GLOBE | money must grow

Diwali Picks 2026



Samvat 2083

Stock	CMP	Target Price	Upside
Bajaj Finance Limited	939	1255	34%
Coforge Limited	2045	2450	20%
Siemens Energy India Limited	2803	3484	24%
Hindalco Limited	885	1092	23%
PolyCab India Limited	7787	10010	29%
Adani Power Limited	189	231	22%

CMP is based on absolute closing price (NSE) as on **30-0ct-2026**

Bajaj Finance Limited

CMP : INR 939 | Target Price : INR 1,255

Bajaj Finance Limited (BAF), the lending arm of the Bajaj Finserv Group, is India's largest retail-focused NBFC, with consolidated AUM of INR 5.85 lakh crore and a customer base of 128.9 million as of June 30, 2026. It operates across consumer, commercial, rural and SME lending, deposits, payments, and partnerships & services. Its two subsidiaries are Bajaj Housing Finance Limited (BHFL) and Bajaj Financial Securities Limited (BFSL). The loan portfolio is diversified, led by mortgages (32% of AUM), urban personal loans (20%), MSME lending (9%), urban consumer finance (8%), loans against securities (7%), commercial lending (6%), and gold loans (4%), with the balance in rural, CV/tractor and microfinance lending.

Business Highlights / Key Takeaways

- Consolidated PAT grew 28.7% YoY to INR 6,367 crore, while NII increased 23.6% to INR 13,335 crore. Excluding the INR 337 crore macro overlay, PAT grew approximately 34% YoY. Annualised RoA/RoE stood at 4.6%/20.6%.
- FY27 AUM growth guidance was upgraded to 26-27% from 23-25%, following quarterly net AUM addition of INR 37,680 crore. Medium-term growth guidance remains at 23-25%.
- Customer acquisition remained strong, with new loans booked rising 11% YoY to 13.5 million and 4.4 million customers added. FY27 guidance stands at 60-62 million new loans and 18-20 million new customers.
- Credit costs declined to a four-year low of 1.56% of average AUF from 1.88% in Q2 FY26, improving to approximately 1.32% excluding the overlay. GNPA/NNPA improved to 1.06%/0.42%, with a provision coverage ratio of approximately 60%.
- The company maintained INR 512 crore in macro overlays against El Niño, elevated crude prices and self-employed borrower risks. Lending to customers with three or more lenders is being reduced from 7% to 3.5%, alongside tighter exposure to drought-affected districts.
- Net interest margin (NIM) contracted 10-12 bps QoQ, with FY27 compression expected to marginally exceed the earlier 10-15 bps guidance. However, the cost of funds declined 9 bps QoQ to 7.87%.
- Operating efficiency improved, with the opex-to-NTI ratio declining to 33%. Management expects a further 25-40 bps improvement in FY27. AI bots resolve 75% of service requests, while bot-generated leads contributed INR 2,744 crore in disbursements, up 112% YoY.
- The board approved an INR 17,500 crore capital raise comprising an INR 11,700 crore QIP and INR 5,800 crore preferential warrants to Bajaj Finserv, subject to shareholder approval. The leverage corridor is being lowered to 5.0-5.5x from 5.5-6.0x, while the stake in Bajaj Housing Finance may be reduced to approximately 75%.
- Gold loan Stage 2 assets increased by approximately INR 1,100 crore due to short-tenor schemes, which were discontinued in August; around 50% of the increase had normalised. MSME AUM grew 3% YoY, with management targeting double-digit growth in H2 FY27.
- Management reiterated its long-term targets of 20-25% profit growth, 19-21% RoE and approximately INR 11 lakh crore AUM by FY30. Pending regulations concerning insurance distribution and revolving credit remain key monitorables.

Key Investment Rationale

- **Broad-based growth acceleration:** The upgrade in FY27 AUM growth guidance to 26-27% reflects strong momentum across urban consumer (+43% YoY), rural consumer (+63%), loans against securities (+42%) and gold loans (+105%). With 129 million customers and approximately 4.4 million quarterly additions, cross-selling is expected to support 23-25% AUM growth over FY27-FY29E.
- **Strong earnings quality and provisioning cushion:** PAT grew 28-29% in each of the last two quarters aided by lower credit costs and despite additional voluntary provisioning. The FY26 provisioning clean-up, including LGD floors and an accelerated ECL charge of INR 1,406 crore in Q3 FY26, has strengthened provisioning coverage and could provide earnings upside if the existing macro overlay remains unutilised.
- **Attractive valuation following de-rating:** At 4.6x September 2026 book value, the stock trades near its five-year low and below its long-term median of 7.8x, following a ~22% correction from its 52-week high of INR 1,176. NIM compression, equity dilution and regulatory risks to fee income remain key concerns; however, these are viewed as manageable over the medium term. The proposed capital raise and lower leverage target should further strengthen the balance sheet ahead of FY28.

Results and Valuation

Bajaj Finance reported a strong standalone financial performance in Q2 FY27. Total income rose 23.0% YoY and 5.6% QoQ to INR 20,919 crore, led by interest income, which grew 23.9% YoY and 6.8% QoQ to INR 18,549 crore. NII increased 24.9% YoY and 5.7% QoQ to INR 12,150 crore, showing steady momentum in the core lending business. Other income rose 16.4% YoY but fell 2.6% QoQ to INR 2,370 crore. Total expenditure increased 19.4% YoY and 6.8% QoQ to INR 13,499 crore, mainly because finance costs rose 22.0% YoY and 8.9% QoQ to INR 6,399 crore. Impairment expenses were up 4.6% YoY and 7.8% QoQ at INR 2,131 crore. Profitability held up well despite higher funding costs and provisions. PBT grew 30.1% YoY and 3.6% QoQ to INR 7,421 crore, and PAT rose 30.2% YoY and 3.6% QoQ to INR 5,536 crore.

We expect AUM to grow over 22% YoY by September 2027. On that basis, we estimate quarterly interest income of INR 22,328 crore, NII of INR 14,469 crore and PAT of INR 6,386 crore for the September 2027 quarter. We assign a target price of **INR 1,255** per share, applying a P/BV multiple of 4.5x to the combined estimated September 2027 book value of INR 279 per share (INR 28 for BHFL, INR 20 for BFSL and INR 231 for Bajaj Finance).

Coforge Limited

CMP : INR 2,045 | Target Price : INR 2,450

Coforge Limited, formerly NIIT Technologies, is a Noida-headquartered IT services company specialising in digital transformation, cloud, data analytics, AI-led engineering and technology consulting. Its key verticals include banking and financial services, insurance, travel, transportation, hospitality and public sector. The acquisition of Cigniti Technologies in 2024 strengthened its quality engineering capabilities, while Encora, consolidated from May 2026, expanded its AI-native product engineering, cloud services and US technology client base. These acquisitions enhance Coforge's digital engineering capabilities and cross-selling opportunities, positioning it to capitalise on rising enterprise spending on AI and digital transformation.

Business Highlights / Key Takeaways

- Revenue increased 10.1% QoQ in USD terms and 10.9% in constant currency (CC) to US$652.2 million (INR 6,171 crore), up 53.6% YoY. Organic CC growth stood at 3.8% QoQ, while Encora contributed approximately US$147-148 million, remaining flat sequentially.
- EBIT margin stood at 16.0%, above the 15.5% guidance, while EBITDA margin reached 20.6%. Management raised FY27 EBIT margin guidance to 16.0%, targeting 17% by Q4 FY27 and an FY28 exit run rate of at least 17%.
- TCV reached a record US$1.04 billion, up 102% YoY and 51% QoQ. Regional contributions included North America at US$455 million, Europe at US$485 million and the rest of the world at US$101 million. The company secured eight large deals, including a US$230 million UK public sector engagement.
- The executable order book for the next 12 months increased 45% YoY to US$2.38 billion. Management expects to secure more than eight large deals in Q3 FY27, with the largest pipeline opportunity linked to an Encora client.
- Government (excluding India) and banking and financial services (BFS) led growth, increasing 20.8% and 8.3% QoQ in organic CC terms, respectively. Insurance grew 3.6%, while healthcare and hi-tech declined 6.4%.
- Coforge has over 520 AI engagements across 225+ clients, with more than 260 AI agents in production. AI-led engineering, data and cloud services account for 86% of revenue. Productivity gains from AI integration into fixed-price contracts are expected to support gross margins from Q4 FY27.
- Encora integration is progressing ahead of plan, with margin expansion tracking better than expected. Integration costs stood at approximately US$17 million, primarily reflecting the rationalisation of 95 entities. Management expects exceptional items to become nil from Q3 FY27.
- FCF stood at US$53.8 million, with FCF-to-PAT conversion at 89% in Q2 FY27 and 92% in H1 FY27. Despite temporary pressure from contract novation from the US to the Indian entity, management retained its FY27 guidance of at least 100% FCF-to-PAT conversion.
- Hedge losses are expected to decline to approximately US$7.1 million in Q3 FY27 and US$1.2 million in Q4 FY27. The steady-state effective tax rate is expected at 23-24%. Management indicated Q4 FY27 EPS of INR 19-20, compared with INR 13.3 in Q2 FY27.
- Net headcount increased by 1,137 employees, while trailing 12-month attrition remained stable at 10.4%. General and administrative expenses declined to 6.3% of revenue. Utilisation of 82.4% provides approximately 4% of headroom for further operating leverage.

Key Investment Rationale

- **Strong revenue visibility and sustained growth:** The US$2.38 billion executable order book covers approximately 83% of estimated next-12-month revenue of US$2.87 billion. With deal intake doubling YoY and a strong pipeline of largely sole-sourced engagements, we expect sustained revenue growth of 3.5-4.0% QoQ in USD terms through FY29E.
- **Visible margin expansion:** EBIT margin is expected to improve from 14.4% in FY26 to 16.0% in FY27E and at least 17.0% in FY28E, driven by AI-led productivity gains in fixed-price contracts, operating leverage, Encora integration synergies and improved utilisation. We estimate margins of 17.0-17.5% during FY28E-H1 FY29E.
- **Earnings recovery as exceptional costs normalise:** Trailing EPS of INR 50.7 remains impacted by integration expenses, hedge losses and the partial consolidation of Encora. As these factors normalise, we expect quarterly EPS to increase from INR 13.3 in Q2 FY27 to approximately INR 18.5 by Q4 FY27E.
- **Scale and cross-selling to unlock larger deals:** With revenue scaling to approximately US$2.6 billion, Coforge is better positioned to compete for large enterprise programmes exceeding US$200 million. Encora's established relationships with hi-tech clients provide additional cross-selling opportunities, strengthening the medium-term growth outlook.

Results and Valuation

Coforge reported a strong Q2 FY27 performance, with consolidated revenue increasing 53.6% YoY to INR 6,171 crore, supported by the consolidation of Encora and sustained organic growth. Revenue rose 10.1% QoQ in USD terms and 10.9% in CC terms, while organic CC growth stood at 3.8% QoQ. EBIT increased to INR 963 crore from INR 599 crore in Sep-25 and INR 844 crore in Jun-26, with reported EBIT margin improving to 15.6% from 14.9% and 15.3%, respectively. Despite higher operating expenses and exceptional losses of INR 56 crore, consolidated profit rose to INR 588 crore from INR 376 crore in Sep-25 and INR 519 crore in Jun-26.

Going forward, we expect Coforge to sustain its growth momentum, supported by a strong order book, large deal wins and opportunities across BFSI, manufacturing, AI and cloud services. Management's focus on AI-led productivity, operating leverage and Encora integration is expected to support further margin expansion. We estimate TTM revenue to increase from INR 20,337 crore in Sep-26 to INR 29,946 crore by September 2027, while TTM profit is projected to rise from INR 1,969 crore to INR 3,114 crore over the same period. TTM EPS is also expected to increase from INR 51 in Sep-26 to INR 70 by September 2027. We, therefore, maintain a target price of **INR 2,450** per share, based on a conservative valuation multiple of 35x P/E.

Siemens Energy India Ltd

CMP : INR 2,803 | Target Price : INR 3,484

Siemens Energy India Ltd. (SEIL), headquartered in Mumbai, is the Indian arm of Siemens Energy AG, which holds a 75% stake. Demerged from Siemens Ltd. and listed in June 2025, the company operates across power transmission and generation, offering transformers, switchgear, grid-stabilisation solutions, industrial steam turbines and lifecycle services. Its manufacturing facilities are located at Kalwa, Chhatrapati Sambhajinagar and Goa, catering to domestic demand and export markets. Exports contribute 28.4% of revenue, while services account for approximately 27%, providing geographical diversification and recurring revenue opportunities.

Business Highlights / Key Takeaways

- The order backlog increased 22.2% YoY to INR 18,433 crore in H1 FY26, with a book-to-bill ratio of 1.5x, and reached INR 19,331 crore by June 2026. However, management cautioned that order inflows remain lumpy and refrained from providing H2 guidance.
- H1 FY26 profit from operations margin expanded 160 bps to 20.7%. Adjusting for INR 110 crore in foreign exchange and commodity gains and one-off items, the underlying margin improved 170 bps to 18.9%, while the 9M FY26 margin increased to 19.6% from 17.1%.
- Power Transmission backlog grew 27.6% to INR 12,500 crore, while revenue increased approximately 30% at a stable 20.3% margin. The sequential margin decline in Q2 was partly attributable to conservative receivables provisioning.
- Power Generation revenue increased 23%, with margins expanding to 21.3% from 17.7%, driven by scale benefits and fixed-cost synergies. However, the segment's backlog declined 3.2% YoY at the end of 9M FY26.
- Exports gained approximately 500 bps in revenue share, supported by US transformer orders for renewable energy and data-centre projects, European switchgear demand and offshore GIS orders from the Middle East. Export pricing also supports margins, although sales to markets outside South Asia depend on capacity allocation by the parent.
- Services contributed approximately 27% of H1 revenue, or around INR 1,200 crore, supported by a new industrial steam-turbine service workshop in Raipur and a growing installed base in power transmission.
- The INR 740 crore brownfield expansion will double Kalwa transformer capacity to 30,000 MVA and expand switchgear capacity at Chhatrapati Sambhajinagar, with ramp-up expected by mid-CY27. Additionally, an INR 2,060 crore greenfield transformer plant with 30,000 MVA capacity has been approved.
- Management expects HVDC technology to increasingly shift from line-commutated converters (LCC) to voltage-source converters (VSC). STATCOM ordering remained muted in H1 following strong FY25 demand, while the first synchronous-condenser projects are expected in CY26.
- India's data-centre capacity is projected to increase from 1-1.5 GW to 5-8 GW, creating opportunities for power infrastructure and grid-stability solutions. The target of 100 GW nuclear capacity by 2047 also presents potential steam-island opportunities, while the company has ruled out participation in new coal-based projects.

Key Investment Rationale

- **Structural grid investment cycle offers long-term growth visibility:** India's peak power demand is projected to increase from 271 GW to 459 GW by FY36, necessitating over 830 GVA of incremental transformation capacity and an estimated US$250-300 billion in grid investments. Rising renewable energy additions are increasing demand for transmission, evacuation and grid-stabilisation infrastructure, supporting growth in SEIL's transmission backlog, which increased 27.6% YoY.

- **Operating leverage supports earnings growth:** Revenue grew 26%, 27% and 39% YoY across Q1-Q3 FY26, while PAT increased 35%, 52% and 68%, respectively. EBITDA margin reached 23.6% in Q3 FY26, reflecting operating leverage and improved execution. Despite adjusting for foreign exchange gains and one-offs, underlying margins have expanded, while a favourable export and services mix is expected to support EBITDA margins of 21-22%.

- **Capacity expansion and exports strengthen the growth outlook:** The planned doubling of transformer capacity from mid-CY27, followed by the proposed greenfield facility, should enable SEIL to capitalise on domestic grid investments and export opportunities through its parent company's global network. These capacity additions support the potential for revenue growth exceeding 20% through FY28E, even if domestic order inflows moderate.

- **Valuation correction improves the risk-reward profile:** The stock has corrected approximately 31% from its 52-week high, with its trailing P/E declining from over 90x to 67x despite trailing EPS growth of 35% between FY25 and Q3 FY26. At approximately 42x FY28E EPS, the valuation offers a potentially attractive entry point for a debt-free business benefiting from structural power infrastructure investments and strong earnings growth, although execution and valuation risks remain.

Results and Valuation

Siemens Energy India reported strong Q3 FY26 (Jun-26 quarter) financial performance, with net revenue increasing 39.28% YoY to INR 2,486 crore from INR 1,785 crore in Jun-25 and 3.84% QoQ from INR 2,394 crore in Mar-26. EBITDA surged 72.11% YoY to INR 586 crore from INR 340 crore and increased 17.67% QoQ from INR 498 crore. The EBITDA margin expanded to 23.57%, reflecting improved operating leverage and profitability. PAT rose 67.83% YoY to INR 441 crore from INR 263 crore in Jun-25 and 17.60% QoQ from INR 375 crore in Mar-26 despite higher manufacturing expenses.

Going forward, we expect the company to sustain its earnings momentum, supported by strong order visibility, capacity expansion and rising demand for power transmission and generation infrastructure. TTM Revenue is projected to increase by 20% YoY from INR 9,436 crore in Jun-26 to INR 11,303 crore in Jun-27. TTM adjusted PAT is expected to rise from INR 1,488 crore to INR 1,864 crore, translating into EPS growth from INR 42 to INR 52 during the same period. Accordingly, we maintain our target price of **INR 3,484** per share, based on a valuation multiple of 67x estimated Jun-27 TTM EPS.

Hindalco Industries Limited

CMP : INR 885 | Target Price : INR 1,092

Hindalco Industries Ltd. (HIL), the metals flagship of the Aditya Birla Group, commenced operations in 1962 and is one of Asia's largest integrated aluminium manufacturers. Its business comprises Indian aluminium and copper operations and its subsidiary, Novelis Inc., a global leader in aluminium flat-rolled products and recycling, with downstream capacity of approximately 4.3 MTPA. Hindalco operates an integrated aluminium value chain, with alumina refining capacity of 3.8 MTPA, including 2.6 MTPA at its Utkal refinery, and primary aluminium smelting capacity of 1.3 MTPA. Its downstream portfolio includes rolled products, extrusions and foil. The company also operates a copper smelter at Dahej, Gujarat, with capacity of 0.4 MTPA. Its manufacturing facilities are located across Odisha, Uttar Pradesh, Madhya Pradesh, Jharkhand and Gujarat, catering to domestic and international markets.

Business Highlights / Key Takeaways

- Consolidated revenue increased 32% YoY to INR 84,825 crore, EBITDA rose 58% to INR 13,481 crore and PAT grew 75% to INR 7,013 crore. PAT included a net exceptional charge of INR 2,299 crore related to the Oswego fire; adjusted PAT is estimated at approximately INR 8,740 crore.
- Aluminium upstream EBITDA reached a record INR 7,390 crore, up 81% YoY, with a 55% margin. Shipments increased 3% to 335 kt, supported by higher aluminium prices.
- Aluminium cash costs increased approximately 5% QoQ, with management guiding for a further 5-6% increase in Q2 due to coal costs and seasonal factors. The company has hedged 29% of FY27 aluminium production at US$3,004/tonne.
- Novelis reported adjusted EBITDA of US$516 million, up 24% YoY, despite a 5% decline in shipments to 916 kt. The Oswego hot mill restarted in June and is gradually ramping up, while long-term EBITDA guidance of US$600+/tonne remains unchanged.
- The Oswego fire has resulted in a cumulative net cash impact of approximately US$1.4 billion after US$300 million in recoveries. Management expects the impact to reduce to around US$600 million following insurance settlements, largely within FY27.
- Novelis achieved US$225 million in annualised cost savings against its structural savings target of US$350-400 million by the exit of FY28.
- Major expansion projects remain on track. The 600 kt Bay Minette facility in the US is commissioning, with shipments expected from Q1 FY28. The Aditya alumina refinery and smelter expansions are expected to support capacity growth from FY28 onwards.
- Downstream aluminium EBITDA increased 30% to INR 298 crore, while copper EBITDA reached a record INR 918 crore, up 36% YoY, despite a planned shutdown that reduced volumes by 16%.
- Net debt stood at INR 77,495 crore, with net debt/EBITDA at 1.95x versus 1.02x a year earlier. Management expects leverage to remain elevated in the near term due to capex, with improvement anticipated from Q4 FY27.
- The effective tax rate declined to approximately 26% under the new tax regime. A new group brand royalty of 0.25% of revenue, capped at INR 225 crore annually, is not expected to change the dividend policy.

Key Investment Rationale

- **Cost Leadership in Aluminium:** Captive bauxite, in-house alumina refining and rising captive coal availability support Hindalco's low-cost position. The business remains profitable at an LME aluminium price of around US$3,000/tonne, while additional alumina and coal capacity is expected to reduce costs further from FY28.
- **Novelis Earnings Recovery:** The restart of the Oswego facility, structural cost savings targeted at US$350-400 million and easing tariff-related disruptions are expected to support a recovery towards Novelis' long-term EBITDA target of US$600+/tonne. Pending insurance recoveries of approximately US$800 million could also support deleveraging.
- **Capacity-Led Growth:** Bay Minette, Aditya alumina and smelter expansions, the copper smelter expansion and downstream growth provide multiple earnings drivers through FY29, reducing dependence on aluminium price movements alone.
- **Attractive Valuation and Aluminium Outlook:** The stock is approximately 25% below its May 2026 high and trades at around 8.5x adjusted TTM earnings and 5.5x estimated September 2028 EBITDA. Low global aluminium inventories and the gradual restart of Gulf capacity could support prices, although commodity-price volatility and execution risks remain key monitorables.

Results and Valuation

Hindalco Industries reported strong Q1 FY27 financial performance, with revenue increasing 32.1% YoY to INR 84,825 crore from INR 64,232 crore in Q1 FY26 and 8.6% QoQ from INR 78,133 crore in Q4 FY26. EBITDA surged 76.2% YoY to INR 13,932 crore from INR 7,906 crore and increased 39.1% QoQ from INR 10,018 crore. The EBITDA margin expanded to approximately 16.4%, compared with 12.3% in Q1 FY26 and 12.8% in Q4 FY26, reflecting improved operating profitability. Profit for the period increased 75.2% YoY to INR 7,013 crore from INR 4,004 crore in Q1 FY26, compared with INR 2,597 crore in Q4 FY26.

Going forward, TTM revenue is projected to increase from INR 2,95,537 crore to INR 3,36,095 crore by Jun-27. TTM EBITDA is expected to rise from INR 40,910 crore to INR 44,889 crore, while TTM PAT is projected to increase from INR 16,400 crore to INR 20,211 crore, taking TTM EPS from INR 74 to INR 91 by Jun-27. We maintain our target price of **INR 1,092** per share, based on a valuation multiple of 12x estimated Jun-27 TTM EPS.

Polycab India Limited

CMP : INR 7,787 | Target Price : INR 10,010

Polycab India Ltd. (PIL), incorporated in 1996 and listed in 2019, is India's largest wires and cables manufacturer, with an estimated 25-26% share of the organised market. Founded by the Jaisinghani family, the company manufactures power, control, instrumentation, solar and extra-high-voltage (EHV) cables, along with building wires. Its fast-moving electrical goods (FMEG) portfolio includes fans, lighting, switches, switchgear, conduits, solar products and pumps. Polycab also undertakes EPC projects in power distribution and rural broadband infrastructure. The company operates 27 manufacturing facilities across India and exports to 94 countries.

Business Highlights / Key Takeaways

- Consolidated revenue increased 53% YoY to INR 9,899 crore, EBITDA rose 39% to INR 1,422 crore, with a margin of 14.4%, and PAT grew 43% to INR 990 crore. H1 FY27 revenue crossed INR 18,000 crore, up by 46% YoY.
- Wires and cables (W&C) revenue increased 47% YoY, with domestic revenue growing 50%. Segment EBIT margin stood at 14.2%, supported by high single-digit volume growth. Wires volumes grew in the early double digits, while cables recorded mid-single-digit growth.
- Copper prices increased approximately 6% QoQ and 40-45% YoY on average during H1. The company's cost-plus pricing model, with monthly resets for cables and fortnightly resets for wires, supports the pass-through of raw material cost fluctuations.
- The FMEG segment recorded 124% YoY revenue growth, marking its 11th consecutive quarter of industry-leading growth. EBIT margin reached 10.1%, exceeding the FY30 target range of 8-10%. Solar inverters were a key growth driver, with all six product categories reportedly outperforming industry growth.
- Export revenue increased 17% YoY and 85% QoQ, contributing approximately 5% of sales. The company is seeing opportunities across the US, Europe, Latin America and Asia, with data-centre cabling emerging as a potential growth driver.
- EPC revenue grew 53% YoY to INR 617 crore, with an EBIT margin of 7.2%. The order book stood at approximately INR 9,000-10,000 crore across BharatNet and RDSS projects, while management expects sustainable high-single-digit margins.
- Management retained medium-term W&C EBITDA margin guidance of 11-13% and expressed confidence in operating towards the upper end. Recent margins above this range reflect favourable product mix, exports and operating leverage.
- Net cash increased to INR 4,520 crore from INR 2,940 crore a year earlier. The working capital cycle declined to approximately 11 days, although management expects it to normalise towards 45-50 days. H1 capex stood at INR 610 crore, and the EHV cable plant is expected to be commissioned in early FY28.
- Despite new competition, Polycab has maintained its pricing strategy without matching competitors reportedly pricing products 10-15% lower. The company gained approximately 100 bps of market share annually in an estimated INR 1.1 lakh crore market, where 30-35% of wires remain unorganised.
- The NCLAT stayed the NCLT admission order in the Asier Metals insolvency matter, with its decision reserved. Management expects no material business impact.

Key Investment Rationale

- **Structural Demand Tailwinds:** Rising investments in power transmission and distribution, renewable energy, data centres, real estate and government infrastructure are expected to support sustained growth in the wires and cables (W&C) industry. Government infrastructure spending reached INR 5.1 lakh crore during April-August 2026, up 18% YoY. Polycab's manufacturing scale, diversified portfolio and established approvals position it to benefit from increasing demand.

- **Market Share Gains and Export Growth:** With 30-35% of the domestic wires market remaining unorganised, Polycab's strong brand and extensive distribution network support continued market share gains of approximately one percentage point annually. The EHV cable plant, expected to be commissioned in FY28, offers entry into a higher-value segment, while export opportunities provide an additional growth driver.

- **FMEG Business Turning Profitable:** The FMEG segment has delivered seven consecutive profitable quarters, with EBIT margins reaching 10.1%. Sustained growth above industry levels and improved profitability could make FMEG a meaningful contributor to consolidated earnings.

- **Strong Balance Sheet and Financial Discipline:** Net cash of INR 4,520 crore provides financial flexibility to fund capacity expansion and growth initiatives. Cost-plus pricing, disciplined capex and medium-term W&C EBITDA margin guidance of 11-13% support earnings resilience through commodity-price cycles.

Results and Valuation

Polycab India reported strong Q2 FY27 financial performance, with revenue increasing 52.83% YoY to INR 9,899 crore and 20.58% QoQ. EBITDA grew 39.36% YoY to INR 1,422 crore, while PAT increased 42.87% to INR 990 crore. However, the EBITDA margin contracted 139 bps YoY to 14.37%, primarily due to higher raw material costs and operating expenses, with total expenditure rising 54.97% to INR 8,681 crore. Gross margin declined 250 bps to 19.51%, while interest expenses increased 93.39% to INR 94 crore. Sequentially, profitability improved, with EBITDA and PAT margins reaching 14.37% and 9.91%, respectively.

Going forward, TTM revenue is projected to increase from INR 34,609 crore in Sep-26 to INR 41,906 crore by September 2027. EBITDA is expected to rise from INR 4,686 crore to INR 6,259 crore, while PAT is projected to increase from INR 3,202 crore to INR 4,362 crore during the same period. Accordingly, TTM EPS is expected to improve from INR 210 to INR 286 over the same period. We maintain our target price of **INR 10,010** per share, based on a valuation multiple of 35x estimated September 2027 TTM EPS.

Adani Power Limited

CMP : INR 189 | Target Price : INR 231

Adani Power is India's largest private-sector thermal power producer, with an operating capacity of about 18.3 GW across twelve plants in Gujarat, Maharashtra, Rajasthan, Karnataka, Chhattisgarh, Madhya Pradesh, Jharkhand, Tamil Nadu and Uttar Pradesh. The portfolio has been built through a mix of greenfield projects and the turnaround of stressed assets (Lanco Amarkantak, Coastal Energen, Vidarbha Industries and, most recently, the 180 MW Churk plant and a 24% stake in Jaiprakash Power Ventures). Its Godda plant supplies Bangladesh under a dedicated cross-border PPA. Close to 90% of volumes are now sold under long-and medium-term PPAs with fuel pass-through, giving the business a largely contracted, annuity-like earnings profile. The company is executing a 24 GW thermal pipeline that should take capacity towards 45 GW by the early 2030s, with 62% of the pipeline already tied up under long-term PPAs.

Business Highlights / Key Takeaways

- Reported PAT increased 141% YoY to INR 7,019 crore, taking H1 FY27 PAT to INR 11,886 crore, up 91%. However, reported earnings included INR 2,422 crore of one-time prior-period revenue following a retrospective revision of Gujarat's base tariff. Continuing revenue grew 28.5% YoY to INR 17,528 crore, while continuing EBITDA increased 18.5% to INR 6,321 crore.
- Power sales volume increased 11.5% YoY to 26.4 BU, while plant load factor (PLF) improved to 70.1% from 62.8%. PPA volumes grew 29.7% to 23.4 BU, whereas merchant volumes declined 43%, despite a 33% increase in realisations.
- Management confirmed that the Gujarat tariff arrears were received in three instalments over two quarters, with no further arrears outstanding. The revised tariff is now reflected in regular revenue.
- Approximately INR 2,000 crore of alternate-coal compensation billed to Haryana DISCOM was reversed because the claim has not been fully accepted, although around half the amount has already been received in cash.
- Management expects thermal PLF to normalise at approximately 65%, with utilisation moderating from Q2 levels as hydro power availability improves.
- Fuel costs rose 40% YoY to INR 10,229 crore, driven by an approximately 50% increase in landed imported coal prices. The delay of more than six months in tariff pass-through weighed on Q2 margins, with recovery anticipated from Q3 FY27.
- Capacity expansion remains on track. Korba Unit 1 (660 MW) has been synchronised with the grid and is expected to be commissioned in Q3, followed by Unit 2 by December. Mahan Phase II (1,600 MW) targets commissioning in Q1 FY28, while Raipur and Raigarh Phase II projects, each with 1,600 MW capacity, are planned for FY29.
- The company has signed a 25-year PPA for 1,320 MW with Uttarakhand, with supply expected to commence in approximately four years. The company has also submitted bids in Uttar Pradesh, with bids for West Bengal (1,600 MW) and Rajasthan expected in early November.
- Gross debt increased to INR 61,860 crore due to project-related capex, while net debt remained broadly stable at INR 45,846 crore. CARE Ratings and India Ratings upgraded the company's credit rating to AA+, with finance costs expected to remain broadly stable.

Key Investment Rationale

- **Structural Upcycle in Thermal Power:** India's thermal power sector is entering a demand upcycle after more than a decade of subdued capacity additions. Coal and lignite met 73% of incremental power demand in Q2 FY27, while the national coal fleet PLF increased to 68%. The government's thermal capacity target of 97 GW by 2035 could be revised upwards. With land, environmental clearances and fuel linkages secured for much of its upcoming capacity, Adani Power is positioned to benefit from rising electricity demand.

- **Visible, Contracted Capacity Expansion:** Korba and Mahan projects are expected to add approximately 2.9 GW of capacity, equivalent to around 16% of the existing portfolio, by Sep-28. A growing share of generation is being contracted through long-term PPAs with fuel-cost pass-through, reducing exposure to volatile merchant power prices and improving revenue visibility.

- **Balance Sheet Strength and Funding Flexibility:** Net debt of approximately INR 45,800 crore against annualised continuing EBITDA of around INR 23,500 crore implies net debt/EBITDA of approximately 2x. The AA+ credit rating upgrade should support borrowing costs, while the INR 15,000 crore QIP approved in July 2026 provides additional funding for the capex cycle, although it entails potential equity dilution of approximately 4%.

Results and Valuation

Adani Power reported strong Q2 FY27 financial performance, with revenue increasing 44.45% YoY to INR 19,439 crore from INR 13,457 crore in Q2 FY26 and 2.84% QoQ from INR 18,902 crore in Q1 FY27. EBITDA grew 59.82% YoY to INR 8,231 crore from INR 5,150 crore and 3.55% QoQ from INR 7,949 crore. Reported EBITDA margin expanded to 42.34% from 38.28% in Q2 FY26 and 42.06% in Q1 FY27; however, this was flattered by INR 2,422 crore of one-time prior-period tariff revenue. Excluding the one-off, continuing EBITDA margin stood at approximately 36.1% (INR 6,321 crore on revenue of INR 17,528 crore), lower YoY, as higher fuel costs weighed on profitability. PBT increased 71.16% YoY to INR 6,789 crore, while PAT surged 141.51% YoY to INR 7,019 crore from INR 2,906 crore in Q2 FY26 and 44.22% QoQ from INR 4,867 crore in Q1 FY27, supported by a tax credit of INR 231 crore.

We expect Adani Power to outperform the industry, supported by capacity additions, long-term PPAs and sustained electricity demand. TTM revenue is projected to increase from INR 65,015 crore in Sep-26 to INR 83,144 crore by September 2027, while TTM PAT is expected to rise from INR 18,645 crore to INR 21,582 crore over the same period. Consequently, TTM EPS is projected to reach INR 11 by September 2027. Accordingly, we assign a target price of **INR 231** per share, based on a P/E valuation multiple of 21x estimated September 2027 TTM EPS.

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