Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	72,772	-1.5	-14.6
Nifty-50	22,780	-1.6	-12.8
Nifty-M 100	59,914	-1.6	-0.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	7,684	-0.8	12.2
Nasdaq	26,820	-0.9	15.4
FTSE 100	10,685	-0.1	7.6
DAX	25,374	-0.1	3.6
Hang Seng	8,217	0.6	-7.8
Nikkei 225	65,878	-0.7	30.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	124	0.6	98.2
Gold ($/OZ)	4,116	-3.9	-4.7
Cu (US$/MT)	14,435	-2.0	15.9
Almn (US$/MT)	3,244	-0.4	9.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	96.0	0.2	6.8
USD/EUR	1.1	-0.2	-3.2
USD/JPY	157.4	0.1	0.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.2	0.07	0.6
Flows (USD b)	**28-Sep**	**MTD**	**CYTD**
FIIs	-0.56	-2.16	-25.7
DIIs	0.54	6.60	65.9
Volumes (INRb)	**28-Sep**	**MTD***	**YTD***
Cash	1,099	1229	1341
F&O	2,51,155	2,14,043	2,50,609

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Aster DM Quality Care (Initiating Coverage): Building a healthcare giant

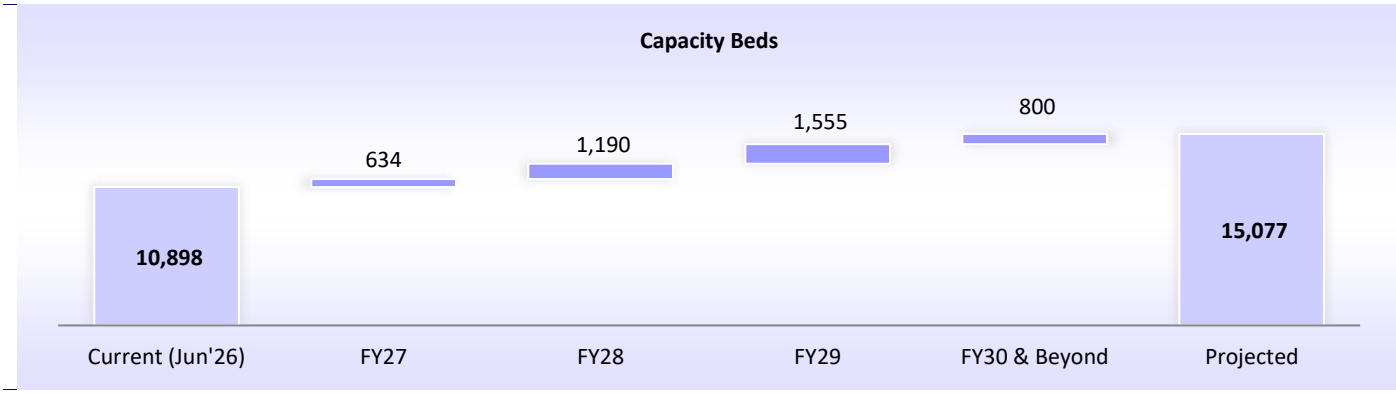
- Aster DM is emerging as a scaled, pan-India hospital platform following the QCIL merger, with 39 hospitals and ~10,600 operational beds across 28 cities.
- The company has built a sustainable growth moat through a) a diversified cluster-led network with a high-margin Kerala base and faster-growing Karnataka, Maharashtra and AP/Telangana markets; b) a strong brownfield/greenfield/asset-light expansion pipeline targeting 15,000+ beds by FY30; c) potential procurement, clinical and cross-cluster synergies from the merger.
- We expect revenue/EBITDA/PAT to grow at 19.5%/25%/33% CAGR over FY26-28, reaching INR132b/INR30.7b/INR16.5b, respectively.
- With strong earnings growth, improving scale and synergy-led margin expansion, we initiate coverage with a BUY rating and value AsterDM at 27x 12M forward EBITDA, arriving at a TP of INR910.

Research covered

Cos/Sector	Key Highlights
Aster DM Quality Care	Initiating Coverage: Building a healthcare giant
Prestige Estates Projects	Progressing steadily on launches and BD
Sagility	Higher MLR among US payers accelerating outsourcing
Auto	MM/TMPV outperform in PVs and TVS in 2Ws
EcoSCope	G-Sec borrowings (2HFY27): Shifting toward longer tenors
	Aug'26 IIP: Manufacturing and electricity drive growth

Chart of the Day: Aster DM Quality Care-Initiating Coverage (Building a healthcare giant)

ASTERDM plans to add 4,179 beds, taking the total capacity to over 15,000 beds



Source: MOFSL, Company

In the news today

Kindly click on textbox for the detailed news link

1

ITC buys remaining Sproutlife stake for ₹645 crore, takes full ownership

ITC Ltd has acquired the remaining stake in Sproutlife Foods Private Ltd for around ₹645 crore, taking its shareholding in the company to 100%. ITC bought 13,445 equity shares of Sproutlife through a secondary purchase, with the transaction completed through cash consideration.

2

LG Electronics announces 5-7% hike in air-conditioner prices from Oct 1

The price increase comes ahead of the second leg of festive sales, with LG citing higher commodity, logistics and energy costs along with currency movements. Voltas, Havells, Godrej Appliances and Bosch Home have also raised AC prices.

3

Zydus Life USFDA inspection at Ahmedabad plant concludes with 1 observation

Zydus Life said the inspection concluded with one observation and that there were no data integrity-related observations, adding that it will work closely with the USFDA to address the observation expeditiously.

4

Sagarmala Finance withdraws ₹600 crore blue bond issue on higher coupon

Sagarmala Finance Corporation Ltd (SMFCL), India's first dedicated maritime non-banking financial company (NBFC) and a Mini Ratna Category-I public sector enterprise under the Ministry of Ports

5

Physical AI firm SiMa.ai raises $150 mn in Series C, valued at $1.45 bn

SiMa.ai, a physical artificial intelligence (AI) company, raised $150 million in a Series C funding round co-led by Fidelity Management & Research and Amplify, with participation from Alter Venture Partners, Dell Technologies Capital and StepStone Group.

6

IEX subsidiary Indian Coal Exchange applies for coal exchange licence

Indian Energy Exchange (IEX), an electricity exchange, on Monday announced that its wholly owned subsidiary, Indian Coal Exchange Limited, has applied for a licence with the Coal Controller Organisation (CCO) for coal exchanges.

7

Switch Mobility secures order for 840 e-buses for Delhi under PM E-Drive

Hinduja Group firm Switch Mobility on Monday said it has secured an order for 840 electric buses from Antony Road Transport Solutions under the first phase of the Centre's PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-Drive) scheme.

Aster DM Quality Care

BSE SENSEX	S&P CNX
73,896	23,141

Bloomberg	ASTERDM IN
Equity Shares (m)	518
M.Cap.(INRb)/(USDb)	661.4 / 6.9
52-Week Range (INR)	891 / 519
1, 6, 12 Rel. Per (%)	4/17/25
12M Avg Val (INR M)	968

Financials &Valuations (INR b)

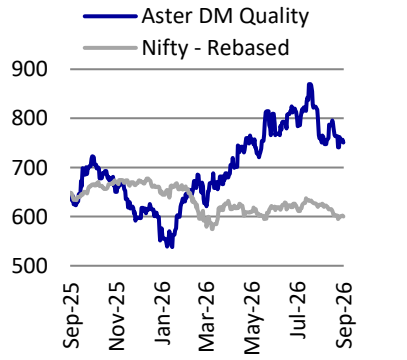
Y/E MARCH	FY26	FY27E	FY28E
Net Sales	46.4	95.7	132.4
EBITDA	9.0	20.3	30.7
PAT	4.2	10.9	16.5
EPS (INR)	8.1	21.0	31.8
GR. (%)	18.0	158.5	51.4
BV/Sh (INR)	88.3	187.0	213.0
Ratios			
ROE (%)	10.5	15.3	15.9
RoCE (%)	9.3	12.5	13.6
Payout (%)	48.5	27.3	18.3
Valuations			
P/E (X)	93.4	36.1	23.9
P/BV (X)	15.2	16.2	17.2
EV/EBITDA (X)	42.9	18.8	12.4
Div Yield (%)	0.5	0.4	0.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	40.4	40.4	40.4
DII	27.7	27.6	25.3
FII	10.5	17.4	19.9
Others	21.4	14.6	14.4

FII Includes depository receipts

Stock performance (one-year)



CMP: INR759 TP: INR910 (+20%) Buy

Building a healthcare giant

- The Aster DM Healthcare–QCIL merger creates one of India's largest hospital platforms, Aster DM Quality Care (AsterDM), with 39 hospitals and ~10,600 operational beds across 28 cities. The platform has capacity to scale beyond 15,000 beds by FY30 through a balanced brownfield/greenfield/asset-light approach.
- A cluster-led strategy anchors the growth story, with Kerala's mature, high-margin base complemented by a faster-growing Karnataka/Maharashtra and AP/Telangana footprint, providing both earnings stability and a long growth runway.
- The QCIL merger meaningfully deepens regional diversification, bringing a complementary set of hospital networks under one roof and creating a genuinely pan-India platform with stronger potential for cross-cluster referrals.
- Prior to the QCIL merger, AsterDM had already demonstrated a growth-plus-margin story (revenue +12% YoY in FY25/FY26 to INR41b/46b, alongside ~300bp/90bp margin gains), with momentum carrying into 1QFY27 (+22%/27% revenue/EBITDA YoY) and FY26 proforma combined revenue/EBITDA of INR92.7b/INR20b (+14%/21% YoY). We expect revenue/EBITDA/PAT to deliver 19.5%/25%/33% CAGR over FY26-28, reaching INR132b/INR30.7b/INR16.5, respectively, aided by procurement, clinical, and cost synergies.
- We initiate coverage with a BUY rating, valuing ASTERDM at 27x 12M forward EBITDA (INR27.7b) to arrive at a TP of INR910 (20% upside from INR759), with bull/bear scenarios of INR1,110/INR735 hinging on the pace of QCIL synergy realization and capacity ramp-up.

Building one of India's largest integrated hospital networks

- The Aster DM Healthcare–QCIL merger creates one of India's largest hospital platforms, with 39 hospitals and ~10,600 operational beds (10,898 capacity beds), providing a scaled presence across key healthcare markets.
- The combined entity plans to add 4,150+ beds by FY30, taking total capacity to 15,000+ beds through a balanced mix of brownfield, greenfield, and asset-light projects, with expansion focused on high-growth clusters such as Trivandrum, Bengaluru, Hyderabad, and Chennai.

Cluster-led strategy to drive sustainable growth

- Kerala remains the largest contributor, accounting for 53% of FY26 hospital revenue pre-merger, supported by mature assets, quaternary care, and medical value travel. Growth is expected to be driven by the 454-bed Trivandrum expansion and other brownfield additions.
- Karnataka/Maharashtra and AP/Telangana offer a strong growth runway, contributing 34%/13% of FY26 revenue, supported by a higher-acuity mix, improving ARPOB/occupancy, and capacity additions at Sarjapur, Yeshwanthpur, and the 300-bed Hyderabad Women & Children's hospital.

- The QCIL merger further strengthens ASTERDM's regional presence by adding leading hospital networks across Hyderabad, Trivandrum, Nagpur, Indore, Raipur, Bhubaneswar, and other key cities, creating a more balanced pan-India platform with greater referral opportunities and cross-cluster synergies.
- Mature assets remain a significant earnings base, contributing ~65% of 1QFY27 revenue (+19% YoY) at a healthy 29.7% EBITDA margin, while emerging hospitals grew 63% YoY, providing further upside as these assets mature.

Medical value travel emerging as a key growth driver

- MVT is gaining importance as a growth driver, with revenue growing 62% YoY in 1QFY27, supported by Aster DM Healthcare's GCC presence, referral network, and India's growing status as a healthcare destination. International inflows are skewed toward high-value specialties, particularly Oncology, Cardiac Sciences, and Organ Transplants.
- Strong MVT momentum supports a richer mix, while ASTERDM's digital ecosystem, robotic skills, and clinical expertise help improve treatment efficiency and reduce ALOS.

Scale meets synergy

- AsterDM has been on a strong run since hiving off its GCC business in Apr'24 to focus entirely on India, with the numbers reflecting both healthy growth and margin expansion. AsterDM (Ex-QCIL) revenue rose 12% YoY in both FY25/FY26 to INR41b/INR46b, driven by better ARPOB, a shift toward higher-acuity cases, and continued maturation of its hospitals. This translated into ~300bp of margin gains in FY25 and another ~90bp in FY26, with profit consistently growing faster than revenue through the year.
- 1QFY27 kept the momentum going, with revenue rising 22% and EBITDA rising 27% YoY. The quarter also saw the QCIL merger finally take shape, backed by Blackstone and TPG, bringing Aster, CARE Hospitals, Evercare, and KIMSHEALTH under one roof, with a network of roughly 10,900 beds across 39 hospitals in 28 cities.
- On a combined basis, the merged entity posted revenue of INR26b (+20% YoY) and EBITDA of INR5.8b (+30% YoY), with margins rising 170bp to 22.2% in 1QFY27. Patient volumes rose 13% YoY/occupancy rose 510bp to 64%.
- Zooming out to the full FY26 proforma picture: revenue stood at INR92.7b (+14% YoY), EBITDA at INR20b (+21% YoY), and Est. PAT at INR9.4b. The takeaway is clear: scale, a richer case mix, and maturing hospital clusters should drive the next leg of margin expansion for the combined platform. While the QCIL merger has resulted in net debt of INR11.6b from cash surplus of INR5b at AsterDM (prior to the QCIL merger), we expect free cash to reduce net debt, subject to M&A opportunities.
- Significant synergy potential from centralized procurement, supply-chain optimization, shared clinical resources, and corporate cost rationalization could support margin expansion, while greater scale should improve referrals, bargaining power, and asset utilization, driving higher operating leverage.

- Overall, we expect revenue/EBITDA/PAT to deliver 19.5%/25%/33% CAGR over FY26-28, reaching INR132b/INR30.7b/INR15.6b, respectively. RoCE/RoE is expected to expand 430bp/540bp to 13.6%/15.9% over FY26-28.

Valuation and view: Initiate coverage with a BUY rating

- We value ASTERDM using EV/EBITDA, with a base-case 12M forward EBITDA of INR27.7b and 27x multiple, implying a TP of INR910 and 20% upside from INR759.
- Bull case: TP of INR1,110 (46% upside), assuming faster QCIL integration, stronger synergies, occupancy/ARPOB gains, and a higher MVT/complex-care share.
- Bear case: TP of INR700 (8% downside), reflecting slower synergies, delayed capacity ramp-up, weaker occupancy, and continued post-merger cost pressures.

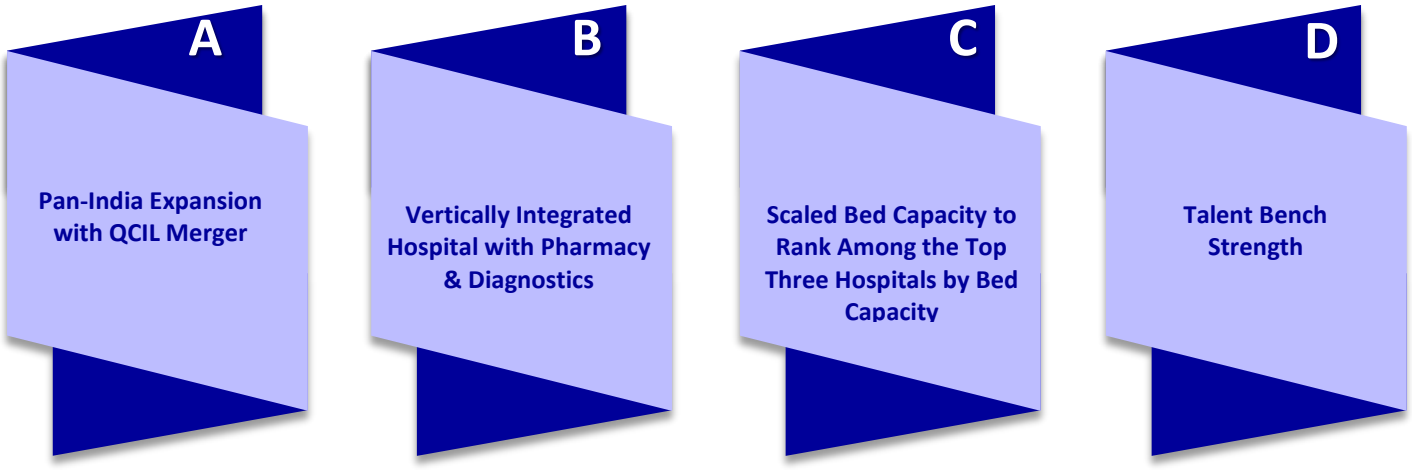
Key risks

- QCIL integration and delays in synergy realization could weigh on margins
- Expansion delays could defer growth and weaken RoCE
- Regulatory changes and price caps could pressure profitability

Diversified Healthcare Ecosystem

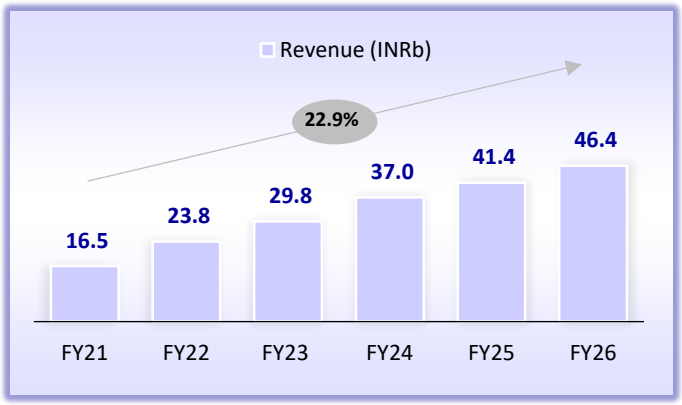


Optimized Infrastructure & Capabilities



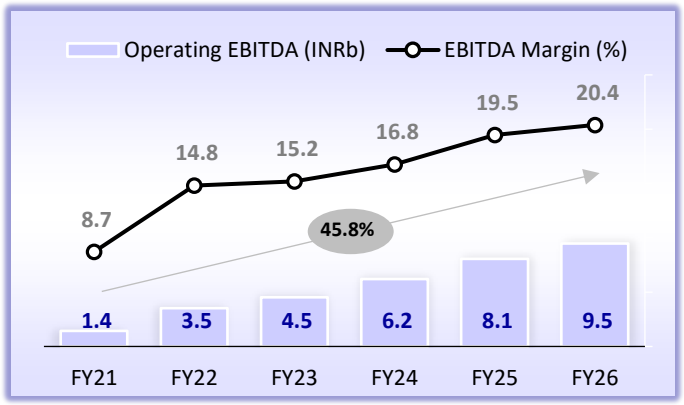
STORY IN CHARTS

Revenue growth driven by aggressive capacity expansion and higher ARPOB for Aster DM Healthcare



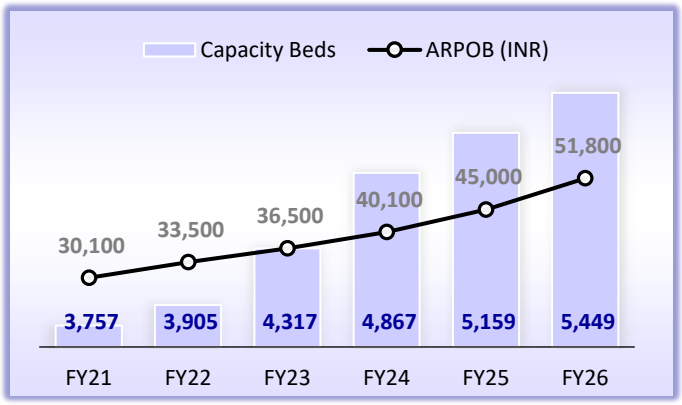
Source: Company, MOFSL

Operating margin expanded 1,170bp over FY21-26 for Aster DM Healthcare



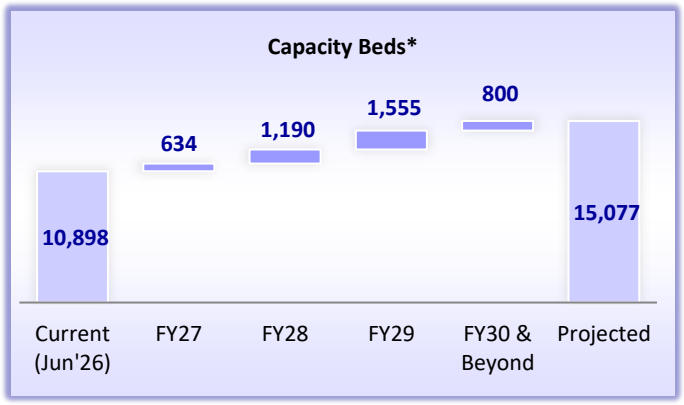
Source: Company, MOFSL

ARPOB/capacity beds grew 7.7%/11.5% over FY21-26



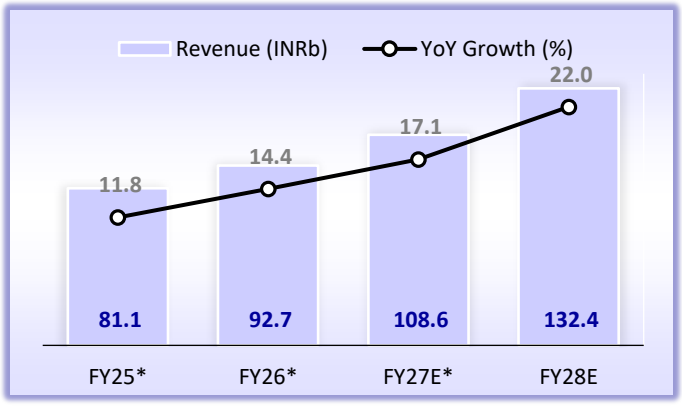
Note: Excluding QCIL; Source: Company, MOFSL

Plans to add 4,150+ beds over the next five years



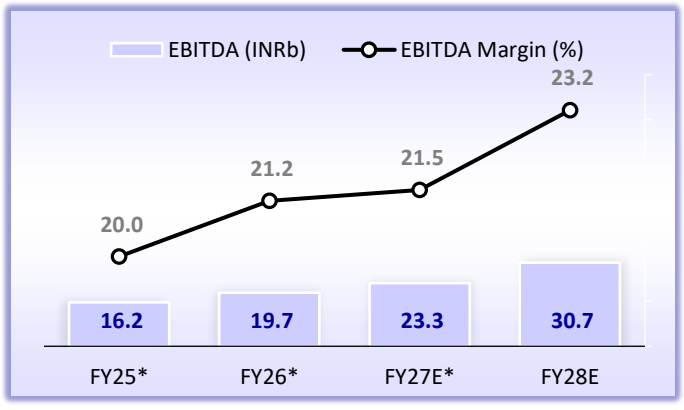
Note: Including QCIL; Source: Company, MOFSL

Revenue to expand at a 19.5% CAGR on proforma level over FY26-28



Note: *Proforma; Source: Company, MOFSL

EBITDA to expand at a 25% CAGR on proforma level over FY26-28



Note: *Proforma; Source: Company, MOFSL

Prestige Estates Projects

BSE SENSEX	S&P CNX
72,772	22,780

Bloomberg	PEPL IN
Equity Shares (m)	431
M.Cap.(INRb)/(USDb)	633.5 / 6.6
52-Week Range (INR)	1805 / 1090
1, 6, 12 Rel. Per (%)	-2/26/5
12M Avg Val (INR M)	1213

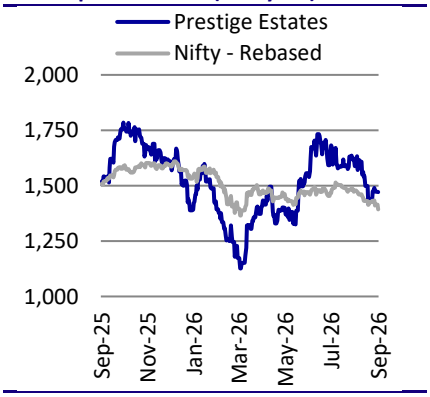
Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	126.9	143.2	176.5
EBITDA	37.1	43.1	54.0
EBITDA (%)	29.2	30.1	30.6
Adj. PAT	12.0	15.8	24.0
EPS (INR)	27.8	36.7	55.7
EPS Gr. (%)	133.0	361.6	278.4
BV/Sh. (INR)	377.8	413.0	467.2
Ratios			
Net D/E	0.7	0.7	0.6
RoE (%)	7.5	9.3	12.7
RoCE (%)	8.8	9.9	11.5
Payout (%)	7.2	4.1	2.7
Valuations			
P/E (x)	53.0	40.1	26.4
P/BV (x)	3.9	3.6	3.1
EV/EBITDA (x)	20.5	17.7	14.1
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	60.9	60.9	60.9
DII	23.5	22.6	19.6
FII	13.3	14.2	16.7
Others	2.3	2.3	2.8

Stock's performance (one-year)



CMP: INR1,471 **TP: INR1,830 (+24%)** **BUY**

Progressing steadily on launches and BD

Healthy response to the three projects launches in 2Q

Prestige Estates (PEPL) recently launched a new project, Prestige Parklane, Bengaluru (INR17.5b GDV). With this, it has launched three projects in 2QFY27 with a combined GDV of INR40b. The other two are Prestige Palm Court in Chennai (INR12.2b GDV) and Garden Breeze at TPC Sarjapur in Bengaluru (INR10.5b GDV). In 1QFY27, it had launched three projects spanning 16.5msf with a combined GDV of INR122b. Consequently, it has launched INR162b in 1HFY27, and in FY27, it plans to launch 23 projects, with a combined developable area of 57.1msf and aggregate GDV of INR573b.

Sustenance, new launches to support operational performance

As per our channel checks, all the projects launched in 2Q have received an encouraging response at EoI stage, which resulted in healthy sales conversion. We anticipate strong bookings in all three projects, while the company also had INR245b of existing inventory as of 1QFY27, which would drive pre-sales in 2QFY27 and ahead. We expect pre-sales of INR65-70b (+10-15% YoY) in 2QFY27. PEPL added three new projects in 1QFY27 with GDV of ~INR178b, and in 2QFY27 so far, it has announced BD worth INR116b in MMR and NCR. More additions are likely, which would enhance the growth visibility. We maintain pre-sales growth estimates at 14% CAGR to ~INR388b over FY26-28.

Recent stake sale in PHVL, collections to keep leverage in check

In Aug'26, the board approved the execution of a binding framework agreement between its wholly owned subsidiary, Prestige Hospitality Ventures (PHVL), and CPPIB, wherein the latter would invest up to INR30b through multiple tranches in PHVL for a 28% stake. The proceeds could be utilized for growth capital, debt reduction and operational expenses. Additionally, on the back of healthy pre-sales growth and progress in execution, we expect ~16% CAGR in collections to ~INR251b over FY26-28, which would enable growth while keeping leverage in check. PEPL had net debt of INR119b in 1QFY27 (net D/E at 0.69x), which is comfortable.

Valuation and view

- PEPL is well on track to scale up its residential segment on the back of regional diversification as well as continued BD and launches. Recent business development deals continue to replenish the inventory pipeline, thus improving growth visibility over the medium term.
- Ramp-up in the annuity portfolio is progressing well, and upcoming assets are likely to significantly increase the annuity income in the medium term.
- We value the residential business at a 15% premium to the NAV to factor in the growth beyond the existing inventory pipeline. Further, the land bank value is calculated on 1.7x FSI. We value operational annuity assets at a 7.5% cap rate, and ongoing and upcoming assets at an 8% cap rate.
- We have a **BUY** rating with a TP of INR1,830, indicating a 24% upside potential.

Sagility

BSE SENSEX	S&P CNX
72,772	22,780

Bloomberg	SAGILITY IN
Equity Shares (m)	4681
M.Cap.(INRM)/(USDM)	203.4 / 2.1
52-Week Range (INR)	58 / 36
1, 6, 12 Rel. Per (%)	0/4/8
12M Avg Val (INR M)	1676

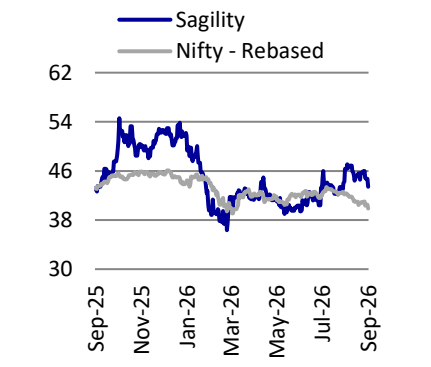
Financials Snapshot (INR m)

Y/E MARCH	FY26	FY27E	FY28E
Sales	71,929	88,089	102,009
Sales Gr. (%)	29.1	22.5	15.8
EBITDA	17,570	20,668	24,833
EBITDA Margin (%)	24.4	23.5	24.3
Reported PAT	9,248	11,158	14,022
EPS (Rs)	1.98	2.35	3.00
EPS Gr. (%)	68.9	19.0	27.4
BV/Share	20.6	22.8	25.5
Ratios			
RoE	10.3	10.8	12.4
RoCE	12.4	13.6	15.4
RoIC	10.1	11.3	13.5
Valuations			
EV/Sales	2.8	2.2	1.8
EV/EBITDA	11.6	9.4	7.5
P/E (X)	21.3	17.9	14.0
P/BV (X)	2.0	1.8	1.6

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	51.0	51.0	67.4
FII	21.4	22.3	14.1
DII	10.0	10.0	6.0
OthersPublic	17.6	16.7	12.6

Stock's performance (one-year)



CMP: INR43 TP: INR54 (+24%) Buy

Higher MLR among US payers accelerating outsourcing

- Sagility's practices are designed to manage and improve critical healthcare operations across the payer and provider ecosystem. These capabilities span the full healthcare value chain, combining deep domain expertise with operational execution to deliver measurable outcomes.
- Services further advance through consulting and technology services, including assessments, transformation programs, platform enablement, and AI-led orchestration.
- **Member LCM:** It supports end-to-end member journey, including enrolment, billing, reconciliation, benefits management and ongoing engagement. This helps payers improve accuracy and timeliness, reduce revenue leakage and improve member experience.
- **Clinical (UM/CM):** It includes utilization management, case management, disease programs, and quality initiatives. These services deliver better care coordination and improved clinical and financial outcomes for our payer and provider clients.
- **Payment integrity (PI):** It focuses on identifying, preventing, and recovering inappropriate payments across the claim's lifecycle. This helps payers reduce leakage and gain better financial control.
- **Claims management:** It encompasses intake, adjudication support, rework, and appeals. These services enable payers to improve claims accuracy, reduce turnaround times, enhance operational efficiency and improve provider and member engagement.
- **Provider RCM:** It supports providers in billing, coding, denial management, and collections to improve revenue realization and cash flow performance.

We like Sagility's integrated approach of moving beyond isolated process execution toward managing connected workflows and delivering measurable outcomes across healthcare operations. This differentiated model creates a strong right to win vs. peers in capturing incremental business from payers. Its key strength lies in its ability to scale up efficiently, maintain exceptional attention to detail, and consistently deliver high-quality outcomes while meeting turnaround time requirements.

Valuation and view

We believe FY27 will be the year of growth normalization, considering a high base of FY26. We expect Sagility to deliver low double-digit growth, with broadly stable margins in the current range. We believe new logo additions, cross-selling opportunities and synergy from acquisitions will drive a CAGR of 19%/19%/23% in revenue/EBITDA/PAT over FY26-28. Accordingly, we reiterate our BUY rating on the stock with a TP of INR54 (based on 18x on FY28E EPS).

Client metrics

Y/E March	FY24	FY25	FY26
Client groups contribution to revenues	**573**	**659**	**814**
Top 3 client USD Revenue	**390**	**435**	**488**
YoY growth (%)	4%	12%	12%
% Contribution	68%	66%	60%
Top 5 client USD Revenue	**453**	**514**	**570**
YoY growth (%)	8%	14%	11%
% Contribution	79%	78%	70%
Top 10 client USD Revenue	**521**	**600**	**684**
YoY growth (%)	11%	15%	14%
% Contribution	91%	91%	84%

Continued expansion within top accounts, with significant headroom for wallet share gains and cross-selling

Top Accounts	Member LCM	Provider LCM	Claims Management	Clinical UM/CM	Payment Integrity
Client 1	◉	●	●	◉	◉
Client 2	◉	●	◉	◉	○
Client 3	◉	●	●	○	○
Client 4	◉	◉	○	○	◉
Client 5	◉	◉	○	◉	○
Client 6	○	○	○	○	◉
Client 7	◉	○	○	○	○

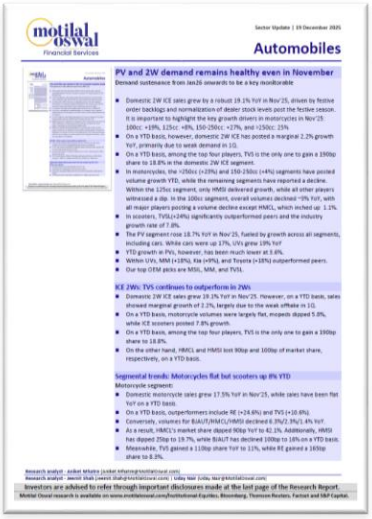
Source: Company, MOFSL

Key partners



Source: Company, MOFSL

Automobiles



MM/TMPV outperform in PVs and TVS in 2Ws

Channel push ahead of festive to support wholesales as base starts to catch up

- Domestic segmental growth rates for Aug'26 stood at ~5% for ICE 2Ws and ~37% for PVs.
- Strong growth rates for the PV headline numbers was primarily on account of a low base last year due to delay in dispatches due to GST rate cuts. Additionally, increased inventory push during the month ahead of the festive season further boosted volumes. While a delayed festive, strong retails and lean channel inventory would support dispatches for upcoming couple of months, growth rates are expected to moderate as the high base of 2H catches up.
- 2W sales, however, were impacted by lower growth in the motorcycle segment, largely due to declining volumes in the 100cc and 125cc segment on account of shift in consumer preferences.
- In the 2W ICE segment, among the top four players, EIM (+11%), TVSL (+9%), and HMSI (+7%) were able to post growth in Aug'26. HMCL posted a flattish ~2% YoY growth, while BJAUT saw a significant ~13% YoY decline in monthly sales.
- In Aug'26, scooters outperformed motorcycles, with wholesales growing 9.4% YoY. As a result, on a YTD basis as well, scooters have continued to outperform motorcycles with a 16.3% YoY growth. HMCL and Suzuki were the outperformers, posting a 29.3% and ~11% YoY growth, respectively. HMSI continued to underperform, losing market share, with YTD share at 41% (down ~300bp).
- In PVs, while cars posted a healthy 20.4% YoY growth during Aug'26, UV wholesales surged 45.5% YoY. The UV mix currently stands at 67.5% of PVs.
- In PVs, MM (+50%), Kia (+48%) and TMPV (+59%) outperformed during the month. MSIL (+35%) grew largely in line with the industry, while Hyundai (+24%) continued to underperform the industry.
- Our top OEM picks are MSIL, TVSL, MM, and BJAUT. Among auto ancillaries, our top picks are MSWIL, SAMIL, TENNIND, SPRL and HFL.

ICE 2Ws: Scooters drive 2W growth, while motorcycles underperform

- Domestic 2W ICE sales grew ~5% YoY in Aug'26, posting single-digit growth for the first time after strong double-digit growth so far this fiscal.
- Scooters continued to outperform other segments, having recorded a relatively stronger ~9% YoY growth in Aug'26. Motorcycles saw a muted ~2% YoY growth, underperforming the scooters segment. The mopeds segment continued its upward trajectory, growing ~5% YoY during the month. On a YTD basis, scooters/motorcycles/mopeds grew 16.3%/12.6%/26.8%, respectively.
- Among listed players, TVS, EIM, and HMSI were able to post steady growth of 9%/11%/7% YoY in Aug'26, outperforming the broader industry. HMCL underperformed the industry and grew just ~2% YoY. On the other hand, BJAUT posted a 13% decline in volumes.
- Consequently, RE, TVS, and HMSI gained ~80bp/80bp/60bp market share, respectively, while HMCL and BJAUT lost ~80bp/160bp share YoY.

Segmental trends: Scooter growth slows down

Motorcycle segment:

- Domestic motorcycle sales showed signs of slowing growth, recorded 2.4% YoY growth in Aug'26. Despite a sharp turnaround post-GST rates, motorcycles still underperformed relative to ICE scooters in Aug'26. On a YTD basis, the segment continues to underperform scooters due to lower traction in the entry-level segment. Growth can primarily be attributed to traction in the premium category and channel filling ahead of the festive period.
- In Aug'26, TVS (+11%), HMSI (+10%) and RE (+11%) were the key growth drivers, outperforming all listed peers by a wide margin. HMCL (flat YoY) underperformed the industry, despite a low base last fiscal. On the other hand, BJAUT (-13%) saw a significant decline in volumes and was the only player to record a decline.
- As a result, BJAUT lost ~220bp market share to 13.3%, while TVSL and RE gained ~35bp and 111bp of market share, respectively, on a YTD basis.
- Market shares for HMSI and HMCL remained stable at 21% and 42%, respectively, on a YTD basis, with the companies maintaining their leadership position in the motorcycle segment.
- A weak sentiment in rural areas and the premiumization trend led to entry-level commuter segments underperforming the broader motorcycle industry. The 100cc segment underperformed the overall industry and declined ~3% YoY in Aug'26, while the 125cc segment was flat YoY for the month. The 150-250cc and >250cc segments were key outperformers, posting a 13% and 18% YoY growth, respectively.

HMCL outperformed the industry, while HMSI continued to decline.

100cc segment:

- The 100cc segment posted a 3% YoY decline in monthly wholesales during Aug'26, underperforming all other motorcycle segments. On a YTD basis, however, the 100cc segment grew 6.4% YoY, though still underperforming the other segments.
- For Aug'26, market leader HMCL outperformed the industry with 3% YoY growth in this segment, and was the only player to have posted growth. The worst hit were HMSI/BJAUT, with volumes falling ~25%/~33%.
- As a result, HMCL has further strengthened its leadership position in this segment, having gained 385bp share to 86%. This is HMCL's highest-ever market share in this segment. Alternatively, HMSI lost ~120bp share to 3.4%, and BJAUT lost ~200bp share to 5.8% on a YTD basis.
- For HMCL, the primary growth driver for August was Splendor, having posted a strong 14% YoY growth in wholesales. On the other hand, HF Deluxe posted a 22% YoY decline in sales, while Passion saw a 38% YoY decline.
- BJAUT's Platina saw a 31% YoY decline and TVS' Sport, and Radeon posted a 15% and 3% YoY decline, respectively. HMSI's Shine saw a decline of 12% YoY for the month.

125cc segment:

- The 125cc segment's volumes were flat YoY for the month of Aug'26, underperforming the overall motorcycle industry. On a YTD basis (+6.4% YoY), the segment's underperformance may be attributable to a shift in customer

preference toward the 150cc segment following GST rate cuts, as consumers are now getting a better product at a similar price point (pre-GST).

- In Aug'26, HMSI witnessed volume growth of ~12% YoY, outperforming peers. Even TVSL posted ~11% YoY growth, though over a low base. On the other hand, BJAUT underperformed the segment with an 18% YoY volume decline, while HMCL was the worst hit, having seen a ~22% YoY decline in volumes.
- As a result, HMSI saw a sharp ~370bp increase in market share YoY to 55.1% on a YTD basis and continues to maintain its leadership position. Despite weak volumes for the month, HMCL's market share improved ~200bp to 16.4% on a YTD basis. BJAUT lost a massive 560bp market share to 17%, while TVSL maintained its share at 11.6%.
- For HMSI, Shine grew 13.7% YoY in Aug'26. The demand for CB125 Hornet is now slowing down, with Aug sales dropping to 4k units (close to the all-time low number).
- BJAUT Pulsar's 125cc sales declined 17% YoY in August. The quiet discontinuation of the Pulsar N125 due to weak demand, coupled with the shift toward premium motorcycles, has led to a severe decline in Pulsar125 wholesales. However, BJAUT is working on a model refresh, slated for release later in this fiscal. The company sold ~1k units of its CNG model, Freedom, in August, declining 41% YoY. BJAUT also plans to introduce two new brands in the 125cc segment in FY27, significantly expanding its presence in the category.
- For HMCL, while Super Splendor volumes grew ~5% YoY, Xtreme125R volumes declined ~13% YoY, and Glamour saw a significant ~50% YoY decline in monthly wholesales.
- TVS Raider posted an 11% YoY growth for the month, outperforming the industry after a quarter of underperformance in 1Q, as the base has started normalizing.

150-250cc segment:

TVSL significantly outperformed peers in July.

- This has been one of the fastest-growing segments after GST rate cuts, continuing the growth momentum into FY27 with a 13% YoY growth in Aug'26 and 28% YoY growth in YTDFY27.
- For Aug'26, TVSL significantly outperformed most peers and the industry with ~29% YoY growth. As a result, TVS was able to gain ~90bp market share to 31% on a YTD basis. Both Ronin and Apache recorded strong YoY growth of 76% and 22%, respectively. On a YTD basis as well, TVS outperformed the industry, recording a 32% growth.
- Yamaha's growth momentum showed signs of slowdown during Aug'26, recording a 6% YoY growth. However, on a YTD basis, Yamaha posted a 38% YoY growth and thereby gained ~130bp market share to 17.6%. Suzuki's volumes grew 3.5x in Aug'26, coupled with a strong 43.2% YoY growth on a YTD basis. Market share, however, continues to remain <1%.
- On the other hand, BJAUT underperformed the industry, with wholesales remaining flat YoY during Aug'26. This led to a ~120bp market share loss YoY to ~29% on a YTD basis. The Pulsar portfolio recorded a 3.6% YoY volume decline during the month. Demand for KTM has improved, growing ~31% YoY. This segment remains a key focus for BJAUT, and the company has set a strong pipeline of products to support this strategy. BJAUT has launched a new Pulsar

model in the 150cc segment, featuring new styling, electronics, colors, graphics, and revised powertrain performance. Additionally 10 product refreshes in the 160-400cc segment are planned over the coming weeks.

- HMSI posted a 14% YoY wholesale growth in Aug'26, outperforming the industry. However, market share declined ~60bp YoY on a YTD basis to 19.3%. CB Unicorn 150 continues to remain the primary growth driver, having seen a ~21% YoY uptick in monthly volumes in Aug'26.
- HMCL continues to underperform, with a ~3% YoY decline in Aug'26. Market share, however, remained broadly stable at 2.2% (-50.bp).

>250cc segment:

- The segment recorded robust growth of 18% YoY in August, well above industry growth. HMSI and TVSL were outperformers during the month, recording a ~127% and ~118% YoY growth, albeit over a low base. BJAUT also posted a strong 48% YoY growth. HMSI and TVSL gained ~180bp and ~110bp market share on a YTD basis to 5.6% and 1.5%, respectively, mainly from RE.
- Though RE posted a steady 11% YoY growth for the month, it grew slower than its peers, resulting in a ~400bp YoY loss in market share to ~84% on a YTD basis. Growth was broad-based across models, with Bullet posting a strong ~14% YoY growth, while ex-Bullet, RE still posted a healthy 10% YoY growth for August.
- Triumph, in partnership with BJAUT, posted ~22% YoY growth and clocked 11.1k unit sales in July.

Scooters drive growth in ICE 2Ws; market leader HMSI underperformed, while TVSL continued to gain.

ICE scooters

- The segment delivered a healthy ~9% YoY growth in Aug'26, outperforming the motorcycle industry. On a YTD basis, the segment continues to outperform, with a strong 16.3% YoY growth.
- Key outperformers in this segment during the month were HMCL (+29%) and Suzuki (+11%).
- HMCL's YTD volumes rose 51% on a low base due to strong volumes from both Destini 125 (+53%) and the Xoom portfolio (+102%). As a result, on a YTD basis, HMCL gained ~160bp of market share, bringing it to ~6.8%.
- TVS gained 125bp share in scooters on a YTD basis, reaching 29.5%. Jupiter 110 and Zest continues to drive growth, having posted ~4% and ~19% YoY growth for the month. Ntorq's growth momentum has slowed down, with wholesales seeing a ~7% YoY decline in August.
- While Suzuki has recently found ground with ~11% YoY growth in Aug'26, it still underperformed the industry on a YTD basis and lost ~60bp share to 16.7%. Its flagship model Access posted a healthy 14.4% YoY growth for the month, while the Burgman also continues to grow, albeit at a slower pace of 4.8% YoY.
- HMSI continued to underperform the industry with a 5% YoY growth in volumes in Aug'26 and ~8% growth for FY27'YTD. As a result, it lost ~325bp share to 41.1% on a YTD basis. For HMSI, Activa sales rose ~5% YoY during the month, whereas Dio volumes were up 8% YoY.

PV update: UV mix now stands at ~68%

UV sales continue to grow; MM, Kia, and TMPV outperformed in Aug'26.

- PV volumes grew by a strong ~37% YoY in Aug'26. While UVs drove growth and posted a strong ~46% growth YoY, cars also grew at a healthy pace of ~20% YoY for the month. A low base of last year owing to deferred purchases in anticipation of GST rate cuts has led to strong headline growth rates for PVs.

- Due to relatively faster growth of UVs, the mix of UVs in the PV segment improved ~185bp YoY to 67.5% as of FY27'YTD.
- For Aug'26, outperformers included MM (+50%), Kia (+48%), and TMPV (+59%). Hyundai (+24%) and MSIL (+35%) were relative underperformers, while Toyota was the only player to post a volume decline (-3%).
- However, on a YTD basis, the picture is slightly different as TTMT and MSIL gained 200bp and 180bp market share, respectively, to 14.5% and 41.4%, maintaining their spots as the top two players. MM and Hyundai, on the other hand, lost 90bp and 175bp market share to 13.5% and 11.4%, respectively, while Kia broadly maintained its position with a 6.3% market share.

Car volumes rose 20.4% in Aug'26; FY27'YTD volumes rose 24%.

Car segment:

- Car wholesales grew 20.4% YoY in Aug'26 and 23.6% YoY on a YTD basis.
- Key outperformers in this segment were MSIL (+29.4%), HMIL (+29.8%), and Honda (+84%). As a result, MSIL witnessed a ~665bp increase in market share to 72.9%, while Honda maintained its market share at ~3%. Hyundai saw a marginal market share decrease to 12.2% on a YTD basis.
- On the other hand, key underperformers included TMPV (-9.8%) and Toyota (-68.2%). As a result, TMPV lost ~320bp share YoY to 7.2% on a YTD basis, while Toyota lost 180bp share to 2.7%.
- MSIL was still able to strengthen its foothold in this segment, having reached a 72.9% share. Owing to a low base of 1HFY26, most of the car models across MSIL's portfolio saw substantial growth YoY in Aug'26: Celerio (~2x YoY), Alto (+58%), Swift (+60%), WagonR (+39%), and Baleno (+26%). Dzire, on the other hand, posted a relatively muted growth of 12% YoY.
- HMIL marginally lost share YoY to 12.2% on a YTD basis. i20 was the standout performer in August with 42% YoY growth, while Aura saw a 25% growth, aided by demand stemming from Hyundai's launch of the Prime Taxi range, even as the Sedan segment is witnessing demand fatigue. Grand i10 also saw a healthy ~37% YoY growth.
- Honda's growth for the month was largely driven by Amaze (2x YoY), as it maintained its share in the segment.

TMPV and MSIL outperformed on a YTD basis.

UV segment:

- The UV segment continued its strong uptrend in wholesales, with monthly sales up 46% YoY for Aug'26. On a YTD basis, growth was slightly slower at 33.3% YoY.
- Outperformers in August were TMPV (+84%), MM (+50%) and MSIL (+46%). On the other hand, Toyota (+11%) and Hyundai (+21%) underperformed the segment for the month.
- While TMPV gained ~415bp share to reach ~17.6% on a YTD basis, MSIL gained ~130bp share to reach 25.7%, maintaining its leadership in the segment. On the other hand, MM lost ~190bp share to 20%, Toyota lost ~160bp share to 8.9%, and Hyundai lost ~220bp share to 11.7%.
- For TMPV, while monthly model-wise volumes are not disclosed, on a directional basis, we expect growth to continue to be driven by Nexon and Punch, TMPV's highest-selling models, which now make up ~76% of its total UV volumes (as of 1QFY27). Further, growth is likely to be fueled by the ramp up of recently launched Sierra volumes, while Curvv continues to witness traction challenges.

- MSIL has seen a strong recovery in wholesales, after overcoming supply constraints that it faced toward the fag end of FY26. The new Victoris saw strong monthly sales of ~13k units in August, with total sales touching ~135k units since the launch in Sep'25. Brezza volumes rose 12.2% YoY in August. Ertiga volume growth has shown signs of moderation post GST rate cuts, with Aug'26 wholesales remaining flat YoY. Grand Vitara sales grew 36% YoY, despite partial cannibalization from the Victoris. The newly launched e-Vitara sold 11.8k units since launch in domestic markets and clocked ~1.6k units in Aug'26.
- After facing supply constraints, including supplier issues and labor shortages, MM's August volumes have picked up but remain below industry performance. Strong double digit growth was observed across models, though this is primarily a function of a low base of last year. However, some models have managed to perform exceptionally well despite the supply constraints faced by MM. XUV7XO has seen a strong uptick post-launch, with 8.5k units sold in Aug'26. In the electric portfolio, while BE6 saw volume growth of 9.3% YoY in Aug'26, XEV also witnessed a strong pickup, with 181% growth YoY, led by the launch of XEV 9S.
- Post production issues in Hyundai's Creta, volumes saw a partial recovery with a growth of 2.3% YoY in August. However, Exter and Venue continued to post strong double-digit growth, with Venue volumes rising ~40% YoY for the month, while Exter volumes rose ~61% YoY.
- Kia Seltos saw strong growth of ~150% YoY to 11.7k units in Aug'26, aided by positive reception for the new model launch. Carens demand continues to fluctuate, with August volumes declining ~11% YoY. Sonet continues to see growing demand, posting 17% YoY growth in August. The newly launched Sorento has sold 365 units during the month.
- For Toyota, Innova Hycross continues to outsell Crysta, with the mix now at 57:43.
- The new model Gravite from Nissan continues to witness steady demand, having sold 1,440 units in Aug'26, post 1Q sales of 4,550 units. The newly launched Tekton has seen sales slow down to 491 units for the month, after an encouraging launch.

Valuation and view

- Post a strong 2HFY26, wholesales across segments have witnessed strong double-digit growth in FY27'YTD, on the back of lower base, strong retails, which have also seen double-digit growth and lean channel inventory. Due to the low base of 2Q and channel push ahead of festive, volumes so far in 2QFY27 have been strong and is expected to be the same for September on account of strong retails and lean channel inventory (especially for PVs).
- While OEMs and the ancillaries have guided for continued pressure from commodities, the majority impact of the same has already been reflected in 1Q results, and the price hikes taken by OEMs to offset this cost should cushion the blow from 2Q. As a result, we expect margins for the sector to revive gradually from 2Q onwards. Concerns that remain monitorable are the probable impact of El Niño expected in the current year and the escalation of the West Asia crisis again. In this scenario, OEMs with a healthy launch pipeline are likely to be preferred over others. Our top OEM picks are MSIL, TVSL, MM, and BJAUT. Among auto ancillaries, our top picks are HFL, MSWIL, and SAMIL.

G-Sec borrowings (2HFY27): Shifting toward longer tenors

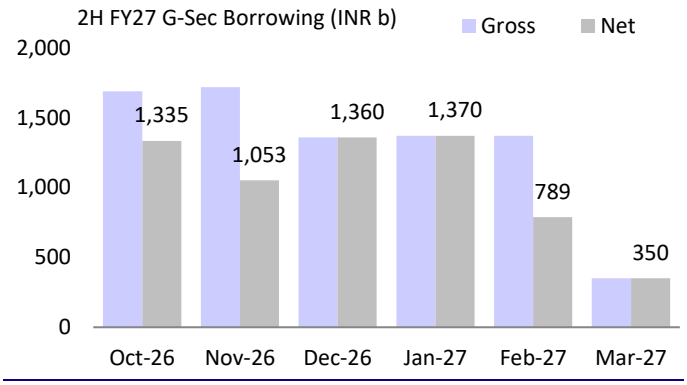
- **The 2HFY27 government borrowing calendar is broadly in line with expectations, with dated securities borrowing of INR7.86t. This takes FY27 gross borrowing to around INR16t, below the budget estimate of INR17.2t after accounting for switch operations. However, lower gross borrowing masks a higher net G-sec issuance of around INR6.3t in 2HFY27, compared with INR5.4t in 1HFY27, implying greater market absorption requirements in 2H. Net issuance is positive in every month, with relatively higher issuance expected during Oct'26, Dec'26 and Jan'27.**
- **The maturity profile is tilted toward the longer end. Securities with maturities of 15 years and above account for 46% of 2HFY27 borrowing, while the 30-50Y segment accounts for around 28% of total supply. In contrast, the 3-5Y segment accounts for around 19%. Weekly dated-securities auction sizes are also higher at INR330-360b, compared with INR280-340b in 1HFY27. The calendar additionally provides for INR150b of sovereign green bond (SGrBs) issuance during 2HFY27, adding to the supply of long-duration securities.**
- **Short-term borrowing remains relatively contained. The 3QFY27 T-bill calendar envisages gross issuance of around INR2.99t and net issuance of INR297b. Net T-bill issuance for 9MFY27 is expected at around INR1.22t, broadly aligned with the FY27BE of INR1.3t. This suggests that the government's short-term borrowing requirement is unlikely to be a major additional source of pressure on the money market.**
- **While gross borrowing is lower than the budget estimate, higher net G-sec issuance and a relatively greater allocation toward 15-50Y securities could initially put pressure on the long end, leading to a modest bear-steepening after the sharp rise in shorter-tenor yields during Sep'26. However, stronger seasonal demand from insurance companies, pension funds and other long-duration investors, along with likely liquidity operations by the RBI, could limit the rise in long-term yields. We expect the curve to subsequently develop a flattening bias, as continued liquidity withdrawal, potential OMO sales and expectations of monetary-policy tightening put greater pressure on the front end. The sharp rise in global yields is an additional headwind, with the US (5.2%), the UK (5.4%) and Japanese (3.1%) 10Y yields having moved materially higher as the global rate-hike cycle gets underway.**
- **The domestic rate outlook has also become more challenging. We expect 3QFY27 inflation to remain above 6%, with El Niño-related weather risks, potential food-supply disruptions and higher input costs adding to inflation pressures. We expect the RBI to deliver a 25bp repo-rate hike in Oct'26. If crude oil prices remain above US$100/bbl, the cumulative rate-hike cycle could extend to around 75-100bp, increasing the upside risk to bond yields. Against this backdrop, we expect the 10Y benchmark G-sec yield to trade in the 7.0-7.25% range during 2HFY27, with global yields, crude prices and domestic inflation remaining the key risks to the upper end of the range.**

Month-wise supply duration of bonds (INR b, % share)

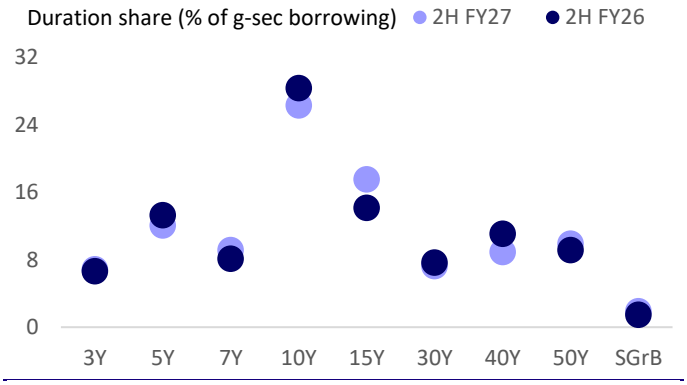
Month	3Y	5Y	7Y	10Y	15Y	30Y	40Y	50Y	SGrB	Total
Oct-26	180	190	240	340	230	180	140	130	60	**1,690**
Nov-26	90	190	120	340	460	90	140	260	30	**1,720**
Dec-26	90	190	120	340	230	90	140	130	30	**1,360**
Jan-27	90	190	120	350	230	90	140	130	30	**1,370**
Feb-27	90	190	120	350	230	120	140	130	0	**1,370**
Mar-27	0	0	0	350	0	0	0	0	0	**350**
Total	**540**	**950**	**720**	**2,070**	**1,380**	**570**	**700**	**780**	**150**	**7,860**
% of total	**6.6**	**11.6**	**8.8**	**25.2**	**16.8**	**7.0**	**8.5**	**9.5**	**1.8**	**95.9**

Source: RBI

Net issuance relatively high in Oct'26/Dec'26/Jan'27



Mix shifts toward longer tenor



Source: RBI, MOFSL

EcoScope
The Economy Observer

Aug'26 IIP: Manufacturing and electricity drive growth

- **Industrial momentum strengthened further in Aug'26. IIP growth accelerated to 8.0% YoY in Aug'26, from 7.4% in Jul'26 and 4.7% in Aug'25, marking the fastest pace in two months. The improvement was broad-based across major industrial segments, with manufacturing and electricity providing the key impetus. Cumulatively, IIP growth stood at 6.7% during Apr-Aug'26, compared with 4.2% in Apr-Aug'25.**
- **Manufacturing remained the principal driver for recovery. Manufacturing output grew 9.0% YoY in Aug'26, sharply higher than 3.6% in Aug'25. Importantly, the improvement was broad-based, with 18 of the 23 manufacturing sub-sectors reporting stronger growth than a year ago. Motor vehicles, electrical equipment, rubber and plastic products, fabricated metal products, and other transport equipment were among the strongest-performing segments.**
- **Investment-related production showed particularly strong momentum. Capital goods output accelerated to 16.9% YoY in Aug'26, from 6.0% in Aug'25, while intermediate goods growth strengthened to 13.7% from 3.3%. Infrastructure and construction goods also grew at a healthy 12.0%. During Apr-Aug'26, capital goods and intermediate goods output grew 16.3% and 10.0%, respectively.**
- **Consumer-oriented production also improved, although recovery remains uneven. Consumer durables output expanded 11.1% YoY in Aug'26, compared with 0.9% in Aug'25, supported by stronger discretionary demand. Consumer non-durables growth also improved, though it remained weak at 2.1% YoY in Aug'26 (vs 0.1% in Aug'25). The stronger performance of durables is driven by improvement in auto sales and other urban consumption indicators.**
- **Electricity generation provided an additional boost to industrial activity. Electricity and gas output increased 12.3% YoY in Aug'26, compared with 3.7% in Aug'25, marking a more than two-year high. The sharp increase in power generation is consistent with stronger underlying economic activity and sustained power demand. Cumulatively, electricity output grew 9.5% during Apr-Aug'26.**
- **Mining remained the key drag on overall IIP growth. Mining output contracted 5.6% YoY in Aug'26, against 15.8% growth in Aug'25, and declined 2.0% during Apr-Aug'26.**
- **We expect FY27 real GDP growth in the range of 7.0–7.2%, with momentum moderating in 2HFY27 from the strong pace seen in the first half. The Aug'26 IIP print provides a strong starting point, with industrial production averaging 7.7% during Jul-Aug'26, supported by broad-based manufacturing growth, strong capital-goods production, and resilient consumption. However, external and domestic risks remain important. The uncertain geopolitical environment and elevated crude oil prices could increase input costs and put pressure on corporate margins, particularly for energy-intensive industries. Any prolonged disruption around the Strait of Hormuz could further intensify commodity-price pressures and complicate the inflation outlook.**
- **Inflation risks are likely to intensify in 2HFY27, particularly amid the increasing risk of an El Niño-induced deterioration in rainfall, which could affect agricultural output and food prices. Uneven rainfall and lower reservoir levels could add to food-supply pressures, while elevated crude oil and other commodity prices, along with rising input costs, could keep core inflation and corporate cost pressures elevated. Thus, while we expect growth momentum to remain resilient, the growth-inflation mix could become less favorable in 2HFY27, with key downside risks stemming from monsoon, food inflation, commodity prices, and input cost pressures.**

IIP and its components

(% YoY)	Old Weight	New Weight	Jun'25	Jul'25	Aug'25	Jun'26	Jul'26	Aug'26
Mining & Quarrying	14.4	11.1	4.1	10.7	15.8	1.6	-0.9	-5.6
Manufacturing	77.6	76.1	2.4	5.1	3.6	9.5	8.2	9.0
Electricity / Electricity & Gas Supply	8.0	10.9	-2.0	2.4	3.7	11.3	8.7	12.3
Water Supply, Sewerage & Waste Management	–	2.0	7.9	7.5	6.9	6.1	7.4	6.3
General IIP	**100.0**	**100.0**	**2.2**	**5.4**	**4.7**	**8.8**	**7.4**	**8.0**
Primary Goods	34.0	31.1	2.1	4.8	7.6	5.4	4.2	3.5
Capital Goods	8.2	8.1	3.4	5.9	6.0	17.9	19.0	16.9
Intermediate Goods	17.2	22.4	3.1	3.5	3.3	11.5	10.4	13.7
Infrastructure / Construction Goods	12.3	10.9	6.6	11.2	9.2	8.8	8.0	6.4
Consumer Durables	12.8	11.3	1.4	3.9	0.9	10.3	12.0	11.1
Consumer Non-Durables	15.3	16.1	-2.0	5.8	0.1	5.6	-0.8	2.1

Exhibit 1:

Comparison of the item basket and weights of the new IIP series with the old series

Sector	Base Year 2011-12 Weight (%)	Item Groups	Base Year 2022-23 Weight (%)	Item Groups
Mining & Quarrying	14.372	1	11.053	3
Manufacturing	77.633	405	76.062	455
Electricity & Gas Supply	7.995	1	10.865	3
Water Supply, Sewerage & Waste Management	-	-	2.020	2
Total	**100.0**	**407**	**100.0**	**463**

Data highlights

IIP: Manufacturing and electricity lead the acceleration

- **India's industrial production continued its strong run in Aug'26, with IIP growth accelerating to 8.0% YoY from 7.4% in Jul'26 and 4.7% in Aug'25**. The Aug'26 print was also above market expectations of around 6–6.5%.
- The acceleration was led by manufacturing and electricity, while mining remained a drag. Manufacturing growth rose to 9.0% YoY in Aug'26, with 18 of 23 industry groups recording positive growth, while electricity and gas supply grew 12.3%. In contrast, mining contracted 5.6% in Aug'26.

Electrical equipment, other transport equipment, and motor vehicles were the strongest contributors to manufacturing

- Manufacturing, which carries over three-fourths of the weight in the IIP basket, expanded 9.0% YoY in Aug'26, up from 8.2% in Jul'26 and remaining the primary contributor to headline growth.
- **The strongest contributors were electrical equipment, other transport equipment, and motor vehicles**. Electrical equipment surged 30.9%, more than doubling its March pace. Other transport equipment posted healthy growth and stood at 25.3%. Motor vehicles grew 25.2%, driven by auto components, passenger cars, and commercial vehicles.
- Other sectors posting healthy growth included rubber & plastics products (+21.4%), computer, electronic & optical products (+19.3%), beverages (+18.3%), fabricated metal products (+16.9%), and a sharp surge in electricity generation from renewable sources (15.4%).
- Weakness was confined to a narrower band, including sectors like non-metallic minerals (-12.8%), tobacco products (-8.0%), wearing apparel (-7.4%), gas supply (-2.4%), coke & refined petroleum products (-0.6%), chemicals (-0.5%), and paper products (-0.1%), which remained in contraction.

Investment cycle maintains strong momentum

- The use-based classification provides an even more positive signal. Capital goods output accelerated to 16.9% YoY in Aug'26 from 6.0% in Aug'25, while intermediate goods grew 13.7% in Aug'26, up from 3.3% in Aug'25.
- Infrastructure and construction goods also expanded at a healthy pace of 12.0% in Aug'26, compared with 9.2% in Aug'25. This combination points to a strengthening investment cycle, with both upstream intermediate production and capital-goods output gaining momentum.
- **Cumulatively, capital goods and intermediate goods have grown 16.3% and 10.0%, respectively, during Apr-Aug'26**.

Consumer demand: Durables robust, while non-durables muted

- Consumer demand also showed improvement. Consumer durables grew 11.1% YoY in Aug'26, sharply higher than 0.9% in Aug'25, while consumer non-durables increased 2.1% in Aug'26 vs 0.1% in Aug'25.
- The stronger performance of durables, alongside robust auto-related production, is consistent with the improvement seen in recent high-frequency consumption indicators. However, the relatively modest growth in non-durables suggests that the recovery in consumption is still more visible in discretionary and durable categories than in mass-consumption products.

Electricity remains strong, but mining continues to weigh

- Electricity and gas supply growth accelerated to 12.3% YoY in Aug'26, its strongest pace in more than two years, providing further evidence of robust underlying industrial and economic activity. Electricity generation itself increased 13.3%, with renewable generation rising 15.4% and non-renewable generation increasing 12.3%.
- Mining, however, remained a significant drag, contracting 5.6% YoY in Aug'26, following a 0.9% contraction in Jul'26 and 15.8% growth in Aug'25. Mining output declined 2.0% YoY during Apr-Aug'26, highlighting that the strength in manufacturing and utilities is being sustained despite weakness in the extractive sector. The divergence also warrants monitoring because sustained weakness in mining can eventually constrain the availability of key industrial inputs.

Outlook:

- We expect FY27 real GDP growth in the range of 7.0-7.2%, with momentum moderating in 2HFY27 from the strong pace seen in the first half. The Aug'26 IIP print provides a strong starting point, with industrial production averaging 7.7% during Jul-Aug'26, supported by broad-based manufacturing growth, strong capital-goods production, and resilient consumption. However, external and domestic risks remain important. The uncertain geopolitical environment and elevated crude oil prices could increase input costs and put pressure on corporate margins, particularly for energy-intensive industries. Any prolonged disruption around the Strait of Hormuz could further intensify commodity-price pressures and complicate the inflation outlook.
- Inflation risks are likely to intensify in 2HFY27, particularly amid the increasing risk of an El Niño-induced deterioration in rainfall, which could affect agricultural output and food prices. Uneven rainfall and lower reservoir levels could add to food-supply pressures, while elevated crude oil and other commodity prices, along with rising input costs, could keep core inflation and corporate cost pressures elevated. Thus, while we expect growth momentum to remain resilient, the growth-inflation mix could become less favorable in 2HFY27, with key downside risks stemming from monsoon, food inflation, commodity prices, and input cost pressures.

In conversation



Suzlon : India's Wind Capacity | See Good Opportunity For The India-EU Partnership; Girish Tanti, Co – Founder

- See good opportunity for the India- EU partnership
- India is on track to achieve 30 GW by FY30
- Could expect some important announcement regarding wind energy by November
- Electrification & Energy security has picked up pace globally and renewable is finding its niche

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Aequs: Board Approves ₹650 Crore Warrant Issue | Will Raise ₹800 Cr In Debt This Year; Aravind Melligeri, Executive Chairman & CEO

- Fund infusion via preferential issue is equity contribution towards term loans to be raised
- FY27 capex to be at `660 cr
- Will raise Rs 800 cr in debt this year, to be used for capex next year

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TCPL Packaging's : Big EV Bet: ₹125 Crore Lithium-Ion Battery Separator Plant; Saket Kanoria, CMD

- The company plans to invest around ₹125 crore in the first phase of its lithium-ion battery separator film facility, targeting 70 million sq. metres of capacity.
- First phase could generate ₹150–200 crore in revenue
- Capacity eventually scaling beyond 500 million sq. metres

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Parag Milk : Paneer Capacity Is Running At 100% Utilisation Levels; Akshali Shah, Ex Director

- To Increase paneer capacity from 20 mt to 80 mt
- Will double both cheese & whey protein capacity
- New age biz will be 20-25% of revenue in the medium term

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UNDER REVIEW	Rating may undergo a change
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