



Market Wrap

Global AI De-risking lead IT outperformance, Results Hits & Misses

- Nifty pared last week's gains, settling at 22,600, down 2.4%. The broader market suffered as the Nifty midcap and small cap indices plummeted by 6% and 7%, respectively. Notably, all major indices except for IT ended in the red, influenced by declines in sectors such as Metals, Defence, Realty, and FMCG.
- With US 10-year Treasury yields climbing aggressively toward multi-year highs near 5.3% amid persistent inflation and Federal Reserve tightening risks, risk-free dollar yields became aggressively competitive. This triggered a massive reallocation out of emerging markets, forcing FII to aggressively de-risk and pull ~₹48k crores out of Indian equities in the first half of October. Heavy capital flight concentrated on broad domestic liquid heavyweights like Financial Services (-₹8.5k Cr) and consumer-facing cyclicals like FMCG (-₹8k Cr) and Automobiles (-₹6.5k Cr).
- Energy Shocks & Broad Sectoral Liquidation: Continued elevated energy prices intensified the FII selling expanded across rate-sensitive, industrial, and energy-linked segments, including Healthcare (-₹5,497 Cr), Capital Goods (-₹3,886 Cr), Telecommunication (-₹3,928 Cr), Oil & Gas (-₹3,680 Cr), and Metals & Mining (-₹3,693 Cr).
- Global AI De-risking Driving Indian IT Inflows: Amid concerns over stretched valuations and high capex gestations in global AI tech trades, FIIs pared back exposure in global AI plays and rotated capital into Indian Information Technology (IT) (+₹2,599 Cr).

What we expect:

- Over the past 25 years, bull market corrections have typically arrested at around 17%, with approximately 16% already in place (since Jan-26 high of 26373), indicating maturity of price wise correction. Building portfolio during such scenario has been fruitful, garnering 15% returns in subsequent 3 months
- With current 14% correction Midcap index is approaching near its key long-term rising trend line that coincides with price parity of 16% correction seen during early part of 2026. Thereby couple of percentage of correction cannot be ruled out
- Currently, over 90% of stocks are trading below their 50-day EMA, and 75% are below their 200-day EMA, with a net advance-decline reading of 30, signalling capitulated extremes. Historically, such extreme reading (>80%) highlights bearish extremes scenario which have delivered a median rally of approximately 23% over the subsequent 6-12 months.

Hits

Consumption

Indian Hotels Company (IHCL) – (Reco – Buy; CMP – Rs771; PT – Rs950)

IHCL registered strong performance in seasonally weak Q2FY27 with consolidated revenues and PAT growing by 22% and 20% respectively. BRICs summit in Delhi along with steady demand for premium/luxury rooms aided in 25%+ RevPar growth for IHCL. Considering the strong performance in H1 and sustained demand in the upcoming holiday/wedding season, the company has upgraded its FY27 revenue guidance by 300bps to 15-17%, which further reinforce confidence in the stock.

Bluestone Jewellery & Lifestyle (Bluestone) – (Reco – Buy; CMP – Rs 740; PT – Rs945)

Bluestone's Q2FY27 performance largely indicates the growing demand for light weight jewellery. It registered 40% revenue growth (SSSG of 28%) and 3.4x EBITDA growth on strong performance by matured stores. The company's H1FY27 revenue growth of 47% is largely in-line with the company's medium-term guidance of 50% revenue growth. Q3FY27 will be boosted by high festive demand while medium term growth will be driven by rising demand for light weight jewellery and increasing store penetration. Recent correction of 29% from its high provides good entry opportunity.

Crompton Consumer (CMP - ₹ 195, Reco – Buy)

Crompton Consumer reported a healthy Q2FY27, with consolidated revenue growing 18.2% YoY to ₹2,263 crore, marking its third consecutive quarter of double-digit growth across all business segments. Going ahead, core categories and newer segments i.e. BLDC fans, solar products, wires, etc. are expected to drive ~14% revenue CAGR over FY26-28E. EBITDA grew 24.3% YoY to ₹205 crore, with margins expanding 45 bps to 9%; despite gross margin pressure from geopolitical tension-led commodity inflation. Going ahead, price hikes, premiumization and operational efficiencies are expected to drive margins to 11.1% by FY28E. We estimate 21.4% PAT CAGR over FY26-28E. Trading at a 30%+ discount to historical P/E averages, the stock offers an attractive risk reward. We maintain BUY with a target price of ₹275, valuing the stock at 24x FY28E EPS

Auto

Steel Strip Wheels (CMP - ₹ 470, Reco – Buy)

Steel Strip Wheels reported stellar performance in Q2FY27 with stock locked in upper circuit of 20%. It reported a topline growth of ~60% while margins came in all time high levels of 12.2%, up 150 bps QoQ. PAT for the quarter tripled to ~₹ 120 crore. Continuing with its growth journey, it has further announced a ₹1,400 crore investment at Chhatrapati Sambhajinagar, comprising ₹815 crore for alloy wheels (2.5 million units p.a.), ₹410 crore for steel wheels (1.6 million units p.a.) and ₹175 crore for hot stamping. The project is planned over a period of up to 60 months. With EV agnostic product profile, transition towards value added alloy wheels and inexpensive valuations. We remain positive on the stock with our last rating as BUY (Target price: ₹ 330), we shall revisit soon.

Real Estate

Oberoi Realty (CMP - ₹ 1583, PT - ₹ 2200, Reco – Buy)

Oberoi Realty is a Mumbai based premium realty developer having diversified portfolio across Residential, Commercial, Retail and Hospitality segments. Its marquee assets include Three Sixty West, Oberoi Mall, Commerz and Westin Mumbai Garden City. It commands industry leading residential operating margins of 50%+ with a residential portfolio size of more than ₹ 1.2 lakh crore. Its investment portfolio is expected to grow at 17% CAGR over FY26-FY29 to ₹ 2100+ crore by FY29, led by additions of retail and hospitality assets. Its commercial and retail assets generated 91% OPM while hotel asset 42% in FY26. Its recent successful geographic diversification in NCR opens up India's second largest realty market for itself. Oberoi's balance sheet is sturdy with net cash position as on FY26, despite large portfolio acquisitions in residential and capital expenditures incurred in building investment properties. Overall, the company has established premium brand recognition/ positioning across realty sub-segments.

Mahindra Lifespaces (CMP - ₹ 339, PT - ₹ 450, Reco – Buy)

Mahindra Lifespace Developers is identified growth Gem of Mahindra Group having well diversified residential and industrial (leasing) segments. It has commenced FY27 on a strong footing with almost ₹ 2000 crore pre-sales (up 66% YoY) during H1FY27, on track to achieve its FY27 guidance of ₹ 4500-5000 crore. Having added ₹ 7100 crore new projects, its residential project portfolio has breached ₹ 50,000 crore mark, providing multi-year pre-sales visibility. Its IC&IC business (leasing) having 5000+ acres is expected to generate ₹ 5000-6000 crore revenues and ₹ 1500 crore PAT over the longer term, acting as a cash cow, funding residential scale-up. It is heading towards achieving its guidance of ₹ 10,000 crore pre-sales (residential - ₹ 9500 crore, IC&IC - ₹ 500 crore) for FY2030. Its unlevered balance sheet (net debt to equity – 0.28x) provide additional funding avenue along with comfort.

Chemicals

SRF – (CMP - ₹ 2300; TP- ₹ 2845)

Revenues strong, margins miss but upgrade of Chemicals growth guidance and entry into sunrise sectors. Revenues grew 36% YoY to ₹4803.3 crore driven by growth across segments with flagship Chemicals business (42% of the revenues) grew 25% YoY to ~₹2080 crore, Packaging films (43% of revenues) grew 51% YoY to ₹2,122.4 crore and Technical Textiles (12% of revenues) grew 25% YoY to ₹595 crore. EBITDA margins however declined to 19.3%, down ~197 bps due to weakness in Specialty agrochemicals. Importantly, it has raised the Chemicals business growth guidance to 20% (15% earlier) and has also revealed capex plans worth ₹ 600 crore to enter sunrise sectors across EVs, energy storage, semiconductors, and green packaging with ~US\$1 billion+ addressable opportunity.

Capital Goods

CG Power – (CMP - ₹ 806; TP- ₹ 1200)

CG Power reported strong Q2FY27 performance, with consolidated revenue increasing 30% YoY to ₹3,802 crore, EBITDA rising 43% to ₹540 crore and PAT growing 44% to ₹409 crore. EBITDA margin expanded 130 bps YoY to 14.2%. Power Systems remained the key growth driver, with revenue increasing 41% YoY to ₹1,767 crore, EBIT margin expanded 435 bps YoY to 25.1% from 20.7%, reflecting strong operating performance. Industrial Systems revenue grew 21.9% YoY to ₹1,869 crore with EBIT margin at 8.60%. The Semiconductor segment reported revenue of ₹162 crore, up 26.3% YoY, while EBIT loss stood at ₹34 crore vs ₹22 crore in Q2FY26. Order intake for the quarter was ₹8,016 Cr (90% growth YoY) and Unexecuted Order backlog as of 30th September 2026 was ₹21,820 Cr (61% higher YoY). Our last rating was BUY on the stock with a target price of ₹ 1,120.

Misses

Commodities

UltraTech Cement (CMP – Rs 10,965, PT – Rs 12,920, Reco – Buy)

Overall operational performance during the quarter was impacted, mainly due to muted grey cement realizations and higher fuel and packaging costs. Volume growth of 12.9% YoY in Q2FY27 was largely in-line with expectations. EBITDA/ton increased by only 6.5% YoY (-20% QoQ) to Rs 974/ton, on account of 5.5% QoQ fall in grey cement realization along with higher cost structure. Going forward, management remains confident of growing volumes in double-digits and reaching Rs 1400/ton by FY28E despite near term cost pressure. We also believe that, though near-term profitability may get impacted due to elevated fuel prices, longer-term profitability outlook remains intact considering the pick-up in cement prices and company's cost saving measures. We estimate ~10% volume CAGR and EBITDA/ton of Rs 1301/ton by FY28E. In wires & cables segment, management remains optimistic of gaining market share gradually over the next few years and revised potential revenue number to Rs 16000-17000 crore considering higher copper prices. We believe that other domestic players in wires & cables industry (like Polycab, KEI Industries) may face some competitive pressure in the coming period

Shree Cement (CMP – Rs 22,750 , Reco – HOLD)

Overall operational performance during the quarter was impacted, mainly due to muted realizations and higher fuel and packaging costs. Though volume growth of ~18% YoY in Q2FY27 was healthy due to ramp-up of recently added capacities, EBITDA/ton decreased by 15.2% YoY (-10.9% QoQ) to Rs 912/ton, on account of flattish (+0.8% YoY) realization along with higher cost structure. Going ahead, we believe that there might be some pressure on margins led by higher fuel and packaging costs due to West Asia war uncertainty, but performance should gradually improve over Q4FY27-28E. On capacity front, total cement capacity stands at ~70 mtpa and targets to reach total cement capacity of ~80 mtpa by FY28E/29E which gives longer term growth visibility. Management has also given volume guidance of ~40 mtpa for FY27E (which implies ~10% YoY growth)

Jindal Stainless (CMP – Rs 684, Reco – Buy)

Jindal Stainless reported a muted performance in Q2FY27 amid relentless import pressure. Sales volume for the quarter came in at 6.64 lakh tonne (up 2.5% YoY), while EBITDA/tonne moderated to ₹ 21,568/tonne, down ~₹ 1,320/tonne QoQ. Company has lowered its sales volume guidance of 7-9% for FY27E to 4-6% while upgrading its EBITDA/tonne guidance from ~₹ 18-20K/tonne to ~₹20-22k/tonne amid rising share of value-added products. Structurally, we remain positive on the company given the increasing application of stainless steel domestically & JSL's leadership in this space. Stock trades inexpensive at ~8x EV/EBITDA on FY29E. Our last rating was BUY on the stock with a target price of ₹ 915.

Misses

BFSI

Shriram Finance (CMP – Rs 868, Reco – Buy)

Shriram Finance reported healthy performance in Q2FY27. AUM grew 17% YoY to ₹3.29 lakh crore, supported by healthy traction in gold, MSME and personal loans. Substantial uptick of 48 bps QoQ was witnessed in margins to 9.52%, aided by deployment of equity capital raised from MUFG. Controlled opex supported earnings momentum, with PAT growing 59.4% YoY. Despite healthy performance, drought-related stress and geopolitical uncertainty could lead to moderation in growth and deterioration in asset quality, and thus remain key concerns, thereby impacting valuations.

Nippon Life India AMC (CMP – Rs 925, Reco – Buy)

NAM reported healthy performance as AUM market share broadly remained flat at 9.02%. Revenue was at ₹796 crore (up 21% YoY, 4% QoQ). Core operating profit was reported at ₹523 crore (+25% YoY, 6% QoQ). PAT reported at ~₹324 crore (-6% YoY, -36% QoQ), impacted by lower other income at ~₹23 crore and exceptional expenses of ~₹97 crore. Sustained traction in systematic flows, leadership in ETFs and higher retail presence should support AUM growth, while operating leverage remains supportive of core earnings. NAM remains well placed to benefit from structural financialization of savings.

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