22 October 2024

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	81,151	-0.1	12.3
Nifty-50	24,781	-0.3	14.0
Nifty-M 100	57,678	-1.7	24.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,854	-0.2	22.7
Nasdaq	18,540	0.3	23.5
FTSE 100	8,318	-0.5	7.6
DAX	19,461	-1.0	16.2
Hang Seng	7,341	-1.8	27.3
Nikkei 225	38,955	-0.1	16.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	74	1.3	-5.2
Gold ($/OZ)	2,720	-0.1	31.8
Cu (US$/MT)	9,421	-0.9	11.3
Almn (US$/MT)	2,560	-0.7	9.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	84.1	0.0	1.0
USD/EUR	1.1	-0.5	-2.0
USD/JPY	150.8	0.9	6.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.8	0.01	-0.3
10 Yrs AAA Corp	7.3	0.01	-0.4
Flows (USD b)	**21-Oct**	**MTD**	**CYTD**
FIIs	-0.3	-9.37	1.9
DIIs	0.38	9.60	50.1
Volumes (INRb)	**21-Oct**	**MTD***	**YTD***
Cash	1,089	1147	1291
F&O	3,19,847	3,90,645	3,81,178

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

UltraTech Cement: Weak demand and pricing hurt margin

- UTCEM's 2QFY25 EBITDA was below our estimate due to higher-than-estimated opex/t. Volume growth (+4% YoY) and blended realization (-6% YoY) was in line with our estimate. EBITDA declined ~21% YoY to INR20.2b (7% miss) and EBITDA/t declined ~24% YoY to INR725 (est. INR775).
- Management highlighted that the pre-election slowdown, followed by intense monsoon, led to demand weakness in 1HFY25. Pent-up demand and good monsoon should lead to demand recovery going forward. Further, cement prices were up ~2% vs. Aug'24-exit and have remained steady (MTD). It expects profitability to bottom out in 2QFY25.
- The company is actively working on a cost-efficiency program for sustainable cost reduction, and targeting a cost saving of INR300/t over the next three years. We cut our EBITDA estimates by 9%/5% for FY25/FY26 and EPS estimate by 15%/7% for FY25/FY26 (higher EPS cut in FY25 due to higher interest expense reported in 2Q). The stock trades at 19x/15x FY26E/FY27E EV/EBITDA. We value UTCEM at 20x Sep'26E EV/EBITDA and arrive at a TP of INR13,000 (earlier INR13,600). **Reiterate BUY**.

Research covered

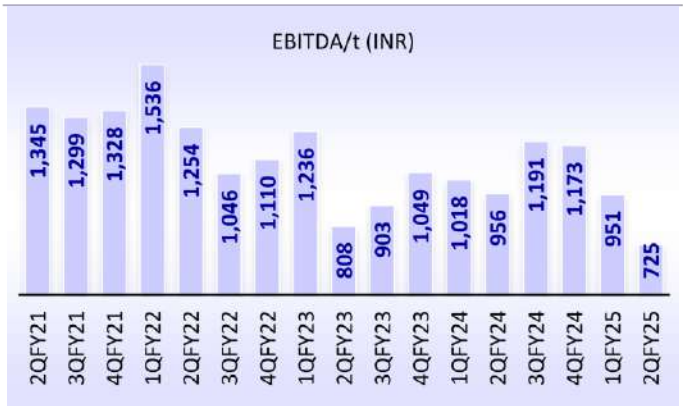
Cos/Sector	Key Highlights
UltraTech Cement	Weak demand and pricing hurt margin
Oberoi Realty	Stellar sales in 360-West and Elysian boost growth
L&T Finance	MFI performance better than industry; in-line earnings
Dalmia Bharat	Weak performance; demand growth and price key monitorable
Other Updates	MCX | Cyient DLM | Indostar Capital Finance | Bajaj Housing Finance | Union Bank of India | 360ONE WAM | Gravita India | Mahindra Logistics | Expert Speak - Consumer

Chart of the Day: UltraTech Cement (Weak demand and pricing hurt margin)

Sales volume grew 4% YoY

Source: MOFSL, Company

EBITDA/t declined 24% YoY/QoQ



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

CD&R makes Rs 2,983 cr offer for 26% stake in Sanofi Consumer Healthcare

Global investment firm CD&R on Monday announced an open offer to acquire a 26 per cent stake in Sanofi Consumer Healthcare India Ltd for an aggregate of up to Rs 2,983 crore.

2

Emaar India to invest Rs 2,000 crore in Mumbai Metropolitan Region market

Real estate major Emaar India is planning to invest Rs 2,000 crore, mainly in the Mumbai Metropolitan Region (MMR) market, top company executives said on Monday.

3

Navi Finserv cancels Rs 100 cr bond issuance plan after RBI action

Bengaluru-based non-banking finance company (NBFC) Navi Finserv has cancelled its planned bond issuance of Rs 100 crore, which was scheduled for bidding on Monday, two sources privy to the development said.

4

Tata Steel UK inks contract for electric furnace in green steelmaking drive

Indian steel major's pact last week with Tenova for its Port Talbot site in Wales, the UK's largest steelworks, has been described as a significant milestone on the road to reducing carbon emissions

5

Torrent Power plans ₹3,000-4,000 crore fundraise for organic and inorganic expansion

Torrent Power, the energy arm of the Gujarat-based Torrent group, is planning to raise as much as ₹3,000-4,000 crore through a qualified institutional placement (QIP) of shares, people aware of the matter told Moneycontrol.

6

Tata Motors secures order for 1000 diesel buses to UP State Road Transport

The company secured the order through competitive e-bidding, following the successful delivery of 1,350 bus chassis last year.

7

India set to boost aircraft manufacturing, government to collaborate with HAL and NAL

Civil Aviation Minister K Rammohan Naidu on Monday (October 21) announced that the government aims to develop aircraft design and manufacturing capabilities in India, collaborating with industry leaders.

UltraTech Cement

Estimate change	↓
TP change	↓
Rating change	

Bloomberg	UTCEM IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	3137.9 / 37.3
52-Week Range (INR)	12138 / 8148
1, 6, 12 Rel. Per (%)	-4/4/2
12M Avg Val (INR M)	3810

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	727	867	966
EBITDA	122	169	203
Adj. PAT	61	92	116
EBITDA Margin (%)	17	20	21
Adj. EPS (INR)	212	314	393
EPS Gr. (%)	(13)	48	25
BV/Sh. (INR)	2,254	2,666	3,055
Ratios			
Net D:E	0.0	(0.0)	(0.1)
RoE (%)	9.8	12.9	13.9
RoCE (%)	9.6	12.2	13.3
Payout (%)	21.2	17.5	6.7
Valuations			
P/E (x)	51.3	34.7	27.7
P/BV (x)	4.8	4.1	3.6
EV/EBITDA(x)	25.5	18.6	15.1
EV/ton (USD)	229	204	184
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.5	1.9	2.8

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	60.0	60.0	60.0
DII	14.3	14.0	15.2
FII	18.6	18.8	17.3
Others	7.1	7.2	7.5

FII includes depository receipts

CMP: INR10,869 TP: INR13,000 (+20%) BUY

Weak demand and pricing hurt margin

Expects recovery in 2H and outperformance of industry volume growth

- UltraTech Cement (UTCEM)'s 2QFY25 EBITDA was below our estimate due to higher-than-estimated opex/t. EBITDA declined ~21% YoY to INR20.2b (7% miss). EBITDA/t declined ~24% YoY to INR725 (est. INR775). OPM contracted 3.0pp YoY to ~13% (est. ~14%). Adj. PAT declined ~36% YoY to INR8.2b (est. INR9.3b).
- Management highlighted that the pre-election slowdown, followed by intense monsoon, led to demand weakness in 1HFY25. Pent-up demand and good monsoon should lead to demand recovery going forward. It expects double-digit volume growth in 2H and anticipates outperforming the industry's volume growth. Further, cement prices were up ~2% vs. Aug'24-exit and have remained steady (MTD). It has added 9mtpa grinding capacity in 1HFY25 and will commission another ~8mtpa in 2H.
- We cut our EBITDA estimates by 9%/5% for FY25/FY26 and EPS estimate by 15%/7% for FY25/FY26 (higher EPS cut in FY25 due to higher interest expense reported in 2Q). The stock trades at 19x/15x FY26E/FY27E EV/EBITDA. We value UTCEM at 20x Sep'26E EV/EBITDA and arrive at a TP of INR13,000 (earlier INR13,600). **Reiterate BUY.**

Sales volume rises 4% YoY; realization/t down 6% YoY

- UTCEM's consol. revenue/EBITDA/adj. PAT stood at INR156.3b/INR20.2b/ INR8.2b (down 2%/21%/36% YoY and in line/down 7%/12% vs. our est.). Consolidated sales volume grew 4% YoY to 27.8mt. Other operating income per ton was at INR117 vs. INR104/INR60 in 2QFY24/1QFY25.
- Grey cement realization was down ~8% YoY/2% QoQ (in line). Blended realization declined 6% YoY/1% QoQ. Opex/t was down 3% YoY (+2% vs. our estimate), led by 6%/2% decline in variable/freight costs. Other expense/t was flat YoY. EBITDA/t declined 24% YoY to INR725 and OPM contracted 3.0pp to ~13% in 2QFY25. Depreciation/interest expenses rose 13%/36% YoY and other income increased 32% YoY.
- In 1HFY25, consol. revenue was flat YoY, while EBITDA/adj. PAT declined 10%/16% YoY. Based on our estimate, the implied revenue growth is ~5% while EBITDA/PAT is expected to decline ~3%/11% YoY in 2HFY25. We estimate volume growth of ~11% YoY in 2HFY25 and expect EBITDA/t to be at INR1,030 in 2HFY25 vs. INR1,180/INR850 in 2HFY24/1HFY25. In 1HFY25; OCF declined 16% YoY to INR28.3b due to lower profitability and an increase in working capital. Net debt increased to INR87.9b vs. INR27.8b as of Mar'24. Net debt to EBITDA stood at 0.71x vs. 0.21x as of Mar'24.

Highlights from the management commentary

- UTCEM's capacity utilization stood at ~68% vs. 75% in 2QFY24. Utilization across regions were in the range of ~65-75% during the quarter. Industry volume growth is estimated at -1% to +1% YoY for 2QFY25.
- Fuel consumption cost declined ~8% YoY to INR1.84/Kcal. Its high-cost fuel contracts are nearing the end and will have a slight impact in 3Q. It expects fuel cost to decline by another INR0.10/kcal (~INR70/t) in 3Q.

- Capex in 1H was INR45.0b and full-year (FY25) capex will be at INR80-90b. Capex in FY26/FY27 will also be in a similar range, given the higher organic expansions. Its grinding capacity will increase to ~169mtpa/184mtpa by FY26/FY27 through the organic expansions.

Valuation and view

- UTCEM witnessed margin pressure in 1HFY25 due to a slowdown in demand and pricing pressure. However, the company is actively working on a cost-efficiency program for sustainable cost reduction, and targeting a cost saving of INR300/t over the next three years. Its cost-saving initiatives include an increase in C:C ratio, green power, and AFR share; logistics cost optimization; and improvement in the overall plant efficiency.
- We estimate a CAGR of 16%/18% in consolidated EBITDA/adjusted PAT over FY24-FY27. UTCEM is estimated to continue to gain market share with its robust capacity expansion (including inorganic growth). We value the stock at 20x Sep'26E EV/EBITDA to arrive at our TP of INR13,000 (earlier INR13,600). We reiterate our BUY rating.

Consolidated quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net sales	**177.4**	**160.1**	**167.4**	**204.2**	**180.7**	**156.3**	**166.1**	**224.0**	**709.1**	**727.1**	**156.3**	0
YoY change (%)	17.0	15.3	7.9	9.4	1.9	-2.4	-0.8	9.7	12.1	2.5	-2.4	
Total expenditure	146.9	134.6	134.9	163.1	150.3	136.2	138.5	180.4	579.4	605.3	134.6	1
EBITDA	**30.5**	**25.5**	**32.5**	**41.1**	**30.4**	**20.2**	**27.6**	**43.6**	**129.7**	**121.8**	**21.7**	(7)
Margin (%)	17.2	15.9	19.4	20.1	16.8	12.9	16.6	19.5	18.3	16.7	13.9	(99)
Depreciation	7.5	8.0	7.8	8.1	8.4	9.0	8.9	8.9	31.5	35.3	8.5	6
Interest	2.1	2.3	2.6	2.6	2.6	3.2	3.1	3.2	9.7	12.1	2.5	29
Other income	1.7	1.7	1.4	1.4	1.7	2.2	1.7	1.2	6.2	6.8	1.7	30
PBT before EO expense	**22.6**	**16.9**	**23.5**	**31.7**	**21.1**	**10.2**	**17.3**	**32.7**	**94.7**	**81.3**	**12.4**	(18)
Extra-ord expense	-	-	-	0.72	(0.33)	-	-	-	0.7	(0.3)	-	
PBT after EO Expense	**22.6**	**16.9**	**23.5**	**31.0**	**21.4**	**10.2**	**17.3**	**32.7**	**94.0**	**81.6**	**12.4**	(18)
Tax	5.8	4.1	5.8	8.5	4.5	1.9	4.3	9.4	24.2	20.1	3.1	(38)
Prior period tax adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Rate (%)	25.5	24.3	24.7	27.5	20.9	18.8	25.0	28.8	25.7	24.7	25.0	
Reported PAT	**16.9**	**12.8**	**17.7**	**22.5**	**16.9**	**8.3**	**13.0**	**23.3**	**69.8**	**61.4**	**9.3**	(11)
Minority interest	0.0	0.0	-0.1	-0.1	0.0	0.1	0.0	0.0	-0.2	0.0	0.0	
Adj. PAT	**16.9**	**12.8**	**17.8**	**23.1**	**16.7**	**8.2**	**13.0**	**23.3**	**70.6**	**61.2**	**9.3**	(12)
YoY change (%)	6.3	69.6	67.9	38.7	-1.0	-36.0	-27.0	0.9	39.2	-13.3	-27.2	

Key operating parameters

Income Statement (INR/t)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Volume (mt)	30.0	26.7	27.3	35.1	32.0	27.8	29.1	40.0	119.0	128.8	28.0	(1)
Change (YoY %)	19.6	15.5	5.6	10.8	6.6	4.3	6.4	13.9	12.6	8.2	5.0	
Realization (including RMC)	**5,920**	**5,999**	**6,127**	**5,821**	**5,656**	**5,616**	**5,711**	**5,606**	**5,957**	**5,644**	**5,578**	1
Change (YoY %)	-2.2	-0.2	2.1	-1.2	-4.5	-6.4	-6.8	-3.7	-0.4	-5.2	-7.0	
RM cost	983	935	972	1,086	1,009	1,048	1,010	1,030	1,000	1,024	980	7
Power and fuel	1,629	1,643	1,529	1,379	1,406	1,378	1,369	1,260	1,536	1,346	1,410	(2)
Staff cost	236	304	281	214	231	328	286	206	255	257	275	19
Freight and forwarding	1,369	1,316	1,325	1,325	1,309	1,287	1,303	1,327	1,334	1,308	1,285	0
Other expenditure	686	846	828	644	749	849	795	630	742	763	852	(0)
Total expenditure	**4,903**	**5,044**	**4,936**	**4,648**	**4,704**	**4,891**	**4,763**	**4,453**	**4,867**	**4,699**	**4,803**	2
EBITDA	**1,018**	**956**	**1,191**	**1,173**	**951**	**725**	**948**	**1,153**	**1,089**	**945**	**775**	(6)
YoY change (%)	(17.7)	18.3	31.9	11.8	(6.5)	(24.1)	(20.4)	(1.7)	8.4	(13.2)	(18.9)	

Sources: Company reports, MOFSL estimates

Oberoi Realty

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	725.6 / 8.6
52-Week Range (INR)	2068 / 1051
1, 6, 12 Rel. Per (%)	11/31/55
12M Avg Val (INR M)	1484

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	45.0	56.4	68.8
EBITDA	24.1	32.7	40.0
EBITDA (%)	53.6	58.1	58.2
PAT	19.3	24.3	30.1
EPS (INR)	53.0	66.7	82.8
EPS Gr. (%)	1.2	26.0	24.0
BV/Sh. (INR)	380.8	439.5	514.3
Ratios			
Net D/E	0.1	0.1	0.0
RoE (%)	14.8	16.3	17.4
RoCE (%)	12.8	14.5	15.6
Payout (%)	15.1	12.0	9.7
Valuations			
P/E (x)	37.7	29.9	24.1
P/BV (x)	5.2	4.5	3.9
EV/EBITDA (x)	30.8	22.4	18.2
Div Yield (%)	0.4	0.4	0.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	67.7	67.7	67.7
DII	12.0	12.3	11.6
FII	18.4	18.1	17.8
Others	1.9	2.0	2.9

CMP: INR1,996 TP: INR2,056 (+3%) Neutral

Stellar sales in 360-West and Elysian boost growth

Strong traction across projects

- Oberoi Realty's (OBER) pre-sales grew 49% YoY to INR14.4b (80% above estimate) in 2QFY25, driven by strong bookings at '360-West' project in Worli, which contributed INR6.6b to pre-sales across bookings of six units.
- Elysian Goregaon's pre-sales jumped 147% YoY to INR3.2b after the successful launch of the third tower in 4QFY24. Sales traction was weak at Borivali (INR1.3b), while at Mulund (INR2.7b), it was higher by 25% YoY and doubled sequentially. Forestville Thane (launched in 3Q) clocked bookings of INR0.6b across 29 units.
- Collections grew 9% YoY to INR12.1b. OBER generated OCF (post WC) of INR8.4b, which was partially utilized to reduce debt. Net debt stood at INR2.8b vs. INR8.4b as of Jun'24, with a D/E ratio of 0.02x.
- **P&L performance:** Revenue rose 8% YoY to INR13b (27% above est.), led by higher recognition in Elysian. EBITDA stood at INR8.1b, up 28% YoY, led by 10pp margin expansion to 62% due to product mix. PAT, at INR5.9b, rose 29% YoY and was 41% above our estimate. Margin stood at 45%.
- For 1HFY25, revenue grew 28% YoY to INR27.3b, achieving 48% of revised FY25E of INR56.4b. EBITDA stood at INR15.5b, up 52% YoY, led by 8pp margin expansion to 60% due to product mix. PAT, at INR11.7b, rose 51% YoY with margin of 51%.

Commerz III incremental occupancy boosts rentals; hospitality business steady

- Following the Commerz III augmentation in 1QFY25, occupancy rose to 65% from 54%, resulting in revenue growth of 41% QoQ to INR0.9b. Occupancy at Commerz II was steady at 93%, while Commerz I, with 84% occupancy, is almost fully leased out. OBER reported total office revenue of INR1.4b (+27% QoQ), with an EBITDA margin of 88%.
- The Oberoi Mall clocked a 34% YoY jump in revenue, fueled by the increase in both area and occupancy. On a blended basis, the commercial segment generated EBITDA of INR1.7b and a margin of 91%.
- **Hospitality:** Occupancy at Westin Goregaon was stable at 82%. ARR rose 8% YoY to ~INR12,630. Hence, revenue was up 9% YoY to INR438m. EBITDA margin dropped to 37%, leading to EBITDA of INR163m.

Key management commentary

- **Launches:** The Pokhran Road project in Thane was launched in Oct'24 and witnessed an encouraging response. Additionally, OBER has available launch pipeline at Borivali (1 tower) and Goregaon (2 towers), which might be launched in 2HFY25 or FY26. The Gurugram, Adarsh Nagar, Worli and Tardeo projects will be launched in FY26.

- **Annuity portfolio:** The company is witnessing strong leasing traction across all three office assets, and they can be fully leased out by the end of FY25. OBER is also hopeful to achieve ~90% occupancy in the Borivali mall by the end of FY25 once it is operational by mid Jan-25.
- **Glaxo land, Worli:** The project has a development potential of 1.6-1.8msf carpet area, and the management has decided to build a mixed-use annuity project, which would include 0.6msf of mall, a boutique hotel of ~80-100k sqft, and ~1msf for office development. Work on the project will start in 1QFY26 and approvals will take another nine months from there.
- Funds raised (INR60b) will be utilized to accelerate growth by acquiring land parcels, which is expected in the next 4-6 months as the company is evaluating some opportunities.
- For NCR, OBER has completed the design and it is now at the approval stage; planning to launch the project by 2HFY26.
- The company was declared successful resolution applicant by NCLT for the acquisition of Nirmal Lifestyle Realty Pvt. Ltd. It has development rights for land measuring ~20,262.40 sqm situated at L.B.S. Road, Mulund West, Mumbai.
- The company entered into an agreement for the redevelopment of land measuring ~2,576 sqm situated at Carter Road, Bandra.

Valuation and view

- OBER is witnessing an uptick in the performance of its residential business. It is also seeing an uptrend in its rental portfolio as it commences operations at its ongoing marquee office and retail assets. The recent Pokhran-2 launch in Thane received strong traction; hence, we believe the residential segment should see a healthy scale-up, with the available pipeline across the MMR and Gurugram regions.
- We expect OBER to post a 41% CAGR in pre-sales over FY24-27. However, a major part of the re-rating depends on re-investment of strong cash flow generation as the company monetizes its completed and near-completion inventories.
- We have accelerated the sales velocity for 360 West, Thane's Pokhran2 and Elysian as these projects witnessed strong traction. Additionally, after OC, Enigma too witnessed improved velocity, hence we have fast-tracked it.
- At current valuations, OBER's residential business implies a value of INR550-570b. The estimated value of the existing pipeline, including the Gurugram project, is INR300b, implying +100% of the going concern premium, which already accounts for prospective business development in the near term.
- **Reiterate Neutral** with a TP of INR2,056, indicating a 3% upside potential.

Financial and operational summary (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2Q	(%)
Net Sales	**9,100**	**12,174**	**10,536**	**13,148**	**14,052**	**13,199**	**14,653**	**14,455**	**44,958**	**56,358**	**10,424**	27%
YoY Change (%)	-0.3	76.8	-35.3	36.8	54.4	8.4	39.1	9.9	7.2	25.4	-14.4	
Total Expenditure	4,362	5,792	5,443	5,262	5,901	5,061	6,139	6,511	20,859	23,612	4,495	
EBITDA	**4,737**	**6,382**	**5,094**	**7,886**	**8,151**	**8,138**	**8,514**	**7,944**	**24,099**	**32,746**	**5,929**	37%
Margins (%)	52.1	52.4	48.3	60.0	58.0	61.7	58.1	55.0	53.6	58.1	56.9	478bp
Depreciation	113	113	114	135	202	208	270	357	475	1,037	228	
Interest	615	565	501	504	589	517	502	323	2,184	1,930	296	
Other Income	236	264	292	2,438	368	387	366	287	3,230	1,409	198	
PBT before EO expense	**4,245**	**5,968**	**4,771**	**9,685**	**7,728**	**7,800**	**8,109**	**7,551**	**24,669**	**31,188**	**5,602**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**4,245**	**5,968**	**4,771**	**9,685**	**7,728**	**7,800**	**8,109**	**7,551**	**24,669**	**31,188**	**5,602**	39%
Tax	1,046	1,421	1,192	1,833	1,905	1,930	1,805	1,302	5,491	6,942	1,429	
Rate (%)	24.6	23.8	25.0	18.9	24.7	24.7	22.3	17.2	22.3	22.3	25.5	
MIt & Profit/Loss of Asso. Cos.	17	21	22	28	23	25	0	-25	89	23	0	
Reported PAT	3,216	4,568	3,602	7,880	5,845	5,894	6,304	6,225	19,266	24,268	4,174	
Adj PAT	**3,216**	**4,568**	**3,602**	**7,880**	**5,845**	**5,894**	**6,304**	**6,225**	**19,266**	**24,268**	**4,174**	41%
YoY Change (%)	-20.2	43.4	-48.7	64.1	81.7	29.0	75.0	-21.0	1.2	26.0	-8.6	
Margins (%)	35.3	37.5	34.2	59.9	41.6	44.7	43.0	43.1	42.9	43.1	40.0	
Operational metrics												
Residential												
Sale Volume (msf)	0.15	0.22	0.26	0.45	0.21	0.28	0.69	0.9	1.0	2.1	0.24	15%
Sale Value (INRm)	4,760	9,650	7,868	17,907	10,519	14,425	22,000	25670	39,428	72,614	8,000	80%
Collections (INRm)	11,091	11,013	8,915	10,821	10,114	12,112	16,000	20870	40,086	59,096	10,000	21%
Realization (INR/sft)	32,630	43,700	30,575	40,017	49,903	52,305	32,000	28,741	40,062	35,126	33,333	57%

L&T Finance

Estimate changes	↓
TP change	↓
Rating change	

Bloomberg	LTF IN
Equity Shares (m)	2493
M.Cap.(INRb)/(USDb)	393.4 / 4.7
52-Week Range (INR)	194 / 127
1, 6, 12 Rel. Per (%)	-9/-14/-12
12M Avg Val (INR M)	1375

Financials Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	75.4	89.3	108.8
PPOP	51.7	63.9	77.7
NP	23.2	27.9	34.7
EPS (INR)	9.3	11.2	13.9
EPS Gr. (%)	42.4	20.3	24.3
BV/Share	94	103	114
Ratios			
NIM (%)	9.6	9.9	9.8
C/I ratio (%)	40.4	39.1	38.1
RoA (%)	2.2	2.5	2.6
RoE (%)	10.3	11.4	12.8
Payout (%)	26.9	26.0	24.5
Valuations			
P/E (x)	17.0	14.1	11.3
P/BV (x)	1.7	1.5	1.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	66.3	66.4	66.0
DII	12.3	11.7	8.2
FII	6.7	7.3	10.9
Others	14.7	14.7	14.9

FII Includes depository receipts

CMP: INR158 TP: INR200 (+27%) Buy

MFI performance better than industry; in-line earnings

Asset quality largely stable, aided by write-offs

- L&T Finance (LTF) reported 17% YoY growth in PAT to INR7b (in line) in 2QFY25. PPoP grew ~23% YoY to ~INR15.9b (in line). Credit costs stood at INR6.5b (vs. MOFSLe of INR6b), translating into annualized credit costs of ~2.6% (vs. 2.4% in 1QFY25 and 2.6% in 2QFY24). Write-offs stood at INR6.6b (INR4.8b in 1Q). Consol. RoA/RoE stood at 2.6%/11.7% in 2Q.
- Retail assets contributed ~96% to the loan mix (95% in 1Q). Retail loans grew ~28% YoY, led by healthy growth in 2W, home loans, LAP, and SME. LTF has started to regrow its personal loans book, up 8% QoQ. Given the sectoral stress, rural business loans (microfinance) grew 3% QoQ.
- The management anticipates 3Q to be just as challenging as 2Q, with normalization expected in 4Q. Meanwhile, the management will focus on strengthening its other retail business segments. We model a CAGR of ~25% in total loans and ~26% in PAT over FY24-FY27E, with consolidated RoA/RoE of 2.8%/~15% in FY27E.
- In 1HFY25, PAT grew ~23% YoY, and we expect PAT to grow ~18% YoY in 2HFY25. There are sectoral headwinds and stress in the microfinance segment, which will result in muted loan growth and high credit costs in this segment over the next two quarters. NIM would also moderate over the next two quarters because of a lower share of microfinance loans in the disbursement mix. Thereafter, we expect LTF to overcome these headwinds and perform relatively better than its peers.
- LTF has transformed itself into a retail franchise and will continue to deliver a sustainable improvement in profitability and RoA expansion. **Retain BUY with a TP of INR200 (based on 1.6x Sept'26E BVPS).**

Asset quality largely stable, significant decline in PCR due to write-offs

- Consol. GS3 grew ~5bp QoQ to ~3.2% and NS3 rose ~20bp QoQ to ~0.95%. PCR declined ~5pp to ~71%. Retail GS3 increased ~5bp QoQ to 2.8%.
- The management said that credit costs could remain high for the next few quarters because of sectoral stress in the microfinance segment. The management also added that it will decide at an opportune time whether it needs to utilize macro-economic provisions. We model total credit costs (as % of average loans) of ~3.0%/2.8% in FY25/FY26.

NIM contracts ~40bp QoQ; fee income higher QoQ

- Reported NIM contracted ~40bp QoQ to 8.9%. However, consol NIMs + Fees contracted only ~20bp QoQ to 10.9%, aided by higher fee income.
- Spreads (calc.) remained stable at ~8.9%, while yields (calc.) grew 25bp QoQ to ~16.1%. CoB (calc.) rose ~25bp QoQ to ~7.1%. The Management guided that NIMs + Fee will be between ~10.75%-11.25% (slight lower over the next few quarters). We model NIMs of ~9.9%/9.8% in FY25/26.

Key highlights from the management commentary

- In the microfinance segment, there was localized impact on collection efficiency due to widespread floods in certain geographical pockets of Gujarat, North Bihar and parts of West Bengal.
- LTF expects a soft landing in microfinance in the latter part of 3Q or early 4Q, because of good monsoons and resumption of social welfare schemes.

Valuation and view

- LTF has invested in process automation, security, and customer journeys. This, along with partnerships with e-aggregators, should lead to a stronger and more sustainable retail loan growth. Stress in the microfinance sector is a near-term headwind, which the company will have to navigate and come out stronger.
- We estimate a PAT CAGR of 26% over FY24-27, with consolidated RoA/RoE of 2.8%/~15% in FY27. Reiterate our **BUY rating on the stock with a TP of INR200 (based on 1.6x Sep'26E BVPS).**

Quarterly performance (INR M)

Y/E March	FY24				FY25E				FY24	FY25E	2QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	31,165	31,685	33,063	33,226	34,526	36,544	38,737	40,266	1,29,139	1,50,073	36,080	1
Interest Expenses	13,638	13,249	13,534	13,351	13,514	14,763	15,826	16,700	53,772	60,802	13,852	7
Net Interest Income	**17,527**	**18,436**	**19,529**	**19,875**	**21,012**	**21,781**	**22,911**	**23,567**	**75,367**	**89,271**	**22,228**	**-2**
Change YoY (%)	14.3	11.9	7.2	12.6	19.9	18.1	17.3	18.6	11.4	18.4	20.6	
Other Operating Income	1,068	453	2,277	3,492	3,318	3,649	3,466	4,578	6,667	15,012	2,786	31
Net Operating Income	**18,596**	**18,889**	**21,805**	**23,367**	**24,330**	**25,431**	**26,377**	**28,145**	**82,034**	**1,04,283**	**25,014**	**2**
Change YoY (%)	11.7	7.5	12.9	31.9	30.8	34.6	21.0	20.4	15.1	27.1	32.4	
Other income	1,535	2,682	473	56	2	47	237	284	4,745	569	536	-91
Total Income	**20,130**	**21,572**	**22,278**	**23,422**	**24,332**	**25,477**	**26,614**	**28,429**	**86,779**	**1,04,853**	**25,550**	**0**
Change YoY (%)	11.1	15.0	11.9	18.7	20.9	18.1	19.5	21.4	13.4	20.8	18.4	
Operating Expenses	7,782	8,598	8,896	9,803	9,656	9,578	10,141	11,595	35,079	40,970	10,231	-6
Change YoY (%)	18.3	25.2	19.9	24.6	24.1	11.4	14.0	18.3	22.1	16.8	19.0	
Operating Profits	**12,348**	**12,974**	**13,382**	**13,619**	**14,676**	**15,899**	**16,472**	**16,835**	**51,701**	**63,882**	**15,319**	**4**
Change YoY (%)	6.9	9.1	7.2	7.3	18.9	22.5	23.1	23.6	6.3	23.6	18.1	
Provisions	5,212	5,000	5,142	6,679	5,453	6,504	7,052	7,697	21,410	26,706	5,967	9
Profit before Tax	**7,136**	**7,974**	**8,240**	**6,940**	**9,223**	**9,396**	**9,420**	**9,138**	**30,290**	**37,177**	**9,353**	**0**
Tax Provisions	1,831	2,032	1,847	1,410	2,370	2,429	2,402	2,093	7,119	9,294	2,385	2
Profit after tax	**5,309**	**5,951**	**6,402**	**5,539**	**6,855**	**6,967**	**7,018**	**7,045**	**23,171**	**27,882**	**6,968**	**0**
Change YoY (%)	103	47	41	11	29	17	10	27	43	20	17	
Key Operating Parameters (%)												
Rep. Net Income (% of Avg Assets)	9.64	10.84	10.92	11.25	11.08	10.86						
Rep. Cost of funds (%)	7.77	7.79	7.81	7.82	7.85	7.80						
Cost to Income Ratio	38.7	39.9	39.9	41.9	39.7	37.6						
Rep Credit Cost	2.33	2.58	2.52	3.23	2.37	2.59						
Tax Rate	25.7	25.5	22.4	20.3	25.7	25.9						
Balance Sheet Parameters												
Gross Customer Assets (INR B)	786	787	818	856	887	930						
Change YoY (%)	-10.8	-12.6	-7.5	5.8	12.9	18.1						
Borrowings (INR B)	754	766	760	765	803	849						
Change YoY (%)	-7.8	-10.3	-11.9	-7.8	6.5	10.9						
Customer Assets /Borrowings (%)	104	103	108	112	110	110						
Asset Quality Parameters (%)												
GS 3 (INR B)	31.7	25.8	26.3	27.0	27.9	29.6						
Gross Stage 3 (%)	4.0	3.3	3.2	3.2	3.1	3.2						
NS 3 (INR B)	9.1	6.3	6.5	6.6	6.9	8.7						
Net Stage 3 (%)	1.6	0.8	0.8	0.8	0.8	1.0						
PCR (%)	71.4	75.7	75.3	75.5	75.3	70.6						
Return Ratios (%)												
ROAA	2.1	2.4	2.5	2.2	2.7	2.6						
ROAE	9.4	10.8	11.4	9.5	11.6	11.7						

E: MOFSL Estimates

Dalmia Bharat

Estimate change	↓
TP change	↓
Rating change	

Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	343.4 / 4.1
52-Week Range (INR)	2431 / 1651
1, 6, 12 Rel. Per (%)	4/-18/-42
12M Avg Val (INR M)	873
Free Float (%)	44.2

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	147.7	163.0	176.2
EBITDA	27.3	33.3	38.2
Adj. PAT	8.6	12.2	15.7
EBITDA Margin (%)	18.5	20.4	21.7
Adj. EPS (INR)	45.9	65.0	83.6
EPS Gr. (%)	12.8	41.5	28.5
BV/Sh. (INR)	903	950	1,014
Ratios			
Net D:E	0.1	0.1	0.0
RoE (%)	5.2	7.0	8.5
RoCE (%)	5.6	6.9	8.3
Payout (%)	28.3	27.7	23.9
Valuations			
P/E (x)	39.9	28.2	21.9
P/BV (x)	2.0	1.9	1.8
EV/EBITDA(x)	12.4	10.4	8.9
EV/ton (USD)	87	85	83
Div. Yield (%)	0.7	1.0	1.1
FCF Yield (%)	-2.3	1.9	4.8

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.8	55.8	55.9
DII	14.7	13.8	9.6
FII	8.9	9.4	14.1
Others	20.5	21.0	20.5

FII includes depository receipts

CMP: INR1,834 TP: INR2,250 (+23%) BUY

Weak performance; demand growth and price key monitorable

Industry volume growth to be ~6% in FY25E (vs. previous est. of ~8%)

- Dalmia Bharat (DALBHARA)'s 2QFY25 performance was weak as expected as its EBITDA declined 26% YoY to INR4.3b (5% miss) and EBITDA/t was down 32% YoY to INR650 (est. INR700). OPM contracted 4.7pp YoY to 14%. PAT declined 54% YoY to INR550m (est. INR571m). Higher volume growth (+8% YoY; +3% v/s estimates) and better cost controls were key positives; though; realization decline of 6% QoQ was weaker than our estimate of ~2% decline.
- Management believes that muted cement demand in 1HFY25 led to lower capacity utilization and weak pricing. Demand is expected to improve in 2H, led by a pick-up in constriction activities, private capex, and government-led infrastructure projects. It expects demand to grow at 8% YoY in 2HFY25 and 6% YoY in FY25 (previous estimate of ~8%). Better demand should lead to price improvements; though competitive intensity needs to be monitored.
- We cut our EBITDA estimates by ~5% for FY25/FY26 (each) and ~4% for FY27 due to continued pricing pressure and slower-than-expected recovery in demand. We value DALBHARA at 12x Sep'26E EV/EBITDA to arrive at our TP of INR2,250 (earlier INR2,390). **Reiterate BUY.**

Volume increases 8% YoY; realization/t dips 9%

- Consolidated revenue/EBITDA/adj. PAT stood at INR30.9b/INR4.3b/ INR550m (down 2%/26%/54% YoY and 1%/5%/4% vs. our est.) in 2QFY25. Sales volume grew 8% YoY to 6.7mt Realization was down 9% YoY/6% QoQ.
- Variable costs declined 13% YoY (8% lower than our estimate). However; Other expense/freight cost per ton increased 7%/8% YoY (up 6%/flat vs. our estimate). Employee costs declined 3%/4% YoY/QoQ. Opex/t was down 4% YoY (3% lower than our estimate).
- In 1HFY25, consol. revenue/EBITDA declined 1%/9% YoY, while adj. PAT grew 16% (led by lower depreciation and ETR). Our estimates imply a revenue/EBITDA/PAT growth of ~2%/14%/13% YoY for 2HFY25, which would be led by volume growth of ~8% and higher cement prices. We estimate EBITDA/t to be at INR965 in 2HFY25 vs. INR920/INR780 in 2HFY24/1HFY25. OCF in 1HFY25 declined 69% YoY to INR2.1b due to an increase in working capital. Capex stood at INR13.9b vs. INR16.1b in 1HFY24. Net debt increased to INR6.4b vs. INR4.6b as of Jun'24. Net debt to EBITDA stood at 0.25x vs. 0.17x as of Jun'24.

Highlights from the management commentary

- It reiterated volume growth guidance of 1.5x than the industry growth. The ongoing expansion in Northeast and Bihar is likely to be completed in 2H.
- Fuel consumption cost stood at INR1.36/Kcal vs. INR1.38/Kcal in 1QFY25. The company expects fuel cost to decline marginally in the coming quarter.
- The company is working on cost savings of INR150-200/t over the next three years (INR50/t in FY25/26 each and INR100/t in FY27) through increasing RE share, captive coal mines, logistics optimization, etc.

Valuation and View

- DALBHARA reported weak operating performance in 2QFY25 due to weak realization amid higher price correction in the Southern and Eastern regions and an increase in the non-trade mix in sales volume. We estimate the company's revenue/EBITDA/PAT CAGR at 6%/13%/27% over FY25-27. We estimate a volume CAGR of ~8% over FY25-27 and EBITDA/t of INR990/1,060 in FY26/FY27 vs. INR880 in FY25E.
- The stock has corrected ~25% since Dec'23, factoring in delayed capacity addition plans and weak operating performance due to sharp price corrections in its core markets. The company is among the least cost producer in the industry, backed by a higher blending ratio, green power share, and lower freight cost. The stock is currently trading at 10x/9x FY26E/FY27E EV/EBITDA. We value the stock at 12x Sep'26E EV/EBITDA to arrive at our revised TP of INR2,250 (earlier INR2,390). **Reiterate BUY.**

Quarterly Performance (Consolidated) (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	36.3	31.5	36.0	43.1	36.2	30.9	34.9	45.8	146.9	147.7	31.2	-1
YoY Change (%)	10.0	6.0	7.4	10.1	-0.3	-2.0	-3.2	6.2	8.5	0.5	-0.9	
Total Expenditure	30.1	25.6	28.3	36.5	29.5	26.5	28.5	35.8	120.5	120.4	26.7	-0
EBITDA	6.2	5.9	7.8	6.5	6.7	4.3	6.3	9.9	26.4	27.3	4.6	-5
Margins (%)	17.0	18.7	21.6	15.2	18.5	14.1	18.2	21.7	18.0	18.5	14.6	-52
Depreciation	4.0	4.0	3.7	3.3	3.2	3.4	3.4	3.7	15.0	13.7	3.4	-0
Interest	0.8	1.0	1.1	0.9	1.0	1.0	1.0	1.2	3.9	4.2	1.0	-
Other Income	0.5	0.9	0.6	1.2	0.5	0.7	0.8	0.7	3.2	2.7	0.7	12
PBT before EO Expense	1.9	1.7	3.6	3.5	3.1	0.7	2.7	5.7	10.7	12.2	0.9	-14
Extra-Ord expense	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	1.1	0.0	
PBT after EO Expense	1.9	1.7	3.6	3.5	1.9	0.7	2.7	5.7	10.7	11.1	0.9	-14
Tax	0.4	0.5	1.0	0.3	0.5	0.2	0.7	1.6	2.2	3.1	0.2	
Prior Period Tax Adjustment	0.0	0.0	0.1	-0.6	0.0	0.1	0.0	0.0	-0.6	0.1	0.0	
Rate (%)	22.2	27.9	24.7	26.7	16.0	20.5	27.0	28.8	15.0	28.8	27.0	
Reported PAT (Pre Minority)	1.4	1.2	2.7	3.2	1.5	0.5	2.0	4.1	8.5	8.0	0.6	-21
Minority + Associate	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.3	0.2	0.1	
Adj. PAT	1.2	1.2	2.7	2.5	2.3	0.6	1.9	4.0	7.6	8.6	0.6	-4
YoY Change (%)	-36.9	325.0	33.8	-3.1	82.9	-53.8	-28.6	57.4	11.5	13.9	-52.0	
Per Ton Analysis (Blended) INR/t												
Sales Dispatches (m ton)	7.0	6.2	6.8	8.8	7.4	6.7	7.4	9.5	28.8	31.0	6.5	3
YoY Change (%)	12.4	6.9	7.9	18.9	6.2	8.1	8.4	7.8	12.1	7.5	5.0	
Net Realization	5,209	5,079	5,300	4,894	4,893	4,607	4,732	4,821	5,101	4,771	4,793	-4
YoY Change (%)	-2.2	-0.8	-0.5	-7.4	-6.1	-9.3	-10.7	-1.5	-3.2	-6.5	-5.6	
RM Cost	812	860	921	1,111	818	664	650	640	939	690	860	-23
Employee Expenses	319	365	325	230	308	327	304	243	302	291	361	-9
Power, Oil & Fuel	1,294	1,126	1,068	898	1,023	1,055	1,040	1,026	1,082	1,035	1,003	5
Freight and Handling Outward	1,161	1,018	1,093	1,159	1,122	1,099	1,110	1,134	1,112	1,118	1,100	-0
Other Expenses	739	761	749	753	719	815	768	732	750	755	771	6
Total Expenses	4,324	4,129	4,154	4,151	3,989	3,960	3,872	3,775	4,185	3,889	4,094	-3
EBITDA	885	950	1,146	743	904	648	861	1,046	916	882	699	-7

MCX

Estimate change	↑
TP change	↑
Rating change	

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	338.1 / 4
52-Week Range (INR)	6680 / 2162
1, 6, 12 Rel. Per (%)	18/63/159
12M Avg Val (INR M)	2972
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	11.8	15.0	17.5
EBIT Margin (%)	57.8	61.7	63.2
PAT	6.1	8.1	9.6
EPS (INR)	120.3	158.5	188.9
EPS Gr. (%)	638.3	31.7	19.2
BV/Sh. (INR)	294.4	326.1	363.8
Ratios			
RoE (%)	42.6	51.1	54.7
Valuations			
P/E (x)	54.9	41.7	34.9
P/BV (x)	22.4	20.2	18.1
Div Yield (%)	0.5	0.5	0.5

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	0.0	0.0	0.0
DII	57.5	57.3	56.4
FII	22.3	20.9	25.5
Others	20.3	21.9	18.1

FII Includes depository receipts

CMP: INR6,629 TP: INR7,600 (+15%) Buy

Volumes at an all-time high; PAT above estimate

- MCX posted 73% YoY growth in operating revenue to INR2.9b (5% above our estimate) in 2QFY25. Operating revenue rose 67% YoY in 1HFY25.
- Revenue growth was driven by a surge in volumes, which jumped 114% YoY. Futures volumes grew 46% YoY to INR17.5t, while options volumes surged 129% YoY to INR126t during the quarter.
- EBIT stood at INR1.7b (vs. EBIT loss of INR353m in 2QFY24), which was 4% above our estimates.
- The company reported PAT of INR1.5b (vs. a loss of INR191m in 2QFY24), which grew 39% sequentially and was 7% higher than our estimate. For 1HFY25, MCX's PAT was INR2.6b (vs. INR6m in 1HFY24).
- We raise our FY25/26 EPS estimates by 10%/11%, factoring in the surge in volumes witnessed in 1HFY25, offset by a rise in SGF contribution. **We reiterate our BUY rating on the stock with a one-year TP of INR7,600 (premised on 44x Sep'26E EPS).**

Surge in options volumes boosts revenue growth

- Options ADT surged 125% YoY to INR1.9t, largely propelled by 194% YoY growth in bullion contracts and 117% YoY growth in energy contracts. Futures ADT rose 44% YoY to INR269b, fueled by 59%/61%/7% YoY growth in bullion/base metals/ energy contracts.
- Overall ADT jumped 110% YoY to INR22t in 2QFY25, resulting in 73% YoY growth in operating revenue to INR2.9b (5% above our estimate). During 1HFY25, **MCX reported 67% YoY growth in operating revenue. We expect the same to jump 78% YoY in 2HFY25.**
- Other income rose 33% YoY at INR252m and was 28% above our estimate.
- Staff costs increased 19% YoY to INR327m (1% lower than our estimate). Other expenses declined 56% YoY to INR735m (9% higher than our estimate). Other expenses were elevated due to higher-than-expected product license fees and contributions toward SGF.
- Higher-than-expected revenue led to a 7% beat on PAT, which stood at INR1.5b (vs. a loss of INR191m in 2QFY24). For 1HFY25, PAT was at INR2.6b (vs. INR6m in 1HFY24). **We expect PAT to jump ~3x YoY during 2HFY25.**

Key takeaways from the management commentary

- MCX is gradually contributing towards SGF on a need basis. Strengthening of SGF is being done for future scalability and new product launches.
- The surge in volumes has been driven by rising participation and an increase in turnover/clients. The decline in active participation did not have an impact as the number of clients rose.
- MCX has modified the existing Gold 1kg bi-monthly options to monthly expiry options, with effect from 11th Nov'24. The cotton seed wash oil contract was launched on 15 Oct'24 (5 tonne trading units) and has received a good response, according to the management.

Valuation and view

We expect the strong growth in options volumes to continue, resulting in a revenue/EBITDA/PAT CAGR of 37%/163%/126% over FY24-27. MCX's key growth drivers include: 1) new product launches – futures & options; 2) continued volatility in key commodity prices (gold, crude oil, and natural gas) amid global uncertainties; and 3) sustained growth momentum in retail participation in the options market. With the technology overhang behind MCX and the availability of funds for further enhancement, we expect the scalability to improve. We raise our FY25/26 EPS estimate by 10%/11% factoring in the strong surge in volumes witnessed in 1HFY25. This will be offset by a slight increase in the expected SGF contribution. **We reiterate our BUY rating with a one-year TP of INR7,600 (premised on 44x Sep'26E EPS).**

Quarterly performance

INR m

	FY24				FY25				FY24	FY25E	Est.	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY25	(%/bp)	(%)	(%)
Sales	**1,458**	**1,651**	**1,915**	**1,811**	**2,344**	**2,856**	**3,139**	**3,476**	6,835	11,815	2,729	4.6	73.0	21.9
YoY Gr. (%)	34.0	29.6	33.4	35.4	60.8	73.0	63.9	92.0	33.1	72.9	65.3			
Staff Costs	253	274	290	307	321	327	333	333	1,123	1,314	328	(0.6)	19.3	1.8
Other expenses	1,098	1,664	1,822	484	697	735	808	888	5,069	3,128	676	8.6	(55.9)	5.4
EBITDA	107	-287	-197	1,020	1,326	1,794	1,997	2,255	643	7,372	1,724	4.1	NA	35.4
Depreciation	43	66	113	138	134	140	140	124	359	539	134	-	113.5	4.5
EBIT	**64**	**-353**	**-310**	**882**	**1,191**	**1,654**	**1,857**	**2,131**	**283**	**6,833**	1,590	4.0	NA	38.8
Margins (%)	4.4	-21.4	-16.2	48.7	50.8	57.9	59.2	61.3	4.1	57.8	58.3			
Interest Costs	1	1	1	1	1	1	1	1	3	3	1		66.7	100.0
Other Income	204	189	177	183	188	252	265	306	754	1,012	198	27.7	33.5	34.1
PBT bef. Exceptional items	**267**	**-164**	**-133**	**1,065**	**1,379**	**1,906**	**2,121**	**2,436**	**1,035**	**7,842**	**1,787**	6.6	**NA**	**38.2**
Tax	58	16	-91	205	273	374	424	654	189	1,725	357	4.5	NA	36.7
Rate (%)	21.6	-9.9	68.3	19.3	19.8	19.6	20.0	26.8	18.2	22.0	20.0			
Profit from associate	-13	-10	-11	19	4	4	0	11	-15	19	0.0			
PAT	**197**	**-191**	**-54**	**878**	**1,109**	**1,536**	**1,697**	**1,793**	**831**	**6,136**	**1,430**	**7.4**	**NA**	**38.5**
Y-o-Y Gr. (%)	-53	-130	-114	1,512	464	-906	-3,272	104	-44	638	-850			
EPS (INR)	**3.9**	**-3.7**	**-1.1**	**17.3**	**21.8**	**30.2**	**33.4**	**35.3**	**16.3**	**120.3**	**28.1**	7.4	**NA**	**38.5**
Total volumes (INR t)	**51.8**	**67.0**	**73.6**	**82.7**	**112.3**	**143.2**	**153.6**	**167.3**	**275.0**	**576.3**	**143.2**	-	**113.8**	**27.5**
Q-o-Q Gr. (%)	23.4	29.3	9.9	12.4	35.8	27.5	7.3	8.9			27.5			
Y-o-Y Gr. (%)	80.7	86.3	80.6	97.1	116.8	113.8	108.7	102.4	86.7	109.6	113.8			

Changes to our estimates

INRm	New estimates			Old estimates			Change		
Year End	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**	**2025E**	**2026E**	**2027E**
Sales	11.8	15.0	17.5	10.8	13.3	15.9	10%	13%	10%
EBIT margin (%)	57.8	61.7	63.2	56.9	61.4	64.2	97bp	30bp	-108bp
PAT	6.1	8.1	9.6	5.6	7.2	9.0	10%	11%	7%
EPS (INR)	120.3	158.5	188.9	109.3	142.2	176.1	10%	11%	7%
EPS Gr. (%)	638.3	31.7	19.2	570.4	30.1	23.9			
BV/Sh. (INR)	294.4	326.1	363.8	292.1	320.6	355.8	1%	2%	2%
Ratio									
RoE (%)	42.6	51.1	54.7	38.8	46.4	52.1	377bp	468bp	267bp
Valuations									
P/E (x)	55.1	41.8	35.1	55.8	42.9	34.6			
P/BV (x)	22.5	20.3	18.2	20.9	19.0	17.1			
Div Yld (%)	0.5	0.5	0.5	0.6	0.6	0.6			

Cyient DLM

Estimate change	↑
TP change	
Rating change	

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	55.4 / 0.7
52-Week Range (INR)	884 / 580
1, 6, 12 Rel. Per (%)	5/-6/-27
12M Avg Val (INR M)	315

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	17.2	24.7	31.5
EBITDA	1.7	2.9	3.8
Adj. PAT	1.0	2.0	2.7
EBITDA Margin (%)	9.8	11.6	12.2
Cons. Adj. EPS (INR)	13.1	24.7	34.3
EPS Gr. (%)	70.3	87.9	38.9
BV/Sh. (INR)	127.8	152.5	186.8
Ratios			
Net D:E	-0.3	-0.4	-0.5
RoE (%)	10.8	17.6	20.2
RoCE (%)	12.1	18.1	20.7
Valuations			
P/E (x)	54	29	21
EV/EBITDA (x)	31	18	13

Shareholding pattern (%)

As on	Sep-24	Jun-24	Sep-23
Promoter	52.2	66.7	66.7
DII	27.8	17.4	12.3
FII	7.8	5.1	6.2
Others	12.3	10.8	14.8

Note: FII includes depository receipts

CMP: INR699 TP: INR870 (+25%) Buy

Defense momentum fuels growth trajectory

PAT misses estimates due to higher interest cost

- Cyient DLM (CYIENTDL) reported a strong quarter, with revenue growth of ~33% YoY in 2QFY25, led by significant traction in the defense (up 82% YoY) and aerospace (up 20% YoY) verticals. Margins were flat YoY at 8.1%.
- However, the order book continued its downward trend, with 13% YoY/ 7% QoQ decline in 2Q to INR19.8b. The management indicated the trend will change in 4Q, with a healthy order pipeline and the finalization of key deals. We believe the order book will witness an uptick in 4QFY25, factoring in the conversion of orders from new client additions happened over the last few quarters.
- Factoring in the higher-than-anticipated interest cost in FY25 due to an increase in debt, we reduce our FY25E EPS by ~5%, while we increase our FY26E EPS by ~12% considering the recent Altek acquisition (integration from 2HFY25). We retain our BUY rating on the stock with a TP of INR870 (35x FY26E EPS).

Margins remain soft due to unfavorable business mix

- Consol. revenue grew 33% YoY to INR3.9b (in line with est.) in 2Q, mainly led by the defense (+82% YoY) and aerospace (+20% YoY) verticals. The order book stood at ~INR19.8b as of 2Q (down 13% YoY and 7% QoQ).
- Margin was flat YoY at 8.1% (est. 8.4%); however, it is still lower than historical margins due to a higher mix of low-margin business. EBITDA grew 34% YoY to INR316m (in line).
- Adjusted PAT grew 6% YoY to INR155m (est. INR197m). Adjusted PAT missed our estimate due to higher interest costs (INR110m vs. est. INR50m) in 2Q as the company took incremental short-term debt to fund the business due to negative cash flow from operations in 1HFY25.
- For 1HFY25, revenue/EBITDA/adj. PAT grew 27%/19%/30% YoY to INR6.5b/INR516m/INR261m. Based on our estimates, implied revenue/ EBITDA growth for 2HFY25 is 58%/74% YoY, led by the integration of the Altek acquisition. Organic growth is likely to contribute to 32% of revenue growth, with incremental growth expected from acquisitions in 2HFY25.

Highlights from the management commentary

- **Outlook:** The company maintains its guidance of ~30% revenue CAGR. It expects EBITDA margins to reach near to its earlier guidance of double digits, but they will be largely flat YoY.
- **Altek's** EBITDA margin and business profile (low volume high margin) is similar to that of CYIENTDL. Accordingly, this acquisition will be EPS-accretive for the company from FY26 (CYIENTDL will incur one-time transaction cost in FY25). The company will have better client proximity and will get access to multiple fortune 500 clients through this acquisition.
- **The Middle East conflict** is impacting the supply chain of the business. Apart from this, there is no significant impact on the operations, although company is closely monitoring the situation.

Valuation and view

- CYIENTDL witnessed strong revenue growth during the quarter, led by robust traction in the defense segment, while margins remained flat. Going ahead, the growth is likely to accelerate with 2H being seasonally strong for the company. This, coupled with the integration of Altek, will lead to strong financial performance from the company.
- In the medium term, we expect CYIENTDL to sustain its growth momentum, aided by: 1) expected healthy order inflows (from 4QFY25 onward); 2) integration and synergy from the Altek acquisition.
- We estimate CYIENTDL to report a CAGR of 38%/51%/64% in revenue/ EBITDA/ Adj. PAT over FY24-27E. We retain our BUY rating on the stock with a TP of INR870 (35x FY26E EPS).

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Gross Sales	**2,171**	**2,918**	**3,210**	**3,618**	**2,579**	**3,895**	**5,137**	**5,634**	**11,919**	**17,244**	**3,837**	**1**
YoY Change (%)	27.6	71.5	49.7	30.5	18.8	33.4	60.0	55.7	43.2	44.7	31.5	
Total Expenditure	1,972	2,683	2,916	3,238	2,379	3,578	4,620	4,974	10,809	15,551	3,515	
EBITDA	**200**	**235**	**294**	**380**	**200**	**316**	**516**	**661**	**1,110**	**1,693**	**323**	**-2**
Margins (%)	9.2	8.1	9.2	10.5	7.8	8.1	10.1	11.7	9.3	9.8	8.4	
Depreciation	48	55	58	62	67	69	74	77	223	287	69	
Interest	91	76	83	94	80	110	90	70	344	350	50	
Other Income	9	93	93	83	89	71	85	94	278	339	60	
PBT before EO expense	**70**	**198**	**247**	**307**	**142**	**209**	**437**	**608**	**821**	**1,395**	**264**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**70**	**198**	**247**	**307**	**142**	**209**	**437**	**608**	**821**	**1,395**	**264**	
Tax	16	51	63	80	36	54	110	153	209	353	66	
Rate (%)	23.3	25.9	25.3	25.9	25.2	26.0	25.2	25.2	25.5	25.3	25.2	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**54**	**147**	**184**	**227**	**106**	**155**	**327**	**455**	**612**	**1,042**	**197**	
Adj PAT	**54**	**147**	**184**	**227**	**106**	**155**	**327**	**455**	**612**	**1,042**	**197**	**-22**
YoY Change (%)	-15.2	106.4	222.9	80.7	97.7	5.5	77.4	99.9	92.9	70.3	34.7	
Margins (%)	2.5	5.0	5.7	6.3	4.1	4.0	6.4	8.1	5.1	6.0	5.1	

Indostar Capital Finance

Bloomberg	INDOSTAR IN
Equity Shares (m)	136
M.Cap.(INRb)/(USDb)	35.4 / 0.4
52-Week Range (INR)	343 / 156
1, 6, 12 Rel. Per (%)	-13/-8/21
12M Avg Val (INR M)	53

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	4.6	6.2	8.6
PPP	2.2	2.9	4.7
PAT	1.2	1.5	2.4
EPS (INR)	8.5	10.7	16.4
EPS Gr. (%)	-49	26	52
BV (INR)	238	248	260
Ratios			
NIM (%)	6.4	6.5	6.9
C/I ratio (%)	69.3	67.7	60.0
RoA (%)	1.1	1.1	1.5
RoE (%)	3.7	4.4	6.7
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	30.5	24.2	15.9
P/BV (x)	1.1	1.0	1.0
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	73.6	73.6	75.0
DII	1.8	1.8	1.9
FII	2.3	2.1	1.34
Others	22.3	22.5	21.7

FII Includes depository receipts

CMP: INR260 TP: INR315 (+21%) Buy

Making steady progress in its core vehicle finance segment

Asset quality largely stable

Indostar Capital Finance (Indostar) reported healthy business momentum in 2QFY25. Key highlights: 1) consolidated disbursements grew ~36% YoY to ~INR17.2b and retail AUM rose ~35% YoY to ~INR99b; 2) the company added 594 employees in 2QFY25, taking the total count to ~5,170; 3) the CV segment contributed ~87% to the retail disbursement mix; and 4) asset quality was broadly stable with standalone GS3 remaining steady at ~5% and standalone NNPA rising ~15bp QoQ to 2.5%.

Financial highlights:

- Indostar reported a consol. PAT of INR317m, which grew ~28% YoY. In 1HFY25, PAT declined ~11% YoY. We expect PAT to grow ~70% YoY in 2HFY25. NII grew ~41% YoY to INR1.1b.
- Opex jumped ~50% YoY to INR1.3b. Operating expenses were higher due to increased hiring at the Feet-on-Street (FoS) level, recruitment at senior management positions, and ongoing expansion of the branch network.
- PPOP stood at INR371m (PY: INR86m due to the one-offs). Credit costs were INR193m, translating into annualized credit costs of ~80bp in 2Q.
- Total consol. AUM (including Corporate) stood at ~INR101b, up ~31% YoY and ~6% QoQ. VF + HFC AUM grew ~52% YoY and 9% QoQ.
- Asset quality was largely stable, with standalone GNPA remaining steady at ~5% and standalone NNPA rising ~15bp QoQ to 2.5%. Management shared that it does not foresee any need to raise its credit cost guidance.
- With better visibility on disbursement momentum, we estimate a CAGR of 37%/47% in AUM/PAT CAGR over FY24-27, aided by a healthy improvement in NIM to 6.5%/6.9% in FY25/FY26E. **Reiterate BUY with a TP of INR315 (premised on 1.2x Sept'26E BVPS).**

Healthy disbursements leading to ~31% YoY growth in AUM

- Disbursements in vehicle finance (VF) grew ~3% QoQ. VF disbursements stood at INR14.5b (PQ: INR14.1b).
- The company expects AUM to scale up to ~INR90b and ~INR120b by FY25 and FY26, respectively. ~99% of its CV disbursements are in the used CV segment, which positions it well for higher yields.

Key highlights from the management commentary

- Indostar expects money from the sale of the housing finance business to be used in its core businesses – vehicle finance and small-ticket MSME loans.
- Management guided for stronger loan growth and improved profitability. Yields have started going up, incremental CoB has started coming down, and it has begun repaying some of its high-cost NCDs (~INR5b of high cost NCDs were paid down in 2Q).

Valuation and view

- Indostar has strategically prioritized the expansion of its loan book in the used CV segment. A reinforced management team, enhanced processes, and a favorable economic climate will serve as catalysts for growth in this segment.
- Corporate and SME segments now contribute only ~6% to the total AUM mix. The company has made conservative provisions on stressed loans, and we expect credit costs to remain benign in the near future. The risk-reward is favorable at 1x FY26E P/BV. **Reiterate BUY** rating on the stock with a TP of INR315 (premised on 1.2x Sep'26E BVPS).

Quarterly performance (INR m)

Y/E March	FY24				FY25		FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q		
Interest Income	2,723	2,175	2,855	3,143	2,703	2,956	11,453	15,746
Interest Expenses	1,544	1,408	1,724	1,954	1,668	1,878	6,873	9,332
Net Interest Income	**1,179**	**767**	**1,131**	**1,189**	**1,035**	**1,078**	**4,580**	**6,414**
YoY Growth (%)	-8.6	-33.0	-11.1	10.6	-12.2	40.5	-4.2	40.0
Other Income	271	169	214	1,636	387	565	2,522	2,775
Total Income	**1,450**	**936**	**1,345**	**2,825**	**1,422**	**1,643**	**7,102**	**9,189**
YoY Growth (%)	-12.7	-36.9	-8.1	103.5	-1.9	75.6	18.5	29.4
Operating Expenses	1,153	850	1,192	1,392	1,106	1,272	4,922	6,070
Operating Profit	**297**	**86**	**153**	**1,433**	**317**	**371**	**2,180**	**3,119**
YoY Growth (%)	-53.6	-76.3	-40.0	97.3	6.4	333.5	10.0	43.1
Provisions & Loan Losses	-119	-11	-38	1,041	210	193	884	1,112
Profit before Tax	**416**	**297**	**191**	**392**	**297**	**363**	**1,296**	**2,007**
Tax Provisions	27	49	22	40	48	46	138	301
Net Profit	**389**	**248**	**169**	**353**	**249**	**317**	**1,158**	**1,706**
YoY Growth (%)	-36.1	-52.0	-54.0	-53.6	-36.0	27.9	-48.5	47.3
Key Operating Parameters (%)								
Yield on loans (Cal)	16.3	14.3	16.7	17.0	17.0	17.1		
Cost of funds (Cal)	10.7	11.9	11.2	11.0	10.9	11.2		
Spreads (Cal)	5.6	2.4	5.6	6.0	6.1	5.9		
NIMs (Cal)	5.9	3.9	5.7	5.7	4.5	4.4		
Credit Cost (Cal)	-0.6	-0.1	-0.2	5.0	0.9	0.8		
Cost to Income Ratio	79.5	90.8	88.7	49.3	77.7	77.4		
Tax Rate	6.5	0.0	11.6	10.1	0.1	0.1		
Balance Sheet Parameters								
AUM (INR B)	80.6	77.3	80.4	87.6	95.7	101.1		
Change YoY (%)	-2.2	-2.3	4.8	12.2	18.6	30.9		
AUM Mix (%)								
Vehicle	48.7	56.7	60.3	63.8	66.1	68.9		
Housing	21.6	24.5	25.5	25.9	25.0	25.3		
SME & Others	14.6	13.7	9.1	5.5	4.7	4.0		
Corporate	14.8	4.7	4.7	4.4	3.9	1.7		
Disbursements (INR B)	11.2	12.7	13.5	17.7	16.3	17.2		
Change YoY (%)	224.4	279.9	157.7	96.8	45.8	35.9		
Asset Quality Parameters (%)								
GS 3 (INR B)	4.9	4.7	3.9	3.1	3.5	3.7		
Gross Stage 3 (% on Assets)	6.6	6.7	5.3	4.1	4.2	5.0		
Net Stage 3 (% on Assets)	3.1	3.3	2.4	1.8	2.1	2.5		
PCR (%)	53.6	51.5	56.9	59.1	53.7	51.0		

E: MOFSL estimates

Bajaj Housing Finance

BSE SENSEX	S&P CNX
81,151	24,781

CMP: INR136 **NOT RATED**

AUM growth healthy; NIM improves and asset quality stable

- Bajaj Housing (BHFL's) 2QFY25 PAT grew ~21% YOY to ~INR5.5b. 1HFY25 PAT grew ~13% YoY to INR10.3b. NII grew 13% YoY to ~INR7.1b. Other income grew 42% YoY to ~INR1.8b, aided by higher assignment income, which stood at ~INR717m (PY: INR324m).
- Opex rose ~10% YoY to INR1.8b and PPoP grew 20% YoY to INR7.1b.
- Net credit costs stood at INR50m which translated into an annualized credit cost of ~2bp (PQ: ~4bp, PY: ~9bp). Net of the overlay release, credit costs stood at ~14bp
- BHFL trades at 5x FY26E P/BV (Bloomberg estimates).

Reported NIM improves ~20bp QoQ; asset quality broadly stable

- BHFL's reported 2QFY25 NIM rose ~20bp QoQ to ~4.1% (v/s 3.9% in 1QFY25). There was a slight uptick in the CoB as MCLR was increased by the banks. CoB largely peaked out. Reported spreads remained stable QoQ at ~1.9%.
- Asset quality was stable, with GS3/NS3 at 0.29%/0.12%. PCR declined ~160bp QoQ to ~58%.
- Management guided for sustained and optimal leverage of 8x and credit costs of ~14-17bp going ahead.
- Reported RoA/RoE stood at ~2.5%/13% and CRAR was ~29% as of Sep'24.

AUM rises ~26% YoY, while disbursements broadly flat

- AUM grew 26% YoY to ~INR1.03t, while 2QFY25 disbursements were broadly flat YoY at ~INR120b.
- **The company does not see any major changes in its outlook for disbursement growth.** However, with near-prime and affordable segments gaining momentum, it expects the growth to accelerate towards the end of the year.
- In its developer-financing portfolio, the company has established ~451 developer relationships and has ~693 active projects. BHFL has funded over 1,000 projects to date, with issues arising in only four of them. This demonstrates strong risk management in this area.

CONFERENCE CALL

Highlights from the management commentary

Financial update

- GNPA/NNPA at 0.29%/0.19% as of Sep'24.
- AUM grew 26% YoY; HL rose 24% YoY; LAP grew 18% YoY, LRD increased 28% YoY, and developer finance rose 56% YoY
- Credit costs were ~2bp (net of overlay). Net of overlay release, credit cost stood at 0.14%.
- In 2QFY25, disbursements were ~INR120b and remained in line with the 2QFY24 disbursements of INR121.5b. This was the highest ever disbursement level, driven by a few marquee transactions in the commercial business.
- Gross spread stood at 1.9% (stable QoQ)
- NIM stood at 4.1% (vs. 3.9% in 1Q)
- Capital adequacy ratio stood at ~29% as of Sep'24 vs. regulatory requirement of ~15%.
- 2QFY25 RoA stood at 2.5% and RoE came in at 13%.

Guidance

- Management guided a sustained and optimal leverage of 8x and credit costs of ~14-17bp, going forward

Strategic differentiators

- Scalable balance sheet
- Low-risk business model
- Balanced portfolio mix between operating businesses and sub-segments has been delivering medium returns
- Full mortgage product suite
- Diversified borrowing mix

AUM Mix

- HL: 57% | LAP: 10% | LRD: 20% | Construction Finance: 12%

Disbursement Growth

- Retail (HL and LAP): rose 7% YoY | Commercial side (CF and LRD) dipped 9% YoY.
- Not seeing any major changes in disbursement growth rate: As near-prime and affordable segments are picking up, it expects the growth to accelerate towards the end of the year.

Liabilities

- Slight uptick in the CoB because of MCLR increase by the banks; CoB largely peaked out.

Credit costs

- Gross of overlay release, the credit costs stood at ~14bp in 2QFY25
- Discretionary overlay remaining on the B/S was only ~INR100m and ~INR340m was the macro-economic overlay

Developer financing

- 451 Developer Relationships and 693 active projects
- To act as a funnel for home loans
- Large part of the developer financing is for projects where the ticket sizes are below INR20m
- Given there was a construction risk, it tried to be as granular as much as possible that resulted in lower ATS of INR466m
- BHFL has funded more than 1000 projects to date and it has encountered trouble in only four projects

LRD

- HLs with ticket-sizes above INR200m will be ~15%
- LRD ticket sizes are higher than developer financing since the execution risk has been significantly lower in LRD.

Sourcing

- Sourcing is mainly done through developer partners and distribution partners
- Only in Rural areas, it takes a space from Bajaj Finance in its branches on a cost-sharing basis
- Of the total HL disbursements, 12-15% comes from consented customer digital leads.

LAP

- BAF already does LAP business as an offering to its SME customers. LAP and LRD are used as opportunities by BHFL to improve its yields.

Opex and employees

- Around 1.5 years back, it has moved the front-end employees to outsourced/ contractual arrangements. Total number of employees increased by ~400 in the last six months.

Flexi Loans

- All home loans and CF are residential finance and no flexi loans are offered
- Dropline Flexi exists in LAP and LRD (non-home loan product, where it is regulatorily allowed to give OD products).

Repo-linked home loans

- On the asset side, ~INR130b of loans are linked to repo rates and they are matched by repo-linked liabilities
- Internal benchmark rate is linked to its cost of borrowings
- Competition in the prime-home loans segment has been very intense and it has been the same for the last 6-7 years

Yields

- HL: 8.8%-9.2%
- LAP: 10.0-10.5%
- LRD: 8.5-9.0%
- CF: 11.5%-13%

Others

- BHFL tries to participate in all government schemes such as PMAY. However, its product mix (HL mix) is significantly lower in the ticket sizes where PMAY is applicable.
- In the Retail segment, the attrition in the portfolio remained stable. A large part of attrition in the last one year has been in the construction finance portfolio.
- Only partial utilization of IPO money has happened in the last 15 days of Sep'24.

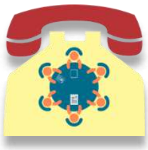
Quarterly Performance

Y/E March	FY24				FY25		FY24
	1Q	2Q	3Q	4Q	1Q	2Q	
Interest Income	16,682	17,823	18,455	19,076	20,635	22,269	72,036
Interest Expenses	10,622	11,508	12,004	12,793	13,988	15,137	46,926
Net Interest Income	**6,061**	**6,315**	**6,451**	**6,283**	**6,648**	**7,133**	**25,110**
YoY Growth (%)	*36.5*	*26.7*	*17.5*	*10.9*	*9.7*	*13.0*	*22.0*
Other Income	964	1,292	1,008	889	1,452	1,833	4,152
Total Income	**7,025**	**7,607**	**7,459**	**7,172**	**8,100**	**8,966**	**29,262**
YoY Growth (%)	*18.2*	*28.9*	*16.9*	*13.6*	*15.3*	*17.9*	*19.2*
Operating Expenses	1,695	1,674	1,735	1,937	1,701	1,840	7,040
Operating Profit	**5,330**	**5,933**	**5,724**	**5,235**	**6,399**	**7,126**	**22,222**
YoY Growth (%)	*22.7*	*33.8*	*18.8*	*12.9*	*20.1*	*20.1*	*21.9*
Provisions & Loan Losses	67	183	6	353	100	50	609
Profit before Tax	**5,262**	**5,750**	**5,719**	**4,882**	**6,299**	**7,076**	**21,613**
Tax Provisions	644	1,239	1,349	1,069	1,473	1,620	4,301
Net Profit	**4,618**	**4,511**	**4,370**	**3,813**	**4,826**	**5,456**	**17,312**
YoY Growth (%)	*46.1*	*47.4*	*30.7*	*26.5*	*4.5*	*20.9*	*37.6*

Union Bank of India

BSE SENSEX	S&P CNX
81,151	24,151

Conference Call Details



Date: 22nd Oct 2024
Time: 12.00 pm IST
Dial-in details:
+91-22-6280 1394

Financials & Valuations (INR b)

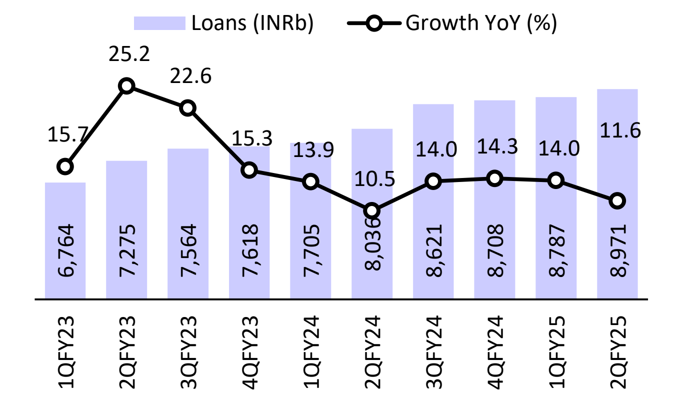
Y/E March	FY24	FY25E	FY26E
NII	365.7	389.9	422.3
OP	282.1	311.1	337.6
NP	136.5	156.2	179.2
NIM (%)	2.9	2.8	2.8
EPS (INR)	18.9	20.5	23.5
EPS Gr. (%)	52.9	8.5	14.7
BV/Sh. (INR)	123	139	158
ABV/Sh. (INR)	112	131	150
RoA (%)	1.0	1.1	1.1
RoE (%)	16.7	16.0	16.1
Valuations			
P/E(X)	5.9	5.5	4.8
P/BV (X)	0.9	0.8	0.7
P/ABV (X)	1.0	0.9	0.7

CMP: INR112 BUY

Lower provisions drive earnings beat; NIMs further moderate

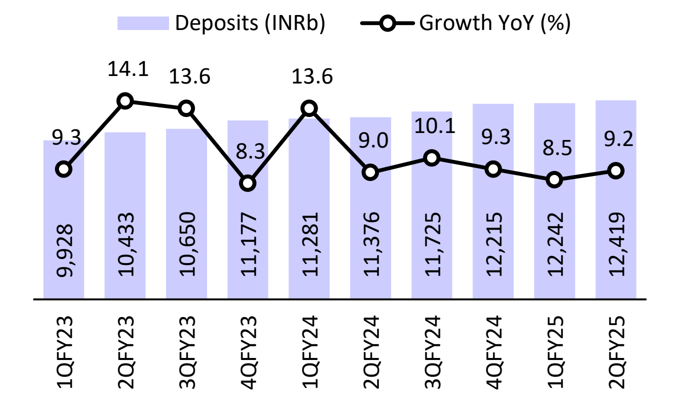
- Union Bank of India (UNBK) reported 2QFY25 PAT of INR47.2b (34.4% YoY/ 28.3% QoQ) driven by healthy other income and lower provisions (amid the reversal of standard assets provision).
- NII declined 1% YoY to INR90.5b (5% decline). NIMs moderated sharply by 15bp QoQ to 2.9% during the quarter.
- Other income grew 44.2% YoY/ 18.2% QoQ, backed by healthy fee income and better recoveries from NPAs. Total income, thus, grew to INR143.8b, up 12.1% YoY/ 3.3% QoQ. As a result, the overall C/I ratio reduced 51bp QoQ to 43.6%.
- Advances grew 11.6% YoY/2.1% QoQ to INR8.97t. Retail book grew 14.3% YoY (5.5% QoQ) and commercial book grew 10.9% YoY (1.2% QoQ). Deposit base grew (9.2% YoY/ 1.5% QoQ), with the CASA ratio declining 68bp QoQ to 32.7%.
- Fresh slippages increased sharply to INR52.2b from INR23.2b in 1Q, up 98% YoY/125% QoQ. GNPA ratio declined 18bp QoQ to 4.36%, while NNPA ratio stood at 0.98%. PCR declined 2.55% QoQ to 78.4%.
- **Valuation and view:** UNBK reported a modest quarter wherein the bank witnessed higher slippages, while lower provisions (amid the reversal of standard assets provision) and healthy other income led to an earnings beat. NIMs contracted 15bp QoQ. Loan growth was on expected lines, driven by healthy growth in retail, while growth for agri and large corporates stood modest. Deposits were slightly lower than expected, led by 68bp QoQ reduction in the CASA ratio. On the asset quality front, slippages increased sharply; however, higher write-offs led to an 18bp QoQ decline in GNPA to 4.36%, while NNPA increased 8bp QoQ to 0.98%. The earnings call is scheduled for 22nd Oct'24 at 12.00 pm IST.

Loans grew healthy at 11.6% YoY/2.1% QoQ



Source: MOFSL, Company

Deposits grew 9.2% YoY/ 1.5% QoQ



Source: MOFSL, Company

Quarterly Snapshot (INR m)

INR b	FY24				FY25		Change (%)	
Profit and Loss	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**YoY**	**QoQ**
Interest Income	234.8	245.9	253.6	263.5	263.6	267.1	9	1
Interest Expenses	146.4	154.6	161.9	169.1	169.5	176.6	14	4
Net Interest Income	**88.4**	**91.3**	**91.7**	**94.4**	**94.1**	**90.5**	**-1**	**-4**
Other Income	39.0	37.0	37.7	47.1	45.1	53.3	44	18
Trading Profits	7.8	6.8	6.1	7.8	7.0	10.3	51	47
Total Income	**127.4**	**128.2**	**129.4**	**141.4**	**139.2**	**143.8**	**12**	**3**
Operating Expenses	55.6	56.0	56.6	76.1	61.4	62.6	12	2
Employee	31.8	30.9	32.8	48.3	35.7	35.6	15	0
Others	23.8	25.2	23.9	27.8	25.7	27.0	7	5
Operating Profits	**71.8**	**72.2**	**72.8**	**65.3**	**77.9**	**81.1**	**12**	**4**
Core Operating Profits	**64.0**	**65.4**	**66.7**	**57.5**	**70.9**	**70.9**	**8**	**0**
Provisions	20.1	17.7	17.5	12.6	27.6	17.1	-3	-38
PBT	**51.7**	**54.5**	**55.3**	**52.7**	**50.3**	**64.0**	**17**	**27**
Taxes	19.4	19.4	19.4	19.6	13.5	16.8	-13	24
PAT	**32.4**	**35.1**	**35.9**	**33.1**	**36.8**	**47.2**	**34**	**28**
Balance Sheet (INR b)								
Loans	7,705	8,036	8,621	8,708	8,787	8,971	12	2
Deposits	11,281	11,376	11,725	12,215	12,242	12,419	9	1
CASA Deposits	3,851	3,882	3,971	4,101	3,995	3,963	2	-1
- Savings	3,180	3,231	3,263	3,363	3,325	3,284	2	-1
- Current	671	651	708	738	669	679	4	1
Loan mix (INR b)								
Retail	1,623.7	1,682.6	1,734.5	1,774.9	1,823.2	1,923.8	14	6
Agri	1,536.2	1,655.1	1,775.8	1,838.3	1,889.4	1,919.1	16	2
MSME	1,277.5	1,338.2	1,367.5	1,357.5	1,369.5	1,408.4	5	3
Large Corporate & Others	3,497.2	3,538.5	3,789.2	3,765.6	3,705.9	3,692.8	4	0
Loan mix (%)								
Retail	20.5	20.5	20.0	20.3	20.7	21.5	103	76
Agri	19.4	20.1	20.5	21.0	21.5	21.5	131	-4
MSME	16.1	16.3	15.8	15.5	15.6	15.7	-54	16
Large Corporate & Others	44.1	43.1	43.7	43.1	42.2	41.3	-179	-88
Asset Quality (INR b)								
GNPA	601.0	540.1	432.6	431.0	414.2	405.0	-25	-2
NNPA	121.4	104.2	93.5	89.9	79.0	87.6	-16	11
Asset Quality Ratios (%)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**YoY (bp)**	**QoQ (bp)**
GNPA	7.3	6.4	4.8	4.8	4.5	4.4	-202	-18
NNPA	1.6	1.3	1.1	1.0	0.9	1.0	-32	8
PCR - (calc)	79.8	80.7	78.4	79.1	80.9	78.4	-233	-255
PCR (inc TWO)	90.9	92.0	92.5	92.7	93.5	92.8	76	-70
Slippage Ratio	1.7	1.4	1.3	1.5	1.1	2.2	79	110
Business Ratios (%)								
CASA	34.6	34.7	34.4	34.2	33.4	32.7	-194	-68
Loan/Deposit	68.3	70.6	73.5	71.3	71.8	72.2	159	46
Cost to Income	43.7	43.7	43.8	53.8	44.1	43.6	-12	-51
Cost to Asset	1.8	1.8	1.8	2.3	1.8	1.8	6	1
Capitalisation Ratios (%)								
Tier-1	13.9	14.6	13.1	15.0	15.1	15.2	65	9
CET-1	12.3	13.1	11.7	13.7	13.8	13.9	83	7
Tier-2	2.1	2.1	2.0	2.0	1.9	1.9	-21	2
CAR	16.0	16.7	15.0	17.0	17.0	17.1	44	11
RWA/Total Assets	48.3	48.5	51.0	49.7	50.0	0.0	-4,849	-5,002
LCR	166.2	144.6	125.8	131.9	138.5	144.1	-49	567
Profitability Ratios (%)								
Yield on Loans	8.4	8.8	8.8	8.9	8.7	8.7	-11	-2
Yield on Investments	6.7	6.7	6.7	6.8	6.9	6.9	20	1
Cost of Deposits	5.0	5.2	5.3	5.4	5.4	5.6	35	19
Margins	3.13	3.18	3.08	3.09	3.05	2.90	-28	-15
Other Details								
Branches	8,561	8,521	8,479	8,466	8,473	8,555	34	82

360ONE WAM

BSE Sensex	S&P CNX
81,151	24,781

Conference Call details

[Link for the call]

22 October, 2024

2.00 pm

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Net Revenues	24.0	26.3	29.2
Opex	11.0	12.2	13.6
Core PBT	13.1	14.1	15.7
PAT	10.5	12.4	13.7
EPS	29.2	34.6	38.1
EPS Grw (%)	30.5	18.4	10.0
BV	102.0	108.9	116.5
Ratios			
PBT margin (bp)	23.8	21.3	21.5
PAT margin (bp)	20.7	18.8	18.8
RoE (%)	29.5	32.8	33.8
Div. Payout (%)	80.0	80.0	80.0
Valuations			
P/E (x)	33.3	28.1	25.6
P/BV (x)	9.6	8.9	8.4
Div. Yield (%)	2.4	2.8	3.1

CMP: INR1105 **Buy**

Miss on PAT due to lower-than-est. TBR income and higher opex

- For 2QFY25, 360ONE's total revenue came in at INR5.9b, up 38% YoY (7% miss). The miss was due to TBR income (16% below our estimate), which rose 64% YoY. For 1HFY25, revenue came in at INR118.9b, up 43% YoY.
- Total AUM was up 38% YoY to INR5.7t, with continued focus on scaling up ARR assets. ARR AUM rose 41% YoY to INR2.4t, and the yields in 2QFY25 stood at 0.69bp. TBR AUM was up 36% YoY to INR3.3t and yields rose to 24bp from 20bp in 2QFY24 (TBR yields declined 7bp QoQ).
- Total opex came in at ~INR3b (up 40% YoY), which was 10% higher than our estimate. Employee costs rose 41% YoY to INR2.2b (13% above our estimate), while other admin costs were in line at INR750m.
- During the quarter, the cost-to-income ratio rose ~67bp YoY to 50.8% (vs. our estimate of 43.1%). Operating profits came in at INR2.9b, up 36% YoY (19% lower than our estimates).
- Other income stood at INR298m (up 117% YoY) in 2QFY25 (vs. our estimate of INR260m). PBT (before exceptional items) came in at ~INR3.2b (17% below our estimate).
- The company entered into a settlement deed and paid GBP11.1m to settle the proceedings. INR1.2b has been provided with INR876.3m disclosed as an exceptional item in 1QFY25. The same has been settled in 2QFY25.
- PAT came in at INR2.5b, up 33% YoY (17% miss). For 1HFY25, PAT came in at INR4.9b, up 34% YoY.

Valuation and view

360ONE is diversifying its presence in the mid-market segment (HNI category) and also building a global platform to address the Indians residing globally, thus expanding the client base. Resultant investments into team building have kept costs at elevated levels. The benefits of these investments are likely to be back-ended. Active ARR AUM for the quarter stood at INR2.4t vs. INR1.7t in 2QFY24. On a sequential basis, yields for active ARR assets moderated to 69bp vs. 74bp in 2QFY24. We will review our estimates and TP after the concall on 22nd Oct'24.

Quarterly performance — INR m

Y/E March	FY24				FY25				FY24	FY25E	2QFY25E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Net Revenues	**4,055**	**4,275**	**4,395**	**5,731**	**6,002**	**5,886**	**5,907**	**6,037**	**18,456**	**23,832**	**6,311**	**-6.7**	**38%**	**-2%**
Change (%)	8.2	11.8	5.9	45.8	48.0	37.7	34.4	5.3	17.9	29.1	47.6			
ARR Assets Income	3,217	3,108	3,377	3,568	3,756	3,973	3,986	4,042	13,270	15,757	4,027	-1.4	28%	6%
TBR Assets Income	839	1,166	1,018	2,163	2,247	1,913	1,921	1,995	5,185	8,076	2,283	-16.2	64%	-15%
Operating Expenses	**2,103**	**2,144**	**2,315**	**3,002**	**2,649**	**2,992**	**2,824**	**2,887**	**9,565**	**11,353**	**2,719**	**10.1**	**40%**	**13%**
Change (%)	25.9	19.5	24.3	62.3	25.9	39.5	22.0	-3.8	33.3	18.7	26.8			
Cost to Income Ratio (%)	51.9	50.2	52.7	52.4	44.1	50.8	47.8	47.8	51.8	47.6	43.1	775bps	67bps	672bps
Operating Profits	**1,952**	**2,130**	**2,080**	**2,729**	**3,354**	**2,893**	**3,083**	**3,150**	**8,891**	**12,480**	**3,592**	**-19.4**	**36%**	**-14%**
Change (%)	-6.0	4.9	-9.0	31.3	71.8	35.8	48.3	15.4	4.9	40.4	68.6			
Other Income	287	137	271	500	969	298	700	468	1,195	2,435	260	**14.4**	117%	-69%
Profit Before Tax	**2,239**	**2,268**	**2,350**	**3,229**	**4,323**	**3,191**	**3,783**	**3,618**	**10,085**	**14,915**	**3,852**	**-17.2**	**41%**	**-26%**
Change (%)	11.0	0.5	5.3	61.4	93.1	40.7	61.0	12.1	18.6	47.9	69.9			
PBT (after exceptional item)	**2,239**	**2,268**	**2,350**	**3,229**	**3,447**	**3,191**	**3,783**	**3,618**	**10,085**	**14,039**	**3,852**	**-17.2**	**41%**	**-7%**
Tax	426	415	410	817	1,011	719	832	201	2,068	2,762	890			
Tax Rate (%)	19.0	18.3	17.4	25.3	23.4	22.5	22.0	5.5	20.5	18.5	23.1		422bps	-87bps
PAT	**1,813**	**1,853**	**1,940**	**2,412**	**2,435**	**2,472**	**2,951**	**3,418**	**8,018**	**11,276**	**2,962**	**-16.5**	**33%**	**2%**
Change (%)	15.6	6.3	13.1	55.2	34.3	33.4	52.1	41.7	21.8	40.6	59.9			
PAT Margins (%)	44.7	43.3	44.1	42.1	40.6	42.0	50.0	56.6	43.4	47.3	46.9	-493bps	-134bps	143bps
Key Operating Parameters (%)														
AUM (INR b)	**3,827**	**4,125**	**4,539**	**4,669**	**5,212**	**5,694**	**5,541**	**5,195**	**4,669**	**5,195**	**5,451**	**4.5**	**38%**	**9%**
Change (%)	21.6	23.8	31.7	37.0	36.2	38.0	22.1	11.3	37.0	11.3	32.1			
ARR Assets	1,657	1,725	1,867	2,004	2,213	2,426	2,428	2,519	2,004	2,519	2,301	5.4	41%	10%
TBR Assets	2,170	2,400	2,672	2,665	2,999	3,268	3,113	2,676	2,665	2,676	3,149	3.8	36%	9%
Yield on AUM - Calculated (%)	**0.45**	**0.43**	**0.41**	**0.50**	**0.49**	**0.43**	**0.42**	**0.45**	**0.46**	**0.48**	**0.48**			
ARR Assets	0.77	0.74	0.75	0.74	0.71	0.69	0.66	0.65	0.72	0.70	0.70			
TBR Assets	0.17	0.20	0.16	0.32	0.32	0.24	0.24	0.28	0.24	0.30	0.29			

Gravita India

BSE SENSEX	S&P CNX
81,151	24,781

CMP: INR2,412 — Buy

Conference Call Details

Date: 22nd Oct'24

Time: 12:00pm IST

Dial-in details:

click here

Operating performance in line

- Consol. revenue grew 11% YoY to INR9.3b in 2QFY25.
- Gross margin contracted 50bp YoY to 18.1%.
- Adjusted EBITDA grew 27% YoY to INR1b during the quarter.
- Adjusted EBITDA margin improved 140bp YoY to 10.9%.
- Adj. PAT grew 24% YoY to INR720m.
- Consolidated volumes rose 8% YoY to 48KMT in 2QFY25.

Segmental performance

- Lead business revenue grew 12% YoY to INR8.4b, led by 9% YoY volume growth, reaching 42KMT in 2QFY25. EBITDA/MT stood at INR21,642 (up 22% YoY).
- Aluminum business revenue grew 17% YoY to INR688m. Volumes stood at 3.5KMT, up 3% YoY, while EBITDA/MT increased 57% YoY to INR18,386.
- Plastic business revenue and volumes remained flat at INR192.2m and 3KMT, respectively, in 2QFY25. EBITDA/MT declined 5% YoY to INR10,497.

Gravita India

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	%
Sales	**7,034**	**8,362**	**7,578**	**8,634**	**9,079**	**9,274**	**9,917**	**11,034**	**31,608**	**39,304**	**10,051**	**-8**
YoY Change (%)	5.6	44.2	11.0	9.4	29.1	10.9	30.9	27.8	12.9	24.4	20.2	
Total Expenditure	6,349	7,563	6,681	7,705	8,166	8,259	8,853	9,785	28,298	35,063	9,041	
Adjusted EBITDA	**685**	**798**	**897**	**929**	**912**	**1,015**	**1,064**	**1,250**	**3,309**	**4,241**	**1,010**	**1**
Margins (%)	9.7	9.5	11.8	10.8	10.1	10.9	10.7	11.3	10.5	10.8	10.0	
Depreciation	79	86	90	125	65	72	97	120	380	354	85	
Interest	127	112	130	124	130	120	135	140	492	524	132	
Other Income	132	69	61	42	33	23	20	46	304	122	35	
PBT before EO expense	**612**	**670**	**738**	**722**	**751**	**847**	**852**	**1,036**	**2,742**	**3,485**	**828**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**612**	**670**	**738**	**722**	**751**	**847**	**852**	**1,036**	**2,742**	**3,485**	**828**	
Tax	86	82	123	28	71	128	106	135	319	440	103	
Rate (%)	14.1	12.2	16.7	3.9	9.4	15.1	12.5	13.1	11.6	12.6	12.5	
Minority Interest & Profit/Loss of Asso. Cos.	5	10	12	4	7	-1	11	5	31	21	9	
Reported PAT	**521**	**579**	**603**	**690**	**673**	**720**	**735**	**896**	**2,392**	**3,024**	**715**	
Adj PAT	**521**	**579**	**603**	**690**	**673**	**720**	**735**	**896**	**2,392**	**3,024**	**715**	**1**
YoY Change (%)	26.0	36.1	35.2	37.4	29.3	24.4	21.9	29.9	18.9	26.4	23.7	
Margin (%)	7.4	6.9	8.0	8.0	7.4	7.8	7.4	8.1	7.6	7.7	7.1	

Mahindra Logistics

BSE SENSEX	S&P CNX
81,151	24,781

CMP: INR490 — Neutral

Revenue in line; miss on EBITDA

Conference Call Details

Date: 22nd Oct 2024

Time: 04:00 PM IST

Dial-in details:

+91 22 6280 1309

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	63.1	79.2	94.9
EBITDA	3.2	4.2	5.2
Adj. PAT	0.5	1.4	2.1
EBITDA Margin (%)	5.1	5.3	5.5
Adj. EPS (INR)	6.6	19.1	29.4
EPS Gr. (%)	-181.0	188.9	53.6
BV/Sh. (INR)	72.9	89.6	116.5
Ratios			
Net D:E	0.2	0.0	-0.3
RoE (%)	9.1	23.1	28.1
RoCE (%)	10.7	20.4	25.3
Payout (%)	37.7	13.1	8.5
Valuations			
P/E (x)	73.9	25.6	16.7
P/BV (x)	6.7	5.5	4.2
EV/EBITDA(x)	11.1	8.4	6.2
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	5.8	3.4	9.6

Earnings snapshot: 2QFY25

- MLL's revenue grew ~11% YoY to INR15.2b in 2QFY25, in line with estimate.
- EBITDA margin came in at 4.4% (+40bp YoY and -30bp QoQ) vs. our estimate of 5.1%. EBITDA rose 24% YoY to INR664m, vs. our estimate of INR795m.
- The company reported adjusted net loss of INR107m in 2QFY25 vs. adjusted net loss of INR159m in 2QFY24 (our estimate: INR123m profit).
- During 1HFY25, revenue stood at INR29.4b (+11% YoY), EBITDA came in at INR1.3b (+10% YoY), EBITDA margin was 4.5% and adj. loss stood at INR201m (vs. loss of INR245m YoY).

Segmental performance

- Supply chain management recorded revenue of INR14.4b (+12.7% YoY) and an EBIT loss of INR66m during the quarter.
- Enterprise mobility services (EMS) reported revenue of INR797m (-7.7% YoY) and an EBIT of INR16m.

Quarterly snapshot — INR m

Y/E March (INR m)	FY24				FY25E		FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q			2QE	vs Est
Net Sales	**12,932**	**13,648**	**13,972**	**14,508**	**14,200**	**15,211**	**55,060**	**63,056**	**15,652**	**(3)**
YoY Change (%)	7.8	2.9	5.1	14.0	9.8	11.5	7.4	14.5	14.7	
EBITDA	**666**	**536**	**522**	**566**	**663**	**664**	**2,290**	**3,240**	**795**	**(17)**
Margins (%)	5.2	3.9	3.7	3.9	4.7	4.4	4.2	5.1	5.1	
YoY Change (%)	1.4	-20.7	-16.8	-11.2	-0.5	23.9	-11.8	41.5	48.4	
Depreciation	545	518	515	513	550	540	2,090	2,134	525	
Interest	178	165	164	174	195	191	682	622	155	
Other Income	62	66	23	29	57	17	179	215	40	
PBT before EO Items	**6**	**-82**	**-134**	**-92**	**-25**	**-50**	**-302**	**699**	**155**	
Extra-Ord expense	0	0	-38	0	0	0	38	0	0	
PBT	**6**	**-82**	**-96**	**-92**	**-25**	**-50**	**-340**	**699**	**155**	
Tax	89	73	68	27	53	46	257	231	39	
Rate (%)	1,556.1	-89.2	-71.4	-29.2	-213.6	-93.4	-75.5	33.0	25.2	
PAT before MI, Associates	**-83**	**-155**	**-164**	**-119**	**-78**	**-96**	-597	468	116.1	
Share of associates/ Minority Interest	-3	-5	-10	-9	-15	-11	-27	6	7	
Reported PAT	**-86**	**-159**	**-174**	**-128**	**-93**	**-107**	**-624**	**474**	**123**	
Adj PAT	**-86**	**-159**	**-212**	**-128**	**-93**	**-107**	**-586**	**474**	**123**	**NA**
YoY Change (%)	NA	PL	PL	NA	NA	NA	NA	NA	NA	
Margins (%)	-0.7	-1.2	-1.5	-0.9	-0.7	-0.7	-1.1	0.8	0.8	

Festive demand softens amid rising gold prices

We interacted with Mr. Ashish Pethe, a partner at Waman Hari Pethe, to understand demand trends in the Jewelry sector and the outlook for the festive season. Following are the key takeaways of the same:

Mr. Ashish Pethe
Partner, Waman Hari Pethe Jewellers

Mr. Pethe was the National Chairman at 'The All India Gems Jewellery Domestic Council' from 2021 to 2022. He also has an experience in marketing and advertising.

Company overview

- Waman Hari Pethe Jewellers is a 150-year-old jewelry retail brand, based out of Mumbai. It operates 27 stores across Maharashtra, Madhya Pradesh, and Goa.
- The company offers a diverse range of products, including gold, diamonds, silver, platinum, and Polki collections, catering to various customer segments and price points.
- Its store presence ranges from metropolitan cities to Tier 3 markets.
- The company is expected to achieve INR20b-INR21b revenue by the end of FY25, with a net profit margin of ~4-5%.
- The company has a studded ratio of 6-8% and inventory turns of ~2.7x.
- It plans to add 5 stores in FY25 and 5-7 stores in FY26.
- Waman Hari Pethe focuses on growth through its own stores and does not operate any franchise stores.

Industry trends

- Custom duty reduction witnessed strong growth during July-August, leading to high double-digit underlying sales growth for most players.
- After experiencing soft demand in 1QFY25 (following the sharp gold inflation), demand has partially shifted to 2QFY25 following the rate cut and subsequent reduction in gold prices. Additionally, some demand has moved from 3QFY25 to 2QFY25. It is expected that 2QFY25 will witness revenue of 20-25%, with 5-10% of volume attributed to most big players.
- Gold prices have consistently surged and Mr. Pethe expects further them to reach USD2,800 per ounce by Diwali.
- Whenever gold prices rise, consumers tend to delay purchases until prices stabilize. As such, Mr. Pethe expects soft demand during the upcoming festive period. On a like-for-like basis (Dussehra-Diwali days YoY), flat revenue growth is expected, coupled with a 10-15% drop in volume at the same store level.
- However, Mr. Pethe expects demand to recover from mid-November onwards due to the wedding season. The wedding count is expected to be high at ~2.5m, with industry experts anticipating it to potentially reach ~4m. The high wedding count is expected to drive strong demand for jewelry from mid-November onwards.
- The Southern region is experiencing strong demand, followed by healthy growth in the Northern region. In contrast, Western and Eastern regions are witnessing sluggish growth.
- Some major players previously charged a premium on gold prices, which has now decreased to ~2% (earlier 5-6%) but has partially adjusted into higher making charges.
- The formalized market was in single digits a few years ago and has now reached 37%. It is expected to grow to ~50% in the coming years. Formalization of the economy, mandatory hallmarking, custom duty, and consumer preferences will continue to drive the formalization trend.
- Studded products require significant brand investment; therefore, not every company can drive this trend.

Emerging demand for silver jewelry

- There is a growing demand for silver, particularly in the gifting segment, as consumers increasingly shift their focus toward silver jewelry due to rising gold prices.
- As gold becomes more expensive, consumers are viewing silver as a viable and more affordable alternative.
- Compared to traditional gold business, silver offers higher margins for retailers.

Lab-Grown Diamonds (LGDs)

- Natural diamond demand has remained healthy. The price drop primarily impacts high-carat diamonds, while other segments show little impact. Diamonds have experienced a sharp 40-45% increase in prices post-COVID; therefore, despite the recent price impact, diamond prices still reflect inflation compared to the pre-COVID levels.
- The LGD market is also gradually stabilizing, and there will be separate formats/channels for LGDs.
- The major industry players do not anticipate much impact of LGDs on natural diamonds. Even in the US, while wedding rings were the most impacted by LGDs, the overall diamond market remains largely unaffected.
- The Gemological Institute of America (GIA) is the most recognized certification authority for loose diamonds.
- The International Gemological Institute (IGI) is well-established and one of the oldest players in the certification of studded jewelry.
- The Gemological Science International (GSI) and International Diamond & Gem Testing (IDT) are newer entrants in the certification space.

Margin trends

- Even major players have reduced the gold price premium they were previously charging, which has partially adjusted into making charges. As a result, operating margins are expected to remain sustainable for most big players.
- The “one gold, one price” model has not yet been finalized, and many industry experts are in discussions about how it will set price parity among players. Several small players often disrupt price discipline by selling gold at a partial discount to attract customers. Since these small players do not hedge, they leverage gold price inflation by offering discounts on gold prices.
- Hallmarking as a quality assurance measure has leveled the playing field, compelling unorganized and smaller players to offer similar gold quality. This has affected the unit economics of small players.

IndiaMart InterMesh: Will see double digit collection growth over the next couple of quarters; Dinesh Agarwal, CEO

- We got caught on the wrong footing with respect to collections in this quarter
- Expect H2 to be better than H1; sustainable margin should be 33%
- Collections growth should be double-digit for the next couple of quarters
- Will do some changes, to help deliver double-digit growth in next couple of quarters
- Have done 2 acquisitions and 10 minority investments
- Expect busy infotech to have 20-25% growth going ahead

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Hindustan Zinc: Expect zinc price to remain around $3,000/t, confident of meeting FY25 guidance; Arun Misra, CEO

- Expect zinc to be range bound at around $3,000-3,100/tonne by Jan 2025
- New us government will give direction to global commodity prices
- Silver is in short supply & industrial consumption is going up
- Struggled to operate the Fumer because of Chinese visa issues
- H2FY25 volumes are better, confident of achieving the guidance given
- Expect cost of production in h2 to be closer to $1,050/t as renewable power goes up as a percentage of mix
- Believe that the OFS is likely to happen soon

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Bajaj Auto: Growth could turn out to be closer to double digits by December; Rajiv Bajaj, MD

- Retail sales numbers lag vahan data considerably during festive period
- Dussehra & Diwali falling in same month tends to overwhelm RTOs
- Growth could turn out to be closer to double-digits by December
- 125cc+ segment for us has been growing 40% higher than the industry
- Will go all out with production in October and November
- Have started seeing an improvement in share in UP, Bihar and West Bengal
- More reliability & higher range working in favour of chetak

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ICICI Lombard: Stay committed to having profitable growth, expect combined ratio for FY25 at 101.5%; Gopal Balachandran, CFO

- Will wait for announcement on GST exemption on health insurance before doing our assessment
- Stay committed to having a profitable growth
- Saw more instances of floods which impacted combined ratio
- Stick to the guidance of 101.5% on combined ratio for fy25
- Will need more clarity on GST exemption on health insurance premium
- Expect gross premium to see a growth of 15%
- Expect to outperform industry premium by 100-200 bps

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N O T E S

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SELL	< - 10%
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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.