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Diwali Picks 2025 (SAMVAT 2082)

Canara Bank
Va Tech Wabag Ltd
Acutaas Chemical Ltd
Ircon International Ltd
Hindustan Aeronautics Ltd
Mazagon Dock Shipbuilders Ltd
CG Power & Industrial Solutions Ltd

Released On:

15th October 2025

Canara Bank

Snapshot	Value	Snapshot	Value
CMP (₹)	128.41	PCR (%)	93.17
52-week High/Low (₹)	128.60/78.60	Gross NPA (%)	2.69
Total Business (₹ In Crs.)	25,63,984	Net NPA (%)	0.63
FV (Rs.)	2.00	NIM (%)	2.55
Book value per share (₹)	102.33	CASA Ratio (%)	29.56
CRAR (%)	16.52	ROE (%)	21.05

Company Overview:

Canara Bank, founded in 1906 in Mangalore and based in Bengaluru, is one of India's leading public sector banks, providing comprehensive services in retail, corporate, MSME, and international banking. With over 10,000 branches and 13,000+ ATMs, the bank is well-represented in both urban and rural sectors, as well as a worldwide presence in London, Dubai, Hong Kong, and Singapore. Canara Bank, which is backed by the government and focuses on digital transformation, financial inclusion, and asset quality improvement, is well-positioned to benefit from India's expanding credit demand and infrastructure expansion.

Key Highlights and Investment Rationale

At CMP of ₹128.41, the stock trades at a P/BV of 1.25x. We recommend a “Buy” due to following reason:

- Strong Q1FY26 Performance:** Canara Bank delivered a robust performance in Q1FY26, driven by strong credit growth and higher treasury income. The bank showcased a significant improvement in asset quality, with GNPA and NNPA reducing to 2.69% and 0.63%, respectively, supported by effective recovery efforts and tight control over fresh slippages.
- Healthy Operating Profit Growth:** Operating profit rose by 3.3% QoQ and 12.3% YoY to ₹8,554 crore, reflecting healthy income growth, improved operational efficiency, and disciplined cost management. This performance underscores the bank's consistent focus on profitability and cost optimization.
- Diversified Income & Strong Capital Position:** Fee-based and treasury income segments contributed meaningfully to overall earnings, offsetting margin pressures from the lending business. The bank maintained a robust capital position with CRAR at 16.52% and CET-1 ratio at 12.29%, providing sufficient headroom for future balance sheet expansion and sustained growth.
- Retail-Led Business Growth Momentum:** Business growth was primarily driven by the RAM (Retail, Agriculture, and MSME) segment, which grew ~15% YoY, outpacing corporate credit growth of 10%. The retail loan portfolio surged 34% YoY to ₹2.35 lakh crore, led by housing loans (+14% YoY). This aligns with the bank's three-year strategic goal of increasing RAM's share in total advances from 54% to 58%, a milestone now achieved.
- CASA Movement & Deposit Mix Strategy:** The CASA ratio dipped below 30% for the first time, mainly due to seasonal outflows of institutional deposits received in March and utilized in April–May. However, current account deposits grew 9.85% YoY, and the bank remains committed to improving its CASA mix, with a target of achieving a 32% ratio over the medium term.

Key Risks:

- Net interest income and margins remain sensitive to policy rate changes, with the recent repo rate cut expected to impact Q2FY26 and margins likely to stay under pressure for 6–9 months. About 45% of the loan book is MCLR-linked, and the full 40bps cut's impact on yields may take up to a year. Additionally, changes in RBI policy, government borrowing, or macro conditions could influence credit growth, treasury income, and liquidity.
- The dip in CASA below 30% highlights potential difficulties in maintaining a low-cost deposit base. Slower improvement in CASA could affect future earnings stability.

- Expansion in the RAM (Retail, Agriculture, MSME) portfolio and digital banking initiatives require careful monitoring of underwriting quality, operational efficiency, and risk management systems.

Consolidated Financial Summary (₹ In Crore)

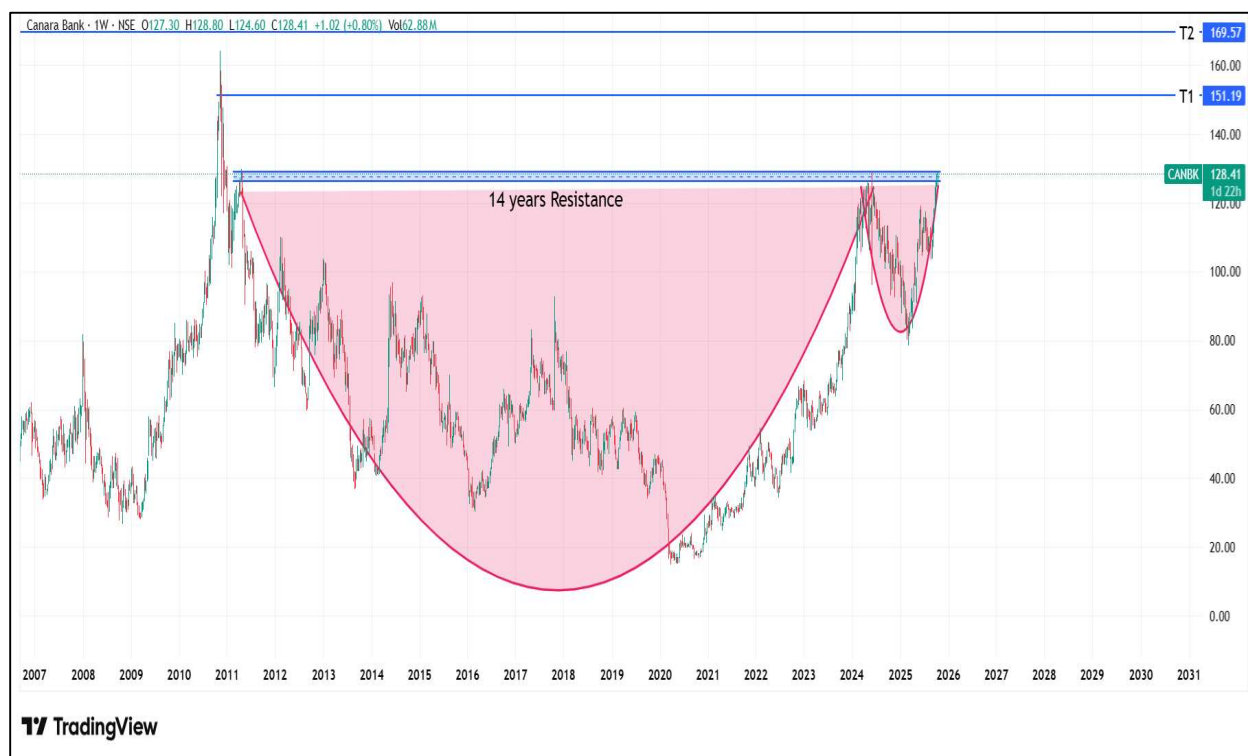
Particulars	Q1FY26	FY25	FY24	FY23
Net Interest Income	9,009	37,072	36,566	31,436
NIM (%)	2.55%	2.80	3.05	2.95
Non – Interest Income	7,060	22,453	18,966	18,762
Cost/Income (%)	46.77	47.27	47.03	44.79
Operating Profit	8,554	31,391	29,413	27,715
Net profit	4,752	17,027	14,554	10,604
Global Gross Advances	10,96,329	10,73,332	9,60,602	8,62,782
Global Deposits	14,67,655	14,56,883	13,12,366	11,79,219
Gross NPA (%)	2.69	2.94	4.23	5.35
Net NPA (%)	0.63	0.70	1.27	1.73
PCR (%)	93.17	92.70	89.10	87.31
Credit cost (%)	0.72	0.92	0.96	1.17
CRAR (%)	16.52	16.33	16.28	16.68
RoA(%)	1.14	1.09	1.01	0.81
RoE (%)	21.05	21.28	22.06	19.49

Source: Company

Conclusion:

Canara Bank delivered a healthy Q1FY26, supported by treasury income, steady NII, and contained operating costs. Credit growth remained robust, led by the retail segment, while asset quality improved with controlled slippages and adequate provisions. Despite short-term NIM pressure from repo cuts, margins are expected to recover gradually, supported by stable funding costs. With strong capital buffers, strategic focus on RAM growth, and favorable policy tailwinds, the bank is well-positioned for sustainable earnings growth.

Price Movement Chart



Va Tech Wabag Ltd

Snapshot	Value	Snapshot	Value
CMP (Rs.)	1,420.00	PE (TTM) (x)	28.85
52-week High/Low (Rs.)	1,944 / 1,109	EV/EBITDA (TTM) (x)	19.31
Market Cap (₹In Crs.)	8,846.60	Revenue Visibility (years)	4.78
FV (Rs.)	2.00	Debt/Equity (x)	0.17
Book value per share (Rs.)	344.00	ROE (%) (TTM)	14.30%
EPS (TTM) (Rs.)	49.22	ROCE (%) (TTM)	16.90%

Company Overview:

VA Tech WABAG Ltd is a leading Indian multinational water technology company focused exclusively on water and wastewater management. With a legacy of over 100 years, WABAG has established itself as a global pure-play water solutions provider, offering end-to-end services across the entire water value chain — from design and engineering to construction, operation, and maintenance.

Driven by innovation and sustainability, the company has strong R&D foundation to deliver customized, high-efficiency water treatment solutions. Operating in 25+ countries, WABAG plays a critical role in addressing global water challenges through projects in desalination, industrial effluent treatment, municipal water recycling, and wastewater reuse.

Key Highlights and Investment Rationale

At CMP of ₹1,420.00, the stock trades at a PE of 28.85x at EPS (TTM) of ₹49.22. We recommend a “Buy” Due to following reason:

- Robust Order Book and Revenue Visibility:** WABAG’s order book exceeds ₹15,750 crore in Q1 FY26, reflecting a robust project pipeline. In Q1 FY26, Notable additions include a ₹380 crore World Bank-funded water reuse project in Bengaluru and a ₹2,332 crore desalination project in Yanbu, Saudi Arabia. The company also holds preferred bidder status for projects valued at over ₹3,500 crore. Its well-diversified portfolio across EPC and O&M segments, as well as domestic and international markets, underpins a stable and sustainable business profile.
- Improving Business Mix and Margin Stability:** The company is increasing its O&M revenue share (now above 20%), which provides recurring income and margin stability. Its municipal-to-industrial revenue mix of 75:25 ensures diversification. Q1 FY26 saw gross margins of 28.7%, one of the highest in recent quarters, supported by efficient execution and disciplined bidding. Focus on quality contracts and payment-secure clients should sustain margins ahead.
- Technological Leadership and Execution Strength:** Backed by a robust R&D foundation and a portfolio of over 125 IPRs, WABAG has established strong technical expertise in desalination, wastewater recycling, and industrial effluent treatment. Landmark projects such as Yanbu underscore its proven execution capabilities and cost efficiency. The company follows a disciplined bidding approach focused on risk-adjusted returns and payment security, ensuring high project quality and long-term sustainability.
- Strong Financial Performance and Balance Sheet:** VA Tech WABAG delivered 17% YoY revenue growth in Q1 FY26 to ₹734 crore, with EBITDA and PAT up about 22% and 20%, reflecting steady profitability. The company remains net cash-positive for 10 straight quarters, holding ₹510 crore in net cash and ₹815 crore in gross cash in Q1 FY26. Its asset-light model ensures strong cash flow and financial flexibility for new projects. This healthy balance sheet supports sustained growth and reduces leverage-related risks.
- Sector Tailwinds and ESG Alignment:** Strong government focus on water infrastructure, recycling, and wastewater reuse is driving new opportunities. Rising ESG and compliance norms are pushing industries toward efficient water management, a core WABAG strength. With over 40% of revenue from international markets like the Middle East and Africa, WABAG is well placed to benefit from global investments in desalination and sustainable water solutions.

Key Risks:

- Large EPC projects, especially desalination and marine works, may face delays or cost overruns due to technical complexity or regulatory hurdles.
- With a sizable share of international revenue, adverse currency movements could impact profitability.
- Quarterly margins may fluctuate depending on the stage and mix of projects under execution.
- A few mega projects contribute significantly to revenues; delays or cancellations could affect short-term growth.

Consolidated Financial Summary (₹ In Crore)

Particulars	Q1FY26	FY25	FY24	FY23
Revenue from operations	734	3,294	2,856	2,960
Growth (%)	17.25%	15.34%	(3.51)%	(0.64)%
EBITDA	96	422	366	318
Margin (%)	13.08%	12.81%	12.82%	10.74%
Growth (%)	21.52%	15.30%	15.09%	35.90%
Profit for the year	66	295	250	11
Margin (%)	8.99	8.96%	8.75%	0.37%
EPS (Rs.)	10.58	47.48	39.49	2.09

Source: Company

Conclusion:

VA Tech WABAG commenced FY26 on a strong note, supported by excellent financial performance, a record order book, and an expanding high-margin O&M portfolio. The company is well-placed to benefit from increasing global demand for water management solutions, ESG-focused industrial requirements, and government-led infrastructure initiatives. While execution and payment risks remain inherent to the sector, WABAG's asset-light model, strong balance sheet, and disciplined project selection provide confidence in its long-term sustainable growth outlook.

Price Movement Chart



Acutaas Chemicals Ltd

Snapshot	Value	Snapshot	Value
CMP (Rs.)	1,548.80	PE (TTM) (x)	67.01
52-week High/Low (Rs.)	1,530 / 727	EV/EBITDA (TTM) (x)	49.01
Market Cap (₹In Crs.)	12,685.00	Revenue from Operations CAGR (3 years) (%)	25.00
FV (Rs.)	5.00	Net Profit CAGR (3 years) (%)	31.00
Book value per share (Rs.)	159.95	ROE (%) (TTM)	14.50%
EPS (TTM) (Rs.)	23.09	ROCE (%) (TTM)	16.93%

Company Overview:

Acutaas Chemicals Ltd (formerly Ami Organics Ltd) is a leading research and development-driven specialty chemicals manufacturer engaged in producing advanced pharmaceutical intermediates, Active Pharmaceutical Ingredients (APIs), and high-value specialty chemicals. Its products cater to diverse sectors including pharmaceuticals, agrochemicals, fine chemicals, cosmetics, energy storage, and semiconductors, with a strong global presence across more than 55 countries.

Key Highlights and Investment Rationale

At CMP of ₹1,548.80, the stock trades at a PE of 67.01x at EPS (TTM) of ₹23.09. We recommend a “Buy” Due to following reason:

- Growth Visibility in CDMO and Pharma Intermediates:** The pharma intermediates and CDMO segment grew 23% YoY to ₹165.8 crore in Q1 FY26, driven by rising demand for oncology-related CDMO projects. Three new CDMO contracts, each with potential revenue of ₹50–100 crore, are progressing toward commercialization by FY26. Long-term supply contracts like Fermion ensure revenue stability through patent-protected molecules valid till 2033–2035, supporting steady growth and higher-margin contributions ahead.
- Expansion into Battery Chemicals and Electrolyte Additives:** The company is investing ₹177 crore in an electrolyte additive facility at Jhagadia for products such as vinylene carbonate (VC) and fluoroethylene carbonate (FEC). ₹69 crore has been spent so far, and commissioning is expected by Q4 FY26. This entry aligns with global China+1 trends in battery materials, targeting EV and energy storage markets. Management expects an efficient asset turnover of about 1.5x from this segment.
- Entry into Semiconductor Chemicals via JV:** Acutaas has formed a strategic JV in South Korea, Indichem with a KRW 30 billion investment (75% Acutaas, 25% Korean partner) to manufacture specialty chemicals for semiconductor production. The facility's capex and location are finalized, with commercialization targeted for late 2026/early 2027. The JV will focus on new products led by the Korean partner's technology, serving global markets with strong visibility on customers in Korea and Japan.
- Strong Financial Performance and Margin Expansion:** Acutaas Chemicals reported a strong Q1 FY26 with revenue up 17% YoY to ₹207.2 crore. EBITDA grew 72% to ₹50.9 crore, with margins improving to 24.6%, while PAT tripled to ₹44 crore (21.2% margin). Strong operating cash flow of ₹94.6 crore and a net cash balance of ₹270 crore reflect healthy liquidity and efficient operations.
- Disciplined Capex and Sustainability Focus:** In Q1 FY26, Acutaas incurred a capex of ₹69 crore, primarily for the battery chemicals project at Jhagadia and capacity expansion at Ankleshwar. The total planned capex for FY26 is around ₹250 crore, including the ₹177 crore electrolyte additive facility. Additionally, the company commissioned a 15.8 MW solar power project to meet energy needs at Ankleshwar and Jhagadia, reducing operational costs and supporting sustainability initiative.

Key risks:

- The CDMO and specialty chemical businesses are subject to stringent global regulatory approvals, any delay or non-compliance may affect revenues and market access.
- While dependence on China has been reduced (from 70% to 21%), fluctuations in key raw material prices or supply disruptions could pressure margins.
- Growth in CDMO, battery, and semiconductor chemicals depends on global demand cycles; slowdown in pharma, EV, or semiconductor sectors could affect projected revenue and profitability.

Consolidated Financial Summary (₹ In Crore):

Particulars	Q1FY26	FY25	FY24	FY23
Revenue from operations	207	1,007	717	617
Growth (%)	16.94%	40.44%	16.20%	18.65%
EBITDA	51	232	128	123
Margin (%)	25%	23%	18%	20%
Growth (%)	70%	81.25%	4.06%	17.28%
Profit for the year	44	160	49	83
Margin (%)	21.25%	15.89%	6.83%	13.45%
EPS (Rs.)	5.41	19.38	5.80	11.43

Source: Company

Conclusion:

Acutaas operates a diversified B2B model across pharma, specialty, battery, and semiconductor sectors, with about 74% of revenue from exports. The company is well-placed to benefit from “China+1” diversification, rising CDMO outsourcing, and growing energy-material demand. Long-term contracts, global client relationships, and expansion into emerging technologies strengthen its growth visibility, though execution and input cost risks remain key monitorable.

Price Movement Chart



Ircon International Limited

Snapshot	Value	Snapshot	Value
CMP (₹)	173.59	PE (TTM) (x)	24.45
52-week High/Low (₹)	237.70/134.24	EV/EBITDA (TTM) (x)	20.12
Market Cap (₹In Crs.)	16,318.00	Revenue Visibility (years)	2.00
FV (₹)	2.00	Debt/Equity (x)	0.68
Book value per share (₹)	67.26	ROE (%) (TTM)	11.33
EPS (TTM) (₹)	7.10	ROCE (%) (TTM)	11.60

Company Overview:

Ircon International Limited (IRCON) is a Government of India company under the Ministry of Railways, incorporated on April 28, 1976, originally as Indian Railway Construction Company Limited. It is a leading turnkey construction and infrastructure company in the public sector, known for its quality, commitment, and consistent performance. IRCON's expertise spans the entire spectrum of infrastructure development, with core competencies in railway and highway construction, EHV sub-stations (engineering and construction), and mass rapid transit systems (MRTS). The company operates extensively across India and internationally, with a presence in countries such as Malaysia, Nepal, Bangladesh, Mozambique, Ethiopia, Afghanistan, the UK, Algeria, and Sri Lanka.

Operating in challenging terrains and competitive environments, IRCON has been a key participant in several prestigious national and international infrastructure projects. To date, the company has successfully completed over 300 projects in India and more than 100 projects across 21 countries, establishing itself as a trusted name in the global infrastructure sector.

Key Highlights and Investment Rationale

At CMP of Rs.173.59, the stock trades at a PE of 24.45x at EPS (TTM) of ₹7.10. We recommend a "Buy" due to following reason:

- Subdued Q1FY26 Performance with Margin Resilience:** In Q1 FY26, Ircon International Limited reported a 21.9% YoY decline in revenue from operations to ₹1,786.3 crore, while PAT fell 26.5% YoY, primarily impacted by execution delays and cost pressures. Despite lower topline performance, the company delivered a robust EBITDA margin of 17.1%, an improvement of 214 bps YoY and 695 bps QoQ, highlighting strong cost efficiency and disciplined project execution.
- Strong Order Book Ensures Revenue Visibility:** As of June 30, 2025, IRCON maintained a healthy order book of ₹20,973 crore, providing strong revenue visibility for the coming year. The order mix is well diversified — ₹15,724 crore from railway projects, ₹4,234 crore from highway contracts, and ₹1,015 crore from other infrastructure sectors. The company continues to secure fresh projects across railway infrastructure, KAVACH safety systems, and EPC works, ensuring sustained growth momentum.
- Expansion through Strategic Project Wins:** The company secured a ₹224.5 crore LoA from North East Frontier Railways for civil, electrical, and telecom works, along with a ₹2,485 crore agreement with Atlantaa for the Bhandara–Gadchiroli Expressway project. These project wins not only strengthen IRCON's order pipeline but also broaden its portfolio beyond railways into highways, reinforcing its leadership in large-scale EPC infrastructure execution.
- Operational Achievements & Strategic Collaborations:** IRCON successfully completed the electrification of the Rajdhani main route via Lumding and Tinsukia divisions, marking a key milestone in national railway modernization. Additionally, the company secured a ₹253.6 crore contract from South Western Railway for implementing KAVACH, an indigenous train collision avoidance system, and entered into a non-binding MoU with Coal India Ltd. (October 2025) to jointly develop rail infrastructure, expanding its strategic partnerships in core infrastructure domains.
- Positioned to Benefit from Policy Tailwinds:** With proven expertise in rail, highways, and EHV substations, and a strong execution track record across challenging terrains, IRCON is well positioned to capitalize on government-led infrastructure programs such as Gati Shakti and Bharatmala. These initiatives are expected to drive sustained investment in transport and logistics connectivity, offering long-term growth opportunities for the company.

Key Risks:

- A large share of IRCON's revenue is tied to government projects, exposing the company to risks from policy shifts, funding delays, or changes in public spending priorities.
- IRCON faces execution and cost overrun risks in large infrastructure projects, especially in challenging terrains and overseas markets. Q1 FY26 performance reflected these challenges, with delays in mobilization and seasonal factors impacting profitability. The slowdown highlights vulnerability to project timing, monsoon disruptions, and tendering delays affecting cash flows and efficiency.
- Rising competition from both private and PSU players in railways, highways, and energy sectors could exert pressure on IRCON's profit margins.

Consolidated Financial Summary (₹ In Crore)

Particulars	Q1FY25	FY25	FY24	FY23
Operating Revenue	1786.3	10759.6	12513.7	10367.9
Total Expenses (Excl. Dep.& Finance Cost)	1586.4	9914.8	11406.8	9664.8
Other Income	106.1	371.5	356.9	382.0
EBITDA	323.9	1276.0	1510.0	929.01
EBITDA Margin (%)	17.1%	11.5%	11.7%	8.96%
Depreciation	37.2	117.9	100.4	107.5
Finance Cost	75.2	219.1	148.4	118.1
Profit Before Tax	211.5	939.0	1261.1	891.0
Tax	47.4	211.2	331.6	125.8
Profit After Tax	164.1	727.8	929.5	765.2
PAT Margin (%)	8.7%	6.5%	7.2%	7.1%
EPS	1.75	7.73	9.88	8.14

Source: Company

Conclusion:

IRCON International remains well-positioned to benefit from strong government policy support, strategic infrastructure initiatives, and a robust order book that provides medium-term revenue visibility. Despite a temporary dip in Q1 FY26 earnings due to execution delays and seasonal factors, the company's diversified footprint across rail, highways, EHV substations, and international projects, along with new strategic partnerships such as the MoU with Coal India, supports growth prospects. Execution risks and margin pressures remain, but ongoing fresh order inflows and favorable sectoral tailwinds create a strong platform for future performance.

Price Movement Chart



Hindustan Aeronautics Limited

Snapshot	Value	Snapshot	Value
CMP (Rs.)	4,845.20	PE (TTM) (x)	38.99
52-week High/Low (Rs.)	5,165/3,046	EV/EBITDA (TTM) (x)	28.89
Market Cap (₹In Crs.)	3,24,144	Revenue Visibility (years)	7.00
FV (Rs.)	5.00	Dividend Yield (%)	0.80%
Book value per share (Rs.)	523.00	ROE (%) (TTM)	23.75%
EPS (TTM) (Rs.)	124.27	ROCE (%) (TTM)	24.35%

Company Overview:

Hindustan Aeronautics Limited (HAL), a premier Defence Public Sector Undertaking (DPSU) of the Government of India (GoI), was established on October 1, 1964. Its core business encompasses comprehensive lifecycle management—design, development, manufacturing, maintenance, repair, and overhaul—of aircraft, helicopters, engines, avionics, and accessories. HAL's primary clientele includes the Indian defence forces (Air Force, Army, Navy, and Coast Guard) and the Indian Space Research Organisation (ISRO), making it vital to national security. The GoI holds a 71.64% stake as of June 30, 2025, and the company was granted Maharatna status in October 2024. HAL operates through four major production complexes: the Bengaluru Complex, the MiG Complex (Nasik and Koraput), the Helicopter Complex (Bengaluru and Barrackpore), and the Accessories Complex (Kanpur, Lucknow, Hyderabad, Kasargod, and Korwa). These divisions are supported by co-located R&D centres forming the Design Complex, ensuring seamless integration of innovation and production across its vast industrial network.

Key Highlights and Investment Rationale

At CMP of ₹ 4,845.20, the stock trades at a PE of 38.99x at EPS (TTM) of ₹ 124.27. We recommend a “Buy” Due to following reason:

- Record Order Book Ensuring Long-Term Revenue Visibility:** HAL's order book nearly doubled to ~₹1.9 lakh crore as of June 2025 (vs ₹94,000 crore in March 2024), ensuring over seven years of revenue visibility. Key contracts include ₹62,000 crore for 156 LCHs, ₹25,000 crore for 240 AL-31FP engines, ₹12,000 crore for 12 Su-30 MKIs, and ₹20,000 crore in ROH orders—underscoring HAL's pivotal role in India's defence ecosystem.
- Tejas Mk1A Order and Execution Progress Drive Growth Visibility:** The ₹62,400 crore order for 97 additional Tejas Mk1A aircraft strengthens HAL's growth outlook, supplementing the earlier 83-aircraft order. With 64% indigenous content and resumed GE engine supplies, HAL targets delivery of the first two aircraft by Oct'25. Successful integration and execution will enhance operating leverage and margins as production scales up.
- Technological Advancements and Indigenization Push:** The \$1 billion Manufacturing License Agreement with GE for local F414 engine production will boost technology transfer and lift indigenous content to ~75% in future programs. HAL has also received interest from 28 private firms for collaboration on the AMCA stealth fighter and preparing for the ₹60,000 crore Su-30 avionics upgrade, reinforcing its R&D and leadership in indigenous defence manufacturing.
- Robust Financials and Strong Liquidity Profile:** HAL reported consolidated revenue of ₹30,981 crore and PAT of ₹8,364 crore in FY25, maintaining EBITDA margins of ~31% and PAT margins near 27%. The company remains net-debt-free with cash and liquid investments of ₹33,793 crore as of June 2025, supported by advance receipts from MoD and efficient vendor alignment. Its planned capex of ₹14,000 to ₹15,000 crores over the next 5 years will be comfortably funded via internal accruals.
- Strategic Monopoly with Government Backing and Policy Tailwinds:** With a 71.6% Government of India stake and Maharatna PSU status since Oct 2024, HAL is the country's sole domestic producer of aircraft, helicopters, and engines for defence forces. High entry barriers, long-standing MoD partnerships and policy support through *Atmanirbhar Bharat* and *Make in India* initiatives ensure continued order inflows and strategic relevance.

Key Risks:

- High dependence on the Ministry of Defence (over 90% of revenue) makes HAL vulnerable to delays in orders, payments and changes in defence procurement priorities or budget allocations.
- Long-duration, large-scale projects and reliance on imported components expose HAL to cost/time overruns, margin pressure and global supply chain disruptions despite rising indigenization
- Increasing private sector participation, foreign OEM collaborations and stringent environmental regulations could intensify competition and heighten compliance risks for HAL.

Consolidated Financial Summary (₹ In Crore)

Particulars	Q1FY26	FY25	FY24	FY23
Revenue	4,819	30,981	30,381	26,927
EBITDA	1,282	9,621	9,752	6,686
EBITDA Margin (%)	27%	31%	22%	25%
PAT	1,384	8,364	7,621	5,828
PAT margin (%)	29%	27%	25%	22%
EPS (Rs.)	20.69	125.07	113.96	87.14
Order Book	1,90,000*	1,89,300	94,100	81,800
Networth	34,981*	34,981	29,138	23,572
Net Working Capital Days	(192)*	(192)	(117)	(109)
Asset Turnover Ratio	0.9*	0.9	1.1	1.2

Source: Company; *denotes FY25 numbers

Conclusion:

Hindustan Aeronautics Limited (HAL) stands at the forefront of India's defence indigenization and aerospace self-reliance drive, backed by a record order book, strong execution pipeline, and robust financial health. With the addition of the Tejas Mk1A order, normalization of engine supplies from GE, and ongoing collaborations for advanced platforms such as the AMCA and indigenous engines, HAL is well-positioned for sustained growth over the next decade. While dependence on the Ministry of Defence and potential project delays remain key challenges, HAL's strategic importance, expanding manufacturing scale, and technological advancements make it a cornerstone of India's long-term defence modernization story.

Price Movement Chart



Mazagon Dock Shipbuilders Ltd

Snapshot	Value	Snapshot	Value
CMP (Rs.)	2,852.40	PE (TTM) (x)	53.04
52-week High/Low (Rs.)	3,778 / 1,918	EV/EBITDA (TTM) (x)	57.49
Market Cap (₹In Crs.)	1,14,952	Revenue Visibility (years)	2.82
FV (Rs.)	5.00	Dividend Payout (%)	33.00%
Book value per share (Rs.)	197.00	ROE (%) (TTM)	27.00%
EPS (TTM) (Rs.)	53.78	ROCE (%) (TTM)	20.00%

Company Overview:

Mazagon Dock Shipbuilders Limited (MDL), headquartered in Mumbai and established in 1774, is one of India's oldest and most prominent shipyards. Over the years, it has evolved from a small dry dock into a leading defence and commercial shipbuilding enterprise. The company specializes in the construction and repair of warships, submarines, and various types of vessels for the Indian Navy, Coast Guard, and commercial clients. MDL is the only Indian shipyard to have built destroyers and conventional submarines and holds the prestigious Navratna status among public sector undertakings. With a strong legacy of maritime excellence, MDL has delivered over 800 vessels, including frigates, corvettes, missile boats, and offshore platforms, playing a vital role in strengthening India's naval capabilities and self-reliance in defence manufacturing.

Key Highlights and Investment Rationale

At CMP of ₹2,852.40, the stock trades at a PE of 53.04x at EPS (TTM) of ₹53.78. We recommend a "Buy" Due to following reason:

- Strategic Diversification and Global Collaboration:** MDL is broadening its business scope beyond conventional naval contracts by expanding into ship repairs, offshore engineering, and exports. The company has secured offshore orders worth around ₹6,500 crore and commenced export projects in Denmark, signaling progress in its global outreach. Its partnership with ThyssenKrupp Marine Systems under the P-75(I) program will introduce advanced submarine technology with more than 60% indigenous content. This strategic shift is poised to enhance MDL's technological capabilities, diversify its revenue base, and position it as a potential global hub for submarine construction and maintenance.
- Capacity Expansion to Support Next Growth Phase:** Mazagon Dock has ramped up its submarine capacity from 6 to 11 units and operationalized a new Submarine Section Assembly facility. A dedicated ₹4,000 crore CAPEX is planned for the Nhava yard to develop small shipbuilding infrastructure and double overall capacity. These expansions, fully funded through internal accruals, will strengthen execution capability for upcoming large defence orders.
- Expanding Order Book and Multi-Year Revenue Visibility:** MDL currently holds an order book of ₹32,000 crore, with ₹24,000 crore expected to be executed over the next two years. The company expects to sign the P-75 additional submarines and P-75(I) submarine contracts within this financial year. As per management, these deals could raise the order book from ₹32,000 crore to over ₹1.25 lakh crore. Over the next 18–24 months, potential inflows of ₹2–2.5 lakh crore are possible from key projects such as the 17 Bravo frigates and MCMV. Revenue contribution from the new submarine orders is expected to commence from FY28, with about 10% recognition in that year.
- Strong Financial Performance and Robust Balance Sheet:** For Q1 FY26, the company reported revenue from operations of ₹2,626 crore, up 11% YoY from ₹ 2,357 crore in Q1 FY25, driven by healthy execution and business growth. However, EBITDA declined sharply to around ₹ 302 crore, down 53% YoY, mainly due to a steep rise in provisioning expenses, which jumped to ₹540 crore (vs. ₹3 lakh in Q1 FY25). Despite higher revenue, increased costs and provisions reduced profitability, adj. net profit declined to ₹ 452 crore from ₹ 696 crore in Q1 FY25.
- Policy Tailwinds and Prudent Margin Outlook:** Government initiatives such as Atmanirbhar Bharat and the focus on indigenization are expected to drive sustained growth in domestic shipbuilding. MDL has provided a medium-term guidance of around 15% PBT margin, with the CMD noting that "it is prudent to have a margin of approximately 15%." The company's proactive provisioning for cost escalations and disciplined bidding approach reflects strong risk management, while favorable geopolitical dynamics continue to support the long-term prospects for defence shipbuilders like MDL.

Key risks:

- Large and complex defence projects like P-75(I), 17 Bravo, and MCMV are prone to execution and approval delays, which could impact revenue recognition timelines.
- MDL's growth is heavily reliant on defence contracts; any delay in government approvals or budget allocation could affect order inflows.
- Although MDL follows a prudent provisioning policy, unexpected increases in material, labor, or vendor costs could affect project profitability and overall margins.
- While export initiatives are underway, MDL still derives most of its revenue from the Indian Navy, indicating concentration risk.

Consolidated Financial Summary (₹ In Crore)

Particulars	Q1FY26	FY25	FY24	FY23
Revenue from operations	2,626	11,432	9,467	7,827
Growth (%)	11%	21%	21%	37%
EBITDA	302	2,066	1,416	801
Margin (%)	11%	18%	15%	10%
Profit for the year	452	2,414	1,937	1,119
Margin (%)	17%	21%	20%	14%
EPS (Rs.)	11.21	59.83	48.02	27.74
Order book	32,300*	32,300	38,600	38,800

Source: Company; *denotes FY25 numbers

Conclusion:

Mazagon Dock Shipbuilders is at a pivotal inflection point, backed by record financials, a strong balance sheet, and an expanding capacity base. While near-term revenue growth may moderate as new contracts enter the design phase, the medium- to long-term outlook remains highly attractive. With visibility of large defence orders, growing export potential, and policy support for indigenization, MDL stands out as a high-quality, long-duration defence play poised for sustained value creation.

Price Movement Chart



CG Power & Industrial Solutions Ltd

Snapshot	Value	Snapshot	Value
CMP (Rs.)	757.30	PE (TTM) (x)	115.44
52-week High/Low (Rs.)	866/518	EV/EBITDA (TTM) (x)	86.91
Market Cap (₹In Crs.)	1,18,896	Revenue Visibility (years)	1.30
FV (Rs.)	2.00	Operating cash flow (₹In crs)	441.00
Book value per share (Rs.)	25.10	ROE (%) (TTM)	26.00%
EPS (TTM) (Rs.)	6.56	ROCE (%) (TTM)	33.00%

Company Overview:

CG Power & Industrial Solutions Ltd., a Murugappa Group company, is a leading player in India's power and industrial systems space, offering comprehensive end-to-end solutions to utilities, industries, and consumers across the globe. Backed by 18 manufacturing facilities, 9 regional offices and a robust network of over 450 channel partners and 500 service partners, the company has established a strong domestic and international presence. Its business is driven by two key segments — Industrial Systems, contributing 64% of FY25 revenues, where it holds leadership in AC motors and a strong position in AC generators and DC motors and Power Systems, accounting for 35% of revenues, with a solid footprint in transformers, switchgears and EPC substation projects. With transformer capacity set to expand from 17,000 MVA to 85,000 MVA by FY28, CG Power is poised to emerge among India's largest transformer manufacturers, strengthening its market position across both industrial and power segments.

Key Highlights and Investment Rationale

At the CMP of ₹757.30, the stock trades at a P/E of 115.44x at EPS (TTM) of ₹6.56. We recommend a "Buy" due to the following factors:

- Strong Financial & Segment Performance:** CG Power delivered record standalone Q1FY26 results with revenue of ₹2,643 crore (+25% YoY) and PAT of ₹286 crore (+23% YoY). Power Systems led growth with 43% revenue rise and 21% margins driven by superior price realization and demand momentum, while Industrial Systems grew 16% YoY driven by motors and railway traction and propulsion systems despite margin pressure primarily due to commodity price inflation (not fully passed on) and adverse sales mix (increased share of lower-margin Railway business).
- Robust Order Book & Major Wins:** Order inflow surged 62% YoY to ₹5,138 crore, taking the backlog to an all-time high of ₹13,072 crore (+82% YoY) on a consolidated basis. Key wins include a ₹641 crore 765kV transformer order from Power Grid, ₹244 crore from Techno Electric for switchgear and ₹148 crore KAVACH contract from North-Western Railways via subsidiary G.G. Tronics, ensuring strong visibility over the next 5 years, especially in Power Systems.
- Capacity Expansion for Growth:** Transformer capacity to double to 40,000 MVA by Sep 2025 and reach 85,000 MVA by FY28, positioning CG among India's largest transformer manufacturers. The company remains "very bullish" on Power Systems demand and plans further capacity additions as the order pipeline strengthens.
- Semiconductor Business:** CG Power's semiconductor JV with Renesas Electronics (Japan) and Stars Microelectronics (Thailand) entails a ₹7,600 crore investment to establish India's first semiconductor unit in Sanand, Gujarat, where CG holds a 92.3% stake. The pilot plant will commence production in FY26, followed by the main fab in FY27 with a capacity of 15 million units/day, marking a major step in India's semiconductor self-reliance. The venture, complemented by the Axiro acquisition (RF component design), positions CG in the high-tech, high-margin electronics manufacturing space.
- Strategic Initiatives & Growth Levers:** CG Power is expanding its global footprint through an export push across Africa and Europe, supported by a growing service network and plans for development of long-term service models like "motor-as-a-service" for recurring revenues. A 5% price hike in LT motors (with ~50% realization expected), focus on cost control and efficient executions are expected to lift margins toward the management's 14–15% PBT target. New product launches such as SmartSENSE (India's first cordless water pump controller) and Fluxtron (high-efficiency MV induction motor) underscore its innovation-driven, premium product strategy.

Key Risks:

- Prolonged weakness in industrial capex and LT motor demand could delay growth and margin recovery in the Industrial Systems segment.
- Execution delays, commodity price volatility or limited pass-through under railway PVC clauses may pressure profitability and working capital.
- Ongoing transformer capacity expansion and semiconductor projects require timely execution; any delay, cost overrun, or equipment sourcing issue could affect returns and timelines.
- High capital intensity and long gestation in the semiconductor venture pose technology and demand-related risks to near-term profitability.

Consolidated Financial Summary (₹ In Crore)

Particulars	Q1FY26	FY25	FY24	FY23
Revenue	2,878	9,909	8,046	6,973
EBITDA	381	1,319	1,142	1,005
EBITDA Margin (%)	13%	13%	14%	14%
PAT	267	973	1,428	963
PAT margin (%)	9.28%	9.82%	17.75%	13.81%
EPS (Rs.)	1.76	6.37	9.34	6.30
ROCE (%)	33%	32.0%	35.5%	53.9%

Source: Company

Conclusion:

CG Power continues to deliver strong growth momentum, supported by structural industry tailwinds (T&D capex, railway modernization, Make in India), a record order book, capacity expansion and diversification into high-value segments like semiconductors and services. Despite near-term margin pressures and execution risks in the Industrial segment, CG Power's disciplined pricing actions, operational efficiencies and focus on innovation underscore its strong fundamentals and position the company well to sustain profitability and reinforce long-term market leadership.

Price Movement Chart





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Buy - Absolute return of 20% and above

Accumulate - Absolute return between 15% and above

Book profits - On achieving the price target given in the research report for a particular Company or on an occurrence of a specific event leading to change in fundamentals of the Company recommended

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For research related queries contact:

Divya Makwana at research@ajcon.net

CIN:L74140MH1986PLC041941

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062