- New Noida facility for mobile phones to be completed by Mar'26.
- Investment of INR30b for display and camera modules, lithium-ion batteries over next 3 years.
- New 0.4m sq. ft. facility finalized for Longcheer JV.
- New production line in Tirupati for washing machines to be operational by 3QFY26-end
- Inventec JV to be operational by 1QFY27.



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Amber Enterprises

Buy

Current Price INR 7,356

Segment-wise

- **Consumer Durables:** The segment showed resilience despite an extremely challenging season for RACs, where the industry declined 30-35% YoY due to unfavorable weather and purchase deferrals ahead of the GST rate cut implementation. AMBER's division revenue fell by 18% YoY, outperforming the industry and reflecting the strength of its diversified product base. The company highlighted new CAC models being launched in Nov-Dec this year and emphasized that inventories have started normalizing and should return to optimal levels by 4Q.
- **Electronics:** The YoY growth in revenues was supported by strong performance across both PCBA and bare PCB verticals. Revenue grew 30% YoY during the quarter, though margins were temporarily impacted by a 13% rise in copper-clad laminate prices and higher gold costs. Management explained that these cost escalations are recoverable from customers with a one-quarter lag, and margins are expected to recover with FY26 margin guidance at 8-9%, moving into double digits in FY27.
- **Railways:** The segment grew 7% YoY in the quarter, driven by higher metro project execution. Management reiterated confidence in doubling revenue within two years, backed by a strong INR26b order book and expected inflows of INR4-5b. The Sidwal greenfield facility for HVAC systems and doors will start trial runs in 3QFY26 and commercial production in 4QFY26, while the Yujin Machinery JV for pantographs and brakes will begin production in 1HFY27. Additionally, defense cooling systems are gaining traction and are expected to contribute meaningfully in the near term.

Other highlights

- **Capex plans:** AMBER plans a consolidated capex of INR7b-8.5b in FY26, largely directed toward the electronics and consumer durable divisions. For FY27, around INR3b will be allocated to the consumer durables segment, while major investments are planned in electronics for PCB manufacturing, including INR6.5b at Ascent Circuits and INR12b at the Korea Circuit JV, as well as ~INR1.5b-1.8b in PCBA. The railways division will see modest capex of INR500m-600m.
- **JVs and associates:** During the quarter, ILJIN acquired a 60% stake in Power-One Microsystems, with expected FY26 revenue of INR2.7-2.8b and 15-18% EBITDA margins. It also purchased 40.2% controlling stake in Unitronics (Israel), a leader in industrial automation systems with 25-28% EBITDA margins, which will be fully consolidated. Management expects JV and associate losses of INR250-300m in FY26, tapering sharply in FY27 as operations ramp up.
- **Funds raised:** Management emphasized the successful INR10b QIP fundraise and INR17.5b investment in ILJIN Electronics from marquee investors. Inventory levels are expected to normalize by 4QFY26, and the company aims to turn cash positive by year-end. Working capital days are guided at 30-35 days.
- **Guidance:** Revenue growth of 13-15% YoY is expected in consumer durables and revenue of over INR32b in electronics for FY26, with PCBA contributing over INR24b. Electronics margins are expected to reach 8-9% by FY26-end and cross double digits in FY27. The railways and defense segment is expected to double its revenue within two years. The company aims for its electronics division to achieve USD1b revenue in the next three years, while consumer durables should grow in line with the expanding RAC market, expected to double by FY30.



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The screenshot shows a financial report for Avalon Technologies. It includes a table with financial metrics such as Revenue, EBITDA, and PAT, along with a detailed text analysis of the company's performance and management's commentary.

Avalon Technologies

Buy

Current Price INR 987

Guidance and outlook

- AVALON has revised its revenue guidance upwards to 28-30% (vs earlier 23-25%), driven by strong execution, healthy order book, and operational efficiency.
- It targets to double its revenue over the next three years, i.e., by FY27.
- The company is targeting a revenue mix of 50-50% in domestic-export markets.
- Segment revenue contribution is expected to remain intact.
- AVALON is expecting WC days of 120-130 days for FY26.
- It has inventory ramp-up planned to support various programs in 3/4QFY26.
- The company expects 80-20% mix for India-US facilities for 3/4QFY26.

Operating performance

- Both India and the US recorded strong YoY growth of ~30% and 46%, respectively, led by diversified performance among verticals.
- India's manufacturing contribution rose to 81%, delivering healthy EBITDA and PAT margins of 14.1% and 10.9%, respectively.
- The US manufacturing facility reported an EBITDA of INR50m (vs INR130m YoY); the facility is benefitting from operating leverage and expects breakeven in the next few quarters.
- Box-build accounted for 53% of the total revenue in 1HFY26.
- The company reported high growth in the Mobility and Industrial segments in the domestic market.

- AVALON's gross margin contracted due to a change in the product mix.
- Operating leverage is expected to support margin expansion in the US.
- As of Sep'25, gross debt stood at INR1.29b, while cash and investments totaled INR686.6m.
- Order book growth was well-balanced and diversified across the industry, verticals, and geographies.
- AVALON onboarded three large customers in India during the quarter, spanning the Power, Industrial, and Defense sectors. Activity is expected to continue in 3Q/4QFY26.
- AVALON's aerospace business reported revenue growth of 59% YoY in 1HFY26, driven by a rapid increase in local manufacturing content.
- AVALON's railway business reported revenue growth of 58% in 1HFY26, driven by new customer additions and expanded product lines.

New avenues

- On the semiconductor front, AVALON is anticipating volume ramp-up in FY27.
- Zepco Investment: Customers are starting to engage in design activity on the power side. The company has also launched a second project focused on motors for drones in the Indian market. This investment aims to secure design contracts over the next ~18 months, followed by long-term manufacturing opportunities.

Energy Storage Systems (ESS)

- The ESS vertical is progressing well, with production ramp-up underway and major scaling expected over the next 12 months. It remains a key growth engine, contributing 20–25% of revenue, currently growing ~34% YoY. The segment benefits from strong US customer demand and AVALON's dual-shore model.

Aerospace

- Aerospace continues to gain traction, with 1HFY26 revenue rising 59% YoY. Cabin sub-assemblies are under the first article inspection, with full production ramp-up targeted for 1HCY26. The company is leveraging India's rising aerospace localization, which provides long-term visibility and steady recurring revenue.

Railways

- The railway vertical has maintained a strong momentum, growing 58% YoY in 1HFY26. The locomotive engine subsystem production will commence in 2HFY26, while the Kavach train protection system has completed testing and will enter commercial production next year. Expansion in product lines and new customer additions continue to drive growth.

Semiconductor Equipment

- AVALON's entry into this segment marks a move toward advanced technology manufacturing. Prototyping is underway, with volume production expected in FY27. The company has partnered with a leading global semiconductor player for box-build manufacturing, positioning it in a high-value, high-complexity niche.

Industrial & Mobility

- These remain key domestic growth drivers alongside railways. The company is seeing strong traction from power and industrial clients, with multiple new India-based customers expected to contribute meaningfully in upcoming quarters.

US tariffs

- AVALON reported that 99% of tariffs were recovered from customers, driven by deep understanding with customers and long-term position in US markets
- The company is closely monitoring updates and focusing on Made in India products.

Other

- In 2QFY26, AVALON secured AS9100D (aerospace quality certification for PCBA and chemical processing).
- The company's manufacturing facilities in India and the US are helping secure foreign clients, as production increasingly shifts to India.
- The export-focused Chennai plant has commenced production and is ramping up steadily. To meet rising domestic demand, the company is progressing well to complete Phase 2 of its brownfield expansion in Chennai by the end of 3QFY26.



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Cyient DLM

Key Metrics:

Quarter	Revenue (INR)	EBITDA (INR)	EBITDA Margin (%)
Q1 FY26	1,200	150	12.5%
Q2 FY26	1,300	160	12.3%
Q3 FY26	1,400	170	12.1%
Q4 FY26	1,500	180	12.0%

Management Commentary:

The company reported a strong performance in Q2 FY26, with revenue growth of 16% YoY and 7% QoQ. The EBITDA margin expanded meaningfully to 12.3%, supported by a favorable mix of orders. The order book grew to INR22.9b, with 1/4th of the orders expected to be executed between 2Q and 4Q. The company maintains a robust business mix, with strong contributions from both industrial and med-tech sectors. The domestic (India) market is anticipated to provide increasing momentum.

Cyient DLM

Buy

Current Price INR 454

Build to specification (B2S)

- Contribution from B2S business to increase from FY27 onward.
- As B2S orders have a longer gestation period, they generate revenue for the company over a longer period of time.
- B2S orders currently form ~10% of the total order book.

Operating performance

- The company secured two global logos in 2QFY26. One is a Japanese EVOTL company that focuses on future of mobility. The other is an EV charging company with focus on EV solutions.
- While revenue growth declined, EBITDA margin expanded meaningfully. Healthy EBITDA growth was supported by a favorable mix.
- The order book grew 16% YoY/7% QoQ to INR22.9b. Order intake in 1QFY26 is expected to be executed between 2Q and 4Q. Further, 1/4th of the orders received in 2Q will be executed in 4QFY26.
- The order backlog composition remains consistent with the present industry segment mix.
- Most of the orders received are executable within a period of 18-24 months
- The company maintains a robust business mix, with strong contributions from both industrial and med-tech sectors; exports account for ~86% of revenue. Increasing momentum is anticipated from the domestic (India) market.
- There was a higher mix of box build coming in the business, which has led to PCBA mix declining. This results in a slightly higher margin compared to the traditional PCBA mix.

Financial and operational metrics

- Defense segment's growth moderated due to the completion of a large order.
- The company generated free cash flow of INR270m. After adjusting for one-time land acquisition cost of INR190m, the normalized FCF stood at INR460m.
- Aerospace segment grew 49% YoY, while the inclusion of Altek drove ~3.5x/2.2x YoY growth in the Industrial/Medtech segments.

Guidance and Outlook

- The company aims to maintain a book-to-bill ratio above 1.4-1.5x for FY26 (current ratio stands at ~1.6x).
- B2S vertical is not expected to contribute significantly to FY26 revenue.
- The company plans to maintain its focus on the defense sector. It is working closely with a key customer to secure repeat business.
- It foresees 55-60% of FY26 revenue to be generated in 2HFY26.
- CYIENTDL expects growth to come in 4QFY26, mainly from the industrial segment. Further, margins are expected to strengthen sequentially.

Others

- The company has made some improvements in the DIO in 2Q. NWC has dropped to 139 days from 165 days.
- ETR appears to be low as other income, which came on account of extraordinary gains, resulted in reduced tax.
- Sales team is focusing on getting new clients to reduce dependence on the top 5 clients.
- Exports will generally form a higher share in revenue as compared to India. However, the company will continue to maintain its focus on India.
- The company is actively looking for inorganic acquisition targets in NAM and EMEA. This is expected to drive growth in the medical and industrial segments and new industries like EV.
- It has large deals in the pipeline that are in the advanced stages.
- The Israel-Gaza conflict had a significant impact on the company's revenue. After the ceasefire decision, the company expects some stability in revenue.



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Data Patterns

Neutral

Current Price INR 3,114

Operational Performance

- Revenue growth driven by strong execution in various projects
- Margins in the quarter were hit as one strategic contract amounting to ~INR1.8b was taken by the company at competitive prices, considering possible long-term opportunities; margins are expected to improve in the coming quarters
- Large potential for such orders in the future in all segments. The company is planning to enter into complete systems as well.
- In 1HFY26, WC days were at 345 with Debtors at 265 days, Creditors at 26 days, and Inventory at 106 days. The company expects major debtors to be collected in 2HFY26. The company is not promptly able to reduce debtor days as development contracts take a longer time for Cash Conversion. Company projects WC days to decrease if traction shifts from larger development contracts to production contract order book. WC at 310 days if advances received from customers for development contracts are also included.
- As on 30 Sep'25, Gross debt stood at INR; Cash & cash equivalents at INR3.3b

Outlook

- Management maintains revenue growth guidance of 20-25% over the next 2-3 years (upward movement in guidance expected in FY26), with EBITDA margins of 35-40% in FY26.
- Management expects WC to remain at the same levels for FY26.

R&D

- The company has deployed QIP funds toward product development in Radar (Air-borne fire radars, long radars for detection, Electronic Warfare (EW), and Communication systems. As of 1HFY26, ~INR1.2b have been utilized for this purpose; some products are generic in nature.
- The company is targeting TAM of ~INR150-200b with product developments.

Order Book

- The company's order book stood at INR6.7b as on 30 Sep'25 with 49%/17%/34% share of Production/Development/Services.
- The company's international order book as of 30th Sep'25 is INR782m
- In 1HFY26/2QFY26, the company has received order inflow of ~INR3.5b/INR1.7b with major order of INR840m in 2QFY26 from ECIL
- Management expects ~INR10b order inflows in 2HFY26
- The company has a strong order book in the pipeline at INR20-30b over the next 18-24 months
- The company expects the negotiated order book worth ~INR5.5b to be entered into contracts in the next 2-3 months
- The company's AMC contracts are mainly with Brahmos for ground-based launchers, fire control systems, and airborne launchers

Other

- The company is focusing on quality margins over short-term expansions
- Regarding the consortium with BEML and Bharat Forge, the company is expecting to add value in the Avionics range.
- Jammer pod's in-house testing is in process, and the company has offered it to the Air Force for consideration.
- Regarding Brahmos seeker, negotiations are completed, and contracts are entered.

Domestic and Export Markets

- Exports contributed 6.9% to revenue in 2QFY26
- It received an order from the European region. The company expects traction from the international market and an increase in the UK volumes.
- The company has formed a team for exploring the export market, resulting in a rise in employee expenses.
- The company generally exports large systems, and it redesigns products for export purposes.
- International product requirements are large, and execution is faster.



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Dixon Technologies

Buy

Current Price INR 15,697

- **Mobile phones:** Mobile revenue grew 41% YoY to INR133.6b in the quarter, of which hearables & wearables/telecom/ismartu/IT Hardware/Q-Tech revenue stood at INR2.1b/16.4b/25.9b/3.3b/0.5b. FY26 mobile volumes are expected at 40-42 million units, with FY27 expectation of 55-60m units, including new partnerships and JVs.
- **IT Hardware:** The 60:40 JV with Taiwan's Inventec Corporation (for notebooks, PCs, servers, SSDs, and components) is expected to start operations by 1QFY27. Management is expecting revenues of around INR12-13b for FY26 and INR40-



50b over the next two years, with margin benefits from backward integration and PLI incentives.

- **Consumer Electronics:** Sales were temporarily hurt by GST-related demand deferral. Dixon's OEM share rose to 60%, with offerings across Google TV, Tizen OS, FireOS, WebOS, and Linux. The company introduced a CKD robotic LCI line for large-size IFPD TVs and signage and is expanding into industrial, institutional, and automotive displays. Refrigerator volumes were soft due to new energy norms, but new cooling products—mini-bars (50–100L), deep freezers, and side-by-side refrigerators—were added.
- **Home Appliances:** Capacity expansion for washing machines will commence by the end of 3QFY26. Dixon plans to launch India's first 16kg and 18kg semi-automatic washing machines and start production of robotic vacuum cleaners for Eureka Forbes by 25th Dec'25. The front-load washing machine project is under development, with a planned capacity of 150,000–200,000 units.
- **Lighting:** The 50:50 Lightanium Technologies JV with Signify began operations in August 2025. The order book is strong, led by premium indoor and professional lighting products. Executed first pilot order from one of the top retail chains in the US in October first week, with another for Germany's largest retailer expected in 3QFY26. The company continues to invest in automation to further boost operational excellence.
- **Exports gained traction** across telecom, lighting, and mobile. Dixon secured a major US telecom order to manufacture backhaul microwave radios, with production expected to start in 4QFY26 and exports from 2Q–3QFY27 (initially ~USD150m, scalable to USD1b). Lighting exports began with US and German pilots. Mobile exports via the Ismartu JV have commenced, targeting Africa and other emerging markets.
- **Non-mobile segment outlook:** Dixon entered into high-complexity network equipment manufacturing through its US telecom partner, with exports expected in FY27. Dixon has filed component PLI applications for displays, camera enclosures, lithium-ion batteries, optical transceivers, and mechanical parts, with INR30b crore investment planned over three years.



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Kaynes Technology

Buy

Current Price INR 5,898

Outlook and guidance

- Management has reiterated its full-year revenue guidance of INR4.5b (with INR42.5b from EMS business, INR1b from OSAT business, and INR1.8b from Canadian business).
- A decline is expected in the coming quarters, but the overall guidance remains intact.
- Volumes are expected to increase in 2HFY26. Following the integration of August electronics, the company finds the business to be fundamentally strong.
- EBITDA margins are expected to be in the same range going forward.
- Going ahead, the share of revenue from aerospace and railway is expected to increase.
- Automotive is expected to grow at 50% going forward. Industrial is also expected to witness growth (expected to remain at 40% of the total business). The company aims to post double-digit figures for railways.

Working capital management

- KAYNES' higher working capital as of Sep'25 was largely timing- and volume-driven rather than structural. Receivables rose due to back-ended billing and longer customer credit cycles (30–90 days), while inventories were consciously built up to support strong order inflows.
- To improve cash conversion, the company has launched three structural initiatives: 1) Receivable discounting, with INR600m already executed and another INR3b planned over the next two quarters; 2) Customer-led invoice financing tie-ups with global banks such as JP Morgan, enabling automatic discounting for 20-30% of receivables for global clients; 3) Vendor Managed Inventory (VMI), transferring stockholding responsibility to suppliers and expected to meaningfully reduce inventory days by FY26-end.
- Management guided that negative OCF in 1HFY26 was temporary and expects strong positive operating cash flow in 2HFY26, supported by these measures, improved billing discipline, and higher revenue throughput.
- Guidance: Working capital days are expected to improve meaningfully by FY26-end, with ~10-15 days reduction in receivables and ~15-20 days reduction in inventory, even as scale expands.

Orderbook and client wins

- The company closed the quarter with a robust order book of INR81b (vs. an order book of INR54b in 2QFY25), supported by incremental high-margin orders across segments.
- The order book excludes LOIs and OSAT orders, with 60% of the capacity already committed to large players. Additionally, there are 14 potential clients expressing interest in working with the company.
- Going ahead, the company expects the order book to keep growing.

OSAT business

- At the Sanand Osat Facility, the company reached an important milestone by successfully delivering India's first commercially manufactured multi-chip module, IBM five, in collaboration with Alpha & Omega and Mitsu & Company.
- The company has made a strategic collaboration with Infineon, which marks its entry into EMS-based true wireless stereo packaging,
- leadership, operational excellence, and trusted global relationship.

PCB

- KAYNES received government approval and the formal order for a capital subsidy under the PLI Scheme for the second phase of its advanced PCB manufacturing expansion.
- The first phase, located at Oragadam, Chennai, is progressing well and is expected to be commissioned by the end of FY26, with customer qualifications and shipments targeted from Apr'26 onwards.
- This expansion will enable KAYNES to produce high-density interconnect (HDI) and multi-layer PCBs (up to 76 layers), followed by flexible boards, catering to the growing demand for high-reliability and advanced PCBs used in automotive, industrial, and electronics applications.
- The company has already received strong interest from around 16 global and domestic customers.
- Phase 2, to be set up in South India near Tuticorin, will expand the company's capacity and product range over the next three years, aligning with its goal of full backward integration across copper-clad laminates, prepregs, and PCB manufacturing.

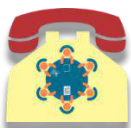
- Globally, the PCB market is projected to cross USD100b by CY30, and India's domestic market alone is expected to post a 20% CAGR, driven by demand from the EVs, industrial automation, defense, and telecom sectors.

Other

- As of today, one of the large companies is visiting the facility in Chamrajnagar to qualify the company.
- The company is preparing to start serving customers in railways electronics. It is also working on the railways network safety, which has made some good progress. The company does not anticipate any slowdown in the share of railways in total revenue.
- A final approval is awaited from a customer in aerospace – once that approval is received, the share of aerospace is expected to increase.
- The company sees an upswing in profitability – not just in one but all areas.
- The company expects to see more orders coming from IT customers. Smart meters are expected to experience steady growth going forward.



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Syrma SGS Technology

Buy

Current Price INR 875

Operating performance

- Revenue growth was driven by the Auto, Industrial, and IT segments.
- SYRMA's gross margin was impacted by product mix changes in 2QFY26.
- NWC was at 73 days as of Sep'25, and the company aims to increase it to ~60-65 days over the next 2-3 quarters and expects to maintain a similar level on a full-year basis. Trade receivables days increased due to a delay in the collection period, which is expected to normalize by the end of FY26. A parallel increase was observed in trade payables as well.
- SYRMA's ~56-57% of revenue is contributed by the top 10 customers and ~70% by the top 20 customers.
- Gross debt as of Sep'25 stood at INR2.8b, with cash and cash equivalents at INR7.6b. Net debt as of Sep'25 stood at INR-4.8b.
- SYRMA reported operating CFs of ~INR-1.2b, mainly due to the incremental WC (tariff impact of higher inventory due to volume pushout).

Outlook and guidance

- SYRMA expects an incremental jump in revenue and margins.
- The company has maintained its guidance of generating positive cash flows at ~20-30% of revenue for FY26.
- The company has maintained revenue guidance of ~30-35% for FY26, with EBITDA guidance remaining intact at ~8.5-9%. It expects to surpass the guidance levels.
- SYRMA expects its growth trajectory to be higher in the next FY compared to FY26.
- Going forward, the company expects exports to serve as the growth driver in the upcoming FY.
- SYRMA anticipates the US to be a key market in the future. It is closely monitoring the tariff situation to resolve uncertainties.

Acquisition of Elcome Integrated Systems Pvt Ltd

- SYRMA has entered into a definitive agreement to acquire 60% of majority stake in Elcome Integrated Systems Private Limited ("Elcome"), a long-established

Indian defense and maritime electronics company specializing in advanced electronic systems, integrated command solutions, and indigenous mission-critical technologies.

- The acquisition's consideration is INR2.35b (mix of primary capital infusion and secondary share purchase), which will be utilized by Elcome for the purpose of funding the acquisition of Navicom Technology International Private Ltd by Elcome.
- The remaining 40% stake in Elcome will be acquired in multiple tranches over the next three years, linked to performance and earn-out milestones.
- Elcome generated revenue of ~INR2b, with a profit margin of ~24-25%. It is margin lucrative. SYRMA expects this business to be consolidated in FS by 4QFY26. Elcome has high WC. SYRMA is targeting revenue of ~INR3.5b.
- Elcome has strong capabilities in the design, integration and support of navigation, communication and surveillance systems, including integrated bridge systems, navigation radars and maritime communication suites.

JV with Italian company in India

- SYRMA has formed a joint venture with Elemaster S.p.A., Italy, a leading European electronic design and manufacturing partner. The company is expected to invest ~INR330m for the initial phase.
- The JV company (Syrma SGS Design & Manufacturing Pvt. Ltd.) will be owned 60% by SYRMA and 40% by Elemaster. This JV combines SYRMA's scalable manufacturing with Elemaster's design and customer access.
- This JV expands SYRMA's service scope into higher-value, regulated electronics and provides access to new geographies and higher-margin product segments with long lifecycle demand. The commercial focus includes rail electronics, industrial automation, medical diagnostics and life-science equipment sub-assemblies.

Acquisition of minority stake in KSOLARE

- SYRMA is expected to acquire 49% stake in KSOLARE, a leading manufacturer of Solar String Inverters and Power Conditioning Units for Residential, C&I and Utility solar applications in India, alongside Premier Energies, which will be acquiring balance 51% stake.
- SYRMA's share amounts to INR833m, payable in phased tranches over the next 2 to 3 years.
- The financials of KSOLARE will not be consolidated with SYRMA. Module manufacturing and assembly are expected to be carried out by SYRMA for KSOLARE.

PCBs Manufacturing

- SYRMA has partnered with Shinhyup Electronics Co., Ltd., South Korea to establish capabilities in multi-layer and flexible PCBs.
- This JV company will be owned 75% by SYRMA and 25% by Shinhyup, with the former having majority board representation, ensuring strategic and operational control. This will strengthen the backward integration into a critical component of electronics manufacturing.
- SYRMA has secured 26.7 acres of land at Naidupeta, Andhra Pradesh for PCB & CCL manufacturing campus.
- The company has approved the Andhra Pradesh incentives and Central incentives for this JV.

- SYRMA expects INR25b revenue based on the gross fixed asset turnover of ~1-1.5.
- The JV company will manufacture both HDIs and multi-layers. The company has applied for HDI approval.
- SYRMA will benefit from state capital incentives covering 50% of Phase 1 expenditures. The company will spend ~INR 40 m immediately, bringing the total Phase 1 investment for the multi-layer line (with a capacity of 700,000 sq.m) to ~INR 90 m. Additionally, SYRMA plans to invest a further INR 8 b for CCL and HCI by the end of FY27. Plant construction is expected to commence in Dec'26.
- State capital incentives are expected by FY28 for the Phase 1 work. Incentives are estimated at ~5-10% of revenue.
- SYRMA expects PCB revenue to kick in from FY28 onwards.

Order book

- As of Sep'25, the orderbook stood at INR58b.
- The auto/consumer/industrial/healthcare/IT and railway mix of the order book stands at 35%/25%/25%/6.5-7%/remaining share.

SYRMA SGS merger implementation update

- The merger of SGS Teknics Manufacturing Pvt Ltd (SGST) and SGS Infosystems Pvt Ltd (SGSI) into Syrma SGS Technology Ltd. implemented per the approved Scheme was effective from 31st Oct'25.
- Key actions completed the dissolution of SGST and SGSI, an increase in the authorized share capital as per the Scheme and Main Object Clause revised to reflect integrated operations.

Export

- In 1HFY26/2QFY26, exports contributed to 24%/23% of revenue at YoY growth rate of 34%/40%.

Capex

- In 1HFY26, capex constituted INR450m and expected capex stands at ~INR600-1000m in 2HFY26.
- SYRMA has planned total capex for FY26-28 at ~INR7-8b.

Smart Meters

- SYRMA reported revenue of ~INR500m in 2QFY26 from smart meters with ~4m units sold.
- SYRMA maintained its INR3b revenue target in FY26 from smart meters. New customers revenue expected from 2HFY26.

Others

- SYRMA onboarded eight customers during the quarter, which have revenue potential of ~USD100m in FY27.
- SYRMA has entered into a long-term contract with its existing customer for USD250m over a 2-3 years period. This is not included in the order book as of 30th Sep'25. Employee expenses are expected to remain stable YoY. Direct manufacturing costs are expected to increase.

FINANCIALS/BANKS



- Management teams across most banks have turned optimistic about 2HFY26, supported by improving growth trends, easing credit costs, and expected NIM expansion. Many banks highlighted that unsecured portfolio growth should revive as stress moderates. Collection efficiency is expected to improve, driving better credit-cost outcomes.
- Following a dip in 1Q, NIMs witnessed marginal improvement, aided by lower cost of funds and stronger loan growth. Most banks expect further NIM expansion, driven by continued CoF reduction and the benefit of CRR cuts.
- Banks broadly indicated that asset-quality concerns are largely behind them, with the outlook on unsecured portfolios improving and growth gradually returning. PSBs reported stable asset-quality trends with no notable near-term stress. Select banks such as Kotak remain cautious on retail CV exposures, where stress persists.
- Overall, the sector's tone suggests improving momentum into 2HFY26, with banks expecting a more stable and constructive operating environment.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26/27	Asset quality and collection efficiency
Axis Bank	■ Management indicates that NIMs will bottom out in 3Q and are on the basis of the assessment of the duration of the book. ■ The RBI has directed provisioning of INR12.31b (~5% of the concerned portfolio). This is a static requirement that will be reversed once the book runs down by Mar'28. ■ It maintains 3.8% NIM guidance through the cycle starting from the month from where the first rate cut had started. ■ AXSB continues to outpace system deposit growth while focusing on premiumization of its deposit base and expanding its salaried customer base. Management is confident of sustaining growth above system levels. ■ The bank has been operating with a CD ratio of 92% (±2%) and expects to maintain the band.	■ Higher provisions in 2Q were primarily due to (1) erosion in security value for 1-2 accounts, (2) aging-related provisions, (3) high standard provisions as advised by the RBI. ■ Delinquency trends in PL, credit cards, and MFI are stabilizing; a trend visible over the past few quarters. ■ AXSB had been offering a product from 2015 to 2019, earlier classified under PSL, which is now declassified and no longer being originated. The RBI has directed the bank to maintain these as standard assets until they are fully recovered. This is a static provision, and no incremental credit cost is expected.
HDFC Bank	■ HDFCB expects faster loan growth than system in FY27. ■ It is witnessing fair amount of positivity coming back in MSME and thus credit demand is also improving. ■ The bank will gradually increase the sale of its mortgage product but will not do it to only gain market share. ■ In gold loan, yields have been pretty rich. Bank has been growing this in a steady manner and will continue that but will remain cautious of the growth. ■ Bank expects its LDR to come below 90% mark in medium term, bank has seen lower deposits growth in non-retail deposits but retail deposits growth has been healthy.	■ GNPA/NNPA ratio improved by 16bp/5bp QoQ to 1.24% / 0.42% respectively. PCR declined 24bp QoQ to 66.6%. ■ Bank feels comfortable if the ECL guidelines come as they have healthy provisions made. ■ Recoveries has one-off, there was NPA which was upgraded which has ~10bp positive impact. ■ ~INR16b of contingent provision has been added. ~INR6b of general provision has also been added.
ICICI Bank	■ Growth has picked up in 2Q, along with retail portfolio growth. The bank is positive about the growth outlook. ■ Loan growth has picked up and the bank is positive in terms of the growth. Personal loan activity is picking up. ■ LDR has expanded by over 400bp in the past two quarters. System LDR has also expanded. LDR can even go further as the CRR cut is going to release liquidity. ■ CASA market share has been improving on average balances basis. BB is a great example as a contributor in loans and deposits. The bank focuses on the transactor banking in the corporate ecosystem. Synergy with ICICI Direct will also help to garner CASA deposits.	■ Retail asset quality was not bad at any point in time. Secured retail had been stable. There was some spike in PL and cards. The benefit of portfolio action has started to show up, and hence the bank is growing its business. ■ The sequential decline in provisions reflects the impact of KCC seasonality and healthy asset quality across segments. The annualized credit cost was about 40 bp in H1 of the current year similar to that in H1 of last year. ■ Fresh slippages declined to INR50.3b (INR62.5b in 1QFY26). GNPA ratio declined to 1.58%, while NNPA ratio declined to 0.39%.
IndusInd Bank	■ The bank is focusing on building a diversified portfolio with focus on MSME sector and retail asset business. ■ Festive uptick is already seen in vehicle. Asset quality should remain stable and the bank will look to participate as demand comes back. ■ Two big engines of growth are commercial vehicle and MFI. MSME has been weak, which IIB wants to grow.	■ Asset quality ratios improved marginally, with GNPA/NNPA ratio reducing by 4bp/8bp QoQ to 3.6%/1.04%. ■ Slippages were high, but the bank is seeing some early signs of stabilization. ■ IIB has made high provisions on MFI as it wants to increase the coverage ratio on the same.

	Vehicle finance remains a core growth pillar for the bank, with steady market share gains across OEMs and improved asset quality management.	The bank undertook accelerated write-offs of INR15.8b and increased PCR on MFI and overall portfolio.
Kotak Mahindra	- KMB continues to build a high-quality unsecured book, with MFI disbursements concentrated in existing repayment zip codes. PL performance is improving steadily. - CC: KMB has resumed the business after the embargo is lifted. Flow rate and collection efficiency improved. - CV: The bank recorded 8% QoQ growth, driven by an improvement in the small CV segment, with growth largely back-ended in the quarter. - MFI - The book has been declining since 2QFY25, but the bank expects to witness slight growth in the near future.	- Write-offs were mainly attributed to PL, CC and MFI businesses and not skewed to any one particular segment. - Credit cost for 2H shall be better than 1H costs. - KMB had INR500m of AIF-related provision amid the revised policy passed by RBI. - Retail CV business is not a large part of the retail book and is expected to gradually decline over the next two quarters. - Credit cost for credit cards will see a gradual decline, with MFI witnessing an improvement and PL seeing a significant reduction in credit costs.
SBI	- SBI expects corporate credit growth of at least 10% in the next two quarters. - It has guided for loan growth of ~12-14%, led by growth in all segments. Home loan growth is expected at 15-16% YoY. - SBI will look to grow Xpress credit going forward. Unsecured personal loan is moving to secured gold loans now. Gold loan is showing good improvement. - Sanction and disbursement were high in Xpress credit. Some overlap is there in Xpress credit and gold loan customers. - SBI has a corporate pipeline of INR7t, of which 50% is already sanctioned and the rest is in discussions. - Capex will be related to power, renewable energy, commercial real estate and a bit of iron and steel. - SBI reiterates its domestic NIM guidance of 3%.	- Recoveries in written-off account was healthy with, AUCA recoveries at INR24b. - The bank continues to guide for INR20b in AUCA recoveries per quarter. - It has made additional standard asset provisions of INR7.5b due to extensions in commercial operation dates, with around INR2b of write-backs, resulting in a net INR5.5b provision. - Recovery rate from the technically written-off portfolio is ~8% due to lower security values. The Xpress credit portfolio shows no major stress, with GNPA ratios stable. - GNPA/NNPA ratios improved by 10bp/5bp QoQ to 1.73%/0.42%. PCR ratio increased to 75.8%.



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AU Small Finance Bank

Buy
Current Price INR 920

Opening remarks

- On 7th August, the bank received in-principle approval for conversion into a Universal Bank — a significant strategic milestone.
- Deposits grew 21% YoY, nearly 2x the system growth, while loans (ex-unsecured) grew 22% YoY.
- NIMs have started to expand, supported by a lower cost of funds (CoF).
- 2QFY26 is expected to mark the bottom quarter, aided by improving growth trends and a decline in unsecured credit costs.
- CASA grew 9.7% YoY, maintaining a CASA ratio of 29.4%.
- CoF declined 25 bps to 6.83%, reflecting a shift toward granular SA deposits.
- Effective October 3rd, the peak SA rate was reduced by 25 bps, with the highest rate now at 6.5%; new SA account acquisitions continue to grow at a strong pace.
- The bank continues to see encouraging traction in cross-selling to SA customers.
- The bank has also witnessed increased activity under the AD-I license and recently launched a multi-currency card.
- Loan growth was led by secured retail assets, with total loans rising 17% YoY. Management reiterated its guidance of 2-2.5x GDP growth.
- Wheels (auto finance) comprise 33% of GLP, with yields of ~14% and credit costs remaining modest.

The image shows a screenshot of a financial table for Motilal Oswal AU Small Finance Bank. The table is titled 'AU Small Finance Bank' and contains various financial metrics and ratios. The data is presented in a structured format with multiple columns and rows, likely representing different financial periods and categories. The table includes various financial metrics and ratios, such as assets, liabilities, and capital, presented in a structured format with multiple columns and rows.

- Mortgages account for 32% of GLP, up 14% YoY; asset quality improved, though competition has intensified, prompting a cautious stance.
- Gold loans form 2% of GLP, with an attractive RoA of 3%, offering significant growth potential.
- Commercial banking constitutes 21% of the portfolio, growing at a 30% CAGR over the past five years; this segment represents 8% of total deposits, and asset quality remains well within expectations.
- Unsecured loans comprise 8% of GLP, with MFI being the largest sub-segment — meeting PSL requirements for small borrowers (SMF). MFI growth is expected to resume from this quarter. SMA book declined to 2.9% from 4.3% in 1QFY26.
- Other unsecured segments form 2.4% of GLP; the credit card portfolio declined 31% YoY, though credit costs and delinquencies have started to improve. The new sourcing strategy should show results over the next 1-2 quarters.
- NIMs expanded 5 bps QoQ — ahead of expectations, driven by loan growth and a 25bp reduction in CoF.
- Management expects NIMs to continue expanding in the coming quarters.
- Credit cost declined in 2Q, standing at 1.28% for 1H; the bank maintains its full-year credit cost guidance of ~1% of average total assets.
- Management views the universal bank transition as a key opportunity, backed by improving credit costs, stabilizing unsecured portfolio, and an upward NIM trajectory.

Advances and deposits

- Growth in commercial and business banking (BB) remains closely tied to macroeconomic activity, with momentum expected to strengthen from 2H onwards.
- The bank expects stronger growth in 3Q and 4Q, led by a balanced recovery across retail, wheels, MBL, PL, and BL segments.
- Management remains confident on growth visibility, with expansion expected to be market share-led rather than system-led.
- The focus now shifts from pure growth to gaining market share, with AU positioning itself for its 'next phase' of expansion.
- The bank is comfortable with its retail mix and aims to build the retail book to ~INR2t and mortgage book to ~INR1t, targeting cost efficiencies through universal banking rather than altering the asset mix.
- Loan growth was 22% YoY; the 8% unsecured portfolio is undergoing a reset phase. The MFI book is expected to pick up from this quarter, and credit cards from 2Q onwards.
- At the GLP level, growth guidance of 2-2.5x GDP is retained, with an expected pickup from 2H onwards, supported by unsecured growth.
- The revolver book has reduced to 25%, down from the peak of 35%.

Yields, costs, and margins

- NIM expansion was sooner as well as better than expected. With the yield impact of repo cuts now absorbed and no further rate cuts anticipated, deposit costs are expected to decline further.
- 2QFY26 marks the turning point for margin expansion, driven by a better asset mix and repricing of deposits.
- Cost of SA deposits is expected to fall below 5% (from the current 5.1%).

- Deposit rates are likely to soften further; NIM performance will hinge on the evolving asset mix, with management confident of continued improvement.

Asset quality and provisions

- South-based portfolio witnessed healthy recoveries from the NPA pool, with strong collections in Andhra Pradesh. While this region was stable even in the previous quarter, the bank sees it now entering the next leg of growth. The portfolio size stands at INR10b.
- Within the unsecured book, the slippage ratio is expected to stabilize in the 2.5–3% annualized range.

Credit cost (Provisions)

- The unsecured book constitutes less than 10% of total loans. Management reiterated that credit card delinquencies peaked last quarter, and expects lower credit costs going forward.
- The bank is confident of maintaining credit costs around 1%, with stability in credit cards and MFI segments supporting sustainability in 2H.
- Overall, credit costs are expected to remain within the 1% zone.

Opex and other income

- 1Q is typically a softer quarter for fee income; the bank has since started opening accounts for asset customers, which has added incremental branch-banking income.
- There were no one-offs in other income, which is expected to remain steady.
- The bank will continue to invest in its franchise, maintaining discipline with a cost-to-income ratio below 60%.
- The bank is fully prepared for the universal bank transition, aiming to keep C/I below 60% even as investments continue.

Others

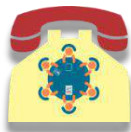
- Market risk RWAs remain immaterial, while operational RWAs may rise slightly; however, the overall capital requirement is expected to reduce.
- The RBI's draft RWA guidelines are positive — particularly beneficial for residential mortgages, credit cards, and MSME exposures. The majority of the mortgage book comprises residential loans.
- Regarding ECL, it is too early to comment, but should be a neutral to positive for the bank. AUBANK has prepared a proforma and submitted to the regulator. The LGDs for the bank have been historically lower, with VF at 40-45bp, PCR at 70%, and only 50% being the real LGD. There is an interest impact which flows out.
- The bank has been given 18 months to complete the universal bank transition. The early benefits are expected primarily on the marketing expense front.
- The bank continues to add headcount, mainly in underwriting and sales, to support growth and expand in new geographies, with a clear focus on market share gains.

Guidance

- Credit cost guidance is maintained at ~1%.
- Cost-to-income ratio is expected to remain below 60% in the near term, even as franchise investments continue.
- NIMs are expected to expand further, with 2Q marking the inflection point amid a better asset mix and deposit repricing.



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- MFI book is likely to expand from 2QFY26, and credit cards from 2Q onwards. At the GLP level, growth is expected to remain at 2–2.5x GDP, with momentum strengthening from 2H onwards, aided by a recovery in unsecured lending.

Axis Bank

Neutral

Current Price INR 1,265

Opening remarks by the management team

- The bank reported healthy growth in both advances and deposits during the quarter, successfully capturing incremental market share.
- Balance sheet remains resilient, enabling the bank to sustain strong growth momentum.
- The bank's fee-to-average assets ratio continues to be the best among peers.
- Management has reiterated its four focus areas: deposit growth, credit expansion, asset quality, and cost control.
- The retail segment witnessed a steady pickup across both secured and unsecured portfolios.
- In retail unsecured loans, delinquencies in cards and personal loans have started to stabilize.
- The bank has taken proactive steps to mobilize deposits and has gained market share on this front.
- Continued emphasis remains on improving the granularity of the retail portfolio.
- ETB salary book grew by 16% YoY, with deeper engagement initiatives aimed at strengthening the salaried customer base and capturing higher market share.
- NIMs contracted by 25 bps YoY to 3.73%, primarily reflecting the transmission of repo rate cuts.
- The cost-to-assets ratio improved by 14bp YoY to 2.38%.
- GNPA stood at 1.46%, down 11bp QoQ and stable YoY.
- Subsidiaries contributed 7bp to consolidated RoA.
- No material changes were observed in RWAs during 2Q.
- The bank does not foresee any near-term requirement for equity capital.
- Its focus remains on improving the asset mix to support NIMs.
- Low-yield RIDF exposures form 75bp of total assets.
- Trading profit stood at INR5.8b, lower both YoY and QoQ, mainly comprising treasury gains.
- Statutory expenses increased due to PSLC purchases, about half of which were already recognized in 2Q.
- An incremental PSLC-related cost of INR9.48b was incurred, of which half was recognized in 2Q.
- The bank made a one-time standard asset provision related to discontinued crop loans identified in the RBI inspection; these are fully secured and are not expected to require any additional provisioning.
- Gross slippages stood at INR2.1b in WBG, INR2.7b in CBG, and INR52.2b in Retail.
- With signs of stabilization, the bank has resumed the expansion of its card distribution network.
- The bank is currently implementing changes announced by the RBI.

- Management expects advances to grow around 300bp faster than the industry, with FY26 as the base year.

RBI draft circular

- Reduction in credit risk weights – Net positive for the bank and the industry, but too early to assess the impact.
- ECL – The bank's only expected impact is from the policy change from outstanding to exposure, which is expected to have a negligible effect on net worth.
- ECL – Credit costs do not reflect the losses, and the bank takes 100% provision by the 90th day.

Advances and deposits

- RWA levels have increased sequentially and remain elevated, reflecting ~5% higher risk intensity due to higher operating risk and a shift towards retail and SME exposures.
- The bank continues to outpace system deposit growth while focusing on the premiumization of its deposit base and expanding its salaried customer segment. Management remains confident of sustaining growth above system levels.
- As retail growth strengthens and risk profiles improve, the bank expects to benefit from lower risk weights and further expansion in the retail book.
- The bank has been operating at 92% ($\pm 2\%$) and expects to remain within this band.
- Auto loans benefited from pent-up demand, while credit cards saw an 18-20% surge in spends in August.

Opex and other income

- PSLC cost for the year stood at INR9.48b, of which INR4.74b was recognized in 2Q; the remaining INR4.74b will be charged over the next two quarters.
- Within that, INR2.37b will be recognized in 4Q.

NIMs

- Yields declined 30bp QoQ, which was offset by a 24bp decline in the cost of deposits; the faster-than-expected reduction in funding costs supported better-than-anticipated NIMs for 2Q.
- The bank maintains 3.8% guidance on NIMs through the cycle starting from the month from where the first rate cut had started.
- Assuming that there are no more rate cuts, 3Q is expected to witness the bottoming of NIMs. However, there is anticipation of further rate cuts.
- NIMs did not experience any one-offs in 2Q.

Asset quality

- Higher provisions during this quarter were primarily due to: 1) the erosion in security value for 1-2 accounts, 2) aging-related provisions, and 3) higher standard provisions as advised by the RBI.
- The bank had offered two farmer loan products between 2015 and 2019, earlier classified under PSL but now declassified. The RBI directed the bank to maintain these as standard assets until full recovery. This is a static provision, and no incremental credit cost is expected.
- Net slippages carried no economic losses as the bank is expecting recovery from the same, and gross technical slippages are expected to trend lower in subsequent quarters.

- RBI directed a provisioning of INR12.31b (~5% of the concerned portfolio). This is a static requirement that will reverse once the book runs down by Mar'28. The impact is classification-related, and PSLC purchases have been used to offset it.
- The PSL exposure has been declassified; the 5% provisioning is an RBI-computed static figure. As the portfolio runs down, the provision will be written back, with no impact on asset quality ratios.
- Delinquency trends in PL, credit cards, and MFI segments are stabilizing, a trend observed over the past few quarters.
- 80% of technical slippage loans have a PCR of 44%, as they are mainly secured loans, which also contributed to a decline in overall PCR.



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Bank of Baroda

Neutral

Current Price INR 289

Opening remarks

- The bank reported healthy growth across retail, while deposits increased 9.5% YoY.
- Domestic CASA rose 6.6% YoY.
- The bank recorded recoveries from written-off accounts during 2QFY25.
- Yields on advances stood at 7.81% (vs. 8.09% in 1QFY26), while CoF declined to 4.91% (vs. 5.05%).
- NIMs improved 5bp QoQ to 2.96%.
- PCR (including write-offs) stood at 93.2%, with the slippage ratio declining 16bp to 91bp.
- The bank has created INR4b of floating provisions for ECL, taking the total buffer to INR10b, and plans to continue strengthening it.
- CET-1 remains robust at 13.36%, while CRAR stood at 16.54%; LCR healthy at 121%. Including profit, CET-1 would be 14.18% and CRAR 17.36%.
- Advances growth was primarily driven by the RAM portfolio, while corporate growth was seasonally weak in 1H. The bank expects corporate growth of 10-11% YoY, supported by a strong pipeline.
- Savings accounts continued to outperform peers, with focus maintained on low-cost deposits and reducing dependence on bulk deposits.
- The bank maintained tight control over interest expenses, supporting NII growth.
- NIMs improved on the back of prudent pricing and liability management.
- RoA and RoE improved sequentially, reflecting the impact of disciplined management.
- The YoY comparison in operating profit was affected by a one-off NCLT recovery last year.
- Fresh slippages showed improvement; going forward, the bank expects a slippage ratio of 1–1.15% and credit cost of ~0.75%.
- The bank remains focused on digital innovation, IT transformation, and phygital expansion, having added 10 new phygital branches in the quarter.

Advances and deposits

- The bank expects to grow faster in the RAM segment.

- Corporate growth has been muted; 3Q and 4Q are better for corporate growth; will be achieving 10-11% YoY. The bank is restrictive on the pricing in the corporate segment. The corporates too have gone to CPs for raising funds.
- NBFC advances remain below peak levels due to subdued demand but are expected to normalize. The NBFC portfolio is a mix of repo- and MCLR-linked exposures, with the A-and-above-rated book seeing growth this quarter.
- CD ratio is comfortable to operate in 80-85%.

Cost, margins, and yields

- IT refund is higher vs. the last quarter by INR3.50b at INR7.5b in 2QFY26.
- Adjusted for IT refunds, core NIMs stood at 2.81%; management guides for 2.85-3% NIMs (including IT refund).
- NIMs have improved and are expected to remain stable to slightly higher in the coming quarters.
- 3QFY26 NIMs are expected to remain range-bound, with further improvement likely in 4QFY26.
- The bank is consciously working to reduce reliance on wholesale deposits to lower volatility and pricing risks.
- MCLR will be computed on the cost of deposits and is a tested model and depends on how much the cost gets reduced. MCLR review also depends on RoE. At the current level, the variable fluctuation is the cost of deposit.

Other income and opex

- Treasury does not have any one-offs and going forward, this level of performance is expected.
- Employee provisions were due to the yield movement from 6.44% to 6.72% and the gratuity has also moved up by 25bp. Hence, provisions on employee expenses have reduced.
- The recovery on TWO was lower in 2Q. The normalized rate is INR7.5b. The bank is expecting the same to get recovered.

Asset quality

- Retail slippages moderated; the PL book (~INR 120bn) remains stable with no visible asset quality pressure.
- The bank has provided floating provisions, keeping ECL framework in mind.
- TWO kitty is at INR630b, and at a good level of GNPA.
- BoB has made a floating provision of INR4b and is trying to create more buffer.

Miscellaneous

- The bank does not need any raising of capital as of now and this is an enabling provision.
- ECL and Risk Weights – The overall impact on CRAR is estimated at around 1.25%. However, the reduction in credit RWAs is expected to provide a benefit of about 60bp. Overall, the maximum impact is likely to be around 75bp, spread over a five-year period. The implementation of ECL could increase credit costs by a maximum of 20-25bp.

Guidance

- Slippage ratio is guided at 1-1.15% and credit cost at 0.75bp, although they will be fairly lower than the stated guidance.
- The bank expects the full year NIMs to be at 2.85-3%.



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Bandhan Bank

Neutral

Current Price INR 153

Opening Remarks

- This quarter reflects a transitional phase for the bank.
- The bank passed on the full 75bp repo rate cut, resulting in a contraction in NIMs.
- The bank continues to focus on granular liability franchisee and has launched an initiative for CASA deposits.
- It is focused on corporate salary accounts to increase CASA deposits.
- It has formed several partnerships with both state and central governments.
- The 2Q performance was below the bank's expectations.
- The 75bp repo rate cut has impacted the loan book, while the 200bp MCLR cut affected around 5% of the book.
- EEB (MFI) slippages are likely to continue for 2-3 months, and the full guardrail is taking longer than expected.
- Growth in the non-EEB book remains strong, while the share of secured assets continuing to grow. Reliance on bulk deposits continues to decline.
- SMA-1 and 2 saw a decline in the EEB book, resulting in MFI stress reduction, although full normalization is expected to take another two months.
- Retail TD grew 38% YoY, reflecting an increasing trust among customers.
- The bank continues to focus on its diversification strategy, with the secured book growing 25% YoY. As a result, the secured business grew 55% vs 45% in the previous year.
- Advances grew 5% QoQ, with EEB segment declining 2% QoQ. Adjusting for the technical write-off, the MFI book would have stood flat QoQ.
- The bank expects EEB stability from 3Q onwards; non-EEB portfolio grew 24% YoY.
- Deposits growth continues to outpace advances growth. Total retail deposits grew 16% YoY.
- Bulk to total deposits declined to 29%.
- Collection efficiency stood at 97.8% vs 97.6% in 1QFY26.
- There are higher slippage in the EEB segment, with some signs of improvement seen. MFI slippage stood at INR11.18b.
- The increase in EEB SMA-0 is mainly due to the holiday season.
- The bank recorded technical write-offs of INR7.99b, with total portfolio write-offs amounting to INR8.65b.
- Opex to assets stood at 3.8%.

Advances and deposits

- The eastern region continues to perform well, with West Bengal, Assam, and Bihar showing strong growth and improving collections. These remain key strength areas for the bank. It has also seen some traction in MP and Odisha, while operations in Karnataka and Telangana remain limited due to the bank's late entry into these states.
- New borrower additions continue, while rejection rates in the EEB segment have risen due to weaker performance outside BANDHAN. The bank has been focusing on renewals, with the positive traction now becoming visible.

Cost, margins, and provisions

- Majority of the cost reduction will come from 4Q and continue into 1QFY26.

- Reduction in TD rates will take time to reflect. NIMs for 2Q are expected to be in the lower range.
- The bank has cut 200bp of MCLR and made a one-time recalibration, which impacted INR50b of the housing loan. The MCLR rates have now been aligned with market levels.
- Funding costs on SA have reduced, while TDs are yet to reflect the moderation, which will occur upon renewal. Hence, 4Q is expected to see a positive impact on NIMs. The bank has also reduced its SA rate.
- As the bank is moving towards a secured book, NIMs is expected to reach 6%. The bank expects 2Q NIMs to experience a better trajectory from hereon.
- Secured mix is expected to improve by 3-4% over the next 3 to 4 years. The bank is expecting growth to rebound in EEB.

Asset quality

- The bank expects credit cost for EEB to be around 2.5% to 3% by the end of FY27. It expects the credit cost to remain at 1.5% at the bank level.
- Gross slippages in the EEB segment are yet to be arrested and the provision requirement will come down, with credit cost improving.
- The bank has also made some accounting changes in SMA-0. Of the SMA-0 increase, 85% of the amount has already been recovered.
- The bank has witnessed stress in some area of housing, but this has been fairly manageable.
- MFI slippage stands at INR11.18b. MFI delinquencies have been lower than the industry and slippages are expected to reduce further in 4Q.
- Maharashtra is performing well. However, Gujrat remains a slight cause for concern, though its portfolio share is relatively low.
- Major regulatory issues have already been resolved, and other technology issues are now being addressed.

Bihar election

- Most political parties have realized that these are not permanent solutions, and Bihar has been a strong state.
- Bihar's delinquencies trend stands at an acceptable level.
- Collections are currently within the normal range and are tracking well in line with expectations.
- The bank is already taking proactive steps and has not encountered significant customer concerns, except for minor issues in a 1-2 groups.
- There are no such disruptions in Bihar, and customer meetings are already being held.



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Canara Bank

Buy

Current Price INR 149

Opening remarks

- The bank has exceeded its credit growth guidance.
- PCR improved to 93.59%, while CET-1 rose to 12.2%.
- RoA came in above the guided level of 1.12%.
- Business growth was primarily driven by RAM credit, which grew 17% YoY. RAM now constitutes 58% of the asset book.
- Credit cost has come down to 0.68%.

[illegible]

- Growth within the RAM segment was led by housing loans (15.2% YoY), with additional support from the vehicle finance portfolio.
- MSME grew more than 12% for the first time.
- Slippage ratio fell 24bp YoY to 0.19%.
- CASA has grown and the bank is moving toward its stated guidance.

Advances and deposits

- CBK has taken several initiatives for CASA and has seen healthy growth in 2Q, though it remains a challenge and the efforts continue.
- The bank is working hard to meet its CASA guidance of 32% as advances are now growing at ~14%.
- CBK expects MSME to grow by more than 15% by year end and corporate by ~10-11%.
- RAM sector will grow much faster than corporate sector as the bank wants to reach RAM mix of 60% in 1-1.5 years.
- CBK got great business from new products that were launched to boost the CASA ratio.
- ~INR1180b is direct agriculture and remaining is gold loan.
- ~INR500b-550b of undisbursed loans are there in corporate sector alone.
- RAM to corporate mix will be 59:41 in Mar'26 and 60:40 next year.
- CBK has exposure of ~INR120b in two projects and would consider any good opportunity from a consortium.
- The bank has benefitted from new gold loan guidelines related to LTV and agri gold loan. CBK is the best among other banks in gold loan growth.
- Gold loan benefit stands at ~8.7-8.8%. Gold loan does not require capital and is therefore a good portfolio.
- Gold loan book stands at ~INR2.11t, out of which INR630b are retail loans.

Yields and margins

- Margins will remain stable at 2.5% for one more quarter and will improve afterwards if there are no further cuts.
- 46% of loan book is linked to repo rate. 90% of deposits are one-year deposits and therefore there has been stress on NIMs.
- NII and interest amount have increased on a sequential basis, which will continue in 3Q.
- 2Q had ~INR4b of interest on IT refund.
- MCLR-linked book forms 45% of the total loan book.

Other income

- The stake sale of Canara Robeco and Canara HSBC Life resulted in a gain of INR20b for CBK (INR19.35b after expenses), which will be recorded in P&L in 3Q.
- The bank has surplus PSLCs currently and it will benefit from PSLC sale in 3Q or 4Q, depending on scenario at that time.
- No formal discussion has happened with regard to merger and amalgamation.

Asset quality

- The bank expects recovery of INR50b from a written-off account in FY26 and FY27.
- ~INR3.8b has been provided for in standard provisioning related to one account in SMA-1 (State government drinking water project) and another account, which is out of SMA book.

- Less than 3% of total book is SMA 0, 1 and 2 together.
- 2Q slippages: Agriculture – INR7.5b, Retail – INR3.5b, and MSME – INR9b.

ECL draft guidelines related

- Out of INR75b of SMA, the bank has already provided INR50b.
- Credit cost is expected to remain well below 1% even after ECL provisioning.
- CBK is creating an additional buffer continuously, so that there is not much impact of ECL guidelines.

Miscellaneous

- The bank aims to strengthen its position in Canara Bank Securities, which could also contribute to an improvement in CASA mobilization.
- CBK plans to inject capital into Canara Bank Securities to strengthen and revamp this subsidiary to unlock benefits.

FY26 guidance

- CASA ratio at 32%.
- GNPA ratio at 2.5% and NNPA ratio at 0.6%. PCR at 93%.
- Slippage ratio at 0.9%, credit cost at 0.9%.

DCB BANK

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DCB Bank	
Particulars	Q2 FY26
Revenue	1,000.00
Profit	100.00
EPS	10.00
Dividend	5.00
Book Value	150.00
Market Value	180.00
Debt to Equity	0.50
Return on Equity	15.00%
Return on Assets	1.50%
Capital Adequacy Ratio	18.85%
Asset Quality Ratio	2.43%
Cost of Funds	16.00%
Cost of Deposits	14.00%
Cost of Credit	31.00%
Provisioning	0.90%
Slippage Ratio	0.90%
CASA Ratio	32.00%
GNPA Ratio	2.50%
NNPA Ratio	0.60%
PCR	93.00%

DCB Bank

Buy

Current Price INR 187

Opening remarks

- Deposits grew 18.8% YoY, advances grew 19% YoY, while the balance sheet expanded by 14.4% YoY.
- Cost of deposits has been cut by 16bp QoQ, and cost of funds decreased 17bp QoQ.
- Fee income continues to remain strong due to TPP and trade despite treasury headwinds.
- Higher ask on productivity and greater use of technology leading to cost control.
- The bank has seen 9% reduction in its employee base YoY.
- Cost to average assets stood at 2.43%. This is the 5th consecutive quarter of lower cost to average assets.
- Credit cost of 31bp in 2QFY26, as against our guidance of below 45bp, and 1HFY26 credit cost stood at 45bp.
- Highest ever quarterly profit of INR1.84b and BVPS of INR180.
- Tier-1 capital at 14.85% without capital and 15.06% with capital.
- Post-issuance, promoter shareholding as of 10th Oct'25 stood at 16.27%.

Advances and deposits related

- The co-lending portfolio now constitutes 16% of the bank's overall book.
- Disbursement in mortgages has decreased as they have increased the ticket size and have not compromised on yields and product mix (Higher LAP as compared to home loans). A large number of mortgages are coming from DSA, and it has reduced this to reduce the costs.
- The bank wants to capture the cash flow of the customers completely, and the same thing is happening on the mortgage side.
- Primarily, DA and unsecured co-lending were the problem, and therefore, they had cut down on it.
- DCBB is focusing on making mortgage customers transact with the bank, and use the bank's products as well.
- The bank has built a culture of growth without increasing the cost.

- DCBB has increased focus on gold loans and co-lending, and major co-lending is done in gold loans only.
- The bank will slowly enter into SME lending. So the bank will do INR2-3b in the first year and then will increase further over 5 years.
- IBPC will come back going forward, and 2H is normally better in terms of assets.
- Co-lending book growth will not go above 15%.
- About 90% of the co-lending book is the gold book.
- The bank still has an MCLR book, and so not only does EBLR come down, but MCLR also comes down. The fixed rate book of the bank is not very high.
- Aim to double the Balance Sheet size every three to four years.
- The proportion of LAP within the mortgage book is rising, aiding margin resilience.
- The bank has been prioritizing LAP over traditional mortgage loans.

Income and cost-related

- Core fee income is healthy due to third-party distribution, trade fee income offsetting the treasury headwinds in 2Q.
- Opex to avg assets is expected to remain at 2.4-2.42% mark and will stabilize at ~2.42-2.43%.
- No of employees has dropped to 10700. The bank will be increasing staffing in some categories going forward, but this will come with increasing volumes.
- Overall cost will increase, but income will grow at a faster pace. Bank will be comfortable with cost ratios below 2.5% and 2.45% as the year goes by.
- Bank expects to close FY26-27 with RoE of 13.5% and close FY27-28 with RoE of 14.5% adjusted for potential capital raise.

Yields and Margins

- Unless there are further repo cuts, DCBB fully transmitted the repo rate cuts.
- 13bp reduction in yield and 17bp reduction in cost of deposits have been achieved. The benefit of the cost of deposits comes when the duration is over.
- The average duration of term deposits is 14-15 months.
- NIM will be expanding further if no rate cuts are expected further.
- The bank is betting well on renewal and which will also support NIM.
- The stock portfolio used to be hybrid. Some portion of that given two years back will come to floating, and at that time, there will be a reduction in yield. But in fresh sourcing, there will be very little reduction in yields.
- No one-off is there in net interest income in 2QFY26.
- Reduction in term deposits, renewal in deposits, and new CDs are coming at a lower rate. The bank has also reduced borrowing, and incremental borrowing is also coming at a lower rate. These have supported NIM in the current quarter.

With respect to asset quality

- Credit cost for the full year is expected at below 45bp.
- Bank's one 1 priority is to fix the slippage ratio and recovery, as this increases the opex.
- The bank is aiming for a slippage ratio of 2.5% and the focus is to reduce it below 2%.
- GNPA growth is highest for AIB of INR230mn due to the MFI book.
- Unsecured DA book is also improving and will improve further going forward.
- Gross NPA ratios have increased in the AIB and mortgage segments.

- The bank's focus is more on productivity than on lowering the slippage ratio as of now.
- DCBB doesn't require additional capital for the next two years.

Others

- The bank will not have a major impact due to the guidelines on the ECL framework.
- Tier-1 capital has increased, and whatever comes through risk weight will be a benefit, but the bank's model is already good.

Guidance

- Credit costs are expected to remain below 45bp for the full year.
- Bank expects to close FY26-27 with RoE of 13.5% and close FY27-28 with RoE of 14.5% adjusted for potential capital raise.
- DCBB has an ambition for a slippage ratio of 2.5% and the focus is to reduce it below 2%.
- NIM is expected to improve further if the RBI doesn't cut the repo rate further.
- Opex to avg assets is expected to remain at 2.4-2.42% mark and will stabilize at ~2.42-2.43%.



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Equitas Small Finance Bank

Buy

Current Price INR 65

Opening remarks by MD & CEO

- Dheeraj, who was handling the IR and head strategy, is moving out and Shubham is now the head of strategy, and Sundaram will take place of Dheeraj in support of Abhishek.
- Stress was coming from MFI. Overall, loans O/S for the sector are continuously coming down. The percentage of customers at the sector level, who have four or more lender relationships, has come down to 10% in Jun'25.
- Slippages from ex to OD bucket are continuously coming down.
- Stress in MFI has eased to an acceptable level for the bank. Stress in MLAP was an issue for the last two quarters due to Karnataka, and the bank now sees a recovery from Oct'25.
- Overall advances and deposits have delivered a robust CAGR of 23% and 32%, respectively, over the past three years ending FY25, underscoring inherent strength in the banking franchise.
- Gold loan has been commenced in over 200 liability branches and will be introduced in ~50 asset branches now; this will increase going forward.
- Banking sector disbursements to NTC were INR1.7t; Equitas contribution was 0.7% of the entire MSME segment.
- Equitas disbursements contribute ~5% of total MSME disbursement of the sector.
- Restarted disbursing MFI loans to maintain portfolio at around 10% of the overall advances mix.
- MFI disbursements in 2QFY26 grew by 156% QoQ to INR6.82b from INR2.66b in 1QFY26.
- Credit cost has significantly improved to 2.16% in 2QFY26 from 6.48% in 1QFY26 and 3.72% in 2Q FY25.
- During 2QFY26, the bank sold its NPA assets (Secured Portfolio) amounting to INR2.16b to an ARC. This is mainly in SBL and micro loans segment.

Loans and deposits

- The bank has started expanding new customer acquisition in MFI. The NTB (New to Bank) customer mix has increased to 18% in 2QFY26 from 10% in 1QFY26.
- For FY26, the bank expects advances growth of about 15% YoY. Beyond FY26, it expects to sustain a steady-state trajectory of ~20% growth, driven by diversified portfolios and making all asset products available in most of the existing asset branches.
- From Aug'25, all MFI disbursements are aligned to a monthly repayment mode, enabling streamlined repayment schedules, which will further improve collection efficiency.
- Used car advances grew 43% YoY and used CV advances rose 25% YoY. Vehicle finance portfolio is shifting toward used segments as per plan and guidance.
- Highest-ever quarterly non-MFI disbursements at ~INR47b in 2QFY26, up 20% YoY and 45% QoQ.
- To scale up SBL, the bank has expanded its footprint by adding around 60 new branches across Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, Maharashtra, and Rajasthan this year. Karnataka has started showing signs of
- Gold loan: Presently, this is offered in 250+ liability branches. To improve this business, gold loan is being introduced in 50 asset branches by 2HFY26. A phased rollout in other branches will follow in FY27.
- AHF, currently operating in 70 branches, is being expanded to additional 30 asset branches in tier 2 to 5 towns by 2HFY26. Further expansion to about 120 upcountry asset branches will be done by FY27.
- Retail deposits form over 75% of deposit base.
- NR customer base is spread across 145+ countries. The bank has launched 'Equitas Explorer' targeted at seafarers and is also planning to enhance product offering to tap NR affluent segment.
- During the quarter, the bank launched FX inward remittance for our existing NR & domestic customers.
- The bank expects to maintain MFI mix at the current level of 8-10%.
- MFI disbursement is expected at ~INR10b in 3Q from ~INR6.82b currently.

Yield, cost of funds, margins, and operating expenses:

- The decline in overall yield is primarily due to the reduction in MFI mix.
- A decline of 29bp in interest income from advances is predominantly due to the cascading effect of portfolio rundown in MFI.
- Yield on gross advances declined 33bp QoQ; in non-MFI portfolio, it stood at 15%.
- 60% of book is in HNI segment, i.e., premium segment. Elite plus is the model that can be seen in the coming quarter.
- Yield at customer level is expected to increase due to the product suite across segments from middle income to HNI.
- NIM declined due to average MFI portfolio and the bank expects NIM expansion between 3Q and 4Q.
- The bank expects NIMs to cross ~6.5% by year end. At steady-state, it expects margins at ~6.5%-7%.
- It expects steady-state RoA of 1.5%+.

- Provisions taken in respect of ARC were INR1.84b; INR400mn reversed regarding ARC sale. The bank has received INR720m cash regarding this.
- In 2Q, ~INR580m of provisions were utilized, which were made in 1QFY26.
- In 2Q, INR780m did not require standard asset provisions and INR380m was moved to NPA provisions.

Asset quality

- MFI DPD showed significant improvement QoQ on account of increased collection efficiency. TN constitutes more than 50% of the MFI portfolio and its collection efficiency remains under control (higher than overall portfolio). Karnataka started showing improvement in collections (~8% of MFI portfolio).
- The X bucket collection efficiency of new loans disbursed during the current calendar year is at the earlier normal level.
- 100% of all the MFI loans (including Shubham Loans) disbursed from 1QFY26 are covered under CGFMU. As of Sep'25, 28% of the MFI principle outstanding is covered under this guarantee scheme.
- The bank continues to lend cautiously in Karnataka, with credit norms made more conservative than MFIN guardrails 2.0.
- In Sep, fresh OD is INR300m and in Oct, it fell to INR240m. This shows that in the coming quarters, normalcy can be seen going forward.
- Net slippages will further come down in 3Q both in MFI and non-MFI. Normalcy is expected from 4Q in both as trends in ex-bucket efficiency and OD improved.
- The bank does not see any impact of tariffs as slippages are more from SBL mainly from Karnataka.
- As far as Karnataka is concerned, lenders can be only 1 and another would be Equitas.

Credit cost

- Credit cost is ~1.01% in non-MFI portfolio.
- The bank expects ~1.5-1.7% medium-term credit cost as forward flows from fresh OD have come down drastically.

Guidance and outlook

- With sustained improvement in DPD metrics and disbursements, MFI is expected to move toward normal profitability by 4QFY26.
- Targeting mid-teen growth in overall advances for FY26, primarily driven by the secured (non-MFI) portfolio, which offers a stable yield of ~15%.
- The cost of funds has commenced a downward trajectory and is anticipated to decline further.
- Cost to Income is expected to moderate in 2HFY26, driven by growth in advances and income.
- Credit cost is expected to taper down by 4QFY26, supported by improved collection efficiencies.
- With these positive levers in place, the bank expects to achieve an exit ROA of about 1% in 4QFY26.
- For FY26, the bank expects advances growth of about 15% YoY. Beyond FY26, it expects to sustain a steady-state trajectory of ~20% growth.
- MFI disbursement is expected at ~INR10b in 3Q from ~INR6.82b currently.
- The bank expects ~1.5-1.7% medium-term credit cost.



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Federal Bank

Buy

Current Price INR 245

Opening remarks

- Top 20 borrowers and depositors concentration as a % of total portfolio stood at 7.09% and 5.47%, respectively.
- The company aims to strengthen NIM through CASA.
- Remittance market share has climbed back from 18.5% to 21% currently.
- CASA and retail deposits showed healthy growth of 11% YoY.
- In the higher yield segment, growth in the cards segment continued but remained cautious on MFI.
- VF and LAP is regaining growth momentum.
- Retail gold loan growth has been strong at 7% QoQ, excluding the digi biz segment, which bank is running down as per RBI's guidance.
- Fee income grew 13% QoQ and fee to avg asset crossed 1% for the first time.
- Full-year guidance for credit costs is expected to remain at ~55bp.
- On the draft guidelines of ECL, no substantial impact will be seen. Less than 20bp impact is expected on capital.
- The significantly higher fundamental credit cost is not expected from ECL guidelines on a continuous basis.
- Yes Bank's stake has been taken into AFS reserve, and a slight loss was observed that directly flowed to reserves.
- Acquisition is done by the bank's own team. The number of organic cards is growing. ~90% is existing customers, which increases stickiness.
- The mix between organic and fintech strategy will provide a balanced profit. These are early days from RoA perspective.
- LCR stood at 129% and ~15.7% is CRAR without profit.
- The bank follows a T+1 approach, and mostly, the entire 100bp impact has been taken in 1Q.
- NIM expanded 12bp QoQ vs the bank's guidance of a moderation in the trend.
- Slippages moderated to INR5.84b vs INR6.58b in 1QFY26.
- Credit cost for 2QFY26 stood at 50bps vs 65bps in 1QFY26.
- CASA ratio stood at 31.01%, better than last year, led by a healthy CA momentum.
- The bank opened 62 branches in the year and was highly strategic on choosing the locations.
- RoA stood at 1.09% and RoE at 11.01% in 2QFY26.

Loans and deposits

- 50% of asset book was concentrated in the low yielding segments of corporate and home loans. A year ago, 53% of the book was repo-linked assets. The bank is trying to undertake a structural shift, which takes time.
- The bank created an additional INR460m management overlay for standard retail assets, but has not classified it as a proactive measure for connected borrowers (e.g. promoter and their private limited companies).
- The bank has grown at a healthy pace in its chosen areas of growth, like gold loans and cards. They are expected to grow further going forward as well.
- As growth picks up, the bank's CASA momentum should pick up to maintain the momentum.

- In the CASA ratio, even a 1% improvement makes a difference to the cost of fund. A reduction in wholesale deposits and increase in retail deposits have led to a decrease in the cost of funds for bank.
- The government business is also doing well, with some CA growth attributed to this. Yet, to launch collections on the corporate side, wealth proportions are in the pipeline.
- The company's goal is to grow the balance sheet and profitability simultaneously. In a situation where the corporate cycle is not favorable, yields will be low.
- The bank wants to grow its mid-corporate segment.
- Trade and forex, wealth, and cards are the key drivers of income. The core wealth business is yet to go live, so there is some runway ahead.
- Growth in profit and assets needs the right balance. The bank will remain agile and will adapt to the situation.
- The bank remains more optimistic on the growth of the mid-yielding segments. It aims to increase the asset yield with a change in the mix.
- An improvement in RoA will be driven by CASA, improvement in the fee mix, and a change in the mix of assets.
- The lower end of the business banking/MSME is property secured, but in the upper end, not the entire portion is secured.
- The bank's objective is to get the right pricing for the risk it takes.
- Yields, costs, and margins
- NIM expanded 12bp QoQ to 3.06% as the cost of deposits declined 18bp and cost of borrowing also moderated. The yield on advances declined 14bps, and a 2bp impact was due to the optimization of other asset and liabilities, along with a 1bp CRR impact.
- Deposits were repriced in 12-14 months period for the bank and will occur for more than 6 months.
- The bank follows T+1 repricing, which is done on repo-linked. Hence, for the last quarter, most of the repo cut effect was.
- NIM is expected to move in an upward direction going forward.
- No one-off was seen in interest income.
- The wealth vertical has been declining, which will add to the fees. On the transaction banking side, a dedicated team is being built, which will lead to healthy fees.

Asset quality

- MFI stress is easing but still persists. The remaining of the asset book stood healthy on the asset quality side.
- Credit costs excluding MFI witnessed a slight decline.
- Slippages have reduced each month for the MFI segment, and collections have improved. Some reversal was seen, with the bank moving from higher to lower bucket.
- BC book has been largely steady in the past quarters, amounting to INR33b (1.7% in total).
- No change was seen in the write-off policy, and the bank is consistently following it.

- GNPA ratio improved 8bp QoQ, while net NPA ratio held stable at 1.83%/0.48%. PCR moderated 92bp QoQ to ~74%.

Guidance

- Credit cost guidance stands at 55bps for FY26.
- NIM is expected to move in an upward direction going forward.



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HDFC Bank

Buy

Current Price INR 992

Opening remarks by MD and CEO Mr. Sashidhar Jagdishan

- HDFCB has accelerated loan growth with growth pickup across segments.
- Market share gain in deposits can be seen. CD ratio has increased to 98% as of 2QFY26.
- NIM compressed by 8bp. In the next 6-12 months, there will be deposit repricing, which will have some effect on NIMs.
- The bank continues to invest in technology not just for the core platform but also for creating a platform like GenAI to reengineer the bank's processes.
- Positive bias on NIMs in the medium to long term.

Yields, cost, and margins

- Yield on assets came down by 50bp vs. Dec'24 level. Cost of fund fell by 18-19bp and this will help in NIM gains.
- The bank tends to have a slightly longer duration, especially on the retail side, and therefore, the tailwind on the cost side would be a little longer.
- It has operated within RoA of ~1.85-1.95% in the last eight quarters, though the cost of fund changes this trajectory.

Deposits

- LDR will come in below the 90% mark in the medium term.
- HCFCB has seen lower growth in non-retail deposits, but retail deposit growth has been healthy.
- There has been an element of disciplined pricing. The bank has been comfortable on its deposit growth.
- It caters to all deposit needs, offering products comparable to those of larger peers.
- The bank emphasizes building liability relationships and expanding its branch network to grow its customer base, which should boost deposits and liabilities.

Loans

- Loan growth is expected to grow faster than system growth in FY27.
- In unsecured book, the bank will not ease its underwriting and will look to grow in segments, where it is comfortable and which support the economy.
- On volume growth, the bank did a lot of correction in processes last year. The bank has started increasing its market share.
- Over the next 18-24 months, the bank will increase sales of mortgage products but will not do anything to only gain market share.
- In gold loan, yields have been rich given that it is a fully collateralized product. The bank has been growing this in a steady manner and will continue that but will remain cautious.
- Card issuance and spends have been growing faster than industry trends, but card balances have not grown much as the bank has not participated in card spends at the start of festivities.

- The bank added ~1.5m new cards in the quarter. It has been increasing credit lines for revolver.
- Fair amount of positivity has come back in MSME segment and credit demand is growing. The bank is seeing an opportunity in this segment and is expected to continue to do well.

Others

- When the bank realized that the economic outlook was changing after the merger, it decided to bring down the CD ratio much faster than at the time envisaged during the merger.
- In home loan, which has far-reaching impact than short-term consumption product, HDFCB tries to sell products from a wider distribution than it used to do before the merger. It has also reduced the turnaround time.
- There is a savings account attached to each home loan product it gives. The bank has seen upsell in products, like credit card and consumer durable products that go well with the home loan customer.
- Credit card penetration is more than 14% and consumer durable penetration is in mid-13%. In broking, penetration is ~14%.
- Fair amount of positive bias is seen in financial metrics in 3-4 years.

Asset quality

- GNPA/NNPA ratios improved by 16bp/5bp QoQ to 1.24%/0.42%. PCR declined 24bp QoQ to 66.6%.
- Recoveries have a one-off 10bp impact from an NPA that was upgraded.
- The bank has made ~INR16b of contingent provisions and ~INR6b of general provisions.
- HDFCB chose to slow down in FY25 and now it is on an upward trajectory. Its ECL advantage will get nullified, but the bank will wait and watch for final guidelines.
- There was ~60-70bp of capital utilization before the merger. Normally when the bank raises capital, it has enough capital for 3-4 years.
- The bank feels comfortable if the ECL guidelines come, as it has made healthy provisions.

Subsidiaries

- HDB Financial reported loan growth of 13% YoY/1.9% QoQ to INR1114b, while PAT stood at INR5.8b. GS3 assets stood at 2.81%, while CAR was 21.8%.
- HDFC Securities: Revenue grew 23% YoY to INR7b, while PAT rose 33% YoY to INR2.1b.



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ICICI Bank

Buy

Current Price INR 1,372

Opening remarks

- Focus remains on growing PBT (ex treasury) through 360 approach.
- PBT (ex of treasury) grew 9.1% YoY. Core operating profit rose 6.5% YoY. PAT grew by 5.2% YoY.
- Retail loans grew 2.6% QoQ and formed 42.9% of the total portfolio. BB grew by 6.5% QoQ and domestic corporate grew by 1% QoQ.
- The bank continues to hold a contingency buffer of INR131b, and its capital position continues to be strong.
- Vehicle loans were flat QoQ, while mortgage grew by 2.8% QoQ.

Metric	Value
Net additions of INR13.86b to gross NPAs in 2Q (vs. INR30.34b in 1Q)	
Provision coverage ratio	75.0% as of Sep'25 end
Branch count increase in 1HFY26	263, total 7,246 branches
CASA market share	Improving on average balances basis
CA growth	Improved from steady improvements in distribution, digital channels and capabilities
LDR expansion	Expanded by over 400bp in the past two quarters

- Net additions of INR13.86b to gross NPAs in 2Q (vs. INR30.34b in 1Q).
- Provision coverage ratio was 75.0% as of Sep'25 end.
- Of the total domestic loan book, 31% has fixed interest rates, 55% has interest rates linked to repo rate and other external benchmarks, and 14% has interest rates linked to MCLR and other older benchmarks.
- The bank holds a total provision of INR226.2b (of which INR131b was contingency provision).
- NIMs stood at 4.3% vs. 4.34% in 1Q (of this 1Q had an impact of 7bp).
- Branch count increased by 263 in 1HFY26, taking the total to 7,246 branches.

Advances and deposits

- Growth has picked up in the quarter and retail portfolio growth has also picked up. The bank is positive about the growth outlook.
- Corporate India is well funded and has access to many avenues. The bank focuses on risk-adjusted PPOP.
- CASA market share has been improving on average balances basis. BB is a great example as a contributor in loans and deposits. The bank focuses on the transactor banking in the corporate ecosystem. Synergy with ICICI Direct will also help to garner CASA deposits.
- CA has improved from steady improvements in distribution, digital channels and capabilities, and the focus on BB, in which loan growth, along with CA, has been going well.
- Loan growth has picked up and the bank is positive in terms of the growth. Personal loan activity is picking up.
- LDR has expanded by over 400bp in the past two quarters. LDR has expanded for the system as well. LDR can even go further as the CRR cut is going to release liquidity.

Margins and yields

- NIMs have done better than expected. NIMs are expected to be range-bound.

Opex

- The bank expects to see a decline in opex in 3Q, given that 2Q had the festive-related opex.
- In 1Q, there are gratuity and pension-related provisions. There has been no increase in DA this time around.

Asset quality

- Retail asset quality was not bad at any point in time. Secured retail had been stable. There was some spike in PL and cards. The benefit of portfolio action has started to show up, and hence the bank is growing its business.

Others

- CEO's term - There is a year to go and the disclosure will be made at an appropriate time.
- ECL and credit risk guidelines are opened for the comment. The bank has been providing for on an accelerated basis and has a contingency buffer too; hence, there will not be any impact for the bank.
- ECL impact will be minimal and will depend on the day of the transition.
- The change in the RBI's proposed risk weights will be net positive in terms of capital.
- Capital is not a constraint for the growth, and the retained earnings are enough to grow organically.

Subsidiaries

- ICICI Pru Life posted VNB of INR10.5b in 1HFY26 vs. INR10.6b in 1HFY25. New business sum assured grew by 19.3% YoY in 1HFY26.
- ICICI Lombard's gross direct premium income (GDPI) grew to INR65.96b in 2QFY26 vs. INR67.2b in 2QFY25. The combined ratio was 103.8%.
- ICICI Securities grew by 6.3% YoY to INR8.4t in 2QFY26. It has MTF market share of 16% in 2QFY26.



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IDFC First Bank

Neutral

Current Price INR 80

Opening remarks by management

- Customer deposits grew 23% YoY to INR2.69t, supported by healthy growth in retail deposits and traction in bulk deposits. 2Q-end CASA ratio stood at ~50%, with the bank opening 25 branches during the quarter.
- Loan book grew 19.7% YoY to INR2.67t, led by mortgages, consumer loans, and business banking segments.
- Disbursements improved sequentially. The MFI book declined, though disbursements in this segment have started picking up again.
- Credit card base crossed 4m, with spends growing at a healthy pace; launched a co-branded card with IndiGo during the quarter.
- Asset quality and SMA ratios improved sequentially.
- NIMs declined by 12bp QoQ due to the lagged impact of repo transmission seen in 1Q; management indicated that NIMs have now bottomed out.
- Excluding trading gains, core operating profit rose 4.6% QoQ, supported by lower provisioning.
- Provisions declined 12.9% QoQ, led by normalization in the MFI book; ex-MFI, credit cost stood at 2%, broadly stable.
- The bank utilized INR750m from its MFI contingent buffer and continues to hold ~INR2.40b of additional contingent provisions.
- Average LCR stood at 115%, within the guided range.
- Management noted continued improvement in the rural economy and regulatory environment (credit risk weights and LCR relaxation).
- Focus remains on building capabilities, with parallel investments in wealth management and cash management offerings.
- CD ratio was at 94%, with continued focus on strengthening the deposit franchise and repayment of high-cost borrowings.
- Management reiterated that the MFI stress is largely behind, and trends should improve from hereon.

Opex and Other Income

- The C/I ratio has increased temporarily due to asset-side pressures but is expected to improve as operating leverage plays out, once the MFI book stabilizes.
- Digitization and network readiness position the bank well to benefit from scaling efficiencies as growth normalizes.

Loan and deposits

- The bank continues to gain market share in two-wheelers, with a visible pickup in VF demand during the quarter-end.

- MFI disbursements have improved and are expected to stabilize by year-end; the segment remains critical for PSL fulfillment. The pace of decline should moderate in 3Q-4Q.
- CA deposits form 14% of CASA, with efforts underway to deepen the CA base.
- The bank remains selective in co-lending, focusing instead on its proprietary origination.

Yields and margins

- NIMs are expected to improve in 3Q and 4Q, with management guiding for ~5.8% NIMs in 4QFY26, even after factoring in repo rate cuts.
- The bank continues to offer higher SA rates (5.85%), lower than comparable FD rates, as part of a strategic focus on SA-driven funding.
- A 50bp reduction in TD rates has already been implemented, and further SA repricing levers exist to aid NIMs structurally.
- Management emphasized that rate actions are long-term franchise-led decisions, not short-term cost plays.

Asset quality

- MFI slippages halved QoQ, while overall slippage ratio (ex-MFI) improved to 3.39% from 3.54%.
- Credit cost expected at 2.1% for FY26, trending lower at ~1.8% in 2H and likely to stabilize in 4Q.
- Unutilized provisions of INR2.4b may be released as MFI conditions normalize further.

Others

- Credit risk RWAs expected to remain positive for capital ratios.
- ECL transition still under assessment; initial view suggests higher Stage-1/2 provisioning, but overall impact likely neutral to slightly positive when factoring in operational risk weights.
- The bank has 5-6 clients with US exposure, all well-rated with secured positions in LAP; management does not foresee material risk.
- Business instalment loans (unsecured) portfolio remains stable; primary exposure to local businesses with improving behavior trends.

Guidance

- NIMs expected to improve sequentially, likely to reach ~5.8% in 4QFY26.
- C/I ratio to trend lower as operating leverage gains from MFI normalization.
- Credit cost to decline to ~1.8% in 2H, supported by better recoveries and improving unsecured performance.
- Unutilized provisions of INR2.4b to act as a buffer and potential write-back upside.



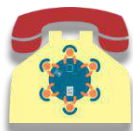
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Indian Bank

Buy
Current Price INR 887

Opening remarks

- The bank has performed reasonably well in terms of credit and NIMs.
- Total CASA grew 4.23%. The bank has been able to maintain the same CASA of last year at 38.87%.
- It has sold INR120b of INBPC and generated funds at a lower cost, which will give benefits in the upcoming quarter.



The screenshot shows the Motilal Oswal Indian Bank website. It features a header with the bank's name and logo. Below the header, there is a section titled 'Financials' with a table of financial data. The table includes columns for 'QoQ Change', 'YoY Change', and 'FY2020'. The data is presented in a structured format with various financial metrics listed in rows.

- INBK was able to hold global NIMs at 3.23%, while domestic NIMs too stood stable.
- The cost-to-income ratio has gone up as few cost items have been expensed in this quarter and will not occur in the upcoming quarters; hence, the ratio will continue to decline.
- CRAR//CET-1 are healthy at 17.31%/14.8%.
- All asset quality ratios have seen meaningful improvements.
- CASA continues to be a challenge and the bank has released six products. It has opened 27 agri business sales offices and two micro branches catering to the needs of the SHG.
- ECL – Still assessing the impact. The bank has made SMA-1 provisions of INR4b and will maintain them going forward. The impact is miniscule and the bank may be managing the same in the 1 year itself.
- The RBI has come out with an ease of doing business strategy and there was easing in AIF. New lower credit risk is beneficial for the bank and can lower the capital requirements for the bank.
- NCLT recovery was subdued and a few accounts will come in the upcoming quarter.

Advances and deposits

- The bank has reiterated its guidance of 11-12% credit growth and aims to outperform this in FY26.
- CA portfolio remains volatile; the bank is implementing various strategies and focusing on improving collections in this segment.
- Greater emphasis is being placed on SA deposits, especially salary accounts, which also offer cross-sell potential.
- Agri book stands at INR1.04t, and the total gold loan book stands at INR140b. There has been no change in gold loan LTV norms.
- The bank continues to see healthy consumption demand, with good traction in vehicle loans.
- The mid-corporate segment is also witnessing strong momentum, supported by recent rate cuts.
- In the micro-enterprise segment, the decline was due to IBPC sales. The bank has tightened internal controls — requiring higher-level approvals for new disbursements — reflecting a cautious stance.

Yield, cost and margin

- NIMs remained flat during the quarter. Around 40% of the MCLR-linked book will reprice in 3Q, but the overall impact is expected to be limited.
- Assuming no further rate cuts, management expects NIMs to improve in 4Q.
- Approximately 50-60% of the book has already undergone repricing, with the remaining one-year MCLR loans set to reprice in 3Q.

Other income and opex

- PSLC income is being amortized over multiple quarters, which will continue to support other income going forward.
- Treasury income was impacted by MTM losses related to a resolved account; the bank made provisions of INR870m against it.
- Core fee income was affected by the waiver of minimum account balance requirements, which impacted income by ~INR1.5b.
- Interest received on IT refunds has been recorded under other income.

Asset quality

- The bank continues to assess the ECL impact; initial estimates suggest the entire effect can be absorbed within the first year.
- Recovery in AUCA during 1Q was exceptional. The bank maintains its annual recovery guidance of INR20b, which remains on track.
- SMA-1 accounts stood at INR107.04b, SMA-2 at INR82.96b, totaling INR190b.
- The bank made INR4b of SMA-related provisions in 2Q.
- Provisions on the SMA-2 book are at 5%, with the bank already providing for these accounts.
- SMA-1 and SMA-2 exposures serve as a good proxy for Stage 2 assets.
- Some SMA-2 accounts have reverted to Stage 0 status.
- The bank has started making provisions of 5% on SMA-1 and 10% on SMA-2 exposures.
- Stage 1 provisioning requirement is estimated at 1.5%, compared to the current level of 40bp.

Others

- There is no discussion related to the merger.
- There will be a minimal improvement of 5-10bp in the capital due to the reduction in the credit risk weights.

FY26 guidance

- Deposit growth guidance to be maintained at ~8-10%.
- Credit growth guidance of ~10-12% for FY26 overall and the bank aims to remain on a higher side of this guidance.
- NIM: 3.15-3.30%
- GNPA: <2% and NNPA: Maintain at current levels
- Credit cost is expected to be below 1% and the bank expects to settle it between 50bp and 70bp.
- Slippage Ratio: <1%
- Recovery Target: INR55b-65b (the bank has been able to recover INR37b so far).
- Assets under collection book recovery: INR20b
- Planning to open 119 branches for FY26.



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IndusInd Bank

Neutral

Current Price INR 848

Opening remarks

- Despite global uncertainties, including tariff-related pressures and geopolitical tensions, India continues to demonstrate resilience.
- Wholesale deposits declined as part of portfolio rationalization, while retail deposits remained steady, forming 47.3% of total deposits.
- In vehicle finance, some purchase deferments were observed, and the bank remains cautious about MFI lending. Both corporate and retail disbursements were stable during the quarter.
- On the asset quality front, gross and net slippages were contained for most segments, though MFI slippages remained high due to accelerated provisioning.
- The new leadership aims to build on the bank's strong foundation while driving the next phase of growth through focused execution.
- Key priorities include: Stabilizing the MFI portfolio and strengthening risk controls, identifying new profit pools to diversify earnings, and unveiling a

refreshed medium-term strategy in the coming months to accelerate sustainable growth and enhance shareholder value.

- Re-balancing of the book: CV and MFI remain key focus areas, followed by Corporate and MSME; Traditional retail asset business: Home loans, LAP, Gold loans have huge scope to grow.
- On credit costs, the bank remains cautious, noting it is too soon to expect a meaningful decline in the next two quarters.
- Rebuilding Leadership: Key senior appointments have been made, including a new CFO, legal counsel, head of internal audit, head of business transformation, and head of marketing, with a few more senior leadership additions expected in the coming three months – head of HR, head of digital, CEO of BFIL, and a few key leaderships (Retail and corporate segments) in the next six months.
- Gross slippages: VF – INR6.94b, Corporate – INR640m, Other Retail – INR6.97b, MFI – INR10.83b.

Retail

- Other retail assets grew 13% YoY.
- Business banking book grew 4% YoY. Home loans rose 84% YoY and 11% QoQ, showing strong traction.
- LAP book 10% YoY and 1% QoQ.
- Market share in credit card stood at 4.9% as per latest data.
- MSME (under BBG) grew 1% QoQ. Asset quality across retail portfolios remained stable.
- The bank aims to grow traditional retail assets to further diversify the portfolio; MSME segment presents a large growth opportunity.
- IIB has a minimal presence in home loans, offering significant headroom for expansion. It also plans to pursue growth in unsecured products in a calibrated manner.

MFI business

- The bank maintains a cautious approach to the MFI segment, with enhanced income assessments, additional voter ID verification, and stricter yield discipline beyond regulatory norms.
- The internal audit function has strengthened SOPs, and a dedicated collection team now manages 90+ DPD customers.
- CGFMU cover is available for 22.5% of the standard MFI book as of 2Q, with coverage expected to increase in the coming quarters.
- Gross slippages (31-90 DPD) stood at 3.2% vs. 2.2% in Jun'25, reflecting seasonal weakness and a 25% QoQ drop in MFI book.
- Merchant loans stood at INR72.6b, up 22% YoY, while CGTMSE cover is in place for 63% of the merchant loan portfolio.
- The MFI segment remains an integral part of the bank's PSL and financial inclusion strategy.

Vehicle segment

- Disbursements dipped 4% YoY due to GST-related disruptions, though a strong pickup was seen after 22nd Sep, supported by festive demand.
- Gross slippages declined, aided by in-house collections instead of ARC sales, reflecting stronger recovery efforts.

- Slippages in CV, PV, CE, and 3W segments improved, while tractor and 2W portfolios saw relatively higher stress.
- In 2HFY26, demand momentum is expected to remain strong, supported by increased economic activity and a favorable monsoon.
- Vehicle finance remains a core growth pillar for the bank, with steady market share gains across OEMs and improved asset quality management. The bank plans to invest in distribution expansion, positioning itself to benefit from the long-awaited auto uptrend.

Corporate

- The bank has resumed disbursements in the corporate segment with a focus on granular, mid, and small corporates on a risk-adjusted basis.
- Exposure to A and above-rated accounts remained steady at 77%. The NBFC and jewelry portfolios reported no SMA-1 or SMA-2 accounts, supported by robust collections.
- The bank plans to increase investments in mid and small corporates, while transaction banking offers significant growth potential.

Deposits

- The bank continued to optimize its deposit mix, letting go of bulk CDs to maintain healthy liquidity.
- Dependence on bulk CDs reduced by 16% QoQ, and borrowings fell 13% QoQ.
- Deposits declined 2% QoQ, with retail deposits forming ~47% of total, as per LCR.
- Affluent and NRI deposits stood at INR743b.
- The bank maintained a strong LCR of 132% with a liquidity surplus of INR460b.

Loans and deposits

- Two big engines of growth are commercial vehicle and MFI. MSME has been weak, which the bank wants to grow.
- The first medium-term aim of the bank is to reach 1% RoA.
- Ample scope to reduce cost-to-asset ratio and get better productivity in branches.
- New CFO, new internal auditors and some other key members have joined. In next few months, head HR, digital head and some others are expected to join.
- IIB is in the process of filling the gap in both corporate and retail teams.
- The bank is fully cooperating with law enforcement agencies.
- The impact of tariffs on gems & jewelry sector: The bank has maintained a long-standing exposure to the sector, working primarily with well-established clients. These players are well aware of the tariff-related challenges and are actively adapting by shifting manufacturing outside India, diversifying markets beyond the US, and focusing on high-carat, more profitable segments. While the sector faces some short-term pressure, the bank expects its clients to navigate the situation comfortably given their strong business fundamentals and adaptability.

Margins, yields, costs

- While cost of fund has come down, disbursements in MFI have been muted, which impacted yields on assets. As this business grows going forward, margins will improve and product mix will change.

- NIM contracted by 14bp QoQ to 3.32% as yields declined by ~26bp QoQ, which offset the benefit of a lower cost of funds (MFI slowdown contributed 22bps to NIM decline).

Other income and opex

- IIB aims for ~1.5% fee-to-avg asset ratio over a period of time.
- Core fee income grew 1% QoQ, while NII declined as the previous quarter included higher recoveries and treasury income.
- Operating expenses fell 5% QoQ, reflecting a disciplined cost approach.
- Capital position remains comfortable: CRAR at 17.1% with CET-1 for 15.88%.
- Digital platforms continued to gain traction — the Indie app reached 5m customers (MAU up 40% QoQ), while MSME clients rose to 230k, a 122% QoQ increase.

Asset quality

- Slippages are high but the bank is seeing some early signs of stabilization.
- Asset quality ratios improved marginally, with GNPA/NNPA ratios falling by 4bp/8bp QoQ to 3.6% /1.04%.
- Provisions increased by 45% YoY to IN26.3b (50% QoQ growth). PCR improved 163bp QoQ to 71.8%. IIB will not see accelerated provisions going forward.
- It has made high provisions on MFI as it wants to increase the coverage ratio on the same. Slippages have also increased.
- IIB aims for net NPA ratio of ~50-60bp in the medium term.
- SMA improved to 26bp (vs. 33bp YoY), while net SR declined to 17bp (vs. 31bp YoY).
- Slippages, excluding MFI, remained steady at 0.3% vs. 0.42%.
- Provision increase was entirely from the MFI book, as guided earlier.
- The bank undertook accelerated write-offs of INR15.8b and increased PCR on MFI and overall portfolio.

Guidance

- The bank aims to achieve 1% ROA over the medium term, led by a lower cost-to-asset ratio, better productivity, and reduced funding costs through diversification. Management stated it is too early to define a timeline, as a three-year plan is being developed.
- The bank aims for ~1.5% fee-to-avg asset ratio over a period of time.



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Kotak Mahindra Bank

Buy

Current Price INR 2,092

Opening remarks

- RBI has welcomed a series of reforms, including GST cuts. Consequently, corporate banking activity has picked up across segments.
- Individual consumption was muted, with last week of September witnessing good growth amid GST cuts and the festive season.
- The bank saw a healthy 15.8% YoY growth and was in-line with its goal of growing at 1.5-2X of the nominal GDP.
- The 811 propositions are performing well and will continue to be leveraged on this platform to drive scale.
- Repricing of deposits will reduce CoF in 2H.

Kotak Mahindra Bank
Q2 FY25

Particulars	Q2 FY25	Q2 FY24	Q2 FY23
Net Income	₹1,100 crore	₹1,050 crore	₹1,000 crore
Operating Income	₹1,200 crore	₹1,150 crore	₹1,100 crore
Operating Expenses	₹100 crore	₹100 crore	₹100 crore
Net Interest Income	₹1,000 crore	₹950 crore	₹900 crore
Net Non-Interest Income	₹200 crore	₹200 crore	₹200 crore
Provision for Credit Losses	₹100 crore	₹100 crore	₹100 crore
Other Income	₹100 crore	₹100 crore	₹100 crore
Net Profit	₹1,100 crore	₹1,050 crore	₹1,000 crore
EPS	₹110	₹105	₹100
Dividend	₹50	₹50	₹50
Capital Adequacy Ratio	18.5%	18.5%	18.5%
Asset Quality Ratio	77%	77%	77%
Cost of Funds	3.5%	3.5%	3.5%
Return on Assets	1.5%	1.5%	1.5%
Return on Equity	15%	15%	15%

- Credit costs for MFI and CC are witnessing slight improvement, a trend that is expected to continue.
- The retail CV segment has been witnessing some stress.
- 1Q performance was impacted by credit costs and NIMs. 2Q saw a normalization in NIMs and a decline in credit costs.
- The bank's opex continues to remain under control, with a reduction in the cost/assets ratio.
- The bank witnessed traction in CA deposits, with CASA ratio improving to 42.3%.
- 1Q included dividend income from subs; excluding this, consol PAT grew 11% QoQ.
- CoF reduced 31bp QoQ amid the SA rate cut and a reduction in TD rates.
- Fee and services were led by the distribution and debt syndication system.
- The bank continues to invest in tech and bank and has added 34 branches in 2Q.
- The bank saw an improvement in asset quality, with PCR maintained at 77%.
- Credit cost for 2Q declined by 14bp QoQ. Credit card and MFI saw a decline in credit costs.
- The bank continues to remain cautious in the retail CV business and retail rural business.
- Credit costs are expected to moderate from here on, given an improvement in the unsecured business.
- Avg CA balances grew 14% YoY, with self-employed customers continuing to remain in focus.
- Avg SA rate balances grew 8% YoY, with a high focus on high net worth, mass affluent customers, and consumption business.
- Kotak 811 is focused on serving core Indians through a full stack of digital solutions. It is the most downloaded banking app.
- The bank did not renew some of the bulk TD due to pricing issues.
- At a macro level, the bank is witnessing favorable demand in the consumer assets.
- Mortgage and LAP are witnessing demand but are price competitive. The LAP market continues to perform well. The quality of the mortgage book continues to perform well.
- PL – The portfolio of Standard Chartered is performing well and remains in-line with expectations.
- CC – The bank has resumed the business post the embargo. It has seen an improvement in flow rate and collection efficiency.
- CV – The bank recorded 8% QoQ growth, driven by an improvement in the small CV segment, with growth largely back-ended in the quarter.
- Construction equipment – It saw a 7% decline in 2Q, primarily due to lower new project awarded and early and extended monsoon. It expects post monsoon demand to be healthy.
- MFI – The book has been decline since 2QFY25, but the bank expects to witness slight growth in the near future. There was a slight pickup in disbursements and this trend is expected to continue. The portfolio is expected to continue performing well in the coming quarters.
- Agri Business – The working capital utilization has declined and is expected to improve in 2H.

Asset quality

- Write-offs were mainly attributed to the PL, CC and MFI businesses and not skewed to any one particular segment.
- Credit cost for 2H shall be better than 1H.
- The bank had a INR500m of AIF-related provision amid the revised policy passed by RBI.
- The retail CV business is not a large part of the retail book and is expected to gradually decline over the next two quarters.
- Credit cost for credit cards will see a gradual decline, with MFI witnessing an improvement and PL seeing a significant reduction in credit costs.

Advances and deposits

- The credit card business is being revamped, with the Indigo relaunch and Solitaire card launch expected to drive growth.
- The bank has increased the threshold for floating-rate SA deposits.
- CASA improved in 2Q, with growth primarily driven by granular deposits. The new Kotak Solitaire proposition focuses on HNI and affluent customers.
- The bank continues to build a high-quality unsecured book, with MFI disbursements concentrated in existing repayment zip codes. PL's performance is improving steadily.
- The bank is scaling up both its card and commercial banking businesses.

NIMs

- The SA portfolio comprises both fixed-rate and floating-rate deposits, with the bank reducing reliance on floating-rate SA. Core SA balances stand at ~2.5%.
- NIMs are expected to improve over the next two quarters, with a higher exit rate in 4Q, contingent on macro trends.
- Prior to the rate cut, SA rates were higher than peers; the SA rate reduction implemented at the end of 1Q was fully reflected in 2Q.
- TD rates were also repriced downward, and the benefits should accrue in 2H.
- Investment yields have remained broadly stable.

Opex

- Opex growth remained below expectations, supported by a decline in payroll expenses.
- In 2Q, the discount rate change (linked to higher G-sec yields) also impacted costs.
- Lower variable acquisition costs contributed to reduced opex.
- The bank continues to invest in technology to enhance automation and digitization.
- Credit card volumes and spends were lower than internal targets, impacting opex leverage.
- As card spends recover, opex could rise; however, ongoing digitization should aid efficiency improvement.

Subs

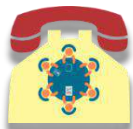
- Kotak Prime – The core business remains stable. The recent quarter saw a slight uptick in credit cost, but NIMs expanded for the subsidiary.

Capital

- Excess capital provides flexibility to withstand potential downturns and pursue inorganic opportunities.
- The surplus capital deployed in KAMIL has generated strong, albeit lumpy, returns.
- The bank remains open to inorganic opportunities and continues to evaluate prospects across subsidiaries.



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Punjab National Bank

Buy

Current Price INR 122

Opening remarks

- The global gross business grew 10.6%; global deposits grew 10.9%; global advances grew at 10.1%.
- CD ratio is comfortable at ~72%, and the bank is now focusing on garnering low cost deposits.
- The bank is enhancing its RAM share to improve the yield on advances.
- It expects 3Q NIMs to expand, aided by a reduction in CoF as well as a CRR cut benefit.
- Efficiency ratio is improving consistently, with both RoA and RoE witnessing continuous improvement.
- GNPA has improved to 3.55%, and the bank is on track to achieve FY26 guidance of below 3%.
- Slippage ratio for 2Q is 0.71% and is showing improvement. Recovery has been more than that of slippages. As a result, credit costs have turned negative due to the pullback.
- CRAR is at 17.19% and CET-1 is at 12.75%.
- The bank is in the process of launching metal cards, as the bank is now emphasizing a full product suite.

Business

- Retail advances grew 18%, while corporate grew 7.9% YoY and 3% QoQ. The bank aims for 11-12% of credit growth.
- It expects healthy disbursements in the corporate segment with a focus on having a credit growth of 11-12% YoY.
- RAM share grew to 55%, and this will increase to 57-58%. The long-term growth is expected to reach 60%.
- Total loan sanction was at 1.78t, and all those disbursement will happen in a phased manner. The bank expects good corporate loan growth in 3Q and 4Q.
- GST impact will also lead to a healthy growth in the RAM segment, with 1-2% growth expected.
- The bank has good proposals in the steel and renewable sectors.
- The RAM segment's growth was over 15%, and the corporate growth was lower, but 2Q saw an improvement of 3% QoQ.
- Infra, tele, roads, ports, and data centers are segments where the bank has some proposals. These are mainly private sector capex.
- The bank remains relatively inactive in the unsecured loan segment and the PL portfolio, where lending is primarily linked to customers holding a salary account with the bank.

Cost, margins, and other highlights

- RoA was muted, the DTA calculation reversal is expected, and there is a gap of 10%. Since the bank has moved to the new tax regime, the RoA will be on the better side of 1% and above.
- Treasury profit – 1Q and 2Q have been maintained. 3Q will depend on the bonds movement. The bank will be receiving a INR15b of treasury profit every quarter going ahead
- Q1 and Q2 had some challenges due to the rate cut. CoD has already been on the downside. From 3Q and 4Q onwards, NIMs will see an improvement.

- On a conservative basis, 5bp improvement will occur in 3Q and 10bp improvement in 4Q (on the minimum side).
- Around 60% of TDs have already been repriced, and the remaining 30-40% will occur in 3Q and early part of 4Q. As a result, there will be some improvement in NIMs.
- Opex has been a positive surprise, as the bank has closely monitored and optimized various expenses, resulting in a reduction in operating costs.

Others

- Canara HSBC life IPO led to a profit of INR9b.

Asset quality

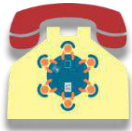
- TWO recovery was seen at INR39.2b, which has been muted. But the bank has guided for yearly recovery of INR160b for the entire year.
- Total SMA book is at 5.54%.
- ILFS account has been upgraded, and this account release will happen in 3Q and 4Q.
- Slippage are fully under control, and the annualized slippage ratio is 0.7%, which is below the guidance of 1%.
- ECL – The final framework is draft. Stage -1 carries the same provision as a standard asset. Stage 3 poses no challenge, as the PCR stands at 96%. Stage 2 will see some impact. 75-80bp of the impact will be seen in CRAR due to ECL.
- NPA provision – The bank has 96% PCR, and whenever there is recovery other than TWO, there will be a writeback of provision. The bank had made some provision as it holds a good PCR.
- AS-15 provision – The bank will not have provision in 3Q and 4Q. If the same govt. yield persists, the bank will not need any AS-15 provision.
- Other provision saw some increase – There was ILFS one account that saw a reduction from NPA provision and moved to the other provision account. This account will see a reversal in recovery in 3Q and 4Q.
- The account that was moved NPA to standard asset stands at INR12b (ILFS account). The bank has also improved its PCR level and, thus, the credit cost has reversed.
- None of the account in the corporate side has been on the SMA-0.

Guidance for FY26

- Guidance has been maintained at <1% of the slippage ratio.
- On a conservative basis, 5bp improvement will occur in 3Q and 10bp improvement in 4Q (on the minimum side).
- 75-80bp of impact will be seen into CRAR due to ECL.
- RoA – The bank aims for 1.1% of RoA in 3Q and 4Q.
- Credit growth guidance maintained at 11-12%.
- NIMs shall be at 2.8-2.9%.
- Gross NPA ratio shall be below 3%.
- Net NPA ratio shall be at 0.35%.
- Total recovery is expected at INR160b.



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RBL Bank

Buy

Current Price INR 314

Opening remarks by MD and CEO Mr. R Subramaniakumar

- RBK has been focusing on strengthening its balance sheet and optimizing the retail mix. It is moving toward secured retail assets.
- MFI portfolio will return to the pre-Covid level soon.
- Retail secured assets have turned PBT positive now. Prime housing will be positive now.

Transaction of Emirates

- Emirates will invest USD3b for a 60% stake. This will trigger an open offer to acquire up to 26%. The open offer price is INR280.
- Emirates is the second largest bank in the UAE. It will bring capital and provide access to the UAE market.
- This transaction will bring long-term value to shareholders and customers.
- Net worth will be INR420b after the transaction.
- On paper, the stake can go up to 86% (60% infusion+ 26% open offer), hence the open offer will be done first, and depending on how much is offered, it shall be scaled down to keep it at 75%.

Use of capital and other clarifications

- The bank will use this capital to scale up the existing business and open new opportunities, such as NR business, trade and NR transactions. The bank will also be able to do cross-border corporate business.
- RBK will not stop looking for low-cost deposits. There might be some retirement of liabilities. But the core banking business will not be stopped due to this.
- WoS is working on the technology platform and hence it would also be easy to integrate RBL branches. A few accounts are common between RBL and Emirates.
- RoA will materially expand given the large inflow of the equity. Given the strong RoA expansion, the bank will return to the respectable RoE as well.
- The bank will first think of organic opportunities and will also look for inorganic opportunities in the future.
- As per the transaction, the board seat share will be 50%. Senior management will likely remain the same. As per the agreement, Emirates will have a board seat and will not have a management seat.
- ENBD has global presence, which provides RBK the opportunity to expand. With the new synergy, the bank will be able to open NR accounts. EMBD is also dealing in the Indian geography and the corporates of UAE in India.
- Until the deal is consummated, the business is going to be as usual.
- ENBD is focused on the growth capital as of now.

Yields, costs, and margins

- Yield on advances has bottomed out, keeping repo cuts aside. The liability side has more levers and hence margins will expand from 3Q onward.
- CoF constraint will be addressed after this deal and growth opportunities will improve.
- Bank has a lever on the SA account, but the delta in the Cost of SA is going to recede from hereon.

Deposits and advances

- Unsecured business growth has been tapered down due to increased risk. The bank will now look at growing this as risks ease.

- In MSME segment, the bank has launched products, as the opportunity is large. The bank will also scale its gold and corporate businesses and will look to explore the retail part of the business.
- RBK will grow the credit cards business as well as the MFI business. The entire secured business has been profitable at the PBT level.
- Retail assets – Tractor, AHL, secured business loans – are good business. The strategy will be to create more business opportunities through distribution.
- Credit market share can move from 0.5% to 1% in the coming years, leveraging the fresh capital.

Asset quality

- The corporate write-off of INR1.4b is a technical write-off and is already 100% provided for.
- Slippages have inched up in credit card and PL. Card and PL will take a couple of quarters to normalize.
- JLG book – The bank had 365 days of write-off policy. The write-off in 2Q was the same as in 3Q and it does not have to do with any current trend.
- At industry level, the problem was the existing delinquent customers. The fresh instances of default have already started to decline.
- Technically write-off – MFI in 365 days and cards in 120 days.
- MFI written-off pool is at INR15b, ranging 0.6-0.7% per month, and the bank is trying to improve this to 0.9-1% going ahead.

ECL related

- ECL - Transition will be 6-8% of the net worth. The bank does not see much impact; except for the wholesale book, standard provision of 40bp currently can go up to 60-65bp.
- ECL - Stage 1 provision will come in for MFI and CC, which will be similar to NBFC. There will be some release in secured business. So the increase shall primarily be from Stage 1 and 2 in the unsecured businesses.

Others

- RBK holds 5% in Utkarsh SFB Holdco. Due to ECL, holding company reported a decline in net worth, leading to a one-off loss, which RBK does not expect to recur.



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State Bank of India

Buy

Current Price INR 973

Opening remarks

- India's macro-economic outlook remains cautious. Demand remains healthy and GST cut will revive consumption.
- RBI estimates GDP at 6.8% for FY26 and 6.6% for FY27.
- Demand for credit is expected to continue in 2HFY26 and systemic loan growth is expected at 11-12%.
- The bank shows a durable structural advantage, delivering growth with quality and resilient returns.
- NIMs expanded 7bp QoQ, driven by the repricing of deposits (better liability management).
- The bank has raised INR250b of equity capital in way of QIP by demand of INR1.1t in the current quarter. This is the largest QIP in India.

Metric	Q3 FY26	Q3 FY25	Q3 FY24
Net Income (INR bn)	1,100	1,050	1,000
Operating Income (INR bn)	1,200	1,150	1,100
Net Interest Income (INR bn)	1,300	1,250	1,200
Provision for Credit Losses (INR bn)	100	100	100
Operating Expenses (INR bn)	1,100	1,050	1,000
Capital Expenditure (INR bn)	50	50	50
Dividend Payout (INR bn)	200	200	200

- CASA ratio stood at 36.9%. The bank's CASA market share is at 23%, with overall deposits market share above 22%.
- SBIN is positioned to grow higher than the industry and sustain its CASA deposits.
- The bank launched Project Saral on 31st Jul'25 to enhance future readiness and streamline retail operations.
- GNPA/NNPA ratio improved by 10bp/5bp QoQ to 1.73%/0.42%. PCR ratio increased to 75.8%.
- Capital expenditure will be related to power, renewable energy, commercial real estate, and partially iron and steel.
- LCR for the bank stood at 143.8%.
- Project Saral aims to simplify and centralize processes through AI-enabled digital tools while delivering best-in-class customer service.

Advances and deposits related

- The bank expects corporate credit growth of at least 10% in the next two quarters.
- It has an INR7t corporate pipeline, of which 50% is already sanctioned and the rest is in discussion.
- Liquidity remained surplus throughout the quarter, with higher levels observed in September. Interest on borrowings also declined.
- Interchange fees on debit card increased and spends rose too.
- The bank has guided for loan growth of ~12-14%, led by growth across segments.
- Home loan growth is expected at 15-16% YoY. SBIN has ~420-425 home loan centers to serve existing customers and acquire new ones.
- The bank aims to grow Xpress credit going forward. It is gradually transitioning from unsecured personal loan to secured gold loans. Gold loans are showing good improvement.
- Sanction and disbursement are high in Xpress credit. Some overlap exists in Xpress credit and gold loan customers.
- Deposit rates are stabilized now, with a further repricing expected only if another rate cut occurs.
- The bank launched a staff training campaign to encourage customers to fund newly opened accounts, resulting in 70-75% of such accounts being funded within 45 days and boosting savings balances.
- On the current account side, the bank has intensified focus on business accounts, tailored service offerings, and new transaction banking hubs, driving higher CASA balances and a 185 bp market share gain.
- Loan book composition: MCLR-linked – 29%, Repo-linked – 30%, Fixed-rate – 22%, T-Bill – 15%.

Yield, cost, and margins

- The bank reiterates its domestic NIM guidance of 3%.
- The c of borrowing and cost of deposits have declined. The bank has focused on daily average balances in CA and SA accounts.
- ~INR3.4b was income on IT refund.
- GST on expenses stood at INR10.8b in 2QFY26 vs INR6.62b in 2QFY25.

- If there is no rate cut further, NIM will see some pickup as full benefit of CRR will be observed going forward.
- NIM is expected to remain above 3% in 3Q and 4Q.

Asset quality

- Recoveries in written-off accounts were healthy, with AUCA recoveries at INR24b.
- The bank continues to guide for INR20b AUCA recoveries per quarter.
- On the retail side, 70% of collection happened automatically.
- The bank has made additional standard asset provisioning of INR7.5b due to extensions in commercial operation dates, with around INR2b of write-backs, resulting in a net INR5.5b provision.
- Recovery rate from the technically written-off portfolio is ~8% due to lower security values. The express credit portfolio shows no major stress, with GNPA ratios stable.

Other income and opex

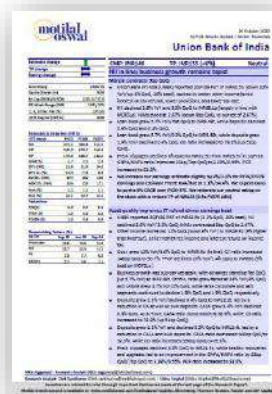
- The bank has seen gains from the Yes Bank stake sale in P&L and will not use MTM on the residual portion.
- The extraordinary gain from the Yes Bank stake sale was about INR45b gross of tax and INR33.86b net of tax.
- The bank has incurred ~INR5.5b on training as most people who joined SBIN are people who are writing exams and so bank prepared them for various assignments through these trainings.
- The bank has launched Spark, not only providing online training but also building a skills inventory, with every training module available made available there.
- SBIN is extensively using AI for this, and is effectively conducting physical training.
- The bank has, for the first time, recruited ~1,500 people at once, who were new recruits. It saw less than 0.5% attrition.
- Other income includes a one-time profit of INR30.27b (net of adjustment as per Accounting Standard 23) on account of stake sale in Yes Bank in 2QFY26.
- RoA would be 1.04%, excluding stake sale gains.
- The pension provision for 1HFY26 was INR66.7b. For the quarter, it was INR35.25b.

Miscellaneous

- Impact on BS would be limited due to ECL and not significant, as a four-year roadmap will be given on this.
- 17 trade processing centers are present in India, with two trade processing units that are completely digital.
- The bank has directed regional managers across 730+ districts to target at least a 1% increase in the deposit market share, even in areas where it already holds over 60%, driving savings growth.
- Additionally, through Project Saral, the bank aims to reduce branch drudgery and enhance productivity by leveraging digitalization and its physical network, with key outcomes expected from Apr'26.
- The bank is focusing on multiple initiatives to boost the performance of its subsidiaries. SBI AMC and SBI General are potential candidates for listing, which the bank is actively evaluating.



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Guidance-related

- Domestic NIMs are expected to remain above 3% in 3Q and 4Q.
- The bank continues to guide for INR20b AUCA recoveries per quarter.
- It has guided for loan growth of ~12-14%, led by growth across segments.
- NIMs are expected to remain above 3% through cycles.

Union Bank of India

Neutral

Current Price INR 153

Opening Remarks

- Global situation is volatile, but the domestic activity continues to be healthy.
- Credit cost stood at 22bp; it was 109bp in 2QFY25.
- Recoveries in 1H surpassed slippages.
- NIMs stood at 2.67%, while other income was robust.
- The bank has curtailed high-cost bulk deposits, which has provided solid support to margins.
- The bank reduced bulk deposits but retail + CASA growth remains healthy.
- The bank aims to grow the RAM segment to 58% from the current level of 55%.

Advances & deposits related

- The growth has been muted, and the bank has played on the cost.
- The bank has been looking to increase the retail CASA rather than bulk deposits. It aims for CD ratio of 78-80%.
- It is cautious about NIMs and aims for 9-10% growth.
- It will be looking at system-level loan growth and aims to grow better than the system QoQ. It has already discussed the root cause of reason on the slower deposits growth.
- The bank will be focusing on the RAM segment with the goal of bringing it to 58%.
- The bank is already working on new products to focus on loan growth.

Yields, cost, and margins

- The sequential decline in NIMs has been coming down, and stabilization is expected from 3Q onwards, along with an improving trend from 4Q.
- The bank has reduced 21.85% of bulk deposits, and this has been replaced by CASA and retail deposits.
- An interest reversal of INR4–5b occurs each quarter as part of the regular process, with no one-offs involved.

Other income and opex

- The bank did not undertake any PSLC sales this quarter as it continues to meet PSL targets internally.
- PSLC sales may resume by 4QFY26 or early FY27, at a similar quantum to FY25.
- The treasury depends on the rate outlook going ahead.
- Investment depreciation was mainly from the trading book.
- The duration of the HTM book declined, primarily due to the sale of shares in one stock and subsequent redemption.
- Opex growth has been in line with the trend, and expenses in 2HFY25 were slightly higher. However, this has now been largely in track with opex growth.

Asset quality

- There is INR1.33b of standard asset provision, and the bank has also taken higher standard provisions of INR8.82b amid ECL migration as well as accelerated provision in some accounts.
- One account amounting to INR6b was upgraded during the quarter, with corresponding provisions made accordingly.
- The bank has made a standard asset provision amid regulatory requirement or as a prudent measure. SMA-0 is not a matter of concern and remains under control.
- RWA is rising mainly due to a rise in the credit risk weight.

Miscellaneous

- The bank submits ECL reports to the RBI every six months. Under the new framework, the credit cost trajectory would have been largely similar.

FINANCIALS/NBFC



- Within NBFC/HFC, various management teams highlighted the following: Lenders expressed greater confidence in scaling their unsecured portfolios, supported by improving borrower profiles and a more risk-calibrated approach. Asset quality trends were mixed, with certain segments such as CV, unsecured MSME, and micro-LAP continuing to exhibit stress, while others, including NBFC-MFIs and personal loans, showed relatively stable trends. However, most lenders expect a stronger recovery in asset quality in 2HFY26, driven by stronger rural cash flows post monsoon, improving macros, and better collection efficiency. With MFIs now exhibiting early recovery, we also expect micro-LAP lenders to recover within the next six months. Any interest rate cut in Dec'24/Mar'25 MPC meeting will be positive for fixed-lenders and only marginally negative for large HFCs.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26/FY27	Asset quality and others/2QFY26 Highlights
ANGEL ONE	■ Operating margin guidance retained at 40-45% for 4QFY26, driven by cost efficiency and tech initiatives (including AI chatbot); long-term OPM expected at 45-50%. ■ Broking to clock ~25% CAGR, with distribution/wealth/AMC/insurance moving toward a double-digit revenue mix. ■ Pricing tailwinds: broking price hikes can add INR500-600m annually; wealth may break even in ~3 years, AMC in 7-8 years.	■ Order run rate sustained at 5.6m/day, supported by strong MTF traction and robust client activity. ■ Costs declined QoQ due to the absence of IPL spends, though underlying expenses were up 9% QoQ on higher client acquisition costs. ■ MTF book grew strongly, but interest income rose slower as FD yields (~45% of interest income) declined; client margins dipped during the quarter but have since normalized.
Bajaj Fin.	■ For FY26, BAF guided for margins to remain stable at current levels and 13-15% growth in fee income. ■ Management expects credit costs to remain at the upper end of the guided range (185-195bp). ■ The MSME business is expected to witness the slowest growth, with AUM growth projected in single digits in FY26. ■ FY26 AUM's growth guidance has been revised to 22-23% (from 24-25%) to account for the lower AUM growth guidance in mortgages and moderated growth in its MSME business.	■ MSME stress remains visible for now, but it is expected to stabilize by Mar-Jun'26, after which growth is likely to resume. ■ Rural B2C has improved materially, and management has upgraded the internal risk status from yellow to green. ■ BAF aims for credit costs in non-captive 2W/3W business to be 1/3rd of that in its captive auto business. ■ The captive 2W/3W business moderated as planned (now ~1.5% of AUM), and the gradual rundown is expected to strengthen asset quality metrics from FY27.
BSE	■ Strategic focus on institutional participation in derivatives, longer-tenure contracts, data-center upgrades, and broader index offerings, including new debt indices. ■ Will continue 5% monthly contributions to core SGF until the corpus reaches 150%, aiding earnings stability. ■ Capacity expansion underway with 70-90 new racks planned, taking total to ~500 by FY26.	■ Delivered 10th consecutive quarter of record revenue, led by strong transaction income and rising market share despite expiry-day changes. ■ Robust listing activity: 97 listings, raising ~INR535.5b; SME platform expanded to 657 companies. ■ Strong traction across segments: STAR MF +18% YoY, colocation revenue higher, and major tech upgrades lifted processing capacity to 27k trades/sec (from 3k).
360 ONE WAM	■ Sustained flow momentum expected, with ~75% of incremental inflows from wealth management and the rest from asset management. ■ CIR to improve as acquisitions scale, targeting 47-48% by 3Q/4QFY27; core business margins of 45-46% achievable over the next few quarters. ■ Transaction-based revenue to grow 10-15% YoY, aided by institutional brokerage from B&K and rising UHNI equity activity, diversifying revenue and reducing cyclicality.	■ Strong quarterly performance driven by healthy net inflows and reduced attrition-led outflows; momentum supported by newly added RM teams. ■ Early synergies from acquired businesses—especially B&K—are enhancing treasury and equity capabilities for existing clients. ■ Institutional mandate pipeline remains healthy; management reaffirmed 10-12% net flow guidance on opening AUM for FY26.
Mahindra Finance	■ The company expects AUM growth of around 15% YoY in FY26, supported by 18-20% disbursement growth in 2HFY26, as demand revives in the PV and tractor segments post the GST 2.0 announcement.	■ The company remains optimistic about the outlook for 2H, supported by the recent pickup in volumes and the positive impact of GST rate cuts. It is witnessing healthy traction in the tractor and PV segments.

	■ Management expects NIMs to remain steady at around 7% levels in 2H. ■ The company expects credit costs to remain at around 1.7% for the full year as it expects asset quality to improve in 2H.	■ 2Q asset quality trends were steady despite localized disruptions in parts of North and East India, including Assam. The company expects limited improvement in 3Q but anticipates a meaningful uptick in asset quality in 4QFY26.
Muthoot Fin.	■ MUTH upgraded its FY26 gold loan growth guidance to 30-35% (from 15% earlier), driven by favorable regulatory changes, higher gold prices, and rising demand amid tightening in unsecured lending segments. ■ It expects a further decline in CoF and steady yields of ~18.5% in the coming quarters. The company expects a further 15-20bp decline in CoF.	■ Belstar MFI's profitability is expected to gradually normalize in 2HFY26. ■ The company targets to add 100-200 gold loan branches every year. It has applied for additional branch opening approvals from the RBI to further deepen penetration. ■ The company has a residual ARC pool of INR900m and also expects an additional recovery of ~INR300-400m.
NUVAMA	■ Full recovery in asset services expected by mid-4QFY26; yields to remain in the 2.6-3.3bp band. ■ Capital markets expected to strengthen on strong IPO momentum; potential INR200-250m hit from proposed SEBI brokerage changes, partly offset if rates stabilize at 5-6bp (vs. the proposed 2bp). ■ Applying for an AMC license to capture the SIF opportunity by Apr'26.	■ Broad-based strength led by strong new client addition and partial recovery in asset services, with ~50% of lost volumes regained. ■ Wealth business contribution to PAT increased to 45% (vs. 35% YoY), underscoring rising share of recurring income. ■ Capital markets segment rebounded YoY (ex-large M&A), supported by improved fixed-income and ECM activity.
CAMS	■ Non-MF EBITDA margins at 10-13%, with a medium-term target of 25-30%; cost growth guidance maintained at 10-11% YoY. ■ Price renegotiation impact with a large client is ~90% absorbed; yield compression of 3.5-4% p.a. on track, with minimal renewal risk over the next 18 months. ■ SIF expansion underway — first scheme launched in Oct'25; six AMCs onboarded in nine months, with three more going live soon.	■ AAUM reached INR52t (INR55t in Oct), with equity net sales at all-time highs; MF RTA market share rose to 69%, supported by 80% NFO registration share. ■ Non-MF revenue share increased to 14.4%, driven by strong growth in KRA, Payments, and AIF; CAMSPay grew 26% QoQ, and CAMS Finserv grew 23% QoQ. ■ KRA revenue rebounded ~45%, with NSE KRA integration advancing post-SEBI NOC; strong mandate wins in Alternates (44), KRA (38), and Finserv (38).
ABSL AMC	■ Equity yields saw a minor telescopic-driven dip but should remain stable at 64-65bp. ■ Other expenses to stay at current run rate; employee costs expected to rise ~12% YoY. ■ SEBI-approved SIF rollout to begin with an Arbitrage scheme, followed by a Long-Short strategy once team onboarding is completed.	■ Strong SIP momentum: 34% of new SIPs sourced online; SIP AUM at INR840b (44% of equity AUM). ■ Fund performance improved across mid-cap and small-cap segments, supporting incremental flows; continued strong traction in silver, gold, and passive products. ■ Alternates and PMS scaling well — robust equity momentum in alternates, PMS yield steady at 80bp, and real estate AUM on track to double by FY26.
NAM AMC	■ Management expects 1-2bp annual yield decline from telescopic pricing; revised commissions now span four schemes (~60% of equity AUM). ■ SIF capability ramping up, with the team in place and launches underway amid strong HNI demand. ■ Offshore AUM, temporarily soft due to geopolitical and MTM impacts, is expected to recover; ESOP cost guided at INR420-430m for FY26 and ~INR260m for FY27, with a robust pipeline across AIF, offshore, and GIFT City products.	■ Equity sales market share (high single-digit) and SIP share (>10%) remained well above the 7.13% equity AUM share. ■ Retail distribution share rose to 54% (vs. 50% in 1Q), with digital transactions up 15% YoY and 75% of new purchases initiated digitally. ■ ETF leadership sustained with ~50% folio share; Gold ETF/Silver ETF AUM grew 36%/89% QoQ, reaching combined AUM of INR450b.

360ONE

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360ONE WAM

Buy

Current Price INR 1,079

Business Performance

- Growth during the quarter was supported by strong net flows and lower attrition-related outflows. Management expects this momentum to sustain through 2HFY26 and beyond, aided by newly onboarded teams.
- Costs are likely to improve gradually as acquired businesses scale up. Synergies from the B&K acquisition are beginning to reflect in the treasury and equity offerings to existing clients.
- The pipeline for institutional mandates remains healthy, although conversion timelines could be elongated given the current global environment. Management reiterated its full-year guidance of net flows at 10-12% of opening AUM.

Transaction-based Revenue

- TBR currently comprises 15-20% from core equity broking and 25-30% from unlisted broking, with a significant contribution from REIT-related revenue.
- The company aims to generate INR10-12b of annual TBR, growing at 10-15% YoY, with a focus on achieving lower cyclicity through multiple asset classes. The B&K acquisition has provided access to institutional brokerage, which is relatively less volatile.
- Currently, 40% of TBR is from equity brokerage, which is expected to rise from the current INR3-5b to INR5-5.5b, driven by UHNI clientele. The remaining INR5b of TBR will come from REITs, unlisted securities, debt syndication, and other areas.

Flows

- Of the gross inflows, 30-35% came from existing clients, while the remaining 65-70% were contributed by new investors. However with respect to net inflows worth INR85-90b during the quarter (excluding UBS), 90% was sourced from new clients.
- The company engages with ~4,500 families on a daily basis, holding meaningful wallet share in 1,800-2,000 families.
- Over the next 12-18 months, management plans to add 7-8 new RM teams, with a longer-term target of 280-340 RMs to manage the growing client base. Each major location (Delhi, Mumbai, Bengaluru, Chennai, Kolkata, Hyderabad) is expected to house 3-5 teams.
- Senior RMs are expected to become profitable in 18-24 months, while broader profitability across RM cohorts should be achieved in 4 years, and 'super-profitable' by the fifth year.
- UBS warrant proceeds will be invested in the NBFC and AIF verticals. There is no change in NBFC NIMs, though pricing for high-value clients has seen a 25-50bp adjustment. The UBS loan book transfer was completed during quarter-end at lower pricing levels.
- 75% of future flows are expected to come from the wealth management business, and the remaining 25% from the asset management side.
- Total inflows of INR93b in wealth management include INR25b from UBS. The core business contributed INR70b, along with INR18.5b from the AMC segment.

Financial Performance

- Management expects the cost-to-income ratio to moderate to 47-48% by 3Q/4QFY27 and further to 45-46% in the following year. For the core businesses, the cost-to-income ratio target of 45-46% should be achieved within the next few quarters.
- Variable compensation forms 60-65% of the bonus structure, with the balance attributed to ESOPs.
- Carry income recognition begins 18 months before fund maturity and is gradually accrued (10-15% recognized in 1Q/2Q). Reversals are unlikely given the conservative recognition model.
- B&K transactional revenue currently stands at INR1.5-1.6b per month.

HNI Business

- The HNI segment added 50 RMs and 380 clients in 1HFY26, expected to act as a feeder to the core UHNI business.
- Most extended product offerings will be rolled out within 6-8 months, enabling access to promoter-family clients previously associated with 360ONE.
- Early signs of breakeven are expected by 3Q/4QFY27. Costs remain elevated due to RM additions and will stay on this trajectory for 3-4 quarters. However, early indicators, such as client adoption, monetization, and platform ease, have been encouraging.

Retention

- AMC distribution retention improved largely due to carry income, while the overall trend remained stable.
- Managed account yields stand at 90-110bp, depending on carry income, with core retention at ~90bp.
- Mutual fund yield uptick was one-off during the last quarter; going forward, yields should normalize to 45-50bp, with a further uptick potential from the mid-segment HNI business.
- Recent yield compression in MF distribution was driven by: 1) higher allocation to yield, credit, and arbitrage funds, 2) a shift toward passives, and 3) broker code changes.



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Aavas Financiers

Neutral

Current Price INR 1,671

Guidance

- Guided an FY26 AUM growth of 18%
- The company will continue to maintain credit costs at <25bp in FY26
- AAVAS plans to open 20-25 branches in 2HFY26 to deepen the penetration in the existing markets, and will also add more branches in its new market, Tamil Nadu
- The company expects 20%+ AUM growth over the next 5 years. ~8% of this growth will be driven by branch expansion, 7-8% from productivity enhancement, and 5% from inflation-led growth
- Expects to bring down opex/assets to ~3% over the medium term.

Credit Rating

- CARE long-term credit rating outlook revised to Positive from Stable, indicating progress toward a potential upgrade to AA+.
- This is expected to help diversify the liability profile more cost-efficiently.

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- The outlook revision reflects strong business fundamentals, steady growth, robust asset quality, sustained profitability, strong capital position, and a stable management team.

Branch Expansion

- Entered Tamil Nadu and opened 8 new branches in 1H, and another eight branches will be opened in 2H. Overall, 20-25 branches will be added in 2H to deepen geographic presence.
- With the Tamil Nadu scale-up, Andhra Pradesh and Telangana emerge as the next expansion markets under the same disciplined strategy.

Growth and Housing Demand Outlook

- AUM grew 16% YoY. Given current momentum, FY26 AUM growth of ~18% YoY is expected.
- Expect GST cut benefits, positive market sentiment, and potential rate reduction to support housing demand.
- Government schemes such as PMAY 2.0 interest subsidy continue to aid affordability. Over 2300 customers have availed subsidy benefits amounting to over INR75m.

Financial Performance

- AUM grew to ~INR214b. Post transition to the new disbursement and recognition framework in 1Q, business operations have normalized.
- Disbursements grew 36% QoQ and 21% YoY, indicating strong momentum. Sanction-to-disbursement conversion improved to 80%, reflecting a better conversion ratio.
- PAT grew 11% YoY to INR1.64b, driven by strong NII and improved spreads.
- NIM expanded 56bps QoQ, supported by improved spreads and risk-adjusted pricing. Spreads improved 10bp QoQ.
- Opex rose ~5bp QoQ, while the cost-to-income ratio declined, reflecting efficiency gains.

Liability Profile and Cost of Funds

- Cost of funds continued to improve, demonstrating balance sheet strength and stability. CoF improved by 17bp during the quarter.
- With potential softening in interest rates ahead, the company shifted a larger share of borrowing to EBLR-linked liabilities over the past few quarters, which delivered tangible benefits.
- AAVAS did incremental borrowings of ~INR13.96b in 2QFY26 with an incremental CoF at 7.82%.
- Total borrowings stood at INR186.8b. The mix stood at: Banks 50%, Assignments 25%, NHB 14%, and Debt Capital Markets 11%.
- ~36% of borrowings are linked to benchmark reference rates (repo, T-bill, MIBOR), and 25% are linked to sub-3-month MCLR; hence, 61% of borrowings will reprice along with declining interest rates.

Yields and Pricing Strategy

- Incremental yields are lower than portfolio yield, which may moderate overall yields ahead.
- Focus is on acquiring better quality customers even at slightly lower pricing to maintain long-term risk-adjusted returns.

- The gap between portfolio yield and incremental yield has largely narrowed. Incremental yields are ~25 bps lower than portfolio yields, while incremental CoF is ~60bps lower YoY.
- The company will focus more on lower ticket size and new-to-credit borrowers, where yields are structurally higher.
- The company is closely tracking the rate environment. The company shared that MCLR cuts from banks are still limited, hence CoF reductions in MCLR-linked borrowings are gradual.

Operating Expenses

- Opex elevated due to branch expansion and distribution investments. As disbursements and AUM growth were lower, the ratio appears elevated.
- ESOP reversals last year created a low base. Excluding ESOP expenses, the opex ratio rose ~16bp YoY.
- Cost-to-income ratio improved by 260bps QoQ, indicating the operating structure is stabilizing.
- Expect opex/assets to reduce below 3% over the medium term as operating leverage benefits flow in.

Asset Quality

- Asset quality remains within the guided range of 1+dpd < 5%
- GNPA/NNPA at 1.24% and 0.84%, respectively. Underwriting stance remains cautiously optimistic.
- Rajasthan continues to perform well, with 1+dpd and GNPA below ~4% and ~1.25%.
- Emerging markets remain stable, with 1+dpd and GNPA under ~3.5% and ~1%.
- Some stress was observed in the eastern belt of Madhya Pradesh. However, the company has hired senior talent and implemented corrective measures.
- Bounce rates are stable, and 90+dpd remains controlled. Attrition reduced to 17% in 2Q from 18% last year.

Disbursements and BT-outs

- The monthly disbursement run-rate over the past five months is around INR5b. Expect INR5b-7b monthly disbursement run-rate in 2H due to seasonal strength.
- BT-outs at 5.3% in 1H, while it stood at ~5.7% in 2Q (v/s ~4.9% in 1Q) due to seasonal factors.
- The company engages with BT-out customers proactively, but sees no structural pressure.
- Repayment rate was higher by ~200bp during the quarter due to higher prepayments, which also reflects better portfolio quality.

Assignments

- Assignment volumes expected to grow 15-20%.
- Last year, the company used to do assignments at 8.5%+ and is currently doing assignments at 7.5%+. Assignment spreads have been higher by ~100bp, and this trend will be sustained.

Growth drivers

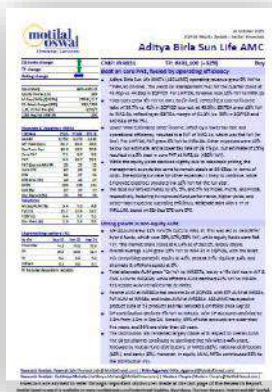
- AUM growth of ~20% over the medium term to be driven by: ~8% from branch expansion and scale, ~7–8% from productivity gains, and ~5% from inflation-led ticket size growth.
- TN, AP, and Telangana will be its new focus states for measured footprint expansion.

Other Points

- The company is retaining capital to support multi-year growth; hence, no dividends are planned.
- CSC and e-Mitra are the company's alternative sourcing channels, in addition to its direct sourcing channel. DSA channel contributes <10% of AAVAS' overall sourcing.
- ~11% of AUM is below INR500K ticket size and ~77% of AUM is below ticket size of INR2.5m.



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Aditya Birla AMC

Buy

Current Price INR 737

Business performance:

- About 34% of new SIPs came through the online platform, reflecting the company's focus on digital acquisition.
- The company is focused on increasing new registrations MoM, and a target has been set for the sales team for the same.
- SIP AUM is at ~INR840b, which is ~44% of the overall equity AUM of the company. The loss in market share was largely due to the maturity of a few STPs, but retail momentum in SIP continues.
- The equity yield is at 64-65bp and witnessed a 1- 2bp drop due to telescopic pricing. The management expects the yield to remain stable in this range.
- The company has received SEBI approval for its SIF product and will first launch an Arbitrage scheme. The team is being onboarded for the Long-Short Fund, after which it will also be launched.
- The employee costs included a reversal of INR60m. The management expects the full-year growth to be 12%.
- Fund performance for both mid-cap and small-cap funds has improved, resulting in incremental flows.
- Silver and gold funds have witnessed robust flows, with the silver fund surpassing INR20b. Passive schemes have witnessed good momentum owing to product launches. The ETF platform has 1.35m customers.

Distribution:

- Digital and fintech tie-ups are scaling well, and management aims to deepen partnerships for millennial customer acquisition.
- With respect to SIP, online platform dominates the mix, followed by MFDs, banks, and direct channels.

Non-MF business

- The equity segment of alternates has witnessed significant momentum, complemented by an expanding suite of credit offerings.
- The PMS business has witnessed strong momentum backed by increased participation from MFDs. Yield on the PMS product is at 80bp.
- ABSL AMC has been selected by EPFO to manage its debt portfolio for the next 5 years and is awaiting a formal confirmation letter for the same.
- Real estate AUM has gained traction and is on track to double its book size by the end of FY26.
- Offshore AUM witnessed withdrawals from a few customers during the quarter in lieu of portfolio restructuring. The allocation changes impacted yields by 0.4bp.

Outlook:

- Focus remains on strengthening fund performance, driving retail penetration, and expanding alternates and passive products.
- The current run rate is expected to continue with respect to other expenses.
- The new ESOP scheme is approved by the Board and is subject to shareholders' approval.



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Aditya Birla Capital

Buy

Current Price INR 333

Opening remarks

- The government's rationalization of GST rates, aimed at stimulating consumption and growth, is beginning to show tangible results. Since the last week of Sep'25, there has been a visible pickup in automobile and goods sales, reflecting early benefits of this policy change.
- The growth outlook for the second half of FY26 remains strong, supported by structural reforms such as GST cuts, a normal monsoon, and rising capacity utilization across industries.
- The company continues to strengthen its omni-channel base and expand its distribution network to drive long-term, sustainable growth.
- On a consolidated basis, revenue grew 4% YoY during 2QFY26, while consolidated PAT increased 3% YoY to INR8.55b.

NBFC business

Guidance

- The company guided for NBFC credit costs to remain in 1.2-1.3% range for FY26.
- Guided for RoA of 2.4% by FY26 end.
- Expects improvements in yields and NIMs going forward as the share of unsecured loans and P&C segment improves.
- Guided for Opex/avg. AUM to remain in the range of 1.9% going forward.

Business performance

- NBFC segment delivered a strong quarter, with disbursements rising 39% QoQ in 2QFY26 to INR220b, the highest-ever quarterly disbursement for the company.
- Disbursement momentum remained strong, especially in P&C segment, which grew 26% QoQ, led by improved branch productivity and direct digital sourcing.
- Over the last few quarters, the company tightened underwriting standards and recalibrated sourcing channels amid a volatile macro environment, focusing more on internal and direct digital origination. The credit environment across unsecured and P&C segments has stabilized, allowing the company to cautiously accelerate growth.
- AUM grew 22% YoY and 6.4% QoQ to INR1.4t, reflecting strong momentum across product categories.

Segmental highlights

- The MSME segment remains the core of the franchise, forming 56% of the total portfolio and growing 7% QoQ.
- Unsecured Business Loans: Disbursements grew 37% YoY to INR15b. The portfolio expanded 24% YoY and 11% QoQ to INR137b, comprising 10% of total AUM.

- P&C Loans: The segment continued to benefit from a stable credit environment since Mar'25. Disbursements grew 52% YoY and 26% QoQ to INR50b. The loan book grew 15% YoY and 11% QoQ to INR182b, forming 13% of AUM.
- Secured MSME Loans: Grew 22% YoY and 6% QoQ.
- Corporate and Mid-Market Loans: Grew 23% YoY and 4% QoQ.

Asset quality and credit costs

- Asset quality remained robust, with steady improvements across segments. Bounce rates and forward flows trended positively, while GS2 and GS3 ratios declined QoQ. GS2+GS3 declined 67bp QoQ and 121bp YoY to 3.03%. GS3 stood at 1.9%, of which 42% of loans are covered under CGTSME government guarantee.
- In the P&C portfolio, GS2+GS3 declined 100bp QoQ. In the unsecured business segment, GS2+GS3 reduced 380bp QoQ to 1.9%.
- The secured loan portfolio remains strong, with GS3 at 1.2%, down 40bp QoQ and 90bp YoY.
- About 73% of the total portfolio is secured, and overall provisioning coverage improved to 44.2% from 41.2%.
- The company executed a sale of INR7.4b of Stage 3 assets during the quarter: Of this, INR5b was from unsecured business loans covered under the CGTSME government guarantee scheme; the sale involved no haircut. The remaining portion pertained to the MSME secured portfolio.
- The company executed the same primarily on account of cashflow mismatches from the government under these schemes; however, ABCAP will continue to avail the support of CGTSME scheme going forward.

Margins and CoF

- NIM (including fees) improved 9bp QoQ to 6.06%, supported by decline in CoF during the quarter.
- Opex/AUM increased 29bp QoQ due to higher retail expansion and branch-related expenses; however, for 1HFY26, opex/AUM stood at 1.9% and it is expected to remain in this range going forward.
- Yields were stable, with NIMs improving from 5.97% to 6.06%. As the share of P&C loans rises, yields and NIMs are expected to improve further from 4QFY26 onward.
- Medium-term RoA aspiration remains at 2.4% by FY26.
- Yield profile by segment: P&C: 16-17%, Corporate: 10.75-11% and Secured MSME: 12%

Strategic focus

- Continued focus on strengthening internal sourcing, improving branch productivity, and leveraging the ABCD digital framework for MSME growth.
- Expansion into Tier 3 and Tier 4 markets to capture quality retail and MSME demand.
- Sustained focus on collections and recoveries to maintain asset quality and profitability.

Housing subsidiary

- The housing finance business continued its strong trajectory, delivering 44% YoY growth in disbursements. AUM grew 65% YoY and 11% QoQ to INR 383b.

- Growth was well-balanced across prime and affordable housing segments, supported by deep digital integration. Deep digital adoption continues across the customer journey, supporting faster turnaround and improved sourcing.
- Asset quality remained best-in-class, with stage 3 assets remaining broadly stable at 0.6%
- Opex/avg. assets improved 20bp QoQ to 2.4%, reflecting operating leverage benefits. Cost-to-income ratio declined sharply by 442bp QoQ, highlighting productivity gains.
- RoA stood at 1.82%, while RoE improved to 13.95%.
- The company infused equity capital of INR2.5b during the quarter, which takes total infusion to INR5b for FY26
- The company remains on track to achieve RoA of 2-2.2% over the next 6-8 quarters.
- Cost of borrowings declined 15bp QoQ to 7.52%, aided by better funding mix. Share of NCDs in funding mix increased from 33% to 50% YoY.

Asset Management (AMC)

- Total AUM grew 11% YoY and 5% QoQ to INR4.25t.
- Equity AUM increased 7% QoQ to INR1.93t.
- Operating PAT grew 13% YoY to INR2.7b, while revenue rose 9% YoY to INR4.6b.
- The AMC was selected for the EPFO mandate for a five-year term.
- Folios serviced grew 5% YoY to over 10m.
- Fund performance continued to improve across categories.

Life Insurance:

- The life insurance business maintained healthy growth with a well-calibrated product mix.
- VNB margin improved to 11.4%.
- Industry growth remained muted at 2% YoY in 1HFY26, but the company outperformed peers.
- A new distribution partnership was launched with Equitas Bank in Jul'25.
- Embedded value stood at INR156b as of Sept'25.
- VNB margins are expected to reach 18% by FY26-end, supported by cost negotiations and better product economics.

Health insurance:

- GWP grew 31% YoY in 1HFY26, driven by the health-first model and data-led customer acquisition.
- SAHI market share stood at 13.9%.

Technology and digital initiatives

- The company's D2C platform now offers a comprehensive suite of 26 financial products addressing diverse customer needs.
- The ABCD platform continued to receive a robust response, while Udyog Plus scaled well, contributing 32% of unsecured loan disbursements.
- Added 22 new branches during the quarter, expanding presence in Tier 3 and Tier 4 markets.
- Focus remains on building a high-quality, profitable, and digitally enabled franchise.

Standalone financials

- Standalone PAT grew 12% YoY to INR9.7b, aided by INR3.1b of dividend income from the AMC subsidiary.

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- Tier 1 capital ratio stood at 15.39%, and overall CRAR at 17.98%.
- The NBFC business grew 22% YoY to INR1.4t in AUM.
- NIM (including fees) improved 9bp QoQ, while asset quality strengthened with GS2 and GS3 improving by 67bp QoQ.
- Standalone RoA stood at 2.2%.

Anand Rathi Wealth

Neutral

Current Price INR 2,946

Financials

- Revenue mix currently stands at 40-41% MF and 60% Structured Products, with a target of gradually achieving a 50:50 balance over time.
- No inherent seasonality exists between 1H and 2H revenue in the Structured Products segment. The earlier dip in 3QFY25 and 4QFY25 was due to the transition from 3-year to 5-year products after Covid (Aug'20), creating a temporary maturity gap, which is expected to normalize after Aug'25.
- Around 1,059 structured products have matured since FY20, all delivering the maximum possible returns, reflecting disciplined quantitative product design and risk management.
- Finance costs rose 21% QoQ, primarily on account of office lease renewals and higher car loan interest.
- Management guides to maintain minimum PBT/PAT growth of ~40%/~30% and continue to reinvest in technology, human capital, and operational efficiencies to sustain growth momentum.

Business

- ARWL recorded its 16th consecutive quarter of consistent, market-agnostic performance.
- Market share in net flows for active funds increased to 2.33% in 1HFY26 from 1.85% in FY25.
- Total net flows remained healthy despite market volatility.
- Equity inflows as a proportion of total inflows stood at 70% in 2QFY26 vs. 52% in 2QFY25, driven by higher allocations amid declining markets.
- Yields for MF and matured structured products stood at 1.09% and 1.15-1.17% post-GST, respectively.
- Client mix was 35% new families and 65% existing clients, with 200 new clients added in Sep'25—the highest monthly addition to date.
- Added ~451 new clients in 2QFY26, taking the total count to ~12.8k clients.
- Added 12 new RMs in the last 12 months, taking the total to 386.
- Client attrition as a percentage of AUM lost remained low at 0.09% in 2QFY26 (vs. 0.18% in 2QFY25) and 0.18% for 1HFY26.
- RM attrition stood at two in 2QFY26 and four in 1HFY26, primarily due to cultural mismatches rather than structural issues.
- Despite RM exits, AUM remained largely intact; 82% of AUM associated with the four RM attrition has been retained.
- OFA business added 163 new subscribers during the quarter, taking the total to 6,790 subscribers.

Others

- In terms of revenue, PAT, and AUM guidance for FY26, the company has already achieved 50.3%, 52%, and 92%, respectively, as of 1HFY26, with no revision in AUM guidance.
- FY26 AUM target of INR1t was set assuming ~9-10% market growth at the start of the year.
- ARWL aims to deliver ~13-15% returns for clients with a beta of 0.7.
- Diversification initiatives are planned and will be addressed in due course.
- Management is confident of sustaining 20-25% growth, supported by strong client performance, low attrition, capacity of existing RMs, and a healthy pipeline of new RMs.



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Angel One

Buy

Current Price INR 2,792

Business overview

- ANGELONE has launched an AI-powered in-house chatbot to enhance query resolution for stocks and mutual funds. The chatbot enabled 80% of users to resolve queries without escalation and resulted in a 67% reduction in resolution time for 95% of cases.
- It plans to set up a branch in GIFT City to scale up business operations.
- Most of the users start with investing and later expand into credit, protection, and insurance, all available through ANGELONE's unified interface.
- Finance costs increased due to higher borrowings for the MTF book, though this was partly offset by lower borrowing costs.
- Other expenses declined sequentially owing to the absence of IPL-related expenses. Adjusted for IPL costs, total expenses were higher by 9% QoQ, primarily led by a 2% increase in client acquisition costs.
- Operating margin guidance remains unchanged, with an exit margin of 40–45% in 4QFY26, led by cost efficiencies and technology initiatives like the AI chatbot.
- Sustained order run-rate momentum, expansion in the MTF book, stable client addition, and traction in the distribution business are expected to drive revenue growth. In the long term, OPM is expected to expand to 45–50% as emerging businesses scale up.
- The Authorized Partner channel contributed 24–25% of total client acquisitions, typically fluctuating between 20–25%.
- The broking business is expected to grow at ~25% CAGR, while newer businesses (distribution, wealth, AMC, and insurance) are expected to contribute double-digit share to revenue, helping diversify the top line. Within diversification, wealth and distribution will be the key contributors, while AMC will have a smaller share.

Broking business

- The recent price revision was implemented to simplify pricing for customers — delivery and intraday trades are now priced between a minimum of INR5 (earlier INR2) and a maximum of INR20/order. This should add INR500–600m annually to revenue.
- MTF book witnessed strong sequential growth, though interest income grew at a slower pace due to a decline in FD yields (which account for ~45% of interest

income). Also, client margin levels moderated during the quarter, but have normalized now.

- Order run-rate was stable QoQ at 5.6m/day in 2QFY26, rising from 4.9–5m/day in Feb’25 to 5.8m/day in Sep’25, indicating healthy momentum. Sustained improvement in order volume, along with cost efficiencies, is expected to drive revenue growth and deliver exit OPM within the guided range.
- The MTF book can double the current balance sheet strength, with the current debt-to-equity at a comfortable level.

Distribution business

- ANGELONE added 2.4m new SIPs during the quarter (25% QoQ growth), making it the second-largest player in incremental SIP additions.
- About 48% of clients were activated via mutual funds, and nearly half of them subsequently started investing in equities, indicating strong cross-sell efficiency.
- The company has onboarded one additional lending partner, taking the total to seven, thereby expanding reach across customer segments.
- Only a small fraction of clients have availed loans, suggesting significant headroom for growth in lending products.

Wealth management

- ANGELONE’s AUM surpassed INR61b with 1,250 clients.
- The UHNI segment continues to be the key growth engine, with new mandates and deeper wallet share through multi-asset diversification. The HNI segment is showing strong traction, validating the omni-channel proposition.
- The company is soon launching an AI-powered feature for clients to analyze portfolios and plan goals.
- Alternate AMC vertical to be developed through the GIFT City-based global innovation fund.
- Integration is ongoing between Angel One’s customer base and Ionic Wealth’s solution suite.
- The Wealth business is expected to break even in 2.5–3 years.

Asset management and life insurance

- AMC launched two new commodity-oriented schemes, taking total fund offerings to seven, with AUM at INR4b across 140,000 folios.
- AMC business is expected to break even in 7–8 years, with TER at 25–30 bps, in line with peers.
- On the life insurance front, ANGELONE has been assessing the feasibility of a fully digital insurance journey. The partnership with LivWell was based on its successful launch of digital insurance plans using proprietary technology.



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BSE
Neutral
Current Price INR 2,834

Business

- BSE reported its 10th consecutive quarter of record-high revenue, supported by strong growth in transaction income.
- Key growth drivers ahead include a robust IPO pipeline, steady retail participation, and expanding adoption of the trading and clearing corporation businesses.



- Market share continued to rise despite the change in expiry days, aided by ongoing efforts to attract institutional investors into longer-tenure derivative contracts.
- Within the derivatives segment, management reiterated focus on increasing institutional participation, developing longer-dated contracts, and enhancing data centre infrastructure.
- During the quarter, BSE recorded 97 new listings across both the main and SME boards, collectively raising ~INR535.5b (in Oct'25, 45 companies were listed, raising INR418.6b). Management expects this momentum to persist, supported by healthy macro fundamentals and stable investor confidence.
- Total capital raised during the period stood at INR15.9t across equity, debt, bonds, commercial papers, and mutual funds.
- The SME platform continued to expand, reaching 657 listed companies as of Oct'25 with cumulative fundraising of INR130.8b (Oct'25 alone saw a record 31 listings raising INR12.4b).
- Under the Investor Protection Fund (IPF), the exchange conducted around 4,096 awareness programs during the quarter to enhance financial literacy.
- BSE also partnered with SEBI in its 'SEBI vs. Scam' initiative aimed at combating financial fraud and promoting investor awareness.

MF Business

- BSE StAR MF achieved another record quarter with revenue up 18% YoY.
- Total transactions processed increased 24% YoY to approximately 201m vs. 162m in 2QFY25, with a record high of about 71.3m transactions in Oct'25.

Index Business

- Growth in the index business was driven by higher client adoption and continued product innovation.
- BSE now manages over 180 indices covering broad-based, sectoral, thematic, strategic equity segments and fixed income indices.
- There are 72 passive investment products currently tracking 22 of these indices, representing a combined AUM of INR2.5t.
- The exchange is actively broadening its investor base, targeting insurance companies, overseas investors, and debenture-linked issuers both domestically and internationally.
- Client base has expanded to over 300 marquee institutions across India and global markets.
- BSE Index Services Ltd (BISPL) became a wholly owned subsidiary, effective Jun'24, and has since launched more than 32 new indices. The business recently received approval to introduce two new debt indices, marking expansion beyond equities.

ICCL (Clearing Corporation)

- Clearing income for 2QFY26 stood at INR320m.
- Significant technology upgrades boosted per-member processing capacity to 27k trades per second from 3k previously, enhancing scalability and efficiency.

Colocation

- Colocation revenue increased to INR460m from INR270m in 1QFY26, supported by both an increase in rack count and a revision in message throttling charges, effective Jul'25.

- All existing racks are currently fully allocated, and management plans to add an additional 70-90 racks by FY26, bringing total capacity to about 500 racks, including 6KVA and 15KVA configurations.

Financials

- Other operating income, which includes data dissemination, co-location, and index services, increased 82% YoY.
- Approximately 51% of total operating expenses were attributable to regulatory, clearing, and settlement fees, directly linked to transaction volumes.
- BSE will continue its voluntary monthly contribution of 5% of transaction revenue to the core SGF until the corpus reaches 150% of the required level. This policy aims to smoothen earnings and mitigate the impact of sudden SGF-related charges.



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Bajaj Finance

Neutral

Current Price INR 1,014

Guidance

- FY26 AUM growth guidance is revised to 22-23% (from 24-25%) to account for the lower AUM growth guidance in mortgages and moderated growth in its MSME business.
- CoF improved by 27bp to 7.52% in 2QFY26; FY26 CoF expected at 7.5-7.55%.
- Customer franchise expanded strongly to 110.6m, with 4.13m new customers added in 2Q. The company expects to add ~17m new customers in FY26.
- FY26 credit costs are expected at the higher end of 1.85-1.95% guidance band. Significant credit cost improvement expected in FY27.
- Targeting gold loan AUM of INR160b by Mar'26 and INR270-300b by Mar'27.

Growth and AUM trends

- AUM grew 24% YoY to INR4.62t, supported by broad-based growth across most businesses.
- New businesses, including gold loans, new car loans, CV and tractor finance, are scaling up well and contributed ~3% of incremental AUM growth in 2Q.
- MSME growth moderated to 18% YoY, as part of a deliberate risk-first approach to ensure portfolio resilience and long-term sustainability.
- Captive 2W/3W business moderated as planned (now ~1.5% of AUM); the gradual rundown is expected to strengthen asset quality metrics from FY27.
- BHFL reported a stable quarter with 24% AUM growth despite heightened competition.
- Mortgages account for ~31% of the balance sheet and MSME ~14% of AUM.
- Other segments, including gold loans, car loans and LAP, are witnessing healthy momentum, partly offsetting moderation in MSME and captive auto finance.
- Tractor is a small segment. The company expects 75% new and 25% used tractor mix, so that the business can generate adequate returns.

Funding, margins and profitability

- NIM remained flat QoQ, in line with expectations.
- BAF expects CoF to decline by an additional ~5bp over the next two quarters. It intends to maintain NIM at current levels and pass on CoF benefits to customers.
- Even if there are further rate cuts, the company does not expect any material improvement in CoF for FY26 as it will be toward the end of the financial year.

- Other operating income was lower due to plateauing of bad-debt recoveries from Covid-era stress.
- Fees + assignment income expected to grow 13-15% YoY in FY26.

Credit costs and asset quality

- Credit costs remained elevated in 2QFY26 at 205bp.
- Stage 3 at 1.24% and Stage 2 at 0.60%. The sequential deterioration largely reflects higher number of days in 2Q, a recurring effect observed annually.
- GS3 up ~18bp YoY; Captive 2W/3W contributed ~12bp and MSME contributed ~6bp.
- MSME stress visible; expected to settle down by Mar-Jun'26, after which MSME growth will resume.
- 8% of loan losses in the quarter came from 1.5% of AUM (captive 2W/3W).
- Early buckets stable: 3MOB / 6MOB / 9MOB behaving well; vintage performance is trending positively across segments
- Rural B2C has improved materially and management has upgraded internal risk status from yellow to green.
- Gold Loan and New Car Finance continue to be low credit-cost segments. As the proportion of these products increases in the balance sheet and as the proportion of captive 2W/3W continues to decline, we will see a significant decline in credit costs next year.
- BAF wants credit costs in non-captive 2W/3W business to be 1/3rd of that in its captive auto business.

MSME

- MSME volumes cut by 25% as part of risk actions. MSME expected to grow 10-12% in FY26.
- No major restructuring of MSME loans expected ahead.
- MSME stress is not regional; mitigation efforts underway.

AI, technology and FINAI transformation

- BAF aims to become a future-ready AI organization; visible in cost efficiencies.
- Management dedicates 12-15% of its time to AI initiatives.

Strong execution under FINAI:

- 442 AI bots live, contributing INR20b of originations in 2Q alone.
- 85% of customer service resolutions handled by AI Service Bot.
- 42% of loan application QC done via bots.
- AI-generated content: 42% of digital banners, 100% of videos.
- By Mar'26, all customer communication to be bot-driven.
- Face-recognition tech to be rolled out in 300 PoS, service & gold branches by Feb'26.

Gold loans

- Plans to add ~900 new gold branches; 500 existing branches to be converted.
- Business expected to move from cost center to profit center with process maturity.
- 40-45% of monthly gold loan disbursements happen digitally (repeat customers).
- As gold loan branch network expands, customer coverage increases automatically.

Management and organization

- Mr. Manish Jain (MD of Bajaj Financial Securities) elevated as fourth Deputy CEO.

- BAF will now have four Deputy CEOs + three COOs, forming the core executive committee.

Festive season update

- Strong festive momentum (Navratri → Diwali):
- 6.3m consumer loans disbursed.
- Loans disbursed during the festive season were up 27% YoY in volume and up 29% YoY in value.
- Electronics/consumer finance saw steady strength after the festive season.

Market position and strategic plans

- BAF holds ~13% market share by number of loans, ~4% by value — large runway ahead.
- Investor Day scheduled on 5th Dec'25, where its rolling long-range strategy (LRS) will be unveiled.
- Gold + Mortgages + Consumer + MSME repositioning + FINAL expected to support structural growth.
- BAF reiterated that it is a risk-first, multi-product franchise and will cut business where needed.



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Bajaj Housing

Neutral

Current Price INR 107

Guidance

- Management expects AUM growth to reach its medium-term guidance by next year, supported by sustained disbursement momentum and easing attrition pressure.
- For FY26, management has retained its margin guidance in the range of ~4%.
- In the next 3-4 years, management has guided for the opex-to-NTI ratio in the range of ~14-15%.
- The gearing ratio is expected to increase to ~7.5x over the next 2-3 years.

Opening remarks

- The segment-wise growth remained strong, with home loans growing ~19%, LAP by ~29%, LRD by ~35%, and developer finance by ~25%. The portfolio remains well-diversified, with home loans at ~55%, LAP at 10%, LRD above 21%, and developer finance slightly below 12%.
- 2Q RoE was lower at ~12.2% due to the capital raise in FY25, no overlay release against last year's overlay release of INR250m, and lower income from derecognized loans.
- The company's network spans 176 locations with 220 branches.

AUM

- AUM grew by ~24% YoY, reflecting consistent momentum despite heightened competition and a declining interest rate environment.
- Disbursements grew ~32% YoY to INR159b in 2QFY26.

BT-In/BT-Out

- BT-in accounted for 15% of total housing acquisitions (in line with the industry).
- BT-out rate stood at ~21-22% (annualized) vs. 15-16% last year, mainly due to competitive pricing pressure from PSU and large private banks.

Margins

- Margins are expected to remain at ~4%, supported by stable spreads and improved funding costs, though pricing pressure persists due to competition from PSU banks and new loans being booked at lower rates.
- The company does not resort to aggressive rate cuts but optimizes pricing based on market demand.
- Considering potential rate cuts ahead, management expects an additional ~10bp benefit in CoF in FY26.

Credit cost and asset quality

- Reported credit cost was 18bp in 2QFY26 (vs. 2bp in 2QFY25), though last year benefited from an overlay release of Covid provisions.
- The company continues to operate with a disciplined risk model focused on medium-risk and medium-return segments, primarily in non-prime and construction finance portfolios.

Affordable Housing Segment

- The non-prime portfolio (including affordable housing) accounts for ~14% of total home loans, while ~86% are prime home loans.
- The slowdown in affordable housing is attributed to external factors, not asset quality or demand compression concerns.
- The company launched the affordable housing finance business 15-18 months ago and has now fully on-boarded the operating team, with confidence in scaling up the segment. Management expects good growth traction in this segment over the coming year.

Lease rental discounting (LRD)

- Competition in the LRD space remains high due to strong participation from large banks, as it is a niche product not typically offered by other HFCs.
- LRD remains an accretive and low-risk business, offering steady returns with low opex. The company intends to continue expanding LRD as it fits its strategy of focusing on scalable, low-risk, and medium-return segments.

Fee income

- Fee income increased during the quarter, primarily driven by higher insurance income.
- Additional income streams such as bond charges, foreclosure charges, and switch charges also contributed, though insurance income remains the key growth driver aligned with business expansion.

Competition

- Management views competition in the housing finance space as normal but dynamic, particularly from players focused on prime mortgages.
- The company adapts its strategy continuously by deepening presence across micro-markets, expanding customer segmentation, and refining offerings to sustain disbursement growth and maintain profitability.

Other highlights

- Digital initiatives continue to scale strongly, with e-agreement penetration at 94% and online customer on-boarding at 93% as of Sep'25.
- Product-wise yields: HL at ~8.6%, LAP at ~10.3%, LRD at ~8.1-8.2%, and developer finance at ~11.5%.
- The yield differential between prime and non-prime portfolios (including the affordable segment) remains at ~1.25-1.5%.

- The company reiterated that increasing the DSA payouts is not a sustainable way to gain market share, as home loan payout structures are largely commoditized across the industry.
- Management indicated that any future capital raise would be evaluated and approved by the board, with the parent company's decision guiding the timing and size.
- As per management, in developer finance, competition primarily comes from select HFCs and private credit funds.
- In construction finance, management believes competition is limited and risk-driven rather than price-driven.



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Can Fin Homes

Neutral

Current Price INR 907

Guidance

- The company has guided for 12-13% AUM growth in FY26, with plans to accelerate to ~15% loan growth from FY27 onwards.
- Credit costs are expected to remain below 15bp for FY26. The company expects further improvement in asset quality and delinquency trends in 3Q/4QFY26.
- The company has increased its guidance for spreads and margins at 2.75% and 3.75%, respectively, in FY26.
- The company has guided for disbursements of ~INR105b for FY26.
- It expects no major irrational pricing pressure in the market from HFCs; competitive intensity remains rational.
- Most of the benefits of repo rate cuts have already been reflected in the cost of borrowings, with only minor benefits expected from NHB borrowings in the coming quarters.

Business Performance

- CANF achieved record disbursements of INR25.4b in 2QFY26, marking its first time crossing this milestone. Disbursements in 1QFY26 had also surpassed INR20b for the first time, reflecting a strong business momentum.
- The company continues to maintain a healthy disbursement pipeline, supported by strong traction in key southern markets.
- Karnataka and Telangana posted robust performances.
- Karnataka witnessed INR2.7b in disbursements in Sep'25 (vs. INR2.78b in Sep'24). The Karnataka government's approval allowing B-Khata properties to be converted to E-Khata and faster 15-day registration timelines for E-khata registrations is expected to further support the disbursement momentum.
- Telangana continues to recover gradually with disbursements improving each month, and the company expects the region to turn fully positive by 4QFY26.
- North and West zones posted 30% and 25% growth, respectively, during the quarter, reflecting broader regional traction.
- Average monthly disbursements in Karnataka in 2Q were INR2.6b, with Sep'25 reaching INR2.7b.
- The company aims for INR25b disbursements in 3QFY26, as the IT transformation rollout may temporarily moderate disbursements in 3Q. Subsequently, in 4QFY26, it expects to scale up disbursements to INR31b.

Prepayments

- Despite strong disbursements, AUM growth remained muted due to elevated prepayments.
- ~INR3.9b was due to BT-OUTs to other lenders (takeovers done by other lenders), rising from INR2.7b-2.75b in 1QFY26. Total loan closures increased by ~INR1.2b (~40% of this coming from Telangana). The company had taken a stringent stance against some DSAs following the fraud incident in FY23-24, leading some of these DSAs too shift customers to other lenders.

Asset Quality and Credit Costs

- GNPA decline is reflective of steady improvement across delinquency buckets (SMA-1, SMA-2, and NPA).
- Delinquencies reduced INR1.3b during the quarter, and the company expects further improvement in 3Q. The company expects GNPA to further decline by ~INR1b in 3QFY26.
- Delinquencies are expected to reduce further in 4Q, as it is a seasonally strong quarter. Overall, for FY26, the company expects lower credit costs than initially guided.
- Credit costs remained extremely benign, with minimal provisioning required during the quarter.
- Reduction in NPAs was primarily from the SENP (self-employed non-professional) segment, while salaried NPAs remained low at 0.68%.

Margins and Spreads

- Spreads expanded from 2.6% to 2.79%, while NIMs crossed 4% during the quarter, driven by a decline in CoB as the company received the entire benefit of repo rate reductions.
- The company received the full benefit of repo rate cuts across bank borrowings. At the end of 1Q, there was one large bank borrowing on the which company was yet to receive benefit; this was received in Jul'25.
- The company received an NHB sanction of INR15b at 6.8% (for affordable and regular refinancing), which is expected to further reduce CoB.
- About ~59% of the loan book is now on annual reset (vs. 67% in 1Q). The company expects some of these customers to get repriced over the next two quarters. The company does not expect any reduction in spreads and margins due to this, as any PLR benefits passed on to these customers will be offset by a reduction in the CoF on its NHB borrowings.
- Incremental long-term borrowing stood at 7.1%, while short-term borrowings (CP, WCCL) were sub-7%.
- Incremental borrowings are expected to come at lower rates than the current portfolio cost of borrowings.
- The company does not plan to pass on any rate cut benefit to customers in 3Q. If there are incremental repo rate cuts, company consider passing on 10bp PLR cut to customers.
- The company has moved all MCLR-linked bank loans to repo-linked borrowings a couple of years ago, improving the rate transmission and lowering CoB.
- It received an AAA rating for NCDs during the quarter, allowing access to slightly longer-tenure debentures.

IT Transformation

- The IT system's transformation is expected go live in 3QFY26 in two phases; the platform is being upgraded for process, UI/UX, and transaction methodology enhancements.
- Staff training is being conducted to adapt to the new system, expected to temporarily impact productivity for a few days.
- The new IT system is expected to improve process efficiency, accuracy, and TAT.
- Incremental IT cost of INR400m will impact opex from FY27 onwards, with cost-to-income expected at 19-19.5% in FY27.
- The system upgrade will allow workforce optimization over time, improving productivity.

Branch Network and Distribution

- South India remains the dominant geography, accounting for ~65% of branches.
- Expansion in Northern states such as MP, UP, Rajasthan, Gujarat, and Maharashtra is underway.
- The company continues to strengthen its 'feet-on-street' and sales teams and reduce reliance on DSA channels.

Roadmap for FY28

- **Geographical concentration mix** of 60:40 in south and north, respectively (vs. 68:32 currently)
- **Product Mix:** Housing and Non-housing mix of 80:20, respectively (vs. 85:15 currently)
- **Segment Mix:** Salaried and Self-employed mix of 65:35, respectively (vs. 69:31 currently)
- **Sourcing Mix:** Reduce DSA reliance to 60% of overall sourcing vs. 79% currently.

Others

- The company expects another 10bp cut in customer rates only if further repo cuts are announced; otherwise, spreads should hold.
- Incremental cost of borrowings are likely to be below the current CoB, supporting profitability.
- Salary revisions, which now occur once every three years, were implemented in 1QFY26.
- The company plans to enhance organic sourcing capabilities.
- The <INR1.5m ticket-size segment remains subdued post-CLSS withdrawal, with demand tied to government incentives.
- Karnataka and Tamil Nadu are performing well; Telangana remains under watch due to higher prepayments and construction-linked delays.



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CDSL

Neutral

Current Price INR 1,606

Business:

- CDSL opened over 6.5m demat accounts during the quarter, taking the total number of accounts to ~165m, while maintaining its market share at around 80%.
- The share of CDSL in the unlisted market stood at approximately 30–32%.
- During the year, around 3,593 unlisted companies were admitted.
- During the quarter, CDSL launched the Nomination Phase 2 feature, aimed at simplifying and strengthening the nomination process for investors.



- The company actively participated in World Investor Week, a global initiative to promote financial literacy and responsible investing.
- CDSL also launched the “SEBI vs. Scam” campaign to raise awareness about fraud prevention and empower investors to make informed decisions.

CIRL

- Signed two new deals during the year.
- The integration with LIC is expected to go live in Nov’25, which is likely to drive further growth in transaction volumes.
- Currently, CDSL earns revenue from three modes under the insurance segment: (1) from insurance companies, (2) directly from customers, and (3) from the broking channel.
- The online portal, launched six months ago, has shown a steady inflow of new users.
- The company is focused on strengthening partnerships within the broking channel, which is expected to be a key growth driver going forward.

CVL:

- Total income for 1HFY26 stood at INR928.4b
- Total Expenses for 1HFY26 stood at INR570m vs INR559.7m in 1HFY25
- PBT for 1HFY26 stood at INR360m vs INR880m in 1HFY25
- PAT for 1HFY26 stood at INR270m vs INR660m in 1HFY25

Financials:

- Annual issuer charges included INR 35.3m from the application and INR 53.9m from the processing of unlisted companies.
- Within transaction revenue, pledge income stood at INR 50.9m in 2QFY26 vs INR 50.5m in 1QFY26.
- Total other income of INR 590m comprised e-CAS/e-voting/investment income/other operating income of INR120m/INR200m/INR214.6m/INR60m, respectively.
- The average tax rate remained in the range of 22–25% (22% base rate plus education surcharge and other cess), depending on deferred tax asset (DTA) and deferred tax liability (DTL) adjustments.
- Impairment costs for the quarter stood at INR 50.7m.
- During 2QFY25 and 1QFY26, reported profits included significant contributions from dividends received from the subsidiary, amounting to INR475m and INR620m, respectively, which positively impacted profits for those periods. In contrast, profit reported for 2QFY26 was entirely driven by core operations and regular business activities, without any contribution from dividend income.



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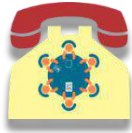
Cholamandalam Inv. & Finance

Buy

Current Price INR 1,695

Guidance

- Management shared that AUM growth above 20% is not seen as at risk for FY26.
- Credit costs are expected to be 1.6% for the full year.
- The company hopes to maintain 20-25% growth in FY27.
- Home Loans are expected to grow at 30%. Non-mortgage businesses are expected to grow at 20%.
- The company expects further ~10-15bp improvement in NIMs in 2HFY26.



- The company highlighted that all government actions are positive. While the benefits of these actions were not fully visible in 2Q, the medium-term outlook looks strong.

Financial Highlights

- AUM grew 21% YoY, while disbursements remained flat YoY/QoQ in 2QFY26.
- Vehicle Finance AUM grew 17% YoY, and LAP grew 33% YoY.
- Home Loan (HL) disbursements were negative during the quarter, but AUM grew 28% YoY. SME growth was healthy.
- NCL performance has shown improvement QoQ across other segments, and the company remains confident about further improvement in 2HFY26.
- Management expects the business to be stronger in 2HFY26. There is some concern about the extended monsoon and its potential impact.
- The company holds strong liquidity and a comfortable ALM position.
- CRAR stands at 20%, with Tier-1 at 14.5%.
- Management expects stronger performance in 2HFY26.

Disbursements and AUM Growth

- Management does not see 20% AUM growth being at risk, and 2HFY26 is expected to be strong.
- The company shared that momentum has remained strong in Oct'25 and expects growth and disbursements to pick up in 2HFY26.
- 2Q disbursements were impacted by festive holidays, delaying registrations. The company expects the momentum to improve in Dec'25 quarter.
- From Aug 15 to Sep 22, the market was in a wait-and-watch mode; since then, the benefits of GST have been observed in vehicles and other businesses.
- Gold business disbursed INR5b. This will further increase in 2HFY26 and will contribute to its 2HFY26 growth.
- HL and LAP were affected by SRO closures and holidays, creating disbursement pushovers; however, Oct'25 has shown improvement.
- Pickup in volumes is expected in 2HFY26, with LCV and SCV improving in 3Q.
- Growth continues in the CV segment even if asset quality stress has not fully receded.
- LCV growth was 5.1% during April–Sept; buses drove HCV numbers, although the company does not finance buses.
- Maruti financing: the company is in the top 4 financiers, achieving the highest number last month.
- Investments in consumer durables and direct digital lending are supporting disbursements and AUM growth.

CSEL Segment

- CSEL's decline was due to the stoppage of disbursements in partnerships. The unsecured portfolio in CSEL witnessed higher delinquencies in some markets.
- Credit cost losses in CSEL have peaked and are expected to moderate going forward.
- In the partnership business, there were issues with partner selection and weaker collection strength. The company believes performance is better under direct control.
- A supply-side rush was not recognized in partnership business, affecting asset quality.

Credit Costs and Asset Quality

- Overall, the net increase in Stage 3 has declined versus 1Q, and Stage 2 levels are stabilizing. From 1Q to 2Q, net slippages have been coming down.
- Net Stage 3 stands at 2.24%, and this is expected to moderate going forward.
- Despite monsoon impact, from 1Q to 2Q, Stage 2 remained broadly flat, while Stage 3 absolute value improved during the quarter as compared to 1Q.
- Capacity utilization will improve going forward, as it was impacted by monsoons.
- INR6.4b of write-offs had been done in 2QFY26.
- In Tamil Nadu, asset quality is back on track, and no disappointments are likely.
- Karnataka faced some challenges due to rains and e-Khata issues, but delinquency levels are improving. All southern states are expected to improve going forward.
- Overall, NCL stands at 1.8%, with a focus on reducing it to 1.6% depending on 3Q and 4Q performance.
- Management shared that the slightly extended monsoon impact remains a concern.
- The company shared that post agriculture harvesting period, and once kharif prices come in, capacity utilization will improve, and asset quality will also start improving in the CV segment.

Vehicle Utilization

- Vehicle utilization has been improving over the last 30-40 days, with the best results expected from December.
- Capacity utilization improved in some markets; however, it deteriorated in some others. The company expects that the Dec'25 quarter should see further improvement.
- HCV growth is flat due to segment challenges. SCV has picked up, and LCV has increased, indicating improvements will come with a lag effect.
- Post-Kharif crop prices, retail purchases, and mining activity are expected to improve MHCV purchases.
- Improved capacity utilization will enhance repayment ability and reduce delinquency impact in Stage 2 and Stage 3, leading to better results in 3Q and 4Q.

Gold Loan Portfolio

- Yields in gold loans remain healthy at origination, and the company is not looking to price below industry peers.
- Focus is on providing easy access and a great customer experience. The company does not aim to engage in pricing wars with competitors.
- The strategy is to build a strong customer franchise with healthy marginal yields.

Tractor

- Tractor business yields have declined due to increased competition and higher dealer pay-outs, which will impact ROA.
- The company plans to drive tractor disbursements to grow, with expected improvement in the coming months.

Margins

- NIM improved to 7.9%, and the company expects a further 10-15bp improvement in NIMs in 2HFY26.
- For both LAP and HL, 15bp has been passed on to customers.

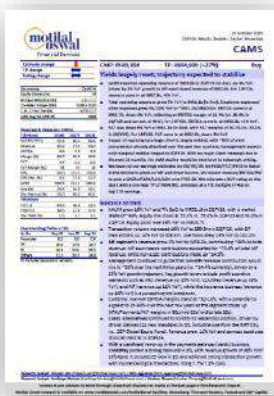
- MCLR pass-through from banks is ongoing, with most already reflected and some remaining to come in 2HFY26
- CCD conversion of INR20b will also have some positive impact on margins over the next two quarters.

Home loans and LAP

- Home Loans and LAP should be evaluated individually, as they are at different growth stages. Last year, LAP growth was higher; this year, it moderated due to higher starting balances.
- Disbursement levels are considered achievable, with no change in origination strategy or ticket size.
- HL is in the affordable segment with an average ticket size of INR1.3m, while LAP is INR6.5-7m, making them non-comparable.
- No shift toward a more aggressive origination strategy; the drop in growth is a function of higher starting balances.



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Computer Ages Management

Buy

Current Price INR 3,946

Financials

- Highest-ever quarterly revenue driven by growth across MF and key business lines in the non-MF segments
- EBITDA margins for the non-MF business currently stand at 10-13%, with management guiding for an expansion to 25-30% over the next few years.
- Segment-wise EBITDA margins: KRA/Payments/AIF in 30s/mid 20s/mid to late 20s.
- Asset-based revenue grew 5% QoQ, supported by a 7% QoQ increase in average assets, while non-asset-based revenue remained muted this quarter, due to subdued activity in operational processing (OP) and campaign/statutory-driven revenue streams, which are typically volatile and event-dependent.
- Management has reiterated its guidance of a 10-11% YoY increase in costs. The quarter included a one-off provision related to delayed collections, which temporarily impacted other expenses but would reverse in the next quarter.

Yields

- The impact of price renegotiations with a large client has largely played out, with ~90% of the yield impact absorbed over the past two quarters and only a marginal residual effect expected in the current quarter.
- Yield compression guidance (3.5%-4% annually) remains on track despite a stable equity mix.
- Management indicated that any further yield compression would be only from telescopic pricing effects.
- Expects no major client renewals due over the next 18 months, aside from a few mid-sized accounts, implying no material impact on overall yields.

MF business

- CAMS AAUM crossed a new milestone of INR52t in Sep'25 and has already touched INR55t in Oct'25.
- Absolute equity net sales reached an all-time high and market share improved to 69% from 65% in 1QFY26, despite market volatility.

- On the SIF side, CAMS launched its first SIF scheme (Magnum SIF from SBI Mutual Fund), garnering over INR10b in its NFO during Oct. More launches are expected from the AMCs associated with CAMS in the coming quarter.
- In last nine months, CAMS onboarded six AMCs (AngelOne, Unifi, Jio Blackrock, Ceybank Sri Lanka, Taurus and Choice). Three more asset managers to go live in the coming months.
- Unique investor base crossed the 43m mark in the quarter, up 17% YoY, faster than industry growth of 14%.
- During the quarter, CAMS won two RTA mandates, ASK Asset Managers and Alphagrep Asset Managers, taking the MF RTA total client count to 28.
- Around 33 NFOs were launched during the quarter, of which CAMS registered 80% share.

Non-MF Business

- CAMS non-MF revenue share improves to 14.4% in 2QFY26 vs 13% in 1QFY26 and 12.9% in 2QFY25.
- Key drivers include profitable verticals such as KRA, Payments, and AIF, while insurance business nears breakeven.

CAMS Alternatives

- Quarter recorded the highest-ever quarterly revenues. Growth guidance of 15% YoY is on track with no seasonality impact.
- During the quarter, CAMS launched India's first outbound retail fund from the region, DSP Global Equity Fund.
- Added 44 new mandates in the quarter.

CAMS KRA

- After a dip in 1Q due to soft market conditions and muted demat additions amid the derivative regulatory overhang, a strong recovery has since been observed with revenue growing ~45%.
- NSE KRA's integration with CAMS KRA is on track; SEBI NOC is received. Revenue will be accrued from 4QFY26.
- Currently, it has 20m PANs and with NSE onboarding, ~1.3m-1.4m will be added.
- Run rate of PAN additions: ~1m-1.2m PANs are added per quarter on organic basis.
- CAMS' key to scaling this segment lies in winning large clients. The company continues to make consistent efforts toward achieving this.
- Added 38 new financial institutions.



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CreditAccess Grameen

Buy

Current Price INR 1,332

Guidance and outlook

- The company guided for 70–100bp higher credit costs in FY26, and credit costs of 4.0–4.5% in FY27 (including 70–80bp from ECL revision).
- Management expects credit cost normalization starting 3QFY26, with new PAR accretion trending downwards from Nov/Dec'25.
- 3Q and 4Q are typically strong quarters; with on-ground normalization, the company remains confident of achieving its FY26 growth guidance.
- RoA expected at ~4% in 2HFY26, improving to ~4.5% in FY27.
- GLP growth to recover strongly in FY27 as delinquencies stabilize and collection efficiencies improve

[illegible]

Asset quality and credit costs

- Collection Efficiency (ex- arrears): 94.5%
- Efficiency (ex-arrears): 94.5%
- GNPA: 3.65%; NNPA: 1.26% (at 60dpd)
- Write-offs stood at INR6.83b in 2QFY26, including INR5.55b of accelerated write-offs. Additional credit costs of INR1.72b were taken against non-paying 180dpd customers.
- Stage 2 & 3 PCR increase QoQ. The company recorded an INR350m impact on ECL provisions from a higher LGD assumption.
- ECL model uses a 36-month rolling computation basis; any improvement in portfolio performance will gradually reflect in lower ECL rates over time.
- Management reiterated that the company has largely completed its accelerated write-off cycle, with limited residual clean-up expected

Business and growth highlights

- CREDAG delivered an improving performance in 2QFY26, despite the seasonally weaker quarter and a still-evolving macro backdrop.
- Disbursements stood at INR52.3b, up 39% YoY.
- 440K new borrowers were added in 1HFY26, of which 220K were added in 2Q.
- 39% of new 2Q borrowers were new-to-credit (NTC) customers.
- The portfolio share of unique borrowers increased to 41%, highlighting deeper market penetration.
- Branch network stood at 2,209, with employee strength of 20,701 as of Sep'25; annualized attrition was 28.9%.
- Management reiterated confidence in achieving 12–14% GLP growth in FY26, with stronger disbursement momentum expected in 2H

Liabilities and cost of borrowings

- CoB declined by ~8bp QoQ to 9.7%.
- Raised USD100m via multi-currency social loans (JPY & USD), which were priced lower than domestic borrowing rates.
- NIM steady at 12.8%; cost-to-income stood at 33.5%.
- Liquidity remained comfortable at INR20b (~7.3% of assets).
- The benefits of repo rate cuts on term loans comes with a lag of at least 2 quarters. The company expects major benefits to come in by FY26 end or in 1QFY27.

Portfolio and segment mix

- Retail Finance (RF) optically appears higher due to a temporary decline in Group Loans (GL), driven by accelerated write-offs. As the GL portfolio stabilizes, the RF share will moderate.
- GLP of borrowers with total unsecured indebtedness <INR200k improved to 7.2% (vs. 19.1% in Sep'24), reflecting strong deleveraging trends.
- PAR normalization is visible across geographies; delinquencies are largely crystallized in borrowers with >3 lenders, though 80% of these continue to repay.
- Retail Finance is gaining traction, aided by stable asset quality and improved risk controls at the branch level.

Funding, margins, and profitability

- Average CoB continued to decline; weighted average CoB declined 20bp YoY.

- 65% of borrowings are on a floating-rate (MCLR-linked) basis; repricing benefits are yet to fully reflect.
- NIM improved ~50bp QoQ to 13.3%, supported by risk-based pricing and improving funding profile.
- The company expects a further 50bp yield benefit as the pricing changes flow through. NIMs and profitability will also benefit from lower interest income reversals and steady operating leverage gains.
- Management guided for RoA of 4.0–4.5% in FY27, supported by NIM improvement, moderating opex, and normalization in credit costs

Operating efficiency and opex outlook

- Operating expenses are expected to trend toward 4.6–4.7% levels by end-FY26 and towards 4.3% levels by FY27.
- Opex benefits (~20bp) and improved pricing discipline will contribute to profitability from FY27 onwards.
- Opex leverage will be driven by higher productivity and broader utilization of the existing branch network

Product and pricing updates

- Group Loan pricing was increased by 75bp in the latest pricing review; future revisions will be data-driven. The company continues to follow a risk-based pricing strategy to protect spreads amid evolving credit dynamics.
- Retail Finance business continues to scale and is now operational in ~800 branches, with plans to add 200 more in 2HFY26. Retail Finance also includes Individual Business Loans and 2W Loans. The management targets Retail Finance to contribute ~15% of total AUM over time.
- Recent vintages show improved performance on early delinquencies (MOB basis), which should aid collection efficiency in coming months

Geographical and portfolio quality

- Asset quality pressure is largely localized to MP (partly due to rains), Maharashtra, and Bihar; other states remain stable.
- No visible election-related impact in Bihar.
- The company does not currently use CGMFU coverage, though it is evaluating selective participation for new disbursements. Based on its experience, it will look to scale it up in the coming years.

FIVE STAR


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Five-Star Business

Buy
Current Price INR 625

Guidance

- Five Star maintained its AUM growth guidance for FY26, expecting a pick-up in disbursements in 3QFY26 and stronger momentum in 4QFY26.
- The company remains confident of sustaining spreads of 13-13.5% in steady state.
- Reiterated its credit cost guidance of 1.25-1.3% of total assets (1.5-1.6% of AUM) for the next 18-24 months.
- Guidance for opex to assets of 5.0-5.5% of AUM in the short to medium term, as continued investments in technology, collections, and manpower offset near-term scale benefits.

The image shows a screenshot of the Motilal Oswal Five Star Business Finance financial statements for Q2 FY26. The document is titled 'Five Star Business Finance' and includes a table of contents. The main table displays financial data for Q2 FY26, Q1 FY26, and Q2 FY25. The data is categorized into various sections including Income Statement, Balance Sheet, and Cash Flow Statement. The table is presented in a structured format with columns for the respective periods and rows for different financial metrics.

- With incremental borrowings being raised at 8.5-8.6% and a ~27bp QoQ reduction in CoB this quarter, the company expects further reduction in CoB in the coming quarters, supported by an improving credit profile and liquidity.
- The company expects stabilization of 30+ DPD buckets in 3QFY26, followed by meaningful improvement in 4QFY26, driven by tighter underwriting, strengthened collections, and legal recovery initiatives.
- The new housing finance vertical will remain margin-dilutive in the near term but is expected to become a growth driver in FY27. It will help in product diversification and balance sheet stability. Due to this product diversification, the company expects steady-state RoA of 6-6.5%, even as the housing portfolio scales.
- Expects to scale up housing loans to INR1.5b-INR2b by end-FY26.
- Fee income will improve in the subsequent quarters in line with growth in logins and disbursements.

New product: Affordable housing finance

- The company commenced its housing loan product this quarter, with first few logins recorded in Sep'25.
- Housing loans have been launched across 175-200 branches with ATS of INR600k-800k. The company has introduced housing product only in its safest and strongest branches.
- Lending rates will be around 16-18%, with tenors of up to 15 years, depending on customer profile.
- Management expects housing loans to become a meaningful growth lever from FY27 onward.

Business trends

- 2QFY26 was a period of stabilization, with gradual improvement in 3Q and a strong recovery in 4Q.
- The company delivered a stable performance across key operating metrics in the quarter, with most parameters showing early signs of stabilization.
- The weakness witnessed in 1Q has largely been corrected, marking this quarter as one of stabilization.
- Green shoots are emerging in 3Q, with management expecting strong momentum from 4Q.

Disbursements and AUM growth

- Disbursements stood at INR11.2b in 2Q vs. INR12.9b in 1QFY26, with the decline attributed to stricter underwriting controls and layered checks implemented in the last quarter.
- These measures led to an increase in the rejection ratio from 23% in 1Q to 41% in 2Q, reflecting a deliberate tightening in risk assessment.
- The company expects disbursements and AUM growth to pick up in the coming quarters, targeting INR16b-18b in disbursements over the next two quarters.
- In Sep'25, disbursements crossed INR5b, signalling improving business traction.
- The company continues to strengthen both sales and collection infrastructure, preparing for higher growth once delinquency stabilizes.

Portfolio quality and collections

- Collection efficiency improved from 96.1% in 1Q to 96.7% in 2Q, indicating gradual but steady recovery.

- The focus remains on restricting forward flows and stabilizing 30+ DPD buckets, with stronger recovery expected in 3Q and much improved performance in 4Q.
- Legal recovery team (150 members) is showing strong results, with INR200m of NPAs resolved in the quarter.
- The company expects to recover INR750-800m of NPAs through auctions and negotiated settlements over the next few quarters.
- Behavioral normalization among borrowers is improving as secured lenders continue active recovery efforts, even in cases overlapping with MFI exposure.

Credit costs and asset quality

- The company maintained its credit cost guidance at 1.25-1.3% of total assets (or ~1.5–1.6% of AUM) for the next 18-24 months.
- Total ECL provisions stood at ~1.9% of total assets. The decline in Stage 3 PCR this quarter was due to higher write-offs of fully provided customer accounts.
- Management does not plan to increase its S3 PCR in the near term and guides for S3 PCR in the range of 42-45%.

Financial performance

- Yields declined sequentially to 23.2%, while spreads were broadly stable at 13.9%.
- NIMs were stable sequentially, though management expects a gradual decline as leverage increases due to a pickup in growth.
- The company raised INR10.7b of debt during the quarter at an incremental CoF of 8.56%, with overall CoB declining 27bp QoQ. With lower incremental borrowing costs, further reduction in CoB is expected.
- The company's decision to lower yields last year is expected to be offset by the decline in CoF, supporting margins.
- PAT grew 7% YoY to INR2.9b, taking net worth to over INR68b.
- The company continues to generate healthy return ratios, even in a challenging phase.

Geographic and portfolio insights

- Stabilization was visible across most geographies, with Karnataka remaining a relatively weaker pocket; however, the company has limited presence with only 5-6% of the AUM in the state.
- Andhra Pradesh and Tamil Nadu have shown meaningful improvements, with Tamil Nadu expected to exhibit stronger growth in the coming quarters.
- Delinquencies remain higher in sub-INR300k ticket-size loans, while larger-ticket segments (INR300k-1m) are performing better.
- The company continues to fine-tune its customer mix by shifting its focus to INR300k-500k and INR500k–1m ticket size segments and stronger borrower profiles.



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Fusion Finance

Buy
Current Price INR 171

Guidance

- By the end of 3Q or early 4Q, disbursements are expected to exceed repayments, at which point the book decline will stop and AUM will begin to grow.



The screenshot displays the Motilal Oswal Fusion Finance website. It includes a header with the company logo and navigation links. The main content area features a table with financial data, likely a balance sheet or income statement, with columns for various financial metrics and rows for different periods. The table is partially obscured by a watermark.

- The company expects the marginal COF to further trend downwards over the next two quarters.
- Guided for normalized/realistic credit costs of 3.5% going forward. However, the company is building sub 2.5% credit costs with strong guardrails.

Opening Remarks

- The broader macro environment is showing steady improvement, supported by stable rural output and gradual moderation in inflation, which is aiding consumption momentum.
- The rationalization of GST rates has improved affordability, particularly in semi-urban and rural regions, which is translating into better demand trends.
- Management emphasized that the recovery in consumption is not merely a temporary or one-off bounce but appears more sustained in nature.
- The MFI sector has strengthened meaningfully, with PAR levels declining across players and collection efficiencies improving, which demonstrates increased borrower discipline.
- The company remains positive on the rural economy, where improving visibility of rural cash flows is enhancing the overall quality of the loan portfolio.
- The primary strategic focus continues to be on quality-led growth while retaining a strong collection discipline and maintaining a robust, data-backed collection framework.

Asset Quality and Credit Costs

- Credit costs are expected to trend down significantly in the near term. CE levels have improved materially, providing confidence in lower forward credit costs.
- Credit costs declined to INR1.1b in 2Q, marking the fourth consecutive quarter of reduction. Collection efficiency was 98.5% overall, with CE on the new book at 99.5%.
- Forward flow (roll forward) from the current book is contained at 0.5-0.6%, indicating controlled slippage.
- Recovery from written-off accounts doubled to INR130m in the quarter.
- Total write-offs during the quarter amounted to INR2.5b.
- Total incremental provision, including write-offs and overlay adjustments, was INR1.3b.
- The new book now accounts for 63-65% of the total loan book and is performing with a CE of 99.47%; the older book's CE is at 98%. Overall CE improved to 98.89% from 98.65% QoQ.
- Roll forward rates reduced to 1.12% from 1.35% QoQ, driving improvement in CE. Roll-back rates have declined by ~15bps due to seasonal impacts from festivals and floods rather than portfolio stress.
- In first-bucket behavior, the company is performing 10-20% better than industry benchmarks.

Financial Highlights

- Disbursements increased 7% QoQ to INR13b in 2Q, supported by improved productivity and efficiency. The company acquired ~75k customers during the quarter compared to ~55k in 1Q, reflecting recovering demand and strengthened sourcing capability.
- 75% of 2Q disbursements were made to existing customers, indicating continued focus on low-risk repeat borrowers. The company remains focused on

Fusion and Fusion+1 customers to strengthen customer stickiness and repayment history.

- State-level and district-level expansion and portfolio strategies remain data-driven, enabling selective scaling.
- Approval rates improved to 27% QoQ, indicating better application quality and underwriting performance.
- ATS increased to INR56k, driven mainly by second-cycle customers who qualify for higher repeat limits.
- Waiver coverage for covenant breaches has improved to ~89%, with most major waivers now in place and similar trends expected in upcoming quarters.
- Interest income reversal was INR190-200m during the quarter.

Opex

- Cost-to-income ratio stood at 70.2%; the slight increase in opex was driven by a temporarily lower AUM base and is expected to normalize as the book expands.
- Some MSME branches were shut, and others merged to optimize the branch network and reduce opex.

ECL Provisioning

- The release of management overlay this quarter was due to prior over-provisioning, combined with improving collection efficiency and overall performance.
- The company released INR150m of management overlay during the quarter.
- The company had intentionally over-provisioned last year and will continue to release overlay gradually in line with ECL trends.

MSME vertical

- The MSME vertical continues to scale with an AUM of INR7.1b; the portfolio carries an average LTV of ~42% and yields an IRR of ~23%.
- The company remains focused on lending to small entrepreneurs and traders where cash flow visibility and customer engagement are stronger.
- The MSME business currently operates with a 56% approval rate and ~78% booking rate, reflecting strong underwriting and conversion discipline.

Disbursements and AUM Growth

- Disbursement growth has come despite a reduction in overall manpower, indicating improved field productivity and operational efficiency.
- The foundational work undertaken over the past several quarters is expected to support sustainable and profitable scaling going forward.
- There is no specific state concentration behind branch closures; rationalization has been more about merging branches across top states such as UP, Bihar, and MP.
- Repeat lending to existing customers tends to drive higher prepayments and pre-closures, impacting near-term book growth.
- Repayment rates are around INR20b quarterly, which currently exceeds disbursements.
- Continuous month-on-month improvement in disbursements is being observed, and management expects a significant step-up in 3Q.
- The company is actively working to increase the contribution from new-to-credit (NTC) customers and sees improving underwriting confidence in this segment.

- Over the next 1-1.5 quarters, ~75% of disbursements are expected to be to existing customers. From 4Q onward, this ratio is likely to move toward ~65% existing customers, with the balance comprising new-to-Fusion and NTC customers.

Strategic Outlook

- Internal models suggest credit costs could trend below 2.5%, although a more realistic near-term assumption remains ~3.5%.
- Strategic priorities for FY26 and beyond include accelerating customer acquisition and expanding presence across identified high-potential districts.
- The company continues to strengthen its underwriting and analytics models, which it believes are now stronger than most industry peers.
- Investments in people capability and AI-led process enablement remain a cornerstone of the operating model.
- Strengthening of capital position remains a key pillar for the next growth phase. The next tranche of the rights issue (INR4b) has been called, reflecting confidence in business performance and capital positioning.
- The MFI business has stabilized, and the MSME business is emerging as a strong second growth engine.
- The company expects meaningful book rebuilding next year, supported by improving disbursements.
- Book growth is expected to start turning positive around December-January.

Margins and Cost of Funds

- Cost of funds remained broadly stable at 10.35% during the quarter. Marginal cost of funds declined to 12.9%. Marginal cost of funds is expected to trend lower over the next few quarters.
- NIM improved to 10.9% supported by higher yields on incremental disbursements and lower income reversal from Stage 3 accounts.
- Yields on new loans are the easiest lever to adjust, and internal discussions are currently underway regarding pricing strategy for new and NTC customers.
- Industry-wide, many players have increased rates by 75bps to 300bps for NTC customers.
- Some MFI players are currently facing borrowing challenges.
- The company raised INR14b during the quarter and continues to have access to funding. Additional disbursement capacity will be supported by INR4b from the rights issue.
- Sanctions in hand amount to INR27.3b, indicating adequate liquidity for near-term growth.
- The company aims to broadly maintain NIM within ± 10 bps of current levels.
- The majority of borrowings during the quarter were fixed-rate, with only INR4-4.5b raised via variable-rate nature.

Technology

- The company is enhancing origination and servicing systems using AI for real-time KYC validation and process automation.
- AI model training is currently progressing well, and early results are encouraging.
- 90+ DPD recoveries maintained strong momentum; 30+ DPD performance outperformed the industry by 10-12%.



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HDB Financials

Neutral

Current Price INR 744

Guidance

- 3Q should be far better than 2Q/1QFY26. HDBFIN is positive on how it sees 3Q/4Q going forward.
- The company has guided for CIR of 41.5%-42% over the medium-term. It expects opex to average loans to remain in the range of 3.5-3.6%, in the medium term.
- NIM expanded ~20bp QoQ to 7.9%. The sweet spot for NIM is between 7.9% and 8.0%, and the company expects NIM to remain in this range in the coming quarters.

Loan Growth

- The company remains optimistic about an expected pickup in the retail segment in 2HFY26.
- It expects a better offtake in 2H. There was robust traction on the field in the first few days of Oct'25.
- It expects growth to pick up across all product categories. The business loans segment is also stabilizing and is expected to grow in the coming quarters.

Asset Quality and Credit Costs

- HDBFIN saw a stabilization in its MSME book in 1Q, which also continued into 2Q.
- On account of monsoons challenges—flash floods in the North and East led to area closures for 10-15 days, resulting in limited vehicle movement. This led to higher idling and lower utilization of vehicles due to unseasonal rains and floods. New slippages are primarily coming from the CV segment and partially from the CE segment.
- The company has guided for credit costs in the range of 2.2% on a normalized basis (through cycle credit costs).
- LAP has minimal credit costs, while CD comes at slightly higher credit costs. The company will try to manage its credit costs across its diversified product segments and aims to reduce its credit costs to moderate levels in the coming quarters.
- Assam was closed for 5 days, while the Northern Belt also faced challenges. However, proactive measures undertaken in July and Aug helped prevent slippages in September.
- LAP book has been fairly stable (very low on credit costs) and has operated in a similar range for the last 6-9 months.
- The company's product mix has evolved significantly from its pre-pandemic composition.
- HDBFIN has not made any changes in its provisioning approach.

Enterprise Finance

- Recent changes in gold loans regulations and the higher price of metal have helped it experience growth in the gold loans segment.

Asset Finance

- Faced challenges in CV segment – The company faced challenges in the CV segment in 1Q, which continued in 2Q as well. Based on its business insights, vehicle idling in 2Q was much higher than in the prior years. Deferment of demand for vehicles from the GST rate cut announcement and unseasonal

rainfall/floods in certain parts of the country led to higher stress in the CV segment.

- The company anticipates a positive momentum in the vehicle finance segment in the coming quarters, driven by the GST rate cut.

Consumer Finance

- The company expects Auto, 2W, and Consumer Durables to perform well, aided by various steps taken by the government to boost consumption, along with good Kharif sowing and growing farm income.
- It has started seeing a retail offtake in the first few months of October.

Product-wise Commentary

- Gold loans grew 10% QoQ and 40% YoY; post the harmonization of gold lending guidelines and rise in gold prices, gold loans are expected to offer favorable opportunities.
- **LAP book:** The company might have a few loans below INR1m, though most will be in the ATS of INR2.5m.
- **Micro-LAP:** The company does not have exposure to the micro-LAP segment.
- Business loans: It has been slightly conservative in this space and has highlighted this stress over the past three quarters. It now expects credit costs to moderate and decline in the coming quarters.
- Unsecured business loans are for smaller ticket sizes of ~INR300k and for shorter tenor.
- Relationship PL (Cross-sell PL) is offered to the company's existing customers (primary origination in any other product segment), with a good track record. While it could have CV/CE customers too, it primarily includes CD and 2W customers.

Financial Performance

- Customer franchise grew 20% YoY.
- Gross loan book stood at INR1.11t, up 13% YoY. Secured loans form 73% of the total loan book.
- Branch count stood at 1,749.
- NII in 2Q was INR21.92b, up 4.8% QoQ and 19.6% YoY; NIM in 2Q stood at 7.9% (v/s 7.7% in 1QFY26).
- CIR for the lending business stood at 40.7% (v/s 42.7% in 1QFY26).
- PPoP in 2QFY26 stood at ~INR15.02b.
- Credit costs stood at ~INR7.48b (vs ~INR6.7b in 1QFY26).
- GS3 stood at 2.81% (vs 2.56% as on Jun'25); PCR on S3 stood at ~54.7% (vs ~56.7% as of Jun'25).
- RoA (annualized) stood at 1.93% (including opening assets of ~INR90b of OFS money). Adjusted for this, RoA stood at 2.02%.
- The company remains well-capitalized, with a CRAR of 21.82% as of Sep'25.

Others

- The regulator's comments on the Oct'24 circular (in terms of overlapping businesses between banks and its subsidiary NBFC) is positive for HDBFIN.
- NIM is fairly stable in its BPO business; the uptick that it saw in BPO revenue was due to some of the deferred billings and revenue recognition.



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HDFC AMC

Buy

Current Price INR 5,395

Business

- The share of equity in the QAUM mix stood at 64.9% in 2QFY26 vs. 65.7% in 2QFY25 and 64.2% in 1QFY26.
- SIP inflows stood at INR45.1b, with 13.1m transactions in Sep'25.
- During the quarter, the company launched two NFOs: HDFC Innovation Fund, which raised INR24b, and HDFC Diversified Equity All Cap Active FOF, which raised INR11b. Currently no further product launches are in the pipeline.
- On the alternatives side, the platform continues to gain traction, supported by a strengthened team and new AI-led initiatives – closed a Category II AIF fund of funds of INR12b last year and launched a Performing Credit Fund, which is seeing strong investor interest. The company is also in final-stage discussions with a large global investor for participation.
- On the PMS side, steadily expanding its discretionary and non-discretionary offerings; onboarded Mr. Ashish, a veteran previously associated with a top-tier AMC.
- Under the GIFT City platform, HDFC AMC currently has five active funds, one of which was launched last quarter. Work is underway for the launch of inbound funds and outbound strategies.
- On the SIF front, approvals are in place, and the company is evaluating options and products best suited for the client segment, with updates expected soon.
- Amid rising demand for gold and silver, the company's Gold ETF AUM rose to INR141b in 2QFY26 from INR102b in 1QFY26, while the Silver ETF more than doubled to INR24b from INR9b in 1QFY26.
- Strong growth in the direct channel was driven by fintech players, significantly expanding investor reach and accessibility. In the past six months, it registered 15m SIPs, with notable contribution to both new flows and SIP registrations.
- Continued focus on expanding the product bouquet, strengthening distribution, leveraging technology, and building diversified businesses beyond mutual funds into PMS, AIFs, and products for global institutions investing in India.
- UBS Asset Management (Singapore) has entered into an investment advisory agreement with HDFC AMC to jointly offer an India equity strategy. This has gone live.
- With respect to regulations on new incentives for B30 – waiting for the final guidelines.

Yields

- Yields mix for 2QFY26 stood at: Equity ~58bp, Debt ~27-28bp, Liquid ~12-13bp
- Rationalization of commissions done in Aug'24 helped to reduce the impact of telescopic structure on the yield.

Financials

- The company reassessed and reversed income tax provisions from earlier periods amounting to INR468m, resulting in a lower tax rate and higher PAT. Without this reversal, PAT would have been INR6,711m.
- Guidance for operating opex remains at ~12-15% of total expenses annually.
- Employee costs include one-time non-cash ESOP amortization of INR420m for 2HFY26, INR670m for FY27, INR530m for FY28, and INR330m for FY29. Excluding

the ESOP costs, management guides for the employee costs to grow at normal levels as major investments on the hiring side have already been done.



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Home First Finance

Buy

Current Price INR 1,194

Guidance

- HOMEFIRS guided for an AUM growth of over 25% in FY26.
- Management remains optimistic about a better business momentum in 2HFY26, supported by an improving macro environment, GST rate cut, benign inflation, and proactive regulatory measures.
- Opex/AUM is expected to remain range-bound between 2.6% and 2.7%, as the company continues to invest in branch expansion and business growth.
- Cost of borrowings is expected to decline to ~8% by Mar'26.
- The company guided for credit costs of ~40bp in FY26, even as the management acknowledged that strong collection efforts will be required over the next few quarters to improve asset quality.
- Quarterly run-rate of assignment volumes will be in the range of INR1.5b-2b, while insurance commission income is expected in the range of INR180m-200m per quarter.
- The company plans to continue adding 5-7 branches every quarter, with new openings spread across both focus and emerging states.
- HOMEFIRS guided for NIM expansion to continue, with spreads in the range of 5.0-5.25%.

Opening remarks

- AUM grew 26% YoY to INR142b, reflecting continued strong momentum.
- Disbursements grew 10% YoY despite subdued macro conditions, driven by monsoon-related and tariff-linked uncertainties.
- Disbursement yield stood at 13.3%, while NIM expanded to 5.4% (up from 5.2% in the previous quarter).
- The cost-to-income ratio declined 220bp QoQ, and opex/AUM was stable at 2.6%, in line with expectations.
- The company reported RoA of 3.8% and RoE of 13.4%, with QIP money-adjusted RoE for 2QFY26 at 16.7%.

Branch expansion and opex

- The company continues to expand its distribution footprint strategically in existing markets while deepening presence in focus states.
- Branch network expanded from 101 to 163, up 61% in three years, while total touchpoints rose from 249 to 366, an increase of 47%.
- Of the 62 new branches added in the last three years, 36 were established in key focus states such as Gujarat, Maharashtra, Tamil Nadu, and Karnataka, and 26 in emerging states.
- During the quarter, five new branches were added, comprising three in Maharashtra, one in Andhra Pradesh, and one in Gujarat.
- In Uttar Pradesh, the company is taking a calibrated approach, focusing on consolidating operations in four to five large cities before deeper expansion. The company wants to understand the existing market before expanding it further.

- In Rajasthan, the company is already present across key markets and plans to deepen penetration further before expanding.

Disbursements and AUM growth

- Overall disbursement momentum has remained decent despite a prolonged monsoon and tariff uncertainty impacting sentiment.
- Disbursements under the co-lending business increased 1.8% YoY and 24% QoQ to INR970m, taking the co-lending book to INR5.1b (3.6% of total AUM).
- Co-lending is expected to gradually rise to 10% of total disbursements as the company scales operations.
- Disbursement volumes were slightly below expectations due to temporary macro headwinds; however, management expects sequential improvement in the second half.
- Rejection rates increased in some segments as the company adopted a cautious stance in markets affected by US tariff volatility. The company has deliberately slowed disbursements in certain pockets to preserve portfolio quality.
- Overall market share has improved from ~1.5% to 2.2% over the last three years, with 4-5% market share in particular states.
- In Gujarat, AUM has been growing at 20-22%, and management expects to reach 30% AUM growth over the next few quarters as market share gains accelerate.

Asset quality and credit costs

- Asset quality exhibited minor deterioration with 1+ DPD at 5.5% and gross stage 3 rising ~10bp QoQ to ~1.9%.
- Some stress persists in Surat, Coimbatore, and Tirupur, even as Surat is showing some signs of recovery. The company is taking proactive steps to enhance recoveries in stressed pockets such as Surat.
- Bounce rates were elevated during the quarter, but recoveries were strong, suggesting that the weakness was largely seasonal. First-bucket recoveries improved notably in October. Management believes that the asset quality issues are industry-wide and expects normalization over the next two quarters.
- There was no regional skew in stress trends, and bounce incidents were sporadic.
- Certain small-town exposures, particularly in tariff-impacted segments such as the leather clusters in Chennai and textile clusters in Coimbatore and Tiruppur, saw some stress.
- Some spillover from the micro-LAP segment was observed, but the impact was amplified due to tariff-related uncertainties.
- Management continues to maintain a prudent stance on provisioning; total ECL provisions stands at ~80bp of the loan book.
- The portfolio performance remains stable with unique customer collection efficiency at 97%, though management remains watchful and may recalibrate ECL provisioning (in March) if recovery trends weaken.
- The company clarified that stress is concentrated in a few regional clusters with sector dependence (textiles, leather, gems & jewellery), while the rest of the portfolio remains healthy.

Margins and CoF

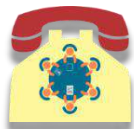
- Cost of borrowing declined ~30bp QoQ, partly driven by the benefit of reduction in repo rates and partly driven by the credit rating upgrade.
- Management expects further moderation in CoB, which should help maintain healthy spreads.
- The company expects to sustain spreads in the range of 5.0-5.25%
- Out of ~30bp decline in the CoB, ~20bp came from rate reduction and ~10bp from the credit rating upgrade.
- Improved liquidity and cash management are expected to support further NIM expansion.

Others

- Employee attrition increased slightly from 30% to 34% during the quarter; productivity remains somewhat muted as disbursement growth has been moderated.
- Individual housing loans accounted for 83% of the book, while BT-IN volumes remain negligible at <1%.
- The company currently has 3657 active connectors, with about ~78% of sourcing done through this channel (~9,000 files done via connectors).
- A tiered pricing plan has been introduced to enhance customer retention, including options for pricing breaks or small rate concessions where appropriate.
- The PMAY scheme 2.0 gained further traction during the quarter, with over 3,500 applications received and 38 customers sanctioned. The company expects further pickup in volumes under the PMAY 2.0 scheme as process turnaround times improve.



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IIFL Finance

Buy

Current Price INR 565

Guidance

- Loan losses/provisions expected to be lower in 2H. Credit costs guidance of 2.2–2.4% in 2HFY26; FY26 credit costs guidance at 2.8–3.0%.
- Gold Loans and Mortgages (HL + LAP) will remain the primary growth drivers.
- AUM CAGR guidance: 15–20% over the medium term; Co-lending to be a strong growth lever.
- Off-book mix guided to rise to ~40%, with current assignment income levels being sustainable.
- It is open to raising equity capital, if required, to maintain a healthy CRAR buffer.
- Guided for FY26 RoA of 2.5–2.8% (vs. 3% earlier), reflecting higher 1H credit costs in unsecured/MFI.

Business Performance

- PAT (pre-NCI) in 2QFY26 stood at INR4.18b; PPOp grew 38% YoY, driven by strong traction in gold loans and stable spreads.
- Consolidated AUM grew 35% YoY to INR901b.
- Off-book portfolio at 34% of AUM; co-lending book grew 40% YoY, aiding capital efficiency.
- CRAR (NBFC) at 18.6%, supported by the assignment-led strategy.
- Girish Kousgi has joined as the new CEO of IIFL Home Finance, driving a sharper focus on collections and asset quality.

Gold Loans

- Gold loan momentum remains very strong, aided by elevated gold prices and continued customer traction.
- Competitive intensity has increased sharply; industry players have raised incentives/bonuses to frontline staff.
- IIFL guided for robust gold loan performance in 2H, and remains confident of sustaining volume and customer growth.
- Credit cost guidance for gold loans: ~0.4% for 2H.
- Home Loans & LAP – Growth to Pick Up
- Within the Housing subsidiary, the company remained cautious in 1H, with a focus on tight collections and stabilizing asset quality.
- New leadership (Girish Kousgi) will be prioritizing stronger collections, stability in Home Finance, and maintaining discipline in underwriting.
- Home loans and LAP are likely to see better momentum in 2H as collections strengthen.
- LAP portfolio acknowledged as heterogeneous; seasoning impact visible in 1H.
- Broader industry home loan growth expected at ~13–14%.

Home Finance Outlook:

- 15% growth guidance in Home Loans.
- Improvement to be driven by better collections under the new CEO Girish Kousgi.
- Executed a small ARC transaction in Home Loans; may explore more selectively.
- Micro-LAP & Unsecured
- Micro-LAP, earlier a cross-sell product to MFI customers, has seen seasoning-led stress and weaker collections.
- Deterioration in the MFI segment caused stress in micro-LAP. Micro-LAP is impacted by cash flow issues among borrowers running small businesses.
- The company is reorienting the business, strengthening collection architecture.
- Unsecured business to remain small and cross-sell-led, not a growth pillar.

Microfinance (IIFL Samasta)

- Bihar was one of the first states where Samasta implemented the new guardrails, with arrears at ~6%. Bihar CE at ~99%, led by better on-field discipline.
- IIFL Samasta + 4 lenders is <5% of the GLP.
- Seasoning challenges are visible in the older book; new disbursements are performing better.
- MFI credit cost guidance: ~8% for FY26; 2H credit costs expected to be lower than 1H.



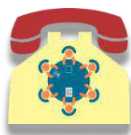
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KFin Technologies

Neutral
Current Price INR 1,088

Financials:

- Revenue growth: robust across segments; margins were temporarily hit by M&A and one-offs, but remain well within the guidance. Management expects to maintain current levels post-integration of recent acquisitions as well.
- Domestic mutual fund revenue share continues to gradually dip, with guidance to get below 55%, post-Ascent consolidation from current levels of ~70%



- Revenue breakup for 2QFY26: Domestic MF/International business/Global Fund solutions/Pension/AIF & PMS/Hexagram at 10.2%/7.1%/14%/21%/28%/54%.
- Revenue breakup for 1HFY26: Domestic MF/International business/Global Fund solutions/Pension/AIF & PMS/Hexagram at 13.5%/3.8%/12.7%/26%/29%/87%.
- Technology investment remains at ~18% of revenue.
- AUM Trend: Muted growth due to market softness; expected to improve with market recovery.
- The Cash and Cash Equivalence stood at INR6.9b as of Sep'25

Mutual Fund Solutions

- Yields are expected to compress by 3.5-4.0% per year due to telescopic pricing impact. Major renegotiations completed in the past 6–9 months. Only two contracts are pending renewal (one in the next FY, another in the FY after that).
- Net-flows continue to remain positive in Q2FY26 with ~31% share in industry net flows.
- The Value-added services as a part of MF revenue constitute ~5.2%, up from 4.8% in Q1FY26, showing steady progress.
- Secured four out of four new mutual fund mandates launched in India (including new AMC – Lakshya Asset Management), plus one transition mandate.
- These new launches are expected to contribute meaningfully over 3–4 years post sign-up.
- Won SIF mandates from three existing AMC clients. The pricing is expected to be in line with the equity schemes, but the cost in the earlier stage can be slightly higher, which will be offset in the near term.
- Recently launched Ignite, which has reached distributors across India. Alongside, introduced IRIS, a new platform ecosystem designed for financial intermediaries to serve clients across multiple financial needs — from mutual funds and pensions to loans and credit cards — all on one platform.

Issuer Solutions Business

- The margins saw a temporary dip during the quarter due to a cost reset on account of 1) a surge in new IPOs and 2) professional fees linked to unclaimed securities. This elevated costs temporarily and is expected to normalize over the next few quarters.
- Added 597 new corporate clients during the quarter, taking the total client base to 9,464, expanding beyond mainboard IPOs to include unlisted and SME issuances.
- KFin successfully managed India's largest IPO (LG Electronics). It transitioned a large mandate like BPCL recently. Further, it will be handling 2-3 IPOs per week; this pace is expected to continue until Dec'25.
- Retail folio growth due to expected stable market conditions ahead and a strong IPO pipeline to support margin recovery and top-line expansion.

International Business:

- International business is growing faster than domestic (30%+ vs. mid-teens), with recent acquisitions and mandates expected to drive future growth; management expects international operations to eventually surpass domestic business.
- Yields: Range between 6–7bp.
- Expect closure of significant contracts in the coming quarter.
- Onboarded eight new AIF clients in GIFT City

Wealth Segment:

- The platform has gone live with several clients, now fully multi-currency, multi-asset, and multi-geography ready.
- Live with several clients; advanced discussions underway in Singapore and the Philippines, where regulatory flexibility offers promising growth opportunities.
- This segment, though nascent, is among the most promising growth engines for the future

NPS Platform:

- Grew three times faster than the industry, commanding a 10.3% market share overall.
- Added 0.12m subscribers during 2QFY26; overall subscriber base stood at 1.8m.
- Added 540 corporate clients during 2Q, with the overall corporate client base at 4,360.

Ascent Acquisition

- Realizations currently range between 6bp and 8bp of average AUM, at ~6.5bp. Management expects these levels to continue.
- Ascent has become EBITDA positive across geographies. Ascent business to turn fully neutral in FY26 and become EPS accretive from FY27 onward.
- Over the next 3–5 years, Ascent's margin profile should converge with that of KFin's business.
- On overall growth, there was a one-time cost impact of \$2.8m this quarter: including \$2.1m related to staff retention bonuses and \$0.7m related to transaction expenses.
- Excluding these one-offs, profitability is in line with expectations and is close to breakeven to slightly profitable at the subsidiary level.



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L&T Finance

Buy

Current Price INR 296

Guidance

- Guidance for RoA of 2.8-3.0% by end-FY27 is organic in nature and does not factor in any benefit from the SR book.
- The company aims for credit costs of 2% over the medium-term; with its credit models focused on minimizing cyclicity in asset quality/credit costs.
- LTF will pursue risk-calibrated growth and had originally guided for loan growth of 20-25%. However, its growth appetite will be tempered with various risk parameters that it sees. It expects strong momentum in the 2W and farm businesses.

Macroeconomic and Sectoral Outlook

- Growth remains resilient on the back of private consumption; inflation is expected to remain low.
- Favorable prospect is supported by above-normal monsoons in most regions and healthy levels of reservoirs. Reservoir level stands at 90% (which is higher than last year).
- Rural demand continues to remain buoyant with strong motorcycle sales - GST 2.0 is expected to boost private consumption and domestic demand.
- Various initiatives taken by the government is already resulting in higher sales volumes in the festive season. MFI sector has shown signs of recovery, with sustained improvements in disbursement volumes and collection efficiencies.

- Overall credit costs have started to experience a downward trajectory and are expected to normalize in 2HFY26.

Microfinance

- Karnataka Ordinance: Karnataka CE has improved from ~98.5% in Jun'25 to ~99.2% in Sep'25, with expectations to improve further in 3Q.
- The company is expanding its geographical footprint to UP, Maharashtra, and AP.

Loan Growth

- There is a growth bias and the business volumes will be much better in 2H. Disbursement trajectory in 2W and Farm in Oct'25 is an order of magnitude, unlike what it observed in Sep'25.
- For BFSI, 2H will be strong for loan growth.
- Personal loans through digital partnerships have performed well.
- Over time, the company aims to move to secured : unsecured mix of 65%:35%.
- It will be deploying 200 gold loan branches in the latter part of the year. Gold loan growth will remain strong and will balance the slower growth seen in home loans. The company expects decent growth of 15% in MFI.
- The Prime SME business will continue to grow, with 2W's performance providing significant confidence.
- The company is witnessing several credit and collection cost efficiencies in the Tractor segment.

NIM + Fees

- Over the past 4-5 quarters, the MFI sector underwent several challenges, with its disbursements calibrated. The change in the mix resulted in yields coming slightly under pressure. Rural Business Finance disbursements have already picked up pace, and as this book continues to grow, the pressure on yields will naturally ease.
- It has also started growing its gold loan book, which is a higher yielding book.
- The company has guided for NIM + Fees in the range of 10.0-10.5%; more rate cuts will further support NIM.
- CPs can be further be increased to 12-13%, and there is still some scope for a reduction in the weighted average CoB (while most of the benefit has largely come in already).
- There is a sharp focus on making sure that yields improve across all product segments while keeping the asset quality healthy.

Opex

- Opex + credit costs have gradually been declining. The company had earlier guided for credit costs of 2.3-2.5%.
- LTF has been investing in new branches. It also acquired the gold loan business and goodwill, which was paid to acquire the gold loan business. It has built newer businesses, including SME, micro-LAP, PL, and Gold Loans.
- Opex is expected to continue declining and eventually reduce to 4% (but this will take some time). As the portfolio quality improves, both the credit costs as well as collection costs will decline.
- Opex + Credit costs can decline to 6% by end-FY27 (vs ~6.5% now), if the credit environment remains benign.

Liabilities

- LTF undertook ECB borrowings at the end of 1Q, which were drawn down in 2Q at lower interest rates.
- There are some bank borrowings as well (which were linked to T-bills), which have been re-priced.
- ALM permits the company to now offer higher short-term borrowings (given that it has started building its gold loan book).
- It is also maintaining lower liquidity on the balance sheet.

Macro-prudential Provisions

- The Board has approved utilization of ~INR1.5b for macro-prudential provisions and has residual macro provisions of ~INR1.25b as of Sep'25
- LTF will be looking at rebuilding its macro-prudential provisions; however, it will rebuild it through realizations from the ARC portfolio. It expects realization from ARC resolutions in 18-24 months.
- Stage 1 and Stage 2 included macro-prudential provisions. As these provisions have been utilized over the last 4 quarters, the PCR on Stage 1 and 2 has declined.

Gold Loans

- The company is working on expanding its geo-presence with over 200 new Sampoorna branches in FY26; it aspires to become a pan-India player in gold loans.

Home Loans

- Post the rate cut, there has been significantly pressure on Home Loan rates, and the market has also been very competitive.
- LTF has ensured to avoid a rate war and is growing only in pockets where there is not much pressure on yields. Home Loan disbursement volumes will remain weak for the next few quarters.

Personal Loans

- Almost ~40% of the disbursements have occurred through the Big Tech partnerships, where the origination costs are much cheaper than the traditional DSA channel.
- Quality of customers is also much better when originated through these Big Tech partnerships; these are predominantly salaried customers who can even receive loans from banks.
- The company is building a PL portfolio that will involve 80-85% salaried customers. It does not source self-employed PL customers from DSAs.
- DSA channel has a pay-out of 3% on PL and has different arrangement with different digital partners.

SME Business

- SME business saw some risk develop in ticket sizes lower than INR2.5m, while LTF has an average ticket sizes of INR2.9m.
- Within UBL, it operates at the higher-end of the spectrum.

Project Cyclops

- 100% of the underwriting in 2W, Farm and SME businesses are now being done through Cyclops. It is preparing to roll-out Cyclops in Personal Loans in 3QFY26.
- Gross Non-Starters (GNS) in 2W declined to ~0.47% in Sep'25 (from 2.36% in Dec'24).

- The company is progressing towards a fundamentally lower credit costs paradigm. With projection of full implementation of Cyclops and Nostradamus, it expects overall credit costs to trend lower in the medium term.

Financial Performance

- Consol. NIM + Fee remained stable at 10.22%
- Consol. disbursements were up 25% YoY and 8% QoQ.
- Consol. book stood at INR1.07t, up 15% YoY and 5% QoQ.
- Consol. PAT stood at INR7.35b (up 5% QoQ), and retail loan book stood at ~INR1.05t as of Sep'25.
- Rural Business Finance's 2QFY26 disbursements reached normalized levels at INR63.2b, up 16% YoY and 12% QoQ.
- 2W disbursements grew 15% QoQ, and personal loan disbursements are also scaling up well on the back of Big Tech partnerships
- Postponement in the month of September was due to the expected GST rate cuts, which led to a lower retail offtake during the month.
- 88% of 2W disbursements in Sep'25 was to the prime segment.
- Gold loan book stood at ~INR14.75b as of Sep'25.



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LIC Housing Finance

Neutral

Current Price INR 568

Guidance

- The company reiterated its NIM guidance of 2.6-2.8% for FY26.
- It expects to achieve ~10% disbursements and loan growth, driven by an improved business momentum and normalized BT-outs in 3Q/4QFY26.
- It has guided for credit costs to remain within the range of 15-20bp in FY26.
- The company sees potential to reach 13-14% annual growth over the next couple of years through structural and organizational improvements.

Economy

- RBI, in its October meeting, kept the repo rate unchanged and maintained a neutral stance.
- Monetary conditions remain stable. Retail inflation is under control.
- The housing sector demonstrated resilient demand in 2Q compared to 1Q.
- The overall environment reflects sustained demand; the company aims to gain market share and expects better performance in 3Q and 4Q.

BT-Outs and lending rates

- Growth remained largely flat QoQ and grew 6% YoY, impacted by high balance transfers (BT-out) during 2Q.
- BT-out stood at INR41.1b vs a normal quarterly run rate of around INR20b, primarily due to competitive rates from PSU banks.
- PSU banks are offering housing loan rates as low as ~7.35–7.5%.
- The company consciously avoided cutting rates earlier in the year to protect margins, but has now lowered its rewriting rates.
- The company will not be aggressive in reducing rates from here on with a focus to protect spreads and NIMs.
- The company has repriced PLR quarterly, with a 25bp reduction earlier in April.
- Going forward, management does not foresee any further PLR cuts unless there is a major change in repo rates, given recent adjustments in both rewriting rates and PLR.
- Rewriting rates reduced to 8% (7.5% base + 50 bps), depending on borrower risk profile and CIBIL score. With the new rewriting rates in place, Oct'25 data

indicates normalization of BT outflows, suggesting stabilization and improved customer retention from 3Q onwards.

- Management estimated that higher BT outflows resulted in a loss of about INR20b in business during the quarter. It also indicated that an earlier rate cut could have boosted loan growth by an additional INR15b.
- Focus remains on protecting margins and spreads rather than aggressive rate cuts.

Growth

- Disbursements grew 24% QoQ, though only ~3% YoY, which management views as an early sign of revival. 3Q and 4Q are traditionally stronger quarters, and the company remains hopeful of achieving its full-year disbursement and loan book growth guidance of ~10%, supported by improving momentum and reduced BT pressure.
- A strategic relook at the organizational structure is underway, focusing on offices, distribution, and channels.
- A consultant is being onboarded for a 3-6 month restructuring and productivity analysis exercise. The focus will be to improve agency productivity, especially from freelance agents who also work with other lenders.
- The company is developing two alternate channels for growth: 1) Increased focus on direct business channels and lead generation: INR8b loans were sourced through leads last year and INR7.5b sourced in 1HFY26; this channel is cost-effective, and 2) focus on growing subsidiary-sourced business from 10% currently to ~25% going forward by strengthening recruitment and sales capacity.
- The company remains cautious in construction finance, though undisbursed sanctions are expected to come through in 4Q (INR50b crore targeted in 3Q-4Q).
- Yields in project finance improved from last year.
- It is targeting overall growth of 13-14% after growth improvement measures are implemented.
- Customers are not overly sensitive to 20-25bp rate differences; BT-out levels are expected to remain contained.

Disbursement

- 2Q disbursement trends offer optimism; 3Q and 4Q are typically stronger quarters.
- Expect disbursements in 2HFY25 to be closer to the double-digit growth guidance.

Margins

- Around 43% of borrowings are repo-linked and benefit directly from lower market rates, while 53% are fixed-rate NCDs that will reprice gradually.
- Transmission of reduced PLR was fully reflected in 2Q as one-third of the book resets monthly and two-thirds quarterly (reset in July). ~100% of the book has been repriced with a 25bp reduction.
- CoB declined from 7.5% to 7.42%. The company expects further reduction in CoF as INR140-150b of NCDs get repriced. This should lead to a decline of ~10-12bp in CoF, leading to a modest NIM expansion.
- Incremental borrowing rates from banks are 6.75-6.9%; NCDs are around 6.9%.

- Incremental yields (by segment): Individual housing: 9.03% (portfolio 9.24%), Non-housing individual: 9.21% (portfolio 10.22%), Non-housing corporate (including project finance): 10.47% (portfolio 10.54%), and the overall average yield: ~9.4%.
- Incremental spreads are expected to improve as CoB declines.

Asset Quality/Credit Cost

- Asset quality remains stable and is expected to improve further.
- Despite higher credit costs in 1H FY26, the company continued to guide for credit cost of ~15-20bp for FY26. Management expects lower credit costs in 2H FY26 as several legacy stressed accounts (three large exposures) approach final resolution stages through NCLT, legal, or negotiated settlements.
- The company has made slightly higher provisions, leading to improved PCR. One of the reasons for increasing PCR was the higher management overlay on a few stressed assets, which have been outstanding from a long period of time.
- Though ECL did not require making provisions, the company has done it due to its internal policy.
- Management follows a 6-point formula-driven overlay approach, which has increased provisions but strengthened balance sheet quality.
- Most of Stage 3 loans pertain to legacy accounts (10–12 large exposures under NCLT, SARFAESI, etc.).
- 2–3 large loans (INR2b) are in final stages of resolution, likely by next quarter.
- During the quarter, one large corporate account with principal outstanding of INR1.4 saw partial stage 3 recoveries of around INR600m from corporate segment; others were largely retail.
- Stage 2 exposure: Individual housing: 1.15%, Project + non-housing commercial: 23%.
- PD and LGD are calculated using 10-year data.
- Legacy loan recoveries are progressing well through legal channels.

Opex

- Operating expenses remain low, mainly due to provisions for wage revisions.
- Employee cost expected at INR1.5b in 3Q; no major new hiring planned

Others

- The company continues to borrow more from banks.
- The construction finance portfolio was muted this year due to aggressive bank competition offering home loan-like rates.
- It expects undisbursed sanctions in construction finance to flow in 4Q.
- The company continues to balance growth with profitability, preferring margin stability over rapid expansion.



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Mahindra & Mahindra Financials

Buy

Current Price INR 323

Guidance

- The company expects AUM growth of around 15% YoY in FY26, supported by 18-20% disbursement growth in 2H FY26 as demand revives in the PV and tractor segments post the GST 2.0 announcement. Management expects the festive momentum to sustain through 3Q and 4Q, aided by improved rural sentiment.
- Management expects NIMs to remain steady at around 7% levels in 2H.





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- The company expects credit costs to remain at around 1.7% for the full year as it expects asset quality to improve in 2H.
- Although the disbursements growth is significantly low currently, the company wants to achieve a CAGR of 15% over the medium term.
- The company remains optimistic about the outlook for 2H, supported by the recent pickup in volumes and the positive impact of GST rate cuts. It is witnessing healthy traction in the tractor and PV segments.

Business performance

- The PV segment continues to contribute the largest share. 1Q was relatively muted, while the latter half of 2Q saw a positive uptick, and October witnessed a healthy momentum. The company expects this trend to sustain through 3Q and 4Q, benefiting from overall market recovery.
- Loan growth has been supported by healthy disbursements in the tractor segment, aided by a stronger rural economy and good monsoon, which continue to drive positive rural demand sentiment.
- Other vehicle categories remained broadly flat, while CVs still lag the overall recovery, though some improvement is visible.
- 2Q did not capture the full festive season benefits, but October trends indicate healthy 2H volumes, especially in PVs and tractors.
- The company expects to benefit from the GST 2.0 rate cut, which has already led to a revision in PV industry growth guidance from 5% YoY earlier to 12% in 2HFY26, implying around 8% YoY growth for FY26 (vs. 5% earlier).
- The company targets 18-20% disbursement growth in 2H and expects full-year loan growth of around 15% YoY, supported by improved demand across key retail categories. The company will continue to focus on PV, used vehicles and tractors.
- Trade advances book (dealer funding) stood at INR68bas of 2QFY26, reflecting a sequential increase, as this quarter typically witnesses higher utilization with dealers stocking up inventory ahead of the festive season. However, this segment carries relatively lower yields, leading to a marginal drag on overall portfolio yields.
- The company remains hopeful on how 2H will play out, supported by positive demand trends in PVs and tractors, though CVs continue to face some headwinds.

Segmental highlights

- SME: The SME segment reported AUM growth of about 5% QoQ and 12% YoY, supported by its expansion into new geographies.

Used Vehicles

- The share of used vehicle disbursements increased to 18% from 16-17% earlier.
- This segment remains RoA-accretive, with growth driven both by existing customers and open-market channels such as First Choice, online aggregators, and offline networks.
- Despite some price correction in new vehicles, which might impact used vehicles, the company continues to invest in used vehicle financing, given its profitability and growth potential.

New Vehicles

- Volume growth is expected to be partially offset by lower vehicle prices; however, a clear premiumization trend is emerging, with customers increasingly

opting for higher-priced variants. At the same time, new customers are entering the market through the purchase of entry-level vehicles, supporting overall demand momentum.

- The company expects discount levels to gradually normalize going forward, which should support pricing discipline.

Mortgage (HFC) Business:

- The housing finance business plans to accelerate disbursements now that asset quality has stabilized. The company also onboarded good talent in the leadership team.
- Focus remains on improving operating efficiency and running a profitable, disciplined franchise.
- The company has discontinued very small-ticket rural housing loans to enhance profitability.

Margins and CoF

- NIMs expanded from 6.5% in FY25 to around 7% in 2QFY26, driven by a 30bps sequential decline in CoB and higher fee income contributions. The rights issue led to lower leverage, further supporting NIM expansion. With the rights issue completed and leverage increasing going forward, near-term CoB benefits are expected reduce as capital gets deployed in the business.
- Of total borrowings, about 41% are floating-rate; repo and T-bill-linked borrowings have seen full transmission of rate cuts, while MCLR-linked loans are yet to be fully repriced, which is expected over the next few quarters.
- The company continues to derive funding advantage from higher reliance on CPs and securitization, which have supported lower CoB. The company will continue to focus on CPs and securitization, which will provide CoB advantage going forward.
- Fee income contributed about 1.4% of average assets and continues to rise steadily.

Asset Quality and Credit Costs

- The company aims to sustain credit costs at 1.7% and believes that 2H performance will more than offset the elevated provisions seen in 1H.
- Asset quality performance was better than historical trends. Typically, 2Q witnesses a seasonal uptick in delinquencies due to factors such as rainfall and rural cash flow disruptions; however, this year, Stage 2 + 3 remained flat compared to 1Q levels, and GS3 rose only 9bps QoQ.
- PCR remains at comfortable levels, and management guided that it will be maintained around 54-55%.
- The ECL model uses a 42-month lookback window (from Mar'22 cohort), and the company performs an annual refresh of the ECL model in every 3Q. The ECL reset is a manual, portfolio-alignment exercise incorporating GS2/GS3 stock, write-offs, and other variables.
- While the write-offs are currently elevated, they should remain at ~1.1% of the total credit costs of 1.7%.
- 2Q asset quality trends were steady despite localized disruptions in parts of North and East India, including Assam. The company expects limited improvement in 3Q but anticipates a meaningful uptick in asset quality in 4QFY26.

- Despite seasonally weak conditions in 2Q, Stage 2+3 assets remained broadly stable at 1Q levels, with GS3 rising marginally by only 9bps QoQ. Credit costs increased to 2.2% in 2Q (vs. 1.9% in 1Q) but management reiterated guidance of 1.7% for FY26, supported by expected improvement in 2H.

Subsidiaries

- **MRHL:** The subsidiary has turned profitable in 2QFY26, with GS3 below 3% and NS3 near 1% post ARC resolution. The focus will now shift toward accelerating disbursements while maintaining asset quality.
- **MIBL:** Now a wholly-owned subsidiary; being capital-light, it provides regular dividend income.



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Manappuram Finance

Neutral

Current Price INR 281

Guidance

- Standalone RoE guided at ~12%, with upside potential as non-gold businesses stabilize.
- Management guided for gold loan CAGR of 20-25%, even if gold prices correct.

Business updates

Gold finance- Remains the growth anchor

- Yields moderated to 19.7% and are expected to settle near ~18.5%, but RoA will remain at ~6% as CoB benefits offset yield compression.
- The focus continues to shift toward higher-ticket size customers and new customer additions remain healthy.
- Rate cuts aligned to market levels, especially in higher ticket slabs.
- OGL constitutes 87% of total loans.
- LTV policy remains unchanged despite relaxed RBI norms (85% up to INR2.5m).
- Expanding gold loan presence in Asirvad (520 branches), with co-lending to be the key driver of incremental growth.
- Management has highlighted that the culture of availing gold loans is deepening across the country, with a visible shift from the unorganized sector to formal players.

Asirvad MFI: Stabilizing, gradual recovery underway

- Asirvad's AUM stands at INR61.6b, including INR12.7b gold loans.
- New book (since Feb'25) showing ~99.8% collection efficiency.
- Profitability expected by 4QFY26 as credit costs taper.
- Asirvad received ~INR5b equity infusion from MGFL to strengthen balance sheet and improve resilience for FY26.
- Pursuing co-lending opportunities (10-20% participation); will remain conservative in growth.
- No plans to divest the Asirvad business.

Non-gold businesses: Strategic reset and consolidation

- Vehicle finance faced higher delinquencies in farm equipment and 2W; consolidation under CV vertical underway.
- Manappuram faced challenges in certain areas in collections. Hence, the focus is on strengthening collections and risk management; expects improvement over the next few quarters.
- Targeting INR1-1.5m ticket size in new disbursements.
- Created higher PCR on vehicle finance book.

- Re-strategizing non-gold portfolios for selective and sustainable growth in a calibrated manner.

Margins

- CoF declined by about 12bp in the quarter and is expected to decline further due to strong banking relationships.
- The company's strategy involves competitive pricing in alignment with the top players and plans to focus on volume-led profitability.

Leadership and strategic priorities- CEO Deepak Reddy's priorities (3 months into role)

- Accelerate gold loan growth – strengthen branch infra, leverage co-lending, and improve turnaround times.
- Revamp non-gold business strategy – enhance collections, operational controls, and cost efficiency.
- Organizational effectiveness – build a group leadership team by Jan/Feb'26, bring agility, and reinforce HR and tech capabilities.
- Subsidiary performance – stabilize Asirvad, scale housing finance, and pursue group-level synergy opportunities.
- Commit to transparent metric-driven communication.

Regulatory and transactional updates

- Bain Capital stake transaction in final RBI approval stage; expected clearance within a month.
- Post-approval, CEO to assume full operational control.
- All the regulatory queries have been addressed.

Other updates

- The RBI's recent initiatives enable partnerships with banks and financial institutions for co-lending — beneficial for Manappuram.
- LTV at 56%, with strong appraisal and risk controls in place.
- Manappuram raised ~USD200m ECB from Taiwanese banks.
- Board declared INR0.5/share interim dividend.
- The company plans to start disbursement in a calibrated manner, once stability is achieved in the non-gold portfolio.



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MAS Financials

Buy

Current Price INR 317

Guidance

- The management aims to achieve ~INR1t AUM over the next decade, targeting long-term growth of ~20–25%.
- Over the next 2–3 years, the company plans to increase the share of direct distribution to ~70–75%, enhancing control over credit underwriting and collection efficiency.
- The management expects the opex to assets ratio to be between ~2% and 3% and the CI ratio to be in the range of 35–38%.
- The long-term RoA target remains 3%+ with debt to equity of 4-4.5x.
- The quarterly growth in 3Q is expected to be ~5–7%, driven by an increase in eligible borrowers, lower rejection rates, higher enquiry levels, and expansion in manpower to cover a broader geography.

Metric	Q3 FY2025	Q3 FY2024	Q3 FY2023
Total Assets (INR Lakhs)	1,23,45,678	1,12,34,567	1,01,23,456
Total Liabilities (INR Lakhs)	98,76,543	87,65,432	76,54,321
Net Income (INR Lakhs)	12,34,567	11,23,456	10,12,345
Earnings Per Share (INR)	12.34	11.23	10.12

Opening Remarks

- The company has delivered consistent AUM growth of 20% CAGR (from INR21b in 2015 to INR130b in 2025) and profitability growth of 22% CAGR (from INR410m in 2015 to INR3.14b in 2025), including the Covid years.
- MASFIN continues to focus on stable and sustainable growth, maintaining a decade-long vision and consistent quarterly performance.
- With AUM expected to reach INR200b, MAS targets a well-diversified mix of ~65–70% MSME loans and ~30–35% other products.
- On the distribution front, the company maintains a strong presence across ~15k pin codes and collaborates with over ~200 NBFC partners who have performed well even in stressed environments (~35% of total AUM).
- The company expects the transmission of the rate cuts to benefit both borrowers and its own portfolio over the next two quarters.
- MASFIN continues to enhance operational efficiency through technological improvements, with its LOS system now equipped to handle all product lines and large retail volumes efficiently.

Opex

- The rise in opex was attributed to lower-than-expected disbursements, higher rejection rates, and additional staffing at distribution points, leading to increased employee costs.
- Interest spreads paid to fintech partners in the personal loans segment also contributed to higher operational expenses.
- The management stated that opex levels are also influenced by product configuration.

Asset Quality

- The management expects DPD to be in the ~92–95% range, emphasizing maintaining asset quality to take precedence over growth.
- A higher proportion of direct retail lending is expected to further improve portfolio quality, supported by prudent underwriting and risk management practices.
- Current DPD figures include previously disbursed loans, while newly originated loans form a smaller, higher-quality portion of the book.
- The combination of lender experience and borrower prudence, where borrowers only take loans they can repay, is expected to support good-quality credit growth.

MSME Business

- The stress in the MSME segment was primarily due to lenders' past indiscreet funding and borrower over-leveraging. However, it is now stabilizing due to prudent lending and better funding discipline.
- The company has exercised high caution in incremental funding, especially in tariff-sensitive sectors such as textiles, to mitigate risk.
- MAS remains cautious on the FMCG segment but indicated that overall, the impact of tariffs has not been significant.

MEL Business

- The management expects growth momentum to return in the MEL and MSME businesses, supported by an increase in eligible borrowers in September and October.

- Incremental borrower quality has shown improvement in the MEL segment, though growth is expected to remain range-bound. The company will focus on expanding in the SME and Wheels segments, which are expected to drive incremental growth.

MAS Rural Housing and Mortgage Finance Ltd (Housing Finance Subsidiary)

- The company plans to list its housing finance subsidiary within 3–4 years, once it reaches an AUM of INR40b–INR50b.
- The subsidiary is expected to grow at ~30–35%, depending on market opportunities. However, in 2Q, growth stood at ~25%, impacted by stress in the affordable housing segment.
- The parent company's holding is expected to gradually increase to around ~70–75% at the time of listing.

Liability Side

- The company maintains strong liquidity, holding INR10b in cash and equivalents, with an unutilized credit line of INR2.5b and an additional INR14b cashless facility, of which 70–75% is utilized as needed.
- During the quarter, MAS raised INR9b through term loans (maturity 3–5 years) and INR4.5b through non-convertible debentures (largely subscribed by institutional investors such as HDFC and HSBC mutual funds).
- The sanctioned borrowing facility stands at INR23b, comprising term loans, NCDs, direct assignments, and co-lending arrangements.
- In the last quarter, the company executed a direct assignment of INR9b AUM and secured further sanctions worth INR16b, to be utilized over the next two quarters.

Other Highlights

- The company plans to fund future growth largely through internal accruals.
- Management expects minimal equity dilution over the next 10 years and intends to retain a majority stake.
- MAS Insurance Broking Pvt. Ltd. (a subsidiary) has received IRDAI registration to operate as a Direct Insurance Broker (Life & General).



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MCX

Neutral

Current Price INR 9,665

Business highlights

- 2Q witnessed robust market activity, aided by strong trading volumes, increased product diversity, and broad-based participation across client segments.
- The company remains focused on reinforcing its market leadership by upgrading technology infrastructure, expanding participant depth, and introducing innovative products tailored to evolving stakeholder requirements.
- A healthy pipeline of new commodity products is in place, with necessary regulatory approvals already secured.
- Domestic mutual funds and AIFs demonstrated strong participation in 2Q, though portfolio management services (PMS) are yet to show a similar uptick.
- 17 new members were added during the year, with a healthy pipeline of additional members expected.
- Several mutual funds have launched or are planning to launch multi-asset funds, which include commodities as a component— expected to further drive participation.



- Co-location remains not permitted by regulators with no clear visibility in the near term.
- On 28th Oct'25, a technical issue triggered a temporary migration to the disaster recovery site. The incident stemmed from a predefined parameter limit in gateway services, which has since been rectified, and operations have resumed at the primary site. Engagement with SEBI continues about recent technical incidents; however, no penal action has been taken so far.

Launches

- Introduced Silver (30kg) and Silver Mini (5kg) monthly expiry contracts.
- Commenced trading of Cardamom Futures Contracts (effective Jul'25) with expiries in Aug'25 /Sep'25/Oct'25 and Nov'25.
- Launched a new Nickel Futures Contract (effective Aug'25) with a trading unit of 250kg and a delivery unit of 1,500kg, applicable from Sept'25 expiry onward.
- Introduced monthly Options contracts on the MCX BULDEX, covering both Gold and Silver, effective Oct'25. Management expressed confidence in steady volume build-up with participation from diverse categories of investors, including retail, hedgers and institutions. Foreign portfolio investors (FPIs) are currently restricted from participating in bullion index contracts, as these are not cash-settled per prevailing regulatory guidance.
- The recently launched electricity contract has gained traction, recording traded ADT of ~INR340m, over 2,000 traded lots daily, and open interest exceeding 1,130 lots. It has participation from 80+ members and a growing number of commercial entities. MCX considers the product promising and aligned with market needs, despite seasonal factors (e.g., extended monsoon) affecting recent volumes.
- Weekly options remain under evaluation, with no confirmed timeline for launch. The exchange continues to assess the feasibility, regulatory environment, and market dynamics for potential offerings in both equity and commodity derivatives.

Others

- 2Q transaction charges stood at INR1,140m from futures and INR2,230m from options.
- Share split record date will be announced shortly; some procedural steps are pending.

Nippon Life India Asset Management Ltd

Nippon Life India AMC

Buy

Current Price INR 863

Business

- Both equity sales market share (high single-digit) and SIP market share (>10%) continued to remain well above the overall equity AUM market share of 7.13%.
- With respect to the SIF initiative, the team is already in place, and fund launches are in progress. Management highlighted strong inherent demand from the HNI segment and remains highly optimistic about this product category.
- On the debt side, the fixed-income segment has started witnessing positive inflows across both short- and long-duration products. With a favorable long-term view on interest rates, management expects this momentum to sustain.
- During the quarter, NAM completed the NFO of Nippon India MNC Fund, raising INR 3.8b.

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The image shows a screenshot of a financial statement for Nippon Life India AMC. The table lists various financial metrics such as Assets, Liabilities, and Net Assets, along with their respective values and percentages. The document is dated 30th September 2025.

- The retail distribution share improved to 54% in 2QFY26 (vs. 50% in 1QFY26), driven by a strong retail investor base; management expects these levels to sustain.
- On branch expansion, NAM intends to focus on refurbishing existing branches, implying no material impact on operating costs.
- Digital transactions increased 15% YoY in 1HFY26 to 7.8m, contributing 75% of new purchases; notably, 43 new digital purchases/SIPs were initiated every minute during 1HFY26.

SIP Flows and Yields

- Approximately 25% of SIPs were sourced through fintech channels.
- Yields for the quarter: Equity/Debt/Liquid/ETF stood at 54bp/25bp/12bp/17bp. On an overall basis, average yields are ~36bp.
- Overall yields are expected to decline ~1–2bp on a yearly basis, mainly due to telescopic pricing effect.
- During the quarter, NAM rationalized commissions for one additional scheme, taking the total to four rationalized schemes, covering nearly 60% of total equity AUM.

ETFs

- NAM's market share in the industry ETF folio stood at ~50%, while its ETF trading volume share on NSE and BSE was 49%.
- Average daily ETF volumes across key funds remain significantly higher than the industry average.
- Gold ETF and Silver ETF closing AUMs grew 36% QoQ and 89% QoQ, respectively, with a combined AUM of INR 450b.
- During the quarter, NAM launched three new ETF products: Nippon India Nifty One Day Rate Liquidity ETF, Nippon India Nifty India Manufacturing ETF, and Nippon India Nifty India Manufacturing Index Fund.

AIF and Offshore

- Cumulative AIF commitments reached INR 87.2b as of Sep'25, reflecting a 30% YoY increase; during 2QFY26, NAM raised INR 6.2b across various asset classes.
- Ongoing fundraising includes: Nippon India Equity Opportunities AIF Scheme 10, Nippon India Equity Opportunities AIF Scheme 11, Nippon India Digital Innovation AIF Scheme 2A, A direct VC fund targeting early- to growth-stage startups.
- Fund deployment remained robust across all strategies during the quarter.
- Upcoming product pipeline includes the Nippon India Credit Opportunity AIF Scheme and the Performing Credit Fund.
- NAM continues to expand its global footprint across Asia, Europe, and Latin America.
- On the offshore front, AUM trended lower due to geopolitical uncertainties and mark-to-market (MTM) impacts.

GIFT City

- Currently, NAM operates two feeder funds — Nippon India Large Cap Fund GIFT and Nippon India Nifty 50 Bees GIFT Fund — with combined AUM doubling QoQ to USD 31b.
- The upcoming pipeline includes the Nippon India SHARP Equity Fund and Nippon India Digital Innovation Fund 2B.

Financial Performance

- Other expenses increased 11% QoQ, driven by branding spends, technology investments, and maintenance costs related to new office establishments.
- ESOP expenses for the quarter stood at ~INR 90m, including INR 60m from the newly introduced scheme.
- FY26 ESOP cost guidance stands at INR 420–430m, with INR180–190m already recognized in 1HFY26; for FY27, ESOP costs are projected at ~INR260m.



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The screenshot shows a research report titled 'Muthoot Finance' by Motilal Oswal. It includes a table of financial data for FY25 and FY26, and a section on 'Key Highlights'.

Parameter	FY25	FY26
Consolidated PAT (INR b)	43.9	50.0
Standalone PAT (INR b)	43.9	50.0
Standalone loan AUM (INR t)	1.32	1.32
Standalone Home Finance PAT (INR m)	100	100
Standalone Insurance PAT (INR m)	230	230
Standalone Money's AUM (INR b)	649	649
Standalone Money's PAT (INR m)	1.1	1.1

Muthoot Finance

Neutral

Current Price INR 3,695

Guidance

- MUTH upgraded its FY26 gold loan growth guidance to 30-35% (from 15% earlier), driven by favorable regulatory changes, higher gold prices, and rising demand amid tightening in unsecured lending segments.
- It expects a further decline in CoF and steady yields of ~18.5% in the coming quarters. The company expects a further 15-20bp decline in CoF.
- Belstar MFI's profitability is expected to gradually normalize in 2HFY26.
- The company targets to add 100-200 gold loan branches every year. It has applied for additional branch opening approvals from the RBI to further deepen penetration.

Financial Performance

- Consolidated PAT in 1HFY26 stood at INR43.9b, up 88% YoY, supported by strong growth in gold loans and improved yields.
- Standalone PAT rose 88% YoY to INR43.9b. 2QFY26 PAT was INR23.5b vs INR12.5b, an increase of 87% YoY.
- Standalone loan AUM grew 47% YoY to INR1.32t. Gold loan AUM rose 45% YoY to INR1.25t.
- Muthoot Home Finance reported a PAT of INR100m with Stage 3 at 1.69%.
- Muthoot Insurance reported a PAT of INR230m in 1HFY26.
- Muthoot Money's AUM grew 63% YoY to INR649b, with revenue rising 244% YoY to INR5b and PAT at INR1.1b vs INR50m in 1HFY25.

Competitive Landscape

- MUTH stated that although competition exists, the market remains large enough to accommodate growth for all players
- Banks have ~INR13t of gold loan portfolio compared to NBFCs' INR3t, indicating significant growth headroom.
- There is ample space for all players in the gold loan segment, with demand expected to improve industry-wide.

Business Highlights

- Management shared that robust standalone growth was led by high gold prices, regulatory tailwinds, and tighter credit rationing in unsecured product segments.
- The non-gold portfolio forms 12-15% of overall book; this is expected to expand further through products like personal loans and MFI loans.
- Focus remains on expanding branch presence, with plans to open 100-200 new branches in FY26.
- The company continues to maintain pricing discipline, with no signs of irrational pricing or teaser-rate competition in the market.

- Investments in branch expansion, brand building, and digital infrastructure remain key focus areas.
- The company adds 400k-420k new customers every quarter; similar run rate in new customer additions is expected to continue.

NIM and Yield Trends

- Yields were higher during the quarter, driven by the liquidation of deep (significantly old) NPA accounts, which resulted in interest income write-backs. One-off in interest income in 2QFY26 stood at INR3b-4b. Higher yields in the quarter came from accrued interest recognition in renewed and closed NPA accounts.
- Organic yields stood 18.5-18.75% and are expected to remain range-bound at the same levels.
- Gold loan interest rates range from 10-21%, with various schemes being tweaked based on market trends.
- Higher contribution from high-yield segments might have supported overall yield improvement during the quarter.

Funding and CoF

- Average CoF declined from 8.88% to 8.78% QoQ; a further 15-20bp reduction is expected by 1QFY27 as MCLR for banks have decline and NCD rates have soften.
- Incremental bank borrowings cost stood at 8.65-8.75%. All bank borrowings of the company are linked to MCLR.
- ECB borrowings form ~16% of total borrowings, primarily through bonds.

Asset Quality

- GNPA stands below INR30b. Auctions during 2QFY26 were INR50m (vs INR130m in 1QFY26).
- Average disbursement LTV stands at 70-71%.
- Customer recoveries remain strong; most borrowers redeem pledged gold instead of defaulting, as gold prices have increased significantly over the past year.
- The company has INR900m of the ARC pool left. It expects additional INR300-400m recovery apart from the INR900m.

Belstar MFI

- Belstar MFI reported an AUM of INR77b, with revenue of INR8.4b and a loss of INR1.6b in 1HFY26. GNPA stood at 4.58%.
- Losses declined to INR320m in 2QFY26 from INR1.28b in 1QFY26.
- The company opened 23 new gold loan branches and is diversifying beyond MFI following RBI's relaxation to hold up to 40% non-qualifying assets.
- Belstar is expected to focus on consolidation and improvement of the portfolio quality over the next 2-3 quarters. It expects gradual AUM growth thereafter.
- The MFI sector is showing renewed resilience, aided by adherence to MFNI guardrails and better underwriting.

Others

- Gold loan portfolio with ticket size above INR300k is 44% and between INR100-300k is 33%.
- Major operating expenses will continue to be on employee additions and advertising to support growth.



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NSDL

Buy

Current Price INR 1,150

Business:

- As of Sep'25, NSDL's total demat accounts crossed 41m, reflecting 4.9% incremental growth against an industry-wide contraction of 39%.
- The company's incremental market share rose sharply to 17.6% in 2QFY26, up 770 bp YoY from 9.9% in 2QFY25, underscoring its growing dominance in new retail account openings.
- The company has maintained leadership in the unlisted equity issuer segment, with a 73% market share and over 11.5k new company admissions during the quarter.
- It has achieved a key platform milestone of over 0.1m total issuers onboarded.
- Both subsidiaries contributed positively to consolidated profitability during 1HFY26.
- The company continues to focus on digital onboarding, new-age broker partnerships, and strengthening technology infrastructure.
- In terms of broker onboarding, a Bangalore-based fintech broker has begun scaling operations, while a Gurgaon-based fintech broker has recently been onboarded and is also expanding. Additionally, a large Mumbai-based broker has submitted its application for integration, with the impact expected to be reflected in the coming quarters.
- During the period, NSDL executed multiple technology initiatives, including:
 - Migration to a common contract note regime under the Steady platform.
 - Integration of proxy advisory recommendations in e-voting, aimed at enhancing retail investor participation.
 - Launch of the enhanced 'Speed-e' application, offering consolidated securities views for investors.
 - Implementation of direct pay-out settlements for securities earlier in FY26.
- In alignment with new and ongoing SEBI regulations, NSDL will soon launch:
- Nomination facility (up to 10 nominees per demat account).
- Systematic Transfer and Withdrawal Plans (STP/SWP) for mutual funds in demat form.
- Unified Investor App (Phase 2) and CAF platform for FPI registrations.
- Under SEBI's investor awareness campaign, NSDL reached over 79m investors and conducted more than 2.5k awareness programs during the year, engaging ~0.2m participants across Tier 1–5 cities.

NDML:

- The segment continued to operate profitably with a focus on franchise expansion and group synergy.

NPBL:

- Revenue grew sequentially by 33%, driven by an increase in quality customers (3m vs ~1.5m in 2QFY25), supported by growth in CASA and traction in the UPI acquisition business through the onboarding of high-quality partners.
- It surpassed 3m customers with deposits exceeding INR4b.
- It achieved the Scheduled Payment Bank status from the RBI in Jul'25, enhancing regulatory standing and scalability.

Financials:

- The revenue mix stands at 43:57 between recurring and non-recurring income.

- Recurring income comprises custody fees from listed and unlisted issuers, along with the new DLT component. Non-recurring income includes IPO and corporate action fees, joining fees, pledge fees, and data-related charges.
- Custody fee growth in 2QFY26 was driven by three structural factors: 1) expansion in unlisted issuers (~11.5k new companies onboarded in 2QFY26), 2) monetization of the Distributed Ledger Technology (DLT) platform, which commenced in Jun'25 (currently a small portion, with ~600 corporates billed during the quarter), and 3) strong momentum in corporate onboarding across both listed and unlisted companies. Future growth in custody fees will be influenced by continued issuer and demat account onboarding, along with broader DLT adoption by corporates.
- Contributions from unlisted and listed custody fees are now approximately equal in annual custody income.
- With the addition of recurring DLT fees, NSDL expects to further strengthen overall custody fee income.
- Corporate action fees, particularly from IPOs, remained a strong seasonal contributor, supported by a robust pipeline expected in 2HFY26.
- Joining fees for issuers stood at INR15k (listed) and INR20k (unlisted), contributing modestly to non-recurring income. Management indicated that the strong run-up in unlisted company onboarding has peaked, and some moderation is expected ahead, which could impact fee growth.
- On a standalone basis, PAT for the quarter rose 18.3% YoY. Excluding dividend income from subsidiaries, PAT increased ~23.6% YoY. EBITDA margins for 2QFY26 stood at around 64.1% (61.3% excluding dividend income).
- Management reiterated confidence in sustaining double-digit revenue and PAT growth, supported by expanding retail participation in capital markets, increasing digital adoption, market formalization, and a capital-light, cash-generative business model with stable margins.



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Nuvama Wealth

Buy

Current Price INR 7,319

Company Performance

- NUVAMA reported a healthy performance in 2QFY26, driven by broad-based improvement across businesses, including strong new client acquisition and recovery in asset services.
- Excluding the impact of large M&A transactions executed in the prior year, the capital markets business recorded YoY growth, supported by rising activity in the fixed income and ECM segments.
- The contribution of wealth management to consolidated PAT increased to 45%, up from 35% last year, reflecting the rising importance of the recurring-income business in the overall mix.
- For FY26, management guided for opex growth of around 8–10%, with roughly half attributed to inflationary increases (4–5%) and the remainder to business expansion, branch additions, and space allocation for the upcoming mutual fund business.
- Despite these investments, management maintained its PAT growth outlook of 20–25% for FY26, supported by the normalization of the loss of client impact on

Particulars	Q3 FY26 (INR Crores)	Q3 FY25 (INR Crores)	Q3 FY24 (INR Crores)
Revenue	1,234	1,100	1,050
Expenses	850	780	750
Profit	384	320	300

asset services business within the next 3–5 months and sustained flow momentum across wealth and asset management businesses.

Nuvama Wealth

- The company's deliberate focus on scaling MPIS, while treating broking as a product, has resulted in a shift in revenue mix — broking distribution moderated, while MPIS assets expanded strongly.
- The GenAI-powered client solution, piloted among top customers, received encouraging feedback and is expected to be scaled up progressively.
- The lending book expanded toward the end of the quarter, which led to a temporary mismatch between the average book and end-period book, thereby impacting NII growth.
- Roughly 25–26% of the lending book is financed through market-linked debentures (MLDs), which experienced some hedging volatility in the quarter. Management noted that, on a full-year basis, hedging typically contributes a ~50 bps delta to NII.
- ESOP-related processing income was lower during the quarter due to slower churn compared to 1QFY26, leading to a short-term dip in ESOP lending-related fees.
- The firm continues to strengthen its RM base, replacing exiting RMs with higher-productivity, bank-trained RMs, thereby improving efficiency and customer engagement.

Nuvama Private

- The private wealth segment is on track to deliver 25–26% growth in recurring assets for FY26, reflecting strong inflows and deepening client penetration.
- During the quarter, the firm leveraged syndication opportunities arising from its commercial real estate fund, which supported growth in transactional revenue, a trend expected to continue in the second half with INR700m-800m transactional revenue/quarter expected.
- The Dubai business, comprising 7–8 RMs, has already achieved breakeven, while the newly launched Singapore office expands the international footprint to cater to strong client demand. NUVAMA also plans to open an additional Dubai office outside DIFC.
- Around 70–80% of transactional revenue is derived from brokerage and fixed income, with the balance from unlisted and syndication deals.

Asset management

- The asset management business continues to scale up, with the commercial real estate fund raising INR2,4b so far toward a target size of INR40b, which is expected to close by mid-4QFY26.
- Around 30% of the corpus has already been deployed, and once deployment reaches 60%, a second fund will be launched — likely by 2QFY27.
- Gross sales in the AMC segment grew compared to 1QFY26, though a large client redemption temporarily affected public-market AUM. Flows are expected to normalize from 3QFY26 onward, supported by strong fund performance.
- NUVAMA has also applied for an AMC license to harness SIF opportunity and expects approval by April 2026. The move will allow the firm to offer lower-ticket products and expand access through traditional distribution channels such as banks, thereby enhancing yields.

- On the private markets side, three to four exits are expected shortly, with IPOs underway for some portfolio companies, which will boost NAV.
- Carry income will be accrued and booked periodically in commercial real estate and private credit, whereas private equity carry is recognized conservatively near the end of the investment cycle.

Asset services

- Following the loss of a key client earlier in the year, NUVAMA has recalibrated its asset services strategy and has already recovered ~50% of the lost business, with the remainder expected by January–February 2026, restoring volumes to pre-exit levels by mid-4QFY26.
- Industry concentration remains high, with the Top-10 HFT players contributing 60–70% of total market volumes, although this list typically rotates every 12–15 months, implying gradual reduction in concentration risk.
- The firm continues to add new clients at a steady pace. The segment's yield is expected to remain in the 2.6–3.3 bps range over the next 2–3 quarters, and will decline as new smaller clients ramp up.

Capital markets

- The capital markets segment faced a challenging environment compared to last year due to the impact of new F&O regulations, which weighed on industry trading volumes. However, activity rebounded in ECM, with IPO momentum returning in 2QFY26 and expected to strengthen further in 2H.
- The fixed income business performed well, with quarterly revenue rising from INR200m to INR300m, supported by robust demand in credit and debt placements.
- The business continues to maintain cost discipline, operating at a 38–40% cost-to-income ratio. Within consolidated PAT, Institutional Equities (IE) contributes ~12–13%, Investment Banking (IB) contributes ~7–8%, and overall capital markets account for around 20%.
- Management indicated that the proposed SEBI consultation on brokerage could have a INR200m-INR250m top-line impact on the IE business if no research fee is charged. However, this could be offset if brokerage stabilizes at 5–6 bps rather than the proposed 2 bps, mitigating potential downside.



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PNB Housing Finance

Buy
Current Price INR 920

Guidance

- Management maintained its guidance for FY26 loan growth of 17-18% and expects NIM to remain range-bound at 3.6–3.7%
- Credit costs write-back will continue for at least the next 2-3 quarters. Beyond that, it will depend on resolutions/recoveries from the corporate book.
- Intends to keep GNPA at ~1% over the medium term
- Reiterated its guidance for affordable book to reach INR150b by FY27
- Incremental CoF is expected to decline further in the coming quarters as repricing benefits flow through

Management updates (appointment of the new CEO not done as yet)

- The Board-led CEO selection process is ongoing and being conducted transparently; official disclosure will follow regulatory protocol

Particulars	Q3 FY26	Q2 FY26	Q3 FY25	Q2 FY25
Gross Disbursements (INR)	1,10,000	1,05,000	1,00,000	95,000
Gross Recoveries (INR)	10,000	10,000	10,000	10,000
Gross NPAs (INR)	1,000	1,000	1,000	1,000
Gross NPA (%)	1.04	1.06	1.00	1.05
ECL (INR)	1,000	1,000	1,000	1,000
ECL (%)	1.04	1.06	1.00	1.05

- The interim leadership team has ensured business continuity and consistent performance across key metrics
- Management reiterated that the core mortgage strategy remains intact, and no major directional changes are expected under the new leadership

Business updates

- The company continues to prioritize growth in the Emerging and Affordable housing segments, which together account for 38% of the loan book, growing 34% YoY.
- The total number of customer accounts crossed 350K during the quarter
- The company continues to expand its physical presence and will be adding 30-40 new branches annually, primarily in high-potential Tier 2 and Tier 3 locations. Currently, PNBHF has a total of 356 branches, with a target of ~240 branches (from the current 200) in the affordable segment by FY26-end

Asset Quality and Recoveries

- GNPA improved to 1.04% (vs. 1.06% QoQ), supported by recoveries and disciplined underwriting
- The company recovered INR590m from the written-off pool and auctioned 178 repossessed properties during the quarter.
- ECL release of INR700m was recorded from the foreclosure of a Stage-1 Corporate account (outstanding INR3.3b)
- Total write-off pool stands at ~INR10b, including ~INR6.75b corporate and the balance retail.
- A marginal sequential uptick in delinquencies was observed in the affordable housing segment due to portfolio seasoning; however, the delinquency levels remain well below industry benchmarks (0.51% vs. ~1.3% industry)
- Management remains committed to keeping GNPA below 1%, better than the industry average.

Segmental updates

Prime segment

- Disbursements remained flat YoY, as the company maintained a cautious stance.
- Focus remains on accelerating retail growth while preserving asset quality.

Emerging segment

- Disbursements stood at ~INR21.2b, up 23% YoY.
- Segment continues to exhibit healthy traction, supported by rising penetration in Tier 2 and Tier 3 locations.

Affordable segment

- Loan book stood at ~INR65.3b, up 121% YoY, reflecting rapid scale-up in this segment.
- Disbursements in 2QFY26 at ~INR8.3b, up 31% YoY.
- 40 new branches were added in 4QFY25; all are operational and contributing meaningfully.
- Expansion plans include entry into Punjab, Chandigarh, and the North-East in FY27.
- Major states in the portfolio include Tamil Nadu, Uttar Pradesh, Maharashtra, and Madhya Pradesh.
- 72% of the portfolio comprises loans within a ticket size of <INR2.5m
- Portfolio yield stood at ~12.2%, reflecting a higher share of informal/self-employed customers.

- The affordable segment is witnessing gradual seasoning, with 1+ DPD at 2.5%
- Bounce rates remained well controlled at 11.4% of which ~3.5% attributable to technical reasons.
- Company remains cautious of potential delinquency uptick as it expands into the informal segment (~30% share)
- PMAY 2.0 implementation has commenced; the company expects higher participation from informal (up to 35–40%) and self-employed (up to 45–50%) customer segments

Corporate segment

- Corporate credit policies have been revamped, with a renewed focus on calibrated, low-risk lending.
- Some sanctions and disbursements are expected in 3Q/4QFY26, with ticket sizes in the INR2.0–2.5b range.
- The approach remains cautious, with emphasis on portfolio quality and recoveries from legacy accounts.

Financial performance

- Total loan book stood at INR797.7b, up 15% YoY, led by 17% growth in the Retail book.
- Yields moderated slightly to 9.95% (vs. 9.99% QoQ), while incremental CoF remained stable broadly stable at 7.42%.
- CoB declined by 7bp QoQ to 7.69%, aided by repricing benefits and active negotiations with banks.
- Spreads improved to 2.26% (vs. 2.23% QoQ), though NIM moderated to 3.67% (vs. 3.74% QoQ), due to lower investment yields.
- Credit costs stood at -53bp, aided by recoveries from the written-off pool of INR590m and ECL release from the foreclosure of one corporate loan.
- 2QFY26 RoA / RoE stood at 2.73% / 13.1%, respectively.

Other highlights

- Sanction-to-disbursement ratio remained healthy at 68–70%.



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Detailed Concall Transcript &
Results Update**



Poonawalla Fincorp

Buy

Current Price INR 465

Industry Perspective

- The domestic economy remains resilient, supported by GST cuts, CRR rate cuts, benign inflation, and stable GDP growth.
- A reduction in GST is expected to boost consumption and will be further complemented by the festive season.

Business Overview

- The new businesses are in an active investment phase, focusing on strong operating leverage, low credit cost, sustainable profitability, and high RoA.
- Higher Stage 1 reflects stronger asset quality and prudent underwriting.
- Equity infusion of INR15b via preferential allotment to the promoter has been completed.
- Business operations are expanding with over 260 branches, including 160 gold loan branches.
- Launched 6–7 new businesses, each progressing well and at different stages of progress.

Poonawalla Fincorp

Q2 FY26

Income Statement

Particulars	Q2 FY26	Q1 FY26	Q2 FY25
Interest Income	1,234.56	1,123.45	1,012.34
Interest Expense	(876.54)	(765.43)	(654.32)
Net Interest Income	358.02	358.02	358.02
Other Income	123.45	123.45	123.45
Operating Profit	481.47	481.47	481.47
Provision for Credit Losses	(123.45)	(123.45)	(123.45)
Net Profit	358.02	358.02	358.02

Balance Sheet

Particulars	Q2 FY26	Q1 FY26	Q2 FY25
Assets			
Net Assets	1,234.56	1,123.45	1,012.34
Liabilities			
Net Liabilities	1,234.56	1,123.45	1,012.34

Cash Flow Statement

Particulars	Q2 FY26	Q1 FY26	Q2 FY25
Operating Activities	123.45	123.45	123.45
Investing Activities	(123.45)	(123.45)	(123.45)
Financing Activities	234.56	234.56	234.56
Net Change in Cash	234.56	234.56	234.56

- Actively deploying AI in operations and finance to improve efficiency and compliance.

Cost of Borrowing / Liability Management

- Reported CoF declined ~35bp QoQ.
- NCD contribution increased significantly from 7% in Mar'25 to 24% in Jun'25, and further to ~26% in Sep'25, enhancing the long-term funding mix.
- During 2QFY26, PFL raised INR23.55b via NCDs (including sub-debt).
- Share of variable-rate borrowings stood at 55%, positioning it well in a declining interest rate environment.

New Business Initiatives

- Prime PL launched in Aug'25; average monthly disbursement of ~INR4b in 2QFY26
- 26% of disbursements in 2Q were processed with zero manual intervention
- New product disbursements contributed 17% to total disbursements

STPL

- The erstwhile STPL book now constitutes only 2% of overall AUM. Of which 70% of the book is Odpd, and the balance is adequately provided, signaling the worst is over.
- Risk controls include multi-layered calibrations such as cohort risk models, fraud alerts, identity triangulation, channel prescreening, alternate data profiling, geo risk intelligence, and predictive risk frameworks.

Gold Loans

- Fully operational in 160 branches, with plans to expand to 400 by Mar'26, covering Gujarat, Haryana, Rajasthan, and Maharashtra.
- Monthly disbursement of INR1.1b in Sep'25.
- Business is witnessing continuous productivity improvements and is adding strength to the secured lending portfolio. Targeting geographical expansion in Tier 2 and Tier 3 markets.

Consumer Durables

- CD is now live across 10K+ dealer distribution points in 190 locations, and the company aims to scale this to 12K+ distribution points by Mar'26.
- Strategy involves building a massive retail customer franchise and penetrating retail chains.

Commercial Vehicles

- CV disbursements doubled to ~INR1b by Sep'25. New CV business disbursements stood at ~INR500m in the quarter.
- Onboarded 450+ channel partners across 49 locations in 12 states

Education Loans

- As of Sep'25, 1,000 customers have been onboarded. On track to scale to 500+ education consultants by Mar'26.
- Focused on post-graduate students as the core segment.
- Backed by 200+ dedicated sales personnel and ~200 partners, including key education consultants.

Distribution Expansion

- Gold loan branches expected to increase from 160 to 400 by Mar'26.
- The DSA network continues to expand every quarter.
- Multi-channel distribution model includes branches, DSAs, fintechs, and digital platforms.

Asset Quality

- GNPA improved to 1.6% from 1.84% QoQ; NNPA stood at 0.8%
- Credit cost remained elevated at ~2.7% of AUM.
- Engaged professional agencies to evaluate LGD and PD; benchmarking practices against peers.
- Within unsecured loans, the company will continue to focus on the salaried segment.
- PFL aims to calibrate and achieve best-in-class credit costs.

Loan Sourcing

- 18–20% of sourcing via in-house channels (branches, websites, digital). Remaining sourcing through DSA, fintechs, and other partners.
- Efforts will be made to increase self-reliance in sourcing over the coming years.
- Building a multi-sourcing model with 5–6 distribution strategies calibrated across products and geographies

Others

- AUM grew 68% YoY, supported by strong performance across all product lines.
- Continued investment in new businesses and distribution expansion.
- Employee base increased to ~5,081; branch network expanded to 250.
- Overall, CoB reduced due to capital market borrowings and a decline in interest rates.

Digital Transformation

- Full digitization of operational processes across the loan lifecycle to reduce TAT and enhance customer experience.
- Fast-track payment systems to reduce manual efforts.
- Next two quarters, the company will focus on the implementation of cost-optimization and automation tools.
- Strengthening the app and website with new features, improved UI/UX, and better performance.
- Strengthening brand through targeted social campaigns.

AI Initiatives

- Vision to become an AI-first organization.
- AI is being leveraged across 45 projects, with 16 successfully delivered and 29 underway.
- AI to enhance data integrity, compliance, and process automation across functions.



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Results Update**

Power Finance Corporation

Buy

Current Price INR 374

Guidance

- PFC maintained its FY26 loan growth guidance of 10-11%.

Financial highlights

- Consolidated loan book grew 10% YoY to INR11.46t as of Sep'25. Asset quality continues to improve with a declining trend in NPAs. Consolidated GNPA stands at 1.45% and NNPA at 0.3%
- On a standalone basis, the loan book grew 14% YoY and 2% QoQ to INR5.61t, supported by strong disbursements of INR860b, which were up 30% YoY in 1HFY26. Around 57% of disbursements were towards distribution projects and

The image shows a screenshot of a financial report from Motilal Oswal Financial Services. The report is for Power Finance Corporation (PFC) for the quarter ending September 2025. It includes a table of financial metrics and a section of management commentary. The table lists various financial ratios and figures, while the commentary discusses the company's performance, including its focus on generation projects and its financial health.

~30% towards generation projects covering both conventional and renewable capacities.

- The Board declared an interim dividend of INR3.65/share (cumulative interim dividend of INR7.35/share for 1HFY26).
- Yield was 9.98% and cost of funds was 7.43%, keeping spreads and NIM within guided bands at 2.55% and 3.62% respectively.
- CRAR was comfortable at 21.6% with Tier-1 at 19.8%, well above the regulatory requirement.

Disbursements and AUM

- The company entered its first cross-border project financing deal in Bhutan, financing INR48b towards a 600MW hydropower project. The lending will be in INR. The financing was done with the special approval of the RBI.
- The project is a partnership between Bhutan's Druk Green Power Corporation and Tata Power with a 60:40 shareholding structure. This marks a strategic move in regional energy cooperation.

Asset Quality and Resolution

- Net NPA is at a 10-year low of 0.37%. GNPA declined by 84bps YoY to 1.87% after the resolution of KSK Mahanadi last year.
- Total NPA book stands at INR104b with provisioning coverage of ~80%.
- Out of 22 stressed projects, 11 totaling INR84.7b are under NCLT, of which 6 projects (INR26b) are under liquidation with 100% provisioning. The balance INR20b is being resolved outside NCLT.
- Resolution plan for the Sinnar thermal power project (with exposure of ~INR10b) has been submitted for NCLT approval; current provisioning on this exposure is ~80%.
- No prepayment requests have been received for the Kaleshwaram project (INR260b exposure). Repayments are occurring as scheduled. The loan benefits from state guarantee and budgetary support, so management does not foresee prepayment or credit risk.

Borrowings and Foreign Currency Exposure

- Total borrowings stood at INR4.74t as of Sep'25, with ~20% in foreign currency.
- Total foreign currency borrowing is USD10.4b, of which 68% is USD-denominated, 19% is JPY, and ~11% is in EUR. ~95% of the foreign currency portfolio is hedged. The major portion of the unhedged portfolio was related to EUR-denominated bonds.
- There was an exchange rate impact of ~INR11b in 1HFY26 on the unhedged portion and some derivative positions. Euro appreciated ~8% vs USD during 1H, leading to MTM losses. In case of any positive exchange rate movement, the company would have the opportunity to reverse these losses, as these foreign loans have long-term maturity. In the last few days, the company has been seeing favorable EUR-USD movement.
- During 1HFY26, the company signed a JPY60b loan with JBIC for a bamboo-based bioethanol project and raised USD180m from Export Finance Australia for clean energy financing. These collaborations highlight the company's commitment to diversifying global funding sources and accelerating India's clean energy journey.

Regulatory Updates (RBI Circulars)

- Project financing norms issued in Jun'25 are effective from Oct'25. Existing loans continue under old norms unless the terms change.
- The provisioning requirement is 1% during construction and 0.4% in the operational phase. PFC already maintains ~1% on Stage 1 & 2 assets, so no major P/L impact. Any incremental provisioning required over and above ECL will be created through impairment reserve, without impacting the P/L.
- Draft circular on infra exposure risk weights (effective Apr'26) introduces detailed classification for lower risk weights. Risk weights are split into 50% and 75% slabs based on repayment track record and project conditions. Work is ongoing to assess portfolio-wise effect.

Margins

- Yields dipped marginally from 10.01% to 9.98% due to competitive intensity from banks and other institutions like HUDCO, IRFC, and NABARD. So there is definitely competition, but there is enough opportunity for everyone to grow.
- Market rates align with repo trends; if repo declines, CoF will reduce, and spreads should remain stable as pass-through to borrowers happens gradually.
- The company does not expect a higher share of renewables loans to materially impact margins.

Repayments

- Repayments of ~INR850-900b are expected annually, which is large. The company will maintain prudent lending and match disbursements with project revenue visibility.
- Total prepayment stood at INR190b in 1HFY26. Of this, ~INR100b of prepayments were under the generation segment, from two major projects.

Renewable

- Cancellation of projects by various agencies (reference to some of the media articles) was only in those projects where the project was not able to sign PPAs with the DISCOMs.
- PFC only finances projects with signed PPAs, eliminating exposure to PPA risk.
- Rising electricity demand is expected to drive further network and distribution capex under RDSS. LIS and LPS scheme — those were one-time schemes, and now repayments will start coming in.

Others

- The company maintains a policy of distributing 30% of PAT as dividends, while balancing CRAR requirements.
- PFC has no plans of doing a share buyback in the near future.
- Sanctions during 1HFY26 stood at INR1.52t across the different segments in generation, transmission, distribution, and infrastructure.



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Results Update**

Prudent Corporate Advisory

Neutral
Current Price INR 2,483

Business Highlights

- Quarterly AAUM reported a steady growth of 8% QoQ to INR1.2t, this excludes the integration of AUM contribution from Indus Capital MF (~INR21b)
- The equity AUM grew 13% YoY, led by strong net sales during the quarter (the strongest in history)
- The net sales trend for Oct'25 came in higher than Aug'25/Sep'25 sales.



- The SIP market share improved to 3.5% in 2QFY26 from 3.4% in 2QFY25; target monthly SIP flows to be at INR12b by Mar'26 from the current run-rate of INR10.9b.
- Of the new SIP flows, ~1/3rd come in the small- and medium-size segments.
- Despite a 1.4% negative MTM, outperformed NIFTY 500's -6.2% — indicates resilient retail inflows and distributor quality.
- Prudent remains highly optimistic about the SIF (Structured Investment Funds) opportunity, though its current participation is limited — with only about 200 certified distributors, compared to 3,000+ certified distributors industry-wide. Of the two NFOs done under this segment, it generated INR90-100m
- MF sharing with distributors stood at ~65-67%, and management guided for no change in the strategy in the near term.
- Attrition near-zero among top 10–20% partners; minor at small-AUM level.
- On the distributor onboarding front, added ~4,800+ new ARNs (highest ever) in FY25; and ~3,100+ as of YTD FY26. No slowdown in distributor additions.

Insurance Distribution

- Revenue grew ~11.5% QoQ, led by strong traction in fresh retail health premium of INR1.6b, up 33% YoY.
- However, the sequential yield dip was due to INR35m of earlier-period revenue recognized in Q1FY26. Adjusting for this, it came in on a stable basis, excluding the GST impact.

Acquisition of Indus Capital MF

- Management expects annual revenue contribution of ~INR220-230m.
- Management reiterated that Indus acquisition earnings accrue from Oct'25 onward, adding a new revenue layer from 3QFY26.
- Cash profit before tax is ~INR150m.
- Adds 15 experienced managers, strengthens scalability.

GST Impact on the Insurance Segment

- Life Insurance: ~30% of business impacted with 18% revenue cut.
- Health Insurance: ~70% of the business was impacted; actual effect under negotiation.
- Final impact to be assessed post-Dec'25.
- Premium growth in Oct'25 outpaced Aug'25 and Sep'25, aided in part by the recent GST exemption. However, management indicated that it is unclear whether the uptick is solely attributable to the GST benefit, as other underlying factors may also have contributed.

SEBI Consultation paper on TERs for AMCs:

- Exit Load Benefit Removal: 5bp cut; overall impact on industry TER: 4–4.5 bp.
- Brokerage Cost Proposal: Reduction on cash to 2bp and on Derivates to 1bp – 2-2.5bp impact for AMCs
- On an overall basis, the net impact on TERs is expected to be at ~6–7bp across the ecosystem (shared proportionately).

Financials:

- The MF AUM for the quarter was up 8% QoQ, while the MF revenue was up 9%. The difference was attributed to an extra calendar day impact of ~INR30m and stable yields.
- For 1HFY26: MF AUM was up 19.8% while MF revenue was up 18.4%; the difference was due to back-book repricing.

- On the distribution of non-financial products front, sequential growth seen; YoY decline due to absence of liquid loan income (INR69m in 1HFY25). Base effect to normalize; expects growth resumption in 2HFY26.
- Other income was down 20% QoQ, led by lower treasury income due to MTM losses and lower yields.
- The profits were impacted by lower treasury income (MTM losses) and additional trail commission provisioning, which combined dragged the earnings by INR43m. Adjusted profit aligns with the revenue growth trend.
- Commission & Fee Expenses up 10% QoQ vs revenue growth of 8.9% QoQ, driven by recording of INR20m additional trail commission. Guides for lower commission provisioning in 2HFY26 compared to last year
- Under the ESOP scheme, it will distribute 0.13m shares to 338 employees at INR542/share with ESOP costs of ~INR71m for FY26, which is divided over the remaining four months.



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Detailed Concall Transcript &
Results Update



The screenshot shows a research report from Motilal Oswal Research for Repco Home Finance. The report includes a table with financial data and a detailed text analysis. The table has columns for various financial metrics and rows for different periods. The text analysis discusses the company's performance, growth, and future prospects.

Repco Home Finance

Neutral

Current Price INR 420

Guidance

- Repco is confident of achieving an AUM of INR162b by Mar'26, with December quarter disbursements between INR11–11.5b and March quarter disbursements expected at INR13.5–14b.
- The company targets an AUM of INR250b by FY28, inclusive of both organic and inorganic growth, supported by aggressive growth plans and selective book purchases to meet the guidance.
- ROA is expected to reach 2.95% in Dec'25, with full-year FY26 RoA guidance at 2.9-3.0%.
- The company guided more write-offs in 3Q/4QFY26

Opening Remarks

- Growth momentum continued in the quarter, reflecting positive trends in the housing finance segment.
- Quarterly disbursements reached the highest levels in the company's history, and grew ~23% YoY to INR10.7b in 2QFY26, while the loan book grew ~8% YoY to INR150b.
- As of Sep'25, the non-salaried segment accounted for ~53% of loans and ~47% to salaried borrowers, with housing loans constituting ~71% of the portfolio and home equity loans ~29%.
- Reported yields improved QoQ to 12.1%, while the cost of borrowings declined to 8.6%, resulting in spreads improving QoQ to 3.4% and NIM expanding to ~5.5%.
- GS3 assets declined to 3.2%, whereas NS3 assets increased QoQ to 1.6%. PCR on S3 loans was reduced by ~12pp QoQ to 52.5%.
- Geographic performance saw TN contributing 57%, Karnataka 12% and Telangana 5%, with notable improvements in Gujarat, Rajasthan, and MP.
- The company initiated diversification of its borrowing profile, receiving a positive response from banks and mutual funds for CP and NCDs, and continues to engage with banking partners to reduce interest rates.

Disbursements

- Disbursements benefited from new branch additions over the last 24 months, with the 30-32 new branches contributing significantly to growth.
- Disbursements are expected to increase further, along with a simultaneous increase in AUM.

Cost of Funds

- The company witnessed a marginal reduction in CoF, lowering the benchmark lending rate from ~10.1% to ~10% effective July 1, 2025.
- Since assets are repriced quarterly, the benefits of the MCLR cut have been passed on to all borrowers, who are now benefiting from the rate reduction.
- Out of total bank borrowings, ~INR60b are due for reset in the next three months.

Operating Expenses

- Employee costs increased due to realignment of the incentive policy, in line with industry practices, aimed at motivating higher sales, disbursement, and collection efforts.
- Incentive adjustments, coupled with promotions and elevation of employees to higher positions after 2.0–2.5 years, contributed to higher salary costs.
- The company also recruited experienced personnel in sales and collections, expecting improvements in growth and collection efficiency.
- Silver Jubilee celebrations led to one-time expenditure in the form of gifts to honor loyal employees
- Expansion over the last 3 years, with 40–45 new branches and additional manpower, further contributed to the rise in employee costs.

Asset Quality

- INR60m has been recovered from written-off accounts this year, and a dedicated special cell has been established to monitor recoveries, targeting an additional INR80–90m in 2HFY26.
- Systematic measures have been implemented to reduce GNPA, including appointing general managers exclusively for TN branches and for branches outside TN, strengthening the recovery review mechanism, and conducting focused meetings on NPA recovery.
- Underwriting standards have improved substantially over the last 6–7 quarters, with a dedicated credit review cell ensuring proper checks before disbursement approval.
- Total provisions stand at INR3.75b, with a PCR of 52.54% on S3 assets. GNPA is expected to reduce from INR4.75b to INR4.5b by Dec'25, with S2 assets expected to decline to ~INR12.8b.
- The company does not have concentrated industry-wide exposure (textile) and is geographically diversified across TN, mitigating risk from sector-specific issues such as tariffs.

Other Highlights

- BT outs remain under control, consistent with previous quarters.
- ESOP and Dividend payouts are currently being reviewed at the Board level.
- DSA sourcing has contributed to growth momentum, and an internal team is being built to complement this channel. DSA accounts for ~48% of sourcing, with the remaining ~52% from other channels.



Click below for
Results Update

- The incentive structure for housing loans (HL) and loan against property (LAP) is uniform, with incremental yields at 11.17% for HL and 13.55% for non-housing loans.
- The company plans to open 10–15 branches in FY26, including 5 in the west, 2–3 in Karnataka, Maharashtra, and the remainder in TN.
- Fresh proposals have been submitted to NHB for INR5b-INR7.5b, while discussions with Repco Bank are in progress to reduce exposures and CoF.

REC

Buy

Current Price INR 359

Guidance and outlook

- Management is confident of delivering 11-12% loan growth in FY26, supported by a strong sanctions pipeline, healthy disbursements, and normalization of prepayments in 2HFY26.
- REC targets to scale up to a loan book of INR10t by FY30, with renewables comprising ~30% of the total portfolio.
- Stage 2 assets are expected to decline further in 3Q/4QFY26 as recoveries from Kaleshwaram (the residual ~INR50b) and other projects continue. The company does not expect material prepayments over the next two quarters, apart from regular quarterly repayments from DISCOMs and some prepayments under RBPF.
- REC expects NIMs to remain in the range of 3.5-3.75% and spreads at 2.75-3%.
- The company is confident of becoming a net-zero NPA entity by end-FY26.

Opening remarks

- REC continues to be one of the strategic institutions in India's power, infrastructure, and logistics ecosystem. As a trusted arm of the Government of India, the company plays a key role in supporting several flagship government initiatives such as the RDSS, Late Payment Surcharge Scheme, Consumer Service Ratings, and Integrated Ratings of DISCOMs.

Financial highlights

- REC reported its highest-ever 1H profit of INR88.8b in 1HFY26, up 19% YoY.
- Loan book grew 7% YoY to INR5.82t, while total income rose 12% YoY to INR298b.
- Asset quality continued to improve with NNPA declining to 0.24% as of Sep'25, and the CRAR remained comfortable at 23.7%.
- Yields were broadly stable at 10.06%. NIMs remained steady at 3.64%.
- Disbursements during 1HFY26 stood at INR1.15t, marking a strong 27% YoY increase, with 2QFY26 disbursements at INR559b. The distribution segment constituted the largest share of disbursements, followed by conventional and renewable energy segment.
- State sector continued to dominate the loan book, accounting for 86% of the portfolio, while the private sector contributed 14%. Borrowings stood at INR5.07t and remained well-diversified across sources.
- Asset quality improvement remained a focus area, with GNPA and NNPA consistently declining. The company maintained a PCR of 77%, with Stage 1 PCR at 0.86%. Stage 2 assets reduced by 52% during the quarter, aided by recoveries, including INR114b from the Kaleshwaram project.

- Currently, REC has 11 assets under NCLT and one asset outside NCLT under resolution.
- The company's committed order book of INR2.5t provides strong visibility for future growth.

Prepayments

- Prepayments stood at INR490b in 1HFY26, including INR114b from Kaleshwaram Irrigation, ~INR200b under the RBPF scheme (including ~INR100b under RBPF from Andhra/Telangana) and ~INR30b from the Adani group. Management shared that, excluding prepayments, the loan book would have grown by 16% YoY.
- Prepayments were primarily from borrowers repaying through internal accruals.
- REC received ~INR114b from the Kaleshwaram project, which reduced Stage 2 assets. Total outstanding in Kaleshwaram was INR170b, and the balance (~INR50b) is expected to be received in 3Q/4QFY26. The project was backed by a state guarantee, resulting in limited PCR reversal.
- The company does not expect significant prepayments over the next two quarters, apart from the usual quarterly repayments from DISCOMs.
- REC receives regular repayments of INR80-90b each month, and prepayments occur only when DISCOMs have surplus cash.

Sector outlook

- Management was extremely bullish on the Indian power sector, which is expected to require investments of nearly INR46t over the next 4-5 years. The renewable energy capacity target of 500GW represents an investment opportunity of INR21t.

Additional capacity build-outs include:

- Thermal: 80GW requiring INR5t
- Hydro: 21GW requiring INR1.16t
- Nuclear: 22GW requiring INR2t
- Pumped storage: 50GW requiring INR1.85t
- Battery storage: 74GW requiring INR1t
- Transmission & Distribution: INR13t
- REC maintains a 20-25% market share in the power financing space, financing roughly one in every four bulbs lit in India. Maintaining this market share could translate into an incremental INR10t business opportunity over the next five years, supporting its FY30 loan book target.
- The company foresees strong power demand, driven by growth of data centers, clean energy integration, and improved payment security mechanisms for DISCOMs. REC believes tariff reforms and payment discipline among state utilities will strengthen further, and the clean energy ecosystem will expand rapidly through battery and pumped hydro storage projects, aiding India's 2070 net zero goals.

Government programs

- REC continues to serve as the nodal implementing agency for major government initiatives. Under the PM Rooftop Solar Yojana, REC has already covered around 170m households, with 70m added in just the last six months.
- Under the RDSS scheme, 19 states and UTs are actively participating, with encouraging progress seen in subsidy disbursements and coordination with power

regulators. Management reiterated confidence that the power sector is undergoing a healthy transformation through these reforms.

- REC is also expanding into new infrastructure verticals. The company will sign an MoU with the Ministry of Shipping to invest in India's maritime sector. Further, the company is exploring opportunities in metros, ports, and road transport projects, prioritizing infrastructure assets with stable and predictable revenue streams.

Asset quality

- Two key projects, Sinnar Thermal and Hiranmaye Power, are under advanced stages of resolution. Sinnar Thermal is expected to see a final hearing in 3QFY26, while the Hiranmaye case is pending judgment at the Supreme Court, expected by 4QFY26.
- The company made regular provisions of ~INR3.7b during 1HFY26, which were offset by reversals of INR5.6b due to rating upgrades, an LGD-related adjustment of ~INR1b, an additional provision of ~INR1.06b on account of delay in COD, and an ECL provision reversal of ~INR2.7b related to TRN Energy. As a result, net credit costs in 1HFY26 stood at a write-back of INR4.9b.
- Stage 2 assets as of Sep'25 stood at INR161.1b. This included Rayalaseema with outstanding of ~INR7.4b, TSWRIDC with outstanding of ~INR94b, Teesta Urja at INR33b, TRN energy at INR10b and O2 power at INR12b. The company is getting regular payments from them.

Margins and CoF

- REC's borrowings profile remains well-structured, with 80-85% being fixed-rate. Around 20% of borrowings are redeemed annually, with the remaining spread over the next five years. Hence, the benefit of lower-cost funding will accrue gradually.
- CoB has gone up from 7.12% to 7.17%. Borrowing cost has increased because of some of the risk-mitigation measures taken by the company in its foreign borrowings (given the volatility in the exchange rates).
- Foreign borrowings are 99% hedged. CoB increased by 8-10bp because of higher hedging costs and the company now has higher protection from the volatility in currency rates.
- The company reduced card rates in May'25 to remain competitive, especially in the renewable segment, where REC and PFC offer among the lowest rates in the market.
- Both REC and PFC together hold around 20-25% market share each in power financing and target to maintain this position. The recent sovereign credit rating upgrade has not yet translated into any material borrowing cost benefit.

Others

- Currently, six states (UP, Karnataka, TN among others) contribute the largest share of DISCOM debt. The Government of India is working on a debt restructuring package for these states, which is in advanced stages of consultation. Once finalized, it is expected to strengthen DISCOM balance sheets, enabling higher capex and further improving REC's growth prospects.
- Overall, management remains bullish on the power sector outlook, backed by strong policy momentum, growing renewable capacity, large committed order book, and improving sectoral fundamentals.



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Shriram Finance

Buy

Current Price INR 820

Guidance

- SHFL continued to guide for NIM to improve to 8.5% by 4QFY26 and NIM of >8% over the medium-term. Liquidity declined towards the end of Sep'25.
- Liquidity reduction came in the later part of September, and the benefits will accrue over the next few quarters; Guided for NIM of 8.5% by 4QFY26. NIM for FY26 would be between 8.2%-8.3%.
- SHFL will target a 16-17% AUM growth in 2H.
- Incremental CoB was 8.07% and the company expects an additional 10-15bp reduction in CoB in 2HFY26.
- SHFL maintained its credit cost guidance at 2% despite the credit costs trending lower in 1H

Outlook

- In Aug/Sep'25, there was some deferment of customer demand. However, SHFL saw very good traction in Oct'25. Demand has been quite good, and it expects this momentum to continue in Nov'25 as well.
- Reduced the liabilities to some extent, so there is an improvement in CoF and the NIM.
- SHFL expects a good quarter coming ahead, as October was very positive, and there is an indication that it will continue in November as well.
- SHFL has not added new branches and employees in the last quarter. The company is trying to see if it can maximize productivity. In some of the places, it has merged branches and consciously decided to work on productivity gains rather than branch additions. We will get to see the benefits of productivity improvements only next year.

Management changes

- Mr. Parag Sharma has been appointed as the MD & CEO effective from Dec'25, and Mr. Sundar will be appointed as the new CFO.
- There will be two COOs who will be relocating to Mumbai to support Mr. Parag Sharma. They have earlier had roles across the country (they have been with SHFL for the last 30 years). Among the two COOs, one COO will focus on the CV business and the other COO will focus on the retail business.
- Mr. YS Chakravarti's moving into other Group companies was part of the succession planning, which was done at the time of the merger. YS will move into one of the non-lending businesses of the Shriram Group.
- A Chief Sales Officer (from among the existing Jt-MDs) has been appointed to grow the business.

Strategic changes

- SHFL would also like to grow the new vehicle business going forward. It expects some material advantages coming into its CoF. Customers have an aspiration to upgrade themselves to a new vehicle. The company has always had a relationship with the OEMs, but now it wants to strengthen that relationship. It wants to be in the entire ecosystem.
- SHFL will primarily be giving new vehicle loans to its existing customers. Even today, a large proportion of its new vehicle customers are its existing customers. New Vehicle Funding in the disbursement mix is between 10-15% across

quarters and will remain around these levels going forward as well. SHFL is not going to push for new vehicle funding

- There will be a special focus on Gold loans. SHFL will have one of the Regional heads taking over as the Head of Gold loan business. The company is planning to roll out more small-format branches exclusively for Gold loans (preferably manned by 3-4 people), and these will be small 200-250 sqft branches.

Financial Performance

- GS3 stood at ~4.57% (PQ: 4.53%). S3 PCR stood at 46.7%. Stage 2 has declined by ~35bp QoQ to 6.92%
- NIM improved by ~8bp QoQ to 8.19%
- CIR stood at 27.8%
- CRAR stood at 20.7%
- RoA/RoE in 2QFY26 stood at 2.9%/15.4%
- The Board has declared an interim dividend of INR4.8/share
- Employee count stood at 78833 (PQ: 79186); Net reduction of 353 employees.

Liabilities

- SHFL has reduced the excess liquidity, wherein some of the loans were pre-closed and not much incremental borrowing was done in the quarter (except for some securitization transactions).
- Overall debt has declined in 2QFY26. Overall liquidity is now adequate for three months of liability repayments.
- The company has been working with the Credit Rating agencies for a Credit Rating upgrade. Given the product mix, diversification, and a pan-India presence, it expects the CRAs to look at an upgrade favorably in the future.
- There is a scope for the borrowing rates to come down. ~87% is Fixed-Rate borrowings and ~13% is floating-rate borrowings. The company plans to increase the proportion of floating-rate borrowings.
- Plans to increase the proportion of public deposits to ~30% (from ~28% currently).

Gold Loans

- Gold loan yields range between 12-18%.
- Economies of scale will play a bigger role in gold loans after it crosses a certain size threshold.
- Until now, SHFL has only been focusing on Gold loans where the gold jewelry was 20-22 carats. Now it would look to attract customers by offering gold loans even against lower carat gold jewelry.
- Over a period of time, SHFL would also open standalone gold loan branches.

MSME

- SHFL has not seen any challenges in its MSME business. Since the higher US tariffs came into effect only from Oct'25, it will have to cautiously monitor Nov/Dec'25
- The impact of the US tariff has not impacted any of the MSMEs since they were not export-dependent. SHFL's exposure to MSME is only towards Services and not manufacturing. Within the Services sector, the provision (mom and pop Kirana) stores have been struggling - They are getting delinquent and trying to close the loans. There could be a temporary blip in asset quality from this Kirana segment in MSME.

Asset Quality

- Write-offs stood at INR4.56b (PQ: INR4.47b)
- SHFL has reduced its exposure to the CE segment in the last two quarters. There have been delays in payments to the contractors, and the situation is expected to improve in certain States in the subsequent quarters.
- Stress is there in certain segments of Vehicles, particularly where new vehicle lending is happening at rates that are not commensurate with the risk.
- OEMs have significantly reduced the discounts in the CV segment. So the price of the CV for the end customer has not declined as much. There is no reduction in the value of new commercial vehicles, and the resale value of the used vehicle has not declined (as earlier expected).
- SHFL has not seen any significant increase in the reposessions over the last two quarters. Shriram Auto Mall has introduced a retail segment where it is encouraging the buying and selling of used vehicles.

Weak spending on Infrastructure

- Infra activities have come down, while the Real Estate activities have been doing well. There has been no spending by State Governments on infrastructure in the last three years. Contractors are not getting paid by the State Governments.
- The central government's spending on infrastructure is also lower than it used to be earlier.

Others

- Key criteria when it will evaluate a Strategic partner are for someone who can also help SHFL in a credit rating upgrade, and who can help it reduce the CoB.
- The number of transactions in the used CV segment has declined. Since the value of the vehicle has gone up in the last 2 years, SHFL can grow its used CV business. It is gaining market share from the smaller players.
- Used Vehicle prices rose by 4-5% from FY24 to FY25/FY26
- Truck utilization has remained quite good; Certain geographies where there was excessive rainfall saw some impact, but it was temporary
- Earnings of SRTOs have been steady, and they have not been impacted. It has not seen any significant impact of US tariffs on MSMEs in the month of October. However, it will have to closely monitor any impact in the month of November.
- SHFL is trying to improve employee productivity. It has launched the Super App, and it will be able to service more customers through the digital channels.



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Spandana Sphoorty

Neutral

Current Price INR 282

Guidance

- FY26 will be a rebuilding year, with a focus on process improvements for higher efficiency and lower operating costs.
- The growth in AUM is expected to remain flat for FY26.
- The company expects to disburse around INR7b monthly starting from the next quarter.
- Going forward, in FY27, management is targeting AUM growth of ~20% and credit costs in the range of ~2.5–3.0%

Management Commentary

- Over-leveraged borrowers across the industry are coming down, and there has been a visible improvement across most lead parameters.



- Improvement has been particularly strong in Karnataka, tending closer to the national average.

Customer Acquisition

- The borrower count is expected to increase as the company resumes active customer acquisition. However, the industry continues to face challenges in acquiring new customers.
- The management highlighted that the onboarding process has been made more stringent, with only customers showing zero delinquency being onboarded, while even 1+ dpd customers are rejected.
- ~22% of the loans were given to new customers in 2QFY26, compared to ~15% in 1QFY26, and the company plans to further increase this proportion.
- There is a huge opportunity for growth, with ~1m potential customers, 43% of the existing customer base, eligible for future disbursements.

Disbursements

- Management plans to focus on growing disbursements to rebuild the balance sheet, supported by adequate capital and resources.
- Disbursements picked up pace, reaching INR9.3b in 2QFY26 compared to INR2.8b in 1QFY26. The company expects disbursements of ~3.5b in Oct'25 and further improvement in November and December. October disbursements were slightly lower due to fewer working days and festive holidays, but the company is confident of regaining pace in the coming months.
- Disbursement momentum has improved in line with better portfolio quality.
- ~98.2% of customers were in the current bucket at the time of disbursement, with only ~1.8% in the 1–30 dpd range.
- Disbursements were also supported by a partly paid issue that enhanced liquidity.

Interest Rates

- The company has revised its interest rate range to 23–26% (previously 19.75–24.75%), effective from 1st Oct'25.
- Loan processing fees were revised upward to 1.5% (from 1%), effective from 1st Sep'25.

Productivity

- Productivity has improved, with disbursements per loan officer per day increasing steadily.
- The company expects further improvement in cost structure and operational efficiency in the coming quarters.

Collection Efficiency

- The X-bucket collection efficiency improved in September compared to June. Collection efficiency stood at ~98.7% in Sept'25 and ~98.5% in Oct'25, with a slight dip due to the festive season, fewer working days, and floods in certain regions.
- The portfolio originated under new credit rules, continues to perform strongly, maintaining 99.9% net collection efficiency, and the number of branches with X-bucket efficiency greater than 99% rose to 60% in Sep'25 from 32% in Jun'25.
- The company has implemented several initiatives to improve collections through legal avenues, starting in Aug'25, and digital channels are being enhanced to drive borrower engagement and support remote collections.

- The top five states have shown notable improvement in collection efficiency. The collection efficiency in Madhya Pradesh remains strong, with the company increasing its portfolio share in the state from 12% to 14%.
- Improvement in Andhra Pradesh is expected, but it still trails the national average.

Credit Costs

- As a prudent measure, an additional cost of INR860m was recognized in 2QFY26 due to technical write-offs. Excluding this, impairment costs would have been INR1.7b.
- Slippages declined from INR5.5b in 1QFY26 to INR4.0b in 2QFY26, and flow rates reduced from 2.5%–3% earlier to ~1.5% currently. As the new loan book continues to build, flow rates are expected to come down significantly.
- The loan book built under the new credit rules is expected to have lower credit costs going forward.

Criss Financial

- The subsidiary company offers LAP and unsecured individual loans, with a total portfolio of INR6.7b, of which INR2.9b is in LAP.
- Unsecured loans are primarily offered in rural areas of Andhra Pradesh and Telangana, while LAP loans are available in six states.
- The unsecured individual loan segment is facing stress due to floods in Andhra Pradesh and Telangana. However, the micro-LAP book continues to perform well, with minimal slippages and NPAs below 1%.
- The company plans to increase the share of secured loans from 39% currently to 50–55% by year-end, with the LAP portfolio expected to grow faster than unsecured individual loans.

Other

- The successful closure of the rights issue has strengthened the company's capital position.
- The management has initiated work on the CGFMU route to enhance credit protection.
- Bihar has performed strongly with an X-bucket collection efficiency of 98.8%.
- As GNPA pressure eases in the next quarter, the management expects the company to turn profitable at the PPOP level.
- The company is expected to make a formal CEO announcement within the next 30 days.



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UTI AMC

Buy

Current Price INR 1,175

Business Overview

- Expanded presence across both B30 and Top 30 markets; B30 cities contribute ~80% of AUM and continue to be the key growth driver.
- UTI Multi Cap Fund, launched in May 2025, has achieved an AUM of INR15.8b.
- Steady growth was witnessed in both liquid and non-liquid categories. Value-oriented schemes have delivered strong three-year and five-year performances, while growth-oriented schemes have improved over the past year.
- Continued investment in technology infrastructure, leveraging AI/ML with a strong focus on cybersecurity. Partnered with ONDC, making UTI AMC's offerings accessible on its platform.

The image shows a screenshot of a financial statement for Motilal Oswal UTI AMC. It includes a table with multiple columns and rows of data, likely representing financial performance metrics and disclosures. The text is small and partially illegible, but it appears to be a formal financial document.

- Hybrid and multi-asset schemes will remain central to growth strategy.
- SIF has been identified as a potential differentiator. However, distribution remains a challenge due to certification requirements for partners. The company is building in-house certified teams and a dedicated SIF branch to prepare for launch, and will time the launch once distribution architecture and market understanding mature.
- Fintech partnerships are being developed to enhance digital distribution and customer experience.

Product & Distribution

- Hybrid category flows moderated to INR4b in 1HFY26. The company remains focused on multi-asset and aggressive hybrid strategies, expecting better traction in 2H on improved distributor engagement.
- Balanced Advantage Fund is gaining traction despite being a newer offering; management expects stronger acceptance once the three-year track record is established.
- 75% of SIPs sourced through digital channels; MFDs contribute ~50% of total SIP flows.
- Focused on financial literacy and deeper engagement with distributors to strengthen market share.
- Conservative stance in sectoral/thematic schemes impacted short-term flows, but management expects improvement in core equity performance to drive long-term SIP market share recovery.
- Historically, flows pick up meaningfully in the second year after sustained improvement in 3-year performance — similar to the 2021–2022 trend.

Financial Performance

- 476 employees (one-third of the total workforce) are eligible under VRS; of these, 351 are in sales. VRS cost of INR250m was provided for in 2QFY26.
- Average VRS payout is INR0.6–0.65m per employee. The eligible employees have an average existing payout of INR0.28–0.3m.
- The entire VRS cost would be booked in 3QFY26, and the same will be amortized over five years, leading to an increase in tax rate to 26-27% for FY26.
- Employee cost bump-up also includes INR65m actuarial impact due to salary revisions.
- Excluding VRS, cost growth remains normal; normalization is expected over the remaining year.
- Increase in other expenses due to CSR expense (cash basis); overall, other expenses are expected to grow at 7–8%.
- Efficiency measures include branch rationalization — 75 new branches opened without overall cost escalation. Focus remains on cost optimization and redeployment of savings toward new business initiatives.
- Equity yield: 75bp, ETF yield: 8bp, Debt yield: 18–19bp (temporarily moderated due to higher shorter-duration schemes). Yields expected to improve as equity SIP book scales up.

Non-Mutual Fund Businesses

- UTI Pension Fund is on its way to expanding its footprint from 31 to 40 branches. Filed four new schemes (equity and dynamic) in Tier 1 and Tier 2 categories.

- UTI International has rebranded to UTI Investment and made senior hires across regions for expansion. AUM decline due to scheme maturities, redemptions, and MTM losses; growth schemes performing better, expected to attract inflows as sentiment improves. India-focused products are yet to see large global allocations, but sales efforts are ongoing to capitalize when flows return.
- UTI Alternates, exited SDOC-1 and launched SDOC-4 (₹15bn) in 2QFY26. SDOC-2 and 3 remain in the investment phase. Exploring opportunities to leverage domestic fund management capabilities for offshore mandates, especially in the Alternates business.

INSURANCE



- Life Insurance APE growth softened after mid-teen growth in Jul'25, as buyers delayed purchases following the GST exemption announcement, resulting in ~9% YoY growth in 2QFY26. Higher non-par mix, increased sum assured, and rising rider attachments supported broad-based VNB margin expansion. Management teams expect further margin gains, driven by product mix shift, GST-led higher sum assured, stronger rider penetration, and better persistency. The GST-related loss of input tax credit led to <1% EV impact for all players, with mitigation underway via commission renegotiation and efficiencies. The general insurance industry growth in 2QFY26 remained soft, weighed down by the 1/n regulation in health and some postponement of purchases post the GST-exemption announcement, partly offset by a recovery in motor.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	2QFY26 Highlights
HDFC LIFE	■ Normalized VNB growth from FY27, supported by operational adjustments and distribution re-alignments over the next 2-3 quarters to mitigate the loss of input tax credit. Stable VNB margin for 4QFY26. ■ Demand for non-par savings picked up and is expected to accelerate further, supported by yield curve movements and customer preference for guaranteed solutions.	■ Around 80% of Sep's new business was issued post-GST changes. ■ Higher sum assured in ULIPs and rider attachment options helped sustain margin levels despite the rising ULIP and Par share. ■ Individual retail term premiums grew 50%+ after GST implementation, while credit life saw a rebound in Sep'25.
SBI LIFE	■ Individual APE growth of ~13-14%, driven by strong traction in protection and non-par products. ■ Maintained its full-year guidance for VNB margins in the 26-28% range. ■ For 2HFY26, management estimates an additional 20-30bp margin impact due to GST, though overall profitability should remain stable.	■ The company witnessed a 70-80bp impact on VNB margin in 1HFY26 owing to the loss of input tax credit. ■ Protection business growth outpaced overall company growth, aided by competitive pricing, and is expected to benefit the most from the recent GST exemption. ■ Across the non-par and protection categories, all sub-segments are showing consistent improvement
MAX FINANCIAL	■ 300-350bp VNB margin drag is expected on a run-rate basis owing to loss of input tax credit. ■ Distributor renegotiations and cost optimization will likely mitigate the impact and hence maintains VNB margin guidance of 24-25%. ■ Full-year APE growth guidance of 15-20%.	■ ~75% of Sep's sales were completed after 22 Sep'25. ■ The loss of input tax credit led to a 60bp impact on VNB margin in 1HFY26. ■ Growth has been accompanied by cost discipline — operating expenses grew 11%, while GWP increased 18%, implying improving scale efficiencies.
ICICI LOMBARD	■ Since Sep'25, there has been a clear uptick in retail indemnity demand, and more families are expected to enter the insurance pool. ■ Sep'25 motor segment momentum expected to continue in 2HFY26, supported by both volume recovery and improved profitability.	■ Retail health segment outpaced industry growth, helping the company gain market share to over 4% as of Sep'25. ■ The company delivered a 12pp higher motor combined ratio than the industry average, underscoring its underwriting discipline.
NIVA BUPA	■ Reaffirmed medium-to-long-term RoE guidance in the mid-to-high teens, supported by stable underwriting, disciplined pricing, and expanding profitability. ■ Confident about bringing the EoM ratio within the regulatory threshold by end-FY26. ■ No immediate plans for price revisions, and any future adjustments will depend on evolving portfolio economics and claims trends.	■ The retail health loss ratio remained flat YoY, having normalized from the elevated 1QFY26 levels, while the group loss ratio was marginally higher due to a shift in product mix. ■ The new product launch led to a temporary increase in advertisement expenses. ■ 83% of policies now carry a sum insured of INR1m or above.
STAR HEALTH	■ Annual repricing exercises, delayed by a couple of months due to GST-related adjustments, are underway and are expected to further support profitability. ■ Earned premium trends continue to improve as the share of fresh business rises within the overall portfolio. ■ From Oct'25, all intermediary commissions are inclusive of GST, ensuring that the loss of input tax credit does not impact P&L.	■ Operating expenses declined, aided by investments in technology and automation, which have driven down expense ratios and enhanced underwriting efficiency. ■ Loss ratios have improved consistently over the past few quarters, driven by (1) lower medical frequency, (2) enhanced hospital network protocols for admissions, and (3) stronger fraud detection and management frameworks.



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HDFC Life

Buy

Current Price INR 762

Business performance

- HDFC Life outperformed both the overall industry and private peers, leading to an increase in overall market share to 11.9% and 16.6% within the private sector for 1HFY26. Going forward, the company expects mid-teens growth, which should be better than the industry.
- Notably, 70% of new customers in 1HFY26 were first-time buyers, indicating strong franchise expansion and penetration gains.
- Around 80% of September's new business was issued post-GST changes, showing early signs of stronger growth post-GST changes.
- HDFCLIFE plans to raise INR7.5b of debt in 2HFY26, which is expected to enhance solvency by around 7%. Solvency levels dipped due to 1) dividend payout – 4.5%, 2) subordinated debt repayment – 6%, 3) GST impact – 1.5%, and 4) new business strain. Management aims to maintain solvency within the 180–185% range.
- HDFC Pension retained leadership with a 43% market share, delivering 30% YoY growth.
- Tier-2/3 cities continue to form a strong growth engine, contributing ~70% of new business, and this mix is expected to remain steady.

VNB margin and product mix

- Before accounting for GST, VNB margin stood at 25%, which moderated slightly to 24.5% including the GST impact.
- Management expects normalized VNB growth from FY27, supported by operational adjustments and distribution realignments over the next 2–3 quarters to mitigate the loss of input tax credit. The expectation is to end 4QFY26 with a stable VNB margin.
- The company aims to improve product-level margins by increasing the share of high-sum-assured and high-margin ULIP products, offsetting the GST-related impact over time.
- The protection business surged 3x the company's overall growth, contributing positively to margins. Annuities grew 16% YoY, maintaining strong momentum.
- Higher sum assured in ULIPs and rider attachment options helped sustain margin levels despite the rising ULIP and Par share.
- ULIPs continued to witness strong inflows, aided by buoyant equity markets and sustained demand for market-linked returns.
- Demand for non-par savings picked up and is expected to accelerate further, supported by yield curve movements and customer preference for guaranteed solutions. Pricing was aggressive in the past, but the company expects rationalization going ahead.
- Retail protection growth outpaced the overall business, with early signs of improved traction post-GST. Individual retail term premiums grew over 50% after GST implementation, while credit protect saw a rebound in September.
- The variable annuity product is in the discussion stage with the regulator and expected to launch by 4QFY26.

Channel mix:

- HDFC Life's counter share with HDFC Bank remained stable, while other bancassurance partnerships expanded, broadening its distribution footprint. The

growth for banks beyond HDFC Bank was lower in 1HFY26 due to lower wallet share in 1Q, post which there has been improvement.

- The broker channel growth is driven by protection products and increased wallet share among key brokers. The broking channel now contributed 9% of APE, and management expects this contribution to remain steady in the near term.

GST reforms:

- The company has passed on the full benefit of the GST exemption to customers, improving product affordability and stimulating demand.
- The loss of input tax credit will exert short-term margin pressure, but management is confident of offsetting this impact through cost optimization, vendor discussions, and distributor negotiations within the next 2–3 quarters.
- About 50% of the input tax credit loss arises from distributor commissions, with the remainder stemming from technology and outsourcing expenses. Management is actively engaging with vendors and distributors to share costs and optimize efficiency.
- The biggest impact of input tax credit loss is on ULIP because of the cap on charges. HDFC Life witnessed a 0.5% impact on VNB in 2QFY26 and expects 3% impact on gross basis for the full year.
- Despite 2H being seasonally stronger, management expects some lag in recovery as the input tax credit loss is gradually absorbed. Nevertheless, increased growth momentum, product innovation, and calibrated margin levers are expected to drive VNB normalization from FY27.



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ICICI Lombard

Buy

Current Price INR 2,025

Industry Overview

- The GST exemption on health insurance is expected to make healthcare protection more affordable and expand coverage across households. The recent rate cut in auto insurance (based on IDV) further reduces the cost of ownership for vehicle buyers. ICICI Lombard intends to pass on the full GST benefit to policyholders.
- The health segment accounts for nearly 40% of the industry's GWP. The overall market moderated in recent months due to a high base, but since September 2025, there has been a clear uptick in retail indemnity demand, and more families are expected to enter the insurance pool.
- According to FADA data, the auto industry grew 1.3% YoY (PV +2.9%, 2W +0.5%). In September, PV volumes rose 5.8% and 2W 6.5% YoY, while during the first nine days of Navratri, PV sales surged 34.9% and 2W at 76% vs the prior year. This strong festive momentum is expected to support 2H industry growth, driving motor insurance as well.
- The industry's combined ratio stood at 115% (113.9% last year), and for private players, it stood at 110.7% (110.8% last year), indicating continued pricing pressure in key retail segments.

Company Performance

- Excluding the NATCAT impact, the company reported a combined ratio of 103.8% in 2QFY26 (102.6% in 2QFY25).

- The proportion of crop insurance in the portfolio declined compared to last year, leading to a higher retention ratio. Additionally, retail health traction contributed to this improvement. There has been no change in the reinsurance policy, and the higher retention reflects a favorable shift in the business mix.
- The duration of the investment book stood at 4.74 years, with a portfolio yield of 7.39%.

Commercial Segment

- The industry growth was primarily led by the fire line of business, which accounts for ~50% of the commercial segment. ICICI achieved 36% YoY growth in fire premiums in September 2025, while the first five months of FY26 were subdued.
- Management highlighted that frequent catastrophic events could lead to volatility in quarterly underwriting outcomes. However, the company's disciplined approach to risk selection ensures long-term profitability. While this prudence initially led to market share loss in early months, momentum recovered in September, supported by better risk pricing and selective participation.

Motor Segment

- The motor insurance segment continues to face significant pricing pressure, reflected in the industry's combined ratio of ~125% in 1QFY26.
- ICICI, however, delivered a 12pp better combined ratio than the industry average, underscoring its underwriting discipline.
- Growth was slower than the industry during the first five months, but saw a sharp pickup in September, driven by festive demand and the GST rate cut in automobiles. Management expects to maintain this momentum in 2HFY26, supported by both volume recovery and improved profitability.
- The product mix for ICICI stood at: PV: 54.3%, 2W: 25.8%, CV: 19.9%.
- The festive season is driving pent-up demand, and the company sees an opportunity to regain lost market share, leveraging its strong franchise and distribution edge.

Health Segment

- ICICI's retail health segment outpaced industry growth, enabling the company gain over 4% market share as of September 2025. Growth was driven by product innovation, distribution expansion, and customer engagement initiatives.
- In contrast, group health saw a decline in 1HFY26 due to muted activity in the microfinance sector.
- Retail health claim settlement within 30 days stood at an impressive 99.6%, positioning ICICI among the industry's top performers.
- Commission were not impacted by the loss of input tax credit. The increase in commission was mainly due to higher new sales and a greater mix of retail insurance.
- The company has also introduced dedicated relationship managers for senior citizens and high-value customer cohorts, facilitating cross-sell opportunities.
- The IL TakeCare app crossed 18.4 million downloads, reflecting growing digital adoption and engagement.
- Management noted that the loss of input tax credit will be absorbed within overall distribution costs, and the company's profitability discipline allows it to

mitigate part of this impact. Sourcing remains guided by the target combined ratio, ensuring underwriting profitability even after factoring in the GST impact.

- Retail health loss ratio improved to 65.4% (vs. 70.3% in 2QFY25), while group health improved to 93.7% (vs. 98.0%). The company aims to maintain retail health loss ratios in the 65-70% range.
- About two-thirds of the health portfolio is sourced through the agency channel.
- Overall, management remains optimistic about scale-up prospects following the GST exemption, citing increased affordability, strong demand momentum, and superior profitability metrics as key enablers.



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ICICI Prudential Life

Buy

Current Price INR 627

Company performance

- APE witnessed a decline due to a high base. Retail new business sum assured grew 17% YoY, while total new business sum assured rose 19% YoY.
- Cost to premium reduced to 19.2%; for the savings segment, it declined to 12.7%, driven by multiple cost optimization initiatives. The company has undertaken employee reallocation and digitization-led efficiencies to lower core operating expenses.
- Movement in cost ratios reflects ongoing optimization efforts and growth-related investments. The company identified discretionary spends and selectively curtailed inefficient ones. Various measures to enhance operational efficiency and brand awareness continue.
- A short-term uptick in cost ratios will be observed due to the GST impact, but management expects a gradual improvement as GST exemptions boost volumes and operational initiatives take effect.
- APE in Sep'25 witnessed flat growth despite most business occurring later in the month. The linked business has started to recover, with initial signs of traction post-GST exemption reflected in increased website traffic and improved conversion rates.
- With a benign base for 2HFY26, management expects to build growth momentum and deliver decent premium growth, aided by the GST cut benefits.

VNB and product mix

- The non-linked savings business grew as customers preferred locking in higher yields through non-par products, while ULIP volumes moderated on a high base.
- Overall protection business remained flat, with retail protection growth subdued due to a high base, though a large protection gap presents long-term opportunity. Credit life was impacted by the MFI slowdown, but is expected to gradually recover.
- The company remains focused on selective businesses in the group term segment, while demand for single-premium annuity products is rising as FD rates decline.
- The mix between Par and Non-Par has shifted from 2:1 in the prior year to 1:1 in 1HFY26, indicating diversification in the product mix.
- Improvement in VNB margins was driven by: 1) a favorable shift in the product mix, 2) rising sum assured improving profitability, and 3) the yield curve movement. This was partially offset by the loss of input tax credit.

- The 24.5% VNB margin in 1HFY26 already factors in the GST impact for new business. Margins are expected to see some impact in 2H as GST effects normalize, with the largest impact on non-par (savings and protection), followed by ULIP and par products.
- No changes have been made to the IRR of non-linked products.
- Higher mix of protection and non-par products, increasing rider attachment, and favorable yield curve movement have offset GST-related drag. The loss of input tax credit has already been reflected in 1HFY26 VNB. If the company cannot offset further impact through levers like cost optimization and commission renegotiations, VNB margin will be affected temporarily. However, management expects to see recovery through higher volumes and absolute VNB growth.

Channel mix

- Agency and direct channels declined YoY on a high ULIP and annuity base from the previous year. However, both are showing signs of recovery, supported by a shift toward non-linked products and continued investments in productivity and training.
- The agency channel's performance was affected by market volatility as many advisors have ULIP-centric client ecosystems. This impact is expected to be transitory, as focus shifts to non-ULIP products.
- The company continues to strengthen its bancassurance network, having recently added two small banks. It can now onboard new partners within two weeks, enhancing distribution agility.

Persistency and EV

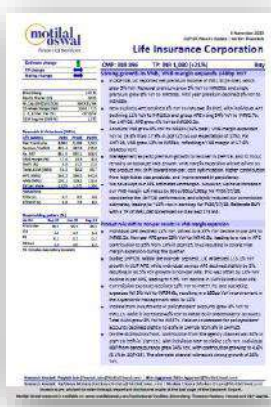
- Persistency ratios are normalizing toward FY23 levels, though certain pockets remain below assumptions. The company is taking targeted actions to bridge this gap by the end of the year.
- EV stood at INR505b as of 1HFY26 and reflects the impact of GST on both the existing book and new business VNB (~1%).
- Adjusted net worth was impacted by the MTM hit on the debt portfolio due to yield curve movements, while Value in Force saw strong growth driven by unwind and VNB addition.
- The company plans to exercise the call option on its bond, with solvency expected to remain comfortable, supported by regulatory approval to replace the debt.

Impact of GST reforms

- The company has passed on the GST benefit to customers and does not expect to transfer the loss of input tax credit to them. As a result, retail protection products have become cheaper, non-par IRRs have improved, and ULIP returns have increased.
- Post the GST cut, management has observed higher enquiry levels and improved conversion rates. Management believes the GST reforms will enhance affordability and penetration for life insurance in India.
- While some short-term profitability impact is expected, measures such as renegotiating commissions and improving cost efficiencies are underway to offset the loss of input tax credit.
- Discussions with distributors are ongoing regarding commission adjustments, and some near-term cost ratio pressure may persist through 3QFY26 as the impact of GST is absorbed.



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- GST hit on the new business will be reflected in EV assumption changes, while the back-book impact has already been recognized in the reported EV.
- In the savings segment, ULIP returns and non-par IRRs are already trending higher post-exemption, while protection volumes are expected to rise meaningfully in the coming quarters.

Life Insurance Corporation

Buy

Current Price INR 915

Business performance

- LIC reported a steady operational performance in 2QFY26, supported by new product launches, margin expansion, and a visible recovery in demand post the GST exemption.
- The company now offers a comprehensive suite of 57 products, including two new launches post-GST exemption, up from 55 products at the end of 2QFY26, providing a balanced mix across categories.
- Bancassurance and alternate channels recorded strong traction during the quarter and increased their overall contribution to total NBP.
- Following the Master Circular effective 1 October 2024, LIC modified all its existing products to comply with new regulatory norms. This included raising the minimum sum assured, which led to a temporary decline in the number of small-ticket policies sold and impacted persistency in certain segments.
- The EV movement reflected the impact of MTM changes and an improvement in the present value of future profits. While the fair value component declined due to market movements, gains in PVIF more than offset this reduction, resulting in an overall EV improvement compared to March 2025 levels.
- On the agency side, LIC remains focused on stabilizing and improving agent productivity rather than aggressive recruitment. The average productivity last year was at 12 policies/agents, and management is prioritizing training and upskilling programs to improve this metric.

Product mix and VNB margin

- LIC witnessed a significant shift in the product mix during the quarter, with ULIPs seeing over 100% growth YoY, reflecting the broader industry trend toward market-linked products.
- The company also reported an improved share of the non-par business, including individual savings products, which contributed to higher VNB margins. In addition, a favorable movement in risk-free rates supported margin expansion and led to higher EV compared to March 2025.
- Management emphasized that VNB margin typically improves sequentially for LIC, and the company expects this trajectory to continue over the coming quarters.
- The margin expansion has been driven by structural initiatives within each business line to enhance profitability. The focus is not only on margin expansion but also on aligning the product design with customer needs.
- The company continues to pursue a balanced product mix strategy, catering to a wide range of customer profiles. The strong growth in ULIP has complemented the momentum in traditional savings products, and rising contribution of

individual savings product has resulted in overall VNB margin expansion for the quarter.

GST Impact

- The GST exemption on life insurance premiums has triggered a strong revival in demand. Between 5th September and 22nd September 2025, policy sales were almost at a standstill as customers deferred purchases in anticipation of the exemption. However, from 1st October 2025, there has been a sharp recovery in sales, with management expressing confidence that this momentum will sustain in the coming quarters.
- The company has already factored in the loss of input tax credit in its Embedded Value, which represents less than 0.5% impact on EV. Management believes that the effect of ITC loss will be offset by higher business volumes and cost optimization measures over time.
- LIC does not intend to reduce commission structures, choosing instead to focus on increasing average ticket sizes and improving sales efficiency, which should further support profitability in the post-GST environment.



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Max Financial Services

Buy

Current Price INR 1,680

GST impact

- MAXLIFE passed on the entire GST benefit to customers, ensuring that all policyholders benefit from lower premiums post-exemption.
- Early signs of stronger demand are visible, particularly in protection products, and management expects the impact to deepen over the medium term.
- The company ensured seamless operational transition, achieving full GST compliance within two days of the announcement and successfully processing over 15,000 policies post-GST exemption.
- About 75% of Sep'25 sales were completed after 22nd Sep'25, underscoring the quick turnaround and demand pickup.
- The loss of input tax credit led to a 60bp impact on VNB margin in 1HFY26, and management expects a 300–350 bps drag on a run-rate basis. However, the company remains confident of mitigating this through a mix of distributor renegotiations, cost optimization, product mix adjustments, outsourcing efficiencies, and operational improvements, thereby maintaining its VNB margin guidance at 24–25%.

Business Performance

- MAXLIFE delivered healthy business growth in 2QFY26, with APE growth of ~15% YoY and maintained its full-year APE growth guidance of 15–20%.
- The company continues to lead the industry on 13th-month persistency and ranks second on 25th- and 37th-month persistency, respectively, underscoring its strong customer retention metrics.
- The company is now the third-largest private player by individual sum assured, reflecting steady improvement in protection and savings volumes.
- Growth has been accompanied by cost discipline — operating expenses grew 11%, while GWP increased 18%, implying improving scale efficiencies. Management expects faster GWP growth to further improve the Opex-to-GWP ratio over the rest of the year.

- MAXLIFE continues to operate below the EoM threshold, and efficiency gains are expected to sustain as new business volumes scale.
- The company reiterated its operating RoEV guidance of 18–19% over the medium term, driven by a stable product mix and margin accretion.

Product mix

- The company continues to strengthen its presence across all major product segments, with a particularly strong showing in protection and annuities.
- MAXLIFE now holds the highest market share in retail protection, reflecting its strong franchise in the segment. Pure protection sales grew 34% YoY, with momentum improving week-on-week post-GST exemption.
- The credit life business also started recovering in 2Q and is expected to sustain traction in the coming quarters.
- The rider attachment rate was 37%, supporting overall margin improvement.
- The annuity business grew strongly on the back of both retail and corporate pools, while product-level redesigns in participating plans are enabling a more balanced mix.
- A significant portion of VNB margin improvement came from product mix optimization, with a gradual shift toward higher-margin protection and non-par savings products.

Distribution

- The proprietary channel remains a key growth engine, delivering a 39% three-year CAGR, supported by expansion in both online and offline modes.
- The offline network has expanded through the addition of 150 branches over the last three years, improving regional coverage.
- MAXLIFE continues to deepen its bancassurance and partnership networks, scaling up collaborations in both banking and broking channels. The company now enjoys a counter share of over 25% in all new banca partnerships, a testament to its strong integration with partners.
- During 1HFY26, MAXLIFE added 31 new banks, of which three of the last six additions already have the highest counter share.
- Within Axis Bank, MAXLIFE continues to maintain a 65-66% counter share in individual business and around 60% in credit life, which management expects to rise to 65-70% over time.
- The Axis channel grew 7% YoY, while growth in other partnership channels, including Yes Bank and new additions, was faster — with 14% growth in Yes Bank and over 100% growth in several newly onboarded partners.
- The company has also received IRDAI's SEZ approval and provisional approval for establishing an IFSC center, which will enable it to serve NRI clients more effectively and expand its international footprint.



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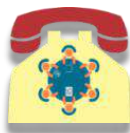
Niva Bupa

Buy

Current Price INR 77

Company Performance

- Niva Bupa delivered a strong operating performance in 2QFY26, with continued traction in retail health and SME portfolios and improving renewal trends.
- The company maintained a robust settlement ratio of 95.2%, supported by efficient claims management and a growing Preferred Provider Network (PPN).



- Customer engagement remains high, with 13m app downloads, 5.8m monthly active users, and over 51,000 health checkups conducted monthly through its digital platform.
- ~83% of policies now carry a sum insured of INR1m or above, reflecting the company's success in moving customers toward higher-value coverage.
- The newly launched ReAssure 3.0 has received strong traction since its rollout during the quarter, helping enhance product differentiation. The launch led to a temporary increase in advertisement expenses during the quarter.
- Portability remained stable in the 20–25% range, while renewal rates improved YoY in 1HFY26, with a sharp acceleration in October 2025 post the GST exemption.
- The SME segment continues to be a strong growth driver, recording ~50% YoY growth during the period. Roughly one-third of the group portfolio comes from employer–employee business, with the balance from affinity partnerships.
- Management reaffirmed its medium-to-long-term RoE guidance in the mid-to-high teens.
- The company continues to expand its PPN footprint, adding one new city during the quarter, aimed at better cost control and improved customer experience.
- Management indicated no immediate plans for price revisions, and any future adjustments will depend on evolving portfolio economics and claims trends.

Loss ratio and claims performance

- Claims metrics remained well within the guided range, with incidence rates and average claim sizes stable through the quarter.
- The retail health loss ratio remained flat YoY, having normalized from the elevated 1QFY26 levels, while the group loss ratio was marginally higher due to a shift in product mix.
- On an IFRS basis, the overall loss ratio for 1HFY26 stood at 65.9%, comprising 68% for retail (flat YoY) and 61% for group (56% in 1HFY25).

Financial performance

- Niva Bupa reported strong earnings momentum, with IFRS PAT more than doubling YoY, supported by operating leverage and expense optimization.
- The IFRS combined ratio improved to 103.1%, led by a decline in the expense ratio, which more than offset a moderate rise in loss ratio.
- The Expense of Management (EoM) ratio improved to 35.5% in 1HFY26, aided by lower gross commission (as % of GWP) and stronger scale efficiencies. Management expressed confidence in bringing the EoM ratio within the regulatory threshold by the end of FY26.
- Commission costs moderated due to higher contributions from employer–employee and renewal business, both of which carry lower payout rates but enhance profitability and persistency.
- GST Impact
- The GST exemption on health insurance has significantly boosted demand and customer affordability. In October 2025, despite the festive season, the retail health business grew over 50% YoY, with a surge in web traffic, query volumes, and conversions — consistent with broad industry trends.
- Customer behavior has shifted toward higher coverage, reflected in the rise in ticket sizes for both new and renewal policies. Importantly, Niva Bupa has

passed the loss of input tax credit to distributors. Distributors are accepting the revised structure positively, recognizing higher income potential through increased sales volumes and higher ticket sizes.

- The agency, digital, and digital partnership channels have benefited the most from the GST exemption, driving higher conversion rates and growth. The impact on bancassurance has been more limited, given its larger exposure to group health.
- The average renewal ticket size rose by ~15% in October compared to 1HFY26 levels, as customers opted for higher sum insured and additional riders post GST exemption.



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SBI Life Insurance

Buy

Current Price INR 1,994

Business performance:

- SBILIFE maintained its leadership position with an individual NBP private market share of 22.6% and an overall market share of 16.1%.
- The company reported robust growth in sum assured, with individual and group new business sum assured rising 76% YoY and 107% YoY, respectively, during 1HFY26.
- For FY26, management expects individual APE growth of around 13–14%, driven by strong traction in protection and non-par products.

Product mix:

- During the quarter, SBILIFE launched a new protection plan and a participating product, both of which have seen encouraging demand. The Smart Money Back Plus plan alone attracted over 8,500 customers in just the first 15 days of launch.
- The company remains focused on expanding its presence in the protection space to meet evolving customer needs. Protection business growth has outpaced overall company growth, aided by competitive pricing, and is expected to benefit the most from the recent GST exemption.
- Management aims to increase its protection share to about 10% of overall APE over time.
- The protection segment continues to remain a high-margin, long-duration business, and hence, profitability unwinding will take place gradually.
- Non-par savings contributed ~20% to individual APE, with SBILIFE maintaining a disciplined approach amid competitive pricing in the industry. The company continues to align product pricing with market yields while delivering steady growth.
- Individual sum assured in the protection segment grew 108% YoY.
- Participating products delivered strong momentum, with 57% QoQ growth in NBP.
- Across the non-par and protection categories, all sub-segments are showing consistent improvement.
- Distributors have been advised not to shy away from ULIP sales but to focus more on non-par and participating products.
- On the ULIP front, 38% of eligible products have rider attachments, and the company is working on extending the rider attachments to renewals as well.

Channel mix and distribution strategy:

- Agency and banca remain the two dominant distribution channels for SBILIFE . The company continues to enhance productivity across both fronts, with SBI branch productivity on individual APE at INR 4.6m and agent productivity at INR0.27m.
- To strengthen its agency network, SBILIFE added 64,000 agents on a gross basis in 1HFY26 and opened 44 new branches, underlining its long-term focus on expanding the distribution footprint.
- The online channel remains a key growth driver, with online APE rising 34% YoY and protection business through online channels rising 55% YoY. The digital business is sourced entirely through SBILIFE's own website, and the company continues to enhance its digital offerings and user experience.
- Within the non-SBI banca segment, ULIP contribution remains below 25%, and growth in this channel is expected to sustain at around 15%. Non-SBI banca currently contributes only about 3% of total business.
- Management noted that performance during the first two months of the quarter was below expectations with respect to banca and agency channel, but a few operational tweaks helped create a more conducive growth environment from September onwards.

Profitability and VNB margin:

- The company reported margin pressure in 1HFY26 due to GST reforms, which increased expenses and impacted profitability.
- The expansion in VNB margin during the period was primarily driven by the evolving product mix.
- Excluding the GST impact, SBILIFE's VNB growth would have been 17% YoY with a VNB margin of 28.5% for 1HFY26.
- The operating RoEV stood at 17.6% for 1HFY26.
- Management has maintained its full-year guidance for VNB margins in the 26-28% range.

GST reforms impact:

- SBILIFE has passed on the benefits of both the GST rate reduction and favorable yield curve movements to customers.
- The company witnessed a 70-80bp impact on VNB margin in 1HFY26 owing to the loss of input tax credit, of which 20bp was attributable to the final nine days of the quarter. However, the company expects this impact to be partially offset by higher traction in protection products and increased rider attachments.
- For 2HFY26, management estimates an additional 20-30bp margin impact due to GST, though overall profitability should remain stable as product mix optimization and operational efficiencies begin to reflect.
- The company does not intend to alter distributor commission structures, preferring instead to absorb the impact through internal levers and efficiency improvements.



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Star Health
Buy
Current Price INR 516
Performance

- Star Health reported a healthy performance in 2QFY26, supported by strong growth in retail health and margin improvement from cost optimization. Investments in technology and automation drove down expense ratios and enhanced underwriting efficiency.

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- Pricing discipline remains a key focus area. The company has already implemented price corrections in 65% of the retail health portfolio, while annual price revision for the remainder will be executed shortly. On the bancassurance group health side as well, selective repricing has been undertaken.
- The OPD segment is emerging as a meaningful new growth vertical, supported by the GST waiver on health insurance, which has significantly improved affordability.
- Growth is being driven largely by fresh business, which is operating at healthy loss ratios, while portability rates remain low, indicating strong retention quality.
- About 13% of policies are long-term in nature, accounting for 35-40% of the book by value.

GST Impact

- The GST waiver has led to a sharp rise in demand, with management reporting ~50% growth in fresh business during Oct'25. Persistency rates are expected to improve as customer affordability increases, and higher sum insured uptake is being observed, which will lead to improvement in loss ratios, going forward.
- From 1 Oct'25, all intermediary commissions are inclusive of GST, ensuring that the loss of input tax credit does not impact P&L.
- The company also benefits marginally from a reduction in GST on pharmacy (12% to 5%), though this advantage could be partly offset as healthcare providers pass through cost adjustments to customers.

Claims experience

- Claims performance showed marked improvement. Retail health loss ratio for the quarter stood at 71.3%, while group loss ratio improved sharply to 79.3% vs 90.6% in 2QFY25.
- Loss ratios have improved consistently over the past few quarters, driven by (1) Lower medical frequency owing to wider adoption of telemedicine, (2) enhanced hospital network protocols for admissions, and (3) Stronger fraud detection and management frameworks.
- Annual repricing exercises, delayed by a couple of months due to GST-related adjustments, are underway and are expected to further support profitability.
- The company also highlighted a significant difference between fresh and older business cohorts, as new policies are inherently more profitable. Segment-level analysis by geography, age, and sum insured is being used to refine pricing and improve portfolio quality.
- Earned premium trends continue to improve as the share of fresh business rises within the overall portfolio.

Distribution

- The agency channel remains the company's backbone, contributing ~83% of total business, and grew 16% YoY during the quarter. Within this, new business growth was 20%, supported by a 21% YoY improvement in agent productivity. The company added 30,000 new agents in 1HFY26, expanding its reach further into Tier-2 and Tier-3 markets.
- The digital business continues to scale rapidly, contributing ~20% of fresh business, with 47% YoY growth. Of this, direct digital channels account for 77%, while partner-driven digital contributes the balance.
- STARHEAL has deliberately reduced focus on the large corporate segment, having exited all non-profitable accounts. The company is now concentrating on SME health, where underwriting control and pricing discipline are stronger. Management confirmed that no losses are expected from the exited corporate portfolio, and SME health will serve as the next growth pillar.

HEALTHCARE



- During the quarter, management teams of pharma companies indicated that the GST transition had a noticeable impact on domestic formulations sales as distributors and retailers experienced inventory disruptions, which weighed on near-term revenues. Management expects a recovery from October onwards, once channel stock levels normalize and normal trade flows resume.
- Within the CDMO segment, management highlighted that while customer interest and pipeline enquiries continue to rise, the conversion into meaningful revenue is expected to be gradual. The company is steadily expanding its technical capabilities, particularly in complex areas such as injectables and peptides. Management also indicated plans to scale capacity across India and select international locations to strengthen the long-term growth opportunity.
- The ANDA approval momentum remained healthy in this quarter, with several products continuing to progress through the pipeline. Management indicated that price erosion had a minimal impact during the period, and the strategic focus remains on complex therapies and specialty pharma to mitigate future erosion and support gradual price improvement. Companies are leveraging a mix of partnerships and targeted acquisitions to strengthen their portfolios and sustain growth across Europe and other emerging markets.
- Growth for hospitals was lower YoY, largely due to a higher base in prior periods. Management remains constructive on long-term prospects and will continue to expand capacity through a mix of greenfield and brownfield projects, complemented by selective inorganic opportunities. Priority initiatives include deeper penetration into Tier-2 and Tier-3 markets. Hospitals having exposure in metro cities highlighted that they are diversifying revenue by going international with medical-tourism inflows from multiple countries to mitigate geopolitical concentration risk, and strengthening revenue streams through a focus on high-end treatments.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Other key Updates
Aurobindo Pharma	■ ARBP guided for 20-21% EBITDA margin in FY26. ■ Pen-G plant utilization has scaled to 40-50%; higher production is expected to lift gross margins toward ~60%.	■ ARBP received EMA Phase III waivers for Tocilizumab /Bevacizumab; filings planned for Jul'26/Apr'26. ■ USFDA agreed to re-inspect Eugia III; inspection expected within eight months.
Cipla	■ Cipla revised EBITDA margin guidance to 22.7-24.0% (from 23.5-24.5%) due to increased R&D spend. ■ Full-year R&D spend to be ~50bp higher than initial FY26 plans due to accelerated filings.	■ Cipla will assess the Semaglutide opportunity after Indian regulatory approval, following its Tirzepatide deal with Eli Lilly. ■ G-Revlimid sales declined in 2Q vs. 1QFY26 and are expected to weaken further.
DRRD	■ R&D expected at ~7% of sales in FY26. ■ Operating expenses expected to remain at 28-30% of sales through FY27. ■ EBITDA margin at 26.7%; expected to normalize to ~25% over two years as efficiencies and mix improvements offset Revlimid normalization.	■ DRRD expects Canadian feedback on its Semaglutide filing in the coming weeks; competition depends on approval timing. ■ It remains confident of selling 12m Semaglutide pens across global markets. ■ Focus to continue on strengthening the biosimilar and peptide pipeline for medium-term growth.
Gland Pharma	■ GLAND expects mid-teen (+/-2%) revenue growth in FY26; 1H growth was 6.6% YoY. ■ Despite Cenexi GM at 67%, GLAND remains confident of achieving 74-75% GM in FY26. ■ Capex for base business guided at INR 2.5b/ INR3b for FY26/FY27.	■ 2H YoY growth to be supported by key launches, volume gains, and improved Cenexi performance. ■ 8KL biologics capacity has begun commercializing; expansion to 23KL is in progress. ■ Six ANDAs were filed and five approved in 2Q.
Sun Pharma	■ R&D spend expected at the lower end of 6-8% guidance. ■ Working capital build-up over the past six months is expected to normalize in coming quarters.	■ Innovative R&D comprised 38% of total R&D spend, ~10% of global innovative medicine sales. ■ Ilumya is now commercialized in all target markets, available in 35 countries. ■ SUNP targets Unloxcyt launch and Ilumya psoriatic arthritis filing in 2HFY26.
Divi's Lab	■ Capex at INR15.5b in 1HFY26, with potential to exceed INR20b in FY26. ■ DIVI plans to continue to invest in peptide labs and manufacturing.	■ DIVI opened its Peptide Center of Excellence and is working with major pharma across clinical stages. ■ Its in-house protected amino acids provide an advantage in impurity management.
Rubicon Research	■ Rubicon guided for annual R&D spend of 10-11% of sales over the next 4-5 years. ■ EBITDA margins are expected to remain stable, even with added opex from the Alkem plant.	■ The Pithampur facility is expected to become operational by mid-CY26. ■ Rubicon voluntarily joined the USFDA's Quality Management Maturity (QMM) program, with its Ambarnath site being the only Indian facility selected.



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Ajanta Pharma

Buy

Current Price INR 2,460

- Two ANDAs were filed in 1HFY26. AJP received approvals for two ANDAs and launched three ANDAs in 1HFY26.
- AJP intends to file 10-12 ANDAs in FY26.
- AJP remains confident in delivering low-teens YoY growth in the Asia branded generics segment in FY26.
- AJP expects to sustain the growth momentum in the US generics segment in FY26 and can grow at high teens in FY27 as well.
- It guided a 78% (+-1%) gross margin and 27% (+-1%) EBITDA margin for FY26.
- AJP has moved away from the factoring process in the US generics business, driving receivables days in the interim period.
- Moderation in industry growth is expected to have some impact on the branded business in Africa for AJP.
- About 200 MRs will be added in India over the next two years. AJP is expected to increase MR strength by 10-12% in the Asia/Africa branded generics segment. Currently, it has 3600 MR in the DF and ~2080 in the Asia/Africa branded generics segments.
- Of the 54 active ANDAs, 50 are commercialized to date in the US generics segment.

Alembic Pharma

Neutral

Current Price INR 913

- ALPM intends to achieve 18-20% EBITDA margin over the next two years.
- While there was strong YoY growth in non-US segment in 2QFY26, ALPM indicated 15-20% YoY growth for FY26 in this segment.
- DF business was impacted by the transition to a lower GST rate. ALPM hopes to recoup growth to some extent in the coming quarter.
- A low base and improved demand led to healthy YoY growth in API segment. ALPM expects 10% YoY growth in this segment in FY26.
- ALPM has maintained its full-year guidance for R&D expenses at INR6-6.5b or ~8% of revenue.
- Seven products were launched in the US in 1HFY26. The company would be launching 4-5 products on a quarterly basis in 2HFY26.
- Net debt was INR12.8b vs. INR9.7b QoQ. The increase in debt is primarily due to higher working capital requirements. ALPM expects to reduce debt from FY27 onward, led by product launches and better capacity utilization.
- While ALPM would not be in first wave of Semaglutide launch, it is working on Tirzepatide and expects to be in first wave of launches.
- Its core therapy areas, such as gynecology, ophthalmology, and animal health, delivered strong double-digit growth. ALPM expects growth to revive in acute therapies as well.
- Through Utility Therapeutics, ALPM is making inroads into prescription-based products in the urinary tract infection category. It indicated 1QFY27 to be the likely timeline for the launch of its product. Subsequently, it wants to build the portfolio in this category and build field force to reach out to doctors to generate prescriptions.



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Alkem Labs

Neutral

Current Price INR 5,711

- ALKEM remains confident about outperforming the DF segment by 100-150bp on a consistent basis.
- It expects low double-digit/high-teen YoY growth in the US/Non-US segments in FY26.
- The company has raised its EBITDA margin guidance to 19.5%-20% for FY26.
- Opex related to the Enzene US plant (INR500m-INR600m) will be expensed from 3QFY26 onwards. Overall opex (Ex-R&D) is projected at INR9b per quarter over the next two quarters.
- ETR is expected to be 35-38% for FY27.
- ALKEM expects its US plant to attain an asset turnover of 1-1.2x, reaching the corresponding sales in 12-18M.
- In 2QFY26, ALKEM garnered INR1.2b revenue from the Enzene Pune plant.
- ALKEM expects 3-4 ANDA launches in 2HFY26.
- With respect to Mirabegron, ALKEM has a settlement agreement with the innovator and will launch the product only after patent expiry.
- ALKEM is slated to launch g-Tolvaptan in FY27 due to ongoing litigation.
- Certain markets like Australia and Germany enabled robust YoY growth in the non-US market in 2QFY26.
- Current CDMO traction is primarily derived from products in development for innovators at Enzene units.
- In 2QFY26, R&D investments were INR1.3b (3.3% of sales).
- In 2QFY26, ALKEM filed/received approval for 2/1 ANDAs from USFDA.
- Net cash position at the end of 1HFY26 was INR49.4b.

Apollo Hospitals

Buy

Current Price INR 7,384

- The hospital business recorded limited IP/OP volume YoY growth due to a high season-related base in 2QFY25. Lower patient flow from Bangladesh further impacted growth on a YoY basis.
- APHS achieved a 14% YoY revenue growth in CONGO specialties, helping offset the high base impact from last year in the hospital business.
- The company has pushed its target of achieving cash break-even in Healthco (excluding ESOP) by a quarter.
- APHS has commenced the commissioning of hospitals at Defence Colony, Delhi, and Royal Mudhol, Pune, in 3QFY26. The Sarjapur and Bengaluru hospitals are expected to be commissioned in 4QFY26, while the Hyderabad and Gurugram hospitals are scheduled for 1QFY27. Overall opex related to these hospitals is expected to be INR1.5b on an annualized basis.
- The company aims for cost savings of INR1.2b, of which INR600m has already been achieved through improved material management and supplier consolidation. Further optimization is expected from HR efficiencies and reduced IT spend.
- The Karnataka cluster witnessed 6% IP volume decline on a YoY basis, largely due to lower medical admission.
- While 60% of the patient flow from Bangladesh has been recovered, APHS is also exploring newer international markets to revive growth in this segment.

- With respect to the pharmacy business, the platform revenue has witnessed 30% YoY growth in GMV. However, the GST transition impacted the growth to some extent in 2QFY26. APHS expects diagnostics-related GMV to recover over the near to medium term.
- Insurance policies are largely sold online by APHS and are focused on customers already registered on the APHS portal.
- Management has highlighted the deployment of AI solutions and digital command centers across hospitals. The patient-facing AI agent (bookings) grew ~318% YoY in website-led bookings. Additionally, command centers and AI-driven flow management are being used to reduce variability and length of stay, enabling higher throughput and lower per-case costs.

Other operational highlights

Hospitals segment (50% of sales)

- Hospital EBITDA grew 8% YoY to INR7.8b for 2QFY26.
- Occupancy for 2QFY26 was 69% vs 73% in 2QFY25.
- Average revenue per in-patient increased 9% YoY to INR173,318 in 2QFY25.
- Inpatient ALOS decreased 6.3% to 3.1 days in 2QFY26.
- Outpatient/inpatient volume increased 5.1%/1.9% YoY in 2QFY26.

Healthco (offline/online pharmacy and Apollo 24/7; 42% of sales)

- Healthco achieved a superior EBITDA of INR1.1b for 2QFY26 vs INR520m in 2QFY25. EBITDA margin stood at 4.1% in 2QFY26.
- Online pharmacy, distribution, and Apollo 24/7 recorded EBITDA loss of INR710m in 2QFY26 vs INR1b YoY.
- Platform GMV grew 16% YoY to INR7.2b.
- The company had a total of 6,928 operating stores as of Sep'25. 186 stores were added in 2QFY26.
- Average run rate increased 10.4% YoY to 74K/day order across pharma and diagnostics consultations (including IP/OP referrals) in 2QFY26.

AHLL (8% of sales)

- EBITDA grew 21% YoY in 2QFY26 to INR500m.
- Revenue/EBITDA of primary care grew 14%/1% YoY to INR1.2b/INR206m in 2QFY26.
- Revenue of specialty care grew 4% YoY to INR1.9b in 2QFY26, while EBITDA remained stable YoY at INR208m.
- Revenue/EBITDA of diagnostics grew 36%/22% to INR1.8b/INR220m in 2QFY26.



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Aurobindo Pharma

Buy

Current Price INR 1,240

- ARBP has guided for 20-21% EBITDA margin in FY26.
- ARBP indicated 7% sales growth, 10% gross profit growth and 14% EBITDA growth on QoQ basis (Ex-g-Revlimid) for 2QFY26.
- ARBP has strengthened its MSD contract by signing the second product. It would be adding a 15KL bioreactor line to cater to a new contract with MSD.
- USFDA has accepted the request to re-inspect the Eugia III plant and the company expects inspection within eight months. Injectable sales are still short of pre-Covid levels. While production is on track, new launches would drive better growth prospects.



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- ARBP has scope of specialty injectable product launches from its Vizag plant to drive growth in this segment FY27 onward.
- Pen-G plant production is scaled up to 40%-50% utilization. With a scale-up in Pen-G production, gross margin is expected to expand further, with a potential to reach 60% on overall basis.
- ARBP has received waiver for Phase III studies from the EU authority for Tocilizumab/Bevacizumab and plans to submit the application in Jul'26/Apr'26.
- ARBP continues to witness robust growth in EU, driven by new launches and market share gains in existing products. ARBP indicated high-teen EBITDA margin in EU currently and scope to improve further going forward.
- ARBP witnessed low-single-digit price erosion in its US portfolio in 2Q.
- It has net cash of USD170m at the end of 2QFY26.

Biocon

Buy

Current Price INR 422

- With the approval/launch of Insulin Aspart in place, BIOS is working on formulary-related procedures and expects meaningful traction from the product beginning CY26 onwards.
- The only outstanding debt is with Edelweiss, which is scheduled to be fully repaid on or before 31st Jan'26.
- Gross margin in the generics business stood at ~45%. With product launches including Liraglutide/Dasatinib, the profitability of the generics business is expected to experience an improving trend.
- R&D spend is expected at 7-9%/8-10% for biosimilars/generics, respectively, as a % of sales.
- The reduction in interest costs will start to reflect from 2HFY26 onwards, with about INR3b reduction projected to be reflected in FY27.
- Considering the robust CMC data, including characterization data, biosimilar companies are in discussion with regulatory agencies to seek waivers for phase III clinical trials for high-value products, including b-Keyturda. This development could benefit BIOS as well, given its strong scientific expertise in biosimilar products.
- BIOS has about 25% market share each in b- btrastuzumab and b pegflgrastim.
- The biologics traction in EM has been strong on the back of nine launches over the past 6-9M.
- BIOS has retired all structured debt from Goldman/Kotak. The structured debt from Edelweiss is also expected to be repaid soon.
- Reported 1H geographic revenue mix: 40% North America, 35% Europe, 25% Emerging Markets (EM). Management expects all regions to experience growth, but the mix is likely to remain broadly at similar proportions.

Bluejet Healthcare

Buy

Current Price INR 571

Operational performance

- Reduction in revenue this quarter was due to lower sales in the PI segment, attributed to the de-stocking of the channel inventory.
- Management plans to remain committed to innovation and maintain capital discipline.



Particulars	2023-24	2022-23	2021-22	2020-21	2019-20
Revenue	1,00,00,00,000	80,00,00,000	60,00,00,000	40,00,00,000	20,00,00,000
Profit	10,00,00,000	8,00,00,000	6,00,00,000	4,00,00,000	2,00,00,000
EPS	100	80	60	40	20

- The company maintains strong medium to long-term business visibility, driven by high consumer stickiness, sustained demand for key molecules, and expanding market opportunities.
- Gross margin in 2QFY26 expanded to 65% from 41% in 1QFY26; the change was primarily driven by an increase in inventory, including finished goods and goods in transit totaling INR506m. The corresponding overhead allocation on these goods led to a 9% reduction in COGS, thereby positively impacting the gross margin.
- The reduction in revenue was also due to a higher proportion of goods remaining in transit, which led to delayed revenue recognition. Consequently, only 55% of the goods produced during the quarter were recognized.
- Other income for 1HFY26 increased 56% to INR325m, compared to INR208m in the previous period. The rise was mainly driven by higher net foreign exchange gains of INR111m, resulting from the appreciation of the US dollar.
- The transit time, which had increased to 60 days, remains at similar levels. The company is actively working to optimize and reduce this duration.
- US accounts for less than 5% of the revenue and, therefore, has not seen much impact from tariffs.

Capital allocation

- Over the past four years, the company has quadrupled its production capacity and plans to continue expanding at a similar pace in the coming years, with additional capacity being added at the Mahad facility.
- The company aims to expand capacity by 1,000 KL over the next 2-3 years in Phase 1, comprising four blocks: two for CMI, one for high-intensity sweeteners, and one MMP block.
- Upon commencement of production from the new capacity expansion, the company is expected to emerge as the market leader in the Contrast Media Intermediates (CMI) segment.
- The company has completed a payment of INR420m for the acquisition of 102 acres of land near Vizag, with remaining formalities currently underway.
- Over the next 2-3 years, the company plans to add 1,000 KL of production capacity at this newly acquired Vizag site, further strengthening its manufacturing capabilities. This will be developed in three phases. This expansion will support a range of products, including APIs, with one of the key targets being the API for Bempedoic Acid
- The Mahad plant has been equipped with a high level of automation to enhance efficiency and productivity. The total capex for the project has been revised upward to INR3b from the earlier INR2.5b. Of this, the company has already spent ~INR1.35b during 1HFY26.

Contrast media

- The new product, an iodinated-based advanced contrast media intermediate, was launched and dispatched in Jul'25.
- The NCE contrast media for the MRI segment is witnessing robust growth in regulated markets, resulting in a strong order book visibility.
- The company continues to pursue forward integration into more advanced intermediates for contrast media.

- The second half of the year for the Contrast Media Intermediates (CMI) business is expected to remain stable, with performance likely to mirror last year's trend.
- With strong near-term growth visibility, the company is confident of sustaining similar margin levels.

High-intensity sweeteners

- One of the company's key customers has approved a new product with a target market size of around USD1b. The product offers attractive margins, and the company will be the only manufacturer of this product in India. It aims to capture approximately 10% of the global market share.
- Commercial-scale production will primarily take place at the Vizag facility, while initial volumes will be managed through the company's multipurpose plant. Additionally, several other potential customers have shown interest and are currently being engaged by the company.
- The majority of the production for this product will be carried out at the Vizag plant, with the existing facility supporting production requirements as needed.

Pharma intermediates

- The end cardiovascular drug continues to demonstrate strong growth and traction across all geographies, supported by a steady rise in prescriptions as per customer data. This positive trend is expected to translate into consistent growth throughout the product's patent lifecycle.
- The company anticipates additional upside not only from the end cardiovascular molecule but also from other promising molecules in its portfolio. These other molecules are expected to start contributing meaningfully to revenues from FY27 onwards.
- The company has provided an EBITDA margin guidance of around 35%.
- The decline in revenue during the current quarter was primarily due to lower sales in the PI segment, entirely attributed to channel inventory de-stocking.
- The key performance indicators for this segment remain the growth trajectory of key molecules and their acceptance across multiple geographies.
- Bempedoic acid, a molecule in the cardiovascular segment, continues to perform exceptionally well, with new large markets opening up. This product remains under patent protection until CY31.
- Additionally, there are two to three other molecules within this segment that show strong scalability potential. As a result, the cardiovascular segment is well-positioned for robust growth, supported by ongoing capacity expansion.
- Considering the significant market potential of bempedoic acid, the company has adopted a long-term approach toward capacity planning. The molecule is witnessing rapid growth, and while there remains room for competition, the company's position is strengthened by long-term contractual arrangements.



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Cipla

Neutral

Current Price INR 1,515

- Cipla revised its EBITDA margin guidance from 23.5-24.5% earlier to 22.75-24.0%. This is due to higher R&D spending towards potential opportunities.
- Cipla's current MD-Global CEO, Umang Vora, has expressed his intention not to seek reappointment as the MD & Global CEO upon completion of his current term on 31st Mar'26.
- Mr. Achin Gupta, Global Chief Operating Officer, has been elevated and appointed as the MD & Global Chief Executive Officer of the Company with effect from 1st Apr'26 for a term of five years up to 31st Mar'31.
- G-Revlimid sales have been lower in 2Q vs. 1QFY26 and are expected to trend further lower in the coming quarters.
- Despite lower sales of g-Revlimid, the overall NA sales grew QoQ, driven by market share gain in albuterol, lanreotide, and other potential products.
- Given the deal with Eli Lilly to distribute and promote Terzapatide in India, Cipla would evaluate the Semaglutide opportunity post regulatory approval for the Indian market.
- Cipla has completed remediation measures at Indore and is ready for reinspection from the USFDA.
- R&D spending is expected to be 50bp higher for the full year than it was planned at the start of FY26 due to the acceleration of certain filings.
- Management indicated a pick-up in market share for Nano-paclitaxel and is expected to further scale up with reduced inventory in the industry.
- While Cipla witnessed robust performance in key chronic therapies, the lesser benefit from seasonality in acute therapies impacted growth in the domestic formulation market. Cipla expects to outperform the DF segment even without considering business from Terzapatide.
- Cipla would have a dedicated field force for marketing/promoting Terzapatide.

Divi's Lab

Neutral

Current Price INR 6,475

- DIVI had a CC growth of 10.7% in 1HFY26.
- The generics: CS share in sales for 2QFY26 stood at 44:56.
- This implies the generics segment grew 4% YoY, while the CS business grew 27.5% YoY for the quarter.
- DIVI has inaugurated the Peptide Center of Excellence. DIVI has engaged with several big pharma companies at different stages of clinical trials in peptide products.
- DIVI continues to invest in the lab and the manufacturing stage for peptides.
- DIVI manufactures its own protected amino acids. Hence, DIVI is in a superior position from the impurity standpoint.
- On a YoY basis, the volume gain in existing products as well as new products is getting offset by the pricing pressure.
- Capex stood at INR15.5b for 1HFY26. There is a scope of capex of more than INR20b in FY26.
- The US and EU formed 74% of sales for 2QFY26.
- The nutraceutical business was INR2.4b in 2QFY26



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Dr.Reddy's

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- DIVI has capitalized assets worth INR4.5b
- DIVI has progressed well on iodine-based contrast media products. DIVI is undergoing a validation process and will be qualified soon. DIVI is working with multiple global pharma companies for gadolinium-based contrast media products. This would take at least a year for commercial success.
- DIVI has witnessed stability in raw material prices over the recent past in the generics segment.
- Considering geopolitical turmoil, DIVI has maintained sufficient inventory levels to ensure the timely availability of required products to its customers.

Dr Agarwal's Health

Buy

Current Price INR 507

- High-end cataract and refractive surgeries led mix improvement, driving up average revenue per surgery by ~5-6% on YoY basis.
- DAHL added 24 new facilities in 1HFY26 (13 in 1Q/11 in 2Q) and now operates 258 centers (239 in India, 19 overseas).
- Of the 11 centers added in 2Q, six were secondary hospitals (Sivakasi, Tenkasi, Bhopal, Aurangabad, Palakkad, Hassan) and five were primary centers (two in Belgaum, one each in Gadag, Haveri, Jhattakuda).
- 123 mature facilities (3+ years old) reported 13.4% YoY growth, contributing 75% of total revenue.
- FY26 capex is maintained at INR3b (+INR700m for flagship); about 30 new centers to be launched in 2HFY26.
- 2HFY26 is expected to be stronger on seasonality; management is confident of sustaining growth momentum in 2H as well.
- The South region remains the growth engine, contributing 64% of revenue with 165 facilities, including 16 new additions in 2HFY26.
- Tamil Nadu saw modest growth due to monsoon impact, while Telangana, Karnataka, and Andhra Pradesh recorded strong double-digit growth.
- The West region operates 43 facilities and added three new; Maharashtra and Gujarat remain in focus.
- The North region operates 22 facilities; with plans for rapid expansion in Delhi NCR in 2HFY26.
- New technology installations included VISUMAX 500 lasers (Pune & Cochin), FECU cataract system (Hyderabad), and Lumera 300 microscope (Aurangabad).
- Management plans to open ~30 more facilities in 2H (17 South, 6 West, 4 North, 4 East), with continued focus on underserved Tier 2-3 markets.

Dr Reddy's Labs

Neutral

Current Price INR 1,244

- DRRD expects feedback on its Semaglutide application from the Canadian health authority in a few weeks. Management expects competition would be subject to approval timeline in the Canadian market.
- It remains confident of selling 12m pens of Semaglutide in global markets, including Canada, Brazil, India and other emerging markets.
- DRRD is in the process of addressing a complete response letter (CRL) related to Retuximab biosimilar.

This is a screenshot of a document titled "Dr. Reddy's Labs" with a date of 28 November 2025. It appears to be a transcript or a detailed report, with various sections and sub-sections, including a table of contents and a list of topics. The document is presented in a professional, clean layout with a header and footer.

- The company remains confident of filing Abatacept by the end of CY25. It is also exploring a CMO partner in the US for this product to add a manufacturing site and overcome any US tariffs-related issues.
- The Stugeron brand franchise has annual sales of INR1b. DRRD paid INR4.4b for acquiring these brands.
- The company has the capacity to produce 800kg of peptides API and is well-placed to address the GLP-1 opportunity going forward.
- G-Revlimid sales in 3Q would be lower than that in 2QFY26.
- Notably, DRRD has been able to overcome GST-related disruption in the domestic formulation market.
- R&D spending is expected to be 7% of sales in FY26.
- Out of 13% YoY growth in DF in 2Q, about 5% was driven by price and the remaining was driven by volume.
- India business gained from innovation-led acquisitions and legacy portfolio strength, with continued investments planned across emerging markets through two upcoming expansion waves.
- DRRD remains focused on strengthening the biosimilar franchise and peptide-based pipeline to drive medium-term growth.
- The company expects operating expenses to remain at 28-30% of sales through FY27, balancing cost control with sustained investments in R&D and market expansion.
- EBITDA margin stood at 26.7%, with guidance to normalize to ~25% over the next two years as operational efficiencies and product mix improvements offset normalization in Revlimid.



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Eris Life Science

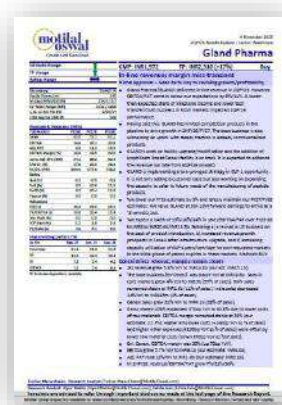
Neutral

Current Price INR 1,574

- In addition to its ongoing collaboration with Biocon, ERIS has expanded the partnership to include Aspart for the Indian market.
- While vial manufacturing recently commenced at the Bhopal unit, ERIS is currently completing stability testing for the products and, hence, has not yet released them in the market. Cartridge production has been delayed from 4QFY26 to 1QFY27.
- Due to expedited strategic investments, the target for reducing outstanding debt to INR18b has been pushed from 4QFY26 to 3QFY27.
- ERIS will not launch g-Saxenda due to delays in product approval.
- The company has identified three key growth drivers for the next 3-4 quarters: its diabetes franchise/integration of biotech manufacturing /ramp-up of international business.
- In the DF segment, price/volume contributed 2.5%/2.1% growth for the quarter, with the remaining YoY growth driven by new launches.
- ERIS also expects high-value products to be launched in 2HFY26 in the DF segment.
- EBITDA of the DF business is expected to grow at 15% YoY, with margin projected at over 37% in FY26.
- The Biocon business grew over 10% YoY, with growth seen in overall DF segment for the quarter.



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- ERIS expects INR2b business from the RHI cartridge opportunity.
- The CDMO order book stands at INR7b-INR8b, and the timing of the commercial success will be subject to regulatory approvals. ERIS remains confident of tracking INR7b/INR10b revenue from the CDMO opportunity by FY28/FY30.

Gland Pharma

Buy

Current Price INR 1,790

- GLAND remains confident of achieving mid-teen (+2%) YoY growth in revenue in FY26. 1H revenue growth was 6.6% YoY.
- 2H YoY growth would be driven by few key launches, volume growth of existing products and better Cenexi performance.
- The milestone income/profit share for the quarter was 4%/13% as % of sales.
- The YoY growth in US base business was driven by 10% volume growth and 6-7% new launches. Lower milestone income dragged down YoY growth in 2Q.
- The goal date for Dalbavancin is in Nov'25. Another product opportunity (Congrelor) is subject to patent expiry/settlement of GLAND's partner with innovator.
- While GM of Cenexi was lower at 67%, GLAND remains confident of achieving GM of 74-75% in FY26.
- Approval for a partner in semi-regulated markets for Semaglutide would enable this CMO opportunity for GLAND.
- The 8KL biologics capacity has just started commercialization and the expansion plan to scale the capacity to 23KL is underway.
- Capex for base business is expected to be INR2.5b/INR3b for FY26/FY27.
- In 2Q, Cenexi reported revenue of INR4.1b, gross margin of 67% (vs. 80% QoQ and 69% YoY), and EBITDA loss of INR616m (vs. profit last quarter) due to a planned shutdown.
- Excl. Cenexi, revenue remained stable at INR10.8b, EBITDA grew 3% YoY to INR3.7b, and gross profit margin was 61%, up 515bp YoY.
- Fontenay Site: Infrastructure/equipment upgrades carried out during shutdown. Excluding the shutdown period, production at the facility is on track, with improved order shipments after the commissioning of a new high-speed ampoule line.
- The Braine-l'Alleud site: Two new lyophilizer expected to be completed by CY25.
- Hérouville Facility: The site saw ramp-up in inactivated vaccine and a sterile ophthalmic gel.
- R&D expenses for 2Q were INR614m (5.8% of sales).
- In 2Q, six ANDAs were filed and five were approved, contributing to a cumulative total of 378 ANDA filings in the US (329 approved, 49 pending).

Global Health

Buy

Current Price INR 1,190

- Medanta launched its Noida hospital in Sep'25 and has onboarded 150+ doctors till now at this site. Revenue/opex stood at INR39m/INR197m in 2QFY26.
- At the Noida hospital, insurance empanelment will be completed soon.



- Additional FSI approval is received for its Mumbai hospital, increasing the scope of bed capacity expansion from 500 to 750 beds now. The project cost is revised to INR15.3b accordingly.
- Medanta has onboarded 49+ doctors at sites, excluding Noida. It witnessed minimal attrition of doctors at its hospitals.
- International patient volume remains strong for Medanta.
- Additional manpower costs at Gurgaon/Ranchi led to lower EBITDA growth at matured hospitals.
- Excluding the impact of OPD pharmacy/other income, revenue/EBITDA rose 7.9%/2.2% YoY for matured hospitals.
- Gurgaon/Indore had higher business due to vector-borne diseases in 2QFY25, leading to higher base.
- Lucknow/Patna have been operating at the same tariffs since inception.
- Lucknow ARPOB was impacted by the addition of relatively lower realization and longer days specialties. Having said this, patient volume remains robust, boosting overall revenues at Lucknow.
- Patna's strong ARPOB growth attributed to the addition of high-end treatments costing about INR48k-INR50k.

Other operating highlights

- ARPOB grew by 5.5% YoY to INR65,570 in 2QFY26. Matured hospitals' ARPOB grew 9.6% YoY and developing hospitals' ARPOB rose 2.3% YoY.
- Both IPD/OPD volumes increased 13%/15% YoY for the quarter.
- Occupancy stood at 63.7% (vs. 64.3% in 2QFY25) and 63.2% in 1QFY26.
- ALOS stood at 3.06 days (vs. 3.20/3.03 days in 2QFY25/1QFY26).
- OPD Pharmacy revenue increased 23.9% YoY to INR456m.
- International patients' revenue increased 48.5% YoY to INR762m.
- Heart/cancer/digestive/neuro/urology contributed ~65% of total revenue in 2QFY26.
- Medanta incurred INR4.3b of capex in 1HFY26.
- Maintenance capex is estimated at INR4.5b to be incurred over the next three years.
- Total project capex is estimated at INR36.7b for the next five years, funded by a combination of debt funding and internal accruals.
- Medanta added 393 beds in 1HFY26 and plans to add 647 beds by the end of FY27.



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Granules India

Buy

Current Price INR 562

- After providing adequate information about the remediation measures implemented at Gagillapur, the USFDA will be meeting with GRAN's management in Jan'26.
- USFDA has issued the EIR for the Chantilly, US site following the inspection for the first-to-file controlled substance product.
- The successful USFDA inspection at the greenfield formulation facility in Genome Valley has increased capacity by 40%, enabling higher supply to the US market.

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LAXMI DENTAL LIMITED

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- EBITDA improved on operational efficiencies and a better mix but was partly offset by an INR200m loss from the peptides business.
- GRAN has expanded capacity, diversified its portfolio, and strengthened compliance to support growth going forward.
- GRAN is on track to scale the foundation of its CDMO business, with the R&D platform for the peptides business at Senn Chemicals, Switzerland, integrated with scalable manufacturing capacity in India.
- Revenue growth in 2QFY25 was primarily driven by the formulation business in NA and Europe.
- Net debt at the end of 2QFY26 was INR10.2b vs INR9.5b at the end of 1QFY26.
- Capex in 2QFY26 was INR2b.
- Steady traction from approved products led to revenue growth in the NA and EU markets.
- GRAN expects to turn the peptides business profitable from 4QFY26 onwards.
- Consultancy expenses of USD4m in 1HFY26 will reduce sharply in 2H/negligible by FY27.
- Capital employed in the Peptide and Senn Chemicals business stands at INR5.5b.

IPCA Labs

Buy

Current Price INR 1,423

- For FY26, IPCA expects revenue growth of 10-11% YoY in DF, 14-15% in API, and 9-10% YoY in branded export formulation.
- It guides for 8-9% YoY growth in generics formulation export revenue in 2H.
- IPCA is on track to build synergy from the Unichem acquisition. It has shut EU site and has transferred production to Baddi site, a step toward improving profitability. IPCA is also in the process of transferring outsourced API to procure from IPCA site. The overall process, including regulatory approvals, would take 12-15 months.
- Also, 12 Unichem products are filed through IPCA channel in export markets. This would take 1-1.5 years for commercial success, considering the regulatory approval process.
- IPCA has garnered INR550m sales from US market. It has shipped 6 products and taken further 6 products for manufacturing scale-up
- It has 7k MRs on ground and intends to add one division in cosmetic dermatology segment.
- The company guides for R&D spend to be 4% of sales for FY26.
- The chronic share increased by 100bp YoY to 35% in DF segment in 2Q.
- IPCA's chronic therapy grew 14.2% YoY vs. industry YoY growth of 10.2% in 2Q.
- Its acute therapy grew 8.2% YoY vs. industry YoY growth of 6.2% in 2Q.

Laxmi Dental

Buy

Current Price INR 303

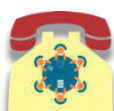
- FY26 guidance: Revenue growth of 22-25% and PAT margin of 13-15%.
- 2Q scanner sales exceeded FY25 sales, and the company expects to sustain scanner sales to increase the reach and visibility of its lab business.
- Overall working capital days are ~65.
- Reduction in trade payables is largely due to payments related to IPO expenses.



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- Scanner sales impacted gross margin for the quarter.
- Kidz-e-dental witnessed a gradual QoQ uptick in sales with increased off-take of products. LAXMIDEN expects CE approval in 4QFY26.
- The company continues to witness competitive pressure in Bizdent business.
- It added customers and entered new geographies for Taglus business.

Laurus Labs

Buy

Current Price INR 1,006

- LAURUS guided the ARV business to be INR25b (+/-INR2b) for FY26.
- The favorable mix of commercial molecules within CDMO is driving better gross margin despite a lower share of CDMO revenue on a QoQ basis.
- In addition to the INR50b capex planned over the next five years, LAURUS has been allotted 532 acres in Vizag by the Govt. of Andhra Pradesh. The company plans to invest USD600m (~INR50b) over eight years on this land to expand pharma manufacturing and R&D infrastructure, with a focus on scaling and technology advancement.
- Of the total capex outlay of INR36b over FY22-26, about 23% would be spent on the API/CDMO projects, while the remainder would be spent on drug products.
- LAURUS has completed the API rebalancing strategy with a debottlenecking exercise implemented in the ARV sub-segment.
- Alongside LAURUS' existing payload and linker expertise, Aarvik Therapeutics will add bioconjugation and fill-finish technologies, enabling a comprehensive end-to-end offering in the antibody-drug conjugate (ADC) space.
- Multiple validation-phase projects are underway in the animal health vertical, which is scaling gradually in FY26 and is expected to see a meaningful ramp-up from FY27.
- The opex/capex for the Gene/ADC segment is expected to be INR2.5b to be spent over the next three years.
- Asset turnover improved from 0.77x in FY25 to 0.9x in 1H FY26 and is expected to rise further over the next 24 months with continued scale-up in synthesis and FDF businesses.
- Higher other income was primarily driven by foreign exchange gains in 2QFY26.

Lupin

Neutral

Current Price INR 2,047

- LPC revised its EBITDA margin guidance upwards to 25-26% for FY26 vs the earlier guidance of 24-25%. However, EBITDA margin for 2H FY26 will be lower compared to 1H FY26 due to increased R&D spending and a decline in PLI income.
- LPC expects the USD1b US sales run rate to sustain in FY27.
- It also indicated EBITDA margin to sustain at 24-25% in FY27.
- LPC guided for R&D spend to range between 7.5% and 8.5% of sales for FY26. ~70 % of the R&D spend is allocated towards complex products.
- US growth remained strong, led by exclusivity of Tolvaptan /continued traction in Mirabegron and g-Spiriva, offsetting mild price erosion.
- The Biosimilar portfolio will start contributing to revenue from FY27 onwards and intends to have five products commercialized by FY30. Specifically, LPC



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targets b-Pegfilgrastim by the end of the month, while Ranvizumab is expected around mid-CY26.

- LPC plans to invest USD250m over the next five years to build a manufacturing facility in Coral Springs, Florida, designed to produce over 25 critical respiratory medicines, including albuterol inhalers.
- With respect to g-Tolvaptan, the exclusivity period will expire in Mid-Nov for LPC. The entry timing for a couple of peers may provide extended exclusivity for LPC.
- The company has seen 30% market conversion to generic tolvaptan. This offers greater room for LPC as well as its peers to attract business from g-Tolvaptan.
- G-Mirabegron sales grew on a QoQ basis.
- LPC has recently launched g-Victoza in the US and aims to launch g-Risperdal Consta soon.
- Brazil/SA/EU revenue growth was strong in 2QFY26. Specifically, LPC was able to turn around its business in Brazil (launch of Diabetes franchise) and SA (restructuring of the portfolio).
- Overall, LPC's ophthalmology business is USD140m, considering the acquired business as well.
- LPC received 6 ANDA approvals in 2QFY26. It launched 6 products in 2QFY26.
- R&D was 7.5% of sales for the quarter.
- Capex for the quarter was INR3.4b.

Mankind Pharma

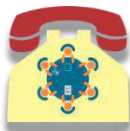
Buy

Current Price INR 2,224

- On an organic basis, MANKIND's DF Rx segment grew 6.6% YoY in 2QFY26.
- Due to its strong presence in Tier-II/Tier-III cities and a higher share in Acute therapies, MANKIND witnessed a greater adverse impact of GST on YoY growth in the DF Rx segment.
- The OTC business was also impacted by supply chain disruptions and uneven monsoon.
- MANKIND expects a recovery in 2HFY26 across the Rx and OTC segments. The company has guided for the lower end of a 25-26% EBITDA margin in FY26.
- MANKIND has maintained its guidance of 18-20% YoY growth in BSV sales for FY26.
- Increased doctor coverage and favorable season led to superior growth in inhaler products.
- Exports grew 5% on an organic basis for 2QFY26.
- Employee costs increased due to a higher headcount, increments, restructuring, and talent upgrades.
- BSV profitability was slightly lower than the company's average for 2QFY26.
- MANKIND implemented a price hike of 3.9% YoY on its Rx portfolio.
- Net debt reduced by INR4.6b to INR47b in 2QFY26.
- Capex stood at INR3b by the end of 1HFY26.



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Piramal Pharma

Buy

Current Price INR 192

- PIRPHARM expects revenue to remain flat YoY in FY26. EBITDA margin is expected to moderate to low teens (including other income) vs the earlier guidance of mid-teens in FY26. 2H is expected to deliver a meaningfully better performance compared to 1HFY26.
- FY30 guidance to achieve USD2b revenue and 25% EBITDA margin in FY30 remains intact.
- Net debt reduced by INR2.2b, led by tight control on WC requirements and capital expenditure.
- The company expects capacity utilization at its overseas facilities to pick up on the back of new contracts, which is also expected to enhance profitability at these sites.
- While there is increased competition in the Isoflurane market, PIRPHARM remains confident in retaining its market share, supported by robust manufacturing capabilities and strong supply chain management.
- PIRPHARM has planned a new commercial-scale suite for payload-linker development and manufacturing. Along with prior investments, total investment in the Riverview and Aurora facilities now amounts to USD60m, aimed at significantly increasing capacity for producing APIs, HPAPIs, and payload-linkers.
- PIRPHARM is taking measures to address supply constraints in its injectable pain management products.
- The CDMO project with New-Amsterdam, which will provide commercial capacity for fixed-dose combinations, does not require meaningful investment from PIRPHARM. The existing setup is sufficient to meet New-Amsterdam's requirements.
- In-licensing and co-development partnerships are expected to be key growth drivers in the medium term.
- Management expects the consumer business to sustain its growth momentum, supported by strong brand performance and digital channel expansion.



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Rubicon Research

Buy

Current Price INR 725

- Rubicon guided for annual R&D spend to be 10-11% of sales for the next 4-5 years.
- EBITDA margin is expected to sustain going forward. This is after considering additional opex related to the Alkem plant.
- The Pithampur plant is expected to be operational from mid-CY26 onwards.
- Over FY20-1HFY26, equity raise of INR1.1b, debt raise of INR4.7b, and internal accruals of INR12.3b have been utilized for R&D (INR6.5b), capex (INR5b), and working capital requirements (INR6.7b).
- The top 5/10 products formed 30%/51% of revenue in 2QFY26. Contribution from the top 10 products is expected to remain sub-50% over the medium term.
- Although manufacturing of the drug-device combination nasal spray is currently outsourced, Rubicon possesses the capability to produce the product in-house at its Ambarnath plant.

- Rubicon voluntarily participated in the USFDA's Quality Management Maturity (QMM) program, with its Ambernath facility being the only Indian manufacturing site selected under this initiative. Beyond standard GMP compliance, the evaluation covered broader aspects such as supply chain resilience, human resource practices, and vendor management systems, reflecting Rubicon's emphasis on operational robustness and governance.
- During CY23, Rubicon faced simultaneous USFDA inspections at both its Ambernath and Satara facilities. The Satara site (acquired from Cipla) underwent a planned audit, while the Ambernath site experienced a surprise inspection. Despite the leadership team's presence at Satara during that period, both inspections were successfully completed, with EIRs issued within 60 days. This underscores a strong culture of compliance and process discipline embedded across Rubicon's manufacturing network.
- Pricing in the portfolio for Rubicon remains stable, driven by a focus on specialty differentiated products.
- The product commercialization rate stood strong at 93% by the end of 2QFY26.
- The higher manufacturing outsourcing has led to lower gross margin on a YoY basis.



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Sun Pharma	
Current Price	INR 1,760
Market Cap	INR 1,760
P/E Ratio	25.00
Dividend Yield	0.50%
52 Week High	INR 1,850
52 Week Low	INR 1,650
Volume	1,00,000
Turnover	INR 1,00,000
EPS	70.40
BPS	70.40
ROCE	15.00%
ROE	15.00%
Debt to Equity	0.50
Current Ratio	1.50
Quick Ratio	1.00
Operating Profit	INR 1,00,000
Net Profit	INR 1,00,000
EBITDA	INR 1,00,000
Free Cash Flow	INR 1,00,000
Capex	INR 1,00,000
Opex	INR 1,00,000
Revenue	INR 1,00,000
Operating Profit	INR 1,00,000
Net Profit	INR 1,00,000
EBITDA	INR 1,00,000
Free Cash Flow	INR 1,00,000
Capex	INR 1,00,000
Opex	INR 1,00,000
Revenue	INR 1,00,000

Sun Pharma

Buy

Current Price INR 1,760

- Ilumya has now been commercialized in all target geographies and is available in 35 markets globally.
- Innovative R&D accounted for 38% of total R&D spending, representing ~10% of global innovative medicine sales for the quarter.
- SUNP remains on track to launch Unloxcyt in 2HFY26 and plans to file Ilumya for psoriatic arthritis in 2HFY26.
- Growth in innovative medicines was driven by Ilumya/Odomzo, though this was partially offset by lower generic sales due to intensified competition and reduced g-Revlimid volumes.
- Sales of g-Revlimid were lower YoY/stable QoQ and could decline going forward.
- R&D spends are expected at the lower end of 6-8% guidance for the year.
- In emerging markets, growth was supported by healthy performance across both the generic and innovative medicine portfolios.
- While working capital requirement has increased over the past six months, it is expected to normalize in coming quarters.
- The recent regulatory guidelines have been in favor of a reduction in cost for developing biologics. SUNP intends to get further clarity for investment in this segment as a reduction in cost would also lead to an increase in competition.
- Sales force is in place for Leqselvi/Unloxcyt and marketing/promotional activities are expected to pick up. Certain marketing cost would continue in FY27 as well.
- GL0034 is manufactured using the synthetic route currently. SUNP might consider switching to the recombinant route going forward.
- For the quarter, SUNP received 5 ANDA approvals and filed 4 ANDA/1 NDA.



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Torrent Pharma

Neutral

Current Price INR 3,793

- TRP delivered volume/new launches/price YoY growth of 3.7%/3%/5.5% in the DF segment for the quarter.
- The company delivered 13% YoY growth in the chronic segment vs industry YoY growth of 11%. The outperformance was driven by a superior show in therapies like cardiac and gastro.
- TRP's DF segment faced minimal impact from the GST transition during the quarter.
- TRP delivered 13% YoY CC growth in the Brazilian market vs the industry YoY growth of 7% in 2QFY26.
- The company has filed for Semaglutide in the Brazilian market. Given the product's relevance for the patient population, the Brazilian regulatory agency may prioritize Semaglutide submissions across companies.
- TRP has a target to file 4-5 ANDAs in FY26 and 10 in FY27.
- Germany continues to face supply disruptions from its third-party supplier, with normalization expected by 4QFY26.
- CCI approval is in place for the JB Pharma acquisition. Overall transaction is expected to be completed by Jan'26.
- Capex for 1H FY26 was ~INR2b and INR3b for FY26.
- TRP is on track to expand field force to 7k by FY26.
- TRP plans to enter a new therapeutic area by 4QFY26 in the DF segment.

Zydus Lifesciences

Neutral

Current Price INR 928

- ZYDUSLIF maintained its EBITDA margin guidance of 26% for FY26.
- The company saw positive revenue numbers from the pivotal EPICSTM-III Phase 2(b)/3 clinical trial of Saroglitazar Magnesium in patients with PBC for the US market. About 60-80 MRs would be required for marketing/promotional activities for this product after USFDA approval.
- Comfort Click has the largest market share in the online channel in EU for VMS segment. It has strong brand recognition, which can enable ZYDUSLIF to extend the offering to other markets as well.
- The operational cost related to Amplitude is largely in place. ZYDUSLIF is working on not only improving sales of existing products, but also adding new products in cardiology/nephrology segment.
- ZYDUSLIF had steady market share gain in Mirabegron product.
- It intends to launch 25+ products in the US market. ZYDUSLIF launched Beizray (albumin solubilized docetaxel injection), further strengthening 505(b)(2) portfolio in the US.
- Facility challenges lower sales of injectables currently. With facility-related issues solved, ZYDUSLIF expects injectables business to scale up over the next two years.
- G-copaxone would be launched soon by ZYDUSLIF.
- Chronic segment grew at a faster pace in DF segment. Cardiology, Gynaecology and super speciality area of oncology led overall growth at therapy level in DF.

LOGISTICS



- The logistics industry is navigating a mixed environment, with segment-wise performance diverging through 2QFY26. Port volumes remained subdued with stable margins, while rail logistics continued to deliver steady growth despite realization pressures. Management teams indicated that ‘Express’ and ‘PTL’ businesses experienced strong YoY volume expansion, driven by festive demand and ongoing network integration, though margins reflected the impact of integration and select contract dynamics. Supply chain services continued to outperform with healthy double-digit growth, even as freight-led operations faced some softness due to GST-related demand deferment and a few strategic contract exits. However, we remain optimistic about a stronger 2HFY26 as seasonal demand picks up and business traction continues to improve.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Highlights – 2QFY26
Adani Ports & SEZ Ltd	■ In FY26, cargo volumes are expected to be around 505-515mmt. ■ Revenue is projected to reach INR360-380b, while EBITDA is expected to be ~INR210-220b. ■ APSEZ has outlined a capex plan of INR120b for FY26, with about INR60b likely to be spent on domestic ports.	■ Revenue grew 30% YoY to INR92b in 2Q. Cargo volumes rose 12% YoY to 124mmt, primarily led by containers. ■ EBITDA margin stood at 60.5% (-130bp YoY, +30bp QoQ). EBITDA grew 27% YoY to INR56b, while APAT increased 39% YoY to INR34b (8% above our estimate). ■ All-India cargo market share rose to 28.8% (vs. 27.4% in 2QFY25). Container market share stood at 45.9% (vs. 44.4% in 2QFY25).
JSW Infrastructure	■ Cargo growth of 8-10% is expected in FY26. ■ Capacity utilization averages 65-70%, with long-term growth supported by ongoing capex to reach a 400MMT capacity by FY30. ■ Management is targeting revenue of INR80b, EBITDA of INR20b, and capex of INR90b for building logistics infrastructure under JSW Ports Logistics.	■ Consolidated revenue grew 26% YoY to INR12.6b (in line). The company handled cargo volumes of 28.9m tons (+3% YoY); volume growth was impacted by the subdued performance in the Paradip iron ore terminal. Weak volume was offset by growth in the Southwest, Jaigarh, and Dharamtar ports. Interim operations at the Tuticorin Terminal and JNPA Liquid Terminal also supported growth. ■ EBITDA grew 17% YoY to INR6.1b. EBITDA margins stood at 48.2%, down ~380bp YoY and ~70bp QoQ.
Delhivery	■ Peak period profitability is anticipated in 3Q and 4QFY26, setting the stage for a stronger second half. ■ Revenue growth is expected to be driven by Express Parcel and PTL, with SCS and new services contributing in the latter quarters. ■ The integration cost of Ecom Express stood at INR900m this quarter and is expected to be ~INR3b on an overall basis.	■ Revenue grew 17% YoY to INR25.6b. EBITDA (excluding Ecom Express integration costs) stood at INR1.5b. EBITDA margin (excluding Ecom Express integration costs) stood at 5.9%, against our estimate of 6.5%. ■ PAT (excluding Ecom Express integration costs) stood at INR590m. ■ The core transportation segment, comprising Express Parcel and Part Truckload (PTL), saw healthy volume growth (Express Parcel: +34% YoY and PTL: +12% YoY), aided by the strong festive season and integration of Ecom Express. ■ Service EBITDA margins of Express Parcel and PTL stood at 15.3% and 8.5% respectively, underscoring Delhivery’s operational efficiency and scale advantages.
Container Corporation	■ For FY26, CCRI is targeting 13% growth in total volume, with 10%/20% growth in EXIM/domestic volumes. ■ The Western DFC is expected to be commissioned up to JNPT by Mar’26, which will significantly enhance volumes, particularly by shifting light cargo from road to rail. ■ Four new terminals—Talabad (Jodhpur), Patri (Haridwar), Mandalgarh (Bhilwara), and Chunar (Varanasi)—are slated for commissioning in FY26.	■ Revenue grew 3% YoY to INR23.5b. ■ Total volumes grew 11% YoY to 1.4m TEUs, with EXIM/Domestic volumes at 0.109m/0.34m TEUs (+9%/+17% YoY). ■ Blended realization fell ~7% YoY to INR16,321/TEU. EXIM/Domestic realization stood at INR14,426/INR22,286 per TEU (-5%/-12% YoY). ■ EBITDA margins were at 24.2%. EBITDA fell 1% YoY. ■ LLF stood at INR2.16b in 1HFY26.

Transport Corporation	- Management expects the freight business to bottom out in terms of margins by the end of FY26, and anticipates a recovery of ~100bp by next year. - Consolidated revenue and profit growth guidance stands at 10-12% in FY26. - FY26 capex guidance remains unchanged at INR4.5b, with higher deployment expected in 2HFY26.	- Revenue grew 7.5% YoY to ~INR12b, driven by the supply chain business (up ~12% YoY). - EBITDA margin came in at 10.5% (+10bp YoY/-10bp QoQ). EBITDA grew ~8.2% YoY to INR1.26b, while APAT grew 5.8% YoY to ~INR1.12b. - Supply chain revenue rose ~12% YoY, while the freight/seaways division reported ~7%/2% YoY growth. - EBIT margin for Freight/Supply Chain/Seaways stood at 2.3%/5.6%/37.5% in 2QFY26.
Blue Dart Exp	- BDE expects ground express business, particularly B2C, to drive the growth. - BDE expects margins to expand as a result of yield improvement and network efficiencies rather than operating leverage. - Growth in the B2C ground express segment may fluctuate based on economic and demand conditions, but BDE is leveraging India's improving ground infrastructure, such as better roads, to command stronger pricing in this segment.	- Revenue grew 7% YoY to INR15.5b. - EBITDA margin stood at 10.1% (+170bp YoY), driven by a higher number of shipments and cost optimization initiatives. - EBITDA grew ~29% YoY to INR1.57b (13% above our estimate). APAT increased to INR795m (31% YoY) due to higher EBITDA margins.
Mahindra Logistics	- MLL aims to reduce white space in the warehousing segment by 95% by Sep'26. - MLL is committed to achieving EBITDA positivity but has not commented on the timelines to achieve it. - The focus is on maintaining cost efficiency and exiting adverse contract businesses that affect profitability.	- Revenue grew ~11% YoY to INR16.8b. EBITDA margin came in at 5% (+60bp YoY/ 30bp QoQ). - EBITDA grew ~28% YoY to INR851m. Adj. net loss decreased to INR104m from INR108m in 2QFY26. - Supply chain management posted revenue of INR15.9b (+11% YoY) and EBIT loss of ~INR69.3m. Enterprise Mobility Services (EMS) reported revenue of INR938m (+17.7% YoY) and EBIT of INR15.6m.
TCI Express	- Management expects the volume growth to improve, supported by improved demand from the SME segment. - Tonnage growth in FY26 is projected at 8-9%. Revenue growth is projected at 10%, driven by price hikes, increased network reach, and multimodal contribution. - EBITDA margin is expected to improve through cost optimization, higher automation benefits, and price increases, with EBITDA margins targeted to exceed 12% in 2HFY26. - Multimodal revenue share is targeted to rise from 17-18% currently to 20-22% over the next 2-3 years.	- Revenue was flat YoY at INR3.08b (+8% QoQ). Volumes were flat YoY, hit by the GST rate cut. - EBITDA stood at INR354m (-4% YoY/+26% QoQ). EBITDA margin came in at 11.5%. - APAT stood flat YoY at INR252m (+29% QoQ). - The GST rate cut-related demand pause impacted volume growth by ~2-3% during 2QFY26.
VRL Logistics	- Volume is expected to grow, driven by increasing tonnage from existing customers and the onboarding of new clients. Growth of ~4% QoQ is anticipated in 3QFY26, with a healthy volume spillover from the festive season and a volume uptick from the GST rate cut. - EBITDA margins are expected to normalize to 18-19% going forward, factoring in higher administrative costs (professional/legal fees) and the salary increment effective from Aug'25. - Margin stability is likely to be supported by growth in tonnage.	- Revenue was flat YoY at ~INR8.0b (+7% QoQ). Volume dipped 11% YoY to 0.97m tons, while realization rose 12% YoY to INR8,079/ton, driven by a price hike. Volume drop was mainly due to contract restructuring and the voluntary exit of certain low-margin contracts. - EBITDA grew 14% YoY to INR1.5b, with margins at 19%. Margins were lower QoQ on account of increased employee costs due to salary revision. - APAT grew to INR499m from INR358m in 2QFY26. - Capex stood at INR430m.

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Results Update

Metric	FY25	FY26
Revenue (INR b)	105.4	113.9
EBITDA (INR b)	77.0	84.0
Net Debt (INR b)	52.0	52.0
Debt-to-EBITDA Ratio	1.8x	1.8x
RoCE (%)	21%	24%

Adani Ports & SEZ

Buy

Current Price INR 1,495

Operational highlights

- APSEZ handled 123.6 MMT of cargo in 2QFY26, up 11.4% YoY, driven by growth in container volumes. Mundra Port contributed 40%/43% to total volume/ domestic volume (vs. 45%/47% in 2QFY25), marking diversification across ports.
- Its all-India cargo market share increased to 28.1% from 27.4% in 2QFY25, while its container market share stood at 45.9% (vs. 44.4% in 2QFY25).
- Domestic cargo volume increased 8% YoY from 105.4MMT to 113.9MMT, while international cargo volume rose 80% YoY from 5.4MMT to 9.7MMT, driven by Colombo terminals.
- Net debt-to-EBITDA ratio was 1.8x as of Sept'25. Average debt was 5.2 years.
- Cash and equivalents stood at INR130b, with gross debt of INR510b as of Sep'25.
- Other income was boosted by one-off incomes of INR1.2b and dividend from subsidiary of INR3.5b.

Ports

- Revenue from domestic ports grew 16% YoY to INR63.5b, with EBITDA margins expanding to 73.8% (vs. 72.9% in 2QFY25).
- Domestic ports' RoCE improved to 24% in 1HFY26 from 21% in FY25.
- Domestic volume growth is being impacted by muted volume in coal across ports. Additionally, Mundra Port which contributed to 40% of the total cargo, its coal volume heavily depends on the imported coal plants and it saw coal volume decline of ~14% YoY. APSEZ continues to focus on improving coastal volume in ports amid falling exim coal volume going forward.
- CWIT commenced operations under a 35-year BOT agreement. Once completed, CWIT will handle ~3.2m TEUs annually.
- Dhamra Port EBITDA margin fell to 50% from 63% YoY. It is expected to improve in 3Q and 4Q. It had also opened a new export berth and began construction of two additional berths to increase the capacity to 92 MMT.
- MoU was signed with BPCL, under which Vizhinjam Port will serve as a dedicated LNG refueling hub for vessels along the East-West shipping corridor.
- Hazira Port recorded its highest-ever bulk liquid throughput, handling 0.51 MMT across 71 liquid vessels.
- Karaikal Port enhanced its permissible draft to 14.5 meters.
- International Ports: Revenue rose 35% YoY to INR10.7b and EBITDA grew 125%, led by operations commencement in Colombo Port and margin improvement in Tanzania and Israel.
- Globally, APSEZ expanded its footprint with the commencement of operations at CWIT in Sri Lanka, which is the country's first fully automated deep-water terminal. In addition, APSEZ secured a 30-year concession for managing a container terminal at Dar es Salaam Port in Tanzania.

Logistics business

- Logistics revenue rose 89% YoY to INR10.6b, aided by higher container volumes and ongoing network expansion. RoCE rose 9% in 1HFY26 vs. 6% in FY25.
- APSEZ handled 0.18m TEUs of container rail volume (+16% YoY) and ~5 MMT GPWIS volume (-4% YoY).

- Trucking revenue stood at INR6.6b in 1HFY26 vs. guidance of 3x-4x over FY25 revenue of INR4.3b. However, there has been significant improvement in trucking business EBITDA to INR100m in 2QFY26 from INR40m loss in 2QFY25.
- APSEZ received approval to commence EXIM operations at Virochannagar (Gujarat), Kishangarh (Rajasthan) and Malur (Karnataka) ICDs.
- The company launched double-stack container rake movement between ICD Tumb and ICD Patli.
- It continues to scale up its integrated logistics platform, including rail, trucking, and warehousing segments.

Marine

- The integration of its marine services business (includes Ocean Sparkle, Astro, and TAHID) has been progressing well, and APSEZ expects its marine business revenue to double from INR11.4b in FY25 (INR11.8b achieved in 1HFY26).
- Marine business RoCE improved to 15% in 1HFY26 from 13% in FY25.
- The marine segment's revenue jumped 237% YoY to INR6.4b, driven by a significant increase in vessel count from 76 (Jun'24) to 127 (Sept'25). The ramp-up reflects APSEZ's aggressive expansion and consolidation in marine services.
- APSEZ also focuses on expanding its marine operations globally, with projects in various regions contributing to both revenue and operational efficiency.

Guidance

- Management maintains its guidance to handle 505-515MMT of cargo in FY26, with containers being the primary growth driver, followed by dry cargo and liquid cargo.
- Revenue is projected to reach INR360-380b, while EBITDA is expected to be INR210-220b.

Capex guidance

- Capex stood at INR64.6b as of 1HFY26 vs. FY26 capex plan of INR120b. The bulk of this capex will be directed to domestic ports (INR60b), including the development of new terminals in existing ports and enhancing container terminal capacities based on industrial demand.
- Internationally, the company plans to invest INR20b, primarily in capacity expansion at its ports in Colombo and Tanzania.
- In marine services, INR6.2b will be allocated for fleet additions for subsidiaries.
- The logistics segment will receive INR20b for the expansion of trucks, silos, MMLPs, and warehouses.



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Blue Dart Express

Buy

Current Price INR 5,980

Volume and other highlights

- In 2QFY26, BDE handled shipment volumes of 106.28m parcels and tonnage of 0.36mt, reflecting robust operational activity.
- EBITDA margin expanded 170bp YoY on account of improvement in the number of shipments and cost optimization.
- The company's revenue mix remained stable, with Air Express contributing ~70% and Surface Express ~30% of total revenue, while the B2B and B2C segments accounted for 70% and 30%, respectively. During the quarter, B2C revenue grew ~18% YoY on strong e-commerce demand, while B2B revenue rose ~3% YoY.



- Volumes were healthy during the festive season, witnessing an uptick on the last 10 days of September. However, it is difficult to assess the impact of the GST rate cut and festive season on volume growth.
- Management mentioned that margins are expected to sustain, and going forward, margin expansion will be driven by yield improvement, cost rationalization, product mix, and network optimization.
- BDE announced a General Price Increase (GPI) effective January 1, 2026, with average shipment prices set to rise by 9-12%, depending on product variations and customers' shipping profiles.
- The company also launched its Instant Digital Account Opening platform, enabling businesses to self-onboard and start shipping within 10 minutes. Moreover, the company inaugurated its largest Green Integrated Ground Hub in Pataudi, Haryana, to enhance network efficiency, scalability, and sustainability across its express operations.

Operations

- Aircraft utilization remained steady. Management indicated that future improvements will come from route planning and yield management rather than additional aircraft capacity.
- Capex is expected to remain calibrated toward network modernization and automation; no major fleet expansion has been planned in the near term, given optimal aircraft utilization.
- BDE's service quality continues to be a key differentiator, particularly in the BFSI segment, which contributes around 25-30% of revenue through high-volume document handling, while B2B parcel volumes continue to show steady growth with minimal volatility.

Guidance

- Management refrained from assigning a specific future growth number. However, it indicated that as the industry grows, the company expects to play a bigger role, especially in the e-commerce and SME-driven B2C segments.
- The company expects margins to expand as a result of yield improvement, cost rationalization, product mix optimization, and network efficiencies rather than operating leverage.
- Growth in the B2C ground express segment may fluctuate based on economic and demand conditions, but BDE is leveraging India's improving ground infrastructure, such as better roads, to command stronger pricing in this segment.
- The company expects the ground express business, particularly B2C, to drive the growth, while maintaining steady performance in B2B parcels, supported by its robust service quality and operational efficiencies.



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Container Corp

Buy

Current Price INR 523

Operational highlights

- In 2QFY26, CCRI reported 11% YoY growth in total volumes to 1.4m TEUs, led by 9%/17% growth in EXIM/domestic volumes to 0.109m/0.34m TEUs, respectively. However, revenue grew modestly by 3% YoY to INR23.5b due to a 7% YoY dip in blended realization to INR16,321/TEU.

- ## Volumes

- ## Other highlights

- ## Guidance

- 305

expansion of cement volume, improved service quality, customer-centric logistics, 100% first-mile and last-mile connectivity, and a focus on sustainable operations.

- The commissioning of the Western DFC up to JNPT has been delayed and is now expected by Mar'26 (vs. earlier Dec'25). This is expected to significantly enhance volumes, particularly by shifting light cargo from road to rail.
- Four new terminals—Talabad (Jodhpur), Patri (Haridwar), Mandalgarh (Bhilwara), and Chunar (Varanasi)—are slated for commissioning in FY26. These are expected to unlock new regional freight corridors.
- With total container handling at Indian ports estimated at 23m TEUs, CCRI's leadership and capacity expansion plans are well-aligned to capture a larger share in the coming years.



Click below for
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Results Update



Delhivery

Buy

Current Price INR 436

Operational highlights

- In 2Q volumes saw a boost from the festive season and integration of Ecom Express into the network. It expects to have some spillover effect in October from GST rate cuts.
- The company closed the quarter with 48,422 active customers, supported by the integration of Ecom Express, new initiatives such as Delhivery Direct (on-demand intra-city logistics) and Delhivery Protect (insurance cover for transit loss/damage).
- Delhivery continued to drive profitability improvements and shut down select unprofitable accounts to protect margins.
- In 2QFY26, the company accounted for INR900m as integration costs of Ecom Express and expects the integration cost to be ~INR3b on an overall basis for this acquisition. The cost in the next two quarters will be ~INR1.0b-1.1b.
- **Capex** stood at 5.1% of the revenue in the 1HFY26. Capex intensity has eased, with major investments in mega-gateways and high-capacity trucking already completed. Ecom acquisition brings in automation assets and infrastructure, further lowering future capex needs.
- **New services: Delhivery Direct** (on-demand intra-city logistics) launched in Ahmedabad, Delhi NCR, and Bengaluru; expected to launch in 4 more cities by FY26. Rapid operates 20 dark stores in three cities, targeting sub-three-hour fulfillment for D2C brands. The company also signed its first B2B client in this segment in Oct'25 and plans to take the store count to 25 by FY26. The investment in the above two businesses stood at INR150m in 2QFY26.
- The company expects rapid commerce to contribute ~1b in the medium term, while **Delhivery Direct** has reached an annual revenue run-rate of INR280m.

Express Parcel Business:

- Express Parcel revenue grew 24% YoY to INR16.1b, with shipments growing 32% YoY to 246m, post integration of Ecom Express. Service EBITDA margin remained healthy at 15.3%, indicating strong cost control and network efficiency.
- The company maintains its guidance of achieving service EBITDA margins of 16%-18% by the end of FY26, driven by increase in volumes, productivity gains and network optimization. It was lower this quarter on account of late-stage demand pick up due to the postponement of consumption before GST rate cut.

This increased the cost of temporary build-up capacity leading to a decline in service EBITDA margins.

- Express parcel yield was impacted due to a change in the product mix post Ecom Express post-integration, which led to a decline in the average weight per shipment and, consequently, affected margins.
- Ecom Express volumes have been largely integrated into Delhivery's network seamlessly.

PTL Business:

- PTL revenue grew ~15% YoY to INR5.4b, with tonnage increasing 12% YoY to 0.477MT. Service EBITDA margin stood at 8.5% was down 220bps QoQ and up 560bps YoY, supported by improved yields and a favorable client mix.
- PTL profitability has improved over 13 consecutive quarters, with steady-state EBITDA margins of 16-18% targeted over the next two years.

SCS:

- SCS revenue declined ~14% YoY to INR1.7b, partly due to the exit from unprofitable contracts. However, service EBITDA margin improved to 12.8% up 560bps QoQ, due to cost control and re-negotiated deals.
- The company targeted a 12% plus service EBITDA margin, which has been achieved this quarter, and it expects to maintain this and achieve 20% plus RoCE in the medium term.
- Key focus areas include tech stack enhancement (WMS, OMS, TMS), deeper client pipeline, and expansion of white-labelled "Prime" service for D2C and SME e-commerce.
- Revenue guidance maintained for the segment stands at INR18-20b over the next three years.

Truckload (TL) Freight and Cross-border Services:

- TL revenue declined 5% YoY to INR1.5b.
- Orion and Axle platforms, alongside TransportOne, are expected to contribute to long-term scalability.
- Cross-border revenue declined 35% YoY to INR380m.
- The business remains nascent, but Delhivery plans to expand product offerings via global partnerships and the launch of economy services in 3Q.
- While Express Parcel remains in focus, freight will stay a small contributor in FY26.

Guidance

- Revenue growth expected to be driven by Express Parcel and PTL, with SCS and new services contributing in later quarters.
- The integration cost of Ecom Express stood at INR900m this quarter and is expected to be ~INR3b on an overall basis.
- Peak period profitability is anticipated in 3Q and 4QFY26, setting the stage for a stronger second half.



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JSW Infra

Buy

Current Price INR 276

Operational highlights

- JSWINFRA handled cargo volumes of 28.9MT during 2QFY26, marking a 3% YoY increase. The volume performance was subdued due to poor performance of iron ore in Paradip iron ore terminal (0.96MT in 2QFY26 vs. 3.1MT in 2QFY25).



Particulars	2024-25	2023-24	2022-23
Revenue	1,11,111	1,00,000	90,000
EBITDA	25,000	20,000	15,000
Net Profit	10,000	8,000	6,000
Operating Assets	50,000	45,000	40,000
Operating Liabilities	30,000	25,000	20,000
Net Debt	20,000	15,000	10,000

Poor volume was partially offset by growth in South West, Jaigarh, and Dharamtar Port Interim operations at the Tuticorin Terminal, and the JNPA Liquid Terminal also supported growth.

- Management commented that if iron ore volumes had not been impacted, overall volume growth in 2QFY26 would have been around ~10% YoY. The disruption resulted in a shortfall of ~3.4 MTPA.
- Port Revenues grew 10% YoY to INR11b. The logistics segment recorded revenues of INR1.6b.
- Third-party cargo volumes declined 1.5% YoY, with their share reducing to 46% in 2QFY26 (vs. 48% in 2QFY25), indicating that the subdued performance at the Paradip Iron Ore Terminal impacted overall volume trends.
- The company reported a strong balance sheet with net debt of INR18.1b and cash and bank balances of INR30.88b (gross debt: INR48.98b as of Sept'25).
- Navkar delivered a strong performance, with EXIM volumes reaching 79,000 TEUs (+22% YoY) and domestic cargo volumes at 0.394m tons (+45% YoY).

Logistics business roadmap

- JSWINFRA remains focused on scaling its logistics business through an asset-light strategy, leveraging synergies from the Navkar acquisition. It aims to build a pan-India multimodal network, targeting INR80b revenue with a 25% EBITDA margin by FY30.
- Management expects the group volume to contribute ~35-40% of the total logistics segment's revenue by FY30.
- In FY26, the logistics business is expected to contribute INR7–8b in revenue and ~INR1b in EBITDA, driven by improved operations at Navkar and increased traction from recently added infrastructure.

Port updates

- Group cargo volumes were up 7% YoY, which was driven by better performance in Southwest, Jaigarh, and Dharamtar ports.
- During the quarter, JSWINFRA signed a 30-year concession Agreement with the Syama Prasad Mookerjee Port Authority for the reconstruction and mechanization of berths. With a permissible draft of 7 meters and a planned capacity of 0.45m TEUs (~6.3MTPA), this project aims to strengthen its presence in eastern India's container trade
- The company has also acquired an 86-acre brownfield rail siding located in Kudathini, Ballari (Karnataka), which is being developed into a Multi-Modal Logistics Park (MMLP).
- Additionally, public hearings for the proposed Greenfield ports at Keni (Karnataka) and Murbe (Maharashtra) have been successfully concluded.

Key project updates

- JSWINFRA continues to make significant progress across multiple port and logistics development projects. At V.O. Chidambaranar Port in Tuticorin, the company signed the concession agreement in July 2024 for the construction of a 7 MTPA dry bulk cargo berth with an estimated capex of INR6b. Pile foundation works are in progress, and 1.09MMT of cargo was handled under interim operations during 2Q FY26. Project completion is targeted for 1Q FY27.
- At the JNPA Liquid Terminal, the concession agreement was signed in Apr'24 to develop two liquid cargo berths with a combined capacity of 4.5MTPA. The project entails a capex of INR 1b. As of Sep'25, 100% of the pipeline installations

have been completed, and the company expects to commercially operate it by Nov'25.

- The Mangalore Container Terminal is undergoing a capacity expansion from 4.2MTPA to 6MTPA, backed by a capex of INR1.5b. The project is expected to be ready by 2QFY27.
- At the Kolkata Container Terminal, JSW Infra signed a concession agreement on September 25 for the reconstruction and mechanization of berths with a capacity of 6.3 MTPA and an estimated capex of INR 7.4b. Project completion is targeted for 1HFY28..
- At South West Port (Goa), JSWINFRA is expanding terminal capacity from 8.5MTPA to 15MTPA through the construction of a covered shed. With the Consent to Operate (CTO) now in place, total capacity has increased to 11 MTPA, while approvals for the remaining 4 MTPA are currently in process.
- In Jaigarh, a new LPG terminal with a capacity of 2MTPA is being developed, requiring an estimated capex of INR 9b. Completion is targeted within FY27.
- Expansion efforts are also underway at Dharamtar and Jaigarh, where a combined capacity addition of 36MTPA (21MTPA at Dharamtar and 15MTPA at Jaigarh) is planned. This is being developed in line with the 5MTPA steel-making capacity expansion by JSW Steel at Dolvi, the anchor customer. The estimated capex for this project is INR 23.6b, with commissioning expected by March 2027.
- The proposed Keni Port in Karnataka is a 30MTPA all-weather, greenfield, deep-draft, multi-cargo commercial port with direct berthing facilities. The concession agreement was signed with the Karnataka Maritime Board in November 2023. The project has an estimated capex of INR 41.2b. A public hearing was completed in Aug'25, and thus awaiting environmental clearance. The project is targeting commercial operations by FY29.
- For the Jatadhar Port project, the concession agreement was signed in Jun'25 by the anchor customer. The port will have a capacity of 30MTPA and require a capex of INR 30b, with construction targeted for completion by Mar'27.
- Lastly, the company is advancing the 30MTPA slurry pipeline project in Odisha, connecting Nuagaon to Jagatsinghpur over 302km. As of Sep'25, 218.3km of welding and 194.4km of pipeline lowering have been completed. The project is backed by a long-term Take-or-Pay agreement with JSW Steel and entails a capex of INR40b. It is scheduled for completion by Mar'27.

Guidance

- Management is aiming to achieve 8-10% volume growth for FY26, expecting a stronger second half despite a slower 1HFY26.
- JSWINFRA aims to expand port capacity to 400 MTPA by FY30, scale its logistics business to INR80b in revenue with a 25% EBITDA margin through an asset-light model, and pursue value-accretive inorganic opportunities.
- JSWINFRA maintains its plan to invest INR55b in capex for FY26 (INR40b for ports and INR15b for logistics), compared to INR24.4b spent in FY25, reflecting a continued momentum in capacity expansion.



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Results Update



Mahindra Logistics

Neutral

Current Price INR 327

Business update:

- MLL reported consolidated revenue growth of 11% YoY in 2QFY26, driven by broad-based growth across the Contract Logistics, Last Mile Delivery, and Express businesses. The Express business segment delivered positive gross margins for the first time since the acquisition, with a 7.2% YoY increase in delivered volumes.
- The company continues to expand its warehousing footprint, with new sites totaling 0.3m sq ft in Nashik going live during the quarter.
- The Freight Forwarding business witnessed muted growth of ~3% YoY, while the Enterprise Mobility segment grew 17.7% YoY after six quarters of stagnation, though profitability in the segment remained volatile.
- The Board has approved an investment of INR500m in the Express business.
- Warehousing revenue stood at INR3.3b (+20% YoY), driven by the addition of new sites and volume growth in existing facilities.
- As part of its deleveraging strategy, MLL successfully completed a rights issue during the quarter, comprising 27,049,301 fully paid equity shares of face value INR10 each, issued at INR277 per share (including a premium of INR267 per share), aggregating to INR7.5b. The proceeds are being utilized for debt repayment and general corporate purposes. These equity shares were allotted on 18th Aug'25.
- The company has successfully reduced debt from INR6.1b to INR730m, and the remaining INR1.87b will be retained for general corporate purposes. As of Sep'25, total borrowing stands at INR730m.

Segment-wise performance and overview:

- **The Contract Logistics** division reported YoY revenue growth of 13% to INR13.1b. Gross margins expanded 22% YoY and 7% QoQ. Volume momentum in the auto and farm sectors remained healthy, with the highest volumes handled at BMW and Kia Motors. MLL continues to scale its Contract Logistics business, with a warehousing footprint of 21m sq ft, supported by marquee clients.
- **The B2B Express** segment delivered revenue of INR1b, up 9% YoY. The Express business delivered positive gross margins of INR2m for the first time since the acquisition, with a 7.2% YoY increase in delivered volumes. However, yield pressures persisted due to changes in the customer mix. MLL remains focused on improving the customer and load mix to enhance yields and improve profitability in the coming quarters.
- **The Cross-border Services** segment posted revenue of INR900m, up 4% YoY. Gross margins expanded 21% QoQ and remained flat YoY. Ocean exports scaled during the quarter, supported by increased activity in the global nomination business. However, headwinds persisted in the air and ocean imports segment, with strong pipeline seen in the solar business.
- **In Last Mile Delivery**, revenue stood at INR890m, down 11% YoY. Gross margin contracted YoY. The segment faced significant pricing pressure, particularly in the grocery vertical. The company now remain focused on building a pipeline of non-Ecommerce clients.

- **The Enterprise Mobility** segment recorded revenue of INR900m, up 13% YoY. Gross margins stood at INR87m. The company rebranded its B2C business as Alyte. It now focuses on improving utilization.

Guidance:

- MLL will focus on maintaining cost efficiency, reducing discretionary spends, and exiting adverse contract businesses that are affecting profitability.
- The company further aims to reduce white space in the warehousing segment by 95% by Sep'26.
- MLL reiterated its commitment to achieve EBITDA positivity but has not commented on the timeline. The company remains focused on driving long-term shareholder value through cost optimization, operating leverage, and improved segmental profitability.



[Click below for Results Update](#)

The screenshot displays a financial report for TCI Express. Key sections include:

- Key Metrics:** Revenue, EBITDA, and Net Profit are highlighted.
- Segmental Performance:** Breakdown of revenue and profit by segment (Surface Express, Rail Express, Domestic Air Express, International Air Express).
- Operational Highlights:** Details on volume growth, capacity utilization, and new branch openings.
- Financial Ratios:** Metrics like Debt-to-Equity ratio and Return on Equity.

TCI Express

Neutral

Current Price INR 605

Operational highlights

- Volumes in 2QFY26 stood at 0.25m tons (flat YoY). Capacity utilization during 2QFY26 remained steady at 83%.
- TCIE shifted its Mumbai sorting center to a new sorting center, enhancing processing capacity by 3 times and enabling faster, cost-efficient operations.
- TCIE added 10 branches under Surface Express and 25 under Rail.
- Capex of INR280m was incurred till 1HFY26, which was directed toward branch expansion, sorting center construction, and IT infrastructure upgrades.
- The Surface Express segment expanded its presence into defense, EV, and solar.
- The GST rate cut-related demand pause impacted volume growth by ~2–3% during the quarter. However, strong festive-season demand across categories supported volumes. Moreover, the company is witnessing healthy volumes in October and November, aided by festive spillover and improving demand from the SME segment.
- The company continues to focus on automation, with upcoming facilities in Kolkata and Ahmedabad to replicate technologies deployed at Gurugram and Pune.
- Multimodal express capabilities remain a strategic focus, with the contribution targeted to reach 20-22% of the total revenue over the next 2-3 years.

Segment performance

- **Surface Express:** The segment remained the largest contributor to revenue, driven by demand from the festive season seen across retail, automotive, and industrial goods. A price hike of 0.25% was implemented in 2Q and 0.75% until 1HFY25, with additional hikes of ~1.5-2.0% expected by the end of FY26. The company is targeting volume growth of ~8% for FY26.
- **Rail Express:** The segment saw continued network expansion and customer acquisition, delivering more than 25% growth during the quarter. This was supported by cost-effective, environmentally compliant services.
- **Domestic Air Express:** The domestic air express segment network strengthened via new connections at Lucknow and Varanasi airports
- **International Air Express:** International Air Express rose 40% YoY on higher export-import volumes and airline partnerships.

- C2C Segment: The segment grew 15% YoY, driven by new customer acquisition, regional expansion, and adoption of customized delivery solutions. It enhances operational efficiency through route optimization and improved return-node utilization.

Guidance

- Tonnage growth in FY26 is expected at ~8%. Revenue growth is projected at 10%, supported by price hikes, network expansion, and growing multimodal contribution.
- Multimodal revenue share is targeted to rise from 17-18% currently to 20-22% over the next 2-3 years, aided by separate service networks for air, rail, international, and C2C segments.
- EBITDA margin is expected to expand through cost optimization, higher automation benefits, and price increases, targeting more than 12% EBITDA margins in the next two quarters.
- The total capex of INR5b is planned for FY23-FY27, with INR2.3b spent to date. Expect not more than INR1.7b capex till FY27, which is below the initially planned capex of INR5b, primarily for automated sorting centers in Kolkata and Ahmedabad, and network expansion.



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Transport Corporation of India

Q&A Session

Q1: Revenue in the Freight segment remained largely flat during the quarter, as the business continued to face headwinds from weakness in infrastructure and capital goods sectors. However, the softness was offset by festive season restocking.

A1: Yes, revenue in the freight segment remained largely flat during the quarter. The business continued to face headwinds from weakness in infrastructure and capital goods sectors. However, the softness was offset by festive season restocking. We are seeing a recovery in the freight segment, particularly in the LTL network, which is capturing growth in the fragmented freight market. We are also seeing a recovery in the LTL network, which is capturing growth in the fragmented freight market.

Q2: Broader economic activity picked up post the GST rate cut. The company maintained its strategic focus on expanding its LTL network to capture growth in the fragmented freight market.

A2: Yes, broader economic activity picked up post the GST rate cut. The company maintained its strategic focus on expanding its LTL network to capture growth in the fragmented freight market. We are seeing a recovery in the freight segment, particularly in the LTL network, which is capturing growth in the fragmented freight market.

Q3: Intense competition and ongoing SME softness delayed margin normalization.

A3: Yes, intense competition and ongoing SME softness delayed margin normalization. We are seeing a recovery in the freight segment, particularly in the LTL network, which is capturing growth in the fragmented freight market.

Q4: Management believes that the freight segment's margin will bottom out by the end of FY26 and anticipates a recovery of ~100bp by next year.

A4: Yes, management believes that the freight segment's margin will bottom out by the end of FY26 and anticipates a recovery of ~100bp by next year. We are seeing a recovery in the freight segment, particularly in the LTL network, which is capturing growth in the fragmented freight market.

Transport Corporation of India

Buy

Current Price INR 1,118

Freight Segment

- Revenue in the Freight segment remained largely flat during the quarter, as the business continued to face headwinds from weakness in infrastructure and capital goods sectors. However, the softness was offset by festive season restocking.
- Broader economic activity picked up post the GST rate cut. The company maintained its strategic focus on expanding its LTL network to capture growth in the fragmented freight market.
- Intense competition and ongoing SME softness delayed margin normalization.
- Management believes that the freight segment's margin will bottom out by the end of FY26 and anticipates a recovery of ~100bp by next year.

Supply Chain Segment

- The supply chain segment's revenue growth momentum slowed to ~12% YoY in 2QFY26 despite the onboarding of new contracts and expansion in scope with existing customers.
- The company witnessed strong traction in warehousing and multimodal services, particularly within the automotive sector post the GST rate cut, where it continued to strengthen its hub-and-spoke distribution model. Despite facing cost pressures, the business was able to maintain stable margins, reflecting operational resilience.
- Capital employed in the segment rose due to the acquisition of 100 new trucks. While capex incurred in cold chain facilities and vehicle acquisition supports future growth, it has resulted in short-term margin contraction in 2QFY26.
- The company already operates three rail rakes and is in line with its green logistics strategy. TRPC has ordered two additional rail rakes, which are expected to be commissioned in the next 12-15 months. The newly ordered ones are specially designed to carry two levels of SUVs. With the Indian

passenger vehicle market increasingly shifting towards SUVs, the new rakes are expected to enhance efficiency and competitiveness in automobile logistics.

Seaways Segment

- The Seaways business continued to benefit from favorable freight rates and relatively lower average fuel prices, which supported healthy profitability.
- Two vessel underwent dry docking in 1H, and one more is scheduled for similar maintenance in 3Q.
- Depreciation costs declined this quarter, as most of the vessels in the fleet have already been depreciated.
- Management expects the current margin profile to continue into the next quarter, with sustainable EBIT margins in the 35-40% range in the future.
- Ship prices delayed the purchase of second-hand ships.
- The government's ambition to double the share of waterways in India's modal mix from 6% to 12% by 2030, supported by over USD 120b in planned investments, bodes well for long-term demand. Policy initiatives such as the Sagarmala program and the Coastal Shipping Bill, 2024 are further expected to improve infrastructure and cost efficiencies for domestic coastal shipping.

Joint Ventures

- The company's joint ventures posted strong revenue growth during the quarter, though profit growth was muted due to potential margin pressures from competitors in container logistics.
- The Transystem JV with Mitsui continued to perform well, growing 11% YoY with stable profitability.
- Cold Chain JV reported ~17% YoY growth, supported by customer additions in the quick commerce and retail verticals. Capital employed in the cold chain segment has now crossed INR1b. Management acknowledged that profitability is muted and expected to remain subdued for the next few quarters due to ongoing investments and scale-up costs.

Guidance

- TRPC maintains its consolidated revenue and profit growth guidance in the range of 10-12% in FY26.
- Management expects the consumption uptick post-GST to sustain partially into 2HFY26, though November and December may see moderation after festive restocking.
- During H1FY26, the company invested approximately INR1.7b, of which ~INR 1.4b was funded through internal accruals.
- The company has retained its FY26 capex guidance at INR 4.5b. While capex execution tends to be slower in 2QFY26, it is expected to pick up meaningfully in the 2HFY26.



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VRL Logistics

Buy

Current Price INR 273

Operational highlights

- Revenue was flat YoY as volume decline of ~11% (due to the strategic exit from low-margin contracts) was offset by improved realization.
- Margins remained healthy despite higher administrative expenses and employee costs, reflecting strong cost control.



VRL Logistics
Quarterly Financial Statement for the quarter ended 30th September 2025

Particulars	Q3 FY25 (INR Lakhs)	Q3 FY24 (INR Lakhs)	Q3 FY23 (INR Lakhs)
Assets			
Current Assets	1,23,45,67	1,12,34,56	1,01,23,45
Fixed Assets	45,67,89	43,21,09	41,09,87
Liabilities			
Current Liabilities	56,78,90	54,32,10	52,10,98
Long-term Liabilities	12,34,56	11,23,45	10,12,34

- Internal fuel procurement improved significantly to 40.6% (vs. 35.5% YoY), reducing fuel cost as a percentage of revenue to 25.6% (from 28.6%). Lorry hire charges declined from 5.7% to 4.4%, aided by higher own fleet utilization and reduced dependency on external vehicles.
- Administrative expenses rose to 2.3% of revenue (vs. 1.4% YoY), led by legal and professional fees, which may persist for the next 2-3 quarters. A one-time loss on sale/scrap of vehicles was also recorded, leading to higher other expenses.
- Employee costs rose to 18.3% of revenue due to salary revisions w.e.f. Aug'25.
- Capex during the quarter stood at INR430m, which included INR230m for converting leased branches/hubs to owned branches/hubs.
- Fleet size stood at 5,782 vehicles (vs. 6,158 YoY). Net vehicles declined by 376 YoY, reflecting improved asset utilization and selective scrapping of high-maintenance vehicles.
- VRL maintains the lowest attrition rate in the industry and continues to deliver high service levels with strong human capital and operational systems.
- Operational efficiency and network expansion
- VRL sustained 100% hub-to-hub efficiency across its network, enabling a reduced turnaround time and improved vehicle loading.
- Investments in proprietary in-house digital infrastructure, including GPS tracking, real-time route optimization, OTP-based vehicle unlocking, consignment barcoding, and CCTV-based security systems, have contributed to better claim ratios and cost savings.
- Door-to-door services accounted for ~40% of revenue in 2QFY26, reflecting an evolving positioning in express PTL offerings.
- A net reduction of two branches was recorded in 2Q (nine opened, seven closed), part of a strategy to shut underperforming or low-utilization locations.
- While VRL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.

Guidance

- Management expects volume growth to recover going forward from increasing tonnage from existing customers and onboarding of new clients. Volume is expected to grow ~4% QoQ in 3QFY26, with healthy volume spillover from the festive season and a volume uptick from the GST rate cut.
- Overall, management expects revenue to grow ~4-5% in FY26.
- EBITDA margin is expected to normalize to ~19% going forward, factoring in higher administrative costs (professional and legal fees) and salary increments w.e.f. Aug'25. Margin stability is likely to be supported by growth in tonnage.

METALS



- In the ferrous segment, management expects NSR to remain steady to slightly better, with coking coal costs likely rising by USD 3–6/t in 3Q. Higher volumes from new capacities and an increasing share of captive raw material are expected to support margins. In the non-ferrous segment, CoP is guided to remain stable, while favorable pricing should lift margins in the coming quarters. Overall, companies delivered a healthy 2Q performance, with further improvement anticipated in 2H, driven by stronger volumes, supportive prices, and stable costs. While global uncertainties may pressure global metal and raw material prices, management believes safeguard duties (ferrous) will protect domestic operations from significant downside risks.

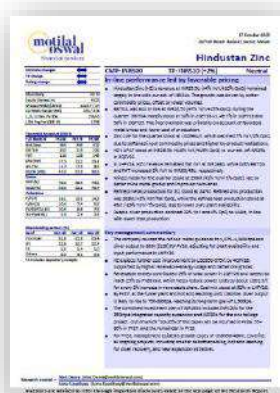
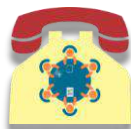
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Drivers
Tata Steel	■ EBITDA improvement in European operations is expected to continue steadily in the coming quarters, supported by its cost-restructuring measures. ■ The capacity ramp-up in the Netherlands and lower fixed costs should also support overall EBITDA performance going forward. ■ Though there are near-term uncertainties related to price volatility due to trade tensions and recent corrections in steel prices, the long-term outlook remains strong for TATA.	■ Management guided the Indian business realizations to decline by INR1,500/t QoQ. Netherlands NSR is expected to decline by EUR30/t in 3Q, followed by a stronger recovery from 4QFY26 onwards. ■ UK prices are expected to remain largely flat in 3QFY26, but management has expressed concerns about the current low price levels. ■ The consumption cost for coking coal is expected to increase by USD6/t QoQ in 3Q, while in the Netherlands it is expected to decline by EUR5-10/t in 3QFY26 due to the consumption of lower-cost inventory.
JSW Steel	■ Expect double-digit revenue growth in FY26/FY27, driven by the ramp-up of new capacity and price recovery. Further, as input costs are expected to remain soft, we believe EBITDA margin will rebound to 18-19% in FY26/FY27 (~INR12,000/t in FY26E and ~INR13,500/t in FY27E) on account of domestic steel price recovery led by safeguard duty. ■ Strong margins will enable JSTL to generate a strong CFO to fund the expansion plans of INR690b (annual INR200b each) over FY26-29E.	■ Volumes are expected to improve in 2HFY26, driven by stronger demand led by higher government and private capex and festive demand. ■ Management expects EBITDA/t to improve in 2HFY26, supported by better NSR and subdued input costs. Moreover, it anticipates coking costs to rise by USD3-5/t in 3QFY26. ■ Iron ore prices are expected to decline in 3QFY26, aided by strong domestic supply and lower bids from OMC tenders. ■ The implementation of CBAM will have a limited impact, as JSTL has limited exposure to Europe (<3% of volumes).
Jindal Stainless	■ Well-placed to capitalize on this robust demand outlook, with higher VAP supporting margins. ■ JSL has expanded into rebar, wire rods, and others, unlocking significant infrastructure opportunities. ■ Focus on value-added CR SS has strengthened its position in both domestic and export markets. ■ We maintain our FY26/27E earnings estimates, projecting revenue CAGR of ~13% with steady EBITDA of INR22,000/t, leading to ~15% EBITDA CAGR over FY25-28E. Moreover, the healthy CFO and steady capex outflow will ensure a resilient B/S (consol. net debt/equity of 0.2x as of 2QFY26).	■ Management reiterated volume growth guidance of 9-10% YoY for FY26, with capacity utilization of 80-85%. ■ Short-term export volumes are likely to remain subdued until uncertainties surrounding CBAM are resolved. In the long term, the company is largely compliant with CBAM requirements (rising RE share), which should facilitate easier access to EU markets once the regime stabilizes. ■ The company increased its RE share to 42% in 2QFY26 from 26% in 2QFY25, and expects to increase it further with the commissioning of a green hydrogen plant at the Jajpur facility by mid-next year. ■ The company is seeking clarity from the government by Dec'25 and anticipates that the reinstatement of QCO will help restore pricing discipline and curb aggressive imports.
Hindalco	■ The strong earnings outlook for the Indian business remains intact, while the overall HNDL outlook has weakened owing to the Bay Minette project cost escalation and muted earnings in 2H due to the Oswego fire incident. ■ Novelis volumes are expected to decline with the FCF impact, eroding near-term earnings visibility and stretching the working capital. Management expects to recover ~70- 80% via insurance in FY27. ■ We increase our consolidated FY26 EBITDA and PAT estimates by 4%/7%, incorporating the strong domestic business outlook, offsetting the muted Novelis profitability for FY26.	■ The company expects CoP in 3QFY26 to remain broadly flat QoQ, with easing coal prices offset by a rise in CPC and coke costs. ■ It expects a free cash flow impact of USD550-650m in FY26 (majorly in 3Q) due to the Oswego fire incident, including an adj. EBITDA loss of USD100-150m. ■ To support Novelis' equity requirements, HNDL will infuse USD750m as equity, funded via debt raised at the parent level. ■ Bay Minette's total capex has further increased to USD5b (vs. USD4.1b earlier) due to inflation, tariffs, and upgrades. ~30-40% of the cost increase was due to project complexity and design upgrades to make the facility future-ready.



Hindustan Zinc Limited

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Hindustan Zinc

Neutral

Current Price INR 476

Performance guidance

- The company revised the refined metal guidance to 1,075–1,000ktpa and silver output to 680t (± 10 t) for FY26, adjusting for plant availability and input performance in 1HFY26.
- HZ expects further cost improvement to USD950-975/t by 4QFY26, supported by higher renewable-energy usage and better ore grades.
- Renewable energy contributed 19% of total power in 2QFY26 and targets to reach 25% by FY26 end, which helps reduce power costs by about USD1.5/t for every 2% increase in renewable share. Coal mix stood at 52% in 1HFY26.
- HZ continues to operate its smelters in zinc-plus-lead mode, optimizing the use of high-silver-grade concentrate from the SK mine to maximize silver recovery.
- By FY27, as the fumer plant and hot acid leaching units stabilize, silver output is likely to rise to 750-800tpa, reaching its long-term goal of 1,500tpa.
- As of 2QFY26, HZ has hedged 87kt of zinc at USD2,872/t and 131t of silver at USD37/oz for 2HFY26, maintaining its policy to hedge 10–20% of volumes during price spikes while keeping 80% open.
- Despite global growth moderation and volatility, zinc and lead prices remain resilient, driven by tight inventories, infrastructure, and battery demand, while silver rallied as both an industrial and investment metal.

Capacity update/capital allocation

- The combined investment plan of INR160b includes INR120b for the 250ktpa integrated capacity expansion and INR38b for the zinc tailings project. Out of which ~20-25% of this capex will be incurred in FY26, 55–60% in FY27, and the remainder in FY28.
- For FY26, management guided a growth capex of USD350-400m, covering all ongoing projects, including smelter debottlenecking, hot acid leaching for silver recovery, and new expansion initiatives.
- During 2QFY26, the company commissioned a 160ktpa roaster at Debari.
- HZ completed debottlenecking at Dariba Smelting Complex. Whereas the debottlenecking at Chanderiya Lead Zinc smelter is on schedule to be completed by 3QFY26.
- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 1QFY27.
- The hot acid leaching plant for lead (27mtpa) and silver (6ktpa) recovery from smelting waste at Dariba will be completed by 4QFY26. These projects will enable higher refined metal and silver production in the coming years.
- EPC partners have been finalized for the 250ktpa integrated metal capacity expansion project, which includes a new smelter, concentrator, and mine expansion facilities with a total outlay of INR120b and expected to get commissioned by the 2QFY29.
- HZ is also developing India's first 10mtpa zinc tailings reprocessing plant at Rampura Agucha, with an estimated cost of INR38b and planned to be completed by 4QFY28.
- Phase-II aims to double the refined metal capacity to 2mtpa (1.6/0.4mtpa - Zinc/Lead, respectively) and silver capacity to 1.5ktpa.



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Hindalco Inds

Buy

Current Price INR 797

Volume, pricing, and cost guidance/outlook:

- In 2Q, aluminum CoP was 3-4% higher QoQ due to monsoon-related coal logistics challenges and higher alumina input costs. Management expects CoP in 3QFY26 to remain broadly flat, with easing coal prices offset by a slight rise in CPC and coke costs.
- The company expects aluminum production and shipments to remain steady or slightly higher in 2HFY26, supported by the ramp-up of downstream capacity and stable operations across smelters.
- The specialty alumina business, with ~0.5mt capacity at Belgaum and Muri, continued to perform well, though realizations were temporarily impacted by a sharp fall in alumina index prices from USD700/t to USD350/t.
- Management emphasized that consol. net leverage will remain below 2x throughout the announced investment phase.
- Guided alumina sales to moderate in 3QFY26 due to a planned maintenance shutdown at Utkal Alumina. For FY26, alumina sales volumes to be ~700-800kt.

Capex and capacity update:

- The company has reiterated its capex plan of USD10b over FY26-29, covering both India and Novelis projects. Annual capex guidance stands at INR85b for FY26 and peak capex of ~110b for FY27 due to the execution of large upstream and recycling projects.
- For the Aditya Alumina Refinery expansion, the company has placed all the orders, received EC, and commenced construction, with the commissioning scheduled for FY28.
- The 180kt aluminum smelter expansion at Aditya will proceed alongside the alumina refinery and is expected to be operational by FY28 (Phase-II of +180kt announced), whereas the 300kt copper smelter expansion will be commissioned by FY29.
- Chakla, Banda and Meenakshi coal mines are progressing toward commissioning. The two captive coal mines' (Chakla and Bandha) box-cut is expected by Dec-Jan'26, with commercial coal expected from Feb-Mar'26. Bandha will come from FY27 end and Meenakshi will begin production later in FY29.
- Chakla is expected to produce about 0.5-1.0mtpa, and all three mines put together are expected to bring in 20mtpa of coal running at full capacity.
- In copper, the 50kt e-waste and scrap recycling project remains on track for commissioning in FY27, strengthening its circular-economy credentials.
- Installed renewable capacity stood at 292MW as of 2QFY26, comprising solar, wind, and hydro assets. The company is on track to add another 230MW during FY26, including 130 MW of storage-based renewable power, which will take total renewable capacity to about 522MW by FY26-end.

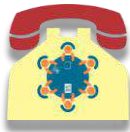
Demand outlook and other highlights:

- On hedging, the company has covered 31% of 3Q volumes at USD2,700/t and 49% of 4Q volumes at USD2,760/t, while 10% of FY27 volumes have been hedged at USD2,800/t. The company generally hedges 20% of commodity as an insurance hedge for the next fiscal.

- To support Novelis' equity requirements, HNDL will infuse USD750m as equity, funded through debt raised at AV Minerals, taking advantage of its stronger borrowing capacity.
- Global aluminum supply and demand both grew about 1% YoY in 9MCY25.
- China recorded 3% demand growth to 34mt vs. 1% supply growth to 32.5mt, resulting in a deficit of 1.6mt, while the rest of the world showed a near-offsetting surplus.
- India's aluminum demand increased 8% YoY to 1.5mt in 2QFY26, led by strong growth in the electrical, solar, and automotive sectors. The copper market continued to face supply tightness, with global benchmark TCRCs for 2025 falling sharply by 73% to 5.4cents/lb, the lowest in years.



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Jindal Steel

Buy

Current Price INR 1,066

Guidance

- Management expects a significant ramp-up in production volumes in 2HFY26, targeting ~60% utilization level from new capacity, and reiterated its FY26 crude steel production guidance of 9-10mt.
- Domestic steel prices declined during 2Q over seasonal weakness, prolonged monsoon, and cheaper exports from China. Rebar prices saw a steeper fall than HRC, due to muted construction activities during the monsoon.
- Management expects a price recovery post the festive season, driven by improving construction and infrastructure demand.
- Additionally, the proposed safeguard duty framework, which suggests duties starting at 12% and tapering to 11% over three years, could provide a floor to domestic prices if implemented.
- Long share stood at 51% (vs 56% in 1QFY26) and Flat was at 49% (vs 44% in 1QFY26) of sales during this quarter. Management expects the longs share to rebound in 2H FY26, in line with post-monsoon recovery in construction and infrastructure demand, which will normalize to 55:45 (flats: longs) by year-end.
- Coking coal costs reduced by USD4/t in 2QFY26 (in line with the guidance of USD5/t) and are expected to increase by USD3-5/t in 3QFY26.
- Iron ore prices from NMDC have seen cuts recently, but OMC auction prices remain elevated.
- Overall, management expects 2-3% cost savings in the 2HFY26 as operations normalize and productivity improves.

Capex and timelines

- Capex for the quarter was INR27b, primarily driven by the expansion projects at Angul. Of the announced INR470.4b capex program, the company has spent ~INR308.5b till Sep'25, and the balance will be deployed over FY26-28E.
- Management reiterates its capex guidance of INR75-100b for FY26.
- JINDALST commissioned a 4.6mtpa blast furnace (BF-2), doubling hot metal capacity at Angul to 8.85mtpa, and also commissioned a 3mtpa basic oxygen furnace (BOF-2), taking crude steel capacity at Angul to 9mtpa.
- Total steelmaking capacity now stands at 12.6mtpa and is expected to reach 15.6mtpa by the end of FY26 with a new 3mtpa steel melting shop at Angul.

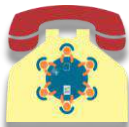
- The company reiterated that the Angul expansion (Phase-II), which includes additional SMS, HSM with associated downstream facilities, is currently on track for completion by FY26 end.
- The slurry pipeline project is over 90% complete and expected to be commissioned in 4QFY26, which will reduce logistics costs for iron ore and improve efficiency.
- The iron ore mines allotted to the company are also expected to begin production by 4QFY26.
- Utkal B1 mining activities are expected to commence by the end of Oct'25, and Utkal B2 is on track to be commissioned soon after.
- Thermal coal sourcing stood at 95-96% captive, primarily from Gare Palma and Utkal C mines, with minimal dependence on external purchases.

Other updates

- The company reported one-offs of INR2.5b due to planned shutdowns (INR1.74b) and metallic purchase costs, and both are expected not to recur in 3QFY26.
- Net debt stood at INR142b as of Sep'25, which declined QoQ on account of better working capital management. The net debt/EBITDA improved to 1.48x, and management reiterated its commitment to keep leverage below 1.5x.



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Jindal Stainless

Buy

Current Price INR 751

Guidance:

- Management reiterated its volume growth guidance of 9-10% YoY for FY26, with capacity utilization of 80-85%.
- The company expects short-term export volumes to remain subdued until uncertainties around CBAM are resolved. In the long term, management indicated that the company is largely compliant with CBAM requirements (rising RE share), facilitating easy access to EU markets once the regime stabilizes.
- JDSL increased its renewable energy share to 42% in 2QFY26 from 26% in 2QFY25 and targets to increase further with the commissioning of the green hydrogen plant at the Jajpur facility by mid-next year.
- The SS series mix for 2QFY26 stood at 200 series - 34%, 300 series - 49%, and 400 series - 17%.

Capex:

- The company has guided for capex of ~INR27b for FY26 (including spill overs and maintenance capex), of which ~INR12.6b has been spent in 1H.
- The SMS project in Indonesia is progressing as per plan and will get commission by FY27, whereas the HRAP line is on schedule for commissioning in 2HFY27.
- The land acquisition of the Maharashtra expansion is underway, and the expansion will occur in a phased manner of 1mtpa x 4 units, subject to approval and other macro/micro environment. The company has guided that Phase-I capacity is expected to come on stream by FY29-30.

Subsidiaries' business operations:

- The current capacity utilization of Rathi Steel stood at 70% in 2QFY26. Rebar volumes are picking up well.
- Chromeni is currently EBITDA positive and operating at ~70% utilization level; the target is to achieve 80-85% in 2H.

- NPI is operating at a run rate of 90%, with EBITDA ranging at USD500-1,500/t due to high volatility.
- The company has partnered with Green Energy India Ltd to commission a green hydrogen plant at the Jajpur facility, with a planned capacity of 600MW expected to be commissioned by mid-next year.

Demand outlook:

- Demand stood strong in 2QFY26 on the back of increased construction activities. The outlook for 3QFY26 remains positive, aided by the recent GST cut.
- Healthy coach demand was observed in 2QFY26, driven by Vande Bharat sleeper trainsets, Metro, and Indian Railways.
- SS wagon demand remained low and fresh orders are expected by the end of FY26.
- Global export sentiment remains weak due to soft demand in EU/US and CBAM transition-phase uncertainties. Management guided that buyers (in Europe/India) are maintaining lean inventories until CBAM regulations are clarified (expected timeline - Dec'25).
- Suspension of the Stainless-Steel Quality Control Order (QCO) until Dec'25 has led to a rise in low-grade imports, creating near-term pricing pressure in the domestic market.
- The company expects clarity from the government by Dec'25 and anticipates that the reinstatement of QCO will help restore pricing discipline and curb aggressive imports.
- The company continues to benefit from efficient ferro chrome procurement, largely from OMC (Odisha Mining Corporation) under long-term linkages. Additionally, the company is set to commission the captive mine (Sukinda mine) by next year.

Other highlights:

- JDLS is evaluating a merger of all its acquired downstream assets to improve tax efficiency.
- The company is currently analyzing the PLI scheme announced by the government. Management believes the scheme is structurally positive for the industry.



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JSW Steel

Buy

Current Price INR 1,162

Guidance:

- Volumes are expected to improve in 2HFY26, driven by stronger demand led by higher government and private CapEx and festive demand.
- Management also expects EBITDA/t to improve in 2HFY26, supported by better NSR and lower input costs.
- Blended coking coal costs were down by ~USD6/t in 2QFY26 (in line). The energy costs were lower both in terms of specific consumption and price due to a higher renewable energy share.
- Management foresees a rise in coking cost by USD3-5/t in 3QFY26.
- Domestic steel currently trades at a discount to import parity, but normalization is expected as demand strengthens and imports moderate. In 2QFY26, blended steel prices softened, led by global uncertainties, cheaper imports into India, and the seasonal monsoon affecting infrastructure and construction demand.

The image shows a screenshot of a financial report from Motilal Oswal for JSW Steel. The report includes a table of contents with sections like 'Key Highlights', 'Financial Performance', 'Operational Performance', 'Capital Expenditure', 'Dividend', 'Risk Factors', and 'Management Discussion'. The 'Key Highlights' section mentions that JSW Steel's FY26 EBITDA is expected to be around INR 1,200-1,300 billion, supported by continued government capital spending and healthy consumption across key sectors. It also notes that FY26 full-year steel demand is projected to grow 8-9%, backed by fiscal and monetary support, GST rate cuts, and improving private CapEx. Domestic demand is expected to remain seasonally strong in 2HFY26, aided by festive consumption, infrastructure spending, and improving rural demand. The company sees steady consumption from the auto, renewables, and construction sectors, with 2H historically being stronger for steel usage.

- Iron ore prices are expected to decline in 3QFY26, aided by strong domestic supply and lower bids from Odisha Mining Corporation tenders.
- JSTL has limited exposure to Europe (<3% of volumes), hence the implementation of CBAM will have a limited impact and can be absorbed by other geographies. Management reiterates its focus to remain on the domestic market, which absorbs +90% of JSTL's sales volume.

Capex:

- JSTL outlined a capex plan of INR690b to be spent over the next 3-4years, at a run-rate of INR200b annually, which will be funded largely via internal accruals. For FY26/27E, management guided to spend INR200/210b respectively.
- **Vijayanagar Blast Furnace 3 (BF3):** 5mtpa expansion fully commissioned and started 150days of planned shutdown for BF3 relining to enhance capacity by 1.5mtpa to 4.5mtpa will be completed by Feb'26.
- **Dolvi Phase – III** expansion is progressing well and will increase the steel-making capacity by 5mtpa, taking the total capacity to 15mtpa. It is expected to be completed by Sep'27.
- **Kadapa (Andhra Pradesh):** New 1mtpa EAF plant with a section mill is targeted to be completed by FY29.
- The Supreme Court ruled in favor of JSTL, securing full control and validating its turnaround investment strategy.
- The slurry pipeline project is progressing as per schedule. Commissioning expected in 4QFY27E.

Raw material security (Iron ore / Coal mines):

- JSTL operates 12 mines, 9 in Karnataka with an existing EC of ~11mt (recently added ~4mt) and 3 mines in Odisha. JSTL allotted three new mines in Karnataka with an EC of ~4.5mt, taking the total production capacity to 15.5mt by 1QFY27.
- Current captive supply meets ~30–36% of total iron ore requirement.
- In Goa, the mining operations at Cudnem are expected to start by 3QFY26, and Surla and Codli mines by 2HFY27E. Together, these three mines in Goa will have a cumulative production capacity of 3.7mt, which will support Dolvi operations.
- Management guided that iron ore imports are mainly used opportunistically, particularly for Dolvi (west coast) when global prices are favourable.
- JSTL secured three coking coal mines in Jharkhand, along with Coal India linkages, which will become operational progressively and are expected to produce 3.2-3.5mt of usable coal over the next 2-3 years.
- JSTL has increased its stake in the Irawara Coking Coal asset (Australia) from 20% to 30%, ensuring 30% of production offtake. Further, acquisition of the Minas de Revuboe project in Mozambique is in progress and will provide high-quality PLV coking coal, and is expected to close in FY26.

Demand outlook:

- India's steel demand grew 8.9% YoY in 2QFY26, supported by continued government capital spending and healthy consumption across key sectors.
- FY26 full-year steel demand is projected to grow 8-9%, backed by fiscal and monetary support, GST rate cuts, and improving private CapEx.
- Domestic demand is expected to remain seasonally strong in 2HFY26, aided by festive consumption, infrastructure spending, and improving rural demand.
- The company sees steady consumption from the auto, renewables, and construction sectors, with 2H historically being stronger for steel usage.



Click below for
Results Update

The screenshot displays a detailed financial report for NALCO, including sections for Key Highlights, Financial Performance, and Management Discussion. It features various tables with numerical data and descriptive text in Hindi, providing a comprehensive overview of the company's financial health and operational status.

NALCO

Neutral

Current Price INR 257

Capex and capacity update/timeline

- NACL's 5th stream alumina refinery of 1mtpa is on track (+80% physical progress completed) for the mechanical completion target by Jun'26 (delayed from Sep'25 earlier).
- Commercial production is expected to start by Jun'26 with an expected output of 500kt in FY27E and will ramp up to 1mt in FY28E.
- Out of the INR51b of refinery capex, the company has spent ~INR45b to date. The balance spending of INR6-7b to be incurred in FY26, with residual payouts in early FY27 (project closure)
- Margins of the new refinery are guided to be INR10,000-11,000/t, slightly below the existing unit (INR12,000-13,000/t) due to depreciation, but offset by higher efficiency and lower manpower cost.
- Brownfield aluminum smelter expansion of 0.5mtpa is progressing. The revised DPR is under preparation and is expected to be completed by Jun'26, followed by Board approval, tendering by Mar'27, and ground-breaking thereafter.
- Management indicated the total estimated Capex is INR300b (INR170-200b for smelter and INR100-110b for CPP).
- Management plan for EPC + JV (50:50) model for CPP, eliminating the need for external borrowing
- For the Pottangi bauxite mines expansion plan (capex outlay of INR20b), the company will be finalizing MDO by Dec'25, and groundwork is underway. NACL expects the mining operations to commence by the end of 4QFY26.

Volume and demand guidance

- Management guided alumina volume of ~1,200-1,280kt and Aluminum sales of 470kt in FY26.
- ~50% of Alumina production is used internally for aluminum smelting, and the balance is sold, mainly exported. NALCO has a limited storage capacity of ~75kt at Vizag silos and 36kt at Damanjodi; therefore, the alumina sales are closely aligned with production.
- Alumina average prices at USD320-340 currently market. Aluminum at USD2800-2900
- 4mt coal production target for FY26. Out of the 7.2mt requirement, 3mt would be met from CIL (under FSA), not from the e-auction.

Pricing and cost guidance

- In 2QFY26, NACL achieved an average alumina realization of USD380/t vs USD416/t in 1QFY26. Management expects alumina spot prices to remain in the range of USD320-340/t in 2HFY26.
- 2QFY26 average LME aluminum price was USD2,600/t, up from USD2,447 in 1Q and the spot levels have firmed at USD2,850-2,900/t. company expects 2H LME to range USD2,800-2,900/t, with potential to test USD3,000/t.
- NACL expects alumina CoP to slightly increase in 2HFY26 on account of cost inflation for CPC, calcined coke, and caustic soda.
- The landed cost of caustic soda increased to INR41,000/t in 2QFY26 from INR37,000/t in 2QFY25.

Coal outlook

- NACL commenced its captive coal mines (Utkal D&E blocks) operations in Jan'25 and is currently operating at a run rate of 100% (~4mt).
- NACL's annual coal requirement is ~7.2mt, of which ~4mt (~55%) is met through captive sources and the remaining ~3.2mt through linkage agreements with Coal India (subsidiaries - Mahanadi Coalfields).
- Captive-coal landed cost is at INR1,600-1,700/t, while FSA coal is priced at INR2,000–2,100/t currently. With a higher captive share, NALCO expects further power-cost reduction in 2HFY26.
- Power-purchase from grid dropped sharply (~7.7mn units consumed in 1HFY26 vs. 38.1mn units YoY, yielding INR1.36b savings). NACL operates 1,200MW CPP, and now the grid power is only used during maintenance outages.

Other Highlights

- NALCO holds five lithium blocks in Argentina through its JV "KABIL." Non-invasive exploration was completed, and the results are positive. The invasive drilling is expected to begin within 1–2 months, and the results are expected in six months. Pilot-plant setup and grade validation will follow, with commercial mining feasibility by mid-FY27.
- Alumina prices softened due to new Indonesian refineries and lower smelter utilization in China, creating a temporary oversupply. Management expects alumina prices to rebound to USD350/t in 3Q-4Q as seasonal demand improves.
- The aluminum market remains firm, supported by Chinese production curbs and stable global demand.



[Click below for Results Update](#)

Particulars	Q3 FY26 (INR Cr)	Q2 FY26 (INR Cr)	Q3 FY25 (INR Cr)
Revenue	1,17,127	1,14,127	1,14,127
Operating Expenses	1,07,000	1,04,000	1,04,000
EBITDA	10,127	10,127	10,127
Profit After Tax	4,127	4,127	4,127

Steel Authority of India

Neutral

Current Price INR 139

Guidance:

- The company has guided for volume growth to continue in 2HFY26, supported by production and inventory liquidation. Management expects volumes to grow 5-7% YoY in FY27E, mainly through debottlenecking projects rather than adding major new capacities.
- The share of value-added steel rose to 57% of total sales in 2QFY26 (vs 55% in 1Q), and is expected to reach 60% by 4QFY26, supported by a better product mix.
- On account of weaker steel prices, the average blended NSR declined by about INR2,700/t QoQ to INR49,000/t in 2QFY26. Within product categories, long prices declined from INR54,500/t to INR49,000/t during the quarter, while flat prices declined from INR50,400/t to INR48,700/t.
- Despite lower steel prices, overall NSR was supported by higher by-product and scrap sales, which contributed INR11.4b in 2QFY26 vs INR8.69b in 1QFY26.
- Management indicated that the long steel prices remained flat at INR49,900/t, while flat prices reduced by INR1,200-1,300/t to INR46,600/t in Oct'25 vs the 2QFY26 average.
- Steel prices are expected to recover from late Nov'25 onwards, driven by a seasonal pickup in domestic demand, infra spending, and restocking activity.

- Oct'25 imported coking coal cost stood at ~INR17,400/t, broadly stable compared to 2QFY26 average, but increased from INR16,600/t in Aug'25 mainly due to rupee depreciation.
- Coking coal prices increased from USD185/t to USD195/t and remained range-bound at the current level. Management expects the company's coking coal costs to rise USD6-8/t in 3QFY26.
- The company is actively liquidating old iron ore dump inventories, particularly in Jharkhand, to enhance cash flow and free up working capital. Current iron ore dump dispatches are running at ~0.7-0.8mtpa.

Capex:

- The company has maintained its full-year capex guidance of over INR75b for FY26. For FY27, it has guided for a higher capex of INR100b, mainly toward major expansion projects.
- The company's capex remains focused on modernization, debottlenecking, and value-added product facilities across Bhilai, Rourkela, and Durgapur steel plants.
- Management stated that post-FY27, capex intensity will increase as large-scale capacity expansion projects move into full swing.
- The IISCO Steel Plant expansion will add 4.5mtpa of crude steel capacity at an estimated total cost of INR360b. Most of the orders for IISCO expansion have been finalized, and major spends are expected to begin in FY27.
- Alongside IISCO, debottlenecking projects at existing integrated plants are expected to deliver 5-7% annual growth in volumes for FY27.

Debt and other highlights:

- Interest costs have started to decline as a result of ongoing deleveraging and improved cash generation.
- The company continues to focus on debt reduction to create financial headroom for the upcoming expansion phase beginning FY27.
- The deleveraging measure will be supported by inventory liquidation, higher by-product monetization, and disciplined capex execution.



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Results Update



Tata Steel

Buy

Current Price INR 172

Management guidance

- Management expects India's steel consumption to grow at 10% YoY over the next few years.
- In India, average HRC prices fell INR2,300/t QoQ, while TATA's NSR declined by INR1,700/t led by better product mix. For 3QFY26, management guided the India business realizations to decline by INR1,500/t QoQ.
- The company expects the Netherlands NSR to decline by EUR30/t in 3Q and expects a stronger recovery from 4QFY26 onwards.
- UK prices are expected to remain largely flat in 3QFY26, but management expressed concern about the current low price levels, which are not sustainable.
- Consumption cost for coking coal is expected to increase by USD6/t QoQ in 3Q on account of rising coking coal prices globally, while the coking coal consumption costs in the Netherlands are expected to fall by EUR5-10/t in 3QFY26 over consuming lower cost inventory.

The image shows a screenshot of a Motilal Oswal research report titled "Tata Steel". The report includes a table of contents, a summary of key findings, and a detailed analysis of the company's performance. The table of contents lists sections such as "Company Overview", "Financial Performance", "Valuation", and "Recommendation". The summary highlights the company's strong performance in the first half of FY26, driven by cost savings and improved operational efficiency. The detailed analysis provides a comprehensive overview of the company's business, including its operations in India and the Netherlands, and its financial performance over the last few years.

- TATA achieved INR54.5b of cost savings in 1HFY26, through its global cost transformation program. In 2QFY26, the cost transformation delivered INR25.6b savings, which includes INR10.4b in India and INR10.6b in the Netherlands business.
- The India business cost reduction was driven by a leaner coal blend, lower stores and maintenance costs, and process optimization. The Netherlands' cost savings were supported by lower employee costs, reduced emission-related charges, and supply-chain efficiency.
- The consolidated net debt/EBITDA stood at 3x as of 2QFY26, and management aims to maintain this between 2.75-3x on a sustained basis.

TATA – European operations

- The non-binding Joint Letter of Intent (JLoI) has been signed with the Dutch government. Tata Steel Netherlands' decarburization project will be finalized next year after a Final Investment Decision (FID), and no material capex is expected in the next two years.
- The Dutch government's support of up to EUR2b is limited to Phase-1, while Phase-2 funding and timing remain open depending on policy evolution.
- The technology for Phase 1 is based on switch ability, initially relying on natural gas, with optionality to switch to hydrogen or bio-methane later, depending on economics and availability.
- Recent protectionist measures, such as CBAM and import quota reduction by 50% in Europe, will support the EU's domestic industry. Management anticipates the imports to fall in Europe, while the potential restocking will lead to a positive impact for Tata Steel Netherlands from 4QFY26 onwards.
- The possible implementation of "melt and pour" conditions to participate in the potentially CBAM-protected market will be an additional safeguard for domestic businesses in Europe.
- Management anticipates that the supply side in Europe will undergo restructuring in the next 10 years as more blast furnaces require realignment.
- The UK steel demand remained subdued (HRC demand fell 33% since CY18), while a rise in import quotas by 20% will make the UK steel market more vulnerable to cheap imports (imports are up 7% YoY in YTD'25).

Indian operations

- TATA incurred INR70b on capex during the 1HFY26, mainly toward India growth projects, including Kalinganagar expansion, Neelachal (NINL) ramp-up, and the Ludhiana EAF.
- The NINL expansion project is awaiting environmental and forest clearances before Board approval. Post-approval, completion will take ~3-3.5 years.
- Meramandali capacity will be increased from 5-6.5mtpa, and later to 10mtpa with plans to add a thin-slab caster and finishing facilities.
- Ludhiana EAF plant (0.75mtpa) will be commissioned in FY27, with expected EBITDA of INR5,000-7,000/t. The EAF route offers advantages in capital intensity and speed of execution compared to iron ore/coal-based production.
- For securing iron ore for its expanding capacity, TATA's strategy is to ensure supply at a competitive economic cost and not 100% captive iron ore.
- TATA currently possesses about 500-600mt of iron ore reserves available beyond 2030 from existing mines secured through acquisitions or auctions.

- TATA is engaging with OMCs (Odisha Mining Corp), NMDC, and others, to secure long-term iron ore arrangements. Also, it is evaluating the imports option if domestic iron ore costs and prices continue to stay high.
- The company is seeking to ship material from its high-quality Canadian mine (which has low alumina and 63+ Fe content) into India. Traditionally, India is not an attractive market for this mine (currently sold to Europe), while an option is available if the economics favor it.
- In 2QFY26, NINL reported an EBITDA of INR2.6b (+17% QoQ with a margin of 20%) vs INR2.2b in 1QFY26.

Other Highlights

- The company executed a share purchase agreement to acquire the balance 50% in Tata BlueScope Private Ltd from BlueScope Steel, Australia. The acquisition is subject to regulatory approvals and will lead to value accretion.
- The company announced the divestment of its Ferro Alloys Plant located in Jajpur, Odisha, as part of its strategic realignment following the surrender of the Sukinda Chromite mining lease. The Sukinda mine required significant underground mining investments to sustain operations, which were commercially unviable under the current ferrochrome pricing and duty structure.
- Following this decision, Tata Steel reviewed its ferroalloy operations footprint and decided to exit standalone ferrochrome production, which would have depended on externally sourced ore and offered limited integration benefits.



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Results Update



Vedanta

Neutral

Current Price INR 511

Capacity update and expansion plan

- The company has maintained its full-year capex guidance at USD1.7-1.9b for FY26, with USD0.9b already invested in 1H.
- In the aluminum business, VEDL has commissioned a 435kt smelter at BALCO and produced first metal from the Lanjigarh refinery. The commissioning of Lanjigarh Train-2 (1.5mtpa) has started and is likely to get fully ramped up soon.
- At Zinc International, the Gamsberg Phase-2 expansion (adding 220ktpa) reached 80% completion and remains on track to commission by FY26 end.
- In the power segment, Meenakshi and Athena plants added a combined 1.3GW in 1H, bringing the total merchant power capacity to 4.2GW, strengthening energy security and diversification.
- In the iron and steel segment, ESL and FACOR resumed operations post-maintenance, and the Kalangritha mine has been reactivated, positioning both entities for improved profitability in 2HFY26.
- The Kuraloi mine has received Stage-1 Forest Clearance and is in the final compliance phase, with commissioning expected in 4QFY26. The Gogharpalli mine is expected to commence operations by early FY27, following the environmental and forest clearance progress.
- Konkola Copper Mines (KCM) in Zambia achieved a per month run rate of 8.5-9kt, while the KDMP feasibility study is underway for further expansion.

Guidance

- PLF guidance: Meenakshi 65% (INR4.7/unit cost, INR5.7/unit realization), Athena 87% (INR2.8 cost, INR5.7 realization) by 4QFY26.
- Alumina cost is expected to decline USD50/t for next two quarters, aided by lower third-party purchases and higher captive share via Lanjigarh.
- The hot metal cost increased to USD1,826/t in 2QFY26, compared to USD1,765/t in 1QFY26. Management targets to reduce hot metal costs below USD1,650/t in 2HFY26, driven by lower power and alumina input costs.
- VEDL expects a stronger 2H operational run rate across the aluminum, zinc, power, and steel segments, which will drive higher consolidated earnings.
- On hedging, 380kt of aluminum (12% of FY26 volume) is hedged at USD2,625/t, and 470kt for FY27 (17%) is hedged at USD2,600/t.

Other highlights

- During 1HFY26, VEDL secured three new strategic mineral blocks, expanding its portfolio across nickel, chromium, cobalt, vanadium, potash, and manganese, bringing the total secured blocks to 11.
- Significant progress was made on the demerger plan, with the final NCLT hearing scheduled for Nov'25, and listing of the five demerged entities expected by end-FY26. VEDL also settled the INR6.5b CEPCO dispute, clearing a key procedural hurdle in the demerger process.
- Management targets net debt/EBITDA to reduce to 1.0x from 1.37x currently.
- At Vedanta Resources (VRL), total debt is expected to decline from USD4.4b at Sep'25 end to USD3b over the next two years.
- The average cost of borrowing is expected to decline to below 8%, compared to the current level of 9%, supported by refinancing and maturity restructuring.
- VEDL reaffirmed that the Jaypee Group power asset acquisition will not affect its deleveraging or demerger timelines.

OIL & GAS



- **OMCs:** Management commentary indicates that the marketing segment should remain resilient, with lower MS/HSD margins likely to be offset by reduced LPG under-recoveries. **CGDs:** Companies remain optimistic about sustained growth in CNG and D-PNG volumes, coupled with improvement in EBITDA/scm margins, driven by tax and tariff reforms and lower input costs. However, **GUJGA** expects Morbi volumes to remain weak in 3Q. **GAIL:** The company has lowered its transmission volume guidance. **ONGC & OINL:** Both companies continue to foresee strong production growth from KG-98 and NRL, albeit at levels below their earlier estimates.

KEY HIGHLIGHTS FROM CONFERENCE CALL

Oil & Gas	Outlook	Quarterly snapshot
Gas Utilities	■ GAIL: Management has lowered its transmission guidance to 123-124mmscmd/132-133mmscmd for FY26/27. The company expects overall transmission volumes to increase by 7-8 mmscmd, led by 3-4/2/2mmscmd growth from the CGD segment/power sector/new pipeline connections in FY27. EBIT guidance for FY26/27 is of at least INR40b in FY26/FY27. ■ PLNG: FY26 Capex guidance: 50b (petchem majorly). Dahej terminal expansion: 5mmtpa capacity shall be operational by end-Mar'26.	■ GAIL's 2QFY26 EBITDA came in 5% above our estimates at INR31.9b. Volumes for natural gas transmission came in line with our estimate at ~123.6mmscmd. GUJS's EBITDA was 13% below our estimates, driven by transmission volumes of 28.5mmscmd, which were 8% lower than expected, and higher-than-estimated opex. The implied tariff stood in line at INR839/mmscm. PLNG's EBITDA was 4% below our estimate. PAT came in line with our estimate, supported by higher-than-expected other income. Total volumes came in line with our estimate at 228tbtu. No spot volumes were recorded during the quarter.
Upstream	■ ONGC: Management has lowered its FY26 standalone production guidance to 19.8mmt for oil and 20mmtoe for gas. For FY27, standalone production was guided at 21mmt/21.5bcm for oil/gas. FY26 capex guidance is maintained at 300-350b. ■ OINL: Management has guided oil and gas production targets of 3.55mmt/3.6bcm for FY26, 3.798mmt/3.8bcm for FY27, and 3.98-4mmt/4.6bcm for FY28. OINL plans to incur standalone capex of INR70b in FY26.	■ ONGC's/OINL's 2QFY26 revenue came in line with our estimates at INR330b/INR54.6b. Oil realization stood in the range of USD67-69/bbl for upstream companies. ONGC's EBITDAX stood in line with our estimates, while OINL's adjusted EBITDA came in 16% below estimates.
CGDs	■ IGL guides for EBITDA margin of INR7-8/scm and volumes of 10/11mmscmd by FY26/27 end. It expects long-term volume growth of 10% YoY. FY26 capex is guided at INR12-14b. ■ MAHGL's management has guided EBITDA margin at INR8-9/scm. For FY26, it targets adding 80 new CNG stations, with a capex outlay of INR10.5-12b. GUJGA: FY26/27 capex is expected to be INR8b/8-10b.	■ MAHGL's/IGL's EBITDA was 4%/13% below estimates, respectively. GUJGA's EBITDA was in line with our estimates. Total volumes for MAHGL/IGL/GUJGA were broadly in line with expectations at 4.4/9.3/8.7mmscmd, respectively.
OMCs	■ HPCL's HRRL has achieved 89% overall physical progress, with the refinery section surpassing 95%. Barmer petchem stream is expected to go online in the middle of next year. ■ IOCL's FY26 capex guidance totals INR335b, with INR140b earmarked for refining, INR100b for marketing and pipelines, INR25b for petrochemicals, INR20b as equity investments in renewables JVs, and the remainder for others. Key projects such as the Panipat, Gujarat, and Barauni refinery expansions are scheduled for commissioning by Jun'26, Jun'26, and Aug'26, respectively.	■ HPCL/BPCL/IOCL reported EBITDA 29%/32%/51% above our estimates, while their reported PAT came in 29%/40%/146% ahead of expectations. OMCs reported a strong beat on refining and marketing margin estimates. MoP&NG has approved compensation of INR145b/76b/79b for IOCL/BPCL/HPCL toward LPG under-recoveries. The amount will be released in 12 equal monthly instalments, with accruals recognized on a monthly basis starting Nov'25.



[Click below for
Results Update](#)

The screenshot shows a research report for Aegis Logistics. The header includes the company name, stock symbol (AEGIS), and a 'Neutral' rating. The report is dated 17 November 2023. The main body of the report contains a table with financial data, including revenue, EBITDA, and PAT, along with a detailed analysis of the company's performance and future prospects. The table is organized into sections for 'Key Metrics', 'Financial Performance', and 'Operational Performance'. The 'Key Metrics' section lists revenue, EBITDA, and PAT for the last 12 months and the last 3 months. The 'Financial Performance' section provides a detailed breakdown of the company's financials, including a comparison of the current period with the previous period. The 'Operational Performance' section discusses the company's operations, including its liquid and gas divisions, and its plans for future growth.

Aegis Logistics

Neutral

Current Price INR 793

Financial Performance:

- 2QFY26 normalized EBITDA stood at INR3.5b (46% up YoY).
- The liquid and gas divisions posted their highest-ever 2Q revenue and EBITDA.
- Consolidated revenue grew 31% YoY. Consolidated PAT grew 61% YoY.
- 1HFY26 revenue from operations stood at INR4b (up 20% YoY). 1HFY26 normalized EBITDA stood at INR6b (24% YoY). PAT stood at INR4.2b (up 35%).
- 1HFY26 liquid division revenue stood at INR3b (up 9% YoY) and EBITDA at INR2.2b (up 11% YoY). The LPG division's revenue registered 21% growth at INR37b and EBITDA grew 33% to INR3.8b.

Operational performance and project update:

- Mumbai port's liquid storage capacity currently stands at 334,000kl and LPG static capacity stands at 21kmt. An additional capacity of 64,000kl is being developed, which is expected to be operational by 1QFY27 (project cost INR1.25b).
- JNPA terminal liquid storage capacity currently stands at 101900cbm. Additional liquid capacity of 318,100cbm and LPG static capacity of 77,286mt are being developed, along with LPG bottling plant of 35,000mtpa. Capex stands at INR16.75b. The liquid capacity is expected to be commissioned before the end of FY26. The company is exploring the addition of an 36,000mt cryogenic LPG tank.
- Kandla port's liquid storage capacity currently stands at 952,276cbm and LPG static's capacity stands at 48,000mt. Utilization levels have improved.
- PNGRB approval for the Kandla-Gorakhpur pipeline connection has been received. The connection to the JNPA pipeline is expected to become operational by 3QFY26. A significant increase in volumes is expected once these pipelines become operational.
- VLGC berthing is expected to commence in 3QFY26, enabling larger cargo unloading and enhancing operational efficiency.
- Kochi port's liquid storage capacity currently stands at 82,545cbm (operating at higher utilization levels). The company plans to develop an additional 60,000cbm capacity.
- Pipavav port liquid storage capacity currently stands at 116,620cbm and LPG static capacity stands at 70,800mt. The ammonia storage terminal at Pipavav has a planned capacity of 36000mt (completion expected by 1QFY27).
- Mangalore port LPG terminal stands at 82,000mt of static cryogenic capacity.
- The liquid storage capacity currently stands at 194,382cbm. The company plans to develop an additional 60,000cbm capacity. Rail gantry work at the Mangalore port has been started.
- Haldia port's liquid capacity is 226,890cbm and LPG capacity is 25,000mt. 3 acres of land has been acquired to expand terminal capacity; this will be the 6th Haldia terminal.
- The company has signed a non-binding MoU to invest in the proposed Vadhavan Port, with a potential project outlay of ~200b.

Capex:

- Cumulative capex incurred USD1.2b. The company plans to incur a cumulative capex of USD5b by FY30.

- The company plans to maintain a debt gearing ratio of 0.6x (3.5x EBITDA) to fund the same.

2QFY26 LPG volumes:

- Logistics: 1.41mmt (1.06mmt in 2QFY25)
- Distribution: 192kmt (129kmt in 2QFY25)
- Sourcing: 208kmt (194kmt in 2QFY25)



[Click below for
Results Update](#)

The screenshot displays the 'Castrol (India)' results for Q2 FY26. It includes a table with financial metrics such as Revenue, Earnings Before Interest and Taxes (EBIT), Earnings Before Tax (EBT), and Net Profit. The table also shows the change in these metrics compared to the previous quarter and year-over-year growth percentages. The overall performance is positive, with revenue and net profit showing growth.

Castrol India

Buy

Current Price INR 191

Volumes:

- Volume stood at 59m lit (up 7% QoQ)
- Volume split in segments: Personal mobility/CV/Industrial segment- 48-50 %/38-40 %/13-14%
- Segment-wise growth in volumes: Personal mobility/CV/Industrial segment - 6%/8%/double digit growth %
- The Company deals in industrial lubricants such as high-performance lubricants, rust preventives, and metalworking lubricants. These contribute around 12 to 14% volumes.

Raw material costs:

- Volume grew 7-8% in the quarter, but the cost of goods sold has only grown 2-3%; this was primarily due to:
- Optimizing the raw material sourcing, formulation, and the costs incurred at the manufacturing location.
- Hedge against rupee depreciation.
- Base oil
- Base oil price has reduced 3.5% YTD.
- 50-55% of the base oil is imported, while the rest is sourced domestically.

Others:

- New Launch: Expansion of Auto Care range with the launch of Castrol All-in-One Helmet Cleaner - foam spray solution addressing helmet hygiene for two-wheeler riders.
- Signed a notable MoU with VinFast Auto India to support their foray into India's EV market. Under this agreement, VinFast will leverage Castrol's workshop network to offer reliable and accessible after-sales support for EV customers.
- Leadership transition will not change the current strategic direction
- About 25-30% of the B2C volume comes from the rural outlets.



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Results Update](#)

GAIL

Buy

Current Price INR 184

Tariff update

- The tariff determination process has been completed, with the company seeking approval for a tariff of INR78/unit. The delay in approval has led to an accrual of INR0.20/month in tariff, and the final order is expected anytime, likely by Nov'25.

Dabhol terminal

- Operations at the Dabhol terminal have now transitioned to an all-weather facility with a total capacity of 5 MMTPA. However, utilization remains around

50% in the absence of a heating system, which is expected to be commissioned by FY27.

Segmental performance and guidance:

- Gas marketing PAT (is this PAT or EBIT?) is expected at around ~INR4.5b in FY26.
- Gas transmission volumes stood at ~122mmscmd in 1HFY26.
- Overall gas demand is expected to average ~125 mmscmd in 2HFY26 with revised guidance of 123-124mmscmd for FY26 and 132-133mmscmd for FY27.
- The downward revision reflects weak power demand, elevated gas prices, and delays in refinery linkages.

Volume growth drivers in FY27:

- The company expects overall transmission volumes to increase by 7-8 mmscmd, led by 3-4mmscmd/2mmscmd/2mmscmd growth from the CGD segment/power sector/new pipeline connections. Refinery offtake was lower this year, while flood-related disruptions also impacted volumes by around 2mmscmd.
- New refinery connections: New connections are expected from the Haldia, Bongaigaon, and Guwahati refineries, which should support volume growth over the medium term.
- Fertilizer plants: Several fertilizer plants are undertaking capacity expansions, which are likely to further boost gas demand once completed.
- In the petchem segment, margins remain under pressure due to high HH-linked gas prices, while LHC production remains stable.

Capex

- Capex during 2QFY26 stood at INR16.6b, including INR7.8b/5.1b/2.3b/balance toward pipelines/petchem/operational capex/CGD and E&P activities.

CGD business

- Across six GAs, the company currently operates 213 CNG stations and 4.5 lakh DPNG connections, handling physical volumes of 0.46mmscmd.
- It plans to add 85 new CNG stations and 1.5 lakh additional DPNG connections in the coming quarters.

Petchem projects

- The company is executing multiple projects, including a 60ktpa expansion at Pata, a 1,250kta project under development, and the 500kta Usar facility, which is expected to be commissioned by FY27.



[Click below for Results Update](#)

Gujarat Gas

Buy

Current Price INR 405

Update on the merger scheme:

- Shareholder approval has been received. Filings have been made with MCA post-approval. Approval is expected by end-Dec'25. No objection has been received from NSE, BSE and PNBGRB.

Margin guidance:

- Margin guidance is maintained at INR4.5-5.5/scm.

Update on propane/LPG business segment:

- The company has been actively pursuing this initiative and is in advanced discussions with capacity providers at both Pipavav and Kandla ports. In parallel, it is engaging with service providers and fleet operators to arrange last-mile logistics, as well as with international suppliers to finalize terms that best meet its requirements. Meaningful progress is expected in the coming months.

GUJARAT GAS

Key Metrics:

Parameter	2Q FY22	1Q FY22	2Q FY21	1Q FY21
Revenue (INR Cr.)	1,100	1,050	1,000	950
EBITDA (INR Cr.)	250	240	230	220
Net Profit (INR Cr.)	150	140	130	120
Operating Ratio (%)	85	84	83	82
Debt to Equity Ratio	0.5	0.5	0.5	0.5

Summary: Gujarat Gas reported a strong performance in 2Q FY22, with revenue growth and improved operating ratios. The company's focus on expanding its CNG network and improving operational efficiency is expected to drive future growth.

Industrial segment:

- Total volumes of I&C-PNG stood at 4.34mmscmd in 2Q (4.71mmscmd in 1Q).
- Morbi volumes: 2.13mmscmd (2.51mmscmd in 1Q).
- Current Morbi volumes are around 1.7-1.8mmscmd. Morbi volumes are expected to remain low in the short term.
- Non-Morbi 2Q volumes: 2.22mmscmd (2.2mmscmd in previous quarter, up 8% YoY)
- Ahmedabad and Thane are expected to drive growth in I&C volumes. Incremental 0.2-0.3mmscmd is expected in the next 18 months.
- Owing to lower spot LNG and crude prices QoQ, GUJGA reduced its I&C-PNG price by INR3.25/scm on 1st Aug'25 (current price: INR44/scm ex VAT).
- NG price differential vs propane is ~INR4-6/scm (after price cut).
- Management expects Propane prices to increase during winters, leading to a decrease in price differential.

CNG segment:

- The company expects robust 13% YoY CNG volume growth in the quarter, supported by 834 operational stations.
- Volumes grew 11%/26% YoY in Gujarat/other areas.
- CNG vehicle base in GUJGA Gas: 1.6m (up 15% YoY)
- GUJGA continues to expand its CNG network, adding four new stations in 2QFY26.
- CNG remains 45%/23% cheaper than MS/HSD.

Domestic segment:

- 42.4k new D-PNG connections were made in 2Q.
- GUJGA signed an agreement with Bhatinda Military Center (11,300 residential quarters) in 1Q.



Click below for
Results Update

HINDUSTAN PETROLEUM

Key Metrics:

Parameter	2Q FY22	1Q FY22	2Q FY21	1Q FY21
Revenue (INR Cr.)	1,200	1,150	1,100	1,050
EBITDA (INR Cr.)	300	290	280	270
Net Profit (INR Cr.)	180	170	160	150
Operating Ratio (%)	88	87	86	85
Debt to Equity Ratio	0.6	0.6	0.6	0.6

Summary: Hindustan Petroleum reported a strong performance in 2Q FY22, with revenue growth and improved operating ratios. The company's focus on expanding its refining capacity and improving operational efficiency is expected to drive future growth.

Hindustan Petroleum

Buy

Current Price INR 484

Operational performance:

- In 2Q, HPCL's core GRM stood at ~USD8/bbl (implying a ~USD0.9/bbl inventory gain (~INR3.4b).
- Refining opex is ~USD2.5/bbl.

Product slate:

- Diesel: 50%
- MS: 20-25%
- Rest: LPG, bottom products, and specialty chemicals
- In 2Q, marketing inventory gain stood at INR5.7b.
- HPCL achieved a quarterly throughput of 6.6mmt (+14% YoY).
- Visakh Refinery posted a record quarterly crude throughput of 3.98mmt, while Mumbai Refinery recorded 2.59mmt.
- The company has processed one new crude grade during the quarter, taking the total number of new grades processed in 1HFY26 to five.
- The company achieved a pipeline throughput of 6.12mmt during 2QFY26.
- Market sales volume for the quarter reached a record 12.07mmt (including exports) (+3.9% YoY).

- Combined sales of Petrol (MS) and Diesel (HSD) stood at 7.07mmt, (+2.8% YoY), while total LPG sales (domestic and non-domestic) reached 2.39mmt (+5.9% YoY).
- The aviation business recorded a growth of 6.1% during the quarter, vs. the industry decline of 2%
- A Joint Development and Cooperation Agreement (JDCA) was signed with Technology partner M/s Lummus Technology, USA, for the commercialization of HP-NTO technology

Russian crude:

- 2Q: 5% proportion (1Q: 13.2% proportion). Hence, if the Russian crude share goes to zero, HPCL will not have a very big impact.
- The proportion of West-African crude increased in 2Q. A major source for HPCL is the Middle East.

Update on ongoing projects:

- India's largest LPG storage cavern, with a capacity of 80 TMT, was commissioned in Mangalore during the quarter.
- HPCL Rajasthan Refinery Limited (HRRL) has achieved 89% overall physical progress, with the refinery section surpassing 95%. Of the thirteen process units, three - Diesel Hydrotreating (DHDT), Hydrogen Generation Unit (HGU), and Crude/Vacuum Distillation - are currently in the pre-commissioning stage. Crude feed into the Crude Distillation Unit (CDU) is anticipated within the current calendar year.
- Within three months, the refinery section shall be capable of running at 100%. Without petchem, it would run at ~8mmtpa.
- Current debt is ~INR400b.
- Refinery shall be depreciated over a period of 40 years (~INR20b depreciation p.a.).
- Interest cost shall be ~INR40b p.a. (before refinancing).
- HRRL shall not be consolidated.
- At the Residue Upgradation Facility (RUF) in Visakhapatnam, pre-commissioning activities were completed on 30 Oct'25. The ISBL hydrogen and flare headers have been successfully commissioned. Integrity testing of the unit under high-pressure and high-temperature conditions using hydrogen has been completed, and catalyst loading is currently underway.
- Full impact shall be visible from Feb'26.

Chlorine contamination:

- Part refinery was down, and the other part was running at a lower throughput.
- The part refinery is now up and running.

Impact:

- Naphtha of ~100tmt had to be exported at a discount, resulting in an excess loss of INR1.5b.
- Other activities took ~INR1.5b.

Project Samriddhi:

- Under Project Samriddhi, the company's EBITDA enhancement initiative, accruals during 1HFY26 amounted to INR8.2b, translating to ~USD0.52/bbl.
- 35% of the accrual amount is recurring, and the rest is one-time.
- The company believes it to exceed the target of INR10b set for FY26.

Lubricant business spin-off:

- The company is now focusing on the consumer side of the business. The business is growing at high-teens.

The spinoff decision has been postponed as of now.

Future initiatives:

- Focus on non-fuel retail.
- Barmer petchem stream to go online in the middle of next year.
- Working to expand gas portfolios with two gas fields already announced.

HP Green R&D Centre (HPGRDC):

- By 30 Sep'25, HPGRDC filed a total of 684 patents, of which 272 have been granted.

Capex for 2QFY26 stood at INR32.6b, bringing the total for 1HFY26 to INR61.2b.

- In 2Q, capex split was 30%/60%/10%: refinery/marketing/others.
- The company will not enter any mega capex cycle before de-leveraging.

Network expansion:

- In 2QFY26, 351 retail outlets were commissioned, taking the total to 24,252. Additionally, 3 new LPG distributors were added, bringing the total to 6,387.
- In 2QFY26, 563 inch-km of steel and 116 km of MDPE pipeline were laid under the CGD network. Additionally, 8,950 new domestic PNG connections were added, taking the total to 1,33,410.
- One CBG plant was commissioned during the quarter, taking the total to 17. Additionally, 9 LOIs were issued, bringing the total active LOIs to 136 with a combined capacity of 332 TMT.
- A total of 42 new CNG outlets were commissioned in 2QFY26, bringing the total to 2,113. Additionally, 304 retail outlets were solarized, taking the cumulative count to 22,747.

HMEL:

- Debt: INR350b
- During 2Q, EBITDA: ~INR14b (petchem: 35% EBITDA contribution, PAT: ~1.7b).



Click below for
Results Update



Indian Oil

Neutral

Current Price INR 172

Refinery segment:

- Core GRM stood at USD8.9/bbl. GRMs were supported by strong HSD cracks (~USD14/bbl in 2Q).
- In 2QFY26, Russian crude procurement stood at 18-19% (USD2-3/bbl discount). The company is still procuring Russian crude in Oct'25.
- Refinery throughput at 17.6mmt was down QoQ due to the Gujarat refinery shutdown.

Marketing segment performance:

- 597 ROs commissioned in 2Q
- 21% YoY growth in total lube sales and 11% growth in automotive lubes
- LPG under-recovery:
- The compensation amount shall be recognized in revenue on a monthly basis.
- In 2QFY26, LPG under-recovery stood at INR100/cyl. Current LPG under-recovery is ~INR40/cyl.

Renewable portfolio target:

- 31GW RE by CY30

- 10ktpa Green Hydrogen plant at Panipat refinery
- FY26 capex guidance: INR335b**
- Refining: INR140b
- Marketing and pipeline: INR100b
- Petchem: INR25b
- Equity investment in JVs for renewables: INR20b

Update on refinery expansions:

- Panipat refinery (10mmtpa expansion) shall be commissioned by Jun'26. The refinery should operate at 60% utilization in the first year.
- Gujarat refinery shall be commissioned by Jun'26.
- Barauni refinery shall be commissioned by Aug'26.
- PX-PTA plant (INR140b) shall be commissioned by 3QFY27.
- Poly-butadiene rubber plant (INR30b) at Panipat shall be commissioned by Jun'26,
- PM inaugurated the Indian Oil Acrylate plant (INR60b) at Vadodara, Gujarat refinery in Jul'25. Project IRR is around 11-12% at current spreads.

Others:

- Petchem margins are still under pressure. However, the company guides to remain EBITDA positive in FY26.
- LNG sourcing contract: IOL signed a ~0.4mmtpa HH-linked mid-term contract from Jul'25 until Dec'29.



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Results Update**

Indraprastha Gas

Buy

Current Price INR 209

Volume growth:

- Overall, CNG volumes grew 3% YoY. CNG volume, adjusted for DTC buses, grew 10% YoY.
- DTC volumes in Sep'25: 30,000 kg/d (~2,00,000+ kg/d in 2QFY25). DTC bus numbers are down to ~2,000 (3200 in 1Q).
- Delhi CNG volumes were flat YoY (+7% YoY ex-DTC).
- Overall volumes at NCR/other GAs grew 7%/16% YoY.
- 21% YoY increase in new and retrofitted CNG vehicles (19k vehicles added per month during the last 12 months). Oct'25 saw 31,000 new CNG vehicle additions.
- MNGL: 1.9mmcmd. 2QFY26 PAT: INR1.5b
- IGL operates 955 CNG stations.

Margin and volume guidance:

- EBITDA margin guidance maintained: INR7-8per scm (INR/USD assumption: INR88/USD).
- Long-term volumes growth guidance: 8-10% YoY (once DTC volumes fade away)
- FY26/27 exit volume guidance: 10/11mmcmd

Sector reforms:

- Taxation changes in Gujarat would lead to an INR1/scm cost reduction for IGL.
- Zonal tariff change shall also be beneficial for IGL.
- IGL does not plan to decrease CNG prices in Delhi. The company has reduced CNG prices in NCR and other areas.

Saudi project:

- IGL sees a very big opportunity in Saudi Arabia for industrial PNG supply. Each industrial city has a potential of 1-1.5mmscmd gas. The pipeline laying cost is not that much because the gas pipeline of Saudi Aramco is nearby (capex lower vs India). The opportunity is big and could be done very quickly. The interest rate is also very low.
- There are 36 industrial cities, of which seven industrial cities operating currently are using 1-1.5mmscmd today. Presently, they are on liquid fuels and want to transition to gas.
- Aim: In 5 cities, IGL plans to generate revenue of INR1-1.5b and volumes of around 4-5mmscmd.
- IGL will have a 40% stake in the JV company.
- A bigger vision is to create an IGL in Saudi.
- Current competitors in Saudi Arabia are local CGD companies, which are much smaller than IGL.

Gas sourcing split in 2Q – priority gas sales:

- APM gas: 41% (44% in 1Q) - 3.25mmscmd
- NW gas: 13% (10% in 1Q) - 0.81mmscmd
- HPHT: 10% (16% in 1Q) - 0.87mmscmd
- RLNG: 37% (25% in 1Q) - 2.91mmscmd.



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Results Update

The screenshot shows a detailed financial results table for Mahanagar Gas. It includes various metrics such as revenue, EBITDA, and net profit, broken down by quarter and year-over-year comparisons. The table is presented in a standard financial reporting format with multiple columns for different financial indicators.

Mahanagar Gas

Buy

Current Price INR 1,253

Operational performance:

- 14 CNG stations added, taking the total to 485 CNG stations.
- 27,150 CNG vehicles added, taking the total to 1.22m vehicles.
- 116 I&C customers added, taking the total to 5,316 customers.
- 53,556 domestic households connected, taking the total to ~2.94m households.

Reason for the increase in costs QoQ:

- Gas costs increased sequentially due to:
- Increase in allocation of R-LNG and spot gas as total volumes increased
- The company plans to increase term contracts instead of buying from IGX.
- Long-term Henry Hub (HH) contract is also going to come up in Jan'26.
- APM + NW Gas allocation has reduced QoQ, resulting in an INR0.75/scm EBITDA margin impact.
- 1.7mmscmd in 1Q down to 1.68mmscmd in 2Q (CNG APM allocation: 35%)
- 0.5mmscmd in 1Q down to 0.35mmscmd in 2Q
- Rupee depreciation resulted in an INR0.5/scm negative EBITDA margin impact
- While the applicable price of APM is USD6.75/mmmbtu, the CBG-blended effective price was ~USD6.98/mmmbtu.
- About INR0.2/scm increase in opex.

Gas sourcing split (MAHGL-ex UEPL):

- APM: ~1.68mmscmd
- HH linked term contract: 1.45mmscmd
- HPHT term contract: 0.5mmscmd
- IGX: 0.3-0.4mmscmd (Spot, R-LNG or RIL HPHT)
- NMG: 0.35mmscmd

Gas sourcing split - UEPL:

- 36% APM allocation towards CNG
- Rest via HH linked and HPHT

Margin guidance (MAHGL + UEPL):

- INR8.5/scm in 3QFY26. Margins should improve in 4Q as the LT HH-linked contract comes up.
- Medium-term margin guidance: INR8-9/scm. The company remains focused on volume growth.

Volume growth:

- 3QFY26 could see better volume growth YoY vs. 1HFY26 (grew 10% YoY).

Overall, management has guided for a 10%+ YoY growth in volumes.

CNG stations:

- FY26: 80 stations (17 stations added; most of the stations shall be added in 4Q)
- Some station upgradations are also planned

Maharashtra EV policy:

- BEST EV buses – While EV buses have come up, MAHGL is in talks with BEST to increase CNG penetration as well.

Promotional schemes:

- Mahotsav scheme: The company plans to launch another CNG B2B scheme this year (Nov'25).

Landed gas cost:

- APM: INR24-25/scm
- NWG HPHT: INR32-37/scm
- R-LNG: INR40-42/scm

FY26 capex guidance:

- MAHGL's three GAs: INR9b-10b
- UEPL's GAs: INR1.5b-2b

GA-wise volumes:

- GA1: 1.95-2mmscmd (+6-7% YoY)
- GA2: 1.95-2mmscmd (+10-12% YoY)
- GA3: 0.35mmscmd (+15% YoY)

Lower other income on a YoY basis:

- Lower mutual fund return
- Delayed bill payment penalties, minimum bill pay, and registration connection fees are done away with.

Tax savings due to the amalgamation of UEPL:

- ~INR350m of tax benefit should accrue in two years.



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ONGC

Neutral

Current Price INR 247

Production growth:

- FY26 SA production guidance: 19.8mmt/20bcm oil/gas (marginal reduction). FY27 SA production guidance: 21mmt/21.5bcm for oil/gas (maintained).
- ONGC is already witnessing higher production from the MH field post BP engagement. Daman project (~5mmscmd) is progressing ahead of schedule and is expected to be operational by 4QFY26, while DSF-II (4mmscmd) is under development and targeted for commissioning by 4QFY27.

NW gas

- Current NW gas is 13.4% of total gas. This should ramp up to 30-35% in the next three years.
- NW gas share in 1HFY26: 21% of total gas from legacy fields.
- In 1HFY26, revenue from NW gas stood at INR33.5b (additional INR6.5b revenue over APM gas price).

KG-98/2:

- Current production: 28kb/d oil and 3mmscmd gas.
- KG-98/2 gas productions should reach 10mmscmd by Jul'26.
- The living quarter and platform installation are still pending at KG-98/2. This will be completed by Dec'25-Jan'26.

Capex:

- FY26 standalone capex guidance is maintained INR300-350b.

Renewable capex:

- The company has invested INR50b in assets and is finalizing another INR50b for new projects.
- Further organic and inorganic growth plans will follow, targeting 10GW capacity by CY30.

OPAL:

- OPAL should run at 90%+ CUF in 2HFY26. Management expects positive EBITDA in 2HFY26.
- CUF declined QoQ due to a one-month breakdown at a unit. The unit is up and running again.
- No additional capex or equity infusion is required in OPAL.
- As of Sep'25, debt was ~INR252b (8.5% interest rate). This debt is expected to move to lower interest rate debt (~7.5% interest rate), leading to a reduction in interest cost.

Mozambique:

- All partners have agreed to lift the Force Majeure.
- Current approved capex is USD18.2b.
- Total equity investment by OVL till date is ~INR6.6b (incl acquisition cost). Total projects finance is ~USD16.1b (16.6% of this is also attributable to OVL).

Other KTAs:

- Depletion expenditure rose by INR2.9b at Western Offshore due to higher production and INR2.2b at KG-98/2. Depreciation increased by INR2b, mainly at Western Offshore.
- Forex loss included in opex in 2Q: INR10.5b.



[Click below for Results Update](#)

Petronet LNG

Buy

Current Price INR 275

- Dahej terminal expansion: 5mmtpa capacity shall be operational by end-Mar'26 (a three-month delay).
- As of 10 Nov'25, INR4.5b capex has been incurred on this project.
- Update on Dahej petchem expansion:
- As of 10 Nov'25, INR6b+ capex has been incurred on this project.

Gopalpur terminal:

- Land has been acquired, and revised EC (Environmental Clearance) has been resubmitted. The company is expecting the clearance soon (no timeline shared).

Patranet LNG

Key Findings:

- Kochi terminal achieved the highest ever utilization during the quarter.
- BPCL's Kochi refinery has started importing cargoes at the Kochi terminal, leading to an improvement in utilization. This trend is expected to continue.
- KMBPL to be connected to NGG by the end of FY26. Lower LNG prices and pipeline connectivity shall increase terminal utilization in FY27.
- FY26 Capex guidance: 50b (petchem majorly). The company has incurred INR5.3b in 1HFY26. The annual capex guidance stands, given that Gopalpur terminal's EC is received promptly.
- Regas revenue stood at INR7.5b. There were no trading gains during the quarter. Inventory gains stood at INR410m.
- Gorgon's volumes at Dahej totaled 7tbtu YTD.

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UoP dues:

- Provision reversal shall happen in 4Q. The company expects provision reversal of ~INR6-6.5b.
- Provision split:
- CY22: INR5.2b
- CY23: INR2b
- CY24: INR120m



Click below for
Results Update

Reliance Industries

Key Findings:

- RJio's 5G user base rose to 234m in 1QFY26 (vs. 213m QoQ).
- 5G data usage continued to surge, contributing ~50% to the total wireless data traffic on RJio's network. Rural adoption accelerated, with 2.2x data growth on rural sites, vs. 2x on pan-India basis.
- Per capita data consumption rose to 38.7GB/month (up from high IPL-driven base of 37GB/month QoQ).
- ARPU improved marginally to INR211 (vs. INR209 QoQ), supported by one extra day QoQ and rising customer engagement on 5G and home broadband.

Reliance Industries

Buy

Current Price INR 1,520

RJio – Key takeaways from the management meeting

5G adoption continues to accelerate

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Home Broadband net adds accelerate to ~1m per month

- RJio added ~3m net Home connects in 2QFY26 to reach ~23m home broadband subscribers, driven by FWA ramp-up.
- Jio AirFiber subscribers increased to 9.5m (vs. 7.4m QoQ), extending its leadership in FWA service globally.
- Management indicated there is room to further ramp up the pace of monthly additions from ~1m connections currently.
- RJio's in-house Unlicensed Band Radio (UBR)-based point-to-multipoint (P2MP) technology is enabling fast, scalable, and cost-effective broadband rollout.
- Engagement strategy uses STB as a digital gateway, enabling entertainment, gaming, and cloud compute integration.
- JioTeleOS powers STBs and is embedded in TVs via ODM/OEM partnerships, replicating the experience without extra hardware.
- Value additions include JioPC, Gaming, and Content, creating a comprehensive digital ecosystem that enhances user stickiness and adoption across homes.

‘One Jio’ approach across products and distribution enabling faster B2B growth

- RJio is building a comprehensive suite of managed services such as Managed WiFi, Managed Compute, Managed Security, Managed Cloud, CPaaS and IoT.
- The company is consolidating its pole position in the BFSI industry (the largest enterprise market). Its strategy positions the company as a national network partner for high-security, high-speed connectivity.
- It is offering up to 1GBps connectivity to rural enterprises across India using UBR.
- Partnerships with SaaS providers leverage Jio’s distribution network to deliver integrated digital solutions, extending reach and strengthening enterprise offerings across sectors.

Digital platforms scaling well across AI, cloud PC, etc.

- The company introduced “Safety-First” capabilities in JioBharat phones to help families stay connected and protected. The new JioBharat devices are priced at INR799.
- JioAICloud platform, which offers free 100GB storage with AI tools, saw further enhancement in functionalities such as AI Events and Voice search in Hindi and English. JioAICloud has now scaled up to ~42m registered users (vs. 33m QoQ).
- JioPC, cloud-based computing service, which can convert any screen into a personal cloud computer, also saw the introduction of AI Assistant to help users generate content in real-time. JioWorkspace has been integrated with JioPC for Office 360 equivalent productivity tools.
- JioFrames, a full-stake AI smart glasses powered by Jio’s own AI has been launched with multi-lingual voice AI support.
- JPL will act as the connectivity partner for Reliance Intelligence’s AI offerings, providing access to 500m+ consumers and millions of enterprises without heavy capex. JPL will also collaborate with other tech companies for distributing unique AI use cases.
- Monetization of AI and digital services is in early stages, with enterprise revenue expected to grow over the upcoming quarters with rising adoption of AI by customers.

Reliance Retail – Key takeaways from the management meeting

- **Grocery segment** grew 23% YoY, driven by everyday consumption and premium formats like FreshPik, which achieved strong like-for-like growth of 35%, demonstrating the impact of premiumization on margins. Metro and large-format stores showed strong festive traction.
- **Fashion & Lifestyle** grew 22% YoY, led by emerging formats such as Yousta and Azorte (up 66% YoY), and a strategic shift to frequent new offerings. Premium collaborations and demand for accessories further enhanced engagement and margin potential.
- **Jewelry Business:** Premiumization drove strong results, with ABV up 52% YoY and old gold exchange contribution rising to 32.5%. Focus on high-value sales and premium offerings supports profitability despite margin pressures elsewhere.
- **JioMart’s hybrid QC** strategy combines ~600 dark stores in top-tier cities for ultra-fast deliveries (<30 mins) and category expansion, with 3,000+ existing grocery stores in lower-tier cities to achieve rapid scale, efficient inventory use, and broad geographical coverage, minimizing incremental capital expenditure.

- These changes have driven strong operational results: 5.8m new customers added in 2QFY26, 200%+ YoY growth in average daily orders, and delivery times consistently below the 30-minute benchmark, reflecting both speed and scale advantages over pure-play competitors.
- **AJIO and Shein** focus on fresh fashion daily, expanding assortment, and premiumization. AJIO's catalogue grew 35% YoY, and high-impact events like "All Stars Dussehra" drove the platform's highest-ever daily sales.
- AJIO Rush and SHEIN target premium and digitally native audiences. AJIO Rush operates across top 6 cities, delivering 16% higher ASP, 17% better conversions, and 500bp lower returns, while SHEIN is rapidly scaling reach and engagement.
- **Consumer Electronics** grew +18% YoY, supported by GST benefits and new launches (Laptops +37%, Mobiles +22%, Appliances +10%). ResQ network expanded 15% to 1,625 locations, ensuring strong service support and customer retention.
- **Consumer Products** delivered strong growth with 2Q revenue of INR54b and 1H FY26 at INR100b (2x YoY), driven by brand building, expanded bottling capacity, and strategic Food Park MoUs. Campa maintained double-digit market share, with general trade contributing 75%+ of sales.
- **New product launches**, including the heritage personal care brand 'Velvette', complement RCPL's portfolio expansion strategy. The focus remains on scaling up operations, deepening market penetration, and strengthening brand presence across FMCG categories, ensuring stable growth and competitive positioning.
- **Outlook:** Management expects continued growth in Retail, driven by aggressive store expansion and normalized operational streamlining. Focus remains on scaling up the network, optimizing store efficiency, and leveraging premiumization and digital offerings to sustainably enhance margins and profitability.



REAL ESTATE

- Developers remain optimistic about sustained demand in the coming years. Average price realizations grew 10% in 2QFY26, with a similar trajectory expected ahead. With approval processes gradually improving, the launch pipeline for 2HFY26 looks stronger, while companies are also actively pursuing land acquisitions to bolster their future development portfolio. Real estate companies reported a 42% YoY surge in bookings during 2QFY26, driven largely by major launches from Indirapuram, Westpark, and Dahlias by PEPL and DLF.

KEY HIGHLIGHTS FROM CONFERENCE CALL

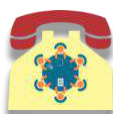
	Quarterly Snapshot	Near-term outlook/launch pipeline
DLF	■ DLF delivered strong 1HFY26 momentum, reporting INR157.6b in bookings boosted by the Westpark launch. However, collections and OCF softened QoQ, and 2Q revenue and EBITDA declined, while PAT benefited from one-off gains. The launch pipeline remains robust at INR602b, with most of the FY26 target already met. DCCDL maintained healthy occupancy, 15% rental growth, and stable leverage with debt-to-GAV at 0.20x and a lower cost of debt.	■ Housing demand in Gurgaon remained strong, with 2Q sales led by the Mumbai launch and Dahlias, where ASPs stood at INR125,000–150,000psf. However, collections remained soft due to construction delays, though they are expected to recover from 2HFY26 onwards, with FY27 guidance at INR130–140b. A solid launch pipeline across Goa, Arbour 2, Panchkula, and the future phases of Mumbai and Dahlias supports visibility, with FY26 presales already at 72% of guidance. RERA escrow balances should ease as high-rise cycles advance and capex remains ~INR50b annually for FY26–27.
Godrej Prop.	■ Godrej Properties delivered a strong presales value of INR85b, ahead of estimates, taking 1H presales to INR156b (48% of FY26 guidance). This was supported by firm realizations and 12 new launches that drove most of the quarter's bookings. Collections rose modestly but OCF weakened due to elevated land spending, pushing net debt to INR56b, though a pickup is expected in 4Q. Business development was robust, with nine projects added in 1H (81% of annual guidance), while leasing stood at 0.45msf across three assets in 2Q.	■ The company is targeting leadership across core markets, supported by expected volume and price growth as sector consolidation deepens. FY26 plans include INR400b of launches and INR325b of presales, anchored by a forward pipeline spanning Worli and Versova in Mumbai, NCR residential and retail projects, Keshavnagar in Pune, and upcoming developments in Bengaluru, Kharghar, Golf Course Road, Panipat, Indore, Chennai, and Hoskote, along with plotted and Evergreen Square additions. A premium Worli launch in 2H and a sizable OC pipeline in early 2026 are set to lift revenue visibility.
Lodha Dev.	■ LODHA delivered steady 2QFY26 presales of INR45.7b, taking 1H presales to INR90.2b, while the Supreme Court's clearance of key ECs sets up a heavy launch pipeline for 2H. Collections improved to INR34.8b and are expected to accelerate. The addition of a new INR23b MMR project helped the company fully meet its FY26 BD target of INR250b in 1H. Revenue grew sharply to INR38b, with a strong EBITDA performance and embedded margins of ~32%, while PAT rose to INR7.9b, reflecting healthy profitability despite a modest rise in net debt to INR53.7b.	■ LODHA continues to see strong housing demand and expects weekly sales to rise to INR4b by end-FY26, supported by a robust launch pipeline across MMR, Pune, and Bengaluru, where six new projects and nine phase launches are planned in 2H. It targets 30–35% of FY26 sales from new launches, with the balance driven by sustained non-launch momentum and steady price growth of 5–6%. Bengaluru is entering a scale-up phase, with a large 70-acre launch ahead and a long-term ambition to lift its sales mix to 15%, while Pune is set to contribute 16–18% this year and NCR enters its pilot phase ahead of a first launch in FY27.
Oberoi Realty	■ Oberoi Realty reported softer 2QFY26 presales of INR13b, though 1H bookings grew 18% YoY to INR29.4b, supported by Elysian and 360 West. Revenue rose sharply to INR17.8b (+35% YoY), with EBITDA at INR10.2b and PAT at INR7.6b, all ahead of estimates despite a YoY margin dip. The annuity portfolio remained strong with 47% YoY revenue growth, near-full office occupancy, and stable hospitality performance. Retail assets continued to deliver high-margin growth, led by strong traction at Oberoi Mall.	■ Oberoi Realty has planned a steady launch pipeline for FY26, including new towers in Borivali, Forestville (Thane), Peddar Road, and Gurugram, with additional projects in Worli, Tardeo, and Adarsh Nagar under consideration. Commerz I & II remain fully leased, while Commerz III and Sky City Mall are on track to reach 80–90% occupancy by end-FY26. The Gurugram project is ready for launch with design, contracts, and approvals in place, and the Ritz-Carlton Mumbai is nearing completion for an FY26 unveiling. In Thane, management expects predictable long-cycle demand with ~INR10b annual sales and pricing improvement as construction progresses.
Mahindra Lifespace	■ Mahindra Lifespaces posted strong 2QFY26 bookings of INR7.5b, supported by a sharp recovery in volumes to 1.2msf, even as realizations softened. Collections improved to INR5.7b, and the company added INR17b of new projects in the quarter, taking 1H additions to	■ MLDL is strengthening its presence across MMR, Pune, and Bengaluru through strategic consolidation, disciplined sourcing, and scalable execution while expanding through outright buys, JDAs, and redevelopment. Recent launches such as New Haven and Citadel (both ~80% sold), Marina64 (~50% sold), and Lakewoods (fully sold) reflect strong traction, with upcoming

	INR52b. IC&IC revenue moderated with 16.9 acres leased, while the residential segment remained net cash positive. Despite muted reported revenue and an operating loss, PAT turned positive to INR479m, aided by higher JV profit recognition.	launches including Hopefarm (INR18b) and Mahalaxmi (INR16.5b) in 3QFY26, followed by Citadel Phase 3 (INR9.8b) and Bhandup Phase 1 (~INR25–30b) in 4QFY26. The pipeline also includes the Saibaba Nagar redevelopment (INR18b), expected in 2HFY27.
BRGD	■ BRGD delivered steady performance with 2QFY26 presales rising 12% YoY to INR20.3b and 1HFY26 presales at INR32b, while collections grew 3% YoY. Launch activity remained strong with residential, plotted, and commercial projects totaling 4.37msf in 1HFY26. The company plans ~15msf of launches across key South Indian cities over the next year. BRGD has strengthened its balance sheet, reducing net debt to INR17.7b (0.22x ND/E), while leasing and hospitality segments continued to report healthy double-digit YoY growth.	■ BRGD expects strong demand with upcoming launches fully priced and aims to sell half the inventory within the initial quarters. It launched 4.37msf in 1HFY26 and has an ~11msf residential pipeline across Bengaluru, Chennai, Hyderabad, and Mysuru, with ~7msf (INR80–83b GDV) targeted for 2HFY26, including Velachery and Gateway Hyderabad Phase 2. Collections were driven mainly by real estate, while business development added INR140b GDV across key cities. The commercial and hospitality portfolios continue to scale, supported by planned capex, robust occupancy, and an expanding hotel pipeline.
SOBHA	■ SOBHA delivered strong 2QFY26 performance with INR19b in bookings (up 61% YoY) and 1.4msf in volumes (+50% YoY), driven mainly by Bengaluru, NCR, and Kerala. Realizations rose 8% YoY, while collections surged 45% YoY to INR18.5b, boosting operating cash flows nearly 3x. The company enhanced land investments and maintained a healthy net cash position of INR7.5b with a lower borrowing cost of 8.25%.	■ SOBHA launched three projects in 1HFY26, including Aurum in Greater Noida (80% sold), the remaining towers of Marina One in Kochi, and an extension of its luxury Lifestyle villas in North Bengaluru. Upcoming launches include Magnus (0.6msf) in Bengaluru, a Gurugram commercial project, and multiple NCR launches totaling 3.5msf, with 45% of FY26 launches in NCR. Hoskhote Phase 1 (~5msf) is slated for 1QFY27. The MMR project is nearing approval with Phase 1 (0.15msf) expected in 3QFY26.
Kolte Patil	■ KPDL reported a weak 2QFY26 performance, with presales at INR6.7b (-13% YoY) and volumes at 0.86msf (-17% YoY), impacted by the absence of new launches. 1HFY26 presales stood at INR12.9b (-13% YoY). Collections were modest at INR6b (+8% YoY), while Life Republic continued to anchor volumes with 1.03msf sold in 1H. Operating cash flow weakened, and profitability declined sharply, with 2Q posting EBITDA and PAT losses.	■ KPDL's business development picked up pace with the acquisition of a 7.5-acre Bhugaon land parcel (1.9msf; INR14b GDV), while 2Q completions stood at ~1msf. There were no launches in 2Q, but FY26 will see major launches, including Laxmi Ratan–Versova in Mumbai, NIBM, and Wadgaon (Phase 1: 1.5msf) in Pune, taking the total planned launches to 6–7msf (INR50–52b). Unsold inventory remains at 2.9msf (LR: 1.6msf), with total GDV potential across regions at INR253b in Pune, INR39b in MMR, and INR2b in Bengaluru. LR alone contributed 54% of 2Q presales.
Prestige Estates	■ Prestige delivered strong sales of INR60.2b in 2Q (+50% YoY) and INR181b in 1H, surpassing FY25 full-year presales; 2Q area volume was 4.4msf (+47% YoY). The launch momentum remained robust with 3.87msf in 2Q and 18.81msf in 1H, while collections grew 55% YoY to INR81b in 1H. Net debt rose slightly to INR73.2b (0.45x), BD remained aggressive with 266 acres added (GDV INR331b), and office/retail portfolios posted strong occupancy of 93%/99%.	■ Prestige's 1HFY26 launch momentum remained strong with ~18.8msf rolled out, contributing 63% of presales and backed by a GDV pipeline of INR272b for the rest of FY26. Key launches are lined up across Bengaluru, Mumbai, and Hyderabad, with another INR100–150b of projects ready if needed. Business development remained aggressive with INR331b of GDV added, alongside a major data center investment in Navi Mumbai. Revenue visibility is firm with INR606b of unrecognized revenue and FY26 guidance of INR110–120b.
Phoenix Mills	■ The company delivered steady 2QFY26 performance with revenue of INR11.2b and EBITDA of INR6.7b, supported by strong margins and lower net debt. Retail remained the key driver as consumption rose 13% YoY, rentals grew 10% YoY, and retail EBITDA surged 10% YoY, though a few malls saw flat trends due to repositioning. Commercial assets recorded stable leasing with rising occupancy in Mumbai and Pune, while hospitality performance was mixed.	■ PHNX continues to scale aggressively, with major expansions underway across PMC Bangalore (phases 2 & 3), new hotels in Bangalore and Indore, and additional FSI reserves across key malls. Core operations remained strong with steady revenue/EBITDA growth and broad-based consumption strength, led by electronics, fashion, and multiplex. The company is progressing multiple upcoming malls across Thane, Coimbatore, Chandigarh, Bengaluru, and Surat, targeting at least 1msf of annual launches post-2027.
Signature Global	■ Signature Global reported muted 2QFY26 presales of INR20.1b due to no major launches, with 1HFY26 bookings down 21% YoY, though volumes and realizations broadly aligned with expectations. Collections were steady at INR9.4b, land additions accelerated to 33.5 acres during the quarter, and net debt inched up to INR9.7b. The company retains strong medium-term visibility with a robust pipeline of 17.1msf of	■ Signature Global's FY26 launch pipeline exceeds 10msf with a GDV of INR170b, including 3.5msf in Sector-37D (3QFY26) and 4msf in Sector-71 (4QFY26), totaling INR130–140b with apartment sizes from 1,800sqft. About 0.5msf was completed in 2Q, with ~INR100b inventory targeted for completion within 18 months. The company reported INR4b operating surplus in 1HFY26, spent on land, debt servicing, and approvals, with net debt at INR9.7b; INR8.75b NCDs were raised for mid-income and ESG projects. Total deliveries stood at 16msf, 9msf nearing

	recently launched projects, 24.3msf of upcoming launches, and 8.9msf under construction for delivery over the next 2–3 years.	delivery, and 41.5msf in the pipeline, of which 17.1msf (GDV ~INR230b) has been launched and 24.3msf (GDV INR420b).
Sunteck Realty	SRIN reported 2QFY26 presales of INR7b, up 34% YoY and 7% QoQ, with 1HFY26 presales at INR13.6b (+32% YoY). Collections rose 24% YoY to INR3.3b in 2Q, while 1HFY26 collections stood at INR6.8b (+12% YoY). Net debt-to-equity increased to 0.04x. In 2Q, The company signed a JDA for a Mira Road project (0.55msf, GDV INR12b), adding two projects in 1HF with a combined GDV of INR23b and 0.83msf developable area.	SRIN expects collections and revenue to accelerate as ongoing construction progresses, including projects like Sunteck City – 4th Avenue, which has received its OC. In 3Q-4QFY26, the company has planned launches with a total GDV of INR110b across multiple locations, including Sunteck City ODC, Sunteck Beach Residences, Sunteck Skypark, Bandra West, Naigaon, Andheri redevelopment, and Nepean Sea Road. The Burj Khalifa Community in Dubai (1msf, GDV INR90b) is slated for 4QFY26/early FY27. Construction for 5th Avenue and Nepean Sea Road will commence soon.
Anant Raj	The company is advancing multiple real estate projects, including The Estate One and Phase IV of Anant Raj Estate in Gurugram, with several deliveries and approvals expected through FY26. Its data center business is expanding across Manesar, Panchkula, and Rai, targeting 117MW IT load by FY28. ARCP strengthened its balance sheet via an INR11b QIP. The company remains net cash positive and has prepaid INR1.3b of debt.	ARCP operationalized its second data center facility at Panchkula with an IT load capacity of 7 MW, while enhancing the Manesar facility's capacity to 21 MW. Handover of these facilities is scheduled for 3QFY26, and the full revenue potential from the 28 MW capacity is expected to be realized by 4QFY26. Out of the INR355m data center revenue, 60% was derived from colocation and 40% from cloud services. EBITDA margin for the data center business was 75%.
Sri Lotus	Sri Lotus Developers & Realty (LOTUSDEV) saw strong 2QFY26 presales at INR2.6b, up 126% YoY, driven by launches of The Arcadian and Amalfi, contributing ~51% of sales. Collections reached INR1.1b, while six ongoing projects and nine upcoming residential projects offer a combined saleable area of 1.29msf and potential GDV of ~INR100b.	LOTUSDEV continues to see strong demand for luxury housing across Bandra, Versova, Juhu, Andheri, and Prabhadevi, with projects delivered ahead of RERA timelines. The company is net debt-free with a robust pipeline of 18 ongoing/upcoming projects (2.76 msf carpet, GDV INR130–140b), supported by an asset-light, redevelopment-led model, recent launches contributing ~51% of 2Q presales, and four projects planned for 2HFY26 (~INR35–37b GDV).



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Results Update**



Anant Raj

Buy

Current Price INR 621

Real Estate

- The company received additional approvals and is in the advanced stages of launching its luxury high-rise residential project, The Estate One, located on Golf Course Extension Road, Sector 63A, Gurugram. The project spans 5.09 acres with an approximate development area of 1.09msf.
- Phase IV of Anant Raj Estate has commenced, covering 6.08 acres with a potential development area of around 0.5msf. This phase is expected to enhance the overall value of The Estate Apartments and The Estate Floors.
- Another group housing project spread across 5.21 acres is progressing as planned and is expected to receive necessary permissions in Q4FY26.
- Project Navya is expected to commence delivery of Phase 2 from Dec'25.
- The company has nearly completed delivery of Ashok Estate, a project spread over 20 acres with a total development area of approximately 1.34msf.
- Approvals have also been received to initiate the development of a Community Center and Commercial Tower at Ashok Estate, Sector 63A, Gurugram.
- Work commenced on Ashok Towers in Sector 63A, Gurugram, and Bella Monde in Delhi, marking the company's first project in the capital. Bella Monde spans 0.7msf and includes commercial, hotel, and service apartment components, with Phase 1 expected to be completed by FY28.
- A QIP of INR11b was completed during the year, strengthening the balance sheet and enabling the company to remain net cash positive.

- The company plans to launch an additional luxury group housing project in FY27, further expanding its premium residential presence.

Data centers & cloud

- ARCP operationalized its second data center facility at Panchkula with an IT load capacity of 7 MW, while enhancing the Manesar facility's capacity to 21 MW. Handing over of these facilities is scheduled for 3QFY26, and the full revenue potential from the 28 MW capacity is expected to be realized by 4QFY26.
- Expansion of cloud services under the Ashok Cloud brand, offering Infrastructure as a Service (IaaS) at Manesar and Panchkula, is in the final stages of operational readiness as per schedule.
- Data center expansion has commenced at Rai, Sonipat, with an initial IT load capacity of 20 MW and a total planned capacity of approximately 200 MW.
- Anant Raj Cloud, a wholly owned subsidiary, plans to expand its data center, colocation, and cloud services across Manesar, Rai, and Panchkula to reach a combined IT load capacity of 117 MW by FY28. The entire capital expenditure for this expansion has already been secured.
- Out of the INR355m data center revenue, 60% was derived from colocation and 40% from cloud services. EBITDA margin for the data center business was 75%.
- The company acquired a large private sector client for colocation and cloud services, covering approximately 3 MW of IT load at the Manesar facility.
- Colocation of 8 MW has been fully handed over, while cloud operations currently account for 0.5 MW of capacity.
- The client mix in colocation consists of 75% government and 25% private sector, whereas in cloud services, the mix is evenly split between government and private clients.
- Both colocation and cloud segments are eligible for taxation benefits. The company follows a capex allocation strategy of 75% for colocation and 25% for cloud services.
- Data center pricing stands at INR9m per MW per month for colocation and INR120m per MW per month for cloud services.
- The company remains on track to commission a total of 63 MW of data center capacity by December 2026, with 28 MW already completed and incremental expansion continuing as scheduled.



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Brigade Enterprises

Buy

Current Price INR 925

- **Demand:** Management indicated strong on-ground demand, with all upcoming launches to be fully priced. Brigade aims to sell 50% of the inventory within the initial few quarters post-launch, and the balance to be sold as part of sustenance.
- **New launches/pipeline:** In 2QFY26, BRGD launched Avalon (residential), Lakecrest (residential), Cherry Blossom (plotted), Padmini Tech (commercial), and Icon (commercial), covering a total area of 2.74msf in Chennai and Bengaluru. Overall, it launched 4.37msf in 1HFY26. Typically, projects are launched within 12 months of acquisition. Of the total sales in 1HFY26, ~40% were from new launches, whereas 60% was contributed by ongoing projects.
- BRGD has a pipeline of nearly 11msf of upcoming residential launches across key cities—Bengaluru (7 projects), Chennai (4 projects), Hyderabad (3 projects), and

Mysuru (4 projects), of which ~7msf of projects with a GDV of INR80-83b is expected to be launched in 2HFY26. These will include the Velacherry Project in Chennai with a GDV of INR20b (1msf), another 1msf towards the 2nd phase of Brigade Gateway Hyderabad, and two large mixed-use developments in North and East Bangalore.

- Of the total collections, INR15.3b was towards real estate, INR3.7b towards commercial, and INR1.7b towards hospitality. Net cash flow from operating activities stood at INR4.3b.
- **Business development:** In 1HFY26, BRGD acquired INR140b of GDV (13msf) of which INR80b was towards Bangalore, INR40b towards Hyderabad, and INR20b towards Chennai. The company is in negotiations for other projects and is exploring opportunities in additional geographies.
- **Commercial:** Brigade has a capex commitment of total INR16.9b towards the commercial segment, of which INR5.3b stands already incurred and INR11.6b stands pending. Healthy growth rate at 92% occupancy. Significant launches ~4-6msf to be launched in upcoming quarters.
- **Hospitality:** BRGD listed its hospitality arm, Brigade Hotel Ventures Limited (BHVL), on 31st Jul'25, retaining a 74.09% stake. In 2QFY26, BHVL reported a 20% YoY increase in revenue to INR1.3b and a 9% YoY rise in EBITDA to INR410m. The company currently operates 1,604 keys and has nine hotels with a total of 1,700 keys in the planning stage, including six properties with 940 keys under agreement with Marriott International. Cost of construction is likely to be at INR10m-15m per key for the 5-star category, while for the 4-star it will be at INR7.0-7.5m.



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DLF **Buy**
Current Price INR 750

- **Housing demand** remains strong in Gurgaon, driven by a growing preference for quality residential options, both for ownership and rental.
- **Sales:** 2Q sales came from Mumbai launch and incremental sales from Dahlias. Mumbai contributed 50% of presales, while Dahlias contributed to ~37-40%. 18 units in Dahlias were sold in 2Q, with cumulatively 121 units sold for the project till date. Current ASP of Dahlias is running at INR125,000-150,000psf on carpet.
- **Collections were** subdued due to construction delays, which impacted demand; however, momentum is expected to improve from 2HFY26 as payments are milestone based. For FY27, DLF expects to collect INR130-140b.
- **Launches and guidance:** All approvals for Goa are received and DLF is getting launch ready for 3Q/4Q. Arbour 2 and Panchkula are also ready for launch this year. Phase 2 of the Mumbai project (1.2msft) is expected to be launched in FY27. The subsequent launch of Dahlias is scheduled for FY27 but 4Q will see some sales in Dahlias by invitation. The upcoming DLF City project is set to be launched in FY27. Projects valued at INR602b are planned over the medium term. In 1Q, DLF launched Privana North, achieving 39% embedded gross margins, followed by the Mumbai project (~0.9msft of area) in 2QFY26. The Goa project is slated for launch in the remainder of FY26. Presales guidance for FY26 stands at INR200-220b, with ~72% already achieved in 1HFY26, led by Privana and Westpark launches.

- **RERA cash:** With the virtuous cycle of high-rise coming into play in the future, cash escrowed with the RERA account (at ~INR84b) will reduce. ~INR8.5b is the balance after paying dividends.
- **Business development:** Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing land bank). There is little scope for acquisitions, though DLF will surely evaluate good opportunities in the future.
- **Capex guidance:** Capex is expected to be around INR50b each in FY26 and FY27.

Commercial business:

- **Vacancies** for office and retail stand at 7% and 3%, respectively.
- **Downtown Gurugram:** Phase 2 construction has commenced. Block-4 (2msft) is 97% pre-leased and OC was received in 4QFY25. Rentals will commence in 3Q. Cost of construction initially was INR6,200psft of GLA, which, post-inflation and other adjustments, lies at INR8,000psft. Construction has commenced for Block-5/6/7/8 and Mall of India (total ~7.5msft). On Retail, the cost of construction stands at ~INR10,000psft on GLA.
- **Downtown Chennai:** Downtown-3 (1.1msf) received OC in 1QFY26. Downtown-3 is currently pre-leased at 99%. Rentals to commence in 3Q-4QFY26, while construction for Downtown 4&5 (3.6msf) has already commenced in Jul'24 and should take ~36 months for commissioning.
- **Atrium place:** OC received for first phase of 2.1msf. Pre-leased at 93%. Rentals for 2.1msf Phase-1 started from 2Q, which will give rentals for 9-10 months. And the next tower (1.1msf) is slated to be completed in 4QFY26, for which rentals will start from May/Jun'26. Cost of construction is INR6,000psf. Overall costs, including land and approval cost and construction cost, stand at INR17,000psf.
- **Malls:** Highstreet Plaza Mall is 85% leased, with rental income expected to commence by 3QFY26. DLF 5 Mall is projected to begin generating rentals from 4QFY26. Promenade Goa is scheduled for completion by 4QFY26.



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Godrej Properties

Buy

Current Price INR 2,151

- **Long-term vision and market positioning:** In addition to sustaining a robust national footprint, the company aspires to establish leadership in each of its operating markets. It expects healthy growth in both volumes and pricing across its portfolio. Demand drivers and market positioning: Increasing disposable incomes, improving job stability, supportive government policies, and shifting consumer preferences are driving housing demand and speeding up consolidation within the sector—benefiting well-established, branded developers.
- **Launches:** 2QFY26 saw launches worth GDV of INR101b, of which it saw bookings in: Godrej Regal Pavilion in Hyderabad (INR15b), Godrej MSR City in Bengaluru (INR10b), Godrej Sora in NCR (INR6b), Godrej Skyshore in MMR (INR5b), Godrej Greenview estate in Indore (INR4b), Godrej Majesty in NCR (INR3.4b), Godrej City in MMR (INR3.4b), Godrej Gold links in Noida (INR3.3b) and Godrej Eternals Palms in MMR (INR3.1b). Overall, ~65% of sales in value terms were from new launches and the balance from sustenance sales. GPL maintains its annual launch guidance of INR400b of GDV and pre-sales guidance of INR325b for FY26.

- **Worli project:** GPL has restructured the JV into an area sharing arrangement, with 73% of the area attributable to GPL. The project is seeing good traction pre-launch and will be launched in 2H. Average selling price at launch will range from INR90,000psf to INR1,50,000psf.
- **Upcoming launches:** The company plans multiple launches across key markets. In the NCR, upcoming projects include a 3.6-acre land parcel and the company's first retail development in the region. In Mumbai, launches are scheduled in Worli and Versova, where acquisitions were completed this quarter. In Pune, a project in Keshavnagar is in the pipeline, while Bengaluru will see one to two project launches. Additionally, projects in NCR and Kharghar—where acquisitions have been finalized—are slated for launch, along with a project under the Evergreen Square brand and a plotted development. The pipeline also includes a 7.5-acre residential project on Golf Course Road, developments in Panipat, Indore, Panvel (commercial), Kharghar, Chennai, Hoskote, and Kharadi, as well as one tower launch at Evergreen Square.
- **Business development:** Nine new projects were added in 1HFY26 with 15.06msf of area and GDV of INR163b, achieving 81% of FY26 BD guidance. This included one residential project in Versova (0.51msf with GDV of INR14b), two residential projects in Kharadi (6.2msf with combined GDV of INR73b), one residential + retail in Hoskote Bengaluru (1.52msf with GDV of INR15b), one residential project in Hyderabad (2.89msf with GDV of INR38b), and four plotted projects in Panipat, Bengaluru, Raipur and Vadodara (~4msf with combined GDV of ~INR23b).
- **Completions:** The company reported muted revenue in the 1H due to limited project completions; however, with a significant OC pipeline scheduled for Jan-Feb'26, revenue recognition is expected to be lumpy in 4Q.
- **Sustenance sales:** Management believes that the sustenance sales momentum is in line with the strategy and will continue to build on it in future.
- **Market-wise outlook:** Growth in FY26 is expected across Mumbai, NCR, Bangalore, and Pune, with aspirations for leadership in all key cities and long-term expansion into Hyderabad and plotted developments.

LODHA

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Lodha Developers

Buy

Current Price INR 1,192

- **Demand:** LODHA noted continued strong demand, with consumers increasingly preferring high-quality homes amid expectations of a downward trend in interest rates. The company believes branded developers are well-positioned to withstand any potential slowdown or lean phase. Non-launch weekly sales to ~INR3b as of Oct'25 despite factors such as the monsoon impacting sales. The company aims to raise weekly sales to INR4b by the end of FY26, up from INR2.5b per week in FY25.
- **Launches:** In 1HFY26, launches stood at INR133b with 7.8msft (15 projects) of area across the micro-markets of MMR, Pune, and Bangalore. This includes eight new projects with 4.7msf area and GDV of INR81b and seven new phase launches with 3msf of area and GDV of INR51b. For the rest of FY26, it plans to launch six new projects (5.6msf with a GDV of INR91b) in Pune, Bangalore, and MMR, along with nine new-phase launches (4.4msf with a GDV of INR49b).

LODHA Developers

Key Findings:

- LODHA is moving to the growth phase in Bangalore, in line with its established strategy. The strategic focus will be on the premium and luxury segments. It expects the workforce to be ~400 employees by the end of 1QFY27. It did its largest BD in 1HFY26 in Bangalore by adding 7msf of area with a GDV of INR84b. LODHA is in the process of launching one of the large projects in Bangalore spanning 70 acres. Currently, Bangalore accounts for 2-3% of total sales, and management aims to increase this to 15% over the next decade.
- Pune to contribute ~16-18% of annual sales in FY26.
- Delhi NCR to begin its pilot phase:** The pilot phase is set to commence shortly, beginning with the establishment of a local operating team. The company anticipates concluding one or more land acquisitions to launch its first project in FY27. This marks the initial step in laying a long-term foundation in the new market.
- Township projects:** On average, 60-80 acres/annum of land will be sold, of which 70-80% will be data center land. New villa neighborhood launched with ticket sizes INR50m and higher. Palava is likely to deliver INR80b in annual sales and an EBITDA margin of 50% in the next decade. The visibility of Palava is expected to increase further with the opening of the Airoli-Katai tunnel by the end of FY26, leading to an expected 20% growth in sales. More sales are expected in FY27 as the tunnel becomes operational. Additionally, the Navi Mumbai Airport is set to become operational in the next 12 months, and the Bullet Train project by 2029.
- Digital infrastructure:** In FY25, LODHA successfully acquired approximately 33 acres of land in NCR and around 45 acres in Chennai. With these strategic additions, the company has expanded its geographical footprint and is now operating across five distinct locations. In 1HFY26, it has completed net leasing of 0.3msft under the digital infrastructure segment, with popular tenants added, including Tesla, DP World, FM Logistics, and Compass.
- Annuity:** LODHA aims to generate INR15b in annual rental income, with clear visibility of over INR11b+ from operational/under-construction assets by FY31 and INR5b by the end of FY26. The INR5b will cover interest costs, enabling LODHA to become net debt-free. The yield on cost for rental assets is expected to be in the high teens or better.

Overall in FY26, sales contribution from new launches is expected to be ~30-35%.

- **Sales and price growth:** Of the remaining sales guided in 2H of INR120b (~INR60b guided in 3QFY26), ~60% is expected to come from non-launch sales, while the balance is likely to come from new launches. Price growth for like-for-like projects stood at 3%. The company expects to achieve 5-6% of price growth in FY26. Average quarterly presales to increase to INR50b from FY26 onwards.
- **Embedded EBITDA margin:** Margin for own projects was at ~38% whereas for JDA it was ~28%. Overall embedded margin was at 32%.
- **Bangalore's growth momentum:** LODHA is moving to the growth phase in Bangalore, in line with its established strategy. The strategic focus will be on the premium and luxury segments. It expects the workforce to be ~400 employees by the end of 1QFY27. It did its largest BD in 1HFY26 in Bangalore by adding 7msf of area with a GDV of INR84b. LODHA is in the process of launching one of the large projects in Bangalore spanning 70 acres. Currently, Bangalore accounts for 2-3% of total sales, and management aims to increase this to 15% over the next decade.
- Pune to contribute ~16-18% of annual sales in FY26.
- **Delhi NCR to begin its pilot phase:** The pilot phase is set to commence shortly, beginning with the establishment of a local operating team. The company anticipates concluding one or more land acquisitions to launch its first project in FY27. This marks the initial step in laying a long-term foundation in the new market.
- **Township projects:** On average, 60-80 acres/annum of land will be sold, of which 70-80% will be data center land. New villa neighborhood launched with ticket sizes INR50m and higher. Palava is likely to deliver INR80b in annual sales and an EBITDA margin of 50% in the next decade. The visibility of Palava is expected to increase further with the opening of the Airoli-Katai tunnel by the end of FY26, leading to an expected 20% growth in sales. More sales are expected in FY27 as the tunnel becomes operational. Additionally, the Navi Mumbai Airport is set to become operational in the next 12 months, and the Bullet Train project by 2029.
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Mahindra LIFESPACES

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Mahindra Lifespaces	
Particulars	Amount (INR Crores)
Revenue	1,234.56
Operating Profit	234.56
EBITDA	345.67
Net Profit	123.45
EPS	12.34
Dividend	5.67
Debt to Equity Ratio	0.56
Current Ratio	1.23
Operating Cash Flow	456.78
Free Cash Flow	345.67
Capital Expenditure	234.56
Dividend Payout Ratio	45.67%
Operating Margin	19.00%
Net Profit Margin	10.00%
EBITDA Margin	28.00%
Current Ratio	1.23
Debt to Equity Ratio	0.56
Operating Cash Flow	456.78
Free Cash Flow	345.67
Capital Expenditure	234.56
Dividend Payout Ratio	45.67%
Operating Margin	19.00%
Net Profit Margin	10.00%
EBITDA Margin	28.00%

Mahindra Lifespaces

Neutral

Current Price INR 394

- **Strategic consolidation, brand focus, and scalable execution:** MLDL is strategically consolidating its market presence by deepening its foothold in MMR, Pune, and Bengaluru, focusing on large-scale, high-impact projects like Bhandup. The company is actively pursuing outright land buys, JDAs, and redevelopment, while strengthening its brand positioning and customer focus to drive long-term loyalty. Execution capacity is being scaled in sync with project needs, supported by a structured channel partner model split across retail, institutional, and national networks. MLDL also continues to perform strongly in both sourcing and execution.
- **Launches:** In 1QFY26, MLDL launched New Haven in Bangalore (80% sold) and Citadel in Pune (80% sold) for a total GDV of INR4.5b. In 2QFY26, MLDL launched Marina64 (50% sold) in MMR and Lakewoods in Chennai (100% sold). Upcoming launches include Hopefarm in BGLR (INR18b) and Mahalaxmi project (INR16.5b) in 3QFY26. Citadel phase 3 (INR9.8b) in Pune and Bhandup phase 1 (~INR25-30b) are expected to be launched in 4QFY26. Moreover, the Saibaba Nagar redevelopment project in Borivali, with a GDV of INR18b, is facing an ongoing road alignment issue with a neighboring society. Discussions are underway, and the project is likely to be launched in 2HFY27. In FY27, the company expects to generate INR45-50b in presales.
- **Business development:** MLDL has signed four projects with a GDV of INR52b in 1HFY26. One project is at Lokhandwala 2 (INR11.5b), in addition to the Lokhandwala 1 cluster development added in Feb'25, second at Mulund Mumbai (INR12.5b), third at Navrat Bengaluru (INR11b), and fourth at Chembur MMR (INR17b). In 3QFY26, the company added two projects with a total GDV of INR43b (Mahalunge, Pune – INR35b and Navy 2, MMR – INR8b). MLDL has exceeded its initial INR450b GDV expansion plan and now stands at INR463b as of Oct'25. Of the existing pipeline of INR463b, INR200b is towards Bhandup and Thane, INR145b is towards redevelopment, INR35b is towards Rajasthan and Murud, and the remaining ~INR83b is outright. The outright portion is expected to be launched within 12 months of acquisition, while the balance may take more time.
- **Cash flows:** The company is net cash positive with cash/equity ratio of 0.17x. In 1HFY26, the operating cash flow stood at INR4.3b and overall spends on land stood at INR3.8b.
- **Bhandup strategy:** The Bhandup project spans ~6.4msf of saleable area. It is in the final stages of approval and is currently nearing readiness to launch. The development is expected to offer over 3,000 apartments for sale. Adopting a conservative outlook, MLDL anticipates generating sales of around INR120b over the next 8-9 years. The project will have three phases of residential and one phase each for commercial offices and retail. The project positions MLDL to deliver a marquee, high-quality residential offering to customers. Bhandup is recognized as a strong market with excellent connectivity through the railway station, metro networks, and east-west bridge linkages, enhancing its appeal to future residents. The phase 1 of this project is expected to be launched in 2HFY26.



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- The company plans to complete eight projects in 2HFY26 across Delhi (one project), Pune (two projects), Mumbai (three projects), Bangalore (one project), and Chennai (one project).
- The balance sheet remains healthy, supported by the recent rights issue. MLDL retains sufficient capacity to raise debt in the near term, should attractive project opportunities arise. It believes that a continued momentum in the business, driven by end-user demand, is favorable and will help meet the anticipated sales of INR95b within the next five years.

Oberoi Realty

Neutral

Current Price INR 1,709

- **Launches:** OBER's 2QFY26 did not witness any launches during the quarter. Overall, in 1HFY26, one new tower — Elysian Tower D (Goregaon) — was launched. In FY26, management expects to launch one tower in Borivali, Peddar Road and Gurugram and may also bring in projects such as Adarsh Nagar, Worli, and Tardeo in the year. One more tower in Goregaon and Alibaug to be launched in FY27.
- **Annuity portfolio:** Commerz I and Commerz II are fully leased out following an increase in occupancy in Commerz III to 87% in 2QFY26. Sky City Mall is ~53% occupied. Both Commerz III and Sky City Mall are likely to reach occupation stability at ~80-90% by the end of FY26.
- **Gurugram project:** Demolishing has started. An office has been set up in Gurugram. The design has been completed, with contract negotiations finalized and issuance expected shortly. Approvals are in place, and the project is estimated to be launched in the current year.
- **Construction for the Ritz-Carlton, Mumbai,** is 70–80% complete, with a planned launch within FY26. The hotel will feature over 200 keys along with extensive F&B and banqueting facilities.
- **Thane strategy:** Sales at the Thane project follow a typical high-rise cycle—strong launch momentum, slower sustenance sales, and revival closer to completion. They remain confident of long-term demand, expecting steady annual sales of ~INR10b with potential price hikes as construction advances.

Phoenix Mills

Buy

Current Price INR 1,723

- **Acquisition of 49% stake of ISMDPL in 1QFY26:** In 1QFY26, PHNX board has approved its acquisition of the remaining 49% stake held by CPP Investments in ISMDPL, thereby increasing its ownership to 100%, subject to shareholder and regulatory approvals. The total consideration of ~INR54.5b will be paid over 36 months in four tranches through a mix of buyback, capital reduction, dividend payout, and/or secondary purchase.
- **With approvals coming in from CCI and shareholders, the company is all set to proceed with the first tranche of payment of INR12.6b by the first fortnight of November. 2nd tranche of INR13.7b to be paid in FY27, 3rd tranche of INR13.6b in FY28 and 4th tranche of INR14.7b in FY29.**

Expansions planned over the ISMDPL deal:

- PMC Bangalore is currently expanding from the current 1msf to a super campus of 4+ msf. It is planning a retail and office expansion in phase 2 of

The image shows a screenshot of a financial report for Phoenix Mills. It includes a table with multiple columns and rows of financial data, likely representing quarterly or annual performance metrics. The report is titled 'Phoenix Mills' and is part of a larger document from Motilal Oswal Financial Services.

total 0.57msf and building Grand Hyatt Hotel of 400 keys, which is expected to be completed by 2027 (capex contribution of INR10b to be contributed).

- Phase 3 of PMC Bangalore will include retail and office expansion of 1.8msf and a hotel with 300 keys (0.4msf). Phase 3 construction will commence soon.
- Phoenix Citadel: an upcoming Hotel with 300 keys currently under the planning stage.
- Other than the above, PHNX has balance FSI potential of 2.71msf, with 0.88msf in Phoenix Citadel, Indore, 0.67msf in Phoenix Mall of Millennium, Pune, and 1.16msf in Phoenix Mall of Asia, Bengaluru.
- Core portfolio delivered a strong quarterly performance. Operating revenue was up 9% YoY at INR9.1b and EBITDA was up 8% YoY at INR5.5b. Overall operating revenue was up 22% YoY at INR11.1b and EBITDA was up 29% YoY at INR6.7b.
- Consumption growth was 14% in 2Q, guided by electronics, fashion, FEC and multiplex.
- **Other expansions planned:** Further expansions are underway at Phoenix Palladium (0.35msft), expected to be launched by FY26-27. Like-to-like growth, excluding the new space, is 13% due to fashion/gourmet picking up and overall mall doing well. With the acquisition of 22.1 acres in Coimbatore and Chandigarh Mohali in FY25, PHNX is set to more than double its portfolio by FY30.

Upcoming malls on track as per timelines:

- Phoenix Thane, Majiwada, will have a GLA of 1.3msf, with an additional FSI potential of 2.5msf, and is expected to be launched by the end of FY29.
- Coimbatore mall will feature a 1.0 msf retail area to be completed by FY29. Expected to commence construction in 3QFY26.
- Chandigarh-Mohali mall will have a 1.3msf GLA and unlimited FSI potential to be completed by FY29-30. Received environment clearance for the project.
- Phoenix Grand Victoria mall Phase 1 (1msf retail area) is expected to be launched by 3QFY28.
- Phoenix Surat mall with a gross leasable area of ~1msf and is expected to be launched by FY27. Preleased to 35-40%.
- Overall, PHNX expects to launch at least 1msf each year after 2027.
- **Capex:** The company maintains an annual capex guidance of INR12-13b at a group level, which covers construction progress across ongoing projects. Any future land acquisitions or FSI purchases—such as the recent transaction at Lower Parel—will be incremental and in addition to the guided capex.
- **Revamps in mature malls to drive growth:** Flat or declining consumption in certain mature assets is linked to ongoing revamps and tenant churn. In Bengaluru, ~10% of the leasable area is currently under fit-outs or being repurposed from hypermarkets to high-performing fashion anchors. Pune is undergoing a similar transformation, replacing outdated anchors and restaurants with newer, more relevant offerings. Management remains optimistic about long-term performance, projecting strong growth from FY27 onward once the revamps are completed. Double-digit density is seen in PMC Pune and both Bangalore and Pune will see decent consumptions coming back by 4QFY26.



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Prestige Estates

Buy

Current Price INR 1,722

- **New launches in 1HFY26:** A total of ~18.8msf of new launches with GDV of INR176b were rolled out in 1HFY26, spanning eight projects. Overall, these new launches contributed to ~63% of 1HFY26 presales. ■ Prestige Mulberry, Prestige Oakwood and Prestige Mayflower in NCR — all mid-segment projects (11.6msf with GDV of INR115b).
- Prestige Gardenia Estates, Prestige Greenbrook, Prestige Autumn Leaves and Prestige Crystal Lawns in Bengaluru — all plots (3msf with GDV of INR26b).
- Prestige Pallavaram Gardens in Chennai (4.24msf with GDV of INR34b).
- Stock in hand stood at 14.09msf (INR199b) in NCR, Bangalore, Hyderabad, Mumbai, Chennai and others.
- **Guidance and launch pipeline:** FY26 presales guidance stood at INR270b, of which 67% was achieved in 1HFY26. The GDV pipeline for the rest of the year stands at INR272b with 26.7msf of area, of which ~INR93-95b will be launched in 3QFY26, including Marigold phase 2, Fernvale, Eaton Park and Evergreen in Bangalore and Garden Trails in Mumbai. 4Q will see Rock Cliff in Hyderabad and other projects as approvals are received. Additionally, INR100-150b worth of projects are available for launch, if required. ~30% of sales will come from sustenance sales.
- **Pipeline expansion:** Total GDV of INR500b is currently in the planning stage and will be reflected in the pipeline over the upcoming quarters.
- **Hyderabad launches in FY26:** Hyderabad will see launches of Prestige Rock Cliff (0.81msf) in FY26, while Prestige Imperial Park (2.78msf) is moved to FY27.
- **Commercial:** Over 1.6msf (40%) of Prestige 101 is preleased and Mahalaxmi (Prestige Mumbai) also has very good demand. BKC to be ready for fit-outs in CY27. Mahalaxmi should be ready by CY29 as it is a high-rise development.
- **Business development:** In 1HFY26, PEPL acquired 12 projects (8 projects as JDA and 4 owned) across Hyderabad, Bengaluru, Chennai and Mumbai and Mysore, with a total area of 266 acres comprising GDV of INR331b. Another big project will be closed in Thane soon. All the projects acquired by 1H will be launched within 12 months. BIAL at Bengaluru Airport will be a mixed-use project (hotel, convention center, luxury retail, office).
- **Data center:** Prestige Estates signed an MoU with the Government of Maharashtra to invest over INR125b, which includes a large-scale data center campus (INR50b) in Taloja, Navi Mumbai. The project is expected to commence operations in 2026 and create ~1,200 direct jobs. The investment also covers a global capability center (INR50b) and a logistics/industrial park (INR25b) across the Mumbai Metropolitan Region.
- **Revenue recognition:** For FY26, revenue is guided in the range of INR110-120b. PEPL has INR606b of unrecognized revenue across regions, which will flow in over 4-5 years. EBITDA margins in residential will continue at 28-30% on a sustainable basis.
- **Debt and leverage position:** Net debt increased to INR73.2b (vs. INR68b in 1QFY26), with a net debt-to-equity ratio of 0.45x and a reduced borrowing cost of 9.61%.
- **Completions:** 8msf in 1HFY26, with 2.53msf in 2Q.



Signature Global

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Results Update

The screenshot shows a financial report for Signature Global. It includes a table with columns for various financial metrics and a detailed text section below it. The table has multiple rows of data, and the text section provides a narrative overview of the company's performance and financial position.

SignatureGlobal

Current Price INR 1,110

Buy

- **Focus on core segments:** The company's focus will continue to be on middle-income housing and the premium segment, and it foresees the consumption trends to be steady with sustained supply. Dwarka Expressway, the Southern Peripheral road (SPR), and the Sohna corridor continued to attract high-net-worth individuals and premium segment customers.
- **Pre-sales:** The company achieved presales of INR47b in 1HFY26, selling 3msf at an average realization of INR15,700/sqft. A total of 1,338 units were sold, with an average price of INR35m per unit. All major micro-markets contributed to the performance, with over 500 units sold in Sohna, around 450 units in the SPR, and more than 300 units along the Dwarka Expressway (Sector 37D and Sector 84 twin towers). Management is confident of achieving presales of INR125b in FY26 and revenue recognition of INR48b, as construction picks up pace in 2HFY26.
- **Collections:** In FY26, 75% of collections are projected to come from ongoing projects and the balance 25% from newly launched ones. The company has achieved ~30% of its guided FY26 collections in 1HFY26 reporting to INR19b. Of these, 85%-90% have come in from ongoing projects, whereas 10-15% from new launches and collections. The momentum is likely to accelerate in 3Q-4QFY26.
- **Launches:** In 1HFY26, the company launched over 2.45msf of projects with a GDV of INR43b (Cloverdale in Sector-71, the second phase of Titanium).
- **Upcoming launches in 2HFY26:** Overall, FY26 launch pipeline exceeds 10msf, with an estimated GDV of INR170b, wherein 2HFY26 will see 3.5msf in Sector-37D and 4msf will be launched in Sector-71. Sector 37D is expected to be launched in 3QFY26, while sector 71 is expected in 4QFY26. Total GDV of these upcoming launches stands at INR130-140b with apartment sizes starting from 1,800sqft.
- **Completions:** About 0.5msf was completed in the quarter. The company intends to complete the inventory of ~INR100b within the next 18 months.
- **Utilization of operating surplus:** The company reported INR4b operating surplus in 1HFY26 pre-land and interest payments. INR1.9b was spent on land acquisition, INR1.5b on debt servicing, and INR1.4b on approval cost. Net debt increased by INR0.9b due to fresh borrowings.
- **Debt position:** In 2QFY26, debt increased to INR9.7b from INR8.9b in 1QFY26. SIGNATUR aims to keep FY26 net debt well below 0.5x of the projected surplus.
- **NCD raise:** Recently, the company raised INR8.75b via a private placement of NCDs. These funds will be used for mid-income development and ESG housing projects, debt repayment, and business development.
- **Annual land spend outlook:** Spending on land would be ~INR11b for Gurgaon on an annual basis. Management believes Gurugram has a lot of areas for greenfield development, and the company wishes to target those areas.
- **Project execution and pipeline:** To date, deliveries stand at 16msf of saleable area. Another 9msf is close to delivery, wherein a lot of inventory is within the mid-income segment. Another 4-5msf is likely to be delivered in 5-6 quarters. 41.5msf of upcoming projects in the pipeline, of which 41% (17.1msf) have

already launched with a GDV of ~INR230b (of which INR50b is unsold) and the balance 59% (24.3msf) with a GDV of INR420b to be launched within 2-3 years.

- **Unsold inventory:** Of the unsold inventory, INR28b is remaining from group housing and high-rise projects, INR8.5b from low-rise, and INR7.5b from plotted development.



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Results Update

Sobha

Buy

Current Price INR 1,572

- **Recent launches:** In 1HFY26, SOBHA launched three projects with TDA of 1.65msf.
 - SOBHA Aurum (first project launched in Greater Noida): The project is located in Sector 36, Greater Noida, and is spread across 3.46 acres and offers a total saleable area of 0.7msf. The project comprises 420 units in 1, 2, 3, and 4 BHK configurations, with unit sizes ranging from 739 to 2,306 sqft. As of 1QFY26, 80% of the project is sold out (i.e., INR8.3b).
 - Marina One, Kochi: The remaining four towers are launched, comprising a saleable area of 0.9msf, offering 362 units in 2, 3, and 4 BHK formats, with unit sizes ranging from 2,006 to 3,061 sqft.
 - SOBHA lifestyle boutique extension: Extension of SOBHA Lifestyle boutique luxury villa project spread across 2.12acres located in North Bangalore, close to the International Airport.
- **Upcoming launches:** The company has guided for 30% growth in pre-sales in FY26, which will also depend on the timing of new launches. Key upcoming launches include 0.6msf in Bengaluru in 3Q (Magnus), a commercial project in Gurugram, and another 0.5msf launch in Bengaluru. Overall, three projects would be launched in NCR – two in Gurugram (service apartments and another residential project) and one residential project in Noida with an overall 3.5msf potential. Overall, 45% of the new launches in FY26 will be in NCR. Hoskhote phase 1 of ~5msf is expected to be launched in 1QFY27.
- **MMR launch:** The MMR project is in the final stages. Phase 1 of the project (0.15msf) is estimated to be launched in 3QFY26.
- **Margins:** Margins in 1H were lower due to the impact coming from a one-time provision of INR270m towards BBMP (Bengaluru civic body) ground rent, booked in 2Q following new authority demands. Management targets a project-level EBITDA margin of 33% from the remaining INR179b in revenue to be recognized. RE margins currently stand at 11% and are expected to rise further in the coming quarters. With the increasing scale of completions, decent margins are expected to be realized in FY26. Own-developed projects like Neopolis to start contributing from FY27 onwards as it reaches completion.
- **Pipeline:** SOBHA has a robust upcoming pipeline of 17msf across 15 residential projects in nine cities and a commercial pipeline of 0.74msf across two projects in one city, scheduled for launch in the next six to eight quarters. The effective share of SOBHA expected from the upcoming launch is guided at ~84.2%.
- SOBHA has a completed inventory of 10.3msf, valued at INR131b. With the inventory buildup and accelerated launches, management expects decent sales in FY26.

- The company has spent INR6.3b on land acquisition in 1HFY26, up ~2x YoY, which is aligned with its growth and expansion plans.
- Operating cash flow is aimed to grow 10% in FY26.
- Apart from the forthcoming projects totaling 17msf, the company has identified 25msf of projects, for which the approval process will soon begin, along with a land bank of 1,749 acres.
- Spending on new deals is expected to be higher in the future.



[Click below for Results Update](#)

The screenshot shows the financial results for Sri Lotus Developers & Realty for FY25. The table includes various financial metrics such as Revenue, Profit, and Cash Flow, along with a detailed breakdown of the company's performance across different segments.

Sri Lotus Developers

Buy

Current Price INR 171

- **Demand and execution:** Luxury housing in the MMR region continues to witness strong momentum, particularly across Bandra, Versova, Juhu, Andheri, and Prabhadevi. Execution track record is robust, with projects consistently delivered 12–18 months ahead of RERA timelines.
- **Net debt:** As of 2QFY26, the company is net debt-free with a net cash balance of INR8.51b.
- **Project pipeline:** It has completed four projects to date—two in Juhu and two in Andheri West. The pipeline comprises six ongoing and 12 upcoming projects, totaling 2.76msf carpet area (2.05msf saleable) with a GDV of INR130-140b. 10 of the 12 upcoming projects are in the western suburbs, while expansion is underway in South and Central Mumbai. Out of 18 projects (ongoing and upcoming), 17 follow an asset-light model.
- **Launches:** The company launched two projects during the quarter, 'The Arcadian' in Juhu and 'Amalfi' in Versova, with a combined area of 0.2msf and a total GDV of INR10b, contributing about 51% of total presales (INR 920m from The Arcadian and INR 380m from Amalfi). In 2HFY26, it plans to launch four projects – 'Project Varun' (Bandra), 'Lotus Aquaria' (Prabhadevi), 'Lotus Celestial' (Versova), and 'Lotus Trident' (Andheri West), with a combined GDV potential of ~INR35-37b – of which 'Project Varun' has been launched in 3QFY26 (GDV INR5b).
- **FY27 launches:** For FY27, 7–8 projects are already secured and expected to be launched.
- **Business Development:** In 1QFY26, 4 projects with a GDV of INR37–40b were added; another 2 projects were added in 2QFY26 (INR10b).
- **Inventory:** Current unsold inventory stands at INR2.3b for the completed projects, primarily from 'Ananya' and 'Arc One', whereas for the recently launched 'Arcadian' and 'Amalfi', it stands at INR9.5b.
- **Guidance:** Management reiterated its FY26 presales target at INR11–13b, with major contributions expected from two recently launched projects and four upcoming projects to be launched in 2HFY26. Annual presales and revenue are projected to jump 3–5x over the next three years.
- **Pricing:** FY25 pricing was INR40,000–60,000psf; further increases expected in FY26, especially due to projects coming in Prabhadevi and Nepean Sea Road projects.
- Collection efficiency for FY26 is expected to stand at 45-50%.
- High efficiency driven by asset-light, redevelopment-led model: LOTUSDEV's operating efficiency remains high, supported by its asset-light approach. The

company benefits from a redevelopment-driven model, which eliminates the need for large land acquisitions and ensures strong returns on capital employed. Higher PAT margins stem from a debt-free balance sheet, negligible marketing spends due to referral-based demand, faster execution, and premium pricing (~20% higher across micro-markets).

- **Customer engagement:** The company uses advanced tools such as 3D building information modelling and virtual reality walkthroughs for customer engagement.

RETAIL



- **Retail:** Most retailers cited improvement in the demand environment, driven by the early festive season. However, the improvement was partially offset by prolonged monsoons, transitory impact from the GST implementation, and the deferral of customers' purchases in anticipation of GST rate cuts. Value fashion retailers are focusing on aggressive store expansions to cater to improved consumer sentiment in tier 2 and beyond towns, amid a shift from unorganized to organized retail. Overall, management teams across our retail coverage remain cautiously optimistic, with expectations of a demand recovery continuing through the wedding season and the second half, driven by recent policy measures such as GST rationalization, income tax cut, and lower interest rates.
- **Jewelry:** The jewelry companies witnessed healthy festive demand during Diwali despite elevated gold prices, supported by an uptick in old gold exchange and resilient consumer sentiment. Management commentary across players indicates that the strong momentum is likely to sustain through the upcoming wedding season, aided by steady footfalls and continued preference for wedding-led purchases.
- **QSR:** Demand for out-of-home consumption remained soft in 2QFY26, reflecting weak discretionary spending through the quarter. However, management highlights visible green shoots emerging from October, with early signs of recovery expected to sustain as consumer discretionary spending improves. Margin recovery is likely to follow with a lag, driven by operating leverage as demand strengthens through 2HFY26.

KEY HIGHLIGHTS FROM DEPARTMENTAL RETAIL CONFERENCE CALL

	Salient takeaways from 2QFY26's performance	Outlook
Aditya Birla Fashions	■ The early onset of the Pujo boosted footfalls and conversions, helping drive healthy LFL growth across segments. However, heavy monsoons in the East dampened festive momentum.	■ ABFRL plans to open 15 new Pantaloons stores in a revamped format annually (8 closures, 6 openings in 1HFY26) and renovate 8-15 stores annually. It aims to improve gross margins to over 50% (vs. ~50% currently), raise private label share to 70-75% (from the mid-60s), and achieve 25% store-level profitability (15-17% segment level).
Aditya Birla Lifestyle	■ Demand benefited from the early festive season and small-town strength, but overall consumption remained muted. Diwali was modest, and near-term trends depend on demand recovery in the ongoing wedding season.	■ Network consolidation is largely complete, with ABLBL adding 75+ gross stores across formats (~26 on a net basis). Management expects store additions to accelerate from 2HFY26.
Campus	■ Underlying demand momentum remains strong, supported by festive recovery, premium category growth, and expanding distribution reach.	■ The company aims to achieve double-digit growth for FY26, supported by the premium segment's traction and GST-driven demand expansion. Normalized EBITDA margins should hold near 16%, with an aspiration of 17-18% in the medium term.
Go Fashions	■ Demand is improving, with strong festive-led traction in key markets like Tamil Nadu and Maharashtra. However, sales dipped post-Diwali. Management expects recovery over the next few quarters. SSSG has remained muted (-3.4% in 2Q) for 10 straight quarters, with recovery concentrated in West and North India, while South lags.	■ GOCOLORS has cut its FY26 store target from 120 to 80-90 to protect margins amid muted SSSG, with expansion set to resume only after a demand recovery. The rollout will maintain a balanced metro-non-metro mix, leveraging the brand's differentiated positioning to stay clear of direct competition with value retailers.
Metro Brands	■ 2Q growth was supported by the early festive demand and EOSS, but was partly offset by prolonged monsoons and deferred purchases in anticipation of GST cuts.	■ Long-term guidance remains at 15-18% CAGR, driven by mid-to-high single-digit SSSG, new store openings, and rising contribution from newer banners. Further, driven by its robust cost controls and superior store economics, the company aims to deliver 30% EBITDA margins and mid-teen profit margins.
Raymond Life	■ Revenue growth was driven by robust domestic demand, supported by strong festive/wedding-led volume growth, and solid bookings across textiles and apparel. With dealer confidence high and order preponement visible, demand momentum is expected to sustain through 2HFY26. Additionally, income tax cuts and GST rate rationalization are expected to further boost discretionary spending.	■ Margins in branded apparel could remain subdued in the near term due to higher A&P and weaker-than-anticipated performances of new stores. Given the subdued discretionary spends and relatively weaker wedding calendar in the past few years, recently opened stores are expected to take longer (~36-42 months) to mature (vs. earlier expectations of 18-24 months).
Shoppers Stop	■ Despite sluggish discretionary demand amid GST-related disruptions and volatile macro situations, SHOP delivered strong LFL growth, driven by its	■ During 3QFY26, the company plans to add five Departmental stores (nine in 2HFY26) and five INTUNE stores (13 in 2HFY26).

	focus on premiumization and enhanced shopping experience. Further, during the ongoing festive season, the customer entry has improved further from ~6% LFL in 2Q, leading to double-digit LFL.	
Vedant Fashions	VFL's primary sales were adversely impacted by the GST transition during 2Q, due to disruptions in dispatches for 15-20 days. This led to ~6pp delta between reported and customer sales.	It targets ~8-9% SSSG in the medium-to-long term, supported by an ASP increase (~2.5–3%), a change in the brand mix (~0.5–0.6%), and a focus on footfall recovery and repeat behavior to unlock volume leverage.
Vishal Mega Mart	2Q benefited from the shift of Durga Puja (from 3Q last year) and, to a lesser extent, Chhath. However, this was partly offset by weather disruptions and the five-day closure in Assam. Management estimated that the early festive season could have boosted SSSG by ~150-200bp, though weather-related seasonality (winters if the festive season was later) also played a part.	Management reiterated its endeavor to keep gross margin broadly stable, with any surplus likely to be reinvested in the business for driving growth. However, EBITDA margin is likely to expand, primarily driven by operating leverage.
V-Mart	Consumer sentiment improved in 2Q, driven by Gol's policy support, lower inflation, and early festive momentum. However, the delayed withdrawal of the monsoon in the East and coastal regions impacted the festive demand. GST rollout had a limited impact on low-ticket items but aided overall market sentiment. Diwali performance was positive but fell short of management's expectations, though demand picked up with the onset of winter.	The company expects footfalls and discretionary spending to improve with easing inflation and rising consumer confidence. Additionally, the company is targeting mid-to-high single-digit SSSG. However, the festive season shift to 2Q may temper 3Q growth optically. Management has raised its guidance of store additions to 75 (from 65 earlier).

KEY HIGHLIGHTS FROM QSR- CONFERENCE CALL

	Highlights from 2QFY26 commentary	Outlook for FY26
Jubilant Food Works	- JUBI witnessed strong festive demand, with Oct'25 performance exceeding expectations as the festive season began early this year compared to last year. - Management remains confident of sustaining healthy performance in Nov-Dec'25. - Popeyes delivered strong double-digit SSSG, with performance in Mumbai exceeding expectations and Bengaluru and Chennai continuing to grow well.	- For FY26, the company expects India Domino's to grow ~15% YoY, with 5-7% growth from LFL (1-2% price mix and 3-4% volume) and 7-10% from new store additions. - Management has reiterated its guidance of 200bp EBITDA margin expansion over the next three years. The margin expansion will be led by GM expansion (100bp) from procurement and mix initiatives and consistent 5-7% sales growth, leading to operating leverage, especially in rent and other fixed costs.
Devyani International	- Out-of-home consumption was impacted by Hindu festivities and unseasonal rains. The demand environment continues to remain weak. October did not witness any material uptick in demand. - Lower gross margin and higher aggregator and delivery expenses, driven by the higher saliency of off-premise sale in KFC, led to reduced overall brand contribution in India.	- The company is on track to open ~100-110 new stores of KFC in FY26. - New store additions will continue to be muted for PH.
Sapphire Foods	- The company's performance in the first 15 days of the quarter has been encouraging, though the LFL comparison was impacted as Navratri occurred in 3Q last year. - The recent GST reduction in input prices resulted in only a marginal benefit of around 50bp. However, the company has not realized the benefit yet, as most of the inventory was procured at pre-revised rates.	- KFC is expected to maintain its expansion pace of 60–80 stores per year. - The company is cautious on PH store expansion, focusing on smaller 1,000–1,200 sq. ft. formats. Net store count declined by one over Jan–Sep'25.
Restaurants Brand Asia	- RBA witnessed a strong performance in October following the GST rate reduction and a healthy festive season. Management remains confident of a strong 3QFY26 performance. - On the delivery front, RBA has been working with food aggregators to improve efficiency. - The company has largely concluded BK store optimization in Indonesia.	- BK plans to open 60-80 new restaurants each year, targeting 800 restaurants by FY29 from its current count of 533 (20 stores opened in 1HFY26). RBA aims to reach 580 stores by FY26 end. - It aspires to achieve 70% gross margin by FY29. Current GM stands at 68.3%.

Westlife Foodworld

- Regionally, South India, particularly Bengaluru (its second-largest city with ~65–70 restaurants), acted as a drag on overall performance due to muted consumer sentiment and negative growth trends in the region.
- July witnessed a decent performance; however, the operating environment remained challenging through August and September. October showed MoM improvement.
- Most new stores opened in the last six months are performing ahead of expectations, with several operating above system averages.
- The royalty rate stands at 5% (excluding GST), with no anticipated changes in the near term.
- The company aims to achieve an EBITDA margin of 18-20% by FY27.

KEY HIGHLIGHTS FROM Jewel- CONFERENCE CALL

	Highlights from 2QFY26 commentary	Outlook for FY26
Titan	- October was good, supported by robust festive season sales. Gold prices moderated by about 6% in the 10 days after Diwali. - TTAN has made more introductions in lower carriages. The company has been testing 18 karat jewelry, which received good initial response, though its contribution to sales mix was very low. - For 3QFY26, if gold prices stabilize, the company expects overall growth prospects to improve as footfalls increase. Studded gross margins are also expected to stabilize.	- For Tanishq in FY26, TTAN expects to open 35-40 stores and renovate ~70 stores. - Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.
Kalyan Jew	- Momentum on the ground remained healthy, with Navratri witnessing robust offtakes. The strong demand trend continued into the festive period. During the 30 days leading up to Diwali, Kalyan reported LFL growth of over 30%, indicating sustained festive momentum. - Making charges have remained broadly stable despite higher gold prices. While minor tactical discounts were offered, the overall industry pricing structure remained consistent.	- The company will launch a new regional jewelry brand store in 4QFY26, with an initial investment of INR3b (primarily in inventory). It will open five pilot COCO stores, after which expansion will follow for FOCO. - The company has restarted debt repayment after getting approval from its lead bank to release real estate kept as collateral. It repaid INR1,300m during the quarter, bringing non-GML debt down to INR5,500m as of Sep'25. Kalyan plans to further reduce its non-GML debt by about INR1,500m in 2HFY26 to reach INR4,000m by Mar'26, and aims to be debt-free by FY27.
Senco	1H saw SSSG of 7.5%, while 2QFY26 declined 4%. The stud ratio also rose to 12%, supported by growing demand for diamond jewelry, which recorded a 31% increase. - GML reduced from 67% in FY25 to 51% in 1HFY26. As of October, the GML level stood at ~54%. - Currently, the company's inventory levels are hedged in the range of 65-70%. Hedging has ~40-50bp impact on margins. On the sales front, the company is 90-100% hedged.	- Revenue is expected to grow 18-20% in FY26, with a strong focus on expanding in East and North India. - Senco expects EBITDA margin of 7.2-7.4% for FY26. - The company is on track to launch another 6-8 showrooms in 2HFY26.
P N Gadgil	- Demand was initially stable at the start of the quarter but picked up significantly with the onset of the early festive season. ~50% of the company's overall sales were generated from old gold exchange, and 8-10% came from the gold scheme. - Nearly 80% of old gold exchange customers are repeat PNG buyers.	- The company plans to open 13-15 additional stores in 2HFY26. This will comprise 7-8 PNG stores and 7-8 Lifestyle stores, evenly split between COCO and FOCO formats, bringing the total store count to 78-80 by the end of FY26. - On the international front, the company plans to expand into North America in FY26.



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Detailed Concall Transcript &
Results Update

Aditya Birla Fashion
Neutral
Current Price INR 78

- Demand:** The early onset of the Pujo boosted footfalls and conversions, leading to healthy LFL growth across segments. However, heavy monsoons in the East dampened festive momentum.
- Margins** softened due to a 200bp YoY rise in A&P as the company stepped up brand-building initiatives, especially in Pantaloons. Pantaloons' network-level



Aditya Birla Fashion and Retail

Key Metrics:

Quarter	Revenue (INR bn)	EBITDA (INR bn)	EBIT (INR bn)	Net Profit (INR bn)
Q1 FY26	1,100	150	100	50
Q2 FY26	1,200	180	120	60
Q3 FY26	1,300	200	130	70
Q4 FY26	1,400	220	140	80

Key Highlights:

- Revenue growth of 15% YoY in Q4 FY26.
- EBITDA margin expansion to 15.7%.
- Net profit growth of 20% YoY.

margins improved ~180bp YoY, though reported margins were hurt by higher marketing spends and losses in OWND.

- **Pantaloons:** Delivered 7% LFL growth and 6% revenue growth, supported by strong early festive demand. Rain-related store closures in Assam and parts of East India impacted performance.
- **Targets for Pantaloons:** ABFRL is refreshing the brand identity in Pantaloons with improved product assortment, enhanced retail experience and reduced inventory in stores. ABFRL plans to open 15 new Pantaloons stores in a revamped format annually (8 closures, 6 openings in 1HFY26) and renovate 8-15 stores annually. It aims to improve gross margins to over 50% (vs. ~50% currently), raise private label share to 70-75% (from mid-60s), and achieve 25% store-level profitability (15-17% segment level).
- **Capital:** Cash reduced to INR16b (down by INR6b in 1HFY26) due to inventory build-up ahead of the festive and wedding period. Capex stood at INR2.6b; with plans to spend INR1.0-1.25b in 2H, for scaling up Ownd and Tasva. Management indicated that typically profitability and cash conversion improve in 2H.
- **Ethnic Portfolio:** Reported 11% YoY revenue growth, with 20%+ LFL and 200bp EBITDA margin expansion, led by strong execution and improvement in TCNS. Excluding TCNS, the ethnic portfolio grew 34% YoY, reinforcing its leadership from premium to luxury wedding wear.
- **Tasva:** Continued rapid scale-up with 58% YoY revenue growth, 38% LFL, and a network of 78 stores, with a goal to cross 100+ stores by FY26-end.
- **TCNS:** Posted 19% LFL growth and a sharp 900bp margin expansion, driven by improved product strength and better retail execution. While still marginally loss-making, its annual revenue run rate has reached INR10bn. Management expects TCNS to turn profitable and become a key growth engine next year.
- **Ownd:** Gen Z-focused value retail brand delivered 43% YoY revenue growth and expanded to 59 stores, with 30+ more planned in 2H. Growth is being driven by sharper Gen Z positioning, distinctive store designs, and bold investments to differentiate in a competitive value retail landscape.
- **TMRW** posted 27% YoY growth but saw higher losses from elevated marketing and accelerated offline scale-up. Some brands that did not show adequate revenue growth and had the potential received higher marketing investments, which impacted profitability. The revenue-to-advertisement ratio is quite high for few brands.
- **Luxury Portfolio:** The 90k sq. ft. Galeries Lafayette flagship in Mumbai is set to launch in Nov'25. Costs related to pre-opening impacted margins. In contrast, The Collective and its mono brands remain steady performers, delivering 13% YoY growth with double-digit L2L, strong margins, and a 46-store network after adding two stores this quarter.



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Aditya Birla Lifestyle

Neutral

Current Price INR 140

- **Demand:** Early festive (Pujo/Navratri) and strong growth in small towns drove strong LTL growth in retail channels, but overall consumption remains muted due to weather and GST transition-related disruptions. Diwali sales were modest and the near-term outlook hinges on the recovery in the ongoing wedding

Aditya Birla Lifestyle Brands
31 December 2025
P&L Statement (Lakhs of INR)

Particulars	Q3 FY25	Q3 FY24	Q3 FY23
Revenue	1,234,567	1,123,456	1,012,345
Cost of Sales	(678,901)	(654,321)	(632,109)
Gross Profit	555,666	469,135	380,236
Operating Expenses	(234,567)	(212,345)	(198,765)
Operating Profit	321,099	256,790	181,471
Finance Costs	(12,345)	(10,987)	(9,876)
Profit Before Tax	308,754	245,803	171,595
Tax Expense	(15,432)	(13,210)	(11,098)
Net Profit	293,322	232,593	160,497

season. Management remains cautious but expects normalization as channel issues ease and store renovations translate into higher productivity.

- **Expansion:** Network consolidation is largely complete, with ABLBL adding 75+ gross stores across formats (~26 on net basis). Management expects store additions to accelerate from 2HFY26.
- **Inventory:** Higher inventory levels reflect early festive stocking and precautionary winterwear sourcing amid sourcing uncertainty from Bangladesh. Working capital is elevated in the short term but is expected to normalize by year-end as sales accelerate.
- **Regional trends:** Small towns (Tier 4; 1-1.5m population) led growth with stronger LTL performance than urban centers, signaling a clear rebound after several weak quarters. In contrast, the East saw temporary setbacks due to floods in West Bengal and disturbances in the Northeast, while the North remained robust.
- Despite double-digit secondary growth across Lifestyle (12% LTL) and Emerging Businesses (11–12% LTL), reported primary sales lagged due to GST-related wholesale disruptions, store renovations, and inventory corrections in Reebok.
- **Profitability** improved during the quarter, with EBITDA margin up 125bp to 16.6%, driven by strong retail LTL growth, operating leverage (especially on rent), and disciplined discounting. Emerging Businesses improved profitability by 150bp (F21 losses in base quarter and reducing losses in Innerwear). Management expects further margin improvement through scale, sharper retail productivity, and calibrated channel mix, even as Innerwear prioritizes growth over near-term margin maximization.
- **Reebok** posted over 10% consumer-level growth, supported by store additions (9% LFL) and strong departmental performance (12% YoY). However, implementation of ARS across the channel led to a delta between primary and secondary. With these adjustments nearly complete, management expects reported sales to align with underlying consumer momentum.
- **Van Heusen Innerwear:** Achieved the highest LTL sales growth in the company at 20%+ across 110-115 exclusive stores. The segment posted double-digit LTL growth overall but faced headwinds from a soft market and wholesale inventory corrections. Despite near-term challenges, management remains committed to aggressive expansion, prioritizing scale-building over immediate profitability.
- **Forever 21** has been fully phased out since 3QFY25, with its exit impacting overall revenue growth by ~100bp; no material impact is expected beyond 3QFY26.
- **Expansion:** Network consolidation is complete, though renovations continue (65 stores upgraded), temporarily impacting growth. With the clean-up behind, the company is back in expansion mode, adding 75+ gross new stores in the quarter, led by Lifestyle and Reebok.
- Higher depreciation and finance costs stem from the addition of 75 new stores, as lease liabilities are recognized upfront. Rent expenses have reduced accordingly, partly due to tactical shifts of select stores from franchisee to COCO, though the core model remains franchise-led.

Bata

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Results Update



Bata

Neutral

Current Price INR 1,014

- **Demand trends:** The GST transition led to deferred purchases by customers as well as channel partners, leading to a temporary volume dip. However, a pickup was seen during the festive season. Management noted that, excluding the transitory GST impact, revenue growth would have been flat YoY.
- **Demand outlook:** Demand rebounded sharply post GST implementation, with strong footfalls and channel orders, though this was partly spilled over into October. The festive uplift, along with GST-led normalization, delivered the best exit run-rate in the recent quarters. Recovery is expected to strengthen from 3Q as cleaner inventory, faster turns, and store/channel productivity gains flow through.
- The value segment, which accounts for ~40% of the mix, is stabilizing after prolonged pressure. GST benefit pass-through and price re-indexing are aiding volume recovery, supported by cleaner assortments and stronger full-price sell-throughs, with early traction visible across lower-priced SKUs.
- The premium segment, which accounts for ~20% of the mix, remained resilient, led by Hush Puppies' expansion and tech-driven comfort products like Power Easy Slide and Floats. This lifted ASPs, reinforcing premiumization focus and growing the lifestyle/comfort franchise.
- **Margins:** Trade incentives and accelerated inventory clean-up drove ~120bp gross margin contraction, which was further accentuated by higher A&P spends (~3.5% vs 1.5% YoY), leading to ~280bp EBITDA margin contraction.
- Inventory cleanup is nearly complete, with freshness improving ~7%, inventory declining 12% YoY, and turns rising to 2.5x. The adoption of zero-based merchandising has enabled sharper assortments and store refresh. Rollout across ~80% of the network is boosting productivity and driving LFL growth.
- **Revenue mix:** Roughly 40% of the revenue comes from products below INR1,000, 40% from the mid-range INR1,000-2,500 band, and ~20% from premium SKUs above INR2,500.
- **Premium:** Hush Puppies continues to anchor premium push, scaling rapidly (150+ EBOs vs <100 two years ago) and expanding into accessories/women's categories. Tech/innovative-led comfort designs (hybrid office sneakers, Power Easy Slide, and Floats) are strengthening premium cues and driving ASP accretion.
- **Product innovation:** BATA is trying to reimagine the product funnel, reducing toolkits and leveraging shared molds to unlock scale efficiency, tighter quality control, and managed variety via uppers/colorways.
- Early wins like Victoria Ballerina and Power Easy Slide demonstrate improved product throughput and consumer resonance, supporting a structurally sharper assortment strategy and improved full-price margin outcomes.
- **Network expansion:** The franchise network continues to scale, with rising multi-store partners and cluster expansion (661 stores added 17/37 in 2Q/1HFY26); SIS reset has been completed, enabling renewed rollout in high-throughput hubs to widen consumer reach.
- Zero-based merchandising is driving better assortment curation, decluttered layouts, and enhanced experience. Mumbai/Gurgaon are fully (~90%) covered

and showing strong LFL growth. The ZBM rollout is expected to reach ~50% by 3Q and ~80% in FY26.

- Inventory decluttering is nearing completion, with sharper assortments, ~7% higher freshness, inventory declining 12% YoY, and turns improving to ~2.2x (target 2.5x). While markdowns have impacted GMs in recent quarters, they have helped create a cleaner pipeline, enabling faster demand response and stronger full-price sell-throughs going forward.



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Results Update



Campus Activewear

Buy

Current Price INR 271

- **Demand:** Management sees strong underlying demand momentum, supported by festive recovery, premium category growth, and expanding distribution reach. They expect sustained double-digit growth in H2FY26 as premium and D2C channels scale further.
- **Guidance:** Management reiterated its aim to achieve double-digit growth for FY26, supported by premium segment traction and GST-driven demand expansion. Normalized EBITDA margins should hold near 16%, with an aspiration of 17–18% medium term.
- **Premium portfolio** share rose to 57.2% (from 45.2%), lifting ASP by INR50 to INR672. Growth was driven by ~100% YoY growth in sneakers and strong traction in women's range, reinforcing premiumization and brand strength across geographies.
- **Women's and kids' segments** gained 2% saliency, now forming ~21% of revenue (women ~16%, kids 4–5%). Focused product launches, incentive alignment, and celebrity endorsements are helping diversify the customer base.
- **Online revenue** grew ~6% YoY but was impacted by a billing model change, where platforms now charge freight directly to consumers. Earlier, Campus billed INR1,000 and received INR 850 post deductions; now it bills only INR850, reducing reported revenue and expenses. Excluding this accounting impact (~200bp overall incremental growth), underlying online growth and demand trends remained strong.
- **Distribution:** Distribution channel rose 20% YoY, driven by stronger retail execution, repeat billing, and premium portfolio traction. Momentum reflects efficient replenishment, improved retailer engagement, and deeper penetration. LFS channel delivered 35% growth, driven by new door additions, stronger exports, and defense sales.
- **Margins:** Rationalization of low-margin SKUs and a faster-growing sneakers portfolio improved margins. Gross margin expanded to 53.9% (up by ~100bp). EBITDA margin stood at 12.9%, impacted due to front-loaded ad spends (~200bp) and temporary Haridwar-2 ramp-up costs (~40bp), underlying margin was ~16%.
- **A&P spending** rose to 10.5% of sales, due to higher promotional expenses for festive sales. However, spending for the full year would remain stable at 8.5%.
- Working capital intensity rose temporarily, due to festive pre-build and MSME rule changes shortening vendor terms to 45 days. Receivables improved through better collections, while tighter payables temporarily led to higher borrowings.
- **Distribution Inventory:** Channel inventory remained steady at ~100 days—aligned with the normal supply chain cycle. Management prioritized secondary replenishment over primary push, avoiding channel stuffing ahead of the festive demand.
- **Capex plan** of INR2.3b over three years focuses on premiumization via the Pantnagar facility, adding 0.6mn pairs/month in phases. Phase 1 (FY26, INR1.1b) targets premium uppers, as sole capacity was augmented last year. Subsequent

phases will replicate upper capacity and later add assembly (sole integration), making Pantnagar fully self-sufficient in producing finished footwear with end-to-end control, advanced automation, and IP protection.

- **Apparel & Accessories:** Apparel pilot launched across ~60 EBOs marks a strategic step toward lifestyle diversification. Accessories now contribute 2–3% of revenue.
- **Exports:** Export business scaling under Campus' own brand through selective global partnerships (e.g., Sri Lanka) leverages India's significant cost advantage. This strategy builds long-term international visibility and operational self-sufficiency rather than relying on trading-led volumes.
- **EBO expansion:** The EBO rollout moderated in FY26 to prioritize profitability, optimize store network, and integrate new categories like apparel. Expansion is likely to rebound to 70–75 stores annually, targeting ~500 outlets in three years.



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Devyani International

Buy

Current Price INR 148

Business and Environment

- GST 2.0 had minimal impact on the QSR category. The company has passed on the prices and the benefits of reduced input costs to consumers.
- Out-of-home consumption was impacted due to both Shraavana and Navaratri falling in the same quarter, as well as unseasonal rains – especially in eastern parts of the country during the second half of September.
- The demand environment continues to remain weak. October has seen no material uptick in demand; December month performance will be a key monitorable for Devyani.
- The consumers are becoming value conscious, and lower price product offerings are a healthy offtake.
- Consol. Brand contribution margin was at 11.7% versus 13.6% last year. Excluding Skygate brand contribution would have been higher at 12.4%. The organic dip is on account of a decline in margins in the Indian operations, slightly offset by steady performance in international business.
- Lower gross margin, increased aggregator and delivery expenses due to higher saliency of off-premise sales in KFC, led to overall lower brand contribution in India.
- Devyani test launched Tealive by way of opening 6 new outlets during the quarter. The initial Customer feedback is positive, and they plan to expand the brand after the test launch phase.

KFC

- Lower gross margin, increased aggregator and delivery expenses due to higher saliency of off-premise sales in KFC, led to overall lower brand contribution in India.
- KFC in India added 30 net new stores in 2QFY26, taking the total store count for KFC in India to 734 stores, and the company is on track to open ~100-110 new KFC stores in FY26.
- Thailand to see ~20 new KFC store additions in FY26. The market is seeing negative SSSG currently.

PH

- With regard to a media article on Yum Brands planning to rationalize PH, Devyani stated India PH business will not be impacted, and DEVYANI is fully protected on the development agreements at the store level.
- New store additions will continue to be muted for PH.

Cost and Margins

- High saliency of off-premises sales across the two key brands, which is KFC and Pizza Hut, led to higher aggregator and delivery expenses.
- The company is working on optimizing its costs.

Product innovation & new launches

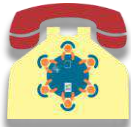
- KFC saw the pan-India launch of the “Chana Chatpata Burger” –priced at INR69 and comprising a protein-rich vegetarian patty.
- Started rolling out a new grilled chicken offering and new limited-time offerings (LTOs) in the beverages and desserts category.
- Launched Ultimate Cheese crust and Flip the Cheese in Pizza Hut across all channels.

Sky Gate acquisition

- Biryani By Kilo and Goila Butter Chicken from the Skygate portfolio continue to do well, and Devyani has seen a strong momentum in the business post Dussehra.
- Biryani By Kilo stores have been tested in Mumbai and Pune airport locations, and the brand has seen good traction.
- Devyani is planning to expand the brand into its existing food court locations to test the model in the food court.
- The integration of Skygate with DEVYANI remains on track.
- As shared earlier, their goal is to achieve brand contribution break-even by March 2026, and the company remains confident of meeting this target.



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Go Fashions

Buy

Current Price INR 551

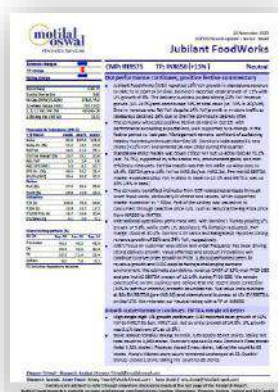
- **Demand:** Demand is improving, with strong festive-led traction in key markets like Tamil Nadu and Maharashtra, though sales dipped after Diwali. Management expects recovery over the next few quarters.
- **SSSG** has remained muted (-3.4% in 2Q) for 10 straight quarters, with recovery concentrated in West and North India, while South lags. To revive growth, management is refreshing the core bottom-wear portfolio with new designs and a restructuring into dedicated bottom-wear and top-wear teams.
- **Volume recovery** is being led by a shift from core leggings/churidars to higher-growth trousers and value-added bottoms, while ASP is inching up 2-3% YoY due to mix changes. No price hikes were taken.
- **Product mix:** Core categories (leggings and Churidar) now form ~35% of revenue, down from 50-55% before Covid, as demand shifts toward high-growth trousers and pants, with value-added options like palazzos also gaining traction.
- **Expansion:** Go Fashion has cut its FY26 store addition target from 120 to 80-90 to protect margins amid muted SSSG, with expansion set to resume only after a demand recovery. The rollout will maintain a balanced metro/non-metro mix, leveraging the brand's differentiated positioning to stay clear of direct competition with value retailers.
- **Essential-wear:** The pilot launched in two Chennai stores is delivering over INR1,000 SPSF/month from the added space and surpassing the internal benchmarks. These are extensions of existing bottom-wear stores, and the company aims to scale up the pilot to 18-20 locations in the coming months to validate the concept's long-term potential.
- **GST impact:** Pricing is well-balanced, with 70-80% of revenue coming from products under INR1,000 and steady growth seen across both low (INR500-600)

and mid-to-premium (INR1,500) price tiers. The full pass-through of GST reduction (12% to 5%) on select products is expected to further boost volumes, especially in higher-priced segments.

- **Rental costs** have stabilized, aided by the consolidation of stores last year and targeted renegotiations with landlords. Rent as a percentage of revenue is expected to stabilize as SSSG improves.
- **Target customers:** The company's target demographic continues to be women aged 27-33 years. The new customer acquisition is tracking at ~20%, while the repeat purchases are stable at 40-45%.
- **I-T search:** An income tax search was conducted in Oct across the company's offices and warehouses. The search was concluded with no disruption to store operations, no summons or queries received, and no major findings identified.
- **Pledges:** Promoter pledge increased recently due to a fall in stock price but is on track to reduce by more than 50% as around ~2.5-3m shares are expected to be de-pledged within the next few months.



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Jubilant Foodworks

Neutral

Current Price INR 600

Business environment

- Domino's reported a like-for-like (LFL) growth of 9.1%, driven by a strong 16.5% growth in the delivery channel.
- Delivery revenue grew 21.6% YoY, supported by a robust 23.7% YoY increase in order volumes, while dine-in revenue remained flat.
- In dine-in, store dine-in revenue grew 14%, while takeaway revenue declined by 19% YoY, as the company continued to offer free delivery within 20 minutes, which encouraged consumers to shift from takeaway to delivery.
- For FY26, JUBI expects India Domino's to grow by ~15% YoY, with 5-7% growth from LFL (1-2% price mix and 3-4% volume) and 7-10% from store additions.
- The company benefited indirectly from GST-related advantages through lower raw material costs, particularly in cheese and sauces, which contributed +50bp to margins. The benefit was passed on to consumers through price reduction in certain SKUs like price reduction of the Big Big Pizza from INR899 to INR799.
- Demand from Tier-2 and Tier-3 cities remained strong, especially for premium offerings, offsetting relatively slower growth in IT-centric cities like Hyderabad, Bengaluru, and Gurugram.
- JUBI witnessed strong festive demand, with Oct'25 performance exceeding expectations as the festive season began early this year compared to last year.
- Management remains confident of sustaining healthy performance in Nov-Dec'25.
- The Domino's store network in India expanded to 2,450 outlets with the addition of 81 stores during the quarter and entry into 16 new cities, taking its total presence to 500 cities.
- During the quarter, the company launched Popeyes in the western region, with four new outlets in Mumbai, taking the total store count to 68 stores across North, South, and West India.
- Popeyes delivered strong double-digit SSSG, with performance in Mumbai exceeding expectations and Bangalore and Chennai continuing to grow well.

- Underlying profitability improved meaningfully, supported by initiatives such as better sourcing, lower wastage, and optimized oil consumption, aided by internal sourcing efficiencies.
- COFFY expanded to 172 cafés across 38 cities, continuing to lead the market through youth-focused product innovation.

New launches

- Dunkin' Donuts launched Gourmet Donuts during the festive season, strengthening its presence in the premium category.
- Domino's also introduced the Four-Cheese Sourdough Pizza, positioned as "light on the plate, heavy on the joy," and added seven new variants under Popeyes' Flavor Burst Burger range.
- The company further enhanced customer experience by launching store-specific combos on its app and piloting post-order monetization through customizable advertisements.
- Investments in the digital platform continue to yield results, with Domino's app reaching 15.6 million monthly active users, up 28% YoY, and 7.6 million monthly transacting users, up 27% YoY.

Cost and margins

- Gross margins expanded sequentially across the portfolio, driven by better procurement, favorable product mix, and cost efficiency initiatives.
- Pre-Ind AS 116 EBITDA margin improved by 40bp YoY, supported by margin expansion, higher store productivity, and operating leverage benefits.
- Management has reiterated its guidance of 200bp EBITDA margin expansion over the next three years.
- The margin expansion will be led by GM improvement (100bp) from procurement and mix initiatives and consistent 5-7% sales growth, leading to operating leverage, especially in rent and other fixed costs.
- Store-level productivity, lower delivery costs, and administrative efficiencies also aided margin expansion.

International business

- In the international business, particularly Turkey, there was no significant seasonality impact on EBITDA margins. The volatility was due to the inventory revaluation.
- Last year, volatility was seen due to high inflation, leading to volatile margins; however, this year inflation is benign, leading to steady EBITDA margins.
- Consolidated interest costs declined by 23.5% YoY, supported by efficient refinancing of acquisition-related debt in Turkey.



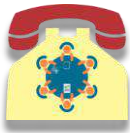
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Results Update](#)

Kalyan Jewellers

Buy
Current Price INR 491

Demand environment and outlook

- Momentum on the ground remained healthy, with Navratri witnessing robust offtakes, and the strong demand trend continued into the festive period.
- During the 30 days leading up to Diwali, KALYANKJ reported LFL growth of over 30%, indicating sustained festive momentum.
- In India, revenue grew ~31% YoY in 2QFY26, supported by a 16% SSSG; SSSG stood at 17% in non-South markets and 14% in South India.



Particulars	2025-26	2024-25	2023-24
Revenue	1,23,45,67,890	1,12,34,56,789	1,01,23,45,678
EBITDA	23,45,67,890	21,34,56,789	19,23,45,678
EBIT	21,34,56,789	19,23,45,678	17,12,34,567
Net Profit	12,34,56,789	11,23,45,678	10,12,34,567

- New customer additions remained strong, contributing over 38% of total buyers, while the average ticket size remained largely flat YoY as customers maintained budget discipline amid high gold prices.
- The share of revenue from franchised showrooms in India stood at ~49%.
- Making charges have remained broadly stable despite higher gold prices; while minor tactical discounts were offered, the overall industry pricing structure remained consistent.
- The company will launch a new regional jewelry brand store in 4QFY26, with an initial investment of INR3b (primarily in inventory). It will open five pilot COCO stores, after which expansion will follow a FOCO.
- Kalyan India opened 25 stores in 1HFY26 and 15 more before Diwali, taking the total new stores to 40. It plans to open 84 stores in India during FY26.
- Of the planned 84 Kalyan India stores, 40 have already opened; internationally, six stores are planned (three already operational – two in the Middle East and one in the U.S.). For Candere, 30 stores are open out of the 80 planned for FY26.
- Employee attrition rose due to My Kalyan, the marketing division, which experiences high staff turnover given its door-to-door sales nature. Attrition in the core jewelry business remains low.
- From FY28 onward, KALYANKJ plans to reaccelerate COCO store expansion, which is expected to improve blended EBITDA margins as the mix shifts back towards owned stores with higher profitability.

Cost and margin

- GM improvement of 0.2-0.3% is due to the pilot project related to procurement and partially from a higher mix of silver/platinum, which are higher margin. Normally, 3Q gross margins is better than 2Q.
- PBT margin expanded YoY, led by improved procurement efficiencies, operating leverage, interest cost savings from debt reduction, and a higher share of FOCO-operated showrooms in the revenue mix.
- PBT margins are expected to be higher in 2HFY26 versus 1HFY26, driven by festive sales and interest cost savings from debt reduction.

Debt reduction

- The company has restarted debt repayment after getting approval from its lead bank to release real estate kept as collateral. It repaid INR1,300m during the quarter, bringing non-GML debt down to INR5,500m as of Sep'25.
- KALYANKJ plans to further reduce its non-GML debt by about INR1,500m in 2HFY26 to reach INR4,000m by Mar'26, and aims to be debt-free by FY27.

Candere

- Candere's revenue grew to INR930m in 2QFY26 vs INR410m in 2QFY25, with a loss of INR90m vs INR40m loss last year.
- The store-level EBITDA turned positive in double digits, while Corporate EBITDA was neutral.
- The company expected to deliver revenue of INR5b.
- Candere is expected to be PAT level neutral/positive by FY26 end.
- The company plans to launch 80 Candere showrooms in India during the FY26 through a mix of FOCO and COCO showrooms.

International business

- Middle East revenue was impacted by gold price volatility, though the region still delivered 8% revenue growth, supported by 7% SSSG.



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- The studded share stood at 18% vs 19% in 2QFY26.

Metro Brands

Buy

Current Price INR 1,126

- **Demand:** 2Q growth was supported by early festive demand and EOSS, but was partly offset by prolonged monsoons and deferred purchases in anticipation of GST cuts.
- **GST impact:** MBL has reduced ASPs by ~6%/~11% for products priced below 1k and between 1k and 2.5k, respectively. GST reduction has led to improved affordability, benefiting ~90% of the Walkway and ~40% of Metro/Mochi portfolio, and should support MBL in sustaining double-digit growth over the medium term.
- **Profitability:** Gross margin expanded 20bp YoY, driven by disciplined inventory control and discounting despite EOSS during 2Q. However, marketing spends remained elevated (up 100bp YoY) as MBL continues to spend on building greater customer awareness. Further, acceleration in store additions during 2Q impacted the reported profitability (~60bp impact on margins) and cash flows.
- **Online Channel:** Revenue grew 39% YoY, with contribution rising to ~14% of sales. Management indicated that the mix could further increase to ~15-20% over the medium term. However, it does not plan to resort to discounting to drive this growth. Among online channels, marketplace contributes ~80%, with the balance 20% contribution from own website.
- **Guidance:** Management reiterated its long-term guidance of 15-18% CAGR, driven by mid-to-high single digit SSSG, new store openings, and rising contribution from newer banners. Further, driven by its robust cost controls and superior store economics, the company aims to deliver 30% EBITDA margins and mid-teens profit margins.
- **FILA:** MBL has been working on repositioning of FILA over the past 12-18 months and is currently offering FILA in 100 Metro/Mochi stores. Early performance shows mixed but improving traction, with FILA EBO slated to open from CY25-end.
- **Clarks:** Since the signing of the contract in late-Jun'25, MBL has already reintroduced Clarks in 200 Metro/Mochi stores, with strong performance noted in women's Cloud Stepper range. Management indicated that MBL was among the largest sellers for Clarks before its exit and could not completely replace Clarks in its absence. With the increase in merchandizing availability, the company's target is to increase Clarks' presence to 300 stores by 3Q, with its EBO expected to open from Aug'26 onwards.
- **Foot Locker:** MBL opened four Foot Locker stores during 2Q. Typical Foot Locker store is ~3x of Metro/Mochi store in terms of size, and even ASP is typically ~3x. Management expects Foot Locker's store productivity to match the overall company levels; however, gross margin will be lower than core Metro/Mochi formats due to lower in-take margins, given that the entire range in Foot Locker is third-party brands. MBL is targeting ~25%+ RoCE from Foot Locker over the medium term.
- **Walkway:** MBL opened 10 Walkway stores in 2QFY26 (the highest ever in single quarter). Management indicated that Walkway format helps MBL expand its target market, especially in the tier-2 and beyond towns, where aspirational

consumers are transitioning from unorganized (70%+ share) to organized. While gross margins and throughput are likely to be dilutive, management is aiming to achieve ~20-30% RoCE over the medium term (vs. ~7% yield on treasury investments). Management believes that owning manufacturing is not necessary to succeed in the value footwear segment and will continue with its outsourced manufacturing strategy.

- **Crocs:** Management believes there is potential to expand the Crocs network by ~10% annually. The company aims to open Crocs store in the vicinity of an existing Metro/Mochi store, if it sells well, in line with its store opening strategy of self-cannibalization to increase the share in the micro-market.



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PN Gadgil

Buy

Current Price INR 638

Financial and Operational Metrics

- Demand was initially stable at the start of the quarter but picked up significantly with the onset of the early festive season.
- The company delivered strong festive performance with a 66% YoY increase in Navratri sales, amounting to INR4.3b.
- In Oct'25, the company recorded revenue of over INR18b, reflecting strong festive and wedding season demand.
- Despite elevated gold prices, the company witnessed positive volume growth during Diwali and expects the strong demand momentum to continue through the upcoming wedding season.
- ~50% of the company's overall sales were generated from old gold exchange, and 8-10% came from the gold scheme.
- Nearly 80% of old gold exchange customers are repeat PNG buyers.
- 70% of new gold buyers are already associated with the PNG family.
- The silver category delivered exceptional performance in 2Q, recording 92% value growth and 59% volume growth YoY.
- Silver demand remains strong, with the company hedging silver purchases during the festive season and following a replenishment-based strategy for the rest of the year.
- The company expanded its jewelry offering by introducing Polki and Kundan jewelry under the studded segment.
- The management aims to increase the studded jewelry contribution to 12-13% over the next 2-3 years.
- The capital required for opening a new store has increased from INR330-340m last year to INR470-480mn currently, primarily due to higher gold prices, including around INR25m of capex per store (each store spanning 3,500-4,000 sq. ft.).
- PNG Lifestyle stores require an investment of INR100–120m, and delivered a gross margin of ~20. They are expected to achieve breakeven within 15-16 months of operation.
- The current revenue mix stands at 85% from gold jewelry, 10% from silver, and 5% from diamond jewelry.
- Management highlighted that there is no visible pressure from LGD on consumer demand, and the company currently has no plans to expand in that category.

Store expansion

- During the quarter, the company opened eight new stores (five COCO and three FOCO), taking the total store count to 63.
- A new flagship store was launched in Dadar, Mumbai, strengthening its footprint in Maharashtra, while the company also entered new markets in Uttar Pradesh (1 in Kanpur, 1 in Lucknow) and Madhya Pradesh (1 in Indore).
- The company plans to open 13–15 additional stores in 2HFY26, comprising 7–8 PNG stores and 7–8 Lifestyle stores, evenly split between COCO and FOCO formats, taking the total store count to 78–80 by the end of FY26.
- In FY27 and FY28, the company plans to open 30–35 more stores across Maharashtra and neighboring states as part of its next phase of expansion.
- Maharashtra will remain a key growth state, contributing 10–15% of new store additions (3–4 stores annually).
- New stores opened in Indore, Lucknow, and Kanpur are performing well.
- The breakeven is expected within 15–18 months for Maharashtra stores and 18–24 months for stores located outside the state.
- The company plans to strengthen its presence in Central India through exhibitions and market research in cities such as Bhopal, Jabalpur, Gwalior, Banaras, and Prayagraj, with plans to deepen penetration in Madhya Pradesh, Uttar Pradesh, and Bihar.
- On the international front, the company plans to expand into North America in FY26.

Cost and margins

- EBITDA margin is expected to remain stable in the 5–6% range.
- Other expenses increased during the quarter due to higher advertising and promotional spends related to new store openings.
- The company guided that overall marketing costs are expected to remain at 1.25–1.5% of the total revenue.
- Other income increased on account of gains from derivative instruments and fixed deposits (due to GML) of about INR7.5b at 7–7.5% interest, which will continue to contribute to earnings.

Raymond
LIFESTYLE LIMITED

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Raymond Lifestyle

Buy

Current Price INR 1,119

- **Demand trends and outlook:** Revenue growth was driven by robust domestic demand, supported by strong festive/wedding-led volume growth and solid bookings across textiles and apparel. With high dealer confidence and visible order preponement, demand momentum is expected to sustain through 2HFY26. Additionally, income tax cuts and GST rate rationalization are expected to further boost discretionary spending.
- **Ethnix:** RLL has pivoted Ethnix to a profitability-led, asset-light model centered on its distribution strength (TRS and select MBOs). The company rationalized 20+ unprofitable outlets. 1HFY26 revenue rose ~11% YoY, with hopes of higher growth in 2HFY26 on the back of a robust wedding calendar.
- **Branded apparel:** Despite 11% YoY revenue growth in 2Q, margins contracted sharply to 5.2% due to increased investments in marketing to improve its brand visibility and subdued performance of stores opened in the last 12 months. Management indicated that margins will remain subdued in the near term due



medial dental
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 Raymond Lifestyle
 Raymond Lifestyle
 Raymond Lifestyle

Account

Account Name: Raymond Lifestyle

Account Type: Raymond Lifestyle

Account Number: 10000000000000000000

Account Status: Active

Account Created: 04/07/2018 10:00:00 AM

Order Summary

Order Number: 10000000000000000000

Order Date: 04/07/2018 10:00:00 AM

Order Status: Active

Order Total: 10000000000000000000

Order Subtotal: 10000000000000000000

Order Tax: 10000000000000000000

Order Shipping: 10000000000000000000

Order Handling: 10000000000000000000

Order Insurance: 10000000000000000000

Order Discount: 10000000000000000000

Order Net Total: 10000000000000000000

to elevated marketing spends and longer break-even period for newer stores. It is targeting early double-digit margins at an INR23-25b revenue scale.

- **Garmenting:** The segment grew 4% YoY in 2QFY26, but EBITDA margin contracted to 5.4% amid the implementation of US tariffs and customer shifts to lower-cost markets like Bangladesh. Management expects weakness in exports in the coming quarters, unless tariff is revised downwards. Going ahead, management remains upbeat on the potential growth from the recent India-UK FTA and RLL's integrated supply chain strength.
- **Store break-even:** Given subdued discretionary spends and relatively weaker wedding calendar in the past few years, recently opened stores are expected to take longer (~36-42 months) to mature (vs. earlier expectations of 18-24 months).
- **US tariff impact:** The punitive 25% US duty on Indian exports forced RLL to absorb part of the cost, impacting profitability. Given buyers' extreme price sensitivity, orders are getting diverted to Bangladesh, keeping order inflows muted in the near term.
- **India-UK FTA:** India-UK FTA could act as a structural catalyst, enabling zero-duty access for exports and potentially doubling UK revenues (~INR1.5b ARR) within 2-2.5 years.
- **Working capital:** The inventory increase (vs. Mar'25 levels) is strategic and transitory, driven by network expansion and festive-led stocking, with management guiding for a working capital release in 4QFY26 as sales momentum and collections peak. However, management now expects overall working capital days at 80-85 days as the structural norm (vs. earlier 60 days).



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Restaurant Brands Asia

Buy

Current Price INR 64

Business environment

- RBA has seen a strong performance for October post the GST rate reduction and a healthy festive season. Management remains confident of a strong 3QFY26 performance.
- In 2QFY26, the India business achieved ADS of INR119,000, backed by 2.8% SSSG, which was led by both dine-in traffic growth and delivery channel.
- Delivery channel revenue grew 15.6%, while profits increased 1%, as the company continues to drive traffic into its restaurants and remains focused on both delivery and restaurant-level profitability.
- RBA continues to drive dine-in traffic with focused value offers to attract more customers.
- On the delivery front, RBA has been working with food aggregators to improve efficiency.
- RBA has seen consumers shifting from premium to value offering products over the last several quarters. That said, markets for core and premium ranges are still present. Despite being more value focused, RBA's premium range is also performing well.
- BK App saw ~70% growth in its monthly active users in the previous year.
- The company is scaling up its new initiative called King's Journey. Significant investments in digital sales channels have resulted in 91% of dine-in orders at

certain locations being placed through digital platforms, including Self-Ordering Kiosks (SOKs) and the BK App.

- Consumers see great value for money in Whopper as it offers several layers of taste vs peers.
- It has extended the range of proteins by offering fried chicken, paneer, and cheese patty options for its Whopper Deluxe burgers.
- RBA has setup a CRM team that will commence operations over the next few quarters. This will help the company to increase the frequency of existing customer base.
- It has recently launched a new broiler that will be available in all restaurants by the end of FY26. This new broiler will consume half the energy vs the current one.
- BK plans to open 60-80 new restaurants each year and targets for 800 restaurants by FY29 from the current 533 restaurants (20 stores opened in 1HFY26). RBA plans to open 580 stores by FY26 end.
- It aspires to achieve 70% gross margin by FY29; current GM stands at 68.3%
- With 509 Café restaurants in India, BK Café is now present in 95% of restaurants, up from 365 stores in 2QFY25.
- BK Café is gaining traction through menu expansion, product trials, and social media engagement.
- Crazy App Deals are exclusive dining deals available only on the Burger King app, aimed at driving loyalty and frequency.

Indonesia business

- Indonesia revenue declined by 4% YoY due to store rationalization and geopolitical headwinds.
- The company closed 3 BK store during the quarter, while Popeyes stores remain unchanged at 25 stores.
- The company has largely concluded BK store optimization in Indonesia.
- It is also investing in marketing campaigns to enhance brand awareness and drive customer engagement.
- BK is delivering steady performance. 2Q performance was impacted for one and a half weeks because of geopolitical headwinds in September. Management has indicated that conditions have stabilized from October onwards.
- Popeyes business has been a challenge for the company, and it is working on addressing this.
- RBA is rationalizing G&A and will save INR200m in FY26.
- The focus remains on increasing revenue through SSSG by bringing in more traffic into dine-in, similar to the India business.
- Indonesia ROM was negative because of higher ad spends; adjusted for that, the margin will be slightly positive.
- In Indonesia, the company has no plans for store expansion for both Burger King and Popeyes. Instead, it is prioritizing profitability by strengthening its dine-in business and optimizing the store portfolio.

Cost and margins

- GM expanded ~60bp QoQ and 80bp YoY on the back of supply chain efficiencies and changes in the menu mix.
- The company has recently opened two more distribution centers in India; this will help reduce distribution costs.

- RBA remains focused on driving efficiencies across its P&L through initiatives aimed at reducing utilities, rentals, and other fixed costs.
- New rent deals are way below what was signed six to eight years ago, and this will continue to lower the overall rent ratio as more such properties come online.
- Many IT contracts have been renegotiated and technology consumption has been rearranged, contributing to profitability.
- To strengthen profitability, the company plans to enhance delivery margins by optimizing pricing, refining the menu mix, and streamlining operational expenses.
- RBA continues to maintain profitability through disciplined cost management and operational efficiencies, ensuring sustainable financial performance.
- Management expects gross margins to reach ~70% by FY29.

Product innovation & promotion

- Continue 2 for INR79 (veg) and 2 for INR99 (non-veg) to drive incremental traffic.



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Sapphire Foods

Buy

Current Price INR 262

Business environment

- The macro environment is turning favorable, supported by income tax relief, GST rate reductions, and lower interest rates, which are expected to improve disposable incomes and drive consumer spending from 3QFY26 onward.
- The company's performance in the first 15 days of the quarter was encouraging, though the LFL comparison was impacted as Navratri was in 3Q last year.
- In Sri Lanka, the company effectively managed the minimum wage increase implemented in 1QFY26 and maintained EBITDA margins above 15% in 2Q. The company said that it will sustain margins at the current level in India as well.
- The recent GST reduction on input prices resulted in only a marginal benefit of around 50bp. However, the company has not realized the benefit yet, as most of the inventory was procured at pre-revised rates. From 22nd Sep, the company passed on the benefit to consumers, adopting a selective approach by offering price reductions on 7-10 high-selling products across KFC and Pizza Hut instead of across the entire portfolio.

Segmental information

KFC

- On LFL basis (Ex- Navratri days), KFC's revenue grew in double digits and SSSG was flat.
- Adjusted EBITDA for KFC showed improvement on a trend basis when normalized for the Navratri impact.
- KFC's dine-in revenue share declined due to multiple factors: (1) the company's extended delivery operations between 11 p.m. and 2 a.m., with around 10-15% of stores remaining open till 5 a.m.; (2) a higher concentration of high-street stores, which witness stronger delivery footfalls; and (3) structurally lower mall dine-in footfalls after Covid.
- The company launched the premium "KFC Gold" range featuring Zinger Burgers and Chicken Strips to strengthen its 'craveable' taste proposition.

- KFC added 19 new stores during the quarter, taking the total store count to 529, and maintains its expansion pace of 60-80 stores per year.
- App downloads for KFC crossed 60.2 million, with 2.1 million monthly active users.
- Digital kiosks are now implemented across more than 50% of KFC restaurants, enhancing efficiency and customer experience.
- KFC's margins are expected to remain in the current range, with further improvement contingent on stronger SSSG performance.
- Multiple revival initiatives have been undertaken to improve demand momentum in the coming quarters.

PH

- In PH, the Tamil Nadu market demonstrated the success of Sapphire's dine-in forward omni-channel strategy, backed by product innovation and brand investments, delivering double-digit growth.
- The company plans to replicate the Tamil Nadu strategy across the rest of India to drive consistent growth.
- Product innovation continued with the Juicylicious range in 1Q/2Q, Ultimate Cheese Pizza and Cheesy Pocket launched in Oct'25, and the Cold Coffee range now available in nearly 80% of stores.
- Dine-in appeal strengthened through exclusive value offers such as "Buy 1 Get 3," "4-Course Meals starting ₹99," and "Unlimited Pizza Fridays."
- The company remains cautious on store expansion, focusing on smaller 1,000-1,200 sq. ft. formats; net store count declined by one during Jan-Sep'25.
- In Tamil Nadu, joint media investments by Sapphire and Yum! led to a mid-teens delta improvement in SSSG and overall sales growth compared with other regions.
- App downloads for PH exceeded 19 million, with 1.1 million monthly active users.
- Dine-in mix improved to 50% in 2QFY26 vs. 48% in 2QFY25, supported by strong regional initiatives and improved customer engagement.
- PH margins are expected to improve once average daily sales (ADS) begin to recover meaningfully.

Sri Lanka business

- In Sri Lanka, the business continued to deliver strong performance under the same dine-in forward omni-channel strategy, supported by consistent innovation and marketing investments.
- The Sri Lanka business recorded SSSG of 14% in LKR terms, with healthy same-store transaction growth.
- Restaurant-level EBITDA stood at 15.4%, down only 10bp YoY, supported by strong revenue growth of 18% YoY in LKR terms.



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Senco Gold

Neutral
Current Price INR 322

Demand environment and performance

- 2QFY26 was marked by the highest-ever gold prices, reaching INR11650/gm in Sept'25, along with significant headwinds such as the Shraddh period, heavy rainfalls and floods in the Eastern region, and global uncertainties.



Particulars	2025	2024	2023
Revenue	1,11,11,111	1,00,00,000	90,00,000
Operating Profit	10,00,000	9,00,000	8,00,000
EBITDA	10,00,000	9,00,000	8,00,000
Net Profit	5,00,000	4,50,000	4,00,000

- Average Selling Price (ASP) and Average Ticket Value (ATV) also rose to INR56,700 and INR86,200 (YoY growth of 15% and 16%), respectively, consistent with the gold rate increase.
- 1H saw SSSG of 7.5%, while 2QFY26 declined 4%. The Stud Ratio segment also rose to 12%, supported by a 31% increase in demand for diamond jewelry.
- SENCO remains optimistic about strong demand in the upcoming wedding season and plans to launch 200k+ Gold and 100k+ diamond jewelry designs.
- Old gold exchange stood at 42% of sales vs 39% in 1QFY26.
- 1HFY26 coin sales were just 4%, in line with past trends.
- West Bengal & East contributed ~81% of the total revenue, while Franchisee Business contributed 34% in 1HFY26. Non-East stores delivered performance in the range of 25-30%.
- October 2025 saw the highest-ever sales of INR17b vs INR11b in the base. The high growth was led by the festive season.
- Despite rising gold prices, SENCO's retail sales have grown 25% YTD as of Oct, while volumes have remained flattish.
- Consumers are increasingly purchasing light-weight 22-carat jewelry and diamond jewelry, with growing traction in 9k and 14k jewelry.
- SENCO does not offer discounts in making charges, and rather focuses on attracting customers with new designs and attractive offers.
- Inventory levels increased to INR43.1b, mainly due to a rise in gold prices, higher GML, and stocking ahead for Dhanteras sales and new showrooms opening.
- GML reduced from 67% in FY25 to 51% in 1HFY26, reflecting volatility in gold prices, with SENCO perceiving potential margin call risks. As of October, the GML level was ~54%.
- Currently, the company's inventory levels are hedged in the range of 65-70%. Hedging has ~40-50bp impact on margins. On the sales front, the company is 90-100% hedged.
- Typically, a flagship store has 30-40kg of inventory; the levels are slightly lower for T2 stores.
- The company has launched multiple festive and brand campaigns, including Teej, Monsoon Edit, Rakhi, Azadi Utsav, and Varalaxmi, along with creative brand initiatives such as Elements of Nature, Aparupa 2.0, Everlite – Shakti Collection, and Gossip – Tattva Collection.

Cost and margins

- GM expanded 390bp YoY to 17%, largely backed by an improved studded mix and making charges.
- While 2QFY26 saw a strong improvement in EBITDA margin (+150bp), management aims for its annual EBITDA margin to be in range of 7.2-7.4%.

Guidance

- Revenue is expected to grow 18–20% in FY26, with a strong focus on expanding in East and North India.
- Standalone revenue target for FY26 is INR74b.
- The company is expecting an EBITDA margin of 7.2-7.4% for FY26.
- The GML availability has improved, and SENCO aims to recover its GML level back to 65% with an aim of improving the blended ROI.
- Additional 8–10 franchised outlets are in the pipeline. The company plans to open more franchisee outlets in the future.

- Strategically, the company prefers the franchisee model in the current environment due to its asset-light nature. However, it remains selective and enters into franchise agreements only after thorough due diligence.
- The company has guided to increase the studded jewelry mix to 13-13.5% by FY27 and gradually increase it to 15% over time, indicating a strategic push toward higher-margin products.
- It typically takes about one year for an East India store to break even, while a non-East India store usually takes about 2-3 years. Currently, ~90% of SENCO stores have reached operational break-even.



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Shoppers Stop

Neutral

Current Price INR 450

- **Demand trends:** Despite sluggish discretionary demand amid GST related disruptions and volatile macro situations, SHOP delivered strong LFL growth, driven by its focus on premiumization and enhanced shopping experience. Management indicated that during the ongoing festive season, customer entry further improved from ~6% LFL in 2Q, leading to double digit LFL.
- **Store additions:** SHOP opened four net stores during 2Q, with departmental stores seeing one net closure as certain store additions were delayed due to external factors. In 3QFY26, the company plans to add five departmental stores (nine in 2HFY26) and five INTUNE stores (13 in 2HFY26).
- **INTUNE:** Store openings in INTUNE have been tracking below management's lowered guidance of 30-40 store openings, as the focus was to enhance supply chain and improve the look and feel of the stores. As a result, LFL growth has moved to a positive trajectory (from high double digit negative in 1Q).
- **Core departmental stores:** LFL sales jumped 9.4%, the highest in a decade, with customer traffic up 6%. Growth accelerated through 2Q, with Aug-Sep reporting 10% LFL (vs. 6.5% in June), and further improved to double-digit during the ongoing festive season in Oct. Premium mix, loyalty, and personal shoppers drove margins. SHOP's three private brands ranked among top 10 sellers during the festive, reinforcing proprietary value.
- **Margins:** 1H margins were in low single digit. However, driven by a pick-up in sales during 3Q, management expects full-year margin in the mid-to-high single digits.
- **Beauty Segment:** SHOP is transforming beauty via digital, prestige, and distribution channels. SSbeauty.in drives user growth with personalized, curated experiences, currently in the strategic investment phase. Offline beauty retail growth remained in the mid-single-digit positive overall. The prestige segment performed strongly, led by fragrances and aspirational products. Masstige segment continues facing pressure, consistent with market trends. Global SS Beauty segment doubled YoY in 2Q with ARR > INR4b.
- **INTUNE losses and break-even:** Elevated losses were driven by the front-loaded investments into store opening and marketing, and are in line with management's expectations. INTUNE is unlikely to break even in FY26, though the target is to reduce losses by half in 2HFY26 and reach close to store level break-even by end-FY27.



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Titan

Buy

Current Price INR 3,883

Performance and Outlook

- The domestic jewelry business, which comprises Tanishq, Mia, and Zoya ('Jwl. Domestic'), delivered a robust revenue growth of approximately 18% YoY, despite elevated gold prices. Same-store sales growth stood at around 14%.
- Within the mix, gold jewellery grew c.13% YoY, coins grew c.65% YoY, reflecting investment-led demand, while studded grew at a steady c.16% YoY, driven by new collections.
- The early onset of the festive season, coupled with a robust gold exchange campaign and gold rate-led offers, enabled a change in consumer sentiments, supporting overall growth.
- October has been good with robust festive season sales. Gold prices moderated by about 6% in the 10 days after Diwali.
- TTAN has launched more offerings in the lower carriages segment. The company has tested 18 karat jewelry, which has received a good initial response, though its contribution to the sales mix is limited.
- In the lower price bands, there continues to be sluggishness in terms of the number of buyers.
- To stimulate buyer growth, TTAN ran a strong gold exchange campaign.
- TTAN is seeing higher traction in studded buyers vs gold jewelry buyers (ex-coins).
- The company introduced studded products in the sub INR100k segment, and the company expects to continue introducing such products to drive buyer growth.
- Jwl. Domestic EBIT margin stood at 11.1%; EBIT margins were under pressure on account of a skewed product mix, resulting from: a) higher gold coin sales, b) reduced studded margins due to the sharp rise in gold price, and c) investments in exchange offers and campaigns to drive growth.
- Regional jewelry players have witnessed inventory gains and are competing heavily by offering lower making charges or discounts.
- For 3QFY26, if gold prices stabilize, the company expects overall growth prospects to improve as footfalls will increase and studded gross margins will also stabilize.
- As of 2QFY26, Tanishq opened 9 stores YTD, with 8 stores opened in October.
- Overall, for FY26, TTAN expects to open 35-40 stores with a focus on revamping and transforming existing stores.
- TTAN has expanded and renovated ~35 stores in 1HFY26 and plans to renovate ~70 stores in FY26.
- The company believes LGDs' supply could increase in India, given the oversupply in the US. That said, customers are not too keen to purchase LGDs, and India continues to be at a nascent stage.
- Last year's correction in solitaire prices is complete, and prices have been rising since. Solitaires contribute 3-4% of sales. The high-value studded (>INR200k) segment witnessed ~1% YoY growth, contributing 14% to sales in 2QFY26.
- The international business is doing well, with North America leading the growth.

Margin guidance

- Lower carat products are not margin dilutive. However, on the gold exchange, there is a slight impact on margins.

- Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.

Segmental Information

Caratlane

- CaratLane (domestic) reported a strong revenue growth of ~32% YoY, underscoring continued traction across both online and retail channels.
- The category's performance was broad-based, led by a strong momentum in solitaires and healthy 24% YoY growth in the studded portfolio.
- Targeted promotions bundling coins resonated well with customers, aiding conversions and ticket size increase.

Watches & Wearables Segment

- The watches (domestic) business delivered revenue growth of 13% YoY, driven by the 17% YoY growth of the analog watches segment.
- Analog volumes rose 12% YoY, aiding overall growth contribution in the segment. The average selling prices rose 8% YoY.
- The Titan brand, driven by premiumization trends, was the clear growth leader, clocking robust double-digit volume growth.
- Premiumization trends are also visible within Sonata, wherein higher price band products have been contributing to an ASP increase and leading to double-digit ASP growth for the brand.
- Fastrack's new launches and youth-focused initiatives have enabled sustained low double-digit volume growth over the last 2-3 quarters.
- The smart watches segment witnessed a 22% YoY decline, led by a drop in volumes, whereas ASPs were higher YoY.
- The same store retail growth across key retail formats was in healthy double digits.

EyeCare (Domestic):

- The eye care industry is growing at 7-8%, and TTAN is growing ahead of the industry. TTAN's market share is less than 5%, providing a significant headroom for growth.
- The eye care business reported a ~9% YoY growth, led by 8% YoY growth in the domestic business.
- Growth remained strong through July and August with double-digit gains before moderating in September, as customers deferred purchases ahead of the proposed GST rate cut (12% to 5%).
- For FY26, the division is transitioning from brick and mortar to an omni channel, with plans to also build a digital channel.
- Sunglasses continued to outperform eyewear solutions (frames, lenses) across both house and international brands.

Emerging businesses

- In Women's Bags, 1QFY26's growth momentum was sustained in 2Q, driven by e-commerce-fueled festive sales, delivering 90% YoY growth for the category.
- The Fragrances category grew 47% YoY, driven by strong volume gains across Skinn and Fastrack perfumes. The category continues to uphold its consistent profitability track.
- Taneira achieved 20% YoY (secondary) growth, driven by early double-digit volume growth and high single-digit growth in average selling prices. The brand

continues its strategy of driving better optimization across its existing stores via higher same stores sales.

- In the Emerging Business portfolio, losses reduced to INR240m from INR290m in 2QFY25. The improvement was led by enhanced profitability in Fragrances.



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United Foodbrands

Neutral

Current Price INR 190

Business environment and performance

- In 2QFY26, SSSG stood at +0.8% (excluding 9 days of Navratri) and 2.2% including Navratri.
- The non-vegetarian portfolio (70–75%) was notably impacted during Navratri.
- For Jul–Oct’25, SSSG stood at +0.3%, indicating improving underlying momentum.
- Consolidated transactions grew 2.1% in 2Q (excluding Navratri days) and were flattish, including the impact period.
- For the 4M (Jul–Oct’25) period, dine-in volumes grew ~2%, while delivery transactions rose ~12%, underscoring healthy traction in the delivery channel.
- Dine-in business grew 1.6% QoQ and remained flattish YoY, with same-store volume growth of ~2% for Jul–Oct’25.
- Delivery business registered 7.0% QoQ and 4.6% YoY growth, supported by ~12% same-store transaction growth for Jul–Oct’25.

October SSSG improved to 6–7% at the consolidated level and ~5% for the India business, reflecting recovery post-Navratri.

- In FY26, the company planned capex of INR1,250m includes new restaurant additions (35 stores) along with maintenance and corporate capex.
- BBQN’s debt increased by INR400m in 1HFY26 for store expansion.
- The company expects that its cash flow generation to strengthen in 2HFY26.
- The company operates ~20 BBQ and ~15 premium CDR restaurants in Bengaluru, reinforcing its strong regional presence in the city.

Store expansion

- The company opened six new restaurants during 2Q and remains well-placed to add 9–12 outlets per quarter, targeting 300+ stores by FY27.
- Currently, 15 stores are under construction, and the company is on track to open 35 new restaurants in FY26.

Margins

- In Gross margin, slight moderation was observed owing to ongoing culinary innovation initiatives and a higher mix of value-oriented group offerings.
- The company reiterated gross margin guidance of 67–68% for FY26.
- Pre-Ind AS restaurant operating margin stood at 8.2%, temporarily impacted by softer gross margins, higher marketing spends, and new restaurant ramp-up costs.
- Marketing spend remains at ~3% of revenue and is expected to be maintained at similar levels.

Barbeque Nation India (BBQ India)

- In 2Q, SSSG stood at (1.1)%, excluding the nine days of Navratri, reflecting the temporary impact from the festive period.
- For Jul–Oct’25, SSSG stood at (1.6%), indicating a modest sequential recovery.

- Same-store transaction growth for the 4M (Jul–Oct'25) period was 3.7%, driven by improving footfalls and sustained engagement across formats.
- The company expanded its network with a net addition of 2 new restaurants during 2QFY26, reinforcing its focus on disciplined growth and profitable expansion.

International Business (BBQ International)

- Revenue grew ~27% Y-o-Y, supported by strong SSSG of +8.4%.
- Matured restaurants continue to perform at ~20% Pre-Ind AS restaurant operating margin.
- The company opened 1 new restaurant in Riyadh, Saudi Arabia.

Premium Casual Dining Restaurants (CDR)

- The company added a net of two new restaurants during 2QFY26, further strengthening its footprint across key markets.
- Revenue increased by ~17% YoY, driven by a healthy SSSG of +5.3%, reflecting improving demand trends and consistent guest traction.
- Mature restaurants delivered a robust Pre-Ind AS restaurant operating margin of ~20%, supported by strong operating leverage and efficient cost management.



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V-Mart Retail

Buy

Current Price INR 833

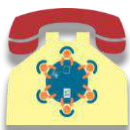
- **Demand:** Consumer sentiment improved in 2Q, driven by Gol's policy support, lower inflation, and early festive momentum. However, the delayed withdrawal of the monsoon in the East and coastal regions impacted the festive demand. GST rollout had a limited impact on low-ticket items but aided overall market sentiment. Diwali performance was positive but fell short of management's expectations, though demand picked up with the onset of winter.
- **Regional performance:** SPSF growth in Tier-1 markets was subdued at ~1%, reflecting spillover effects from disruptions in Eastern markets (lack of Bangladesh footfalls) during the festive period and continued underperformance in Southern clusters, AP, and Telangana, where consumer traction remained weak. In contrast, Tier-4 markets outperformed. Regionally, Tamil Nadu continues to deliver strong growth, which has encouraged management to increase its penetration in the market through Unlimited.
- **Outlook:** Management expects footfalls and discretionary spending to improve with easing inflation, rising consumer confidence, and is targeting mid- to high-single-digit SSSG. However, the festive season shift to 2Q may temper 3Q growth optically.
- **Store expansion** continues aggressively with 56 stores added YTD (40 in 1H, 16 in 3Q so far). Management has raised its guidance of store additions to 75 (from 65 earlier). New stores opened over the past 12–18 months are outperforming on growth and EBITDA, reflecting better site selection and operational maturity.
- **Gross margin:** VMART has been able to maintain stable gross margins, despite reduced contribution from LimeRoad (100% flow-through to gross margin). Management indicated that gross margin in the offline business improved ~60bp YoY in 1H, but has conservatively guided for stable gross margins in FY26, with reported margins impacted by the continued reduction in LR contribution.

- **Margins:** VMART's pre-IND-AS margins improved ~210bp YoY in 1H, driven by operating leverage, reduced inventory provisioning, and curtailed ad spends. However, management has conservatively guided for only a slight improvement in margins for FY26 (vs. 4.4% in FY25), based on mid-single digit SSG.
- **ASP increase in VMART:** Management attributed the rise in VMART format's ASP to mix change impact and early festive, which led to a reduced window for EoSS. Further, during festive periods, typically higher ASP products are sold.
- **Inventory freshness** has improved notably, leading to lower inventory provisioning and better margins. The company is enhancing supply chain agility and reducing inventory density to shorten time-to-market, improve customer experience, and ensure faster product availability.
- **Vendor network** capacity remains under pressure amid competition for suppliers from value retail peers. VMART is deepening integration across design, sourcing, and fabric while improving product design to boost operational efficiency and product quality.
- **Beauty:** VMART's beauty and accessories pilot covering ~25% of stores has delivered a 1–2% sales boost, showing early promise despite supply chain and regional dynamics. The category remains in the test phase, with plans to expand to ~50% of stores after refining assortment and localization strategy.
- **Capex stood** at INR300m during the 1HFY26, driven by new store openings and refurbishments.



VEDANT FASHIONS
— LIMITED —

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Vedant Fashions

Neutral

Current Price INR 619

- **Demand:** VFL's primary sales were adversely impacted by the GST transition during 2Q, due to disruptions in dispatches for 15-20 days. This led to ~6pp delta between reported and customer sales.
- **Pricing post GST 2.0:** For VFL, most of its products are priced upwards of INR2,500, where GST rates have increased from 12% to 18%. The company took calibrated pricing actions with selective pass-throughs, partial price absorption, and tactical markdowns (kurtas priced at INR3k earlier saw a price reduction to INR2,624, moving to the 5% GST slab). Management expects an improvement in broader consumer sentiment, with GST rationalization at the lower end to aid demand.
- **Regional trends:** After a slump in FY25, AP and Telangana markets have rebounded sharply in 1HFY26, with 20%+ growth, supported by improving footfalls and stronger conversions. The recovery underscores improving consumer sentiment and effective brand execution in key consumption markets.
- **SSSG:** Management targets for ~8-9% SSSG in the medium to long term, anchored by an ASP increase (~2.5–3%), a change in the brand mix (~0.5-0.6%), and a focus on footfall recovery and repeat behavior to unlock volume leverage.
- **Store additions:** Management continues to focus on improving the quality of retail footprint, which is likely result in the continuation of store consolidation in the near term. The company experimented with flagship COCO format in Bengaluru during 1H and will look to expand the concept through franchises at a later stage.

- Gross margin contraction (~270bp) was largely driven by the lack of wedding days in 2QFY26 (vs. wedding days in early July last year). Underlying unit economics was broadly intact.
- Design and merchandising are increasingly data-led, with 2.5x more design testing, sharper curation, and tighter inventory turns driving conversion gains.
- Manyavar continues to perform as the flagship brand with intensified marketing to drive footfalls.
- Mohey evolved from focusing solely on lehengas to gradually scaling to occasion wear. Designs have ramped meaningfully over the last few years, with the bridal mix reducing from ~50%+ earlier to ~30%, supporting a broader positioning and accelerating growth.
- Twamev is gaining traction in the bridge-to-luxury ethnic wear, targeting top 30-40m affluent consumers in India.
- Divas by Manyavar was introduced to cater to the festive wear needs at relatively lower price points (vs. Manyavar). The brand has seen good traction, especially online and in MBO channels.



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Vishal Mega Mart

Buy

Current Price INR 134

- **Demand trends:** 2Q benefitted from the shift in Durga Puja (from 3Q last year) and, to some extent, Chhath. However, this was offset by weather disruptions and five-day closure in Assam. Management estimated that the early festive season could have boosted SSSG by ~150-200bp, though weather-related seasonality (winters if festive season is later) also plays a part.
- **Demand outlook:** The company remains optimistic about an improvement in consumer demand, led by higher disposable income after GST rationalization, income tax rate cuts and good monsoons.
- **Margins:** Management reiterated its endeavor to keep gross margin broadly stable, with any surplus likely to be reinvested in the business to drive growth. However, EBITDA margin is likely to inevitably expand, primarily driven by operating leverage.
- **Store additions:** While management has not given any explicit guidance, accelerated store additions remain high on the agenda. VMM's initial forays in Kerala and pilots in Gujarat have seen encouraging response, prompting the company to increase its store addition plans in these states.
- **Quick commerce (QC):** VMM offers hyperlocal delivery in 695 stores (vs. 670 QoQ) across 460 cities and has ~11m registered customers on its QC platform (with ~20% of QC customers are new to VMM). Management indicated that QC contribution varies from 1.5% to 9.5% of store sales, depending on the presence of other QC players in any city. Further, FMCG accounts for ~75% of the typical basket in QC orders (vs. its ~27-28% contribution to in store sales).
- **GST:** The company has passed on the GST-related benefits on both its private label as well as third-party brands to customers. The GST change on VMM's portfolio has been the highest in FMCG (~50%), followed by GM (~30%), with only a modest ~1% change in Apparel, given no change in GST rates in below INR1,000 products. Management believes that GST cut would not change the ABV materially as it would lead to either an increase in the number of items

purchased per bill or upgrade to a premium SKU. Further, it does not expect any significant change in competitive positioning of the private labels as price differential remains high (vs. branded players).

- **Private label:** VMM expects to further improve the contribution from private labels to total sales (from ~75% in 1H). However, the incremental gains would be more gradual (vs. earlier), given an elevated base, difficulty in establishing supply chain for smaller categories and slower adoption in certain categories such as cold drinks, chocolates, ice-cream, etc.
- **Premiumization:** VMM would invest the better buying efficiencies from the scale to improve the product quality and price competitiveness. Further, the company is increasing fashion content of its apparel range and launching more aspirational products at higher price points, with a focus on retaining the customer as they upgrade their lifestyle. Further, management noted that higher price-point apparel is the fastest-growing category for VMM.
- **Smaller format stores:** VMM has increased its smaller format stores to nine (vs. six in 1Q) as the customer response has been encouraging. These small-format stores are typically half the size of its blended average store size of ~17.5k to cater to smaller towns (<50k population).
- **Runway for growth:** Management believes there is a significant runway for sustaining the growth, given unorganized retail still has the dominant presence in tier-2 and beyond towns. Further, VMM's commitment to maintaining its leadership on opening price points should attract customers who are currently out of the consumption bracket, providing longer runway for growth.



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Westlife Foodworld		Q3 FY2023	Q3 FY2022	Q3 FY2021
Revenue	INR 1,000.00	1,000.00	950.00	900.00
Operating Profit	INR 150.00	150.00	140.00	130.00
Net Profit	INR 100.00	100.00	90.00	80.00
EPS	INR 10.00	10.00	9.00	8.00

Westlife Foodworld

Neutral

Current Price INR 542

Performance and outlook

- July witnessed a decent performance; however, the operating environment remained challenging through August and September, with industry-wide out-of-home food consumption frequency declining by approximately 4–6% YoY.
- The decline was more pronounced in the Western fast-food segment.
- October showed MoM improvement, with early signs of recovery supported by easing inflation and government-driven consumption reforms.
- There were robust store expansions across the QSR and eating-out markets over the past 12-18 months, leading to intensified competition.
- Regionally, South India, particularly Bengaluru (its second-largest city with ~65–70 restaurants), acted as a drag on overall performance due to muted consumer sentiment and negative growth trends in the region.
- In line with government efforts to stimulate consumption, the company passed on the benefit of the GST rate reduction to consumers through a price cut of 80–100bp.
- Digital sales contributed approximately 75% to total revenue, expanding by over 300bp YoY, supported by enhanced loyalty programs, deeper engagement through mobile applications, and increased adoption of self-order kiosks (SOKs).
- On-premise sales grew 5% YoY, while off-premise sales remained stable.
- The company remains focused on strengthening its own delivery platform, aiming to double delivery sales from its proprietary app over the next 18–24 months.

- Management expects an incremental 3–5% SSSG contribution from McDelivery (own platform) over the next 1–2 years, with current revenues from its app already contributing a double-digit share of off-premise sales.
- A 20-minute delivery pilot has been launched for some of its hot products in select cities, supported by AI-driven systems that ensure product quality and packaging accuracy.
- The company remains on track to achieve its target of 580-630 restaurants by 2027.
- Most new stores opened in the last six months are performing ahead of expectations, with several operating above system averages.
- Drive-thru operations in select stores fulfill an order within 120 seconds, enhancing customer convenience.
- Strategic investments in AI-based location intelligence software are helping the company identify optimal store locations for future expansion.
- Management reiterated its focus on sustainable growth, avoiding excessive discounting, and maintaining brand value.
- The royalty rate stands at 5% (excluding GST), with no anticipated changes in the near term.

Strategic focus

- The company is focused on expanding its value portfolio, driving product innovation, and optimizing costs.
- The three strategic focus areas for WESTLIFE over the medium term are:
- Meals Strategy: Achieving market leadership in core day parts (such as lunch and dinner) through brand relevance, driven by menu innovation and focused marketing efforts.
- Omnichannel Strategy: Integrating various customer touchpoints and channels into a unified 'One McDonald's' platform to offer consumers a seamless experience across in-store, delivery, and digital platforms.
- Network Expansion: Expanding aggressively into unserved geographies and strengthening presence in existing markets, with a goal of achieving significant footprint growth.

Cost and margins

- Gross margin expanded 270bp YoY and ~80bp QoQ, reaching 72.4%, driven by sustained supply chain efficiencies.
- The company expects medium-term gross margins to sustain ~70%, supported by continued product premiumization, operational efficiencies, and a favorable mix.
- The company has maintained an 18-20% EBITDA margin by FY27.

Innovations and new launches

- It also introduced several product innovations during the quarter, including the Protein Plus Slice—an industry-first offering co-developed with CFTRI after 18 months of R&D. Each slice contains 5 grams of protein, underscoring the company's focus on nutritional leadership and consumer-led menu innovation.
- The company launched Big Yummy Burger in October 2025, which has received strong customer traction.
- The Everyday McSaver Meals platform continues to enhance affordability perceptions and drive value-led traffic.

TECHNOLOGY



- Management indicated that IT services spending remains steady, with no major changes expected through FY26. Clients continue to keep discretionary budgets tight and are prioritizing vendor consolidation. Among Tier-1 firms, HCLTech highlighted strong deal wins and subsequently raised its services revenue guidance, positioning itself as the fastest-growing among the top four. Infosys reiterated the top end of its full-year guidance, signaling a gradual pace of recovery, while TCS commentary pointed to a measured demand environment through 2H.
- Management commentary in BFSI remained relatively steady. However, management highlighted pressures in manufacturing, retail, and healthcare due to macro and trade headwinds. Several companies also indicated potential pressure in 2HFY26 as wage hikes, furloughs, and large-deal ramp-ups take effect.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Revenue outlook for FY26	Margin (%)
HCL Tech	■ For FY26, revenue growth guidance was maintained at 3-5% YoY in CC (while for Services, the guidance was upgraded to 4-5% from 3-5%). ■ Demand environment remains largely unchanged QoQ; BFSI and Technology are seeing healthy momentum, while auto continues to lag.	■ EBIT margin guidance was maintained at 17.0-18.0%. ■ The company will prioritize investments in AI despite near-term margin headwinds.
Infosys	■ INFO guides for FY26 CC revenue growth between 2% and 3%, increasing the lower end of the guidance from 1% to 2%. ■ Furlough patterns are expected to be similar to last year. ■ Volumes remained soft; most growth came from better pricing realization, aided by higher working days and value-based engagements under Project Maximus, which helped enhance effective pricing.	■ EBIT margin guidance remains at 20-22%. ■ The company continues to deepen localization efforts across all non-India geographies, strengthening nearshore centers in Canada and Mexico to ensure consistent delivery. ■ Subcontractor dependency has declined from 11% to around 7-8%, and management does not expect any structural increase from current levels. ■ FY26 FCF is expected to be above 100% of profit.
TCS	■ IT service spending remains stable with no major change expected through FY26, as clients maintain tight discretionary budgets and prioritize vendor consolidation. ■ The company is confident that international revenue in FY26 will surpass FY25 levels, led by strong client conversations in AI & data modernization and cost optimization. ■ TCS announced a strategic investment in AI data center infrastructure, with plans to build 1GW capacity over the next 5-7 years in tranches, accelerating in line with demand. ■ Around 150MW capacity will entail USD1b investment, funded through a mix of equity and debt. Initial revenue is expected in 18-24 months, with operations following a co-location model.	■ Margins expanded 100bp in 1H, and the company continues to target 26-28% aspirational margins. ■ Levers will include better utilization, productivity, and pyramid optimization. ■ Wage hikes will have some impact in 3Q (two months). Continued investments may pose temporary headwinds.
Tech Mahindra	■ 2HFY26 performance is expected to improve, supported by strategic actions, seasonality, and an improving demand environment. ■ Management reaffirmed that FY27 will be a better year for both the industry and the company compared to FY26. ■ H1B impact remains minimal at under 1% of the workforce. Visa dependence is below 30%. The company continues to strengthen nearshore delivery and hire locally.	■ Management emphasized that margin expansion will be led primarily by gross margin expansion, with limited contribution from SG&A rationalization going forward. ■ Tax rate for FY26 is expected to remain at around 27%. ■ Management remains confident about achieving its FY27 EBIT margin guidance.
LTIM	■ LTIM remains confident of sustaining growth momentum through 2H, aided by its large deal pipeline and ongoing transformation programs. ■ Large accounts are undergoing AI-led recalibration, where productivity commitments are built into contracts. Management emphasized that productivity is now the 'new normal' until the industry transitions to the next phase of growth.	■ Wage hikes are being staggered across two quarters (January and April 2026). The company emphasized cross-skilling and upskilling initiatives instead of a single annual hike cycle. ■ Management reiterated its confidence in further margin expansion over the coming quarters despite seasonal headwinds.
Wipro	■ Sequential guidance for 3QFY26 is -0.5% to +1.5% in CC, translating into USD2.59-2.64b in revenue. Harman acquisition is expected to close during 3QFY26; current guidance excludes any contribution from it.	■ 2Q margins were supported by INR depreciation, improved utilization, lower attrition, higher profitability in fixed-price programs, and SG&A optimization.

Revenue outlook for FY26

- Management expects several large deals signed in 1H to begin ramping up in 2H.

Margin (%)

- Headwinds came from large-deal transition costs, which will continue in 3Q.
- Management aims to maintain operating margins within a narrow band of 17.0- 17.5%. 3Q was seasonally weak due to furloughs and fewer working days.

Coforge

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Coforge

Current Price INR 1,783

Buy

Demand outlook

- Demand remains muted, but the addressable opportunity continues to grow, led by positive trends in BFS, Insurance, and Travel.
- Management highlighted that margin-led demand is emerging, where enterprises prefer vendors with strong engineering and AI capabilities. AI is viewed as a clear structural tailwind, though enterprise implementation complexity remains high, favouring firms like COFORGE with deep cloud, data, and engineering expertise.
- The company expects 2H to outperform 1H, driving robust full-year growth.
- It continues to focus on organic growth and expects to sustain robust growth over the next 2-3 years.
- Reported USD growth was 4.5%. Hedge losses doubled to INR300m in 2Q (vs. INR150m in 1Q), primarily due to high exposure to GDP and EUR, which muted potential currency tailwinds.
- Growth continues to be driven by execution intensity and rising AI-led service delivery.
- Furloughs are expected to remain at levels similar to prior years.
- Order intake stood at USD514m, up 1% YoY. Five large deals were signed during the quarter.
- The company added nine new logos during the quarter and has signed 10 large deals in 1HFY26, out of the full-year target of 20.
- The velocity and median size of large deals have been increasing over the years.
- Large deals: three came from North America (two in Insurance), and two from APAC. One of the NA deals was a legacy modernization engagement.
- Two of Cigniti's top 10 clients have already signed large deals with Coforge, indicating early cross-selling traction that is expected to improve further.
- BFS: Banking is seeing positive trends driven by lower interest rates and evolving regulatory requirements. Financial services demand is supported by shifts toward T+0 settlements, regulatory changes, and payments modernization.
- Insurance: Insurance industry seeing 4.5% growth, led by cyber and P&C demand.
- Travel: Travel and transportation continue to show strong growth. The Sabre deal has reached the steady-state level; rebadging activities are now complete.
- Healthcare business is on track to the USD 100m revenue goal and could surpass it. AI is being leveraged to enhance patient care through intelligent platforms.
- Increased focus on the payer and life sciences space, particularly AI-driven insights for drug discovery.
- Government business outside India has surpassed USD150m in revenue and is on track to reach USD200m run rate.

- EMEA: Deal signing delays seen in prior quarters are now easing, with recovery visible. Life insurance and public sector demand are showing healthy pickup.
- RoW: Extremely bullish on Australia, New Zealand, APAC, and MEA markets.
- The Code Insights platform, focused on legacy modernization and reverse engineering, is helping enhance productivity and revenue per employee.
- GenAI: COFORGE remains a trusted partner for enterprise-wide AI adoption, moving beyond pilot programs.
- AI-led automation is fundamentally transforming BPO delivery models, leveraging proprietary COFORGE platforms.
- The company expects a surge in competing AI platforms over the next 18-24 months.

Margin performance and other comments

- Management iterated potential margin exit of 14% in FY26 while emphasizing that growth remains the primary focus.
- Wage hikes, effective 1st Oct'25, are expected to impact margins by 100-200bp, partially offset by lower ESOP and D&A expenses.
- DSO (as % of LTM revenue) has risen YoY due to currency effects, though FCF-to-PAT remains intact.
- ETR is expected to be stable at 23.5-24%.
- ESOP costs stood at 1.4% of revenue.
- Revenue per employee continues to improve, driven by AI-based delivery platforms and non-linear growth.
- Announced an interim dividend of INR4 per share.
- The Cigniti acquisition is expected to close by Dec'25–Jan'26, with NCI to be removed retrospectively from 1st Apr'25.

CYIENT

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Cyient

Sell

Current Price INR 1,127

Commentary on verticals

- Transportation: Continued momentum in rail and aerospace programs.
- Management expects to sustain growth over the next 4-6 quarters, supported by the ramp-up of recent wins and strong order inflows.
- Networks & Infrastructure: Focus remains on improving the service mix and increasing contributions from high-margin digital and software-driven work. Telecom and utilities customers continue to invest in fiber rollout and network modernization.
- Strategic Units: Added seven new logos during the quarter. Mining and energy segments are seeing steady traction, while healthcare is emerging as a strong growth vertical.
- Semiconductors: The business reported a strong rebound in 2Q, with order intake recovering to previous-year levels. The segment now has an active pipeline of around USD100m for FY26. Earlier headwinds from low-value contracts are behind; focus is now on scaling up higher-value IP-led work.

Demand and outlook

- Despite ongoing macro uncertainty and geopolitical tensions, management indicated that the environment has entered a phase of stabilization.
- Reported sequential revenue growth for the first time after several quarters of softness.

- The market environment is better than what was seen in the early part of 1QFY26.
- Cyient's reputation in engineering design, digital, and manufacturing is well established, and management emphasized that data quality and data maturity are essential foundations for AI-led growth.
- During the quarter, a major aircraft OEM selected Cyient for a modernization program, a win against tier-1 competitors, underscoring Cyient's domain strength.
- Management expects 2H to be better than 1H, supported by ramp-ups in aerospace, utilities, and communications.
- Large deal execution remains a key focus area; Cyient is strengthening its deal pursuit organization and hiring senior talent to accelerate wins in 2H.
- The qualified pipeline increased by about 10% sequentially, led by aerospace, utilities, and semiconductors.
- Ramp-downs seen in prior quarters are largely behind; only a marginal impact expected in 3QFY26 as remaining transitions conclude.

Margin

- EBIT margin expanded 20bp QoQ to 12.2%, driven by operational efficiency and better service mix.
- Management reiterated significant headroom for margin expansion through deeper account mining, cross-sell, and upsell opportunities.
- Rolled out merit-based wage hikes to ~90% of associates during 2Q; the remaining will be implemented in 3Q. The full impact of hikes will be offset by ongoing cost-efficiency initiatives.
- Margins are expected to strengthen in 2H vs. 1H, supported by better utilization and operating leverage.

HCL

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HCL Technologies

Buy

Current Price INR 1,595

Demand and industry outlook

- Demand environment remains largely unchanged QoQ; BFSI and Technology are seeing healthy momentum, while auto continues to lag.
- Discretionary spending in some areas has become mandatory, driven by M&A and carve-outs at the clients' end, mostly linked to transformation programs.
- Legacy modernization, led by AI programs, continues to be the biggest demand driver with several USD100m+ program opportunities. The company won a large deal from a Europe-based retailer in this space.
- Broad-based growth continues on the back of strong execution.
- The company remains committed to an asset-light model, focusing on monetized IPs. Its "AI Factory" will service large DC programs — a scalable opportunity with minimal capex.
- Focused on two AI priorities: The company is building IPs around the intelligence layer developed by Tech OEMs, OpenAI, and hyperscalers to make it enterprise-ready. It is proactively transforming existing services to make them future-ready, even if it disrupts the current models.
- Revenue grew 2.4% QoQ in CC, led by robust growth in IT Services and ER&D. The software business remained soft due to lower perpetual licensing revenue, partly offset by higher subscription revenue.

- Pricing models are evolving from licensing-based approaches for proprietary IP to outcome/value-sharing models for productivity-linked engagements (e.g., SDLC productivity improvements).
- The company is actively investing in creating IPs to drive stickiness and differentiation, leveraging intelligence from partners like OpenAI and Llama while developing proprietary offerings such as AI Force.
- AI infra investments by hyperscalers present major opportunities in AI Factory design, implementation, and long-term operation revenue. HCLTech is already engaged with a top-10 global player on one such project.
- The company recorded USD2.5b TCV during this quarter, which was achieved without any mega deals, reflecting its robust sales engine.
- Bookings exclude renewals but include scope expansions; new billing metrics typically translate to revenue with a 1-2 quarter lag.
- AI is embedded in most deals, serving as a productivity enabler.
- Two large deals signed during the quarter were delayed from 1Q.
- 5 of 10 renewal deals saw higher ACV, driven by AI integration; others saw pricing deflation due to productivity pass-backs.
- Pilots are rapidly converting to large-scale programs, supporting advanced AI revenue growth.
- The company is targeting to lift quarterly TCV run-rate from USD2b to USD2.5b, supported by a strong pipeline and win ratios.
- It has continued investments in the sales engine; Public Services GTM added a new client this quarter.
- The company has raised full-year IT Services growth guidance to 4–5% (from 3–5%), driven by sustained revenue momentum.
- Overall revenue growth guidance is maintained at 3–5%, factoring in softness in the Products business (perpetual license decline).
- BFSI: Strong share gains seen in financial services.
- Manufacturing: Auto sector weakness continues to drag, though other manufacturing segments show recovery.
- Retail & CPG: Solid momentum has been observed in large-scale SDLC transformation and integration work related to M&A and carve-outs.
- Life Sciences & Healthcare: The segment is expected to mirror growth in Retail & CPG.
- Products & Platforms (P&P): Business continues to grow steadily, supported by recurring subscription revenue.
- Net headcount rose 1.6% QoQ to 226,640, with 5,196 freshers added in 2QFY26.
- Non-linearity is visible as revenue grew faster than headcount (2.4% vs. 1.6%), reflecting productivity gains from AI.
- The company plans to onboard more freshers YoY while optimizing existing workforce.
- On Gen AI: Advanced AI revenue crossed USD100m, contributing ~3% of total revenue, with a balanced mix across services and software. This includes Agentic AI, Physical AI, AI Engineering, and AI Factory but excludes Classical AI, data analytics, and delivery using GenAI.
- AI Force platform: The platform has already been deployed across 47 accounts with a target of 100 clients.

- AI Factory has formed partnerships with NVIDIA, DELL, and HP, with demand scaling rapidly and delivery capability expanding.
- AI deflation potential estimated as: BPO: 40–50%, SDLC: 25–30%, IT Ops: 10–20%, IMS: incremental 10–15% (if automation through ML).
- The company continues its localization efforts with reduced visa reliance and higher local hiring.

Margin performance

- EBIT margin expanded ~120bp QoQ to 17.4%, aided by recovery plans.
- 55bp impact from restructuring (skills mismatch and redundant facilities from past acquisitions) will continue through 3Q and possibly spill into 4Q (~40bp FY impact).
- Margin walk: Software business profitability +35bp, Services +81bp (one-off absence +30bp, Project Ascent +50bp, Forex +56bp, Restructuring -55bp).
- Wage hikes, effective from Oct 1st (3Q), are expected to impact margins by 70–80bp, with ~40bp incremental impact in 4Q.
- Quarterly variable pay for junior employees has been converted into fixed pay; annual performance bonuses remain unchanged.
- The company will prioritize investments in AI despite near-term margin headwinds.

HEXAWARE

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Hexaware Technologies

Buy

Current Price INR 703

Performance and demand outlook: 3QCY25

- The demand environment has stabilized, with improving trends across verticals and early signs of recovery in the Manufacturing & Consumer sector — the key drag in earlier quarters.
- Short-term headwinds emerged from the US government shutdown, restricting visa transfers (for employees moving between US employers), which could constrain onsite growth temporarily.
- Management expects CY26 to be better than CY25, supported by improved demand visibility and ongoing client budget discussions for next year. Further clarity on client spending intentions is expected in 4QCY25.
- Revenue for the quarter stood at USD395m, up 3.4% QoQ in CC terms. Reported growth was slightly impacted by adverse forex movements.
- This quarter benefited from higher license revenue, which offset headwinds from a higher offshore mix and moderation in the BPO segment.
- Among verticals, Financial Services led growth, followed by Travel & Transportation and Healthcare & Insurance.
- Several leadership transitions took place during the quarter to strengthen vertical focus and execution agility.
- Management has guided for a flat 4QCY25, factoring in regular furloughs (~2.5–3% impact) and temporary government shutdown-related disruptions.
- The company has been steadily reducing its dependence on H-1B visa hires over the past five years; new applications stand at zero.
- After a temporary slowdown in the previous quarter, deal momentum picked up in 3Q, though the benefit will reflect from 1QCY26.

- Two major consolidation deals were won — one with a Canadian bank and another with a Germany-based global insurer. The latter is a book-of-work consolidation deal rather than an enterprise-level integration.
- Other ongoing ramp-ups from previously won large deals are progressing as planned. Deal momentum remains healthy across categories — short-cycle, GCC-led, and renewal-based engagements.
- Overall pipeline stood at a record (~USD3b), though a moderation is expected in 4Q as several pending decisions close.
- Legacy modernization pipeline continues to strengthen, with at least three deals moving to full-scale transformation, including two RFP-based and one sole-sourced opportunity.
- Management noted that AI-linked productivity is now embedded in all renewals, leading to pricing deflation being offset by higher volumes and deeper transformation work.
- **Financial Services:** Continued to lead growth and is expected to be the fastest-growing vertical in CY25. Despite headwinds from a large client's budget cuts in 1Q, momentum has recovered strongly with new deal ramp-ups.
- **Healthcare & Insurance:** License-linked revenue boosted performance in 3Q. Growth expected to continue in 4Q, aided by new client additions and platform-led transformation deals.
- **Manufacturing & Consumer:** Early recovery signs are visible, aided by SMC contribution. Excluding SMC, the segment still delivered positive growth. New logos were added, and the decline has largely bottomed out.
- **Hi-Tech & Professional Services:** Headwinds from budget cuts and project closures continue; recovery expected in 1-2 quarters. One large professional services client saw a slowdown in consolidation ramp-up due to internal budget tightening, though HEXT continues to gain wallet share. Another top-20 client faced budget cuts, which will bottom out in 4Q.
- Verticals are restructured into Hi-Tech, Products, and Platforms under the new leadership.
- **Banking:** Sharp recovery driven by new logos and deal ramp-ups. Expected to lead sequential growth.
- **Travel & Transportation:** Declined due to project closure; however, full-year performance will remain ahead of company average growth.
- Offshore revenue mix rose to ~49%, driven partly by SMC integration, supporting overall margin expansion.
- Announced acquisition of Cybersolve (USD66m total consideration: USD34.5m upfront, USD31.5m performance-linked) to strengthen identity access and management capabilities.
- The Cybersolve acquisition is margin-neutral at EBITDA level but EPS-dilutive in the near term due to amortization of intangibles but is expected to normalize.

Margin performance and outlook

- EBITDA margins improved 30bp QoQ to 17.5%, driven by 40bp of operational tailwinds (utilization and mix) and 110bp forex benefit, partially offset by 70bp from higher license costs and 50bp from medical and travel expenses.
- ERP-driven cost optimization benefits have yet to be realized; management intends to reinvest these savings into growth rather than margin expansion.



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Results Update



The screenshot displays the Infosys Q2FY26 earnings call transcript. It includes a table of financial results comparing Q2FY26, Q2FY25, and FY25. Key metrics shown include Revenue (INR 1,486 crore), EBITDA (INR 250 crore), and Earnings Per Share (INR 12.50). The transcript also features a section on management commentary, discussing the company's performance, strategic investments, and outlook for the remainder of the fiscal year.

- EBITDA margin guidance was revised to 17.1-17.2% (earlier 17.1-17.4%) after wage hikes, effective Oct'25.
- ETR guidance lowered to 23.7% (earlier 24%).
- LTM OCF to EBITDA conversion stood strong at ~80%, exceeding internal expectations.

Infosys

Neutral

Current Price INR 1,486

Performance in 2QFY26 and demand outlook

- Enterprise AI companies are increasingly building modernization solutions for clients, and INFO is partnering with several of them, leveraging its deep knowledge of enterprise IT landscapes.
- INFO delivered a strong performance in 2QFY26, gaining market share with revenue growth of 2.2% QoQ in CC.
- Four out of five industry verticals recorded sequential growth during the quarter.
- The company continues to make strategic investments in its sales engine, technology capabilities, and workforce.
- Volumes remained soft; most growth came from better pricing realization, aided by higher working days and value-based engagements under Project Maximus, which helped enhance effective pricing.
- Furlough patterns are expected to be similar to last year.
- INFO continues to partner across the AI value chain—from chips to infrastructure to model deployment—through multiple strategic collaborations. The joint venture with Tesla is expected to close in the current fiscal year.
- INFO revised its FY26 CC revenue growth guidance to 2-3%, raising the lower end from 1% earlier.
- The lower end of guidance reflects elevated uncertainty, while the higher end assumes a stable demand environment.
- The company expects third-party expenses to remain lower than last year and sees no abnormal elevation ahead.
- Operating margin guidance remains unchanged at 20-22%.
- INFO announced a mega deal worth USD1.6b by the end of the quarter and signed 23 large deals during the quarter, with the majority focused on cost optimization, automation, and vendor consolidation
- The newly announced mega deal is entirely net new and expected to ramp up through FY26.
- Smaller deal momentum remains stable, while overall ACV levels were broadly similar to the previous quarter.
- BFSI: Strong momentum continues across mortgages, capital markets, commercial banking, and wealth management. The recent decline in interest rates has aided a pickup in mortgage activity. Banks have also made substantial investments to build AI infrastructure.
- Hi-Tech: Clients remain focused on aggressive cost reduction, leading to budget tightening and project deferrals.
- Communications & Media: The sector remains under pressure from high capex and subdued discretionary spending. AI-driven automation continues to be prioritized.

- Energy, Utilities, Resources, and Services: The company is focused on cost optimization and operational efficiency, unfolding consolidation opportunities across sub-segments.
- Total employee count stood at 331,991, up 2.5% QoQ, driven by strong execution and higher deployment needs.
- With utilization already at elevated levels, INFO hired ~8,000 employees during the quarter to support growth and ongoing projects.
- The adoption of Agentic AI continues to expand across technology operations to drive cost efficiencies.
- INFO is developing a new AI-driven services stack, emphasizing co-creation with clients and building forward-engineering talent.
- Growth opportunities are emerging in two key areas: (1) enabling clients to deploy AI for business growth and (2) improving efficiency and productivity through AI-led modernization.
- The company noted that as clients shift from cost-control mode to growth-focused investments, AI adoption will accelerate further.

Margin performance

- EBIT margin for the quarter improved 20bp to 21%, supported by multiple levers.
- Margin walk: +60 bps from currency tailwinds, +30 bps from Project Maximus (value-based pricing and lean automation), partially offset by -70 bps from higher post-sales customer support, subcontracting costs, and lower onsite utilization.
- Long-term margin levers remain intact. The company continues to deepen localization efforts across all non-India geographies, strengthening nearshore centers in Canada and Mexico to ensure consistent delivery.
- Over time, a higher share of work is expected to be offshored.
- Subcontractor dependency has declined from 11% to around 7-8%, and management does not expect any structural increase from current levels.

KPIT

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KPIT Technologies

Buy

Current Price INR 1,195

2QFY26 performance and demand outlook

- Client behaviour is evolving as KPIT transitions from pure engineering services to end-to-end solution ownership. The solutions-led business — where KPIT takes complete ownership and delivery responsibility — has doubled YoY, driving both revenue visibility and margin expansion.
- Client discussions have turned more positive, with improving macro stability and tariff clarity. Specific areas of traction include Autonomous Systems, After-Sales Diagnostics, Cybersecurity, and SDV, particularly across Europe, India, and China.
- In the US, commercial vehicles are expected to grow positively in the coming quarters.
- Management remains confident of a meaningful recovery in FY27, though not a 'hockey stick' rebound. More visibility on next year's demand will emerge by 4QFY26.

The image shows a screenshot of a financial report page from Motilal Oswal. It features a table with multiple columns of financial data, including revenue, EBITDA, and other metrics. There is also a small line chart at the top right of the table area. The text is in German, and the report appears to be for the quarter ending 30.09.2025.

- Short-term uncertainty has reduced by ~50% vs the start of the year. Demand has improved, though new product development timelines have been deferred by 1–2 years across OEMs.
- EV-related impairments seen in select clients are not widespread — alternate powertrain programs (like hybrid and hydrogen) continue, while core revenue drivers remain Digital Cockpit, Middleware, and Validation services.
- Clients in Southeast Asia remain cautious on investment decisions, awaiting clarity on the best localization strategy (US, Canada, or domestic manufacturing).
- Cybersecurity continues to present new opportunities across clients, especially in software validation and system integration.
- Organic growth remained soft due to client program delays; however, strong ramp-ups expected from 4QFY26 will aid sequential improvement.
- Management guided for flat-to-modest growth in 3QFY26 (organic) and meaningful acceleration in 4QFY26 as large deal ramps kick in.
- Revenue mix is gradually shifting toward higher-value solutioning and AI-led engagements, which will offset cannibalization in legacy service areas next year. CareSoft Italy and N-Dream entities will be fully consolidated from 3QFY26, adding incremental revenue and strategic access to European OEM programs.
- The reduction of USD 65m in revenue (impliedly from last quarter's deal TCV to current quarter's revenues) included USD45m from client program reprioritization/delays (mainly in Electricals and Middleware, US, and Asia) and USD20m from cannibalization by AI-led integrated solutioning.
- New vehicle programs, new logo additions, mobility adjacencies (Off-Highway, Industrial, Defense), and cost-optimization solutions are expected to be key growth drivers over the medium term.
- Battery and Sodium-Ion technology licensing are expected to yield royalties over the next 2-3 years; Hydrogen projects remain in the pilot stage.
- The D&A run rate will increase from 3Q due to full-quarter CareSoft consolidation.
- Deal TCV stood at USD232m, up 12% YoY, with strong traction across SDV and validation programs.
- The company won a strategic multi-year engagement with a leading European OEM for SDV transformation, spanning vehicle domains and technologies. Ramp-ups will begin in 3QFY26 and accelerate through FY27. The deal exceeds three digits in value and is spread over three years.
- MG Motor engagement is expected to start in 4QFY26 and scale up in FY27.
- Passenger Vehicles: The company continues to see momentum in Digital Cockpit and Middleware. Some delays are expected in architecture redesign programs, but underlying demand remains healthy.
- Commercial Vehicles: The company is expected to drive growth from 4QFY26, supported by off-highway and industrial vehicle engagements in North America.
- Europe: Growth was led by SDV transformation and large OEM engagements. OEMs are shifting from local to global supply ecosystems, driving demand for software consolidation and validation.

Margins performance and outlook

- Management reaffirmed its FY26 EBITDA margin guidance of ~21%, despite wage hikes spread across 3Q and 4Q.

- Margin drivers include: Higher fixed-price and solution-led projects, improved productivity through AI and automation, and cost optimization through pyramid restructuring.
- Net profit was impacted by losses from Qorix and N-Dream, mainly due to ESOP-related accounting changes and absence of license revenues, expected to normalize in subsequent quarters.
- DSO increased to 49 days due to the CareSoft consolidation; normalization is expected in H2FY26.
- Interest expense increased INR47m due to working capital loans for the CareSoft integration.
- Qorix JV—currently in strategic repositioning—is seeing renewed OEM discussions around middleware and architecture optimization. These are expected to translate into wins as OEMs begin new program cycles.
- Fixed-price contracts increased sequentially, aiding margin stability but slightly affecting cash flow timing due to milestone-based billing. Impact is minimal on an overall basis.



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LTIMindtree

Buy

Current Price INR 5,756

Demand and industry outlook

- LTIM remains confident of sustaining growth momentum through 2H, aided by its large deal pipeline and ongoing transformation programs.
- The management highlighted that legacy modernization is witnessing renewed client interest. Market priorities have shifted — clients now seek modernization of data, technology, and infrastructure through vendor consolidation-led large deals.
- The company expects revenue growth to accelerate in the coming quarters and aims to achieve high single-digit to low double-digit growth by FY26-end (in USD terms).
- Management remains confident that the momentum will continue, with growth expected to be slightly higher than 2Q.
- The company emphasized that deal execution and delivery efficiencies remain key drivers of growth.
- Total order inflow stood at USD1.59b, up 22% YoY, marking the fourth consecutive quarter of TCV exceeding USD1.5b. The BFSI vertical was a key contributor to deal momentum.
- Key wins included a strategic engagement with a large media company, which will take longer to ramp up due to multi-vendor transitions (after couple of quarters).
- Order booking patterns are influenced by three factors: 1) transition periods determining when deals move into steady-state execution, 2) renewal deals that are being recalibrated and clubbed with vendor consolidation programs (e.g., a large media deal), and 3) renewal contracts being reset to new pricing benchmarks in a productivity-focused market.
- LTIM also secured a significant government contract with the Department of Direct Taxes to modernize the “PAN 2.0” infrastructure, which has already begun ramping up and will scale further in 3QFY26.

- Most new deals continue to leverage vendor consolidation opportunities, though net-new deal activity also remains healthy.
- Large accounts are undergoing AI-led recalibration, where productivity commitments are built into contracts. Management emphasized that productivity is now the “new normal” until the industry transitions to the next phase of growth.
- BFSI: The vertical entered FY26 on the back of strong FY25 growth but faced some recalibration due to vendor transitions. Growth is expected to improve over the next couple of quarters, with management optimistic about 2H recovery.
- Technology, Media & Communications: Post-productivity recalibrations are largely behind, and the company expects growth to resume as renewals normalize. The pipeline remains healthy.
- Consumer Business: Revenue grew 9.1% QoQ, led by strong demand across key accounts.
- Around 80,000 employees have completed the GenAI foundation program, underscoring the company’s focus on AI-led capability building.

Margin performance

- EBIT margin stood at 15.9%, up 160 bps QoQ, ahead of management expectations. The improvement was driven by the “Fit4Future” program (contributing ~80 bps) and currency tailwinds (another 80 bps).
- 1Q typically sees higher seasonal costs, the absence of which supported SG&A rationalization in 2Q.
- Wage hikes are being staggered across two quarters (January and April 2026). The company emphasized cross-skilling and upskilling initiatives instead of a single annual hike cycle.
- The Fit4Future program—focused on productivity through AI adoption, pyramid correction (via fresher hiring), optimizing span of control, and lowering overheads—continues to yield results.
- Management reiterated confidence in further margin expansion in the coming quarters despite seasonal headwinds.
- LTIM aims to maintain an OCF to PAT ratio near 90%. Free cash flow generation will remain impacted in the near term due to investments in new delivery hubs and internal IT modernization.
- Utilization remained flat during the quarter (at highs of 88%), but management aims to take it to 85–86% over the next few quarters.
- The fresher hiring program remains intact, and subcontractors may be used selectively for initial deal ramp-ups.



L&T Technology Services

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L&T Technology

Neutral

Current Price INR 4,073

Demand and industry outlook

- The macro environment remained similar to 1QFY26, though deal conversations have increased across all segments except for Auto. FY26 is expected to remain a tight year.
- Customers are gradually adapting to the “new normal,” with decision-making showing early signs of improvement in recent months.
- The adoption of AI in manufacturing continues to pick up steadily.



- Multiple consolidation deals are underway, especially among Western and Eastern European firms, with more expected in the coming quarters.
- Management noted potential signs of a demand revival from February 2026 onwards.
- The “Go deeper to scale” and multi-segment strategy is driving deeper client engagements.
- LTTS reaffirmed its double-digit revenue growth guidance for FY26 and remains confident of achieving its medium-term USD2b target.
- Growth continues across the US and Europe, with a broad-based recovery expected across all verticals from 4QFY26 onwards.
- The company continues to focus on utilization optimization and productivity gains through automation and AI-led delivery models.
- Revenue contribution from top clients is expected to increase, supported by strong client mining and account expansion initiatives.
- LTTS filed 216 patents in AI and GenAI.
- Licensing revenue contributed 1% of trailing 12-month revenue, with a target to reach 5% over the medium term.
- Key platforms include QGuard.ai, FusionWorld.ai, PLxAI, AiNexus, GENIQ, and TrackEIT, all of which continue to see strong client engagement and early monetization.

Vertical-specific demand commentary

- **Mobility:** Trucks and off-highway segments performed well; Aerospace and Railways remained resilient. The Auto vertical continues to face headwinds as clients reassess spending priorities. However, local manufacturing programs remain resilient. Around 85% of the business in this segment comes from Auto OEMs. Vendor consolidation opportunities are emerging in Europe and the US. Truck and Off-highway clients are investing in new rollouts, including a USD20m win in the quarter. The segment is expected to be muted in 3Q due to cyclical furloughs but should recover in 4Q.
- **Sustainability:** Sustained demand and ramp-up of large deal closures supported growth. LTTS signed a USD100m+ multi-year deal in the Sustainability vertical with a US-based industrial equipment manufacturer in the semiconductor value chain. The deal spans over five years, is largely offshore, and aligns with segment margins. The vertical now has an account with an annual run rate exceeding USD50m in the plant engineering sub-segment. Growth drivers include AI-led industrial solutions and greenfield digitization programs for utilities.
- **Hi-Tech:** Software and platform segments continue to gain traction through agentic AI offerings, with encouraging client response and deal wins. Media & Tech vertical is evolving rapidly with demand for AI and immersive technologies. MedTech is seeing strong growth in Europe and Japan, though some ramp-up delays persist in the US. The vertical is expected to accelerate in 2H. The
- **MedTech** business is nearing USD50m in annual revenue, while heritage tech clients (three hyperscalers) are in the USD30m+ bracket.

Margin performance and outlook

- EBIT margin stood at 13.4%, up 10bps QoQ. Margin expansion was aided by currency gains but partially offset by headwinds in the Auto sub-segment.
- Management expects sequential expansion in margins, supported by higher growth, improved quality of revenue, favorable segment mix (with large deals in high-margin areas), leverage from AI in delivery, and SG&A optimization.



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- Integration of Intelliswift continues to yield cost synergies, resulting in a 40-50bp reduction in SG&A during the quarter. The target range for SG&A is 10.5-11% (currently at 11.5%), to be achieved over the next few quarters.
- D&A expenses were elevated due to Intelliswift-related amortization and capitalization of the new Baroda facility (~INR950m).
- Client-specific volume and price discounts provided in 4QFY25 have now ended, supporting margin recovery from 3Q onward.

Mphasis

Neutral

Current Price INR 2,660

Demand and industry outlook

- Efficiency and savings continue to dominate client discussions, though bundled with transformation and modernization programs.
- The company expects to grow at >2x industry rate in FY26, backed by 1H performance and strong TCV conversion. Sequential growth is expected to continue through 2H, led by steady ramp-up of large deals won in prior quarters.
- Clients are increasingly focusing on savings-led transformation; pricing competition has not impacted profitability.
- Direct business grew 2.2% QoQ/7.9% YoY CC, contributing to 97.5% of revenue.
- Growth was led by AI-led modernization within Direct Apps and steady ramp-up of build-and-run programs.
- Fixed-price contracts increased by >50% YoY.
- Hedge losses are expected to remain similar in the near-term; 80% of exposure is hedged under the rolling four-quarter policy.
- It is too early to assess the impact of furloughs, but the higher share of fixed contracts provides flexibility.
- The FY26 exit run rate is expected to improve meaningfully, with the direct business being a primary growth driver.
- 1HFY26 TCV of USD1.3b already exceeds FY25 full-year TCV.
- The large-deal pipeline rose 180% YoY, aided by the new large-deal pursuit teams.
- Conversion from TCV to revenue remains steady; ramp-ups are expected to strengthen over 3Q and 4Q.
- **BFS revenue** grew 13.8% YoY (Direct BFS +17.3% YoY), driven by wallet share gains and the ramp-up of new accounts.
- Rate cuts could support mortgage refinancing volumes in the coming quarters.
- Regional banks remain stable; no credit stress was observed.
- YoY growth in BFS was impacted by the ramp-down of the ATM business. CQGR was 4% in direct.
- **Insurance:** The insurance vertical grew 4.5% QoQ / 32% YoY CC, led by ramp-ups in recent large deal wins and modernization programs. The company expects continued strength over the next few quarters as large deals reach a steady state.
- **Logistics:** The logistics vertical witnessed a 2.7% QoQ decline. It expects sequential growth from 3Q onwards. The vertical's margin impact in 2Q was a one-off, tied to a client-specific investment. Normalization is expected in 3Q.
- **Others:** The company has onboarded a new leader, leveraging the Javelina platform to expand its client base beyond the payer space to national-level enterprises.

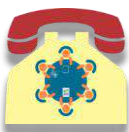
- Offshore utilization (ex-trainees) rose 300bp QoQ to 87%, the highest in five years.
- Dynamic workforce planning is guided based on rolling 90-day forecasts to optimize bench strength. H1B reforms have limited direct impact but are expected to globalize work and accelerate automation adoption.
- The company launched NeoIP™ Agentic Platform, integrating multiple AI agents for transformation.
- It has embedded other platforms—NeoCrux, NeoZeta, NeoSaBa—across verticals to enhance productivity and efficiency.
- 69% of the overall deal pipeline is now linked to AI-led services.
- The adoption of AI model is evenly split between efficiency-driven and innovation-led projects.
- The company embeds human-in-loop risk mitigation in AI offerings to prevent hallucination and ensure quality outcomes.
- Client mining continues to improve wallet share—top customer grew faster than the company average in 2Q.

Margin performance

- EBIT margin stood at 15.3%.
- The company has maintained its margin stability despite continued investments in GTM and AI platforms.
- The 2Q margin impact in its logistics vertical was one-off, tied to a client-specific investment; normalization is expected in 3Q.
- The company maintained its sustainable EBIT margin within the target range of 14.75-15.75%.



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Persistent Systems

Buy

Current Price INR 6,077

Growth and demand outlook

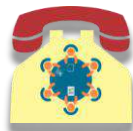
- Macro remains mixed, but the environment is stabilizing as stakeholders adapt to it. The company is confident of sustaining historical growth momentum.
- The industry is expected to continue reporting good deal wins going forward.
- The company remains committed to strengthening capabilities in AI. It is making steady progress toward achieving USD2b revenue by the end of FY27. The tech services industry is evolving toward “Service-as-Software” end-to-end solutions, combining services, software, and outcomes.
- 2QFY26 revenue stood at USD406m, up 4.2% QoQ in USD terms (+4.4% in CC).
- The company has reported robust growth across all client cohorts. BFSI is expected to lead growth due to deal ramp-ups and a healthy pipeline, followed by Hi-Tech and Healthcare.
- It is still early for AI to have a significant impact renewal deal revenues; however, the company is proactively integrating AI-led solutions into its top 100 customers (~82% of revenue).
- The company has maintained consistency in the TCV-to-ACV conversion. SASVA licensing revenue occasionally forms a part of large deals. AI-led deal wins are enabling the company to improve realization and margins.
- TCV stood at USD609m, up 17% QoQ / 15% YoY (book-to-bill ratio at 1.5x). Of this, USD351m came from new business.

- Growth outlook remains strong with broad-based bookings. The company has been selected by a leading cloud infra provider to build and scale AI infrastructure platforms using SASVA.
- BFSI led growth during the quarter. The company has been selected by a major American bank for tech debt remediation and CX transformation. Previously, it won a large multi-year deal with the same bank against a Tier-1 incumbent. Growth is broad-based across banks, fintechs, and other financial service providers.
- Healthcare & Life Sciences (HLS): Large deals are progressing through ramp-up, offshoring, and optimization cycles. The company faces no concerns with large clients, and its strong pipeline remains intact. It has been impacted by the “Big Beautiful Bill” in the US; it is closely supporting clients with compliance and tech solutions.
- Sub-verticalization within healthcare is yielding strong customer response and pipeline traction.
- Europe: Growth is driven by Hi-Tech customers, aided by the ramp-up of a previously won large deal. North America / RoW: No major updates have been shared.
- The company anticipates structural industry changes due to H1B visa-related developments. It may invest in onshore centers to strengthen delivery presence.
- “AI for Technology” is driving engineering hyper-productivity; “AI for Business” is focused on domain-based productivity. Enterprise data readiness framework enables secure data foundations; iAURA accelerates modernization of legacy systems.
- SASVA streamlines SDLC and optimizes GPU infrastructure for scale. The company has filed 20 new patents, bringing the total SASVA patents to 75. It has announced new partnerships with Anthropic and DigitalOcean. Moreover, it has deployed 50+ AI agents across internal functions such as Finance, HR, and Business Delivery.
- The company is building AI capabilities faster than peers and executing them strongly on GTM. It has appointed Jaideep Dhok as the Chief Operating Officer.

Margin performance and outlook

- EBIT margin stood at 16.3%, up 80bps QoQ.
- Margin walk: +80bps from software license cost reversal for one client, +60bps from currency gain, +30bps from offshoring ramp-up for a large healthcare client; -50bps from higher doubtful debt provisions, -20bps from lower utilization, and -20bps from IT amortization and depreciation.
- Offshoring ratio remains optimal at ~85%. Its pricing structure is aligned with customer agreements to ensure fair realization.
- Wage hikes effective from 1st Oct 2025 for all employees are expected to impact margins by 180bps in 3Q; ~80-100bps of this will be offset by utilization, offshoring, and subcontractor rationalization.
- The company is comfortable with its current utilization levels and expects to maintain it for a few quarters before normalizing to 83–85%.
- Margin aspiration: +100bps improvement YoY in FY26 and FY27 each, after which growth will be prioritized.
- ETR for 2Q stood at 23.5%; FY26 guidance remains at 22.5–23.5%.

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Tata Consultancy Services

Buy

Current Price INR 3,086

2QFY26 performance and demand outlook

- TCS delivered a strong performance against a backdrop of continued challenges, with India continuing to show robust growth.
- Sales momentum remained strong across industries and markets during the quarter.
- Project deferrals have reduced compared to the previous quarter.
- IT service spending remains stable with no major change expected through FY26, as clients maintain tight discretionary budgets and prioritize vendor consolidation.
- TCS announced a strategic investment in AI data center infrastructure, planning to build 1GW capacity over the next 5-7 years in tranches, accelerating in line with demand.
- Around 150MW capacity will entail USD1b investment, funded through a mix of equity and debt. Initial revenue is expected in 18-24 months, with operations following a co-location model.
- Data centers will be established across India, with all data and compute hosted within the country. TCS will provide all passive components and sell capacity to pure-play AI providers, Indian enterprises, and select government agencies.
- Discussions with financial partners are ongoing, potentially involving one or more institutions.
- The company sees significant opportunities in the evolving AI landscape. It has previously expanded its private cloud footprint and announced participation in sovereign cloud and quantum computing with the Andhra Pradesh government.
- There remains unmet demand for data center capacity in India. The current capacity stands at ~1.2GW, while demand is expected to rise 10x over the next 5-7 years, with supply reaching only 5-6GW. This will provide annuity-like revenue streams for TCS.
- Growth in the international business is expected to outpace both domestic growth and last year's 70bp CC increase.
- Furloughs are expected to remain similar to last year.
- Deal mix remains healthy with both cost optimization and transformation programs.
- Rapid build-up projects have resumed growth, though at a slightly lower volume than last quarter.
- Several modernization programs continue, albeit with limited incremental change.
- The quarter saw a mega deal win with a Swiss insurance client, reinforcing its position as a strategic transformation partner.
- Redundancy-related costs will continue through the year, impacting the next two quarters.
- **BFSI:** Continued growth is expected across global markets, with North America performing strongly.
- **Retail & CPG:** The prior declining trend has now stabilized.
- **North America:** The region witnessed stable performance with improving demand trends.

- **UK:** The region experienced continued sequential growth, better than the previous quarter.
- Hiring continues locally across markets, including LATAM, emphasizing skill diversification.
- Around 1% of the workforce at mid and senior levels was let go due to skill mismatches.
- **On Gen AI:** TCS is leveraging AI across the enterprise, from ideation to scaled deployment, through its AI Labs, platforms, and agent-based business solutions.
- On cybersecurity, TCS continues to support clients amid recent incidents, with no major threats identified.
- Internally, under the 'TCS to the Power of AI' initiative, the company has democratized AI learning, equipping 160k associates with AI-ready skills.
- In software engineering, AI-powered modernization is delivering 10-15% efficiency gains, targeted to reach 20-25%.
- GenAI is helping clients understand legacy systems and build modern cores, currently concentrated in BFSI (notably a North American bank), with plans to expand across industries.

Margin performance and outlook

- EBIT margin stood at 25.2%, up 70bp QoQ.
- **Margin walk:** Headwinds: Wage hikes (covering 80% of workforce) 70bp; **Tailwinds:** Currency: 80bp, pyramid rebalancing 40bp, and operational efficiency 20bp.
- Quarterly variable pay was significantly higher YoY.
- Redundancy-related costs will continue through the year, impacting the next two quarters.
- Ongoing capex includes investments in data centers and AI-led platforms.
- The BSNL contract remained flat during the quarter.
- Wage hikes will have some impact in 3Q (two months). Continued investments may pose temporary headwinds, but management remains committed to inching closer to 26% margins.
- The capital allocation policy remains unchanged, with a continued focus on shareholder returns.
- Margins expanded 100bp in 1H, and the company continues to target 26-28% aspirational margins.



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Tata Elxsi

Sell

Current Price INR 5,279

2QFY26 performance and demand outlook

- Reported revenue of USD105mn; up 1.0% QoQ in cc and 2.9% QoQ in INR; EBITDA margin was 21.1%.
- Management remains confident of stronger 2H vs. 1H, citing improved deal conversions and a healthy pipeline.
- Expects double-digit revenue growth in FY27, led by transportation and healthcare verticals.
- Growth was led by US market (+7.9% QoQ); Europe and Japan showing steady traction; US remains muted for automotive but performing well in adjacencies (aerospace, off-road, commercial vehicles).



- Enterprises increasingly investing in on-prem data centers and edge infrastructure to support AI workloads.
- System Integration business up 20.5% QoQ, aided by AI-led enterprise infra demand.
- Established a dedicated Cloud HIL (Hardware-in-Loop) Center for Suzuki Motors in Thiruvananthapuram, its second after the Pune ODC set up last year.
- Multi-year, multi-million dollar engagement; peak ramp-up expected in 6-8 quarters, providing 3+ years of business visibility.
- Launched a technology center for Bayer in radiology devices a multi-year, multi-million engagement.
- Sequential margin uptick of 20bp QoQ: +90bp forex gain offset by 40bp higher people costs (campus onboarding, sales investments) and 30bp other expenses (AI infra, partnerships). Net PBT margin at 22.2%, aided by hedging gains and UK R&D credits.
- Tax rate to remain around 26-27% for FY26. Utilization improved to ~70%, with a target of 75% by FY26 and 80% in the following year. Management remains focused on driving higher utilization as a key margin lever and is confident that achieving these levels will help restore margins to their historical trajectory despite wage hikes.
- Strong SDV-led deal pipeline across global OEMs; cloud simulation and software-defined vehicle (SDV) work gaining traction.
- Cybersecurity incident at a large OEM deferred some project starts; excluding this, growth would have been positive QoQ.
- OEM share rising, while Tier-1 business stabilizing; majority of incremental growth to come from OEMs.
- Expect double-digit growth in FY27; Europe and Japan leading recovery, aided by OEM investments to counter Chinese competition.
- Long-term Suzuki partnership driving visibility; ramp-up to peak in 6-8 quarters.
- +6.8% QoQ growth, aided by ramp-up of large deals (including MBC Now OTT launch using TEPlay platform).
- Management expects moderation in 2H amid ongoing industry restructuring, M&A, and consolidation.
- Communication sub-segment remains “wait and watch” given limited visibility.
- Down 2.3% QoQ due to conclusion of large MDR/regulatory programs; pipeline rebuilding underway.
- Confident of recovery from 2H; FY27 growth expected in double digits.
- **US remains** the primary geography; Bayer engagement provides multi-year stability.
- **Europe:** Expected to rebound in 2H as OEMs increase outsourcing amid cost pressures from Chinese competition.
- **US:** Muted in near term for core auto, though adjacencies (off-road, aerospace, commercial vehicles) showing healthy growth.
- **India:** Steady performance across clients; China market small and localized, with internal collaboration limiting foreign vendor participation.
- Attrition rose marginally due to denominator effect; management expects improvement in 2H.
- No intent to enter semiconductor design; focus remains on software stack and platform integration (e.g., Qualcomm partnerships) as enablers in OEM deals.

TATA TECHNOLOGIES

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Tata Technologies

Sell

Current Price INR 675

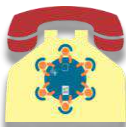
Performance and demand outlook – 2QFY26

- TTL returned to sequential growth in 2Q, with overall revenue up 6.4% QoQ (4.5% in CC) and services revenue up 5.1% QoQ (3% CC).
- Growth was driven by strong performance in aerospace and industrial heavy machinery, which delivered 14% sequential growth in USD terms, supported by sustained demand across MRO, PLM, manufacturing engineering, and digital transformation.
- The automotive vertical also turned positive with 0.5% sequential growth, signalling early signs of stabilization.
- The BMW JV scaled to 1,000 employees during the quarter, contributing 6% of overall pre-tax profit and continuing to exceed expectations in both scope and quality of work.
- Management remains optimistic about 2H FY26, expecting continued recovery across all verticals, though Q3 may see temporary moderation due to seasonal factors and customer-specific headwinds (notably the ongoing JLR IT system restoration).
- Three large deals were closed in Q2: A Tier-1 automotive supplier engagement to harmonize its IT and product data landscape post-acquisitions. A Scandinavian OEM deal to develop a next-gen heads-up display unit.
- A German OEM engagement focused on body engineering services – TTL's first direct deal with this client.
- Signed a definitive agreement to acquire ES-Tec Group, a specialist in advanced automotive systems engineering with direct access to Volkswagen. Integration and synergy realization to begin post-closing (expected in Q3).
- A strong rebound is expected in 4QFY26, supported by the large-deal pipeline and normalization of client operations.
- **Automotive:** Returned to growth after several soft quarters. Strength across anchor and non-anchor clients. Monitoring potential near-term impact from JLR's cyberattack recovery.
- **Aerospace:** Continued double-digit growth, expanding in aerostructures, interiors, propulsion, and MRO systems. Strong traction with Airbus and North American clients.
- **Industrial Heavy Machinery:** Maintained steady momentum, benefiting from digital transformation and PLM programs.
- **Technology Solutions:** Up 10.6% QoQ, led by strong showings in education (as deferred projects moved into execution) and product businesses (seasonally strong H2 expected). Healthy pipeline and cross-selling opportunities expected from the ES-Tec integration.
- **Attrition:** Rose slightly to 15.1% (from 13.8% in Q1), largely due to movement of talent to GCCs and Tier-1 OEMs, but remains within industry norms.
- **BMW JV** continues to attract top automotive engineering talent and deliver high-complexity work recognized by BMW.
- Continued investments in upskilling (7,200+ employees trained this quarter, including 1,200+ in Generative and Agentic AI).
- DSO increased to 109 days (from 87 in Q1) due to temporary customer payment delays; expected to normalize in the coming quarters.

- Wage hikes were rolled out for ~88% of employees, with management implementing operational levers to offset cost pressures.
- Margins are expected to face some near-term pressure in 3Q, but improvement is anticipated in 2HFY26 as growth normalizes.
- While 3Q may be softer, management expects a strong 4Q rebound and continued momentum into FY27.



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Tech Mahindra

Buy

Current Price INR 1,421

Demand and industry outlook

- The company remains pleased with the progress made in 1HFY26 – focusing on building a strong foundation. 2HFY26 is expected to mark a shift toward decisive execution and comparable gains.
- 2HFY26 performance is expected to improve, supported by strategic actions, seasonality, and an improving demand environment.
- While customers continue to expect productivity gains, these expectations are now more realistic.
- Management reiterated confidence that FY27 will be a better year for both the industry and the company compared to FY26.
- Net new deal TCV stood at USD816m, up 1% QoQ and 35.3% YoY. The company is close to reaching the USD1b mark in deal wins.
- The deal pipeline remains healthy and well-diversified across verticals.
- As discretionary spending improves, revenue conversion from deals is expected to accelerate. If the current environment remains steady, TCV should rise further, and if the environment improves, the existing run rate will remain strong.
- **Manufacturing:** Aerospace and industrial segments showed strong growth driven by digital twin initiatives. Auto remains stable; commercial vehicle segment is cautious, while the passenger vehicle segment shows early recovery signs.
- **Retail and transport:** Strong tailwinds seen in logistics, driven by e-commerce and last-mile delivery.
- **Communication and Media:** APAC and US regions performed well, while Europe faced temporary challenges expected to recover in 2H.
- Comviva continues to perform strongly and is expected to deliver growth for the year.
- The largest client delivered above-average company growth, and a key European client is set to launch a new project.
- **Europe:** Vendor consolidation opportunities progressing well; while some decisions are deferred, others are mid-discussion. Positive outcomes are expected in coming quarters.
- Net employee addition stood at 4,200 (up 2.8% QoQ). Utilization (ex-trainees) declined 60bp QoQ to 84.4%.
- H1B impact remains minimal at under 1% of the workforce. Visa dependence is below 30%. The company continues to strengthen nearshore delivery and hire locally.
- No significant H1B-related impact expected this year; assessment for next year remains open.

- Secured 21 additional “must-have” accounts in 1HFY26, of which 17 have scaled to over USD1m in revenue.
- Continuing tail rationalization by exiting smaller, sub-USD1m accounts deemed unsustainable long term.
- Committed to its capital allocation policy over the next six quarters.
- Acquisition discussions are ongoing at the board level; any deal will be ‘tuck-in’ in nature.
- Majority of revenue now comes from clients with >USD20m exposure; this remains the company’s key focus segment.

Margin performance

- The company delivered steady margin performance, with EBIT margins at 12.1%, up 100bp QoQ.
- Project Fortius continues to drive efficiencies, alongside a focus on value-based pricing.
- Margin expansion was driven by fixed-cost project optimization, SG&A rationalization, and a 40bp currency tailwind.
- Management emphasized that margin improvement will be led primarily by gross margin expansion, with limited contribution from SG&A rationalization going forward.
- Around 55–60% of the portfolio comprises fixed-price projects, providing levers for GM improvement.
- T&M portfolio remains aligned with market pricing levels. Value creation from portfolio companies is expected to contribute to margins.
- Project Fortius actions span across all organizational levels, including G&A, not just GM.
- When asked if early margin achievement would be reinvested into growth, management indicated that while certain investments were initially planned, the slower macro environment may delay incremental investments by a quarter. They remain cautious about deploying excess profitability too aggressively.



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Wipro

Sell

Current Price INR 241

2QFY26 performance and demand outlook

- IT Services revenue grew 0.3% QoQ in CC and 0.7% QoQ in reported terms.
- Sequential guidance for 3QFY26 is -0.5% to +1.5% in CC, translating into USD2.59-2.64b in revenue. Harman acquisition is expected to close during 3QFY26; current guidance excludes any contribution from it.
- The midpoint of guidance is positive for the first time in several quarters, indicating a gradual improvement in momentum.
- Management expects several large deals signed in 1H to begin ramping up in 2H.
- Furloughs are expected to be in line with last year. Tariff-related uncertainties continue to impact the consumer, energy, and manufacturing verticals.
- Closed USD4.7b in total contract value during the quarter, including 13 large deals.
- 1HFY26 bookings stood at USD9.5b; pipeline remains strong and broad-based.
- Large deal activity driven by vendor consolidation, AI-led transformation, and consulting-led programs.

The image is a screenshot of a presentation slide from Wipro, likely a financial report. It features the Wipro logo at the top left. The slide contains several tables of data, including a 'Key Metrics' table with columns for 'Metric', 'Q1 FY25', 'Q2 FY25', 'Q3 FY25', and 'Q4 FY25'. The metrics listed include Revenue, Profit, and Earnings Per Share (EPS). There are also line charts showing trends over time. The text on the slide is in English and appears to be a summary of the company's performance.

- Two mega deals signed this quarter - one in healthcare and one in BFSI - largely renewals but important for deepening relationships and driving future growth.
- A large BFSI deal from 4QFY25 is ramping up in 3QFY26, while other large deals won in 1H will phase in over 6-8 months. 2Q BFSI deal wins were mainly renewals.
- Growth in BFSI during 2Q was led by Europe and APMEA; Americas expected to join in subsequent quarters as large deals ramp up.
- Clients across industries are prioritizing cost optimization and vendor consolidation, increasingly leveraging AI for efficiency.
- Productivity gains achieved by clients are being reinvested into AI innovation and data modernization programs. Standard productivity benefits are being passed on in renewals, creating modest deflationary pressure.
- One client impacted by tariff-related uncertainty delayed an SAP transformation project.
- Management highlighted proactive deal pitching and a sustained, secular pipeline across geographies and deal sizes.
- **BFSI:** Sequential growth of 2.2%; first quarter of sequential improvement. Growth led by Europe and APMEA, both reporting high single-digit QoQ growth. Clients continue to focus on cost optimization, vendor consolidation, and modernization of core systems. Banking and payments remain strong domains; capital markets anchor accounts are performing well. The Phoenix deal will begin ramping up in 3QFY26. Order booking remains robust with continued strength in Europe and APMEA
- **Healthcare:** Declined 0.2% QoQ but grew 3.9% YoY. Sector remains one of Wipro's strongest verticals despite structural changes. A healthcare megadeal signed this quarter. Payers are accelerating modernization, with traction in claims processing, pre-authorization, and contact center transformation
- **Consumer:** Declined 1.7% QoQ and 7.4% YoY. Continued impact from tariff uncertainty.
- **Americas 2:** Declined 2% QoQ and 5% YoY; deals signed in 1H are now starting to ramp up.
- **Europe:** Grew 1.4% QoQ; returned to growth led by BFSI. Formed a multi-year modernization partnership with a leading European financial institution using Wipro's VEGA AI platform.
- Net headcount increased in 2QFY26, supported by fresher onboarding.
- Hiring will align with deal ramp-ups; no supply constraints foreseen. Over 80% of the US workforce is localized, minimizing H-1B dependency; no supply-side issues anticipated
- Introduced Wipro Intelligence - a unified suite of AI platforms, solutions, and offerings to help clients scale confidently in an AI-first world.
- Brings together Wipro's delivery platforms (software, infrastructure, and business operations) and industry-specific AI platforms.
- Over 200 AI agents and platforms developed across sectors.
- Focus on embedding productivity gains, measurable business outcomes, and responsible AI guardrails.
- Key offerings include AutoCortex (automotive), Wealth AI (BFSI), and Payer AI (healthcare).

Margin outlook

- IT Services operating margin for 2Q stood at 16.7%, down 60bp QoQ and 10bp YoY.
- Adjusted for a one-off provision of INR1,165m (USD13m) related to a client bankruptcy, the adjusted margin was 17.2% (up 40bp YoY).
- 1QFY26 margin stood at 17.3%.
- Margins were supported by INR depreciation, improved utilization, lower attrition, higher profitability in fixed-price programs, and SG&A optimization.
- Headwinds came from large deal transition costs, which will continue in 3Q.
- Management aims to maintain operating margins within a narrow band of 17.0-17.5%.
- 3Q is seasonally weak due to furloughs and fewer working days.
- Vendor consolidation deals remain highly competitive and initially margin-dilutive, but productivity benefits should offset this over time.
- The Harman Digital Transformation Solutions acquisition, expected to close in 3Q, will dilute margins by about 60bp.
- The restructuring cost was incurred primarily in Europe and was one-off in nature.

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Zensar Technologies

Neutral

Current Price INR 704

Growth and outlook

- The overall macro environment remains largely unchanged, with evolving US policies—particularly around trade tariffs and visa regulations—continuing to pose challenges.
- Cost-optimization and productivity-led programs are seeing stronger traction, supported by cloud modernization, cybersecurity, and early generative AI initiatives.
- Clients continue to remain cautious on discretionary technology spending; however, AI-led investments are being prioritized, while non-AI discretionary spend remains subdued.
- Management indicated that 3Q is typically a seasonally weak quarter for the industry due to furloughs, though the impact on ZENT is expected to be relatively lower this year given reduced exposure to the TMT vertical.
- No preponement of furloughs was observed in 2Q, unlike the previous year.
- Deal TCV for the quarter stood at USD159mn, down 8% QoQ and 21% YoY. The pipeline remains healthy, including a strong large-deal funnel. Management expects some of these deals to convert in the coming quarter.
- AI-infused deals contributed 28% of the total bookings vs 21% in the prior quarter, reflecting growing client interest in AI-led transformation.
- Deal renewals were lower as renewals typically occur in 4Q and 1Q, while the summer period in Europe also contributed to slower decision-making.
- A reasonable portion of the current order book consists of net-new deals, and management does not view quarterly fluctuations in TCV as a concern.
- BFS: The segment continued to perform well, supported by steady client demand.
- Manufacturing & Consumer: Growth momentum is picking up, and the pipeline in this segment remains healthy.

- TMT: The sector remains under pressure as client budgets shift from opex to capex (notably into GPUs and data centers). Zensar's TMT exposure has declined from 27% of revenue in FY24 to 20% in the current quarter, which should limit future impact relative to peers.
- If not for the TMT decline, overall company growth would have been approximately 4% higher.
- H1-B dependency remains very low (less than 3% of workforce). The company continues to focus on local hiring, with minimal impact expected from visa-related policy changes next year.
- The offshore mix improved to 54.2% vs 50.3% YoY, supporting margin expansion. Volume growth was observed during the quarter.
- Management expects traction in AI-led programs to expand further over the coming quarters.

Margin performance and outlook

- EBIT margin stood at 13.7%, up 20bp QoQ, despite the impact of wage hikes (~USD3.2m).
- Margins are expected to remain in the mid-teens range going forward, consistent with recent quarters.
- ESOP expense, effective from mid-September, had a limited impact (18 days in the quarter).
- AI adoption is currently viewed as a competitive differentiator rather than a direct margin productivity lever at this stage.



TELECOM

- Overall, the quarter reflected steady operational momentum across the sector, with 5G adoption accelerating, home broadband seeing strong traction, and enterprise order books holding firm. Policy developments—particularly the AGR reassessment ruling—have improved sentiment, even as telcos continue engaging with the government for broader sectoral relief. Capex intensity remains elevated in parts of the ecosystem due to network expansion, energy efficiency initiatives, and data-center investments, though most players expect a directional moderation through FY26.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Management guidance
Bharti Airtel	Bharti has deployed dual-mode 5G (combining SA and NSA) for FWA in 13 circles and will completely transition to SA for wireless over the next few years.	The capex to switch from NSA to SA 5G is not very material, and the acceleration in HBB capex is already built into management's guidance of FY26 India (ex-Indus) capex to be lower than FY25 levels (~INR300b). However, the company is looking to raise its investments in datacenters (through Nxtra as well as a recent tie-up with Google for an AI data center), over a period of time.
Bharti Hexacom	BHL experienced pronounced seasonality during the quarter, largely due to migration patterns and heavy monsoons across Rajasthan, resulting in a marginal decline in its customer base in 2Q. The seasonality impact was a one-off event, and 3Q has started on a strong note, with customer additions normalizing.	Quarterly capex trends are impacted by seasonality and prioritization, but directionally, capex should be trending downwards in FY26.
Indus Towers	The order book is expected to remain strong, at least in the near term, for both tenancy and tower additions.	Capex remains elevated due to a sequential pickup in tower additions, investments in energy efficiency initiatives, development of additional infrastructure to support second tenants on existing towers, and continued maintenance capex for strengthening the aging tower portfolio and battery replacements.
Tata Com	TCOM's enterprise order book grew in double digits; however, the overall order book was flattish due to headwinds in the service provider segment.	Strategic bets are expected to contribute at least 10% of the incremental digital revenues in FY26 and scale up to INR100b revenue contribution by FY30.
Vodafone Idea	Post the SC verdict on AGR dues, Vi believes GoI will take a suitable decision in the long-term interest of the company to maintain a 3+1 market structure in the Indian telecom industry. Management remains engaged with banks and NBFCs for long-pending debt raise and believes GoI's support to Vi's LT survival would aid the company's funding talks.	There is visibility on capex of INR75-80b for FY26 (vs. INR42b in 1H) from Vi's internal cash flows, with a focus on enhancing coverage as well as capacity. A pick-up in capex beyond INR80b is contingent on the closure of external fund raise.
Reliance Jio	5G adoption continues to accelerate, with a rapidly expanding user base, rising per-capita data consumption, strong rural uptake, increasing 5G share of overall traffic, and steady ARPU improvement driven by deeper engagement on high-speed data and home broadband.	HBB net adds accelerated to ~1m per month, and management indicated there is potential to further increase the pace of monthly additions from the current ~1m connections.



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Bharti Airtel

Buy

Current Price INR 2,150

- AGR issue:** The company welcomed the recent Supreme Court (SC) order permitting the government (GoI) to undertake a comprehensive reassessment and reconciliation of the AGR dues, including interest and penalties. While the order has been passed specifically for Vodafone Idea, Bharti would push their case to be included in a broader sector-wide relief with the GoI initially.



- **Home broadband (HBB):** Bharti's HBB net adds were a record high ~950k in 2Q, driven by strong traction across FWA and FTTH. The company's home passes accelerated to ~2.5m (vs. ~1.6m in 1QFY26). While the company's net adds remain lower than Rjio's and the company intends to step up net adds further, management noted that its share on large OTT platforms is tracking well.
- **Indus stake purchase:** Bharti has taken an enabling resolution to raise its stake in Indus Towers by 5% in one or more tranches (vs. 51% currently). Management indicated that it views Indus as a vital asset for Bharti's network, one which is comparatively undervalued (vs. global tower companies). However, management reiterated that there are no plans to fold Nxtra datacenter into Indus, as there are no synergies in the two businesses as such.
- **Capex:** The capex to switch from NSA to SA 5G is not very material, and the acceleration in HBB capex is already built into management's guidance of FY26 India (ex-Indus) capex to be lower than FY25 levels (~INR300b). However, the company is looking to raise its investments in datacenters (through Nxtra as well as a recent tie-up with Google for an AI data center), over a period of time.
- **HBB and convergence opportunity:** Driven by the adaptation of connected smart TVs and changing content consumption patterns, management expects India's HBB market to expand to ~100m (from ~56m currently) over the next 5-6 years. Bharti is leveraging IPTV and Airtel Black for driving convergence. Further, management noted that currently the companies are in a land grab mode on HBB; however, there is room for significant monetization through tariff hikes on HBB, given very low prices and generous content bundling.
- **HBB capex:** The pick-up in HBB capex is driven by acceleration in home passes to ~2.5m, while the cost for connecting homes through fiber hasn't changed materially from ~USD28-30. Further, the cost per connected home is broadly similar in Fiber ~28-30% home pass utilization) vis-à-vis FWA (high CPE cost).
- **FWA and UBR:** Bharti hasn't faced any capacity constraints on FWA yet (~2.3m FWA subs). It is experimenting with UBR technology and believes it can be a legitimate solution for providing high-speed internet in remote, rural locations, though there would be interference issues in UBR for densely populated areas.
- **5G:** The company's 5G user base expanded to 167m (vs. 152m QoQ and 234m for Rjio). Management indicated that the company is gaining its fair share of 5G smartphone shipments. The company has deployed SA + non-SA dual mode in 13 circles for FWA and would gradually transition to SA even for wireless as the data traffic shifts from 4G to 5G (~40% on 5G currently, vs. 36% QoQ). However, management noted that customer experience matters the most to the company and it won't chase technology for the heck of it, given limited monetization opportunities on 5G globally.
- **Airtel Business:** Domestic business remained steady, while the order book and funnel additions in international business have improved, with some large deal wins in its recently launched sovereign cloud under Xtelify.
- **Data center (DC):** Bharti is looking to increase its DC capacity 4x to 1GW over the next few years and is willing to invest the required amount to improve the company's market share in DC from ~10-12% currently. Nxtra would partner with Google for its AI data center build-out in Vizag, while Airtel will set up the cable landing station and provide terrestrial connectivity to Mumbai and Delhi.



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- **Focus on quality customers:** Bharti continues to focus on subscriber mix premiumization through upgrades from feature phone to smartphone, prepaid to postpaid, increasing penetration of international roaming (international roamers up 30% in the last two years), along with partnerships for value-added services such as Google Cloud and Perplexity as a lever for revenue growth.
- **Pricing construct:** Management reiterated that the ARPU in India is still among the lowest globally, and more tariff repair is required for the industry to be financially stable and deliver reasonable returns on a sustained basis. Further, it reiterated its stance on the need for the industry to rethink the pricing construct for usage-based plans, with reduced data allowances in the popular plans.
- **DTH:** The subscriber trends were adversely impacted by pronounced seasonality. The company is seeing encouraging response to its recent IPTV launch and would use the offering to drive its convergence play.

Bharti Hexacom

Neutral

Current Price INR 1,829

- **Subscriber base decline:** BHL witnessed pronounced seasonality during the quarter, largely due to migration patterns and heavy monsoons across Rajasthan. This led to a marginal drop in customer base in 2Q. Management highlighted that the seasonality impact was a one-off event and 3Q has started on a strong note, with customer additions normalizing.
- **ARPU:** ARPU benefited from one additional day in the quarter and continued premiumization trends. The company continues to focus on data monetization and content-led packs, which are driving higher engagement.
- **Home Broadband (HBB):** HBB business sustained steady momentum, with record quarterly net additions. Management indicated that FWA plays a very important role in BHL circles and the share of customers sign-up for FWA remains high. HBB ARPU declined as newer customers signed up for low-end plans. However, increased preference for content-driven packs is leading to better customer acquisition as well as retention.
- **Capex:** The quarterly capex trends are impacted by seasonality and prioritization, but directionally capex should be trending downwards in FY26.
- **SG&A expenses:** There were certain one-offs in SG&A expenses and the trend going ahead should be similar to last two quarters' average rather than 2Q.

Indus Towers

Neutral

Current Price INR 402

- **Africa foray:** Initially on new site build-outs, with Airtel Africa as the key anchor tenant. Management expects to provide further clarity on the quantum of investments, return metrics, etc. in the next 3-6 months. Indus' foray into Africa will be funded through a mix of debt and equity, and management remains open to any inorganic opportunities, if they come at the right valuations in due course.
- **Higher capex:** Management indicated that capex remained elevated due to a sequential pick-up in tower additions, investments in energy efficiency initiatives, creation of additional infrastructure to support second tenants on existing towers, and continued maintenance capex for strengthening the aging tower portfolio and battery replacements.

The image shows a screenshot of a research report from Motilal Oswal Financial Services. The report is titled 'Indus Towers' and is dated 11/08/2025. It includes a table of contents and a list of key points. The key points are:

- **Tower additions and outlook:** Tower additions picked up in 2QFY26, driven by a higher share in key customers' new build-outs and a shift from other tower companies. However, tenancy additions continued to moderate in line with the tapering off of Vi's rollouts. Management indicated that the order book remains robust, at least in the near term, both for tenancy and tower additions.
- **Reinstatement of dividends:** Management noted that the recent Supreme Court judgement on the AGR matter is a positive development for the industry and one of its key customers. However, the company remains committed to its 4QFY26 timeline for finalizing the modalities of returning cash to shareholders.
- **Indus' game plan for Africa:** Leveraging its extensive network rollout over the past few years, large scale of operations, and strong track record of high network uptime delivery, Indus is now targeting significant growth opportunities in Africa. Management is confident that the company can deliver lower capital and energy costs while maintaining a high network uptime in the region.
- **Energy costs and under-recoveries:** Diesel consumption increased ~3% YoY in 2QFY26 (vs. ~10% YoY in 1QFY26) due to weather-related power outages in certain regions. Management cited the increase in overall scale, worsening weather disruptions, and its foray into regions with low grid availability as the key reasons for an increase in energy under-recoveries over the past few years. However, the company continues to pursue energy-saving initiatives such as solarization of sites (added 3.9k sites in 2Q) and battery upgrades to reduce diesel consumption.
- **RJio tower renewals:** Management noted that the company remains focused on delivering superior service quality to retain all key customers, including RJio. However, renewals with RJio will be renegotiated in line with the established renewal framework.
- **Lower other expenses:** A reduction in rates and taxes (lower demands received so far), along with the company's continued operating efficiency measures, has led to lower other expenses over the last two quarters.

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TATA COMMUNICATIONS

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Tata Communications

Neutral

Current Price INR 1,881

- **Strategic bets:** TCOM is seeing strong progress both in product and capability build-out as well as receiving good early customer traction. The company launched Voice AI platform to strengthen its Kaleyra.ai platform value proposition. Further, AI Cloud is seeing good customer traction, with early deal wins for its sovereign AI cloud from a large payments player. TCOM's digital fabric tool enabled a large contract win at the GST Appellate Tribunal. Management expects strategic bets to contribute at least 10% of the incremental digital revenues in FY26, which will scale up to INR100b by FY30.
- **Order book and funnel:** TCOM's enterprise order book grew in double digits; however, the total order book was flat due to headwinds in the service provider segment. Management noted that 1HFY25 had the benefit of several large deal wins, and 1HFY26 order book was better than 2HFY25, which faced macro headwinds, with cloud/international order books growing in healthy mid-teen/double digits in 2Q. The funnel remains robust, with digital portfolio accounting for ~60%.

Tata Communications

Summary

Key Highlights

- Strong Q3 data margin improvement, but Q4 contraction.
- Consolidated revenue growth was up by a modest 0.4% QoQ (vs. the reported 2.3% QoQ growth).
- Data EBITDA margins: ~140bp QoQ improvement in data EBITDA margin was driven by 1) improvement in Vayu Cloud portfolio, 2) right-sizing in certain verticals in line with the growth, and 3) operating leverage with rising scale.
- However, near-term margins are likely to be impacted by the revenue loss and costs associated with the Red Sea cable cut and a change in the payout structure in TCR.
- TCR margins: The sharp contraction in TCR margins from 75% to 44% was due to a one-time impact arising from special management incentive payouts to reward the team for the scale-up of the business and to align compensations with the future growth ambitions. Management expects TCR margins to settle in low-to-mid 50s in the steady state.
- Deal wins: The company is seeing improved momentum in its international business with a multi-million deal win in Europe (German manufacturer for security offering) and a large deal win in APAC (one of the largest mobility players for interaction fabric).
- ROCE, capex and growth ambitions: Management reaffirmed their long-term ambition to i) double data revenue, ii) improve EBITDA margins to 23-25% range, iii) increase RoCE to 25%+, and iv) reduce leverage to <2x. However, the company continues to pursue strategic investments (such as GPUs to build-out AI capability, funding STT's growth plans, etc.), which could impact RoCE in the near term but will deliver value in the longer run. Management indicated that capex could remain in the range of 11-12% of sales in the near term.
- Core-connectivity: The growth was impacted by cable cuts in the Red Sea, with the impact likely to continue in 3QFY26. Management indicated that DC to DC connectivity remains the key growth driver for the segment, where TCOM has ~40% share in the Indian market and is exploring investments in international markets.
- Digital portfolio: Media and Next-Gen Connectivity reported ~30% YoY growth, with Media benefitting from the World Athletics deal. Revenue growth in Cloud and Security was impacted by certain delays in one of the large deals, which should now be reflected in 3Q. Management remains confident of achieving mid-to-high-teen growth in Cloud in FY26. In the interaction fabric, there is a gradual shift from SMS to non-SMS, which should enable a margin uptick. The growth in MoVE and IoT fabric was impacted by access pricing erosion.
- STT stake: TCOM continues to invest in STT to maintain its 26% stake. The company has no plans to either reduce or increase its stake in STT (data centre entity) in the near term.

- **Potential collaboration with TCS on data centers:** Management noted that TCOM and TCS have been collaborating in various areas for a long period of time. Rising DC capacity in India will be beneficial for TCOM's core connectivity (DC to DC connectivity), digital fabric (Multi Cloud Connect, AI Cloud with liquid cooling) as well as from potential monetization of land parcels. However, there is no firm agreement at the moment.
- **FX benefits:** Management indicated that normalizing for FX movement, the consolidated revenue growth was up by a modest 0.4% QoQ (vs. the reported 2.3% QoQ growth).
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- **Other income and tax:** Other income turned negative in 2Q, due to the mark-to-market impact from the unfavorable FX movements. The tax rate was higher due to withholding tax on dividends from TCR.
- **Staff optimization:** The company has been right-sizing its workforce to align costs with business priorities, incurring some one-time restructuring expenses during the quarter. Management explained that the benefits of these actions will start to reflect in margins over the coming quarters.

Vodafone Idea

Neutral

Current Price INR 11

- **Leadership transition:** Vi's erstwhile COO, Mr. Abhijit Kishore, has assumed the role of CEO from Aug'25, while Mr. Tejas Mehta has taken over as the CFO. Management emphasized continuity of strategic priorities, with increased focus on customer experience.
- **Capex:** 2Q capex stood at INR17.5b, which led to 1,500+ new broadband tower additions and enhanced 5G coverage to 29 cities across 17 priority circles. Management expects INR75-80b capex for FY26 (vs. INR42b in 1H) from Vi's internal cash flows, with a focus on enhancing coverage as well as capacity. A pick-up in capex beyond INR80b is contingent on closure of external fund raise.
- **AGR and debt raise:** Following the SC verdict on AGR dues, Vi believes GoI will take a suitable decision in the long-term interest of the company to maintain a 3+1 market structure in the Indian telecom industry. Management remains engaged with banks and NBFCs for long-pending debt raise and believes GoI's support to Vi's LT survival would aid the company's funding talks.
- **Subscriber trends:** Slight increase in subscriber decline and churn were attributed to seasonality (similar to Bharti's commentary). However, management noted recent interventions such as Vi's non-stop unlimited data offering, its guarantee of two extra days on recharge over INR199, and revamped family postpaid offerings are driving better customer retention and improved traction in terms of data usage on Vi's network.
- **Contained network opex:** Vi's reported network opex (primarily energy costs) have been stable for the past several quarters (in fact lower than Dec'23 levels), despite accelerated 4G/5G rollouts in the past few quarters. Management noted that cost efficiency measures on reducing diesel consumption and the shutdown of 3G network were the key drivers.
- **Tariff hike:** Management reiterated the need for tariff hike and believes any potential tariff hike would not be impacted either positively or adversely by the impending relief on AGR dues.
- **Lower finance cost:** The sharp QoQ decline in finance cost was on account of settlement with one of the vendors (we believe it was with Indus Towers). Going ahead, finance cost would be more in line with 1QFY26 trends.
- **5G:** Vi has rolled out 5G in 29 cities across its 17 priority circles, marking a steady progress since the Mar'25 launch in Mumbai. Management refrained from sharing specific metrics on 5G, but indicated that 5G rollout is helping the company offload data traffic from 4G in its initial launch cities/circles. Further, the company has increased its introductory minimum commitment for unlimited 5G to INR349 (now in line with peers) in cities that saw initial 5G deployment.

- **Postpaid:** Postpaid subscriber base rose 1.3m QoQ, driven by M2M additions (~0.6m). However, the consumer postpaid base has also shown consistent growth over the past few quarters.
- **Vi Business:** Vi Business sustained strong momentum, supported by robust 5G infrastructure and a diversified portfolio across mobility, cloud, IoT, and cybersecurity. The company launched IoT Innovation Lab and introduced AI-powered managed Wi-Fi and secured hybrid SD-WAN solutions. On our estimates, Vi's non-wireless revenue witnessed a robust ~7% YoY growth (after several quarters of declining trend).

Utilities



- Management noted that India's power sector has surpassed 500GW of installed capacity, with non-fossil sources now making up half the mix. Renewable additions remained strong in 1HFY26, while power demand grew modestly due to weather effects, but still reflects healthy economic momentum. Progress is being made on parallel distribution licenses, which may be taken up in the upcoming Budget session. Wind energy companies expect installations to reach ~6GW by FY26 and 8GW by FY27. Supportive policy steps—including MNRE's new SOP for ALMM inclusion and a GST cut on solar and wind equipment from 12% to 5%—are improving project viability and boosting renewable energy competitiveness.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	2QFY26 Highlights
ACME Solar	- ACME remains on track to meet its full-year target of INR120b of capex, subject to a delay of a maximum of one quarter. 1GWh of BESS (merchant capacity) from 4Q onward would generate annual EBITDA of INR1.7b, assuming an INR5/unit difference between merchant power sales during peak hours and the cost of generation. - Rating upgrades could bring down rates from 8.4% to ~8% for AA-rated assets under bank financing.	- ACME Solar reported an in-line EBITDA and a 13% beat on APAT, driven by higher-than-expected other income. - Revenue came in 3% above estimate on account of an improved CUF of 24.1%.
JSW Energy	- Management maintains its target of achieving 30GW of generation capacity and 40GWh of energy storage by 2030. - The battery assembly plant of 5GWh in Pune is expected to come online by 3QFY26. - WB Salboni plant likely to be commissioned by 2030. - Signed definitive agreement to acquire Tidong (150 MW hydro) expected to commission in Oct '26. 75MW out of 150MW is PPA-tied.	- JSWE's consolidated revenue missed our est. by 9% but EBITDA was in line, supported by a higher EBITDA margin of 58% vs. our est. of 53%. - Adj. PAT was 16% below our estimate at due to lower-than-estimated other income and higher interest/depreciation expenses arising from additional capitalization of new assets during the quarter. - Net generation increased 52% YoY to 14.9BUs.
Power Grid	- Management reiterated its capex guidance of INR280b/INR350b/INR450b for FY26/FY27/FY28. - Capitalization target for FY26 might reduce to INR200b (from the earlier guidance of INR220b) due to persistent right-of-way (RoW) issues. - Ministry of Power has announced a project involving 42GW of HVDC corridors in the Brahmaputra basin having a total investment opportunity of INR6.4t. It is likely to follow the TBCB route.	- Standalone revenue, EBITDA, and adjusted PAT reported by the company were below estimates. - Capitalization was weaker than expected due to persistent RoW issues. - EBITDA was hit by a 55% YoY spike in other expenses.
IEX	- The company has filed an appeal against the market coupling order in the APTEL, next hearing is scheduled for 28th Nov'25. - Management expects volume growth of 15-20% for the remainder of FY26. - IEX's 47.5% equity stake in IGX must be reduced to 25% per PNGRB regulations. IEX has sought a 1.5-year extension and PNGRB is expected to support the request.	- IEX's standalone revenue and EBITDA were in line with our estimate, while PAT was 5% above our estimate, primarily due to higher-than-expected other income - IEX's electricity volumes rose 16% YoY, while REC volumes dipped 30% YoY.
Tata Power	- Capacity addition of ~700 MW targeted in 3Q and ~600 MW in 4Q, mainly from solar projects. RE capacity is expected to surpass 7GW by FY26-end, with 2-2.5 GW to be added annually thereafter. - The company plans a 10 GW ingot-wafer facility for backward integration. - Discussions with the Gujarat government to reach a long-term resolution for the Mundra SPPA are at advanced stages and may close in a month. - Management remains optimistic on upcoming UP discom privatization; awaiting bid announcement.	- TPWR missed our revenue/EBITDA/APAT estimates by 15.3%/11.6%/12.6% largely due to Mundra plant shutdown in 2QFY26. - This impact outweighed the strong performance of the Odisha distribution business and the robust YoY ramp-up at TP Solar.
Suzlon Energy	- Management reaffirmed its FY26 guidance of 60% YoY growth in revenue and EBITDA. - Total order book of 6GW (as on 2Q end) is expected to be executed in 18-24 months.	SUEL earnings beat our expectations, with revenue exceeding our estimates by 39% on account of higher than expected deliveries of 565MW (~55% higher than our estimates)

	- Focusing on increasing share of EPC business with mix targeted to reach 50:50 by FY28. - Focusing on export potential with the first export order expected early next year. - DTAs have been recognized only for ~INR60b so far, with a further potential for DTA recognition of up to ~INR80b as profit certainty rises.	EBITDA also beat our estimates by 71% due to a strong margin of 19%
IWL	- Management remains confident of delivering the 1,200 MW execution target for FY26. - IWL is in advanced talks to finalize framework agreements that would secure 1GW+ of annual recurring orders. - It is setting up a 1.2GW blade and tower plant, with an investment of ~INR4b; to be operational by 2026. - Capex for FY26 is guided at ~INR2b. - INOX Green's O&M portfolio has scaled to 12.5GW.	- IWL's deliveries were in line with our estimate, whereas revenue came in below our estimate by 8%. - EBITDA beat our estimate by 4% on account of higher EBITDA margin of 20% (our est. 18%).
NTPC	- For the rest of FY26, NTPC guides for an addition of 800MW of thermal capacity, 4GW of renewable capacity and two PSP units. - Medium-term capacity addition targets were guided at 9.8/9.6/10.5GW in FY26/27/28. - NTPC aims to scale group capacity to 149GW by 2032 and 244GW by 2037. - For FY26, NTPC Green's total capex to reach INR300b in FY26 and to INR450-460b in FY27. - Planned additions for FY32-37: 13GW thermal, 0.3GW hydro, 55-60GW RE, and 2.1GW nuclear.	- NTPC's adj. PAT in 2QFY26 was 4% above our estimate, mainly supported by higher-than-estimated other income. - EBITDA missed our estimate as weak power demand led to soft generation trends. Gross power generation declined 6% YoY to 83 BUs. - Coal PLF fell 627bp YoY to 66.01%



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ACME Solar

Buy

Current Price INR 247

Operational performance

- 378 MW of generation capacity commissioned in FY26 so far, while 72MW is in advanced stages of construction, and operational capacity as of 2QFY26 stood at 2,918MW.
- 7,390 MW is the total portfolio capacity, including 13.5 GWh of BESS capacity, with a targeted capacity of 10GW by 2030.
- During the quarter, ACME won new projects aggregating to 720MW (220MW with RUMSL, 450MW with SJVN), including 50 megawatt FDRE (PPA with Tata Power signed), thus extending the UC portfolio to around 4.5GW (PPA signed for 2.3GW).

Financial Performance

- Revenue for the quarter came in at INR6.0b, a 104% increase YoY.
- Reported PAT stood at INR1.2b.
- Net debt to EBITDA stood at 4.3x, and net debt to net worth was 1.9x.
- A rise in other income was due to hedging gains from battery-related hedges.

Capex

- The company has incurred about INR14b capex in 1HFY26 but remains on track to meet its full-year target of INR120b, subject to a delay of a maximum of one quarter due to contingent transmission issues.
- Around INR50b of capex is tied to 5.1GWh of battery orders, whose expenditure will be recorded once deliveries begin.
- The INR120b capex is backed by balance sheet cash, undrawn securitization proceeds (INR10b) and upcoming refinancing proceeds (INR10b), EPC margins,

annual depreciation cash flow, and early BESS commissioning and sale in the Merchant market, allowing higher capacity due to lower prices.

Update on new projects

- Two major PPAs were signed during the year: 50MW of FDRE with Tata Power and 550MW of capacity with Andhra Pradesh.
- The SJVN project includes 2,200 MWh of battery at INR6.75/unit, which entails an off-taker to provide four hours of peak power supply. This project is unique and will involve the solar generation being used primarily to charge the battery, and surplus, if any, to be sold on power exchanges. This project enables a strong EBITDA yield of around 14-15%.
- The NTPC 300 MW project was cancelled because the pooling scheme with NTPC (which combined thermal and renewable projects) was discontinued by the Ministry of Power.
- 1GWh of BESS (merchant capacity) from 4QFY26 onwards is expected to give an annual EBITDA of INR1.7b, assuming an INR5/unit difference between merchant power sale during peak hours and the cost of generation of the same.
- Technical trials of the standalone BESS improved system efficiency and reliability, achieving 4–5% higher round-trip efficiency.
- The ACME Sikar project of 300MW is currently operating under Short-Term Open Access because of its early commissioning by one quarter and the delay in commissioning of one of the connectivity lines. Post December, when the line becomes operational, the plant will shift to Long-Term Open Access.

Debt Structuring and Refinancing

- The company has refinanced debt with an average tenure of 20 years at an effective interest rate of around 8%, linked to MCLR plus 10bp.
- Rating upgrades are likely to bring down rates from 8.4% to about 8% for AA-rated assets under bank financing.
- While bond financing could offer slightly lower yields, it is less preferred due to fees and limited long-term participation from mutual funds.
- The company maintains a mix of fixed and floating debt, including a recent 8.5% fixed NCD with Bank of America, and has refinancing sanctions in place for upcoming maturities.

Challenges in Execution

- Transmission-related delays are limited to about one quarter, as most substations are on schedule and the company has allocated reliable connectivity with flexibility to reassign if needed.
- In the past six months, tendering activity has slowed down because the central government wants to clear up existing projects first, and is increasing pressure on the state government to get PPAs signed.
- The management does not foresee any risk of project cancellation where PPAs are pending.

Sector Highlights

- Reduction in GST rates from 12 to 5% reduces the cost of power.
- RPOs have been replaced by Renewable Consumption Obligations with a wider compliance base prescribed for designated consumers like DISCOMs, open access, captive consumers, etc.



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- The CERC's third amendment to connectivity regulations allows battery energy storage systems to use existing grid connectivity at solar and non-solar substations, enabling merchant operations and improving grid stability.
- All SERCs and DISCOMs are directed to formulate roadmaps for liquidation of pending regulatory assets within four years by the Supreme Court.
- becomes operational, the plant will shift to Long-Term Open Access.

Indian Energy Exchange

Neutral

Current Price INR 137

Sector Overview

- The weather continued to impact the sector's performance during the quarter, with electricity demand growth remaining moderate at 449BUs (+3.4% YoY). In 1HFY26, demand was largely stable at 894BUs, compared to 886BUs in 1HFY25.
- On the fuel front, supply conditions remained comfortable, with coal production at 203 MT in 2QFY26 and 450 MT in 1HFY26, broadly in line with last year.
- Coal inventory stood at around 20 days as of Oct'25. Fuel prices were favorable, with imported coal (4200 GAR) prices down 19% YoY to \$42/ton and imported gas at \$12/MMBtu vs. \$13.6/MMBtu in 2QFY25.

Operational Performance

- IEX recorded an electricity trading volume of 35.2BUs in 2QFY26 (+16% YoY).
- For 2QFY26, the company's overall electricity market share stood at 84%, while its certificate market share was slightly above 50%, resulting in an overall market share of 75%.
- For the first time, the RTM volume share exceeded DAM, accounting for 36% of IEX's total volume in 1HFY26, evidencing a shift driven by DISCOMs leveraging lower RTM prices to meet short-term requirements.
- Green market volume grew 17.7% YoY to 3 BUs, integrating more clean energy sources such as solar and wind, which supports obligated entities in fulfilling renewable purchase obligations.

Market Coupling

- IEX has filed an appeal in the Appellate Tribunal for Electricity against market coupling; the next hearing is scheduled for November 28, 2025.
- No operational or procedural details for implementation have been clarified yet.
- Post-coupling, IEX will continue to be responsible for the settlement of all volumes cleared via its platform.

Future Demand Outlook

- While power demand remained muted in 2QFY26 at 449 BUs, up 3.4% YoY, volume at IEX still grew by over 16%. Management expects volume growth between 15% and 20% for the remainder of FY26 and remains optimistic about sustaining historical growth trends, supported by continued electrification, expansion in EV and data center sectors, and energy storage adoption.
- With CEA's forecast of power demand at 366GW by 2032 and power consumption of ~2500 BUs, demand growth will continue to drive exchange volume.
- The Ministry of Power is closely monitoring thermal capacity addition (80 GW by 2032), and leading producers are planning significant investments.

- Emerging market mechanisms like BESS, firm dispatchable renewables, VPPAs, and electricity derivatives are expected to deepen market liquidity and transform the sector.

Diversification Initiatives

- The company is making progress toward facilitating merchant storage capacity trading and has submitted petitions for peak DAM and peak RTM products.
- IEX is actively exploring technology interventions and customer-centric strategies to retain market share post-market coupling, and plans to comply with required regulatory divestments in IGX stake by applying for more time and considering different divestment options.
- The company is closely working with industry stakeholders for the upcoming carbon and coal exchanges, and is ready to ramp its carbon credit trading activity once regulations are finalized.

Other Highlights

- IGX reported a profit after tax of INR96m in 2QFY26, up 57% from the previous year's INR61m.
- IEX currently holds a 47.5% equity stake in IGX, which, as per PNGRB regulations, must be reduced to 25% by Dec'25. The company has applied for an extension of 1.5 years citing slower-than-expected growth and market challenges in the gas exchange business. PNGRB has been supportive and is expected to grant additional time.
- The International Carbon Exchange issued 3.8m IRACs in 2Q.
- Specific penalties have been introduced for Renewable Consumption Obligation (RCO) non-fulfillment, and the conversion to contract-for-difference products is being considered to develop the market.
- Guidelines for carbon credit certificate trading are expected soon, with compliance targets already notified for major industrial entities.



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JSW Energy

Buy

Current Price INR 527

Industry Highlights

- Power demand rebounded in 2QFY26 after a soft Q1 (which saw a 1.6% drop). 2Q demand grew 3.3% YoY (4.9 BU) and 1H demand by 0.8% YoY, against the backdrop of improved industrial activity, higher economic sentiment, and a favorable base effect. This occurred despite an extended monsoon, underscoring demand resilience.
- India's peak demand reached 230 GW in Aug'25, unchanged YoY.
- 48 GW was added to installed capacity over the last 12 months: 25 GW in H1, of which 22 GW was solar and 3 GW wind, demonstrating renewables' leading role in expansion.
- Thermal capacity stands at 245 GW. With 15 GW of projects awarded in FY25 and ~35 GW under construction, India's thermal capacity is expected to approach 300 GW by FY32.
- Wind PLFs (nationwide) rose to 34.9% from 31.7%, one of the strongest performances ever, and hydro generation surged 13% YoY to 68 BU, helped by favorable hydrology.

- Merchant market prices softened to INR 3.92/unit in DAM, reflecting record capacity addition and muted demand growth.
- Average coal prices moderated to USD 91/ton in 2QFY26 (vs. USD 110/ton in 1QFY26) and further softened to ~USD 81/ton post quarter-end, supporting improved dark spreads for JSWE's imported thermal portfolio.
- Renewable bidding activity remained healthy with ~5GW of generation and ~3GW of storage bids in 1HFY26.

Business & Operational Highlights

- Generation rose 52% YoY in 2Q (9.8 to 14.9 BU), and 60% YoY for H1 (17.7 to 28.4 BU), outpacing industry growth (3.3%).
- Capacity additions: JSW added 5.5 GW in 12 months, including 3.3 GW renewables (1.5 GW inorganic) and 1.8 GW thermal (inorganic).
- Current installed capacity is 13.2 GW, +71% YoY.
- New additions: Commissioned 240 MW Kutehr hydro.
- Kutehr hydro completed in under six years (amid COVID and adverse weather)—one of the fastest greenfield hydro builds in India.
- Under-construction portfolio: 12.5 GW with full long-term PPAs. On completion, JSW's capacity will nearly double to 26 GW.
- BESS & Green Hydrogen: Signed BESS locked in capacity of 29.4 GWh; green hydrogen pilot (3,800 TPA at Vijayanagar) near commissioning in 3Q FY26.
- Domestic coal-based exposure is now 788MW of the total merchant exposure of approximately 1.1 gigawatt.

Financial Performance

- 2Q revenue: INR53b (+55% YoY); EBITDA: INR 32b (+67% YoY).
- PAT: INR7b (down 17% YoY) due to increased interest/depreciation from new asset capitalization.
- Cash profit rose 27% YoY to over INR15b.
- 1HFY26 EBITDA exceeded INR62b, already surpassing FY25's full-year EBITDA.
- 2Q capex: INR35b; Kutehr and other projects capitalized.
- Receivables: INR35b (64 days), an improvement over 70 days last year.
- Net debt stood at ~INR620b as of Sep'25, up INR25b as compared to June'25 end.
- JSW Hydro Energy's EBITDA (incl. other income) stood at INR3.7b (vs. INR4.8b in 2QFY25), impacted by the shift of free power from merchant sales to supply to the Government of Himachal Pradesh under the implementation agreement.
- JSW Hydro Barmer's EBITDA (incl. other income) stood at INR1.58b (vs. INR .59b in 2QFY25), as in regulated return businesses, at the end of 12 years, the rate of depreciation changes, and correspondingly capacity charge goes down because debt repayments have happened. Barmer completed its 12 years last year. This impact will persist across all four quarters of FY26, establishing a new base thereafter.

Strategic Moves

- GE Power India boiler acquisition: Scheme of arrangement concluded to acquire boiler manufacturing business, ensuring timely supply (especially Salboni), and technology transfer.
- KSK Water Infra: Majority stake acquired to guarantee water supply for both current (1,800 MW) and planned (1,800 MW) KSK Mahanadi expansions.

- Battery Assembly Plant Pune: 5 GWh/p.a. capacity, to be operational in 3Q FY26, aimed at supporting BESS for DCR compliance (with initial focus on captive consumption, possible external supply as market matures).
- Tidong acquisition: Signed definitive agreement to acquire 150 MW hydro (expected commissioning Oct '26). Of 150 MW, 75 MW is PPA-tied with UPPCL, and the rest is for the merchant market.

Additional Insights

- Salboni boiler to be done in-house; boiler facility can deliver the equivalent of 1.5 units per annum, with a typical project cycle at 18 months. Commissioning for Salboni is aligned for 2030.
- The company is progressing with the 1,800MW KSK Mahanadi expansion project, where the Balance of Plant (BoP) is fully ready. Construction for the 5th unit is 40% complete, and work on the 6th unit has commenced. The project is targeted for commissioning before 2031.
- LoA received for 400MW of its 700MW Utkal plant, which is currently operating as open capacity. Upon conversion of this LoA into a PPA, cash flow visibility will improve, reducing the share of open capacity from 8% to 5%.
- Of JSWE's total capacity under pending LoAs with PPAs yet to be signed, only 900MW pertains to pure solar projects.

Regulatory and Industry Policy Developments

- GST Rationalization lowered capital costs for renewables and will translate to sharper tariffs. Removal of the INR400/tonne GST Compensation Cess on domestic coal will benefit thermal economics.
- Draft Electricity Act Amendment (positive for the sector) and the new Renewable Consumption Obligations framework are set to drive further changes.



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Results Update



NTPC

Neutral

Current Price INR 329

Financial Performance

- In 2QFY26, NTPC's standalone total income was INR407b, which was slightly lower than the same quarter last year.
- Standalone profit after tax in 2QFY26 was INR47b, remaining flat compared to the previous year, while 1HFY26 PAT rose 3% YoY to INR94b.
- On the group level, NTPC's consolidated total income for 1HFY26 was INR931b, and consolidated PAT grew 4% YoY to INR113b.
- Subsidiaries contributed a profit after tax of INR18b, up 33% YoY, although the share of joint ventures decreased.
- NTPC Green Energy reported 1HFY26 revenue of INR13b, a 19% increase, and an operating EBITDA of INR11b with an EBITDA margin of 88%.
- The company reduced its weighted cost of borrowing to 6.11%, compared to 6.63% last year, through improved refinancing and restructuring of loans.
- Fixed cost under-recovery stood at INR6.25b as of Sep'25, which is expected to decline to ~INR2.5b by the end of FY26.

Operational Performance

- NTPC Group's installed capacity reached 83,893MW (+10% YoY).
- NTPC group added a capacity of 4,403MW in 1HFY26 (Of this, 1,732MW was added on a standalone basis, 1,506MW through NGEL and its JVs and balance

1,165MW through other JVs and subsidiaries). An additional 956MW was commissioned in Oct'25.

- Group base station availability remained above 90%, and core coal-based plant load factor for 1HFY26 was 70.52%, higher than the national average.
- Total electricity generation during 1HFY26 amounted to 214 BUs, which was 6BUs lower than the previous year due to subdued demand.
- Receivables from various DISCOMs improved to 28 days, compared to 33 days during the same period last year.

Coal Performance and Mining Expansion

- NTPC's coal stations operated at a PLF of 70.5%, surpassing the national average of 64.3%, reflecting superior operational efficiency.
- Coal stock stood at 13.4 MMT, sufficient for 15 days, while 85% of stations remained operational.
- Captive mines recorded 2.6% YoY growth in dispatches, with six of nine coal blocks under commercial operation (aggregate capacity: 91.6 Mtpa).
- Cumulative capex of INR133b was done in coal mining as of 30th Sep'25.

CAPEX Guidance

- NTPC Group's capital expenditure for 1HFY26 was INR232b, 32% higher than the same period last year.
- Standalone NTPC capital expenditure for the same period was INR141b, which remained mostly flat YoY.
- NGEL incurred INR66b in capex during 1HFY26. For FY26, NTPC Green's total capex is expected to reach ~INR300b in FY26 and increase further to INR450-460b in FY27.
- NTPC's long-term estimates indicate a total capital expenditure requirement of INR7t by 2032 to meet their revised capacity addition targets of 149 GW by 2032 and 244 GW by 2037. The planned additions between FY32-37 include 13 GW of thermal, 0.3 GW of hydro, 55-60 GW of renewable energy, and 2.1 GW of nuclear capacity.

Commissioning Timelines

- NTPC has clear visibility on project completion dates for the next three years, with targets including 9,844 MW to be commissioned in FY26, 9,600 MW in FY27, and 10,564 MW in FY28.
- The commissioning target for FY26 includes 2,119 MW on a standalone basis and 7,825 MW through joint ventures and subsidiaries.
- NGEL added 900 MW of renewable energy capacity in 1QFY26 (against a target of 850 MW) and 600 MW in 2QFY26 (exceeding the target by 300-400 MW). The company is targeting capacity additions of 2 GW in 3QFY26 and 1.7 GW in 4QFY26, mainly from major sites at Bhuj, Khavda, and Rajasthan.
- Thermal plant commissioning for the remainder of FY26 will add another 800 MW, while the renewable segment is expected to deliver an additional 4 GW in 2H.
- The first two units of 250 MW each at NTPC's pumped storage project were commissioned in 1H, with two more units scheduled for the current fiscal year.

Regulated equity and other guidance

- As of Sep'25, NTPC's standalone regulated equity was INR945b (+6% YoY), while consolidated regulated equity stood at INR1,160b (+10% YoY).

- On the Battery Energy Storage System (BESS) front, NTPC is developing 1,990 MWh capacity through the TBCB route and an additional 1,520 MWh at co-located solar project sites. Furthermore, 5,000 MWh of BESS capacity is being developed at existing thermal project locations and the company will be eligible to receive viability gap funding (VGF) of INR1.8m/MWh for this.
- Other key developments include the signing of business transfer agreements for the transfer of coal mines from NTPC to NML for hiving off the coal mining business at an estimated value of INR105b. The Chatti and Badam mines have already been transferred, and the company expects to complete the transfer of the remaining mines to NML within the current fiscal.



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Particulars	2025-26 (H1)	2025-26 (H2)	2025-26 (FY)	2024-25 (FY)
Revenue	1,23,45,67,890	1,23,45,67,890	2,46,91,35,780	2,46,91,35,780
Operating Profit	12,34,56,789	12,34,56,789	24,69,13,578	24,69,13,578
Profit Before Tax	12,34,56,789	12,34,56,789	24,69,13,578	24,69,13,578
Profit After Tax	12,34,56,789	12,34,56,789	24,69,13,578	24,69,13,578
EPS	12,34,56,789	12,34,56,789	24,69,13,578	24,69,13,578

Power Grid Corporation

Neutral

Current Price INR 274

Financial performance:

- In 2QFY26, ~205ckm of transmission lines and 11,185MVA transformation capacity were added.
- Up to 1HFY26, transmission system availability was 99.83%, and tripping's per line per year stood at 0.09.
- During the quarter, billing of INR98.2b was done, while realization was INR100.4b.
- Debt stood at INR1,359b, and net worth was INR989b.
- Gross fixed assets stand at INR2,951b and CWIP- INR477b.
- Outstanding dues stood at INR28.9b, down from INR31.5b in 1QFY26, with major dues primarily from Tamil Nadu, Uttar Pradesh, and Telangana.

Project execution

Transformation capacity additions:

- Commissioned three 1,500 MVA ICTs at Khavda-3, two 1,500 MVA ICTs each at Ahmedabad, Navsari, and Fatehgarh-3, and one 1,500 MVA ICT at Bikaner.
- Additional ICTs commissioned include six at 400 kV Kurnool, two at New Navsari, one each at Nalagarh, Hassan, and Fatehgarh-3 stations.

Transmission line commissioning:

- Completed Khavda–Khavda-3, Banaskantha–Ahmedabad (765 kV), Banaskantha–Sankhari, and the Jaipur–Jagdalpur inter-regional link connecting the Western and Eastern regions.
- Successfully looped in Agra–Jaipur at Dausa and commissioned both circuits of the Navsari–Katalgudi line, five months ahead of schedule.

Substation commissioning:

- Commissioned 765/400 kV substations at Khavda-3, Khavda-2, Ahmedabad, and Dausa.
- Commissioned 220 kV underground cable at Zojila Pass, a technically critical project.
- Additional commissioning included 765/400 kV substations at Narela, Kishanpur–Kishtwar, and ICT-4 at Kurnool-3.

Telecom and consultancy division highlights:

- Customer growth in the telecom division: Added 22 new customers; revenue was INR5.7b in 1HFY26 (vs. INR5.4b 1HFY25).
- 1HFY26 consultancy income rose to INR8.2b from INR2.5b in 1HFY26, driven primarily by growth in the smart meter business.

- The company received 3 new international and 15 new domestic consultancy orders during the quarter.

Capex, capitalization, and works in hand:

- Capex and capitalization done in 1HFY26 were INR153.8b and 45.8b, respectively.
- FY26 capex target was maintained at INR280b (TBCB- INR190.6b, RTM- INR35.5b and others- 53.8b), with a potential to rise to INR280-300b.
- Capex target for FY27/FY28 was re-iterated at INR350b/INR450b.
- FY26 capitalization target might reduce to INR200b from INR220b. Capitalization target for FY27/28 is INR250/280b.
- Work in hand is at INR1.52t, including INR1,030b for TBCB projects, INR95b for ongoing RTM projects, INR371b for new RTM projects, and INR27b for other projects.

New opportunities:

- In the Brahmaputra Basin, the Ministry of Power has announced a development plan requiring investments of about INR1.91t by 2035 and INR4.52t thereafter, presenting a total opportunity of INR6.43t. The plan includes 42 GW of HVDC corridors with major stations at Namsai, Roing, Niglog, Shilapathar, Gogamukh, and Rauta for bulk power transfer from the Northeast to the rest of India, along with the PSP integration of 3.7 GW by 2035 and 7.4 GW beyond. The project, currently in the study stage, is an HVDC project in plain area and might follow the TBCB route.

RoW challenges

- The company is facing RoW challenges from landowners; however, the Government of India has been supportive. A new guideline issued on March 21, 2025 revised RoW compensation rates from 30% to 60% in urban areas and to 45% in semi-urban areas, with payments now linked to actual market rates instead of circle rates. The guideline outlines a valuation process involving three independent valuers—nominated by farmers, Power Grid, and the District Magistrate—to determine fair compensation.
- States such as Delhi and Haryana have already adopted these guidelines, with others following suit. The transition to this new framework has caused some project delays, with commissioning now expected in 3Q and 4QFY26.

Leh HVDC project:

- The Leh–Ladakh HVDC project had received a single bid, which was not found acceptable. Given the significant escalation in project cost from the initially planned INR240b to ~INR420b, the feasibility of executing the project under the HVDC configuration is under reconsideration. The Government of India is evaluating the possibility of replacing the HVDC system with an AC transmission alternative, estimated to cost ~300b. The project timeline should remain unchanged, with commissioning targeted by 2029 under the proposed AC configuration.

Other highlights

- The Khavda–South Olpad transmission project has been finalized, while the Barmer–South Kalamb project is expected to be finalized within the current financial year, having already received NCT approval. Other projects are expected to take additional time for completion.



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Quarter	Q3 FY26	Q3 FY25	Q3 FY24
Revenue (INR bn)	38.7	21.5	18.2
EBITDA (INR bn)	7.2	3.8	2.5
EBITDA Margin (%)	18.6	17.7	13.7
PBT (INR bn)	5.6	2.8	1.8
PBT Margin (%)	14.5	12.9	9.9
DTA (INR bn)	7.2	3.8	2.5
DTA Margin (%)	18.6	17.7	13.7

- The company participated in several BESS tenders but was not awarded any contracts. It remains committed to actively participating in upcoming tenders.
- Other expenses rose 77%, primarily due to foreign exchange rate variation (FERV), which is a pass-through item reflected under regulatory deferral adjustments. Additionally, the increase includes expenses of around INR4.5b related to the smart metering business, accounted for under the service concession agreement, with corresponding income booked on the revenue side. Hence, the rise in expenses is largely neutral in impact.

Suzlon Energy

Buy

Current Price INR 57

Industry Tailwinds

- The reduction of GST on wind turbines from 12% to 5% is expected to significantly reduce capital costs and the levelized cost of energy, improving project viability.
- MNRE's new SOPs for ALMM (Wind) highlight stronger policy clarity and support for domestic manufacturing, ensuring quality and sustainability. The SOPs require physical inspection and component registration in the RE Equipment Import Monitoring System (REEMS), which tracks components till project usage. Future steps may extend to sub-component level monitoring.
- Over 3 GW wind capacity has been commissioned in India in 1HFY26 (double YoY), with total installations guided by SUEL management to reach 6 GW in FY26 and 8 GW in FY27, reflecting strong execution momentum.

Operational Highlights

- SUEL achieved record deliveries of 565MW in 2QFY26, the highest quarterly deliveries in over 30 years of India's wind industry.
- The S144 turbine platform achieved 5.6GW of orders, certified for the lowest carbon footprint and MNRE compliance.
- The company's 4.5GW manufacturing capacity is fully operational and ramped up to meet the current execution pipeline.
- SUEL commissioned 270MW in 1HFY26, supported by an execution pipeline of 1,865MW across 39 sites nationwide.
- The forging business reported 53% YoY revenue growth in 1HFY26. The company's share in SE Forge's revenue was 53% in 1HFY26, which is expected to reduce to 1/3rd, with 2/3rd coming from external customers. EBITDA margin surged to 19.5% in 1HFY26, almost doubling from 1HFY25, due to strong cost control measures. These margins are expected to sustain going forward.

Financial Performance Highlights

- Revenue reached INR38.7b (+75% YoY) for the quarter, while EBITDA stood at INR7.2b (+145% YoY), reflecting higher volumes and improved operational efficiency.
- EBITDA margin expanded 460bp YoY to 18.6% in 2QFY26.
- PBT was reported at INR5.6b (+117% YoY).
- DTA added: INR7.2b in 2Q, taking the PAT to INR12.8b. Cumulative DTA now stands at INR12.3b, creating ~INR50b tax shield on future profits.
- Carry-forward losses as per FY25 AR were ~INR140b. DTAs have been recognized only for ~INR60b so far, with a further potential for DTA recognition of up to ~INR80b as profit certainty rises.

- Banking limits totaling INR70b have been tied up to support project execution and upcoming capacity expansion.
- Annual net finance cost guidance stands at ~INR2.5b (INR0.7 per quarter).
- The company reaffirmed its FY26 guidance of 60% YoY growth across revenue and EBITDA.

Growth Outlook

- The total order book exceeded 6GW by the end of 2QFY26, with over 2GW of new orders secured in 1HFY26. The current OB is not affected by recent PPA cancellations. The bidding activity is expected to gain momentum, especially in FDRE projects. The order book is expected to be executed in 18-24 months. • The company identified over 23GW of renewable project sites, with active land development exceeding 10GW.
- SUEL is focusing on acquiring land for projects (7.5GW of projects already acquired), providing an edge in EPC contracts and greater control on execution. More EPC contracts are expected to be announced from 4QFY26 onwards.
- Current OB mix: 61% C&I, 14% PSU, rest via bidding. Focus is on raising share of EPC business; current 20:80 mix targeted to reach 50:50 by FY28.
- The company is focusing on export potential. The first export order is expected early next year. Exports will be supply-only and no EPC due to the risks.
- SUEL manufactures transformers and can explore sub-component manufacturing if new regulations require it. It possesses the required technical experience and facilities.
- The 3.15 MW turbine has been highly successful, accounting for about 90% of the current order book. Management remains confident of developing a higher-capacity model before demand for this turbine tapers off, mitigating any product transition risk.

Update on the O&M Business

- The O&M business manages over 15GW of assets with above 95% fleet availability. Renom is also set to expand further.
- EBITDA margin in the O&M sector is guided for 40% going forward. In 1HFY26, the margin stood at 37%, but there are no red flags to the margin going forward.

Challenges from Solar+BESS

- There is no visible risk from Solar + BESS projects that the management anticipates. Solar + BESS gives an estimated tariff of INR6.5/unit, while Solar + Wind + BESS gives a tariff of ~INR4.7/unit.
- The company has done a deep analysis to understand if BESS will replace wind. To achieve FDRE projects, a PLF of 80% is required, with minimum PLF of 75% and 90% PLF to meet peak demand.
- Battery supply remains largely concentrated. Significant expansion is unlikely unless there is a shift toward domestic manufacturing, similar to the experience in solar module production.



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Results Update

Tata Power

Buy

Current Price INR 386

Operational performance

- Completion of certain RE projects, particularly wind sites, was delayed due to logistical challenges in transporting large turbine components.
- Capacity addition of ~700 MW targeted in 3Q and ~600 MW in 4Q, predominantly from solar projects. RE capacity is expected to surpass 7 GW by FY26-end.
- The company plans to add 2-2.5 GW of RE capacity annually going forward.

Distribution business

- Odisha discoms reported 2Q PAT of INR1.74b (up 362% YoY). 1H PAT stood at INR2.79b. Management expects to sustain this performance as a benchmark going forward.
- Delhi regulatory asset liquidation: Regulatory assets in Delhi have been declining for the last two years, down ~INR6b this year. The Supreme Court has directed DERC to amortize these assets within seven years from accrual, providing visibility for further reduction.
- The company remains optimistic about the upcoming UP discom privatization process and is awaiting the bidding announcement.
- Discussions around parallel distribution licenses have progressed, and the company expects this will go to the parliament and hopefully be passed in the upcoming Budget session.

Renewable manufacturing and rooftop business

- The solar cell and module manufacturing business has stabilized operations, achieving lower production costs and improved efficiency. This led to a PAT of INR2.4b in 2Q, up 262% YoY, with 928 MW of cells and 970 MW of modules produced during the quarter.
- The rooftop solar business achieved record performance, installing 370 MWp during 2Q and crossing INR10b in quarterly sales for the first time. PAT stood at INR1.23b (up 390% YoY), with 1H PAT at INR2.13b.
- Tata Power holds over 20% market share in the rooftop solar segment. With only ~20 lakh rooftop systems installed across India so far (against a potential of ~5 crore households), the company sees significant long-term growth potential.

Strategic and policy developments

- Tata Power is planning a 10 GW ingot and wafer manufacturing facility as part of its backward integration strategy. Discussions with state governments are ongoing for subsidies and PLI incentives, with finalization expected in the coming months.
- The 10 GW ingot-wafer capacity will cater to both internal requirements and third-party demand, given India's limited domestic capacity (~2 GW) vs. an estimated requirement of 50-60 GW over the next 2-3 years.
- The company currently operates 4.5 GW of integrated cell and module capacity and does not plan additional investments in these segments.
- The company continues discussions with the Gujarat government to reach a long-term resolution for the Mundra UMPP, aiming to replace the annual Section 11 extensions with a sustainable framework. The discussions are at an

advanced stage and are expected to conclude within a month, following which similar engagements will be pursued with other procuring states.

Hydro and generation projects

- Construction has commenced on the 600 MW Kholongchhu Hydro Power Project in Bhutan (Tata Power 40% stake; Bhutan Govt 60%), with a total capex of INR68b. Tata Power's equity contribution is estimated at INR8.5b.
- The company also plans to invest in the upcoming 1,125 MW Dorjilung Hydro Project (same 40:60 shareholding), with a total project cost of INR130b and Tata Power's equity contribution at INR15.7b. Financial closure is expected by mid-FY27. These investments will not be consolidated in Tata Power's financials but shown as investments.

Capex and balance sheet

- 1H capex stood at INR73.49b. The company remains on track to achieve its FY26 capex target of INR250b, with ~60% allocated to renewables and ~40% to transmission, pumped storage, and thermal projects.
- Net debt increased by INR64b to INR540b, with ND/EBITDA of 3.3x and ND/Equity of 1.2x.
- The company maintains a strong balance sheet capable of supporting its future capex plans.

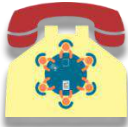
Renewable pipeline and outlook

- Tata Power's RE pipeline stands at 5.8 GW, with PPAs secured for almost the entire capacity.
- The company expects improved performance from its Odisha discoms, continued efficiency gains from its manufacturing operations, and steady regulatory asset reduction, supporting consistent earnings growth.

Others



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APL Apollo Tubes

Buy

Current Price INR 1,764

Operating performance

- The company reported a strong growth due to the Brand power of APAT. Further, there has been an improvement in the value-added mix in both the Dubai and Raipur plants.
- Capacity utilization in both the Dubai and Raipur plants has improved sequentially.
- Freight cost has reduced to INR1900 per ton, trying to bring it down to INR1500 per ton. Salary cost is expected to be brought down to INR600 per ton. These things may bolster margins.
- There was an improvement in gross margin per ton of INR200. Further, there was an improvement of INR200 per ton due to operating leverage and INR100 per ton due to lower expenses. Overall, this has resulted in a gain of INR500 per ton in EBITDA.
- The company didn't see a major increase in demand. The company has been able to leverage its brand identity.

Guidance and outlook

- The company is confident of 10-15% volume growth guidance and EBITDA per ton of INR4,600-5,000 per ton.
- Strategy to expand capacity remains intact. Volume to grow double-digit over the next 3-4 years on a CAGR basis (10 – 15%)
- EBITDA to be around INR17b for the year – bare minimum. EBITDA growth should be higher than the volume growth. The company aims to beat the target of INR4.5b of EBITDA in 3Q and 4QFY26.
- The company expects a volume of ~0.9m tons in 3Q and 4Q.

Capacity and capex

- The Dubai plant contributes 8% of the total volume
- The company plans to expand its capacity from 4.5MT currently to 7MT in the next 2-3 years.
- The Dubai plant operated at 80%+ capacity, and the Raipur plant operates at 65%.
- Out of the 2.3m MT capacity expansion, 0.8m MT will be brownfield expansion (Dubai 200k MT, Raipur 500k MT in roofing sheets, and another 100k MT tons in heavy pipes).
- The company plans a greenfield expansion of 1MT – Gorakhpur (200k MT), Kolkata (300k MT), Bhuj (300k MT), and new Malur (360k MT) with a shift of the existing line of 160k tons
- The company plans to incur this capex completely through internal accruals.

Others

- Working capital days remain in single digits (Zero as of Sept'25), boosting the RoCE above 32-33%. The management believes this is sustainable.
- EBITDA per ton for general structures is expected to be INR3100 per ton on a sustainable basis.

- Currently, for the month of October, the HRC price is ~INR46000/MT. With safeguard duty, it will be ~INR52,000-53,000/MT, so it restricts big imports and can lead to restocking.
- When the company increased prices under the general category, it was done for the whole lot of products in the category.
- International sales to the US are done from the Dubai plant (so tariffs don't really impact the company)
- From Jan'25 – the company has focused on brand leverage, which has resulted in a margin increase for the company. The company has focused on its distribution network. The company feels this is sustainable going forward.
- Realization per ton for SG premium stands at INR49,000 per ton. EBITDA per ton for the same is either NIL or negative
- Post-Covid, the Apollo brand has become strong. Secondly, discounts have been reduced. The company does not see negative operating leverage coming again for the new capex at the Raipur and Dubai plants.



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Astral

Buy

Current Price INR 1,448

Guidance and outlook

- The company is confident of delivering “double-digit” revenue growth for FY26, with potential for higher growth if ADD is implemented.
- UK Adhesive business is likely to deliver double-digit margins from FY27 onward.
- Margins are expected to remain intact despite operational leverage as the cost benefits will be passed on to customers in case of operational efficiencies in plants. ASTRA's focus on gaining market share remains intact.
- Management maintained FY26 revenue growth guidance of ~15-16% for India adhesive business.
- Bathware revenue is expected to grow by ~20-25% for the next five years.
- Paint business should deliver single-digit margins in FY27.
- The volume and value gap is expected to minimize if ADD is implemented.
- ASTRA is not expecting substantial changes in the current revenue mix of plumbing & Adhesives/paints (70/30%).
- The company expects ADD to be announced by mid-Nov'25 and expects an uptick in PVC prices by ~INR5 in the short term if demand surges.
- ASTRA expects 2HFY26 to be stronger than 1HFY26. 1HFY26 accounts for 45% of volume mix and 2HFY26 at 65%.

Plumbing

- Plumbing business revenue grew ~ 15.7% YoY in 2Q despite average PVC price drop of 10.6% YoY, slow construction market and low government spending. Revenue growth was largely driven by increased VAP contribution resulting in favorable product mix, increased distribution channels, and decentralization of plants. ASTRA delivered industry-leading volume of 20.6% YoY in 2QFY26.
- Bathware business reported 14%/20% growth in 2QFY26/1HFY26, driven by increasing orderbook and acceptances, low base and post-monsoon surge in construction business.
- ASTRA's opening of plants in different geographies helped it to gain market share
- Hyderabad plant has commenced and is picking up volumes.

- ASTRA is building inventory in 3QFY26.
- In 1H FY26, the company increased its plumbing production capacity from 381,957MT to 389,301MT (Kanpur capacity not inclusive).
- Channel inventory is still subdued due to lower confidence of channel players. Inventory is expected to improve after ADD implementation.
- OPVC contribution to revenue is not significant. OPVC demand is largely driven by government projects, which are not accelerating in the current market.
- ASTRA has increased its product basket in the last 3-4 years and since its base is still low, it has given good performance. These products are water tank, wall project, fire sprinkler pipes, OPVC, PTMT and low-noise pipe products. These products have also given the company healthy margins with growth.

Adhesives and paints

- India adhesive business revenue rose by 15.8% with EBIDTA margin of 17% and adhesive overseas business sales grew by 5.2% with EBIDTA margin of 7.3% in 2QFY26 on YoY basis. Revenue for India Adhesive business in 2QFY26/1H FY26 was INR3b/INR6b. Revenue for UK Adhesive business in 2QFY26/1H FY26 was INR970m/INR1.9b.
- India adhesive growth was majorly driven by new product introductions, geographies and focusing rural markets.
- ASTRA took the tough decision of changing UK Adhesive CEO and acquired the balance 5% to make the entity WOS.
- Paint business revenue in 2QFY26/1H FY26 stood at INR570m/INR1b, up ~19% YoY in 1H FY26. Margins were under pressure due to higher employee costs as it recently opened nine depots in Gujrat, Rajasthan and Maharashtra.

Commercial production at Kanpur plant

- ASTRA has started commercial production at Kanpur plant in 3QFY26, which will gear up in 2H FY26 and will improve the sales volume in northern market for the company. At present, capacity is 15,224MT and will further increase gradually.

Capex

- 1H capex was ~INR2.8b and FY26 guidance of INR3-3.5b is intact.
- ASTRA expects realization in the coming years of INR14b capex incurred in last four years.

Others

- WC days improved in 2QFY26 and 1H FY26.
- ASTRA is becoming aggressive in selling their products and will continue this going ahead. The aggression is on back of savings from decentralization of plant done by the company which was passed on to customers for gaining market share.
- Oct'25 has been strong for the company in terms of volume.
- CPVC plant's designing work is majorly completed and ASTRA anticipates to start construction and machine ordering next month. ASTRA expects to complete this plant by Sep'26.



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Results Update



Cello World

Financial Data (INR Lakhs)

Particulars	2024-25	2023-24	2022-23	2021-22	2020-21
Revenue	1,01,12,000	98,50,000	95,00,000	92,00,000	88,00,000
EBITDA	15,00,000	14,50,000	14,00,000	13,50,000	13,00,000
EBIT	12,00,000	11,50,000	11,00,000	10,50,000	10,00,000
Net Profit	8,00,000	7,50,000	7,00,000	6,50,000	6,00,000

Management Commentary: The company reported strong festive momentum across key categories, supported by robust consumer demand and efficient execution. GST rate changes had a minimal impact on CELLO's portfolio (~10% of the product portfolio affected, primarily in the Hydration category). CELLO's revenue growth was driven by brand strength, disciplined operations, and continued focus on execution excellence. The company crossed the INR10b revenue mark in 1HFY26. Its orders have not slowed down yet due to US tariffs.

Analyst Notes: CELLO has maintained revenue growth guidance of double digits (~12-15%) in FY26, with EBITDAM, excluding other income, at ~22-23% (on track to achieve guidance). CELLO has planned capex of INR1.5b in FY26 (INR750m for the steel plant expansion and the remaining for maintenance). CELLO has guided INR750m capex in FY27, majorly for the maintenance purpose.

Cello World

Buy

Current Price INR 613

Overview

- 2QFY26 benefited from strong festive momentum across key categories, supported by robust consumer demand and efficient execution.
- GST rate changes had a minimal impact on CELLO's portfolio (~10% of the product portfolio affected, primarily in the Hydration category). CELLO's revenue growth was driven by brand strength, disciplined operations, and continued focus on execution excellence.
- The company crossed the INR10b revenue mark in 1HFY26.
- Its orders have not slowed down yet due to US tariffs.

Guidance and outlook

- CELLO has maintained revenue growth guidance of double digits (~12-15%) in FY26, with EBITDAM, excluding other income, at ~22-23% (on track to achieve guidance).
- CELLO has planned capex of INR1.5b in FY26 (INR750m for the steel plant expansion and the remaining for maintenance). CELLO has guided INR750m capex in FY27, majorly for the maintenance purpose.

Reacquisition of the 'Cello' brand

- Cello, through one of its WOS, will enter into an agreement to lease the trademark for "Cello Brand" for Stationery and Writing Instruments from CPIW on the same terms like it has been doing for the other classes. This transaction is expected to close in Nov'25, with revenue expected from Jan'26.
- Cello Plastic Industrial Works (CPIW), a member of the Promoter Group of CWL, the umbrella entity holding the "Cello" brand in other classes as well, will acquire the trademark for Stationery and Writing Instruments i.e., "Cello Brand" from BIC Group.
- Upon the execution of this agreement with CPIW, Cello World Limited will operate Stationery and Writing Instruments portfolio among two brands namely, Cello and Unomax.
- CELLO's aim is to enhance operational efficiencies, optimize costs, and leverage existing manufacturing and distribution infrastructure to unlock the full potential of the cello brand business. The company believes brand equity is still strong for "Cello", and the lack of managerial efficiency/product additions has hampered the brand's growth.
- CELLO expects similar numbers like Unomax in terms of profitability in the next 1-1.5 years. It anticipates ~30-35% of the unused capacity in the Unomax facility will be utilized for the Cello brand.

Consumerware business

- CELLO's glassware plant achieved breakeven this quarter, with 60% utilization in 2QFY26.
- Its glass plant in Falna, Rajasthan, is ramping up as per the plan, with about 55% utilization in 1HFY26. The company expects the 75% utilization level to result in healthy margins.
- CELLO's opalware category reported double-digit growth in 2QFY26, with an 85% utilization level. Further capacity expansion is expected once utilization level reaches 100%, driven by growth prospects in the market.

- The wedding season in 3QFY26 is expected to boost opalware revenue. Competition is expected to be intense due to new arrivals in this category.
- CELLO expects the steel category's production to begin from Dec'25. This is expected to enhance cost competitiveness and margin expansion in the category. It expects stabilization in 4-5 months .
- CELLO's plastic houseware is at the initial phase, with potential capacity additions expected if revenue growth is seen in the coming quarters.
- At present, CELLO has 110 SKUs, with a potential of 150 SKUs going forward.

Molded furniture

- Molded furniture growth was driven by product additions.
- The molded business does not anticipate ample growth prospects, and CELLO aims to increase margins through the premiumization of products.

Others

- In 1HFY26, CELLO derived ~78% of revenue from in-house manufacturing.
- In 1HFY26, CELLO's distribution channel mix was ~74%/7%/8%/11% for General Trade/Modern Trade/Exports/Online.
- WC is improving as inventory is being released due to improved channel stocking, and receivables were efficiently cleared in Oct'25.



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Coromandel Intl

Buy

Current Price INR 2,233

Industry scenario

- With favorable monsoons and a strong agrarian sentiment across key markets, the company has proactively expanded its sales and distribution efforts to ensure the timely availability of fertilizers to farmers.
- India received 8% above-normal rainfall vs the long-period average, with widespread rains except for in parts of eastern India.
- Excess and unseasonal rains that occurred in August and September affected the standing crops as well as impacted the application of crop inputs and specialty products.
- Reservoir levels remain healthy, above the last year's level and 16% above the normal storage.
- On the policy front, the government has been taking proactive steps on supporting agriculture and agri inputs.
- CRIN's fertilizer plants operated at full capacity. The company grew its sales volumes by 17% in 1H by expanding its presence in existing and new markets, thereby consolidating its position as market leader in phosphatic.
- Key raw materials, such as urea and rock phosphate, have seen price softness, while international DAP prices have also begun easing, likely cascading into other input costs.
- Phosphoric acid prices were renegotiated in 2Q, moving up marginally from INR1258 to INR1290.

Outlook

- Management expects continued strong performance in 2HFY26, with the impact of unseasonal rainfall expected to subside and a healthy rabbi season on the back of the NBS rates announcement and above-normal reservoir levels.
- Management is targeting a minimum of INR5,500 EBITDA per metric ton in fertilizers while aiming for 100% utilization of new acid plants in FY27.

Subsidy

- The subsidy business share in the revenue stands at 83% for both 1HFY26 and 2QFY26. It is broadly in line with last year's figure of ~84% and 83% in 1HFY25.
- Subsidiary business share in EBITDA stood at 71% for the quarter and 70% for the first half of the year, compared to ~73% in 1QFY25 and 72% in 1HFY25.
- The company has received INR33.4b towards subsidy claims in the quarter, bringing the total for the half year to INR46.3b.

NPK

- The share of NPK in the overall phosphatic consumption rose to 64%, compared to the earlier equal split between DAP and NPK, indicating a favorable shift toward balanced nutrient application.
- The adoption of NP and NPK fertilizers in northern markets has been gradually increasing, which bodes well for CRIN, given its strong presence in NP and NPK manufacturing.
- The NBS policy allows pricing flexibility for NPK fertilizers, enabling the company to balance farmer needs and input costs. Management stated that price revisions will be made as needed, in line with its practice of timely price corrections.

Crop protection business

- The Crop Protection business delivered a resilient performance, driven by strong growth in technical sales in global markets and healthy traction in domestic formulations segment. The business expanded its product portfolio, launching several new products during 1HFY26.
- During the quarter, CRIN successfully completed the acquisition of NACL Industries, followed by the mandatory open offer, emerging as one of the leading crop protection players in the country.
- Overall inventory hangover has normalized, enabling volume improvement in the off-take of key molecules.
- Excess unseasonal rains in August and September affected spraying activities during the Kharif season, but the improved outlook for the Rabi season is expected to offset the volume impact in the coming months.
- The export business, driven primarily by Mancozeb, recorded strong growth in both volume and profitability, emerging as a key contributor to quarterly and half-year performance. Mancozeb exports are expected to remain a major focus area for the full year.
- The export business grew by 6-7% during the quarter, with profitability showing a strong improvement
- The company is developing several new molecules and has expanded capacities to support this growth. A new molecule, Pyraclostrobin, is also under development.

Nutrient and Allied Business

- The brownfield expansion projects for sulphuric acid and phosphoric acid plants at Kakinada are progressing as per schedule and are expected to be commissioned in 4QFY26.
- The company has also initiated activities to enhance its NPK production capacity.
- During the quarter, CRIN signed strategic supply contracts with leading global partners to secure key raw materials and finished products.

- The Specialty Nutrients business delivered a strong quarter, with notable improvement in sales and margins.
- The company is focused on increasing sulphur volumes following last year's capacity expansion, and is diversifying the portfolio to include sulphur-plus-micronutrient products.
- An investment in a Mono Ammonium Phosphate (MFP) plant at Vizag is announced to reduce dependence on China for key raw materials used in water-soluble fertilizers. These strategic investments in granulation and MFP plants will help broaden the product portfolio, enhance resource efficiency, and ensure the availability of key nutrients at affordable prices, supporting long-term growth.

Retail

- The Retail business continued its steady expansion, adding around 100 new stores during Q2 and crossing the landmark of 1,000 stores.
- The company has expanded its retail presence into new states, including Maharashtra and Tamil Nadu, and is on track to reach 1,200 stores.

Others

- The company has also announced plans to set up a water-soluble MAP fertilizer facility.
- Spraying services through drones have gained momentum. In fact, the company is confident in its ability to cover almost 80,000 acres in the current year.
- The domestic B2C segment delivered an exceptional quarter despite a challenging business environment, achieving strong numbers early in the Kharif season. While unseasonal rains impacted offtake.
- The company continued to expand its presence, entering around 40 new markets and launching several new in-licensed products during the year. Revenue rose 11% in new markets.
- An increasing number of farmers are recognizing the benefits of balanced crop nutrition, which represents a positive step forward for the agricultural sector as a whole.
- The phosphoric acid plant is expected to achieve mechanical completion by December, with trial runs in January and commercial production commencing by the second or third week of January.
- The company plans to debottleneck capacities in both fertilizer and PTC segments and is pursuing new product registrations along with capacity expansion for active ingredients.
- It also aims to develop downstream projects for Mancozeb and other molecules to enhance material security and capture greater value across the CPC value chain, similar to its approach in fertilizers. A strong pipeline of projects is currently underway to support these initiatives.
- BMCC has turned profitable at the operational level, supported by ongoing scaling efforts. While the impact may not be significant at the consolidated level due to accounting adjustments related to the initial acquisition, the core business performance remains strong and profitable.



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EPL

Buy

Current Price INR 196

Operating performance

- EPL delivered strong revenue growth of 11%, driven by robust momentum in Personal Care & Beyond, which grew 19.4%, powered by B&C growth of 26.3%. The Personal Care & Beyond now accounts for over 50% of the revenue mix.
- Net debt stood at INR4.6b as of Sep'25.
- EPL's blended capacity utilization stood at ~65-70%.

Guidance and outlook

- EPL expects gradual margin expansion by leveraging scale and other initiatives.
- The company is targeting ROCE of over 25% by FY29.
- It expects double-digit growth in revenue, driven by geographical expansion and organic growth. Moreover, it expects further growth in EBITDA.
- The company's FY26 tax rate guidance is ~20-22%.

AMESA

- The company saw a marginal revenue decline of 0.7%, partly due to GST-led inventory corrections, especially in the oral category.
- AMESA remained Flatish in terms of revenue growth. The region is showing steady margin improvements with a robust B&C pipeline and overall recovery, expecting growth to rebound in the coming quarters.
- The company expects recovery in oral care and a robust momentum in B&C, specifically in India.

EAP

- EAP continued its momentum with 10.6% growth in 2QFY26 and solid growth in B&C.
- EPL successfully commercialized its greenfield plant in Thailand in Oct'25, after just nine months from the announcement. Customer supplies billing is expected to start in 3QFY26, and EPL aims to expand its presence in Thailand. EPL expects 3QFY26 to be accelerated by B&C. The company expects this plant to be margin
- lucrative.

Americas

- Americas delivered ~27% revenue growth, reflecting exceptional regional performance. Brazil's capacity expansion supported strong growth, while B&C's momentum in the region remains solid.
- All countries in this region have grown double-digit with Brazil (3rd largest B&C market in the world) leading the growth. EPL reported Fx benefit in this quarter.
- EPL has mitigated the impact of tariffs by manufacturing in the US and shifting product manufacturing to other countries when costs or tariffs are unfavorable.
- EPL expects strong double-digit growth from the Americas. It is expected to make investment decisions for expansion once volumes set in.

Europe

- Europe recorded 2.8% revenue growth, impacted by temporary softness from a few large customers. However, it remains well positioned with a strong order pipeline and is expected to rebound in the coming quarters.
- EPL reported a YoY margin contraction due to destocking by a major customer, which resulted in revenue loss. EPL's costs remain intact.

- EPL has maintained its margin guidance in mid-teens with expected improvements from 3QFY26.

Personal care and beyond

- The Personal Care and Beyond category, which includes Beauty & Cosmetics and Pharma, contributed 53% to the overall portfolio in 2QFY26.
- Under Personal care and beyond category, B&C contributed majorly to revenue at ~39% with Pharma at ~9% and remaining 4% others in 2QFY26

Oral Care

- Oral revenue recovered marginally by 3.1% in 2QFY26. The AMESA region experienced low growth due to GST-led inventory corrections, while Europe experienced a decline in demand from a few large customers, which is likely to recover in the coming quarters.
- Oral care contributed ~48% to revenue in 2QFY26.
- EPL expects double-digit growth in revenue.

Others

- The company has attained a sustainable tube mix of 38% for 1HFY26.
- Polymer prices have remained stable in the current quarter; however, they remain higher than the pre-COVID level.
- Aluminum prices have slightly increased since the last quarter.
- EPL has been awarded the EcoVadis Platinum Rating, placing it among the top 1% of over 150,000 companies assessed globally.
- EPL announced an interim dividend of INR250 per share.



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Eternal

Buy

Current Price INR 306

Demand and growth outlook

- Eternal reported 2QFY26 net revenue of INR135b, up 90% QoQ and 183% YoY. The sharp increase was primarily due to the shift to the inventory ownership model in Quick Commerce, where revenue now reflects the full value of goods sold (as per Ind AS), rather than just marketplace commissions.
- Eternal continues to target ~20% long-term GOV growth, though near-term trends are softer amid muted discretionary demand. FY26 growth is likely to close around 15%.
- Take-rate improvement was supported by higher ad monetization, better commissions, and the platform-fee increase.
- Management expects gradual improvement in growth momentum through the year as demand normalizes.
- Strong traction in monthly transacting users (MTUs), with a large share of new customers being added. Customer acquisition costs remain reasonable, and most new cohorts break even at the contribution margin level within a month.
- NOV-to-GOV ratio has declined slightly due to a higher mix of general merchandise and unbranded products—this trend is expected to continue. Management considers NOV a more relevant performance metric than GOV.
- Marketing spends remain elevated and focused on Tier 1 cities, though Tier 2 markets are contributing increasingly. CACs across Tier 1 and 2 are broadly similar.

- Around 80% of NOV now operates under the inventory model, expected to reach 90% in 3QFY26. The balance 10% remains under a marketplace structure where it benefits both sellers and the platform.
- Elevated marketing investments will continue in the near term, assuming a stable competitive landscape.
- Margin gains of ~1pp are expected to materialize gradually over 4–6 quarters, as supplier negotiations play out. About 3pp improvement has been realized in gross margin, offset by higher first-mile and inventory-management costs—both above the EBITDA level.
- Advertising revenues have remained broadly stable.
- NOV growth is expected to sustain at over 100% for the next couple of years
- Roughly 70–75% of new dark-store additions are concentrated in the top 10 cities, with smaller cities serviced through shared regional warehouses.
- Expansion into tail cities is cost-efficient given existing infrastructure.
- Assortment breadth in Tier III cities is lower than in metros due to supply-chain limitations, though AOVs are largely similar across city tiers. Margins differ slightly owing to product mix.
- **District:** Business continues to grow at steady levels. Profitability in percentage terms is expected to improve, while absolute losses should remain range-bound. FY27 performance is expected to be stronger than FY26.
- Ongoing expansion has led to operating losses; management will provide an update in the next quarter.

Margins

- The company has reached a reasonable scale of profitability and views adjusted EBITDA margins as an outcome of business operations rather than a near-term target.
- In Food Delivery, the recent increase in platform fees has driven a stronger profit delta; this move followed peers' pricing actions and aims to sustain margin improvement.



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Godrej Agrovat

Buy

Current Price INR 577

Operational performance and outlook

- Rainfall hurt the company's 2Q performance
- Further, unseasonal rains in October have created problems
- Less acreage in chili has also affected the company's performance
- Management retracted its annual guidance. However, it expects to maintain a healthy growth for FY26

Animal Feed (AF)

- AF delivered record quarterly volumes, driven by sustained market share gains in the cattle feed category. Cattle feed volumes grew 18% YoY, contributing significantly to the overall volume expansion.
- This has come on the back of strong operational performance
- There is strong execution happening in terms of the quality of feeds. There is a strong market share gained by the company
- EBIT post supplier credit is INR2000 per MT. The company maintains the earlier guidance of an underlying EBIT of INR1,900 to INR2,000.
- The bill discounting expenses would continue going forward.

The image shows a screenshot of a document titled "Godrej Agrovet" with a date of "23 Nov 2025". It appears to be a transcript or a report from Motilal Oswal. The document contains financial data and text in both English and Hindi. The English text includes a table with columns for "Q3 FY26" and "Q3 FY25", and rows for various financial metrics. The Hindi text provides a detailed explanation of the financial performance and management's commentary. The document is dated "23 Nov 2025" and is titled "Godrej Agrovet".

Crop Protection (Standalone)

- Segment revenue declined ~30% YoY primarily due to persistent and widespread rainfall across key markets, lower crop acreages, and disrupted field operations.
- These conditions reduced spraying opportunities, affecting the offtake of both in-house and in-licensed products.
- The company has made a strong foray into maize through a product known as Ashitaka.
- It is also looking to extend label claims into some of the current products.
- The company foresees a new launch coming in 4Q. This could be another segment to diversify its business.

Astec LifeSciences

- Segment revenue declined ~25% YoY, due to a cautious approach by customers in Contract Manufacturing.
- Improvement in EBITDA was primarily driven by higher volumes, stronger gross margins, and better capacity utilization.
- Demand for CDMO business has shifted towards 2H. The company only sees a temporary shift but feels that annual demand is normal. It is on course to have CDMO as 55% of business in Astec.
- CDMO margins generally vary between 30% and 31%, while the enterprise margin is 15%. CDMO's margin is formula-based – it is constant – it does not increase or decrease a lot
- Year-end salience between the enterprise and CDMO should be corrected and reach similar levels as last year.
- EBITDA breakeven is expected by the end of the year in the CDMO business. Company guides for INR5b turnover and breakeven EBITDA for FY26
- Share of CDMO business has increased from 23% to 54%, this is expected to increase in the coming years. R&D centers set up by GOAGRO are in line with the best-in-class centers all along
- Agrochemical to remain focused, but the company may look to enter into specialty chemicals.

Dairy

- Segment revenue reported a decline of 2% YoY in 2QFY26 (including bulk product sales). Excluding bulk product sales, GOAGRO posted a revenue growth of ~8% YoY, driven by strong performance in Value-Added Products (VAP)
- VAP posted ~10% growth & VAP contribution to total sales rose to ~36% in 2QFY26 from ~32% in 2QFY25, reflecting continued portfolio premiumization
- EBITDA margins remained resilient, reflecting strong operational efficiency and strategic cost management, even as milk procurement prices rose and investments in advertising and marketing increased

Palm Oil

- Segment revenue and margins recorded stellar YoY growth in 2QFY26, driven by higher average realizations of CPO and PKO, coupled with robust Fresh Fruit Bunch (FFB) arrivals (up ~9% YoY).
- GOAGRO delivered the highest-ever Oil Extraction Ratio (OER) of 19% in 2Q, reinforcing operational excellence and driving a notable uplift in profitability.

Poultry

- Branded segment continued to strengthen its position, with revenue growing ~3% YoY and Yummiez delivering a robust 19% growth. Branded salience rose to

~86% in 2QFY26 from ~77% in 2QFY25, reinforcing the strategic shift toward value-added products

- Overall segment revenue declined 2% YoY due to lower volumes and prices of live birds.

ACI Godrej (Bangladesh JV)

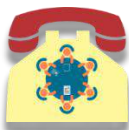
- ACI Godrej posted revenue de-growth of ~11% YoY (in Bangladesh currency terms) in 2QFY26 due to sluggish volume growth and lower average realizations, which also impacted profitability. However, volumes have grown 6% over 1QFY26

Others

- Unallocated expenses have gone up because there was a one-time reversal.
- Manpower cost has gone up because of the provision required for variable remuneration, since profitability is increasing
- ETR seems to be on the higher side due to the accounting standard. It is due to the treatment of tax on dividends. On an annual basis, GOAGRO expects the ETR to be slightly lower than last year.
- Borrowings and WC to come down in the second half of the year.
- Three more products are lined up, which are expected to be launched between April and August of next year.



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GR Infra

Buy

Current Price INR 1,097

Business updates

- During 2QFY26, GRINFRA added INR185m to fixed assets. The net block of property, plant, and equipment, including intangibles, stood at INR11.46b as of Sep'25.
- Working capital days improved to 98 (vs. 153 days as of Sep'24), driven primarily by better realization from debtors.
- The company repaid INR2.62b in debt during the quarter, improving standalone debt-equity to 0.04x—among the best in the sector. Consolidated debt-equity stood at 0.67x.
- Consolidated trade receivables are INR1.9b; standalone unbilled revenue is INR5.6b; inventory levels stood at INR5.8b (vs. INR6.1b as of Jun'25).
- Promoter equity commitment stands at INR32b, with INR4-5b to be infused in 2HFY26 and INR10b each in FY27, FY28, and FY29. Total equity invested in till 1HFY26 is ~INR6b.
- The company received INR930m as InvIT interest/dividend in 1HFY26; expects full-year receipt of ~INR2.3-2.4b.
- NHAI has also tightened the qualification and bidding criteria, which will ease the competition going forward.

Order book

- The order book stood at ~INR254b (incl. L1) as of Sep'25. The company holds L1 status in two road projects worth ~INR42.9b.
- FY26 order inflow guidance is INR200b-250b, out of which INR30b has already won till 1HFY26, and FY27 order inflow guidance is ~INR300b-350b, contingent on bid pipeline materialization.

- Management indicated that the margin trajectory will be contingent upon the strength of order inflows. A higher quantum of project wins is expected to support margin expansion.

Guidance

- The company expects revenue growth of 5-10% in FY26, with potential for more than 15% growth in FY27 depending on execution ramp-up and order inflow.
- EBITDA margins are guided to be in the range of 11-13% for FY26.
- GRINFRA continues to diversify beyond roads, with investments in railways, metro, power transmission, hydro, tunneling, and telecom (OFC).
- The company targets equity investment of at least INR10b in BoT projects annually.



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The screenshot shows a research report titled 'Gravita India' by Motilal Oswal. It includes a table of financial data and a summary of the company's performance and outlook.

Particulars	2024-25	2025-26	2026-27
Revenue	1,000	1,050	1,100
EBITDA	100	110	120
EBITDA Margin	10%	10.5%	10.9%
Net Profit	50	55	60
Net Profit Margin	5%	5.2%	5.5%

Gravita India

Buy

Current Price INR 1,730

Operating performance

- The company has maintained a net debt-free balance sheet.
- 40% volume comes from VAPs, which carry additional gross margins of 2.5-3%.
- Volume growth decreased due to a reduction in GST rates of battery. Volume growth was sacrificed for higher profitability, but EBITDA increased.
- Other current assets increased in 1HFY26 as, for the import of raw materials, the company needs to pay advance, which is booked in other current assets.

Outlook and guidance

- The company is targeting 50% contribution through VAPs by FY29.
- Aims to grow non-lead business' contribution to over 30% of total revenue.
- Growth guidance is supported by a focused capex program.
- GRAVITA aims to diversify into lithium, rubber, and paper going forward.
- Under Vision 2029, the company guides for RoIC of 25%, profitability growth of 35%, and a volume CAGR of 25%.
- INR19-20/kg of EBITDA can be considered sustainable going forward, while INR22-23 of EBITDA per kg can be achieved through some compromise on volumes.

Capex

- Total capacity has reached 3.4L MT and is likely to reach 7L MT by FY28.
- Capacity breakup: lead at 50k tons, aluminum at 70k tons, plastic at 50k tons, lithium ion at 30k tons, and rubber at 100k tons.
- Capex guidance is lowered to INR12.3b from INR15b earlier, as the company is planning a similar capex through the brownfield route. It plans to spend INR8.5b on existing verticals.
- Total capacity expansion to 7L MTPA does not include steel and paper.
- GRAVITA plans to set up plants in East India and the Dominican Republic by FY27. Approvals from Dominican Republic are expected to come in 4QFY26.
- New capacity utilization to reach 60-70% from 2HFY27 onward.

Aluminum

- Permissions for aluminum hedging have been approved internally by MCX. It may be listed any time soon.
- There are two parts – the company can directly sell to MCX. But if it sells to OEMs directly, then margins will be higher.
- It can also sell to tier 2 and tier 3 vendors as well, but margins will be low.

- Africa sources scrap domestically only and not from Europe.
- On a sustainable basis, INR14-15/kg can be achieved in international markets and INR12-14/kg in India.

Rubber

- Mundhra rubber facility to be commissioned in FY26, with revenue expected to come from FY27.
- It is a fragmented industry right now, with 90% of total capacity in rubber held by the unorganized sector.
- Older plants of the unorganized sector will go away and rubber recycling will happen in the formal sector.
- The company is looking at other options over and above pyrolysis in rubber recycling.

Other

- EBITDA/kg for plastic is INR10-11/kg.
- The company was expecting volume growth of 4% in 2QFY26. However, with GST, trade reduced the overall inventory.
- With the govt tightening BWMR, waste collection has been streamlined, traceability has improved, and leakage has decreased. Domestic battery scrap procurement has increased by 35% this year.
- So far the company is not focusing on copper, as value addition in copper is small. There is no copper scrap generation in India. The company will keep on re-evaluating this segment. This may help in revenue accretion as prices are higher, but this will lead to a decrease in EBITDA margins.
- The procurement of domestic battery scrap has increased by 34% YoY in this quarter and 22% in 1HFY26 YoY – this is on the back of BWMR. More battery manufacturers are buying from domestic recyclers because they can provide them EPR points as well.
- 50% of scrap is imported and 50% of scrap is procured domestically. Now domestic has gone up to 52%. Last year, only 36% scrap was procured from India.
- The company has acquired a tyre recycling company in Romania and exploring more options in East EU in a similar segment or a new segment.

IHCL

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Indian Hotels

Buy

Current Price INR 712

Operating performance

- IH reported double-digit growth in consolidated revenue in 1HFY26, in line with management's guidance, despite short-term headwinds due to geo-political disruptions, heavy rainfall, and airspace restrictions.
- ARR at the consolidated level grew 8% YoY to INR13,600, while OR remained stable YoY at 75% in 1HFY26.
- IHCL reported RevPAR growth of ~9% YoY to INR10,300 at consolidated level in 1HFY26.
- New business revenue grew 22% in 1HFY26. IH expects this growth to be 30% in 2HFY26.

Indian Hotels		FY2025		FY2026	
	Q3	Q4	Q3	Q4	Q3
Revenue	1,100	1,150	1,200	1,250	1,300
EBITDA	250	260	270	280	290
Net Profit	150	160	170	180	190
Operating Profit	200	210	220	230	240
EBIT	220	230	240	250	260
EBT	230	240	250	260	270
Net Income	180	190	200	210	220
EPS	18	19	20	21	22
Dividend	5	5	5	5	5
Payout Ratio	28%	26%	25%	24%	23%
ROE	15%	16%	17%	18%	19%
ROA	12%	13%	14%	15%	16%
Debt to Equity	0.5	0.5	0.5	0.5	0.5
Current Ratio	1.5	1.5	1.5	1.5	1.5
Interest Coverage	2.5	2.5	2.5	2.5	2.5
Capex	100	100	100	100	100
Opex	50	50	50	50	50
SG&A	20	20	20	20	20
R&D	5	5	5	5	5
Marketing	10	10	10	10	10
Legal	5	5	5	5	5
IT	5	5	5	5	5
Finance	5	5	5	5	5
Other	5	5	5	5	5

Outlook and demand

- The company remains confident of maintaining double-digit growth guidance for FY26, driven by structural changes in the industry, high-profile diplomatic visits, and busy wedding season in 2HFY26.
- IH expects demand to remain strong, with supply growth lagging. The company anticipates strong forward booking despite a high 3Q base YoY. It expects both 3Q/4QFY26 to witness double-digit growth.
- IH anticipates ~12-15% growth in ARR for Taj Palace post renovation, with occupancy ratio expected to remain at same levels.
- IH expects RevPAR to increase 10% in FY26.
- It expects 18 hotels (including 3 owned) to open in 2HFY26.

Portfolio

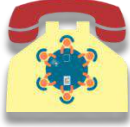
- IH has received all regulatory approvals to commence construction of Taj Bandstand, Mumbai, and the excavation work has commenced a few days ago.
- The company has inaugurated two Greenfield hotels in Ekta Nagar - Ginger hotel (151 keys) and Vivanta (127 keys).
- The company opened its 250th hotel Gateway in Goa, Palolem, in 2QFY26.
- It expects the Clarks portfolio deal to close in 3QFY26, with ~135 hotels to be added to the Ginger brand. The company expects operations to commence from FY28 onwards, with FY27 dedicated to integration. This is expected to add a base revenue of INR1b for the company. Incremental revenue is possible through a switch to revenue sharing model from management contracts.
- Taj Hotel, Frankfurt property (126 keys) is expected to open in Mar'26.

Others

- IH focused majorly on renovations and upgrades in 1HFY26, affecting OR and ARR for the overall hotel portfolio.
- The positive impact of renovations and upgrades on ARR and OR is partially expected in 3QFY26 and fully from 4QFY26 onwards.
- Major renovation work has been completed as of Oct25, with an exception of 20-30 rooms in Taj Palace, Delhi.
- IH incurred capex of ~INR4.8b in 1HFY26, with guidance of ~INR10-12b each for FY26/FY27.
- The company reported resilient performance growth despite industry headwinds due to asset management initiatives.
- IH has entered into multi-asset distribution and management tie-ups with AmbujaNeotia (~15 hotels) and Madison Hospitality investments (~10 hotels).
- The company reported management fees growth of 21% YoY in 1HFY26, with net unit growth in the number of managed hotel rooms of 12%. Management anticipates this strong growth to continue.



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IndiaMart InterMesh

Buy

Current Price INR 2,441

Collections, paying suppliers, and customer additions

- Collections stood at INR4.0b, up 14% YoY, while deferred revenue rose 17% YoY to INR17.5b.
- Traffic growth was 3% YoY, though the company plans to discontinue reporting this KPI in the next quarter due to data reliability concerns. Automated bot activity—especially from Chinese and Russian sources—has made it increasingly difficult to distinguish genuine user traffic from web-scraped data.
- Total paying suppliers stood at 222,000, with 2.8k net additions during the quarter, excluding a one-time addition of 1,200 suppliers resulting from a streamlined onboarding process for Silver clients.
- The supplier onboarding process has been fully digitized. Earlier, sales teams manually collected payments and waited for GST verification before activation—typically a 5–7-day delay. Now, real-time verification enables instant activation upon payment (about 80% of which are now online). The pilot launched in Delhi-NCR has been scaled nationwide.
- The company estimates an addressable base of 15-20m SMEs, growing by 8-10% nominally, with current penetration at just around 2%. Achieving 5-10% penetration over time is considered feasible.
- Gold and Platinum customers continue to exhibit strong upsell and retention rates.
- Churn reduction initiatives include: 1) lower competition and fewer sellers per buyer, improving buyer experience and supplier responsiveness; 2) higher-quality inquiries, with buyers now required to fill in more details, improving supplier response rates; 3) localized search results, which prioritize city-level listings over national ones—improving NPS and overall satisfaction.
- While these efforts have not yet materially reduced churn, the company expects benefits over time.
- Churn rates: Silver Monthly at around 7%, Silver Annual at around 5%; Gold and Platinum at around 1% per month.

Cost and margin

- EBITDA margin stood at 33.2%, down 260bp QoQ, mainly due to one-offs and investments in growth initiatives.
- Other income declined, impacted by MTM losses on the company's treasury portfolio amid rising bond yields. Over the longer term, treasury income is expected to remain in the 6-7% range.
- Performance marketing spends totaled INR60m (INR6cr) in the quarter, focused on the top 10-15 categories. Initial results have been encouraging, and the company plans to maintain a budget of INR80-100m (INR8-10cr) per quarter going forward.
- ESOP expenses were higher due to the renewed ESOP grant worth INR900m (INR90cr), with expenses spread over 1Q and 2Q.
- Marketing and selling expenses are expected to remain stable at 16-18% of revenue.
- G&A expenses included a one-off fair valuation charge of INR160m (INR16cr) on an investment.

infoedge

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Other highlights

- Busy reported INR380m in billings during the quarter, with revenue from operations at INR290m and deferred revenue at INR1.11b.
- The company sold 12,000 licenses during the quarter, and management expects this momentum to sustain.
- Seasonally, 1Q and 4Q are stronger quarters for the accounting software business, but overall performance is expected to remain in line with current growth trends.

Info Edge

Neutral

Current Price INR 1,324

Recruitment

- GCC hiring continues to expand steadily at 17-18%, driven by multinational firms increasing their India-based workforce. Substantial headroom remains as more GCCs set up or scale up operations.
- Naukri India continues to be the largest contributor, accounting for ~75-80% of recruitment revenue, though hiring sentiment in this market remains lukewarm.
- Marketing spends moderated sequentially; however, the company continues to invest in 'Job Hai', its blue-collar platform (burn rate of ~INR400m annually). IT hiring remains cautious, while non-tech sectors are growing 10-15% YoY.
- INFOE expects AI-led growth in mass hiring over the next few years; blue-collar hiring opportunity (via Job Hai) expected to scale up materially in 5-8 years. Management highlighted emerging trends such as AI-assisted hiring and rising demand for premium talent in the professional segment.
- New business development in Tier-2/3 cities continues, though ARPU remains
- lower compared to Tier-1 markets

Real Estate

- Billing growth is driven by both higher customer count and better realization per customer.
- Secondary market demand was strong, while primary segment showed modest growth.
- Broker and channel partner billings grew faster than developer billings. Traffic-time share reached 49% (vs. mid-20s for peers), reinforcing INFOE's market leadership.
- Management expects traffic share gains to translate into billings with a lag of 3-4 quarters.
- Growth is visible across new homes, rentals, and commercial segments, though some monetization lag persists, leading to temporary burn.
- 99acres continues to gain market share, supported by continued marketing investments, platform improvements, and content quality.
- Enhancements in AI-driven matching algorithms are expected to improve monetization efficiency. Paid listings rose due to higher owner listings and affordable pricing options.

Other highlights

- Billings grew 13% YoY, evenly split between domestic and study-abroad segments.
- Domestic private universities continue to diversify beyond engineering, offering broader choices for students.

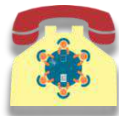
- Ongoing investments in content enrichment, student counselling, and domain expertise.
- Traffic has been impacted by Google's AI summary rollouts and shift from traditional search to AI chatbots, leading to a dip in inbound volumes.
- The company is monitoring this closely and working on mitigation strategies through improved visibility and direct engagement channels.
- AI is being integrated across verticals to enhance content creation, recommendation systems, and recruiter tools.
- Launched AI-powered database offering and Alrex, an AI co-pilot for recruiters—both have received positive early market response.

Margins

- EBITDA margin: 39.6% (up 6.3% QoQ/7.7% YoY. Adj. PAT: INR2.6b, up 10% YoY. Quarter included an exceptional MTM gain of INR52b (with corresponding deferred tax of INR7.4b) related to the merger of Makesense Technologies with PB Fintech.
- 99acres' profitability remains contingent on continued high marketing spends aimed at market share gains; management expects to achieve profitability once growth accelerates to 20-25% (vs. current mid-teens).
- Marketing spends are concentrated in 99acres due to the opportunity for share gains, while core Naukri platform spends remain moderate.



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InterGlobe Aviation

Buy

Current Price INR 5,740

Capex

- INDIGO is anticipating high-teens growth in capacity in FY26, driven by increasing GDP growth and passenger growth correlation & accelerating Festival travels
- INDIGO, as done historically, will be disproportionately allocating capacity to International routes, as it also benefits the company in foreign currency hedging

Outlook and guidance

- Due to the higher-than-anticipated currency depreciation and a lower-than-anticipated reduction in aircraft on the ground and induction of some additional damp leases, the company is estimating an early single-digit percentage increase in its unit cost. This excludes fuel and forex for FY26 as compared to FY25.
- Further, INDIGO is estimating flattish to a slight growth in the passenger unit revenue in 3QFY26.

Strategic investments

- INDIGO has doubled the Airbus A350 orders from 30 to 60 and is expecting delivery from 2028 onwards
- The company is planning to establish an MRO facility in Bengaluru for narrow- and wide-body aircraft in the next 2-4 years with a planned capex of INR10b. Currently, INDIGO's 90% MRO work is outsourced to third-party international MRO players
- The company entered into an MoU with Asian Airlines in Greece for fleet expansion, enhancing its brand presence, and destinations

Loyalty program

- In just over a year since its launch, the Blue Chip program has grown to around 7m members

- Further, in 2QFY26, the company accelerated the program's momentum with the launch of three co-branded credit cards in partnership with Kotak Mahindra Bank, IDFC First Bank, and SBI Cards

Operations

- Operationally, Indigo served 28.8m passengers, expanded its domestic network to 94 destinations, including new regional airports, and launched international routes, including Athens, Copenhagen, Manchester, London Heathrow, and Guangzhou.
- Cost pressures include forex impacts and AOG (aircraft on ground) issues related to grounded aircraft, partly offset by increased yields and disciplined capacity management.
- The fleet size was 417 aircraft at quarter end, with a targeted shift to 30-40% owned or finance-leased fleet by 2030 for better cost and operational control.
- The widebody wet leases currently flying to Europe are early in operation but showing encouraging demand, especially for cargo.

Others

- Despite near-term challenges, Indigo remains confident in its growth strategy as India's domestic network remains the backbone with expanding international connectivity.
- The company incurs a loss of INR9b for every unit of rupee depreciation against USD.
- INDIGO is actively hedging forex exposures and expects international revenues to provide natural currency hedges.
- Pilot attrition and regulatory changes (DPL implementation) may cause some incremental costs going forward.
- The AOG issue persists, with about 40 grounded aircraft expected to remain range-bound for some time, leading to damp leases to meet demand.



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IRB Infra

Buy

Current Price INR 44

- Consolidated EBITDA stood at INR9.2b (+21% YoY) with a margin of 52.8% (+450bp); increase in margin was led by high profitability in BOT segment and the gain from InvIT & related assets.
- BOT EBITDA stood at INR5.5b (margin 88%); InvITs & related assets EBITDA was INR2.7b (margin 91%); construction EBITDA was INR1.4b (margin 18% vs. 26% YoY).
- Private InvIT per-day toll collection increased to INR112m (from INR105m in FY25), up ~7% on traffic growth and tariff hikes; combined Private InvIT + IRB per-day toll collection stood at INR182m.
- Distribution of INR515m declared by Private InvIT in 2QFY26, proportionately contributing to IRB's cash flows.
- The Vadodara-Mumbai Expressway (Package 7) HAM project achieved its PCOD on 31st May'25. The first annuity payment from NHAI is due in Nov'25. The project is now eligible for biannual annuity payments for the next 15 years, generating approximately INR1.7-1.8b annually.
- The Ganga Expressway project, which received INR14.7b (~82% of the total grant) from UPEIDA in 1QFY26, is progressing well, with construction on track.

IRB Infrastructure

Key highlights from the report:

- Interim dividend declared at INR0.07 per share (~INR423m).
- Order book at end-Sep'25: INR320b (excl. GST) – O&M: INR305b, EPC: INR15b.
- IRB concluded the sale of three SPVs (KG, KR, Shapur–Moradabad) from Private InvIT to Public InvIT for EV of INR84.5b. The company realized equity release of INR49b from the transaction, thereby strengthening its financial flexibility and enhancing its capacity to bid for upcoming projects.
- The next 1.5 years' executable order book (EPC + O&M) is ~INR40b.

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Order book

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Industry and bidding pipeline

- BOT bidding activity is showing signs of a pickup, with the company having a bid pipeline of ~INR550b in the near term.
- NHA's awarding activity remains muted (only ~504km awarded YTD FY26) due to delays in bid timelines despite identified opportunities; however, it is expected to improve in 2HFY26, with robust pipeline in place.

Guidance

- Construction revenue for FY26 is expected to be INR43-45b, with EPC margins of 20-23%, including O&M. The order book stands at INR320b, and the company is evaluating a bid pipeline of INR550b over the next month.
- The contribution from O&M revenue is expected to rise. O&M execution may rise to 50% of order book in the future (from ~25-30% currently).
- Focus will remain on core road infrastructure; no diversification into unrelated sectors.
- Proceeds from asset monetization to be used for competitive bidding in upcoming BOT/TOT opportunities.

Kajaria

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Kajaria Ceramics

Key highlights from the report:

- Kajaria Ceramics (KJC) reported another quarter of strong margins, whereas its tile volume and revenue were flat owing to soft demand conditions.
- Tiles' volume/revenue/EBITDA/PAT grew 1%/2%/31%/58% YoY.
- Bathware and Adhesives' revenue grew ~14% and ~77% YoY, respectively, and contributed ~11% to the total revenue.
- EBITDA margin surged 390bp YoY and 110bp QoQ to 18%, aided by softer gas costs and cost optimization measures. The extent of improvement was higher than our expectation of a 20bp QoQ expansion.
- PAT, up 58% YoY, was driven by higher EBITDA and other income (up 57% YoY).
- Net cash level improved INR1.7b to reach INR5.93b in 1HFY26, fueled by healthy operating performance.

Kajaria Ceramics

Buy

Current Price INR 1,104

Key operational highlights: 2QFY26

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- Net cash level improved INR1.7b to reach INR5.93b in 1HFY26, fueled by healthy operating performance.

Business development and outlook

- Despite soft demand, margins continued to expand in 2QFY26, aided by softer gas costs and cost optimization measures.
- KJC anticipates some volume growth in 3Q owing to the festive-driven demand.
- Management's focus remains on healthy margins and cash flows, despite the soft demand environment.
- The company is undertaking various cost optimization measures, which will sustain margins at elevated levels. Key areas of cost restructuring include 1) re-engineering of packing boxes, 2) tightening the sourcing of outsourced products

and raw materials, and 3) unification of the sales team for all tile verticals together.

- KJC has appointed a consultant to drive market share gains by rationalization of dealerships and channel expansion.
- Management would focus on driving project sales and strengthening market share in the retail channel.
- The price difference between KJC and Morbi players remained at ~20%.
- Tile exports from India marginally increased in 1HFY26 and are estimated to be ~INR180b in FY26.



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KNR Constructions

Neutral

Current Price INR 170

Industry opportunity

- The road infrastructure industry witnessed muted project awarding activity during the quarter, with both MoRTH and NHAI showing slower award conversion despite a healthy pipeline of ~INR3.5t.
- Execution was impacted by extended monsoon conditions across several regions. However, industry outlook remains positive for 2HFY26, driven by a robust NHAI pipeline and upcoming project announcements from various state governments.
- Government focus on large-scale infrastructure—such as 25 new greenfield expressways, a 3,000km port connectivity highway network, and ~INR1t investments in religious tourism corridors—is expected to boost momentum. Additionally, NHAI has lined up ~INR400b worth of assets for monetization to support further infrastructure development.
- Moreover, NHAI's tightened RFP norms now emphasize awarding projects to technically and financially strong contractors, thus reducing competition in the industry, while new initiatives like the deployment of network survey vehicles aim to enhance highway monitoring and maintenance efficiency.

Order book and bidding pipeline

- As of Sep'25, the order book stood at ~INR82b, excluding the recently won projects of ~INR5.3b. The composition includes 25% roads, 19% irrigation, 13% pipeline, and 43% mining projects. Client-wise, 78% was government projects (75% state govt, 3% central govt), 2% private sector, and 20% captive HAM projects. Excluding mining, the order book is executable over the next 18-24 months.
- The company targets order inflows of INR80–100b by the end of FY26, driven by a balanced mix of NHAI, irrigation, and state government projects.
- Of the revised INR9.9b equity requirement for HAM projects, INR6.9b has been infused to date, with the balance INR2.9b to be deployed over FY26 and FY27.

Other highlights

- Working capital days moderated to 144 days in 2QFY26, compared to 166 days in 1QFY26, as the company witnessed improved collections. The spike in 1QFY26 was largely due to delayed payments from Telangana irrigation and HAM projects, which had elevated receivable days. Outstanding receivables from the Telangana government currently stand at INR13.5b

- Irrigation projects will broadly be completed by FY26 end with some spillover over the next year. Unbilled revenue for the irrigation sector stood at ~INR7.2b as of Sep'25.
- EBITDA margin during the quarter was impacted by higher employee expenses, including a one-time variable pay of ~INR100m to the Director, along with certain project-related expenses incurred in Kerala.
- Mining project: Won in 1QFY26 through a JV with NCC (74:26), awarded the Vemardi coal mine in Jharkhand (INR48b excl. GST). Management expects the project to commence by 2HFY27, with first-year revenue of ~INR900m, ramping up to ~INR7b annually thereafter.
- KNR is planning to enter the metro, railway, BOT toll, and solar sectors, and is exploring JVs for capability expansion.
- Net debt-to-equity at 0.49x (Sept'25) vs 0.41x (Mar'25).

Guidance

- Management expects INR8-9b of revenue in the 2HFY26, implying ~19b of revenue in FY26 against the guidance of INR20-25b provided in 1QFY26.
- FY26 EBITDA margin expected at 13–14%.
- Water pipeline project to contribute ~INR3.5-4b revenue in FY26 and the balance in FY27.
- Strong execution pick-up expected in FY27, with potential revenue of INR25–30b, contingent on healthy order inflow materialization and supported by contributions from mining, water pipeline, and HAM project contributions.



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Lemon Tree Hotels

Buy

Current Price INR 155

Overview

- In 1HFY26, the industry faced multiple headwinds, including geopolitical tensions, floods, airplane accident, tariff wars, and GST revisions, which resulted in muted demand.
- Margins contracted primarily due to increased investments in renovation, technology, and one-time ex-gratia payments to employees.
- In 2QFY26, gross ARR stood at INR6,247 (+6% YoY), with OR at 69.8% (+140bp YoY) and RevPAR at INR4,358 (+8% YoY).
- As of 30th Sep'25, total inventory of the group stands at 242 hotels and 20,074 rooms, with 10,956 rooms and 121 hotels being operational and the balance in pipeline.
- In the past three years, LEMONTRE has spent ~INR3b on renovation of 3,000 rooms, which affected profits. Revenue is affected by the shutdown in hotels and rate cuts, and it expects recovery from 3QFY26.

Aurika Mumbai performance and outlook

- RevPAR growth is expected to be 15% in 3QFY26.
- Aurika Mumbai did not see enough retail business (80 rooms) – corporate at 130-140 rooms, airlines at 150 rooms, and travel/trade at 40 rooms.
- Targeting gross ARR of INR12,000 from FY27.
- MICE demand increased from 19 to 41 rooms.
- OR of 75% at 504 rooms a day as against 50% YoY at 337 rooms.
- Incremental growth resulted due to 100 rooms non-negotiated and 60 airlines

- R&D and employee expenses accounted for ~8% of revenue in 2QFY26. Management expects these expenses to reduce to ~5% of revenue in FY27 before stabilizing at ~2% of revenue by FY28 and onward.
- Management's outlook for 2HFY26 remains positive with continued investments in renovation and technology, leading to an increase in OR and ARR across the portfolio.
- EBITDA margin to be same as FY25; increase in capex will be offset by double increase in revenue.
- Guided for mid-teen RevPAR growth in 3QFY26; Oct'25 saw muted demand due to the festive season (-4% YoY); Nov'25 saw a demand boost.
- Renovation expense expected to stabilize at 1.5% of revenue (~0.5% in FY28-30), which is currently at 6% of revenue.
- Demand growth is driven by rapid growth in airlines.

New openings in 2QFY26 (managed and franchised)

- Lemon Tree hotel in Erode, Tamil Nadu, with 64 rooms
- Keys Lite in Banswara, Rajasthan, with 54 rooms
- Keys Select in Kufri, Himachal Pradesh, with 49 rooms
- Lemon Tree hotel in Chandausi, Uttar Pradesh, with 61 rooms
- Keys Lite in Vijayawada, Andhra Pradesh, with 44 rooms

Hotels under development (owned)

- Aurika, Shimla (91 rooms), with expected opening in FY27
- Aurika, Shillong (165 rooms), with expected opening in mid-CY28
- Aurika, Nehru Palace, New Delhi (500 rooms). The company has targeted IRR of ~15% with fees of INR240m with escalation of 5%. LEMONTRE won the letter of award for 2.25 acres of land in Nehru Place, New Delhi. Initial approvals and design of the hotel are currently underway.

Strategic tie-ups with RJ Corp

- RJ Corp promoter Mr. Ravi Jaipuria is investing his own capital to develop a series of Lemon Tree-branded hotels across the country, while Lemon Tree will handle the design, branding, and long-term management of these assets, thereby strengthening the company's asset-light growth strategy.
- The partnership includes several major projects already underway.
- In Ayodhya, RJ Corp is developing a 300-room Lemon Tree Premier with a total investment of around INR3b, where Lemon Tree will earn ~INR150m in design-and-build fees and subsequent management income.
- A similar-scale project is coming up in North Guwahati, where RJ Corp has acquired about five acres to build a medical city comprising a 600-bed Medanta hospital, a 100-bed childcare facility, and a 300-room Lemon Tree Premier with 50 serviced apartments—again with Lemon Tree earning development fees and management revenue; RJ Corp's investment here is estimated at INR3-3.5b.
- Additionally, RJ Corp is also becoming a 50% shareholder in the Aurika Shillong project.
- Management indicated that RJ Corp has expressed strong confidence in India's mid-market hospitality opportunity and has asked Lemon Tree to identify more locations where it can invest. This partnership provides Lemon Tree with the ability to scale up its premium hotel brands rapidly without deploying significant

capital while securing predictable fee income and long-term management rights across multiple marquee projects.

Operational performance by Brands

- Aurika Hotels & Resorts: ADR at INR8,806 (-7% YoY) with OR of 71% (+2,120bp YoY). RevPAR at INR6,248 (+32% YoY).
- Lemon Tree Premier: ADR at INR7,142 (+5% YoY) with OR of 80% (+90bp YoY). RevPAR at INR5,696 (+6% YoY).
- Lemon Tree hotels: ADR at INR5,695 (+5% YoY) with OR of 67% (-600bp YoY). RevPAR at INR3,840 (-4% YoY).
- Red Fox: ADR at INR4,824 (+8% YoY) with OR of 65% (-520bp YoY). RevPAR at INR3,130 (stable YoY).
- Keys by Lemon Tree: ADR at INR4,031 (+10% YoY) with OR of 60% (+360bp YoY). RevPAR at INR2,416 (+17% YoY).

Renovations and timelines

- Lemon Tree Delhi: Major upgrades completed. At present, EBITDA per room is ~INR2m.
- RedFox Delhi: Rebranded to Lemon Tree and repricing expected from 3QFY26.
- Similar upgrades have occurred in the company's two hotels at Hitech City, Hyderabad, and Whitefield and Electronic City in Bangalore.
- LEMONTRE reported 47% RevPAR increase in Pune renovated rooms.
- The company expects renovation completion of 3k rooms by next year and 1.6k more rooms' renovation expected to start in 1HFY27. The company has planned a capex of ~INR4.5b for entire renovation (INR1m per key) – ~INR1.3-1.4b in FY27.
- Full benefits of renovation expected in 2HFY27.

Asset-light model

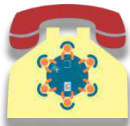
- In 2Q, LEMONTRE signed 15 new management and franchise contracts, adding 1,138 new rooms to its pipeline.
- The company is looking to focus more on the asset-light model in coming years.
- Signings are more than openings due to time lag in execution; planning additional 5k/7k rooms in FY27/28.

Other key highlights

- As of Sep'25, cost of debt was 7.7% (-100bp YoY); credit ratings upgraded to A+ from A.
- The company has planned 35-40k pipeline in next 2.5 years.
- 50% of revenue was over INR7500 ARR rooms; 3-3.5% impact of GST 2.0 and 2.5% net impact by end of this quarter.
- Cost management is a moat for the company. Revenue management system through AI at the second stage and expected to be fully operational by next winter, benefiting the company in outreach to customers, pricing to maximize yield and repeat guests (currently at 40%).
- BCG laid out strategic roadmap for the company. Large investments in technology for managing scale (30 people team; mix of own team of totally fox solutions and BCG consultants). This expense is expected to stabilize at 0.7% of revenue.
- Loyalty program and website elements expected to be visible in 3QFY26 with ~2.1m members in Loyalty program.



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- Gurgaon OR was low due to shutdown of a lot of rooms for renovation and muted demand as corporate bookings did not materialize.

MTAR Technologies

Buy

Current Price INR 2,583

Overall guidance

- Management has upgraded its revenue growth guidance to 30-35% for FY26 from the previous guidance of 25%, attributed to its strong order book.
- Revenue in 2HFY26 is expected to double compared to 1H.
- The company has reaffirmed its EBITDA margin guidance of around 21%, supported by a stronger margin profile in 2H due to operating leverage and higher capacity utilization.
- The company expects better margins in FY27, led by better operating leverage and higher capacity utilization.

Clean Energy

- MTARTECH expects 15-20% revenue growth in FY26 (conservative estimate), with significant growth anticipated in FY27.
- The global data center market is projected to grow 115% (from 175 MW to 375 MW) over the next decade, supporting fuel cell demand.
- Capacity is set to expand from 8,000 to 12,000 units by Mar'26 at the existing plant (INR350-400m of capex). The project is expected to be commissioned by Mar'26.
- Further capacity expansion is planned from 12k units to 16k by Sep'26, and subsequently to 20K units Mar'27 (INR600m of capex).
- The bill of material (BOM) cost with Bloom is relatively lower, so tariffs are not expected to materially affect the company, irrespective of future developments.
- Working capital days stand at 160 for Bloom vs the targeted overall days of 220. The company is taking measures like JIT to achieve working capital days of 220 by the end of FY26, and further 200/180 days by FY27/FY28.
- MTARTECH has consistently adhered to stringent quality standards and timely delivery schedules. Consequently, Bloom Energy (BE) has been entrusting the company with a higher number of product allocations.
- The company supplies 16 ASP assemblies per hot box to BE. It is increasing its capacity from 80,000 units per quarter to 125,000 units. The company has currently orders for 125,000 units per quarter.

Nuclear

- A confirmed order of approximately INR5b from Kaiga Units 5 & 6 is expected in the coming weeks, with all details finalized. The execution timeline for this project is around three years.
- This vertical is projected to witness strong growth from FY27, driven by new orders and upcoming refurbishment projects.
- Additional orders worth INR8b are anticipated by the end of FY26, with an execution period of 3-3.5 years.
- The company already possesses adequate capacity to manage these projects, with only minor bottlenecks to be addressed through a capex of approximately INR200m.

- Another reactor project at Mahi-Banswara is in an advanced stage, with the tender process expected to begin within the next 3–4 months and order placement likely in the next six months.
- Regarding the SMR (Small Modular Reactor) technology, the company plans to participate as and when opportunities emerge.

A&D

- The company is actively strengthening its defense portfolio by participating in critical component tenders.
- EU nations are seeking partnerships with Indian companies in defense; MTAR aims to capitalize on this opportunity.
- The company should be able to complete first articles by June of next year for IAI.
- The company expects ~INR1b orders to be received by the end of FY26 and aims to scale this to INR5b+ revenue in the next 3-4 years.
- It has recently tied up with Adani for AMCA jets.
- The company has put a pause to the Indigenous SSLV project due to multiple ongoing commitments. This project also requires significant cash outflows.

Products

- The company had a capacity of roughly around 80,000 units and is now moving up to 125,000 units per quarter.
- It is actively working on ASP (Advanced Subsystems & Products), ball screws, and valves.
- The company expects to generate over INR1b in revenue in FY26, with significant growth in subsequent years supported by a strong order book.
- Roller Screw: The product has been qualified, though defense clearance is taking longer than expected.
- The company remains focused on quality, innovation, and process efficiencies as the key levers to drive long-term shareholder value.
- ASP – the company is supplying components to Bloom Energy, supporting long-term growth visibility.

Others

- Oil and Gas segment: Volume production is expected to ramp up from FY27, following the commissioning of new capacity.
- Energy Storage: The company continues prototyping work with Fluence and plans to begin batch production in 2HFY27. Revenue contribution of INR2-4b is expected to commence from FY28, with steady growth thereafter.
- Capex of INR1.5b includes INR400m for fuel cells, INR900m for oil and gas, and the remaining for other sectors.
- The company will raise debt of INR1.5-2b to fund growth capex (oil & gas and fuel cells). Debt will not exceed INR2.5b at any time.
- Absolute working capital was reduced by INR210m for 1H, while remaining higher in days. The entire inventory is made to order and not made to stock i.e., all inventory is for orders in hand.
- The company is stretching its payables to reduce WC days to 200 for FY27 and to 180 for FY28.
- CFO improved to INR3.9b vs the previous quarter and will surpass FY25's CFO performance.

Paytm

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The screenshot shows a research report from Motilal Oswal Financial Services. The title is 'One 97 Communications'. The report includes a table of contents, a summary of the company's performance, and a detailed analysis of its financials and operations. The report is dated 10th October 2023.

One 97 Communications

Neutral

Current Price INR 1,295

Revenue

- **Paytm Postpaid:** The Paytm Postpaid product is back in operation, and the company has resumed monetization in its financial services vertical. It is also adding more banks as partners.
- **Net Payment Margin:** The margin has been improving, driven by increased use of credit instruments by merchants and higher EMI volumes during the festive season. The company is focusing on expanding its EMI product portfolio, while Soundbox and device sales continue to grow strongly.
- **Marketing Revenues:** Travel remains the largest contributor and continues to benefit from strong tailwinds, with Paytm witnessing market share gains in this segment.
- **BNPL:** There are two types of Pay-Later products — transactional and EMI-based (3 months to 1 year). Paytm focuses on the transaction-based model, which is fee-driven rather than interest-driven, offering zero fees to customers with strong credit profiles.
- **Payment Processing Margins:** Margins have improved, and the trend is expected to sustain, with consistent improvement seen over the past few quarters.
- **Consumer Segment:** The customer experience has been simplified. Paytm expects its UPI market share to have improved and sees better monetization opportunities through its transition into wealth products such as equities, F&O, and gold mutual funds.
- **Festive Season Performance:** The company recorded strong traction during Diwali with notable pricing improvement and continues to maintain flexibility in its merchant business model.
- **Margin Trade Finance:** This is operated under Paytm Money and sits on the equity broker's balance sheet. The business has been scaling up well.
- **Revenue Outlook:** While festive demand could further lift revenue growth, the company remains focused on monetization and bottom-line performance.
- **GMV Growth:** GMV growth has been margin-accretive, with gains in both consumer and merchant market share alongside improving economics. If UPI grows at 20%, Paytm expects its GMV growth to surpass that level.
- **Credit Card UPI:** Market share in credit card-linked UPI has increased. The company foresees subscription revenue eventually being overtaken by MDR-based revenue.

Cost related

- Indirect expenses have declined and are expected to remain range-bound in 2H. Marketing and software expenses have improved. The company plans to invest selectively in sales personnel while optimizing other cost areas.
- No major capex is planned; operations will continue on a “business-as-usual” basis.

AI related

- AI is emerging as a key revenue and cost-optimization driver. Paytm's large merchant base offers significant cross-selling potential, and the commerce business will benefit from AI-driven synergies.

- The company aims to extend AI tools even to small merchants, who act as micro-agents for small businesses, paying subscription fees for AI-enabled solutions. Soundbox is evolving into a “smart” device offering AI-based merchant services.
- The use of AI has led to significant cost optimization, and the company is building infrastructure to expand these capabilities further.
- Paytm plans to replicate its successful product and technology frameworks across new verticals.
- The company also intends to integrate insurance into its AI stack and is already deploying AI within Paytm Money.

Postpaid

- The postpaid opportunity is large, though currently at a nascent stage. Paytm expects strong growth as it expands consumer adoption and bank partnerships. The business benefits from high throughput and lower cost of capital.
- The company will be making 20bp of the margin that the company used to get in the wallet business earlier. It will be like a credit business.
- The company has partnered with an SFB that provides sufficient capital to support growth.
- Having accumulated rich behavioral data from both consumers and merchants, Paytm is well-positioned to scale this business efficiently.
- Expansion of the sales team will primarily target merchant acquisition, with an ambition to establish leadership in this segment.

Merchant business

- Device growth has remained robust. Paytm ensures high device utilization by recycling and refurbishing older machines, keeping most of its deployed base active.
- There remains substantial penetration potential on the merchant side, offering strong growth visibility.
- Refurbishment costs are only 25–30% of the price of new devices, helping the company reduce costs significantly.

Lending business

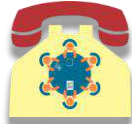
- The postpaid business was relaunched in September and remains small in scale, though collections have been healthy. Personal loan growth has been constrained by external headwinds, but take rates are improving.
- Lender Partner 1 has shown strong traction, with business volumes more than doubling over the past year.

International expansion

- Paytm plans to enter new markets through technology partnerships with established local players. Under this model, Paytm will provide its proven payment platform and devices, while partners handle sales, distribution, and operations to serve MSMEs.
- The company is also evaluating opportunities in developed markets, though near-term expansion will focus on India-like geographies.



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Prince Pipes

Buy

Current Price INR 308

Demand and Market Environment

- The PVC industry continued to face a challenging macroeconomic environment during the quarter, marked by subdued demand (~9% decline in PVC consumption in 2QFY26) and volatility in PVC resin prices.
- The CPVC market has performed better than the PVC market.
- Demand in key end-user segments, such as infrastructure and real estate, remained soft, impacted by an uneven and extended monsoon that delayed construction activities, while the agriculture segment also witnessed muted demand due to erratic rainfall, which affected farm-related activities.
- Delays in the implementation of ADD created uncertainties for channel partners, leading to volatility in domestic resin prices.

Operational Performance

- PRINCIP reported no inventory losses in 2QFY26.
- The company reported margin expansion due to a favorable product mix (good volume growth in CPVC) and cost optimization.
- The company's WC days stood at 85 days for 1HFY26 (93 days YoY); trade receivables stood at 52 days (55 days YoY).

Guidance and Outlook

- Management expects demand to recover in 2HFY26, supported by the restocking activity and improvement in consumption trends.
- PRINCIP emphasized innovation and differentiation to gain a competitive advantage. Management plans to pursue differentiation in its product portfolio and expansion of its distributional channels.
- The company plans to mitigate near-term market uncertainties through strong fundamentals, customer centric approach, and operational efficiency.
- PRINCIP has maintained its guidance of high single-digit volume growth in FY26. The implementation of ADD is expected to address uncertainties and improve sentiments among channel partners.
- The company expects double-digit (~12%) normalized EBITDA margin by 4QFY26.
- Management expects the CPVC supply to increase locally and plans to diversify its RM sourcing. It also plans to launch its in-house brand for CPVC.
- The company expects private sector projects (currently 25% contribution to revenue) to deliver a growth rate of ~20-25% YoY.

Capacity Additions and Capex

- The company commenced Phase 2 operations at the Bihar manufacturing unit in Sep'25. The expansion has enhanced production capacity, operational efficiency, and regional supply capabilities, supporting the company's growth strategy across the Eastern region. At present, the plant's installed capacity is 65,380MT.
- PRINCIP invested a total of INR2.4b in the Bihar plant; depreciation on the new capacity has commenced.
- Going forward, the total depreciation run rate is expected to be ~INR300-320m on a quarterly basis.
- PRINCIP has highlighted its commitment to investing in capacity additions and scaling its operational.

- The company incurred capex of INR1.2b (INR700m for the Bihar plant) in 1HFY26, with expected capex of INR1-1.1b in 2HFY26 (INR500-600m for the operational plant and INR450-500 for the Bathware business).
- The company has not planned significant capex for existing product lines in FY27. However, it is looking to add new value-added products in 4QFY26 (where GP margins are higher than the current levels) and will plan capex for these products.

Bathware business (Aquel)

- Continuing its growth momentum, Aquel expanded its footprint with new display centers in Jammu & Kashmir and Uttar Pradesh in 2QFY26. These centers are expected to enhance customer accessibility, improve brand visibility, and showcase Aquel's commitment to delivering premium plumbing and bathware solutions across key regional markets.
- In 1HFY26/2QFY26, revenue from the Bathware business stood at INR220m/INR120m, with a consolidated loss of INR100m/INR50m.
- The company primarily generates revenue generated from the Northern and Eastern regions and has is expanding its distribution network in the Southern and Western markets. The company expects the Bathware business to break even within the next four quarters.

Others

- PRINCEPI received the Ambition Box Employee Choice Award – 2025 for fostering a positive and inclusive workplace culture.
- Management mentioned that the company experienced a pickup in November.
- Advertisement spend amounted to INR150m (~1-1.5% of Revenue) in 1HFY26 and is expected to be 2-2.5% of revenue if market sentiment improves.
- PRINCEPI contributed to the construction of the Navi Mumbai International Airport by providing robust CPVC piping and advanced cable ducting systems.
- PRINCEPI's volumes were affected in selected geographies during the quarter.
- Capacity expansion in advance to favor the upscale in demand in the future
- The company has strengthened its sales team and is looking to expand its distribution footprint in select geographies by Mar'26.
- Key announcements on CPVC are expected by management in the next few weeks.



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PVR Inox

Neutral

Current Price INR 1,113

- **Box-office trends:** The momentum seen in 1Q further accelerated in 2Q for a remarkable 1H, led by strong performance across Bollywood, Hollywood and regional films. Twelve films crossed the INR1b mark in 2Q (22 in 1H), with films such as Saiyaara (INR4b) and Mahavatar Narasimha (INR3b) emerging as blockbusters on the back of quality content. Hollywood recovery continued with box-office collections crossing the ~INR5b mark. Kannada box-office grew 100% YoY, while Malayalam saw 50% YoY jump, rounding off an all-round performance.
- **Box-office outlook:** 3Q, which is typically the biggest quarter for PVR driven by festive releases, started on a strong note with Kantara 2 crossing INR5b and host of big-ticket movie releases such as Thamma, De De Pyaar De 2, Dhurandhar,

and Avatar: Fire and Ash releasing in 3Q, followed by Border 2, Raja Saab, Toxic, O'Romeo etc. in 4Q. Management expects 2H to deliver similar, if not better, performance as 1H.

- **Screen openings:** PVR opened 42 new screens and rationalized eight during 1H. The company plans to open ~100 new screens in FY26. PVR has signed up 132 screens under the capex-light mode (44: FOCO and 88: asset light), which would be opened over the next 18-24 months.
- **Lower SPH:** Management indicated that SPH was affected by the genres of movies doing well during 2Q – Saiyaara, attracted younger audiences, while Mahavatar Narasimha brought in religious crowd, who refrained from consuming food, given non-veg options are served at PVR. Further, there was some impact on SPH due to the discounted offerings on Tuesdays (15-17% of footfalls).
- **Advertisement income:** Ad revenue remained resilient, driven by diverse sectoral participation. The top contributing sectors were FMCG, banking, e-commerce, textiles and jewelry, followed by automobiles and retail.
- **Tentpole block-busters vs. multiple smaller hits:** Management noted that both sort of films have their own role to play for PVR. Tentpole movies enable better monetization of advertisement slots, while sleeper hits, which run for longer period, allows for retention of higher revenue share for PVR.
- **Liquidity vs. debt repayment:** As costs are majorly fixed in nature, PVR maintains ~45-60 days of cash for liquidity. With several screens slated to open over the next six months, part of the cash balance will be used up in 2H. However, PVR will evaluate its strategy on liquidity and debt repayment at FY26-end.
- **Movie distribution:** The number of films distributed during 2Q remained similar YoY; however, 2QFY25 benefitted from the release of blockbuster, Stree 2, while Son of Sardar delivered underwhelming performance in 2QFY26. Overall, PVR typically looks to distribute eight Hindi films and 15-20 Hollywood movies annually.
- **Karnataka ticket price cap:** The Karnataka High Court had granted a stay on the implementation of ticket price cap and recently rejected the appeal filed by the Karnataka film chamber against the stay. The next hearing date is still awaited.

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WINNING TOGETHER

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Quess Corp

Neutral

Current Price INR 211

2QFY26 performance

- Over the last 2-3 quarters, the focus was on stabilizing after one-off events such as the NBFC ramp-down, with efforts in 1H directed towards recovering volumes in GS.
- Festive hiring momentum led to higher net additions, supported by seasonal demand in Manufacturing, BFSI, and CRT segments. The season benefitted from macro tailwinds such as repo rate reduction, lower tax rates, and GST 2.0. The company remains confident of repeating its 1H performance in 2H.
- Both sourcing and sales engines are mature. Net additions stood at 21k in the quarter, with an aim of delivering 10k-15k net adds QoQ in the upcoming quarters, translating into single-digit annual growth.

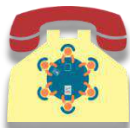
The image shows a screenshot of a financial statement for Quess Corp. The document is titled 'Quess Corp' and includes various financial metrics and ratios. The table is organized into columns for different financial categories, and the data is presented in a structured format. The document is dated 30.09.2023.

- Strong execution in collection efficiency continues, with dominance in the 'collect-and-pay' model. Cash conversion remains stable.
- Sourcing remains an intensive activity. The core-to-associate ratio is slightly declining, with 67% of demand now from Tier 3/4/5 cities and the rest from Tier 1/2. Quess continues to invest in sourcing as timely deployment remains key.
- CRT remains a mature segment with a healthy pipeline and sourcing funnel. While Telecom hiring is muted, Retail and E-commerce continue to grow.
- **GS mix:** (1) CRT and BFSI comprise large-volume, flat-fee and collect-and-pay businesses with limited sourcing needs; (2) Manufacturing and Consumer segments grew 30% YoY and yielded higher gross margins than traditional business. As the mix shifts, overall margins are expected to improve.
- Two emerging businesses: (1) value-added, tech-backed platform business, and (2) construction segment — a high-GM and EBITDA business, currently contributing ~8% to overall EBITDA. Plans to improve this mix over the next 1–2 years.
- Manufacturing is growing faster than other sub-segments.
- **PS segment** remains a high-growth, high-margin business within the portfolio, maintaining margins at 12.2%. Margins are expected to remain stable at low double digits.
- Around 73% of headcount is tied to GCC projects across digital, telecom, and technology roles.
- A large portion of revenue comes from the MSP program (pass-through business where headcount is not on Quess payroll). One client issue led to ~INR300m in revenue loss, impacting revenue per associate but improving margins.
- Open mandates provide confidence for continued strong performance. Digital, Hi-Tech, Consumer and Retail verticals continue to fuel growth.
- IT services clients are showing positive headcount growth.
- Most growth is led by GCCs — both legacy GCCs focusing on cost optimization and AI-led transformation, and newer GCCs adopting these models from inception. The mix between Top 10 and next 40 GCCs is shifting.
- **'Origint'** GCC-as-a-service offering: One GCC has been executed and activated; two more are at the final legal stages. Sales cycle typically spans six months, with contribution expected from 4Q onward.
- **Overseas business:** Broad-based strength observed in the Middle East and Malaysia, with growth in both IT and non-IT verticals. The Philippines also delivered a strong quarter.
- Singapore remained largely stable, offsetting slower IT hiring by expanding GS business. Local hires now at 43% (vs. 17% last year). Focus remains on diversification and localization to drive profitability.
- Reported its highest-ever quarterly EBITDA of INR770m, with EBITDA margins at 2%. Margin improvement was driven by operational efficiency and a higher share of high-margin businesses.
- PS and overseas businesses contributed 30% and 20%, respectively, together accounting for ~50% of overall EBITDA.
- Finance costs remained elevated due to higher working capital requirements in high-margin businesses, which have longer credit cycles. It expects

- normalization over the coming quarters. Total finance costs stood at INR90-100m per quarter, with 25% operational and 75% non-operational components.
- Staff bonuses worth INR1-1.2b are expected as a pass-through in Oct-Nov (3Q).
 - ETR is expected to be at 10-12%, reflecting higher contribution from high-margin businesses.
 - For the full year, operating cash flow-to-EBITDA is expected to remain in the 70-80% range.
 - Rationalization of low-margin MSP contracts has reduced subcontractor expenses.



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Particulars	2022-23	2021-22	2020-21
Revenue	1,234.56	1,123.45	1,012.34
Operating Profit	234.56	212.34	198.76
EBITDA	345.67	321.45	298.76
EBIT	234.56	212.34	198.76
Net Profit	123.45	112.34	101.23
EPS	12.34	11.23	10.12

SBI Cards & Payment Services

Neutral

Current Price INR 868

Opening remarks

- India's payments landscape is undergoing a significant transformation.
- Digital payment volume is expected to triple by FY30.
- India has ~112m credit cards in circulation, which could double by FY30.
- SBICARD remains India's second-largest credit card issuer, with a 19% market share in CIF and 16.8% in spending.
- It continues to introduce customized card offerings for its customers.
- CIF rose by 10% YoY, with the addition of 936,000 accounts.
- Online contributed 61% of total retail spends.
- Total spending grew 31% YoY; retail spends rose 17% YoY, driven by both POS and e-commerce usage.
- Higher spend-based income led to a boost in revenue.
- Higher costs due to festivities and higher corporate spends led to high expenses.
- Yields were affected by higher transactor volume and stood at ~16.5%.
- CoF reduced by 51bp on daily average basis and is expected to remain at the current level.
- ECL rates fell to ~3.3% in 2QFY26.
- Credit costs declined to 9%. Gross write-offs stood at INR12.81b.
- RoA stood at 2.6% and RoE stood at 12.1%.
- Digital payment and UPI segments are doing good.
- The company has partnered with Flipkart, IndiGo airline and a digital company.
- Flipkart is expanding into tier-2 and tier-3 cities, where SBICARD has good access and the partnership is doing good.
- The company is also seeing good growth in retail outlets at the airport.

Credit costs and ECL

- It is following a model that calculates provisions based on ECL numbers. Stock has reduced, especially in stage 2 category. As the bank has been dropping the stocks, ECL numbers are going down.
- The bank is expecting a decline in write-offs and gross credit cost going forward.
- Credit cost is expected at below 9%.

Opex and Other Income

- Corporate spends were way high, in addition to the fact that 2Q is always higher due to festive offers.
- For full year, C/I ratio is expected in the range of ~54-56%. Due to higher corporate spends, this will be now at the higher side of the range.

- Other expenses included INR300m of stamp expenses.
- Fee from certain categories of spends has started to come down, such as rental fee income.
- Rental spends have almost stopped and this would impact the overall spend by ~3-5% in the previous quarter.

NIMs, cost and yields

- SBICARD will sustain the current NIMs.
- Yields declined drastically in 2Q and are expected to bounce back in 3Q.

Spends, loans and receivables

- The company continues to expect 10-12% YoY growth in receivables in the upcoming quarters.
- Revolvers are seeing a downward bias due to the denominator impact. EMI continues to be broadly stable.
- Continues to work with banca channel as well for profitable customers.
- In absolute term, there has been growth in revolver assets, but growth is fairly muted as it is focusing on certain customer segments only.
- Focus is to reduce credit costs before the company starts looking at growth parameters.
- Due to the co-brand partnership and in line with overall customer behavior, people want to buy online more and therefore POS spends are lower. In category 1, departmental spends are critical.
- In corporate, asset is hardly anything and therefore RoA is high. Revenue is essentially the interchange and part of it goes back to customers.
- For merchants, payment aggregator has to do KYC and where they are unable to do KYC, these rental spends are being affected. Rental spend is 3-5% of retail spends.
- Mix of revolver is expected to increase going forward.
- Corporate spend is expected to grow, where margins from customers are good.
- Excl. rental, the company is seeing good retail spends and it would be more than 20% YoY mainly due to a good pickup in UPI RuPay credit cards.
- Focus remains on acquiring high-quality customers, targeting 0.9-1 million cards going forward.

Guidance

- Receivable growth guidance continues at 10-12% YoY.
- Credit cost is expected to be below 9%.



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SIS

Buy

Current Price INR 329

Quarterly performance and outlook

- SIS reported consolidated revenue growth of 15% YoY and 5.9% QoQ. The consolidated monthly revenue run rate stood at INR 1,300 crore, the highest ever for the company.
- This marks the strongest revenue growth year in the last five years, with broad-based performance across all three business segments.
- India Security reported revenue of INR 1,544 crore (+11.5% YoY), Facility Management (FM) at INR 629 crore (+13.7% YoY), and International Security at INR 1,607 crore (+19.3% YoY).

Particulars	Q3 FY26	Q3 FY25	YoY Change
Revenue	₹1,680	₹1,445	+16.2%
EBITDA	₹168	₹145	+16.2%
PAT	₹40	₹34	+16.2%

- Management indicated that 3Q is shaping up well with strong momentum continuing across business lines. Two-thirds of the current growth is being driven by volume expansion rather than pricing, indicating robust demand and execution traction in the underlying business.
- The ratio of revenue and profit is shifting significantly toward India, with roughly 75% of EBITDA and 65% of consolidated revenue now coming from India. International contribution is gradually declining; India's monthly revenue is expected to reach INR 850–900 crore in the next quarter, further improving the overall margin profile.
- The segment continues to see steady margins (~5.3%) with only a marginal dip due to branding costs.
- International Security grew 19.3% YoY, marking the highest organic growth in the last decade.
- The business is currently growing at nearly 2x the Australian GDP and is expected to normalize to 7–8% annual growth going forward.
- Margins stood at 3.5%, flat YoY, with improvement expected as restructuring, contract rationalization, and SG&A optimization initiatives progress.
- Management reiterated that the long-term sustainable margin range for the international business remains 4–4.5%, and efforts are underway to bring the business back to that level.
- The company employs over 200,000 personnel in India Security and ~85,000 in FM, supported by 300 branches across India.
- Attrition for the industry remains high at 40–45%, in line with sector trends. The recently introduced ELI (Employment Linked Incentive) scheme is helping improve recruitment, especially among first-time workers.
- SIS completed the acquisition of a 51% stake in A P Securitas. APS will start consolidation from 3QFY26. APS currently operates at ~INR 110 crore monthly revenue (~INR 1,300 crore annualized) with over 100 branches nationwide.
- Management emphasized that M&A is not a growth tool but a strategic lever. APS will expand SIS's presence in BFSI, logistics, and warehousing sectors, with near-term revenue accretion and long-term margin benefits from operational synergies.

Margins:

- Consolidated EBITDA stood at INR 168 crore, up 16.2% YoY, with margins at 4.5% (+10 bps YoY).
- India Security margin stable at ~5.3%; FM margins improved sharply to 5.2%; International margins remained steady YoY.
- Management continues to focus on contract rationalization, SG&A efficiency, and quality of earnings.
- Post balance-sheet cleanup (including goodwill charge), RoCE improved to 14.3% from 11.7% a year ago.
- Margin profile: India Security and FM businesses are both expected to reach ~6% EBITDA margins within the next few quarters, while international margins will move toward 4–4.5%.
- Management reiterated FY26 PAT guidance of ~INR 400 crore, supported by revenue growth and margin normalization across segments.

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The screenshot displays a detailed financial report for Supreme Industries. It includes sections for 'Key Highlights', 'Financial Performance', and 'Valuation'. The 'Financial Performance' section shows a table with metrics like Revenue, EBITDA, and Net Profit for FY25 and FY26. The 'Valuation' section discusses the company's market position and growth prospects.

Supreme Inds

Buy

Current Price INR 3,618

Guidance and outlook

- Housing/plumbing and agri demand are expected to remain strong in 2HFY26.
- The company is confident of achieving a 15-17% volume growth in FY26 in plastic pipes, with overall volume guidance to remain intact.
- Margins were significantly impacted by inventory losses in 1HFY26, estimated at INR500-600m, with slight impact also seen in other expenses such as fixed overheads.
- Revenue is expected to remain in the range of INR110-115b for FY26. The company has guided for an EBITDA margin of 14.5-15.5%, supported by the absence of inventory losses, a higher share of VAP, and an expected improvement in capacity utilization from ~60% to 65-70% by the end of the year.
- The company has guided for total volume growth of 14-15% in FY26, with plastic piping system volumes expected to grow 15-17%

Plastic Pipes

- Plastic piping products reported a volume of 120k MT (+17% YoY), with revenue at INR16b (+11% YoY). Volumes for CPVC pipes rose 26% in 1HFY26.
- The growth of the plastic piping business for agriculture applications was adversely impacted by the early onset and prolonged duration of monsoon, which led to a sharp decline in the segment.
- Limited budgetary allocations by the central and state governments toward infrastructure projects have led to subdued demand for plastics pipe systems, resulting in lower growth for the segment in 1HFY26.
- This led to slower growth in the plastic pipe system during the first half; however, the company still reported an 11% YoY growth in the segment. It expects demand from the agriculture segment to rebound in 2HFY26.
- The company maintains its volume growth target of 15-17% for the current year.

Capex and expansion plans

- During 1HFY26, the company incurred a capex outflow of INR8.7b, which includes the Wavin acquisition and investments in the window profile (INR2b) and silent pipes (INR800m). The company expects total cash outflow of INR13b.
- The company plans to set up a new unit for material handling products at its newly acquired land at Malanpur (M.P.), aiming to expand its footprint in central India. The project is expected to commence in the next financial year.
- Further, the company has acquired land for new green field units in Bihar and Jammu for its plastic piping division, and in Western Maharashtra for its protective packaging division.
- The company expects its piping capacity to reach 1m MT by the end of FY26, while the overall capacity expected to exceed 1.2m MT.
- The newly installed production equipment for the PP silent pipe system, developed in technical collaboration with Poloplast GmbH (Austria), has commenced production. The company plans to launch the product under the brands 'Serene' and Serene Plus" across the country later this month.

Wavin acquisition

- The company has acquired Wavin's plastic pipe business, including three manufacturing units situated at Banmore (MP), Thimapur (Telangana), and Neemrana (Rajasthan).
- Wavin currently operates with positive margins, which are expected to align with the company's overall margins from Nov'25. The company has cut various costs and ramped up volumes to help recover margins.
- Wavin recorded volumes of 3,000 tons in 2QFY26. As the company was acquired on 1st Aug'25, the process of transitioning accounts was underway during the quarter. For FY26, Wavin is expected to achieve sales of 30,000MT.
- Wavin's pre-acquisition pipes revenue was less than INR6b.
- Whenever the company acquires new technology, it is required to pay a royalty. For the capacity acquired by SI (71,000MT), it has already paid a royalty of INR2.6b.
- The company has entered into a Master Technology License Agreement with Wavin B.V. Netherlands, an Orbia group company, granting its exclusive rights for India and other SAARC countries to access all its existing technologies developed over the next seven years.
- Going forward, the company expects this acquisition and licensing arrangement to pave the way for the plastic piping division's business.

Others

- The company has commenced execution of its awarded contracts for the supply of 0.2m 10 kg composite LPG cylinders to Bharat Petroleum Corporation Limited (BPCL) and 0.231m composite LPG cylinders to Indian Oil Corporation Limited (IOCL).
- The company has expanded its exports market reach, yielding positive results through improved capacity utilization.
- The global economy is currently experiencing a low phase, exerting pressure on crude oil prices. The company expects this downward trend to subside going forward, provided crude oil prices do not decline further.
- The increase in inventory as of Sept'25 was driven by the company's expectation of stronger business momentum in 2HFY26.
- Earlier, the company was exporting only through the Dubai market; however, it has now established offices in India as well. The company expects exports to increase QoQ to multiple countries. The current export mix is less than 3%.
- 17 days of receivables remain outstanding from JJM.



Swiggy

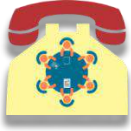
Buy

Current Price INR 394

Demand and growth outlook

- FD: General softness in discretionary consumption was offset by benign food and fuel inflation, and supportive income-tax cuts, which aided spending.
- 10-minute delivery through Swiggy Bolt is now live across 700+ cities, contributing over 10% of total orders.
- The "99 stores" format has scaled up to 500 cities and is already contributing a high single-digit share of total orders.

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The image shows a financial report from Motilal Oswal, dated 2024. It includes a table with financial metrics and a detailed text analysis of the company's performance. The table lists various financial metrics such as Revenue, Profit, and Growth, along with their respective values and percentages. The text analysis provides a comprehensive overview of the company's financial health and strategic initiatives.

- The quarter witnessed heightened competitive intensity with lower subscription fees and reduced minimum order values. Swiggy responded by further subsidizing Swiggy One deliveries, balanced by a higher platform fee.
- Growth remains the overarching priority, even as the company continues to progress toward a steady-state margin of 5% of GOV.
- Instamart: GOV growth (up 107% YoY). The company added 40 new dark stores during the quarter, half of which were megapods. It aims to meet or exceed industry growth.
- Improved delivery speed (via a denser network), selection (over 30k SKUs, up 2x QoQ), and value (through Maxxsaver and QIM Sale) have strengthened the customer proposition.
- The Quick India Movement campaign successfully increased awareness of non-grocery use cases, driving sustained traffic even post-campaign.
- The company continues to see strong participation from general merchandise brands looking to leverage the QC channel.
- Swiggy remains selective in user acquisition, focusing on quality cohorts via minimum order thresholds, free delivery limits, and coupon-based targeting.
- Order growth was intentionally moderated in favor of higher-value baskets, with GOV/user up 15% QoQ.
- Average order value (AOV) rose ~40% YoY to INR 697, led by expansion in non-grocery categories and higher-value basket behavior. Management sees further headroom for AOV expansion as penetration in non-grocery remains low.
- Non-grocery categories contributed 26.2% of GOV (vs. 8.7% YoY), driven by Electronics, Small Appliances, Home & Kitchen, and Toys — each doubling in share over the past two quarters. Pharmacy adoption has also grown faster than other segments.
- While grocery remains the largest consumer wallet share, non-grocery's rising contribution will continue, being both wallet-share and bottom-line accretive. Grocery remains the entry point and flywheel for category expansion.
- Focus remains on improving GOV/sq ft (+16.1% QoQ) and spend per user (+15% QoQ), viewed as the key drivers of platform economics.
- Orders per dark store/day rose 4% QoQ to 1,025. Dark stores can operate at 2,000+ orders/day (megapods at higher levels). Hence, store additions are not a near-term growth bottleneck.
- The current trajectory positions the business to potentially double GOV in a year.
- Instamart MTUs grew organically to 12 mn, driven by stronger brand marketing and improved user retention. The transition from new to mature users is expected to further lift frequency and GOV/user.
- Competition remains steady with periodic intensity shifts; Swiggy continues to maintain pricing discipline.
- Introduction of some of the non-grocery SKUs is recent, expected to drive incremental margin gains in the upcoming quarters.
- New dark stores achieve CM-level breakeven within 6–12 months at 800–1,000 daily orders.
- Focus remains on densifying existing cities rather than expanding to new ones.

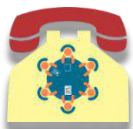
- Advertising revenue as a % of GOV can reach 6–7% at steady state (currently ~3.5–4%), positioning QC as a key ad platform for brands.

Margins

- FD CM remained stable over the last quarter as the function invested in growth, and heightened competition was observed in the quarter. EBITDA margins improved 44bp QoQ. The company continued to guide for medium-term EBITDA margins of 5%.
- Instamart adjusted EBITDA as a % of GOV was -12.1% (-15.8% in 1Q). Instamart reported a contribution margin of -2.6% (-4.6% in 1Q). This was aided by higher advertising, optimization of customer incentives, increased capacity utilization, and operating leverage.
- ~25% of stores are now profitable vs sub-10% just two quarters ago, with ~50 stores now operating at above 3% CM (and the top cohort already operating at >5%).
- Reiterated CM level breakeven by Jun'2026(1QFY27) for QC. If achieved earlier, wants to retain the flexibility to reinvest in growth. Have conviction to get to 4% EBITDA margins and 7% CM levels.



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Team Lease

Buy

Current Price INR 1.683

Demand and growth outlook

- Demand environment is expected to be more favorable in 2H compared to 1H, supported by improving sentiment across core sectors.
- Management indicated that hiring momentum is gradually reviving, with visibility improving across BFSI, consumer, and telecom segments.
- BFSI hiring remained subdued but showed initial signs of recovery, particularly across frontline roles in sales and collections at banks and NBFCs. While overall hiring volumes remain below prior peaks, a more broad-based recovery is expected in the quarters ahead, subject to no new directives from the RBI.
- Other key sectors, including retail, consumer, e-commerce, and telecom, contributed positively to sequential growth. In telecom, while the focus is shifting to growth through technology-driven leverage and productivity, targeted expansion of manpower continues in areas such as frontline sales and network management. E-commerce and logistics saw short-term staffing increases linked to festive season volumes.
- 37 new clients were added during the quarter, with over 65% under the variable model. Around 23% of the gross associates hired were first-time job seekers (driven by a few clients, mostly on fixed mark-up who give volumes).
- PAPM has been maintained on a broader basis and has not declined. Large customers are growing larger and typically at the lowest PAPM. Efforts for variable mark-ups and gaining mid- and small-sized accounts are holding PAPM stable.
- **Specialized Staffing: Demand remained selective but stable in IT services, with continued growth in Tier-2 IT companies and GCCs.**
- GCC segment remains the key growth driver, contributing over 60% of net revenue, with demand spread across life sciences, telecom, consulting, BFSI, and

engineering. Specialized Staffing now serves 90+ GCC clients, with high activity in life sciences, telecom, consulting, engineering, BFSI, consumer, and IT.

- **HR Services:** Segment achieved EBITDA breakeven during the quarter, aided by increased billing in EdTech and improved HCM activity. It is currently managing over 3.5 lakh monthly records under the HCM business.
- Management believes it is optimally invested in the HR business. It will take two more quarters to achieve sizable revenue and EBITDA contributions. Investments are ongoing in sales, and capex is largely over.
- Seasonal uptick is expected in 3Q and 4Q.
- **DA:** 31% of total apprentice associates have now adopted structured learning programs. Recent amendments to the Apprenticeship Act (September 2025) are viewed as a significant policy reform, formalizing degree apprenticeships through tripartite agreements between employer, apprentice, and academic institutions.
- GST 2.0 rollout is expected to create incremental staffing demand in consumer-related verticals over the medium term.
- Net headcount addition stood at ~11,000 during the quarter.
- Headcount growth was supported by hiring revival in BFSI, steady momentum in telecom, and seasonal demand in e-commerce and consumer sectors.

Margin outlook

- EBITDA grew 25% QoQ to INR383m, with margins improving to 1.3%. The increase was led by a higher contribution from the GCC business and continued cost optimization.
- GS EBITDA improved sequentially, aided by operational leverage, new product initiatives, and higher-margin DA business.
- Focus will remain on building the long tail with growth accounts, meaning smaller accounts where the PAPM is relatively much higher — almost 2-3x of what a large client typically yields. A specialized, focused approach is being developed for these accounts, along with self-service options for smaller clients.
- Margin expansion is expected to continue, supported by growth in smaller, high-PAPM accounts and variable mark-up adoption (~two-thirds of new sign-ups).
- Specialized Staffing margins are likely to see moderate improvement as GCC share rises, though a doubling from current levels is unlikely.
- Inorganic contribution was 5% on a half-yearly basis.
- Management expects profit growth to outpace revenue growth, driven by economies of scale and portfolio diversification.
- No provision required for PF-related litigation.
- EBITDA growth of ~25% for FY26 remains achievable, with medium-term aspiration for double-digit EBITDA growth.



Updater Services

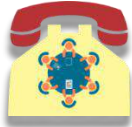
Neutral

Current Price INR 196

Quarterly performance and outlook

- During the quarter, several new contracts were secured that are highly strategic in nature, strengthening long-term positioning with key clients and enhancing the company's presence across focus sectors.

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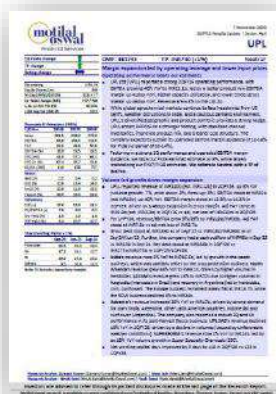
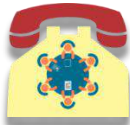
- These new contracts have led to upfront employee costs as many remain in the ramp-up phase and have not yet reached their full revenue potential, impacting margins temporarily.
- Management expects the cost structure on these strategic contracts to normalize over the next few quarters. For FY26, revenue growth is expected to be in the range of 9–10%.
- IFM: Added 14 new clients during the quarter.
- Growth and margins were impacted by transitory factors related to the ramp-up of newly added large contracts.
- Focus continues to shift toward private sector-led contracts, given their superior margin profile compared to government projects.
- The company is pursuing margin-accretive opportunities in healthcare, logistics, manufacturing, and e-commerce sectors, supported by structural tailwinds such as increased GCC investments, the Make-in-India initiative, and accelerated outsourcing of non-core activities. These drivers are expected to help the segment grow at nearly twice the pace of overall economic growth (10-12%).
- A large IFM customer in Delhi is currently in the deployment phase ahead of billing, temporarily affecting margin realization.
- Some large contracts were taken at lower initial margins due to strategic importance and long-term potential.
- About 80% of new business originates from existing clients, while new wins tend to come at slightly lower margins.
- Average contract tenure remains two to three years, although certain long-standing relationships now span over two decades.
- BSS: The BSS portfolio, including Denave and Athena, witnessed headwinds from global technology and industry disruptions. Investments are being made in digital tools and automation to strengthen long-term resilience.
- Athena and Avon underperformed, creating drag on the overall BSS performance. For FY26, growth in the BSS segment is expected to be limited to ~3.0–3.5%.
- The BSS segment remains more exposed to technology-driven disruptions than IFM.
- Athena continues to navigate the evolving technology landscape. While increasing AI adoption has impacted some clients, expansion beyond BFSI into healthcare and education has provided diversification. Margins have remained stable.
- The Audit and Assurance business delivered steady performance, foraying into fixed asset verification and last-mile audit services—high-margin areas that will help move up the value chain. Investments made to scale these offerings have had a short-term margin impact. Audit activity is expected to rise in 3Q due to the GST 2.0 rollout.
- The EBCG vertical continued to face muted demand amid significant spending cuts by Indian IT companies and temporary hiring freezes by MNC clients. The company is expanding non-IT exposure to mitigate sector dependency.
- At Avon, an internal review identified lapses in due diligence for a few customers, leading to stressed receivables. A provision of INR 30m has been recorded, with possible additional provisioning ahead. Management is working

with the legal team to recover dues. Last year, Avon's revenue was approximately INR1b.

- Lower value-added business at Denave has grown.
- PAT margins stood at ~4.3% in FY25 and are tracking slightly lower for FY26. However, 2H is expected to see 15–20% improvement over 1H, leading to full-year PAT margins around 4%.
- The company continues to evaluate acquisition opportunities and is in advanced discussions for a potential target in the value-added services space. The prospective acquisition is expected to be margin-accretive and significantly enhance revenue scale.
- Total headcount stood at ~75,000. Attrition rates remain elevated and in line with industry trends — ~50% in IFM and 15% in BSS (averaging ~4% monthly).



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UPL

Neutral

Current Price INR 760

Outlook and guidance

- Global crop protection demand is expected to remain stable, although macro challenges, such as US tariff uncertainties and farm-income stress in LATAM (Brazil, Argentina), may moderate growth in some regions.
- Domestic performance in India may face near-term volatility due to unfavorable weather conditions, but overall demand is likely to improve in the upcoming quarters.
- UPLL has revised its FY26 guidance, predicting a 4-8% revenue increase and 12-16% EBITDA growth due to operational improvements, margin expansion, and stable demand.
- Corporate and financial milestones, including the DECCO integration with Advanta, the USD200m rights issue, and rating upgrades by S&P, Fitch, and Moody's, are expected to support sustainable growth and operational stability.
- Growth will be driven by volume-led expansion, better product mix, operational efficiency, and favorable currency movements, with North America, LATAM, and other global markets contributing strongly.
- The company anticipates continued EBITDA improvement supported by higher capacity utilization, margin expansion, and disciplined financial management, positioning it well for accelerating performance from 2HFY26 onwards.

Operational performance

- The company has strengthened its financial position by improving leverage ratios while reducing the NWC through better supplier negotiations and efficient cash management.
- Revenue growth of 8% in 2Q was primarily volume-led, supported by strong performances from UPL Corp and Advanta, with SSC also contributing meaningfully.
- Operationally, UPL posted a 2QFY26 contribution margin of 42%, a 420bp increase YoY, while EBITDA margin rose to 18.3%, benefiting from lower input costs, product mix gains, and careful inventory management.
- Contribution margin expanded due to a better product mix, higher capacity utilization, and favorable input costs, supporting EBITDA growth and profitability improvement across segments.

- Net debt to EBITDA improved from 5.4x to 2.7x, with NWC improving by approximately five days, reflecting enhanced operational efficiency and cash flow management.

UPL Corp

- Global demand growth remains in low single digits, and prices have largely stabilized. As such, the company is well placed to compete. UPLL holds fresh inventory levels and at a competitive cost, enabling it to compete aggressively to gain market share while simultaneously expanding margins.
- Total ECL in 1HFY26 was USD30m. In 2Q, it was USD9m.
- Growth in LATAM was largely attributed to Brazil's robust performance and partial recovery of its business in Argentina.
- With regard to farmer liquidity, although prices were low, farmers sold their produce at lower prices but higher volumes, resulting in adequate liquidity for most farmers.

Advanta

- The seeds business is long-term venture, as a typical product from the company's R&D pipeline takes 8-10 years to commercialize, reflecting a lengthy development cycle.
- Wherever the company has strong germplasm, it identifies its GTM strategy earlier and starts investing in those areas from the R&D and technology development stages.
- The company is currently strengthening its germplasm base by channeling R&D resources into this area, as it serves as a key competitive moat.
- The company also benefits from strategic partnerships and recent private equity investments, strengthening its global competitive leadership and enabling continued expansion into new crops, technology, and regions.

Superform

- The company has 4-5 platforms that support the acceleration of Superform's growth. It has phosgenation, phosphorous, and sulfur based chemistry.
- Improving the mix of SSC is a major growth driver for this business. In the next 24 to 36 months, the company expects SSC's share to rise from 30% to 35% of the total business.
- Going ahead, the company expects SSC's share to increase in Superform.
- If SSC's share rises in the business, margins are also expected to continue increasing.

Others

- Strong financial management, including debt repayment, lower net finance cost, and favorable SOFR rates, enhanced balance sheet health and supported sustainable profitability.
- Rating upgrades from S&P, Fitch, and Moody's reinforced market confidence and provided additional stability to the company's financial position.
- UPLL's operational resilience is supported by supply chain agility, such as managing US tariffs through bonded warehouse inventory and strategic capital allocation, as well as recent leadership changes aimed at expanding its competitive edge.



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Va Tech Wabag

Buy

Current Price INR 1,402

Business development and outlook

- VATW secured orders worth INR35b in 1HFY26 and is a preferred bidder in projects worth INR30b.
- The current order book of over INR160b (4.9x FY25 revenue, 62% EPC mix, 38% O&M mix) provides strong revenue growth visibility for the next 3-4 years.
- In 2Q, the company secured new orders in the Future Energy Solutions vertical, including UPW/ETP/ZLD system solutions for RenewSys Solar's Hyderabad cell facility and a CBG BOT project in Uttar Pradesh with a 15-year concession.
- In 1Q, it also secured the much-anticipated Yanbu 300 MLD desalination project in Saudi Arabia and the BWSSB DBO project in Bengaluru.
- The ultra-pure water segment represents a ~INR35b opportunity for VATW.
- The 400 MLD Perur desalination project in Chennai, the 200 MLD Al-Haer Saudi Arabia project, and the 300 MLD Yanbu project are progressing well.
- While the current order book is more inclined towards EPC projects having high volumes and relatively lower margins, the company's focus remains on profitable growth by selective bidding in high-margin EPC and O&M jobs.
- India, Middle East, Africa, and CIS have a huge opportunity in the water sector.
- VATW's strength will remain in leveraging technology and local tie-ups.

2QFY26 result highlights

- Revenue/adj. EBITDA/PAT grew 19%/17%/20% YoY – beating our estimates by 2-14%, majorly driven by forex gain.
- EBITDA margin adjusted to the forex gain stood high at 14.4%, while it was 10.7% on a reported basis.
- The company considers forex gain/loss as part of its continuing business and, thus, analyzing adjusted margins is more meaningful.

1HFY26 result highlights

- Revenue/adj. EBITDA/PAT grew by a healthy 18%/17%/20% YoY – well within the guided range.
- Adj. EBITDA margin stood at 13.8%, well within the guided range of 13-15%.

Balance sheet analysis

- Net cash at the end of 1HFY26 stood at INR5.6b (INR6.7b excl. HAM Projects).
- Due to the nature of the business and business cyclicity, 1H is usually heavy on WC, which eases out in 2H.
- The company's focus remains on improving margins, tightening working capital, improving cash flows and return ratios, and sustaining a net cash positive status.

Segment analysis – 2QFY26

- EPC revenue (83% mix) led growth with a 22% YoY increase, whereas O&M revenue grew 6% YoY.
- India revenue grew ~8% YoY (49% mix) and RoW markets grew by a strong 25% YoY and sustained strong margins.
- The Municipal segment contributed 79% to revenue; Industrial at 21% of mix.
- In 1H, EPC revenue grew 18% YoY, while O&M revenue grew 14% YoY.



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Zee Entertainment

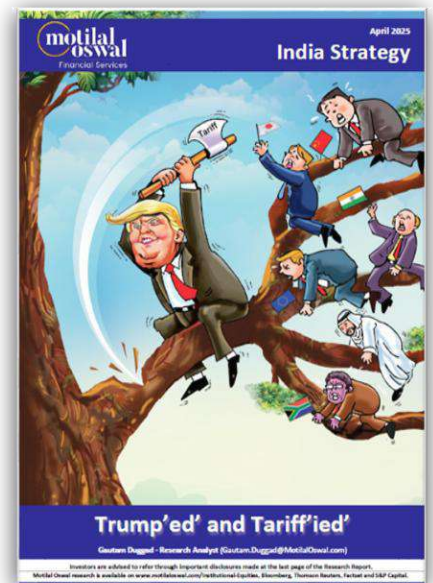
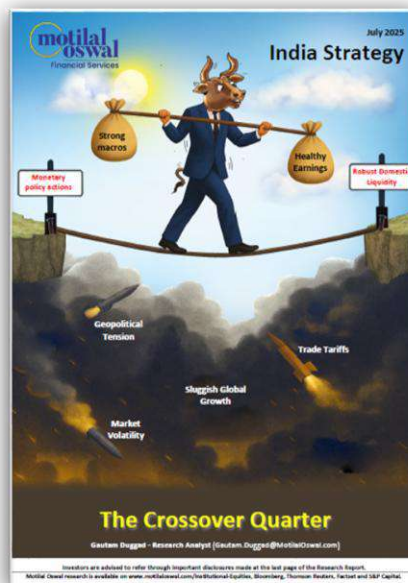
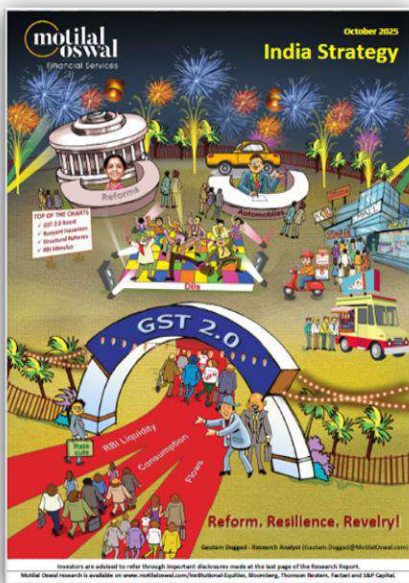
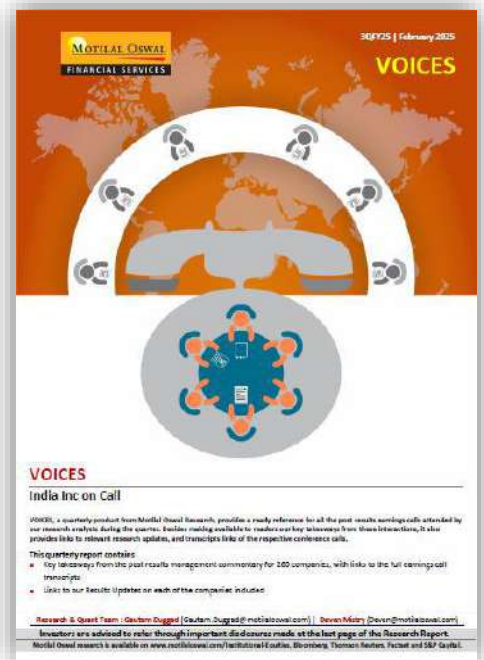
Neutral

Current Price INR 100

- **Ad revenue trends and outlook:** Domestic advertising environment continues to be soft. However, management remains cautiously optimistic on ad recovery in 2HFY26, driven by i) improvement in its viewership share, ii) recent GST cuts boosting consumer sentiments ahead of the festive season, and iii) improved traction in new initiatives.
- **Earlier guidance unlikely to be met in FY26:** The guidance of 8-10% revenue growth and ~18% exit margin for FY26 appears difficult to achieve, given the weakness in ad revenue and higher investments in content and A&P spends in 1H.
- **Higher A&P spends:** The increase in A&P spends was driven by the launch of two new regional GEC channels and increase in new content and movie releases.
- **Subscription trends and outlook:** Digital subscription growth was primarily driven by improved traction for language packs in Zee5 and renewal of linear distribution contracts with DPOs.
- **Promoter stake increase:** Promoters remain keen on raising the stake in the company and are evaluating various modes for the same but have not considered purchasing the stake from the open markets yet.
- **New regional GEC launch:** New channel launches are part of Zee's flanking strategy, with an aim to capture a higher share of the ad pie from the regional brands and increase the leadership gap (vs. #2 channel).
- **Higher receivables:** Subscription receivables are typically lumpy in nature. However, collection typically improves in 2H.
- **Viewership trends:** Zee's viewership share continues to improve with 100bp QoQ (+40bp YoY) uptick seen in 2QFY26. Management noted that the translation of a higher viewership share into a higher advertising share typically happens with a lag of ~13-16 weeks; however, Zee has been working with agencies to shorten this lag period.
- **Strategic Partnerships:** The company has recently launched two key strategic initiatives the micro-drama platform, Bullet, targeting Gen Z with short-form, high-quality storytelling, and IdeaBaaz, aimed at surfacing stories and innovations from Tier 2/3 India.

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GALLERY



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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