Arihant's Diwali Picks

DIWALI KE DIYE

LARGE CAP PICKS

STOCK PICKS FOR SAMVAT 2083





Arihant PLUS

#YehDiwaliArihantStockWali

HAPPY SAMVAT 2083

Lighting the Path to Prosperity

This Diwali, as we light up our homes and hearts, we also celebrate the incredible journey of India's growth.

At Arihant Capital, we believe in empowering our clients to participate in this story by investing in fundamentally strong companies that have the potential to create long-term wealth. Our handpicked Diwali Stock Picks are curated by experts after thorough research to help you make informed, rewarding investment decisions and build a brighter financial future. May this festive season bring prosperity, joy, and rewarding opportunities to your investment journey!

Wishing you and your family a prosperous and joyous Diwali!

Arihant's
Diwali Picks
SAMVAT 2083



Diwali ke Diye

12 large cap picks for Samvat 2083

Arihant PLUS

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Life Insurance Corporation of India
Life Insurance
Mkt Cap: **₹4,889,860 Mn** CMP : **₹ 387**
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Astral Ltd
Pipes & Adhesives
Mkt Cap: **₹365,630 Mn** CMP : **₹ 1,361**
Page 5



Mahindra & Mahindra Ltd
Automobiles & Farm Equipment
Mkt Cap: **₹3,544,740 Mn** CMP : **₹ 2,851**
Page 6



Ambuja Cements Ltd
Cement
Mkt Cap: **₹875,030 Mn** CMP : **₹ 352**
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Marico Ltd
FMCG
Mkt Cap: **₹1,006,940 Mn** CMP : **₹774**
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Bank of Baroda
Public Sector Bank
Mkt Cap: **₹1,200,010 Mn** CMP : **₹ 232**
Page 9



Axis Bank Ltd
Private Sector Bank
Mkt Cap: **₹3,786,520 Mn** CMP : **₹ 1,216**
Page 10



L&T Technology Services Ltd
Engineering R&D Services
Mkt Cap: **₹442,000 Mn** CMP : **₹ 4166**
Page 11



Reliance Industries Ltd
Energy, Retail & Digital
Mkt Cap: **₹16,182,200 Mn** CMP : **₹ 1,196**
Page 12



ABB India Ltd
Electrification & Automation
Mkt Cap: **₹1,378,530 Mn** CMP : **₹6,505**
Page 13



CG Power & Industrial Solutions Ltd
Power & Industrial Equipment
Mkt Cap: **₹1,311,420 Mn** CMP : **₹ 832**
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Bharat Electronics Ltd
Defence Electronics
Mkt Cap: **₹2,696,210 Mn** CMP : **₹ 369**
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Market cap is approximate: CMP shown on each stock page × shares outstanding.

Life Insurance Corporation of India

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net premium income	4,881,482	5,359,842	5,848,257	6,316,119	6,821,408
VNB	100,110	141,790	174,951	200,635	225,203
VNB margin (%)	17.6%	21.2%	24.0%	25.0%	25.5%
PAT	481,512	574,186	650,408	728,458	808,588
EPS (in INR)	38.1	45.4	51.4	57.6	63.9

INR in Mn. Source: Arihant Capital Markets

Margin reset is real, and still running:
LIC's net VNB margin expanded 360 bps to 21.2% in FY26, lifting VNB 41.6% to INR 141.8 Bn, as individual non-par APE grew 43.8% to 35.1% of individual APE. Q1FY27 extended the run: margin rose 750 bps YoY to 22.9% and VNB grew 61% even though APE grew only 8%. Management remains ambitious of mid-20s margins over time; we build in 23.5%/24.5%/25.0% for FY27-29E, driving a VNB CAGR of ~17% over FY26-29E.

Unmatched franchise, profits compounding:
LIC remains the market leader with a 60.1% share of first-year premium in Q1FY27, backed by ~1.46 Mn agents and AUM of INR 59.4 Trn. Bancassurance and alternate channels are scaling, with new business premium up 45% to INR 50.8 Bn in FY26. PAT rose 19% to a record INR 574.2 Bn in FY26 and a further 23% YoY to INR 134.9 Bn in Q1FY27, while the solvency ratio improved to 2.42x and the expense ratio fell 51 bps to 11.91%.

Deep value, well below embedded value:
LIC's Indian embedded value stood at INR 7.89 Trn (~INR 624/share after the 1:1 bonus) at FY26-end, yet the market values the franchise at only ~0.6x that. Operating RoEV of ~11.9% in FY26 and a dividend of INR 10/share (INR 20 pre-bonus) pay investors to wait. The key risks are further government stake sales after the recent 6.5% OFS, rate moves that swing VNB margins, and mark-to-market volatility on LIC's large equity portfolio.

Outlook & Valuation:
Q2FY27 results are due on 5 Nov 2026. We estimate net premium/VNB/PAT CAGR of 8.4%/16.7%/12.1% over FY26-29E, with VNB margin expanding from 21.2% to 25.5% on a richer non-par mix and EV per share compounding to INR 827 by FY29E. At the CMP of INR 387, the stock trades at 0.47x FY29E EV and 6.0x FY29E EPS; we recommend BUY with a TP of INR 495 (0.6x FY29E EV), an upside of 27.9%.

Astral Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E
Revenue*	58,324	65,686	78,805	94,189
EBITDA*	9,459	10,619	12,868	15,945
EBITDA margin	16.2%	16.2%	16.3%	16.9%
PAT*	5,189	5,347	7,245	9,355
EPS (in INR)	19.5	19.9	26.9	34.8

*INR in Mn. Source: Arihant Capital Markets

Diversified building materials franchise:
Astral is a leading PVC and CPVC plumbing player that has broadened into adhesives (India and UK), paints, bathware and specialty chemicals. Its product basket now spans water tanks, valves, fire sprinklers, OPVC, PTMT and low-noise products, improving the value mix. The company keeps winning distributors from competitors and expanding into new geographies, and with several businesses at different stages of scale, its growth profile is becoming more diversified.

Plumbing recovery and capacity monetization:
Plumbing volumes held flat in Q1 despite an industry decline of about 10%, and demand rebounded sharply from May, with July volumes up about 40%. MIP should reduce PVC price volatility while channels restock. Kanpur is largely sold out with expansion planned, and Hyderabad (about 50% utilized) offers headroom. PEX-Al-PEX starts contributing from Q3FY27, and the CPVC resin plant is on track for December.

New growth engines scaling up:
Adhesive India targets 15% to 20% growth, with margins normalizing toward 15% to 17% as input costs ease, and UK Adhesives is turning around with an 8% to 10% EBITDA margin target. Paint has reached EBITDA breakeven on 35% to 40% volume growth and targets 20% to 25% growth. DSS delivered a 12.9% EBITDA margin in its first quarter. Management is confident of beating its earlier growth guidance of 20% to 25%.

Outlook & Valuation:
We build in FY26-28E revenue/EBITDA/PAT CAGR of 20%/23%/32%, driven by plumbing share gains, higher utilization and the scaling of adhesives and paints. At the CMP of INR 1,361, the stock trades at about 39x FY28E EPS. We recommend BUY with a target price of INR 1,808 (about 52x FY28E EPS), an upside of about 33%.

Mahindra & Mahindra Ltd

Financial Summary

Particulars	FY26	FY27E	FY28E	FY29E
Revenue*	1,455,758	1,707,842	2,005,186	2,387,541
EBITDA*	224,897	265,806	315,755	382,698
EBITDA margin	15.22%	15.35%	15.54%	15.84%
PAT*	156,389	183,329	219,579	269,007
EPS (in INR)	130.1	152.5	182.7	223.8

*INR in Mn. Source: Arihant Capital Markets

Dominant SUV portfolio & EV Profitability trajectory: M&M retains revenue market share leadership, with SUV volumes up 15% in Q1FY27 despite production challenges. EV penetration reached 12%, ahead of the industry's 9%. This is backed by investments in the INGLO platform, NU_IQ architecture and next-gen premium ICE launches. The EV business is EBITDA positive without PLI subsidies. We expect continued market share gains as SUV and EV segments stay high-growth, aided by new launches.

Robust Capex Roadmap: Capacity is set to rise from ~64,500 units/month to 68,000+ by H1FY27, 92,000 by FY28 and 130,000 (~2x) by FY31, through phased expansions at Chakan and Nagpur.

Tailwind Momentum in Farm Segment: Farm volumes grew 18% with ~45% market share. Growth is driven by mechanisation amid labour shortages and a shift to 40-50 HP tractors. Sentiment improved after the late-July monsoon recovery. We expect a strong H1FY27, but El Niño risks for H2 and FY28E may offset incremental volume growth.

Turnaround of Core Subsidiaries: MMFSL has pivoted to growth with credit discipline. PAT grew 78% YoY, and GS2+GS3 has stayed below 10% for seven quarters. Non-wheels businesses (mortgage, SME) grew 79%. Tech Mahindra's EBIT margin reached 14.4%, with a 15% target by fiscal year-end.

Non Auto segments to Contribute to incremental revenue and profitability share: Real estate has a GDV pipeline of ~INR 500 bn and an FY30 pre-sales target of INR 100 bn across Mumbai, Pune and Bengaluru. Aerospace has a ~USD 1.2 bn order book and is a single-source global supplier of Airbus fuselage components. Logistics posted its highest-ever quarterly profitability under new management. We expect these segments to contribute 4-5+% of consolidated PAT in FY28, up from 2.5% currently (1.17% in Q1FY26).

Outlook & Valuation:

We upkeep our view on M&M given its strong SUV and EV positioning. We expect festive demand to improve, aided by new launches, easing commodity costs and healthy exports. BE-series launches and PLI benefits should drive EV growth. Commodity volatility and El Niño may weigh on the farm business, though rural recovery, mechanisation and labour shortages support medium-term growth. With GST-led affordability and sustained launches, we expect healthy revenue and earnings growth over FY27-29E. We maintain our BUY rating with a revised SOTP-based target price of INR 4,008 per share, an upside of 40.6% from the CMP of INR 2,851.

Ambuja Cements Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E
Revenue*	336,540	399,690	428,510	468,640
EBITDA*	59,710	65,390	71,210	89,500
EBITDA margin	17%	16%	16%	19%
PAT*	12,640	17,380	22,900	42,070
EPS (in INR)	5.1	7.0	9.3	15.0

*INR in Mn. Source: Arihant Capital Markets

Cost leadership drives margin recovery:
Ambuja's cost optimization is structural: a higher rail share for fly ash, source and fuel-mix optimization, a lower clinker factor and a rising share of green power. Management sees a further INR 130-150/tonne of savings from lower lead distance, raw material logistics and energy efficiency.

Value over volume, richer mix:
Volumes of 17.3 MnT (down 8% YoY) reflect a conscious choice to protect profitability over market share, with trade volume down only 2%. Blended cement share rose to 85% from 80% a year ago, taking the clinker factor to 63.7%, while realization held steady at INR 5,491/tonne.

More levers ahead:
Management sees a further INR 130-150/tonne of cost reduction from lower lead distance, raw material logistics, green power and energy efficiency. Completion of ongoing expansion projects and the utilization ramp-up of acquired assets should support volumes, which are estimated to grow 6% in FY27E and 8% in FY28E.

Outlook & Valuation:
EBITDA/tonne is estimated to rise from about INR 900 in FY27E to INR 1,050 in FY28E, lifting FY28E EBITDA about 26% to INR 89,500 Mn at a 19% margin, with the company in a net cash position. The stock is down about 38% over the past year. At the CMP of INR 352, it trades at about 9.4x FY28E EV/EBITDA. We recommend BUY with a target price of INR 525, an upside of 49.1%.

Marico Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E
Revenue*	108,310	136,110	156,000	175,000
EBITDA*	21,390	23,340	28,800	34,500
EBITDA margin	19.7%	17.1%	18.5%	19.7%
PAT*	16,290	17,620	22,600	26,800
EPS (in INR)	12.6	13.6	17.4	20.7

*INR in Mn. Source: Arihant Capital Markets

Volume-led Q2, ahead of guidance:
Marico's Q2FY27 update showed double-digit underlying India volume growth, with Parachute Coconut Oil up in the early teens and Value Added Hair Oils up in the twenties for a sixth straight quarter. International grew in the teens in constant currency. Revenue is guided up in double digits and operating profit in the mid-twenties. Q1FY27 revenue was INR 39,570 Mn (up 23%) and EBITDA INR 8,190 Mn (up 25%).

Premium mix and brand investments:
Foods grew 43% in Q1 to an annualized run-rate above INR 13,000 Mn, and premium personal care crossed INR 4,500 Mn. Together they are about 24% of India revenue, close to the 25% FY27 goal. Advertising spend rose 25% in Q1 to 8.2% of revenue and stepped up significantly in Q2, yet EBITDA margin still expanded 40 bps to 20.7%.

Copra tailwind supports margins:
Copra prices are about 35% below peak, and management expects strong gross margin expansion in Q2 (Q1: 46.6%) from copra and mix. Edible oil, liquid paraffin and crude-linked inputs are rising, but Saffola variants are being rationalized to protect profitability. FY27 guidance: revenue above INR 150,000 Mn, high-teen EBITDA growth and 140-150 bps of margin expansion.

Outlook & Valuation:
Marico is on track to beat its near-term guidance. We build in FY26-28E revenue/EBITDA/PAT CAGR of 13%/22%/23%, led by volumes, premiumization and operating leverage. At the CMP of INR 774, the stock trades at about 37x FY28E EPS. We recommend BUY with a target price of INR 950 (46x FY28E EPS), an upside of about 23%.

Bank of Baroda

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E	FY29E
NII	465,180	476,820	516,477	585,390	663,314
Operating profit	324,350	322,590	331,052	364,941	413,520
PAT	195,810	200,210	168,409	188,557	217,433
PAT growth (YoY)	10.1%	2.2%	-15.9%	12.0%	15.3%
ABV (in INR)	232.7	265.4	293.9	320.8	351.9

INR in Mn. Source: Arihant Capital Markets

Credit Growth Is Well Above Guidance

In the Q2 FY27 business update, global advances grew 18.27% YoY to INR 15,120 Bn and global deposits grew 16.75% to INR 17,510 Bn. Global business reached INR 32,640 Bn, up 17.45%. Domestic retail advances rose 18.67% to INR 3,240 Bn, while domestic advances overall grew 13.51%, so the overseas book is growing faster. In Q1, retail loans grew 18.4%, agriculture 18.7% and MSME 20.3%. Management guides for 12-14% credit growth in FY27. Brokerage notes say the bank plans to raise about INR 85,000 Mn of capital to support this growth.

Margin Is the Main Watch Point

Global NIM was 2.77% in Q1FY27, down 12 bps QoQ, and domestic NIM was 2.93%. Management kept its FY27 NIM guidance of 2.75-2.95%. Fast asset growth and the overseas book, which earns a much lower margin, pull the global NIM down. Cost of deposits fell 12 bps QoQ to 4.66%. NII grew 9.5% YoY to INR 125,240 Mn, while non-interest income fell 25.8% to INR 34,700 Mn.

Outlook & Valuation:

Bank of Baroda enters H2 FY27 with credit growth of about 18%, above its 12-14% guidance, and the NMC settlement is now behind it. Management guides for RoA above 1% in each of Q2 to Q4FY27 and ROE of 15-16%, but full-year RoA may stay below 1% because of the Q1 charge. We expect earnings to recover from FY28E, with PAT rising 12% to INR 188,557 Mn and ABV reaching INR 320.8. Margin pressure (NIM guided at 2.75-2.95%), the move to expected credit loss norms (a one-time CRAR impact of about 110 bps) and the Shetty lawsuit are the key risks. The FY26 dividend of INR 8.50 per share gives a yield of about 3.7%. **At the CMP of INR 232, the stock trades at 0.66x FY29E ABV. We value Bank of Baroda at 0.84x FY29E ABV of INR 351.9, deriving a target price of INR 297, an upside of about 28.0%. We recommend BUY.**

Axis Bank Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E	FY29E
NII	543,470	560,480	643,360	755,220	888,310
Operating profit	421,050	428,170	479,720	581,440	699,870
PAT	263,730	244,570	297,320	365,770	444,000
PAT growth (YoY)	6.1%	-7.3%	21.6%	23.0%	21.4%
ABV (in INR)	565	642	738	855	998

INR in Mn. Source: Arihant Capital Markets

Loan Growth Is Strong, but Funding Needs Attention

Advances grew 23% YoY and 9% QoQ to INR 13,740 Bn in Q2 FY27. Deposits rose 20.7% YoY to INR 14,520 Bn. Excluding the FCNR(B) deposits raised in the quarter, loan growth was 5.3% QoQ. Large and mid corporate loans grew 34% YoY, SME loans 25% and retail loans 16%. Management wants to take the retail share back above 55% and keeps its target of loan growth 300 bps above the industry. The CASA ratio fell to 36.5% from 39.8% a year ago, and the credit-deposit ratio rose to 94.6%, which may limit growth in the coming quarters.

Margin Should Recover From Q3FY27

NIM was 3.36%, down 10 bps QoQ and 37 bps YoY. About 11 bps of this was a temporary drag from FCNR(B) deposits of about INR 1,000 Bn, which sit in low-yielding securities until they are lent out. Excluding this drag, NIM was 3.47%, up 1 bp QoQ. Management expects the decline to reverse in Q3 and Q4 as the funds are deployed, high-cost deposits are repaid and repo-linked loans (about 60% of the book) reprice. The through-the-cycle NIM guidance of 3.8% was kept, with no timeline.

Outlook & Valuation:

Axis Bank's outlook remains constructive, supported by healthy loan growth, improving asset quality and better operating efficiency. Management expects loan growth to remain around 300 bps above industry growth over the medium term, while NIMs are expected to move towards the through-the-cycle guidance of 3.8% as FCNR(B) funds are deployed, high-cost deposits are replaced and the funding mix improves. Credit costs remain under control, supported by stable asset quality and adequate provision buffers. Going forward, deposit cost trends, margin recovery and sustained retail loan growth will be key monitorables. **At the CMP of INR 1,216, the stock trades at 1.2x FY29E ABV; we recommend BUY with a TP of INR 1,497 (1.5x FY29E ABV), an upside of 23.1%.**

L&T Technology Services Ltd

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Financial Summary

Particulars	FY25	FY26	FY27E	FY28E
Revenue*	96,420	109,959	122,928	135,611
EBITDA*	17,900	19,350	23,295	25,834
EBITDA margin	18.5%	17.6%	19.0%	19.1%
PAT*	12,640	12,300	15,238	17,399
EPS (in INR)	119.64	120.7	143.5	163.9

*INR in Mn. Source: Arihant Capital Markets

Strong Deal Pipeline Enhances Revenue Visibility
LTTS reported USD 203 Mn in deal wins, with over 50% AI-led, alongside pipeline growth of over 25% YoY and a rising backlog. Management expects H2 to outperform H1 on both QoQ and YoY growth, supported by deal ramp-ups across Sustainability, Mobility and AI infrastructure. Medium-term aspirations remain at 13–15% revenue CAGR and 16–17% EBIT margin, without formal guidance.

AI-Led Offerings Expand Growth and Margin Potential
EI-led revenue reached an annualised $120 Mn (~$30 Mn quarterly; 9.5% of revenue), with upside as over 50% of Q2 TCV was AI-led and largely yet to ramp. Premium pricing supports margins, while data-centre engineering, AI infrastructure and physical-AI solutions broaden LTTS's addressable market beyond core ER&D. Scale is supported by 100+ EIOne solutions, 16,000 AI-skilled engineers and partnerships with NVIDIA, Anthropic, Databricks and Cognite. However, re-rating hinges on revenue conversion, with standalone AI profitability still undisclosed.

Sustainability Drives Growth and Margin Resilience
Sustainability revenue grew 13.4% YoY, contributing ~38% of revenue, with segment EBIT margin at 29.5%, supported by large-deal execution and demand across energy transition and industrial automation. Strong cash conversion (108% of net income) and DSO of 78 days reinforce earnings quality, while sustaining mid-16% EBIT margins amid Q3 wage hikes and investments remains a key monitorable.

Outlook & Valuation:
LTTS remains well-positioned for H2 FY27 recovery, supported by healthy deal momentum, AI-led growth and sustained traction in Sustainability and Mobility. Management expects H2 to outperform H1, with EBIT margins sustaining at mid-16% despite wage pressures. Medium-term aspirations remain at 13–15% revenue CAGR and 16–17% EBIT margins, supported by a strong deal pipeline and improving revenue visibility, while Tech softness and FX volatility remain key risks. We value LTTS at 24x FY29E EPS, deriving a target price of INR 4,700, an upside of 12.8%. We maintain our BUY rating.

Arihant's Diwali Picks
SAMVAT 2083

Reliance Industries Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E
Revenue*	9,647,000	10,572,000	12,054,400	12,571,600
EBITDA*	1,654,000	1,789,000	1,979,600	2,171,500
EBITDA margin	17%	17%	16%	17%
PAT*	696,000	719,000	830,300	875,200
EPS (in INR)	51.5	53.1	61.3	64.7

*INR in Mn. Source: Arihant Capital Markets

Jio listing to unlock group value:
The expected Jio listing prices RIL's ~65% stake at INR 6,700–8,200 Bn, or 41–51% of RIL's INR 16,200 Bn market cap. Institutions backed it strongly: QIBs subscribed 64x, anchors committed INR 81.1 Bn and total demand reached INR 7,400 Bn. Unlocking the telecom business could pave the way for the rest of the group.

Rest of RIL priced at a deep discount:
O2C, Retail, Oil & Gas and New Energy are implied at only about INR 8,000 Bn, while we value Retail alone at US$140 Bn. The stock is near its 52-week low and 26% off its high.

Record earnings; tariff hike is pure upside:
Q1FY27 recurring EBITDA was a record INR 540.7 Bn, up 10%, with Jio's EBITDA up 15% at a 53% margin and O2C at a four-year high of INR 170.1 Bn. Jio's ARPU of INR 215.6 trails Airtel's INR 264 by 22%; a 12–15% hike would drop mostly to EBITDA, while capex falls to 15% of sales and up to INR 275 Bn of IPO money pays down Jio's debt.

New Energy a free option; Retail to turn:
About 1 GW of solar modules is already built, the 40 GWh battery plant is due this year and revenue starts in FY27, yet the current price assigns little value to it. Retail has faced near-term pressure and is expected to turn around sharply from H2 onwards in both margins and growth.

Outlook :
With the Jio listing set to unlock value for the digital business, the rest of RIL trades at a steep discount, and the tariff hike, Retail turnaround and New Energy ramp-up add further upside. At the CMP of INR 1,196, we recommend BUY with a target price of INR 1,425, an upside of 19%.

ABB India Ltd

Financial Summary

Particulars	CY25	CY26E	CY27E	CY28E	CY29E
Revenue	132,027	145,732	173,906	202,049	225,338
EBITDA	20,430	20,181	26,924	32,657	34,835
EBITDA margin (%)	15.5%	13.8%	15.5%	16.2%	15.5%
Adj. PAT	16,683	16,787	22,033	26,461	29,758
EPS (in INR)	78.7	79.2	104.0	124.9	140.4

INR in Mn. Source: Arihant Capital Markets

Record orders, a year of visibility:
Q2CY26 orders rose 50% YoY to INR 43.6 Bn and first-half orders rose 36%. The INR 119.0 Bn order book, up 22% YoY, gives about a year of revenue visibility.

Margins near the bottom, set to recover:
Margin is about 13% now against 18–19% in CY24, after a high base, copper prices and currency weighed. Two price hikes are already done and ~40% of the order book is executed over the next two quarters; every 100 bps of margin adds about 6–7% to profit.

Data centres a lasting growth driver:
Data centres already make up 15–17% of orders, and switchgear capacity is being expanded for the hyperscale data-centre pipeline.

Parent shows the margin headroom:
ABB Group's Electrification business earns 24.9% on the same products against 13% at ABB India, so the gap is the long-run opportunity. The exit from the lower-margin Robotics business should also lift margins.

Clean business, rising shareholder returns:
Robotics was sold for an INR 16.6 Bn gain, an INR 90 per share special dividend was paid, and US$75 Mn is being invested in new capacity.

Outlook & Valuation:
At the CMP of INR 6,550, the stock trades at about 46.7x CY29E EPS; we recommend BUY with a TP of INR 7,720 (55x CY29E EPS), an upside of 17.9%.

CG Power & Industrial Solutions Ltd

Financial Summary

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	99,087	124,180	155,176	188,841	228,026
EBITDA	13,047	16,253	23,452	29,993	37,629
EBITDA margin (%)	13.2%	13.1%	15.1%	15.9%	16.5%
PAT	9,730	12,323	17,403	21,732	27,211
EPS (in INR)	6.4	7.9	11.1	13.8	17.3

INR in Mn. Source: Arihant Capital Markets

Key beneficiary of the T&D supercycle:
India's transmission capex has multi-year visibility: the draft NEP lays out ~INR 7.96 trn of investment till FY36, and GEC-III another INR 1.86 trn by FY33. Q2FY27 order inflows grew 78% YoY (Power Systems orders up 137%), lifting the order book 58% YoY to INR 236.4 Bn. We expect Power Systems revenue to more than double over FY26-29E, with management guiding segment EBIT margin at or above 25%.

Capacity ahead of schedule; exports a kicker:
CG is scaling power transformer capacity to 120,000 MVA through the Bhopal brownfield and a 45,000 MVA greenfield at Sehore, which shipped its first transformer in Sep'26, well ahead of its original FY28 timeline. Exports are opening up: in Jan'26 CG won its largest-ever order (~INR 9 Bn) for power transformers for a US hyperscale data centre, and part of the new capacity is earmarked for exports.

Motors leadership intact; railways and semis add optionality:
CG leads LT motors with ~38-39% market share and has defended it despite ~30% cumulative price hikes over the past year, with motors back at double-digit margins. Railways are scaling through GG Tronics' Kavach (TCAS) offerings, while the Sanand OSAT unit (15 Mn chips/day, ~75% government-funded) starts commercial production by end-CY27, a long-term upside not built into near-term earnings.

Outlook & Valuation:
Q2FY27 revenue rose 30.1% YoY to INR 38,015 Mn, with EBITDA up 43.2% and margin up ~130 bps to 14.2%. We estimate Revenue/EBITDA/PAT CAGR of 22.5%/32.3%/30.2% over FY26-29E, with EBITDA margin expanding from 13.1% to 16.5% and RoE from 15.6% to 19.4% on a debt-free balance sheet. At the CMP of INR 832, the stock trades at 48.1x FY29E EPS; we recommend BUY with a TP of INR 1,020 (59x FY29E EPS), an upside of 22.6%.

Bharat Electronics Ltd

Financial Summary

Particulars	FY24	FY25	FY26	FY27E	FY28E
Revenue	202,680	237,690	276,100	329,501	388,314
EBITDA	50,460	68,340	80,490	94,436	113,020
EBITDA margin (%)	24.9%	28.8%	29.2%	28.7%	29.1%
PAT	39,850	53,230	60,620	71,718	86,998
EPS (in INR)	5.5	7.3	8.3	9.8	11.9

INR in Mn. Source: Arihant Capital Markets

Revenue up 25% YoY; product mix weighs on margin:
BEL reported Q1FY27 revenue of INR 55,470 Mn (up 25.0% YoY, down 45.7% QoQ against a seasonally strong Q4), driven by healthy execution across LRSAM, MPR Arudhra, LCA LRUs, BMP-2 upgrade and EW systems. EBITDA rose 12.1% YoY to INR 13,884 Mn, but margin contracted 286 bps YoY to 25.0% on an adverse product mix. PAT rose 8.8% YoY to INR 10,545 Mn.

Order book at INR 723 Bn; FY27 inflow guidance intact:
Q1 inflows were soft at INR 37,540 Mn, a timing effect after FY26 inflows beat plan (INR 300 Bn+ vs ~INR 250 Bn). The order book stands at INR 722,580 Mn (~2.6x FY26 revenue), split evenly across Army, Navy and Air Force. Management retained FY27 inflow guidance of INR 550 Bn+, including QRSAM (~INR 300 Bn), Shatrughat & Samaghat (~INR 90 Bn), HAMMER and Shakti Phase-IV.

Indigenisation, new tech and exports extend the runway:
FY27 guidance of 15%+ revenue growth and 28%+ EBITDA margin was maintained, backed by INR 22 Bn+ of R&D and INR 12 Bn+ of capex. Indigenous content is ~80-85%, and BEL is expanding into counter-drone, directed-energy and AI-enabled systems. Project Kusha could bring INR 400 Bn+ of orders around FY29, while exports (pipeline ~USD 465 Mn, FY27 target USD 300 Mn) are targeted at ~10% of revenue.

Outlook & Valuation:
Debt-free with INR 85.7 Bn of cash (FY26), BEL is a prime beneficiary of India's defence indigenisation push. We estimate Revenue/EBITDA/PAT CAGR of 18.6%/18.5%/19.8% over FY26-28E, with EBITDA margin sustained at ~29% and RoE at ~25%. At the CMP of INR 369, the stock trades at about 31.0x FY28E EPS, and we recommend BUY with a TP of INR 530 (44.5x FY28E EPS), an upside of 44%.

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