

HSIE Results Daily

Contents

Results Reviews

- Maruti Suzuki:** Maruti Suzuki's (MSIL) Q2FY26 EBITDA margin at 10.5% was in line with Bloomberg consensus estimate of 10.6%, but above our estimate of 10.2%. We expect margins to improve going forward as capacity utilization improves on the back of higher PV demand, ramp-up of the Victoris model, and increasing exports. We expect exports to continue to do well over the medium term, benefitting from the company's efforts over the last few years to improve penetration across markets, including developed markets, and with a wider portfolio and improving mix. We value the company at 27x Sep-27 EPS for a target price of Rs18,607 and maintain a BUY rating.
- Bank of Baroda:** Bank of Baroda's (BOB) Q2FY26 earnings were in line with estimates, driven by a relatively softer operating performance, offset by improvement in asset quality. Deposit growth came in at 10% YoY as domestic CASA ratio clocked in at 38.3% (-90bps QoQ). Loan growth was healthy (+12% YoY; +6% QoQ), driven by RAM (retail, agri, and MSME) segments. NIMs increased slightly (+5bps QoQ), with interest from the IT refund contributing INR7.5bn, which was higher than typical. Asset quality improved as slippages were lower across segments. However, we continue to remain cautious on the retail and MSME portfolio quality and flag an elevated loan-to-deposit ratio (84%) compared to other PSBs. Despite its handicap of relatively softer NIMs on the back of a large overseas portfolio (18% of loans), BOB has consistently delivered better return ratios than peers, largely on the back of lower credit costs and superior customer franchise. We reiterate BUY on BOB, with a revised TP of INR320 (1.0x Sep-27 ABVPS).
- Union Bank of India:** Union Bank (UNBK) reported a mixed set of earnings as muted balance sheet growth was offset by strong traction in non-interest income and improvement in asset quality. Loan growth (+6% YoY; -0.8% QoQ) and deposit growth (-1% YoY) were soft while the CASA ratio was stable at 32.5% (+4bps QoQ) as UNBK continued to guide on shedding bulk deposits. Asset quality improved across asset classes barring the agri portfolio. Other income was boosted by a one-off (interest on IT refund), while treasury gains were muted owing to hardening of g-sec yields. Given its relatively weaker deposit profile, we believe it is critical for UNBK to drive volume growth with most of its peers growing above system level. We cut our FY26E/FY27E estimates by 1%/6%, factoring in lower growth, partly offset by asset quality improvement. We maintain ADD with an unchanged TP of INR160 (0.8x Sep-27 ABVPS).
- Phoenix Mills:** Phoenix Mills (PHNX) reported a strong quarter with revenue/EBITDA/APAT at INR 11.2/6.7/3.0bn, a beat to our estimates by 10/17/22%. PHNX remains well-positioned for robust growth over FY26-27, supported by a combination of retail consumption revival, steady office leasing, and a healthy project pipeline. Management expects double-digit retail consumption growth in FY26, driven by the tenant rejig/churn toward high consumption stores and new area addition by March'26. The retail portfolio is likely to benefit from enhanced tenant mix, improved rentals, and higher footfalls once key assets are fully operational. With the upcoming launch of new formats like Gourmet village, improved tenant mix, and expansion into high-growth cities, consumption is expected to pick up

HSIE Research Team

hdfcsec-research@hdfcsec.com

meaningfully as these assets become operational and footfalls improve. PHNX is targeting significant expansion with plans to add 7msf of retail space by FY30. PHNX has acquired a 49% stake in ISMDPL from CPP investments at INR 54.5bn to be paid in tranches over 36 months. The hotel division's performance remains variable, reflecting seasonal factors and evolving demand dynamics. Key growth drivers include ramping up office occupancy (targeting 90% by 2026), Phase 2/3 expansions (adding 1.8msft retail and 700 hotel keys), and leveraging 2.7msft balance FSI potential across Bengaluru, Pune, and Indore. Given revival in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY with a TP of INR 1,952/sh.

- **Balkrishna Industries:** Balkrishna Industries' (BKT) Q2FY26 EBITDA margin at 21.5% missed our estimate of 24.3% and Bloomberg consensus estimate of 23.6%. Demand continues to remain weak in its largest market, Europe, while it has ceased shipments to the US (10% of FY25 volumes) due to the additional tariffs, as the distributors there continue to deplete older inventory. Management refrains from giving any guidance on volume or margins. Considering the lack of visibility for business normalcy of its core business, we remain cautious and value the company near -1SD its 4-year mean, valuing it at 20x Sep-27 EPS. We maintain SELL with a revised TP of INR 2,078.
- **Aptus Value Housing Finance India:** APTUS's Q2FY26 earnings were ahead of our estimates due to high assignment income (~17% of PBT). Disbursements growth continued to moderate (+3% YoY; 15% YoY in Q1FY26) leading to lower AUM growth of 21.6% YoY. NIM (calculated) declined by 39bps QoQ due to assignment of SBL loans and increasing leverage. While early delinquencies improved sequentially (30+ dpd at 6.34%; GS II at 4.8%), credit costs increased sharply (64bps) due to a change in the write-off policy. While APTUS remains focused on the LIG, self-employed, rural-based customers, it has introduced a floor on ticket size of INR 0.7mn to diversify the customer mix. Geographical expansion in Odisha and Maharashtra remains protracted (0.7% of AUM), with gradually improving productivity. APTUS's ability to deliver superior profitability and growth in these markets, along with sustaining the AUM growth (25% CAGR), remains a key monitorable. We revise our FY26/FY27E earnings estimates to factor in assignment income, partly offset by lower NIMs, and maintain REDUCE with a revised RI-based TP of INR 325 (implying 2.7x Sep-27 ABVPS).

Maruti Suzuki

Reinforces 50% market share goal: to launch 8 UVs in 5-6 years

Maruti Suzuki's (MSIL) Q2FY26 EBITDA margin at 10.5% was in line with Bloomberg consensus estimate of 10.6%, but above our estimate of 10.2%. We expect margins to improve going forward as capacity utilization improves on the back of higher PV demand, ramp-up of the Victoris model, and increasing exports. We expect exports to continue to do well over the medium term, benefitting from the company's efforts over the last few years to improve penetration across markets, including developed markets, and with a wider portfolio and improving mix. We value the company at 27x Sep-27 EPS for a target price of Rs18,607 and maintain a BUY rating.

- Q2FY26 performance:** Realization improved 5.0% QoQ to INR 728.6k, on account of better model mix, higher exports, and higher CNG contribution. However, as per management, realisation improved only 1.9% QoQ to INR 587k, thus indicating good growth in the spares business as well. EBIT margin (before other operating revenue) at 8.5% improved 20bps QoQ, with favourable impact from operating leverage (110bps) and lower operating expenses (50bps), which was partially negated by higher sales and promotion expenses (75bps), limited time price correction on certain models (20bps), advertisement expenses (15bps), and forex and commodity costs (30bps).
- Robust festive sales:** Management highlighted that festive retails (22nd Sep to 31st Oct) have been 400k units vs 211k units last year, with 250k unit sales from the small car segment, which registered almost 100% YoY growth. However, it clarified that there would be an element of pent-up demand in these sales. Bookings during the same festive period improved to 500k vs 300k last year.
- GST rate rationalization boosts demand:** Management expects the domestic PV industry to grow 6% YoY in H2FY26 (vs decline of 1.4% YoY in H1), with small cars to outgrow the industry. It indicated there has also been an increase in enquires from first time buyers, including from existing 2W users. Channel inventory as of September end stood at 38 days, while it was much lower by October end. It indicated that focus remains on increasing production, as the team has also been working on Sundays. It mentioned that while benefit to sales from the GST cuts would continue in future quarters, it is yet to make a clear assessment on how much of the small car demand is sustainable.
- Suzuki Motor Corporation's (SMC) recent commentary:** In its recent integrated report, SMC has reiterated its target for MSIL to achieve 50% market share by FY31 (vs 40.9% in FY25). MSIL's management is in sync with the guidance and believes it is achievable without having to trade off for profitability. MSIL also indicated that it will follow SMC's own 10% EBIT margin target (in the first half of 2030) as its guiding light. MSIL also seeks to launch eight more SUVs (besides Victoris) in the next 5 to 6 years.

Quarterly/annual financial summary

YE Mar (INR mn)	2Q FY26	2Q FY25	YoY (%)	1Q FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	4,21,008	3,72,028	13.2	3,84,136	9.6	15,19,001	17,53,026	20,13,263	22,83,865
EBITDA	44,341	44,166	0.4	39,953	11.0	1,77,852	2,08,156	2,54,555	2,93,725
EBITDA %	10.5	11.9	-134bps	10.4	14bps	11.7	11.9	12.6	12.9
APAT	32,931	36,555	(9.9)	37,117	(11.3)	1,44,996	1,67,658	2,02,796	2,30,539
Diluted EPS (INR)	104.7	116.3	(9.9)	118	(11.3)	461.2	533.3	645.0	733.3
P/E (x)						35.0	30.3	25.0	22.0
RoE (%)						16.3	16.8	17.9	17.8

Source: Company, HSIE Research

BUY

CMP (as on 31 Oct 2025) INR16,186

Target Price INR18,607

NIFTY 25,722

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 18,504	INR 18,607
	FY27E	FY28E
EPS %	+0.5	+0.6

KEY STOCK DATA

Bloomberg code	MSIL IN
No. of Shares (mn)	314
MCap (INR bn) / (\$ mn)	5,089/57,325
6m avg traded value (INR mn)	5,626
52 Week high / low	INR 16,674/10,725

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	28.4	32.1	46.1
Relative (%)	25.0	27.4	40.4

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	58.28	58.28
FIs & Local MFs	23.33	22.63
FPIs	15.20	15.78
Public & Others	3.19	3.31
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Hitesh Thakurani

hitesh.thakurani@hdfcsec.com
 +91-22-6171-7350

Shubhangi Kejriwal

shubhangi.kejriwal@hdfcsec.com
 +91-22-6171-7327

Bank of Baroda

Stronger margin profile essential to earnings reflation

Bank of Baroda's (BOB) Q2FY26 earnings were in line with estimates, driven by a relatively softer operating performance, offset by improvement in asset quality. Deposit growth came in at 10% YoY as domestic CASA ratio clocked in at 38.3% (-90bps QoQ). Loan growth was healthy (+12% YoY; +6% QoQ), driven by RAM (retail, agri, and MSME) segments. NIMs increased slightly (+5bps QoQ), with interest from the IT refund contributing INR7.5bn, which was higher than typical. Asset quality improved as slippages were lower across segments. However, we continue to remain cautious on the retail and MSME portfolio quality and flag an elevated loan-to-deposit ratio (84%) compared to other PSBs. Despite its handicap of relatively softer NIMs on the back of a large overseas portfolio (18% of loans), BOB has consistently delivered better return ratios than peers, largely on the back of lower credit costs and superior customer franchise. We reiterate BUY on BOB, with a revised TP of INR320 (1.0x Sep-27 ABVPS).

- **Steady credit growth coupled with stable margins:** Loan growth was healthy as growth in retail (+18% YoY) and gold was offset by moderate growth in the corporate book (3% YoY). NII growth (+3% YoY, +4% QoQ) was better than peers benefiting from lower funding costs and higher interest on IT refund as margins clocked in at 3.0% (+5bps QoQ). While core fee income witnessed strong traction, other income was relatively softer (lower treasury gains).
- **Improved asset quality:** Gross slippages clocked in at 1.0% (Q1FY26: 1.2%) as asset quality improved across segments. Credit costs improved to 29bps (Q1FY26: 55bps) even as BOB made additional floating provisions (INR4bn) towards ECL transition, which is likely to drag CRAR by ~75bps (net impact).
- **Core operating performance essential to sustainable earnings profile:** Given the growth trajectory of the retail portfolio and a relatively mature customer franchise, we argue that BOB needs to exercise better pricing power in this segment to achieve sustainably higher operating profitability.

Financial summary

(INR bn)	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	119.5	116.2	2.9%	114.3	4.5%	456.6	503.5	593.1	675.5
PPOP	75.8	94.8	-20.1%	82.4	-8.0%	324.3	345.7	411.8	467.1
PAT	48.1	52.4	-8.2%	45.4	5.9%	195.8	204.5	241.0	259.6
EPS (INR)	9.3	10.1	-8.3%	8.8	5.9%	37.8	39.5	46.5	50.1
ROAE (%)						15.7	13.9	14.5	14.0
ROAA (%)						1.2	1.1	1.1	1.1
ABVPS (INR)						241.4	277.4	305.6	341.1
P/ABV (x)						1.2	1.0	0.9	0.8
P/E (x)						7.4	7.0	6.0	5.5

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY26E			FY27E		
	New	Old	Δ	New	Old	Δ
Net advances	13,766	13,738	0.2%	15,667	15,642	0.2%
NIM (%)	2.8	2.8	0 bps	3.0	3.0	-3 bps
NII	503.5	503.7	-0.1%	593.1	599.5	-1.1%
PPOP	345.7	340.9	1.4%	411.8	412.9	-0.3%
PAT	204.5	202.2	1.1%	241.0	238.6	1.0%
Adj. BVPS (INR)	277.4	270.0	2.7%	305.6	304.2	0.5%

Source: Company, HSIE Research

BUY

CMP (as on 31 Oct 2025)	INR 278
Target Price	INR 320
NIFTY	25,722

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR290	INR320
	FY26E	FY27E
EPS %	1.1%	1.0%

KEY STOCK DATA

Bloomberg code	BOB IN
No. of Shares (mn)	5,171
MCap (INR bn) / (\$ mn)	1,440/16,218
6m avg traded value (INR mn)	2,441
52 Week high / low	INR 281/191

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.0	11.4	10.9
Relative (%)	13.6	6.8	5.2

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	64.0	64.0
FIs & Local MFs	19.1	19.0
FPIs	8.1	8.7
Public & Others	8.9	8.3
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

Akshay Badlani

akshay.badlani@hdfcsec.com
+91-22-6171-7325

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Union Bank of India

Sluggish growth to keep return ratios capped

Union Bank (UNBK) reported a mixed set of earnings as muted balance sheet growth was offset by strong traction in non-interest income and improvement in asset quality. Loan growth (+6% YoY; -0.8% QoQ) and deposit growth (-1% YoY) were soft while the CASA ratio was stable at 32.5% (+4bps QoQ) as UNBK continued to guide on shedding bulk deposits. Asset quality improved across asset classes barring the agri portfolio. Other income was boosted by a one-off (interest on IT refund), while treasury gains were muted owing to hardening of g-sec yields. Given its relatively weaker deposit profile, we believe it is critical for UNBK to drive volume growth with most of its peers growing above system level. We cut our FY26E/FY27E estimates by 1%/6%, factoring in lower growth, partly offset by asset quality improvement. We maintain ADD with an unchanged TP of INR160 (0.8x Sep-27 ABVPS).

- **Sub-par growth offset by strong other income:** NII de-grew (-3% YoY) on account of lower volume growth and a decline in NIMs to 2.7% (-9bps QoQ). Loan growth was subdued, owing to a deposit handicap, with the larger part of growth driven by retail segments like housing (24% YoY) and auto loans (15% QoQ). Given the bank's structural handicap around the quality of its deposit profile, we build in ~10% loan CAGR over FY25-FY28E.
- **Improving asset quality:** Gross slippage was lower at 0.9% (Q1FY26: 1.0%), with asset quality improving across asset classes, barring the agri portfolio. UNBK made additional standard asset provisions (INR8bn) toward ECL transition and select accounts that called for higher provisioning.
- **Deposit handicap to impact credit growth:** Our analysis suggests that UNBK's NIMs are structurally compromised on account of a dual handicap: corporate-heavy loan book and a sub-par CASA. While the bank is on the path to improving the deposits quality, we believe it is essential for UNBK to drive volume growth to avoid losing market share to peers in key segments.

Financial summary

(INR bn)	Q2FY26	Q2FY25	YoY(%)	Q1FY26	QoQ(%)	FY25	FY26E	FY27E	FY28E
NII	88.1	90.5	-2.6%	91.1	-3.3%	372.1	374.5	449.1	502.2
PPOP	68.1	81.1	-16.0%	69.1	-1.4%	310.9	291.0	351.2	389.3
PAT	42.5	47.2	-10.0%	41.2	3.2%	179.9	173.8	193.5	213.4
EPS (INR)	5.6	6.2	-9.9%	5.4	3.3%	23.6	22.8	25.3	28.0
ROAE (%)						17.1	14.4	14.2	13.9
ROAA (%)						1.2	1.1	1.2	1.2
ABVPS (INR)						139.5	159.9	180.7	205.2
P/ABV (x)						1.1	0.9	0.8	0.7
P/E (x)						6.3	6.5	5.9	5.3

Source: Company, HSIE Research

Change in estimates

(INR bn)	FY26E			FY27E		
	New	Old	Δ	New	Old	Δ
Net advances	10,398	10,552	-1.5%	11,532	11,710	-1.5%
NIM (%)	2.7	2.8	-12 bps	2.9	2.9	3 bps
NII	374.5	396.6	-5.6%	449.1	454.5	-1.2%
PPOP	291.0	324.1	-10.2%	351.2	374.9	-6.3%
PAT	173.8	174.8	-0.6%	193.5	205.8	-6.0%
Adj. BVPS (INR)	159.9	160.0	-0.1%	180.7	183.4	-1.5%

Source: Company, HSIE Research

ADD

CMP (as on 31 Oct 2025)	INR 149
Target Price	INR 160
NIFTY	25,722

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR160	INR160
	FY26E	FY27E
EPS %	-0.6%	-6.0%

KEY STOCK DATA

Bloomberg code	UNBK IN
No. of Shares (mn)	7,634
MCap (INR bn) / (\$ mn)	1,135/12,784
6m avg traded value (INR mn)	1,772
52 Week high / low	INR 159/101

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.5	18.2	26.9
Relative (%)	10.1	13.6	21.2

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	74.8	74.8
FIs & Local MFs	11.9	11.7
FPIs	7.7	7.9
Public & Others	5.6	5.7
Pledged Shares	0.0	0.0

Source : BSE

Pledged shares as % of total shares

Akshay Badlani

akshay.badlani@hdfcsec.com
+91-22-6171-7325

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Phoenix Mills

Growth fueled by consumption

Phoenix Mills (PHNX) reported a strong quarter with revenue/EBITDA/APAT at INR 11.2/6.7/3.0bn, a beat to our estimates by 10/17/22%. PHNX remains well-positioned for robust growth over FY26-27, supported by a combination of retail consumption revival, steady office leasing, and a healthy project pipeline. Management expects double-digit retail consumption growth in FY26, driven by the tenant rejig/churn toward high consumption stores and new area addition by March'26. The retail portfolio is likely to benefit from enhanced tenant mix, improved rentals, and higher footfalls once key assets are fully operational. With the upcoming launch of new formats like Gourmet village, improved tenant mix, and expansion into high-growth cities, consumption is expected to pick up meaningfully as these assets become operational and footfalls improve. PHNX is targeting significant expansion with plans to add 7msf of retail space by FY30. PHNX has acquired a 49% stake in ISMDPL from CPP investments at INR 54.5bn to be paid in tranches over 36 months. The hotel division's performance remains variable, reflecting seasonal factors and evolving demand dynamics. Key growth drivers include ramping up office occupancy (targeting 90% by 2026), Phase 2/3 expansions (adding 1.8msft retail and 700 hotel keys), and leveraging 2.7msft balance FSI potential across Bengaluru, Pune, and Indore. Given revival in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY with a TP of INR 1,952/sh.

- Q2FY26 financial highlights:** Revenue: INR 11.2bn (+21.5%/+17.0% YoY/QoQ, a 10% beat). EBITDA: INR 6.7bn (+28.8%/+18.2% YoY/QoQ, a 17% beat). EBITDA margin: 59.8% (+339/+58bps YoY/QoQ, vs est. of 59.3%). RPAT/APAT: INR 3.0bn (+39.4%/+26.3% YoY/QoQ, 22% beat). Total retail rental income was INR 5.2bn (+10%/+0.3% YoY/QoQ), with an EBITDA of INR 5.5bn (+10%/flat YoY/QoQ). Income from offices was INR 540mn (+1%/2% YoY/QoQ), with an EBITDA margin of 61%, (-200bps/-400bps YoY/QoQ).
- Expansion strategies poised to propel future growth:** Consumption in Q2FY26 stood at INR 37bn, up 14% over Q2FY25. Mall consumption was supported by higher growth in FEC & Multiplex/electronics/fashion/jewellery/others growing annually by 23/23/17/12% resp. Its commercial office space is set to more than double, capitalizing on robust demand in prime urban markets. PHNX's strategic land acquisitions undertaken over the past years are expected to support 1–2 msf of annual retail development beyond FY30, ensuring sustained long-term growth potential. The upcoming mall completion is planned in Kolkata and Surat by 2027, followed by Thane and Coimbatore by 2029, and Chandigarh by 2029–2030.
- Business development supported by a healthy cash flow:** Consolidated gross/net debt stood at INR 46.8/22bn vs INR 44/26.5bn as of Jun'25. The group liquidity stands at INR 25bn. The company is well-placed to deliver sustainable double-digit growth over the next few years, with steady margin improvement as new assets mature.

Consolidated financial summary (INR mn)

YE Mar	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	11,154	9,180	21.5	9,530	17.0	38,136	41,352	47,636	55,067
EBITDA	6,669	5,177	28.8	5,643	18.2	21,612	23,683	28,480	34,293
APAT	3,040	2,181	39.4	2,407	26.3	9,842	11,245	14,618	18,361
Diluted EPS (Rs)	8.5	6.1	39.4	6.7	26.3	29.1	32.8	42.7	53.6
P/E (x)						57.9	51.2	39.4	31.4
EV / EBITDA (x)						29.8	27.0	22.2	18.1
RoE (%)						9.8	10.2	12.0	13.4

Source: Company, HSIE Research

BUY

CMP (as on 31 Oct 2025) INR 1,690

Target Price INR 1,952

NIFTY 25,722

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,952	INR 1,952
EPS	FY26E	FY27E
Change %		

KEY STOCK DATA

Bloomberg code	PHNX IN
No. of Shares (mn)	358
MCap (INR bn) / (\$ mn)	604/6,808
6m avg traded value (INR mn)	1,235
52 Week high / low	INR 1,902/1,392

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.9	1.5	11.0
Relative (%)	10.5	(3.1)	5.3

SHAREHOLDING PATTERN (%)

	Jun-25	Sept-25
Promoters	47.26	47.25
FIs & Local MFs	12.72	15.47
FPIs	36.27	33.45
Public & Others	3.74	3.84
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Jay Shah
 jay.shah1@hdfcsec.com
 +91-22-6171-7358

Aditya Sahu
 aditya.sahu@hdfcsec.com
 +91-22-6171-7338

Balkrishna Industries

Impacted by weak demand in Europe and tariffs in US

Balkrishna Industries' (BKT) Q2FY26 EBITDA margin at 21.5% missed our estimate of 24.3% and Bloomberg consensus estimate of 23.6%. Demand continues to remain weak in its largest market, Europe, while it has ceased shipments to the US (10% of FY25 volumes) due to the additional tariffs, as the distributors there continue to deplete older inventory. Management refrains from giving any guidance on volume or margins. Considering the lack of visibility for business normalcy of its core business, we remain cautious and value the company near -1SD its 4-year mean, valuing it at 20x Sep-27 EPS. We maintain SELL with a revised TP of INR 2,078.

- Q2FY26 performance:** Revenue came in at INR 23.2bn, lower by 5.8% YoY and 15.9% QoQ, led by a decline in Europe and the US business. While volumes de-grew 4.2% YoY and 12.9% QoQ, realization fell by 1.8% YoY and 3.4% QoQ to INR 330.3k. Gross margin at 50.1%, declined 242bps YoY and 139bps QoQ, on the back of adverse geography and product mix. As of 30th Sep,'25, gross debt stood at INR 36.1bn, cash and cash equivalents at INR 31.6bn, and net debt at INR 4.5bn.
- US business at a standstill:** Management indicates that it has stopped shipping supplies to the US on account of additionally higher tariffs. This has not only led to lower operating leverage, but also adverse mix, thus impacting margins further. US formed 10% to total sales volume in FY25. It is hopeful of a trade agreement between the US and India and is not yet considering manufacturing in the US due to the unfavorable cost economics. Once the trade solution comes through, it is confident of resuming supplies within a couple of weeks of receiving orders. In the interim, to compensate for the loss of US volumes, it seeks to increase supplies to other geographies. It also indicated that it is evaluating Australian and Asian markets, which have good business potential and a good exposure to the mining sector.
- EU demand still weak:** While it mentioned that it has not witnessed any increase in competitive intensity on account of any diversion of industry supplies from the US to Europe, it reiterated business challenges in the overall EU market. However, it is hopeful of headwinds easing, going forward, though declined to give a guidance on the same.
- Overall RM, freight costs stable:** It expects overall RM costs to remain stable QoQ in Q3FY26, as well as freight costs (as a % of sales) to remain in the 6-7% range. While EUDR (regulations), that become applicable in Jan 2026, had a partial impact in Q2FY26 as it has already started procuring material, it expects Q3FY26 to see the full impact from EUDR. However, softening of other raw material costs should negate the higher costs due to EUDR.
- Projects on track:** Budgeted capex for FY26 is INR 20-22bn (INR 17.4bn already spent in H1). It mentioned all the projects are running as per schedule.

Quarterly/annual financial summary

YE Mar (INR mn)	Q2 FY26	Q2 FY25	YoY (%)	Q1 FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
Net Sales	23,207	24,647	(5.8)	27,595	(15.9)	1,06,149	1,05,068	1,21,215	1,42,647
EBITDA	4,998	6,193	(19.3)	6,564	(23.9)	26,805	24,398	30,263	35,057
EBITDA %	21.5	25.1	-360bps	23.8	-225bps	25.3	23.2	25.0	24.6
APAT	2,646	3,496	(24.3)	2,872	(7.9)	16,284	13,848	18,382	21,780
Diluted EPS (INR)	13.7	18.1	(24.3)	14.9	(7.9)	84.2	71.6	95.1	112.7
P/E (x)						27.1	31.9	24.0	20.3
RoE (%)						16.9	12.7	15.1	15.8

Source: Company, HSIE Research

SELL

CMP (as on 31 Oct 2025) INR2,280

Target Price INR 2,078

NIFTY 25,722

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 2,176	INR 2,078
EPS %	FY27E -5.3	FY28E -3.9

KEY STOCK DATA

Bloomberg code	BIL IN
No. of Shares (mn)	193
MCap (INR bn) / (\$ mn)	441/4,965
6m avg traded value (INR mn)	838
52 Week high / low	INR 2,930/2,152

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.8)	(14.8)	(19.7)
Relative (%)	(18.2)	(19.4)	(25.4)

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	58.29	58.29
FIs & Local MFs	24.84	24.69
FPIs	10.50	10.70
Public & Others	6.37	6.32
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

Hitesh Thakurani

hitesh.thakurani@hdfcsec.com

+91-22-6171-7350

Shubhangi Kejriwal

shubhangi.kejriwal@hdfcsec.com

+91-22-6171-7327

Aptus Value Housing Finance India

Growth continues to moderate

APTUS's Q2FY26 earnings were ahead of our estimates due to high assignment income (~17% of PBT). Disbursements growth continued to moderate (+3% YoY; 15% YoY in Q1FY26) leading to lower AUM growth of 21.6% YoY. NIM (calculated) declined by 39bps QoQ due to assignment of SBL loans and increasing leverage. While early delinquencies improved sequentially (30+ dpd at 6.34%; GS II at 4.8%), credit costs increased sharply (64bps) due to a change in the write-off policy. While APTUS remains focused on the LIG, self-employed, rural-based customers, it has introduced a floor on ticket size of INR 0.7mn to diversify the customer mix. Geographical expansion in Odisha and Maharashtra remains protracted (0.7% of AUM), with gradually improving productivity. APTUS's ability to deliver superior profitability and growth in these markets, along with sustaining the AUM growth (25% CAGR), remains a key monitorable. We revise our FY26/FY27E earnings estimates to factor in assignment income, partly offset by lower NIMs, and maintain REDUCE with a revised RI-based TP of INR 325 (implying 2.7x Sep-27 ABVPS).

- **Increasing share of assignment income; opex ratios remain pristine:** Other income grew sharply by 167% YoY due to assignment of portfolio (3% of AUM). DA as % of AUM is likely to increase to 6-7% gradually, as per management. Operating efficiency remained superior to peers with opex-to-AUM at 2.7% and C/I at 20%. Cost of funds declined by 20bps QoQ aiding core spreads, although NIMs continued to moderate.
- **Asset quality improves sequentially:** Asset quality improved sequentially, with GS-II/GS-III clocking in at 4.8%/1.6% (Q1FY26: 5%/1.5%) and early delinquencies declining (30+ dpd at 6.34% vs. 6.45% in Q1FY26). Credit costs increased sharply to 64bps due to a change in the write-off policy, leading to elevated write-offs (53bps).
- **Growth remains under pressure; scalability outside core markets key monitorable:** APTUS's AUM growth continued to moderate (+21.6% YoY) despite steady expansion of distribution network. With focus on ticket sizes of >INR 0.7mn, it is looking to increase the portfolio's average ticket size and expand outside the core markets, APTUS's guidance of 25% AUM CAGR and RoE of >20% could come under pressure, although the increasing share of assignment income could aid earnings.

Financial summary (Consolidated)

Y/E Mar (INR bn)	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	3.1	2.8	11.0	3.1	-0.5	11.3	13.3	16.0	19.2
PPOP	3.1	2.5	26.9	3.0	5.5	10.0	12.6	14.6	17.5
PAT	2.3	1.8	24.5	2.2	3.3	7.5	9.2	10.6	12.7
EPS (INR)	4.5	3.7	23.6	4.4	3.0	15.0	18.4	21.2	25.4
ROAE (%)						18.6	19.7	19.6	20.3
ROAA (%)						7.4	7.4	6.9	6.8
ABVPS (INR)						84	98	113	131
P/ABV (x)						3.8	3.3	2.8	2.4
P/E (x)						21.2	17.3	15.0	12.5

Change in estimates

INR bn	FY26E			FY27E		
	Old	New	Chg	Old	New	Chg
AUM	136	134	-1.5%	169	164	-2.8%
NIM (%)	11.0	10.7	-26 bps	10.6	10.5	-12 bps
NII	13.9	13.3	-4.4%	17.0	16.0	-5.8%
PPOP	12.3	12.6	2.6%	14.9	14.6	-2.1%
PAT	8.9	9.2	3.3%	10.8	10.6	-2.0%
ABVPS (INR)	97.1	97.6	0.5%	112.7	112.8	0.1%

Source: Company, HSIE Research

REDUCE

CMP (as on 31 Oct 2025)	INR 318
Target Price	INR 325
NIFTY	25,722

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 315	INR 325
	FY26E	FY27E
EPS %	3.3%	-2.0%

KEY STOCK DATA

Bloomberg code	APTUS IN
No. of Shares (mn)	501
MCap (INR bn) / (\$ mn)	159/1,791
6m avg traded value (INR mn)	858
52 Week high / low	INR 368/268

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.1)	(0.3)	(10.7)
Relative (%)	(6.5)	(4.9)	(16.4)

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	40.4	23.9
FIs & Local MFs	16.0	25.9
FPIs	30.4	35.4
Public & Others	13.2	14.9
Pledged Shares	0.0	0.0

Source: BSE

Pledged shares as % of total shares

Deepak Shinde

deepak.shinde@hdfcsec.com
 +91-22-6171-7323

Krishnan ASV

venkata.krishnan@hdfcsec.com
 +91-22-6171-7314

Ayush Pandit

ayush.pandit@hdfcsec.com
 +91-22-6171-7366

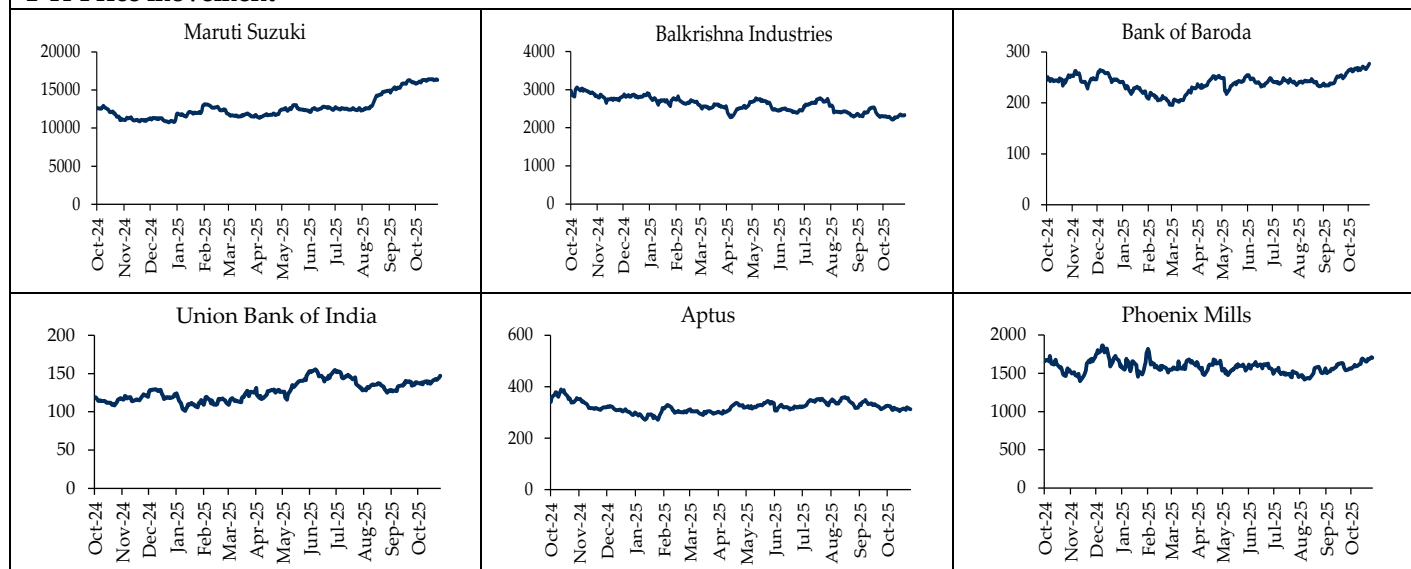
Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Hitesh Thakurani	Maruti Suzuki, Balkrishna Industries	MBA	NO
Shubhangi Kejriwal	Maruti Suzuki, Balkrishna Industries	MSc	NO
Krishnan ASV	Bank of Baroda, Union Bank of India, Aptus Value Housing Finance India	PGDM	NO
Akshay Badlani	Bank of Baroda, Union Bank of India	CA	NO
Parikshit Kandpal	Phoenix Mills	CFA	NO
Jay Shah	Phoenix Mills	CA	NO
Aditya Sahu	Phoenix Mills	MBA	NO
Deepak Shinde	Aptus Value Housing Finance India	PGDM	NO
Ayush Pandit	Aptus Value Housing Finance India	CA	NO

1 Yr Price movement



Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.

Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities

Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com