August 2025

Compendium of conference calls: Q1FY26

nuvama institutional equities

Quarterly Quotes

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Q1FY26 conference call highlights

Investor and Corporate,

Quarterly numbers matter; they lend a quantitative as well as qualitative sheen to what has been (***Q1FY26 review***). But management quotes go far beyond plain-vanilla numbers: they offer deeper insights into what individual companies are doing, how they are thinking and how market participants are perceiving them. That one can benchmark them to industry peers or their previous observations and/or collate them by sector extends their relevance well beyond the results or near-term influences. Management quotes are, hence, far more significant and relevant than mere numbers for the market.

Ongoing management commentaries also entail links and threads to a bigger picture as to what's happening—not only at individual companies, but also in the sector and markets. Moreover, they contain a key element of guidance, helping investors identify winning ideas and shed potential losers. So, more than the numbers, it's the linkage across numbers that's of bigger import. We try to tie the threads via links to previous quarters (***Q4FY25***) and (***Q3FY25***).

In this edition, we note aggregate PAT growth of BSE500 (ex-OMCs) was weak at 7% YoY in Q1FY26 (versus 9% YoY in FY25). Q1FY26 highlights:

i) PAT, top line stay soft: BSE500 (ex-OMCs) top-line/profit rose 7% YoY with margins still high amid muted top lines mimicking FY25. Profits of Cements, Chemicals accelerated, whereas those of Industrials, Durables decelerated.

ii) SMID profits remain similar to large-caps': SMID profit growth was similar to large-caps'. Consensus is forecasting sharp acceleration in SMID profits in FY26E/27E—which we think may disappoint on subdued demand dynamics.

iii) Wage bill growth stays muted: BSE500's Q1FY26 wage bill grew 7% YoY—*à la* FY25—a fifth quarter of sub-10% wage bill growth. I-T/GST rate cuts may partially offset the weak income dynamic, but will it improve sentiment?

iv) BFSI focus shifting from liquidity/growth to asset quality concerns: After reporting stellar profits post-covid, Indian banks are now facing stiff headwinds—to asset quality versus high LDR (FY24)/slowing growth (FY25) earlier. Some banks mentioned rising stress in MSME as well; watch out.

v) FY26 downgrades continue; 1Y forward EPS now stagnating: FY26E earnings were trimmed 2%. Continued earnings cuts are leading to flat 1Y forward EPS (despite rollovers), *à la* pre-covid. Street is forecasting a 14% earnings CAGR (FY25–27E). Weak demand dynamics (slowing credit growth, corporate cost-cutting and uncertain exports) pose risks to forecasts.

Overall, BSE500 profits have now reconciled with weak top lines, and the moderation in profits is now across the board.

For those in a hurry, a roundup of key takeaways, quotes and notables that could be reflective of the issues that matter is included. The compendium captures the essence and nuances of what companies are saying bottom-up.

We do hope you find this product useful and, as always, welcome feedback to make it better and more relevant for you.

Nuvama Research Team

Q1FY26 conference call highlights

A round-up of key takeaways

Agri Inputs

"Herbicide segment, in particular, is seeing more channel inventory"

— *Mr Rahul Dhanuka, MD, Dhanuka Agritech*

Automobiles

"We reiterate the mid-to-high teens growth percentage for SUVs in FY26"

— *Mr Rajesh Jejurikar, ED & CEO, Auto and Farm Sector, Mahindra & Mahindra*

Banking

Rate cuts have not spurred credit demand; corporate capex remains muted, vehicle sales soft and retail credit growth slowing, though rural India is likely to benefit from a favourable monsoon

Consumer Durables & EMS

Consumer Durables

The summer of 2025 arrived late, stayed mild, and ended abruptly, curtailing peak demand for air conditioners

— *Mr K V Sridhar, CFO, Voltas*

EMS

The electronics manufacturing sector continues to face strong structural tailwinds from government policies, PLI schemes and increasing outsourcing by global brands driving robust growth visibility for EMS players

Cement

Industry logged mid-single digit volume growth on the back of improved government spending; realisations too improved due to prices hikes taken largely in East and South, lifting profitability QoQ

Q1FY26 conference call highlights

Diagnostics

Q1FY26 growth was largely volume-led. With competition normalising and cash flows supporting tier-II/III expansion, organised players are geared to capitalise on industry consolidation and structural tailwinds

FMCG

Good times are back: Top-line growth at a multi-quarter high

Hospitals

Volume-led growth aided by recent bed additions; phased expansion plans shall drive sustained momentum while ramp-up in existing hospitals could limit margin pressures from expansions

Industrials

Power capex: HV transmission leads the show

Infrastructure

Execution remains slow, but segmental diversification aided order inflows during the quarter

Internet

"As far as near-term is concerned, it does feel like percentage margins have bottomed out and, if the competitive environment stays the same, we should see margins improving hereon as a large number of stores that we opened in the past 12 months will mature. Even absolute losses should come down hereon."

— Mr Albinder Singh Dhindsa, Founder & CEO, Blinkit

IT

"It is no surprise that AI is supercharging our pipeline, which in Q1FY26 was 68% AI-led with BFS pipeline up 47% YoY and non-BFS up 108% YoY. Large deals' pipeline is up 40% QoQ and 154% YoY."

— Mr Nitin Rakesh, CEO, Mphasis

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Leisure & Hospitality

"Despite base effect for July, which had five auspicious wedding dates last year, overall outlook for Q2 also remain robust. For the year, we remain confident of achieving double-digit revenue growth led by continued momentum in MICE activity and high-profile diplomatic visits."

— Mr Puneet Chhatwal, CEO, Indian Hotels

Logistics

"The Indian logistics sector is undergoing a structural transformation fuelled by policy-driven reforms such as National Logistics Policy and Unified Logistics Interface Platform. These initiatives are streamlining operations, improving digital integration and enhancing transparency across the supply chain."

— Mr Sunil Nalavadi, CFO, VRL Logistics

Media

Bollywood makes a comeback with 38% YoY growth in box office collections

Metals & Mining

Steel prices bottomed out in July 2025 and should recover post-monsoon, but steel inventory remains at elevated levels

Other Financial Services

AMC, MF RTA

Continued equity net inflows and buoyant market sentiment improved asset managers' earnings trajectory

Capital Markets

"The objective is investor protection. So, policies have been coming and evolving, and will continue to evolve"

— Mr Sundararaman Ramamurthy, MD & CEO, BSE

Life Insurance

PE growth moderated on a high base, but margins expanded as sales mix moved towards traditional savings and protection

Q1FY26 conference call highlights

Oil & Gas

New Energy

Shiny outlook given policy tailwinds

Oil & Gas

Reliance and OMCs power ahead, balancing gas sector weakness

Pharmaceuticals

Strong domestic growth; gRevlimid erosion to accelerate

Power

Targeting a big push because this sector is evolving and changing every moment; sometimes it looks opportunistic and sometimes customers are uncertain"

— Mr Padam P Gupta, MD, Techno Electric

Real Estate

"I think we have entered a period where prices have reset to a higher and quite attractive level. We are continuing to see strong demand. But I don't think at this stage of the cycle, we are going to see sharp pricing increases or volume jumps. It's more about steady growth hereon."

— Mr Pirojsha Godrej, Executive Chairperson, Godrej Properties

Retail

"The focus is clear: growth and profitable growth, acceleration of innovation, digital leadership and operational excellence. With strong momentum across our brands and markets, we entered the new quarter with confidence and conviction to do better."

— Mr Sameer Khetarpal, CEO & MD, Jubilant FoodWorks

Q1FY26 conference call highlights

Specialty Chemicals

"There's a gradual destocking of inventories in most markets and a secular trend on global innovators pushing the China-plus-one strategy"

– Mr Mayank Singha, Vice Chairman & MD, PI Industries

Telecom

"I do want to reiterate that feature phone to smartphone upgrades, prepaid to post-paid upgrades, data monetisation, and international roaming continue to be central to our ARPU growth in the absence of any tariff repair"

— Mr Gopal Vittal, Vice Chairman & Managing Director, Bharti Airtel

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Agri Inputs

Coromandel International

Opening remarks

- **Monsoon and Reservoirs**: India has received 105% of normal monsoon rainfall so far. While June reported uneven distribution, particularly in the south, rainfall recovered in the last fortnight. Reservoir capacity in the southern region improved significantly from 48% last year to 70% this year—which is promising for crop sowing.
- **Crop sowing**: Overall crop sowing reached 70mn hectares, representing 70% of total kharif sowing (target ~109mn ha). Rice and coarse cereals clocked 13–14% growth; however, cotton and oilseeds saw some decline.
- **Policy support and interest rates**: The government extended the Interest Subvention Scheme, lowering the effective KCC loan rate to 4% for prompt repayers. Programs such as PM-KISAN and Rythu Bharosa continue along with new initiatives such as the Dandanya Krishi Yojana to support low-productivity districts.

Fertiliser availability and pricing

- India secured long-term supply of 3.1mn tonnes of DAP from Saudi Arabia.
- DAP supply tightened due to export curbs by China and Russia, but offset by ROW sourcing.
- DAP prices rose: phosphoric acid CFR price moved from USD1,153/MT (Q1) to USD1,258/MT (Q2).

Industry trends

- NPK sales surged 34% YoY (2.2mn to 2.9mn tons), accounting for 65% of industry sales.
- DAP volumes declined due to tighter supply and the shift towards NPK.

Subsidy business

Volumes and market position

- Coromandel achieved record primary sales of 1.1mn tons (+31% YoY), solidifying its position as a leading phosphatic fertiliser player.
- Market share rose to ~18% in phosphatics; consumption-based market share increased to 16% from 12%.
- Share of differentiated/unique grades increased to 34% in Q1FY26 from 31% in Q1FY25.

EBITDA and margins

- Manufactured EBITDA/ton target maintained at INR5,000; inventory gain in Q1 aided margins, although rising RM costs (e.g. sulphur and sulphuric acid) partially offset the benefits.

Subsidy

- INR13bn subsidy received during Q1 versus INR9.87bn last year.
- Subsidy outstanding was INR29.11bn (40% of revenue) due to higher Q1 primary sales and season timing.
- NBS subsidy rates likely to increase in H2FY26, in line with rising global raw material prices.
- Continued shift from DAP to balanced NPK grades expected.

Non-subsidy business

1. **Agrochemical**

Performance

- Domestic market benefited from early monsoon and widespread spraying activity.

Product strategy

- Expanded presence into 40 new geographies, improving domestic formulation presence.

Exports

- 40% of CPC revenues from exports (technical); 60% domestic (B2B and formulations).
- Export volumes up ~20%; bio business doubled due to orders from US and Europe.

Future focus

- Strengthening bio-product portfolio beyond neem into microbial-based offerings.
- Exploring CRAMS; leveraging NACL's infrastructure for future projects.
- Focus on branded formulation growth and licensing new 9(3) molecules.

2. **BMCC (Seneghal Rock Phosphate)**

Operational scale-up

- To achieve throughput of 0.3–0.4mn ton/annum in FY26, expected to double in next two years.

Integration with Kakinada

- The board approved increasing the stake in BMCC to 71.5%.
- The upcoming Kakinada plant will source 40% of its rock from BMCC.
- Management expects improved operational efficiency and higher throughput over coming years to help it meet 25% of CRIN's overall annual rock requirement.

Financials

- BMCC is EBITDA-positive in Q1FY26.
- FY26 revenue run rate is estimated at INR3.5–4bn.

Capex and backward integration

Kakinada facility

- Phosphoric acid and sulphuric acid project is 70% complete and the plant would be commissioned in Q4FY26.
- Designed to handle low-grade rock for better flexibility and throughput.

Granulation plant

- 0.75mn TPA granulation capacity targeted; commissioning by Q4FY27E.
- Integrated with automatic bagging system.

Phosphoric and sulphuric acid plants

- 100%-plus utilisation in sulphuric acid (expanded or not).
- Phosphoric acid volumes up 23% YoY.
- Current conversion ratio 3.5–3.75 tons of rock per ton of acid (blended).
- Procurement from four–five rock sources and blending strategies aid cost efficiency.

Total capex

- Additional INR3–5bn incremental capex expected for specialty nutrients, bio and crop protection.
- Debt outlook: Capex and acquisition to be funded from internal accruals; may resort to long-term debt given low interest rates.

NACL acquisition

Status

- Received CCI approval; SEBI clearance pending.
- Acquisition and open offer expected to close in Q2FY26.

Synergy outlook

- Complementary portfolios—only one overlapping molecule.
- NACL has a strong presence in North; Coromandel in South—geographic synergy.
- No new plant immediately; will optimize existing infrastructure first.
- Leverage NACL's fluorination chemistry and formulation capacity.
- NACL's CRAMS capabilities to support future expansion.

Other key highlights

Drone initiatives

- Covered 25,000 acres in Q1 via Gromor Drive drones.
- Target to double fleet and reach 0.5mn acres in FY26.

Retail business

- Opened 73 stores in Q1; on track to add 400 in FY26.
- Strengthened e-commerce, door delivery for agri inputs gaining traction.

Specialty nutrients and organic

- Specialty nutrient volume up 12% YoY; organic fertilisers up 29% YoY.
- Doubling of sulphur capacity; expanding water-soluble nutrient range.
- Nano DAP: farmer awareness drives yielding demand; nano urea also launched.

Global supply outlook

- Global players (e.g. Morocco, Saudi) expanding phosphate capacity.
- India aims to reduce DAP imports, but rising consumption keeps imports relevant.
- Urea expansion unlikely due to capex intensity and low returns; Coromandel prefers importing for SSP variants such as 5:16.

Dhanuka Agritech

Opening remarks

- The quarter was marked by a challenging start due to the delayed and uneven onset of the southwest monsoon, which although early in May, did not benefit key crops such as soybean and cotton.
- In fact, the early rains led to washout of initial sowings, requiring re-sowing and delaying herbicide applications, severely hurting consumption cycles.
- Herbicide consumption remained subdued due to elevated channel inventory across key soybean and cotton growing regions.
- However, rainfall improved significantly in the latter half of June, which has set the stage for a recovery in Q2FY26
- The Indian Meteorological Department has forecast an above-normal southwest monsoon for the entire 2025 Kharif season.

Domestic agrochemical business

- **Targa super—**Targa super remains a leading grass herbicide with strong potential in crops like onion, groundnut, soybean and black gram.
- Soybean volumes were affected in Q1FY26, but management is optimistic about demand recovery in onion and black gram
- Although many other generic products have been launched in this segment, Targa super continues to be farmer's preferred choice.
- **Sempra**, targeted at sugarcane and maize, remains well accepted with growing demand and new variants rolled out this year.
- The company now has ~10 brands with INR500mn-plus turnover, up from two–three products five years ago. Of these, 50% are tie-ups and 50% are in-house products.
- **ITI Index**- The ITI Index fell YoY, due to the smaller contribution from Dinkar, a recently launched molecule, compared to Tornado's larger contribution in FY25.
- **Pricing**- Pricing pressures persist in some parts of the portfolio, but strong rainfall is driving demand, which may allow for some price recovery.

Dahej facility

- Dahej contributed INR165mn in revenue in Q1FY26 with an EBITDA loss of INR30mn.
- The plant is currently manufacturing Bifenthrin, with a second generic product planned for H2FY26.
- The export registration pipeline from Dahej is expanding, with application submitted for product registrations in six–seven additional countries this year.
- The company continues to explore CDMO opportunities for future growth.
- **Guidance**- FY26 revenue target from Dahej stands at INR650mn. Capacity utilisation for the full year is guided at ~60%.

Bayer products

- Royalty income for the quarter was INR90mn for the two products.

New products

- During the quarter Dhanuka launched Dinkaar, a paddy herbicide developed with Hokko Chemicals (Japan), which received encouraging response in southern India.
- In H2FY26, the company plans to launch Kinzan, a fungicide for grapes and potatoes (sourced from Nissan, Japan) along with two additional "ME Too" products.
- Earlier in the year, they launched Melody Duo, an in licensed product from Bayer crop science.

Guidance

- Dhanuka has recalibrated its portfolio in response to setbacks in soybean/cotton herbicides and remains confident of achieving double-digit revenue growth in FY26.
- EBITDA margins are likely to contract ~100bp YoY, driven by:
  - Absence of tailwinds from declining technical prices (seen in FY25)
  - Ban on high-margin bio-fertilizer molecules

Other key highlights

- Demand from international markets is showing early signs of revival
- The 'Others' category (technical, bulk, and PGRs) delivered double-digit growth during the quarter.
- Management expects technical prices to increase by 2% in FY26.
- The Indian Meteorological Department forecasted above-normal monsoon rains for the 2025 Kharif season.
- During the quarter 7% value growth was due to 5% volume growth and rest due to payment received from Bayer.

Rallis India

Opening remarks

- **Global agrochemicals outlook**: Early signs of recovery in global demand, Inventory levels have normalised and the sharp decline in prices, particularly in generics, has come to a halt.
- Recovery in Latam and Africa is progressing at a slower pace, but remains on a steady path.
- **Domestic agrochemical outlook:** Outlook is improving on the back of high reservoir levels, an early and favourable monsoon, and supportive crop MSPs.
- Crop production estimated at 354mn metric tons for 2024-25– up 6% YoY.
- Acreage up in paddy (+7%), soybean (+4.5%), groundnut (+51%), pulses (12.6%) and coarse cereals (+17%).
- Rallis maintains a robustly cautiously optimistic outlook for the Indian agrochemical industry.
- Strong top-line growth was because of double-digit volume-led growth across segments such as Crop Care B2C (+13%), Crop Care B2B (+23%) and Seeds (+38%).

Crop protection business

- Crop Care B2B increased to INR2.03bn, wherein exports logged 75% YoY growth mainly due to volume-led growth in metribuzin, hexaconazole and Metalaxyl-M.
- Metribuzin and hexaconazole are gaining traction in the US and Southeast Asia.
- Acephate faced demand challenges in Latam and Brazil with no margin improvement seen yet across key markets such as India, Brazil and the US.
- Pendimethalin ran at low capacity, but long-term prospects remain intact.
- ***CSM:*** This business saw some impact this quarter due to customer timelines, but execution remains on track for the year.
- Rallis is expanding the CSM business through technical and formulation tie-ups with global majors with two key technical molecules already being supplied to customers in Japan and the US.
- ***New launches***: Nine new agrochemical products were launched this quarter, including quite a few of herbicides, two fungicides, and one insecticide.
- In the domestic market, herbicides have seen strong growth driven by labour dynamics, and Rallis is actively strengthening its herbicide portfolio as part of its strategy.

Seeds

- ***Digaaz (cotton)***: Strong performance despite cotton acreage decline. Over 1mn packets placed with near-zero returns expected. Contribution from cotton shall remain significant for two–three years.

- Cotton contributed about 33% to the total Seeds business's top line while paddy and maize together would account for approximately 40%.
- Field reports suggest a shift in cotton sowing patterns driven by better price realisations through the issue of illegal RRBT cotton seeds.
- Challenges in maize and paddy are attributable to supply constraints.
- Calibrated placement and use of digital tools (AI/ML-based forecasting) have improved placement and liquidation trends.
- ***New products:*** 14 new products launched during the quarter across cotton, *bajra* and paddy.

Other key highlights

- ***FY26 and medium-term guidance:*** Confident of clocking double-digit revenue growth across segments.
- Gross margin improvement to come from product mix shift toward higher-margin new products.
- Operating leverage will kick in with better plant utilisation and cost controls.
- FY26 capex expected to be about INR1bn focused on maintenance and captive solar plant.
- Working capital days have reduced sequentially due to inventory rationalisation.

UPL

UPL Corp

- Revenue declined ~3% YoY as volumes dropped ~4% and price fell ~1%, partially offset by a ~2% FX tailwind.
- Brazil insecticide business (e.g. Sperto®, Yellow Insecticide) faced seasonal and pricing pressures, impacting performance.
- North America and Europe delivered resilient growth supported by improved mix, higher utilisation and reduced input costs.

UPL SAS

- Revenue grew ~13% with ~9% volume growth and ~4% pricing gain.
- Herbicide demand strong buoyed by Centurion® EZ, Canora® EZ launches and favourable seasonality.
- Margin uplift driven by mix benefits and steady pricing.

Advanta

- Revenue rose ~20% with ~12% volume and ~7% price gains, and ~1% FX tailwind.
- Corn demand strong in India and Thailand; grain sorghum and sunflower robust in Argentina.
- Higher contribution supported despite one-time new market investments; seed pipeline remains promising.
- UPL is not averse to inorganic growth. Nufarms seed business is currently going through litigations regarding intellectual property. Management refrained from commenting about their intent to acquire those assets.

Global and regional commentary

- Consolidated revenue inched up ~2% YoY led by India (+17%), North America and Europe (+8%), offset by Latin America (-10%) and RoW (-21%).
- Pricing gains (~1%) and FX (~2%) supported the slight top-line growth; volume edged down ~1% YoY due to Latin America softness.
- Contribution margin expanded ~390bp to ~43%, fuelled by product mix, utilisation and lower raw-material costs.

Balance sheet

- Net working capital improved from 121 to 86 days, with inventory at 110 days, receivables at 129 days, payables at 152 days, and NWC reduced by ~INR33bn.
- Receivables factoring reduced slightly to ~USD693mn (INR59.4bn); used non-recourse to mitigate risk.
- Net debt down to INR213.7bn (~USD2.49bn), a YoY reduction of ~INR61.3bn, although QoQ higher due to bond redemption and seasonal WC. Debt/equity improved to ~0.6x; debt/EBITDA to ~2.6x.
- No formal debt guidance, but the company's confident of reduction trajectory.
- Repaid USD400mn (INR33.2bn) perpetual bonds in May 2025.

- Prepaid USD250mn (INR ~20.8bn) loan obligation due in Sep-25.
- Will raise ~INR16.88bn (INR16.88bn) via a second and final call on the rights issue.
- Represents 50% of issue price of INR360/share.
- Of this, INR180 face value + INR379 share premium.
- Record date set for today (Aug 1, 2025).
- The company expects to receive funds by end of September.
- Cash position remains comfortable, even after bond repayment.
- Net debt expected to be lower YoY despite the Q1 seasonal increase.
- Clear focus on deleveraging balance sheet over one–two years.
- Current leverage (net debt/EBITDA at 2.6x) seen as sustainable.
- Will continue exploring inorganic acquisitions, without compromising leverage

Guidance and capex

- No fresh guidance issued; reaffirmed FY26 targets: Revenue growth 4–8% and EBITDA growth 10–14%.
- Full-year effective tax rate guided at 15–17%, subject to mix.
- Capex ramping toward new molecules (USD130mn incremental revenue expected in H2); acquisitions under evaluation, with focus on deleveraging.

Others

- FX & Hedging: Brazil incurred higher hedging costs; strategy remains fully hedged with impact passed through. Short-term FX policy robust.
- SG&A elevated in Q1 due to Brazil restructuring; expected normalisation in H2.
- Commodity markets: China oversupply continues to pressure AI prices, though some pricing gains on mancozeb, metribuzin and S-Metalachlor observed.
- Macro Outlook: US and Brazil crop economics improving; mixed weather in Europe affecting fungicide demand; overall cautious optimism.

Automobiles

Amara Raja

- **FY26 outlook:** Management expects the industrial UPS segment to grow at 5–6% YoY. In the auto replacement market, 4W demand is expected to rise by 6–7% and 2W by 10–11%. Export growth is likely to remain subdued in FY26. In the telecom segment, management aims to sustain market share.
- **Margin outlook:** Margin is likely to improve going forward due to: i) lower trading share with the reinstatement of the tubular plant; ii) resolution of power cost-related issues; and iii) commencement of recycling at the new recycling plant.
- **Q1FY26 volume performance: i**) In the 4W segment, OEM volumes grew 12–13% YoY and replacement increased 5% YoY. Exports fell 7–8%. The decline in exports was driven by weakness in certain geographies; key markets such as APAC and the Middle East faced heightened competitive intensity due to tariff-related pressures. ii) In the 2W segment, volumes grew 5–6% YoY. iii) Overall industrial performance fell 3–4% YoY with a 30% decline in the telecom segment, partially offset by 15% YoY growth in the UPS segment. iv) The home inverter segment reported an increase of 3–4% YoY.
- **Q1FY26 margin was subdued** due to higher raw material costs, increased trading mix, rise in power costs and revised provisioning for warranty costs.
- **Tubular battery plant:** Initial commercial production commenced in Q1FY26, ramping up to full capacity by Q2FY26. The plant will have annual capacity of over 1.5mn-plus batteries.
- **Battery recycling plant:** Phase I of the recycling plant at Cheyyar, Tamil Nadu, has commenced commercial production in Dec-24. Battery breaking operations are expected to begin in Q3FY26.
- **Share of the telecom** segment in the lead-acid business is 6–7%.
- The company did not take any price hike in Q1FY26.
- Share of the unorganised sector is in the range of 10–15%.
- **GST changes:** Currently, lead-acid batteries attract a 28% GST rate, whereas lithium batteries fall under the 18% slab. Post-GST rationalisation, lead-acid batteries are expected to be aligned with the 18% slab, which would ease the working capital burden for the company.

New Energy Business (NEB)

- **Q1FY26 performance (Mobility):** Continued to gain momentum in the EV off-board charger segment post-completion of localisation of portable EV chargers for 2W and 3W vehicles. Furthermore, the company commercialised LFP packs for the 3W segment in Q1FY26.
- **Q1FY26 performance (stationary applications):** Deepened partnership with telecom players reflected in robust volume growth during the quarter. Telecom volume growth supported by 5G rollout.
- **Giga cell plant update:** The commencement of Phase 1 operations is expected in H2FY27. Initial capacity would be for NMC (21700 cells) for 1GWh, which may be expanded to 2 GWh. Also, further expansion to LFP will be considered.
- **The initial capacity** in the new energy business for NMC chemistry would be catering to 2Ws and power tools.

- **Raw materials** for the new energy business shall be sourced from China.
- **The company invested** INR3.5bn in Q1FY26, taking total investment in NEB to INR12bn.
- **Custom duty** on lithium cells is 5%.
- Amara is actively exploring the Battery-as-a-Service (BaaS) model and has set up a dedicated team to drive its implementation.

Others

- **Capex:** Total capex for FY26 is likely to be INR12–13bn. INR8–9bn will be allocated to the Lithium business, and INR4–5bn will be on the lead acid battery.

Ajax Engineering

- **FY26 outlook:** Management expects volumes to grow in low double-digits in FY26.
- **Market share** in SLCM segment has declined from ~75% in FY25 to 69% in Q1FY26. The decline in share can be attributed to pricing competition by peers. However, the company has regained market share to ~75% in Jul-25 and expects to maintain ~75% share going forward.
- **Q1FY26 revenue mix, Q1FY26 versus (Q1FY25):** SLCM 82.5% versus (82.4%), Non-SLCM 9.6% versus (10.3%), and Spares and others 7.9% versus (7.3%). Geography mix: Domestic 95% versus (93.6%), Export 5.0% versus (6.4%).
- **Non-SLCM revenue** has declined 8% YoY despite an increase in volume by 25%. The decline can be attributed to the sale of paver in Q1FY25, which had higher realisation of INR140mn-plus.
- **Pricing:** A price hike for CEV-5 vehicle is likely from end-Q2FY26.
- **Q1FY26 volume:** SLCM volume was flat YoY at 1,196 units. The non-SLCM volume increased 25% to 153 units. SLCM volume growth was flat due to unseasonal rain and slow progress of infrastructure project execution.
- **Gross margin** has fallen YoY by 450bp. The decline is due to: i) increase in the material cost of CEV 5 vehicles, which was not fully passed on to customers; and ii) gross margin in Q1FY25 was higher due to sale of a paver. Broadly, 40% of the impact was due to an increase in material cost while 60% was due to the paver.
- **Other expenses** fell 17% YoY. Q1FY25 included onetime expense on promotion and advertisement, which has not been incurred in Q1FY26.
- **New products:** The company has initiated a soft launch of its new smaller capacity SLCM and the SLCM with hoist for select customers.
- **Network:** Ajax has 52 dealer networks (versus 51 in Q4FY25), 114 touchpoints (versus 111) in India and 38 (versus 26) international dealers/distributors.
- **Cash** was INR6.8bn in Jun-25 versus INR6.7bn in Mar-25.
- **Dividend policy:** The board of directors have decided to not pay dividends as they want the company to focus on growth and re-invest the profit in organic/inorganic growth.

Apollo Tyres

India

- **Outlook:** Management expects demand to improve from H2FY26 driven by the replacement segment. FY26 revenue is likely to grow in high single-digits.
- **Q1FY26 volume performance:** Volume growth was flattish, led by low to mid single-digit growth both in the replacement and OEM segments, negated by a decline in exports. Replacement growth was driven by mid single-digit growth (higher than market) in the TBR segment and low single-digit (slightly lower than market) growth in PCR.
- **RM cost:** RM cost in Q2FY26 is likely to be slightly lower QoQ. In Q1FY26, the price of natural rubber was INR210/kg, synthetic rubber was INR180/kg, carbon black was INR120/kg and steel cord at INR160/kg.
- **Capacity utilisation:** Overall utilisation was 82%.
- **Share of Vredestein tyres** in India is in single digits.

Europe

- **Outlook:** Management expects replacement demand to drive growth in FY26. Q2FY26 showing is likely to be better than Q1FY26.
- **Q1FY26 volume performance:** PCLT volume grew YoY, whereas other segments such as Agri and TBR, posted a decline.
- **Premiumisation:** i) The mix of premium UHP/UUHP segments in Q1FY26 was 48%, UHP/UHHP mix was higher YoY.
- **RM cost** was up 3% YoY.
- **EBITDA**: Reported EBITDA margin contracted 290bp YoY/350bp QoQ due to operating deleverage and raw material pressures.
- **Capacity utilisation:** Overall utilisation was 88%.
- **Restructuring of business in Netherlands:** A notable exceptional expense was there relating to INR3.7bn provision for restructuring cost for the planned closure of the Netherlands entity, with the payout likely in FY27. The process is ongoing and management expects further exceptional charges in future due to asset impairment.

Other

- FY26 capex remain unchanged at INR15bn.
- **Consolidated net debt** during Q1FY26 came down by INR3.9bn to INR21bn. Net debt/EBITDA improved to 0.7x versus 0.8x in Mar-25.

Ashok Leyland

Commercial Vehicles

- **FY26 guidance:** Management expects mid-single-digit volume growth in MHCV and LCV volumes, supported by higher government capex and interest rate cuts. Heavy-duty truck (tippers, trailers and multi-axle vehicles) demand should improve post-monsoon on demand from mining, construction, and car carriers segments. New launches slated for high-HP heavy-duty with premium pricing are expected to aid market share while non-CV and export focus should further boost profitability.

- **Margin performance:** Gross margins stayed stable QoQ supported by a better pricing/ mix, and cost control, partially offset by higher steel prices.

- **New launches:** The company is planning multiple launches in FY26 across MHCV and LCV segments, including foray into 280–360HP tippers, tractor trailers, and multi-axle vehicles with higher power, torque, and premium features, as well as its first LNG models for varied applications. Upcoming introductions also include upgraded 13.5m and new 15m buses, a bi-fuel LCV for metro markets, and several upgraded products for international markets. E-trucks on the BOSS and AVTR platforms continue to gain traction with continued customer orders.

- **Exports:** Export volumes grew 29% YoY in Q1FY26. Key home markets outside India—GCC, Africa, and SAARC—continue to perform well despite geopolitical uncertainties. AL's products are seeing growing acceptance in these regions, driven by a strong local presence and offerings tailored to market-specific needs.

- **AC cabin norm:** The shift to AC cabins has been well accepted by customers, allowing the company to fully pass on the added cost. To offset the fuel efficiency impact of AC, the company has introduced Intelligent Vehicle Acceleration Control (IVAC) system.

- **Touchpoints:** In Q1FY26, the company added 23 MHCV and 13 LCV touchpoints, mainly in the north and central regions. As of Jun-25, the network stands at 1,073 MHCV and 851 LCV touchpoints, with plans to expand the combined count to over 2,000 by FY26-end.

- **Capacity expansion:** The company is expanding selectively, focusing on segments like fully built buses to meet rising demand. The Andhra Pradesh plant, opened in Q4FY25, will ramp up to 200 units/month by year-end, while the new Lucknow facility will start operations in Q3FY26. These additions will lift fully built bus capacity from 950 to 1,600 units per month. With utilization at ~70%, overall capacity remains adequate for the next two–three years.

Non-CV business (Power Solutions/Defence)

- **Defence:** Q1FY26 revenue was weak at INR1.2bn versus INR4bn last year due to a large order fulfillment in the base period, but is expected to pick up ahead. FY26 revenue is expected to post double-digit growth, supported by an order book of INR10bn-plus and a pending tender worth INR20bn-plus. Some capex is being directed towards this segment.

- **Engines and aftermarket:** In Q1FY26, engines revenue posted strong 29% YoY growth while aftermarket revenue rose 8% YoY.

EV, Switch, Ohm

- **Switch Mobility:** Switch India, which turned EBITDA-positive last year, achieved PBT breakeven in Q1FY26, and the company is targeting PAT-positive in FY26. The current order book for Switch India stands at over 1,500 buses. In the UK, the redundancy process at the Sherburn facility is expected to conclude by early Q3FY26, resulting in the complete cessation of manufacturing and assembly operations there. Production of E-buses for the UK and European markets will be shifted to other global production facilities.

- **Ohm Mobility:** Ohm is currently operating over 850 buses. During Q1FY26, the company added more than 200 buses to its operating fleet, and is on track to expand to 2,500-plus buses within the next 12 months. All gross cost contract projects under execution are delivering healthy double-digit IRRs. Ohm is also actively working on the PM E-drive tender to further strengthen its growing fleet.

Others

- **Net cash** at end-Jun-25E stood at INR8bn.

- **Investment:** No major investments are planned for FY26. In Q1, the company approved investment of up to INR3bn for Ohm Mobility. Furthermore, it may extend debt to Switch Mobility for its working capital requirements. No funding is planned for Hinduja Leyland Finance during the year.

- **Hinduja Leyland Finance (HLF):** AUM was ~INR504bn, with the housing finance portfolio at ~INR14bn, both registering 25% YoY growth. Q1 PAT was INR1.6bn and book value as of Jun-25 was INR72.2bn. NNPA improved to 1.63% while the capital adequacy ratio stood at 18.2%. HLF has received the final RBI approval to merge with NXTDigital, paving the way for a listing, with the process expected to take at least two–three quarters.

Bajaj Auto

Domestic

- **FY26 outlook:** Management expects the domestic market to grow at 5–6% in FY26, with the 125cc-plus segment growing at a faster rate. The company expects to outpace the industry growth in the 125cc-plus segment.
- **RM cost:** Commodity inflation affected margin by 70bp QoQ.
- **Commodity outlook for Q2FY26:** Commodities such as aluminium, platinum, copper and rubber are seeing price increases. However, management is confident of offsetting the commodity inflation through cost savings and calibrated pricing.
- **Margin** is likely to trend at a similar level of FY25 due to currency tailwind.
- **Performance by region:** The southern and eastern parts of the country declined, the west was flat while the north and central regions grew.
- **Market share:** The company had experienced a loss of market share in Q3FY25 and early parts of Q4FY25. BJAUT took several measures such as product and pricing interventions. This has resulted in a sequential improvement in market share in Q1FY26 by ~3% in the 125cc-plus segment, resulting in an overall market share of 15%, which is a slight improvement sequentially over Q4FY25 as per the company.

Exports

- Exports are likely to grow at 15–20% in coming quarters.
- The top 30 markets account for over 70% of sales. Of these 30 markets, volume in the top 25 markets grew 17% YoY and Bajaj grew at a higher pace of 27%. Pulsar and Dominar brands' volume grew strongly, with Pulsar growing at 21%+.
- In Brazil, Bajaj sold 7,000 units in Q1FY26. Production capacity will expand in Q2FY26, resulting in increased sales. The company is on track to expand capacity to 50,000 units per annum. The capacity will be further hiked to 100,000 units.
- The new Pulsar portfolio, Pulsar 400Z, new 150s, and new 125 were all launched in key markets around the world in the quarter. This is expected to further accelerate the growth.
- The company has resumed export of KTM bikes from May-25.
- Export revenue stood at ~USD500mn.

Electric vehicle

- **E-Rickshaw:** The company will launch the E-Rickshaw in a few key markets by mid of Aug-25. This segment is large at over 40,000 units per month. E-Rick launched by Bajaj will be at a premium to the existing product in the market.
- **E-2W market:** 40% of the industry products are priced above INR1 lakh, and 60% are priced below INR1 lakh. Bajaj's market share in the above INR1 lakh segment is now at 31% plus, which is the top position.
- **Impact of rare earth magnets:** Non availability has begun to impact production starting in June. In July, the company has seen a 50% shortfall and expects a

similar shortfall in August. Shortfall in E-3Ws is expected to be in the range of 25%-30%.

- **EBITDA margin** of the entire electric portfolio (2W and 3W) is in double digits. Some of the models in the E-2W segment is EBITDA positive.
- The Company achieved 35% market share in E-3W segment.

Other

- **Currency:** Dollar realisation in Q1FY26 came in at INR85.6 versus INR86.5 in Q4FY25. INR has depreciated in Q2FY26, which will have a positive impact on margin.
- **Bajaj Auto Credit Limited (BACL):** Cumulative investment in BACL was INR27bn. AUM at Q1FY26 end came in at INR120bn. PAT in Q1FY26 came in at ~INR1bn. The company is aiming to increase AUM to 180-190bn by FY26 end.
- **Spare parts** revenue was INR16bn in Q1FY26.
- **FY26 capex** is likely to be at INR6–7bn, evenly split between EV and ICE.

Balkrishna Industries

- **Q1FY26 performance:** Q1 was hurt by tariff-related uncertainties, leading to a volatile ordering cycle. Europe was weak amid negative customer sentiment. India performed well, reflecting strong brand acceptance.
- **EBITDA margin guidance:** Following full-commercialisation of new segments, blended margins are expected to be 23–25%.
- **Volume mix:** The volume mix was adverse. The replacement segment's share declined marginally to 73% (from 74% YoY) while the domestic share rose significantly to 35% (from 29% YoY).
- **India realisation and margin:** India realisations are 8–10% lower than exports, with margins lower by 50–100bp.
- **US tariffs:** A base tariff of 10% is applicable to the company's products exported to the US. The company is currently absorbing 40% of the impact, which is expected to persist in Q2FY26E.
- **Hedge rates:** The EUR/INR rate was 93.6 in Q1FY26 and is expected at broadly same levels in Q2FY26. On the exposure front, 80% of net receivables—equivalent to 30–35% of gross Euro revenue—are hedged.
- **Cost trends:** RM and freight costs dipped marginally QoQ. Management expects a flat trend in Q2FY26E.
- **New segments:** The company had earlier announced its entry into the TBR and PCR segments with an aim to scale up the business to 20% revenue share and a 5% market share by 2030E. Commercialisation is on track with the TBR pilot launch expected in Q4FY26E and PCR in Q3FY27E.
- **Carbon black:** Revenue from carbon black accounted for 9% of the company's overall revenue in Q1FY26, and is expected to reach 10% by FY30E. The capacity expansion from 200,000MTPA to 360,000MTPA is on track and is expected to be completed by the early CY26.
- **Rubber tracks** are currently in the trial stage, contributing a nominal share to revenue. Given the large market size and the planned dedicated manufacturing facility, management is confident of achieving a 3–5% market share. The expansion is progressing as planned, and is expected to be operational by H2FY26.
- **Other expenses** were slightly higher both YoY and QoQ, driven by the impact of tariff absorption and higher marketing expenses.
- **Network:** Balkrishna's current domestic network comprises ~76 distributors. A separate network will be developed for the upcoming TBR/PCR segments with limited overlap with the existing network.
- **Global dealer inventory** is at normal levels ranging between two–three months.

  Capex guidance is maintained at INR35bn over three years for setting up additional production facilities at Bhuj for carbon black, power plant, rubber tracks, TBR and PCR.

Bharat Forge

- **Outlook:** i) Given the US tariffs and rollback of emission norms in North America, management remains cautious on the US export business. ii) For the defence vertical, new order wins are likely in FY26, which shall support revenue visibility ahead. iii) Following a challenging Q1, with similar trends likely in Q2, management anticipates a recovery in H2FY26.
- **Tariffs:** Bharat Forge absorbed INR140mn tariff-related impact in Q1FY26. Notably, about one–third of exports from the company's Indian manufacturing operations (BFL, including industrial and defence) were to the US during the quarter.
- **Order wins:** In Q1FY26, the company secured new orders totaling INR8.5bn, comprising INR4.3bn in forgings, INR2.7bn in defence and INR1.5bn in castings.
- **Defence:** With new orders worth INR2.7bn in Q1FY26, the total executable order book rose to INR94.6bn, up from INR94.2bn as of Mar-25. Moreover, a domestic carbine tender is awaiting finalisation, which once awarded, is likely to add INR14bn to the order book.
- **Aerospace** segment reported a soft Q1FY26 performance due to seasonality. However, management remains confident of delivering 20%-plus YoY growth for the full year FY26. Limited exposure to the US market provides insulation from regulatory headwinds.
- **AAM acquisition:** The acquisition of AAM's India operations, completed on July 1, is likely to add ~INR10bn to consolidated revenue in FY26. Consolidation shall begin Q2FY26 onwards. This deal shall aid the company to enter the LCV and SUV segments.
- **JS Autocast (JSA):** Q1 is typically a seasonally weak quarter for JSA, which was further hurt this year by tariff-related uncertainty and a slowdown in the renewable energy segment.
- **Electronics segment:** Kalyani Powertrain, a wholly owned subsidiary, had earlier signed a TLA with Compal Electronics, India to manufacture X86 platform servers in India. With this, Bharat Forge is entering the Indian server market, targeting three areas–mandatory domestic manufacturing, AI-based servers, and data servers. With market potential ranging from 20,000 to 75,000 large servers annually, the focus is on becoming a competitive, local player. Operations will start small, with plans to scale capabilities for niche and specialized customers.
- **Internal restructuring:** The board has approved the transfer of identified assets and liabilities of the defence business to Kalyani Strategic Systems Limited (KSSL), a wholly-owned subsidiary of the company.
- **European operations:** The review of the European steel manufacturing footprint is progressing as planned. A detailed roadmap outlining the restructuring process is likely to be in place within six months.
- **Capacity utilisation (overseas):** EU aluminium operations remained stable with utilisation at ~ 70%. The US aluminium business is also operating at ~70% of Phase 1 capacity. Phase 2 of the US plant is nearing completion and is likely to double the plant's output capacity.

CEAT

- **Near-term demand outlook:** Management expects demand in CV to be in mid-single digits, 2W at high single digits and PCR in low single digits.
- **FY26 export outlook:** After flat growth in Q1, growth is likely to improve ahead and FY26 growth to be positive. Demand is improving in the OHT space while seasonal demand in Europe should aid volume in Q2. Furthermore, inventory re-stocking should commence in Q2.
- **Q1FY26 volume performance:** Volume grew 9% YoY. OEM grew at 20%-plus, replacement at single digits while exports were flat. PCR grew in low single digits, 2W in double digits and TBR in high single digits while TBB reported a decline.
- **Realisation** in exports reduced in Q1FY26 as the company exported a one-time private label order. In addition, realisation was hurt by lower volume in Europe, which has better realisation.
- **Raw material basket cost** was flat QoQ in Q1FY26, but likely to decline 1–2% QoQ in Q2FY26 owing to a fall in international rubber and crude derivative prices.
- **Rubber prices:** International rubber prices fell USD200/ton to USD1,700/ton in Q1FY26. Indian rubber prices have increased from INR180–185/kg to INR205/kg in Q1FY26. International rubber accounts for 60% of the rubber procurement.
- **Capex** in FY26 is likely to be INR10bn. This includes PCR capacity expansion at Chennai plant for ~2.5mn tyres at investment of INR4.5bn. However, the outflow is not likely to be significant in FY26. Maintenance capex is at INR2–2.5bn.
- **Interest cost** in Q1FY26 was higher due to increase in average debt. Around 25% of the interest cost relates to the security deposit. Cost of debt was ~8%.
- **Debt** by end of FY26 is likely to be INR35–36bn.

CAMSO

- **Camso's current** revenue run-rate is EUR150mn.
- **Tariffs** announced by the US have come down to 30% versus 44% announced earlier for Sri Lanka. The tariff will be applicable from August 1, 2025.
- **Margin** was in mid-teens. The margins may witness some softness due to tariffs.
- **Capex:** Over the next two years, capex in CAMSO is likely to be at INR1.5–2bn. This will be in addition to INR10bn announced for the CEAT India business.
- **Consolidation:** The acquisition is likely to be completed by Sep-25.

Eicher Motors

- **FY26 outlook:** Management remains optimistic about volume growth across both domestic and export markets. Festive season outlook is positive, with product refreshes aligned to cater during the festive period. Royal Enfield continues to gain share in the middleweight motorcycle segment.
- **Exports:** Despite macroeconomic uncertainty, the company reported robust growth momentum in international markets by strengthening its presence. Latam demand remained strong, particularly in Brazil, where a second CKD unit has been set up. In the SAARC region, markets such as Nepal and Bangladesh continued to deliver a strong performance with a robust customer response.
- **Cost and pricing:** Overall, RM costs had a 50bp impact in the quarter led by steel and aluminium price increases. This was partially offset by 20bp from the VAVE initiatives, leading to a net impact of 30bp. Price hikes in April and July helped further cushion the cost pressure. Value engineering efforts are likely to aid margins though RM inflation, especially steel remains a near-term headwind.
- **New launches:** 1) **Classic 650** has received a strong initial response, both in domestic and international markets. Positioned as an authentic and premium offering, it is gaining traction among customers. The product is likely to contribute meaningfully to volumes over time, with positive reception noted especially in the UK and Europe. 2) The **Bullet Battalion Black** reported robust demand, particularly in rural and central Indian markets such as UP and Punjab. It continues to attract both traditional and younger buyers, playing a key role in strengthening the brand's rural presence.
- **Rural market** now contributes 50% of Royal Enfield's sales, up from ~30% earlier, driven by strong traction for accessible models such as the Hunter and Bullet Battalion Black. Enhanced dealer financing support and expanded retail footprint have further strengthened rural engagement.
- **Rare earth magnet issue:** In Q1FY26, production of key performance models such as the Himalayan and Scram was hurt by rare earth magnet shortages, affecting components such as gear sensors and alternators. The company has proactively worked on alternative materials, with production now stabilised.
- **Marketing spends** are likely to stay elevated driven by continued brand-building efforts for newer models such as the Hunter, Guerrilla, and upcoming refreshes. However, no major product launch-related expenses are anticipated in FY26.
- **Capacity utilisation and capex:** Current motorcycle capacity is ~1.2mn units with utilisation levels of 90%. No large capex is required for capacity expansion as the company follows a modular approach to scaling up. Large part of FY26 capex would be directed towards new product development, including EV motorcycle.

Escorts Kubota

- **FY26 domestic industry outlook:** Management expects the tractor industry to grow in mid to high single digits.
- **FY26 export:** Export of tractors is expected to grow by 25–30%. Furthermore, revenue from export of components is expected to be at INR2.5bn.
- **Exports:** Export volume grew 80% YoY to 1,733 units. Sales through the Kubota Global Network account for approximately 52% of the total exports. Revenue share of exports is currently at 5-6% and the management is targeting ~15% revenue share over the medium term.
- **Product launch in Q1FY26:** The company launched Promaxx in the Powertrac brand, resulting in an increase in market share in most of the states, where it has been launched. Furthermore, the company has also launched the Kubota MU series under the Kubota brand in the 41-50 hp category. The impact of this launch will be visible from the next quarter.
- **New product launch:** The company will be launching the Wetland series in the coming quarters under the Powertrac brand. The new product launch will help in bridging the gap with the industry and improve market share. Furthermore, the company will be launching Promaxx phase 2 and wetland phase 2 in FY27.
- **Q1FY26 agri EBIT margin:** On QoQ basis, the margin expanded on lower raw material costs and better scale.
- **Commodity outlook:** Commodity prices are likely to increase in Q2FY26 due to an increase in steel prices. However, the impact on margin is expected to be <1%.
- **Greenfield:** The land is expected to be acquired in FY26 in UP. Post the acquisition of land, the new plant will take 2–3 years to start production.
- **CE segment:** Crane segment outperformed the industry, resulting in a market share of 41% (improvement of ~150bp). Excavators' market share increased ~600bp YoY to 19%. However, there was a loss in share for compactors and backhoe loaders.
- **EBIT margin** in Q1FY26 came in at 5.8% versus 10.3% in Q1FY25. The margin was adversely impacted by the clearance of inventory of old emission norm product and the transition to new emission norm-compliant product.
- **H2FY26 CE segment margin** is likely to be on similar levels to FY25.
- **Channel inventory** stands at 4–5 weeks currently.
- **Q1FY26 non-tractor (agri machinery, engines and spare parts)** sales contributed 18% of revenue versus 19% in Q1FY25 and 19% in Q4FY25.
- **Capacity utilisation** in Q1FY26 for tractors was 70% while that for CE was 30%.
- **FY26 capex** is likely to be INR3.5–4.0bn. There can be additional capex for land acquisition in UP.
- **Other income** grew 52% YoY due to surplus cash from the sale of the railway business and higher MTM due to a cut in interest rates.

Hero MotoCorp

- **Outlook:** i) **Domestic 2W industry** growth, which stood at 3–4% in Q1, is anticipated to recover to 6–7% by the festive season. Furthermore, easing inflation, a favourable monsoon, and the prospect of interest rate cuts are expected to further support growth in the 2W segment. ii) Hero expects **margins** to remain within the 14–16% range with near-term performance likely at the lower end. iii) On **exports**, management is focusing on 10–12 priority markets and expects growth of over 40% in FY26. Over the long term, the target is for exports to contribute 10% to overall revenue.
- **E-2W:** The recently launched family-oriented VIDA VX2 range has strengthened Hero's position in the E-2W space, helping the company achieve a 7% market share in Q1FY26 and 10% in Jul-25. Moreover, the introduction of a Battery-as-a-Service (BaaS) helps lower upfront ownership costs, attracting new customers to the brand. VIDA now has a presence in 400 cities with over 600 touchpoints, available through both Hero and Premia showrooms. Vida holds over 20% market share in 27 towns and ranks among the top two players in 54 towns.
- **Rare earth:** Supplies remained stable in Q1FY26, and Hero is adequately covered for Q2 across both ICE and EV segments. The company continues to actively explore alternative sources.
- **Upcoming launches:** Two launches are scheduled in the 125cc motorcycle segment in Q2FY26—one all-new model and one refreshed version. Furthermore, a new product from the Harley-Davidson X440 portfolio is set to debut in the same quarter.
- **Hero FinCorp:** The loan book grew 4% YoY to INR547.3bn. Performance during the quarter was impacted by elevated credit costs and NPAs, in line with broader industry trends. However, with falling interest rates, credit quality and collection efficiency are improving. Management remains confident of a return to profitable growth going forward.
- **PLI:** The Vida V2 Pro received PLI certification in Jul-25. The company is actively pursuing approvals for its other models under the scheme.
- **Parts, accessories, and merchandise (PAM):** Revenue grew 2% YoY to ~INR13bn in Q1FY26.
- **ASP (including PAM)** rose 6% YoY, supported by a better product mix and price increases. However, it inched down 3% QoQ, primarily due to an adverse mix impact from the PAM business. The impact of OBD2B related price hikes was spread across Q4FY25 and Q1FY26.
- **Channel inventory** currently stands at around seven weeks and is likely to rise in the coming weeks, driven by the upcoming festive season.
- **Network:** Hero now has over 6,000 touchpoints and continues to expand in key markets. Nearly all outlets have transitioned to the Hero 2.0 format. The number of Premia outlets has reached 125.
- **Financing penetration** was lower in Q1FY26 due to seasonality. However, it has improved to 65% in Jul-25, in line with last year.

Hyundai Motor India

- **FY26 outlook:** i) **Domestic:** Despite ongoing macroeconomic challenges, management anticipates a gradual recovery in domestic industry demand, supported by the festive season, a favourable monsoon, government support in the form of interest rate cuts, income tax relief, and the upcoming pay commission. ii) **Exports:** The company stays optimistic about export momentum as it continues to position itself as a manufacturing hub for emerging markets.
- **Gross margin expansion:** Gross margin improved both YoY/QoQ, supported by a higher export share, material cost optimisation driven by continued focus on localisation and value engineering, a better domestic model mix and price hikes implemented in Jan-25. The material cost optimisation benefits were 70bp YoY/50bp QoQ.
- **Benefit of Eighth Pay Commission:** Around 16% of sales are to government employees. The implementation of the Eighth Pay Commission, expected in FY27E, is likely to support sales growth.
- **Rise in exports:** HMI's export volume share rose to 27% in Q1FY26, up from 22% in the same period last year, with management targeting 30% by FY30E. This growth was partly supported by a decline in ASP due to higher discounts. Regionally, Africa recorded a 28% YoY growth, while Mexico saw a 14% increase. Export momentum also benefited from seasonal trends, with the first half of the year typically stronger than the second.
- **New launches:** Hyundai has reiterated its model launch plan–26 launches, including model refreshes, by FY30E, with eight models to be introduced in FY26-27E. Of these, 20 will be ICE vehicles and six will be EVs.
- **Rising share of first-time buyers in SUVs:** First-time buyers accounted for 40% of HMI's sales in FY25, up from 32% in FY20. For individual models, the share of first-time buyers for Creta rose significantly to 32% in FY25 from 13% in FY20 while for Venue, it increased to 45% from 29% over the same period.
- **Localisation efforts:** Blended localisation levels improved to 82% in FY25, up from 78% in FY24. In EV segment, the company has already localised battery packs and is actively working on localising battery cells and other EV-specific components. Across the broader portfolio, it continues to identify localisation opportunities—for instance, sunroof localisation was achieved in FY24. A dedicated team within the procurement function is responsible for identifying and implementing such initiatives wherever feasible.
- **Domestic powertrain mix (Q1FY26 versus Q1FY25):** Petrol: 63% versus 72%, Diesel: 20% versus 16%, CNG 16% versus 11% and EV at 1.4% versus 0.1%. There has been a sharp increase in CNG share, driven by strong customer response to the dual-cylinder technology and the launch of more variants. In Q1FY26, CNG accounted for 89% of Aura volumes, 30% for Exter, and 18% for i10 NIOS. Collectively, these three models saw a CNG contribution of 46%, up from 33% in the same period last year.
- **Domestic mix by segment (Q1FY26 versus Q1FY25):** SUV: 69% versus 67%, Hatchback: 18% versus 21% and Sedan: 13% versus 12%. SUVs continue to gain traction across both urban and rural markets. Rural SUV penetration was a robust ~69% in Q1FY26, slightly higher than ~68% share in overall domestic volumes.

Q1FY26 conference call highlights

- **Premiumisation:** Hyundai has sold over 1.1mn sunroof-equipped vehicles, with sunroof penetration reaching 54.4%. Additionally, ADAS now has a penetration of 12.5%.
- **Rural penetration:** HMI's rural contribution rose to ~23% in Q1FY26, up from ~20% in Q1FY25. This growth was driven by improved road infrastructure, favorable monsoon, and a shift in consumer preference from functionality to aspiration.
- **Sales network:** The company's network is currently split with 47% in rural areas and 53% in urban regions. The ongoing expansion plan places a strong emphasis on rural markets, with seven out of every ten new outlets planned for rural locations.
- **Rural service network:** Hyundai has a healthy service presence in the rural market, with 586 service outlets and 110 mobile service vans.
- **Discounts**, as a percentage of ASP was 3.4% in Q1FY26 versus 2% in Q4FY25.
- **Talegaon plant:** HMI commenced production of PV engines at its Talegaon plant in Jun-25. The new facility will support both Pune and Chennai operations, enhancing efficiency and enabling smoother scaling of production. Vehicle production is likely to begin at the plant by Q3FY26.
- **CAFÉ norms:** The increase in CNG vehicle contribution along with Hyundai's entry into the mass-market EV segment has enabled the company to meet CAFÉ 2 norms, achieving an average of 112.856 g/km—well below its internal target of 117.286 g/km. Rising volumes of alternative powertrains are expected to further aid compliance with future CAFÉ regulations.

Mahindra and Mahindra

- **FY26 SUV outlook:** The company expects volume growth in FY26 to be in the mid-to-high teens supported by healthy demand for key models and launch of new EVs in early 2026. Furthermore, export momentum shall be robust, particularly in markets such as South Africa and Australia fuelled by healthy demand for the XUV3XO—with management targeting monthly export volumes of over 1,000 units.
- **Commodity:** There was an increase in steel prices by 6%. However, the company was able to mitigate the effect by hedging and inventory carryovers and passing on the cost to customer through price hikes. Going forward, increase in RM cost is expected due to higher prices for steel and precious metals.
- **Q1FY26 ICE/BEV margin:** Auto standalone revenue was INR221.4bn (excluding E-SUV contract manufacturing) and EBIT margin stood at 10%. Revenue from E-SUV contract manufacturing stood at INR28.1bn and EBIT margin stood at 0.2%.
- **Q1FY26 revenue and margin of Mahindra Electric Automobile (MEAL):** Revenue was INR30.7bn, EBITDA margin at 2.9% and EBIT margin at -3.5%.
- **Q1FY26 eSUV contract manufacturing revenue and margin:** Revenue stood at INR28.1bn. EBITDA and EBIT margin stood at 0.7% and 0.2%, respectively.
- **PLI:** The company has not accrued PLI for the quarter. It is planning to accrue PLI benefits after receiving the certification for its XEV 9E model. The certification is likely to be issued in Q2FY26E or early Q3FY26E after the technical audit. The company will apply for the PLI scheme for BE 6 in Q4FY26.
- **Rare earth segment:** The company has an adequate inventory of rare earth materials to meet its requirements through Q2/Q3FY26. In addition, it is actively implementing measures to mitigate potential disruptions, including the use of light rare earth metals as substitutes where feasible.
- **Capacity** for the ICE segment stands at 55,000 units per month, and utilisation is 80%. Capacity for E-SUVs stands at 4,000 units per month and is likely to ramped up to 5,000–6,000 units per month by the start of the festive season. Further ramp-up for E-SUV is expected after the launch of new products in early CY26.
- **Depreciation** declined 23% QoQ, normalising after a one-time increase in Q4 due to write-offs. Going forward, depreciation is expected to remain within a normal range with a gradual uptick as new assets are capitalised.
- **Farm machinery business:** Revenue grew 17% YoY to INR3.1bn. Rotavator market share stood at 25.2% in Q1FY26. The company has recalibrated its growth strategy for the farm machinery segment, now prioritising sustainable growth without compromising margins. The renewed focus is on enhancing the product portfolio to drive competitiveness. With a current market share of 5–6% in the harvester segment, the company recently launched a new product and is targeting market share gains.

Maruti Suzuki

- **New products:** e-Vitara and a new ICE SUV are expected in FY26.
- **Average selling price** grew 8% QoQ, mainly due to better model mix in domestic market, price increases due to six airbags and a higher share of exports.
- **Q1FY26 volume performance:** Retail volume fell 3.7% YoY to ~380,000 units.
- **Q1FY26 margin drivers: Negative catalysts include:**
  - operating deleverage (60bp);
  - higher commodity cost largely attributable to steel (40bp);
  - impact of forex (40bp);
  - higher employee cost (50bp); and
  - an increase in depreciation and overhead expense at the greenfield Kharkhoda plant (30bp).
- **Q1FY26 margin drivers: Positive catalysts include:**
  - favourable mix (30bp);
  - lower advertisement cost (40bp); and
  - the impact of (90bp) in Q4FY25 on account of higher CSR expenditure, digitisation, R&D, repairs and maintenance reversed in Q1FY26.
- **Capex** for FY26 is expected to be at INR100bn. Capex for SMG will be in addition to this capex.
- The share of **CNG** stood at 33% in Q1FY26.
- **Inventory** stood at 33 days at the end of Q1FY26.
- **Export revenue** stood at INR65bn in Q1FY26.
- **Discount per vehicle** was flat QoQ at ~INR28,000.
- **Café norms:** Management expects the policy on Café 3 norms to come out within the next two months.
- **Other income** grew by 87% YoY to INR18.2bn. The strong growth in other income is due to the softening of bond yields.
- **SMG:** Interest income for SMG stood at INR400mn and is not accounted for in standalone.
- **Within customer mix, the share of** government employees is about mid-teens..

Minda Corporation

- **Order-wins:** Lifetime order wins exceeds INR13bn, with EVs accounting for over 30%, underscoring the company's strategic focus on the segment. Orders span across wiring harnesses, TFT clusters, EV components, access systems, etc, across both domestic and export markets.
- **Mechatronics:** Q1 revenue rose 13% YoY, driven by strong demand in the domestic 2W and PV segments, along with premiumisation of existing products.
- **Information and Connected Systems:** Q1 revenue grew 19% YoY, driven by strong performance in the Wiring Harness division, which achieved significant growth and increased its share of business with existing customers. The Cluster division also saw robust market traction, securing multiple high-value orders.
- **Others segment:** The share of revenue increased to 17% from 15% last year. The segment includes interior plastics, starter motor–alternators, EV solutions, shark fin antennas, sensors, etc. As volumes ramp up, economies of scale are expected to kick in.
- **Exports** accounted for 11% of revenue in Q1FY26. Exposure to the US is minimal at ~2% (under INR1bn), with there is no change in future orders so far, owing to tariffs. The ASEAN market has remained flat YoY, and the business is dominated by few large players.
- **JV with Toyodenso:** Minda has entered into a joint venture with Japan's Toyodenso to manufacture automotive switches for 2W, PV and other segments for the Indian market. The total planned investment is INR1.5bn, with Minda holding a 60% stake. The JV has already secured a significant order from a leading 2W OEM and is in advanced discussions with other OEMs. SOP is slated for Q4FY27, with ramp-up in FY28, and an expected asset turnover of 2.5–3x.
- **Flash Electronics:** i) **Guidance:** Management expects FY26 revenue growth in the low double digits. ii) **Q1FY26 performance:** Revenue rose 14% YoY to INR3.8bn, while EBITDA grew 10% YoY to INR590mn, with margins at 15.8%. Performance was impacted by rare-earth supply issues. Margins are improving on the back of higher export revenues from SOP of orders won in the past year. iii) **EV** share stood at 23% in Q1FY26. iv) **Business update:** Flash has been developing magnet-less motors for over a year and is in advanced discussions with customers.
- **Collaboration with Qualcomm:** Minda has partnered with Qualcomm to develop advanced cockpit solutions for India, combining Minda's hardware and systems with Qualcomm's software and chip expertise.
- **EV share:** Revenue share from EV was 5–6% in Q1FY26.
- **FY26 capex** to be INR3.5–3.75bn.

Motherson Wiring

- **Status of greenfield plants:** i) Plant 1 commenced operations in FY25 and is in ramp-up phase; ii) Plant 2 has commenced operations in Q1FY26 for EV model. The production relating to second model (EV+ICE) has been delayed to Q4FY26 (from Q2FY26); and iii) Plant 3 to commence operations in Q2FY26.
- **Revenue** from greenfield plants were INR1.6bn in Q1FY26. **EBITDA** impact due to greenfield-related start-up costs was ~INR310mn in Q1FY26.
- **In Q1FY26, EV share** in revenue was 5.4%. **Content per vehicle** for EVs in the PV segment is 1.5x to 1.7x higher compared with ICE vehicles.
- **Employee cost** grew 27% YoY/15% QoQ due to salary increments and hiring of new employees for new greenfield plants. Employee cost is likely to increase further as the new greenfield plants ramp up. Around 7,000 employees are likely to be hired for greenfield plants.
- **Capex** in FY26 is likely to be INR2bn.
- **Net cash** (excluding lease liabilities) was INR160mn in Jun-25 versus INR50mn in Mar-25.

Ramkrishna Forgings

- **Outlook:** Management expects 15–20% **volume** growth in FY26, supported by rising capacity utilisation across both forging and casting operations. The company remains confident of a strong H2FY26 as new capacities ramp up. **Margins** are likely to recover steadily each quarter, with standalone EBITDA margins guided to return to 21–22% by FY26-end. However, on a consolidated basis, margins shall be relatively lower due to the inclusion of the casting business, which operates at 16–17% EBITDA margins. On **profitability,** management expects a gradual recovery in coming quarters.

- **Geographical outlook:** Europe continues to perform strongly and is reporting robust traction. Management expects FY27 revenue from Europe to match that of North America (NA), positioning it as a key growth driver. While NA demand remains temporarily subdued, the company is gaining market share and expects a recovery once demand stabilises.

- **New order wins (core business):** The company secured new orders worth INR6.6bn in Q1FY26, with a programme life of four years. Of this, **exports** contributed INR5bn and domestic orders INR1.6bn. Within exports, INR3.1bn was from the PV segment—including a direct order from a North American OEM—while INR1.9bn was from CV, primarily from the European market. On the **domestic** side, INR990mn came from the off-highway segment and INR590mn from CV. The **automotive** segment accounted for INR5.6bn, split between CV at INR2.5bn and PV at INR3.1bn, while **non-auto** orders came in at INR990mn.

- **New order wins (Railways):** In Q1FY26, RMKF secured a Railway order worth INR230mn for a one-year period. Moreover, the company recently received approval to supply fully-assembled undercarriages for passenger coaches to Indian Railways. It has already received development orders worth INR600mn, scheduled for delivery within the current financial year. This initiative is likely to generate incremental revenue of INR500–750mn in FY26 and over INR3bn in FY27. The necessary capex for this programme has already been completed.

- **Q1FY26 profitability impact:** Profitability was adversely impacted by INR515mn, primarily due to an unfavourable sales mix, lower realisations and forex losses. i) **Mix impact:** INR82mn loss, driven by a higher share of domestic volumes, which have a 150bp lower realisation compared with exports. ii) **Realisation impact:** INR317mn loss due to a decline in steel prices, with a drop of INR8/kg for exports and INR5/kg for domestic sales. iii) **Forex impact:** INR117mn loss due to foreign exchange fluctuations on machinery imports.

- **US tariff impact:** In Q1FY26, light vehicles including PV attracted a 25% tariff while CVs faced a 10% tariff**.** Tariff-related outflow on US shipments amounted to INR60mn in the quarter, with 50% confirmed for full pass-through by customers and the remainder under negotiation. As 80% of North America exports are directed to Mexico and Canada**,** which are exempt from tariffs, only 20% of the export portfolio is exposed to US tariff impact**.**

- **Update on JV with Titagarh Rail Systems:** The total project cost is estimated at INR20bn. In the first phase, INR16bn will be invested to set up capacity for 100,000 machined finish forged wheels per annum, which is likely to meet Indian Railways' demand through FY28E. The remaining INR4bn will be deployed in the second phase. RMKF has invested INR3.7bn till Jun-25 and expects an additional investment of INR1.5bn in FY26. The project is progressing as per schedule—all

machinery has been ordered, deliveries have commenced, and installation is underway. Operations are likely to begin by Jan-26.

- **Mexico operations:** Capacity ramp-up is anticipated by year-end, with meaningful revenue contribution FY27 onwards. Current machining is on customer-supplied parts, with fresh orders secured and strong demand visibility from North American OEMs operating in Mexico.
- **Casting facility** is currently operating at 90% utilisation. A newly installed 40,000T casting line is likely to begin trial runs within the next two weeks, which should drive higher utilisation in the coming quarters. The company is targeting a monthly run rate of 6,000T.
- **Customer and market diversification:** RMKF is actively de-risking its business by lowering dependence on its top five customers, with their contribution declining from ~61% in FY21 to ~43% currently. Moreover, the company has been diversifying its geographical mix—Asia/NA/Europe were 60%/32%/8% in FY21 and has now shifted to 70%/20%/10%, reflecting deeper penetration in Asia and Europe.
- **Capex:** FY26 capex is planned in the range of INR3–3.5bn**.**
- **Net debt:** Consolidated net debt remained stable at INR18bn, in line with Mar-25 levels. Management expects a reduction of INR3–4bn by the end of FY26, bringing year-end net debt to INR14–15bn.

Samvardhana Motherson International

Revenue from Atsumitec acquisition was INR7bn in Q1FY26. Excluding this acquisition, revenue growth in Q1FY26 was 2% YoY.

EBITDA margins: The company has indicated that profitability was temporarily affected by: i) transitory impact due to structural challenges in Europe in the modules and polymer segment; and ii) early-stage integration adjustments for certain newly-acquired assets in the emerging segment. The company expects Q1FY26 margin to be at the lower end of margins in FY26; this should improve going forward due to: i) pass-through of the tariff cost to the customer; ii) launch of new models by the customers; iii) ramp-up of greenfields; and iv) better integration of acquisitions.

Modules and polymer segment: Margins of the modules and polymer segments have come down by 230bp YoY to 6.4%. Major restructuring is happening in this segment as a large number of acquisitions were part of this segment. Better integration of the acquired entities will result in improved margins going ahead.

Emerging business: Margins decreased 390bp YoY to 8.4%, hurt by the margin-dilutive Atsumitec acquisition and start-up costs for upcoming greenfield projects. Margins are likely to recover as integration of the acquired assets progresses and the greenfield facilities ramp up.

Update on consumer electronics business: Half of the capex has already been incurred with the project progressing as planned. The customer's order remains unaffected and the large capacity addition is on schedule to be commissioned by mid-CY26.

Greenfields: 11 plants are in various stages of completion. Of this, three were operationalised in Q1FY26 while five more plants shall come on-stream in FY26. Two plants related to elastomer and aerospace have been postponed by a couple of quarters. The aerospace plant timeline has been pushed back due to delays on the customer's end.

Partnerships: Two new strategic partnerships announced in line with the increase in content per car strategy – 1) Macauto (Taiwan) for Roof and window sunshade systems, 2) Egtronics (South Korea) for Power vehicle electronics. These businesses offer significant insourcing opportunities, enabling a swift ramp-up. The capex requirement remains relatively low due to the high level of insourcing, making it a high-ROCE operation. The company has already secured orders from customers.

FY26 capex: Capex is planned at INR60bn (+/-10%), with half allocated for growth capex and the other half for regular maintenance capex.

Impact of tariff (export from India): No material impact on Motherson of US tariffs. Export from India to the US is less than ~USD10mn in Q1FY26.

Debt: Net debt rose in Q1FY26, driven by higher working capital requirements and forex fluctuations. The increase in working capital was due to: i) uncertainty around tariffs, leading to elevated inventory and receivables, ii) geopolitical instability; and iii) regulatory changes in payment norms in certain regions. These factors are likely to be temporary. Working capital should ease in H2FY26 as tariff clarity improves and processes are realigned to comply with regional payment norms.

- **Net debt,** including lease liabilities, was INR112.3bn in Jun-25 compared with INR98bn in Mar-25. Net debt/EBITDA was 1.1x.

Sona BLW Precision

- **Outlook:** i) **BEV** revenue is set to improve ahead, supported by declined battery prices, strong domestic launch pipeline of EV products over FY26E–28E and delayed revenue recognition of European customer. ii) Share of **Asia** in revenues (including India) to exceed 50% (currently at 45%) in coming quarters. iii) **Non-auto** revenue contribution is expected to rise above 25% (19% in Q1FY26). iv) Margins are expected to dilute to 23–25% (earlier ~27%) post-integration of the Railway business.

- **Q1 performance impact:** Performance was affected by four factors, which management expects to be temporary in nature: i) **Revenue deferral:** A change in supply terms with a European EV customer, from ex-works to delivered, delayed revenue recognition by ~60 days, shifting revenue from Q1 to Q2, with no impact on cash flow or actual sales. ii) **Customer slowdown:** A key global EV customer saw weaker sales due to demand softness, but is taking steps to recover volumes. iii) **Rare earth supply disruption:** China's halt on heavy rare earth magnet exports since Apr-5 impacted traction motor production. Sona is transitioning to alternative motor designs using light rare earths. iv) **US tariff uncertainty:** Fluctuating tariff policies caused OEMs/Tier 1s to slow procurement and reduce inventory. Normalisation is expected over coming quarters.

- **Margin contraction:** Q1FY26 EBITDA margin contracted 430bp YoY to 23.8% driven by adverse operating leverage and an unfavourable product mix, primarily due to the inclusion of the lower-margin Railways business.

- **US tariff impact:** A 25% tariff has been in effect since Apr-25. While a potential revenue hit of 3–4% over the next 12–18 months was anticipated in Apr-25, it hasn't materialised yet.

- **Order book** rose to INR262bn in Jun-25 from INR242bn in Mar-25 with EVs accounting for a significant 75% of the total. Sona added INR28bn in new orders during the quarter, including two key wins from existing customers – i) INR15.5bn order for differential assemblies with final drive gear from a North American (NA) PV OEM (ICE + EV) for a new E-PV platform, with production starting Q3FY28 (Sona's largest order in over 2.5 years). ii) INR2.6bn order for drive motors from an Indian 2W/3W OEM (ICE + EV) for a new E-3W, with production expected to commence from Q4FY26.

- **BEV revenue in Q1FY26** declined 25% YoY to INR2.1bn, with revenue share significantly lower at 28% versus 33% last year. The decline was due to revised supply terms with a European customer, reduced volumes from a key customer amid softening demand, and rare earth magnet supply constraints. The company is currently engaged in 60 EV programs across 32 customers—15 fully ramped up, 16 in ramp-up, and 29 yet to enter production.

- **Segment mix (Q1FY26):** PV: 62%, CV: 11%, E2W/E3W: 7%, Non-auto: 19%, Semiconductors and embedded software: 1%. Non-auto revenue share rose sharply to 19% (9% in Q1FY25/FY25), driven by strong traction in NA and India, with momentum likely to sustain. PV share declined to 62% (71% in Q1FY25/FY25) due to revised supply terms with a European EV customer, softer demand from a key EV customer, and US tariff impact.

- **Product mix by powertrain (Q1FY26):** BEV: 28%, Micro-hybrid: 26%, Power source agnostic: 37%, and ICE-dependent: 9%. The hybrid revenue share increased to 26% (24%/21% in FY24/FY25) in Q1FY26.

- **Rare earth magnet supply challenges:** China's restriction on heavy rare earth magnet supply since Apr-25 disrupted Sona's EV traction motor production. In response, the company began developing alternative motor architectures that use light rare earths. Since Sona's traction motor business is largely focused on sub-5kWh E-2Ws—where light rare earth magnets are sufficient—production has recovered to Apr-25 levels by Jul-25.

- **JV with Jinnaite Machinery, China:** In Jul-25, Sona formed a JV with Jinnaite Machinery (60% stake) to manufacture driveline systems, starting with differential housings for Chinese and global OEMs. JNT operates a world-class foundry with patented technology for producing complex castings and moulds, serving a strong customer base that includes leading Chinese automotive OEMs, global OEMs, and Tier-1 suppliers. Sona will invest USD12mn, while JNT contributes USD8mn in assets. Operations are set to begin in H2FY26, strengthening Sona's presence in the Chinese EV market. Margin is expected to be lower than blended margins, as Chinese market is competitive.

- **Railway Equipment Division:** Sona completed the acquisition of Escorts' Railway Equipment Division on June 1, 2025, with ~three weeks of revenue contribution in Q1FY26. The division accounted for 8% of total revenue. The INR262bn order book includes INR10bn worth of railway orders to be executed over the next 12 months. Current offerings include braking systems, dampers and couplers. Aligned with its EPIC strategy, Sona plans to expand into products such as automatic plug doors, HVAC systems, and electrical control panels for metro and semi-high-speed trains—aiming to diversify its customer base beyond Indian Railways and tap into broader rail segments.

- **Novelic update:** Sensor production is expected to begin next year and is on track. A new SMT line has been set up at the Chennai facility, with initial supply slated for an EV customer.

Tata Motors

Jaguar Land Rover

- **Guidance and outlook:** Despite Q1 being the weakest quarter, JLR has maintained its FY26 EBIT margin guidance of 5–7% (including the impact of revised tariffs) and expects full-year free cash flow to be close to zero, with Q2FY26 anticipated to see a gradual recovery as tariff-related uncertainty subsides.
- **Tariff impact:** At the start of Q1, US tariffs on vehicles exported from the UK and Europe increased to 27.5%, which JLR fully accounted for amounting to GBP254mn. With tariff payments made a month after shipment arrival, the company incurred two months of payments in Q1. Under the US-UK tariff quota, 100,000 units qualify for a reduced 10% rate, comfortably covering JLR's expected volumes.
- **US emission norms:** The reset of US federal CAFE targets to zero delivered a favourable GBP76mn P&L impact, while a separate reversal of emission-related provisions improved the balance sheet by GBP120mn.
- **Regional demand:** Europe is weak and China is subdued following the luxury tax change, while US remains positive, UK is stable and the Middle East continues to show strong demand despite conflict-related disruption.
- **China market:** Following the reduction of the luxury tax threshold from RMB1.3mn to RMB0.9mn, all Range Rover models will now be attracting 10% tax on list price. JLR will absorb the cost in the short term to safeguard volumes, while formulating a medium-term strategy to address the impact.
- **Q1 average selling price** reached a record ~GBP76,000, with ~77% of the mix comprising Range Rover, Range Rover Sport and Defender, underscoring the strategic focus on high-margin nameplates.
- **Model performance** in Q1FY26 was mixed. Range Rover, Range Rover Sport, and Defender gained strong momentum, while Evoque and Discovery volumes declined due to Halewood plant system upgrades and a strategic shift toward a premium mix. Jaguar production was confined to the F-Pace.
- **BEV:** Range Rover BEV launch remains on track for next year, alongside continued execution of Jaguar's electrification roadmap.
- **Inventory:** Retail inventory remains at the top end of the desired range, and no significant divergence is expected between retail and wholesale volumes going forward.

Commercial vehicles

- **FY26 outlook:** CV segment is likely to grow 3–5% in FY26. HCV segment is anticipated to grow 3–5%, ILCV is expected to report a bit lower growth, SCV/buses are likely to be flat.
- **Q2FY26 outlook:** TIV is likely to improve YoY on a lower base in Q2FY25 with normalisation of monsoon, festive season build-up and anticipated recovery in rural and infrastructure-led demand.
- **Volume** in Q1FY26 was weak owing to purchase postponement by customers and the early onset of monsoon.

- **EBITDA** has grown YoY due to better realisation and material cost reduction.
- **CV market share** improved 50bp QoQ to 36.1%.
- **New product launch:** The company launched the new ACE Pro in Q1FY26. While SCVPU volume stabilised at a lower level, the company expects the new model to drive growth and market share gains. Production is slated to ramp up beginning this month.
- Fleet indicators and transported profitability remain healthy; however, customer sentiments are muted.
- **PLI:** The company has received PLI certification for Ace Pro EV. PLI incentive received in Q1FY26 stood at INR250mn.
- **Delinquencies** remain low for buses, vans and ILCVs. However, they are elevated in the SCV and pickup segments.
- **AC cabin regulation:** The company has transitioned its entire truck portfolio to air-conditioned cabins. Notably, the enforcement of the AC cabin regulation in the HCV and ILCV segments has not led to any pre-buying activity.

Passenger vehicles

- **Outlook:** Management expects the PV industry to remain muted, with domestic PV growth likely to stay below 5% in FY26. After a weak Q1, H2FY26 is projected to improve on the back of strengthening rural demand post-monsoon and festive season.
- **Rare earth disruption:** The company is insulated from rare earth magnet shortages for the next two–three months while actively developing alternative sourcing outside China and pursuing ongoing initiatives to reduce its reliance on rare earth materials.
- **New product:** Sierra launch is on track for H2FY26E, with curated variants and competitive pricing aimed at improving volumes and model mix during the festive season.
- **PLI incentives** for Q1 stood at INR870mn and are expected to rise with the inclusion of Nexon EV and Harrier EV.
- **Margin: ICE margins** remained under pressure from steel cost inflation, adverse mix, and high discounting. However, cost reductions, curated variants of Harrier/Safari, and festive-led price hikes are expected to drive a 300–400bp margin improvement over the near term. **EV margins** improved YoY, even without PLI, driven by significant cost reductions. Including PLI benefits, the EV business broke even on EBITDA in Q1, with margins expected to rise further as the Harrier EV and other PLI-eligible models ramp up.
- **EV:** EV mix is likely to increase sharply to ~17% in Q2FY26 (from 13% in Q1FY26) driven by Harrier EV deliveries while Vahan-based market share is projected to rise from 36.7% in Q1 to about 40% in Q2, supported by the same.

TVS Motors

- **FY26 outlook:** Management expects positive growth momentum to continue across both domestic and overseas markets in FY26 along with market share gains. Q2FY26 is likely to be better, driven by festive demand, a favourable monsoon, higher reservoir levels and healthy Kharif crop sowing.
- **Cost and pricing:** Input costs are likely to be 50bp higher in Q2FY26, primarily due to rising steel prices. To mitigate this, the company has implemented a marginal price hike at the beginning of the quarter.
- **Exports:** During the quarter, exports surged 27% YoY to INR24.9bn. Demand in Africa is stabilising, and the company remains optimistic about the region. The company is working towards improving presence in the Latam market, where TVS currently has a limited presence. Most Asian markets are performing well with a gradual rebound in Sri Lanka and strong performance in Nepal. While Bangladesh continues to face some challenges, management expects improvement over time.
- **EV segment:** Revenue from the EV segment was ~INR10bn in Q1FY26. The TVS iQube is currently available through over 900 dealerships across India. The recently launched E-3W, King EV Max, has received strong traction from customers. While the availability of rare earth magnets remain a key concern in the near term, the company is actively working on mitigating these challenges.
- **PLI:** The PLI benefit is 0.5% of revenue in Q1FY26.
- **Norton:** The first product under the Norton brand, the flagship 1200cc four-cylinder superbike is likely to be launched by end-2025 and will be available to customers from early 2026. TVS is currently developing total six products—three core models along with their variants—which are also planned for launch in the Indian market later.
- **Spare parts:** Q1FY26 spare part revenue surged 17% YoY to INR9.9bn.
- **TVS Credit:** In Q1FY26, the book size was INR269bn. PBT rose 30% YoY to INR2.4bn compared with INR1.9bn last year, driven by strong growth in consumer financing while maintaining a focus on risk-calibrated growth across segments. TVS Credit added 1.6mn new customers during the quarter, taking the total customer base to 20mn. The company continues to build a diversified loan book by expanding its distribution network and product portfolio, driving digital transformation, and enhancing customer experience and operational efficiency.
- **Investment in TVS Singapore:** As on Mar-25, the total investment stands at INR51bn. Of this, the largest portion—around 40%—has been allocated to Norton, followed by investments in e-bike companies.
- **Capex and Investments:** Planned capex for FY26 is in the range of INR16–17bn while investments are estimated at ~INR20bn, broadly in line with FY25 levels.

Uno Minda

Switches

- Switch revenue grew 16% YoY driven by growth in 2W exports. 2W exports stood at INR680mn.
- The company received a new export order from the UK 2W OEM for its plant in Thailand.
- The consolidation of the 4W switch plant from Manesar to Farrukhnagar is progressing well.

Lighting

- Revenue increased 13% YoY driven by premiumisation preference for advanced and aesthetically lighting solutions and transition to LED, driving growth. Revenue from the 4W segment stood at INR4.5bn, and from the 2W segment at INR3.9bn.
- The company has secured a new order in Europe for an innovative dynamic logo projector developed in-house.
- The 2W lighting facilities at Bahadurgarh and Sonipat are currently operating at full capacity. To address this and support future growth, the company plans to consolidate the three plants at these locations into a new, larger facility to be built in Kharkhoda, Haryana. The total estimated capex for the relocation and expansion, excluding land costs, is INR2.3bn. Operations are expected to commence in Q3FY27E.

Castings

- Revenue grew 19% YoY, growth was driven by commissioning of a 30,000-line alloy wheel plant for 4W at Bawal and 2mn alloy wheels for 2W at the Supa plant.
- The casting business revenue stood at INR8.2bn. This included INR4.3bn for the 4W alloy wheel business, INR2.4bn from the 2W alloy wheel, and INR1.5bn from aluminum die-casting.
- First Phase of Kharkhoda 4W to commence in Q2FY26.
- The company has announced capex of INR2.1bn for EV casting components. This is primarily a backward integration for the upcoming plant at Sambhajinagar for E-4W.

Seating

- Revenue grew 18% YoY, primarily driven by diversification of the customer base for two-wheeler seats.
- The company expects the seating division to maintain its growth momentum backed by exports to new customers, suppliers of certain seats to more customers in the domestic market, and volume growth from newly added customers in the seat business.

Acoustics

- Revenue declined 8% YoY due to muted demand in the European auto market. Shifts in European OEM from dual horn to a single horn are impacting Clarton Horn’s volumes.

Others segment

- Other segments expanded 30% YoY driven by the commencement of sales of EVSE, increased demand for sensor localisation. Revenue from controllers stood at INR1.7bn, sensors and ADAS at INR2.1bn, blow-moulding at INR1.1bn, FRIWO business at INR780mn, alternate fuels business at INR1.1bn, and the remaining revenue was from after-market and trading.

- The company commenced commercial sales of EVSE home charging solutions for E-2W. These units are currently being supplied to storage to build market inventory ahead of the model launches. OEM deliveries are expected to commence in the next three–four months in line with the associated model launches.

- The company has started production of India's first localised camera module. Commercial supplies have started and ramp-up is expected over coming quarters. There will not be any incremental revenue as these are import substitution.

Other updates

- **Net debt** increased to INR22.3bn in Q1FY26 compared with INR20.9bn in Q4FY25. The rise is primarily attributable to expansion-related capital expenditure and INR1.3bn on land acquisition.

- **Capex for FY26E** is planned at INR3.5bn for maintenance and INR13.5bn for growth.

- **Interest cost** has increased 21% YoY to INR44mn, primarily due to increased foreign undertakings to fund projects and working capital requirements.

- **Depreciation increased** by 12% YoY to INR1.6bn due to commissioning and capitalisation of new facilities.

- **Impact of rare earth:** The company's direct dependence on rare earth magnets is limited, but it has witnessed an indirect impact due to reduced volumes from OEMs, specifically in the E-2W segment.

Banking

Aditya Birla Sunlife AMC

Yields by asset class: i) Equity: 67–68bp; ii) Debt: 24–25bp; and iii) Liquid: 13–14bp. Management attributed the decline in equity yields to the increase in QAAUM.

Alternate business: Management stated that the alternatives segment derived a revenue of ~INR320mn (similar to Q4FY25).

Employee expenses: Management attributed the decline in employee costs to increase in the year-end bonus, which is a variable cost in Q4FY25. Management stated that ESOP cost for Q1FY26 was INR16mn. Management aims to increase the headcount to 100 in this team in FY26.

SIF: Taken approval from the board for a new brand. Management sees product opportunities in fixed income, credit and long-short.

Net sales: Management informed that the company had seen positive net sales owing to improved investment performance and strong on-ground engagement by the sales team.

Funds: Management highlighted that they completed the first close of ABSL Structured Opportunities Credit Fund Series 2 and are also preparing for ABSL India Equity Innovation Fund. Under the GIFT City platform, it is in the process of raising funds for Flexi Cap and Bluechip funds.

SIP: SIP AUM is about INR840bn.

Liquid fund: Currently, ABSL handles around 9,000 corporates covering the large T8 cities driven by its extremely good engagement on ground. Management aims to expand this to 12 new cities, thereby expanding its coverage to T20 cities and corporates count to 12,000.

AU Small Finance

Management guidance

- **Loan growth**: The bank reiterated its growth aspiration at 2–2.5x nominal GDP. Key growth drivers include Wheels, Commercial Banking and Gold loans (each targeted to grow 20–25%). Mortgages are likely to pick up from 15% to 17–18% in FY26 and >20% beyond.
- **Margins**: NIM is likely to bottom out in Q2 and recover in H2. A full recovery may occur in FY27, supported by fixed-rate portfolio (~70% of book).
- **Credit cost**: FY26 credit cost revised upward to ~1% due to front-loaded stress; likely to normalise in FY27, especially with CGFMU-backed MFI disbursements.
- **RoA**: While no firm guidance was given for FY26, management reaffirmed the FY27 RoA target of 1.8%.
- **Cost-to-income ratio:** Likely to remain below 60%. FY25 ended at ~57%.

Yields and margins

- NIMs contracted sharply by 38 bps sequentially, declining from 5.8% in Q4FY25 to 5.4% in Q1FY26. The primary reasons included a 27bp drop in asset yields (from 14.4% to 14.1%), driven by the impact of repo rate cuts on the variable-rate book, lower yields in credit cards and a shift in asset mix.
- Treasury yields also fell 20–25bp due to a softening rate environment and profit booking while higher liquidity (including MF investments) dragged margins by an additional 10bp. These headwinds were partially offset by a 6bp reduction in cost of funds (from 7.14% to 7.08%).
- NIM will fall more in Q2FY26 and bottom out, with stability likely from Q3.

Credit cost and asset quality

- Credit costs remained elevated in Q1FY26, especially in unsecured portfolios. As a result, the bank has revised its FY26 credit cost guidance upward by 10–15bp, taking the expected credit cost to around 1% of average total assets.
- CE in MFI dropped to 98.3%, down from 98.7% in Q4, hurt by seasonality, regulatory headwinds such as the state ordinance in Karnataka and the implementation of the MFIN guardrails. The bank noted that this has delayed recovery expectations by a quarter.
- Operational interventions to improve CE include ramping up the collections team and securing disbursements under the CGFMU scheme. By end-Q1, over 50% of the MFI portfolio was covered under CGFMU, with 97% of incremental Q1 disbursements enjoying this protection.
- Given these headwinds, the bank has revised its full-year credit cost guidance for the MFI business upwards; from the earlier range of 3-4% to ~5%.
- Credit costs in the credit card segment remain elevated as well, having likely peaked in absolute terms during Q1. These were driven primarily by an identified risk pool, where the bank had already implemented credit limit reductions and other risk containment actions.
- While the bank anticipates credit costs to stay high in Q2, a normalisation trend is likely to emerge in the second half of the year.

- Leadership changes have been made — the former product head has now been placed in charge of the credit card vertical and the CEO, Mr Yogesh Jain, is directly overseeing the business. Management expressed confidence that this tighter governance, coupled with changes to acquisition, underwriting, and collection practices, will yield results going forward.

Deposit growth and liability strategy

- Deposits surged 31% YoY to INR1.27tn, nearly 3x the system growth. CASA grew 16% YoY, with current accounts rising 34% and savings accounts by 13%.
- The bank's cost of funds improved 6bp to 7.08%, aided by pricing cuts in SA (up to 100bp) and FDs (by 90bp), aligning with the easing rate cycle.
- Management emphasised its granular deposit strategy, with a focus on tailored offerings, improved customer engagement and deeper wallet share. The bank intends to open 70–80 new deposit branches, primarily in metro cities, in FY26.

Other key points

- Opex growth was controlled through productivity gains, reduced marketing spends and synergy benefits from the merger. Cost-to-assets fell to 3.9% in Q1 from 4.2% in Q4, partly driven by lower disbursements in the quarter.
- The bank is also working on credit card scorecard overhauls, new loan origination systems and other credit underwriting tools.

Axis Bank

Management guidance

- In the medium term, defined as a period of three to five years with FY26 as base year; Axis can grow 300bp faster than industry.
- The bank retained the structural NIM guidance of ~3.8%; management indicated ~25bp of margin impact due to repo rate cuts has already been absorbed till Q1FY26, with the balance expected to reflect in Q2FY26.
- The bank continues to maintain a tightly matched ALM profile (~15–18 months duration) enabling it to manage margin volatility across rate cycles.
- Management expects collections in the unsecured retail book to improve gradually; early signs of stabilization visible in credit cards while PL trends are improving, but being monitored till Q2FY26 before calling a peak.
- No visible stress is there in SME or corporate portfolios; flow of new slippages in wholesale and SME remains low. Credit costs are likely to normalise in FY27 as retail stress stabilises and technical impact phases out.
- No further changes anticipated in asset recognition/provisioning unless regulatory shifts occur.

Technical impact on asset quality

- The bank undertook a voluntary technical reclassification, mainly affecting retail cash credit (CC), overdrafts (OD), and OTS-linked loans. Management clarified this emerged from internal annual benchmarking.
- This led to a one-time impact of INR27bn on slippage.
- ~80% of impacted loans were secured
- The change also led to lower upgrades and recoveries, as stricter norms require full settlement before upgrades in OTS accounts.
- Management emphasised this was a one-time stock clean-up, done to harmonise asset classification policies with best-in-class practices; flow hereon will be more muted as the backlog is cleared.

Margins

- NIM for Q1FY26 was 3.80%, down 17bp QoQ/25bp YoY. Calculated yield on loans fell 27bp QoQ while reported CoF fell 11bp QoQ, driving margin compression. Sequentially 4bp of margin decline was on account of interest reversal and 13bp came from repricing.
- Management mentioned “inverted C” margin trajectory, with NIMs likely to dip due to full impact of repo cuts in Q2, but revert toward 3.8% as deposit repricing benefits flow in.
- Loan and investment share of total assets improved to 89%, versus 88% YoY.
- Low-yield RIDF bonds fell significantly YoY, now at 0.84% of assets versus 1.36% YoY, aiding structural NIM improvement.

Credit cost and asset quality

Q1FY26 conference call highlights

- GNPA and NNPA came in at 1.57% and 0.45%, respectively. Adjusted for technical impact, GNPA would be 1.41% and NNPA 0.36%.
- Gross slippages for the quarter were INR82bn; this includes INR27.09bn of technical slippages, primarily from CC/OD and OTS-linked accounts.
- Net slippages came in at INR60.53bn, with adjusted net slippages at INR41.92bn after excluding the technical impact.
- Collections improved QoQ across early delinquency buckets; management noted no stress build-up in SME or corporate books.

Bajaj Finserv

BAGIC

GWP: Excluding the tender-driven crop and government health businesses and adjusting for the 1/N accounting regulation, core business GWP grew at a healthy 15% YoY, which is higher than the industry's 14% YoY. This growth was driven by commercial lines (fire, marine, engineering, liability), motor insurance and retail health.

CoR: The reported combined ratio was 103.6%, almost flat compared with 103.7% in Q1FY25. However, after excluding the impact of the new 1/N accounting rule, the adjusted combined ratio stood at 102.5%, improving by 1.2%. The increase in reported combined ratio was due to higher acquisition costs as the company focused on preferred business segments, wherein commissions tend to be higher.

Underwriting loss: The company posted underwriting loss of INR1.16bn versus INR160mn in underwriting profit in Q1FY25. This deterioration was mainly due to the elevated acquisition expenses in high-quality retail and motor businesses.

Strategy: Management emphasised that BAGIC continues to operate with strong underwriting discipline despite intense price competition in the general insurance industry. The company avoids participating in tenders or crop insurance schemes that do not meet its profitability benchmarks, and is committed to maintaining a combined ratio near 100% over long term.

Motor TP: The company has seen improved growth in motor third-party (TP) business, gaining market share in both four-wheeler and two-wheeler segments. Loss ratios have improved in this segment, although management cautioned that quarterly fluctuations can occur and that performance should be evaluated on a full-year basis.

BALIC

APE: Management attributed the Q1 APE decline to a high base (+31% YoY in H1FY25) and a strategic revamp of the product portfolio in the wake of the revised surrender value norms. APE growth has moderated recently, but management expects top-line growth to resume from H2FY26. The focus remains on driving VNB growth, which is expected to outpace APE growth in FY26. The company has raised its average premium by INR 30–35k in the face-to-face (non-digital) channel, reflecting a 9% increase in ticket size.

VNB margin: Management attributed the improvement in VNB margin to a significant shift in the cost structure. Margins across all lines of business have been structurally enhanced through the addition of riders, improved operational efficiency and gains from operating leverage. Rider attachment rate is 17% across all businesses.

Product mix: Management stated that the decline in group business was driven by a slowdown in disbursals within the MFI segment. The MFI segment, which previously contributed one–third to the credit protection business, now accounts for only 20%.

Q1FY26 conference call highlights

Distribution channels: Management said that despite a 14.1% YoY decline in Q1, the agency channel has delivered a strong five-year CAGR of 25%. The channel remains focused on term plans and mid-market India, with ~30% of agency customers purchasing term insurance products. Management expects another three months of subdued growth. While the proprietary channel has traditionally focused on non-term products, it is now gradually shifting the focus towards term offerings as well.

Persistency: A dip in 13-month persistency was observed in line with industry trends, primarily due to a base effect. In Q1FY25, persistency benefited from higher-ticket size policies written in Q4FY24 driven by income tax changes—these policies had significantly stronger persistency, skewing the base.

Bandhan Bank

Retail term deposits gain momentum; CASA dips

- Retail term deposits (RTDs) stood at INR636.6bn, growing 12% QoQ/34% YoY on the back of the effective distribution channel of the bank. As of Q1FY26, all 4,400 branches of the bank have been enabled to offer RTDs.
- Management introduced the One-Bandhan campaign to grow deposits, which has garnered INR42bn in RTDs in the last 40 days.
- CASA deposits were INR483.3bn, down 13% QoQ /4.5% YoY, driven by Q1 seasonality, industry trends and a reduction in savings interest rate.
- The top five states for deposits are West Bengal, Maharashtra, Uttar Pradesh, Odisha, and NCR-Delhi, accounting for 66% of total deposits.
- Management expects the entire TD book to be repriced by Mar-26.

Retail push continues; EEB to stabilise in second half

- The bank continues to diversify its portfolio strategically with a strong focus on retail lending, particularly in secured loan segments suh as housing, gold, auto, CV & CE loans. The secured book constitutes 52% of total advances as of Q1FY26.
- Gross advances in Q1FY26 were INR1.34tn, growing 6.4% YoY/falling 2.5% QoQ, largely due to a contraction in the EEB book, driven by a strategic response to the recent risk environment.
- Management anticipates challenges in the EEB segment to continue in Q2FY26 and then start an improving trajectory in H2FY26.
- Management attributed the decline in disbursement in the EEB segment to Q1 seasonality and the implementation of recent MFI guardrails. Due to the guardrails, the overall industry rejection rate was around 16–18% for these customers, as they are more than 60 DPD and no one in the industry is lending to them.
- Currently, the Bandhan+3 borrower portfolio constitutes 5% of the book; management aspires to bring this portfolio down to below 2–3% in the next two quarters.
- In terms of regional concentration, West Bengal, Maharashtra, Gujarat, Madhya Pradesh, and Bihar collectively account for 58% of total gross advances.
- Management said that due to established players and limitations imposed by the guardrails, the bank is unable to grow disbursements in the states of Tamil Nadu and Karnataka
- Management guided that as monsoon ends and the festive season picks up, the bank should report a pickup in disbursements.

Yields, cost, and margins

- NIM for the quarter fell to 6.4% from 6.7% sequentially, primarily due to an increased proportion of secured loans, a reduction in the CD ratio, repo rate cuts, and continued stress from elevated slippages.
- To protect margins, the bank has reduced the cost of deposits by lowering interest rates on savings and term deposits.

- On account of repo rate cuts, the bank has so far passed on 25bp of cuts while 75bp will be passed on in the coming quarters. Thus, management expects margin compression in Q2FY26 and stabilisation H2FY26 onwards. Of the total book, around 52% is fixed-rate.

Asset quality and collection efficiency

- Slippages for the quarter were INR15.5bn, decreasing 11.4% QoQ. Gross slippages for the EEB segment were INR10.98bn versus INR13.49bn QoQ.
- Collection efficiency (including arrears) decreased to 108.3% in Q1FY26 from 109.5%, due to a procedural change related to the raising of collection demand on holidays. Earlier, such demand requests that fell on holidays were skipped and raised at the end of the respective quarter.
- SMA-0 for the overall EEB book rose to INR10.2bn versus INR8.6bn QoQ, also due to such procedural changes.
- Management maintains their credit cost guidance of 2.5% for FY26.

Bank of Baroda

Management guidance

- NIMs may come under pressure in the near term, but management is confident of maintaining FY26 NIM in the range of 2.85%–3%, helped by the strong liability profile and lower cost of deposits.
- The bank continues to target increasing the RAM portfolio share to 64–65% over the next two to three years, from 62.7% currently.

Yields and margins

- There was a reclassification during the quarter wherein interest received on income tax refunds, previously reported under 'Other Income', is now included under 'Interest Income'.
- As a result of this change, NIM for Q1FY26 was 2.91%. Excluding the impact of this reclassification, NIM would have been 2.81%. Similarly, the Q4FY25 NIM, now restated at 2.98%, would have been 2.86% under the earlier classification.
- Yields on assets fell 15bp QoQ. This was attributed to repricing of repo-linked loans as well as the ongoing reduction in MCLR and external benchmark-linked rates.
- Management noted that cost of funds is likely to reduce by 15–17bp over the next quarter as bulk deposits and retail term deposits reprice lower (nearly 70–80% of deposits shall fall due for repricing for the rest of the year).
- Management added that Q2 will also see some margin pressure, with recovery expected in H2FY26.

Loan book

- Corporate loan book grew 4.2% YoY. Low growth was attributed to industry-wide deleveraging of corporates with strong cash flow positions. The bank still aims to upsize this growth, targeting 9–10% book growth for FY26.
- The bank has also consciously pruned its corporate loan book, shedding low-margin assets, particularly some fine-pricing exposures including some AAA-rated or PSU-led loans yielding sub-6%.
- The loan book is linked to various benchmark rates with the mix comprising 45% MCLR-linked, 35% EBLR, 7% T-bill-linked, 6% G-sec-linked and 6% fixed-rate loans.

Asset quality and recoveries

- GNPA/NNPA both reported an uptick of 2bp sequentially, rising to 2.26%–2.28%/0.58%–0.60%.
- The bank emphasised that nearly all MSME loans are secured. Only a small proportion is unsecured, and those are backed by government guarantee schemes such as CGTMSE. New cash flow-based OD products are also being piloted for this segment, with careful risk frameworks.

- Total recoveries in Q1FY26 were lower on account of seasonal trends. The normal run-rate for recoveries from TWO is about INR7.5bn compared with INR6.34bn this quarter. The bank expects recovery levels to normalise over coming quarters and remains confident of surpassing its internally set target of INR100bn in total recoveries (including TWO) for the year.
- Overall slippages came in at INR34.76bn versus the normalised slippage rate of INR28–29bn. This was attributed to two reasons (explained in the next section).

Slippages – International account and PL

- An international exposure was restructured during covid and was later upgraded to standard after a year of good conduct. However, it continued showing weakness, periodically oscillating between SMA-1 and SMA-2 classifications.
- The account has now entered a resolution mechanism on an international forum. The resolution is expected within 210 days. A standstill condition is currently in effect under this process, under which the Indian regulations classify the account as NPA, but the international jurisdiction considers it under resolution and not yet impaired. We note that the RBI requires Indian banks to follow the stricter of domestic or overseas regulation for international loans. So BoB has complied with that requirement.
- The bank has made a 40% provision against the account as a prudent measure.
- There was an increase in slippage in the legacy PL loan book, amounting to INR1bn.

Other key points

- The bank booked INR22.26bn of treasury income in the quarter, taking advantage of OMO operations, which also led to a 4% QoQ fall in the HTM book.
- BoB expects one 25bp policy rate cut towards the end of CY26, but no immediate rate action in the near term.
- Provisions for employees posted an uptick this quarter (INR9.88bn) versus INR8.07bn earlier. This was attributed to a decline in discount rates used in actuarial provisioning. Management clarified that this may remain steady over the next three/four quarters depending on rate movements. Adequate provisions have also been made toward PLIs and AS-15 employee benefit obligations.
- Plans are also underway to open ~300 new branches (on top of 250 added in FY25).

BSE

Expenses: Regulatory fees and clearing & settlement costs comprised 48% of total operating expenses driven by increasing derivative volumes. A decrease in clearinghouse costs was attributed to larger contract sizes and more trading activity shifting to non-expiry days, improving cost efficiency. The decline in other expense was attributed to a one-off expense made in Q4FY25.

Common contract: BSE successfully implemented the Common Contract Note from June 27, 2025. Management emphasised this long-awaited reform enhances trading efficiency and is expected to encourage smart order routing across venues.

IPO: In Q1FY26, 21 companies listed on BSE's main and SME boards, raising INR142bn. The IPO market remained vibrant in July with 13 additional IPOs raising INR246bn. NSDL also listed in August on the BSE, marking a key milestone.

Other business: BSE rebranded Asia Index to BSE Index Services. It also launched seven new indices in FY26 YTD. The group remains committed to expanding businesses such as ICCL and India INX.

Colocation: BSE has 350 colocation racks (6KVA and 15KVA) with plans to add 140 more racks. Management estimates 75–80% utilisation, and expects INR120mn of colocation revenue for Q1.

Participation and expiry change: Retail investors contribute 25–26% to derivatives volumes while HFTs contribute 35%. BSE shifted its weekly expiry from Tuesday to Thursday based on market feedback, and management does not foresee a negative impact on premium realisation due to this change.

Capri Global Capital

Guidance

AUM

AUM guidance remains strong at a 30% CAGR over two–three years. In housing finance, demand remains resilient driven by urbanisation, income formalisation and housing upgrades, further supported by the PMAY subsidy.

RoA and RoE

FY26 RoE guidance is 13.5–14%, improving to 16–17% in FY27E driven by stronger fee income and operating leverage, with RoA expected to reach ~4%.

Product mix

By segment, gold loans will form 37–40% of AUM, MSME and housing 20–22% each, and construction finance 17–18% for FY26E/27E.

Credit cost

During Q1, the company benefited from a one-time INR150mn reversal of provision, lowering the reported cost-to-income ratio to 46.5%. Adjusted for this, it would have been 49%. Credit costs were elevated due to INR240mn Stage 1 provisioning, INR220mn provisioning in MSME and housing (Stage 2), and one INR160mn construction finance account slipping into NPA, for which an INR80mn provision was created. However, a write-back of INR70mn from past recoveries partly offset this. Management highlighted that Q1 typically sees higher credit costs, which are expected to moderate from Q2. FY26 credit cost is expected to remain below 70bp.

GNPA/NNPA

GNPA/NNPA is guided to stay below 2%/1.2%. The company has 520 employees in collections. The MSME segment remains fully collateralised with 55% LTV and 97% collection efficiency. Resolution of old NPAs will be a key focus and is being pursued through property sales.

Branch expansion

Expansion of 150–200 branches is planned in FY26E, mainly across Tamil Nadu, Andhra Pradesh, Karnataka, Telangana and Odisha. Without this expansion, cost-to-income would have been 46–47%; with it, the FY26 guidance stands at ~50%, supporting a 3.5%+ RoA.

Co-lending AUM and new subsidiaries incorporation

Co-lending AUM is likely to comprise 18–20% of total AUM with fee income in the range of 25–30% for FY26. Two new entities have been incorporated—one for investment banking in debt capital markets and another for sales and distribution of the debt placement at the institutional level. These will be low-capital ventures, with a ten-member team to be expanded gradually.

QIP completion

The company successfully completed INR20bn QIP in Q1FY26 to scale up core lending segments and enhance technology capabilities, including investments in generative AI and data science.

NCDs raised and borrowing cost

The company raised INR1.5bn in NCDs at 9–9.25% and received board approval for an INR10bn public NCD issue. Management expects borrowing costs to decrease by 40–50bp by end-FY26E, with MCLR resets and a larger share of NCDs/CPs over the next 12 months reducing incremental costs by 25–30bp.

CDSL

Annual issuer charges: Comprises INR63.9mn from unlisted company for Q1FY26. This is inclusive of one-time application fee of INR52.3mn. In FY25, this application fee was INR197.5mn while unlisted companies paid a fee of INR170mn. Management noted that income from unlisted issuers is lumpy and depends on the number of companies opting for demat conversion each quarter. Management said the average folios charged in FY25 totalled to 332.6mn. New issuers joining in the current year pay proportionate fees, and their contribution is factored into revenue in subsequent years.

Unlisted companies dematerialisation: CDSL admitted 3,486 new unlisted companies this quarter and has over 20,000 unlisted entities outstanding. The number is dynamic as companies become eligible based on various conditions (e.g. capital raising and transfer requirements), which are not constant across time.

Transaction charges: Pledge income- INR50.5mn.

IPO/corporate action charges: Management explained that the revenue from IPO depends on the number of applications filed rather than the actual listing of companies. Furthermore, the revenue from this segment will be market-driven and, hence, cannot be estimated accurately. However, due to fewer IPOs, corporate action had a bigger share than previous quarters in this bucket.

Online data charges: Management clarified that account opening declined due to lower demat addition. Furthermore, the proportion of fetch-to-new record creation is 85/15.

Other income: Q1FY26: E-voting: INR65mn; E sign and EKYC- INR 45mn; CAS income: INR130mn, and miscellaneous income of INR70mn. Investment income at INR350mn.

Employee expense: Employee expenses increased sharply during the quarter due to performance-related variable payouts and increased hiring to strengthen critical verticals such as IT, operations, compliance, and business functions. Management emphasised this is part of a long-term strategy to build a resilient and sophisticated infrastructure, aligned with regulatory guidance.

Technology expenses: Technology spending remained elevated and was directed toward infrastructure, applications, security, and networks. This includes developing new platforms, enhancing system efficiency, and enabling superior service delivery. Management clarified that tech expenses shall remain in constant evolution to support scalability and innovation, not a one-time or tapering cost.

Tax rate: A higher effective tax rate in Q1 was due to dividend receipts from subsidiaries, which, under accounting norms, increased the deferred tax liability at the consolidated level.

3-in-1 account: CDSL has built the necessary APIs and technological capability to support 3-in-1 accounts (bank + demat + trading), particularly to support ASBA-based systems and discount brokers.

CAMS

Yield: The company confirmed that 90% of the large account's pricing reset has already been factored in Q4FY25 and Q1FY26. Consequently, there should be only marginal yield pressure in the coming quarters. Management expects 3–3.5% annual yield depletion going forward, largely due to telescopic pricing and no significant renegotiations being expected this year. In FY27, there could be one–two clients for repricing towards the end.

MF RTA: Three of the seven recently won AMCs have gone live, including Jio BlackRock, which saw the largest-ever NFO at INR18bn. The remaining four are likely to go live over the next three–six months. Furthermore, CAMS onboarded its first international client in asset management from Sri Lanka (CeyBank).

Non-MF business outlook: CAMS reaffirmed its goal of achieving 25% YoY revenue growth in non-MF segments. Management believes overall margins in non-MF can expand from the current quarter ~12% as loss-making segments such as account aggregator, insurance, and analytics move toward profitability.

CAMSPAY: CAMSPay grew 26% YoY despite a sequential decline due to seasonal drops in insurance volumes and slower migration of mandates from a large MF distributor. The card payment gateway is now live and likely to contribute meaningfully. CAMS expects to scale up the business to INR700mn in FY26, with non-MF clients forming 45–50% of this revenue.

AIF: The AIF platform added 24 new logos and 50 new mandates with three new Gift City clients. Overall AIF assets crossed INR2.7tn. Management guided for 15% annual growth in this business and aims to maintain a 50%-plus market share.

CAMS Repository: The insurance business posted 25% YoY policy growth, driven by increasing consumer preference for digital policies. LIC, which signed up in March, is expected to go live by September–October, which should add further momentum. Management sees this segment turning profitable soon.

CAMSKRA: CAMS acquired NSEDAL's KRA business, adding 1.3mn KYC records to its base. This will be revenue accretive with negligible incremental costs. The KYC revenue split is 70% from AMCs and 30% from brokers.

Think 360: Think360 secured a paid proof-of-concept contract with a US health-tech firm and is approaching break-even. Management expects sustained revenue with upside potential, contributing positively to non-MF business profitability by year-end.

Margins: Operating cost increase was contained at under 11% YoY, including depreciation. Despite salary increments and AMC contract renewals in Q1, CAMS aims to keep cost inflation at 10–11% YoY for FY26. Management expects EBITDA margins to normalise to 45%-plus in coming quarters.

Capex and dep: The cloud platform development is progressing well with over 150 engineers hired. Capex for FY26 is likely at INR600mn (maintenance) plus INR1bn for architecture. The project has cumulatively reported INR500mn investment so far, with expected total cost at INR4.5–5.0bn. Depreciation impact from FY27 will be moderate (INR150–200mn annual increment) and benefits in productivity, accuracy, and operational efficiency are expected to support long-term margin improvement.

Non-MF business expense: Management clarified that the sequential dip in non-asset-based revenues during the quarter was primarily due to a reduction in NFO-related revenues and a drop in operating expense reimbursements (OPE). NFO fees were lower as there were fewer new fund offerings in Q1FY26 compared with Q4FY25. However, with more NFOs expected in Q2, this revenue line should improve. The decline in OPE revenue was largely because of fewer special audits, lower mail traffic, and the absence of bulk stationery purchases that had occurred in the previous quarter. Management emphasised that there was no structural issue in non-MF revenue; the QoQ blip was due to normal quarter-specific variations and not a sign of weakness in the underlying business.

JioBlackrock impact: Management clarified that while Jio BlackRock and other newly launched AMCs typically start with smaller fee arrangements, there has been no aggressive underpricing in these deals. CAMS noted that it did not offer any large price concessions to win these accounts. It generally takes four–five years to scale up meaningfully. Hence, its contribution to CAMS' revenues and impact on yield shall remain limited in the near term. Even though Jio BlackRock garnered INR18bn via NFO, such clients currently represent less than 2% of CAMS' AUM. Hence, any yield compression from these accounts is immaterial at this stage.

Cholamandalam Investment and Finance

Management guidance

- AUM growth guidance of 20–25% was maintained though the lower end (20%) appears more likely if a macro recovery lags. VF AUM growth is likely to stay at 18%, whereas HL AUM is likely to grow 30%.
- FY26 disbursement growth is guided at ~10%, with VF disbursements likely to grow 10–12% and HL disbursements about 10%.
- NIM is expected to improve 12–15bp, driven by ~20bp reduction in CoF through repo and EBLR-linked borrowings, partially offset by yield compression (5–8bp) on floating-rate loans.
- Credit cost guidance retained at 1.4–1.5% of assets for FY26. H2FY26 is likely to report a meaningful improvement, assuming a better festive and rural demand post-monsoon.
- The company termed FY26 a "year of collection" rather than disbursement with sharper focus on improving first-bucket recoveries and roll-forward rates.

Loans and disbursements

- Q1FY26 disbursements were INR243.25bn with growth muted due to changes in home registration processes, an early monsoon and the strategic exit from FinTech-led CSEL originations.
- Despite these challenges, CIFC outperformed the broader auto industry. For instance, while HCV volumes decreased 6% (SIAM) and CIFC posted 9% growth. In SCVs, CIFC recorded a minor 1% fall versus industry's -12%; similarly, in two-wheelers, CIFC expanded 16% versus industry decrease of 6%. Tractor disbursements remained flat due to intense price competition wherein CIFC chose to protect margins.
- This outperformance was supported by deeper OEM partnerships, tighter underwriting and a strong dealer-level engagement, helping gain market share without compromising asset quality.
- The gold loan business was launched during the quarter. As on June 2025, 73 standalone branches were opened, primarily in urban markets — resulting in a shift in branch mix for the first time in eight–nine years. Initial traction has been promising. Disbursements were entirely to new-to-franchise customers (not cross-sold to existing VF borrowers).

Yield, cost and margins

- CoF benefits from repo rate cuts are likely to flow into EBLR-linked loans from Q2FY26E and MCLR-linked loans from Q3FY26E.
- No immediate pass-through is expected on the fixed-rate loan portfolio.
- The INR20bn CCD-to-equity conversion is likely to have only a marginal impact on leverage or NIMs given the scale of total borrowings (~INR1.75tn).

Opex

- Cost-to-AUM improved to 2.9% in Q1FY26 from 3% in Q1FY25 despite gold loan branch openings.
- Despite investments in new businesses (gold loans and durables), opex is guided at 3–3.1% of average assets, supported by productivity improvements.
- Opex is likely to rise slightly in Q2FY26E due to annual employee appraisals and pay hikes (typically effective in July).

Asset quality

- Stage 3 assets rose to 3.16% in Q1FY26 from 2.81% in Q4FY25 due to an early monsoon disrupting vehicle utilisation, stress in the auto and consumer segments, and typical seasonal slippages.
- Credit costs rose to 1.8% versus FY25 average of 1.4%, largely driven by rural macro weakness and monsoon-related disruption. However, LGD remained steady at 32–35%. These were indicated as temporary and not structural in nature.
- The FinTech-originated CSEL book, which continues to see elevated NCLs, has been completely exited. Credit costs from this segment are expected to decline materially beginning Q4FY26E.
- Within the CSEL unsecured book, higher stress was observed among customers with multiple loans. About 5% of the INR70bn CSEL business loan book was flagged as high-risk. In response, CIFC had begun tightening credit filters and reducing repeat loan sizes from Q3–Q4FY25 itself.

Federal Bank

Commentary on loan book

- Given retail restructuring is mostly complete and with the upcoming festive season, management expects loan growth to pick up and has guided for loan growth at 1.2x of nominal.
- Gold loans for the quarter were INR313bn, growing 14.0% YoY/2.5% QoQ, mainly led by the recent change in regulatory guidelines.
- In home loan and corporate banking segments, the bank is focusing on prioritising customers with broader revenue opportunities rather than competing on rates.
- Management said the card segment is showing balanced growth with a healthy mix of organic and co-branded cards while they are waiting for the environment to stabilise in personal loans to increase the pace of growth.
- Phase one of tech developments is complete with corporate and commercial credit underwriting now being online.
- Around 20% of the MFI portfolio is from Karnataka, which was hurt by the state ordinance.
- CV/CE segments clocked marginally higher, but not alarming stress in the current quarter; to counter this, the bank will focus on the more premium retail customers.
- Amid recent SME concerns, management said around 30% of the business banking book is contributed by Kerala and does not show any abnormal signs of stress. However, the bank remains cautious and expects to grow this book at a slower pace.
- The bank is shifting its car loan segment from a floating to a fixed rate to reduce the EBLR portion of the asset book. Currently, 48% of the book is EBLR-linked, with further scope for reduction.

Deposits

- CASA ratio for the quarter was 30.35% versus 30.23% QoQ/29.27% YoY. The bank is aiming to improve turnaround time with a focus on further improving the ratio with priority being current accounts. Currently, more than half the weightage in KRA is for liabilities.
- The current account acquisition run rate reported a 50% higher rate compared with previous periods.

Yields, cost and margins

- NIM for the quarter decreased to 2.94% from 3.12% sequentially due to rate cuts and the fast T+1 repricing policy of the bank. Management expects NIM to decline 5–10bp and bottom out in Q2FY26.
- Due to higher slippages leading to interest derecognition, NIMs for the current quarter were hurt by 4–5bp.
- Yields are likely to benefit from a steady improvement in asset mix towards medium yields as gold and retail products gain traction.

- The major focus of the bank is on improving CASA, with priority on the current accounts and driving better yield by changing the asset mix.

Asset quality and credit cost

- Provisions for the quarter were high due to higher slippages in the agri-MFI segment.
- Management guided credit cost to be at 55bp for FY26.
- Management explained that slippages in the agri-MFI segment have peaked in May-25, and they are seeing an improvement in June and July, with improving trends in the SMA book and collection efficiency. As provisions get hurt with some lag, some impact on credit cost would be seen in the current quarter.
- Other than agri-MFI, the bank is seeing a slight uptick in stress in business banking, but management claimed that it is not an alarming increase.

P&L highlights

- Non-interest income, including fees, grew 21.7% YoY/10.6% QoQ due to management's efforts to improve fee income and build a transaction banking team to grow trade and forex income. Management aspires to grow non-interest income at current levels hereon with benefits from PSLC income likely in the coming quarters.
- With continued focus on tech and expansion, the bank would stay in investment mode and expects the cost-to-income ratio to remain at mid-50% levels.
- RoA for the quarter was 1.00% versus 1.24% QoQ. Management said the RoA has bottomed out.

Five-Star Business Finance

Management guidance

- CEO Rangarajan Krishnan would be stepping down to pursue entrepreneurial ambitions. Chairman and MD Lakshmipathy Deenadayalan would assume full operational control backed by a strong second-line leadership team. The board would revisit succession planning after Mar-26.
- Management maintained their full-year FY26 outlook despite the subdued start to the year. The company continues to target 25% AUM growth.
- FY26 PAT growth is guided at 12–15%, aided by continued cost discipline.
- Credit cost guidance has been revised upward to 1.2–1.25% for FY26, reflecting elevated provisioning needs in Q1 from the below INR0.3mn book and geographies such as Karnataka and Andhra Pradesh.

Loan book

- The company has tweaked its disbursal strategy. Loans below INR0.3mn would be gradually wound down (currently ~30% of book), with fresh originations focused on the INR0.5–1mn segment (targeted to rise to ~20–25% of the book). However, the INR0.3–0.5mn ticket range remains the preferred segment.
- AUM growth was subdued in Q1, rising only 5% QoQ/20% YoY, largely due to a strategic slowdown in disbursements (down 2% YoY/12% QoQ) amid stress and a management-led pivot towards collection over expansion.

Yields and costs

- The yield on the portfolio decreased 19bp QoQ to 23.51%, following a 200bp drop in incremental lending rates since November last year, reflecting the company's move toward better-rated borrowers and risk-based pricing aligned with customer financial literacy.
- The incremental cost of borrowing dropped 70bp QoQ to 8.59%, aided by the RBI's repo rate cut and lower quantum of borrowings in Q1. The full-year cost of funds is likely to hover around 8.75%.

Credit cost and asset quality

- Notable stress was reported during Q1FY26, particularly in the below INR0.3mn loan segment and in geographies exposed to microfinance and personal loans. The company attributed this pressure to systemic over-leverage among low-income borrowers, compounded by limited financial literacy.
- Karnataka was specifically affected by the ordinance passed earlier in the year while Andhra Pradesh showed stress in small-ticket segments due to riskier customer cohorts and prior exposure to unsecured lending.
- Credit costs for the quarter increased to 1.3% (up from 0.7%), prompting the company to revise full-year credit cost guidance to 1.2–1.25%. Management does not expect this number to rise further and anticipates a reduction in H2FY26 driven by improved collection efforts and MFIN guardrails.
- Five-Star has bolstered its legal recovery infrastructure. Over 100 advocates are on the payroll and it aims to recover INR700–800mn in NPAs this fiscal. Collections in July were reported to be stronger than April, suggesting early signs of stabilisation.

- The company has strengthened its collections apparatus by hiring 200 new officers in stressed geographies such as Karnataka and Andhra Pradesh, bringing total field collection strength to ~2,000 officers. A clear division has been implemented: business teams now only handle current accounts while a dedicated recovery team manages DPD accounts.
- Underwriting norms have been tightened with lower emphasis on income from volatile sources such as agriculture and seasonal labour and greater scrutiny of households in the same occupation. Higher-quality and financially aware customers are now being targeted with ongoing data scrubs to filter out over-leveraged profiles.

Branches

- Despite asset quality issues, the company has not decelerated investment in physical infrastructure and splitting of branches. Total 19 branches have been opened in Q1, bringing the total up to 767 branches.

HDFC AMC

Yields: Indicative asset class yields – equity: 58–59bp, debt: 27–28bp, liquid 12–13bp, and overall blended yield 46bp.

Increase in equity yield

Management attributed the YoY improvement in equity yields to last year's distributor expense rationalisation. Yields remained largely stable QoQ, with minor variations driven by product mix changes.

ESOPs

On June 20, 2025, the NRC approved a new scheme comprising 1.04mn ESOP options and 0.23mn performance-linked stock units (PSUs). Vesting for ESOPs will be staggered—10% in year 1, 20% in year 2, 30% in year 3, and 40% in year 4. PSUs will vest 30% in year 3 and 70% in year 4 subject to defined performance criteria. The company provided estimated non-cash expenses (based on Black-Scholes valuation) for the new scheme: FY26: INR560 mn FY27: INR630 mn FY28: INR510 mn FY29: INR320 mn and FY30: INR60 mn.

Furthermore, residual expenses from earlier schemes amount to INR110mn in FY26 and INR30mn in FY27. The company clarified this is a one-time non-cash accounting impact.

New asset class

The company has received SEBI approval to launch a Specialized Investment Fund (SIF) and is currently developing offerings aligned with its investment expertise and risk management framework. Management noted that the SIF team will comprise a mix of in-house and external talent.

Net inflows market share

Management highlighted that the company continues to capture a higher share of industry flows relative to its current AUM market share. Market share remains strong across all distribution channels—national distributors, mutual fund distributors, fintech platforms, and direct investors. The company continues to see healthy inflows in both lump sum and SIP segments. Flow market share in the equity asset class also remains resilient.

Debt fund and liquid fund

On the growth in debt and liquidity funds, management noted that the RBI's recent liquidity-boosting measures—such as CRR reduction and rate cuts—have been supportive. They remain constructive on the outlook for debt fund growth. The company already offers best-in-class products in this segment and currently has no new funds in the pipeline. On the debt front, management noted that long-term debt funds saw strong traction last year while demand shifted towards short-term debt funds in the most recent quarter.

New product pipeline

Regarding the overall new product pipeline, management said that the current product suite is already well-diversified. The company is present across nearly all categories permitted by the regulator, including sectoral and thematic segments.

Distribution channel

On the decline in HDFC Bank's share of equity and total AUM, management attributed it to faster growth in other channels—particularly fintech platforms, which have gained strong traction in SIPs.

Other income

- Other income surged 34% YoY, driven by mark-to-market gains on both equity and debt portfolios.

HDFC Bank

Loans and deposits

- The bank's average deposits grew 5% QoQ/16% YoY and it continues to gain market share while average AUM growth was slower at 2% QoQ/8% YoY, in line with the bank's objective to bring down the CD ratio from pre-merger levels of 110%.
- Management is confident of growing advances at the system growth rate in FY26 and higher than the system in FY27.
- Due to a visible breather in the CD ratio and good liquidity in the industry, the bank shall focus on improving its low-cost deposit franchise over the coming quarters.
- In the medium term, management aspires to achieve a CD ratio close to pre-merger levels of 87–88%.
- Management said the upcoming festive season and good monsoon would be triggers for urban and rural demand for the bank. They are already seeing positive inquiries from rural areas.
- Management expects the MSME segment to continue growing due to a visible recovery in exports despite uncertainties in the tariff environment.
- Loans for working capital may report traction due to the benign interest rate environment and increased liquidity in the system.

Retail mortgages; avoiding price war

- The bank is facing intense competition from PSUs on the mortgage front due to which disbursal growth in mortgages is consciously lower.
- PSUs charge interest rates in the range of 7–7.3% while HDFC Bank charges 50–80bp higher as it offers better services than PSUs.
- Management does not want to participate in a rate war, but aims to grow this segment by leveraging the bank's brand value and optimising processing costs.

Yields, costs and margins

- Management said margins could report some quarterly fluctuations with the current rate cut cycle acting as a headwind and creating a lead-lag impact as ~70% of advances are floating in nature while deposits take longer to reflect rate cuts. However, management expects margins to stabilise over the long term.
- The 50bp rate cut in June is not yet priced in as it typically takes one–three months for the impact to be reflected.
- As the bank has a significant portion of term deposits in the 12–18 months range, the full impact of the rate cut on the CoF shall take a few quarters to play out.

Asset quality and credit costs

- Excluding the contingent provision of INR17bn and the floating provision of INR90bn, credit cost for the quarter was 56bp versus 48bps sequentially. The increase in credit cost is attributable to Q1 seasonality.
- Management noted that credit costs have remained benign over the past few quarters, but are likely to revert to the mean at some point.

- As GNPL in the retail segment remains stable at 0.8% sequentially, management does not see any stress building up in segments such as credit cards or personal loans.

Other highlights

- On concerns regarding customer base overlap with HDB Financials, management explained that the customer base catered to by HDB is a notch or two below that of the bank. The bank sees enough opportunities to penetrate its own segment and the overlap is likely to be minimal.
- Employee addition during the quarter was on the higher side with the addition of 4,301 employees, mainly due to new branches opened in Q4FY25 being staffed in Q1FY26. Hiring was also partially elevated due to recruitment on the technology side as the bank plans to launch various new tech initiatives to be announced over the next few months.
- Fee income for the quarter was INR75.7bn, up 7.7% YoY/down 11% QoQ as the bank did not report significant contributions from third-party distribution fees. Despite this, management remains optimistic and expects strong growth on a full-year basis.

HDFC Life Insurance

Growth outlook

Management said APE growth in Q1FY26 was in line with expectations. As the year progresses, growth is likely to be driven by both an increase in average ticket size and the number of policies (NOP). They indicated H2FY26 growth should outpace H1FY26's given the high base effect from H1FY25 (25.2% YoY growth). Management said growth shall be lower than 18–20% growth in FY25. While NOP growth was weak in Q1, the two-year CAGR is 10%. Management expects a recovery in NOP growth going forward. The company had consciously slowed growth in the lower ticket size segment due to profitability considerations while NOP in the above INR0.1mn segment has seen steady growth.

VNB margin

Management indicated that a 30bp drag from revised surrender norms, investments in proprietary channels and Project Inspire was offset by a better product mix. Despite a 1,600bp shift from non-PAR to PAR savings, VNB margin rose 7bp YoY to 25.1% aided by rider attachment, longer-tenure products and improved pricing. Margins are likely to remain range-bound in FY26, with potential expansion over three–five years. A 60bp negative impact from lower volumes YoY may normalise as the year progresses. The company aims to grow VNB in line with top line in FY26.

Product mix

ULIP

Management noted that ULIP performed well in Q1FY26 supported by the market recovery. While product designs evolve with changing customer preferences, there have been no recent changes in the ULIP product structure.

PAR and NPAR

The company also noted that the margin differential between ULIP and PAR products is narrowing driven by high sum assured product sales and stronger persistency. NPAR sales moderated temporarily as the company stayed away from irrational pricing. However, with improving yields, management expects a rebound. The share of NPAR has decreased while PAR has increased, but NPAR is likely to recover and end up in the mid-20% range by end-FY26. PAR mix may moderate slightly, but is expected to remain above 25%.

Retail protection

Retail protection business grew 19% YoY in APE terms. All three recently launched retail products—Ultimate, Super and Elite Plus—have performed well. The company continuously redesigns offerings based on customer risk appetite and experience, and some of the newer products have effectively addressed these evolving needs.

Group protection

Management noted that the pace of decline in MFI has eased among larger partners due to a more stable regulatory environment and a favourable base effect. The downward trend in MFI volumes was more than offset by growth in the non-MFI segment. This growth came from both expanding existing partner relationships into new business lines and on-boarding new partners.

Distribution channels

Agency

Agent addition remained strong with 23,000 agents on-boarded in Q1FY26. The company is investing in technology and training to enhance ground-level monitoring and agent lifecycle management. These initiatives are likely to support higher volumes without proportionate headcount increases while maintaining a focus on branch-level profitability. Management expects the agency channel to outpace other channels driven by continued investments in its development.

Banca

- The product mix with non-HDFC Bank bancassurance partners is currently slightly better than that with HDFC Bank. However, digital integration benefits with HDFC Bank are likely to start flowing in from Q2FY26, which should help improve the product mix there. Currently, protection products account for 3–4% of the mix and management is focused on increasing this share within the bancassurance channel. Counter share expansion within HDFC Bank took place in H1FY25 and has now stabilised. Going forward, growth from this channel will largely mirror HDFC Bank's own growth trajectory.

ICICI Bank

Guidance

- Management reiterated their strategic focus on delivering risk-calibrated, profitable growth while maintaining a strong balance sheet and healthy capital levels.
- Business banking segment is likely to outpace the broader loan book, supported by strong distribution, digital integration and disciplined portfolio monitoring.
- Compared with Q1FY26, the transmission impact of repo rate cuts on EBLR-linked loans is likely to be higher in Q2FY26. This would be partially offset by the reduction in SA interest rates in May and June along with the gradual repricing of term deposits.
- PL and CC segments remain areas of focus with improvement anticipated in the coming quarters.

Loans

- Share of AA- and above loans decreased to 33.1% versus 35.9% in Q4FY25 due to lower demand, tight liquidity and intense pricing competition. In contrast, the share of BBB and below-rated exposures rose to 26% versus 24.1% in Q4FY25. These exposures are managed within tight internal limits and the bank remains comfortable with the current risk-reward dynamics.
- The business banking portfolio increased 3.7% QoQ/29.7% YoY, led by wide distribution, strong digital capabilities and robust credit monitoring.

Yield, cost and margin

- NIMs decreased 7bp QoQ to 4.34% versus 4.41% in Q4FY25. From Q1FY26, the bank revised its computation methodology for NIM and return ratios from actual days to a month-based convention to reduce seasonal volatility; the impact on Q1FY26 figures was negligible.
- Core NIM fell 4bp QoQ, less than the 7bp decline in reported NIM.
- Interest income on tax refunds contributed ~7bp to NIM in Q1FY26 versus 2bp in Q4FY25.
- The full impact of the 50bp repo rate cut in June would flow through in Q2FY26.
- Cost of deposits fell to 4.85% from 5% in Q4FY25, supported by a 25bp SA rate cut in April, further rate action in May on high-value deposits and the gradual runoff of high-cost wholesale deposits, aided by strong CASA and liquidity.

Asset quality

- Gross slippages in the quarter were INR62.45bn versus INR51.42bn in Q4FY25. KCC-related slippages were higher at INR7.67bn due to seasonal factors.

Others highlights

- Technology expenses accounted for 10.7% of operating expenses in Q1FY26.
- Dividend income from subsidiaries in Q1FY26 was INR13.36bn versus INR8.94bn in Q1FY25, mainly driven by higher payouts from ICICI Securities, ICICI AMC and ICICI General.

ICICI Lombard GI

Motor Insurance: Up 3.2% YoY, below industry growth of 8.7%. Management cited continued pricing pressure and competitive intensity, particularly in commercial vehicles, leading to cautious underwriting. Market share though remains stable at 10.5%. Management emphasised that industry CoR worsened largely due to motor line of business to 123.7% for FY25 versus 118.5% in FY24.

Health Insurance: Overall health segment grew 1.9%, again below industry. However, within retail health, it posted strong 32.2% growth YoY led by new product innovations and expanded distribution, rising market share from 2.9% to 3.5%. Group health, in contrast, fell 2.5% attributed to muted credit disbursement and accounting changes. Loss ratio for corporate health in Q1FY26 was 95.7% (versus 97.9% in Q1FY25) and retail indemnity at 74.3% (versus 72.5%). Management attributed the rise in loss ratio in retail to higher severity and frequency.

Commercial Lines: ICICIGI grew 6.8% versus industry growth of 13%. The company emphasised profitability over market share, particularly in pricing-sensitive segments. Leadership was retained in engineering and marine cargo lines.

Fire: The company stated that a large portion of fire insurance renewals and new bookings typically happens in the first quarter as it is the start of the financial year for many large corporates. In FY25, the fire segment logged aggressive pricing and deep discounting across the industry, leading to unsustainable underwriting. Management mentioned that competitive pricing pressure began easing in Q1FY26.

Digital initiative: The "One IL One Team" initiative led to measurable efficiency gains, including a 78% uptick in call centre productivity and reduction in headcount. Digital engagement also increased significantly, with 38% of services now handled digitally (up from 22%) and the IL TakeCare app surpassing 16.6mn downloads. Motor claims efficiency improved, and the IL Sahayak health claims support initiative served over 28,000 customers in the quarter, up from 8,000 a year ago.

Air India crash: The recent tragic Air India crash was mentioned with the company confirming it has already accounted for potential net claim impact in Q1 results. The specific contribution to the combined ratio from this event was not disclosed though management affirmed it was within manageable levels.

Pricing: Industry anticipation is there of a TP motor insurance price hike, which has been stagnant for nearly four years. The company is factoring in the current pricing environment into its underwriting strategy, but believes a hike would benefit the sector. On the health side, the adoption of 1/n accounting and commission changes initially disrupted long-term policy sourcing, but now these practices have largely stabilised across the industry.

Competition: Management acknowledged rising competitive intensity, particularly from PSU insurers with many private players still exceeding IRDAI's mandated expense ratios (EOM). While aggressive pricing from some insurers has pressurised the market, ICICIGI emphasised patience and selective participation to protect profitability. Historical data shows the company has grown profitably over longer cycles despite a lower top line CAGR than the industry.

- **Outlook**: Management remains cautiously optimistic about the coming quarters. They expect continued strength in retail health, a potential recovery in motor if pricing normalises and selective participation in commercial lines based on prudent risk assessment. Crop insurance is likely to stay flat due to limited bidding opportunities this year.

ICICI Prudential Life

Growth

Management highlighted that the strong base effect (+35% YoY) hurt Q1FY26 APE growth. In terms of linked products, while markets have recovered post volatility, customer demand for ULIPs tends to lag such recovery. Management believes that as capital markets stabilise further, demand for ULIPs shall pick up. The company remains focused on building top-line growth, which will support sustainable VNB.

VNB margins

An improvement in VNB margins was attributed to a shift in product mix toward non-linked and protection segments and to ongoing cost control efforts. Management emphasised that higher sum assured, rider attachment and longer-tenure products are likely to support margin expansion in the medium term. While refraining from giving explicit margin guidance, it said the focus shall remain on growing absolute VNB.

Distribution channels

Proprietary channel

In the proprietary channel, management termed the 15.4% YoY decline as transitory and reiterated its commitment to continued investments in this channel.

Agency channel

The agency channel witnessed a sharp 19.4% YoY decline in Q1FY26, primarily due to a high base effect — Q1FY25 saw 61.6% growth amid buoyant markets — and lower ULIP sales, which constitute a significant portion of agency volumes. However, management affirmed that agency will continue to be a priority channel.

Bancassurance channel

In the bancassurance channel, ICICI Bank contributes about 50% of bancassurance and 15% of the overall business. Weakness in ULIP sales hurt the channel's overall performance.

Product performance

ULIPs

ULIP demand remained muted in Q1FY26; while management expects an eventual recovery, no near-term pickup is visible yet. It was clarified that any riders attached to main products are included within the main product classification.

PAR products

PAR products, particularly those with guarantee and liquidity features, continue to grow well.

Protection

Retail protection growth remained steady, supported by the recent launch of "iProtect Smart Plus," which provides customers greater premium payment flexibility. Group protection remained granular and stable, with Group Term performing well, although credit life was flat due to a decline in the MFI segment offset by growth in non-MFI.

Annuity

Annuity sales decreased due to a high base (+1.4x YoY in Q1FY25), but management continues to prioritise this segment, particularly single-premium annuity products. New guaranteed offerings targeting the 50–60 age group saw good traction, helped by a decline in FD rates, which makes annuities more attractive due to their income regularity as per the management.

Non-PAR segments

In the non-PAR segment, improved customer preferences drove higher volumes, and the current PAR/NPAR mix stands balanced at 50:50.

Others

Cost

Cost management continues to be effective, with expenses in both PAR and NPAR segments maintained within EOM regulatory guidelines. Management said its cost control initiatives are aligned to products mix, which the company sells. ICICI Prudential Life shall follow which products are in demand and then accordingly change cost as per the product.

Persistency

- Management explained that the decline in long-term persistency (61st month) was primarily due to the large proportion of the portfolio consisting of unit-linked products, which offer a cover continuance feature. This means that the policy cover continues even if policyholders fail to make premium payments, which adversely impacted persistency. The drop in 13th-month persistency was explained by the high retention in Mar-23 due to tax changes; this caused a temporary spike in Jun-24 (89.7%), which has now normalised to 86%.

IDFC First Bank

Loans and deposits

- Management does not see any material stress developing in the MSME segment despite industry-wide concerns.
- The CD ratio for the quarter was 95%; management is confident of bringing it down to early 90% levels by end-FY26 and to 80% by next year.
- Management aspires to grow MFI at the industry pace once this book bottoms around INR75bn.
- Current accounts contribute 15% to the total CASA mix, which is lower than industry levels; management aspires to grow this to industry levels over time.
- The standard restructured book continues to decrease, being around 0.7% of the funded assets, and is adequately provided for.

Asset quality and credit cost

- Management continues with the guidance of 2–2.05% credit cost, 2% GNPA and 1% NNPA for FY26.
- Credit cost for the quarter (ex-MFI) marginally increased to about 2% due to Q1 seasonality. Credit cost is likely to improve H2FY26 onwards while remaining at the current level in Q2FY26E.
- Credit cost in the MSME segment remained at similar levels to the overall credit cost.
- Credit cards reported a marginal increase in delinquency in the current quarter. Management said, despite such upticks and delinquencies, credit costs have remained range-bound over time.
- Home loan GNPA rose to 0.84% in Q1FY26 from 0.70% in Q4FY25. Management attributed this to slow growth and stated that nothing is of concern.
- Gross slippages increased 14% QoQ to INR24.56bn due to one major corporate account of INR1.08bn slipping this quarter and Q1 seasonality. Management expects slippages to begin a downward trajectory from the coming quarter.
- With gross MFI slippages falling 10.1% QoQ and the SMA pool also coming down, management guided for a significant decline in MFI provisions in Q2FY26.
- With improved collection efficiency in Karnataka and the overall slippage ratio being marginal, management does not see any signs of concern in the industry.

Cost to income ratio

- Trading gains were high at INR4.95bn as a result of the bank's OMO participation in Q1FY26. Excluding the impact of high trading gains, the C/I ratio has increased sequentially.
- Opex expanded 11% YoY while gross loans surged 21% YoY; management is seeing a positive improvement in operating leverage.
- Management guided that opex is likely to continue moderating with near-term growth of 11–12%, and aims to achieve a cost to income ratio of 65% by FY27.

Yields, cost and margins

- IDFC Bank has reduced its peak FD rates from 7.9% to 6.75% currently, whose benefit would be visible in the cost of funds over coming quarters.
- Management guided that by Q4FY26, margins should return to Q4FY25 levels of 5.8%, assuming no further rate cuts in the coming period.

Other highlights

- IDFC First repaid INR26bn of high-cost legacy borrowings in Q1FY26, and the current outstanding balance of about INR22bn will mature in FY26.
- CRAR and CET-1 in Q1FY26 stood at 15% and 12.8%, respectively. Including the announced capital raising of INR75bn, CRAR and CET-1 would be 17.6% and 15.4%, respectively (as computed on the financials as of Jun-25).
- Management expects this fund-raise to be completed by Q2FY26E.

IndusInd Bank

Focus on stability and governance post-Q4 one-offs

- After the negative Q4FY25 one-offs, management's major focus would be on regaining trust in the bank and to ensure continued execution of all core businesses.
- The bank has taken decisive action on all legacy, treasury, and MFI issues identified in Q4FY25.
- On the treasury side, the bank has stopped all internal deals and started upgradation of software for enhanced control and monitoring.
- While on the MFI side, the bank has increased oversight over the board and operational control in the subsidiary.
- The bank has submitted its recommendation for CEO within the prescribed time, and the application is under RBI assessment.
- In line with management's assessment, Q1FY26 does not have any financial impact or carryover of prior period legacy issues.

Key strategic priorities

The bank has identified five key focus areas, which are as follows:

- **Profitability-first approach:** The bank reduced savings account rates and curtailed growth in lower-return businesses.
- **Stringent cost management:** A robust cost management plan is being implemented across all segments. The bank has had an opex CAGR of 20% over the last three years, which management is now working to bring down to single-digit YoY growth.
- **Heightened focus on recoveries:** Efforts are being made to scale up collections and improve recoveries, with the aspiration to achieve a recovery run rate in FY26 that is better than in previous years.
- **Building One-IndusInd bank franchise:** With a range of diverse business segments, management is actively working to ensure that the collective service offering is made available to customers.
- **Effective engagement with stakeholders:** The bank continues its proactive engagement with all stakeholders, including regulators, employees and customers.

Soft vehicle loan growth amid seasonality

- Vehicle finance saw muted growth of 7% YoY/1% QoQ due to Q1 seasonality. Management stated that Q2 generally witnesses a trend of better disbursements and recoveries, and they expect the same for Q2FY26.
- Management guided that tractor finance will pick up from Q2FY26, even though the segment saw a year-on-year decline in disbursements in the current quarter.
- Management guided that overall vehicle demand for FY26 is expected to be muted, but support will come from a rural uptick due to strong monsoons, government spending and rate cuts.

Asset quality

- Net slippages for the quarter improved to 0.58% versus 0.62% YoY. Management expects slippages to remain range-bound in FY26.
- GNPA increased to 3.64% versus 2.02% YoY/3.13% QoQ as the bank has not sold any NPAs to ARCs in the last six months and is focused on internal collections.
- MFI slippage declined sequentially from INR160bn to INR90bn, but is still elevated and expected to normalize by Q3FY26.
- Gross slippages in the corporate book stood at INR2.45bn, mainly contributed by one manufacturing account of INR1.18bn, which is 50% provided for.

Yields, costs and margins

- In the wake of the recent repo rate actions, the bank has cut savings and term deposit rates by 200bp and 100bp, respectively. It sees further scope for a 40–50 bps cut in savings deposits, which will help improve the cost of funds in the coming quarter.
- NIM improved to 3.46% for the quarter; of this, 11bps was contributed by one of the past NPA recoveries and interest on an income tax refund.
- On the corporate side, yields are down 20bp due to repricing of the EBLR book. Of the total loan book, 55–58% is on a fixed rate. 40% of the total corporate book is floating, of which two-thirds is external benchmark-linked and the remaining one-third is MCLR-linked.

Other highlights

- Total core fee income for the quarter was INR15.32 bn, down 35% YoY/34% QoQ. Management guided that Q1FY26 quantum would be the new base for growth.
- Fee income decreased sequentially due to the cautious decision by management to reduce the commercial card segment and because Q4 is seasonally better for insurance fees.
- Employee expense for the quarter was INR13 bn, growing 11.5% YoY and 5.5% QoQ. This was impacted by a change in accounting policy, which amounted to INR 1.14 bn for Q1FY26.
- With a focus on granularity, the bank has reduced active issuance of certificates of deposit.
- Management explained that the recent fundraise notification is just an enabling resolution and does not necessarily require the bank to raise funds, as it is adequately capitalised.

KFIN Technologies

Yields: Management reiterated that yield compression has largely played out for the year. Many client contracts are structured with telescopic pricing. As AUM grew significantly, a portion of that growth fell into lower-rate slabs, thereby reducing the overall blended yield. The company offered selective discounts to a few fast-growing AMCs. These clients experienced rapid AUM growth, and KFINTECH shared some of the benefits via lower rates. These discounts are contractual and one-time in nature during renewals, not recurring every quarter. SIP book AUM rose to INR4.7tn, surging 25.7% YoY (market share at 32.1%, 30bp YoY/30bp QoQ).

Order win: The company won three of the four AMC mandates during the quarter, including Abakkus, Marcellus, and Pantomath.

Issuer Solutions: It added 880 new corporate clients in Q1. This included both listed and unlisted companies, which the management expects to contribute meaningfully to revenues in upcoming quarters.

AIF: The AIF business continues to grow strongly, with market share increasing from 34% to 37%. KFINTECH has become the most preferred player in this segment due to its proprietary tech platforms that integrate fund admin, transfer agency, analytics, and digital services across India and GIFT City.

National pension system breaks even: KFINTECH's NPS platform, despite being focused only on the private sector, now holds over 10% market share in overall plan count. The segment has broken even and delivered 32% YoY subscriber growth. Management sees strong potential here given recent regulatory changes and the government's push toward a pensionable society.

International business: 13 new client (yet to go live) wins across Malaysia, Singapore, the Philippines, and GIFT City. The management attributed the slowdown in international business revenue growth in Q1 primarily to their planned wind-down of the Global Business Solutions as it does not align with their long-term strategy of becoming a pure-play global fund administrator. There was also a INR5mn sequential dip in NPS revenues, which was attributed to seasonality. NPS typically sees a spike in Q4 due to tax-related contributions. Excluding GBS and seasonal NPS impact, the core international business grew 36% YoY, which remains healthy and aligned with their guidance. Management reaffirmed confidence that international and investor solutions (ex-GBS) will continue to grow 30–35% YoY going forward.

Wealth platform: KFINTECH's Empower Wealth platform is live with two large contracts in India and won its first international deal in the Philippines. Designed to be multi-currency and multi-asset, the platform is targeted toward family offices, insurers, and wealth managers. It offers significant non-regulatory revenue potential and fast scalability.

KRA business: KFINTECH launched its KRA business and signed up five clients within weeks. Notably, it is the first KRA in India to introduce tokenization, aiming to make investor onboarding more seamless and secure. The company is targeting all its mutual fund clients and large broker platforms as potential KRA clients.

Ascent fund services: Ascent delivered 35% YoY growth but showed flat EBITDA due to continued investments in talent and tech expansion. Once integration and scaling mature, management expects Ascent to match or exceed KFINTECH's margin profile, leveraging its low-cost Indian delivery model.

Outlook: Despite Q1 being seasonally weak due to higher payroll costs and low corporate actions, management expects margins to expand Q2 onwards as AUM grows and no further yield decline is expected. Current yield compression is mostly a one-time reset due to contract renewals and AUM-linked pricing.

Kotak Mahindra Bank

Guidance

- The bank aspires to grow advances at 1.5–2x nominal GDP, aligned with its historical guidance.
- Over the medium to long term, the share of unsecured loans is targeted to rise to 15%. The share of MFI is expected to remain capped at 3–4% of the total loan book. Due to the embargo on Kotak 811 and credit cards, and decline in MFI, the share of unsecured loans fell to 9.7% in Q1FY26 from 10.5% in Q4FY25.
- NIMs are expected to bottom out in Q2FY26 and stabilise in H2FY26 as the full impact of rate cuts flows through, though it will be partially offset by deposit repricing.
- Retail CV stress is likely to persist in Q2FY26E while personal loan stress continues to ease. Credit card delinquencies have plateaued, with flow rates stabilising, and are expected to improve post-H2FY26. Stress in microfinance peaked in Q1FY26 and is anticipated to moderate in H2FY26.
- With the embargo now lifted, onboarding through Kotak 811 and issuance of new credit cards has resumed. Consequently, both income and operating expenses from the segment are likely to rise over coming quarters.

Asset quality and credit cost

- Slippages stood at INR18.12bn versus INR14.88bn in Q4FY25; credit cost rose to 93bp, largely driven by stress in MFI, retail CV and seasonal factors in rural regions.
- The retail CV segment continues to witness pressure, especially in the lower-end goods category. Underwriting norms have been tightened, with disbursements significantly scaled down.
- SME and business banking portfolios remain stable and fully secured, with no early signs of deterioration.
- MFI stress was high in Q1FY26 as most of the stress of Q3/Q4 of FY25 flowed through into NPLs and credit cost in Q1FY26. MFI stress peaked this quarter. The Karnataka ordinance also enhanced the stress.
- In MFI, to ensure good quality of new loans, the bank has shifted to personal loans from JLG.
- Stress in PL/CC peaked in FY25 and credit cost will decline in H2FY25.

Loans

- A general slowdown in urban consumption affected performance in select geographies. Customer assets (including credit substitutes) grew 13% YoY/3% QoQ, led by secured lending.
- Home loan and LAP portfolios expanded 19% YoY/4% QoQ. Despite irrational pricing in home loans, the segment remains key for building long-term affluent relationships and enhancing wallet share.
- Business banking grew 18% YoY/4% QoQ on the back of strong working capital demand from small businesses. Secured small-SME lending continues to perform well.

- In PL, disbursements were steady, supported by salaried borrowers and digital origination. Flows and collections in this segment have now stabilised.
- A one-time cleanup of blocked credit card accounts was executed in the quarter, impacting market share. These were largely inactive or non-operational cards. The bank also launched 'Solitaire' and 'IndiGo' credit cards aimed at affluent users.
- Retail MFI book declined 12% QoQ due to repayments outpacing disbursements. Growth is expected to resume in H2FY26.
- Wholesale advances saw strong momentum from SME and mid-market segments, led by working capital and flow-based business. Scaling up of mid-market franchise remains a focus.

Deposits

- CASA ratio stood at 40.9%, with fixed-rate savings deposits growing 2% QoQ.
- The active-money segment rose 25% YoY. Post embargo, Kotak 811 resumed new account openings with enhanced offerings, attracting better-quality customers.
- Management highlighted no material deposit outflows post-SA rate cut.

Yields, costs and margins

- NIM declined 32bp QoQ to 4.65% driven by lower floating book yields and reduced share of unsecured loans, partially offset by lower savings rate. Q4FY25 NIM had a one-off benefit from number-of-days computation.
- Post-repo rate cuts, SA rates were lowered to 2.5% (from 3.25% average in Q1FY26), and that is expected to contribute 75bp benefit to funding cost in Q2FY26E.
- Term deposit repricing is likely to play out over the next three–four quarters, given the 9–12 month average tenures.

Opex and fee income

- Opex rose 6% YoY/2% QoQ due to increased marketing spends, retirement benefits and technology investments.
- Tech spend accounted for 13.5% of overall capex. Efficiency gains are visible in employee costs as a result of these investments.
- Fee and service income was lower due to reduced credit card fees and muted deal-based revenue.

Subsidiaries

- Kotak Securities' PAT rose 16% YoY; the cash market share of Kotak Securities improved to 10.1% with the overall market share now at 12.8% while Kotak AMC reported 24% YoY growth in average equity AUM.
- Kotak Life's PAT surged 88% YoY on the back of higher realised gain on sale of investments. The solvency ratio remained strong at 2.4x against the regulatory norm of 1.5x.
- The merger of BSS and Sonata is progressing, and is expected to conclude by Q2FY26E.

LIC Housing Finance

Management guidance

- Disbursement and AUM growth**:** The full-year guidance remains double-digit growth although Q1 was muted. Reassessment is likely post-Q2.
- Margins: NIM to remain in the 2.60–2.80% range; Compression in yields shall be offset by decline in cost of borrowings leading to a stable NIM.
- Credit costs: Likely to remain within earlier guidance levels (9–15bp) despite a rise in Q1.

Loan book

- LICHFL continues to lend to the project finance segment, but is being selective, prioritising reputed builders with a credible track record. Despite sanctions of INR8bn in Q1, actual disbursements were only INR1.56bn since these are linked to construction progress.
- Management emphasised a cautious and phased approach in affordable housing segment, targeting disbursements of ~INR10bn for FY26.
- Sluggish disbursement growth of 2% YoY was attributed to increased competitiveness from PSU banks, delay in cutting rates by the company and internal movement of personnel. Management expects disbursement growth to improve in Q2, with positive signs seen in July.
- Disbursement run-rate should normalise August onwards (INR6–6.5bn per month) with potential to exceed that number during festival season.

Yields and costs

- NIM for Q1FY26 was 2.68%, down 8bp YoY/18bp QoQ. However, the incremental spread improved to 2.10% versus 2.06% in Q4FY25. This was largely due to a sharp drop in the incremental cost of funds, which fell to 6.97% from 7.66% QoQ while full decline in yield in yield is yet to reflect.
- Approximately 43% of LICHFL's liabilities are floating, including 25% EBLR linked bank borrowings and INR220bn of NCDs up for repricing this year. The company expects cost of borrowings to fall further by 5–10 bp over the coming quarters, helping cushion margin pressures from yield compression.

Credit cost and asset quality

- Stage 3 EAD was 2.62% in Q1, an uptick of 15bp from Q4FY25. Deterioration was mostly in the IHL segment due to softer collections in June, which management attributed to disruptions caused by internal staff reassignments. Recovery efforts have intensified since July, and some traction has already been seen.
- Credit cost guidance for FY26 is 9–15bp. Management expects to stay within this range despite an uptick this quarter, and is hopeful of resolutions in a few large legal cases.
- Total TWO pool stands at ~INR 40bn, with a marginal addition of only INR0.3bn this quarter.

Balance transfers and repricing strategy

- Management acknowledged competitive intensity from PSU banks in the prime segment. While LICHFL is PLR-linked and slightly lagged in cutting rates, it has now reduced incremental home loan rates to 7.5% and offered a 25bp PLR cut across the board (as aforementioned).
- To retain customers and contain BTs (currently ~0.1% of the book per month), the company allows borrowers paying more than 8.75% to reprice their loans at 8.75%. Top-ups are also offered to retain borrowers.
- No further rate cuts are planned for now, but management remains flexible depending on BT trends. Management also said that it prioritises margins over growth if push comes to shove.

L&T Finance

Guidance

- Credit cost (after utilising macro-prudential provisions) for the quarter was 2.23%. Management guided the credit cost trajectory to be around 2.3–2.5% by end-Q4FY25.
- Management aims to build back macro-prudential provisions in FY27 and FY28.
- Management guided to RoA of ~2.5% in Q4FY25 and 2.8% in FY27.

Loans and disbursements

- Rural business showed positive momentum with disbursements growing 10% QoQ. The book was INR26.6 bn, growing 3% YoY/1% QoQ, backed by improved collection efficiency in this segment.
- Partnerships with Amazon Pay, PhonePe, and Cred resulted in disbursements of INR 6.71 bn in Q1FY26.
- The farm finance segment should see a positive impact due to increased activity this Kharif season, good monsoon, and higher crop yields.
- Management explained there is a lot of attention on LTF customer pools from competitors, and hence there is a need to reach them first. LTF repeat disbursements in the rural group and MFI increased 5% sequentially in both count and value.
- Management does not see the increase in repeat disbursement rate as a stress point as LTF gives loans to existing customers only after nine–ten months of seasoning. Management aspires to normalise this rate with geographic expansion in states such as Andhra Pradesh, Telangana, western Uttar Pradesh, Maharashtra, and Assam.
- With the continued trend of improving collection efficiency and the upcoming festive season, management guided to a disbursement rate of INR 19–20 bn per month in rural business finance.

Focus on prime customers

- Management stated that they are renewing their focus with policy changes in two-wheeler finance to better serve prime customers. In June 2025, 84% of two-wheeler disbursements were to customers in the prime segment.
- The strategy to focus on prime customers will have a negative impact on yields of 30–50bp over time, but risk costs will improve, and risk-adjusted yields are likely to increase by 60–100bp.

Project Cyclops

- Project Cyclops has been fully implemented for two-wheeler loans and has been extended to 20% of tractor dealerships.
- The project has helped expand significantly in the states of Rajasthan and Madhya Pradesh for two-wheeler loans.
- Management aims to complete 100% implementation of the project for tractor finance by August 2025, for farm loans by Q2FY26, and for personal loans by Q3FY26.

- Management stated that, generally, there is a dip in approval rates for the first three months after implementation of Project Cyclops but growth revives thereafter.
- Rejection rates have increased by 17% in tractor finance due to the project. LTF is compensating for this by adding a large number of dealerships to ensure throughput remains high.

Acquisition of gold loan business from Paul Merchants

- LTF acquired the gold loan business from Paul Merchants in Q1FY26. Management sees good cross-sell opportunities for products like micro LAP, personal loans, and SME loans within this segment.
- Of the total gold loan book of INR13.6 bn, INR1.95 bn was disbursed by LTF in the last 20 days of Q1FY26 while the remaining amount came from the acquisition.
- The acquisition added over 175 branches to the company's network. Management aspires to expand this network to 300 branches by FY26.

Karnataka pain

In Karnataka, LTF is increasing its collection force to reduce the number of accounts per collector. As a result, the company is seeing gradual improvements of 20–30bp month-on-month in collection efficiency. Management expects this to normalise by Oct-25.

Other highlights

- Management does not see any signs of stress in Bihar as collection efficiency remains stable. However, they are keeping a close watch and have proactively increased manpower to reduce the number of accounts per collector.
- Orders for SR resolutions, which are 60% provided for, are likely in FY27 and FY28. The current net outstanding SR stands at INR55bn.
- Implementation of Project Nostradamus, an AI-driven portfolio management engine, is on track, and the beta programme is likely to be launched by Sep-25.

Mahindra & Mahindra Financial Services

Management guidance

- MMFS opened the year on a cautious, but forward-looking note, acknowledging the mixed lending environment across segments. While rural cash flows supported certain categories such as tractors, others such as entry-level PVs and CVs witnessed slack.
- While Q1 was muted with only 1% disbursement growth and a largely flattish book, the company remains optimistic about H2FY26. Tailwinds such as healthy monsoons, positive rural sentiment, and festival season demand are seen as potential growth drivers.
- Given the recent rights issue of INR30bn, management highlighted the company's more than adequate capital base and reiterated its mid-term aspiration to clock mid-teen disbursement and book growth.
- Diversification continues to be a strategic imperative. The company reiterated its FY30 goal of having 25% of its book in non-vehicle segments.

Loan book

- Tractor financing emerged as a standout performer this quarter, registering a 21% YoY disbursement growth. This segment's momentum is likely to continue, with the company actively increasing its market share.
- In contrast, the CV segment saw a decline due to selective participation based on margin preservation rather than chasing volumes; especially in high-risk, low-return fleet operator segments where bank competition has become intense.
- The SME segment experienced a disbursement decline in Q1 (-19% YoY), attributed to an internal organisational rejig.
- Used vehicles now comprise 17% of disbursements. The portfolio is a mix of internal customer top-ups and external buy-sell transactions sourced through retail dealers, OEMs, and aggregators. MMFS has consciously refrained from going aggressive on BTs or high-LTV loans in this segment, maintaining a cautious stance to preserve asset quality.

Yields and margins

- Gross spread came in at 6.7% in Q1FY26 versus 6.5% in Q4FY25, a 20bp increase.
- The company has taken pricing actions and rationalised its customer acquisition strategy, pulling back from overly prime customers with low yields and instead focusing on near-prime segments with better risk-based pricing.
- Management also highlighted strong fee income contribution, bolstered by recurring dividends from its subsidiary MIBL (Mahindra Insurance Brokers Ltd.),, which is now positioned as a consistent and capital-light income stream. They also stated that there exists further room for growth in fee income.
- Incremental disbursements, particularly in the refinance and used vehicle segments, are likely to carry better yields, helping NIMs stay buoyant despite ongoing competitive pressures.

Q1FY26 conference call highlights

Credit cost and asset quality

- Asset quality held relatively steady, with combined GS2 + GS3 ratios at 9.7%, flat YoY. Importantly, Q1FY26's 57bp QoQ uptick in GS2 + GS3 was significantly lower than the 123bp seen in Q1FY25, suggesting some resilience amid seasonal pressures and volatility.

- Management emphasised that the GS3 component has remained broadly stable, and that intra-quarter volatility, typically arising from semi-urban and agri-linked customer profiles, is being addressed through improved data tools and collection structures. MMFS has now vertically aligned its collection teams by product segment, enabling sharper execution and reduced credit volatility.

- On credit costs, there was an increase of 50bp this quarter, from 1.4% to 1.9%, primarily driven by higher PCR coverage rather than elevated delinquencies. While last year r[ported a reduction in PCR that helped release provisions, this quarter experienced a 20bp increase in PCR.

- Management expects to operate within a credit cost band of 1.3–1.7% for the full year.

Deposits

- FDs are being tapped more strategically- not aggressively, but as a diversification lever. The intent is not to outcompete banks on cost but to widen the funding mix and leverage FDs for potential cross-sell.

Other key points

- Q1FY26 saw the successful cutover to a new cloud-based LMS, which now supports all disbursements. This modernisation is likely to drive backend stability and frontend flexibility.

- Mahindra Rural Housing Finance (MRHFL), the housing finance subsidiary, reported a PAT-positive quarter. Management noted improvements in ticket sizes, pricing, and cost rationalisation. The housing playbook is being sharpened with a view to launching broader "universal housing" ambitions once MRHFL's operations stabilize.

- There was a decrease in employee headcount by 11.7%, largely due to transitioning of some employees from on roll to off roll.

Max Financial

Merger with Max Financial

The company is awaiting passage of the new Insurance Act, expected in the upcoming Parliament session. This legislation is critical to facilitate the proposed reverse merger with Max Financial.

Growth and Reporting Metrics

Management clarified that the Life Insurance Council monthly numbers are reported on an AFIP basis (collection-based) while financial statements use APE basis (entire first-year premium booked upfront). The gap between the two is expected to narrow to 2–3%.

VNB margin

Management provided the FY26 guidance as 24–25%. The impact of surrender value regulation changes is largely mitigated through product repricing, rider attachments, and mix adjustments. Margins improved in some product categories and weakened in others. NPAR product margins were hit by design changes post-regulation.

Protection business saw multiple repricing rounds over the last three quarters.

Product mix

ULIP share reduced from 43% in Q1FY25 to 36% in Q1FY26; future ULIP growth to depend on market opportunities, but margins will be kept stable. In protection, ROP share dropped to 10% as focus shifts to proprietary channels, ROP share will improve. Rider APE surged 300%+ YoY, driving 36% YoY growth in the protection segment.

Distribution channels

Proprietary: Management highlighted that higher ULIP sales in Q1FY25 impacted online channel sales (–0.4% YoY in Q1FY26).

Banca: Axis Bank counter share steady at 65–70%; NOP growth +20% YoY despite slower premium growth.

Other banca partnerships grew 55% YoY, with AMLI gaining strong traction in counter share in some other banks. Management mentioned that the shift towards non-linked products is partly due to market along with its own initiative.

Operating variance: Unwind rate declined from 8.4% to 8.3%. This resulted in positive variance, but modest in quantum.

New App and Product Launch

Axis Max Life App: The new app is industry-first with wellness integration, seamless policy management, and premium payment features—expected to boost persistency.

Smart VIBE Plan: New NPAR savings product with guaranteed income, life cover, maturity benefit, rider options, and policy continuance benefits—key in rebalancing product mix away from ULIPs.

Pricing and Persistency

Management stated that 13-month persistency weakened, especially in traditional products, due to economic impact and lower high-ticket sales; however, the improvement was seen in later cohorts; no major variance expected from persistency.

Capital and Financials

Medium-to-long-term capital emergence planned through a mix of debt and equity to fund growth.

New business strain was up 35.3% YoY due to higher NPAR mix.

Positive economic variance of INR4.3bn was aided by interest rate softening.

Other updates

Management stated that health products witnessed a small decline in post-October 1 regulatory changes as consumer proposition weakened under the new norms.

- Management mentioned that Axis Bank is pursuing the RBI approval for primary or secondary investment in the company.

Medi Assist Healthcare Services

Fund raise: The company approved raising fund of up to INR1.98bn through preferential allotment on a private placement basis of up to 3.7mn fully paid up shares, to: Massachusetts Institute of Technology and 238 Plan Associates LLC at a price of INR535 per equity share. Massachusetts Institute of Technology to get 2.89mn shares (3.89%) while 238 Plan Associates LLC to get 0.81mn shares (1.08%).

Retail business: Growth was muted at 0.2% YoY. Management highlighted a significant mix change in the retail segment in Q1FY26. The share of Private/SAHI insurers in the retail PUM grew to 41.4% (versus 21.9% in Q1FY25) driven by onboarding of multiple insurers in the past two quarters, which are now fully operational. Management said many standalone insurers may not have a TPA tie-up, but services such as tech, analytics, and Raksha Prime could be offered to them. Hence, management suggested combining retail and technology revenues to better assess the retail segment.

Technology business: The tech business currently operates on a fixed-fee model based on claim volume, but may transition to value-based pricing as the industry evolves. Scalable SaaS offerings now contribute ~2.5% to revenue, and the segment is likely to be margin-accretive.

Group business: The company added INR10bn of new corporate premiums in Q1, which will add to revenue over the next 12 months. While the IT/BFSI segment contributed 65–70% of business five years ago, it now accounts for only 30–35%, indicating strong diversification. Average ticket size per employee has increased, offsetting the decline in lives covered to a large extent. The company recognises revenue based on contract duration; hence 1/n accounting has no impact.

Paramount acquisition: Medi Assist's subsidiary completed the acquisition of Paramount Health Services & Insurance TPA for INR4.1bn on July 1. Operational integration is likely over the next four–five quarters, with annual Ind-As revenue contribution of INR1.4bn.

Strategic direction: Medi Assist is transitioning from a traditional TPA to a broader health benefits administrator, offering modular services such as claims processing, fraud analytics and network management. Currently, three insurers use its technology platform while 19 use its network exclusively.

Fraud detection: Advanced ML models evaluate 160-plus parameters, helping save INR 1,600mn from fraud in Q1FY26—a 3x increase YoY. Tech investments are likely to drive margin expansion and operating leverage.

Financials: Steady-state EBITDA margin in TPA business: 23–24%

- Q1FY26 contract liability: INR2,880mn.

Muthoot Finance

Management guidance

- Non-gold loan business (currently ~13–14% of total portfolio) is likely to rise to ~15–20% though gold loans remain the core focus area.
- Management aims to maintain spreads at ~9.5%; any significant CoF reduction shall be passed on to customers.
- Recoveries from ARCs are anticipated at INR1–1.5bn over the coming quarters.

Gold loan guidelines

- The RBI's revised gold loan norms (effective Mar-26) raise the LTV cap from 75% to 85% for loans ≤INR0.25mn and ~85% of Muthoot's customers fall in this segment.
- The guidelines are viewed as business-friendly, enabling greater flexibility and more product offerings.
- No shift in strategy is there on ticket-size. The company will continue serving both small and large-ticket customers.

Loans

- AUM breakdown by ticket sizes - above INR0.3mn is 40%, INR0.1mn to INR0.3mn is 34%, below INR0.1mn is 26% and below INR50k is 11%.
- By customer count, 85% have ticket sizes ≤INR0.25mn; 15% are above that threshold.
- Gold tonnage growth has been modest due to higher gold prices as customers need to pledge less gold for the same loan amount; average LTV in the quarter was ~63%.

Asset quality

- Gold loan NPAs declined by ~INR7bn QoQ, driven mainly by customer redemptions rather than auctions.
- Non-gold loan NPAs fell by ~INR300mn, which had 100% provisions, resulting in a full provisioning reversal.
- Auctions remained low at ~INR130mn in the quarter.

Yield, cost and margins

- Yields during the quarter were 19.56% versus 18.57% in Q4FY25 aided by INR3bn interest income from NPA recoveries and INR1bn interest from ARC recoveries.
- Ex-recoveries, yields were stable sequentially.
- Borrowing cost declined 11bp QoQ driven by lower NCD rate. The company's borrowings are largely MCLR linked. Management expects MCLR rate reductions over the next three–six months.

Opex

- Business per branch exceeded INR250mn, which led to improving efficiency and lowering opex.
- Opex is likely to remain broadly flat in absolute terms and rise only in line with inflation.

Subsidiaries

- **Belstar Microfinance:** Operates 15 gold loan branches; plans to add ~50 more in the next quarter. Provisioning cycle improving with ~99.8% collection efficiency on loans disbursed since Nov-24; profitability likely by Q3FY26.
- **Muthoot Money:** AUM reached INR50bn with ~INR1.5bn in vehicle loans and the balance in gold loans. Branch count at 997; RBI approval will be sought if it crosses 1,000.

Nippon Asset Management

- **Yields:** Management indicated yields by asset class: equity: 55bp, debt: 25bp, liquid: 12bp, ETF: 17bp. Blended yield was around 36bp. Management noted that ETF yields have increased from 15bp to 17bp due to a shift in fund composition within the ETF category, with a higher share of schemes carrying greater TER. However, it guided for a potential annual decline of 2–3bp due to telescopic pricing.
- **Net flows:** Management highlighted double-digit market share in net flows in equity and hybrid in Q1FY26, which is the highest market share it achieved in last eight quarters. It noted that the company's net flows and SIP market shares exceed its equity AUM market share, with inflows coming across a broad range of schemes.
- **Distribution costs** – Management indicated that distribution commissions have already been rationalised for three major schemes, accounting for ~45% of equity AUM.
- **ESOP expense:** Management guided for ESOP expense of ~INR460mn in FY26 (INR110mn in Q1) and INR260–270mn in FY27.
- **SIF**: Management stated that it plans to launch funds under the SIF category in due course. A dedicated team is being built for this, as it views SIF as a key future business line.
- **NFO completed:** NAM completed the NFO for Nippon India Income Plus Arbitrage Active Fund of Fund, which garnered an AUM of INR5.8bn by quarter-end.
- **New products**: In Q1FY26, the company launched four new passive funds: Nippon India Nifty 500 Quality 50 Index Fund, Nifty 500 Low Volatility 50 Index Fund, BSE Sensex Next 30 ETF, and BSE Sensex Next 30 Index Fund.

  SEBI's consultation paper: On the proposal to introduce additional schemes within the same category once AUM crosses INR500bn, management said it remains neutral for now and prefers to wait for the final guidelines before taking a stance.

PB Fintech

Policybazaar

Core Insurance Platform

Management said that core insurance renewal revenue reported growth at 47% for Q1. This is likely to remain around 45% in the coming years. The company is focused on growth rather than profitability targets at this stage and aims to cross INR1tn in premium by FY30. Its customer addition is outpacing premium growth. Renewal take rates have steadily improved—from 6.5% in FY24 to 6.7% in FY25 and 6.9% in Q1FY26.

Life insurance business: The company holds a 25% market share in retail term insurance. In the savings segment, its market share was 5% among non-LIC players and 2% overall, up from just 0.4% at the time of the IPO. It entered the pension segment in the past 12 months and expects strong growth. The focus areas are child education and pension plans. Management views equity as a more efficient solution than ULIPs and currently operates its pension business through over ten partners.

Health Insurance: The company has a 15% market share in the retail fresh health insurance segment. For PB Fintech, fresh health policies contribute more than renewals. Management shared that the fresh health business operates at a -20% EBITDA margin (one-year basis) while renewals run at a 75–80% margin. The company does not port from its existing base and 82% of fresh health customers are new to insurance.

Paisabazaar

Credit business: In FY25, the credit business slowed due to broader weakness in the lending industry. To address this, the company plans to expand into secured lending products such as home loans, loans against property and car loans. It remains focused on tech-driven collections, stronger underwriting and growing the secured loan portfolio. Management expects growth to pick up in Q3FY26 compared with H1FY26.

Management highlighted two key challenges in the PaisaBazaar business: improving the quality of operations and business underwritten, and upgrading the credit platform. The credit business currently delivers a 30% contribution margin but operates at a -20% adjusted EBITDA margin.

PB Money: PB Money is helping PB Fintech better understand its customers, enabling more personalised financial advice, improved product curation and stronger risk management. The company plans to monetise the platform by offering bonds, fixed deposits and soon mutual funds. It has already launched bonds and FDs, with bond AUM reaching INR10mn.

PB connect: The revenue from PB Connect during Q1FY26 was INR430mn.

New Initiatives

Contribution margin

Management said that the POSP business is growing with improving margins. While the corporate segment remains loss-making, the UAE business has turned profitable, with both largely offsetting each other in terms of contribution margin. The company expects to reach breakeven by FY27 though profitability is not the immediate focus. By FY30, a 5% contribution margin is targeted from new initiatives.

PB partners: Management is focusing on expanding the POSP business through smaller partners, where margins are more favourable.

Premium contribution: Premium from POSP: INR13,000mn and Corporate – INR4,300mn.

Renewals premium: POSP INR1,800mn, UAE INR1,110mn, Corporate INR2,920mn.

Others

Receivables: Management indicated that receivables would see some drag until September due to the impact of 1/n accounting for long-term health insurance policies. However, this impact is not likely to be material.

ESOP cost: Management said ESOP compensation is linked to the company's stock price while for new initiatives, compensation is tied to the profitability of those specific ventures.

Expense: Costs are likely to grow at two–thirds the rate of revenue. Employee costs were also hurt by salary increments in Q1.

Sales team: About 25% of the sales team (up from 15–18% last year) is field-based, contributing to 30% of the health and life insurance business.

Tax rate: PolicyBazaar benefits from carry forward of losses for taxation, with most tax paid on investment income. The effective tax rate is likely to be around 8–10% over the next 18 months.

SBI Cards

Selective sourcing leads to lower card additions

- As of Jun-25, the company's market share in terms of cards in force and card spends was 19.1% and 16.6%, respectively.
- In Q1FY26, SBI Cards added 0.87mn new accounts versus 1.11mn in Q4FY25; this is in line with the company's strategy of being selective in new card acquisition.
- Management explained the reduction in new acquisition is not due to any concern in demand, but due to a cautious decision of being more selective in portfolio acquisition.

Receivables growth guidance cut

- Management revised its receivables growth guidance to 10–12% for FY26 from 12-14%.
- Receivables grew 7.4% YoY, lower than management guidance of 12–14% in Q4FY25 due to muted growth in the retail industry.
- Management expects growth in the coming quarter to be higher than Q1FY26 due to the upcoming festive season.
- SBI Cards continues to expand strategic partnerships to roll out new products, such as recent partnerships with TATA Neu, Apollo Health, and the signing of an MoU with Bank of Maharashtra for co-branded offerings.

Spends and card portfolio

- Retail spends grew 2.4% QoQ/14.6% YoY, led by growth in the following segments: departmental stores, utilities, education, consumer durables, furnishing and hardware, apparel, jewellery, and travel and entertainment.
- Online spends contributed around 61% of the total retail spend.
- Interchange fees are lower on RuPay cards than on regular cards, but higher volumes in this segment bring the absolute value up to that of the regular segment.
- Spends per card on RuPay cards are marginally higher than average by INR3,000–5,000.
- SBI Cards is cautiously trying to reduce the share of rental payments in retail spends.
- Of the overall cards, the share of co-branded cards is around 25–30%.

Yield, costs and margins

- CoF improved to 7.1% in Q1FY26 versus 7.3% (excluding the benefit from a one-off lease modification) in Q4FY25.
- Management guided CoF to improve by 25–30 bps in Q2FY26 due to the expected benefit from the June repo rate cuts and a change in the borrowing mix, while yields are likely to remain steady.

Credit cost and asset quality

- Gross credit cost increased to 9.6% from 9.0% sequentially due to the periodic quarterly refresh and an increase in net earning assets.
- The company considers a period of eight years for ECL calculation.
- Management expects credit cost to remain between Q4FY25 and Q1FY26 levels in Q2FY26, which is in the range 9-9.6%.
- Management refrained from giving a full year guidance on credit cost due to higher borrower leverage.
- With a cautious improvement in underwriting standards, there is a visible decline in early delinquency rates in the last three quarters.
- Write-offs are seeing a steady decline QoQ, and management aspires to continue this trend in the coming quarters as well.

Other highlights

- Cost-to-income ratio for the quarter was 50.3% versus 51.4% QoQ; ratio reduced due to lower acquisition costs in Q1FY26 and elevated expenses from various promotional campaigns in Q4FY25.
- The company is working on obtaining account aggregator access from most customers, which will benefit portfolio management in the long term.

SBI Life Insurance

Guidance: Management has guided for mid-teen growth in FY26, aiming to grow in line with or ahead of private peers.

VNB and VNB margin: Management guided for a VNB margin of 26–28%. A higher share of traditional business, product repricing, and a 40% rider attachment rate drove the Q1FY26 margin improvement. Rider attachment has increased since H2FY25 and currently applies only to new business. The company aims to exceed the 40% rate and extend rider attachment to renewal policies going forward.

Product mix: Management stated that its newly launched NPAR products—Smart Future Star and Smart Platina Young Achiever—collected INR1.85bn in premium with 74,000 policies sold in Q1FY26. The company continues to shift focus toward high-margin traditional products.

Group APE grew 53.3% YoY in Q1FY26. Credit life rose 25% YoY while GTI saw strong double-digit growth. Credit life is likely to grow steadily, though GTI may remain volatile. Together, they form 60% of total protection. Credit life contributed 1.6% to overall business in Q1FY25. Protection growth is broad-based across all tiers.

Channel mix

Bancassurance: Management reported SBI branch productivity at INR3.8 mn (individual APE) in FY25, up 7% YoY, driven by higher efficiency. Following the One State One RRB initiative, the number of RRBs reduced from 14 to 9. In Q1FY26, June saw stronger growth in the banca channel compared to April and May. Management expects this momentum to continue through the rest of FY26.

Among non-SBI bank partners, 10–20% of branches are active monthly. The bank channel expects 10–15% growth in home loans, and management believes better rider attachment rates can drive insurance growth beyond this. It also aims to improve the share of PAR/NPAR products in the banca channel from 24.4% and 3.6%, respectively, in upcoming quarters.

Agency channel: Management highlighted strong progress in the agency channel, driven by the Agency 2.0 initiative launched in FY24. This led to improved agent activation, productivity, onboarding, and collaboration. Agent productivity stood at INR0.22mn (individual NBP), with 31,000 agents added on a gross basis in Q1FY25. In Q1FY26, the share of non-ULIP products rose sharply, with PAR/NPAR share improving by 179 bps and 903 bps YoY, respectively, while ULIP share fell from 68% to 59%. Despite industry agency growth at ~1%, the company grew over 6% in Q1FY26, on a high base of 43% growth in Q1FY25—reflecting continued strong momentum.

Others

New products – The company is revamping its protection portfolio and plans to launch a new money-back product under the PAR segment.

Persistency: Management clarified that the dip in 49th-month persistency was due to a specific customer cohort.

Expense: The OpEx ratio stood at 6.3% and the total cost ratio at 10.8% in Q1FY26, up from 6.1% and 10.5% in Q1FY25. The increase was driven by ~3,000 new hires, branch expansion, and higher IT spends. Management expects cost ratios to normalize as business scales on these investments.

IEV: Management stated that the increase in IEV was driven by strong equity market performance and a decline in yields.

- **Mis-selling ratio**: Management highlighted that its mis-selling ratio stands at 0.02%, which was one of the lowest in the industry and this was achieved through its consistent approach adopted by the company to ensure right selling to the customers.

Shriram Finance

Guidance

- Management reiterated the FY26 loan growth guidance of 15%. CV is expected to grow 12%, PV 20%, and MSME & other segments 20%-plus.
- NIM will improve to 8.5% by Q4FY26E aided by normalisation of excess liquidity and benefit from deposit rate cuts.
- Opex is likely to remain elevated until Q2FY26, but should begin to taper off thereafter in percentage terms.
- FY26 RoA guidance is 3%+ while credit cost to total assets would be ~2%.

Demand and growth

- Rainfall has been well-distributed across regions. However, the early onset of the monsoon in Q1FY26 led to some delay in infrastructure-related demand.
- The LCV segment is expected to see faster growth on the back of a strong rural economy while HCV demand should be supported by infrastructure projects.
- The company saw good demand for CVs with new outpacing old.

Loans

- Disbursements rose 13% YoY during the quarter to ~INR418.16bn while AUM grew 16.6% YoY to INR2.7tn.
- The gold loan book is expected to scale up faster supported by a branch-level build-out and focus on cross-sell to existing customers.

Liabilities

- The company has historically maintained a liquidity buffer of INR170–180bn (roughly three months of liquidity). Current liquidity (ex-SLR and other instruments) stands at ~INR270bn. The surplus is expected to be deployed in Q2FY26 as credit growth picks up in August–September supported by rural demand.
- Deposit rates have been cut thrice: by 25bp on May 2, 25bp on June 26 and 40bp effective August 5—bringing deposit rates down to 7.6% from 8%.
- Going forward, the company intends to focus more on securitisation and capital markets for funding needs as bank borrowings remain the costliest source.

Asset quality

- Gross Stage 3 came in at 4.53% versus 4.55% in Q4FY25 while Net Stage 3 declined to 2.57% from 2.64%.
- Credit cost was INR12.85bn for the quarter, lower than INR15.59bn in Q4FY25. Write-offs stood at INR4.48bn (versus INR8.17bn QoQ), ECL provisions at INR8.38bn (versus INR7.42bn QoQ) and recoveries at INR1.28bn (versus INR2.09bn QoQ).
- Gross Stage 2 rose by 40bp QoQ, attributable to the early monsoon in some areas. However, the rise is being actively managed through improved collections.

- SFL often witnesses GS1 loans moving to GS2 due to temporary cash flow mismatches, but most of these slippages do not flow forward to GS3. Furthermore in CVs, the collateral is liquid and realisable.
- Sector-wide, there is visible stress in unsecured MSME loans, though the company's exposure is minimal at 7–8% of the total MSME book. Stress in secured MSME loans is evident in select regions such as Telangana, Karnataka and Uttar Pradesh.
- SFL is comfortable with credit quality in the MSME sector. Small-ticket loans with ATS of INR200,000–300,000 are seeing some stress, but account for only 7–8% of total MSME while higher-ticket loans with ATS of INR1mn are linked to CC bank accounts and are not seeing stress. MSME loans are linked to trading/service; hence growth will likely remain strong. MSME borrowers would have only one MSME and one gold loan. As such, loans per borrower is limited.

Yield, costs and margins

- NIM for the quarter came in at 8.11% versus 8.25% in Q4FY25 due to negative carry on excess liquidity. Margins are expected to improve from Q2FY26E.
- Incremental CoF as of June 30, 2025, stood at 8.4%, about 50bp lower QoQ, while overall CoF was 8.88%, 7bp lower QoQ.
- Yield on gold loans stands at 18% and MSME at 18% while unsecured MSME yields range from 14–22%.

Spandana Sphoorty Financial

Management guidance

- Spandana continues to view FY26 as a year of rebuilding amid a prolonged phase of weak financial performance. After reporting four consecutive quarters of losses, management expects pain to continue for another quarter, with profitability expected to return Q3FY26E onwards.
- 20% AUM growth guidance reiterated, though dependent on stronger disbursements in H2FY26E.

Disbursements and AUM

- Disbursements for Q1FY26 were muted at INR2.8bn, reflecting a deliberate slowdown to allow for internal system/process reforms. However, July disbursements have already reached INR2.65bn, indicating a pickup.
- AUM fell sharply by 27% QoQ to INR49.58bn driven by both low disbursements and portfolio rundown. Management confirmed the run-down is nearing its end, and growth in AUM is expected to resume from Q3FY26 onward, driven by both eligible existing customers and new-to-credit customers.
- The company has identified pre-qualified borrowers in their base: about 50% of existing/dormant customers qualify under the new underwriting norms, with 85% of them having exposure < INR0.1mn and 65% with vintage over two years, leaving adequate base for growth.

Asset quality

- Collection efficiency in (CE) the X-bucket saw dips in Q1, declining to 96.9% in April and recovering to 97.9% by the end of the quarter and 98.5% in July. Forward flows from GNPA remain high at 85%, but management expects meaningful improvement starting Q3FY26E as top-of-the-bucket performance improves and forward flows taper.
- The company maintains a 500-plus strong collection team, aided by tech-enabled recovery initiatives (tele-calling, SMS with payment links, legal notices), and continues to push overdue recoveries, collecting INR410mn in Q1.
- Loans disbursed in FY26 are at 100% CE. Stricter norms enforced by the company include: a 12-month cooling-off period between loans (versus six months earlier), house visits corroborated by geo-tagging, liveliness checks, etc.
- Despite internal work and collaboration with credit bureaus, the company noted that standard bureau scores fail to correlate reliably with delinquencies. Spandana plans to build its own in-house credit scoring model in the future that factors in geography, activity-level data, and customer behaviour for better underwriting.

Other key points

- The board has initiated the CEO succession process, and expects closure within 30–45 days. Both internal and external candidates arebeing evaluated.
- Spandana closed a INR4bn rights issue, with full participation from promoters and some institutional investors. The capital raise has improved its CRAR to 46% on a consolidated basis.

- Employee headcount has reduced from 19,808 in Q3FY25 to 15,574 in Q1FY26. Attrition is being used to optimize cost; vacant roles are backfilled only in productive geographies. 81 branches have been merged as management looks to align operating cost base with the smaller AUM, and preparing for a scale-up once growth resumes.

Star Health Insurance

Retail health: GWP grew 18% YoY to INR36.7bn, driven by 25% growth in fresh retail premiums and a renewal persistency of 98% by value. Retail health now contributes 94% of the total portfolio, up from 90% last year.

Market share: STARHEAL maintained its leadership with a 31% market share in the retail health insurance segment even as the base expanded. Fresh retail NOPs (number of policies) grew 8% YoY and overall NOPs rose 5%, indicating balanced volume and value growth.

Digital channel: The digital channel grew rapidly, contributing 20% of new business compared with 12% last year. New digital business grew 73% YoY. Total 70% of business is digital direct, whereas 30% is digital partner.

Agency channel: The agency channel accounted for 82% of total GWP in Q1FY26 and grew 16% YoY. Agent productivity rose 13% and the total agent base expanded by 14,000 to 0.79mn, the highest in the industry. Portability share was consciously kept low at 10% to focus on quality growth.

New products: New products such as Super Star and Health Assure made up 80% of the new business. The Super Star product alone crossed INR10bn in GWP within ten months, making it one of the fastest-growing products in the industry.

Strategic pricing: The company has transitioned to zonal and risk-based pricing models. A discount-based pricing model (e.g. on the Family Health Optima product) has been adopted to balance fairness between claimants and non-claimants. Currently, about 30% of the book has migrated to this pricing model.

Profitability: Q1FY26 IFRS PAT was INR4.38bn. Investment income rose to INR5.86bn from INR3.88bn in Q1FY25. The company accounted INR2.92bn of MTM gains in its investment income under IFRS accounting. The MTM gain in its investment income has been applied only to non-debt portfolio, which is now 17.5% of its investment book. On the debt book, its MTM gains for the quarter are ~INR2bn, which is not considered under IFRS reporting. Its portfolio has increased allocation to equities and alternative assets (17.5% of AUM), aiming for better long-term yields despite short-term pressure on investment income from falling interest rates.

Loss ratio: Under IFRS, CoR was 99.6% in Q1, up from 99.2% a year ago. Despite past price hikes covering 65% of the portfolio, the claim ratio rose marginally YoY to 69.5%, due to both frequency and severity, though management expects gradual improvement.

Operational efficiency: The IFRS expense ratio reduced by 100bp YoY to 30.1%. STARHEAL highlighted better efficiency through technology investments, disciplined hiring, and improved productivity, especially in the digital and tele-calling segments.

Banca and group business: Bank assurance contributed 7% of GWP, with a shift toward retail and benefit plans (92% of fresh business versus 74% last year). Group business was only 2% of the mix as the company continues to exit large and mid-sized group accounts and focus on SME segments.

Long-term business: New retail policies formed 30% of new business volume and 8% of overall retail book, helping enhance persistency and customer stickiness. Management believes this will lead to improvement in CoR going forward.

FY28 guidance: While the INR25bn IFRS PAT target by FY28 remains intact, assumptions for GWP growth to INR300bn may be moderated due to the exit from corporate business. The PAT goal is likely to be supported 80% by investment income and 20% by underwriting profits.

Reinsurance: Management clarified that it has exited its earlier long-term reinsurance treaty and now only retains the mandatory obligatory cession of around 4–5%. The company explained that this change, along with the adoption of IFRS accounting standards, has influenced the volatility in reinsurance ceded figures and affected how commission expenses are reported.

Underwriting: The company explained that the underwriting profits under IFRS were lower primarily due to the amortisation of acquisition costs related to strong new business growth in previous quarters. Since IFRS recognises revenue and expenses over the policy period (rather than upfront), the full benefit of the premium earned will reflect in subsequent quarters, whereas acquisition costs begin to impact immediately. As a result, the timing mismatch led to lower underwriting profit in the current quarter under IFRS.

State Bank of India

Loan book commentary and growth outlook

- SBI's market share of deposits/advances was 22.2%/19.2% as on Q1FY26. The bank added 14bp of incremental loan market share YoY, primarily led by high return on risk-weighted asset segments such as retail mortgages and secured small business credit.
- Advances growth was lower sequentially at 0.8% due to challenges on the corporate side. The bank reported high levels of prepayments in the corporate book of INR120bn in Q1FY26. Management explained that prepayments are generally high in a downward rate cycle as many corporates try to refinance and renegotiate for better pricing. Furthermore, a shift of borrowers from term loans to CPs resulted in a lost opportunity of INR180bn.
- SBI has a total sanctions pipeline of INR7.2tn, which will support double-digit corporate credit growth from Q2FY26. Management gave corporate credit growth guidance of 10–11% for FY26.
- Total credit growth guidance has been maintained at 12%, with potential upside towards 13%.
- Xpress credit growth has been on the lower end for some quarters as the bank weeded out overleveraged borrowers with high EMI/NMI ratio. The EMI/NMI ratio for borrowers has improved in FY26 and growth in Xpress credit should pick up.
- While Xpress credit loans are given for six–seven years, the average tenure of the loan is two–three years due to faster repayments.
- Amid concerns on the recent SME environment, management said that barring micro loans (below INR0.2 mn), most of the SME book is secured lending. The micro loans are covered by CGTSME. Management does not see any major signs of stress in this segment.
- The bank is getting good enquiries from infrastructure and power segments such as solar, wind and green hydrogen projects; commercial real estate; premium residential; and slum redevelopment. Some consolidation is seen in the cement and steel segments.
- Of the total book, MCLR-linked is 30.7%, EBLR at 30.2%, fixed at 22.6%, and the balance is T-bill linked.

Asset quality

- Recovery from written-off accounts was INR12.29 bn; management aspires to achieve full-year recovery of INR70–80 bn.
- Amid tariff concerns, management explained that the bank's exposure to businesses affected by these tariffs is very low, and they do not see any major signs of risk for the bank.
- Fresh slippages for the quarter were INR79.45bn, of which SME slippages were INR26.80 bn, agriculture at INR24.64bn, personal at INR26.02bn and balance at INR1.96bn. Of these fresh slippages, INR15.85bn has already been pulled back. Slippage ratio guidance has been maintained at 0.6% for FY26.

Q1FY26 conference call highlights

Yields, cost and margins

- Management maintained domestic NIM guidance at 3.0%. While NIM for Q2FY26 will see a decline, expansion will start from Q3FY26 with benefits flowing from deposit repricing and the recent capital raise.
- Cost of deposits increased to 5.21% in Q1FY26 from 5.00% in Q1FY25 due to an increase in the share of TDs. Management expects the cost of deposits to moderate with the benefit of deposit repricing coming in future quarters.
- Weighted average cost of savings deposits was at 2.68% in Q1FY26.

Capital adequacy

- SBI completed its QIP issuance of INR250bn, with more than 60% contribution from foreign investors.
- CET-1 with profit and QIP stands at 12.33%.

P&L highlights

- Management retained their RoE/RoA guidance of above 15%/above 1%.
- Non-interest income declined 28.4% QoQ due to a high base in Q4FY25 that included year-end incomes like inspection and folio charges.
- Cost-to-income ratio declined to 47.7% in Q1FY26 from 49.4% in Q4FY25, as Q4 saw frontloading of expenses. Management maintained guidance of below 50% for FY26.

Bearings

SKF India

- **Industrials outlook:** The Industrial segment is likely to grow at an 8–10% CAGR over FY25–28E. Growth is likely to accelerate with the commencement of production at new facilities. The industrial segment would benefit from infrastructure-led expansion across sectors such as cement, steel, metals and mining. Furthermore, renewables (particularly wind energy) and the continued expansion of the rail network shall further support growth. The general machinery segment—including pumps, drives, gearboxes, etc, shall also contribute to the overall momentum.
- **Automotive outlook:** The Automotive segment is likely to grow at 10–12% CAGR over FY25–28E. The growth will come from building new capacities.
- **Q1FY26 performance:** Revenue grew 6% YoY. Industrials expanded 13% YoY (+6% QoQ) while automotive was flat YoY (+6% QoQ) and exports decreased 1% YoY (+12% QoQ). Growth in the industrials segment was driven by strong performance in the heavy industry (wind) and railway segments. Moreover, growth was supported by metal, general machinery and industrial after-market, which grew 8–10%. In contrast, the automotive segment remained muted due to model transitions in 2W and a decline in PV and CV segments.
- **Q1FY26 revenue mix:** Industrial – 53%, Automotive 39% and Exports 8%.
- **Revenue share** from exports was 8%. Total 5% is attributable to industrials while 2.5-3% can be attributed to automotive.
- **EBITDA margin** decreased 300bp YoY due to one-time demerger expenses (INR184mn) and adverse forex (INR136mn). Margins were also affected by a higher proportion of traded volumes, which typically carry lower margins. Forex losses are part of other expenses.
- **Demerger cost** is likely to continue until H1FY27. This could hurt PBT margin by 1.5–2%. Demerger expenses include consulting fees, cost related to deploying SAP and other software for two separate entities, setting up data infrastructure, etc. Moreover, industrial segment to incur cost related to stamp duty in H1FY27.
- **PBT margin** of 16–18% is likely to come FY28 onwards post-completion of demerger and ramp-up in production capacity of auto and industrials.
- **Net cash flow from operations** was INR2.2bn in Q1FY26 versus INR243mn in Q4FY25 and INR2bn in Q1FY25.
- **Capital allocation:** The company expects to achieve payback on its investments in both the auto and industrial segments within five years or less.
- **Services business:** SKF operates in three segments: i) condition monitoring; ii) remanufacturing business; and iii) reliability services.
- Other income includes services revenue, which SKF provides to sister entities.
- Industrial business: 50% of revenue from after-market and rest from OEM.
- Rail segment: The company has a presence in the passenger and metro segments and is now expanding into the freight segment.
- In the auto segment, the company supplies hub units to Mahindra for SUVs. Furthermore, SKF is gaining business from Mahindra Swaraj tractor.

Schaeffler India

- **Exports outlook:** In Q1 and Q2, exports surged 23% YoY each. This strong momentum is expected to sustain in CY25 supported by a healthy order book. The performance is primarily driven by rising demand from Asia-Pacific.
- **E-axle** serial production has commenced with the launch of Tata Harrier EV. The lifetime order book stands at EUR300mn. The company is working on phase 2 expansion at the Talegaon plant.
- **Q2 performance:** i) Automotive Technologies (AT): Despite lower growth in underlying industry production, Schaeffler reported double-digit growth, supported by new business wins. ii) Vehicle Lifetime Solutions (VLS): Double digit growth was aided by healthy demand conditions, utilization of excess capacity to meet aftermarket demand (especially in clutches) and success of newly launched traded products such as oil, lubricants, wipers, and clutches. iii) Bearings and Industrial solutions (BIS): The segment witnessed growth, led by improvement in railways, wind, off-road and aftermarket categories. Schaeffler continues to benefit in railways from the shift towards privatized coach production versus the traditional tendering model. The wind segment witnessed lower growth, due to inventory build-up in the earlier quarter. In comparison, 2W segment was tepid.
- **Localisation** has increased from 75–76% in Q1 to 78–79% in Q2. Further increase is expected ahead.
- **Q2 Other expenses** as a percentage of sales rose 170bp YoY, mainly due to costs associated with the new plant and tooling expenses for e-axle. Management expects the current EBITDA margin trajectory to sustain in CY25.
- **Q2 Other income** shot up 74% YoY, primarily driven by support services provided to group companies, and revenue thereof was accounted under Other income.
- **Content per vehicle (CPV):** CPV for ICE PVs stands at EUR60–65. It is higher for Hybrids, and is even higher for EVs (due to e-axle). For LCVs, CPV has risen to EUR60–65, up from the earlier range of EUR50–60.
- **Capacity utilisation** stood at 85%. All plants are functioning at over 80% utilisation.
- **Capex:** In CY25, the company will prioritise capital efficiency and optimal asset utilisation while a ramp-up in capex is planned from CY26. The plan is to invest EUR500mn over CY26–30E.
- **Operations at the Shoolagiri plant** have commenced. Most of the capex was incurred in the previous year; investments in the current year so far stand at INR300–350mn. There is enough land available for 3x expansion.

Timken India

- **FY26 outlook:** Management expects the rail and process segment to grow in high single digits.
- **Process segment outlook:** The overall process industry presents a mixed outlook. In the energy sector, solar is reporting robust growth (Timken is expanding its presence in the solar segment) while wind is seeing steady growth. Mining continues to underperform. The steel sector is a mixed bag with further investments needed to sustain long-term expansion. Cement stays a mixed bag.
- **Exports:** Export revenue grew 9% YoY. Growth in exports was driven by a pickup in demand in South Africa, Vietnam, Australia, and other geographies.
- **Q1FY26 segmental performance:** Revenue from the rail and mobile segments grew 4% each while distribution and process declined 1% each. Export revenue clocked healthy growth of 9%.
- **Bharuch plant:** The company has capitalised on one CRB line and has commenced production. Management reiterated their earlier guidance of reaching 45–50% capacity utilisation by end-FY26. Additional depreciation and overhead from the Bharuch plant will start flowing in the financials Q2FY26 onwards. Production in July was for the export market**.**
- **Capex plans for FY26/27:** The company shall be investing INR1.2bn on capacity expansion for rail-bearing components in Jamshedpur. Furthermore, Timken shall be installing capacity for plain bearings in Bharuch at an investment of INR350mn. The plain bearing line is likely to start production next year onwards.
- **Geography mix of exports:** 50% of the exports is to North America and the other 50% is exported to the rest of the world. In North America, the end market is rail (50%) and heavy trucks (50%). In the rest of 50%, the end market is tractor, off-highway, trains, rail freight, etc.
- **Export** incentive was INR36mn.

Business Services

SIS India

India Security business

- VProtect business now services over 24,888 customer connections.
- Revenue grew on the back of new order-wins in the ecommerce, construction, manufacturing, BFSI and retail sectors.
- EBITDA margin was marginally affected by the ACR of back-office employees.
- DSO increased by 8 to 76 days at the end of June 2025.

International Security business

- International business's top line reached an ARR of AUD1bn.
- In Q4FY25, had won large contracts in the train, airport and public sector and revenue started flowing in during Q1FY26; growth momentum is likely to continue.
- EBITDA impacted due to SXP restructuring costs and grants received in Q4FY25 to the extent of INR64mn.
- Certain one-time costs included contract initiation costs in MSS and SXP affecting margins.
- Delivered some high-margin events business in Q4FY25, which was not there in Q1FY26 and that also impacted margins.

Facility Management business

- Growth was driven by major wins in the energy, manufacturing, construction and automobile sectors.
- One SIS gained strong momentum in Q1FY26, reaching an ARR of INR1bn.
- EBITDA margin improvement was driven by cost control initiatives and a gradual increase in the Solutions business.
- DSO for Q1FY26 stood at 94 days; comfortable range is 90 days mark.

Other commentary

- Maintain 10% provisions on all the outstanding amounts.
- Expecting improvement in margins for FY26E driven by cost optimisation efforts and ongoing exercise of contract corrections.
- RoCE has improved from 11.8% in Q1FY25 to 14.1% in Q1FY26.
- Received approval from SEBI for listing out cash business, and have a window of one year for listing. The funds raised through the sale of shares will help SIS Limited reduce its debt further.
- As part of SIS Ventures initiatives, invested INR60mn in Adhikosh Financial Advisory (Kosh), a fintech platform focused on providing joint liability group loans to blue-collar workers across tier 2–4 towns in India.

Teamlease Services

- On a YoY basis, added ~19k associates despite headwinds in BFSI and IT Services.
- All the three verticals witnessed growth in terms of headcount addition.
- Increase in wallet share from existing clients is driving overall revenue growth.
- Inorganic initiatives contributed 1% to revenue growth and 3% to EBITDA.
- 44 new logos added in general staffing with ~60% coming in variable model.
- Major banks hired half the workforce in FY25 as compared to FY24. Credit card business continues to be subdued.
- Demand recovery is expected to gain momentum supported by anticipated interest rate cuts.
- BFSI vertical grew 6.4% while FMCG declined 4.4%. Telecom remained flat in terms of headcount.
- Expect the BFSI, telecom and FMCG sectors to bounce back with demand traction.
- IT hiring environment continues to remain cautious. Green shoots witnessed in Tier-2/3 IT companies.
- Specialized Staffing headcount addition stood at 115 employees during the quarter. On boarded 11 new clients, of which fivewere GCCs.
- Expansion of GCCs into Tier 2/3 cities is driving demand, particularly for niche roles in AI and machine learning.
- Deal pipeline remains healthy with few large deals in final stage of conversion.
- Overall impact from variable model will take some time to pick up as the volumes over there are less.
- PAPM remained flat QoQ. With fixed cost absorbed completely, the incremental volume growth should directly flow into profitability.
- ~8% of contribution comes from specialized international staffing. This contribution is expected to remain 8–10% in FY26E.
- HR Services margin got impacted due to seasonality in the Edtech business.
- In Specialised Staffing, capturing certain opportunities, which are accretive to top line, dilutive on the margins front and accretive on bottom line. These opportunities come with no associated fixed cost.

Guidance

- Witnessing green shoots in demand recovery particularly in the BFSI and consumer verticals, giving confidence to deliver a strong Q2FY26E.
- HR Services revenue expected to grow ~25% with margins expected to remain in a range of 6–8%.
- Specialised Staffing's margin to gradually improve 100bp by the end of FY26E. Leavers for margin improvement are a change in product mix, higher--value mandates and economies of scale.

Quess Corp

- Revenue growth was modest due to muted headcount growth.
- General staffing witnessed signs of recovery despite a challenging operating environment. Majority of net additions were in the manufacturing and BFSI verticals.
- April witnessed headcount decline of ~4k while saw a recovery in June month with net-adds turning positive to ~6.5k.
- While headcount remained steady in professional staffing, revenue growth was led by targeted focus on niche skills in the GCC space.
- Margin expansion in professional staffing was driven by the ability to shift a large tech workforce from shared services to emerging technology with GCC.
- In professional staffing, Quess works with 157 GCCs while India alone has 1,800 GCCs, indicating more room for growth.
- BFSI continues to drive growth followed by the telecom vertical while auto, pharma and retail segment faced headwinds due to tariff-related uncertainties.
- In the overseas business, Singapore continues to face visa-related headwinds while a strategic shift to general staffing in Singapore offset the revenue decline. Headcount strength in general staffing in Singapore stood at ~300 employees.
- Have partnered with ONDC for digital commerce. Hamara Jobs will continue to contribute ~0.5mn+ verified job listings annually to ONDC network, significantly boosting access to trusted, transparent and scalable job opportunities.
- Focus on margin expansion has started yielding results led by operational efficiency measures and a greater mix of high-margin business.
- During the quarter, average debt was higher, leading to increased finance cost.
- PAPM ranges from INR600–650 in general staffing. With the increase in headcount, PAPM is expected to improve as well.
- PAPM in professional staffing ranges from INR2,300–2,500.

Management guidance

- Growth and margins in professional staffing are sustainable and shall remain elevated, largely driven by new services—Origint (GCC-as-a-service).
- In general staffing, levers for margin improvement remains a shift to variable pay models and operational efficiencies.
- Core-to-Associate ratio has slightly declined, but this is expected to bounce back as new associates join.
- Collect and Pay ratio to remain in a range of 75–80%.

Cement

Ambuja Cement

Outlook

Management indicated that industry volumes grew ~4% YoY in Q1FY26. In contrast, Ambuja's consolidated volumes rose 13% YoY organically. Management expects industry volumes to grow 7–8% in FY26E (revised up from initial expectations of 6–7% growth).

Realisations improved sequentially due to prices hikes taken primarily in the southern and eastern regions.

Total capex for FY26 will be ~INR100bn.

Orient Cement

Orient Cement has become a subsidiary w.e.f. April 22, 2025. The primary focus of management in FY26E is to improve the overall efficiency at Orient Cement and then it will emphasise on expansion plans, viz. Chittapur, Devapur, MP, etc, in FY27E.

Cost/t trajectory

Power & fuel cost/t decreased 4% YoY (up ~8% QoQ), freight cost/t decreased ~4% YoY (up ~3% QoQ), other expenses/t increased ~14% YoY (up ~11% QoQ) and raw material cost/t decreased ~14% YoY (down ~17% QoQ).

Other updates

Management believes the outlook is **positive on the pricing front**. ACEM has increased prices in its premium segment.

It reiterated the aim to reach **EBITDA/t of INR1,500 by FY28E**.

Cost reduction of INR175–200/t has already been achieved by the company.

Market share stood at 15.5% (up 200bp YoY).

Kiln fuel cost reduced to INR1.59/kcal YoY from INR1.74/kcal.

Currently, it has **105MnT cement capacity** and **64MnT clinker capacity**.

Trade share stood at 74%. **Premium share** accounted for 33% of trade sales—among the highest in the industry.

The company commissioned 57MW wind power in Q1FY26, thereby taking its renewable capacity to 473MW. **Green power** stood at 28.1% and the aim is to reach 60% by FY28E. This will reduce existing cost of INR5.9/kWh to INR4.5/kWh by FY28E.

Primary lead distance stood at 269km and is expected to further reduce by ~50km (FY28E). This will help reduce logistic cost by INR150/t.

Cash & cash equivalents stood at INR30bn. Consolidated net worth stood at INR~664bn.

Grasim Industries

Paints segment

Trial production of water-based paints and emulsions commenced at the sixth Birla Opus plant in Kharagpur and commercial launch is on track by end-Q2FY26. After this, the company's capacity in the organised paints industry would reach ~24% with an installed capacity of 1,332 MLPA.

As per management, 10% grammage scheme continues to operate and there is no rollback of the same. Furthermore, most dealers continue to stay with them and are expanding portfolio from the product categories offered by the company.

Birla Opus, by itself, has become India's number three decorative paints brand (management estimates) based on Q1FY26 revenue run-rate. Management indicated the revenue market share (including putty revenue) continues to be in double-digit in the organised decorative paints market – this reporting is in-line with how the peers report.

As per internal estimates, the organised decorative paints industry has grown by over 5% YoY (but excluding Birla Opus's revenue, the industry has slightly decreased – around 1% fall).

The total capex incurred on the paint business till Q1FY26 was INR95.5bn.

Birla Opus now has a pan-India presence (covered 8000-plus towns and launched 179 products with 1460-plus SKUs across all six decorative paint categories).

The focus has shifted to improve revenue per dealer by increasing penetration of each category and wider range of products/categories.

According to management, competitive intensity is continuing and it is reported to be more in value/economy segment with competitors resorting to more discounts.

B2B e-commerce business

Birla Pivot—the full-scale B2B e-commerce platform for building materials—posted revenue that continues to grow in line with the plan and it remains on track to achieve revenue of USD1bn (INR85bn) by FY27E.

It has a presence across 35 diverse product categories and an expansive portfolio of over 40,000 SKUs sourced from 300-plus leading Indian and international brands.

The revenue mix is steadily strengthening, led by the addition of high-potential categories such as non-ferrous, bitumen, chemicals and tiles and plywood.

Capex

Capital expenditure for Q1FY26 was INR 4.8bn (FY26 budgeted capex at INR22.63bn). Furthermore, phase 1 of the Lyocell project of 55KTPA (total capacity 110KTPA) is progressing as per plan, with commissioning targeted by mid-2027.

Other highlights

Textiles business revenue was ~INR5.5bn with EBITDA of INR90mn.

Renewables business revenue surged 54% YoY to INR1.92bn; EBITDA grew 66% YoY to INR1.46bn. The cumulative installed capacity increased to 1.9GW, of which 43% is with group companies.

International caustic soda prices were flat YoY.

CFY business realisation remains hurt by low-priced imports from China.

JK Cement

Demand

The company recorded 50%-plus growth in volumes in the central region, double-digit growth in south on account of low base (sold good volumes of clinker), whereas north saw some decline in volumes due to market conditions.

Management is expecting ~10% volume growth for the grey cement business in FY26E. It expects to clock ~20MT volumes in the grey cement business in FY26E.

Pricing

The current prices are largely in line or marginally lower than the Q1FY26 exit prices; however, non-trade prices are seeing some pressure. Management does not expect any sharp price cut in the lean period.

Cost

Fuel cost was INR1.53/kcal in Q1FY26 versus INR 1.41/kcal in Q4FY25.

The company expects to reduce operating cost by INR150–200/t over the next two–three years by focusing on logistics, increasing the share of green power, optimising the usage of AFR, controlling fixed costs in supply chain, etc.

Management has guided that FY26E should witness cost savings of INR40–50/t given the aforementioned measures.

Expansion

i) The company has increased capacity of the grinding unit at Ujjain by 0.5MTPA (to 2MTPA) via debottlenecking.

ii) Expansion of the 4mtpa clinker line-2 at Panna and 1mtpa GU at Panna (MP) is underway; this is expected to be commissioned by Q3FY26E.

iii) Apart from this, the 5mtpa GU expansion in Central India (3mtpa greenfield unit in Bihar at INR5bn and 1mtpa each at Hamirpur and Prayagraj at INR0.5bn) is on track. Management has also identified a debottlenecking opportunity in the southern region, which will take cement capacity to 32MnT by end-FY26E.

iv) Management has acquired 60% of Saifco Cement Private Limited for a consideration of INR1.49bn. It has clinker capacity of 0.26MnT and cement capacity of 0.42MnT (expandable to 2–2.5MnT in the future).

v) Management has created a roadmap for 50MnT in capacity with brownfield and greenfield expansions at Jaisalmer, Muddapur, Panna and Odisha by FY30E.

Capex

Management has guided for capex of ~INR20bn in FY26E.

Balance sheet

Standalone net debt stood at INR27.96bn and net debt/EBITDA stood at 1.29x.

Paint and Putty/white cement business

The company achieved a turnover of INR860mn in Q1FY26 and reported EBITDA loss of INR100mn in the paints business (turnover of INR2.7bn in FY25 with EBITDA loss of ~INR450mn).

White cement margins are in the range of 15–20%. Management does not expect any further dip in margins.

JKC plans to set up a wall putty plant of 0.6mtpa in order to cater to the peak season demand. It expects volumes to grow in a range of 7–10% putty volume growth.

Other operational updates

Pet coke constituted 70% of the **fuel mix.**

Rail share stood at 11%.

Lead distance increased to 436km from 434km in Q4FY25.

Trade mix stood at 71% of sales. Premium products constituted 14% of trade sales.

The target is to reach **green power** share of 75% by FY30 (60% by FY26 from 52% at present).

Grey cement capacity **utilisation** stood at 83% while clinker utilisation was 92% in Q1FY26.

UltraTech Cement

Demand

UTCEM reported ~10% YoY volume growth in Q1FY26 (grey cement domestic volumes grew 9% YoY) with Kesoram Industries included in the base quarter. Management is confident of delivering double-digit volume growth in FY26E over FY25 reported volumes (includes Kesoram Industries for whole year and ICEM for one quarter).

Pricing

Reported domestic grey cement realisation (excluding ICEM and Kesoram) improved 2.2% QoQ in Q1FY26 (with southern and eastern region witnessing highest increase); current prices are holding steady despite the monsoon compared with Q1FY26 exit prices (eastern region witnessed some price improvement in Jul-25, minor improvement seen in south and central regions, and no hikes in north and west regions, wherein prices are already better off).

Cost

UTCL expects INR300/t savings in operating costs by end-FY27 due to initiatives, namely: i) improvement in conversion ratio from existing 1.49x to 1.54x (largest contributor); ii) investment in green power (to touch ~60% by FY27E and ~85% by FY30E versus existing ~40%); iii) reduction in lead distance as the network of plants will increase to 70 from existing 59; and iv) savings via AFR.

Out of the abovementioned measures, UTCL achieved savings to the tune of INR86/t in FY25 with the lead distance being the biggest contributor.

Fuel cost stood at INR1.78/kcal during Q1FY26 (from INR1.73/kcal in Q4FY25).

Capex update

The expansion plan laid out by the company is progressing well and is on track; UTCL aims to reach ~212mtpa domestic capacity by end-FY27E.

UTCL plans to incur capex of ~INR100bn in FY26.

India Cements acquisition

ICEM became UTCL subsidiary w.e.f. 24th December 2024. UTCL has identified opportunities in debottlenecking as well as brownfield projects, which would aid its growth in coming years.

ICEM achieved domestic sales volume of 2.18MnT, up 11.6% YoY. Capacity utilisation during Q1FY26 stood at 61% while prices improved 5.7% QoQ. It clocked EBITDA of ~INR820mn in Q1FY26, which translates to EBITDA/t of ~INR400. It is expected to achieve EBITDA/t of INR1,000+ in FY28E.

UTCL will incur capex of INR15bn over the next two years in ICEM. UTCL will increase WHRS capacity from 9MW in FY25 to 30MW by FY27, whereas renewable power would increase from 20MW in FY25 to 221MW by FY27E.

Management expects ICEM net debt to fall below INR0.5bn by the end of capex program (INR11.6bn in FY25).

Other operational updates

Trade mix was 66.3% in Q1FY26. **Premium** products constituted ~34% of trade share in Q1FY26.

The **clinker conversion ratio** stood at 1.49x in Q1FY26 (1.44x in Q1FY25).

The **lead distance** decreased to 370km in Q1FY26 from 384km in Q4FY25.

Fuel mix: Pet coke made up 52% (from 55% in Q4FY25) of the fuel mix in Q1FY26.

Revenues for the **RMC business** surged 23% YoY in Q1FY26.

Green power mix stood at 39.5% in Q4FY25 (34.4% in Q4FY25) with an eventual target of 60% by FY27E and 85% by FY30E.

UTCL has **WHRS capacity** of 363MW and it aims to reach 500MW capacity by FY27E (23% of power requirement). **Renewable power** stood at 1.08GW and the company aims to expand it to ~2GW by FY27E (37% of power requirement).

Road mix stood at 74%, whereas the rail mix stood at 24% and sea mix at 2% in Q1FY26.

Consumer Durables

Amber Enterprises

Consumer Durables

- Consumer durables continued its growth momentum, in line with the company's guidance of outperforming the industry driven by diversified product offering, adding wallet share in some customers, expanding component business, conversion of earlier gas charging customers into full ODM customers and robust growth in commercial AC vertical. Amber **also added one more MNC customer** in CAC vertical during Q1 (expected to contribute from Q4FY26).

- Amber has **signed a strategic Cooperation Agreement with GMCC**, ensuring compressor supplies for three years (as per the cooperation agreement). GMCC is expanding its capacities in India, set to be operational by November 2025. Amber currently meets ~70% of the bill of materials (BoM) for room ACs; the key missing part was compressors The remaining 30% of the BoM—like refrigerants, copper tubes, aluminium, and wiring harnesses—is not yet localized but may be explored going forward.

- In washing machines, the quality control orders to be implemented by October 2025. Given this backdrop, Amber is revisiting its expansion strategy in this category given this entails fresh capex to achieve compliances.

- **Inventory levels in the room air conditioner industry are significant (**2.5–3 million units versus 1.4–1.5 million units usually). Q2 and Q3 are typically lean quarters while Q1 and Q4 contribute around 65% of annual sales. The company's growth will depend on festive demand and Q3 offtake, but it expects to grow at 15% even if the industry is flat or slightly negative.

- Despite seasonal challenges, the long-term outlook remains strong, with the total market expected to grow from 15 million units today to 35 million units by 2030, implying 2.5x expansion.

- Commercial AC business is growing well (+40% YoY in Q1), helped by a wider product range including 3 to 17.5 ton units, cassette, and tower ACs. Two more products are set to launch by Q4.

- Consumer durables segment has a margin profile ranging from 6% to 10% EBITDA. Assembly-heavy products sit at the lower end (~6%), while higher-value components and non-AC parts can earn up to 10%. However, predicting the exact margin mix is difficult due to variability in product composition.

- Within finished goods, there is a wide margin variation depending on product types like 1-ton, 1.5-ton, or 2-ton ACs and their star ratings, making precise margin guidance difficult. However, overall consumer durables are expected to deliver 7–8% EBITDA margins.

Electronics

- Electronics segment growth is driven by both PCBA and bare PCB verticals spanning across the customer segments in consumer durables, variable and wearable, telecom, automotive energy meters and defence.

- Amber has filed two applications under the Electronic Manufacturing Component Scheme, one for multi-layer PCBs through Ascent circuits (INR 9.9bn to be spent over the span of the scheme) and HDI high density interface PCBs through Korea Circuit JV for INR 32bn to be spent in phase manner over the scheme.

- ILJIN Electronics has signed two definitive agreements, Power One Microsystems, Bangalore and Unitronics, Israel strengthening the industrial segment of the electronics portfolio.
- The total addressable market (TAM) for electronics-related manufacturing that the company is targeting is around USD22–25 billion, including PCBs (USD4B), PCBAs (USD12–15bN), UPS/inverter/battery storage (USD4.75bn), and industrial electronics like VFD drives, HMIs, and PLCs (USD6.5bn).
- PCB TAM is expected to double in the next 3–4 years. Based on current customer traction, the company aims to reach INR20–25bn in PCB-related revenue, with another INR 13–14bn coming from industrial electronics segments.
- Currently, around 58–60% of the electronics division revenue comes from consumer durables, but this is expected to reduce to 45% by year-end and to 25% in three years as other segments like automotive, telecom, wearables, and smart meters gain strong traction. Growth may slow in Q2 due to seasonality, but full-year outlook remains strong.
- Amber is investing INR6.5bn in Ascent Circuits' Hosur plant this year, which is expected to be operational by Q4FY26 or Q1FY27. This facility will produce multi-layer PCBs.
- Another INR12bn investment is planned in the first phase of the Korea Circuits JV, with production expected to start by Q1FY28. Offtake arrangements with Korea Circuits are already in place; Amber expects 0.75x asset turns, implying ~INR 7.5–8bn top line in the first year of production. Phase 1 of the JV will see INR 12bn invested in the first year, with production expected to begin by Q4 FY27, another INR 12bn after 2 years and the remainder spread over five years.
- The total incentives could cover ~70% of the net capital invested (not a pari-passu scheme), with 48% from MeitY (25% capital subsidy to be given after start of commercial production and 23% in hybrid scheme) and 42% from the state—though these reimbursements will come only after production starts and are spread across 5–6 years.

First acquisition: Power One

- Power One is **prominent player in rapidly growing battery energy storage** systems, solar inverter space including on grid, off grid and hybrid solar inverters, EV charges and industrial ups catering to customers in large public sector units and large corporates
- Amber will pay **INR2.62bn plus a deferred consideration basis on FY26 numbers** and expects this transaction to close within next 15–20 days. Power One is a **debt free company and clocked EBITDA margin of 17–18%** on the revenue base of ~INR2.45bn in FY25 and is likely to reach INR3.25bn in revenue in FY26.
- Amber believes that this partnership adds a portfolio of high margin power electronics and energy sector modules and is a highly scalable business given the TAM of this sector.
- The company plans leveraging the group's purchasing power and the capabilities of the component ecosystem such as printed circuit board assemblies, printed circuit board and sheet metal fabrication enabling it to backward integrate and manufacture at scale in first phase.

- Power One division is also seeing strong momentum, targeting INR3.25bn in revenue this year (versus INR2.25–2.45bn last year), with strong demand from solar and battery storage sectors, and expected to grow over 40% annually for the next 3–4 years.
- For Power One, after adjusting for GST and certain accounting notes in their FY24 results, the actual revenue growth is around 9–10%. Additionally, pre-transaction expenses like higher promoter salaries (which are now normalized) will no longer affect the books. As a result, EBITDA margins are expected to stabilize at around 17–18%.
- Power One's customer profile is very niche like Power Grid Corporation of India, BML, BHEL, NTPCDL, all of them and the large solar installations and expected to grow at 40% range.

Second acquisition: Unitronics

- Unitronics is an Israel based listed company and a prominent lead player offering comprehensive solutions in industrial automation and control systems such as programmable logical controllers, human machine interface, and software solutions. Amber has hired a dedicated team to bring the Unitronics products in India.
- Unitronics has EBITDA margin profile of about 30% on the revenue base of approximately INR57mn, deriving almost 95% of the business from US and European region. It is a dividend paying company, almost debt free company and generating business ROCE of 60%.
- This partnership will enable the company to enter into rapidly growing sector of industry automation and control systems, access to global markets such as US and Europe, expansion of Unitronics products in the Indian market, leveraging backward integration of printed circuit board assemblies and bare PCB boards and leveraging the purchasing power of the group.
- Amber will pay INR 4.03bn for 40.24% stake in this transaction and close within next 60-75 days.

Railways

- Railways delivered a strong performance due to offtake in the Metro projects with 29%/8%, revenue/EBITDA growth.
- The lower margins this quarter were mainly due to an unfavourable product mix — higher metro sales (which have lower margins), and lower railway and defence contributions (which have higher margins). However, the overall outlook for Sidwal remains strong. Margins are expected to recover to 20%+ in Q4 when higher-margin segments like defence, AMC, and railway see greater contribution
- Sidwal's Greenfield facility for HVAC, pantry doors, and gangways is under-construction and to start operations by Q4 FY26. The new plant under the Yujin Machinery joint venture, which will manufacture pantographs, driving gear, couplers, and brakes, is set to begin product trials by September 2025.
- The division has also developed data center cooling products and specialized cooling systems for missile launchers and defence use, which are gaining traction. Backed by a strong order book and expanding product portfolio, the company is optimistic about doubling this division's revenue over the next two financial years.

Others

- Notwithstanding massive outperformance in Q1, Amber reiterated its 10-12ppt outperformance to industry growth for FY26 on the back of strong portfolio of finished goods and components, addition of clients and wallet share gains.
- Amber aims to take the electronics division to USD1bn in the next three years with an EBITDA target of 11.5-12% range.
- Electronics margins to exceed 10% next year, and the railway segment should maintain ~20%. Management is confident of achieving an overall consolidated margin of 8.5–9%.
- Net capex for FY26 will be higher due to multiple ongoing investments including a) INR 6.5 bn for Ascent PCB project, b) INR 1.50 bn (of the INR 3.50 bn) for the railway division, c) expansion of the Sri City plant, and d) land purchase for the Korea Circuits JV. The remaining major investment for the Korea Circuits JV will take place next year.
- Amber has filed an enabling resolution for a potential INR 25bn QIP, which will be discussed at the upcoming AGM on August 11. In addition to this, several private equity funds are showing strong interest in investing in the electronics division, providing an alternate fundraising route.
- The company is currently using the old tax regime (around 35% tax rate) in its main entity to utilize available MAT credit and benefit from additional depreciation. It plans to shift to the new tax regime only after these benefits are exhausted.

Bajaj Electricals

Consumer products

- Weak summer impacted sales across seasonal categories such as fans and air coolers driven by an early and extended monsoon. High base effect from last year (which had stock outs) too contributed to YoY decline, particularly in coolers.
- Non-seasonal portfolio (e.g. water heaters, kitchen appliances) performed well with high single-digit growth. The company remains optimistic about a strong recovery in Q2FY26, particularly with improving secondary sales and upcoming festive and winter season demand.
- **Fans**: Double-digit decline YoY; table-pedestal-wall (TPW) fans impacted more than ceiling fans due to heavy dependence on East and South, wherein the monsoon impact was most severe.
- **Air coolers**: Declined ~45% YoY; however, Bajaj is back to being #2 in market share. Secondary sales picked up in July, and advance billing is strong, keeping inventory at comfortable levels.
- **Water heaters**: Registered double-digit growth driven by the early onset of monsoon in key markets.
- **Other categories**: Most non-seasonal categories delivered high double-digit growth.
- **Inventory**: Despite a weak Q1, inventory is not precarious.
- **Nirlep Cookware business**:
    - The company is undertaking a comprehensive strategic review due to lack of synergy and persistent factory losses.
    - Exploring discontinuation, sale, or hive-off of business (includes 2 manufacturing units).
    - Pressure cookers under Bajaj brand will continue.
- **Brand, NPD and GTM**
    - Ad spends rose to 4% of sales (versus 3% YoY) to support brand, GTM and top-line growth.
    - Focused on distribution expansion and premiumisation.
    - New product development (NPD) is a key growth driver; targeting 35–40% contribution to revenue from NPD.

Lighting

- Delivered record-high EBIT margin of 10.6%, highest since FY22, led by premiumisation and cost efficiency
- Volume grew in single digits while value grew in double digits due to improvement in product mix.
- Premium lighting share increased from 14% to 30% led by outdoor and ceiling lighting.

- General trade saw strong growth. E-commerce and MFI channels remained soft, particularly in bulb sales.
- **B2B lighting** is seeing positive traction; INR2.1bn order book in place.
- Switchgear foray:
    - Entered adjacent category of residential switchgear (launched in June 2024).
    - Targeting 10–15% revenue contribution in medium term via asset-light approach.
    - Business to be run within the existing lighting vertical, leveraging current channels and people.
- No significant capex needed; synergistic with existing lighting business.

Crompton Greaves Consumer Electrical

- **ECD:** Segment revenue fell 8% YoY versus industry level decline of 11%, thus implying market share gain, as per the company.

Fans

- Fans category reported market share gain during the quarter.
- Weakness was mainly in the TPW category, which is more seasonal in nature as compared with ceiling fans.
- The company launched three new premium fans- Fluido, Niteo and Nucleiod, which have received an encouraging response.
- Industrial fans, air circulators and heavy-duty exhausts emerged as growth levers
- The company is the second biggest player in the BLDC segment and aspires to be the market leader going ahead. The new launches in the BLDC segment had been receiving a robust response with demand outweighing supply.
- Air coolers also reported a subdued performance due to weak season.

Pumps

- Agricultural and residential pumps had been hurt due to unseasonal rains.
- The performance of solar pumps remains robust with revenue doubling on a YoY basis. Recently, the company secured INR1bn solar pumps order from the Maharashtra government. Crompton works with a partner in the solar pumps category, which executes on its behalf along with sourcing customers. Moreover, the EBIT margins in the solar pumps are similar to overall margins with healthy RoCE. Furthermore, the working capital is in-line with other businesses. The company expects the agricultural market to eventually transition to the solar category, which implies huge potential for growth. Expanded presence of solar pump tenders across states with strong order pipeline

Small and large domestic appliances

- SDA segment has been clocking double-digit growth during the past several quarters. Growth in the quarter was underpinned by demand for mixer grinders and induction cooktops.
- Large domestic appliances–built in kitchen appliances clocked INR150mn in revenue driven by cooktops.
- Introduced industry first solution in water heaters through anti-scale technology with 2000 TDS certification.
- Cooktop launches on e-com and new models in chimneys. Appliances in general is a healthy margin category, but not necessarily higher than fans/pumps category.

Solar rooftops

- The company has forayed into solar rooftops in-line with its intent to enter adjacent solar category products. Crompton aspires for long-term growth in this category.

Lighting

- Revenue remained flat despite the continuing pricing pressure. B2C segment reported traction in outdoor and decorative lighting.
- B2B lighting segment achieved double-digit volume growth led by strong performance in commercial, flood, and high mast & poles categories. Moreover, it secured several large wins in the industrial segment, contributing to overall momentum.
- Panels constitutes the largest sub-category in the entire segment and continues to witness robust growth.
- EBIT margins surged 41% YoY with margins expanding 370bp to 12.6% on the back of operating leverage and product mix.

Butterfly

- Growth remains in-line with the market with expansion in core categories. The company has been undertaking brand repositioning with new emblem for the category.
- Revenue growth was on account of strong traction in mixers, gas stoves and pressure, which are core categories for Butterfly. Moreover, the company reported market share expansion in all these core categories.
- Premiumisation remains key with 40 new SKUs in the pipeline.
- The outlook remains optimistic with indication of double-digit growth in Q2. Focus to expand reach through e-commerce remains for Butterfly portfolio.

Others

- The company has become a zero-debt company after the repayment of INR3bn debt.
- Crompton has earmarked a capex of INR3.5bn (both domestic and overseas markets), which will be spent over the next two–three years.
- The company has targeted a long-term sustainability target of reducing 50% GHG (scope 1 & 2), implying 60% reduction in emission per unit of the production by 2035 (particularly in fans).
- Crompton plans to alter Memorandum of Association and Articles of Association to expand its offering and scope of business. However the management categorically ruled out the large durables portfolio at this juncture.

Dixon Technologies

Guidance (non-movable)

- Exports of INR70bn likely in FY26 (versus INR16bn in FY25).
- Telecom business likely to scale to INR50 billion in the next one year.
- Refrigerator business capacity being expanded from 1.2 million to 3 million units; revenue potential of INR 25 billion over the next 2 years.
- Washing machine capacity ramping from ~3-3.8 million units; revenue expected to grow from INR 12 billion to INR 18 billion.
- Lighting business through Signify JV expected to double from current levels of INR 8.5–9 billion.
- Hearables and wearables segment to report steady organic growth.
- IT hardware vertical being scaled up; revenue potential of INR 30–35 billion over the next couple of years.

Mobile & EMS division

- Smartphone volumes at 9.66mn and feature phones at 5.73mn for 1QFY26. The company guides for smartphone volumes to rise 15% QoQ (11–12mn in Q2; revenue growth to be similar QoQ) and management is confident of achieving earlier guidance of 43–44mn (ex-Vivo) for FY26. Export revenue in Q2 to be slightly better than Q1.
- Export to boost mobile revenue as the company expected exports to touch INR70bn (versus INR16bn FY25). FY27 export potential of INR 110bn.
- Management expects BoM (bill of materials) value-add to increase from 15–17% to 35–40% by FY27, helping margin expansion despite PLI phase-out.
- Export ASPs are similar to domestic, but costs are higher due to complexity initially though eventually margins expected to remain stable.

Component Ecosystem and New JVs

- **Longcheer**
  - PN3 approvals for the 74:26 Longcheer JV is likely shortly. Longcheer is a large player with a large customer base and there are large outsourcing partner of various global brands even beyond Chinese brands.
  - This association is also important from the post-PLI scenario as it will help the company in deepening the manufacturing and building a strong supply chain.
  - Trials to be commenced from Q4FY26 while the mass production likely to start from Q1FY27. Dixon will also be filing the application for this facility under the ECMS scheme in the next seven–ten days.
  - Longcheer to help Dixon deepen its manufacturing ecosystem post-PLI, with joint design centre planned to expand portfolio beyond smartphones.

- **HKC**
  - Dixon has also applied for PN3 for the HKC JV for display modules manufacturing with 2mn/per month capacity in first phase, later expanded to 4mn.
  - Construction facility for display modules is in progress with first phase underway for smartphones and notebooks.
  - The company is also setting up a line of 1.8mn units of notebook displays fungible for automotive displays both for two wheelers and four wheelers while looking at a business case for setting up a TV module display line. Total cumulative capex in this segment could be USD130mn over medium term.
  - While the PN3 approval is likely in the next two months, the project installation, project implementation is being done in parallel.
  - HKC screens already used by some brands; Dixon involved in technical PoC evaluations with client teams. HKC display PoC testing underway; by model approvals in phases.
- **Vivo**
  - Dixon's Vivo JV is its third application for PN3 and is under evaluation
  - Vivo JV is likely to significantly boost Dixon's mobile production volumes, with 18–20 million units annually coming from the JV once fully ramped up.
  - Vivo currently holds ~22% market share in India, translating to 30–35 million units, of which two-thirds will be manufactured through the JV.
  - This volume will be incremental to Dixon's existing mobile production base of ~40–42 million units, taking total scale to over 60 million units in FY27.
- **Q Tech**
  - Q-Tech transaction involves ~INR 4 billion for stake purchase and ~INR 1.5 billion for capex towards manufacturing expansion and capacity ramp-up.
  - Dixon has signed a binding term sheet for 51% stake in Q Tech India for manufacturing of camera, fingerprint modules for smartphones and will be filing application under ECMS shortly. Financials to start consolidating from Q3FY26.
  - Q Tech is one of the five largest camera module manufacturers globally (current EBITDA margin in the 6.5-7% range) with a running factory in India and supplies to major android brands in India like Vivo, Oppo, Xiaomi, Motorola.
  - Q Tech JV targets camera module localisation; India's market ~450–475 million units (average 3.2 per phone); Dixon's in-house need to reach 180–190 million units in two years; business likely to scale up from ~INR20 billion to ~INR50 billion in four–5 hoke with EBITDA margins of 8.5–9% in this business.
  - Q Tech already has a running factory and Dixon expected to start consolidating their results once the deal concludes (in 2–2.5 months). Dixon aspires to reach INR 50bn revenue over the next four-five years through this JV.

- **Chongqing**
  - Chongqing transaction involves ~INR4 billion for stake purchase and ~INR1.5 billion for capex towards manufacturing expansion and capacity ramp-up.
- **Inventec**
  - Entered into a 60:40 JV with Inventec (Dixon 60%) to manufacture notebooks, AIOs, and servers; Inventec among top five global IT ODMs.
  - JV to support backward integration; plans to explore SSDs and memory modules through related JV with Chongqing UI, a key supplier to Inventec and HP.

Telecom

- Dixon continues to focus and invest in automation to further enhance operational excellence telecom and networking products.
- Home broadband penetration India continues to grow at a very fast pace and the company has been continuously building up more capacities and enhancing its manufacturing capabilities for 5G FWA (fixed wireless excess devices for anchor customers).
- Dixon also has a very strong order book from its anchor customers and has localised components including mouldings and adapters in line with the backward integration strategy for strengthening supply chain resilience, improving cost structure, margin expansion.
- The company is in advanced stage of discussion for a JV for a critical component for telecom devices and sees telecom segment as a multi-year growth opportunity while actively working on non-CPE products.

IT hardware

- Manufacturing unit in Chennai has started mass production of laptops and AIOs for HP and order book for Lenovo is picking up every month and expect a strong M&A growth in coming quarters.
- Inventec JV to be operational by Q1FY27 for manufacturing notebook PC products, servers and desktop PCs.
- Dixon has signed a binding term sheet of 74:26 JV with Chongqing UI for precision components for mechanicals and metal parts for existing customers, for notebooks and further extended beyond the smartphone category.
- The company plans to file under this category for the ECMS scheme while also pursuing potential partnership such as SSD and memory modules. It has also added a dash cam and smart watches to the existing portfolio with increased focus on backward integration and localisation.
- Dixon Electronics JV with Rexxam achieved highest quarterly revenue of INR1.44bn with high operating margin and have finalized a new manufacturing location at Chennai to meet the increased order book for anchor customer, expected to be operational by Q4FY26.

Consumer Electronics

- Q2FY26 looks strong for the LED TVs with strong interest from new brands (~72% of sale from ODM institutions in LED TV), healthy order book and upcoming festive season.
- Dixon has captured nearly 10% of market share in India for refrigerators within one year of operations in direct cool category and now expanding to 2mn (from current 1.2mn capacity).
- The company is now foraying into the new products in cooling division such as frost-free, side-by-side, mini bars, and coolers.
- Although there was a significant miss for television business, management is confident on achieving 50%, growth in FY26 in this segment on the back of healthy order book (almost 800k in Q2 with 70-72% through ODM to the peers) and start contributing meaningfully in the next 2 years.

Home Appliances

- Launch of semi-automatic washing machine high capacity categories of 16kg and 18kg is done and products will be launched by Q3FY26.
- Dixon has partnered with Eureka Forbes for manufacturing of robo vacuum cleaners to diversify their product portfolio.
- Already started working on front load washing machine and appointed a very senior Korean expert to drive this project.

Lighting

- 50:50 JV with Signify will commencing the operations in the first week of August 2025; aimed at shifting from commoditised LED to premium indoor lighting products.
- JV to leverage combined R&D strength to develop hundreds of new SKUs (existing and new) for Signify and other customers. Focus on premiumisation, product diversification, global market access, and operating leverage.
- Dixon got its first pilot order from one of the top retail teams in the US (to be used in Q2FY26) and aim to scale up this opportunity to a sizable business in the upcoming quarters.

Others

- In Q1FY26, the company incurred INR2.87bn capex with INR8–9bn likely for QTech acquisitions and investments across components. Overall capex for FY26 will be around INR11.5–12bn.
- NWC days was -4 days with consistent improvement in RoCE/RoE at 49.1%/33.9%.
- Net debt position for the company stood at INR 2.14bn reflecting strong balance sheet.
- Minority interest is on account of Ismartu and telecom JV with Airtel.
- The company expects 130–140bp margin expansion in FY27 despite PLI phase-out, led by backward integration (camera modules, display modules) and operating leverage from scale.

- FY28 margins expected to improve further as mobile display, TV, and automotive display facilities ramp up, boosting in-house value addition and cost efficiency.
- Dixon holds 6.5% in Aditya Infotech (CCTV business merged); currently limited interest in CCTV vertical.
- Management believes PCBA is a huge opportunity and does not intend to get into bare PCB.
- Multiple senior hires made recently including VPs for strategy, components, and HR; expats on-boarded for display and appliance R&D. Talent acquisition remains a key focus as business scales across verticals. Senior talent includes Taiwanese expat for display, Korean expat for WM/appliances, VP strategy, VP HR, and VP components — all part of focused leadership buildout.

Havells India

- Unexpected season, i.e. early rains and shorter summers have dented the overall performance. However, it is a transitory performance, and a ramp-up should be visible going ahead.
- **ECD**
  - Cooling products suffered a decline due to erratic weather. Fans too faced a large decline YoY. The company remains confident of ramping up fans' growth once inventories normalise.
  - Room coolers reported a decline similar to room air conditioners (RAC).
  - Product mix and adverse operating leverage dented margins in Q1. Contribution margins at product/category levels are seeing some improvement, though product mix dents overall margins.
- **Cables & wires**
  - Revenue charged up 27% YoY with volume growing 21–22%. Similar growth was seen across cables and wires (low base YoY).
  - Underground cables expansion is on track with capacity set to double from FY24–27E. The company has sufficient capacity in low-voltage cables. Hence, focus remains on medium and high-voltage cables going ahead. Healthy traction seen with expanding customer base (both domestic and overseas).
  - Wires has an inventory build-up at the current juncture and the company remains confident of clearing it over the next 15–20 days.
  - The company expects sustainable C&W contribution margins to be 14–15% (implies a PBIT margin of 11–12%).
- **Switchgears**
  - Exports helped boost Q1 revenue growth, albeit at a slightly lower margin.
  - Overall consumer demand has remained tepid in the past few quarters. However, the company remains confident of healthy demand in 2HFY26E.
  - Confident of sustaining margins within 38–40% (~37.2%).
  - The segment has high entry barriers; hence, competition is among existing players.
- **Lighting**
  - Revenues declined by 3% YoY on the back of deflation in price (10% YoY; though stabilised on a QoQ basis). Premiumisation helped report healthy revenue trend and margins.
  - However contribution margins remains strong and the company remains confident of sustaining industry-leading margins in the segment, largely on account of its solutions-oriented and premium portfolios.

- **Lloyds**
  - The company continues to view Lloyd as a medium-to-long term play, which had been in the right trajectory. The company maintains the Top 3 position in the category.
  - Focusing on expanding margins with internal efficiencies (mainly manufacturing efficiencies). The company remains focused on positioning itself with better pricing, which will boost margin expansion.
  - Despite significant investments in A&P, deepening penetration (ISD etc), Lloyd's margins have seen significant improvement.
  - Currently, the inventory remains at elevated levels (given Jan-to-Jun'25), sales revenues flat) and also production from two manufacturing facilities has driven an increase in inventories. However, this is expected to normalise over coming months given adjustments.
- **Others**
  - Solar category remains a sizeable opportunity in this segment. The company had clocked INR4.25bn from solar and related products in FY25, and expects to clock INR10–15bn over coming years.
  - Solar rooftops is a big emerging category, which the company is focusing upon.
  - Pumps category witnessed a decline in the quarter given unseasonal rains.
  - Investment in Goldi Solar is a huge growth opportunity. This will expand the company's addressable market to many products such as solar cell, battery, etc, which could be the future levers of growth.
- Rural contributes 5–6% to the total consumer products' revenue, with growth surpassing the urban. REO (launched last years) is witnessing robust growth and now contributes 25% to rural revenue. Utsav are fully branded stores for population ranging from 5k–10k, and are witnessing healthy traction. More categories like pumps etc will be launched through this channel.
- Creditor days reduced to 44 days (from 57 YoY) mainly due to lower utilisations (given weak sales trajectory) and there is no change in payment/credit terms of the creditors.

Kaynes Technologies

Guidance

- The Board approved dilution by Kaynes Semicon Private Limited, wholly owned subsidiary of the company with **Alpha and Omega Semiconductor (Cayman) Ltd** and **US Technology International** with issue of compulsorily convertible preference shares (Securities), which are convertible up to maximum of 8.25% and 10% of the said company's share capital respectively

- The company maintains full-year revenue guidance of INR45bn on a consolidated basis (including INR42.5bn from base EMS, INR1bn from OSAT and ~INR1.75bn from Canada acquisition) and for sustaining Q1FY26 margins, if not improve in remaining quarters of FY26 basis revenue mix (had implies over 16% versus 15.6% earlier). The exact extent of margin expansion will become clearer after Q2FY26 earnings. Management also expects a significant acceleration in growth from Q2 onward.

- Going forward, further margin tailwinds are likely from new high-margin businesses such as HDI PCB manufacturing and OSAT semiconductor assembly, both of which are scheduled to ramp up production in the next few quarters. International markets, especially the US, are also likely to contribute higher-margin revenue due to the nature of technology-intensive, lower-volume products being sold there.

- Networking capital days for Q1FY26 was 132 days with inventory up from 113 to 115 (building up for strong Q2). Increase in receivables contributed to increase in net working capital, which was related to timing of revenue during the quarter (June was strongest month).

- The company has about INR3.5bn receivables (part of other current assets), which came along with recent acquisition in FY25. Kaynes is working on financing solutions to resolve this by H1FY26, post that reported working capital days should reflect the improved position.

- The company expects significant positive operating cash flow (OCF) in FY26, with working capital spike in Q1 seen as a temporary build-up to support revenue ramp-up in Q2 and beyond; aims to bring working capital cycle below 70 days by year-end, supporting strong RoCE and RoE.

- The company intends to utilise the recently raised QIP money across three focus areas: geographic expansion (with emphasis on North America), strengthening design and ODM capabilities (especially in Europe for sectors like railways and industrial), and selective backward integration in niche areas to reduce costs. These initiatives are aimed at expanding market presence, improving margins, and enhancing overall business valuation.

- ODM in Kaynes' portfolio has gone up from earlier 10% to 20%.

Comments on segments performance

- Q1 revenue growth was led by industrial segment (+43% YoY; 59% of revenue) while Automotive too delivered strong growth (+24% YoY; 27% of revenue). Railways segment growth relatively weak (+17% YoY; 7% of revenue).

- **Industrial**
  - Kaynes aims to capture around 15% of the total smart meter market, targeting a consistent annual revenue of INR 10–12bn from this segment.
  - The company prefers to keep smart meters as a stable but not overly large portion of overall revenue, given the implementation constraints in the field. Smart meter projects follow a predictable quarterly execution pattern once orders are secured, making it a non-cyclical revenue stream.
- **Automotive** faced some softness, but portfolio remains diversified; destocking likely behind and growth expected to pick up from Q2.
  - In the four-wheeler EV segment, Kaynes is actively engaging with upcoming model launches and onboarding new customers, though traction is currently stronger in the two-wheeler EV space.
  - The company expects better momentum in four-wheelers once the market becomes more standardized in India.
  - In electric vehicles, Kaynes has on boarded one of the largest two-wheeler manufacturers as a client, with evaluations completed last year and strong order flow beginning now; this is in addition to existing EV clients.
- **Aerospace**
  - In aerospace, Q1 was marked by significant customer additions, including one large OEM client and another major new client.
  - Kaynes has secured several USD10 million initial orders in aerospace, marking it as the fastest-growing vertical this year, though billing will begin from Q2 onwards.
  - Execution in **aerospace and railway segments** from Q2 onwards should drive healthier, broad-based growth.
  - Aerospace contribution is expected to rise to around 8% in FY26
- **Railways**
  - In railways, the company has entered the pilot phase of the KAVACH project, with routine orders expected in a few months.
  - The railway designs are based on German technology, supported by two German partners. Additionally, Kaynes has strengthened its railway ODM play through the acquisition of Synsonic and a recent INR 400 mn investment into another railway-focused company.
  - Execution in **railway segment** should see strong revival.
  - Contribution of railways to rise to 10–12% of total sales by FY26-end
- For the large OEM, Kaynes is now working with three divisions-automotive components, a US-based business unit, and the aerospace vertical-demonstrating deepening engagement and strong referral-driven growth.
- August Electronics acquisition not only strengthens the company's presence in North America, but also enables them to build synergies, new capabilities and customer segments, where Kaynes had limited presence earlier. This acquisition helps the company to get high margin customers and enhance their ability to serve global clients (especially the North American clients).

- Kavach Development Program is progressing well and is currently nearing pilot implementation
- Margin expansion is being driven by two key factors: improvement in gross margins and operating leverage. Gross margins have increased across all six verticals, with order-related gains of 50 to 100 basis points. Additionally, the portfolio mix is tilting toward higher-margin businesses. As sales rise in subsequent quarters, operating leverage will also kick in. Together, these trends support the company's confidence that EBITDA margins for the full year will exceed earlier guidance.
- Margins are better viewed on a consolidated basis since multiple group companies often collaborate on a single customer's product, making standalone entity margins misleading. Automotive margins improved by about 2%, EV margins are up roughly 1%, and the industrial segment saw a notable jump driven by a favourable product mix. Margins in railways and aerospace are expected to improve meaningfully as their sales contribution increases in the coming quarters. The margin gains are not driven by any single product or sector but are visible across the board.
- Kaynes operates on a blended margin model across verticals like automotive, industrial, electric vehicles, railways, medical, aerospace, defence, IoT, and outer space, each of which has its own product categories with varying profitability. In automotive, for instance, products range from switches and dashboards to lighting systems, while industrial includes power systems, meters, and instrumentation.
- The recent improvement in margins is partly the result of sustained cost-reduction initiatives that began post-IPO. Over the last two years, the company has worked on optimizing costs, and these efforts are now translating into visible gains. Additionally, the share of ODM in the revenue mix has increased from 10% to 20%, giving Kaynes more control over the bill of materials and helping improve margins further.
- Working capital spike in Q1 due to seasonality—April muted, billing ramps through May and June; June strong, July even stronger.
- INR 3.5 billion of debtor spike attributable to acquisition-related receivables (classified under other current assets); will normalize by Q2; expect significant OCF improvement by year-end and better asset utilization.
- Order book as of Q1FY26 stood at INR 74,011mn (vs INR 50,386mn in Q1FY25). Management clarified that fluctuations in monthly order inflow are timing-related and not indicative of demand slowdown. On a three-month moving average, order inflow shows a strong upward trend.

Capex update (OSAT, HDI PCB and others)

- OSAT
    - OSAT facility in Sanand, Gujarat is almost ready and on track to be operational for commercial production by Dec'25. Construction is progressing well—first building and design office will be ready by early August, and commercial operations may begin as early as September, earlier than planned.
    - The company now has three strong anchor clients—one from the US, one Indian client (who acquired a Japanese business), and a third recently on

boarded; these clients are from three different geographies, giving the portfolio good diversification.

- MoUs signed with four additional customers; by FY27 (when 50%+ of the total INR 4400 million capex is utilized), many of these are expected to convert to full customers. Some upcoming clients are focused on advanced packaging areas like silicon photonics and have strong global credentials and deep client bases. Customers are committed to help with process setup, aiding both technology transfer and yield improvement; strong capacity utilization is expected once operational.
- When Kaynes acquired the business from L&T and Shubitsu, it also purchased their equipment to ensure long-term dependency and lock-in for that specific product category. Similarly, for other partners, they are supplying critical bottleneck equipment and Kaynes is offering them a minority stake (skin in the game), limited to below 20%, to solidify long-term strategic relationships. This co-investment approach incentivizes partners to actively support and grow the business with Kaynes, including moving profitable business lines, as both sides benefit from value appreciation. These arrangements foster committed, long-term collaborations rather than transactional relationships.
- Although the OSAT facility will be part of the global semiconductor supply chain, most of its consumption is expected to be domestic, driven by India's growing demand in electric vehicles and industrial production. Despite being technically counted as exports, semiconductors often fall outside tariff regimes due to global interdependence across 70+ countries; hence, import substitution will be the core outcome with strong domestic demand absorption.
- For OSAT, INR3.13bn are spent so far, with another INR4.43bn remaining from the recent QIP to be utilized. For the HDI PCB plant, INR1.14bn has been spent, and further payments are pending as it's a running account with ongoing daily transactions. Both investments were funded from the earlier QIP. HDI PCB plant in Chennai has reached its final stages with building construction complete and operationally ready by Jan'26.

- Government subsidies for land and buildings are limited, with most support focused on plant and machinery. Orders for machinery have already been placed, triggering central government funding at the time of order placement—this process is already proven and followed by other PLI awardees. State government subsidies, however, are linked to the commencement of production and come with a delay of around six months.

KEI Industries

- **Cables and wires**
  - Revenue grew 32% YoY with volume growth of 28–30% YoY in 1QFY26. Cables growth outperformed wires growth. Cables capacity utilisation is approximately 74–75%, thereby implying constraints on capacity utilisation.
  - Strong demand in solar and renewable power development, data centre, transmission/distribution (government/private); EV, tunnel ventilation, highways, and manufacturing sector—both domestically and overseas—are driving growth.
  - Phase 1 of Sanand facility is expected to be operational in Q2FY26 and phase 2 by Q2FY27E. It will take three year to reach optimum utilisation.
  - Solar wires are also witnessing healthy traction. The company doesn't intend to diversify into adjacent solar products categories at the current juncture.
  - Evaluating HVDC (high voltage direct current) at the upcoming Sanand facility (expecting two years to develop prerequisite qualifications, testing, etc).
  - Housing wires contributed 30% to revenue, mainly due to low base. The company is expanding the dealer distribution network to garner growth. It expects 22–25% growth in the category given large untapped Southern and Eastern parts.
  - Winding wires is a very small part on an overall basis, with relevance mainly in the agricultural sector.
  - EHV had witnessed a decline during the quarter, mainly due to a large Gambia project in the base quarter (not present in current quarter). The company aspires to clock INR5.5–6bn in revenues from EHV in FY26, with improvement likely post-commissioning of Sanand project.
- **Export**
  - Target to clock 17–18% of revenue from exports over the next two–three years.
  - Export sales are mainly (90%) through EPC/Utility companies and only 10% through distributors (USA has a distributor model).
  - Middle East, Australia and Africa account for top 3 overseas destination for exports. USA currently is very small on an overall basis (accounted for INR1.6bn in FY25).
- **Capex**
  - Incurred INR4.1bn capex in Q1, of which INR2.9bn was towards Sanand, two land parcels for INR950 and INR190m towards other plants.
  - Incurred INR8.8bn towards Sanand capex (till now) with a likely spend of INR6–7bn in FY26. Further INR3–4bn in 1HFY27, totalling INR19–20bn.

- The company recently acquired two land parcels—Rajasthan and Sanand—capex for which will be incurred post the completion of Sanand facility (Q2FY27).

- **Others**
  - KEII reiterates 18–19% revenue growth in FY26 with a 20% CAGR FY27E onwards. EBITDA margin (including other income) to be around 11% for FY26; expect margin improvement in FY27.
  - Sanand total capex will be to the tune of INR19–20bn with potential to generate INR60–70bn (of which LT/MT will likely generate INR48bn and balance from EHV)
  - KEII maintains a healthy order book of INR39.2bn, of which INR5.4bn pertains to EPC, INR5.4bn to EHV, domestic cables INR 21.4bn and exports INR 7bn.
  - KEI had raised INR20bn through a QIP in Nov-24 to be utilised towards debt repayment of INR2.7bn, INR14.5bn towards Sanand capex, INR2.4bn towards general corporate purposes and INR340m towards QIP expenses. Of this company has utilised INR9.1bn till Jun-25.

PG Electroplast

Guidance

- Management reduced consolidated revenue guidance to 18% (30% earlier) for FY26 due to a challenging start to the year, soft seasonal demand and excess inventory in channel and with brands. They guided for FY26 standalone revenue of INR30.5–31bn, and consolidated at INR65–65.5bn (including Goodworth Electronics).
- The company lowered the FY26 EBITDA margin guidance by 125–150bp due to unabsorption of overheads and PAT guidance of INR3.1bn (versus INR4.1bn earlier), further aggravated by higher interest cost (INR500mn impact; higher inventories financing).
- Capex for FY26 has been trimmed to INR7–7.5bn (versus earlier INR8–9bn), split into INR3bn for refrigerators and INR4–4.5bn for other verticals.
- PGEL has refrained from FY27 guidance, though hoped to achieve its FY28 revenue target of INR90bn (4–5x asset turns).
- Management expects business revival only from November 2025, with the next two quarters likely to remain soft.

Segmental highlights

- **RAC**
  - RAC revenue rose 15% YoY to INR10.15bn in Q1FY26 despite weak demand from June onwards.
  - Channel inventory remains high; leading brands and contract manufacturers to slow production.
  - PGEL's inventory build-up was based on confirmed orders that were later cancelled (50–70% cancellations in June–August but saw 70% growth in April and 18% growth in May).
  - The company does not hold any FG inventory; almost all stock is raw material and components.
  - Margin impact due to price erosion and delayed offtake; future order flow depends on channel clearance and brand inventory by November.
- **Washing machines, refrigerators & air coolers**
  - Washing machine segment grew 36% YoY in Q1; thecompany expects 40–45% growth for FY26. Capacity to expand to 2mn units by FY26; new clients are being on-boarded.
  - Refrigerator business will see a gradual ramp-up; FY28 will be the first full year of meaningful revenue contribution.
  - While the season for air coolers was muted, PGEL can create incremental capacity as per requirements.

Working capital and inventory

- Inventory levels are high at INR13.56bn, mostly raw materials linked to cancelled orders. Current inventory includes INR10bn excess (INR3.68bn base), putting pressure on cash flow. The company does not maintain more than one week of inventory for brands as everything is built to order.
- There is minimal obsolescence risk; components used are compatible with new star-rated products.
- Currently, inventories with brands stand at 25mn (should have been <1mn) while additional inventory of 2–2.5mn units with channel. Brands are expected to clear inventory by November, after which order flow should normalise.
- RAC channel is choked with inventories with most brands and contract manufacturers are slowing down the production to get rid of channel inventory.

Compressor facility

- The compressor plant (in partnership with a Chinese player) is delayed due to pending Chinese government clearance. INR1.2bn has already been spent on building infrastructure; the P&M order and installation will follow once approvals are in place.
- Capex may now slip to FY27 (more clarity in next 1–2 months), but management remains confident of progress once approvals are in place. The building can be repurposed if needed; capex so far is part of broader RAC manufacturing investment.

Capex and working capital

- FY26 capex cut to INR7–7.5bn; earlier plan was INR8–9bn. Capex is split into INR3bn for refrigerators and INR4–4.5bn for existing verticals such as RAC, WM and coolers.
- Land and building construction continues; P&M deployment will be timed with demand pickup (can be managed in four–six months).
- The company reiterated that no debt would be raised for capex; internal accruals and QIP funds will be used.

Others

Promoter stake dilution over past years was mainly on account of fund-raise in PGEL (for growth) in 2021, 2023 and 2024 and most recently being promoter stake sale (May 2025; after a gap of six years).

Polycab India

- **Cables & Wires**
  - Overall volume growth of 25% YoY, in which cables grew in late twenties (26–28% in our estimates) while wires grew in early twenties (21–23% YoY), albeit on a allow base.
  - Domestic revenue (+32% YoY) driven by higher government spending. Exports grew 24% YoY, albeit on a low base.
  - Southern geography led the growth during the quarter followed by North, East and West geography.
  - EBIT margins expanded 210bp to 14.7% on the back of better operating leverage, strategic pricing actions and favourable mix.
  - The company remains confident of sufficient demand to absorb the incremental supply (from new capacity).
  - Cables contribute around 73% of the revenue of the segment, with wires contributing the balance.
  - The company commanded 26–27% market share in FY25 (around 30% in cables and early 20% in wires) in the organised market (as at the end of FY25), with anticipation of inching up during the quarter.
  - The company's wires brand- ATIRA, which was launched for Tier 3 and beyond markets, have been posting healthy growth. Furthermore, other brands such as Maxima and Suprima have also performed in a robust manner.
  - A&P spends to remain at 3–5% of B2C revenues (B2C contributes one–third of revenue).
  - The company has seen no material concerns pertaining to dumping into key export geographies from China (barring in Australia where China has a dominant position due to duty exemption). Polycab exports mainly low/medium voltage cables while most global companies have set up larger capacities for EHV. The US is the largest export market for the company, contributing one-third of their exports.
- **FMEG**
  - Revenue grew 18% YoY on the back of exceptional growth in solar invertors (2x YoY) with healthy growth in categories such as lights, switches, switchgears, conduit pipes and fittings while fans growth was muted due to weak/short summer season.
  - EBIT margins were 2.1%, a second consecutive profitable quarter on the back of strategic initiatives and premiumisation. Premium fans contribute around 25% of the fans revenues while 35% of lighting revenues are from premium lightings.
  - The company expects FMEG industry to grow at 8–10%, with the company outpacing industry growth by 1.5–2x.
  - The company has no intention of expanding their product offering in this category.

- **EPC**
  - The company has an order book of INR80bn for Bharatnet Projects, to be executed over the next three years (as mandated) and maintained for ten years. The company expects to have 12–14% EBITDA margins on these orders. Furthermore, it has RDSS orders to the tune of INR38–40bn,. RDSS scheme is ending in Mar-26.
  - The company estimates the contribution of EPC to be not more than 10% of the total revenue (on an annual basis).
  - Margins should be in high single digit on a sustainable basis (mid to long term)
- **Capex:** Spends to be around INR60–70bn in the next five years, mainly towards cables and wires (anticipated no capex requirement in FMEG) and backward integration. The company had spent INR4.1bn in capex in QFY261.
- **Working capital:** WC days were 43 days due to increase in payable days. However, the company remains confident of sustaining WC days in the range of 50–55 days going ahead.

Symphony

Inventory status

- The air cooler category experiences more spontaneous purchases compared with air conditioners, which are planned and require installation—this spontaneity makes coolers more sensitive to immediate weather patterns, leading to higher decline in a weak summer. In contrast, air conditioners are less impacted as they're purchased with longer-term planning in mind. Additionally, the air cooler category had seen significantly higher growth than RAC in the summer of '24, so the current year's steeper decline also reflects a base effect.
- Inventory at the end of the summer quarter is higher than normal due to aggressive channel placement until March and a subdued summer season. Exact inventory figures are not being disclosed yet as data collection is ongoing, but management views this as a routine business cycle event that they've navigated successfully in the past.
- Channel inventory is likely to normalise only once tertiary sales pick up, which typically happens closer to the next summer season. Current channel inventory levels are likely lower than last year, and normalisation depends on end-consumer demand revival.

Category details

- Despite the overall subdued summer season, the newer product categories delivered strong performance even in the June quarter. These categories registered robust growth, reinforcing their resilience and continued traction in the portfolio.
- Newer categories such as tower fans, kitchen cooling fans and LSV have delivered over a 50% CAGR over the past 3–4 years, becoming a key part of the overall portfolio. Even in a weak summer season, these categories have continued to grow at similar rates YoY, now contributing double-digit percentages to total sales. Management expects these categories to keep growing faster than the core residential coolers portfolio, helping diversify and strengthen the business mix.
- Symphony has launched BLDC-based coolers and tower fans, with pricing at a 10–15% premium over standard variants. Adoption so far has been mixed—higher in tower fans than in air coolers—but the company remains focused on building out this energy-efficient segment as a long-term opportunity. Unlike other brands in the BLDC fan category that continue to post losses despite top-line growth, Symphony emphasizes that it is growing with profitability and maintaining a healthy bottom line.
- Non-residential categories such as industrial coolers, tower fans and kitchen cooling fans have grown strongly and continue to expand across markets.
- Water heaters, introduced last year in limited southern geographies, are now being gradually rolled out to more cities and modern retail stores; a pan-India presence is expected in a year. These newer product categories now contribute ~25% to total revenue and are expected to continue growing.
- Export business, both to third parties and subsidiaries, is performing well and adds another growth lever beyond India domestic sales.

- The company's asset-light business model enables growth with minimal capex; even with 17 new models launched last year and more planned this year, total investment remains under INR100mn. Such product development investments are routine and do not significantly impact overall financials; innovation and market responsiveness will continue steadily as in past years.

Tariff impact

- The company views US tariffs as an evolving and unpredictable situation, but notes that Indian products still enjoy lower tariffs than non-tariffed Chinese goods. For now, tariffs have no material impact since goods for summer 2025 are already shipped; the focus will be on how tariffs play out for future seasons, which will be assessed in due course. The real concern will arise only when shipping for summer '26 begins and as long as Indian tariffs remain lower than China's, the company remains well-positioned competitively.

- Recently announced tariffs on Indian products are lower than those on Chinese goods and have had no impact on the company's strategic plans. The company's international business model requires minimal investment—primarily in personnel and travel, which is already underway, and no significant changes are anticipated. Even with planned divestments in Mexico and Australia, Symphony expects to maintain sales relationships with the same clients under new ownership, so international business is unlikely to be materially affected.

Market share

- While sales declined sharply versus last year, they remain higher than in any other previous year, highlighting a longer-term growth trajectory. The current sales drop is entirely attributed to a weak summer season, affecting all summer-driven categories (ACs, fans, coolers, refrigerators, stabilizers, batteries), with no structural issues in the business.

- Market share has remained stable despite the sales decline, as the entire industry has witnessed a drop in sales. Symphony may even see an increase in market share once official reports are released, given that peers may have been more severely impacted.

- Sales contraction was most severe in the southern region due to the worst summer conditions there. However, overall demand weakness was fairly uniform across the rest of the country as well.

- Given that air coolers are typically purchased only during the summer months, there is negligible end-consumer demand in the current (monsoon) quarter. Sales during this period will primarily be to the channel, but due to elevated inventory levels, even channel sales are expected to remain subdued. As a result, the company anticipates sales to taper off in the current quarter compared to the same period last year.

International business

- Australia:
    - In Australia, Symphony transformed its business model by exiting manufacturing and gas ducted heaters (which were banned in key markets such as Victoria), and pivoted to a full-fledged sales, marketing, and distribution setup—similar to its India and Mexico operations. The product focus has shifted to electric heating and cooling solutions such as reverse cycle air conditioners, electric fireplaces, panel heaters and oil column heaters.

  - The company expanded its geographic presence across all major Australian cities (Sydney, Brisbane, Darwin, Perth, etc) by adding salespeople and third-party warehouses. It believes it is now at the bottom of a hockey-stick recovery curve with no fixed overheads on books, positioning itself well for scalable, profitable growth.

- US
  - US sales in the current quarter have already grown significantly YoY, and the company is in advanced stages of finalising deals with major US retailers for the upcoming season.

- Post-divestment of Mexican and Australian arm, Symphony plans to supply coolers to IMCO and Climate Technologies via white-label arrangements under their existing brands (e.g. Bonaire), which Symphony currently owns but will relinquish upon sale. In parallel, the company will explore opportunities to introduce and sell Symphony-branded products directly in the same geographies, making it a dual-pronged approach.

- The company has received strong interest from international firms, though discussions are still at an early stage, including NDA signings. Management will share updates once negotiations progress further and are closer to deal finalisation.

- Management clarified that there are no specific plans yet for the use of monetisation proceeds as the business remains asset-light and does not require significant capital. They ruled out any future international or domestic acquisitions, emphasizing that the export model will follow the Brazil approach—building local subsidiaries and sales teams rather than acquiring companies.

Syrma SGS

Guidance

- Management is confident of achieving the FY26 guidance of 30–35% revenue growth and 8.5–9% operating EBITDA margin (earlier 8%).
- Syrma currently manufactures large-format box-build products for exports and Indian customers, giving the company the confidence to achieve the guided growth in the coming quarters.
- The company plans to export 24–27% of overall revenue in FY26.
- Defence is a key focus area under active evaluation; while current supplies are minimal, the company is exploring EMS partnerships with major defence players (as an OEM) and also deeper solution-based opportunities (as an ODM solutions) in areas such as communication, radar, or jamming systems to serve armed forces and paramilitary clients.
- Capex for FY26 to be INR1bn towards regular balancing equipment etc. The company aims to bring net working capital days below 60 (65 currently). It incurred capex of INR350mn in Q1 on plant and machineries at existing facilities.
- ODM revenue for the quarter was 12% of the overall revenue.
- Overall capacity utilisation is expected to be 65–70% in FY26, including newly added capacities such as the Pune plant and expansions at Bawal and Chennai. The PLI incentive for the quarter was INR40–60mn.

PCB Manufacturing JV

- PCB in India is currently valued at USD5bn with 90% imported and rest 10% made in India (out of which 30% by one company, 40% by eight–nine organised companies and the rest 30% by unorganized players).
- To address the domestic PCB requirements, Syrma has entered into a JV agreement with Shinhyup, one of the oldest companies in Korea (with a 3.5-decade presence in PCB manufacturing). While the PLI application for the same is currently under scrutiny, the company has identified two potential land parcels for the project and hopes to start the project execution by Sep-25 and commission it by Q3/Q4FY27.
- This PCB plant will manufacture multi-layer and single layer PCB with 1.5–2mn sq meters capacity per annum, incurring USD91mn in capex over three–four years (40–60% of state subsidy) and 1.2–2x asset turns. EBITDA margin for this plant would be 12–15% (PLI EBITDA margin of 15–18%) and 18–20% once the plant matures with ~20% RoCE.
- PCB investment will require about USD30mn initially (part of a USD91mn capex to be incurred over 3–5 years), which can be funded through: i) internal accruals; ii) state government subsidy (35–50%), to be received in instalments); and iii) equity infusion by Syrma/JV partner. Having said that, the company categorically rejected the need for any fund-raise to finance this venture in the initial phase while the next phase shall be financed through internal accruals of the said business.

EMS segments

- **Consumer**
  - The Consumer segment (including low margin, high volume as well as the ODM business, which is high-margin, low volume) saw a decline from 53% in Q1FY25 to 34% in Q1FY26, and the company is on track to reduce the consumer mix to 30% of overall revenue on an annualised basis.
- **Industrial**
  - Industrial mix increased to 30% of overall revenue (versus 19% in Q1FY25). In the industrial segment, the margins are higher in exports, lower in domestic, but much better than Consumer's.
  - Smart meter revenue for Q1FY26 is INR550–600mn, in line with the INR2.5–3bn guidance for FY26.
  - Industrial growth is being driven by smart metering, EV charging exports to Africa, and upcoming telecom antenna shipments from Q2.
- **Automotive**
  - Automotive mix has increased to 24% of the overall revenue (versus 16% in Q1FY25).
  - In the automotive sector, the margins vary if a company is a tier-1 supplier or a tier-2 supplier vendor, and in the EV space, wherein it is a tier-1 supplier, there are incremental margins.
  - The company has introduced new products such as fuel injecting system and airbag system. Automotive benefits from new customer and product additions, and the company is working on safety systems, driver assistance systems.
- **IT and Railways**
  - IT and Railways was muted for the quarter, but is likely to pick up over the coming quarters. Railways continues to be a lumpy business with INR200–210mn revenue in Q1FY26 and to be an INR0.8–1bn for FY26E.
  - The company is currently in negotiations for RFQs and the next year shall be better if those RFQs materialise.
  - Laptop production for MSI has started in small volumes from July–August, focused on the Indian market; discussions going on for global supply.
  - Current projects are sufficient to meet targets, but a significant boost is possible if motherboard manufacturing is added under PLI, as current laptops don't qualify for the scheme.

Order book: Order book as of Q1FY26 is INR54bn, of which 35–40% is auto, 25–27% is Consumer and Industrial each, Healthcare 6–8% and the rest is IT & Railway.

- **Exports:** Exports are primarily to Western Europe (90%+) and USA (5.5–6%; +22% YoY) with 25% YoY growth at INR2.3bn in Q1. It believes ongoing tariff uncertainty would be resolved soon while India is also favourably placed vis-à-vis other countries. Syrma is confident of crossing INR10bn in exports for FY26.

Voltas

- **Industry:** Estimate decline of 35–40% YoY in the RAC category in Q1FY26 as unseasonal rains and early onset of monsoon curtailed the summer season and hence there was a significant impact on cooling products.
- **Market share:** The company improved its market share over the past few months with 16.9%/17.9%/19.3% in April/May/June. The market share for Q1 stood at 17.8% on average (versus 19% QoQ). The company aspires to maintain market leadership position with expansion in market share going ahead.
- **UCP**
    - The decline appears higher also on account of high base (given exceptional summer season last year).
    - The company remains confident of ramping up the performance in Q3 and Q4, with a flat performance for FY26 (versus industry expectation of a decline of 5–10%).
    - Competition remains steep in the category with more than 65 players. Hence, the company targets to remain the market leader (and not focusing on 25–26% market share).
    - Various expenses—promotional expenses, factory cost, etc– appear to be higher as a % of revenue given they were not absorbed due to a weak summer.
    - Trade partners had built up inventory in anticipation of strong demand, but softer secondary sales led to slower off-take and elevated stock levels, prompting a temporary adjustment in factory operations.
    - With inventory levels expected to normalise and demand likely to improve, aided by upcoming regulatory changes such as revised energy efficiency norms, the segment is well positioned for recovery in the quarters ahead.
    - The company is carrying inventory of three–four months (at brand level), and believes two months of inventory (at the channel levels) at the current juncture.
- **Voltas Beko**
    - Revenue growth of 33% with 1 million units sold during the quarter.
    - The washing machine category led this momentum supported by successful product launches and a sharper product mix.
    - Gains in the refrigerator category were equally encouraging, with direct cool models driving a marked improvement in market share.
    - This growth was underpinned by agile manufacturing, timely availability of fast-moving products, and a steady pipeline of product innovations and launches tailored to meet evolving consumer needs.
    - Improved traction across general trade, modern retail and e-commerce channels was complemented by enhanced retail visibility, focused marketing campaigns, and operational efficiency -- driving both volume expansion and margin improvement
    - Market share in WM at 8.6% and refrigerator at 7.2%. Moreover, the company targets improve profitability once 10% market share is garnered in these categories.

- **EMP**
  - Performance remained stable during the quarter across geographies.
  - Order book remains healthy at INR17bn (versus broadly same YoY) in international business and INR62bn (versus INR50bn YoY) in the domestic side.
  - UAE and Saudi Arabia contributed to revenues and margins.
  - The company expects margins to sustain at 5% levels.
- **Engineering products and services**
  - Delivered a balanced performance during the quarter with stable execution in core areas and selective improvement in margins.
  - In the Mining and Construction Equipment business, while overall sales volumes were lower, a shift in the product mix contributed positively to profitability
- In the Textile Machinery division, subdued capital expenditure and cautious customer sentiment led to softer demand in the agency business.

Consumer Staples & Discretionary

Asian Paints

Detailed takeaways

Outlook

- The company has retained its EBITDA margin guidance of 18–20%.
- It expects to maintain the current volume-value gap for the rest of the year.
- For the near term, it has guides for single-digit growth for both volume and value.
- Capex for FY26 is guided at INR7bn out of which INR1bn has already been spent. The white cement plant is nearing commissioning, which should start showing benefits. VAM/VAE plant benefits shall begin Q1/Q2FY27 onwards.
- APNT expects some softening in raw material prices while closely monitoring rupee volatility.
- **Anti-dumping duty:** For TIO2, anti-dumping duty shall have an impact Q2FY26 onwards. Even though some Chinese players have cut prices, it will not be similar to earlier prices. Overall, this duty can affect raw material prices by 1.5–2%.
- Given increased industrialisation, the company expects strong investments from the government. It anticipates Industrial and B2B business to be major drivers of growth going forward.

Demand

- The company has started witnessing green shoots in demand and expects this trend to continue. It believes demand has bottomed and should recover hereon. APNT does not expect a further deterioration in demand conditions.
- North East and North West geographies have performed well on overall demand. Demand from southern geographies stayed muted, which the company believes shall be short-term in nature.
- The company is seeing an element of down trading in the Luxury segment leading to the segment reporting a muted performance.
- June and July were hurt by heavy rainfall. The company anticipates a stronger retailing season in September. Q3FY26 is likely to be affected by fewer retail days (early Diwali).

Competition

- APNT expects competitive intensity to persist going forward. The company would tackle this through an innovation and regionalisation-led strategy.

Domestic business

- Decorative business India registered volume growth of 3.9% YoY with 1.2% YoY revenue decrease.
- Decorative plus Industrial volume inched up 4.2% YoY with flat revenue growth YoY.
- Q1FY26 mix led by Economy emulsions, Smartcare Waterproofing, Exterior Textures and Wood Finishes while Luxury Emulsions as a category did not do well.

- Projects/Institutional Business faced some deceleration in the segments covering cooperative housing societies and factories, but reported good demand from builders and government Segments.
- Its backward integration projects (VAM-VAE and White Cement) are on track. This would further improve cost efficiency as well as enhance capability to bring out differentiated products with unique specifications.

Key highlights

- Decorative Business India posted volume growth of 3.9% YoY with 1.2% YoY revenue decrease. This was due to a subdued demand environment on the back of macroeconomic uncertainties, early monsoon and revenue hurt by a shift in mix.
- The paint industry clocked a slight uptick this quarter driven by marginally improved demand from urban centres despite monsoons slowing the momentum in June.

Home Décor business

- Home Décor categories reported a decrease in Q1FY26 with pressure on household disposable incomes
- The home décor business was slow due to subdued retail consumption, but the retail chain of Beautiful Homes did well.

Kitchen and bath fittings

- Kitchen revenue fell 2% YoY due to subdued demand conditions. It incurred PBT loss of INR90mn in Q1FY26 as compared with INR30mn of loss in Q1FY25.
- In Bath business, revenue decreased 5% YoY due to muted demand.

White Teak and Weatherseal

- White Teak revenue plunged 32% YoY to INR200mn due to BIS challenges and subdued retail demand.
- Weatherseal surged 32% YoY to INR150mn in Q1FY26. Growth was driven by extended product offerings, expanded reach and synergies with its Beautiful Homes network.

International business

- The International business registered value growth of 8.4% and CC growth of 17.5% on the back of growth in Asian markets, UAE and Egypt. The Ethiopia performance was affected by currency devaluation.
- Africa business decreased 7% YoY to INR1.37bn.
- The Asia business delivered strong 15% revenue growth to INR2940mn.
- The South Pacific business increased 3% YoY to INR360mn.
- Profitability improved due to operational efficiencies and favourable raw material costs.

Industrial business

- Revenue from the Industrial Coatings business grew 8.8% on the back of a good performance from the Auto and Protective coating segments.

PPGAP

- The segment delivered 11% YoY growth at INR5750mn benefiting from growth in the Automotive and General Industrial segments.
- PBT margin came at 16.9% in Q1FY26 as compared with 19.2% in Q1FY25.

APPPG

- The segment delivered modest revenue growth of 5%–driven by the Protective coatings segment.
- The impact of pricing reduction undertaken to address aggressive pricing pressures in the market resulted in a decline in PBT margins at 8.1%.

Distribution

- It continued to expand its distribution footprint catering to over 170,000 retail touchpoints.

New launches/Innovations

- New products contributed to ~14% of overall revenue in Q1FY26.
- It has added 'Nilaya Arc' to its Nilaya collection offering 200-plus shades with a ten-year warranty.
- APNT has launched an innovation in regional packs in Odisha.
- It has added new variants in the ultra-range—Ace, Apex and tractor giving 10% additional ultra coverage.

Bajaj Consumer

Detailed takeaways

Outlook

- The company aims to reach industry-level EBITDA margins in low twenties through enhanced mix, better pricing and optimised ad spends.
- Banjaras is likely to grow ahead of its core business. It aims for double-digit growth in the brand.
- The company has capacity headroom to support growth for the next 2–3 years. No major capex is planned going ahead.
- Rural growth remains an internal issue of the company. Through project Aarohan, the company is expanding distribution, which is likely to support the rural recovery.
- Banjaras has strong distribution in Karnataka, Tamil Nadu, and Telangana, where Bajaj Consumer has a weaker presence. The company aims to leverage Banjaras's distribution network to strengthen its position in the southern market. Certain pilot markets have been identified and distribution integration initiative shall be carried out gradually over the next four–five quarters.
- Coconut oil is growing slower than the market leader due to intense competition and pricing. It aims to grow the category profitably.

Q1FY26 highlights

- Ex of Vishal Personal care, inched up 3.7% YoY.
- Gross margin improved 159bp YoY to 57.7% in Q1FY26 due to an improved mix, selective pricing along with reduced trade investments and spends.

ADHO

- Overall ADHO inched up 4% YoY in Q1 with flat volumes.
- Small packs grew in mid-single digit YoY while mid and large packs grew in low single digit. Sachet registered high teens growth.
- In Q1FY26, ad spends on ADHO increased by 46% compared with Q1FY25 while total advertisement spends remained constant YoY. The company believes there is headroom for growth in the industry.
- Price-point packs posted double-digit growth on a YoY basis on the back of improved size perception and point of sales visibility in GT.
- The category has reported strong growth across modern trade channels.
- The growth strategy would be to profitability strengthen the category through premiumisation, diversify the portfolio and optimise the product mix with corrective pricing.

NPDs + Traditional

- Overall, NPDs + traditional remained flat in Q1FY26 YoY.
- Bajaj 100% Pure Coconut Oil delivered 20%-plus growth in Q1FY26 YoY. Price hike was executed as per Market Index.
- Coconut oil growth remained below the market leader due to intense competition and pricing pressures.

- All-India market has grown steadily over recent quarters. Despite pricing actions, and pruning of non-profitable portfolio, it maintained its growth trajectory.
- Almond Drop Hair and Skin care recorded a subdued performance in Q1FY26 YoY. Focus during Q1 was on product overhaul and margin rationalisation.

Channel performance

General Trade

- GT returned to YoY growth after a gap.
- Urban registered strong growth YoY on the back of a wholesale recovery while rural continues to be sluggish.

Organized trade

- Registered growth in teens YoY with channel saliency at 29%.
- Modern trade and e-commerce posted good growth at 20%-plus backed by a strong performance of ADHO.
- Canteens remained flat amid stock rationalisation by customers.

International business

- Revenue decreased 20% YoY on the back of by external headwinds such as tariffs and wars primarily affecting its distributor markets in GCC, Africa and RoW.
- Key markets of Nepal and Bangladesh grew in strong teens.

Banjaras

- In Q1FY26, Banjaras revenue increased 10% YoY to INR155mn with low teens EBITDA margin.
- For post-merger integration, a leading consultant has been engaged to design and integrate the operations. Pilot market has been identified and integration is under way.
- Vishal Personal Care is a debt-free company with minimal depreciation expense.

Project Aarohan and Distribution

- With its Project Aarohan, Uttar Pradesh and Madhya Pradesh are showing positive results.
- It has extended the programme and added 25,000 new outlets.

Industry

- Hair oil category is a USD2bn category, which remains highly penetrated.
- The category has evolved from hair oil to other hair products, which continue to grow significantly.

Buyback

- It has announced a buyback of share on July 24 at an offer price of INR290 per share totalling to INR1.86bn.

Others

It operates plants in Dehradun and Guwahati and relies on large third-party manufacturing partners.

Berger Paints

Detailed takeaways

Outlook

- Margins: It aims to remain at 15–17% EBITDA margin range. In standalone, it is operating EBITDA margins above 17%-plus.
- It believes a recovery shall come post monsoon, which will aid in pickup of value as well as volume growth momentum. It expects 7–9% volume growth post-monsoons.
- Volume-value gap in the next three quarters is likely to remain at 1.5–2% largely due to a mix of the products. If everything goes well, it expects value growth to potentially reach the 9–10% range in Q3/Q4FY26.
- From Q4FY26, it expects an urban recovery to aid in overall revenue growth.
- Regional tailoring of product mix and pricing remains critical. It continues to align its pricing and products to regional preferences.

Competition

- New player is estimated to have 5.5–6% market share. Including the new player, its market share remains slight above 20%.
- It believes the market share of the new player is heavily indexed towards mid and lower end of the segment.
- Although there has been some loss of market share, competitive intensity has not increased for the past few months. The initial excitement around the new player appears to be fading.
- The new player was heavily discounting (10% extra grammage). Once network expanded and inter-dealing started, benefits were withheld (10% grammage now only on 20L), dealer margins have contracted. As there was no further incentive to dealers, some dealers have now returned to legacy players.
- The 10% extra grammage by the new entrant was offered on 4L, 10L and 20L packs. Now the incentive is only on 20L. Some rationalisation is happening. It believes this grammage strategy was initial, which is likely to get phased out slowly.
- On Akzo and JSW, it believes there is no great change in the competitive intensity. It expects possibly some increased advertising spending after the ownership change, but no major competitive impact.
- It believes competition is more towards the economy and less towards luxury and premium categories.
- In the south region, it has faced more intensity of competition than the rest of the markets.

Business outlook

- Gradual improvement in demand indicators observed with early momentum in urban markets
- Well-progressing monsoon and easing inflation to support rural sentiment under a supportive policy environment.
- Market competitiveness to stay elevated. It will continue to focus on innovation and brand distinctiveness.
- Potential pickup in government infrastructure spending in H2FY26 could aid growth momentum and broaden economic activity.

Q1FY26 highlights

- In Q1FY25, volume growth was 5.6% in the decorative segment. Growth moderated due to heavier-than expected monsoon in May and June.
- It continued to gain market share. Market share is estimated to be above 20% based on results declared by major listed paints companies.
- PBDIT margins improved both sequentially and YoY in spite of heavy competitive pressures. At the consolidated level, PBDIT was hurt due to margin pressures in Bolix.
- It continues to outperform industry growth in Q1FY26.

Decorative business: Q1FY26 performance

- In Q1FY26, decorative business delivered 5.6% YoY volume growth. Volume-value gap narrowed driven by improved mix and waning impact of prior price corrections.
- Strong performance was sustained in differentiated products, led by WAD/WLL /Seal O Prime.
- Construction chemicals and water proofing delivered robust volume/value growth with stable margins. Roof Kool and Seal further picked up momentum.
- Wood coatings posted robust volume and value growth.
- Interior segment of luxury has seen a slowdown affected by heavy rains while exterior luxury categories continues to do well.
- Texture coating and tile adhesives are growing at a faster pace than other categories in paint

Industrial business: Q1FY26 performance

- Protective and automotive coatings maintained positive volume momentum in Q1FY26.
- General industrial and powder coatings performance remained subdued.
- Automotive segment delivered stronger volume and value growth as compared with the overall performance
- Protective growth volume growth was very good, but it had to take price cuts as competitive intensity was high leading to less value growth.

Subsidiary performance

- BJN Nepal outperformed within the group, delivering strong revenue growth and margin expansion.
- Bolix reported a stable quarter in revenue and profitability (in constant currency). However, muted margins in UK operations (long-tenure projects) hurt overall Bolix group profitability. Bolix is an insulation business. Governments there are promoting to save energy. With the current geopolitical situation and Russian oil not available to them, this category is growing at healthy rates.
- STP and SBL Coatings reported flattish growth, weighing on overall profitability due to scale challenges
- Berger Rock continued to post a solid performance in both revenue and profitability growth
- JV BNPA delivered robust growth in revenue and profits driven by higher OEM sales in the automotive segment
- Berger Becker JV reported a strong turnaround post fire-related losses, aided by improved product mix and margin recovery

Distribution

- Retail footprint expanded to 1,300 stores in Q1FY26. Store footprint expanded by 300 in Q1FY26.
- More than 2,500 tinting machines were installed in Q1FY26.

Innovation

- It has launched 'Kolor Plus', an Interior premium emulsion. It is seeing good traction for the product. It has launched this in South with aims to expand to other states.
- Tank cool, Anti-dust Cook and Roof Kool launched earlier continue to do well.

Others

The exceptional item of INR386mn was due to a fire at a warehouse. The warehouse is fully insured and is in the claim process.

Bikaji Foods

Detailed takeaways

Outlook

- **Gross margin:** The company expects ex-PLI gross margin of 32%-plus in FY26 on a standalone basis driven by stable raw material costs and a favourable monsoon.
- **Volume growth:** Projected to be 9–10%, starting Q2FY26 onwards.
- For the JV in Nepal, the top line of the business is currently less than INR200mn, which it expects to grow to INR500mn over the next two years.
- PLI income for FY26E is estimated to be INR500mn, which would be equally divided in four quarters.
- **Distribution:** It aims to scale up direct coverage to ~3,50,000 outlets (3,26,361 in Q1FY26) by FY26E, adding ~50,000 outlets year on year with a target of reaching 5,00,000 outlets over the next three years.
- **Demand:** The company is seeing month-on-month recovery in demand in months of June and July.
- **THF:** By Q4FY26, Bikaji expects The Hazelnut Factory exit ARR to be INR1bn. In Q1FY26, the company added two new THF stores, and plans to open another eight–nine stores across Uttar Pradesh and the NCR, taking its total count to 19–20 stores by the end of FY26. Management expects 8–10% EBITDA growth over next year with an EBITDA margin of 4–6%.
- Impulse packs have grown slower than family packs due to price wars in the INR5 and INR10 categories. It expects recovery from Q2FY26E.
- Opened one store in Rajasthan; plans afoot to open four–five more stores.
- **Raw materials:** Bikaji expects palm oil prices to remain stable going forward. The benefit of duty cut was not much as it uses other oils such as cottonseed and rice bran.
- The company does not plan to launch any new festive SKUs for the upcoming season.

Pricing

- Increased the prices of key ethnic snacks and western snacks by ~2.5% each, which will aid in margin improvement.

Joint Venture with C.G. Foods Nepal

- The company has entered into a JV with C.G. Foods Nepal Limited to jointly establish and operate a company in Nepal for manufacturing, trading and marketing of snacks, namkeen, bhujia, papad and packaged sweets, leveraging their combined expertise to achieve shared business objectives.
- C.G. Foods is a highly distributed FMCG brand in Nepal.
- The key reason for entering into a JV is the high import duty of 55%, which would makes Bikaji less competitive in the market. Haldiram has also gone the same way by forming a JV in Nepal.

- Bikaji will invest INR150mn in the JV; another INR150mn will come from the other partner.
- Bikaji reckons the total market size of the company's products would be close to INR6–7bn in Nepal.

Q1FY26 highlights

- The company delivered overall value growth of 14.2% YoY in Q1FY26 in the core and retail businesses combined.
- It delivered value growth of 11.2% YoY in the traditional snacks category.
- Overall volume growth is 7.2%. Volume growth ex-acquisitions is 6%.

Segmental performance

Ethnic snacks (75.3% of sales)

- The Ethnic snacks segment revenue at INR4625mn grew 11.2% YoY.

Packaged Sweets (6.6% of sales)

- This segment clocked revenue of INR408mn, up 3.1% YoY.

Western Snacks (9.2% of sales)

- Western snacks increased 4.2% YoY to INR564mn in revenue.
- In western snacks, the company operates primarily in the INR5 and INR10 packs. It has large packs for modern trade as well.

Papad (5.8% of sales)

- The Papad segment grew 5.8% YoY to INR354mn. It was affected mainly due to fewer weddings than last year.

Product mix

- Ethnics snacks mix decreased 70bp YoY to 75.3%.
- Western snacks mix also fell 70bp YoY to 9.2%.

Core and focus markets performance

- Core market (72.4% salience) grew 8.5% YoY to INR4,448mn.
- Focus market (13.3% salience) clocked strong growth of 11.5% YoY to INR820mn. It has market shares of 3% in Karnataka and 6% in Chhattisgarh.
- Export market (4.8% salience) surged 60% YoY to INR296mn.
- Other markets (9.4% salience) revenue jumped 27% YoY to INR579mn.
- States such as Maharashtra, Gujarat and West Bengal performed well in Q1FY26.

Retail business

- Revenue from retail business stood at INR212mn in Q1FY26.
- Store count increased to 15 in Q1FY26.

Family packs and impulse packs

- Family packs: Revenue up 15.8% YoY to INR3,583mn.
- Impulse packs: Revenue up 8.2% YoY to INR2,550mn.

Capacity

- Installed capacity as of 30th June stood at 325,320 metric tonnes.

Distribution

- Total direct coverage (number of outlets) stood at 3,26,361.
- Overall total reach as on 30th June stood at 12,34,000 outlets.

New launches

- The company launched Millet Bhujia in Q1FY26.

Britannia Industries

Detailed takeaways

Outlook

- Revenue growth shall outperform volume growth. Value-volume gap shall remain at 6–8% for coming quarters.
- If the stock price remains stable, SAR expenses for the next three quarters will be negligible.
- The company shall likely not pass on the benefits of current RM deflation to consumers.
- Going forward, it expects contribution from the GT channel to increase in the cheese category and the current growth to sustain.
- For the balance FY26, the company's focus shall be on protecting margins amid a heightened competitive landscape across product categories.
- Capex for FY26 shall be ~INR1bn.
- **Duty cut:** Some benefit has accrued in Q1FY26, but largely the benefit shall come in Q2FY26.
- No wide fluctuation in commodities as it was seen in the last two years.
- Price hikes were taken to cover most inflation.
- Croissant remains a big opportunity where the company can grow its market share.

Key highlights

- Volume growth was 2% YoY in Q1FY26, but transactions increased 12% YoY.
- Five out of seven regions gained share in Q1FY26 versus FY25.
- It has improved relative market share versus organised players over last three years.
- Overall market share remained flattish as regional players gain traction—with price disadvantage in select markets and categories post alternating inflationary and deflationary cycles for the industry.
- In Q1FY26, focus states have grown 2.7x as compared with other states. All the four focus states grew in double digits with market share gain of 65bp YoY.
- The salience of premium products has increased by 310bp since FY22.
- SAR revaluation had an impact of INR520mn to overall profit. Without this, there would have been 13% PAT growth.
- A&P spends were rationalised in Q1FY26, with a primary focus on IPL. Digital advertising remains a key focus with investments concentrated on the top four brands.
- Performance in the East was muted due to internal restructuring of distribution. Some turmoil happened where it lost share in which local players have benefitted.

Adjacent businesses

Bakery adjacency

- **Croissant: Fourth** consecutive quarter with mid-twenties growth. The company has achieved breakeven in the category.
- **Wafers**: 30% growth seen in Q1FY26. The category grew 2.7x of biscuits in Q1FY26. It has gained 190bp market share over two years.
- **Rusk**: Delivered high double-digit growth across all channels fuelled by strong distribution. Profitability has improved.
- Wafers in south are underleveraged where it has big opportunity for gaining share.
- Bread has been doing well with good margins. It has lower margin profile than overall company level.
- Cake growth remains in single digit. Brownie continues to do well. There was a margin issue in the category, but increase in price point from INR10 to INR15 there has been stability in margins.

Dairy

- **Drinks**: Milkshakes grew in double digit despite seasonal headwinds.
- **Cheese:** Healthy growth in GT, e-com after relaunch and price parity to competition
- Dairy continues to do well in GT where it has seen 40% growth. It will focus on getting modern trade right for the category.

Key commodity trends

- Flour: Prices increased 8% YoY/ fell 3% QoQ.
- Palm oil: Palm oil prices have been increased by 45% YoY/ declined 3% QoQ.
- Sugar: Sugar prices are up 3% YoY/5% QoQ.
- Cocoa: Cocoa prices spiked 35% YoY/declined 10% QoQ.
- Laminates: Prices remained flat YoY/QoQ.
- CBB: Prices are up 7% YoY/2% QoQ.

Distribution and channel performance

- The company has seen an uptick in both urban and rural markets.
- It has revamped sales programme for its key urban accounts.
- E-commerce is now 4% of the overall business, which is doing well. The company is gaining market share. For biscuits, the share is lower, but for other categories the share is higher.
- Quick commerce 75 salience in e-commerce. Total 35% of Croissant revenue comes from e-com while Pure Magic has 50% salience in Q-commerce.
- With its RTM project, it aims to reach 70% of urban outlets. In Q2FY26 100% of the project scope shall get covered. Initial results are good in Cake and Rusk category.

- The salience of quick commerce is building in metro cities. It now supplies to 160 cities and 3,500 dark stores. This channel to remain in investment phase, which will augment Omni-channel approach.
- Currently, it has 500bp higher market share in e-commerce. Profitability would be driven by a better premium mix.

Innovations

- Good Day's 'Butter Jeera' and 'Fruit and Nut' are doing well.
- It is planning to launch Pure Magic in two new flavors 'Choco Tarts' and 'Hazelnut choco tarts'.
- It is planning to launch Nutri choice 100% millets, which does not contain palm oil.

  'Milk Bikis smart' is also being launched.

Colgate-Palmolive

How Q1FY26 has panned out for listed oral care players

- Colgate's overall revenue declined 4.2% YoY in Q1FY26. In our view, toothpaste volumes decreased 2% YoY.
- HUL's oral care is likely to grow in low single digit growth in Q1FY26 (versus mid-single-digit growth in Q1FY25).
- For Dabur, we expect oral care to grow 5% YoY in Q1FY26 aided by its strong rural presence as Rural continue to outpace Urban.
- Competitive intensity is high in the toothpaste category. Rural resilience offers some cushion for players such as Dabur while market leaders Colgate and HUL may feel the pinch of urban slowdown.

Dabur

Detailed takeaways

Outlook

Demand

- In Q2FY26, it anticipates low-single-digit growth in beverages due to a muted season, while other segments are likely to deliver double-digit growth.
- It has guided for high single-digit revenue growth for FY26.
- The company expects a sequential demand recovery supported by a favourable monsoon, easing food inflation, strong rural momentum and signs of urban revival.

Margins

- EBITDA margins are likely to stay broadly in line with the previous year's levels.
- It does not foresee any margin pressure in FY26, with inflation likely to be managed through a combination of price hikes and cost-saving initiatives.

Healthcare segment strategy

- Healthcare has long-term potential due to growing demand for natural and Ayurvedic products, increased adoption of modern formats and scalable platforms such as health juices and wellness categories.

A&P spends

- The company would increase A&P spends, going forward, with continued investments in brand building and distribution expansion.

Strategic initiatives and M&A

- Looking to plug portfolio gaps through M&A, targeting new-age brands in healthcare, HPC and F&B and to strengthen existing verticals.
- It is conducting GTM exercise to improve RoI of distributors, price equilibrium and increasing span of control.

Q1FY26 highlights

- Total 95% of the portfolio gained market share during Q1FY26.
- Rural continued growth momentum and outpaced urban by 400bp.
- Consolidated business excluding seasonal business grew 7% YoY.
- The company has taken price hikes of 3–4% in Q1.
- It exited three brands—diapers, tea and Vita (~INR80mn contribution)—as part of a portfolio rationalisation.
- In Q1FY26, volumes were down 1% while ex of seasonal volume grew 3–3.5%.
- Dabur's herbal segment is growing at 8.8% versus 4.4% for non-herbal.

Home and Personal Care (53% salience in domestic)

- The segment grew 5% YoY to INR12.3bn.

Oral care

- It continues to outpace category growth in toothpastes and has gained market share in Q1FY26.
- Toothpastes recorded 7.3% growth YoY on a high base (~12% growth in Q1FY25).
- Dabur Red toothpastes and Dabur Herbal franchise sustained its strong growth trajectory.
- Initiatives such as anti-fluoride campaigns and new endorsements (e.g. Amitabh Bachchan) are supporting strong momentum in oral care.

Home Care

- Odonil gained 183bp market share in air fresheners on the back of strong growth in gels and aerosol formats.
- Odomos registered 261bp gain in market share in Q1FY26.
- Odonil and Odomos performed well and grew in double digits.

Skin Care

- Robust double-digit growth seen in the "Gulabari" franchise.
- It gained 91bp market share in the Bleach category.

Hair Care

- Hair oils grew ahead of the category and gained 214bp.
- Pure Coconut oil, "Dabur Anmol", grew in double digits led by pricing growth.

Healthcare (26% salience in domestic)

- The segment grew 2.7% YoY to INR5.91bn.
- Glucose revenue (declined ~40%) was hurt by weak seasonal demand.
- New formats are contributing ~20% of the business and are margin-accretive.
- Power brands in healthcare such as, Honey, Honitus and Chyawanprash recorded double-digit growth.

Health supplements

- Chyawanprash grew in strong double-digits on account of early onset of monsoons.
- Dabur Honey reported good growth of ~11% in Q1FY26.
- Dabur Chyawanprash/Dabur Honey gained 111bp/40bp in market share.
- Glucose was hurt by unseasonal rains and high growth in base quarter (31% growth in Q1FY25).

Digestives

- Hajmola and Pudin Hara grew in high-single digit.
- It gained market share of 228bp in the Digestive category.

OTC & Ethicals

- Honitus recorded strong double-digit growth; ramp up in consumption on account of early monsoons.
- Health juices grew in high teens during the quarter.

F&B (21% salience in domestic)

- Segment declined 14.3% YoY to INR4.92bn.
- Activ range maintained strong double-digit growth momentum and grew ~20% in Q1FY26.
- Coconut water performed well on the back of a new campaign focused on 'hydration' and 'no added sugar'.
- 'Real' portfolio was hurt during the quarter on account of milder summers and unseasonal rains.
- In spite of headwinds during the quarter it performed better than the category and gained 207bp market share in the nectars category and 141bp in 100% Juices.
- In the culinary portfolio, key products such as coconut milk, Lemoneez and mustard oil recorded strong double-digit growth.
- Badshah domestic volume grew in double-digits.

International Business

- International business grew 13.7% YoY to INR8.71bn in spite of currency headwinds.
- UK market witnessed the highest growth at 41%, followed by Turkey at 36% and Namaste (USA) at 30%.
- The Sub-Saharan Africa (SSA) region posted a 20% increase while Bangladesh/the MENA region recorded growth of 10.2%/10.1%.
- Nigeria also posted a 10% rise, whereas Egypt reported the lowest growth among the listed markets at 4.4%.

Others

Q1FY26 saw ~7% inflation, which was offset by 3–4% price hikes and cost savings.

Emami

Detailed takeaways

Outlook

- **Demand:** Emami expects improved macro conditions, in part due to favourable monsoon conditions. For pain management products, the company maintains aligned primary and secondary inventory levels without excess stock build-up. Product challenges such as talc expected to drag Q2FY26 as well due to a high base. H2FY26 is expected to be better than H1FY26, aided by launches, relaunches and seasonality support (winter portfolio).
- **Margins:** Management expressed confidence about margins going forward and does not anticipate significant input cost pressures in the near term. A&P expenses to be maintained at FY25 levels for FY26. Profitability expected to improve from lower losses in The Man Company and Zandu Care.
- **Launches and Brand revamp:** Smart and Handsome is being extended into additional male grooming categories in Q2FY26, with 10–12 new products planned. Kesh King is undergoing a strategic transformation and relaunch in Q2FY26 to improve brand relevance and future growth. The Man Company is undergoing a brand revamp with a sharper positioning.
- **Inorganic opportunities:** Emami currently holds a significant minority stake in Axiom, with no plans for channel consolidation in the near to medium term, though longer-term synergies could emerge as Emami expands in healthy F&B. It is also exploring opportunities to leverage group understanding and network for digital panels and organized trade.
- **International business:** Ongoing efforts to expand into new geographies in FY26.

Channel performance

- Emami saw positive trends in organised channels, which grew 6% YoY with increased saliency (up 190bp), and quick commerce showed strong growth at nearly 3x YoY.

Margins

- The gross margin expansion was primarily driven by product mix, with higher-margin pain management products offsetting lower-margin talc products.
- Product mix impacts margins significantly—pain management products have higher margins than talc products.
- Emami has historically managed margins well and can adjust A&P and product mix internally to maintain them.

Healthcare

- Healthcare grew 4% YoY soft due to OTC weakness.
- Management views this as transient; peer companies also saw a similar OTC slowdown.
- New initiatives are underway for recovery in Q2FY26.

Kesh King

- D2C players have particularly impacted the Kesh King brand.
- Major relaunch planned in Q2FY26 with an updated strategy by BCG.

Male Grooming range

- D2C competitors have emerged as a significant challenge, particularly in the male grooming category.
- Male grooming remains structurally underpenetrated and underexploited.
- Emami is described as being "leaders" in certain male grooming categories.
- The Man Company operates at a different price point than the Smart and Handsome brand.
- Emami is positioning both Smart and Handsome (mass retail) and The Man Company (premium D2C) to cater to distinct segments.

The Man Company

- The Man Company had inventory challenges in recent quarters that Emami worked to address through improved channel efficiency.
- Focus on influencer marketing, top-of-funnel awareness, efficiency in online/MT.
- It focused on improving secondary sales as a measure of true demand while optimising inventory levels.
- The Man Company operates primarily in the online space with ~80% of business coming from online channels.

Smart and Handsome

- Face cream continues to struggle due to grooming trends (beard adoption) reducing surface area.
- Focusing on dual branding (old + new name) on packs to avoid confusion.
- Relaunch focused on repositioning from fairness cream to broader grooming.

International business

- Sales grew 2% YoY (INR). Ex-Bangladesh, growth was ~14% YoY.
- Early traction seen in Southeast Asia**,** wherein Emami plans to expand offerings further.

Others

- Emami differentiates itself from D2C competitors through different pricing and distribution strategies.
- Urban recovery still not fully broad-based.

Investor presentation takeaways

Demand environment

- Rural markets continue to perform well, but urban demand remains subdued.

- It expects a gradual pickup in consumption supported by easing inflation. Recent income tax benefits to individual taxpayers, higher government capex and a more accommodative monetary policy, including potential rate cuts.

Key highlights

- Core domestic business (excluding Talc/PHP) posted 6% YoY revenue growth with 3% volume growth YoY.
- Total domestic business revenue edged down 1% YoY and volumes fell 3% YoY.
- Core Domestic business posted flat growth YoY.
- Talc/Prickly Heat Powder (PHP) category declined 17% YoY due to unseasonal rains and an early monsoon, but remains strong on a 2-year CAGR of 13%.
- The quarter witnessed persistent pressure on urban discretionary consumption, whereas rural demand displayed signs of recovery. However, an unusually soft and shortened summer—caused by unseasonal rainfall and the early arrival of monsoon—negatively impacted consumption across the company's summer-centric portfolio.

Talc/PHP Performance

- The category declined 17% on a significantly high base of 54% growth in Q1FY25. The decline was due to unseasonal rains and early monsoon.
- 2-year CAGR of the category: 13%.
- It registered glat growth in full season (Jan-Jun'25) despite weather-related headwinds.

Navratna and Dermicool

- The segment declined 5% YoY in Q1FY26. Growth excluding talc-PHP is 7% YoY.
- Navratna Cool Oils grew 6% YoY.
- Launched Dermicool Prickly Heat Spray in Apr'25—provides effective cooling relief and antibacterial protection with a convenient and easy format.
- Navranta Gold relaunched in select channels.
- Launched new variants – Navratna Ayurvedic Hairfall Control Oil and Navratna Cool Talc – Fresh Floral – in Odisha.

Boroplus range

- The segment contracted 5% YoY in Q1FY26.
- BoroPlus Antispetic cream expanded 60% YoY.
- Launched a new Icy Citrus Blast variant and an INR10 SKU (20g) for BoroPlus Prickly Heat Powder.

Healthcare Range

- Healthcare range grew 4% YoY in Q1FY26.
- Zandu & Mentho plus balms grew 16% YoY.
- Launched Shilajit Cool Rush Capsules & Resin, Zandu Kansa Wand Ayurvedic
- Massager and Seeds range.

Pain Management range

- The segment grew 17% YoY in Q1FY26.
- Strong growth in Balms accentuated by early monsoons.
- Zandu Fast Relief range, gel and spray outperforming in consumer-facing channels.
- Relaunched Zandu Roll-On as "Zandu Roll-on Tension Gone" offering dual relief for both headache and cold symptoms.

Male grooming range

- The segment declined 9% YoY in Q1FY26.
- Smart and Handsome to extend to new categories in H2FY26.

Kesh King range

- The segment contracted 5% YoY in Q1FY26.
- It plans some launches in H2FY26.

Strategic Subsidiaries

- The Man Company and Brillare both combined declined 4% YoY in Q1FY26.

The Man Company

- Sales stabilising with the brand returning to growth in Jun-25.
- Growth to be ramped up in upcoming quarters by increasing the share in marketplace/on Qcom platforms and a 360° brand revamp

Brillare

- Green shoots witnessed in the marketplace channel.
- Distribution expansion planned in offline channels.

International business

- In Q1FY26, international business grew 2% YoY in INR terms and was flat in CC terms.

Godrej Consumer Products

Outlook

- The company maintains guidance to deliver mid-to-high single digit UVG for standalone business in FY26.
- Management also maintains a high-single digit consolidated revenue growth with double-digit consolidated EBITDA growth for FY26.
- H2FY26 performance shall be better than H1FY26. India EBITDA margin in H1FY26 shall be below its normative range, but is likely to improve in H2FY26.
- Palm oil prices have moderated 30% from the peak, but have again risen ~10%. Due to its high priced inventory, benefits would start flowing Q3FY26 onwards.
- Long-term volume growth of soaps is guided at 2–3%.
- The company guided 150–200bp of savings in A&P investments.
- In Indonesian business, it expects better margins Q3FY26 onwards. The company believes Indonesia margins have bottomed out due to pricing pressure.
- For its new RNF molecule, it does see any challenges from short to medium term.
- They expect high-single digit volume growth in HI, but it may vary from low single digit to double digit depending on the season.

Key highlights

- Standalone underlying volume growth was 5% YoY, but unit growth has been in double digits.
- Consolidated volume growth was 8% YoY.
- Ex-soaps volume growth was in mid-teens.

Pricing

- The company has taken price cuts in categories such as household insecticides, hair colour and the aerosol portfolio to drive volume growth.
- Price cuts were targeted in categories where margins were high such as hair colour and aerosols to remain competitive
- It has taken 5% pricing cut on the hair color category in the larger packs.
- These categories have delivered strong mid-teen volume growth; however, margins have come down due to the price reductions. It plans to recover margins through its cost savings.

Home care

- Home care segment revenue expanded 16% YoY to INR9.46bn.

Household Insecticides

- Household Insecticides delivered a solid performance led by double-digit growth in Electrics.
- Strong high-single-digit UVG; Electrics delivering double-digit growth and incense sticks growing ~2.5x

- Strong market share gains across all key parts of the portfolio.
- Non-mosquito portfolio grew in strong double-digit UVG post the launch of Mini ARG
- April was poor, but May and June were good for the category. The company did not get any particular benefit in season in Q1FY26 as seen in Q4FY25.
- Coils continue to decline in Q1FY26.
- The company has for the first time gained share in overall HI aided by Incense sticks.

Air fresheners

- Air freshener continues to deliver consistent and strong double-digit growth
- Robust double-digit growth in the category with broad-based growth across formats
- Aer-O continues to scale up, growing ~2x; Aer Spray delivered excellent growth due to the shift in value from trade to consumer.
- It has launched Aer Plug in the market.

Fabric care

- Fabric Care (Fab) delivered strong double-digit UVG for a sixth consecutive quarter.
- It continues to gain market the back of strong gains in Fab
- Fab continues to do well and is sequentially gaining share. It has taken 5% price increase in Fab in last quarter; despite the intense competition, it has not seen any material impact.
- The strategy on Fab shall be to continue to play on brand game rather than pricing game. Focus will be to shift from powder category to liquid category.

Personal wash

- Personal wash witnessed price-volume rebalance driven by commodity volatility.
- The revenue performance was flattish due to competitive pricing, trade margins and grammage reduction.

Soaps

- Soaps volume in Q1FY26 were hurt by price-volume rebalancing and poor season in northern India.
- A large part of volume decline is due to the grammage cuts for price points packs, which forms ~40% of the soaps business. For Example, Godrej No.1 INR10 pack saw a ~20% grammage cut from 55–56 grams to 43 grams in the last 12 months.

Hair colour

- Hair Colour delivered a strong double-digit performance
- Hair colour delivered double-digit UVG led by impressive performance in Crème and Shampoo Hair Colour
- Market share continues to be positive across key bets on both Crème and Shampoo Hair Colour

Perfumes and Deodorants

- Perfumes and Deodorants portfolio grew in mid-teens
- New launch of Amazon Woods 4X has witnessed good repeat rates. Innovation seems to be doing well.
- In Tamil Nadu, It bought Amazon Woods 4X MRP from INR230 to INR100 and trade price from INR100 to INR90 and decreased quantity from 150mn to 125ml to ensure stable gross margin. This led to strong growth in terms of volume shares, volume growth and NSV growth.
- Bloq anti-perspirant, launched in Tamil Nadu, has seen positive traction and strong repeats.

International business

Indonesia

- Revenue at INR4.48bn down 4% CC YoY.
- Operating margin for Indonesia came in at 21% YoY.
- EBITDA dipped 13% YoY in Indonesia
- Macro headwinds and increased competitive pricing intensity led to flat UVG with 4% sales decline.
- A sudden slowdown in the economy took place in Q4FY25 and Q1FY26, which is gradually improving.
- Hair colour continued its strong performance and delivered double-digit growth led by Shampoo Hair Colour,
- Baby Care continue]to deliver in a tough environment and gained market share.
- In Q4FY25, Indonesia overall FMCG market had slowed down due to unfavourable macro factors. It will focus on defending its market share in the region.
- In Indonesia, GCPL corrected pricing in Q1 after being 7–8% higher than competition, particularly in household insecticide aerosols, aligning with market rates by quarter-end.

Africa, US and Middle East

- Revenue at INR7.06bn increased 29% YoY in CC terms.
- EBITDA increased 15% YoY. EBITDA margins were 12.8%.
- The company launched Aer Pocket and invested heavily behind it, which weighted on EBITDA margins in the quarter.
- Strong growth was led by Hair Fashion and launch of Air Fresheners.
- The launch of new products in hair fashion has started recording a positive performance across key markets
- Strong launch of Aer Pocket in Nigeria, South Africa, Mozambique and Zambia, which is seeing good traction and repeat sales.
- Hair Care range continued to deliver strong double-digit growth across Africa.

Latin America and others

- Revenue at INR2.24bn increased 29% YoY in CC terms.
- EBITDA grew 102% YoY while EBITDA margin stood at 8.2%.

Pet food

The acceptance by consumer of Ninja brand has been good and the business still remains in its early days.

Hindustan Unilever

Outlook

- Gross margin shall improve sequentially driven by a favourable price-cost gap and a better mix.
- The company reiterated its guidance of H1FY26 to be better than H2FY25, primarily due to its portfolio transformation and improving macro conditions.
- If commodities remain within the current range, price growth to be in a low-single digit range.
- Consolidated EBITDA margin to remain within the 22–23% range.
- Focus shall be towards a volume-led growth.
- Coffee has seen 70–80% cumulative inflation. It did not price at peak of inflation, leading to short-term margin pressure. With input costs easing, value-price gap is expected to narrow.
- Tea pricing strategy is now based on replacement cost rather than peak inflation. With a healthy new crop, sequential pricing correction is expected.
- If current momentum of Glow & Lovely continues, it should get to flat YoY growth.

Q1FY26 highlights

- Underlying volume growth (consolidated) stood at 4% YoY.
- Standalone volume growth stood at 3% YoY.
- 50%+ spends on advertisement are now digital media spends.
- Core portfolio has shown sequential improvement led by lifestyle nutrition, Glow & Lovely and Lifebuoy.
- In the last two years, there has been a 300bp shift from Core to Future Core and Market Markers portfolio.

Price-value equation

- **Home Care:** Price cuts taken in response to competition.
- **Tea:** The pricing is aligned with replacement cost in Tea. Tea business reported positive underlying volume growth in Q1FY26.
- **Coffee:** It did not pass on the full cost of inflation to consumer, leading to pressure on gross margins. With input cost easing, the price-value gap is expected to narrow.
- **Horlicks:** Pricing strategies were aimed at incentivising consumption and enhancing relevance in key markets, particularly South India.

Beauty & Wellbeing (28% margin)

- It delivered 7% YoY sales growth with low-single digit volume growth in Q1FY26.
- **Hair Care:** Mid-single digit growth on a high base further strengthening its market share.

- **Skin Care and Color Cosmetics:** Low-single digit growth driven by strong performance in Future Core and Market Makers. Channels of the Future continued to deliver competitive double-digit growth.
- **Health and Wellbeing:** Strong performance underpinned by on-trend innovations. Revenue grew threefold YoY.
- The moderation in margins was due to increased innovation intensity and a 40bp increase in A&P spends. Management remains comfortable with this dilution as it views this strategic investment to drive long-term growth.
- **Glow and lovely** saw some sequential improvement; excluding it, B&W portfolio would have grown in double digits. Plans afoot to scale up the premium version of Glow & Lovely in its Future Core portfolio.
- 60% of A&P spends for B&W was through digital platforms.

Personal Care (19% margin)

- Delivered 6% underlying sales growth with low single-digit volume growth.
- **Skin Cleansing:** Mid-single digit growth driven by strong performance in the non-hygiene segment. Premium bars witnessed volume-led double-digit growth. Bodywash continued to deliver double-digit competitive growth.
- **Oral Care:** Mid-single digit price-led growth delivered by Closeup. Launched a new formulation in Closeup giving up to 18 hours of freshness.
- Dove delivered strong double-digit growth. It has launched access packs in Dove to enhance consumer accessibility.
- **Skin care:** It is seeing benefits of shifting the portfolio to faster growth channels. Ponds grew in double digits during the quarter.
- Premium and liquid portfolio in Skin Cleansing witnessed robust growth.
- **Lifebuoy** continues to underperform relative to the portfolio, but is doing better than key competitors.
- Skin cleaning volumes declined due to inflationary impact; however, the decline was lower than what was seen during peak inflation periods.

Home Care (20% margin)

- The segment delivered 4% underlying sales growth with high-single digit volume growth. It continued to pass on lower prices to consumers.
- **Fabric Wash:** Mid-single digit UVG led by strong double-digit growth in the liquid portfolio.
- **Household Care:** Double-digit UVG driven by broad-based performance in dishwash. Growth in Channels of the Future continued to accelerate.
- Surf Excel Matic Express delivered strong double-digit growth YoY.
- The shift from powder to liquid has started to accelerate. Surf Excel is getting new users. Powered to liquid to capsules will be the trajectory of growth for the segment.
- Due to deflation in soda ash, crude oil benefits were passed on to consumer, leading to a negative mix for the segment.

Foods & Refreshments (16% margin)

- Segment revenue at INR40.16bn is up 5% YoY. Volume growth stood at mid-single digit. Excluding Lifestyle nutrition, the segment expanded at double digits.
- **Beverages:** Delivered double-digit growth. Tea grew at a high-single digit driven by price and volume. Coffee continued its strong double-digit growth.
- **Lifestyle Nutrition:** Continued to strengthen its market leadership. It has seen sequential improvement in performance. Boost has grown by mid-single digits.
- **Packaged Foods:** Mid-single digit growth led by a strong performance in the Future Core and Market Makers portfolio.
- **Ice Cream:** High-single digit volume-led growth. Consumption impacted by early onset of rains.

OZiva

- OZiva tripled its revenue YoY and is now at a n ARR of INR4.5bn-plus.
- Growth in OZiva was driven by innovation-led initiatives. The brand's current footprint is primarily online. Offline expansion will be planned as opportunities emerge.

M&A update

Ice Cream

- 'No Objection' letter for the demerger scheme has been received from stock exchanges.
- The NCLT convened a shareholder meeting on 12th August 2025 to consider and approve the scheme.
- The demerger process is on track and is expected to be completed by Q4FY26, subject to necessary approvals.

Minimalist

- It has successfully completed the acquisition of 90.5% stake in Minimalist at INR27.06bn.
- Business delivered strong double-digit growth in Q4FY25.
- The brand delivered double-digit growth in Q1FY26.
- Minimalist and OZiva are now an INR10bn portfolio. This combined with other D2C brands make a total portfolio of INR30bn, growing more than 25%.

Operating environment

- Sequential softening in key commodities such as palm-based derivatives, crude and tea.
- In Q1FY26, rural volume growth continued to outperform urban volume growth.

Channel

- Organised trade and E-commerce delivered double-digit growth in Q1FY26.
- Quick commerce doubled its turnover YoY.

Effective tax rate

- HUL has re-estimated tax provision for last year, leading to an effective tax rate of 16.2%. Excluding the restatement, the tax rate would have been 26.4%.

Indigo Paints

Detailed takeaways

Outlook

- Gradual improvement likely in Q2FY26 following a strong recovery in July.
- EBITDA margins are seasonally lower in Q1 and Q2 due to product mix changes during the year and typically begin expanding from Q3, peaking in Q4.
- The company anticipates an early withdrawal of monsoon.
- Raw material prices continue to soften, resulting in an improvement in margins.
- Premium segment is likely to perform better.
- The A&P expense for the entire fiscal is likely to decline marginally as a percentage of revenue despite increasing spends on digital advertising (6.8% in Q1FY26 versus 7.2% in Q1FY25). For FY25, it was 6.4% of revenue.
- The company has guided for FY26 revenue of INR700–750mn in Apple Chemie.
- Margin improvement anticipated in Apple Chemie with improving product mix and focus on select geographies.
- The company expects contribution of waterproofing and construction chemicals to cross the 10% mark in the near term (currently high single-digit contribution in Q1FY26).
- Water-based plant is likely to be commissioned Q3FY26 onwards, whereas solvent-based plant and putty plant brownfield expansion to take place Q2FY26 onwards.

Demand and competitive pressures

- Market share in southern India, excluding Kerala, remains relatively low.
- Kerala has seen sustained demand softness over the past several months due to onset of early monsoons.
- Putty, being a low-margin category, has seen lower uptake in the South compared with other parts of the country.
- Southern India leads in terms of overall margin contribution.
- Southern markets account for ~35% of total sales with Kerala forming a significant share.
- Demand had bounced back in April and the first half of May, but momentum was disrupted by the early arrival of monsoon.
- Indigo came close to acquiring Akzo, but eventually lost out.

Macro and seasonal commentary

- Demand is showing signs of a recovery; July logged strong growth despite high rainfall.
- Early Diwali and early monsoon could constrain pre-festival demand, especially in the North, but typically normalises over full year.

- Most of India has witnessed excess rainfall.
- Bihar and Andhra Pradesh recorded good demand.
- Demand was largely driven by repainting; new construction contributes ~15%.

Dealer incentives

- Entry of new player is not disruptive in such large markets.
- Gross margin remained at the same level for most existing paint players even after the entry of the new player.
- A 10% grammage is getting withdrawn in 4-litre packs and now ten-litre packs.
- Most paint players refrained from adopting the aggressive discounting of the new player.
- Dealer incentives of old players have increased marginally. All incumbents do that when demand is weak and raw materials are soft.

Key highlights

- The company recorded a 0.3% rise in revenue, hurt by early monsoon. The main contributor to the growth was waterproofing & construction chemicals products.
- Raw material prices were largely stable with a downward bias barring Titanium Dioxide, which was hurt by import duty.
- A&P spends as a percentage of revenue reduced 40bp YoY to 6.8%. It maintained its spending on IPL (seventh straight year), which ensured good visibility.
- EBITDA margins contracted 89bp YoY to 14.3%.

Launching experimental centres

- The company is launching experimental centres branded as Colour Canvas Stores.
- Expects to launch 50–70 stores in FY26.

Putty and cement paints

- The segment recorded 1.5% value decline and 4% volume decrease in Q1FY26.
- Putty has slightly lower margin than cement.
- Price hike taken in putty towards end-Q1FY26.

Emulsion

- Emulsion sales remained flat YoY, but volume decreased 5.4% YoY.
- The product mix has improved more towards the premium range.
- It is the highest margin contributor.

Enamels and Wood Coatings

- The segment recorded 11.5% sales growth and 6.8% volume growth in Q1FY26.
- The company operates at the premium end of the Enamel range.
- Enamel is not a high margin contributor while Wood coating contribute higher, but their share is low.

Primers, Distempers and Others

- The segment recorded 6.3% value growth and 1.8% volume growth in Q1FY26.

Apple Chemie

- Revenue for Q1FY26 was INR140mn, down 17.6% YoY, hurt by early monsoon, which disrupted road and metro projects.
- Gross margin improved due to a more favorable product mix and a sharper focus on profitable projects.
- New product launches planned towards the end of Q2 are likely to support further margin expansion.
- Post-acquisition, the company initially pursued a pan-India expansion, but has since withdrawn from North India due to suboptimal traction; response remains strong in southern and eastern regions.
- Maharashtra, Madhya Pradesh and Chhattisgarh are key contributing states accounting for a majority of revenue.
- Select waterproofing and construction chemical products have been launched under the Indigo brand.
- Some products are manufactured at Indigo's facilities and distributed through the Indigo channel.

Capex

- Construction work at the water-based plant (90,000KLPA capacity) is advancing rapidly with commissioning anticipated in Q3FY26.
- Installation work is progressing at the solvent-based plant with a capacity of 12,000KLPA. It expects commissioning by Q2FY26.
- Commissioning of brownfield expansion of the Putty plant at Jodhpur by Q2FY26.

Distribution

- Total tinting machines as on Q1FY26 was 11,301 (11,000 in Q4FY25).
- Total active dealer count was 18,556 in Q1FY26 (18,371 in Q4FY25).
- Northern India dealer density remains low (J&K, Haryana, Rajasthan); focus on improving throughput per dealer over adding new counters.
- Targeting higher volumes from existing dealers with low Indigo share.
- Focusing on dealers in larger cities.

ITC

Key highlights

- ITC delivered a resilient performance amid a challenging operating environment. Gross revenue was up 20% YoY driven by cigarettes, agri business and FMCG (ex-notebooks).
- EBITDA was up 3% YoY; ex-paper it was up 5% YoY.
- On a consolidated basis, gross revenue was up 20% YoY and PAT up 5% YoY.

Cigarettes

- Cigarettes net segment revenue was up 7.7% YoY while segment PBIT was up 3.7% YoY.
- Differentiated variants and premium segment continue to perform well.
- Consumption of high-cost leaf inventory weighed on margins, which was partly mitigated through product mix enrichment and cost management interventions.
- Moderation in leaf tobacco procurement prices was seen in the current crop cycle.

Agri business

- Agri business segment revenue was up 39% YoY driven by agri commodity trading opportunities and exports of leaf tobacco.
- Segment PBIT was up 22% YoY.
- Leaf tobacco exports also posted strong growth.
- Exports of nicotine and nicotine derivative products are being progressively scaled up leveraging its state of-the-art facility at Mysuru.
- The business continued to focus on scaling up the value-added agri portfolio (e.g. Aqua, Spices, Coffee). It is now 2.2x over the last 4 years.

Paperboard, paper and packaging

- Segment revenue was up 7% YoY driven by higher volumes.
- Specialty papers segment reported robust growth driven by capacity augmentation in Décor paper.
- Muted realisations and high wood prices continue to weigh on margins.
- The packaging and printing business witnessed signs of a gradual uptick in domestic demand.
- The sustainable paperboards/packaging solutions portfolio continued to witness strong growth leveraging cutting-edge innovation platforms and has grown to 3x in the last four years.

FMCG- Others

- FMCG – Others segment reported 5.2% YoY revenue growth.
- Segment revenue was up 8.6% YoY ex notebooks as the industry continues to operate under deflationary conditions on account of low-priced paper imports and opportunistic play by local/regional players.
- Unseasonal rains in Q1FY26 hurt beverages sales.
- Staples, biscuits, dairy, premium personal wash, homecare and agarbattis have driven growth in Q1FY26.
- Premium portfolio and NewGen channels sustain their high growth trajectory.
- Segment EBITDA margin up 50bp on a QoQ basis to 9.4%.
- Commodity prices remain elevated YoY (edible oil, wheat, maida, cocoa, soap noodles etc.)
- Digital first and Organic portfolio, comprising the Yogabar, Mother Sparsh, Prasuma & Meatigo and 24 Mantra brands, continue their strong growth momentum clocking an ARR of ~INR10bn.

FoodTech

- FoodTech Business, a new vector of growth envisioned in the ITC Next strategy, leverages the company's institutional strengths in Foods Science & Manufacturing, FMCG Food brands and Culinary expertise to tap into the fast-growing online food services segment.
- A delectable range of cuisines is today being offered under four brands - 'ITC Master Chef Creations', 'ITC Aashirvaad Soul Creations', 'ITC Sunfeast Baked Creations' and 'Sansho by ITC Master Chef'.
- The initiative has scaled up rapidly in a capital-efficient manner since inception, setting new benchmarks in culinary innovation and tech-enabled operations; GMV crossed INR1bn in FY25.
- The full-stack food-tech platform has already scaled up to ~60 cloud kitchens across five cities and is now being progressively introduced across India.

Branded packaged foods business

'Aashirvaad' Atta

- 'Aashirvaad' Atta posted robust growth reinforcing its leadership position in the branded atta industry.
- The value-added portfolio, consisting of multigrain, select and sugar release control atta posted healthy growth driven by superior value propositions.
- Aashirvaad portfolio was augmented with the launch of 'Aashirvaad Boga Atta' in Assam, designed to meet the culinary preferences of the region.
- 'Aashirvaad Chakki' Atta range (Premium Sehori, Sehori, Lokwan and Khapli atta) was specially developed for the Mumbai market, which continues to garner excellent consumer response.
- 'Aashirvaad Vermicelli', 'Aashirvaad Rava' (Suji Rava, Bansi Rava, Samba Rava), 'Ready-to-Cook Chapati', 'Organic Atta' and 'Aashirvaad Soya Chunks' sustained their high growth trajectory.
- Value added variants and Staples Adjacencies continue to scale up (~1.7x over two years).

Aashirvaad Salt

- 'Aashirvaad' Salt posted robust growth in focus markets during the year, supported by its distinctive positioning of "Iodine Assured salt for a Smarter India".

Sunrise

- 'Sunrise' spices delivered robust growth during the quarter, strengthening its market standing in the core market of West Bengal while making significant gains in adjacent markets of Northeast, Bihar and Jharkhand.
- The portfolio was further augmented by new launches such as 'Sunrise Shahi Paneer Masala', 'Sunrise Chicken Tikka Masala' and 'Sunrise Prawn Curry Masala'.

Sunfeast Biscuits and Cakes

- 'Sunfeast' Biscuits and Cakes recorded strong performance in Q1FY26.
- It introduced 'Sunfeast Mom's Magic Shines' a crunchy, eight-layers offering. The recently launched 'Sunfeast Wowzers' continues to gain traction.
- The 'Sunfeast Dark Fantasy' range of differentiated cookies continued to fortify its leadership position in the premium segment.

YiPPEE! Noddles

- 'YiPPee!' Noodles witnessed a marked improvement in growth trajectory, reinforcing its strong market standing amidst heightened competitive intensity.
- The recently launched range of YiPPee! Korean Noodles continue to scale up amidst excellent consumer traction.

Bingo snacks

- 'Bingo!' Snacks continued to strengthen its product portfolio with the launch of exciting variants of snacks & namkeens.
- It launched 'Bingo! Mad Angles Mystery Pickle', made with premium corn and rice blend, which has received encouraging initial response.

ITC Master Chef

- The 'ITC Master Chef' range of frozen foods continued to grow at an accelerated pace.
- The portfolio comprising over 80 high quality and differentiated products across both traditional and NewGen channels is rapidly gaining consumer franchise.

Dairy & beverages category

- 'Aashirvaad Svasti' fresh dairy portfolio comprising pouch milk, curd, lassi and paneer recorded strong growth These products are currently available in Bihar, West Bengal and Jharkhand markets.

Personal Care

- 'Fiama' range of Personal Wash products and 'Nimyle' range of Homecare products recorded strong growth leveraging.
- In fragrances category, Business continued to strengthen its product portfolio with the launch of 'Engage Double Power Deo' comprising 3 innovative variants.

- The recently launched 'Fiama Moisturising Bars with Japanese Hokkaido Milk' continue to gain robust consumer traction.

Education and stationery products

- The segment continued to witness heightened competitive intensity especially from regional/local players on the back of sharp reduction in paper prices as a result of low-priced paper imports.
- Against this backdrop, 'Classmate' Notebooks sustained its leadership position through continued focus on portfolio premiumisation and innovation.

Mangaldeep agarbattis and dhoop

- It recorded strong growth in Q1FY26
- The Mangaldeep range of Incense sticks and Dhoop was augmented by exciting new launches such as Mangaldeep Flora Agarbatti with novel fragrances of Oriental Lily & Japanese Blossom, and Dry Dhoop cones – an innovative new bamboo less format for select markets. These new launches are eliciting encouraging consumer response.

Marico

Detailed takeaways

Outlook

Revenue and EBITDA growth

- Marico is targeting INR150bn in revenue by FY27E and INR200bn by FY30E. It is expecting 25% YoY revenue growth in FY26E.
- Guides for high single-digit volume growth in India and double-digit volume growth for select quarters.
- Delivering double-digit EBITDA growth seems challenging. More clarity will come in H2FY26E.

Margins

- EBITDA margin may start improving from H2FY26, as commodity pressures ease and premium mix improves.

International business

- International business to maintain double-digit growth in CC terms, with stronger momentum in MENA and Bangladesh.

Foods and Digital-first brands

- Foods and Digital portfolios remain the key growth engines.
- Foods revenue in FY27E to be 8x of FY20. Foods poised for a 25%+ CAGR driven by scale-up of existing franchises and product innovations.
- Marico expects Food's business gross margin to recover ahead.
- Digital brands' exit ARR in FY27 to be 2.5x of FY24's ARR.
- Digital brands' revenue aspiration in next three years is INR20–25bn from the current revenue of INR9bn. It is on course to deliver double-digit EBITDA margins by FY27E.
- It expects India revenue share of the Foods and Premium Personal Care portfolios to expand to ~25% by FY27 from 22% in FY25.

Raw material – Copra

- Management expects the copra cycle to stabilise over FY26 aided by a normal monsoon and inventory planning.
- Demand trends are improving with a broad-based volume recovery visible in core categories and new portfolios.

Demand and distribution

- With Project SETU, it aims to have a reach of 1.5mn in GT (currently 1mn outlets).
- Urban demand remains stable while rural is showing early signs of recovery.

Execution strategy

- Strong emphasis on brand investments, SKU rationalisation, and category innovation for sustained outperformance.
- Management expects volume-led growth to sustain, aided by normalising input costs, channel-specific portfolio strategies, and improved execution through Project SETU.

Copra

- Copra has corrected 10–12% from its peak levels.
- It does not anticipate further inflation in the near term.
- The company is now in a stronger position to manage supply chain and pricing, supported by its scale advantages, proactive inventory planning.
- Strategy remains focused on driving value migration from unbranded and smaller regional players during such inflationary cycles.

Advertising and Promotional Intensity

- India ad spends fell 20% YoY in Q1FY26 due to increasing competitive intensity and cuts in non-media areas like rationalized Nielsen subscriptions, deferred discretionary shoots, cutting celebrity costs, improved media efficiency.
- However, on consolidated levels, ad spends grew 25% YoY.
- Media spends in key categories—VAHO, Foods, and Premium Personal Care—were maintained.
- Ad spends will trend up in the India business and, at a consolidated level, the company would continue to invest in all the focus categories and new parts of the business.

India business

- India business clocked volume growth of 9% YoY with revenue growth of 23% YoY.
- The India business continued to post a sequential improvement in underlying volume growth driven by positive trends in the core franchises and accelerated scale-up of new businesses.
- 99% of the business gained/sustained market share and >80% of the business gained/ sustained penetration, both on a MAT basis.

Parachute Coconut Oil (35% salience of India revenues)

- In Q1FY26, the segment's revenue shot up 31% with 1% YoY decline in volume growth YoY.
- If adjusted for ml-age reduction, the brand registered 1% YoY volume growth.
- The brand has managed to demonstrate resilience in spite of cumulative price hikes of 60%.
- Historical cycles – during 2014–15 and 2017–19, 35%+ pricing actions were absorbed with volume CAGRs of 6.5% and 5.5%, respectively.
- There may be some kind of titration by consumers, but the company is taking steps to reduce it.
- It expects Parachute to remain steady and reinforce its competitive edge while market conditions settle during the course of this year.

Saffola Edible Oils (16% salience of India revenues)

- In Q1FY26, Saffola delivered mid-single digit volume growth with 28% value growth.
- The brand has passed on the benefits of the recent import duty to customers.
- In Q1FY26, it launched the 'Saffola Cold Pressed Oils range', offering a balanced blend of innovation and authentic taste through its Single Seed and Dual Seed variants. The range has been initially launched on E-commerce and Q-com platforms.

Value added Hair Oils (20% salience of India revenues)

- Revenue was up 13% in Q1FY26 with 140bp MAT value market share gain.
- VAHO continues to recover strongly, with volume growth in double digits (ex-Amla).
- Marico exited irrational competition in the Amla segment, reducing BTL spend and pivoted towards mid and premium brands with better margin profiles.
- The early benefit of Project SETU is visible in rural, helping second and third brand distribution.
- Double-digit value growth in VAHO is expected to sustain, driven by brand building, premiumisation, and improved reach.
- This is also margin-accretive and will support overall profitability along with margin improvement in the foods and digital portfolios.

Foods

- Saffola foods grew 20% YoY in Q1FY26.
- Saffola Oats continued to gain market share on MAT basis, thereby retaining its position as the #1 Oats brand.
- True Elements and the plant-based nutraceuticals portfolio of Plix maintained their strong growth momentum.
- Saffola Muesli has witnessed healthy traction since its launch. During the quarter, it added two new variants to the Saffola Muesli portfolio – namely Mango Crunch and a no-added-sugar variant of Berry Crunch.
- Oats and masala oats and now touching the company EBITDA margin.

Premium Personal Care

- Serums, male grooming and Skin had an ARR of INR3bn in Q1FY26.
- Digital-first brands including Beardo, Plix, Pure Sense and Just Herbs has INR8.5bn Q1FY26 exit ARR.
- Just Herbs has crossed INR1bn in revenue.
- Beardo closed in on double-digit EBITDA while Plix delivered a low single-digit EBITDA margin.
- It is okay with moderate growth in Just Herbs and True Elements. It expects breakeven in the next 18 months due to operating leverage kicking in.

Project SETU

- By FY27, the company aims to reach 1.5mn direct outlets.
- The number of states kicked off in FY25 stood at 11.

International Business

- International business CC growth was 19% YoY in Q1FY26.

Bangladesh

- In Bangladesh, the company achieved 17% CC growth in Q1FY26 driven by robust growth in core and new franchises.
- Bangladesh saw broad-based growth driven by both core categories and new launches in shampoo and baby care.
- Price increases have been modest due to relatively stable input cost (imported copra), enabling steady volume growth.

Vietnam

- Q1FY26 CC growth stood at 1%.
- Marico expects gradual recovery in demand in Vietnam.

MENA

- CC growth in Q1FY26 stood at 42% YoY led by core share gains and strong traction in new launches (VAHO, shampoo, shower gels, body lotions). Margin improvement has been significant.
- Egypt and Gulf markets remain strategic growth engines with long-term headroom.

South Africa

- CC growth in the quarter was flat due to internal adjustments, but is tracking recovery in Q2 (based on July).
- Full-year double-digit growth guidance is retained.
- Marico has consistently outperformed the sector in South Africa with high ROI and profit delivery.

Others

- NCD and exports posted 37% growth.

Key commodity trends

- Copra prices have risen 107% YTD.
- Rice Bran Oil: Prices are up 31% YoY YTD.
- Liquid Paraffin (LLP): Prices are down 8% YoY YTD.
- HDPE: Prices are down 3% YoY YTD.

Q1FY26 highlights

- During Q1FY26, Rural continued to outperform Urban.
- It is witnessing stable-to-improving demand trends across Urban and Rural.

- India revenues were up 27% YoY, further aided by price hikes in core portfolios in response to the sharp inflation in input costs.
- Supply chain and GTM refinements led to 1,000bp GM expansion in last two years.
- Gross margin contracted ~530bp YoY as sharp inflation in key commodities continued to exert pressure, in addition to a particularly high base and the pricing-led denominator effect.

Nestle India

Quarterly highlights

- Prepared Dishes and Cooking Aids, Powered and liquid beverages and confectionery have bounced back to volume-led growth in Q1FY26.
- Seven out of 12 top brands grew in double digits in Q1FY26.
- Q1FY26 was hurt by elevated consumption prices across the commodity portfolio. It reported higher operations cost as a result of a significant expansion in manufacturing in the last seven–eight months.
- Financing cost (up 48% YoY) was higher due to temporary borrowings from commercial banks to fund operational cash flow requirements.

Category highlights

Prepared dishes and cooking aids

- The *Maggi* portfolio registered strong double-digit growth, with consumption trends showing positive signs of an uptick.
- *Masala-Ae-Magic* continued to demonstrate a strong performance at a double-digit rate.
- Double Masala Classic Noodles as well Spicy range, which includes Spicy Garlic, Spicy Cheesy, Spicy Pepper and Spicy Manchurian have reported positive momentum.

Milk Products & Nutrition

- Milk Products and Nutrition category posted a mixed performance with certain segments posting growth while a few reported a muted performance.
- *Milkmaid* delivered single-digit growth.
- Growing-up milk continued to gain momentum bolstered by renovation and scaled up its market share.

Confectionery

- The Confectionery category clocked high double-digit growth driven by robust underlying volume growth.
- *Kitkat* emerged as the largest growth driver, achieving double-digit growth, particularly in RUrban markets continuing to gain market share.
- *Munch* regained momentum with double-digit growth while *Milkybar* also posted high double-digit growth.
- It has launched *Kitkat Duo, Kitkat Lemon n Lime and Kitkat Dark Sharebag.*

Powdered and Liquid Beverages

- Powdered and Liquid Beverages registered strong double-digit growth.
- *Nescafé* further solidified its leadership by gaining additional market share. The brand continued to democratise coffee through affordable packs while also expanding the premium segment with *Nescafé Gold* and *Nescafé Roastery*.

- *Nescafé Classic, Nescafé Sunrise* and *Nescafé Gold* continued to post a strong performance, achieving double-digit growth driven by successful cold coffee activations in the summer months.
- *Nescafé* RTD continued to deliver strong growth.

Pet care Industry

- The Pet Food business put up a strong performance primarily driven by the Cat portfolio.
- Purina Felix and Purina Friskies reported robust growth.
- The company has launched a 'Staff Pet Feeding Policy'. This initiative was complemented by 'pawternity leave'—a two-day leave for employees to take care of their pets.

E-commerce

- E-commerce has maintained its growth momentum, contributing to 12.5% of domestic sales driven by Quick Commerce and new launches.

Out of Home (OOH)

- Nestlé India's Out-of-Home business consistently grew in double-digit rates, making it the fastest-growing business across Beverages and Foods portfolio.
- Nestlé Professional has achieved a landmark milestone with 1,000 Retail One kiosks operational across India through its flagship *Nescafé* Corners, *Maggi* Hotspots and *Kitkat* Break Zones.

Organised trade

- Organised trade reported widespread growth across categories, supported by continued store expansion and effective in-store activations enhancing consumer accessibility.

Exports

- Exports clocked high double-digit growth driven by foods, coffee, Instant Tea and Breakfast Cereals despite commodity headwinds.
- It launched *Masala-Ae-Magic* in the United Kingdom.

RUrban

- RUrban markets have registered positive growth, signalling a favourable shift in market dynamics.

Commodity outlook

- Coffee prices are likely to remain range-bound at current lower levels as the upcoming Vietnam crop appears to be normal.
- Cocoa and Edible Oil prices have stabilised and remained range-bound.

Milk prices are anticipated to decrease with the onset of a favourable monsoon and flush season.

Pidilite

Detailed takeaways

Outlook

- **Margins:** Management expects EBITDA margins to be at the higher end of their 20–24% corridor for FY26, given benign input costs with less likely chances of any inflation. The company maintains multiple sources of supply for key raw materials and is planning for potential supply chain disruptions (if any) by keeping appropriate raw material inventory levels.
- **Volumes:** Continues to maintain overall double digit volume growth trajectory.
- **Pricing:** Pricing was +70bp in Q1FY26. The company expects it to continue in this range for FY26. It does not anticipates considerable price cuts while pricing would be increasingly tactical as input cost continues to remain soft.
- **Others:** PIDI has scant direct exposure to the US and has multiple sources of supply. Hence, it does not anticipate any negative impact of US tariffs.

Key highlights

- In Q1FY26, overall volume growth was 9.9% across categories and geographies.
- Gross/EBITDA margin of 54.1%/25.1% expanded 32bp YoY/114bp QoQ.
- Management highlighted that one should not look at Q1FY26 EBITDA margins as there are multiple moving parts—less A&P, improved mix, etc.
- A QoQ decline of 91bp in GM was due to mix and slightly higher VAM consumption.
- A slowdown in Andhra and Gujarat has eased off (QoQ improvement), but competitive intensity is persisting.
- The company has increased staff costs in line with revenue growth, particularly due to its practice of front-loading resources for new pilot initiatives and ventures.
- The board has announced a special interim dividend of INR10 per share and a 1:1 bonus issue to commemorate the founder's 101st birth anniversary. This is the first bonus issue in 15 years.

Consumer and Bazaar

- The segment clocked 9.3% volume growth with a sequential improvement.
- C&B business at the consolidated level grew 9.7% YoY

B2B

- B2B business reported underlying volume growth of 12.6% YoY.
- B2B at the consolidated level expanded 11.2% YoY.
- Some B2B segments face headwinds from geopolitical issues and tariff uncertainties, particularly those serving export-intensive industries.

Domestic subsidiaries

- Domestic subsidiaries reported 11.5% revenue growth QoQ with EBITDA margin of 11.9%.
- EBITDA surged 31.7% YoY driven by softening of material cost.
- C&B: Expanded 13% YoY with 86% EBITDA growth.
- B&B: The segment clocked 20% YoY growth with 22% EBITDA decline.

Tile adhesives

- In tile adhesives, Pidilite's main competitor is MYK Leticrete, which has historically focused more on projects while Pidilite built a retail presence.
- Leticrete remains the market leader in projects.
- High competitive intensity is there in Hyderabad specifically for tile adhesives where a competitor had established early strength in projects, though Pidilite is now gaining leadership overall nationally.
- For tile adhesives specifically, it has implemented a distributed manufacturing strategy to support supply-chain efficiency.
- In the tile adhesive segment, it maintains a small premium at the lower end of the market while building a full portfolio across price points.
- Roff's retail and project business continues to do well. This allowed Roff to inch up its leadership in India despite some competitive pressure faced in Hyderabad.

Paints

- Paints competition is more intense in urban areas compared with rural and small towns, where fewer paint companies have direct reach.
- Pidilite's diverse portfolio and unique business model helps it to perform better compared with conventional peers which may be more concentrated in single sectors.
- Paints continues to grow QoQ/MoM (throughput/dealer also growing), focuses on its five pilot states and follows a Rurban approach.
- It continues to fine-tune offerings, build business modules, work with applicators and increase its dealer and tinting machine count.

New products development

- The company launched new products in the Fevicol line including 'Nail Free Ultra' for multi substrate applications and 'Relam' for lamination changes, both of which are performing well.
- In construction chemicals, it introduced new products including Onseal for construction/repair, Bar Seal Select for projects and Wonderproof for retail.
- The company's epoxy grout product 'Roff Starlight', developed through an Italian joint venture, is performing strongly.
- PIDI continuously iterates and refines its product portfolio based on direct feedback from users and applicators.

International subsidiaries

- Revenue/EBITDA of International subsidiaries grew 6.4% YoY/9.0% YoY. EBITDA margins improved 34bp over Q1FY25.
- Middle East and Africa sales grew 5% YoY. However, EBITDA plunged 27% YoY.
- Asian sales/EBITDA grew 7%/32% YoY.

M&A

- Pidilite evaluates M&A opportunities based on three dimensions: customer value, channel value, and chemistry value.
- It is more interested in looking for buyouts, especially in premium/specialised products rather than mass market.
- Beyond traditional M&A buyouts, the company has successfully executed joint ventures with foreign partners where Pidilite contributes market knowledge and distribution while partners bring technology. Examples include Tenax, Litokol and Grupo Puma.
- While historically focused on adhesives and close adjacencies, it is open to exploring broader home improvement categories.

Macro context

- It remain cautiously optimistic given the domestic operating environment and improving demand conditions, especially in the construction sector, backed by anticipated good monsoon and increase in government spends.
- It remains watchful of the impact of an uncertain global economic and geopolitical conditions.

Tata Consumer Products

Outlook

- EBITDA growth to be higher than revenue growth H2FY26 onwards.
- EBITDA margins shall revert to historical levels Q2FY26 onwards due to potential moderation in tea prices.
- TCPL expects mid-single-digit volume growth in the tea business, with 6–8% value growth going ahead.
- Aim to increase A&P spends to 7.5% of revenue in the near term (6.8% of revenue in Q1FY26).
- Capital Foods and Organic India to grow 30% YoY in FY26E.
- RTD business to deliver 30% top-line growth in FY26E driven by volume and product launches.
- The company aims to expand its Growth business to 30% of India business (currently at 28% in Q1).
- To expand value-added SKUs of dry fruits (e.g. roasted) to enhance margins.

Commodity

- Tea prices have corrected ~13% as per latest auction as compared to last year's auction and expect it to trend lower in coming full tea crop season.
- IMD has forecasted normal rainfall in Northeast, leading to stable tea crop season.
- Some tea crop buying has started, but peak prices are yet to come, which are expected in the next 30 days.
- Lower tea costs will lead to higher volume growth.
- Gross margins in the tea portfolio are currently ~10% below historical levels (typical range 34–37%), but it expects normalise Q2FY26 onward.
- To date, the company has passed on ~70% of tea cost inflation to consumers; 30% yet to be recovered.

India Foods

- Dry Fruits & Cold-Pressed Oil have tracked ARR of INR2bn.
- Top line in dry fruits was initially driven by e-commerce, but now expanding to general trade (GT) and modern trade (MT).

Ready-to-Drink (RTD)

- There was a price correction in Tata Gluco+ (~50% of portfolio) last year.
- This pricing led to a 13% YoY decline in value, despite 3% YoY volume growth in Q1FY26.
- The price reset is now behind; starting Q2FY26, growth will cycle the lower base, and volume gains will translate to value growth.
- New product launches such as alkaline water, RTD coffee have received a strong initial response.

Non-branded business

- In this business, falling coffee prices have resulted in higher-cost inventory, which is being sold at lower market rates, impacting margins.
- The company expects pricing to stabilise, and believes margins have likely bottomed out. It remains well-hedged and anticipates one more quarter of pressure if current coffee prices remain where they are.

Capital Foods & Organic India

- Combined revenue stood at INR2.6mn with moderate growth due to capacity constraints in noodles, supply chain issues including ingredient procurement problem, inventory imbalances and export bottlenecks due to shipping delays.
- Initially offered multi-packs (4 units) of noodles priced at INR80, while the market leader was offering the same at INR60.
- The company reduced the 4-pack price to INR60 in line with competition.
- Also, launched new INR15 (60g) and INR10 single packs to improve affordability and compete in key price segments.
- However, demand for these new SKUs was underestimated, leading to a rapid stock-out and product shortages.
- Since the acquisition, Capital Foods' distribution reach has doubled (~3,00,000 outlets before acquisition).
- Capital Foods delivered 22% YoY growth and Organic India 32% YoY growth at the secondary sales level (i.e. distributor to retailer).

Tata Starbucks

- Strong growth in April and June; May was impacted by external factors (e.g. operation Sindoor).
- Store expansion and product innovations continued to support volume and mix.

Financial highlights

- Consolidated EBITDA declined 9.1% YoY; two–thirds is attributable to high tea costs and the remaining to coffee price corrections in the non-branded segment.

Investor presentation takeaways

India business

- India business's overall growth is 11% YoY. It saw double-digit volume and value growth in both tea and salt.
- India business EBITDA declined 8% YoY with margin contracting 270bp YoY.
- MAT market share in Salt and Tea fell YoY by 40bp and 80bp, respectively.

Indian beverages

- India beverages' revenue grew 8% YoY in Q1FY26.

Indian packaged beverages

- The segment clocked 12% YoY revenue growth with 1% YoY volume growth. The growth was broad based across brands/segments.
- Coffee continued its strong trajectory with revenue growth of 67% YoY on the back of 33% YoY growth in volumes.

India foods

- Revenue grew 14% YoY to INR15.34bn. Volume growth in Q1FY26 stood at 6%.
- Salt market share decreased 40bp YoY. Salt revenue grew 13% YoY with volumes up 5% YoY, achieving its highest ever quarterly tonnage.
- Value-added salts burgeoned 31%.
- Tata Sampann grew 27% YoY; new launches and innovations continue to do well.
- Dry fruits and Cold Pressed Oil continue to build on their growth momentum; now they have an ARR of INR2bn.

Growth business

- Growth businesses grew 7% on an aggregate basis.
- Growth business as % of India business stood at 28% versus 29% in Q1FY25.

Ready-to-drink (RTD)

- The RTD business recorded moderate volume growth of 3% YoY impacted by unfavourable weather. Revenues fell 13% YoY driven by trade price corrections undertaken last year.
- The premium portfolio registered healthy volume growth of 20% YoY.
- Tata Copper+ revenue grew 11% YoY.
- The business continues to strengthen its portfolio by entering new segments, formats and occasions, launching eight new products during the quarter.

Capital Foods and Organic India

- On a combined basis, Capital Foods and Organic India grew 10% YoY in Q1FY26 (including international operations); impacted by transitory issues.
- Capital Foods and Organic India revenue stood at INR1.66bn and INR930mn, respectively.
- Combined gross margin at 50% for Q1FY26 continues to be significantly accretive to base India businesses.
- Organic India's Q1FY26 e-commerce revenue surged ~3.5x YoY.

Tata Starbucks

- Revenue for the quarter grew 6% YoY.
- It added six net new stores during the quarter, totalling 485 stores in 80 cities.
- Same store sales growth (SSSG) was positive, except during May, when regional geopolitical tensions flared up and impacted store operating hours in certain geographies.
- The Cold Brew category continued to grow, contributing to a larger share of the beverage menu mix.

International business

- International business sustained momentum with 5% constant-currency revenue growth driven by a strong coffee performance in the USA.
- International business's EBITDA fell 14% CC YoY with margin down 360bp YoY due to lower gross margins.

UK

- Revenue for the quarter declined 4% as the business cycled a high base.
- Tetley's new TV ad titled 'Britain's tea' was well received by consumers across the board.
- Value market share of Everyday black stood at 19.6%
- Value market share of Fruit & Herbal stood at 9.9%.

US

- The US coffee business registered 20% YoY growth. Coffee bags' market share stood at 4%.
- Eight O-clock continued to gain market share within bags as well as K-cups.

Canada

- Revenue for the quarter declined 7% YoY, primarily due to a shift of promotional calendars at key retail partners.
- Tetley continued to retain its market leadership position.

Non-branded business

- Non-braded business in Q1FY26 grew 6% YoY.
- Non-branded business EBITDA declined 28% YoY in CC, with a 700bp YoY margin contraction driven by lower coffee prices.
- The Solubles business grew 5% YoY while Plantations delivered 11% YoY growth as moderating coffee prices impacted margins.
- As coffee prices come off their record highs, albeit with continued volatility, the non-branded business has responded with prompt agility.
- Profitability for the business was impacted owing to the drop in global coffee prices.

Channel performance and distribution

- Revenue from E-commerce (including Quick commerce) burgeoned 61% YoY. Overall, modern trade grew 21% YoY.
- In Pharmacies, its distribution expanded to the top 40 cities.
- To date, TCPL has installed 5,000 vending machines. It has a 5% share in the bean-to-cup market.

Key innovations/launches/re-launches

- Tetley introduced Slim Care and Beauty Care Green Teas, with its disruptive innovation of green teas enriched with L-Carnitine and Biotin, respectively.

- Tata Tea Premium launched a new hyperlocal Northeast pack supported by a targeted digital campaign.
- Tata Tea Chakra Gold Gemini, Telangana's leading tea brand, launched a new Elaichi (cardamom) flavour.

RM prices movement

- Coffee prices are on a downward trajectory, though ongoing volatility warrants close monitoring. Tea prices remain favourable; however, the outlook remains cautiously optimistic.

Tea

- North India tea prices are moderately lower vis-a-vis the same period last year as tea crop supply in the region is robust. Prices for July (MTD) are 9% lower YoY.
- South India tea prices continued to soften.
- Kenyan tea prices remain stable.

Coffee

- Arabica and Robusta prices have moderated significantly; however, they remain volatile.

Q1FY26 highlights

- Consolidated revenue grew 10% YoY in Q1FY26. India branded business reported 6.8% underlying volume growth.
- Consolidated EBITDA declined 8% YoY due to higher tea costs in India and coffee price corrections in the non-branded segment.
- EBITDA margin at 12.9% fell 250bp YoY, of which 160bp is due to higher tea costs in India.

United Breweries

Detailed takeaways

Outlook

- **Pricing growth:** UBBL expects it to remain in the range of 4–5%.
- **Volume growth:** High single-digit volume growth is possible on the back of favourable policy interventions and resolution of can supply issues. The company anticipates at least 5–6% volume growth in spite of these issues.
- **EBITDA margin:** Over medium term, UBBL aims to achieve a double-digit EBITDA margin. Developments in Karnataka had ~50bp impact on EBITDA margin in Q1FY26.
- **EBIT margin:** It aims to reach a double-digit EBIT margin versus currently 9%.
- If Maharashtra policy fares well, the company expects double-digit volume growth in the state.
- Capex as a percentage of revenue is currently at a low single digit, with plans to increase it to high single digits.
- Raw material prices of barley and glass are expected to remain stable in FY26.

Commentary by state

Maharashtra

- Putting in special RTM effort to optimise its distributor and coverage network in Maharashtra.
- It has not seen much uplift due to the recent policy changes as there was a delay in policy rollout. The second reason is retailers had actually stocked up in anticipation of an increase in prices.

Telangana

- The growth due to a lower base of 2–2.25% is majorly attributable to Telangana.
- There was a 5–6% category decline because of price reductions in the state.
- Receivables situation in the state has improved as old dues in the state have reduced, but new dues have more credit days.

Karnataka

- Karnataka, which remains a highly profitable state, declined almost 16–17% in the quarter.
- In the month of July, the beer category further declined in Karnataka.

Uttar Pradesh

- In UP, it faced issues pertaining to supply of cans, for which the company had limited capacity.

West Bengal

- Because of increased taxation in the state, UBBL suffered a double-digit dip in the category.
- In spite of increased taxation, many of the company's competitors did not take price hikes in the economy segment.

Andhra Pradesh

- UBBL has had to import a lot of stock in Andhra Pradesh as its existing brewery had only limited capacity.
- Due to shortages, it plans to lease a brewery to improve localisation, which would ultimately aid margin improvement.

Shortage of cans

- The company faced major supply issues related to cans during the quarter. The company experienced stock-outs due to limited can availability.
- Cans became a major problem in states such as Uttar Pradesh and Madhya Pradesh, wherein cans contribute 75–80% to sales.
- It attributes a loss of 1–2% in volume growth over the last six months to can shortages.
- Importing cans is now difficult due to the new BIS (Bureau of Indian Standards) regulations introduced on April 1, 2025. The Brewers Association of India and others are in talks for exemptions from the new BIS norms.
- United Breweries is working with local and international suppliers to resolve this in the long term. Exploring backward integration and long-term supply partnerships to avoid such issues going forward.

Others

- If bottle returns are assumed to be same, the Premium segment's EBITDA per case is 2x that of the mainstream.
- It has placed more coolers in India in the first six months versus the last full year.
- UBBL is going to lease a brewery in Andhra Pradesh in order to avoid stock-outs and focus on localisation efforts to aid margin expansion.

Q1FY26 highlights

- Overall volume growth stood at 11%, out of which 2–2.5% is attributable to a low base because of elections last year.
- If overall volume growth is computed on the basis of cases, then it has grown 10% YoY.
- The company gained 300bp of market share at the all-India level in Q1FY26.
- EBITDA margin stood at 10.9%. Generally, Q1 EBITDA margin is 200bp more than the company's full-year margin.

United Spirits

Outlook

- **Growth guidance:** UNSP has guided for double-digit growth in P&A for the medium term. The company expects EBIT growth to moderate, but aims to grow ahead of revenue growth. A&P as a percentage of sales shall remain at 9.5%–10% for FY26. There are early signs of a recovery in consumer demand as rural is improving. It expects the upcoming festive season to aid in demand recovery.
- **UK FTA:** Due to a long inventory pipeline, benefits of import duty reduction shall start Q1FY27 onwards.
- **RM outlook:** It expects supply-related disruptions in the coming quarter on glass owing to planned shutdowns from key suppliers both in East and West India.

Commentary by state

- The company is observing a progressive policy environment in Uttar Pradesh, Madhya Pradesh and Jharkhand.

Maharashtra

- At middle prestige level, it has absorbed duties significantly. In lower prestige segment there was marginal absorption. At the popular and below prestige level the company has passed on entire duties to consumers due to minimum price requirement.
- The price difference between popular and lower Prestige has significantly reduced, which should see an upgradation from the consumer. The price difference between lower prestige and mid prestige remains the same.
- State made liquor such as Maharashtra Made liquor (MML) has been earlier tried in states such as Rajasthan and UP. Over time, it has hurt taxes and duties, which were changed in the next few years. It is currently evaluating the newly introduced MML rules in Maharashtra and has not yet participated.
- No benefit accrued on account of early buying in the state.
- Consumer spends in the state are growing in double-digits.

UP

- The new policy remains progressive. Outlets have doubled in the state. It has observed healthy growth in June and July.
- The company has enough capacity in the state and is not planning a major capex.

Consolidated highlights

- Net sales value at INR30.2bn was up 9.4% YoY driven by 8.4% growth in the standalone business and 15.7% growth in the sports business.
- Reported EBITDA at INR6.4bn fell 9.7% YoY due to a one-off indirect tax item impact and relatively higher A&P in the standalone business.
- Excluding one-off impact, EBITDA would have fallen 4.1% YoY to INR6.84bn.

Standalone highlights

- Net sales at INR25.5bn was up 8.4% YoY driven by the re-entry in Andhra Pradesh. Overall price mix was flat YoY. The quarter ex-Andhra is lapping a higher prior year base owing to proactive actions taken to mitigate potential supply chain disruption in view of the Lok Sabha elections.
- Excluding Andhra, volume growth on P&A was 1% while for total it is 2.7%. Price mix excluding Andhra was 2.3%.
- Excluding Andhra Pradesh, value growth was 3.2% for total portfolio and P&A.
- A&P re-investment rate was 9.3% of net sales, reflecting consistent investment behind key trademarks.
- EBITDA at INR4.2bn fell 9.4% due to targeted investment behind key trademarks/brands. Excluding one-off, EBITDA was flat YoY.
- EBITDA margin was 16.3%. Excluding the one-off impact, underlying EBITDA margin was at 17.9%.
- Interest cost was INR490mn in Q1FY26 due to the one-off impact of the interest component of the indirect tax item. Underlying interest cost due to customary non-debt related items is 22.7% lower than Q1FY25.
- The increase in other cost was due to bunching of old cases and legal issue, which was quarter specific.
- Cross regional sourcing of glass led to a temporary spike in freight cost, which should moderate going forward.
- Glass inflation was mitigated via alternative sourcing, alternative packaging solutions and long-term vendor contracts and therefore contributed positively to cost and gross margin.

P&A

- P&A value and volume growth was 9% YoY.
- P&A segment accounted for 88.3% of net sales during Q1FY26.

Popular

- Segment revenue grew 13.6% with 11.6% YoY volume growth.
- The Popular segment accounted for 9.8% of net sales in Q1FY26.

Product performance

- In the Upper Prestige segment, Signature has entered the CSD channel to boost institutional access.
- In mid-prestige, Royal Challenge delivered double-digit growth, led by activations like Bold Share Me etc.
- Pack format on RCB has scaled up effectively and is delivering double-digit growth. It is in the process of expanding footprint in other states.
- McDowell- Double Oaked barrel has been very well received by consumers. The 180ml pack is further supporting penetration and trials. It intends to roll out the product selectively in other states.

- McDowell X series sustained momentum in eastern markets by gaining shares.
- Godawan continues to register strong growth supported by recent launch at Bangalore duty free and some other markets with strong traction in CSD channel.
- In white spaces, its recently launched Smirnoff flavour has exceeded its internal benchmark across Maharashtra, Karnataka, Goa and Uttar Pradesh
- Don Julio recorded strong double-digit growth.
- Jonnie Walker is growing at a healthy rate.

Macros

- Discretionary consumption was muted and occasion-led particularly at the upper end. Consumer spending is growing in mid-teens.

RM

- Neutral alcohol spirits remain structurally inflationary.
- Focus remains on ethanol blending targets for the 2025–26 supply year as the government has not revised the policy for the past two years; the next announcement is anticipated around October–November.

Defence

Bharat Electronics

Opening remarks

- Order backlog at INR749bn as of Jun-25. INR26bn orders received post 1st July'25.

Questions & answers

Q. Margins. QRSAM, orders from shipyards and Project Kusha.

A. 27%-plus OPMs in FY25. This year guidance is 27%. GMs are better in Q1FY26 due to better product mix, which has higher localization content. QRSAM – progressed a lot now, DAC approval given recently and RFP has to be issued to us. We expect it shall come by Q4FY26 and will not see spill over to Q1FY27. Next 3-6 months, we shall get good sub-systems orders from shipyards side (majorly shall come in H2FY26 and some can come in H1FY27). Kusha Project – development phase with DRDO and hence order conversion will take at least 3-4 years.

Q. Virupaksha order. Order inflows.

A. It is mainly for Su-30. We have one developmental order from DRDO regarding this. BEL and Astra Microwave will be main beneficiaries here. Emergency procurement – got a few orders already (LLLR radar etc.). Sep-25 is the cutoff timeline and hence next two months we shall get more orders. INR100bn OI received YTD FY26 and we shall comfortably meet our INR270bn OI guidance for the year.

Q. Slow execution.

A. Fell short by INR2bn of execution due to Israel/Russian components due to their ongoing wars however, we shall compensate in Q2.

Q. Shatrughat and Samaghat order size. Localisation for NGC orders.

A. Shatrughat and Samaghat orders combined would be approx. INR65bn. 60-70% as min. indigenization level for NGC program.

Q. Execution growth rates. OPMs guidance.

A. Internal revenue growth targets at 17.5%. Growing at 16-17% p.a. should not be a challenge, in our view. We have good pipeline for next 3-4 years, we shall continue to grow between 15-17.5% p.a., and it should not go below 15% for sure. 27% OPMs guidance for FY26 and going forward it should be around the same range.

Q. Employee base. R&D investments.

A. 9,000 employee base in FY25. 9,600-plus this year and next year definitely will cross 10,000. Most of our new hires are getting into tech/R&D team for modern tech equipment. R&D investments across all domains would be INR16-18bn in FY26.

Q. Tech.

A. Main challenge for AI/ML is data. We have created AI incubation center for Navy and Army so users as well as startups can work together. We have created a good framework for modern warfare.

Q. Exports mix.

A. 20% YoY growth. Over next 5Y, we target to reach 10% revenue mix from current 4-5% mix. LCA – there were some delays for engine availability but our components that goes into the aircraft program, we have not seen any challenge. HAL – LCA, helicopter components etc., overall would be around INR10bn (+/- INR1bn) revenues from HAL.

Q. Large orders in backlog. Atulya execution.

A. LRSAM (INR50bn), fuses (INR45bn), Akash for Army (INR30bn), BMP upgrade (INR30bn), Ashwini radar (INR25bn) Shakti EW suite (INR20bn). Roughly 3 years is execution timeframe for Atulya.

Q. Orders to be executed in FY26.

A. LRSAM at INR30bn, Himshakti at INR17bn, Akash Army at INR13bn, Arudhra radar at INR8bn, Shakti EW, BMP-2 upgrade at INR5bn each etc.

Q. Simulators.

A. We are supplying simulators to some countries already and we are confident that this biz shall be high-growth segment. Simulators biz mix would be only 2-3%. 29 SBUs in total for us wherein two SBUs support our simulator biz.

Q. Defence and non-defence ratio. Exports OI target.

A. Defence 88% to 90% mix and remaining non-defence. USD120mn exports OI target for FY26.

Q. Employee costs revision. Services mix.

A. Separate pay revision committee shall be there. FY27-end onwards we will do some provisioning regarding this but our overall growth will not impact these increases in employee costs much. 13% services mix is what we are targeting from current 10-11% mix.

Q. Drones.

A. Archer UAV, loitering munitions, MALE drones and logistic drones etc. – is what we are pursuing actively. Expecting at least one large order from any of these in FY26 and can get further large ticket size orders over next 2-4 years.

Q. Backlog execution timeframe. Nomination versus competitive bidding mix. FY26 capex.

A. Fuses for the next ten years, EW systems for four–five years. INR140bn in backlog of INR749bn total is for execution in more than three years' timeframe. 90% nomination and 10% competitive bidding mix. INR240bn shall be two years-plus of execution (INR140bn is for three years and more). INR10bn capex in FY26.

Data Patterns

Opening remarks

- Delays in customer approvals affected execution. INR1.2bn capex already deployed in new product development.
- Maintain our guidance of 20–25% revenue growth yearly over the next two–three years and EBITDA margins around 35–40% in FY26.

Questions and answers

Q. High services mix in OI this quarter. Near-term pipeline.

A. BrahMos AMC contracts won this quarter (five-year order that is billable yearly). We have additional BrahMos orders in pipeline to be realised this year – both products (RF seeker, FCS etc.) as well as services (AMC). Ashwini radar, airborne radars etc. are some contracts where we are single vendor – expect these orders to flow in next 6-8 months' worth INR10bn-plus.

Q. Slippages in revenue execution this quarter. Pipeline timeline.

A. Worth INR270mn. Probably will be built in Q2. We design many programs in-house whereas our peers source locally or via imports. Timing of ordering in pipeline may vary but we are optimistic to win orders. Our seeker for BrahMos has been successfully tested – we expect some 100 systems in coming months.

Q. Higher staff costs.

A. Headcount addition as well as wage revision both led to higher employee costs. Necessary for us to have quality and trained people. We are putting in capex in building infra and investing in our people.

Q. Recent AoN of INR670bn. Guidance.

A. Cannot comment on AoN. We look at contracts, which are accessible to us. By FY26-end, we will deliver our revenue guidance comfortably (could be more) however, our focus is on delivering on the bottom-line.

Q. Profitability. LCA Mk1-A. Jammer Pod.

A. We are not worried about profitability at present moment. We do cockpit display in LCA Mk1-A. LCA Mk2 – will be doing displays and some small components - mission systems, EW. We have developed the Jammer Pod for Su-30 and in fact all the aircrafts – it is getting flight-tested and we should finish in next 1-1.5 months. Enquiries shall flow in after trials.

Q. Margins. Domestic, exports.

A. No difference in production and developmental orders in terms of gross margins. We do not have a problem in margin differential here. Focus remains domestic for us, although we say Indian made but that includes many sub-systems, which are imported. We are doing some work in UK (value driven products) and will expand that.

Q. Modernisation drive.

A. Will be providing sub-systems, radar components etc. for MiG-29 and Su-30 upgrade programs for Navy and Air Force resp. Would also do EW suites for these upgrade contracts.

Q. RF seeker for BrahMos.

A. We had an RF seeker developmental order for BrahMos, which has been tested and certified. We expect contract to happen in one or two months' time. Production orders shall also follow which would be sizeable in value. Cannot comment on timelines.

Q. Netra AEW&C.

A. Will do ESM and RWR for Netra 1 and Netra 2 – which will become a contract for DPIL.

Q. Pipeline of INR20–30bn.

A. We do not give pipeline estimates based on defence budgets. Our pipeline is based on repeat orders that we expect to win.

Solar Industries

Opening remarks

- International (43% YoY revenue growth) and defence (115% YoY revenue growth) business led strong broad-based growth this quarter. It could have been even better had early monsoons not happened in domestic market this quarter.
- Defence backlog at INR150bn-plus. Won repeat orders for UAVs as well as multi-mode hand grenades.

Questions & answers

Q. Medium-term outlook. MALE UAVs. Shells.

A. Our guidance remains unchanged for FY26 as well as for the next four–five years. MALE UAVs could be big opportunity for us. We will soon start commercial production of 155mm artillery shells.

Q. Bhargavastra and Rudrastra – when can we expect orders for these? PINAKA. Overseas market outlook.

A. Successful trials of these two—going ahead with qualification part quite well (few quarters) and then we will commercialize these products. Optimistic that these products are very much in demand and commercialization will happen at a much faster pace. Commercialization of PINAKA order would also begin from Q2 or Q3FY26. Good business from South Africa market versus a few years back.

Q. Capex.

A. We are one of the most integrated ammunitions player in the private market domestically. We are going to invest INR25bn in FY26 and in coming years as well we have strong strategic plans.

Q. Drones.

A. Nagastra has been positive—building Nagastra 1 and 2 as well, and hence we are expanding into higher altitude/longer endurance category of drones.

Q. Domestic explosives volume/outlook.

A. We have discontinued sharing volumes on the domestic side as well from this quarter itself. 15% volume growth in FY26 for domestic explosives. We expect infra, mining demand to be very good over coming quarters.

Q. FY26 revenue guidance.

A. INR100bn consolidated revenue guidance in FY26 shall definitely be crossed (INR30bn from defence). PINAKA rockets shall drive momentum.

Q. Drones.

A. Bigger drones are in developmental stage currently. We are trying to enter into this category of higher-end drones. Nagastra—our product got qualified and we were L1 thereof. We have strong chances of winning orders in bigger drones as well.

Q. Overseas market.

A. Trying to start the Kazakhstan plant by Oct-25. Revenue mix would be 35–40% from overseas business in FY26.

Q. FY26 guidance.

A. INR100bn revenue in FY26 (INR30bn from defence). OPM at 27%. Net cash as of Jun-25 at INR500mn.

Zen Technologies

Opening remarks

- Total INR600mn execution affected – design changes accommodated towards a particular order from one customer in Q1FY26 causing delivery delays, which is a spillover to next quarter.
- Simulator orders have taken a step back despite EP post-Operation Sindoor. Orders of INR6.5bn for simulators (Army) are likely in the next quarter, excluding emergency procurement orders.
- AMC revenue mix was 8.8% in Q1FY26. Consolidated backlog at INR7.54bn (exports mix is INR1.17bn).
- ARIPL (subsidiary) has been performing well – expect addition of ~INR1.7bn from it to overall top line. UTSPL (subsidiary)–INR800mn of revenue (net of cross transactions).

Questions & answers

Q. Zen's competitive moat in anti-drone system.

A. Won orders from IDDM tenders and from Indian Army and are single vendor at that point in time. Zen is able to cater to the wide band requirements of Indian Armed Forces. Indigenously designed and developed these wide bands, which are not available with competition. Expect more tenders to come up very soon. For patents – tech, which can be easily copied, are patented by the company.

Q. Execution. Deferral of contracts. RM challenges.

A. The performance depends on order book by end-Q2FY26. Confident of achieving INR60bn-plus cumulative turnover over the next three years. Orders, which will be received by Q2FY26, will be executed during the same year. No problems are there in procuring raw materials and rare earth metals has not affected Zen while Vector (subsidiary) may have some exposure.

Q. Order book breakdown. Order inflows. Lead-time.

A. Total INR640mn of Anti-Drone System, INR2.82bn training simulators and AMC at INR2bn. INR6bn of simulator order likely to flow in by Q2FY26 with nearly no competition. Lead-time for anti-drones is six months and for simulators it is four months.

Q. Order inflow delays. Order inflows from US.

A. Ordering has been very slow given cycle has slowed down a bit. Government is focusing on emergency procurement hence normal course of ordering is slightly delayed. Expect orders for Anti-Drone System. Developments are happening in the US (both North as well as South American regions) with network expansion in the region because of ARI acquisition and expect FY27 to be flooded with orders from these regions.

Q. Emergency procurement opportunity and timeline. Exports.

A. Procurement has to be completed by March-end. Zen has been able to deliver both soft kill (jammers, etc) as well as hard kill anti-drone systems (remote control weapon station). Exports is ~INR1.17bn in the consolidated backlog i.e. 16% mix. Exports enquiries are strong for all products, H2FY26 and FY27 will be significant for exports – both for simulators and anti-drone systems (Regions – Africa, ME, South-east Asia, CIS countries). Expect orders from US, South America, NATO countries in

FY27. Expect EP orders in anti-drone system with hard-kill capability specifically in unmanned domain.

Q. Simulators in Air and Navy.

A. Expect positive trajectory in these domains. A 7–8% simulation market is only been done by Zen yet and hence there is a huge market to be tapped.

Q. UAV commercialisation via TISA Aerospace acquisition.

A. TISA has a good track record and has also executed orders with DRDO. Investing money in R&D and expect loitering munitions to be ready in the next one-and-a-half year for trails.

Q. Opex.

A. In percentage terms, it has not reduced. They are semi-variable in nature. Last quarter, it was substantial in terms of variable expenses (professional charges, consumption of spares and impairment of investments) and multiple additional provisions were made.

Q. Order inflow expectations.

A. FY27–28 order inflows will be much higher versus FY26.

Q. Revenue deferral in Q1FY26.

A. INR600–700mn deferment. Orders have been executed, but delays were there due to last minute changes by the customer.

Q. Zen's hard-kill capability in ADS.

A. Had demonstrated hard-kill capability to end-users. Key focus in this domain and it will be a significant area for investment.

Q. Modern wars. Anti-drone system mix going ahead.

A. Hard kill anti-drone systems is something that Zen is focusing on and want to dominate globally. Anti-drone systems mix or rather ex-simulator segment mix could be 40–50% mix going ahead or could be even more if we include robotics, electronics/optics etc.

Q. NATO opportunity.

A. Simulator market is strong there. ADS will be pushed a lot along with drones (Vector is planning to export to both Europe and the US).

Q. Margins.

A. Guidance at 35%. Simulators margins are on a higher side and are slightly lower for ADS.

Q. Execution timeline of current order book. Subsidiaries OB and financials.

A. INR7.54bn consolidated backlog (INR1.48bn subsidiaries and INR2.6bn AMC). Equipment orders will be executed by Q3FY26. A INR2.5bn-plus in top line from subsidiaries, OPMs will be in line with 35%, PAT at 25%.

Q. Capex.

A. Not significant. INR450–500mn.

Engineering & Capital Goods

ABB

Opening remarks

- Market is taking a breather currently since the last quarter. Base orders' growth rate is strong; however, large orders are getting impacted by market conditions, which we believe, is cyclical.
- Cash balance at INR51.54bn. The board declared an interim dividend of INR9.77/share.
- Introduced an optimally designed LV Titanium Variable Speed Motor platform.
- **Ordering momentum:** Positive in railways, two-wheelers, EV. Encouraging growth trajectory for smart building solutions. Industrial robotics applications in the automotive and electronics segment. Demand from energy, pulp & paper, mining, and paint companies.
- Profitability was impacted due to mix, sourcing, forex volatility and one-offs. Import content was higher in the electrification segment this quarter (one-off claims by a customer).

Questions & answers

Q. H2CY25 outlook.

A. Our take is that we do have a decent pipeline, which is yet to be converted in orders. EL and MO—on regular scale, good market going forward, but not super strong what we have seen in the past few months/years. There is uncertainty and hence customers have become cautious in spending. PA ordering pickup shall take time. CY26 onwards, we should start getting momentum back. We do have high inventories (largely imported). Whatever inflation is there, market should be able to absorb it as we pass on prices. EL and MO—75% of total business, which is short cycle, we plan to work around to meet our guided/targeted margins. Price realisation is under pressure.

Q. Tariffs impact. Motion segment.

A. 90% of business is domestic. We have high localisation. We do export some of our products to US (minor part goes to US). Motion segment—ABB is a global company and we deal with competition regularly.

Q. Order inflows guidance in CY25.

A. We have some good play in traction orders (railways, metro, etc) given a strong pipeline. If you net out large orders from previous year, base orders are showing growth.

Q. Chinese competition.

A. Chinese competition is coming in—heavy industries/equipment, i.e. PA segment. Little competition in the robotics segment as well but not much.

Q. Margins.

A. We do not give any guidance. At this point, it will be a mixed band (12–15% PBT margin guidance) as we work on meeting our guidance.

Q. Pipeline.

A. PA pipeline has seen delayed rather than reduced. MO again has good prospects. EL pipeline is still strong (chemicals, O&G etc is seen delayed), some reduced pipeline in steel, cement. RO has good prospects as well.

AIA Engineering

- The sales volume marginally declined 1% YoY to 60,156 tonnes in Q1FY26. The mining segment volume stood at 36,396t down 1% YoY and Non-mining volume stood at 23,760t flat YoY.
- Management hinted at almost flat volume in FY26 and expect volume recovery to begin in FY27.
- Other income of INR1,083mn incudes treasury income of INR880mn and forex gain of INR190mn
- The mill lining plant is having capacity of 75,000t and producing 25,000-30,000t annually. However, company is working to bundle liners and grinders as composite solution for higher realisation.
- Management is in process to complete regulatory requirements in Ghana, West Africa and China, which is expected to be concluded by Q4FY26. Post that, it will start land purchase for setting up plants. 50ktpa each capacities will be set up in modular fashion. The China plant will have advantage on 50% lower goods transit time and cost. Management sees delay in setting up the plant and will provide tentative project completion timeline in Q3FY26.
- It has renewable power capacity of 38MW and 60MW will be added in rest of FY26. It will meet 55% of total power requirement (v/s 30-35% currently).
- Capex during Q1FY26 stood at ~INR210mn. It will incur ~INR1bn in rest of FY26 which includes capex on renewable power and maintenance capex. No clarity on capex involved in FY26 on two proposed overseas plants (USD50mn total). It has net cash of INR40.83bn at Q1FY26-end.
- Brazil has reduced CVD component from 6.5% to 2.9%. Furthermore, it eliminated ADD of 5.3%. Hence total duty on imports fell from 11.8% to 2.9%.

Apar Industries

Opening remarks

- **Industry highlights:** Power generation rose 24% YoY in H1FY25. RE at INR134bn kWh. Jun-25 alone added 7.3GW of green energy—expansion in solar/wind and further advancing India's green energy transition. Coal-based electricity generation decreased 3% YoY in H1FY25—due to milder temperatures, but we believe this shall recover in order to meet base load demand. June-25 alone saw 6.8GW of RE tenders issued for project development. 1–4GW BESS by SECI. 260MW of solar EPC by NTPC in Rajasthan. 1.6GW of BESS and 312MW RE capacity awarded to developers. Lot of action happening in this sector. On transmission side, 22,190MVA of new substation capacity added (220kv and above) in H1FY25, which has almost doubled YoY—this is also short of planned capacity. Pent-up demand is building up now. Transmission lines addition of 1,031ckm (220kv and above) in Q1FY26—only 17% of target met. FY26 planned transmission lines target is 24,400ckm (2.5x of what it was in FY25).

- **Conductors segment:** Domestic business was quite strong for the conductors segment this quarter. Premium product mix was 43.5% in Q1FY26 versus 37.1% in Q1FY25 and 45.9% in Q4FY25. US revenue up 82.8% over Q1FY25 due to lower base LY and 8.6% over Q4FY25. Pending order book was INR77.79bn, of which export contributed 29.6%. In Q1FY26, new order inflow stands at INR31.35bn. EBITDA per MT at INR43,688 due to a higher proportion of premium products and improved US mix.

- **Oil & lubricants segment:** 8.1% volume growth in the oil segment in Q1FY26 (exports was muted). Transformer oil volume at global level up 7.4% versus LY. Automotive oil volume is higher than Q1FY25 by 8.4% and Industrial lubricant up by 15.9% in Q1FY26. EBITDA per KL stands at INR7,004.

- **Cables segment:** For cables segment, export revenue grew 69.7% over Q1FY25, whereas domestic business grew 19.7% versus Q1FY25. US sales shot up 136.6% compared with Q1FY25. Pending order book is INR16.53bn.

- Headwinds in non-US markets due to subsidies (of 8–12%) to Chinese players by its government.

- INR13bn in capex announced last quarter for FY26E/27E (INR1.5bn already done in Q1FY26). INR3.5bn capex to be incurred over next few months as per plan.

Questions & answers

Q. Conductors' profitability. US growth in conductors. Current tariffs.

A. We continue to stick to INR30,000 EBITDA/mt plus tailwinds in terms of guidance. To some extent, there was pre-buying by US as duty/tariff structure is uncertain until now. Currently, we are operating at 10% reciprocal tariffs + 5% duties.

Q. Domestic demand/growth outlook. US tariffs.

A. Domestic market has driven growth this quarter, more than exports. We are expanding into more products on both Al and Cu products. Due to a shift to AL59 in domestic market, we foresee higher volume-led growth. Function of EBITDA – exports and premium mix on the domestic side. AL59 has replaced traditional ACSR market on the domestic side. Tariffs in US—basic materials i.e. steel, aluminum, copper, etc are falling under Section 232 based on absolute tariffs (i.e. 50% currently, which was earlier 25%). There will be more clarity on reciprocal tariffs as well in a few days.

Q. C&W. Competition. Conductors' higher premium mix. Non-US business.

A. Overall growth in exports. US market on C&W is USD55bn and 40% is still imported. Tariffs/India-US deal picture could give us more clarity in a few days. C&W competition continues – no major change. Our emphasis is on productivity, energy efficiency, etc. HTLS execution has improved, overhead railway conductors, CTC conductors, bus bars, etc has also grown. Non-US business enquiries continue, but domestic projects looks more favorable in terms of pricing (Africa, Latin America, etc). INR13bn capex by June 2026 includes maintenance as well as expansion.

Q. Domestic market.

A. Good pent-up demand to come up in domestic market. We have a good backlog of INR30bn-plus and our expectation is that order inflows shall continue to flow in. Our plants are running pretty much full as of now.

Q. Premium conductors in domestic market. US market. Conductors' profitability.

A. No sources to get market info. However, re-conductoring is picking up. Time cost, right of issues, capital outlay costs, etc—hence re-conductoring market can pick up more. What will be critical for the US market is where tariff lands up since that would affect ordering momentum. We have been increasing our conductors' profitability guidance for the past few years taking into account non-US markets and pricing pressure in India as well; as of now we stick to INR30,000 EBITDA/mt.

Q. Oil growth.

A. Transformer oil and lubricants mix has grown. White oil business (exports side) has contracted (that is tactical for us). Conductors' and C&W – largest market outside India is US. For transformer oil, we are very strong in Asia (including Australia), South Africa, Turkey, etc.

Q. US renewable market outlook. Conductors' volume growth outlook.

A. RE falls in three buckets: solar, onshore wind and offshore wind. Offshore wind cannot operate without subsidies and it's being killed in US. North America—solar is reasonably good. We do not expect any massive change from the solar side in US. Projects wherein subsidies are playing a substantial role—i.e. offshore wind—is where we are seeing market diminishing. Data centers are growing pretty strong in US—positive for our C&W business. 10%-plus conductors' volume growth outlook.

Q. Worries that could structurally play out.

A. Our biggest worry is geopolitical tensions. RE—relatively less worry as there is no other better option out there. Solar is faster, cheapest form of power; however; issues pertain to land and seasonality of solar. Wind—issue only where there are huge subsidies, but still it is not going to disappear (PLF remains good here).

Q. Lower finance costs. C&W outlook.

A. We have used cash and internal accruals to fund our purchases and hence finance costs reduced in this particular quarter. 25% growth in C&W—actual numbers could be more.

CG Power & Industrial Solutions

Opening remarks

- **Industrial segment:** Lower margins attributable to the rise in commodity prices, which could not be fully passed on, and increasing share of the Railways business as well as mix change within the Railway business. Industrial OB at INR29.2bn (0.5x FY25 industrial sales).
- **Power segment:** Margins were higher YoY on account of better price realisation driven by robust underlying demand and operating leverage. Power OB at INR90.51bn (2.6x FY25 power sales).
- **Q1FY26 consolidated:** Margin impact due to investment in CG Semi (impact of INR110mn) and lower absorption of fixed costs, in Drives & Automation Europe business, because of lower sales during the quarter, although bookings saw upward growth. RoCE at 33%. Unexecuted backlog at INR106.31bn.
- **Key events during Q1FY26:** Received an order for supply and servicing of 765kV Transformer Package 7TR-12- Bulk from PGCIL for a total value of ~INR6.41bn (USD74mn), making it the highest single order received by the Transformers business of CG. The order is expected to be completed over 18–36 months. G.G. Tronics received an order towards Station Train collision Avoidance System (TCAS)—also referred to as Station 'KAVACH'—worth INR1.48bn. The scope includes supply, installation and commissioning of station KAVACH and other associated system in North Western Railways executable over a period of two years. CG secured the largest single order of INR2.44bn for the EHV business from Techno Electric for supply of packaging instrument transformer, circuit breakers and lightning arrestors. The company also launched and successfully completed a QIP and raised INR30bn.

Questions & answers

Q. Industrial segment overview: growth, visibility and exports. KAVACH. Propulsion systems order for VB.

A. Growth has come from railways. Motors have shown growth, but IIP and IEEMA still show some negative trends. Bookings have started to flow in for the Drive and automation business. KAVACH—the focus is on execution since core processes have been done and trials are in progress. Expect commissioning over the next couple of months, and the business opportunity is exceptional. Development team is designing and executing the VB propulsion order, which was received last year – appetite is much bigger and CG is exploring opportunities.

Q. Reason for increase in power segment inflows. Incremental margins from these orders.

A. Booking orders across power sector—transformers and switchgears—are improving the pipeline. Going out in the market to capture multiple orders, which is thereby increasing the win percentage. Not compromising on margins to win orders. PT and switchgears are both showing good margins.

Q. Margin of Industrial systems.

A. Majority impact is coming from railways and bit from motors side. Have increased motors prices by ~5% effective July, wherein the competition is also now picking up; taking action on commercial side as well.

Q. LT Motor market recovery.

A. LT motor market has further deteriorated. Private capex is still lagging. Still doing better than the market.

Q. Power – Utilisation level and capacity constraint.

A. Capacity is an issue across the globe; hence increasing capacity. Existing plant is getting up to 40,000MVA capacity. So by September, it will be up and running to that from current approximately 20,000 MVA and also the 45,000MVA, the construction for the new plant has already started.

Q. Long-term margin across segments.

A. Expect them to get better, and to bounce back to 14–15% PBT margin. Power can improve even further from current levels (~20-21%).

Q. Exports on motors.

A. Progressing well with capacity expansion. Have a go-to-market strategy with increased presence in Africa, Europe, etc. and channels are increasing. Portfolio – industrial (LT motors) as well as customised motors.

Q. Semiconductor – ramp-up and revenue flows.

A. Semiconductor – CG Semi's business is on track, mini plant will start production during FY26 and large plant will begin production in FY27. RF Chip design facility's revenue has started to already flow in.

Q. HT motor pricing. Demand.

A. Since HT motors are unique and customised so pricing differs. Demand for HT motors is huge and is serving the smaller part of market. Key focus is to design the right set of solutions to cater to huge demand.

Q. Update on commercial volume of EV motors. Exports.

A. Still in the beginning of it. Motor and drive have been tested at OEM level and expect to get approval to start supply over the next two months.

Q. VB propulsion order. Power segment outlook.

A. Execution has just started for that particular order from Kinet Railway Solutions. Mix has been skewed towards traction electronics within railways, which affected OPM (reverse auction). Bullish on the ower segment for the next five years.

Q. Axiro margins.

A. CG Semi – staff cost and employee cost is much higher. Initial setup and transition is currently happening; hence margins are impacted. Going forward, double-digit margins are expected.

Q. Capex incurred so far. FY26–27 capex.

A. Capex incurred so far is INR4bn. INR17bn capex over next two years including OSAT. OSAT - 50% support from central government, 25% will be from the state government, and the rest is between CG and partners. Subsidies come in a little later than internal investments

Q. Domestic versus international orders.

A. Majority orders won are all domestic.

Q. Services business outlook.

A. Working actively to develop a unique services business model.

Q. Order booking for new transformer facility coming up in September.

A. It is on track and 40,000MVA will be operational.

Q. Realisation period of current OB. Export market for transformers.

A. Transformers order should be executed over the next 18–22 months versus expectation of 26 months. Working on getting export order for transformers as well.

Q. Subsidiary business for industrial systems—margins.

A. Bookings have seen an upward trend and fixed costs have been taken care of. Hence, increased revenues will improve margins for the segment.

Q. UK-India FTA.

A. Yet to see what it means in terms of exports. Trade agreements and tariffs do not affect much given most of the contracts are FOB.

Cummins India

Opening remarks

- Domestic sales at INR23.4bn, 25% YoY growth. Export sales at INR5.2bn, 34% YoY growth.
- Power generation at INR10.56bn is up 31% YoY, distribution business at INR7.77bn is up 19% YoY, industrial at INR4.18bn grew by 14% YoY.

Questions & answers

Q. BESS. Any one-off execution this quarter? Volume versus pricing.

A. We have just launched BESS in India and are meeting customers on our value proposition and will, accordingly, take a call. Cannibalization risk – customers want a mix capability. Gen sets is for backup power and BESS is a good mix in terms of energy provider. As of now, we do not see risk of cannibalisation. No execution one-offs this quarter. Volume—we're back to pre-CPCB-IV now. Good settlement of pricing in market, but competition remains high. Our endeavour is to continue to holding onto current pricing.

Q. Power gen demand. Exports. Competition.

A. Power gen growth was broad-based. E-commerce saw good growth this quarter as well. Roads, hospitals, airports, manufacturing, pharma, etc saw good growth as well. This kind of demand looks sustainable. Exports – result is of focused efforts, but not all markets are showing demand. Competition is across the nodes (higher as well as lower), but we are working on a better cost structure.

Q. Distribution. CPCB-IV. Exports end-markets.

A. Growth in distribution is primarily due to our better penetration in power gen and railways. CPCB-IV introduction – distribution and after-market will be required more and hence could lead to better opportunities. HHP and LHP ranges have done well this quarter—growth is broad-based, but LatAm and Europe have performed better.

Q. Breakdown. Data centres market.

A. LHP at INR840mn. MHP at INR2.29bn. Heavy duty at INR1.15bn. HHP at INR6.28bn. Data centre is 15–20% of power gen segment (seeing steady state growth).

Q. Domestic breakdown. US.

A. Construction at INR1.47bn, rail at INR1.48bn, Compressor at INR560mn. Railway performed really well for us this quarter. Construction – steady growth but this quarter we saw some projects getting delayed due to early monsoons. Compressor – seeing consistent growth. Share of US exports is not very high—we're currently evaluating the impact.

Q. Margin outlook. Competition.

A. Sustaining current margins is our endeavour. Competitive intensity has been increasing for sure from both local and foreign players in the country.

Q. Exports. Guidance.

A. We are cautious here. C&I, rental players (both power gen markets) are seeing growth from in LatAm and Europe. We do see domestic demand continuing and are cautious on exports. Double-digit growth is achievable and is our endeavor. GMs—we got leverage benefit this quarter (volumes and product mix will be a play going ahead). We're doing lot of work to shorten lead times for product deliveries.

Q. Data centers.

A. Demand from data centres is continuing (steady for last few quarters).

Q. India-UK FTA.

A. We are looking at how we can improve our presence in the UK market with our global counterparts. There is project-biz revenue this quarter (it was in double digit), but no one-offs.

Q. Any merger thoughts with unlisted entity? CPCB-IV mix in domestic power gen.

A. That's a continuous assessment that the parent does, but nothing concreate as of now. Within domestic power gen, 60% is CPCB-IV in terms of value.

Q. Data centers. Distribution business.

A. Strong demand across. Distribution – growth from both power gen as well as industrial (rail, mining, marine, etc). Marine – steady growth, but dependent on government orders.

Q. Exports.

A. New products have been launched over the years – there is possibility of growth in US market from these newer products.

Q. Power gen demand. Industrial.

A. Quick commerce, hospitals, roads, airports, manufacturing, pharma, etc have shown opportunities – across the nodes. Industrial – rail (good demand), construction (early monsoons impacted) etc. This kind of broad-based demand should continue for some time in our view.

Q. Capex. Cost structure. Utilisation rate.

A. We have been focusing a lot on optimising costs to right levels. We have been putting capacities to cater to both domestic as well as exports market. CUF is 65–70%.

GE Vernova T&D India

Opening remarks

- Order inflows came in at INR16.2bn, up 57% YoY taking the backlog to INR129.6bn. Cash generation of INR1.7bn during Q1FY26 led to a cash balance of INR12.2bn.
- INR9.15tn Power T&D capex over 2022–32. Exports mix in sales was 39% during Q1FY26. 65% of backlog mix is from private sector, 32% from central utilities and PSUs, whereas the remaining 3% from state utilities.
- Volume, pricing and productivity lifted EBITDA margin to 29.1% during the quarter. High confidence that we can do better OPMs this year.

Questions & answers

Q. Exports. HVDCs.

A. Exports has grown significantly in last one year. 30% exports mix in backlog currently. 39% exports mix in sales this quarter. Khavda-South Olepad and Barmer-South Kalamb HVDCs are under tendering, and both shall be finalised in FY26.

Q. Margins. Capex.

A. OPMs shall be better this fiscal year than last year (19.1% in FY25). Total capex of INR2.4bn towards thyristors, VSC equipment, STATCOMs, maintenance capex for existing facilities, debottlenecking etc. Capacity utilization is increasing – it's pretty good for transformers and for grid automation we can take much more orders.

Q. Data centres.

A. Data centers – we are picking up orders (220kv level currently, which is now going towards 400kv). GIS, grid automation, etc is our offerings.

Q. Pricing environment. Cash utilisation.

A. Prices are stabilising a bit in the industry. Cost – we have flexibility to pass on. Cash utilisation – we keep on evaluating how to use extra cash be it expanding capacity or elsewhere.

Q. HVDCs. Margin outlook. Non-HVDC pipeline.

A. Khavda-South Olepad HVDC bids have been submitted already. Endeavor of us is to perform better this year in terms of margins. Non-HVDC pipeline is also growing steady-state year on year.

Q. Margin sustainability. Domestic versus export HVDC priority going ahead.

A. Don't look at margins for one particular quarter. Right benchmark would be to look at 12M and not one quarter. HVDC factories do get loaded with transformers and tech part; however, we would be focusing on both domestic HVDC projects and export HVDC projects as well (like we did for Korean HVDC order).

Q. Exports OI. Revenue potential with existing capacity plus planned capex. Competitive landscape. GMs sustainability.

A. 14% exports mix in OI during Q1FY26. Part of backlog is long-term where execution is 3–5 years (30–35% mix) while the rest of backlog mix has execution timelines of 18–24 months and hence we have room to take up HVDC projects. Difficult to tell peak revenue potential. Transformers – all peers are expanding

capacities but deliveries are coming in 18-24 months whereas customers are asking for delivering in ten months due to emerging demand. AIS/GIS/grid automation, etc—we do not see competitive landscape changing much even three years down the line. Our endeavour is to improve last year's OPM of 19.1% going ahead, and we are confident about improving it this year.

Q. Exports optionality. Volume growth outlook.

A. Exports has been our focus and will remain. Energy transition is a global story – ME, Australia, US, Europe, etc. 18-20% exports mix in backlog a few years ago to now 30%. We shall continue to focus on growing exports. Next three–four years, growing 15–20% in volume terms won't be very difficult.

Q. Tech localisation.

A. We keep on working to localise technologies that we take from parentco. It's a regular KPI for us.

Q. OPM this quarter.

A. Higher exports mix, better pricing & volume, productivity, etc led to OPM expansion.

Q. Non-HVDC market outlook. Exports.

A. Non-HVDC pipeline shall grow at 6–8% this fiscal year. Last year, we had one large order coming from one specific country (worth INR22bn)—however, it shall be an endeavor to still grow exports despite being a higher base.

Q. Export HVDCs projects – growing TAM?

A. No.

Q. OPMs.

A. Our endeavor would be to sustain current margins. We have been increasing OPMs over the past few years by improving execution processes.

Hitachi Energy

Opening remarks

- Highest ever order backlog of INR291.3bn provides revenue visibility for several quarters. Bhadla-Fatehpur HVDC order was booked this quarter, won in consortium with BHEL (awarded by Adani Energy).
- Exports contribution within the ambition corridor, service in high single-digit. Exports and services are good levers of growth.
- Exchange and commodity loss at INR94mn.

Questions & answers

Q. OI this quarter ex-HVDC. Execution of HVDC projects in backlog.

A. 20%-plus growth rate in OI this quarter ex-HVDC project. Execution of HVDC orders shall take place from FY27 onwards.

Q. Margins versus peer-set. India HVDC market outlook.

A. Investing INR20bn capex, which our peers are not doing. Our margins shall only improve going forward. India needs to order out at least 2–3 HVDCs per year for next few years.

Q. GM translation into OPM.

A. We are a technology company and hence royalty/IP/patents etc. is on higher end. Going forward, once revenues comes up, fixed cost as % of sales would come down. We are working on improving our other opex cost structure. Finalisation of 1–2 HVDC projects would be done by FY26-end.

Q. HVDC mix in OB. Execution of Adani HVDC project.

A. 55-60% is HVDC mix (incl. components as well and not only projects) of backlog. Services segment is just picking up. In 6-9 months, we shall commission Mumbai HVDC project (Adani Energy).

Q. OPMs. Exports.

A. Our OPMs shall be higher this year than last year (9.3% in FY25). We don't want to increase exports mix at the cost of domestic market as the pipeline here is quite strong.

Q. Domestic versus exports mix.

A. We have huge domestic demand and therefore putting up INR20bn capex (capacity to come up in next 18 months). Exports shall be roughly 25% mix in next couple of years. We are exporting to roughly 60 countries.

Q. New capex.

A. Asset turn at 3–5x. Transformer capacity shall come up earlier than others. Current capacity utilisation rates are good in insulation, GIS, grid automation products etc.

Q. Exports mix in backlog. Demand drivers.

A. Exports is approx. 20% of backlog. Key segments driving growth are transmission, industries, data centers, railways & metros, RE (both solar & wind) etc.

Q. STATCOMs.

A. 25–30 STATCOMs projects over next four years as per CEA.

Larsen & Toubro

Opening remarks

- Strong balance sheets, political stability, etc are driving India's growth story. IIP growth, ease in inflation and 50bp RBI repo rate reduction are some other drivers.

- P&M backlog has crossed INR6tn milestone. Hydrocarbon – carved out as offshore and onshore verticals. L&T Green Tech won a bid for BOO from IOCL for its Panipat refinery (25-year contract for green hydrogen). L&T Semiconductor has signed asset transfer with a Japanese firm for the power module business.

- A 33% YoY growth in OI. The INR6.13tn backlog surged 25% YoY. Strong execution momentum in P&M, group revenue expanded 16% YoY. P&M margins at 7.6% remained stable on a YoY basis. NWC/revenue at 10.1% due to better collections (380bp improvement YoY). RoE on 12M trailing basis is at 17% (230bp improvement YoY).

- Order inflows at INR945bn, 33% YoY growth. P&M at INR766bn, 41% YoY growth. Infra and carbon-lite solution business led to growth. International OI mix is at 48% versus 40% in Q1FY25.

- **Prospects pipeline** at INR14.81tn for 9MFY26 versus INR9.1tn for 9MFY25 (international at INR8.68tn), sharp increase of 63% YoY. Infra and hydrocarbon segments – main drivers. Infra at INR7.97tn versus INR6.03tn in Q1FY25, 32% YoY. Hydro at INR5.78tn versus INR2.17tn in Q1FY25, 100%-plus jump YoY. Carbon-lite at INR0.55tn versus INR0.45tn in Q1FY25, +22% YoY. Green at INR0.21tn versus INR0.10tn in Q1FY25, led by gas to power-related opportunities outside India. Precision & heavy engineering at INR0.3tn versus INR0.31tn in Q1FY25.

- A INR6.13tn backlog. P&M – domestic mix at 54% and international at 46%. INR2.83tn international backlog out of which 82% is coming from ME and 18% from RoW. At 14% central, 25% state, 34% PSUs and 27% private sector. Total 97% of backlog from infra and energy. 33% of backlog backed by bilateral and multilateral agencies. A 2% slow moving orders. No orders deleted this quarter.

- A INR637bn revenue, +16% YoY. International revenue mix at 52%. P&M revenue at INR458bn, +19% YoY. Group EBITDA margin was 9.9% versus 10.2% in Q1FY25 (decline due to change in revenue mix more skewed towards P&M). Reported PAT at INR36bn, +30% YoY.

- CFO (ex-financial services) inflows at INR62bn versus outflow of INR14bn in Q1FY25.

- **Infra:** OI at INR410bn, 2% YoY. International OI mix at 69% – RE, Power T&D, B&F and M&M. INR7.97tn prospects – INR5.03tn domestic and INR2.93tn international. Transportation 19% mix, heavy civil 17% mix, water 17% mix, Power T&D 14%, RE 14% mix, B&F 11% mix and M&M 8% mix. Book to bill rate was 29 months. INR288bn revenue, +17% YoY. EBITDA margin at 5.7% versus 5.8% in Q1FY25 (little soft due to higher cost pressure in water due to time overruns).

- **Energy:** Clean and energy business is in incubation stage. OI at INR314bn (multiple onshore and offshore packages). LoI for BTG packages – yet to receive formal confirmation from customer. Pipeline at INR6.54tn, hydro at INR5.78bn, carbon lite at INR0.55tn and green and clean energy at INR0.21tn (INR0.17tn gas

to power related). Also, 95% of hydro prospects are international. INR125bn revenue, +47% YoY. EBITDA margin was 7.3% (lower due to higher execution for overseas jobs).

- **Precision & heavy engineering:** OI deferrals. Backlog at INR392bn. Pipeline at INR303bn (INR215bn of precision engineering and INR88bn for heavy engineering).
- **IT & TS:** INR126bn revenue, +10% YoY.
- **Nabha Power:** lower PLFs this quarter.
- **Hyderabad Metro:** INR38 average ticket price in Q1FY25 to INR43 in Q1FY26. Average ridership 0.42mn/day in Q1FY26 versus 0.43mn/day in Q1FY25. PAT loss of INR2.08bn versus loss of INR2.14bn in Q1FY25. Fare increased 37% YoY.
- **FY26 guidance:** 10%/15% group OI/revenue. NWC/revenue guidance at 12%. Core OPMs in the 8.3–8.5% range.

Questions & answers

Q. Hydro pipeline.

A. Hydro pipeline for overseas market is as per our expectations. Total INR7.5tn as of Mar-25 versus INR5.8tn now (INR1.7tn drop out of which we have received orders worth INR800bn).

Q. Core OPM.

A. Unchanged at 8.3–8.5%. Hydro margins slowdown is factored in our core OPM guidance.

Q. Private sector prospects pipeline.

A. Private sector BTG orders have moved the needle, but multiple opportunities also coming up in B&F from data centres, hospitals, commercial real estate, etc, apart from M&M. The sentiment is far more positive than in Jun-24.

Q. Hyderabad Metro.

A. Hyderabad metro ridership dropped due to fare increase but 0.44–0.45 mn/day ridership shall come back. EBITDA was INR1.01bn in Q1FY25 versus INR1.12bn in Q1FY26. Ridership should go to 0.7mn/day and debt to be reduced to INR80bn versus INR120bn currently (will be led by government assistance and TOD monetisation) to come to breakeven.

Q. Hit rate. Execution slowdown. Realty business. Labour availability.

A. Hit rate is at 18–25%. Apart from one or two segments, execution momentum has been in-line with the T&C under contracts with customers. Water & effluent treatment segment was reporting slower execution due to scarcity of fund availability from Jal Jeevan Mission. JJM – has not come down to complete normalcy yet. Overall, NWC for P&M is at 8.5% and if we exclude water, there is further improvement by 75bp. Realty business OI this quarter at INR10bn. Unsold inventory at INR17bn. Real estate – focusing on Chennai, NCR, Mumbai, Navi Mumbai and Bengaluru markets. Labour availability – issue is with churn within a year, which has increased (*structural issue within the country*). Total 400,000 labour working for us in multiple sites across India.

Sterling and Wilson

Revenue hit by 40–45 days of productivity loss (Indo-Pak war); guidance: +20% YoY

SWREL reported strong first-quarter results across all the three segments: domestic EPC, international EPC and O&M. For FY26, management guided for a consolidated EBITDA margin of 5.8%. Q1FY26 revenue surged 93% YoY to INR1.8bn, despite the customary sequential dip versus Q4 due to seasonal softness in the first quarter.

Management attributed the QoQ decline to seasonality and to 40–45-days of productivity loss at the Rajasthan and Gujarat sites caused by cross-border unrest; even so, year-on-year momentum remained robust. For FY26, revenue is projected to grow ~20% YoY, underscoring confidence in the project-execution pipeline. Gross margin firmed up to 11.7% in Q1FY26 amid softening input costs. The sharp decline in module prices—triggered by tariff skirmishes and subdued global demand—allowed management to renegotiate turnkey contracts that include modules, widening spreads and lifting overall project economics.

Margins improve: O&M portfolio climbs to 9.3GW

The O&M portfolio clocked steady growth to 9.3GW in Q1FY26, up sequentially and on track vis-à-vis management's expansion roadmap. O&M EBIT margin stood at 23%, a level management views as the segment's sustainable recurring run-rate.

Management is actively pursuing external (third-party) O&M mandates in both domestic and international markets to supplement organic growth. Organic upside is expected from large EPC projects nearing COD, potentially driving a meaningful revenue uptick H2FY26E onward.

Net debt up INR2bn; credit rating upgrade to BBB+ to unlock funding opportunities

Gross borrowing eased in Q1FY26 as the company began repaying its IRRDA loan. Yet, net debt rose about INR2bn after drawing down a previously sanctioned INR2bn facility from Bank of Maharashtra. A two-notch upgrade to BBB+ for working-capital and term-loan lines unlocked roughly INR9bn of fresh limits from three new banks, with management targeting another INR1.5bn this quarter through both existing consortium members and additional lenders. The company also listed three insurers to provide surety bonds, enabling lower-cost replacements for deposits and performance guarantees.

Order book pending execution aggregated INR83bn in Q1

SWREL's unexecuted order book (UOB) stood at ~INR83bn in Q1FY26 with 88% attributable to India and the remainder comprising two projects each in Europe and South Africa. Management expects UOB to expand as fresh domestic and international awards materialise.

The order book has no DCR exposure as of yet. Current backlog uses imported cells/modules. There are also no battery-linked orders yet; meaningful BESS revenue expected from FY27E. NTPC's target of 60GW renewables by 2030 with INR200bn capex approved over FY25–26 is expected to offer a sizeable future EPC scope. NTPC Khavda 1 is nearly complete (100MW modules outstanding) while Khavda 2 stands delayed—~200MW modules delivered; could spill over to next quarter.

Q1FY26 order inflows aggregate INR8bn; 20% growth guidance for bidding pipeline

Q1FY26 order inflows were subdued as most bids slipped into later quarters. Drivers of the slowdown were uncertainty regarding domestic cell availability and pricing regarding the ALCM mandate, grid connectivity delays on Gujarat and Rajasthan

projects and the pending clarity regarding ISTS waiver. The company stated an L1 win on a 290MW turnkey solar EPC (INR8bn) for a PSU in Gujarat for modules in Q1.

Management guided for ~20% YoY growth in order bookings with a 30GW live bid pipeline, including 26GW India-focused. Majority expected to be awarded by Dec-25. Q2–Q3 are expected to be strong for bid conversions. The company targets USD250–300mn in revenue from International orders, split between Europe and Africa with likely no revenue from Nigeria in FY26.

SWREL upbeat on BESS opportunity

The company aims to benefit from the policy tailwind mandating pairing of 20% of all new solar capacity with batteries. This is expected to spur tender flow in Q2–Q3. The company has strong market visibility of orders with 3.3GW BESS in advanced pipeline and 12.5GW under tender. Management is hopeful of gaining from the 3GW battery opportunity within the 26GW India pipeline. SWREL is targeting 500MWh BESS awards in FY26, which are expected to form ~10% of revenue from FY27E. However, there are no battery orders as of yet. Battery-Energy-Storage Systems (BESS) is expected to emerge as a meaningful contributor with BOS revenue estimated at INR30–40 lakh/MWh.

SWREL is selectively pursuing wind-plus-solar hybrid EPC projects to complement its core solar and BESS portfolio. Management is in talks with private clients for large-scale hybrid orders that will integrate solar, wind and battery storage. Several sizeable awards are anticipated. Beyond wind hybrids, the company is evaluating pumped-hydro storage opportunities as part of a holistic approach to strengthening India's clean-energy infrastructure.

Reliance project — Progress underway

SWREL is working on the pilot project received from Reliance, which is based on various technologies; other than this pilot project, RIL is looking at other developments in Kutch and other regions. Management expects that once Reliance finalises these projects, bid invitations will surface publicly, creating a sizeable order-inflow for SWREL.

Increase in other expenses in Q1FY26

Q1FY26 other expenses rose after management booked INR210mn in conservative impairment on a single international receivable. Excluding this one-off, recurring overheads were in line with previous quarters. Ongoing litigation continues to weigh on profits, with ~INR400mn per year in legal fees expected for another 18-24 months. The legal costs, along with fixed overheads, incur losses for subsidiaries lacking active projects in regions such as the US, Australia and Dubai.

Thermax

Opening remarks

- Few projects were pushed out this quarter, to be realised next quarter. The adverse impact was slightly more than what we predicted at INR2.5–3bn.
- Profitability in Industrial Infra was better due to the income from the Package Scheme of Incentives (PSI) worth INR560mn.
- We expect a good jump in order inflows next quarter for which we had already shaken hands with one customer in Nov-24.
- We have chemicals exposure to the US. It might see some impact there if things do not pan out positively.

Questions & answers

Q. Large ticket size orders in pipeline. OI guidance.

A. The enquiry pipeline is robust and in some sectors, it is at an all-time high. Power (thermal + RE) is very strong with 200–300MW medium size projects, which shall translate into large boiler orders for us. International is also strong for power. Petrochem and refinery orders may start Q4FY26 onwards. Cement continues to be strong. Steel has a reasonable pipeline as well – we expect it to improve. Africa and Latin America markets are growing on the international front. Industrial Infra – 5–7% OPMs at product level and services pulls up profitability. Waste to energy and sugar distilleries would be relevant markets for Industrial Infra segment going forward. We took a step back from large government projects including FGDs (margin dilutive), which has positively impacted our industrial products profitability. We reckon double-digit growth in order inflows in the coming years.

Q. Chemicals business.

A. The performance in the chemicals business was below our estimates (part of it was due to a significant rise in depreciation due to new plant along with employee costs increase due to additions, annual inflation in admin costs, etc.). USD20mn exports for chemical business last year (US planned exports this year is USD15mn). USD30mn is total US exposure, including chemicals and our cooling products.

Q. Profitability across all segments.

A. Water (desalination and zero liquid discharge) and enviro is where we do clean water, air and pollution control. Coolers – has some exports exposure and Q1 impacted more than we had thought but pipeline exists and we are confident here (INR1bn pipeline). Gas power increasing in data centres, chillers/heaters are other areas, which are growing. Ethanol market slowed down considerably, but has now started to pick up July onwards. Profitability should be better across all four segments.

Q. Profitability.

A. Exports are margin accretive. Growth comes from – larger projects for industrial infra (O&G, refinery & petrochem). We have now been qualified for ADNOC (Middle East) – in case any large capex plans there, we can expect orders. We have not been qualified for ARAMCO. We are continuously trying to improve and get better.

Q. Industrial Infra.

A. Three bottlenecks. Super-critical thermal – careful and have completely walked away from here. Our role will not be as big as BHEL or L&T, but we will do something for sure. Captives etc. – this portion has increased significantly over the last few years and we are quite comfortable with this. International – waste two energy etc. are high-growth areas and we continue to improve. Advanced bio-fuels is where we are building capabilities. Pipeline is biggest for Industrial Infra in last 4 years.

Q. FY26 outlook.

A. Reasonably bullish for FY26. Industrial products continue to show steady growth. In chemicals, we are planning a big growth (INR2.2bn-plus of quarterly revenue). Industrial Infra (TBWES, INR6bn revenue being clocked) expecting good pipeline and translation. Green Solutions is picking up well. Middle East is where we are seeing most strength followed by South East Asia and Africa along with Latin America.

Q. PSI incentives.

A. This is for Maharashtra. Credits given upon setting up of new plant etc. Next two years – we shall continue to get these credits, but it will not be as big as we have received so far.

Q. New product development. Chemicals.

A. 20% contribution is coming from new product development. Some sectors including ethanol etc. needs to fire up to see this mix increasing. Chemicals should be the fastest growing segment amongst all followed by Green Solutions. Coating, ceilings, construction chemicals etc. are areas we are entering (also putting R&D).

Q. Industrial Infra.

A. Industrial infra – Three bad things are pulling down all good things (INR7bn of backlog). Majority of this painful backlog shall be cleared this year and some spill over to Q1FY27. Waste to energy, IPP international projects, steel, cement, etc, are all playing out strongly.

Transformers and Rectifiers India

Opening remarks

- Secured the single-largest export order worth USD16.65mn during the quarter from Jindal Energy Botswana Pty Ltd.
- Commenced the construction of a new 22,000MVA facility at Moraiya. Capex is being deployed towards the recently acquired CRGO processing unit and other backward integration initiatives.
- Order inflows stood at INR6.65bn in Q1, taking the order backlog to INR52.5bn. Inquiries under negotiation total INR180bn, with strong momentum from utilities, infrastructure and industrial sectors.
- On track to achieve USD1bn in revenue over the next three financial years.
- Aiming to become a net debt-free company within 18–24 months.

Questions & answers

Q. Non-current receivables
A. INR1.8bn is retention money, expected over the next 12–15 months. Total non-current receivables stand at INR3.36bn.

Q. Special duty transformers mix
A. Special duty transformers contributed 35% to revenue mix.

Q. Margins
A. Current margins are sustainable. Backward integration will support further improvement. We aim to achieve 17–18% OPMs.

Q. INR180bn enquiry pipeline
A. We expect to close FY26 with an order backlog of INR50bn and revenue of INR35bn.

Q. Exports
A. Exports will remain ~10% of FY26 revenue. No exposure to the US market.

Q. Outlook
A. The USD1bn revenue target over the next three years factors in ongoing capacity expansion. Current OPMs are expected to be sustainable long-term.

Q. Moraiya facility (22,000MVA)
A. Expected to be operational by Q2FY26**.**

Q. Order inflows and GMs.
A. We have become selective in order intake. Gross margins improved due to lower raw material costs and stronger pricing power.

Q. Exports in enquiry pipeline
A. Export mix in the INR180bn enquiry pipeline is 25–30%.

Q. Capacity utilisation rate
A. FY25 CUF was 65%; targeting 85–90% in FY26.

Q. Green hydrogen transformers
A. Currently in the R&D phase; commercialisation will take time.

Q. HVDC transformers
A. Market exploration is ongoing; no concrete developments yet.

Waaree Energies

Q1FY26 financial performance; EBITDA margin at 23%

In Q1FY26, Waaree reported revenue of INR44bn (+30% YoY), INR10bn EBITDA (+80% YoY) with a margin of 23% while PAT stood at INR7.5bn (+89% YoY). Waaree produced solar modules totalling to 2.3GW in Q1FY26.

EBITDA guidance of INR55–60bn intact

Given strong demand realisation and operational excellence, Waaree has reiterated its EBITDA guidance of INR55–60bn for FY26. Manufacturing of own cells expected to provide benefits, since currently cells are being sourced at higher price.

Expansion plans on track; Odisha facility shifted to Gujarat and Maharashtra

1.6GW US factory commenced operation in Jan-25. The company's 5.4GW cell factory got inaugurated. Having achieved 15GW of module manufacturing capacity (including US 1.6GW capacity), the company is targeting additional 10.8GW module capacity by FY27E, which would take the total capacity to ~26GW. It is also on track to set up an additional 1.6GW solar module capacity at its US facility and to set up a 3.2GW solar module capacity at its Chikhli facility.

Indosolar's Q1FY26 revenue came in at INR2bn with EBITDA at INR540mn and profit of INR550mn in its first year of operation. Indosolar has a current module capacity of 1.3GW and the acquisition of Indosolar is a strategic one as its presence in Noida aids Waaree's customers reach in Northern India. The capex expected to be incurred on all the above expansions is ~INR150bn; to be spent over the next 24 months.

Strong order book at 25GW valued at INR490bn

Waaree Energies' order book stood at 25GW (~INR 490bn). Orders for DCR modules majorly arrive from the retail and CNI segment, which constitute a small portion of the current order book. The newly set up 5.4GW cell capacity shall enhance Waaree's DCR module supply ability; schemes like PM Surya Ghar and PM Kusum are likely to drive DCR module demand. The order book is diversified between India and international markets with 59% from overseas and 41% India against the sales mix of ~68% from India and ~32% from international markets. US supply orders have a longer gestation period (2–2.5years) than Indian orders (8 months to 1.15 years). In Q1FY26, Waaree received orders from the US totalling 2.3GW. With the order pipeline at 100GW, management aims to utilise it to maximize utilisation of factories to increase profitability.

Expanding into power infrastructure; Enel acquisition discussions ongoing

Waaree Energies is actively expanding into power infrastructure with its Enel Power acquisition in progress (discussions underway). EPC business has 3.2GW under execution. 3GW inverter facility is on track to be online late FY26.

Impact of Trump tariffs – A mixed bag

In case of the imposition of 25% tariffs on US imports from India, Waaree would be able to negotiate pass-through in respect of some contracts; however, for others, it may make some compromise in order to enhance long-term franchise; hence a mixed bag. Waaree has preponed export shipments to the US in Q1FY26, which shall be recognized as revenue on delivery.

Long-term EBITDA margin guidance: modules at 17–18%, cells 21–22%

Waaree expects to earn an EBITDA margin of 17–18% on module manufacturing business. Consequently, EBITDA margin of cell manufacturing business would stand ~400bp above module business' EBITDA margin, i.e. 21–22%.

Waaree keen on expanding base beyond India and USA

Management expressed its keenness to expand ongoing operations to other regions apart from India and USA. They stated the Middle East and Africa currently have bright prospects for its EPC business. Waaree plans to set up operations in countries with which the Indian government enters into agreements to facilitate ease of trade. It is also studying incentives offered by the European Union, especially Germany and Italy to evaluate possible expansions.

INR150bn capex over next two years to be funded from various sources

The company reiterates that it has a strong balance sheet with ~INR75bn of cash and cash equivalents, which shall be partially used for capex. Furthermore, the company plans to utilise internal accruals and bank arrangements (as and when required) to meet capex requirements over the next couple of years.

MNRE clarification on ALMM-2: solar projects grandfathered

The MNRE has come out with a clarification with respect to ALMM-2 (modules using domestically manufactured cells). As per its previous notification, projects in respect of which bids are issued after 9th December 2024 shall mandatorily use domestically manufactured cells in ALMM-I solar modules. As per the clarification, to reduce the wide demand-supply gap, projects can now be grandfathered till the end of one month from the date on which the ALMM-II list is published by the MNRE. Therefore, projects that are commissioned even after 1st June 2026 but which fall under the grandfathering exemption may be able to use non ALMM-2 cells in those projects. This may result in excess demand for ALMM-I modules, but management is of the view that capacities have ramped up in the industry and they may be able to absorb such high demand in the near term.

Healthcare

Apollo Hospitals

Hospitals

- **Revenue: Mid-teens revenue growth can be seen in the hospitals business. 13–14% growth from existing and 10% in total over three years from new facilities is likely.**
- **EBITDA: Room for margin expansion exists and aim is to move it to 25%. The new hospitals can add to INR1.5bn losses over two years. Strategy in place to achieve breakeven in 12 months. Do not think it will not meaningfully impact the EBITDA due to their low quantum on the large base. 100bps marginal dip is expected.**
- Capacity expansion plan remains on track. 700 beds will be operationalised in FY26 and balance ~800 beds in FY27 out of the ~1500 expansion plan.
- There is huge focus on volumes (5% in Q1FY26 adjusted for Bangladesh). Insurance volumes grew highest at 7% followed by cash patients at 5%. Cash and Insurance patients accounted for 84% of IP revenues.
- **International patients: FY26 target is 7% of revenue and FY27 target is 10% of revenue from international patients (currently at 5%).** Lowest volumes due to Bangladesh was in Nov-Dec 2024 and it has improved now, but not back to previous levels. International patients should see uptick in Q2 and Q3 as newer markets are tapped into (Africa, Middle East, SEA). Iraq is a new market that has been developed too with some patients coming to Chennai. Robotic surgeries are also doing good and this has resulted in 6% drop in ALOS as well. Volume growth will also come from clinical talent especially in metros.
- Almost all volume growth has come from CONGO. CONGO maintained strong momentum with 15% YoY revenue growth. ARPP has grown in healthy double digits in CONGO.
- ARPOB has been replaced by ARPP in the presentation from now on as Apollo believes it is a more accurate measure irrespective of ALOS. Some people were misleading that hospital inflation is higher than it actually is, based on ARPOB, ignoring the costs side and tech advancements.

HealthCo/Others

- **Digital business: Breakeven at CM1 level already. EBITDA breakeven is expected by end of FY26. At GMV of INR8bn, breakeven can be expected.**
- **FY26 GMV – INR30-32bn (25-30% YoY growth). Certain businesses are being tightened. Revenue to GMV take rate guidance is unchanged at 45%.**
- Insurance business has INR50mn revenue (INR70mn was the target). Some tech integrations are still in process. Apollo is getting a reasonably large number of customers who are buying from Star and NivaBupa. SBI is giving good quality customers. App monetisation is going on track.
- 24/7 EBITDA losses reduced due to conscious cost management and closer tracking of unit economics (CAC and cost of delivery).
- GMV – There has been a redefinition of GMV and numbers have been restated. This year onwards, new customer business will only be considered for GMV (in hospitals only; diagnostics and pharmacy remains same). The focus should be on revenue for hospital drive. On restated numbers, there is 8% QoQ growth (not -14% QoQ). Total 50% of the GMV for hospital business is from existing customers and now only new business will be considered.

Q1FY26 conference call highlights

- **Online pharmacy distribution and Apollo 24/7 –** Margin was 15.4% because of renegotiated rates with service providers across diagnostics and IP/OP; better unit economics on pharmacy side; insurance uptick was also seen.
- Two players have entered the quick commerce business in Rx pharmacy side in last one month. But Apollo thinks that this is good for the industry as a whole as this will expand the digital market and given Apollo's strong supply chain and trust in it, it will hold on in the long run. Apollo will not be in a customer acquisition war.
- **Offline pharmacy EBITDA margin –** Increase can be expected from volume and scale and margin expansion can be expected in coming quarters. A new head for this segment will be coming as well.
- 120 stores have been added in Q1YF26. Plan is to add 600/annually. Central and South region is the focus in terms of geography. Revenue growth of 17-18% can be expected due to the expansion plan.
- Apollo HealthCo will be separately listed by Q4FY27. By that time, Keimed merger would also be done. Company expects to achieve INR250bn of run rate annualized revenue in Q4FY27 with 7% EBITDA margin. Entire scheme is expected to get complete by end of FY27. Keimed margin guidance is 3.1% going up to 3.5% (most of this will come from scale apart from cost efficiencies).
- **Scheme synergies** – Integration synergies like people, cost and technology. On the product side, there is huge scope to drive private label and generics.
- **Diagnostics margin** – A central reference lab was opened in Chennai recently and there were one-off costs in Q1FY26. 10.3% is the adjusted EBITDA margin.

Dr Lal PathLabs

Industry

- Digital transformation and shift towards tech-based healthcare delivery being seen in India. There is ample room for growth from here too.
- India has a shortfall of 2.4mn beds when it comes to hospitals alone as per global benchmarks. This is getting addressed by major hospital chains adding capacity by up to 30% by FY27E.
- The central government's flagship initiatives are propping up public and private investments in the sector.
- AI integration in healthcare services is increasing and the Indian AI healthcare market is expected to have a size of USD1.6bn by end of CY25. The impact of telemedicine and digital health records is being felt given enhanced access in rural and semi-urban regions.
- The prevalence in chronic and lifestyle diseases is only increasing in India. India is the topmost country with incidence of diabetes with 100mn patients afflicted. 30% of adults have elevated BP as per reports. Obesity is surging in young adults and children and this is linked to increased consumption of processed food and general inactivity. This is coming up in rural cities as well. Delayed diagnostics there is also an exacerbating factor.
- Entry of a new e-commerce player in the arena. Foray of hospital and pharma players in diagnostics continues to accelerate the shift from unorganised to organised. At an overall level, the listed space is seeing better revenue and volume growth and this can imply that shift from unorganised to organised is getting accelerated.
- **Genomics –** Market size data is not available as of now. But the segment is getting more acceptability from clinicians. The oncology area, which is getting more focus, also uses genomic testing. Affordability is improving day by day. It is a combination of more volumes and tech improvement and improving testing costs.

Business highlights – regional

- Added 18 labs in FY25 and this rate is expected to sustain in FY26.
- The Delhi region grew at double digits in Q1FY26. There is slightly benign competition from online players, which has helped a bit. But steps taken by DLPL have also aided growth.
- In the West region, there has been some impact due to IT change. This quarter was better than previous quarter, but still the levels have not reached the level that existed a few quarters ago.
- West India for DLPL is Gujarat, Goa, Maharashtra, MP and Chhattisgarh. Within this, Mumbai, Pune and Goa have a dual-brand strategy. The core hubs are Mumbai and Pune, wherein DLPL wants to build a strong base. In other areas in west India, DLPL has a strong brand at many places already. Expansion in west India will see lab additions too in three–five years, but in Mumbai and Pune, the lab setup is largely already in place.

- Clients in a geography get their reports faster as the lab is local now compared to being sent to Delhi earlier, for example. Only opening of reference lab is not enough and the impact is seen on a longer time frame.
- Non-core geographies has slower turnaround w.r.t. organic growth. Focus will be on expanding test network and then going on ground to promote services to the prescribing community.

Business highlights – others

- Added 58 new tests in Q1FY26. DLPL has strengthened genomics portfolio and introduced component resolved diagnostics for allergy testing. Launched in-house smart culture reporting algorithm.
- Positive trend being seen in Swasthfit. The Illness segment test menu is being improved.
- DLPL continues to hold its test prices stable.
- The volume growth is like-for-like YoY and does not have too much of favourable impact from unseasonal rains.
- Q2 is generally the better quarter due to seasonality. Hence, there is no expectation that this time, it will be even higher than what it normally is in Q2.
- DLPL doesn't have a target for test/patient. Swasthfit acceptability and growth is being seen in both urban areas and in smaller towns. Some traction is coming from the prescription channel as well. Prescribing habits of clinicians of more tests per Rx than before being prescribed is being seen.
- Test menu expansion, speed to market, and brand salience are factors apart from infrastructure upgradation that lead to revenue growth.
- The 385 test panel number doesn't change that frequently.
- Radiology – Basic radiology is being done by DLPL in some markets, but it is a low contributor. High-end radiology pilot projects are continuing.

Financial highlights

- Gross margins were high because of higher Swasthfit contribution.
- Revenue growth guidance of 11-12% remains unchanged.
- H1 generally has higher margin as most investments are in H2. Q1FY26 margin is not representative of the full year. FY26 EBITDA margin could be slightly better than what was previously projected (27%).
- M&A – Right now, nothing can be shared but the search is going on. DLPL doesn't want to acquire just for the sake of turnover addition and it has to be a strategic acquisition.
- ETR at 25%-26% is the normal tax rate that can be expected.
- Net cash of INR13.89bn as of 30-Jun-2025.
- Interim dividend of INR6/share announced.

Suburban

- Challenges – Change in structure from own collection network to franchise model took longer than expected due to slowdown of existing franchise network

post Covid reduction. There were parts of the business that DLPL felt were non-core.

- There are still some geographies, wherein transition will continue. DLPL doesn't want to do everything in one shot and believes it has to be done carefully in a running business.
- The IT stack change was done recently because, before that, other changes were to be done w.r.t. people and processes.
- INR500mn/year or INR125mn/quarter amortisation will continue for some time.

Fortis Healthcare

Hospitals

- **Margin:** Q1 margin has been better than usual because of new modalities added over the last couple of years. Though margin guidance is being maintained, the momentum is strong and is likely to remain this way.
- **Expansion:** 900 beds in this year largely - 250 beds FMRI, 150 beds Noida, 150 beds BG Road, 50 beds in Faridabad, 120 beds in Manesar and 228 beds in Shrimaan.
- **ARPOB growth guidance –** 5–6%. Improved specialty mix aided ARPOBs. Other factors were increased cases of complex cases and improved payor mix. Price increase is 1.3% in ARPOB growth. The rest is coming from day care/OPD.
- **Jaipur** – Occupancy is at 65% and it has revived. It is now on recovery path. It has double-digit EBITDA margin now.
- **FMRI –** 20 beds have been added. Occupancy is at 80%. FMRI has moved to 25%+ margin level. 250 beds will be completed by Dec-25 or Jan-26.
- **BG road** – 56–57% occupancy as of now. Margin is healthy due to quality work.
- **Mulund** – Occupancy is below 60% but margin is above 20%.
- Both BG road and Mulund hospitals will likely see occupancy improvement going forward.
- **Ludhiana** – It has moved to above 20% margin level.
- **Noida** – It is at 76% occupancy (after 60 beds addition). 150 beds to be added and will be operating at decent occupancy level.
- **Faridabad** – It is at 80%+ occupancy. 50 beds to be added and will be operating at decent occupancy level.
- **Escorts Delhi** – It is in the 15-17% EBITDA margin range now.
- **Manesar** – The ramp up is better than Fortis' expectations here. INR110mn/month revenue is the current run-rate. EBITDA is negative as of now but it should breakeven at a INR130mn/month run-rate.
- Consummated acquisition of Shrimaann recently. This strengthens presence in Punjab. 225 more beds can be added taking total to 450+.
- O&M agreement entered in Jul-25 with Gleneagles. Fortis will receive 3% of net revenue per month. The Mumbai facility is excluded because it is a separate entity. This forms a new cluster for Fortis. But Fortis will double down on these markets and explore more opportunities here. Chennai facility has great clinical talent and the facility has been there for a long time. Current arrangement is only on topline. Full potential of these hospitals have not been realised. Guidance does not consider Gleneagles numbers; 0.2–0.3% addition is likely.
- International patients' contribution is likely to stay at same levels. Cardiac, neuro and oncology are the main departments that get international patients.
- There are 15 robotic machines as of now and four more will be added in FY26 (INR120mn per machine and INR50mn for ortho machine). 75% YoY increase

has been seen in number of cases where robotics has been used. 50% growth can happen from here as well.

- Oncology contribution is 19–20% as of now.
- 5,700 operational beds – 1,300 are O&M in this (including Gleneagles).

Diagnostics

- **FY26 guidance for margin –** 22–23% intact.
- High single-digit revenue growth is likely in the next few quarters and early double-digit growth numbers are expected in six–eight quarters.
- Q2 usually is a good quarter. Q3 will see a dip and then Q4 will again normalise.
- Last year, there was a one-off; adjusted for that, operating revenue growth is 9% for diagnostics.
- B2C and B2B mix is expected to remain at current level for the next one year. After that, B2C component will go up.
- The change from SRL to Agilus brand was abrupt. SRL was not allowed to be used even during communication due to the court order previously, but this has now been allowed. Hence, better communication will be possible now and the Agilus brand should see even better recognition now.
- Jul-25 is trending quite well.
- Launched 30 tests in Q1FY26.

Financials/Others

- **Consolidated EBITDA margin guidance for FY26:** 200bp margin improvement intact.
- Inpatient module of EMR has been successfully implemented at FEHI after Manesar. This enhances real-time access to patient data for clinicians.

Jupiter Life Hospital

Dombivli

- Year 2 should breakeven at the EBITDA level. Aim is to achieve breakeven early. In the past INR20–25mn per month was drag for greenfield units. Once occupancy reaches ~60% on installed beds, Jupiter will start on phase 2. Civil will be fully done.
- Capex—INR2bn done till date. Balance INR2bn shall be consumed until Q1FY27. Little over INR4bn for phase 1 and less than INR1bn for phase 2.
- In Kalyan, Ulhasnagar, the target population is ~2 million. Mira Road too is underpenetrated and lacks quality healthcare.

Other expansion

- Overall capex: Mainly towards Dombivli. Pune will not need too much money now. As a thumb rule, JLHL on an greenfield hospital spends 15% in the first year, 25% in the second year and 60% in the third year (excluding land).
- In Pune, 11 new beds are ICU beds and are ready to be commissioned based on occupancy.
- No update for Thane expansion of additional floors.
- Occupancy – peak is likely to be in mid-70% range for all hospitals.

Operational highlights

- EBITDA: First year Dombivli will be EBITDA negative. On consolidated level, there will be some compression because of Dombivli in FY27.
- Occupancy – Thane has near mature occupancy of mid 70%; No impact on volumes or occupancies due to entry of competitor in Thane. **Pune & Indore:** 60% in absolute terms at the consolidated level (5% higher than last year). Indore Occupancy - qualitatively it has increased.
- ARPOB – Price hike is a factor in all three locations (inflation-hiked price). Indore has case mix optimisation as well (including inflation hike price) as it is still not mature.
- Compared with Thane, growth should be visible in Pune and Indore for FY26, up until Dombivli starts to operationalise. Pune is not at its peak on occupancy level although by case mix wise it is at its peak. Indore has scope to increases its case mix optimisation.
- Insurance penetration is increasing YoY in the country. This will increase patient flow and the trend is likely to continue.
- Indore – Installed solar plant at a cost of INR50mn. Likely to generate INR10mn in annual opex savings over 20–25 years. A similar 3MW solar plant expansion is in advanced stages in Maharashtra.
- ALOS – It is a reflection of how cases are targeted by JLHL. (e.g. liver transplant – two days). Trend has been in the past quarters to be in less than 4 days.

Financials

- Higher depreciation and interest costs are likely to persist through the remainder of FY26 though EBITDA margins are likely to remain stable.
- Occupancy dilution is in relative terms due to addition of new beds; in absolute terms, occupancy is increasing 5%.
- Q1FY26: Debt INR3.25bn; cash INR6bn, net-cash of 2.75bn.

Laxmi Dental

Business/Industry/Guidance

- **FY26 revenue guidance:** 20–25% growth intact. Expect revenue to continue to grow at 8–10% on a QoQ basis. Investments from IPO proceeds are driving geographical and capacity expansion, along with greater digitalisation.
- **Tariffs –** Previously at 10%, which were passed on; the current 25% tariff implemented five days ago is still under review. Laxmi plans to pass on most of it, and the impact on margins is expected to be minimal, 0.5–1%.
- **Competitive landscape –** Laxmi's pricing is largely on a par with China; in fact, in some segments China is more expensive. Overall, Laxmi remains competitive with China and plans to diversify its business over coming years, expanding beyond the sole focus on the US.
- **Other expense –** Credit of ECL is there, which is driving opex. Should be in the same run-rate for the rest of the quarter.
- **Gross profit normalisation –** Drivers for gross profit normalization are expected from an improved product mix, ongoing cost optimization in materials and workforce, and the introduction of more premium products.
- **Advertising expense –** Will be under 5% for FY26.
- Higher digital contribution will drive the growth for the company.
- **Current utilisation level:** Reasonable capacity utilisation in Labs, more scope to increase in others.
- India is the primary driver of growth for Laxmi, with the US contributing 20% and Europe being the second-largest market. Laxmi aims to expand its product sales globally (not just in US).
- **Export –** APAC, Europe & Middle East, Germany are giving good results, have got a lot of leads. Will see results coming in over the next couple of quarters.
- **Hub and Spoke expansion** – Laxmi keeps on evaluating cities; if there is sufficient demand there, Laxmi will expand thereof.
- Capex: INR680mn for the next two years.
- Made strategic investment in IDBG AI Global Private (Co. is a start-up) –Will help Laxmi to increase digital dentistry penetration in the country. It will also help in improving the dental healthcare treatments (leveraging AI). Expect to launch AI-Led product in end of FY26.
- Order book concept in Labs and aligners doesn't exist.
- **Utilisation:** Currently Laxmi has capacity, although will be needing more machines to achieve growth.

Financials

- During the quarter repaid full debt.
- Q1FY25 had a capital gain (on sales of property INR66mn was there), despite that had a good PAT growth in Q1FY26.

- Adjusted EBITDA for Q1FY26 was at INR148mn. Adjustment EBITDA is calculated as Reported EBITDA + 60% of Kids-e-dental PAT + ESOP expenses (non-cash in nature).
- **Employee cost:** To improve sales, few people will be added in FY26, will be increasing in the similar range for the rest of the quarter as well.

Lab business

- **Dentist network –** The primary goal is to digitalise the network and enable cross-selling within it (converting dental customers to aligner customers and vice versa), rather than acquiring new customers externally. The focus is on expanding digital dentistry.

Aligners

- B2B2C Business – The segment faced pricing competition this quarter. With a focus on maintaining margins, Laxmi did not make any changes.
- B2B – All raw materials are sold in India and across the world; In B2B2C - Actual product (aligner) is being sold.
- AI in dentistry is bound to come – It will be touching all aspects.
- **Core strength of Laxmi** – Digitalisation, brand and trust that has been created over decades.

KIDS-E-Dental

- 20–25% YoY growth is expected in Kid-E-Dental in FY26. Currently awaiting certain regulatory approvals which will be done in Q3-Q4.

Scanner

- Scanner is biggest enabler – The company sold over 80 scanners in Q1FY25 and more than ~208 in Q1FY26, with further sales expected. Increased scanner sales expand the customer base and support future revenue growth. Scanner sales come at trading margin. Goal is to deploy 1000 in FY26.
- **Gross margins –** Scanner is a hardware, so has typically margins of 20–25%, compared with manufactured products, which will have an 80–85% margin.
- In Scanners, process is done through digitalisation, results are accurate. Patients get faster delivery. It's not just used for Caps and Crowns, but for Aligners as well.
- Margins made on scanner is not that high vis-a-vis products produced in-house.
- Deployed additional oral scanners during the quarter.

Medplus Healthcare Services

Pharmacy

- Net WC days for Q1 were 59. Inventory at warehouse 36 days. Inventory of one-year old stores was 97 days. 12-month-plus old stores' inventory was 39 days.
- On GMV basis, in Q1FY26, the share of private label pharma sales stood at 20.4% versus 7.9% in Q1FY24, prior to launch of Medplus branded pharma products. YoY growth for pharma business on GMV basis was 6.8%.
- SSSG growth has been slower than expected, and it will take a quarter or two to get back on track.
- **SSSG:** Medplus is fixing its back end (TN with one warehouse was supplying to 1,000 stores previously; Karnataka's one warehouse was supplying to Mangalore and Udupi too) apart from employee incentives' alignment and these should bring back SSSG.
- Branded fill-rates were affected in some distant places and the employee incentives were also an issue (previously it was for pushing private labels but now it will be that along with top-line target for getting the incentive) but now they will be aligned. As incentives get aligned, an overall increase in revenue can be expected.
- Revamping some software is being done in the omni-channel. Medplus does not have special discounts or does not do special promotions as they have found that CAC is way too high and not worth the incremental business. Medplus is addressing salaries of delivery boys as there is huge demand for them and maybe Medplus has not kept up with the market here. Average bill is >INR1,500/bill as there is a 20% discount on >INR1,000 bills. Platform fee will not be increased.
- 100% fill rate is almost impossible but Medplus believes it is better than the competition in this regards.
- INR1–1.1mn capex is required for one store.
- INR1.7–1.8mn is the average level of inventory/store.

Private labels

- Private label share will grow 50bp (net sales)/100bp (MRP) every quarter. Profitability is the focus. Q2FY26 share will be flat. It will continue to grow thereof.
- Growth of two–three quarters was achieved in Q4FY25 itself.
- Every 50bp improvement in private label share can improve gross margin by 20bp.
- Chronic medicine sales are always higher for Medplus. Repeat rate is pretty high.
- Medplus has 75—80% substitutability of products that it sells in its stores. Insulin/small me-too products/patented products may remain out of reach in terms of substitutability. Medplus has not found a reliable supplier for insulin.
- Medplus is getting ready to launch GLP-1 within a month or so once the product goes off-patent.

- Medplus was expecting close to a 30% share by GMV by now, but it has been slower than their expectations.

Expansion/store metrics

- FY26 net stores addition guidance of 600 remains intact. At least 100 of these will be franchisee.
- Six warehouses out of ten have become operational. Forty warehouses across India, including these ten new ones. On average, one warehouse can service 350–450 stores.
- 1,300+ SKUs offered as on date.
- Average size of store 527 sq. ft. Jun-25; total size 2.5mn+ sq. ft. with 4,813 stores.
- Store-level EBITDA margin – 10.9% for >12 months stores and RoCE at 59.8%; 11.1% for >24 months; 6.9% for 13–24 months.
- **12-month-plus old stores:** Revenue at INR14,188mn, i.e. 95% of pharmacy revenue. EBITDA (after corporate overheads) at INR727mn, i.e. 5.1%.
- Eight stores were converted to franchisees in Q1FY26. At some secluded locations, franchisees can be better. Medplus doesn't see any major changes in conversion numbers compared to what it is now.

Diagnostics

- Apr/May/Jun plans/day sold: 457/468/520.
- 164k active plans, 340k active lives at end of Jun-25 (versus 157k active plans, 327k active lives at end of Mar-25).
- On-time renewal rate was 24% in Q1 versus 27% in Q4.
- Profitability is not the metric that will decide expansion plans. A membership number of closer to 250k will be the time when expansion into new states/cities can be thought about.
- B2B has to be the way for increasing subscriber numbers in diagnostics.

Metropolis Healthcare

Guidance

- Organic guidance – 7–8% volume growth with group-level growth at around 10%. Ambika earlier recorded 60% growth and is likely to grow faster than the MHL business in the coming years.
- EBITDA expansion is likely Q2FY26 onwards and into FY27. Margin impact from acquisitions typically lasts for two years. The drag from lab expansions in the last two years shall continue this year though benefits would start accruing this year and be fully realised next year. In the last 18–24 months, Metro has invested a lot in automation and efficiency, which will now come into effect.
- The company-level margin would be driven by cost synergies. In Q1, overlapping core labs were integrated while five labs were merged. As the core business becomes leaner, productivity is likely to increase and profitability should be achieved in three–four years.
- Q1 update – On track to add more than 400 collection centres with a strong focus on tier-2 and tier-3 towns. Currently, it is present in 750 towns with plans to expand to 1,000 towns soon.
- Price stability is becoming more predictable, and the adoption of automation and AI is helping improve profitability.
- **Unit economics in smaller towns –** Expansion in tier-3 locations would be only through centres via the franchise route as the lab network is already in place. Unit economics in tier-3 towns will be on a par with plans to go deeper to gain volumes and further improve economics.
- B2C – The group aims to increase its B2C share to over 60% first. B2C test volumes for Q1FY26 – 3.79mn; B2B at 3.28mn. B2C contribution at the group level has declined due to core diagnostics, but it is anticipated to increase in coming years.
- B2G – Revenue contribution is negligible at less than 1%. The company is exiting these contracts and withdrew from the AAP Mohalla Clinic on June 30. Three years ago, government business contributed 10% of total revenue.
- RPT is unlikely to double in the next five years, but can sustain the growth seen in the last five years. The 5% increase in RPT is due to moving up the value chain and selling more specialised tests. While pricing contributed partly, the larger driver was the product mix.

Core diagnostics

- EBITDA margin – Likely to remain in high single-digits going forward. This year's priority is cleaning up the business with focus on revenue growth in the coming years.
- PAT is currently negative due to higher debt and interest costs, with a INR120mn loan on the books. The loan has now been refinanced and Q2 PAT is likely to turn positive.
- Focus is on being fully integrated and prioritising operational efficiency and margin optimisation; growth plans will follow once these are achieved.

- Combining Metropolis's skills and expertise in oncology with its new relationship with Core will create a platform to become the largest in oncology and drive growth in the coming years.

Ambika (Kolhapur) acquisition

- Kolhapur area expansion (Ambika) – It was a lease on lab with Metropolis earlier; Metro has a separate lab in that area as well. This acquisition will help to have a stronger footprint in the Kolhapur area.
- Given a management contract with Ambika for the past two years under a lease model, the business has grown 60% and is expected to maintain strong growth in the coming years.
- FY25 revenue was INR18mn (recorded as INR34mn on Metropolis's books under the lab lease model). Kolhapur is a strong region with significant market potential.

Inorganic opportunity/ others

- **Scientific and DAPIC** have strong brands, and the strategy going forward is to expand collection centres to increase Metropolis's market share. Integration is progressing smoothly, with oversight from a dedicated committee.
- Scientific Pathology has a good margin profile.
- Year 1 focuses on margin expansion while Year 2 targets revenue growth. Some acquisitions have contributed for only 15 days; Metropolis will later provide separate growth and performance data for these.
- Metropolis will continue to look for M&A fitting reasonable valuation. No expansion is planned for the next quarter though the company is evaluating smaller credible opportunities as well as larger ones. The goal is to assess whether they fit Metropolis's strategy and create value.

Operational/financial highlights

- North region 17% of overall revenue – Metropolis shall spend time to grow in this region. Maharashtra revenue expanded 16% with Mumbai outpacing the state market.
- Test menu keeps increasing not only in global reference lab, but also in regional reference labs. Process underway to build a centre of excellence in oncology diagnostics, genomics, and histopathology.
- **Basic radiology –** Started last year, with no additional centres or staff added since, so no substantial costs have been incurred; won't do significant revenue contributor. Total 20 locations offer full radiology, X-ray and ECG services; 36 locations provide X-ray services; and 240 locations offer ECG services across Metropolis centres. **Radiology –** Will continue to expand basic radiology across centres, as equipment is not expensive and operates on an asset-light model. There is no clarity yet on entering higher-end radiology. Customer frequency increases with radiology services, and adding these tests supports larger screening programs.
- **Specialty –** Onco test contribute higher RPP; differentiates Metropolis from other diagnostic providers.
- **Tier-**3 cities exhibit strong growth in patient volumes due to brand recognition and strong infrastructure.

- B2C revenues growth was driven by micro marketing strategies, product mix/additional services and expansion. In Maharashtra, the growth was due to strong brand preference and deeper penetration in smaller towns. Similar growth trends are being seen in other cities in India.
- Going forward Cross selling on specialty tests across metro network and leveraging existing channel B2C contribution should increase.
- **Digital platform –** including the Metropolis app, supports B2C growth in micro markets.
- Metropolis counts one profile as one test, which differs from the approach of its peers.

Industry

- **AI-led diagnostics** and the growth of GLP-1 therapies are notable trends. AI adoption is increasing, particularly in radiology. While AI use is currently limited, it is likely to log significant expansion in the coming years.
- **GLP-1 market** – Currently valued at USD110mn, it is projected to grow to USD500mn by 2030, driving increased demand for liver, kidney and diabetes tests.
- **Competitive landscape** – The unorganised segment is losing market share while growth in the sector is driven by volumes. Post-covid, the number of organised players has increased. Unorganised players are raising prices and growing through volume expansion.
- **GLP-1 –** Positioned as a weight-loss product rather than a health-improvement solution. While it can help manage diabetes, the drug has side effects and may affect the heart, liver, and kidneys. As users continue to monitor their health, demand for wellness screening is likely to rise.
- **2020–23 a black swan event** – The period saw many new entrants in healthcare, including health tech companies. Such events are not the norm; the industry's standard is building expertise and presence on the ground. Established players face challenges in building a moat, and funding is slowing for businesses not showing growth. Organic industry growth is 8–10% with some rationality returning to pricing. While new players remain, there is currently no irrationality in the market.

Vijaya Diagnostic Centre

Expansion plans

- FY27 – Growth is planned for Bangalore, Kolkata and Pune. Talks going on with landlords.
- Hubs added - 2 in Pune, 2 in West Bengal as well, 2 in Bangalore with 1 in HSR.
- Three hubs will be commissioned in Q2FY26. On track for 10 hubs' expansion in FY26.

Breakeven timelines

- Nizamabad – Breakeven achieved within two quarters of full-fledged functioning. Was launched in Dec-24 and functioning only with high-end imaging for three months.
- Bengaluru and Kolkata centres too shall break even in a year from opening. One Bengaluru centre to break even earlier than expected.

Geography/expansion

- Targeting to open ten hubs in FY26. Opened five so far. Three planned for Q2FY26 (two in core geography and one in WB) and two in WB in H2FY26E.
- East India/ WB – Aiming to cross INR1bn revenue over three years. Plan to open more hubs and support with spokes. VIP road broke even in nine months, and numbers are encouraging for newly opened centres as well (2–3 months). Pre- 2021 had only one centre.
- Pune: More update at the next conference call. New centres gaining traction.

Guidance/strategy

- FY26: Capex –INR 1.5–1.55bn; replacement capex for existing centres will be 3% of the overall top line.
- **West Bengal outlook** – Still in ramping-up stage. Over next two–three years, more hubs will be opened. Target is INR500mn to INR1bn in revenue over the next three years as of now. Centres launched on VIP road broke even within nine months. Recent centres launched barely three months ago are seeing good growth.
- **Pune –** PH when acquired was no.1 diagnostic brand in Pune, although its centres were running at full capacity, so that's why new centres and hubs are being added thereof. One hub opened in Q4FY25—there is traction in the Pune market and an uptick can be seen.
- EBITDA margin guidance unchanged. 100-150bp dip in margin expected i.e. 38.5-39%. By end of FY26, company should be back to regular margins.
- If 15% Revenue growth is guided – 9-10% growth is expected from the old centers; rest is from the new centers
- Q3 and part of Q4 is a slack season. Q1 is not a slack season.
- Radiology is slightly higher in Q1FY26, because of which average revenue per patient moves up.

- 15% revenue growth guidance for the next two–three years intact with 1–2% value growth and balance as volume growth. Have been conservative in giving guidance.
- Competition scenario is the same; no massive change in Bangalore.
- Wellness share will have impact on gross margins. Just by adding one branch wioll not impact that much. Although it gets impacted at gross margins level, not at the EBITDA level. Typically, wellness share should be 12–14% going forward. (14% being the higher end).
- Price hikes – No plans of increasing price in FY26, generally its done in Q1 of any FY.
- Vijaya continues to gain market share in Hyderabad as competitors' growth remains flat. In non-core markets, being a new entrant, Vijaya is also expected to capture share.
- **Gross margin:** In the B2C model, price changes are difficult to do, only happens when input costs go up. Growth was because of volume and footfall growth. Advance radiology mix was higher due to addition of new centres helping GM more.
- Proportion of radiology and pathology mix won't change significantly; only 1–2% can be seen quarterly.
- Q2 has just started picking up, although monsoons are delayed in areas where Vijaya operates.
- M&A is in consideration if valuation is cheap.

Financial

- Old centres' growth (opened two years ago), patient growth is 11% and test growth is 13%. 9–10% growth is expected to continue.
- Seeing more business shifting to Vijaya from unorganised sector in home markets. Hyderabad is growing in double digits. Also, wellness share has gone up. Home collection share has also gone up to 3.3% from 2.5%. All this has led to increase in market share.
- Also, centres outside core geography also doing well so drag was lower than expected.
- Average daily revenue improved MoM. Could be some 1–1.5% impact from 1 April to 10 April.
- Radiology is higher this quarter and hence realisation per patient is higher.
- EBITDA – Despite the drag of multiple hubs, launch margins were strong.
- Cash as on 30-June-2025 IN2.7bn; net cash INR2.2bn.
- Two hubs started in Q4FY25 itself because of which there was an increase of ~INR10mn in lease liability.
- New hubs in new geographies are currently doing well; the drag was much lower than expected and leverage from existing centres is keeping the margins intact.
- Despite newer hubs and spokes addition, older centres are still seeing good growth.

Operational

- All centres are seeing more business shifting towards Vijaya. Not only core, non-core markets are also seeing good growth, e.g. Bangalore, Pune and West Bengal.
- One-off in growth – Average daily revenue went from May to April and June to May.
- Hubs expansion drag was ~1%, but operating leverage took care of this drag. Opex for new hubs, e.g. Kalyan Nagar, was there just for one–two months.
- Business model is to stay away from the PPP model. Vijaya's choice remains to grow in the B2C segment.
- Home collection 2.5% earlier; now close to 3.3% for Q1FY25.
- Hyderabad market continues to grow in double digits, supporting Vijaya's double-digit growth as a market leader.
- Market awareness and coverage increased for corporate customers; wellness traction has increased; in absolute terms, wellness share is not big.
- Pathology – Rental model is used in routine tests; for specialised mix, equipment is bought.
- No current capacity constraints; earlier limitations in Pune post-PH acquisition are being addressed through ongoing expansion.
- In Pune, an AVP has been added to lead sales and operations along with strengthening of the sales team. Teams are already in place in Pune and Kolkata, with mid-senior talent being added. Regional heads have been appointed for Pune, Kolkata and Bengaluru, all reporting to the Hyderabad HQ.

Hotels, Hospitality and Aviation

Indian Hotels

Q1FY26

- Demand was impacted by geopolitical tensions and closure of multiple airports across India negatively impacting bookings and leading to cancellations.
- The Iran-Israel war led to airspace closure and flight cancellations, leading to negative business headwinds.
- Change in payroll increment cycle in Q1FY26 (from July to April) had negative impact of INR110mn in the employee costs. Despite that, EBITDA margins stayed flat YoY displaying robust cost control.
- License fees has a one-time impact of INR20–25mn and is expected to grow in line with revenue in coming times
- Qmin branded restaurants in Ginger led to growth in F&B segments
- Spiritual Tourism has been on the rise in India, and that has helped the company's portfolio in those locations.
- The renovation of 40 rooms at Taj Aguada (Goa) and 150 rooms at Taj Palace (Delhi) is expected to be completed by the end of September. As a result, Q2 is likely to show a similar divergence between reported RevPAR and standalone room revenue growth, which should be offset in the second half of the year by higher ARRs from the newly renovated rooms.

International businesses

- Investments in London room renovations has given positive results visible in July (~+20% YoY growth) and additional capex of GBP 22mn is planned in FY26 for renovating and continuous upgrades in the common areas, Chambers, meeting rooms.
- London grew by around +20% in July due to Wimbledon and cricket; the company expects double-digit growth in FY26.
- 126 room keys iconic property to open in Frankfurt (Germany) by end of January with Indian consulate nearby
- San Francisco market is reviving but is still performing below expectations, as the contraction earlier was quite high.
- US had a 18% RevPAR growth and a slightly higher ARR growth
- UOH Inc., USA recorded 16% revenue growth YoY along with 300bp EBITDA margin expansion.

Outlook

- Double-digit revenue growth guidance reaffirmed for FY26.
- 20% top-line growth in Airline Catering business in FY26 even post the turbulence in airline industry.
- Company remains committed to its accelerated 2030 plan to have 700 hotels
- Growth in management fees is expected to sustain with positive flows to EBITDA

Q1FY26 conference call highlights

- Capex of INR12bn for FY25–26 is planned for construction of new properties and renovation and expansion of the existing portfolio. Reaffirmed INR 50bn capex in the next 4 years.
- Outlook for Q2 remains healthy, demand to be driven by better MICE and high profile diplomatic demands.
- Three hotels to be opened in this year in the owned portfolio.
- Tata Sons can be used as an asset platform in the future, and the company can remains asset-light, which is seen in Ginger Kolkata.
- The company does not have plans to raise debt in near future
- Goa portfolio is expected to perform better post renovation and also Company expects the overall demand in Goa to pick up
- Ginger Goa near the Mopa Airport to open in the next one year.
- Aiming long term RevPAR growth of high single digit in existing portfolio.

InterGlobe Aviation

Capacity growth guidance maintained; PRASK to remain similar YoY

IndiGo has maintained its overall early double-digit % capacity growth guidance for FY26, reflecting confidence in its fleet expansion plans and demand recovery trajectory. For Q2, the company anticipates capacity growth in the mid-to-high single-digit range. PRASK for Q2 is expected to remain similar YoY. The company expects FY26E CASK ex-fuel ex-forex to remain in line with FY25 levels. Management is hopeful of narrow industry capacity growth in Q2, which is better for yields/PRASK.

Q1FY26 operations impacted by geopolitical events

IndiGo's operations were strong as the quarter began, but were later affected by geopolitical headwinds. The April second half saw cancellations in the wake of the Pahalgam attack with Srinagar route getting impacted, and Pakistani airspace restrictions resulting in flights to a couple of destinations such as Tashkent getting cancelled. June was impacted by the AI171 accident and conflict in the Middle East, creating external headwinds and spreading travel caution among passengers.

PAX growth at 12% above industry average in Q1

IndiGo's PAX grew 12% YoY above the industry average of 6% YoY However, PRASK declined by 7% YoY to INR4.2, indicating some pressure on unit revenues. While yields stood at INR5, the company's PLF stood at 85%. IndiGo benefited from a drop in fuel CASK, aided by lower oil prices, renegotiation of fuel contracts and the redelivery of older, less efficient aircraft0151all of which contributed to improved cost efficiency.

Global expansion – Enhanced connectivity to Europe

IndiGo continues to deepen its global footprint. It has launched new direct flights to Amsterdam and Manchester, significantly enhancing its connectivity to Europe. Additionally, the Stretch service has been extended to key regional international destinations such as Singapore, Dubai, Bangkok and Phuket, catering to the rising demand for short- and medium-haul international travel.

Increasing global footprint with fleet expansion and new routes

To support long-haul operations, IndiGo has signed an MoU with Airbus for the acquisition of A350 aircraft. This is with regards to conversion of 30 purchase rights into firm obligations for which deliveries are set to begin in 2032. Original order deliveries for initial purchase obligations remain on track to commence from 2027. Additionally, in collaboration with Norse Atlantic, the airline has secured six wide-bodied aircraft under a damp lease arrangement. One aircraft is already operational on the Mumbai-Amsterdam-Manchester route with increased frequency scheduled from September. The remaining five aircraft are expected to be inducted in FY26 with further expansion into London and Copenhagen planned for coming months.

Expanding domestic network: Capitalising on India's growing middle class

On the domestic front, IndiGo is expanding its network with the addition of key destinations such as Ghaziabad, Udhampur and Jalandhar. As part of its infrastructure development efforts, the airline has signed an MoU with Bengaluru Airport to expand its MRO capabilities. Capitalising on the rising aspirations of India's growing middle-class population by curating next-generation travel experiences, IndiGo has rolled out a loyalty program in collaboration with Kotak Mahindra Bank.

Gradually transitioning to ownership model

IndiGo is transitioning to an ownership model by increasingly adopting finance leases. Along with enabling in-house MRO operations, it will reduce dependency on third-party vendors. On the leasing front, aircraft rental costs are beginning to stabilise as narrow-body older damp lease contracts are being phased out due to easing AoG situation currently being in 40s with 16 damp leased aircraft redelivered during the quarter. These are expected to be partially offset as leased wide-bodies are inducted into its fleet to cater to its long-haul international operations.

Lemon Tree Hotels

- Lemon Tree Hotels reported its highest-ever Q1 revenue at INR3,160mn, up 18% YoY.
- Net EBITDA stood at INR 1,421mn, a 23% YoY increase, with a margin of 44.5%, up 156bp YoY.
- 350 rooms were shut for renovation during the quarter, primarily in Delhi, Hyderabad, and Bangalore.
- Signed 14 new management/franchise contracts, adding 1,273 rooms to the pipeline
- Operationalised five hotels, adding ~400 rooms.
- As on June 30, 2025, total inventory stood at 226 hotels and 18,430 rooms.
- Management and franchise fees combined from external and Fleur rose 29% YoY to INR 374mn.
- Cost of borrowing declined to 8.01% from 8.8%

Aurika Mumbai performance

- Occupancy increased from 46% to 76% YoY; strategy focused on building sustainable occupancy before rate hikes.
- Corporate and airline business contributed significantly to occupancy growth.
- Management expects ARR improvement going forward as occupancy stabilises.
- EBITDAR margin of the hotel was indicated at 60%.

Renovation strategy

- Renovation of 4,300 rooms underway; 65–70% completed over the last 2.5 years.
- Renovation expected to be completed by October 2026.
- Renovated properties (e.g., Keys Pimpri, Keys Whitefield) have shown ARR increases of INR 1,300–INR 1,400 and occupancy gains of ~10%.
- Renovation spend for FY26 estimated at INR 1.3bn and INR800–900mn for FY27.

Strategic development

- Plan to demerge Fleur Hotels and list it as a separate asset-heavy entity
- Lemon Tree to become asset-light, focusing on brand, management and technology.
- Fleur to drive asset-heavy growth with disciplined capital allocation and risk management.

Keys portfolio

- Renovation underway across 930 rooms; targeted spend of INR450–500mn over three years
- EBITDA target for Keys portfolio: INR600–800mn with a margin of ~50%.
- ARR for renovated Keys hotels (e.g. Pimpri, Whitefield) already at INR5,000-plus.

Outlook

- Targeting 30,000–40,000 rooms over long term.
- Focus on expanding in tier-2/-3 cities via asset-light and franchise models.
- Renovation and tech investments are expected to reduce from 6% of revenue to 2–2.25% post-completion.
- Power and fuel costs declined from 8.7% to 6.9% of revenue YoY due to renewable energy investments.
- Target set to increase renewable energy share from 40% to 50% over the next 12–18 months.

There has been a delay of approximately a year in this major renovation spree that management set out towards the end of FY23. Apart from this, there have been cost overruns as well, resulting in additional spends of INR300mn in FY26E and about INR0.9bn in FY27E. This major rehaul will allow the company to significantly reprice its rooms and drive RevPAR growth. In addition, management has the policy of expensing out ~75% of the renovation spends and capitalise the rest. Post this renovation spree, management expects capex to fall to normalised levels of INR200mn. In % terms, renovation and tech spends are expected to fall from the current 6% to normalised levels of 2–2.5% and reach 50% in margins.

Home Decor

APL Apollo Tubes

Opening remarks

- Performance during the quarter was below expectations.
- Volumes could have been 5% higher, but were impacted by:
  - continued macroeconomic slowdown;
  - elevated geopolitical tensions;
  - the India-Pakistan conflict, affecting volumes in northern states for a week, and the Israel-Iran war; and
  - an early onset to the monsoon.
- EBITDA per ton improved YoY, but declined sequentially due to operating deleverage and a one-time ESOP expense of INR100/ton.
- H2FY26 is expected to be stronger once the monsoon end and government spending kicks in.
- Earlier guidance of 15–20% volume growth for Q4FY26 may not materialise; revised expectations are for 10–15% growth, assuming demand does not deteriorate further.
- Management reiterated that chasing volume at the cost of margins is not a preferred strategy. The focus remains on strengthening the APL Apollo brand in consumers' mind.
- EBITDA/ton is expected to range from INR4,600–5,000 in FY26E.
- The company expects to end FY26 with a significantly larger cash surplus than the previous year.
- 73% of total power consumption is now sourced from renewable energy.

Volumes

- Levers for volume growth in upcoming quarters include:
  - Recovery of volumes impacted by geopolitical conflicts in Q2FY26.
  - Introduction of two new product lines:
    - 1000x1000 heavy structural sections (200,000 tons capacity),
    - Rust-proof tubes (300,000 tons capacity).
- The company expects to grow volumes by 15–20% in FY27E over FY26E assuming volumes grow 10–15% in FY26E, not to mention demand and geopolitical situation remain stable.

EBITDA per ton

- The company has widened its premium to INR3,000/ton over other HRC-based tube manufacturers, up from earlier INR1,000–1,500/ton.
- The ultimate goal is to reach EBITDA/ton of INR5,550–6,000.

Outlook

- H2FY26 performance is expected to improve, supported by:

  - continued funding in the railway and aviation sectors;
  - steady private infrastructure capex in commercial spaces, warehouses and data centres; and
  - strong momentum in the solar segment.

Capex

- Capacity is projected to scale up to 7mn tons over the next two–three years through:
  - expansion in Eastern India (500K tons), Dubai (500K tons), South India (400K tons); and
  - addition of 500K tons of coated product capacity and 100K tons of heavy structures.
- A new plant is coming up in Bhuj (Gujarat), targeting exports and the regional market.
- The company is also investing in speciality tube manufacturing.

HRC–Patra spread strategy

- APL is de-commoditising its portfolio through value-added products such as heavy, pre-galvanized, galvanized, and rustproof tubes, which are not susceptible to higher HRC–Patra spreads.
- Entry into international markets such as Dubai also insulates the company from Patra competition.
- When spreads are narrow, APL actively competes with Patra manufacturers; when spreads widen, its value-added portfolio ensures resilience.

Dubai operations

- Demand and pricing in Dubai have normalised, and utilisation is rising.
- Dubai operations contributed ~6% to overall volumes.
- There are very good chances for exports to increase through the new plant in Bhuj.

Expenses

- ESOP cost for the quarter stood at INR60mn.
- Normalized employee cost is expected to remain in the INR870–880mn range.
- The company did not resort to product discounting in Q1FY26.
- Employee cost rose INR300/ton QoQ due to ESOP impact.
- No additional ESOP-related costs expected over the next 12 months.

Shankara Building Products

- The investment is aimed at enhancing APL product sales via Shankara's retail network.
- Capital was infused when Shankara needed funds.
- Over the past three years, APL's sales via Shankara counters quadrupled.
- APL divested its 4.5% stake last year after achieving the intended synergy.

Miscellaneous

- Price hikes have been absorbed by the market; volumes have remained steady for six consecutive quarters, indicating a lack of price competition.
- APL is not facing pricing pressure from competitors at its current price point.
- Dealer inventory has remained lean for the last 18 months.
- The company now intends to repay supplier credit using surplus cash, availing pre-payment discounts.
- Creditor days have reduced as the company has been buying steel in advance to benefit from pricing.
- Cash deployment strategy:
    - 25% for capex,
    - 25% for shareholder returns and
    - 25% as liquidity buffer.
- SG Mart has secured solar project orders under the APL Apollo Solar brand:
    - APL supplies flat steel for solar mounting structures while SG Mart provides mild profiling.
- PEB (Pre-Engineered Buildings) players source large hollow sections from APL, which command a market share of 60–70% in this segment. The 1000x1000 sections were introduced to strengthen this position.
- The company aims to reach 70–75% value-added product (VAP) mix once total capacity hits 7mn tons by FY28.
- The company is open to inorganic pipe opportunities, but is not open to it in the secondary steel market.

Utilisation

- Dubai plant: Exceeds 60%.
- Raipur plant: Just under 60%.

Apollo Pipes

Opening remarks

- The sector faced significant headwinds in FY25 with the pressure continuing in Q1FY26. This affected private and government spending.
- Margins lower due to low capacity utilisation and heightened competition in the industry.
- New product introductions:
  - DWC pipes, PE gas pipes and OPVC pipes
  - UPVC doors and windows category

  The idea is to make smaller investments and test the waters. Whichever category picks up shallreceive more investments.
- Increasing focus on CPVC pipes, which currently contribute 15% to volumes. The company is in talks with an RM supplier for strategic venture/partnership. To boost this, the company has tied up with one of the largest manufacturers of CPVC resin. This should result in co-branding with the CPVC manufacturer. As a result, CPVC sales have started to grow in double digits. Agreement was signed in July 2025.
- Confident of increasing the proportion of CPVC sales to 20% in the next one–two years.
- New plant in Varanasi is on track and should be operational in the next few months.
- WCC remained disciplined at 38 days with improvement expected as operational efficiencies scale up.

Industry

- Market size: INR400–450bn
- Current market share: 2.5–3%
- The new capacity should propel the company to revenue of INR30bn. This should result in a 5% market share.
- Warrants were issues to Kitara Capital for INR1.10bn. 25% of the funds have been received.

Guidance

- Looking for double-digit volume growth in FY26. A lot of it depends on how the macro environment develops. Minimum low–mid double digit targeted.
- EBITDA/ton:
  - Apollo: INR9k/ton (can hit INR11k/ton with utilisation improvement)
  - Kisan: INR4k/ton (INR7–8k/ton is possible with a sales pickup)

Outlook

- Q1 was pretty much a washout. April and May were good, but with the early onset of monsoon, things started to deteriorate.

- Assuming monsoons have come in early, it should go early as well. This should open up the construction sector in a big way.
- The biggest challenge is the government spends towards infrastructure. This has been an issue for the construction materials segment as a whole.
- The sector's performance will depend upon government spending, which is not visible at the moment.
- Competitive intensity is high due to sluggish demand and recently increased capacity by most of the manufacturers.
- It is just stress in the industry; good days will come back as smaller players will not be able to sell below cost for long.

O-PVC

- Subdued government spends are seeing weak demand for OPVC. However all participants are working on pushing for approval of OPVC pipes for infrastructure pipes.
- OPVC has been launched and is currently being pitched to contractors, government and institutions.
- The segment should achieve INR500mn of revenues in H2FY26. Q2 revenues from these pipes should not be significant.

Capex

- INR700mn incurred as capex in Q1FY26.
- Rest of INR700–800mn to be spent in three quarters and INR300–400mn in FY27.
- Over the next six–nine months, if the situation improves, the company might think about the plant in South India (INR1.5–2bn). This does not look like a good time to put up a plant.
- Current capacity: 230,000 tons
- The company has space available in its plants, only machines needed to be added for the newer pipes (DWC, UPVC, gas pipes).

Kisan

- 14 months of Kisan under Apollo. A lot of issues have been fixed w.r.t the supply chain. Improvement in performance will be visible once demand picks up.
- High gross margins haven't translated into EBITDA margin due to lower capacity utilisations.

Miscellaneous

- Varanasi to come up soon. This shall provide additional volumes due to new markets it shall cater to (East India)
- Smart metering shall need a government push for adoption. It does have the potential to be a larger chunk of the plumbing market.
- As demand picks up, the aggression being shown the PVC pipes companies would cool off. This should result in NSR improving
- Q1FY26 sales mix: 60%: Housing and 40% Agri.

- From 2020–2023, demand was very strong in plumbing as well as agri. Post-covid, the home improvement segment was performing pretty well. And with PVC prices surging from INR70/80 to INR170, everyone thought these golden times would continue and therefore added capacities with strong balance sheets.
- And these capacities have now come on stream resulting in heightened competitive intensity due to their need to utilise these capacities.

Astral

Opening remarks

- Volumes remained flat due to subdued demand, early onset of monsoon and low government spending. Volumes are expected to improve, with the company maintaining the double-digit growth guidance.
- Both volume and value growth should benefit from the impending ADD implementation. The Kanpur plant will commence commercial production in Q3, starting with tank and PVC products.
- OPVC products have now stabilised with all approvals in place; the company expects healthy orders from this segment.
- The company is working on several high-tech systems for the future.
- The Hyderabad facility has stabilised, and good volumes are expected going forward.
- Bathware continues to see strong traction, with 27% growth in Q1FY26. The company is introducing new, high-quality products in the segment.
- **Adhesives:**
    - India business grew 9%, with July margins nearing 15–16%.
    - UK business grew 7%, with a 5% EBITDA margin. A new head has been appointed for the UK business.
- Paints have grown over 20% for the first time post-acquisition, driven by the launch of Astral Paints.
- The biggest reason for EBITDA margin erosion was inventory losses of INR250mn. Q1 is typically PVC-heavy for Astral due to higher agri sales. Excluding inventory losses, EBITDA margins have been stable.

Demand

- Pan-India demand recovery is still patchy, with some geographies yet to pick up.
- September is expected to be strong post-festivities; home décor activity typically starts 1–1.5 months before Diwali (mid-Oct).
- CPVC prices have fallen sharply; no uniform data exists as manufacturers quote varying rates, leading to a steep drop in realizations.

Nexelon Chem (CPVC)

- The company has been conducting R&D for three years.
- Plans to set up 40,000 tons of capacity at a cost of INR1.5bn with Astral contributing INR1.2bn.
- Astral has been compounding CPVC since 2016; this resin manufacturing is the next step in backward integration. The move to compounding earlier helped lift EBITDA margins from 12.68% in FY16 to 15.39% in FY18 and 16.46% in FY19.
- Management considers this a game-changing decision.
- The primary driver is quality control, as many suppliers have been delivering subpar raw material.

- A narrower price gap between CPVC and PVC encourages substitution, boosting CPVC demand. Astral should be a major beneficiary with its own CPVC resin plant.
- EBITDA margins for the plant are expected to be in the 20–25% range.
- Currently, Astral holds three months of CPVC resin inventory due to imports. Once the plant starts, working capital tied in inventory will be released as the resin plant will be near the piping facility.
- Margin expansion is possible, but the extent retained versus passed to customers shall depend on market conditions.
- While 40,000MT is not enough to meet full requirements, it is a good starting point; the balance will be sourced from the Japanese partner.
- R&D spends have been INR30–40mn to set up a pilot plant, which produced 100kg/day.

Raw material procurement

- The company is confident of using various PVC and chlorine grades, backed by three years of R&D.
- Liquid chlorine is currently in surplus and easily available in Gujarat.
- Presently sourcing from Sekisui and DCW; post-plant, the company will evaluate if 40,000 MT suffices for its piping capacity.
- CPVC plants take time to stabilise due to the process's volatility.
- A 20% technical partner (an Indian company) will invest its own capital.
- Project yield details are confidential and not being disclosed.

Financials

- Double-digit growth means anything above 10%.
- Key growth drivers include:
    - Pickup in government spending
    - Implementation of ADD
    - Recovery in building materials demand
- Capex of INR500mn incurred in Q1FY26; full-year target of INR3bn.
- INR1.2bn to be spent over the next 12 months.
- Employee costs are elevated as a % of sales due to stagnant realisations and hiring for new businesses; this should normalise as new businesses contribute meaningfully.
- Brands are being consolidated across categories to reduce brand spends.
- Adhesives have been under the 'bond tight' brand, paints and pipes are under the 'Astral' brand. As sales increase, spends should be controlled.

Piping

- Historically, volumes have been lower than Supreme's as Astral has limited exposure to JJM and does not manufacture HDPE pipes.
- July saw ~30% volume growth, though this may vary through the quarter. Despite the low base, July's growth looks strong.
- PVC capacity in India is set to increase substantially with additions from Adani and RIL.
- Hyderabad building is complete; machines will be added as needed.
- Potential to add 25,000 tons capacity in Kanpur.
- Targeting 16–18% margins in piping for FY26.
- Willing to sacrifice 1–2% margin for higher volumes if demand is strong, but the focus remains on volume growth rather than aggressive price cuts.
- Expecting minimum double-digit volume growth over the next five years.

Adhesives

- UK adhesives business has historically had 8–10% margins; expects to revert to normal levels this year.
- Margins were under pressure due to low revenue growth, but current gross profit margins are the highest in the last four years.
- Sandeep Engineer was absent from the call, as he was briefing the new UK adhesives head.
- INR15bn spent on capex in the last two years remains underutilized due to industry headwinds and PVC price volatility; with capex tapering, RoEs should improve.
- The company will be taking 100% control of the UK business.

Guidance

- Maintaining double-digit volume growth target.
- Piping margins expected at 16–18% for FY26.

Paints

- Backend work and strategy are now in place; confident of 20%+ growth following Astral Paints' introduction.
- One competitor's actions have created market issues, leading to margin pressure in the industry.
- The company has entered Gujarat, Rajasthan, Maharashtra and some parts of MP too.

Miscellaneous

- Al Aziz business caters to clean water, wastewater supply and gas pipes.
- Bathware is present in several thousand outlets across India; East India is yet to ramp up. Once North, West and South stabilize, manpower will be deployed in the East.

Century Plyboards

Industry

- Industry has not been growing at a rapid pace recently
- Plywood industry data: INR250–300bn
- Consolidation is bound to happen
- BIS on SME industry shall be effective in August

Plywood

- Top-line growth of 15.3%
- EBITDA margin at 13.8%
- Structural tailwinds as real estate, higher consumption and shift towards branded items. Premium and eco-friendly gaining market share.
- BIS implementation have helped the industry.
- Guidance: 10%+,with higher volumes and values
- IPL cost is extra in Q1, hence EBITDA levels expansion is lower than gross margin expansion.
- Sainik 710: BIS norm is written on the product.
- Distribution management system: needed
- It is being implemented in a very small section
- Hoshiarpur plant: will start work soon: expected to commence in Q2FY27
- April end: 2% price hike has been taken.
- Moved to imported timber altogether. Majority is imported.
- Current capacity: 366,000cbm
- Utilisation: 91%
- Increasing the capacity in H2 by another 30,000cbm

MDF

- 23.7% YoY revenue growth; EBITDA margin of 14.3%
- Better capacity utilisation (especially Badvel plant) and cost optimisation at both plants.
- Imports are lower
- Some oversupply continues in the industry
- Capacity utilisation for the industry has improved in the previous year
- 15% margin guidance continued because focus is on market share gains
- No price hike taken
- Pre-lam will be launched in Matecia
- Company should do better EBITDA margins than the industry.
- Export obligations: Started exports from the new plants. Viability of exports is difficult nowadays.
- No plans for mass-market products.

Laminates

- One mm portfolio has seen a price hike
- Technology being used
- Domestic and exports have both done well
- Execution hasn't been great over the past few quarters, but now it has picked up

Particle board

- Revenue has fallen YoY
- Margins under pressure due to elevated timber prices and operating difficulties
- Capacity expansion: Commercial production commenced in end of June.
- Continuous line in the new plant: quality is very good. It has bridged the gap between the competitors.
- Ramp-up of volumes can be expected in H2FY26.
- 8X4 was not available with Century, but now with the new plant- it shall further help to cater to a major section of the market.
- Revenue potential: INR 5bn- aiming to reach by 90% utilisation in 3 years.
- 15% steady state EBITDA margins in FY28/ double digit by FY27

Raw material

- **Timber prices**: MDF and particleboard have been softening
- Current month has seen some jump
- Plywood timber has been at similar levels
- Prices in North INR6.3 per kg and South was 10% lower. Over the quarter. RM fell by 8-10%. Q2 might see some jump due to monsoon.
- Price differential between domestic and imports: Quality is the most important. Import is better than the domestic.

Miscellaneous

- Working capital, which had increased in previous quarter, has improved due to rationalisation in inventory days has improved from 76 days to 71 days with better planning
- Ad spends for Q1: 5.5%; full year: 4% of total revenues
- Furniture fittings: Will take a call in six–nine months.
- Consolidated debt: INR14bn in FY25- Long term to be repaid mainly (approximately INR4bn).
- Most of the cash generated will be utilised for repayment of long term debt
- Financial snapshot (in INR mn)

Finolex Industries

Opening remarks

- FIL registered modest growth despite muted industry demand.
- Performance was impacted by volatility in PVC pricing, leading to weaker realisations.
- Pipes and fittings volumes grew 2% year-on-year.
- The company has decided to consolidate reporting under a single business segment, discontinuing external sales of resins—entire production is now consumed internally.
- Leadership update:
    - Mr Saurabh Dhanorkar was appointed as interim MD in November 2024 and will continue in an advisory role going forward as Mr Udipt Agarwal steps in as the new MD in coming months.
    - Mr Chhabria remains actively involved in strategic decisions as Chairman while day-to-day operations are handled by management team.

Pipes business

- Volume performance was muted due to the early onset of monsoons, which suppressed demand in June.
- July sales have picked up, witnessing high single-digit growth.
- Revenue trajectory depends on the evolution of PVC pricing.
- Anti-dumping duty (ADD) recommendation is expected by August, with the final finance ministry notification likely by October 2025.
- Q1FY26 CPVC volume performance:
    - Pipes: 6% year-on-year growth
    - Fittings: 32% year-on-year growth
    - Overall volume growth: approximately 10%
- Installed capacity increased from 470,000 tons to 520,000 tons.
- Current fittings capacity is expected to be sufficient for FY26 demand.
- No inventory losses were reported due to prudent inventory management.
- CPVC contributes 6% of total volumes.
    - The company has gained market share in CPVC.
    - CPVC market is expected to grow in line with the plumbing industry.
    - Resin prices have declined, but margins remain intact.
- CPVC prices should become more affordable with new capacities coming in.
- Fittings continue to command significantly higher margins than pipes.

Guidance

Q1FY26 conference call highlights

- EBITDA margin stood at 9% in Q1FY26 due to falling PVC prices.
- If PVC prices stabilise, double-digit margins remain achievable.
- The company targets double-digit volume growth, in line with expected industry trends.

Spreads

- PVC-EDC spread: USD522
- PVC-VCM spread: USD151
- Current PVC price: USD870

Capex

- Additional 25,000 tons capacity was commissioned in Q4FY25; another 25,000 tons will be operational after the monsoon.
- Expansion discussions are going on and will most likely happen at existing sites due to space availability.
- Capex plan:
  - FY26: INR1.5bn, with INR300–400mn already ordered in Q1.
  - From FY27 onwards: INR2–3bn expected for further capacity expansion
- Once sufficient cash reserves are accumulated and not required for growth, they will be considered for shareholder returns at the board's discretion.

Other key highlights

- Focus has shifted to improving the product mix to enhance margins.
  - Target agri to non-agri mix: 50:50
  - Current mix: 70:30, with INR4.6bn in non-agri sales
- The company does not supply directly under the Nal se Jal scheme, and has not been impacted by the related corruption issue.
- For the Baroda plant, raw material is procured from Reliance instead of being sourced internally from the Ratnagiri plant.

Greenlam Industries

Opening remarks

- The company has a presence in about 120 countries.
- The company operates in six segments:
  - Plywood
  - Veneer
  - Chipboard
  - Engineered flooring
  - Engineered doors
  - Laminates
- Greenlam has India's only plant with laminates, particle board and compact laminates.
- The company has 22 global offices along with 16 subsidiaries.
- Laminates' market size:
  - Overall: INR124bn
  - Domestic: INR90bn
  - Export: INR34bn
- The company has a 17.8% market share in the domestic laminates market.
- 50% of the chipboard RM requirement comes from local producers.
- International market: Globally capacities are not being added anymore due to higher expenses of adding them. In this backdrop, given two of Greenlam's plants are near the port, it presents a great opportunity.
- All of the portfolio products are an overlap to each other.

Guidance

- The company wishes to expand at an 18–20% run rate over the next few years. The company believes it shall improve margins at a better scale.
- The company does not see a huge debt reduction in FY26, but should be close to previous year's. This is due to INR1.5bn capex commitments in this year.

Laminates

- The company can add five more lines at its Naidupetta facility.
- A new plant should not be needed for the next five–six years.
- US is a very small part of the overall exports. In term of revenue, it is 3%. April price hike was passed on. The recent tariff of 25% + 25% is being reviewed because these will be levied once goods land in USA.
- Laminates – 50% is international business.
- Laminate selling prices have been stable. The company took a price hike in the last year and the gross profit has been more or less stable.

Chipboard

- German technology being used for chipboard manufacturing.
- Market estimates it at INR500bn.
- Majority of the market is unorganised; hence, the company should be able to gain market share moving ahead.
- The increase should be very minimal as these have now been built into the system.
- Chipboard should see RoCEs of 18–20%.
- Hard to say that this would cannibalise a bit of the MDF market. Greenlam and a competitor should start taking some share from MDF and plywood.
- Melamine chipboard would be priced 30–35% cheaper than MDF.

Financials

- A loss of INR188mn (from the EUR-dominated loan) has been accounted for as a foreign exchange loss while some of it has been accounted for in interest expenses as per regulations.
- The AP government approved the Naidupeta facility or incentives for 7–10 years along with the benefit on power usage. Benefit should be close to INR400mn.
- Plywood veneer, doors and flooring have all been bought under the Mikasa brand.
- Margin fluctuation should happen in the chipboard business, margins should be stable for Laminates and Plywood. The fluctuation for chipboard should be on account of RM price volatility.

Wood prices

- Plywood RM is more or less stable.
- Chipboard prices have come down QoQ a bit. Q2 should be similar or slightly lower.
- Chipboard has more flexibility as different species of wood can be mixed unlike other adjacent wood products.
- Wood cost has been higher in India than Southeast Asia.

Plywood

- Plywood is still not a pan-India brand.
- The current focus is on the branded end of the market wherein selling prices are close to INR120–125/Sq.ft.
- Pricing would be close to the number two/three players.

Greenpanel Industries

Opening remarks

- YoY decline in volumes was primarily due to the discontinuation of commercial-grade MDF product.
- Demand continues to grow at a low-to-mid double-digit rate.
- Inventory build-up (both domestic and imported) remains elevated, and is yet to be liquidated.
- Exports remain an opportunistic strategy, pursued only when profitability is ensured.
- The plywood segment is expected to revive over the next few quarters.
- The new thin panel plant has now been stabilised.
- Tailwinds are becoming increasingly visible on a month-on-month basis driven by:
    - expected reduction in timber prices, and
    - decline in MDF imports.
- The Quality Control Order (QCO) is expected to be implemented over the next year.
- In Q1FY26, 115 channel partners were rewarded.
- Initial stabilisation of the thin panel plant impacted margins due to higher fuel consumption.
- Interest and depreciation were higher by INR100mn, largely attributable to the new plant.
- Working capital requirements increased slightly due to the new plant.
- Gross debt at end-June stood at INR3.86bn.

Guidance

- No change in guidance on volume and margin fronts.
    - Volumes: 550,000CBM
    - Margins: 12%
- Market pressure to be offset by operating leverage and cost-saving initiatives.
- The new plant targets a different segment of the market with pricing distinct from the retail segment.
- A dynamic approach will be taken towards schemes with customised offers across geographies and products.

Levers for margin improvement

- Cooling off of timber prices, which can improve gross margin by 2–3%.
- Stabilisation of the new line should support margin improvement.
- The priority is to gain market share and drive volumes, not margin expansion.

- The company is prepared to compete with the unorganised sector by sacrificing near-term margins if needed.
- A 10% decline in timber prices is estimated to result in a 3% margin expansion, assuming stable realisation.

Imports

- Two foreign players have applied for BIS licenses so far.

Exports

- Exports are approached opportunistically, depending on profitability.

Raw materials

- Availability of timber is improving as plantations reach harvest stage.
- There is a 20–25% price differential between the North and South markets, with North being more expensive.
- Timber consumption price averages INR6/kg, with North India pricing about INR0.50/kg higher than South.

MDF

- Average schemes in July were ~3%; in Q1FY26, schemes were offered only on industrial-grade MDF.

Commercial-grade MDF

- Much of the commercial-grade volume has been converted to industrial grade; the remaining shift is expected to be completed in Q2FY26E.
- Commercial grade was introduced to counter imports and unorganized players; it was a subset of industrial grade.
- Greenpanel was the only company offering commercial grade driven by OEM demand from South India, wherein Greenpanel has capacity.
- Sales volumes from commercial grade were:
  - 43,000CBM in Q2FY25
  - 27,000CBM in Q3FY25
  - 0CBM in Q4FY25 due to BIS enforcement

Industry dynamics

- Industrial grade contributes 60–70% to overall industry volumes.
- No major capacity additions expected; only small unorganized entrants may come up.
- Greenpanel operates the largest MDF capacity, currently at less than 50% utilisation.

Thin MDF plant

- Currently operating at ~33% utilisation; not all output is sold yet.
- VAP production is expected to begin post-stabilization in Q2FY26E.
- Breakeven for the plant is expected at 40% utilization.
- Lower fixed costs and timber prices in the South make Greenpanel competitive.

Demand

- Demand commentary not provided, but implied to be steady or growing.

Miscellaneous

- Sales teams for Plywood and MDF have been integrated.
- A new sales head joined in recent months.
- Of the INR1.60bn incentive for the old line, INR350mn has been received; the rest is pending accounting.
- EPCG gains for the quarter amounted to INR51mn.
- No new capex planned.
- Ad spends were lower due to discontinuation of IPL campaigns.

Capital allocation

- Primary focus is on servicing debt.
- Some allocation towards working capital needs.
- Plywood capacity expansion remains on the radar, contingent upon reaching 80% utilisation.

Other notes

- VAP contribution from older plants was 54% in the domestic market.
- The company is adopting a selective hedging strategy for foreign loans, choosing short-term tranches instead of full coverage.
- EUR is cooling off due to the EU-USA trade agreement.
- Industry capacity stands at 4.2mn CBM, with the unorganised sector accounting for 34–35%.
- Last year, industry volumes were ~2.8mn CBM.
- Monthly MDF imports have been in the range of 25,000CBM, not 50,000CBM as anticipated earlier.
- BIS norms to be implemented from MSMEs from August 12th.

Greenply Industries

Opening remarks

- June was relatively subdued due to early monsoon.
- Regular channel partners also faced the burn and could not pay.
- July has seen some respite.
- The company is confident of H2 for plywood: softening of timber prices.
- Margin: 7.9% for plywood
- Rollout of 1st TV commercial for plywood: Daam sahi, kaam sahi
- Hardware total: INR108mn loss
- Inventory built-up in the quarter
- Contingent liabilities reduce: INR500mn to INR320mn
- MDF: Done exceptionally well

MDF

- Expanding capacity rationale: With the current product mix, we are utilising 90% capacity.
- With a 2–2.5-week shutdown, the company will expand the press.
- INR100–120mn capex for the shutdown.
- Confident of meeting guidance for the full year.
- During the quarter, prices were in control; peers hadn't passed on.
- Currently, peers are passing on the price fall.
- The company is confident of 15–20% revenue growth definitely.
- 1.5–2years hence, margins should start improving.
- Import inventory is over, but domestic supply is high.
- Guidance: 10%+.
- June was not good for MDF.
- Action has announced capacity in South India.
- When the balance sheet allows, the company will add another line.
- Margins: 25% industry number is history; 20–21% EBITDA shall yield an RoCE of 20% realistically.

Plywood

- July has seen revival.
- Channel partner's liquidity has improved in July.
- Double-digit volume guidance for plywood looks difficult. Holding guidance.
- Inventory will come down, but depends on demand.

Capex

- Orissa:
- Plywood upgradation
- WPC: INR300mn
- Total: INR1.40–1.50bn

WPC

- Production is new.
- INR650mn of PVC products annually already being sold.
- WPC doors, Foam doors—these products are killing plywood business.
- Asset turnover is good because capex is small.

Hardware JV with Samet

- Q1FY26: ~INR60mn in Q1, with some losses.
- Breakeven: growth in next year.
- 200+ dealers on-boarded.
- Phase1 has started manufacturing, phase 2 and 3 pending.
- Once all comes into play, margins should improve.
- By next year, the dealer base should cross 500/600.
- Product acceptability in the market is very good, from dealers and OEMs.
- 4/6 quarter time needed.
- Corporate guarantee: INR550mn.
- Lira appreciation and depreciation won't affect because the import from Turkey is very small.
- Export opportunity: trial order received.
- INR180–200mn: Loss expected from hardware (Greenply portion).

BIS

- Raids are being conducted at factories and in marketplace.
- Quite bullish on H2.
- BIS on furniture from February 2025.
- Want to make in India for furniture.

Timber prices

- Plywood timber prices are stable.
- MDF raw material reduced by 2–3% in Q1FY26.
- The price shall stabilise or come down, only by Q3/Q4 of FY26.
- Due to issues in Q2, price of timber goes up and comes back in the same quarter.

Miscellaneous

- Gabon stake sale:
  - Proportionate losses booked in the quarter
  - 19% of equity: INR25/30mn
  - Corporate guarantee (USD6.1mn reduced to USD3.8mn).
- Mostly gone to working capital for inventory build-up in plywood—most of it will be liquidated in Q2 and MDF planned shutdown (August-end) and liquidity crunch at the channel partner level.
- Revenues of INR2–2.25bn from PVC products within three years.
- INR1.70bn of revenue can be clocked from the machinery in-house.

JTL Industries

Opening remarks

- Continuous investment in technology continues to provide the edge to the company in the industry
- VAP counted for 20% of sales mix
- Brass coil production introduced through job work with partner catering to defence, aerospace and allied categories.
- The company's goal is to enter a high-demand market with limited competition.
- Focus is not only on return, but to the make the company's products irreplaceable.

Guidance

- 500,000tons of volumes in FY26 with a 30% volume growth in FY27.
- EBITDA/ton guidance of INR4000 maintained for FY26 with ambition of FY28 EBITDA of INR5,000-plus
- The company is looking at 50–60% growth in DFT
- While the company might miss the 2.5mn tons of volumes in H1Y26, it shall cover the deficit as the company ramps up its new capacities.

EBITDA/ton

- Underperformance since the last quarter has been because of –
  - Duty being implemented in Apr-25 resulting in a jump in HRC prices in April and May followed by a fall in June.
  - DFT had been commissioned in March, materials had been shipped to various dealers and other states. Certain pricing dips were taken for the product to gain popularity.
  - Obtaining BIS and other certifications.
  - The product was sent to Gujarat, MP and Chhattisgarh by incurring higher freight costs coupled with price cuts.
- Inventory loss would be close to INR1,000/ton.
- Most DFT pipes sold were in a smaller pipe category and do not come in the VAP category. This should correct as the capacity ramps up
- INR4,000 EBITDA/ton guidance to be maintained for FY26 as
  - DFT pipes shall provide 6–7k/ton and should therefore propel the EBITDA/ton.
- EBITDA/ton for FY27:
  - Most of the new products are new for the company and therefore the company might have to undersell in order to get its product noticed in the market.

- The company had inventory losses in June as HRC prices started to correct.
- The company is carrying 20–25 days of high cost inventory and therefore most of the inventory losses have been booked in Q1FY26.

Product categories

- The company produces
  - GI pipes
  - Black pipes
  - DFT
- DFT could not be categorised as value added due to most of the recent sales being general grade.
- VAP breakdown:
- ~22,000 tons of VAP is majorly galvanised iron pipes
- 8,000tons of DFT pipes sold in the general category (general range)

Miscellaneous

- Steel prices in Q1 and Q2 usually fluctuate due to monsoons, but by Q3 and Q4 these losses set themselves off.
- The company has to maintain at least 100,000tons of materials to provide it to dealers quickly.
- Realisation for Q1FY26 fell due to higher black pipe sales. However, the major reason was a fall in HRC prices.
- GI line and 300kt ERW API grade plant should aid realisation going ahead, but initially discounts shall be provided to penetrate the market. The facility shall take six months to ramp up.
- Whatever gain that was realised in the first two months of the quarter form the imposition of duty were nullified by the fall in HRC prices in June.
- The company is expanding its SKU range with the API grade capacity
- Pre coated coils an sheets
- DFT was structural tubes
- Capex incurred in the first quarters: INR500mn; this should be the run rate, Total capex for FY26: INR2.4–2.5bn
- Major interest cost has been higher due to the clubbing of JTL Engineering.
- 55% of the produce is sold through distributors
- Acceptance for the DFT products has been phenomenal and the company is seeing strong demand for the products in the second quarter.

Exports

- Exports have been facing pressure due to tariffs from the Trump administration. The company is currently offering products to the European market as there has been no demand from the American market.

Kajaria Ceramics

Opening remarks

- Overall market demand remains soft.
- The company has made significant progress in implementing its new marketing strategy.
- Ceramic and vitrified tiles are largely interchangeable, leading to the unification of these teams. This integration is likely to optimise costs and enhance customer service. The strategy has been rolled out in select states, with encouraging feedback so far.
- In regions where large dealers operate, there may be some resistance to having a single point of contact (POC) for all product categories. However, the majority of dealers appear satisfied with the change.
- Promoters have voluntarily foregone their salaries until the company's EBITDA touches INR10bn.
- The unification of the PVT, GVT, and Ceramic divisions is expected to positively impact volumes going forward.

Guidance

- If gas prices and selling prices remain stable, cost rationalisation should support margin expansion.
- While volume growth may remain modest this year, a sharper focus on cost control could drive EBITDA margin improvement. In the medium term, volume growth is also expected to pick up.
- The current network comprises 1,850 dealers, with 450 exclusively selling Kajaria products.

Product mix – Geographic segmentation

- Tier 1: 15%
- Tier 2: 30%
- Tier 3: 30%
- Tier 4: 15%

Industry trends

- The domestic market remains subdued, but is expected to improve. Exports dipped from INR200bn to INR160bn in FY25; however, Q1 exports touched INR40bn, indicating steady demand.
- Demand is expected to pick up after Q2FY26E.
- Showroom footfalls have been significantly low.
- Price hikes have not yet been implemented in Morbi.
- Kajaria's strategy remains focused on gaining market share through volumes; hence, price hikes are unlikely.
- Simpolo is the only player currently expanding in South India.

Nepal operations

- Nepal volumes are not included in the company's reported volumes; profits are recorded below the line.
- Some inventory build-up has occurred in the region. While operations are currently profitable, future conditions may vary.
- Q1FY26 volumes from Nepal stood at 0.87MSM.

Operational and financial highlights

- Other expenses
  - Expenses of INR220mn in Q4FY25 from plywood and London reduced to INR40mn in Q1FY26.
  - INR50mn incurred this quarter due to the sale of machinery.
  - Travel and advertising costs fell due to the focus on optimisation.
  - Other expenses are expected to range from INR1.1–1.2bn.
- Cost initiatives
  - Packaging costs have been reduced.
  - Raw material prices are being reviewed.
  - The key strategic shift is to operate as a lean and efficient organisation.
- Capex
  - Planned capital expenditure for the year is INR1–1.5bn.
  - The company may retain cash but is open to returning it to shareholders subject to board approval.
  - The company is not exploring acquisitions at present and remains conservatively positioned.

Management's focus areas

- Mr Chetan Kajaria and Mr Rishi Kajaria will oversee the Ceramic, PVT and GVT divisions, divided by region.
- Mr Kartik Kajaria will handle the Adhesives business.
- Mr Rishi Kajaria will continue overseeing the Kerovit (bathware) business.
- The Keronite brand, which focused on lower-priced tiles, has been discontinued due to underperformance. The focus is now solely on the Kajaria brand.
- Infra.Market has had no material impact on the company's operations.

Adhesives

- Expected to generate INR1.2bn-plus in revenue this year.
- Current margin stands at 17% supported by better manpower utilisation.
- A new plant in Erode is expected to become operational over next few months.

Bathware

- The bathware segment is also facing a demand slowdown.
- As revenue scales up, margins are likely to improve.
- Cost optimisation initiatives are also being pursued in this segment.

Prince Pipes

Opening remarks

- Government infra spending fell in FY25.
- Inventory optimising by channel partners.
- Heightened volatility in PVC prices – hurt volume growth and profitability.
- Challenging demand environment persisted in Q1.
- Sharp correction led to inventory losses.
- Volume rose 4% YoY to 43,735MT.
- Revenue contracted 4% YoY–weaker realisation arising out of PVC fluctuation.
- Long-term strategic priorities: brand visibility, deepen channel.
- Consumer touch points increased in travel corridors.
- Eight manufacturing facility at Bihar: working seamlessly.
- Phase 2 expansion expected by Q2FY26 in Bihar.
- Aquel: Expanded in South after North and West.
- Dedicated teams in East India.

Demand outlook

- Volume growth has been 3.75% in Q1. July has been good. High single-digit and low double-digit growth can be expected
- Realisation: RM costs are not controllable. They will move in line with the PVC prices.
- With a favourable product mix, realisations can improve
- Channel sentiment is better in Q1.
- Industry was flat during Q1.
- Long term: PVC should grow 6–7% over the next two–three years.

Inventory loss

- For Q1FY26: INR150–200mn inventory loss.
- For FY25: INR850mn inventory loss.

Guidance

- High-single-digit and low-double-digit volume growth can be expected.
- EBITDA margin guidance: 12% in the long term.

Bathware/Aquel

- Bathware Q1 revenue: INR0.11bn
- Q1 loss: INR0.05bn
- Breakeven in four–six quarters (by mid-FY27).
- Revenue target: INR0.50–60bn in FY26
- INR0.11bn in Q1FY26

Q1FY26 conference call highlights

CPVC

- CPVC: 25% contribution
- Better growth in CPVC than PVC in Q1.
- High single-digit volume growth in Q1.

Margins

- Margins would improve: INR0.15–20bn of Inventory loss in Q1FY26. With volumes, operating leverage shall also flow in.
- Margins for Q2 would improve and H2 shall have normalised margins.

Bihar plant

- Created a backup in Bihar in terms of capacity: that shall start production in H2.
- 10–15K tonnes in H1 from Bihar.
- 60–70% capacity utilisation for Bihar for FY26: 20000-25000 tonnes
- Term loan for Bihar project: Capitalised till commencement; thereafter, it is hitting profit and loss.
- Interest to be charged to P&L.

Capex

- Capex: Q1: INR0.75bn; Rest of FY26 : INR1.60–1.70bn (including Bihar expansion)
- Bihar: 60,000 tonnes by 30th September
- Aquel commitment has been factored in

Inventory

- Inventory days: 81 (reduced from March-end). Finished goods: 40 from 35 days (target: 40–45 days). Raw materials: 35 from 45 (target 30 days)—total target under 75 days.

Revenue breakdown

- Agri: 30–35% of revenue.
- Plumbing and Agri followed by Infrastructure.
- 3–4% infra: 1% water storage; balance is building.

Miscellaneous

- RoE has been 15–20%; currently under pressure due to profitability issue and start of capex cycle.
- Net debt position: INR1bn.
- The main focus is on improving volume growth and capacity utilisation.
- Staff cost: Based on the company' performance, employees have been incentivised.
- Performance-linked incentives—going forward, it shall increase in Q2.
- No further loss expected from inventory.
- Volumes will be the focus; don't expect predatory pricing. Had to offer channel incentives in the December and March quarters.
- Residential building material has been the key driver of growth.
- Ad spends: 1.7–1.8% of revenue. The target remains 2% of total revenue.

Somany Ceramics

Opening remarks

- Muted demand
  - Low sales in India
  - Lower exports from Morbi in Q1
- Exports: INR180bn (further decline of another INR20bn in FY26).
- Operating margins: Low capacity utilisation.
- JV faced maximum pressure.
- Max plant: High-end tiles: Corrective actions taken to improve utilisation. Expect better in H2.
- Sanitaryware: Kiln shutdown- but now back to 100% - better quality and yield.
- Extra depreciation: INR 50mn due to the reduction of life of some assets
- Capacity 71% utilisation
- Sales split: Ceramics:34%; PVT: 26% and GVT: 40%
- Brand spends: In line with last year
- Working capital has increased by four days
- Increase of 65 dealers.
- Guidance maintained: high single digit growth; EBITDA expansion of 1–1.5%
- Concluded the JV with Durabuild: -Water proofing products
- July was good. August should be better.

Guidance

- Margins would improve with higher utilisation. Utilisation levels shall be better than last year. 1–1.5% margin expansion

Industry

- Realisation is not going down
- Export: current trends: It should be in the same region.
- Morbi: Only surviving because of extremely high scale of GST evasion.
- Leader will want to gain volumes: But it shall be temporary and knee jerk reaction.
- Market share: domestic players flat
- Gas prices: gone down slightly- across India, largely flat

Durabuild acquisition

- 150 different IPs
- Three years: option to buy
- 75% and then the rest
- Construction chemicals.
- Concentrating on the waterproofing IPs.
- INR60bn market on which the company is focusing

- Water-proofing : Starting from concrete to bathrooms, terrace and walls.
- Kasika, croche and Asian Paints other players.
- Ad mixtures: in concrete, INR60bn market- additive in RMC plant.
- Top line of the company:- Adhesives: INR20mn and INR60/70mn of ad mixture
- Ad mixture is B2B/Adhesives is B2C or B2B
- Entering into hardware shops

Current demand scenario

- Further gone down with pressure.
- Value-added segment: Under pressure post quarter.

Company-specific performance

- Small price hike has been taken in July
- Export will be higher for the company with a low base
- Max plant: 51–52% utilisation (target: 75% utilisation by H2FY26).
- Higher trading volumes: due to two JVs, which were exited.
- Wall tiles under pressure- Balancing equipment added.
- Max plant: 65mn during Q1. Confident of next year reducing it to zero.
- Sanitaryware and faucet: top line INR630mn (610mn)- early double digit expected
- Faucets: From INR 280mn increased to INR 310mn

Cost

- No major employee related expenses have been cut
- No following the peers
- Ad costs: maintaining- as a percentage of revenue- it will be slightly higher
- Travel more effective: cautious; using more teleconferencing facilities

Miscellaneous

- Receivables have gone down by one day
- No further movement expected there
- Investment of INR500mn in SMPL:
    - Some press to be added at Max: two additional- to produce slightly non-value added products- also adding balancing equipment
    - To cover certain losses.
- B2B: 25%- efforts to improve by 2–3%.
- 4–5% in margins between retail and projects; delayed
- 41% North 27% is south; Rest between East and west
- Q4 generally is better: higher sales push+ government spending is heightened
- Annual depreciation: INR1.10bn

Supreme Industries

Opening remarks

Business environment and outlook

- Polymer and PVC prices remain low, which is positive for future growth.
- Q1 performance was impacted by:
  - Early monsoon affecting agriculture piping demand
  - Inventory loss from falling PVC prices, which hurt profitability
- However, good rainfall and moderating inflation bode well for demand in housing, agriculture and infrastructure.
- Supreme remains optimistic about volume growth and an increase in value-added product sales during FY26.

Wavin Acquisition and technology tie-up

- Signed business transfer agreements with Wavin Industries (including its subsidiaries) for INR3.1bn (including working capital).
- Expected to complete the slump sale acquisition by July 31, 2025.
- Also signed a 7-year exclusive technology license with Wavin B.V. Netherlands for India + SAARC.
- This will enhance product range, capacities, and market reach in the plastic piping segment.

Capex and expansion plans

- Total cash outflow for FY26 estimated at INR13bn, fully funded via internal accruals.
- Capex covers:
  - Wavin acquisition
  - Ongoing expansions
  - New plant for material handling products in Malanpur, M.P.
  - Profile window systems project (trial production in Q2 FY26)
  - PP Silent Pipe System (commercial production starting next month)

New product and market developments

- Successfully executed first PE Gas pipe order.
- Received DVGW certification (Germany) for Electrofusion fittings – now eligible to bid for gas pipe tenders.
- Supreme is the only Indian company qualified to supply both gas pipes and EF fittings.

Other divisions

- All other segments showing moderate growth.
- Protective Packaging Division is growing rapidly with product customization – targeting INR10bn+ revenue (vs INR8.55bn last year).
- Composite LPG Cylinders division got:
- New order for 0.2mn cylinders from BPCL
- Repeat order for 0.231mn cylinders from IOCL – expected to boost capacity utilization.

Guidance

- Revenue to be INR120bn
- Plastic piping business should grow 15–17% in volumes, overall volumes should also grow at 14–15%.
- Overall margins should be 14.5%–15.5%, not just plastic pipes.

Volumes

- June: Business of plastic pipes was affected by early monsoon- Agri pipes was washout
- Revised guidance upwards: 15-17% (post acquisition of Wavin)
- Overall volume growth guidance: 14-15%
- Largest volumes to come from U-PVC

O-PVC

- Gujarat is opening up
- Receiving orders for O-PVC
- O-PVC has limited market- it is used as substitute for DI pipes
- 6000MT: O-PVC capacity

Margins

- Margin expansion from: value added products (1% growth only in Q1FY26) and no inventory loss

Gas pipelines

- Market size: 700,000 tonnes
- Gadeland plant

Wavin

- The company has 71,000MT capacity with volumes to be in the range of 30,000MT in FY26E.

Miscellaneous

- Major expansion in plastic pipes: 1MT by March 2026 (870,000 at FY25E)
- Also, 5000 tonnes of window profiles will come.
- Material handling and protective packaging division.

- Inventory loss: INR500–600mn
- DGTR: quantum of injury to Indian producers- we can expect the ADD by 3–4 months post- Second half October or 1st half of November.
- INR37.4mn outstanding from the government and has been outstanding for 6 months- money not flowing from government
- Packaging division- no inventory loss
- Several new distributors are added
- 15000-plus SKUs currently
- PERT pipes and PE pipes: well accepted
- The company focused on improving share of renewable sources for energy: target: 30%-plus
- The company going for solar installations
- Benefits of lower cost is passed on to the customers.
- 65–70%: overall capacity utilisation
- Current inventory levels: lower than normal; it should pick up post September
- Nothing are bin done at Bihar and Jammu; new plants: one in Gwalior, another in UP (window profiles) and three new from Wavin.
- Packaging material plant near port: land could not be acquired.

Venus Pipes

Opening remarks

- The global economy is facing a lot of uncertainties.

  Performance of the company

  - Exports major growth driver
  - Leading power plant manufacturer: new order

  Domestic demand outlook

  - INR5.60bn: Order book – strong ordering by power companies
  - Strategic investment
  - Delivery of high-quality products: prime focus

Financial performance

- Welded is under a little pressure
- **Margins**: deflating due to: i) increase in capacity; and ii) subdued demand
- A 16–18% margin guidance via value added profits.
- Domestic EBITDA: should improve post H2
- Volume growth in Q1 was lower than 15%
- **Export order**: recurring from US, Europe and Middle East
- **Decrease in domestic business**: Power sector demand is good
- **Sectoral exposure**: engineering, power, chemicals and food processing.

Power sector order

- **Execution period for power sector**: 15 months
- Each MW, boiling tubes of 1800MT is needed
- Tubing capacity and condenser can go in power plant
- BHEL order is not working capital heavy
- Thermal power station INR1.90–2bn

Margins

- 60:40 ratio for seamless and welded realisation
- As contribution of welded increases, RM cost increases.
- Piercing might need to go to Hot extrusion for higher quality products

Fittings

- Commissioning likely in Q4
- Out of the planned INR1.75bn capex, INR600mn is towards fittings
- **Fittings**: requisite approval needed from clients
- It would be both domestic and exports
- Certain percentage of fittings should come in FY27, majority in FY28

Capex

- INR1.75bn capex anticipated: INR1.2bn to be spent in FY26.
- Domestic sales faced pressure due to subdued capex from private and government. However, with several order wins, management remains confident of demand revival going forward.
- Recruitment of key manpower has resulted in an increase in staff costs.
- Commences production of VAP portfolio in FY26.
- FY26–27, all capacities shall be there.
- Backward integration will be done by H2FY26.

Guidance

- 25% guidance for volumes in FY26E (up from 20%)
- Maintain the margin guidance of 16–18%

Exports

- Tariff: 232 product code: 25–50% tariff
- Share of exports to the US: 15–20%

Order book

- Order book was INR5.6bn with 40% focused towards power sector.

Infrastructure

Ahluwalia Contracts

1. **EBITDA margin**: The EBITDA margin increased ~200bp YoY (down 160bp QoQ) to 8.6% in Q1FY26 as most slow-moving orders are now nearing completion.
2. **Capex** incurred during Q1FY26 was ~INR520mn.
3. **Project updates**

- **CSMT redevelopment project** – The company has started execution here and received some clearances during the quarter. However, it is still awaiting some more clearances.
- **Gems and Jewellery project** – ACIL expects to get notice to proceed in Q3FY26E, after which it will start the design work.
- **Medical college in Bihar, Chhapra –** This project had slowed down earlier due to funding issues. However, now funds have started coming in; hence the pace of work has also picked up. Due to a change in scope, the project size has increased.

AFCONS

Guidance for FY26E

- Order Inflow: INR200bn ex-conversion of L1 orders
- Revenue: 20–25% YoY growth
- EBITDA margin: 11%-plus (including other income)
- Capex: INR11bn

Strong order intake

The company bagged ~INR11bn orders in Q1FY26; in addition, it is L1 in ~INR216bn of projects at end-Q1FY26, which includes two packages of Nagpur-Gondia expressway worth ~INR52bn, two packages of the Pune Ring Road worth ~INR48bn, two roads and tunnel mixed project in Croatia worth ~INR45bn and one railway project in Croatia worth ~INR68bn.

AIL's wide segmental presence has allowed it to successfully navigate the pitfalls associated with dependence on any single sector.

The company has a bid pipeline of INR3.35tn (two–thirds domestic, rest international orders), of which ~INR1.4tn is in urban infra (metro rail, bridges and elevated corridors), INR800bn hydro and underground projects (including road tunnels, water projects, dams), INR700bn surface transport (roads and rail projects), INR450bn marine and industrial structures etc.

Order book remains healthy

Afcons ended Q1FY26 with an order book of ~INR353bn (excluding INR216bn L1 projects) and a book-to-bill of 2.8x. Including L1 projects, the book-to-bill is 4.5x.

We believe the successful diversification across segments, geographies and clients is one of the major reasons driving AIL's success.

Execution improves in Q1FY25

AIL's Q1FY26 revenue rose 7% YoY/5% QoQ as payment situation in the MP JJM projects improved and Bangladesh projects started moving in positive direction during the quarter. However, payment issues particularly on UP JJM projects and delay in conversion of L1 into LoAs (~INR100bn MSRDC road projects) still persist. The company took a conscious call to curtail execution keeping in mind the funding constraints.

In line with the long-term order book growth, the company has also delivered a 17% revenue CAGR over the FY06–25 period. Management expects 20–25% top-line growth in FY26E and a 15% revenue CAGR over the medium term.

Margins surge during the quarter

EBITDA margins increased 170bp YoY/380bp QoQ to 12.9% in Q1FY26. Improved margin profile in a few projects and receipt of arbitration claim for the Kolkata metro project which aided cost saving in terms of material procurement led to the improvement in margins during the quarter.

The company's EBITDA margin trajectory has been moving upwards driven by: i) an increase in average project size (which leads to economies of scale); ii) the learning curve effect, courtesy its robust knowledge management practices; and iii) transition to projects with higher complexity.

The mobilisation advances recently availed by the company are all interest-bearing. As a result, finance cost was high during the quarter. Yet, PAT margins inched up ~120bp YoY/65bp QoQ to 4.1%.

Backed by strong order accretion, robust execution capabilities and an improving margin trajectory, we believe AIL is in a sweet spot as far as delivering sustainable growth is concerned.

Working capital cycle deteriorates QoQ

The net working capital cycle deteriorated QoQ to 151 days (117 days at end-Q4FY25) owing to delays in certification of bills.

Debt levels too increase QoQ

Due to the slowdown in collections and seasonality factors, gross debt rose to ~INR32.2bn (INR22.4bn at end-FY25).

AIL used to have relatively higher working capital requirements and consequently debt levels till FY07. Since then, the company has been able to improve its performance on both counts.

Leverage levels in check: AIL's leverage levels were quite volatile prior to FY14. Since then, there has been a gradual decline in net debt levels, which has stabilised at 0.4–0.5x.

AIL ended the quarter with a net debt of INR25bn (INR14.7bn in Q4FY25) and net debt to equity of 0.46x.

Ashoka Buildcon

Highlights

- **Guidance for FY26**

  3. **Revenue growth**: 10% YoY growth
  4. **EBITDA margin**: 9.3%.
  5. **Order inflow**: INR100–120bn
  6. **Capex**: INR1.25bn

  Order inflows: The company has won projects worth ~INR25bn during the quarter. Management expects to win INR100–120bn projects in FY26E.

- **Order book visibility:** ABL ended the quarter with an order book of ~INR159bn (book-to-bill of 2.4x).

  ABL is actively looking to bid for projects across various segments such as roads, railways, power T&D, building EPC, solar power projects and water to shore up its order book. It has identified a bid pipeline of INR350bn from the roads segment (NHAI + MoRTH)

- **Q1FY26 revenue breakdown:** 52% from road HAM, 12% from road EPC projects, 7% from railways, 20% from power T&D and 9% from other businesses.

- **Q1FY26 order book (OB) breakdown**: Road EPC (49%), road HAM (12%), railways (5%), power T&D (31%) and buildings (3%).

- **Margin**: EBITDA margin during the quarter increased 290bp YoY/210bp QoQ to 9.3%.

  Adjusted PAT margin during the quarter deteriorated ~70bp QoQ, but improved ~20bp YoY to 2.3%.

Management expects execution to be slow in H1FY26 and pick up pace in H2FY26, once work on the newly received orders commences.

- **Debt:** Standalone debt increased QoQ with net debt: equity now at 0.52x (0.48x at end-Q4FY25).

  Management expects substantial reduction in debt level by end-FY26E aided by asset monetisation.

- **Working capital cycle**: Net working capital cycle improved to 202 days (215 days at end-Q4FY25).

- **Equity commitment:** Equity to the tune of ~INR2.3bn is pending, of which, ~INR1.2bn will be infused in FY26E and balance ~INR550mn in FY27E and FY28E each.

- **Asset monetisation:** Ashoka Buildcon had entered into an agreement with PE major KKR in Q3FY22 to sell five BOT projects for ~INR13.4bn. Out of this, it was supposed to use ~INR12bn to provide an exit to SBI-Macquarie (SBI-M), which had invested in Ashoka Concessions Limited (ACL) (*Refer to: BOT stake sale: A re-rating trigger*). However, the company terminated this deal in May-23 as it could not get approval from the NHAI to transfer the Dankuni Kharagpur Road project.

ABL has reinitiated the divestment process and is now looking to monetise 11 HAM and five BOT assets.

In Dec-24, ABL and its subsidiary ACL entered into an agreement with Epic Concesiones 2 Private Limited, Infrastructure Yield Plus II and Infrastructure Yield Plus IIA (managed by EAAA India Alternatives) to sell their entire stake (including repayment/transfer of all shareholder loans) in 11 operational and under-construction HAM assets for an aggregate consideration of ~INR23.2bn, subject to adjustments for cash and debt-like items and other adjustments.

The completion of the sale shall take place individually for each of the assets/SPVs, subject to fulfilment of certain conditions, including receipt of approval from: i) lenders of respective SPVs; ii) the NHAI; and iii) the CCI **(refer to: Asset monetisation underway).**

The company is looking to complete monetisation of five of these projects by end-Q2FY26.

In Q2FY25, ABL entered into an SPA with Indian Highways Concession Trust for divestment of its five BOT assets. The aggregate enterprise value of the transaction is ~INR57.2bn, which translates to an equity value of ~INR25.4bn. The company had infused equity of ~INR23bn for the same. Management is expecting to complete the transaction by end-Q2FY26.

By end-Q2FY26, the company expects to receive ~INR29bn from the monetisation of which ~INR17bn would be utilised towards providing an exit to SBI-M and acquisition of balance 26% stake in Jaora-Nayagaon project. The remaining ~INR12bn shall be used towards repayment of working capital loans. By end-Q3FY26, the company expects to dispose of another four HAM projects and receive ~INR6bn with the remaining two HAM assets likely to be disposed of by end-Q1FY27, thereby accruing ~INR5bn for the company.

Apart from the above, ~INR7bn will be received by the company over a period of time, post getting confirmation of extension of time.

- **Chennai ORR**: In Apr-22, the company` entered into a share purchase agreement with the National Investment and Infrastructure Fund Limited (NIIF) for the sale of 100% equity of Chennai ORR project for an aggregate financial consideration of INR6.9bn. However, the transaction being time barred has lapsed. The company has reinitiated the sale process and expects to conclude it in FY26. It has, thus, classified it as assets held-for-sale (at end-FY25).

- **Jaora-Nayagaon**: ABL had entered into an agreement with the NIIF to sell 74% of its economic interest in JTCL. The balance 26% stake in the project was held by Macquarie group (refer to ***Jaora Nayagaon stake sale brings cheer***). However, being time barred has lapsed.

  Now, the company (through its subsidiary Viva Highways) has entered into an SPA to acquire 26% stake of Jaora Nayagaon Toll Road Company for a consideration of ~INR1.5bn. After the acquisition, Jaora Nayagaon Toll Company would become a wholly owned subsidiary of ACL, allowing Ashoka to monetise the asset. The transaction will be entered into in FY26E; in the meantime, the company would structure its debt, get all the approvals for transfer and then go ahead with the monetisation plans.

- ABL along with its subsidiaries Viva Highways Ltd and ACL has entered into an SPA to acquire 34% of ACL from SBI-M for a consideration of ~INR15.3bn, thereby providing an exit to investors from ACL. The transaction is subject to completion

of sale of certain project assets of ACL and the company. Post-acquisition, ACL would become a wholly owned subsidiary of ABL.

While the earlier long stop date was June 30, 2025, the parties are working towards closure under the terms of the Securities Purchase Agreement.

- **Toll collection:** The toll revenue increased 3.6% YoY/12.6% QoQ during the current quarter to INR3.6bn.

Capacit'e Infraprojects

Guidance

- Revenue: 20% YoY growth.
- EBITDA margin: 16.5–17.5% including other income.
- Order intake: INR40–45bn.
- Capex: INR750–800mn

Order book remains healthy

Q1FY26 order-wins were ~INR12.9bn, whereas YTD order wins stand at ~INR14bn (~INR28bn orders in FY24).

Capacit'e ended the quarter with an order book of ~INR156bn at the consolidated level; revenue visibility remains healthy with book-to-bill at 6.6x.

The company is looking to add projects worth INR40–45bn in FY26E. It would focus on mixed-use and healthcare projects. The company strives to maintain a balance between residential and commercial projects as residential projects are labour-intensive jobs and availability of labour is an industry-wide challenge.

EBITDA margins fall YoY

EBITDA margins fell ~170bp YoY to 17.2% in Q1FY26. However, the margins were up ~450bp QoQ as EBITDA margins had declined in Q4FY25 due to the change in accounting policy by the company. It now recognises profit on any project only upon completion of ~10% of project work.

Profit booking for the phase I of the Signature Global project commenced during the quarter while that for the NBCC project will start Q2FY26 onwards.

PAT margin fell ~160bp YoY (flat QoQ) to 7.8%.

Net debt decreases QoQ

Gross debt decreased ~INR214mn QoQ to INR4bn. Net debt too reduced QoQ and stands at ~INR1.7bn (~INR1.9bn in Q4FY25). Leverage remains comfortable with net debt-to-equity at 0.10x.

The working capital cycle remained stable at 210 days (209 days at end-Q4FY25).

Q1FY26 conference call highlights

- **BDD Chawls (MHADA) project:** Work is on in full swing. Currently, six towers of sale components of 90 storeys each and 14 towers of rehab portion of 40 storeys each are available for construction. Piling work for three of the six sale towers is currently ongoing. Management expects to report INR3.5bn on its own books from this project in FY26E.
- **CIDCO project**: Work is going on in full swing, and the company expects to clock INR7–8bn from this project in rest of the fiscal.
- **Signature Global order**: Capacit'e added a new private sector client to its portfolio in Q2FY25, winning an order of ~INR12bn from Signature Global in Gurugram for its Titanium SPR project, phases I and II. The work on this project has started. Due to monsoons, the company expects to clock ~INR150mn revenues in Aug-25 but expects this to increase to INR220–230mn once the pace of work gathers pace.

GR Infraprojects

Key highlights

- **Guidance for FY26**

  7. Order intake: INR220bn in FY26 and ~INR300bn in FY27
  8. Revenue growth: 10% YoY in FY26E and 15% in FY27E
  9. EBITDA margin: 12-13%
  10. Capex: INR1bn.

- **Order book visibility:** GRIL ended the quarter with an order book of ~INR194bn (book-to-bill of 3x). Including L1 projects, the order book stands at ~INR237bn with a book-to-bill of 3.7x.

- **Order intake**: The company has emerged L1 bidder in an order in the state of Jharkhand for construction of Giridih bypass worth INR2.9bn. It is targeting ~INR220bn of order-wins in FY26.

  Of these, ~INR85-90bn would be from the roads sector, ~INR60-65bn from metro and rail segments, ~INR20-25bn from hydro and tunnelling, ~INR40-45bn in the transmission and ropeways segments and balance from telecom and other segments.

  It is currently L1 in two road projects worth ~INR43bn in Maharashtra where LOAs are expected in Oct-25, work likely to commence from Jan-26.

- **Order pipeline**: There is a total bid pipeline of ~INR3.4tn from the NHAI of which ~INR2-2.5tn is the relevant pipeline for the company. From these, management has identified ~INR1.4tn projects for themselves that they would be looking to bid for in FY26E. These are other opportunities worth ~INR1tn in railways, and ~INR400-550bn in hydro and power T&D each. The company is looking to bid for projects worth ~INR200bn in each of these other segments.

- **Q1FY26 order book breakdown**: Road EPC and HAM (69%), railways (6%) MMLP (4%), transmission (6%), hydro (7%), and others including telecom/OFC (8%).

- **Margin**: EBITDA margin during the quarter declined ~35bp YoY (down ~485bp QoQ) to 12.7%.

The company received the appointed date for the Kasganj Bypass project during the quarter. It also received the appointed date for Varanasi-Ranchi-Kolkata Highway project in Jul-25.

The company received an early completion bonus/GST claim of ~INR99mn during the quarter.

- **Debt:** Standalone debt decreased to ~INR3.9bn (~INR5.1bn at end-Q4FY25). Standalone net debt: equity stands at 0.0x (0.04x at end-Q3FY25).

- **Working capital cycle**: Net working capital cycle (adjusted for loans given to subsidiaries) increased QoQ to 169 days in Q1FY26 (132 days in Q4FY25). The increase in working capital days is primarily due to increase in inventory days for the power transmission and ropeway projects.

- **Exposure to HAM/BOT projects**:

  1. **Equity infused/loans and advances given:** INR24bn to date.

  2. **Equity commitment:** Pending equity commitment is ~INR26.4bn (including road-BOT and transmission projects), of which the company is likely to infuse INR8bn in rest of FY26 (INR3bn infused in Q1FY26) and ~INR10bn each in FY27E and FY28E.

- **Asset monetisation:** The company has formed a public listed InViT to monetise its HAM projects; it expects this to bring down its cost of capital.

  The company had initially transferred seven completed HAM projects and holds ~43.56% units of the InViT, resulting in gains of ~INR13.7bn and debt reduction of ~INR35bn at the consolidated level. In Q2FY25, GRIL transferred the Aligarh-Kanpur asset for a total consideration of ~INR3.4bn at a P/B of 1.1x, recording a gain of ~INR305mn. In Q4FY25, the Galgalia-Bahadurganj project was transferred to the InViT.

  The company received ~INR400mn in distributions from the REIT in Q1F2Y26 and expects INR2.3–2.4bn distribution annually from the InViT implying a 12% yield.

- **Capex:** The company incurred capex of INR333mn in Q1FY26. GRIL plans to incur INR1bn capex in FY26E.

- Management expects competition to come down in next couple of months due to tightening of financial and technical norms, which would enable them to earn decent margins and maintain current level of margins.

KNR Constructions

FY26 guidance

- **Revenue:** INR20–25bn
- **EBITDA margins:** 13–13.5%
- **Order inflow:** INR100–120bn (excluding the mining project)
- **Capex:** INR1bn

Order inflow surges

The company won a mining order worth ~INR35.5bn (KNR's share) in Q1FY26. Apart from this, it is also L1 in an ~INR22bn MSRDC project (LoA likely in Q3FY26) and an ~INR7bn flyover project in Telangana.

The company had won just two irrigation projects worth ~INR4.3bn in FY25. KNR had won a water supply order worth INR11bn during FY24 and three orders worth ~INR20bn during FY23.

Revenue visibility improves

KNR ended Q1FY26 with an order book of ~INR83bn; book-to-bill stands at 2.8x.

The transport segment, which used to make up majority of its order book, now constitutes only 27% of the total order book. The mining segment now has a larger share of the pie with 43% share as on end-Q1FY26 with the balance coming from irrigation/water supply projects. Captive HAM projects comprise 21% of the order book.

Management mentioned it looking to bid for ~INR800–900bn NHAI projects. They are also eyeing ~INR25bn projects from the Tamil Nadu government and ~INR20bn in Andhra Pradesh.

Apart from this, KNR is also looking to participate in irrigation projects in Madhya Pradesh, Rajasthan and Bihar.

It would continue to track opportunities in other infra segments such as railways EPC, metro, tunnelling work, bridges & flyovers, mining and solar power projects.

Margins fall

EBITDA margins fell ~820bp YoY/~20bp QoQ to 13.6%. PAT margins increased ~140bp YoY/~180bp QoQ to 10.6% in Q1FY26.

However, there were a few one-offs:

For the quarter ended Q1FY26, the company has received an arbitration claim for an amount of INR41.3mn, which is included in revenue from operations. Total INR68mn towards interest on such claim is included in the other income while expenses related to such claims of INR2.6mn are included in other expenses and the resultant tax of INR26.8mn is included in the current tax.

For the quarter ended Q1FY25, the company had received an arbitration claim for an amount of INR608.8mn, which is included in revenue from operations. Expenses related to such claims of INR44.1mn are included in other expenses while the resultant tax of INR142.1mn is included in current tax.

In Q1FY25, it had also received an amount of INR144.9mn as dividend from one of its associate companies, which is included in other income and the resultant tax of INR36.5mn was included in current tax of that period.

Leverage increases QoQ

The company ended the quarter with a gross debt of ~INR55mn (nil at end-Q4FY25). KNR had a net cash position of INR750mn at end-Q1FY26 (net cash of INR1.4bn at end-FY25). Net debt/equity was (0.02)x at end-Q1FY26.

Working capital cycle deteriorates QoQ

Net working capital cycle (ex-cash) increased sequentially to 324 days (274 days at end-Q4FY25).

Q1FY26 conference call highlights

- **Segmental split of revenue in Q1FY26**: Road HAM projects contributed ~58% towards revenue in the current quarter while road EPC contributed 31%. Irrigation/other segment made up 6%/5% of total revenue in Q1FY26.

- **Telangana receivables:** Total outstanding receipts from the Telangana government (including unbilled revenue) stand at ~INR13bn as on date.

- **HAM project portfolio:** KNR has an overall portfolio of eight HAM projects: seven from the NHAI and one from K-SHIP (Karnataka). Only three of these HAM projects – Magadi-Somwarpet, Oddanchatram-Madathukulam and Chittor-Thatchur have achieved COD/PCOD till date.

- **Completion status of HAM projects**: Oddanchatram-Madathukulam: 100% (100% at end-Q4FY25), K-SHIP project: 89.1% (88.7%), Ramanattukara-Valanchery: 99% (95%), Valanchery-Kappirikkad: 98.3% (93.4%), Chittor-Thatchur: 94.3% (90.7%) and Marripudi to Somvarappadu: 43.5% (37%).

  The company had achieved financial closure for Mysore to Kushalnagara project (Packages IV and V) in Sep-24 and received appointed date for both these projects in Apr-25. However, work has not commenced on these projects yet.

- **Ramanattukara–Valanchery project**: Due to some indeterminate subsoil conditions in the said location and high water table, one of the approach ramps with RE wall of the vehicular underpass had yielded and caused excessive settlement. As a result, the service roads was slightly distorted.

  Taking cognizance of this issue, the NHAI had initiated an investigation against the company and banned the SPV i.e. KNR Ramanattukara Infra Private Limited (wholly-owned subsidiary of the company) from participating in ongoing/future bidding for one month period.

  The suspension period is now completed and the company can now bid for future projects. However, the NHAI can take some further action against the company as it may deem fit.

- **Asset monetisation**: KNR is looking to monetise four HAM projects and is in advanced stages of discussions with potential buyers. It expects to enter into an SPA in Q2FY26.

- **Equity contribution:** Of the total INR9.9bn equity requirement, KNR has invested ~INR6.8bn equity to date. Incremental equity needed is ~INR3.4bn of which, ~INR3.1bn will be invested across FY26/27.

- **Irrigation projects**: The outstanding order book is ~INR14bn of which ~INR5bn is unbilled; hence, the net executable order book is ~INR9bn. The company expects to book revenue of ~INR3–4bn in FY26E from the irrigation projects.
- **Pipeline project:** Work on the pipeline project shall pick up pace in the coming quarters. Management expects to clock revenue of ~INR5bn in FY26E in this project.
- **Mining project:** During the quarter, the company received LoA from Patratu Vidyut Utpadan Nigam Limited (a subsidiary of NTPC in joint venture with JBVNL), for development and operation of Banhardih Coal Mining Block in Jharkhand for a total mining reserve of 34.5 MT.

  It is a joint venture with KNR Constructions holding 74% stake and Harsha Constructions Private Limited holding 26% stake. Total contract value is INR48bn (KNR's share is INR35.6bn).
- **Capex**: INR20mn incurred in Q1FY25.

NCC

Conference call highlights

1. **FY26 guidance**

   - Revenue: 10% YoY growth.
   - EBITDA margins: 9%.
   - Order intake: INR220–250bn.
   - Capex: INR7.5bn

2. **Order book**: Order inflows during the quarter were INR36.6bn. NCC ended the quarter with an order book of ~INR701bn (book-to-bill of 3.2x).

   YTD order inflows stand at ~INR67.2bn, which is at 31% of the lower end of guidance. It is also L1 in projects worth INR50–60bn.

   The company has a bid pipeline of ~INR2.5tn across the building, transportation, water and electrical T&D segments. NCC guided for order inflows of INR220–250bn in FY26E.

Given its segmental diversification, NCC would, in our view, sustain its strong run in order inflows (refer to *NCC - Firing on all cylinders*).

3. **Q1FY26 order book breakdown**: Buildings (34%), transport (26%), water and railways (6%), electric (22%), irrigation (5%) and mining (7%).

4. **EBITDA margin falls in Q1FY26**: EBITDA margin during the quarter decreased ~30bp YoY/~20bp QoQ to 9%. Adjusted PAT margin was flat YoY (down ~40bp QoQ) to 4.3%.

5. **Debt**: Due to the seasonality factors, gross debt increased to ~INR18.5bn in Q1FY26 (INR14.8bn at end-Q4FY25).

   NCC ended the quarter with net debt of ~INR10.3bn (INR1.5bn in Q4FY25); consequently, net debt to equity increased to 0.13 (0.02x at end-Q4FY25).

Management expects debt to fall in H2FY26.

6. **Working capital cycle**: The working capital cycle deteriorated to 116 days (93 days at end-Q4FY25).

7. **NCC Urban Vizag deal:** During Q4FY22, the company had sold its entire stake in its subsidiary NCC Vizag Urban Infrastructure. The equity invested by NCC in this subsidiary was INR500mn. The company has already received the entire equity amount. Of the loan amount, the company received INR150mn in FY25 while INR1.2bn is likely in H2FY26E.

8. **Smart meter projects**: NCC currently has two smart meter projects under execution worth INR80.8bn–INR57.6bn in Maharashtra and the rest (INR23.2bn) in Bihar.

   Maharashtra projects: The company has two projects here (in SPVs). The state government has provided clearances and the work has begun during the quarter. This project is likely to pick up pace Q2FY26 onwards.

   Bihar project: The company has already started work on this.

NCC has a total equity commitment of ~INR4.3bn in these projects over the next 1.5 years. It has already invested ~INR0.7bn to date and expects to pour in another INR1.5–2bn here in the rest of the fiscal.

9. **JJM projects**: Of the total orders worth ~INR160bn, the company has completed ~~INR120bn of the work to date. Major portion of the balance ~INR40bn is likely to be executed in FY26E.
10. **Investment in subsidiaries/JVs** at end-Q1FY26 was INR10.5bn (INR10.7bn in Q4FY25).
11. **Capex:** The company incurred capex of ~INR0.9bn in Q1FY26 and expects INR7.5bn capex in FY26.
12. **BSNL order:** Groundwork has started on this order and designing is going on. Billing is expected to start from Q3FY26 and pick up pace by end-FY26E.
13. **GMLR order**: Work on the casting yard and approach road has started. They are awaiting a few approvals post-which they will start the work in full swing here.

NBCC

1. **7 GPRA colonies work**:

   - **Netaji Nagar:** The first phase of the project worth ~INR14.5bn is underway and is about 85% complete as on end-Q1FY26. Two tenders worth ~INR24bn have been awarded recently while ~NR19bn tenders are in the pipeline. The total sales potential of the project is INR150–160bn.
   - **Sarojini Nagar**: Here, ~INR80bn worth of projects are currently underway. Additional INR27bn tenders are currently in the process of being awarded.
   - **WTC Project – Nauroji Nagar**: The project is fully completed and sold out. The company has realised sales of ~INR140bn in this project.

   The company is looking for more such projects and focusing on redevelopment of old colonies project in Rajasthan, Bihar, Chhattisgarh, Jharkhand and Tamil Nadu with revenue potential of INR100–150bn each.

2. **Amrapali project:** The company had initially received an order worth INR84.2bn in this project; most of the work has already been completed. The project contributed INR15.3bn revenues in FY25. Total 19 out of 24 projects are completed. The remaining four are slated for completion in this quarter and another by end-FY26. In terms of number of units, 28,000 units are already completed, another 17,000 units would be completed this quarter and the balance 2,000 units by end-FY26.

   NBCC has also received additional business in this project worth ~INR100bn in Phase II via additional FAR; it awarded ~INR100bn projects in Phase II in Q4FY25. The company has recorded a revenue of ~INR3bn from these project in Q1FY26.

   The company has monetised 4600 of the 8200 units via bulk deal in Phase II.

3. **Real-estate sales:** NBCC plans to sell another ~INR3bn inventory in FY26E.

   NBCC has land parcels across different parts of the country such as Jaipur, Kerala, Ghaziabad, Patna, Faridabad, Coimbatore, etc valued at ~INR7bn and GDV potential of ~INR80bn.

   It also has a 32-acre parcel in Ghitorni (Delhi) that will be launched in Q4FY26/Q1FY27; it has a GDV of ~INR40bn and a development potential of over 2msf. The cost of construction here would be INR5,000–6,000/sft while the current selling price is ~INR20,000/sft.

4. **Supertech projects:** Banking on its strengths of turning around stalled housing projects, NBCC has proposed a three-phase construction plan spread over three years to complete 50,000 apartments spanning 17 projects of Supertech. The estimated cost of completing all the projects is ~INR95bn while the receivables are pegged at ~INR160bn, including ~INR140bn that can be generated from unsold inventory of 10,000 units.

   Management expects the legal issues in the project to get resolved soon.

5. **Delhi colonies' redevelopment**: According to management, Delhi has 105 colonies. The company is in talks with the Delhi government for redevelopment of 15–16 colonies.

PNC Infratech

- **Order book split:** Road projects constitute 71% of the order-book with the balance coming from water/canal projects and a city development project from CIDCO.
- **Andhra irrigation project:** Work on the project has been stopped as water levels have started to rise in the canals. The work would resume Q4FY26 onwards, and the company expects to clock revenue of ~INR1.5bn in this project in FY26.

  PNC realised some payments in this project; as a result, pending receivables came down to ~INR0.9bn from ~INR2bn earlier.
- **Water supply projects**: The company's share of work in various projects received under the 'Jal Jeevan Mission' (JJM) project in Uttar Pradesh is ~4,800 villages.

  The phase 2 of the project is 67% complete while phase 3 is 55% complete. Management plans to fully execute this project by FY27. It expects ~INR9bn top line from JJM projects in FY26. Outstanding receivables stand at ~INR7bn for this project.
- **Our view on water projects:** Over the past couple of years, the government had made its intention clear about targeting the water-supply segment in a big way. It had launched the Jal Jeevan Mission, envisioned to provide safe and adequate drinking water through individual household tap connections by 2024 to all households in rural India. The government expanded this mission till 2028 in this budget.

  In the budget, the outlay for water supply has declined ~5% YoY to INR742bn; the outlay for JJM component has also declined 5% YoY compared to FY25 (BE).
- **Margins**: Adjusted EBITDA margin came in at 12.4% (up ~30bp YoY/flat QoQ) while adjusted PAT margin at 7.1% was down 40bp YoY/140bp QoQ.
  - **Equity requirement**: PNC has total 13 HAM assets left post the asset monetisation process, which was completed recently. Total equity requirement is INR17.4bn, of which the company has already infused INR10.2bn equity. The balance INR7.3bn equity would be invested over the next two–three years.
  - **Monetisation**: The company completed the sale of 10 HAM assets to Highways Infrastructure Trust (HIT) in May-25 for an equity consideration of ~INR18.3bn. The company still has ~INR2bn of receivables under the agreement. In Jul-25, the company also completed the sale of a BOT-toll asset for ~INR1.5bn. Overall, PNC received ~INR21.8bn from the monetisation of these assets against an equity investment of ~INR14.5bn (1.5x P/BV). Monetisation of the pending HAM asset is expected to get completed by end-Q2FY26E.
  - **Capex**: The company did not incur any capex during the quarter.
  - **Solar project**: PNC won a solar power project in Aug-25. It expects to start work by Q4FY26E and to infuse ~INR4bn equity in the project.
  - **Mining project**: The company has emerged L1 in a mining project in Q2FY26 worth ~INR29.6bn.
- **Toll**: Toll revenues during the quarter were INR868mn (up 6% YoY/20% QoQ).

Texmaco Rail & Engineering

Order intake improves

Given wagon ordering from IR has been tepid over the past year, Texmaco has enhanced its focus on the private sector and export wagons; in addition, it has won multiple orders in the non-wagon space too.

Order book increases QoQ

Texmaco's order book reported a sharp turnaround post-FY22 as wagon ordering gathered momentum. However, inadequate wagon ordering by IR over the past year has led to a decline in the order book.

Aided by the multiple order wins, the company's order book rose QoQ in Q1FY26. Its order book as at end-Q1FY26 was ~INR70.5bn.

The freight division (including the steel foundry segment) contributed ~77% of the standalone quarterly revenue in Q1FY26 while Rail & Green energy and infra-electrical segments contributed 10–12% each.

Sluggish order intake in wagon business

In May-22, IR awarded ~72,000 wagons to various wagon players in the country. Texmaco bagged an order of 20,067 wagons valued at ~INR64.5bn from IR as part of this tender. The momentum continued in FY24 with IR awarding ~24,900 wagons of which the company won 3,400 valued at ~INR11.6bn.

However, wagon ordering has been sluggish post-FY24.

In FY25, the company received orders for 677 BOBRN wagons from IR at a total contract value of ~INR2.9bn (including GST); this is apart from the 357-wagon orders won by Texmaco West Rail.

Some pickup was reported in wagon orders in Q1FY26; the company has won orders from the public sector, private sector as well as export orders in the wagon segment in FY26.

After the large wagon tender provided by IR in FY23, wagon ordering has decreased over the past two years.

Elections and heatwaves along with certain design and supply chain issues had affected execution during Q1FY25; but production normalised in Q2FY25. However, inadequate availability of wheelsets from the Indian Railways affected wagon dispatches and revenue in H2FY25 as well as Q1FY26.

To ameliorate the impact of shortage of wheelsets, Railways has allowed wagon manufacturers to use imported wheelsets.

While the wheelset issue is slowly improving, it is still persisting. Management mentioned that the situation has improved in Aug-25.

In Q1FY26, the company dispatched 1,815 wagons at the consolidated level compared with 2,597 in Q4FY25 and 2,714 in Q3FY25. In FY25, Texmaco dispatched 10,612 wagons of which ~1,930 were from Texmaco West Rail.

Texmaco's strength in the wagon vertical has been reinforced as the company acquired Jindal Rail (JRIL) for a cash consideration of INR6.15bn and renamed it Texmaco West Rail. It focuses on private sector wagons and has delivered over 8,600 wagons since 2012 (refer to ***Value-accretive acquisition***).

The company manufactured over 1,650 wagons and clocked revenue/EBITDA/PBT of INR7.5bn/~INR850mn/~INR574mn in FY24. In FY25, it clocked revenue/PBT of ~INR9bn/~1.25bn. The merger of Texmaco West Rail with the parent company is likely to be completed by end-H1FY26.

Texmaco currently has a capacity to produce ~15,000 wagons yearly at the consolidated level.

Order book of Bright Power division rises QoQ

To counter the inherent cyclicality of the wagon business, Texmaco has expanded its product offerings to reduce concentration risks.

- **Rail EPC division**: In the rail EPC space, the focus of the company is to complete the low-margin legacy contracts.

  The company has finished one contract in Bangladesh; it expects the second contract to be completed by end-FY26.

- **Bright Power**: Bright Power specialises in providing overhead electrification (OHE) solutions.

  The segment logged strong order accretion over the last couple of years. Its order book had surged ~5.7x over FY22–25. This is likely to lead to healthy revenue growth, going ahead.

  This division closed the quarter with an order book of ~INR17.5bn and earned a revenue of ~INR1bn in Q1FY26.

- **Steel foundry**: Texmaco boasts of the largest internationally accredited foundry in India, which is the only foundry approved by the Association of American Railroad (AAR) in the country. The company has the largest foundry for IR castings and is the biggest exporter of railway castings in India.

  The steel foundry division produced 8,667MT in Q1FY26, ~10,540MT casting in Q4FY25 and ~41,700MT in FY25.

  The foundry casting division had clocked revenue of ~INR8bn in FY25.

- **Components**: Texmaco has been present in the component business for quite some time now. Its hi-tech unit has long-term contracts with domestic and international customers for supply of bogie frames, under frames, fuel tanks, end assemblies, bolsters, snow-ploughs, brake levers and APUs, car body shell (CBS) components for IR e-Loco project, mining and earth mover equipment components.

  The hi-tech division clocked revenue of ~INR500mn in FY25.

  The component business is now reporting significant traction aided by higher domestic demand, government efforts to reduce import through domestic manufacturing (import substitution) as well as surging export opportunities due to the China-plus-one factor.

  For many MNCs, Texmaco is a global sourcing partner for precision-fabricated parts, machined systems and solutions. The company supplies bogies, passenger rolling stock and metro rail parts to many global majors.

  The company has created a niche for itself in the component business through JVs and acquisitions. These include:

  - **Wabtec JV:** Texmaco holds a 40% stake in this JV (balance held by Wabtec Corporation of the US), which is geared towards production of high-value

components including bogie-mounted brake systems, low-and-high-friction brake blocks (for freight, loco and coach applications), draft gears and friction wedges.

- **NYMWAG JV:** Texmaco has a 51% stake in this JV (balance held by NYMWAG CS a.s. – AZC Group), which plans to manufacture freight wagon and/or its components for domestic and international markets.
- **Saira Asia**: The company has acquired a 51% stake in Saira Asia, which manufactures components for interiors of passenger rolling stock. Saira Asia serves international customers such as Alstom and Hyundai-Rotem. It has designed the interior of Vande Bharat as well as coaches for Delhi Metro. The company believes Saira Asia has a revenue potential of INR5–6bn. The company has received ~INR230mn new orders in the last five months, mainly related to Vande Bharat.

Fortified balance sheet to aid growth

Increasing exposure to rail-EPC projects led to a steady rise in leverage levels for Texmaco since the rail EPC division needs a considerable amount of working capital.

However, with the contribution of the wagon segment in overall revenue increasing, the company's net working capital cycle is coming down.

Its leverage levels remained flat QoQ in Q1FY26.

Titagarh Rail Systems

Other highlights

- **Q1FY26 operating performance:** In Q1FY26, TRS's revenue fell 25% YoY, EBITDA margin decreased 20bp YoY and PAT margin came in at 6.3% (down 160bp YoY).

- **Order book**: The total order book of the company was INR260bn (INR245bn at end-FY25); of this, INR127bn orders (INR112bn orders at end-FY25) have to be executed over the next three–five years. This is further subdivided into INR41.1bn orders for the freight segment and the balance for the passenger segment.

  Furthermore, the company has long-term JV orders of INR133bn (of which, INR63bn is TRS's share of forged wheel order and ~INR70bn pertains to the company's share in Vande Bharat AMC JV).

Notes: i) Freight order book includes SBD orders as well.
ii) Passenger order book includes TRS's share of Vande Bharat order.

  As at end-Q1FY26, the order book consisted of orders for 10,772 wagons (11,500 wagons at end-FY25, 20,300 wagons at end-Q1FY25) and 1,721 metro and Vande Bharat coaches (1,583 coaches at end-FY25, 1,592 at end-Q1FY25).

- **Wagon dispatch:** Elections/heatwaves had led wagon production to fall to 2,073 in Q1FY25 (2,700 in Q4FY24, 8,389 in FY24). Production had recovered in Q2FY25 with the company delivering 2,670 wagons. However, dispatches declined QoQ to 2,233 in Q3FY25 and 2,455 in Q4FY25 due to inadequate availability of wheelsets (which are supplied by IR).

  The unavailability of wheelsets persisted in Q1FY26, hampering production. TRS delivered 1,628 wagons in Q1FY26.

  Revenue for the freight division at INR6bn in Q1FY26 was down 29% YoY and 34% QoQ. EBIT margins for the freight division at 11.2% in Q1FY26 were down 90bp YoY/60bp QoQ.

  - **Passenger division:** In Q1FY26, TRS delivered nine coaches (six in Q4FY24, three in Q3FY25, nil in Q2FY25, three in Q1FY25 and 42 in FY24). It delivered 300 traction motors/traction converters (176 in Q4FY25, 197 in Q3FY25, 185 in Q2FY25, 636 in FY25, and 84 in FY24).

  Revenue for the passenger division at INR774mn in Q1FY26 was up 27% YoY/but down 12% QoQ. EBIT margin for the division was 11.3% in Q1FY26, up 520bp YoY/80bp QoQ.

- **Indian Railways order:** Titagarh had won the single-largest order ever for the company from the Indian Railways (IR) for 24,177 wagons for a contract price of ~INR78bn in May-22.

FY26 to date, TRS has bagged orders for 966 wagons from IR and the private sector for an aggregate contract value of ~INR4bn. This includes an INR3.1bn contract from IR for delivery of 780 BVCM-C wagons.

The total order book of the freight segment stands at ~INR41.1bn representing 10,772 wagons.

IR has awarded ~1,220 wagons to date during the current fiscal.

- The foundry capacity expansion project of TRS is nearing completion, which will result in production capacity of ~8,500 tons/quarter by Q3FY26 and ~10,000 tons/quarter by Q4FY26. This will make the company fully self-sufficient for internal casting requirement for wagons.

- **Vande Bharat order:** Titagarh in a JV with BHEL had received a contract to manufacture 80 VB trains of 16 coaches each at a price of INR1.2bn per train. TRS will have a shareholding of 51% in the JV. Apart from this, the JV would have an AMC contract for 35 years, wherein TRS's share of revenue would be ~INR70bn.

  TRS is in advanced stages of completion of design phase of the project and has set up the complete car body production line for VB coaches in its plant in Uttarpara. It has started the production of the first car body during Q1FY26 and expects to complete the production of the prototype train of 16 cars by Q2FY27 post which series production will continue.

- **CRRC contract:** The company received an order to manufacture 204 coaches (34 trains of six coaches each) for Bangalore Metro on a "job contract basis" from the CRRC.

  The delivery for the contract commenced in Jan-25.

- **Gujarat metro orders:** For Ahmedabad metro order of 30 coaches (ten trains of three coaches each), TRS has commenced the production of the prototype train and expects to deliver the first train by Q3FY26E.

  Delivery of Surat Metro (72 coaches) shall start post the Ahmedabad metro.

- **Pune Metro order:** In Jun-25, the company won an order for 12 trainsets (36 coaches) worth ~INR4.3bn as quantity variation from Maharashtra Metro Rail Corporation for the Pune Metro rail project.

  The contract has a delivery period of 30 months with the first train to be dispatched in 24 months from the date of receipt of LoA. This order is for Aluminium coaches.

  TRS has used this opportunity to order equipment to set up the complete facility for production of aluminium metro coaches including flat packs, which were earlier imported from its associate in Italy. The company expects to complete this project by Q1FY27E, making it the only company in India.

- **Mumbai Metro Line 6 order:** In Aug-25, TRS received an order worth ~INR16bn from NCC for 18 trains of 6 cars each (totalling to 108 metro coaches) for Mumbai Metro Line 6 project of MMRDA.

  The coaches have to be delivered in 104 weeks (24 months) with the first train to be delivered in 62 weeks.

- With the recent additions, the total order book for the metro coach segment stands at **~INR31bn** covering 441 coaches across Pune metro, Mumbai metro Line 6, Ahmedabad metro, Surat metro and Bangalore metro (via manufacturing contract from CRRC)

- **Mumbai Metro Line 5 order:** Media reports indicate TRS is L1 bidder for the Mumbai Metro Line 5 tender for 132 coaches (***Link***). Assuming similar pricing as the Line 6 order, the total value for the rolling stock portion can be ~INR19-20bn, in our view.

- The company is targeting production of 120 coaches in FY26E against 12 coaches in FY25. The total rated capacity for Metro coaches in the first phase would be 250–300 cars per year, which the company would achieve by Q2FY27.

  It expects to reach production capacity of 50 cars/month by end-FY27E, 70 cars/month by end-FY28E and 100 cars/month over the next three–four years.

- **Propulsion system**: TRS has secured orders for supply of 273 traction motors to IR for ~INR430mn, resulting in a total external order book of this division of ~INR5.4bn consisting of traction motors for locomotives, propulsion systems including traction converters for EMU and propulsion systems including traction converters for MEMUs.

  It produced 300 traction motors during Q1FY26 against 176 in Q4FY25 and expects to achieve the targeted production of 450 traction motors per quarter by Q4FY26 subject to orders.

  The company has obtained the design approvals for the EMU propulsion system and has completed the production of the prototype rake for the same, which is in the final phases of testing and approvals and expects to despatch the prototype during Q2FY26.

  Over the medium term, management believes TRS can produce 2,000 traction motors annually (INR3–4bn revenues) in addition to INR5–10bn annual revenues from propulsion system for EMU/MEMU/VBs. Hence, the annual revenue potential for the propulsion system alone can be ~INR15bn.

- **Wheelsets JV with RK Forgings:** The delivery of wheelsets is scheduled to commence in Jun-26E; the project is progressing as per schedule.

- **Partnership with ABB:** Titagarh has formed a strategic partnership with ABB India to supply propulsion systems for metro rolling stock projects in India. This agreement will enable development of in-house capabilities for the company's own TCMS, including driverless (Grade of Automation 4) TCMS, and setting up of a TCMS Laboratory along with the development of the source codes, which is often referred to as the 'brain of the train'.

- **Alliance with Amber Enterprises:** Titagarh also entered into a strategic alliance with Sidwal Refrigeration Private Limited, a wholly-owned subsidiary of Amber Enterprises India Limited, in Jan-24 to carry on the business of railway components and subsystems. Both companies would invest ~INR1.2bn each in an SPV to set up a new facility in India to manufacture critical railway components and subsystems for metro coaches/passenger rolling stock. The SPV would also make fresh investments in Titagarh Firema SpA, along with new investment to be made by the Government of Italy.

- **Issue of warrants to promoters**: The company has approved issuance of ~2.1mn convertible warrants at INR947/- each to promoter group entities, totalling ~INR2bn, with shareholder approval in place.

- **Purchase of land:** TRS entered into a 99-year lease agreement in Jul-25 with the West Bengal government for ~40 acres of land contiguous to its existing factory at Uttarpara, West Bengal, at an aggregate cost of ~INR1.37bn. The strategic nature of this land parcel provides crucial space for establishing enhanced production infrastructure, and dedicated areas for testing and commissioning of metro coaches and Vande Bharat trains.

- **Transfer of shipbuilding and maritime business**: The company plans to transfer the shipbuilding and maritime business to a wholly owned subsidiary (Titagarh Naval Systems Private Limited). It proposes to establish and expand its shipbuilding facility at Falta where it had acquired the assets of Precision shipyard in 2023 with capacity to produce 12–16 vessels per year of up to 180 meters in length.

  It will pursue this growth opportunity independently or via induction of strategic partners / investors as the case may be.

- **Defence business**: TRS has formed a committee to propose strategy for the defence and bridge business segment (including inter alia identification of a strategic / joint venture partner) in order to enable the company to focus on the core business of Railway systems, while allowing the development of the other businesses independently.

- **Titagarh Firema Spa (Firema):** The associate of the company i.e. Firema, where the Government of Italy, through its investment agency, Invitalia also owns 31.01% equity shares, has been facing operational and financial challenges due to which Firema has obtained necessary protection procedures under the Italian Crisis Code - Composizione Negoziata della Crisi (CNC).

  Under the CNC process, Firema, with the support of the Ministry of Enterprise, Government of Italy, have been actively trying to find a resolution to the aforesaid problems including identification of potential equity investors for Firema. The CNC process is likely to be finalised in Q3FY26.

Railways: Budgetary allocation flat YoY in FY26

In the recent Union Budget, the government allocated ~INR2.7tn to the railway sector, which is flat YoY.

Compared with the budgeted targets for FY25, the procurement of both wagons and passenger coaches fell short of target; Railways intends to cover up the shortfall in FY26. It plans to procure 38,000 wagons in FY26 (BE) compared with 30,000 in FY25 (RE). Similarly, the target for coach procurement has also increased to 9,423 in FY26 (BE) versus 7,910 in FY25 (RE). The targets for locomotives remain flat YoY at 1,600.

Metro rail: Capex increases YoY

The metro rail segment is likely to get ~INR336bn worth of support in FY26 (BE), up 19% YoY compared with FY25 (RE) and 35% YoY compared with FY25 (BE).

Media reports indicate that the central government has set a goal to scale up metro and intercity rapid rail connectivity in India as it wants to scale up metro connectivity to decongest cities as they grow.

IT

Birlasoft

- **Revenue** fell -1% in USD. BFSI, Life Sciences and Services, and Energy Utilities have delivered sequential growth, but a decrease in manufacturing more than offset growth in other verticals.
- **Demand environment** remains difficult. There was a delay in decision-making and cut in discretionary spends. Management expects growth in Q2 and expects FY26 to be hurt by macro headwinds.
- **Verticals (%, QoQ)**: Energy and utilities sustained growth trajectory growing 1.9% QoQ.
- **Life science** returned to growth with 1.4% growth while BFSI delivered marginal growth of 0.3% QoQ.
- **Manufacturing** fell 4.2% QoQ due to project completion, ramp downs as well as insourcing. Med devices clients are reporting growth, but core-manufacturing client continue to see headwinds.
- **Services:** Management highlighted seasonal softness on the payment side. While they expect growth in Q2, it may be flattish in Q3.
- **Digital and data** grew 2.7% QoQ on the back of new engagements and incremental revenue from existing accounts.
- **EBITDA margin** came in at 12.4%, down 80bp QoQ. Margins were down due to higher base in Q4 as last quarter had some one-time benefits. Management has not decided on a wage hike yet.
- **Tax rate** was higher at 36% due to higher provisions and is likely to remain higher in FY26 before coming back to normalised levels from next year.
- **Deal wins** came in at USD141mn (-40% QoQ/-12% YoY). Deal wins in Q1 and Q2 are generally lower due to lower component of renewal compared with H2. There was one deal, which was right shifted to Q2. Secured some marquee deal wins especially in GenAI. Management shall be looking to close at least one large deal, which will help deliver strong deal wins in FY26.
- Management highlighted continuing investments in sales and other growth areas with focus on deal wins. New hiring shall be domain oriented while more focus shall be on client mining.
- **Outlook:** Would grow sequentially in Q2. Shall be difficult to deliver growth in FY26. EBITDA margins would be in the current range and as revenue growth comes back, margins shall improve.

Coforge

- Q1FY26 was exceptional for Coforge with 8% QoQ CC growth, positioning the company well for a strong FY26. Organic revenue increased 5.9% QoQ. Management saw a ramp-up of the largest deal-wins in this quarter.
- **Vertical growth:** Growth was led by Travel +32.2% QoQ, followed by Health (+12% QoQ) and Government outside of India (+6.6% QoQ) while BFS decreased 1.1% QoQ. It is working on large deal-wins in BFSI; so growth should bounce back.
- Run the enterprise continues to remain volatile and under pressure due to macro uncertainty, but change-the-enterprise budget continues to remain strong. AI budget is expanding in double digits.
- Coforge's execution, hyper personalisation and engineering capacity helped deliver stronger growth.
- **Deal-wins:** The company signed five large deals. Total order intake was USD507mn while the executable order book was USD1.55bn, up 46.9% YoY. It aims to close 20 large deal in FY26. Sabre deal shall continue to ramp up in Q2 and shall stabilise Q3FY26 onwards.
- **EBIT margin** was flat due to high amortisation from acquisition, increased sub-con cost, higher visa cost and ramp-up cost of a large deal. Management highlighted giving one-time bonus to employees. Coforge is now on the path to delivering 14% EBIT in FY26 itself. Management shall announce a wage hike in Q3FY26 while ESOP cost would come down (-90bp reduction) Q3 onwards.
- **Employee metrics:** Added 1,196 employees in Q1FY26. Utilisation rose marginally by 10bp QoQ to 82.1%. Attrition increased 40bp QoQ to 11.3%—remains lowest in the industry.
- **Total capex** was INR85mn; used in one of the data centre deals, out of which INR62mn was received as advance from clients while the balance was funded through a term loan. Capex cost is anticipated to come down to normal levels.
- Effective date of merger with **Cigniti** was April 1.
- **Outlook:** Coforge has delivered 5.9% QoQ CC organic growth and anticipates similar growth in Q2 as well. **H2 would be stronger** than H1.

Cyient

- Cyient has completed the semi-conductor business carve out. Cyient has built a strong partner ecosystem in Semiconductor.
- **DET revenue** grew -1.5% QoQ in CC/flat YoY.
- **Order intake** increased 10%. In Q1, Cyient added 14 new logos. Key accounts consisting of 36 accounts grew 11% YoY/4% QoQ. Witnessing traction in new deal activity in the order book. Client spending has improved as they adjust to new reality; Cyient is no more in investment freeze mode like in March/April.
- **Leadership changes**: Appointed Kavita Kurup as Chief People Officer, Arunav Roy as SVP of the connectivity business and Ram Chittoor to lead the Healthcare & Life sciences.
- **EBIT margin** was down 63bp QoQ/61bp YoY primarily due to the first tranche of wage hike.
- **Transportation & Mobility (Auto + Aero + Railway):** Grew 1.2% QoQ CC. Management sees aerospace as a leading driver of growth and expects continued growth in this segment.
- **Network and Infra (Communication + Utility):** Declined 5.2% QoQ CC. It would take a couple of quarters to return to growth path.
- **Strategic Units (Mining & Minerals + Energy + Healthcare & Lifesciences):** Decreased by 2.3% QoQ CC. Mining and Healthcare grew while Energy declined was due to the impact from one key project.
- **Outlook**: Management aspires to achieve 15% EBIT margin in the medium term.

Firstsource Solutions

- Revenue grew 1.6% QoQ/19.25 YoY in CC.
- **Verticals: BFS** vertical was flat QoQ/grew 7% YoY in CC terms. Added two new logos and management highlighted strengthening sales and solutions team in this vertical, particularly in North America. Exiting this quarter with a very strong pipeline in North America.
- **Healthcare** grew 2.3% QoQ/13.5% YoY. Added eight new logos in this vertical and all large deals in the quarter were in this vertical. Remain confident of an accelerating growth trajectory in this vertical supported by the visibility from recent large deal-wins.
- **CMT** vertical delivered 6% growth QoQ/18% growth YoY in CC. Added seven new logos in Q1.
- **Diverse portfolio (retail and utilities business)** saw a decline of 3% QoQ in CC, mainly due to seasonal softness in the utilities business. However, saw a healthy deal pipeline in this portfolio in both the retail and utilities verticals, which should translate to a broad-based growth in the coming quarters.
- **North America** grew at 5% QoQ and 22% YoY in CC terms. Expect growth to remain healthy. Broad-based across its three core verticals in North America.
- **Europe** was down 7% QoQ, mainly due to seasonal softness in its UK-centric utilities business. UK clients continue to accelerate their shifts towards offshore and nearshore delivery locations over the last few quarters.
- **Australia** continues to grow on the back of ramp-up of deals won in FY25, and management is optimistic of the trajectory going forward.
- **EBIT margin** was 11.3%, +10bp QoQ/+30bp YoY. Wage hike will be in two phases – will offer wage hike to junior employees in Q2 and wage hike to seniors in Q3. Despite the wage hikes, margin should continue to improve during the year. There is a further opportunity to increase offshore-to-onsite mix.
- **Deal-wins:** In Q1 signed four large deals (ACV of USD5mn+), and ACV is among the highest in last five quarters. Added 17 new logos in Q1, highest ever in a quarter over the last three years. New logo addition happening at a larger scale. Average deal size of new logos grew by 16% over the last four quarters. Client additions include nine strategic logos in Q1, potential ACV of USD5mn-plus.
- **Pastdue Credit acquisition:** The acquisition is subject to regulatory approval. It help gain capability in UK debt collection market. It will be margin- as well as EPS-accretive.
- **Employee metrics:** Headcount declined by 156 QoQ. Attrition declined further to 28.9% versus 29.8% last quarter. FSOL continues to right-shore headcount with 80% hiring in nearshore and offshore.
- **UnBPO** is about reimagining the entire business model from every angle. It blends the gap between software and services. Traditional boundary between front office and back office is blurring.

  Outlook: Will be maintaining Top decile revenue growth despite macro uncertainty. Increased lower end of the revenue growth guidance to 13–15% from 12–15%. Maintain margin guidance of 11.25–12%.

HCL Technologies

- **Q1** was a seasonally weak quarter, down 0.8% QoQ in CC. Macro environment has remained stable since last quarter has not deteriorated.
- **Services revenue** declined 0.1% CC QoQ and grew 4.5% CC YoY. Strength of portfolio helped offset the Q1 seasonality headwinds.
- **HCL software** declined 7.1% CC QoQ/3% CC YoY, had a weak quarter. ARR came in at USD1.06bn, +1.3% YoY.
- **Vertical performance: Tech** led the growth with 13.7% CC YoY, with ~6% contribution from ramp-up in one deal in March.
- **Financial Services and Tech** are seeing investment in Discretionary while Public Service and Manufacturing and Retail remain challenged. Automotive remains challenged too, and not expecting recovery anytime soon.
- **Margin** came in lower than expectation due to three factors: i) Utilisation dropped due to ramp-down in Automotive. ii) Slower ramp-up in large deals and were unable to deploy employee released due to productivity benefit. iii) Client bankruptcy and other one-off impacted profit. Margin was impacted by higher S&M (30bp), lower utilisation (80bp), one-off impact including client bankruptcy (30bp) and revenue mix (20bp), which were partially offset by Project Ascend.
- **Deal-wins:** New large deal-wins came in at USD1.8bn, -39% QoQ/-8% YoY. HCLT closed a large consolidation deal post-June in Financial Services. Some of the large deals slipped to Q2, and management expects to see an improvement in next quarter. Delays were procedural in nature, which closed this month.
- **GenAI/AI:** Agentic AI is seeing traction, particularly in efficiency-focused deals. Announced partnership with OpenAI—one of the first strategic AI partners—and also with UiPath, Google Cloud and Nvidia, among others. HCLT was first to launch a full-stack AI solution – AI force deployed at 35 clients. AI engineering is gaining traction while Data and Cognitive has found interest. HCLT software is making progress on Agentic AI. Seeing the size of engagement increasing from Pilot to multi-million dollar engagement.
- **Outlook:** Revenue guidance increased from 2–5% to 3–5%. Margin guidance reduced to 17–18% due to: i) lower margin in Q1 will have 20bp impact on annual; ii) lower utilisation in FY26 overall (10–20bp); iii) investment in AI and sales & marketing capabilities will have impact of 30bp; and iv) restructuring of organisation during FY26 and have built up this cost of 30–40bp.
- To achieve top end of the guidance, management expects a very quick ramp-up in large deals in Financial Services.

Infosys

- **Revenue** grew 2.6% QoQ in CC including 0.4% from acquisition. Growth achieved despite a 60bp reduction in third party cost. Major impact seen in Retail, Manufacturing, logistic.
- **Verticals: FS** saw good growth in US with capital markets, commercial banking and wealth management seeing a lot of transformation opportunities. Agentic AI is playing pivotal role with focus on areas like KYC, onboarding and portfolio management. Infosys is preferred AI partner for 10 of the Top 20 FS clients. Pipeline is strong while clients are cautious due to macro uncertainty.
- **Manufacturing** segment continues to face challenges in automotive, industrial and Europe with decision making delayed and soft discretionary signs.
- **EUR&S** outlook remain mix due to macro uncertainty. Pipeline for both large and mega deals remains strong. In Energy, client are focusing on client consolidation. In Services, client remain cautious about spending across CapEx and OpEx.
- **Retail** growth follow.cted by tariff uncertainty. Slowdown in discretionary spent in Retail.
- **Communication** is facing growth challenges. Client are focusing on cost takeout and vendor consolidation. Growth was driven by pickup in previously won deal.
- **Geography:** NA grew 0.4% CC YoY. Europe grew 12.3%, 3 times the company average. Management is seeing opportunities in Europe, primarily driven by consolidation deals.
- **Large deal wins** were robust at USD3.8bn with 55% net new, including one mega deal. In Q1, Won 9 deals in communication, 6 in E&U, 5 in manufacturing, 4 in FS, 2 in hi-tech and 2 in retail. 20 deals in North America, six in Europe and two in RoW.
- **AI/GenAI:** Management is seeing good demand from AI agent. Have built 300 Agent, helping in improving customer experience and operation efficiency.
- **Margin** came in at 20.8%, -20bp QoQ despite absorption of wage hikes and high variable pay. Headwinds from high variable pay (-100bp), currency movements (-30bp), investments (-20bp) partially offset by increase in realisation driven by Project Maximus and seasonality (+70bp), lower amortization costs (+40bp) and lower third party costs (+20bp).
- **Employee metrics:** Employee addition of 210, similar as last quarter. Utilization increased by 30bps QoQ.
- **Outlook:** Revenue growth guidance revise to 1-3% from 0-3%. This continue to assume reduction in third party revenue. Lower end of the guidance assume elevated macro uncertainty while higher end of the guidance assume steady macro environment.
- Maintain operating margin guidance of 20–22%.

L&T Technology Services

- **Revenue** declined -4.2% QoQ/+12.8% YoY in CC. Smart World seasonality predominantly led revenues to decline 2.9% QoQ. Additionally, headwinds from macro environment and challenges in automotive sectors impacted growth.
- Clients are **cautious on decision-making,** but expect H2 to be better than H1.
- **Verticals:** Segment **Sustainability** grew 16.4% YoY/4.1% QoQ to cross the USD100mn quarterly milestone. The large deal closure in previous quarters are ramping up and shall lead to further growth during the year.
- In **Plant engineering,** continue to see strong demand in oil & gas and CPG led by greenfield and brownfield capex projects. Management is also seeing ongoing demand in plant modernisation for increased efficiency, sustainability and safety-led projects for legacy plants.
- **Auto** remains in flux; expect weakness in near term and pickup Q4 onwards. Truck and Highways, and Aero & Railway space grew well.
- **Tech vertical** grew 29.4% YoY due to Intelliswift revenue but was down sequentially due to seasonality of the Smart World sub-segment. Revenues from the Middle East will start in FY26. Expect deal-wins in coming quarters to drive Tech's growth trajectory Q2 onwards.
- **Margin** came in at 13.3%, +10bp QoQ despite lower revenue.
- **Mobility margin** was lower QoQ due to delay in decision-making and discounts asked by customer.
- **Sustainability margin** came in at 27.4% showing a significant improvement due to ramp-ups of large deal wins in both sub-segments. A healthy pipeline and deal closures in this segment will continue to aid revenue growth and margin improvement in coming quarters.
- **Tech margin** came in at 9%, down due to continue strategic support for select program and customer.
- **Large deal-wins** crossed USD200mn. Management intends to keep large deal-wins higher than USD200mn going ahead.
- **Offshore** percentage now stands at 56.1%. The T&M revenue mix was 62%.
- **Outlook:** Continue to guide for double-digit growth with FY26 growth higher than FY25. Maintain our medium-term outlook of USD2bn in revenue.
- Expect margins to improve Q2 onwards with H2 likely to be better than H1. Management continues to aspire for EBIT margin improvement to mid-16% levels between Q4FY27E and Q1FY28E.

LTIMindtree

- **Revenue** grew 0.8% QoQ in CC.
- **Verticals:** BFSI grew 1.6% QoQ; Technology, Media and Communications stabilized this quarter, grew 0.8% QoQ; Manufacturing and Resources grew 0.3% QoQ; Consumer Business delivered robust growth of 6.2% QoQ; Healthcare, Life Science and Public Services grew 4.8% QoQ.
- **Geography:** Europe grew 9.7% (~3% QoQ in CC) and Americas 1.8%; rest of world declined 6% QoQ.
- **Deal-wins:** Won deals worth USD1.63bn, up 17% YoY, marking the third consecutive quarter of order inflow exceeding USD1.5bn. Large deal traction is improving and the company won its largest-ever deal this quarter. Large deal implementation has started with staggered impact in Q1 and Q2, and no material impact on margins from large deal implementation.
- **AI/GenAI:** LTIM has launched 62 initiatives across delivery and service lines. HR and Recruitment team has introduced AI in the recruitment cycle. Launched BlueVerse—an Agentic AI Platform to accelerate innovation and optimization. Also launched GCC as a service to ensure cost optimisation and value realization.
- **EBIT margin** came in at 14.3%, up 50 bps QoQ. Operating efficiency measures (Fit for Future) led to 100bps which was offset by higher visa and travel cost.
- Hi-tech margin decline was cyclical; expect margin to improve going ahead.
- **Employee metrics:** Headcount stood at 83,889, a decline of 418 employees and on-boarded 1,600 freshers. Utilisation increased to 88.1% from 85.8% last quarter. Management intends to reduce utilisation to 86–87% going ahead to manage demand better.

Mphasis

- **Growth:** Mphasis delivered revenue growth of 1% QoQ CC, hurt by the decline in non-strategic ATM business while direct business continues to remain strong. Direct revenue for the quarter increased 1.6% QoQ/8.1% YoY in Q1 in CC terms.
- **Verticals:** BFS has grown +6.7% QoQ/+18% YoY in Q1 while direct BFS grew 8.1% QoQ. BFS growth was driven largely by wallet share gains in existing accounts. Ramp-up of new deals won in recent quarters.
- **Insurance** vertical grew 20%+ QoQ/+27.5% YoY in CC. Direct TMT vertical grew by 2.4% QoQ/20.6% YoY driven by continued deal-wins and conversion from the recent large deal-wins to revenue.
- **Logistics & Transportation** declined 46.2% QoQ impacted by customer-specific investment. This headwind is behind; expect this vertical to recover Q2 onwards.
- **Geography:** US grew 3.2% QoQ/10.3% YoY in direct. The EMEA region declined 15% QoQ in CC. The impact seen in EMEA is due to a ramp-down of a global customer in this region. The RoW segment grew 6.8% QoQ/30% YoY CC. ROW includes the impact of decrease in the non-strategic ATM business.
- **Service lines:** Applications grew +3.6% QoQ. Indirect BP and IT service lines for direct declined by 2.7% QoQ and 5.3% QoQ, respectively.
- **Client metrics:** Top 1–10 grew 7.6% and Top 11–30 grew 7.4%.
- **Deal-wins:** TCV came in at USD760mn with 68% AI-led deals, including four large deals, of which three are USD100mn-plus each. TCV deal-wins led by BFS, Insurance and TMT. Large deal pipeline is up 42% QoQ/+157% YoY.
- AI is supercharging the pipeline, which in Q1FY26 was 68% led by AI deals. The BFS pipeline was up 47% YoY and non-BFS pipeline by 108% YoY. Large deals' pipeline is up 40% QoQ/154% YoY.
- **AI/Gen-AI:** Since the launch of Mphasis AI, Mphasis has 250+ of AI ML models available on Amazon, Microsoft and Google Marketplaces. Since the launch of Mphasis AI, its pipeline has grown 2.2x.
- **EBIT margin** remain stable at 15.3%, flat QoQ.
- **Outlook:** Mphasis guided for 2x industry growth on the back of Q1 performance and a steady conversion of TCV to revenue as well as a steady ramp-up of large deals in ongoing quarters. Maintain EBIT margin guidance of 14.75% to 15.75%.

Persistent Systems

- Revenue grew 3.3% QoQ CC. Overall demand environment was slower with difficult macro. Any improvement in macro should help going ahead.
- **Deal wins:** TCV for the quarter stood at USD520.8mn with TCV of new bookings coming in at USD337mn. The ACV of this TCV is USD385.3mn, out of which the ACV from new bookings contributed USD211.8mn. Overall pipeline is strong. Revenue conversion is a factor of ACV booking and revenue recognition from long-term deals.
- **Client metrics:** In US dollar terms, Top five customers grew 22.8% YoY, Top 10 by 20.2%, Top 20 by 23.1%, Top 50 by 22.7%, and Top 100 by 22.4%. As you would notice, there is a secular increase in revenue across all categories in the Top 100 accounts.
- **Geography:** NA grew 17.4% YoY, Europe grew 37.5% YoY, India grew 18.3% YoY and ROW grew -1.7% YoY.
- **Healthcare** decline by 2.1% QoQ, this was primarily due to transition of revenue for one client from onshore to offshore. Management expect growth in Healthcare from next quarter onwards. PSYS have grown very well in largest customer and done vendor consolidation as well. Growth was impacted by offshoring of business.
- **EBIT margin** came in at 15.5%, -10bps QoQ, +150bps YoY. Lower Esop cost (+230bps), absence of earn-out reversal (-60bps), transition from onsite of offsite and delayed ramp-up in some of account (-100bps), higher amortization (-40bps), fx impact (-40bps). Wage hike is delayed due to macro concerns. ESOP cost will remain flat for next couple of quarter before reducing again.
- **AI/GenAI:** Working on two areas. i) AI for Tech: Focusing on enhancing engineering productivity launched Sasva 3.0. ii) AI for business enabling enterprise to be AI ready, working with multiple Fortune 1000 companies to modernize their AI architecture.
- **Employee metrics:** Headcount increased by 746 QoQ. Attrition increase to 13.9% from 12.9% QoQ. Rajiv Naithani joined as Chief people officer, succeeding Yogesh Patgaonkar. Appointed Shimona Chadha as the new chief marketing officer.
- **Outlook:** Will continue to aspire for Top quartile growth in FY26. Management remain committed of achieving USD2bn in revenue by the end of FY27.

Tata Consultancy Services

- **Growth:** Revenue decreased 3.1% YoY CC due to macro headwinds, which led to a delay in decision making and a pause in existing projects.
- Clients continue to remain focused on cost optimisation and transformation projects. Discretionary projects continue to face higher scrutiny.
- **Verticals: BFSI** clients were cautious due to current macro uncertainty. Banks are focusing on compliance and cost-efficiency measures. US bank's revenue was stable while Europe's bank business reported a contraction. Discretionary spends are under pressure. Insurance in the US is displaying caution while in Europe it is reporting an improvement.
- **Auto sector** remained under pressure while Manufacturing posted minor growth.
- **Life science** clients are cautious as clients are grappling with pricing and supply-side challenges.
- **Communication:** Clients are focusing on diversifying revenue and cost-optimisation initiatives. It is posting strong growth in the hi-tech segment.
- **Deal-wins:** TCV for the quarter was USD9.4bn, up 13% YoY. NA TCV was USD4.4bn, BFSI TCV was USD2.5bn while Consumer TCV was USD1.2bn. The pipeline remained strong as TCS was able to replenish these deal wins. BSNL deal is not part of TCV as it has just received an advance purchase order.
- **Employee front**: Net addition of ~5k in Q1FY26. Attrition at 13.8%. Continues to scale up its workforce in data and AI.
- **Margin** was 24.5%. Improvement of 30bp QoQ. TCS invested in building capacity this quarter, its utilization were lower which was offset by lower third part cost. Looking to improve margin going ahead despite of higher BSNL revenue going ahead. Added employee in Q1 in anticipation of deal implementation but Q1 did not pan out as expected.
- **Outlook:** Management maintained guidance of growth in international business in FY26 being better than FY25.

Tech Mahindra

- **Revenue** declined -1.4% QoQ in CC. The performance was driven by growth in the Communications, Retail and BFSI verticals while a slowdown was seen in Auto and Manufacturing within the discretionary part. Slowdown also in Hi-tech clients; Telcos has stabilized.
- **Verticals: Communications** grew 2.5% YoY supported by stabilisation and spending in top clients. In Telecom, management has seen stabilisation and stable growth in APJ. Management is seeing volatility in India and South Africa. In Europe, management is seeing pipeline in consolidation deals. TechM has made significant inroads for Comviva in Europe. In Americas, business has stabilised, and the company expects a recovery going ahead.
- **Manufacturing** declined 4% YoY impacted by softness and discretionary spend within the automotive segment. Exposure is largely in US Autos, so the impact is limited while Europe exposure is limited to Pininfarina.
- The **BFSI** vertical, which reported 4.7% YoY growth, continues to be one of the fastest-growing verticals.
- **Hi-tech** declined by 3.3% YoY—due to restructuring in semi-con Industry and a budget cut in one of semi-con clients. Gradual recovery expected during the rest of the year.
- **Geography:** America declined by 5.9% YoY, Europe grew by 11.7% YoY, and the rest of the world increased by 2.9% YoY with Europe and RoW benefitting from currency tailwinds.
- **Large deals' TCV** came in at USD809mn, 44% YoY on an LTM basis. Deal momentum to remain strong and will support revenue growth in coming quarters as large deals will start accruing to revenue Q2 onwards. Added 50 must-have accounts this quarter.
- **GenAI/AI:** The AI Delivered Right strategy has been resonating well with clients. It is being executed on four foundational pillars—transformation delivered, productivity delivered, innovation delivered and assurance delivered. TechM now has a portfolio of 200-plus enterprise-grade AI agents across industry segments. Several of these are already in use at scale by clients.
- **EBIT margin** was 11.1% versus 10.5% last quarter. Margin had a headwind of Comviva seasonality, higher visa cost and lower utilization, offset by savings from Project Fortius, operational levers such as favourable offshore mix and G&A optimisation. Management highlighted their plan of being in an 8–10% subcontracting band.
- **Employee front:** Headcount reduced by 214 with hiring of ~250 freshers. Continue to focus on leadership development: Mr Amol Phadke joined as Chief Transformation Officer, and seen internal elevation of leaders: Mr Manish Mangal as Head of Americas communication and Mr Sahil Dhawan as Head of IMEA.
- **Outlook:** Continue to expect FY26 growth to be better than FY25. Management reiterated margin guidance of 15% by FY27 driven by productivity improvements such as offshoring programs, strengthen governance on both new and existing deals and integration of portfolio companies.

Wipro

- **Revenue** declined 2% QoQ/2.3% YoY in CC. Clients continue to prioritise cost optimisation and vendor consolidation. Management highlighted accelerated AI and data modernisation programs.
- **Vertical growth (%, QoQ in CC):** Capco grew 6% YoY.
- **BFSI (-3.8% CC QoQ):** Demand is strong and clients are modernising IT landscape with focus on AI-led efficiency. Won two mega deals.
- **Consumer (-4% CC QoQ):** Management is seeing a cautious approach by clients.
- **Retail and Manufacturing** most impacted by tariffs, and discretionary spending has been weak.
- **Tech (+0.4% CC QoQ):** Driving AI investments, and clients are looking to innovate. Won a large deal, potential to become a mega deal.
- **Healthcare (+0.5% CC QoQ):** This vertical continues to do well as clients continue to invest.
- **Geography growth (%, QoQ in CC):** Americas 1 grew 0.2%, Americas 2 grew -1.7%, Europe -6.4%, APMEA 0.6%. Phoenix deal will start implementing Q3 onwards and will support revenue growth.
- Management is continuing to see strong deal momentum **in Americas**. **Europe** continues to face headwind as clients are focused on maintaining competitiveness.
- **Total TCV** strong at USD4.9bn, up +26% QoQ/+51.4% YoY. Many of these deals were vendor consolidation deals with a substantial portion coming from large clients. Strong deal-wins; pipeline remains healthy. ACV growth also improved this quarter. Overall deal-wins in Capco was USD1bn on an LTM basis.
- Signed 16 large deals with two mega deals in BFSI and one has potential to be a mega deal.
- **Gen AI**: Wipro is building AI first and AI everywhere enterprise. Have deployed 200 AI-powered Agent.
- **IT Services margin** came in at 17.3%, down 20bp QoQ/up 80bp YoY. Will need to invest on ramping up these deals, but aspiration is to keep margins within 17–17.5%.

  Outlook: Expect revenue growth of +1% to -1% QoQ CC growth in Q2FY26. Overall outlook for the sector remains positive. Expect H2 revenue growth to be better than H1's.

Zensar Technologies

Opening remarks

- Total INR600mn execution affected – design changes accommodated towards a particular order from one customer in Q1FY26 causing delivery delays, which is a spillover to next quarter.
- Simulator orders have taken a step back despite EP post-Operation Sindoor. Orders of INR6.5bn for simulators (Army) are likely in the next quarter, excluding emergency procurement orders.
- AMC revenue mix was 8.8% in Q1FY26. Consolidated backlog at INR7.54bn (exports mix is INR1.17bn).
- ARIPL (subsidiary) has been performing well – expect addition of ~INR1.7bn from it to overall top line. UTSPL (subsidiary)–INR800mn of revenue (net of cross transactions).

Questions & answers

Q. Zen's competitive moat in anti-drone system.

A. Won orders from IDDM tenders and from Indian Army and are single vendor at that point in time. Zen is able to cater to the wide band requirements of Indian Armed Forces. Indigenously designed and developed these wide bands, which are not available with competition. Expect more tenders to come up very soon. For patents – tech, which can be easily copied, are patented by the company.

Q. Execution. Deferral of contracts. RM challenges.

A. The performance depends on order book by end-Q2FY26. Confident of achieving INR60bn-plus cumulative turnover over the next three years. Orders, which will be received by Q2FY26, will be executed during the same year. No problems are there in procuring raw materials and rare earth metals has not affected Zen while Vector (subsidiary) may have some exposure.

Q. Order book breakdown. Order inflows. Lead-time.

A. Total INR640mn of Anti-Drone System, INR2.82bn training simulators and AMC at INR2bn. INR6bn of simulator order likely to flow in by Q2FY26 with nearly no competition. Lead-time for anti-drones is six months and for simulators it is four months.

Q. Order inflow delays. Order inflows from US.

A. Ordering has been very slow given cycle has slowed down a bit. Government is focusing on emergency procurement hence normal course of ordering is slightly delayed. Expect orders for Anti-Drone System. Developments are happening in the US (both North as well as South American regions) with network expansion in the region because of ARI acquisition and expect FY27 to be flooded with orders from these regions.

Q. Emergency procurement opportunity and timeline. Exports.

A. Procurement has to be completed by March-end. Zen has been able to deliver both soft kill (jammers, etc) as well as hard kill anti-drone systems (remote control weapon station). Exports is ~INR1.17bn in the consolidated backlog i.e. 16% mix. Exports enquiries are strong for all products, H2FY26 and FY27 will be significant for exports – both for simulators and anti-drone systems (Regions – Africa, ME, South-east Asia, CIS countries). Expect orders from US, South America, NATO countries in

FY27. Expect EP orders in anti-drone system with hard-kill capability specifically in unmanned domain.

Q. Simulators in Air and Navy.

A. Expect positive trajectory in these domains. A 7–8% simulation market is only been done by Zen yet and hence there is a huge market to be tapped.

Q. UAV commercialisation via TISA Aerospace acquisition.

A. TISA has a good track record and has also executed orders with DRDO. Investing money in R&D and expect loitering munitions to be ready in the next one-and-a-half year for trails.

Q. Opex.

A. In percentage terms, it has not reduced. They are semi-variable in nature. Last quarter, it was substantial in terms of variable expenses (professional charges, consumption of spares and impairment of investments) and multiple additional provisions were made.

Q. Order inflow expectations.

A. FY27–28 order inflows will be much higher versus FY26.

Q. Revenue deferral in Q1FY26.

A. INR600–700mn deferment. Orders have been executed, but delays were there due to last minute changes by the customer.

Q. Zen's hard-kill capability in ADS.

A. Had demonstrated hard-kill capability to end-users. Key focus in this domain and it will be a significant area for investment.

Q. Modern wars. Anti-drone system mix going ahead.

A. Hard kill anti-drone systems is something that Zen is focusing on and want to dominate globally. Anti-drone systems mix or rather ex-simulator segment mix could be 40–50% mix going ahead or could be even more if we include robotics, electronics/optics etc.

Q. NATO opportunity.

A. Simulator market is strong there. ADS will be pushed a lot along with drones (Vector is planning to export to both Europe and the US).

Q. Margins.

A. Guidance at 35%. Simulators margins are on a higher side and are slightly lower for ADS.

Q. Execution timeline of current order book. Subsidiaries OB and financials.

A. INR7.54bn consolidated backlog (INR1.48bn subsidiaries and INR2.6bn AMC). Equipment orders will be executed by Q3FY26. A INR2.5bn-plus in top line from subsidiaries, OPMs will be in line with 35%, PAT at 25%.

Q. Capex.

A. Not significant. INR450–500mn.

Internet

Eternal

Food delivery

- MTC growth may appear volatile in the short term; however, over long term, it remains aligned with NOV growth trends.
- Idle time of delivery partners is coming down, indicating better utilisation rates. This has also increased delivery partner earnings.
- Early signs of revival witnessed such as more application opening, refreshment rates and customer returning back to platforms, and this lends confidence about Q2 being better sequentially.

Blinkit (Quick Commerce)

- Between new and existing stores, less than 5% of growth came from areas that were not served before. Delhi NCR witnessed 70% YoY NOV growth in Q1FY26. Growth remains secular across categories.
- The aim is to move most of the business to 1P model over the next two–three quarters and margin acceleration is expected along with this transformation. Expect margin expansion of ~1% over time as a result of this transition.
- Expects margins to improve moving forward and absolute losses to narrow down given competition intensity remains stable.
- Majority of the business still comes from top 20 cities. Net AOV difference between large and small cities is ~10%.
- Both control over marketing expenses and operation efficiencies led to curbing of losses on adjusted EBITDA levels while contribution margin remained stable QoQ.
- Factors such as competition, delivery cost, infrastructure built-out and seasonality are moving parts, impacting contribution margin.
- The basket size of customers is increasing when looked at from a longer time horizon, but sequential growth may be volatile due to seasonality.
- Management does not see any opportunities in 30-minute/45-minuted delivery, and hence not focusing thereof.

Other commentary

- Growth momentum remains intact; expect strong growth at least for the next two years.
- Wage hike and appraisal impact may be visible in the next quarter, leading to an increase in fixed cost.
- Transacting customer growth should be higher as customers are returning back to the platform.

Indiamart Intermesh

- Consolidated collection grew 17% YoY; excluding reclassification, growth is 13% YoY.
- Standalone collection grew 10% YoY and revenue 10% YoY. Revenue growth was driven by higher realisation.
- Had implemented a change in the payout structure for partners, benefitting Busy billing by INR150mn.
- On marketing front, spent INR50–60mn compared with INR10mn spent in the JFM quarter. Lot of optimisation needs to be done in order to derive full benefit.
- Budget to spend INR60–100mn per quarter on marketing expenditure. Marketing spends should not exceed INR100mn.
- Unique business enquiries growth, which was ~10% YoY in previous quarter, has improved to ~17% YoY.
- Management focus remains on improving user experience. Have introduced AI/GenAI in voice search and photo search; scaling up chat bots. Chat bots helped saved USD1mn last year.
- Management has corrected quality of lead, intent of buyer and localisation, which gave them confidence to spend on marketing. The company did not spend on marketing previously.
- Seller experience was the easiest thing, which has been improved. Buyer are much more experiential and a lot more difficult. Can do a lot more for buyers.
- Normalised EBITDA margin to be 30–35% as management increases marketing spends.
- On the churn side, addition work of almost six months is pending before any improvement is seen in churn levels.
- 80–85% of the enquiries go to paying suppliers and the rest go to free suppliers.
- Top 10% of customers contributed ~40% to revenue five years back; this has increased to ~50% now.
- Leading Indicators: Traffic, unique business enquiries and unique business enquiries delivered. Lagging indicators: Churn and ARPU.

Info Edge

Recruitment (Naukri) Business

- Billings growth moderated in Q1 driven by multiple macro events and general slowdown in demand. Few contracts in advanced stages of conversion were deferred by clients to the next quarter.
- In the second half of the quarter, some uncertainties increased due to geopolitical concerns and AI mode introduced by competitors hurting overall growth.
- Management remains cautiously optimistic on delivering growth momentum in coming quarters despite recent moderation in billings.
- Continues to focus on GCCs, non-IT segments and penetrating deeper into Tier2/3 cities to expand customer base, thereby driving overall growth.
- July started on a stronger note, collections grew 19% and billings grew 13%. Deferred contracts were monetised in the first week of July.
- Marketing used to be 3–4% of revenue earlier but these spends should increase to 8–10%. Spending was more in Jobs Hai, Naukri Gulf and other new businesses.
- If growth moderates due to a slowdown, branding spends can be curbed and margins may not be much impacted.

99Acres

- Live new project listings grew 17% YoY while live resale plus rental listings from brokers surged 29% YoY in Q1.
- Management believes elevated marketing spends have led to market share gain in this segment.
- Marketing spends shall remain high as focus remains on driving quality traffic onto the platform both buyers and sellers.

Other business (Jeevansathi + Shiksha)

- The Jeevansathi business maintained its growth momentum while PBT attained break-even. Growth was on the back of monetisation initiatives taken in the last 16–18 months.
- Marketing expenses have increased YoY, but remained in the range of INR120–150mn. Marketing expenses shall remain in the same range given competitive intensity remains constant.
- The Shiksha business is facing headwinds due to new AI bots and new AI mode introduced by Google in the market.
- Students are facing higher visa rejection problems in US geographies and hence are now focusing on studying more on the UK and continental Europe.
- Shiksha's domestic business maintained steady growth momentum and is operating profitably.
- In 99acres and Jeevansathi, marketing spends shall remain elevated as the focus is to grow faster than industry as higher market share would give higher pricing power. Marketing spends in Shiksha remain in a normalised range.

Logistics

Blue Dart Express

- **Air**
  - The company has eight air freighters, of which seven are owned and one is leased.
  - Capacity utilisation was 85%.
  - RoCE for air freighters is lower compared with surface.
  - The company's two aircraft are clocking utilisation levels of 85%. BDEL is operating in Guwahati, Delhi, Bangalore and Mumbai routes
- **Surface**
  - Focus on expansion remains key in the segment.
  - The company is consolidating the smaller facilities where the shipments are not optimal.
- B2C/B2B segment reported growth of 20.2%/2.4% during the quarter. Of the B2B segment, 40% would be air mode and 30% would be of surface.
- Tonnage grew 9%, on both YoY and QoQ basis. Heavy shipments were across both surface and air segments.
- Revenue growth of 7% YoY was a combination of 12% (surface) and 2% (air).

Delhivery

Express Parcel

- Parcel shipment volumes grew to 208mn orders, up 14% YoY/17% QoQ (versus 183mn in Q1FY25 and 177mn in Q4FY25). This volume momentum has continued into Q2 and gives Delhivery a strong volume foundation for the upcoming peak season.
- The company gained market share across clients (corporate, D2C, marketplaces, etc). Within 3PL, Delhivery's market share expanded by 25% (or even higher), and its expect more clarity over coming quarters (probably by Q2FY26E).
- The company maintains its Service level EBITDA margin guidance of 16–18% with an aim to expand it further with automation etc.
- With Ecom Express integration, incremental volumes began to flow in from quarter-end, and are expected to ramp up over upcoming quarters. The growth in volumes in Q1 is continuing on the growth trajectory in Q2.
- Yields' contraction during the quarter is a function of the decline in weight of the packages. However, this is a temporary phenomenon; with the increase in weight per package, yields will improve eventually. Fundamentally, there has been no change in pricing.
- The company has surpassed the initial assumption of 30% retention of Ecom Express volumes post-guidance. Currently, the company has clocked 55–60% volume retention and is witnessing an MoM increase in this. Furthermore, with the ecosystem becoming tougher for smaller players to exist, big quality players stand to benefit, which will eventually improve tonnage for Delhivery.

Ecom Express

- The CCI approved the acquisition of Ecom Express by Delhivery on June 17, 2025 with a final purchase consideration post-adjustment stood at INR13.7bn. The network rationalisation plan is under execution with net retention of seven facilities for long-term usage (combination of transportation and fulfilment). The company expects complete exit of non-express businesses by Q2. E-commerce volumes stood at 30m in Q1. Integration will lead to an increase in distribution centres (around 6%) and a few other metrics.

PTL

- Volume growth was 17% YoY during the quarter (typically weakest). However, without Ind AS adjustments, the growth would have been higher. The quarter was impacted due to the monsoon, Operation Sindoor, etc. However, July reported a healthy performance.
- The company maintains its guidance of 20% tonnage growth for FY26, basis the discussion/visibility from customers. The company anticipates to clock 16–18% margins when achieved about 50% higher volume (roughly 600–640kt on a quarterly basis versus 459kt in Q1FY26).

Supply chain

- Targeting revenue of INR18–20bn by FY29E. The company has exited the mother warehousing business and quick commerce industry. It is negotiating low-margin contracts with clients given the focus on improving margins.

- Management envisages a healthy pipeline of orders (to the tune of INR10bn, with a conversion probability of 70%).

FTL

- The company aspires to remain capital-light in the segment through trucking marketplace. The aim remains to control cost as it serves as major input for the supply chain division.

Mahindra Logistics

- **Express**
  - Crossed milestone of INR1bn in revenue in Q1FY26 with tonnage growth of 10% QoQ.
  - Focus on improving yields and taking a short-term impact on volumes.
  - The company plans to give up sub-par yielding volumes to enhance the quality of volumes and yields, which shall benefit in the medium to long term.
  - Commands 3% market share in the B2B express business. Focus to expand customer base and garner growth.
- **Warehousing**
  - The company remains focused on filling the gaps in capacity. While Q2FY26 is likely to report a continuance of the status quo, white space is likely to reduce Q3FY26 onwards.
  - Hence, with no near term additions, we reckon better utilisation of warehousing capacities, thus driving revenue growth and margin improvement for the company. Capacity addition is likely H2FY26 onwards, with Q2FY26 remaining flat.
- **Rights issue:** The company has approved a INR7.5bn right issue, the proceeds of which will be utilised towards debt repayment (to the tune of INR5.6bn) and balance towards general corporate purpose. The debt repayment shall lead to saving of INR400–500mn towards finance cost yearly.
- **Others**
  - Consumer and manufacturing verticals shall be led by separate teams under different leadership. This shall lead to an improvement in performance.
  - Wizzard and LMD vertical shall be merged to reduce cost and enhance the customer experience.
  - Upcoming festivals to boost e-commerce growth.
  - The company derives 63% of revenue from auto and 37% from non-auto customers. Moreover, Mahindra Group contributes 56% of revenue while non-Mahindra revenues are to the tune of 44%.
  - 3PL growth remains robust at 135% QoQ.
  - Capex likely to be in the range of 1.5% of revenue.

VRL Logistics

- **Volumes:** Volumes decreased 13% YoY/7% QoQ on account of exit from low-margin contracts. Furthermore, Q2FY26 shall clock a decrease of 8–9% with flat growth in Q3FY26 and recovery Q4 onwards. Furthermore, the company has witnessed some discontinued customers coming back as they do not have alternate solutions. Hence, on an overall basis, volumes shall remain flat in FY26 with expectation of 7–8% in FY27. Given robust monsoons and ensuing rural recovery, the company expects an improvement in outlook for volume growth.
- **Industry:** Unorganised players are gradually becoming uncompetitive compared with organised players. Inter-state movement has seen higher benefit of shift from unorganised to organised.
- The company has increased the share of in-house fuel supply to 41.5% in Q1FY26 (versus 33.3% YoY) to reduce fuel cost. This led the fuel cost to reduce to 28.7% of revenue in Q1FY26 (versus 29.8% YoY).
- **Employee cost:** Employee cost inched up 3% in Q1. However, Q2 employee cost shall be elevated on account of appraisals and awards to employees (likely 200–300bp impact on margins). VRLL boasts of lowest attrition rate in the industry.
- Administrative expenses included legal and professional fees to the tune of INR25–30mn during the quarter (likely to continue in Q2). It also included loss on scrap sale of vehicles to the tune of INR30mn (one-time cost) during the quarter.
- The bar-code tagging introduced for vehicles is yielding benefits. The claim ratio is mere INR20–30mn (less than 0.1% of revenue), lowest in the industry.
- Within state movement accounts for 50–55% of the total tonnage.
- Express PTL yields INR10–11/kg. Door-to-door pickup accounts for 30–35% of total revenue (20–25% earlier).
- **Capex:** The company incurred a capex of INR150mn (of which INR80–90m is on vehicles) in Q1. The capex remains lower given sufficient capacity. Moreover, they evaluate it on an ongoing basis for vehicles to be added and shall increase the capex as required.
- **Branches:** The company added 18 new branches and closed down 30 branches, taking the branch count to 1241 (at end-Q1FY26). Moreover, new branches added last year contributed 1% to the tonnage.

Media

PVR INOX

Outlook

- The company expects to open 90–100 new screens in FY26 (earlier guided for open 100–110).
- Management fee is expected to increase as new screens get added under the FOCO model.
- The company aims to become a platform for out-of-home entertainment and wants to use its cinema's existing infrastructure for alternative content such as IPL and live events, which are not dependent on film.
- Karnataka order has not yet been notified. Lot of feedback and objections have been sent to the government. The company has not changed its expansion strategy in the state.
- It expects footfalls in FY26 to top FY24's.
- Net debt shall further come down as operating cash flows improve.
- Majority of new screen additions will be under the asset-light model. In the near term, existing cost structure will continue. As the asset light strategy is implemented, the company expects the overall cost to decline in medium term.
- With the asset-light strategy, EBITDA margin is expected to remain same with a better RoCE.
- It does not plan to extend Blockbusters Tuesday (INR99 ticket) to one more day.
- For FY26, management guided for INR4–4.25bn in capex, out of which INR2.6bn will be allocated to new screens, INR700–750mn on renovation, and the remaining on maintenance.

Key highlights

- Admits at 34mn are up 12.1% YoY; ATP at INR254 is up 8.1% YoY. SPH at all-time high of INR148, up 10.2% YoY.
- In Q1FY26, gross block office collection stood at INR8,633 up 21% YoY.
- Net box office collection stood at INR7,281 up 22.7% YoY.
- Overall, occupancy stayed at 22% during Q1FY26.
- July has been a strong month led by films such as Saiyaara, Jurassic World, and Superman.
- Cinema count and screen count stood at 352 (down 2.5%) and 1,43 (FLAT YoY), respectively.
- Ad revenue reached a multi-year high driven by successful films such as *Kesari 2* (Akshay Kumar) and *Raid 2* (Ajay Devgn), which attracted strong advertiser interest.
- The strong performance of Hollywood films drove higher SPH as they attract audiences with higher spending per head.
- It exhibited good control across various resources such as water and electricity. It is deploying solar panels across cinemas halls, to maintain cost efficiency.
- Higher footfalls are coming from a shift in audience preference—people are now more interested in good stories than just big stars, and filmmakers are responding to this change.

Bollywood

- PVR's Bollywood gross collection stood at INR3,876mn, up 38% YoY led by 'Jaat', 'Raid 2' and 'Houseful 5'.
- Back-to-back hits and a steady Hindi release slate has built strong momentum for Bollywood in Q1.
- Healthy performance driven by five INR1bn-plus films and less reliance on big-ticket blockbusters.

Hollywood

- GBOC stood at INR2,257mn up 72% YoY.
- Hollywood box office collection crossed INR2bn after almost two years.

Regional

- GBOC remained subdued at INR2,429mn.

Key initiatives to increase footfalls

- Blockbuster Tuesdays initiative bought 1mn new + lapsed transactors to cinemas. The focus is to get new set of specific consumers such as students, housewives and senior citizens.
- Majority of the growth is coming through value and not volume. It is able to increase occupancy by converting the non-eating consumers on the weekday through the INR99plan.
- There has been focused approach on getting more conversion as well maintain the pricing.
- Live events initiative such as IPL has done well.
- Alternate programming contributed 0.5mn+ footfalls in Q1FY26.

Screens

- In Q1FY26, the company has opened new 20 screens, out of which 14 screen were opened under capital-light asset model. No screens were closed during the quarter.
- Out of 20 screens opened, Raipur and Jabalpur is on FOCO model while Director's cut screen in Noida is under asset-light model. The response from developers who invested in FOCO models is good.
- It has signed 55 new screens under the FOCO model and 72 screens under the asset-light model, which are expected to open over next 18–24 months.
- As on August 6, the company has diversified network of 1,745 screens across 111 cities.
- Weighted average screens for Q1FY26 stood at 1,689 compared with 1,702 in Q4FY25.

Debt reduction

- Net debt was INR8,915mn compared with INR9,522mn in Mar-25.
- Post-merger, the overall debt has been reduced by 38%.
- Net debt levels to come down as operating cash flow increases.

Saregama India

Outlook

- Music Licensing and Artist Management shall grow at a 22–23% revenue CAGR over short to medium term.
- For video business, it guides at 24–25% revenue growth on a medium term.
- It continues to maintain guidance of five-year payback period for content acquired.
- Adjusted EBITDA margin to remain within 32–33%. (32% in Q1FY26).
- By end-FY26, it expects Pocket Aces to turn profitable and mid-single digit margin in Carvaan.
- It plans to Incur INR7bn of content cost in FY26–27.
- It aims to acquire 25–30% of the overall new content released in India.
- Overall content expense for FY26 is likely to be INR3.5-3.8bn.
- Its upcoming key releases include 'Dhurandhar' featuring Ranveer Singh, Sanjay Leela Bansali's 'Love & War', Dharma's movie 'Main Tera Tu Meri Tu Mera Main Teri' starring Kartik Aaryan, Telugu Superstar Nani's 'Paradise', Tamil hero Dhanush's 'Idly Kadai', Kannada Superstar Darshan's 'Devil', and in Tamil also Sivakarthikeyan's 'Parasakthi'.

Key highlights

- The company has released 1000-plus Film and non-film tracks in Hindi, Bhojpuri, Gujarati, Punjabi, Tamil, Telugu, Malayalam, Marathi, Bengali and other languages.
- Saregama acquired one of the biggest and most popular Haryanvi Music Catalogue- Nav Records Private Limited. With 6500-plus tracks across Haryanvi, Punjabi, Ghazals, Devotional and Indie Pop. The acquisition also includes popular Youtube channels such as NAV Haryanvi, Nupur Audio, etc having over 24mn subscriber base.
- Released a digital show "Find The Farzi" featuring RJ Karishma on JioHotstar.
- In Q1FY26, various top brands such as Google, Lux, KFC, Urban Company and Oppo used Saregama songs in their ads.
- Traitors on Amazon Prime, Aap Jaisa Koi on Netflix, The Kapil Sharma Show on Netflix, IPL Closing Ceremony, etc licenced music from Saregama for their shows. In Q1FY26 25-plus Influencers/Artist were added taking the total Influencers/Artist managed by the company to 230-plus with more than 200mn-plus followers and subscribers on Instagram and YouTube.
- Digital footprint across Saregama owned and controlled channels touched 400mn followers and subscribers across YouTube, Instagram and Facebook.

Music Licensing and Artist Management

- In Q1FY26, the segment clocked INR1,490mn of revenue.
- Music releases in Q1FY26 included the release of "Thug Life" in Tamil by Mani Ratnam starring Kamal Haasan, "Bazooka" in Malayalam starring superstar

Mammootty, “Hit 3” in Telugu starring Nani, “Mrigaya” in Bengali and the digital release of “Hai Junoon” featuring Jacqueline Fenandez among others.

- YouTube views in the quarter were 284bn and Youtube subscribers were 160mn.
- The company is seeing a progressive shift from free consumption to paid subscription.
- Dr Kumar Vishwas onboarded as Saregama Exclusive artiste.
- **Brand licenses**: Google, HUL-Lux, KFC, Urban Company and Oppo
- **Broadcasting**: Sony, IN10 Media, Enterr10
- **Digital content licenses**: Traitors (Amazon Prime), Aap Jaisa Koi (Netflix), IPL Closing Ceremony (Star), Touching Consciousness of Shiva (YouTube)
- **Film sync licenses:** Raid 2 (Hindi), Sitaare Zameen Par (Hindi), Aata Thambay Cha Naay (Marathi), Tourist Family (Tamil), Akkada Ammayi Ikkada Abbayi (Telugu) and more
- With digital spends growing at 15%, Artist management is poised to benefit in the shorter and medium term.
- To boost music licensing, Saregama ensures that every FilterCopy video features one of its songs, helping drive higher viewership

Video

- The company maintains its stance to not produce big budget Bollywood films.
- For this segment (including TV series, short form content, live events business), it would not lock more than 18% of total capital.
- In Q1FY26, the company had released Bazooka (Tamil) starring Mammootty. Its upcoming releases include ‘Vishwambara’ in Telugu and ‘Devil’ in Kannada.
- Saregama TV Shows- YouTube channel garnered over 500mn-plus views in Q1FY26.

Music Retail

- The company expects volumes and top line to shrink, but profitability margin shall improve through cost control associated with physical distribution.
- It has fully transitioned Carvaan sales from traditional distribution channel to e-commerce and modern retail outlets.
- Carvaan sales for Q1FY26 were 87,000 units compared with 73,000 in Q4FY25.

Events

- Saregama Live successfully launched the “CAP-MANIA” Tour 2025 with Himesh Reshammiya in Mumbai (Jio World Garden, BKC) followed by two housefull shows in Delhi (Indira Gandhi Arena) in July.
- Following a successful run of 'That’s So Viraj' shows featuring Viraj Ghelani across Mumbai, Gujarat and the UK in FY25, the show wrapped up four additional performances in Mumbai and Gujarat during Q1FY26.

Acquisition of Nav records

- The acquisition will help Saregama to fill the gap in the Haryana language where it did not have much presence.
- The deal will be funded through QIP proceeds.

Industry

- The company is not witnessing headwinds on YouTube; Q1 is typically softer as advertising spends are largely directed toward television, but it started to recover from June.
- The company expects revenue yield to improve across all streaming platforms. While short-format apps remain a concern, the paid economy has started to come in.
- The industry is witnessing a shift from free to paid subscribers. “Gaana” has entirely gone from free to paid. Subscription shall become the primary way to consume content.
- Spotify Premium subscriber base has grown to 276mn users recording a YoY growth of 12%.
- Indian media and entertainment sector is likely to grow at 7% yearly on the back of digitisation; Saregama has a play in multiple verticals of the sector.
- India’s influencer marketing is likely to reach INR33.75bn by 2026.

Zee Entertainment Enterprises

Outlook

- The company remains cautiously optimistic about advertising revenue recovery with improving consumption trends supported by a good monsoon.
- Management still holds 8% ad revenue guidance for FY26.
- The company's viewership share has crossed 18% in July (17.8% in June), which is expected to support growth in advertising revenue going forward.
- EBITDA margin of 18–20% for FY26, with all planned investments already factored into this guidance.
- Movie release slate remains intact with a target of producing 20–25 films annually, similar to FY24.

Q1FY26 highlights by segment

- Advertising revenues: Domestic advertising revenue for the quarter decreased 19% YoY to INR7bn due to extended sports calendar, and slowdown in FMCG spending.
- The company maintains a cautious outlook for ad revenue growth. With festive season round the corner, it expects ad revenue to resume growth over the next few quarters.
- Subscription revenue: Subscription revenue growth was flat YoY to INR9.8bn. Increase in digital subscription revenue was offset by decline in linear subscription revenue due to fall in Pay TV subscribers.
- Other sales & services revenue: Declined 64% YoY during the quarter to INR846mn since there were no major content releases in the quarter.

Z5 performance

- Z5 achieved strong revenue growth of 30% to INR29bn driven by healthy growth in user engagement in Q1FY26.
- The company reduced EBITDA loss of INR1.1bn YoY in the quarter to INR658mn.
- Z5's regional language packs aims to improve affordability for consumers which will aid in higher ARPU and subscribers growth.
- With its Omni channel strategy and the launch of Bullet, the company can experiment more with existing IPs, offering a more diverse range of content.
- Going forward the company expects incremental revenue from these initiatives to exceed incremental costs.
- The company expects performance improvement momentum to sustain driven by growth and operating leverage.
- Released 17 shows and movies (Including 5 Originals) in Q1FY26.
- Zee also launched a micro-drama platform "Bullet" to cater to changing consumption behavior, targeting younger audiences with short-form content.

TV business

- In Q1FY26, all India TV Network share of ZEE stood at 16.8% versus 16.4% in Q1FY25. As on Jun 2025, the "Z" network share stood at 17.8% fortifying its strong position in industry.
- In July the company has seen improvement in viewership in languages of Hindi, Marathi, Kannada and Bangla.
- Industry TV reach and Impressions: Weekly reach increased 3mn QoQ to 748mn while Weekly impressions remained flat QoQ to 28.4bn.
- The company launched various TV shows in regional languages in Q1FY26 like 'Saru', 'Devmanus Madhla Adhyay' (Zee Marathi), 'Kusum' (Zee Bangla) etc.

Zee Studios

- The company released three Hindi and four other language movies in Q1FY26. Hindi Movies include 'Phule', 'The Bhootni' and 'KapKapii'.

Z Music Co

- Z Music added 4mn subscribers to reach 168mn subscribers on YouTube in Q1FY26. Total Video views during Q1FY26 stood at 62bn compared with 46bn in Q1FY25.
- Key catalogue additions during the quarter include 'Kesari Chapter 2', 'Sitaare Zameen Par', 'Ground Zero' and 'Jaat'.
- In Apr-Jun 25, the company has acquired the rights of 13 Hindi songs, 8 other languages songs and 190 singles/albums.

International revenue

- Q1FY26 advertising revenue stood at INR560mn.
- Subscription revenue stood at INR886mn.
- Other Sales & Services revenue stood at INR231mn.

Others

- The company has seen a decline in cash balance QoQ due to cyclical fluctuations in subscription collections (Q4 typically has the highest inflows) and cash deployment into new initiatives and content.
- Although shareholder approval for promoter cash infusion via warrants was declined, the company remains committed to its plans for new initiatives and to grow the core business.
- The consolidation Jio+Hotstar has reduced players in the market, giving Zee better negotiating power, which is expected to improve their market share.

Metals & Mining

Gravita India

Operational performance

- India scrap availability has improved due to implementation of extended producers responsibility (EPR) rules and hence management is predominantly focussing on India for future capex plans
- VAP contribution rose to 47% in Q1FY26 (versus 46%/45% in FY25/FY24).
- GRAV is still waiting for MCX to start trading in aluminium alloy, which will help GRAV hedge properly. The inclusion is in process, which is likely to be operational within Q2FY26, and this would help the non-operational India plant to operate at 25–30% utilisation by FY26-end. MCX is likely to open the first warehouse for aluminium alloys in North India.
- GRAV earned INR190mn as treasury income in Q1FY26 (Q1FY25: INR33mn/Q4FY25:194mn).
- The tax rate rose to 19.7% (17.2% in Q4FY25 and 9.4% in Q1FY25) primarily due to full tax on treasury income and end of tax holidays in few of its African operations. Management guided FY26 tax rate of 15–16% in FY26 and as it will start using its cash and do capex at overseas operation regaining some tax holiday, effective tax rate should be back to 13–14% in FY27.

Capex and guidance

- Management has raised lead sustainable EBITDA/t guidance from INR18–19/kg to INR19–20/kg as VAP mix has improved. It maintained sustainable EBITDA guidance of INR14–15/kg for aluminium and INR10–11/t for plastics (excluding any arbitrage benefits).
- For FY26, management guides to achieve 22–28% YoY volume growth despite Q1FY26 settled at 12% YoY growth (Q1FY26 volume growth could be higher but company transferred some of overseas volume after smelting to India for further processing rather than selling in overseas market as it helped into increase in margins during the quarter). Otherwise, it could record volume growth of 15% during the quarter. It guided that volume can grow by 15–16% YoY from existing capacity and an additional 8–10% growth can come from new upcoming capacity.
- The company maintains its long-term guidance: a 25% sales volume CAGR, a 35% CAGR in PAT and an RoIC of 25%-plus. Furthermore, the company is committed to raising non-lead business share to 30%, use 30% more renewable energy and reduce energy consumption by 10%, thereby improving cost and efficiency.
- Total capacity increased from 334ktpa at FY25-end to 340ktpa in Q1FY26. The company aims to expand total capacity by 100ktpa-plus in FY26 (in H2FY26), 125–150ktpa in FY27 and rest 140–170ktpa to reach 728ktpa by FY28E.
- GRAV is expanding lead recycling capacity by 50–60ktpa in FY26, which includes ~36ktpa at Mundra (Gujarat) and debottlenecking at Jaipur. The projects are likely to be completed largely in Q3FY25 and some in Q4FY25. Furthermore, the lithium-recycling project will be launched on a pilot basis by Q2FY26-end. It is also looking to set up a plant in East India and Dominican Republic, which can be commissioned in FY27.
- Its rubber plant in Romania is in stabilisation phase and management expects it to generate INR7–8k/t EBITDA

Q1FY26 conference call highlights

- During FY24 and FY25, its capex was lower at ~INR980mn and INR1.07bn as it witnessed delay in finalising next set of products to recycle. Management informs that it has put steel and paper recycling project on hold and will focus on existing products for expansion (lead, aluminium, rubber and plastic).
- Capex spent in Q1FY26 is INR600mn and guidance for FY26E is INR3,500mn-3,750mn with deployment sequence in lead, rubber and lithium. Over three years, it is targeting capex of INR15bn, which includes INR10bn in existing business segments and INR5bn in new target business segments
- Management is looking at various M&A options for expansion in existing business segments at new geographies.
- The inclusion of battery scrap under RCM (reverse charge mechanism) is likely in the next GST Council (likely in Q2FY26E). It shall help to quicken formalisation of the sector and domestic scrap availability will improve further to GRAV.

Hindalco Industries

Macro scenario

Domestic aluminium demand expanded 10% YoY/1% QoQ to 1.44mt in Q1FY26 primarily led by strong demand from electricals, packaging and consumer durables. Indian flat rolled products (FRP) market is likely to expand 5% YoY in Q1FY26.

Global aluminium consumption inched up 3% YoY to 18.9mt in Q1FY26 (H1CY25: 36.6mt, up 3% YoY) while global production increased 1.1% YoY to 18.3mt in Q1FY26 (H1CY25: 36.4mt, up 2% YoY). As a result, aluminium globally remains in marginal deficit of 0.5mt(H1: deficit of 0.2mt) in Q1FY26. During H1CY25, China was in deficit of 1.1mt while the rest of world was in surplus of 0.9mt.

Operational performance

Aluminium: Aluminium adjusted EBITDA was INR42.4bn, down ~18% QoQ. It was primarily driven by lower LME prices (down USD178/t QoQ), lower alumina prices and lower aluminium shipments at 320kt (down 7% QoQ). It was partially offset by ~15% of volume hedged at USD2,695/t, increase in downstream mix (32% versus 30%; volume down 3.8% QoQ to 101kt) and lower CoP (down 3% QoQ). Overall, it led to lower EBITDA/t, which decreased by USD184/t QoQ to USD1,550/t (Q4FY25 EBITDA: USD1,734/t). The alumina sales volume was flat QoQ at 170kt. Management guided for 180–190kt alumina sales volume in Q2FY26.

Management expects incremental value-added product contribution of ~70kt from Aditya FRP in FY26. Furthermore, downstream volume run-rate shall increase from 100kt to 150kt per quarter once Aditya FRP is fully ramped up. As a result, management aims to achieve downstream EBITDA/t of USD250–300/t (Q1FY26: USD265/t; FY25: USD184/t).

Management has guided for Q1FY26 aluminium CoP to be 3% QoQ higher led by higher CP coke prices and lower linkage coal supply (Q1FY26: linkage coal was 63% of total coal mix).

Hedging: 20% of the rest of FY26E aluminium volume is hedged at USD2,666/t. Approximately 18% of the currency is hedged at USD/INR of 87.

Copper: Management guided copper EBITDA would be ~INR6bn/quarter in FY26 despite lower Tc/Rc margins. Benchmark Tc/Rc margin dropped to USD5/lb in Q1FY26 vs USD5.45/lb in CY25. It stood at ~USD11/lb for Hindalco in Q1FY26. Lower copper cathode margins amid low Tc/Rc margins is offset by higher margins in sulphuric acid and higher downstream volumes.

Novelis: During Q1FY26, beverage cans remain key growth driver with delivering growth of 8% YoY. The company has accelerated efficiency efforts driving cost saving of USD100mn run rate by end-FY26 compared with earlier estimate of USD75mn and overall USD300mn by FY28. It will help to mitigate the tariff impact of USD60mn/quarter. This net tariff impact of ~USD60mn/quarter takes into account current mid-west premium of ~USD1,500/t and does not take into account any demand destruction, which can accrue in case the 50% duty remains for long.

The higher beverage cans demand compared with supply in the US results in importing beverage sheets from South Korea (~170kt/annum) and primary aluminium imports from Canada of 90kt/year, which attracts 50% import tariff. Furthermore, mid-west premium rose to ~USD1,500/t by end of the quarter, which is in inventory and benefit of higher mid-west premium as well as better scrap spreads shall accrue Q2FY26.

At the beginning of FY25, Novelis contracted ~50% of scrap requirement at US operation. Hence, lower scrap prices in the spot market shall benefit only 50% of requirement in the near term.

Acquisition – Aluchem

Hindalco acquired US based speciality alumina producer company Aluchem at EV of USD125mn, subject to regulatory approvals. It generates EBITDA of USD25mn/annually. The purpose is to step up in the value chain and gain technology advancement and enhanced product portfolio including tabular alumina, low soda and high purity, which is currently imported into India. The company shall bring technology into India and manufacture import substitute high VAP speciality alumina, which will help to increase sales volume from 500ktpa to 1mtpa annually.

Project expansion

Aditya's flat-rolled product (FRP) expansion project (170ktpa) is under commissioning, taking the total downstream capacity to 600ktpa. A 25ktpa copper tube facility is also under commissioning.

The greenfield alumina plant in Odisha of 850ktpa in the first phase is likely to be completed by FY28. The company has put alumina refinery and copper recycling plant on priority. The plant and machinery orders have been placed and construction has started..

Management is working on receiving EC clearances for the proposed aluminium smelter expansion. The 180ktpa aluminium smelter and 300ktpa copper smelter is progressing well with engineering work. The company shall start placing order of plants and machinery for aluminium smelter. For the copper smelter, it will go for public hearing and major capex should start from FY28 onwards.

Chakala coal mine (4.5mtpa) is likely to start commercial production Q1FY27 onwards. It is likely to produce 0.5–1mt in FY27. Bandha coal mine (~5mtpa) has high stripping ratio and hence targets to start production by FY27-end. Meenaksi (W) coal mine (12mtpa) has been allotted to the company and it has started the process to get all approvals, which will take about two years. Hence, this coal mine is likely to be commissioned in FY29. At peak utilisation, captive coal production would be at ~20mtpa. The coal cost will fall by 30% (once captive coal ramps up) over current linkage coal cost.

It is in the process of returning its third coal mine (Kathotia) and shall operate only Gare Palma 1v/4 out of four coal blocks, which it acquired a decade ago.

Debt and capex

Consolidated net debt at end-Q1FY26 was INR342.5bn (INR353.3bn at end-Q4FY25). The Indian operation has net cash of ~INR110bn (versus net cash of INR72bn in Q4FY25) and Novelis has net debt of INR469bn (versus INR425bn in Q4FY25).

Capex in India: Q1FY26 – INR12.7bn; Guidance: FY26E – INR75–80bn and FY27E should be higher at INR150bn as it will start capex on upstream expansion.

Others

Coal sourcing through linkage was 63% in Q1FY26 versus 50% in FY25.

The company has current renewable energy capacity of 189MW. Moreover, ~100MW hybrid renewable capacity to be commissioned in Q3FY26, taking total capacity to ~300MW by Q3FY26.

It sold 170kt alumina in Q1FY26 (172kt in Q4FY25). Management guided for alumina sales volume of 180–190kt in Q2FY26. Major part of alumina sales is on a contract basis (85–90%).

Hindustan Zinc

Macro

- Demand for zinc in China and Rest of World is subdued. However, India is a bright spot as demand for zinc remains strong (5–11% YoY demand growth expected in India to 900-950kt).
- Globally silver industrial demand is strong and market supply is in deficit. Hence, silver prices are expected to stay buoyant.

Guidance

- Management maintains FY26E guidance for refined zinc CoP ex-royalty in the range of USD1,025–1,050/t. (Q1FY26: USD1,010/t; up 2% QoQ/down 9% YoY).
- HZ targets to reduce CoP ex-royalty below ~USD1,000/t in FY27 supported by higher adoption of renewable mix and higher volumes.
- Management maintains FY26E guidance for mined metal production to be 1,125kt (+/–10) (Q1FY26: 265kt; down 15% QoQ). Refined metal volume guided to be in the range of 1,100kt (+/–10) (Q1FY26: 250kt, down 7% QoQ).
- Silver production guidance for FY26E at 700–710kt (Q1FY25: 149kt, down 16% QoQ).
- Renewable energy mix of total power consumed stood at ~19% (versus FY25: 13%).

Projects update

- New roaster at Debari of 160ktpa and Hindustan Zinc Fertilisers Private Limited of 510ktpa project (estimated capex of INR18bn) is expected to be completed in mid-Q2FY26E (earlier: mid-Q1FY26) and Q4FY26, respectively. The fertiliser plant has the ability to generate revenue of INR20–25bn and EBITDA of INR4–4.5bn at peak capacity (in FY28).
- HZ has initiated process to expand mined metal capacity from 1.2mtpa to ~1.5mtpa, along with matching capacity of refined metal in the first phase. It will add a 250ktpa zinc smelter, taking total refined capacity to ~1.38mtpa and mined metal capacity to 1.5mtpa at estimated capex of ~INR120bn. The company has already started placing order for plant and machinery and would place orders for phase 2 by Sep-25. In phase 2, the company plans to increase refined zinc capacity further to 1.6mtpa (from 1.169mtpa), refined lead capacity from 210ktpa to 400ktpa and saleable silver capacity from 700tpa to 1,500tpa. The expansion project will require capex of INR200–230bn and shall be completed by FY31E.

Other highlights

- Domestic: Imported coal mix was 55%/45% (Q4FY25: 46%/54%) in Q1FY26E. Renewable energy mix (19% versus 13% in Q4FY25).
- VAP mix stood at 24% of total sales.
- The Bamania Kalan mine development is 40–45% completed. It is expected to be completed by FY27.
- The power cost reduced by 6% YoY due to higher availability of domestic coal, lower coal prices and increase in renewable mix. During Q1, generally CoP remains high by ~4% vis-à-vis other quarters.

- Brand Fee paid (with consent from Board members) to Vedanta stood at INR10.6bn (paid in advance for FY26). It increased the rate to 3% of turnover from 2% in FY25. Management informs that the rate would not change until FY27.
- HZ's net debt increased to INR41.8bn at end-Q1FY26E, up INR30bn QoQ (Q4: INR11.7bn). It paid INR10 (INR42.2bn) as interim DPS in Q1FY26.

Jindal Stainless

Macro and quarterly performance

- JSL posted +8% YoY/-3% QoQ volume growth to 626kt. Domestic volume (570kt) rose 10% YoY/fell 4% QoQ and made up 91% of total volume. Exports remained under pressure; JSL sold 56kt (down 3% YoY/up 10% QoQ) and that constitutes 9% of volume.
- Sales in higher grades for auto, white goods, elevators and railways have improved during the quarter. Besides, adoption of stainless steel in large infrastructure projects has picked up. Overall, a better product mix, lower RM cost and the absence of inventory loss that occurred in Q4FY25 led to gross margin expansion of 320bp QoQ to 34%. We are unable to quantify the contribution of each element in QoQ EBITDA improvement.
- Series mix for Q1FY26: 200/300/400 stood at 36%/46%/18% (versus Q4FY25: 37%/47%/16%).
- Stainless Steel imports have reduced over the last few months as the government recently mandated BIS compliance for the ingredients used in production of finished goods. This has led to a reduction in imports of inferior stainless steel.
- Besides, the Stainless Steel Association has filed an application with the Director General of Trade Remedies over injury caused due to cheap imports coming from China, Indonesia and Vietnam. Government officials have started sending queries in this regard to industry participants, and expect to start an investigation in few months, which generally takes up to one year to complete. Industry is hopeful of an earlier recommendation.

Guidance

- Management remains bullish on stainless steel demand in India. They maintained volume growth guidance of 9–10% YoY for FY26.
- Consolidated EBITDA/t guidance of INR19k–21k in FY26.
- Chromeni Steel's capacity utilisation improved from 55–60% in Q4FY25 to 60–65% in Q1FY26, and is expected to reach 80–85% in H2FY26. This unit became EBITDA-positive in Q1FY26.
- Rathi capacity utilisation reached 80–85%. However, 70% of the sales mix is wire rod and the company endeavours to increase rebar production with demand expected to pick up over coming months.

Guidance for capex and debt

- Q1FY26 capex stood at INR6.65bn, and capex guidance for FY26 and FY27 is INR27bn and INR10–12bn, respectively.
- The 1.2mtpa steel melting shop at Indonesia is expected to be commissioned by mid-FY27E and 1.1mtpa downstream facility at Jajpur in H2FY27.
- Consolidated net debt reduced by INR1.2bn QoQ to INR38.7bn in Q1FY26.

- JSL signed a non-binding MoU with the Maharashtra government with a possibility of an INR400bn investment in the state to set up a stainless steel manufacturing facility. It aims to set up 4mtpa stainless steel capacity in phases and targets phase 1 with 1mtpa capacity to commission by FY30. Currently land acquisition is under progress. Management will come out with a detailed capex plan in few months. Management is open to either expedite/delay the project, depending on domestic/global demand scenario.

Other highlights

- The company is evaluating a merger with downstream businesses to avail tax credit balances.

Jindal Steel

Quarterly performance

- Consolidated revenue decreased 7% QoQ to INR122.9bn primarily on account of a decrease in sales volume by 11% QoQ to 1.9mt. The volumes were lower owing to the early onset of monsoon while inventory piled up will be liquidated in ensuing quarters.
- Capacity utilisation was ~87% in Q1FY26 compared with ~88% in Q4FY25. The Raigad plant operated at ~95% capacity utilisation and the Angul plant at ~84% in Q1FY26.
- Product mix improved with VAP sales at 72% of total sales.
- The coking coal cost was down by USD11/t QoQ (versus guidance of USD10–15/t) while iron ore cost remained flat QoQ. It led to a cost reduction of INR500/t. Furthermore, on PCI mix, the company saved INR200/t. Apart from other items, there is saving of INR900–1,000/t QoQ.
- The longs/flat steel sales volume mix was 56%/44%.
- Interest cost at INR2.97bn was down 13% QoQ due to a fall in interest rate, saving on financial charges and refinancing of loan at a lower rate.
- As a result of lower CoP and higher steel realisation partially offset by lower volumes, consolidated adjusted EBITDA increased 20% QoQ to INR29.8bn and EBITDA/t increased INR4,027 QoQ to INR15,680/t.

Management guidance

- Management maintained guidance for steel production of 9–10mt and sales volume of 8.5–9mt in FY26.
- Coking coal cost is likely to fall further by USD5/t QoQ in Q2FY26. Current steel realisation is 5–7% lower than Q1FY26 average. However, management expects a recovery in demand in August from construction and yellow goods sector, which in turn will lead to prices firming up. Moreover, with a higher portion of value added products, the fall in price would be lower than that of the market.
- They guided for entire thermal coal requirement of 10–11mt to be sourced from captive mines Q3FY26 onwards.

Update on key expansion project

- Blast Furnace 2 (4.6mtpa) – Gas stove lit in Q4FY25. First hot metal tapping is likely in Aug-25.
- Basic oxygen furnace 2 (3mtpa) – It aims for commissioning by end-Q2FY26E.
- Utkal B1 coal block – It has received all approvals with EC limit of 5.5mtpa (reserves of 148mt at 15.25% premium). The company expects to start production in Q2FY26E and fully ramp up production by end-FY26E.
- 525MW (out of 1,050MW) thermal power plant –Phase 1 is ready and awaiting approval for consent to operate. It is putting up conveyor belt, which will help in minimal freight cost.
- Slurry pipeline –It is likely to be commissioned in Q4FY26 as a major hindrance is behind now. Another 3mtpa BoF (3) is likely to be commissioned by end-FY26 and 1.8mtpa DRI plant and 6mtpa pellet plant shall be commissioned in FY27.

- JSL has been allotted one iron ore and manganese mine (Roida-1) with EC limit of 3mtpa and having reserves of 126mt in Keonjhar district, Odisha. It won this mine at a premium of 117.5%. It has started extraction of iron ore and guided production of 1.6mt in FY26. This helps in securing supply, but may not have any major positive effect on financials. Its earlier 3mtpa Tensa iron ore mine (of old regime) is nearing exhaustion of reserves. It mined ~0.13mt in Q1FY26.
- It has commissioned 0.2mtpa galvanising line and colour coated line is likely to be commissioned in Q2FY26. Another line of galvanising and colour coated to be commissioned in H2FY26.

Others

- **Capex** – During Q1FY26, capex was INR22.26bn. It spent INR281.5bn (~60% of ongoing capex of ~INR470bn) until Q1FY26
- **Net debt** – Up INR24.4bn QoQ to INR144bn. **Working capital increased** by INR29bn in Q1FY26. Net debt/EBITDA rose to 1.49x (in Q4: 1.26x). Management guided they would not breach 1.5x net debt/EBITDA.

JSW Steel

Macro

- India's steel consumption grew 7.9% YoY to 38.3mt in Q1FY26. Management expects steel demand to improve post-monsoon and can grow by 8–10% YoY in FY26E (FY25: 152mt, up 11.5% YoY).
- HRC prices moderated in June and July. The company is closely looking at cheap imports coming from Russia at discounted prices, hurting domestic steel prices.

Bhushan Power (BPSL) update

- The company has filed a review petition in the Supreme Court on 25th June 2025 and is awaiting a date for hearing. The BPSL facility will continue to run under JSW Steel until the final judgment. Management feels that they have a strong case and that this facility should remain with them.

Quarterly performance

- JSW reported Indian operations' Q1FY26 crude steel sales volume of 6.43mt, down 11.6% QoQ. The contraction was primarily due to planned plant maintenance shutdown at Dolvi during the quarter. Overall India capacity utilisation stood at 87% in Q1FY26. It sold 5.96mt in domestic market (down 11% QoQ amid seasonality/up 12% YoY) and it constitutes 93% of volume (Q4:92% of volume). Exports stood at 0.47mt (~7% of total volume) in Q1FY26.
- US operations' turnaround supported by higher steel prices with EBITDA of USD20.4mn (versus Q4FY25 loss at USD3.14mn). Management expects Q2FY26 profitability to be QoQ higher as steel prices remain at elevated levels. Italy operations too turned around on the back of a better order mix. It reported EBITDA of EUR1.33mn (versus Q4FY25 loss of EUR0.71mn).
- Blended steel realisation increased by ~INR3,300/t QoQ for domestic operations.
- During Q1FY26, average coking coal cost dipped ~USD14/t QoQ (earlier guided for a fall of USD10–15/t). The blended coking coal cost stood at USD160/t on a CFR basis. The cost is expected to further decline by up to USD5/t QoQ in Q2FY26E.
- It witnessed higher fuel consumption due to plant shutdown. The plant shutdown (one of the furnaces at Dolvi) increased CoP by ~INR2bn in Q1FY26. Besides, due to high currency volatility (EUR appreciating against INR), it recorded a forex loss of INR3.43bn on a forex loan. Both these expenses are non-recurring.
- Approximately 39% of the iron ore requirement was met by captive mines.

Capex and debt

- In Q1FY26, net debt increased by INR32.9bn QoQ to INR798.5bn due to an increase in working capital requirement. The steel inventory increased by 0.4mt QoQ
- Consolidated capex during the quarter stood at INR34bn. Management guides for FY26E/27E/28E capex of ~INR200bn/INR210bn/INR220bn.

Projects' updates

- The ramp-up of 5mtpa at Vijayanagar (in 100% subsidiary, Jindal Vijayanagar Metaliks Limited) is going on. The SMS convertor-2 is expected to be commissioned in Q2FY26.
- Shutdown of 3mtpa BF-3 at Vijayanagar is planned in the end of Sep-25 (for 150 days), which will expand its capacity by 1.5mtpa.
- Dolvi Phase-III Expansion from 10mtpa to 15mtpa (estimated capex of INR200bn) is expected to be completed by Sep-27E. Post its completion, it may start looking to expand Vijayanagar (JVML) plant by further 5mtpa.
- The 30mtpa slurry pipeline (302km) in Odisha is expected to be commissioned by Apr-27. It guides to save ~INR1,000/t on iron ore freight.
- The company has approved new projects: i) Setting up a 0.6mtpa cold rolling complex at Khopoli with capabilities to produce galvanized, galvalume, zinc- and magnesium-coated products, etc to cater to appliances, infrastructure and renewables. ii) A 0.4mtpa continuous galvaniszing line in Vijaynagar in order to produce advanced high strength steel for automotive industry. iii) Setting up a 0.55mtpa cold-rolled CGRO facility at Vijaynagar at capex of INR46bn with an estimated payback of less than four years.
- During FY26, JSW Steel would commission three iron ore mines in Karnataka and Goa each.
- It is targeting 2.5GW renewable capacity, of which 800MW was commissioned in Q1FY26. Another 200MW shall be commissioned in Q2FY26E.
- Plans afoot to source 3.2–3.5mt usable coking coal from domestic sources (Coal India and captive) over the next three–four years.

Shyam Metalics

- Ramp up of recently commissioned capacities has been faster than expected: The 0.77mtpa pig iron plant (commissioned in Q3FY25) operated at 104% capacity utilisation (produced ~200kt) in Q1FY26. A 0.25mtpa colour coated facility (commissioned in Q3FY25) operated at ~50% CU in Q1FY26 (Q4: ~32% CU) and has now been ramped up to ~70% capacity utilisation.
- The combined carbon steel and metallic products (DRI, pig iron, carbon steel and CR coil) sales volume increased by 5.5%/28% QoQ/YoY to 817kt despite seasonally weak demand. The lower carbon steel volume (down 9% QoQ to 407kt) was offset by a ramp-up of pig iron (volume up 81% QoQ to 122kt) and CR mill (volume up 93% QoQ to 32kt).
- In Q1FY26, captive power plants fulfil 78% of power requirement at INR2.4/kwh. Average power cost including grid power stood at INR3.1/kwh.
- Out of total estimated capex of INR100bn towards value and volume enhancement, it has spent INR70bn until Q1FY26 (~70% of the total capex). The balance capex of INR30bn will be completed by FY27 end.
- 90MW power plant in West Bengal is likely to be commissioned in Sep-25.
- All carbon steel projects (mainly 0.5mtpa DRI plant, 0.45mtpa BF, 0.15mtpa CR plant) are likely to be completed in H2FY26. It is working on debottlenecking existing long product capacity (~2mtpa), which may increase volume by 10–15%. Aluminium and stainless steel (0.5mtpa flat product) projects are likely to be completed by FY27-end.
- The DI pipe project of 0.6mtpa has been put on hold. A INR3bn is earmarked for wagon manufacturing. Phase 1 entails capacity of 2,400 wagons/year, likely to commence by Mar-26 and the second phase will have capacity of another 2,400 wagons/year. The company plans to use its stainless steel plates in manufacturing wagons.
- SMEL is open to expand mining business vertical. The company has successfully been allotted iron ore mine in Maharashtra and is envisaging bidding for coal mine in future auctions as well. Management hinted at announcing the next phase of expansion in Q3FY26.

Other highlights

- It has net cash of ~INR9.6bn at Q1FY26-end (FY25: INR10.6bn). During Q1FY26, it incurred capex of INR4.19bn (Q4FY25: INR7.1bn).
- SMEL follows a prudent capital allocation framework: 70% towards capex, 20% to maintain liquidity and remaining 10% towards dividend
- It announced INR1.8/share as first interim dividend.
- The Board has given its approval for the company to raise funds of INR45bn via equity/preference share/debentures/private placement, etc subject to shareholder approval. It is an enabling resolution, which may or may not lead to actual raising of funds.

SAIL

Guidance

- During Q1FY26, average blended coking coal cost reduced by INR735/t QoQ to ~INR16,918. It is **guided to remain flat QoQ in Q2FY26**.
- Average steel realisation for longs was INR54,500/t in Q1FY26 (up INR1,200/t QoQ) while flat steel price was up INR3,100/t QoQ at INR50,400/t, translating to **blended average realisation of INR51,700/t in Q1FY26 (up ~INR1,570/t QoQ)**. Management informed that compared with the Q1FY26 average, July so far saw a decrease in blended price by ~INR1,700/t to ~INR50,000/t.
- Management has guided for FY26 sales volume (ex-trading volume of NMDC Steel) of 18.5mt versus 17.5mt in FY25.

Debt and capex

- Capex in Q1FY26 was INR16.4bn; SAIL guided for FY26 capex of INR75bn.
- SAIL has started the tendering process for expansion of IISCO capacity by 4.5mtpa at an estimated capex of ~INR360bn. The ordering process is likely to start Dec-25 onwards and expects to complete by FY30.
- Debt: Reduced by INR10.7bn QoQ to INR287.4bn (ex-Ind AS adjusted).

Others

- Q1FY26 EBITDA was affected by ~INR9.5bn QoQ amid lower inventory valuation, most of which is likely to be reversed in Q2FY26. It has ~3mt steel inventory available at lower cost which can be sold at higher prices in Q2FY26
- It has 1.7mt finished steel inventory at Q1FY26-end (1.4mt at FY25-end) and 1.3mt semi-finished steel inventory (1.3mt at FY25-end)
- During Q1FY26, it sold 0.37mt of steel (trade) of NMDC Steel and recorded revenue of ~INR18bn. It has some stock of it lying. Purchased price was ~INR20bn
- During Q1FY26, SAIL recorded rail price revision benefits of INR1.73bn to consider for rails supply in FY24. Rail price revision benefit of FY24 supplies is fully accounted as on Q1FY26. Currently, the company is recording rails supply at INR78,000/t for FY25 and INR74,000/t for FY26. It does not expect any further benefits of arrears for earlier years in FY26.

Tata Steel

Operating performance

Tata Steel standalone steel sales, at 4.75mt, decreased 15% QoQ due to seasonality and maintenance shutdown. One of its blast furnaces at Jamshedpur was down for relining. It is likely to start in early August.

Management said average steel prices inched up by ~INR2,600/t QoQ in Q1FY26. RM cost decreased by INR1,643/t QoQ due to lower coking coal cost (down USD12/t). Overall adjusted EBITDA/t rose by INR2,538/t QoQ to INR15,240/t.

NINL steel production was hit as its blast furnace was shut for maintenance after facing some technical problem. The issue has been resolved and has started operating and steel production is back to normal. Management guided for generating EBITDA of more than INR10bn in FY26 (FY25: INR10bn).

In Europe, generally steel plants operate at 60–65% hurt by lower steel demand and higher imports. However, higher prices helped steel spreads improve from multi-year low of USD150/t in Q4FY25 to USD220–225/t in Q1FY26.

Tata's UK plant continued to reduce its fixed cost by USD17mn QoQ while total cost was down by USD55mn (9% QoQ) helping to reduce operating loss by 46% QoQ.

At the Netherlands operations, a better sales mix, higher realisation and total cost reduction by EUR155mn QoQ led to EBITDA increasing to USD71.5mn (versus USD14mn in Q4FY25). It incurred expenses of ~EUR14mn amid tariff imposition while exporting its product to the US. Few customers agreed to absorb part of the tariff hike (which is currently at 50%).

Cost-saving initiatives

India: During Q1FY26, the company achieved a conversion cost reduction of INR11bn (from FY25 base). The initiatives implies optimisation of maintenance contracts, vendor procurement, wage bill reduction and productive improvements.

Europe: The UK/Netherlands delivered a cost reduction of INR4bn/INR14bn through optimisation of supply chain, spares, repairs and maintenance, energy management, logistics, freight cost, etc.

Consolidated: Overall, on a consolidated basis, TATA Steel witnessed a cost reduction of INR29bn during Q1FY26 (on FY25 base).

Guidance

Domestic blended steel price is likely to decrease by INR2,000/t QoQ in Q2FY26E and coking coal cost is guided to be lower by ~USD10/t QoQ. Q2FY26 sales volume shall increase QoQ.

India sales volume is likely to increase by 1.5mt to 22.5mt in FY26E. This shall primarily be driven by a ramp-up of the Kalinganagar 5mtpa plant, which is likely to contribute incremental 2mt (6.7-6.8mt) in FY26E. However, the Jamshedpur plant G blast furnace was shut for relining mainly in Q1FY26, which will reduce volume by 0.5mt in FY26E.

The Netherlands: Coking coal and iron ore cost is guided to be lower by USD10/t and USD7/t QoQ in Q2FY26E. Steel prices are likely to be flat QoQ.

UK: Steel prices to be flat QoQ. Management is aiming for a breakeven by Q4FY26E (earlier: Q2FY26E).

Projects update

The company will commission Caster – 3 at the Kalinganagar plant in Aug-25, which will help in fully ramping up the 5mtpa plant in FY27E.

The continuous annealing line of the 2.2mtpa cold rolling mill complex has been commissioned. The galvanising line (two lines) has also been commissioned during the quarter.

The combi mill (0.5mta) at Jamshedpur would be commissioned over the next few months. It will use billets produced at its other plant (erstwhile Usha Martin's plant) to produce bars for automotive.

Setting up of the 0.75mtpa EAF plant in Ludhiana is on track; likely to be commissioned in FY27E.

It has completed public hearing as well as plant designing for NINL's next phase of expansion to 9.5mtpa in phases (first phase: from 1mtpa to 4.5mtpa). Environmental clearance is awaited; thereafter, it will put the proposal before the Board for its approval. This is against the earlier practise of announcing the project and doing the prepatory work later. It is likely to complete the project within 3–3.5 years, post-announcement.

The project work to set up 3mtpa EAF plant in the UK has started in Jul-25.

Debt and capex

Tata Steel incurred capex of INR38.3bn in Q1FY26. It guided for INR150bn capex for FY26E, which will finish the ongoing expansion.

Consolidated net debt at end-Q1FY26 was INR848bn compared with INR826bn at end-Q4FY25. The increase is due to higher working capital requirement on account of inventory build-up.

Vedanta

Aluminium (~42% of consolidated EBITDA)

- Aluminium EBITDA, at INR44.6bn, was down 4.2% QoQ primarily due to lower aluminium price (down 7% QoQ to USD2,448/t). Ingot premium fell by USD33/t QoQ to USD268/t. The VAP mix improved to 60% versus 55% in Q4FY25. Aluminium CoP, at USD1,859/t, was down USD201/t QoQ. A decrease in CoP was due to lower cost of purchased alumina (total alumina CoP/t of aluminium was down USD217 QoQ to USD877) and decrease in power cost by USD52/t QoQ to USD491/t (it might have to purchase less power this quarter) as it has higher PLF of 89% of captive power plant. All this translated to EBITDA/t of USD883, up by USD4/t QoQ.
- During Q1FY25, it purchased ~50% of alumina requirement (Q4: ~65%). Captive alumina production was up 36% QoQ at 587kt. The Phase 2 of 1.5mtpa alumina expansion from 3.5mtpa to 5mtpa would be commissioned in Q2FY26. Management maintains its guidance of 3–3.1mt alumina production in FY26 (versus 1.98mt in FY25).
- The alumina cost has decreased 20% QoQ due to a fall in alumina purchase price and higher captive mix to 50% (versus 35% in Q4FY25). Management guides power plant shutdown in Q2FY26, which will drive power CoP higher to be offset by lower alumina price. However, ramp-up in captive alumina mix to 65–70% in H2FY26 is likely to drive hot metal cost to below USD1700/t (Q1: USD1,764/t). Overall, FY26 hot metal cost is guided at USD1700-1750/t.
- Its 435ktpa aluminium plant at Balco is likely to be commissioned in Q2FY26.
- Management guides Kurloi coal mine (8mtpa) shall be operational in Q4FY26. It has received forest clearance (FC-1) and is in the process of receiving all clearances, including environment clearances (EC), by Q3FY26. We expect production to start FY27 onwards. The Ghograpalli coal mine (20mtpa) has completed 300 acres of land acquisition and a mining plan has also been approved. Management targets to receive all the clearances by FY26-end.
- Sijimali bauxite mine: The FC- stage 1 is likely to be received in early August. Post that, EC and FC2 are likely to be received by Q2FY26-end and production shall start by Q3FY26-end. Management guides ~1.5mt of bauxite from this mine in FY26. Out of total bauxite requirement of ~9mt in FY26, it plans to source ~5mt from OMC and other domestic miners, 2.5mt from imports and ~1.5mt from its captive mine.

Oil & Gas

BPCL

Operational performance—Lower GRMs; 3% YoY growth in crude throughput

In Q1FY26, BPCL's refineries processed 10.4MMT of crude with 118% of capacity utilisation. The distillate yield was 85%. Its refining GRM was lower primarily due to inventory losses led by large inventory build-up due to geopolitical concerns (~2.9MMT in Q1 versus 2.3–2.4MMT usually) coupled with lower crude prices.

Capex guidance of INR200bn for FY26; debt/equity ratio at 0.4x

The company spent ~INR24bn on capex in Q1FY26. Capex guidance for FY26 was INR200bn. Breakdown: INR65bn towards refining + petchem, INR14bn towards marketing, INR40bn towards retail outlet expansion (out of which INR14bn towards CGD expansion), INR20bn towards LPG business and ~INR25bn through its JV, BRPL. Capex guidance for FY27 was INR220–250bn while for FY28 and FY29 it was INR350bn. The current debt-to-equity ratio stands at 0.4x. Management expects debt-to-equity ratio to rise to ~1.0 during peak capex years (FY28 and FY29), and then to come down to a sustainable 0.4x level.

Russian crude sourcing at 34% in Q1FY26; discounts narrowed to USD1.5/bbl

In Q1FY26, Russian crude as a percentage of overall mix was 34%, up from 24% in Q4FY25. Management expects the mix of Russian crude to stay in the range of 34–35% in the long term, except in a scenario where sanctions are applied on crude sourcing from Russia. Russian crude sourcing in Jul-25 remained low due to sanctions. Management also highlighted that Russian crude discounts have narrowed to USD1.5/bbl.

LPG under-recoveries: compensation in 12 tranches; timeline unclear

In Aug-25, GoI announced compensation to OMCs for its LPG under-recoveries to the tune of INR300bn. Out of the aggregate, BPCL expects to receive INR75–80bn in 12 tranches depending on their market share in LPG. During Q1, average LPG under-recoveries were INR150/cylinder. The current run-rate (Jul–Aug'25) of LPG losses was INR100/cylinder. Going forward, BPCL expects under-recoveries of ~INR30/cylinder.

Construction of petro-residue fluidic cracking unit at Mumbai approved

BPCL has recently obtained Board approval for the Petro-residue fluidised catalytic cracking unit and associated facilities at the Mumbai refinery at a gross capital cost of INR142bn with likely mechanical completion by May-29. The project shall replace the old CCU and FCCU units at its Mumbai refinery. This will help the refinery achieve residue upgradation, increase transportation fuel production, provide flexibility on processing higher proportion of high sulphur crudes and reduce environmental impact, thus increasing overall yields of BPCL Group refineries.

Bina refinery expansion and petrochemical project on track; 14% completed

Progress on the Bina petrochemical and refinery project stood at 14% against the targeted 15.9%. BPCL has incurred expenditure of ~INR8bn with overall commitment of INR68bn. All technology licenses and consultants are on-boarded, process packages for all units have been received by BPCL, and front-end engineering design has been completed. Detailed engineering and procurement is underway with tenders for critical equipment and EPC packages floated.

Kochi PP Project: 12% physical progress achieved

BPCL has achieved physical progress of 12.2% against a schedule of 16% with an expenditure of INR2.6bn and overall commitment of INR12bn. License selection and basic design engineering activities are complete. Order for six major long lead items has been placed.

Mozambique *force majeure* likely to be lifted in current quarter

Management has indicated that active talks are ongoing with the Mozambique government and the force majeure imposed upon the plant is likely to be lifted in the current quarter, that is, Q2FY26.

Refinery-cum-petchem complex in Andhra: detailed feasibility study in progress

Detailed feasibility study along with land acquisition is in progress for the planned greenfield refinery-cum-petrochemical complex in Andhra Pradesh.

Diesel market share at ~29.6%; retail outlet expansion fuelling growth;

BPCL's market share of diesel retail sales among OMCs was 29.59% in Q1FY26, a decline compared with previous quarters. However, it gained market share versus HPCL. It faced competition from private refiners in the direct segment due to discounts offered by the latter; yet management remains optimistic on regaining its lost share. BPCL's market share in ATF retail sales was 26.5% in Q1FY26 (21.8% in Q4FY25); a +473bp QoQ gain. BPCL's retail output throughput was 153KL/month in Q1 (146KL/month in Q4FY25), higher than PSU OMC average enabled by strategic market access and robust highway presence. Total 317 new retail outlets and 99 CNG stations were added in Q1FY26, thus expanding the network to 23,958 outlets.

Marketing segment sales at 13.58MMT in Q1

In Q1FY26, BPCL's domestic market sales were 13.58MMT. BPCL recorded growth of 6.6% YoY in MS and 3.2% YoY in HSD in Q1. BPCL achieved lubricants sales of 79TMT in Q1FY26.

Renewable energy aspirations: 100MW wind plant contract rendered; 26 CBG plants planned

During Q1, BPCL awarded contracts for setting up 100MW of wind farm project and 50MW each in Madhya Pradesh and Maharashtra. A ground-mounted solar project at Prayagraj and an Integrated Green H2 plant and hydrogen refuelling station in Kochi are likely to be commissioned in the next two-three months. BPCL is setting up 26 CBG plants: ten through direct investment and 16 CBG plants through its JV, Bharat GPS Bioenergy Private Limited and the proposed JV with Praj Industries.

GAIL

NG transmission volume cut; petchem profitability uncertain

- GAIL has cut NG transmission volume guidance by 7–9% for FY26E–27E.
- Profitability uncertain for petchem segment due to oversupply and rising input gas costs

NG transmission volume guidance cut by 7–9% for FY26E–27E

Management has cut their earlier volume guidance of 138–139mmscmd for FY26E to 127–128mmscmd and 148mmscmd for FY27E to 135–136mmscmd. Its current run rate is at 127-131mmscmd. A 3mmscmd reduction in refinery volume, 1.6mmscmd from power and 1.4mmscmd from unscheduled fertiliser plant shutdowns were some of the reasons for this guidance cut.

Q1FY26 NG transmission stood at 120.6mmscmd with capacity utilisation of 58%. Transmission volumes decreased 9% YoY due to an early onset of monsoon, lower power sector volumes and unscheduled fertiliser shutdowns.

FY26E petchem segment profitability uncertain on weak macros

GAIL highlighted uncertainty in its petchem segment with profitability in FY26E not a certainty on account of an oversupplied international polymer market suppressing realisations and a spike in Henry Hub prices increasing input gas cost for the company.

Marketing performance: FY26E EBITDA guidance maintained at INR40–45bn

Management reaffirmed FY26E EBITDA guidance to be INR40–45bn for FY26. This was backed by the confidence received by GAIL already achieving the mark of ~INR10bn in Q1FY26. GAIL achieved a physical volume of 105.45mmscmd in Q1.

INR1.3bn one-off gain in Q1

In Q1FY26, GAIL saw a gain of INR1.3bn on unified tariff settlement with other pipeline operators. It was a differential payment of the lesser claims submitted by the company to the PNGRB and the actual claims due to the company.

Q1 petchem, LPG/LHC production impacted

Polymer production stood at 177kt in Q1FY26, down 18% QoQ. The decrease was attributed to the company's annual maintenance shutdown in the first quarter. LPG and LHC production were subdued due to lower LHC prices, impact of de-allocation of APM gas and subsequent allocation of pricier NWG.

CGD infrastructure build progressing well

Currently GAIL has six GAs with an infrastructure comprising 212 CNG stations and 440,000 DPNG connections (2,600 added in Q1FY26). Over the next two years, the company targets to add 85 new CNG stations and 150,000 new DPNG connections.

In the next two years, GAIL Gas (GAIL's 100% subsidiary) is expected to add 260 new CNG stations along with 360,000 new DPNG connections. Its Q1 volumes stood at 7.03mmscmd.

Pipeline tariff revision expected anytime now

Management expects the revision to happen anytime going ahead as the PNGRB has completed the consultation process. Now, PNGRB board approval is awaited.

Pipeline projects on track—Jamnagar-Loni LPG pipeline expansion underway

On 18th July 2025, the Durgapur-Kolkata section of the Jagdishpur-Haldia-Bokaro-Dhamra pipeline got commissioned, making way for the Bengal Gas pipeline along with other CGDs in the area to be connected to the gas pipeline. This is expected to add ~0.4mmscmd to volumes.

Completion of the Gurdaspur-Jammu pipeline is expected in FY27.

GAIL also received PNGRB authorisation on 23rd July 2025 for capacity expansion of the Jamnagar-Loni LPG pipeline. With an expected capex of INR50bn, the capacity will increase from the current 3.25mmtpa to 6.5mmtpa.

The company is currently evaluating its investment in a greenfield ethane cracker in Madhya Pradesh.

Petrochemical projects – Pata plant to be commissioned this year; PDH-PP project timeline delayed

The Pata 60kta polypropylene production project along with the 1.25mtpa GMPL project is expected to be commissioned in FY26. The 500ktpa PDH-PP plant at Usar is expected to be commissioned in FY27E, which is delayed due to minor execution challenges. Management expects IRR from this project to be 13–14% IRR. Propane is expected to be procured under a long-term 15-year contract with BPCL for supply with pricing linked to Saudi CP.

Capex guidance – INR120bn for FY27E

GAIL's Q1FY26 capex stood at INR32bn (including INR5bn for pipelines, INR5bn for petrochemicals, and the remainder for other segments).

Management guided for capex of INR120bn for FY27E (INR40bn on pipelines, INR2bn for CGD, INR25bn for petrochemicals, INR5bn for E&P INR20bn towards Net Zero goals, and the remainder for other segments).

Gujarat Gas

Board approval to propane/LPG sale; opex to rise on shift to FDODO

- ***GGL ventures into propane distribution and marketing to capture 25% of existing 167ktpm propane market in Morbi***
- ***Opex likely to rise on increase in commissions on CNG sales due to shift to FDODO model for new CNG stations***
- ***Amalgamation scheme progress on track, MCA approval expected by Q3FY26***

Foraying into propane/LPG business

GGL's board has approved the sale of propane/LPG to industrial customers. Sourcing of propane would be directly from international markets, mainly on spot DES with evaluation of Saudi Aramco CP for future supply. The company is targeting not just Morbi but other industrial areas too with better clarity expected by the next quarter on margins. Capex requirements are minimal as the company is mainly looking to book capacity at import terminals and arranging logistics via terminals like AGS and others near Morbi.

Propane market opportunity; targeting 25% of propane market in Morbi initially

Of the total Morbi market one-third is NG based while two–Two/thirds is propane with 370 units on gas and 530 units with dual switching capability. Total Morbi propane market stands at ~167ktpm. GGL is targeting 25% share initially, aiming to scale up later; ultimate goal is 2/3rd Morbi market which is currently on propane.

Current propane consumption in Morbi ~7–7.5mmscmd of the total 9mmsmcd capacity (more than 75%). GGL is targeting 1–1.25 mmscmd for the rest of FY26. The company's NG price presently stands at INR43.33/scm inclusive of VAT, which got reduced by INR3.5/scm from INR46.8/scm due to lower Brent and spot LNG. Current propane price discount versus NG is at ~INR4/scm with energy equivalent prices at INR1327/mmbtu for PNG versus INR1207/mmbtu for propane. Management gave no guidance for propane marketing margins. Maximum NG volumes in Morbi could reach 6mmscmd if RLNG becomes more attractive as compared to propane

Opex to rise on increase in commissions on CNG sales as FDODO stations come up

GGL's franchise dealers and OMCs earn commission on CNG sales at INR3–4/kg. For FDODO, the commission is likely to be much higher at INR8/kg for online stations and INR10/kg for daughter booster stations as dealers bear capex and opex of CNG stations.

GSPC Group restructuring; MCA approval expected in Q3

The company had received NOC from the exchanges regarding its restructuring scheme. The scheme was filed with the MCA in Feb-25. The management is in continuous engagement with MCA with approval expected in Q3FY26. Parallel efforts are underway to secure clearances from minority shareholders.

FY26E EBITDA margin guidance maintained at INR4.5–5.5/scm

Management maintained its guidance for INR4.5–5.5/scm EBITDA margin for FY26 ex the new propane business.

Morbi volumes down at 2.51mmscmd in Q1

GGL's total industrial volumes stood at 4.71mmscmd for Q1 with Morbi volumes at 2.51mmscmd and non-Morbi volumes at 2.2mmscmd. The reduction in Morbi volumes was due to customers opting for cheaper propane amid lower RLNG and

crude prices with festive shutdowns like to impact demand in Q2 (Volumes are expected to be lower at 2.3–2.5mmscmd). Moving ahead, management expects an uptick in non-Morbi volumes; engaging large anchor consumers via fixed-term and long-term contracts.

Q1 CNG sales growth 12%YoY; CNG vehicles at 1.56mn

In Q1FY26, total CNG sales grew 12% YoY with growth at 10% in Gujarat and 27% outside Gujarat. CNG vehicles in GGL's GAs stood at 1.56mn in Q1, an increase of 15% YoY, adding more than 200,000 vehicles in the last year. The company added three CNG outlets in Q1FY26.

CNG retains competitiveness versus MS and HSD

According to the company, CNG remains competitive versus petrol and diesel by 45% and 23%, respectively.

Notable progress has been made under the FDODO scheme with 69 CNG stations close to commencing construction activities. Management is expecting double-digit CNG station additions by December.

Impact of NG pipeline tariff restructuring to benefit GGL

Management expects upcoming tariff changes to be positive for GGL as majority of its volumes are currently in Zone 2. New zone split is expected to be 42% Zone 1 and 46% Zone 2 as compared with the current split of14% Zone 1, 53% Zone 2, 21% Zone 3.

Gas sourcing: 34% spot LNG, 38% long-term LNG contracts, rest domestic gas

In Q1, domestic segment got 100% APM gas allocation while CNG segment got 41%. Overall, 51% of the total priority sector demand was met by APM gas. GGL's total sourcing mix comprises 34% spot LNG, 38% long-term LNG contracts and balance through domestic gas (including 0.7mmscmd HPHT).

FY26E capex guidance at INR8–10bn

Management guided for a capex of INR8–10bn for FY26, focused on distribution infrastructure expansion.

HPCL

HPCL's increased focus on improving operational efficiency

HPCL recently launched an umbrella programme called 'Samriddhi' to improve operational efficiency. The company aims to achieve EBITDA improvement by INR10–15bn by Mar-26; in Q1, HPCL has already improved operational efficiency and added INR2.5bn to its EBITDA. A second scheme- 'Abhyuday' has been launched to improve the company's throughput levels and retail assets. Under 'Sarvottam and 'Uttam' programmes, the company is working on improving its dealer engagement and digitising operations.

HPCL has adopted a more stringent approach to capital allocation. It is going to operate at ~60–70% of the FY25 run-rate for new projects. This cautious stance is aligned with the company's broader strategy to focus on deleveraging and maintaining a balanced debt-to-equity position while selectively evaluating new investment opportunities.

Vizag residue upgradation unit to start by end-Q2/early Q3

Given pre-commissioning activities are under way, the 3.6MMT residue upgradation unit is likely to commence operations from end-Q2FY26 or early-Q3FY26. Post-commissioning, the refinery would take approximately three months to stabilise. Management expects distillate yields to improve by 4–5% as the project is likely to unlock higher middle distillate production with benefits visible H2FY26 onwards. The company has received PESO approval. HPCL recently signed a green hydrogen tender at the rate of INR328/kg, lowest seen in India.

Barmer refinery construction—88% complete

The 9mmtpa Barmer refinery construction has reached 88% project completion. The petchem unit is 73% complete while the refinery unit is 95% complete. The company is in the process of taking PESO and safety approvals. The first refinery section is likely to start within the next few months. Capex reassessment is ongoing; no major cost escalation is expected except possibly on IBC. As per management, the company is prioritising completing the refinery unit.

Chhara LNG terminal-capacity utilisation to go up to 35–40% in FY27

Chhara terminal's break-water construction is anticipated to be complete this year. Hence, the company cannot offload volumes during monsoon. From next year, it is anticipated to function as an all-weather port. HPCL has entered into an LNG supply deal with ADNOC for ten years starting 2028. The company has also concluded sourcing of cargoes for 2027. Management guided for the capacity utilisation to go up to 10–15% in FY26 and 35–40% in FY27.

Crude sourcing – Russian crude at 13.2% in Q1FY26

In Q1FY26, HPCL's crude sourcing mix consisted of 13.2% Russian crude. Management attributed this reduction in Russian crude volumes more to economics than geopolitical reasons as it is processed only in the Vizag refinery. Currently, the company has increased sourcing of West African crude.

Inventory loss—INR14bn for refining; INR6bn for marketing

HPCL's inventory losses were INR14bn for refining and INR6bn for marketing. They were a result of elevated inventory holdings amid geopolitical crude supply uncertainties.

HPCL's marketing share dropped in Q1

HPCL's diesel/petrol market share dropped in Q1FY26 due to high base in Q1FY25. However, the July performance improved. Management is hopeful of a better sequential momentum.

HMEL – GRM at USD7/bbl

HMEL's Q1 reported GRM was USD7/bbl while EBITDA was INR10bn.

LPG under-recoveries at INR21bn in Q1FY26; cumulative at INR130bn

HPCL's FY25 aggregate under-recovery was INR109bn. In Q1FY26, it was INR21bn. Management expects Q2FY26 to add another INR10bn to the LPG under-recovery based on the recent Saudi contract price for propane. In Q1, the under-recovery per cylinder came in at INR167 in April, INR164 in May and INR155 in June.

Debt to equity ratio at 1.01x

HPCL's net debt-to-equity currently stands at 1.01x with a sharp reduction in short term debt at INR65bn currently from INR200bn in Mar-25. Management gave no debt guidance due to LPG compensation uncertainty.

CGD: volumes rise to 32tmt in Q1FY26

HPCL's CGD business continued its strong growth trajectory with CNG sales volumes rising to 32tmt in Q1FY26, up from 27tmt in Q4FY25 and 22tmt in Q1FY25. The company operates a network of 2,070 CNG stations, including around 350 in its own geographical areas (GAs). The CGD segment reported a positive standalone EBITDA in Q1FY26, reflecting an improved operating performance and rising gas adoption.

Ethanol blending at 19.95%

HPCL is functioning in alignment with the government's 20% ethanol blending mandate**,** currently achieving a blending rate of ~19.95%**.** To optimise costs, the company is sourcing ethanol closer to blending locations thereby reducing freight expenses. The company's procurement price for ethanol was INR57–58 per litre**.**

Cabinet approves INR300bn LPG subsidy for OMCs

The Union Cabinet approved an LPG subsidy of INR300bn for OMCs. The amount shall be paid in 12 instalments. In our analysis, we have distributed the LPG compensation in proportion of LPG under recoveries borne by the OMCs. Our analysis suggests an EPS accretion for HPCL/BPCL/IOCL at INR27.9/14.5/7.7 per share, implying a potential upside in stock prices of 7%/5%/5%.

Indian Oil Corporation

Financial and operational showing—Throughput: 18.7MMT; > 20,000km pipeline network

Q1 reported PAT came in at INR57bn, down from INR73bn in Q4FY25 (-22% QoQ), but surging 2.15x YoY from INR26bn in Q1FY25 with the improvement led by marketing and pipeline segments, partially offset by petchem segment and LPG under-recoveries. The company's Q1 throughput was 18.7mt, registering capacity utilisation of 106.7%, higher than 18.6mt (107.1% utilisation) in Q4FY25. GRMs came in at USD2.2/bbl versus USD6.4/bbl, down 66% YoY primarily led by inventory losses.

Inventory losses were INR65bn in Q1 with about half each in the refining and marketing segments.

IOCL's pipeline capacity utilisation was 73.5% in Q1FY26 versus 73% in Q4FY25. During Q1FY26, the pipeline throughput was 26.3mt.

In marketing segment, IOCL's petroleum product sales were 26.3mt in Q1FY26. IOCL's market share in ATF sales is currently 60%, up from 55% earlier.

Capex guidance of INR335bn for FY26E

During Q1FY26, the company incurred a total capex of INR64.7bn. For FY26, the budgeted capex is INR335bn. Outlay by segment: Refining INR140–150bn; pipeline, petchem, marketing INR180–190bn and CGD ~INR10bn.

IOCL is planning a cumulative capex of INR220bn for the CGD segment, of which INR40bn has already been incurred. It plans to sustain a run-rate of INR10bn/year in the coming years.

Major refinery expansion nearing end in next 12 months, to raise capacity to ~98mtpa

In Panipat, the company is adding 10mtpa capacity, rising from 15mtpa to 25mtpa, Gujarat refinery is rising from 13.7mtpa to 18mtpa, Barauni refinery is expanding from 6mtpa to 9mtpa with total refining capacity additions amounting to ~18mmtpa. Both Panipat and Gujarat are likely be commissioned by Q1FY27. Barauni refinery is likely to come up by Aug-26 and shall take ~24 months to achieve 100% utilisation rate. Related petchem expansion shall be commissioned one–two months after refinery expansion.

Management is confident the higher capacities would help improve refining margins.

Apart from refinery expansion, the company is also targeting petchem expansion. In the petchem segment, the projects include the PX, PTA project at Paradip, which is likely to come up in Apr-26 at a capex of INR140bn along with other projects such as polypropylene plant in Barauni and various units in Panipat. A new petchem complex at Paradip is likely to come up by FY30 at a capex of INR610bn. IOCL is targeting a petrochemical integration of 15% by 2030, from 6% currently.

LPG under-recoveries compensation announced

The government has announced a cumulative compensation for LPG under-recoveries of INR300bn for OMCs. Details on IOCL's share in the INR300bn figure are still awaited.

IOCL's LPG under-recoveries came in at INR160–165/cylinder in Q1FY26 and have come down to INR100–105/cylinder in the current quarter.

Q1FY26 conference call highlights

Russian crude sourcing increases to 24% in Q1

The company had sourced 24% Russian crude in Q1FY26 versus 22% in FY25 and 14% in Q4FY25. Current discount of Russian crude versus others is USD1.5/bbl.

Debt-to-equity ratio at 0.66x; gross debt decreases by INR129bn QoQ

IOCL's debt-to-equity ratio was 0.66x as on June 30, 2025. Going forward, the company is inclined to maintain debt-to-equity levels below 1x.

Gross debt came down by INR129bn to INR1.21tn as on June 30, 2025, primarily led by year-end excise duty payment.

Marketing infrastructure expansion—expects to add > 4,000 ROs in FY26E

The company intends to add more than 4,000 retail outlets in FY26E. Management expects the company's total retail outlet figure to cross 48,000 mark by FY27-end.

New energy project underway

The company is making efforts to scale up electric mobility infrastructure including EV battery charging stations, harnessing natural gas, CBG, biofuels and green hydrogen including hydrogen mobility pathways. The upcoming 10ktpa green hydrogen facility at Panipat is likely to be commissioned in two years. Current cost of green hydrogen is USD3.5–4/kg. IOCL also plans to set up India's first commercial scale sustainable aviation fuel plant at its Panipat refinery complex.

Indraprastha Gas

Tariff savings at INR0.7–1.3/scm, 10–11% volume rise over 2–3 years

- Tariff restructuring shall result in INR0.7–1.3/scm savings in landed cost of gas
- Management expects 10mmscmd exit rate for FY26 with 10–11% volume growth expected over next 2–3 years
- Sustainable EBITDA margin guidance maintained at INR7–8/scm

Impact of Unified Tariff- expected to benefit by INR0.7–1.3/scm

IGL is likely to benefit by ~INR0.7–1.3/scm due to lower tariffs on a reduction of tariff zones to two from three currently. The company remains flexible in making price revisions — both upward and downward — depending on cost movements and changes in taxation. Currently ~87% of IGL's priority sector volumes (83% of overall) fall under Zone 2 while the remainder (~13%) lies in Zone 3.

Guidance of 10–11% volume growth for next 2–3 years, 10mmscmd exit guidance for FY26

Management guided for a volume growth of ~10–11% for the next two–three years. This was backed by a strong growth from the OEM car segment with petrol vehicle share declining below 50% and CNG's share rising to 37%. FY26 exit volumes are likely at 10mmscmd.

DTC volumes currently at 85,000kgpd, to be phased out over next two years

The remaining volume from DTC accounts for ~85,000kgpd, which translates to about 1.7% of IGL's total daily volume, indicating it is not a significant contributor to overall sales. The company expects these volumes to be phased out over the next two years as the EV fleet adds ramp up

Operational performance- 6% YoY increase in overall volumes

IGL recorded a 6% YoY increase in overall volumes in Q1FY26 driven by 5% growth in CNG and 7% growth in PNG volumes. Ex DTC bus consumption, CNG volumes grew 9% YoY. Total gas sales volumes were 831mmscm, translating to an average daily volume of 9.13mmscmd. Delhi volumes remained flat, while NCR grew 11% and others grew 23%. In new geographical areas (GAs), CNG vehicle penetration rose 17% YoY, averaging 18,500 vehicle additions per month.

181,000 new PNG connections added

IGL continued to expand its PNG and CNG infrastructure footprint during the quarter. On the domestic front, the company added 181,000 new PNG connections, reflecting steady progress in household penetration. In the industrial and commercial segments, PNG volumes rose to 0.86mmscmd and 0.24mmscmd, representing YoY growth of 8% and 14%, respectively. Realisation rates were INR49–50/scm for industrial PNG and INR60/scm for commercial PNG, each witnessing a INR1–2/scm increase compared to last year.

One CNG station added- current network at 955 CNG stations

Of the targeted addition of 102 new CNG stations over the year, no new stations were added in Q1. As of now, IGL operates a robust network of 955 CNG stations. The company currently supplies natural gas to 3.1 million households, 5,300 industrial units and 7,000 commercial establishments, supported by a transmission

backbone of over 2,400 km of steel pipelines and 28,000 km of MDPE pipelines, spread across 12 geographical areas in four Indian states.

IGL's gas sourcing- 2/3rd domestic & 1/3rd RLNG

The company's total gas sourcing in constituted by two–thirds domestic gas (APM, HPHT, NWG, IGX) and one–third is constituted by RLNG. Of the total gas sourcing volumes, APM gas constituted 47% (4.32 mmscmd) with NWG at 0.9mmscmd, HPHT at 0.43mmscmd on a long term with 0.3–0.4mmscmd spot volumes through IGX, and CBM at around 0.12mmscmd. Of the company's total 4.22mmscmd contracts, 66% are HH linked.

Sustainable margin guidance of INR7–8/scm

Management has guided for overall margins in the range of INR7-8/scm for the long term. In order to mitigate the risk of APM allocation going down 7–8% annually, the company is evaluating suitable measures including taking price hikes to achieve guided margin.

In talks for tax realisations with state governments- likely to reduce customer costs by INR5.5–6/scm

The company is in discussions for tax rationalisation with the state governments. Management specifically mentioned two key states where VAT-related developments are affecting the effective cost of natural gas. The first is Rajasthan, where the VAT rate was earlier 14% but has now been reduced to 7.5%, which is proposed to go further down to 5%. The second state is Uttar Pradesh (UP), where the tax structure is more complex: the input tax is 10%, while the output tax is 12.5%, resulting in a combined effective burden of around 23–24%. This disparity highlights the need for further VAT rationalization to support a more uniform and affordable natural gas pricing framework across states. These VAT changes are expected to reduce customer costs by INR5–6/scm or INR8/kg, translating to a company-level impact of INR1–1.5/scm. Around 20% of IGL's volumes come from UP.

Q1 capex at INR2.9bn

Of the total capex guided of INR14–15bn for FY26, INR2.9bn was incurred in Q1.

MoU with RVUNL; commercial production began at IGTL

The company is currently in discussions and signed an MoU with RVUNL intended to become a JV. Commercial production for meter manufacturing by IGTL has begun and company is likely to begin sales in the open markets by August.

Increase in O&M expenses driven by CNG compression operations

A significant increase was observed in operations and maintenance (O&M) expenses, particularly in power and fuel costs, driven by CNG compression operations. The company is actively working to reduce power costs, having already achieved an INR5–6 improvement. Current O&M cost stood at ₹1.42/scm, driven by initial underutilization and inefficiencies.

LNG stations — three to be commissioned in Q2

IGL is in the process of commissioning three new stations within the current quarter. One would be commissioned in Delhi NCR by August end, while the remaining two — located in Rewari and Greater Noida — are anticipated to be commissioned in three–four months. With these additions, the company will have a total of four operational stations. Furthermore, there are plans to develop 5–6 additional stations, strategically positioned along highways.

No updates on Delhi's EV policy

There are no concrete updates on Delhi's EV policy, but current incentives have been extended till March 2026. As per an official notification, CNG is now officially included under the category of clean fuels along with EV and other biofuels. The company has not yet received any concession on transmission tariffs, but continues to evaluate regulatory changes.

Mahanagar Gas

Sourcing dynamics: APM allocation down to 1.69mmscmd, ~40% of total volumes in Q1

Following is the gas sourcing mix of MGL in Q1FY26 and its QoQ comparison:-

Management clarified that the reduction in APM sourcing is likely to be replaced primarily by new-well gas going forward.

Volume growth guidance cut to high single digits from low double digits, EBITDA margin guidance at INR9–9.5/scm

Management cut volume growth guidance of high-single digits for FY26E, down from previously guided 10–12% (*volumes grew 9.6% YoY in Q1*). July-25's volume run-rate stands marginally higher than that of Q1. Furthermore, management provided EBITDA margin guidance of INR 9–9.5/scm (previously guided: INR 9–11/scm). Management is also willing to make some price adjustments, if needed, in order to achieve the guided margin range, in situations like increase in gas cost, tariff regulation change, etc. New tariff regulations may have an impact of INR0.6-0.7/kg on CNG margins.

CNG vehicle-adds down QoQ led by high vehicular prices; MSRTC buses–potential opportunity

Total 20,332 CNG vehicles were added in Q1FY26, ~25% lower compared with ~27,000 in Q4FY25, led by high vehicle prices coupled with seasonality effects of Q1 and now more than 11mn CNG vehicles are plying across all GAs. Usually, ~15,000 CNG PVs are added every quarter; but Q1 saw a sharp decline with merely 9–10k CNG PV additions.

Currently, MSRTC has ~600 CNG buses plying on roads, with a total fleet of 18,000. MSRTC is evaluating adding hybrid CNG-LNG buses to its fleet and therefore, MGL may benefit from such an addition. This may replace the current reduction in BEST buses consumption of CNG from 125,000 kgpd earlier to 98,000 kgpd currently.

Pulse of operations: A closer look at MGL's performance

During the quarter, MGL's operational reach increased to 2.85mn households (16,348 households added in Q1. Total 385 CNG stations were operational as on June 30, 2025. The company also added 84 industrial and commercial (I/C) customers during Q1FY26, and has a total of 5,161 customers with pipeline length at 7,538km. MGL targets to add ~80CNG stations (including UEPL) in FY26.

Volume mix on basis of GAs; GA-2 and GA-3 exhibit growth

Volumes in GA-1 were down in Q1FY26, offset by healthy volume growth in GA-2 and GA-3:-

Capex continuity: Charting steady growth with ~INR11–13bn each for next two years

Management guided for INR11–13bn consolidated CNG capex for the next couple of years. Breakdown: CNG station capex would be INR3–3.5bn for MGL; INR 2.5–3bn for pipelines; INR500mn–1bn for O&M and CRM purposes; INR500mn-2bn for IT and other purposes.

Capital infusion in Li-ion battery JV planned at INR3.75bn

MGL currently holds 44% equity stake in the JV with IBC US. MGL is set to infuse ~INR3.75bn in the JV in the next 18 months. ~50% of the infusion is planned in Apr-June 2026 with the remaining portion to be infused in a progressive manner over 6 months post that.

UEPL growth steady; merger with MGL likely to be effective from mid-Aug

UEPL has laid 73.78 km of steel and PE pipeline taking total length to 436km. An addition of 3,939 CNG vehicles in UEPL GAs happened during Q1, and with this now, UPL has nearly 57,537 CNG vehicles registered in its geographies as of June 30, 2025.

UEPL achieved volumes of 0.225 mmscmd in Q1 versus 0.208 mmscmd in Q4FY25 (+9%QoQ). Current quarter volume consists of CNG volume of 0.204 mmscmd and PNG volume of 0.021 mmscmd compared with the previous quarter, sales volume in case of CNG has increased to 0.204 from 0.189 mmscmd (+8% QoQ). For Q1FY26, MGL has consolidated entity has achieved total gas volumes sale of 4.455 mmscmd.

The NCLT has approved the merger of UEPL with MGL and the companies expect to receive a written order from NCLT in two–three days. The merger will further be approved by RoC (expected by Aug'25 –mid).

MGL explores B2B promotional scheme to boost CNG sales

MGL closed the existing promotional scheme on 31st March 2025 as Q1 is usually weak in terms of volumes. The company is currently evaluating a B2B promotional scheme in order to add large fleet owners (such as transporters, etc.) to its customer list to enhance CNG volumes.

LNG infrastructure ramping up on sight of demand

MGL currently has one owned LNG station at Savroli. Its LNG fuel retailing JV added one station in Aurangabad and one in Madhya Pradesh. Three more LNG stations are set to come up at Bhivandi, Amravati and Maharashtra (place not decided) each.

MGL's CBG project: ~INR1.3bn; capital infusion planned

The overall project cost is in the range of INR6–6.5bn. This was an assessment made in the past MGL may be required to reassess the cost. Since there is a JV partner and there is going to be funding through debt and equity both, equity funding from MGL's side is likely to be in the range of around INR1.3bn.

Opex expansion of 10% YoY led by higher CSR, repairs & maintenance and lease rent expenses

Opex per unit during Q1 was INR6.6/SCM, which is generally in the range of INR6.1-6.2/scm. This is on account of higher CSR spends, which would result in lower CSR expenses in the subsequent quarters of FY26. Furthermore, repair, maintenance and some amount of lease rent expenses, in relation to some new plots, increased in Q1. Also, there was a one-off in the form of past period demand for lease rent.

Majority of stations in GA-2 and GA-3 coming up in 'daughter-booster' mode; volume ramp-up in two–three months

In far-flung areas of GA-2 and GA-3, where MGL's pipelines have not yet reached, typical throughput of a daughter-booster station is much lower than the throughput of an online station. Hence, if the ratio of daughter boosters to online is higher, the overall throughput decreases. However whenever a new daughter booster station is opened, it reaches its plateau volumes quickly, in about 2-3 months.

New Unified Tariff Regulation: 68% volumes under Zone-1 tariff; rest 32% under Zone 2 tariff

Currently, MGL's 68% of sourced volumes fall under Zone-1 tariff and the remaining 32% fall under Zone 2 tariff. Total ~84–85% of MGL's total volume is priority volume. Therefore, ~50% of current Zone-2 volumes would be liable to Zone-1 tariff under the new regulation, which would result in some gains for MGL.

ONGC

Guidance cut again; KG-98/2 peak production not before FY27E

- ***Production guidance cut for FY26E (7% oil, 4% gas) and FY27E (4% oil, 2% gas)***
- ***Peak production of 45,000bopd oil and 10mmscmd gas (30,000bopd and 3mmscmd currently) at KG-98/2 delayed to FY27E***
- ***Share of NWG expected to rise to 24–25% in FY27E (13–14% currently) on increased output and bi-annual re-classification of APM gas.***

KG-98/2 peak gas production delayed; ramp-up slow

Oil production at KG-98/2 stood at ~30,000bopd and is expected to increase to 40,000bopd by Q4FY26E. Oil production has not ramped up as previously guided on account of unavailability of vessels and an early onset of monsoon in Q1FY26. Management has guided for a peak production of 45,000bopd, which is expected to be achieved in FY27. Current gas production stands at ~3mmscmd and is expected to reach 6–7mmscmd by Q4FY26 once the main platform is ready, and thereafter progressively ramp up to peak gas production of 10mmscmd.

Two discoveries made during Q1FY26

In Q1FY26, ONGC declared two discoveries (both offshore) in its operated acreages. Out of these, one is a prospect and one is a pool discovery—Vajramani and MBS202HAA-1, respectively.

Capex guidance of INR300bn-plus reiterated

ONGC has reiterated its earlier guided capex of INR300bn-plus for FY26E. This capex includes INR80–100bn for exploration activities, ~INR150bn for infrastructure development and ~INR100bn for drilling activities.

Tie-up with BP, production ramp-up at KG-98/2 triggers for oil production growth

Undertook multiple well interventions and new well drillings to arrest natural decline and maintain production. Management remains positive about its tie-up with BP as the Technical Services Provider (TSP). The tie-up remains on track and shall see results soon at the Mumbai High fields by Q4FY26E.

NWG to constitute 24–25% of gas production in FY27E

ONGC is actively working on boosting new well gas (NWG) volumes. New well gas (NWG) production is expected to hit ~2.6bcm in FY26E, translating to 14–15% of total expected FY26E gas production. It is expected to ramp up to over 4.8bcm in FY27E, constituting 24–25% of expected FY27E gas production volumes. Average realisation of NWG stands at ~USD8.26/mmbtu (20% premium vs APM gas). As a result, incremental revenue on sale of NWG stood at INR3.3bn.

SA production guidance: Oil: 19.928/21mt; Gas: 20.11/21.487bcm for FY26E/FY27E

Management guided for standalone oil and gas production of 19.928MMT and 20.11bcm, respectively, for FY26E. Subsequently, the production guidance for FY27E stands at 21mt oil and 21.487bcm gas.

OVL: Mozambique 'force-majeure' expected to be lifted in this quarter

Mozambique LNG plant remains in a 'force majeure' situation. Management stated that Total Energies, the project operator, is in constant touch with the government and is optimistic that the force-majeure situation shall be lifted in this quarter.

OPaL: Turns EBITDA-positive; gross debt stands at INR248bn

Though OpaL posted a net loss of INR6bn in Q1FY26, it posted positive EBITDA during the period and is expected to exit FY26 too with positive EBITDA. Management remains optimistic of superior performance over coming quarters on account of favourable petchem margin environment and higher plant utilisation rates (>90%). OPaL's gross debt stands at INR248bn. ONGC does not envisage any capital infusion into OPaL in the near term to enable it to meet its debt obligations. It remains confident of OPaL being able to generate sufficient cash flows to service its own debt.

Ethane usage to begin in 2028E; demand at 600ktpa

OPaL currently utilises LNG to extract C2-C3 currently. It plans to replace LNG with ethane, beginning 2028E. ONGC envisages importing the entirety of its ethane requirements, using its own ships. Estimated ethane requirement stands at 600ktpa.

Petronet LNG

Gopalpur: 5mtpa land-based project replaces 4mtpa FSRU-based terminal

PLNG's Board of Directors has granted an in-principle additional investment approval for setting up of a 5mmtpa land-based LNG Terminal (INR64bn) at Gopalpur from earlier approval of 4mmtpa Floating Storage and Regasification Unit (FSRU) based LNG terminal (INR23bn). The switch to land-based terminal was due to recent rise in rent rates. It shall be PLNG's first greenfield LNG terminal on the East coast of India.

Gopalpur trunk pipeline connectivity is ~30–35km away from the planned terminal location. Once connectivity of the terminal with the trunk pipeline is established, it shall be connected to the National Gas Grid, thus enabling PLNG to cater to LNG demand from East and North-East India.

Kochi-Bangalore pipeline completion to ignite volumes at Kochi terminal

Kochi terminal's utilisation rate was a subdued 20% in Q1FY26. The construction of the Kochi-Bangalore gas pipeline is likely to be completed by FY26-end, which shall drive higher volumes at Kochi terminal due to its connectivity with the National Gas Grid. BPCL remains the key potential off-taker of Kochi terminal volumes with GAIL and IOCL among others.

Gorgon Phase-2: 1.2mtpa tied for 15 years, beginning from FY26-end

PLNG has entered into a long-term gas-sourcing contract with ExxonMobil of 1.2mmtpa of LNG. The sourcing would commence by FY26-end with initial volumes of ~0.5mmtpa and a gradual ramp-up to contracted 1.2mmtpa. The contract has been entered into for a span of 15 years. Current sourcing volume from ExxonMobil stands at 1.42mtpa.

Qatar Energy contract renewed; downstream contracts yet to be finalised

Management clarified that PLNG is still in the process of finalising downstream contracts with off-takers of LNG sourced through the renewed 7.5mtpa Qatar Energy contract.

UoP provisioning: 20-30-50 policy; management optimistic of recovering UoP dues

PLNG provides for non-realisation of use-or-pay (UoP) receivables at 20% after the first year, 30% after the second year and balance 50% after the third year of receivables becoming due. In Q1FY26, net provision of INR1.4bn was made for UoP receivables. Management has asserted that UoP provisioning is solely done for meeting the 'prudence' concept of Accounting Standards while they remain highly optimistic of recovering these dues as they consider the same to be wholly contractual.

Volumes down 16% YoY on increased demand for alternative fuels

The company' overall volume throughput stood at 220tbtu in Q1FY26, down 16% YoY owing to lower price of alternative fuels, and YoY decline in demand from power and fertilisers. Volumes recovered sequentially though (+7% QoQ), owing to QoQ recovery in demand from power and fertilisers. Kochi terminal volumes were lower at 13tbtu due to seasonal Q1 maintenance shutdown. Management confirmed that there was no impact on volumes due to GAIL's Dabhol terminal coming online; led by firm quantity agreements and strong demand.

Inventory gains at INR420mn; trading gains: nil

PLNG's regasification revenue was INR6.4bn with inventory gain being INR420mn while trading gains were nil due to an unfavourable trading environment.

Petchem project on track while Dahej expansion slightly delayed

Petchem project is scheduled to be completed by end-FY28, i.e. its originally planned timeline. Commissioning of Dahej terminal's 5mmtpa expansion project has been marginally delayed to FY26-end owing to work stoppages led by cross border conflict between India and Pakistan on India's western front.

Q1FY26 capex at INR5bn; guidance of INR50bn for FY26E

- In FY26, management guided for a total scheduled capex of ~INR50bn with capex for FY27 likely to be even higher. A broad breakdown of capex includes a third jetty for Dahej terminal and petchem project. Furthermore, ~INR3bn is planned for Gopalpur terminal, ~INR1bn is to be scheduled for 25 CBG plants and ~INR1bn has been allocated for a new corporate office at Dwarka in FY26.
- To meet the above capex requirements, PLNG is looking to raise INR120bn through a rupee term loan. PLNG's lined-up capex stands at INR300bn, with petchem constituting the majority share.

Pharmaceuticals

Ajanta Pharma

Financials

- Better product mix and favourable API prices seen in Q1FY26, but provisioning one-off has added 100bp in gross margin. 78% +/- 1% gross margin for FY26.
- R&D likely at 5% for FY26. In Q1FY26, fewer ANDAs were filed, resulting in lower R&D as a % of sales. R&D focus remains on therapies where AJP has a presence in India and the US.
- Other expenses will be in mid-teens range for FY26.
- EBITDA margin – higher selling expenses for new therapies and personnel costs will keep FY26 margin at FY25 levels. 27% +/- 1% is what AJP is comfortable with. FY27 will be better than FY26.
- FY26 ETR – 23%.
- FY26 capex - INR3bn. INR720mn spent in Q1FY26. Maintenance capex will be INR1.5-2bn. Rest is capacity expansion like liquid plant in Pithampur (this is for EMs primarily). No capex planned in US for now.
- Capital deployment – There is no requirement of prioritisation of resources between geographies. AJP has been on the lookout for M&A actively but it can't be forced. Geography focus will remain India followed by Asia and Africa.
- AJP doesn't expect further WC efficiency hereon. The peak has been reached.
- FX loss of INR250mn is largely due to Euro/INR depreciation.

India

- AJP is confident of sustaining the current momentum in times to come.
- Eight new product launches in Q1FY26 (across all therapies like ophthalmic, gynaec, pain and cardiology) with 1 being first in India. Trade Gx contributed INR490mn in Q1FY26. FY26 growth for trade Gx is expected to be 10%.
- In cardiology, competitive intensity has increased but AJP has started working on it and in another two–three quarters, improvement will be seen. Pricing is not an issue and the issue is market share loss/volumes.
- 20–25% higher growth than the IPM is the target for Ajanta Pharma.
- Nephrology was a natural extension due to pain management. AJP felt it could add value in gynaec and it is a growing segment.
- The entire Met-XL franchise is a >INR3bn brand.
- Seventy MRs added in Q1FY26 and overall in FY26, 150 MRs are expected to be added.
- 2.5%/3.3%/4.4% w.r.t. volume/NI/price for AJP.

EM branded and Institutional

- Asia – Spans 10 countries and in Q1FY26, there were 10 new product launches. Continued investments done in products and people. Mid-teens growth is expected in FY26.

- Africa branded – The Africa pharma market will see moderate growth in FY26. Two new product launches in Q1FY26. Mid-to-high single digit growth is expected for FY26E. Double-digit growth is possible in FY27E.
- Africa Institutional – AJP has a cautious outlook on this segment and this segment is unpredictable.
- In EMs, 40 MRs have been added in Q1FY26. For FY26, the target is to take it from 2,000 in FY25 to 2,250 at end of FY26.

US

- Five new launches in H2FY25 and one new launch in Q1FY26 aided US growth. Two–three more launches planned in remainder of FY26.
- US run-rate should sustain as per current quarter levels.

Alkem Laboratories

Guidance and outlook

- It is too early to revise the guidance; hence guidance remains unchanged for now. No one-off in Q1FY26 and no reason for slowdown.
- R&D expenses to be lumpy; overall FY26 guidance remains at 4.5-5% as Q4 usually sees maximum filings. Alkem is also focusing on growing non-US business and lot of filings are being done in non-US markets as well.
- **FY26 gross margin guidance –** 64%. H1 margins are higher than H2 usually.
- **EBITDA margin trajectory –** 100bps improvement/year till mid-20s is reached (keeping new opportunities aside).
- **ETR for FY26 –** 13–15%.
- **Capital allocation –** Alkem is waiting for the right opportunity, more so in the chronic space. There is no such opportunity that has come Alkem's way. Alkem is not limiting itself w.r.t. ticket size. Alkem is open to take on leverage as well.
- **FY26 capex guidance –** INR7.5bn. Largest capex is going into CDMO and biotech. This doesn't mean reduction in investments in branded Gx business.
- **US –** Mid-single growth guidance is maintained but if trends are to be seen, Alkem can surpass this guidance (higher single digit growth is possible). US policy changes remain a concern.
- Alkem believes it can grow 100-150bp higher than the IPM.
- Focus on non-US markets will remain strong irrespective of US tariffs.

India business

- As per IQVIA (SSA) data, during the quarter, Alkem has outperformed IPM in 7 therapies: GI grew by ~1.6X, VMN ~2.3X, Pain ~1.4X, Anti-Diabetics ~1.4X, Neuro/CNS ~1.2X, Respiratory ~1.4X, and Derma ~1.1X.
- Achieved overall volume growth of 2.9%, outperforming the IPM volume growth of 1.5% by 140bps.
- Alkem's major India business is from branded Gx.
- Organic growth in India business was 0.4-0.5% lower than the overall growth.
- NLEM share is ~30% for Alkem currently. The non-NLEM portfolio is seeing higher growth in the market.

US business

- US biotech plant opex will come up in H2FY26. Plant may get fully operational by Q4FY26. Due to this, margins may see impact and hence, margin guidance is being maintained as of now instead of an upgrade.
- US business EBITDA margin is lower than corporate level margin.
- gEntresto has been launched in the US in the last part of Jul-25.
- Alkem is doing better on the supply chain front.
- Some part of the costs in case of tariffs will be passed on the patients. Alkem will also aim to become more backward integrated.

- Denosumab BLA has been filed. GTM strategy will be decided closer to approval (whether own or with partner). Approval is expected in the middle of 2026, post which commercialisation is expected. Patent expiry is in May-26.

Financials/others

- There was forex gain at overall level and it has been reported in other income.
- Q1FY25 had denosumab (US market) trial expense of INR350–400mn.
- Gross margin expansion is due to lower API prices (0.8-0.9%). The mix has also improved (domestic business higher). There was negative impact due to 3-4% (YoY) price erosion in US.
- Export business margin overall (US and non-US) will be within the range of corporate level margin.
- Branded Gx takes the largest part of management bandwidth. Then comes CDMO and biosimilars. For the medtech business, there is a dedicated leader who manages it.
- Branded Gx business has highest RoCE profile among segments but this is because it is a well-established business not requiring a lot of investments.
- Staff cost has increased YoY due to the annual increments and performance in India business being good resulted in higher incentive payouts. In the balance quarters, the growth will be lower than what was seen in Q1FY26.

Enzene

- Biosimilar CDMO revenue started on small scale. This is only lab-level work right now. Full operationalisation expected from Q4FY26.
- Depreciation and other expenses will also be majorly from beginning of H2FY26.
- INR500mn/quarter is the expense that is likely for CDMO. This is based on 100% utilisation of existing capacity.
- INR900mn revenue in Q1FY26 (including US CDMO business). EBITDA including both Pune and US units, was at breakeven.

Medtech/acquisitions

- Medtech revenues started from Q1FY26 (INR25mn). Alkem is confident as customer response has been positive. FY26 revenue expected at INR200mn and annual run-rate at end of FY26 (exit run-rate) should be INR400-500mn.
- Medtech business is targeted to breakeven in FY28. FY26 and FY27 should see INR400-500mn EBITDA loss.
- **Adroit –** INR150mn revenue recorded in Q1FY26. The transaction got closed in Q1FY26 (mid-April).
- Opex will be INR250-300mn/quarter once the Medtech business stabilises. This is based on 100% utilisation of existing capacity.

Aurobindo

US business

- Base business stayed stable and resilient. Q1 is typically a non-seasonal quarter.
- gRevlimid contribution has gone down in Q1FY26. EBITDA clocked 12% YoY growth ex-Revlimid in Q1FY26 (overall). Revenue was down by INR1.5bn YoY in gRevlimid in Q1FY26 and by INR5.5bn compared with Q4FY25. Most of ARBP's gRevlimid quantities have been sold already and so price erosion impact will not be anything major now. The entire market will open up from February 1, 2026. ARBP would have limited sales for the next two quarters, but in Q4FY26, it will be an open market.
- Temporary demand moderation took place due to seasonality and some destocking (15–30 days worth) due to tariff-related issues and surge in exports in Q4FY25. No loss of any major awards was seen.
- **Dayton plant:** To be commercialised from Q2FY26. Awaiting regulatory approval.
- ARBP has a manufacturing facility in New Jersey and now has Lannett too.

Eugia

- **Eugia-V plant –** More than 20 products are likely to be filed over the next two years across the US and EU.
- **Eugia-III –** ARBP has called the USFDA for re-inspection.
- Regular injectable sales is growing. A 11% YoY/QoQ growth was seen.
- RoW (USD50mn) and EU (USD100mn) exposure. Current ratio is 70:30, which they are trying to get to 60:40.
- Injectables business is back to pre-disruption levels. Euiga-III is also back.

Biologics/Biosimilars

- EU approvals have started coming in and revenue is likely to come in from Q3/Q4 FY26. The EBITDA margins are likely to be above company level margins.
- Manufacturing quantities for commercial supplies have started and one supply has already been made to meet a requirement in UK. The first six months leading up to Mar-26 would be for meeting launch quantities. For the first six months, it would be small single digit commercial revenue coming in. The supply chain is sorted. Testing services are stabilising in Europe through CRO partners and through own set-up in Malta.
- ARBP is ready to supply all four products in Europe.
- The markets where ARBP is directly present, ARBP will handle the commercialisation on its own. For other markets, it has partners. For example, in the Nordic region, they have Orion Pharma.
- Few EU countries are extremely or even solely tender driven while others would be such where retail prices are very exciting and 80–85% gross margin can be made. In some markets, one could make only 15–20%.
- Oncology segment does not have that much price erosion in Europe compared with that in the chronic segment.

Europe

- USD1bn target for FY26 intact.
- ARBP is steadily moving the products in-house as far as possible. Margins were in the mid-teens, but it is now touching the 20% mark very soon.
- Injectables have seen 20% YoY growth in Europe. The demand is outstripping capacity and hence, two more oncology lines are being added to address this.

Penicillin G project

- ARBP has secured the renewal of concern to operate along with the wastewater disposal clearance from the Andhra Pradesh Pollution Control Board for the Pen-G plant. The facility resumed operations in the early hours of July 1, 2025.
- Last quarter loss was < INR500mn.
- Yields are increasing day by day and stability should be seen Q3FY26 onwards.
- Current utilisation level is 50–60% and trying to improve yields to cut down losses. Once stability comes, scaling up will be done.
- Pen-G prices in the market today are around USD20 and breakeven is possible at these levels +/- USD2.

China

- China plant started production from Q4FY25 and invoicing started from Q1FY26.
- The plant is ramping up as expected and is likely to break even by Q3FY26.

Financials/other updates

- FY26 EBITDA margin — 20–21%.
- API business was hurt by pricing pressures, geopolitical issues and product mix. Pricing pressure is on account of both domestic and international pressures.
- ARV grew 55% YoY because of tender wins.
- Gross margin was aided by better product mix and softer prices.
- USD73mn net capex in Q1FY26. No greenfield capex is planned to be done now and only routine capex will be done.
- USD98mn was net cash generated in Q1FY26. WC has been reduced considerably and capex has also come down in the last two quarters. USD100mn net cash generation/quarter will be the target.
- Finance costs declined benefiting from prudent treasury management.
- PLI income for FY26 – 7000–8000 tons production, which means around INR1.5bn. There is no minimum level of production criteria in PLI scheme.
- **TheraNym –** Initially started with two lines and the capex guidance was INR10bn. The additional lines will come into operationalisation in 2028.
- **Lannett –** This is subject to FTC approval. It could be earlier than nine months. Integration will be easy as product overlap is high. An advantage they have is a strong BD team and in-licensing. They have 70-plus active products in niche areas where products are in short supply. There could be good potential for upside in this business. Market pricing is stable in their products. There are also synergies in resource rationalisation. They also have a good CMO business. Lannett has

also discontinued some products, which Aurobindo believes it can revive given their procurement strategy. ARBP does not have any critical product where there will be a conflict.

- **Controlled substances –** One segment is opioids and other is non-opioids. Opioids have legal issues and it is not so easy. ARBP is looking at non-opioids segment via Lannett and most are ADHD products, which are in short supply.
- ~USD13mn has been spent on biologics CMO while the balance USD100mn-plus is likely to be invested between now and Mar-27.

Biocon

Insulin

- Received USFDA approval for Kristy (bInsulin aspart). Launch shall be done between now and end of Dec-25. Through Civica alliance in the US, local manufacturing of insulin will assure access and affordability.
- The insulin story worldwide is encouraging; demand is only rising in EMs and there are very few players in the world in insulin. The demand will be met through partnerships too apart from own capacities.
- The Malaysia facility has seen a double expansion on the drug product line, but will cater to only certain markets given regulatory approvals will be required; however it will be focused on advanced markets largely.

Other biosimilars

- **Yesafili (bAflibercept)** - Launched in Canada, first bAflibercept in the market. A large part of the business is in Ontario and Quebec while the sales force is also present there. NHS - Successful outcome with NHS securing 4/7 awards for Yesafili.
- Oncology portfolio delivered strong performance. In the US, Ogivri is at 25% market share versus 10–11% last year and Fulphila is at 27% versus 15% last year. Denosumab launch is another growth driver (approval likely by end-CY25). Two products are here (one part-B and one part-D). The launch timeline is not likely to hamper the success of this product.
- Well-positioned for accelerated growth with recent launches and approvals. The focus is now on scaling commercialised products, deepening presence in key markets and preparing for future launches.
- **Bevacizumab** – Launch is expected in Oct-25.
- **Hulio –** It has 18% market share in Germany.
- **Yesintek –** It has seen strong reception in Germany, Spain, Italy and Portugal.
- **Ustekinumab –** US launch has been very successful. Biocon has had very strong formulary coverage with all big payers being on board. Initial trends are that very large share of Rx have moved to Yesintek. The product is starting to gain early lead and originator product gets knocked off from formularies from Jul-25. There will be more growth in this product. Doctors are getting used to writing Yesintek and it will become sticky.
- **Adalimumab in US –** This continues to be work in progress. US payers remains high concentration. Pricing is starting to soften and settle. Huge swings are not expected. Sandoz and CVS have majority of the share in private label. Humira is starting to fall off.
- The gross margin has held steady in this segment. Opex as a percentage of revenue is also seeing an improving trend.
- EM is at 23% and advanced markets are at 77% share. For FY26, it should be ~75% and within this, North America should be at ~40%.
- Forex, derivative accounting and other income are the adjustments done for like-for-like EBITDA margin at 24% (versus 26% reported).

Generics

- **Outlook –** Early investments in GLP-1s and peptide APIs are gaining traction; upcoming launches to fuel double-digit growth for FY26.
- Q1 growth supported by new product introductions - Liraglutide in the EU with partner, Lenalidomide and Dasatinib in the US as well as higher API volume.
- **EBITDA** reflects ramp-up costs associated with operationalising new facilities including peptides, expanded fermentation facility in Vizag and Cranbury facility. Impact is INR600mn/quarter and this will continue going forward. Few more facilities will be capitalised during later part of FY26. Some increase in costs can be seen in coming quarters, more from H2FY26.
- Positive margin is expected in this year.
- **Semaglutide –** Development is done. Q2FY26 will see filing in Canada, Brazil and many other EMs with launch most likely in CY27. Best case Canada approval is end of CY26. Canada has not approved a single semaglutide file till now. While the market will open up in CY26, Biocon does not believe it will be too far from other companies. The recombinant API is definitely going to be required for the oral semaglutide because there the COGS is primarily influenced by drug substance cost, unlike injectables, where drug substance does have an important influence.
- **Liraglutide's** US file is under review and approval is expected in FY26. US launch is also expected in FY26. There were two open points with USFDA and they have been addressed. TAD has been assigned. No query is pending from Biocon's end.
- **Liraglutide in India-** Received India approval for Liraglutide for diabetes indication. Product to be launched shortly through commercialisation partners. This is a limited opportunity before Semaglutide market opens up in CY26.
- **gRevlimid** – Launch impact was there in Q4FY25. There was a very small component of sales in Q1FY26. Continuing sales for this product are not expected for the next 2 quarters.
- R&D investments at 10% of revenue primarily focused on GLP-1 portfolio advancement.
- PBT was impacted by higher interest and depreciation costs linked to recent capex.
- Capacity of the OSD facility in Cranbury, New Jersey has been significantly expanded to support US sales.
- Biocon also launched sacubitril + valsartan in Q2FY26 and Q2FY26 results will see the impact of this.

Syngene

- Growth in Q1 was driven by research services segment with pilot programs transitioning to long-term contracts. There was healthy demand seen from large and mid-sized pharma clients despite macro uncertainties.
- Syngene remains on track to deliver as per its FY26 guidance.
- **Outlook –** Continues to benefit from favourable demand trends; actively investing to future-proof its capabilities.
- Unit III biologics facility in Bengaluru now operational. Bayview facility in the US is on track for commissioning later this year. Bayview Biologics facility will enhance capacity and provide direct access to the US.
- Opened a new peptide lab.

Financials/Others

- Interest reduction from OCD (Goldman Sachs) will be seen from Q2FY26 but bank loans' interest will continue to be there. Kotak and Edelweiss debt likely to be retired during the latter part of FY26, interest cost should gradually come down.
- Net debt at Biocon Biologics (BBL) level is at USD1.15bn. USD120mn net cash in research. Net debt of USD100mn in generics.
- Biocon stake in BBL on fully diluted basis is 78%. BBL IPO is not a compulsion. Successfully raised INR45bn QIP, which is the first equity raise post IPO in 2004. Strong interest was received from a diverse pool of investors.
- Injectables facility primarily focused on GLP-1s has been commissioned with commercial supplies expected from FY27.

Cipla

Key priorities/guidance

- One India – To retain the growth momentum to stay ahead of the market in both branded prescription and trade generics.
- North America – Maximising commercial execution, expediting launches from US facilities.
- South Africa – Margin expansion shall remain in focus.
- EM&EU – Maximise top-line and deepening penetration in identified core markets while sustaining strong margin trajectory.
- EBITDA margin guidance unchanged at 23.5–24.5% for FY26.

India business

- For FY26, respiratory should be strong. The respiratory season did not pick up that well in Q1FY26 as per Cipla. India growth was lower than what Cipla had expected.
- Higher concentration in respiratory and anti-infectives has skewed overall India growth as these therapies have seen slower overall market growth. This is because some pricing adjustments were made by the government in inhalers over the last 12–15 months. This is a 1–1.5-year phenomenon.
- Successfully launched Voltido Trio, flagship addition to the respiratory portfolio.
- Five new brands added in >INR1bn club. Cipla is ranked 4th in Empaglifozin now.
- Trade Gx business has done well on the back of execution excellence in key therapies, introductions and technological interventions. The business launched seven products in Q1FY26. Cipla expects trade Gx to grow at IPM-level rate.

North America

- USD1bn FY27 revenue target is still achievable on the back of the pipeline. It will bake in respiratory launches, including gSymbicort.
- **gRevlimid –** It will wither off in Q4FY26, but prices have already started correcting in the US. The sales have remained at a similar level QoQ.
- For most products, the company has done dual filings as risk management.
- **gAdvair –** Launch is expected in H2FY26.
- **Nilotinib** (limited market opportunity) and **Nano Paxlitaxel** (price is not same as innovator price now, but the market is big enough to accommodate more vials than what Cipla can produce) launched partially in Q1FY26. Q1FY26 doesn't showcase the full potential.
- **Lanreotide –** It has matched last year's run rate. It is a two-player market. Cipla intends to reach a respectable level of market share over a period of time.
- Cipla has entered into a strategic agreement to launch its first biosimilar in the US, with commercialisation expected in Q2FY26. The product is filgrastim and it is in the segment of supportive care and oncology. Cipla may in-license some more assets too in the near term, but own launches will be from FY29E/30E. Right to win for Cipla is presence in US in oncology as the channel is the same. Pipeline can be expanded faster given phase 3 waivers being handed out in the US.

- **Pipeline** – respiratory – gAdvair closer to commercialisation; preparing for gSymbicort, and a couple of inhalation assets launch in FY27.
- Albuterol ranked No.1 in the overall US Albuterol MDI market with a 19.5% market share. >50mn inhalers have been supplied to date. Only a slight market share improvement can be seen with the current capacity.

Africa/EM/EU

- Uptick in both DTM and B2B categories in EM/EU. It is noteworthy as this was delivered in spite of geopolitical headwinds.
- Competitive dynamics in South Africa can change if Adcock's pipeline improves after the Natco deal.

Other KTAs

- The entire GLP-1 category is important for Cipla. Cipla intends to be in the first wave of launches. Cipla has parts of the value chain with a partner and part is in-house. Cipla is not in the first wave of launches in Canada.
- **Indore facility –** Cipla expects a re-inspection any time from now till Feb-26.
- Other income includes exchange gains and treasury income, which are the big elements.
- Other expenses, excluding R&D, should continue at this run rate. After Indore, remediation costs should come down.
- Gross margin aided by product mix and strategic portfolio management.
- R&D investments were for product filings and development efforts.
- Net cash as on 30-Jun-2025: INR103.79bn (debt of INR4.59bn).

Divi's Laboratories

Business

- There has been persistent pricing pressure in the past few quarters. Pricing pressure is expected to stabilise in coming quarters. Divi's has not heard of any geopolitical concerns/stress from innovators related to tariffs at this time.
- Unit-III Kakinada is focused on producing KSMs and intermediates. Divi's is freeing GMP capacity in Unit-1 and Unit-2, emptying space there for new molecules. Certain long-term products are being qualified in Kakinada and this will take one–two years for approval.
- Capacity utilisation in Q1FY26 – 80% even after Kakinada Unit-III.
- Custom Synthesis – Increased traction from global players seeking partners. Divi's is a preferred partner. Healthy RFP pipeline and site visits are being seen. Several projects are likely to transition to commercial scale in the next 12–24 months.
- Biocatalysis – At this point, Divi's is at a pilot stage and working with few innovators on how to move forward in this.
- Peptide – Newly commissioned solid phase peptide synthesis capacity has garnered strong interest from large pharma companies, particularly those developing GLP-1 based treatments. Capacity has been created for both pilot work and commercial production. Few 500KL reactors have been put in place for pilot work and more capacity for commercial work has been put in place based on contracts with customers and capacity commitments. There is growing interest in several therapeutic segments.
- The three projects are going as per schedule and there are volume commitment contracts. These are for CS projects. Some products are just commercialised molecules, some are commercialised and some have just completed phase-3 and are going forward.
- There is no clarity w.r.t. US tariffs. If tariffs are imposed, Divi's will work together with innovator companies and decide the way forward.
- Contrast media – Gadolinium qualification has gone through for several customers. It will take one–two years for validations to take place (18 months from now).
- Every branded company has their own strategy. Divi's does manage late lifecycle products for its customers.
- Nutraceuticals – Steady rise is being seen. Divi's will increase capacity as and when needed.
- In six to 12 months, Divi's should start seeing a movement in the products on commercial volumes in the generics segment. Divi's is awaiting customers getting approval so that they can start supplies.
- ESG – Divi's is very active in green chemistry and it looks at atom-to-atom efficiency for better yields and products. Divi's recovers its solvents (90–95% recovery).

Financials and others

- Exports – 88% for Q1FY26, the US and EU were 14%/58% for Q1FY26.
- Generics: CS – 47:53 for Q1FY26. Aim is to maintain this at 50:50 and the same is for small: large molecules.
- Nutraceuticals – INR2.5bn for Q1FY26.
- In cc terms, revenue growth was 14% YoY for Q1FY26.
- INR2.51bn assets capitalised in Q1FY26 (INR1.14bn for Kakinada for Q1FY6).
- CWIP as at 30-Jun-25 – INR13.19bn.
- Cash at INR42.05bn, INR25.21bn of receivables and INR30.87bn of inventory as on 30-Jun-2025.
- INR20bn capex likely in FY26 for key strategic projects, expanding capacity and upgrading technologies.
- RM prices remained stable throughout the quarter. Inventory levels remained consistent as per historical norms.
- Some additional costs were there in generics and this was more than what it was in the CS business.
- Backward integration is being reflected in gross margin. Divi's is not being hurt by supply inconsistencies that competitors may be getting affected.
- Unit-III facility is already contributing meaningfully to production and is strengthening supply reliability and driving cost efficiencies.

Dr Reddy's Laboratories

Financials and strategy

- **R&D** guidance for FY26 – 7-7.5% of sales.
- **ETR** guidance for FY26 – 25%.
- Gross margin is expected to be at similar level for FY26.
- SG&A for FY26 is expected to be 28-29% of sales.
- EBITDA margin expected to be north of 25%.
- **Capex –** INR25-27bn for FY26. Net debt to EBITDA is targeted to be up to 0.5x.
- YoY decline in gross margin was primarily due to higher price erosion in generics segment (especially gRevlimid) and reduced operating leverage in PSAI business, but partially offset by favourable product mix.
- YoY increase in SG&A was due to strategic investments in consumer healthcare business, including the NRT and Nestle JV.
- Operating WC as on 30-Jun-2025 at INR133.3 bn. Net cash surplus as on 30-Jun-2025 at INR29.2bn.
- INR/USD rate of 85.74. USD648mn hedged (rate of INR86.13/USD but also allowing participation in USD appreciation) and RUB3.7bn hedged at rate of INR/RUB of 1.
- **PLI –** For FY26, PLI will be almost zero. PLI income will come again in FY27 and FY28.

North America

- US base business has decreased (gSuboxone saw QoQ decline due to movement of orders quarter to quarter). Flat to single digit growth is expected for FY26. Expects to launch 20 products and that can provide upside growth potential.
- Trying to avoid shelf price adjustments for gRevlimid, Q2FY26 is expected to be similar to Q1FY26. Q3FY26 should see lower sales and Q4 onwards, it should fall even further. DRRD believes price erosion level should not intensify from this level and it doesn't expect any surprises. Similar magnitude of prices and volumes are expected in Q2FY26.
- Five new products launched in Q1FY26 which should pick up momentum in remaining part of the year.
- Confident to get VAI classification at Srikakulam FYO-11 facility.
- **Liraglutide –** Plan is to launch in coming quarters. In some markets, the company will be first as well. It is not that big a product as semaglutide.
- **Product pipeline –** Denosumab, Abatacept, other smaller products, bKeytruda, Daratumumab, Rituximab.

India

- New product launches and price increases aided growth.
- Launched five brands in Q1FY26, including two innovative assets viz. Beyfortus (RSV Vaccine) and Sensimmune (Acarizex Slit).
- Branded generics will be normal growth, but innovative products will help the company more and it expects to outpace IPM and grow its rank.
- Consistent double digit growth is expected in India.
- Field force of ~10,000 people in 50 teams.

Others

- NRT integration is progressing as planned. The company is preparing for Australia, Canada and select countries in western Europe. NRT business does not have seasonality. Previously, NRT grew in single digits and DRRD has so far seen that this business is exceeding its expectations.
- **PSAI –** Double digit growth trajectory expected for FY26. Gross margin will correct itself in coming quarters.
- **Launch of semaglutide in CY26 –** Key countries will be India, Brazil and Turkey apart from Canada.
- Expecting semaglutide approval in Canada by end of October or beginning of November 2025 and launch planned in the beginning of Jan-26.
- There is no patent in Canada for semaglutide. Patent is in India and the proceedings are ongoing in Delhi HC. Only gOzempic will be launched in Canada to begin with and confident of the reimbursement mechanism and prospects.
- GLP-1s are a decade long opportunity as per DRRD.
- **Vizag capacity for semaglutide –** FY26 and FY27 (12mn) capacity will be with a partner. CY26 volumes/capacity are expected to be 10mn pens (single-use terms/1 pen per week). FY28 onwards is when Vizag capacity will come. All 12mn pens can be sold without Canada as well as per DRRD. This is because the demand for the product is crazy and DRRD is likely to be the first to launch in most of the other markets.
- **Abatacept –** Readout is expected in Nov-25. BLA submission is planned after that. Jan-27 is a realistic launch timeline for the IV. The subcutaneous version launch will be one year later.
- **bKeytruda –** The intent is to launch it in US and EU and other markets too with less investments. Trials don't need to be done for each indication separately.
- Out-licensing income from Aurigene is there in Q1FY26 (INR1.2bn). This is not a one-time income.
- **CDMO business –** The business is growing. USD100mn sales is expected in FY26 (USD17-18mn in Q1FY26). DRRD sees that there is enough traction in this business. USD250-300mn is expected by FY30.
- Russia sanctions are an opportunity and company has great relations in Russia.
- Europe can be expected to see double digit growth.

IPCA Laboratories

India business

- IPCA is the 16th ranked pharma company in IPM as per Jun-25 MAT. Total 2.01% market share improved to 2.08% YoY.
- Reorganisation was done in the cardiac division (two more divisions added) and it took time to recruit additional manpower (400 MRs have been added). This has led to 8% growth, which was below IPCA's expectations. However, a sharp recovery is being seen now. MR expansion exercise is largely over now for the cardiac segment.
- A 3–4% field force addition shall keep happening every year (more towards specialist segments such as derma, urology and CNS).
- Chronic growth for IPCA at 15.1% and acute at 9.8% growth (9.9% IPM chronic growth rate and 6.8% IPM acute growth rate).
- Pain management recorded 13% YoY growth for IPCA in Q1FY26.
- IPCA is in the midst of a margin expansion in the domestic business.

Exports and API

- Total 15–16 products are in various stages of development.
- **US –** Whatever deal wins have happened so far (four products), annual turnover for these for IPCA could be USD16mn. More scope for deal wins are there in the remaining three quarters of FY26 (four–five launches in remaining FY26).
- **UK –** FTA does not affect the pharma sector. The UK business is very competitive. Q1FY26 was not good for IPCA w.r.t. UK, as there was excess inventory and prices were coming down. Some products were selling below cost too. Some of Unichem's products faced a shortage in the UK and hence did well in UK region.
- API prices are positively stable. Demand is gradually improving in the export market. Every year, 2–3 new products will come to the market.
- Institutional sales is stagnant due to funding. No growth is likely in FY26 in this business.
- Australia and New Zealand reported very good business in Q1FY26.

Unichem Lab

- US business clocked 12% YoY growth. Asia business (Myanmar INR230mn to INR80mn now) recorded a fall. Brazil was down from INR210mn to INR140mn. European business has grown from INR260mn to INR360mn.
- The company lost market share in four profitable products leading to a decrease in margin. A recovery however is likely in the coming quarters. In terms of revenue, it gained share in certain other products.
- No shelf stock adjustments or provisions in that regard were made in Q1FY26.
- Additional provision of INR120mn for Fx were made (due to EUR appreciation). An INR100mn additional expense due to provision for closure of Ireland facility (redundancy amounts paid to employees). These were part of other expenses.
- For Unichem, the remaining three quarters should outpace Q1FY26.

Financials/others

- **FY26 guidance –** 9–10% revenue growth (largely unchanged). A 75bp consolidated margin improvement is likely now from 100bp improvement guided previously. This is because of lower margin from Unichem. The margin expansion in the remainder of FY26 is due to a very good Q2FY26 in the domestic business and improved Unichem performance.
- **FY26 Unichem EBITDA –** Synergy benefits shall take another year from now. EBITDA growth is not possible in FY26 for Unichem due to a weak Q1FY26.
- **Subsidiaries –** Onyx has not done that well in Q1FY26 and business has reduced; FY26 is likely to be a difficult year for Onyx. It was giving 25–27% EBITDA margins until now. Pisgah continues to incur losses in line with last year's losses. H2FY26 should see in injectable facility being ready post which Pisgah's profitability can improve. It would take two years to scale up all subsidiaries. A new subsidiary is being set up in Germany and it shall also incur losses in the beginning.
- Dossiers have started being filed from Dewas.
- Standalone gross margin improvement is due to product mix. Q1FY26 saw low margin products seeing lower sales.
- IPCA to Unichem transfer price is booked in standalone IPCA and US sales in consolidated FS. Unichem is on a profit sharing model.

Lupin

Financials and strategy

- FY26 revenue guidance – Strong double digit for consolidated as well as US. FY27 should see high single digit growth over FY26 on overall revenue.
- FY26 EBITDA margin guidance – 24-25%. Lower PLI income and higher R&D will temper the margin a bit.
- FY26 ETR – 19%.
- FY26 R&D guidance – 7.5–8.5% of sales.
- Total 70% of R&D is directed towards complex and specialty products. There is a pipeline of 60 product filings in US in the coming years.
- Gross margin uptick is due to better product mix, lower share of in-licensed products, volumes and favourable RM pricing.
- At 106 WC days in Q1FY26 versus 110 days in Q4FY25.

US/Canada

- Low single-digit price erosion including albuterol impact was seen.
- Launched Tolvaptan with sole exclusivity through specialty distribution channels. It was launched in mid-May 2025. There was not much channel stocking before launch. Lupin has good ramp-up but conversion is still building up. Full contracted share's impact can be seen at end of Q2 or Q3. Tolvaptan could have a longer tail than other FTFs given it is a specialty product and physicians do not like changing drugs for patients again and again.
- Complex products will drive significant part of future growth.
- FY27 cliff – Right now there are no tentative approvals in Tolvaptan till now. In mirabegron, there are multiple scenarios that can emerge. H2FY26 will be when better clarity can be obtained w.r.t. mirabegron.
- Respideral consta's goal date is Sep-25. There were a couple of information requests and Lupin has responded to them effectively. Tiotropium for instance had 18 queries in all.
- **Tariff scenario –** Lupin's strategies are: i) Price increase wherever there is flexibility; ii) tech transfer in to the US (two sites) wherever it is possible; iii) IP transfers (it will have capital gains impact). A 10–15% should be manageable.
- MFN is likely going to have more of an implication for large value categories where there is material spend from payor/government standpoint while Lupin is more focused on niche therapy areas.
- **NaMuscla** – Active recruitment for phase-3 studies is ongoing. Patient recruitment has been slow. Lupin is looking to open up new centres as well. FY29 should see US launch. A market opportunity exists at USD100–200mn.
- **Semaglutide in Canada** – Lupin has a partner in place, which will get it into the market. The filing is in the works.
- **Albuterol** – Amphastar has entered the market and some impact has been seen in Q1FY26.

- **Spiriva** – Couple of companies have filed but given the difficulty of source of supply, Alvogen and Teva could take as long as Lupin and this could help Lupin have a runway for another ~12–18 months. Market share has remained at similar level. Additional efforts in offsetting costs to patients in Medicare is where improvement can be seen. Lupin has 50%+ share in commercial patients.
- **gDulera –** H2FY27/early FY28, Lupin should be in the market. CRL will be addressed in FY26.
- **Dalbavancin –** Launch is expected in FY26.
- Glucagon has been launched in US on 05-Aug-2025 and liraglutide will be launched in Oct-2025 as that is the time it will take to get launch quantities in place. Both products will be manufactured in Nagpur by Lupin. Liraglutide will start creating a reputation for Lupin in injectables space and it is as it is a sizeable opportunity for Lupin (USD500mn+ market size). gSaxenda goal date is next year but approval is expected a bit earlier by Lupin given Victoza has been approved.

India

- Cardiac, GI and VMN grew ahead of IPM.
- LoE on certain in-licensed brands in diabetes segment had an impact on sales. In-licensing share is now down to 6% from a high of 20% at one point of time.
- Lupin has successfully completed the transfer of OTC consumer healthcare business into 100% owned subsidiary called Lupin Life Consumer Healthcare. This should help to capitalise on the rapidly growing OTC market in India while enabling the company to sharpen its focus on core strengths in the Rx business.
- Lupin is confident of outperforming the IPM on the back of its 10,000+ sales force and extensive portfolio of innovative and in-licensed products. 80 product launches have been planned over the next 5 years. GLP-1 will be an important part of the India business strategy over the next couple of years.
- Expanding presence in oncology and CNS is being planned apart from making GI as the 4th major segment for Lupin.
- Focus still remains on in-licensing but the primary focus over the past 3 years has been on own products.
- Lupin expects to be in the first wave in India in semaglutide injectable version (with partner). Oral version is being done by Lupin on its own.

Biosimilars

- Lupin is well positioned to enter the US biosimilars market.
- Pegfilgrastim approval is expected in this year.
- Jun-26 is the goal date for ranibizumab.
- FY27 can see ranibizumab coming to market and OBI Pegfilgrastim could come in FY27/FY28.
- From a capital allocation standpoint, Lupin has not shifted gears yet in biosimilars.
- In FY29, Lupin expects to be one of four players in etanercept and it is expected to be a significant product despite price erosion.
- Certolizumab development will start soon. Benralizumab is also in the pipeline.
- In India, biosimilars are gaining momentum in oncology especially.

Others

- Position in inhalation is expanding across markets.
- 1% negative EBITDA impact from adjacencies in Q1FY26. The diagnostics business is expected to breakeven in FY27.

Natco Pharma

Business

- Overall other US business has been stable (ex-Revlimid). R&D expenses were also higher during Q1FY26. Seven–eight products are filed annually in the US usually (one–two in oligo space within this).
- **gRevlimid –** It has been consistent and will continue in the Sep-25 quarter. Q3 onwards it should drop off and most of the volumes will be captured in H1FY26 itself. Price erosion in Q1FY26 has increased versus Q4FY25.
- **NRC-2694 –** Phase 2 is going on. 13–14 patients have been enrolled so far (most in US). India arm is starting now. 60–70 patients need to be done in all for definite conclusion. Mid-FY27 is when meaningful data readout could come out.
- **Agrochem –** There has been a good start and this sales level should continue. There was an INR32mn loss in Q1FY26 and this segment is very close to breakeven now. Five products have been launched and these are limited-competition products. Gross margin on newer launches has been higher.
- **Eyestem –** Natco is investing as per the proportion of their shareholding to avoid dilution (~2% of the company). Eyestem is working on dry AMD.
- **US tariffs –** There will be some impact. A disruption is expected initially and hopefully it can be passed on to customers later on. Natco will continue to work the way it is and adjust according to the policy changes as and when they occur.
- **Adcock outlook –** South Africa is a very interesting market, and a stable market. Natco can put its entire India pipeline in South Africa now. The payoff will take some time, but investors will benefit from their existing base business now itself. The transaction is expected to be completed in the next two–three months post-regulatory approvals (India approvals are sorted; Delisting process is being run in South Africa, but no major issues are expected as majority holder remains a South African company, not a foreign holder). Last year, its turnover was USD536mn with a PAT of ~USD47mn and 35.75% of this will flow to Natco. Natco has an option to increase its stake in Adcock. The majority holder is Bidvest, and they are a large South African conglomerate.
- South Africa is likely to become 15–25% of the base earnings for FY27.
- **Kothur –** Natco has answered all queries and is hopeful of a positive resolution. A reply is received in 90 days, and Natco submitted its responses in Jul-2025.
- **Semaglutide in India –** Natco is on track and hopes to be there during market formation. By Nov/Dec, readouts are likely. OneSource is making the fill and finish.
- **Pomalidomide** – Approval is there with Natco. Launch date clarity is not there as of now. Natco has a settlement here.
- **Risdiplam in India –** Single bench has been won. Double bench of Delhi HC verdict is awaited at any moment now (next week or next month). Natco is ready for launch. There is first mover advantage here.
- **India strategy –** Risdiplam and semaglutide are the high value launches that are upcoming. 7-8% revenue growth is being seen in base business. New launches will cause this to grow much more.

Financials/M&A

- Interim dividend of INR2/share declared.
- Net profit fell YoY due to price erosion in US and gRevlimid primarily.
- USD8–10mn R&D projects wherein upside is very high, are being carried out. Peptides and oligo-peptides is where R&D is being done. R&D expenses will decline in H2FY26.
- Authorised share capital increase is just an enabling resolution. Another transaction is being targeted like Adcock, and this enabling resolution is for flexibility. Natco is trying for something that strengthens the base business and gives it accretive earnings immediately.
- Post-Adcock transaction, cash levels will be about INR15bn (apart from FY26 accruals).
- Other expenses will reduce from Q3FY26 and current quarter's run-rate will not sustain beyond Q2FY26E.
- There was an INR120mn impairment charge in Q1FY26.
- Guidance remains unchanged for now (20% dip in revenue and 30% dip in PAT).

Orchid Pharma

Challenges/Outlook

- Antibiotic industry in India is facing biggest challenge this year both in volume and value terms. Antibiotic exports from India were down 30% YoY. No credible data on China exports. There could be competition from China, but overall demand has slackened for sure. India is stronger in products like Cefixime, and there has been a slowdown.
- This could weigh in the near term for Orchid. No revival in near future expected, at least this year. Post that can see a revival similar to what we saw post-covid.
- Orchid continues to maintain a disciplined approach and protect margin. It has not taken price cuts and that should help once market stabilises. Expenses are also controlled on a YoY basis and there is no significant increase.
- Peng prices have gone down significantly. So there's pressure on API prices. Might be other people waiting for prices to bottom out and refuelling the inventory.
- Volume pressures not that significant in long-term contract. Usually correction with respect to pricing can happen with +/- 10% variation and there is an annual forecast.

Allecra acquisition

- IBC process is expected to be completed in three months. Court approval awaited. Terms are confidential, but can assure that its economically viable. No debt needed for this acquisition. Agreement has been signed. Nobody else can contest this. German government approval, creditors' approval and other basic requirements pending. Had limited time to do due diligence in these cases. Once the acquisition is complete need to obtain more details.
- Play on royalties from July 31 onwards. Allecra was entitled to get 14–18% royalties from Advanz, which will now all flow to Orchid.
- Licensing - Allecra has also signed licensing deals in Middle East (Saudi, UAE) and South Africa with Achin Pharma. US market remain elusive for now. Priority is to resolve past challenges of Allecra and outlicense this drug globally. Out-licensing model will remain same. Aim to enter US as well. China – currently no agreement exists.
- Advanz pharma – no significant sales number this year, but growth is expected next year. Takes time to develop the market. Once the acquisition is done, will have more visibility.
- Patent expiry—US, Europe—early 2034. Ongoing paediatric study, which might extend exclusivity period.
- US– may register their own facility as alternate site. Cant comment on timelines as regulated market inspections can take 3 years.
- Gross price USD150 per vial in Europe.

Dhanuka merger

- Expected to complete in next 6 months. EGM results accepted by judge. Hearing in end of September post which final verdict could come once all regulators approve.
- FY25 sales INR5.03bn and EBITDA INR420mn.

AMS division in India

- Orblicef in India – Still in investment phase. Manufacturing API for domestic consumption. Marketing as first line treatment. In India, meropenem is still used as first line which is not the global protocol. Expanding engagement with hospital and clinicians. This would also help in driving adoption for cefiderocol in India given prescriber base it serves.
- 30-40 products marketed which includes Avibactum. Pfizer has made big brand. Despite generics, this molecule continue to grow.

Others

- 7ACA: on track with revised timelines. Procurement of major engineering equipments is completed.
- Cefiderocol on track as per expected lines. Can't comment on Wockhardt drug, which is still under trial. Doctors in India are curious about Cefiderocol after getting to know that Orchid has got licence.
- Avycaz in US: Orchid will not be FTF. FTF date is in Aug-27 and orchid will market after 6 months.
- Ceftaroline – no timeline of formulation filing.

Sun Pharmaceuticals

Specialty business

- SUNP discontinued the trials of SCD-044 and has no plans of continuing this further. Excluding the charge, R&D expenses for the quarter stood at INR7,640mn or 5.6% of sales.
- Philogen has decided to voluntarily withdraw MA from MHRA for Nidlegy. They plan to re-file the application at an appropriate time.
- Checkpoint Therapeutics acquisition has been completed. Unloxcyt launch can be expected in H2FY26. Checkpoint has submitted long-term data and once that data has been added to labels in US, launch will be done. The long-term data helps from a competition POV, and this data is in the public domain.
- **Ilumya –** SUNP's two phase-3 clinical studies evaluating Ilumya in active psoriatic arthritis met their primary endpoint. These results support the potential regulatory submission of Ilumya in the US and in other markets. Successful trial with very good top-line results w.r.t dosing and safety profile. Plan is to present the data in a reputed journal before SUNP starts talking about it publicly. The regulatory team is working with the CRO that as soon as the requisite information is available, filing will be done. Filing is expected to be done before the end of CY25. Approval timeline is typically 10-12 months. 30% of psoriasis patients suffer from psoriatic arthritis and hence this market becomes available to SUNP. Sun is likely to have similar access for psoriatic arthritis as it has for psoriasis, from Day-1 and hence the ramp-up should be faster than what is the case in a new launch otherwise.
- **Ilumetri –** An option has been created by incorporating a subsidiary in China but there is no specific plan in place for it as of now.
- **IL-23:** No biosimilar first policy is seen from payers end by SUNP. Sun has also seen more growth in the IL-23 class. So there already has been movement away from Stelara in multiple therapy areas.
- **Leqselvi:** It was launched couple of weeks ago. SUNP is encouraged by the response it has seen as of now. SUNP already has patients that are going through their hub, which is their support program. SUNP also already has initial commercial prescriptions. Some positive impact will be seen in FY26 from this. Parity coverage is expected for Leqselvi vs competitors due to better speed of the drug treatment and the data shown to payers. The settlement terms with Incyte are confidential. There will be amortisation w.r.t. acquisition once product is in the market. USD100mn additional spend will be sustained in FY26 but not much was seen in Q1FY26. The amortisation is not part of this.
- **Odomzo:** SUNP continues to see nice growth in this. Clinicians' recommendations and sales teams' execution efforts have resulted in growth. Channel and prescribers overlap is there between Odomzo and Unloxcyt.

US

- Ilumya, Cequa, Winlevi and Odomzo are performing well, but offset by performance of the generic segment. Generics declined due to additional competition.
- Four new generic products were launched in Q1FY26.
- No interactions with the government on MFN issue as of now. SUNP has not been contacted for any of its portfolio products.

- No plans as of now to move more manufacturing to the US.
- **gRevlimid –** US generics business is down QoQ and YoY ex-Revlimid. Q1FY26 gRevlimid sales were moderately higher than Q4FY25 gRevlimid sales.
- **Halol –** SUNP is engaging with the USFDA and waiting to hear back.
- Mohali, Dadra and Halol are under warning letter. Baska, Hungary, Haifa, Brampton facilities continue to supply to the US, there is one more facility in Billerica, Boston.
- The understanding is that tariff on pharma will be post Sec. 232 report and hence pharma will be exempted from the basic tariff that are starting from 01-Aug-2025. The EU deal also exempts pharma products.

India/EM/others

- Sun Pharma is ranked number 1 and market share has increased from 8.0% to 8.3% in the IPM as per AIOCD/Pharmarack MAT Jun-2025 report. Growth has been volume and NI led versus pricing growth for the IPM. As per SMSRC (Mar-Jun 2025) report, Sun Pharma is No.1 ranked by prescriptions with 13 different doctor categories. For Q1FY26, SUNP launched five new products in India.
- Majority of growth in India is coming from the Rx business, not consumer business. Brand building, science led promotions, improving prescriber coverage, selective presence in tier 2&3 towns, decluttering portfolio has helped SUNP grow better than the market.
- If one looks at how existing standard of care is getting impacted by GLP-1 globally, there is a lot of experience about the impact of GLP-1 on sale of existing products, both DPP-4 as-well-as GLP-2. SUNP hasn't seen any significant de-growth. So if this gets repeated in India, there should be no problem.
- In India, SUNP will be in the first wave of launches.
- CNS growth for SUNP is in-line with India growth.
- CC growth in EMs was 4%. Romania, Russia, South Africa have done well in cc terms.
- There has been no specific separate event in RoW markets that can explain the growth. There may be some one-time sales.

Financials

- Net cash of USD3.1bn at consolidated level as on June 30, 2025.
- 41% was specialty R&D and stands at 11.8% of the global innovative medicine sales for the quarter after excluding exceptional charges.
- No further exceptional items are expected to be seen w.r.t. the Taro settlement over coming quarters.
- Capital allocation – ophthalmology, dermatology and onco-derma. Global deal will be easier to do.
- ETR for FY26 – 25%. Cash outgo may be lower due to MAT credit.
- No milestone income in USD311mn number of global innovative medicines.
- Lower material costs, higher sales from innovative medicines and better product mix aided gross margins.
- R&D guidance remains unchanged (6–8% of sales). GL0034 phase-2 shall start.

Torrent Pharmaceuticals

India business

- 6,600 MRs in Q1FY26 versus 6,400 in Q4FY25. 200 MRs will be added by the end of Q3 (6,900–7,000 MRs expected by the end of FY26). MR additions should be looked at from a two-year horizon.
- TRP expects to sustain outperformance against IPM.
- As per AIOCD secondary market data, IPM growth for the quarter was 8%. Torrent's chronic business grew at 13% versuss IPM growth of 9% driven by cardiac, gastro, diabetes and CNS divisions.
- Torrent has 21 brands in the Top 500 brands in IPM, with 14 brands having >INR1bn sales (MAT Jun-25).
- Price/volume/NI breakdown – 6%/3.5%/2.5%.
- Investments in brands such as Tedibar are yielding very good returns.
- Rx:Consumer – 85:15 or 90:10.
- Four–five meaningful launches, nine–ten line extensions have been done over the last 12 months.
- Semaglutide – The injectable will be a large part of the market. The oral will also have a fair share. Both forms will be important opportunities for TRP as they are for different patient pools. TRP could be in the first wave of launches. This will be a reasonable addition to its chronic portfolio over the next one–two years.

Brazil market

- As per IQVIA, Torrent grew at 14% versus market growth of 5%. Growth was aided by top brands and launches.
- As many as 62 products are awaiting ANVISA approval. Some will take nine months while some will take 36 months too. Two–three launches are expected from each of the three divisions in Brazil (eight–ten launches in all in a year).
- Volatility of primary sales is there QoQ. IQVIA data should be followed.
- Semaglutide market – Ozempic has declined 15-17% after Wegovy launch and is losing losing patients to Wegovy. Ozempic is currently ~USD350mn while Wegovy is running at USD600mn annualised run-rate. Wegovy generics will come later (couple of years). Torrent is working on both products and trying to be in first wave of launches.
- The Rx for Semaglutide products has to be issued in two copies in Brazil. This is being done to keep off-label use minimal.

Germany

- Growth was impacted due to supply disruption at a third-party supplier (due to regulatory requirements). At least a couple of quarters would be required to get this resolved.
- There is no rethink on the geography as a whole.

Q1FY26 conference call highlights

US business

- Constant currency revenues at USD36mn and recent launches have achieved targeted market shares.
- Ten launches are expected in FY26 with some of them being day-1 launches. Esomeprazole was the biggest launch in Q1FY26.
- The company launched Sacubitril + valsartan recently. This is a ten-player market on Day-1 itself.
- US business is still not profitable. QoQ losses have come down though.

Financials/others

- ETR – 25% for standalone and 25–26% for consolidated.
- INR150mn one-off expenses related to acquisition included in other expenses.
- Forex loss in other income is INR480mn. A major part is due to EUR/USD, and it is related to translation effects and should reverse in coming quarters.
- EBITDA margin guidance – Q1FY26 margin should sustain in the rest of quarters.
- CCI application for JBCP has been made; CCI revert is awaited.

Zydus Lifesciences

US business

- With pricing pressures in gRevlimid, expecting single-digit growth in FY26, supported by the launch of 30-plus products. Two molecules will be decent launches. Expects to provide more clarity for FY27E by Q4FY26. Base business has done well.
- Mirabegron: will have to wait for the trial (in Feb-2026); until then will continue to commercialise the product. Cannot speculate the outcome of the trial.
- Sitagliptin: Expected to contribute meaningfully over the next couple of years but cannot offset the revenue loss from Lenalidomide. This remains a strong product with good potential for 2–3 years
- Mesalamine has faced a steep decline.
- gRevlimid: Majority of quota booked in last quarter, but some quota is left.
- gIbrance: Have clarity on the settlement; launch timing will depend on paediatric exclusivity; potential launch in FY28.

India

- The business outperformed IPM in key therapies of cardiology, respiratory, AI, pain and in the super speciality area of oncology.
- Branded business sustained the growth momentum with chronic growing at a faster pace.
- Couple of summer oriented consumer brands faced seasonal challenges. Zydus is committed to achieve targeted top line and profitability for FY26.
- On track to launch Semaglutide in India; will be present when market formation happens. India offers high revenue potential from a commercialization standpoint. Zydus is backward integrated and has enough capacity for India as well as for emerging market launch.

Financials and others

- Emerging markets: High teens to Mid-twenties growth expected.
- Capex for FY26: INR12bn (Including Med-tech capex as well).
- EBITDA Margins: >26% margins in FY26.
- The company taken cost-reduction programs and it achieves ambitious targets due to procurement savings, vendor negotiations, use of alternate suppliers, and efficiency improvements. These initiatives deliver meaningful annual savings.

Specialty/Innovation

- Docetaxel – Will commercial in Q2FY26. Other 505b2 products will not be larger than Sitagliptin, but will have longer patent life. The peak for the other products would be in the second or third year.
- CUTX101 – Looking forward for approval in FY26
- Desidustat: Clinical trials in China completed with the local partner, and the data has been published, expects approval within the next 12 months. The Chinese market represents significant opportunity. Desidustat is expected to be a meaningful launch and commercial opportunity for Zydus. The revenue stream

will primarily be in the form of royalties + profit share and will have high profitability.

- Usnoflast: Initiated a phase II(b) clinical trial of Usnoflast in the US. USFDA has granted fast track designation to the molecule.
- Saroglitazar: The data expected in Q2FY26, if data looks promising, Zydus will go for NDA filing with launch expected in FY27.
- Vaccines – Completed Phase II clinical trials of Hepatitis E Vaccine. Initiated Phase IV clinical trials of rabies vaccine.
- Amplitude: Acquisition related costs are booked in Q4FY25. Zydus entered into a strategic partnership with Braile Biomedica, in Brazil to exclusively commercialize its TAVI technology across Europe, India and other select markets.
- Robotic arm expected timeline – Have applied for CE approval and launch will be in FY26.
- Medical devices capex – A dialyzer facility is under construction which should commercialize in the next 1 year. Total capex of INR3bn on medical devices.

Others

- Agenus acquisition marks Zydus's strategic investment in the US based biologics manufacturing.
- The Biologics CDMO unit has 4x2,000L reactors. The facility is under qualification and would produce Bot/Bal for Agenus (contract for 3 years). In the near term, the focus is on clinical supplies for BOT/BAL.
- The company can bring more Bio CDMO manufacturing into this facility.
- Sterling biotech facility: Planning to build world first recombinant whey protein manufacturing at scale. Commercialisation will take place in next 2 years.
- With no further efficacy trials required in US, the pathway is now easier. Having a manufacturing partner in the US also simplifies the process for Zydus. Zydus is looking for in house portfolio as well as in licensing in US.
- API manufacturing facilities at Ankleshwar and Dabhasa received EIR.

Ports

Adani Ports and SEZ

Guidance

- FY26 cargo volume guidance retained at 505–515MMT; the company is confident of remaining within the guided range given typically H2 is higher seasonally. July volumes recovered sharply; Mundra handled 10% higher cargo MoM.
- 1bn tonnes cargo target by 2030 reiterated, with 150MMT international volume (visibility of 146MMT already achieved including Australia); management sees upside beyond 150MMT, with significant global container opportunity.
- Revenue and EBITDA are likely to remain within the guided range; a full recovery is likely July onwards.
- Management reiterated the strategic shift from volume-focused metrics to integrated transport utility model, focusing on profit and value creation across segments.
- S&P Global upgraded outlook to 'Positive' (from 'Negative'); retained rating.
- Mr Gautam Adani has stepped down from Executive Chairman to Non-Executive Chairman position. The company does not expect any change whatsoever in APSEZ on account of this change.

Ports

- **Mundra**
  - Transhipment volume was hurt in May due to geopolitical issues; some night operations halted due to blackout restrictions. Cargo flow restrictions disturbed schedules for key shipping lines; volumes improved in June and rose 10% MoM in July.
  - EXIM container volumes grew 4% YoY; overall decline in container volumes driven by transhipment drop as Mundra Port has cargo exposure to nearby countries (given it is a last port of call for several liners during transhipment).
  - Coal volumes fell 20% YoY due to a drop in thermal power generation (–8% YoY) and subdued energy demand (–1.5% YoY).
  - Market share in coking coal improved by 9.8pp; import volumes were affected by Adani Power and Tata Power. One of the two power plants at Mundra have taken a shutdown under Section 11 and is likely to resume. Adani Power's coal intake is now picking up.
  - Fertiliser cargo was hurt by delayed start of government import cycle and is likely to come through in coming months.
  - Container capacity expansion underway.
  - Vessel arrival delays at two major ports in the last week of July; cargo landed in August—expected to be recouped in Q2.
  - SEZ and port development progressing; Panipat expansion will be consolidated line-by-line once operational (two–three years' timeline).

- **Dhamra**
  - Sharp drop in industry's iron ore trade volume. However, Dhamra port has seen market share expansion by 2.1ppt
  - Coastal coal volumes performed well; helped offset iron ore weakness.
  - Commissioned one new berth; two additional berths under construction.
  - Margin dip attributed to seasonal fluctuation; likely to normalise over FY26.
  - Signed tank farm contract with PCBL for chemical cargo.
  - Rail-Sea-Rail model being actively explored for coal logistics.
- **Gangavaram:** After the disruption in part of FY25, Gangavaram port is seeing a recovery and 76% jump in volumes YoY (+1% QoQ). Government incentives of INR920mn booked in Vizhinjam; to be accounted for over four quarters.
- **Vizhinjam:** APSEZ has achieved a distinct feet of achieving optimum utilisation of the port in the ninth month of operations. The company is already working on Phase 2.
- **International**
  - **Haifa (Israel):** Cargo volume grew 29% YoY; delivered highest-ever revenue in Q1.
  - **Colombo (CWIT):** Phase 1 commenced operations in Q1FY26; Phase 2 construction to begin.
  - **Tanzania:** Handled 3.5MMT in Q1FY26; integration progressing well. Contributes meaningfully to international cargo portfolio.
  - **North Queensland Export Terminal (Australia):** Included in 146MMT international portfolio visibility. High-margin, regulated asset acquired with zero capex; contributes immediately to revenue and EBITDA.

Marine

- Revenue increased 2.9x YoY to INR5.4bn, driven by fleet addition and Astro Offshore acquisition.
- Fleet size reached all-time high of 180 vessels, including 46 operated by Adani Harbour.
- EBITDA margins expanded from 40% to 55%.
- Marine business likely to triple in two years; target of INR33bn revenue by FY27.

Logistics

- Revenue doubled YoY, led by strong growth in trucking and international freight segments.
- Segment saw margin expansion in non-traditional verticals; investing heavily in technology. Building pan-India logistics network with 12 MMLPs, ICDs (e.g., 1000-acre Virochannagar), growing rail and trucking fleet. Hybrid model: rail and ICDs asset-heavy; trucking and international freight asset-light.
- Margins expected to reach 35–40% in three–four years; capital-light verticals will boost RoCE. On track to surpass RoCE threshold in the next three–four years.

- RoE target of 16% (INR basis); WACC ~10%; management confident of exceeding this over time.
- Strong focus on multimodal diversity (rail/road/warehouse); in-house technology stack developed.

Capex

- Container infrastructure remains top priority, with active investments in Mundra, Hazira, Gangavaram, Vizhinjam, and Colombo, backed by rising Exim and commodity containerisation trends.
- APSEZ is developing the Rail-Sea-Rail model to shift from imported to coastal coal, with Dhamra emerging as a key hub; additional investments are being made at Karaikal and Gangavaram to support coastal unloading.
- Chemical and energy cargo expansion continues through tank farm capex at Hazira, Kattupalli, and Dhamra (PCBL contract), while existing infrastructure supports solar and wind logistics as India transitions to renewables.
- In marine services, the company is acquiring vessels under long-term contracts, targeting double-digit RoCE and expanding its fleet for long-term value creation.
- Logistics capex is directed toward tech-enabled integration, multimodal network expansion, and long-term logistics park development (e.g., Vizhinjam beyond transhipment).

JSW Infrastructure

Guidance

- Maintained 10% volume growth guidance for FY26E with a stronger H2 expected; majority of incremental volumes to be driven by third-party cargo; seeing strong underlying traction July onwards.
- Reiterated long-term aspiration of achieving 400MTPA of cargo handling capacity by FY30E.
- INR7–8bn in logistics revenue in FY26E with EBITDA of INR1bn. Long-term logistics target of INR80bn revenue with a 25% margin by FY30E is unchanged.

Ports: Operational performance details

- Cargo volumes in Q1 rose 5% YoY to 29.4MTPA driven by coal performance at Ennore, PNP and Paradip alongside contributions from Tuticorin and JNPA interim operations.
- Cargo growth offset by lower third-party cargo at Jaigarh and weaker iron ore at **Paradip**.
- Combined volumes at Jaigarh and Dharamtar expected to reach ~46MTPA in FY26 versus 45MTPA in FY25; Q2 traction visible due to higher iron ore imports.
- Third-party cargo grew 9% YoY to 15.3mnt; its share rose to 52% (versus 50%).
- Realisation improved by 2% YoY supported by selective tariff hikes at Goa and coal terminals.
- Commenced 8MTPA expansion at **Jaigarh**; commissioning targeted by FY27E. The dip in Jaigarh volumes was due to fewer fertiliser orders (such as MOP and urea) and some maintenance work. But this is expected to recover from July as large iron ore vessels start coming in.
- **Dharamtar** Phase 2 expansion (5MTPA) underway; expected by FY27E.
- **JNPA terminal** construction completed; commissioning expected by Aug-25E. Guided for ramp-up to ~5MTPA in FY26E with HPCL as a key anchor customer.
- **Tuticorin terminal** fully operational post-Mar-24; handled ~1.2MTPA in Q1. Delay of three months due to late receipt of SOA in Mar-25.
- **Mangalore Container Terminal** expansion underway; Phase 1 (doubling capacity) to come on stream by Mar-26E and Phase 2 by Mar-27E.
- **Expanded Goa** (Southwest Port) capacity to 11MTPA (from 8.5MTPA); targeting 15MTPA with EC received and SPCB approvals in progress.
- JSW Infra has secured a letter of award from the Shyama Prasad Mukherjee Port Authority to redevelop and mechanize **Berth 7 & 8** at **Netaji Subhas Dock, Kolkata**; concession expected in 4–6 months with commissioning by Aug-27.
- Resolution plan for **NCR Rail Infrastructure** approved under IBC; JSW Infra received LoI. Terminal seen as a strategic fit within pan-India logistics ambitions, given proximity to Eastern/Western DFCs and Jewar Airport.
- **Jatadhar Port**: Concession signed with anchor customer; novation expected soon.

- **Murbe Port:** EIA submitted after successful surveys.
- **Keni Port**: Public hearing scheduled for August.
- RBI cut repo rate by 50bp to 5.5% in June 2025 to support investment and liquidity, providing a favourable macro backdrop.
- **Konkan Railway siding** (Bhoke–Jaigarh) to be fully funded by JSW Infra; commissioning targeted in two years.
- Of the 302km pipeline, 214km welding and 192km lowering completed; full network expected by Mar-27.
- Take-or-pay agreement signed with JSW Steel; cargo commitment to begin from April 2027.

Navkar & Logistics

- Navkar expected to clock FY26E EBITDA of INR1bn with 70–75% capacity utilisation. Revenue expected to grow 50% YoY, with margin guided to normalise at 25–30%.
- Peak revenue potential of terminals estimated to be INR8–8.5bn at 80–90% utilisation, expandable to INR10bn with full rake handling.
- Logistics segment expected to turn profitable in FY26E with EBITDA of INR1.1–1.2bn. The board approved INR1.7bn investment in Navkar for FY26E.
- Navkar to contribute significantly to long-term INR80bn logistics revenue plan, but likely capped at 50–60% due to balance sheet constraints.
- Morbi ICD (inland container depot) crossed monthly run-rate of 5,000 TEUs.

Capex

- Maintained FY26 capex guidance of INR14–15bn; key spends include JNPA, Tuticorin, Mangalore CT, slurry pipeline, Jaigarh, Goa and logistics including Navkar.
- Committed financial obligations across ongoing growth projects stand at ~INR30bn, including awarded work orders and material procurement.
- Capex to be fully debt-funded; company comfortable with current leverage.

Others

- Net debt stood at INR27.7bn; D/E ratio at 0.4x.
- Maintained dividend payout ratio at ~15%.
- EBITDA includes MTM gain of ~INR200mn on derivatives.
- Evaluating inorganic opportunities while continuing to focus on brownfield and organic expansion.

Real Estate

Brigade Enterprises

11. **Management commentary:** Management's commentary on its various business lines:

    - **Real estate:** Housing demand remains healthy despite an increase in the conversion time from consumers. For BEL, ~80% of the inventory now has ticket size >INR15-20mn, which has a higher conversion time. Units with lesser ticket size continue to sell faster.

    - **Leasing business**: The annuity portfolio had 92% occupancy as at end-Q1FY26 (including hard options). The occupancy was flat QoQ. BEL is yet to lease 0.64msf space (of ~0.66msf) in the Brigade twin tower project.

      Office leasing is improving, especially in Bengaluru due to robust demand from GCCs (refer to *Commercial realty: Showing strength*).

- **Retail business**: Retail malls remain a structural growth story (refer to *Retail Realty – Inexorable secular growth*). BEL recorded 2% YoY growth in footfalls, supported by the onset of 'End of Season Sales' in Jun-25.

12. **Financial performance**: Q1FY26 revenues came in at INR12.8bn (up 19% YoY but down 12% QoQ).EBITDA margins during the quarter came in at 25.3% (down 190bp YoY/320bp QoQ) while adjusted profit stood at INR1.5bn (up 79% YoY/down 39% QoQ).

13. **Pre-sales:** Brigade clocked pre-sales of INR11.2bn during the quarter (up 3% YoY but down 54% QoQ). In volume terms, pre-sales stood at 0.9msf (down 17% YoY/53% QoQ).

    The company had clocked its best-ever pre-sales of INR78.5bn (up 31% YoY) from 7msf (down 7% YoY) in FY25.

    For FY26E, the company is looking at a 15–20% YoY increase in pre-sales by value.

14. **Sales realisation surge**: Average prices in Q1FY26 shot up 34% YoY (down 3% QoQ) to INR11,781/sft.

15. **Project launches:** BEL launched one residential project in Chennai and two commercial projects (one each in Bengaluru and Gift City, Gujarat) spanning 1.6msf in Q1FY26 (3.9msf in Q4FY25 and 3msf in Q1FY25) of which the company's economic interest was 1.4msf.

    On the residential front, the company launched Brigade Morgan Heights Phase-1 in Chennai spanning ~1.1msf with GDV of ~INR10bn. Overall, the project has a development potential of ~2.2msf with GDV of ~INR21bn.

    In FY25, the company had launched 11 residential and four commercial projects spanning ~11.4msf (the company's share was 9.3msf) with GDV of ~INR135bn (of this, the GDV of residential projects launched was ~INR117bn).

16. **Launch pipeline**: BEL has an impressive launch pipeline of ~15.5msf comprising 12.9msf residential projects with GDV of ~INR125bn. Its economic interest in the launch pipeline stands at 11.2msf, comprising ~9.5msf residential projects with the balance being commercial projects.

    On the residential front, the company has already launched two projects in Q2FY26 till date. In Jul-25, it launched a premium residential project '*Brigade Avalon',* in Whitefield, Bengaluru spanning ~0.64msf with GDV of ~INR10bn.

The company recently launched a plotted project 'Brigade Cherry Blossom', in Malur, East Bengaluru, spanning ~0.45msf with GDV of ~INR2.3bn.

Overall, the company has received RERA approval for projects worth ~INR46bn; of these, it has launched projects with GDV of ~INR12.3bn so far in Q2FY26. The balance projects would be launched over Q2–Q3FY26E.

The second phase of Brigade Gateway Neopolis in Hyderabad and Morgan Heights in Chennai are planned for launch in Q3FY26E.

17. **Leasing segment performance:** Lease rentals came in at INR3bn during the quarter (up 14% YoY but down 9% QoQ).

18. **Rental assets:** Total leasable area is ~9.4msf; out of this, ~8.6msf has been already leased (including hard options). This is further sub-divided into:

    - **Office assets**: Total leasable area is ~8.1msf; out of this, ~7.4msf has been already leased (including ~0.1msf under hard options).
    - **Retail assets**: Total leasable area is ~1.3msf; out of this, ~1.23msf has been already leased.

    BEL completed the Twin tower project spanning ~1.2msf in Q4FY25. The Tower B (~0.54msf) in the said project is on a sale model while Towers A and C (~0.66msf combined) are for leasing. This project is witnessing good demand with an ASP of ~INR12,000/sft. Looking at the current demand trends, the company may contemplate selling Towers A and C instead of leasing them.

    BEL is currently constructing seven office/retail assets at an estimated cost of ~INR11.8bn, of which ~INR8bn is yet to spent.

19. **Leasing:** The overall occupancy was 91.7% (flat QoQ). Vacancy in the retail spaces too remained flat sequentially at 6.1% in Q1FY26.

20. **Details of key commercial projects:**

    - *Brigade Tech Garden (BTG)*: Out of the 3msf of leasable area in this asset, 2.93msf has already been leased while 0.06msf is under hard option.
    - *WTC Chennai*: The entire 1.98msf project is leased as at end-Q1FY26.
    - Brigade Square project spanning ~0.19msf achieved 100% pre-leasing.

21. **Hospitality business:** The hospitality arm of the company, Brigade Hotel Ventures (BHVL) came out with an ~INR9bn IPO and got listed recently on the bourses.

    BHVL has 1,604 operating keys currently, and plans to construct another ~1,700 keys across nine hotels.

Total income in this segment surged 22% YoY to ~INR1.3bn in Q1FY26 with 33.5% EBITDA margins (up ~60bp YoY). It turned profitable during the quarter generating INR71.6mn PAT against loss of INR57.8mn in Q1FY25.

ARRs during the quarter rose 8% YoY to ~INR6,761, with occupancy staying healthy at 75% levels.

The sector witnessed moderate demand due to seasonal softening and geo-political tensions. Corporate and MICE travel continues to lead demand growth, fuelled by events, festival travel, and long “blesiure” stays.

22. **Business development**: BEL added projects spanning ~10msf in Q1FY26 with GDV of over INR110bn (12msf projects with GDV of ~INR125bn in FY25). 60% of these projects were added in Bengaluru and 20% each in Hyderabad and Chennai. The company incurred ~INR13.3bn capex towards business development in Q1FY26 surpassing FY25 spends of ~INR12.9bn. It still has pending land payments of ~INR13.4bn (of which ~INR4.7bn has been already paid so far in Q2FY26). Key deals include:

    - 5.41-acre land parcel on Velachery Road in Chennai for INR4.4bn; the project has a developable area of ~0.8msf with GDV of ~INR16bn.
    - An 11-acre land parcel for ~INR4.9bn in Whitefield, Bengaluru where BEL intends to develop a premium Grade A office project spanning ~1.5msf (lease model).
    - BEL entered into two JDAs—one for a plotted development project in Malur, East Bengaluru, spanning ~20 acres; the project has GDV of ~INR1.8bn and a total development potential of 0.45msf—and another to develop 10 acres and 37 guntas of prime land in Mysuru with GDV of ~INR2.3bn and development potential of ~0.37msf.
    - In Jul-25, the company purchased a ~20 acre land parcel in the Whitefield–Hoskote corridor of Bengaluru for ~INR5.9bn. It has a development potential of ~4.2msf with GDV of ~INR25bn.
    - Recently, the company entered into two new JDAs in Hyderabad with GDV of ~INR9.7bn offering a combined development potential of ~1msf.

23. **Collections:** Collections during Q1FY26 at INR17.3bn were up 10% YoY (down 10% QoQ).

    The residential segment saw collections of ~INR12.5bn while the leasing and hospitality segments had collections of ~INR3.1bn and INR1.7bn respectively during the quarter.

24. **Cash flow:** Land spends shot up 555% YoY and 488% QoQ during the quarter. As a result, net cash outflow was ~INR3.2bn (INR0.25bn in Q4FY25 and INR0.67bn in Q1FY25).

Increase in overheads led to cash operating surplus during the quarter declining to 19% from 30% in Q4FY25 and 27% in Q1FY25.

FY25 witnessed highest-ever OCF of ~INR21.4bn (up 36% YoY); however, higher investment in MFs and FDs led to negative cash flows from investments.

25. **Debt:** BEL's share of net debt increased QoQ to INR15.3bn (INR2bn at end-FY25)

    Net Debt/Equity stood at 0.34x compared with 0.14x at end-FY25.

    The borrowing cost reduced QoQ to 8.25% from 8.76% earlier.

The increase in leverage prior to FY21 was primarily on account of ongoing capex in the leasing segment.

About 81% of the debt is backed by lease rentals while the residential segment continues to remain debt-free.

26. **Revenue breakdown:** The real estate business (residential and commercial sales) clocked INR8.9bn in Q1FY26 (up 22% YoY but down 15% QoQ), whereas the leasing arm clocked revenue of ~INR3bn (up 14% YoY but down 9% QoQ).

The real estate segment constitutes the bulk of the company's revenue; however, so far as margins are concerned, this vertical generally has the lowest profitability with the leasing business churning out the highest margin.

The real-estate segment generally has highest contribution to profit before depreciation and tax (after interest), followed by the leasing and hospitality businesses.

27. **Land bank:** BEL's land bank reflects the company's focus on diversification, both from a segmental and geographical point of view. While the residential segment occupies a pride of place, the leasing segment has a fair representation in the company's land bank.

    Overall, its developable area increased from 53msf (BEL's share 39msf) in Q4FY25 to 60msf (BEL's share 45msf) at end-Q1FY26.

As far as geographical presence is concerned, Bengaluru has the highest share followed by Chennai.

Brookfield REIT

- **Q1FY26 operational performance:** BREIT reported Q1FY26 NOI of INR5bn (up 5% YoY/2% QoQ). It declared a distribution of INR5.25/unit (INR4.5/unit in Q1FY25 and INR5.25/unit in Q4FY25).

  The company has significant embedded NOI growth headroom of 13% through lease-up of vacant areas, contractual rent escalation and MTM spreads.

  The dividend component made up 12% of the distributions during the year (~10% in Q4FY25).

- **Gross leasing flat QoQ:** Prior to the pandemic, office demand was booming. BREIT also benefited from the same with its committed occupancy improving from ~80% in FY15 to as high as 96% in end-FY20. However, due to the slowdown in demand for SEZ assets and exits by IT/ITeS companies post-pandemic, BREIT's gross leasing had decreased YoY in FY23.

  Overall, BREIT clocked a gross leasing of ~3msf in FY25 (of which, ~2.15msf was new leasing). In Q1FY26, the company notched gross leasing of ~0.7msf; this comprised 0.1msf of new leases and renewals each and 0.5msf of re-leasing.

- **SEZ relief:** Among listed REITs, BREIT has the highest exposure to SEZ assets (by share of operational area). Certain assets of the company in Gurugram, Noida, Kolkata and Mumbai are IT/ITeS SEZs. The slowdown in the technology sector and the ongoing SEZ issue have hurt occupancy in these assets.

The occupancy in its non-SEZ assets such as N1 and Downtown Powai is much higher than its SEZ assets. BREIT boasts 93% committed occupancy in its non-SEZ space while about 13% of its SEZ office space is vacant.

Within the SEZ space of 16.4msf, the processing area spanning 14.7msf has occupancy levels of 90% while the 'non-processing area' of 1.7msf has occupancy of 59%. Management expects overall occupancy to improve 300bp once the 0.7msf vacant 'non-processing area' gets leased.

- **Tenant exits:** BREIT's occupancy levels, which were consistently above 90% during FY17–20, decreased post-covid-19. Post-pandemic, many IT/ITeS companies let go of the office space to cut costs. In many assets, these exits eclipsed new leasing. Consequently, occupancy has declined for BREIT due to higher exits.

  Committed occupancy came in at 89%, (87% at end-Q4FY25 and 84% at end-Q1FY25). It has improved ~900bp over the last 18 months since the notification of SEZ reforms. The company has achieved gross leasing of ~4.6msf across all property segments (SEZ, non-processing areas, IT/commercial).

  This issue had been particularly severe in the Gurugram and Kolkata markets, which are dominated by IT/ITeS leasing.

  However, a strong lease pipeline means that management expects overall occupancy to improve going ahead.

  Management has guided that by end-FY26, portfolio occupancy shall improve to 93%.

- **Rents:** The ability of BREIT to capture re-leasing/renewal spreads has led to robust value creation due to increase in rents. For example, BREIT's in-place rents increased from INR65/sft in Q4FY21 to INR97/sft in Q1FY26. This was due to

contractual rent escalation with the company benefiting from MTM opportunities as well as asset acquisitions.

- In Q1FY26, the REIT achieved 7.8% average escalation on 2.7msf of leased area. It also achieved 5% annual escalations on 1.6msf space and 15% three-year escalations on 1.1msf space. It achieved 22% re-leasing spread and 12% renewal spread during the quarter.

- BREIT's portfolio has a well-staggered lease expiry profile and provides an opportunity to capture an attractive MTM spread ahead.

  This shall drive healthy NOI growth ahead.

- **Debt:** BREIT's leverage has increased over the past few years, mainly due to acquisitions. From an LTV of 18% post-IPO, debt/GAV increased to 38% at end-Q2FY25 (34.5% excluding shareholders' instruments, which include SPV-level external shareholders' NCD and liability component of CCDs).

  However, the company successfully raised ~INR35bn through a QIP in Q3FY25; as a result, its LTV fell to 28.1% (24.9% excluding shareholders' instruments) at end-FY25.

  LTV at end-Q1FY26 was 28.2%. This is below the regulatory cap of 49% and provides it with debt headroom, which it can utilise to fund capex/acquisitions.

  The board of BREIT has approved a preferential issue of INR10bn (32.3mn units to be issued at INR310/unit). This fund raise, combined with the INR35bn raised in Dec-24, would strengthen its capacity to pursue large growth opportunities.

- **Attractive interest cost:** Low leverage and strong credit rating have enabled BREIT to enjoy attractive interest rates.

  With dual AAA credit rating and 88% of borrowings being repo-linked, Brookfield India REIT is well positioned to benefit from lower interest rate environment. While a 35bp rate cut on borrowings has already been achieved, another 55bp rate cut will be transmitted fully in Q2FY26.

- **Low refinancing risks:** BREIT has to repay just ~16% of debt until FY29; this is mainly due to a staggered debt maturity schedule, which reduces risk of refinancing.

  Hence, BREIT's strong balance sheet has brightened its growth prospects.

- **Steady portfolio growth**: While peers have largely relied on organic growth, BREIT has doubled its operational portfolio since FY21, aided by the acquisition of three large assets.

  BREIT's portfolio has expanded from 14msf (~10msf operational) at the time of IPO to 29msf (~24.5msf operational) currently.

- The company's office portfolio consists of properties, which are strategically located in established micro-markets with easy access to mass transportation, high barriers to entry for new supply and robust historical rental growth.

- **Attractive acquisitions**: Brookfield REIT has delivered on its inorganic growth strategy and achieved scale and diversification through acquisitions. In FY25 it:

  i) Completed the acquisition of a 50% stake in Downtown Powai and Cando TechSpace (G1) in an equal partnership with GIC.

ii) Completed the acquisition of a 50% stake in Grade A assets from Bharti Enterprises (Bharti).

The commercial portfolio acquired from Bharti includes ~3.3msf of completed and operational area, which currently has an occupancy of ~95% (up 400bp since acquisition) and an In-place rent of ~INR152/sft (up 8% since acquisition). These assets contributed ~17% growth in NDCF.

The REIT has taken over three office assets, viz. Worldmark Delhi (~1.5msf), Airtel centre (~0.7msf) and Worldmark Gurugram (~0.8msf); together these three assets generated revenues of ~INR6.4bn in FY24 and ~INR7.2bn in FY25.

The REIT also has ~9.5msf of additional assets in Bengaluru currently under discussion for acquisition.

- **Geographical diversification**: Compared with Bengaluru and Hyderabad, which attract most of the investor attention, the NCR and MMR markets are relatively smaller and tend to fly under the radar. However, these markets have been an outlier in the sense that unlike other cities where vacancies have increased post-pandemic, vacancy levels in these two cities have declined post-CY21.

  Barring CY19, NCR's share in all-India supply and demand has been ~15%, on average. Within NCR, Gurugram and Noida are the major markets as far as leasing is concerned.

Currently, about two–thirds of BREIT's operational portfolio (by area) lies in NCR. As far as MMR is concerned, its share in all-India demand has been 10–13% since CY13.

Outlook: Demand turnaround to drive growth

- **Occupancy to improve gradually**: BREIT has witnessed an increase in vacancy levels in the last couple of years, largely due to exits outstripping fresh leasing. We reckon this shall reverse, going ahead, leading to a rise in occupancy levels.
- **Revenue and NOI growth trajectory to improve:** With occupancy likely to improve, revenue should be on an upward trajectory, going ahead.

Rental growth would be aided by: i) a significant mark-to-market opportunity; ii) leasing of vacant office space; and iii) contractual rent escalations.

This should lead to improvement in NOI as well as NOI margins in the future.

- **DPU to continue upward journey:** The distribution per unit (DPU) should continue to rise going ahead, as demand improves.
- **Debt likely to remain in check:** With a staggered debt maturity schedule and ongoing capex in the Kolkata asset, we expect debt levels to remain largely stable, going ahead.

  We believe the net debt/equity will remain at comfortable levels. We expect net debt/equity to remain below 1x levels.

Valuation: Demand turnaround to drive growth

- We maintain '**BUY/Sector Outperformer'** recommendation on BREIT**.** Our SotP-based TP of INR349 is on a par with the company's Q4FY27E NAV.

Key assumptions

- WACC of 12% considering 0.25x debt/equity with cost of debt at 6.7% and equity of 13.75%.
- Cap rate of 8% for office assets.

DLF

- **Financial highlights:** Q1FY26 revenue came in at INR27.2bn (up 99% YoY/down 13% QoQ). EBITDA margin fell 240bp YoY to 13.4% in Q1FY26. Reported net profit was INR7.6bn (up 18% YoY/down 41% QoQ).
- **DCCDL:** Rentals (office + retail) during Q1FY26 came in at ~INR13.3bn (up 15% YoY/8% QoQ).
- **Office portfolio:** Office portfolio occupancy (DLF + DCCDL) was ~94% during the quarter. Within this, SEZ-occupancy is at 87% while non-SEZ occupancy is 98% as at end-Q1FY26.
- **Retail portfolio:** Overall retail occupancy (DLF + DCCDL) was ~98% at the end of the quarter.
- **Q1FY26 sales:** Pre-sales for Q1FY26 came in at INR114.3bn (up 78% YoY/461% QoQ) led by strong sales in the newly launched *Privana North* project during the quarter.

  The following major projects contributed to pre-sales during the quarter:

  a) Privana North – INR109.7bn

  b) The *Dahlias* – INR4.5bn

  c) The *Camellias* – INR930mn

FY25 pre-sales were INR212bn (up 44% YoY) thereby surpassing the guidance of INR170bn (15% YoY growth). New launches contributed ~90% towards overall sales during the year.

For FY26E, the company has guided for INR200–220bn in pre-sales and has already achieved ~INR140bn to date (including the Mumbai project).

- **Unsold inventory:** Overall unsold inventory decreased sequentially to ~INR233bn from ~INR236bn as at end-Q4FY25.
- **Embedded gross margins:** DLF had embedded gross margin of 39% translating to ~INR44.8bn on sales of ~INR114bn during the quarter.

Going ahead, the company has a residual gross margin of ~INR402.5bn (~INR245bn from sold units while unsold launched inventory has gross margin of ~INR157.5bn).

- **Launches:** DLF launched the *Privana North* project spanning ~4.7msf with a GDV of ~INR110bn during the quarter.

The company plans to launch ~25msf of projects over the medium term with a GDV of ~INR629bn. The Goa project would be launched in H2FY26 whereas the IREO land and Mumbai phase 2 projects would be launched in FY27E. Next phase in *The Dahlias* is slated for launch in Mar–Apr'26. Overall, it is looking to launch projects with a GDV of ~INR170bn in FY26E.

- **Entry into MMR:** DLF launched its first project in Mumbai in Jul-25. The *West Park* project in Andheri West shall eventually comprise eight towers. Phase-I of the project has four towers with 416 units (carpet area ~0.55msf) and GDV of ~INR23bn; the other four towers (with carpet area of ~0.7msf) will be launched in due course. The project is an SRA project in a 51:49 JV with the Trident group (refer to: DLF – Mumbai foray boosts growth prospects). The company has sold out 100% inventory in this project for ~INR23bn within a week of its launch.

- **Cash flow:** Gross residential collections in Q1FY26 were INR27.9bn (down 6% YoY/16% QoQ as Q4FY25 saw highest-ever quarterly collections). Construction cost during the quarter was ~INR7.4bn and management mentioned it would remain north of ~INR7.5bn per quarter in FY26E. Overall net cash flow during the quarter was INR11.3bn, down 16% YoY/30% QoQ (excluding dividend inflow).

Cash EBITDA margins remained strong at 59% in Q1FY26.

The company has a surplus cash potential of ~INR465bn; this includes ~INR241.5bn from sales already done (including cash and cash equivalents of ~INR104bn) and ~INR223.5bn from the launched unsold inventory.

- **Rental portfolio:** The company (DLF + DCCDL) has a total operational rental portfolio (office + retail) of 46.2msf which is 94% leased.
- **DCCDL performance:** DCCDL posted revenue of INR17.3bn (up 13% YoY/7% QoQ) in Q1FY26 while PAT was INR5.9bn (up 26% YoY/12% QoQ).
- **Vacancies** at the portfolio level in Q1FY26 were ~6% by area and just 4% by value. While vacancy in the office portfolio is 6%, that in the retail portfolio is at 2%.

  With the government now allowing de-notification of individual floors, management expects occupancy in the SEZ office parks (currently 88%) to improve going ahead. The company has already applied for de-notification of SEZ assets.

  DCCDL has an office SEZ portfolio of 17.2msf with an occupancy of ~88%. The non-SEZ occupancy has reached the pre-covid levels of 98%.

- **Rental income:** Rental income in DCCDL was INR13.3bn (up 15% YoY/8% QoQ) while that in DLF (ex-DCCDL) was INR0.8bn (up 4% YoY/60% QoQ) during the quarter.

  For DCCDL, office rentals came in at ~INR11bn (up 17% YoY) during the quarter; retail rentals were at INR2.2bn (up 1% YoY).

  Overall lease rentals were up 14% YoY/11% QoQ in Q1FY26 at INR14bn.

  FY25 overall rentals at INR51.3bn were up 9.7% YoY. The company has guided for exit rentals of ~INR67bn in FY26 of which ~INR59bn is from DCCDL and balance from DLF and Atrium place.

- **Development pipeline:** The company is currently working on a development pipeline of ~28msf in its annuity portfolio comprising ~20msf of office and ~8msf of retail assets. Management aims to spend ~INR50bn each in FY26E and FY27E towards capex on construction of these annuity assets.

  Of the total 28msf, ~5msf assets are likely to get completed in rest of FY26.

DLF sold the Kolkata IT park spanning ~1.5msf for ~INR6.75bn and received cash of ~INR6.37bn in FY25. It has also entered into an agreement to sell the 1.05msf IT SEZ asset in Kolkata for ~INR6.9bn (*link*).

- Status of current ongoing projects:
  - DLF Downtown, Gurugram [Block-4; ~2msf] – OC received in Q4FY25; 97% pre-leased.
  - DLF Downtown, Chennai [Block-3; ~1.1msf] – OC received in Q1FY26; 99% pre-leased.

Rentals for both the above projects are expected to commence from Q3FY26.

- Atrium Place – OC for the phase-1 of ~2.1msf is expected to be received by end-Aug'25, 73% of which is already pre-leased and rentals are expected to commence by Jan-26.
- Midtown Plaza, Delhi – OC received and is 81% pre-leased. The fit-outs will now commence and rentals would start by end-CY25.
- Summit Plaza – Application for OC will be submitted this week, which is expected to be received in the next 60–75 days and rentals to commence from Q4FY26.
- DLF Promenade, Goa – The construction is delayed by a quarter due to labour unavailability issues. However, management expects that it will get completed by Jan-26.
- Data centre 2 in Noida is about to be complete while the construction for Data centre 3 would commence soon. Both these assets are 100% pre-leased.

28. **High-quality land bank to drive growth**: DLF has a balance development potential spanning ~137msf for the residential business and ~62msf for the rental business.

29. **Debt:** DLF became a net cash company in Q2FY24. It ended Q1FY26 with a net cash position of INR80bn.

Almost 70% of its cash at end-Q1FY26 was locked in RERA accounts; consequently, DLF still has gross debt of ~INR24bn. However, given the surplus cash flow generation potential, the company expects to achieve gross debt zero position in the Devco business in the near term.

Net debt in DCCDL decreased QoQ to INR173bn (~INR175bn in Q4FY25). Net debt-to-EBITDA improved to 3.2x versus 3.5x in FY25.

30. **Interest rate:** Interest rate fell ~39bp QoQ in DCCDL to 7.67% during the quarter.

Outlook and valuation: Launch trajectory key; maintain 'BUY'

DLF is emerging as a key beneficiary of the ongoing sector consolidation (refer to ***Real Estate - Leadership Matters***). It boasts an attractive rental portfolio that has grown steadily despite the pandemic. Besides, the company has a revamped balance sheet, which is likely to generate better cash flows. Thus, it is likely to be a key beneficiary of ongoing sector consolidation. We believe new launch trajectory will be a key trigger for the stock.

With limited inventory levels, the company needs a steady stream of launches in order to maintain a healthy sales trajectory.

We recommend '**BUY/SN'** with a target price of INR1,005 derived by ascribing a 35% premium to our Q1FY28E NAV of INR744.

The rationale for a 35% premium to NAV is based on the factors mentioned below.

- DLF boasts a premium brand and must command an equity investment scarcity premium (i.e. limited liquid real estate plays in the Indian equity market).
- Robust rental portfolio, which lends high visibility to growing rental income.
- Ability to grow rental portfolio from internal accruals.

- Lean balance sheet and improving cash flow trajectory.
- Relative lack of competition in the NCR market.

These factors contrast with a few negatives.

- DLF has a long-gestation land bank, which could take more than two decades to monetise.
- Around 60% of the company's total land bank is concentrated in the NCR. This exposes the company to concentration risks.

Embassy REIT

- **Financial performance:** Q1FY26 revenue came in at INR10.6 bn (up 13% YoY/down 2% QoQ). EBITDA margin for Q1FY26 came in at 77.5% (up 210bp YoY/110bp QoQ). Adjusted PAT was INR1.5 bn (down 13% YoY/44% QoQ). Interest cost for the quarter was INR3.7 bn (up 20% YoY/7% QoQ).

- **Q1FY26 operational performance:** EMBREIT reported Q1FY26 NOI of INR8.7bn (up 15% YoY, but down 2% QoQ) aided by: i) a 6% YoY increase in rentals; and ii) increase in occupancy levels to 88% (87% in Q4FY25 and 85% in Q1FY25).

  It declared a distribution of INR5.8/unit (INR5.7/unit in Q4FY25 and INR5.6/unit in Q1FY25).

  Management remains on track to achieve its guidance of INR35.9–38.1bn of NOI (up 13% YoY at mid-point) and INR24.5–26 of DPU for FY26E.

  This growth is on the back of the following assumptions made by management:

  - Increase in portfolio occupancy by area to 90–91% by end-FY26 (excluding Quadron, portfolio occupancy to reach 93–94%).
  - A 9% YoY increase in the hotel NOI and higher contribution from solar.
  - A 10–12% increase in interest cost (due to capitalisation of new assets), assuming no further increase in interest rates.

- **Demand improving**: Due to the pandemic, EMBREIT's gross leasing fell from an average of 3.7msf during FY16–19 to merely 1.2msf during FY21 and 2.2msf during FY22.

  Demand, however, has bounced back post-pandemic. In FY23, the company notched gross leasing of 5.1msf, ~40% higher than the FY16–19 average. It recorded its highest-ever gross leasing of ~8.1msf in FY24 and ~6.6msf in FY25.

  During the quarter, Embassy recorded highest-ever Q1 leasing of ~2msf (up 9% YoY/27% QoQ). This included ~0.35msf of new leases, ~0.36msf of renewals and ~0.64msf of re-leased acre and ~0.67msf of pre-leases.

  Chennai has seen strong pre-leasing during the quarter with ~0.5msf leased at Embassy Splendid TechZone.

  Management mentioned it does not expect any major impact of the ongoing tariff wars and that leasing demand is gaining momentum.

  Global capability centres (GCCs) particularly from the technology, financial services, engineering, and manufacturing sectors remain the primary drivers of demand and contributed 64% of Q1FY26 leasing activity (61% in FY25).

- **SEZ relief**: EMBREIT has significant exposure to SEZ assets. Like other developers, the company had also been hurt by a slowdown in SEZ demand.

  To ameliorate the impact of slowdown in SEZ leasing, the company has already de-notified and demarcated ~7.8msf SEZ space to date (~1.4msf in Q1FY26), more than 74% of which is already leased out; it is in the process to demarcate/de-notify another ~3.2msf space.

  With these spaces getting de-notified and new non-SEZ assets likely to get completed, we expect the share of SEZs in EMBREIT's portfolio to fall going ahead. Higher space available for leasing in the non-SEZ category should also boost leasing demand, going ahead.

As at end-Q1FY26, the REIT has ~18.1msf of operational SEZ space and ~22.2msf of operational non-SEZ space.

- **Tenant exits**: Post-pandemic, many IT/ITeS companies have let go of office space to cut costs. In many assets, these exits have eclipsed new leasing. Thus, while gross leasing has shown signs of a revival, it has been negated by higher exits.

  As a result of these higher exits, vacancy levels for EMBREIT had risen post covid.

Overall occupancy was 88% by area (87% at end-Q4FY25 and 85% at end-Q1FY25) and 91% by value as at end-Q1FY26 (88% in Q1FY25 and flat QoQ). The portfolio occupancy increased 300bp YoY despite addition of ~2.7msf of new area to the completed portfolio.

Excluding the Quadron asset, occupancy was 91% by area and 92% by value.

This issue has been particularly severe in the Noida and Pune markets, which are dominated by IT/ITeS leasing. Within this, leasing has started improving in Noida while Pune continues to lag (especially the Embassy Quadron asset). The company has ~1.5msf of leasing pipeline in Noida.

Of the ~4.8msf vacant space with the company as at the end of the quarter, ~50% is still concentrated in the Pune markets even though assets in this city contribute just ~16% to the operational portfolio (by area) of the company.

Considering that management expects leasing from IT/ITeS companies will remain sluggish over the next few quarters, we believe occupancy in Pune assets will improve only gradually.

As at end-Q1FY26, EMBREIT has over 90% occupancy across all Bengaluru assets which represents 75% of the gross asset value and ten of 14 properties have above 90% occupancy, including six assets with 100% occupancy.

A strong lease pipeline and robust GCC demand means that management expects overall occupancy to improve going ahead and has thus guided of ~90-91% occupancy levels by area by end-FY26. With leasing picking up and economic growth improving in the country, we believe the worst of exits are behind us.

- **Portfolio growth:** The company has steadily grown its portfolio over the past few years. At end-CY18, its portfolio spanned ~32.7msf projects (operational and under construction). Through acquisition and brownfield expansion of existing assets, its portfolio has been expanding consistently to ~46.5msf currently (including under construction assets).

- **Development pipeline:** Considering the improvement in the demand environment, the company has embarked on a new phase of growth. It is working on expanding its portfolio by 6.1msf by FY28E at an overall cost of INR31bn, with stabilised NOI of ~INR6bn and an expected yield on cost of 18%, which is already ~59% pre-leased (including expansion option).

  Upon completion, these assets will increase the operational area by 15%.

- The 0.4msf Block – 10 in Embassy Splendid TechZone is 100% pre-leased to a global healthcare company.

- The 0.8msf Block – L4 in Embassy Manyata is 100% pre-leased to an American retailer.

- The upcoming blocks – D1 and D2 (1.4msf) in Embassy Manyata, which are slated for delivery in Q4FY26 are also 100% pre-leased to an Australian bank (including expansion option of ~0.3msf).

- The upcoming Blocks B redevelopment (0.9msf) in Embassy Manyata is also 100% pre-leased to a global bank (including expansion option of ~0.25msf).

- The Block – 4 in the upcoming Chennai asset is already 14% leased to Dexian (including expansion option of ~0.012msf). The management anticipates that 50% of this asset will be pre-leased before delivery.

  Around 84% of deliveries in FY26 (~3.2msf) are already pre-leased to marquee tenants.

  In addition, EMBREIT is developing Hilton hotels with 518 keys at ETV. This shall further improve the attractiveness of this asset.

  During the quarter, the company signed binding documents for divestment of ~0.38msf of two strata owned blocks at Embassy Manyata in Bengaluru as part of strategic capital recycling. These are old strata blocks facing occupancy risk and would incur significant refurbishment costs; hence, the management took a decision to sell them off and utilise the cash flows towards exiting capex and new acquisitions. These assets earned ~INR80mn in rentals and contributed ~2% to the overall NOI.

  The REIT has also received an invitation to offer from Embassy Developments Limited for a potential ~3.3msf commercial project in Whitefield, Bengaluru which is currently under evaluation.

- **ROFO assets**: The company has access to 10msf-plus assets, which are potential right of first offer (ROFO) assets from its sponsor, Embassy. The details of these ROFO assets are:

- **Rent growth:** EMBREIT has a history of re-leasing space and renewing leases at a significant spread. For example, in Q1FY26 it achieved 27% spreads on ~0.36msf renewals in Q1FY26. In FY25, the company achieved 11% spreads on 1.6msf renewals and In FY24, it achieved 37% spreads on 1.3msf renewals.

  Similarly, it secured 38% rent escalations on ~0.64msf area re-leased in Q1FY26, 37% rent escalations on 2.1msf re-leased in FY25 and 28% rent escalations on 3.1msf re-leased in FY24.

  The ability of EMBREIT to capture these spreads has led to robust value creation due to increase in rents. For example, EMBREIT's in-place rents have increased from INR60/sft in Q1FY19 to INR92/sft in Q1FY26. This was due to both contractual rent escalation as well as the company benefiting from MTM opportunities.

  Going ahead, the company has a sizeable MTM opportunity due to contractual escalation.

  The REIT has 9% blended MTM available till FY29E as 21% of the leases will expire over FY26–29.

  This shall drive healthy NOI growth, going ahead.

- **Hotel portfolio performing well**: EMBREIT currently has three hotels, all in Bengaluru. While the pandemic did hurt its operations, it has quickly bounced back. Occupancy at the Hilton at Embassy Golf Links (Hilton @ EGI) is now back to pre-covid levels.

The hotel portfolio performed strongly in Q1FY26 with 60% occupancy levels (~61% in Q1FY25).

As far as daily room rates (ADRs) are concerned, all hotels witnessed strong momentum. Overall ADRs surged 10% YoY in Q1FY26.

Aided by improving occupancies and rising room rates, the contribution of the hotel portfolio to EMBREIT's revenues and EBITDA are steadily rising.

Once the two hotels at ETV are complete, we reckon the hotel portfolio would play an even bigger role in EMBREIT's story.

- **Healthy leverage**: EMBREIT boasts a lean balance sheet with its net debt: GAV at just 33% (much below the regulatory cap of 49%). This provides it with a debt headroom of ~INR100bn, which it can utilise to fund capex/acquisitions.
- **Attractive interest cost**: Low leverage and strong credit rating have enabled EMBREIT to enjoy an attractive interest rate. While the general hardening of interest rates in the economy has led to higher borrowing costs for the company as well, it still enjoys a very fine interest rate of 7.55% (~7.9% at end-FY25). This is markedly lower than the 10% interest rate that the company was paying immediately post-listing.

  Another reason behind this is the ability of the company to tap into a wide pool of debt capital across banks and NBFCs, mutual funds, insurers, corporates and pension funds.

  The REIT raised INR42.3bn of debt at a blended coupon of 7.18%. This includes an INR7.5bn NCD issuance at a 6.97% coupon, which is the lowest rate achieved by the REIT in the last four years.
- **Staggered maturity**: EMBREIT has been able to achieve a staggered debt maturity schedule, which reduces risk of refinancing.
- **Healthy mix of floating and fixed rate debt**: EMBREIT has been able to achieve a healthy blend of floating-rate and fixed cost debt.

Thus, EMBREIT's strong balance sheet and its expertise in financial engineering has delivered significant returns for unitholders.

Godrej Properties

1. **FY26 guidance:** The company had exceeded its guidance on all parameters in FY25 and has maintained its guidance for a strong FY26E.

   On average, since FY23, it has surpassed its sales guidance by 26%, collections guidance by 14%, deliveries by 10% and business development guidance by 60%.

2. **Financial performance:** Q1FY26 revenue came in at INR4.3bn (down 41% YoY/80% QoQ). EBITDA loss stood at INR2.4bn versus INR1.3bn in Q1FY25 and EBITDA of INR1,100mn in Q4FY25). Interest cost decreased 20% YoY/29% QoQ to INR327mn. Other income surged 23% YoY/112% QoQ to INR11.9bn. Net profit for equity holders of parent was up 15% YoY/57% QoQ to INR6bn.

3. **New sales:** Godrej Properties clocked pre-sales of ~INR71bn (down 18% YoY/30% QoQ) in Q1FY26 from 6.2msf (down 31% YoY/up 18% QoQ) through sale of 4,231 homes. GPL's share in overall pre-sales during the quarter was ~78%.

   This marks the eighth consecutive quarter of quarterly sales booking exceeding ~INR50bn.

   Sales during the quarter were driven by a strong response to project launches such as Godrej MSR City in Bengaluru (~INR24.3bn bookings), Godrej Majesty in Greater Noida (~INR9.25bn) and Godrej Tiara in Bengaluru (~INR4.7bn).

   The company mentioned that it is witnessing strong demand across launches and also for sustenance sales. Overall, launches made up ~61% of the overall sales during the quarter.

   The company had clocked its highest ever pre-sales of ~INR294.4bn (up 31% YoY) from 25.7msf (up 29% YoY) on sale of 15,302 homes in FY25.

   The company has guided for pre-sales of ~INR325bn (up 10% YoY) in FY26E.

   The company has also increased its economic interest in pre-sales over the past five years.

   The booking value attributable to GPL has expanded at a CAGR of 62% over the past five years through a combination of higher economic interest, growth in sales volumes and average price realisation via increase in market price and change in product mix towards more premium projects.

4. **Diversified operations:** In value terms, for Q1FY26 sales, Bengaluru contributed ~43% while the MMR and the NCR contributed 23% each. Share of Pune in sales during the quarter came in at just 9%.

5. **Average realisations** during the quarter stood at ~INR11,478/sft (up 19% YoY/down 15% QoQ). The company has taken a like-to-like price increase of 2–3% in NCR, 1–2% in MMR, <1% in Pune and 2–3% in Bangalore in Q1FY26.

6. **Project launches**: The company launched six projects/phases during the quarter across four cities with GDV of ~INR85bn (12 projects/phases with GDV of ~INR130bn in Q4FY25 and eight projects/phases with GDV of ~INR86bn in Q1FY25).

In FY25, the company launched 34 new project/phases spanning ~29.2msf with a GDV of INR366bn, surpassing its guidance of ~21.9msf launches with a GDV of INR300bn.

For FY26E, the company has guided for project launches with GDV of ~INR400bn which includes:

- **NCR**: The company is planning a launch in Sector-53 in Gurugram on a 3.6-acre land parcel and also another launch on a 7.5-acre land parcel in Gurugram. Also, it is planning a retail product launch in Godrej Golf Links, Greater Noida and a residential project in Greater Noida in FY26E.
- **MMR**: Worli launch is expected by end-Q2FY26/early Q3FY26. Versova project added in the last quarter is slated to be launched soon and some launches are also anticipated in Panvel, Sanpada and Kharghar during the year.
- **Hyderabad**: One large phase in the Rajendra Nagar project in Q2FY26.
- **Bengaluru**: Thanisandra project launch in Q2–Q3FY26 and the second phase of MSR City project in Q4FY26.
- **Pune**: One phase in Keshav Nagar and Manjari, one of the two phases in Upper Kharadi in Q4FY26 and a new phase in Godrej Evergreen Square in Hinjewadi.
- **Others**: Indore plotted development in Q2FY26 and Panipat plotted development (acquired in Q4FY25) in Q3–Q4FY26. Also looking to launch the Raipur plotted project and a new phase in Ahmedabad in FY26.

7. **Project addition:** The company added five projects spanning ~9.24msf with GDV of INR114bn during the quarter, achieving 57% of its full-year guidance in Q1 itself.

   Two of these five projects are in Pune and one each is in Bengaluru, Mumbai and a plotted development project in Panipat. The Bengaluru project would also offer a small high-street retail portion along with a premium residential project.

   Three of these projects are 100% owned while the two others are JDA projects.

   Apart from the above acquisitions, the company has also purchased JV partners' share in the Manjari and Mahalunge projects in Pune and Godrej Seven in Kolkata, taking its share to 100% here.

   It has also exited the Ahire, Wagholi and Kalyani Nagar projects in Pune due to non-fulfilment of CPs by JV Partner.

The transformative effect of RERA imposition and the industry's changing dynamics (consolidation) are evident from the pace of GPL's portfolio expansion—the project addition moved to a different orbit altogether during FY17–19. Post-FY19, the company has started focusing on land ownership (rather than JDA/JV mode) due to which the number/area of projects added have declined.

Another notable aspect is that the company has managed to avoid concentration (over the past decade) as far as project addition is concerned. GPL has been able to ensure that various markets in which it is present account for a fair share in the overall development pipeline.

Consequently, the five major regions (Ahmedabad, Mumbai, Pune, Bengaluru and NCR) account for 10–24% of the development pipeline. This is likely to ensure that GPL grows at a steady pace even if it faces a slowdown in any individual market. ***Consequently, it is insulated from any geographical concentration risk; this sets it apart from most peers, which derive a bulk of their sales from individual home markets.***

8. **Project delivery:** The company delivered ~0.8msf projects in Q1FY26 (~2.7msf in Q1FY25 and ~6.6msf in Q4FY25).

   FY25 deliveries stood at 18.4msf (up 47% YoY) against guidance of ~15msf. For FY26E, the company has guided for 10msf project completions.

9. **Collections:** GPL logged quarterly collections of INR36.7bn (up 22% YoY/but down 47% QoQ as the company had logged its highest-ever collections in Q4FY25).

   FY25 collections at INR170.5bn were also the highest-ever in the company's history (up 49% YoY). The company had surpassed its FY25 collections guidance by 14%.

   For FY26E, it has guided for ~INR210bn in collections (up 23% YoY). It has ~INR510bn of pending receivables from sales already done.

10. **Net operating cash flows deteriorates QoQ**

    GPL logged operating cash flow of INR9.5bn during the quarter (down 4% YoY/775 QoQ) largely due to lower deliveries. It had seen its highest-ever OCF in Q4FY25.

    Construction cost surged to ~INR14.6bn in Q1FY26 (~INR11.2bn in Q1FY25). The company had spent ~INR55bn in FY25 towards construction expenses and expects 35-40% YoY increase in FY26E.

    Net cash outflow stood at ~INR13.7bn due to higher land outflows during the quarter (outflow of ~INR12.3bn in Q1FY25 and inflow of ~INR5.8bn in Q4FY25).

    The company spent ~INR21bn towards land capex/payments to JV partner during the quarter and has pending payments of ~INR9bn for the acquisitions done in Q1FY26 and INR10–12bn from the deals signed earlier.

Higher construction outflow and overheads led to cash EBITDA margins declining to ~23% in Q1FY26.

11. **Leverage:** Net debt inched up to INR46.4bn (INR32.7bn in Q4FY25 and INR74.3bn in Q1FY25) with net debt to equity at 0.26x (0.19x in Q4FY25 and 0.71x in Q1FY25).

12. **Borrowing costs:** GPL's average borrowing reduced by ~10bp QoQ to 7.7%.

Outlook and valuation: Focus on cash flow; maintain 'BUY'

GPL has benefited significantly from the ongoing consolidation in India's realty space (refer to our comprehensive thematic ***Real Estate - Leadership matters***). In our view, a robust project pipeline, rapidly expanding project portfolio and tailwinds from RERA shall enable GPL to gain market share, going ahead.

We continue to follow the old accounting standard; our DCF-based valuation methodology remains unchanged. Maintain '**BUY/SN**' with a TP of INR2,506, which is on a par with Q1FY28E NAV.

Our nil premium to NAV is based on the following considerations:

- Strong housing demand.
- Potential market share gain due to consolidation in the realty space.
- Strong brand leverage with respect to both customers and landowners, enabling relatively fast expansion.

- Geographical diversification, which eliminates single-market risk.

In contrast, a few potential concerns are:

- Cash flow stress given a large project pipeline.
- Execution risk given a large number of relatively small projects.

Mindspace REIT

- **Financial performance:** Q1FY26 revenue came in at ~INR7.4bn (up 18% YoY/9% QoQ). EBITDA margin came in at 74.3% (up 230bp YoY/280bp QoQ). Adjusted profit was INR1.4bn (up 6% YoY/59% QoQ).
- **Operational performance**: The company generated an NOI of ~INR6.2bn in Q1FY26 (up 24% YoY/14% QoQ) and distributed INR5.8/unit during the quarter (~INR6.4/unit in Q4FY25 and INR5/unit in Q1FY25).

On a like-to-like basis, NOI/DPU were up 18%/11% YoY in Q1FY26.

- **Healthy gross leasing in Q1FY26:** MREIT achieved a gross leasing of 1.7msf in Q1FY26 (up 55% YoY/down 37% QoQ as Q4FY25 recorded highest-ever quarterly leasing), which included 1.2msf re-leasing, ~0.5msf of new and ~0.3msf of vacant area leased.

  Total 46% of the total leasing was to GCCs in Q1FY26. Another 20% was to non-GCC foreign MNCs.

  The company had achieved its best-ever gross leasing of ~7.6msf in FY25.

  Despite the pandemic, MREIT had held firm on leasing. Its gross leasing rose from an average of 2.5msf during FY18–20 to 3.6msf during FY21 and 5.5msf in FY22.

  Over FY23 and FY24, leasing had shown signs of sluggishness, largely due to the SEZ issue; however, it has now started reviving.

- **SEZ relief and occupancy**: MREIT has a sizable exposure to SEZ assets. The majority of its SEZ stock is in its marquee office parks such as Madhapur, Airoli (E) and Airoli (W).

  Like other developers, MREIT had been affected by a slowdown in SEZ demand. At end-FY25, MREIT boasted 91.7% occupancy in its non-SEZ space and ~94.4% in the SEZ spaces (ex-Pocharam).

  Overall committed occupancy (ex-Pocharam) was ~93.7% (ex-Pocharam) at the end of the quarter (91.2% at end-FY25) and management aims to increase it to 95% by end-FY26E.

A look at vacancies by city indicates that while MREIT's assets in Pune have performed relatively well, those in the MMR have underperformed; its assets in Hyderabad have moderate vacancy levels. This is because the bulk of its SEZ assets are concentrated in Hyderabad and the MMR.

The company's Chennai asset became operational only during the pandemic and it is 100% leased.

We estimate occupancy shall improve going ahead. Key reasons for our optimism are:

- **SEZ relief from government:** Overall, MREIT has demarcated 2.3msf space of which 1.6msf (~69%) is already leased. Another ~0.35msf in Airoli (East) and ~0.2msf in Madhapur, Hyderabad is currently in the process of demarcation.

  It is recording good demand for converted space in Airoli that is evident from the fact that Airoli (West) for the first time since listing, achieved a committed occupancy of 92% as at end-Q1FY26.

  Higher space available for leasing in the non-SEZ category shall also boost leasing demand, going ahead.

- **Office demand showing signs of pickup.** Management has indicated that GCC demand is coming back while BFSI absorption remains healthy. Given physical occupancy is improving in office parks, leasing thereof should also improve—sooner rather than later.

  Hence, we believe leasing demand should improve, going ahead.

- **Healthy MTM potential:** MREIT has a history of re-leasing space at a significant spread. Historically, it has been able to capture significant MTM opportunity on rents, which has boosted its profitability.

For example, in Q1FY26, re-leasing spread was 29.5% on ~1.4msf of area re-let (its highest-ever). A major healthcare tenant vacated in Madhapur during the quarter. It was leased at ~INR50/sft. The company re-leased this area at INR95/sft to a global consulting firm.

FY25 re-leasing spread was 22.8% on ~3.6msf of area re-let. In FY24, the company achieved 14.3% spread on 3.4msf re-leased area. In FY23, it had re-leased 2.6msf space at 26.3% spread. Similarly, it secured 31% spread on 2.8msf in FY22.

MREIT's ability to capture these spreads has led to a steady increase in its rents. For example, its in-place rents increased from ~INR54/sft in Q2FY21 to INR73/sft in Q1FY26. This was due to both contractual rent escalation as well as the company benefiting from MTM opportunities.

Going ahead, the company has a sizeable MTM opportunity due to contractual escalation.

- **Focus on portfolio growth:** MREIT has steadily expanded its project portfolio over the years. At end-FY16, its portfolio spanned ~16msf of operational projects, which has now increased to ~30msf. The company has been expanding the portfolio consistently via acquisitions and brownfield expansion.

In Q4FY25, the company had completed its first ROFO acquisition by acquiring Commerzone Raidurg in Hyderabad. It has a total leasable area of ~2.8msf, of which the company's share is ~1.8msf that is 100% leased.

In Jul-25, Mindspace completed its first third-party acquisition in Hyderabad. It acquired Q-City office asset with a GLA of ~0.81msf in Hyderabad's Financial District on a six acre land parcel. The asset currently has a WALE of three years, and an In-place rent of INR60/sft. It has 65% occupancy and the company plans to lease ~0.25–0.3msf of vacant space here in the next 15-18 months.

The REIT also has a redevelopment opportunity here, which if undertaken, can increase the total asset area to ~2.5msf. The company plans to incur ~INR400–500mn upgradation capex in this asset in the next 12 months.

The transaction value is ~INR5.9bn and the entire acquisition is funded by debt. The asset has been acquired at an 11.6% discount to the independent valuation, implying an attractive 9.9% cap rate. It has a *pro-forma* NOI of ~INR535mn on a stabilised basis, implying 2.6% growth on FY25 NOI.

After this acquisition, the total portfolio size of the company has increased to 37.9msf with a GAV of ~INR372.1bn.

Considering the improvement in demand environment, the company has embarked on a new phase of growth. It is working on expanding its portfolio by ~7.1msf, of which ~3.2msf is under-construction and another ~3.9msf is under planning.

The upcoming ~3.9msf of assets comprise:

- Three data centres spanning ~1.05msf in Airoli West.
- Building 18 in Madhapur with potential of ~0.6msf.
- Building 15 in Airoli East with potential of ~1.5msf.
- Building 17 in Airoli East with potential of ~0.85msf, which includes a ~0.25msf hotel leased to Hyatt Regency.

Hence, we believe MREIT's portfolio shall continue to expand at a steady pace.

During Q2FY25, MREIT had obtained board approval for acquisition of ~0.26msf in Mindspace Madhapur, Hyderabad for a consideration of INR2.75bn (to be funded entirely by debt), thereby consolidating its ownership in the park. The REIT has also completed de-notification of the Pocharam asset and has appointed advisers for divestment of the asset.

- MREIT's balance sheet is an important enabler in the company's journey towards portfolio growth and efficient cash flow management. This is achieved via:
    - **Healthy leverage:** MREIT boasts a strong balance sheet with its net debt: GAV at just ~25% (much below the regulatory cap of 49%). Even after the acquisition in Financial District, Hyderabad, the LTV remains low at just 26%. This provides it with a war chest to fund capex/acquisitions. Management is comfortable with a 30–35% LTV, post which they might consider an equity fund-raise.

      The low leverage also enables the company to maintain an attractive AAA/Stable credit rating.
    - **Attractive interest cost:** Low leverage and strong credit rating have enabled MREIT to enjoy an attractive interest rate. While the general hardening of interest rates in the economy has led to higher borrowing costs for the company too, it still enjoys a very competitive interest rate of 7.8%.

Management anticipates further ~30–40bp fall in borrowing cost by end-FY26.

- **Limited exposure to floating-rate debt:** At end-Q1FY26, ~53% of the company's borrowings were in the form of fixed-cost debentures. Given interest rates are now likely to fall, the company is likely to benefit from reduced interest expenses.

  Hence, MREIT's strong balance sheet and expertise in financial engineering have delivered significant returns to unitholders.

- In Hyderabad, the company's major asset i.e. Mindspace Madhapur is in the Madhapur micro-market, which is doing well compared with other micro-markets in Hyderabad. The Madhapur micro-market has ~10.5% vacancy levels while the Gachibowli micro-market has 44% vacancy levels.
- In Hyderabad, GCCs had a 60% share in overall leasing between CY20 and CY23. Of the overall GCC leasing in Hyderabad, 72% has happened within the SBD (which encompasses the Madhapur micro-market).
- Management indicated that demand in Hyderabad remains robust. The ~1.7msf Building-8 in Madhapur is likely to be completed by mid-FY27 but is already recording strong demand.

Nexus REIT

- **Financial performance:** Q1FY26 revenues came in at INR6.1bn (up 11% YoY/6% QoQ). EBITDA margin came in at 68.7% (up 120bp YoY/10bp QoQ). Interest cost for the quarter stood at INR 1.1bn (up 23% YoY/6% QoQ). Reported net profit stood at INR1.2bn (down 14% YoY, but up 5% QoQ).

- **Operational performance**: The retail portfolio has a leased occupancy of 97.2% (down ~20bp YoY/flat QoQ) and trading occupancy of 95.8% (up ~10bp YoY/down ~80bp QoQ) with a weighted average lease expiry (WALE) of 4.8 years. The office portfolio has an occupancy of 88% (~85% in Q4FY25 and 78% in Q1FY25).

- NOI during Q1FY26 stood at ~INR4.6bn (up 11% YoY/6% QoQ). On a like-to-like basis, NOI increased 6% YoY. Retail NOI came in at INR4.2bn (up 12% YoY/ 5% QoQ).

  FY25 NOI at INR17.1bn was up 6% YoY. Retail NOI at INR15.3bn rose 7% YoY. For FY26E, the REIT expects to earn an NOI of INR19.4–19.6bn (up 15% YoY) on the back of two acquisitions made recently.

  The revenue share component was ~12.1% during the quarter (~12% in Q4FY25).

- The company distributed INR2.23/unit in Q1FY26 (~INR2/unit in Q4FY25 and ~INR2.1/unit in Q1FY25).

  It distributed ~INR8.35/unit in FY25, and has maintained the guidance of INR9.1–9.2 (up 10% YoY) of DPU for FY26.

- **Consumption growth**: India's burgeoning middle class and rapid urbanisation are resulting in steady consumption growth in the country. NREIT has emerged as a major beneficiary of this secular growth in consumption in the country.

  As a corollary of this, NREIT achieved a consumption CAGR of 11% over FY18–20.

  While the pandemic briefly hurt its growth, consumption has bounced back strongly. It rose 4% YoY in FY25 to INR124bn (~INR119bn in FY24).

  Consumption in Q1FY26 grew by 11% YoY/12% QoQ to INR32.9bn aided by revival of consumption in the newly acquired malls, which led to 3–4% YoY growth in footfalls at the portfolio level (excluding the new acquisitions, footfalls were flat YoY).

  Fashion, Jewellery, Beauty & Personal Care and Entertainment categories spearheaded consumption during the quarter. The company intends to increase the share of these segments in malls; seven new jewellery stores have opened in its malls in Q1FY26.

  Vega City mall acquired in Feb-25 has witnessed a positive turnaround in performance, with tenant sales growing by 12% YoY during the quarter, thereby reversing the negative growth trend seen prior to the acquisition.

  In case of MBD complex as well, it has seen strong momentum since its acquisition in May-25 and achieved its highest single-day tenant sales on 29th June 2025.

  Management indicated that its malls in the Tier-II cities along with those in Chennai and Bengaluru have done relatively better during the quarter.

However owing to the temporary disruption in the North and West India malls due to heightened geopolitical tensions and early onset of monsoons, the company lost ~INR211mn in consumption in Q1FY26, which impacted the overall consumption by 1%. As a result, it registered like-to-like consumption growth of just ~4.6% during the quarter.

With inflation now under control, management expects consumption to grow steadily going ahead.

- **Occupancy**: NREIT's consumption has been boosted by healthy occupancy. Post-CY18 (i.e. after NREIT had turned around the assets), occupancy at the company's assets has been higher than that of the overall market, indicating its superior inherent quality.

  NREIT ended the quarter with leased occupancy at 97.2% (down ~20bp YoY/flat QoQ). Management is targeting leased occupancy of ~98% by end-FY26E.

  Trading occupancy on the other hand declined ~80bp QoQ (up ~10bp YoY) as the company has leased a few first-in-country stores, which are currently under fit-outs. They plan to open these store before the festive season begins, which would again drive up trading occupancies.

- **Trading density**: It stood at ~ INR1,664/sft/month during the quarter, up 3% YoY/1% QoQ.

- **Rent escalation**: The company achieved a re-leasing spread of 15% on ~0.27msf area re-leased in Q1FY26.

  Going ahead, on average, ~1msf would come up for expiry annually over FY26–29 (0.7msf in rest of FY26E, 0.9msf in FY27E, 1.3msf in FY28E and 1.1msf in FY29E) with a potential for ~20% MTM.

- **Office and hotel portfolio**: NREIT owns and operates three commercial offices spanning ~1.3msf in Chandigarh, Chennai and Pune. These office spaces contributed ~6% to its total portfolio market value at end-FY25.

  The office portfolio had average occupancy of 88% at end-Q1FY26 (85% at end-Q4FY25 and 78% at end-Q1FY25).

  It generated an NOI of INR233mn in Q1FY26 (up 6% YoY/down 3% QoQ).

  FY25 NOI at INR908mn was up 9% YoY.

  NREIT also operates a 450-keys hospitality portfolio at its existing malls in Chandigarh, Bengaluru and Ludhiana—under the brands of Hyatt, Oakwood and Radisson Blu, respectively. While the pandemic inflicted heavy damage on the hospitality sector, these hotels have bounced back handsomely.

  In Q1FY26, the hotel portfolio reported revenue of INR360mn (up 15% YoY/down 6% QoQ) and EBITDA of INR142mn (up 12% YoY/down 18% QoQ). EBITDA margin decreased to 39.4% in Q1FY26 (45.7% in Q4FY25 and 40.7% in Q1FY25).

  FY25 revenue/EBITDA was INR1.4bn/INR618mn, up 9%/10% YoY with EBITDA margin of 43.6% in FY25 (42.9% in FY24).

  These offices and hotels, situated alongside the mall, shall drive incremental footfalls and tenant sales due to captive demand from hotel guests and office tenants.

- **Low leverage; ample room for growth:** NREIT has a lean balance sheet, implying ample firepower to scale up its portfolio. At end-Q1FY26, NREIT had net debt of

INR50bn. Its LTV was just 18% (16% at end-FY25), and the company enjoys an AAA credit rating. It has a *pro forma* debt headroom of USD1bn—which serve as dry powder for acquisitions.

Only INR3.5bn of debt is due to mature in rest of FY26E. However, INR7bn of debt would retire in FY27E, INR6.9bn in FY28E, ~INR8.5bn in FY28E and another INR1.9bn in FY29E.

With the RBI slashing interest rates, the company has benefited given 51% of its debt is made up of floating rate loans.

Its cost of borrowing has declined by ~40bp sequentially to ~7.5% as at end-Q1FY26.

- **New acquisitions**

During the quarter, the company completed the acquisition of MBD Complex in Ludhiana, its second acquisition post-listing. The complex includes a ~0.3msf Grade A mall and a 96-keys Radisson Blu hotel. Thus, this becomes their third asset in Punjab along with Nexus Elante and Nexus Amritsar.

The hospitality asset had an average occupancy of 64.4% in FY25 with an ARR of ~INR6,850. Nexus would further initiate strategic capex in the hotel over the next two years to improve operational efficiencies and optimise margins. This along with expiry of the hotel management agreement in FY26 and baseline banquet and F&B revenue support from the erstwhile owner is further likely to fetch a 10–12% increase in ARR.

The asset earned revenue of ~INR687mn in FY24 (a CAGR of 26% over FY22–24).

Management estimates that the said acquisition would increase the NDCF by ~INR120mn in FY26 and is NAV-accretive to the tune of ~INR0.5/unit.

Nexus REIT acquired the complex at a total enterprise value of ~INR5.3bn (purchase cost of ~INR4.9bn, stamp duty of ~INR0.1bn and balance ~INR0.3bn towards planned capex and closing cost) at a 14% discount to assessed value via issue of sustainability-linked bonds at debt cost of 7.2%.

In Q4FY25, NREIT acquired the 'Vega City' mall in South Bengaluru (near its existing mall 'Nexus Koramanagla') which has a GLA of ~0.45msf and occupancy of ~96% (refer to ***Portfolio expansion commences in style***). NREIT had acquired this mall at a cap rate of 8.5% for a consideration of ~INR9.13bn (10% discount to assessed value), which includes ~INR8.7bn towards purchase consideration, INR0.2bn towards planned capex on upgradation, marketing and tenant support, renewables capex of ~INR150mn while the balance is closing costs.

Leveraging its strong balance sheet, the entire acquisition was funded through debt by way of issue of listed NCDs at a coupon rate of ~7.7%. As per management estimates, the acquisition is NAV-accretive and is likely to earn incremental NDCF of ~INR200mn post-debt servicing and a stabilised retail NOI of ~INR780mn in FY26.

NREIT has also executed a non-binding term sheet for acquisition of three malls in Hyderabad where regulatory approvals are currently awaited and the acquisition is likely to be completed shortly. Media reports (***Link***) indicate that these malls under the brand name 'Hyderabad Next Galleria Malls' are located at strategic metro stations. There are four malls under L&T along the metro line with a total leasable area of 1.2msf. Nexus has signed a deal for three of the malls with a total area of 1msf and a leased occupancy of 85%. The combined TEV of

all three malls is INR10bn and it would earn a stabilised NOI of ~INR1bn FY26 onwards.

The three malls that are likely part of the deal are e-Galleria located next to Hitec City metro station with an area of 0.2msf, Next Galleria Mall at Punjagutta Metro with an area of 0.5msf and Premia next to Irrum Manzil station. All the malls have a good tenant base with Reliance Trends and PVR-INOX as an anchor tenant.

Apart from the Hyderabad mall, the company is also evaluating more than 10 other malls across eight states and anticipates to acquire a few of them in FY26 itself.

- **Turnaround of malls**: The REIT has a history of turning around the malls post-acquisition. For the Vega City mall, the asset integration is progressing well and management mentioned that it is witnessing positive turnaround in tenant sales growth post-acquisition.

  Nexus has a plug and play approach for successful acquisition and integration of assets. Post the acquisition of assets, the REIT upgrades the asset through strategic capex and repositions it by premiumising brand offering, thereby leading to increase rental yield. This along with cost optimisation and increased focus on marketing leads to improve overall profitability.

  Since its acquisition in the midst of Covid, NREIT has turned around the three existing Bengaluru malls and built a strong presence in a key market. Occupancy has increased by ~1220bp since acquisition, aiding consumption/NOI CAGR of 16%/10%.

Nexus 2.0

Taking a leap toward strategically developing unique differentiation factors and positioning for Nexus malls to sustain industry leadership, Nexus REIT has introduced its Nexus 2.0.

The company is looking to double its portfolio to 30–35 Grade-A malls with a GLA of 18–20msf generating a retail NOI of INR30bn-plus by FY30 driven by 8% CAGR in consumption growth over FY26-30. Given a low LTV of 18%, these assets are likely to be funded by debt, increasing the LTV to 28-30%, still far below the regulatory cap of 49%.

Nexus would achieve the above by shifting the consumption category mix by increasing share of Jewellery, Beauty & Personal Care and F&B.

Oberoi Realty

1. **Financial performance:** Q1FY26 revenue slid 30% YoY/14% QoQ to INR9.9bn. EBITDA margin fell 530bp YoY/105bp QoQ to 52.7%. Interest cost soared 27% YoY (but down 7% QoQ) to INR750mn. Reported profit stood at INR4.2bn, down 28% YoY/3% QoQ.

2. Q1FY26 revenue by project (not exhaustive):
   - **Sky City:** ~INR1.4bn (~INR1.9bn in Q4FY25)
   - **Elysian**: ~INR3.2bn (~INR2.2bn)
   - **Mulund projects:** ~INR0.96bn (~INR1bn)
   - **Forestville:** ~INR0.4bn (~INR2.4bn)

3. **New sales rise YoY in Q1FY26**: OBER's new sales in Q1FY26 rose 54% YoY/92% QoQ to INR16.4bn aided by the newly launched *Elysian* Tower D in Goregaon, which contributed ~69% to total pre-sales in the quarter.

   By area, the company sold ~0.35msf carpet area in Q1FY26 (up 68% YoY/157% QoQ). OBER sold 181 units during the quarter (versus 139 in Q1FY25 and 77 units in Q4FY25).

4. Q1FY26 pre-sales by project (not exhaustive)
   - **Sky City:** ~INR519mn (~INR278mn in Q4FY25).
   - **Elysian**: ~INR11.2bn (~INR2.3bn).
   - **Mulund projects:** ~INR1.5bn (~INR1bn).
   - **Three-Sixty West:** ~INR2.1bn (~INR5.3bn)
   - **Forestville (Kolshet Road, Thane):** ~INR446mn (INR322mn)
   - **Jardin (Pokharan Road project, Thane)**: ~INR518mn (INR549mn).

5. **Three-Sixty West Project**: Oberoi sold one unit in this project during the current quarter for INR2.1bn, at an average realisation of ~INR143,300/sft on a carpet area basis.

Average realisation fell 8% YoY/25% QoQ to INR46,400/sft in Q1FY26, whereas the average ticket size was up 18% YoY (down 17% QoQ) to INR91mn.

The company had ended FY25 with best-ever pre-sales of INR52.8bn (up 31% YoY). By area, FY25 sales at ~1.3msf were up 19% YoY. OBER sold 928 units in FY25 versus 705 units in FY24. While the average ticket size remained flat YoY at INR57mn, average realisation rose 10% YoY to INR41,150/sft in FY25.

6. **Launches**: OBER launched *Elysian* Tower-D in the quarter (~0.4msft of carpet area). The newly launched tower contributed ~69% of total pre-sales for the quarter.

   OBER has one tower left in the Borivali project, which is scheduled to be launched in Q3FY26. Management is looking to launch the Gurugram project and the Peddar Road redevelopment project in Q4FY26E.

Oberoi is also contemplating the launch of the Worli Adarsh Nagar redevelopment project in Q4FY26E.

7. **Collections:** Collections during Q1FY26 remained flat YoY, but grew 30% QoQ to ~INR10bn.

8. **Business development:** OBER had entered into multiple transactions for business development during the previous year and is also looking actively for other opportunities in Mumbai and the NCR.

   Recently, an OBER-led consortium won an INR9.19bn resolution plan for Hotel Horizon in Mumbai's Juhu. Hotel Horizon Private Limited owns a prime 7,500 square metre land parcel overlooking the Arabian Sea in Juhu, Mumbai.

   It entered into a development agreement for an ~81.05-acre parcel in Alibaug in Q3FY25.

   The company was appointed as developer for a ~2.5-acre SRA land parcel at Bandra Reclamation in Mumbai, offering a ~0.32msf of free sale area to the company.

   The company had earlier been declared a successful resolution applicant by the NCLT for the acquisition of Nirmal Lifestyle Realty Private Limited (NLRPL). NLRPL holds development rights with respect to land measuring about 20,262.4 square metres in Mulund West, Mumbai. OBER shall pay INR2.3bn to NLRPL's creditors. It plans to develop a commercial project here.

   OBER had also entered into a development agreement for development and redevelopment of a land parcel admeasuring ~12,790 square metre, in Worli, Mumbai. The said parcel currently has seven buildings on it (total 504 flats) and is leased to Maharashtra Housing and Area Development Authority (MHADA). The company anticipates generating a free sale component of ~0.64msf (carpet area) on the said land.

   OBER also took up a redevelopment project on Carter Road, Mumbai in Q1FY25, offering a free sale area of ~40,000sft.

   In Q3FY24, OBER had acquired a 14.82-acre parcel from Ireo Residences Company Private Limited in Sector 58, Gurugram (Haryana), marking the company's first foray in the NCR region. OBER is looking to launch this project in H2FY26E. It is already in the process of getting the approvals. The company is planning to build a high-end luxury project here similar to the Worli *360 West* project offering units with a size of 5,000–8,000sft.

9. **Glaxo Worli**: OBER has decided to construct a mixed-use annuity asset here. The total development potential is 1.6–1.8msf of carpet area, where the company is planning to build a ~1msf office asset, 0.6–0.7msf of retail mall and a small boutique hotel of 0.08–0.1msf. OBER expects to complete this project in the next 3–3.5 years.

10. **Rental assets report sequential increase in revenue**

    Commerz I: Average occupancy remained stable and healthy at 96% during the quarter (96% at Q4FY25 end). Rental revenue improved to ~INR137mn during the quarter (up 45% YoY/3% QoQ).

    Commerz II: Average occupancy remained stable and healthy at 96% during the quarter (96% at Q4FY25 end). Rental revenue improved to ~INR358mn during the quarter (up 8% YoY/2% QoQ).

    Commerz III: The company had received OC for the Commerz III project in Q4FY24, and rentals had commenced Apr-24 onwards. Occupancy improved QoQ to 83% (81% in Q4FY25 and 54% in Q1FY25), which management expects

to take to 100% by end-FY26E. The company earned rentals of ~INR1.2bn in Q1FY26 (INR1.2bn in Q4FY25 and INR658mn in Q1FY25).

Oberoi Mall: The mall's occupancy remained strong at 99% during the quarter (99% in FY25). Rental revenue came in at INR507mn during the quarter (up 8% YoY but down 3% QoQ).

Sky City Mall: The company soft launched the Borivali mall in Q4FY25 and formally launched it in Jun-25. The mall recorded rental revenue of ~INR404mn during the quarter with average occupancy of ~50% and EBITDA margin of ~89%.

OBER is also planning to construct a new mall apart from a JW Marriott hotel and an international school at its Pokharan Road project.

Westin Goregaon: Occupancy during Q1FY26 tumbled to 72% (79% in Q4FY25 and 81% in FY25); RevPAR at ~INR10,626 in Q1FY26 was up 4% YoY, but down 24% QoQ.

OBER has announced two new hotel properties - The JW Marriott Thane Garden City and The Mumbai Marriott Hotel Sky City (Borivali).

In the Alibaug project, the company plans to develop luxury villas and a hotel.

11. **Cash flows**: Operating cash flow in Q1FY26 came in at ~INR2.5bn versus ~INR2.9bn in Q4FY25 and INR6.6bn in Q1FY25. However, higher financing cash outflow meant that net cash flow stood negative at ~INR0.8bn (net outflow of ~INR24.3bn in Q4FY25 ~INR3.7bn in Q1FY25).

    For FY25, the OCF was ~INR21.6bn (up 22% YoY). However, higher business development during the year meant that net business cash outflow stood at INR25.1bn versus inflow of ~INR5bn in FY24.

12. **Leverage**: OBER's gross debt to equity inched up YoY to 0.19x (0.15x at Q1FY25); the net debt to equity on the other hand declined to 0.01x (0.06x in Q1FY25).

Phoenix Mills

- **ISMDPL stake acquisition:** PML will acquire the 49% stake of CPPIB in Island Star Mall Developers Private Limited (ISMDPL), which houses the following assets:
    - PMC Bangalore mall spanning ~1msf
    - The Indore mall (Phoenix Citadel) spanning ~1msf
    - 'Phoenix Mall of Millennium' (1.2msf) and commercial offices known as 'Millennium Towers' (1.37msf) in Pune.
    - 'Phoenix Mall of Asia' (1.2msf) and commercial offices known as 'Phoenix Asia Towers' (0.78msf) in Bengaluru.

Overall, the ISMDPL portfolio comprises operational retail space spanning ~4.4msf and completed offices spanning ~2.2msf. In addition, the company plans to develop retail space of ~0.8msf, office space of ~1.6msf and hotels with 700 keys as part of PMC Bangalore expansion. Beyond this, balance FSI potential of ~2.7msf is there across the other three malls.

The transaction will not affect the company's partnership with CPPIB for developing other assets such as the Kolkata mall and 'Project Rise', which are not a part of ISMDPL.

CPPIB's stake shall be acquired at a consideration of ~INR54.5bn, which would be paid in four tranches, over the next three years.

The consideration may be paid by PML and/or ISMDPL. ISMDPL can pay it through i) declaration of dividend; and/or ii) buyback of shares; and/or iii) selective capital reduction. PML can chip in through direct or indirect acquisition of equity shares held by CPPIB in ISMDPL. Moreover, PML or CPPIB can also utilise other modes as may be mutually agreed between the parties.

PML plans to fund the acquisition largely from surplus cash and internal accruals generated at ISMDPL. It might also take some incremental debt at ISMDPL.

Post-completion of the proposed transaction, PML would hold a 100% stake in ISMDPL. PML would control the entire cash flows of ISMDPL as soon as the first tranche of payment is made.

The ISMDPL portfolio has reported strong growth post the commencement of CPPIB's investment in 2017. It generated EBITDA of ~INR6.2bn and OCF of ~INR5.1bn in FY25. It currently has net debt of ~INR5.9bn.

In the near term, the ISMDPL portfolio shall report growth from leasing of the ~2.2msf completed office assets in Pune and Bengaluru. These office assets are currently just ~6% leased; management is targeting achieving leasing of 90% by CY26. This can drive significant value growth over the next two years.

Furthermore, the two operational malls in Bengaluru had trading occupancy of 84% in Q1FY26, which can be improved going ahead.

Over the next five years, retail space of 0.8msf, office space of 1.5msf and ~1000 hotel keys can get added in ISMDPL. There will be ~2.7msf additional FSI potential left beyond this.

We see multiple benefits for PML from the deal.

- Providing flexibility in cash flow usage including upstreaming cash from ISMDPL to PML.
- Potential improvement in RoEs if PML takes some debt at ISMDPL level; we believe this makes sense in a falling interest rate scenario

Strong growth in EBITDA; management expects double-digit growth in EBITDA in ISMDPL, aided by completion of under construction assets.

- **Financial performance:** Revenue was INR9.5n (up 5% YoY/down 6% QoQ). EBITDA margin was 59.2% (up 50bp YoY/410bp QoQ). Adjusted PAT came in at INR2.4bn (up 3% YoY/down 11% QoQ).
- **Consumption growth:** Retail consumption growth that picked up pace during the festive season (in Q3FY25) continued in Q4FY25 and Q1FY26 as well, rising 12% YoY (up 11% QoQ) to INR36bn during the quarter. Consumption growth during the quarter was led by Phoenix Palassio (Lucknow), Phoenix Citadel (Indore), Phoenix Palladium (Mumbai) and Palladium Ahmedabad, supported by the continued ramp-up of newer assets such as Phoenix Mall of the Millennium (Pune) and Phoenix Mall of Asia (Bengaluru).

Since all malls were operational in Q1FY25, consumption growth on an LTL basis remains same at 12% YoY during the quarter (without adjusting for differences in trading occupancy).

Considering only the mature malls that are operational for more than two years (i.e. excluding Phoenix Palladium, Ahmedabad, launched in Feb-23, Phoenix Mall of Millennium, Pune, launched in Sep-23 and Phoenix Mall of Asia, Bengaluru, launched in Oct-23), the LTL consumption has grown 4% YoY in Q1FY26.

The company had clocked highest-ever consumption of INR137.5bn in FY25, up 21% YoY (up 7% YoY on LTL basis). FY24 consumption at INR113.4bn had jumped 23% YoY (8% on an LTL basis).

- **Collections**: Retail collections (inclusive of GST, CAM and other recoveries from retailers) came in at ~INR8.5bn during the quarter (up 4% YoY/2% QoQ).

FY25 collections at INR33bn were up 22% YoY. FY24 collections at INR27.4bn were up 27% YoY.

- **Retail rentals:** Retail rentals during Q1FY26 came in at ~INR5bn, up 4% YoY/5% QoQ. FY25 retail rentals at INR19.5bn were up 18% YoY.

Phoenix has demolished a small block in the Palladium Mall, Mumbai, which contributed INR2bn in consumption and ~INR450mn in rentals in FY25. The company has taken ~INR80mn of one-time depreciation charge on this.

This demolition, along with planned churn, had a 5–6% impact on overall rentals during the quarter. Hence, rental growth was just 4% YoY despite consumption growing 12% YoY in Q1FY26.

- **Trading occupancy:** It declined to 89% at end-Q1FY26 (91% in Mar-25).

  While the leased occupancy remained at ~95%-plus at the portfolio level, trading occupancy has declined on account of strategic churn, resizing and relocation of brands.

  Management believes the large gap between leased occupancy and trading occupancy is temporary and strategic and the trading occupancy is poised to return to stabilised levels of 95%-plus in coming quarters.

PML has achieved significant rental upside from anchor resizing and re-leasing in the PMC Bangalore mall in FY25.

- **Business development:** Phoenix has been consistently investing in business development. Over the Dec'22–Dec'24 period, the company acquired ~53 acres of land and committed ~INR28.5bn towards these land acquisitions.

  - **Surat:** The company acquired a 7.2-acre land parcel for a total consideration of ~INR5.1bn in Surat in Dec-22. It plans to develop a mall with a GLA of 1msf whose construction is likely to be completed by CY27.

    Graceworks Realty & Leisure (GRLPL), which is a PML-GIC joint venture entity, owns 80% equity shareholding in the subsidiary, which will construct the mall, and the balance 20% equity shareholding is held by Bsafal Construction (India). PML owns a 67.1% stake in GRLPL, which effectively translates to ~54% stake for PML in the mall.

  - **Kolkata**: To enhance its footprint in the housing space, PML acquired a ~5.5 acre land in Feb-23 and is developing a ~1msf premium housing project in Alipore, Kolkata.

  - **Thane**: In Nov-23, the company acquired an ~11.5-acre land parcel in Thane for ~INR4.3bn. It has decided to go ahead with a retail-led mixed used development here. The retail portion is likely to have a 1.2–1.4msf of GLA. An additional 2.5msf FSI will be here. Currently, the mall is in various stages of approvals, construction work is likely to commence in CY25 and is likely to get completed by end-FY29.

  - **Bengaluru**: The company acquired a ~6.6-acre land parcel in Apr-24 in Whitefield adjacent to its existing mall (PMC Bengaluru) for INR2.3bn with development potential of 1.2–1.3msf. PML has already planned and started construction of Grand Hyatt hotel and expansion of ~0.6msf at the PMC Bengaluru.

  - **Coimbatore**: In Aug-24, Phoenix acquired a ~9-acre land parcel for a consideration of ~INR3.7bn to develop a retail mall with a GLA of ~1msf.

  - **Mohali (Chandigarh)**: In Sep-24, the company added a 13.1-acre land parcel here and is planning to develop a ~1.3msf retail mall and a hotel here.

  - **Mumbai:** In Q4FY25, the company acquired additional 136,000 sq. m. (~1.4msf) FSI in Lower Parel in Mumbai at a cost of ~INR5.9bn.

  Post-covid, PML has added five new malls and increased its portfolio to 12 malls with a GLA of 11.5msf (~6msf in 2019). The company aims to complete the Surat and Kolkata malls in CY27, the Thane phase-1 (retail portion) and the Coimbatore malls in CY29 and the Mohali mall in CY29/30.

  Along with this, the existing expansion of retail and office spaces in the Phoenix Palladium mall in Mumbai are likely to get completed over the next couple of years.

  Overall, management has guided that annual construction capex for these assets would remain in the range of ~INR10–12bn.

  Excluding the Thane, Coimbatore and Mohali malls, construction capex is estimated to be ~INR50–60bn for the next five years.

- **Office segment:** The total income from the commercial portfolio in Q1FY26 was INR520mn, up 4% YoY. Q1FY26 EBITDA at INR340mn was up 8% YoY.

FY25 rental income/EBITDA at INR2.1bn/INR1.3bn were up 10%/19% YoY, respectively.

Occupancy in operational assets in Mumbai and Vimmanagar in Pune were at 70% as at end-Jun-25 versus 67% at end-Mar'25.

Average gross rentals across operational office assets were INR116/sft p.m.

PML clocked Q1FY26 gross leasing of ~0.41msf across Mumbai, Pune, Bengaluru and Chennai assets.

It has completed work on all three towers in Pune and has received OC for one of them. Management mentioned that pre-leasing has commenced in the Chennai office space, which is nearing completion; the company has leased 60% of the space here in four months and expects similar trends to play out in Pune and Bengaluru as well.

- **Hospitality segment:** Occupancy at the St. Regis hotel came in at 83% in Q1FY26 (85% in Q1FY25) with ARRs at INR18,542 (up 13% YoY). Occupancy at its Agra hotel was 71% in Q1FY26 (63% in Q1FY25) with ARRs at INR4,374 (up 5% YoY).

FY25 occupancy in St. Regis remained strong at 86% (83% in FY24). ARR at INR19,958 was up 9% YoY. Occupancy in the Agra hotel was 75% (78% in FY24). ARR at INR5,987 is up 13% YoY in FY25.

The company is currently constructing the Grand Hyatt Bengaluru (~400 keys) and plans to soon commence construction on another ~300 keys new hotel in Bengaluru. Furthermore, two new hotels with ~500 keys are under planning at existing mixed-use destinations.

- **Residential division:** Q1FY26 pre-sales came in at ~INR1.7bn (up 236% YoY/118% QoQ) with collections at ~INR1bn (up 60% YoY/83% QoQ).

  The company undertook price hikes during the quarter due to which the ASP increased to INR27,000/sq.ft.

  FY25 pre-sales came in at ~INR2.1bn (down 63% YoY) with collections of ~INR2.2bn (down 66% YoY). Pre-sales stood at INR5.7bn in FY24, INR4.7bn in FY23 and INR3.4bn in FY22.

  The company is planning to launch Tower 8 in One Bangalore West and the Kolkata residential project in FY26.

- **Leverage:** The net debt (at the group level) decreased to ~INR26.6bn (INR27.1bn in Q4FY25). Within this, the company's share of net debt was INR18.6bn (INR19.3bn in Q4FY25).

- **Interest rate:** PML's average cost of debt went down to 7.9% in Jun-25 (8.5% in Mar-25).

Prestige Estates

- **Financial performance**: Revenue came in at INR23bn (up 24% YoY/51% QoQ). EBITDA margin was 38.7% (down 400bp YoY/up 330bp QoQ). Interest cost at INR3.8bn rose 11% YoY/34% QoQ. Adjusted PAT is INR2.9bn (up 26% YoY).

  The company has ~INR570bn of revenue yet to be recognised from sales already made, which would be booked over the next three–four years.

- **Pre-sales:** PEPL's pre-sales value surged 300% YoY/74% QoQ to ~INR121.3bn in Q1FY26, its highest-ever quarterly pre-sales. Sales volume at ~9.6msf too surged 234% YoY/113% QoQ.

FY25 pre-sales were ~INR170bn (down 19% YoY) from 12.6msf (down 38% YoY).

For FY26, the company has maintained it guidance of INR250–270bn in pre-sales.

Prestige's share in new sales stood at INR106.7bn (up 292% YoY/57% QoQ) from ~8.11msf (up 219% YoY/87% QoQ) during the quarter.

The company entered the NCR market during the quarter with its maiden project called *The Prestige City*, Indirapuram, which accounted for 59% of the bookings in Q1FY26. ~80% of the inventory here was sold off at launch.

The top-5 projects contributed ~86% to the overall sales during the quarter.

Sales during the quarter were well diversified across the NCR (59% share), Bengaluru (20% share compared with 43% in Q1FY25 and 37% in Q4FY25), Mumbai (12% versus 23% in Q1FY25 and 39% in Q4FY25), Hyderabad (5% against 32% in Q1FY25 and 23% in Q4FY25), Chennai 3% and other cities 1%.

- **Realisations improve YoY**: Average realisation for apartments, villas and commercial properties came in at INR13,339/sft in Q1FY26 while plotted sales logged an average realisation of INR7,343/sft.

  Overall realisations at INR12,698/sft rose 20% YoY/down 18% QoQ.

- **Launches improved in Q1FY26**: The company launched ~14.9msf (PEPL share was ~10.1msf) projects in Q1FY26 (across the NCR, Bengaluru and Chennai) compared with 26.3msf in FY25. Launches included a mix of plotted development and integrated townships.

  FY25 launches stood at ~25.6msf (of which the company's share was ~21.2msf), down 36% YoY. (~40.2msf in FY24 with PEPL's share at 21.8msf.)

- **Upcoming launch pipeline remains healthy**: The company has a strong pipeline of upcoming residential projects. PEPL plans to launch projects spanning ~44.1msf with a GDV of ~INR436bn going ahead.

  In Q2FY25, the company is planning to launch Prestige Greenbrook, Prestige Crystal Lawns and Prestige Autumn Leaves (which are plotted development projects) and Prestige Evergreen @ Raintree in Bengaluru. In Mumbai it is looking at launching the Highland Park project in Dahisar (East) in Sep-25. It is also contemplating launch of a new tower 'Prestige Mayflower' in Ghaziabad in Sep-25. GDV of these launches is ~INR35bn excluding the Evergreen project which has a GDV of ~INR50bn. Overall, new project worth ~INR85bn are slated for launch in Q2FY26.

- **Execution too improves**: The company completed five new projects spanning ~5.45msf in Q1FY26 (Prestige's share ~5.21msf). These included its first projects in Mumbai, which have been delivered within 3.5 years.

  FY25 completions were just ~3msf versus ~25.6msf in FY24 (Prestige's share ~15.8msf).

- **Collections up YoY**: PEPL logged collections of INR45.2bn (up 55% YoY/43% QoQ)—its highest-ever quarterly collections. PEPL's share of collections at INR42.3bn shot up 57% YoY/40% QoQ.

  FY25 collections were up 1% YoY to ~INR121bn. PEPL's share of collections at INR113.4bn was up 2% YoY.

- **Surplus cash flows to remain strong:** PEPL has pending receivables of ~INR317bn and has unsold stock of ~INR207bn. Considering the balance spending of ~INR322bn, the company expects to generate ~INR206bn of surplus cash flow from the completed and ongoing projects.

Similarly, the upcoming projects are likely to have a sales potential of INR582bn, balance cost to spend of ~INR285bn and surplus cash flow generation of ~INR301bn.

- **Unsold inventory increases**: Total unsold inventory inched up QoQ to ~15.22msf (~13.9msf in Q4FY25). Completed inventory too surged QoQ to ~0.41msf (~0.1msf in Q4FY25). In terms of value, unsold inventory stands at *~INR207bn (INR8.7bn is completed).

- **Annuity portfolio build-up continues**: The company has a healthy portfolio of office and retail assets.

Note: Data for hospitality segment is at end-Q3FY25*

Office Portfolio: Gross leasing in the office segment stood at 1.2msf in Q1FY26 (~4.1msf in FY25). The office portfolio occupancy stood at ~93.7% with exit rentals of ~INR8.2bn.

Retail portfolio: Consumption in the malls in Q1FY26 stood at ~INR5.9bn (INR22.6bn in FY25) with ~4.6mn footfalls during the quarter. The retail portfolio enjoys occupancy of 99% (flat QoQ) with exit rentals of ~INR2.2bn.

The company added a new commercial project in Mumbai during the quarter – *Prestige Business Bay* near BKC spanning ~1.63msf (Prestige share) where it plans to do strata sale. The total GDV of this project is ~INR70bn.

- **Hospitality business ramping up**: Prestige has filed the DRHP for IPO of the hospitality business.

PEPL is in the midst of an aggressive annuity portfolio build-up and has huge capex plans. The total pending capex in development of these office and retail assets is ~INR150bn.

The upcoming commercial office project in BKC is likely to be completed by CY28 and is already 50% pre-leased at an average rate of ~INR370/sft. Management expects the average rentals to inch up to ~INR400/sft as it nears completion

- **Land capex surges**: To ensure that it is able to meet the strong demand in the housing segment, PEPL has ramped up its land capex. The overall land stock for the company went up to 825 acres (company's share 704 acres) at end-Q1FY26.

PEPL added 102 acres of new land parcels with a GDV of ~INR204bn in Q1FY26.

The company paid ~INR8.6bn towards land capex during the current quarter including ~INR2-2.5bn for the new acquisitions done in Q1. It still has an outstanding land capex of ~INR5bn.

- **Cash flow improves**: Prestige had a total operating inflow of ~INR52.2bn in Q1FY26 (up 152% YoY/140% QoQ). Net cash flow from operations at INR18.2bn during the quarter was up 155% YoY/137% QoQ.

  For FY26E the management is anticipating ~INR180-200bn of cash inflows of which ~INR80bn will be spent towards residential construction and another ~INR40bn towards overheads. It expects OCF of ~INR75-80bn of which ~INR30-32bn would be used for annuity capex and ~INR40bn towards new business development.

  Net-net, management expects debt to go up by INR10–12bn YoY in FY26E.

- **Leverage increases**: On account of land/annuity capex, net debt inched up to INR68.3bn as at end-Q1FY26 (INR67.2bn as at end-Q4FY25 and INR81.8bn in Q1FY25) with net debt: equity at 0.42x (flat QoQ; 0.68x at end-Q1FY25).

  The borrowing cost fell QoQ to 10.14% in Q1FY26 (~10.32% at end-FY25).

SignatureGlobal India

Q1FY26 management call highlights

- **Financial highlights**: Q1FY26 revenue came in at INR8.7bn (up 116% YoY/66% QoQ). Mid-income housing contributed 56% to top line while the balance 44% came from affordable housing.

  EBITDA margin during the quarter came in at 3.8% (up 420bp YoY but down 450bp QoQ). Adjusted EBITDA came in at ~INR1bn while adjusted EBITDA margin came in at ~11.6%.

  Adjusted profit stood at INR344mn during the quarter (up 416% YoY but down 44% QoQ).

  FY25 revenues came in at INR25bn, up 101% YoY (against guidance of INR38bn). For FY26E, the company has guided for a top line of INR48bn.

  SGIL has an estimated revenue recognition of ~INR91bn from ongoing projects.

  The company delivered projects spanning ~1.44msf during the quarter.

- **Pre-sales**: SGIL registered pre-sales of ~INR26.4bn in Q1FY26 (down 15% YoY/up 63% QoQ), selling 1.6msf (down 20% YoY/up 32% QoQ) through the sale of 778 homes (down 20% YoY/up 19% QoQ).

  Bookings during the quarter were aided by the launch of 'Cloverdale-SPR' project (~1.8msf) in Sector 71, Gurugram, which contributed ~65% to overall pre-sales during the quarter.

  Bookings dipped YoY as Q1FY25 had marked the launch of Titanium-SPR project (~2.1msf), which had contributed ~INR28bn to Q1FY25 pre-sales.

  The company exceeded its INR100bn sales guidance for FY25, clocking bookings of ~INR103bn (up 42% YoY)—its highest-ever, from 8.3msf (up 34% YoY) through sale of 4,130 homes (down 11% YoY).

  For FY26E, the company has guided for a 21% YoY uptick in pre-sales to INR125bn with an embedded EBITDA margin of ~35%.

- **Segmental diversification**: SGIL has steadily transitioned across segments in response to changing customer preferences.

  In a short span of time, SGIL had emerged as the developer of choice in the affordable and mid-income housing segment in NCR. However, covid-19 upended the housing industry, resulting in a paradigm change in customer preferences and cost metrics. Customers started gravitating towards large unit sized premium/luxury projects; at the same time, rising costs/changing government regulations squeezed the profits in the affordable and lower mid-income category.

  SGIL responded to the fast-changing industry dynamics quickly by:

  - Entering the mid-income low-rise independent floors segment in 2021.
  - Entering the premium segment through the launch of the Deluxe DXP project (located on Dwarka Expressway, Sector 37D, Gurugram) in Q4FY24. It further strengthened its positioning through the successful launch of the Titanium SPR project in Sector 71, Gurugram in Q1FY25 and Twin Tower DXP project in Sector 84, Gurugram in Q3FY25.

This has played a key role in the strong growth displayed by the company by enabling it to capture a larger share of the housing opportunity.

For example in FY25, group housing and mid-income projects contributed 36–37% each towards overall sales during the year. Plotted development contributed 25% while the balance 2% came from affordable and retail/SCO projects.

In Q1FY26, Group housing constituted nearly a third of the overall sales while mid-income and plotted development made up 19.3% and 13.5%, respectively. Share of Retail/SCO and affordable stood at just 3.4% and 0.3%, respectively, in sales during the quarter.

Over the past decade, the company has built up a diversified portfolio of residential projects including apartments, independent floors, plotted developments and integrated townships.

The company started its journey by undertaking projects in the affordable housing segment. After having achieved a leadership position in the affordable housing segment, SGIL has progressively transitioned to mid-income and premium housing projects.

Its strong execution track record, nimble-footedness in the face of regulatory changes and robust cash flow have added wings to growth prospects.

The company's ongoing and upcoming portfolio has a healthy mix of projects across segments. This is likely to broaden SGIL's growth horizons.

The company has a portfolio of 50.8msf projects with ~9.2msf ongoing projects, which would be delivered over the next five–six quarters and ~17.1msf of projects, launched in the past couple of quarters with a GDV of INR200–230bn.

The bulk of these projects pertain to the mid-income segment in Gurugram and Sohna.

As far as forthcoming projects are concerned (24.5msf at end-Q1FY26), a majority of them are in Gurugram and in the group housing segment. These projects with a GDV of ~INR400bn are slated to be launched over the coming two–three years.

Given a healthy mix of projects across segments and geographies, we believe SGIL is well placed to continue its success story.

- **Average ticket size and realisations rise YoY**: SGIL has replicated its success story in the premium segment over the last few years. This is evident in the 'premiumisation' journey that the company has undergone over the past few years. The average ticket size of houses sold as well as sales realisations have surged with the company steadily moving from the affordable to the mid-income and then to the premium segment.

  Average ticket size during the quarter increased 5% YoY/24% QoQ to INR33.9mn. For FY25, average ticket size stood at INR24.9mn (up 58% YoY).

  Average price realisation during Q1FY26 rose 6% YoY/37% QoQ to INR16,296/sft. The significant increase on a QoQ basis was due to launch of premium housing project and higher share of Gurugram projects in the pre-sales during the quarter.

  The company has taken a price hike of 12–12.5% in the new launch during the quarter in Sector-71, which is the second phase of the *Titanium-SPR* project launched in Q1FY25.

Given DLF is largely focusing on the luxury segment, we believe a gap existed in the mid-income and premium housing segment in Gurugram with consumers looking for a developer with a proven track record of execution and delivery. We believe SGIL has nicely filled this gap, evident in its scorching growth post-FY21.

Despite being a relatively new entrant, SGIL has emerged as one of the largest developers in the Gurugram housing market in terms of sales bookings over the past few years. Today, SGIL is a name to reckon with, especially as far as sales of units in the INR20–70mn bracket in Gurugram is concerned.

- **Geographical diversification**: While the company has confined its operations to the Gurugram micro-market in the NCR, within Gurugram, SGIL has focused on three key micro-markets: Sec 71 on the Southern Peripheral Road (SPR), Sec 37D on Dwarka Expressway and the Sohna micro-market.

  During Q1FY26, Gurugram accounted for ~76.2% of the total sales while share of Manesar and Sohna stood at 14.3% and 9.5% respectively.

  In FY25, Sohna Road accounted for 46% of the total sales while Gurugram contributed ~42% to sales. Balance 12% sales were in the Manesar region.

  Presence in these three micro-markets has enabled the company to cater to a wide range of customers owing to its ability to offer various price points.

This has enhanced the addressable market size for the company considerably.

SGIL has a strong pipeline of mid-income and premium housing projects across these three focus micro markets.

- **Steady pace of launches**: The company has been able to launch projects across various segments and geographies at regular intervals.

  For FY25, the company had initially guided for project launches with a GDV of ~INR160bn. However, some projects slated for launch in Mar-25 got deferred to Q1FY26 due to delays in receipt of approvals.

  Despite the deferral, SGIL launched five projects during FY25 with a GDV of ~INR138bn. For FY26E, It has guided for launch ~10-11msf of new projects with a GDV of ~INR170bn (up 23% YoY).

  During Q1FY26, it launched new projects with a GDV of ~INR39bn spanning ~2.3msf. The biggest launch among this was the '*Cloverdale SPR'* in Sector 71, Gurugram, a premium housing project spanning ~1.8msf.

  The company plans to launch 3–3.5msf in Sector 37D in Gurugram and another ~4msf in Sector 71, Gurugram before end-CY25. They are currently at advanced stages of approval for both these launches, and expects them to be launched by Oct-Nov'25.

- **Focus on land acquisition and business development remains intact**:

  The company has steadily enhanced its land bank over the past few years.

The pace of project addition gathered traction over FY24/25. In FY25, it acquired projects spanning ~7.9msf with a GDV of ~INR125bn. Of these, ~5.2msf was in Sector 37D and ~2.7msf in Sector 71, Gurgaon.

The company also acquired a small ~10-acres land parcel in Sohna with a development potential of ~0.53msf during the quarter.

Historically, the company has mainly relied on the 'outright acquisition' model. Most land parcels are owned by the company with only a few projects acquired through the JDA route.

The company has been largely able to fund its growth through strong internal accruals.

In FY25, the company expended ~INR10.6bn towards land acquisitions. It spent ~INR1.2bn in Q1FY26.

Most of the land-related payments have been already made with a small amount pertaining to the recent acquisitions pending.

One of the biggest factors in SGIL's success is the fact that the company has been able to acquire land at very attractive prices. On average, land/approval-related costs for the company are 10–15% of the selling price. This is because bulk of the land has been procured at an attractive cost of ~INR1,000/sft while sales realisations in the Gurugram market are INR11,000–17,000/sft.

- **Rising collections trajectory**: SGIL reported collections of ~INR9.3bn during the quarter, down 23% YoY/21% QoQ.
- **Strong cash flows**: Aided by the fact that land costs are relatively lower for SGIL and sales realisations have surged in Gurugram amid a realty boom, the company has been able to generate healthy cash operating surplus (surplus post construction expenses, selling, general and administrative expenses along with taxes adjusted from collections).

  The company achieved operating cash surplus before Investment in Land of INR1.9bn in Q1FY26 (down 64% YoY).

  Operating cash surplus stood at ~20% of collections during Q1FY26 (44% in Q1FY25).

- **Leverage remains comfortable**: By virtue of its rapid sales velocity, the company is able to collect monies from customers quickly (in line with construction progress). Thus, it is able to fund construction expenses from customer collections itself, leading to virtually nil requirement for construction finance. This has enabled the company to run its operations with minimal capital needs.

  It is precisely due to this reason that the company has been able to amass a sizeable land bank and at the same time has been able to keep its leverage levels low.

  Aided by strong collections and healthy operating surplus, the company believes that it shall generate free cash despite investing in replenishing its land bank.

  Its net debt increased by INR0.1bn QoQ in Q1FY26. The company ended the quarter with net debt of INR8.9bn with ~0.7x TTM operating cash surplus. For FY26, it targets net debt/TTM operating surplus of 0.5x.

Sobha

- **Segmental performance**

  Real estate: Q1FY26 revenue was INR6.9bn (up 45% YoY/down 35% QoQ).

  The company has INR172.45bn of revenues yet to be recognised on sales already done, which would be recognised over the next three–four years.

  Manufacturing/contracting business: The division's Q1FY26 revenue stood at INR2.2bn (up 7% YoY/down 4% QoQ).

- **Project launches:** Sobha launched two projects during the quarter aggregating 1.6msf—*Sobha Aurum*, its maiden project in the Greater Noida market (thereby establishing its presence in 12 cities) and the remaining four towers at the *Marine One* project in Kochi.

The company had launched total eight projects in FY25, spanning ~8.8msf across four cities (versus six projects spanning ~7msf in FY24).

- **Launch outlook:** Sobha is targeting 17 residential project launches (aggregating 17.7msf) in Bengaluru, Gurugram, Pune, Greater Noida, Mumbai, Chennai, Thrissur, Trivandrum and Calicut over the next six–eight quarters. In the commercial segment, it plans to launch two projects in Gurgaon with a leasable area of ~0.7msf. Thus, the total launch pipeline stands at 19 projects spanning ~18.4msf with a GDV of ~INR254bn. Sobha's effective share in forthcoming projects inventory is 82.9%

Of these forthcoming projects, the company plans to launch ~8msf of projects in rest of FY26E.

Furthermore, the company has about 4.5msf of unsold area in new phases (to be launched) of ongoing projects, mainly in *Sobha Altus* and *Sobha Aranya* (Gurugram) and *Sobha Neopolis*, *Sobha Ayana*, *Sobha Crystal Meadows Sobha Madison Heights and Sobha Hamptons* (Bengaluru) projects.

The company has largely completed land consolidation, planning and design for phase 1 of the Hoskote project. It has started working on approvals and expects to launch it over the next one year.

- **Land bank:** Sobha has a land bank of 417 acres, translating to a development potential of 41.9msf (of which, the company's share is 82.5%).

In addition to the above land, a total of 1,765 acres of land bank is in various stages of consolidation, monetisation and self-use.

- **Entering new markets:** Bengaluru shall continue to dominate Sobha's sales; at the same time, the company has entered markets such as Hyderabad to diversify its geographical presence.

  During the quarter, it also ventured in to the Greater Noida market, and also aims to enter the Mumbai market in FY26E.

- **Sales:** Sobha's clocked its highest-ever quarterly sales value in Q1FY26, surging 11% YoY/13% QoQ to INR20.8bn. The company's share of sales value at INR17.2bn expanded 26% YoY/25% QoQ during the quarter.

  Sobha closed FY25 with pre-sales of ~INR62.8bn (down 6% YoY) from ~4.7msf (down 23% YoY). Sobha's share of pre-sales at ~INR49.6bn was down 8% YoY.

The company is confident of achieving 30–35% YoY growth in pre-sales by value in FY26E.

- **Pre-sales volumes**: New sales volumes at ~1.4msf jumped 23% YoY, but dipped 7% QoQ.

- **Diversification:** By volume, Bengaluru's share fell to 32% during the quarter (from 40% in Q1FY25 and 80% in Q4FY25); the NCR overtook with a 49% share led by healthy demand in the newly launched Greater Noida project.

By value, Bengaluru maintained a stable contribution of INR6bn supported by absorption across SOBHA Town Park, SOBHA Ayana and SOBHA Neopolis. Sales in Gurgaon improved to INR3.5bn, sustaining momentum for a fourth consecutive quarter led by SOBHA Aranya and SOBHA Altus. Kerala clocked INR2.1bn in bookings supported by a new project launch. While Tamil Nadu contributed INR587mn, sales in Hyderabad and Pune remained sluggish due to limited inventory.

- **Completed Inventory:** Unsold completed inventory rose marginally QoQ to 0.2msf (~0.15msf as at end-FY25) worth ~INR1.7bn (~INR1.3bn in FY25) — among the lowest in the real estate industry.

- **Unsold area:** Overall unsold area including those not yet offered for sale increased QoQ to 11.6msf in Q1FY26 owing to new launches towards the end of the quarter. The GDV of this unsold inventory is ~INR180bn.

Net cash flows from ongoing projects offered for sale remains strong at ~INR85.5bn.

The balance receivables from sold ongoing project inventory and completed projects were ~INR102.4bn, fully funding the balance project cost to be spent on completing these projects (~INR101.55bn).

- **Land payments surges QoQ:** During the current quarter, Sobha made land payments of INR2.8bn (INR9.5bn in FY25). With cash flows remaining healthy, the company's focus has shifted towards growth; hence, land-related capex is likely to stay healthy going ahead. For FY26E, land capex is likely to be flat YoY.

    - **Collections:** Q1FY26 collections came in at INR17.8bn, up 15% YoY (flat QoQ).

- **Cash flows:** Net OCF (collections less operating costs) decreased to INR4bn during the quarter (INR4.6bn during Q4FY25 and INR3.2bn in Q1FY25).

  Sobha has future marginal cash flow potential of ~INR111bn from the ongoing (including unreleased phases) and completed projects and ~INR71bn from the forthcoming projects.

  Net cash inflow stood at ~INR568mn during the quarter (INR739mn in Q1FY25 and INR900mn in Q4FY25 – excluding proceeds from rights issue).

- **Company remains net-cash:** With the company raising funds from the rights issue, Sobha achieved net cash position in Q4FY26 and maintained that position with a net cash of INR6.87bn (net cash of INR6.3bn in FY25) and a net debt to equity of negative 0.15x (negative 0.14x at end-FY25).

- **Borrowing cost:** The company's borrowing costs decreased ~26bp QoQ to 8.86%.

Sunteck Realty

1. **Q1FY26 performance:** Q1FY26 revenues were INR1.9bn (down 41% YoY/9% QoQ). EBITDA margin came in at 25.4% (up 1,540bp YoY, but down 800bp QoQ). Net profit was INR334mn (up 47% YoY, but down 34% QoQ).

2. **Pre-sales**: New-sales value shot up 31% YoY (down 25% QoQ) to INR6.6bn—its highest-ever Q1 pre-sales as demand momentum continued in the Mumbai Metropolitan Region (MMR) market.

   Q1FY26 sales breakdown by segment:

   - **Uber-luxury (BKC and Nepean Sea Road Projects)**: INR3.8bn.
   - **Premium-Luxury (Sunteck City, Vasai, Mira Road):** INR2.3bn.
   - **Aspirational Luxury (Naigaon, Kalyan):** INR0.4bn.
   - **Other projects:** INR70mn.

   Apart from the Naigaon project, the BKC and ODC projects have historically contributed a lion's share to the company's sales.

3. **Business development:** SRL has added multiple projects across micro-markets in the MMR since the pandemic.

The projects include:

- **Vasind project**: Refer to '*Sunteck Realty - Vasind project addition boosts portfolio*'
- **Vasai project**: Refer to '*Sunteck Realty - Vasai project addition adds cheer*'
- **Borivali West project**: Refer to '*Sunteck Realty - Borivali project addition boosts value*'.
- **Kalyan project:** Refer to '*Kalyan project addition boosts prospects*'
- **Mira Road project:** In Q2FY23, SRL added a 2.5msf project in Mira Road near Mumbai under the JDA mode (refer to '*Portfolio growth continues unabated*'). This project was launched in late Q4FY23.
- **Dubai**: The company has forayed into the international market with a luxury project in Dubai. The project is located at Burj Khalifa Community (near Dubai Mall), Downtown, Dubai. The total development potential is ~1msf with an estimated GDV of ~INR90bn. This is a 50:50 JV project with Mas group, wherein Sunteck has invested ~INR2.5bn. The total cost of the project is likely to be ~INR20bn, which would be financed largely through collections from sales; no further significant investment is anticipated here. The company plans to launch this project in FY26.
- **Bandra**: Sunteck had added a project with GDV of ~INR10bn in Bandra West in Q2FY25.
- **Nepean Sea Road**: In Q3FY25, it added a new phase in the Nepean Sea Road project with a GDV of INR24bn. With this, the company now has two projects in this market with a total GDV of ~INR46bn.
- **Andheri West**: During the quarter, Sunteck added a new residential redevelopment project in Andheri (West), in Mumbai, spanning ~2.5acres, a development potential of ~0.28msf with a GDV of ~INR11bn.

Management reiterated that they would invest heavily in business development as SRL plans to double its project pipeline over the next three years (e.g. GDV of INR800bn by end-FY27E from ~INR400bn at end-FY25) and plans to expand this to ~INR500bn by end-FY26E.

The company is actively looking to add projects to its portfolio in the MMR and is at an advanced stages of discussion for a few projects. It has already spent ~INR3bn in Q1FY26 towards new business development against ~INR1.8bn in FY25.

Sunteck has identified 11 growth engines to shore up its pre-sales growth by FY26E/27E. The identified pipeline of projects has GDV of INR398bn.

38% of these upcoming projects/phases are in the Uber-luxury segment while 29% are in the Premium luxury segment. Aspirational luxury makes up 33% of the upcoming project pipeline.

4. **Collections:** SRL reported collections of ~INR3.5bn during the quarter, up 3% YoY/13% QoQ. Collection efficiency too improved QoQ to 53% during the quarter (36% in Q4FY25 and 68% in Q1FY25).

Management mentioned that pace of collections will improve going ahead as collections will increase in the Uber-luxury segment.

Q1FY26 collections split by segment:

- **Uber-luxury (BKC and Nepean Sea Road Projects)**: INR0.7bn.
- **Premium-Luxury (Sunteck City, Vasai, Mira Road):** INR2.1bn.
- **Aspirational Luxury (Naigaon, Kalyan):** INR0.5bn.
- **Other projects:** INR0.2bn.

5. **Cash flow:** The company generated a positive net operating cash flow before capex of INR1.1bn in Q1FY26.

6. **Debt:** SRL ended Q1FY26 with a gross debt of ~INR4.5bn and net debt of ~INR1.2bn. Its net-debt to equity remains low at 0.04x.

Refractory

RHI Magnesita India

Q1FY26 operating performance

- RHIM has been able to gain market share in most product segments. It was able to undertake some price hikes in offerings wherein it has a competitive edge,. The benefit shall accrue largely from Q2FY26.
- Capacity utilisation at the consolidated level increased to 66% (versus 60% in Q4). Production was 85kt (versus 77kt in Q4/78kt in Q1FY25), up 11% QoQ/9% YoY. Sales volume, at 129kt, was up 4% QoQ/13% YoY. Sale of commoditised products increased more than specialised products in Q1FY26.
- Management is aiming to improve the value proposition by focusing on R&D, product portfolio enhancement through transfer of technology from parentco and focusing on cost optimisation.
- The competitive pressure is in the commodity product range (such as ladle furnace, brick, tundish, etc) while in the speciality product segment (used in flow management) demand and margins are intact as customers continue to prefer quality over prices. The specialty segment is 25–30% of RHI's volume.
- Q1 tax rate stood at 26.4% versus 4% in Q4FY25. The sharp rise in reported tax expense QoQ is due to tax credit taken in Q4FY25 on account of FY24 ITR filed for acquisition-related provisions.

Guidance

- High-cost fused alumina inventory is gradually depleting and is expected to exhaust by Sep-25. The benefit of lower RM cost shall help improve margins going forward. Management expects worst of margin hit due to lower volume and higher RM cost being exhausted. Management expects FY26E EBITDA to be closer to FY25 levels, implying EBITDA growth of 15% YoY in the rest of nine months (Q1FY26 EBITDA down 34% YoY).
- Management maintains 8–10% volume growth YoY in FY26 (Q1: up 13% YoY) despite overcapacity in the market.
- Management guided for FY26 capex of INR1.5bn (65–70% shall be for modernising erstwhile Dalmia's plant), primarily due to increase operating efficiencies and enhance the product mix. The benefit of this capex shall be visible FY27 onwards.

Others

- RHIM has increased market share in the iron-making segment from 2% two–three years ago to 13% now and aspires to have a market share of 25%+ over the next three–four years. This segment constitutes 10% of overall sales currently.
- Order book remains strong in iron making and steel segment
- Management has strategised to improve RoE and RoCE by: i) focusing on higher productivity and lowering input cost; ii) integrating robotics for end-to-end solutions provider under the new business model—4PRO (versus earlier TRM—Total Refractory Management); ii) prudently allocating capital in order of maintenance cost, dividend payout, capex and M&A (if commercially fit); and iv) integrating new product offerings imported from parentco and localising production.

Q1FY26 conference call highlights

- Net debt/EBITDA improved to 0.2x (versus 0.3x in Q4FY25).
- Lower working capital and higher operating profit led to higher OCF of INR880mn, up 36% QoQ.
- Capex stood at INR280mn in Q1FY26.

Retail

Aditya Birla Fashion Retail

Pantaloons

- Network rationalisation from 460-plus to ~400 stores is largely complete.
- Focus shifting to larger format (20k–25k sq ft) with modern identity (50% stores updated).
- Gradual network expansion to resume from FY27 with improved quality and size.
- Pantaloons' margin improvement priority over immediate SSSG.

Style Up

- Style Up format expanded to 49 stores.
- Store-level profitable.
- Plans afoot to add ~40 stores in FY26E, and aiming for 75–100 annually from FY27.
- Current sales/sq ft/day of INR20–40 depending on store performance.

Ethnic wear

- Expect ~20% annual growth.
- Post-Ind AS EBITDA margin target is north of 20%.
- TCNS is showing a structural turnaround with high double-digit L2L growth since May, with the store count bottomed out for now.
- TCNS store network expansion is planned for H2FY26, with 30–40 new stores expected, and more rapid expansion anticipated next year.
- Tasva to reach breakeven levels by FY27.
- Tasva expansion measured due to high seasonality and large-format focus; long-term target ~200 stores in three years.
- Growth, driven by category extensions, store rollouts and product innovation.

TMRW portfolio and fund-raise

- TMRW portfolio growth fuelled by expanded product offerings, D2C channel focus, and impactful brand-building initiatives.
- ServiceNow Ventures invested INR4.37bn for an 11% stake, valuing TMRW at approximately INR40bn, with plans to raise more capital in this round.
- The capital-raise aligns with ABFRL's long-term vision of building TMRW into a digital-first business with a potential public market journey.
- TMRW's brands are expanding offline, exiting the quarter with 25 stores, and leveraging omni channel strategies to enhance growth.
- ABFRL has invested INR7.70bn in TMRW over three years, with plans to achieve EBITDA breakeven by FY29E.
- Offline expansion to improve margins as there is nearly a 10% difference in margins compared with online.

Outlook

- Festive season falling due early in FY26 expected to lift demand.
- Continued investment in brand-building, store identity upgrades, and omnichannel expansion.
- Expecting sustained profitable growth driven by ethnic wear, luxury retail, and digital-first brands.
- ABFRL's gross cash of INR19bn and borrowings of INR7.5bn provide adequate resources for future expansion plans.

Aditya Birla Lifestyle Brands

Highlights

- Q1FY26 marked ABLBL's first earnings post-demerger, with a smooth transition across systems and operations.
- All retail formats—POS, MBOs, e-commerce and stores—are now fully integrated under ABLBL.
- Despite a sluggish consumption environment, the company maintained strong momentum, driven by wedding season demand and robust retail execution.
- Retail stays primary growth engine; e-commerce corrections are largely behind.
- E-commerce reported a decrease due to discount rationalisation, but is likely to recover Q3 onwards.

Stores

- Contribution from LFS: MBO is roughly at 60:40 in the wholesale business of Lifestyle brands.
- Store network stands at 3,230-plus brand stores, covering 4.6 mn sq. ft.
- Gross 50 new stores were added in Q1; 250 net additions targeted for FY26.

Brands

- Lifestyle brands (Van Heusen, Allen Solly, Peter England and Louis Philippe) delivered 15% LTL growth—a fourth consecutive strong quarter.
- Reebok, American Eagle and Innerwear posted 10% LTL growth; overall revenue was hurt by Forever 21 closure.
- Innerwear losses halved YoY; breakeven likely in FY27.
- Reebok's store count doubled since acquisition (now 180-plus), with revenue growing from INR2,000mn to INR5,000mn.
- Reebok's retail model is a mix of primary (franchise billing) and consignment; newer stores are moving toward consignment.

Capex and working capital

- Q1 marketing spend rose to 5.5% of revenue due to IPL sponsorship; full-year is likely to normalise to ~3.5%.
- Annual capex guidance maintained at INR2.5bn, primarily for retail expansion and store refurbishments.
- Working capital cycle remains stable at 13–15%; likely to improve as smaller businesses scale up.

Outlook

- Management remains optimistic heading into Q2, aided by an early festive season and strong brand momentum.
- Lifestyle brands likely to grow in early double digits; newer businesses targeted to grow at 18–20%.
- Debt reduction of INR2–3bn annually targeted; aiming for debt-free status in 2.5–3 years.

Aditya Vision

Key takeaways

- Witnessed an unusual summer season this quarter with the coolest summer in 60-plus years affecting the demand for cooling products.
- Contribution from AC was 42% of entire revenue this quarter due to a weak summer season.
- Gross margin edged up from 15.2% to 15.3% YoY driven by focused profitability-enhancing measures.
- The company rationalised non-critical operational expenses—including advertising, promotion, warehousing, freight, and security—while maintaining front-end service quality. These cost controls supported operational stability throughout the season.
- Anticipating strong summer AC sales, the company proactively stocked inventory at the end of Q4 to mitigate potential compressor shortages. However, as demand softened, the team responded by driving selected sales through targeted promotions and engaging OEMs early to support liquidation of excess inventory—resulting in a reduction of inventory levels by INR1,500mn.
- SSSG declined to -4% in Q1FY26 compared with 21% in Q1FY25. However, the company expects SSSG to enter positive territory for FY26 with the festive season anticipated to drive growth.
- Inventory level stood at INR5,480mn at the end of Q1FY26.
- Retail footprint expansion remains aligned with the company's strategy of adding more stores towards the latter half of the year.
- Bihar continued to be the largest contributor, accounting for 76% of retail sales, followed by Uttar Pradesh at 13% and Jharkhand at 11%
- The company remains optimistic about festive season demand. Favourable rainfall is expected to lead to a bumper harvest, which should result in increased disposable income for consumers, supporting spending during the festive period.

Store expansion

- The company has typically opened fewer stores in Q1 historically.
- Four stores were added, with three opened in July, bringing the total store count to 179. The company plans to open 25–30 new stores in FY26, aiming to take the total count to over 200 this year.

Market

- UP market, strategy remains focused on deepening regional presence.
- The company is concentrating on Tier-2 cities, with Western UP identified as the next area for store expansion. Overall, presence in UP has been further strengthened.
- With the Bihar government providing 125 units of free electricity to households starting August 1, 2025, the company expects this to stimulate demand for electronic goods.

Bata India

Highlights

- The quarter remained challenging, though slightly better than Q4FY25 (on absolute profitability) with flat revenue growth.
- Management reiterated confidence in the strength of the P&L backbone, expecting future growth from ongoing initiatives.
- Total 194 stores now operate under the Zero Base Merchandising (ZBM) model, showing notable improvements in line and inventory reduction.
- ZBM stores recorded 450bp improvement in availability.
- Bata is strengthening its ladies' footwear segment, which was a large contributor to volume this quarter as well as contributor to the store's turnover
- Floatz continued strong momentum with 30%-plus growth
- New designs, tech features and influencer-led campaigns boosted traction.
- Power portfolio showed promising checkouts (4.5%) with plans to expand Stamina ranges.
- Hush Puppies expanded their presence in ~150 stores with a refreshed store concept and new Office Sneakers collection.
- Total 36 stores converted to new premium format with improved layout and accessibility.
- Gross margin pressure attributed to clearance of aged/discontinued inventory.
- Revenue growth hindered by stress in sub-INR1,000 price segment and sluggish MBO performance.
- Franchise model is EBITDA accretive, and now contributing ~12% to retail turnover (up from <3% pre-covid).

Inventory

- Total inventory fell 16% YoY despite the upcoming festive season.
- Stock turns improved to 2.1, with a target of 2.5 over the next year.
- The Customer First project is underway to enhance forecasting, compressing lead times and inventory placement.

Network expansion

- Franchise network grew to 644 stores with momentum likely to continue at 30–40 stores per quarter.
- KROs increased to 1,480, up 319 YoY.
- Sneaker Studio concept now present in ~800 stores, contributing ~20% to top line.
- COCO store expansion remains modest, with 70–80 gross additions annually offset by closures of underperforming stores.
- Store closures are ongoing, but likely to reduce with each closure improving margins by 40–50bp.
- New stores typically take two years to turn profitable.

Devyani International

Q1FY26

- Macro conditions display a soft demand environment.
- This growth was driven by strong performance from KFC, Costa, and the Food Court business in India, along with an 11.2% year-on-year growth in the international business.
- A change in GST applicability on rent has led to increased rental costs, which impacts the bottom line as the industry does not get input tax credit on GST.
- Gross margins declined due to promotional investments to drive transaction growth and an increase in raw material prices for cheese, flour, and edible oils.
- SSSG suffered due to densification of stores by company and other competitors
- 10% improvement in transaction on account of company initiatives
- Online promotional strategies have performed much better

KFC

- 100–110 stores to be added in KFC in FY26
- Gross margin was lower due to investment in transaction growth and also due to rise in prices of edible oil.
- Lower brand margin is also a function of the increase in delivery mix and rise in associated expenses.
- KFC's SSSG stabilised at negative 0.7% after multiple quarters of negative growth.
- KFC's online SSSG (via Zomato and Swiggy) was positive.
- Reduced store format size from 3,000 sqft to 1,400 sqft in urban areas where dine-in traffic is lower.
- Good growth momentum on online category and SSSG is also positive.
- ADS target of INR100k on a consistent basis.
- Epic Saver combos were introduced for dine-in. A "9 for INR 299" combo offer for dine-in at KFC was well-received by consumers and is making a significant contribution.

Pizza Hut

- Gross margin lower due to increase in oil prices and investments for brand revival.
- Limited organic expansion to be undertaken. Due to closures of non-performing stores, the company ended the quarter with 618 Pizza Hut stores in India, a net decline of 12 from the previous quarter. The company plans to slow down organic expansion of Pizza Hut store openings for the current financial year.
    - Piloted unlimited Pizza Friday in some stores, the results were promising and helped increase revenue.
- Pizza Hut's ADS recovered slightly to INR33,000 on a sequential basis.

Skygate portfolio

- The company concluded the acquisition of Sky Gate Hospitality, which operates the Biryani by Kilo and Goila Butter Chicken brands, and increased its stake to 86.13%.
- Skygate consolidation from 11 June 2025 i.e. 20 days impact in Q1FY26
- Skygate stores to be key in company's expansion plans
- The goal is to make the loss-making brand profitable within 12 months, followed by rapid network expansion.
- 90%+ is delivery based revenue as of now
- New distribution channels are being explored for Biryani By Kilo
- INR12mn negative brand contribution from Skygate Potfolio for the period from 11 June to 30 June 2025
- BBK portfolio has Hyderabadi, Lucknowi and Calcutta Biryani which are doing good on an overall level

Challenges and outlook

- The company is working to improve the performance of the newly acquired Sky Gate Hospitality portfolio, which is currently operating at a loss. The goal is to achieve positive brand contribution within the next 12 months.
- The company plans to continue with the current promotional strategy for one to two more months before optimizing it, with the expectation that gross margins and brand contribution margins will improve in the following quarter.
- The company plans to launch three new international brands in the next quarter: New York Fries, Tea Live, and Sanook Kitchen.
- The first New York Fries store has opened at Mumbai International Airport.

Electroncs Mart India

Highlights

- This summer was unusually cold due to early rainfall, which affected cooling categories. April and May recorded 15% higher rainfall subduing typical seasonal demand.
- EBITDA margin was softer YoY. The EBITDA margin was higher in Q1FY25 driven by heatwaves, which led to more AC sales
- Large appliances contributed to 48% of sales while mobile phones contributed to 40%.
- Pre-Ind AS EBITDA margin was 4.4%
- The company is carrying ~INR3.5bn worth of air conditioner inventory (~89,000 units), with plans to liquidate it by December this year.
- The company plans to reduce inventory days to less than 60 days by end-Q2.
- Operational costs in the north cluster were high due to store openings. The company expects them to stabilise once stores start maturing
- Gross margin decreased mainly due to reduced contribution from air conditioners and coolers. Cooling products give highest gross margins
- In Andhra Pradesh and Hyderabad, the company has maintained market share this quarter and is actively gaining share in key markets. Sonovision remains its biggest competitor in Andhra Pradesh.
- On the other expenses side, marketing costs were cut due to cooler summer this quarter
- In the South cluster, cooler summer conditions led to subdued seasonal demand, resulting in an EBITDA margin of 6.7%, primarily due to a lower contribution from air conditioners
- The company spent around INR560mn on capex in Q1FY26
- On May 29, a fire accident occurred at the Guntur warehouse, resulting in inventory damage worth INR80mn. The loss was covered by insurance and has been claimed, with the assessment currently in its final stage. Management has created a provision for this, which is reflected under exceptional items

Store expansion

- Total store count was 208 (197 MBOs, 11 EBOs)
- Many of the stores are less than three years old. The company expects the unit economics to improve in the coming quarters
- Store additions were focused in AP and Telangana region with five MBOs added in AP and two added in Telangana
- 25–30 new stores to be added in FY26
- North cluster – eight stores in the pipeline,
    - Will add six stores before Diwali in North cluster
    - MBO sales stood at INR1.59bn, reflecting 21% YoY growth

Outlook

- Despite the challenges faced during the summer, the company is focused on improving per store unit economics, to support margin improvement
- The company expects festive season to aid higher sales
- EMIL is expecting higher double-digit growth in Q2 and beyond
- Mobile category – poised for new wave of demand by new technology and launch of IPhone 17 which they believe will increase average selling price (ASP) and volumes

Guidance

- The company has guided for 15% revenue growth.
- Stores in Andhra Pradesh and Telangana upcountry are transitioning towards a mature store trend.
- The impact of iPhone sales expected to contribute positively while Samsung Fold has performed well in the mobile segment.
- Overall, management anticipates a positive trend for the year
- The company expects to maintain 6% EBITDA margins going forward

FSN E-Commerce Ventures (Nykaa)

- Both penetration and premiumisation are driving growth in BPC. GMV grew 26% YoY, ahead of overall industry growth.
- Beauty continues to report margin improvement while Fashion witnessed narrowing of losses.
- Nykaa has an offline presence across 82 cities, with three new cities added during the quarter. Total store count currently stands at 250-plus.
- On Nykaa, have served 1.3mn orders since launch and have rolled out 50+ rapid stores across seven cities. Quick deliveries are made within 30–120 minutes.
- In Nykaa pink summer sale delivered 2.9mn orders across ~19k pin codes in ten days. GMV grew 33% YoY while premium beauty GMV grew 42% YoY.
- Kay Beauty, a House of Nykaa portfolio, is going international in a couple of weeks and being established in UK.
- Dot & Key EBITDA margin hovers around high-teens and has a strong presence across distribution channels.
- eB2B currently has more than 0.3mn transacting retailers. eB2B contributes ~9% to overall BPC GMV.
- eB2B gross margin improvement was on account of a higher contribution mix from Nykaa-owned products, and this also led to narrowing of losses at the EBITDA level.
- Fashion GMV grew 25% YoY, much ahead of industry growth. New customer acquisition (+33% YoY) led to overall growth in the Fashion vertical. Elevated GMV growth seems sustainable.
- At platform level gross margins expansion was supported by a strong performance of the House of Nykaa portfolio and increase in advertisement income.
- Despite rolling out of rapid stores, fulfilment expenses remain steady. Marketing expenses remain elevated, targeted at acquiring new customers.
- Blended EBITDA margin improved 100bp YoY due to cost efficiencies kicking in and a higher mix from House of Nykaa portfolio.
- Working capital days stood at 32 against 34 days in FY25. RoCE now stands at 12.7% against 11.3% in FY25.
- Board approved the acquisition of a remaining 40% stake in Nudge, thereby taking the overall stake to 100%. This acquisition would further strengthen the House of Nykaa portfolio.
- CAC is not increasing, and the budget is spent behind acquiring new customers and brand building.
- Despite high competitive intensity and a slowdown in macros, BPC and Fashion both reported healthy growth. Expecting competitive intensity to ease up moving forward.
- Maintained the guidance for Fashion segment's EBITDA breakeven in FY26E.

Jubilant FoodWorks

Highlights

- The group store network expanded to 3,387 stores, with 71 net additions during the quarter.
- Management emphasised a strong start to FY26, despite a challenging demand environment, attributing the performance to disciplined execution and strategic choices.
- Domino's India led growth with 61 net additions, now present in 484 cities, reflecting confidence in long-term QSR market potential.
- Gross margin decline was attributed to strategic pricing, product mix shifts (overwhelming success of big big pizza and chicken menu), and extended IPL promotions, but supply chain efficiencies provided offsetting tailwinds.

Indian business

- 58 net new stores were added in India, taking the total to 2,362 stores across 484 cities.
- Domino's India contributed significantly with 17.7% revenue growth, driven by 17.3% order growth.
- Like-for-Like (LFL) growth for Domino's India was 11.6%, supported by Delivery LFL growth of 20.1%.
- Mature Store ADS for Domino's India stood at INR85,396.
- Delivery channel revenue grew 24.6% YoY, with delivery now contributing 72.9% to channel mix.
- The Domino's app saw strong traction with 14.7mn MAUs (up 21.5% YoY) and 12.3mn installs (up 19.4% YoY).
- Product innovation included the launch of Chicken Burst Pizza, following successful launches of Cheese Burst and Big Big Pizza which received strong consumer response.
- Management remains cautious on price hikes, preferring calibrated increases to protect affordability and drive volume-led growth. Demand situation has been very elastic, e.g. price increase in Big Big Veg Pizza had to be rolled back owing to a sharp drop in volumes.

International business

- Turkey reported system sales of INR9,300mn and revenue of INR5,188mn, up 12.4% YoY, with a PAT margin of 9.4%.
- Sri Lanka revenue was INR248mn, up 42.4% YoY.
- Bangladesh revenue stood at INR177mn, up 4.3% YoY.
- 13 net stores were added internationally, bringing the international store count to 1,025.

Brand highlights

- Domino's network reached 3,098 stores, with 67 net additions QoQ.

- Popeyes operates 60 restaurants across 23 cities, showing sequential improvement in profitability and double-digit SSG in Southern India.
- COFFY, the café brand in Turkey, expanded to 167 cafes across 38 cities, with consistent bottom-line improvement.

Store strategy

- Store formats are being calibrated:
  - Smaller stores (800–1,000 sq ft) in urban centers.
  - Larger stores (1,200–1,500 sq ft) in Tier-2/3 cities to support dine-in demand.
  - Store size will not be higher than 1,500 sq ft in any geography.
- Management reiterated its stance against opening dark stores, emphasizing transparency and customer trust.

Capex

- The company is focusing on accelerating the pace of number of store openings; they see the potential to open 1,000 stores in the next three years in India.
- The company is transitioning from a commissary-heavy Capex cycle to store and tech-led investments, aiming for better ROCE and faster paybacks.
- They have seen per store capex for the last three years dropping by 10–15%
- Gross margins are expected to improve, supported by cost optimization, technology-led efficiencies, and operating leverage.

Metro Brands

Performance and outlook

- The company reported 9% YoY growth in both standalone and consolidated revenue.
- EBITDA grew 8% YoY, with margins at 31%, slightly lower due to increased marketing spends.
- PAT grew 7% YoY, maintaining mid-teen performance at 16%.
- Gross margins remained healthy, nearing 60% for the quarter.
- Management reiterated long-term guidance of 15–18% CAGR in revenue, mid-teen PAT margins, and 30%+ EBITDA margins.
- Early monsoon impacted sales in Gujarat and Maharashtra; South India showed intermittent softness.
- North and East regions performed relatively better; AP and Telangana showed signs of recovery.
- No structural concerns identified in South India; demand fluctuations seen as cyclical.

Store expansion

- 23 stores were opened and three closed during the quarter.
- Walkway saw renewed focus, with four stores opened in Q1 compared with four in all of FY25.
- Foot Locker store openings resumed after delays due to BIS regulations; more stores are planned for the year.
- FILA store rollout is expected in the second half of the year, following supply chain stabilisation and product testing.
- Store additions will be opportunity-driven rather than target-based with management optimistic about rental trends.

Brand portfolio

- Metro Brands entered a long-term exclusive partnership with Clarks Shoes for India and neighbouring countries.
- Clarks will be sold through both MBO formats and mono-brand stores.
- Premium brands now contribute 56% of business; ASP for Clarks is expected to be above INR3,500.
- Foot Locker and New Era are positioned as premium offerings; BIS-related delays are being resolved.

Walkway strategy

- Walkway targets the value footwear segment (under INR1,000), which accounts for ~80% of India's footwear market.
- While less profitable than Metro and Mochi, Walkway is seen as a strong capital deployment opportunity with long-term RoCE target of 30%-plus.

- Operational guardrails and growth levers for Walkway are now in place, with ongoing refinement.

E-Commerce

- E-commerce grew 45% YoY.
- Growth driven by omnichannel initiatives and D2C efforts; inventory from stores is now integrated online.
- Management remains cautious on discounting to protect brand equity.
- E-commerce contribution is rising but remains within strategic limits.

SSSG and ASP trends

- Same-store sales growth (SSG) remains a key lever, though impacted by store cannibalisation and new store additions.
- ASP for footwear stands at INR2,700, with 3–4% YoY growth
- Premiumisation continues across banners, except Walkway, which reintroduced sub-INR500 price points.

Page Industries

Highlights

- Industry-wide consumption remained subdued, which in turn impacted growth within the offline retail segment
- The retail sector posted a general slowdown, primarily driven by geopolitical concerns. However, a steady recovery has been observed since May, with sequential improvement—May performance surpassing April, and June showing further strength over May. The company is targeting double-digit growth once conditions normalise, with a focus on product innovation rather than price hikes.
- The online business delivered robust growth, supported by stable product pricing. The company remains focused on maintaining operating margins
- Sales volume this quarter stood at 58.6 million pieces, growth of 1.9% YoY
- The company recently launched a new fashion range, 'JKY Groove', aimed at a younger target audience. Initial response to the range appears encouraging. The company plans to further strengthen the offering in the coming months, with frequent design changes seasonally
    - The range is produced through a mix of in-house manufacturing and outsourcing
    - This initiative is currently being treated as a pilot to better understand the dynamics of the youth fashion segment and assess consumer response
- The company's online network, particularly through jockey.in, continues to expand, contributing positively to its digital presence and reach
- Efficient raw material sourcing helped maintain stable pricing during the quarter
- Inventory days stood at 66 days at the end of current quarter
- Commercial production commenced at the new state-of-the-art manufacturing facility in Orissa, with plans to gradually ramp up output in the coming months
- The company successfully completed the pilot run of its modern Distribution Management System through Salesforce and is on track for full deployment. Migration to SAP S/4HANA is progressing as planned
- Volume performance for the innerwear portfolio remained muted in the retail channel
- The company remains comfortable operating within a 19–21% EBITDA margin range.
- Advertising spend was 3.5% for the quarter, slightly lower than usual, but expected to remain within the 4–5% range for the full year
- IT spend will be on the higher side in the coming quarters
- Raw material cost has remained stable over the last quarters
- **Outlet guidance**
    - Target number of stores for this year will be in same 8000-9000 range
    - 140-160 EBOs to be added this year

- **Inventory levels**
  - Decreased month after month at the partner level
  - Innerwear inventory is at optimum inventory level
  - Outerwear will take a few quarters to reach optimum inventory level
- The long-term outlook remains strong, with expectations of continued momentum in the coming quarters

Restaurant Brands Asia

India business

Traffic & Sales Initiatives

- Value-driven campaigns such as two for INR79 and two for INR99 significantly boosted footfall.
- Same-store sales growth (SSSG) was +2.6% versus +3.1% in Q1FY25 and +5.1% in Q4FY25. This was impacted by lower traction in premium offerings while value meals continue to bring traffic to restaurants
- Company has introduced INR99 café
- Limited time offers will keep on flowing in business.
- Growth in dine-in was spread equally across regions.

Cafe & Menu Innovation

- BK Cafés now integrated into 93% of stores, focus has shifted to brand awareness from expansion now.
- The Korean range (premium end of the portfolio) received strong consumer feedback, and management will expand further on this.
- Variety in business has been increased.
- Older cafes are doing around INR20,000-25,000 ADS while the newer ones are doing around INR6,000 ADS.
- Cafes will take some time to grow and will settle around ADS of INR20,000.
- Kitkat BK Fusion category added, which is company's first step in co-branded products. Partnerships with more brands are expected.

Digital & Delivery

- 93% of restaurants have self-ordering kiosks
- Less than 10% of sales are done manually
- Delivery business's profitability improved by 1% YoY and revenue growth was 11.5%.

Operational efficiency

- Gross margins to reach to 70% in 2-3 years
- Efficiency in restaurants has led to improvement in margins.
- Re-negotiated lot of contracts on the IT front, contributing to profitability.
- 25% reduction in Corporate Overheads in 2 years which is reduction of INR150mn and further to be reduced by 10% during FY26 which will be another INR40-45mn

Indonesia Business

- ADS levels have improved in Burger King (IDR19.7mn in Q1FY26 vs IDR19.4mn in Q1FY25)

- More chicken products to be added in portfolio.
- Popeyes store addition to be done post company gains confidence in business.
- Lower ADS in Popeyes is leading to losses (IDR13.2mn in Q1FY26 vs IDR17.9mn in Q1FY25).

Guidance

- Right balance to be maintained between margin and revenue growth.
- Targeting 60–80 store openings annually, aiming for 800 stores by FY29.
- Tighter markets and demand is lower than general trend, premium layer is suffering more.
- Vegetarian skewed demand in Q2FY26 and company is confident of their veg menu to deliver good results.
- Rentals are coming down and will contribute to profitability.
- Gross margin to increase 50–70 basis points annually, targeting 69–70% by FY29. Management expects bulk of the GM improvement will flow through to EBITDA and PAT.

Sapphire Foods

Q1FY26

- The competitive environment has not changed much and remains similar as the last few quarters
- Management made the value offering more attractive but it is yet to see the benefits of it.
- Delivery mix for FY26 should be around the same range as in Q1FY26

KFC

- Increasing the consuming base for KFC is the focus and to drive greater frequency of consumption they introduced gold zinger burger, late-night delivery, new range of drinks, and initial pilot has been done for breakfast and coffee.
- Investments in epic saver campaign affected gross margins although this resulted in positive SSTG
- Inflation impact was neutralised by cost saving initiatives.
- Operational deleverage noticed in Q1FY26 on account of negative SSSG.
- Marketing spends in this quarter were higher, which will be offset on a full year basis

Pizza Hut

- Higher amount of marketing expenditure
- Double-digit SSSG difference between Tamil Nadu and rest of places. Company conducted mass media advertising in Tamil Nadu
- Tamil Nadu delivered a low single digit positive SSSG
- Inflation impact was negligible
- Company working to replicate Tamil Nadu and Sri Lanka strategy across all locations
- Marketing spends can be executed pan India post Yum and Devyani also agree on the same, which is expected to take another one or two quarters

Sri Lanka business

- Steep Employee cost inflation due to minimum wages change had a negative impact on margins (this was done in May and implemented prospectively).
- The company has done 2–5% price increase, which should improve margins going forward
- Sapphire expects YoY increase in margins for rest of FY26

Shoppers Stop

Q1FY26

- SSL delivered a resilient performance this quarter despite headwinds, helped by closure of underperforming stores and possibly a lower base (last year—it had SSSG of -6% in Q1FY25).
- Store closures were due to low foot traffic and unsustainable operating costs.
- First Citizen saw highest number of black card (31K) and silver (19.5mn) member enrolments this quarter with a net promoter score of 93%.
- Personalised marketing campaigns have been very successful and the company remains focused on providing better experience to customers.
- Departmental store LFL grew 5% YoY driven by customer entry, conversion and increase in item per transaction.
- Travel and luggage in particular did poorly, contracting 30–40% YoY.
- Beauty clocked LFL of +13% YoY and growth of 17% YoY on a consolidated basis due to accelerating makeovers in stores and launch of M.A.C sampling.
- Gross margins improved by 30 basis points due to internal initiatives, particularly in private labels, which reduced obsolescence.
- The departmental store format's EBITDA shot up 145% YoY.
- Customer entry (footfall) for LFL departmental stores increased by 2% YoY.
- Personal shoppers contribute 25% to total sales, an increase of 7pp over last year. Their average transaction value is approximately INR15,500.

Intune

- Intune had a slow quarter particularly in June due to aggressive discounting by competitors. The company consciously delayed its EOSS until 1st July.
- April and May witnessed a strong start; however, June proved challenging due to increased discounting activity in the value fashion segment.
- While some INTUNE stores are achieving benchmark sales productivity (north of INR12,000 per square foot), losses are expected to continue in the near future as the company invests in new store openings.
- Seven–eight stores of Intune to be opened in Q2FY26E, 30–40 over the course of FY26E.
- Profitability in Intune was impacted due to slower growth in the value fashion business and headwinds in demand consumption.
- The company keeps an inventory cover of six weeks and also does a lot of weekly drops, which is important in this segment.

Outlook

- Premiumization trend in the mix continues and is expected to continue driving growth in the coming future.
- The company is driving consistent premiumisation-led launches to increase the premium segment's contribution to 70% by the end of FY26.
- Seven–eight departmental stores to be opened in FY26, with a preference to open stores in malls. Departmental stores will be larger, ranging from 35,000 to 40,000 sqft, to enhance premium experiences.
- The company is strengthening its omni-channel presence with a relaunch of the app in 20 days, and backend upgrade for sharper inventory management.
- SSL aims to drive repeat purchases and maintain customer loyalty above 80%.
- Above-average monsoon coupled with reduced income tax rates is expected to boost consumer demand.

Titan Company

Jewellery segment

- Management acknowledged a high base effect in Q2 due to last year's custom duty cut and deferred sales, which may hurt growth visibility
- Amid gold price volatility, the company continues to leverage ticket size growth and repeat customer base. New buyer growth has been a miss.
- Margin guidance for the jewellery segment remains at 11–11.5%; Q1 margins included a one-off benefit of ~50bp from hedging gains, which is likely to reverse in subsequent quarters.
- Titan sustained market share nationally in Q1 with gains in select geographies driven by a geography-led mix
- The company remains competitive on pricing and product innovation, especially in gold jewellery, and continues to invest in retail expansion and marketing
- Nine-carat diamond jewellery launched under Caratlane and Mia has recorded steady traction with plans to expand to 300 stores
- Studded jewellery buyer growth outpaced gold jewellery, excluding coins, indicating strong customer interest
- Studded jewellery growth was 11% in Q1 with buyer growth driven by new customers; however, absolute growth was below expectations due to consumption constraints
- The company is focused on innovating and improving execution to drive growth in the INR2–8 lakh price band
- Lab-grown diamonds (LGD) currently account for less than 2% of the diamond market; Titan is monitoring the space, but has not committed to participate.

Watches and Eyewear

- The watches division delivered an exceptional quarter driven by premiumisation and volume growth across brands and channels
- Q1 margins in watches included a one-off inventory revaluation benefit (~4%), which will reverse in Q2 and Q3; adjusted margins are likely to settle in the mid-teens for FY26
- Analog watches performed well while smartwatches reported a correction due to oversupply and price undercutting
- Eyewear business is being reimagined with a multi-brand, multi-price strategy; store closures are strategic and new stores are being added to enhance consumer experience

International business

- The US jewellery business performed well in Q1 despite tariff concerns; Titan is monitoring pricing and sourcing strategies but remains cautious
- The GCC jewellery business is likely to scale up significantly, prompting exploration of global supply chain strategies

TEAL (Titan Engineering and Automation Limited)

- TEAL operates across three segments: manufacturing services, automation solutions and product-based solutions
- The manufacturing services business is reporting strong annuity growth, especially with clients such as Raytheon and Pratt
- Automation solutions are gaining traction in EV-related work and international markets.
- TEAL is well-regarded for its high-end technology solutions and is likely to deliver strong sales growth

Stores

- Domestically, Tanishq opened three new stores during the quarter, all of which were larger in size than previous formats
- In addition to new store openings, eight existing stores were relocated or significantly expanded as part of the ongoing retail transformation programme
- Management indicated that store expansion plans for the year remain strong with focus on ramping up ahead of the festive season in October
- The slower pace of expansion in Q1 was attributed to timing and execution-related factors, not a change in strategy

Varun Beverages

Outlook

- Guided for an EBITDA margin of a minimum of 21% with focus on cost control.
- Sting Gold product has received a mixed response. The company plans to push the product in coming quarters to determine is traction among consumers.
- Aiming to increase the retail outlet reach to 4.3mn from current 4mn by the end of the year.
- Capex in India is expected to remain moderate. International capex would be high. Guided for a maximum capex of INR6–7bn. Internationally, aims to expand in South Africa and some other countries.
- Small packs continue to do well due to attractive price points. Larger packs have declined due to unseasonal rains, fewer weddings and social events. Small packs continue to do much better than large packs.

Key highlights

- Consolidated volumes declined 3% YoY to 390mn cases in Q2CY25, primarily due to abnormal high unseasonal rainfall throughout the quarter in India.
- India volumes fell 7% YoY while International volumes grew 15.1% YoY (South Africa up 16.1%), partially offsetting the overall decline.
- The net realisation per case at the consolidated level increased by 0.5% driven by a 6.6% improvement in International markets.
- CSD constituted 75%, NCB 7% and Packaged Drinking Water 18% in Q2CY25.
- Sales volumes stood at 530mn cases for India and 172mn for International, totalling 702mn cases over H1CY25.
- In H1CY25, mix of Low sugar/No added sugar products was ~ 55% of consolidated sales volumes.
- Depreciation increased by 26.3% YoY on account of commissioning of new plants in India and DRC, as well as brownfield expansion in other international markets.
- The company is currently operating at 70% capacity utilisation.

Capacity

The company has commissioned various new production facilities:

- **Prayagraj (Uttar Pradesh):** 4 CSD Lines, 1 JBD Line and 1 Water Line
- **Damtal (HP):** 2 CSD Lines and 1 JBD Line
- **Buxar (Bihar):** 2 CSD Lines, 2 JBD Lines and 1 Water Line
- **Mendipathar (Meghalaya):** 2 CSD Lines and 2 JBD Lines

Capex

In H1CY25, total capex amounted to INR25bn:

- INR14.5bn for setting up of four greenfield production facilities at Prayagraj (UP), Buxar (Bihar), Damtal (Himachal) and Mendipathar (Meghalaya).

- INR1.2bn for brownfield expansion in Sricity (India).
- INR4.5bn in International territories (DRC – a CSD PET line and backward integration; Morocco – Snacks manufacturing plant and South Africa – a CAN line).
- Balance capex comprises visi-coolers, glass bottles, pallets, vehicles, etc.

International business

- **Morocco**: Commenced commercial production of Cheetos snacks in Morocco.
- **South Africa**: Enhanced capacity by setting up a new can line in Durban. Awaiting Competition Commission's approval for land parcel purchase adjoining its production facility in Boksburg for backward integration. The growth of South Africa was higher than the overall International business.
- **Zimbabwe**: The demand has started to stabilise in the country. Volumes are coming back to normal levels post-imposition of sugar tax. The Snack plant is expected to begin from October 2025.
- **EIL Sri Lanka acquisition**: Acquired 50% of Everest Industrial Lanka in Sri Lanka, which is engaged In the business of production, manufacturing, distribution and selling of commercial visi-coolers and related accessories.

Others

- Working capital days remain broadly stable at ~35 compared with last year's 33 days.
- The 11% YoY decline in other costs was due to consolidation of distributors, which has reduced the freight cost per case. Also, it has opened larger plants, which are now closer to distributors.

Vedant Fashions

Key takeaways

- Weak consumer sentiment persists; a rebound is hoped for, but not yet seen.
- Footfalls were in line with growth, and conversions improved slightly.
- Groom business improved faster than non-groom business due to better wedding dates.
- Average Selling Price (ASP) slightly increased, with the majority of growth coming from volume.
- Existing franchising partners remain committed, with RoI remaining healthy despite a slight decline from previously very high levels.
- There was sharp growth in AP and Telangana, which led growth momentum for the company this quarter. Q1 numbers of AP/Telangana are better than the company average.
- Twamev has been performing well from an SSSG perspective, with a strategically important EBO opening planned in Mumbai
- Receivables days in TTM Jun-25 were 71, down from 77 days in FY25.

Stores

- While the store count continues to rise, overall retail square footage has seen a decline.
- Currently, the company is consolidating existing old stores, hence, net square feet addition won't be a large number but the quality of stores will be better.
- Square footage has gone down on account of SIS stores opening, which occupy smaller space of 150–200sqft.
- The company is focused on revamping same-store sales (SSS) which is the core KPI, with a healthy pace of gross store openings and a target to open a significant number of new outlets.

Marketing

- Marketing spend was in line with historical levels. It appears higher year-on-year because Q1 and Q2 of the previous year had negligible wedding dates, resulting in minimal marketing expenditure during that period.
- Marketing cost was 5.6% of revenue in Q1FY26, compared to 2.3% in Q1FY25, due to strategic marketing spend allocation.
- The marketing team is large and has been segmented into multiple mini-campaigns, enabling stronger word-of-mouth impact.
- Marketing efforts were strategically scaled up across multiple channels, including social media and traditional mediums.
- Category-specific initiatives include the Rajwada Collection for Grooms and the Groom Squad.
- Campaigns for Mohey leveraged influencers and in-store activations targeting brides and bridesmaids.
- Social media campaigns were run for Diwas, emphasizing celebration.

Margins

- Margins can shift 80–120bp over the quarter, but overall YoY margin metrics stay healthy.
- The company acknowledges a contraction in gross margins but prefers to assess GM on a yearly basis. It remains comfortable with maintaining a GM of over 65%.
- The goal is to improve gross margins across each brand within the company.
- This time marketing cost was higher, 5.6% of revenue in marketing cost, major reason EBITDA margins are lower.

SSG levers

- ASP (average selling price):
  - The company wants to grow by 3–4% within each categories it operates in.
  - 70–80bp due to larger share of Mohey and Twamev of the company.
- Improving average market size: Improving considerably well due to better training of employees
- **Footfall:** The Company continues to focus on improving footfall, which has been a key area of weakness. Strong marketing efforts and a rebound in the macroeconomic environment are expected to support footfall growth.

Mohey

- Had a strategic shift, from bridal wear to wedding wear brand.
- Overall growth has been positive, poised to continue growing Mohey. The company is confident about the brand overall
- It has consistently beaten the company's average SSSG.

Diwas

- The company has received a positive response at trade shows over the past few months. However, the real test shall be during the festive season, for which inventory has been well-prepared.
- The company envisions Diwas as the flag bearer of Indian wear for all festive occasions, focusing on e-commerce channels (marketplaces, diwas.com) and multi-brand outlets/SIS routes. Its goal is to make festive celebrations affordable for every Indian, increase market share on marketplaces, and achieve a higher share within the industry.

V-Mart Retail

Q1FY26

- Sales growth was primarily driven by increased footfalls, supported by the wedding season. However, demand was partly affected by the Indo-Pak conflict and an early onset of the monsoon in some regions.
- **Regional performance mixed:** Northern states outperformed while eastern markets faced operational and demand-related challenges (lower orders from Bangladesh tourits).
- Gross margin (excluding LimeRoad) improved 60bp YoY to 34.8% driven by stronger full-price sales and effective liquidation of old inventory. Total gross margin improved marginally by 10bp YoY to 35.3%, hurt by a 48% decline in LimeRoad's revenue contribution, which flows directly into gross margin.
- EBITDA margin excluding LimeRoad was 14.9%, 80bp higher YoY driven by operational efficiencies. Including LimeRoad, total EBITDA grew 27% and margin improved 170bp to 14.3%.
- Inventory came in at INR818mn, with a holding period of 93 days, reflecting a 5% improvement YoY.
- Same-store sales were hurt by seasonal shifts, including the early onset of the monsoon and preponing of key festivals. The company is targeting a mid-to-high single-digit SSSG for the full year, supported by festive demand and improving footfalls.
- Q1 witnessed a soft start in terms of fashion segment growth. The company continues to focus on absolute rupee margins over percentage margins.
- July witnessed a slight slowdown, attributed to seasonality. However, Q2 is likely to log improved momentum with the onset of the festive season.

Outlook

- Capex for FY25 is budgeted at INR300mn, primarily allocated towards new store openings and refurbishment of existing stores
- ASP is expected to increase by 2–3% during the festive season due to change in the mix
- Store expansion remains a key growth lever, with: 12–15% annual increase in retail area and addition of 65 net new stores planned for the year
- Consumer sentiment remains stable in India, with moderate consumption trends observed. While not overly bullish due to seasonal factors, underlying demand remains resilient. A pickup is expected during the upcoming festive season, supported by strong consumption undercurrents.
- Inflation remains under control, although there were concerns around staple inflation despite rising MSPs
- Monsoon trends are largely favourable, with most regions reporting adequate rainfall. Overall, healthy crop yields are expected to support rural income and drive consumption.

- Margins
  - Q1 witnessed a soft start in terms of fashion segment growth.
  - The company continues to prioritise absolute rupee margins over percentage margins.
  - Ad expenses were lower owing to a shift in the festive season and have made marketing more efficient (probably reducing the influencer or cheaper digital options)

Specialty Chemicals

Aarti Industries

Opening remarks

- Q1FY26 was marked by a complex global environment, with geopolitical conflicts (Israel-Iran, India-Pakistan) and logistical disruptions affecting operations and exports.
- A sharp 15–20% correction in raw materials (benzene and aniline) led to an inventory valuation loss of INR300mn while export shipment delays hurt EBITDA by another INR200mn.
- The imposition of additional 25% US tariff has further created additional uncertainty for customers.
- Domestic operations were hurt by operations being disrupted due to blackout periods during India Pakistan conflict. Moreover, temporary shutdowns and congestion at kandla port significantly impacted export volumes.

Energy segment

MMA

- **Volumes**- MMA volumes were affected in Q1FY26 due to deferred shipments and they have already shipped around 20–22,000 tonnes in July.
- **Pricing**- Demand for MMA remains strong, but pricing was under pressure due to increased competition and decreasing raw material prices.
- Management mentioned Gasoline-Naphtha cracks are recovering, but increased competition to cause margin pressures.
- **Capacity enhancement**- Capacity was expanded from 200KTPA to 260KTPA in Q1FY26.
- The company has further headroom to expand capacity with limited incremental capex.
- **US exposure**- Over the last six–nine months, Aarti scaled up its presence in the US, but the recent 25% tariff now threatens volumes and margins.
- Aarti is proactively pursuing geographic diversification, with a focus on Europe and other markets.
- The company aims to maximise capacity utilisation and maintain its market leadership position.

Non-energy segment

Agrochemicals

- Volume recovery is visible, however, pricing remains under pressure, and full recovery is expected to be gradual due to oversupply.
- SSP demand saw some strength due to fertiliser supply disruptions from China.
- Capacity utilisation is improving for both chloro anilines and fluorination while ethylation ramp ups amid margin pressure; new product launches are planned post zone-4 MPP commissioning in FY26.
- Aarti Industries has a indirect US exposure as it supplies Agri intermediates to Indian companies.

DCB

- Volumes declined due to lower demand from US-based auto customers undergoing inventory corrections.
- DCB has significant US exposure, and current tariff changes may challenge margin retention due to competition with European players receiving preferential treatment.
- Management expects volume normalisation in H2FY26 as customers' demand revives however the latest additional tariff of 25% creates uncertainty.
- PDCB is used in PPS, which is used in the auto industry, where a couple of customers are de-stocking. The company expects to recoup volumes in 2HFY26.

Polymer additives

- Mixed trends across sub-segments; growth seen in specific applications driven by customer demand.
- Margin improvement aided by cost optimisation and operating leverage.

Capex update

- Q1FY26 capex stood at INR2.8bn; FY26 capex is guided to remain below INR10bn.
- Zone 4 and MPP projects are progressing well:
- Phase 1 (Calcium Chloride and MPP) to be commissioned by Dec 2025.
- Remaining 5 blocks to be commissioned between Jan–May 2026.
- Full potential of Zone 4 projects will be realised over the next 1.5 years.
- MPP + Zone 4 can manufacture 35–40 products, of which 4–5 will be prioritised based on demand. These are expected to be margin accretive (targeting >20% EBITDA margins).
- Aarti Industries will manufacture products other than Chloro Toluenes in Zone 4 and thus planned a MPP instead of a dedicated Chloro Toluene plant.

Other key highlights

- Export revenue for the quarter was INR9.5bn. Domestic and export performance were both impacted by falling RM prices and some operational disruptions.
- Tax rate is expected to be slightly below mid-single digits.
- Working capital rose temporarily due to shipment delays and deferred receivables.
- Forex gain of INR160mn was reported, reclassified separately from revenue as per new disclosure norms.
- Debt levels have risen (net debt INR3.5bn), but management expects reduction of INR2-3bn in FY26. Finance costs have come down due to softer rates.
- Cost optimisation initiatives underway (INR1.5–2bn in savings); renewable energy transition includes solar (by Dec 2025) and hybrid (by May 2026).
- Aarti Industries has a 15–20% exposure to the US and China.

JV Updates

- Augene Chemicals (with UPL): Execution on track; commissioning by H1CY26.
- RE Arti (RESL JV): Achieved key milestone in technology selection; commercial ops expected by early FY27.

Gujarat Fluorochemicals

Opening remarks

- The Q1FY26 performance was led by sustained growth in the fluoropolymers segment, improved product mix and working capital efficiency (reduced to 172 days from 188).
- The recently passed USD45/kWh US subsidy bill extends incentives beyond EVs to include energy storage systems (ESS) and after 2030 requires up to 85% of battery inputs to be sourced outside of prohibited foreign entities (PFE).

Fluoropolymers

- Revenue growth was volume-led and supported by a favourable product mix. It expects this momentum to continue.
- During the quarter, GFL has secured approvals and commercial orders for high-purity fluoropolymers for semiconductors, aerospace and auto sectors.
- The exit of a legacy player from the fluoropolymer space has opened up new market opportunities with visible traction already being seen and more benefits likely as customers complete qualifications in coming quarters.
- The recent 25% US tariff (up from 10%) applies only to a few fluoropolymer products (except PTFE and micro powders) and is not likely to materially impact GFL as:

13. These are specialised products with few global suppliers.
14. PTFE and micro powders are exempt.
15. Customer stickiness is there.

- Earlier increase of 10% has already been passed on to customers and incremental price negotiation is initiated with customers.
- GFL is not considering a US manufacturing or JV setup due to its cost-competitive integrated Indian facility.
- **Capex**- Capacity utilisation is ramping up and likely to reach optimal levels by FY26-end, INR4bn planned across all fluoropolymers, and further investments will be made based on demand.
- ***Guidance***- Confident of achieving 25% YoY growth in FY26.

Fluorochemicals (refrigerants & specialty)

- Fluorochemical revenue declined due to lower exports of R410A/R125 to the US.
- Commercial production of R32 commenced ahead of schedule through retrofitting with minimal capex, without affecting any ongoing revenue-generating capex projects.
- R-32 adds to GFL's now-complete refrigerant portfolio (R-22, R-32, R-125, R-410A).
- Pricing for R32 is expected to stay firm, supported by constrained global supply.
- R32 products are being marketed globally alongside R125 and R410A, leveraging cross-selling synergies.

- **Storage**- GFL is fully equipped to manage R-32 storage using ISO tanks and cylinders, with no foreseeable challenges
- **Capacity addition—**The company is targeting a 20,000MT capacity for R-32 through phased retrofitting by end-FY26 and expects to reach optimal utilisation in a few quarters after the capex. Further expansion is possible depending on demand.
- R22 prices improved in Q1 and are likely to strengthen further with global production quota cuts.
- Specialty chemical performance was stable; further steady recovery is likely in coming quarters.

GFL-EV

- **US Subsidy**- The recent USD45/kWh US subsidy includes ESS as well, and with supply chain localisation mandates (85% non-PFE sourcing after 2030), GFL is well-positioned as a rare approved global supplier.
- A structural shift is there toward energy storage systems (ESS) driven by:
- Backup power demand for AI/data centres
- Mitigating grid outages due to rising energy loads
- LFP chemistry requires 2x more lithium salts than NMC– driving stronger long-term growth.
- Short-term pickup has been muted due to delays in battery gigafactory commissioning globally, but H2FY26 is likely to post a significant ramp-up with full-scale impact in FY27.
- Electrolyte and lithium salt plants have commenced commercialisation; LFP pilot plant is operational, tailoring grades to specific customer requirements.
- **Capex**- GFL's INR12bn FY26 EV capex is on track; INR13bn was already deployed in FY25.

Bulk chemicals

- Bulk chemical revenue was lower due to soft caustic soda prices and a planned shutdown at the CMS plant.
- Segment expected to normalise Q2FY26 onwards.

Other key highlights

- Renewable energy initiative progressing well: INR1.9bn invested; 50MW operational and yielding benefits.
- Full 450MW capacity to be commissioned by FY27, with expected savings of ~INR1.5bn annually.

Jubilant Ingrevia

Global overview

- The global chemical industry is gradually emerging from an extended phase of inventory destocking. This macro shift is supporting a revival in demand, particularly within the specialty chemicals space.
- Specialty chemicals continue to exhibit steady volume growth, though pricing remains stable.
- In contrast, the commodity chemicals segment continues to face demand headwinds, with prices stabilizing at lower levels.
- The ongoing China +1 strategy remains a strong structural tailwind for Jubilant Ingrevia, translating into a growing opportunity pipeline, especially in its specialty chemicals segment.

Financial performance

- Specialty and nutrition segments contribute 63% of total revenue and 90% of EBITDA.
- US revenue grew 11% YoY while rest of world revenue surged 45% YoY.
- EBITDA increased 29.8% YoY to INR1.53bn, driven by margin improvements in specialty chemicals and nutrition segments.
- Net debt stands at INR7bn with net debt-to-EBITDA ratio stable at 1.18x.

Specialty Chemicals (46% of total revenue)

- Revenue growth was led by higher Fine Chemicals(15% YoY) and CDMO sales.
- They are also witnessing encouraging momentum in their diketene derivatives segment
- The Pyridine and Picoline platforms maintained global leadership, with high capacity utilization (~80%) and strong cost competitiveness. The company continues to command a premium in key geographies like the US and EU for certain applications.
- Debottlenecking initiatives across fine chemicals and diketene derivatives are underway to expand capacity.
- Margin growth led by high margin products, stable prices, cost optimization.
- Pharma: YoY demand growth, steady prices.
- Agrochemical: Modest Volume growth, stable prices, inventories stabilized.
- The upcoming 8th MPP at Gajraula is being conceptualized as a fungible, flexible platform
- **Guidance:** Expect specialty to be at least at 65–70% of overall company level EBITDA in next few quarters.

CDMO

- Traction across Pharma, Agro, and Semiconductor.

- Pharma CDMO segment funnel doubled in size with strong traction from innovative pharmaceutical companies and tier-one CDMOs across EU, US, and Japan.
- Semiconductor CDMO opportunities remain early-stage, with 12 molecules in the pipeline. Samples have been sent, but near-term revenue contribution is expected to be modest due to the high-value, low-volume nature of these products.
- Deliveries have commenced for the first agrochemical CDMO contract, while the second contract's plant construction is progressing well. Several additional discussions are ongoing, with 5–6 more contracts in advanced stages.

Nutrition and Health Solutions (17% of total revenue)

- The nutrition segment saw muted demand for niacinamide (Vitamin B3) due to delayed customer offtake and lower pricing. However, Choline (Vitamin B4) demand remained firm with rising exports.
- 16% QoQ drop in EBITDA to INR250mn driven by lower volumes and prices of Niacinamide.
- Animal nutrition exports to Europe saw healthy traction, with the specialty portfolio registering double-digit growth.
- Food and Cosmetic B3: demand surge both YoY and QoQ, steady QoQ growth for food grade.
- Choline: Volume growth YoY, EU ADD of 125% on China an advantage.
- European market opportunity on account of the ADD is expected to be in tens of thousands of tons with first shipments from company expected within couple of weeks. (Realization in Europe should be higher than India)
- Dedicated human nutrition team established for scaling Choline Chloride and Choline Bitartrate efforts. (Two to three new molecules in pipeline)
- Volumes expected to grow in the segment with US market opportunity opening up for food grade niacin.
- Overall, 20-25% YoY growth expected in this business

Chemical Intermediates (37% of total revenue)

- QoQ uptick due to increase in Acetic Anhydride volumes
- EBITDA up 63% QoQ due to higher Acetic Anhydride volumes and a slight reduction in input costs for Acetic Acid.
- Mostly, prices remained steady QoQ, while Acetic Acid prices were down during the quarter.
- Through ongoing cost optimization measures and easing freight rates, margin expansion expected in few quarters.

Project updates and opportunities

- Plant modification is complete for the first key agro CDMO order, deliveries started in Q1FY26.
- The Big agro contract plant construction is on track for USD300mn project with supplies expected to start early 2026.

- New boiler commissioning at Bharuch facility scheduled for Q2FY26 with 99% completion achieved.
- Detailed engineering work commenced for new MPP at Gajraula site with construction expected in next few months.
- Over 70 high-priority opportunities being actively pursued in sales funnel across pharma, agrochemical, semiconductor, cosmetic, and nutrition segments. (big opportunity across EU, US and Japan)
- Existing MPP in Bharuch and Gajraula undergoing debottlenecking, will unlock 15-20% additional capacity.
- Niacinamide plant commissioned in March. Undergoing changes to convert it into a MPP for the human nutrition segment.
- New anti-malarial product export: next couple of years the full potential expected to be at least 4 to 5x of current level.

Capex

- Capex of INR540mn incurred during quarter, primarily for upcoming CDMO agro plant at Bharuch.
- Planned CAPEX investment of INR6bn for FY26.
- FY26 capex is flow over of INR20bn capex announced earlier.
- Peak revenue potential of INR65bn expected by FY27 with 70-80% capacity utilization from INR20bn investment.
- Out of INR20bn, 70% will go towards specialty. Most is for MPP for CDMO and fine chemical business, to be used interchangeably. Expect Asset turnover level of 1.2x to 1.5x depending on product.

PCBL

Opening remarks

- **Global scenario**: Global challenges including geopolitical tensions (Iran-Israel, the Red Sea disruption), macroeconomic slowdown and evolving tariff structures (particularly from the US) continued to weigh on sentiment.
- **Dumping situation**: While dumping into India has moderated, it remains elevated. Russian imports (~2,000 MT/month) continue, largely via traders—not tyre OEMs.
- **Tyre industry shift**: Structural shift in global tyre manufacturing towards India due to cost efficiency and supply chain benefits. India is poised to gain share due to higher tariffs on other countries and closures in EU/US (e.g. Orion's planned shutdown).
- **Export opportunity**: PCBL is focusing more on exports (41% mix) with a stronger push into Europe, US and Southeast Asia.

Carbon black

Acetylene Black

- Technology transfer completed; engineering work underway.
- Applications include high-voltage cables, semiconductors, paints/coatings.
- India currently imports 100% of its acetylene black; PCBL will be first domestic manufacturer.
- Initial capacity: 4,000–5,000 MT with scope for modular reactor-based expansion.

Orion capacity closure

- Orion (global carbon black major) plans to shut down some capacity across US and Europe by end-CY25E.
- Closures largely in rubber blacks, with a shift towards specialty grades.
- Management expects to benefit as global capacity tightens, particularly in the US/EU, where cost competitiveness is deteriorating.

Outlook: Pricing and margin

- Specialty blacks' realisations are 25–30% higher than rubber black, while performance blacks command ~ 17% premium.
- Carbon black margins faced pressure from spot market oversupply (~30% volumes); contract business (~70%) remains stable.
- Long-term EBITDA/kg goal remains INR20–22/kg aided by operating leverage and specialty shift.
- China-India feedstock price gap narrowed to USD130/ton.
- **Pricing renegotiation:** Tariff uncertainties in the US are key headwinds; pricing discussions with global tyre majors to begin in August.

Capex update

Tamil Nadu (Brownfield)

- Phase 1 (30,000 MTPA): Trial runs started; commissioning in next few weeks.
- Phase 2 (60,000 MTPA + 12 MW green power): Commissioning by end-FY26E.

Specialty Black

- New 20,000MTPA line at Mundra to be ready in three–four quarters; will take total capacity to 132,000MTPA.
- 1,000MTPA superconductive grade plant at Palej to be commissioned by end-FY26E.

Greenfield capex

- Acquiring 116 acres in Naidupeta, Andhra Pradesh, for rubber and performance blacks.
- Capex to kick off post-environmental clearance in FY26.

Aquapharm

Margin pressure

- Q1 impacted by higher freight costs (~INR60mn) due to the Red Sea disruptions.
- Product mix shift and pricing pressure also weighed on profitability.
- Despite higher volumes, EBITDA did not scale up due to operating leverage still not playing out.

Capacity update and outlook

- 11,500MTPA polymer line at Mahad commissioned in Q1; balance to come up in two–three months.
- Additional capacity for PBTC, green chelates, acetyl chloride, amines, imidazoline to be commissioned in Q2FY26.
- Targeting INR3bn EBITDA in FY26; management remains confident of achieving it via improved capacity utilisation.
- **Outlook**: Management mentioned that Integration across Detergent, Oil & Gas, and Water Treatment segments to unlock cross-selling and utilisation.
- Targeting 17–18% RoIC over the next three–four years.

Other key highlights

Nano Materials (Nanovace)

- US patent received for a proprietary process to develop nanomaterials for energy storage.
- Pilot plant to be commissioned by the end of CY25E, followed by sampling.
- Real contribution to earnings expected from FY28E.
- Q1FY26 capex stood at INR1.12bn, of which Aquapharm capex was INR150–160mn.
- Management has guided for an FY26 capex of INR6bn.
- Debt: Management indicated there is some debt reduction in debt in Q1FY26.

SRF

Chemicals business

A. Specialty chemicals

- **Strong revenue and margin performance**: Growth led by healthy demand for newly launched products.
- **New product launches**: New pharma intermediate launched; new agrochemical intermediates and AIs under development.
- **Agrochemical demand**: Volume recovery visible post FY25 inventory rationalisation. Some pricing pressure persists, but demand remains favourable.
- **DFPA** - Strategic Pricing Decisions in some segments, SRF is prioritizing market share retention even at the cost of margins.
- **Export mix**: 60% export, 40% domestic for specialty chemicals, which has changed significantly over last 4-5 years.
- **FY26 outlook**: Continued momentum with one AI registration expected; 4–5 in pipeline. FY26 expected to be better than FY25.

B. Refrigerants (HFCs)

- **HFC-32**: Operating at full capacity; exports performed better due to weak RAC production in India.
- **Export share**: 60% domestic, 40% export for HFC-32.
- **R-467A**: Commercial sales initiated. It is a low GWP, non-toxic retrofit for R-22. Long-term potential over 5–10 years.
- **R-134A**: SRF is the sole domestic producer, expected to see demand from FY26. SRF holds 60-70% market share with balance being met by imports. HFC-134A benefit from MHCV norms can kick in CY26.
- **Pricing trend**: R-32 pricing remains strong due to global demand, expected to stay firm.

C. Chloromethanes

- **Muted trend**: Prices remained range-bound.
- **MDC**: No major change in price dynamics.

D. Aluminium foil & PTFE

- **Best ever quarter for AF**: Benefited from anti-dumping duty; capacity utilization at 50–60%.
- **PTFE outlook**: FY26 expected to be better than FY25.

Packaging films business

BOPP segment

- Higher volumes and better realisation.
- Favourable supply situation due to Jindal Polyfilm Nashik plant closure.

- Supply demand situation has completely turned around post fire incident, now more favourable towards demand.

BOPET

- Overcapacity remains, but no new additions expected – improving balance in future.

1. **Hungary**: Benefitted from lower energy costs.
2. **Thailand**: Pressured by high input costs and Chinese competition.
3. **Capex of INR4.9bn for BOPP**: Indore facility under development with 24-month timeline.

Technical textile

Nylon tyre cord fabric (NTCF): Weak demand; utilisation lower YoY.

Belting fabric

- New line commissioned.
- Still facing aggressive price competition from Chinese imports.
- **Polyester fabric**: Better pricing helped offset challenges.
- **Overall commentary**: Weak demand trend continued; pricing pressure evident.

Coated and laminated fabrics (Miscellaneous)

- **Laminated fabrics**: Margins under pressure due to overcapacity.
- **Coated fabrics**: Subdued performance; industry facing slack demand.
- **Maintained operations**: Despite weak demand, kept operations stable.

Guidance, capex and financial commentary

- **FY26 capex**: INR24-25bn.
- **Capex philosophy**: Shifted from cautious to expansionary due to improving visibility in core markets.
- **Utilisation targets**
    1. HFC-32 at full capacity now and expected through FY26.
    2. Exit FY26 PTFE utilization: 75–80%.
- **Interest costs:** Witnessed softening due to macro easing in domestic and global interest rates.

Telecom

Bharti Airtel

- Revenue growth was impacted by a decline in the B2B segment, in line with management guidance to peel off low-margin contracts.
- Strategy of portfolio premiumisation and sharp execution is driving an overall uptick in growth across segments.
- Post-paid net-adds remained steady at 0.7mn, accounting for 57% of total net additions. Post-paid subscriber base stood at 7% of overall customer base.
- Overall 5G customer base came in at 152mn in Q1FY26 (135mn in Q4FY25). 5G devices now represent 86% of total smartphone shipments.
- 5G sites cater to ~36% of the total network traffic, enabling some traffic offload from the existing 4G sites.
- In the broadband business, reported highest-ever quarterly net-adds of ~939k. Seeing strong momentum in FWA net-adds of ~0.5mn.
- Want to take the quarterly net-adds to 2.5mn of home connects from ~1.6mn current quarterly run-rate.
- ~8.3k fkm deployed during the quarter, taking overall fibre deployment to ~130k fkm in last three years. The focus remains on expanding home connects.
- Digital TV business witnessed subscriber loss of ~0.2mn; this decline was due to structural changes initiated to eliminate subsidies on the set-top box.
- Africa accounts for 24% of revenue, India mobile at 55%, India non-mobile at 13% and Indus Tower at 8% of overall revenue.
- Won multiple deals in IoT and security business. Continue to strengthen digital portfolio across cloud, cybersecurity, financial services, IoT and CPaaS.
- Seeing large opportunities in home connects. The focus remains on deepening network and increasing market footprint.
- The focus is on driving ARPU improvement by sustained post-paid upgrades, smartphone upgrades, and penetration of international roaming.
- Have made substantial investments in OPGW capacities connecting all metros and major cities. The company's infrastructure comprises low-latency fiber, submarine cables, OPGW fiber, and advanced data centres.
- Continue to deleverage balance sheet. During the quarter, redeemed senior notes worth USD1bn.
- Working towards leveraging AI capabilities by placing it at the centre of all the digital-portfolio services. More details to be shared over coming quarters.
- Management is comfortable to repay the AGR dues as and when it arises. On the balance sheet side, expect deleveraging initiatives to continue.
- No new radio capex cycle expected in the near future and, hence, overall capex should trend downwards. Management is also looking into stepping up dividends.

Route Mobile

- Revenue growth was hurt as one large Digital Native enterprise customer structurally shifted to sourcing directly from MNOs in one country.
- QoQ performance was further impacted as certain low-margin customer contracts were terminated.
- Revenue growth was also impacted due to a structural shift in SMS market volume, partially offset by continued growth in routing synergies and non-SMS products.
- Witnessing revenue synergy in Asian market. Have some deals in the pipeline that are expected to close by next quarter.
- Processed 39.3bn billable transactions and average realisation was 27 paisa. Realisation declined due to higher NLD transactions.
- India continues to be the largest market by termination and contributes 46% to total overall revenue.
- WhatsApp has revised their pricing for the market, which also results in Route revising the selling price to remain competitive. Witnessed volumes growth, but there was pricing erosion of 12–13%.
- EBITDA margin increased 90bp QoQ to 11.3% and 11% on adjusted basis.
- Improvement in gross margin and EBITDA margin was due to a change in customer mix and on-boarding of new higher-margin customers.
- Have won a large firewall deal with joint efforts from BICS and 365squared.
- There was a large firewall deal in Latin America, and probably there are many more discussions that the company is having with multiple operators towards RTS and map servers. These deals are going to be finalised in coming quarters.
- Witnessed green shoots in software opportunities, wherein Proximus Global Group company has started creating sales pipelines for its mobile Omnichannel communication solution.
- Key focus area remains: i) revenue synergy; ii) cost synergy; and iii) addition of new logos.
- Management's primary focus will be revenue diversification through expansion of global footprint for non-SMS product portfolio such as WhatsApp, RCS and voice solutions along with AI-driven firewall solutions.

Sterlite Technologies

Optical business

- It seems a price correction is largely behind and in short-term expecting price stability. Realisations would improve as revenue mix from America increases.
- Margin improvement was on the back of an improvement in utilization rates and change in geography mix.
- Order intake grew 3x YoY as inventory digestion in America geography is largely over. Few quantity of volumes still stay with the distributors.
- Strong order inflow is providing visibility to management in terms of revenue growth and margin improvement.
- Tariff uncertainties between the US and China are providing new opportunities for Indian fibre companies to capture growth.
- Data centre portfolio is acting as a hedge offsetting uncertainties from cyclical telcos demand and capex spends.
- Impact of tariff hikes are partially passed on to the customer as the absorption rate US customers remain healthy.
- Tariff rates may be in range of 10–20% as seen in public domains, but these are expectations and would wait for official commentary from regulations.
- In North America, witnessed strong order inflows from top tier telecom operators and other customers.
- Signed a three-year long-term supply agreement (LTSA) of IBR cables with a leading European telecom operator

Digital business

- Added four new logos during Q1FY26 taking the total customer count to 30.
- Have signed multimillion and multiyear contracts with couple of leading private healthcare services providers in the Middle East.
- Have set foot in life science vertical and building up few use cases.

Other commentary

- Finance cost decreased due to reduction in debt. Expects further decrease in finance rate as pass through impact of lower finance cost comes with a lag.
- As the execution of BharatNet orders starts kicking in a couple of quarters, would be able to give more information on demand trajectory.
- Net Debt / EBITDA ratio stood at 2.3x and management aims to bring this down to 2x.
- Q1 employee cost was high due to investment behind team building in US geography. Employee cost to remain in range of 10-12% for FY26E.
- Expect demerged entity equity shares to list by end of August 2025.

Tata Communications

- Normalising for forex impact, revenue grew -1% QoQ and +4.3% YoY.
- Revenue impacted by one of the deals' exit and issues in the SAARC region.
- Order book grew at a healthy double digit with robust growth across India and International regions.
- Digital revenue growth was broad-based and all segments reported healthy YoY growth. Interaction fabric witnessed growth in the enterprise segment.
- Non-SMS traffic in voice and other channels continues to grow.
- Media segment grew 11% QoQ and recorded highest-ever ACV. Signed a multi-year deal with a prominent broadcaster in India for the playout services.
- Core connectivity continues to grow and outgrow the market growth.
- EBITDA margin improved as digital loss narrowed and subsidiaries are doing better.
- TCTS revenue decline was due to the impact of settlement in case of an onerous contract exit.
- The structural actions taken together with the exit of the onerous contract is reflected in the core EBITDA margin improving to 23.9%.
- Issues such as non-payments and difficulties in collection is happening in the SAARC region.
- Most of the SAARC region contracts are on net-contracts and margins are almost 100%, and due to a loss in this revenue, there was also impact on net revenue and margins.
- There were 5/10 key accounts where credit period was extended (INR2,100mn) and the billings were still in the not-due bucket; this along with seasonality led to increased working capital consumption.
- In CPaaS, the aim is to grow profitably. Have also cut down some revenue bearing low margins. Margin improvement in CPaaS would be scale and change in mix of portfolio from SMS to non-SMS channels such as Whatsapp and RCS.
- Cloud segment growth was driven by execution of a large security deal. Cloud segment has clients across BFSI, manufacturing, logistics and retail space.
- Calibrated efforts taken in the digital business, which grew 17% YoY. This segment has potential to grow 20–25%. Deliberately did not renew few contracts wherein margins would be dilutive.
- Next quarters' dividend payment of INR7,000mn is due; thereafter from Q3FY26E, improvement in net debt shall be visible.

Vodafone Idea

- 5G services are available in 22 cities across 13 circles. On track to launch 5G in all 17 priority circles by Sep-25.
- Capex for the quarter was INR24.4bn; added ~4,800 new unique towers thereby densifying the network to deliver superior connectivity.
- Increased 4G population coverage by 7% to 84% in Q1FY26 from 77% in Q4FY25.
- Subscriber decline was 90% lower compared with Q2FY25 as well as Q3FY25 and the company remains confident this number will keep on improving with increased investments.
- Data traffic has grown 10.4% YoY at overall level and 11.2% as per 4G subscriber level.
- International roaming packs are now available in 144 countries worldwide, up from 129 countries in the previous quarter.
- The churn rate is likely to reduce with a pickup in population coverage, 5G rollout and execution strategy.
- Capex guidance of INR50–60bn was for H1FY26 and on track to reach that number. Management guidance of INR500–550bn would need additional funding.
- Since the launch of 5G in Mar-25, the company has reported an increase in device market share. Total 50–60% of the population has adopted 5G services in areas where 5G has been launched.
- In the absence of funding, Q3 and Q4 capex would be slower and funded through cash from operations until new funding is available.
- Post-paid subscriber increased 1.1mn QoQ; a large part comes from M2M, but positive net adds are there on the consumer side as well.
- Abhijit Kishore has been the COO since Nov-21. Prior to this, he was the Chief Enterprise Business Officer, strengthening the B2B segment.
- Due to conversion of spectrum dues by GoI into equity, the finance cost reduced during the quarter.
- Subscriber's loss due to switching to BSNL network is now behind and that can be easily seen through port in and port out data.

Textiles

Arvind

Q1FY26

- Comprehensive cost optimisation programme has shown positive effects.
- Vendor arrangements are re-negotiated to include flexibility and dynamism.
- Garmenting has delivered 9.8mn pieces; the highest quarterly output in last three years.
- Tariff saga continued for longer period than expected.
- Industrial fabrics continues to beat the expected levels.
- Temporary increase in working capital due to early payment for availing discount; this should come back to normal in a quarter or two.
- Denim has the best margins. Denims and Knits are growing faster in portfolio
- No concern of non-moving inventory in the system; higher inventory in the system is because of higher cotton stock-up, which should normalise by the end of Q2FY26 or the beginning of Q3FY26.
- 35% of total revenue from US.

AMD

- AMD's mass transport business secured a large order worth INR2bn to be executed in next few years for the Vande Bharat Programme of Indian Railways, which further builds on the product profile of the division.
- AMD is also expected to achieve volume growth in mid-teens in FY26.
- Margins were impacted due to tariff uncertainty, INR150mn direct tariff related cost and some additional indirect losses due to same issues (mainly due to air freight).
- Removing the defence mix, AMD has achieved close to 20% top-line growth.
- Most of defence business is India-based; there has been some change in way of managing inventory from consumer side, which led to a slowdown in business.
- 5–6% efficiency improvement to be done in factories for AMD.
- 20% capacity expansion by FY26 and another 20% by FY27.
- The company prioritises growth over margin in this high-growth phase.

Outlook

- Optimistic about achieving garment volume growth of 14–17% in the full year of FY26.
- Arvind currently does about INR2bn of business in the UK market and with the new trade enablers, it expects this to double over the next few years.
- Order book for Q2 is locked and looks healthy; also the order book for future quarters is robust.
- Capex of INR1bn in Q1 and on track to spend INR4.5–4.7bn in FY26 largely directed towards enhancing capacity and capability across segments.

Q1FY26 conference call highlights

- Margin recovery expected in rest of year backed by volume commitments and operational efficiencies.
- The company expects new defence projects to come up, and is confident of achieving 10% revenue growth.
- Increased interest in sourcing from India, particularly in garments and full packet solutions.
- The company expects India to remain beneficial in the tariff deal with US.
- Margin overhang to continue in Q2FY26.
- The company sees a return to historical levels from Q3FY26.
- Increase in tariff will have to be passed on to consumer.

Welspun Living

Q1FY26

- Margin compression primarily due to operating deleverage amid lower volumes.
- The average exchange realisation for the US dollar during Q1FY26 was INR85.09, compared with INR84.05 in the corresponding quarter last year.
- Net debt was INR14bn, a reduction of INR2bn from the previous quarter and INR1.6bn from the same quarter last year.
- Capex incurred during the quarter was INR830mn.
- The Board approved additional capex of USD13mn (approximately INR1.12bn) for a new pillow and TOB facility in Nevada, USA.
- The company aims for a zero net debt target by FY28E.

Performance by business segment

- Domestic flooring business grew 26% YoY in Q1FY26 driven by the residential and hospitality segments.
- The domestic flooring business is approaching EBITDA breakeven.
- Brand Welspun, in the domestic market, grew 15% YoY in Q1FY26.
- The B2C business performance improved over the past two–three quarters, growing 16% YoY.
- Three new FOFO stores were added, bringing the total EBO count to 48.
- Branded businesses account for 18% of total revenue and grew in single digits this quarter.

Market and trade dynamics

- Reciprocal tariffs between the US and India have created unpredictability in trade flows, impacting retailer sentiment and order patterns.
- The US-India Bilateral Trade Agreement remains under discussion, with hope for a constructive policy resolution.
- The India-UK Free Trade Agreement is expected to boost India's textile exports, eliminating a 12% tariff on Home Textiles.
- The India-EU Interim FTA finalisation is also seen as a positive step.
- US retail sales declined for the second consecutive month in May while inflation accelerated to 2.7% in June, partly due to tariff-induced cost increases.
- India remains a leading supplier of terry towels and bedsheets to the United States, with dominant market shares of 45% and 59%, respectively (as at May 2025).
- The company is actively pursuing geographic diversification with revenue share from markets outside the US increasing to 40%. This 40% includes India.

Operational and strategic initiatives

- Innovation contributed 27% to revenue this quarter.
- High-potential segments such as pillows, utility and fashion bedding are focus areas.
- The Ohio pillow plant's capacity utilisation reached 47%.
- The company expects to nearly double its pillow business this year from USD15mn in the previous year.
- A new pillow plant is being set up in Nevada, USA, to serve West Coast customers, with an annual capacity of 10.8min pillows in two-shift operations.
- The Nevada plant is expected to be operational in Q4 and contribute over USD60mn in additional pillow revenues at full capacity.
- Strategic product diversification, especially in underrepresented segments, is a key focus under the India-UK FTA.
- Cost management and operational agility are priorities to navigate headwinds.
- An 18-megawatt solar plant at Vapi and a 4-megawatt plant at Hyderabad were commissioned this quarter.
- The company is targeting 47MW of round-the-clock green power by year-end.

Outlook

- Q2FY26 is expected to remain challenging with pressure persisting on both top line and bottom line due to continued uncertainty around tariffs and trade policies.
- The company anticipates improvement in Q2 with Q1 owing to seasonal trends.

Miscellaneous

CCL Products

Outlook

- The company reiterated 15–20% EBITDA growth and 10–20% volume growth guidance for FY26E.
- No explicit margin guidance; the company advises tracking absolute EBITDA growth given the cost-plus pricing model and variability in product/client mix.
- For branded business, targets INR4–5bn revenue in FY26E.
- Tax rate is expected to remain stable YoY.
- Green coffee prices have corrected 20–30% from peak levels; benefit to flow with a lag due to contract-linked procurement model.
- Capex to remain brand-focused, with investments directed towards strengthening the B2C portfolio.

Q1FY26 highlights

- In Q1FY26, it reported double-digit volume growth, slightly below EBITDA growth.
- PBT and PAT impacted by higher interest and depreciation, following commissioning of new capacity.
- Market share gains reported across geographies and channels.
- EBITDA/kg stood at INR125–135.

Branded business

- Branded business clocked INR1bn in revenue in Q1FY26.

Percol

- It aims to double the revenue in FY26 versus FY25 (INR150–160mn).

Tariff and regulatory commentary

- Brazil now faces ~50% tariff, triggering procurement shifts to India and Vietnam, which benefit from 25% and 20% tariff rates, respectively.
- India and Vietnam are increasingly preferred origins due to tariff advantages and stable logistics.
- Awaiting formal documentation before further action.

Coffee prices

- The good flow of crop in Brazil this year has led to a softening trend in global coffee prices, particularly in Robusta (~30% correction from peak levels).
- More clarity on Vietnam's crop in next three–four months.
- Expectations are for a healthy crop, which, coupled with Brazil's output, should keep prices stable or slightly soft in the near term.
- Material cost pressure expected to ease over FY26E.

- Arabica is primarily used by developed markets.
- Stable prices will drive clients to lock in longer-term contracts.
- Coffee being the second-most traded commodity globally invites higher speculation and volatility.

Capacity utilisation

- Existing facilities operating at 100% utilisation.
- Newly commissioned capacity running at 10–15%.
- Overall utilisation at 60–70%.

Geographical distribution

- Geographical revenue mix: 35–40% from Europe, ~10% from Americas, balance from Asia and minimal exposure to Australia.

Inventory

- Inventory levels are based on forward contracts (two–three months), minimising mark-to-market exposure.

Debt and working capital

- Net debt at INR16.7bn as on 30th June 2025.
- The company expects to reduce it by INR1.5bn per quarter, targeting INR12bn by Mar-26E.
- Working capital intensity expected to ease as coffee prices stabilise and long-term contracts expand.

Others

- FDC (Freeze-Dried Coffee) margins are 30–40% higher than SDC (Spray-Dried Coffee).
- Instant coffee pricing preserved by adjusting chicory mix and roasting without altering the taste profile.
- Domestic and export demand trends remain firm with strong inquiry flow across regions.
- Revenue growth to be led by higher long-term contracts, pricing visibility and new capacity ramp-up.
- Long-term contracts are already in place for the next six months aided by stable prices and Vietnam crop outlook.

DOMS Industries

Opening remarks

- Positive momentum in sales
- Timely capacity expansion, strategic initiatives
- Renewed positive sentiments
- Hobby and crafts, back to school and baby hygiene segment: new additions
- Super tread: Eastern India: Paper stationery
- 44acre-plant positively on track—Delivery of first building in Q3FY26
- Partnership with Fila: promising feedback for products
- Volume growth: marginal increase in ASP – Revenue growth
- Increase in volumes: expansion of capacity and export sales
- EBTIDA margin: 17.6%
- PAT: INR591mn (10.5%)
- Capex: INR700mn: including capital advance—purchase of land, plant and machinery and building at a 44-acre land: FY26:INR2.10–2.25bn

Segment highlights

- Office supplies: pens, highlighters driving growth. Some more capex during FY26 also. Has still not been able to ramp to all the distributors due to:
- pens at INR10 and new SKUs at INR10;
- volume and ASP growth in core stationery segment; and
- construction at the 44-acre land parcel is progressing; commercial production **likely by Q4FY26.**

Guidance

- FY26 revenue growth (including Uniclan): 18–20%
- EBITDA margin: 16.5%–17.5%
- PAT margin: ~10–10.5%
- Capex planned: INR2.1–2.25 bn at 44-acre and adjacent land
- Domestic market: positive demand scenario being built up
- FY27: First billing for the new capacity in Q4FY26. 18-20% growth.

Exports

- Exports to the US: 5.5–5.8% of gross sales
- Core product exported: 6.5% tariff is attracted
- Do not envisage any significant impact on overall sales
- New distribution agreement with FILA to expand international reach (in existing markets for FILA). DOMS manufactures all the products.

Uniclan update

- Top line: 361mn
- EBITDA margins at 7% (sustainable margin is 8–9%)
- Q1 is generally weaker for diapers
- Wet wipes segment is doing well
- Distribution network: robust network

Pen

- Launched ball point pen two years ago
- 3–4% market share
- The company is confident of increasing market share in this segment

Paper stationery

- Acquisition of Super Treads to boost paper stationery capacity by ~30%
- Paper stationery likely to be a key future growth driver
- Products priced appropriately for their quality
- Key: East India

Capacity expansion

- **Paper:** 1,000 tonnes/month; new Pioneer machine to increase this by 15–17%
- **Pencils:**
  - Phase 1 and 2 (wood processing/seasoning) nearly complete;
  - Phases 3 (finishing of pencils) in progress in Q4FY26;
  - No new capacity added in FY25; volume growth driven by efficiency.
  - Capacity being increased to 8mn pcs/day from 5.5mn.
- **Office supplies and paper stationery:** Major focus areas for current growth.

Raw materials

- Popular wood: Kashmir valley region: a lot of initiatives been taken to help the farmers. Other kind of woods: barsha wood: southern India, bath wood: imported from Europe.
- The company keeps sufficient stocks of RM.

Miscellaneous

- Scholastic stationery and art material: flattish growth due to lack of capacity addition. Kits and combos eat into the sales of stationery and art material.
- North India: 35% of sales of Uniclan comes from e-commerce. The company does all the sales in Jaipur (West India).
- Anticipated increase in head count:
  - 1.8–2 mn sq. ft. on the 44 acre: 12–13000 people needed to work
- Employee cost: 14%
- Pens: optimum utilisation levels
- Bag was launched for back to school segment: testing the markets – trying to improve SKUs

Flair Writing Industries

Opening remarks

- Very good for creative—in house manufacturing helping
- Total 60 injection moulding machines-pens and creative segment
- Gross margin 24bp higher due to a favourable mix
- Guidance : 15–16% CAGR over the medium term
- Employee expense: Working towards stabilising it—remains focused on maintaining this cost—rising headcounts and salary hikes
- Expenses associated with in-house manufacturing to offset the jobwork expenses.
- 1.85MW: Solar rooftop capacity at the cost of INR45mn
- Leveraging technology among products
- Pens business: 3% to INR2.02bn—eight new pens, across all the segments
- Export: Own posted good growth—Latin America is one of the major export regions
- Maped: for creative products—Distribution channel
- Capex: Glowmaxe subsidiary—to commence soon
- Creative: Expanded – six fresh offerings
- June 2026, total 223 SKUs in Creative. Focus: new innovative products and set up in-house manufacturing
- Approaching pencils with new strategy: flow maxe
- Steel bottles: Consumer demand alternates between single walled and double walled – education and corporate sector
- Steel bottle: in line to grow with target
- Creative and Pens as a category: Going ahead, Flair would be adding more facilities for the categories
- Pens: 2.4bn
- **Capex breakdown(FY26)**
    - INR0.9bn allocated to plant, machinery, and building
    - Valsad: 200,000 sq. ft. facility
    - 60% for creatives, balance for writing instruments

Guidance

- Revenue growth guidance: 15–16% overall
    - Pens: 10%
    - Creative: 40%
    - Steel bottles: 50%
- EBITDA margins to improve slightly to 17%

Q1FY26 conference call highlights

Pens

- Segment grew 3%; high single-digit growth likely in FY26E
- Domestic OEM segment containing pens: has not done well during the quarter
- 62–38% from mass (10INR) and others

Creative

- 40% growth for the whole year in FY27E
- Building in-house capacity
- Growth of 45–50% sustainable
- Maped: testing waters in marketing and distribution
- Distribution: 68,000 outlets currently
- Target in-house manufacturing for all products: 85% (currently 70%)
- Overall TAM: is larger

Steel bottles

- Major focus towards domestic market
- Actively working on exploring the international markets
- Maintained guidance
- Earlier imported goods still disrupting the market

OEMs

- The company has factored in flattish growth for OEMs
- Export: OEM is major chunk–company should expect similar levels

Miscellaneous

- Employee growth rate: higher due to sales and marketing team.
- Annualised levels of employee expense: should remain at similar levels
- Even though own brands are doing better, but concentration on creatives has offset margins
- Other expenses: has fallen due to absence of job work
- Working capital: Once new launches stabilise, they should stabilise.
- Credit period has been constant during the last two years in creative. New products are getting launched and garnering market share.
- RoE shall improve over the next two–three years aided by operating leverage
- Capacity utilisation: The company is planning new capex at its current 70–75% capacity utilisation. Steel bottles: little room for achieving the targeted numbers.

VIP Industries

Q1FY26

- India's travel industry is booming, which is encouraging
- Competitive intensity is more in lower price point products and e-commerce channels
- New competitors have entered the market and are using aggressive pricing strategies.
- E-commerce sales were drastically affected and decreased by 17%. Channel experienced a decline after nine quarters
- Carlton's 80% revenue comes from the company's stores
- The company was unable to sell Carlton products for one month, which hurt sale in July. The restriction has got lifted as of now, but the legal battle goes on with Carlton Shoes.
- Volume loss of 50% in lower end products
- Total 15–18% of current inventory is old
- Inventory provision of INR150mn led to lower gross margin, ex of that gross margin was 48%
- Adjusted EBITDA margins ex of onetime cost and inventory provision would be 10.2%.
- Modern trade share negatively impacted due to a large chain consolidating their stores

Outlook

- Revival of e-commerce sales is likely in Q2FY26
- To tackle the problem of lost luggage the company plans to launch a first-time-in-industry smart bag tag
- Alfa brand will be used as flanking strategy to capture lower end products market
- Within six–seven months th company is hopeful of getting all its pending insurance dues (around INR300mn)
- Only maintenance capex to be undertaken in FY26

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