

Market snapshot

| Equities - India | Close | Chg .% | CY24.% |
|------------------|----------|----------|----------|
| Sensex | 75,838 | -1.6 | 8.2 |
| Nifty-50 | 23,025 | -1.4 | 8.8 |
| Nifty-M 100 | 53,835 | -2.3 | 23.9 |
| Equities-Global | Close | Chg .% | CY24.% |
| S&P 500 | 6,049 | 0.9 | 23.3 |
| Nasdaq | 19,757 | 0.6 | 28.6 |
| FTSE 100 | 8,548 | 0.3 | 5.7 |
| DAX | 21,042 | 0.2 | 18.8 |
| Hang Seng | 7,321 | 1.2 | 26.4 |
| Nikkei 225 | 39,028 | 0.3 | 19.2 |
| Commodities | Close | Chg .% | CY24.% |
| Brent (US\$/Bbl) | 80 | -0.5 | -4.5 |
| Gold (\$/OZ) | 2,745 | 1.4 | 27.2 |
| Cu (US\$/MT) | 9,169 | 0.1 | 2.2 |
| Almn (US\$/MT) | 2,628 | -2.0 | 7.7 |
| Currency | Close | Chg .% | CY24.% |
| USD/INR | 86.6 | 0.0 | 2.9 |
| USD/EUR | 1.0 | 0.1 | -6.2 |
| USD/JPY | 155.5 | -0.1 | 11.5 |
| YIELD (%) | Close | 1MChg | CY24 chg |
| 10 Yrs G-Sec | 6.7 | -0.02 | -0.4 |
| 10 Yrs AAA Corp | 7.2 | -0.02 | -0.5 |
| Flows (USD b) | 21-Jan | MTD | CYTD |
| FII | -0.7 | 0.64 | -0.8 |
| DII | 0.40 | 4.42 | 62.9 |
| Volumes (INRb) | 21-Jan | MTD* | YTD* |
| Cash | 1,059 | 1007 | 1007 |
| F&O | 1,63,001 | 1,87,434 | 1,87,434 |

Note: Flows, MTD includes provisional numbers.

*Average

Today's top research idea

Siemens – Annual Report Update: Near-term patchy on slow private capex!

- ❖ Siemens (SIEM) in its FY24 annual report emphasized its strategy to capitalize on the opportunity potential that exists in India from diverse sectors and industries, spurred by favorable government policies and the ongoing global energy transition while also acknowledging the transient hiccups in select segments.
- ❖ SIEM in FY24 also announced the expansion of its GIS, vacuum interrupter, power transformer, and metro train manufacturing facilities for a cumulative outlay of INR10b. We believe that a selective approach for HVDC projects and weak inflow for ex-Energy segments due to slower-than-expected pick up in private capex may weigh on the near-term performance of SIEM.
- ❖ However, company is well placed to capitalise on expected ramp up in government and private capex over medium to long term. Reiterate BUY with a revised TP of INR7,500 (vs. INR8,000 earlier).

Research covered

| Cos/Sector | Key Highlights |
|---------------------------------|---|
| Siemens – Annual Report Update | Near-term patchy on slow private capex! |
| ICICI Prudential Life Insurance | Miss across key parameters; margin contracts to 21.2% |
| Oberoi Realty | Jardin-OGC, Thane launch taking the lead |
| L&T Finance | Better MFI asset quality outcomes than peers |
| MCX | Miss on earnings; new product launches key to re-rating |
| PNB Housing | Sustains all-round healthy performance! |
| Other Updates | Indiamart Inter. India Cements Sunteck Realty Cyient DLM Indostar Capital Metals Monthly KEI Industries Dalmia Bharat |



Chart of the Day: Siemens (Near-term patchy on slow private capex!)

Segmental (reported) order inflow breakup (INR b)

| Segment | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Energy | 42.2 | 45.1 | 42.8 | 51.1 | 62.3 | 67.7 | 88.0 |
| Smart Infrastructure | 36.5 | 39.2 | 32.5 | 40.4 | 52.6 | 65.6 | 73.3 |
| Digital Industries | 24.0 | 26.5 | 19.8 | 30.0 | 45.9 | 30.4 | 33.6 |
| Mobility | 14.9 | 8.6 | 8.7 | 14.2 | 33.4 | 283.0 | 31.3 |
| Others | 9.8 | 13.0 | 10.9 | 9.1 | 2.2 | 17.2 | 9.5 |
| Total | 127.4 | 132.4 | 114.7 | 144.8 | 196.4 | 463.8 | 235.6 |

Source: Company, MOFSL



Kindly click on textbox for the detailed news link

1

InMobi eyes \$400 million funding at \$8 billion valuation

Founded in 2007 by Naveen Tewari, Piyush Shah, Mohit Saxena, and Abhay Singhal, InMobi has become a leader in contextual marketing and monetisation solutions for brands, advertisers, and publishers.

2

Banks' debt up by Rs 88k cr in last two weeks of 2024

The market borrowings mostly comprise tier-II bonds, infrastructure bonds and green bonds among others and were the highest in six months. This trend could impact bank profitability as these borrowings tend to be costly during tight liquidity conditions.

3

Zomato, Blinkit, Zepto & other E-comm cos turn to 3rd-party logistics players to cut costs

E-commerce companies like Zomato and Blinkit are increasingly turning to 3PL providers to streamline operations and reduce costs

4

Real estate firms target senior living facilities development amid growing demand post-Covid

Real estate firms in India are increasingly developing senior living facilities to meet the significant post-pandemic demand.

5

Kinetic Engineering to take EV route to re-enter two-wheeler market

Kinetic Engineering, after leaving the two-wheeler segment over a decade ago, is set to re-enter with electric vehicles.

6

D2C snack brands make global foray

The new-age D2C brands are differentiating themselves from legacy players by focusing on healthier alternatives, modern packaging, and strong branding.

7

Reliance Consumer Products set to buy SIL's brands to spice up play; plans to compete with HUL, Cremica & Tata

Reliance Consumer Products (RCPL) is set to acquire SIL, a packaged foods brand known for products like cooking pastes, jams, and sauces.



BSE SENSEX
75,838

S&P CNX
23,025

CMP: INR5,922

TP: INR7,500 (+27%)

Buy

Near-term patchy on slow private capex!



Siemens (SIEM) in its FY24 annual report emphasized its strategy to capitalize on the opportunity potential that exists in India from diverse sectors and industries, spurred by favorable government policies, a relatively sanguine macroeconomic situation, and the ongoing global energy transition while also acknowledging the transient hiccups in select segments. Nevertheless, underscoring its intent to participate in India's long-term growth potential, SIEM in FY24 announced the expansion of its GIS, vacuum interrupter, power transformer, and metro train manufacturing facilities for a cumulative outlay of INR10b. We believe that a selective approach for HVDC projects and weak inflow for ex-Energy segments due to slower-than-expected pick up in private capex may weigh on the near-term performance of SIEM. However, company is well placed to capitalise on expected ramp up in government and private capex over medium to long term. We downgrade our earnings by 3%/4%/5% for FY25/26/27 and revise our valuation multiple downwards from 70x to 65x on two-year forward earnings to bake in a slower pickup in inflows vs. our earlier expectations. We reiterate our BUY rating on the stock with a revised TP of INR7,500 (vs. INR8,000 earlier).

| | SIEM IN |
|-----------------------------|---------------|
| Bloomberg Equity Shares (m) | 356 |
| M.Cap.(INRb)/(USDb) | 2109.5 / 24.4 |
| 52-Week Range (INR) | 8130 / 4020 |
| 1, 6, 12 Rel. Per (%) | -11/-7/39 |
| 12M Avg Val (INR M) | 2644 |
| Free float (%) | 25.0 |

Financials & Valuations (INR b)

| Y/E SEPT | FY25E | FY26E | FY27E |
|-------------|-------|-------|-------|
| Net Sales | 257.6 | 300.5 | 351.2 |
| EBITDA | 36.0 | 44.4 | 53.5 |
| PAT | 29.3 | 36.5 | 44.4 |
| EPS (INR) | 82.2 | 102.6 | 124.7 |
| GR. (%) | 7.8 | 24.8 | 21.5 |
| BV/Sh (INR) | 492.0 | 567.8 | 660.0 |

Ratios

| | | | |
|----------|------|------|------|
| ROE (%) | 17.8 | 19.4 | 20.3 |
| RoCE (%) | 18.1 | 19.6 | 20.5 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (X) | 72.0 | 57.7 | 47.5 |
| P/BV (X) | 12.0 | 10.4 | 9.0 |
| EV/EBITDA (X) | 54.9 | 44.0 | 35.9 |
| Div Yield (%) | 0.4 | 0.5 | 0.5 |

Shareholding pattern (%)

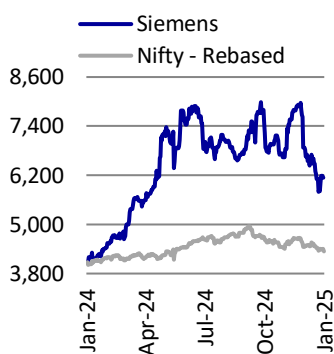
| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 |
| DII | 6.9 | 7.0 | 7.6 |
| FII | 8.7 | 8.6 | 7.9 |
| Others | 9.4 | 9.4 | 9.4 |

FII Includes depository receipts

Addressing opportunities across segments

- Energy** – This segment experienced a 30% growth in order inflows at INR88b, buoyed by major order wins to modernize and upgrade gas turbines, EPC substation construction projects, 220 & 400 kV GIS orders for marquee customers, and supply of power transformers. The proposed demerger of the Energy business is slated to be completed in CY25. Management continues to be optimistic on prospects for this segment, with a robust domestic and export opportunity pipeline converging with SIEM's wide range of offerings.
- Smart Infra** – It witnessed healthy demand from grid infrastructure, EV charging, data centers, commercial buildings, steel, cement, oil & gas, et al. translating into order inflow/revenue growth of 12%/19%. The segment is poised to benefit from rapid growth in data centers, EV charging infra, commercial real estate, and industrial investments.
- Digital Industries** – FY24 experienced a moderation in order inflow growth, owing to demand normalization of industrial automation products as supply chain snags eased, resulting in shorter delivery cycles. Going forward, growth will be driven by the newer-age verticals such as semiconductors, battery storage, electronics, etc. along with private capex.
- Mobility** – Mobility segment recorded a 21% order inflow growth (excluding the 9000 HP order), backed by key orders broadly spread across rail and metro electrification, as locomotive orders were not tendered.

Stock Performance (1-year)



Narrowing the margin differential with Siemens AG

SIEM has managed to improve the localization levels for key components required for STATCOM, HV AIS, circuit breakers, steam turbines and generator spares, gearboxes, traction motor components, and various components for the 9000 HP locomotive order. This resulted in lower dependence on the parent, as exemplified by the declining share of traded goods (refer to Exhibit 7), and also helped SIEM narrow the margin gap with its parent, as depicted in Exhibit 8. Sales made to related parties have been continuously declining as a % of overall sales, indicating lower dependence on the parent and fellow subsidiaries.

Expanding capacity to capture a burgeoning TAM

To harness the growth opportunities in India and export markets and make India a hub for the global Siemens network, SIEM has announced a capex worth ~INR10b in FY24. The capex will be required to expand its facilities in power transformers, metro trains, vacuum interrupters, and GIS over the next 2-3 years. Accordingly, SIEM has seen its capex outgo jump to INR4.5b in FY24 from INR2.5b in FY23.

Following a selective approach in VSC-HVDC tenders

SIEM has expressed its intent to only participate in VSC-based HVDC opportunities, refraining from LCC-based tenders, believing VSC to be the superior technology. In 2021, SIEM commissioned India’s first HVDC project featuring VSC (voltage-sourced converter) technology, connecting Pugalur (Tamil Nadu) to Thrissur (Kerala). Another VSC-based project is currently being executed by Hitachi Energy (Adani Mumbai project). We expect this to limit the addressable market from HVDC projects for the company in the near to medium term.

Valuation and recommendation

The stock is currently trading at a P/E of 72x/58x/47x on FY25E/FY26E/FY27E. We cut our estimates by 3%/4%/5% for FY25/26/27 to factor in a slower pick-up in digital industries and mobility segment inflows. We do expect near-term order inflow pick-up to be weak for non-energy segments due to a slower-than-expected pick-up in private capex. With an anticipated revival in government capex and an increased focus on exports, we expect SIEM to benefit and emerge as a manufacturing hub for its parent company in the export market going forward. We reduce our valuation multiple to 65x from 70x on a two-year forward earnings basis to bake in a slower pick-up in inflows compared to our earlier expectations. **We reiterate our BUY rating on the stock with a revised TP of INR7,500 (vs. INR8,000 earlier).**

Key risks and concerns

1) Slowdown in order inflows from key government-focused segments such as transmission and railways; 2) aggression in bids to procure large-sized projects would adversely impact margins, and 3) related-party transactions with parent group entities at lower-than-market valuations.



ICICI Prudential Life Insurance

Estimate change



TP change



Rating change



CMP: INR636

TP: INR780 (+23%)

BUY

Miss across key parameters; margin contracts to 21.2%

Minimal impact of surrender charges

| | |
|-----------------------|--------------|
| Bloomberg | IPRU IN |
| Equity Shares (m) | 1444 |
| M.Cap.(INRb)/(USD\$b) | 918.5 / 10.6 |
| 52-Week Range (INR) | 797 / 475 |
| 1, 6, 12 Rel. Per (%) | 0/5/23 |
| 12M Avg Val (INR M) | 1091 |

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-----------------------|-------|-------|-------|
| Net Premiums | 488.7 | 561.7 | 648.1 |
| Surplus / Deficit | 19.8 | 22.5 | 26.6 |
| Sh. holder's PAT | 11.7 | 14.7 | 19.4 |
| NBP growth unwt'd (%) | 24.8 | 16.3 | 15.5 |
| APE (INRb) | 111.5 | 130.2 | 150.8 |
| VNB (INRb) | 25.6 | 30.6 | 36.2 |
| VNB margin (%) | 23.0 | 23.5 | 24.0 |
| EV per share | 349 | 417 | 501 |
| RoEV (%) | 19.1 | 19.5 | 20.0 |
| Total AUMs (INRt) | 3.5 | 4.2 | 5.0 |

Valuations

| | | | |
|------------|------|------|------|
| P/EV (x) | 1.8 | 1.5 | 1.3 |
| P/EVOP (x) | 14.9 | 12.5 | 10.5 |

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

- ICICI Prudential Life Insurance (IPRU) reported new business APE growth of 28% YoY to INR24.4b (6% miss). For 9MFY25, APE grew 28% YoY to INR69.1b.
- VNB margin for the quarter stood at 21.2% vs. our estimate of 23%. Absolute VNB grew 19% YoY to INR 5.2b (13% miss).
- For 3QFY25, IPRU reported a 43% YoY growth in shareholder PAT to INR3.2b (27% beat). For 9MFY25, it reported a PAT of INR8b (+18% YoY).
- Management is confident in its well-diversified distribution network along with multiple levers available to achieve alpha over the market in terms of premium growth. The ongoing focus would remain on VNB growth, which will primarily depend on APE growth.
- Considering IPRU's 3Q performance, we cut our APE growth and VNB margin estimates. For FY25, we expect new business APE/VNB/PAT to grow 23%/15%/37% YoY to INR111.5b/INR25.6b/INR11.7b. Going forward, the company's ability to sustain strong premium growth and improve VNB margin will be crucial. **Reiterate BUY with a TP of INR780 (based on 1.7x Sept'26E EV).**

VNB margin contracts; costs on a declining trajectory

- IPRU's gross premium grew 23% YoY (5% miss) to INR126.6b. Renewal premium was flat YoY (11% miss) at INR60.9b.
- The 170bp YoY dip in VNB margin to 21.2% was owing to the rising share of ULIPs in the overall product mix (49.2% of 3QFY25 vs. 44.4% in 3QFY24 APE mix). Further, the company sourced a lumpy group fund premium during the quarter, which was in the linked segment. The momentum in ULIPs has been sustained in 4QFY25 so far.
- Retail protection and annuity, the key focus areas for IPRU, experienced strong growth of 40% and 50% YoY, respectively. The share of retail protection/annuity in APE was 6.0%/7.5% vs. 5.5%/6.4% in 3QFY24.
- Commission expenses grew 10% YoY to INR11b. However, the implementation of the new commission structure across most of the channel partners led to an 11% sequential decline in expenses.
- Total expenses declined 85% YoY to INR38.9b, largely due to changes in actuarial liabilities.
- On the distribution front, agency/direct channels experienced strong growth of 26%/23.1% YoY. With the bancassurance share at 25%, and within that, the share of ICICI Bank being even lower, the company is relatively better placed in case any bancassurance-specific regulations are announced.
- On a premium basis, YoY persistency improved across all cohorts. 13th/49th/61st month persistency stood at 85.8%/66.8%/63.1%.
- AUM grew 8% YoY to INR3.1t, while the solvency ratio stood at 211.8%.

Highlights from the management commentary

- APE grew 27% YoY, but a mix shift toward lower-margin products adversely impacted VNB. However, compared to 1H, there has been a positive movement for 9M.
- Post-surrender guideline changes, different partners have agreed to different structures aligned with their opex requirements and separate business models. Pending discussions will be over in a few weeks.
- A slowdown in the credit life business has been largely due to the ongoing challenges in the MFI segment. However, the outlook is gradually improving. Credit life business contributed 38% of the protection business, within which MFI business contributed 45%.

Valuation and view

IPRU's VNB margin has been under pressure during the quarter, mainly owing to the shift in product mix (higher share of ULIPs). In terms of surrender charges, the company has already implemented changes in the commission structure with most of the channel partners, and the impact is reflected in the sequential decline in commission costs. Considering IPRU's 3Q performance, we cut our APE growth and VNB margin estimates. For FY25, we expect new business APE/VNB/ PAT to grow 23%/15%/37% YoY to INR111.5b/INR25.6b/INR11.7b. Going forward, the company's ability to sustain strong premium growth and improve VNB margin will be crucial. We expect APE/ VNB to grow at a CAGR of 19%/18% during FY24-27. **Reiterate BUY with a TP of INR780 (based on 1.7x Sept'26E EV).**

Quarterly performance

(INR b)

| Policy holder's A/c | FY24 | | | | FY25 | | | | FY24 | FY25E | FY25E 3QE | A v/s E |
|-----------------------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| First year premium | 10.2 | 15.3 | 15.3 | 29.5 | 15.2 | 20.6 | 18.2 | 36.9 | 70.3 | 91.0 | 32.9 | -45% |
| Growth (%) | -1.5% | 5.9% | 11.3% | 11.9% | 48.8% | 34.6% | 19.0% | 25.3% | 8.3% | 29.4% | 114.7% | |
| Renewal premium | 41.6 | 58.9 | 60.8 | 84.3 | 43.3 | 69.9 | 60.9 | 98.9 | 245.6 | 273.0 | 68.2 | -11% |
| Growth (%) | 6.8% | 4.4% | 5.7% | 16.6% | 4.3% | 18.6% | 0.2% | 17.3% | 9.0% | 11.2% | 12.3% | |
| Single premium | 21.9 | 30.1 | 26.7 | 37.8 | 24.3 | 30.3 | 47.5 | 40.0 | 116.5 | 142.1 | 32.4 | 46% |
| Growth (%) | -5.9% | 7.0% | 0.9% | 20.7% | 10.6% | 0.9% | 77.6% | 6.0% | 6.7% | 22.0% | 21.2% | |
| Gross premium income | 73.7 | 104.3 | 102.8 | 151.5 | 82.8 | 120.8 | 126.6 | 175.8 | 432.4 | 506.0 | 133.6 | -5% |
| Growth (%) | 1.5% | 5.4% | 5.2% | 16.6% | 12.3% | 15.8% | 23.1% | 16.0% | 8.3% | 17.0% | 29.9% | |
| PAT | 2.1 | 2.4 | 2.3 | 1.7 | 2.3 | 2.5 | 3.2 | 3.6 | 8.5 | 11.7 | 2.5 | 27% |
| Growth (%) | 32.9% | 22.4% | 3.1% | -26.0% | 8.9% | 3.1% | 42.8% | 109.2% | 5.1% | 36.7% | 12.0% | |
| Key metrics (INRb) | | | | | | | | | | | | |
| New Business APE | 14.6 | 20.6 | 19.1 | 36.2 | 19.6 | 25.0 | 24.4 | 42.4 | 90.5 | 111.5 | 26.0 | -6% |
| Growth (%) | -3.9% | 3.2% | 4.7% | 9.6% | 34.4% | 21.4% | 27.8% | 17.3% | 4.7% | 23.2% | 0.4 | |
| VNB | 4.4 | 5.8 | 4.4 | 7.8 | 4.7 | 5.9 | 5.2 | 9.9 | 22.3 | 25.6 | 6.0 | -13% |
| Growth (%) | -7.0% | -7.1% | -29.4% | -26.4% | 7.8% | 1.6% | 18.6% | 27.4% | -19.5% | 15.1% | 0.4 | |
| AUM | 2,664 | 2,719 | 2,867 | 2,942 | 3,089 | 3,205 | 3,104 | 3,512 | 2,942 | 3,512 | 3,349 | -7% |
| Growth (%) | 15.8% | 11.3% | 13.8% | 17.1% | 15.9% | 17.9% | 8.3% | 19.4% | 1036.3% | 19.4% | 0.2 | |
| Key Ratios (%) | | | | | | | | | | | | |
| VNB Margin (%) | 30.0 | 28.0 | 22.9 | 21.5 | 24.0 | 23.4 | 21.2 | 23.3 | 24.6 | 23.0 | 23.0 | |



Oberoi Realty

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

CMP: INR1,858 TP: INR2,056 (+11%) Neutral

Jardin-OGC, Thane launch taking the lead

Operational highlights

| | |
|-----------------------|-------------|
| Bloomberg | OBER IN |
| Equity Shares (m) | 364 |
| M.Cap.(INRb)/(USDb) | 675.6 / 7.8 |
| 52-Week Range (INR) | 2350 / 1268 |
| 1, 6, 12 Rel. Per (%) | -15/17/17 |
| 12M Avg Val (INR M) | 1866 |

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 56.4 | 68.8 | 87.5 |
| EBITDA | 33.0 | 40.3 | 45.9 |
| EBITDA Margin (%) | 58.6 | 58.6 | 52.5 |
| PAT | 24.3 | 30.1 | 35.1 |
| EPS (INR) | 66.7 | 82.8 | 96.6 |
| EPS Gr. (%) | 26.0 | 24.0 | 16.7 |
| BV/Sh. (INR) | 439.5 | 514.3 | 602.9 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 16.3 | 17.4 | 17.3 |
| RoCE (%) | 14.6 | 15.7 | 16.1 |
| Payout (%) | 12.0 | 9.7 | 8.3 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 27.8 | 22.4 | 19.2 |
| P/BV (x) | 4.2 | 3.6 | 3.1 |
| EV/EBITDA (x) | 20.7 | 16.8 | 14.0 |
| Div yld (%) | 0.4 | 0.4 | 0.4 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 67.7 | 67.7 | 67.7 |
| DII | 10.1 | 12.0 | 12.1 |
| FII | 20.2 | 18.4 | 17.4 |
| Others | 2.0 | 1.9 | 2.8 |

- Oberoi Realty's (OBER) pre-sales grew 144% YoY to INR19.2b (13% lower than estimate) in 3QFY25, driven by lofty bookings at newly launched project 'Jardin' at Oberoi Garden City, Thane, which contributed INR13.3b to pre-sales (70% of 3QFY25 bookings) across bookings of 466 units.
- Elysian pre-sales grew 88% YoY to INR2.3b, while project 360 West grew 93% YoY to INR1.5b. Sales traction was weak for other projects - Eternia (INR0.2b), Enigma (INR1.0b), Sky City (INR0.4b), and Forestville Thane (INR0.4b).
- Collections grew 56% YoY to INR13.9b. OBER generated OCF (post WC) of INR3.7b. Net debt stood at INR1.1b vs. INR2.8b as of Sep'24, with a D/E ratio of 0.02x. OBER also raised INR15b via non-convertible debentures in 3QFY25.
- **P&L performance:** Revenue rose 34% YoY to INR14b (4% below est.), led by higher recognition in 360 West, Eternia, and Skycity. EBITDA stood at INR8.6b, up 68% YoY, led by 12pp margin expansion to 61% due to product mix. PAT, at INR6.2b, rose 72% YoY and was 2% below our estimate. Margin stood at 44%.
- For 9MFY25, revenue grew 30% YoY to INR41.4b, achieving 73% of the revised FY25E target of INR56.4b. EBITDA stood at INR24.9b, up 53% YoY, led by 9pp margin expansion to 60% due to product mix. PAT, at INR17.9b, rose 57% YoY with a margin of 43%.

Sequential rise in occupancy across assets; Commerz III's incremental occupancy elevates rentals; Hospitality rates increase

- Following the Commerz III augmentation in 1QFY25, occupancy rose to 77% in 3QFY25 from 65% in 2QFY25, resulting in revenue growth of 19% QoQ to INR1.1b. Occupancy at Commerz II increased to 97%, while Commerz I is close to being fully leased with 96% occupancy. OBER reported total office revenue of INR1.6b (+15% QoQ), with an EBITDA margin of 90%.
- Oberoi Mall continued to deliver good performance with a 12% YoY increase in revenue, supported by an increase in both area and occupancy by 2% YoY and 200bp YoY, respectively. On a blended basis, the commercial segment generated EBITDA of INR1.9b (144% up YoY), maintaining same margin levels of 91% as 2QFY25.
- **Hospitality:** Occupancy at Westin Goregaon declined to 79%. ARR rose 24% YoY to ~INR16,396. Hence, revenue was up 9% YoY to INR537m. EBITDA margin expanded to 42% (up 48bp YoY and ~5pp QoQ), leading to EBITDA of INR226m.

Key management commentary

- **Launches:** The Jardin Project, Thane, launched in Q3FY25, showed phenomenal response with sales of INR13.3b in just the first three days of the launch, which contributed a hefty 70% of total Oberoi bookings in 3QFY25. The entire project spans 80 acres and is a mixed-use development with JW Marriott Hotel and Oberoi International School, estimated to be completed by 2027-2028. Additionally, OBER has a launch pipeline at Borivali (1 tower), Goregaon (2 towers), and Forestville Thane (2 towers), which is expected to be launched in 4QFY25 or FY26. The Gurugram, Adarsh Nagar, Worli, and Tardeo projects will be launched in FY26.
- The company witnessed lower bookings from existing projects due to an increase in price, but management is confident that sales will pick up in the coming quarters.
- **Annuity portfolio:** The company is witnessing strong leasing traction across all three office assets. Commerz I and Commerz II are nearly fully leased out following an increase in occupancy in 3QFY25. With this, all three office assets are expected to be fully leased out by the end of FY25.
- **Funds raised (INR 15b)** via non-convertible debentures will be used to accelerate growth by acquiring land parcels. This is expected to happen in the next 4-6 months as the company is currently evaluating opportunities.
- The company has successfully concluded the Mulund acquisition transaction of Nirmal Lifestyle through NCLT.
- It has entered into a joint development agreement for ~81.05 acres in Alibaug.

Valuation and view

- OBER is witnessing an uptick in the performance of its residential business. It is also seeing an uptrend in its rental portfolio as it commences operations at its ongoing marquee office and retail assets. The recent Pokhran-2 launch in Thane received strong traction; hence, we believe the residential segment should see a healthy scale-up with the available pipeline across the MMR and Gurugram regions.
- We expect OBER to post a 41% CAGR in pre-sales over FY24-27. However, a major part of the re-rating depends on the re-investment of strong cash flow generation as the company monetizes its completed and near-completion inventories.
- At current valuations, OBER's residential business implies a value of INR550-570b. The estimated value of the existing pipeline, including the Gurugram project, is INR300b, implying +100% of the going concern premium, which already accounts for prospective business development in the near term.
- **Reiterate Neutral** with a TP of INR2,056, indicating an 11% upside potential.

Financial and operational summary (INR m)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E | Var. (%) |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Net Sales | 9,100 | 12,174 | 10,536 | 13,148 | 14,052 | 13,199 | 14,111 | 14,997 | 44,958 | 56,358 | 14,653 | -4% |
| YoY Change (%) | -0.3 | 76.8 | -35.3 | 36.8 | 54.4 | 8.4 | 33.9 | 14.1 | 7.2 | 25.4 | 39.1 | |
| Total Expenditure | 4,362 | 5,792 | 5,443 | 5,262 | 5,901 | 5,061 | 5,549 | 6,811 | 20,859 | 23,323 | 6,064 | |
| EBITDA | 4,737 | 6,382 | 5,094 | 7,886 | 8,151 | 8,138 | 8,561 | 8,186 | 24,099 | 33,035 | 8,589 | 0% |
| Margins (%) | 52.1 | 52.4 | 48.3 | 60.0 | 58.0 | 61.7 | 60.7 | 54.6 | 53.6 | 58.6 | 58.6 | 206bp |
| Depreciation | 113 | 113 | 114 | 135 | 202 | 208 | 233 | 395 | 475 | 1,037 | 270 | |
| Interest | 615 | 565 | 501 | 504 | 589 | 517 | 745 | 368 | 2,184 | 2,219 | 577 | |
| Other Income | 236 | 264 | 292 | 2,438 | 368 | 387 | 492 | 162 | 3,230 | 1,409 | 366 | |
| PBT before EO expense | 4,245 | 5,968 | 4,771 | 9,685 | 7,728 | 7,800 | 8,076 | 7,585 | 24,669 | 31,188 | 8,109 | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| PBT | 4,245 | 5,968 | 4,771 | 9,685 | 7,728 | 7,800 | 8,076 | 7,585 | 24,669 | 31,188 | 8,109 | 0% |
| Tax | 1,046 | 1,421 | 1,192 | 1,833 | 1,905 | 1,930 | 1,919 | 1,188 | 5,491 | 6,942 | 1,805 | |
| Rate (%) | 24.6 | 23.8 | 25.0 | 18.9 | 24.7 | 24.7 | 23.8 | 15.7 | 22.3 | 22.3 | 22.3 | |
| Minority Interest & Profit/Loss of Asso. Cos. | 17 | 21 | 22 | 28 | 23 | 25 | 27 | -52 | 89 | 23 | 0 | |
| Reported PAT | 3,216 | 4,568 | 3,602 | 7,880 | 5,845 | 5,894 | 6,184 | 6,345 | 19,266 | 24,268 | 6,304 | |
| Adj PAT | 3,216 | 4,568 | 3,602 | 7,880 | 5,845 | 5,894 | 6,184 | 6,345 | 19,266 | 24,268 | 6,304 | -2% |
| YoY Change (%) | -20.2 | 43.4 | -48.7 | 64.1 | 81.7 | 29.0 | 71.7 | -19.5 | 1.2 | 26.0 | 75.0 | |
| Margins (%) | 35.3 | 37.5 | 34.2 | 59.9 | 41.6 | 44.7 | 43.8 | 42.3 | 42.9 | 43.1 | 43.0 | |
| Operational metrics | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | |
| Sale Volume (msf) | 0.15 | 0.22 | 0.26 | 0.45 | 0.21 | 0.28 | 0.66 | 0.92 | 1.0 | 2.1 | 0.69 | -4% |
| Sale Value (INRm) | 4,760 | 9,650 | 7,868 | 17,907 | 10,519 | 14,425 | 19,183 | 28,488 | 39,428 | 72,614 | 22,000 | -13% |
| Collections (INRm) | 11,091 | 11,013 | 8,915 | 10,821 | 10,114 | 12,112 | 13,950 | 22,921 | 40,086 | 59,096 | 16,000 | -13% |
| Realization (INR/sft) | 32,630 | 43,700 | 30,575 | 40,017 | 49,903 | 52,305 | 29,081 | 30,930 | 40,062 | 35,126 | 32,000 | -9% |

Source: MOFSL, Company

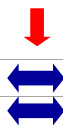


L&T Finance

Estimate changes

TP change

Rating change



| | |
|-----------------------|-------------|
| Bloomberg | LTF IN |
| Equity Shares (m) | 2494 |
| M.Cap.(INRb)/(USDb) | 364.3 / 4.2 |
| 52-Week Range (INR) | 194 / 129 |
| 1, 6, 12 Rel. Per (%) | 9/-11/-19 |
| 12M Avg Val (INR M) | 1322 |

Financials Snapshot (INR b)

| Y/E March | FY25E | FY26E | FY27E |
|--------------|-------|-------|-------|
| Total Income | 88.2 | 102.6 | 126.8 |
| PPP | 60.5 | 72.3 | 92.6 |
| PAT | 26.5 | 32.3 | 44.5 |
| EPS (INR) | 10.7 | 13.0 | 17.9 |
| EPS Gr. (%) | 14.5 | 21.6 | 37.8 |
| BV/Sh. (INR) | 102 | 112 | 127 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 10.0 | 9.8 | 9.7 |
| C/I ratio (%) | 40.6 | 39.5 | 37.0 |
| RoAA (%) | 2.4 | 2.5 | 2.8 |
| RoE (%) | 10.9 | 12.1 | 14.9 |
| Payout (%) | 26.5 | 23.5 | 19.5 |

Valuation

| | | | |
|----------------|------|------|-----|
| P/E (x) | 13.7 | 11.3 | 8.2 |
| P/BV (x) | 1.4 | 1.3 | 1.1 |
| Div. Yield (%) | 1.9 | 2.1 | 2.4 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 66.3 | 66.3 | 65.9 |
| DII | 12.2 | 12.3 | 9.1 |
| FII | 5.3 | 6.7 | 10.7 |
| Others | 16.3 | 14.7 | 14.4 |

FII Includes depository receipts

CMP: INR146

TP: INR180 (+23%)

Buy

Better MFI asset quality outcomes than peers

Stress in non-MFI retail product segments still evident

- L&T Finance's (LTF) 3QFY25 PAT declined 2% YoY to INR6.3b (~6% beat). PPOP grew ~11% YoY to ~INR14.8b (in line).
- Credit costs stood at INR6.5b (in line), translating into annualized credit costs of ~2.5% (PQ: 2.6% and PY: 2.5%). The company utilized macro-prudential provisions of INR1b during the quarter. Including macro-prudential provisions, credit costs stood at ~2.9%. LTF has guided for macro-prudential provision utilization of INR3b-3.5b in 4QFY25.
- Retail assets contributed ~97% to the loan mix (PQ: 96%). Retail loans grew ~23% YoY, led by healthy growth in tractors, HL, LAP, and personal loans. The company has started re-growing its personal loans book, up ~9% QoQ. Rural business loans (MFI) and 2W remained flat QoQ.
- Management shared that the stabilization of the MFI business is expected to take two-three more quarters, given ongoing turbulence at the industry level. Additionally, as the company shifts its focus to prime segments in 2W and expects a lower proportion of MFI in the loan mix, NIMs may contract. However, this NIM contraction can be mitigated from improvements in productivity, reductions in collection costs, and lower credit costs.
- LTF has maintained a disciplined approach to MFI business. Management expects stable MFI industry growth at ~15%-20% after the implementation of MFIN guardrails. We estimate a CAGR of ~21% in total loans and ~24% in PAT over FY24-FY27E, with consolidated RoA/RoE of 2.8%/~15% in FY27E. The company will continue to deliver a sustainable improvement in profitability and RoA expansion. **Retain BUY with a TP of INR180 (based on 1.5x Sept'26E BVPS).**

Asset quality largely stable; Retail GS3 stands at ~2.85%

- Consol. GS3 rose ~5bp QoQ to ~3.25% and NS3 was stable QoQ at ~1%. PCR was stable at ~71%. Retail GS3 was stable QoQ at 2.85%.
- We model credit costs (as % of average loans) of ~2.9%/2.8% in FY25/FY26E (compared to ~2.7% in FY24).

NIM contracts ~45bp QoQ; fee income down sequentially

- Reported NIM contracted ~45bp QoQ to 8.5%. However, consol. NIM + fees declined ~50bp QoQ to 10.3%, driven by lower fee income and lower MFI share in the loan mix.
- Spreads (calc.) declined ~10bp QoQ to ~8.8%. Yields (calc.) rose ~10bp QoQ to ~16.2%, while CoF (calc.) rose ~20bp QoQ to 7.3%. Management guided that NIMs may remain under pressure over the next few quarters as the proportion of MFI in the loan mix continues to decline. We model NIMs of ~9.8%/9.7% in FY26/27E (FY25E: ~10%).

Key highlights from the management commentary

- Management expects MFI credit costs at ~INR9.5-10b in FY25. Additionally, the advance estimate of the utilization of macro prudential provisions in 4QFY25 is ~INR3.0-3.5b.
- LTF is working to increase its insurance distribution and is also putting together a technology platform for the same.
- Cyclops is set to be implemented for PL and SME business loans in the coming quarters. In this year, the company will prioritize operationalizing **Nostradamus**, an innovative, first-of-its-kind AI-driven portfolio management engine.

Valuation and view

- LTF has invested in process automation, security, and customer journeys. This, along with large partnerships in products like PL, should lead to stronger and more sustainable retail loan growth. While there are signs of stress in non-MFI retail segments like 2W, tractors and PL, we expect the stress to subside and be provided for over the next two quarters. Stress in the microfinance sector is a near-term headwind, which the company will navigate and come out stronger.
- We estimate a PAT CAGR of 24% over FY24-27, with consolidated RoA/RoE of 2.8%/~15% in FY27. Reiterate our **BUY rating on the stock with a TP of INR180 (based on 1.5x Sep'26E BVPS)**.

Quarterly performance

(INR M)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | 3QFY25E | v/s Est. |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Interest Income | 31,165 | 31,685 | 33,063 | 33,226 | 34,526 | 36,544 | 38,064 | 39,156 | 1,29,139 | 1,48,290 | 36,910 | 3 |
| Interest Expenses | 13,638 | 13,249 | 13,534 | 13,351 | 13,514 | 14,763 | 15,692 | 16,154 | 53,772 | 60,123 | 15,796 | -1 |
| Net Interest Income | 17,527 | 18,436 | 19,529 | 19,875 | 21,012 | 21,781 | 22,371 | 23,002 | 75,367 | 88,167 | 21,113 | 6 |
| Change YoY (%) | 14.3 | 11.9 | 7.2 | 12.6 | 19.9 | 18.1 | 14.6 | 15.7 | 11.4 | 17.0 | 8.1 | |
| Other Operating Income | 1,068 | 453 | 2,277 | 3,492 | 3,318 | 3,649 | 2,912 | 3,475 | 6,667 | 13,354 | 3,256 | -11 |
| Net Operating Income | 18,596 | 18,889 | 21,805 | 23,367 | 24,330 | 25,431 | 25,283 | 26,477 | 82,034 | 1,01,521 | 24,369 | 4 |
| Change YoY (%) | 11.7 | 7.5 | 12.9 | 31.9 | 30.8 | 34.6 | 16.0 | 13.3 | 15.1 | 23.8 | 11.8 | |
| Other income | 1,535 | 2,682 | 473 | 56 | 2 | 47 | 76 | 208 | 4,745 | 332 | 237 | -68 |
| Total Income | 20,130 | 21,572 | 22,278 | 23,422 | 24,332 | 25,477 | 25,359 | 26,685 | 86,779 | 1,01,853 | 24,606 | 3 |
| Change YoY (%) | 11.1 | 15.0 | 11.9 | 18.7 | 20.9 | 18.1 | 13.8 | 13.9 | 13.4 | 17.4 | 10.4 | |
| Operating Expenses | 7,782 | 8,598 | 8,896 | 9,803 | 9,656 | 9,578 | 10,578 | 11,542 | 35,079 | 41,354 | 10,141 | 4 |
| Change YoY (%) | 18.3 | 25.2 | 19.9 | 24.6 | 24.1 | 11.4 | 18.9 | 17.7 | 22.1 | 17.9 | 14.0 | |
| Operating Profits | 12,348 | 12,974 | 13,382 | 13,619 | 14,676 | 15,899 | 14,781 | 15,144 | 51,701 | 60,500 | 14,464 | 2 |
| Change YoY (%) | 6.9 | 9.1 | 7.2 | 7.3 | 18.9 | 22.5 | 10.5 | 11.2 | 6.3 | 17.0 | 8.1 | |
| Provisions | 5,212 | 5,000 | 5,142 | 6,679 | 5,453 | 6,504 | 6,542 | 6,947 | 21,410 | 25,446 | 6,512 | 0 |
| Profit before Tax | 7,136 | 7,974 | 8,240 | 6,940 | 9,223 | 9,396 | 8,239 | 8,196 | 30,290 | 35,054 | 7,952 | 4 |
| Tax Provisions | 1,831 | 2,032 | 1,847 | 1,410 | 2,370 | 2,429 | 1,983 | 1,736 | 7,119 | 8,518 | 2,044 | -3 |
| Profit after tax | 5,309 | 5,951 | 6,402 | 5,539 | 6,855 | 6,967 | 6,257 | 6,460 | 23,171 | 26,536 | 5,909 | 6 |
| Change YoY (%) | 103 | 47 | 41 | 11 | 29 | 17 | -2 | 17 | 43 | 15 | -8 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Rep. Net Income (% of Avg Assets) | 9.64 | 10.84 | 10.92 | 11.25 | 11.08 | 10.86 | 10.33 | | | | | |
| Rep. Cost of funds (%) | 7.77 | 7.79 | 7.81 | 7.82 | 7.85 | 7.80 | 7.83 | | | | | |
| Cost to Income Ratio | 38.7 | 39.9 | 39.9 | 41.9 | 39.7 | 37.6 | 41.7 | | | | | |
| Rep Credit Cost | 2.33 | 2.58 | 2.52 | 3.23 | 2.37 | 2.59 | 2.49 | | | | | |
| Tax Rate | 25.7 | 25.5 | 22.4 | 20.3 | 25.7 | 25.9 | 24.1 | | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| Gross Customer Assets (INR B) | 786 | 787 | 818 | 856 | 887 | 930 | 951 | 991 | | | | |
| Change YoY (%) | -10.8 | -12.6 | -7.5 | 5.8 | 12.9 | 18.1 | 16.3 | 15.8 | | | | |
| Borrowings (INR B) | 754 | 766 | 760 | 765 | 803 | 849 | 862 | 889 | | | | |
| Change YoY (%) | -7.8 | -10.3 | -11.9 | -7.8 | 6.5 | 10.9 | 13.4 | 16.1 | | | | |
| Customer Assets /Borrowings (%) | 104 | 103 | 108 | 112 | 110 | 110 | 110 | 112 | | | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR B) | 31.7 | 25.8 | 26.3 | 27.0 | 27.9 | 29.6 | 30.8 | | | | | |
| Gross Stage 3 (%) | 4.0 | 3.3 | 3.2 | 3.2 | 3.1 | 3.19 | 3.23 | | | | | |
| NS 3 (INR B) | 9.1 | 6.3 | 6.5 | 6.6 | 6.9 | 8.7 | 9.1 | | | | | |
| Net Stage 3 (%) | 1.6 | 0.8 | 0.8 | 0.8 | 0.8 | 1.0 | 0.97 | | | | | |
| PCR (%) | 71.4 | 75.7 | 75.3 | 75.5 | 75.3 | 70.6 | 70.6 | | | | | |
| Return Ratios (%) | | | | | | | | | | | | |
| ROAA | 2.1 | 2.4 | 2.5 | 2.2 | 2.7 | 2.6 | 2.3 | | | | | |
| ROAE | 9.4 | 10.8 | 11.4 | 9.5 | 11.6 | 11.7 | 10.2 | | | | | |



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

CMP: INR5,505 TP: INR6,100 (+11%) Neutral

Miss on earnings; new product launches key to re-rating

| Bloomberg | MCX IN |
|-----------------------|-------------|
| Equity Shares (m) | 51 |
| M.Cap.(INRb)/(USDb) | 280.7 / 3.2 |
| 52-Week Range (INR) | 7049 / 2917 |
| 1, 6, 12 Rel. Per (%) | -12/50/65 |
| 12M Avg Val (INR M) | 2774 |
| Free float (%) | 100.0 |

Financials & Valuations (INR b)

| Y/E Mar | 2025E | 2026E | 2027E |
|-----------------|-------|-------|-------|
| Sales | 11.2 | 13.8 | 16.5 |
| EBIT Margin (%) | 56.6 | 59.8 | 62.2 |
| PAT | 5.8 | 7.3 | 9.1 |
| EPS (INR) | 114.5 | 143.7 | 177.6 |
| EPS Gr. (%) | 602.6 | 25.5 | 23.6 |
| BV/Sh. (INR) | 293.2 | 321.9 | 357.5 |

Ratios

| | | | |
|---------|------|------|------|
| RoE (%) | 40.6 | 46.7 | 52.3 |
|---------|------|------|------|

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 48.1 | 38.3 | 31.0 |
| P/BV (x) | 18.8 | 17.1 | 15.4 |
| Div Yield (%) | 0.6 | 0.6 | 0.6 |

Shareholding Pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 56.3 | 57.5 | 53.0 |
| FII | 23.3 | 22.3 | 26.8 |
| Others | 20.4 | 20.3 | 20.2 |

FII includes depository receipts

- MCX posted 57% YoY growth in operating revenue, reaching INR3b (5% miss) in 3QFY25. Operating revenue rose 63% YoY to INR8.2b in 9MFY25.
- EBIT stood at INR1.8b vs EBIT loss of INR310m in 3QFY24, a 6% miss on our estimates.
- The company reported PAT of INR1.6b (vs loss of INR54m in 3QFY24), flat QoQ, and was 7% lower than our estimates. For 9MFY25, PAT stood at INR4.2b.
- The quarter reported healthy volumes with an overall jump of 102% YoY (futures volumes grew 32% YoY and options volumes surged 116% YoY). The management has guided for this momentum to sustain, driven by: 1) new product launches, 2) increasing participation, 3) awareness programs, and 4) exploration of new commodity areas.
- We have cut our EPS estimates by 4%/14%/11% for FY25/26/27 due to a lack of visibility on product launches and lower-than-expected premium to notional turnover. The launch of serial contracts on crude oil will be vital for the re-rating of the stock. We maintain a **Neutral rating on the stock with a one-year TP of INR6,100 (premised on 38x Sep'26E EPS)**.

Surge in options volumes boosts revenue growth

- The transaction fee for 3QFY25 stood at ~INR2.7b, up 58% YoY, comprising options and futures in the ratio of 72:28 (vs. 2QFY25 at INR2.5b in the ratio of 70:30).
- Options ADT surged 116% YoY to INR2.1t, largely supported by 394% YoY growth in bullion contracts and 89% YoY growth in energy contracts. Futures ADT rose 32% YoY to INR289b, fueled by 28%/26%/91% YoY growth in bullion/energy contracts/base metals.
- Other income stood at INR230m, growing 30% YoY, and was 13% lower than our estimates.
- Total expenses (incl. SGF contribution) were 49% down YoY and flat sequentially at INR1.1b owing to a decline in tech costs. Staff cost increased 15% YoY to INR332m (in-line). Other expenses declined 59% YoY to INR750m (8% lower than estimates).
- On the product front, MCX is planning to revive index contracts for both Metalex and Bulldex. It is also actively working on electricity derivatives and crude oil series contracts. The recently launched products have received positive responses and have meaningfully contributed to the growth in volumes.
- Management sees strong traction from the FPI segment (currently ~140). At present, they are only allowed to trade in the cash-settled crude oil and natural gas segments. Additionally, MCX has a few ALGO traders on the platform.

Key takeaways from the management commentary

- Mrs Praveena Rai joined MCX three months ago as the MD and CEO. Her top three focus areas are: 1) achieving operational excellence (through continuous engagement with members and clients) and focusing on tech; 2) ensuring regulatory compliance; and 3) driving new product launches.
- The tender period for the base metal futures contracts has been reduced from 5 days to 3 days, simplifying their management process.
- Regarding the interoperability of margin regulations between stocks and commodities, MCX currently finds it challenging. As for the colocation facility being introduced on the commodities side, no regulatory approvals have been received yet, but MCX continues to explore this domain.

Valuation and view

We expect MCX to register a revenue/EBITDA/PAT CAGR of 34%/157%/122% over FY24-27. MCX's key growth drivers include: 1) new product launches – futures and options; 2) continued volatility in key commodity prices (gold, crude oil, and natural gas) amid global uncertainties; and 3) sustained growth momentum in retail participation in the options market. However, with a lack of visibility on product launches and lower-than-expected premium to notional turnover, we have cut our EPS estimates by 4%/14%/11% for FY25/26/27. The launch of serial contracts on crude oil will be vital for the re-rating of the stock. We maintain a **Neutral rating on the stock with a one-year TP of INR6,100 (premised on 38x Sep'26E EPS).**

Quarterly Performance

| | FY24 | | | | FY25 | | | | FY24 | FY25E | Est. 3QFY25 | Var. (%/bp) | YoY (%) | INRm QoQ (%) |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | | | |
| Sales | 1,458 | 1,651 | 1,915 | 1,811 | 2,344 | 2,856 | 3,014 | 3,029 | 6,835 | 11,243 | 3,180 | (5.2) | 57.4 | 5.5 |
| Yo-Y Gr. (%) | 34.0 | 29.6 | 33.4 | 35.4 | 60.8 | 73.0 | 57.4 | 67.3 | 33.1 | 64.5 | 66.1 | | | |
| Staff Costs | 253 | 274 | 290 | 307 | 321 | 327 | 332 | 334 | 1,123 | 1,314 | 333 | (0.3) | 14.7 | 1.8 |
| Other expenses | 1,098 | 1,664 | 1,822 | 484 | 697 | 735 | 750 | 809 | 5,069 | 2,991 | 811 | (7.5) | (58.8) | 2.1 |
| EBITDA | 107 | -287 | -197 | 1,020 | 1,326 | 1,794 | 1,931 | 1,886 | 643 | 6,938 | 2,036 | (5.1) | NA | 7.6 |
| Depreciation | 43 | 66 | 113 | 138 | 134 | 140 | 146 | 148 | 359 | 569 | 140 | (4.3) | 29.8 | 4.1 |
| EBIT | 64 | -353 | -310 | 882 | 1,191 | 1,654 | 1,785 | 1,738 | 283 | 6,369 | 1,895 | (5.8) | NA | 7.9 |
| Margins (%) | 4.4 | -21.4 | -16.2 | 48.7 | 50.8 | 57.9 | 59.2 | 57.4 | 4.1 | 56.6 | 59.6 | | | |
| Interest Costs | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 3 | 4 | 1 | | 240.0 | 70.0 |
| Other Income | 204 | 189 | 177 | 183 | 188 | 252 | 230 | 240 | 754 | 911 | 265 | (13.3) | 29.6 | (9.0) |
| PBT bef. Exceptional items | 267 | -164 | -133 | 1,065 | 1,379 | 1,906 | 2,013 | 1,978 | 1,035 | 7,275 | 2,160 | (6.8) | NA | 5.7 |
| Tax | 58 | 16 | -91 | 205 | 273 | 374 | 418 | 390 | 189 | 1,455 | 432 | (3.2) | NA | 11.9 |
| Rate (%) | 21.6 | -9.9 | 68.3 | 19.3 | 19.8 | 19.6 | 20.8 | 19.7 | 18.2 | 20.0 | 20.0 | | | |
| Profit from associate | -13 | -10 | -11 | 19 | 4 | 4 | 5 | 6 | -15 | 19 | 0.0 | | | |
| PAT | 197 | -191 | -54 | 878 | 1,109 | 1,536 | 1,600 | 1,593 | 831 | 5,839 | 1,728 | (7.4) | NA | 4.2 |
| Y-o-Y Gr. (%) | NA | NA | -114 | NA | NA | NA | NA | NA | NA | NA | NA | | | |
| EPS (INR) | 3.9 | -3.7 | -1.1 | 17.3 | 21.8 | 30.2 | 31.5 | 31.3 | 16.3 | 114.5 | 34.0 | (7.4) | NA | 4.2 |
| Total volumes (INR t) | 51.8 | 67.0 | 73.6 | 82.7 | 112.3 | 143.2 | 148.4 | 155.3 | 275.0 | 559.1 | 148.4 | 0.0 | 101.7 | 3.6 |
| Q-o-Q Gr. (%) | 23.4 | 29.3 | 9.9 | 12.4 | 35.8 | 27.5 | 3.6 | 4.7 | | | | | | |
| Y-o-Y Gr. (%) | 80.7 | 86.3 | 80.6 | 97.1 | 116.8 | 113.8 | 101.7 | 87.8 | 86.7 | 103.3 | | | | |



PNB Housing

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

CMP: INR898 TP: INR1,160 (+29%) Buy

Sustains all-round healthy performance!

Earnings in line; NIM expands marginally, while asset quality improves

- PNB Housing (PNBHF) delivered an all-round healthy performance wherein it exhibited 1) a healthy retail loan growth of ~17.5% YoY, 2) a minor expansion (~2bp) in NIM, 3) a continued improvement in asset quality, and 4) recoveries from its retail written-off pool, which have kept credit costs benign and resulted in provision write-backs for the third consecutive quarter. PNBHF's 3QFY25 PAT grew 23% YoY to ~INR4.7b (6% beat).
- NII rose ~16% YoY to ~INR6.9b (in line). Opex rose ~21% YoY to ~INR2.1b. PPOP grew ~16% YoY to INR5.8b (in line). Credit costs net of recoveries from the written-off pool resulted in a write-back of INR360m. This translated into net credit costs of -19bp (PQ: -27bp).
- PNBHF is confident of scaling its retail loan book to ~INR1t by FY27, with affordable and emerging forming ~15% and ~25% of the loan mix, respectively. The company expects robust mortgage demand to sustain over the next few years, and the revival of the PMAY scheme is expected to further support growth in its affordable and emerging market segments.
- Management indicated that repo rate cuts are unlikely to impact NIMs. However, temporary NIM compression may arise from competitive pressures, which can be effectively managed. The company guided NIM improvement driven by a better product mix. Management expects NIM to reach ~4% by FY27. We model NIMs of 4.1%/4.3% for FY26/FY27.
- GNPA/NNPA stood at ~1.2%/0.8% and improved ~5bp each QoQ. Retail GNPA also improved ~5bp QoQ while Corporate GNPA continued to be NIL.
- We continue to believe in our thesis of a transformation at PNBHF and the management's ability to deliver RoA improvement predicated on: 1) healthy retail loan CAGR of ~18%; 2) NIM improvement from FY26; and 3) benign credit costs from sustained recoveries from the written-off pool.
- We expect PNBHF to deliver a CAGR of 18%/23% in AUM/PAT over FY24-FY27 and ~2.6%/14% RoA/RoE in FY27. **Reiterate BUY with a TP of INR1,160 (based on 1.5x Sep'26E BVPS).**

Highlights from the management commentary

- The company guided credit costs of ~18bp in Prime, ~22-23bp in Emerging, and ~30bp in Affordable, resulting in blended credit costs of ~25bp. Management expects provision write-backs to continue over the next few quarters, which will keep credit costs benign in FY26 as well.
- The company shared that it expects to resume sanctions/disbursements in its Corporate segment from 4QFY25 itself.
- PNBHF plans to open ~50 branches in 4QFY25. This includes an addition to ~40 branches in affordable housing, which will take the total affordable branch count to 200. Management guided that the company's affordable loan book will scale up to ~INR50b by Mar'25.

| | |
|-----------------------|-------------|
| Bloomberg | PNBHOUSI IN |
| Equity Shares (m) | 260 |
| M.Cap.(INRb)/(USD\$) | 233.5 / 2.7 |
| 52-Week Range (INR) | 1202 / 600 |
| 1, 6, 12 Rel. Per (%) | 6/21/-4 |
| 12M Avg Val (INR M) | 2005 |

Financials Snapshot (INR b)

| Y/E March | FY25E | FY26E | FY27E |
|--------------|-------|-------|-------|
| NII | 26.9 | 34.2 | 42.1 |
| PPP | 22.9 | 30.4 | 38.4 |
| PAT | 18.9 | 23.1 | 27.9 |
| EPS (INR) | 73 | 89 | 108 |
| EPS Gr. (%) | 25 | 22 | 21 |
| BV/Sh. (INR) | 649 | 726 | 818 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 3.9 | 4.1 | 4.3 |
| C/I ratio (%) | 26.3 | 23.6 | 22.0 |
| RoAA (%) | 2.4 | 2.5 | 2.6 |
| RoE (%) | 11.9 | 12.9 | 13.9 |

Valuations

| | | | |
|----------------|------|------|-----|
| P/E (x) | 12.3 | 10.1 | 8.3 |
| P/BV (x) | 1.4 | 1.2 | 1.1 |
| Div. Yield (%) | 1.4 | 1.7 | 2.0 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 28.1 | 28.1 | 28.1 |
| DII | 26.9 | 22.2 | 7.9 |
| FII | 24.3 | 20.4 | 24.7 |
| Others | 20.7 | 29.3 | 39.3 |

FII Includes depository receipts

Valuation and view

- PNBHF's execution in 9MFY25 has been in line with its guided playbook, and we believe that it will continue to move forward with the strength to deliver on its articulated guidance on loan growth, asset quality, credit costs, and improvement in NIM.
- The stock trades at 1.1x FY27E P/BV, and the risk-reward is favorable for a re-rating in the valuation multiple as investors gain higher confidence in the company's sustained execution in retail (across prime, emerging, and affordable segments). **Reiterate BUY with a TP of INR1,160 (based on 1.5x Sep'26E BVPS).** Key risks: a) inability to drive NIM expansion amid aggressive competition in mortgages, and b) subsequent seasoning in the affordable loan book leading to asset quality deterioration.

Quarterly performance

(INR m)

| | FY24 | | | | FY25E | | | | FY24 | FY25E | 3Q FY25E | v/s Est. |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Interest Income | 16,669 | 17,029 | 16,795 | 16,929 | 17,391 | 17,803 | 18,484 | 19,334 | 67,422 | 73,012 | 18,497 | 0 |
| Interest Expenses | 10,475 | 10,573 | 10,866 | 10,697 | 10,969 | 11,185 | 11,579 | 12,342 | 42,611 | 46,076 | 11,688 | -1 |
| Net Interest Income | 6,194 | 6,456 | 5,929 | 6,232 | 6,421 | 6,618 | 6,905 | 6,992 | 24,811 | 26,937 | 6,809 | 1 |
| YoY Growth (%) | 68.1 | 1.9 | -17.3 | 7.2 | 3.7 | 2.5 | 16.47 | 12.2 | 7.8 | 8.6 | 14.8 | |
| Other income | 408 | 765 | 765 | 1,211 | 930 | 994 | 947 | 1,283 | 3,149 | 4,153 | 1,058 | -11 |
| Total Income | 6,602 | 7,221 | 6,694 | 7,443 | 7,352 | 7,612 | 7,852 | 8,275 | 27,960 | 31,090 | 7,867 | 0 |
| YoY Growth (%) | 37.3 | 0.2 | -16.3 | 18.2 | 11.3 | 5.4 | 17.3 | 11.2 | 6.3 | 11.2 | 17.5 | |
| Operating Expenses | 1,530 | 1,702 | 1,700 | 1,778 | 1,929 | 2,020 | 2,057 | 2,157 | 6,710 | 8,164 | 2,071 | -1 |
| YoY Growth (%) | 26.0 | 24.4 | 34.7 | 21.1 | 26.1 | 18.7 | 21.0 | 21.3 | 26.3 | 21.7 | 21.8 | |
| Operating Profits | 5,072 | 5,519 | 4,994 | 5,665 | 5,422 | 5,591 | 5,795 | 6,117 | 21,250 | 22,926 | 5,796 | 0 |
| YoY Growth (%) | 41.1 | -5.4 | -25.9 | 17.3 | 6.9 | 1.3 | 16.0 | 8.0 | 1.2 | 7.9 | 16.1 | |
| Provisions | 606 | 448 | 591 | 66 | -120 | -456 | -361 | -391 | 1,711 | -1,328 | -410 | -12 |
| Profit before Tax | 4,467 | 5,071 | 4,403 | 5,598 | 5,542 | 6,047 | 6,157 | 6,508 | 19,539 | 24,254 | 6,206 | -1 |
| Tax Provisions | 994 | 1,241 | 1,019 | 1,206 | 1,214 | 1,351 | 1,324 | 1,472 | 4,459 | 5,360 | 1,396 | -5 |
| Profit after tax | 3,473 | 3,830 | 3,384 | 4,393 | 4,328 | 4,697 | 4,833 | 5,036 | 15,080 | 18,894 | 4,810 | 0 |
| YoY Growth (%) | 47.8 | 45.8 | 25.8 | 57.3 | 24.6 | 22.6 | 42.8 | 14.7 | 44.2 | 25.3 | 42.1 | |
| Key Operating Parameters (%) | | | | | | | | | | | | |
| Rep. Yield on loans | 10.59 | 10.58 | 10.19 | 10.08 | 10.03 | 10.05 | 10.12 | 0.00 | | | | |
| Rep. Cost of funds | 7.97 | 7.99 | 8.07 | 7.98 | 7.92 | 7.84 | 7.83 | 0.00 | | | | |
| Spreads | 2.62 | 2.59 | 2.12 | 2.10 | 2.11 | 2.21 | 2.29 | 0.00 | | | | |
| Net Interest Margins | 3.86 | 3.95 | 3.49 | 3.65 | 3.65 | 3.68 | 3.70 | 0.00 | | | | |
| Cost to Income Ratio | 23.2 | 23.6 | 25.4 | 23.9 | 26.2 | 26.5 | 26.2 | 26.1 | | | | |
| Credit Cost | 0.40 | 0.30 | 0.38 | 0.04 | -0.07 | -0.27 | -0.20 | -0.21 | | | | |
| Tax Rate | 22.2 | 24.5 | 23.1 | 21.5 | 21.9 | 22.3 | 21.5 | 22.6 | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| Loans (INR B) | 604 | 609 | 623 | 654 | 670 | 695 | 719 | 756 | | | | |
| Change YoY (%) | 6.2 | 5.2 | 7.4 | 10.3 | 15.1 | 14.2 | 15.4 | 15.7 | | | | |
| AUM (INR B) | 673 | 674 | 685 | 712 | 725 | 747 | 768 | 801 | | | | |
| Change YoY (%) | 4.0 | 2.6 | 4.3 | 6.9 | 11.0 | 10.8 | 12.1 | 12.4 | | | | |
| Borrowings (Ex Assgn. INR B) | 527 | 536 | 531 | 551 | 557 | 570 | 599 | 653 | | | | |
| Change YoY (%) | 3.3 | 2.3 | 1.2 | 2.6 | 8.2 | 6.5 | 12.8 | 18.6 | | | | |
| Loans/Borrowings (%) | 114.6 | 113.6 | 117.4 | 118.7 | 120.2 | 121.9 | 120.1 | 115.9 | | | | |
| Off BS loans/AUM (%) | 10.4 | 9.7 | 9.1 | 8.3 | 10.7 | 7.0 | 6.4 | 5.5 | | | | |
| Debt/Equity (x) | 3.8 | 3.8 | 3.7 | 3.7 | 3.6 | 3.6 | 3.7 | 0.0 | | | | |
| Asset Quality Parameters (%) | | | | | | | | | | | | |
| GS 3 (INR m) | 22,700 | 10,860 | 10,790 | 9,840 | 9,060 | 8,650 | 8,570 | | | | | |
| Gross Stage 3 (% on loans) | 3.76 | 1.78 | 1.73 | 1.51 | 1.35 | 1.24 | 1.19 | | | | | |
| NS 3 (INR m) | 15,430 | 7,170 | 7,080 | 6,160 | 6,120 | 5,820 | 5,720 | | | | | |
| Net Stage 3 (% on loans) | 2.59 | 1.19 | 1.14 | 0.95 | 0.92 | 0.84 | 0.80 | | | | | |
| PCR (%) | 32.0 | 34.0 | 34.38 | 37.4 | 32.5 | 32.7 | 33.26 | | | | | |

E: MOFSL Estimates



IndiaMART

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

CMP: INR2,295 TP: INR2,600 (+13%) Buy

Waiting for an upturn

Churn in silver accounts continues to haunt; reiterate BUY

| | |
|-----------------------|-------------|
| Bloomberg | INMART IN |
| Equity Shares (m) | 60 |
| M.Cap.(INRb)/(USDb) | 137.8 / 1.6 |
| 52-Week Range (INR) | 3199 / 2165 |
| 1, 6, 12 Rel. Per (%) | 4/-12/-18 |
| 12M Avg Val (INR M) | 775 |

■ IndiaMART (INMART) reported 3QFY25 revenue growth of 16% YoY/1.9% QoQ, in line with our estimate of 17.6% YoY growth. Collection growth was 10% YoY at INR3.6b. Deferred revenue rose 17% YoY to INR14.9b. EBITDA margin expanded ~30bp QoQ to 39%, above our estimates of 29.9%, on the back of lower outsourced sales costs and other expenses. Adj. PAT was INR1,210m, up 10% QoQ/48.5% YoY, beating our estimate of INR900m. For 9MFY25, revenue/EBITDA/PAT grew 17.1%/61.9%/57.1% compared to 9MFY24. We expect revenue/EBITDA to grow 11.6%/38.7% and PAT to decline 5.0% YoY in 4QFY25. **We reiterate our BUY rating on the stock, citing undemanding valuations, but reduce our TP to INR2,600 due to ongoing churn in silver accounts and a slow recovery in cash collections.**

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|------------------|-------|-------|-------|
| Sales | 13.8 | 15.5 | 18.2 |
| EBITDA | 5.2 | 5.2 | 6.0 |
| Adj. PAT | 4.7 | 4.8 | 5.6 |
| Adj. EPS (INR) | 77.5 | 79.3 | 92.5 |
| Adj. EPS Gr. (%) | 40% | 2% | 17% |
| BV/Sh. (INR) | 353.7 | 410.8 | 462.4 |

Ratios

| | | | |
|------------|------|------|------|
| RoE (%) | 24.1 | 20.8 | 21.2 |
| RoCE (%) | 27.2 | 23.7 | 23.8 |
| Payout (%) | 17.1 | 28.0 | 44.5 |

Valuations

| | | | |
|----------|------|------|------|
| P/E (x) | 29.6 | 28.9 | 24.8 |
| P/BV (x) | 6.5 | 5.6 | 5.0 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 49.2 | 49.2 | 49.2 |
| DII | 13.9 | 12.1 | 8.2 |
| FII | 21.2 | 23.9 | 24.3 |
| Others | 15.8 | 14.8 | 18.3 |

FII Includes depository receipts

Our view: Cash collection still slow; churn rate an overhang

- **Minimal churn in gold and platinum accounts; concerns in silver bucket:** Despite a 14% YoY increase in ARPU, churn in Gold and Platinum accounts remained minimal. However, the Silver segment continues to face higher-than-expected churn rates, a key monitorable for the company.
- **Supplier adjustments and churn reduction efforts:** Paying subscribers declined 3.7k QoQ, largely due to a deliberate slowdown in gross supplier additions. The company is prioritizing the onboarding of high-quality suppliers over volume growth, which we view as a sensible move - however we remain in a wait-and-watch mode for a quarter or two - to address churn issues effectively.
- Its efforts include reducing the unique inquiries ratio to 4 from 5.5, aligning inquiries more closely with geographical preferences, and improving the quality of RFPs and matchmaking processes between buyers and suppliers. In our view, these initiatives reflect a strategic shift toward sustainable growth and better customer retention, which could pay dividends in the long run.
- **Collection growth improves:** Collections grew 10% YoY to INR3.6b, reflecting improved execution compared to previous quarters. However, flat customer additions have limited the growth rate. Management anticipates clearer trends to emerge over the next 2-3 quarters, with near-term growth expected to hover at around 10% or lower. While this could well be the bottom, we believe collections will steadily improve as INMART's strategic initiatives take effect.
- **Margins:** While margin expansion was driven by cost optimization, management expects a gradual normalization as customer acquisition costs rise with growth. The margin expansion will normalize to the operating leverage inherent in the business. Hence, we expect margin to contract in the medium term.

Valuation and changes in estimates

- We continue to view INMART as a key beneficiary of technology adoption by India's MSME universe and the shift to a formalized ecosystem. We have updated our FY25 estimates by ~6%, primarily driven by intentional reductions in marketing expenses, which resulted in higher margins. We expect INMART to deliver a 15% revenue CAGR over FY24-27. We estimate EBITDA margin of 37.2%/33.8%/32.8% for FY25/FY26/FY27. This, in turn, should drive a 19% PAT CAGR over FY24-27.
- Currently, INMART is trading at an undemanding valuation, in our view, as the valuations reflect uncertainties surrounding the churn rate, collection, and subscriber growth. We value INMART on a DCF basis to arrive at our TP of INR2,600, assuming 11.5% WACC and 6% terminal growth. **Reiterate BUY.**

Revenue in-line and margins beat; paying subscribers down 2% QoQ/flat YoY

- INMART reported 3QFY25 revenue of INR3.5b, reflecting a 16.0% YoY growth, in-line with our estimate of 17.6%.
- Collections stood at INR3.6b (+10% YoY). Deferred revenue rose 17% YoY to INR14.9b.
- Paying subscribers declined 3.7k QoQ. ARPU grew 14% YoY to INR63k.
- EBITDA margin stood at 39%, up 30bp QoQ and above our estimate of 29.9%, attributed to lower outsourced sales costs and other expenses.
- Adj. PAT was at INR1,210m, down 10% QoQ/up 48.5% YoY, beating our estimate of INR900m due to higher other income and lower depreciation.
- Traffic grew 2% YoY at 276m. Total suppliers on the platform stood at 8m, up 5% YoY.
- Total cash and investments stood at INR26.1b.

Highlights from the management commentary

- Collections grew 10% YoY to INR 3.6b. Despite this growth, the flat trend in customer additions is limiting the overall collections growth. The collections growth is not reflective of poor execution as seen in the previous quarter. The company expects clearer trends to emerge over the next 2-3 quarters and believes a growth rate of 10% or below is sustainable in the long term.
- Churn rates in the Silver bucket remain largely consistent, though price hikes have had an impact on churn. If performance does not improve within the next 2-3 quarters, the company will reassess its pricing strategy. Despite these challenges, gross additions have not slowed down, and the company is intentionally avoiding over-investment in market expansion.
- Gold and Platinum subscribers demonstrate lower churn rates. Their success stories generate word-of-mouth referrals, contributing to a systematic increase in ARPU.
- Less than 20% of total inquiries are directed to free suppliers. Individual BuyLeads and RFQ options are available for purchase on the platform.
- The company is prioritizing the onboarding of quality suppliers, leading to a QoQ decline in supplier numbers. Efforts are focused on improving matchmaking relevancy.

Valuation and view

- We are confident of strong fundamental growth in operations, propelled by: 1) higher growth in digitization among SMEs, 2) the need for out-of-the-circle buyers, 3) a strong network effect, 4) over 70% market share in the underlying industry, 5) the ability to improve ARPU on low price sensitivity, and 6) higher operating leverage.
- We value INMART on a DCF basis to arrive at our TP of INR2,600, assuming 11.5% WACC and 6% terminal growth. Our TP implies a 13% potential upside.
We reiterate our BUY rating on the stock.

Consolidated - Quarterly Earning

| Y/E March | FY24 | | | FY25E | | | FY24 | FY25E | Estimate | 3QFY25E | Var. (% / bp) | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | | | | | | 3Q |
| Gross Sales | 2,821 | 2,947 | 3,053 | 3,147 | 3,313 | 3,477 | 3,543 | 3,513 | 11,968 | 13,846 | 3,591 | -1.3 |
| YoY Change (%) | 25.6 | 22.5 | 21.4 | 17.1 | 17.4 | 18.0 | 16.0 | 11.6 | 21.5 | 15.7 | 17.6 | -160bp |
| Total Expenditure | 2,048 | 2,150 | 2,200 | 2,260 | 2,120 | 2,130 | 2,160 | 2,284 | 8,658 | 8,694 | 2,519 | -14.3 |
| EBITDA | 773 | 797 | 853 | 887 | 1,193 | 1,347 | 1,383 | 1,230 | 3,310 | 5,153 | 1,072 | 29.0 |
| Margins (%) | 27.4 | 27.0 | 27.9 | 28.2 | 36.0 | 38.7 | 39.0 | 35.0 | 27.7 | 37.2 | 29.9 | 920bp |
| Depreciation | 74 | 80 | 84 | 127 | 81 | 82 | 83 | 87 | 365 | 333 | 96 | -14 |
| Interest | 22 | 23 | 22 | 22 | 20 | 19 | 18 | 20 | 89 | 77 | 19 | -5 |
| Other Income | 571 | 346 | 417 | 772 | 532 | 655 | 449 | 327 | 2,106 | 1,963 | 363 | 24 |
| PBT before EO expense | 1,248 | 1,040 | 1,164 | 1,510 | 1,624 | 1,901 | 1,731 | 1,451 | 4,962 | 6,707 | 1,320 | 31.1 |
| Extra-Ord expense | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18 | 0 | 0 | |
| PBT | 1,230 | 1,040 | 1,164 | 1,510 | 1,624 | 1,901 | 1,731 | 1,451 | 4,944 | 6,707 | 1,320 | 31.1 |
| Tax | 293 | 239 | 277 | 395 | 374 | 422 | 380 | 338 | 1,204 | 1,514 | 293 | 30 |
| Rate (%) | 23.8 | 23.0 | 23.8 | 26.2 | 23.0 | 22.2 | 22.0 | 23.3 | 24.4 | 22.6 | 22.2 | -20bp |
| MI & Profit/Loss of Asso. Cos. | 106 | 110 | 72 | 116 | 112 | 127 | 141 | 160 | 404 | 540 | 127 | |
| Reported PAT | 831 | 691 | 815 | 999 | 1,138 | 1,352 | 1,210 | 952 | 3,336 | 4,652 | 900 | 34.5 |
| Adj PAT | 849 | 691 | 815 | 999 | 1,138 | 1,352 | 1,210 | 952 | 3,354 | 4,652 | 900 | 34.5 |
| YoY Change (%) | 81.8 | 1.0 | 33.1 | 79.0 | 34.0 | 95.7 | 48.5 | -4.7 | 44.5 | 38.7 | 10.4 | 3800bp |
| Margins (%) | 30.1 | 23.4 | 26.7 | 31.7 | 34.3 | 38.9 | 34.2 | 27.1 | 28.0 | 33.6 | 25.1 | 910bp |



India Cements

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

CMP: INR349 TP: INR310 (-11%) Sell

Miss estimates; awaiting clarity on group synergy benefits

| | |
|-----------------------|-----------|
| Bloomberg | ICEM IN |
| Equity Shares (m) | 310 |
| M.Cap.(INRb)/(USDb) | 108 / 1.2 |
| 52-Week Range (INR) | 386 / 173 |
| 1, 6, 12 Rel. Per (%) | 5/7/32 |
| 12M Avg Val (INR M) | 1442 |

Financial Snapshot (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 40.4 | 47.5 | 52.0 |
| EBITDA | -4.5 | 3.6 | 6.6 |
| Adj. PAT | -7.4 | -1.1 | 1.3 |
| EBITDA Margin (%) | -11.2 | 7.6 | 12.6 |
| Adj. EPS (INR) | -23.8 | -3.5 | 4.1 |
| EPS Gr. (%) | n/m | n/m | n/m |
| BV/Sh. (INR) | 151.0 | 147.5 | 151.5 |

Ratios

| | | | |
|------------|-------|------|-----|
| Net D:E | 0.6 | 0.7 | 0.7 |
| RoE (%) | -14.7 | -2.4 | 2.7 |
| RoCE (%) | -6.7 | 1.8 | 4.8 |
| Payout (%) | 0.0 | 0.0 | 0.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | Loss | Loss | 85.2 |
| P/BV (x) | 2.3 | 2.4 | 2.3 |
| EV/EBITDA(x) | n/m | 38.5 | 21.3 |
| EV/ton (USD) | 106 | 105 | 103 |
| Div. Yield (%) | 0.0 | 0.0 | 0.0 |

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 28.4 | 28.4 | 28.4 |
| DII | 6.1 | 5.9 | 10.0 |
| FII | 16.2 | 17.6 | 13.4 |
| Others | 49.4 | 48.1 | 48.1 |

FII Includes depository receipts

- India Cements (ICEM) reported an operating loss of INR1.9b (vs. estimated loss of INR854m) in 3QFY25. Sales volume increased ~5% YoY to 2.1mt (~2% below our estimate), while blended realization declined ~20% YoY to INR4,333 (~5% below our estimate). ICEM's adj. net loss stood at INR2.6b (estimated loss of INR1.4b) vs. a net loss of INR345m in 3QFY24.
- The company's capacity utilization stood at 57% in 3QFY25 vs. 50%/59% in 3QFY24/2QFY25. However, a sharp decline in realization led to a higher operating loss. UTCEM has acquired a 32.7% stake in ICEM, taking its aggregate shareholding in the company to 55.5%. ICEM has now become a subsidiary of UTCEM. The company is estimated to benefit from synergy with UTCEM, led by the introduction of new system and processes, economies of scale, cost optimization initiatives and a wider distribution network. ICEM aims to strengthen its presence in its core markets (South).
- We await clarity from the management regarding the transition/integration process of ICEM under the new management, profitability and growth plans. We value ICEM at a replacement cost (EV/t of USD100) and arrive at our TP of INR310. **Maintain Sell.**

Volume up ~5% YoY, realization down ~20% YoY

- ICEM's revenue declined ~17% YoY to INR9.0b in 3QFY25 (~7% miss). Sales volume grew ~5% YoY (down 9% QoQ) to 2.1mt. Blended realization/t declined ~20% YoY/2% QoQ to INR4,333.
- Opex/t inched up 1% YoY, led by a 4% increase in variable cost/t. However, other expenses/freight costs per ton declined 3%/4% YoY. ICEM reported an operating loss of INR1.9b vs. EBITDA of INR490m in 3QFY24. Finance costs rose 24% YoY and 'Other Income' declined 37% YoY. It reported a net loss (adjusted for exception items – impairment/provisioning for doubtful receivables) of INR2.6b vs. a net loss of INR345m in 3QFY24.
- In 9MFY25, revenue declined 22% YoY to INR28.9b. Operating loss stood at INR3.8b (vs. EBITDA of INR622m in 9MFY24). Net loss stood at INR6.3b (vs. a net loss of INR1.9b in 9MFY24). Volume/realization declined 10%/13% YoY. In 4QFY25, we estimate revenue to decline ~8% YoY and operating loss of INR687m (vs. an EBITDA of INR469m in 4QFY24). We estimate a net loss of INR1.1b in 4QFY25 vs. a net loss of INR435m in 4QFY24.

Valuation and view

- After the CCI approval in Dec'24, UTCEM acquired a 32.7% stake in ICEM, taking its aggregate shareholding to 55.5%. ICEM is now a subsidiary of UTCEM. ICEM is expected to benefit from synergy with UTCEM, led by the implementation of new processes, system, cost optimization, and a wider distribution network.
- We value ICEM at a replacement cost (EV/t of USD100) and arrive at our TP of INR310. **Reiterate Sell.**

Standalone quarterly performance

(INR b)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25 | Var. (%) |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| Sales Volumes (mt) | 2.7 | 2.4 | 2.0 | 2.4 | 2.0 | 2.3 | 2.1 | 2.6 | 9.5 | 9.0 | 2.1 | (2) |
| Change (YoY %) | (0.2) | 5.1 | (9.0) | (12.5) | (26.4) | (2.9) | 5.0 | 8.2 | (4.4) | (5.0) | 7.0 | |
| Realization (INR/ton) | 5,225 | 5,157 | 5,450 | 5,112 | 4,954 | 4,416 | 4,333 | 4,363 | 5,226 | 4,499 | 4,557 | (5) |
| Change (YoY %) | (3.5) | (7.4) | (2.5) | (2.5) | (5.2) | (14.4) | (20.5) | (14.7) | (3.9) | (13.9) | (16.4) | |
| Change (QoQ %) | (0.4) | (1.3) | 5.7 | (6.2) | (3.1) | (10.9) | (1.9) | 0.7 | | | 3.2 | |
| Net Sales | 13.9 | 12.2 | 10.8 | 12.5 | 9.7 | 10.2 | 9.0 | 11.5 | 49.4 | 40.4 | 9.7 | (7) |
| Change (YoY %) | (3.7) | (2.6) | (11.3) | (14.7) | (30.3) | (16.8) | (16.5) | (7.6) | (8.1) | (18.2) | (10.5) | |
| EBITDA | 0.1 | 0.1 | 0.5 | 0.5 | (0.3) | (1.6) | (1.9) | (0.7) | 1.1 | (4.5) | (0.9) | NM |
| Change (YoY %) | (83.7) | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | |
| Margin (%) | 0.4 | 0.7 | 4.5 | 3.8 | (3.2) | (16.1) | (20.9) | (6.0) | 2.2 | (11.2) | (8.8) | |
| Depreciation | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 | 0.6 | 0.5 | 2.2 | 2.2 | 0.6 | (1) |
| Interest | 0.6 | 0.6 | 0.6 | 0.6 | 0.8 | 0.7 | 0.7 | 0.7 | 2.4 | 3.0 | 0.8 | (2) |
| Other Income | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.4 | 0.1 | (3) |
| PBT before EO expense | (1.0) | (1.0) | (0.5) | (0.5) | (1.6) | (2.8) | (3.1) | (1.9) | (3.0) | (9.4) | (2.1) | NM |
| Extra-Ord. expense | - | - | (0.3) | (0.2) | (2.4) | (0.1) | 1.9 | - | (0.4) | (0.6) | - | |
| PBT | (1.0) | (1.0) | (0.2) | (0.3) | 0.8 | (2.7) | (5.0) | (1.9) | (2.5) | (8.8) | (2.1) | NM |
| Tax | (0.2) | (0.2) | (0.1) | (0.0) | 0.2 | (0.3) | (0.7) | (0.8) | (0.5) | (1.6) | (0.6) | |
| Rate (%) | 23.9 | 17.6 | 31.3 | 10.9 | 26.6 | 12.6 | 13.7 | 41.2 | 20.5 | 18.0 | 30.0 | |
| Reported PAT | (0.8) | (0.8) | (0.2) | (0.3) | 0.6 | (2.4) | (4.3) | (1.1) | (2.0) | (7.2) | (1.4) | NM |
| Tax | - | - | - | - | - | - | - | - | - | - | - | |
| Adj. PAT | (0.8) | (0.8) | (0.3) | (0.4) | (1.2) | (2.5) | (2.6) | (1.1) | (2.3) | (7.4) | (1.4) | NM |
| Change (YoY %) | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | |
| Margin (%) | (5.4) | (6.7) | (3.2) | (3.5) | (12.3) | (24.2) | (29.3) | (9.5) | (4.7) | (18.3) | (14.8) | |
| Per tonne analysis | | | | | | | | | | | | (INR/t) |
| RM Cost | 1,068 | 918 | 989 | 930 | 951 | 982 | 1,052 | 904 | 978 | 969 | 942 | 12 |
| Employee Expenses | 345 | 416 | 434 | 402 | 534 | 410 | 418 | 392 | 396 | 434 | 449 | (7) |
| Power, Oil, and Fuel | 2,046 | 1,942 | 1,863 | 1,891 | 1,826 | 1,843 | 1,916 | 1,605 | 1,942 | 1,786 | 1,723 | 11 |
| Freight cost | 1,104 | 1,054 | 1,085 | 1,034 | 1,067 | 1,060 | 1,041 | 1,030 | 1,070 | 1,048 | 1,080 | (4) |
| Other Expenses | 643 | 793 | 832 | 663 | 735 | 834 | 810 | 692 | 725 | 765 | 765 | 6 |
| Total Expense | 5,206 | 5,122 | 5,203 | 4,920 | 5,112 | 5,128 | 5,237 | 4,623 | 5,111 | 5,002 | 4,959 | 6 |
| EBITDA | 19 | 34 | 247 | 192 | (158) | (712) | (904) | (260) | 115 | -503 | (402) | NM |
| YoY (%) | (83.6) | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | |



Sunteck Realty

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

CMP: INR494 **TP: INR745 (+51%)** **BUY**

Strong quarter; ~65% presales guidance achieved

The uber-luxury segment takes center stage

| | |
|-----------------------|------------|
| Bloomberg | SRIN IN |
| Equity Shares (m) | 146 |
| M.Cap.(INRb)/(USDb) | 72.3 / 0.8 |
| 52-Week Range (INR) | 699 / 380 |
| 1, 6, 12 Rel. Per (%) | 2/-12/2 |
| 12M Avg Val (INR M) | 340 |

- Sunteck Realty (SRIN) reported presales of INR6.35b in 3QFY25, up 40% YoY (in line with our estimate of INR6.5b). Traction in uber-luxury projects nearly tripled, with bookings of INR4.2b, or 66% of overall presales. The upper-middle-income segment accounted for 19% of presales.
- During 9MFY25, the company achieved presales of INR16.6b (up 34% YoY), fueled by the strong traction in uber-luxury projects. SRIN achieved 65% of the total presales guidance for FY25 (INR25b).
- Collections declined 23% YoY to INR3.36b for 3QFY25. SRIN achieved INR9.45b (flat) collections for 9MFY25. Its collection efficiency was 57%.
- The net debt-to-equity ratio stood at zero, with a net cash surplus of INR610m at the end of 3QFY25. The company remains debt-free and intends to utilize the surplus cash to further strengthen its project pipeline.
- **P&L performance:** Revenue jumped ~4x YoY to INR1.6b, while it was 54% below our estimate as the company is only recognizing revenue from the Naigaon and BKC projects. The company reported EBITDA of INR484m vs. a loss of INR148m in 3QFY24. EBITDA margin came in at 29.9% (vs. 22.1% in 2QFY25). For 9MFY25, it reported an EBITDA of INR1.2b compared to a loss of INR364m for 9MFY24. For 3QFY25, Adj. PAT stood at INR425m vs. a net loss of INR97m in 3QFY24.
- For 9MFY24, SRIN reported revenue of INR6.5b that surged 369% YoY (58% of our FY25 estimate). Reported EBITDA/Adj. PAT stood at INR1.2b/ INR1.0b, with an 18.1%/15.4% margin. For 4QFY25, Avenue 4 is likely to come for recognition; hence, we expect to meet our FY25 estimate.

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|--------------|-------|-------|-------|
| Sales | 11.1 | 21.3 | 9.4 |
| EBITDA | 2.4 | 6.2 | 2.1 |
| EBITDA (%) | 21.6 | 29.1 | 22.1 |
| PAT | 1.7 | 4.6 | 1.5 |
| EPS (INR) | 11.7 | 31.3 | 10.1 |
| EPS Gr. (%) | 142.2 | 166.6 | -67.6 |
| BV/Sh. (INR) | 223.5 | 253.3 | 261.9 |

Ratios

| | | | |
|------------|------|------|------|
| Net D/E | -0.1 | 0.2 | -0.4 |
| RoE (%) | 5.4 | 13.1 | 3.9 |
| RoCE (%) | 5.7 | 12.6 | 4.3 |
| Payout (%) | 12.8 | 4.8 | 14.8 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (x) | 42.1 | 15.8 | 48.7 |
| P/BV (x) | 2.2 | 1.9 | 1.9 |
| EV/EBITDA (x) | 28.7 | 12.6 | 27.4 |
| Div Yield (%) | 0.3 | 0.3 | 0.3 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 63.2 | 63.2 | 63.3 |
| DII | 8.3 | 8.6 | 7.3 |
| FII | 19.8 | 19.4 | 20.3 |
| Others | 8.7 | 8.7 | 9.2 |

Key management commentary

- **Launches and guidance:** Sunteck will launch the new phase of ODC (Goregaon West) in 4QFY25, with a GDV of INR30b (two towers with 0.8-1.0msf area, of which ~0.5msf in one tower to be launched). Sunteck will also launch the beach residences with a GDV of ~INR2.5-3b along with Sunteck Skypark in Mira Road, with a GDV of ~INR6-7b. The project in Bandra West (having a GDV of INR10b) and the Burj Khalifa Community, Dubai (with a GDV of INR90b) would be launched in FY26.
- **Guidance:** Aided by the strong launch pipeline, management guided a presales growth of 25-30% for FY26.
- **Dubai:** The project will have only two towers, with a total area of 1msf. SRIN plans to sell it in 3-4 years following the launch, as guided by the management in 2QFY25.
- **Business development:** SRIN added the Nepean Sea project-2 with a total GDV of INR24b, which translated into a total GDV of INR54b for the said project. The potential saleable area for the Nepean Sea projects is now increased to 0.25-0.28msf. Cumulative GDV as of 9MFY25 stood at INR402b, with the acquisition of a recent project.
- The company will not compromise on the margins while acquiring, and most of the acquisitions will be skewed towards the uber-luxury segment as it is experiencing strong demand.

- SRIN would start the construction of commercial in Avenue 5, as the company has secured an important approval. Average annual rental income at INR2.5b. The timeline for commissioning remains intact, which is by the end of FY27.

Valuation and view

- We expect SRIN to deliver a healthy 28% presales CAGR over FY24-26, fueled by a ramp-up in launches from both new and existing projects. Further, its sound balance sheet, strong cash flows, and the partnership with IFC would spur project additions and drive sustainable growth.
- We value its residential segment based on the NPV of existing pipelines and its commercial segment based on an 8% cap rate on FY25E EBITDA. We also assign INR14b of value to future project additions through the IFC platform.
- **We reiterate our BUY rating on the stock with a TP of INR745, implying a 51% upside potential.**

Quarterly performance (INR m)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E 3Q | Var (%) |
|---|------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| Net Sales | 706 | 250 | 424 | 4,269 | 3,163 | 1,690 | 1,618 | 4,647 | 5,648 | 11,118 | 3,002 | -46 |
| YoY Change (%) | -50.8 | -69.1 | -52.5 | 773.4 | 348.2 | 577.3 | 281.1 | 8.8 | | | 607.2 | |
| Total Expenditure | 780 | 391 | 573 | 2,735 | 2,849 | 1,317 | 1,134 | 3,421 | 4,476 | 8,720 | 2,355 | |
| EBITDA | -75 | -141 | -148 | 1,534 | 314 | 374 | 484 | 1,226 | 1,173 | 2,397 | 647 | -25 |
| Margins (%) | -10.6 | -56.5 | -34.9 | 35.9 | 9.9 | 22.1 | 29.9 | 26.4 | 20.8 | 21.6 | 21.6 | |
| Depreciation | 18 | 22 | 24 | 31 | 34 | 36 | 31 | 169 | 95 | 270 | 73 | |
| Interest | 173 | 158 | 171 | 182 | 103 | 99 | 87 | 114 | 684 | 403 | 109 | |
| Other Income | 178 | 113 | 185 | 81 | 117 | 130 | 130 | 188 | 555 | 566 | 153 | |
| PBT before EO expense | -87 | -208 | -158 | 1,402 | 295 | 368 | 495 | 1,131 | 949 | 2,290 | 618 | -20 |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| PBT | -87 | -208 | -158 | 1,402 | 295 | 368 | 495 | 1,131 | 949 | 2,290 | 618 | -20 |
| Tax | -27 | -64 | -55 | 386 | 70 | 22 | 69 | 411 | 240 | 572 | 155 | |
| Rate (%) | 31.0 | 30.5 | 34.9 | 27.5 | 23.9 | 5.9 | 13.9 | 36.4 | 25.3 | 25.0 | 25.0 | |
| Minority Interest & Profit/Loss of Asso. Cos. | 7 | -6 | -6 | 3 | -3 | 1 | 1 | 0 | -1 | -1 | 0 | |
| Reported PAT | -67 | -139 | -97 | 1,013 | 228 | 346 | 425 | 720 | 710 | 1,718 | 464 | -8 |
| Adj PAT | -67 | -139 | -97 | 1,013 | 228 | 346 | 425 | 720 | 710 | 1,718 | 464 | -8 |
| YoY Change (%) | -127.0 | -693.3 | -569.3 | -463.1 | -438.0 | -349.6 | -537.1 | -29.0 | NA | 142.2 | -576.9 | |
| Margins (%) | -9.6 | -55.6 | -22.9 | 23.7 | 7.2 | 20.5 | 26.3 | 15.5 | 12.6 | 15.5 | 15.5 | |
| Operational metrics | | | | | | | | | | | | |
| Presales | 3,860 | 3,950 | 4,550 | 6,780 | 5,020 | 5,240 | 6,350 | 8,622 | 19,140 | 25,232 | 6,500 | -2 |
| Collections | 2,880 | 2,140 | 4,380 | 2,960 | 3,420 | 2,670 | 3,360 | 7,106 | 12,360 | 16,556 | 4,818 | -30 |

Source: Company, MOFSL



Cyient DLM

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

CMP: INR596 TP: INR700 (+17%) Buy

Slowdown in order flows dampens growth visibility Earnings below our estimates

| | |
|-----------------------|-------------|
| Bloomberg | CYIENTDL IN |
| Equity Shares (m) | 79 |
| M.Cap.(INRb)/(USDb) | 47.3 / 0.5 |
| 52-Week Range (INR) | 884 / 580 |
| 1, 6, 12 Rel. Per (%) | -10/-16/-16 |
| 12M Avg Val (INR M) | 315 |

Financials & Valuations (INR b)

| Y/E Mar | FY25E | FY26E | FY27E |
|----------------------|-------|-------|-------|
| Sales | 15.9 | 19.1 | 24.3 |
| EBITDA | 1.4 | 2.1 | 2.7 |
| Adj. PAT | 0.8 | 1.3 | 1.8 |
| EBITDA Margin (%) | 9.0 | 10.8 | 11.0 |
| Cons. Adj. EPS (INR) | 9.6 | 16.3 | 22.4 |
| EPS Gr. (%) | 25.0 | 69.3 | 37.0 |
| BV/Sh. (INR) | 123.5 | 139.9 | 162.2 |

Ratios

| | | | |
|----------|------|------|------|
| Net D:E | -0.3 | -0.4 | -0.5 |
| RoE (%) | 8.1 | 12.4 | 14.8 |
| RoCE (%) | 9.9 | 13.2 | 15.6 |

Valuations

| | | | |
|---------------|----|----|----|
| P/E (x) | 62 | 37 | 27 |
| EV/EBITDA (x) | 31 | 21 | 15 |

Shareholding pattern (%)

| As on | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 52.2 | 52.2 | 66.7 |
| DII | 29.4 | 27.8 | 11.2 |
| FII | 3.6 | 7.8 | 6.3 |
| Others | 14.8 | 12.3 | 15.8 |

Note: FII includes depository receipts

- Cyient DLM's (CYIENTDL) 3QFY25 consolidated revenue/EBITDA grew by ~38%/23% YoY. However, EBITDA missed our estimates as margins declined 90bp YoY due to a high mix of low-margin business (BEL order execution). Standalone revenue (excl. Altek – recently acquired) grew only ~11% YoY in 3QFY25.

- The order book continued its downward trend, down 19% YoY/6% QoQ in 3Q to INR18.5b (consol. order book at INR21.4b, including Altek order of INR2.9b). Order book growth remains a key concern amid a delay in ordering from some clients; however, the conversion of orders from new clients added over the last few quarters and ongoing discussions with some large global potential customers can boost growth visibility.

- We reduce our earnings estimates for FY25/FY26/FY27 by 14%/25%/26%, due to softness in order flows (lack of BEL orders), lower margins due to unfavorable operating leverage, and uncertainty about large order flows in the near term. We retain our BUY rating on the stock with a TP of INR700 (31x FY27E EPS).

Margins remain soft due to unfavorable business mix

- Consol. revenue grew 38% YoY to INR4.4b (in line with est.) in 3QFY25, mainly led by the medical technology (+2.1x YoY), defense (+33% YoY) and aerospace (+14% YoY) verticals. The order book stood at ~INR21.4b as of 3QFY25 (down 7% YoY/up 8% QoQ).

- Adj. margin contracted 100bp YoY to 8.1% (est. 9.6%). Adj. EBITDA grew 23% YoY to INR361m (est. INR433). EBITDA was adjusted with one-time M&A integration expenses of INR80m in 3QFY25. Adjusted PAT declined 8% YoY to INR170m (est. INR265m).

- In 9MFY25, revenue/EBITDA/adj. PAT grew 32%/20%/12% YoY to INR10.9b/INR878m/INR429m. In 4QFY25, we estimate consol. revenue/EBITDA/adj. PAT growth of 38%/47%/48%, led by the integration of Altek. Standalone growth is likely to be 11%/21%/29%.

Highlights from the management commentary

- **Outlook:** The company maintains its guidance of a ~30% revenue CAGR over the next three to five years; however, FY26 consol. revenue growth would be in mid-teens due to the lack of BEL orders. EBITDA margins may remain flat in FY25, with margin expansion expected after 1HFY26.

- **Altek:** The emphasis on local manufacturing in the US, aided by favorable regulations introduced by the new administration, offers strong growth opportunities for Altek, which will bolster the company's manufacturing capabilities and expand its footprint in the US market.

- **Order book** remains under pressure as consumption growth by major clients outpaces new order growth; however, management anticipates strong traction in the North American markets going ahead, with the company already in talks with three big global players.

Valuation and view

- Going ahead, we expect the growth momentum to slow down in the near term due to the lack of BEL orders and a delay in order flows from existing and new clients. However, the integration of Altek, should drive healthy financial performance due to synergy benefits and industry tailwinds.
- For the medium to long term, the conversion of orders from new clients added over the last few quarters and ongoing discussions with some large global potential customers should boost growth visibility.
- We estimate CYIENTDL to report a CAGR of 27%/34%/43% in revenue/ EBITDA/adj. PAT over FY24-27E. We retain our BUY rating on the stock with a TP of INR700 (31x FY27E EPS).

Consolidated - Quarterly Earning

(INR m)

| Y/E March | FY24 | | | | FY25 | | | | FY24 | FY25E | FY25E | Var |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| Gross Sales | 2,171 | 2,918 | 3,210 | 3,618 | 2,579 | 3,895 | 4,442 | 4,993 | 11,919 | 15,909 | 4,495 | -1 |
| YoY Change (%) | 27.6 | 71.5 | 49.7 | 30.5 | 18.8 | 33.4 | 38.4 | 38.0 | 43.2 | 33.5 | 40.0 | |
| Total Expenditure | 1,972 | 2,683 | 2,916 | 3,238 | 2,379 | 3,578 | 4,081 | 4,435 | 10,809 | 14,473 | 4,061 | |
| EBITDA | 200 | 235 | 294 | 380 | 200 | 316 | 361 | 558 | 1,110 | 1,436 | 433 | -17 |
| Margins (%) | 9.2 | 8.1 | 9.2 | 10.5 | 7.8 | 8.1 | 8.1 | 11.2 | 9.3 | 9.0 | 9.6 | |
| Depreciation | 48 | 55 | 58 | 62 | 67 | 69 | 100 | 105 | 223 | 341 | 74 | |
| Interest | 91 | 76 | 83 | 94 | 80 | 110 | 100 | 98 | 344 | 388 | 90 | |
| Other Income | 9 | 93 | 93 | 83 | 89 | 71 | 69 | 94 | 278 | 322 | 85 | |
| PBT before EO expense | 70 | 198 | 247 | 307 | 142 | 209 | 230 | 449 | 821 | 1,030 | 354 | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 80 | 0 | 0 | 80 | 0 | |
| PBT | 70 | 198 | 247 | 307 | 142 | 209 | 150 | 449 | 821 | 950 | 354 | |
| Tax | 16 | 51 | 63 | 80 | 36 | 54 | 40 | 113 | 209 | 243 | 89 | |
| Rate (%) | 23.3 | 25.9 | 25.3 | 25.9 | 25.2 | 26.0 | 26.8 | 25.2 | 25.5 | 25.6 | 25.2 | |
| MI & Profit/Loss of Asso. Cos. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Reported PAT | 54 | 147 | 184 | 227 | 106 | 155 | 110 | 336 | 612 | 707 | 265 | |
| Adj PAT | 54 | 147 | 184 | 227 | 106 | 155 | 168 | 336 | 612 | 787 | 265 | -37 |
| YoY Change (%) | -15.2 | 106.4 | 222.9 | 80.7 | 97.7 | 5.5 | -8.7 | 47.9 | 92.9 | 28.6 | 43.8 | |
| Margins (%) | 2.5 | 5.0 | 5.7 | 6.3 | 4.1 | 4.0 | 3.8 | 6.7 | 5.1 | 4.9 | 5.9 | |



Indostar Capital Finance

CMP: INR276

TP: INR325 (+18%)

Buy

| | |
|-----------------------|-------------|
| Bloomberg | INDOSTAR IN |
| Equity Shares (m) | 136 |
| M.Cap.(INRb)/(USD\$) | 37.5 / 0.4 |
| 52-Week Range (INR) | 343 / 172 |
| 1, 6, 12 Rel. Per (%) | -5/19/19 |
| 12M Avg Val (INR M) | 63 |

Financials & Valuations (INR b)

| Y/E March | FY25E | FY26E | FY27E |
|-------------|-------|-------|-------|
| NII | 5.3 | 7.5 | 9.2 |
| PPP | 2.0 | 3.6 | 4.8 |
| PAT | 0.9 | 1.9 | 2.4 |
| EPS (INR) | 6.3 | 12.7 | 16.4 |
| EPS Gr. (%) | -25 | 100 | 29 |
| BV (INR) | 244 | 252 | 269 |

Ratios

| | | | |
|---------------|------|------|------|
| NIM (%) | 6.7 | 7.9 | 7.1 |
| C/I ratio (%) | 75.4 | 66.1 | 62.9 |
| RoA (%) | 0.8 | 1.5 | 1.5 |
| RoE (%) | 2.6 | 5.3 | 6.3 |
| Payout (%) | 0.0 | 0.0 | 0.0 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 43.4 | 21.7 | 16.8 |
| P/BV (x) | 1.1 | 1.1 | 1.0 |
| Div. Yield (%) | 0.0 | 0.0 | 0.0 |

Shareholding pattern (%)

| As On | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 73.6 | 73.6 | 75.0 |
| DII | 1.9 | 1.8 | 1.8 |
| FII | 2.4 | 2.3 | 1.3 |
| Others | 22.1 | 22.3 | 21.8 |

FII Includes depository receipts

Healthy growth in VF AUM; credit costs high

Retail loan book grew ~37% YoY; PAT up ~64% YoY but down ~13% QoQ

Indostar Capital Finance (Indostar) reported a mixed quarter. While business momentum was reasonably good, lower collection efficiency and higher delinquencies in the VF portfolio led to higher credit costs in 3QFY25. Key highlights: 1) consolidated disbursements grew ~17% YoY to ~INR15.7b and retail AUM rose ~37% YoY to ~INR105b; 2) the company added 352 employees in 3QFY25, taking the total count to ~5,524; 3) the CV segment contributed ~81% to the retail disbursement mix; and 4) credit costs were high sequentially at ~INR480m (PQ: ~INR193m), translating into annualized credit costs of ~1.8% (PQ: 0.8%).

Financial highlights:

- 3QFY25 PAT stood at ~INR277m, up ~64% YoY but down ~13% QoQ. NII grew ~48% YoY to INR1.2b.
- Opex rose ~37% YoY to INR1.2b. PPOP stood at INR594m (PQ: INR370m). Credit costs were higher QoQ at ~INR480m (PQ: ~INR193m), translating into annualized credit costs of ~1.8% (PQ: 0.8%).
- Total AUM stood at ~INR106b, up ~32% YoY and ~5% QoQ. VF AUM grew ~51% YoY to INR73b (PQ: ~INR70b).
- Asset quality was largely stable, with standalone GNPA declining ~5bp QoQ to ~4.9% and standalone NNPA rising ~20bp QoQ to 2.7%. Management shared that credit costs were elevated due to a rise in delinquencies over the past 2-3 quarters. However, collections improved and delinquencies declined in the latter half of the last quarter.
- The company is confident of reducing its NPAs by Mar'25, as 2HFY25 is generally better in terms of collections.
- With better visibility on disbursement momentum, we estimate a CAGR of 30%/33% in AUM/PAT over FY24-27, aided by improvements in NIM to 6.6%/6.8% in FY26E/FY27E. **Reiterate BUY with a TP of INR325 (premised on 1.3x Sep'26E BVPS).**

AUM grew ~32% YoY; healthy growth in VF AUM

- Disbursements stood at INR15.7b in 3QFY25, up ~17% YoY. Vehicle finance (VF) disbursements grew ~18% YoY to INR12.7b (PQ: INR14.5b).
- The company is developing ancillary products such as tyre financing to provide comprehensive solutions to customers.
- Growth in disbursements was aided by strong focus on the retail segment. The retail strategy is successfully playing out for the company, with retail loans now constituting about ~98% of the entire loan book.

Key highlights from the management commentary

- Indostar plans to allocate the proceeds from the sale of its HFC subsidiary to its core business segments, including MSME, micro LAP, and CV. These proceeds should be realized toward the end of 4QFY25 or early 1QFY26.

- It aims to increase its borrowings significantly through the banking channel. In 3QFY25, the company raised ~INR9.9b, with 25% sourced from banks. The overall cost of borrowing was ~10bp lower than in the previous quarter.

Valuation and view

- Indostar has strategically prioritized the expansion of its loan book in the used CV segment. A reinforced management team, enhanced processes, and a favorable economic climate will serve as catalysts for growth in this segment.
- Corporate and SME segments now contribute only ~5% to the total AUM mix. The company has sold stressed loans in ARC transactions and we expect the company to start FY26 on a clean slate. This should translate into better asset quality outcomes and robust execution, going ahead. The risk-reward is favorable at 1.0x FY27E P/BV. **Reiterate BUY** rating on the stock with a TP of **INR325 (premised on 1.3x Sep'26E BVPS)**.

Quarterly Performance

| Y/E March | FY24 | | | | FY25 | | | (INR M) | |
|-------------------------------------|--------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | FY24 | FY25 |
| Interest Income | 2,723 | 2,175 | 2,262 | 3,143 | 2,703 | 2,956 | 3,125 | 11,453 | 12,146 |
| Interest Expenses | 1,544 | 1,408 | 1,453 | 1,954 | 1,668 | 1,878 | 1,930 | 6,873 | 7,457 |
| Net Interest Income | 1,179 | 767 | 808 | 1,189 | 1,035 | 1,078 | 1,196 | 4,580 | 4,689 |
| YoY Growth (%) | -8.6 | -33.0 | -36.5 | 10.6 | -12.2 | 40.5 | 47.9 | -4.2 | 2.4 |
| Other Income | 271 | 169 | 127 | 1,636 | 387 | 565 | 611 | 2,522 | 2,345 |
| Total Income | 1,450 | 936 | 936 | 2,825 | 1,422 | 1,643 | 1,806 | 7,102 | 7,034 |
| YoY Growth (%) | -12.7 | -36.9 | -36.1 | 103.5 | -1.9 | 75.6 | 93.1 | 18.5 | -1.0 |
| Operating Expenses | 1,153 | 850 | 884 | 1,392 | 1,106 | 1,272 | 1,212 | 4,922 | 5,083 |
| Operating Profit | 297 | 86 | 52 | 1,433 | 317 | 371 | 594 | 2,180 | 1,951 |
| YoY Growth (%) | -53.6 | -76.3 | -79.6 | 97.3 | 6.4 | 333.5 | 1,044.5 | 10.0 | -10.5 |
| Provisions & Loan Losses | -119 | -11 | -52 | 1,041 | 210 | 193 | 479 | 884 | 1,150 |
| Profit before Tax | 416 | 297 | 191 | 392 | 297 | 363 | 331 | 1,296 | 802 |
| Tax Provisions | 27 | 49 | 22 | 40 | 48 | 46 | 54 | 138 | 0 |
| Net Profit | 389 | 248 | 169 | 353 | 249 | 317 | 277 | 1,158 | 802 |
| YoY Growth (%) | -36.1 | -52.0 | -54.0 | -53.6 | -36.0 | 27.9 | 64.3 | -48.5 | -30.8 |
| Key Operating Parameters (%) | | | | | | | | | |
| Yield on loans (Cal) | 16.3 | 14.3 | 13.3 | 17.0 | 17.0 | 17.1 | 17.6 | | |
| Cost of funds (Cal) | 10.7 | 11.9 | 9.4 | 11.0 | 10.9 | 11.2 | 10.9 | | |
| Spreads (Cal) | 5.6 | 2.4 | 3.8 | 6.0 | 6.1 | 5.9 | 6.7 | | |
| NIMs (Cal) | 5.9 | 3.9 | 4.1 | 5.7 | 4.5 | 4.4 | 4.6 | | |
| Credit Cost (Cal) | -0.6 | -0.1 | -0.3 | 5.0 | 0.9 | 0.8 | 1.8 | | |
| Cost to Income Ratio | 79.5 | 90.8 | 94.5 | 49.3 | 77.7 | 77.4 | 67.1 | | |
| Tax Rate | 6.5 | 0.0 | 0.4 | 10.1 | 0.1 | 0.1 | 0.1 | | |
| Balance Sheet Parameters | | | | | | | | | |
| AUM (INR B) | 80.6 | 77.3 | 80.4 | 87.6 | 95.7 | 101.1 | 106.3 | | |
| Change YoY (%) | -2.2 | -2.3 | 4.8 | 12.2 | 18.6 | 30.9 | 32.2 | | |
| AUM Mix (%) | | | | | | | | | |
| Vehicle | 48.7 | 56.7 | 60.3 | 63.8 | 66.1 | 68.9 | 68.7 | | |
| Housing | 21.6 | 24.5 | 25.5 | 25.9 | 25.0 | 25.3 | 25.9 | | |
| SME & Others | 14.6 | 13.7 | 9.1 | 5.5 | 4.7 | 4.0 | 3.6 | | |
| Corporate | 14.8 | 4.7 | 4.7 | 4.4 | 3.9 | 1.7 | 1.6 | | |
| Disbursements (INR B) | 11.2 | 12.7 | 13.5 | 17.7 | 16.3 | 17.2 | 15.7 | | |
| Change YoY (%) | 224.4 | 279.9 | 157.7 | 96.8 | 45.8 | 35.9 | 16.9 | | |
| Asset Quality Parameters (%) | | | | | | | | | |
| GS 3 (INR B) | 4.9 | 4.7 | 3.9 | 3.1 | 3.5 | 3.7 | 3.6 | | |
| Gross Stage 3 (% on Assets) | 6.6 | 6.7 | 5.3 | 4.1 | 4.2 | 5.0 | 4.9 | | |
| Net Stage 3 (% on Assets) | 3.1 | 3.3 | 2.4 | 1.8 | 2.1 | 2.5 | 2.7 | | |
| PCR (%) | 53.6 | 51.5 | 56.9 | 59.1 | 53.7 | 51.0 | 46.2 | | |

E: MOFSL estimates



Indian companies valuation

| | Price (INR) | EV/ EBITDA (x) | | P/B (x) | |
|--------------------|----------------|-------------------|-------|---------|-------|
| | | FY25E | FY26E | FY25E | FY26E |
| Steel | | | | | |
| Tata | 130 | 9.7 | 6.6 | 1.9 | 1.8 |
| JSW | 927 | 13.2 | 7.4 | 2.8 | 2.3 |
| JSP | 919 | 9.6 | 5.6 | 1.9 | 1.6 |
| SAIL | 110 | 11.0 | 6.2 | 0.8 | 0.7 |
| Non-ferrous | | | | | |
| Vedanta | 454 | 5.3 | 4.5 | 5.2 | 4.1 |
| Hindalco | 615 | 5.6 | 6.0 | 1.5 | 1.3 |
| Nalco | 206 | 6.3 | 7.7 | 2.2 | 2.0 |
| Mining | | | | | |
| Coal | 382 | 5.0 | 3.6 | 2.4 | 2.0 |
| HZL | 461 | 15.3 | 10.9 | 6.0 | 5.7 |
| NMDC | 66 | 5.3 | 4.1 | 1.9 | 1.6 |

Global companies valuation

| Company | M. Cap USD b | EV/EBITDA (x) | | | P/B (x) |
|--------------------|-----------------|----------------|----------------|----------------|---------|
| | | CY24/ FY25E | CY25/ FY26E | CY25/ FY26E | |
| Steel | | | | | |
| AM | 20 | 3.6 | 3.2 | 0.3 | |
| SSAB | 4 | 3.3 | 3.4 | 0.6 | |
| Nucor | 29 | 7.8 | 6.1 | 1.3 | |
| POSCO | 15 | 4.4 | 4.0 | 0.4 | |
| JFE | 7 | 6.1 | 5.1 | 0.4 | |
| Aluminum | | | | | |
| Norsk Hydro | 12 | 4.3 | 4.2 | 1.1 | |
| Alcoa | 10 | 4.3 | 4.4 | 1.5 | |
| Zinc | | | | | |
| Teck | 22 | 6.9 | 6.0 | 1.3 | |
| Korea Zinc | 11 | 11.2 | 10.7 | 1.5 | |
| Iron ore | | | | | |
| Vale | 41 | 3.4 | 3.2 | 0.8 | |
| Diversified | | | | | |
| BHP | 128 | 5.2 | 5.2 | 2.3 | |
| Rio | 105 | 4.7 | 4.7 | 1.5 | |

Sluggish demand in domestic markets keeps ferrous prices subdued

- During Dec'24, flat steel prices remained largely muted MoM for both HRC and CRC at INR47,000/t and INR53,700/t (vs. INR48,000/t and INR55,500/t in Nov'24), respectively. This is primarily because of weak global prices, weak domestic demand, and elevated imports into India. Chinese HRC (FoB) prices slipped 2% MoM to USD488/t in Dec'24 (USD570/t in Dec'23) and continue to drag the steel prices globally. Domestic long steel prices also declined 3% MoM to INR53,100/t in Dec'24 due to sluggish demand in the trade channels.
- India's crude/finished steel production rose 2%/4% MoM to 12.6/12.2mt in Dec'24 (provisional). Imports softened from the peak of 1mt in Sep'24 to 0.76mt (flat MoM), while exports remained flat MoM at 0.45mt in Dec'24. Our channel checks suggest that steel prices will remain under pressure in the short to medium term owing to sluggish demand.
- India's finished steel imports hit a 6-year high from Apr-Dec'24, totaling 7.27mt (+20% YoY). In contrast, India's finished steel exports saw a steep drop of 25% YoY to 3.6mt, marking the lowest in six years. As China is the largest steel producer/exporter, its total export shipment over Apr-Nov'24 reached ~110mt, registering a 23% YoY growth. Given this, the glut of cheap Chinese steel caused weak pricing sentiment globally.
- For non-ferrous, the average alumina prices in Dec'24 moderated to USD716/t, down 1% MoM, and as of mid-Jan'25, it has slipped to USD573/t. Aluminum, copper, and nickel prices corrected marginally ~2% MoM in Dec'24. In contrast, zinc and lead prices inched up MoM to USD3,040/t and USD2,000/t in Dec'24, respectively.

Iron ore prices firm; coking coal prices remain muted in Dec'24

- In Dec'24, the iron ore prices remained firm at INR6,350/t for lumps and INR5,410/t for fines, after the two consecutive price hikes by NMDC during Oct'24. Recently, NMDC announced a price cut of INR350/t for both Baila lumps and fines from Chhattisgarh.
- We believe iron ore prices will remain soft going forward, as weak sponge iron and steel market sentiments may restrict iron ore prices from any material upside.
- Premium HCC Coking coal prices (CNF Paradip, India) declined 2% MoM at USD215/t in Dec'24. Australian coking coal prices are anticipated to remain range-bound due to weak demand.
- Domestic coal production was up 5% YoY to ~98mt, while Coal India reported production growth of 8% YoY to 72mt in Dec'24. In 3QFY25, Coal India's total production rose 2% YoY to 202mt.

KEI Industries

BSE SENSEX
75,838S&P CNX
23,025

CMP: INR4,034

Buy

Conference Call Details



Date: 22 January 2025

Time: 12:00 IST

Dial-in details:

+91 22 6280 1455

+ 91 22 7115 8828

[Link for the call](#)

Consol. Financials Snapshot (INR b)

| Y/E MARCH | 2025E | 2026E | 2027E |
|-------------------|-------|-------|-------|
| Sales | 94.3 | 109.9 | 128.3 |
| EBITDA | 9.7 | 11.9 | 15.0 |
| PAT | 6.9 | 8.4 | 10.2 |
| EBITDA Margin (%) | 10.3 | 10.9 | 11.7 |
| Adj. EPS (INR) | 72.2 | 88.4 | 107.9 |
| EPS Gr. (%) | 12.1 | 22.4 | 22.0 |
| BV/Sh. (INR) | 609 | 692 | 794 |

Ratios

| | | | |
|------------|-------|-------|-------|
| Net D:E | (0.3) | (0.3) | (0.3) |
| RoE (%) | 15.4 | 13.6 | 14.5 |
| RoCE (%) | 15.7 | 13.9 | 14.9 |
| Payout (%) | 6.6 | 6.8 | 5.6 |

Valuations

| | | | |
|----------------|-------|-------|------|
| P/E (x) | 61.9 | 50.5 | 41.4 |
| P/BV (x) | 7.3 | 6.5 | 5.6 |
| EV/EBITDA(x) | 41.6 | 34.0 | 27.0 |
| Div. Yield (%) | 0.1 | 0.1 | 0.1 |
| FCF Yield (%) | (1.5) | (0.1) | 0.4 |

EBITDA in line; miss on margins

- KEII's 3QFY25 revenue increased by 20% YoY to INR24.7b (in line), as lower-than-estimated EPC revenue was offset by higher-than-estimated revenue from C&W and SSW. EBITDA grew 12% YoY to INR2.4b (in line). OPM contracted 70bp YoY to 9.8% (70bp miss). PAT grew ~9% YoY to INR1.6b (6% miss).
- Gross margin was down 1.0pp YoY and flat QoQ (-1.0pp vs. our estimate) at 22.7%. C&W sales through dealers rose 31% YoY (53% revenue contribution vs. ~50% in 3QFY24). EHV sales declined 55% YoY/11% QoQ to INR840m. LT/HT cable revenue grew 30%/54% YoY, whereas HW, WW/SSW revenue grew ~25%/17% YoY. The order book stood at INR38.7b vs. INR38.3b as of Dec'23.

Revenue/EBITDA grew 20%/12% YoY; margin down 70bp YoY to 9.8%

- KEII's revenue/EBITDA/Adj. PAT stood at INR24.7b/INR2.4b/INR1.6b (+20%/+12%/+9% YoY and +3%/-3%/-6% vs. our est.) in 3QFY25. OPM was down 70bp YoY at 9.8%. Depreciation/interest costs rose 23%/31% YoY, while other income declined 4%.
- Segmental highlights: a) **C&W** revenue was up ~26% YoY at INR23.5b, EBIT rose ~20% YoY to INR2.4b, and EBIT margin declined 50bp YoY to 10.1%. b) **EPC business** revenue declined ~80% YoY to INR759m, EBIT declined 96% YoY to INR19m, and EBIT margin contracted 9.2pp YoY to 2.5%. c) **Stainless steel wires (SSW)** revenue grew 19% YoY to INR551m, EBIT fell 15% YoY to INR30m, and EBIT margin was down 2.3pp YoY at 5.5%.
- In 9MFY25, revenue/EBITDA/PAT grew 16%/14%/17% YoY. EBITDA margin was down 40bp YoY at 9.9%. C&W revenue/EBIT grew 21%/26% YoY and EBIT margin surged 40bp YoY to 10.5%. The company's gross debt stood at INR2.7b vs. INR1.3b as of Mar'24. Its net cash balance (including unutilized QIP proceeds of INR17.5b and acceptances) stood at INR16.0b vs. net cash of INR600m as of Mar'24.

Valuation and view

- KEII's 3QFY25 EBITDA was in line with our estimates. It reported strong revenue growth in the C&W segment. However, margin was below our estimate (C&W EBIT margin down 90bp vs. estimate). KEII continues to reduce its EPC exposure and increase sales through dealer/distribution. Further, its active working dealer count increased to 2,060 vs. 1,975/2,038 in 3QFY24/2QFY25.
- We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 22nd Jan'25 ([Concall Link](#)).

Quarterly Performance

(INR m)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | MOSL | Var. (%) |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | | | |
| Sales | 17,826 | 19,466 | 20,594 | 23,156 | 20,605 | 22,796 | 24,673 | 26,266 | 81,041 | 94,340 | 23,912 | 3 |
| Change (%) | 13.9 | 21.1 | 15.4 | 18.6 | 15.6 | 17.1 | 19.8 | 13.4 | 17.3 | 16.4 | 16 | |
| Adj EBITDA | 1,783 | 2,039 | 2,146 | 2,409 | 2,146 | 2,206 | 2,408 | 2,984 | 8,375 | 9,744 | 2,493 | (3) |
| Change (%) | 11.7 | 27.0 | 17.8 | 19.1 | 20.4 | 8.2 | 12.3 | 23.9 | 19.3 | 16.3 | 16 | |
| Adj EBITDA margin (%) | 10.0 | 10.5 | 10.4 | 10.4 | 10.4 | 9.7 | 9.8 | 11.4 | 10.3 | 10.3 | 10.4 | (66) |
| Depreciation | 147 | 156 | 154 | 158 | 155 | 163 | 190 | 160 | 614 | 668 | 170 | 12 |
| Interest | 89 | 75 | 109 | 165 | 142 | 133 | 143 | 106 | 439 | 523 | 130 | 10 |
| Other Income | 83 | 77 | 142 | 189 | 178 | 169 | 136 | 188 | 490 | 671 | 160 | (15) |
| Extra-ordinary Items | - | - | - | (2) | - | - | - | - | (2) | - | - | |
| PBT | 1,630 | 1,884 | 2,024 | 2,274 | 2,027 | 2,079 | 2,212 | 2,906 | 7,813 | 9,224 | 2,353 | (6) |
| Tax | 416 | 482 | 518 | 587 | 525 | 531 | 564 | 745 | 2,002 | 2,364 | 605 | |
| Effective Tax Rate (%) | 25.5 | 25.6 | 25.6 | 25.8 | 25.9 | 25.5 | 25.5 | 25.6 | 25.6 | 25.6 | 25.7 | |
| Reported PAT | 1,214 | 1,402 | 1,507 | 1,686 | 1,502 | 1,548 | 1,648 | 2,162 | 5,808 | 6,860 | 1,748 | (6) |
| Change (%) | 17.0 | 31.2 | 17.2 | 22.1 | 23.8 | 10.4 | 9.4 | 28.2 | 22.2 | 18.1 | 16.0 | |
| Adj PAT | 1,214 | 1,402 | 1,507 | 1,688 | 1,502 | 1,548 | 1,648 | 2,162 | 5,811 | 6,860 | 1,748 | (6) |
| Change (%) | 17.0 | 31.2 | 17.2 | 22.2 | 23.8 | 10.4 | 9.4 | 28.1 | 22.3 | 18.1 | 16.0 | |

Segmental Performance (INR m)

| Y/E March | FY24 | | | | FY25 | | | | 3QE | Var. (%) |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | |
| Sales | | | | | | | | | | |
| Cables (Power + Housing wires) | 16,119 | 17,755 | 18,671 | 20,691 | 18,757 | 21,402 | 23,517 | 23,455 | 22,032 | 7 |
| Stainless steel wires | 590 | 591 | 461 | 572 | 538 | 598 | 551 | 602 | 507 | 9 |
| EPC Business | 1,847 | 3,131 | 3,769 | 3,405 | 2,261 | 1,309 | 759 | 3,570 | 2,073 | (63) |
| Growth (% YoY) | | | | | | | | | | |
| Cables (Power + Housing wires) | 13.5 | 22.9 | 14.3 | 17.9 | 16.4 | 20.5 | 26.0 | 13.4 | 18.0 | |
| Stainless steel wires | (3.2) | (19.6) | (17.3) | (11.2) | (8.9) | 1.3 | 19.4 | 5.3 | 10.0 | |
| EPC Business | 20.2 | 195.8 | 68.7 | 52.6 | 22.4 | (58.2) | (79.9) | 4.9 | (45.0) | |
| EBIT | | | | | | | | | | |
| Cables (Power + Housing wires) | 1,415 | 1,919 | 1,979 | 2,258 | 2,067 | 2,241 | 2,372 | 2,904 | 2,423 | (2) |
| Stainless steel wires | 31 | 36 | 36 | 13 | 10 | 29 | 30 | 22 | 25 | 20 |
| EPC Business | 256 | 314 | 439 | 422 | 298 | 121 | 19 | 518 | 234 | (92) |
| EBIT Margin (%) | | | | | | | | | | |
| Cables (Power + Housing wires) | 8.8 | 10.8 | 10.6 | 10.9 | 11.0 | 10.5 | 10.1 | 12.4 | 11.0 | (92) |
| Stainless steel wires | 5.3 | 6.1 | 7.8 | 2.3 | 1.9 | 4.8 | 5.5 | 3.7 | 5.0 | 53 |
| EPC Business | 13.9 | 10.0 | 11.6 | 12.4 | 13.2 | 9.2 | 2.5 | 14.5 | 11.3 | (883) |

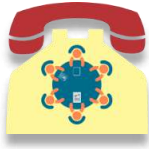
Dalmia Bharat

BSE Sensex
75,838S&P CNX
23,025

CMP: INR1,771

Buy

Conference Call Details



Date: 22 January 2025

Time: 10:00 IST

Dial-in details:

+91 22 6280 1536,

+91 22 7195 0000

[Link for the call](#)

Financials & Valuations (INR b)

| Y/E MARCH | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 146.7 | 161.1 | 173.8 |
| EBITDA | 26.9 | 32.4 | 36.7 |
| Adj. PAT | 8.3 | 11.7 | 14.9 |
| EBITDA Margin (%) | 18.3 | 20.1 | 21.1 |
| Adj. EPS (INR) | 44.3 | 62.1 | 79.3 |
| EPS Gr. (%) | 8.6 | 40.4 | 27.6 |
| BV/Sh. (INR) | 901 | 945 | 1,005 |
| Ratios | | | |
| Net D:E | 0.1 | 0.1 | 0.0 |
| RoE (%) | 5.0 | 6.7 | 8.1 |
| RoCE (%) | 5.5 | 6.7 | 8.0 |
| Payout (%) | 29.4 | 29.0 | 25.2 |
| Valuations | | | |
| P/E (x) | 40.0 | 28.5 | 22.3 |
| P/BV (x) | 2.0 | 1.9 | 1.8 |
| EV/EBITDA(x) | 12.1 | 10.4 | 8.9 |
| EV/ton (USD) | 81 | 80 | 77 |
| Div. Yield (%) | 0.7 | 1.0 | 1.1 |
| FCF Yield (%) | -2.6 | 1.7 | 4.5 |

Performance below estimate; EBITDA/t at INR767

- Dalmia Bharat (DALBHARA) reported a weak performance in 3QFY25 with EBITDA declining ~34% YoY to INR5.1b (~11% miss due to lower-than-estimated volume and higher-than-estimated variable cost/t). OPM contracted 5.6pp YoY to ~16% (est. ~17%). EBITDA/t stood at INR767 (est. INR800). Adj. PAT declined 78% YoY (60% below estimates due to lower other income).
- DALBHARA increased clinker capacity by 0.9mtpa to 23.5mtpa following debottlenecking initiatives at Rajgangpur (0.6mtpa) and Kadapa (0.3mtpa). Additionally, the company commissioned a 4MW captive solar plant in West Bengal and 46MW under a group captive model, taking its total operational RE capacity to 252MW. The RE consumption stood at ~33% (including third-party purchases) vs. ~39% in 2QFY25.

Volumes dip ~2% YoY, realization down ~10% YoY

- Consolidated revenue/EBITDA/PAT stood at INR31.8b/INR5.1b/INR590m (-12%/-34%/-78% YoY and -6%/-11%/-60% vs. our estimates) in 3QFY25. Sales volumes declined 2% YoY to 6.7mt (7% below our estimate). However, sales volume ex-JPA was up ~4% YoY. Realization stood at INR4,773/t (down 10% YoY; up 4% QoQ), which was 1% above estimate.
- Variable costs/t declined ~11% YoY (5% above estimate). Other expenses/Freight expenses per tonne increased 4%/3% YoY (in line). Employee costs increased 1% YoY to INR2.2b. Opex/t was down 4% YoY (2% above our estimate). OPM contracted 5.5pp YoY to ~16%, and EBITDA/t declined 33% YoY to INR767. Depreciation/interest costs dipped 2%/6% YoY. Other income decreased 38% YoY.
- Its 9MFY25 consolidated revenue/EBITDA/PAT declined 5%/19%/34% YoY. Volume increased by 4% YoY to 20.8mt while realization declined ~8% YoY. OPM dipped 2.8pp to ~16% and EBITDA/t declined 22% YoY to INR777. The company's net debt (including investment in IEX valued at INR24.2b vs. INR27.2b as of Sep'24) increased to INR12.4b from INR6.4b as of Sep'24. Net debt-to-EBITDA ratio stood at 0.55x vs. 0.25x as of Sep'24.

Valuation and View

- DALBHARA's profitability was below our estimate, due to lower-than-expected volume and higher variable costs/t. However, realization/t was marginally better than estimate. The company is yet to announce its next phase of expansions. Over the concall, we will seek management guidance on the demand environment and pricing trends. We have a **BUY** rating on the stock; however, we would like to review our assumptions after the concall on 22nd Jan'25 at 10:00 IST ([Link to the call](#)).

Quarterly performance (Consolidated)

(INR b)

| Y/E March | FY24 | | | | FY25 | | | | FY25 | Var |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | 3QE | (%) |
| Net Sales | 36.3 | 31.5 | 36.0 | 43.1 | 36.2 | 30.9 | 31.8 | 47.8 | 33.8 | -6 |
| YoY Change (%) | 10.0 | 6.0 | 7.4 | 10.1 | -0.3 | -2.0 | -11.7 | 11.0 | -6.2 | |
| Total Expenditure | 30.1 | 25.6 | 28.3 | 36.5 | 29.5 | 26.5 | 26.7 | 37.1 | 28.1 | -5 |
| EBITDA | 6.2 | 5.9 | 7.8 | 6.5 | 6.7 | 4.3 | 5.1 | 10.7 | 5.7 | -11 |
| Margins (%) | 17.0 | 18.7 | 21.6 | 15.2 | 18.5 | 14.1 | 16.1 | 22.4 | 17.0 | -90 |
| YoY Change (%) | 5.3 | 55.4 | 21.0 | -7.5 | 8.4 | -26.3 | -34.4 | 64.2 | -26.3 | |
| Depreciation | 4.0 | 4.0 | 3.7 | 3.3 | 3.2 | 3.4 | 3.6 | 3.5 | 3.4 | 6 |
| Interest | 0.8 | 1.0 | 1.1 | 0.9 | 1.0 | 1.0 | 1.0 | 1.2 | 1.0 | 1 |
| Other Income | 0.5 | 0.9 | 0.6 | 1.2 | 0.5 | 0.7 | 0.4 | 1.1 | 0.8 | -52 |
| PBT before EO Expense | 1.9 | 1.7 | 3.6 | 3.5 | 3.1 | 0.7 | 0.8 | 7.1 | 2.1 | -60 |
| Extra-Ordinary items | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | |
| PBT after EO Expense | 1.9 | 1.7 | 3.6 | 3.5 | 1.9 | 0.7 | 0.8 | 7.1 | 2.1 | -60 |
| Prior period tax adjustment | 0.4 | 0.5 | 1.0 | 0.3 | 0.5 | 0.2 | 0.2 | 2.1 | 0.6 | |
| Tax | 0.0 | 0.0 | 0.1 | -0.6 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | |
| Rate (%) | 22.2 | 27.9 | 24.7 | 26.7 | 16.0 | 20.5 | 22.9 | 29.3 | 27.0 | |
| Reported PAT (pre-minority) | 1.4 | 1.2 | 2.7 | 3.2 | 1.5 | 0.5 | 0.7 | 5.0 | 1.5 | -56 |
| Minority + associate | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | |
| PAT Adj for EO items (post-MI) | 1.2 | 1.2 | 2.7 | 2.5 | 2.3 | 0.6 | 0.6 | 5.0 | 1.5 | -60 |
| YoY Change (%) | -36.9 | 325.0 | 33.8 | -3.1 | 82.9 | -53.8 | -78.1 | 96.7 | -45.0 | |
| Per ton analysis (blended) INR/t | | | | | | | | | | |
| Sales Volumes (m ton) | 7.0 | 6.2 | 6.8 | 8.8 | 7.4 | 6.7 | 6.7 | 10.1 | 7.2 | -7 |
| YoY Change (%) | 12.4 | 6.9 | 7.9 | 18.9 | 6.2 | 8.1 | -2.0 | 14.2 | 5.4 | |
| Net realisation | 5,209 | 5,079 | 5,300 | 4,894 | 4,893 | 4,607 | 4,773 | 4,758 | 4,717 | 1 |
| YoY Change (%) | -2.2 | -0.8 | -0.5 | -7.4 | -6.1 | -9.3 | -9.9 | -2.8 | -11.0 | |
| RM Cost | 812 | 860 | 921 | 1,111 | 818 | 664 | 768 | 561 | 650 | 18 |
| Employee Expenses | 319 | 365 | 325 | 230 | 308 | 327 | 335 | 230 | 312 | 7 |
| Power, Oil & Fuel | 1,294 | 1,126 | 1,068 | 898 | 1,023 | 1,055 | 999 | 1,023 | 1,040 | -4 |
| Freight and Handling Outward | 1,161 | 1,018 | 1,093 | 1,159 | 1,122 | 1,099 | 1,122 | 1,142 | 1,125 | -0 |
| Other Expenses | 739 | 761 | 749 | 753 | 719 | 815 | 782 | 733 | 790 | -1 |
| Total Expenses | 4,324 | 4,129 | 4,154 | 4,151 | 3,989 | 3,960 | 4,006 | 3,690 | 3,917 | 2 |
| EBITDA | 885 | 950 | 1,146 | 743 | 904 | 648 | 767 | 1,068 | 800 | -4 |

Source: Company, MOFSL Estimates

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- In Q3 saw highest ever quarterly disbursals
- Sectoral disbursements were tapered down in rural joint liability group segment
- Tractor disbursals reached an all-time high in a quarter
- Pace of MFI & JLG disbursals will impact AUM growth

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- Mobile remains the biggest growth driver
- Mobile capacity should increase to 45m next fiscal
- Smartphone is a low margin business

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- Wouldn't read much into lower loan growth in 3Q
- We will maintain the guidance of 15% loan growth for FY25
- Expect recoveries to improve

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- Bulk deposits have been allowed to exit as part of the strategy
- 55% portfolio linked to EBLR

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- Factory utilization has been in the range of 50%
- Have increased our pattern counts to more than 700
- Pipeline is the strongest ever in services business

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|----------------------------------|--|
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| SELL | < - 10% |
| NEUTRAL | > - 10 % to 15% |
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