

Market snapshot



| Equities - India | Close | Chg .% | CYTD.% |
|------------------|----------|----------|----------|
| Sensex | 80,221 | -1.1 | 11.0 |
| Nifty-50 | 24,472 | -1.2 | 12.6 |
| Nifty-M 100 | 56,174 | -2.6 | 21.6 |
| Equities-Global | Close | Chg .% | CYTD.% |
| S&P 500 | 5,851 | 0.0 | 22.7 |
| Nasdaq | 18,573 | 0.2 | 23.7 |
| FTSE 100 | 8,307 | -0.1 | 7.4 |
| DAX | 19,422 | -0.2 | 15.9 |
| Hang Seng | 7,363 | 0.3 | 27.6 |
| Nikkei 225 | 38,412 | -1.4 | 14.8 |
| Commodities | Close | Chg .% | CYTD.% |
| Brent (US\$/Bbl) | 76 | 3.0 | -2.3 |
| Gold (\$/OZ) | 2,749 | 1.1 | 33.3 |
| Cu (US\$/MT) | 9,438 | 0.2 | 11.5 |
| Almn (US\$/MT) | 2,602 | 1.7 | 11.0 |
| Currency | Close | Chg .% | CYTD.% |
| USD/INR | 84.1 | 0.0 | 1.0 |
| USD/EUR | 1.1 | -0.1 | -2.2 |
| USD/JPY | 151.1 | 0.2 | 7.1 |
| YIELD (%) | Close | 1MChg | CYTD chg |
| 10 Yrs G-Sec | 6.8 | -0.01 | -0.4 |
| 10 Yrs AAA Corp | 7.3 | -0.01 | -0.4 |
| Flows (USD b) | 22-Oct | MTD | CYTD |
| FII | -0.5 | -8.30 | 3.2 |
| DII | 0.70 | 10.61 | 50.7 |
| Volumes (INRb) | 22-Oct | MTD* | YTD* |
| Cash | 1,219 | 1152 | 1291 |
| F&O | 5,32,102 | 4,00,076 | 3,81,925 |

Note: Flows, MTD includes provisional numbers.

*Average



Today's top research idea

Persistent Systems: Another strong show

- ❖ Persistent Systems (PSYS) reported 2QFY25 revenue of USD345.5m, +5.3% QoQ in USD terms, above our estimate of ~+4.6% QoQ. It reported CC growth of 5.1% QoQ. EBIT margin stood at 14%, above our estimate of 13.6%.
- ❖ Despite a slowdown in its key vertical, PSYS has continued to grow at a breakneck pace of 20.1% YoY this quarter; both healthcare and BFSI contributed to the growth. PSYS's presence in high-growth verticals provides it a natural advantage and is one of the key reasons why it secures the no. 1 rank in our IMPACT framework analysis in Sep'24 thematic report.
- ❖ We have written earlier in our PSYS management meet note as well; despite one-off gains, the company has enough operational levers to pull: utilization levels are comfortable and could go higher, SG&A investments are now behind, and subcontracting costs (thanks to the healthcare deal ramp up) are bound to come down.



Research covered

| Cos/Sector | Key Highlights |
|--------------------|--|
| Persistent Systems | Another strong show |
| Hyundai Motor | Initiating Coverage: In tune with industry trends |
| Bajaj Finance | Elevated credit costs remain a drag on earnings |
| Zomato | Stable quarter, quick commerce investments in focus |
| Ambuja Cements | Announced acquisition of 46.8% stake in Orient Cement |
| Other Updates | ICICI Prudential Life Insurance Union Bank of India One 97 Communications Mahindra & Mahindra Financial Kajaria Ceramics Gravita India Zensar Mahindra Logistics Indus Towers SRF MAX Financial Services Can Fin Homes Shoppers Stop |



Chart of the Day: Persistent Systems (Another strong show)

Strong 5.1% QoQ CC growth in 2QFY25



Source: Company, MOFSL

EBIT margin remained flat at 14%



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1**Extremely clear that market is facing muted demand, says Nestle India chairman**

High food inflation is straining middle-income households, said Suresh Narayanan, chairman and managing director of Nestlé India.

2**Anil Ambani-led Reliance Infra to invest \$1.2 billion over next ten years for ammunition project**

Reliance Infra will set up the project in the western state of Maharashtra and is aiming for potential joint ventures with six global defence companies, the company said in an exchange filing, without giving any further details.

3**Reliance-Disney merger: CCI approves \$8.5-billion deal in detailed order**

Reliance-Disney merger: As part of seeking CCI's approval, the parties have voluntarily agreed not to bundle TV ad slots for IPL, ICC, and BCCI cricketing rights until the end of existing rights

4**Sebi notice to Adani Energy for alleged mis-categorisation of shareholding**

The group's renewable energy firm, Adani Green Energy Ltd, which also declared its second quarter earnings, did not receive any new notice from SEBI

5**Hyundai Motor India confirms plans to launch hybrid vehicles soon**

Hyundai Motor India Limited (HMIL) has confirmed its plans to introduce hybrid vehicles in the Indian market in the near future.

6**Adani's Ambuja to acquire 46.8% stake in Orient Cement for Rs 8,100 cr**

The Adani group's Ambuja Cements on Tuesday announced its third acquisition of the ongoing financial year, with a binding agreement to acquire a 46.8 per cent stake in the C K Birla family-owned Orient Cement Limited (OCL) for an equity value of Rs 8,100 crore

7**Air India aims to double direct sales earnings in 2-3 years**

Tata Group-run Air India aims to double its ticket sales through direct channels, including its website and app, within the next 2-3 years by enhancing their value proposition to passengers, Satya Ramaswamy, chief digital and technology officer (CDTO), Air India, said on Tuesday



Persistent Systems

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR5158 TP: INR6300 (+22%) Buy

Another strong show

Strong growth and commendable profitability management

| | |
|-----------------------|-------------|
| Bloomberg | PSYS IN |
| Equity Shares (m) | 156 |
| M.Cap.(INRb)/(USD\$) | 803.9 / 9.6 |
| 52-Week Range (INR) | 5693 / 2840 |
| 1, 6, 12 Rel. Per (%) | 1/37/49 |
| 12M Avg Val (INR M) | 2707 |

■ Persistent Systems (PSYS) reported 2QFY25 revenue of USD345.5m, +5.3% QoQ in USD terms, above our estimate of ~+4.6% QoQ. It reported CC growth of 5.1% QoQ. EBIT margin stood at 14%, above our estimate of 13.6%. EBIT grew 5.8% QoQ/22.8% YoY to INR4.1b. PAT came in at INR3.2b, up 6.1% QoQ/23.4% YoY, in line with our estimate of INR3.2b. For 1HFY25, revenue/EBIT/PAT grew 19.0%/16.7%/16.8% vs. 1HFY24. We expect revenue/EBIT/PAT to grow by 20.2%/23.9%/23.2% YoY in 2HFY25. TTM TCV was USD529m, up 14% QoQ and 10% YoY (1.5x book-to-bill).

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|-----------------|-------|-------|-------|
| Sales | 117.5 | 139.7 | 166.2 |
| EBIT Margin (%) | 14.5 | 15.5 | 15.2 |
| Adj. PAT | 13.7 | 17.6 | 20.5 |
| Adj. EPS (INR) | 89.5 | 115.0 | 133.8 |
| EPS Gr.(%) | 19.3 | 28.4 | 16.4 |
| BV/Sh.(INR) | 377.1 | 446.1 | 526.4 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 25.6 | 27.9 | 27.5 |
| RoCE (%) | 23.1 | 25.1 | 24.6 |
| Payout (%) | 40.0 | 40.0 | 40.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 57.9 | 45.1 | 38.7 |
| P/BV (x) | 13.7 | 11.6 | 9.8 |
| EV/EBITDA (x) | 38.7 | 30.4 | 25.8 |
| Div. Yield (%) | 0.7 | 0.9 | 1.0 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 30.7 | 31.0 | 31.1 |
| DII | 27.4 | 28.2 | 28.7 |
| FII | 25.0 | 23.2 | 23.3 |
| Others | 17.0 | 17.5 | 17.0 |

FII Includes depository receipts

Our view:

- **Continues to grow faster than the rest of the market:** Despite a slowdown in its key vertical, PSYS has continued to grow at a breakneck pace of 20.1% YoY this quarter; both healthcare and BFSI contributed to the growth. PSYS's presence in high-growth verticals provides it a natural advantage and is one of the key reasons why it secures the no. 1 rank in our IMPACT framework analysis in our Sep'24 thematic report ([Technology: Bounce-back! Charting the path to revival for IT services](#)).
- **Margins management commendable:** PSYS's margins and the one-offs have been an area of intense focus. This quarter, PSYS managed to maintain flat margins despite headwinds such as wage hikes (210bp), ESOP costs (60bp), and the absence of one-off benefits (130bp); the headwinds were offset by utilization gains (120bp), pricing (130bp), lower sub-con cost (70bp) and other gains such as visa, forex, and lower pass-through (140bp).
- We have written earlier in our 6th Sep'24 [PSYS management meet note](#) as well; despite one-off gains, the company has enough operational levers to pull: utilization levels are comfortable and could go higher, SG&A investments are now behind, and subcontracting costs (thanks to the healthcare deal ramp up) are bound to come down.
- The management continues to prioritize growth and wallet share gains, and we believe this is the right strategy.
- **Hi-tech to join the party:** We are seeing the foundations of a recovery in hi-tech in commentaries this earnings season, and PSYS corroborated the same. This gives PSYS an additional growth tailwind, and we expect growth rates across the three key verticals to converge going forward.

Valuation and changes to our estimates

- **We project a 19% USD revenue CAGR over FY24-27E for PSYS**, which, combined with margin expansion, could result in a ~21%+ EPS CAGR. This positions PSYS in a league of its own as a diversified product engineering and IT services player, justifying a premium valuation multiple.
- Our estimates are largely unchanged. The stock is currently trading at an admittedly expensive valuation. That said, owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 50x Sep'26E EPS. **Reiterate BUY with a TP of INR6,300.**

Revenue and margins beat estimates; healthcare and BFSI lead the charge

- 2QFY25 revenue stood at USD345.5m, up 5.3% QoQ in USD terms (above our estimate of 4.6% QoQ). It reported CC growth of 5.1% QoQ.
- Growth was broad-based across the US and Europe and was led by both healthcare (up 9.6% QoQ) and BFSI (up 7.7% QoQ). Hi-tech was again flat QoQ.
- EBIT margin at 14% was flat QoQ, and above our estimate of 13.6%.
- TTM TCV was USD529m, up 14% QoQ and 10% YoY (1.5x book-to-bill; in line with average for past 2 years).
- Net new TCV was up 25% QoQ at US389.8m. ACV stood at USD348.3m.
- Net headcount declined by 1.2% QoQ. Utilization was up 270bp QoQ at 84.8%. TTM attrition was flat QoQ at 12%.
- The top 5 clients witnessed growth of 7.7% QoQ, whereas the top 10 clients grew 5.3% QoQ.
- EBITDA grew 5.6% QoQ/18.6% YoY to INR4.8b and EBITDA margin came in at 16.6%, below our estimate of 16.2%.
- Adj. PAT stood at INR3.2b (up 6.1% QoQ/23.4% YoY), in line with our estimate of INR3.2b.

Key highlights from the management commentary

- The demand environment is pivoting based on market needs. The company is strategizing itself as a platform-driven business, utilizing AI solutions.
- All verticals are expected to see secular growth over the next couple of quarters. HLS is a non-discretionary spend vertical; this more resilient sector has been able to deliver growth.
- Winning new deals and offshoring mitigated the deflationary impact on revenue.
- Client decision-making on discretionary spending: deal wins span various sectors, focusing on setting up platforms for clients, which is revenue-bearing and not discretionary spending.
- Launching the T100 program—an initiative focused on the top 100 clients, designed to drive enhanced customer value, deepen customer intimacy, and unlock the next wave of opportunities for PSYS and its clients.
- Incremental levers for margin expansion include maintaining utilization at 83-85%, significant investments in SG&A (with a slower pace going forward), right shoring, and pricing growth momentum, all of which will help improve margins.

Valuation and view:

- Our estimates are broadly unchanged. The stock is currently trading at an admittedly expensive valuation. That said, owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 50x Sep'26E EPS. **Reiterate BUY with a TP of INR6,300.**

Quarterly Performance (IFRS)

(INR m)

| Y/E March (Consolidated) | FY24 | | | | FY25E | | | | FY24 | FY25E | Est. 2QFY25 | Var. (% / bp) |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------------|------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Revenue (USD m) | 282.9 | 291.7 | 300.6 | 310.9 | 328.2 | 345.5 | 357.8 | 370.3 | 1,186 | 1,402 | 343.5 | 0.6 |
| QoQ (%) | 3.0 | 3.1 | 3.0 | 3.4 | 5.6 | 5.3 | 3.5 | 3.5 | 14.5 | 18.2 | 4.6 | 62bp |
| Revenue (INR m) | 23,212 | 24,117 | 24,982 | 25,905 | 27,372 | 28,972 | 30,052 | 31,104 | 98,216 | 1,17,499 | 28,776 | 0.7 |
| QoQ (%) | 3.0 | 3.9 | 3.6 | 3.7 | 5.7 | 5.8 | 3.7 | 3.5 | | | 5.1 | 71bp |
| YoY (%) | 23.6 | 17.7 | 15.2 | 14.9 | 17.9 | 20.1 | 20.3 | 20.1 | 17.6 | 19.6 | 19.3 | 81bp |
| GPM (%) | 34.2 | 33.1 | 33.8 | 33.3 | 33.0 | 33.4 | 33.0 | 34.0 | 33.6 | 33.4 | 32.2 | 120bp |
| SGA (%) | 16.0 | 16.3 | 16.1 | 15.7 | 16.4 | 16.8 | 16.0 | 16.0 | 16.0 | 16.3 | 16.0 | 81bp |
| EBITDA | 4,229 | 4,052 | 4,418 | 4,544 | 4,552 | 4,807 | 5,109 | 5,599 | 17,243 | 20,067 | 4,662 | 3.1 |
| EBITDA Margin (%) | 18.2 | 16.8 | 17.7 | 17.5 | 16.6 | 16.6 | 17.0 | 18.0 | 17.6 | 17.1 | 16.2 | 39bp |
| EBIT | 3,466 | 3,308 | 3,631 | 3,744 | 3,840 | 4,062 | 4,337 | 4,799 | 14,149 | 17,038 | 3,914 | 3.8 |
| EBIT Margin (%) | 14.9 | 13.7 | 14.5 | 14.5 | 14.0 | 14.0 | 14.4 | 15.4 | 14.4 | 14.5 | 13.6 | 42bp |
| Other income | 90 | 250 | 262 | 210 | 165 | 283 | 240 | 249 | 813 | 937 | 230 | 22.9 |
| ETR (%) | 22.0 | 26.0 | 26.5 | 20.3 | 23.5 | 25.2 | 23.0 | 23.0 | 23.7 | 23.6 | 22.0 | |
| Adj. PAT | 2,774 | 2,633 | 2,861 | 3,153 | 3,064 | 3,250 | 3,524 | 3,889 | 11,421 | 13,727 | 3,232 | 0.6 |
| QoQ (%) | 10.3 | -5.1 | 8.7 | 10.2 | -2.8 | 6.1 | 8.4 | 10.3 | | | 5.5 | 58bp |
| YoY (%) | 31.1 | 19.7 | 6.9 | 25.4 | 10.5 | 23.4 | 23.2 | 23.3 | 20.1 | 20.2 | 22.8 | 68bp |
| Reported EPS (INR) | 15.0 | 17.3 | 18.8 | 20.7 | 19.9 | 21.2 | 23.0 | 25.4 | 71.9 | 89.5 | 21.0 | 1.0 |

Key Performance Indicators

| Y/E March | FY24 | | | | FY25 | | FY24 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | |
| Revenue (QoQ CC %) | 2.9 | 3.2 | 3.1 | 3.4 | 5.6 | 5.1 | |
| Margins | | | | | | | |
| Gross Margin | 34.2 | 33.1 | 33.8 | 33.3 | 33.0 | 33.4 | 0.3 |
| EBIT Margin | 14.9 | 13.7 | 14.5 | 14.5 | 14.0 | 14.0 | 0.1 |
| Net Margin | 12.0 | 10.9 | 11.5 | 12.2 | 11.2 | 11.2 | 0.1 |
| Operating metrics | | | | | | | |
| Headcount | 23,130 | 22,842 | 23,336 | 23,850 | 23,519 | 23,237 | 23,850 |
| Voluntary Attrition (%) | 15.50 | 13.50 | 11.90 | 11.50 | 11.90 | 12.00 | 11.5 |
| Utilisation (%) | 78.3 | 80.6 | 81.5 | 80.0 | 82.1 | 84.8 | 80.0 |
| Effort Mix(%) | | | | | | | |
| Global Delivery Centers | 13.1 | 12.7 | 13.8 | 14.8 | 15.2 | 15.8 | 14.1 |
| India | 86.9 | 87.3 | 86.2 | 85.2 | 84.8 | 84.2 | 85.9 |



Hyundai Motor

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

CMP: INR1,960 TP: INR2,345 (+20%)

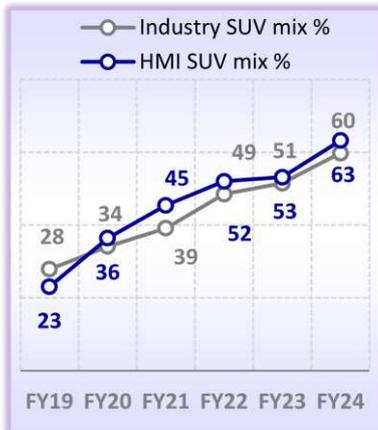
Buy



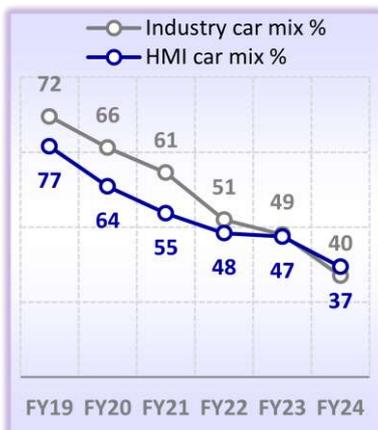
Financial Snapshot (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 709 | 778 | 882 |
| EBITDA | 93.6 | 106.6 | 121.6 |
| Adj. PAT | 55.8 | 64.8 | 76.3 |
| EPS Gr. (%) | -7.9 | 16.2 | 17.7 |
| BV/Sh. (INR) | 172.5 | 220.3 | 276.7 |
| Ratios | | | |
| RoE (%) | 45.2 | 40.6 | 37.8 |
| RoCE (%) | 42.8 | 38.2 | 35.1 |
| RoIC (%) | 137.5 | 135.2 | 157.7 |
| Valuations | | | |
| P/E (x) | 28.5 | 24.6 | 20.9 |
| P/BV (x) | 11.4 | 8.9 | 7.1 |
| EV/EBITDA (x) | 15.9 | 13.6 | 11.6 |
| Div. Yield (%) | 1.4 | 1.6 | 1.9 |

HMI UV mix rising in line with industry



HMI car mix falling in line with industry



In tune with industry trends

One of the few MNCs who has cracked the India PV segment

- Hyundai Motors India (HMI) holds a diverse portfolio mix that covers almost 87% of India's passenger vehicle (PV) market. HMI boasts a healthy domestic market share in several fast-growing segments, with 34%/20%/18% share in the mid-size SUVs/compact SUVs/premium compact car segments. HMI is well-aligned with the domestic PV industry trends, as 63% of its mix comes from utility vehicles (UVs).
- HMI receives extensive support from its parent, Hyundai Motor Company (HMC), in the areas of management, R&D, design, supply chain, et al. HMC's inherent strengths in emerging mobility domains can be effectively leveraged for the Indian market, which remains one of HMI's core strengths.
- HMI has emerged as India's second-largest PV exporter, with significant growth opportunities on the horizon. Following a projected moderation in FY25, we anticipate HMI to report 17% EPS CAGR over FY25-27. We ascribe a slight premium to HMI over Maruti Suzuki (MSIL), given: 1) HMC's technological prowess in emerging technologies that can be adapted to domestic requirements; 2) superior financial metrics; 3) a relatively premium brand perception; and 4) better alignment with industry trends. We initiate coverage on HMI with a BUY rating and a TP of INR2,345, premised on 27x Sep'26E earnings (vs. 26x for MSIL).

Well-positioned to reach greater heights

- HMI has a diverse portfolio of 13 PV models that cover all major segments, including sedans (14% of volumes), hatchbacks (23% of volumes), and SUVs (63% of volumes), accounting for up to ~87% of India's total PV addressable market for FY24. The company also has a presence across all fuel types, including petrol, diesel, CNG, and Electric Vehicles (EVs).
- HMI appears to be well-aligned with the evolving industry trends in India. Its UV mix has notably improved to 63% in FY24 from 13% in FY16, while the overall industry UV mix has risen to 60% in FY24 from 21% in FY16. Thus, HMI is well positioned for future growth.
- The company has a healthy presence in some of the fastest-growing segments in India. HMI is a market leader with 33% share in the mid-size SUV segment, 20% share in compact SUVs, 20% share in the compact sedan segment, and an 18% share in the premium compact car segment.
- Overall, HMI has now emerged as a trusted brand for its stakeholders in the Indian market.

HMI has a well-established PV ecosystem

- HMI has now established a robust ecosystem in India. It is to be noted that: 1) HMI's Chennai plant is among the few large single-location PV manufacturing plants in India with a capacity of 824,000 units p.a.; 2) HMC's largest supply chain outside of South Korea is located in India, comprising 194 tier-1 and 1,083 tier-2 suppliers; 3) the localized supply chain sources almost 93% of its materials from four adjoining districts of Chennai; and 4) HMI has the second-highest number of customer touchpoints in India.
- It is this strong manufacturing ecosystem that enables the company to launch feature-rich, reliable, innovative, and yet competitively priced PVs, thereby establishing HMI as a strong and trustworthy brand in India.

Strong backing from the parent

- HMI receives extensive support from its parent (HMC) in several aspects of its operations, including management, R&D, design, product planning, manufacturing, supply chain development, and quality control, et al.
- HMC's inherent strengths in emerging mobility domains, such as electrification, shared mobility, and autonomous driving, combined with the information flow within the Hyundai Motor Group on emerging global trends and the latest customer preferences, enable the timely identification of potential upcoming technology trends in India.
- HMI also benefits from the implementation of HMC's manufacturing practices and quality management systems in its operations
- HMI also maintains close connections with other group affiliates within the Hyundai Motor Group across the auto OEM value chain, fostering synergies in supply chain, manufacturing, and product development.

Exports – opportunities aplenty!

- On the back of its parent support, HMI is currently India's second-largest exporter of PVs, serving over 150 countries across Latin America, Africa, the Middle East, Asia, and beyond. In the past couple of years, HMI's export revenue has registered a 25% CAGR vs. overall revenue CAGR of 21%.
- The company aims to leverage its local manufacturing capabilities to establish HMI as the largest foreign production base for HMC for emerging markets, including Southeast Asia, Latin America, Africa, and the Middle East et al.
- Exports are likely to remain a key growth driver for HMI going forward due to two main factors: 1) the higher ASP for exports, which enhances its profitability vs. domestic sales, and 2) the natural hedge it provides against imports. Given these factors, we anticipate HMI's export volumes to report an 11% CAGR over FY25-27.

Warrants a slight premium to MSIL – Initiate coverage with a BUY

- While FY25 is likely to be a moderate year for PVs in India and consequently for HMI, we project the company to report an 8% volume CAGR over the next two years. Following a moderation in FY25E earnings, we expect HMI to post 17% earnings CAGR over FY25-27E.
- When comparing HMI with MSIL, which is its closest peer, we believe that while both OEMs are very close in competency and future growth potential, we can ascribe a slight premium to HMI over MSIL, given: 1) HMC's technological prowess in emerging technologies that can be customized to meet Indian customer requirements as needed; 2) superior financial metrics; 3) a relatively premium brand perception; and 4) better alignment with industry trends.
- We hence assign a 27x one-year Fwd PER multiple to HMI, relative to our target multiple of 26x currently assigned to MSIL. Therefore, we arrive at our TP of INR2,345 for HMI, based on 27x Sep'26E earnings. **We initiate coverage on HMI with a BUY rating.**
- **Key downside risks:** 1) lack of revival in domestic PV demand; 2) supply chain issues and logistic disruptions; 3) unfavorable regulatory changes; 4) a delay in the ramp-up of new facilities; and 5) rise in commodity prices.



Bajaj Finance

Estimate change 
 TP change 
 Rating change 

CMP: INR6,678 TP: INR7,320 (+10%) Neutral

| | |
|-----------------------|---------------|
| Bloomberg | BAF IN |
| Equity Shares (m) | 619 |
| M.Cap.(INRb)/(USD\$b) | 4133.6 / 49.2 |
| 52-Week Range (INR) | 7885 / 6188 |
| 1, 6, 12 Rel. Per (%) | -7/-18/-39 |
| 12M Avg Val (INR M) | 8951 |

Financials & Valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|--------------|-------|-------|-------|
| Net Income | 363 | 450 | 565 |
| PPP | 239 | 300 | 380 |
| PAT | 144 | 165 | 213 |
| EPS (INR) | 234 | 267 | 344 |
| EPS Gr. (%) | 23 | 14 | 29 |
| BV/Sh. (INR) | 1,240 | 1,582 | 1,881 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 10.4 | 9.8 | 9.9 |
| C/I ratio (%) | 34.0 | 33.3 | 32.8 |
| RoA (%) | 4.4 | 3.9 | 4.0 |
| RoE (%) | 22.0 | 18.9 | 19.9 |
| Payout (%) | 15.4 | 15.0 | 13.1 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 28.6 | 25.0 | 19.4 |
| P/BV (x) | 5.4 | 4.2 | 3.6 |
| Div. Yield (%) | 0.5 | 0.6 | 0.7 |

Shareholding Pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 54.7 | 54.7 | 55.9 |
| DII | 15.1 | 14.3 | 13.1 |
| FII | 20.9 | 21.2 | 20.5 |
| Others | 9.4 | 9.8 | 10.5 |

FII includes depository receipts

Elevated credit costs remain a drag on earnings

Broad-based stress across retail and SME; credit cost guidance increased

- Bajaj Finance (BAF)'s reported PAT in 2QFY25 grew 13% YoY to ~INR40.1b (in line). NII grew 23% YoY to ~INR88.4b (in line). Non-interest income stood at ~INR21.1b (+3% QoQ). Fee income was lower QoQ due to the transfer of the collections activity to RBL Bank (in its co-branded credit cards). 1HFY25 PAT grew 13% YoY to ~INR79.3b and we estimate 2HFY25 PAT to grow 15% YoY.
- BAF's 2QFY25 NIM contracted ~5bp QoQ to ~9.7%. The company expects that the ~25bp reduction in repo rates will lead to a ~10-12bp expansion in the NIM. However, the company plans to leverage the NIM expansion to support the growth of some of its newer lines of business launched over the past two years. We estimate NIM at 9.8%/9.9% in FY25/FY26.
- The company has guided for AUM growth of ~27-28% in FY25, with newer businesses contributing 2-3% to this growth, while existing businesses are expected to grow at ~24-25% YoY in FY25. In the medium term, it has guided for AUM growth of ~25-27%.
- BAF is cautiously optimistic about the portfolio movement, observing that loan losses peaked in 2Q and are expected to decline to ~2% by 4Q. It has guided for credit costs of ~205bp in FY25 (vs. the earlier guidance of 1.75-1.85%) and credit costs of 185bp-195bp for FY26.
- We cut our FY25/FY26 PAT estimate by ~2%/5% to factor in higher credit costs. We estimate a CAGR of ~27%/24% in AUM/PAT over FY24-FY27 and expect BAF to deliver RoA/RoE of ~4.1%/21% in FY27.
- While the valuations are attractive at 3.6x P/BV and 19x FY26E P/E, we believe that the asset quality stress is becoming more broad-based and spilling over to product segments across its retail and SME offerings. We do not anticipate any significant upside catalysts until it successfully navigates the challenges on the horizon. Maintain Neutral with a TP of INR7,320.

AUM rose ~29% YoY; healthy new customer acquisitions

- BAF's total customer franchise stood at ~92.1m, up ~20% YoY and ~5% QoQ. New customer acquisitions stood at ~4m (vs. ~3.6m YoY and ~4.5m QoQ). The company now estimates new customer acquisitions of ~15-16m in FY25. New loans booked rose ~14% YoY to ~9.7m (vs. ~8.5m in 2QFY24).
- Total AUM grew 29% YoY and ~6% QoQ to INR3.74t.

Deterioration in asset quality; GNPA/NNPA rises ~20bp/10bp

- BAF's GS3/NS3 deteriorated with GNPA/NNPA rising ~20bp/10bp to ~1.1%/0.5%, respectively, and the Stage 3 PCR increased ~1pp QoQ to ~57%.
- Net credit costs in 2QFY25 stood at ~2.1% (PY: ~1.5%). During the quarter, stage 2 assets decreased ~INR3.6b, while stage 3 assets increased ~INR9b. The net increase in stage 2 & 3 assets was ~INR5.4b. **This increase was across all retail and SME lines of businesses.** We model net credit costs of 2.1%/2.0% in FY25/FY26E.

Highlights from the management commentary

- The management believes that non Bajaj Auto 2W financing is a large opportunity and expects to significantly expand this business in the medium term. The company is also evaluating its strategy for the 3W business.
- Clients who have three or more live unsecured loans have a higher propensity to default and lower collection efficiencies. The proportion of non-B2B customers with 3+ unsecured loans is only ~9-10% (vs. 13% at its peak and ~8% pre-COVID).

Valuation and view

- Earlier, we were under the impression that credit costs would remain elevated in FY25 and normalize from FY26 onwards. However, the company has increased its credit costs guidance to 185-195bp (vs. 175-185bp earlier) for FY26. BAF's key product segments (until now) have been the secular growth segments. However, its foray into multiple new areas, such as cars, tractors, CVs, and MFI, could (in future) make its growth and credit costs vulnerable to cyclicality, despite having a well-diversified product mix.
- Despite a healthy PAT CAGR of ~24% over FY24-FY27E and RoA/RoE of 4.1%/21% in FY27E, we see limited upside catalysts. Consequently, we maintain **our Neutral rating on the stock with a TP of INR7,320 (premised on 3.5x Sep'26E BVPS).**

| Quarterly Performance | | | | | | | | | | | | (INR m) |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|----------------|-------------|
| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | 2Q FY25E | Act V/s Est |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Interest Income | 1,08,211 | 1,17,340 | 1,25,233 | 1,32,301 | 1,40,492 | 1,49,870 | 1,58,862 | 1,67,743 | 4,83,066 | 6,16,968 | 149,764 | 0 |
| Interest Expenses | 41,025 | 45,371 | 48,680 | 52,171 | 56,839 | 61,493 | 65,183 | 69,043 | 1,87,247 | 2,52,558 | 61,215 | 0 |
| Net Interest Income | 67,186 | 71,970 | 76,553 | 80,130 | 83,653 | 88,377 | 93,680 | 98,700 | 2,95,819 | 3,64,410 | 88,549 | 0 |
| YoY Growth (%) | 27.4 | 30.0 | 29.3 | 28.1 | 24.5 | 22.8 | 22.4 | 23.2 | 28.7 | 23.2 | 23.0 | |
| Other Operating Income | 16,795 | 16,477 | 16,436 | 17,019 | 20,531 | 21,084 | 21,505 | 22,825 | 66,759 | 85,945 | 19,501 | 8 |
| Net Income | 83,980 | 88,447 | 92,989 | 97,149 | 104,185 | 109,461 | 115,185 | 121,525 | 362,578 | 4,50,355 | 108,051 | 1 |
| YoY Growth (%) | 33.3 | 26.3 | 25.1 | 25.0 | 24.1 | 23.8 | 23.9 | 25.1 | 25.7 | 24.2 | 22.2 | |
| Operating Expenses | 28,544 | 30,100 | 31,567 | 33,028 | 34,709 | 36,390 | 38,391 | 40,687 | 1,23,252 | 1,50,177 | 36,306 | 0 |
| Operating Profit | 55,437 | 58,347 | 61,422 | 64,121 | 69,475 | 73,071 | 76,793 | 80,838 | 2,39,326 | 3,00,178 | 71,745 | 2 |
| YoY Growth (%) | 37.0 | 30.0 | 26.6 | 25.3 | 25.3 | 25.2 | 25.0 | 26.1 | 27.9 | 25.4 | 23.0 | |
| Provisions and Cont. | 9,953 | 10,771 | 12,484 | 13,100 | 16,847 | 19,091 | 21,255 | 20,882 | 46,307 | 78,074 | 17,474 | 9 |
| Profit before Tax | 45,512 | 47,578 | 48,955 | 51,051 | 52,654 | 53,980 | 55,539 | 59,973 | 1,93,036 | 2,22,121 | 54,270 | -1 |
| Tax Provisions | 11,143 | 12,070 | 12,566 | 12,806 | 13,534 | 13,877 | 14,273 | 15,174 | 48,584 | 56,859 | 14,056 | -1 |
| Net Profit | 34,369 | 35,508 | 36,390 | 38,245 | 39,120 | 40,103 | 41,265 | 44,799 | 1,44,452 | 1,65,262 | 40,214 | 0 |
| YoY Growth (%) | 36.8 | 27.7 | 22.4 | 21.1 | 13.8 | 12.9 | 13.4 | 17.1 | 25.5 | 14.4 | 13.3 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Fees to Net Income Ratio | 20.0 | 18.6 | 17.7 | 17.5 | 19.7 | 19.3 | 18.7 | 18.8 | 18.4 | 19.1 | | |
| Credit Cost | 1.57 | 1.56 | 1.69 | 1.66 | 1.99 | 2.12 | 2.23 | 2.05 | 1.6 | 2.1 | | |
| Cost to Income Ratio | 34.0 | 34.0 | 33.9 | 34.0 | 33.3 | 33.2 | 33.3 | 33.5 | 34.0 | 33.3 | | |
| Tax Rate | 24.5 | 25.4 | 25.7 | 25.1 | 25.7 | 25.7 | 25.7 | 25.3 | 25.2 | 25.6 | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| AUM (INR B) | 2,701 | 2,903 | 3,110 | 3,306 | 3,542 | 3,739 | 3,990 | 4,232 | 3,306 | 3,542 | | |
| Change YoY (%) | 42.3 | 32.9 | 34.7 | 33.6 | 38.4 | 28.8 | 28.3 | 28.0 | 33.6 | 38.4 | | |
| Loans (INR B) | 2,653 | 2,857 | 3,064 | 3,263 | 3,497 | 3,692 | 3,950 | 4,193 | 3,263 | 3,497 | | |
| Change YoY (%) | 44.1 | 34.3 | 35.9 | 34.7 | 39.2 | 29.2 | 28.9 | 28.5 | 34.7 | 39.2 | | |
| Borrowings (INR B) | 2,352 | 2,544 | 2,639 | 2,895 | 3,048 | 3,192 | 3,423 | 3,669 | 2,895 | 3,048 | | |
| Change YoY (%) | 47.8 | 38.8 | 31.1 | 34.4 | 35.7 | 25.5 | 29.7 | 26.7 | 34.4 | 35.7 | | |
| Loans/Borrowings (%) | 112.8 | 112.3 | 116.1 | 112.7 | 114.7 | 115.7 | 115.4 | 114.3 | 112.7 | 114.7 | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR B) | 23.5 | 26.5 | 29.6 | 28.2 | 30.5 | 39.5 | 0.0 | 0.0 | 27.4 | 49.1 | | |
| Gross Stage 3 (% on Assets) | 0.87 | 0.91 | 0.95 | 0.85 | 0.86 | 1.06 | 0.00 | 0.00 | 0.83 | 1.15 | | |
| NS 3 (INR B) | 8.3 | 9.0 | 11.4 | 12.1 | 13.4 | 17.0 | 0.0 | 0.0 | 11.8 | 21.1 | | |
| Net Stage 3 (% on Assets) | 0.31 | 0.31 | 0.37 | 0.37 | 0.38 | 0.46 | 0.00 | 0.00 | 0.36 | 0.50 | | |
| PCR (%) | 77.4 | 66.0 | 61.7 | 57.0 | 85.5 | 57.1 | #DIV/0! | 0.0 | 56.8 | 57.0 | | |
| Return Ratios (%) | | | | | | | | | | | | |
| ROAA (Rep) | 5.42 | 5.16 | 4.92 | 4.84 | 4.63 | 4.48 | 0 | 0 | 4.4 | 3.9 | | |
| ROAE (Rep) | 24.47 | 24.1 | 21.95 | 20.48 | 19.86 | 19.08 | 0 | 0 | 22.0 | 18.9 | | |

E: MOFSL Estimates



| | |
|-----------------|---|
| Estimate change | ↑ |
| TP change | ↑ |
| Rating change | ↔ |

CMP: INR256 TP: INR330 (29%) Buy

Stable quarter, quick commerce investments in focus

GOV growth for quick commerce beats estimates (again)

| | |
|-----------------------|---------------|
| Bloomberg | ZOMATO IN |
| Equity Shares (m) | 8834 |
| M.Cap.(INRb)/(USD\$b) | 2264.7 / 26.9 |
| 52-Week Range (INR) | 298 / 101 |
| 1, 6, 12 Rel. Per (%) | -7/23/101 |
| 12M Avg Val (INR M) | 11757 |

- Zomato delivered another robust quarter as 2QFY25 revenues of INR48b grew 14% QoQ, in line with our estimate of 14% QoQ growth. Growth was led by Blinkit (GOV up 25% QoQ/122% YoY). Food delivery business also continues to deliver 20%+ YoY growth in GOV and revenue with steady margins. Adjusted EBITDA as % of GOV margin was up 20bp QoQ at 3.4%. PAT came in at INR1.8b (est. INR1.4b) and grew 389% YoY. For 1HFY25, revenue/adj. EBITDA grew 71.1%/1086.8%. vs. 1HFY24. For 2HFY25, we expect revenue/ adj. EBITDA to grow by 68.5%/123.0% YoY.

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|------------------|-------|-------|-------|
| GOV | 398.3 | 512.0 | 620.3 |
| Net Sales | 205.5 | 339.2 | 491.0 |
| Change (%) | 69.6 | 65.1 | 44.7 |
| EBITA | 9.1 | 30.4 | 76.5 |
| EBITA margin (%) | 4.5 | 9.0 | 15.6 |
| Adj. PAT | 9.6 | 29.2 | 63.3 |
| PAT margin (%) | 4.7 | 8.6 | 12.9 |
| RoE (%) | 4.58 | 12.79 | 23.06 |
| RoCE (%) | 0.30 | 7.66 | 18.46 |
| EPS | 1.11 | 3.39 | 7.36 |
| EV/ Sales | 10.7 | 6.4 | 4.3 |
| Price/ Book | 10.3 | 9.1 | 7.2 |

Our view: Investments in quick commerce top priority

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 17.4 | 23.8 | 30.1 |
| FII | 53.8 | 47.6 | 39.5 |
| Others | 28.9 | 28.7 | 30.4 |

FII Includes depository receipts

- **Blinkit expansion a key focus area:** Zomato is focusing on aggressively expanding Blinkit by entering new cities and deepening its presence in existing markets. This includes broadening product categories like beauty, electronics, and toys, and opening larger dark stores. It recently added 152 new stores along with seven additional warehouses, bringing the total count closer to the target of 1,000 stores by FY25 (791 as of 2Q). Contrary to earlier expectations, quick commerce could become a viable alternative to kirana stores even in non-metro cities.
- **Capital raise to strengthen position and enable Blinkit to hold inventory:** With rising competition in the quick-commerce space, Zomato aims to shore up its defenses through a strategic capital raise, with an upper cap of USD1b. This capital raise will ensure Zomato maintains financial flexibility, allowing it to continue scaling Blinkit while countering competitive pressures effectively. It also allows Zomato to change its ownership structure in favor of Indian investors – this should allow the company to hold inventory in its quick commerce business.
- **This cash burn is different from food delivery:** Now that the business model is established, we are entering a phase of focused investments in quick commerce. We expect all quick commerce players, including Zepto, Swiggy and a few new entrants, to invest over the short to medium term (2-3 years).
- This “cash burn” is, however, different from the one we witnessed when food delivery was scaling up. Contrary to countless questions on whether food delivery would ever be profitable, the viability of the “dark store model” is now beyond doubt: mature dark stores are already contribution margin positive. New dark stores are reaching breakeven GOV faster (see Exhibit 11). Hence, investors will be far more lenient this time, and revenue growth could be higher for longer, as companies unlock new cities, markets, and categories.
- **Range-bound contribution margins:** With increased investments in new infrastructure and fixed costs, the immediate priority is growth and customer acquisition while maintaining a 4-5% EBITDA margin target for the long term.

Valuation and change in estimates

- Zomato's food delivery business is stable, and Blinkit offers a generational opportunity to participate in the disruption of industries such as retail, grocery and e-commerce. Our estimates are largely unchanged as the increase in Blinkit GOV as a result of dark store network expansion is offset by decreased profitability owing to increased capex and investments. Zomato should report PAT margin of 4.7%/8.6%/12.9% in FY25/FY26/FY27. Our DCF-based valuation of INR330 suggests a 28% upside from the current price. We reiterate our BUY rating on the stock.

Food delivery GOV misses slightly, Blinkit GOV beats our estimates; QIP raise of INR85b approved

- Zomato reported 2QFY25 net revenue of INR48b (+14.0% QoQ/68.5% YoY), in line with our estimate of +14% QoQ.
- Food Delivery GOV came in at INR97b, slightly below our estimate of INR101b. Blinkit GOV came in at INR61b (up 120% YoY) vs. our estimate of INR59b.
- Consol. reported EBITDA came in at INR2,260m (4.7% reported EBITDA margin vs. 4.2% in 1Q).
- For Food Delivery, adjusted EBITDA as % of GOV margin was up 10bp QoQ at 3.5%.
- Blinkit reported contribution margin of 3.8% (4.0% in 1Q). Adj. EBITDA margin was -0.1% vs. our expectation of 0.1%. Contribution margins were flat as a result of the expansion of dark stores; mature dark stores are already approaching healthy profitability.
- Food Delivery revenue grew 4% QoQ/30% YoY (est. 10% QoQ).
- Contribution margin inched up slightly to 7.6% (7.3% in 1Q).
- PAT stood at INR1.8b, up 389% YoY (est. INR1.4b) vs. INR360m in 2QFY24.
- YoY adj. revenue growth was steady at 58% and continued to trend above the stated outlook of 40%+.
- Zomato will raise INR85b via QIP to strengthen its balance sheet in response to the capital raising efforts by competition.

Key highlights from the management commentary

- Food Delivery: YoY adjusted revenue growth was steady at 58% and continued to trend above the stated outlook of 40%+. GOV growth of 20% YoY is expected to continue. The fluctuation in take rate is due to seasonality and changes in the restaurant mix, leading to this moderation in 2Q.
- Blinkit: New stores are now reaching ~INR 0.7m of GOV per day in the first full quarter after the launch, a level when they reach contribution break-even. Zomato added 152 net new stores and 7 warehouses. Since new stores and warehouses take a few months to ramp up, they tend to be margin-dilutive in the short term. The bulk of capex is used for store expansion, with the addition of 7 new warehouses. This new store capex is recorded above the contribution line.
- Zomato will raise INR85b via QIP to strengthen its balance sheet in response to competitors' fundraising.
- There is a tax on treasury income. Operational profit is still offset by carry-forward losses.

- A new app – District - will be launched in the coming weeks, focusing on transitioning to the dining and ticketing businesses. Zomato will explore more categories in the future, if feasible.

Valuation and view

- Zomato’s food delivery business is stable, and Blinkit offers a generational opportunity to participate in the disruption of industries such as retail, grocery and e-commerce. Our estimates are largely unchanged as the increase in Blinkit GOV as a result of the dark store network expansion is offset by decreased profitability owing to increased capex and investments. Zomato should report PAT margin of 4.7%/8.6%/12.9% in FY25/FY26/FY27. Our DCF-based valuation of INR330 suggests a 28% upside from the current price. We **reiterate our BUY** rating on the stock.

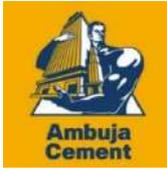
Consolidated quarterly performance

| Y/E march | (INR m) | | | | | | | | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|--------------|
| | FY24 | | | | FY25 | | | | FY24 | FY25 | Estimate | Var. |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | 2QFY25 | (% / bp) | |
| Revenue (net of delivery) | 24,160 | 28,480 | 32,880 | 35,620 | 42,060 | 47,990 | 54,590 | 60,811 | 1,21,140 | 2,05,451 | 47,860 | 0.3 |
| YoY Change (%) | 70.9 | 71.4 | 68.8 | 73.2 | 74.1 | 68.5 | 66.0 | 70.7 | 71.1 | 69.6 | 68.0 | 50bp |
| Inventory of traded goods | 5,620 | 6,740 | 7,820 | 8,640 | 10,990 | 13,340 | 15,754 | 18,117 | 28,820 | 58,201 | 12,962 | 2.9 |
| Employee Expenses | 3,380 | 4,170 | 4,230 | 4,810 | 5,290 | 5,900 | 6,785 | 7,803 | 16,590 | 25,778 | 5,026 | 17.4 |
| Delivery expenses | 8,100 | 9,190 | 10,680 | 11,180 | 13,280 | 13,980 | 15,060 | 16,006 | 39,150 | 58,326 | 10,709 | 30.5 |
| Gross Profit | 7,060 | 8,380 | 10,150 | 10,990 | 12,500 | 14,770 | 16,992 | 18,886 | 36,580 | 63,147 | 19,163 | -22.9 |
| Margins (%) | 29.2 | 29.4 | 30.9 | 30.9 | 29.7 | 30.8 | 31.1 | 31.1 | 30.2 | 30.7 | 40 | -930bp |
| Advertisement and sales promotion | 3,140 | 3,550 | 3,740 | 3,890 | 3,960 | 4,210 | 4,404 | 4,505 | 14,320 | 17,080 | 4,215 | -0.1 |
| Others | 4,400 | 5,300 | 5,900 | 6,240 | 6,770 | 8,300 | 10,251 | 11,604 | 21,840 | 36,925 | 13,627 | -39.1 |
| EBITDA | -480 | -470 | 510 | 860 | 1,770 | 2,260 | 2,337 | 2,777 | 420 | 9,143 | 1,322 | NA |
| Margins (%) | -2.0 | -1.7 | 1.6 | 2.4 | 4.2 | 4.7 | 4.3 | 4.6 | 0.3 | 4.5 | 2.8 | 190bp |
| Depreciation | 1,300 | 1,280 | 1,280 | 1,400 | 1,490 | 1,800 | 2,457 | 2,737 | 5,260 | 8,483 | 2,154 | -16.4 |
| Interest | 180 | 160 | 180 | 200 | 250 | 300 | 382 | 426 | 720 | 1,358 | 335 | -10.5 |
| Other Income | 1,810 | 2,120 | 2,190 | 2,350 | 2,360 | 2,210 | 2,730 | 3,041 | 8,470 | 10,340 | 2,393 | -7.6 |
| PBT before EO expense | -150 | 210 | 1,240 | 1,610 | 2,390 | 2,370 | 2,228 | 2,655 | 2,910 | 9,642 | 1,226 | NA |
| PBT | -150 | 210 | 1,240 | 1,610 | 2,390 | 2,370 | 2,228 | 2,655 | 2,910 | 9,642 | 1,226 | NA |
| Tax | -170 | -150 | -140 | -140 | -140 | 610 | -200 | -200 | -600 | 70 | -200 | -405.0 |
| Rate (%) | 113.3 | -71.4 | -11.3 | -8.7 | -5.9 | 25.7 | -9.0 | -7.5 | NA | NA | -16.3 | 4200bp |
| Reported PAT | 20 | 360 | 1,380 | 1,750 | 2,530 | 1,760 | 2,428 | 2,855 | 3,510 | 9,572 | 1,426 | 23.4 |
| Adj PAT | 20 | 360 | 1,380 | 1,750 | 2,530 | 1,760 | 2,428 | 2,855 | 3,510 | 9,572 | 1,426 | 23.4 |
| YoY Change (%) | -101.1 | -114 | -139.8 | -193.0 | 12,550 | 389 | 75.9 | 63.1 | -136.1 | 172.7 | 296.2 | NA |
| Margins (%) | 0.1 | 1.3 | 4.2 | 4.9 | 6.0 | 3.7 | 4.4 | 4.7 | 2.9 | 4.7 | 3.0 | NA |



Ambuja Cements

BSE SENSEX 80,221 S&P CNX 24,472



Stock Info

| | |
|-----------------------|---------------|
| Bloomberg | ACEM IN |
| Equity Shares (m) | 2463 |
| M.Cap.(INRb)/(USDb) | 1375.7 / 16.4 |
| 52-Week Range (INR) | 707 / 404 |
| 1, 6, 12 Rel. Per (%) | -4/-19/4 |
| 12M Avg Val (INR m) | 2201 |
| Free Float (%) | 32.5 |

Financials Snapshot (INR b)

| Y/E Dec | FY24 | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales | 341.2 | 413.0 | 469.4 |
| EBITDA | 54.7 | 83.0 | 104.1 |
| Adj. PAT | 23.4 | 37.3 | 46.6 |
| EBITDA Margin (%) | 16.0 | 20.1 | 22.2 |
| Adj. EPS (INR) | 9.5 | 15.2 | 18.9 |
| EPS Gr. (%) | -31.8 | 59.9 | 24.8 |
| BV/Sh. (INR) | 221 | 234 | 249 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.5 | -0.3 | -0.3 |
| RoE (%) | 4.9 | 6.7 | 7.8 |
| RoCE (%) | 5.1 | 8.0 | 9.5 |
| Payout (%) | 21.2 | 19.8 | 21.1 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 49.8 | 31.2 | 25.0 |
| P/BV (x) | 2.1 | 2.0 | 1.9 |
| EV/EBITDA(x) | 23.7 | 16.9 | 13.2 |
| EV/ton (USD) | 184 | 155 | 144 |
| Div. Yield (%) | 0.4 | 0.5 | 0.7 |
| FCF Yield (%) | -0.5 | 0.7 | 4.1 |

Shareholding Pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 67.5 | 70.3 | 63.2 |
| DII | 15.2 | 13.3 | 15.5 |
| FII | 10.7 | 9.6 | 11.7 |
| Others | 6.6 | 6.8 | 9.6 |

FII includes depository receipts

CMP: INR559 TP: INR750 (+34%) BUY

Announced acquisition of 46.8% stake in Orient Cement

Consolidated capacity will increase to 97mtpa post-acquisition

- Ambuja Cement (ACEM) has announced the purchase of a 46.8% stake (37.9% from promoters and 8.9% from other public shareholders) of Orient Cement (ORCMNT) at a price of INR395.4 per share. The acquisition cost works out to be USD115/t (on the current operational capacity).
- ORCMNT has two integrated cement plants and one grinding unit operational, with an aggregate clinker/cement capacity of 5.6mt/8.5mt, spread in the South and Maharashtra markets. ORCMNT’s capacity utilization stood at 72%/64% in FY24/1QFY25 and EBITDA/t stood at INR732/INR708 in FY24/1QFY25. ORCMNT plants are equipped with railway siding, renewable power (13.5MW operational and 19.7MW under commissioning), WHRS (10MW), CPP (95MW), and AFR facilities. Further, ORCMNT is a debt-free company.
- The acquisition will be funded through internal accruals and is estimated to be completed within the next three to four months.
- We believe the acquisition is at an attractive valuation of USD115/t and higher than its previous acquisition of Penna Cement at USD90/t. The higher valuation is reasonable given ORCMNT’s higher capacity utilization, profitability, strong balance sheet, and availability of resources for future growth plans. ACEM currently trades at 17x/13x FY26E/FY27E EV/EBITDA. We reiterate our BUY rating with a TP of INR750, based on 20x Sep’26E EV/EBITDA.

Acquisition helps meet capacity target and drive cost efficiency

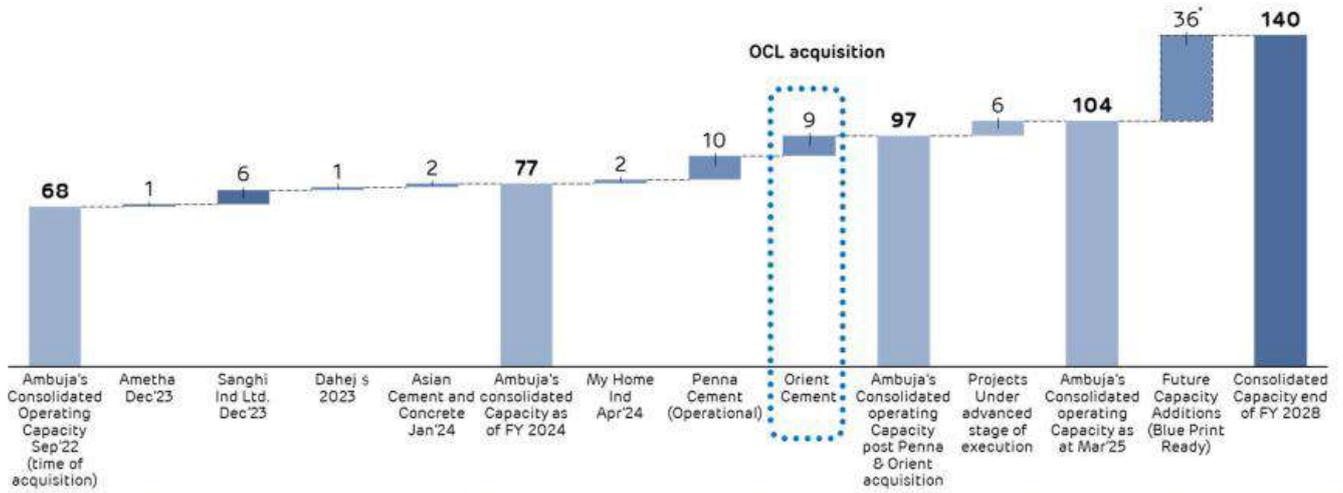
- The acquisition will increase ACEM’s consolidated operational capacity to 97.4mtpa and accelerate the achievement of its capacity target of 100mtpa/140mtpa. The management highlighted that it can expand ORCMNT’s clinker/grinding capacity by 10mtpa/14mtpa through a mix of brownfield and greenfield expansions in the South, North, and Central regions.
- The company has the opportunity to further improve the operational efficiency of ORCMNT by increasing the green power share, optimizing fuel costs through domestic coal linkage, and optimizing logistic costs with an improved geo-mix. For instance, the clinker rail freight for Jalgaon GU will be reduced by INR150/t by swapping with its existing footprints.
- It targets to ramp up capacity utilization to 85% over the next three years (vs. 72% in FY24). Further, it aims to leverage the ACEM and ACC brands to increase trade mix, premium cement share, and realization. With these initiatives, it expects to reach a sustainable EBITDA/t of INR1,500 by FY28 and target +15% ROCE on the investment.

Valuation and view

- ACEM is continuously focusing on cost reduction by increasing the green power share, optimizing logistics via lead distance reduction, and optimizing the warehouse and rail-road mix. We believe the company’s value-accretive acquisitions and ambitious organic expansion plans will drive growth and profitability in the long run.
- The stock currently trades at 17x/13x FY26E/FY27E EV/EBITDA. We value ACEM at 20x Sep’26E EV/EBITDA to arrive at our TP of INR750. Reiterate BUY.

Story in charts

ACEM's roadmap to reach 140mtpa capacity by FY28E



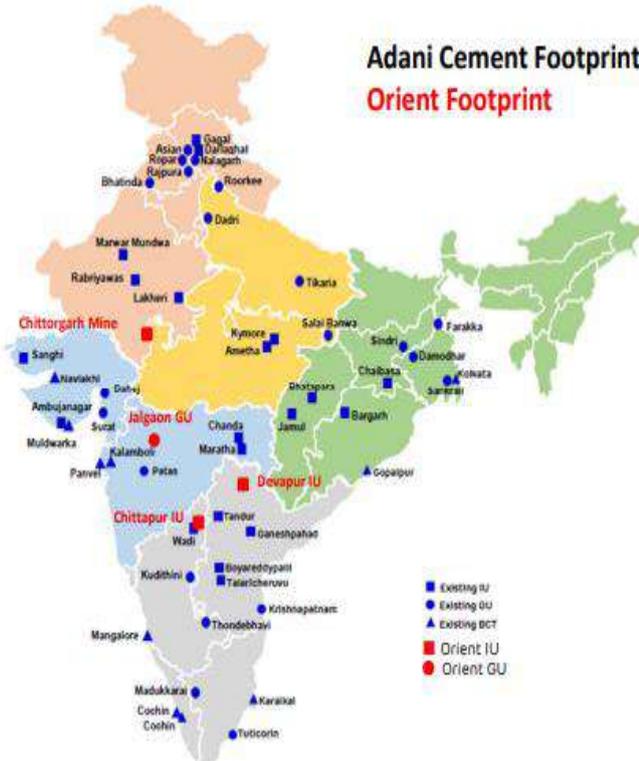
Proposed acquisition adds 8.5 MTPA capacity and provides potential to expand additional 14.1 MTPA capacity.

§ Ambuja/ACC have long term purchase agreement with Dahej plant of Adani Cement Industries Ltd.
 * Includes under construction Penna cement plants, Ready to Execute Projects of OCL and other projects.



Source: MOFSL, Company;

ACEM consolidated its capacity footprint with ORCMNT



Orient Cement's Plant wise Capacity

| Plant | Clinker (MTPA) | Cement (MTPA) |
|---|----------------|---------------|
| Chittapur, KR | 2.1 | 3.0 |
| Devapur, TG | 3.5 | 3.5 |
| Jalgaon GU | - | 2.0 |
| Operational Capacity | 5.6 | 8.5 |
| Chittapur, KR | 2.9 | 4.0 |
| Devapur, TG + Satpura, MP | 3.0 | 4.1 |
| Ready to Implement Capacity | 5.9 | 8.1 |
| Potential New Capacity in North Market | 4.0 | 6.0 |
| Total Capacity + Expansion Potential | 15.5 | 22.6 |

Source: MOFSL, Company



ICICI Prudential Life Insurance

| | |
|-----------------|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR731 TP: INR900 (+23%) BUY

Miss on PAT/VNB; margins decline 460bp YoY to 23.4%

Minimal impact of surrender charges

| | |
|-----------------------|-------------|
| Bloomberg | IPRU IN |
| Equity Shares (m) | 1444 |
| M.Cap.(INRb)/(USDb) | 1056 / 12.6 |
| 52-Week Range (INR) | 797 / 463 |
| 1, 6, 12 Rel. Per (%) | 0/16/14 |
| 12M Avg Val (INR M) | 1218 |

- IPRU Life reported NBP of INR49.3b in 2QFY25, up 13.1% YoY. For 1HFY25, NBP grew 17.4% YoY to INR86.98b.
- New business APE grew 21.4% YoY to INR25b (in line) in 2Q. For 1HFY25, it rose to INR44.7b (+27% YoY).
- VNB grew 1.6% YoY to INR5.9b (9% miss). VNB margins declined 460bp YoY to 23.4% in 2QFY25 vs. our estimate of 25%.
- For 2Q, IPRU reported 3.1% YoY growth in shareholder PAT to INR2.5b (7% miss). For 1HFY25, it stood at INR4.8, up 6% YoY.
- Considering the 2Q performance, we have cut our EPS and VNB margin estimates for FY25 and FY26. However, we have kept APE growth estimates unchanged as growth in proprietary channels was offset by the margin contraction.
- For 2HFY25, we expect New Business APE/VNB/PAT to grow 21%/30%/12% YoY to INR66.8b/INR15.8b/INR4.5b. Going ahead, the company's ability to sustain strong premium growth and VNB margins will be vital for re-rating of the stock. Retain BUY with a TP of INR900 (based on 2x Sept'26E EV).

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-----------------------|-------|-------|-------|
| Net Premiums | 474.5 | 544.9 | 630.4 |
| Surplus / Deficit | 17.2 | 18.6 | 21.6 |
| Sh. holder's PAT | 9.3 | 11.4 | 15.3 |
| NBP growth unwt'd (%) | 16.9 | 16.2 | 16.2 |
| APE (INRb) | 112.2 | 131.0 | 153.1 |
| VNB (INRb) | 26.4 | 32.1 | 38.3 |
| VNB margin (%) | 23.5 | 24.5 | 25.0 |
| EV per share | 350 | 420 | 505 |
| RoEV (%) | 19.3 | 19.8 | 20.3 |
| Total AUMs (INRt) | 3.5 | 4.2 | 5.0 |

Valuations

| | | | |
|------------|------|------|------|
| P/EV (x) | 2.1 | 1.7 | 1.4 |
| P/EVOP (x) | 16.9 | 14.1 | 11.8 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 73.1 | 73.2 | 73.3 |
| DII | 9.3 | 8.8 | 6.4 |
| FII | 13.0 | 13.2 | 15.5 |
| Others | 4.7 | 4.8 | 4.8 |

FII Includes depository receipts

VNB margins decline due to change in product mix

- IPRU's gross premium grew 15.8% YoY to INR120.8b (in line) in 2QFY25, with renewal/first-year/single premium up 18.6%/34.6%/1% YoY.
- Renewal premium has been subdued due to 1) longer-tenure policies hitting maturity, 2) customers exiting ULIP after the five-year lock-in ends to book profits in the current market situation, and 3) slow premium growth in 2-3 years prior to 2022. IPRU has recently launched 'Platinum ULIP' as an effort to increase tenure and improve margins.
- VNB margins declined 460bp YoY to 23.4% mainly due to 1) a shift in the product mix toward ULIPs, and 2) delays in IRR change to accommodate declining G-sec yields. The company has started to align products with prevailing G-Sec rates from Oct'24.
- Commission expenses grew 60% YoY/30.6% QoQ to INR12.3b after the implementation of the new commission structure.
- Total expenses grew 45.2% YoY to INR247.3b due to growth in the protection business and weak renewal premium growth.
- On the distribution front, the share of agency and direct channels in retail APE increased to 51.6% from 44.6% in 1QFY25, due to continued investments in these channels. Partnership distribution channel has been delivering a 20% CAGR over the last 4-5 years but has slowed down due to a higher mix of non-linked business and performance volatility in 1-2 partners. However, a recovery will be seen with the addition of partners and stabilization in the market after the situation surrender guidelines impact.

- Gross business from ICICI Bank channel is stable at INR1-1.1b per month with focus on protection and annuity. ~25% of the retail business is contributed by ICICI and Standard Chartered Bank.
- On premium basis, YoY persistency improved across all cohorts. 49th month and 61st month persistency stood at 69.9% and 65.9%, respectively.
- AUM grew 18% YoY to INR3.2t, while the solvency ratio stood at 188.6% in 2QFY25.

Highlights from the management commentary

- The company is in continuous discussion with the channel partners to decide the ways to offset the impact of surrender value regulations through various models, including claw-back of commission, reduction of commission in certain products, etc.
- Credit Life segment is witnessing traction on account of partner additions and new propositions. The MFI business is seeing pressure, unlike the non-MFI credit life business. In annuity segment, the company launched benefit enhancer as a proposition last year, which gained traction and boosted the product category. The group term product has been witnessing pricing pressure due to increased competition but sum assured has started to pick up.
- The management will focus on growing the absolute VNB and product mix while maintaining stable margins.
- The board has approved the issuance of NCDs worth INR14b to raise additional capital in one or more tranches to augment the solvency position and business requirements. The fund raise is expected to improve solvency by 20%.

Valuation and view

VNB margins have been under pressure owing to a shift in the product mix (higher share of ULIPs) and delays in IRR change to accommodate declining G-sec yields. In terms of surrender charges, the company expects a minimal impact and is in discussion with the channel partners to offset the impact of surrender value regulations through various models, including claw-back of commission, reduction of commission in certain products, etc. Considering the 2Q performance, we have cut our EPS and VNB margin estimates for FY25 and FY26. However, we have kept APE growth estimates unchanged as growth in proprietary channels was offset by the margin contraction. We expect IPRU to deliver a 20% CAGR in VNB over FY24-27E. Going ahead, the company's ability to sustain strong premium growth and VNB margins will be vital for re-rating of the stock. Retain BUY with a TP of INR900 (based on 2x Sept'26E EV).

Quarterly performance

(INR b)

| Policy holder's A/c (INR b) | FY24 | | | | FY25 | | | | FY24 | FY25E | FY25E 2QE | A v/s E |
|-----------------------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| First year premium | 10.2 | 15.3 | 15.3 | 29.5 | 15.2 | 20.6 | 19.5 | 34.5 | 70.3 | 88.7 | 19.5 | 5% |
| Growth (%) | -1.5% | 5.9% | 11.3% | 11.9% | 48.8% | 34.6% | 27.3% | 17.0% | 8.3% | 26.2% | 27.7% | |
| Renewal premium | 41.6 | 58.9 | 60.8 | 84.3 | 43.3 | 69.9 | 68.2 | 95.9 | 245.6 | 273.0 | 65.5 | 7% |
| Growth (%) | 6.8% | 4.4% | 5.7% | 16.6% | 4.3% | 18.6% | 12.3% | 13.7% | 9.0% | 11.2% | 11.2% | |
| Single premium | 21.9 | 30.1 | 26.7 | 37.8 | 24.3 | 30.3 | 32.4 | 40.5 | 116.5 | 129.6 | 32.4 | -6% |
| Growth (%) | -5.9% | 7.0% | 0.9% | 20.7% | 10.6% | 0.9% | 21.2% | 7.3% | 6.7% | 11.3% | 7.8% | |
| Gross premium income | 73.7 | 104.3 | 102.8 | 151.5 | 82.8 | 120.8 | 120.2 | 170.9 | 432.4 | 491.3 | 117.4 | 3% |
| Growth (%) | 1.5% | 5.4% | 5.2% | 16.6% | 12.3% | 15.8% | 16.8% | 12.8% | 8.3% | 13.6% | 12.6% | |
| PAT | 2.1 | 2.4 | 2.3 | 1.7 | 2.3 | 2.5 | 2.5 | 2.0 | 8.5 | 9.3 | 2.7 | -7% |
| Growth (%) | 32.9% | 22.4% | 3.1% | -26.0% | 8.9% | 3.1% | 10.0% | 15.7% | 5.1% | 8.7% | 10.6% | |
| Key metrics (INRb) | | | | | | | | | | | 0 | |
| New Business APE | 14.6 | 20.6 | 19.1 | 36.2 | 19.6 | 25.0 | 25.8 | 41.0 | 90.5 | 112.2 | 25.8 | -3% |
| Growth (%) | -3.9% | 3.2% | 4.7% | 9.6% | 34.4% | 21.4% | 35.4% | 13.3% | 4.7% | 24.1% | 0.3 | |
| VNB | 4.4 | 5.8 | 4.4 | 7.8 | 4.7 | 5.9 | 6.1 | 9.7 | 22.3 | 26.4 | 6.5 | -9% |
| Growth (%) | -7.0% | -7.1% | -29.4% | -26.4% | 7.8% | 1.6% | 39.1% | 25.4% | -19.5% | 18.4% | 0.1 | |
| AUM | 2,664 | 2,719 | 2,867 | 2,942 | 3,089 | 3,205 | 3,349 | 3,512 | 2,942 | 3,512 | 3,228 | -1% |
| Growth (%) | 15.8% | 11.3% | 13.8% | 17.1% | 15.9% | 17.9% | 16.8% | 19.4% | 17.1% | 19.4% | 0.2 | |
| Key Ratios (%) | | | | | | | | | | | | |
| VNB Margins (%) | 30.0 | 28.0 | 22.9 | 21.5 | 24.0 | 23.4 | 23.5 | 23.7 | 24.6 | 23.5 | 25.0 | |



Union Bank of India

| | |
|-----------------|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR109 TP: INR135 (+24%) Buy

Modest operating performance; NIMs decline 15bp QoQ

Slippage ratio increases to 2.4%

| | |
|-----------------------|-------------|
| Bloomberg | UNBK IN |
| Equity Shares (m) | 7634 |
| M.Cap.(INRb)/(USD\$) | 833.9 / 9.9 |
| 52-Week Range (INR) | 173 / 91 |
| 1, 6, 12 Rel. Per (%) | -6/-37/-17 |
| 12M Avg Val (INR M) | 2714 |

- Union Bank of India (UNBK) reported 2QFY25 PAT of INR47.2b (34.4% YoY, 27% beat) driven by healthy other income and lower provisions (amid the reversal of standard assets provision).
- NII was flat YoY at INR90.5b (down 3.9% QoQ; 5% miss). NIMs moderated sharply by 15bp QoQ to 2.9% during the quarter.
- Loan book grew at 11.6% YoY/2.1% QoQ while deposits grew 9.2% YoY/1.5% QoQ. CD ratio, thus, increased slightly to 72.2%.
- Fresh slippages increased sharply to INR52.2b due to one large corporate account in the PSU sector. GNPA ratio declined 18bp QoQ to 4.36%, while NNPA ratio increased 8bp QoQ to 0.98%. PCR declined 255bp QoQ to 78.4%.
- We cut our earnings for FY26 estimate by 4.7% and estimate RoA/RoE of 1.1%/15.4% by FY26. **Reiterate BUY with a TP of INR135 (based on 0.9x FY26E ABV).**

Financials & Valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|---------------|-------|-------|-------|
| NII | 365.7 | 372.8 | 415.9 |
| OP | 282.1 | 302.1 | 331.2 |
| NP | 136.5 | 155.6 | 170.7 |
| NIM (%) | 2.9 | 2.7 | 2.7 |
| EPS (INR) | 18.9 | 20.4 | 22.4 |
| EPS Gr. (%) | 52.9 | 8.0 | 9.7 |
| BV/Sh. (INR) | 123 | 139 | 157 |
| ABV/Sh. (INR) | 112 | 129 | 148 |
| RoA (%) | 1.0 | 1.1 | 1.1 |
| RoE (%) | 16.7 | 15.9 | 15.4 |

Valuations

| | | | |
|-----------|-----|-----|-----|
| P/E(X) | 5.8 | 5.3 | 4.9 |
| P/BV (X) | 0.9 | 0.8 | 0.7 |
| P/ABV (X) | 1.0 | 0.8 | 0.7 |

Shareholding Pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 74.8 | 74.8 | 77.0 |
| DII | 11.2 | 11.4 | 12.7 |
| FII | 6.9 | 7.4 | 2.9 |
| Others | 7.1 | 6.5 | 7.4 |

Business growth modest; PCR declines slightly

- UNBK reported 34.4% YoY growth in PAT to INR47.2b (27% beat) driven by healthy other income and lower provisions (amid the reversal of standard assets provision). In 1HFY25, earnings grew 24% YoY to INR84b and we estimate 2HFY25 earnings to grow 4% YoY to INR72b.
- NII was flat YoY at INR90.5b (down 3.9% QoQ; 5% miss). NIMs moderated 15bp QoQ to 2.9% in 2QFY25 due to adjustment in penal charges.
- Other income grew 44.2% YoY (28% beat), backed by better recoveries from NPAs, and treasury gain stood at INR10.3b vs INR7b in 1QFY25. Total income, thus, grew 12% YoY to INR143.8b.
- Operating expenses grew 11.8% YoY to INR62.6b (in line). PPop grew 12.4% YoY to INR81b (7% beat). C/I ratio, thus, moderated 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), while corporate growth was muted. Within retail, home loan and education loan grew healthy at 4.3% QoQ and 6.5% QoQ, respectively. Deposit base grew (9.2% YoY/ 1.5% QoQ), with CASA ratio moderating 68bp QoQ to 32.7%.
- Fresh slippages increased sharply to INR52.2b vs INR23.2b in 1Q, up 98% YoY/125% QoQ, due to one large ticket size book that slipped. GNPA ratio declined 18bp QoQ to 4.36%, while NNPA ratio increased 8bp QoQ to 0.98%. PCR declined 255bp QoQ to 78.4%. SMA pool stood elevated at 0.83% (0.78% in 1QFY25).
- UNBK reversed the standard provisions of INR10.3b, out of which one large account had slipped and another was classified as SMA. SMA book increased to ~INR74.8b while restructured portfolio declined to 1.2%.

Highlights from the management commentary

- Loans are expected at ~11-13% YoY and Deposits at 9-11% YoY.
- Adjustments in penal charges and drop in dummy ledger recovery led to moderation in margins.
- 11bp drop in margins was due to penal interest. The impact of penal interest is expected to be higher in 3Q compared to 1Q..
- Slippages increased due to a single large ticket size account (PSU entity) that defaulted in the current quarter.

Valuation and view

UNBK reported a mixed quarter, wherein healthy other income and lower provisions led to earnings beat. However, margins moderated 15bp QoQ and slippages stood elevated. Deposit growth was flat, with CASA ratio moderating further. Loan growth was led by retail, with a CD ratio of 72.2%. The management has guided for NIMs in the range of 2.8-3%; however, penal charges will continue to impact margins. SMA book increased due to one large account that was transferred to SMA in the current quarter. Slippages were high due to one large account; nonetheless, healthy recoveries and a consistent decline in restructured assets (1.2%) provide a healthy outlook for asset quality. However, we remain watchful for slippages in subsequent quarters. We cut our earnings for FY26 estimate by 4.7% and estimate RoA/RoE of 1.1%/15.4% by FY26. **Reiterate BUY with a TP of INR135 (based on 0.9x FY26E ABV).**

Quarterly performance

(INR b)

| | FY24 | | | | FY25E | | | | FY24 | FY25E | FY24E | V/S our |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | 2QE | | Est |
| Net Interest Income | 88.4 | 91.3 | 91.7 | 94.4 | 94.1 | 90.5 | 93.2 | 95.0 | 365.7 | 372.8 | 95.5 | -5% |
| % Change (YoY) | 16.6 | 9.9 | 6.3 | 14.4 | 6.5 | -0.9 | 1.6 | 0.7 | 11.6 | 1.9 | 4.6 | |
| Other Income | 39.0 | 37.0 | 37.7 | 47.1 | 45.1 | 53.3 | 41.2 | 43.7 | 160.8 | 183.3 | 41.5 | 28% |
| Total Income | 127.4 | 128.2 | 129.4 | 141.4 | 139.2 | 143.8 | 134.4 | 138.7 | 526.5 | 556.1 | 137.0 | 5% |
| Operating Expenses | 55.6 | 56.0 | 56.6 | 76.1 | 61.4 | 62.6 | 63.5 | 66.6 | 244.4 | 254.1 | 61.5 | 2% |
| Operating Profit | 71.8 | 72.2 | 72.8 | 65.3 | 77.9 | 81.1 | 70.9 | 72.2 | 282.1 | 302.1 | 75.5 | 7% |
| % Change (YoY) | 31.8 | 9.8 | 9.9 | -4.3 | 8.4 | 12.4 | -2.6 | 10.5 | 10.8 | 7.1 | 4.6 | |
| Provisions | 20.1 | 17.7 | 17.5 | 12.6 | 27.6 | 17.1 | 22.9 | 23.1 | 67.8 | 90.7 | 22.6 | -24% |
| Profit before Tax | 51.7 | 54.5 | 55.3 | 52.7 | 50.3 | 64.0 | 48.1 | 49.0 | 214.3 | 211.4 | 52.9 | 21% |
| Tax | 19.4 | 19.4 | 19.4 | 19.6 | 13.5 | 16.8 | 12.7 | 12.8 | 77.8 | 55.8 | 15.9 | 6% |
| Net Profit | 32.4 | 35.1 | 35.9 | 33.1 | 36.8 | 47.2 | 35.3 | 36.3 | 136.5 | 155.6 | 37.0 | 27% |
| % Change (YoY) | 107.7 | 90.0 | 59.9 | 19.0 | 13.7 | 34.4 | -1.6 | 9.5 | 61.8 | 14.0 | 5.5 | |
| Operating Parameters | | | | | | | | | | | | |
| Deposit (INR b) | 11,281 | 11,376 | 11,725 | 12,215 | 12,242 | 12,419 | 12,824 | 13,229 | 12,215 | 13,229 | 12,545 | |
| Loan (INR b) | 7,705 | 8,036 | 8,621 | 8,708 | 8,787 | 8,971 | 9,282 | 9,666 | 8,708 | 9,666 | 8,995 | |
| Deposit Growth (%) | 13.6 | 9.0 | 10.1 | 9.3 | 8.5 | 9.2 | 9.4 | 8.3 | 9.3 | 8.3 | 10.3 | |
| Loan Growth (%) | 13.9 | 10.5 | 14.0 | 14.3 | 14.0 | 11.6 | 7.7 | 11.0 | 14.3 | 11.0 | 11.9 | |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 7.3 | 6.4 | 4.8 | 4.8 | 4.5 | 4.4 | 4.1 | 3.9 | 4.8 | 3.9 | 3.8 | |
| Net NPA (%) | 1.6 | 1.3 | 1.1 | 1.0 | 0.9 | 1.0 | 0.9 | 0.9 | 1.1 | 0.9 | 0.8 | |
| PCR (%) | 79.8 | 80.7 | 78.4 | 79.1 | 80.9 | 78.4 | 78.0 | 77.7 | 78.4 | 77.7 | 80.2 | |

E: MOFSL Estimates



One 97 Communications

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

CMP: INR686 TP: INR700 (+2%) NEUTRAL

| | |
|-----------------------|-------------|
| Bloomberg | PAYTM IN |
| Equity Shares (m) | 637 |
| M.Cap.(INRb)/(USDb) | 437.1 / 5.2 |
| 52-Week Range (INR) | 992 / 310 |
| 1, 6, 12 Rel. Per (%) | 8/72/-56 |
| 12M Avg Val (INR M) | 4503 |

Financials & Valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|---------------------|--------|--------|--------|
| Revenue from Op | 99.8 | 72.7 | 90.6 |
| Contribution Profit | 55.4 | 40.2 | 51.6 |
| Adjusted EBITDA | 5.6 | (6.4) | (0.9) |
| EBITDA | (9.1) | (15.9) | (6.6) |
| PAT | (14.2) | (16.9) | (7.0) |
| EPS (INR) | (22.4) | (26.2) | (10.5) |
| EPS Gr. (%) | (20.2) | NM | NM |

Ratios

| | | | |
|-------------------------|--------|--------|-------|
| Contribution Margin (%) | 55.5 | 55.3 | 57.0 |
| EBITDA Margin (%) | (9.1) | (21.8) | (7.3) |
| Adj. EBITDA Margin (%) | 5.6 | (8.8) | (1.0) |
| RoE (%) | (10.8) | (13.2) | (5.7) |

Valuations

| | | | |
|-------------|-----|-----|-----|
| P/E(X) | NA | NA | NA |
| P/BV (X) | 3.3 | 3.6 | 3.7 |
| P/Sales (X) | 4.4 | 6.1 | 5.0 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 8.5 | 44.9 | 43.6 |
| FII | 55.5 | 20.5 | 21.4 |
| Others | 36.0 | 34.6 | 35.0 |

FII Includes depository receipts

Revenue, GMV in line; contribution margin expands

DLG arrangement to aid disbursement volumes

- One 97 Comm. (PAYTM) reported a PAT of INR9.3b, aided by the sale of its entertainment ticketing business, which resulted in net gains of INR13.5b. Adjusting for the same, the net loss stood at INR4.2b, better than MOFSL expectation of INR6.6b loss.
- Revenue stood at INR16.6b (largely in line), and GMV too stood largely in line at INR4.5t (inline, 6% QoQ). Subscription revenues grew 22% YoY/3% QoQ, while disbursements saw an uptick of 5% QoQ (down 67% YoY).
- Net payment margin improved 21% QoQ to INR4.65b (10bp of GMV vs. 9bp in 1Q), which resulted in an improved contribution margin of 53.9%.
- We largely maintain our contribution profit estimates. We estimate PAYTM to turn EBITDA positive by FY27. Also, PayTM has received much awaited approval from NPCI of onboarding of new UPI customers; we will further review our estimates and rating after getting more clarity on recovery in business volumes and growth in MTUs, post this key regulatory approval. We **retain our NEUTRAL rating with a TP of INR700.**

Adjusted EBITDA to breakeven by 4QFY25E; merchant expansion steady

- PAYTM reported an adjusted net loss of INR4.2b (vs. MOFSL loss of INR6.6b). GMV broadly stood in line at INR4.5t, while disbursements rose to INR52.8b from the lows of 1Q. Led by the announcement of the new DLG arrangements, disbursements are likely to witness a healthy increase over the next few years.
- During 1HFY25 PAYTM reported a net loss of INR12.5b; we expect the loss to improve 43% YoY and reduce to INR4.4b in 2HFY25.
- Total revenue increased 11% QoQ (down 34% YoY) to INR16.6b (in line) as the company sees a recovery in both payments and financial services.
- Revenue from payment and financial services increased 14% QoQ (-36% YoY) to INR13.22b, while revenue from financial services rose 34% QoQ (-34% YoY) as the loan disbursements saw a slight uptick (down 67% YoY/ up 5% QoQ).
- Revenue from marketing services (erstwhile commerce and cloud services) declined 29% QoQ to INR3.02b, while no. of active cards increased to 1.38m.
- PAYTM expects the payment processing margin to settle at 5-6bp vs. the historical run-rate of 7-9bp, as the company discontinued select profitable products. Net payment margin improved 21% QoQ to INR4.65 (10bp of GMV vs. 9bp of GMV in 1QFY25). PAYTM expects to launch the DLG model (Default Loss Guarantee) to gain traction in disbursements, which will aid an increase in take rate.
- Direct expenses declined 30% YoY amid a reduction in the employee base, while the company aims to focus on merchant acquisition and improving productivity of sales employees. Contribution profit stood at INR8.9b, with contribution margin at 54%. Adjusted EBITDA loss declined to INR1.86b and net loss stood at INR4.2b.

Highlights from the management commentary

- Previously, the company operated at take rates between 4.5% and 5% without factoring in the DLG. Currently, DLG expenses are accounted for, and overall take rates over the life of a loan are above 5%.
- Over the last 4-5 years, asset quality has remained within a relatively narrow range, and without this, take rates would not vary. Adequate collection rates will drive overall take rates. Even if ECL increases, the company will maintain a 5% take rate.
- Sourcing revenue was 3.5-4%, while collection revenue accounted for 1%. Last quarter saw slightly higher collection revenue.
- The company is focused on becoming profitable (adjusted EBITDA) by the end of the year and may even surpass its guidance, expecting to achieve significant profitability by then.

Valuation and view: Maintain NEUTRAL with a TP of INR700

- PAYTM reported an in-line quarter characterized by recovery in business metrics. Disbursements on the platform have recovered slightly from the lows of 1Q as the company/lenders retained their conservative stance. GMV was in line.
- Most of the business metrics have rebounded marginally from the lows of 1Q. We expect continued recovery leading to a 24% revenue CAGR over FY25-27E.
- Contribution margin improved to 54% from 50% in 1QFY25, led by improvement in financial services' revenue mix and strong cost-control measures. The management expects to keep contribution margin healthy aided by continued cost rationalization and steady growth in the merchant financial services business.
- We estimate a ~26% CAGR in disbursements over FY25-27E, while the take rate is likely to improve as PAYTM makes use of DLG arrangements. Payment processing margin is likely to moderate to 5-6bp vs. the historical rate of 7-9bp, primarily due to the discontinuation of more profitable products.
- We largely maintain our contribution profit estimates for FY25/26E. We estimate PAYTM to turn EBITDA positive by FY27. Also, PayTM has received much awaited approval from NPCI of onboarding of new UPI customers; we will further review our estimates and rating after getting more clarity on recovery in business volumes and growth in MTUs, post this key regulatory approval. **We value PAYTM at INR700 based on 20x FY30E EBITDA discounted to FY26E, which corresponds to 5.2x FY26E sales. We retain NEUTRAL rating on the stock.**

Quarterly Performance

(INR b)

| | FY24 | | | | FY25E | | | | FY24 | FY25E | FY24E | V/s our |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Est |
| Payment and Financial Services | 19.2 | 20.7 | 22.9 | 18.6 | 11.6 | 13.2 | 15.1 | 19.3 | 81.3 | 59.2 | 12.0 | 0.1 |
| % Change (Y-o-Y) | 42.4 | 36.1 | 43.0 | -3.0 | -39.3 | -36.2 | -34.0 | 3.8 | 27.4 | -27.1 | -42.1 | -0.1 |
| Commerce and Cloud Services | 4.1 | 4.2 | 5.1 | 4.0 | 3.2 | 3.0 | 3.0 | 2.9 | 17.4 | 12.2 | 3.9 | -0.2 |
| % Change (Y-o-Y) | 22.0 | 12.5 | 22.4 | 0.5 | -20.7 | -28.8 | -40.8 | -26.6 | 14.4 | -30.0 | -9.1 | 2.2 |
| Revenue from Operations | 23.4 | 25.2 | 28.5 | 22.7 | 15.0 | 16.6 | 18.5 | 22.6 | 99.8 | 72.7 | 16.2 | 0.0 |
| % Change (Y-o-Y) | 39.3 | 31.6 | 38.2 | -2.9 | -35.9 | -34.1 | -35.1 | -0.3 | 24.9 | -27.1 | -35.9 | -0.0 |
| Direct Expenses | 10.4 | 10.9 | 13.3 | 9.8 | 7.5 | 7.7 | 8.1 | 9.3 | 44.4 | 32.5 | 7.7 | -0.0 |
| Contribution Profit | 13.0 | 14.3 | 15.2 | 12.9 | 7.5 | 8.9 | 10.4 | 13.3 | 55.4 | 40.2 | 8.5 | 0.1 |
| % Change (Y-o-Y) | 79.3 | 69.2 | 45.1 | 0.4 | -42.1 | -37.3 | -31.5 | 3.3 | 42.0 | -27.4 | -40.4 | -0.1 |
| Indirect Expenses | 12.2 | 12.7 | 13.0 | 11.9 | 13.0 | 10.8 | 11.0 | 11.8 | 49.8 | 46.6 | 11.6 | -0.1 |
| Adjusted EBITDA | 0.8 | 1.5 | 2.2 | 1.0 | -5.5 | -1.9 | -0.6 | 1.5 | 5.6 | -6.4 | -3.1 | -0.4 |
| EBITDA | -2.9 | -2.3 | -1.6 | -2.2 | -7.9 | -4.0 | -3.3 | -0.6 | -9.1 | -15.9 | -5.5 | -0.3 |
| PAT | -3.6 | -2.9 | -2.2 | -5.5 | -8.4 | -4.2 | -3.5 | -0.9 | -14.2 | -16.9 | -6.6 | -0.4 |
| % Change (Y-o-Y) | -44.5 | -49.9 | -43.9 | 227.1 | 134.7 | 45.5 | 58.2 | -83.5 | -19.9 | 19.2 | 130.9 | -0.7 |
| Adj. PAT | -3.6 | -2.9 | -2.2 | -3.2 | -8.4 | 9.3 | -3.5 | -0.9 | | | -6.6 | |
| Operating Parameters | | | | | | | | | | | | |
| GMV (INRt) | 4.1 | 4.5 | 5.1 | 4.7 | 4.3 | 4.5 | 4.9 | 5.0 | 18.3 | 18.7 | 4.6 | -0.0 |
| Disbursements (INR b) | 148.5 | 162.1 | 155.4 | 58.0 | 50.1 | 52.8 | 60.2 | 72.6 | 523.7 | 235.7 | 60.1 | -0.1 |
| GMV Growth (%) | 36.8 | 41.5 | 47.4 | 29.6 | 5.2 | -0.7 | -3.6 | 7.0 | 38.4 | 2.0 | 1.3 | |
| Disbursements Growth (%) | 167.3 | 121.7 | 56.0 | -53.8 | -66.3 | -67.4 | -61.3 | 25.2 | 48.0 | -55.0 | -62.9 | |
| Profitability | | | | | | | | | | | | |
| Contribution Margin (%) | 55.7 | 56.6 | 53.3 | 56.8 | 50.3 | 53.9 | 56.3 | 58.9 | 55.5 | 55.3 | 52.6 | |
| Adjusted EBITDA Margin (%) | 3.6 | 6.1 | 7.7 | 4.5 | -36.4 | -11.2 | -3.3 | 6.7 | 5.6 | -8.8 | -19.0 | |
| EBITDA Margin (%) | -12.5 | -9.2 | -5.5 | -9.9 | -52.8 | -24.3 | -17.7 | -2.7 | -9.1 | -21.8 | -34.1 | |

E: MOFSL Estimates



Mahindra & Mahindra Financial

Estimate change
TP change
Rating change

CMP: INR282 TP: INR335 (+19%) Buy

Muted outlook on loan growth; credit cost volatility continues

2H, like earlier, expected to be significantly better than 1H

| | |
|-----------------------|-----------|
| Bloomberg | MMFS IN |
| Equity Shares (m) | 1236 |
| M.Cap.(INRb)/(USDb) | 348 / 4.1 |
| 52-Week Range (INR) | 343 / 237 |
| 1, 6, 12 Rel. Per (%) | -7/-9/-24 |
| 12M Avg Val (INR M) | 1131 |

- Mahindra & Mahindra Financial's (MMFS) 2QFY25 PAT grew ~57% YoY and declined 28% QoQ to ~INR3.7b (15% miss). NII stood at INR18.1b (in line) and grew ~14% YoY. Other income rose ~107% YoY to ~INR1.8b, driven by healthy fee income. 1HFY25 PAT grew 50% YoY to INR8.8b and we estimate ~31% YoY PAT growth in 2HFY25.

Financials & valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|-------------|------|-------|-------|
| NII | 71.4 | 82.7 | 98.7 |
| PPP | 41.8 | 49.7 | 61.9 |
| PAT | 17.6 | 24.2 | 30.6 |
| EPS (INR) | 14.3 | 19.6 | 24.8 |
| EPS Gr. (%) | -11 | 38 | 26 |
| BV/Sh.(INR) | 155 | 169 | 186 |

- NIM (calc.) declined ~20bp QoQ to ~6.6%. Credit costs stood at ~INR7b (18% above est.). Annualized credit cost was ~2.6% (PQ: ~1.7% and PY: ~2.8%).

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 7.2 | 6.8 | 7.1 |
| C/I ratio (%) | 41.4 | 39.9 | 37.3 |
| RoA (%) | 1.7 | 2.0 | 2.2 |
| RoE (%) | 9.9 | 12.1 | 14.0 |
| Payout (%) | 44.2 | 31.1 | 28.5 |

- **MMFS management expects PV disbursements to be relatively weak for the year** and overall disbursement growth is also expected to remain muted. We model loan growth of ~16% in FY25 and ~14% CAGR over FY24-FY27.

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 19.8 | 14.4 | 11.4 |
| P/BV (x) | 1.8 | 1.7 | 1.5 |
| Div. Yield (%) | 2.2 | 2.2 | 2.5 |

- MMFS guided for credit costs to trend lower in 2HFY25, aided by improvement in asset quality (through recoveries and upgrades) and provision release from a lower PCR, driven by its ECL model. We estimate a ~30% PAT CAGR over FY24-FY27, with FY27E RoA/RoE of 2.4%/16%. **Retain BUY with a TP of INR335 (based on 1.7x Sep'26E BVPS).**

- **Key risks:** a) Muted yields because of higher competitive intensity, b) weakening of auto demand resulting in muted loan growth, and 3) volatility in asset quality and credit costs continuing like earlier.

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 52.2 | 52.2 | 52.2 |
| DII | 31.6 | 30.7 | 25.8 |
| FII | 10.3 | 10.2 | 14.2 |
| Others | 6.0 | 7.0 | 7.8 |

FII Includes depository receipts

NIMs decline ~20bp QoQ; CoB largely stable

- Yields (calc.) declined ~10bp QoQ to ~14.2%, while CoF (calc.) was stable QoQ at 7.8%, leading to a ~10bp compression in spreads.
- The management believes that NIM improvement will come from a combination of improvement in yields (from increase in IRR) and improvement in fee income. It guided for NIM of 6.5-6.7% in FY25. We do not see any meaningful NIM improvement levers with MMFS; however, it could benefit in a declining interest rate cycle. We estimate NIM to improve by 30bp/20bp in FY26/FY27 to 6.3%/6.5%.

Key takeaways from the management commentary

- In the current festive season, MMFS has seen a marginal improvement in demand compared to last year, especially in the tractor segment.
- The company expects credit costs of 1.3%-1.5%, NIM of 6.5-6.7% and opex of 2.6-2.7% in FY25.

Valuation and View

- In line with company guidance, we also expect 2H to be significantly better than 1H. Management commentary seemed to suggest that the demand environment is worsening and that its loan growth will largely track the underlying growth of the auto industry.
- MMFS currently trades at 1.5x FY26E P/BV. Risk-reward is favorable for a PAT CAGR of ~30% over FY24-FY27E and FY27E RoA/RoE of 2.4%/16%. Maintain BUY with a TP of INR335 (based on 1.7x 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 | 30,349 | 31,535 | 33,733 | 35,471 | 36,122 | 37,448 | 39,171 | 40,449 | 1,31,088 | 1,53,190 | 37,675 | -1 |
| Interest Expenses | 14,505 | 15,665 | 16,750 | 17,351 | 18,286 | 19,343 | 20,174 | 20,421 | 64,269 | 78,224 | 19,218 | 1 |
| NII | 15,844 | 15,870 | 16,983 | 18,121 | 17,836 | 18,106 | 18,997 | 20,028 | 66,818 | 74,966 | 18,457 | -2 |
| YoY Growth (%) | 5.3 | 9.6 | 9.4 | 13.2 | 12.6 | 14.1 | 11.9 | 10.5 | 9.4 | 12.2 | 16.3 | |
| Other income | 905 | 870 | 1,172 | 1,590 | 1,480 | 1,802 | 2,034 | 2,401 | 4,537 | 7,717 | 1,526 | 18 |
| Net Total Income | 16,750 | 16,740 | 18,155 | 19,710 | 19,316 | 19,908 | 21,031 | 22,429 | 71,355 | 82,684 | 19,983 | 0 |
| YoY Growth (%) | 6.9 | 8.7 | 10.1 | 14.4 | 15.3 | 18.9 | 15.8 | 13.8 | 10.1 | 15.9 | 19.4 | |
| Operating Expenses | 6,750 | 7,312 | 7,530 | 7,980 | 7,970 | 7,947 | 8,358 | 8,684 | 29,572 | 32,960 | 8,189 | -3 |
| Operating Profit | 10,000 | 9,428 | 10,625 | 11,730 | 11,345 | 11,961 | 12,672 | 13,745 | 41,783 | 49,724 | 11,794 | 1 |
| YoY Growth (%) | 5.7 | 9.2 | 6.4 | 24.2 | 13.5 | 26.9 | 19.3 | 17.2 | 11.4 | 19.0 | 25.1 | |
| Provisions | 5,264 | 6,266 | 3,284 | 3,415 | 4,482 | 7,035 | 3,117 | 2,565 | 18,228 | 17,198 | 5,982 | 18 |
| Profit before Tax | 4,735 | 3,163 | 7,341 | 8,315 | 6,864 | 4,927 | 9,556 | 11,180 | 23,555 | 32,526 | 5,812 | -15 |
| Tax Provisions | 1,209 | 811 | 1,813 | 2,126 | 1,734 | 1,232 | 2,437 | 2,891 | 5,959 | 8,294 | 1,482 | -17 |
| Net Profit | 3,527 | 2,352 | 5,528 | 6,190 | 5,130 | 3,695 | 7,119 | 8,289 | 17,596 | 24,232 | 4,330 | -15 |
| YoY Growth (%) | 58.2 | -47.5 | -12.1 | -9.5 | 45.5 | 57.1 | 28.8 | 33.9 | -11.3 | 37.7 | 84.1 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Yield on loans (Cal) | 14.9 | 14.6 | 14.7 | 14.7 | 14.3 | 14.2 | 14.3 | 14.4 | 14.7 | 14.3 | | |
| Cost of funds (Cal) | 7.5 | 7.6 | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 | 8.0 | 8.0 | | |
| Spreads (Cal) | 7.4 | 6.9 | 6.9 | 7.0 | 6.5 | 6.4 | 6.5 | 6.6 | 6.7 | 6.3 | | |
| Credit Cost (Cal) | ~ | 2.8 | 1.4 | 1.4 | 1.7 | 2.6 | 1.1 | 0.9 | 2.0 | 1.6 | | |
| Cost to Income Ratio | 40.3 | 43.7 | 41.48 | 40.49 | 41.3 | 39.9 | 39.74 | 38.72 | 41.4 | 39.9 | | |
| Tax Rate | 25.5 | 25.6 | 24.7 | 25.6 | 25.3 | 25.0 | 25.5 | 25.9 | 25.3 | 25.5 | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| Loans (INR B) | 832 | 899 | 934 | 992 | 1028 | 1085 | 1107 | 1146 | 992 | 1146 | | |
| Change YoY (%) | 42.6 | 29.3 | 27.2 | 24.8 | 30.4 | 20.6 | 18.5 | 15.5 | 24.8 | 15.5 | | |
| Borrowings (INR B) | 790 | 849 | 864 | 922 | 953 | 1032 | 1047 | 1056 | 919 | 1056 | | |
| Change YoY (%) | 43.6 | 26.0 | 21.9 | 23.1 | 30.7 | 21.6 | 21.2 | 14.5 | 22.6 | 14.9 | | |
| Loans/Borrowings (%) | 105.4 | 106.0 | 108.0 | 107.6 | 107.8 | 105.1 | 105.7 | 108.5 | 108 | 109 | | |
| Debt/Equity (x) | 4.5 | 5.0 | 4.9 | 5.1 | 5.1 | 5.6 | 5.5 | 5.3 | 4.8 | 5.1 | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR B) | 37.7 | 40.2 | 38.5 | 34.9 | 37.9 | 43.1 | 0.0 | 0.0 | 34.9 | 40.9 | | |
| Gross Stage 3 (% on Assets) | 4.3 | 4.3 | 4.0 | 3.4 | 3.6 | 3.8 | 0.0 | 0.0 | 3.4 | 3.5 | | |
| NS 3 (INR B) | 15.0 | 15.6 | 14.4 | 12.9 | 15.2 | 17.5 | 0.0 | 0.0 | 12.9 | 18.4 | | |
| Net Stage 3 (% on Assets) | 1.8 | 1.7 | 1.5 | 1.3 | 1.5 | 1.6 | 0.0 | 0.0 | 1.3 | 1.6 | | |
| PCR (%) | 66.9 | 61.2 | 62.7 | 63.2 | 73.5 | 59.5 | 0.0 | 0.0 | 63.2 | 55.0 | | |
| ECL (%) | 4.0 | 4.0 | 3.8 | 3.3 | 3.3 | 3.5 | 0.0 | 0.0 | 3.8 | 3.4 | | |
| Return Ratios (%) | | | | | | | | | | | | |
| ROAA | 1.4 | 0.9 | 2.1 | 2.2 | 1.8 | 1.2 | 2.2 | 2.5 | 1.7 | 2.0 | | |
| ROAE | 8.2 | 5.5 | 12.8 | 13.9 | 11.1 | 8.0 | 15.3 | 17.1 | 9.9 | 12.1 | | |

E: MOFSL estimates



Kajaria Ceramics

Estimate change 
 TP change
 Rating change 

CMP: INR1,287 **TP: INR1,500 (+17%)** **Buy**

Weak results amid muted demand and margin pressure

Lower volume growth guidance of 9-10% (vs. 11-12% guided earlier)

| | |
|-----------------------|-------------|
| Bloomberg | KJC IN |
| Equity Shares (m) | 159 |
| M.Cap.(INRb)/(USDb) | 204.9 / 2.4 |
| 52-Week Range (INR) | 1579 / 1110 |
| 1, 6, 12 Rel. Per (%) | -9/-1/-21 |
| 12M Avg Val (INR M) | 352 |
| Free float (%) | 52.5 |

Financial Snapshot (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|----------------------|-------|-------|-------|
| Sales | 48.9 | 55.3 | 63.3 |
| EBITDA | 7.0 | 8.4 | 10.1 |
| Adj. PAT | 4.1 | 5.1 | 6.3 |
| EBITDA Margin (%) | 14.4 | 15.2 | 16.0 |
| Cons. Adj. EPS (INR) | 27.0 | 33.1 | 40.9 |
| EPS Gr. (%) | -0.7 | 22.6 | 23.4 |
| BV/Sh. (INR) | 176 | 193 | 214 |

Ratios

| | (0.1) | (0.2) | (0.2) |
|------------|-------|-------|-------|
| Net D:E | | | |
| RoE (%) | 15.3 | 17.4 | 19.6 |
| RoCE (%) | 17.8 | 20.3 | 22.9 |
| Payout (%) | 51.8 | 48.3 | 44.0 |

Valuations

| | | | |
|--------------|------|------|------|
| P/E (x) | 47.6 | 38.8 | 31.5 |
| P/BV (x) | 7.3 | 6.7 | 6.0 |
| EV/EBITDA(x) | 28.5 | 23.6 | 19.5 |
| EV/Sales (x) | 4.1 | 3.6 | 3.1 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 47.5 | 47.5 | 47.5 |
| DII | 28.4 | 27.8 | 25.5 |
| FII | 16.1 | 16.2 | 18.5 |
| Others | 8.1 | 8.5 | 8.6 |

FII Includes depository receipts

- Kajaria Ceramics (KJC)'s 2QFY25 earnings were below our estimate due to lower-than-estimated gross margin and higher-than-estimated other expenses. EBITDA dipped 12% YoY to INR1.6b (12% miss) and OPM contracted 2.5pp YoY to ~13% (vs. estimated ~15%). PAT fell ~22% YoY to INR843m (22% miss).
- The management highlighted that persistent weakness in domestic demand and excessive rainfalls led to subdued demand for the tile industry. Tile export also declined due to global headwinds. KJC reduced volume growth guidance to ~9-10% YoY (from ~11-12% earlier) in FY25. OPM was also weak partly due to the commissioning of new units during the quarter (in tiles and bathware segment), which led to additional overheads and losses in the initial period.
- We cut our EPS estimates by ~12-13% for FY25/FY26 and ~9% for FY27 due to a slower-than-expected demand recovery and consistent price corrections. We **maintain our BUY rating** on KJC with a revised TP of INR1,500 (earlier INR1,750), based on 42x Sep'26E EPS.

Volume up 8% YoY; EBITDA margin contracts 2.5pp YoY to ~13%

- Consol. revenue/EBITDA/PAT stood at INR11.8b/INR1.6b/INR843m (+5%/-12%/-22% YoY and in line/-12%/-22% vs. our estimate). Tile volume rose 8% YoY to 28.7msm, while realization declined 2% YoY to INR373/sqm.
- Gross margin decreased 1.8pp YoY to ~38%. Employee costs increased 11% YoY (12.2% of revenue vs. 11.6% in 2QFY24). Other expenses rose 6% YoY (11.9% of revenue vs. 11.8% in 2QFY24). OPM contracted 2.5pp YoY to 13%.
- In 1HFY25, revenue grew ~5% YoY, while EBITDA/PAT declined by ~7%/19% YoY. Based on our estimate, the implied revenue/EBITDA/PAT growth is ~9%/8%/16% YoY in 2HFY25 and EBITDA margin flat YoY at ~15%. OCF declined ~64% YoY to INR2.1b due to weak profitability and surge in working capital.

Highlights from the management commentary

- Expects outlook to improve for the tiles industry in 2HFY25 as dealers' feedback is positive and as demand is coming from real estate projects.
- Gas prices remained unchanged QoQ in 2QFY25, with the average price of ~INR37/scm. Regional gas prices stood at INR38/INR37/INR35 in North/South/West.
- Plywood revenue declined 26% YoY to INR175m, bathware revenue rose 6% YoY to INR901m, and adhesives revenue was up 39% YoY at INR182m.

View and valuation

- We estimate KJC's to post a CAGR of 11%/13%/15% in revenue/EBITDA/PAT over FY24-27. We estimate tile volume to clock an 11% CAGR over FY24-27. Volume and EBITDA growth will be driven by capacity addition, increase in dealer count, increase in government projects as it sets up a pan-India project team, and positive operating leverage.
- The stock is currently trading at 39x/31x FY26E/FY27E EPS. We **maintain our BUY rating** with a revised TP of INR1,500 (earlier INR1,750), based on 42x Sep'26E EPS.

Consolidated quarterly performance

(INR m)

| | FY24 | | | | FY25 | | | | FY24 | FY25E | FY25 | Var. |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | (%) |
| Net sales | 10,642 | 11,216 | 11,518 | 12,408 | 11,137 | 11,793 | 12,393 | 13,624 | 45,784 | 48,947 | 11,800 | (0) |
| YoY change (%) | 5.6 | 4.1 | 5.6 | 3.0 | 4.6 | 5.1 | 7.6 | 9.8 | 4.5 | 6.9 | 5.2 | |
| Total expenditure | 8,950 | 9,419 | 9,730 | 10,688 | 9,466 | 10,204 | 10,621 | 11,613 | 38,787 | 41,905 | 9,995 | 2 |
| EBITDA | 1,692 | 1,797 | 1,788 | 1,720 | 1,671 | 1,589 | 1,772 | 2,011 | 6,997 | 7,042 | 1,805 | (12) |
| Margin (%) | 15.9 | 16.0 | 15.5 | 13.9 | 15.0 | 13.5 | 14.3 | 14.8 | 15.3 | 14.4 | 15.3 | (183) |
| Depreciation | 305 | 361 | 389 | 425 | 421 | 406 | 413 | 424 | 1,480 | 1,664 | 428 | (5) |
| Interest | 53 | 43 | 50 | 66 | 47 | 47 | 48 | 43 | 211 | 185 | 40 | 18 |
| Other income | 93 | 83 | 113 | 174 | 102 | 99 | 135 | 196 | 462 | 532 | 125 | (21) |
| PBT before EO expense | 1,427 | 1,477 | 1,462 | 1,403 | 1,304 | 1,235 | 1,447 | 1,740 | 5,768 | 5,725 | 1,462 | (16) |
| Extra-ord expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| PBT after EO Expense | 1,427 | 1,477 | 1,462 | 1,403 | 1,304 | 1,235 | 1,447 | 1,740 | 5,768 | 5,725 | 1,462 | (16) |
| Tax | 336 | 366 | 379 | 354 | 327 | 341 | 360 | 396 | 1,435 | 1,424 | 364 | |
| Rate (%) | 23.5 | 24.8 | 25.9 | 25.2 | 25.0 | 27.6 | 24.9 | 22.8 | 24.9 | 24.9 | 24.9 | |
| Reported PAT | 1,091 | 1,110 | 1,083 | 1,050 | 978 | 893 | 1,086 | 1,344 | 4,334 | 4,301 | 1,098 | (19) |
| Minority interest | 16 | 31 | 41 | 25 | 48 | 42 | 25 | 26 | 113 | 141 | 20 | 110 |
| Adj. PAT | 1,075 | 1,080 | 1,042 | 1,024 | 898 | 843 | 1,061 | 1,318 | 4,221 | 4,120 | 1,078 | (22) |
| YoY change (%) | 16.5 | 60.8 | 40.2 | -2.3 | -16.4 | -21.9 | 1.9 | 28.7 | 24.7 | -1.4 | (0.1) | |
| Margin (%) | 10.1 | 9.6 | 9.0 | 8.3 | 8.1 | 7.1 | 8.6 | 9.7 | 9.2 | 8.5 | 9.1 | |

Quarterly summary

| | FY24 | | | | FY25E | | | | YoY (%) | QoQ (%) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Sales Volumes-mn sqm: | | | | | | | | | | |
| Own Manufacturing | 13.8 | 14.8 | 15.3 | 16.1 | 14.9 | 15.6 | 16.6 | 18.6 | 6 | 5 |
| JVs | 4.8 | 4.8 | 5.3 | 6.1 | 5.5 | 5.4 | 5.8 | 6.7 | 13 | (2) |
| Trading | 6.4 | 6.9 | 6.5 | 7.4 | 6.6 | 7.6 | 7.1 | 6.9 | 11 | 16 |
| Total sales volumes | 25.0 | 26.5 | 27.1 | 29.6 | 27.0 | 28.7 | 29.5 | 32.1 | 8 | 6 |
| Revenue Mix (INR m) | | | | | | | | | | |
| Own Manufacturing | 5,393 | 5,705 | 5,791 | 6,062 | 5,585 | 5,873 | 6,180 | 6,771 | 3 | 5 |
| JVs | 1,340 | 1,825 | 1,995 | 2,255 | 1,999 | 1,945 | 2,056 | 2,431 | 7 | (3) |
| Trading | 2,833 | 2,469 | 2,343 | 2,599 | 2,312 | 2,717 | 2,502 | 2,347 | 10 | 18 |
| Sanitaryware / faucets | 837.1 | 853 | 922 | 1,023 | 910 | 901 | 1,125 | 1,425 | 6 | (1) |
| Plywood | 143.1 | 235 | 340 | 327 | 179 | 175 | 391 | 519 | (26) | (2) |
| Adhesives | 96 | 130 | 128 | 143 | 152 | 182 | 140 | 131 | 39 | 19 |
| Total | 10,642 | 11,216 | 11,518 | 12,408 | 11,137 | 11,793 | 12,393 | 13,624 | 5 | 6 |
| Realization/sqm (INR) | | | | | | | | | | |
| Own Manufacturing | 391 | 386 | 380 | 377 | 375 | 376 | 372 | 365 | (3) | 0 |
| JVs | 279 | 379 | 375 | 369 | 362 | 358 | 355 | 362 | (5) | (1) |
| Trading | 442 | 360 | 360 | 352 | 352 | 356 | 353 | 342 | (1) | 1 |
| Blended Realization | 386 | 383 | 379 | 374 | 372 | 373 | 369 | 363 | (2) | 0 |
| Growth (% YoY) | -1.7% | -3.1% | -2.9% | -4.4% | -3.6% | -2.4% | -2.7% | -2.8% | | |
| Growth (% QoQ) | -1.2% | -0.9% | -1.0% | -1.2% | -0.4% | 0.3% | -1.3% | -1.4% | | |



Gravita India

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR2,174 TP: INR2,800 (+29%) Buy

Traction in the lead business to drive growth

Operating performance in-line with estimates

| | |
|-----------------------|-------------|
| Bloomberg | GRAV IN |
| Equity Shares (m) | 69 |
| M.Cap.(INRb)/(USDb) | 150.1 / 1.8 |
| 52-Week Range (INR) | 2700 / 730 |
| 1, 6, 12 Rel. Per (%) | -7/113/93 |
| 12M Avg Val (INR M) | 545 |

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|------------------------|-------|-------|-------|
| Sales | 38.4 | 49.0 | 62.5 |
| Adj. EBITDA | 4.1 | 5.4 | 7.1 |
| Adj. EBITDA Margin (%) | 10.7 | 11.1 | 11.3 |
| Adj. PAT | 3.0 | 4.1 | 5.5 |
| Cons. Adj. EPS (INR) | 43.0 | 59.9 | 80.3 |
| EPS Gr. (%) | 24 | 39 | 34 |
| BV/Sh. (INR) | 163 | 222 | 301 |

Ratios

| | | | |
|----------|------|------|------|
| Net D:E | 0.3 | 0.2 | 0.1 |
| RoE (%) | 22.9 | 25.4 | 26.9 |
| RoCE (%) | 30.2 | 31.1 | 30.7 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 53.5 | 38.4 | 28.6 |
| EV/EBITDA (x) | 44.0 | 29.8 | 22.6 |

Shareholding pattern (%)

| As on | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 63.4 | 63.4 | 66.5 |
| DII | 3.2 | 2.6 | 0.4 |
| FII | 15.5 | 14.9 | 11.4 |
| Others | 18.0 | 19.2 | 21.7 |

Note: FII includes depository receipts

- Gravita India (GRAVITA) reported revenue growth of ~11% YoY in 2QFY25, led by healthy growth in the lead (up 12% YoY) and aluminum (up 17% YoY) verticals. Adjusted EBITDA margin expanded 140bp YoY to 10.9%, led by operating leverage and better RM sourcing during the quarter.

- Going forward, the company is expected to witness healthy growth led by accelerated traction in the core lead business, which can be attributed to the higher domestic scrap availability (due to penalty on non-compliance of EPR and RCM under GST on metal scrap) and improvement in the aluminum business following the availability of new hedging mechanism (MCX contract expected to list by 4QFY25).

- We largely maintain our FY25E/FY26E EPS estimates. We reiterate our BUY rating on the stock with a TP of INR2,800 (40x Sep'26E EPS).

Operating leverage and better RM sourcing expand margins

- Consolidated revenue grew 11% YoY to INR9.3b (est. INR10.1b) in 2QFY25. Consolidated sales volume grew 8% YoY to 48.6KMT.

- In 2QFY25, the company witnessed an arbitrage opportunity between international and domestic markets, led by higher domestic prices. (i.e., GRAVITA chose to import more scrap to India rather than selling it overseas to benefit from higher domestic prices). This enabled the company to generate better margins. Adjusted EBITDA margin expanded 140bp YoY to 10.9% (est. 10%).

- Adjusted EBITDA grew 27% YoY to INR1b (in-line with est.) during the quarter. Adj. PAT grew 24% YoY to INR720m (in-line with est.)

- Lead business** revenue grew 12% YoY to INR8.4b, led by 9% YoY volume growth, reaching 42.2KMT 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 volume declined 1% YoY to INR192.2m and 3KMT, respectively, in 2QFY25. EBITDA/MT declined 5% YoY to INR10,497.

- For 1HFY25, revenue/adj. EBITDA/adj. PAT grew 19%/30%/27% YoY to INR18.3b/INR1.9b/INR1.4b. Based on our estimates, implied revenue/EBITDA growth for 2HFY25 is 24%/20% YoY, led by traction in the core lead business due to higher domestic scrap availability.

Highlights from the management commentary

- Outlook:** The company expects to clock ~25% CAGR for its sales volume (with lead volumes clocking ~17-20% CAGR and Aluminum/Plastic volumes clocking CAGR at a higher range of ~35-40%). Further, it aims to clock over 35% PAT CAGR with RoCE of more than 25%.

- Capex:** GRAVITA's pilot project of lithium-ion battery recycling and its first Indian rubber recycling plant in Mundra are progressing well in line with the schedule and are likely to be operational by 1HFY26. The company has incurred a capex of INR300m in 1HFY25, with ~INR1-1.2b to be spent in 2HFY25.

- **Fund Raise:** The Board has approved fundraising of up to INR10b, which will be utilized for additional capex, M&A opportunities, debt reduction, and other general corporate purposes. The company is focusing on M&A activities within the Indian lead recycling space. It is also seeking to tap into the food grade bottle-to-bottle rPET recycling opportunity in India.

Valuation and view

- GRAVITA, being a key player in the burgeoning recycling industry in India, is expected to report robust earnings growth in the medium term on account of: 1) accelerated growth in the lead recycling segment fueled by favorable regulatory changes; 2) higher growth rate in new segments (aluminum and plastic) and addition of the steel & paper segments; 3) robust capacity addition across segments; and 4) an improvement in the mix of value-added products.
- We largely maintain our FY25E/FY26E EPS estimates. We expect a revenue/EBITDA/PAT CAGR of 26%/29%/32% over FY24-27E. We reiterate our BUY rating on the stock with a TP of INR2,800 (40x Sep'26E EPS).

Consolidated - Quarterly Earning Model

(INR m)

| Y/E March | FY24 | | | | FY25 | | | | FY24 | FY25 | FY25E 2QE | Var. % |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Sales | 7,034 | 8,362 | 7,578 | 8,634 | 9,079 | 9,274 | 9,412 | 10,618 | 31,608 | 38,383 | 10,051 | -8 |
| YoY Change (%) | 5.6 | 44.2 | 11.0 | 9.4 | 29.1 | 10.9 | 24.2 | 23.0 | 12.9 | 21.4 | 20.2 | |
| Total Expenditure | 6,349 | 7,563 | 6,681 | 7,705 | 8,166 | 8,259 | 8,387 | 9,455 | 28,298 | 34,268 | 9,041 | |
| Adjusted EBITDA | 685 | 798 | 897 | 929 | 912 | 1,015 | 1,024 | 1,163 | 3,309 | 4,115 | 1,010 | 1 |
| Margins (%) | 9.7 | 9.5 | 11.8 | 10.8 | 10.1 | 10.9 | 10.9 | 11.0 | 10.5 | 10.7 | 10.0 | |
| Depreciation | 79 | 86 | 90 | 125 | 65 | 72 | 85 | 90 | 380 | 312 | 85 | |
| Interest | 127 | 112 | 130 | 124 | 130 | 120 | 125 | 130 | 492 | 504 | 132 | |
| Other Income | 132 | 69 | 61 | 42 | 33 | 23 | 30 | 45 | 304 | 131 | 35 | |
| PBT before EO Expense | 612 | 670 | 738 | 722 | 751 | 847 | 844 | 988 | 2,742 | 3,430 | 828 | |
| Extra-Ord Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| PBT | 612 | 670 | 738 | 722 | 751 | 847 | 844 | 988 | 2,742 | 3,430 | 828 | |
| Tax | 86 | 82 | 123 | 28 | 71 | 128 | 106 | 129 | 319 | 433 | 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 | 15 | 10 | 31 | 31 | 9 | |
| Reported PAT | 521 | 579 | 603 | 690 | 673 | 720 | 724 | 849 | 2,392 | 2,966 | 715 | |
| Adj PAT | 521 | 579 | 603 | 690 | 673 | 720 | 724 | 849 | 2,392 | 2,966 | 715 | 1 |
| YoY Change (%) | 26.0 | 36.1 | 35.2 | 37.4 | 29.3 | 24.4 | 20.1 | 23.1 | 18.9 | 24.0 | 23.7 | |
| Margins (%) | 7.4 | 6.9 | 8.0 | 8.0 | 7.4 | 7.8 | 7.7 | 8.0 | 7.6 | 7.7 | 7.1 | |



| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR656 TP: INR750 (+14%) Neutral

Healthy beat despite weakness in TMT vertical

Mid-teens EBITDA margin guidance remains unchanged

| | |
|-----------------------|-------------|
| Bloomberg | ZENT IN |
| Equity Shares (m) | 227 |
| M.Cap.(INRb)/(USDb) | 148.8 / 1.8 |
| 52-Week Range (INR) | 840 / 456 |
| 1, 6, 12 Rel. Per (%) | -4/5/3 |
| 12M Avg Val (INR M) | 893 |

■ ZENT reported a decent 2QFY25, with revenue growth of 1.2% QoQ (est. flat growth), driven by Healthcare & Life Sciences (up 8.6% QoQ CC) and BFSI (up 3.0% QoQ CC). Deal TCV came in at USD201.8m (up 31% QoQ/3.5% YoY), the highest order book ever for ZENT. EBIT margin (flat QoQ/down 11.7%) came in at 13.1%, down 30bp QoQ owing to wage hikes but ahead of our estimate of 12.8%. PAT of INR1557m (down 1.3% QoQ/10.4% YoY) beat our estimate of INR1,402m, led by other income. For 1HFY25, revenue grew 5.2%, while EBIT and PAT declined 10.3%/4.9% vs. 1HFY24. For 2HFY25, we expect revenue/EBIT to grow by 12.9%/13.9% YoY and PAT to decline by 1.1%.

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|-----------------|-------|-------|-------|
| Sales | 53.4 | 59.5 | 65.4 |
| EBIT Margin (%) | 14.0 | 14.9 | 15.5 |
| PAT | 6.4 | 7.3 | 8.2 |
| EPS (INR) | 28.2 | 31.7 | 36.1 |
| EPS Gr. (%) | -3.1 | 12.4 | 13.7 |
| BV/Sh. (INR) | 177.7 | 200.8 | 227.1 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 17.0 | 16.9 | 17.0 |
| RoCE (%) | 14.0 | 14.8 | 15.0 |
| Payout (%) | 24.0 | 24.0 | 24.0 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 26.4 | 23.5 | 20.6 |
| P/BV (x) | 4.2 | 3.7 | 3.3 |
| EV/EBITDA (x) | 17.4 | 14.2 | 12.2 |
| Div Yield (%) | 0.9 | 1.0 | 1.2 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 49.1 | 49.2 | 49.2 |
| DII | 19.1 | 19.1 | 16.5 |
| FII | 14.8 | 15.7 | 16.7 |
| Others | 17.0 | 16.1 | 17.6 |

FII Includes depository receipts

Our view: Robust growth despite telecom weakness

- **Growth robust but telecom continues to struggle:** ZENT reported decent overall growth with significant growth in healthcare and BFSI, but the TMT (Telecom, Media, and Technology) segment faced headwinds, declining by 8.8% QoQ due to client-specific furloughs.
- **Diversifying away from TMT:** We believe ZENT can generate value by diversifying away from TMT. It already operates in high-growth areas such as healthcare, BFSI, and manufacturing (largely consumer in its case), and a nudge toward these verticals could boost growth for the company.
- **Stable margins:** Margins were impacted by wage hikes (-170bp), lower volume/utilization (-110bp), and the absence of a prior R&D credit (-60bp), partially offset by currency gains (+70bp) and operational efficiencies (+40bp), leading to a net decline of 30bp QoQ in gross margin. We believe the new management has proven that it can deliver on margins.

Valuation and change in estimates

- We expect ZENT to deliver EBITDA margin of 16.2%/17.3%/17.6% in FY25/FY26/FY27. This will result in an INR PAT CAGR of 7.0% over FY24-27E (partially on high FY24 base). We kept our estimates largely unchanged. Our TP of INR750 implies 23x Sep'26E EPS. **Retain Neutral. However, we believe that after the recent correction, the stock could turn attractive if growth sustains.**

Beat on revenues and margins; Healthcare and BFSI lead growth, TMT hit by furloughs

- ZENT revenue stood at USD156.2m, up 1.2% QoQ in USD terms, ahead of our estimates of flat QoQ. Reported USD revenue was also up 0.3% QoQ CC.
- Growth was driven by Healthcare & Life Sciences (up 8.6% QoQ CC) and BFSI (up 3.0% QoQ CC). Manufacturing & Consumer services rose 1.6% QoQ CC, while TMT reported a decline of 8.8% QoQ CC. In terms of regions, the US registered a decline of 0.5% QoQ CC, while Europe grew 5.1% QoQ CC.
- Deal TCV: bookings came in at USD201.8m (up 31.0% QoQ/3.5% YoY) and the book-to-bill was 1.3x.

- EBIT margin was 13.1% (est. 12.8%), down 30bp QoQ, owing to wage hikes.
- In 2Q, total headcount reached to 10,240 (down 1.5% QoQ). LTM attrition was 10.1% (down 50bp QoQ). Utilization was down 110bp QoQ at 82.8%.
- PAT of INR1557m (down 1.3% QoQ/10.4% YoY) beat our estimate of INR1,402m, led by other income.

Key highlights from the management commentary

- With accelerated GTM, the company has strengthened its partnerships and built sales rigor. Domain-led solutions, coupled with new-age technologies such as AI, have allowed ZENT to capture mind share of clients and open new spend areas. There is a focus on projects with near-term ROI. A slowdown has been noticed in some pockets.
- The company believes easing interest rates may lead to increased investments.
- Volume growth is expected to improve. Offshoring, being margin-accretive, has been a constant strategy for ZENT. However, the management believes that the offshore mix serves as a lagging indicator, as client centricity and requirements come first.
- The company has catalogued AI offerings in four solutions: Enterprise AI Solutions, Responsible AI Solutions, Enterprise Cognitive Hyper Automation Solutions and Multimodal Micro Vertical Solutions.
- No material changes seen in client spending patterns. No major changes anticipated until the US elections, which are two weeks away.
- Margin outlook for FY25 remains unchanged at mid-teens EBITDA margins.

Valuation and view

- We believe the company's exposure to Hi-tech vertical could continue to weigh on growth in the near term; however, it will be offset by a recovery in BFS. We kept our estimates largely unchanged. Our TP of INR750 implies 23x Sep'26E EPS. Retain Neutral. However, we believe that after the recent correction, the stock could turn attractive if growth sustains.

Quarterly Performance

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | Est. 2QFY25 | Var. (% / bp) |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Revenue (USD m) | 149 | 150 | 145 | 148 | 154 | 156 | 162 | 165 | 592 | 638 | 155 | 0.7 |
| QoQ (%) | 1.2 | 0.6 | -3.7 | 2.3 | 4.3 | 1.2 | 3.6 | 2.0 | -2.0 | 7.6 | 0.4 | 74bp |
| Revenue (INR m) | 12,272 | 12,408 | 12,041 | 12,297 | 12,881 | 13,080 | 13,614 | 13,869 | 49,018 | 53,444 | 13,047 | 0.2 |
| YoY (%) | 2.0 | 0.5 | 0.5 | 1.4 | 5.0 | 5.4 | 13.1 | 12.8 | 1.1 | 9.0 | 5.2 | 26bp |
| GPM (%) | 33.6 | 31.8 | 31.1 | 30.6 | 30.4 | 28.1 | 30.6 | 31.5 | 31.8 | 30.2 | 30.3 | -221bp |
| SGA (%) | 14.9 | 13.2 | 13.9 | 14.1 | 15.2 | 12.7 | 13.8 | 14.2 | 14.0 | 14.0 | 15.5 | -282bp |
| EBITDA | 2,301 | 2,308 | 2,076 | 2,030 | 1,961 | 2,011 | 2,288 | 2,399 | 8,715 | 8,659 | 1,927 | 4.4 |
| EBITDA Margin (%) | 18.8 | 18.6 | 17.2 | 16.5 | 15.2 | 15.4 | 16.8 | 17.3 | 17.8 | 16.2 | 14.8 | 61bp |
| EBIT | 1,878 | 1,942 | 1,764 | 1,793 | 1,714 | 1,714 | 1,975 | 2,080 | 7,377 | 7,482 | 1,674 | 2.4 |
| EBIT Margin (%) | 15.3 | 15.7 | 14.6 | 14.6 | 13.3 | 13.1 | 14.5 | 15.0 | 15.0 | 14.0 | 12.8 | 27bp |
| Other income | 224 | 306 | 356 | 493 | 383 | 366 | 177 | 180 | 1,379 | 1,106 | 169 | 116.7 |
| ETR (%) | 25.7 | 22.7 | 23.8 | 24.2 | 24.7 | 25.1 | 24.8 | 25.0 | 24.1 | 24.9 | 24.0 | |
| Adj. PAT | 1,562 | 1,738 | 1,616 | 1,733 | 1,579 | 1,558 | 1,618 | 1,695 | 6,649 | 6,450 | 1,402 | 11.2 |
| QoQ (%) | 30.9 | 11.3 | -7.0 | 7.2 | -8.9 | -1.3 | 3.8 | 4.8 | | | -11.2 | |
| YoY (%) | 108.0 | 206.0 | 111.2 | 45.3 | 1.1 | -10.4 | 0.1 | -2.2 | 102.9 | -3.0 | -19.4 | |
| EPS (INR) | 6.8 | 7.6 | 7.1 | 7.6 | 6.9 | 6.8 | 7.1 | 7.4 | 29.1 | 28.2 | 6.1 | 11.2 |



Mahindra Logistics

| | |
|-----------------|---|
| Estimate change | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

CMP: INR465 TP: INR440 (-5%) Neutral

Revenue in line; express business volumes weak

| | |
|-----------------------|------------|
| Bloomberg | MAHLOG IN |
| Equity Shares (m) | 72 |
| M.Cap.(INRb)/(USDb) | 33.5 / 0.4 |
| 52-Week Range (INR) | 555 / 347 |
| 1, 6, 12 Rel. Per (%) | -2/-5/-3 |
| 12M Avg Val (INR M) | 135 |

Financial Snapshot (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-------------------|--------|-------|-------|
| Sales | 62.2 | 77.7 | 94.7 |
| EBITDA | 3.0 | 4.0 | 5.2 |
| Adj. PAT | 0.3 | 1.2 | 2.1 |
| EBITDA Margin (%) | 4.9 | 5.2 | 5.5 |
| Adj. EPS (INR) | 3.6 | 17.3 | 29.2 |
| EPS Gr. (%) | -143.7 | 384.6 | 68.6 |
| BV/Sh. (INR) | 69.9 | 84.7 | 111.5 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | 0.3 | 0.1 | -0.3 |
| RoE (%) | 5.0 | 22.0 | 29.3 |
| RoCE (%) | 7.5 | 19.6 | 26.2 |
| Payout (%) | 69.9 | 14.4 | 8.5 |

Valuations

| | | | |
|----------------|-------|------|------|
| P/E (x) | 130.2 | 26.9 | 15.9 |
| P/BV (x) | 6.7 | 5.5 | 4.2 |
| EV/EBITDA(x) | 11.4 | 8.4 | 5.9 |
| Div. Yield (%) | 0.5 | 0.5 | 0.5 |
| FCF Yield (%) | 5.6 | 3.3 | 9.9 |

Shareholding pattern (%)

| As On | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 58.0 | 58.0 | 58.0 |
| DII | 17.5 | 17.4 | 17.0 |
| FII | 5.5 | 5.8 | 11.5 |
| Others | 19.0 | 18.8 | 13.5 |

FII Includes depository receipts

- Mahindra Logistics (MLL)'s revenue grew ~11% YoY to INR15.2b in 2QFY25, in line with our 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).
- The 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.
- 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).
- Despite a muted demand environment, 2QFY25 witnessed healthy order intake of INR2b in the contract logistics business. The express business faced challenges due to slower customer volumes in the B2B segment. Management is targeting a turnaround in express business by the end of FY25. The growth in cross-border business was mainly driven by a rise in ocean freight rates in 2Q, though pricing remains volatile. Consolidation of Whizzard led to a growth in revenue in the last-mile delivery business.
- While 2Q has been weak, volumes are expected to recover from 3QFY25 as the festive season-linked demand picks up. While MLL's revenue was in line, the express business, which has been struggling, should witness improved tonnage growth. This would help reduce losses and turn MLL EBITDA positive in the coming quarters. We cut our EBITDA estimates by 6%/4% in FY25/FY26 to factor in the weak performance and delayed breakeven in the express business. We estimate a 20%/32% CAGR in revenue/EBITDA over FY24-27. **Reiterate Neutral with a revised TP of INR440 (premised on 15x FY26E EPS).**

Volume pickup in express logistics business weaker than expected; last mile and contract logistics continue to perform well

- The soft demand adversely impacted the express business with 2% sequential growth in volumes handled during 2QFY25. The express business faced challenges due to slower customer volumes in the B2B segment.
- MLL's contract logistics segment secured orders worth INR2b. Ahead of the 3QFY25 peak season, the company increased capacity in contract logistics and last-mile delivery.
- Last mile delivery reported revenue of INR1b, +107% YoY, primarily due to the consolidation of Whizzard. Debt increased due to the purchase of 75 new car carriers. With major capex completed, the focus shifts to optimizing returns. The company generated INR1.4b cash flow in 1H FY25, directed toward capex and equity funding.

- Management expanded transportation and green logistic offerings while strengthening network infrastructure, especially in the East, to support warehousing, last-mile, and express services for future growth.

Highlights from the management commentary

- For festive season-linked demand in 3QFY25, the company increased capacity and resources in contract logistics and last-mile delivery. This has adversely impacted operating earnings in 2Q.
- Volume in B2B Express Business growth was impacted by customer churn and a lower-than-expected win ratio. The planned impact of cost-saving measures fell short due to negative volume leverage.
- The growth in cross border business was mainly driven by a rise in ocean freight rates in 2Q, though pricing remains volatile. Consolidation of Whizzard led to revenue growth in the last-mile delivery business.
- Debt rose during the quarter due to the purchase of 75 new car carriers. With the major capex for contract logistics completed, focus now shifts to optimizing returns.

Valuation and view

- Express business losses are expected to decline as volumes improve, which should boost overall EBITDA for MLL. With improvement in capacity utilization in the B2B Express business and strong order intake in 3PL, the growth outlook seems promising in the long term.
- We cut our EBITDA estimates by 6% and 4% for FY25 and FY26, respectively, due to weak performance and delayed breakeven in the express logistics business. We estimate a 20% revenue and 32% EBITDA CAGR from FY24-27. We reiterate our Neutral rating with a revised TP of INR440 (premised on 15x FY27E EPS).

Quarterly snapshot

| Y/E March (INR m) | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25 | Var. |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | 2QE | vs Est | |
| Net Sales | 12,932 | 13,648 | 13,972 | 14,508 | 14,200 | 15,211 | 15,846 | 16,916 | 55,060 | 62,173 | 15,652 | (3) |
| YoY Change (%) | 7.8 | 2.9 | 5.1 | 14.0 | 9.8 | 11.5 | 13.4 | 16.6 | 7.4 | 12.9 | 14.7 | |
| EBITDA | 666 | 536 | 522 | 566 | 663 | 664 | 792 | 913 | 2,290 | 3,032 | 795 | (17) |
| Margins (%) | 5.2 | 3.9 | 3.7 | 3.9 | 4.7 | 4.4 | 5.0 | 5.4 | 4.2 | 4.9 | 5.1 | |
| YoY Change (%) | 1.4 | -20.7 | -16.8 | -11.2 | -0.5 | 23.9 | 51.7 | 61.4 | -11.8 | 32.4 | 48.4 | |
| Depreciation | 545 | 518 | 515 | 513 | 550 | 540 | 530 | 515 | 2,090 | 2,134 | 525 | |
| Interest | 178 | 165 | 164 | 174 | 195 | 191 | 150 | 123 | 682 | 659 | 155 | |
| Other Income | 62 | 66 | 23 | 29 | 57 | 17 | 60 | 81 | 179 | 215 | 40 | |
| PBT before EO Items | 6 | -82 | -134 | -92 | -25 | -50 | 172 | 357 | -302 | 455 | 155 | |
| Extra-Ord expense | 0 | 0 | -38 | 0 | 0 | 0 | 0 | 0 | 38 | 0 | 0 | |
| PBT | 6 | -82 | -96 | -92 | -25 | -50 | 172 | 357 | -340 | 455 | 155 | |
| Tax | 89 | 73 | 68 | 27 | 53 | 46 | 34 | 70 | 257 | 205 | 39 | |
| Rate (%) | 1,556.1 | -89.2 | -71.4 | -29.2 | -213.6 | -93.4 | 20.0 | 19.7 | -75.5 | 45.0 | 25.2 | |
| PAT before MI, Associates | -83 | -155 | -164 | -119 | -78 | -96 | 138 | 287 | -597 | 250 | 116.1 | |
| Share of associates/ Minority Interest | -3 | -5 | -10 | -9 | -15 | -11 | 7 | 25 | -27 | 6 | 7 | |
| Reported PAT | -86 | -159 | -174 | -128 | -93 | -107 | 145 | 312 | -624 | 256 | 123 | |
| Adj PAT | -86 | -159 | -212 | -128 | -93 | -107 | 145 | 312 | -586 | 256 | 123 | NA |
| YoY Change (%) | NA | PL | PL | NA | |
| Margins (%) | -0.7 | -1.2 | -1.5 | -0.9 | -0.7 | -0.7 | 0.9 | 1.8 | -1.1 | 0.4 | 0.8 | |

Indus Towers

BSE SENSEX 80,221 S&P CNX 24,472

CMP: INR367

Neutral

Conference Call Details



Date: 23rd Oct 2024
Time: 02:30pm IST

Financials & Valuations (INR b)

| INR b | FY24 | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Net Sales | 286.0 | 308.8 | 339.9 |
| EBITDA | 145.6 | 204.4 | 182.6 |
| Adj. PAT | 60.4 | 95.3 | 71.9 |
| EBITDA Margin (%) | 50.9% | 66.2% | 53.7% |
| Adj. EPS (INR) | 22.4 | 35.0 | 27.2 |
| EPS Gr. (%) | 151.1 | 61.3 | -24.6 |
| BV/Sh. (INR) | 100.3 | 124.8 | 149.5 |
| Ratios | | | |
| Net D:E | 0.2 | 0.1 | -0.1 |
| RoE (%) | 25.1 | 31.4 | 19.4 |
| RoCE (%) | 23.0 | 31.8 | 21.7 |
| Valuations | | | |
| EV/EBITDA (x) | 7.1 | 4.8 | 5.1 |
| P/E (x) | 16.4 | 10.1 | 13.5 |
| P/BV (x) | 3.7 | 2.9 | 2.5 |
| Div. Yield (%) | 0.0 | 0.0 | 0.0 |

Core performance slightly weaker; provision reversals higher

- Indus Towers' (Indus) 2QFY25 reported results were ahead of our estimates on account of the higher-than-estimated **reversal of the prior period's bad debt provisions** (INR10.8b vs. our estimate of INR5b).
- However, operationally, **the core performance was slightly below our estimate**, with Indus' **recurring EBITDA (net of one-offs and provision reversals) at INR38b (+1% QoQ, 7% YoY)**, coming in **~2% below our estimate** due to the lower tower net additions and weaker energy spreads.
- **Tower additions further moderated QoQ**, likely due to a slowdown in Bharti's rollouts on seasonality.
- With moderation in capex and collection of prior-period dues, Indus' 1H FCF generation was robust at **~INR33b (of which INR27.5b was already used for the recent buyback)**.
- Net debt (excluding leases) increased sharply to **~INR37b (from INR24b QoQ)**, post the buyback.

Core performance slightly weaker due to lower tower additions and weaker energy spreads

- Consolidated reported revenue was up 1% QoQ at INR74.7b (+5% YoY, 1% miss)
 - Service revenue at INR47b (+1.5% QoQ, +9% YoY) was **~1% below** our estimates on account of weaker net tower additions.
 - Energy reimbursements at INR27.6b (flat QoQ, -1% YoY) were **~2% below** our estimate on account of higher energy under-recovery.
- Consolidated reported EBITDA was up 8% QoQ at INR48.6b (+42% YoY) and was **11% ahead** of our estimate, **largely on account of higher prior-period reversals**.
 - Adjusted service EBITDA at INR39b (flat QoQ, +9% YoY) was **~1% below** our estimate on account of the lower service revenue.
 - Energy spreads recovered marginally QoQ to negative INR1.35b (vs. INR1.5n loss QoQ), but was **higher than our estimate** of loss of INR1b.
 - Indus **reversed bad debt provision of INR10.8b** in 2QFY25 (vs. bad debt provision reversals of INR7.6b QoQ and provisions of INR1.3b YoY), which was **higher than our estimate of INR5b**.
- **Adjusted for bad-debt provision reversals, recurring EBITDA at INR37.9b (+1% QoQ, +7% YoY) was ~2% below our estimate** due to weaker energy spreads and lower service revenue.
- Reported PAT at INR22b (+16% QoQ, +72% YoY) was 22% above our estimate, largely due to the higher provision reversal.
- Recurring PAT at INR14.2b (+5% QoQ, +2% YoY) was **~2% below** our estimate on account of the lower core-EBITDA.

Net tower additions moderated QoQ (weaker vs. estimates); ARPT stable QoQ (in-line)

- Net macro tower additions moderated further to 3,748 QoQ (lower vs. our estimate of 5,500 and 6,174 net adds QoQ); EoP macro tower count stood at ~229.7k.
- The company also added 182 net leaner towers QoQ (vs. 492 QoQ) to take overall leaner tower count to ~11.4k.
- For the second successive quarter, **net macro tenancy additions were higher than tower additions** at 4,308 (though lower vs. our estimate of 6,500 and 6,340 net additions QoQ), taking total tenants to 379.2k.
- End-period tenancy ratio moderated further to 1.65X (from 1.66X QoQ), as incremental tenancy ratio remained lower at ~1.1X (vs. ~1X QoQ).
- Reported sharing revenue per macro tenant (ARPT) at INR41.1k (flat QoQ, +0.5% YoY) was in line with our estimate.

Receivables further moderated QoQ; net debt (ex-leases) inched up post buyback

- Indus' receivables moderated further by ~INR0.9b QoQ to INR56.3b. It also had ~INR10.8 bad debt provision reversal, implying a net surplus collection of ~INR12b during 2QFY25 (vs. ~INR15b in 1Q).
- Over the past few quarters, Indus has recovered INR23.3b towards past dues from Vi, with prior period bad debt provisions now at INR35.5b (vs. INR53.9b at Mar'24 end).
- Capex moderated further ~19% QoQ to INR15.2b (vs. INR18.9b QoQ) as net tower additions moderated QoQ; however, capex per tower addition inched up to INR3.3m (vs. INR2.6m QoQ).
- Reported adjusted fund from operations (EBITDA net of lease payment and maintenance capex) improved further to ~INR37.7b (vs. INR33.8b QoQ) on account of higher prior-period provision reversals.
- Net debt including lease liabilities was up ~10% QoQ to INR210b (vs. ~INR204b YoY); net debt excluding lease liabilities inched up sharply to ~INR37b (vs. ~INR24b QoQ).
- Indus' reported **2Q FCF moderated to INR14.4b** (from INR18.7b in 1Q). Its **1HFY25 FCF stood at INR33b** on account of collection of prior-period dues and also moderation in capex.
- We note that Indus' has already **used INR27.5b in the recent buyback**, and **dividend reinstatement will depend on the FCF generation in 2H**.

| Indus Towers - Quarterly results (INR m) | 2QFY24 | 1QFY25 | 2QFY25 | QoQ | YoY | 2QFY25E | vs est |
|---|-----------------|-----------------|-----------------|----------------|------------------|-----------------|----------------|
| Service revenues | 43,368 | 46,366 | 47,078 | 1.5 | 8.6 | 47,371 | (0.6) |
| Energy reimbursements | 27,936 | 27,464 | 27,575 | 0.4 | (1.3) | 28,022 | (1.6) |
| Exit / one-off revenue | 21 | - | - | | | - | |
| Reported revenue | 71,325 | 73,830 | 74,653 | 1.1 | 4.7 | 75,393 | (1.0) |
| Power and fuel | (28,554) | (29,006) | (28,925) | (0.3) | 1.3 | (29,022) | (0.3) |
| Employee expenses | (1,957) | (1,971) | (2,073) | 5.2 | 5.9 | (2,055) | 0.9 |
| Other costs | (5,264) | (5,409) | (5,783) | 6.9 | 9.9 | (5,579) | 3.7 |
| Bad debt provision reversals | (1,335) | 7,597 | 10,766 | 41.7 | | 5,000 | |
| Total operating costs | (37,110) | (28,789) | (26,015) | (9.6) | (29.9) | (31,656) | (17.8) |
| EBITDA | 34,215 | 45,041 | 48,638 | 8.0 | 42.2 | 43,737 | 11.2 |
| Service EBITDA | 36,147 | 38,986 | 39,222 | 0.6 | 8.5 | 39,737 | (1.3) |
| Energy EBITDA | (618) | (1,542) | (1,350) | (12.5) | 118.4 | (1,000) | 35.0 |
| One-offs (Exit revenue/provision write-offs) | (1,314) | 7,597 | 10,766 | | | 5,000 | |
| D&A | (15,256) | (15,605) | (15,801) | 1.3 | 3.6 | (15,981) | (1.1) |
| EBIT | 18,959 | 29,436 | 32,837 | 11.6 | 73.2 | 27,756 | 18.3 |
| Net finance costs and other income | (1,492) | (3,518) | (3,036) | (13.7) | 103.5 | (3,366) | (9.8) |
| PBT | 17,467 | 25,918 | 29,801 | 15.0 | 70.6 | 24,390 | 22.2 |
| Provision for taxes | (4,520) | (6,659) | (7,566) | | | (6,139) | |
| Recurring PAT | 13,951 | 13,574 | 14,179 | 4.5 | 1.6 | 14,509 | (2.3) |
| EO items | (1,335) | 7,597 | 10,766 | | | 5,000 | |
| Reported PAT | 12,616 | 21,171 | 24,945 | 17.8 | 97.7 | 19,509 | 27.9 |
| # of shares | 2,638 | 2,638 | 2,638 | | | 2,638 | |
| Recurring EPS (INR/share) | 5.3 | 5.1 | 5.4 | 4.5 | 1.6 | 5.5 | (2.3) |
| Core operational performance analysis | | | | | | | |
| Revenue | 71,304 | 73,830 | 74,653 | 1.1 | 4.7 | 75,393 | (1.0) |
| EBITDA | 35,529 | 37,444 | 37,872 | 1.1 | 6.6 | 38,737 | (2.2) |
| EBIT | 20,273 | 21,839 | 22,071 | 1.1 | 8.9 | 22,756 | (3.0) |
| PBT | 18,781 | 18,321 | 19,035 | 3.9 | 1.4 | 19,390 | (1.8) |
| PAT | 13,930 | 13,575 | 14,179 | 4.4 | 1.8 | 14,509 | (2.3) |
| Key operating metrics | | | | | | | |
| Total towers (#) | 2,04,212 | 2,25,910 | 2,29,658 | 1.7 | 12.5 | 2,31,410 | (0.8) |
| Total tenants (#) | 3,53,462 | 3,74,928 | 3,79,236 | 1.1 | 7.3 | 3,81,428 | (0.6) |
| Tenancy ratio (end-period) | 1.73 | 1.66 | 1.65 | | | 1.65 | |
| Sharing revenue per operator (INR/month) | 40,940 | 41,094 | 41,125 | 0.1 | 0.5 | 41,270 | (0.4) |
| Sharing revenue per tower (INR/month) | 71,867 | 69,361 | 68,893 | (0.7) | (4.1) | 69,056 | (0.2) |
| Margins (%) | | | | | | | |
| Overall EBITDA | 48.0 | 61.0 | 65.2 | 415 bps | 1,718 bps | 58.0 | 714 bps |
| Service EBITDA (inc. one-offs) | 83.4 | 84.1 | 83.3 | (77)bps | (9)bps | 83.9 | (57)bps |
| EBIT | 26.6 | 39.9 | 44.0 | 412 bps | 1,741 bps | 36.8 | 717 bps |
| PAT | 19.6 | 18.4 | 19.0 | 61 bps | (57)bps | 19.2 | (25)bps |
| Effective tax rate | 25.9 | 25.7 | 25.4 | | | 25.2 | |

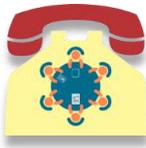
BSE SENSEX
80,221

S&P CNX
24,472

CMP: INR2,203

Neutral

Conference Call Details



Date: 23rd October 2024
Time: 3:00pm IST
Dial-in details:
[Click Here](#)

Operating performance below estimates

- SRF reported overall revenue of INR34.2b (est. of INR35.8b) in 2QFY25, up ~8% YoY. Revenue for the Chemical business declined 5% YoY to INR13.6b. Packaging Film business/Technical Textile business grew 27%/6% YoY to INR14.2b/INR5.3b.
- EBITDA margins contracted 390bp YoY to 16.4% (est. of 18.2%); RM cost as a % of sales stood at 53.6% in 2QFY25 vs. 51% in 2QFY24; employee cost was 7.4% vs. 7.1%; power cost was 10.1% vs. 10.8%; and other expenses were 12.6% vs. 10.7%.
- EBITDA stood at INR5.6b (est. of INR6.5b), down 13% YoY.
- EBIT margin in the Chemical business /Packaging Film business/Technical Textile business contracted 630bp/110bp/150bp YoY to 18.1%/5.8%/13.3%.
- Adj. PAT declined 30% YoY to INR2.2b (est. of INR3.1b).
- For 1HFY25, SRF’s revenue grew 6% YoY to INR68.9b; however, EBITDA/Adj. PAT declined 13%/30% YoY to INR11.8b/INR4.5b.
- The Specialty Chemicals business experienced traction with the introduction of new products, while the volumes of certain key products experienced lower offtake due to inventory issues at the customers’ end. Overall, the order book is likely to remain strong for 2H, and a better performance is anticipated.
- The Board has approved a project to establish production facilities for fourth-generation refrigerants, which have a notably lower Global Warming Potential (GWP) and carbon footprint, at an estimated cost of INR11b. The project is anticipated to be completed in about 30 months.
- The Board has also approved the establishment of a manufacturing facility for the BOPP-BOPE film line in Indore, India for the projected cost of INR4.5b, which is expected to be operational in approximately 25 months.

Consolidated - Quarterly Earning Model

(INR m)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E | Var. % |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 33,384 | 31,774 | 30,530 | 35,697 | 34,641 | 34,243 | 36,950 | 43,575 | 131,385 | 149,408 | 35,841 | -4 |
| YoY Change (%) | -14.3 | -14.8 | -12.0 | -5.5 | 3.8 | 7.8 | 21.0 | 22.1 | -11.6 | 13.7 | 12.8 | |
| Total Expenditure | 26,184 | 25,320 | 24,691 | 28,581 | 28,435 | 28,637 | 30,135 | 34,301 | 104,777 | 121,507 | 29,315 | |
| EBITDA | 7,200 | 6,453 | 5,839 | 7,116 | 6,207 | 5,606 | 6,815 | 9,274 | 26,608 | 27,901 | 6,526 | -14 |
| Margins (%) | 21.6 | 20.3 | 19.1 | 19.9 | 17.9 | 16.4 | 18.4 | 21.3 | 20.3 | 18.7 | 18.2 | |
| Depreciation | 1,566 | 1,612 | 1,689 | 1,859 | 1,882 | 1,939 | 1,950 | 2,180 | 6,726 | 7,951 | 1,950 | |
| Interest | 656 | 793 | 674 | 900 | 965 | 938 | 920 | 900 | 3,023 | 3,723 | 750 | |
| Other Income | 118 | 291 | 188 | 234 | 253 | 333 | 300 | 310 | 830 | 1,196 | 280 | |
| PBT before EO expense | 5,095 | 4,339 | 3,664 | 4,591 | 3,612 | 3,063 | 4,245 | 6,504 | 17,689 | 17,423 | 4,106 | |
| Extra-Ord Expense & DO | 237 | 191 | 181 | 158 | 172 | 226 | 0 | 0 | 767 | 398 | 0 | |
| PBT | 4,858 | 4,148 | 3,483 | 4,433 | 3,440 | 2,837 | 4,245 | 6,504 | 16,922 | 17,025 | 4,106 | |
| Tax | 1,265 | 1,140 | 949 | 211 | 918 | 822 | 1,040 | 1,594 | 3,565 | 4,374 | 1,006 | |
| Rate (%) | 24.8 | 26.3 | 25.9 | 4.6 | 25.4 | 26.9 | 24.5 | 24.5 | 20.2 | 25.1 | 24.5 | |
| Reported PAT | 3,593 | 3,008 | 2,534 | 4,222 | 2,522 | 2,014 | 3,205 | 4,910 | 13,357 | 12,651 | 3,100 | |
| Adj PAT | 3,830 | 3,199 | 2,715 | 4,380 | 2,695 | 2,240 | 3,205 | 4,910 | 14,124 | 13,049 | 3,100 | -28 |
| YoY Change (%) | -39.5 | -38.1 | -48.4 | -25.8 | -29.6 | -30.0 | 18.0 | 12.1 | -37.7 | -7.6 | -3 | |
| Margins (%) | 11.5 | 10.1 | 8.9 | 12.3 | 7.8 | 6.5 | 8.7 | 11.3 | 10.8 | 8.7 | 8.7 | |

MAX Financial Services

BSE SENSEX
80,221S&P CNX
24,472

CMP: INR1,170

Conference Call Details



Date: 23rd Oct'24

Time: 8:30am IST

Dial-in details:

+91-22-6280 1141

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|--------------------|-------|-------|-------|
| Net Premiums | 361.2 | 428.0 | 507.1 |
| Sh. PAT | 4.8 | 5.6 | 6.4 |
| NBP gr - unwtd (%) | 0.0 | 0.0 | 0.0 |
| NBP gr - APE (%) | 19.8 | 17.4 | 16.9 |
| Premium gr (%) | 22.3 | 18.5 | 18.5 |
| VNB Margin (%) | 24.0 | 25.0 | 25.0 |
| Op. RoEV (%) | 19.2 | 19.5 | 19.2 |
| Total AUMs (INRb) | 1,828 | 2,067 | 2,147 |
| VNB(INRb) | 21.0 | 25.7 | 30.0 |
| EV Per Share | 539 | 643 | 766 |

Valuations

| | | | |
|------------|------|------|------|
| P/EV (x) | 2.7 | 2.3 | 1.9 |
| P/EVOP (x) | 16.9 | 14.0 | 11.8 |

22% beat on PAT; VNB margins contract 160bp YoY

- Gross premium income grew 16.8% YoY to INR77.4b (11% miss). For 1HFY25, it came in at INR131.4b, up 14% YoY. Renewal premium grew 12.4% YoY to INR47.2b (13% miss).
- Total new business APE grew 31.3% YoY (in-line) to INR21.7b. For 1HFY25, it came in at INR36.2b, up 31% YoY.
- ULIPs continue to exhibit strong growth momentum, reporting 73% YoY growth. Retail and Group protection grew 36% and 10% YoY, respectively. The non-par savings business grew 42% YoY to INR6.6b.
- 2QFY25 VNB grew 23.1% YoY (in-line) to INR 5.1b. VNB margins came in at 23.6% vs 25.2% in 2QFY24 and 17.5% in 1QFY25 (MOFSLe of 24%). For 1HFY25, VNB margins contracted to 21.2% (24% in 1HFY24).
- For 2QFY25, the company reported an 11% YoY decline in shareholder PAT to INR1.4b (22% beat). For 1HFY25, it reported a PAT of INR3b, up 13.6% YoY.
- AUM grew 26.8% YoY to INR1.7t.
- Solvency ratio stood at 198% in 2QFY25 vs. 184% in 2QFY24 and 203% in 1QFY25.
- **Valuation and view:** MAXLIFE reported weak margins due to the continued popularity of ULIPs. Overall, the share of non-PAR savings improved during 2QFY25. The proprietary channel has maintained a strong growth trajectory on account of agency, cross-sell, and e-commerce. Persistency trends improved YoY. We will review our estimates and TP after the earning call scheduled for 23rd Oct'24.

| Policyholder A/c (INRb) | FY23 | | | | FY24 | | | | FY25 | | | |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | YoY | QoQ |
| Gross premium | 41.0 | 58.0 | 62.8 | 91.5 | 48.7 | 66.3 | 73.0 | 107.4 | 54.0 | 77.4 | 17 | 43 |
| First year premium | 9.2 | 11.1 | 14.6 | 24.1 | 9.9 | 15.3 | 17.6 | 25.4 | 12.6 | 20.5 | 34 | 63 |
| Renewal premium | 26.2 | 39.1 | 40.2 | 58.3 | 30.1 | 42.0 | 46.1 | 66.8 | 33.2 | 47.2 | 12 | 42 |
| Single premium | 5.7 | 7.8 | 8.0 | 9.1 | 8.7 | 8.9 | 9.3 | 15.2 | 8.2 | 9.7 | 8 | 18 |
| Shareholder PAT | 0.9 | 0.5 | 2.3 | 0.6 | 1.0 | 1.6 | 1.5 | -0.5 | 1.6 | 1.4 | -11 | -11 |
| APE data (INRb) | | | | | | | | | | | | |
| PAR | 1.7 | 2.0 | 1.8 | 2.6 | 1.9 | 3.9 | 3.3 | 4.3 | 1.9 | 2.1 | -46 | 11 |
| Individual protection | 0.7 | 0.8 | 1.1 | 1.2 | 0.9 | 1.6 | 1.6 | 1.8 | 1.5 | 2.2 | 36 | 49 |
| Group protection | 1.1 | 0.7 | 0.5 | 0.9 | 1.2 | 1.0 | 1.0 | 0.5 | 1.5 | 1.1 | 10 | -25 |
| Non par savings | 2.7 | 4.5 | 8.3 | 14.4 | 4.2 | 4.6 | 6.2 | 10.2 | 3.9 | 6.6 | 42 | 68 |
| ULIP | 3.8 | 3.9 | 3.4 | 6.4 | 2.8 | 5.5 | 5.8 | 11.9 | 5.7 | 9.5 | 73 | 69 |
| APE (% of total) | | | | | | | | | | | | |
| PAR | 17.0 | 17.0 | 12.1 | 10.1 | 17.0 | 23.7 | 18.5 | 14.8 | 13.0 | 9.7 | -1,403 | -334 |
| Individual protection | 7.0 | 7.0 | 7.0 | 4.5 | 8.0 | 9.7 | 9.0 | 6.4 | 10.0 | 10.0 | 33 | 0 |
| Group protection | 11.0 | 5.5 | 3.1 | 3.5 | 11.0 | 6.0 | 5.5 | 1.8 | 10.0 | 5.0 | -99 | -501 |
| Non par savings | 27.0 | 38.1 | 55.1 | 56.8 | 38.0 | 28.0 | 34.5 | 35.6 | 27.0 | 30.3 | 238 | 334 |
| ULIP | 38.0 | 32.5 | 22.7 | 25.1 | 25.0 | 33.4 | 32.5 | 41.4 | 39.0 | 44.0 | 1,064 | 501 |
| Distribution mix (%) | | | | | | | | | | | | |
| Proprietary | 34.0 | 35.8 | 32.5 | 41.4 | 40.0 | 40.0 | 40.0 | 40.0 | 49.0 | 43.7 | 370 | -530 |
| Banca | 65.0 | 63.2 | 66.5 | 57.6 | 58.0 | 59.7 | 59.0 | 56.4 | 48.0 | 54.3 | -536 | 631 |
| Others | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 0.3 | 1.0 | 3.6 | 2.0 | 2.0 | 166 | -1 |
| Key Ratios (%) | | | | | | | | | | | | |
| Operating ratios | | | | | | | | | | | | |
| Opex to GWP ratio (%) | 22.9 | 21.0 | 20.4 | 20.5 | 23.6 | 22.8 | 22.6 | 22.0 | 26.3 | 25.6 | 280 | -70 |
| Solvency ratio | 196.0 | 196.0 | 200.0 | 190.0 | 188.0 | 184.0 | 179.0 | 172.0 | 203.0 | 198.0 | 1,400 | -500 |
| Profitability ratios | | | | | | | | | | | | |
| VNB margins | 21.1 | 31.3 | 39.3 | 30.3 | 22.2 | 25.2 | 27.2 | 28.6 | 17.5 | 23.6 | -157 | 609 |
| Persistency ratios (%) | | | | | | | | | | | | |
| 13th month | 84.0 | 84.0 | 83.0 | 84.0 | 84.0 | 84.0 | 85.0 | 87.0 | 87.0 | 87.0 | 300 | 0 |
| 25th month | 68.0 | 68.0 | 68.0 | 68.0 | 69.0 | 70.0 | 70.0 | 70.0 | 71.0 | 71.0 | 100 | 0 |
| 37th month | 61.0 | 62.0 | 62.0 | 62.0 | 52.0 | 62.0 | 63.0 | 63.0 | 64.0 | 64.0 | 200 | 0 |
| 49th month | 56.0 | 64.0 | 63.0 | 63.0 | 64.0 | 65.0 | 65.0 | 66.0 | 67.0 | 67.0 | 200 | 0 |
| 61st month | 50.0 | 58.0 | 58.0 | 58.0 | 58.0 | 57.0 | 58.0 | 58.0 | 58.0 | 58.0 | 100 | 0 |
| Key metrics (INRb) | | | | | | | | | | | | |
| VNB | 2.1 | 3.7 | 5.9 | 7.7 | 2.5 | 4.2 | 4.9 | 8.2 | 2.5 | 5.1 | 23 | 102 |
| EV | 142 | 147 | 155 | 163 | 169 | 179 | 187 | 195 | 220 | 233 | 30 | 6 |
| AUM | 1,071 | 1,134 | 1,184 | 1,229 | 1,291 | 1,342 | 1,426 | 1,508 | 1,612 | 1,701 | 27 | 6 |
| Equity mix (%) | 23.8 | 23.8 | 25.2 | 25.1 | 26.5 | 28.1 | 30.1 | 30.0 | 29.7 | 43.3 | 1,521 | 1,354 |

Can Fin Homes

BSE Sensex 80,221 S&P CNX 24,472

CMP: INR833

Neutral

Conference Call Details



Date: 23rd Oct 2024

Time: 15:30 IST

Dial-in details:

[Link for the call](#)

Financials & Valuations (INR b)

| Y/E March | FY24 | FY25E | FY26E |
|-------------------|------|-------|-------|
| NII | 12.6 | 13.3 | 15.3 |
| PPP | 10.8 | 11.3 | 13.1 |
| PAT | 7.5 | 8.5 | 9.7 |
| EPS (INR) | 56.4 | 63.5 | 72.8 |
| EPS Growth (%) | 21 | 13 | 15 |
| BVPS (INR) | 326 | 384 | 450 |
| Ratios (%) | | | |
| NIM | 3.8 | 3.6 | 3.6 |
| C/I ratio | 16.8 | 17.7 | 17.2 |
| RoAA | 2.2 | 2.2 | 2.2 |
| RoE | 18.8 | 17.9 | 17.5 |
| Payout | 10.6 | 9.5 | 8.2 |
| Valuation | | | |
| P/E (x) | 14.8 | 13.1 | 11.4 |
| P/BV (x) | 2.6 | 2.2 | 1.8 |
| Div. Yield (%) | 0.7 | 0.7 | 0.7 |

Healthy disbursements growth; asset quality stable

Earnings in line; reported NIMs improved ~15bp QoQ

- PAT for 2QFY25 grew ~34% YoY to ~INR2.1b (in line). Base quarter had one-off credit costs because of the Ambala incident. NII grew 7% YoY to ~INR3.4b (in line) and other Income stood at ~INR74m (PQ: INR70m).
- Opex grew ~13% YoY to INR594m (11% above MOFSLe). The cost-income ratio stood at ~17%. (PQ: 15%, PY: 16%). 2QFY25 RoA/RoE stood at ~2.3%/~18%.

Disbursement growth healthy; advances rise ~10% YoY

- CANF's 2QFY25 disbursements rose 18% YoY to INR23.8b.
- Advances grew by ~10% YoY to ~INR366b. Annualized run-off in advances stood at ~15% (PQ: 15% and PY: ~14%).

Margin improves QoQ; the share of bank borrowings increases

- NIM (reported) rose ~15bp QoQ to ~3.75%. Reported spreads remained stable QoQ.
- Banks borrowings in the mix increased to 60% (PQ: ~56%), NHB borrowings declined to ~14% (PQ: ~16%), and proportion of CPs was stable at 7%.

Asset quality stable; GS3 improves ~5bp QoQ

- Asset quality was broadly stable, with GS3 improving by ~5bp QoQ to ~0.9% and NS3 remaining stable at ~0.5%. PCR on stage 3 loans declined ~1pp QoQ to ~46%.
- Credit costs stood at INR137m, resulting in annualized credit costs of ~15bp [PQ: ~30bp and PY: ~90bp].

DSA sourcing mix stable

- Average ticket size of incremental housing loans remained stable at INR2.5m.
- DSA channel in the sourcing mix remained stable at 80%.

Valuation and view

CANF's loan growth and disbursements were weak in the prior three quarters, primarily because of the company's efforts for process improvements and weak demand in some states in Southern India. However, during the current quarter, the company has accelerated its disbursements since most of the above-mentioned issues are now addressed. CANF might look to use its margin levers to deliver healthy loan growth in FY25 and FY26. We may revise our estimates and TP after the earnings conference call on 23rd Oct'24.

| Quarterly Performance | | | | | | | | | | | | (INR m) |
|-------------------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------|
| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | 2QFY25E | Act V/s Est |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Interest Income | 1,08,211 | 1,17,340 | 1,25,233 | 1,32,301 | 1,40,492 | 1,49,870 | 1,58,862 | 1,67,743 | 4,83,066 | 6,16,968 | 1,49,764 | 0 |
| Interest expenses | 41,025 | 45,371 | 48,680 | 52,171 | 56,839 | 61,493 | 65,183 | 69,043 | 1,87,247 | 2,52,558 | 61,215 | 0 |
| Net Interest Income | 67,186 | 71,970 | 76,553 | 80,130 | 83,653 | 88,377 | 93,680 | 98,700 | 2,95,819 | 3,64,410 | 88,549 | 0 |
| YoY Growth (%) | 27.4 | 30.0 | 29.3 | 28.1 | 24.5 | 22.8 | 22.4 | 23.2 | 28.7 | 23.2 | 23.0 | |
| Other Operating Income | 16,795 | 16,477 | 16,436 | 17,019 | 20,531 | 21,084 | 21,505 | 22,825 | 66,759 | 85,945 | 19,501 | 8 |
| Net Income | 83,980 | 88,447 | 92,989 | 97,149 | 1,04,185 | 1,09,461 | 1,15,185 | 1,21,525 | 3,62,578 | 4,50,355 | 1,08,051 | 1 |
| YoY Growth (%) | 33.3 | 26.3 | 25.1 | 25.0 | 24.1 | 23.8 | 23.9 | 25.1 | 25.7 | 24.2 | 22.2 | |
| Operating Expenses | 28,544 | 30,100 | 31,567 | 33,028 | 34,709 | 36,390 | 38,391 | 40,687 | 1,23,252 | 1,50,177 | 36,306 | 0 |
| Operating Profit | 55,437 | 58,347 | 61,422 | 64,121 | 69,475 | 73,071 | 76,793 | 80,838 | 2,39,326 | 3,00,178 | 71,745 | 2 |
| YoY Growth (%) | 37.0 | 30.0 | 26.6 | 25.3 | 25.3 | 25.2 | 25.0 | 26.1 | 27.9 | 25.4 | 23.0 | |
| Provisions and Cont. | 9,953 | 10,771 | 12,484 | 13,100 | 16,847 | 19,091 | 21,255 | 20,882 | 46,307 | 78,074 | 17,474 | 9 |
| Profit before Tax | 45,512 | 47,578 | 48,955 | 51,051 | 52,654 | 53,980 | 55,539 | 59,973 | 1,93,036 | 2,22,121 | 54,270 | -1 |
| Tax Provisions | 11,143 | 12,070 | 12,566 | 12,806 | 13,534 | 13,877 | 14,273 | 15,174 | 48,584 | 56,859 | 14,056 | -1 |
| Net Profit | 34,369 | 35,508 | 36,390 | 38,245 | 39,120 | 40,103 | 41,265 | 44,799 | 1,44,452 | 1,65,262 | 40,214 | 0 |
| YoY Growth (%) | 36.8 | 27.7 | 22.4 | 21.1 | 13.8 | 12.9 | 13.4 | 17.1 | 25.5 | 14.4 | 13.3 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Fees to Net Income Ratio | 20.0 | 18.6 | 17.7 | 17.5 | 19.7 | 19.3 | 18.7 | 18.8 | 18.4 | 19.1 | | |
| Credit Cost | 1.57 | 1.56 | 1.69 | 1.66 | 1.99 | 2.12 | 2.23 | 2.05 | 1.6 | 2.1 | | |
| Cost to Income Ratio | 34.0 | 34.0 | 33.9 | 34.0 | 33.3 | 33.2 | 33.3 | 33.5 | 34.0 | 33.3 | | |
| Tax Rate | 24.5 | 25.4 | 25.7 | 25.1 | 25.7 | 25.7 | 25.7 | 25.3 | 25.2 | 25.6 | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| AUM (INR B) | 2,701 | 2,903 | 3,110 | 3,306 | 3,542 | 3,739 | 3,990 | 4,232 | 3,306 | 3,542 | | |
| Change YoY (%) | 42.3 | 32.9 | 34.7 | 33.6 | 38.4 | 28.8 | 28.3 | 28.0 | 33.6 | 38.4 | | |
| Loans (INR B) | 2,653 | 2,857 | 3,064 | 3,263 | 3,497 | 3,692 | 3,950 | 4,193 | 3,263 | 3,497 | | |
| Change YoY (%) | 44.1 | 34.3 | 35.9 | 34.7 | 39.2 | 29.2 | 28.9 | 28.5 | 34.7 | 39.2 | | |
| Borrowings (INR B) | 2,352 | 2,544 | 2,639 | 2,895 | 3,048 | 3,192 | 3,423 | 3,669 | 2,895 | 3,048 | | |
| Change YoY (%) | 47.8 | 38.8 | 31.1 | 34.4 | 35.7 | 25.5 | 29.7 | 26.7 | 34.4 | 35.7 | | |
| Loans/Borrowings (%) | 112.8 | 112.3 | 116.1 | 112.7 | 114.7 | 115.7 | 115.4 | 114.3 | 112.7 | 114.7 | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR B) | 23.5 | 26.5 | 29.6 | 28.2 | 30.5 | 39.5 | 0.0 | 0.0 | 27.4 | 49.1 | | |
| Gross Stage 3 (% on Assets) | 0.87 | 0.91 | 0.95 | 0.85 | 0.86 | 1.06 | 0.00 | 0.00 | 0.83 | 1.15 | | |
| NS 3 (INR B) | 8.3 | 9.0 | 11.4 | 12.1 | 13.4 | 17.0 | 0.0 | 0.0 | 11.8 | 21.1 | | |
| Net Stage 3 (% on Assets) | 0.31 | 0.31 | 0.37 | 0.37 | 0.38 | 0.46 | 0.00 | 0.00 | 0.36 | 0.50 | | |
| PCR (%) | 77.4 | 66.0 | 61.7 | 57.0 | 85.5 | 57.1 | #DIV/0! | 0.0 | 56.8 | 57.0 | | |
| Return Ratios (%) | | | | | | | | | | | | |
| ROAA (Rep) | 5.42 | 5.16 | 4.92 | 4.84 | 4.63 | 4.48 | 0 | 0 | 4.4 | 3.9 | | |
| ROAE (Rep) | 24.47 | 24.1 | 21.95 | 20.48 | 19.86 | 19.08 | 0 | 0 | 22.0 | 18.9 | | |

E: MOFSL Estimates

Shoppers Stop

BSE SENSEX
80,221S&P CNX
24,471

CMP: INR717

Neutral

Conference Call Details

Date: 23th Oct 2024

Time: 11am IST

Financials & Valuations (INR b)

| INRb | FY24E | FY25E | FY26E |
|-------------------|-------|-------|-------|
| Sales | 42.1 | 47.4 | 55.4 |
| EBITDA | 7.1 | 8.1 | 10.1 |
| Adj. PAT | 0.6 | 0.8 | 1.1 |
| EBITDA Margin (%) | 16.9 | 17.0 | 18.3 |
| Adj. EPS (INR) | 5.5 | 6.9 | 9.7 |
| EPS Gr. (%) | -50.2 | 25.8 | 40.7 |
| BV/Sh. (INR) | 38.8 | 47.9 | 60.7 |
| Ratios | | | |
| Net D:E | 8.2 | 8.8 | 8.8 |
| RoE (%) | 21.8 | 21.0 | 23.6 |
| RoCE (%) | 8.6 | 7.4 | 7.4 |
| Payout (%) | 0.0 | 0.0 | 0.0 |
| Valuations | | | |
| P/E (x) | 129.4 | 102.9 | 73.1 |
| EV/EBITDA (x) | 14.8 | 14.2 | 12.2 |
| EV/Sales (x) | 2.5 | 2.4 | 2.2 |

Soft revenue growth continues to hurt profitability

- Shoppers Stop's standalone revenue grew 4% YoY to INR10.7b (+3% QoQ, 2% miss) as store additions were offset by likely LFL sales decline.
- Private Brands' revenue declined 15% YoY to INR1.6b, while the Beauty segment outperformed with 11% YoY revenue growth to INR2.2b (excl. distribution channel) and 19% YoY growth (incl. distribution channel).
- Revenue from Intune stood at INR410m (vs. INR340m QoQ), with its presence expanding to 50 stores (from 31 QoQ).
- The company added one departmental store (and closed two), five Home Stop stores (and closed one), and 19 Intune stores during the quarter. Respective store counts stood at 112, 11, and 50 stores.
- Gross profit grew 2% YoY to INR4.3b (+1% QoQ, 4% miss) as gross margin contracted 80bp YoY to 39.9% (-70bp QoQ, 70bp miss). This was likely due to a 15% YoY decline in private labels and EoSs.
- Employee costs/other expenses were up 4%/11% YoY due to store additions.
- As a result, EBITDA declined 8% YoY to INR1.5b (+3% QoQ, 12% miss). EBITDA margin contracted 180bp YoY to 13.7% (flat QoQ, 155bp miss) due to contraction in gross margin and higher other expenses.
- It generated a **modest INR20m EBITDA (Pre Ind-AS) in 2QFY25**.
- Depreciation and interest costs were up 12%/16% YoY, which led to a net adj. loss of INR200m (vs. an estimated loss of INR42m).
- Shoppers Stop reported an exceptional loss of INR20.5m due to a fire, which damaged its stocks. For this, an insurance claim is filed. The company is confident of receiving the insurance claim amount.
- 1HFY25 revenue rose 5% YoY, but EBITDA declined 13% YoY. Reported 1HFY25 net loss stood at INR445m (vs. INR167m profit YoY).

Balance sheet and cash flow analysis

- 1HFY25 OCF stood at INR368m (vs. INR75m YoY) due to working capital release. The company opened 25 stores and incurred a capex of INR930m, which led to a cash outflow of INR560m and an increase in debt by INR593m to INR1.68b.

Management commentary:

- Demand was subdued in Jul and Aug'24 on account of lower wedding dates, extended monsoon, and overall weak discretionary spending. However, performance improved in Sep (LFL grew 9%).
- The company plans to add 50 Intune, 7 Departmental, 6 Beauty, and 2 HomeStop stores during 2HFY25.

| Standalone P&L (INR m) | 2QFY24 | 1QFY25 | 2QFY25 | YoY% | QoQ% | 2QFY25E | v/s Est (%) |
|-------------------------------|---------------|---------------|---------------|---------------|--------------|---------------|-------------|
| Total Revenue | 10,252 | 10,337 | 10,681 | 4 | 3 | 10,942 | -2 |
| Raw Material cost | 6,080 | 6,141 | 6,423 | 6 | 5 | 6,500 | -1 |
| Gross Profit | 4,171 | 4,196 | 4,259 | 2 | 1 | 4,443 | -4 |
| Gross margin (%) | 40.7 | 40.6 | 39.9 | -82 | -72 | 40.6 | -73 |
| Employee Costs | 976 | 1,001 | 1,014 | 4 | 1 | 1,072 | -5 |
| SGA Expenses | 1,597 | 1,774 | 1,777 | 11 | 0 | 1,696 | 5 |
| EBITDA | 1,598 | 1,421 | 1,468 | -8 | 3 | 1,674 | -12 |
| EBITDA margin (%) | 15.6 | 13.7 | 13.7 | -184 | 0 | 15.3 | -155 |
| Depreciation and amortization | 1,081 | 1,167 | 1,214 | 12 | 4 | 1,225 | -1 |
| EBIT | 517 | 254 | 254 | -51 | 0 | 449 | -43 |
| EBIT margin (%) | 5.0 | 2.5 | 2.4 | -265.8 | -7.3 | 4.1 | -172 |
| Finance Costs | 548 | 604 | 638 | 16 | 6 | 603 | 6 |
| Other income | 105 | 35 | 97 | -8 | 175 | 98 | -1 |
| Exceptional item | -49 | 0 | -21 | NM | NM | 0 | NM |
| Profit before Tax | 25 | -314 | -307 | NM | -2 | -56 | 446 |
| Tax | 8 | -89 | -87 | NM | -3 | -14 | 513 |
| Tax rate (%) | 29.9 | 28.4 | 28.3 | -162.9 | -13.4 | 25.2 | 309 |
| Profit after Tax | 18 | -225 | -220 | -1,336 | -2 | -42 | 424 |
| Adj Profit after Tax | 52 | -225 | -200 | -561 | 7 | -42 | 376 |

Shoppers Stop performance

| | 2QFY24 | 1QFY25 | 2QFY25 | YoY% | QoQ% | 2QFY25E | v/s Est (%) |
|-----------------------------|------------|------------|------------|-----------|-----------|------------|-------------|
| Shoppers stop stores | 102 | 114 | 112 | 10 | -2 | 115 | -3 |
| Net SS stores added | 4 | 2 | -2 | NM | NM | 1 | -300 |
| Intune stores | 6 | 31 | 50 | NA | 61 | 48 | 4 |
| Net Intune stores added | 0 | 9 | 19 | NM | NM | 17 | 12 |



City Union Bank: Will get back to industry level loan growth rates in FY25; N Kamakodi, MD

- Will get back to industry level loan growth rates in FY25
- Seeing good growth from traditional/conventional sectors
- Secured MSME, gold & agri will contribute to loan growth ahead
- In 3 years, new loans will be 6-7% of total loans
- NIM is expected to remain at 3.6%
- Expect slippages of Rs 800 cr in FY25; maintain the guidance

[➔ Read More](#)

Supreme Industries: Cuts volume growth guidance to 16-18% for FY25; expect H2FY25 to be better than H1; MP Taparia, MD

- Surge in freight rates impacted export volumes
- Capex was lower by the government in H1FY25
- Saw huge destocking in plastic piping system
- Outlook of raw material has improved
- Expect H2FY25 to be better than H1FY25
- Expecting 14-18% overall growth in FY25

[➔ Read More](#)

Rajratan Global Wire: Seeing lower volume due to geopolitical situations; Sunil Chordia, CMD

- Seeing lower volumes due to geopolitical situations
- Prices have gone down in last 2 months
- Consolidated gross margin target at 15-16%
- Thailand business is under pressure
- Domestic market share at 42%, competitors have increased capacities as well
- Chennai phase 1 has started, 1,000 tonnes sales achieved in Q1

[➔ Read More](#)

Rossari Biotech: Textile specialty chemicals under pressure because of exposure to Bangladesh; Sunil Chari, MD

- Exports will continue to be the focus; will focus on us & European markets
- Stick to 12-13% growth in revenue in fy25
- Non-ethylene oxide segment is doing well
- Ethylene oxide supply is subdued as reliance has delayed the supply
- Textile specialty chemicals under pressure because of exposure to Bangladesh
- Export margin 2-3% higher than domestic markets

[➔ Read More](#)

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

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | > - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, it's associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- received any compensation/other benefits from the subject company of this report
- managed or co-managed public offering of securities from subject company of this research report,
- received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

- a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
- (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

| Disclosure of Interest Statement | Companies where there is interest |
|----------------------------------|-----------------------------------|
| Analyst ownership of the stock | No |

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under

applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

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

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; www.motilaloswal.com.

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. Hemanji 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.