Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	76,133	-0.5	-10.7
Nifty-50	23,779	-0.5	-9.0
Nifty-M 100	62,786	-0.5	3.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	7,719	0.0	12.8
Nasdaq	26,507	0.0	14.0
FTSE 100	10,822	-0.1	9.0
DAX	26,007	-0.2	6.2
Hang Seng	8,430	-1.5	-5.4
Nikkei 225	66,400	2.1	31.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	107	6.1	71.0
Gold ($/OZ)	4,404	-0.6	2.0
Cu (US$/MT)	14,588	0.7	17.1
Almn (US$/MT)	3,314	0.6	11.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	94.5	0.0	5.1
USD/EUR	1.2	0.1	-1.0
USD/JPY	154.4	-1.2	-1.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.0	0.00	0.4
Flows (USD b)	**7-Sep**	**MTD**	**CYTD**
FIIs	0.03	-0.87	-25.0
DIIs	0.06	2.08	61.9
Volumes (INRb)	**7-Sep**	**MTD***	**YTD***
Cash	1,116	1265	1351
F&O	1,98,734	2,24,692	2,53,953

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Adani Ports & SEZ: Strong volume recovery to support sustained earnings growth

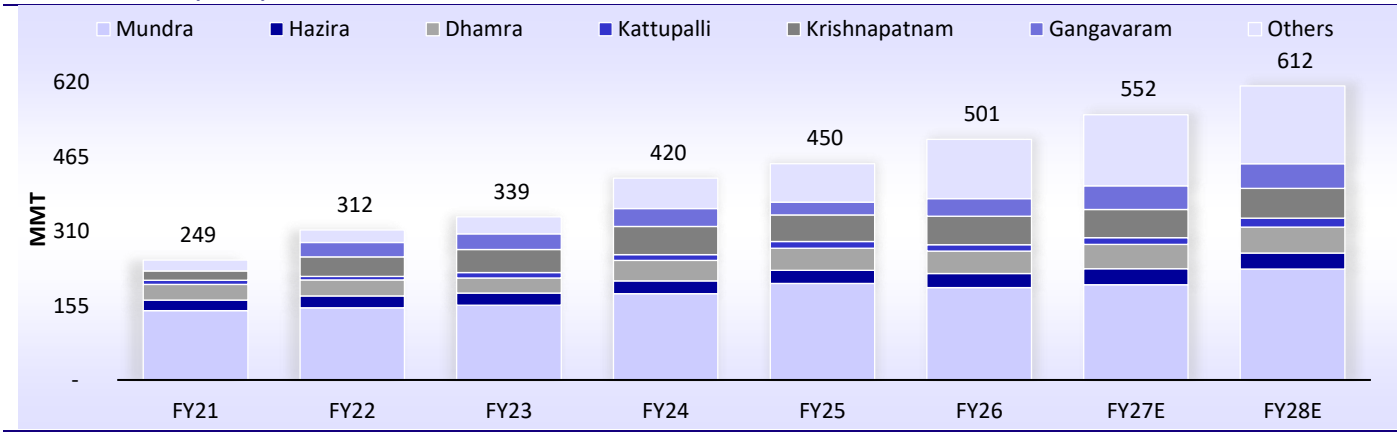
- All-India major port volumes increased 8.9% YoY in July'26 and 6.8% in FY27'YTD, led by strong POL (+10%) and coal (+17%) growth, while container volumes remained flat YoY. Non-major port volumes grew 3.5% YoY, supported by POL (+7%) and coal (+9.6%), whereas container volumes increased marginally by 1%. APSEZ outperformed the industry, handling 50mt of cargo in Aug'26, a 19% YoY rise.
- Growth was driven by strong traction in dry cargo (+25%) and containers (+15%), primarily led by NQXT, along with a recovery in container volumes following the slowdown caused by port disruption amid the Middle East crisis. On a YTD basis, APSEZ's cargo volumes rose 15% YoY to 234.4mt (+16%), supported by healthy container (+15%) and dry bulk (+17%) volume growth.
- With strong volume recovery in Aug'26, particularly in dry cargo and containers, and improving earnings visibility, APSEZ remains well positioned to sustain its growth trajectory despite ongoing geopolitical uncertainties. Continued expansion of port capacity, marine services, and integrated end-to-end logistics should support long-term growth. These initiatives reinforce APSEZ's ambition to become India's largest integrated transport utility by 2031, with Logistics and Marine emerging as key growth engines alongside its core Ports business. We reiterate our BUY rating with a TP of INR2,130, based on 17x FY28E EV/EBITDA.

Research covered

Cos/Sector	Key Highlights
Adani Ports & SEZ	Strong volume recovery to support sustained earnings growth
Defense	Further DAC approvals enhance addressable market
EMS	Building scale in emerging opportunities
Cement	Healthy demand growth; cement prices stable
India Life Insurance	Individual APE grows in mid-teens

Chart of the Day: Adani Ports & SEZ (Strong volume recovery to support sustained earnings growth)

APSEZ – volumes (MMT)



Source: Company, MOFSL

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

In the news today

Kindly click on textbox for the detailed news link

1

Asian Paints appoints financial-services veteran Leo Puri as chairman-designate, bringing strategic and capital-allocation expertise as competition intensifies across India's decorative paints market

Asian Paints has appointed Leo Puri as an additional independent director for five

2

AB InBev invests ₹200 crore in Rajasthan brewery as premium beer demand spreads beyond metros, with rural and semi-urban markets emerging as key growth engines

AB InBev India has invested about ₹200 crore in a new brewery at Neemrana, Rajasthan

3

Coal supply to power plants improves as monsoon recedes, with rake loading up 20% and Coal India production rebounding, easing near-term concerns over fuel shortages and generation

Coal India's daily coal production rose 35% to 1.83 million tonnes on September 6, while dispatches to the power sector increased 24% to 1.7 million

4

Government defers PSB employee PLI scheme for FY26 amid union concerns, with revised structure to be discussed under ongoing bipartite settlement and joint note talks

The government has kept the Performance Linked Incentive scheme for public sector bank employees for FY26 in abeyance following employee concerns

5

Fairfax plans to sell its IIFL Finance stake to partly fund a potential $6.2 billion IDBI Bank acquisition, simplifying its Indian financial-services portfolio and regulatory structure

Fairfax Financial is considering selling its entire IIFL Finance stake, which was ~15.2% at June-end, to partly fund its proposed acquisition of a 60.7% stake in IDBI Bank.

6

Private banks' fresh lending spreads rebound 22 bps to 3.13% as FCNR(B) inflows ease funding pressure, offering margin relief despite persistent deposit competition and risks

Private banks saw fresh lending spreads widen to 3.13% in July from 2.91%, nearly twice the 1.58% recorded by public sector banks.

7

Alternative powertrains overtake petrol in India for the first time as August auto retail sales jump 18%, highlighting a structural shift toward CNG, hybrids and electric vehicles

India's auto retail sales rose 17.5% YoY to a record 2.42 million units in August, with passenger vehicles crossing 400,000 units for the first time.

Adani Ports & SEZ

BSE SENSEX	S&P CNX
76,133	23,779

CMP: INR1,694 TP: INR2,130 (+26%) Buy

Strong volume recovery to support sustained earnings growth

- All-India major port volumes increased 8.9% YoY in July'26 and 6.8% in FY27'YTD, led by strong POL (+10%) and coal (+17%) growth, while container volumes remained flat YoY. Non-major port volumes grew 3.5% YoY, supported by POL (+7%) and coal (+9.6%), whereas container volumes increased marginally by 1%. APSEZ outperformed the industry, handling 50mt of cargo in Aug'26, a 19% YoY rise. Growth was driven by strong traction in dry cargo (+25%) and containers (+15%), primarily led by NQXT, along with a recovery in container volumes following the slowdown caused by port disruption amid the Middle East crisis. On a YTD basis, APSEZ's cargo volumes rose 15% YoY to 234.4mt (+16%), supported by healthy container (+15%) and dry bulk (+17%) volume growth.
- APSEZ's domestic volumes grew just 2% YoY in 1QFY27, impacted by temporary disruptions at certain ports, with volumes expected to recover as these disruptions normalize and Krishnapatnam ramps up. At Mundra, container operations were impacted by the Middle East disruption, with the transshipment mix increasing to ~27% in 1QFY27 versus the normal 23–24%, as Middle East-bound containers accumulated at the port amid congestion.
- Despite muted domestic volume growth, the company delivered an expansion in EBITDA margins, supported by a favorable cargo mix, improved operating efficiencies, higher contribution from value-added ancillary services, and a strong EBITDA contribution from international ports.
- With strong volume recovery in Aug'26, particularly in dry cargo and containers, and improving earnings visibility, APSEZ remains well positioned to sustain its growth trajectory despite ongoing geopolitical uncertainties. Continued expansion of port capacity, marine services, and integrated end-to-end logistics should support long-term growth. These initiatives reinforce APSEZ's ambition to become India's largest integrated transport utility by 2031, with Logistics and Marine emerging as key growth engines alongside its core Ports business. We reiterate our BUY rating with a TP of INR2,130, based on 17x FY28E EV/EBITDA.

Scale leadership and rising market share underpin long-term growth outlook

- APSEZ operates the largest private port network in India, with 15 ports and terminals across the West, South, and East coasts. The network offers a total capacity of 653mmt. It also operates four international ports in Israel, Sri Lanka, Tanzania, and Australia.
- The company has commissioned the Haldia bulk terminal in Mar'26, with a capacity of ~4mtpa and a draft of 8.5m, supported by a dedicated rail line and integrated conveyor system.
- APSEZ's domestic market share stood at 27.6% as of Jun'26. Management highlighted that its domestic port volume growth over the past decade has been more than twice the industry growth rate.

Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2304
M.Cap.(INRb)/(USDb)	3903.6 / 41.3
52-Week Range (INR)	1892 / 1292
1, 6, 12 Rel. Per (%)	3/17/32
12M Avg Val (INR M)	4439
Free float (%)	34.0

Financials Snapshot (INR b)

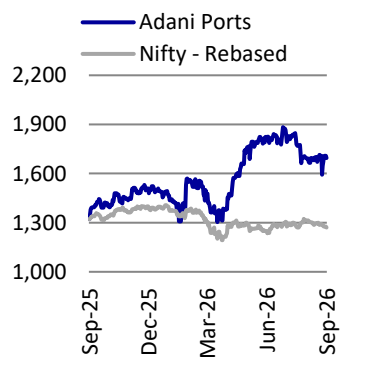
Y/E March	2026	2027E	2028E
Net Sales	387	449	526
EBITDA	229	261	317
Adj. PAT	136	146	199
EBITDA Margin (%)	59.0	58.0	60.3
Adj. EPS (INR)	59	63	86
EPS Gr. (%)	17.9	7.3	35.8
BV/Sh. (INR)	417	471	544
Ratios			
Net D/E (x)	0.5	0.4	0.3
RoE (%)	17.2	14.3	17.0
RoCE (%)	12.4	11.1	13.1
Payout (%)	11.8	11.0	8.1
Valuations			
P/E (x)	28.6	26.7	19.6
P/BV (x)	4.1	3.6	3.1
EV/EBITDA (x)	19.1	16.5	13.4
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.3	2.4	2.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	66.0	68.0	65.9
DII	13.6	13.9	15.1
FII	15.6	13.3	13.5
Others	4.8	4.9	5.5

FII includes depository receipts

Stock Performance (1-year)



- The container market share has also expanded steadily to 45.5% from 36% during Mar'20-Mar'26. Key capacity expansions, such as the automated Colombo West International Terminal and new berths at Dhamra, along with the rapid ramp-up of Vizhinjam, are strengthening APSEZ's growth pipeline.
- Going forward, management retains its target of achieving 850mmt of domestic and 150mmt of international cargo volumes by 2030, with deeper integration into DFC-linked hinterland corridors and industrial clusters driving long-term growth.

Logistics business – Accelerating the shift to a unified logistics ecosystem

- As APSEZ aims to become India's largest integrated transport utility company by 2031, it is strengthening its capabilities across all logistics segments (ports, CTO, warehousing, last-mile delivery, ICDs, etc.). This enables the company to offer end-to-end services, capture a higher wallet share, and ensure cargo volumes remain sticky.
- Adani Logistics (ALL) has expanded its services to cover container train operations, container handling in logistics parks, and warehouses, offering storage and trucking solutions. With 12 multi-modal logistics parks, 132 trains, 3.1m sq. ft. of warehousing space, and 1.3mmt of grain silos, ALL aims to establish a nationwide presence by further developing logistics parks and warehouses.
- APSEZ has earmarked significant capital investments of INR70-90b for its logistics operations over FY27-FY31. Further, the company maintains a hybrid model, owning 937 trucks and operating over 26,000 trucks via third parties. It is also expanding value-added services like freight forwarding to improve RoCE.

Marine services: A swiftly scaling, high-margin growth engine

- Marine operations have emerged as another high-growth vertical within APSEZ, with a diversified fleet of 135 vessels (excluding 47 vessels operated by Adani Harbor across APSEZ ports), including tugs, anchor-handling tug supply vessels, multipurpose support vessels, workboats, and barges.
- Through its subsidiary Adani Harbour International FZCO, the company acquired a 51% stake in Argentina-based Meridian Transportes Marítimos S.A., supported by Meridian's existing 10-year contract with Southern Energy S.A. for the deployment of six vessels in Argentina. Further, through its marine arm Astro Offshore, APSEZ has partnered with Oceaneering International to expand into offshore and underwater marine operations in Europe, including underwater construction, cable laying, and pipeline installation.
- The business has been strengthened by acquisitions such as Ocean Sparkle in 2022 and Astro Offshore in 2024, along with the establishment of TAHID to manage international operations in the MEASA region.
- In FY26, marine revenue jumped 134% YoY to INR26.8b, while EBITDA surged to ~INR13.5b, driven by vessel additions, integration of acquired entities, and higher demand from Tier-1 customers. However, margin moderated to 45% in 1QFY27 and is expected to gradually recover toward the 55% level recorded in 1QFY26 as conditions normalize.
- The marine business's RoCE stood at 13% in FY26.

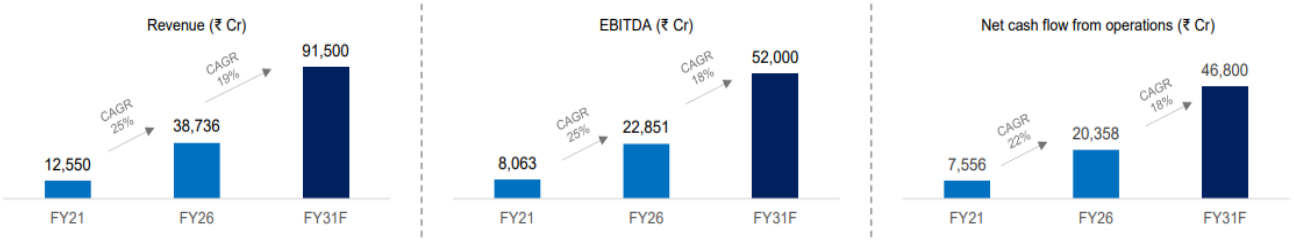
Valuation and view

- With strong cash flows, a healthy cash balance of INR124b, and net debt-to-EBITDA at 1.9x, APSEZ is well-positioned for further expansion. Capacity enhancements at key ports, ongoing infrastructure projects, and global port acquisitions provide visibility for stable growth in FY27 and beyond.
- APSEZ's diversified cargo mix and ongoing infrastructure investments are expected to support its volume growth. We anticipate APSEZ to report 11% growth in cargo volumes over FY26-28. This growth is likely to drive a CAGR of 17%/18%/21% in revenue/EBITDA/PAT over FY26-28E. **We reiterate our BUY rating on the stock with a TP of INR2,130 (premised on 17x FY28E EV/EBITDA).**

Outlook - 2031

Exhibit 1: Guidance for FY31

APSEZ consolidated forecast



Segment-wise growth forecast

Segments >>	Ports			Logistics			Marine		
₹ Cr	FY26	FY31F	CAGR	FY26	FY31F	CAGR	FY26	FY31F	CAGR
Revenue	30,294	65,500	17%	4,478	19,500	34%	2,681	6,000	17%
EBITDA	20,147	45,500	18%	863	2,900	27%	1,357	3,300	19%

Business	5-year capex plan (FY27-FY31)	Capex themes
Domestic ports	₹60,000 – ₹63,000 Cr	Domestic port capacity will increase to 1bn tonne from current 653 MMT
International ports	₹6,000 – ₹7,000 Cr	Largely CWIT phase 2
Logistics	₹7,000 – ₹9,000 Cr	Rakes, MMLPs, warehouses, agri silos, trucks
Marine	₹11,000 – ₹13,000 Cr	Fleet expansion
Others	₹6,000 – ₹8,000 Cr	Technology, decarbonization, others
Total Capex	**₹90,000 - ₹100,000 Cr**	

Source: Company, MOFSL

Defense

BHE - Financials & Valuations (INR b)

Y/E MARCH	FY27E	FY28E	FY29E
Sales	319.2	375.8	414.8
EBITDA	92.9	107.3	118.6
Adj PAT	70.1	81.7	92.0
EPS (INR)	9.6	11.2	12.6
EPS Gr. (%)	15.8	16.6	12.6
BV/Sh (INR)	41.4	51.9	63.6
Ratios			
RoE (%)	23.1	21.5	19.8
RoCE (%)	25.9	24.0	21.8
Payout (%)	6.6	6.6	6.6
Valuations			
P/E (x)	42.2	36.2	32.2
P/BV (x)	9.8	7.8	6.4
EV/EBITDA (x)	30.3	25.7	22.7
Div Yield (%)	0.2	0.2	0.2

HAL - Financials & Valuations (INR b)

Y/E MARCH	FY27E	FY28E	FY29E
Sales	376.5	472.9	608.6
EBITDA	110.7	136.6	165.4
Adj PAT	100.2	120.1	145.8
EPS (INR)	149.9	179.6	218.0
EPS Gr. (%)	10.0	19.8	21.4
BV/Sh (INR)	719	853	1,026
Ratios			
RoE (%)	20.9	21.1	21.2
RoCE (%)	21.3	21.4	21.5
Payout (%)	30.0	25.1	20.6
Valuations			
P/E (x)	32.4	27.0	22.3
P/BV (x)	6.8	5.7	4.7
EV/EBITDA (x)	24.7	19.3	15.1
Div Yield (%)	0.9	0.9	0.9

ASTM - Financials & Valuations (INR b)

Y/E MARCH	FY27E	FY28E	FY29E
Sales	13.6	16.7	22.7
EBITDA	3.7	4.6	6.2
Adj PAT	2.4	3.3	4.7
EPS (INR)	25.8	35.3	49.7
EPS Gr. (%)	26.8	36.9	40.9
BV/Sh (INR)	164.2	199.5	249.2
Ratios			
RoE (%)	17.0	19.4	22.2
RoCE (%)	14.9	16.8	19.0
Valuations			
P/E (x)	66.3	48.5	34.4
P/BV (x)	10.4	8.6	6.9
EV/EBITDA (x)	43.4	35.1	25.8

Further DAC approvals enhance addressable market

In continuation with Atmanirbhar Bharat in the defense sector, India's Defence Acquisition Council (DAC) has approved Acceptance of Necessity (AoNs) for various acquisition proposals worth INR1.1t for the Army, Navy, and Air Force. The approvals focus on battlefield mobility, mine warfare, CBRN protection, electronic warfare, surveillance and naval propulsion, with 98% of total AoNs earmarked for the Indian industry. So far in FY27, DAC has given approvals worth INR1.62t. Over FY25-YTDFY27, approvals worth INR13t have been accorded for the Indian defense sector, which enhances the TAM of domestic players. Moreover, the government has been taking steps to open missile production to Indian private players. These initiatives improve order inflow visibility for the defense sector. In the near to medium term, finalization of large tenders for defense PSUs should be keenly watched out for. We reiterate our positive stance on the sector and maintain Bharat Electronics (BEL) as our preferred pick.

DAC approvals worth INR1.1t with 98% sourcing from Indian players

On 7th Sep'26, the DAC granted AoNs for capital procurement proposals worth around INR1.1t, taking the YTDFY27 total approvals to INR1.62t. **Army** approvals include procurement of 1) chemical, biological, radiological and nuclear (CBRN) recce vehicles capable of detecting, identifying, monitoring and marking CBRN-agent contaminated areas; 2) high mobility vehicles (HMVs) to enhance operational capabilities, logistic support and mobility; 3) self-propelled mechanical mine layers (MML) for fast and responsive minelaying; 4) advanced light helicopters (ALHs) to execute complex missions across all terrains; and 5) trawl tanks and Sarvatra Bridge System. For the **Navy**, clearances cover Arudhra radars to replace the existing air route surveillance radars at various Naval Air Stations; design, development and subsequent procurement of marine gas turbines (MGT); and a warship propulsion system, which will reduce dependency on foreign vendors. For **Air Force,** AoNs were granted to various proposals to enhance the war-fighting capability of fighters, transports and helicopters. Approval was also accorded for procuring ground-based multi-purpose jammers (GBMPJ) to provide effective jamming against radars of adversaries, and installing the Defence Forces Secure Access Card (DEFSAC) system, which will replace existing paper-based identity card/passes/permits (Refer **Exhibit 1** for key beneficiaries).

Recent developments in Indian defense sector

- The government has approved the transfer of DRDO-developed technologies of all conventional missile systems to the Indian defense industry for production within the country.
- India has simplified defense export rules by reducing approvals, extending the open general export license (OGEL) validity from two years to three years, and expanding OGEL coverage from 41 countries to most global markets, making exports faster and easier for Indian defense companies.
- The government is pushing defense PSUs toward exports and global competitiveness: At the 1st Sep'26 annual review, the government said PSUs contributed INR1.3t of India's ~INR1.8t defense production in FY26, while their exports jumped 151% YoY. HAL also received a dedicated modernization and indigenization roadmap.

BDL - Financials & Valuations (INR b)			
Y/E MARCH	FY26	FY27E	FY28E
Sales	24.4	42.3	61.2
EBITDA	2.2	6.3	9.8
Adj PAT	4.2	6.7	9.8
EPS (INR)	11.5	18.2	26.7
EPS Gr. (%)	(23.5)	58.8	46.5
BV/Sh (INR)	115.7	127.0	145.6
Ratios			
RoE (%)	9.9	14.3	18.3
RoCE (%)	10.2	14.7	18.7
Valuations			
P/E (x)	108.7	68.4	46.7
P/BV (x)	10.8	9.8	8.6
EV/EBITDA (x)	183.4	63.2	39.2

ZEN - Financials & Valuations (INR b)			
Y/E MARCH	FY27E	FY28E	FY29E
Sales	9.9	13.7	17.5
EBITDA	3.6	5.0	6.4
Adj PAT	3.0	4.2	5.3
EPS (INR)	33.6	47.0	58.8
EPS Gr. (%)	107.8	40.0	25.1
BV/Sh (INR)	235.4	282.4	341.2
Ratios			
RoE (%)	15.4	18.2	18.9
RoCE (%)	15.5	18.3	19.0
Valuations			
P/E (x)	53.5	38.2	30.5
P/BV (x)	7.6	6.4	5.3
EV/EBITDA (x)	42.6	30.0	23.2

- GE Aerospace delivered three additional F404 in Aug'26 engines to HAL in Aug'26, taking total Mk1A deliveries to 10 and easing a key supply constraint for Tejas production.
- HAL signed partnerships with Adani Defence and other Indian industry players to strengthen the production ecosystem for LCH Prachand, supporting a faster scale-up of helicopter manufacturing.
- BEL signed an MoU with Ananth Technologies to jointly develop and manufacture advanced systems for missiles, radars, satellites and navigation, strengthening its private-industry R&D ecosystem.
- MoD has signed a contract worth INR19.4b for a 30-month lease for two MQ-9B Sea Guardian HALE RPAS from General Atomics.
- Cochin Shipyard delivered 'Mangrol', the third of eight anti-submarine warfare shallow water craft with around 80% indigenous content.

Valuation and recommendation

- **BHE** is currently trading at 42.2x/36.2x/32.2x on FY27E/FY28E/FY29E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR530, based on the 45x two-year forward earnings.
- **HAL** is currently trading at 32.4x/27.0x/22.3x on FY27E/FY28E/FY29E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR5,800, based on the average of DCF and 30x two-year forward earnings.
- **BDL** is currently trading at 68.4x/46.7x/37.0x on FY27E/FY28E/FY29E EPS. **We maintain our estimates and reiterate our Neutral rating on the stock** with an unchanged TP of INR1,270, based on the 42x two-year forward earnings.
- **AMPL** is currently trading at 66.3x/48.5x/34.4x on FY27E/FY28E/FY29E EPS. **We maintain our estimates and reiterate our BUY rating on the stock** with an unchanged TP of INR1,900, based on the 42x two-year forward earnings.
- **ZEN** is currently trading at 53.5x/38.2x/30.5x on FY27E/FY28E/FY29E EPS. **We maintain our estimates and reiterate our Neutral rating on the stock** with an unchanged TP of INR1,600, based on the 30x two-year forward earnings.

EMS

Aggregate revenue performance

%	CAGR FY21-26	CAGR FY26-28E
Kaynes	54%	41%
Avalon	18%	40%
Cyient DLM	15%	30%
Syrma SGS	40%	38%
Data Patterns	33%	25%
Dixon	50%	33%
Amber	32%	24%
Aggregate	**43%**	**32%**
Aggregate (excl. Dixon & Amber)	**34%**	**37%**

EBITDA performance (%)

Growth %	CAGR FY21-26	CAGR FY26-28E
Kaynes	70%	44%
Avalon	21%	50%
Cyient DLM	23%	43%
Syrma SGS	39%	41%
Data Patterns	32%	23%
Dixon	45%	37%
Amber	34%	30%
Aggregate	**40%**	**37%**
Aggregate (excl. Dixon & Amber)	**39%**	**39%**

Building scale in emerging opportunities

India's electronics manufacturing services (EMS) industry should continue to witness a robust growth trajectory ahead, driven by diversification into high-margin verticals, product portfolio expansion and strong traction across segments. Our coverage universe includes Dixon Technologies (DIXON), Kaynes Technology (KAYNES), Amber Enterprises (AMBER), Avalon Technologies (AVALON), Syrma SGS Technology (SYRMA), Cyient DLM (CYIENTDL), and Data Patterns (DATAPATT).

- EMS opportunity is expanding beyond traditional high-volume low-margin electronics into high-complexity sectors such as semiconductor equipment, power infrastructure, aerospace, medical and defense. As global data-center investments are estimated to approach USD7t and semiconductor equipment spending is expected to reach USD190b by CY30, OEMs are increasingly outsourcing specialized manufacturing to EMS partners to scale up capacity without incremental capex. We believe this shift toward capability-led outsourcing materially expands the addressable market for Indian EMS players and creates a new long-duration growth opportunity beyond conventional electronics assembly.
- Component shortages and geopolitical risks are pushing EMS players to hold more inventory and secure supplies ahead of program ramp-ups. This is visible in KAYNES' ~INR1.5b inventory build-up, alongside higher net working capital (NWC) at SYRMA and CYIENTDL. At the same time, companies are accelerating localization and backward integration in critical components, while customer advances can ease the WC burden. We expect WC intensity to normalize as supply improves and inventory converts into revenue.
- EMS companies are seeing strong order inflows across multiple segments, with strong momentum particularly in high-margin verticals such as defense, aerospace, AI, automotive, EV and clean energy. Aggregate order book (excluding Amber and Dixon) saw a healthy growth rate of ~21% YoY in 1QFY27 and stood at INR214b as of Jun'26.
- We believe the EMS sector will maintain its earnings growth momentum, underpinned by growing traction across end-user markets that will drive a healthy order pipeline and capacity addition in the long run. We expect our EMS coverage companies to achieve a CAGR of 32%/37%/46% in revenue/EBITDA/adj. PAT over FY26-28E.

Complexity, rather than scale, is becoming the next growth driver for EMS

- **EMS outsourcing is moving beyond traditional high-volume, cost-driven electronics towards high-complexity applications**, where engineering capabilities, certifications, testing, reliability and system integration matter more than scale alone. This is expanding the outsourcing opportunity across aerospace, defense, medical, railways, semiconductor equipment and power infrastructure, alongside traditional consumer, automotive, telecom and industrial markets.
- **The shift is from "manufacture at the lowest cost" to "manufacture a technically complex product to stringent reliability and certification requirements."** For OEMs, outsourcing enables access to specialized capabilities and shared manufacturing infrastructure **without** the capex, engineering teams and operating complexity of maintaining dedicated facilities for low-to-medium

The shift is from "manufacture at the lowest cost" to "manufacture a technically complex product to stringent reliability and certification requirements." For OEMs, outsourcing enables access to specialized capabilities and shared manufacturing infrastructure without the capex, engineering teams and operating complexity of maintaining dedicated facilities for low-to-medium volume programs. This is particularly relevant for products with long qualification cycles and high switching costs, where EMS vendors can remain embedded across multiple programs and product generations.

- The trend is already visible across our coverage: AVALON's aerospace contribution has risen from ~3% historically to ~8% currently, while railways contributes ~15% of revenue. It is also adding semiconductor equipment, high-voltage direct current (HVDC), energy storage and medical programs. CYIENTDL derives ~42% of revenue from aerospace, with semiconductor capital equipment, AI infrastructure and robotics emerging as incremental growth areas. SYRMA is targeting ~INR5.8b in healthcare revenue in FY27 while expanding into defense, maritime, automotive and data-center power management. DATAPAT is moving up the defense-electronics value chain from subsystem manufacturing towards complete systems such as radars, electronic warfare and counter-drone solutions.
- **AI is broadening the EMS opportunity beyond servers into the wider data-center electronics ecosystem.** Global data-center investment is expected to approach USD7t by CY30E, while semiconductor equipment sales are forecast to reach USD190b in CY30E vs INR166b in CY26E. AI data centers require power-conversion systems, HVDC, control electronics, networking, cooling and energy storage—products involving complex PCBA, power electronics, cable assemblies and box-build. Similarly, semiconductor equipment OEMs require control electronics, power systems, precision assemblies, cable harnesses and box-build for leading-edge logic, High Bandwidth Memory (HBM), advanced packaging and testing, allowing EMS players to participate in the semiconductor capex cycle without owning semiconductor technology.
- AVALON is already earning revenue from semiconductor equipment and HVDC programs, with the opportunity extending from PCBA to power boxes and complex box-build. Also, CYIENTDL's existing semiconductor-capital-equipment programs will scale up over the next 6–12 months, while its B2S capabilities provide an avenue for higher-value manufacturing.
- As complexity increases, outsourcing economics become increasingly attractive. Specialized EMS players can spread equipment, engineering, testing and manufacturing costs across multiple customers and programs, improving utilization while giving OEMs flexibility to scale. This makes specialized manufacturing capabilities—not merely scale—the key differentiator and brings traditionally less-outsourced markets such as aerospace, medical, defense, railways and semiconductor equipment into the EMS outsourcing pool.
- **We believe complexity, rather than scale, is becoming the key differentiator in EMS, with OEMs increasingly willing to outsource technically demanding products to specialized manufacturing partners. This should expand the addressable market for Indian EMS players, improve customer stickiness and create a longer runway for growth as their capabilities move progressively from PCBA towards box-build.**

Component shortages and West Asia crisis are driving strategic inventory build-up and supply-chain integration

- The global electronics supply chain is moving away from just-in-time procurement, as AI-led demand, semiconductor capacity constraints and geopolitical disruptions are increasing lead times and creating greater uncertainty around component availability.
- Component availability has emerged as a key execution constraint, with KAYNES highlighting lead times of 6-8 months for certain components and ~10-12% price increases in some categories. CYIENTDL also highlighted tightness in PCBs, fiberglass and specialized inputs, while SYRMA expects elevated inventory levels until supply conditions normalize.
- This is prompting EMS players to carry strategic inventory ahead of program ramp-ups, effectively shifting from a cost-minimisation approach towards supply assurance. In 1QFY27, KAYNES increased inventory by ~INR1.5b, while SYRMA's NWC days increased to 71 from 63, primarily due to higher inventory; CYIENTDL's inventory days similarly increased to 162 from 153 in 4QFY26.
- The inventory build-up is increasingly program-led, with companies stocking components against visible order books and execution cycles. KAYNES' inventory build-up was undertaken to secure supplies amid extended lead times, while SYRMA indicated stronger order-book visibility as inventory increased.
- The supply-chain environment is also encouraging deeper localization and backward integration, particularly in strategically important components. KAYNES is commissioning PCB manufacturing by 3QFY27, SYRMA is developing PCB/HDI capacity by 4QFY27, and India's Electronics Component Manufacturing Scheme (ECMS) and Semicon 2.0 are supporting domestic manufacturing of PCBs, components, materials and semiconductor-related equipment.
- **Customer advances are becoming an important working-capital lever as EMS players carry high-value inventory on behalf of customers.** SYRMA indicated that it is negotiating customer advances where significant inventory needs to be maintained, helping offset the cash-flow impact of strategic stocking.
- This working-capital impact is visible across the sector, although the trend is not uniform across companies. KAYNES and SYRMA saw higher inventory/NWC, CYIENTDL increased inventory days to protect execution, and AVALON's NWC days improved to 117 from 142 as inventory and receivables moderated.
- **We expect the current working-capital intensity to moderate as component availability improves, strategic inventories convert into revenue and customer advances/collections normalize; importantly, the recent build-up appears to be largely driven by growth and supply-chain risk, while increasing localization of critical components should gradually improve supply assurance and reduce execution risks for Indian EMS players.**

Robust order book provides strong revenue visibility

- EMS companies are seeing strong order inflows across multiple segments, with particularly strong momentum in high-margin verticals such as defense, aerospace, AI, automotive, EV and clean energy.
- These segments are gaining traction from expanding business opportunities and improving execution visibility, driving margin improvement and strengthening the sector's growth outlook.

- The **aggregate order book** (excluding Amber and Dixon) saw a healthy growth rate of ~21% YoY and stood at **INR214b as of Jun'26**. This growth was driven by companies that are consistently witnessing strong traction in the pipeline.
- **KAYNES'** order book stood at ~INR89b as of Jun'26 (up ~20% YoY/6% QoQ). The average monthly order inflow remained flat YoY at INR5b in 1QFY27.
- **AVALON** witnessed growth across all business segments, with the total order book standing at INR34.7b in Jun'26, the short-term order book (executable within 14 months) at INR22.1b (up 23% YoY/1% QoQ), and the longer executable order book (from 14 months to three years) at INR12.6b.
- **CYIENTDL**'s order book rose 22% YoY/8% QoQ to INR26b. Order inflow during the quarter was INR5.6b (up 10% YoY) broadly diversified across customers and business segments with ~30% from customers added over last 4 quarters. Further, two new customer logos were added during 1QFY27, while multiple Honeywell Aerospace programs are entering the ramp-up over the next 18 months, providing further visibility to order conversion.
- **SYRMA**'s order book continued to improve to INR67.7b as of Jun'26 (up 23% YoY/2% QoQ) of which INR54b is expected to be executed over the next 12 months. Moreover, it also added 18 new customers in 1QFY27 including five automotive, three industrial and two healthcare customers, supporting the medium-term order pipeline.
- **DATAPATT**'s order book stood at INR9.3b as of Jun'26 (up 14% YoY/flat QoQ). Additionally, INR17.3b of contracts have already been negotiated and are awaiting final customer approvals and formal order placement. Further, the company is pursuing ~INR20b of large single-vendor opportunities in addition to negotiated contracts.
- **Strong and diversified order inflows across key sectors position EMS companies well for stable growth in FY27, with robust revenue visibility.**

EMS maintained growth momentum amid supply disruptions

- The sector maintained its growth trajectory, with aggregate revenue rising 23% YoY to INR229.4b in 1QFY27. SYRMA led the pack with 68% YoY revenue growth, followed by AVALON (+50%), KAYNES (+40%), CYIENTDL (+34%), DIXON (+21%), DATAPATT (+17%) and AMBER (+13%). Aggregate revenue (excl. DIXON and AMBER) increased 51% YoY to INR35.1b.
- SYRMA reported growth across all segment with IT and Railways recording the highest growth (up 3x) and exports surging 61% YoY. Further, AVALON's growth was largely broad-based across segments (2.4x/44%/50% growth in Clean Energy/ Mobility and transportation/Industrials).
- Overall EBITDA improved 18% YoY to INR12.1b with AVALON delivering the highest growth rate of 94% YoY, primarily led by operating leverage. Aggregate EBITDA (excl. Dixon and Amber) grew 53% YoY to INR4.4b. EBITDA margin for our coverage universe contracted 20bp YoY, mainly due to ~450bp contraction in margins of DATAPATT amid operating de-leverage.
- Margins across EMS companies showed mixed trend with margin expansion in AVALON (+270bps YoY), CYIENTDL (+150bps YoY), SYRMA (+100bps YoY) and AMBER (+60bps YoY) and margin contraction in DATAPATT (-450bp YoY), KAYNES (-120bp YoY) and DIXON (-80bp YoY).

- **Going forward, margins are expected to expand due to improving operating leverage, a better product mix toward automotive, industrial and defense segments, and normalization of execution and supply-chain disruptions.**

Valuation and view: EMS industry poised to maintain its uptrend

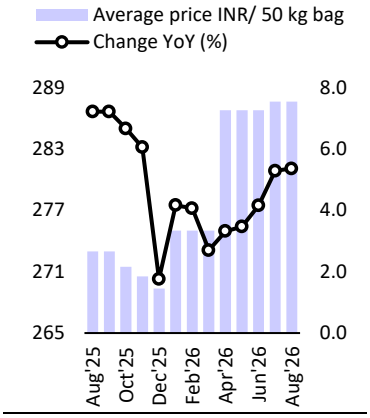
- We estimate a ~32% CAGR in aggregate revenue of our EMS coverage companies over FY26-28E, aided by robust order flows and execution, healthy demand, capacity additions, and the development of new products across key industry verticals.
- Consequently, the combined EBITDA margin is likely to expand over FY26-28E, fueled by favorable operating leverage and product mix. Accordingly, EBITDA is expected to register ~37% CAGR over FY26-28E.
- We have raised our FY28 earnings estimates for CYIENTDL/AVALON by 5%/3%.
- We reiterate our **BUY** ratings on **KAYNES (TP: INR5,000), AVALON (TP: INR2,740), CYIENTDL (TP: INR1,030), SYRMA (TP: INR2,000), DIXON (TP: INR16,100), and AMBER (TP: INR8,250),** and **Neutral stance** on **DATAPATT (TP: INR4,000).**

Comparative valuation

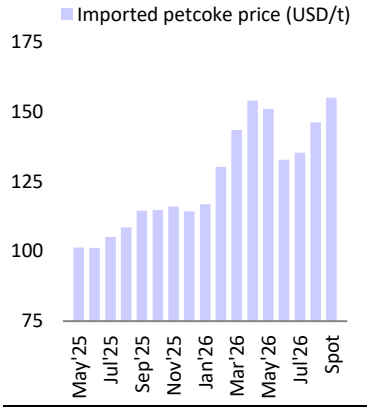
Peers	CMP (INR)	TP (INR)	MCap (INR b)	EPS			P/E			RoE (%)			RoCE (%)		
				FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Kaynes	3,602	5,000	241	55	75	125	66	48	29	10	10	15	10	10	14
Avalon	2,345	2,740	157	17	29	44	137	80	53	17	24	28	14	20	25
Cyient DLM	865	1030	69	7	13	21	120	64	41	6	10	14	7	11	15
Syrma SGS	1,627	2000	290	17	25	35	98	65	46	14	16	19	14	16	19
Data Pattern	4,591	4,000	257	48	63	81	96	73	57	17	18	20	17	19	20
Dixon	14,180	16,100	867	140	156	259	102	91	55	22	18	23	25	24	31
Amber	7,439	8,250	261	62	124	187	121	60	40	7	10	13	10	10	13

Cement

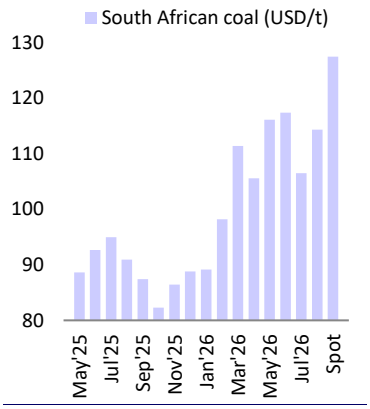
All-India avg. cement price up ~5% YoY, remained flat MoM in Aug'26



Avg. imported petcoke price up ~35% YoY to USD146/t in Aug'26



Average imported coal price up ~26% YoY to USD114/t in Aug'26



Healthy demand growth; cement prices stable

Muted pricing and elevated cost weigh on 2Q margin

Cement channel checks indicate that industry demand remains healthy. In Jul-Aug'26 volume growth is estimated at ~6-7% YoY. Within regions, North and South witnessed higher growth compared to West, East, and Central regions. Industry players attempted price hikes at the beginning of Aug'26; however, these could not be sustained amid higher competitive intensity. Trade prices remained largely stable across regions, while non-trade prices witnessed volatility, with higher corrections observed in the East. Average fuel prices, after correcting in Jul'26, increased sequentially in Aug'26 by ~5-9%. Spot fuel prices also continued to trend higher, with petcoke and coal prices rising ~7% and ~11%, respectively, from average-Aug'26 levels. We estimate earnings pressure in 2Q due to higher opex/t and muted realization.

All-India average cement price flat MoM in Aug'26; demand outlook positive

- All-India average cement price (trade) remained flat MoM in Aug'26, while non-trade prices witnessed volatility amid higher competition and increased rake supplies. Industry players attempted price hikes across several markets; however, monsoon-led demand softness and competitive intensity led to an immediate roll-back. Dealers indicated that further price hikes could be attempted, although their sustainability needs to be monitor along with demand trends.
- In Jul-Aug'26 (combined), industry volume growth is estimated at ~6-7% YoY. Higher infrastructure spending continues to be a key demand driver, while retail/residential construction activity remains more dependent on rainfall and labor availability. We estimate demand growth to be healthy in Sep'26, aided by a low base. A full-fledged demand recovery is expected in 2HFY27, supported by pre-election spending in a few markets, government-led infrastructure capex, and a recovery in housing demand.

South – healthy demand; prices stable MoM

- A price hike of INR20/bag was attempted across Southern markets in Aug'26; however, the hike could not sustain, with average prices in the region remaining flat MoM. Dealers indicated a price hike of INR25-30/bag from 5th Sep'26 across key markets. However, sustainability needs to be monitored, as increased supplies through multiple rakes could weigh on pricing.
- Cement demand in the region is relatively strong. Dealers suggested healthy demand across Tamil Nadu and Kerala, while in Telangana and Andhra Pradesh, demand is relatively weak. The upcoming Ganpati festivities are likely to keep demand soft in Telangana in the near term, while demand in Kerala and Tamil Nadu is estimated to remain strong, supported by favorable construction period.

East – weak demand as well as non-trade prices

- Trade cement prices remained unchanged MoM across key markets, with no hike undertaken during the month. Meanwhile, non-trade prices corrected by INR15-20/bag during the month. Weak demand and higher competitive intensity continued to limit pricing power. Dealers indicated price hike announcements in early-Sep'26 of INR10/bag in trade and INR20-25/bag in non-trade; however, sustainability needs to be monitored amid higher inter-regional movement.

- **Dealers indicated that demand in Patna was steady, while West Bengal and Jharkhand continued to witness weak construction activity, driving subdued demand. Orrisa also** witnessed subdued construction activity. Cement demand is likely to improve in 2HFY27, supported by a pick-up in housing demand and government capex.

West – resilient price and demand

- West remained the most resilient on both demand and pricing. Cement players attempted price hikes of INR10-15/bag across Gujarat and Maharashtra at the beginning of Aug'26; however, the hikes could not sustain. Dealers indicated another price hike planned for Sep'26; however, they expect prices to remain stable in the near term.
- Cement demand in Maharashtra remained subdued due to monsoon-related disruptions, which weighed on construction activity. However, underlying demand remained healthy, supported by real estate, infrastructure, and housing. With the monsoon receding, construction activity is expected to pick up, driving a recovery in cement demand. In Gujarat, cement volume offtake was relatively better in Aug'26.

North and Central prices stable; healthy demand

- Cement prices remained stable MoM despite increased competitive intensity. Dealers indicated that cement players focused on maintaining existing prices given cost inflation, while some industry players announced schemes up to INR2-3/bag to achieve month-end targets in a seasonally weak period. Dealers suggest pricing to remain range-bound in the near term, as most players focus on ramping up utilization of newly commissioned capacities.
- **Overall, demand momentum was strong, as the weak monsoon enabled construction activities across regions. Rajasthan and Madhya Pradesh continue to witness strong demand, while demand in Delhi and part of Uttar Pradesh was weak due to heavy rainfalls. In Punjab, demand was steady.**

Fuel prices rise sequentially, weighing on margin

- The average South African coal price, after declining ~9% MoM in Jul'26, increased ~7% MoM in Aug'26 to USD114/t, led by tighter seaborne supply and geopolitical uncertainty. The average petcoke price, which increased ~2% MoM in Jul'26, further increased ~8-9% in Aug'26 to USD146-147/t. Spot fuel prices also continued to trend higher, with imported petcoke prices rising ~7% to USD155-157/t and coal price rising ~11% to USD128, from average-Aug'26 levels. At spot, the imported coal consumption cost stood at INR2.07/Kcal and petcoke consumption cost stood at USD2.11/Kcal (higher than the Apr-May'26 levels).
- We estimate the all-India average cement spread for trade sales (cement price net of GST less variable costs) to dip INR90-100/t QoQ, reflecting the impact of elevated costs and muted realization.

Outlook and recommendation

- Overall, the cement demand outlook remains positive, supported by infrastructure development and housing sectors. However, we estimate profitability to remain under pressure in the near term due to soft pricing and elevated cost impact (higher fuel prices and seasonality impact). We remain watchful for the industry's demand-supply dynamics and pricing behavior, which will drive earnings change.
- We prefer UTCEM in the large-cap space and JKCE in the mid-cap space. We also prefer GRASIM, given the improving profitability in its VSF business and strong traction in its new growth businesses (Birla Opus and Birla Paint).

Insurance Tracker

Individual WRP and YoY growth (%)

Individual WRP, INR m	Aug'26	YoY gr. (%)
Grand Total	**1,09,004**	**14.3**
Total Private	**78,833**	**14.9**
LIC	**30,171**	**12.8**
SBI Life	18,611	21.8
HDFC life	12,932	17.4
Tata AIA	8,285	18.8
Max Life	8,207	10.2
ICICI Prudential	6,582	11.2
Bajaj Life	6,131	9.4
Birla Sun life	4,073	32.2
Kotak Life	2,345	20.8
Canara HSBC	1,956	5.7
Star Union Dai-ichi	1,591	61.4

Source: LI Council, MOFSL

Individual APE grows in mid-teens

- **In Aug'26, the life insurance industry recorded ~14% YoY growth in individual weighted received premium (WRP) after single-digit growth witnessed in Jul'26.**
- **Private players witnessed single-digit growth of ~15% YoY in Aug'26, with market share improving MoM to 72.3% from 71.5% in Jul'26. Meanwhile, LIC witnessed a growth of ~13% YoY.**
- **Among the listed private players, SBILIFE was the fastest-growing player, with individual WRP growing ~22% YoY, followed by HDFCLIFE/IPRULIFE/MAXLIFE/BAJAJLIFE/CANLIFE growing at 17%/11%/10%/10%/6% YoY. SBILIFE and HDFCLIFE recorded strong performance on the back of a favorable base, while CANHLIFE's performance was weak due to a high base.**
- **The industry's new business premium grew ~33% YoY in Aug'26, driven by a 20% and 45% YoY growth in premiums for private players and LIC, respectively.**
- **HDFCLIFE/SBILIFE/MAXLIFE/IPRULIFE/BAJAJLIFE/CANHLIFE's new business premiums grew 18%/3%/8%/10%/32%/5% YoY.**
- **We expect the growth momentum to be largely stable going forward, supported by a continued focus on traditional products, improved affordability from GST exemptions, and expanded geographical reach by private insurers. SBILIFE and LIC are our preferred picks within the sector.**

Individual WRP market share of private players inches up YoY

- The individual WRP market share of private players rose YoY to 72.3% in Aug'26 from 72% in Aug'25.
- In Aug'26, SBILIFE maintained the top position among listed private players with a 17.1% market share with respect to individual WRP, followed by HDFCLIFE at 11.9% and MAXLIFE at 7.5%, while LIC's share stood at 27.7%.
- On an unweighted premium basis, HDFCLIFE was the top private player during the month with a market share of 20.1% within private players, followed by SBILIFE at 19.1% and IPRULIFE/BAJAJLIFE at 10.9%.

Performance of key private players

On an individual WRP basis, the combined market share of private listed players – SBILIFE, HDFCLIFE, IPRULIFE, MAXLIFE, CANHLIFE, and Bajaj Life – accounted for 69% of the private insurance industry as of Aug'26. Among other prominent private insurers, TATA AIA reported a market share of 10.5%.

Among the key listed players based on individual WRP:

- **HDFCLIFE** grew 17% YoY in Aug'26. The total unweighted premium rose 18% YoY.
- **SBILIFE** grew 22% YoY in Aug'26. The total unweighted premium rose 3% YoY.
- **IPRULIFE** grew 11% YoY in Aug'26. The total unweighted premium rose 10% YoY.
- **MAXLIFE** grew 10% YoY in Aug'26. The total unweighted premium grew 8% YoY.
- **CANHSBC** grew 6% YoY in Aug'26. The total unweighted premium grew 5% YoY.
- **BAJAJLIFE** grew 9% YoY in Aug'26. The total unweighted premium grew 32% YoY.

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NOTES

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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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