4QFY25 | June 2025

VOICES

VOICES

India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates, and transcripts links of the respective conference calls.

This quarterly report contains

- Key takeaways from the post results management commentary for 270 companies, with links to the full earnings call transcripts
- Links to our Results Updates on each of the companies included

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VOICES - INDIA INC ON CALL

Note: All stock prices are as on 05th June 2025, unless otherwise stated.

Voices

BSE Sensex: 82,189 **S&P CNX: 25,003**

Commentary remains cautious; revisions in forward earnings continue to be weak

In this report, we present the detailed takeaways from our 4QFY25 conference calls with various company managements as we refine the essence of India Inc.'s 'VOICES'.

- **Corporate earnings – a broad-based beat:** The 4QFY25 corporate earnings concluded on a strong note, showcasing widespread outperformance across aggregates (13 sectors exceeded our expectations). Metals, OMCs, PSU Banks, Automobiles, Healthcare, Technology, and Capital Goods fueled this healthy performance. Conversely, Oil & Gas (ex-OMCs) and Private Banks dragged down overall profitability. However, forward earnings revisions continued to be weak, with downgrades surpassing upgrades. The Nifty-50 delivered a 3% YoY PAT growth (vs. our est. of +2%). Nifty reported single-digit profit growth for the fourth successive quarter since the pandemic (Jun'20).
- Management teams for most **Banks** remained cautious in FY25 owing to slow growth as well as mounting stress in the unsecured segments; however, 4QFY25 was a relatively stable quarter. In 4QFY25, large private banks saw NIM improvement while PSBs faced a moderate decline. CASA rose for big banks but dipped slightly for smaller ones.
- Within **NBFC/HFC,** various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and a weak macroeconomic environment; 3) NBFC-MFIs exhibited an improvement in PAR levels across most states during the quarter, except for Karnataka. Collection efficiency in Karnataka is expected to normalize by the end of 1QFY26; and 4) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.
- Management teams of **IT Services** companies remain cautiously optimistic, though they acknowledge persistent macroeconomic challenges weighing on overall demand. Discretionary spending, which showed signs of recovery earlier in FY25, now appears to be stalling as clients adopt a wait-and-watch stance due to trade tensions and uncertainty around the Fed's rate trajectory.
- In **Healthcare**, companies indicated prolonged weakness in acute therapies within the domestic formulation segment. This is largely driven by unfavorable seasonality and improved hygienic conditions. This is impacting the overall industry growth as well because of the dominant share of acute therapies (almost 65% of IPM). Companies were bullish on the growth prospects of chronic therapies. Specifically, companies are gearing up for the launch of products in diabetes/obesity.
- In **Automobiles** earnings calls, management widely suggested a moderation in domestic demand for most segments, except tractors. For both PV and CVs, management expects growth for FY26 to be under 5%. The 2W OEMs were a bit more positive and pegged growth expectations at 6-7%. Tractor OEMs hope to see high single-digit growth for FY26E given positive rural sentiments. Further, the export outlook continues to be uncertain given the ongoing tariff-led headwinds. Ancillary players with global exposure are seeing an uncertain demand

environment given the global headwinds in key markets. Management also cautioned about a gradual rise in input costs from 1Q onwards.

- **Capital Goods** companies maintained a positive outlook across key sectors, including power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capex is starting to pick up, while private sector inquiries are expected to materialize in the coming quarters.
- For **Consumer**, most of the companies witnessed limited volume growth, typically in the low to mid-single digits. While urban demand remained subdued, rural consumption continued to recover gradually. Management expects a gradual uptick in demand in FY26, driven by reasons such as income tax breaks, interest rate reductions, easing inflation, and expectation of better monsoons.

Autos

- In the 4QFY25 earnings calls, management widely suggested a moderation in domestic demand for most segments, except tractors. For both PV and CVs, management expects growth for FY26 to be under 5%. 2W OEMs were a bit more positive and pegged growth expectations at 6-7%. Tractor OEMs hope to see high single-digit growth for FY26E given positive rural sentiments. Further, the export outlook continues to be uncertain given the ongoing tariff-led headwinds. Ancillary players with global exposure are seeing an uncertain demand environment given the global headwinds in key markets. Management also cautioned about a gradual rise in input costs from 1Q onwards.

Capital Goods

- Management maintains a positive outlook across key sectors, including power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capital expenditure is starting to pick up, while private sector inquiries are expected to materialize in coming quarters. In the defense sector, management commentary remains highly optimistic, forecasting a ramp-up in order inflows in the near term on account of emergency procurement, as well as for the medium-to-long term led by both base and large ordering. In the powergen industry, various management teams are of the view that genset volume declines are now bottoming out and prices are firming up across product nodes. Management commentary on the railways sector remained mixed, with some anticipating a pickup in ordering activity over the coming quarters, while others expect the current slowdown to persist in the near term.

Cement

- Cement companies indicated that demand did improve in 4QFY25, driven by higher government spending, strong housing demand, and favorable rural as well as urban trends. The all-India average cement price rose ~2% QoQ, led by a Dec'24 hike. The South saw a sharp ~10% price rise QTD, while prices of other regions were flat to slightly up (1–2%). Companies are balancing volume growth and profitability amid high competition, with the top three players expected to add ~50mtpa capacity organically in FY26, sustaining supply pressure.

Chemicals

- Management teams remain cautiously optimistic and expect volume-driven growth to persist, supported by resilient domestic demand, softening raw material prices, and ongoing capacity additions. Challenges such as global oversupply, dumping (particularly from China and Korea), and geopolitical uncertainties may continue to exert pressure on margins. Improving utilization rates and a strong capex pipeline are likely to support a gradual recovery in sector profitability.

Consumer

- Most of the companies witnessed limited volume growth, typically in the low to mid-single digits. While urban demand remained subdued, rural consumption continued to recover gradually. Management expects a gradual uptick in demand in FY26, driven by reasons such as income tax breaks, interest rate reductions, easing inflation, and the expectation of better monsoons. Rising commodity costs, particularly in the agri basket, combined with price hikes taken at a lag, led to gross margin pressure across most categories and companies in 4Q. However, companies have mainly completed taking price hikes, and RM inflation is beginning to cool off. Hence, the full benefits are likely to materialize in the coming quarters. The companies remain optimistic that price modifications, combined with a likely rise in volumes, will drive revenue growth going forward.

Consumer Durables

- As anticipated by durable companies, the cable and wire (C&W) segment saw strong growth, led by a pick-up in government capex, consistent strong demand in the power sector (including renewable energy), real estate, and higher export demand. Demand growth in the C&W segment is expected to continue, backed by the power segment, development of electric vehicle (EV) infrastructure, other infrastructure projects such as railways, metros, and highways, and industrial demand. Meanwhile, a delayed summer and early rains in the south and west regions led to subdued demand for cooling products in the secondary market.

EMS

- Most management teams have guided strong FY26 revenue growth, driven by robust demand, project ramp-ups, and scale benefits from new capacities. Strategic global tie-ups, acquisitions, and product diversification across sectors like aerospace, defense, medtech, and electronics are expected to boost momentum. Continued capex, R&D, and backward integration efforts should support margin expansion and strengthen long-term positioning.

Financials

Banks

- Management teams for most banks remain cautious in FY25 owing to slow growth as well as stress piling up in the unsecured segments; however, 4QFY25 witnessed relatively a stable quarter. In 4QFY25, large private banks saw NIM improvement while PSBs faced a moderate decline. CASA rose for big banks but dipped slightly for smaller ones. Operating costs were mostly stable except for some PSBs with one-off expenses. Other income improved on fees and treasury gains. Credit growth slowed due to a high CD ratio, with weak corporate and unsecured lending amid stress in MFI and personal loans. NII growth and margins are expected to stay moderate in FY26, with pressure in 1H easing in 2H due to rate cuts. Banks with higher exposure to unsecured loans saw deteriorating asset quality as well as higher credit costs.

NBFC

- Within NBFC/HFC, various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and a weak macroeconomic environment; 3) NBFC-MFIs exhibited an improvement in PAR levels across most states during the quarter, except for Karnataka. Collection efficiency in Karnataka is expected to normalize by the end of 1QFY26; and 4) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.

Capital Markets

- The capital market ecosystem witnessed a mixed performance in FY25, marked by strong growth in 1HFY25, but due to a slowdown in 2HFY25 due to regulatory impact, weak market sentiments, and uncertain macroeconomic conditions. The sustained volume revival seen in Mar'25 will support a stable growth trajectory for brokers and exchanges as participation gradually rises. Mutual fund activity is anticipated to remain stable, backed by industry efforts to spread awareness, enhance financial literacy, and promote a long-term investment perspective—factors that are likely to maintain stable performance for AMCs and intermediaries like CAMS. Wealth managers are expected to witness strong inflows and positive MTM impact going forward.

Insurance

- The general insurance industry continues to experience a low growth trajectory due to 1) weak infrastructure investments, 2) slow credit growth, 3) weak trends in motor sales growth, and 4) 1/n regulation. ICICIGI has successfully gained market share by focusing on profitable businesses and easing competitive intensity. Profitability has remained strong due to conservative reserving in the past. STARHEAL's recent pricing actions may provide some relief from rising medical inflation and hospitalization trends, potentially bringing the claims ratio down gradually over the next few quarters. For life insurers, while a slowdown in ULIP momentum hurt growth, VNB margin witnessed an expansion across the industry, led by 1) increased sales of ULIP products featuring higher sum assured and rider attachments and 2) growth recovery of non-linked products. Life insurance companies should see an improvement in VNB margins as the product mix shifts toward retail protection and annuities. Recovery in auto sales and capex are the key monitorables for growth prospects among general insurance players.

Healthcare

- Companies indicated prolonged weakness in the acute therapies within the domestic formulation segment. This is largely driven by unfavorable seasonality and improved hygienic conditions. This is impacting the overall industry growth as well because of the dominant share of acute therapies (almost 65% of IPM). Companies were bullish on the growth prospects of chronic therapies. Specifically, companies are gearing up for the launch of products in diabetes/obesity. They have tied up with manufacturers and are focusing on marketing activities. On the CDMO front, while companies witnessed a higher number of inquiries from innovator pharma companies, they are yet to see any conversion to business. On the US generics side, companies indicated competition in certain high-value products over the near to medium term, and this would keep the growth under check. Companies highlighted building product pipelines to offset this impact. For the regulated market business, companies are also enhancing their product pipeline in the biologics space. In the rest of the world market, companies faced currency headwinds which impacted 4QFY25 growth to some extent. Companies with surplus cash on the balance sheet are looking forward to inorganic growth opportunities as well. Companies await clarity on the policy front for the US market. While there could be moderation in earnings in the near term because of the competition, management teams were very positive about the overall prospects in the Pharma space in the next 3-5 years.

- Hospital companies showed consistent improvement in occupancy with a moderate increase in realization per patient. In addition to better efficiencies at existing sites, companies indicated their focus on adding beds through Greenfield as well as the brownfield approach.

Logistics

- In the logistics sector, demand remained depressed in 4QFY25, owing to a slowdown in spending, high inflation impacting MSME clients, and lower e-commerce volumes. E-commerce and express logistics companies reported poor development throughout the quarter, owing to low volumes and fierce competition. However, multimodal logistics firms outpaced pure-play freight operators and express logistics providers. Management anticipates operational performance to improve in FY26, with decreased fuel costs and stable operating expenses. Over time, enterprises remain hopeful about sector growth, fueled by e-way bills, GST implementation, the construction of Dedicated Freight Corridor (DFC) routes, and increased access to key ports, all of which are expected to promote a shift towards the organized sector.

Metals

- In the Ferrous Metals space, management teams across companies pointed to 1) a strong of NSR improvement with a steady decline in coking coal costs and 2) the development of captive raw material mines. Although a better performance from Indian operations was backed by better volumes and muted costs in 4Q, offsetting the weak NSR impact. Management believes that global uncertainties might pose challenges to international steel, base metal, and raw material prices in the short term. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices, rising domestic auction coal, and trade tensions, which may be offset by favorable pricing conditions leading to sustained margin in the coming quarters.

Oil & Gas

- **OMCs:** While various management teams expect marketing segment performance to remain strong, steady 4Q refining performance might continue as spreads improve in 1QFY26. In 1Q, various management teams expect a QoQ reduction in LPG under-recovery as propane prices soften. CGD management teams remain optimistic about robust CNG & D-PNG volume growth and steady EBITDA/scm margin amid lowering raw material costs. However, GUJGA expects 1Q Morbi volumes to remain weak. GAIL: While the management remains optimistic about robust long-term transmission volume growth, current volumes remain soft as power-led demand remains subdued. ONGC and OINL also forecast strong production growth due to KG-98 and NRL, respectively.

Real Estate

- The real estate companies witnessed a shortfall in launches in FY25, mainly due to approval delays, which is expected to spill over into FY26, indicating the potential for strong sales in the current financial year. Real estate developers remain optimistic about sustained demand in the coming years. Average growth in price realization was 15% in FY25, with a similar increase going forward. Approval processes are gradually improving, paving the way for a healthier launch pipeline in FY26. Companies are also actively focusing on land acquisition to strengthen their future project pipeline.

Retail

- **Retail:** Demand for apparel and footwear companies remained modest in the 4QFY25 due to continued economic headwinds, with regional slowness in South India, particularly AP and Telangana, pulling down overall performance. However, 2HFY25 showed some sequential improvement due to a normalized holiday calendar, a positive wedding season, and softening base effects. Retailers such as Vedant Fashions, SHOP, and Metro Brands are hesitant about store expansions due to rising rents; however, ABLBL has forecast strong retail expansion in FY26.
- **Jewelry:** The jewelry companies continued to deliver robust sales growth as the demand environment was stable during the quarter, despite macro uncertainties and higher gold prices. Moreover, the Akshaya Tritiya festival showed strong demand trends, with customer sentiments remaining largely upbeat. The solitaires segment witnessed a healthy recovery, supported by increased traction in lower carat weights. Jewelry companies saw high volatility in GML rates in 4Q due to the US tariff volatility; however, the companies have begun to stabilize now.
- **QSR:** Consumption trends remain soft due to macro inflation and an urban slowdown, although the companies expect a gradual recovery in dining-out frequency. Eating-out frequency largely remained unchanged in 4QFY25. With a favorable base, same-store sales growth (SSSG) showed an uptick (ex-KFC). The revenue gap between dine-in and delivery has narrowed, driven by increased dine-in footfall traffic. However, weak underlying growth continued to impact operating margins, exerting pressure on restaurant and EBITDA margins for most brands. Enhancements in value-focused menu offerings and promotional activities have increased footfalls. While delivery channels remain strong, dine-in is showing a gradual improvement. Store additions continued at a healthy pace during the quarter, and companies have maintained their store expansion guidance for FY26.

Technology

- The management teams of IT services companies remain cautiously optimistic, though they acknowledge persistent macroeconomic challenges weighing on overall demand. Discretionary spending, which showed signs of recovery earlier in FY25, now appears to be stalling as clients adopt a wait-and-watch stance due to trade tensions and uncertainty around the Fed's rate trajectory. BFSI remains relatively resilient, providing a buffer amid weaknesses in Manufacturing, Retail, and Healthcare verticals, which are facing headwinds from policy shifts and a weaker macro backdrop. With continued focus on cost optimization, stable deal inflows, and early signs of demand stabilization in select verticals, management teams are hopeful of a better growth trajectory as FY26 progresses.

Telecom

- Residual benefits of the tariff hikes were offset by two fewer days QoQ in 4Q. With a higher share of subscribers on longer-duration plans, RJio expects some more benefits from tariff hikes to flow through over the next two quarters. Bharti and Vi both continue to advocate for a change in pricing construct from high daily data allowances to usage-based plans, wherein higher data-consuming users should be charged more. On the fixed broadband, both Bharti and RJio have highlighted high potential and have accelerated FWA rollouts.

Utilities

- Various management teams highlighted a moderation in FY25 power demand growth to ~4%, due to a high base and favorable monsoon. However, peak demand is projected to surge to 278GW from 250GW last May, with long-term peak demand reaching 458GW by 2032. On the thermal front, the government aims for nearly 80GW of thermal capacity by 2032, including 29GW under construction (11GW due soon), 19GW awarded, and another 36GW in the planning stage. For BESS, viability gap funding will support 9 GW by 2027, scaling to 47 GW by FY32. Management teams expect the wind sector to add 6GW/7–8GW in FY26/FY27 and 9GW annually thereafter, with the repowering of old sites gaining momentum post-FY26. The draft RLMM policy is expected to boost the domestic wind supply chain. On the transmission front, the National Electricity Plan projects over INR9t in transmission projects by FY32, with INR3t already allocated and the rest to be bid out by FY29, implying increased bidding over the next four years. For power exchanges, amendments to Late Payment Surcharge (LPSC) rules now require state government generating stations to offer un-requisitioned surplus (URS) power on exchanges, and the management teams expect liquidity to improve once similar mandates are extended to private generators.

Key takeaways from management commentary

AUTOMOBILES

- **In the 4QFY25 earnings calls, management widely suggested a moderation in domestic demand for most segments, except tractors. For both PV and CVs, management expects growth for FY26 to be under 5%. 2W OEMs were a bit more positive and pegged growth expectations at 6-7%. Tractor OEMs hope to see high single-digit growth for FY26E given positive rural sentiments. Further, the export outlook continues to be uncertain given the ongoing tariff-led headwinds. Ancillary players with global exposure are seeing an uncertain demand environment given the global headwinds in key markets. Management also cautioned about a gradual rise in input costs from 1Q onwards.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Demand outlook	Other key takeaways from the call
Ashok Leyland	▪ **FY26 outlook:** Management expects each of the CV segments to post growth in FY26, led by favorable indicators. Among segments, management expects bus, tractor, trailer, and tipper to drive industry growth in FY26. ▪ Management indicated that it reduced dependence on MHCVs over the last few years. The non-MHCV business now contributes to about 50% of AL's revenues with much better profitability; hence, cyclicality in business revenue and profitability reduced over the years.	▪ Management has indicated that it expects steel prices to inch up from 1Q onward (by INR3-5 per kg) and further in 2Q due to the safeguard duty imposed on steel. Further, truck prices are likely to increase by ~0.5-2% due to the AC cabin norms to be implemented from Jun'25 onward. ▪ Management maintains its medium-term targets, which include achieving a 35% market share in MHCVs and mid-teens margins among others.
Bajaj Auto	▪ Management expects the 2W industry to post 5-6% YoY growth in FY26, largely driven by the 125cc+ segment. On the back of its new launches, BJAUT would look to recover its lost market share in the 125cc+ segment and would target to get closer to the market leader in this segment by the end of FY26. ▪ Management expects exports to grow at 15-20% YoY even in FY26, led by strong growth in Latin America and the Middle East and an expected revival in exports to KTM in 2HFY26.	▪ Management expects input costs to rise 1% QoQ in 1Q. It has passed on about 30-50% of this increase to consumers. Further, the currency is now a headwind for BJAUT as INR is now appreciating relative to USD. ▪ While BJAUT has done well in 2W EVs and now is a market leader with a 25% share, supply curbs from China on rare earth metals remain a lingering concern going ahead.
Eicher Motors	▪ RE expects volume growth to continue in FY26 as well. While rural areas continue to see positive sentiments, they are now seeing initial signs of recovery in urban regions, which would bode well for players like RE. ▪ In exports, RE remains among the top 4 brands in many countries globally in the middle-weight motorcycle segment. For instance, it is No. 1 in the UK, No. 2 in Argentina, and No. 3 in Brazil in this segment.	▪ RE continues to focus on absolute growth in profitability. For the same reason, their focus has been to provide value-added features to customers at affordable price points. ▪ Margin improvement at VECV has been a result of multiple factors, such as better price management, operating leverage benefits, and reduced discounts.
Hero MotoCorp	▪ **Outlook**: Management expects the 2W industry to post 6-7% YoY growth in FY26, largely similar to FY25. Management also expects to outperform industry growth in FY26, backed by its upcoming new launches. ▪ In FY25, HMCL exports grew 43% YoY over a low base, 2x of industry growth. The company remains aggressive on export growth and is confident of outperforming industry growth going forward.	▪ HMCL has lined up two new affordable EVs, both of which are likely to be launched in Jul'25, to fill up the product gaps. These new products will help to accelerate EV growth in the coming quarters. HMCL believes at a 25-30k monthly sales run rate, they can achieve break-even in the EV business. It is, however, likely to be a couple of years away, as per the management.
Hyundai	▪ HMI targets to launch 26 products (a combination of new and refreshes) by FY30, of which 20 would be ICE and six would be EVs. ▪ The product launches are expected to commence once HMI starts production at its new Pune facility, which is	▪ Management expects to post 7-8% YoY growth in exports in FY26E. ▪ HMI plans to launch new eco-friendly powertrains like hybrids in the coming years.

	expected by 3QFY26. It targets to launch almost eight models during FY26-27E.	
M&M	▪ Auto: Management remains optimistic about sustaining outperformance to the UV industry in FY26. Incremental growth is expected to be driven by the full-year benefit of launches, including the Thar Roxx and XUV 3XO, along with contributions from recently launched EVs. ▪ Tractors: Management has guided for high single-digit growth in the tractor industry for FY26. It also expects to outperform the industry, supported by a favorable market mix (with good demand seen in its strong markets of South and West).	▪ Following recent launches, MM has outlined a product roadmap to launch seven ICE SUVs (two mid-cycle enhancements), five BEVs, and five LCVs (two of which will be EVs) by 2030. For CY26, it targets to launch three ICE SUVs (two mid-cycle enhancements), two BEVs, and two LCVs (one of which will be EV in the <3.5T segment). Management has confirmed that the new SUV expected in CY26 will not be a five-seater.
Maruti	▪ **Demand outlook**: The industry is likely to grow at a modest 1-2% for FY26E, and MSIL expects to outperform the same, aided by its new launches. MSIL has lined up two new launches: the recently unveiled e-Vitara and one more SUV. ▪ **Exports**: MSIL expects to post at least 20% YoY export growth for FY26. The company targets to sell 70k units of e-Vitara in FY26E, the bulk of them in exports.	▪ Overall, next year's growth is likely to be driven by exports, SUVs, and a further increase in CNG penetration. ▪ While demand growth drivers are in place, one needs to be cognizant of rising cost pressures, such as an increase in steel costs that is anticipated in the coming quarters.
Tata Motors	▪ India CV: Given favorable demand indicators, management expects the CV industry to post single-digit growth in FY26. Within this, management expects MHCV and bus segments to do better than ILCVs and SCVs. ▪ Indian PV: Industry demand for FY26 is likely to remain moderate, as in FY25. TTMT would target to outperform the industry on the back of its new launches, which include: 1) a mid-cycle upgrade of Altroz to be launched this month and the recently launched upgrade of Tiago; 2) a full-year ramp-up of Curvv and Nexon CNG; 3) Safari and Harrier with multi-powertrain options, including gasoline; 4) Sierra ICE launch; and 5) Harrier + Sierra EV launch.	▪ JLR: It is currently facing significant uncertainty due to the tariffs levied by the US globally on automobiles. While the US-UK FTA has been a welcome agreement and helps to lower tariffs, the tariff on JLR-made vehicles exported to the US is expected to still rise to 10% from the current 2.5%. Further, in the absence of any trade deal between Europe and the US, JLR cars produced in Slovakia (Defender and Discovery) could face a 27.5% duty when exported to the US. Given the multiple headwinds, management has refrained from giving any guidance for JLR for FY26 and beyond.
TVS Motor Co.	▪ Domestic: Management expects the 2W industry's growth rate to remain moderate in Q1, given the high base of last year. However, with overall demand drivers remaining positive, management expects 2W growth in FY26 to be similar to that of FY25. ▪ International: Management expects 2W exports to post healthy growth in FY26, led by strong demand from Latin America and a recovery in demand from Sri Lanka and Africa.	▪ Capex: For FY25, capex stood at INR18b, while investments in subsidiaries amounted to around INR21b. For FY26, investments in subsidiaries are likely to remain at similar levels, primarily directed toward TVS Credit, Norton, and the e-bike subsidiary.
BIL	▪ Management earmarked an ambitious five-year roadmap to scale up revenue by 2.2x to INR230b by 2030. This would be driven by 1) continued outperformance in its core OHT segment (70% contribution estimate by 2030), where it targets to move to an 8% share by 2030 from 6% currently; 2) 10% contribution from sales of carbon black to a third party and 3) a foray into TBR and premium PCR segments, which is expected to contribute to 20% of revenue by 2030.	▪ For this ambitious growth, BIL has earmarked INR35b capex over the next three years, in addition to the INR5-7b capex that would be invested in the core segment. ▪ Management refrained from giving any growth guidance for its core global OHT segment given the adverse macro environment globally in its key regions. ▪ Management provided margin guidance at 25% for its core OHT segment.
BHFC	▪ Management has refrained from providing any growth guidance for its export business (30% of consolidated revenue) given the volatility and lack of visibility caused by the global tariff situation.	▪ In this situation, management has indicated that they would focus on improving its consolidated profitability by: 1) evaluating options for the steel forging business in Europe, 2) improving

- In the domestic market, BHFC is likely to grow largely in line with the industry in both PVs and CVs. In domestic non-auto, the scale-up of the defense business and opportunities for component supply to small nuclear reactors would be key growth drivers. Management has guided for 15-20% YoY growth in defense business in FY26.

operational performance in Al business leading to meaningful reduction in losses, 3) leveraging their manufacturing footprint in North America to garner new business, and 4) reducing losses in e-mobility vertical. Further, the integration of AAM India is expected to be completed in FY26 after which they will target to leverage that platform to grow their product portfolio.

AMARA RAJA
Gotta be a better way

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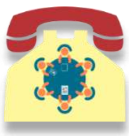


Amara Raja Energy — Neutral

Current Price INR 1,000

Result highlights

- Consolidated revenue grew 5% YoY to INR30.6b, of which 95% still comes from LAB.
- LAB business grew 4% YoY to INR29b in 4Q.
- All major segments, except telecom and exports, saw good growth.
- In the domestic 4W segment, OEM aftermarket grew 9% and OEM grew 15%. However, exports declined 10% YoY due to weak demand in the APAC region.
- 2W volumes rose 13% YoY, led by similar growth in both OEM and aftermarket segments.
- Home invertor segment also posted healthy growth of 17% YoY.
- Lube business clocked revenue of INR400m in 4Q. Lithium-ion packs that it supplies to the telecom segment now account for about INR1b in revenue.
- Within industrials, the UPS segment saw healthy growth in 4Q.
- However, telecom segment saw 15% YoY decline due to a shift in preference toward lithium ion.
- New energy business also saw good growth in 4Q due to increased demand from ESS for the telecom segment.
- Revenue from chargers and battery packs to EV and ESS saw 35% YoY growth in 4Q. However, demand for 3W battery was muted in 4Q due to weak demand from OEMs.
- 4Q margins were impacted by: 1) an increase in prices of non-lead alloys like antimony; and 2) challenge in power costs. ARENM faced another headwind from a delay in the settlement of power generated from own solar plants.
- Apart from these factors, trading revenue was high in 4Q, as it stocked up to have enough supply for the upcoming summer season.
- Beyond these, ARENM has increased its provisions on some employee-related expenses and warranty in 4Q.
- For FY25, revenue grew 10% YoY, with LAB seeing double-digit growth. Exports grew more than 12% for the year.
- However, the new energy business posted flat sales growth in FY25 as some OEMs that it supplies to saw weaker demand and it also exited from certain low-margin segments. Supplies to ESS division picked up from 2H and management expects this momentum to sustain in FY26 as well.

Auto demand outlook

- ARENM's market share in 4W OEMs stands at 35%.
- Based on its discussions with OEMs, ARENM expects flat demand for 4W OEMs at the moment with an expectation of a pickup in 2Q.

- Even in 2W segment, volumes were actually down so far in 1Q, which ARENM hopes to pick up in 2Q.

Outlook on margins

- Management has indicated that the issue of higher power costs and higher non-lead alloy costs is likely to persist at least for the next couple of quarters.
- ARENM would look to offset this impact partially once its tubular battery plant ramps up (which would help reduce the trading mix) and its batter recycling plant ramps up. However, the battery breaking operating is expected to commence only from 2Q-3QFY26. It has commenced the battery refining operation at this stage. This lead recycling plant has an initial capacity to recycle up to 50k MT of lead annually, which would be ramped up to 100k MT in the coming years.
- It has also embarked on few digitization initiatives, which helped increase its throughput and increase battery capacity by 6m units pa without any capacity addition.
- To offset the cost increase, it has taken a 2% price hike in Apr'25 across segments.

Update on New Energy business

- New Energy business posted flat revenue growth in FY25 as its current OEMs have lost market share and ARENM has exited some of its loss-making businesses.
- ARENM currently has two battery-pack assembly facilities with a combined capacity of 7GWh. It is currently supplying battery packs to telecom, UPS and LCV applications.
- Beyond this, ARENM intends to start supplying to energy storage players, like data centers and high-voltage packs for PVs and buses.
- Its customer qualification plant is set to SOP in 2Q-3QFY26. It expects its first gigawatt factory to come on-stream in 1HFY27. This will be the first phase of the 4GWh battery plant, which would eventually reach 16GWh by 2030, based on current plans.
- Among the current challenges, Chinese competition is extremely aggressive and the current pricing offered by some of the China suppliers is extremely competitive. For instance, LFP cells are being offered at USD50 per kw hr (even at 45 in a select few instances). NMC cells are being offered at USD60/kw hr.
- This sharp downward trend in pricing would be one of the critical determinants of future investment decision in this business
- ARENM has so far invested INR8.5b in this project, of which INR3.5b was invested in FY25. ARENM targets to invest about INR10b in FY26 in this business.
- Management continued to refrain from giving any break-even guidance on this project and indicated that to achieve break-even in this business, it would need to scale up to at least 8-10GW hr capacity in this business to get some scale advantage.
- The focus area is to get long-term suppliers in place for this business.

Capex guidance

- ARENM has invested about INR12b in capex at a consolidated level in FY25. However, about INR8b of this investment has gone to LAB for the tubular battery plant and the lead recycling plant. The balance INR4b has been invested in the New Energy division.

- Management said that in FY26, it plans to invest almost the same amount as in FY25 (about INR12b). However, the bulk of this investment would go to the new energy business for the customer qualification plant, the first phase of the giga factory and R&D facility in Hyderabad.

apollo

Click below for Results Update

Apollo Tyres — Buy

Current Price INR 463

Standalone update

- 4Q volume growth was flat YoY. While replacement segment posted single-digit growth, OEM and exports declined YoY.
- While overall truck segment volumes remained flat, replacement segment posted 9% growth, which was offset by a decline in OEM revenue.
- Similarly, PCR replacement growth stood at mid-single digits, while OEM revenue declined in double digits.
- Management admitted that their performance has been below par compared to peers and also been weaker than their own expectations. They are in the midst of taking corrective measures to address this and expect to resolve this underperformance from 1QFY26 onward.
- Management has also clarified that their underperformance has been in OEM and exports, while they continue to do well in replacement segment, both TBR and PCR.
- One of the factors that led to this underperformance was that they had purposely exited a few SKUs for strategic reasons within OEM segment. For instance, demand in tractor trailer market is strong but APTY has chosen to exit this segment due to low-quality products. They now have the right SKUs to address this demand.
- Given their underperformance recently, management expects to have lost some share in the OEM segment, both PCR and TBR.
- They have also underperformed in exports and are taking corrective actions to recover lost ground here.
- Other expenses have been higher in the recent past partly due to a few one-offs and they are likely to normalize in the coming quarters.

Outlook – Standalone business

- Management expects its issues related to underperformance to get resolved from 1Q onward. They hope to revive lost ground relative to peers in the coming quarters.
- On input costs, while they are expected to decline in the coming quarters, management expects the raw material basket to remain stable QoQ in 1QFY26. From 2Q onward, benefits of a reduction in crude-led derivatives are likely to reflect in financials. However, management believes that prices of natural rubber may not come down soon as we will shortly enter the lean period for rubber (rainy season).
- On the tax rate, APTY still has some MAT credit to be availed and hence the shift to the new tax regime is likely to be a couple of years away.
- Management has clarified that its exposure to the US market is currently around USD100m worth of revenues and hence, to that extent, it would see a limited

impact of changes in tariff regulations in the region. The US remains a major importer of tyres (2/3rd requirement). The competitive landscape in the industry is likely to change depending upon which region is expected to strike a deal with the US on favorable terms. APTY continues to await clarity on this matter.

Europe business update

- Even in Europe, APTY has underperformed peers over the last couple of quarters.
- It has posted a mid-single-digit decline in volumes in 4Q.
- APTY was constrained by capacity in Europe as demand outstripped its expectations. Given that UHP/UUHP demand remained strong, it sacrificed non-UHP demand for summer tyres due to capacity constraints.
- Capacity expansion is underway in Hungary (4k tpd for PCR) and is likely to be commissioned by FY26 end.

Outlook - Europe

- Management expects demand to pick up in the coming quarters in Europe.
- It has recently announced its intention to shut production at its Netherlands plant by 2026. This plant had a capacity of 0.5m PCR tyres out of the 6mn tyres produced in Europe.
- It has started the regulatory procedure around this and is likely to proceed with the plan once all approvals are in place, which is likely to take a few quarters.
- APTY does not expect any material revenue loss due to this closure as it expects the deficit in supply to be filled up from the upcoming capacities in both Hungary and India.
- Further, given that conversion costs in Hungary are almost 1/3rd of costs in the Netherlands, APTY expects its operational performance to structurally improve in the coming years in Europe.

Other highlights

- APTY has reduced its capex guidance for FY26 to INR15b from the earlier INR20b. It intends to increase the AP plant PCR capacity by 4k tpd and set up a brownfield plant in Hungary for 4k tpd.
- TBR utilization stands at 82%. Given this and the relatively muted demand macro, management does not expect the need for further capacity expansion for three years in India TBR.

Ashok Leyland

Click below for
Detailed Concall Transcript &
Results Update

Ashok Leyland — Buy

Current Price INR 234

Outlook

- Management expects each of the CV segments to post growth in FY26, aided by favorable indicators, including stable freight rates, fleet operator profitability, and aging of the fleet.
- However, management expects growth to pick up from 2Q over a low base as last year 1Q was a high base.
- Management expects the bus segment to continue to do better than other segments. Within trucks, tractor-trailers are expected to outperform other segments. Also, tipper segment, which has not done well in FY25, is likely to surprise positively this year given that mining and construction activity is back on track.


Ashok Leyland

- Management has indicated that it has reduced dependence on MHCVs over the last few years. The non-MHCV business now contributes to about 50% of AL's revenue with much better profitability; hence, the cyclicality in business revenues. As a result, profitability has reduced over the years. Contribution for non-MHCV business is high and can take care of most of the fixed cost of the company; hence, AL can now break-even despite low MHCV volumes, unlike in the past. This is also illustrated by the fact that while MHCV sales remain static at 114-116k units p.a. over last three years, their margins have improved from 8% to 12.7% in FY25 – aided by higher growth in non-MHCV business and supportive input costs.
- While AL expects spare-parts business to continue to post healthy growth, it expects defense revenue (currently at around INR10b) to double over the next 2-3 years, based on the healthy order backlog.
- Management has indicated that it expects steel prices to inch up from 1Q onward (by INR3-5 per kg) and further in 2Q due to the safeguard duty imposed on steel. Management expects the steel cost pressure to be elevated for 1H and this is likely to normalize from 2H onward. Further, truck prices are likely to increase by about 0.5-2% due to the AC cabin norms to be implemented from Jun'25 onward. AL would take a measured approach to pass on the impact of rising costs based on a competitive environment.
- Management indicated that it is in a substantially strong position from a balance sheet perspective relative to past CV cycles today. It now has a net cash of INR9.5b vs. net debt of INR2b in FY24. Hence, its ability to invest in growth opportunities is much higher.
- FY25 capex stood at INR9.54b and it invested INR2b in subsidiaries in the year. AL targets to invest around INR10b in capex for FY6. It would look to invest about INR1-2b in Switch India, INR3-4b in Ohm Mobility, and it may need to invest a bit in HLFL as well.
- Management continues to maintain its medium-term targets, which include achieving a 35% market share in MHCVs and mid-teens margins, among others.

Update on exports

- Exports grew 29% in FY25 with improving margins.
- AL would look to set up an assembly line in each of its key target markets.
- It wants to set up an assembly line in Africa.
- AL is also scouting for dealer partners in Indonesia and Thailand to ramp up export base.

Update on Clean fuel trucks

- The penetration in EV trucks is under 1% currently. However, within this, AL has the highest volume of EV trucks running in India today.
- It also has the widest range in EV trucks after the launch of Boss truck (14-19 T GVW) last year and 55T tractor trailer recently.
- LCV EV adoption is also expected to pick up rapidly to reach 20% by FY30-32. AL has already launched its e-LCV from Switch India. However, the market has not picked up on expected lines as the Govt withdrew the PM e-drive incentives on LCVs.
- AL continues to work on Hydrogen ICE technology and is also expected to launch LNG products soon.

Update on Switch

- In 4Q, Switch India sold 287 buses and 200 e-LCVs with 12% EBITDA margin. For FY25, this entity achieved 6% EBITDA margin.
- Switch India currently has an order backlog of 1,800 buses.
- The next target for Switch India is to be PAT positive in the coming years; hence, it moves to become self-sufficient from the funding perspective.
- It is currently looking to restructure Switch UK by shifting manufacturing operations elsewhere. This will help to reduce Switch UK losses of GBP2-3m on a monthly basis.

Update on Ohm Mobility

- It has about 650 buses in operation with 98% uptime.
- It is expected to add about 1,700 buses in operation in FY26, partly from the order backlog in Switch India and the rest from new orders.
- Ohm continues to operate at healthy double-digit IRR, as per management.

Update on Hinduja Leyland Finance

- AUM has increased 25% YoY to INR 617b. While the standalone AUM has grown by 24% YoY to INR480b, the same for Hinduja Housing Finance has grown 31% YoY to INR140b.
- Revenue has grown 35% YoY to INR62.8b and PAT has grown 21% YoY.
- Asset quality is good with GNPA at 3.5% and NNPA at 2.1%, improved YoY.
- HLFL listing has got delayed as it awaits a few critical regulatory approvals.

Other highlights

- AL has added 108 MHCV touchpoints and 106 in LCVs, taking the total to 1,889 as of FY25 end. Most of these have been added in North and East markets to gain share.
- AL ranks No 1 in dealer satisfaction survey in domestic MHCVs and No 2 in customer and sales satisfaction index.
- AL has seen a sharp reduction in working capital, led by: 1) reduction in finished goods inventory to around 7k units from an avg of around 9k units in prior years, 2) started moving to cash-and-carry model by reducing credit available to dealers. It is now shifting to a pull-based inventory replenishment model, which is expected to further help reduce working capital needs going forward.
- With a net cash position and reduced debt, both interest and other income are expected to move favorably in the coming years.

BAJAJ

Click below for Detailed Concall Transcript & Results Update

Bajaj Auto — Neutral

Current Price INR 8,559

Result highlights

- Export revenue stood at USD470m and spare parts revenue was INR15.7b in 4Q.
- Management has indicated that the financial performance of Chetak has substantially improved in the last 12-15 months and the 2W EV segment is now near EBITDA break-even, post PLI accruals. Overall, EV revenue stood at INR55b in FY25. Its EV pool is now marginal profitable vs. INR1b in losses last year. This was driven by lower losses in Chetak and the ramp-up of 3W EVs.
- BJAUT delivered FCF of INR65b after investing INR7b in capex for FY25. It has also invested INR22b in BACL in FY25.
- It has a healthy cash and cash equivalent balance of INR170b.

Domestic motorcycles update


Bajaj Auto

- Key issues BJAUT has seen in ramping up Freedom sales are: 1) anxiety of customers of not having enough CNG pumps in the vicinity, 2) pumps often do not have right pressure to fully fill up the tank, thereby hurting optimum range of the bike. Management has indicated that this bike continues to see strong demand in regions with good CNG density like Delhi and Kerala, where its penetration is almost 10-11%. Now it has a fair understanding of which regions to focus on to ramp up the acceptance of this bike going forward.
- Management expects the industry to post 5-6% YoY growth in FY26, largely driven by 125cc+ segment.
- BJAUT has seen market share decline in 125cc+ segment in FY25 to 24% from 26% in FY24.
- Management has indicated that it has a strategy in place to get its market share back on track in this segment. It has already launched six new Pulsar variants in 4Q within 150-200cc segments with improved features. It also expects to resume a focused push for Freedom motorcycle in regions with good CNG network for long distance riders. Further, it plans to launch an entry-level 125cc motorcycle later in the year. It has also recalibrated prices of some products based on competition benchmarking post OBD2. BJAUT intends to put in place marketing campaigns on both these initiatives in coming quarters. On the back of these initiatives, it would look to recover lost market share in the 125cc+ segment and would target to get closer to the market leader in this segment by the end of FY26.

2W exports

- Exports grew 20% YoY in FY25.
- The top 30 overseas regions for BJAUT, which contribute to 70% of emerging markets, grew at a healthy pace of 26% YoY in FY25. In these regions, BJAUT outperformed and posted 31% YoY growth in FY25.
- In Latin America, which has emerged as the largest emerging market, BJAUT posted 18% growth with a rich mix: 65% volumes coming from Pulsar and Dominar segments.
- Even in Brazil, BJAUT sold 7k units in 4Q, better than FY24. It commenced production of CNKD plant in Brazil with a capacity of 20k units p.a. in Jul’24. BJAUT now targets to ramp up to 40k units by Dec’25.

2W EVs

- Market share of Chetak increased to 25% in 4QFY25 from 13% in 4QFY25, making BJAUT the market leader in 2W EVs. This is driven by the strong acceptance of its 35 series models.
- The launch of the 3502 series has helped improve margins. It expects to further consolidate its position in this segment with the launch of the 3503 series in May’25.
- BJAUT now sells Chetak in 310 exclusive experience centers and over 3k touch-points across India.
- Demand for Chetak is on an uptrend, though there are supply chain issues caused by China’s curbs on the export of rare earth materials globally. While China notified this rule in Apr’25, BJAUT has a process in place to get the requisite certifications to confirm that the end use of these materials will not be for military applications. The government has so far cleared around 30 certificates, which have been sent to China to see if these are appropriate. The

industry will get a sense of the exact approval time it would take to get these certifications in place, once these are cleared by China.

- Given that China controls almost 90% of the rare earth metal supply chain, scouting for alternate sources is being ruled out at this stage.
- Management indicated that it has requisite supply of these materials until June end and any further delay in clearing these certificates may lead to disruption for EV production in the near term.

Update on domestic 3Ws

- Management remains positive about the long-term outlook for this business given the enormous need for last-mile mobility in the country.
- BJAUT has a dominant 75% market share in the ICE 3W segment.
- In e-autos as well, BJAUT saw 60% YoY growth in FY25 and doubled its market share to 33% in FY25. It has now become the market leader in this segment, driven by the good acceptance of its Go-Go brand in e-autos.
- It targets to launch e-rik by Jul'25 to tap the 40k per month e-rik industry.
- BJAUT also targets to launch a lithium-ion based vehicle, which is just 10% of the market today. However, it would target to expand this penetration by launching much better and reliable options for the consumer.

Outlook on input costs and currency trends

- In 4Q, noble metal prices surged, though they were offset by softness in steel and aluminum prices. Similarly, nickel and lead prices saw some inflation, while rubber and ABS prices were soft. Overall, input costs remained stable QoQ in 4Q.
- However, management expects input costs to rise in 1Q due to a rise in aluminum prices. Further, it has passed on the OBD2 costs to customers. Overall, it expects input costs to rise 1% QoQ in 1QFY26.
- It has so far taken pricing action, which covers up to 30-50% of the cost increase.
- Further, currency is now a headwind for BJAUT as INR is now appreciating against USD.

Update on KTM

- In order to address acute liquidity challenges in KTM business and enable a structured revival of the brand, BJAUT has outlined a set of strategic interventions, which include: 1) the proposed equity acquisition by BJAUT of a controlling stake in PBAG (for around EUR80m) and therefore, in PMAG/KTM (upon receipt of regulatory approvals); 2) debt package totaling EUR800m to address liquidity needs to meet creditor obligations pursuant to the approved restructuring plan and fund the restart of operations. Of this, it has already infused EUR200m in cash as shareholder debt to maintain continuity and revive operations.
- A fresh debt of EUR600m would be provided to fund the payment of creditors' quota and associated costs.
- Following the receipt of requisite approvals, BJAUT will be committed to turning around KTM operations.
- Once these approvals are in, BJAUT will look to leverage some of the synergies between the two companies, which include: 1) joint sourcing for key raw materials, 2) a joint development program, and 3) extension of the current agreement to include joint production of up to 900cc products.

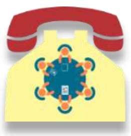
Other highlights

- BJAUT Credit posted PAT of INR650m in FY25. AUM stood at INR95b. BJAUT has so far invested INR24b (INR21b in FY25) in its financing arm.
- Penetration of BACL is 40% in motorcycles and 50% in 3Ws.

Balkrishna Inds — Neutral

Current Price INR 2,457

Click below for
Detailed Concall Transcript &
Results Update



BIL earmarks ambitious long-term growth target

- Management earmarked an ambitious five-year roadmap to scale up revenue by 2.2x to INR230b by 2030. This would be driven by:

Existing OHT business – 70% contribution

- The company is currently setting up a 35K MT pa plant for the mining segment. They are the only Indian player to have all steel radial technology up to 57 inches. This along with debottlenecking is expected to take their total capacity to 425k MT pa (from the current achievable capacity of ~360k MT pa)
- Apart from this, it is expanding a dedicated facility for rubber tracks, which is likely to be operational by 2HFY26. They had already started a pilot project on this and after getting a good response, they have decided to set up a dedicated facility for the same. The company will look to ramp up its presence in the rubber tracks market across agri, construction equipment, and Industrial segments and also both in domestic and export markets.
- These will help them reach about 8% market share in the global OHT segment, from the current 6% or to INR161b by 2030 (at 9% CAGR)
- This is despite the ongoing geopolitical challenges. In case the global macro environment improves in the coming years, the company would be well placed to ramp up to its earlier target of achieving a 10% market share of the global OHT segment by 2030.

Continue to scale up the Carbon Black plant

- BIL has approved the capacity expansion of its Carbon Black plant to 360k MT pa from the current 200k MT pa. They would also look to increase power generation capacity by 24 MW taking the total power generation capacity from the Carbon Black plant to 64MW.
- This expansion is likely to be complete by early 2026 and would help secure access to high-quality Carbon grade for its internal use and also help boost up internal power generation.
- Its advanced Carbon Black plant is undergoing trial runs and is expected to generate revenues from FY26 onwards.
- After this, the improvement in Carbon Black sales to third parties is expected to scale up to 10% of its five-year target or at INR23b.

Expansion into new segments of TBR and PCR in India

- Surprisingly, BIL announced its venture into TBR and premium PCR segments in India.
- The company's initial focus would be on the replacement segment.
- It intends to start a pilot TBR launch in 4QFY26 from its radial mining plant. Their experience in all steel radial technology in the OHT segment is complimentary for the TBR business entry, as per management. BIL believes that it can create a differentiation in the market and is fairly confident about its scale-up in this business going forward.
- The pilot for PCR tyres is expected to commence from Q3FY27
- They target a revenue contribution of about 20% of their target by 2030 or INR46b from this venture. By then, they would have around 5% market share (based on current level of demand)

- Mr. Satish Sharma, who joined the company recently as Senior President for Strategy and Business Development is likely to drive this foray. Mr. Satish has over three decades of experience in the tyre industry and was previously with Apollo Tyres
- Further, it is already present in the 2W segment, albeit in a small way. The company expects to ramp up its presence in two-wheelers as well going forward
- Revenue from these new businesses is likely to ramp up towards the back-end of the five-year guidance as it would focus on getting the building blocks (like setting distribution network, testing products in the market, etc.) in place in the initial years

Profitability guidance

- Given its backward integration capability, and focus on niche PCR and TBR segments, the company does not expect a material dilution to its margins going forward.
- Once all three businesses scale up, the company expects margins to be in the range of 23-25% by 2030, while focusing on strong growth in absolute EBITDA. This is as: 1) the new business will be a small proportion of overall revenues; 2) it has a cost advantage relative to competition with backward integration; and 3) it would focus on niche premium segments in PCR and TBR.
- Overall, BIL also does not expect a material dilution in returns in the long run.

Capex required

- For these new projects, the company has announced a total investment of INR35b over the next three years, which is likely to be front-ended
- This would be apart from the INR5-7b regular capex on the existing core business p.a.
- The bulk of its capex needs is likely to be funded by internal accruals.

Demand outlook – core business

- Management refrained from giving any growth guidance for its global OHT segment given the adverse macro environment globally in its key regions.
- Inventory continues to be at normal levels, as per the management.

Margin guidance

- Rubber prices appear to have peaked out now in 4Q. They expect input cost to be lower by about 1% QoQ in Q1FY26.
- Freight rates are also stable currently.
- Management has given margin guidance for its core OHT segment at 25%.

Impact of US tariffs

- The tariff imposed on tyre imports into the US was an additional 10%, over and above the existing 2.5-3.0%
- The increase in tariff has been partially absorbed by OEMs and BIL without any increase in costs to the end consumer.

Bharat Forge — Neutral

Current Price INR 1,270

Click below for Results Update

- CV exports declined 12% YoY to INR 4.6b, largely due to weakness in NA Class8 market even as CV exports to Europe saw some revival after the lows seen in 3Q.
- While PV exports were down 1.5% YoY, they have picked up well QoQ as demand conditions in Europe improved slightly and some pockets of strength emerged in Latin America.
- Non-auto exports grew 13% YoY, led by contributions from HHP Engines and Aerospace. The aerospace sector’s contribution to industrial exports stands at 24% in 4Q and 14% in FY25.


Bharat Forge

- Domestic revenues declined 14% YoY, largely due to a 30% YoY decline in non-auto segment. This was driven largely by the conclusion of some export orders at KSSL.
- The overseas subsidiaries posted improved performance in 4Q. The key highlight was that the US subsidiary posted positive EBITDA margin (1.3%) for the first time in many quarters.
- BHFC has incurred a capex of about INR7.5b in FY25. Capex guidance for FY26 stands at INR5b, with very minimal capex required in the overseas subsidiaries.
- For FY25, the standalone business posted 1% YoY decline in revenues to INR88.4b. While domestic revenues grew 2% YoY, exports declined 4% YoY. The key growth driver in FY25 was non-auto, wherein segments like defense, aerospace and oil and gas posted healthy growth.

Outlook

- With the potential deferment of emission norm changes in North America and continued weakness in EU, BHFC expects the CV business to witness a decline in FY26.
- In FY25, PV export business consolidated its gains after a stupendous performance in FY24. However, an unpredictable policy environment in the near future can lead to lower discretionary spends impacting overall volumes in North America.
- The non-auto segment has seen 3% YoY growth in FY25, largely driven by recovery in oil and gas segment and strong momentum in aerospace. BHFC expects the momentum in Aerospace to continue over the next 2-3 years as its new ring mill and machining facilities for Aerospace comes online in 2027.
- However, management has refrained from giving any growth guidance for its export business (30% of consolidated revenues) given the volatility and lack of visibility caused by the tariff situation globally
- In the domestic market, BHFC is likely to grow largely in line with the industry in both PVs and CVs.
- In domestic non-auto, the scale-up of the defense business and opportunities for component supply to small nuclear reactors would be key growth drivers. Management has guided for 15-20% YoY growth in defense business in FY26.
- In this situation, management has indicated that they would focus on improving the consolidated profitability by: 1) evaluating options for steel forging business in Europe, 2) improving operational performance in Al business leading to meaningful reduction in losses, 3) leveraging their manufacturing footprint in North America to garner new business, and 4) reducing losses in e-mobility vertical. Further, the integration of AAM India is expected to be completed in FY26 after which they will target to leverage that platform to growth their product portfolio.

BOSCH — Neutral

Current Price INR 31,455

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Detailed Concall Transcript &
Results Update

- In 4QFY25, 2Ws and tractors continued to see good demand led by new product launches and healthy rural demand. PV growth inched up a bit largely led by SUV pick-up.
- On the outlook, tractors are expected to post healthy growth in FY26E, led by positive rural sentiments. Even the 2W industry is likely to post steady growth,

fueled by positive rural sentiments and higher income in the hands of the consumer. While CVs are expected to post gradual growth (the bus segment is likely to continue to outperform), the low-tonnage segment is likely to continue to see competition from 3W EVs. Further, PVs are anticipated to post modest growth in FY26, led largely by SUVs.

- The strong 16% YoY growth in revenue for 4Q was primarily driven by the mobility business, which grew 14.9% YoY. Growth was also driven by the closure of one large application service project in 4Q
- Within mobility, the power solutions business grew 16.9% YoY, after-market grew 7.9% YoY and the 2W segment grew 21.4% YoY.
- Power solutions business growth was led by increased demand for diesel components especially from the off-highway segment, and a rise in demand in ECUs and VCUs.
- The after-market demand was driven by increased demand for diesel systems from OEMs and also from filters and spark plugs.
- The 2W growth was led by exhaust gas sensors required for OBD2 norm implementation.
- BOS would continue to aim to grow ahead of industry growth aided by premiumization trends in the industry wherein they would continue to look at participating in opportunities in advanced technology products going forward.
- The NOx sensor line at Bidadi is likely to scale up to 2.1m sensors by 2027. BOS has indicated that this production line is made in India for global requirements as well. However, BOS has not applied for a PLI incentive for this product.
- Exports remain a high-priority business for BOS in India. It continues to export spark plugs and injectors. With the new NOx line ramping up, the company would start exporting these sensors in due course. While there are multiple global headwinds currently, management expects exports to grow in FY26.
- BOS has not bagged any new orders from 2W/3W EV OEMs. Within EVs, the e-axles will be done within the listed entity. While it is in negotiations with many OEMs for the same, the company has not won any new orders yet.
- It has two major sister companies in India. The company buys Electronics parts from one of these companies and supply to the market. This arrangement will continue in EVs as well. The other company does chassis systems (brakes as well) and it supplies the market directly.
- On the Trem5 implementation deadline, management is yet to receive any clear indication from the Government. However, based on its understanding, BOS expects this implementation to be delayed.
- The company continues to work with multiple OEMs on the Hydrogen engine application in India and also in developing the ecosystem for the same.

CEAT — Buy

Current Price INR 3,708

Click below for
Detailed Concall Transcript &
Results Update

Result highlights

- Overall, volume growth in 4QFY25 stood at 11% YoY and 3.5% QoQ.
- For 4Q, OEM grew in strong double digits (mid 20%) and replacement grew in the high single digits on a YoY basis. However, exports have marginally declined YoY due to the adverse macro environment.
- On a YoY basis, within the replacement segment, TBR grew in double digits, 2W in high single digits, and PV in mid-single digits.

- On a QoQ basis, the OEM segment has grown in the mid-teens, and replacement and exports were flat.
- For FY25, volume growth stood at 7%. While the replacement segment grew in the high single digits, both OE and exports grew in the mid-single digits.
- In 4QFY25, CEAT saw an ASP growth of 2% QoQ – led by a price hike and improved mix. Management expects ASP to improve further in 1QFY26.
- Gross margin improved 60bp QoQ due to marginally lower input costs and price hikes taken in the 2W and PV segments.
- Employee costs increased INR100m QoQ partly due to the ramp-up of the Chennai TBR facility and also due to improved demand.
- While CEAT has showcased good cost control in other expenses, one has to remember that the same would see a spike in Q1 due to IPL expenses.

Growth outlook

- Post a weak demand in FY25, management expects the CV OEM segment to post mid-single-digit growth in FY26E.
- PV OEM is likely to post low single-digit growth
- The OHT segment has also been facing headwinds over the last 2 years now
- Further, the rural outlook is better than the urban outlook. Hence, given its distribution reach, the company expects to grow well in the 2W and farm segments.

Operational highlights

- In the long run, management expects the domestic tyre industry to record a 6-7% CAGR and exports to register a 10-11% CAGR
- Given its capacity ramp-up, the company is witnessing healthy gains in the TBR segment. It has a single-digit market share in TBR replacement, but the share is growing. CEAT's market share has improved to double digits in the TBR OEM segment.
- CEAT continues to be the market leader in the 2W segment and has a good share of business in the OE segment as well
- Their PV market share has been stable in FY25.
- In the PV segment, they have recently got new model approvals for higher rim sizes on > 14-inch tyres.
- To cater to the premiumization trends, CEAT has introduced high-end tyres which include Z-rated 12-inch radial tyre (for 300kmph speed), Calm technology (low noise for EVs), and run-flat (tyres that can run 80km on flat tyre before being impacted).

Update on input costs and pricing action

- After being stable in the range of USD1900-2k per MT for Q4, international rubber prices have reduced by USD 200 per MT over the last three weeks and are now at a discount to domestic prices by about INR7-8 per kg.
- Further, crude has now corrected to USD 65 per barrel from USD 75-80 levels in Q4. Management expects crude prices to remain in the USD65-70 range in the near term. Thus, prices for crude-based derivatives are expected to decline, especially from Q2FY25 onwards.
- Even USD-INR is now back to INR85.
- Hence, if all else remains stable, management expects a minor decline in input costs in 1Q and a further decline in 2Q.

- With reducing input costs, management expects that the industry would be able to hold on to its pricing and hence expects gross margins to improve if the trend continues.

Update on Camso and international businesses

- CEAT will start consolidating Camso from Q2 onwards, once all approvals are in
- The integration process has started and the focus would be initially to ensure business continuity. Hence, this business is expected to take a few quarters to stabilize operations. Over the medium to long term, management is confident that this would be a margin-accretive business.
- Post-Camso integration, international business would increase to 25% of CEAT revenues – that too at just 50% utilization at Camso. This will further ramp up once the company ramps up Camso to its full potential in the coming years

Tariff impact on Camso and international businesses

- As per the management, CEAT’s exposure to the US (ex of Camso) is in the low single digits. However, North America would remain one of the key opportunity markets for CEAT in the long run and hence they would continue to invest in the same going forward
- Almost 90% of Camso’s business comes from North America and Europe
- For Camso, about 30% of its business exports to the US from Sri Lanka. Of this, 15% comes from tracks and 15% from tyres.
- Sri Lanka has imposed a 44% reciprocal tariff on tyre imports to the US. The reciprocal tariff has now been postponed by 90 days given the ongoing trade dialogues with trading partners. Given the ongoing dialogues with trading partners and global OEMs, management is confident that they would hear some positive solutions on this front for the industry
- However, track imports to US attract about 4% duty only. Tracks are about 50% of Camso's revenue.

International business outlook

- The company continues to see stable demand from key markets like Europe, Southeast Asia, and the Middle East.
- CEAT is seeing headwinds in exports in markets like Latin America where currency has depreciated.
- Even demand from the US is weak given the uncertainty on tariffs
- Given that OE demand continues to be subdued in some of these markets, they need to rely on replacement demand in the near term

Update on capex and debt

- They have invested INR9.5b in capex in FY25 and expect to invest INR9-10b for FY26 as well.
- Gross debt for FY25 stands at INR19.3b with D/EBITDA at 1.3x and D / E at 0.44x
- The debt level is likely to rise further as they would pay for the Camso acquisition in the coming quarters. Of the USD 225mn acquisition, about 20% of the amount can be paid after 3-3.5 years and there is some consideration for finished goods inventory once they take stock of the same.
- They may have to add some key upstream equipment in Camso. Including this and regular maintenance, they may need to invest INR1.0-1.25b in the first two years in Camso.

Other highlights

- CEAT has announced VRS at one of its old plants wherein about 100 employees have accepted the same. The VRS cost of INR370m has been accounted as exceptional in 4Q.
- CEAT has announced an annual dividend of INR30 per share (flat YoY)
- In terms of segmental margins, international and replacement margins are good and at similar levels relative to OEM margins. Further, 2W margins are better than PVs.

CIE Automation — Buy

Current Price INR 450

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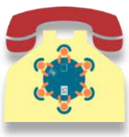

India performance update

- India revenue growth was largely in line with the weighted average growth in its key segments.
- The reason for the lack of outperformance vs. end-markets was that some of its new orders have not ramped up due to end-market conditions. The company expects some of these orders to gradually ramp up in the coming quarters.
- Management has indicated that the order conversion of anchor customers is significantly higher, and hence it intends to focus on winning new orders from anchor customers.
- The company has now appointed a business development head, who will focus on new order generation from anchor customers and work on synergy wins within different segments in the company.
- Management has indicated that India business margins are still below their European benchmark standards. The company would continue to look at opportunities to improve India margins to its global benchmark.
- Outlook: Tractor industry continues to see healthy growth and is likely to continue to post 4-5% growth in FY26. Two wheelers are also seeing steady growth. However, PV demand has come off in the recent months. Overall, India auto market is likely to post about 5% growth in FY26.

Europe performance update

- The current revenue run rate for Metalcastello is EUR50m, down from an average of EUR75m in normal times.
- Management is working on reducing its operational costs to the new utilization levels and maintaining its margins at the current levels.
- Europe margins were impacted due to costs that they have incurred for restructuring their operations.
- Management has indicated that Europe demand continues to be weak and the pain in Europe is likely to continue at least for a couple more quarters, and it expects the European PV segment to decline 5-7% in CY25. The ongoing tariff war has only added to the current uncertainty in Europe market. This is likely to further hurt demand in Europe in the coming quarters.

US tariff impact

- The impact of US tariffs on India business is negligible as only 3% of its business from India goes to the US – about INR100m in 1Q.
- From the Europe business, Metalcastello has about 40% exposure to the US. Similarly, about 40% of Bill Forge Mexico sales go to the US. Also, these sales are to US OEMs, which are assembling vehicles in the US.

- Hence, the company does not expect any material direct impact of US tariffs on its operations.
- The indirect impact of this tariff war is a potential slowdown/uncertainty created by supply chain disruption, which is likely to hurt global auto demand in the near term.
- Management has indicated that some of its US customers are considering moving their production from China to either Korea or India. They are exploring such opportunities for growth.
- However, until the tariff arrangements are finalized across nations, there is unlikely to be any clear decision by global OEMs.

Craftsman Automation — Neutral

Current Price INR 5,508

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Overall guidance

- Management has maintained its guidance given in Q3: Rev of INR70b for FY26E, EBITDA at INR11b, and EBIT at INR6.5-7b
- The company expects the Gurgaon land sale to be concluded by Q4FY26, for around INR3b
- Capex guidance for FY26 stands at INR7.5-8b of which about INR5.5b would be invested in the standalone business
- Management does not expect the ongoing tariff wars to have any major impact on any of its key segments. They expect to pass on the incremental tariff pressure as the bulk of their contracts are either FoB or CIF basis

Update on Powertrain business

Traditional powertrain

- The utilization of powertrain business is about 70%, with the peak of about 80-85%
- The traditional powertrain business is likely to post double-digit growth in FY26
- This business has seen improvement in margin in 4Q due to a pickup in the CV business and a revival in tractors. Management is now confident that the worst in the Powertrain business is now behind and expects margins to be better than even Q4 levels for FY26E

Update on New Powertrain Segment

- The new Kothavadi plant has commenced operations from Q1. However, given the long gestation period of these projects, management expects this business to start ramping up from FY27 onwards
- They are confident of achieving INR8b in revenues from this business by FY29-30
- Margins in this business are likely to be at par with the traditional powertrain business

Update on the Aluminum business

Update on Sunbeam

- For 4Q, Sunbeam posted revenue of INR3b with EBITDA at INR230m – lower due to some one-off costs related to restructuring.
- Management expects Sunbeam to clock INR12b revenues in FY26E. It is important to understand that Sunbeam is currently in a stabilization phase under the new owners. Given that it was in insolvency, there were no new projects / new orders from OEMs. Hence, they will continue with the existing

business for a while, and new customer orders are likely to flow in once the business stabilizes operations post-restructuring

- As part of its restructuring, the Gurgaon plant of Sunbeam is now being shifted to Craftsman's Bhiwadi plant.
- Sunbeam is likely to remain tax-exempt for a few years.

Standalone and DRA

- Standalone Al business is likely to grow at a 20% revenue CAGR. This is likely to be driven by the ramp-up of two new plants: Bhiwadi is expected to generate INR3b in revenue in FY26, while Hosur is likely to deliver INR1.5b in revenue in FY26
- In the new alloy wheel plant, they have reached EBITDA break-even in 4Q with INR400m revenue.
- The utilization of the standalone Al business stands at 70-75%. Given the execution of its new orders, this is expected to ramp up to 80-85% by Q2 itself. Thus, they would need to expand capacity from 3Q onwards.
- Management has indicated that DRA can post double-digit growth going forward, viz., 8-10% for FY26 and higher in FY27

Update on Storage business

- The storage segment has also seen a pickup in 4Q.
- The company has made enough inroads in the automated storage solutions business. Further, it has got its pricing right and rationalized product costing.
- Management expects this business to see improved performance even from Q4 levels in FY26E.
- Management expects this business to grow in the high-teens going forward.

Eicher Motors — Sell

Current Price INR 5,307

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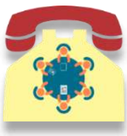

Royal Enfield update

- As indicated in the prior quarters, management continues to focus on absolute growth in profitability. For the same, their focus has been to provide value-added features to customers at affordable price points. They have recently launched new variants of Classic and Battalion Black with a lot of feature additions. While the increase in cost has been passed on, they have not passed on the margins on these products. The same is the case with the launch of the new Hunter, which has seen many feature additions, including assistive clutch, enhanced ride comfort, LED, a better ground clearance, USB charger, etc.
- They have seamlessly transitioned to OBD2 norms and have taken a price hike of 1.15% effective Apr'25 for the same. However, one has to remember that RE has not taken any price hike in FY25.
- RE expects volume growth to continue in FY26 as well. While rural areas continue to see positive sentiments, they are now seeing initial signs of recovery in urban regions, which would bode well for players like RE
- The average age of RE customers in FY19 was around 38-40 years. However, post COVID and post the launch of the Hunter, this has been on a downtrend as Hunter attracts a lot of young customers (avg age for Hunter consumers stands at 24-26 years). Overall, for RE, 30% of its consumers are below 25 years now and about 60-65% of customers are below 35 years age.

- Even the first-time buyer ratio for RE has increased to 19%
- Finance penetration for RE has gradually inched up to 61%
- The top 20 cities contribute to about 18-22% of RE volumes
- Capex plans for FY26 stand at INR12-13b and would be invested in EV manufacturing facility, new product development, etc.
- In exports, RE remains amongst the top 4 brands in many countries globally in the middle-weight motorcycle segment. For instance, it is No 1 in the UK, No 2 in Argentina, and No 3 in Brazil in this segment.
- The launch of the Himalayan in Brazil has received very strong customer reception in the region.
- Given the ongoing uncertainty in global markets, management remains cautiously optimistic on the export outlook.

VECV update

- VECV continued to outperform industry growth, having grown 5% in FY25 Vs flat industry growth. VECV was able to outperform industry growth due to the continuous expansion of its network pan-India.
- Given the favorable demand indicators, management expects the CV industry to grow in FY26 as well.
- VECV is now the market leader in the LMD truck segment with a 36.1% market share. Even in HD trucks, they have achieved the highest ever share at 9.1%. Similarly, their LMD truck market share stands at 37.1%.
- Its margin improvement has been a result of multiple factors like better price management, operating leverage benefits, and reduced discounts.

Endurance Technologies — Buy

Current Price INR 2,537

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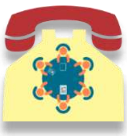

Update on new order wins (excl. BJAUT orders)

- In FY25, ENDU won orders worth INR11.99b, of which INR10.82b were new orders and the balance were replacement orders.
- About 34% of these orders (INR4.11b) came from 4W OEMs.
- Further, about 37% of these orders (INR4.4b) were for EVs. EV order wins since FY22 stand at INR8.35b. Including EV orders won from BJAUT, the EV order book crosses INR10b.
- Of the cumulative INR46.9b worth of order wins over the last three years, INR37.3b were new orders. Of this, ENDU has started SOP for INR14b of orders in FY25 and expects to commence production for another INR10b in FY26.

Update on Suspension

4W suspension

- ENDU has entered into a technical tie-up with a Korean player for 4W suspensions. This Korean player is among the global leaders in suspension systems.
- With this tie-up, many domestic OEMs are showing interest in evaluating their products and hence plant audits are happening currently.
- Currently, ENDU has about three programs in serious discussions, where OEMs are asking them to accelerate development timelines.
- The timeline for the greenfield for this project would be decided in 12 months.

- In its bid to achieve diversification away from 2Ws, ENDU is also working on solar dampers. It has entered into supplying components for racking system in solar panels.
- It has got an initial order from a Spanish company, which is the third largest supplier of solar panels globally. SOP for this project is 3QFY26.
- While the potential is huge, ENDU expects to ramp up gradually. It would start with revenue of around INR250-50m in FY26 and then expects to scale up to INR5-10b in the next 2-3 years.

2W suspension

- ENDU won new orders worth INR2.35b in suspension business in FY25.
- In the Narsapura plant, ENDU aims to grow sales by 80% YoY in FY26, led by new business from HMSI, TVSL, Ather and Ampere. The SOP for inverted front fork order of HMCL for HD will be in 3QFY26 and the same for inverted front fork order for TVS has commenced in Apr'25.

Update on Al casting

- ENDU won new orders worth INR6.1b in FY25 in this segment in both ICE and EVs:
- These orders include orders for its new location AURIC worth INR2.75b, with a peak likely to be reached in FY27. These orders are from Valeo (EV component supplier to MM) and two global OEMs (US and Europe-based) for premium parts.

Update on AL forging business

- ENDU has added another forging press, taking the total presses at AL forgings to four.
- It received new orders for Al forgings from RE and HMCL, apart from the JLR order.
- This is beyond the backward integration project that is ongoing on these presses.

Update on Alloy wheels

- The new alloy wheel capacity of 3.6m units p.a. at Bidkin will commence from 2QFY26.
- ENDU continues to see strong demand from OEMs to ramp up its capacity for alloy wheels.

Update on brakes business

- In brakes, ENDU has been so far supplying brakes for 100cc-800cc motorcycles. It has now started development of brakes for 900cc bikes for a key OEM.
- The dual channel ABS SOP trial runs have begun and SOP is expected in 2QFY26. It has now started in-house assembly of ECU and intends to assemble PCBs in-house going forward.
- ENDU is also in discussions to supply brakes to a leading 4W OEM and hopes to conclude it soon.

Update on transmission business

- ENDU has received orders for clutches from HMCL and RE.
- SOP for these orders is expected from May and Jul'25 and is likely to reach a peak in 4QFY26.
- In drive shafts, ENDU has won business from three 3W OEMs and one order from a 4W OEM. It targets to invest in capacity expansion for this segment to service new orders.

New initiative: Manufacturing of lithium-ion battery packs

- Management had recently announced that ENDU would establish a new facility to manufacture and design lithium-ion battery packs with an initial outlay of INR473m.
- The new greenfield project will be located near Pune, Maharashtra. The facility will produce various configurations of lithium-Ion battery packs designed for mobility applications and battery energy storage systems.
- This initiative is a forward integration for Maxwell and it sees a huge opportunity for growth in this business going forward.
- ENDU intends to design and develop battery packs in-house.
- Some of the USPs of their battery packs are: 1) temperature monitoring system, 2) wire free battery packs.
- Management claims that ENDU's battery packs would be capable of working for more than 10 years without the need for any major maintenance.
- For cell procurement, ENDU is in talks with players from China, South Korea, Japan and even India.
- ENDU is working to provide a big cost advantage to OEMs.

Update on Maxwell

- The company has recently increased its stake in Maxwell to 61.5%. Further, it has entered into an agreement with a minority shareholder to buyout the remaining stake in the company by May'25.
- At Maxwell, its order backlog stands at INR2.5b after removing orders from OEMs, which are no longer in operation.
- ENDU has recently redesigned BMS for HMCL, which has helped to offer significant cost advantage to the OEM.
- The company has recently booked orders for the supply of MCU and IoT, which are likely to commence in 2H.

Update on Europe

- ENDU booked new business worth EUR40.2m in FY25.
- Orders include a large machining order worth EUR5.2m from BMW at Stoferle and other orders from VW, Rolls Royce and JLR.
- While the macro environment remains challenging, management continues to be positive about the outlook for Europe given its healthy order backlog.
- VW has been the fastest-growing OEM for ENDU in FY25 (+60%) on the back of strong order wins in FY22.
- The company's exposure to the US is limited to revenue of about EUR25m. Hence, the impact of US tariffs is limited for ENDU.
- Management has completed the acquisition of Stoferle and would consolidate its financials from 1QFY26.

Other highlights

- ENDU has invested INR6.1b in capex in FY25. It plans to invest a similar amount in FY26 as well, primarily in the Auric plant and battery pack assembly line.
- The company booked INR380m worth of state incentives in 4Q. ENDU has received its eligibility certificate for the next five years from Maharashtra Govt and the total incentive eligibility is INR6.1b (up from INR4.5b in the prior five-year plan). It expects INR650-750m to be booked in FY26. The payout happens

based on the GST the company pays and it is likely to be booked within the first three quarters of the fiscal.

- KTM has now started giving ENDU schedules and expects to commence supplies from Jun'25 onward.

ESCORTS Kubota

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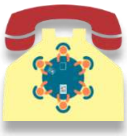

Escorts Kubota — Neutral

Current Price INR 3,311

Domestic tractor business outlook

- Management has indicated that the tractor growth outlook remains positive, with the industry expected to post mid-to-high single-digit growth in FY26 and likely to cross 1m units for the first time.
- On a regional basis, Southern markets are likely to continue to outperform, even in FY26. On the other hand, North and Central markets, which grew 2.5-3% in FY25, are expected to grow at a similar pace in FY26.
- This regional skew remains unfavorable for ESCORTS, given its traditionally weaker presence in the South. The company is expected to focus on strengthening its position in the West and East markets, aiming to grow in line with the industry in these markets going forward.
- While the regional mix remains unfavorable, ESCORTS targets to outperform the industry by addressing product gaps across segments. The company has recently launched the Promax series of tractors to target its presence in the 31-50HP segment, with additional launches under this series expected later in the year. This will help address product gaps in Farmtrac. In the Powertrac brand, the company intends to introduce a tractor specifically designed for paddy applications in the Southern market by Q3FY26. Additionally, a product developed with Kubota is scheduled for launch in Q2. Margin pressures are expected in the near term as the company launches new products with attractive pricing.
- Management expects to sustain margins at FY25 levels in FY26. It does not see any signs of input cost inflation at the moment.
- The acquisition of the new greenfield land in UP is likely to be completed by Q2-Q3FY27, pending a few formalities. Once the land is secured, the project is likely to take around three years for SOP. Localization efforts with Kubota will accelerate post this greenfield.
- Until then, margins are likely to remain at current levels of 11.5-13%.
- Dealer inventory remains comfortable at around 4-5 weeks.
- The current deadline for implementing the Trem 5 emission norms is Apr'26. However, management does not anticipate the norms to be enforced by this date.

Update on Exports

- ESCORTS is now seeing a healthy pickup in exports, having grown 36% YoY on a low base. Almost 70% of its exports are to the Kubota network.
- While end-market demand in exports continues to be challenging, ESCORTS expects to sustain its momentum going forward.
- The company has recently entered Mexico and sees good demand in markets like South Africa, Tanzania, Kenya, Myanmar, Cambodia, etc.
- Management has provided a growth guidance of 20-25% in exports for FY26.

- In the long run, exports are likely to be a significant growth opportunity. Kubota has already highlighted its intent of making India its production hub for global needs.
- Kubota also plans to increase component exports from India. However, it is struggling to finalize high-quality vendors that meet its stringent quality requirements.

Update on the captive financing arm

- The company recently launched its captive financing arm about five months ago, initially testing its systems in select markets of UP, MP, and Bihar.
- The company has invested INR600m so far, with approval to invest INR2b in the first phase, which will increase to INR7b in due course.
- It expects this entity to reach 30-35% finance penetration over the next 3-4 years, after which it expects to see positive spillover effects on ESCORTS' market share.
- It expects its book size to increase to INR1b by FY26 end.

Update on the Construction Industry

- The industry has recently implemented new emission regulations.
- Products that transitioned to Trem 5 from Trem 3 have seen a 10% price increase, while those that have transitioned from Trem 4 to Trem 5 have seen a 7% price increase.
- Given the sharp price increase, demand for the industry is likely to remain muted for FY26.
- Management expects demand to revive from H2FY26 onwards, once the new price hikes are absorbed in the market.
- Management expects margins to sustain at current levels.

Other highlights

- Capex guidance for FY26 stands at INR3.5-4b. Including the expected new greenfield, the same is likely to be around INR8-9b.
- Cash on books currently stands at INR65b. Following the payout from Sona Comstar for the Railways division, the company estimates to end FY26 with around INR75-80b of cash on the balance sheet.

HAPPY FORGINGS LIMITED

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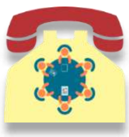

Happy Forgings **Buy**

Current Price INR 956

CV business update

- HFL's CV revenue declined 6% YoY in FY25. While domestic CV truck production was down 4% YoY, BOM sourcing of the industry was actually down 15% YoY in FY25. In Europe, players like Volvo, Daimler, and Iveco have seen 18-20% decline in volumes. HFL supplies to these players through large global vendors like Dana and Meritor.
- Thus, the decline in HFL's CV revenue was a function of a steep industry decline, while HFL continued to outperform industry volumes.
- The domestic MHCV industry is expected to post growth in FY26 on the back of favorable macro indicators. Management has indicated that global CV sales are likely to decline in high single digits in CY25, given weakness in US Class8 segment. Even the Europe HDV market is likely to recover only gradually from current levels.

- HFL is likely to continue to outperform industry growth on the back of its new order wins from large domestic CV players.

Tractors business update

- HFL saw 4% YoY growth in revenues in FY25. However, like in CVs, tractor demand is seeing a severe slowdown in both Europe and North America, with industry majors like John Deere seeing 35-40% YoY decline in volumes.
- HFL has outperformed the tractor industry in FY25 as well.
- The domestic tractor industry is expected to post high-single-digit growth in volumes in FY26E.
- However, the global tractor market continues to see a similar decline QoQ even in 1QCY25, a fifth consecutive quarter of volume decline. Overall, the European tractor industry is likely to post 5-10% decline, while the North America market is likely to decline in double digits. Overall, HFL expects tractor exports to start recovering in 3QFY26. Stock liquidation has already happened from dealers and hence, management expects a recovery by 2HCY25.

OHV business update

- HFL's OHV revenues remained flat YoY in FY25, and its revenue contribution has marginally declined to 12% from 13% YoY.
- Here again, while the domestic construction equipment industry saw 4% growth, exports saw double-digit decline. Demand in key Europe markets like Germany and France declined sharply given the challenges from high finance costs and uncertainty around potential tariff measures.

PV business update

- PV contribution has increased to 4% of revenues in FY25 from 1% in FY24 and is well on track to reach 8-10% in the next couple of years.
- HFL's strategy of providing dedicated production lines to large OEMs is helping it outperform its peers in this segment.
- HFL expects to accelerate PV contribution going forward.
- Exports are expected to contribute meaningfully to PVs from FY26.

Industrials business update

- The segment's contribution has increased to 14% in FY25 from 12% YoY.
- While wind energy contributes to 50% of this mix, the balance is split between oil and gas and industrial gensets.
- Order wins between PV and Industrial stand at INR16b to be executed over the next 5-8 years, with annual peak revenue of INR2.5b. The PV + industrial contribution will then rise to 25% of total revenue.
- HFL's capex of INR6.5b for the large press remains on track to be executed over 2-3 years and will be partly funded through debt. SOP for this press is planned for FY27. These will have applications for large crankshafts, axles, gears, oil and gas valves, power generation, marine, mining, wind energy and defense.
- After the ramp-up at this press, avg ASP at HFL is likely to inch up to INR275-280 per kg from the current levels of INR248 per kg, assuming stable input prices. This business is likely to have much better margins than the current levels.

Impact of US tariffs

- US exposure for HFL is about 5% of revenue and is on CIF basis. Hence, HFL does not see any material impact on the existing business due to the US tariffs provided that the proposed tariff on exports into US is up to 8-10% of imported value.

- The current order wins for HFL for exports are unlikely to be impacted as its products have been tested from its plants and the US does not have such production capacity available.

Update on Capex

- The 6300 T line has already been added in FY25 to cater to new PV order.
- HFL is currently adding a new 4k T press line for the new PV order.
- Another line, including the ring rolling mill, is expected to be operational for industrial end-use in North America with SOP for 3Q or 4QFY26.
- HFL has so far invested about INR5m in the proposed Jammu plant for machining. However, HFL has put this project on hold due to some issues about the terms of policies and the geopolitical uncertainty in the region.
- HFL plans to invest INR4b in FY26 as well, with solar capex at INR1b. This includes INR800m capex for PVs in FY25.
- For INR6.5b of capex to be operational by 3QFY27, 50% of revenue is likely to come from data-center requirements, mining, and marine applications, while the balance would come from oil and gas, defense and aerospace.
- The asset turn for this new capex would depend on the machining mix – for raw forgings, asset turn is likely to be at 1.2-1.3x and for machining, it stands at 1x. ASP from this large press is likely to rise to INR600 per kg. Thus, margins are likely to be much higher than the current levels for this press.

Hero MotoCorp — Buy

Current Price INR 4,178

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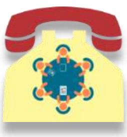

Domestic 2W industry update

- Management expects the 2W industry to post 6-7% YoY growth in FY26, largely similar to FY25.
- Management also expects to outperform industry growth in FY26, backed by its upcoming new launches.
- They had taken a planned shutdown in four plants (Daruhera, Neemrana, Gurgaon and Haridwar) in Apr'25 for around five days to resolve supply-chain issues, which they timed with maintenance activity. However, the shutdown did not impact retails as HMCL clocked 500k units of retails in Apr'25. This did not also hurt channel inventory, which is now at 4-5 weeks and is likely to remain here going forward. This issue has now been resolved and production is back to normal from May'25 onward.
- HMCL has seen replacement demand bounce back to 11% from 6% QoQ in 4Q. This used to be around 18-20% before Covid.
- The company's spare parts and accessories business has been gradually scaling up on the back of improving penetration and expanding portfolio to products like Tyres and batteries. HMCL aims to grow this business profitably. Its second global spare-parts centre is expected to come up in its Tirupati plant in the near future.

Update on EVs

- HMCL has now started to see a pick-up in traction for Vida products from 4Q, and the company ended the quarter with a 7% market share. In fact, HMCL has close to 20% market share in almost 60 towns now.
- It will continue to focus on improving market share in this segment.

- HMCL has lined up two new affordable EVs, both of which are likely to be launched in Jul'25 to fill up the product gaps. These new products will help to accelerate EV growth in the coming quarters.
- Management believes, at 25-30k monthly sales run rate, it can achieve break-even in EVs. This is, however, likely to take a couple of years, as per management.
- HMCL expects PLI approval for Vida Pro by Jul'25. It will soon file application for PLI approval for other models as well.

Update on Exports

- In FY25, exports grew 43% YoY over a low base, 2x of industry growth. Markets like Bangladesh, Columbia, Nepal and Mexico are driving strong growth for HMCL.
- Almost 40% of its exported models belong to the premium segment.
- HMCL continues to be aggressive on export growth and remains confident of outperforming industry growth going forward.

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Hyundai Motor **Buy**

Current Price INR 1,835

Outlook

- Domestic PV demand remains challenging. Management is hopeful of a pickup in demand given the recent rate cut by the RBI and the tax incentives provided in the budget. However, SIAM has forecast 2% growth for PVs in FY26E and HMI aims to grow in line with the industry.
- Management has indicated that given the weak demand in the market, discounts continue to be high. Their strategy would be to launch new variants with better features and try to create excitement in the market while protecting its profitability.
- HMI targets to launch 26 products (combination of new and refreshes) by FY30, of which 20 would be ICE and six would be EVs.
- The product launches are expected to commence once HMI starts production at its new Pune facility, which is expected by 3QFY26. HMI targets to launch almost eight models during FY26-27E.
- The company plans to launch new eco-friendly powertrains like hybrids in the coming years.
- HMI has provided capex guidance of INR70b for FY26. About 40% of capex would be invested in the Pune plant and around 25% in new product development.

Exports outlook

- Management expects to post 7-8% YoY growth in exports in FY26.
- HMI is emerging as an export hub for Hyundai Motor Co. (HMC) for emerging markets like the Middle East, Africa, South Asia and Latin America. HMI aims to become HMC's largest production hub outside of South Korea.
- HMI has recently introduced Venue in markets like Indonesia, Yemen, Bhutan, etc. Similarly, the company launched Creta EV in Nepal. It has also launched the new Alcazar in the Middle East and Africa. After the EV launches, HMI may get opportunities to export them to emerging markets.
- The company is also exploring advanced regions like Australia.

- In the long run, HMI intends to increase its export mix to 30% by 2030 from the current 21% levels.

Other highlights

- The revenue beat was a key factor driving its outperformance in 4Q. Revenue growth was driven by: 1) a 4% QoQ increase in ASP, led by an improved mix in both domestic and exports, a price hike, and reduced discounts; 2) higher govt incentives in 4Q. HMI increased prices by 0.6% in 4Q. Discounts were down 60bp QoQ at 2% of revenue. Further, the additional TN incentive in 4Q QoQ stood at INR1b.
- SUVs now contribute to 69% of HMI's domestic volumes. On the other hand, the contribution of hatchbacks and sedans has fallen to 20% and 12% in FY25, respectively.
- Management does not expect the demand for hatchbacks and sedans to bounce back given: 1) rising aspiration of customers for SUVs, 2) micro SUVs eating into demand for hatchbacks and sedans.
- HMI continues to drive the premiumization trend in India. It now has a total of 675k connected vehicles plying on Indian roads, with ADAS penetration of 14% and sunroof penetration of 53%.
- The adoption of dual-cylinder technology has helped HMI increase CNG penetration to 13.2% in FY25 from 11.5% in FY24.
- EV contribution for HMI stands at 1% after the launch of Creta EV, which has received a strong response.
- Its upcoming Pune plant would be capable of producing both ICE and EVs, depending on market demand. However, its near-term performance after the plant commercialization is likely to be impacted by start-up costs.
- HMI's localization has now improved to 82% in FY25 from 78% in FY24. So far it has done localization for over 1,200 components over the last five years. For EVs, it intends to begin with the localization of battery pack assembly. Later, HMI may tie up with lithium-ion cell suppliers in India. With improving localization, HMI could qualify for PLI incentives in the coming years.
- Management has indicated that Creta EV is margin positive currently. Given that the EV penetration is currently low, it is unlikely to impact margins.
- Government incentives that HMI receives include: 1) tax incentives, 2) clean energy incentive of INR250m that come in 4Q each year, 3) capital subsidy started in FY25 once HMI achieved MOU conditions on investment and manpower obligations – this was INR750m in FY25. While the tax incentive is valid till FY32, the other two subsidies are valid for 20 years after the commencement date, subject to fulfilment of certain conditions as per the MOU.
- The board has declared a dividend of INR21 per share, which translates into a payout ratio of 30%. HMI intends to come out with a dividend payout policy soon.

Mahindra

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Mahindra & Mahindra — Buy

Current Price INR 3,044

Auto update

- In the <3.5T segment, MM's market share improved 290bp YoY to 51.9% in FY25.
- The Auto segment delivered ROCE of 45.2% in FY25.
- MM targets to launch a new platform on 15th Aug (capacity creation of 120k units in Chakan), details of which will be shared then.
- LMM posted revenue of close to INR30b for FY25 and is profitable.
- Management remains optimistic about the continued outperformance to the UVs industry, even in FY26. It expects incremental growth to be driven by full-year launch benefit for Thar Roxx and XUV 3XO, along with contribution from the recently launched EVs.
- Following recent launches, MM has outlined a product roadmap to launch seven ICE SUVs (two mid-cycle enhancements), five BEVs, and five LCVs (two of which will be EVs) by 2030. Of this, in CY26, it targets to launch three ICE SUVs (two mid-cycle enhancements), two BEVs, and two LCVs (one of which will be EVs in the <3.5T segment). Management has confirmed that the new SUV expected to be launched in CY26 will not be a five-seater.
- MM's exit capacity for UVs in FY25 stands at 61.5k units, with plans to increase it to 6+9k units in FY26 and 85k units in FY27. Further, the company is planning a greenfield project to meet future requirements beyond FY28.

EV update

- In terms of revenue market share, MM has already secured the No. 1 position in both e-SUVs (37.2%) and e-PVs (33.1%) in Q4FY25.
- Of the current order backlog, almost 75% of the orders are for the top variants of the two models (Pack 3). However, management acknowledged that to scale up EV volumes, it will need to introduce Pack 1 and 2 variants in the coming months. However, the mix is unlikely to change for Q1FY26.
- The mix between the two vehicles is split as 60:40 in favor of XE 9E.
- Management indicated that it is not seeing any major cannibalization in EVs. It is attracting a considerable number of new customers who would not have considered purchasing an MM vehicle otherwise.
- One of the reasons for the initial tech glitches during the launch was MM's decision to upgrade its software for safety concerns, based on feedback received during test rides. This upgrade took longer than initially anticipated, which also contributed to the missed customer delivery deadlines.
- Currently, MM is quoting a waiting period of approximately four months but is not committing to specific delivery timelines, as it is in the final stages of implementing its software upgrades.
- Based on its launch experience, the company has deliberately slowed down vehicle deliveries. Apart from the software upgrade issue, vehicle delivery is currently taking at least two hours at dealerships, and there is insufficient trained manpower to handle the volume. Hence, the company has slowed down its deliveries to ensure a smooth customer experience.
- The cells used in both models are fungible, allowing MM to scale up any of the models depending on demand conditions.

- Currently, MM is producing EVs for MEAL based on contract manufacturing. The fixed cost sitting in MEAL is limited to the marketing team at this stage.
- Depreciation for both models is now fully captured starting from Q4.
- MM has already applied for PLI certification and is confident of securing it by Q2FY26. It has not accrued any PLI benefits so far.
- In order to comply with CAFÉ norms based on the available data, MM will need to achieve 25% EV mix by the deadline.

FES segment update

- MM's tractor market share improved 180bp YoY to 41.2% in Q4 and 170bp to reach a record high of 43.3% in FY25.
- Management has guided for a high single-digit growth for the tractor industry in FY26. It also expects to outperform the industry, driven by its favorable market mix (good demand seen in its strong markets of South and West).
- The Farm machinery segment posted 18% YoY growth to INR10b in FY25, becoming the second-largest player in this segment. Adjusted for farm machinery, the core tractor segment's margins expanded 300bp YoY to 19.7% for FY25.
- Tractor margins have expanded 220bp YoY to 18.4%, led by: 1) operating leverage benefit and 2) a favorable model mix, as the Southern States performed well.
- The tractor segment delivered RoCE of 53.7% in FY25.

Update on global farm subsidiaries

- Of its global farm subsidiaries, the ones in Turkey, Brazil, and Magna continue to make steady progress. However, macro-headwinds in each of its markets resulted in an aggregate loss of INR1b in FY25. These are expected to bounce back when the market revives.
- However, two other subs—MAM, Japan and Sampo—are seeing severe headwinds. As such, MM has taken a write-off of INR6.5b (INR2.9b in MAM and INR3.7b in Sampo), which is reflected in standalone financials.

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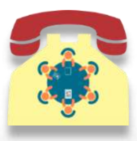

Maruti Suzuki — Buy

Current Price INR 12,123

Key reasons for margin disappointment in 4Q

- MSIL's 4Q margins have been hit by multiple factors which include: 1) start-up costs related to new plant SOP (30bp), 2) increase in input costs (20bp), 3) adverse mix towards higher car sales, lower CNG sales and lower exports (40bp), and 4) higher promotional spending towards Auto Expo and IPL (30bp).
- Further, a few other expenses were lumpy in nature in 4Q (90bp) and included higher CSR, repairs & maintenance, and higher digitization spending incurred during the quarter.
- The impact of higher costs was partially offset by lower discounts QoQ (40bp) and operating leverage benefits (40bp). The estimated discount per vehicle stands reduced to INR24.4k Vs INR30.9k QoQ.

Why should one consider these one-offs?

- We note that most of the increase in costs for Q4 are operational expenses. However, given the lumpy nature of these expenses, these should be considered one-off for 4QFY25 (on a quarterly run-rate basis).

- For instance, as highlighted above, other expenses rose 90bp in 4Q due to the lumpy nature of a few costs items which include: 1) CSR spending: CSR provisioning was sharply higher in 4Q relative to quarterly run-rate and will normalize from Q1 onwards, 2) digitization spending and R&D: higher digitization spending was incurred in 4QFY25, which will not recur in 1QFY26, and 3) repairs & maintenance – most of these expenses usually are incurred in 3Q but got spilled over to 4Q this time, adding to the already elevated costs.
- Further, higher promotional spending towards Auto Expo will not recur in 1Q.
- We estimate the impact of such lumpy costs at 90bp for Q4.

Factors that one should be wary of from here on

- One has to note that the start-up-related costs of the new plant are likely to continue at least for one more quarter and then normalize as volumes ramp up
- Further, given the safeguard duty imposed on steel imports, steel players have started taking price hikes now. Hence, steel costs are likely to rise in coming quarters, unless the safeguard duty on steel imports is revoked. However, these would be partially offset by the reduction in other commodity costs, including Copper, and price hikes taken by OEMs.

Key growth drivers from here

- Demand continues to remain weak in the PV industry. The industry is expected to grow at a modest 1-2% for FY26e and MSIL expects to outperform the same on the back of its new launches.
- MSIL has lined up two new launches: the recently unveiled e-Vitara and one more SUV
- For MSIL, strong export growth has helped cushion the weakness in domestic demand. In FY25, MSIL posted an overall 4.9% YoY volume growth largely led by exports which grew 17.5% YoY.
- As per management, this export momentum would be sustained even in the coming years. MSIL expects to post at least 20% YoY export growth for FY26e.
- One of the key growth drivers for exports for FY26E is expected to be the launch of e-Vitara in Suzuki and Toyota's key markets. The company aims to sell 70k units of e-Vitara in FY26E, and the bulk of them through exports.
- However, one has to note that the demand momentum for key export models like Jimny and Fronx is also likely to be strong in the current fiscal.
- Overall, next year's growth is likely to be driven by exports, SUVs, and a further increase in CNG penetration and hence these would help cushion margin headwinds for FY26E.

Incremental details on operational performance

- Mix was adverse for MSIL for 4Q as SUV contribution for them reduced to 36.8% from 39.7% QoQ, CNG sales contribution came down to 33.7% from 36.1% QoQ. On the other hand, hatchback sales contribution increased to 42.7% from 39% and mini sales mix increased to 7% from 6%
- Management has indicated that the company is fairly localized in terms of steel procurement and it sources ~85-90% of its requirement from domestic markets.
- Forex was also favorable in 4Q and led to a 20bp benefit. However, MSIL has taken this gain in other income given these are hedging gains.

Other concall highlights

- The PV industry has seen a moderation in growth in FY25 to 2.5% YoY from 8.4% in FY24, reaching annual sales of 4.3mn units. The slowdown has been due to a high base, and affordability issues, especially in the small car segment.

- Management has indicated that almost 88% of the country is not participating in the car growth story which is the reason entry-level cars are not growing.
- SUV preference in India has increased to 55% with another 10% mix coming from MPVs. On the other hand, hatchback contribution has come down to 23.5% in FY25 from 46% in FY19.
- In terms of powertrain mix for the industry, CNG contributed 18%, diesel 19%, hybrid 2.4%, and EV 2.7%.
- MSIL dispatched 24.3% of its domestic sales by rail in FY25, up from 21.5% YoY.
- In India, 7 of the top 10 models sold in FY25 were from MSIL.
- In 4Q, MSIL posted 3.5% YoY growth in total sales largely driven by exports (domestic +2.8%, exports +8.1%).
- MSIL has a 48.4% market share in exports for 4Q. Export revenue for 4Q for MSIL stood at INR55b.
- Royalty stood at 3.5% of revenue.
- The company's subsidiary, SMG, posted INR1.5b PAT in FY25.
- Discussions around CAFÉ norms are in the final stages and management expects the policy to be rolled out within the next couple of months.
- MSIL continues to have a multi-fuel strategy to achieve emission regulations. Management has indicated that the cost of decarbonization is expected to be the lowest for MSIL relative to peers.

Motherson Wiring — Buy

Current Price INR 59

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- MSUMI is progressing through various stages of completion for three new greenfields: 1) Pune plant – SOP for EV + ICE plant commenced in Q2FY25, while the EV-only plant began operations in 4QFY25; 2) Navagam (Gujarat) plant – SOP for the EV-only plant is expected by 1QFY26, followed by the EV + ICE plant by Q2FY26; 3) SOP for the Karkhoda plant is scheduled for Q2FY26.
- These are sizeable plants with a peak combined revenue potential of INR21b, i.e. 25% of MSUMI's FY24 revenues. The company has secured business from large Indian OEMs, including MSIL, M&M, and TTMT, for its upcoming new model launches in the coming years. Management has also indicated that MSUMI remains the preferred supplier for new-age vehicles by MSIL, MM, and TTMT.
- The EV mix of total revenues stood at 4% for Q4FY25.
- Capex guidance for FY26 stands at INR2b. The company has invested about INR400-600m in each plant, excluding the cost of land and buildings that are leased from SAMIL.
- MSUMI is a supplier for nine out of the top 10 selling PV models in FY25.

Samvardhana Motherson — Buy

Current Price INR 156

- Management has indicated its next five-year growth aspiration – to achieve USD108b in revenue (from current USD25.7b).
- SAMIL has outpaced industry growth by 15% in FY25, driven by content growth and M&A. In FY25, revenue from assets acquired post FY24 stood at INR85.7b. It delivered 8% organic growth in FY25.

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Samvardhana Motherson

- Revenue from aerospace division surged 5x in FY25 to INR17.5b and is poised for stronger growth going ahead as it is now a Tier 1 supplier for AirBus. Its booked business in this segment stands at USD1.3b.
- In the Consumer Electronics division, of the capex committed of INR26b, it has invested INR10b in FY25 and expects to invest bulk of the balance in FY26. Its first pilot plant has become operational in Nov'24 in record time and has been well received by customers. The second plant is expected to be operational in a couple of months. The large mother plant will be operational from mid-FY27, when a sizeable ramp-up of this business is expected.
- The Vision systems vertic al has made critical inroads in the supply camera monitoring system in CVs.
- At Yachio, the company has started supplying to customers apart from Honda. It would not look to supply to German and North American OEMs in the coming years. Even the fuel tank business of Yachio is seeing a resurgence in demand given a sharp demand uptick globally for hybrids.
- 14 greenfields are in various stages of development, of which nine are expected to come on stream in FY26.
- Management has earmarked a capex guidance of INR60b for FY26, of which 50% would be for organic growth and balance for maintenance. Almost 70% of the organic growth capex would be invested in non-auto business.
- Working capital increased in 4Q due to higher inventory and receivables led by pre-buying and build-up of safety stock in anticipation of evolving trade dynamics.
- Net Debt to EBITDA stands at 0.9x. Effective net debt reduced to INR97.9b, with Net Debt / Equity at 0.9x.
- Management has indicated that majority of its components are USMCA compliant and hence it does not see any material financial impact due to the ongoing tariff headwinds. Also, given that most of its facilities are close to customers, it does not have material direct impact from the same.
- SAMIL is investing in setting up printed board assembly (PCBA) lines for automotive application in India, as means for backward integration. It has indicated that it already have 15 lines operational globally and has expertise of the same. It would also look to explore such opportunities in the non-auto space going forward.
- In response to the increasing complexity in the global automotive supply chain, regulatory shifts, and broader market volatility, SAMIL has announced a strategic cost optimization initiative aimed at enhancing operational efficiency across its European operations. These measures aim to reduce a cost block of EUR50m per annum once fully implemented over the next three years.
- It has taken an enabling resolution to raise debt of up to INR85b.

SONA BLW

SONA BLW Precision — Neutral

Current Price INR 528

- Revenues are down YoY due to the model change-over at one of its largest customers. However, the new model has been launched in March and it is expected to ramp up to normalcy in the coming months.
- Dependence on ICE products has reduced to 9% in FY25.

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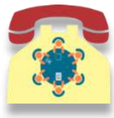

- Integration of the Escorts Railway division is expected in Jun'25. After factoring in the Escorts Railways division integration, the proforma regional revenue mix would stand at: India: 43%, North America: 33%, and Europe: 19%. On a segmental basis, Autos would contribute to 70%, non-autos to 30%
- They have won new orders worth INR47b in FY25 and the net order win stands at INR242b (6.8x FY25 revenue). EV mix in this order book stood at 77%.
- New order wins in Q4 include: 1) a large order from a new-age North American EV OEM (existing customer) for rotor embedded differential sub-assembly and epicyclic geartrain worth INR15.2b with SOP for 4QFY26, and 2) a steering bevel box for CVs from an existing global OEM worth INR1.1b with SOP for 3QFY26.
- They are also planning to look at opportunities in new areas like humanoid robots. As per expert estimates, the humanoids market is likely to surge to 10m units by 2035. In this, Sona is looking at working on components that would contribute to about 50-60% of its BOM cost worth USD35-50k which includes components like reducers and Gears, sensors, motors, controllers, embedded hardware, software, etc.
- Given that battery charging speed and battery cell prices are both falling materially, management expects BEVs to achieve price parity with ICE in major regions by 2030. Hence, a rising transition to EVs appears inevitable, according to the management.
- Traction motors and differential assemblies for EVs remain its fastest-growing products at present.
- The company is going ahead with its first phase of investment (under USD10m) in Mexico (a Mexico-based company) despite the tariff-related uncertainties. The end product of the customer is not on the list of products that attract tariffs currently.
- Given the uncertainty of the EV transition, management has started receiving new RFQs for ICE components. In 4Q, the company won a couple of large starter motor orders for ICE vehicles.
- SONACOMS started supplies of the suspension motor in 4QFY25 to Neo and the response has been very good. The company continues to receive a lot of inquiries from other OEMs for the same.

The US tariff impact

- SONACOMS generates ~40% of its revenue from North America.
- It has identified about 3% of its revenue contribution from products that may see some risk due to the US tariff impact. Most other products have low to negligible risk currently.
- Further, management reiterated that it is not easy to change supply chains overnight and that it's a multi-year process.
- The indirect impact from the US is likely to result in a slowdown in end markets and disrupt the global supply chain in the short term.
- Additionally, the restriction on the supply of rare earth metals from China is expected to cause further disruptions in the EV supply chain in the near future. While the company sees no immediate impact given it has adequate stock, it would need to address this situation soon.
- However, the positive impact is possibly the fact that this will also drive a lot of consolidation in the market and this would lead to strong players emerging as winners in the long run.

TATA MOTORS

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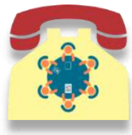

Tata Motors — Neutral

Current Price INR 710

Tata CV business

- In domestic CVs, TTMT has lost 210bp market share to 37.1%, as per Vahan retail data. However, one has to note that this entire loss has been on account of its market share loss in the SCV segment, where it has lost 380bp share to 30.5%. On the other hand, while its share in MCV and HCV has remained stable, it has gained share in the bus segment by 110bp to 37.6%.
- In 4Q, CV segment margins remained stable YoY at 12.2% but were below our estimate of 12.8%. CV margins remained stable QoQ despite the 10% volume growth. Margins were impacted by higher employee costs and higher product development expenses.
- For FY25, CV segment margins improved 100bp to 11.8%. Margin improvement was driven by pricing discipline and 20bp benefit received from PLI incentives.

Outlook – CV business

- Most of the key demand indicators for the industry remain positive, which include: 1) average utilization increased by 2-5% QoQ in 4Q; 2) freight rates improved by 1-2% QoQ in 4Q; and 3) tipper sentiment index improved marginally, while the same for HCV trucks, ILCVs and SCVs remained stable. On the back of these factors, management expects CV industry to post single-digit growth in FY26. Within this, management expects MHCV and bus segments to do better than ILCVs and SCVs.
- The implementation of DFC along the Western corridor is likely to shift container cargo in the region to Railways. Hence, demand for tractor trailers in this region is likely to decline. However, CVs would be needed for last-mile connectivity in the hub and spoke model, and hence overall, there is unlikely to be a major impact on CV demand due to DFC, as per management.
- Input costs are likely to rise marginally in coming quarters given increase in safeguard duty on steel as also rise in Cu prices.
- As per regulation, new trucks would be mandated with AC cabins wef 8th Jun'25. Implementation of this is likely to drive price hikes to the tune of 0.5-0.6% for HCVs and slightly higher at 1.2% for ILCVs. This is also likely to reduce fuel efficiency of vehicles. However, TTMT would aim to provide upgraded products with enhanced features, driving up the value proposition for customers.
- TTMT management remains focused on recovering lost market share in SCV segment. They would soon be launching Ace Pro in 2QFY26 to gain share.

Tata Motors PV business:

- TTMT PV segment has seen 50bp YoY decline in market share to 13.2% in FY25. Bulk of this decline is due to the decline of its share in the hatchback segment, where its models like Tiago and Altroz are now over five years old.
- While the CNG industry has posted 30% YoY growth, TTMT has outperformed the same and grown 60% YoY in CNG. As a result, CNG contribution in its PV mix has increased to 25% in FY25 from 16% in FY24.
- TTMT's PV segment margins remained stable QoQ at 7.9%, in line with our estimate.
- For FY25, PV segment margins improved 40bp YoY to 6.9%. Full-year margins were boosted (+70bp) by INR2.5b worth of PLI incentives.
- For FY25, PV ICE segment margins declined 70bp YoY to 8.1%, while EV margins improved to 1.2% (from -7.1%) YoY.

Outlook - PV business

- Industry demand for FY26 is likely to remain moderate, as in FY25.

- TTMT would target to outperform industry with its new launches, which include: 1) mid-cycle upgrade of Altroz to be launched this month and the recently launched upgrade of Tiago; 2) full-year ramp-up of Curvv and Nexon CNG; 3) Safari and Harrier with multi-powertrain options including gasoline; 4) Sierra ICE launch; and 5) Harrier + Sierra EV launch.
- While competition is likely to rise in EVs, TTMT would target to maintain its market share above 50% levels.
- In the entry segment (<INR 12L segment) in EVs, TTMT enjoys a dominant 75% share with its Tiago and Punch models. However, the INR12-20L segment is the one which is seeing the most disruption from competition and it is this segment where TTMT's share has reduced to 33%. One other emerging segment is the >INR20L segment, which is likely to see steady rise in contribution in the coming years. The 4th segment is the fleet segment where they need to introduce EV products, which can compete effectively with CNG and have an adequate range.
- For TTMT to be CAFÉ-compliant based on current understanding, they would need to have 10% EV penetration. For TTMT, EV penetration already stands at 11% and hence they are well placed to meet upcoming CAFÉ norms.

Other highlights

- Overall, the standalone business delivered FCF of INR69b after incurring a capex of INR84b in FY25.
- The consolidated entity now has a net cash balance of INR10b from net debt of INR160b in FY24.
- Consolidated capex for FY26 is likely to be in line with the same done in FY25: JLR at around GBP3.8b and standalone at INR84b. Like in FY25, management expects this capex to be funded by internal accruals.
- The board has recommended a final dividend of INR6 per share, flat YoY.
- TTMT has got NCLT and shareholder approval for its demerger process. The appointed date for the same is in Jul'25 and the effective date is in Oct'25.
- Tata Finance merger with Tata Capital has concluded as planned.

Result Highlights – JLR

- JLR 4Q operational performance was largely in line with our estimates, with EBITDA margin coming in at 15.3% vs. our estimate of 15%. In fact, EBITDA was 5% below our estimates due to a miss on revenues.
- Revenue was 7% lower than our estimate at GBP7.7b due to lower ASP, which was impacted by adverse mix. The contribution of top 3 models (RR, RR Sport and Defender) fell to 66% in 4Q from 70% QoQ.
- One of the key factors that led to sustained margin pressure in 4Q was a sharp rise in VME to 5% for 4Q from 2.6% YoY.
- For FY25, JLR margins declined 160bp YoY to 14.3%. Margins were down YoY despite a strong product mix due to higher VME and higher warranty costs.
- JLR delivered FCF of GBP1.3b for 4Q and of GBP1.5b for FY25 (post capex of GBP3.8b).
- Overall, RoCE for FY25 reduced 190bp YoY to 19.4%.
- JLR now has net cash of GBP278m as of FY25 vs. net debt of GBP1.1b in Q3FY25.

Outlook – JLR

- JLR is currently facing significant uncertainty due to the tariffs levied by the US globally on automobiles.
- While the US-UK FTA has been a welcome agreement and helps to lower tariff from the earlier proposed levels, the tariff on JLR-made vehicles exported to the US is expected to still rise to 10% from the current level of 2.5%.

- Further, in the absence of any trade deal between Europe and the US, JLR cars produced in Slovakia (Defender and Discovery) are likely to face 27.5% duty when exported to the US.
- It is important to remember that North America has been the fastest growing market for JLR in FY25 (up 22%), at a time when other markets were seeing weak demand. As a result, contribution of North America to JLR sales for FY25 increased to 32% from 26% YoY. With this sharp increase in tariffs, we expect demand for JLR vehicles in the US to taper down, at least in the near term.
- We also note that JLR (like other OEMs) had pushed vehicles to the US in 4Q in order to get dealer stocks in place ahead of the tariff implementation. This would mean that 1Q wholesales are likely to be weak.
- Further, China demand continues to be under pressure.

Tube Investments — Buy

Current Price INR 3,084

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Engineering division

- TII has improved its market share in this division in FY25.
- Margins have been under pressure due to startup costs of the new Nashik facility. Given the safeguard duty imposed on steel, demand for CRSS is likely to rise; hence, TII expects this facility to fully ramp up by 3Q/4QFY27.
- This facility has a capacity of 4k tons per day. TII would look for further expansion, if needed, at a later stage.
- After the ramp-up of this plant, TII expects margins to improve from 2HFY26 onward.
- TII maintains its guidance of double-digit growth in this business going forward.
- Capacity utilization, excl. the two new plants coming in Nashik and Phaltan, stands at 80%
- Given the new capex, TII does not foresee the need for additional capex for next 1-2 years.

Metal formed division

- Margins have remained weak in this division due to a weak ramp-up in Railways.
- However, this division has won a large railway order worth INR10b to be executed over seven years, and it will commence in 4QFY26.
- This new order will help TII get back business momentum and revive margins for the business, as per management.
- Utilization in this business stands at 85%. TII is investing in capacity ramp-up at the Phaltan plant, which will be enough for its requirements for the next two years.

TI Clean Mobility

- Adjusted for one-off from fair valuation of CCPS, PBIT loss for this division stood at INR1.1b in 4Q and INR4.1b in FY25.
- TII is currently working toward being EBITDA positive for at least two of the EV segments (viz. truck and 3W) in FY26 on the back of a pickup in volumes.
- This business currently has cash of INR9.4b; hence, TII would not need any fundraising for the next 1.5-2 years.
- TII targets for each of its business segments include: 1) to reach USD1b in revenue over next 3-4 years; 2) EBITDA break-even, 3) to be among top 2-3 players in each segment.

3W EV

- One of the USPs for TI 3W PVs is that TII continues to offer the highest range in the category.

- When TII launched its products, it came up with features unique to the market. These features have over time been copied by competition. TII now expects to launch variants of its existing products with first-in-class consumer-centric features.
- TII has had among the highest battery capacity in the segment at 10.2 kwh, and hence, its products have been expensive relative to competition. It targets to come up with lower battery capacity and launch products in line with competition.
- TII is also looking to indigenize micro controllers in-house, and the company would be among the select few in the industry with such capability.
- Its premium positioning in the market remains unchanged and customers are willing to pay a premium for its products, as per management.
- TII sold 1,662 units of 3W EVs in 4Q, up from 1,800 units in 3Q. In FY25, TII sold 7,334 units, up 116% YoY, relative to industry growth of 91% YoY in L5 segment. Hence, it has continued to outperform the market.
- TII currently has 85 dealers and plans to take this number to 120+ by FY26 end.

E-SCV segment

- Currently, two dealers are operational and TII targets to increase this count to 25 dealers across India by FY26 end.
- The company sold 14 units in 4QFY25.

E-tractors

- Currently, four dealers are operational, which TII plans to increase to 25 dealers across India by FY26 end.
- TII sold 17 units in 4QFY25.

IPTL – e-trucks

- This division saw its best-ever quarter with sales of 65 trucks.
- As of FY25, 205 EV trucks have been deployed in the market, of which 172 are from IPTL.
- TII continues to adopt a direct selling model in this business.
- One of the key learnings in this business is that the lead time for sales is very high in trucks business given that multiple stakeholders are involved, including customers, financiers, charging infra, etc.
- Medical devices
- This division reported a loss in 4Q as the export ramp-up did not happen on expected lines.
- TII has applied for CE certification in Europe, which is taking longer than expected. It expects to receive this certification within a couple of quarters, after which TII expects exports to ramp up as planned. After this, the division can be back in profitability.
- TII continues to explore inorganic growth opportunities in this space.

Other highlights

- Capex guidance for FY26 stands at INR3b for the core business. Beyond this, TII would look to invest in growth opportunities in TI Medical, CDMO and others.
- For any new business, TII targets RoCE of 25% on stable operations.
- Mobility division: This division is already in black and TII expects to focus on exports for this business for sustainable growth.
- CDMO: Construction for the new plant has started and is expected to be operational from 3Q or 4QFY26. Management expects this business to materially ramp-up from FY27.
- Write-offs taken in 4Q: TII has taken a write-off toward investment of INR157m in Moshine Electronics. It has done this as the margin expectations from this business have not been met. TII has also taken a write-off in Aerostrolvilos

Energy Pvt Ltd of INR35m. This was an investment in a start-up, which is not ramping up on expected lines.

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TVS Motor Company

TVS Motors — Neutral

Current Price INR 2,717

Update on PLI

- In Q4, TVSL realized PLI benefits for the entire year. Adjusted for the PLI benefit, revenue stood at INR93.4b and its margin was in-line with our estimate of 12%. Including the PLI benefit for Q4, the margin would stand at 12.5%.
- TVSL has also applied for PLI benefits for its 3W EV segment and expects approval shortly.

FY26 outlook

- According to management, the rural market, which posted healthy growth in Q2 and Q3, witnessed some slowdown in Q4FY25. Even in April, urban growth outpaced rural growth.
- The 2W industry is witnessing flat sales on a YoY basis in April.
- However, with the upcoming marriage season in May-June and favorable sowing patterns across India, management expects rural demand to revive over the coming months.
- Management expects 2W industry’s growth rate to remain moderate in Q1, given the high base of last year. For FY26, it expects 2W growth to be similar to FY25 levels.

Update on the exports momentum

- The company is seeing strong demand from Latin American market, and the Sri Lankan market is also beginning to open up.
- However, growth challenges persist in the Middle East.
- Management believes that while the African market remains weak, it likely bottomed out in FY25 and is expected to pick up in FY26.
- As a result, management expects 2W exports to post healthy growth in FY26.

Update on TVS Credit

- The book size of TVS Credit improved to INR26.5b. For FY25, TVS Credit posted a strong 35% YoY growth in PBT to INR10.3b.
- GNPAs for FY25 were under control at 2.9%.
- Management acknowledged that financing has become somewhat tighter in 2Ws. However, it continues to focus on driving quality growth.

Capex and investment guidance

- For FY25, capex stood at INR18b, primarily allocated toward new product development (ICE + EVs and 2Ws + 3Ws), tech-related investments, and some capacity addition, primarily for Jupiter 110, given the strong market response to the new model.
- Investments in subsidiaries for FY25 stood at around INR21b. For FY26, investments in subsidiaries are likely to be at similar levels, with a focus on TVS Credit, Norton, and the e-bike subsidiary.
- Norton is likely to launch new products by the end of FY26.
- According to management, these are long-term investments that are expected to yield strong results, and there is currently no need to provide for any write-offs in any of these investments.

Other highlights

- For FY25, TVSL continued to outperform, posting a 9% YoY growth in the 2W ICE segment, compared to the industry growth of 7%.
- In exports, TVSL grew 23%, ahead of the industry growth of 21%.
- The recently upgraded Jupiter 110cc has been well-accepted in the market, and management is exploring ways to fully leverage its potential going forward.

- TVS I Qube is now available at 950 dealers across India.
- TVSL's 3W EVs have been well-accepted in the market, according to management. However, the product has been launched only in select markets in the North and East so far. The L5 3W EV market is growing rapidly and has already reached 28% penetration. As with 2Ws, TVSL aims to remain a prominent player in 3W EVs.
- Spare parts revenue for Q4 stood at INR9.1b. Exports revenue for Q4 stood at INR23.9b.
- EV revenue for FY25 stood at INR33.64b, and the same for Q4 stood at INR8.9b.

CAPITAL GOODS

- **Management maintains a positive outlook across key sectors, including power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capital expenditure is starting to pick up, while private sector inquiries are expected to materialize in coming quarters. In the defense sector, management commentary remains highly optimistic, forecasting a ramp-up in order inflows in the near term on account of emergency procurement, as well as for the medium-to-long term led by both base and large ordering. In the powergen industry, various management teams are of the view that genset volume declines are now bottoming out and prices are firming up across product nodes. Management commentary on the railways sector remained mixed, with some anticipating a pickup in ordering activity over the coming quarters, while others expect the current slowdown to persist in the near term.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Domestic Capex Cycle
Cummins	▪ Double-digit revenue growth guidance for FY26.	▪ Robust demand from data centers, quick commerce, real estate, etc. ▪ Industrial demand is robust led by construction and railway sectors.
KOEL	▪ To be USD2t by FY30.	▪ Strong demand from the construction and defense sector in industrial business, and on the genset side, the demand seems to be stabilizing with increased focus on HHP sales.
L&T	▪ FY26 Order inflow +10% YoY with prospect pipeline of INR19t (+57% YoY), revenue growth of 15% YoY, and margin guidance of 8.5%.	▪ The company is positive that the Indian economy is expected to remain resilient supported by robust consumption from households alongside the government's continued focus on capex.
Thermax	▪ Overall margin expected to reach double-digit, led by an expected high teen margin in chemicals, strong backlog in Industrial products, increasing share of profitable orders in Industrial Infra, and a sharp reduction in losses in green solutions.	▪ Significant improvement is expected in order inflows by opportunities in steel, power, waste-to-energy, refining, petrochemical, and cement sectors - with the latter two expected in 2HFY26.
HAL	▪ The company has a strong future order pipeline of INR1t expected to materialize over the next 1-2 years and 8-10% revenue growth was guided.	▪ Key opportunities include follow-on orders for 97 LCA Mk1A, 143 ALHs, and upgrades for 40 Dornier aircraft. In addition, the INR600b Sukhoi-30 avionics upgrade and Tejas Mk2 production program (set to start around FY31) represent significant long-term revenue streams.
Bharat Elec.	▪ BEL expects an order inflow of INR270b and revenue growth of 15% with an EBITDA margin of 27% for FY26. It is also targeting export revenue of USD120m.	▪ Rightly positioned to benefit from the expected upcoming emergency procurement list and also well positioned to cater to wider defense electronics components across the Army, Navy, and Air Force spread over the next few years.
Triveni Turbine	▪ Domestic order inflows to improve on the back of improving inquiries. ▪ Earmarked INR1.65b for capex in FY26 (including INR440m carry forward form FY25).	▪ Management is optimistic about the domestic order inflow pipeline coming from process cogeneration (doubling YoY), steel, cement, oil & gas, recycling, and food processing.
Hitachi Energy	▪ Margins to be in double digits.	▪ Robust traction in power T&D and renewables. Seasonal decline witnessed in data centers and industrials.
Kalpataru Projects	▪ FY26 to see 20% revenue growth, PBT margin at 5.25-5.50%, NWC below 100 days and order inflow guidance of ~INR260-280b	▪ Robust growth is expected for T&D in domestic and international markets. ▪ Healthy prospects for design-build contracts, residential and airport infra.
KEC Intl	▪ FY26 revenue guided at INR250b (+15% YoY), with an EBITDA margin of 8-8.5%. ▪ Order inflow target of INR300b with 70% coming from T&D.	▪ The tendering pipeline in both India and internationally is very strong at ~INR1.8t.

Zen Tech.

- Revenue guidance of INR13.5b/20b/30b over FY26/27/28.
- EBITDA/PAT margins of 35%/25% reaffirmed for the coming years
- Management expects INR8b in orders in 1HFY26, with INR1.5b already received.

ABB India — Buy

Current Price INR 6,032

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- **Order book and inflows:** During 1QCY25, the company witnessed a healthy 4% YoY growth in overall orders, with base orders rising 10% and export orders expanding significantly by 40%. A notable large order of INR2b in the railways contributed to the order inflow growth. The total order backlog as of Mar’25 stood at INR100b, up 11% YoY. This robust backlog provides strong visibility for revenue realization in the coming quarters, with management expecting two-thirds of the order book to be executed in CY25 and the remainder extending into CY26. However, the process automation segment (10-15% of ABB’s business) faced sluggish order inflows due to macro uncertainties and customers delaying large project decisions.
- **Diversifying business in high/moderate/low-growth segments:** ABB continues to diversify across three distinct market segments: high-growth, moderate-growth, and low-growth areas. High-growth sectors include data centers, electronics, smart buildings, traction/railways, and green cement, all benefiting from technological advancements and rapid execution cycles. Moderate-growth segments include core infrastructure and industrial markets with steady 8-12% growth. Low-growth but high-volume segments still contribute about 45% of ABB’s portfolio. These segments are seen as future opportunities as capex cycles revive. The company maintains an active presence across all segments to balance cyclical risks and capture opportunities when sectors rebound.
- **Margins driven by macro factors:** ABB maintained strong margins in 1QCY25, with operational EBITDA at 16.4%, consistent with previous quarters. Margins were supported by favorable foreign exchange (INR200m positive swing YoY), operational efficiencies, supply chain management, and localized production benefits. Segmental profitability remained strong, with electrification margins at 24.7% and motion at 22%. Management expects to maintain PAT margins in the 12-15% range going forward, even amid macro uncertainty, driven by stable price realization and operating leverage.
- **Expanding capacities:** Management stressed that ABB is actively expanding capacities across process automation, electrification, and motion segments to meet growing demand and support localization efforts. The expansion focus is on businesses where volumes have increased significantly and product portfolios have expanded to include localized offerings. Capacity addition is carefully calibrated and demand-driven, ensuring optimal utilization without overbuilding. Management confirmed that formal announcements of new capacity expansions will be made as projects reach execution readiness.
- **Capex Plans:** Management mentioned that the company will be looking for both, organic as well as inorganic expansion opportunities. Current organic capex of ABB is focused on expanding capacity in business units where volumes and product demand justify it. Simultaneously, the company is evaluating several M&A opportunities but is taking a measured, value-driven approach. No acquisitions have been finalized yet. ABB has also increased dividends to reward shareholders, demonstrating balanced capital deployment.

- **Factors to watch out for in CY25:** Management stated that in CY25, ABB will be closely monitoring both domestic and global developments. Domestically, key factors include trends in consumption, private and government investments, premiumization, and strain in some parts of the economy. Globally, trade uncertainties such as, geopolitical tensions, and general macro volatility could influence customer decision-making. Despite these challenges, management mentioned that the company's strategy focuses on bottom-up opportunity capture - seeking growth in resilient sectors rather than being overly reactive to macro headlines.
- **Details on 'Others' segment (sharp growth):** The "Others" category, which has shown the fastest revenue growth over the past two years (from INR14b to INR24.b) is powered by multiple product expansions. These include energy management solutions for buildings and industries, the LIORA modular switch range for commercial/residential buildings, expanded high-efficiency motors (IE3/IE4), drive products, and traction components for electric buses and locomotives. The segment's growth is largely driven by strong localization efforts and increased penetration into Tier 2, Tier 3, and Tier 4 cities across India.
- **Foreign exchange utilization:** Management stated that ABB's foreign exchange usage for imports stood at around INR60b, or about 50% of total sales. Robotics & discrete automation has the highest import intensity due to the lack of a domestic ecosystem for many robotics components. Motion, particularly drive products and system drives, has moderate-to-high import reliance. Electrification also has a moderate import requirement for electronics and specialized products. Process automation, being more project-oriented, has the lowest direct import share but sources products from other divisions where needed.

Cummins India — Buy

Current Price INR 3,349

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Results Update

- **Domestic powergen:** Domestic powergen revenue declined 7% YoY in 4QFY25, largely due to a high base effect from CPCB-II pre-buying in 4QFY24. However, management confirmed that demand remains robust across segments like residential, commercial, infrastructure, and emerging verticals such as quick-commerce warehouses and data centers.
- **CPCB 4+ products:** Pricing for CPCB IV+ products has largely held steady, and competitive intensity has now stabilized. Management emphasized that pricing is still settling and is expected to stabilize fully in the next couple of quarters. It anticipates CPCB IV+ volumes to return to or surpass CPCB-II levels over the next one to two quarters, with current volumes tracking at 80-85% of prior norms. No incremental price hikes have been taken since CPCB IV+ implementation, and the company continues to focus on providing segment-specific solutions to defend pricing and value proposition.
- **Industrial segment:** The industrial segment clocked 29% YoY growth in FY25, with strong contributions from the construction and rail segments. Construction demand remained stable, while rail orders (especially in power cars and diesel electric tower cars) showed sustained momentum. However, in mining, expectations of a pickup did not materialize as Coal India tenders were deferred. Compressor segment, while currently stable, is anticipated to enter a cyclical downturn. FY25 breakup – Construction: INR6.2b, Rail: INR4.7b, Mining: INR1.3b, Compressors: INR2.0b, and Others INR2.4b. 4QFY25 breakup –

Construction: INR1,680m, Rail: INR1,140m, Mining: INR140m, Compressors: INR500m, and Others INR330m.

- **Distribution segment:** Though quarterly growth was modest at 5%, management attributed this to order timing and project execution schedules rather than demand weakness. Key drivers included extended warranties, rebuild engine orders (especially in industrials), and retrofit solutions like dual-fuel kits. New service offerings under the “Ashwasan” product suite are also gaining traction. The company remains confident about future growth in this segment, supported by higher penetration and value-added offerings.
- **Exports:** Exports grew 6% in FY25, with strong 39% YoY growth in 4QFY25. Latin America and Europe were the strongest performing regions. Cummins continues to focus on tailored go-to-market strategies for each region, including market-specific positioning, pricing, and product offerings. While momentum is visible, the global outlook remains uncertain due to ongoing geopolitical issues and evolving trade and tariff policies, particularly involving the US. FY25 breakup – HHP: INR8.2b (+12% YoY), LHP: INR7.8b. 4QFY25 breakup – HHP: INR2.2b (+27% YoY/+8% QoQ), LHP: INR2.2b (+51% YoY/flat QoQ).
- **4QFY25 revenue breakup: Industrial –** INR3.8b (+9% YoY), Powergen – INR8.7b (-7% YoY), Distribution – INR6.3b (+5% YoY), HHP exports – INR2.2b (+27% YoY), and LHP exports – INR2.2b (+51% YoY).
- **Guidance:** KKC has guided for double-digit revenue growth in FY26. The growth is expected to be driven largely by domestic demand across the powergen, industrial, and distribution segments. Continued cost optimization and product value enhancements remain vital for sustaining margins.

KALPATARU PROJECTS INTERNATIONAL LIMITED

Kalpataru Projects — Buy

Current Price INR 1,150

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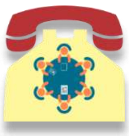

- **T&D segment –** KPIL’s T&D segment delivered a strong performance in FY25, with revenue crossing INR100b, reflecting a 28% YoY growth. The company secured INR145b worth of new orders, split almost equally between domestic (INR73b) and international markets (INR72b). Key wins in the HVDC domain have significantly enhanced KPIL’s market position and order book visibility. International subsidiaries, particularly LMG Sweden, also contributed with record revenues and order book levels. Management remains optimistic about the T&D segment’s growth, citing strong momentum from energy transition, grid strengthening initiatives, and rising power demand. In FY26, management anticipates continued robust growth in both domestic and international markets, with an expectation of surpassing FY25 order inflows. Labor availability is seen as a potential constraint, but the overall outlook remains bullish.
- **Non-T&D –** The B&F business grew by 22% with an order inflow of INR82.3b and a closing order book exceeding INR140b. Orders were primarily in residential and airport infrastructure, with healthy prospects for design-build contracts and further growth in FY26. The O&G segment registered more than 100% growth in FY25, reaching INR17.6b in revenue, mainly driven by the ongoing Aramco project. Although the company did not pursue new orders in O&G during FY25, it is optimistic about strong growth and new order inflows in FY26, particularly from the Middle East markets. The Railways segment, on the other hand, remained subdued with revenue at INR10.2b. KPIL continues to be selective in this space due to intense competition and does not anticipate meaningful order

inflow in FY26 unless supported by international contracts. Overall, KPIL expects continued growth in B&F and O&G, while railways and water will remain under watch.

- **Water –** The Water business underperformed in FY25, largely due to delayed payments and deferment of fund allocations, which hindered project execution and revenue growth. However, KPIL received significant collections towards the end of the year (approximately INR5.7b in 4QFY25), marking an improvement in cash flows. Receivables stood at around INR15b as of Mar'25, with around 60%-70% expected to be recoverable by 2QFY26. While management remains cautious on domestic bidding due to ongoing receivables challenges, it continues to explore international opportunities in the water segment. For FY26, KPIL has factored in a modest 10% revenue growth in this business but may raise its guidance depending on the pace of collections and new wins in the coming quarters.
- **Non-core assets –** Management continues to take strategic steps toward exiting or minimizing exposure to its non-core assets, including road SPVs and real estate. During FY25, daily revenue from toll road SPVs increased to INR7.8m from INR6.03m YoY. The company infused INR750m into the road segment, largely toward debt repayment. The VEPL transaction is expected to conclude in FY26, while WPL remains under discussion with NHAI. In the real estate business, the company has nearly exited its Indore project, having sold 98% of the units, with INR1.3b expected to be collected within next 60-90 days. KPIL projects further loss funding of INR600-700m in FY26, mainly for debt repayment. With the winding down of Saicharan (Indore), potential monetization of VEPL, and improved cash flows from the road and logistics business, the company expects reduced drag from non-core assets going forward.
- **International subsidiaries –** LMG Sweden delivered its best-ever results with revenue of over INR18b (+79% YoY). In Brazil, Fasttel improved significantly, growing revenue to INR9.39b (+35% YoY) and halving losses from INR700m to 350m. With a planned capital infusion, management targets to achieve the breakeven in the next two years for Fasttel. The Saudi operations (IBN Omera) closed out its projects and reported losses, but management expects a turnaround in FY26.
- **Guidance –** Management expects revenue growth of over 20% in FY26, driven by a strong order book and improving execution. PBT margins are guided at 5.25%-5.5% for standalone operations and 4.5%-4.75% on a consolidated basis, implying an improvement of 35bp-100bp YoY. With the tax rate projected to remain in the 28-29% range, PAT is expected to improve in line with better margins and higher execution. Order inflows are projected in the range of INR260b-280b, slightly above INR254.8b in FY25, with a continued focus on better-margin projects. NWC is targeted to be below 100 days. Except for Railways, all other segments are expected to grow 10-22% YoY in FY26.

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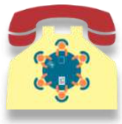

Kirloskar Oil **Buy**

Current Price INR 875

- **Powergen Segment:** Management reported that demand in the Powergen segment is stabilizing after the CPCB IV+ emission norm transition, with volumes returning to expected levels and pricing firming up across product nodes. A major highlight was that KOEL surpassed the INR1b mark in HHP genset sales for the first time, clocking a 20% YoY growth. The company launched several new products, including the Sentinel, featuring the world's smallest 1000 kVA genset, and the Optiprime series with better fuel efficiency (10-15%) and lower ownership costs (20-25% savings on maintenance). Looking forward, the Powergen growth strategy is centered on tapping into the infrastructure and data center segments, while continuing to build share in the HHP market.
- **Industrial Segment:** In the industrial segment, KOEL registered a 12% YoY growth in FY25 despite the transition to BS V emission norms in Jan'25. Management stated that this shift involved significant collaboration with OEMs and customers, enabling KOEL to maintain or increase its share of wallet across most accounts. A 20% average price increase was implemented in this segment with minimal resistance. Additionally, KOEL is now manufacturing a 6MW marine engine for the Indian Navy, where it will design, develop, and assemble entirely in India. Management also noted that some unprofitable customer relationships were strategically exited. Going forward, the company is optimistic about continued growth from key accounts in construction, defense, and railways, backed by a strengthened engine portfolio and deeper account engagement.
- **Distribution Segment:** The distribution and aftermarket businesses grew 12% YoY in 4QFY25, driven by a deliberate restructuring of KOEL's service and sales channel network. Management explained that the shift to electronic engines due to emission norms required significant capability upgrades across the network. Investments were made in training, tools, and dealership consolidation to ensure partners had sufficient scale and profitability. These changes enabled KOEL to better support its expanding HHP and technologically advanced product portfolio. Despite the complexity, KOEL confirmed that the restructuring has been effective, resulting in improved partner performance and sustained growth.
- **Export Business:** Management acknowledged that while the export business has nearly doubled over the past three years, it fell short of the originally envisioned target of comprising 30% of total revenue. They attributed this to the time required to build sustainable operations in regions where KOEL's brand is not yet well established. Focus regions include the Middle East, Africa, and the United States. In the Middle East, KOEL transitioned to a genset OEM model to better manage local channel dynamics, while in the US, investments are ongoing to certify and introduce KOEL products state-by-state. Management emphasized that exports remain a strategic priority and require continued patience and investment to build lasting global partnerships.
- **B2C Segment:** This segment showed a robust recovery, posting a 25% QoQ/10% YoY growth in 4QFY25. The management highlighted that this performance was possible due to the successful consolidation of five smaller plants into one mega

facility at Sanand, which led to improved product availability and manufacturing efficiency. The management emphasized that this stabilization in operations has begun translating into stronger financial performance, including a 269% QoQ jump in profitability. Looking ahead, the management expressed confidence in sustaining double-digit revenue and EBITDA growth in the B2C segment, supported by ongoing efforts in cost optimization, both fixed and variable.

- **Capex Strategy –** Past Investments and Future Growth Initiatives: Management detailed KOEL's capex plans, highlighting significant past investments and outlining a roadmap for future capacity and capability enhancement. In FY25, KOEL invested approximately INR5.2b, of which INR3.8b was allocated to core KOEL operations and INR1.4b to the B2C business for consolidating five plants into one mega manufacturing facility at Sanand. Within KOEL's spend, INR900m went into new product development, another INR900m went into capacity expansion and sustenance, and INR200m into digitization and IT upgrades. Looking ahead, KOEL has committed to investing an additional INR10b over the next couple of years. This includes INR7b earmarked for enhancing engine manufacturing capacity at the Kagal facility, INR800-900m for the Indian Navy project, and another INR2b reserved for potential strategic acquisitions aligned with its technology roadmap and USD2b growth ambition. Management emphasized that these investments are critical to supporting KOEL's expanding product portfolio, meeting future demand, and advancing its vision of becoming a global leader in diversified power solutions.

KEC International — Neutral

Current Price INR 872

KEC INTERNATIONAL LIMITED

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- **TAM –** KEC is targeting an INR1.8t opportunity pipeline, with T&D accounting for half. Key growth geographies include Saudi Arabia, the UAE, and Oman, along with strong demand in India. Civil prospects are strong in defense and semiconductors, while renewables are driven by hybrid-storage projects. Cables are expanding into international markets, particularly in North America. Emerging high-tech opportunities like HVDC and Statcom are also being pursued, aligning with KEC’s selective, margin-oriented order strategy.
- **T&D –** Revenue touched INR128b (+23%), with INR180b in new orders. Strong traction is being seen in India and GCC. The capabilities of the segment have been expanded into HVDC and digital substations. The segment is set to outpace overall growth with 10%+ margins and strong visibility.
- **Civil segment –** Civil generated INR44.8b in revenue in FY25, which was hit by water project delays. Key Metro handovers were completed. The company targets 25%+ growth in FY26 with an INR100b pipeline. The focus of the company is on fast-moving, margin-rich projects and tech-led execution.
- **Railways segment –** Rail revenue stabilized at INR21b in FY25. Legacy projects are winding down and new orders will be focused on less risky segments like ventilation and metros. 30–40% of staff in the division have been redeployed. With cautious global expansion underway, the segment is expected to turn profitable by FY27.
- **Cables business –** Seeing strong momentum with revenue reaching high levels crossing INR18b in FY25. FY25 also saw the commissioning of an aluminum conductor plant and the launch of UL-certified cable exports to the US, signaling

entry into a large, high-value market. The company expects revenue to reach INR35b by FY27 and EBITDA margins to improve from 5.7% in FY25 to 8%.

- **Capacity expansion –** The aluminum conductor facility in Vadodara was commissioned in 4QFY25, and investments are ongoing for E-beam and elastomeric cable lines to support INR10b in incremental revenue. KEC has successfully debottlenecked the Dubai, Jaipur, and Jabalpur facilities for tower manufacturing increasing capacity from 422k MTPA to 468k MTPA of towers.
- **O&G –** The oil and gas segment reported a revenue of INR3.6b, with growth remaining muted due to a slowdown in domestic tendering activity. However, the business achieved strategic progress by securing its first composite design-supply-build order and advancing execution on its maiden international project in Africa. The company is now focusing on expanding its footprint through selective participation in global opportunities.
- **Guidance –** FY26 revenue is guided at INR250b (+15% YoY), with an EBITDA margin of 8-8.5%. Legacy drag is easing, and T&D will drive margin gains. Management remains confident of 9%+ in FY27. The order inflow target is INR300b with ~70% coming from T&D. The company has also targeted a capex of INR4b for FY26.

Larsen & Toubro — Buy

Current Price INR 3,642

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- **Order book up 22% YoY:** As of FY25 end, the order book stood at INR5.79t, reflecting a strong 22% YoY growth. Order inflows during the year reached INR3.57t, up 18% YoY. The order book is now more evenly split between domestic (54%) and international (46%) operations. The domestic order book consists of orders from PSUs (38%), state governments (26%), the central government (15%), and the private sector (21%). Furthermore, about 14% of the total order book is supported by funding from bilateral and multilateral agencies.
- **Strong ordering prospects for FY26 – INR19t (+57% YoY):** Management indicated that the company has a robust order prospect pipeline of INR19t for FY26, which is a substantial 57% increase compared to the INR12.1t pipeline at the beginning of FY25. Infrastructure contributes INR9.64t to the pipeline in FY26 vs. INR7.25t in FY25, aided by segments such as heavy civil infrastructure (26%), transportation (17%), renewables (15%), power transmission and distribution (14%), buildings and factories (11%), water (10%), and minerals and metals (7%). The energy segment's pipeline has grown significantly to INR9.07t, driven by hydrocarbon (INR7.47t), carbon-light solutions (INR0.9t), and green and clean energy (INR0.7t). The hi-tech manufacturing segment has a pipeline of INR0.29t, slightly lower than the INR0.34t in the previous year.
- **Defense ordering to pick up:** Management talked about LT's increased opportunities in the defense manufacturing space, particularly as the Indian government pushes for higher indigenous content in its capital outlay. The company is active in both land-based and sea-based systems and is well-positioned to benefit from the 'Make in India' initiative. Although defense still constitutes a small portion of the company's overall portfolio, management believes that the order inflow in this segment will grow at a faster pace going

forward. They added that while defense may not significantly move the needle at the consolidated level in the near term, it remains a strategic growth area.

- **Working capital efficiency drives RoE:** Management emphasized that the company has continued to strengthen its balance sheet, with net working capital improving to 11% of sales from 12% in FY24. This improvement has contributed to an increase in RoE to 16.3% in FY25 from 14.9% in FY24 (+140bp). The company achieved 18% YoY growth in collections to INR2.35t and generated a robust FCF of INR174b for the year.
- **GCC capex broadening:** Management said that GCC capex continues to be a major driver of international order inflows for LT, with the region accounting for a dominant 81% of the company's international order book. They emphasized that GCC spending has become far more broad-based than in the past, extending beyond oil to sectors like power transmission, renewables, green infrastructure, and industrialization. Countries like Saudi Arabia, Qatar, the UAE, and Kuwait are maintaining their large capex programs despite global volatility, with significant investments underway in hydrocarbons, gas-to-power, and energy transition initiatives. Management confirmed that these markets remain familiar and well-established operating territories for LT, where execution challenges are minimal due to longstanding client relationships and deep local presence. Although localization mandates, such as requiring 30% of the workforce to be hired locally, are raising labor costs, the company believes this is being offset by faster project execution cycles and higher client trust, which continue to drive healthy return ratios.
- **Hyderabad metro performance:** On Hyderabad Metro, management said that average daily ridership increased to 470,000 pax/day in FY25 from 441,000 in FY24. However, this is still below its potential due to external factors such as free public bus travel schemes. The company continues to focus on operational improvements and monetization of transit-oriented development assets, which yielded a gain of INR1.87b in FY25.
- **Thermal power opportunities:** Management mentioned that during FY25, the company’s power business - now renamed as part of the "Carbon Light Solutions" portfolio - secured significant orders, including two boiler and turbine generator contracts from NTPC. These wins made FY25 the segment’s best year ever for order inflows. Regarding thermal power, management reiterated that it will avoid participating in ultra-mega power projects (UMPPs), particularly those dominated by public sector undertakings, due to unfavorable terms of trade for EPC players. While coal will remain a part of the energy mix in the medium term, the company plans to shift its focus toward oil, gas, and green energy segments to align with future trends and policy direction.
- **FY26 guidance:** For FY26, management provided guidance of 10% growth in order inflows, factoring in a conservative outlook due to global uncertainties and potential softness in domestic activity in the first half. Revenue growth is expected to be 15% YoY, while the core E&C margin is targeted to be at 8.5%, slightly up from the previous year’s guidance of 8.25%. The company expects to maintain a net working capital-to-revenue ratio of 12%, and anticipates stronger execution momentum in the second half of the year.

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Thermax — Sell

Current Price INR 3,531

- **Order Pipeline –** Thermax's order pipeline for FY26 is broad-based and promising, despite a miss in 4QFY25 due to a large project loss and some deferments. Management expects significant improvement in order inflows driven by opportunities in steel, power, waste-to-energy, refining, petrochemical, and cement sectors - with the latter two expected mainly in 2HFY26. The company is also eyeing international projects in the Middle East and Southeast Asia.
- **Industrial Products –** It delivered an excellent FY25 with strong profitability and robust growth, backed by a ~20% higher order backlog YoY. The division's fastest-growing segments are water solutions and air pollution control, while heating solutions remain the most profitable. Cooling products, boosted by innovations such as heat pumps and advanced cooling towers, are poised to become the fastest-growing. The international share of this business is also rising, aided by capabilities in water and air products as well as subsidiaries like Danstoker and PTTI. Product innovation remains a core focus, with cutting-edge offerings in zero liquid discharge, ultra-pure water, biomass boilers, and electric heating systems strengthening the portfolio.
- **Industrial Infra –** The segment is poised for a stronger FY26 after several cautious quarters. While legacy projects in FGD and Bio-CNG impacted margins in FY25, most FGD projects are expected to be completed within FY26, with minor spillover into FY27. New project orders are being selectively pursued focused on profitability and execution capability. Management anticipates a pick-up in order inflows from sectors like steel, power, waste-to-energy, and large refinery and petrochemical projects. There is cautious optimism about potential private sector thermal power projects as well. Internationally, key opportunities are expected from the Middle East and Southeast Asia.
- **Bio-CNG Projects –** Thermax faced significant challenges in its Bio-CNG projects, particularly in the first set of projects with its JV partner EverEnviro. Despite implementing numerous technology interventions that brought stability, the projects failed to meet original yield guarantees. After extensive discussions, both parties have realigned expectations, agreeing to recalibrate guarantees based on achievable lower production levels. The company will add a digester to improve output, with all costs, including new digesters and auxiliary equipment, accounted for. In 4QFY25, Thermax absorbed over INR850m in Bio-CNG-related hits, including technology provisions, project delays, and O&M costs, effectively closing out the legacy risks. Execution of the necessary upgrades will continue over the next seven months. Having paused new orders for a year to stabilize the offering, the company now plans to selectively re-enter the Bio-CNG market. After a year-long pause in new orders, the company expects to book two Bio-CNG orders in 1QFY26 under more prudent terms. While still a nascent industry with tight economics and a need for policy support, the management believes TMX is well-positioned at the technological forefront to selectively grow in this space going forward.
- **Green Solutions** – The segment faced significant losses in FY25, particularly in FEPN, but management expects a sharp reduction in losses in FY26. Steady

progress is being made in TOESL and other sub-segments. Thermax continues to invest in emerging clean technologies, including hydrogen, carbon capture, and sustainable .aviation fuels (SAF). A dedicated team is actively developing solutions in these areas to build a future growth engine, even though near-term profitability remains secondary to capability building in this vertical.

- **Chemicals –** The division had a steady FY25, with EBITDA margins around 16% — slightly lower than historical highs due to product mix shifts, investments in new business lines (construction chemicals, flooring, and Biltech), and costs related to recent partnerships (WebPro JV, OCQ). A new plant commissioned in March will add to capacity but also increase depreciation costs. Management expects both revenue and profitability to improve in FY26, with margins targeted in the high-teens range. Specialty chemicals, which faced cyclical headwinds in FY25, are likely to recover in FY26, further supporting revenue and margin expansion.
- **Subsidiaries –** Thermax's international subsidiaries, notably Danstoker and PTTI, which are part of the Industrial Products segment, are showing growing stability and an increasing contribution to both domestic and export revenues. The subsidiaries are expanding their capabilities, especially in water, air, and small boiler solutions, helping to strengthen the company's position in international markets such as Southeast Asia, the Middle East, and Africa. Management emphasized that subsidiary growth is an integral part of the company's international strategy and expects their contribution to continue rising in the coming years.

CEMENT

- **Cement companies indicated that demand did improve in 4QFY25, driven by higher government spending, strong housing demand, and favorable rural as well as urban trends. The all-India average cement price rose ~2% QoQ, led by a Dec'24 hike. The South saw a sharp ~10% price rise QTD, while prices of other regions were flat to slightly up (1–2%). Companies are balancing volume growth and profitability amid high competition, with the top three players expected to add ~50mtpa capacity organically in FY26, sustaining supply pressure.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
UltraTech Cement	■ Industry volumes grew ~4% YoY in 4Q. UTCEM's volume growth on a like-to-like basis was ~6% YoY. Volume growth in FY26 should be in double digits on a like-to-like basis. UTCEM will keep on looking for growth and good inorganic opportunities. ■ Management highlighted that there was some demand weakness at the beginning of FY26 due to heatwaves; however, demand is likely to improve going forward. Sustainable volume growth for the industry should be 7-8%, and UTCEM's FY26 volume growth on a like-to-like basis should be in double digits. It has achieved cost savings of INR86/t in FY25, and it aims to achieve further cost savings of ~INR214/t by FY27.	■ Capex in FY26 should be between INR90-100b including capex announced for the cable & wire segment. This includes INR70b for ongoing organic capacity expansions of 27.1mtpa. Capex in FY27 should be lower, though guidance will be given later. ■ The cement putty manufacturing plant (Wonder WallCare) has been acquired and the acquisition should be completed in the next few days. Turnover of this plant was INR786m in FY24 and the acquisition has been done at an EV of INR2.35b.
Ambuja Cements	■ Cement demand is estimated to grow 6.5–7.0% in 4QFY25 (~4–5% YoY in FY25) and ~8% YoY in FY26, supported by increased government spending. While industry supply is expected to grow at 6% CAGR, demand should grow at 7–7.5%, driving better capacity utilization. Industry capacity is projected to reach 950mtpa by 2030. ■ The company has achieved INR150–170/t of cost savings so far, targeting INR500/t by FY28. Further savings will come from: 1) increasing green power share to 60% by FY28 (from 21% in FY25); 2) a 10-year fly ash supply deal with Adani Power at a negative cost of INR400/t; and 3) logistics efficiencies via sea transport (target 10% share) and reducing the lead distance by ~100km.	■ The total installed grinding capacity has reached 100mtpa with the acquisition of Orient Cement, Farakka GU commissioning, and debottlenecking efforts. With Sankrail and Sindri GUs to be commissioned in 1QFY26, capacity will rise to 118mtpa, on track for 140mtpa by FY28—largely through organic expansion, though inorganic options remain open. ■ A 4mtpa clinker unit at Bhatapara (Chhattisgarh) and GUs at Sankrail (WB) and Sindri (Jharkhand) will be operational by 1QFY26, with Salai Banwa (UP) GU by 2QFY26. Another 4mtpa clinker unit at Maratha (MH) and GU at Warisaliganj (Bihar) are due by FY26-end. These will include 42MW WHRS and 30% AFR provision. ■ Kalamboli (MH) GU expansion is slated for 3QFY26. Brownfield expansions at Bhatinda, Marwar, and Dahej, along with a 3mtpa IU at Jodhpur (from Penna), will also be commissioned by 3QFY26. Nine additional GU projects are in the pipeline to support FY28 targets. Growth capex is pegged at INR60b, with another INR25–30b for efficiency upgrades.
Shree Cement	■ Demand recovered strongly in 4Q, driven by infrastructure, residential, and commercial construction, aided by higher government capex and a good monsoon. Cement demand is expected to grow ~6.5–7.5% in FY26, with volumes estimated at 39mt (~10% YoY growth). ■ It prioritizes profitability over aggressive volume growth, aiming to balance price and volume in an oversupplied market. Better realizations were driven by premium product focus, strong brand positioning, and a favorable geo-mix.	■ In Apr'25, the company commissioned two grinding units (GU) - 1) 3mtpa in Etah, Uttar Pradesh; and 2) 3.4mtpa at Baroda Bazar, Chhattisgarh. With the Etah grinding unit, the company would try to cater to central and eastern UP markets. ■ SRCM plans to commission 3.0mtpa (each) at Jaitaran, Rajasthan, and Kodla, Karnataka in 1QFY26 and 2QFY26, respectively. However, the company has decided to defer one GU at Jaitaran. Its cement capacity is expected to rise to 68.8mtpa in FY26. Its clinker capacity is expected to increase to 44mtpa in FY26 from 36.7mtpa currently. Capex was pegged at INR30.0b in FY26. ■ Jaisalmer limestone was awarded in 2008, but after various legal appeals, the final order granting permission was received recently. Expansion at Jaisalmer and Gujarat is part of its long-term expansion strategy.

Dalmia Bharat	■ In 4QFY25, economic activity recovered after a slow 1HFY25. Cement demand is expected to grow ~3–3.5% in FY25 and accelerate to ~7–8% in FY26, aided by government spending and pent-up demand. ■ Pricing improved modestly in the east but declined in the south, where Andhra Pradesh and Telangana remain oversupplied, unlike more consolidated Tamil Nadu and Kerala. Despite material price hikes in Apr'25, management is cautiously optimistic about their sustainability. Blended price increases were INR10–15/bag.	■ In Q4FY25, Dalmia commissioned a 2.4mt GU in Assam and a 0.5mt GU in Bihar, completing Phase 1 of its expansion. A clinker unit at Umrangso (Northeast) is expected in 2QFY26. Total grinding capacity reached 49.5mtpa by FY25-end. ■ Dalmia incurred INR27b capex in FY25, including INR980m in group captive RE SPVs. For FY26, INR35b is allocated for expansions at Belgaum and Pune, Umrangshu clinker line completion, and land/maintenance. Its next expansion roadmap, targeting 75mtpa by FY28, will be unveiled in 1QFY26 with capex and funding details. ■ In FY25, ~52mtpa of capacity changed hands, reflecting ongoing sector consolidation.
J K Cement	■ Volume growth is strong in Central India, with North and South regions tracking market growth. March demand was driven by housing and infrastructure, with 65% of grey cement volume from North and South, and 35% from Central/East. ■ Grey cement sales are guided at 20mtpa in FY26 (~12% YoY growth), mainly from the Central plant ramp-up and 0.5mt from expansions. Prices rose 1% in North and Central, and 5–7% in South, while Maharashtra saw smaller increases.	■ FY25 capex was INR17.2b, mainly for Panna expansion (INR12.2b). The 3.3mtpa clinker unit at Panna and 1mtpa grinding units at Panna, Hamirpur, and Prayagraj are on track for Dec'25 commissioning. A 3mtpa Bihar grinding unit (INR1.6b capex) is also expected by Dec'25. ■ FY26 capex is estimated at ~INR18b, mostly for Panna expansion (~INR14b), with INR3b for maintenance. JKCE is seeking Jaisalmer plant approvals, expected by 2QFY26. ■ Target installed capacity is 50mtpa by FY30, with potential expansions in Jaisalmer, Karnataka, Odisha, and Panna. Limestone mining approval in Odisha is pending, with updates expected in 3-4 months.
Birla Corp	■ BCORP saw strong demand improvement in 4QFY25, driven by a gradual recovery in the North and East regions, boosting volumes and realizations. Near-term visibility is stable, with volume growth of ~6–8% expected in FY26. ■ North and East led realization gains, supported by price improvements and demand; East had higher price gains despite limited exposure, while North rebounded from a weak 3QFY25 base. ■ Central India continued to face headwinds along with muted demand. Pricing in this region remained largely flat, impacting realizations. ■ The Mukutban plant, despite pricing pressures in Maharashtra, has emerged as a volume growth engine and is operating at high utilization levels of ~80% in FY25, expected to reach ~85% in FY26.	■ A Capex of INR4.4b was incurred in FY25, and the company has guided for a capex of INR11b in FY26. ■ The company announced capacity expansion to 27.6mtpa by FY28-29 from 20.0mtpa currently. Key projects include 1) 3.7mtpa brownfield clinker capacity at Maihar, Madhya Pradesh (to be commissioned by 3QFY28) and three greenfield grinding units with a combined capacity of 6.2mtpa in central India (3.4mtpa) and Bihar (2.8mtpa) to become operational by FY28-29. The total estimated capex is INR43.4b. A 1.4mtpa grinding unit at Kundanganj will be commissioned in 2QFY26, while 1.4mtpa units at Prayagraj and Gaya Phase-1 are expected by Dec'27, raising grinding capacity to 25mtpa by FY28.
JK Lakshmi Cement	■ There was improved demand in 4QFY25 across geographies. After the elections, the infrastructure push by the govt has led to improved traction in both rural and urban housing and in the industrial and commercial segments, which aided volume recovery. ■ The cement industry is likely to grow at ~6.5-7.0% in FY26 (earlier estimate of 7.5-8.0%). JKLC aims to outpace the industry with ~10% volume growth target. ■ Prices have remained flat across key geographies (North, Gujarat, Chhattisgarh, and Odisha) in 1QFY26 so far, and management does not expect a significant uptrend until after the monsoons when demand improves.	■ Surat GU Phase-I, adding 1.35mtpa capacity, will be commissioned in two phases—half by Jun'25 and the rest by Dec'25—strengthening the company's presence in western India. ■ Public hearings for the Durg project and related mines are complete, with environmental clearance pending. The equipment scope is finalized and tenders floated, though orders have not been placed yet. Commissioning is expected by 3QFY27. ■ JKLC is setting up Greenfield grinding units in Prayagraj and Madhubani, with land acquired and approvals in progress. These units may be commissioned before the Durg clinker plant, initially using excess clinker capacity. ■ Northeast expansion via Agrani Cement is delayed 7-8 months due to local issues. JKLC has paid INR1.3b of the INR3.25b acquisition, with the remaining payments tied to milestones. The 1mtpa clinker and 1.5mtpa grinding capex plan remains unchanged and the company is committed. ■ FY26 capex is guided at INR13b (INR11b for JKLC projects including Durg, INR1.5b for northeast, rest for Udaipur). FY27 capex is expected at INR18b (INR10b JKLC, INR8b northeast). Conveyor belt and railway siding projects will be completed by Mar'26 with INR700-800m capex included.

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Ambuja Cements — Buy

Current Price INR 550

Demand and pricing

- Cement demand is estimated to grow between 6.5% and 7.0% in 4QFY25 (~4-5% YoY in FY25) and should improve ~8% YoY in FY26. Demand growth will also be supported by higher government spending. Industry supply should be at 6% CAGR; whereas; demand should increase at 7-7.5% CAGR and hence, there should be an improvement in capacity utilization. The industry should reach 950mtpa capacity by 2030.
- Cement prices improved between INR7-10/bag in 4Q. The current price increase on average is better than in 4Q.

Acquired assets of Penna Cement and Sanghi Industries

- Penna Cement is operating at 75-80% clinker capacity utilization; though; grinding utilization is lower (60-75%). Sanghi Industries' acquired assets have not yet achieved the desired profitability, but it will be a clinker hub for the group with one of the best cost structures and clinker production costs.
- The combined volume from both these acquired assets was at 1.6mt in 4QFY25. Exit-capacity utilization for Sanghi Industries was ~40-45%.

Operational highlights

- Sales of premium products increased to 29.1% of total trade volumes; up by 5.3pp YoY. It is investing in branding activities and targeting consistent supply quality to increase the share of premium products and targets to reach 35% by FY26. Premium products' realization is higher by INR200-300/t higher than normal grey cement.
- Green power contributed to 26.1% of total power requirements vs. 15.6% in 4QFY24. 99MW wind power capacity at Khavda has been commissioned taking the total capacity to 300MW. It will reach to 1,000MW capacity by Jun'26.
- Long-term arrangements for fly ash will fulfill ~40% of requirements and the target is to increase it to 50%+ by FY28. Power cost/unit reduced by INR0.20-0.25/unit compared to 3QFY25. The target is to maximize the usage of domestic coal (~40% in kilns).
- The target remains to achieve opex/t of INR3,650 by FY28 vs. INR4,016 (for standalone ACEM) in 4QFY25

Cost-saving initiatives

- It has achieved INR150-170/t of cost savings till now. Further cost saving (out of total targeted cost reduction of INR500/t by FY28) will be achieved from 1) higher RE investments- green power share to be increased to 60% by FY28 vs. 21% in FY25; 2) better cost fly ash procurement (10 years' agreement with Adani power to procure 5b tons at a negative cost of INR400/t); 3) cost savings through logistics-sea transportation (target to reach 10% by FY28) as well as lead distance reduction. The target is to reduce the primary lead distance by ~100km.
- Kiln fuel cost was reduced by 14% to INR1.58/kcal vs. 1.84/kcal. Logistics cost declined 2% on account of footprint optimization and closer-to-market strategy. Primary lead distance has been reduced by 15kms to 265kms and secondary lead reduced by 2kms to 46kms. Direct dispatch to customers increased by 6pp YoY to 58%.

Capacity expansion and capex plan

- Total installed grinding capacity has increased to 100mtpa with the acquisition of Orient Cement, commissioning of the Farakka grinding unit, and debottlenecking of capacity at various plants. GUs at Sankrail and Sindri will be commissioned in 1QFY26 and the total capacity will reach 118mtpa by FY26 and it remains on course to achieve 140mtpa capacity by FY28. This expansion will largely be driven through organic plans; though the company is not averse to inorganic opportunities.
- The clinker unit of 4mtpa at Bhatapara in Chhattisgarh and the associated grinding units in Sankrail (West Bengal) and Sindri (Jharkhand) will be commissioned by 1QFY26. GU at Salai Banwa (Uttar Pradesh) is expected to be commissioned by 2QFY26. Another clinker unit of 4mtpa at Maratha (Maharashtra) and GU in Warisaliganj (Bihar) are expected to be commissioned by FY26-end. These new clinker units will have 42MW of WHRS and provision for utilizing 30% AFR (alternate fuels) in kilns.
- Kalamboli (Maharashtra) grinding unit expansion is likely to be commissioned in 3QFY26. The brownfield expansions of Bhatinda (Punjab), Marwar (Rajasthan), and Dahej (Gujarat) along with an integrated unit (3mtpa clinker capacity) at Jodhpur (Rajasthan) – which was under construction at the time of Penna acquisition – will be commissioned by 3QFY26.
- It has also identified nine additional grinding unit projects for which land acquisitions and statutory approvals are under process and would help to achieve targeted capacity by FY28.
- Growth capex should be at INR60b and further, INR25-30b will be spent on efficiency improvements.

Other highlights

- **Limestone reserves:** 367mt of new limestone (2 in Madhya Pradesh and 1 in Assam) reserves were secured in 4QFY25 and the group has now 9b+ tons of limestone reserves. The company will evaluate its strategy for entering into the North East region in due course.
- **Commentary on ACC:** Investment in land is in the Western part of the country where the plan is to set up a grinding unit as well as to acquire coal blocks and limestone units. This land is near Chanda. There have been investments of ~INR7.5b for GCFC wagons; ~INR5b for grinding units apart from WHRS units at Chanda and Wadi-2 line. Operations at a few old clinker units (Bargarh, Chaibasa, and Wadi-1) are unfeasible, and hence; impairment has been provided and these units are not being used for clinker production. Clinker capacity is at 1mtpa each at Wadi-1 and Bargarh and 0.6mpta at Chaibasa. The Bargarh unit is now being used for grinding. It is in the process of dismantling the Wadi-1 clinker unit. These assets can still be operated based on the coal pricing scenario.
- Liquid cash stood at INR101b vs. INR160b in Mar'24. The cash outflow for Orient Cement's acquisition will be INR56b.

MP BIRLA GROUP

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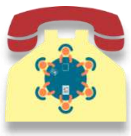

Birla Corp — Buy

Current Price INR 1,367

Demand and pricing

- BCORP remains optimistic on demand trends, having witnessed a notable improvement in 4QFY25. The company indicated a gradual recovery in the North and East regions, which drove growth in both volumes and realizations. While near-term visibility remains stable, full momentum restoration is expected to continue into FY26, with the volume expected to grow between ~6%-8%.
- North and East regions contributed the most to realization gains, supported by sequential price improvement and better demand traction. East saw relatively higher price gains, though the company has limited exposure there. The North recovered from a depressed base in 3QFY25 and contributed significantly in 4Q.
- Central India continued to face headwinds along with muted demand. Pricing in this region remained largely flat, impacting realizations.
- The Mukutban plant, despite pricing pressures in Maharashtra, has emerged as a volume growth engine and is operating at high utilization levels ~80% in FY25, expected to reach ~85% in FY26.

Operational performance

- The company's capacity utilization stood at ~105% in 4QFY25 vs. ~97%/92% in 4QFY24/3QFY25. Blended cement sales stood at 82% in 4QFY25 vs. ~84%/79% of total volumes in 4QFY24/3QFY25. Trade share stood at ~73% of total volumes in 4QFY25 vs. ~71%/68% each in 4QFY24/3QFY25. Premium products contributed ~59% of trade volumes in 4QFY25 vs. ~55%/59% in 4QFY24/3QFY25.
- The share of renewable power stood at ~25% in 4QFY25 vs. ~24%/26% in 4QFY24/3QFY25 The company continues to work on optimizing its energy mix, power sourced from green energy (solar hybrid and Waste Heat Recovery Systems), and plans this to increase this to ~36–37% going forward.
- Fuel consumption costs stood at INR1.39/Kcal vs. INR1.50/Kcal in 3QFY25, with the overall power and fuel costs showing a downward trend, aided by a higher green power share.
- Additionally, the Bikram coal mine is set for commissioning by 3QFY26, with meaningful production ramp-up expected in FY27. While another coal mine, Brahampuris, is scheduled to start production in FY28. The lead distance was ~350km, while for the Mukutban plant, it was ~450km.
- Accrued incentives stood at INR410m for Q4FY25 and INR1.03b in FY25.

Capacity expansion and net debt

- Capex of INR4.4b was incurred in FY25, and the company has guided for a capex of INR11b in FY26.
- The company announced capacity expansion to 27.6mtpa by FY28-29 from 20.0mtpa currently. Key projects include 1) 3.7mtpa brownfield clinker capacity at Maihar, Madhya Pradesh (to be commissioned by 3QFY28) and three greenfield grinding units with a combined capacity of 6.2mtpa in central India (3.4mtpa) and Bihar (2.8mtpa) to become operational by FY28-29. Total estimated capex is INR43.4b. Ongoing expansion of 1.4mtpa GU at Kundanganj, Uttar Pradesh to be commissioned in 2QFY26. The Prayagraj, Uttar Pradesh (1.4mtpa) and Gaya Phase-1 (1.4mtpa), part of the recent capacity announcements, are expected to be commissioned by Dec'27, taking total grinding capacity to 25MTPA by FY28.

- Expansions are expected to be funded through a mix of internal accruals and debt. Net debt is expected to rise to around INR30b in FY26; however, the company aims to maintain its net debt-to-EBITDA ratio below 2.0x, comfortably within its long-term policy cap of 3.0x.
- Net debt stood at INR22.4b as of Mar'25 vs. INR30.0b as of Mar'24.

Dalmia Bharat — Buy

Current Price INR 2,090

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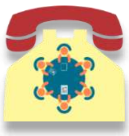


Dalmia Bharat

Demand and pricing outlook

- During 4QFY25, economic activity showed a noticeable recovery after a muted 1HFY25. Cement demand is expected to remain largely unaffected by global disruptions, with any short-term impact considered immaterial. Strong job creation and rising consumption are key factors to support growth. Cement demand is estimated to grow by 3.0-3.5% in FY25 and should accelerate to ~7-8% in FY26, driven by government spending and pent-up demand.
- While pricing improved modestly in the east region in 4QFY25, prices in the south region declined. Andhra Pradesh and Telangana markets remain highly competitive and oversupplied, whereas Tamil Nadu and Kerala are more consolidated. The south region saw material price hikes in Apr'25; however, management is cautiously optimistic about the sustainability of the price hikes. The blended price increase in its markets is INR10-15/bag.

Operational highlights and cost insights

- RM cost/t decreased primarily due to a decline in fly ash and limestone procurement rates. However, a new tax imposed by the Tamil Nadu government on mineral extraction is expected to add INR160/t to limestone costs, translating into an annual impact of ~INR1.3b, which may weigh on future RM cost trends.
- Power and fuel costs declined, driven by a drop in international fuel prices to USD95 from USD114 in 4QFY24 and an increase in the share of renewable energy (RE) to 39% from 34% in 4QFY24.
- The blended fuel consumption cost stood at INR1.30/kcal vs. INR1.31/Kcal in 3QFY25. During 4Q, the company commissioned a 2.2MW captive solar plant in Assam and 13MW under a group captive model, taking its total operational RE capacity to 267MW. The company is targeting 595MW of RE capacity by FY26. Lead distance was 277km vs. 289km YoY/269km QoQ.
- Blended cement sales stood at ~84% vs. ~85% QoQ. C:C ratio improved to 1.69x from 1.67x in 4QFY24. The trade share stood at ~67% vs. 65% YoY. The premium cement sales share stood at ~24% vs. 21% in 4QFY24. Logistics costs were reduced through increased direct dispatches to 61% vs. 56% in 4QFY24, though these gains were partially offset by higher clinker movement in the Northeast due to an unplanned shutdown.
- Depreciation expenses declined following the full amortization of goodwill, with FY26 depreciation expected to be around INR13.0b.
- Incentives accrued during 4QFY25 stood at INR990m, while collections totaled INR1.1b. Incentives receivable stood at INR7.4b as on Mar'25. Management expects accruals to be around INR3b in FY26, with normalized incentives likely to continue in the range of INR90–100/ton.
- The company's incentives will continue to accrue from Bihar (new expansion), Jharkhand, Murli plant, and Northeast region.

- Strategically, the company remains committed to cost optimization. There is a strong focus on balancing volume growth with profitability, supported by disciplined capacity planning and geographic diversification. The company is also moving toward 100% blended cement production; however, it will take more time than expected. The company targets cost savings of INR150-200/t in the next two years from 1QFY25 as a base period. Cost savings would be through logistics optimization, RE initiatives, and C:C ratio improvement.
- The company has ample limestone reserves to support long-term operations. In Odisha, it is acquiring additional limestone-bearing land in Rajgangpur, with the process expected to conclude within the year. Meanwhile, the Northeast region is expected to remain on a growth trajectory, supported by ongoing infrastructure development and a consolidated supply environment.

Expansion plans and capex

- During Q4FY25, a 2.4mt grinding unit in Assam and a 0.5mt unit in Bihar were commissioned by Dalmia, marking the completion of its Phase 1 expansion. A clinker unit in Umrangso (Northeast) is expected to be commissioned in 2QFY26. With these additions, the total grinding capacity was taken to 49.5mtpa by the end of FY25.
- For FY25, a total capex of INR27b was incurred, including an INR980m equity investment in SPVs for group captive RE. Capex of INR35b has been allocated for FY26, primarily to fund expansions at Belgaum and Pune, the completion of the Umrangshu clinker line, and land acquisition and maintenance needs. The next phase of the company's expansion roadmap is planned to be unveiled in 1QFY26, detailing capacity addition toward the FY28 target of 75mtpa, along with related capex and funding plans.
- In FY25, the industry witnessed ~52mtpa of capacity changing hands, highlighting continued sector consolidation. Larger players have been scaling up capacity more aggressively than smaller counterparts. Efforts are also underway to strengthen the dealer network, introduce new cement packaging, and incentivize channel partners to enhance the market reach.
- The company is also actively pursuing leadership development, succession planning, and organizational agility by reducing layers and strengthening decision-making processes. The company reiterated its long-term view of maintaining a prudent, balanced approach to expansion, profitability, and market competitiveness.

Debt position and other key highlights

- Gross debt stood at INR52.8b as of Mar'25 vs. INR54.6b as of Dec'24. Net debt (considering the IEX investment part of cash and cash equivalents) stood at INR7.16b vs. INR12.4b as of Dec'24. Ex-MTM value of IEX investments, net debt/EBITDA stood at 1.27x in Mar'25.
- Its net debt to EBITDA stood at 0.3x vs. 0.55x as of Dec'24. The company reiterated its commitment to keeping net debt/EBITDA below 2.0x, unless a large inorganic or strategic opportunity emerges.

Grasim Industries

Buy

Current Price INR 2,554

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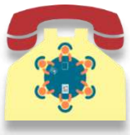

Paints segment

- Within just six months of its pan-India launch, Birla Opus (combined with Birla White Putty) has crossed a ~10% revenue market share as per internal estimates, positioning itself as India's third-largest decorative paints brand.
- Five out of six plants have been commercialized in FY25, taking installed capacity to 1,096mlpa (~21% of the industry's organized capacity). With the Kharagpur plant set to go live in H1FY26, the total capacity will reach 1,332mlpa (~24% market share). The plants are fully backward integrated, including in-house resin and emulsion polymer production, ensuring cost and quality control. It reiterated the ability to add 400–500mlpa additional capacity at a minimal incremental cost.
- Tinting machine penetration is high at ~80%, aiding product availability and dealer economics. It is redefining the retail experience via exclusive Birla Opus Paint Studios and mid-sized Paint Galleries across 300+ towns. The brand has also seen success with its marketing campaigns and 360° brand salience strategy. The product is already available in over 6,600 towns.
- Birla Opus offers a full portfolio across six decorative paint categories, covering all price points—economy, premium, and luxury. About 65% of its revenue comes from premium and luxury segments, driven by brands like Calista and Style. The company's innovation in polymer synthesis has enabled it to deliver industry-leading performance metrics—stain resistance, whiteness, durability, etc.—which are resonating strongly with retail and institutional customers alike.
- 175+ products with over 1,250+ SKUs are placed in the distribution channel, and 137 depots are operational across India. The company achieved its target of 50,000 dealers on board by the end of FY25. The total capex in the Paints business stood at INR93.5b as of Mar'25, ~94% of the total project cost.
- Management is confident in scaling to INR100b in revenue within three years, with EBITDA breakeven targeted around that mark. Market conditions remain subdued, but management believes the focus on premiumization and value-based differentiation will sustain growth momentum.

VSF segment

- The VSF segment's margin was impacted due to higher raw material (pulp) costs and moderation in global VSF prices.
- VSF reported its highest-ever annual revenue, driven by ~4% volume growth. However, profitability remained under pressure, due to higher key raw material prices hitting the lowest level in 7–8 quarters.
- The 55K TPA Lyocell project has been approved and construction is underway in Harihar, Karnataka. Additionally, minor debottlenecking is planned across Harihar, Vilayat, and Nagda. These efforts will incrementally enhance capacity and efficiency through FY26.
- China's operating rates were at 87% in Q3FY25 vs. ~85%/89% in Q4FY24/Q3FY25. However, the average inventory holding decreased to 11 days in FY25 compared to an average of 13 days in FY24. The demand scenario in China has led to a decline in CSF prices to USD1.60/kg in Q4FY25 compared to USD1.65/kg in Q3FY25.

Chemical business

- Caustic soda's international average spot prices (CFR-SEA) for Q4FY25 were higher by 16% YoY at USD525/ton. Realizations were adversely affected by oversupply and weak chlorine pricing, with negative chlorine realizations at INR6,000–9,000/t during FY25. However, improved internal consumption and increased chlorine integration are targeted to rise to ~70% post-commissioning of CPVC and ECH plants, which are expected to cushion volatility.
- Caustic soda witnessed a lower sales volume ~3% YoY due to temporary shutdowns at Karwar and BBP, though full capacity will be available in FY26.

B2B e-commerce

- The company stated it sees the B2B building materials market as a massive opportunity. With an annualized revenue run-rate of INR50b achieved within two years of launch, the company remains focused on expanding its digital footprint, customer base, and private-label offerings in a largely underpenetrated and digitally underserved ecosystem.

JK Cement — Buy

Current Price INR 5,716

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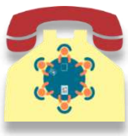

Demand, pricing, and operational highlights

- Volume ramp-up is progressing well in Central India. In the North and South regions, the company is performing in line with the market growth. Demand in March was strong, driven by housing and infrastructure. The focus remains on increasing trade channel sales. During FY25, 65% of its grey cement volume came from the North and South regions, while the remaining 35% came from the Central region (including East markets).
- It has guided for grey cement sales volume of 20mtpa in FY26, indicating a growth of ~12% YoY. Most of the volume growth will come from ramp-up of the Central plant, while the ongoing expansions should contribute ~0.5mt in FY26.
- Current cement prices in the North and Central regions are up by 1% compared to the 4Q average, while the South region has seen a 5-7% increase. The price increase in Maharashtra markets is lower than that in the South region.
- The company had identified a cost-reduction potential of INR150-200/t. In FY25, JKCE achieved average cost reduction of INR40/t. However, 4QFY25-exit cost savings stood at ~INR75/t, which included INR35-40/t savings from logistics costs and the rest from green energy and other cost savings. The entire benefit of INR75/t will be reflected in FY26, while there will be further cost savings of INR25-30/t during the year.
- Fuel consumption cost/kcal was INR1.41 vs. INR1.80/INR1.50 in 4QFY24/3QFY25. The fuel mix comprised 70% petcoke, with the balance made up of domestic and imported coal.
- Green energy contributed 51% of energy requirements in FY25 vs. 51% in FY24. Green energy share is expected to improve to 60% in FY26, which JKCE targets to increase to 75% by FY30. The thermal substitution rate was 11.3% in FY25 vs. 16.3% in FY24 and JKCE aims to increase it to 35% by FY30.
- Cement/clinker capacity utilization was at 90%/94%. Blended cement sales were at 68% vs. 67% in 3QFY25. Trade sales were at 71% vs. 66% in 3QFY25. Premium product sales were at 16% of trade volume (flat QoQ). During FY25, premium product share was at 13%, which will be increased to 15-16% in FY26.

- Road mix was 88%, while 12% of volumes were transported through railways. The lead distance was at 434km vs. 419km/422km in 4QFY24/3QFY25.
- Incentives are booked on an accrual basis, and the quarterly run rate is INR750-800m. An additional incentive of INR120m was received for the Prayagraj unit in 4Q.

Capacity expansion and capex update

- Capex in FY25 was INR17.2b largely toward Panna expansion (INR12.2b). Its expansion plans of 3.3mtpa clinker unit at Panna and grinding units of 1mtpa each at Panna, Hamirpur, and Prayagraj are progressing as per schedule and are expected to be commissioned by Dec'25. Bihar grinding unit (capex incurred: INR1.6b in FY25) of 3mtpa is also on track and is expected to be completed by Dec'25.
- Capex in FY26 is estimated to be ~INR18b, which will be spent on Panna expansion (~INR14b). Maintenance capex will be INR3b in FY26. JKCE is also trying to get approvals for the Jaisalmer plant and will have better clarity by 2QFY26.
- JKCE is targeting an installed capacity of 50 MTPA by FY30 and is currently evaluating options for further expansion. Potential sites include Jaisalmer, Karnataka, Odisha, and an additional line in Panna. The next phase of expansion will be discussed closer to the completion of the current projects, with the initial focus on the North region.
- Approvals have not yet been received for limestone mining in Odisha and the company is still pursuing the matter with the government. There should be some update on its status in the next 3-4 months.

Other highlights

- The UAE plant has seen a turnaround and is now showing improved profitability. UAE operations are expected to generate EBITDA of INR150-200m on a quarterly basis. Toshali plant reported a loss of INR80-90m in 4QFY25.
- Revenue of the paint segment in FY25 stood at INR2.73b vs. INR1.53b in FY24. Operating loss stood at INR450m in FY25 vs. INR200m in FY24. The company expects revenue of INR4-4.5b from paints in FY26. Modifications have been made at the plant level. The discount structure for paints remains higher than peers and efforts are underway to rationalize it. The paint business is expected to break-even at the operational level in FY27.
- Standalone gross debt was at INR51b vs. INR45.9b in FY24 and the cash balance was at INR25.4b vs. INR20.1b in FY24. Net debt stood at INR25.7b vs. INR25.9b in FY25 and net debt/EBITDA was at 1.3x vs. 1.29x in FY24.

JK Lakshmi Cement — Buy

Current Price INR 805

Demand and pricing

- There was improved demand in 4QFY25 across geographies. After elections, the infrastructure push by the govt has resulted in improved traction in both rural and urban housing and in the industrial and commercial segments, which supported volume recovery.
- The cement industry is expected to grow at ~6.5%-7.0% in FY26 (earlier estimate of 7.5-8.0%). JKLC aims to outpace the industry with ~10% volume growth target.

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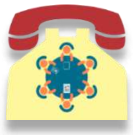


JK Lakshmi Cement

- Prices have remained flat across key geographies (North, Gujarat, Chhattisgarh and Odisha) in 1QFY26 so far, and management does not expect a significant uptrend until after the monsoons, when demand improves.

Operational efficiency

- TSR stood at ~11% vs. 13% in 3QFY25, and JKLC has given a guidance of ~12% in FY26 at the company level. Further, lead distance increased to 393km from 383km in 3QFY25. Blended cement share was ~65% and its C:C ratio stood at 1.44x.
- Premium product share was at ~25% of trade volume vs. 19% in 3QFY25.
- Non-cement revenue stood at INR1.5b, including RMC revenue of INR750m. Margin improved to ~3%.
- Average fuel cost stood at INR1.53/kcal vs. INR1.57/Kcal in 2QFY25 and is expected to remain stable in 1QFY26.
- JKLC is targeting overall cost reduction of INR100-120/ton over 12-18 months through a combination of higher green energy usage, improved TSR, brand premiumization and logistics optimization.
- Green power contribution currently stood at ~50% of total power mix and targets to increase it to ~52-53% by FY26 end.

Capacity expansion and capex

- Surat GU Phase-I with a total capacity addition of 1.35mtpa is being commissioned in two phases—half of the capacity is expected to be commissioned by Jun'25 and the balance by Dec'25. This project will help to strengthen the company's position in western India.
- Public hearings for the Durg project and associated mines have already been completed, and environmental clearance is currently awaited. The company has finalized the scope of equipment and floated tenders, although formal orders have not yet been placed. Management expects to commission the facility by 3QFY27.
- In the eastern region, JKLC is setting up greenfield grinding units in Prayagraj (Uttar Pradesh) and Madhubani (Bihar). Land has been acquired for both sites, and regulatory processes and public hearings are underway. The company indicated that these grinding units could be commissioned even before the Durg clinker plant. Also, it has some excess clinker capacity to serve these GUs initially.
- JKLC is also preparing for long-term expansions beyond the ongoing projects. The company holds limestone reserves in Kutch (Gujarat) and Nagaur (Rajasthan), where land acquisition processes are underway. These will support new greenfield plant development in the latter half of the decade. The management reiterated its aim to reach 30mt capacity by FY30, either organically or through strategic acquisitions, even if the northeast project faces further delays.
- It guided for a capex of INR13b in FY26, which includes INR11b for JK Lakshmi's projects (including Durg), INR1.5b for the northeast project, and the remaining for the Udaipur project. In FY27, capex is expected to be at INR18.0b—split as INR10b for JKLC and INR8b for the northeast project. Additionally, the conveyor belt and railway siding projects are expected to be completed by Mar'26, with an incremental capex of INR700-800m, included in the above guidance.

Shree Cement

Click below for Results Update

Shree Cement — Neutral

Current Price INR 29,526

Cement demand and pricing

- Demand witnessed a healthy recovery in 4Q, led by a rebound in infrastructure, residential, and commercial construction activity. This revival was supported by favorable macroeconomic factors such as increased government capex and a good monsoon season, which boosted rural construction and overall cement consumption. It expects cement demand to grow ~~6.5% to ~7.5% in FY26. It is estimated to reach 39.0mt volume in FY26, which implies ~10% YoY growth.
- Clinker capacity utilization stood at 70%/68% in 4QFY25/FY25. The overall grinding capacity utilization was ~72% in 4QFY25, with ~74% in the North, ~79% in the East, and ~51% in the South.
- The company sold ~55% of its total volumes in the North, followed by ~33% in the East, ~11% in the South, and the rest in the West and central regions.
- Cement realization grew ~3% YoY in the North and ~1% YoY in the East, while this was down ~5-6% YoY in the South. On a sequential basis, realization was up ~4% in the North, ~8% in the East, and ~2% in the South.

Operational highlights

- SRCM remains focused on profitability over aggressive volume growth. In an overcapacity market, it is believed that balancing price and volume is key to maximizing profitability and cash flows. The company's focus on premium product sales, improved brand positioning, and favorable geo-mix led to a realization improvement.
- SRCM has intensified its focus on enhancing brand equity and expanding its portfolio of premium products. The share of premium cement in overall sales increased meaningfully to 15.6% in Q4FY25 from 11.9% in Q4FY24. The company recently launched a new premium offering—Bangur Marble Cement—in Bihar, West Bengal, and Jharkhand. This eco-friendly product incorporates steel by-product GGBS and offers enhanced performance and sustainability attributes.
- It highlighted that brand equity and premiumization are a journey. Though there may be different brands/products launched at different markets; however, the approach for building brand equity remains the same at pan-India.
- Avg. fuel cost declined to INR1.48/Kcal vs. INR1.82/INR1.55 in 4QFY24/ 3QFY25. Green power share stood at 60.2%, which is one of the highest in the industry.
- Lead distance was at 446 Km vs. 435 Km in 4QFY24. Trade sales mix stood at 73% and non-trade share remained at 27%, remaining flat YoY/QoQ. Its blended cement share was ~59%. The rail mix was ~11%, and the share of petcoke was ~95%.
- The railway siding projects continue. This has been commissioned at Purulia and Patas plants and is fully operational. The remaining sites are targeted for completion by 2HFY28.

Capacity expansion and capex plans

- In Apr'25, the company commissioned two grinding units (GU) - 1) 3mtpa in Etah, Uttar Pradesh; and 2) 3.4mtpa at Baroda Bazar, Chhattisgarh. With the Etah grinding unit, the company would try to cater central and eastern UP markets.
- SRCM plans to commission 3.0mtpa (each) at Jaitaran, Rajasthan, and Kodla, Karnataka in 1QFY26 and 2QFY26, respectively. However, the company has decided to defer one GU at Jaitaran. Its cement capacity is expected to rise to

68.8mtpa in FY26. Its clinker capacity is expected to increase to 44mtpa in FY26 from 36.7mtpa currently. Capex was pegged at INR30.0b in FY26.

- Jaisalmer limestone was awarded in 2008, but after various legal appeals, the final order of granting permission was received recently. Expansion at Jaisalmer and Gujarat is part of its long-term expansion strategy.

The Ramco Cement — Neutral

Current Price INR 1,006

Click below for Results Update


The Ramco Cements

Capex and project update

- The company is set to reach a cement production capacity of 30mtpa by Mar'26 through the commissioning of line II at Kolimigundla. This target will be further supported by de-bottlenecking and expanding grinding capacities at existing facilities with minimal capital investment.
- The company has monetized INR4.6b out of its targeted INR10b from non-core assets and remains on track to achieve its stated goal. The remaining balance is expected to be monetized by 1QFY26, in line with the earlier commitment.
- An additional 10MW WHRS at R Nagar is planned for commissioning by 1QFY26. An additional 15 MW of WHRS at Kolimigundla, AP is expected to be commissioned in tandem with Kiln line II.
- At Kolimigundla, AP, construction of the railway siding has been completed, and commissioning is currently underway. It is expected to be operational by 1QFY26.
- The commissioning of the Construction chemicals capacity expansion in Odisha, initially planned for 4QFY25, has been deferred and is now expected to be completed by 1QFY26. The company has acquired ~54% of the mining land and ~13% of factory land for a Greenfield project in Karnataka.
- The total capex incurred was INR2.24b in 4QFY25 and INR10.24b in FY25.

Capacity utilization and volume

- Cement capacity utilization stood at ~85% vs. ~96%/~75% in 4QFY24/3QFY25. Cement volume declined ~4% YoY to 5.3mt in 4QFY25 and increased marginally ~1% to 18.5mt in FY25.
- Volume share from South/East was ~75%/~25% in 4QFY25 vs. ~76%/~24% in 4QFY24.

Operational highlights

- The share of premium products was ~27% in 4QFY25 vs. ~29% in 4QFY24 in the South region. In the East region, the share of premium products was ~23% in 4QFY25 vs. ~20% in 4QFY24. The OPC share was ~32% of total volumes in 4QFY25 vs. 32%/30% in 4QFY24/3QFY25. OPC share in FY25 stood at ~31% vs 32% in FY24
- Blended coal consumption cost was USD121/t (INR1.50/kcal) vs. USD141/ USD122 (INR1.65/INR1.45 per kcal) in 4QFY24/3QFY25.
- TRCL used 66% petcoke vs. 51%/69% in 4QFY24/3QFY25. It used ~63% petcoke in FY25 vs ~52% in FY24.
- Green energy contributed 31% of power requirements vs. ~36%/39% in 4QFY24/3QFY25. Green energy contributed ~36% in FY25 vs ~34% in FY24.
- Avg. lead distance was 278kms in 4QFY25 vs 294kms in 4QFY24 and 259kms in 3QFY25. Avg. lead distance was 260kms in FY25 vs 280kms in FY24.

Debt and other highlights

- Net debt (including working capital borrowings) stood at INR44.8b vs. INR48.2b/ INR46.2b as of Mar'24/Dec'24.

- The cost of debt for 4QFY25 is 7.84% as against 7.76% in 4QFY24.

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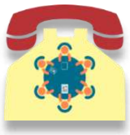

Ultratech Cement — Buy

Current Price INR 11,159

Demand and pricing

- Industry volumes grew ~4% YoY in 4Q. UTCEM's volume growth on a like-to-like basis was ~6% YoY. Volume growth in FY26 should be in double digits on a like-to-like basis. UTCEM will keep on looking for growth and good inorganic opportunities.
- Near-term volumes have been impacted due to rising heatwaves. Andhra Pradesh and Bihar are witnessing a renewed focus on infrastructure spending and road network. Infrastructure demand should support volume growth going forward. Urban real estate too has seen some slowdown, but it should start improving.
- There has been an improvement in cement prices recently, though the sustainability of the same would depend on the demand-supply dynamics. Profitability in the North region was better than South and East regions in 4Q. UTCEM's grey cement realization growth on a like-to-like basis was 1.6% QoQ in 4QFY25.

Guidance on operations of Kesoram and ICEM

- **Kesoram's operations:** Sales volume was at 1.53mt in 4QFY25 and 6.87mt in FY25. UTCEM took control of the operations from 1st Mar'25 and profitability in 4Q was INR399/t (~INR112/t in FY25). It will commission 24.3MW WHRS capacity which will lead to an increase in renewable energy (RE) capacity to 80MW for Kesoram. The target is to achieve EBITDA/t of INR1,000+ by 4QFY26.
- **India Cements' operations:** Sales volume was at 2.64mt and it achieved 1mt+ in Mar'25. After achieving operating profit in 4QFY25; the target is to achieve EBITDA/t of INR500/INR700/INR1,000+ by FY26/FY27/FY28E. Improvement in capacity utilization, logistics cost, overhead optimization, and cement prices would lead to profitability improvement for the company. Capex planned for ICEM is INR15b, out of which INR10b will be for WHRS (21.8MW) and efficiency improvement in FY26E/27E. The payback period for this capex will be three years and benefits would start accruing from 4QFY27. Brownfield opportunities for expansion have been identified for ICEM and the timing would be decided based on demand opportunities in the market. UTCEM will enter into tolling arrangements with the company first and then, would rebrand its products to UltraTech by FY27-end. UTCEM's holding in the company needs to be brought down to 75% to meet the regulatory requirements.

Operational highlights

- In FY25, cost savings of INR86/t have been achieved led by higher usage of green power & WHRS (INR31/t), reduction in lead distance (INR44/t), and higher clinker conversion/usage of alternate fuel (INR13/t).
- The target is to reduce lead distance to 343km (vs. 384km in 4QFY25) by FY27, increase clinker conversion to 1.54x (vs. 1.47x in 4QFY25) by FY27, increase AFR to 15% (vs. 7% in 4QFY25) by FY27 and achieve green energy share of 85% (vs. 35.7% in 4QFY25) by FY30. The target remains to achieve cost savings of INR300/t by FY27 (including INR86/t achieved in FY25).

- Fuel costs remain under control; though; there has been some uptick in the last two months. Ocean freight has increased and can increase further. However, crude production in the US is going up and should lead to higher pet coke production. Freight cost/t for pet coke is US$37-40.
- Capacity utilization was between ~85% and 97% for UTCEM in different regions in 4Q. Average capacity utilization was at 90%.
- Installed capacities of the industry increased to 655mtpa vs. 625mtpa in FY25. UTCEM accounted for ~55% of the industry's capacity addition of 30mtpa. UTCEM's installed domestic capacity increased to 183.4mtpa vs. 140.8mtpa in FY24 led by organic expansion and acquisition of 26.3mtpa capacities. Industry capacity addition in FY26 should be between 40-50mtpa.

Capex and net debt

- Capex in FY26 should be between INR90-100b including capex announced for the cable & wire segment. This includes INR70b for ongoing organic capacity expansions of 27.1mtpa. Capex in FY27 should be lower, though guidance will be given later.
- The cement putty manufacturing plant (Wonder WallCare) has been capacity acquired and the acquisition should be completed in the next few days. Turnover of this plant was INR786m in FY24 and the acquisition has been done at an EV of INR2.35b.
- Consolidated net debt stands at INR176.7b vs. INR27.8b in Mar'24, while standalone net debt is at INR150b vs. INR5.7b in Mar'24. Net debt/EBITDA stands at 1.16x and debt should start reducing rapidly. Comfortable net debt/EBITDA is 0.5x.

Other highlights

- Revenue of the buildings product segment should increase to INR30b by FY27 vs. INR9.2b in FY25. RoCE for this segment is between ~35%-40%.
- Update on allotment of limestone mines in Tamil Nadu: The Timeline for technical bid submission for limestone mines in Tamil Nadu is 4th May '25. There is no extension announced for this timeline as of now.
- In the North East, single window approval has been taken for the subsidiary. It is not an easy terrain to operate into and it would want to enter into this region when good mines are available with access to rail logistics as well as better road connectivity.

CHEMICALS

- **Management teams remain cautiously optimistic and expect volume-driven growth to persist, supported by resilient domestic demand, softening raw material prices, and ongoing capacity additions. Challenges such as global oversupply, dumping (particularly from China and Korea), and geopolitical uncertainties may continue to exert pressure on margins. Improving utilization rates and a strong capex pipeline are likely to support a gradual recovery in sector profitability.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Quarterly snapshot
Alkyl Amines	▪ Capex projects at Dahej are progressing on schedule, with mechanical completion expected by Dec'25/ Jan'26. An INR1b investment is underway, with more products in the pipeline. FY26 capex is guided at INR1.5b. ▪ The company expects a double-digit volume growth in FY26, though pricing pressure is likely to persist.	▪ Alkyl Amines Chemicals (AACL)'s 4QFY25 revenue increased 8% YoY to INR3.9b. The growth was mainly volume-driven, though the company continues to face pricing pressure. Gross margin declined 330bp YoY to 45.9%, while EBITDAM stood at 17.6%. PAT came in at INR460m vs. our estimate of INR522m. Exports contributed 25% of the total revenue in FY25.
Clean Science	▪ FY26 capex is guided at INR3b, with Performance Chemicals 1 & 2 to commercialize by Aug'25 and Feb'26, expanding TAM by USD1.5b. ▪ HALS sales grew to INR800m on 1,900 MTPA volumes (vs. INR250m/600 MTPA in FY24), targeting 4,500 MTPA and INR2.1b in FY26 amid rising market share and international traction. BHT sales began in the US; Barbituric Acid production starts Aug'25; DHDT faced commercialization delays.	▪ Clean Science (CLEAN)'s reported EBITDA in 4QFY25 was in line with our estimate at INR1b (+11% YoY), with a gross margin of 63.7% (vs. 65.7% in 4QFY24). EBITDAM contracted to 39.7% from 41.5% in 4QFY24. Revenue of Performance Chemicals and Pharma & Agro Intermediates increased 13% and 32% YoY respectively in 4QFY25, while it declined by 5% YoY for FMCG Chemicals. PAT increased 5% YoY to INR741m during the quarter
Deepak Nitrite	▪ Key projects (CNA, WNA, Hydrogenation, Nitration) are set for 2QFY26 commissioning, with MIBK/MIBC in 3Q, while renewable energy adoption aims to meet 60% of power needs and reduce CO_2 emissions by FY27. ▪ The company is investing INR85b in Phenol, Acetone, IPA, and BPA projects to support polycarbonate resin production. Government incentives of INR600–700m annually are expected from the DPL project, and while no quarterly guidance is issued, management remains cautiously optimistic for FY26.	▪ DN reported a disappointing quarter (ex-government incentive income) in 4QFY25. EBITDA came in 68% above our estimate and stood at INR3.2b (+5% YoY) while EBITDA adjusted for government incentive income was INR1.6b (18% below our estimate). EBITDAM was at 14.5% (+40bp YoY) while PAT was INR2b (estimate of INR1.1b, -20% YoY). EBIT margin contracted 13.1pp YoY for the AI segment, while the same expanded 160bp YoY for DPL. ▪ The commissioning of the Acetophenone asset will aid internal consumption and improve efficiency. Debottlenecking and new SKUs added in FY25 will continue into FY26.
Galaxy Surf	▪ Despite inflationary pressures, the company successfully passed on much of the fatty alcohol cost increase with a lag and remains focused on long-term goals. FY26 guidance includes volume growth of 6–8% and EBITDA/kg (including other income) in the INR20.5–21.5 range. Minimal exposure to the India-Turkey corridor poses no risk to operations.	▪ Galaxy Surfactants (GALSURF) reported EBITDA/kg of INR20.4 (est. INR11.5), up 22% YoY. Total volume inched up ~2% YoY to 62.2tmt (our est. 59.9tmt), with strong YoY performance in the RoW region. Subsequently, EBITDA stood at INR1.3b (up 25% YoY), while PAT came in at INR759m (down 2% YoY, our est. INR352m).
Navin Fluorine	▪ CDMO secured orders from EU and US clients, targeting USD100m revenue. ATRs were healthy (Spec Chem: 1.3–1.5x; CDMO: ~2x), US tariffs had limited impact, input cost softening improved margin outlook, and FY26 EBITDAM is guided at 23–26%.	NFIL's EBITDA/ PAT in 4QFY25 came in line with our estimates with strong YoY performance in the CDMO segment. Gross margin stood at 54.2%, while EBITDA margin expanded 720bp YoY to 25.5%. Earnings expanded 35% YoY to INR950m in 4QFY25. There was sustained momentum in all business segments as multiple strategic levers drove 4Q performance.
NOCIL	▪ Latex showed strong YoY performance, and product utilization is mixed—optimal in some areas, over 60% in others. The company, with a larger presence in Asia, is executing an INR2.5b capex in Dahej to produce TDQ antioxidants via a greener process, driven by healthy demand visibility.	▪ NOCIL's EBITDA/kg missed our estimate and stood at INR25.1 in 4QFY25, down 19% YoY. Sales volume declined 4% YoY to 13.4tmt. The realization was flat YoY at INR254.2/kg (INR255.1/kg in 4QFY24) with sustained pricing pressure from Chinese, Korean, and EU players. Hence, EBITDA was INR335m (-23% YoY), while PAT stood at INR204m (-50% YoY). There were certain challenges with respect to the product mix in the quarter with the specialty portfolio contributing 15% to the overall revenue.
PI Inds	▪ PI Industries aims for single-digit revenue growth in FY26 with stable 25% EBITDA margins, despite near-term headwinds in exports and generic pricing pressure.	▪ PI Industries (PI) reported muted revenue growth in 4QFY25 (up 3% YoY), due to a decline in CSM (down 2%; mix 76%), while the domestic agrochem business witnessed strong traction (up 25% YoY; 19% mix). Pharma revenue was up 19% YoY (Mix 5%) while

	▪ Domestic agri brands will drive growth through new product launches and a crop solution approach, with stronger momentum expected in 2HFY26, supported by stable commodity prices and a favorable monsoon. The FY26 tax rate is guided at 22–23%, and the working capital cycle is expected to remain between 65–70 days, slightly improved from FY25.	reported EBITDA loss of ~INR1.8-1.9b. Consol. EBITDA margin remained stable, led by a favorable product mix and tight overhead management.
SRF	▪ SRF targets 20%+ revenue growth and 25–26% EBIT margin in FY26, driven by volume gains from new and legacy products, strong refrigerant demand, and improved HFC utilization (80–85%). Growth will be supported by INR11b capex and stabilized raw materials, with exports contributing over 70% to specialty chemicals. ▪ SRF plans capacity expansion in packaging films, including a new BOPP PE line and 50–55 KTPA addition, with a continued focus on value-added products.	▪ SRF posted a strong overall performance in 4QFY25, with its EBIT rising 53% YoY, led by a 3.2x/50% YoY surge in packaging film/chemical businesses. ▪ Despite macroeconomic headwinds due to rising geopolitical tensions, SRF remained resilient and improved its performance in 2HFY25, with revenue/ EBITDA/Adj. PAT surging 20%/41%/30% YoY in 4Q.
Tata Chemicals	▪ Capex is guided at INR 5.5–6b (including INR600m for Kenya), with no major expansions beyond silica and approved African capacity (50K MT). The US domestic business remains strong, but exports face margin pressure. ▪ The UK operations are expected to stabilize from 2QFY26, shifting to value-added products. The lost UK soda ash capacity will be offset through Indian and Kenyan ramp-ups by the end of FY26.	▪ TTCH's 4QFY25 consolidated EBITDA declined 26% YoY/25% QoQ due to lower realizations and unfavorable operating leverage across geographies. ▪ Revenue remained flat YoY due to flattish volume (higher volumes in India and Kenya offset by lower volumes in the US and UK)

ALKYL

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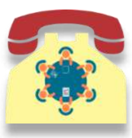

Alkyl Amines — Neutral

Current Price INR 1,950

- Modest growth in top line in FY25, but significant growth in volume; pricing pressure has negated the volume growth.
- Volume growth was 4-5% QoQ while YoY growth at 15% in 4QFY25; Vols. growth of 13% for FY25.
- Prices have dropped YoY, but QoQ product prices were stable in 4QFY25.
- Ethylamines and Methylamines prices are under pressure because of the demand-supply situation.
- Pharma demand remains stable while volatility in the demand from the Agro chemical industry.
- Had expanded capacity last year, with competitors also having capacity- have an oversupply situation currently.
- ACN prices were under pressure because of Chinese dumping; prices for AACL at INR140-150/kg.
- Prices of the RMs have also been going down impact of which was seen on the EBITDAM.
- All the capex projects at the Dahej side are moving as planned; mechanical completion expected in Dec'25/ Jan'26.
- The project announced last year with INR1b capex in Dahej is progressing well
- Some other products are already in the pipeline for which FIDs have not been completed.
- ADD on ACN: DGTR has announced it, final approval would come from the Ministry of Finance within 90-100 days.
- GLP drug demand is rising, but it is still a very nascent stage for the segment; management will assess as and when inquiries come.
- Average utilization at 65-70%.

- Capex guidance of INR1.5b in FY26.
- Exports contributed 25% of total revenue in FY25.
- Amines contributed 50%, derivatives contributed 30%, and Specialty contributed 20%.
- Double-digit volume growth guidance for FY26, while pricing pressure is expected to persist.

Clean Science & Technology — Neutral

Current Price INR 1,538

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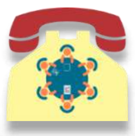

- Volume-led revenue growth; EBITDA margins remain steady Contribution from newly launched products improves while EBITDAM remains strong.
- Performance and Pharma segments led to revenue growth in FY25.
- 25% volume growth and 8% realization decline were recorded in FY25.
- The company's TAM is expected to increase by USD1.5b in FY26, driven by the ongoing commercialization of its new products.
- The company incurred a total capex of ~INR2.3b in FY25, primarily toward investment in Clean Fino Chem Ltd. (CFCL), its wholly-owned subsidiary.
- Capex remains on track for Performance Chemical 1 (to be launched by 3QFY26; Aug'25) and Performance Chemical 2 (by 4QFY26; Feb'26).
- These will be developed entirely in-house through the company's R&D.
- FY25 saw the highest-ever number of products developed in a single year.
- Chemistries developed by the company in FY25 include condensation reaction, chlorination, hydrogenation, and polymerization.
- HALS sales value in 4QFY25 was in line with 3Q, recording a blended realization of INR425/kg (guidance of INR500/kg for FY26) and 65% RMC profile. Total sales volume of 1,900mtpa (mostly domestic sales – currently holding a 50% market share with a target to reach 65%) in FY25 (600mtpa in FY24) and sales value of INR800m in FY25 (INR250m in FY24), with a target to reach 4,500mtpa in FY26 (sales value of INR2.1b).
- Successful validations in SE Europe and the Middle East indicate strong potential for accelerated sales momentum going forward.
- Some distributors were established earlier in certain geographies, but they were not as effective as the company expected.
- The company is now exploring new distributors in those geographies.
- Products in the parent company are growing at a rate of 4-5%, while newer products will see a significant improvement in sales value, enabling the company to absorb fixed costs.
- There is currently no revenue contribution from the DHDT product due to teething issues arising from differences between the lab output and commercialized plant performance.
- Barbituric Acid will start production in Aug'25 within the parent company.
- BHT has sold some quantities in the US, with volumes expected to gradually increase over the next few quarters.
- Capex guidance for FY26 is INR3b; capex for subsequent products will be announced later at an opportune time.
- The average gestation period from product announcement to commercialization is five months.

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Deepak Nitrite

Deepak Nitrite — Sell

Current Price INR 1,982

- The global slowdown in demand and macro uncertainties put pressure on intermediate prices
- Intense price competition from Chinese players puts pressure on margins
- Domestic demand served as a vital cushion and showed early signs of demand revival
- Expanded product portfolio and signed new contracts in FY25
- Several projects commissioning on the horizon in FY26
- CNA, WNA, Hydrogenation, Nitration in 2Q
- MIBK/MIBC in 3Q
- Have started gaining benefits via renewable energy which would serve 60% of total power consum ption by end-FY27
- This would also help in a 60% reduction in CO_2 emissions
- Revenue growth was mainly led by volume, which offset subdued realization in FY25
- Government incentive income is the normal course of business for the DPL project set up in Dahej
- Guidance of ~INR600-700m every year on an average for 10 years
- The normalized level of profitability to be expected in FY26
- Advanced Intermediates (AI)
- Strong performance across product segments led to sequential growth in the segment
- Demand from dyes and pigments has improved from 3Q end but pricing pressure persists
- Agrochem demand remains subdued- trend to persist for the next couple of quarters
- DNL has debottlenecked its OBA capacity and has added new SKUs in FY25; looks to further debottleneck capacity in FY26

DPL

- Increased volume due to capacity augmentation during the year
- The temporary rise in imports led to subdued prices that started in 3QFY25
- Commissioning of Acetophenone asset to support captive consumption

Future outlook

- Major upcoming capacity additions in Phenol, Acetone, and IPA to support Polycarbonate Resin (capex of INR85b) production
- Technology tie-ups have been done w.r.t. new Phenol plants and also for the Bisphenol-A (BPA) project
- Supportive policy environment, shift from high-cost regions, and growing domestic demand to drive long-term growth
- Management for the first time won't give guidance for the ensuing quarter but is cautiously optimistic for FY26.

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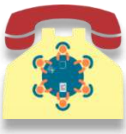

Galaxy Surfactants — Buy

Current Price INR 2,387

- The business environment has been dynamic and complex.
- The supply-side validity has been a persistent theme, but has some stability in FY25.
  - Fatty Alcohol prices remain elevated because of shutdowns in Southeast Asia; to remain so for another quarter.
  - International freight costs have eased.
  - The geopolitical environment is still uncertain, and the company has to navigate with caution.
- Demand remains mixed
  - India has seen flat performance in FY25- lingering effect of slowdown due to rising fatty alcohol prices.
  - Remain optimistic about the domestic demand picking up in coming quarters
  - Volumes declined by 1% in 4QFY25
- AMET- flat performance in this region as well but easing of supply chain is being seen
  - Proactive measures to enhance market share being taken
- RoW – double digit growth in FY25
  - This is a testament to expand global footprint
  - Favorable market conditions with expanding product portfolio to help RoW growth remaining robust
  - Volume growth of 9% in 4QFY25
- Remain resilient and focused on the long term goals of the company
  - Broader concern lies in navigating the inflationary issues
- Good portion of the rise in Fatty Alcohol prices have already been passed on; price pass on is with a lag
- Volume guidance to be in the lower range of 6-8% in FY26; long term guidance of volume growth to be in the higher range of 6-8% intact
  - EBITDA/kg (incl. other income) guidance remains intact in the range of INR20.5-21.5 for FY26
- The India-Turkey business is not significant; therefore, no issues on that front.

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Navin Fluorine Intl — Neutral

Current Price INR 4,478

- Multiple strategic levers resulted in a robust performance in 4QFY25
- Stable momentum in all segments in 4QFY25
- Maintained D:E ratio of 0.37x with OCF of INR5.7b in FY25
- **New agreement updates**
  - Strategic agreement with Chemours in HPP segment
  - Technological tie-up with Buss ChemTech AG for production of Solar & Electronic Grade HF for NFIL (in HPP segment)
- **Project updates**
  - Successfully commercialized additional R32 in Mar'25- R32 plant running at optimum utilization
  - AHF capex for INR4.5b is expected to be commissioned by 2QFY26
  - 2 new molecules planned in Spec Chem, supplies to begin in 1QFY26
  - Capability capex of INR300m at Surat- Dispatches commenced in Feb'25
  - cGMP4 capex for INR2.9b– Phase 1 capex of INR1.6b on track to commission by end of 3QFY26
- **HPP**
  - Revenue boosted by higher volumes and improved realization


Navin Fluorine International

- ➢ Chemours agreement o This is only the initial capacity for the adoption of their proprietary product into the market
- ➢ Buss ChemTech AG technology tie-up o N5 grade of solar applications- higher electronic grade- distillation to high-purity product
- ➢ No capex announced as of now but could culminate into one- first priority was to get the right partner for the product
- ➢ This is not similar to the Chemours agreement and branding would be of NFIL on the product

- **Spec Chemical**
  - ➢ Optimum capacity utilization at both Dahej and Surat- strong order visibility for FY26
  - ➢ 2 new fluoro intermediates being introduced for a customer who has validated agrochem intermediate products
  - ➢ ATR ~1.3-1.5x of segment
  - ➢ Fluorospecialty plant utilization expected to be ~50-55% in FY26
  - ➢ Pricing pressure is going to remain even as there would be volume-led growth
- **CDMO**
  - ➢ European CDMO MSA
  - ➢ Orders in hand for CY25
  - ➢ New molecule orders received for deliveries in FY26
  - ➢ EU major customer: Order received for supply in FY26
  - ➢ US major customer: Commercial order expected for delivery in FY26 (Scale-up order delivered)
  - ➢ Strategy is to balance late-stage and commercialized-stage molecules
  - ➢ Guidance intact on the aspirational target of ~USD100m revenue- 1/3 from any new MSA, 1/3rd from the Fermion contract and 1/3rd from the base business
  - ➢ ATR ~2x of segment
- **Impact of US reciprocal tariffs**
  - ➢ Right now negligible impact; but initially too, impact was neutral to positive
  - ➢ Customers have not changed their strategic decisions as such w.r.t. FY26 order book
  - ➢ However, the company would always be watchful of the headwinds due to the tariffs
- Inventory days have come down and are sustainable- continuously monitoring the levels of inventory and aligning it w.r.t. the order book
- Gross margin outlook looks pretty decent as Sulphur prices and some other RM prices are softening, so GM could expand
- EBITDAM guidance of 23-26% for FY26.

NOCIL — Neutral

Current Price INR 195

- Management is cautious amid the current geopolitical uncertainty.
- Pricing pressure being faced because of dumping from China, Korea and EU.
- Indian tyre industry outlook remains healthy with a 4-6% CAGR.
- Replacement demand supported by increased government spending and other favorable policies.
- Favorable monsoon forecast will support demand in the near term in the domestic market.
- No capacity constraints currently in any of the products.
- Domestic volumes were flat in FY25, which management sees as a transitionary effect rather than NOCIL losing market share.

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- Management believes there would be robust demand in domestic market going forward, but pricing pressure would persist.
- Domestic volumes expected to grow at domestic market growth rate; export volume growth to be stronger.
- Management is making conscious effort to improve per kg parameters by bringing in operational efficiencies.
- There were some challenges w.r.t. the product mix in 4QFY25.
- Latex has done well in FY25 compared to FY24; will not go back to Covid levels but would continue to grow.
- NOCIL has a larger presence in Asia compared to the EU/ US.
- For specific products, utilization is at optimum levels; for some other products, it is at 60%+.
- Capex of INR2.5b on track: would be manufacturing TDQ in its Antioxidants' product portfolio in Dahej through a more advanced and greener process
- Demand for this product is there; therefore, management took decision to expand capacity.
- Antioxidants imports into India in 4QFY25 are stable.

P I Industries — Buy

Current Price INR 3,905

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Operating performance

- PI commercialized 6 new products in Exports and 7 in Domestic Agri Brands
- Domestic branded witnessed robust volume growth OF ~24% in 4QFY25, led by a strong Rabi season, marked by increased acreage in wheat, rice, and pulses, offsetting the modest export growth
- However, the delayed and erratic rainfall during the Kharif season, along with pricing pressures from generics, moderated the overall growth of domestic brands in FY25
- PI reported a revenue growth of 4% YoY in FY25, driven by 31% YoY growth in new products and 5% YoY growth in agchem exports over a high base
- Gross margin remained strong, supported by robust growth in the domestic business and a favorable product mix

Outlook and guidance

- Domestic Agri Brands to continue growth momentum through launching new products and focusing on the Crop Solution approach
- PI targets a single-digit revenue growth in FY26 with sustained margins, while navigating the transitory headwinds with focused growth plays
- The long-term growth outlook remains solid with double-digit growth and a major pickup from 2HFY26
- Stable commodity prices, coupled with a favorable monsoon forecast to drive the Agri-sector
- Overall price pressure is expected to persist in the generics space
- PIOXANILIPROLE is currently undergoing regulatory development, with commercialization anticipated in the first country within the next couple of years.
- Tax rate going ahead is expected to be in the range of 22-23%
- Stronger growth is anticipated in the domestic business, given the prevailing headwinds in the export segment.
- The EBITDA margin guidance for FY26 is set at 25%
- A slight reduction in the working capital cycle was observed in FY25, with FY26 expected to range between 65 and 70 days.

Pharma business

- PI targets pharma CRDMO revenue to be 3x over the next 3-4 years

- Revenue decline in FY25 was mainly on account of inventory pile-up and deferred off-take of key products
- The company is witnessing good traction of new CRDMO enquiries
- The commissioning of Kilo facilities in Lodi, Italy, in 1QFY26, improved order book/business visibility over the next 1-2 years.
- The company plans on expanding and enhancing the GMP site in Lodi, Italy
- PI is aiming to capitalize on growth opportunities in the CDMO segment while strategically expanding market presence across the CRDMO value chain
- The CRDMO order book continues to grow, supported by a robust pipeline. The company has onboarded two new pharmaceutical customers to secure additional partnerships with major pharma companies.
- The Pharma segment reported an EBITDA loss of INR1.8b-INR1.90b in FY25
- The pharmaceutical business is expected to take several years to achieve EBITDA profitability. As the company scales operations, associated costs will increase.

Biological Business

- Biologicals' product revenue was up 10% YoY in 4QFY25, largely driven by the launch of new products and increased adoption of sustainable crop solutions at the farmer level.
- Management expects the global biologicals revenue to surge 5x over five years.
- Going ahead, PI plans to introduce products through new technology platforms and leverage its India Distribution, while acquiring complementary technologies and expanding its portfolio.
- The new launches, along with a focus on biologicals, will drive the next leg of growth

CSM

- Aggressive commercialization of new products in FY26, with 8-10 new products expected to be launched in FY26
- Continued momentum in new enquiries and conversions was witnessed in CSM
- The company remains cautiously optimistic despite destocking of inventory and the uncertain US tariff regime

Capex

- PI incurred a total capex of INR9.2b in FY25 compared to INR5.8b in FY24
- CAPEX in FY26 is expected to remain in line with FY25 levels, in the range of INR8b-9b
- CAPEX is determined by product requirements and customer needs, reflecting a diverse allocation. The company is strategically directing investments towards new product development.

Others

- The increase in overheads was due to promotional expenses for the launch of the new products, and adding resources to build the Pharma 2 business and PHC integration
- It is the first Indian company to receive approval from the International Organization for Standardization (ISO) for a ground-breaking insecticide named "PIOXANILIPROLE”
- Maintains a pipeline of approximately 20 products in the domestic branded segment
- Aiming to establish a global presence in biologicals and position itself as a differentiated player in the CRDMO segment
- A similar momentum is anticipated in the development of new molecules going forward to expand the overall product portfolio.
- The company is making significant global investments to expand its footprint in the pharmaceutical and biologicals segments.

SRF — Buy

Current Price INR 3,104

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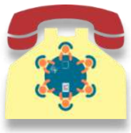

Chemicals business: Specialty chemicals

- The specialty chemicals segment delivered strong revenue and margin growth YoY mainly led by the strong traction in the recently launched products and the recovery in off-take of certain key agrochemical intermediates
- SRF continues its focus on strengthening the product pipeline and ramping up newly commissioned plants
- Successfully launched five new agro products and three new pharma products in FY25
- SRF undertook debottlenecking of capacity across several products and multiple campaigns in MPPs with an investment of INR7b, enhancing future capabilities, leading to a 30% increase in overall capacity
- The pricing pressure from Chinese competitors continued, leading to price adjustments for multiple products
- Raw materials have started showing signs of stabilization
- Management is targeting 20%+ revenue growth in FY26 and building strong momentum in the years ahead, with an aim of INR110b+ revenue in the next three years
- 2HFY26 is expected to surpass 1HFY26, led by some factor of seasonality in this estimate
- Volumes are expected to be better for both the businesses in 1HFY26, along with better volumes for legacy products with incremental volumes from new products
- The overall chemical business EBIT margins are expected to be in the range of ~25-26% (+/- 2%) going ahead, led by healthy volumes and better product mix
- The pharma segment contributed to ~6-7% revenue share in FY25
- Export currently stands for ~70-71% in the specialty chemicals business

Chemicals: Fluorochemicals

- Fluorochemicals business reported strong performance in 4QFY25, driven by the higher volumes and realizations of HFCs across domestic and export markets, along with record domestic sales of ref gases, driven by the highest-ever R32 production and offtake.
- Demand for Dymel continued to see strong traction.
- With the rising demand for refrigerants due to increased AC and automobile production in India, SRF maintains its dominant share in the domestic Room Air Conditioners (RAC) and Mobile Air Conditioners (MAC) markets.
- Mandate for in-cabin AC for Commercial vehicles is expected to further drive ref gas consumption, with India and the Middle East expected to drive future growth for Ref gas
- Reduced Chinese HFC supplies resulting in increased global prices
- Increased competition and the oversupply situation in the domestic chloromethane market are adversely impacting margins
- Inventory levels in the US have decreased
- PTFE is showing early signs of improvement, with the ramp-up fully expected in FY26
- The ongoing capex of INR11b will be completed within 30 months from the date of approval.
- No major impact was witnessed, neither negative nor positive from the India-UK FTA.
- The pricing trends for FY26 are as follows: R32 pricing is still expected to fluctuate, R134A is anticipated to remain flat with a slight positive trend, R125 is expected to stay flat, and R22 pricing is experiencing an increase.

- Capacity utilization for HFC is expected to increase significantly in FY26, rising to 80-85% from 70% in FY25.

Packaging film business

- Performance Films & Foil Business witnessed healthy revenue growth, driven by higher volume and realizations for both BOPP and BOPET, and margin expansion led by continued focus on ramping up value-added products.
- Demand-supply balance for BOPP stands better than BOPET, and the capacity utilization in India has improved for both BOPP and BOPET.
- SRF launched 12 new products in FY25: 5 in BOPET and 7 in BOP
- Performance of Aluminum foil witnessed a positive change over 3Q, led by higher export volume, while the domestic demand for aluminium foil remained subdued
- The board has approved the establishment of a new capacity of BOPP PE film line in Indore during the year, with an investment of INR4.45b and is expected to commence in ~ 25 months from the date of approval
- An additional 50-55 KPTA of new capacity is expected to be introduced in this segment.
- The subsidiaries, primarily involved in the packaging film business in Hungary and aluminum foil business, are currently facing a PAT loss in Hungary but expect a positive PAT in FY26, with both subsidiaries being profitable at the EBITDA level.
- Going ahead, the company will continue its focus on increasing the sales of the high-impact VAP

Technical textiles business:

- Technical textiles business declined by 2% YoY in 4QFY25 due to Weak demand and increased competition from low-cost Chinese imports in Belting Fabrics, while the margins were impacted by the lower margins in Nylon Tyre Cord Fabrics
- Achieved the highest-ever production and sales in FY25 of Tyre Cord Fabrics, Polyester Industrial Yarn, and belting fabrics
- Maintained dominant position in the domestic Belting Fabrics market with sequential growth in exports
- The management expects the belting fabrics' performance to improve with increased government spending, revival of tier II markets, and higher exports, along with a rebound in cement, steel, and coal production and round construction in FY26
- FY26 is expected to deliver performance similar to that of FY25.

Others

- Chances of seeing global growth slowing down with the company continuing to navigate through uncertain times
- The prices for each gas are expected to fluctuate differently.
- SRF plans to incur capex in the range of INR22b to INR23b for the FY26, with the possibility of an increase during the year.
- SRF expects the benefit of reduced borrowing costs in FY26 due to global interest rates trending downward.
- The company plans to optimize raw material sourcing as part of its cost-saving initiatives in the future.
- The management believes it will be able to maintain or increase its market share in the chemicals business, regardless of the situation in China.
- Strong demand is anticipated for both coated and laminated fabrics going forward.

TATA CHEMICALS LIMITED

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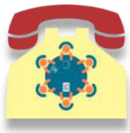

Tata Chemicals — Neutral

Current Price INR 930

Demand-supply scenario

- Global demand witnessed moderate growth, led by China (+18%) and India (+4%), while other regions declined by ~3%.
- In China, demand was primarily driven by strong uptake in solar and lithium battery sectors; however, similar momentum is not expected this year, and growth is likely to remain stable.
- India continues to show healthy traction across traditional and new-age end-user industries, with a 5-6% demand growth expected in the coming year.
- Global supply increased by 8.9% YoY, led by China; Inner Mongolia capacities are now operating at optimum utilization, contributing to incremental volumes.
- Supply additions have exerted pricing pressure, with the market remaining well-supplied in the near term.
- Western Europe is currently running at elevated and unsustainable capacity levels, which may require rationalization going forward.
- Exports from China have moderated, supported by strong domestic demand growth of +8.3% that absorbed most of the internal production.
- Export volumes from the US and Turkey have risen sharply, with part of the incremental supply being diverted to China.
- Demand-supply dynamics are expected to remain range-bound in the short term.
- Medium- to long-term outlook remains constructive, underpinned by sustainability-led growth beyond China, the US, and Europe, where soda ash is a critical enabler.

Guidance and Outlook

- India, Kenya, and the UK are expected to move in a positive direction in FY26. UK operations will show improvement from 2QFY26 as it stabilizes. The US domestic business will continue to improve, but US exports will remain a challenge.
- Capex in FY25 was INR20.05b, which will reduce to INR5.5-6b in FY26, including Kenya capex of INR600m. Beyond that, there are no major capacity expansions planned except for Silica capacity, estimated at INR180m.
- The additional soda ash and bicarb capacity at Mithapur will achieve full utilization in FY26. The depreciation run rate in 4QFY25 will be sustainable for FY26.

India

- Higher volumes of soda ash and bicarbonate helped offset lower realizations during the period.
- Volume growth was achieved despite the reduction in Minimum Import Price (MIP), indicating that MIP had a limited impact on domestic performance.
- Anti-dumping duty (ADD) investigation is currently underway, which could influence future import dynamics and pricing structure.
- The India-UK Free Trade Agreement (FTA) presents a strong opportunity to manufacture pharma-grade salt domestically and export it to the UK, where it is currently produced locally.

North America

- The domestic business (contributing ~40% of US revenue) continues to perform well in terms of both revenue and margins.
- Exports (60% of US revenue) are facing margin compression, driven by lower realizations in certain geographies and adverse operating leverage.
- South East Asia remains a key monitorable, with soda ash prices around USD 200/MT.

- US volume for the quarter was lower due to port congestion caused by weather-related disruptions; volumes are expected to normalize in 1QFY26.
- The company is operating gas at fully hedged rates, mitigating cost volatility.
- A quarterly volume run-rate of 600 KMT is achievable going forward; warehouse capacity is being added to support this ramp-up.
- Freight cost has increased YoY due to slightly higher volumes and change in the export model post exit from AMSEC – Tata Chemicals now bears the freight cost directly, impacting reported expenses but also increasing revenue recognition.

Europe

- Lower volumes were reported due to the decommissioning of the soda ash capacity.
- An exceptional cost of INR550m was booked for the shutdown of the Lostock plant.
- The UK operations are shifting towards a value-added business model, with growth expected in pharma-grade salt.
- 1QFY26 will be impacted by transition-related issues, though partially offset by pharma volumes and from 2QFY26 onwards, the UK unit is expected to stabilize and turn profitable.
- British Salt performance has improved steadily over the past few years, supporting the UK turnaround.
- A key concern remains the debt on the UK balance sheet, which needs to be serviced in the coming years.

Africa

- Margin improvement was driven by a focused shift toward the domestic African market.
- The current volume run rate is sustainable, with further upside potential in volumes going forward.
- The company has received government approval to expand capacity by 50k MT (Pure Ash product), expected to be commissioned by the end of FY26.
- The associated capex for this expansion is estimated at ~INR600m.

Other

- Rallis continues to experience weakness in the export market.
- The company will calibrate its capex in sync with prevailing market conditions.
- The increase in debt was primarily to fund working capital needs, which are expected to decrease moving forward.

CONSUMER

- **Most of the companies witnessed limited volume growth, typically in the low to mid-single digits. While urban demand remained subdued, rural consumption continued to recover gradually. Management expects a gradual uptick in demand in FY26, driven by reasons such as income tax breaks, interest rate reductions, easing inflation, and the expectation of better monsoons. Rising commodity costs, particularly in the agri basket, combined with price hikes taken at a lag, led to gross margin pressure across most categories and companies in 4Q. However, companies have mainly completed taking price hikes, and RM inflation is beginning to cool off. Hence, the full benefits are likely to materialize in the coming quarters. The companies remain optimistic that price modifications, combined with a likely rise in volumes, will drive revenue growth going forward.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Takeaways from 4QFY25 performance	Outlook for FY26
Asian Paints	■ APNT posted a weak 4QFY25, with consolidated/standalone revenue declining 4%/5% YoY. ■ Domestic volume grew modestly by 1.8% YoY. Muted demand conditions coupled with downtrading and increased competitive intensity have been adversely impacting revenue performance. ■ The value-volume gap should not be more than 6%, as per the management; however, it exceeded that range in 4Q (~7%). APNT expects the gap to narrow down to their guided levels.	■ Management expects a gradual demand recovery ahead. ■ APNT is targeting to achieve a single-digit revenue growth in FY26. ■ The company maintains an EBITDA margin guidance of 18-20%. ■ APNT will focus on providing value to customers and strengthening the brand saliency rather than just discounting or entering a pricing war. Moreover, strengthening backward integration and sourcing efficiencies will aid APNT in investing further in its brands.
Britannia	■ BRIT posted consolidated total revenue growth of 9% YoY in 4QFY25 and volume growth of ~3% ■ Consolidated gross margin contracted by 480bp YoY to 40.1% (in-line) due to a rise in commodity prices. ■ Steep RM inflation was seen in 4QFY25 as Flour was up 12% YoY, Palm oil was up 54% YoY, Cocoa rose 83% YoY and milk was up 21% YoY. BRIT took price hikes to mitigate the same. ■ Direct reach has expanded to 2.87 million outlets, with rural distribution now covering 31,000 distributors.	■ Management highlighted that EBITDA margin will be maintained at 17-18%. ■ New launches are being more focused on the premium side. The overall premium portfolio continues to do well for BRIT. ■ Macro trends improving indicating gradual consumption recovery in FY26.
Dabur	■ Dabur's consolidated sales grew by 1% YoY. The India revenue declined 5.2%, with a volume decline of 5%. ■ FMCG demand trends remained subdued amid high food inflation and a surge in the cost of living, which limited urban spending during 4QFY25. ■ Dabur took a 3.5% price hike to offset inflation, but it was neutralized by trade schemes and promotions.	■ Dabur expects consumer demand in India to recover progressively in the coming quarters, both in urban and rural markets. ■ For FY26, Dabur aspires to post high-single-digit value growth and increase its operating margin.
Godrej Cons.	■ The India revenue grew 7% YoY, with 4% volume growth. ■ The India business's gross margin contracted 590bp YoY to 51.9%. GP was down 4%. EBITDA margin contracted 400bp YoY to 22.6%. ■ GCPL stated that demand conditions in India have continued to be impacted by headwinds in urban consumption. A surge in palm oil prices by more than 50% is adversely impacting its EBITDA margin. ■ GCPL reported consol. net sales growth of 6.3% YoY while consol. organic volumes for 4QFY25 grew 6% YoY. Gross margin contracted 360bp YoY to 52.5%, while EBITDA margin contracted 140bp YoY to	■ GCPL believes that the macro outlook is set to improve in the near to medium term, aided by a healthy monsoon outlook, easing food inflation, and potential tax reliefs—supporting both rural and urban consumption. ■ For FY26, the company has guided for mid- to high-single-digit volume growth, high-single-digit revenue growth, and double-digit EBITDA growth. ■ In FY26, the ETR will reduce to 26% from ~30% in FY25. ■ GCPL expects its India business to see mid-to-high single-digit volume growth. This growth will

	21.1%.	be backed by ~2% volume growth in soaps, ~7% volume growth in HI, and ~15% volume growth in the rest of its domestic portfolio. GCPL does not expect any price cut in the near term.
Hindustan Unilever	■ HUVR 4QFY25 consolidated revenue was up 3% at INR154.5b, with 2% underlying volume growth. Rural demand continues to show gradual improvement, while urban demand remains subdued. ■ Home Care delivered mid-single-digit volume growth, with revenue up 2%. The company passed on commodity deflation benefits to consumers through calibrated price reductions. ■ Beauty & Wellbeing segment witnessed low single-digit volume growth and 6% revenue growth, impacted by the mass skin portfolio. The Hair Care portfolio reported double-digit growth, fueled by volume and the company has done several new launches ahead of the summer season. ■ Food & Refreshment (F&R) revenue declined 1%, with volumes declining in mid-single digits. Tea witnessed low single-digit growth, led by pricing. Coffee reported double-digit growth.	■ The macro environment is expected to improve in the near to medium term, supported by both external and internal factors. Externally, favorable agricultural output (strong Kharif and Rabi seasons), declining food inflation, and potential tax reliefs are likely to drive better rural and urban consumption. ■ HUVR has implemented price hikes to mitigate the impact of raw material price inflation. The company will take a low-single-digit price hike if commodity prices remain at the current level. ■ Growth is expected to gain momentum through FY26, supported by a combination of improving macro tailwinds and portfolio enhancement initiatives, with 1HFY26 growth likely to outpace 2HFY25. ■ Management revised its EBITDA margin guidance to 22-23% for the next 2-3 quarters, compared to the earlier guidance of the lower end of 23-24%, reflecting increased investments in portfolio transformation and market development.
Marico	■ Domestic revenue growth was 23% YoY with 7% volume growth. International growth was 11% YoY (16% cc growth). ■ Consumer sentiment remained stable during 4Q, supported by improving rural demand and mixed trends across the mass and premium urban segments. ■ It recently implemented an additional 8-10% price hike, bringing the total hike to ~30% due to rising copra costs. It has not yet seen a significant volume impact from the recent price hikes.	■ The company expects margin pressure to sustain over the next 1-2 quarters, driven by elevated copra prices. It expects easing inflationary trends toward the end of 1QFY26. ■ The company expects double-digit revenue growth (unlike other FMCG peers) in the medium term, and expects to deliver double-digit operating profit growth.
PIDI	■ UVG was 10% in 4QFY25. Consumer business witnessed value and volume growth of 9% and 8% YoY. B2B business reported 14% and 16% value and volume growth. ■ The impact of price cuts has been minimal, and the value-volume gap has now neutralized. Management aims to drive revenue growth primarily through volume expansion going forward. ■ Urban demand improved in 4Q; however, rural demand growth continued to outpace urban demand growth. ■ GM expanded 160bp YoY to an 18-quarter high of 55%, driven by benign raw material prices. VAM dipped to ~USD880/t in 4QFY25 from USD925/t in 4QFY24. PIDI remains focused on reinvesting in branding and customer acquisition.	■ Management has maintained its guidance of double-digit UVG for FY26. ■ PIDI aims to achieve growth of 1-2x of GDP in its core category and 2-4x in its growth category. However, growth is likely to be at the lower end of this range given the current demand environment.
UNSP	■ UNSP reported revenue growth of 11% YoY in 4QFY25, with total volume growth of 7%, supported by re-entry in AP (since Sep'24). The Prestige & Above (P&A) segment clocked volume and value growth of 9% and 13%. The Popular segment posted a 2% volume decline with marginally 1% revenue growth. ■ EBITDA margin expansion led by gross profit growth and cost control efficiencies.	■ With the implementation of the UK-FTA, the accessibility of Scotch whisky in India is set to improve, paving the way for new premium offerings for Indian consumers. The reduction in import duties—from 150% to 75%—is expected to translate into high single-digit reductions in consumer prices and drive additional volumes in the high single-digit range.

asianpaints

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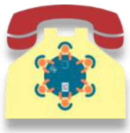

Asian Paints — Neutral

Current Price INR 2,243

India Business

- Paint market size would be INR800b with organized players having ~80% value market share.
- 4QFY25 was a tough quarter for APNT as muted demand conditions and consumer sentiment, coupled with downtrading, and increased competitive intensity impacted revenue.
- Value volume gap should not be more than 6% as per APNT, however, it exceeded that range in 4Q (~7%). They expect the gap to narrow down to their guided levels.
- APNT has seen some postponement of repainting, given the inflationary pressure on summers, few are downtrading as well.
- T3/4 markets are doing better than T1 and metros.
- The management stated that the decorative business is far more impacted than the industrial business.
- The Industrial Business recorded ~6% growth, driven by strong performance in the General Industrial and Automotive segments.
- Distribution expansion continued with 1.69 lac touch points.
- On competition: APNT will focus on providing value to customers and strengthening the brand saliency rather than just discounting or entering a pricing war. Moreover, strengthening backward integration and sourcing efficiencies will aid APNT to invest further in its brands.
- New Launches: APNT has focused on revamping the packaging with a premium look across the luxury, premium, and economy range of products. A lot of premium products launch, Apex Ultima Protek with 12 12-year warranty. Future of waterproofing – 'Smartcare Infinia' with 25 years of waterproofing warranty for terraces. There is also a range of regional packs (Gujarat, Tamil Nadu, Karnataka, UP, and Uttarakhand) under Smartcare Damp proof. Also launched a new campaign for Ace Exterior Emulsion to target the bottom of the pyramid, value customers.
- New products contributed to ~14% of overall revenues in Q4FY25. The management indicated ~60% of NPDs to be in the premium and luxury product range.
- Mid to luxury homes demand is picking up, which will aid demand for APNT premium products as well.
- Beautiful Homes Painting Services & Trusted Contractor Services continues to grow strongly.
- Home Décor (~ 4.5% of decorative revenue) saw muted performance as discretionary spending under pressure. White Teak sales are impacted by BIS challenges as it is mainly imported from China.
- Beautiful Homes Signature Store launched in Mumbai - Borivali, spread across 14k sqft. and Bandra, spread across 15k sqft. Similarly, it launched in Surat with 13k sqft.
- Projects/Institutional Business is witnessing a healthy demand driven by the Factories & Builders' segment. Moreover, traction is sustained in the government segment since 3QFY25.

International Business

- Q4 international business revenue dipped 1.5% in INR terms, growing 6% in constant currency terms. FY25 revenues remained flat YoY in INR terms.
- Africa's performance was impacted by currency devaluation, high inflation in Egypt & Ethiopia.
- The Middle East saw strong double-digit growth, especially in the UAE, which is a key growth market for APNT.
- Asia: Single-digit revenue growth; Continued recovery seen in Sri Lanka & Nepal; Macroeconomic conditions a concern in Bangladesh.
- In 4QFY25, the profitability was impacted due to higher costs on currency devaluation in key markets.

Near-term outlook

- APNT expects demand recovery to take time and will be gradual. They expect T3/4 towns to continue doing better in the near term, as normal monsoon forecast coupled with continued support from Government spending should support rural demand trends further.
- They expect competitive intensity to remain elevated.
- The geopolitical situation remains uncertain across many geographies. Flux in world trade order with the tariff war expected to persist.
- While the company expects some softening in raw material prices, they are keeping an eye on INR recovery.
- APNT expects to deliver single-digit value growth in FY26.
- The company maintains 18-20% EBITDA margin guidance for the medium term.

Capex

- Backward integration projects (VAM-VAE & White Cement) remain on track. The white cement plant will be operational by June 2025, which would further improve cost efficiency as well as enhance capability to bring out differentiated products with unique specs, venturing into cements. The VAM project is set to be fully operational by March 2027.
- Capex to be INR7-8b for FY27 and FY28 each.

Britannia Inds — Neutral

Current Price INR 5,601

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Business environment and performance

- Macro trends are improving, indicating a gradual consumption recovery in FY26.
- In 4QFY25, delta is 5.5% between volume and revenue. With moderation in RM prices, BRIT does not expect any more price hikes.
- BRIT has expanded its direct reach from 2.79m outlets to 2.87m outlets and has strengthened its rural distribution to 31,000 distributors from 30,000 in FY24.
- BRIT’s market share has largely remained stable QoQ.
- Competition from D2C players is not a matter of concern for BRIT. However, with MT and QC growing, BRIT will remain watchful of any developments in D2C space.
- BRIT has continued to leverage E-com channel. In FY25, E-com revenue grew 7.4x compared to other channels. BRIT also launched E-com only products. E-com and QC account for ~4% of total sales, and they are growing fast, though the overall salience is relatively low. In QC, packaged foods’ salience is lower compared to groceries and personal care categories.

- On campaigns, BRIT launched special edition packs in partnership with Avani Lekhara – India's first woman to win two Gold Medals at the Paralympics. Also, strengthening the 'Chai' association for Good Day in partnership with Chai Point at the Maha Kumbh.
- On NPDs, launched Grow – developed with 16 essential nutrients for kids; New Britannia Cheese – with superior taste, creamier texture; relaunched Cake with a softer, tastier and fruitier proposition and initial traction for new cakes has been encouraging.
- New launches are being more focused on premium side. The overall premium portfolio continues to do well for BRIT.
- BRIT's media investments focus on innovations and adjacencies.
- Price increases actioned during the quarter to counter inflation and sustain margins coupled with stepping up of cost saving initiatives.
- Remain vigilant of the competitive pricing actions at both regional and national levels.
- BRIT stated that focus will remain on sustaining margins while remaining competitive.
- In FY26, BRIT expects both volume- and value-led revenue growth. However, given the price hikes, it expects a delta between volume and value growth.
- Succession planning is in play, and CEO will be announced in the next 3-4 months, till then Mr. Varun Berry will be acting as interim CEO.
- The RTM 2.0 strategy aims to expand distribution, enhance sales capabilities, upgrade technology, and improve street-level engagement, which will help BRIT to increase its depth and width in rural markets.
- Its current direct reach is 2.9m and total reach is 6.5m in the 9m outlets FMCG category.
- BRIT remains open to inorganic growth opportunities.

Adjacent categories

- Croissant and Wafers grew ~3x of Biscuits in FY25, led by improving channel mix.
- The cakes portfolio was relaunched with the recipe and product enhancement and exciting packaging, which led to healthy traction.
- Rusk – High single-digit value growth backed by healthy volumes driven by revamped packaging rolled out in Apr'25. Overall competitive intensity in the category remains high as there are ~2,500 players (mostly regional) as per BRIT.
- Drinks – Healthy Double-digit growth across channels.
- Cheese – The newly developed product, leveraging French expertise, exhibiting positive early market traction. Few players offer heavy discounts in alternate channels as they do not have distribution system, which impacts BRIT. Now the company has launched same pricing across channels, which is resulting in 40%+ growth in its traditional channel.
- Cake, rusk, dairy and bread are ~INR8b each, while newer categories launched in the last 4-5 years such as croissants, milkshakes and wafters are in the range of INR1-2.5b. ~75:25 is the split between old and new categories.

Cost and margins

- Steep RM inflation seen in 4QFY25 as Flour was up 12% YoY, Palm oil up 54% YoY, Cocoa up 83% YoY and milk up 21% YoY. BRIT took price hikes to mitigate the same.
- BRIT does not expect any deflation in wheat prices in the coming quarters.
- Management highlighted that EBITDA margin will be maintained at 17-18%.

- Wheat and oil are ~30% each and sugar is ~20% of total RM basket for FY25.
- Other income for FY26 should stabilize at the current range. Tt is mainly the government incentives for the plants set up by BRIT.
- FY25 saw 9x higher cost savings than FY14. Almost 2.5% savings by cost efficiencies. For FY26, BRIT expects more than 2.5% of saving.
- 79% of packaging plastic recyclable, improvement of 17% YoY. 75% of laminate waste recycled, improvement of 23% YoY.

Dabur — Buy

Current Price INR 488

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Operating business and environment

- FMCG demand trends remained subdued with high food inflation and a surge in cost of living, which limited urban spending during 4QFY25.
- 4QFY25 primary channel inventory filling was lower, though secondary offtakes remained healthy.
- Emerging channels, comprising Modern Trade, E-Commerce, and Quick Commerce, grew in double digits, although general trade in urban markets remained under pressure.
- Dabur drove consumer engagement and brand superiority across product categories, leading to market share gains across 90% of the portfolio.
- Dabur expects consumer demand in India to recover progressively in the coming quarters, both in urban and rural markets.

Cost and Margins

- The management alluded that for FY25, ~80% of the inflation impact was reflected in 4QFY25, which led to India GM contracting by ~250bp.
- Most of the price increases by Dabur were largely negated by certain trade promotions; hence, gross margin was impacted. Inflation was ~5%, while price hike was ~3.5% by Dabur in 4Q. This price hike will flow into 1QFY26 as well.
- For FY26, Dabur aspires to post high-single-digit value growth and increase its operating margin.

Segmental performance

HPC

- The HPC segment recorded a 3% YoY sales decline during the quarter.
- Oral Care declined by 5% YoY, impacted by a higher base effect (22% growth in 4QFY24). Meswak and Dabur Herbal portfolio performed well.
- In oral care, the herbal category now accounts for ~31% of the total toothpaste market, which was ~30% last year and is growing at 2x of non-herbal category growth.
- Hair Care declined ~5% YoY. However, Shampoo grew in mid-single digits, while Hair oils grew ahead of the category. Coconut hair oil portfolio recorded a strong growth of 11% YoY.
- Home care was up 1% YoY, with Odonil growing in mid-single digits and Aerosol and Gel pockets reporting strong double-digit growth. Odomos reported muted performance on account of a high base effect.
- Skin care grew 8% YoY driven by double-digit growth in Gulabari franchise.

Healthcare

- The Healthcare portfolio declined by ~5% YoY during the quarter.
- Health Supplements saw a ~4% YoY decline as delayed and contracted winters impacted Chyawanprash and Honey. Glucose registered 10% growth.

- The OTC & Ethicals segment declined 8% YoY as winter-centric products such as Lal tail and Honitus reported muted performance. Health juices maintained growth momentum with 25%+ growth YoY.
- Digestives declined 2% YoY. However, Hajmola saw low-single digit growth YoY and Hajmola candies recorded strong double-digit growth. Extensions and variants now contribute to more than 50% of Hajmola franchise.
- The focus on advocacy vertical to promote Ayurveda to the modern doctors will continue and the turnover will be taken from current INR1b to INR2b.

Food & beverages

- The Foods segment maintained its strong growth momentum, reporting ~14% YoY growth, driven by strong performance across Hommade coconut milk, Lemoneez, etc.
- Badshah delivered 6% growth YoY with volume growth of 11% YoY. Entered new markets of Rajasthan and Madhya Pradesh. Dabur product portfolio expansion plan is based on regional tastes & preferences.
- Institutional sales of Badshah this quarter were impacted by a cut down in budgetary spends by CSD.
- The Beverages segment declined by 9% YoY, impacted by high competitive intensity and a slowdown in urban consumption, as 70% of the portfolio is in urban India. While the overall portfolio declined, premium segment did well, with Real Activ and Coconut water recording robust growth of 11%.
- For its out-of-home drinks portfolio, Dabur has increased its channel margins slightly to compete with the ongoing Campa and cola pricing war. Apart from this, Dabur's channel margins remained unchanged for the rest of the beverages portfolio.
- For beverages, Dabur expects low-mid single digit growth in FY26. It is launching INR10/20 bottles in rural and semi-urban markets with gradual scaling up of distribution.
- The cold pressed juices and ghee and fats and oil are growing ~30% YoY.

Emami — Buy

Current Price INR 580

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Performance and outlook

- Demand trends continued to mirror 3Q in 4QFY25. While rural markets continued to perform well, mass urban demand remained subdued. Emami expects a gradual pick-up in consumption, supported by easing inflation, recent income tax benefits, higher government capex, and a more accommodative monetary policy, including potential rate cuts.
- For 1QFY26, summer has been slightly impacted by the sudden rainfalls; the southern and eastern regions are more impacted for Emami. Particularly, the talc powder offtake was hit in Apr'25.
- Organized trade channels comprising Modern Trade, e-Commerce, and Institutional sales contributed 27.6% of domestic revenues in FY25, expanding by 140bp YoY. Growth in these channels at 13% YoY outpaced overall domestic growth.
- The International business posted a 6% growth YoY in 4QFY25, demonstrating resilience despite geopolitical volatility across Bangladesh, the Middle East, and

parts of Africa. Strong momentum was witnessed across SAARC, SEA, CIS, and African markets.

- For strategic subsidiaries, Emami is scaling its marketplace and quick commerce presence, while driving cost efficiencies as well as launching new products in the next 3-6 months to tap into evolving consumer trends. The Man Company's sales stood at INR1,500m, while Brillare's sales came in at INR500m in FY25. Management expects strong double-digit sales growth from these businesses in FY26. Recently, Emami has appointed Mr. Zairus Master as the COO of The Man Company.
- NPDs contributed ~3-4% to sales in the last 2-3 years, and Emami expects it to be in the similar range going forward.
- Their digital-first portfolio on Zandu Care continues to scale rapidly, growing over 50% YoY and now contributing over 80% of Zanducare sales. Products launched in the last two years now contribute ~50% to total Zandu Care sales.

Cost and margins

- In 4QFY25, input costs broadly remain under control and are expected to remain stable in the near future.
- Management expects 2-3% price hikes in FY26.

New product launches

- The company rebranded its flagship product Fair and Handsome, to Smart and Handsome in Jan'25, reflecting a strategic shift toward a more inclusive and contemporary positioning in the male grooming category.
- It forayed into the (INR40b) brightening cream category with the launch of 'Emami Pure Glow'. The brand has been rolled out across select markets in South, West, and North India, with a national launch planned in the near future.
- Launched Zandu Hair Growth Mask, Zandu Plant-Based Biotin Plus, and Lemon and Zandu Honey Green Tea on Zanducare.
- Emami launched 25+ new products in Domestic Business, including 11 new launches on Zanducare in FY25.

Segmental information

- The healthcare portfolio Strong double-digit growth in Immunity Range, Zandu Honey, Zandu Health Juices, and Zanducare digital first portfolio
- In the BoroPlus range, growth was led by the core BoroPlus Antiseptic Cream and lotions, benefiting from extended winters.
- 4QFY25 is a seasonally strong quarter for Boroplus. That said, Boroplus is doing well in April and May, given a muted summer.
- Kesh King's Sachet Hanger Drive was taken across leading markets to enhance Shampoo Sachet availability & visibility. Moreover, Kesh King's grammage was increased from 5.5ml to 6ml, to be at par with the competition.
- Strategic Subsidiaries saw revenue declining by 5% in FY25. The Man Company's business was hurt by a management transition and leadership change. Emami is driving cost optimization measures to improve gross margins and focuses on a secondary approach in B2B businesses.

Click below for
Results Update

Godrej Consumer — Buy

Current Price INR 1,215

- Demand conditions in India have continued to be impacted by headwinds in urban consumption. However, GCPL believes that the macro outlook is set to improve in the near to medium term, aided by a healthy monsoon outlook, easing food inflation, and potential tax reliefs—supporting both rural and urban consumption.
- Goodknight Agarbatti has emerged as the leading incense stick brand in the market, generating a cumulative revenue of INR1b within 15 months of launch and capturing an 8% market share. For FY26, GCPL expects the business to record ~INR1-1.1b revenue.
- The new RNF molecule is performing well for GCPL and will be a key growth driver for the company's household insecticides portfolio.
- The Godrej Fab liquid detergent portfolio has achieved an annualized revenue run rate of INR2.5b, with a two-year category CAGR of ~30-35%. GCPL expects this business to double every year for the next few years.
- The body wash category is growing at a 30-35% two-year CAGR, while the soaps category is growing at 5%. GCPL is witnessing strong traction for its Cinthol Foam Body Wash in quick commerce.
- For FY26, the company has guided for mid- to high-single-digit volume growth, high single-digit revenue growth, and double-digit EBITDA growth.
- In FY26, the ETR will reduce to 26% from ~30% in FY25.
- GCPL expects its India business to see mid-to-high single digit volume growth. This growth will be backed by ~2% volume growth in soaps, ~7% volume growth in HI, and ~15% volume growth in the rest of its domestic portfolio. GCPL does not expect any price cut in the near term.
- For the India business, GCPL's medium-term aspiration includes achieving volume growth in high single digits and EBITDA margin in mid-to-high 20s range. For Indonesia, its medium-term target is to achieve volume growth in high single digits, with an EBITDA margin in mid-20s. For ROW, management aims to achieve mid-single-digit volume growth with >15% EBITDA margin over the next two years.
- GCPL plans to invest INR7b in strengthening its organic manufacturing capacities over the next 18-24 months.

Hindustan Unilever Limited

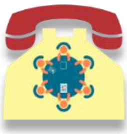
Click below for
Detailed Concall Transcript &
Results Update

Hindustan Unilever — Buy

Current Price INR 2,377

Operational environment

- FMCG rural demand witnessed a gradual improvement during the year, while urban consumption remained relatively moderate.
- The macro environment is expected to improve in the near to medium term, supported by both external and internal factors. Externally, favorable agricultural output (strong Kharif and Rabi seasons), declining food inflation, and potential tax reliefs are likely to drive better rural and urban consumption. Internally, HUL's portfolio transformation strategy is gaining traction. Key initiatives include the relaunch of core brands like Lifebuoy and Glow & Lovely, along with accelerated innovation in the Future Core and Market Maker portfolio.




Hindustan Unilever

- Growth is expected to gain momentum through FY26, supported by a combination of improving macro tailwinds and portfolio enhancement initiatives, with 1HFY26 growth likely to outpace 2HFY25.
- HUVR has implemented price hikes to mitigate the impact of raw material price inflation. The company will continue to take a price hike in the low single-digit if commodity prices remain at the current level.
- The company remains focused on driving volume-led, competitive growth in the near term, prioritizing top-line momentum over margin expansion.
- For FY25, both Underlying Volume Growth (UVG) and Underlying Sales Growth (USG) stood at 2%, with flat pricing growth as cost efficiencies and deflation in select raw materials offset inflationary pressures.
- While absolute volume tonnage grew in mid-single digit in FY25, it was partially offset by an adverse product mix.
- Both small and large pack sizes delivered healthy growth during the quarter, with an improved mix versus the previous quarter.
- The company has implemented calibrated price increases in Skin Cleansing and Foods, which were offset by the deflation in the Home Care portfolio.
- Over 80% of turnover now exhibits superior performance on the Unmissable Brand Superiority (UBS) metric relative to competition.
- A 200bp portfolio shift from Core to Future Core and Market Maker segments has occurred, aligned with the company's strategic intent.
- The company has repositioned Lifebuoy and Glow & Lovely to strengthen its Core portfolio.
- In the Future Core and Market Maker segments, Pond's delivered double-digit USG in FY25, reflecting strong consumer traction. Moreover, it delivered revenue of INR15b.
- HUVR's Liquids portfolio in the Home Care category delivered revenue of INR35b and continued to scale rapidly with robust double-digit growth. The company is focusing on enhancing formulations, democratizing usage, tapping into new demand spaces, and premiumizing the category. Liquid product penetration increased 200bp YoY, supported by over 3x the media spend compared to the rest of Home Care.
- The acquisition of Minimalist has been completed, with FY25 turnover exceeding INR5b.
- The Market Maker portfolio in e-commerce recorded c.45% YoY growth in GSV. With a portfolio size of INR70b, there is significant headroom for growth in the category.
- The company's Shikhar app gained over 400bp share in traditional trade, driven by an improvement in the direct value-weighted distribution.
- HUL is leading category growth in Modern Trade, strategically expanding its assortment (~2x) in Quick Commerce, and implementing platform-specific innovations in e-commerce.
- E-commerce contributed 7-8% of total sales in FY25, with Quick Commerce accounting for ~2%. Organized trade remained margin accretive due to a higher mix of the Future Core and Market Maker portfolio.
- The Effective Tax Rate (ETR) for 4QFY25 stood at 25.7%, adjusted for capital gains on the Pureit divestment and prior period tax adjustments.

Costs and margins

- Gross margin performance during the quarter was impacted by raw material cost fluctuations and continued volatility in commodity markets. While input costs for crude oil and soda ash declined, prices for palm oil, coffee, and tea trended upward. Additional trade investments—such as a 400bp increase in Weighted Value Distribution (WVD) within traditional trade—also contributed to
- margin moderation, as these strategic distribution enhancements come with associated cost implications.
- Gross margins are expected to remain under pressure in the near term as the company continues to prioritize delivering the right price-value equation to consumers.
- Management has revised its EBITDA margin guidance to 22-23% for the next 2-3 quarters, compared to the earlier guidance of the lower end of 23-24%, reflecting increased investments in portfolio transformation and market development.
- Despite short-term pressures, the long-term margin outlook remains intact, with a gradual improvement in margins expected over time.
- The near-term margin contraction is a deliberate strategic choice to capitalize on improving macroeconomic conditions and drive volume-led growth through intensified brand investments and channel activation. The EBITDA margin dilution is being reinvested across key expense lines of P&L, including trade investments, A&P, and product development.
- The margin softness is broad-based across categories but more pronounced in the Beauty & Wellbeing segment, where innovation and digital-first investments are being scaled to capture future growth.

Segmental highlights

Home Care

- The Home Care segment posted 2% USG, supported by mid-single-digit volume growth. Price growth was negative, reflecting the company's move to pass on commodity cost savings to consumers through pricing actions.
- Fabric Wash delivered mid-single digit volume growth, primarily driven by premium formats and fabric conditioners, while Household Care achieved high-single digit volume growth, reflecting strong underlying demand.
- The Liquids portfolio across Fabric Wash and Household Care continued to deliver robust double-digit growth, underpinned by sustained market development efforts and expansion into new formats and consumption occasions.
- The relaunch of Surf Excel Smart Shots with enhanced formulation further strengthened the premium proposition in Fabric Wash.
- In the Fabric Care segment, the company operates across Bars, Powders, and Liquids, each serving a distinct consumer need. Bars remain highly price-sensitive, and HUL focuses on delivering the best value proposition through competitive pricing and quality. The powder detergent segment continues to be a key profit driver, offering products across a wide price spectrum and maintaining a strong competitive edge in the category. The Liquids portfolio, now valued at over INR35b, continues to deliver strong double-digit growth, led by market development and premiumization. Key brands such as Surf Excel, Rin, and Sunlight are performing well across their respective segments, reinforcing the company’s leadership position in fabric care.

Beauty & Wellbeing

- The Beauty & Wellbeing segment delivered 6% revenue growth, with low-single digit underlying volume growth.
- Hair Care reported strong double-digit growth, led by volumes and supported by broad-based performance across core, emerging, and future-forward segments.
- Skin Care and Colour Cosmetics witnessed marginal declines, largely due to continued softness in the mass skin care category.
- The company achieved robust double-digit growth in digital-first and modern trade channels, underlining the effectiveness of its omnichannel strategy.
- Several new products were introduced, including Liquid IV in the hydration space and summer-focused innovations under Lakme and Vaseline. Glow & Lovely underwent a complete 6P relaunch with an upgraded brand proposition, supported by strong digital media investment to build relevance and visibility.
- In the sunscreen category, where current penetration remains low, the company sees significant white space. Given that UV exposure contributes to both skin aging and damage, the company is focused on category development by educating consumers, ensuring product claims are met, and reinforcing its premium, online-focused offerings. Sunscreen is a high-margin, high-growth opportunity, and HUL is prioritizing innovation and brand building to grow the category meaningfully over time.

Personal care

- Personal care posted 3% revenue growth, with a marginal decline in volumes.
- The skin cleansing portfolio registered low-single digit growth, supported by calibrated pricing actions to offset inflationary pressures. The non-hygiene segment within skin cleansing delivered strong high-single digit growth, indicating healthy consumer demand and premiumization.
- Bodywash continued to strengthen its market leadership, delivering double-digit growth, driven by increased penetration and superior product offerings. Oral Care grew in low-single digits, led by Closeup, which expanded its presence in the premium segment with the launch of the White Now toothpaste range.
- Lifebuoy was relaunched at the Maha Kumbh, featuring an upgraded formulation and a sharper focus on the brand's skin protection proposition, reinforcing its role in the core hygiene portfolio.

Food & Refreshment (F&R)

- The Foods business reported a marginal 1% revenue decline, as low-single-digit price growth was offset by volume softness, particularly in the Nutrition Drinks category.
- Tea continued to maintain value and volume leadership, delivering low-single digit growth, primarily driven by pricing actions.
- Coffee sustained its strong growth trajectory, with revenue rising in double digits, supported by premium positioning and increasing consumer adoption.
- Nutrition Drinks remained under pressure due to structural category headwinds and the transition in pack-price architecture.
- The company is proactively driving premiumization and consumption enhancement in Nutrition Drinks through a three-pronged strategy: a) Modernizing the core with improved products and propositions, b) Enhancing specialist nutrition through stronger claims and superior formulations, and c) Expanding Boost into high-growth demand spaces and new regional markets.

- Packaged Foods delivered mid-single digit growth, led by strong demand in Ketchup, Mayonnaise, and International Cuisines. Ice Creams posted double-digit volume growth, supported by successful innovation and portfolio expansion, including launches like Magnum Pistachio, Kwality Walls Twister, and ready-to-drink coffee formats under Bru.

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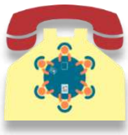

Indigo Paints — Buy

Current Price INR 1,076

Performance and outlook

- The paint industry, along with the broader consumer sector in India, witnessed persistent sluggishness in FY25.
- Emulsion value growth stood at 1%, while volume declined by 2.5%, indicating a shift toward premium products and an improved product mix.
- Kerala continued to pose challenges as most consumer companies with high exposure to the region saw a deceleration in growth. However, Indigo managed to maintain a relatively stable performance, with sales fluctuating in a narrow range of +1% to -1%.
- The company's strategic focus remains on the premium and emulsion segments, with a deliberate shift away from the economy segment.
- The weak demand environment triggered an increase in trade schemes and dealer discounts to push volumes, resulting in a slight YoY rise in discounts and a corresponding impact on gross margins.
- As of Mar'25, finished goods inventory days reduced to 56-57 (from 60 days in FY24), while raw material inventory days declined to 29 (from 36 days in FY24).
- Payables days also dropped from 60 to 55, mainly due to government directives mandating payments to MSME suppliers within 45 days.
- The company has consciously chosen not to enter the low-margin general industrial segment, despite competitors pursuing it to boost top-line growth, as it affects margins and profitability.
- Promotional efforts have been reoriented from traditional schemes to direct engagements with painters and contractors to drive secondary sales.
- As demand conditions improve, the company has started to moderate its trade discounts and expects peers to follow suit.
- A gradual recovery in demand was visible in 4QFY25, with further improvement expected in 1QFY26; the company expects demand to normalize and return to historical growth rates by 2QFY26.

Costs and margins

- Continued softening in raw material prices, along with growing contributions from premium emulsions and waterproofing products, is expected to support margin expansion.
- A&P spending as a percentage of revenue is expected to decline slightly in FY26, despite increased investments in digital marketing.
- EBITDA margins are expected to improve in FY26, driven by recovering demand, lower input costs, and a more favorable product mix.
- Margins at Apple Chemie were previously impacted by an unfavorable product mix; however, 4QFY25 saw marked improvement. The company is undertaking various strategic initiatives aimed at further enhancing margins in FY26.

Distribution network

- Indigo added 228 tinting machines in 4QFY25, bringing the total count to 11,000.
- As of Mar'24, the number of active dealers stood at 18,391, reflecting a QoQ decline of 227.
- The number of active dealers declined in the last two quarters due to subdued demand; however, a rebound in active dealer count is expected in 1QFY26.
- The pace of tinting machine installations is set to accelerate in FY26.

Others

- In Jodhpur, a water-based plant with a capacity of 90,000 KLPA is expected to be commissioned by 3QFY26, while a solvent-based plant with a capacity of 12,000 KLPA is targeted for commissioning by 1QFY26 or 2QFY26.
- The company also plans to complete the brownfield expansion of its Putty plant by 1QFY26 or 2QFY26.

Jyothy Labs — Neutral

Current Price INR 342

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Performance and outlook

- While rural demand showed relative improvement in 4Q, it was not sufficient to offset the continued weakness in urban consumption. Higher spends on healthcare, rents, etc. are impacting urban wallet share. Urban demand is expected to stay subdued in 1HFY26 due to macroeconomic pressures.
- Consumers are opting for smaller packs, holding back on bulk purchases and displaying heightened price sensitivity.
- Fiscal measures like income tax relief announced in the budget should support consumption, though with a delayed impact.
- The difference in value and volume growth is attributed to higher grammage and trade promotions offered by the company on select SKUs.
- JYL expects 2HFY26 to be better than 1H as demand improves.
- The company expects volume growth in 1HFY26 to be mid-single digits, while it is expected to be in double digits in 2HFY26.
- Competitive intensity is expected to remain high in the near term.
- The salience of LUPs is increasing for JYL as consumers prefer smaller packs. In certain categories like dishwash, liquid detergents, etc., LUPs' contribution is higher.
- The gap between volume and value growth is expected to remain in 2-3% range in FY26.
- Expects some price hikes in soaps category in the coming quarters.
- JYL to focus on cost efficiency and selective pricing actions to safeguard margins.
- The company has strong NPD pipeline for FY26.
- Washing powder and liquid detergent have a cumulative market size of INR350b, growing at 6-7% YoY. Liquid Detergent is expected to be an INR30b market, growing at 20-25% YoY as per JYL.
- Overall fabric care EBIT margin compressed in 4QFY25 due to the product mix. Fabric care margins are expected to sustain at ~23-24% over the medium term. Currently Liquid Detergents is margin-dilutive for JYL.

- The company continues to strengthen its distribution network: direct reach increased by 100,000 outlets to 1.3m and indirect reach increased by 800,000 outlets to 3.6m outlets across India.

Costs and margins

- Key RM prices remain elevated for JYL, which is exerting pressure on margins. JYL is taking calibrated price hikes mainly in soaps and HI (coils) categories.
- In the near term, A&P spending is expected to remain in the 8-9% range as % of sales.
- The company maintained its EBITDA margin guidance at 16-17% for FY26. 1HFY26 to have slightly higher margin pressure, situation to improve 2HFY26 onward.
- ETR to remain at 23-24% for FY26.

LT Foods — Buy

Current Price INR 456

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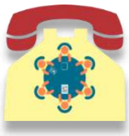

Outlook and guidance

- For FY26, the company has guided for consolidated revenue of INR100b and ~7% volume growth. Organically revenue is expected to remain flat, as 9-10% volume growth will be offset by pricing decline. The company is targeting an EBITDA margin of ~13% for the year.
- The company expects to achieve ~20% ROE in FY26, supported by post-acquisition synergies.
- India and the US operations are projected to be net-debt free in FY26, with India operations turning net cash positive starting Jul'25. Net debt will be limited to the European entity.
- Over the next five years, India business is expected to clock a 10-15% CAGR.
- Capex for FY26 is guided at INR3.4b (excluding acquisitions), primarily allocated toward warehousing and the RTH facility in the US.
- Additionally, Saudi Arabia is anticipated to contribute 25% of total revenue once the company reaches the INR100b revenue milestone.

Freight, advertisement and admin costs

- In FY25, margins were impacted by higher freight and advertising costs, with freight expenses denting margins by 1.7% and ad spends by 0.4%. Administrative costs also rose due to the capitalization of the UK facility.
- Freight costs stood at 6.5% of sales for FY25 but improved to 5.8% in 4QFY25. The company expects logistics costs to normalize to the historical range of 3.8-4.8%, with a ~1% reduction anticipated in FY26.
- Advertising expenditure is expected to increase in FY26, driven by a shift toward consumer-facing investments to strengthen brand visibility and market penetration.
- In 1QFY26, though logistics costs are expected to normalize, the benefit will be partially offset by higher ad spends. Despite this, the company anticipates a slight improvement in EBITDA margins in FY26.

India business

- Standalone performance in 4QFY25 was flat, primarily due to pricing pressure, despite strong volume traction. The quarter saw QoQ decline owing to seasonal trends, with 3Q typically being the peak period.

- India basmati rice business reported a robust performance in FY25, with volume growth of 12% and value growth of 13.5%. In 4QFY25 alone, volumes grew 15% YoY, while value growth was 7%, impacted by a 6.5% decline in realizations.
- Over the last five years, the basmati rice business has doubled in size, with market share expanding significantly from 21% to 27%, underscoring the company's strong execution and brand strength in the domestic market.

International business

- In the US, there has been no impact from recessionary trends; in April demand was strong. Recession typically shifts consumption to in-home dining, which benefits the business. There is no adverse duty impact, as it is offset by lower raw material costs.
- The Royal brand, commanding a premium and sold at the price point of ~USD20, maintains a dominant >55% market share across both mainstream and ethnic channels. Golden Star has seen its customers absorb a ~10% duty impact without affecting demand.
- In 4QFY25, Europe contributed 5.3% of total revenue. Growth appeared muted due to the separate reporting of Europe and UK operations, which were previously consolidated. The company is also planning to set up a rice factory in Eastern Europe to strengthen its regional presence.
- The India-UK FTA has no impact as the RTH business is focused on India and the US, with no presence in the UK. Earlier, 4-5% of the UK business was sourced from Pakistan, but in FY25, sourcing shifted entirely to India. The UK treaty and Indus Water Treaty also have no effect, as brown rice continues to attract 0% duty.
- LTFOODS previously sourced 4-5% from Pakistan through its UK subsidiary, not India, but had no Pakistan sourcing in FY25 and has no plans to resume. The Indus Water Treaty impact is unlikely, as India exports 6m MT compared to Pakistan's ~700k MT, and Pakistan is not a significant player in key markets like the Middle East.

Acquisition

- LT Foods BV (Europe) has announced the 100% stake acquisition of Global Greens Group (GG INV, GG EUROPE, and GG UK) entities engaged in the canned food business, including products like corn, gherkins, onions, and cherries. The acquisition involves cash consideration of EUR6m at the closing date and EUR1.8m through an earn-out mechanism.
- The acquired business operates two manufacturing sites with a combined annual capacity of 117m jars and employs over 170 people. It generated ~EUR40m in revenue in CY24, with a pre-synergy margin profile of 6-7%. The transaction is expected to be completed by 2QFY26.

Other

- Other income includes exchange gains and service revenue from charges to Golden Star.
- Inventory increased 25% in value due to attractive prices, optimism about future demand, and higher-than-usual paddy procurement (compared to rice), which improves conversion margins.

- Unlike the usual mix of in-season and off-season purchases, FY25 procurement was mostly in-season, resulting in higher working capital days, driven by this strategic paddy buying.
- The company had significantly done product expansion with RTH and RTC offerings.
- Revenue loss from price reductions in India was compensated by volume growth.
- Golden Star enjoys a loyal US customer base for its Jasmine rice.

Marico — Buy

Current Price INR 703

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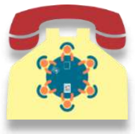

Business environment and outlook

- Consumer sentiment remained stable during Q4, supported by improving rural demand and mixed trends across the mass and premium urban segments.
- Approximately 95% of the portfolio gained or maintained market share and around 80% sustained or improved penetration on a MAT basis.
- Indian business revenues grew 23% YoY, led by price hikes in core categories to offset elevated input costs.
- Alternate channels, such as modern trade and e-commerce, continued to gain share over General Trade.
- Management expects growth in core categories to improve, supported by easing retail and food inflation as well as the prospect of a healthy monsoon.
- Despite near-term input cost headwinds, the company aims to sustain double-digit revenue growth and deliver double-digit operating profit growth in FY26.
- The double-digit growth will be led by: 1) improving volume trajectory in the core business, 2) continued price-led growth in 1HFY26, 3) sustained 25%+ growth in Foods, and 4) ongoing momentum in Digital-first brands.
- Inorganic growth opportunities are being actively explored to strengthen the company's competitive position, expand the addressable market, and enter strategic new geographies for long-term value creation.
- High input inflation and copra procurement challenges have hurt regional players, improving MRCO's competitive positioning due to its scale and sourcing advantage. Organized players tend to gain share during inflationary periods.
- Project SETU was expanded to 11 states in FY25, with the goal of reaching 1.5m direct outlets and a total footprint of 6m outlets by FY27.

Material costs, margin, and guidance

- Copra prices increased 14% sequentially and ~48% YoY in FY25, surpassing the company's internal forecasts. Vegetable oil prices remained firm, rising ~25% YoY in FY25. Crude oil derivatives remained stable during the period.
- The company anticipates margin pressure over the next 1-2 quarters due to high copra costs, which follow an 18-24 month cycle. It expects easing inflationary trends toward the end of 1QFY26.
- The company recently implemented an additional 8-10% price hike, bringing the total hike to ~30% due to rising copra costs. It has not yet seen a significant volume impact from the recent price hikes.
- With the portfolio diversification, the company is reducing its dependence on copra prices.
- A&P expenditure was elevated in 4Q, reflecting ongoing investments in brand-building in both domestic and international markets. Full-year A&P spending grew 18% YoY.

Segmental performance

Parachute coconut oil

- Parachute Rigids reported a 1% volume decline in 4Q, impacted by steep consumer price hikes and ml-age reduction in select SKUs.
- The brand delivered 22% revenue growth in 4Q, supported by pricing actions implemented during the year.
- Adjusted for ml-age reduction, the brand recorded low single-digit volume growth.
- Parachute Rigids gained ~70bp market share on a MAT basis.
- Copra prices remain at historically high levels, though moderation is expected in the coming months.
- For FY25, the brand posted 2% volume growth and 13% revenue growth.
- Management expects volume growth to pick up in FY26 as consumer pricing normalizes.
- Local players are experiencing supply chain disruptions and implementing sharp price hikes in response to increasing RM prices.

Saffola oil

- Saffola Edible Oils posted a 26% value growth in 4Q, despite a low single-digit volume decline, driven by elevated pricing in response to high vegetable oil prices.
- The brand reported low single-digit volume growth and 13% revenue growth for FY25.

VAHO

- VAHO grew 1% in value terms in 4Q, marking a gradual sequential recovery, driven by steady performance in the mid and premium segments.
- The portfolio gained ~120bp in value market share on a MAT basis.
- Management expects the positive growth trajectory to continue in FY26, supported by sustained ATL investments and focused brand-building initiatives.

Foods and Premium Personal Care

- Foods posted strong 44% YoY value growth in 4Q and over 30% growth in FY25, crossing INR9b in annual revenues, 5x of FY20.
- Saffola Oats delivered double-digit growth in FY25 and gained market share on a MAT basis.
- Saffola Cuppa Oats was launched during the quarter to expand the oats portfolio.
- True Elements and the plant-based nutrition brand Plix continued to see strong growth momentum.
- Premium Personal Care sustained robust momentum in 4Q, led by the Digital-first portfolio comprising Beardo, Just Herbs, and Plix Personal Care.
- The Digital-first portfolio exited FY25 with INR7.5b ARR, scaling ahead of expectations.
- Foods and Premium Personal Care together accounted for ~22% of the Indian business revenue in FY25.
- The gross margin of Foods and Premium Personal Care was ~300bp higher than the core portfolio.
- Management aims to grow the Foods business at 25%+ CAGR, reaching ~8x of FY20 revenues (2x of FY24) by FY27.
- The Digital-first portfolio is expected to scale to ~2.5x of FY24 ARR by FY27, with its revenue share in the Indian business expected to rise to ~25% by FY27.
- The Foods segment grew over 25% in FY25 and is expected to maintain a similar growth rate of over 25% in FY26. A key driver of this growth will be expanding distribution in underpenetrated categories like oats and masala oats. Typically, 2Q and 3Q see stronger growth due to the festive season, while 4Q tends to be

seasonally weaker. As a result, the food business exited FY25 with revenues of INR9b, slightly below the earlier target of INR10b.

International business

- The International business delivered 16% growth in CC terms in 4Q.
- Bangladesh posted 11% CCG, reflecting business resilience despite a challenging macro environment.
- Vietnam reported a flattish quarter but is expected to see a gradual recovery in upcoming quarters.
- MENA sustained strong momentum with 47% CCG, driven by robust growth in both the Gulf region and Egypt.
- South Africa posted 13% CCG, led primarily by the Hair Care segment.
- NCD and Exports delivered 16% growth during the quarter.
- The company has made notable progress in premiumizing its portfolio across markets by driving innovation and expanding into Premium Personal Care categories such as shampoos, skincare, hair styling and care (excluding hair oils), and baby care.
- These Premium Personal Care categories delivered a strong 24% CAGR over FY21-25, reflecting successful execution and consumer traction.
- Looking ahead, the company aims to sustain this growth momentum, targeting over 25% CAGR in these categories over the medium term.
- Management remains confident of sustaining double-digit CC growth in the International business over the medium term.

Page Inds — Buy

Current Price INR 45,816

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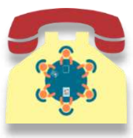


Page Industries

Performance and outlook

- Consumer demand growth remained muted through most parts of FY25, but encouraging signs of recovery emerged in the second half. Growth was more pronounced in Tier 2 and Tier 3 cities, outperforming metro and Tier 1 markets by ~4%.
- Government initiatives toward direct tax rationalization, decelerating retail inflation (six-year low), and the forecast of a normal monsoon should boost consumer purchasing power in the coming months.
- Secondary sales were slightly higher than primary sales during the quarter.
- No price hikes were taken by PAGE in 4Q. Management does not expect any price hikes in the coming quarters.
- Realization increased 2% YoY in 4Q, backed by premiumization and an increasing share of e-commerce.
- Growth was broad-based, with innerwear products slightly outperforming outerwear products For Athleisure, PAGE has reduced its inventory days by 7 days and expects to reduce them by another 7-8 days. Management indicated that inventory days still continue to stay higher than the pre-Covid levels.
- Women's innerwear segment is seeing robust growth, while the outerwear segment saw subdued growth as PAGE had higher inventory levels.
- Kids category growth is gradually improving.
- The channel inventory is declining QoQ after the implementation of ARS.
- Product innovation: Six new styles were launched in the quarter across Juniors, Women's Innerwear, and the Jockey Life collection.
- The digital transformation of the distributor management system is in its final phase and is expected to be completed by the end of 1QFY26.
- Speedo recorded encouraging growth in the quarter, supported by increased footfall with the onset of summer and rising swimwear demand.
- FY26 capex is expected at INR1.88b, which will mainly be used for the extension of its two plants and purchase one more land parcel in Odisha.

- The Odisha plant is set to be operational by Jun'25 and will be fully operational in 6-7 months after beginning its operations.
- The company will benefit from Odisha state subsidies, including wage subsidies, though at an overall company level, it is not significant.

Costs and margins

- Gross margin expanded YoY, driven by lower raw material costs and improved productivity.
- EBITDA margin expansion was supported by stable input costs and enhanced operational efficiencies.
- Ad spends are expected to be 4-5% in FY26 while IT spends are expected to be 1.25-1.5%.
- FY26 EBITDA margin guidance remains broadly unchanged at 19-21%.

Distribution channels

- PAGE has a distribution network comprising 110,826 MBOs, 1,453 EBOs, and 1,216 LFS as of Mar'25.
- Speedo brand is available in 1,096 stores and 36 EBOs spread across 150+ cities.
- General trade benefited from healthy inventory levels due to the ARS implementation and growing demand in Tier 2 and 3 markets, delivering modest overall growth. Market share in existing stores remained intact, often outperforming competitors.
- Modern retail (including Exclusive Branded Stores and e-commerce), supported by the rise of quick commerce, showed healthy SSSG, expansion, improved operational efficiencies, and better consumer experiences.
- E-commerce growth continued to be ahead of the rest of the channels growth.
- Large Format Stores faced challenges due to muted footfalls. The company is focusing on consolidation in this format to ensure premium brand representation and long-term sustainability.
- The Jockey mobile app was launched with interactive features and has seen strong consumer engagement.
- The company is now focusing on its distribution network, with an emphasis on metros and tier 2 and 3 cities.
- PAGE has not lost any shelf share in the GT market, indicating no major competitive pressure from industry peers.

Pidilite Industries — Neutral

Current Price INR 3,051

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Results Update

Demand environment and outlook

- PIDI remains cautiously optimistic about improved demand from a good monsoon, increase in government spends and increased construction.
- Urban demand witnessed a notable improvement in 4QFY25 compared to previous quarters; however, rural demand growth continued to outpace urban demand growth.
- PIDI aspires to deliver double-digit UVG in FY26, although it remains cautious given the prevailing geopolitical uncertainties.
- The company is actively exploring growth opportunities in emerging sectors such as electronics, EVs, and semiconductors, including potential partnerships and investments in adhesives and specialty chemicals tailored for these segments.
- Its lending business is building a financing ecosystem to support its contractors and dealers. This is not a traditional lending business but a strategic enabler within the Pidilite network.


Pidilite Industries

- Haisha Paint is making steady progress in the paints segment and is currently present in five southern states—Telangana, Andhra Pradesh, Odisha, Karnataka, and Tamil Nadu.
- During the quarter, value and volume growth were closely aligned, indicating minimal price-led growth.
- In its core categories, the company targets growth of 1-2x GDP growth, and in growth categories, 2-4x GDP growth. However, growth is likely to be at the lower end of this range given the current demand environment.
- Subsidiary performance was impacted in Mar'25 due to an extended holiday period around the Eid festival.
- The company typically maintains 60-75 days of raw material inventory, with total days increasing modestly when including finished goods.
- Rural retail expansion continues, with an additional focus on improving throughput per store to drive efficiency.
- 'Pidilite Ki Duniya'—the company's rural outreach initiative—expanded its reach to approximately 16,500 villages in FY25, strengthening brand connect and category awareness in underserved markets.
- The company is focusing on driving revenue growth through volume-led growth rather than price hikes.
- PIDI will continue to invest in brand building, upgrading and expanding manufacturing facilities, and strengthening the distribution network.

Cost and margin

- Consumption costs of VAM stood at USD880/ton in 4QFY25 vs. USD925/ton in 4QFY24 and USD884/ton in 3QFY25.
- PIDI has increased A&SP spends to expand the categories and branding (4QFY25: 5.4% of net sales; 4QFY24: 4.7%; 3QFY25: 3.9%)
- Employee expenses in 4QFY25 were high due to a one-time year-end adjustment of INR170m, comprising actuarial valuations, retirement benefits, and ESOP-related provisions.

TATA CONSUMER PRODUCTS

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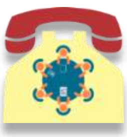


Tata Consumer Products

Tata Consumer Products — Buy

Current Price INR 1,111

India packaged beverages business

- India packaged beverages business reported revenue growth of 9% YoY, led by 2% growth in volumes.
- FY25 revenue grew 4% YoY with muted volume growth of 1%
- The company implemented further price hikes across the tea portfolio.
- Tea volumes grew 2% YoY, led by the company's focus on long-term competitiveness while calibrating price increases across the portfolio, which partially offset the significant increase in tea costs.
- The company has implemented decent hikes in tea and expects margin pressure to ease going forward. The price hike has compensated for 40% of the cost increase in 4Q and 30% in FY25.
- Going forward, the company will continue to focus on gaining market share through volume growth.
- Coffee continued its strong trajectory, growing 44% in 4QFY25, leading to 33% growth in FY25.
- TATACONS remains a leader in the e-commerce channel with a 42% value market share.

India foods business

- The business registered 27% YoY revenue growth in 4QFY25, with LFL revenue (excluding Capital Foods) growing 17% YoY. The segment recorded volume growth (excluding Capital Foods) of 6% YoY during the quarter.
- Salt revenue grew 13% YoY, driven by pricing and mid-single digit volume growth during 4QFY25. FY25 salt revenue grew 8% YoY, with volume growth of 4%.
- In line with the company's premiumization agenda, value-added salt products maintained their strong momentum, up 31% YoY in 4QFY25 and FY25.
- Tata Salt iron health was relaunched at an accessible price point to tackle widespread iron deficiency in India.
- Tata Sampann finished the year strong, posting 30% YoY growth in 4QFY25, with a full-year revenue growth of 29% YoY.
- Tata Soulful grew 32% YoY in FY25.

Ready-to-drink (RTD)

- Revenue for the RTD segment was up 10% YoY in 4QFY25 compared to a 2% decline in 3QFY25, driven by volume growth of 17% YoY in 4QFY25.
- During the year, the RTD business recorded a volume growth of 13%, with revenue standing at INR8.35b (up 2% YoY), primarily impacted by trade price actions.
- The premium business grew 29%/19% in 4QFY25/FY25.
- Tata Copper+ recorded 23% revenue growth in 4QFY25, bringing FY25 growth to 18% YoY.

Capital Foods and Organic India

- Capital Foods/Organic India revenue stood at ~INR2.1b/INR1b in 4QFY25.
- Capital Foods and Organic India grew 19% in FY25 on a combined basis (including international operations on a like-for-like basis including pre-acquisition revenue).
- Combined revenue for FY25 stood at INR11.73b, while the combined gross margin stood at 50%/49% for 4QFY25/FY25.
- New channels of Food Services and Pharma continue to be rolled out and deliver in line with expectations.
- Innovation momentum for Capital Foods continued, with the launch of Ching's Secret Momo Chutney and instant noodles at the price point of INR10.
- Organic India's innovation pipeline was kicked off with the launch of two new products, Desi Khandsari Sugar and Gokshura.

Tata Starbucks

- FY25 revenue grew 5% YoY, with 7% growth in 2HFY25 compared to 3% in 1HFY25.
- The company added 6/58 new stores (net) in 4QFY25/FY25, bringing the total store count to 479 as of Mar'25 in 80 cities.
- Celebrated key milestones with 100 stores in Mumbai and 50 stores in Bengaluru.

Non-branded business

- Non-branded business revenue in constant currency (including Vietnam) grew 23% YoY in 4QFY25, led by strong realizations in both the plantation business and the soluble business.

- The soluble business witnessed ~12% YoY revenue growth in 4QFY25, as the multi-decadal high coffee prices continued to impact demand globally.
- Plantations delivered a robust 60% YoY growth in 4QFY25.
- FY25 has been a record year for the non-branded business, with revenue growing 20% YoY and operating profit growing 63% YoY, in constant currency (including Vietnam).
- Coffee prices remain near all-time highs; a key monitorable going into FY26.

International operations

- Revenue for international operations grew 2% (constant currency) in 4QFY25.
- For FY25, revenue was up 5% (CC), with growth across all geographies. South Africa and the Middle East delivered exceptional performances, both up over 20% YoY.
- EBIT grew 21% in FY25 with margin expanding 190bp YoY, primarily driven by a 350bp expansion in the UK's operating margin.
- US business: The US coffee continued to witness accelerated growth, up 3%. Tea business saw a strong revenue growth of 14% YoY in 4QFY25 (constant currency).
- UK business: 4Q revenue declined 7% YoY, while FY25 business grew by 3%. In FY25 EBIT grew 31%, resulting in 350bp operating margin expansion. Teapigs and Good Earth continued to deliver stable growth as extended distribution resulted in strong sales growth.

NourishCo

- NourishCo's geography mix is 30-35% from Andhra Pradesh, 25-30% from Jharkhand, Bihar and West Bengal, and the balance from the rest of the world.
- No more additional capex is required for NourishCo as there is already a lot of headroom for NourishCo to grow in existing geographies. Around 40 plants for NourishCo are in all the important geographies. No expansion plans as of now unless there is exceptionally strong traction.

Other highlights

- FY26 capex should be in a similar proportion of sales as seen in FY25. Vietnam capex was spent half in FY25 and the rest half will be spent in FY26.
- Assuming a 10% rate of US tariff: Since coffee is not produced in the US and is not a discretionary item, India is expected to be in an advantageous position. No major impact is therefore seen. As far as the competitive scenario is concerned, the impact of tariffs is yet to materialize.
- Volume growth seen in the mid-single digit range for FY26.
- Recessionary risk is in the US and not in the UK. The company is ranked No. 2 in the UK; brand building for Tetley has started in the UK. There might be some impact in the US, though not expected to be material due to the products being consumption goods in nature.
- Crops in South India already look better compared to last year. In north India, some months were down, but on an overall basis the crops look good compared to last year.
- NWC cycle has come down to 1 day for Indian business, with improvement led by significant investments in infra, tech and talent, raw materials, finished goods, tight working cap control, etc. This is sustainable in the future.
- Capital and organic business margins are doing well; the synergies are coming through nicely. The company remains confident about maintaining 30% growth

in revenue. Management took some time to learn this business and now is focusing on portfolio expansion and marketing strategies.

- Tata copper has had a stellar run. The bigger pressure was on Tata Gluco+ as the company has re-indexed its retail margins after the entry of Campa Cola, which led to the rebuilding of distribution. The company is back to expanding its portfolio in this segment. Mar'25 was good and grew 30% compared to overall growth of 17% in 4Q. It is improving month on month, and the company can sustain these margins despite re-indexing retailers' margins.
- There was a one-off item in employee costs due to synergy benefits. Going ahead, it will be in line with inflationary growth. Employee cost is expected to decrease as a % of sales going forward due to increasing operating leverage.
- If tea prices ease off, margins may stabilize. If there is a normal crop plantation this year, we can expect the same. As far as coffee is concerned, Arabica (Brazil) and Robusta (Vietnam) have seen a low yield in crops this year, which may impact coffee prices.

United Breweries — Neutral

Current Price INR 2,027

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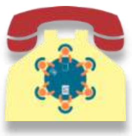
Results Update



Demand environment and outlook

- UBBL reported 5% YoY volume growth in 4QFY25, despite facing regulatory disruptions in key states like Telangana and Karnataka during Jan'25 and seasonal headwinds impacting consumption.
- The company witnessed a strong recovery after regulatory setbacks in Karnataka and Telangana, with volumes rebounding quickly as the operating environment normalized in subsequent months.
- UBBL's premium portfolio grew 24% YoY in FY24 and 32% in FY25, reflecting strong consumer up trading trends and the company's focused efforts on premiumization.
- Management is targeting 35-40% annual growth in the premium portfolio over the coming years, underscoring premiumization as a key structural lever for sustainable growth.
- Strong inventory planning and pre-summer season stocking were effectively executed, ensuring availability across markets during peak demand periods and mitigating supply-side disruptions.
- Growth in the premium portfolio was led by Kingfisher Ultra, Kingfisher Ultra Max, and Heineken Silver, with new product introductions and SKU localization aiding momentum.
- Premium brands and SKUs are increasingly being tailored to regional preferences, which enhanced consumer acceptance and accelerated growth in newer geographies.
- New premium SKUs launched during the year further supported mix improvement, allowing the company to capitalize on shifting consumer preferences toward premium offerings.
- A dual glass bottle strategy is in place—new bottles are allocated for premium products, while recycled bottles continue to be used in the mass segment to ensure cost efficiency.

- The company is actively addressing SKU-specific bottle availability issues, especially for premium SKUs, as part of its ongoing focus on strengthening the supply chain.
- Management remains confident of sustaining 6-7% annual volume growth in the medium term, supported by premiumization, innovation, and go-to-market initiatives.
- Key growth drivers going forward include deeper distribution expansion, targeted portfolio premiumization, and proactive state-level regulatory engagement.
- The company is actively engaging with regulators, distributors, and ecosystem partners, aiming to build a resilient business that can lead category expansion across states.
- In a significant capacity expansion initiative, UBBL has committed INR7500m for a greenfield brewery in Uttar Pradesh, marking its first new brewery investment in over 12 years. The UP facility will cater to both mainstream and premium products, including Heineken, and will have canning and bottling capabilities to serve growing demand across product formats. The planned UP brewery is
- expected to add 1.0-2.0 million hectoliters of capacity, with the commissioning targeted by 4QFY27, in line with anticipated demand growth.
- The company has already initiated capex in UP, having received final land approvals, and is currently finalizing design elements to align the facility with long-term sustainability goals.
- This brewery will strengthen UBBL's footprint in North India, enhance serviceability in nearby high-growth states, and reduce logistics costs over the long term.
- Alongside new capacity, UBBL is also investing in automation and operational efficiency initiatives, particularly in its larger existing breweries, to drive margin improvement.
- Under its 'Design to Win' transformation program, the company is upgrading its go-to-market and analytics capabilities, focusing on demand forecasting, route-to-market efficiency, and market execution.
- UBBL is emphasizing a balanced route-to-market model that combines traditional and modern trade, along with digital ordering platforms, to maximize reach and responsiveness.
- Management is also exploring opportunities to introduce more global brands from Heineken's international portfolio, to further strengthen the premium mix in India.

Geography & regulations

- In Telangana, the company undertook a 15% price hike, which has been absorbed well by the market; however, no further price increases are expected in the near term as the state government is currently reviewing excise policies.
- The company is actively engaging with the Telangana government to ensure timely realization of trade receivables, particularly important during the peak summer season to maintain liquidity and channel throughput.
- In Karnataka, the company is treading cautiously, as the market has witnessed category-wide volume declines following recent increases in excise duties, impacting affordability and off-take.

- States like Uttar Pradesh and Maharashtra continue to exhibit progressive excise regimes, fostering a more predictable operating environment and supporting steady category growth.
- To strengthen execution and market presence, the company has launched a company-wide transformation program titled “Design to Win”, which focuses on optimizing distribution architecture, improving outlet reach, and enhancing service quality.
- As part of this initiative, the company has redesigned its distribution model in Maharashtra, with a sharper focus on expanding retailer coverage, improving assortment availability, and driving better throughput across existing outlets.
- This strategic reconfiguration of the go-to-market model is expected to improve retail penetration and market execution, enabling the company to drive volumes and premium mix in key urban and semi-urban clusters.

Costs and margins

- GM expanded YoY, primarily driven by a favorable product mix, increased usage of recycled glass bottles, and continued focus on cost efficiency initiatives.
- The company continues to face challenges in glass bottle supply, arising from the onboarding of new suppliers and evolving procurement dynamics, which have led to some inconsistencies in bottle availability, especially for SKU-specific needs.
- Management is keeping a close watch on input cost trends, with a particular emphasis on glass and packaging costs, which remain volatile due to supply-side constraints and changing global commodity dynamics.
- While the company remains cautious about future cost inflation, it has reiterated its commitment to sustaining a balance between margins and continued investment in brand building and premiumization.

United Spirits — Neutral

UNITED SPIRITS

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Current Price INR 1,610

Operational environment and outlook

- Net revenue grew 8% in FY25. Excluding Andhra Pradesh, net sales growth stood at 5.1%. The impact of slab rationalization in Karnataka was minimal due to the company’s relatively lower exposure in that state.
- With the implementation of the UK-FTA, the accessibility of Scotch whisky in India is set to improve, paving the way for new premium offerings for Indian consumers. The reduction in import duties—from 150% to 75%—is expected to translate into high single-digit reductions in consumer prices and drive additional volumes in the high single-digit range.
- The UK FTA is expected to benefit both the BII and Bottled in Origin (BIO) segments. BII pricing benefits are expected in the range of 4-5%, while BIO benefits are expected to be in high single digits.
- In FY25, several state-level policy reforms supported industry growth. These include the reopening of private liquor vendors in Andhra Pradesh, increased access points in Uttar Pradesh, and excise slab rationalization in Karnataka and Madhya Pradesh, which led to price reductions (MRP) for premium spirits.
- McDowell’s remains a strong whisky brand, with sales of 13m cases in FY25.
- Innovation and premiumization remain key focus areas. The company launched McDowell’s Pocket Pack and McDowell’s Double Oak Barrel in 4QFY25.

- Innovation currently contributes a high single-digit to low double-digit share of the business. The company aims to double the contribution from innovative products over the next 3-5 years.
- The Supply Agility Program is progressing well and has resulted in a 63% cost optimization.
- The lower prestige segment grew 33% in FY25, largely driven by Andhra Pradesh, which is a key market for the segment.
- Uttar Pradesh remains a highly competitive market. Over the past few years, the company has faced challenges in increasing its market share in the region, but it continues to work on improving its position.

Costs and margins

- The company plans to maintain A&P spends at 9-10% of sales.
- Going into FY26, commodity costs are largely stable. The next inflection point is expected in September, when the government announces its ethanol policy.
- The company focuses on sustaining double-digit growth in the P&A segment while maintaining EBITDA margins in high teens.
- Other income increased due to the sale of a non-core asset in Jan'25, amounting to INR900-1,000m from the sale of a bungalow in South Africa.

Brands/new launches/re-launches

- The company continues to strengthen its leadership in the luxury and premium segments, with a focus on enhancing the brand equity of Johnnie Walker.
- In the malts category, both global (Singleton) and Indian (Godawan) malt brands are performing well. The company also launched Godawan in the UK through a strategic partnership with Taj.
- Strong performance in the Bottled in India (BII) segment was driven by brands like Black & White and Black Dog.
- The company is nurturing its iconic global trademarks to expand categories such as Tequila and Gin, primarily through Don Julio and Tanqueray.
- In the upper prestige segment, Signature and Antiquity are performing well. Antiquity's packaging and design were recently renovated, helping the brand build equity in the Canteen Stores Department (CSD) channel.

Varun Beverages — Buy

Current Price INR 468

Click below for Detailed Concall Transcript & Results Update

Operational highlights

- Gross margins declined due to the relatively lower margin profile of the owned brands in South Africa and the higher mix of CSD in India.
- Aligned with the company's long-term goals, low-sugar/no-sugar products now contribute to ~59% of its consolidated sales volume.
- While EBITDA margins improved in India on account of operational efficiencies from the robust volume growth, consolidated EBITDA margins declined due to lower profitability in the South African market.
- Depreciation increased by ~45 % on account of the commissioning of new plants last year (Supa, Gorakhpur and Khordha), which were not present in the base quarter and consolidation of SA & DRC in the current quarter.
- Margins in India continued to do well as VBL put more operationally efficient plants.

Guidance

- The company maintains its guidance of double-digit growth, led by industry tailwinds.
- VBL expects to maintain these current margins of ~21% in the soft drink industry, with a potential of margin expansion driven by the backward integration in the new plants.

Expansion plans

- The implementation of other two greenfield production facilities scheduled for CY25 season in Bihar and Meghalaya is on track.
- Further, VBL has set up backward integration facilities at the Prayagraj plant in to increase efficiency.
- The company is increasing its go-to-market strategy every year via the addition of visi-coolers in new markets.

Market scenario

- The entry of new competitors has had a positive impact on overall growth of India market, which continues to grow at a faster rate than previously seen.
- The Indian market remains underpenetrated despite growth in competition, with total retail outlets of ~12m; VBL has only reached ~4m outlets. This indicates the huge growth potential in this market.
- There is a clear shift of consumer preference toward healthier products like hydration, with nimbooz recording ~100% YoY growth.
- The energy drink segment continues to be the fastest-growing segment, while VBL continues to enjoy its market leadership position.
- Mid/low calories drinks like Sting have a huge market in India, whereas no-sugar products have a smaller market in India.

International business

- The integration of the South Africa territory has progressed well, with focused efforts on strengthening on-ground infrastructure, streamlining operations, and enhancing execution across the market.
- VBL has initiated the distribution and sales of PepsiCo's snack products in Zimbabwe and Zambia.
- Historically, net realizations in South Africa are lower due to a higher mix of own brands; however, the company is actively working to scale up PepsiCo's portfolio, which is expected to support improvements in realizations and margins going forward.
- While margins in South Africa can come close to India business margins, it may take time.
- Sales in Morocco were impacted by the early ramzan this year, while the sugar tax continued to have a marginal impact on volumes and margin in Zimbabwe.
- The paper work of Tanzania and Ghana could not be done in time, so the deal is on hold.
- VBL has expanded margins in South Africa business to ~14% from ~10% before the business was acquired.
- Sales of Pepsi brands in South Africa rose to 20% from 15% last year, with good traction seen in both owned and PepsiCo products, with PepsiCo products growing at a faster rate.
- Going ahead, VBL will cut down on non-profitable products in South Africa and maintain its growth trajectory via additions of visi-coolers.

- VBL had already launched Sting in Africa, which is witnessing strong traction in some countries and flat demand in others due to local competition and price points.

Other

- VBL recently commenced operations at the new greenfield production facilities in Kangra (Himachal Pradesh) and Prayagraj (Uttar Pradesh), significantly enhancing capacity concurrently with the peak summer season.
- The new launches of Sting gold and Gatorade have witnessed strong traction.
- Water costs have been shifted to direct costs, leading to an impact on the gross margins, along with the higher mix of CSD.
- VBL is spending roughly the same amount of money on ads as it used to earlier. Going forward, as volumes increase, the company will increase its spending on ads. New companies entering the market tend to spend more on ads.
- VBL is not expecting the prices of key raw materials to increase. The marginal increase in sugar prices was offset by the decrease in packaging prices.

CONSUMER DURABLES

- **As anticipated by durable companies, the cable and wire (C&W) segment saw strong growth, led by a pick-up in government capex, consistent strong demand in the power sector (including renewable energy), real estate, and higher export demand. Demand growth in the C&W segment is expected to continue, backed by the power segment, development of electric vehicle (EV) infrastructure, other infrastructure projects such as railways, metros, and highways, and industrial demand. Meanwhile, a delayed summer and early rains in the south and west regions led to subdued demand for cooling products in the secondary market.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
Havells	■ Secondary sales for RAC and fans were affected by a delayed summer, with demand at the start of 1Q also subdued, though trade channels show no panic. Compressor availability is no longer an issue due to lower recent demand. ■ Fan demand was weak due to the delayed summer. Budget measures and RBI actions support consumption recovery, but real estate demand remains uncertain amid rising inflation. ■ The contribution margin declined due to copper price volatility and a product mix shift from new capacity in the south. Entry of new players in C&W is expected to increase organized competition, possibly leading to further consolidation among branded players.	■ New investment (Goldi Solar): HAVL built a strong business of INR4.0-4.5b in inverters, modules, solar cables, and DC switchgear. Renewables is an emerging sector and there is scope for growth. It believes that growth would have suffered in case there had been no investment in this sector. ■ Total capex planned of INR20b spread in the next two years including new R&D center.
Polycab	■ C&W demand remains strong, driven by real estate, corporate investments, and government capex. Domestic business grew 27% YoY, with cable growth outpacing wire. West led regional growth, followed by South, North, and East. International business was hit by order rollover but has a strong order book. ■ Entry of new players should not affect growth momentum, as the industry growth rate remains much higher. Organized players are gaining market share continuously, and with the offering of quality products, the market share gain should continue. ■ There should not be any negative impact of US tariffs and the company can pass on the entire tariff increase to consumers.	■ Capex in 4Q/FY25 was INR1.3b/INR9.6b. Cumulative capex over the next five years will be INR60-80b.
KEI Inds	■ It estimates ~17-18% growth in FY26, and after the commissioning of its Sanand plant, the growth rate should be ~20% from FY27 onward. The company focuses on achieving its growth guidance, aided by sales through dealers/distributors or institutional or exports. It intends to utilize the capacity at most and drive growth. ■ It expects EBITDA margin to remain in the range of 10.5-11.0%. After the ramp-up of its Sanand plant and improvement in the economy of scale, the margin will improve by 50bp in FY27-28.	■ In FY25, capex was INR6.2b, including INR3.8b for Sanand, INR680m for Chinchpada, INR320m for Bhiwadi, INR580m for Pathredi, and INR230m for land. FY26 capex is INR13.0b for Sanand completion plus INR1.0b for maintenance and new production. Brownfield expansions at Chinchpada and Pathredi added C&W capacity. Utilization in FY25 was 85% for cables, 71% for wires, 89% for SSW, and 38% for communication cables. ■ The Sanand project's first phase of expansion is expected to be commissioned by 1QFY26 and the entire project will be completed by FY26-end.
RR Kabel	■ Indian C&W industry is currently valued at INR900b and is estimated to grow at a CAGR of 15%, reaching INR2.0t by FY31. The company is well positioned to benefit from this growth, supported by its strategic initiatives such as capacity expansion, market diversification, new product launches, and improved cost structures. ■ The industry's revenue mix of cable and wire is 65:35 while the company's mix is 70% wires and 30% cables. This gives the company an opportunity to grow at a much higher pace in the cable segment, aided by capacity expansion. Hence, it is confident of achieving a growth of ~18% YoY in the C&W segment.	■ Under Project RRISE, the company announced INR12.0b capex to expand C&W capacity 1.7x, mainly in cables, supporting 18–20% growth and margin gains. Waghodia plant capacity will rise by 36k MT (~54%) by Mar'28 at INR10.5b capex. At Silvassa, a 12k MT expansion will be operational by Mar'26, with another 6k MT (~50%) addition by Dec'26.

	▪ Historically 1Q is relatively a soft quarter and is likely to remain that this time. However, there is nothing abnormal/reduction in growth. ▪ The company launched Project R RISE, a three-year plan to transform revenue and profitability, targeting 1.6x growth in domestic C&W business driven by real estate, renewables, industrials, and data centers. ▪ In FMEG, it aims for ~25% revenue CAGR over three years, focusing on reducing losses, improving efficiency, and achieving break-even by FY26.	
Voltas	▪ The company recorded its highest-ever air cooler sales, with volumes rising 70%+ YoY to over 0.5m units in FY25, capturing an 8.5% market share. Unseasonal rains hit early summer sales, but an expected extended summer may help recover the lost volume. ▪ RAC category competition has intensified with ~60-65 players, leading to a decline in market share from earlier levels (23-24%), though a large gap remains between the top two players. ▪ Voltas Beko sold over 1m refrigerators and washing machines, emerging as the fastest-growing home appliances brand with 57%+ YoY volume growth, outperforming the industry's modest growth.	▪ The ramp-up of the Chennai plant is on track and as per the company's plans. This factory has helped to cater to the increased demand and balance the supply chain, particularly in the South and West markets. It is further planning to scale up its capacity, mainly at this plant, which is fully backward integrated.

HAVELLS

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Results Update

Havells India — Neutral

Current Price INR 1,488

- **Key highlights:** Large appliances and cables led to revenue growth in 4Q. Secondary sales for RAC and fans have been impacted due to delayed summer and demand at the beginning of 1Q also remains impacted; though; there doesn't seem to be any panic in the trade channels. The company is investing in R&D and trying for premiumization which should lead to market share improvement in the future. The refrigerator business has a lower contribution margin due to outsourcing as of now; however; in the medium-term, there should be an improvement led by own manufacturing. The endeavor would be to reach a normalized margin of 13.5-14.0% (ex-Lloyd) as the benefits of operating leverage kick in.
- **Lloyd:** Delayed summer in both the South and North regions have impacted secondary sales; though; there has been some pick up in heat waves recently in the North region. The base of Lloyd was not strong and positive surprises in demand last year led to inventory building. So far there is no panic in the trade channel and need to see how the rest of the season pans out. There is no more challenge of compressor availability this year also due to delayed summer and lower demand in the last one month.
- The company always maintains a balance between revenue growth and margin improvement. It reiterated that Lloyd is a long-term journey and management will continue to invest in the growth as it has a large opportunity. Lloyd remains a key growth engine for HAVL. Currently, the higher contributing business (RAC) has more or less stabilized, though it targets a market share in low-to-mid teen digits.
- The company is investing in R&D and trying for premiumization which should lead to market share improvement in the future. Further, it endeavors to increase other businesses in this segment. Investments in product enhancement, brand building, distribution network, etc. will continue till it

reaches a certain scale. The refrigerator business has a lower contribution margin due to outsourcing as of now; however; in the medium-term, there should be an improvement led by own manufacturing.

- It has seen movement from traditional channels to modern channels (initially in the South which is catching up in the North too) and now 50% of sales are done from modern channels. No material capex is planned in Lloyd, except the planned capex for refrigerators' new capacity.
- **Cables and Wires –** The contribution margin dipped due to volatility in copper prices and product mix change due to the commissioning of new capacity in the south region. It believes the entry of new players in C&W will drive more organized competition and the industry can go through further consolidation between branded players.
- **In 4Q;** half of the revenue growth was contributed through volumes; while the rest was related to price hikes led by higher RM costs. It witnessed more value growth in wires whereas; volume growth was higher in underground cables. Cable demand continues to remain strong; though; volatility in RM prices is impacting margins in the last 3-4 months. The company's mix remains 65% wire and 35% cable.
- It will continue to invest in brand building, scaling, and technology advancement. Increasing exports of C&W is part of its strategic initiative for international markets.
- ECD segment, small appliances, and lighting: Because of delayed summer; fan demand was not as robust. Measures taken in the Union Budget as well as by RBI augurs well for pick up for consumption. However, it would remain watchful for the real estate demand to pick up as inflationary pressures have increased. Volume growth in the lighting segment was in the high-single-digit in 4QFY25.
- **Switches & Switchgear segment –** The market share of the company is small in industrial switchgear and there has been pressure on demand in this segment in FY25. The focus was more on the residential and consumer side historically; however; in the last few years there has been a focus on increasing its product portfolio and now its product range is at par with any other player. A contribution margin of 38-40% is sustainable in this segment.
- **New investment (Goldi Solar):** HAVL built a strong business of INR4.0-4.5b in inverters, modules, solar cables, and DC switchgear. Renewables is an emerging sector and there is scope for growth. It believes that growth would have suffered in case there had been no investment in this sector. Further, there is a lot of focus by the government on own manufacturing. Its focus would be to increase the business from a consumer perspective and more on residential sectors. It is a strategic investment, though the margin is low and the main focus is to increase business scale at a much faster pace.
- **Total capex planned of INR20b spread in the next two years including new R&D center.**

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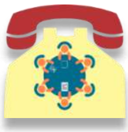

KEI Industries — Neutral

Current Price INR 3,644

Demand outlook and guidance

- The demand outlook is positive and the major drivers are power generation from renewable and new investment in coal-based thermal projects, infrastructure build-up for transmission and distribution companies, data center, infrastructure projects like railway and highways, and infrastructure for electric vehicles.
- It estimates ~17-18% growth in FY26, and after the commissioning of its Sanand plant, the growth rate should be ~20% from FY27 and onward. The company focuses on achieving its growth guidance, aided by sales through dealers/distributors or institutional or exports. It intends to utilize the capacity at most and drive the growth.
- It expects EBITDA margin to remain in the range of 10.5-11.0%. After the ramp-up of its Sanand plant and improvement in the economy of scale, margin will improve 50bp in FY27-28.

KEII – 4QFY25 performance

- C&W volume growth was ~21% in 4Q. C&W domestic institutional sales stood at INR7.6b, up 12% YoY. EHV domestic institutional sales were at INR1.2b, down 48%. Sales through dealer/distributors increased 42% YoY and contributed 51% (vs. 45% in 4QFY24). Domestic sales grew ~18%.
- Export revenue increased ~92% YoY to INR4.9b (C&W at INR4.3b, EHV at INR240m, EPC at INR160m, and SSW at INR230m). Exports do not have any one-off items and these exports are in the normal course of business with consistent customers. Higher exports led to overall growth of ~25%. Margin difference b/w export and domestic is not more than 50bp.
- Lower sales in the EHV division lowered margin by 50bp. However, the company has a healthy order book in EHV division, which is estimated to drive margin improvement in FY26.
- EPC revenue, excluding cable, was INR720m vs. INR1.9b in 4QFY24.
- Pending order book stands at INR38.4b vs. INR38.7b in 3QFY25. In the EHV division, the company has an order book of INR6.0b and it is targeting to utilize 100% capacity of EHV.
- Increase in working capital was due to the cash purchases, which led to a reduction in trade payable against increased sales. It utilized excess cash rather than buying on LC, which helps to save interest expenses.

Capex plan and net cash/debt position

- During FY25, capex stood at INR6.2b, out of which INR3.8b for the Sanand project, INR680m for the Chinchpada project, INR320m for the Bhiwadi project, INR580m for the Pathredi plant, and INR230m for land purchase. Capex is pegged at INR13.0b in FY26 for the completion of the Sanand project and additional INR1.0b for maintenance and for a new line of production.
- Brownfield expansions at the Chinchpada and Pathredi plants added capacity for C&W and commissioned during the year. The company’s capacity utilization in FY25 (at expanded capacity) stood at 85% in cables, 71% in wires, 89% in SSW and 38% in communication cables.
- The Sanand project’s first phase of expansion is expected to be commissioned by 1QFY26 and the entire project will be completed by FY26-end.

- Gross debt was INR1.8b vs. INR1.3b as of Mar'24. The cash balance was INR19.2b. Acceptance credit was INR2.5b vs. INR5.1b as of Mar'24. Overall, the net cash balance stood at INR14.9b vs. the net debt of INR60m as of Mar'24.
- The company's gross debt stood at INR1.8b vs. INR1.3b as of Mar'24. Its cash & bank balance (including unutilized QIP proceeds of INR13.9b and acceptances) stood at INR19.15b vs. INR700m as of Mar'24. Net cash balance stood at INR14.9b vs. net debt of INR600m as of Mar'24.

POLYCAB
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Polycab India — Buy

Current Price INR 5,979

C&W segment

- C&W demand remains strong, led by good demand from the real estate sector, improvement in corporate investments, and government capex activities. Domestic business grew 27% YoY and cable outpaced wire growth compared to last year. West region recorded the highest growth, followed by South, North and East. Rollover of a large order into the next quarter impacted international business, though the order book remains strong and should help higher growth going forward.
- Margin expansion in C&W was driven by improved operating leverage, while FMEG segment benefitted from a richer product mix and better absorption of fixed costs. Capacity utilization of the segment remains at 70-80% on yearly basis.
- Volume growth was in mid-teens in domestic markets for C&W. Cable growth was in high-teens, while wire volumes grew in high-single digits. On a sequential basis, wire grew higher than cables. During FY25, volume growth was in mid-teens with volume growth of wire in mid-single digits and wire growth being much higher.
- EBITDA margin of C&W was 14-15% in FY25. Long-term sustainable EBITDA margin of C&W should be at 11-13%. There will be higher investments in R&D and ad spends for B2C business, which, along with lower operating leverage of new plants, will offset the benefits of higher margin in the export business.
- Export revenue is expected to increase ever year and the target is to achieve 10% of revenues from exports in five years vs. 6% in FY25. Contribution of US sales in total exports was in high-teens in FY25 vs. 40% in FY24.
- It will continue to enter new geographies for exports and added five new geographies in FY25. It is also setting up three different divisions within exports, which will be catering to OEMs, distributors and EPC segment. A higher proportion of sales in the export market will be of LT and MV cables.
- There has been a continuous gain in market share, which stood at 26-27% of organized market in FY25 vs. 25-26% in FY24 (18-19% in FY19).
- POLYCAB's products command higher prices in markets: 2-3% for cables and 4-5% for wires.
- In C&W, price changes of raw materials are passed on to consumers on a monthly basis.

FMEG segment

- FMEG business witnessed robust momentum across product categories and continued to grow higher than industry growth for five consecutive quarters. Fan segment saw healthy growth, despite a delayed summer, led by premiumization strategy and focused execution. It launched 100 new SKUs in fans, extended the geographic reach to over 350 new towns, and added 280 channel partners and 8,000+ retailers during FY25. Premium fans now contribute 18% of volumes and 30% of sales value.

- Lighting segment sustained its growth momentum, led by volume and value. Premium products now contribute 21% of volumes and 30% of sales value of the lighting segment. It launched 200 new SKUs in Lights and Luminaries, expanded its footprint to 700 towns, and added 170+ channel partners and 11,500 retailers in FY25.
- Solar business grew ~2.5x YoY and should continue to grow higher, led by initiatives like the PM Surya Ghar Yojana, state-level subsidy schemes, and rising awareness around renewable energy. Maharashtra, Gujarat, Rajasthan, Tamil Nadu, MP, Telangana and UP led growth for the solar business. The company mostly sells solar inverters, which are procured though outsourcing. It will onboard more vendors, which will help it to provide a full range of inverters up to 325kv. There is no plan to enter into solar manufacturing as of now.
- EBITDA margin of FMEG segment should be 8-10% by FY30.

EPC Segment

- Strong execution of RDSS orders led the growth for EPC segment. Entire EPC revenue of FY25 was from RDSS order in EPC segment and 40% of these orders have cable supply components. Order book is now at INR70b in EPC business (INR40b from RDSS business, which is to be executed over next 2-3 years and INR30b is from BharatNet. Out of BharatNet order, INR15b will be for capex part which will be executed in 3 years and the rest is the opex part, which will spread over 10 years after the capex is over).
- This business should deliver high single-digit margin on a sustainable basis. POLYCAB has also been declared the lowest bidder in Goa, Karnataka and Puducherry, with the capex order amounting to INR41b.

View on entry of new players and higher tariffs

- Entry of new players should not affect growth momentum as the industry growth rate remains much higher. Organized players are gaining market share continuously, and with the offering of quality products, the market share gain should continue.
- There should not be any negative impact of US tariffs and the company is able to pass on the entire tariff increase to consumers.

Capex and working capital

- Working capital improved to 49 days in Mar’25, led by lower inventory days as some of the raw material purchases were in transit. It will normalize at 55-60 days.
- Capex in 4Q/FY25 was INR1.3b/INR9.6b. Cumulative capex over the next five years will be INR60-80b.

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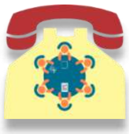

RR Kabel — Neutral

Current Price INR 1,424

C&W segment

- Strong YoY growth in C&W segment was driven by a mix of both volume and value, while sequential growth was largely led by volume. This segment saw the volume growth of ~14% YoY and 24% QoQ in 4Q, led by strong domestic and export demand.
- Total volume growth for RRKABLE stood at ~7%/14% YoY in FY25/4QFY25. During the year, wire volume growth was flat YoY, while cable volume grew ~19%. During the quarter, wire/cable growth stood at ~13%/15% YoY. The export contribution remains steady at ~26% of total revenue in FY25, but in absolute terms, exports grew ~11% YoY.
- Margin expansion was supported by favorable market dynamics, optimized operating costs, and disciplined execution. The company's continued focus on product mix optimization and scale efficiency has allowed it to sustain high margins, going forward.
- The company’s margin in domestic wires is ~12%, while it is ~5-6% in exports. In domestic cables, the company’s margin is ~6-7%, while export margin is ~12-13%. It expects that with increasing scale of operations, domestic cable margin should improve to ~9-10%.
- Indian C&W industry is currently valued at INR900b and is estimated to grow at a CAGR of 15%, reaching at INR2.0t by FY31. The company is well positioned to benefit from this growth, supported by its strategic initiatives such as capacity expansion, market diversification, new product launches, and improved cost structures.
- The industry’s revenue mix of cable and wire is 65:35 while the company’s mix is 70% wires and 30% cables. This gives the company an opportunity to grow at a much higher pace in the cable segment, aided by capacity expansion. Hence, it is confident of achieving a growth of ~18% YoY in C&W segment.
- Historically 1Q is relatively a soft quarter and is likely to remain that this time. However, there is nothing abnormal/reduction in growth.

Project RRISE

- The company launched Project RRISE, a three-year growth initiative aimed at transforming its revenue and profitability. Under this initiative, the company aims to grow its domestic C&W business 1.6x, driven by demand across real estate, renewables, industrials, and data centers.
- The company has announced fresh capex of INR12.0b to be completed in a phased manner across its Silvassa and Waghodia plants, with an aim to increase C&W capacity by 1.7x (large expansion would be in cables). This will support ~18–20% growth in C&W while enabling further margin improvements through operating leverage and product rationalization.
- The company is targeting ~25% volume growth in the cable segment, aided by capacity expansion, market share gain and higher exports.
- In FMEG segment, it is targeting a revenue CAGR of ~25% over the next three years, with a focus on reducing operating losses, improving operational efficiency and achieving break-even in FY26.

FMEG segment

- This segment reported strong volume growth across major categories, reflecting the company's efforts to strengthen its position in a highly competitive market. It is seeing good acceptance of its product in the market. A further increase in premium/mid-premium product categories (revenue contribution of ~20%) helped in margin improvement.
- The company's continued improvement in operational efficiency and disciplined execution of strategic priorities, such as better channel management, cost optimization, and a pivot toward higher-margin product lines, helped it to reduce segment losses.
- The company made significant strides in brand building through high-impact marketing and sponsorships. It entered into a multi-year principal sponsorship with Kolkata Knight Riders (KKR) in the IPL, and also became the principal sponsor of UP Warriors in the Women's Premier League (WPL 2025). These initiatives are designed to strengthen its brand recall, reach new consumer segments, and reinforce the company's positioning in core and emerging markets.
- RRKABEL is targeting break-even in the FMEG segment by FY26, supported by a combination of growth, cost efficiency, and margin expansion. The focus will remain on premium product transition, procurement efficiencies, factory operations improvement, and enhanced supply chain agility.

Capex and working capital

- The company's overall capacity utilization stood at ~75%, with wire capacity utilization at ~70% and cable capacity utilization at ~90%.
- It announced capacity expansion across Silvassa and Waghodia plants to cater to increased C&W demand. It is increasing Waghodia plant capacity by 36kmt (~54%) for both cables and wires to be commissioned in a phased manner by Mar'28 at an estimated capex of INR10.5b. Further, the first phase of capacity expansion at Silvassa of 12k mt is likely to be operational by Mar'26. It announced further capacity addition of 6k MT (~50%) by Dec'26.
- Net working capital was at 56 days vs. 64 days in Mar'24 and 75 days in Mar'23. It believes normal working capital days should be around 60.

Voltas — Buy

Current Price INR 1,247

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Macro trends

- The global economy is weakening due to the US tariffs and retaliatory measures by other nations, raising uncertainty and inflation risks. This environment is expected to reduce investment and consumer confidence. Though India may not be directly hit, it could suffer from spillover effects due to slowdowns in the US and China, compounded by Indo-Pak tensions. Global growth forecasts for 2025 and 2026 have been revised downward, falling below historical averages.
- In India, the economy continued to grow, driven by strong performance in the services and agricultural sectors. However, inflationary pressures, particularly in food prices, posed challenges, leading to a cautious monetary policy stance by the RBI. Despite global uncertainties, India's economic fundamentals remain strong, positioning it as a key player in the global economic landscape.

Unitary Cooling Products (UCP)

- Sales volume of RAC was 2.5m+ units in FY25. In FY25, primary volume growth for the UCP category was ~36% YoY, and it maintained a YTD market share of ~19%. The company also recorded the highest-ever sales of air coolers, with volumes increasing 70%+ YoY to 0.5m+ units in FY25. The company achieved 8.5% market share in this category.
- Unseasonal rains in a few parts of the country affected secondary sales in the initial few days (30-40 days) of the summer season. There is an expectation of an extended summer season, which should help to make up for the volume lost in the last few days.
- Increasing number of players in the RAC category (~60-65 players) is making it difficult to maintain market share, which was seen earlier (23-24%). However, there remains a significant gap between No. 1 & No. 2 players.
- The Commercial Refrigeration (CR) segment had encountered challenges due to inventory liquidation and lower customer capital expenditures, which affected margins in FY25. With a slowdown during the year, production ramp-up for the new factory was not as planned, and this also resulted in higher costs.
- The Commercial Air Conditioning (CAC) vertical recorded steady performance driven by higher sales of Chillers, VRF, Light Commercial ACs, Ducted, and packaged ACs.
- Better product-mix, like larger size/industrial coolers; higher energy-efficient products in RAC and volume growth in CAC, helped margin improvement for the UCP segment.
- Growth prospects in the CAC and CR categories look good. There were some challenges in demand for CR due to quality check norms and rising RM costs during FY25; however, there seems to be an improvement in demand for this category. CR should continue to grow at 15%+ YoY. In the CR category, volume growth was 19-20% YoY in 4QFY25, though the profitability was muted.
- The company is not planning for any price hike for RAC as of now.
- Ramp-up of Chennai plant is on track and as per the company's plans. This factory has helped to cater to the increased demand and balance the supply chain, particularly in the South and West markets. It is further planning to scale up its capacity, mainly at this plant, which is fully backward-integrated.

Electro-Mechanical Projects and Services

- Project execution across verticals and geographies was sturdy during the quarter as well as the full year FY25. Focus on completion certification and various project management initiatives continues to boost bottom-line growth.
- In domestic business, it faced certain challenges in collections in certain projects, while it is relatively optimistic about recovery in subsequent quarters. In the International Projects business, performance is driven by projects in the UAE and Saudi Arabia.
- For the project business, it continues to focus on the efficient execution of existing ongoing projects, including the collection of due receivables within the contractual timelines, to minimize the company's exposure. As of 31st Mar'25, the total carried forward order book for the segment was +INR65.0b.
- VOLT has made a provision of ~INR400m in the international project business, which affected the margin of the project business. These provisions are for expected credit loss as per the timeline of the project.

- Demand notice of ~INR250m from customs was for copper tubes. This would have happened as the company is also procuring copper from countries where duty-free agreements are there from the government side. It is still examining this order.

PES segment

- The Mining and Construction Equipment vertical showed positive momentum on the top line, ensuring continuity in operations and maintenance jobs, as well as sales of power screen machines. However, the revenue mix and challenges in job renewals at sustained margins limited the ability to translate topline growth into bottom-line growth. Going forward, the expected increase in coal production in both Mozambique and India is expected to enhance business opportunities with existing contracts.
- In the Textile Machinery Division, geopolitical issues in Europe and China, political unrest in Bangladesh, and supply chain disruptions in textiles caused major challenges globally for the industry. Stagnant yarn prices also impacted the business. These dynamics led to low capital expenditure across the sector during the year, resulting in underperformance and a revenue decline for the vertical.
- Demand and margins for its agency business remained under pressure throughout the year. However, its aftersales and post-spinning business showed positive performance. With a focus on growing presence and reach in the spinning machinery, post-spinning, and after-sales divisions, and enhancing service delivery, it is putting efforts into navigating the headwinds in the business.

Voltas Beko

- Voltas Beko recorded sales of over 1m refrigerators and washing machines and established itself as the fastest growing home appliances brand in the country. Overall, Voltas Beko recorded 57%+ YoY volume growth despite only single-digit growth in washing machines and negligible growth in refrigerators for the industry. As of YTD Feb’25; its market share improved to 8.7% for Washing Machines and 5.3% for Refrigerators. Semi-Automatic Washing Machines became the 2nd largest player in the product category with a YTD market share of 15.3%.

EMS

- **Most management teams have guided strong FY26 revenue growth, driven by robust demand, project ramp-ups, and scale benefits from new capacities. Strategic global tie-ups, acquisitions, and product diversification across sectors like aerospace, defense, medtech, and electronics are expected to boost momentum. Continued capex, R&D, and backward integration efforts should support margin expansion and strengthen long-term positioning.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Other Key highlights
Avalon Tech	▪ Avalon has guided an 18-20% revenue growth in FY26, with stronger momentum expected in 2HFY26 as several new projects transition from design/prototype to volume production. ▪ Growth will be supported by Avalon's enhanced technical capabilities, bolstered by its collaboration with Zepco Technologies, a company specializing in motors, drives, controllers, and power solutions for sectors such as EVs, drones, and defense.	▪ Multiple projects are expected to ramp up through FY26, reflecting Avalon's deepening engagement across diversified end-user industries. ▪ Capex of INR450–500m is planned in FY26, including investments in a new export-focused facility in Chennai and a domestic unit near its existing Tamil Nadu plant. ▪ This capacity expansion is aimed at catering to large business inflows from European and GCC clients.
Cyient DLM	▪ Cyient DLM maintains a strong industry outlook, supported by resilient domestic demand and growing traction in global markets, especially the US, where the Connecticut facility is gaining momentum and aligns well with Indian operations. ▪ Margins are expected to remain in double digits on a full-year basis, while cost pressures at Altek remain limited due to its focus on high-value products.	▪ Despite a YoY decline in the order book, six new logos were added in FY25 and the pipeline remains robust, with utilization at ~60% and the Mysore facility leading capacity deployment. ▪ Altek has been fully integrated since 4Q, boosting the Medtech segment's share to 25%; OEM interest has risen significantly due to reciprocal tariffs, and revenue from ongoing US deals is expected in late FY26.
Data Pattern	▪ DATAPATT maintains its revenue guidance of ~20–25% growth over the next 2–3 years while sustaining EBITDA margins at ~35–40% for FY26. ▪ Working capital days are expected to reduce as the business scales up production-heavy contracts, supported by over INR1.5b capex planned over the next two years.	▪ Exports currently cater to ground systems, while the company explores partnerships to enter the airborne defense segment and new tech like spoofing and jamming systems. ▪ Additional contracts under Brahmos are expected to materialize shortly, while INR10–20b in delayed orders are likely to flow in during FY26.
Kaynes Tech	▪ KAYNES reaffirms strong growth acceleration for FY26, projecting at least 60% YoY revenue growth, including contributions from the Canada-based August Electronics acquisition. ▪ Core EMS EBITDA margins are guided to expand by 50bps in FY26, supported by a healthier product mix.	▪ The HDI PCB/OSAT facility is expected to start contributing revenue from 4QFY26, backed by likely PLI benefits and strong pre-bookings. ▪ The Canada acquisition has enhanced its North American manufacturing presence and customer base; August Electronics operates with higher EBITDA margins and is expected to grow 15–20% independently and over 20% with Kaynes' integration.
Amber Enterprises	▪ Consumer durables: RAC is expected to outpace industry growth of 10-12% YoY in FY26, while the CAC division is likely to grow at 20-30% YoY. ▪ Electronics division: Revenue growth at 30-40% YoY, with margins reaching 10-12% over two years ▪ Railways: Doubling revenue over the next two years.	▪ Capex for FY26 is expected to be around INR8b-9b including ECMS (INR5b excluding ECMS). ▪ The e Korea Circuits JV will manufacture high-end HDI and semiconductor substrate PCBs with first revenues expected by FY28.
Dixon Technologies	▪ Mobile volumes: 43m-44m units in FY26, 60m-65m units in FY27. ▪ IT hardware: Revenue guidance of INR12b-15b in FY26 and INR20b by FY27. ▪ Consumer durables: Refrigerator's revenue to grow 50% in FY26 with margin in the range of 9.5-10.5%.	▪ It is planning to invest in component manufacturing under the ECMS, including display modules, lithium-ion batteries, and camera modules, which should boost margins and create long-term cost advantages. ▪ Its JV with Signify is set to operationalize in 2QFY26, targeting professional and premium lighting segments, including export markets.

Amber Enterprises India Limited

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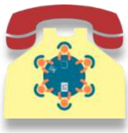

Amber Enterprises — Buy

Current Price INR 6,305

Segment-wise

- Consumer Durables: Despite concerns about a weak summer and erratic weather patterns in the south and west regions, management remains optimistic. April and May sales were strong, and management is confident of delivering double-digit growth in FY26. The Commercial AC (CAC) vertical, now more than INR2b in revenue, is also gaining traction. Amber expects to outpace industry growth by 10-12% in FY26, supported by growth in RAC, Non-RAC, and CAC components.
- Electronics: The division's evolution from supporting inverter ACs to becoming a full-stack EMS player has paid off. The company now serves consumer durables, wearables, smart meters, automotive telematics, defense, and telecom. The forward-looking strategy includes expanding into industrial, energy, aerospace, and advanced defense applications—higher-margin segments are expected to lift EBITDA margins to 10-12% over the next two years (up from 6.9%).
- Railway: Management remains optimistic and expects to double this segment's revenue over the next two years. Growth will be driven by a broadening product portfolio, including HVAC, doors, gangways, brakes, couplers, and pantograph systems. The company has already executed 26 trains with gangways and secured over INR5b worth of orders for doors. Export momentum is building up, with a development order from New York and participation in international RFQs.

Other highlights

- **TAM:** Amber sees substantial TAM expansion across its businesses. In RAC, India has grown from half a million units two decades ago to over 14-15 million currently, with expectations to reach 30-35 million units annually in five years. In electronics, India consumed USD115b of electronics in 2024, of which PCBs accounted for USD4b. Only 9% of PCB demand was met domestically. With expected electronic consumption rising to USD300-400b in five years, PCB TAM is projected at USD10b, offering Amber an opportunity to capture at least 10% market share. Similarly, in railways, the company's wallet share per passenger coach has increased from INR2.5m (HVAC only) to INR15m with the addition of new components, expanding TAM fivefold within its core rolling stock focus.
- **Capex:** Amber has ambitious capex plans aligned with its growth aspirations. For FY26, base capex (excluding subsidies) is set at INR5b across the RAC, railway, and electronics divisions. Under ECMS, the company will file for a capex project of INR30b over five years. The current Ascent Circuits expansion (~INR6.5b) in Hosur will go live by 4QFY26. The new Korea Circuits JV will see INR25b in revenue on commissioning in FY28. After government and state incentives (up to 65% reimbursement), net capex is expected to be around 30-35%. ROCE from these projects is expected to be 25-30%, with 0.9x asset turns and 18-20% EBITDA margins.
- **JV and associates:** Amber's JVs, especially in railways (with Titagarh) and electronics (Korea Circuits), are positioned for long-term strategic advantage. Although the JV incurred INR300m in losses in FY25, this is expected to reduce to INR200-250m in FY26. The Korea Circuits JV will manufacture high-end HDI and semiconductor substrate PCBs with first revenues expected by FY28, backed by a signed offtake agreement with Korea Circuits. On the railway JV front, significant strategic value lies in accessing high-barrier safety-certified components like doors, brakes, and couplers, with orders already secured.

While JV losses impacted PAT, management views this as temporary and essential for unlocking future export and high-margin business opportunities.

Avalon Technologies — Buy

Current Price INR 863

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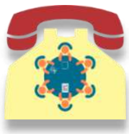
Results Update



Guidance and Outlook

- The management has guided for an 18-20% growth in revenue, showing a cautious approach due to rising volatility globally. Management is open to revising its guidance as the financial year progresses.
- Gross margins are expected to be in the 33-35% range for FY26. The margin can vary quarterly due to changing product mix.
- The company expects to double its revenue over FY24-27, led by key growth drivers in the form of 1) continued expansion in India, 2) Deeper penetration with existing customers, and 3) New customer additions in the US
- Management would like to take the ratio of sales to 50:50 between India and the US, which stands at 47:53 as of FY25.

Operating performance

- Working capital days improved significantly to 124 days, a reduction of 37 days YoY, exceeding the company's guidance of a 10–15 day improvement.
- Management aims to maintain and further improve its working capital cycle going forward.
- For FY25, cash flow from operations reached INR250m, up from INR170m in FY24. The improvement is due to better working capital management and profitable growth. As of Mar'25, total outstanding debt stood at INR14b with cash equivalents and investments at INR1.3b, resulting in a net debt position of INR70m.
- In 4QFY25, the US manufacturing plant contributed 17% of total revenue, while India-based operations, which catered to both domestic and global customers, accounted for 83% of the revenue.
- The Indian operations remained highly profitable, delivering an EBITDA/PAT margin of 14.8%/9.6%.

Capex

- Capex for 4QFY25 and FY25 was INR250m and INR578m, respectively. Asset turn stood at 7.5x.
- The company plans to initiate capacity expansion as and when utilization crosses the 70% mark.
- Company plans to incur INR450-500m in FY26, which may include capex on a new export facility in Chennai and a domestic facility located ~30km away from the existing Tamil Nadu facility.

Order book mix

- Orderbook growth remains well-balanced and diversified across geographies and sectors, with the order book mix well-aligned to the revenue mix, 45% India and 55% US.
- New products are being developed across key industry verticals, including rail, industrial infrastructure, clean energy, and communications.
- Recent order wins include projects in Backup power systems, Transmission systems, Aerospace cabin products, and Locomotive engine systems.
- Over the past year, Avalon has secured several new projects that have moved from design/prototype to the production stage. Many of these are expected to ramp up in the current financial year, supporting the company's goal of deepening customer engagement across diverse end markets.

Collaboration with Zepco

- The company is enhancing its technical competence through strategic collaborations, including its partnership with Zepco Technologies. Zepco involves the design and manufacture of motors, drives, controllers, and power solutions, serving sectors as drones, electric vehicles, and defense
- Zepco, the design arm of a clean energy client, is increasingly engaging Avalon for design work in India.
- Avalon is expected to co-develop future products with Zepco. It may also support Avalon in drone motor manufacturing in future phases.

Others

- The company has entered into sophisticated advanced technology segments focused on next-generation technologies and Digital infrastructure. These initiatives are in early stages, but the company sees encouraging potential and plans to provide further updates in the upcoming quarters.
- The company, in the clean energy segment, is not into rooftop solar products, so tariffs may not adversely impact its clean energy segment.
- Tariff costs are 100% passed on to the customers.
- Raw materials are sourced from India and abroad. However, due to increasing PLI benefits, the company prefers to source raw materials from India.

Cyient DLM — Buy

Current Price INR 483

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Industry scenario

- The global supply chain continued to face disruptions due to geopolitical tensions, resulting in constrained availability of raw materials and components.
- The evolving reciprocal tariffs are further accelerating the adoption of the China Plus One strategy.
- The India growth story remains strong, with sustained momentum. India is expected to maintain its competitive advantage through FY26, driven by the manufacturing of complex products such as PCBA assemblies.
- Interest in the US market remains high, with the Connecticut facility witnessing strong traction. The plant's operational DNA aligns with CYIENTDL's Indian operations, enhancing its ability to deliver a broad range of high-value products to customers.

Growth strategy

- The core business is expected to remain a steady growth engine.
- The 'build-to-spec' service remains a differentiated and unique offering, unmatched even by large-scale competitors.
- The company is actively pursuing inorganic growth, with a strong focus on technology-driven acquisitions.

Operating performance

- The company secured six new logos in FY25.
- Key partnerships and deals forged by the company are set to drive substantial scale.
- The order book saw a YoY decline; however, management remains optimistic due to its robust pipeline.
- Overall capacity utilization stands at ~60%, with the Mysore facility leading.

Altek

- Altek has been fully integrated with the company's operations starting from Q4.
- Reciprocal tariffs present a strong opportunity, and OEMs have shown significant interest.
- Due to Altek's inclusion, the revenue mix from the Medtech segment has increased to 25%.

- The Connecticut plant is pursuing multiple active opportunities across segments, with potential deal closures expected in the next quarter. Revenue realization is expected in the later phases of FY26.
- Cost pressures on the Altek side of the business are limited as it is involved in high-value products, making it less price-sensitive compared to high-volume manufacturers.

Financial and operational metrics

- Current margins include one-off benefits of ~257bp; however, sustainable margins are expected in double digits.
- Net Working Capital (NWC) increased QoQ: Days Sales Outstanding (DSO) remained flat, Days Inventory Outstanding (DIO) declined, and customer advances rose.
- The Defense segment's growth moderated due to the completion of a large Indian order.
- The mix between India and export is expected to change in the coming year, moving to a mix of 20-80% as larger orders conclude. While the company has a dedicated sales team for India, export sales are anticipated to drive higher growth.

Strategic initiatives and investments

- The company has utilized 76.1% of IPO proceeds toward inorganic growth initiatives.
- Capex remains underutilized, with minimal investments made over the past two years.
- Converting pipeline opportunities into order backlog remains a key focus area.
- The company is targeting positive operating cash flow in FY26.

Guidance and outlook

- The industry remains highly dynamic; a single large order can significantly impact performance.
- Margins are expected to remain in double digits on a full-year basis, though 1QFY26 may be softer.
- Debt levels have increased, but interest costs remain flat due to restructuring and the nature of the long-term, dollar-denominated debt.
- The top five clients contribute approximately 80% of revenue, a trend that remains consistent across both core and Altek businesses.
- While challenges persist, the company is well-positioned to capitalize on emerging opportunities.

Data Patterns — Neutral

Current Price INR 3,171

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Operating performance

- In 4QFY25, a substantial portion of the revenue and order book was led by sales to DRDO and DPSU.
- The company faced a contraction in gross margin to 49% in 4Q, down by 23pp, led by low-margin strategic contracts taken up by the company.
- Current exports are limited to ground systems; the company is exploring partnerships to enter the airborne defense export segment.
- As the business transitions toward production-heavy contracts, working capital days are expected to reduce.

R&D and capex on new products

- The company is trying to get into a full system business, so development expenses are expected to be higher.

- It has already spent more than INR1.4b in the last one-and-a-half years on product development.
- The company has also planned a capex of more than INR1.5b over the next two years to support infrastructure development.

Guidance

- The company maintains its revenue guidance of ~20-25% growth over the next two to three years while maintaining EBITDA margins at around 35-40% for FY26.
- Additional contracts under Brahmos are expected to materialize in the near term.
- Management is strategically deploying funds to accelerate product development with a substantial portion allocated to expanding its R&D capabilities. As the company transitions into a full-fledged system integrator, development expenses are expected to rise.
- Moving forward, the company will focus on growing the addressable market, with an emphasis on manufacturing complete systems.

Order book

- The order book stands at INR7.3b/INR8.6b as of 31st Mar'25/as on date.
- About 70-80% of the total order book is expected to be executed in FY26.
- Border tensions may drive additional order inflows.
- Orders worth INR10-20b, initially delayed in FY25, are now expected to materialize in FY26.

Others

- The company may be able to finalize a contract for Ashwini LLTR radar within the next three to six months.
- In defense equipment, inventory levels are expected to remain high due to long test cycles and extended lead times. Maintaining high inventory is critical to address urgent customer requirements efficiently.
- It plans to venture into new product categories, including spoofing technologies, airborne intelligence and electronic jamming.
- Development-centric contracts demand higher working capital requirement.
- Sustainable margins depend on the contract. Margins may be higher if the contract is fully designed by the company.

Dixon Technologies — Buy

Current Price INR 14,693

Dixon

The brand behind brands

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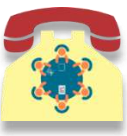

- **Mobile phones:** Growth was driven by deeper partnerships with brands like Motorola, Xiaomi, Infinix, Itel, Tecno, and Nothing. Exports, especially to North America and Africa, are becoming a significant growth driver, supported by geopolitical tailwinds and strong order books. Capacity expansion is underway with a new 1 million sq. ft. Noida facility and backward integration initiatives in display modules and component manufacturing. The JV with Vivo is expected to contribute meaningfully from FY27.
- **IT Hardware:** Dixon's dedicated IT hardware facility in Chennai has ramped up production for HP, Asus, and Lenovo, with monthly volumes reaching 30,000 units. FY26 revenue is budgeted at INR12-15b. The company's upcoming 60:40 JV with Inventec, a global top-five ODM, will produce notebooks, servers, and components like SSDs and power supplies, potentially adding INR20b by FY27.
- **Consumer Electronics:** The LED TV business is under pressure from demand slowdown and market share loss. In refrigerator segment, Dixon is now capturing 48% of the OEM addressable market of direct cool segment. Dixon has on-boarded over 15 customers and is expanding capacity to 2 million units annually.

- **Home Appliances:** The performance was supported by scale benefits, cost optimization, and innovation. Dixon is expanding capacity at its Tirupati plant and launching semi-automatic washing machines in 16-18 kg categories, along with robotic vacuum cleaners and front-load models. New designs are in the pipeline and expected to debut in 2QFY26. The company is building a strong diversified portfolio to drive margin expansion and sustain growth.
- **Lighting:** Dixon's JV with Signify is set to operationalize in 2QFY26, targeting professional and premium lighting segments, including export markets. Backward integration into extrusion manufacturing has already improved cost efficiency. Strategic focus remains on product innovation, ODM contribution, and expanding into high-end categories to sustain margin improvements and unlock operating leverage.

Kaynes Technology — Buy

Current Price INR 5,658

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Outlook and guidance

- Management reaffirmed strong growth acceleration for FY26, consistent with its earlier guidance in 3QFY25, supported by robust order inflows and a healthy execution pipeline.
- Broad-based growth is expected across all verticals, with significant traction in EV and Aerospace segments.
- FY26 revenue is guided to grow at least 60% YoY, including contributions from the Canada acquisition, with 4Q margin performance reflecting true EMS margin levels due to cost capitalization of OSAT/PCB.
- The company maintains a positive profitability outlook, projecting a 50bp expansion in core EMS margins to 14.5-16% in FY26, driven by strong performance in smart meters, aerospace, and automotive.
- ODM contributions are set to increase, driven by rising demand from industrials, railways, and IT/IoT applications—particularly supported by growing server orders from CDAC.

Expansion projects and capex plans

- Construction of the OSAT facility in Sanand and the HDI PCB facility in Chennai remains on schedule.
- For OSAT, chip trials will begin in 2Q/3QFY26, with the first chip expected in 3QFY26 and meaningful production from 4QFY26; full building readiness is expected in FY27.
- The total OSAT capex is INR34b, with INR27b under the CG scheme (50% grant, pari-passu funding), and an additional 20-25% expected from state government with a six-month disbursement lag.
- The HDI PCB facility is projected to start generating revenue from 4QFY26, supported by likely PLI incentives and strong pre-commissioning capacity bookings.
- Capex for FY26 will be largely directed toward semiconductor and PCB projects, while EMS-related investments will be limited to maintenance capex.

Orderbook and client wins

- The company closed the year with a robust order book, supported by incremental high-margin orders across the Aerospace, Industrials, and Automotive segments.
- In addition to the visible pipeline, it holds confirmed long-term orders exceeding five years, which are not included in the reported closing order book.

- Its long-standing relationship with ISRO continues to strengthen, with an ongoing focus on high-tech and high-margin manufacturing opportunities.
- The company is actively targeting one large global EMS client through its Canada-based entity (August Electronics), aiming to further enhance its international customer base.

Canada Acquisition (August Electronics)

- The company has strengthened its presence in North America by adding manufacturing capacity and onboarding high-margin customers through its Canada entity.
- The Canadian business is expected to grow independently at 15-20%, and over 20% when integrated with KAYNES' operations.
- This acquisition provides a strategic China+1 sourcing alternative for global clients, enhancing supply chain diversification.
- August Electronics operates with EBITDA margins higher than Kaynes' consolidated margins, contributing positively to overall profitability.

Other

- High other expenses in recent quarters stem from a reclassification of consumables.
- Efforts are underway to reduce inventory days and improve working capital.
- The increase in non-current assets, impacting CFO, is tied to AMISP-linked deferred payments.
- Revenue in FY25 was impacted by smart meter capacity constraints, though the issue has now been resolved.
- The company continues to expand its capabilities and geographic presence through a mix of organic growth and strategic acquisitions.

Syrma SGS Technology — Buy

Current Price INR 540

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Syrma SGS Technology

Operating performance

- Margin expansion was largely driven by a favorable change in the product mix, along with initiatives implemented by management, which have started to yield results.
- As of Mar'25, net working capital stood at 69 days. Inventory levels have been brought down by 18% to INR8.2b, down from INR1b+ in FY24.
- Gross debt as of Mar'25 stood at ~INR6.1b

Outlook and guidance

- Going forward, the company expects ~30% of revenue to come from the consumer business.
- The company expects EBITDA margins of approximately 8% in FY26, translating to INR4b in absolute terms. The company will reassess its margin guidance as the year progresses.
- Management expects the company to grow at the rate of ~30-35%, with a continued focus on margin expansions.
- The export business is expected to surpass INR10b for FY26. The jump in export revenue will be aided by new customers, which could contribute for only five months in FY25.
- The company's focus shall be on high-margin growth driver businesses as opposed to volume accretive businesses.
- The company added 25-30 new customers in FY26, 3/4th of which may be in the automotive and industrial business.

Order book

- As of Mar’25, the order book stood at >INR53b. Execution timeline for the order book varies, with some extending up to 18 months.
- The auto/consumer/industrial mix of the order book stands at 25-30%/30%/28-30%.
- Some customers provide orders for the whole year, while some of them provide short-term orders. Hence, order visibility varies from customer to customer.

Industrial Business

- Key growth drivers include energy metering for domestic markets and utility metering/power supplies for international clients.
- Smart meters form a significant share: ~4m units delivered in FY25, contributing over INR3b in revenue; robust growth is expected to continue.
- Client acquisition in the smart metering segment remains strategic and selective.

Consumer Business

- Strategically, the company aims to reduce exposure to low-margin, high-volume consumer products while continuing to grow the high-margin ODM segment.
- RFID currently contributes ~8% of revenues, expected to rise to 8–10% in FY26
- Only low-margin consumer products will be scaled down.

Capex

- The company incurred a capex of ~INR1.80b in FY25, which was largely spent towards the Pune facility.
- The company attained an asset turnover of 5.5x during FY25
- SYRMA may continue to invest in capex as it may deem fit; it is expanding its Bangalore facility currently to serve its increasing business there

Others

- The company booked PLI incentives of INR350-360m/INR80m for FY25/Q4FY25. PLI-related income of INR150-180m is expected in FY26.
- High-margin businesses have an elongated WC cycle, however, the company may be able to maintain and even reduce the same going forward.
- There is a lot of volatility in the tariff environment, but India may not be affected negatively due to tariffs.
- QIP may be used for inorganic acquisition or to enter into the component manufacturing scheme. The proper allocation of the same has not been decided yet.
- EcoVadis, which is a global agency that monitors ESG, has given a percentile score of plus 70%, and the company is among the top 35 companies globally that are meeting the ESG norms set by the companies and the government.
- Core growth drivers going ahead may be automotive, industrial, and exports.

FINANCIALS/BANKS

- **Management teams for most banks remain cautious in FY25 owing to slow growth as well as stress piling up in the unsecured segments; however, 4QFY25 witnessed relatively a stable quarter. In 4QFY25, large private banks saw NIM improvement while PSBs faced a moderate decline. CASA rose for big banks but dipped slightly for smaller ones. Operating costs were mostly stable except for some PSBs with one-off expenses. Other income improved on fees and treasury gains. Credit growth slowed due to a high CD ratio, with weak corporate and unsecured lending amid stress in MFI and personal loans. NII growth and margins are expected to stay moderate in FY26, with pressure in 1H easing in 2H due to rate cuts. Banks with higher exposure to unsecured loans saw deteriorating asset quality as well as higher credit costs.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Asset quality and collection efficiency
Axis Bank	▪ Deposit growth was constrained last year. Growth and profitability are expected to move in the right direction from hereon, given the liquidity remains stable. ▪ Between mortgage and LAP, if LAP is providing higher growth, the bank will focus on expanding the LAP segment further. ▪ The bank will manage margins by optimizing the balance sheet on the asset side, with some mix change expected. ▪ The bank is well placed to manage the repo rate cycle, having tightly matched the duration for interest rate resets, though not for liquidity.	▪ The bank provides 100% provisioning on retail unsecured exposures, demonstrating a more prudent approach. Write-offs in the SME portfolio are rule-based. ▪ The bank is becoming more stringent in classifying loans and has tightened its approach to one-time settlements. This could affect slippages in FY26 (being marginally higher than FY25).
HDFC Bank	▪ Adjustment in the C/D ratio will not be very steep supporting loan growth but will be on a downward trend. ▪ The bank has cut the SA rate currently as the loans are repriced quickly due to policy rate changes but deposits are repriced with a lag. Management believes the rate is not a differentiator for the bank to gain deposit market share. ▪ CASA is expected to improve as the rate cut happens	▪ GNPA/NNPA ratio improved 9bp/3bp QoQ to 1.33% / 0.43%. PCR stood broadly stable at 67.9%. ▪ Credit policy will not be changed to pick up volumes. There are many market opportunities to pick up growth. HDFCB wants to be a relationship bank and is not going to do lending only as a product.
ICICI Bank	▪ Deposits – Banks are cutting the deposit rates amid a decline in the policy rates. The bank has seen liquidity improvement over the last few months, and deposit growth has been quite strong. ▪ Upcoming rate cuts are likely to affect margins, with a lag in deposit repricing. Despite falling deposit rates, NIMs may see some pressure.	▪ The bank is always comfortable about its asset quality. The corporate portfolio continues to do well. On the retail side, the secured portfolio is performing well, and on the unsecured side, the NPL level is stable now and may come down in a few quarters. All this boils down to lower credit costs for the bank.
IndusInd Bank	▪ Derivative-related issue: a) Reversed other income by INR 19.60bn; b)MFI business: Reversed revenue of INR 4.23bn, net of interim provisions and actual interest income (Interest Income – INR 6.73bn, fee income of INR 1.72bn, adjusted for interim provision of INR 3.2bn and actual interest income of INR 1.01bn; c)Unsubstantiated other assets and other liabilities – INR 5.95bn (no P&L impact); d)MFI book slippages: Recognized higher slippages of INR 35.09bn, leading to interest reversal of INR 1.78bn; and e) Regrouping P&L items of INR 7.6bn from Interest income to Other income and INR1.58bn from provisions to other opex.	▪ Ex-MFI, slippage credit cost in other segment has been stable or better. In MFI, additional slippage has been taken. ▪ In FY26, MFI slippages still remain elevated and normalcy is at least six months away. ▪ Provisions increased sharply by 165% YoY/ 44.6% QoQ to INR25.2b, while the bank also utilized the outstanding contingent provisions entirely.
Kotak Mahindra	▪ The share of unsecured loans declined from 12.7% to 10.5% of total advances. The bank aims to increase this towards the mid-teen range, with a strong focus on credit cards and upcoming product launches. ▪ The bank is addressing repo rate cuts by managing deposit costs and has aligned its SA rates with industry benchmarks. ▪ Sweep-term deposits (six-month tenure) currently offer a 5.5% rate, but due to faster repricing, a rate reduction is expected soon.	▪ PCR has improved to 78%. With the accretion in GNPA slowing down, the new book in unsecured has been of better quality. ▪ Credit cost accretion has been tapering, indicating improving quality in recent lending.
SBI	▪ The bank expects credit growth to remain at ~12-13%. ν The bank aims to maintain ROA at ~1% levels on an annual basis (with some quarterly variances). ▪ ROE to be maintained above +15% across business cycles.	▪ Bank has got INR33b recovery from a large account, out of which ~15% i.e. ~INR5b is shown as NPA reduction, and the remaining has gone into the treasury.

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AU Small Finance Bank — Buy

Current Price INR 720

Opening remarks

- Elevated interest rates have hurt both funding costs and credit demand.
- AUBANK achieved a strong 27% YoY growth in deposits and over 20% growth in advances, despite challenges in unsecured lending.
- Branch-level profitability improved, with 29% of branches breaking even this year vs. 25% in the previous year.
- The bank aims to open 70–80 new branches in FY26, focusing on expanding into new cities.
- Growth was primarily driven by the secured loan segment, which also maintained healthy asset quality.
- The unsecured book declined due to MFI-related issues; however, this challenge is nearing resolution with improving collection efficiency.
- MFIN guardrails may have some impact on growth going forward.
- The CGFMU scheme helps in lending to underserved segments with limited risk, keeping credit costs in check.
- The credit card portfolio declined 19% YoY in FY25 but has been recalibrated; it is expected to become profitable in 1–2 years and contribute heavily to fee income.
- The bank will maintain its focus on retail lending, particularly on fixed-rate products.
- Commercial and MFI operations are transitioning to Mumbai, with Jaipur now handling back-end functions.
- A universal banking license is under active consideration with the RBI.
- An additional INR 1.5b provision was made to enhance PCR towards 68%.
- The C/I ratio improved to 57% in FY25 due to strict cost control.
- FY26 is expected to benefit from policy support; the bank remains cautious amid a normalized macro environment.
- Credit costs are expected to ease from 2HFY26 onwards.
- The deposit franchise has performed well, excluding CASA which faced industry-wide headwinds.
- Commercial banking remains strong, and MFI business—though challenged—is fundamentally sound; 3Q and 4Q FY26 should see recovery.
- Credit card oversight has been tightened, with senior leadership hired to lead the vertical.
- The bank's focus will also be on gold loans, leveraging Fincare's expertise.
- Its FY25 RoA dropped to 1.53% due to accelerated provisions.
- Credit costs on total assets are expected to decline from 1.3% in FY25 to 85bp in FY26 and 75bp in FY27.
- NIM may remain under pressure, with benefits from lower interest rates anticipated in 3Q and 4Q of FY26.
- The bank expects progress on the universal banking license process with the RBI.

Advances

- The credit card business is expected to break even by FY27E and turn profitable by FY27–28.
- REG portfolio, at 3% of assets, is granular and not intended to grow aggressively—remains a well-established franchise.

- The bank can comfortably grow at 25% YoY; once advances hit INR 3–4tn, growth may moderate to ~20% YoY.
- Macro trends are improving, and the policy environment is becoming more growth-focused, and aligned with government priorities.
- Credit card underwriting has been revamped with stricter eligibility filters, leading to a 50% reduction in spending; new leadership has been onboarded to drive this vertical.
- Tractor and used vehicle financing segments have picked up, although the 2-wheeler segment remained muted in 4Q.
- Secured lending grew 23% YoY; unsecured fell 17% YoY and the bank remains cautious on this front. MFI growth to 10% from 6% would require a 40% CAGR, which is not targeted currently.
- The bank is PSL-compliant, with 50% of the SMF book in FY25 driven by MFI lending.
- CASA ratios remain under pressure; deposit growth was supported by bulk deposits.

Yields, cost, and margins

- Term deposit rates have been cut by 25bp.
- Credit cost will be the key lever in FY26, while NIMs may face challenges.
- Cost of funds increased 7bp QoQ, partly due to fewer days; NIMs impacted by 5–7bp due to business mix change.
- With 30% of the book repo-linked, yield pressure is expected.
- FY25 faced margin pressure and elevated provisions; FY26 should see more stable credit costs, and the bank is prepared for a declining rate scenario.
- The MFI book is exclusively group-based (JLG), not individual lending, and is expected to evolve gradually.

Asset quality and provisions

- The bank is expecting 30-40bp of improvement in the credit cost in FY26 vs FY25. It expects the overall provisions should be at 75-85bp in credit costs with 85bp in FY26, and thus should decrease to 75bp in FY27.
- MFI business will take two more quarters in terms of credit cost normalcy. The only delta in 4Q was Karnataka and even that has been handled well and moving towards normalcy. The bank has done 1.3% of credit cost in FY25 and should be 85bp in FY26. Of which the 1Q and 2Q should be a bit elevated and should see significant improvement in 2HFY26.
- Collection efficiency is improving across buckets and this momentum should continue in the new year as well.
- Of the incremental book, 70-80% book of MFI should be covered by the CGFMU scheme.
- Wheels too saw a very strong quarter in terms of asset quality.
- Will like to have 3% coverage on the MFI portfolio, and will focus on the CGFMU scheme which will be 70-80% of the book.
- March is very promising in terms of collection and credit cost, which gives confidence that FY26 should be much better.
- The bank has seen significant improvement in the slippages in 4Q and should have seasonality. It is still early to comment that slippages have peaked out but FY26 should be much better.

- For small VF businesses, the collection had improved while 3QFY25 had been impacted on this side of the business.
- Home Loan NPL was a bit higher and management will look at improving this business in the near term.

Opex

- Opex will be tightly managed; integration of Fincare and tech investments are underway.
- The bank aims to maintain the C/I ratio below 60% while building out tech and distribution capabilities.

Others

- The universal banking license is expected to be granted within this calendar year.
- Capital-raising plans will be considered post-licensing.
- Revised LCR guidelines are more favorable than the draft and the expected LCR is to be around 120%.

Axis Bank — Neutral

Current Price INR 1,159

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Opening remarks by management

- Deposit quality, retail deposit, and cost of fund are the three focus areas for the bank.
- The bank reported a 19% YoY growth in NTB savings account and ~38% YoY growth in Premium acquisitions in the NTB Salary book in Mar'25.
- Consolidated RoA stood at 1.88% and RoE at 17.11%.
- Cumulative provisions translate to a standard asset coverage of 1.15% as of 31st Mar'25.
- In 4QFY25, digital transactions comprised 97% of the bank's total financial transactions conducted by individual customers.
- The bank held ~14% period-end market share for credit cards in force as of Feb 25.
- It held ~11% spends market share in 2M 4QFY25.
- It has seen stabilization in the card portfolio. Personal loan will take a few more quarters to see improvement.
- It has undertaken a long-term US dollar deal for the purchase of aircraft deal.
- The bank has delivered on growth quality and cost of funds.
- The CET-1 ratio stood at 14.67% and CRAR stood at 17.07%.
- Domestic subsidiaries' ROI was 46% in FY25.
- The bank maintains a strong position in the UPI Payer PSP space, with a market share of ~ 32%.
- MFI loans were ~2.1% of retail loans, of which ~1% was retail MFI.
- In 4QFY25, operating performance was healthy, with margins expanding 4bp QoQ to 3.97%.
- Standard asset coverage ratio stood at 1.2%.
- Approximately 170 branches were opened during 4QFY25.
- Subsidiaries contributed 5bp to the consolidated RoA and 13bp to the consolidated RoE.
- The bank has 37bp of additional provision buffer not counted as capital.
- Net credit cost stood at 50bp in 4QFY25.

- INR denominated loans consist of 67% of total loans.
- 90%+ of SBB's working capital portfolio is PSL compliant.
- RIDF comprised 0.9% of total advances as of 4QFY25.
- The bank has assessed itself as PSL compliant as of Mar'25. The compliance led to an increase in costs due to the purchase of PSLCs worth INR5.91b, with ~1.69b sold, which is recognized in other income.
- The share of secured retail loans was ~72%, with home loans comprising 27% of the retail book.
- The bank is strengthening the quality of its CBG franchise.
- 4QFY25's gross slippage ratio stood at 1.90%, net slippage ratio stood at 0.81%, and net credit cost stood at 0.50%.
- Reported net slippages in the quarter, adjusted for recoveries from the written-off pool, was INR10.8b. Of this, retail was INR22.9b, CBG was INR50m, while wholesale reported negative slippages of INR12.2b.

Opex and other income

- The non-fund business led to an increase in fee income, which grew 16% QoQ.
- Operating expenses stood at INR98.3b, growing 9% QoQ. The bank opened 170 branches in 4Q. Technology and digital accounted for 9.3% of total operating expenses.

Advances and deposits

- Deposit growth was lower compared to other private banks, but the bank remains focused on improving the quality and granularity of deposits.
- 57% of the book is linked to repo, 9% to MCLR linked, 28% is fixed.
- The quarterly average balance has closely tracked MEB balance growth. The bank is focused on QAB.
- The bank ensures a tight match duration of its assets and liabilities, which has enabled it to effectively manage both upcycles and downcycles.
- On liability repricing, the bank has implemented an SA rate cut and moderated the rates on retail term deposits.
- Investments in the bank's BS are largely fixed, with a significant portion allocated to government securities.
- 66% of the portfolio is held to maturity.
- The bank is committed to accelerating deposit growth. The Citi acquisition has contributed to overall deposit growth.
- QAB deposits growth of 10% reflects the bank's focus on granular deposits rather than large lumpy ones.
- The bank has seen stabilization in the card portfolio. Personal loan will take a few more quarters to show improvement.
- Deposit growth was constrained last year. Growth and profitability are expected to move in the right direction from hereon, given the liquidity remains stable.
- Between mortgage and LAP, if LAP is providing higher growth, the bank will focus on expanding the LAP segment further.
- If liquidity remains favorable, it will create a better environment for banks to engage in borrowings, mainly through bonds
- For repo-linked loans, the bank reprices the loan at the end of the quarter in which the rate cut is announced.
- The bank has made progress in quality, cost, and growth to catch up in 4QFY25.

- The bank recalculates MCLR every month as part of an ongoing process, with MCLR repricing in line with changes in various components.

LDR

- LCR will become effective from FY26, with the current impact being neutral.
- If liquidity in the system remains stable, deposit and retail growth will remain healthy.
- LDR improved to 88.7% in 4QFY25. The decline in the CD ratio is due to deposit growth reported by the bank.
- The bank is not pursuing lumpy deposits that are transient; it is instead focusing on growing deposits in a granular manner.

NIMs

- The bank will manage margins by optimizing the balance sheet on the asset side, with some mix change expected.
- The bank is well-placed to manage the repo rate cycle, having tightly matched the duration for interest rate resets, though not for liquidity.
- The bank has repriced deposits lower, marking early actions to better handle margins.
- The bank has a cushion through the cycle and will aim to retain it as much as possible.
- Many banks have cut retail deposit rates by 15-20bp.
- The expansion in margins was primarily driven by better asset quality (2bp), while an additional 1bp came from interest income on IT refunds.

Asset quality

- Asset Quality Policy: The bank provides 100% provisioning on retail unsecured exposures, demonstrating a more prudent approach. Write-offs in the SME portfolio are rule-based.
- A written-back provision of INR8.01b on security receipts was booked on P&L, while INR5.37b of interest on these receipts has not been booked.
- The RWA/total asset ratio stood at 72%, with the risk weight on advances being either equal to or lower than the previous year. The increase in RWA is attributed to growth in off balance sheet liabilities.
- The bank is becoming more stringent in classifying loans and has tightened its approach to one-time settlements. This could affect slippages in FY26 (being marginally higher than FY25).
- The bank will maintain 100% provisions on unsecured loans once they are classified.
- In credit cards, the asset build-up is lower than in personal loans. However, the bank is seeing improvement in both segments for new sourcing.
- All personal loan customers are not credit card customers. Personal loans are offered to exiting bank customers as well.
- The bank's provisioning policies are stricter than market norms, underscoring its conservative stance on asset quality.

Bank of Baroda — Neutral

Current Price INR 251

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Detailed Concall Transcript &
Results Update

Opening remarks

- FY25 was a robust and stable year, with global business growing to INR17t.
- The bank has posted the highest-ever profit on Consol and standalone basis.
- Domestic advances grew 13.7%, while retail grew by 19.4%. Agri and SME stood at 14.2% and Corporate at 8.2%.
- Within retail, education, home loan, and mortgage grew faster.
- Bank has moderated growth in the PL segment.
- Deposits growth was at 10.3%. CASA growth was at 6.4% YoY. CD ratio stood at 83.59%. Domestic CASA will be maintained at 40%.
- RoA has been more than 1% for the past 11 quarters.
- Yield on advances were down due to easing of interest rates, while the cost of deposits were higher, resulting in NIM contraction.
- The board has recommended a dividend of INR8.35.
- The bank has never compromised on asset quality, with both GNPA and NNPA trending down and PCR healthy at ~93%.
- Slippage ratio has come down to 0.78% vs 0.99% in FY24.
- Credit cost is at 0.47% vs the guidance of 0.75%.
- SMA book stood at 0.33%.
- Tier 1 stood at 13.78% and CRAR stood at 17.19%.
- The bank's core model is built on consistency and stability, which underpins its fundamentally strong position.
- The bank has outperformed advances growth guidance and operates in the upper band.
- It has offered one of the highest dividend yields compared to other PSUs in the market.
- NII growth was muted as the market condition and cost structure were elevated in 4Q.
- SA growth stood at 5%. The O/S of bulk deposits was at 16% in FY23 and 20% in FY25. The bank now aims to reduce dependency on bulk deposits.
- Other income has been strong, supported by recoveries from two accounts and treasury income. Treasury income is expected to be good this year as well.
- Recovery is expected to be at similar levels as FY25.
- A 10% growth in net profit is a healthy indicator of the bank's performance.
- The bank aims to improve growth in Agri and MSME. The bank is confident of achieving 10% growth in corporate, supported by improved system liquidity.
- The bank's CASA ratio was at 39.97%, among the highest in the sector. Strong performance in retail savings and term deposits was supported by multiple brand campaigns.
- Its NIM guidance was reduced by 5bp in 3QFY25. FY25 NIMs stood at 3.02% and domestic NIMs stood at 3.18%. Global NIMs were at 3%.

Advances and deposits

- The bank is not overly reliant on corporate credit and aims to avoid any negative impact on NIMs. Demand in this segment is sufficient to drive growth.
- 20% of deposits are bulk. Of this, one-third of the book will be repriced in this quarter itself. If RBI remains benign in the rate outlook, the money market is likely to have a downward bias.
- BOB maintained more balanced deposits and advances vs other banks. The bank is currently managing almost INR2t in the international book.
- Segment-wise growth is expected to remain the same. Corporate book is expected to grow at 10% YoY and RAM at 15% YoY. Corporates also have the option to raise funds through the capital market.

- The bank experienced slower growth in the NBFC segment when risk weights were introduced but has resumed expanding this book now that risk weights have been adjusted.
- CASA rate was the same despite fluctuations in the rate cycles.
- Growth in consumer loans has been favorable, with improved capacity in this segment. The bank has 8,200 branches and is focused on driving customer flows.
- International book experienced robust NIM expansion and improved quality. An NIM of 1.75% or higher is considered favorable for the bank.

Cost, margins, and yields

- There was a 3bp effect due to repo rate, with the remaining decline attributed to cost pressures.
- Pressure on NIMs will continue in 1Q, following which deposit repricing will play out.
- Q1 is going to be a quarter to watch out in terms of NIMs.
- NIMs are expected to be maintained at 3% in FY26, similar to FY25-exit quarter levels, with 1Q26 witnessing continued pressure. NIMs are expected to see some improvement from 2HFY26 onwards.
- The impact of deposits on prior quarters will also have an impact on subsequent quarters, due to which NII growth will see a hit.
- For BoB, the day count remains consistent across all asset classes and there is not much benefit on the day count side.
- EBLR repricing is at T+1 days due to alco, with the benefit realized on T+1.
- Domestic yields have been going downward.
- Peak level of NIMs was at 3.32%. Last year, domestic market faced tightening conditions with rising costs. At the current NIM of 3.02%, the bank holds the second-highest position among public sector banks.
- The house view anticipates two more rate cuts of 50bp in FY26. The G-Sec outlook is at 6.25% from the current levels of 6.3-6.4%.
- The bank has an AFS reserve of INR20b and will manage the book accordingly, booking trading profits when required.
- The bank is not looking at any cuts in SA rates.

Other Income

- The bank is permitted to reverse SR provisions of INR4.9b, which has yielded better other income.
- Treasury will be consistent and generate healthy treasury income for the bank.

Asset Quality

- There were recoveries in write-off accounts in 4QFY25, of which large corporates are 100% provided. Recovery rate in FY26 is expected to be at similar levels as FY25.
- MSME book is growing at 14-15%. The GNPA on MSME is quite low, with some slippages expected. Many MSME schemes have offered guarantees and are not impacting the slippage ratio.
- MSME NPAs spiked due to the legacy account and the bank has the lowest NPA in the MSME, with healthy quality and growth reflected in this book. This segment is supported by the Govt. of India and the book is protected from slippages.
- The SMA portfolio includes a lumpy account from a state-owned entity, but it is backed by a government guarantee.
- The bank has exposure to an airline account, of which one-third is secured by a guarantee and two-thirds is backed by a land parcel. There have been no material developments in this account. It is fully provided for, and the bank does not anticipate any loan losses in this segment.

Others

- The digital spend is at 10% of the operating profit (incl Capex and Opex together).

Guidance

- NIMs are expected to be maintained at 3% in FY26, similar to FY25-exit quarter levels, with 1Q26 witnessing continued pressure. NIMs are expected to see some improvement from 2HFY26 onwards.
- NIM improvement can be seen from 2HFY26 onwards.
- LCR will be operated at 120% or excess of 120%.
- CD ratio will be at 82%.

Bandhan Bank — Neutral

Current Price INR 167

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Results Update

Opening Remarks

- Net advances grew 9% YoY/4% QoQ, while deposits grew 12% YoY/7.2% QoQ.
- MFI sector has faced significant stress, and liquidity tightness has affected the sector’s growth.
- Bandhan expects to see MFI stress reducing going forward.
- GNPA/NNPA ratios remained stable even with higher slippages.
- RoA stood at 1.5% and RoE stood at 11.6% for FY25.
- 31% of total deposits are bulk deposits.
- The bank has technically written-off INR11.4b.
- Bandhan has increased its EEB portfolio’s risk weight to 125% in the previous quarter and reduced gain after new RBI regulation, which has strengthened the bank’s CRAR, further supporting growth.
- The board has recommended a dividend of INR1.5 per share.
- MFI industry has been facing headwinds. The bank has been proactive and has taken steps to control the same.
- Leveraging data analytics to study customer behavior to enhance customer experience.
- Total CRAR, incl. profit, will be ~18.7% in the current quarter.

Advances and deposits

- Bandhan expects deposit growth to be faster than advances growth.
- Share of EEB (Group + SBAL) reduced from 49.9% in Mar’24 to 41.2% in Mar’25.
- EEB deposits contributed to ~3% of total deposits as of Mar’25.
- EEB portfolio declined 9% YoY due to portfolio control as there is MFI risk.
- 59% of total advances are non-EEB book now.
- 26% of advances are EEB-group lending; retail loan is at 8%.
- Share of advances in eastern regions stood at 14%.
- Share of bulk deposits to total deposits stood at 21%.
- 40% of total deposits are in West Bengal.
- Deposit growth was higher than advances growth. CASA + Retail TD to total deposit stood at 69%.
- 50.5% of advances is secured book vs. 42% in FY24. Focus is on increasing the same.
- Fixed rate book is ~55% of total loan book.
- Reduced interest rate in both TD and SA rate, which will come into effect from 1st may. The bank has reduced 30bp on the peak bracket.

- 26% of book is EBLR and 19% is MCLR; therefore, some impact will be there on margins for some quarters.

Cost, margins and provisions

- Margins moderated 21bp QoQ to 6.7% due to a change in product mix toward secured and higher slippages.
- The bank has made provisions in EEB book, leading to high provisions.
- It has recorded interest reversal of INR690m in the current quarter.
- Margins are expected to come down by 50-60bp in the next two-three years due to a change in mix toward secured assets.
- Fee income will also be aided and we expect RoA at 1.8-1.9% and will also contain slippages.
- Opex to avg asset during the quarter was at 4.1%.
- 4Q RoA was at 0.7% and RoE at 5.2%.
- Differential yield between EEB and other book is 10%.
- ~INR1.66b was the accounting treatment on ESOP previously and so DTA has been created due to this. Therefore, additional amount has been released this quarter.
- The bank will continue to invest in people, tech, branches and capabilities that are required. The bank is looking at operational efficiency. As operational efficient improves, the C/I will gradually improve.

Asset quality

- Collection efficiency (excl. NPA) stood at 97.9%.
- CE for non-EEB book (excl. NPA) improved to 98.2%.
- Credit cost, incl. stand asset provisions, was at 3.9% in 4QFY25 vs. 4.1% in 3QFY25.
- Karnataka accounts for 1.1% of advances and Tamil Nadu is less than 1% in total advances. CE is also 97% in both states.
- Slippages were higher at INR17.48b due to an increase in slippages in EEB.
- O/S book stood at INR2.51b, out of which INR910m is NPA.
- Loan-loss provisions will be incrementally lesser. ~INR50b growth in AUM in EEB segment is expected in FY26.
- 92% of book is Bandhan+2.
- MFI credit cost to come down and change in mix toward secured will help credit cost to reduce to 1.5-1.7% over next 2-3 years.
- Maharashtra, parts of Gujarat, TN and Karnataka are not doing well on the collection efficiency front.
- In 1HFY26, growth is expected to be muted but will stabilize from 3QFY26.
- 0.6% are wholesale slippages and 2.3% are gross slippages from housing book, of which the majority of slippages were due to legacy book.
- INR700m are net slippages in housing segment.

Guidance

- The bank aims to expand its asset book with more of secured book. Secured advances are expected to be ~55% of total advances by FY27.
- Advances are expected to clock ~15-17% CAGR over the next three years. EEB portfolio growth will be aligning to system conditions.
- Deposits to grow more than advances with less reliance on bulk deposits.
- Margins are expected to come down by 50-60bp in the next two to three years due to a change in mix toward secured assets.

- The bank will continue to invest and expects opex to avg asset to increase ~10-20bp over coming quarters. When operating efficiency kicks in, this will start reducing.
- Credit cost will remain elevated in 1HFY26 and would be around 1.5-1.6% over the next 2-3 years.
- RoA is expected to be ~1.8-1.9% over 2-3 years.

Canara Bank — Buy

Current Price INR 116

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Opening Remarks

- Global business rose 11.2% YoY; deposits increased 11.01% YoY, and advances grew 11.74% YoY. Net profit surged 33.2% YoY.
- PCR improved by 360bps YoY to 92.7%, while GNPA dropped 129bps to 2.94%, and NNPA declined 57bps to 0.7%.
- The Board recommended a dividend of INR4 per share on a face value of INR2.
- RAM credit grew 13.23%; retail credit remained at 42.8%. Home loans rose 13.57%, and vehicle finance expanded 19.6%.
- Fee-based income increased by 20.3%.
- Slippage ratio remained under 1%, better than the 1.1% guidance.

Advances and Deposits related

- The gold portfolio has increased by 20%, the overall growth is not slow. But the Agri is shifting towards the Retail credit.
- The bank has an agri loan exposure of INR160b in metro regions, with some loans closed and others continuing, which has supported growth in retail credit.
- Agri gold loans have declined YoY as the bank stopped lending in metropolitan areas; however, overall growth is unaffected as the shift has been towards retail credit driven by new products.
- Demand for bulk deposits has decreased, and the interest rates have softened, now ranging around 7%.
- Core agri is growing at 10% YoY, the bank has stopped lending towards interest subvention and has stopped lending in the Metro cities due to Agri. This reclassification will not only impact CBK, but also the banking industry.
- The bank's total agri loan book is INR2.46t, of which agri gold loans account for INR1.33t, down from INR1.53t; retail gold loans have increased to INR480b from INR10–20b a year ago.
- Retail loans stood at 42% YoY, Retail gold loans were INR480b.
- EBLR is 44% and MCLR at 40%. Gold loans are MCLR-linked.
- The PL and CC book is INR180–190b, of which INR60b are standard PLs, and INR130b are loans to salaried/pensioner customers drawing income through CBK; the CC book is INR12–13b, and PL NPAs are at 0.49–0.50%.
- The bank has the highest priority on the CASA. The CASA is a bit difficult as the payment system has matured, and people will not keep CASA beyond the minimum requirements.
- To stabilize CASA, the bank opened 500 branches over the last two years and plans to open 250 more in the current year.

P&L related

- Recovery in technically written-off accounts and fee-based income contributed to the bank's PAT growth.

- Interest income saw some one-off gains during the year, with only a 3–4bps increase in funding cost; the bank earned interest on NPAs in both Q2 and Q4, including INR7b in 4Q.

Yields and Margins

- Bulk deposit rates have come down, and not much reduction has happened in retail TDs.
- Yields on retail gold are 9% and above and have been helping yield.
- Retail gold loans are expected to grow by 8.6–8.7%, and the combined retail and agri yield stands at 9.1–9.15%.
- From the Dec quarter, the bank's NIM has improved by 3bp.
- SA rates are 2.9%, and this moment has a cushion to reduce to 2.75%. But this call will be taken later.

Other Income

- PSLC certificates are the game of money and supply. The rates in the PSLC have already been touching 3%. The quantum shall reduce, but the demand in PSLC shall be very high.
- The bank has achieved 56% of the 40% PSL requirement, despite the reclassification of agri gold loans.
- PSLC commission income stood at INR15.5b for FY25; the bank earned a 2% commission for one quarter and 3% in Q4, and this income is expected to remain strong due to high demand and favorable commission rates.

Asset Quality

- During the March quarter, the bank recorded slippages amounting to INR12.5b in the MSME segment, INR7.5b in the agriculture segment, and INR6.5b in the retail segment.
- The bank carried out a provision reversal exercise, which resulted in a 150 bp improvement in the PCR, bringing it in line with industry peers. Out of the INR17b in SR, INR11b was reversed during the March quarter.
- The reversed SR amount was utilized to enhance provisioning in the SR segment. Consequently, the provisioning on NPAs increased, leading to an improvement in the PCR to 92.7%, up from 91.26%.
- Of the INR11b reversed, INR5b was reflected as income in the profit and loss account, while the remaining INR6b was directed towards provisioning for NPAs, thereby further strengthening the PCR.
- The INR5b that was booked as profit from the SR reversal is not eligible for dividend distribution. Furthermore, the entire INR17b associated with SR is not permitted to be included in the CET I capital calculations.
- The total quantum of excess provisions reversed and credited to the profit and loss account due to the sale of stressed loans amounted to INR14.63b.
- For FY26, the bank has set a PCR target of over 93%. There has already been a notable improvement this year, and the aim is to reach a 95% PCR. The bank is focused on strengthening its balance sheet and will therefore continue to enhance provisioning against NPAs.
- There are currently three accounts classified under the SMA category, in addition to one corporate account based in Bangalore.
- While the usual quarterly slippages hover around INR10b, the slippages for the March quarter rose to INR12.5b. This increase was primarily attributed to MOC-related provisioning adjustments arising from minor changes in recognition

criteria. The majority of slippages were observed in the MSME portfolio, and most of these were due to technical reasons rather than fundamental credit deterioration.

- On a QoQ basis, slippages under the SMA category have come down. This was driven by specific accounts such as RINL and two other government or corporate entities with a combined exposure of INR70b.

Miscellaneous

- PLI incentive which has been provided in 4Q shall be at INR2.5b.
- The bank's average LCR remains healthy at 139–140%.
- The bank has invested INR8b in digital initiatives during the year.
- The bank will continue to expand its non-SLR investment book, following the trend from the previous year.

Guidance – FY26

- Business growth at 10.5% YoY.
- Advances growth at 10-11%.
- Deposits growth at 9-10%.
- CASA ratio at 32%.
- NIM (Global) at 2.75% to 2.80%.
- GNPA ratio at 2.5% and NNPA ratio at 0.6%. PCR at 93%.
- Slippage ratio at 0.9%, and credit costs at 0.9%.
- RoE at 18.5%, and RoA at 1.05%.

DCB BANK

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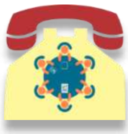

DCB Bank — Buy

Current Price INR 141

Opening remarks

- Continuing the strong growth trend, the balance sheet expanded by 32% YoY, while loan growth stood at 25% YoY.
- Savings account growth was 19%, and the share of top 20 deposits declined to 6.6%.
- NIMs have stabilized at 3.29%.
- The bank reported strong performance in core fee income.
- Investments in product and technology development are beginning to show positive results.
- For the first time in four years, operating income growth has outpaced operating expense growth.
- Provisioning costs for the year were lower, with 4Q provision costs at 0.33%; slippage ratios have declined consistently over the past five quarters.
- The recovery-to-slippage ratio stood at 83%, with GNPA improving to 2.99% from 3.28% at the beginning of the year.
- NNPA rose marginally by just 1bp vs. the start of the year, and PCR remains robust at 74.48%, reflecting confidence in growth and asset quality.

Advances and deposits

- Loan growth remained strong at ~24% with improved capital adequacy, while only 23bp was used for this growth, indicating sufficient capital headroom. The bank remains prudent on capital usage and plans to raise capital later, when the valuation reflects its intrinsic worth.

- Co-lending growth in the coming year will not match last year's pace, as it requires the bank to forgo some NII. Co-lending is pursued for growth, not margins, and will align with balance sheet growth.
- The focus will remain on organic loan growth, which is expected to deliver stronger yields.
- There is a strategic shift from home loans to LAP, offering better yields of 100–200bp, though LAP demands slightly higher capital allocation.
- Over 50% of loans originate from NBFCs or SFBs, particularly balance transfers. The bank's edge lies in deepening customer engagement, especially through overdraft offerings in the LAP segment.
- The recent RBI circular on gold loans will not impact the bank's operations.
- DCBB remains confident in lending to NTC customers, who have performed well across cycles. PMAY will continue to be a key pillar in the bank's growth strategy.

Cost, income and provisions

- Fee to average assets stood at 1.18% in Q4, exceeding guidance, with core fee income remaining consistently strong—the last three quarters have been the highest on record.
- The cost-to-income ratio has shown consistent improvement over recent quarters.
- 4Q typically sees stronger third-party distribution income, which remains a key focus area. The bank's holistic banking approach is unlocking greater fee income potential, with early signs already visible.
- Employee count will remain stable through FY25 and FY26. The decline in headcount is attributed to rising productivity and ongoing tech advancements.
- A rate cut could lead to lower bond yields and potential treasury gains, although timing and magnitude remain uncertain.
- On the technology front, the core banking system upgrade is complete, with the next focus on enhancing customer-facing digital platforms. MFI lending has already been fully digitized.

Yields, costs and margins

- While NIMs are under pressure, the bank remains committed to its secured asset strategy. Adjustments in SA rates have been made to help cushion the impact on NIMs.
- Efforts are underway to lower the cost of funds (CoF), with bulk deposit rates already declining—this will gradually reflect in reduced CoF.
- On the yield side, the bank is directing fresh sourcing toward higher-yielding products, and co-lending's share is expected to align with balance sheet growth.
- The strategic shift toward higher-yielding products, initiated 4–5 quarters ago, remains a key focus area.
- NII growth has lagged loan growth, primarily due to the 4Q rate cut and higher CoF. With ongoing adjustments in yields and funding costs, NII and loan growth are expected to converge.
- Only a portion of the loan book is EBLR-linked and floating, limiting the impact of rate cuts.
- Non-callable retail rates and bulk term deposit rates have already been reduced, aiding NIM stabilization.

- Earlier rate cuts had a limited benefit, while subsequent ones are expected to have more benefits.
- NIMs stood at 3.29% in 4Q vs. 3.30% in 3Q; the 25bp repo rate cut only impacted a small portion of the portfolio, causing just a 1bp dip—NIMs have now stabilized.
- With a 50bp rate cut, NIMs are likely to hold the current levels, but further cuts could create pressure.
- The bank maintains a low SA rate of 1.5%, targeting two customer segments: transactors and rate-sensitive savers. Transactors, being price-inelastic, allow the bank to sustain lower SA rates.

With respect to asset quality

- The bank operates with a provision cost model of 45-55bp. FY25 ended at 31bp, even after factoring in the pressure from MFI loans. Despite making accelerated provisions, the provisioning remained lower than the guided range.
- Accelerated provisions have already been made for the MFI segment, indicating potential for notable improvement going forward.

Equitas Small Finance Bank — Buy

Current Price INR 65

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Opening remarks by MD & CEO

- The first quarter of FY25 was marginally weaker than usual, and the second quarter saw further deepening of that weakness. FY25 was a bad year; the bank is hopeful that FY26 will be a good year with improving fundamentals.
- Credit cost increased sharply from 2.3% in FY24 to 11.37% in FY25 in the MFI segment, wiping out INR6.3b in profit.
- PPOP remained flat for the year, as total operating expenditure rose by 15%, driven by investments in technology, people, and new products.
- Total advances grew 11% YoY in FY25. Excluding MFI, advances grew by 19%.
- Entire microfinance team has been retrained to focus on Micro-LAP. Strategy is to continue reducing MFI and scaling up Micro-LAP (secured lending).
- SBL grew 25% YoY; expected to contribute 45% of the loan book by mid-FY26.
- Collection efficiency in SBL remained strong at over 99% for the full year and 99.2% in 4QFY25.
- Merchant overdraft in SBL grew to an INR14b book, serving about 51,000 customers.
- The Selfe Loan app, launched last year, sourced INR12.5b in loans.
- MSME loan segment grew 41% YoY. Affordable housing loan book grew 14% YoY. CV segment grew 14% overall.
- The bank is not seeing stress in any particular geography.

Loans and deposits

- MFI book declined 28% YoY; contribution to total advances fell to 12% as of Mar’25. MFI disbursements reduced significantly from INR62.6b in FY24 to ~INR45b in FY25.
- In 4QFY25, MFI disbursement comprised just 8.32% of total disbursements vs. 29% in 4QFY24. MFI book is expected to reduce further from INR45b in Mar’25 to INR30b by Mar’26.
- 48% of existing MFI customers are no longer eligible for fresh funding due to strict guardrail implementation starting Jan’25.

- Going forward, MFI disbursements will primarily target well-performing existing clients only.
- No major shift is expected in loan book composition, apart from the MFI decline. SBL expected to remain 45%, Affordable housing 12-15%, and Others to rise by 2-3% due to MFI reduction.
- Focusing on increasing active savings accounts through enhanced mobile and internet banking platforms.
- CASA improvement is being targeted to bring down cost of funds.

Yield, Cost and Margins

- Yield on advances remained steady at 16.3% despite the reduction in MFI book.
- Yield on disbursements dropped 140bp QoQ to 16.76%, primarily due to a slowdown in MFI.
- CoF remained largely steady at 7.5% during FY25 (vs. 6.5% in FY24).
- NIMs declined from 8.36% in FY24 to 7.51% in FY25 due to a change in the loan mix.

Asset quality

- Total credit cost for FY25 came in at 3.14%, which includes a one-time INR 1.8b floating provision. Excluding that, credit cost is 2.6%.
- INR 2.58b of credit cost recorded in FY25, with INR 1.85b attributed to MFI.
- Additional provisioning of INR 330m made for NPAs in microfinance and vehicle finance.
- PCR stood at 66.83%.
- GNPA levels are rising in HL and SBL segments due to portfolio growth but remain at acceptable levels.
- INR 1b provisioned in Q2FY25 for MFI SMA-1 and SMA-2 loans. Of this, INR 380m was used in December, INR 230m reversed in Q4 and INR 380m still remains in the books.
- Bank does not see any underlying or geographic stress in asset quality.
- Guardrails applied strictly from Jan 2025 helped improve MFI collection efficiency.
- As of now, no impact of Tamil Nadu ordinance seen on microfinance collection behavior.
- Collection efficiencies have been improving Jan–Mar and continued improving into April 2025.

Miscellaneous

- Investments in key projects (CRM, IBM native app, credit cards, AD1) are nominal.
- Recently launched products like credit cards and personal loans are intended for cross-sell only; no aggressive push planned.
- No new products to be launched in the next two years.
- Bank purchased PSL certificates during the year, mainly in the small and marginal farmers (SMF) category to avoid risk of shortfall.
- ROA and ROE are key focus areas as fundamentals improve.
- Mr. Balaji Nuthalapadi (ex-Citi, IIM-A) joined as ED of Tech & Ops.
- Mr. Jagadish, a 15-year veteran, will succeed Mr. Rohit Phadke as Head of Assets upon his retirement in Jun'25.

Guidance and Outlook

- FY26 outlook is positive, with many fundamentals under control.
- MFI collection efficiency is back to normal; credit cost expected to normalize by 3QFY26.
- Credit cost is likely to remain elevated in 1Q and 2Q of FY26; improvement expected from 3Q onward.
- ROA expected to be >1% by 4QFY26 and improve further to 1.5-1.75% by FY27.
- MFI book to decline to INR30b by Mar’26; share in total advances to reduce to mid-single digits.
- SBL (45%) and housing (12–15%) will see proportional increases as MFI shrinks.
- Affordable housing and MSME segments expected to turn profitable in FY26.
- Long-term goal is sustainable performance and returns with reduced MFI share.

Federal Bank — Buy

Current Price INR 207

Click below for
Detailed Concall Transcript &
Results Update

Opening remarks

- Competition for retail and MSME deposits continues to intensify in the industry.
- The concentration of the top 20 borrowers and depositors as a % of the total portfolio stood at 7.93% and 4.85%, respectively.
- Digital transactions increased 9.5% compared to the last quarter.
- Digital share stands at over 92% for Mar’25.
- NIM expanded 1bp QoQ despite the rate cut to 3.12%.
- Credit cost for FY25 stood at 38bp, in line with the bank’s guidance.
- CA grew 27% QoQ and the CASA ratio stood at 30.2%, better than last year.
- The bank opened 85 branches in FY25 and ensured to strategically choose the locations.
- Of the 85 branches opened in FY25, 39 were opened in 4Q, with some one-offs leading to an increase in cost. Opex to average asset was 1bp lower in FY25 vs FY24.
- The CD ratio was comfortable at 82.8%.
- A decline in wholesale deposits contributed to an improvement in the LCR, which now stands at 142%.
- RoA stood at 1.24% and RoE at 12.82% in 4QFY25.
- Deposit growth has been strong, with retail and wholesale CAs accelerating. The current account acquisition is running at a 50% higher rate than the previous period.
- The company has adopted a robust business budgeting approach and rolled out revised scorecards.
- On the asset side, the company achieved 19% growth rate in the mid-yielding segment.
- In the low-yield segment, it has adopted a new approach to growth. For HL, the bank is adopting a risk-related approach.
- 75% of new corporate clients are in mid-market segments.
- In the high-yielding segment, the card business is performing well, with an increase in card acquisitions.
- The bank has largely maintained its NIM by resetting new loans to T+90 from T+1 and revising SA and TD rates.

Loans and deposits

- CASA grew 15.6%, driven by 35% growth in CAs on a YoY basis.
- Housing loans grew at 6.8% YoY and 1% QoQ (Deliberate restraint due to suboptimal yields and industry rate challenges). LAP loans grew at 20.4% YoY and 6.0% QoQ.
- There is a sharpened focus on mid-market clients, with over 75% of NTBs onboarding from the mid-market segment.
- The growth rate was fairly strong at 19% YoY for the medium-yield segment.
- Though the bank's gold growth has not been healthy, new guidelines are expected to bode well for growth going forward.
- The bank will continue to remain cautious on MFI despite being uncertain about its growth prospects.
- On an average basis, CA has shown 7% average growth rate in the quarter.
- The CA acquisition rate on the retail side is at least 50% higher than what it was six months ago.
- LTV on gold loans stood at 61.6% in the current quarter, primarily due to a significant increase in gold prices.
- The SA rate has been cut for balances exceeding 5m.
- The bank aims to build a holistic relationship with customers through its home loan business.
- Corporate recovery is ~INR1.1-1.15b. The bank does not anticipate a similar level of recovery in the coming quarters as it typically sees in 4Q.
- The remittance market share is largely ~18-20%. The bank remains focused on pricing and has refrained from offering significant discounts. Increased exchange and aggregator partnerships are expected to drive higher volumes.
- Corporate recovery is booked in the provisions line. The self-funding level stood at 36% in 4QFY25.
- Wholesale deposits dipped significantly from 2Q to 3Q. In 4Q, wholesale deposits increased, and the mix changed.
- The bank intends to achieve growth at 1.2x-1.5x the banking system's growth. This reorientation is expected to drive the desired growth.
- The growth rate for credit cards has been robust, with the bank pursuing both organic and inorganic opportunities in this segment.

Yields, costs, and margins

- The bank is changing its mix in the mid-yield segment, as well as converting loans from floating to fixed rates. Additionally, the reduction in SA and TD rates will support NIMs.
- On NIM, the increase in yield on investments and other assets has helped maintain it.
- The bank expects the C/I ratio to be ~52.5-53.5% over the next few quarters.
- The bank will optimize its cost of funds in any way possible to support NIM.
- There was an uptick of 19bp in risk-adjusted NIMs despite the cut in repo rates.

Provisions

- Credit cost reduction was primarily attributed to a large corporate recovery.
- Credit costs stood at 26bp in 4QFY25 (annualized).
- Credit RWA is increasing due to a focus on mid-yielding segments.

Asset quality

- Asset quality is at its best in a decade, reflecting the resilience of the balance sheet.
- Agri slippages were high due to MFI slippages.
- The GNPA/NNPA ratio has improved 11bp/5bp QoQ to 1.8%/0.4% in 4QFY25.

Guidance

- The bank expects the C/I ratio to be ~52.5-53.5% over the next few quarters.
- Loan growth is likely to improve from the current level.
- The bank aims to achieve growth of 1.2x-1.5x of the banking system's growth.
- The bank expects the C/I ratio to remain flattish at ~53% over two years.

HDFC Bank — Buy

Current Price INR 1,951

Click below for Detailed Concall Transcript & Results Update

Opening remarks by the MD and CEO Mr. Sashidhar Jagdishan

- The RBI has recently begun to lower interest rates and there has been a moderation in food inflation. We have already seen two rate cuts and a stance change from neutral to accommodative, which are taken as positives by the banks.
- The C/D ratio has been brought down to 96.5% as of 4QFY25.
- Deposits have grown faster than the system and loan growth.
- Adjustment in the C/D ratio will not be very steep supporting loan growth but will be on a downward trend.
- NIMs have improved to 3.54% and excluding interest income of INR7b on IT refunds, NIM improved 3bp QoQ to 3.46%.
- Added approximately 312 branches in the current quarter while managing to reduce opex growth due to enhanced operational efficiency.

Yields, cost, and margins

- NIMs have operated within a very narrow range during the last 12 months. The cost of funds (including shareholder funds) has been stable as the borrowing mix has come down.
- The yield on assets has also been pretty stable, higher ticket size corporate loans and larger ticket SME loans have been very competitive, especially coming from public institutions, and therefore, yields are less in this.
- Some positive impacts on margin have been due to the CRR cut, and some due to lower agriculture in the Mar'25 quarter.
- There is nothing significant in terms of AIF reversal. Margins are slightly impacted by the number of days.

Deposits

- The bank has cut the SA rate currently as the loans get repriced quickly due to policy rate changes but deposits are repriced with a lag. Management believes the rate is not a differentiator for the bank to gain deposit market share.
- CASA ratio goes down when interest rates go up and therefore CASA is expected to improve as the rate cut happens.
- Adjustment in the C/D ratio will not be very steep supporting loan growth but the C/D ratio will continue to show a downward trend.
- In FY27, the bank's C/D ratio is expected to be below 90%. The bank will continue to gain market share in deposits.

- Time deposits' market share stood at 11.5%, while the CASA market share is 10.5% at present. Penetration of time deposits in the customer base is low, and HDFCB aims to grow customer relationships in this area as well. The goal is to have the wallet share of the customer in whatever form it comes.
- The bank will be focused on gaining more market share and market returns in terms of overall deposits.
- About 0.5t of maturity will happen in borrowings; ~60-65% of borrowings will be hedged.
- The bank caters to all deposit needs, offering products comparable to those of larger peers. Over the medium to long term, a shift in the CASA cycle is likely, potentially boosting NIMs.
- HDFCB emphasizes building liability relationships and expanding its branch network to grow its customer base, which drives deposits and liabilities.

Loans

- HDFCB has done a re-organization in the asset side of the business to accomplish and drive certain synergies and better productivity. It has a strong management team, and the bank is excited about this re-organization as a lot more efficiency is going to kick in.
- RoA has been at ~1.8% level for HDFCB. In different rate scenarios, RoA is expected to move around 5-10bp due to this. The optimal level of RoA will be at ~1.9-2.1% in the long term (10 years).
- By product, repricing is different in case of a change in repo rate and depends on product to product. It can be a month or a quarter for loans to be repriced.
- A lot of loans will be repriced in a quarter and the full 50bp cut impact on margins will be visible in 1QFY26.
- HDFCB has a band of risk-based pricing models and it will operate in the same model. The bank has not cut lending rates for auto or fixed loans but this cut will depend on the profile of the borrowers.
- Personal loans stood at ~INR2t, and most of them were salaried customers.

Opex and income

- In terms of branches, the bank is doing 2x what it was doing five years ago.
- HDFCB is best in terms of cost to asset, and it continues to press on new technology and better productivity to improve this further.
- HDFCB increased its headcount by ~4k in 4Q, ramping up investments in personnel while focusing on a productivity-driven model. Additional hiring will continue as required.
- The focus is on driving productivity while maintaining tight cost controls. Investments in people and technology are aligned to enhance efficiency.

PSL

- HDFCB is focused on opportunities in the Small and Marginal Farmer (SMF) category. This is managed through IBPCs, PTCs, or PSLCs, with the cost of PSL embedded in the overall cost structure. The bank is addressing gaps in the SMF segment.

Asset quality

- GNPA/NNPA ratio improved 9bp/3bp QoQ to 1.33% / 0.43%. PCR stood broadly stable at 67.9%. Fresh slippages stood at INR75b vs. INR88b in 3QFY25
- Asset quality has remained steady for banks. The proportion of NPA will not go up much even if the bank is increasing its book.

- Credit policy will not be changed to pick up volumes. There are many market opportunities are there to pick up growth. HDFCB wants to be a relationship bank and is not going to do lending only as a product.
- Book quality remains stable across all segments, backed by an analytical model ensuring consistency. The bank is confident of maintaining this stability.

Subsidiaries

- HDB Financial reported a loan growth of 18.5% YoY/ 4.7% QoQ to INR1,069b, while its PAT stood at INR5.3b. GS3 assets stood at 2.26%, while CAR was 19.2%. HDFC Securities: Revenue grew 14% YoY to INR7.4b, while PAT rose 21% YoY to INR2.5b.

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Results Update

ICICI Bank — Buy

Current Price INR 1,455

Opening remarks

- The focus remains on growing PBT through a 360-degree approach.
- PBT grew 13.2% YoY, and core operating profit rose 13.7% YoY and 5.5% QoQ. Profit after tax increased by 18.0% YoY.
- The board has recommended a dividend of INR11 for FY25.
- Total deposits grew by 14.0% YoY and 5.9% QoQ and average deposits grew by 11.4% YoY and 1.9% QoQ.
- Domestic loans grew by 13.9% YoY and 2.2% QoQ. Retail loans grew by 8.9% YoY and 2.0% QoQ.
- Net NPA ratio was 0.39% vs. 0.42% as of 3QFY25. PCR stood at 76.2%. The bank holds 1% of total advances as a contingency buffer (INR131b).
- CET 1 ratio stood at 15.94%
- Total gross slippages stood at INR51.4b, of which INR43.39b accounted for retail and rural and INR8.03b for corporate and BB.
- The bank sold off INR27.86b of written-off loans, which were fully provided for.
- NII grew by 11% YoY, and interest on tax refund was 2bp for 4QFY25. NIMs stood at 4.41% vs. 4.25% in 3QFY25.
- Of the total domestic loan book, 31% has a fixed interest rate, 53% has an interest rate linked to the repo rate, 15% has an interest rate linked to MCLR and other older benchmarks, and 1% has an interest rate linked to other external benchmarks.
- The branch count increased by 241 in 4QFY25 to 6,983.
- The BB-and-below portfolio increased marginally to INR28.5b from INR21.93b as of 3QFY25.

Advances and deposits

- Loan growth has been lower vs. the past few quarter, but there is no special caution on underwriting in the PL business. However, the unsecured business has been tighter for the past few quarter.
- BB loan growth has been exceptionally good over the past few years. The bank has invested in three aspects – Distribution (Branches), Credit Underwriting, and Digital, which are driving growth in this business, leading to benefits in lending, fee and CA deposits. BB book is granular and well diversified. It is a business where Customer 360 also plays a part. It has seen a good performance, and the credit cost too has been lower and will be managed well.
- Yields on the BB side will be higher vs. the corporate business.

- VF growth has been slower due to underlying demand and pricing.
- The bank is focusing on risk-adjusted PPoP and will make tactical calls on the pricing of a particular segment. The bank expects healthy growth in BB. It will also focus on retail.
- On the unsecured side, growth has bottomed out and should improve going forward.
- In the SMF and weaker sections, the bank has a PSL shortfall and looks at buy-outs and PSLC purchases.
- RWAs have increased faster than loan growth. At year end, the market risk had gone up as the market turned positive for taking treasury positions, leading to an uptick in the RWAs.
- Deposits – Banks are cutting the deposit rates amid a decline in the policy rates. The bank has seen liquidity improvement over the last few months, and deposit growth has been quite strong.
- The worst of CASA growth for the sector is largely behind, given the monetary easing and easing of system liquidity.

Margins and yields

- Yields have been driven up by an uptick in the day count and the absence of KCC. There was no particular one-off in yields.
- Upcoming rate cuts are likely to affect margins, with a lag in deposit repricing. Despite falling deposit rates, NIMs may see some pressure.
- SA rates should be monitored as the rate cuts are shaped and there is no direct quantifiable relation between policy rates and SA rates.
- CoF has increased due to the impact of the number of days in 4QFY25.

Asset quality

- The bank is always comfortable about its asset quality. The corporate portfolio continues to do well. On the retail side, the secured portfolio is performing well, and on the unsecured side, the NPL level is stable now and may come down in a few quarters. All this is boiling down to lower credit costs for the bank.
- Unsecured loans – Slippages have been broadly stable and yet to come down meaningfully. The behavior of the new portfolio has given the fair degree of comfort to build portfolio comfortably.

Subsidiaries

- ICICI Pru Life posted VNB of INR23.7b in FY25 vs. INR22.3b in FY24. New business sum assured grew by 16.9% YoY in FY25.
- ICICI Lombard’s gross direct premium income (GDPI) grew by 8.3% YoY to INR268.3b in FY25. Market share stood at 8.7% as of FY25.
- ICICI Securities’ total assets grew 9.1% YoY to INR7.65t in FY25.
- ICICI AMC’s AAUM grew by 28.7% YoY to INR8.79t in FY25. It has a market share of 13.8%.

Others

- The bank's capital position is comparable vs. other large peers. The bank remains optimistic about its long-term growth prospects.

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Detailed Concall Transcript &
Results Update

IDFC First Bank — Neutral

Current Price INR 67

Opening remarks by management

- Balance sheet grew 16% YoY, with deposits expanding at a faster pace and retail deposits maintaining strong momentum.
- CASA deposits rose 25% YoY, while overall term deposits grew 26% YoY and retail TD grew 28% YoY in FY25.
- The company opened 31 new branches during the current quarter.
- It has paid around INR70b in FY25, with INR45b set to mature in FY26.
- The CD ratio declined compared to last year; incremental CD ratio stands at 76.1%.
- Cost of deposits remained stable, with CoF staying range-bound over the last four quarters.
- The mortgage segment drove advance growth, while BB segment grew 30% YoY, with some smaller businesses growing faster off a lower base.
- MFI book shrank due to sectoral challenges.
- Credit cards, a newer product, saw gross spends rise 40% YoY and achieved breakeven after four years of losses.
- Excluding MFI, GNPA stands at 1.63%; PCR improved 347bp YoY to 72.3%.
- Standard restructured book is steadily declining.
- SMA 1 & 2 portfolio remained stable at 0.87%.
- CE improved to 99.4%, excluding Karnataka.
- Gross slippages declined sequentially. However, the MFI segment witnessed higher slippages.
- A decline in the MFI business impacted NII growth.
- Retail accounted for 92% of the total fee income.
- Core operating profit grew 17% YoY and 20% YoY, excluding MFI.
- No contingency provisions were utilized during the quarter.
- Credit cost excluding MFI and toll roads stood at 1.76% for FY25.
- PAT was impacted mainly by the MFI business and normalized credit costs.
- The Board recommended a dividend of INR0.25 per share.
- LCR stood at 117% for 4QFY25.
- The bank raised capital to support its rapidly growing franchise; early-stage growth demands higher capital infusion.
- In earlier years, the bank was not profitable, thus necessitating additional capital.
- Retail LCR improved from an initial 12% to 63%, now comparable to large private banks.
- Operating profit now stands at 2.3% of the total book.
- RoE improved from 0% to 7%; excluding MFI, it is even higher.
- The bank successfully transitioned from losses to profitability, marking a significant turnaround.
- A dip in FY25 profitability does not imply a deviation from the growth path; FY26 is expected to see recovery, leading to strong returns thereafter.
- The focus remains on operating leverage; business grew 22.5% YoY, while opex grew below 18%.

- The bank is targeting opex growth of 12-13% while maintaining similar balance sheet growth levels.

Opex and other income

- Opex growth is expected to remain around 12-13% YoY, with further operating leverage expected on the cost side.
- Credit cards are likely to contribute positively, enabling a reduction in cost ratios through growth in cards and liabilities.
- Fee income is projected to grow at 14-15% going forward.

Loan and deposits

- The bank has been applying MFIN guardrails since February and has already experienced lower disbursements in the MFI portfolio.
- Capital raising will primarily support growth ambitions, targeting around 20% YoY growth.
- On a PAT basis post-credit cost, the bank achieved operational breakeven in four years, driven by digital initiatives, reduced DSA dependence, and increased credit card launches. By FY27, credit cards are expected to generate strong cash flows.
- The bank targets a CD ratio in the high-80% range.
- CA as a percentage of customer deposits is projected at 7-8%, with CA growing at 15% YoY and supported by a strong cash management franchise.
- The average maturity for TDs stands at 13-15 months.
- The MFI loan mix is expected to decline to 3-3.5% over the next year, considering ongoing industry adjustments.
- The loan book composition is 61% fixed rate and 39% floating rate, with about 30% of the floating linked to the repo rate.

Yield, cost, and margins

- The bank plans to reduce SA rates in line with peers and is willing to forgo high-value deposit customers, a move that has already been implemented since February.
- TD rates are set for a sharp reduction, and upon maturity, some deposits may be repriced at a lower rate or allowed to exit.
- The blended SA rate stood at 5.9% in 4QFY25, while the overall blended SA rate was 5.75%.
- With two expected repo cuts of 25bp each, floating yields will decline, while TD and SA rates will also reduce. Overall, NIMs are expected to contract 10bp from 4QFY25 levels.

Asset Quality

- Provisions are expected to decline in FY26, with 1Q and 2Q continuing the downward trend, as 4Q had already seen higher guided credit costs.
- FY25 credit cost stands at 2.46%, including toll road and MFI exposures; excluding these, the credit cost is at 1.76%, with a 50bp reduction expected in the following year.
- The bank has not released INR3.15b of provisions on the MFI portfolio and maintains an optimal 73% coverage, further protected by the CGFMU cover.
- SMA-0 in the MFI portfolio declined from INR2750m to INR1530m, with consistent improvement across SMA 0, 1, and 2 over the past quarters, indicating lower future credit costs.

- MFI accounts for 25-26% of total slippages, with a credit cost of 10.5% for this segment.
- CE improved to 99.2% in March and continued to strengthen in April.
- Most business segments outside of MFI are maintaining stable SMA numbers and are performing well.

Others

- LCR is maintained at 117%, supported by a strong base of retail deposits, with only a minor adverse impact of 1-2% on LCR due to the higher run-off factor.

Indian Bank — Buy

Current Price INR 630

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Detailed Concall Transcript &
Results Update

Opening remarks

- The bank delivered a strong performance both quarterly and annually.
- Crossed INR 13t in total business and INR 100b in PAT for FY25 for the first time.
- ROE remained flat at 21.01% for 4QFY25 and 20.76% for the full year of FY25.
- The C/I ratio stood at 45% for 4QFY25.
- Digital adoption has been a key area of focus, with significant investments made in the past 2–3 years.
- The bank has increased capacity-building efforts for leadership and middle management, particularly in credit and forex.
- Customer service improvement is a priority, with a new next-gen call center and onboarding of new CRM vendors.
- Plans are underway to launch the bank's own UPI app.
- Management is confident of achieving FY26 guidance.
- The recovery strategy relies on small borrowers, which delivered the highest recovery in FY25.
- The bank anticipates further rate cuts, given inflation remains under control.
- Recovery is more than slippages since FY22.

Advances & deposits

- Deposits stood at INR 7.4t with 7.1%YoY and QoQ 5.0% growth.
- CASA ratio maintained at a strong 40.2%, though management acknowledged that maintaining >40% is challenging in a competitive market.
- Advance growth fell short of FY25 guidance due to competitive pricing; growth in FY26 was targeted at 10–12%, with 9% growth in corporate advances.
- The MSME segment grew by 12% YoY, a significant increase from its usual 5–6% growth.
- Opened 55 lakh new savings accounts during FY25.
- The average balance in new accounts increased to INR 30,000.
- Planning branch expansion in western India due to strong response from recent openings.
- The bank is enhancing cross-sell capabilities via resource acquisition centers.
- CASA ratio above 40% remains challenging amid high competition.
- Lending to NBFCs will continue but selectively, only to entities with good track records.
- Advance growth target for FY25 was missed due to pricing competition.

P&L related

- Other income showed strong sequential growth of 27.4% and YoY growth of 21.2%; treasury profits will be booked as required, with expectations of further gains from forex trading.
- ROA moderation is because of increasing assets and can be seen to 1.20% in FY26.

Yield, Cost & Margin

- Net Interest Income saw a marginal sequential decline, attributed to two repo rate cuts.
- The yield on advances declined 28bp, with an impact from EBLR pass-through (40% of the book is EBLR-linked). About 50bp has already been passed on.
- Immediate rate cut pass-through to the loan book is being executed.
- NIM is expected to moderate to 3.15%–3.30% in FY26.

Asset quality

- SMA book declined significantly from INR 76.8b to INR 49.5b; total SMA book at INR 459.2b (6% of loans) as of Mar 2025. The SMA ratio fell to 0.86%.
- Two large accounts entered SMA-1, but the bank does not expect them to slip into NPA.
- Credit cost rose to 0.815% from 0.47% in Q3FY25, due to one major slippage in the non-fund-based book.
- The slippage ratio increased in 4Q due to higher Agri as well as MSME slippages.
- PCR improved by 1bp QoQ to 98.10%.
- Gross NPA guidance remains <3%; Net NPA will be maintained at current levels.
- Recoveries in FY25 stood maximum portion from small borrower accounts.
- Recovery from Bhushan Power of INR 26b outstanding; only 40% (INR 12.5b) recovery expected under IRP earlier. However, management believes that scrapping the IRP plan should be a net positive, as the enterprise value of the company is likely to have improved—compared to the earlier 60% haircut the bank was facing. The asset is operational, and significant capacity has been added over the past 3–4 years; hence, it shall be positive for the bank.

Others

- CAR remains strong at >17%; management believes current capital is more than adequate but retained for potential opportunities.
- If the draft gold loan guidelines are implemented “as-is”, the bank expects an adverse impact on gold loan growth and margins.

Guidance for FY26

- Deposit Growth: 8–10%
- Credit Growth: 10–12% overall; 9% in corporate
- CASA Ratio: 40%
- LDR: 80%
- NIM: 3.15–3.30%
- GNPA: <3% & NNPA: Maintain at current levels
- Credit Cost: <1%
- Slippage Ratio: <1%
- Recovery Target: INR 55b–65b
- Assets Under Collection book: INR 20b
- ROA: 1.20%
- Cost-to-Income Ratio: Maintain at 45%.

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Results Update

IndusInd Bank — Neutral

Current Price INR 803

Opening remarks

- The Board was initially unaware of the discrepancies. However, upon being informed, it took prompt steps to enhance transparency.
- It has devoted considerable time conducting an internal review, along with external experts and statutory auditors, using a broader sample size to detect accounting anomalies for FY25.
- The Board and its committees are working with advisors to identify the root cause of these lapses.
- The bank aims to reinforce its governance culture by strengthening processes and taking the necessary steps to improve staff accountability and implement a code of conduct.
- The derivative issue has been reviewed with utmost seriousness, with staff accountability being enforced across various levels.
- Considering the derivative issue, the Board has undertaken an enhanced review and identified the following:1) In the MFI segment, incorrect recording of fee and interest income led to under-provisioning of INR18.85b over 9MFY25, and the bank is in the process of enforcing staff accountability; and 2) INR7.6b was incorrectly classified as interest income instead of other income under Other Assets & Other Liabilities.
- The Board suspects an occurrence of fraud against the bank and expects the involvement of certain staff members.
- The financial impact of all identified issues have been taken into account for FY25. The bank aspire to start FY26 on a clean slate.
- To elect the MD & CEO, the bank is required to submit its recommendation to the RBI by 30th Jun’25. Accordingly, the bank is in advanced stages of identifying the candidate. In the interim, a committee of executives under the Board’s oversight, has been entrusted with managing the bank’s operations.
- The financial impact related to 4QFY25 has been fully accounted for in FY25. The bank’s approach is to begin FY26 with a clean slate.
- The bank’s BS remained healthy after taking into account all the irregularities, with the CRAR at 16.24%, PCR at 70%, and LCR at 118%.

Retail

- Growth in this segment was 17% YoY/6% QoQ.
- MSME book reached INR180b, posting 9% YoY/3% QoQ growth (key focus area).
- LAP maintained steady traction with growth of 15% YoY/3% QoQ.
- Another focus area is home loans, which registered 151% YoY growth.
- The bank’s credit card market share stood at 5.31%. It aims to scale up secured other retail assets at a faster pace and improve diversification of the book.

MFI business

- The O/s book stood at INR380b, declining by 21% YoY/5% QoQ.
- This book observed stabilization in 4QFY25, leading to disbursements growth by 1.4% QoQ.
- The bank adopted a cautious approach, with 94% disbursements taking place through branches, with low flows from current arrears, and customers and centers with high vintage.

- The bank has implemented MFIN guardrails from Apr'25, and the impact has been limited so far.
- Update on Karnataka – asset quality is improving and the current book net off collection efficiency has improved from 96.4% in Feb'25 to 98.2% in Mar'25. 31-91DPD reduced to 2.3% as of Mar'25 vs 4.1% in Dec'24.
- Slippages were elevated due to accumulated stress in earlier periods and misclassification earlier. The stress is expected to remain elevated in 1HFY26, with some improvement expected from 2HFY26, subject to industry elections, potential monsoon uncertainties, and the implementation of MFIN guardrails.
- Bharat Super Store: Customers stood at 664m and the book stood at INR72.60b (up 30% YoY), resulting in the share of non-MFI book improving from 12% in Mar'24 to 19% in Mar'25. The liability book of Bharat Super Store came in at INR26b (up 3% QoQ) and has 19m accounts.

Vehicle segment

- Loan grew 8% YoY/2% QoQ, in 4QFY25, disbursements stood at INR122b (3% YoY). Industry volumes have grown by a single digit.
- The bank has maintained its market share in the PV and CV segments. It holds a consolidated position in tractors, as it has reinforced its underwriting standards and processes.
- Asset quality trends in this portfolio have been improving. Except for tractors, all segments saw improved gross slippages. The bank has refrained from selling any portfolio to ARCs and focused on collection, which led to an optically increasing GNPA.
- Restructured book showed reduction from INR5.47b in Mar'24 to INR1.19b in Mar'24; majority reduction has been from upgrade and recoveries.
- Going forward, improving fiscal, benign oil prices, falling interest rates, and expectations of good monsoons would support recovery in industry volumes

Corporate

- During the quarter, the bank exited the corporate book for liquidity and balance sheet management, resulting in a decline of book by 16% QoQ /6% YoY. Management highlighted this as a tactical decision for better management during the quarter; however, it has resumed selective disbursements in 1QFY26.
- The bank continues its endeavor to scale up granular small corporates and while being selective to large companies.
- A+ and above rates at 77% remained steady YoY, with a slight decline QoQ (79% in Dec'24).
- Weighted average rating stood at 2.75 in Mar'25 vs 2.51 in Mar'24.
- Diamond Portfolio – Asset quality remains healthy and there is no SMA. Growth is subdued due to weak industry demand.
- Gross slippages in this portfolio were elevated at INR2.2b, majorly on account of one restructured real estate account of INR1.4b.
- Corporate restructured book reduced to INR1.47b vs INR 5.83b YoY.
- SMA 1 & 2 improved from 24bp vs 20bp QoQ.

Deposits

- Deposits grew 7% YoY/steady QoQ. Deposit book was resilient in turbulent conditions.
- Retail deposits grew 9% YoY and stood at 45.1% of overall deposits.
- LCR as of 31.03.25 was 156%, reflecting a surplus liquidity of INR620b.

- Affluent book stood at INR583b, growing 9% YoY, with the AUM of INR1t (up 24% YoY).
- NRI deposits grew 28% YoY.
- The top 20 depositors' concentration was 14.87% in Mar'25 vs 17.4% in Mar'24. CD – 8.2% of overall deposit and borrowings.
- Retaliation of deposits has been a core strategy, and the one bank approach is new initiative.

Loans and deposits related

- Bank remains confident of building up the deposit franchise well while keep COD good.
- 100% of PL and CC are originated digitally.
- Average LCR 118% and excess SLR INR 396bn; LCR in the first half of 1QFY26 was 139%.
- Sequential improvement in all loan segments other than MFI.
- Derivative related issue: a) Reversed other income by INR 19.60bn; b)MFI business: Reversed revenue of INR 4.23bn, net of interim provisions and actual interest income (Interest Income – INR 6.73bn, fee income of INR 1.72bn, adjusted for interim provision of INR 3.2bn and actual interest income of INR 1.01bn; c)Unsubstantiated other assets and other liabilities – INR 5.95bn (no P&L impact); d)MFI book slippages: Recognized higher slippages of INR 35.09bn, leading to interest reversal of INR 1.78bn; and e) Regrouping P&L items of INR 7.6bn from Interest income to Other income and INR1.58bn from provisions to other opex.
- CRAR is at 16.24%, ~15.10% is CET-1 .
- The bank continues to invest in new businesses like home loans and affluent business.
- The search process for new CEO is in an advanced stage.
- Retail deposit growing, with no slowdown expected.
- The approach of disbursement is taking into account vintage and prioritizes customers who are fast paying. The bank will remain cautious on MFI.
- Bared on quantification of accounting discrepancies identified, other assets amounting to INR19.59bn being accumulated notional profit since FY16 have been written-off as prior period item in current FY.
- Corporate run off was there to strategically build up the liquidity.
- Normal interest reversals have occurred due to slippages, impacting normal business. Additionally, a reduction in the MFI mix led to lower yield and NIM was affected apart from these one-offs.

Margins, yields, cost

- The bank will comply with all laws for finding out accountability for such discrepancies.
- NIM stood at 2.25% in 4QFY25. If these discrepancies would not have happened then NIM would be 3.47%.
- On a BAU basis, NII would be INR 47bn, Other income - INR 25bn, opex at INR 42bn, resulting in PPOP – INR 30.60bn.
- Some parts of interest income have been classified to fee income and therefore fee income has remained as it is.

Asset quality-related

- Ex-MFI, slippages credit cost in other segment has been stable or better. In MFI, additional slippage has been taken.
- In FY26, MFI slippages still remain elevated and normalcy is at least six months away.
- Provisions increased sharply by 165% YoY/ 44.6% QoQ to INR25.2b, while the bank also utilized the outstanding contingent provisions entirely.
- Gross Slippages: VF – INR 6.57bn, Corporate – INR 2.2bn, other retail - INR 6.28bn, MFI 35.09bn.
- Improvement in SRs stood at 27bps and restructured book 12bps and stable SMA 24bps.

Kotak Mahindra Bank — Buy

Current Price INR 2,040

Click below for Detailed Concall Transcript & Results Update

Opening remarks

- Kotak offers a comprehensive product suite and is transitioning from a product-focused to a customer-centric model.
- FY25 was marked by three key events: the RBI embargo (reducing the share of unsecured loans), stress in the MFI segment (likely to keep credit costs elevated in the near term), and increased delinquencies in unsecured loans (PL and credit cards).
- Stress in PL is easing, while credit card stress has plateaued and is expected to decline in 2H.
- The StanC PL portfolio is performing strongly.
- Loan growth aligns with strategic goals; the CD ratio stood at 85.5%.
- The capital markets division had an exceptional year, leveraging market conditions effectively.
- The insurance business remains robust, with a 16% YoY increase in EV.
- BVPS rose 21% YoY at the group level.
- Liquidity has improved post-embargo, allowing growth in credit cards and unsecured lending.
- "Solitaire" was launched to target affluent customers, offering simplified access to group products.
- The 811 platform continues to attract low-ticket, granular deposits.
- Consolidated profit rose 5% YoY (excluding the KGI stake sale).
- Net worth increased by INR12.62b, aided by RBI's revised investment valuation norms.
- Tech investments stood at 12.5% of revenues in FY25.
- GNPA is at 1.42%, NNPA at 0.31%. Slippages declined in Q4 due to lower stress in secured and PL segments.
- Credit cost was 64bps vs 68bps in Q3. MFI slippages remain elevated and are expected to persist.
- Capital markets had an outstanding year; KMCC was ranked 1 in the equity capital markets.
- BSS Microfinance posted a loss of INR910m due to business slowdown and reduced collection efficiency.
- Kotak Life's solvency ratio stands strong at 2.5x, comfortably above the 1.5x regulatory requirement.

- Growth in consumer assets was led by secured loans, especially mortgages and home loans, which grew 19% YoY, supported by healthy asset quality.
- The LAP segment remains stable with tech enhancements in place.
- The BB portfolio (small/micro SMEs) continues to perform well across regions.
- PL share dropped to 12% YoY due to the embargo and tighter underwriting standards.
- Credit card growth was subdued due to the embargo, but new products are in the pipeline.
- Vehicle finance growth was moderated due to tough market conditions; the focus has shifted to used vehicle financing.
- Across the business, the emphasis remains on granular growth and acquiring new SME and retail customers.
- Regular savings account balances grew 2% QoQ, with a focus on affluent and mass-affluent segments. A new product in the savings space is expected soon.
- ActivMoney grew 18% YoY, gaining traction among granular and retail customers.

Asset quality

- PCR has improved to 78%. With the accretion in GNPA slowing down, the new book in unsecured has been of better quality. The old book which is yet to be fully provided has been provided.
- Credit cost accretion has been tapering, indicating improving quality in recent lending.

Advances and deposits

- The share of unsecured loans declined from 12.7% to 10.5% of total advances. The bank aims to increase this towards the mid-teen range, with a strong focus on credit cards and upcoming product launches.
- KMB fundamentally remains an SME-centric and conservative bank. The strategic shift continues from large corporates toward retail and SME segments.
- After the RBI embargo, the bank has implemented significantly tighter credit policies compared to the earlier framework.
- CASA growth will be aligned with overall balance sheet expansion, with an emphasis on managing the cost of funds.
- The sensitivity of SA rates to changes in SA balances remains low.
- Advances are expected to grow at 1.5–2x of nominal GDP, reflecting Kotak's commitment to building a sustainable, customer-trusted franchise; this momentum is expected to carry into FY26.

NIMs

- The bank is addressing repo rate cuts by managing deposit costs and has aligned its savings account (SA) rates with industry benchmarks.
- Sweep-term deposits (six-month tenure) currently offer a 5.5% rate, but due to faster repricing, a rate reduction is expected soon.
- Last year's NII included a one-time interest tax refund in Q4. March's longer duration vs. February positively impacted NIM accrual.
- Average savings account balances remained flat YoY, though affluent customers showed stronger trends, leaning more toward investment products.
- Floating-rate SA balances will be influenced by changes in MCLR rates.

Miscellaneous

- The bank holds surplus capital, ensuring a strong and resilient balance sheet capable of withstanding potential downturns.
- In case of any acquisition opportunities, the bank intends to evaluate them prudently and efficiently deploy capital.

Punjab National Bank — Buy

Current Price INR 109

Click below for Results Update

Opening remarks

- Global business grew 14%. Deposits grew 14.4%. Advances grew 13.6%. PNB is well above the guidance range.
- CD ratio is at a comfortable range.
- NII declined in 4Q, reflecting the policy rate cuts.
- PNB has done well in asset quality. GNPA fell to 3.95% and NNPA reduced to 0.4% (below the guidance).
- Slippage ratio guidance is below 1%. In the current year, it was at 0.7%.
- CRAR was 17.01% vs. 15.97% in 4QFY24.
- PNB has completed QIP, which was subscribed by 2.3x.
- CET-1 was 12.33%.
- All digital lending platforms have been integrated with AI and ML.
- Focus is on strengthening the presence in various geographies.

Business

- Credit growth is projected at 11-12%, while deposit growth is expected around 10%, both likely to exceed projections.
- Loans that are sanctioned already stand at INR1.5t, with a strong push toward the RAM segment to meet the 12% credit growth target.
- Bulk deposits stood at INR2.8t, primarily with tenures of 3 to 9 months. Cost of deposits is stable and new additions will be at lower rates.
- A reduction of INR100-120b in deposits has slightly moderated QoQ growth.

Asset quality

- Slippages have slightly risen and are comparable to 1QFY24, with FY25 slippages at 0.73% vs 1% guidance.
- Most slippages occurred in the agri and MSME sectors, under INR1m.
- The bank is confident that future slippages will not exceed 4Q levels. These were mainly KCC and restructured loans.
- Recoveries in 4Q amounted to INR4.58b; TWO recoveries added NII of INR6-7b, a consistent quarterly figure.
- Total recovery target for FY26 is INR160b, with a minimum INR15b expected per quarter.
- The total write-off book stands at INR920b, with expected recoveries of INR60-70b.
- Bhushan Power's case is under review by 32 lenders, with the asset operational and no issues foreseen.
- No major one-time recoveries seen.
- TWO recovery reached INR18b, and total recovery was INR47b, of which INR6–7b was accounted for in NII.
- Combined SMA-1 and SMA-2 (loans < INR500m) stood at 6.79%, with SMA-1 at INR228.28b and SMA-2 at INR372.69b.

Cost, margins and other highlights

- PNB had a special deposit scheme, which came at a higher cost and has been withdrawn. The special deposit scheme had 400 days of maturity and will take at least one year to take effect.
- The deposit cost has already peaked and is expected to decline.
- There are certain schemes, where the bank has given strategic discounts and will revisit to find out what can be done.
- The bank has given housing loans at 8%, which were given with provisions and, along with HL, the personal account also comes in the kitty.
- MCLR – one 10bp cut has already happened as of 1st May.
- For 1H, NIMs should be at 2.8-2.9% and 2H NIMs shall be at 2.9-3.0%. With a downward interest rate scenario, yields will come down and any further rate cuts will further put pressure on yields.

Other income

- INR13.76b of SR provision reversal has been done and has been neutralized with MTM recognized in 4Q. The bank has some of the MTM losses, and as a result, the overall impact has been negated.
- PNB has built a good treasury book. The bank has INR27.98b and till now has done INR3.79b addition to the AFS reserve.
- Investment and treasury book performed well.

Others

- This FY, the bank will be adopting the new tax regime and mostly by 2Q.
- For provisions, the employee expenses are taken at 6.57% for both gratuity and pension.

Guidance for FY26

- Guidance has been maintained to be at <1% of the slippage ratio.
- For FY26 – RoA will be at >1%.
- Credit growth guidance at 11-12%.
- Deposits growth guidance at 9-10%.
- CASA share shall be >38%.
- Operating profit growth shall be 8-9%.
- NII growth shall be at 7%.
- NIMs shall be at 2.8-2.9%.
- Gross NPA ratio shall be below 3%.
- Net NPA ratio shall be at 0.35%.
- PCR is expected to be more than 96%.
- Credit cost is expected to be below 0.5%.

RBL Bank — Buy

Current Price INR 207

Click below for
Detailed Concall Transcript &
Results Update

Opening remarks by the MD and CEO, Mr. R Subramaniakumar

- The bank has shown healthy growth in retail advances with the retail: wholesale mix at 40:60.
- Within wholesale, commercial banking grew 29% YoY, while secured retail business grew 43% YoY.
- In 4QFY25, the bank made additional provisioning of INR2.48b to fully cover GNPAs.

RBL Bank

- Additionally, as of 31st Mar'25, the bank has made 75% provisioning on the total SMA position of INR3.78b, amounting to INR2.83b. This includes the utilization of 1% contingent provisions created by the bank for its unsecured segments.
- The bank has sharpened its origination strategy and accelerated growth in existing segments. Wholesale continues to grow well.
- Granular retail deposits as a % of total deposits stood at 50%. Secured retail advances stood at 32%.
- Granular deposits have continued to see good growth in FY25 despite tighter liquidity for most of the year.
- Secured retail will achieve full profitability by FY26.
- Total business crossed INR2t for the first time.
- The bank has reduced its MFI exposure to 6.2% in 4QFY25 vs 7.2% in 3QFY25.
- In credit cards, net slippages stood at INR4.44b, while JLG slippages stood at INR4.39b. This was expected due to high SMA1 & 2 balances.
- There was a good improvement in early bucket collection efficiency, and the company entered March with 99% efficiency, including Karnataka.
- An improvement in delinquency resolution rates is expected.
- The bank has nil NNPAs in the JLG business due to 100% provisioning.
- It remains comfortable with asset quality at the bank level, especially in the wholesale and secured retail businesses.
- There has been a meaningful gain in liabilities, especially in mortgages and BBG.
- SA and term deposit rates have been reduced. However, some pressure in margins is expected in 1HFY26 due to timing differences.
- The bank's effective SA rate will come down from 6.4% to 5.6% in May.
- The bank will remain cautious in unsecured lending.
- The impact of LCR guidelines will be ~3-4% positive for the bank.
- It will be comfortable with ~12.8-13.1% CET-1.
- Credit cards, including personal loans, grew 3% YoY and 3% QoQ.
- RoA will be trending upwards. FY26 will be far better than FY25.
- Total deposits grew 7.2% YoY/3.9% QoQ. The CASA ratio stood at 34.1%.
- The bank is expanding in affordable and small businesses. Improvements in branches and self-sourcing are expected to further enhance profitability.
- Gross NPA moderated 32bp QoQ to 2.6%, while NNPA improved 24bp QoQ to 0.29%. PCR increased to 89%.

Yields, costs, and margins

- Lower disbursals in the JLG business and interest reversal have led to a decline in NII.
- Despite NIM pressure, it was offset by higher fee income.
- On secured business, the bank is yet to reach optimal productivity. Increased efficiency and more sourcing from branches will lead to 10% growth in opex.
- The cost of collection is decreasing, mainly in the cards business.
- The bank has been PSL compliant and has purchased PSLC at a minimal cost.
- Margins will remain flattish to low before recovering. The trajectory is expected to improve from FY26.

Deposits and advances

- Wholesale and secured businesses – HL, Business Banking, and Wheels continue to grow well.

- Advances grew 10% YoY, wholesale grew 6% YoY, and retail grew 13% YoY.
- Within wholesale, commercial banking grew 29% YoY, while secured retail advances grew 34% YoY (in line with the bank's plan to grow identified focus areas).
- LCR stood at 133% in 4QFY25. 45%-47% of the book is at a fixed rate.
- The bank's fee income growth effectively offset some pressure on margins.
- Blended loan growth is expected to be ~16-17% going forward, with CET-1 remaining above 13%.
- The bank has also cut 25bp on term deposits (which represents the peak of retail TD). Bulk rate has already decreased 50bp.
- Tractor financing typically experiences seasonality, with higher disbursements in 2Q and 3Q compared to 4Q.
- For business loans, 35% of originations currently come from branches. By the end of FY26, this is expected to reach ~50%.
- The bank does not expect any credit costs in the mortgage segment.
- 80% of the wholesale book is rated A and above.
- The bank is focused on consolidating its JLG business, as new guardrails are expected to lead to a contraction in this business going forward.

Asset quality

- Credit card gross slippages were INR 4.79b and MFI gross slippages were INR4.72b.
- PCR improved to 89% as NNPA on the JLG business was nil due to 100% provisioning for that business.
- Normalization is expected in the cards and JLG businesses starting from 2QFY26.
- In the JLG segment, the bank encountered headwinds that impacted collection efficiency. However, the portfolio is now showing stabilization and heading toward normalization.
- The cards business has a relatively high credit cost, but its volatility is not as high as the MFI business. Additionally, the NNPA in the cards business is fairly normal, allowing the bank to utilize contingent provisions for the JLG business.
- Full provisioning for the cards business for the quarter stood at INR3.75b.
- Slippages are expected to normalize by the July-Sep quarter, after which it will revert to a 25% provision per quarter for the JLG business.
- In cards, slippages represent 99% of the gross credit cost for that quarter.
- A sharp reduction in the portfolio is expected in the cards and JLG businesses.
- The JLG business is expected to remain ~6-7% of advances.
- Approval rates are taking time due to the new guardrails. Collections are expected to remain in the same range.
- In Karnataka, the portfolio percentage is slightly below 10%. Karnataka is expected to experience normal collection efficiency (i.e. 99%) by the end of the quarter. As a result, normalization is expected from 2QFY26.
- There is no significant stress in the book apart from unsecured loans.

CGFMU-related

- 1% of the portfolio is paid as insurance cover. The bank applies this cover when NPA occurs, and within two years, it receives compensation for the NPA.
- The first 2% of loss is borne by the bank, with the remaining paid under the CGFMU cover.

- The bank has increased CGFMU coverage, applied for 90% of disbursals in 4Q, and expects this trend to continue in FY26.

Guidance

- The cards business is expected to grow in the mid-single digit.
- A sharp reduction in the portfolio is expected in the cards and JLG businesses.
- The JLG business is expected to remain ~6-7% of total advances.
- On the lending side, the secured retail business is expected to grow at 25-30%.
- The wholesale business is expected to grow 10-12% from 6% currently.
- The normalized disbursement rate is expected to improve to INR6b by 2HFY26.
- Blended loan growth is expected to remain ~16-17% going forward, with CET-1 projected to stay above 13%.
- The bank expects slippages to normalize by the July-Sep quarter, with asset quality trends remaining encouraging.
- Normalization is expected in the cards and JLG businesses from 2QFY26 onwards.
- The bank will continue to maintain ~10% growth in opex.
- Margins will remain flattish to low before recovering. The trajectory is expected to improve from FY26.

State Bank of India — Buy

Current Price INR 806

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Detailed Concall Transcript &
Results Update

Opening remarks

- The results highlight the bank's continued strength, profitability, and stability.
- SBIN has prioritized liability franchises and improved underwriting standards.
- Its performance demonstrates its ability to sustain long-term growth at scale.
- The domestic CD ratio stood at 69.7%. PCR remains strong at 74.4%.
- CPI inflation has significantly moderated; average CPI inflation could be below 4% next year.
- Total deposits grew by 9.5% YoY, with robust growth in Term deposits and continued strong Current Account (CA) growth.
- Advances growth stood at 12% YoY, driven by growth across all segments. The domestic CD ratio is sufficient for future growth requirements.
- The slippage ratio was 0.5%, while NNPA improved by 10bp YoY, with a well-provisioned NPA book (PCR at 74%).
- CRAR stands at 14.2%, while CET-1 is at 10.81%.
- Subsidiaries continue to perform well and maintain their leadership in the respective segments.
- Sustained growth underscores the bank's scalability, with a RoA of over 1%, reinforcing its financial strength.
- The bank aims to enhance its CA share and further strengthen its SA deposit base.
- Reducing the C/I ratio will be a focus for the bank and will be done by increasing income over the years.
- The bank has taken a Board approval for a capital raise amounting to INR 250b with a period validity of 12 months. This resolution is for augmenting CET-1 capital and SBIN does not need immediate growth capital but will raise capital as and when the environment is conducive.

Advances and deposits

- Unanticipated prepayment in corporate has led to lower credit growth as against the guidance.
- The bank has a pipeline of INR3.4t and still has visibility on the corporate segment growth to pick up. It expects overall credit growth of 12-13% in FY26.
- Moderation in treasury yields will help the market to perform better. With the rate cycle moderating, yields will go down, and hence the bank will be positive both on the MTM and treasury fronts.
- Branch additions in overseas locations: The US and Bahrain are the geographies having local credit demand. ECB business is largely done in Gift-city, Dubai, and Hong Kong and SBIN is extensively using GIFT-city due to tax benefits.
- The readjustment will be there in the fixed deposit rate going forward.
- The bank has completely revamped the whole part of extending Xpress credit, but growth will come back as the credit profile of borrowers will improve mainly due to revised tax norms.
- SBI doubles every 6-7 years and if it grows only 11-12% in BS, then it will grow double.

Yields, cost, margins, and opex

- The bank takes many provisions in staff expenses in 4Q only and therefore wage expenses were on the higher side.
- Out of the other provisions impact of INR16b, ~INR7b pertains to PLI (employee-related provision).
- Employee expenses: The bank takes the majority of the employee provisions on account of PLI in Q4 (annual phenomenon).
- SBIN has three performance-linked payments: 1) industry agreed upon incentive – part of staff expenses, 2) 1% of profit allocated to performance-linked incentive based on grid – part of staff expenses, and 3) SBIN has for the first time introduced PLI scheme for the chief manager and above level – which is a part of overheads and is subject to government approval.
- The bank has no plan to cut the SA rate further. The rate is stabilized at this level as per the bank.
- SBIN will be able to maintain a 1% RoA going forward as well.
- Provisions for employees have come down. Salary has increased by just 5% on a YoY basis. Provision for MTM gain has also come down.
- The bank will look at all the tenors and when the interest rate comes down, SBIN will not want to lock at a long-term tenor.
- Out of the total CET-1, the AFS reserve amounts to INR66b.
- The bank has acquired 0.65mn customers (corporate salary package) which will help in growth to pick-up.
- Bank will see pressure on NIM, however, pressure will be lower as ~29% of the book is repo linked and ~60-70% of the book is MCLR-based fixed rate loan.
- 98% of transactions are carried through alternate channels.
- The bank aims to keep the C/I ratio below ~50-51%.

Asset quality

- Bank has got INR33b recovery from a large account, out of which ~15% i.e. ~INR5b is shown as NPA reduction, and the remaining has gone into the treasury.
- The slippage ratio stood at 0.55%, credit cost stood at 0.38%.

- Net NPA improved by 10bps with improved PCR at ~74%.
- NARCL Pool: The bank has transferred a pool of INR1.5t to NARCL.
- Recovery from the written-off pool: SBIN is having these recoveries from small accounts and not lumpy accounts. The bank has strengthened its recovery process which is resulting in a quarterly run rate.

Guidance

- The bank expects credit growth to remain at ~12-13%.
- The bank aims to maintain ROA at ~1% levels on an annual basis (with some quarterly variances).
- The bank aims to keep the C/I ratio below ~50-51%.
- ROE to be maintained above +15% across business cycles.

Union Bank of India

Union Bank of India — Buy

Current Price INR 153

Click below for
Detailed Concall Transcript &
Results Update


Union Bank of India

Opening remarks

- A marginal slowdown in GDP growth is anticipated in FY26.
- The bank continues to prioritize both revenue growth and profitability enhancement.
- UNBK reported its highest-ever net profit in this quarter.
- ROA improved to 1.35% from 0.97% in 4QFY24, while RoE rose to 18.34%.
- CAR stood at 18.02%, placing it among the strongest in the industry.
- The bank has made notable progress in strengthening its asset quality, with a provision coverage ratio (PCR) of 94.61%, indicating a robust and stable balance sheet.
- Gross slippages would have been around INR 83b if one large account is excluded.
- For FY25, gross recoveries exceeded gross slippages.
- NIMs remained within the guided range.
- Overall credit growth in the banking sector slowed to 11% in FY25. In 3QFY25, the bank had reduced its reliance on high-cost bulk deposits in view of rising interest rates, which contributed to deposit growth of 7.2%, falling short of its earlier guidance.
- The board has proposed a dividend of INR4.75 per share, based on a face value of INR10.
- A possible reduction in policy rates may exert some pressure on margins; however, the bank anticipates lower deposit costs, which should help cushion NIMs in the latter part of FY26.

Advances, deposits and provisions

- The bank did not meet its targets on business expansion, credit growth, and deposit accretion for FY25. Going forward, the bank will refrain from giving forward guidance and will instead focus on growth with appropriate yield levels.
- A sanctioned loan book worth INR370b is currently in the pipeline, providing confidence in maintaining future growth momentum.
- For FY26, the bank aims to align its credit growth with GDP growth of around 6% and inflation at 4%, forming the basis of its credit expansion strategy.
- The bank has decided to pursue growth in large corporate lending more cautiously, ensuring necessary risk assessments are in place.

- Wholesale deposits constitute 25% of total deposits, and 50% of TDs are set to mature in the next six months.

Yields, cost, margins

- The bank achieved its NIM guidance of 2.8-3%. It has been consciously exiting low-yielding assets and intends to sustain margins.
- With a 50bp cut in the repo rate, the bank—having 28% of its book linked to the repo rate—expects a delay in deposit repricing.
- It is actively managing deposit costs to mitigate margin pressure.
- The bank adjusts its spreads only when there is a notable change in asset quality. For the bank, retail loan spreads are not changed usually.

Opex

- Operating expenses saw an increase due to staff-related provisions. Performance-linked incentive (PLI) expenses stood at INR2.5b in 4QFY25.
- Regarding pension and gratuity-linked PLI, the bank had applied the highest discount rate. Based on actuarial recommendations, changes have been implemented in this quarter.
- A provision of INR25b has already been made for gratuity expenses.
- The purchase of priority sector lending certificates (PSLC) also contributed to the rise in costs.
- The effective tax rate for 4QFY25 was lower as the bank transitioned to the new tax regime. The prior year had a tax rate of 36%, while the current quarter reflects a reduced rate of 22%.

Other income

- The bank reported a reversal of SR amounting to INR7.87b.
- Treasury operations and fee-based services both contributed positively, resulting in improved other income performance.

Asset quality

- The bank's SMA position has continued to see improvement.
- Slippages rose in the MSME and agriculture segments. For large restructured agricultural accounts, the bank has taken necessary actions. Additionally, automation in asset classification has led to increased recognition of slippages in MSMEs.
- In the previous fiscal, recoveries stood at INR150b. This year, the portfolio has decreased to INR105b, but the bank expects recovery performance to improve and will provide further updates.

FINANCIALS/NBFC

- **Within NBFC/HFC, various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and a weak macroeconomic environment; 3) NBFC-MFIs exhibited an improvement in PAR levels across most states during the quarter, except for Karnataka. Collection efficiency in Karnataka is expected to normalize by the end of 1QFY26; and 4) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	4QFY25 Highlights
ANGEL ONE	▪ Management expects the impact of F&O regulations to gradually normalize, which would lead to an operating margin of 40-45% in 4QFY26. ▪ Distribution segment to contribute significantly to revenue diversification, driven by a calibrated approach towards launching new products, especially for credit and insurance.	▪ The revenue curve has picked up in Mar'25 and the company is witnessing a similar trajectory in Apr'25. ▪ Client funding book remained steady but a change in interest rate from 18% to 15% led to a decline in interest income. ▪ Customer acquisition costs had gone up in 4Q across the industry but have started to come down from Apr'25, according to the management.
Bajaj Fin.	▪ For FY26, BAF guided an AUM growth of ~24-25%, aided by new business launches in the last 2-3 years. ▪ Management targets an RoA/RoE of ~4.4-4.6%/~19-20% in FY26 ▪ For FY26, loan loss to average AUF in the corridor of 1.85-1.95%.	▪ GNPA between 1.2% and 1.4% and NNPA between 0.4% and 0.5% (unchanged). ▪ The company has started seeing improvement in early vintages across all portfolios. ▪ BAF is still not fully out of the woods in Urban Personal Loans. Early vintages are doing fine but there is still a part of that portfolio that has to mature.
BSE	▪ BSE aims to add 200 colocation racks before the end of FY26, taking the total count to 500 racks. With a mix of 15Kva and 6KVa racks, the capacity will be equivalent to 650 racks of 6KVa by FY26. ▪ The aim is to develop a flexible revenue model for different customer cohorts.	▪ An increased client base and a scale-up of volumes on non-expiry days have been the key drivers of growth in derivatives volumes. ▪ The reversal of INR1.1b of SGF during the quarter was due to the excess SGF in the currency segment. ▪ Star MF maintained its strong momentum, with 179m orders in 4Q (+47% YoY).
360 ONE WAM	▪ Management aims to achieve an annual ARR flow growth of 12-15% and an MTM growth of 8-10%, targeting an overall AUM growth of 20-25%. ▪ Revenue growth of 15-20% and PAT growth of 20-25%. ▪ Gradual improvement in C/I ratio over the coming quarters as new business initiatives become more productive.	▪ The sequential improvement in retention was due to the stabilization of advisory fees and activation of previously non-active AUM. The carry income on wealth and asset management also contributed to this improvement. ▪ Exclusive collaboration with UBS AG, benefiting Indian and global clients of both companies.
Mahindra Finance	▪ The company has guided mid-to-high teen loan growth over the next 3-5 years (medium term). ▪ Over the next 3-5 years, the target is to achieve a loan mix of 75% from the Wheels business, with the SME, Leasing, and Mortgages businesses contributing ~25%.	▪ Management guided that, across cycles, it aims to maintain credit costs in the range of ~1.3-1.7%. ▪ MMFS does not expect the outlook to be overly rosy, especially for the customer segments it caters to. The company will need to stay on top of its collection efforts. ▪ MMFS shared that it will adopt a cautiously optimistic outlook for FY26, given the performance in the Wheels segment.
Muthoot Fin.	▪ For FY26, MUTH retained its conservative guidance of ~15% growth in gold loans. ▪ Interest spreads will remain in the range of 9-10%. If the interest rate comes down, it will look to reduce the lending yields from the next quarter to pass on the benefits to customers.	▪ MUTH Finance (a standalone entity) has approval for 115 branches, which will be opened in FY26. ▪ LTV norms published in the draft guidelines, if implemented, will have a near-term impact on the disbursement of LTV of MUTH and its peer NBFCs.

NUVAMA	■ In the wealth segment, the focus remains on expanding the MPIS book, which contributes ~70% to overall net new money flows. ■ In the private wealth business, the emphasis is on scaling the ARR book, which currently accounts for ~60% of the segment's revenue.	■ The operations in Dubai are now fully functional and have reached operational break-even. The company has received final regulatory approval to commence operations in Singapore. ■ Fixed costs increased, largely due to the addition of 350 RMs over the past 18 months, primarily in the private segment.
CAMS	■ Non-MF business to grow 25% in FY26 driven mainly by CAMSPay, AIF, and KRA, which would add around INR500m with an EBITDA margin of 20%. ■ Management expects EBITDA margin to contract to ~44%, due to muted AUM growth outlook of ~11-12%, translating to ~8-9% revenue growth. Yields to drop to 2.14bps by 4QFY26.	■ AUM contraction and a lower share of equity assets in the mix sequentially led to further yield compression. ■ The revenue run rate from the non-MF business reached approximately INR 2b in FY25. ■ CAMS alternatives continue to scale up due to strong signings (56 new mandates in 4Q) bringing the total to more than 200.
HDFC AMC	■ Management remains optimistic about a pickup in flow trends, noting that the company's decline in SIP flows was lower than the industry average. ■ Additional fund launches are planned for the upcoming FY. HDFC AMC is set to launch a Category II Credit Fund, for which regulatory approval has already been obtained.	■ Other income recorded strong sequential growth, driven by lower yields that translated into gains on debt funds. ■ Despite subdued market sentiment, gross SIP inflows dipped just 2% QoQ in Q4, while registering a robust 25% YoY growth.
NAM AMC	■ Management continues to expect a 2-3bp dip YoY going forward. ■ In FY26, the company expects a cost increase of 15% ex-ESOP, with employee cost growth at 14-15% as well. ■ A new Japanese investor scheme to bring Japanese retail money into India and NAM will be a key beneficiary of the same.	■ The sequential dip in offshore AUM was due to the impact of MTM. ■ Employee expense growth was due to investment in talent but expenses have been in line with guidance. ■ Equity/debt/liquid/ETF yields were 57bp/25bp/10-12bp/15bp. Blended yields for the company stood at 37bp.

360ONE WAM — Buy

Current Price INR 1,077

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Results Update

FY26 outlook

- 360ONE witnessed the highest-ever annual PAT, with a cost-to-income ratio improvement to 45.9% for FY25. Management expects gradual improvement in this ratio over the coming quarters, as new business initiatives become more productive.
- The company is focusing on: 1) maintaining a strong position in the wealth and alternates spaces; 2) penetrating deeper into the country, targeting the mass affluent space; 3) expanding its global presence with the UBS collaboration; and 4) making significant strides in the capital markets space with the B&K acquisition.
- Management aims to achieve an annual ARR AUM growth of 12-15%, with MTM growth of 8-10%, targeting an overall AUM growth of 20-25%. This is expected to translate into revenue growth of 15-20% and PAT growth of 20-25%.
- The company remains focused on maintaining a 75:25 ratio for ARR:TBR. Out of the INR6b TBR, only INR750m comes from equity brokerage, presenting significant opportunity for growth in TBR with the B&K acquisition. The company expects equity brokerage to contribute 8-10% of overall revenue, complemented by merchant banking services.
- 1/3 of TBR is expected to come from equity brokerage, 1/3 from yield+ (REITs, INViTs, commercial assets etc.), and the remaining from unlisted transactions.

UBS collaboration

- The collaboration includes three key aspects: 1) business collaboration across geographies; 2) UBS' stake in 360ONE; and 3) integration of UBS' India Wealth business to 360ONE. The company has formed a joint apex committee with senior leaders to look into potential growth opportunities.
- The UBS India Wealth business mirrors 360ONE, with similar distribution, broking, lending, discretionary, and non-discretionary PMS business segments. The business has recurring revenue of INR450-500m, with a similar cost-to-income ratio as 360ONE WAM and AUM of INR260b.
- An exclusive arrangement with UBS implies that UBS will be an exclusive partner of 360ONE for global banking services. While open architecture distribution will continue in asset management, clients will also have access to AMC products and global discretionary mandates of UBS. 360ONE can distribute its products globally through the UBS distribution channel.
- Synergies include inbound referrals, outbound access to products, ability to capture the dollar portfolio of clients, and its own ability to distribute asset management products globally.
- The UBS India Wealth business has a strong and experienced team of 10 senior RMs and 3-4 junior RMs, along with 30 professionals on the RM-facing side and 10-15 individuals on business support.
- 30-40% of ARR AUM from UBS' total AUM is expected to result in a blended yield of 50-55bp.
- The inbound wealth management opportunity through UBS is substantial, according to management. 360ONE's own NRI book exceeds USD2b, despite not having an NRI sourcing office. The inward bound market is large, particularly for the alternates segment, and with awareness of GIFT City, chances of achieving 3x growth in AUM over the next few years are high.

Key business highlights

- Regulatory approvals for the B&K acquisition are underway and the transaction is expected to be completed in 1QFY26.
- All requisite approvals for ET Money have been received in 4QFY25 and the company is fully under 360ONE. An AUM of INR330b was added to TBR and INR17.5b to ARR. ET Money reported eight-week revenue of INR60m , with costs accounted for the full quarter, resulting in a reported loss of INR10m.
- Out of the INR21b proceeds from the stake sale to UBS, INR3-3.5b is expected to be utilized for the UBS collaboration, INR2-2.5b for enhancing B&K capabilities, INR8-9b toward lending book, and the remaining to be allocated toward addition to the alternates business.
- 1/3 of the revenue is expected to come from equity brokerage, 1/3 from yield+ (REITs, INViTs, commercial assets etc.), and the remaining from unlisted transactions.
- The Board declared its first interim dividend of INR6/ share.

Wealth management

- Net flows were slightly impacted by attrition, as 360ONE lost 8-10 senior employees across the country, resulting in INR23-24b of outflows on the ARR AUM side.
- The quarter saw a low transactional activity due to volatile markets, which was offset by fixed income and real estate transactions.

- Sequential improvement in retention was due to the stabilization of advisory fees and activation of previously non-active AUM. The carry income on wealth and asset management also contributed to this improvement. NIM has contributed positively to the overall ARR AUM, driven by new funds raised. However, retention at a stable state is expected to be closer to the average of 1Q to 4Q retentions.
- The launch of the mid-market business was delayed, but AUM has started to grow with strong execution. The first 5-6 B2B presentations took place last month, generating good traction.
- Collaboration agreements for global business with UBS will take some time, as 3-4 months are needed for regulatory approvals. Execution is expected to be completed by 3QFY26.

Aavas Financiers — Neutral

Current Price INR 1,813

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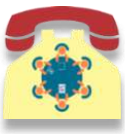
Results Update



Guidance

- Guided for credit costs of <25bp on a sustainable basis
- Continues to strengthen its distribution network and added 24 branches in 4QFY25. Aims to accelerate its branch expansion strategy in 1HFY26. Branch expansions will now be front-ended in the new fiscal year.
- Disbursement growth of >20% in FY26 and AUM CAGR of 20%
- Guided for Opex to Assets to decline by 10-20bp in FY26
- Fee income will continue to grow in line with the AUM growth.
- Going forward, Stage 3 PCR will remain in the range of 32-34%
- Target product mix between Home Loans and LAP/MSME is 65%:35%

Business update

- Aavas crossed an AUM of ~INR200b in 4QFY25. AUM rose 18% YoY to INR204b
- Healthy traction in customer logins and disbursements - Aavas crossed 55K in logins and ~INR20b in quarterly disbursements for the first time
- The company has completed tech upgradations and they are now stabilizing
- FY25 PAT grew 17% YoY to INR5.74b
- Opex to asset ratio has declined by ~26bp YoY in FY25
- GNPA declined ~6bp QoQ to 1.08%

Financial performance

- Aavas raised ~INR61.8b @ 8.42% in FY25. The average tenor of borrowings continues to be higher than its assets.
- Liability Mix: Bank TL: ~51%, Assignments: 25%, Debt Capital Markets: ~10%
- PAT in 4QFY25 grew 8% YoY to INR1.54b
- 36% of its borrowings are linked to EBLR and 21% are linked to 3M MCLR which will allow it faster repricing in a declining rate environment
- NIM as % of total assets stood at ~8.11% in 4QFY25 (and 7.64% in FY25)

Asset quality

- Remains within the guided range with 1+dpd stood at 3.39%
- GS3/NS3 stood at ~1.08% / 0.73% as of Mar'25
- Stage 3 PCR rose to 32%; Aavas has calibrated the ECL model and also incorporated economic and behavioral changes.

- Bounce rates are similar to what it was earlier. Confident that roll-back of NPAs will happen in the next 1-2 quarters. Behavior across the states has been similar and management is confident that GNPA will decline to <1%.

Yields
- Constant endeavor has been to increase the disbursement yields. Disbursement yields have improved by ~22bp in FY25.
- Confident of its disbursement yields. Even in a falling rate scenario, the lowering of the borrowing cost, a change in the product type, and product segment will ensure that the company will be able to maintain healthy spreads of ~5%.
- The entire loan book which is ~70% floating rate is linked to its internal PLR which is linked to its CoB.
- Aavas will continue to hold on to its disbursement yields because of structural changes in the product type and product segments since the segment of <INR1.5m is not interest-rate sensitive.
- Aavas will continue its approach to increase the disbursement yields by growing in segments where the ticket sizes are less than INR1.5m. With its BRE, it can get its pricing risk right.

Spreads and NIM
- Even in a falling interest rate scenario, the company does not expect a compression in its spreads.
- Banks are yet to reduce the MCLR in this quarter. There will be a positive trajectory on the CoB in the coming quarters.

Opex
- Added 30 branches during the year out of which 24 branches were added in 4Q. Resource and capacity planning resulted in higher employee expenses during the quarter.
- Higher variable cost is also linked to business growth in the quarter.

Branch expansion
- The focus is on risk-adjusted returns. Branch expansions were in the existing States in 4QFY25. It will expand to a new state in Southern India - Tamil Nadu - in the next year.

Others
- On MSME, it has been cautiously optimistic; Given the stress in the unsecured segment and potential spillovers, it has been cautious in MSME.
- Total employees stood at 7273 as of Mar'25
- AUM growth in FY25 was lower than the guidance because of the caution exercised by the company. Aavas was cautious in certain states in the western part of India and also towards MFI customers who were overleveraged.
- Login to sanction ratio in 4QFY25 stood at ~38% (vs. the normalized ratio of ~42%)
- In the segments that it serves, it does not see the kind of competition in the normal prime markets.

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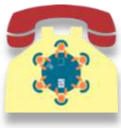

Aditya Birla AMC — Buy

Current Price INR 756

Mutual Fund (MF) Business

- Inflows into equity funds improved during the quarter, supported by better investment performance and a strong ground-level sales effort. Additionally, the company hosted an exclusive event to strengthen relationships with key distribution partners.
- MF revenues for FY25 stood at INR16b, compared to INR13b in FY24.
- Over the past year, 85% of the funds have consistently met their benchmarks, as tracked internally by the management team.
- SIP AUM for the quarter stood at INR756b.
- SIP collections during the quarter were INR40b.
- SIP growth and net additions moderated, in line with broader industry trends, with ABSLAMC performing in line with market dynamics.
- Market volatility resulted in a decline in SIP inflows. However, management remains confident that SIP trends will improve as fund performance continues to strengthen.
- Management expects the recent uptick in gross and net sales momentum to continue, driven by deeper engagement initiatives.
- A few years ago, the company engaged Mercer Consultancy, and its recommendations have since been successfully implemented, with the associated benefits now being realized.

Non-Mutual Fund (Non-MF) Business

- PMS/AIF AUM grew 268% YoY to reach INR113b in 4QFY25, primarily driven by the inclusion of ESIC AUM. Offshore AUM also grew 14% YoY to INR121b during the same period.
- A new product in the pipeline is the ABSL India Equity Innovation Fund in the PMS/AIF category.
- Ongoing fundraising efforts include the India ESG Engagement Fund (IFSC), ABSL Flexi Cap Fund (IFSC), and ABSL Global Bluechip Fund (IFSC).
- To broaden its international AUM, the company onboarded an additional resource focused on overseas markets.
- Real Estate AUM stood at INR5b, with fund-raising underway for a Credit Opportunities Scheme.
- As of Mar'25, the ESIC mandate, which is primarily debt-oriented, stood at INR75b and is included in the PMS/AIF AUM.
- Revenue from alternatives remained largely flat QoQ at INR320-330m, compared to INR340m in 3QFY25, reflecting market volatility.

Yields

- Yields: Equity/Debt/Liquid stood at 68-69bp/24-25bp/12-13bp.
- Yields on Equity book declined sequentially, largely due to a 1.5% decline in the equity mix.
- Net Yields: PMS/AIF stood at 1%+, Offshore – GIFTCITY stood at 1%+, and other overall offshore (except GIFTCITY) stood at 30-40bp
- No further TER increases were implemented for the debt segment during the quarter.

Financials

- As of Mar'25, the employee count stood at 1,628.
- Employee costs increased INR111m sequentially, primarily driven by year-end variable pay provisioning and staff welfare expenses.
- ESOP costs for the quarter stood at INR13m. Management indicated that no material ESOP expenses are expected for the next year, as most costs have already been absorbed.
- Other income improved sequentially, benefiting from rate cuts that boosted debt fund returns.
- The branch network expanded to 300+ locations, including 89 emerging market locations. Management has guided for the addition of approximately 30 more emerging locations in FY26.

Aditya Birla Capital — Buy

Current Price INR 225

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NBFC

- Given the early warning signals and macro stress, it has calibrated its sourcing from few fintech partners.
- Credit costs declined 22bp YoY and 15bp QoQ.
- GS2 + GS3 declined 71bp YoY and 47bp QoQ to 3.78%.
- GS3 PCR stood at 45%, stable QoQ.
- Operating environment has stabilized.
- ABCD App continues to scale up well and contributes 5% of the PL disbursements.
- Looking at collaborating with few marquee digital platforms wherein the sourcing will be done by partners and the underwriting/collections will be done by ABCL.
- NBFC 4QFY25 PAT grew ~11% YoY and ~9% QoQ to INR6.52b. RoA in 4QFY25 increased by 15bp QoQ to 2.25%. FY25 RoA stood at 2.27%.
- Confident of growing the overall portfolio at a CAGR of 25% over the next three years. It will be looking at doubling the loan-book over the next three years.
- NBFC Portfolio grew 20% YoY and 6% QoQ to INR1.26t.
- NIM (incl. Fee income) expanded 6bp QoQ.
- Over the last three years, it has doubled its AUM and profit pool. It has built a granular retail and MSME portfolio.
- AUM for business loans to MSME grew 20% YoY.
- P&C Loans segment will start registering calibrated growth in the coming years.
- MSME segment contributes significant to the secured business.
- CIR of 30.8% | FY25 Opex to AUM improved to 1.94% (PY: 2.26%)
- GS3 Loans at 2.24% declined 27bp YoY and credit costs declined 15bp QoQ to 1.21%.
- Credit costs stood at 1.3%, well within its state guidance of 1.5%.
- FY25 PAT grew 13% YoY.
- Expects all business segments to grow in FY26 and share of Retail/MSME segment to improve.
- Share of direct sourcing will improve and operating leverage will play out.

- NIM compression is on account of the change in the product mix. P&C declined to 12-13% in the Loan mix from ~20% at its peak. P&C has now stabilized and will grow from here - which will result in an expansion in yields and NIM.
- Unsecured segments comprises of Supply Chain Financing (20%) and small-ticket unsecured Term Loans (80%). Almost 50% of that the unsecured portfolio is guaranteed by credit guarantee. It does not get written-off at 180dpd since it is backed by a guarantee from SIDBI. For leveraged customers, it has tightened the underwriting.
- 5-6% of the annual disbursements were from portfolio buyouts.
- Unsecured business flow rate is 0.8% (and they have been largely stable) and it should see some improvement there.
- Entire range of products, including Personal & Consumer, might look at one or two more products. Will look to sweat its existing branches and branches which it will open in the next 6-9 months.
- On the Liabilities side, ~65% are floating and on the assets side, ~71% is floating. As it grows personal and consumer segments - STPL - which are fixed in nature, product mix should help it improve its yields and NIM
- Loan Mix: 75% of it will be Retail and SME and P&C can go up to ~20%. Growth in unsecured businesses and NIM expansion will boost its RoA.

HFC

- Created a full-stack franchise focused on both prime and affordable segments.
- Crossed the monthly disbursement rate of ~INR22b in Mar'25.
- GS3 declined ~33bp QoQ to 0.66%.
- RoA stood at 1.26% and RoE of 11.03% in FY25.
- HFC AUM grew 69% YoY to INR311b.
- Infused ~INR3b in the HFC subsidiary in 4Q and the total infusion in HFC stood at ~INR12b in FY25.
- Disbursements for FY25 stood at INR176.5b, up 109% YoY.
- Portfolio Quality: GS3 stood at 0.66%, down 115bp YoY. 95% of its collections are collected by its Fin connect platform.
- Delivered consistent growth across segments. Focus remains on strengthening all its core areas.
- Developer Finance: 280-300 developers in the Developer Finance portfolio and average exposures of INR250-300m. Cost of construction will be INR2.5-3b. Developer book yields of 13.0-13.25% and retail book has blended yields of 10.25%.
- CRAR stood at 16.54% (compared to the regulatory requirement of ~15%).
- Expects the current growth momentum to continue and expects RoA to improve significantly. Guided for RoA to improve significantly to 2.0-2.2% over the next 8-10 quarters. Improvement in RoA will come from the improvement in operating leverage and opex to assets will decline by 120-130bp. NIM might decline by 25-30bp; Credit costs will remain in the same range.

Life Insurance

- VNB Margin of 18% in FY25.
- Expanded its market share by 66bp in FY25.
- Partnership business grew 34% YoY; Managed respectable mind share in its IDFC First and Axis Bank partnerships.

- 11 Bank partnerships; Entered into a partnership with Equitas SFB and will start business in FY26.
- Digital collections account for 81% of the individual premium collections.
- 14th Month persistency: 81%
- AUM stood at INR995b, up 15% YoY. Crossed AUM of INR1t in Apr'25.
- Will continue to focus on its proprietary channel.
- Positive operating variance is better experience in lapses and contribution of group business profit. Assumption variance - persistency, lapse in some of its products particularly non-par. Mortality experience has been better. Assumption variance change would have contributed ~100bp to the VNB Margins.

Omnichannel Architecture for distribution

- ABCD went live about a year ago.
- Udyog Plus - Comprehensive B2B ecosystem continued to scale up and reached AUM of >INR35b in less than two years of its launch. ABG Ecosystem contributes ~50% of the disbursements on Udyog Plus.

Standalone Financials

- Standalone PAT grew 6% YoY to INR6.54b.
- Tier 1 stood at 15.93% and Total CRAR stood at 18.22%.
- Standalone RoE stood at 14.22% in 4QFY25.

Health Insurance

- PAT of INR60m in FY25.
- Growth momentum continues, with 34% YoY growth in 4QFY25 – fastest-growing SAHI.
- Market share in SAHI stood at 12.6% (up 38bp YoY).
- Added Bank of India as a partner.

Merger

- On the back of the merger, ~INR30-35b worth of capital got released and it will take care of 12-18 months of growth requirement.

ABCD App

- Predominantly working on origination of PL, Housing Business and AMC business.
- Monthly disbursement run-rate of ~INR1b in Personal and Consumer loans.

ANANDRATHI
Private Wealth. uncomplicated

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Anand Rathi Wealth — Neutral

Current Price INR 1,974

Private Wealth Business:

- ARWL has added 48 Relationship Managers (RMs) over the past 12 months, bringing the total RM count to 380.
- Active client families grew 18% YoY to ~11.7k.
- Client attrition improved significantly, declining to 0.52% in FY25 from 0.99% in FY24.
- Regret attrition for RMs remained below 1% for the second consecutive year, with only two RMs exiting in FY25.

Net flows, AUM, and yields:

- Despite challenging market conditions, structured products outperformed, leading to a favorable shift in the AUM mix towards these offerings (28% in FY25 vs 24% in FY24).
- All 147 structured products maturing during the year delivered maximum coupon returns, capped between 13% and 15%.


Anand Rathi Wealth

- Approximately 37% of net inflows were contributed by new client families, with the remainder coming from existing (vintage) clients.
- Yields on matured structured products stood at 1.18% per annum. Management expects no yield compression in the medium term.
- For ~11.7k clients, the current portfolio mix ranges between 45% and 65% in long-only equity, with the balance allocated to structured products depending on each client's life stage with ARWL.

Financials:
- Return on Equity (ROE) for FY25 stood at 44.6%, marking a 503bp YoY increase.
- Other income grew 171% YoY to INR 194m, of which INR108m resulted from changes in the fair value of investments held, while the rest was earned through interest on fixed deposits and other financial assets.
- Primary and secondary Market Linked Debenture (MLD) issuances for 4QFY25 were INR13.92b and INR8.47b, respectively.
- Management has guided for operating leverage benchmarks of 40% of Profit Before Tax (PBT) and 30% of Profit After Tax (PAT).
- Maturities on structured products were in the range of ~INR 40-50b.
- The mark-to-market (MTM) assumption factored into the AUM guidance for FY26 is approximately 8%.

Operational Metrics and Guidance:
- Management has guided for the addition of 50-60 RMs in FY26.
- The number of clients per RM increased to 31 in 4QFY25 from 30 in 4QFY24. The company aims to increase this to the capping limit of 50 clients per RM, supported by investments in technology to enhance RM productivity.
- AUM per RM rose to INR1.98b in 4QFY25 from INR1.74b in 4QFY24, driven by improved RM productivity and organizational continuity.
- The Online Financial Advisory (OFA) business added 453 new subscribers over the past 12 months, bringing the total to 6,447.
- Management has provided revenue and PAT guidance for FY26 at INR 11.75b and INR 3.75b, respectively.
- ARWL has consistently delivered PAT growth of ~20-25% YoY over the last 14 quarters and will maintain this guidance going forward.
- Notably, ARWL is among only six companies within the top 1,000 listed entities to achieve 20%+ YoY PAT growth in every quarter over the past three years despite weak market sentiment, highlighting its resilience and market-agnostic performance.

Strategic Initiatives and Expansions:
- The UK subsidiary licensing process is underway; ARWL has applied for regulatory approval to commence its wealth management business. Operations are expected to begin following a 4-6 month approval period.
- ARWL currently operates a representative office in Dubai and has applied for a license to initiate operations in Bahrain.
- In line with SEBI's introduction of the SIF platform, ARWL has decided not to onboard this platform for its clients' portfolios.

Others:
- During FY25, ARWL undertook three major corporate actions: a buyback worth INR1.65b, a 1:1 bonus issue, and the declaration of a final dividend of INR7 per equity share.
- Mr. Feroze Azeez has been promoted from Deputy CEO to Joint CEO.

AngelOne

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Results Update

Angel One — Buy

Current Price INR 3,271

Financial performance

- Gross broking revenue declined due to softer client activity. F&O was a larger contributor but its share reduced in 4Q due to the impact of F&O regulations.
- Client funding book remained steady but a change in interest rate from 18% to 15% led to a decline in interest income. A lower quantum of FD also resulted in a decline in interest income.
- Depository income declined due to lower cash delivery volumes
- Margin declined due to sustained investment towards acquiring clients even in softer market conditions to boost future business growth along with continued investments towards AMC and wealth management businesses. IPL spending was higher due to a higher number of matches.
- ANGELONE's variable employee expenses serve as a lever for achieving cost efficiency. Projections are made for fixed and variable pay during the start of the year and then the variable part is leverage, considering the company's performance during the year.
- Customer acquisition costs had gone up in 4Q across the industry but have started to come down from Apr'25, according to the management.
- The revenue curve has picked up in Mar'25 and the company is seeing a similar trajectory in Apr'25.
- ANGELONE's distribution and wealth management businesses are expected to be significant growth drivers.

Operational performance

- A temporary blip in F&O market share has occurred due to the impact of F&O regulations on retail participation where Angel has a stronger market share. In commodity, the company has a strong market share in crude oil and the contribution of crude oil in commodity volumes has gone down in 4QFY25 due to which market share declined.
- The tech stack of ANGELONE is continuously evolving with more investments in AI and ML to create a holistic financial services platform. The company is planning to use AI for product personalization, product manufacturing, process improvement, and enhancing customer journey.
- The customer profile remains the same as in 2Q/3QFY25, and management expects activation to improve as customer behavior evolves in the next two quarters. A bearish market has a short-term impact on client activation.
- The company has been gaining market share with respect to client additions and aims to remain aggressive while the industry is in a wait-and-watch mode.
- The company expects customer behavior, post-regulator changes, to normalize and operating margins should revert to 40-45% in 4QFY26. Having said that, activity is being monitored to see if any pricing levers will have to be used.

Regulatory impact

- The impact of F&O regulations hit volumes, reduced active client participation, and muted order activity but management expects this to be a temporary recalibration.
- Client activity expected to remain subdued in 1QFY26 but investments in the business around new ventures and tech capabilities will continue which will impact short-term profitability. The management expects 4QFY26 to be a normalized quarter with operational and financial metrics recovering back to normal trajectory.

Assisted business

- Mutual fund distribution grew 2.2x YoY on the back of 7,000 MFDs acquired in FY25.

- ANGELONE continues to improve the NxT platform with an emphasis on enhancing client experience and deeper client engagement through better advisory capabilities.

Distribution

- The management expects the segment to contribute significantly to revenue diversification, driven by a calibrated approach towards launching new products.
- The company has added three more lenders in credit distribution, bringing the total partnership to six, and more integrations are underway. Strong demand is being witnessed in unsecured loans with cumulative disbursements of INR7b as of Mar'25. The company is building a proprietary lender allocation engine for personalized credit offerings and risk matching.
- In mutual fund distribution, there has been some softness with respect to new SIPs. This was in line with the industry but AUM continues to grow with a stable market share of incremental SIP. The company is focusing on increasing brand recognition and improvement in client experience as more users are adopting multi-product behavior.
- In insurance distribution, the company added two more insurers during the quarter. Angel is using tech to personalize policies and building assisted + digital offerings for customers. Expansion in the vertical for products and insurers will be a key growth driver over the next two quarters.
- Loan distribution was tepid in 4Q due to cautious underwriting and volatile macroeconomic conditions but momentum is becoming better now.
- The commission is in line with the industry across credit, insurance, and regular MF products.

AMC

- Angel entered into the passive investing space with three offerings currently through a multi-channel distribution strategy.
- AUM of INR740m has been reported across 3 products with participation from clients across 8,800 pin codes as of Mar'25.
- Favorable demographic trends, rising income levels, and growing awareness of passive products are driving demand.
- The long-term vision is to emerge as a category leader in passive investing and create value for customers.

Wealth Management

- The company is advising clients to diversify across asset classes like debt, gold, and global equities. Clients across cohorts are focusing on new capital formation and active portfolio reshaping.
- Risk appetite is evolving with HNIs embracing non-public asset classes like pre-IPO funds etc.
- UHNI business is the current growth engine and the company is leveraging the RM network to engage with listed promoters.
- The wealth management AUM is ~INR38b with an active AUM of INR33.3b. About 680+ clients exist across UHNI and HNI serviced by 166 professionals including 57 RMs along with strong tech and product team.
- Around 75% of active AUM is recurring in nature and the remaining is transactional.

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BSE — Buy

Current Price INR 2,910

Industry and regulatory trends

- The options market is currently undergoing a consolidation phase, wherein volumes have shifted from expiry days to non-expiry days due to regulations. Customers are taking a relatively longer view on the markets. If the trend continues, volumes for monthly contracts will improve.
- Regulations continue to evolve and are being created on a consultative basis. With respect to gross limit exposure and segregation of the clearing corporation, feedback from market participants has been given.
- The common contract note will ensure a level playing field and protect customer interests by ensuring best price execution. Some institutions have asked for additional time for testing, and hence the implementation has been pushed to 1st Jul'25.

SGF

- The reversal of INR1.1b of SGF during the quarter was due to the excess SGF in the currency segment now being utilized for the derivatives segment. During the quarter, BSE contributed INR376m to NCL for SGF.
- The future trajectory for contribution to NCL is difficult to predict, as SGF contribution is a complex calculation and does not have a linear correlation with volumes.

Business

- An increased client base and a scale-up of volumes on non-expiry days have been the key drivers of growth in derivatives volumes.
- BSE is focused on leveraging the Sensex brand, enhancing reach, and widening the product basket.

Colocation

- BSE started with 100 colocation racks a few years ago, which have now reached 300 racks. 200 racks were allocated over the past few years and are hence optimally utilized. The utilization of the recently added 100 racks is expected to improve over the next couple of months.
- BSE plans to add 200 racks in two phases: 100 racks in the next 3-4 months and the remaining 100 before the end of FY26. With a mix of 15Kva and 6Kva racks, the total capacity will be 650 racks (measured in terms of 6Kva racks).
- Currently, BSE is not charging meaningfully on a per-order rate basis. It has introduced a per-order rate on a pilot basis and will fine-tune it in the near future based on feedback. It aims to soon come out with a model and charges for different types of customers.

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Bajaj Finance — Neutral

Current Price INR 8,932

Management guidance for FY26

- Customer franchise: Confident of adding 14-16 MM customers in FY26.
- AUM: 24-25% growth aided by the new lines of businesses launched in the last 2-3 years.
- Net Interest Margin (NIM): BAF has moderated pricing in select unsecured businesses. The cost of funds is estimated to go down by 10-15bp in FY26. Guided for NIM to remain stable in FY26.
- Fee and other income: BAF has stopped its co-branded credit card business. Management guided its fees and charges to grow 13-15% in FY26.
- Opex to Net total income (NTI): Opex to NTI is estimated to improve by 40-50 bps in FY26
- Credit cost: For FY26, loan loss to average AUF in the corridor of 1.85-1.95%.


Bajaj Finance

- Profitability: The Company is optimistic about profit growth in FY26.
- RoA/RoE: RoA in the range of 4.4-4.6% and RoE of 19-20% in FY26
- GNPA and NNPA: GNPA and NNPA are estimated to remain lower than long-term guidance.

Long-term guidance

- AUM growth in the corridor of 25%-27% (unchanged)
- PAT growth of 23-24% (unchanged)
- GNPA between 1.2-1.4% and NNPA between 0.4%-0.5% (unchanged)
- RoA between 4.3-4.7% (v/s 4.6-4.8% earlier) and RoE between 19-21% (v/s 21-23% earlier)
- The majority of the portfolio in the 2W/3W segment is from the captive business and is winding down. The portfolio will run down by Mar/Jun'26 and the residual portfolio in Auto Finance will be ~INR45b by Mar'26.

One-timers in 4QFY25 P&L statement

- In 4QFY25, BAF did an annual refresh of its ECL model, incorporating the last 12 months' portfolio performance and forward-looking macro outlook. Given the higher flow-forward rates and elevated credit costs observed in the last three quarters, BAF took an additional ECL provision of INR3.6b, mostly on Stage 1 assets.
- Based on the favorable court and tribunal orders on the taxation side in recent years, BAF has reversed ~INR2.5b in tax expenses from previous years and reduced the FY25 tax provision by INR1b, resulting in a tax reduction of INR3.5b in 4QFY25.
- Adjusted for the one-timers, PBT grew 18% YoY (v/s Reported PBT growth of 11% YoY) and PAT grew 17% YoY (v/s Reported PAT growth of 19% YoY)

Corporate actions

- Subdivision of shares to FV to INR1/share - Stock split of 1:1
- Bonus issue of 4 bonus shares for each share of FV of INR1/share
- On 26 Mar'25, Bajaj Finserv, exercised the option attached to warrants and paid the remaining 75% of the consideration, amounting to INR8.9b. Pursuant to the same, the Preferential Issue Allotment Committee of the Company allotted 1.55m equity shares with a face value of INR2 each.

Dividend

- Final Dividend of INR44/share. Dividend payout of ~19% of standalone profit (excl. exceptional gains) and is in line with the company's dividend distribution policy.
- Special interim dividend of INR12/share, from the exceptional gain resulting from the sale of investment in BHFL on account of IPO listing in Sep'24

Distribution

- In 4Q, BAF added 137 Gold loan branches and added 30 MFI branches. Gold loan branches stood at 964 and MFI branches stood at 333 as of 31 March 2025.

Liabilities and CoB

- In 4Q, cost of funds stood at ~7.99%, an increase of ~3bp QoQ. BAF expects the cost of funds to gradually go down to 7.75%-7.85% by the end of FY26.
- About 75% of the borrowings are fixed-rate (and longer tenor money). Bank borrowings will get repriced much more quickly. On incremental borrowings, there is a softening of NCD rates by 30-40bp and CPs have also declined by 70-80bp
- Bias is more towards a higher than 10-15bp decline in the CoF. The cost of borrowing has come down in the last 30 days. Assuming that the liquidity environment will continue to be positive
- BAF has baked in three Repo Rate cuts (~75bp) and the CoB decline can be higher if there are more than 3 rate cuts.

NIM

- CoF benefits of 10-15bp in FY26 (conservative to the extent of 5-7bp); it expects that the overall NIM will remain stable in FY26. If the CoB declines more than 10-15bp, then there could be some NIM expansion as well.
- 4Q NIM is lower than the full-year FY25 NIM. For NIM to be stable in FY26, there has to be some catch-up on the NIM in the subsequent quarters.

Opex

- Opex to Net total income improved to 33.1% as against 34.0% in Q4 FY24.
- Employee attrition was slightly higher than last year.

Asset quality

- The company made an additional provision of INR3.6b on account of ECL model redevelopment in 4Q, primarily on Stage 1 assets. Adjusted for this, loan losses and provisions for 4QFY25 stood at INR19.7b. Excluding the additional ECL provision on account of model redevelopment, credit costs were 1.97%
- The company has started seeing improvement in early vintages across all portfolios.

Financial performance

- Consol. RoA/RoE in 4QFY25 of 4.6%/19.1%

Appointments of three Deputy CEO positions who will report to Anup Saha

- The leadership team will comprise the MD/CEO, three Deputy CEOs, and three COOs.
- Manish Jain: President of B2B and FD business promoted to Deputy CEO. Henceforth, he will also have expanded leadership responsibility for all B2B businesses, Payments, Fixed Deposits, and Insurance.
- Sidhant Dadwal: President of B2C and SME business promoted to Deputy CEO. Henceforth, he will also have expanded leadership responsibility for all B2C businesses, SME and Gold Loan.
- Harjeet Toor: President Bharat Lending, MFI, and Strategic Partnerships promoted to Deputy CEO. Henceforth, he will also have expanded leadership responsibility for Bharat Lending, Vehicle Loans, MFI and Strategic Partnerships.

Management assessment of FY25

- BAF delivered on its FY25 guidance on customer franchise, AUM growth, Opex to NTI, ROA, ROE, GNPA, and NNPA.
- The credit cost was a miss. BAF took significant credit actions through FY25 and is optimistic about its impact on P&L in FY26.
- BAF reported a margin compression of 49bp (vs guidance of 30-40bp) in FY25, due to a delay in interest rate cut as compared to its earlier projection.

AUM growth

- BAF is still small and it has a credit market share of 2.14% (by value) and 7.0-7.5% (by volumes). Seeing strong growth in its new businesses and expects robust growth in the gold loans business.
- Wants to operate in the corridor of 25-27% AUM CAGR; As long as it continues to acquire new customers and works on its cross-sell franchise, this growth is achievable.

ECL model refresh

- Stage 1 looks at 12 months of performance. Elevated credit costs in the last three quarters from 1QFY25 to 3QFY25, led to higher PCR on Stage 1.
- Within Stages 2 and 3, for evaluating the PD/LGD, BAF considers the last five years of experience.
- Stage 3 is holding up very well; Given that it looks at longer period averages for Stage 3, there has not been much change in the LGD for Stage 3 and there has not been much change in the PCR of Stage 3

Asset quality

- BAF’s 4QFY25 write-offs stood at ~INR21b

- If things were to improve significantly, then the ECL model could show some releases at end-FY26
- 3MOB, 6MOB, and 9MOB are all tracking better in the unsecured businesses
- Tightened underwriting to levels even tighter than the pre-COVID levels; Leverage levels of the customers who are being acquired are significantly lower
- Credit cost guidance of 1.85-1.95%.
- BAF is still not fully out of the woods in Urban Personal Loans. Early vintages are doing fine but there is still a part of that portfolio that has to mature.
- 2H turns out to be much better than 1H and so the credit costs will continue to gradually decline.
- Captive auto finance book will decline to INR45b till Mar'26 and it will be accretive from a credit cost standpoint.

Revision in long-term RoE guidance

- For almost a year now, the company has been sitting on surplus liquidity from the equity capital raise and subsequently the stake sale in Bajaj Housing. Over the next two years, it still has to reduce its shareholding in BHFL to 75% which will generate more excess capital.

Rural personal loans

- The rural personal loans business did not require any additional provision in the ECL model refresh.

Rural B2C

- Early vintage 3MOB and 6MOB have been improving in the Rural B2C business.
- Confident in growing its Rural B2C business and it has significantly strengthened its debt management in the Rural business.

BHFL

- PBC stood at 63.28% against the regulatory requirement of 60%.

BFinSec

- MTF AUM grew by 18% YoY
- Customer Franchise stood at 979K, up 40% YoY

Others

- From the next quarter onwards, Anup will be doing the investor call and Rajeev Jain will continue to be around. However, they will trade places and roles in the investor call.

Can Fin Homes — Neutral

Current Price INR 780

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Guidance

- Guided for disbursement growth of ~20% and loan growth of ~15% in FY26. Disbursements have bottomed out in AP/Telangana and it is confident that even Telangana disbursements will grow in FY26.
- Management expects the GNPA to remain at ~0.9%
- Guided for spreads of 2.5%+ and NIM of 3.5%+
- Credit costs guidance of ~15bp in FY26 but suggested that it could be lower than that.
- Cost to Income ratio to remain in the range of ~17% in FY26 and it will increase to ~18% in FY27. IT transformation costs will kick in from Apr'26 and will impact opex only from FY27 onwards.

E-khata

- At the municipality level, there has been an improvement in Karnataka. BDA and Panchayat level e-Khata issuances are still not happening. The government has been working on resolving this issue and expects it to be normalized in 1-2 months.

Karnataka business

- Seen some improvement in the disbursement position in Karnataka (KAR) as the e-Khata issuances have slowly resumed
- KAR disbursements had dropped to INR1.5b/month in 3Q (v/s INR2.75b per month in 1H). CANF has started pushing for LAP business in KAR because of slow e-Khata issuances
- Karnataka disbursements which stood at INR4.5b-4.75b in 3Q, increased to ~INR7b in 4QFY25. CANF disbursed ~INR2b, INR2b, and INR3b in each of Jan'25, Feb'25, and Mar'25 in the State of Karnataka.

Asset quality and credit costs

- SMA0 went up in 3QFY25 because of a small change in regulations. Whatever advance was there has been adjusted towards the principal and which could not be carried. SMA0 has come down by an equivalent of INR7b-7.5b in this quarter.
- During 4Q, there was a write-back in ECL provisions of INR100m and another INR250m of management overlay has been created.
- Excluding the management overlay, the credit costs stood at ~13bp in FY25
- Management shared that it will continue to maintain a PCR of 45-49% on its Stage 3 loans

Management overlay

- Restructured provisions that it is carrying is a regulatory requirement. Whenever these restructured accounts are closed, these restructured provisions can be reversed.
- Management overlay is a prudent stance and there are no concerns that have increased the management overlay. The management acknowledged that there is no sense in keeping the management overlay and it is purely a buffer and a strengthening of the balance sheet.

CDSL — Neutral

Current Price INR 1,779

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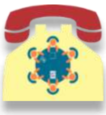
Results Update



Business:

- CDSL rolled out unified features in the MyEasi investor app earlier this year, enabling users to view their holdings across market infrastructure institutions in a single interface.
- The electronic consolidated account statement was integrated across various apps effective 1st April 2025.
- The second edition of the CDSL Annual Symposium was conducted in February, centered on the theme 'Reimagine CapTech and the Future of Capital Markets'.
- The integration work with LIC is ongoing, and CDSL is currently awaiting resource support from LIC.

CVL:

- CVL's total income rose 35% YoY to INR2.5b in FY25.
- Total expenses increased 42% YoY to INR1.1b in FY25.
- PAT for FY25 reached INR1.09b, reflecting a 28% YoY growth.
- Following SEBI's recent notification regarding the centralization of KYC operations, CDSL plans to observe developments before making decisions, as it is still under work in progress.
- The dip in KYC revenue during 4QFY25 was attributed to subdued growth in market delivery volumes, demat account openings, mutual fund inflows, and IPO activity.

Financials:

- For the quarter, cash income, e-voting income, and pledge income stood at INR110m, INR60m, and INR54m respectively, while impairment costs amounted to INR8.8m.

- Issuer charges from unlisted companies generated revenue of INR359.5m in FY25.
- Other income improved sequentially, primarily due to mark-to-market gains on debt schemes.
- Other income includes earnings from e-cash charges, e-voting, e-sign services, and returns from investments in fixed deposits, mutual fund debt schemes, and bonds.
- CDSL levies a one-time processing fee of INR15k per unlisted company.
- Management maintained a stable dividend payout ratio, targeting 60% on a standalone basis; for FY25, the actual payout was 61.3%.
- The number of folios at the beginning of the year stood at approximately 22.76b compared to around 19.50b the previous year.
- As a market infrastructure company, CDSL continues to invest in four key areas: hardware, infrastructure, application, and security.
- Technology expenses are being managed at a stable proportion of revenue, although no specific guidance was provided by management.

Cholamandalam Inv. & Finance — Buy

Current Price INR 1,513

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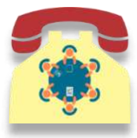

Guidance

- Guided for AUM growth of 20-25% (factoring in growth from new segments). To deliver ~25% AUM growth, the company will have to deliver ~30% growth in non-vehicle and 20% growth in vehicle finance.
- For HL, it guided for 15-20% disbursement growth and 30%+ AUM growth for the next two years
- Targeting to deliver 15-17% disbursement growth in VF in FY26.
- Net of benefits to be passed on to customers in its floating-rate book, it expects NIM expansion of 10-15bp in FY26.
- For FY26, it guided for opex-to-assets ratio of 3.0-3.1% and credit costs of 1.3% (from 1.4% in FY25).
- Guided for PBT-RoTA of ~3.4% in FY26 and will then look to expand it to ~3.5% in the coming years.

Asset quality

- CIFC's overall credit costs stood at 1.4% and VF credit costs stood at ~1.6% in FY25. In FY26, it expects VF credit costs to decline by ~20bp, which will benefit the overall credit costs by ~10bp. CSEL and SME credit costs will reduce by FY26 end.
- CSEL credit costs will come down by running down the CSEL partnerships book, which will start coming down from 3Q onward. In 1HFY26, CSEL partnerships will see higher credit costs.
- Within SME, SARFAESI is going on and is likely to yield results only in 2HFY26.
- VF credit costs have been stable QoQ and if the monsoons are good this year, VF NCL can start coming down.

Liabilities and CoB

- 20% of the borrowings are linked to the repo or T-Bill where the benefits of a declining interest rate will accrue quickly.
- ~50% of bank borrowings are linked to MCLR, which will see benefits only when the MCLR comes down.
- For incremental borrowings in 4QFY25, CIFC has been able to negotiate well.

Opex

- Generally, opex increases in 4Q, but this year the company has managed to keep it under control.
- FY26 will see some opex for the gold loans business.

Liabilities

- There is a slowdown in the securitization market because a few banks have got saturated with securitization.
- CIFC will do 1-2 more assignment deals and then slow down on assignments again. But it will have some income coming from assignments and securitization in FY26.

Vehicle Finance

- Guided for 15% disbursement growth and 20% AUM growth in VF.
- On the back of good monsoons, it expects LCV and SCV to do well. Tractor and 2W Sales have picked up, but there is scope to do more in tractors and 2Ws.
- Repossessions and sales of vehicles have led to higher credit costs in the VF book. Write-offs were not very high.
- Non-starters and early default came down in 4QFY25 but still slightly higher than Mar'24 levels.
- 1QFY25 NCL was 1.9% and 4QFY25 NCL was at 1.6%. CIFC guided for a YoY reduction in VF NCL in 1QFY26.

Home Loans

- Guided for 15% disbursement growth and 30% AUM growth over the next two years.
- 60% of disbursements are still coming from Southern India. It would look to improve productivity from other zones in this year.
- Guided for NCL of 0.4-0.5% in FY25.

LAP

- Expanded across the country and now disbursement/AUM growth is 30%.
- LAP will continue to grow at 25-20%.
- Within LAP and HL, productivity focus will be higher in FY26 and then next year (in FY27) it will focus again on Branch expansions.
- Improved the distribution to 800 branches in LAP. There are many market opportunities. Key focus in this year will be improvement in productivity.

CSEL

- CIFC took the decision to come out of the Fintech partnerships in CSEL. It will be offset from in-house digital lending business, consumer durable business and gold loans.
- CSEL growth was lower in FY25, but it will catch up in FY26
- CSEL credit costs will remain steady in 1HFY26 and it will start coming down from 3Q/4QFY26.
- Delinquencies are high in CSEL Partnership. NCL is higher because FLDG that it was getting earlier was higher compared to now (post the change in the FLDG guidelines).
- RoA from organic CSEL business is 6%

SME Segment

- By nature, if the SME term loan goes into NPA and it takes 1 year to reduce the NCL. Expects the NCL to decline in the SME segment in FY26.
- SME disbursements will be flat YoY in FY26.
- It has started focusing on small Term Loans and Equipment Finance.

SBPL

- SBPL has delivered RoA of ~7.6% in 4Q and FY25.

Gold loans and consumer durables

- CIFC customers take gold loans and CD loans of INR10b each from other lenders.
- Initially, CIFC will launch gold loans with 120 standalone gold loan branches in Southern and Eastern India. These branches are expected to be rolled out in this quarter.

- In gold loans, it has to maintain security vaults and it is possible only when it has standalone gold loan branches. Gold loan branches need to be present in different catchment areas and that will require standalone gold loan branches.
- It will pilot gold loans and will try to build a INR10b-20b of gold loan book this year.

TN Bill
- TN Bill is more focused on Private Lenders and MFIs. CIFC does not expect any major impact on VF. CIFC has been following up but not harassing customers.
- Legislation will not apply to banks and NBFCs registered with the RBI.

Financial performance
- 4Q disbursements stood at INR264.2b, up 7% YoY.
- 4Q VF disbursements were at INR144.3b, up 11% YoY.
- PBT-ROA was ~3.6% in 4Q and 3.3% in FY25.
- ROE was 22.2% in 4Q and 19.8% in FY25.

Others
- Collection efficiencies improves in 4Q, which results in better income.
- In 4QFY25, CIFC was able to borrow at good rates in ECBs (fully hedged).
- Employee Strength: 30,700 in sales, 22,000 in collections, 10,000 in Credit Ops and 1,600 employees in support functions
- It will continue to focus on the existing businesses and five new businesses (SBPL, CSEL, SME, Gold loans and Consumer Durable) in the near and the medium term.

Computer Ages Management — Buy

Current Price INR 4,249

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Financials:
- Despite weak market sentiment, non-MF business growth has remained steady. Management expects the growth rate to remain high at ~24-25% in FY26.
- The revenue run rate from the non-MF business reached INR2b in FY25. Management projects a 25% increase, contributing roughly INR500m in absolute terms, primarily from CAMSPay, followed by AIF and KRA segments.
- EBITDA margins for the non-MF segment ranged around 10-15%. Management anticipates margins at 20% in FY26.
- KRA accounts increased to around 19m in Mar’25 from 18m in Dec’24.
- The decline in MF revenue sequentially was primarily due to pricing changes made for one of the key clients. Of the INR136m decline, INR30-40m was due to operations, with the remaining due to pricing revisions.
- EBITDA margins rose to 46.1% in FY25. For FY26, management expects margins to ease to around 44%, driven by a muted AUM growth outlook of about 11%, translating into ~9% revenue growth. However, they do not foresee a further drop, citing a stable MF segment, controlled costs, and continued contributions from the non-MF side.
- The employee headcount was ~8,100 in FY25. Management estimates employee costs to account for 33% of total revenue.
- CAMS hired roughly 750-800 people in FY25, mostly for the non-MF segment. Hiring is expected to slow down going forward, as the sales team and platforms are already in place. Some rationalization is also expected in the core business, supporting stability in employee-related expenses.
- Other expenses rose mainly due to some timing-related costs, legal and royalty expenditures incurred during the quarter. These are expected to remain steady going forward.
- For FY26, management plans to spend about INR1b on platform re-architecture and an additional INR700m on other capex items.

- Depreciation rose during the quarter due to these investments. The current run rate is expected to continue based on 4QFY25 levels.
- The non-MF revenue mix in FY25 included INR750m from transaction revenue, INR350m from miscellaneous applications, INR300m from call center services, and INR500m from out-of-pocket expenses.

Yields:

- AUM contraction and a lower share of equity assets in the mix sequentially led to further yield compression.
- On a YoY basis, management guides for a 7-8% decline in yields, with a 4-4.5% decline on a sequential basis.
- The current yield stands at 2.24bp. Management expects the FY26 exit rate to be around 2.14bp. Half of the price reset has already occurred in the current year, with the remainder expected in 1Q or 2Q.
- No major contract renewals are expected, apart from 2-3 smaller ones, which are not likely to have a material impact on total yields.

MF Business

- Live SIPs grew by 18% YoY to 57m in 4Q. New SIP registrations remained flat YoY, totaling 8.66m in 4Q.
- Angel One MF and Unifi MF launched their first funds during the quarter, taking the number of active AMCs on CAMS' platform to 21.
- Five additional AMCs are expected to go live within the next six months.

Non-MF Business

CAMS Alternatives

- CAMS Alternatives had a strong quarter, securing over 56 new mandates, bringing the FY25 total to more than 200.
- Assets under service surpassed INR2.50t in 4Q.
- Client additions continued at GIFT City, supported by AMC-led retail scheme launches. CAMS now services more than 30 clients there, with assets nearing USD1.2b.

CAMS KRA

- CAMSKRA gained traction in the non-MF segment, adding three leading brokerage clients in 4QFY25.
- Over 20 new financial institutions and fintechs were added, significantly expanding the base of non-MF PANs.
- The quarter was weak for the KRA business due to subdued growth in new folio creation and demat account openings.
- ~65-70% of the KRA business is driven by new SIP onboarding, with the remaining 30-35% coming from demat services.

CAMSPay

- CAMSPay revenue rose 85% YoY. UPI Auto-Pay transactions grew 25% sequentially.
- Launched BIMA-ASBA with three insurance clients for premium payments. Signed 19 new deals in 4Q, including 15 outside the MF space.
- Entered the education segment, collecting fees and recurring charges from students for universities, colleges, and hospitals. The segment is scaling gradually.
- The current revenue split for CAMSPay stands at 55% from MF and 45% from non-MF. Management expects this to shift to 40:60 going forward.

CAMS Rep

- LIC of India signed up for repository services with CAMSRep, significantly strengthening the business's outlook.
- CAMSRep holds over 40% market share, servicing more than 11m e-policies.
- Three insurers are now live with integrated services on Bima Central, with Star Union Dai-ichi Life being the most recent.

- The annual run rate for policy additions has doubled to 2-2.5m policies (excluding LIC). Post-LIC integration in Jul'25, an additional 1.5-2m policies are expected annually.

CreditAccess Grameen — Buy

Current Price INR 1,182

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FY26 Guidance

- GLP growth of 14-18% (MFI growth of 8-12% and the balance will come from Retail Finance).
- NIM of 12.6%-12.8%.
- Cost-income ratio stood at ~32-34%: Strict control on operating costs while factoring in the continued efforts on PAR bucket collections and investment in new branch infrastructure for future growth.
- Credit costs of 5.5%-6.0%; credit costs to remain elevated in 1H and normalize in 2HFY26.
- RoA of 2.9%-3.4% and RoE of 11.8%-13.3%; Lower RoA/RoE in 1H and steady state RoA/RoE of 4.5%/18% in 2HFY26.
- MFI on a steady state basis should grow 14-15% and overall GLP should grow 18-20% from FY27 onward.
- Guided for credit costs to normalize to 3.0-3.5% from FY27 onward. District-based pricing will enable it to not have any negative impact on the yields. CREDAG has risk-based pricing and it will adjust itself to high credit costs in particular districts.

Asset quality

- New PAR accretion rate has declined in all states except Karnataka. It expects that the PAR accretion in Karnataka will stabilize by end of 1QFY26.
- Accelerated write-offs were initiated in 3Q and continued in 4QFY25. It has advanced the clean-up of the portfolio and accelerated write-offs of loans, which were 180+ dpd.
- Credit costs stood at INR10.3b (7.5%) in FY25. Deviation in credit costs compared to its revised guidance was primarily because of the Karnataka issue.
- Lower PCR coverage on Stage 3: For borrowers who are paying more than 50% of the EMI, CREDAG has taken slightly lower provisions - this is in line with the approach that it had taken during earlier times. PAR in Karnataka has gone up and KAR has lower-risk districts. New Par accretion has come down from Oct'24 onwards.
- Except KAR, other geographies have retained near normalcy. Centre meeting attendance has improved.
- Borrowers with > 3 lenders account for ~41% of overall PAR 15+; In addition to overleveraging, there are various other reasons that have played out and led to higher delinquencies over the last one year.
- In Apr'25, the PAR 15+ accretion rate saw a temporary increase due to holidays and festivities. Overall PAR 0+ accretion (ex. Karnataka) has improved in May'25 (0.12% up to 11th May). Near to normalized PAR accretion (ex of Karnataka).

X-bucket CE

- X-bucket CE stood at 99.2% (ex-Karnataka it stood at ~99.5%) in Mar'25
- It would drop for 6-7% of customers who have more than three loans.
- X-bucket collections need to be >99.5% for normalcy. Except Karnataka, X-bucket CE in all other states is around 99.5%-99.7%.
- Not all customers with more than three loans are bad or delinquent.

Karnataka and Tamil Nadu: Status of MFI

- Important to highlight the role of MFIN in voicing the role of MFIs and its engagement with the government of Karnataka and the RBI during the disruptions in Karnataka.

- No impact in TN; CREDAG is proactive to engage with customers. No impact being seen on the collection efficiencies as yet.
- There was heightened media situation in KAR and subsequently the KAR state government came out with an ordinance. However, in TN, there were no such problems but the TN government itself introduced the TN bill where it excluded the RE and banks.
- In TN, higher delinquencies happened in Dec'24, which slipped in the subsequent months and into PAR 90 by Mar'25.

Customer Leverage

- GLP of borrowers with more than three loans declined from 25.3% in Aug'24 to 14.7% in Mar'25.

Management transition

- Mr. Udaya Hebbar will be retiring from his role as the MD of the company and will be appointed to the Board as a non-executive Director.

Retail Finance

- Unsecured retail loans have ATS of INR170k. This book has PAR 30 of 1.97% and is offered in 730 branches.
- Secured loans' ATS stood at INR580k (PAR 30: 0.89%).
- Home loans' ATS is INR680k (PAR 30: NIL PAR). Total size of the Home Loan book stood at INR1b.
- CREDAG Retail Finance model evolves with the customer.
- Unsecured AUM of INR11.1b and Secured AUM of INR3.5b. Total Secured loans of INR3.5b (of which Secured stood at INR2.4b and HL stood at INR1.1b).
- It will take the partnership route in Home Loans when it has a decent traction.
- Targets Retail Finance to be 12-14% in the GLP mix. Secured and Unsecured mix in Retail Finance will settle around 50:50. Despite Home Loans, it does not see any significant impact on its NIM.

Liabilities

- Marginal CoB (9.6%) is still lower than the portfolio CoB (9.8%). One large borrowing, which it did during the quarter at a higher rate, resulted in slightly higher marginal CoB during the quarter.

Borrower identification KYC

- CREDAG and other MFIs still use the voter ID as the KYC ID because of the regulatory requirement. Voted ID is being validated in the portal before giving MFI loans.
- Earlier, banks used to share data with bureaus once in a month. Now even that has been addressed with banks sharing data with bureaus fortnightly.

Others

- CREDAG added 100 branches during the year.
- Accelerated write-offs impacted FY25 profits, but it will safeguard the profits going ahead.
- CRAR of 25.5%
- Bihar had a manpower shortage, has now been corrected.
- Guardrails are made by the MFI industry participants. CREDAG expanded its audit team to audit its branches every 45 days.
- In TN, CREDAG had higher attrition and the other geographies have exhibited normalized attrition.

Five-Star Business — Buy

Current Price INR 692

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Guidance

- Guided for GS3 to remain <2% and credit costs at 75-100bp.
- FY26 AUM growth of 25%, earnings growth of 12-15% and RoA will be in the range of 7.5%-8.0%

- Guided for a ~25-30bp benefit in CoB in FY26.

AUM growth

- AUM grew 23.2% YoY to INR118.8b. If the disruption in Karnataka in Jan-Feb'25 was not there, the company would have grown 25% YoY, in line with its guidance.

Collections

- Unique CE declined ~50bp QoQ to 96.2% (vs. 96.7% in 3Q) and CE declined ~30bp QoQ to 97.7% (vs. ~98% in 3Q). A small blip in collections because of disruption in collections in Karnataka from mid-Jan'25 to mid-Mar'25.

Asset quality

- GS3 rose ~17bp QoQ.
- Stage 2 rose QoQ but it is carrying a healthy PCR on the overall book and on Stage 3 assets.
- Stress during the quarter was 2/3rd contributed from Karnataka and 1/3rd was in general. Overleveraging problem and general weakness particularly in the lower middle class customers will continue for the next two quarters.
- LGD is very low at ~21%. Despite that, the company has kept PCR of ~51% on Stage 3 since there is also a nudge from the regulator to keep PCR near 50%.
- ECL/EAD of 1.5-1.7% is sufficient PCR for Five Star. It will maintain PCR of ~50% on Stage 3.
- Two-year lagged GNPA (in steady state), which is high now, will remain in the range of 2.5%-2.75%.

Liabilities

- Weighted average CoB on the book is 9.63%. Incremental CoF has dropped to 9.3% (down 25bp QoQ).
- Within its bank term loans, 50% of them are linked to MCLR and the other 50% to EBLR.
- Proportion of bank borrowings stood at 63% (PY: 80%). Bank borrowings might increase to 65-70% (from 63% now) in the context of a declining interest rate environment.

Outlook

- Leverage has gone up among lower-middle class customers. Credit, which was flowing very freely to them, has been pulled back, particular from small-ticket unsecured lenders (Fintechs and MFIs).
- When MFIN guardrails are implemented, 1) credit demand will be high and 2) if overleveraging is contained and cashflows remain healthy in the rural market, collections for FiveStar will stabilize.
- The easing of interest rates will mean lower CoF, and tax sops will lead to more income in the hands of individuals. This will support better demand.

Increase in ticket sizes

- The increase in ticket sizes was a conscious strategy during the quarter. Sweet spot for Five Star is between INR500k and INR1m. On incremental disbursements, it is moving toward higher-ticket sizes. This led to the increase in the average ticket sizes.
- ATS will tend to move up toward INR450k-500k over the next few quarters.
- The profile of customers remains the same. FIVESTAR has started to pick up a better profile of customers.
- Customer base grew 4.0-4.5% QoQ and AUM grew 6% QoQ.
- Ticket Size of >INR1m constitutes ~1% of the overall AUM and this might increase to 7-8% over the next 1-2 years.
- The company is focusing less on <INR300k ticket segment and more on the INR300-500k ticket segment.
- Ticket size of <INR300k will decline to ~20-25% (from 32% now) of the loan mix.

- Yield drop of ~200bp that it took in Nov'25 will help it to get into a slightly better ticket size segment and the focus will be more on the INR300k-500k ticket size segment.
- It does not see the ticket size Mix significantly changing in the near term.

Pricing, yields and spreads

- FiveSTAR does not expect any further cuts in lending yields.
- It expects the cost of bank borrowings to decline in the quarter. However, the benefit of CoB (part of it) might be passed on to customers on incremental lending.
- Yields are at a range, which is comfortable for the regulator as well. If CoF declines materially (and sustainably), resulting in improvement in spreads, then it might look to pass on some benefits to customers.
- The company believes that no cut in yields will be required for the next 3- 4 quarters.
- Yields range between 21.5% and 22.95% (blended yields of 22.25-22.5%). FiveStar is already following a risk-based pricing and it is not envisaging any further drop in yields.

Branch Expansions

- Out of 750 branches, ~150 branches are split branches. Out of the 228 branches opened in FY25, 150 branches were split branches.
- FiveStar splits any branch that has more than 1,500 customers.
- Guided that it will open 75-100 branches (included the split branches) in FY26.
- FiveStar has entered Gujarat and opened the first branch in Ahmedabad.
- Focus will be on delivering better productivity from the branches opened in FY25.

Affordable Housing - Likely to foray in 3Q/4Q

- Affordable housing is complementary to FiveStar's business. It might start affordable housing organically from 3Q/4QFY26 onward. It will be utilizing its existing employees and branch network for building the affordable housing business.
- Home loan customer profile will be better than micro-LAP customers. Yields will be different in housing loans. It cannot target the same set of customers for home loans as it does in LAP.

Dividend Policy

- FiveStar will become a dividend-paying company and there will only be a gradual improvement in the dividend payout ratio, which will range around 5-8% over the next few years.

Financial performance

- FY25 PAT stood at INR10.73b, up 28% YoY. The board recommended a dividend of INR2/share -dividend payout of 5.5% (total dividend expense of ~INR600m). This will not impact its capital adequacy and its need for growth capital in the future.
- Active loans stood at 460k, up 19% YoY.
- Added 228 branches (largely because of the split branch strategy).
- Disbursements grew 9% YoY. Disbursement momentum is back on track.
- AUM grew 23% and if not for the KAR disruption, it would have achieved its guidance.

Others

- Guided for steady state AUM per employee of INR12.5m, which is expected to start inching up within the next 12-18 months.
- The business officer count stood at 4,889 and the company disbursed 37,855 loans in 4Q. Every officer is doing ~2.6 loans per month, which will inch up to 3 loans per officer per month.

- 55-60% of FIVESTAR's borrowers are operating with credit bureau score of 450-600.
- TN and KAR will inch up their growth - TN on a quarterly basis is performing very well and it will cross 30% YoY growth.
- Faster growth in some of the inflection-point states in Central India. 8% of the portfolio is in Central India and it will inch toward 10-12% going ahead.
- Within the guided AUM growth, 5% will come from productivity increase, 5% from increase in ticket sizes and the rest from customer acquisitions in existing and newer branches.
- The sanction-to-disbursement ratio is ~95%; the login-to-sanction ratio is ~75%.
- Stress in the <INR300k segment is higher than in the INR300k-INR1m ticket size segment.

Fusion Finance — Neutral

Current Price INR 170

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Disbursement growth

- The company is adopting a calibrated and conservative approach to disbursements. It is not in a hurry to return to previous growth levels in MFI.
- Monthly disbursements in Apr'25 were INR3.1b and are expected to rise gradually. The company expects disbursements to be at similar levels in May'25.
- The company does not plan to expand into new geographies. It aims to penetrate deeper into newer villages in existing geographies.
- 72% of disbursements are to existing customers, reducing acquisition costs. The balance ~28% to new customers is split between NTC and others.
- NTC customers account for 15% of total disbursements, which has remained at similar levels in April and May.
- Medium-term growth will be clearer after 1QFY26. This quarter will focus on stabilizing. Further, the company will take some more time to guide on the three-year plan.
- UP and Bihar continue to show improvement. The company is going slow in Gujarat, Orissa, and TN, while it sees good opportunities in Assam, WB, and AP.
- Fusion is not in a firefighting mode and has now moved into the stabilization phase. The company maintains a cautiously optimistic outlook.

Asset quality

- AUM growth and disbursements remained muted as Fusion prioritizes asset quality.
- Credit costs have consistently declined, from INR6.9b in 2QFY25 to INR5.7b in 3QFY25 to finally INR2.5b in Q4FY25.
- Net flow rates improved to 0.57%, reflecting better collections and branch-level discipline. The company expects flow rates to remain at similar levels in 1QFY26.
- The company has increased provision cover on stage 3 to ensure minimal impact from write-offs on credit costs in the coming quarters.
- The company has reduced PCR on Stage 1 and 2 assets as the new book that originated post-Oct'24 is showing good signs of asset quality.
- Write-offs for the quarter stood at ~INR9b, including accelerated write-offs of INR4.05b.
- The company holds ECL provisions of INR8.7b, including a management overlay of INR595m.
- The company reversed interest income to the tune of INR200-210m for the asset moved to Stage 3. It has taken all interest income reversals from Stage 3 and written-off assets.
- Overleveraging has come down significantly: customers with >3 lenders reduced from 31% to 18% in Mar'25. Further overleveraging in the new book has reduced to ~14%.

Borrowings and cost of funds

- The company raised INR5.8b in incremental borrowings in 4QFY25.
- It has INR14.3b of sanctions in hand and INR8b of cash and cash equivalents.
- Capital adequacy ratio stands strong at 22.42% (Proforma CAR post rights issue is ~30%+).
- Even in the current quarter, the company was in breach of financial covenants. It successfully received covenant waivers for 86% of borrowings. The company is actively engaging with other lenders to receive waivers.
- There has not been a single recall from any lender despite the covenant breaches, which shows lenders' confidence in the company.
- Marginal cost of funds stood at 10.37%. Average cost of funds stood at 10.2%.
- Two rating downgrades in the past 6-9 months have led to rising funding costs. Discussions are ongoing with rating agencies.

MSME

- There is a dedicated experienced leadership team for the MSME business. In the past few years, the company has focused on doubling the infrastructure in MSME to deliver the required growth.
- MSME AUM stands at INR6.7b, with ~90% of the book secured and client IRR at 22%. The company operates through a network of 105 branches.
- It targets customers with income >INR300k. Credit costs in MSME are currently low as it is a low vintage book.
- There is no overlap between MFI and MSME customers.

Collection efficiencies

- The early vintage book is performing well; collection efficiency on the new book (post-Oct'24) is ~99.5%-99.7%.
- Overall CE stood at 98.44% in Mar'25, up 180 bps YoY. April CE remained steady, ranging between ~98.38% and 98.4%.
- The new book from Oct'24, which is roughly INR25b and ~34% of the overall book, recorded collection efficiency of 99.67% in Mar'25 and 99.61% in Apr'25.
- Orissa is a reduced state for the company, where growth will be slow. However, CE in Mar'25 stood at 99.52% and was at similar levels in April.
- Tamil Nadu: The collection efficiency in TN was steady post the ordinance. However, in the last five days, the industry saw some stress, though this is not a concerning matter for now.
- Bihar: CE in Bihar was similar to previous levels, with some progress observed.

Operating expenses

- Operating expenses remain elevated, primarily due to staff costs and changes in incentive structures.
- Opex in 4QFY25 stood at INR2b, of which 70% were employee benefit expenses. Employee expenses were down QoQ due to the number of people.
- Around ~20% of employee expenses will be on collections.
- The company expects cost normalization post 1QFY26 as the collections team stabilizes.

Leadership changes and others

- Sanjay Garyali has been appointed as the new CEO.
- The senior management is engaging with employees to understand what is happening on the ground.
- The company successfully completed a partly paid rights issue of INR8b, with strong participation from existing investors. The issue was subscribed 1.5x.

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HDFC AMC — Buy

Current Price INR 4,890

Business:

- Despite subdued market sentiment, gross SIP inflows dipped just 2% QoQ in 4Q, while registering a robust 25% YoY growth. Management remains confident of a sustained improvement in flow trends.
- The decline in SIP flows at the company level was lower compared to the industry average, indicating relative strength.
- The average ticket size (ATS) of SIPs declined 12% YoY, mainly due to a reduction in high-value STP transactions.
- While equity NFO flows saw a sharp decline at the industry level, the impact on HDFC AMC was limited due to its broad and diversified product suite.
- HDFC AMC is set to launch a Category II Credit Fund, having already received regulatory approval.
- The international subsidiary launched three new funds in 3QFY25, which received strong investor interest and enabled global investors to access Indian markets. Management has indicated that additional launches are planned in the upcoming fiscal.
- The direct channel's share in total equity AUM continues to rise. Management expects this trend to continue, supported by lower TERs in direct plans and increased participation from fintech platforms, RIAs, family offices, and HNIs.
- Funds have navigated market cycles well and are positioned for further performance improvement. Mid- and small-cap fund managers have made effective calls, contributing to the overall outperformance.
- FY25 marked the first year where both liquid and debt funds saw inflows concurrently. AMFI's "Debt Fund Sahi Hai" campaign drove awareness and contributed to strong traction.
- Corporate investors continued to prefer shorter-duration debt funds, while individual investors gravitated toward longer-duration products.
- ~94% of total transactions were processed digitally, reflecting strong digital capabilities.
- The company opened 25 new offices in Jan'25 (~50 over the past 15 months), bringing the total to 280, including 196 in B-30 locations. Management will continue to explore further geographic expansion.

Yields

- Equity/Debt/Liquid fund yields stood at 58bp/28bp/12-13bp.
- Overall yields (as % of AUM) declined to 46.6bp in 4QFY25 from 47.5bp in 3Q, primarily due to fewer trading days leading to lower flows.

Financials

- A new ESOP plan has been proposed, awaiting shareholder approval. Under this, ~2.5 million shares (including performance-linked stock units) will be allocated to employees over four years in a 10%/20%/30%/40% vesting structure.
- The FY20 ESOP scheme (old scheme) had approved ~3.2m shares, of which ~2.3m were granted. The remaining shares have been cancelled and replaced with the new scheme.
- Despite challenging market conditions and underperformance in small- and mid-cap segments, other income posted strong sequential growth, supported by rate cuts, which benefited debt fund investors.

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Home First Finance — Buy

Current Price INR 1,286

Guidance

- Spreads to be in the range of ~5.0-5.2%; NIM will expand for the next few quarters as leverage has declined post the QIP
- Opex to Assets will remain in the same range and the company will be more focused on growth for the next few years.
- Guided for disbursement growth of 20-25%, repayment rate of 17-18% (including of BT-OUT of 7.0-7.5%) and AUM growth of 27%-30%; FY30 AUM guidance of INR350b.

NIM

- Out of the ~20bp QoQ expansion in NIM, ~10bp was due to lower surplus liquidity on the balance sheet and the rest was because of some mark-to-market (MtM) activity, which gets reflected in the interest expenses line.

Asset Quality

- ECL model is refreshed annually in Mar'25. On Stage 1, it uses 12-month probability of default. This year was BSR's first audit of HomeFirst and they have done full detailed audit of the ECL.
- Early delinquencies have improved in the quarter - 1+dpd has declined 30bp QoQ to 4.5% and 30+dpd declined 10bp QoQ to 3%.
- In FY25, write-offs stood at ~INR170m and recoveries stood at ~INR20m.
- LAP GS3 stood at 1.2-1.3% and HL GS3 stood at 1.8-1.9%.
- Management overlay of INR130m in the ECL provisions.

Liabilities and CoB

- For HomeFirst's bank borrowings, usually there is a ~60% transmission (over a 12-month period) of the Repo Rate cuts.
- Shorter-tenor linked borrowings have seen some repricing benefit. If the policy rate cut had not happened, then the CoB would have stood at 8.5%. So it has already received ~10bp benefit from the ~50bp cut in the Repo Rates.
- Choice between PSU/Private bank borrowings is largely driven by relationships, and because of a large line from SBI, it is bunched up in 4Q.
- NHB mix is 16% and it will remain in the range of 15-20%. Assignments are driven by liquidity needs and pricing; however, they will remain range-bound as a % of AUM.
- Liquidity buffer of ~INR24.7b (~INR12b on balance sheet and the remaining are unutilized lines).

Yields

- No PLR changes have been made despite two repo rate cuts.
- Yields stood at 13.3% and the origination yield was around 13.0-13.5%. When it sees benefits in CoB, it will pass them on to customers and it is confident of maintaining spreads of 5.0-5.2%.

Credit Rating Upgrade

- Hopeful that in the next 6 months, it should be able to see initial signs of a credit rating upgrade.

Competitive Landscape

- Private sector banks are not too much focused on mortgages as yet.
- FY26 should be a year of decent mortgage demand. Competition is very uniform across several years. From a competition perspective, it will be just like any other year - not very different.

Co-lending guidelines and the way forward

- Co-lending structure is RoE accretive. In P&L, it appears in the interest income and interest expense line.
- Draft guidelines do not have the mention of the co-lending model 2.

- Co-lending guidelines are still under discussion and there is no ticket-size cap in co-lending now, which is beneficial. If co-lending model 2 is eliminated, then it will make the co-lending a little more tedious. Under Co-lending model 1, disbursements have to be done simultaneously by both the entities.

No need to raise Equity Capital for the next 4 years

- HomeFirst can easily go up to leverage of 5x and it might not need to raise equity capital for the next 4 years.
- Milestone is to get to RoE of ~15%, which will happen over the next 6 quarters.

Financial Performance

- 4Q PAT stood at ~INR1.05b and RoE of 17%.
- Spreads for 4Q (excl. co-lending) stood at 5.1% and CoB was stable QoQ at 8.4%
- Borrowing profile continues to be well diversified, reflecting prudential liability management.
- CRAR stood at 32.8% (Tier 1: 32.4%). Post the QIP, leverage of ~3.3x; CRAR stood at 51% (proforma).
- Book spreads stood at 5.1% and it runs a fully floating rate book. As the CoB evolves, it will transmit the CoB benefit to customers.

Others

- Guided for an average of 10-11 employees per branch.
- Attrition declined by 2-3% YoY. Hiring is bunched up in 1Q, since it does campus hiring. The number of people joining in the last quarter is never very high.
- The company will be able to maintain its average productivity at the same levels.
- Active Connectors stood at 3,800 and number of RMs stood at 1,200 (Top 10 contributed <4% of the business)
- Ambition is to reach from 2% (currently) to 4.0-5.0% market share in the medium term.
- Newer branches scale up to AUM of INR300m-500m within 2 years.
- Smaller branches (<INR250m AUM), mid-sized branches (INR250m-INR750m) and large branches (>INR750m AUM) - Number of branches is roughly 1/3rd each among smaller, mid-sized and large branches.
- ~30% of the LAP customers are those who would have started the construction by borrowing from someone else and now they want to repay the loan and the remaining use it for consumption or business purposes.
- HomeFirst's new partnership with PhonePe was started a few months back. In all the digital partnerships, the arrangement is to focus on new acquisitions.
- Tamil Nadu: It has 24 branches in Tamil Nadu and it is taking a step back to see where it can expand. Some leadership changes in TN and there is recalibration happening in the state. Looking at making some changes and it will come back stronger. It has plans of re-energizing some of the states like TN and Gujarat.

IIFL Finance — Buy

Current Price INR 429

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Results Update

Guidance

- Targets a gold loan growth of 25-30% and MFI Loan growth of 5-10% in FY26. Credit costs to remain in the range of 2.5-2.7% (PY: 3.1%)
- Guided for an RoA of ~3% and RoE of ~16% in FY26. This guidance assumes that the co-lending and assignments will go back to the levels that it was before the gold loan ban.
- The company expects a NIM improvement when the gold loans in the mix improve. It also has plans to make aggressive investments in AI/Technology. The idea would be to bring the cost-income ratio down to FY24 levels.
- Expects DA and co-lending to pick up in FY26. Targets to increase the off-book (co-lending and assignments) to ~40% by Mar'26


IIFL Finance

Business Update

- IIFL has demonstrated remarkable resilience and agility. Consol. PAT (pre-NCI) stood at INR2.5b, up 208% QoQ. AUM rose ~10% QoQ to INR783.4b.
- It expects to see acceleration in AUM growth and profitability in FY26
- Asset quality improved further, and GS3 declined to 2.2% (PQ: 2.4%)
- Most banks have held back on the co-lending because clarity on co-lending guidelines is awaited (and expected in this quarter).

Financial Performance

- In 4QFY25, the consol. PAT stood at INR2.5b, down 40% YoY and up 208% QoQ
- PPoP stood at INR6.58b, down 17% YoY
- Consol. AUM rose 10% QoQ and was down 1% YoY
- MFI has declined in line with how the sector has performed this year.
- Assignment book was up 3% QoQ, and co-lending book rose 15% QoQ.

Gold Loans

- Recouping and regaining its lost customers in gold finance
- It already has the infrastructure of branches across the country that it can leverage.
- The underlying assumption is that the gold prices will remain firm, and a large part of the growth in gold loans has come from higher gold prices.
- Abhiram is heading IIFL's Gold loan business.
- Momentum seems to have remained good in Gold loans, and the management expects this momentum to continue in FY26
- Gold loan yields have started increasing, and there is still some more room to increase.
- IIFL does not have any gold loan product or scheme which is <1.2% p.m.
- If the gold loan prices fall significantly, it could impact the industry growth in gold loans.

MSME Loans

- Tenor is 12-24 months, and these are working capital loans or, in a few cases, even for capex.
- Significant co-lending and DA will also happen in MSME loans as well
- Intends to grow faster in the secured portfolio and unsecured portfolio will largely grow through bank partnerships
- The unsecured portfolio will grow at a slower pace, and it has been building its team for the secured portfolio
- It will look to increase the average ticket size (ATS) of its LAP portfolio
- MSME is a segment where IIFL will leverage its zonal branches. Distribution capacity is significantly higher.

Equity Raise

- IIFL will focus on DA and co-lending in FY26; at an appropriate time, it will evaluate an equity capital raise.
- If it is not able to sell down or get co-lending partners for growth, then it might have to evaluate an equity capital raise sooner than what is planned.

Branch Expansions

- IIFL will look to sweat its existing branches and get them to productivity levels which are similar to category leaders in Gold loans.
- Branch expansions still require RBI approvals. It is open to branch expansions in 2HFY26 or FY27.

Credit Costs

- MFI and Unsecured MSME portfolios can have higher credit costs this year. Product Mix in MSME will also pivot towards more secured and guided credit costs to normalize to earlier levels in FY27.

Gross Spreads should expand

- Share of Gold loans in the AUM mix was relatively lower in FY25. The loan mix of FY25 was slightly skewed, with a much lower share of gold loans than normal.
- Interest rates have peaked out, and we are now in a declining interest rate cycle.
- Fully hedged USD ECB Loans came at higher interest rates, and it expects the CoB to now decline when some of these higher-cost borrowings mature or are repaid.

Micro LAP

- Within micro-LAP, there were some spill overs from the stress in the unsecured segment.
- The company will increase the average ticket size in the micro-LAP business. Ex-microLAP, asset quality has improved in the housing business.
- Micro-LAP loan-book in the HFC subsidiary stood at ~INR24b (~6% of the HFC AUM)

MicroFinance

- Guard Rail 2.0 was implemented from Apr'25 onwards.
- Guided for MFI average credit costs of ~5% in FY26
- Seeing no disruptions in Tamil Nadu and Collections are normal in TN
- Sell-down to ARC, which led to gains/write-back of ~INR500-600m. Reduced the Stage 3 coverage to ~71% (PQ: 88%). Management overlay of ~INR1.25b has also been released. This led to MFI credit costs being lower by ~INR2.4-2.45b.
- Apr'25 CE of ~96% in Karnataka would be similar to that in Mar'25.

Others

- April is generally a slack month, and IIFL is seeing a positive response from the bank for all its loan applications.

KFin Technolgies — Neutral

Current Price INR 1,206

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Financials:

- Revenue declined sequentially, primarily due to Mark-to-Market (MTM) corrections and a decrease in corporate actions, resulting in a 3% dip in issuer services revenue.
- Revenue in FY25 grew mainly on the back of new mandate wins, even as AUM declined due to MTM losses amid market volatility. Management anticipates strong revenue growth going forward, driven by both new mandates and AUM expansion.
- Revenue mix (%): MF fee-based revenues accounted for ~64%, issuer solutions 15%, and international business along with other investor solutions 14%. Within this, the international business contributed 5-6%. Following the Ascent acquisition, management expects this to rise to 13-15%.
- EBITDA margins are expected to contract in FY26, as Ascent operates at lower margins compared to KFINTECH. However, management does not foresee significant dilution in absolute EBITDA terms.
- EBITDA margin for 4QFY25 was 43.2%, slightly below expectations of ~45%, mainly due to due diligence costs amounting to INR120m during the year.
- EBITDA to cash conversion stood at 60% as of Mar’25.
- Technology costs constituted 19% of total revenues in FY25, down from 21% in FY24. Management expects this to decline further.
- Employee costs included ESOP expenses of INR113m. For FY26, these are expected to rise to INR180-200m, as more employees come under the new scheme.
- Headcount increased 5-7% in FY25, driven by a 33% YoY rise in volumes.

- Non-current assets held for sale, amounting to INR 61.68m in FY25, represent assets intended for transfer to the MF Central GV.
- Cash and cash equivalents stood at INR 6.6b as of Mar'25, to be used for dividend payout and the recent acquisition of a 51% stake in Ascent Fund Services.
- EPS rose 34% YoY. Management expects the Ascent acquisition to be value-accretive from FY27, with FY26 likely to remain neutral in terms of impact.

Domestic MF business:

- Two AMC renegotiations are underway, one with a large AMC and one with a mid-sized AMC.
- SIP inflows in 4QFY25 stood at INR 308 billion, reflecting a 37% YoY increase. KFINTECH maintains a strong market share of 39.4%.
- Net flows remained positive in 4QFY25, with the company accounting for approximately 69.6% of industry net flows.

Issuer Solution business:

- KFINTECH added 9,442 new corporate clients and 8m investor folios under issuer services. Market share in NSE500 companies stood at 49.6%.
- KFINTECH executed the top three IPOs in the industry during the year and is managing the next set of large upcoming IPOs.
- Of total issuer services revenue, ~45% came from folio maintenance, ~35% from corporate actions, and the rest from corporate events such as AGMs, e-voting, etc.

International investor solutions:

- KFINTECH has achieved 100 contract milestones with 76 clients in the international segment, including 12 new clients yet to go live.
- Of the total FY25 revenue of INR1.56b from international and other issuer solutions, ~INR480m was from international business, ~INR580m from AIF, ~INR120m each from Web IL and NPS, and the remaining INR270m from GBS.
- In Thailand, the contract has gone fully live and is receiving positive responses, with a strong organic growth pipeline.
- In Malaysia, KFINTECH manages 55% of the market share in the asset management industry.
- The South East Asian deal pipeline (Malaysia, Singapore, Hong Kong, and Philippines) is valued at revenue of ~USD25m.
- The deal pipeline for Ascent is larger than that of KFINTECH's existing international business.

AIF and Wealth:

- The number of alternate funds stands at 5,694, with a market share of 36.8%.
- AAUM grew 47.2% YoY to INR 1.5t, with 34 new AIF mandates won.
- KFINTECH continues to onboard marquee clients, along with securing new scheme wins from existing clients.
- The company secured two mandates for the wealth platform 'mPowerWealth' from Northern Arc Capital and Thrive Wealth, with a strong pipeline ahead.

NPS:

- NPS subscriber base grew to 1.62m, up 32.4% YoY vs 12.2% for the overall industry.
- Market share in the total subscriber base rose to 9.8% in Mar'25 from 8.3% in Mar'24.

Others:

- Management stated that, apart from the recent large acquisition of Ascent Fund Services, no further major M&A activity is expected in the near term, except for a few smaller deals.
- In GIFT City, KFINTECH added three new clients, bringing the total to nearly 30, and now holds approximately 50% market share.

- For the KRA business, SEBI has granted in-principle approval; final approval is awaited. The platform is ready and operations will commence immediately upon receiving the final nod.
- Management indicated that the mortgage business will be allowed to naturally scale down, with no plans to grow it further, either organically or inorganically.
- A corporate-level AI policy is currently being drafted. All data insights are generated exclusively through AI, without human intervention.

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L&T Finance — Buy

Current Price INR 183

Guidance

- Guided for credit costs of 2.3-2.4% in FY26, with credit costs declining from 2HFY26 onwards.
- Improvement in RoA trajectory should continue as the problems in the MFI segment dissipate.
- NIM + Fee income guidance of 10.0-10.5%; As disbursements in MFI start growing, it will be NIM accretive.
- Guided for Retail loan growth of 20-25%. In MFI business, it expects loan growth of 10-15% (same as that of the industry)

Asset Quality and Credit Costs

- Credit costs directionally were unchanged QoQ.
- Credit costs emerging out of Farm (where directionally it is lower).
- It should be 1-2 more quarters before it will start seeing a structural decline in credit costs. 2HFY26 will be better than 1H in terms of overall credit costs.
- LTF will utilize macro-prudential provisions in its MFI business, if needed.
- LTF has seen the worst in terms of credit costs in its MFI business.
- Credit costs: In Farm, declined QoQ | In 2W, it will need two more quarters to start exhibiting improvement| In PL, stable QoQ.
- Farm credit metrics have been improving every quarter. On an indexed basis, the Farm segment Net non-starters has declined from 159% in Apr'24 to 38% in Mar'25.

NIM levers

- LTF will be scaling up gold loans and Micro LAP, which are high-NIM secured products. PL business will scale up, which has blended yields of >17%. It will also be working on certain fee-generation initiatives during the course of the year.

Microfinance

- Utilized ~INR4b of macro-prudential provisions in FY25. Unutilized macro-prudential provisions of INR5.75b
- CE of registered MFI players also witnessed deterioration in Feb'25 but improved in Mar'25/Apr'25. It expects CE in Karnataka to normalize by early 2QFY26.
- Seen the bottoming out of the MFI industry stress. Impact from the implementation of MFIN Guardrails 2.0 will be limited since LTF does not have a high proportion of overleveraged customers (with more than 3 MFI loans).
- TN MFI Loan book stood at ~INR60b.
- When the entire MFI industry is going through an asset quality issue, then LTF has to look at non-leveraged customers. It has to go to segments where it can get non-leveraged customers. It is expanding to non-penetrated areas in Western UP and Rajasthan.

Tamil Nadu Bill and Impact on MFI business

- TN bill is targeted solely at unregulated entities.
- CE in TN stood at ~99.6% in Mar'25 (vs normalized levels of 99.7%).
- Onset of MFIN 2.0 guardrails is an overall long-term positive for the MFI industry

- TN bill has a broader scope rather than being limited to the MFI business. This will be a transitory impact for LTF in TN.
- LTF intends to maintain a risk-calibrated approach in MFI business - Non-leveraged and LTF-exclusive customers. If there is a squeeze in some part of the country, it has a big enough franchise to make up for it.
- TN development is concerning but the impact will not be as widespread as was seen in KAR. This is because this TN bill is broader rather than being directed toward MFI.
- Security Receipts (SR)
- Overall reduction of ~INR9b in the net SR book, which stood at ~INR58b as of Mar'25. Net SR Book has declined from INR67.7b (as of Mar'24) to INR58.62b (as of Mar'25).
- Expects sharper reduction in SRs in FY27 and FY28 (~30-40bp is the interest cost which will come down as the full book starts getting released).
- On a gross basis, ~INR13.5b was sold to ARCs and net SRs of ~INR5b got added in FY25.

Project Cyclops

- Cyclops will be implemented for PL and SME business in 1QFY26 and 2QFY26, respectively.
- CIBIL bureau analysis of 2W shows lower-risk portfolio underwritten through cyclops with the overall credit costs estimated to come down by 100-150bp.
- As the Cyclops implementation takes hold across products, there will be a structural decline in the credit costs.
- Loans growth and disbursements
- Retail loan book stood at INR952b, up 19% YoY.
- Maintained a healthy growth trajectory in home loans, LAP, SME and PL.
- Prime 2W disbursements increased to ~82% in Mar'25 (vs. 53% in Mar'24).
- Expects the disbursement momentum in the 2W business to continue. It will be moving more toward the LAP business and tempering down the disbursement in HL to manage yields.
- Share of Urban businesses has grown since it has tempered growth in the MFI business.

Product Segments

- MicroLAP: it has expanded its presence to six states in Southern and Western India. MicroLAP loan book crossed INR4.5b as of Mar'25.
- Warehouse Receipt Financing: Achieved cumulative disbursements of INR5b in FY25
- Supply Chain Financing: Positive outlook toward its potential to scale profitably
- Gold Loans: LTF was keen to enter this segment to complement its product portfolio given that it has high profitability and high cross-sell potential.

Financial Performance

Consolidated 4QFY25 PAT stood at INR6.36b

- 4QFY25 RoA/RoE of 2.22%/10.13%
- FY25 consol. NIM + Fees stood at ~10.59%
- FY25 RoA stood at 2.44% (up 12bp YoY) and RoE stood at 10.87% (up 52bp YoY)

Personal Loans

- PL growth coming from expansion of distribution through salaried prime customers and scale-up of Fintech Partnerships.
- Continues to operate in the Prime and near-prime segments.
- CRED, PhonePe, and Amazon partnerships cater to the Prime Segments and DSA channel originated Prime Salaried customers.

PL sourced through Partnerships

- Partners act as sourcing partners and there is no sharing of credit costs.

- CRED Partnership is a 90:10 co-lending model. With Amazon and PhonePe, it is just a co-origination partnership.
- 16% and PE of 1.5%-2.0%
- It has cumulatively done about ~INR6b of disbursements under these Partnerships. Disbursements moved up from ~INR1b in Jan'25 to ~INR2.15b in Mar'25
- Net non-starters in this Portfolio have been close to NIL, even though it has not implemented cyclops in the PL segment as yet.
- Tenor of PL Loans is 28-30 months.
- Customers on Fintech platforms pay 100-150bp higher interest rates (vs. customers who come through the DSA channel) if the customer journeys are good and because of the speed of disbursements.
- Opex on this sales channel is also very low.
- LTF does not do STPL and average ticket size in PL sourced through partnerships is INR250k.

Gold Loans

- Gold loan business acquisition will happen in 2Q; MicroLAP growing - bring fair visibility in maintenance of NIM within this range.

Two Wheelers

- 2W Loan growth guidance of 15-20%
- Implemented Cyclops in 2W from Dec'24 onwards.
- 10-13% relatively higher risk customers in 2W have shrunk to 3%, which has shaved off INR1.0b-1.25b of monthly disbursements and ~INR3b-3.5b of quarterly disbursements. These customers contribute ~10-12% in credit costs. Medium- and low-risk customers have increased.

Home Loans

- In HL, there were ~INR8b of unbanked cheques, which were not included in this quarter's HL disbursements.

RoA

- RoA improvement will come from better operating efficiencies and a structural decline in credit costs.

LIC Housing Finance — Neutral

Current Price INR 601

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Guidance

- Guided for disbursement growth of 10-15% and a double-digit loan growth.
- Guided for NIM of 2.6-2.8% and spreads of ~2%. It will be a tight balancing act - LICHF would need to increase the loan disbursements to margin-accretive segments - LRD, LAP, Project Loans, and Affordable Housing, where yields are much better. It will have to diversify into non-housing segments and work on its cost of liabilities.
- Guided for GNPA to decline to <2.2% and credit costs guidance of 9-15bp.
- Net recoveries of INR18b in FY25 and INR6.15b in 4QFY25. Guided that it will target net recoveries of ~INR15b in FY26.

Yields and PLR changes

- Due to an increase in the borrowing costs, LICHF had earlier taken an increase in its PLR of ~10bp in 4QFY25.
- LICHF reduced its PLR by ~25bp effective from 1st Apr'25 onward. There are some loans, which it resets every month and they would have got reset already. LICHF's major chunk of the IHL book has a quarterly reset and the ~25bp reset on the back book will happen from the 1st Jul'25.
- Majority of LICHF's loans are repriced quarterly so the PLR cut taken in Apr'25 will be effective for customers effective Jul'25.


LIC Housing Finance

- Incremental CoF stood at 7.66% in 4QFY25 and stood at 7.3% in May'25.
- LICHF revisits/reprices its PLR rate at the beginning of every quarter.

Margins

- NIM will be under pressure and it will require deft handling on the part of the company so that it does not lose out on the spreads and NIM.

Liabilities

- 55% Fixed and 45% Floating (linked to the Repo Rate and EBLR)
- NHB borrowings under the affordable housing fund come at 5.5-6.0%. But the rest of the NHB borrowings are costlier than other sources of borrowings.
- Out of 32% of bank borrowings, most of them are linked to repo rate and T-Bill. A small proportion of bank loans are linked to MCLR.
- ~INR300b of NCDs will mature in FY26 and they will be re-priced at lower rates.

Competitive landscape

- Focused on individual HL and competition is with banks which have CASA benefits. Competition is intense and rate on new Home loans is down to 8%.
- IHL market is getting very competitive as banks are becoming aggressive. Mortgage demand is there and there is a segment of customers who do not need home loans at lowest rates of 8%. LICHF will look to balance both Loan growth and NIM.
- It will be careful in passing on Repo rate cuts to borrowers and it will be flexible in passing on rate cuts to the customers based on the competitive intensity.

Loan Growth

- Hyderabad and BLR were impacted in 3Q; HYD is 100% back on track and BLR is 95% back on track (still experiencing ~5% pain because of slower registrations). Both these regions are back on track. East regions (WB, Assam and NE) are still behind expectations even though they represent a much smaller proportion of the loan mix.
- 4Q trends gives LICHF optimism about healthier growth in the subsequent quarters.
- BT pressure was witnessed in 4Q; banks were aggressive in cutting their lending rates. LICHF will have a tightrope walk compared to banks.

Change in CFO

- Mr. Sudipto Sil (ex CFO) needed some exposure in other lines of business and he has been moved into marketing.
- Mr. Vikas Mundra (new CFO) is an old hand with LIC of India and is a Chartered Accountant.

Asset quality

- Asset quality will continue to improve; Legacy-wise it still has ~INR80-90b of project portfolio. It also did an ARC transaction earlier this year to resolve one stressed developer loan.
- Its Executive Committee has agreed to restructure one more account in May'25 where the exposure is ~INR4.5b; It will remain in NPA for one more year till May'26.
- Big-ticket Project loans are lying in default; Project Loans are slightly trickly since they are in litigation in various courts; It is extending an offer to various delinquent accounts for settlement. However, it will not settle accounts below the principal outstanding.

Opex

- Elevated opex in 4QFY25 was because of marketing spends, promotions, competition contests in 4Q, and CSR spending. Fees and Commissions also rose.
- In Feb'25, it concluded the wage revisions at 17% (vs. usually at 15%) (this happens once in 5 years).
- Until last year, technology spending was under the capex model and from now on, it will be leasing the hardware, which will make it an opex.

Project Finance

- Project Finance book has shrunk since it has multiple large accounts (where lending was earlier done at 11.0-11.5%), which have gone out. LICHF has decided that it will not lend at rates of 8.5%-9.0% to builders/developers.
- In FY26, LICHF targets INR100b of disbursements in Project Finance.
- In 4QFY25, there were no large builder loans that were resolved. What is left now are the difficult loans in the Developer Stage 3 book. It is hopeful that there will be 2-3 resolutions in project finance in FY26.

Affordable segment

- Guided for disbursements of INR20b in affordable housing. It will take another 2-3 years for this segment to ramp up.

Business Update and Financial Performance

- Project Loans stood at <2% of the loan mix
- NIM in 4Q stood at 2.86% (3Q: 2.70%)
- Board declared a dividend of INR10/share
- Total ECL provisions stood at ~INR49b. Stage 3 PCR stood at ~51%.
- Technical write-offs stood at INR13.68b in FY25

Others

- Affordable Housing yields of 11-12%. LAP yields of 10.5%-11%.
- Benefit in interest income from the NPA recoveries is INR160m (FY25: INR4b)
- Recoveries from written-off accounts are part of the other income and they led to higher other income during the quarter.

M&M Financials — Buy

Current Price INR 263

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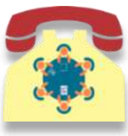

Mahindra & Mahindra Financial

Guidance

- The company has guided for mid-to-high teen loan growth over the next 3-5 years (medium term).
- Over the next 3-5 years, the target is to achieve a loan mix of 75% from the Wheels business, with the SME, Leasing, and Mortgages businesses contributing ~25%.
- Management has guided that, across cycles, it aims to maintain credit costs in the range of ~1.3-1.7%, with a focus on staying at the lower end of that range.
- Given the current collection throughput, management has guided that PCR will not exceed ~55% in the coming quarters (from the current levels of ~51%).

Outlook on vehicle finance

- MMFS does not expect the outlook to be overly rosy, especially for the customer segments it caters to. The company will need to stay on top of its collection efforts.
- MMFS shared that it will adopt a cautiously optimistic outlook for FY26, given the performance in the Wheels segment.
- According to the underlying commentary from OEMs, most product segments are expected to see growth in the low teens (10-13% CAGR) over the next 3-5 years. As a leading player, the company aims to maintain and build on its market share. Additionally, value appreciation is expected to drive growth into the mid-to-high teens.

Vehicle sub-segments

- MMFS will continue to explore growth opportunities in the underlying commerce across all Wheels product segments where it has moats. In PVs, the trend of SUVs continues, while entry-level vehicles are seeing weak demand. The company has also managed to achieve some growth in the LCV (buses) segment.

- There has been positive commentary on tractors from most OEMs, with the tractor segment appearing to be the most attractive segment for the next year. However, the company aims to find growth opportunities across all Wheels segments. In FY26YTD, the incremental business in tractors has been performing well, and it expects this momentum to continue for the rest of the year.
- The HCV business is expected to turn around in FY26, while the SUV segment within PVs is also expected to perform well.

Margins

- Fee-based income and a decline in CoF will support NIMs. As the leasing business grows, additional fee-based avenues will arise. The anticipated higher proportion of tractors in the product mix should also contribute to NIM expansion.
- NIMs have bottomed out and will only improve from hereon; benefits of CoF will start to play out.

Yields

- MMFS reported a QoQ decline in yields despite no significant pricing changes during the quarter.
- LOS and LMS were reset during the year, with the benefit calibrated to ensure that interest income is charged from the disbursement date rather than the agreement date. This adjustment had a one-time impact during the quarter.

Opex

- There were many one-off expenses in 4Q, which led to elevated opex during the quarter. FY25 opex to assets declined ~10bp YoY.
- The objective is to maintain an opex to assets ratio of ~2.5-2.7%

Asset quality

- PCR stood at 51.2%, and the company expects it to remain range-bound over the next few quarters, with no return to the levels seen during COVID.
- Rigorous collections will be required, as customer cashflows in FY25 cannot be compared to those in FY24.
- Gross slippages have been in the 3.0-3.5% range, and there is an opportunity in 4Q to settle more customer cases. Slippages seasonally rise in 4Q compared to 3Q.
- Write-offs have not been divergent and have remained more secular across different products. Write-offs have been decreasing YoY, validating the company's underwriting practices. Stages 2 and 3 indicate that write-offs are unlikely to inch up within overall credit costs.

Pre-owned vehicles

- The Used Vehicle business from existing customers has maintained its momentum, although MMFS chose to stay away from certain open-market used vehicle customer opportunities.
- The objective is to increase pre-owned disbursements to ~20% of the disbursement mix (vs 17% currently).

Business update

- Disbursements in 4QFY25 stood at INR155.3b, which grew 2% YoY.
- The company continues to operate in the desired zip codes, with GS2 + GS3 at 9.1%.
- End losses have been declining sequentially over the past four years. Credit costs declined to 1.3% in FY25 (vs 1.7% in FY24).
- NIM contracted both sequentially and YoY due to elevated CoB and some yield compression.
- MMFS will maintain its strategic focus on increasing fee-based income.
- SME disbursals in FY25 grew 48% YoY.
- Non-cash collections have increased from 66% to 77% YoY.
- Most critical applications have been migrated to the Cloud.

- Disbursements growth for 4Q was reflective of the disbursement growth for the full year. Tractor growth was strong, followed by PVs. CV disbursements were flat YoY.
- Non-wheels business accounted for 7.5% of new disbursements in FY25 (vs 5% in FY24).

Progress on mission - 2025 aspirations

- The company expects NIM to expand from current levels.
- MMFS has seen senior management upgrades over the past 12-18 months, with a strong blend of experienced leadership and new talent joining the team.
- It has a calibrated plan in place to ensure the non-wheels business grows in the right manner and right pace.

MRHFL (subsidiary)

- The focus is to first turn around MRHFL, followed by scaling up the affordable housing segment.
- NNPA remains below 1.5%.
- Provisions have been fully made, and performance in MRHFL is expected to improve further in the coming quarters.

Mortgage priorities

- The focus has been on setting the existing book in order.
- Leadership clarity is now in place, and right-sizing initiatives have already been completed.
- The focus is currently on over-indexing collections. While GS3 has come off slightly, there has been a significant improvement in NS3 due to adequate provisions for NPAs.
- The objective for the next 2-3 quarters is to optimize the existing INR60-70b mortgage book.

Electric Vehicles (EV)

- The company does not plan to solely finance low IRR business.
- There are 230 M&M dealers across the country, with higher demand for these vehicles in the self-employed segment compared to the salaried segment.
- The EV business will not solely focus on low IRR business. Initially, it did participate in the low IRR segment as well.
- MMFS now has co-lending partnerships in place, which can be leveraged to serve such customers.

Others

- The Wheels business is an attractive segment for NBFCs as well as Banks. MMFS has moats in terms of distribution, geography, and partnerships.
- While NIM may structurally shrink, the company has the ability to become more efficient, ensuring that overall margins are protected.
- Collection manpower: The company has reorganized its collection force to be more product-specific, with the team segregated by different buckets. There is a stronger focus on early bucket collections, making the overall collections function more efficient.
- SME is primarily retail, with a small portion in supply chain finance. Within retail SME, the focus is predominantly on LAP.
- Others in the loan mix include Trade Advances, Personal and Consumer Loans, Finance Lease Receivables, and Implements.
- Unlike the Wheels business, the LAP business is conducted through 150 branches. There is a concentration of the LAP business in certain hotspots, and MMFS has a presence in those pockets.

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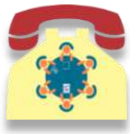

Manappuram Finance — Neutral

Current Price INR 234

Guidance

- MGFL expects robust growth in gold loans to continue in the subsequent quarters. It has guided for gold loan growth of >20% in FY26. The company is witnessing significant migration from the unorganized to the organized sector.
- The company expects the share of the MFI business in the consol. AUM mix to decline to ~10%.
- It has guided for an RoE of ~18%.
- It expects gold loan yields to decline in the coming quarters due to heightened competitive intensity. However, it also anticipates a reduction in its CoB. While some contraction in RoA is likely, the company aims to leverage its capital to deliver a healthy RoE.

Financial performance

- In FY25, the company reported a consolidated revenue of INR100.4b, up 12.5% YoY.
- The loss in 4Q was predominantly driven by higher credit costs in the MFI business.
- Excluding the MFI subsidiary, consol. PAT for 4QFY25 and FY25 stood at INR4.23b and INR18.43b, respectively.
- The CRAR (standalone) stood at 30.9%.
- The company reported an RoA of ~4.8%, with leverage remaining conservative.
- Standalone GNPA stood at 2.77%, while Standalone FY25 PAT stood INR17.83b, up 7.6% YoY.
- The company raised ~INR25.47b in term loans from banks during 4QFY25.

Draft gold lending guidelines

- The company is confident that the RBI gold lending guidelines will not disrupt the gold lending industry, as the guidelines are largely aligned with existing practices and present a level playing field for the players.
- There is a draft of gold guidelines in the public domain, which states that prior permission for branch openings is no longer needed before establishing new gold loan branches.
- Until the maturity date, the accrued interest will have to be factored while computing the disbursement LTV.
- The company aims to design schemes that comply with any new gold lending guidelines, ensuring no disruption to the gold lending industry.
- A representation has been submitted to the RBI to maintain LTV at current levels.
- The company is awaiting final guidelines and anticipates no issues in offering gold loans of varying tenors.
- LTV monitoring is conducted on a concurrent basis, and the policy for this has already been approved by the Board.

MFI business

- Asirvad AUM stood at INR72.1b. The MFI business will take time to resolve and recover.
- Disbursements are fully enabled at branch level based on the portfolio quality.
- The company is focused on improving collection quality by deploying a separate team for hard buckets.
- AUM for Asirvad (incl. INR9.28b of gold loan AUM) stood at INR81.9b. The Indian MFI sector witnessed considerable stress in 4QFY25, primarily from increased borrower defaults from over-leveraged customers.
- Asirvad posted a loss of INR6.26b in 4QFY25. It clocked a CRAR of 21% as of Mar'25.

- 4QFY25 was the weakest quarter, but the MFI business is showing signs of improvement. MGFL is encouraging its employees to prioritize collections and is looking to expand its collections team. To compensate for the decline in disbursements and retain employees, the company has increased its collection incentives.
- Following the implementation of guardrails in Aug'24, the company experienced higher delinquencies, with many of these cases slipping in 3Q and eventually turning into NPAs in 4Q.
- MFI write-offs stood at INR5.65b.
- The worst appears to be over for the MFI segment. Regarding the provisioning in Asirvad, the company expects credit costs to decline in the coming quarters.
- Asirvad: 1+dpd stood at ~20% and 30+ dpd stood at 17.22%.
- The company observed the highest impairments in West Bengal, Odisha, Karnataka, and TN, though KAR and TN are showing gradual improvement.

Gold loans

- The company expects strong growth in its gold AUM, supported by digital onboarding and rural demand.
- Consol. gold AUM stood at INR251.9b, up 4.4% QoQ and 18.7% YoY. This was despite the heightened competition.
- The company added 310k new gold loan customers, bringing the total number of active gold loan customers to 2.58m. Notably, 83% of its gold loan book is sourced through its online gold loan platform.
- Gold LTV declined to 57% (PQ: 60%).
- There was a ~55bp QoQ reduction in gold loan yields. MGFL has taken into account interest rate sensitivity and is making adjustments at select branches, with the aim of attracting higher ticket size gold loan customers.
- MGFL's pricing was not competitive for >INR500K ticket sizes, and it currently does not offer any gold loan contracts with a tenor exceeding 12 months.

Non-gold businesses

- Tractors, Farm Equipment, and 2W have shown signs of stress, leading to a tightening of underwriting in these segments.
- Considering the asset quality challenges in 2W and Farm Equipment, the company has adjusted its credit underwriting in the Vehicle Finance business. Disbursements are gradually being reinstated under the revised underwriting norms.

Liabilities

- Banks have started reducing the MCLR, resulting in some benefits from Apr'25. CPs are also being issued at slightly lower costs, and the company expects to see some benefits in its CoB in 1QFY26.

Bain Capital transaction

- The company expects to complete the Bain Capital transaction well before the end of the calendar year.
- The capital infusion will be made into the parent company, Manappuram Finance. Bain Capital has previously invested in Axis Bank and L&T Finance, bringing with it both domestic and global experience.

MAS Financials — Buy

Current Price INR 285

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Guidance

- The company has guided for standalone and consolidated AUM growth of ~20-25% in FY26.
- It plans to add 50 new branches during the year, strengthening its retail distribution network.


MAS Financial Services

- It has guided for housing finance AUM growth of ~30-35% in FY26.
- MAS aims to achieve a long-term sustainable ROA in the range of 2.75%-3%, with strong confidence in execution.
- The company aspires to scale its AUM to INR200b over the next 3-4 years.
- It targets maintaining 20-25% of its book as off-balance-sheet assets.
- MAS anticipates a ~25-35bp reduction in its cost of borrowing, driven by a ~50bp repo rate cut and further easing expected in FY26.
- Credit costs are expected to remain in the range of ~1%-1.5% going forward.
- Operating expenses are projected to grow faster than AUM due to continued investments in retail expansion and technology infrastructure.

Financial Highlights
- Both standalone and consolidated PAT crossed INR3b for the year.
- The company remained focused on risk management and preserving asset quality.
- AUM grew by 19.5% YoY in 4QFY25, reaching INR120.8b.
- MAS continues to prioritize profitability and asset quality over aggressive growth.
- Key focus products include MSME loans, micro-enterprise loans (MEL), two-wheeler finance, commercial vehicles, used cars, and personal loans.
- While all asset segments performed satisfactorily, SME lending is expected to be the key growth driver in FY26.
- The decision to limit branch expansion to 204 branches was deliberate and strategic.
- MSME lending contributed ~60% to overall growth, with other products also contributing meaningfully.
- The current loan book composition stands at ~77% MSME, 15% wheels, and 8% salaried personal loans.
- Depending on macroeconomic conditions, the company expects to achieve growth at either the upper or lower end of its guidance range.

Housing Finance
- Housing finance AUM grew by ~28% YoY in the quarter, with PAT increasing ~26% YoY.
- GNPA remained stable despite an average ticket size below INR1m and a focus on low- and middle-income borrowers.
- It has guided for housing finance AUM growth of ~30-35% in FY26.

Capital and Liability Management
- As of 31st Mar'25, the company had over INR30b of sanctioned funding available via term loans, NCDs, direct assignments, and co-lending agreements.
- ~INR17b in direct assignment and co-lending lines are expected to be deployed over the next two quarters.

Cost of Borrowing
- The average cost of borrowing during the quarter stood at 9.8%, with incremental borrowings at ~9.6%.
- The reduction in borrowing costs has supported margin expansion.
- As more banks transmit MCLR reductions, MAS expects an additional 25-35bp decline in funding costs in FY26.
- Substantial rate cuts may allow the company to pass on some benefits to end customers.

Asset Quality
- Stage 3 assets increased marginally in the quarter, primarily due to a conservative provisioning approach that factored in macroeconomic uncertainties and forward-looking macro factors.
- The company has adopted a cautious stance in sectors like textiles and FMCG, where it slowed fresh lending due to past stress signals.

- Credit costs are expected to remain in the range of ~1%-1.5% going forward.

Salaried Personal Loans
- MAS intends to keep salaried personal loans capped at 10% of its total portfolio.
- The product was introduced to tap into consumption-led credit demand and enhance ROA generation.
- The company has partnered with 4–5 fintechs to distribute salaried PLs and is actively monitoring their performance.

MFIs
- MAS has remained cautious on partnering with MFIs over the past 18 months due to concerns around underwriting practices in the sector.
- Given the current stress, the company does not anticipate increasing MFI exposure in the near term.

Others
- The company plans to reduce its reliance on channel partners from 36% to ~30% in the medium term.
- MAS has implemented BRE-enabled alloys and BIE-enabled credit processes to enhance credit assessment.
- The technology team has expanded to over 100 professionals, highlighting the company's commitment to digital transformation.
- The continuous interaction with regulators strengthens MAS's confidence in sustained growth and system liquidity.

MCX — Neutral

Current Price INR 7,102

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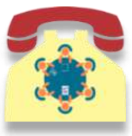

Financials:
- In 4QFY25, futures revenue was INR750m, while options revenue stood at INR1.79b.
- Employee costs increased sequentially INR130m, of which 75% was a one-time performance-related expense, and the remaining 25% was related to recurring capacity-building initiatives.
- IT costs rose sequentially INR108m, with 30% linked to timing concentration in warranty and annual contract renewals, and the remaining 70% attributed to ongoing maintenance and renewable costs expected to recur annually.
- Management has indicated that expenses as a percentage of sales are expected to remain stable going forward.
- Depreciation rose 57% YoY to INR217m, and management expects this cost to remain at similar levels.
- Capital expenditure is projected to continue due to regulatory changes and the need to expand network capacity in response to higher trading volumes from clients.
- SGF contribution was at 7% of transaction income (with 1% each allocated to ISF and IPF), which rose INR149m YoY due to higher trading volumes and market volatility. Management expects this contribution level to persist.

Business Highlights:
- During Q4FY25, deliveries through the Exchange included ~1.46 tons of gold and 174.26 tons of silver across all variants. For base metals, 19,397 tons were delivered.
- MCX maintained the top spot in FIA exchange rankings for crude and natural gas segments, and ranked second for the gold and silver segments.
- Client participation increased 39% YoY, with 1.3m traded clients—1.07m in options and 0.48m in futures—reflecting growth across all participant categories.
- Around 140 FPIs have been onboarded onto the platform, contributing to overall ADT growth.

- FPI contribution for 4QFY25 was INR165b in options and INR6b in futures, accounting for 7% of total turnover. Currently permitted to trade in crude and natural gas, FPIs are expected to further boost this segment as more products become available.
- The premium charged on trades is influenced by market volatility, resulting in higher premiums for crude and natural gas compared to gold options.

New Products:

- MCX is actively engaging with the regulator on carbon trading contracts and plans to introduce these products once appropriate approvals are in place.
- Management has guided the upcoming launch of monthly silver options in 30kg, 5kg, and 1kg variants, following a positive response to the initial silver options contract launched in Nov'24.
- A new 10-gram gold options contract has been introduced, garnering a favorable response from retail investors, with both notional and premium turnover showing growth.
- MCX is working on developing electricity contracts and weekly indices. It currently offers two index contracts—Bulldex and the Base Metal Index—and plans to expand these by adding options on them.

Nippon Life india Asset Management Ltd

Nippon Life India AMC — Buy

Current Price INR 746

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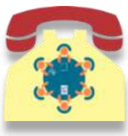

Key highlights:

- NAM is the fastest growing among the Top-10 AMCs in FY25 and has gained the highest incremental market share in the last 2 years.
- The company has a high single-digit market share in equity net sales and >10% SIP market share, both being higher than the equity market share. Excluding NFO, the market share is in double digits.
- Focus is maintained towards the retail and HNI customer segments as they are the greatest opportunity areas as per the management. Going forward in equity schemes, 90%+ of business will be from retail and HNI.

Fund inflows:

- SIP book has started to moderate for the industry due to market volatility. NAM is focused on diversifying products to attract investors towards SIP and maintain momentum.
- The company aims to be among the Top-3/ Top-5 players across categories.
- The company is not aggressive towards NFOs because of lower client stickiness. Following this strategy, the company is not losing market share, as reflected by growth in the investor base.
- In the last two months, liquidity in the MF industry has gone up in expectation of a moderate rate scenario. Further, FDs nearing maturity will be rolled over at a lower yield due to which MF schemes will become beneficial for investors. If the softer regime continues, there will be inflow into short-term and medium-duration funds.
- The company wants to offer different categories in passives and give flexibility to investors. The approach is to keep launching products and let the investor choose.

AIF and Singapore subsidiary:

- AIF segment raised cumulative investments of INR74.1b. In FY25, INR13b was raised which is the highest ever and 2.2x of FY24.

- The 10th fund was launched during the quarter and fundraising is underway for two public equity AIFs.
- Teams across functions have been strengthened with good offshore equity inflows across geographies. The company continues to expand its footprint in the Japanese institutional and retail space along with the European region.
- The sequential dip in offshore AUM was due to the impact of MTM.
- A new scheme launched in Japan gives access to Japanese investors in India and NAM will be a great beneficiary of this scheme. The management expects Japanese retail money to come into India in a few years through this scheme.
- The yield of offshore schemes was in the range of 60-100bp.

Muthoot Finance — Neutral

Current Price INR 2,293

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Financial Performance

- Consolidated Loan AUM grew 37% YoY to INR1.22t as on Mar'25
- Consolidated PAT at INR53.5b, up by 20% YoY
- Standalone Loan AUM rose 43% YoY to INR1.09t as on Mar'25
- Standalone PAT stood at INR52b, up 28% YoY
- Board declared a dividend of INR26/share. During the year, the company opened 850 new branches.

Guidance

- Guided for a conservative Gold loan growth of 15% and will revise the guidance (if need be) through the course of the year
- Interest spreads will remain in the range of 9-10%. If the interest rate comes down, it will look to reduce the lending yields from the next quarter to pass on the benefits to customers.
- There is a significant drop in the borrowing costs from Apr'25 onward and it should start seeing the benefits from 1QFY26 onward.
- Operating cost ratios will remain at similar levels going ahead as well.

Draft gold lending guidelines

- Draft guidelines are still in the draft stage and we should wait for the final guidelines.
- Last date for making suggestions/representations was 13th May’25. MUTH, as part of the association of gold loan companies, has asked the regulator for a personal hearing as well.
- As the Association of Gold loan companies, it wanted to highlight to the RBI that if there are changes in the LTV norms, it would not be in the interest of the customers. This could lead to customers migrating back to the unorganized sector. It has made a representation to the RBI and it will await the final guidelines.
- There are a lot of things happening in the gold loan market - 1) Gold prices have risen by more than 50%, 2) In the last one year, quite a few players have started coming into the gold loans businesses. Lot of banks have also become more serious in gold loans. What the RBI wanted to achieve was harmonization of the processes to be followed by NBFCs and banks. Old gold loan NBFCs like MUTH have been following all the guidelines, but the regulator was not sure whether the newer players were also compliant with the gold lending guidelines.
- If the LTV guidelines come out as they are, then the disbursement LTV will factor in the potential accrued interest to remain compliant with the 75% LTV

throughout the tenor of the loan. For example, if the gold loan interest rate is 20%, then the disbursement LTV should be 55% and if ~10%, then the disbursement LTV should be 65%.

Gold AUM

- Gold Loan AUM stood at INR1.03t and rose 41% YoY
- Gold loan Target Market has increased because more and more customers are looking at monetizing their gold ornaments.
- Gold auctions stood at INR4.61b in FY25
- Gold loans Portfolio LTV is <62%
- Incremental yields stood at 18.5%
- Accrued interest stood INR17.4b

Split of gold loans by ticket size

- <INR50K: 13%
- INR50K-INR100K: 15%
- INR100K-300K: 35%
- >INR300K: 38%

Personal Loans (PL)

- There is a rise in NPAs in branch-based PL because of some weakness in collections - this would have been factored into the Stage 3 loans.

Belstar Microfinance

- Opened 57 branches last year.
- FY25 PAT of INR460m, despite a challenging environment
- Stage 3 stood at 4.98% (in line with peers) and Stage 2 stood at 3.17%.
- There will be some impact on collections in the initial stages even as this TN Bill is not applicable to NBFC-MFIs. In both, KAR and TN, the NBFC-MFIs are exempted.

Muthoot Money

- Started in Vehicle Finance and slowly winding down the hypothecation business. Now it is focused on the gold loan business
- MUTH Money has just completed 1,000 branches. It will sweat these branches and later when needed, it will seek RBI approval for opening gold loan branches.
- Gold Loan AUM stood at INR37b (PY: INR10b). Hypothecation AUM has declined from INR5b (as its peak) to INR1.5b as of Mar'25.
- It does not see any regulatory concerns in operating gold loan business from MUTH Money.

Asset quality

- Stage 3 on Gold loans stood at INR33.5b (PY: INR24b) and on non-gold loans stood at INR3.5b (PY: INR1b). There is an increase of INR2.5b in non-gold Stage 3 loans during FY25.
- Total credit costs in FY25 stood at INR7.66b. Within this, write-offs stood at INR1.3b and INR6.3b is the increase in ECL provision (~INR2b because of increase in non-gold NPAs and the remaining because of growth in gold loans).
- Total NPA stood at INR41.2b in Dec'24 (vs. INR37b in Mar'25). Large part of the decline in the Stage 3 during 4QFY25 was in the gold loans portfolio.

Branch Expansion

- MUTH Finance (standalone entity) has approval for 115 branches, which it will open in FY26.

Muthoot Home Finance

- Loan AUM at INR29.85b in FY25, growth of ~47% YoY

- PAT stood at INR390m in FY25 (vs. INR180m in FY24; growth of ~114% YoY)
- GNPA stood at 1.17 % (vs. 1.88% in FY24); NNPA stood at 0.46% in FY25 (vs. 0.57% in FY24)

Muthoot Money

- Loan AUM stood at INR39b and rose 250% YoY on account of increase in Gold loans

Asia Asset Finance

- Asia Asset Finance PLC (AAF) is a listed subsidiary based in Sri Lanka where Muthoot Finance holds 72.92% stake.
- Loan AUM stood at LKR31.33b in FY25. Total revenue for FY25 rose to LKR6.95b as against LKR6.6b in FY24, an increase of ~5% YoY. PAT stood at LKR440m in FY25.

Customer acquisitions

- Regular marketing activities and campaigns are constant and ongoing. This continues to help in customer acquisitions.
- All the marketing campaigns are designed to get more customers to the branch.

Others

- 15m downloads of the iMuthoot app and Muthoot Finance is the only 'pure play' Gold Loan NBFC in the Upper layer NBFC classification of RBI for 3 years in a row.
- Other income included some recoveries from the ARC transaction and treasury income from investment in MFs. There are still some more recoveries remaining from the ARC transaction.

Nuvama Wealth — Buy

Current Price INR 7,211

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Nuvama Wealth

- Within the wealth business, the focus is anchored on 3–4 key priorities: 1) expanding capacity to ensure scalability, 2) increasing the MPIS book (which now contributes ~70% of overall net new money), 3) continuing investments in technology with a transition towards GEN AI, and 4) strengthening the lending book.
- The lending business has undergone a model restructuring, expected to enhance ROE. The lending book is projected to grow in alignment with the overall business trajectory.
- Reported revenues came in slightly below management's expectations, primarily due to a dip in broking revenue.
- Adjusting for costs and revenues related to recent capacity hirings, the cost-to-income ratio would have seen an improvement of ~250–300bp.
- Management anticipates a reduction of ~100bp in the cost-to-income ratio by FY26.
- Out of the total 1,200+ relationship managers, about 500 have been with Nuvama for less than a year.
- The multi-asset platform, having transitioned out of beta, is now actively utilized by RMs and top-tier clients. Training formats have shifted from traditional classroom models to self-paced models for RMs, which have been very well received.

Nuvama Private

- Transactional revenue in the private wealth segment has increased, supported by heightened activity in unlisted shares and fixed-income products.
- Within the INR 1.93t of private assets, the corporate treasury book stands at ~INR 100b.
- The private wealth segment is focused on three core areas: 1) building capacity (with a 10% increase in FY25), 2) expanding offshore operations, and 3) growing the annuity revenue (ARR) book.
- Operations in Dubai are now fully functional and have reached operational break-even. Plans are underway to expand capacity, and the company has received final regulatory approval to commence operations in Singapore.
- The intensified focus on the ARR segment has resulted in a 33% increase in closing client assets and a 55% rise in ARR inflows.
- Around 60% of the private wealth revenue is derived from ARR, and with ongoing emphasis, this contribution is expected to grow further.
- Excluding capacity-linked costs and revenues, the cost-to-income ratio would have seen a 250–300bp improvement.
- During the year, 575 families were added, bringing the total to 4,250 families, supported by an RM base of 135.

Asset Management

- AUM recorded a 62% YoY increase, primarily driven by strong growth in public market assets and the commercial real estate segment.
- Currently, 92% of the total AUM is fee-generating.
- Net inflows for the quarter were modest, reflecting a focus on deploying capital in the commercial real estate funds.
- In the private markets, the emphasis has shifted to deployment, with 3–4 investments made during the quarter.
- A new fund was recently launched in GIFT City.

Asset Services

- The custody business posted a strong performance, growing 80–85%, with further growth anticipated even from this elevated base.
- Assets under custody rose 51% YoY, supported by increased float assets from new clients and higher yields, which are approaching 2%.
- The client base has expanded across both domestic and international segments.
- Domestically, market share grew by 20–22%, while on the international front, earlier uncertainties stemming from F&O regulations have begun to stabilize, resulting in improved float income.
- The pipeline for the international business remains healthy, with increasing client interest.

Institutional Business

- Market share in the Institutional Equities (IE) segment continues to grow, with fixed income maintaining its momentum.
- The segment is expected to benefit from an uptick in IPO activity. A sustained market rally will likely drive a strong pipeline and mandate generation in the Investment Banking (IB) business.
- Around 30–35 IPO mandates have already been signed, with issuance plans contingent on market stability.
- The business will also place greater emphasis on non-ECM services, having secured 10–15 advisory mandates—nearly all from the sell side.

Financials

- Fixed costs increased, largely due to the addition of 350 relationship managers over the past 18 months, primarily in the private segment.
- Operating expenses rose year-on-year, influenced by one-off and seasonal items such as the flagship IE event in Q4 and various offsite activities. Q4 typically incurs higher costs due to these factors, along with some marketing spending, which are expected to continue.
- Technology-related expenses are projected to remain elevated due to the integration of GEN AI into core systems.

Piramal Enterprise — Neutral

Current Price INR 1,126

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Guidance

- PIEL has guided for ~25% YoY AUM growth in FY26, crossing INR1t, led by ~30% YoY growth in its retail segment.
- Retail mix is expected to range between 80-85% in FY26.
- Legacy AUM is projected to decline to INR30-35b in FY26, and it will be negligible in the context of overall size.
- Expect PAT of INR13b-15b in FY26 (vs. INR4.8b in FY25). The contribution of growth business in PAT will be around INR12b.
- Management expects the opex-to-AUM ratio of ~3.5%-4% in the medium term.
- PIEL expects growth in unsecured products to be higher in FY26 than in FY25.
- The company aims to increase the share of unsecured business by ~4-4.5% in total AUM over the next two years. This shift is expected to be NIM-accretive, contributing positively to margins.
- The company expects the cost of borrowing to decline ~10-20bp in the next year; however, overall cost of funds will remain largely stable as leverage will increase.

Opening remarks

- The last few years have been transformational for the company. Retail and wholesale 2.0 has reported a 50% CAGR in the last three years.
- The share of growth AUM in total AUM has increased from 34% to 91% over the same period. Legacy AUM rundown from INR430b to 91b.
- While running down the legacy book and investing in new business, PIEL was able to preserve its net worth, and it is stable at INR270b as of FY25.
- The company is in the final stages of merging PIEL with Piramal Finance.
- PIEL has significant embedded value in the balance sheet, which it will look to monetize in the next 2-3 years. Further monetization opportunity available from Shriram Life and the general insurance business, and the AIF book.
- The company has a tax shield INR145b, which will ensure that PAT is equal to PBT for the next few years.
- The company expects to receive deferred consideration of USD120m in FY26 from the sale of the Piramal imaging business.
- Consolidated NIMs have been increasing over the last 6-8 quarters.
- The company has reached the final stages of its transition journey and is excited about the opportunities that lie ahead.

Micro LAP

- PIEL launched a micro LAP business during the quarter.

- Micro LAP will remain a small business for the company with gradual and disciplined scaling.
- Target to achieve AUM of INR10b-15b by next year in the micro LAP business.

Financial highlights

- AIF recovery of INR17b over the past 2 years and INR9.2b in the current year.
- Consolidated AUM grew 17% YoY in FY25 to INR807b. The retail-to-wholesale mix stood at 80:20.
- Opex to AUM ratio in the growth business declined from 4.8% in 4QFY25 to 4% in 4QFY25.
- Credit costs stood at INR3b in growth businesses and INR2.3b in wholesale businesses, net of recoveries.

Retail Business updates

- Unsecured disbursements moderated and were down 1% YoY during the quarter vs. secured products, which rose ~22% YoY.
- Mortgage business grew 34% YoY to INR438b. Mortgage accounted for 54% of the total AUM of the company and 68% of the retail AUM.
- Mortgage business has robust asset quality with a 90% delinquency ratio of 0.5%.
- The company is among the largest lenders in mortgage financing and grows much faster than its peers, driven by distribution efficiency and on-the-ground presence with tech and AI/ML capability.
- Used car loans AUM was up 91% YoY, and Salaried PL was up 93% YoY
- The company is going slow in terms of disbursements in business and digital loans. Digital loans AUM was down 24% YoY.

Asset quality

- Overall retail asset quality remains healthy. 90+dpd in retail book was stable QoQ at 0.8%.
- MFI in business loans witnessed the largest deterioration in asset quality, and 90+dpd stood at ~6.9%. MFI is about 1.5% of total retail AUM. The rest of the products witness benign delinquency trends.
- Credit costs were similar in 4Q as compared to 3Q, despite some adjustments made in the ECL business. Management shared that Ex-MFI credit costs peaked in 3Q and MFI credit costs peaked in 4Q.

Legacy business

- Legacy AUM declined ~53% YoY to INR69b, and it constitutes ~9% of the total AUM.
- The company saw recovery in some lumpy loan assets, and credit costs were also high, which was adequately offset by AIF recovery gains, which is in line with AIF recovery guidelines.

Wholesale 2.0

- Disbursed increased ~22% YoY to INR18b across real estate and mid-market lending strategy. Average ticket size stood at INR1.7b.
- The company is seeing strong tailwinds in the real estate sector and will grow in a calibrated manner.
- During the quarter, growth was slow due to significant repayment pressure by both the real estate and CMA segments. Repayment was ~45% of the disbursed amount during the year.

- Since the inception of the new wholesale lending business, the company has not experienced any delinquency in the portfolio.

Cost of borrowing and leverage

- The company is seeing some moderation in the cost of borrowing on its marked linked borrowing and expects some more benefit to come in from June and July.
- The company has capped leverage at 4x, allowing room for additional borrowing if required.
- It is currently over-capitalized and plans to return excess capital to shareholders through dividends.

PNB Housing Finance — Buy

Current Price INR 1,064

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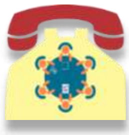

Guidance

- FY26 Guidance: Retail loan growth stood at 18% YoY; affordable loan book is expected to grow to ~INR95b by Mar'26 and ~INR150b by Mar'27; corporate disbursements stood in the range of 15-20b; credit costs are likely to remain benign, driven by recoveries from the written-off pool and RoA of 2.5-2.6% in FY26.
- NIM is likely to remain stable at 3.6-3.65%, driven by a change in the product mix, a decline in the CoB, and better yields from growth in the Corporate segment.
- The company has guided for opex of 1.0-1.1% in FY26.
- It projects Emerging and Affordable Housing in the loan mix to reach 32-34% by FY26 and ~40% by FY27.
- Additionally, the company has guided for NIM to increase to 4.0-4.1% by FY27; it targets to achieve a sustainable RoA of 2.5-2.6% by FY27 (without the benefit of provision write-backs).

Industry outlook

- FY26 is expected to be far better for the mortgage industry, with declining interest rates likely to drive higher demand and boost volumes.

Liabilities and CoB trajectory

- Within bank term loans, ~40% is linked to repo and the remaining to MCLR (primarily 1M and 3M MCLR).
- Banks have yet to reduce MCLR rates, but a 10-15bp reduction in CoB is expected over the next 2-3 quarters.

NIM

- As interest rates decline, the company aims to fine-tune yields to ensure that NIM is protected.

Asset quality and credit costs

- The company has guided for provision write-backs and negative credit costs throughout FY26, driven by recoveries from the written-off pool.
- Credit costs would have been ~25bp (excluding recoveries).
- There is no haircut when properties are sold in Retail. In Corporate, a potential haircut of 20-25% could apply.
- Retail recoveries stood at INR490m, with 174 properties sold through auctions in 4QFY25.

Possibility of a credit rating upgrade by the end of the year

- PNBHF received its last credit rating upgrade in 4QFY24 and 1QFY25. Given its strong performance, which is expected to continue, the company expects another credit rating upgrade by the end of the financial year.
- PNBHF is a professionally managed organization, with PNB holding a ~28% stake as the promoter. Even after private equity Carlyle exits, there will be no change in the way PNBHF is currently being run.

Branch expansions

- PNBHF had 356 branches as of Mar'25. It plans to bring this to 500 branches by Mar'27.
- The company plans to expand affordable branches to 300 by end-FY27 (vs 200 branches as of end-FY25).

Business update

- Retail loan book grew 18.2% YoY to INR748b.
- The Affordable and Emerging Market segments continue to increase their share, accounting for 26% (PY: 21%) of the Retail Loan Book.
- Despite being a late entrant in the Affordable segment, this performance highlights the significant opportunity within the segment and underscores the strength of its pan-India presence.
- GNPA stood at 1.08%.
- NIM was stable at 3.7% in FY25.
- The Board of Directors recommended a dividend of INR5/share.
- Disbursements grew 25% YoY to INR219b in FY25. The Affordable and Emerging segments contributed ~40% of retail disbursements in 4QFY25.
- The total pan-India branch network stands at 356 branches, including 200 affordable housing branches.
- GNPA improved to 1.08% (PY: 1.5%). One Corporate account, which slipped (in 3QFY25) into Stage 2, has now been rolled back to Stage 1.
- Total recoveries (Retail + Corporate) stood at ~INR3.36b in FY25. The company has a total written-off pool of ~INR10b in Corporate and ~INR4b in Retail.

Financial performance

- Retail loans grew 18% YoY.
- CoB declined ~15bp YoY to 7.86% in FY25. CoB in 4QFY25 was 1bp higher due to the higher cost of deposits. The company received ~INR50b from NHB and raised USD350m via ECB during FY25.
- It expects borrowing costs to reduce from 1QFY26 onwards.
- The expansion in NIM was driven by increased growth in the loan book without a corresponding rise in borrowings. This is expected to normalize in 1QFY26.
- The increase in opex is largely due to branch additions. It has also added affordable branches in 4QFY25, which will result in higher opex in the coming year.
- Reported 4QFY25 PAT stood at INR5.5b, up 25% YoY and 14% QoQ.
- FY25 RoA improved to 2.55% (vs FY24 RoA at 2.2%).
- Net worth stood at INR169b; BV stood at INR649/share.

Prime and emerging segment

- Prime and Emerging segment disbursements grew 17% YoY.
- The company has opened 35 new branches across Prime and Emerging markets, in line with its focus on profitable growth.

Emerging segment

- Disbursements grew 33% YoY in FY25. 4QFY25 disbursements grew 40% YoY.
- This business is currently generating yields that are ~41bp higher than the Prime business.
- It has opened a few new branches in the Emerging segment. The total distribution size is 79 branches (vs 50 branches as of Mar'24).

Prime segment

- Disbursements grew 13% YoY in FY25; prime book grew 11% YoY
- NHL in the mix grew from 26% to 30%.

Affordable segment

- Affordable loan book stood at ~INR50.7b, growing 32% QoQ and 180% YoY.
- The company is confident of closing the affordable loan book at ~INR95b by Mar'26.
- In the affordable segment, the bounce rate was at ~15-16% at the industry level, and for PNBHF, it was at 10.5-11%.

Incremental yields

- The company prioritized volumes and growth in 4Q. The decline in yields is seasonal and is expected to improve again in 1QFY26.
- The target is to improve yields to 12.65% in the affordable segment.
- PNBHF has not taken any PLR rate cuts due to the ~50bp repo Rate cut.
- In FY26, on incremental disbursements, it expects Prime yields of 9.25-9.5%, emerging yields of 10.25%, and affordable yields of up to 12.65%.

Balance transfers

- Within Prime, BT-IN and BT-OUT are almost at similar levels.
- At the Retail level, BT-OUT is 5.5-6.0% and BT-IN is 8%. With the affordable book, BT-IN is 21-22%

Salaried: Self-employed mix in disbursements

- Prime: 65:35
- Emerging: 60:40
- Affordable: 50:50

Others

- The disbursement-to-sanction ratio stood at 66%-67% in 4QFY25.

POONAWALLA FINCORP

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Poonawalla Fincorp — Buy

Current Price INR 405

Guidance

- Target RoA of 3.0-3.5% within three years from when the current new management joined. New businesses being constructed at 3%+ ROAs
- Expecting to raise primary equity capital early next calendar year
- Confidence in robust AUM growth maintained due to product diversification and digital journeys
- Opex will be elevated for two more quarters and OPEX to AUM ratio is expected to decline by Mar’26
- Six new businesses each have distinct distribution strategies: Gold loan: Dedicated branches (400 planned), Consumer durables: 10,000-12,000 point-of-sale outlets, Commercial vehicles: Dealership-based distribution, Personal loans: DSA network and 24x7 digital product for top corporates
- 80% of the residual STPL book (now 8% of the total) is at zero DPD. No more accelerated write-offs are expected from residual STPL book
- The company will focus on achieving sustainable profits from FY26-27. In FY25-26, the company will focus more on robust AUM growth.


Poonawalla Fincorp

Opening Remarks

- AUM grew by 42.5% YoY and 15% QoQ to INR356.3b. The original guidance was 30-35% AUM growth for FY25 and 35-40% thereafter
- The company is witnessing three key critical strengths emerging as differentiators for PFL: 1) digital journey, house-developed models, and risk analytics, 2) Deep product and risk expertise that the organization has built on various asset classes, and 3) a seasoned senior management team.
- Successfully launched all six planned new businesses ahead of schedule
- Prioritizing the quality of processes for the first 4-6 months before scaling up, following a risk-first approach
- PL Prime program launched in Aug'24 and has scaled from 0 to INR1.2b by Dec'24 and INR2b+ by Mar'25. 75% of PL Prime business is with category A companies with salaries above INR75,000.

Update on the six new businesses

- New STPL: The risk-calibrated approach has resulted in declining cheque bounces to 1/3rd. The company will slowly grow the same.
- Successfully launched six new business lines: Gold Loans, Commercial Vehicles, Education Loans, Consumer Durables, and Shopkeeper Loans.
- Gold Loan: Planning 400 branches by the end of FY26 across Gujarat, Maharashtra, Rajasthan, and Haryana. Build strategic Hubs in tier 2 and tier 3 cities that provide major opportunities and are underserved. These branches will be multi-product distribution branches.
- Commercial Vehicle: Commenced operations in Pune, Mumbai, Calcutta; deploying mobility solutions with 25+ integrations
- Education Loans: 300+ customer files logged in first 45 days; aim to build a network of 500+ educational consultants. Offering industry-first instant sanction solution for education loans
- Consumer Durables: Targeting 210 locations with 10,000-12,000 dealer points by FY26 end. Introduced PFL EMI card for pre-approved consumer durable offers

Risk management

- Implementing AI-based support tools for the credit and risk department by 4QFY26. Deploying suspicious transaction reporting with AI/ML by 3QFY26.
- Building an early warning system to predict employee attrition
- Infrastructure solutions for 400 gold loan branches to be implemented in 1QFY26

Collections and Debt Management

- Collection processes enhanced with 9-10% improvement in forward collection efficiency.
- Early bucket flows moderated by more than 40%
- Collection team using technology including field app, real-time monitoring, and persona-based digital engagement. Implementing industry-first technology for real-time allocation systems
- A robust liability management strategy includes raising long-term funds through NCDs
- Recently raised INR15.25b through NCDs in April 2025. NCD contribution increased to 12% of total borrowings (from 6% in March 2024)
- Focus on balancing long-term funding and the cost of borrowing.

Asset quality and financial performance

- Disbursements in 4QFY25 stood at INR93.7b, up ~21% QoQ.
- Overall credit costs reduced to INR2.53b in 4QFY25 from INR3.5b in 3QFY25 (-27%)
- The company has launched six businesses and will open 400 branches in 1QFY26; hence, the operating costs will see an increase in the next two quarters. However, from 4QFY26, the opex as a % of AUM will stabilize at a

prudent level, reflecting operational efficiency. Opex to average AUM: 4.8% for the quarter and 4.6% for FY25

- PAT stood at INR620m (vs INR190m in 3QFY25)
- Asset quality stable: Gross NPA at 1.84%, Net NPA at 0.85%, Write-off stood at INR15.5b for FY25, and 4QFY25 write-offs were significantly down as compared to 2Q and 3Q.
- With ~70% of total borrowings in variable rate instruments, the company is well-positioned to benefit from a declining interest rate environment.

STPL Book

- The erstwhile STPL portfolio which constituted ~21% as of Sep'24 of the total AUM has now come down to ~8% of the total AUM as of Mar'25.
- STPL credit cost reduced to INR1.37b in 4QFY25 from INR2b in 3QFY25 (33% reduction)
- The important thing to note is ~80% of the residual book is 0dpd and the company does not expect any further stress in the STPL book.
- 80% of residual STPL book is zero DPD with no expected increased stress. 4QFY25 had INR1.41b policy write-off with no accelerated write-off (vs INR1.63b accelerated write-off in 3Q)

Collections

- In the last 6 months, the company has improved collection efficiency by 9-10%.
- The bounce rates and collections track well and the company reaches customers 2x faster.
- The first EMI bounce has improved by more than 25%.
- The company is focused on achieving well-calibrated AUM growth with risk diversification led by the launches of various products while continuously strengthening the existing ones.
- The calibration is showing good results in terms of bounce rates and it is showing better results than the industry.

Power Finance Corporation — Buy

Current Price INR 408

Click below for Results Update

Guidance

- Guided for loan growth of ~10-11% and spreads of ~2.5% in FY26.
- The company is confident that it should be able to maintain its spreads guidance even in the near-term.

Standalone

- PFC registered its all-time high PAT of INR173.5b, up 21% YoY. PAT increase is driven by a healthy NII growth and provision reversals on account of resolutions.
- PFC's Board has declared a final dividend of INR2.05/share. Total dividend for FY25 stood at INR15.8/share.
- Within a stable range, yields for FY25 stood at 10.02%, CoF at 7.44%, resulting in spreads of 2.58% (within the guided range).
- FY25 NIM stood at 3.64%. With steady rising profits, PFC’s NW stood at INR909.4b, up 15% YoY
- CRAR stood at 22.1%, well above the minimum regulatory requirements

Asset Quality

- Resolved KSK Mahanadi in 4QFY25 with exposure of INR33b. Received INR44.48b under the resolution, and PFC made ~100% Principal recovery and ~INR11.92b recovered against interest income.
- Provisions of INR18.15b against KSK Mahanadi have been reversed in 4QFY25
- NNPA stood at 0.39%, GNPA stood at 1.94%
- Post resolution of Stage 3 stood at INR105.2b across 21 NPA Projects. Out of these projects, 10 projects with exposures of INR82.1b are being resolved

through NCLT. Within this, projects with exposure of ~INR26.05b are under liquidation.

- Two projects with exposure of ~INR16.61b are in advanced stages of resolution, both being resolved outside NCLT.
- TRN Energy with exposure of INR11.39b - 600MW Thermal Plant. The company has a PCR of 50%.
- Shiga Energy with exposure of INR5.22b - 97MW commissioned hydro energy plant. The company has a PCR of 31%
- The restructuring plan has been finalized, and the documentation and implementation process are currently underway.
- Sinnar Thermal with exposure of ~INR30b is a 1350MW coal-based plant. It is being Resolved under NCLT. Resolution offers have been received, and the way forward is under discussion. The company has a PCR of ~80%.
- IndiaPower Haldia with an exposure of ~INR9.59b is a 450MW coal-based plant. It is being Resolved under NCLT. The application for approval of the resolution plan has been filed before the NCLT. The company has a PCR of ~50%.
- Overall PCR of ~80% on Total Stage 3
- Increased PCR on Stage 2 from 0.58% to 1.85%. Guidance from RBI, and there has been a prudent approach that PFC has adopted.

Provisioning on Discoms in 4QFY25

- During the quarter, 15 discoms saw a credit rating upgrade and 13 discoms experienced a downgrade. Provision reversals from KSK Mahanadi have been utilized, ~INR9b, to account for these rating changes.
- 75% weightage attached to the financial performance - subsidy support from the government, efficiency improvement, and ATC improvement.
- There are some States that have slipped or some that are only maintaining at same levels as last year

Gensol Engineering

- PFC had disbursed INR3.52b, and 2741 vehicles have been delivered and hypothecated to PFC.
- Outstanding loan amount of INR3.07b (Post security encashment of FDs, it has made 100% provisioning on Gensol Engineering)
- Promoter-specific event, and it does reflect sectoral risk.
- There are no overdues against Gensol, but because of the fraud, it has already been declared as an NPA.

Loan Growth

- The main reason for guidance of a lower loan growth of 10-11% is expected weaker growth in the distribution segment, given that the LPS requirement will reduce as the health of discoms improves.
- Renewable book stood at INR810.32b, up 35% YoY, and PFC is the Largest renewable financing agency in the country.
- Distribution and Renewable, which contributed 55% and 17% of the total disbursements in FY25.
- India is steadily moving towards its 2030 energy transition - 30GW of renewable capacity was added in FY25, and Solar contributed 80% to the total renewable capacity addition in FY25.
- Currently, India has over 17GW of Rooftop solar installed capacity.
- New renewable power auctions are emphasizing solar-wind hybrid. More than 50% of the total auctioned capacity was for integrated renewables. The battery energy storage electricity cost has declined from INR8-10/unit in FY22 has come down to INR6-7/unit now. A decreasing tariff trend will help in achieving a significant scale going forward.

View on Discom disbursements and loan growth

- The company cut its loan growth guidance as disbursements under a few of the government schemes, such as LIS (Liquidity Infusion Scheme), are over, and LPS (late payment surcharge) is almost over now.
- In Discoms, the major funding requirement comes from government schemes like LPS and RBPF.
- Under RDSS, PFC has undisbursed sanctions of INR390b in hand. There was some delay in tenders, and now that has been addressed. First, the government grant will be released. Disbursements under RDSS will be higher in FY25.
- Funding through RBPF will continue in FY26 as well

Liabilities

- Within its foreign currency borrowings, ~70% Exposure is in USD
- Near 100% exchange-rate risk is hedged for the US Dollar-denominated portfolio
- If PFC can raise at a lower rate, it can pass it on to its borrowers to remain competitive.
- Average liability period of 4-5 years. ~25% of the borrowings will mature in FY26.
- A declining interest rate cycle will not pose a very big challenge, even as it acknowledges that pre-payments are a part and parcel of the lending business.

Private Sector Loans

- Growth is coming from the distribution sector or renewable. Renewable loan growth has primarily been in the private sector.
- It is looking to fund clean energy in a big way - With government push for private participation in the renewable sector, private sector loans will continue to grow.

Others

- At that point in time (when sanctions were ballooning), a large number of thermal projects were being sanctioned, which had a huge outlay. Most of the sanctions currently are coming from renewables refinancing, where the gestation period is very low. Capacities and project costs are also lower in Renewable.
- The Power Sector remains its primary focus. On the infrastructure front, it will gradually continue to grow.
- Issues like land acquisitions, Right of Way, and PPAs not getting signed - They are being resolved at the highest levels in the Ministry of Power.
- Prepayments happen in the normal course of business. Prepayments can be volatile, but growth expectations were 12-13%, and PFC delivered that in FY25. Guided for loan growth of ~10-11%.
- The government has taken sufficient steps under RDSS, but there are still ACS-ARR gaps that have to be addressed. Because of LPS, the generator dues have declined significantly.

Prudent — Money through wisdom —

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Prudent Corporate Advisory — Neutral

Current Price INR 2,889

Business:

- The opening AUM stood at ~INR 1.09t, reflecting a 9.2% increase over FY25. Net sales in April 2025 were comparable to the same month last year, although early May has seen some moderation.
- Gross equity flows through SIPs remained stable and continued to scale despite volatility in the equity markets.
- An internal analysis comparing Prudent’s equity AUM growth with Nifty returns and industry equity growth indicated that, despite weak Nifty returns, the equity AUM growth of Prudent remained higher than industry growth.


Prudent Corporate Advisory

- The quarter saw a 3.6% decline in QAAUM and a 5.8% decline in equity AUM on a sequential basis, primarily due to mark-to-market losses amid weak equity markets.
- Brokerage business pay-out stood at ~55%, while pay-out for other products (excluding MF and insurance) was around 65%.
- The top five AMCs accounted for around 45-47% of overall gross sales in FY25.
- NFOs contributed about 10-12% of gross sales, which is lower than the industry average, while SIPs remain a major contributor to total gross sales.
- Out of 0.2m active MFDs in the industry, ~25k are associated with Prudent. Around 10-12% of the industry uses Prudent's technology platform.
- Commission is typically 8-10% lower for MFDs who directly manage AUM with AMCs. However, Prudent's B2B2C model, supported by its technology and back-office services, enhances MFD productivity and compensates for the lower commission.
- The company is not actively expanding its B2C segment. Around 90% of business is sourced from MFDs, with the balance from direct B2C. Management expects the MFD contribution to increase to 91-92% in FY26.
- General insurance business is largely focused on retail health insurance. The company is evaluating inorganic growth opportunities in this segment.
- The Fundzbazar platform has undergone a complete revamp. New features, including smallcase, insurance, and bank fixed deposits, have been launched to provide a more seamless and comprehensive experience for clients and distributors.

Financials:

- On a standalone basis, MF revenue declined by INR 38m (down 5.1% QoQ), which was steeper than the 3.6% dip in QAAUM. The drop was attributed to two fewer trading days in Mar'25 compared to Dec'24. Excluding this factor, the decline in MF revenue was proportionate to the decline in MF AUM.
- PMS and AIF earnings are based on trail commissions.
- Three to four AMCs have reduced trail commissions, and Prudent has passed on the changes. The impact on gross yield is estimated at ~1.3-1.4bp.
- There were no fresh P2P flows due to new RBI regulations. No revenue is expected from this segment in FY26. However, continued strong performance from AIF/PMS and fixed deposit segments is expected to offset this loss.
- The average AIF and PMS AUM for FY25 stood at INR 10.8b, marking an 80% YoY increase, with the total AIF/PMS book reaching INR 12b.
- The FD book grew 43% YoY. With the addition of two more bank FD products, further growth is anticipated.
- Commission and payout expenses rose by approximately 300bp in FY25. About 180bp of this increase was due to the shift in AUM mix toward the partner channel, while the rest was attributed to incremental payments aimed at boosting net sales. Total payout for the year was 64.1%.
- Management estimates that for every 1% increase in AUM, payout is expected to increase by around 65bp.
- The company added ~4.9k new distributors in FY25, representing a 56% increase YoY.
- Excluding the shift in AUM mix toward the partner channel (which carries higher pay-outs), PAT growth for FY25 would have been 55% YoY, instead of the reported 41.7%.
- Employee count stood at 1,430 at the end of FY25. Management plans to onboard 100-115 additional employees in FY26.
- On a consolidated basis, employee expenses fell 19% QoQ due to reduced provisioning for variable costs, while the fixed component rose 14.5% YoY.

- The company has submitted a new ESOP plan for shareholder approval. ~1.65m shares (about 4% of total shares) are proposed to be issued under this plan over the next 10 years. For FY26, ESOP-related costs are expected to be 2.5-2.75% of PBT, with the financial impact beginning in 2QFY26.

Yields:

- Three to four AMCs have reduced trail commissions, which Prudent has passed on. About 12% of the overall AUM and 10% of the equity AUM have been repriced, with an expected impact of ~1.3-1.4bp on gross yields.
- Yields from new business are higher than those from the existing book, influenced by NFO participation, scheme size, and other variables.
- ~6-7% of the book comprises Karvy assets, which currently generate lower yields. Redeployment of this capital is expected to enhance overall book yields.

Repco Home Finance — Neutral

Current Price INR 400

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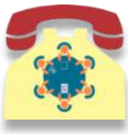

Guidance

- Guided for AUM growth of 12% in FY26 and targets to reach AUM of INR162b by FY26.
- Disbursement target for FY26 is INR40b
- Aims to reduce Gross NPA below 2.5%; NNPA to be reduced to below 1%.
- Spread is expected to be maintained at 3.2%; RoA is guided at 3.1%.
- Guided 14 new branches in FY26, taking the total to 247.
- Long-term AUM target of INR250b by FY28 through accelerated growth.
- The company will focus on increasing non-Tamil Nadu disbursements during the year.
- Anticipates the cost-to-income ratio to improve during the year
- Expects to engage with credit rating agencies for a credit rating upgrade during the year.
- Guided for Credit costs of INR100-120m in FY26

Asset quality and recovery

- Gross NPA reduced to 3.25% as of Mar'25, from 4.1% in Mar'24, due to enhanced recovery efforts like auction and OTS schemes.
- Stage 2 assets declined by INR1.5b and now stand at INR14b.
- Net NPA currently stands at 1.32%; the company targets to reduce it below 1% by Mar'26.
- The company highlighted that asset quality was improved during the year, led by four SARFAESI auctions and special OTS schemes which were executed during the year. The company also hired 73 employees dedicated to collections.
- The company will create a recovery vertical, which will be supported by the legal team. Additionally, the company will conduct monthly auctions going forward, which will further improve the asset quality.
- It will appoint an additional GM to oversee recovery, along with empaneled recovery agents.
- In the last 3 years, the company has disbursed INR90b in the new loan book and has seen NPAs of 0.7%. The company highlighted that the quality of the new loan book is better and does not expect any significant GNPA from the same.
- The company aims to increase PCR during the year. It expects credit costs of INR100-120m in FY26.

AUM growth and disbursements

- E-Khata issue is still there in Karnataka, however, it has moderated a bit, and the company has been able to do better business in Mar’25 as compared to Dec'24.

- The company has appointed a state-level resource in Gujarat and expects the business to pick up. It has already started improving in Feb and Mar'25.
- In Kerala, there are again manpower issues. Once that is resolved, the growth will pick up in the state.
- The company has taken a lot of initiatives to reduce pre-payments and BT-outs and is confident of achieving disbursements of INR40b in FY26. The sourcing channels of the company are improving as well.

Borrowings and cost of funds
- Total borrowings as of Mar'25 stood at INR111b
- Repco received INR1.5b sanction from NHB in FY25 after a gap of three years. The company aims to avail this sanction in the coming quarter.
- NHB's contribution is 7.85% of total borrowings, banks contribute 83%, and Repco Bank accounts for 9.2%.
- The company plans to apply for INR5-7b of additional refinance from NHB post Sept'25 and is confident of getting the same.
- To diversify the funding sources, the company plans to raise INR10-15b via NCDs and CPs, with INR1b of CP and INR1.0-INR1.5b of NCD targeted for the next quarter.
- The company acknowledged the higher cost of NCDs/CPs but emphasized that it is important to diversify borrowing sources.

Financial highlights
- Disbursements of INR9.8b in 4QFY25 grew 9% YoY. Sanctions stood at INR1.1b in 4QFY25.
- The company disbursed INR35b and sanctioned INR33b in FY25. This has been the highest disbursement in the recent past by the company
- AUM stood at INR145b as of Mar'25, grew 7% YoY
- The ratio of salaried and self-employed customers was stable at 52:48 as of Mar'25
- The new loan book showed strong growth, and NPAs in the new loan books remained low.

Branch expansion
- 31 new branches were added in FY25, taking the total to 233 (including 44 satellite centers).
- Expansion is focused outside Tamil Nadu, especially in Andhra Pradesh, Telangana, and western regions.
- The company is focusing on urban-oriented sourcing, DSA channels, and builder market partnerships.
- DSA pay-outs aligned with industry benchmarks at 1.2% per file for individual DSA.

Technology improvements
- New LMS and loan collection systems are now operational.
- Mobile apps for field staff and sales officers have been rolled out.
- Business Rule Engine (BRE) to be integrated for automated decision-making.
- Systems implemented over the past 1–2 quarters are now stable and performing well.
- Employee training and tech upgrades are ongoing.

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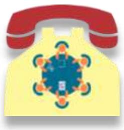

Shriram Finance — Buy

Current Price INR 651

Guidance

- Management expects ~12-15% growth in CV, ~20% in PV, and ~20% in MSME. It guided ~15%+ total AUM growth in FY26.
- It expects the overall credit situation to improve further aided by improvement in urban demand (from higher government spending) and improvement in Rural activity.
- Guided for NIM of 8.5%-8.6% from the benefit in its CoB in a declining interest rate environment and normalization in excess liquidity.
- The cost-to-income ratio will trend down to ~27-28% over one year.
- SHFL is expecting the credit costs to come down and is guided credit costs of ~2% in FY26.
- Management expects the Stage 3 PCR to remain in the range of 43-45%

Asset quality

- Stage 3 PCR - It has been carrying a coverage of >50% for the past 3-4 years.
- There was no impact on the P&L from the technical write-offs of INR23.45b.
- Urban areas have slowed done a little because of slower Government spending. It does not see any further increase in stress or credit costs in the coming fiscal.
- Certain rural segments in Central parts of India (Chhattisgarh, MP, and some parts of Bihar) alongside their border areas had some impact because of the slowdown in the economy. Now things are much better and it does not see any scope for further deterioration in asset quality.
- SHFL is confident that there will not be any significant forward flows in 1QFY26. Some of the accounts in Stage 2 will flow back to Stage 1 and some of them might remain in Stage 2 itself.
- PCR before Covid-19 used to be between 37% and 40%. As of Mar'25, Stage 3 PCR declined to ~43% (PQ: ~51%). During the pandemic, the company increased the PCR to ~50% and it was nudged by the RBI to maintain it at ~50%.
- Tax benefit (from write-off) is one-time in nature and it has come through in 4Q itself.
- SHFL is not seeing any higher repossession across the industry.
- Bad-debt recovery has been in the range of INR1b-1.5b per quarter and it stood at ~INR2.1b in 4QFY25

Opex

- In 3QFY25, the employee expenses were higher since it was running some schemes during the festive season in 2W and MSME.

Liabilities and CoB

- The incremental cost of borrowings stood at 8.86% and Portfolio CoB stood at 8.95% (same as what it was as on Dec'24).
- ~30% of the book will mature/reprice in FY26. The Capital market will adjust much faster and the repricing of the bank loans will take some time. It has reduced the rates on its public deposits.
- Overall in FY26, it will target a 15-20bp decline in its Cost of Borrowings.

Resource raising activities

- Total debt outstanding stood at INR2.24t
- Off-balance sheet DA outstanding at ~INR32b as of Mar'25 (similar levels as of Mar'24)

- Sufficient excess liquidity that the company is carrying now. Surplus liquidity stood at ~INR31b (PQ: INR27b) and it expects the liquidity to normalize to 3 months (INR18-19b) within the next 2 quarters.
- Raised ECB of USD1.28b at the end of Dec'24 and USD800m (INR77.16b) in 4QFY25

Vehicle Finance

- CV AUM growth has declined to 10-11% since the new CV Sales were flat YoY in FY25 because infra spending by the government was much lower this year.
- Over 2019-21, the CV Sales were low so there is not enough supply of used vehicles in the market.
- Since the CV sales have improved from FY22 onwards, the supply of used vehicles and the number of used vehicle transactions will go up from FY27 onwards. Currently, the AUM growth is coming primarily from higher used vehicle prices.

Gold loans

- Redemptions have outpaced disbursements in Gold loans and the AUM declined because of higher redemptions.

Personal loans

- SHFL slowed in PL earlier because the regulator was expressing concerns about the PL across the industry and it had tightened the credit requirements.
- The company has not seen any reason to be concerned about PL over the last two quarters. The industry delinquencies in PL have also peaked. This has prompted SHFL to start growing again in PL.
- SHFL does not look at growth in PL from the open-source market. It is offering PL to its existing 2W customers.

MSME

- 70-80% of the MSME loan book is secured with a Residential property or a commercial property
- The average ticket size is INR500K-600K and IRR of 16-24%

Auto volumes

- M&HCVs grew 3.9% YoY in 4QFY25 and were flat YoY in FY25.
- Total CV sales in FY25 declined 1.2% YoY.
- PV grew 2.4% YoY in 4QFY25 and grew 2% YoY in FY25.
- 2W grew 1.4% YoY in 4QFY25 and grew 9.1% in FY25.
- Tractors recorded a decline in 4Q and declined by 1% YoY in FY25.

Financial performance

- AUM grew 17% YoY and 3.4% QoQ and stood at INR2.63t
- NII in 4QFY25 grew 13.4% YoY
- NIM stood at 8.25% (PY: 8.48%) and the decline in the NIM was attributable to the excess liquidity on the B/S which will be rectified in the coming quarters
- GS3 stood at 4.55% and NS3 at 2.64%. The reduction in GNPA is primarily on account of technical write-offs of INR23.45b which were fully provided earlier.
- The Board of Directors has declared a dividend of INR3/share. Total dividend for the full year stood at INR9.9/share (after adjusting for the split).

Others

- IRR in the 2W segment ranges from 16-22%
- Shriram AutoMall has tie-ups with all the Banks and NBFCs. The increase in Automall revenues is not just because of repossessed vehicles but also because of customers who put up their vehicles for sale/exchange on the Automall platform.

- Attrition levels are steady and there has been no change. Employee count could have declined because of better productivity.
- SHFL has not done any large direct assignment transactions during the year.

Spandana Sphoorty — Buy

Current Price INR 270

SPANDANA

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Important clarifications (as part of opening remarks)

- Every NBFC-MFI undergoes a routine audit by the RBI and the regulator suggests areas for improvement. There has been no forensic audit on the company whatsoever. There has been a discussion with the regulator only with regard to how Spandana accounts for sales to ARC.
- MFI customers tend to make repayments through cash and this industry is susceptible to employee misappropriation and thefts. Recent industry stress has led to some such activities in Spandana as well.
- Headcount is increasing in branches and field-force. While Spandana implemented the MFIN guardrails 2.0 in Jan'25, the deferment of these guardrails at the industry-level to Apr'25 led to weak disbursements for Spandana in 4Q. During this time, the focus was on improving collections by increasing customer interactions on the ground.

Guidance

- The company guided for borrowers per loan officer to increase to 340 by Mar'26 (vs. 228 in Mar'25 and 344 in Mar'24).
- Guided for ~20% AUM growth in FY26. Disbursement growth will be similar to that of AUM growth. Disbursement growth will be back-ended in FY26.
- Within the existing borrower base, ~51% of borrowers meet the stricter credit norms recently adopted by the company for new loan eligibility. Around 20% of customers have 30+dpd with some other lenders, ~10% have relationships with three or more lenders, and ~4% have an outstanding loan exposure of over INR200k in the MFI or unsecured retail segment. Importantly, 96% of these borrowers remain current with Spandana, representing a sizeable pool of customers to prioritize during the year. Additionally, there is a large base of dormant borrowers who qualify under the tightened internal guidelines and can be re-engaged for future lending.
- Anticipates return to normalized credit cost by 3Q/4QFY26. Slippages from Stage 2 will remain elevated in 1HFY26.

Equity raise

- Equity raise plans are on track. It has received shareholder approval for capital raise up to INR7.5b. The rights issue will be done with promoter participation.
- Kedaara Capital - Promoter of Spandana- has residual fund life of 18 months through which it is invested in Spandana. It does not have pressure to exit their investments in Spandana immediately. If need be, the timeline of the fund from which they are invested in Spandana, can be extended.
- Looking at doing a Rights Issue but the quantum will be lower than the total Board/shareholder approval.

Outlook on asset quality and credit costs

- Standalone GNPA stood at 4.85% and standalone NNPA stood at ~0.9% PCR stood at ~80%.
- Spandana guided that it expects normalization by 2QFY26.
- Challenging markets have been AP and KAR. Rest of the states have been doing reasonably alright.

- Apr’25 was relatively weak. But momentum is picking up in May'25 and it expects Jun’25 to be even better.
- Spandana shared that it will get to BAU by 3Q/4QFY26 - only then will it be in a position to guide on credit costs.
- The focus will be on strengthening borrower discipline at the field level and improving X-bucket collection efficiency, with a target to consistently maintain it above 99%.

Collections

- X-bucket CE stood at 98.9% (ex-Karnataka) and 98.6% (incl. Karnataka) as of Mar'25.
- Intense field efforts have also translated into higher recoveries from the GNPA and written-off pool. It recovered INR960m in FY25.
- Apr’25 and May’25 collection efficiency stood at 97% (overall) and 97.7% (ex-Karnataka) in recent months.

Covenant breaches

- Covenant branches because of both asset quality and profitability metrics.
- Borrowings of ~INR4.38b are in breach (o/w INR2.6b is from Capital markets and INR1.78b are from the term lending side). Spandana has got the necessary waivers and comfort from the lenders. Borrowings will not act as a constraint for the future growth plans of the company.

Improvements made by Spandana

- Introduction of control function at the branch level to improve process hygiene & checks.
- Increased loan officer count to reduce the workload and ease stress of field employees. Increased the bench strength which had impacted efficiencies in the interim.
- Spandana has set up a recovery team of 700+ staff, which is working on write-off pool for driving maximum recoveries. The company aims to drive maximum recoveries in FY26.
- As a team, it keeps looking for means to make its processes more efficient and improve its processes. It has introduced credit checks in Jan'25, which go beyond guardrails.
- Existing borrowers: Not to lend to borrowers / households with DPD > 30 days irrespective of amount with any lender. New borrowers: Not to lend to borrowers/households with DPD > 1 day irrespective of amount with any lender.
- Spandana has entered into a partnership with NPCI for Aadhaar-based eKYC. It had stopped onboarding NTC in Jul'24.

Long-term goal remains intact; temporary pause in journey

- Customer acquisition-led growth: Stricter credit rules are a step in that direction.
- Diversify operations: North India now contributes ~22% of AUM vs. ~13% in FY22. Will maintain its spread going forward.
- Transition to weekly model: ~14% AUM contributed by Weekly-only branches with X-bucket Collection Efficiency of 99.3%. Continues to believe in the inherent strength of the weekly model.
- AUM Growth: Long-term goal remains intact albeit with altered timelines
- Improve efficiencies: FY26 target will be to improve borrowers per LO count to ~340 from ~228 at the end of FY25.

Liquidity

- Liquidity position was over INR20b, which is ~24% of the assets on the balance sheet.
- During FY25 it raised INR44.82b, since the borrowings were calibrated keeping in view the disbursement momentum and the organization's liquidity requirements.

Employees

- Nothing outstanding from the employees that has not been disclosed and not been accounted for.
- Attrition stood at 56% in FY25 - it has not backfilled some of the geographies wherever the borrowers to LO count was much lower than the national average.

CEO Appointment

- With regard to the CEO role, both internal and external candidates will be evaluated to understand who fits the need and is aligned with the long-term aspirations of the company.

Micro LAP and nano loans

- LAP and nano loans are growing steadily. The company crossed milestone of INR2b of AUM in FY25
- AUM as of Mar'25 stood at INR2.3b.
- Product quality is strong with collection efficiency of 99.6%.

Others

- FY25 has been the most challenging period for the MFI industry. Weakening of JLG model, socio-political influences, customer overleveraging and higher employee attrition impacted the MFI industry.
- Conduct graded reassessment of its branches in terms of portfolio quality and growth opportunities.
- Believes that AUM per LO of INR13m-15m is appropriate.
- NIM declined because of the reduction in yields and marginal increase in CoB.
- Learnings from the MFI stress: There is a little bit more credit appraisal, which would need to be done, above and beyond the JLG model.
- Spandana will be starting new customer onboarding after sometime.
- FY25 was a challenging year and it was not BAU by any stretch of imagination.
- With guardrails now in place, the company believes borrower discipline will improve, as future loan eligibility will be linked to timely repayments of existing obligations. As a result, the portfolio built going forward is expected to be more manageable for loan officers. Implementation of MFIN Guardrails 2.0 will definitely help and with the easing of pressure, it should be able to improve productivity with Borrowers/LO expected to improve to 340 by Mar'26.
- Spandana will make no changes in pricing policies and the company will remain focused on customer discipline, borrower quality, and high collection efficiency.

INSURANCE

- **The general insurance industry continues to experience a low growth trajectory due to 1) weak infrastructure investments, 2) slow credit growth, 3) weak trends in motor sales growth, and 4) 1/n regulation. ICICIGI has successfully gained market share by focusing on profitable businesses and easing competitive intensity. Profitability has remained strong due to conservative reserving in the past. STARHEAL's recent pricing actions may provide some relief from rising medical inflation and hospitalization trends, potentially bringing the claims ratio down gradually over the next few quarters. For life insurers, while a slowdown in ULIP momentum hurt growth, VNB margin witnessed an expansion across the industry, led by 1) increased sales of ULIP products featuring higher sum assured and rider attachments and 2) growth recovery of non-linked products. Life insurance companies should see an improvement in VNB margins as the product mix shifts toward retail protection and annuities. Recovery in auto sales and capex are the key monitorables for growth prospects among general insurance players.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Highlights – 4QFY25
HDFC LIFE	▪ APE growth is likely to moderate in FY26 to mid-teens. ▪ VNB margin will remain range-bound as the company continues to invest the surplus in agent productivity enhancement and technology transformation. ▪ Traditional products to perform well, aided by lower interest rates and equity market uncertainty in FY26.	▪ While the share of ULIP remained higher in 4QFY25, VNB margin improved 40bp YoY on account of persistency improvement, a higher level of protection in ULIPs, and an increase in sales of long-term products. ▪ The agency channel's contribution is rising on account of branch expansion, strong agent addition, and improved agent efficiency.
SBI LIFE	▪ Management expects 13-14% individual APE growth in FY26. ▪ VNB margin is likely to retain the 27-28% range in FY26. ▪ The company expects to achieve a 5% shift toward traditional products in FY26, taking the contribution to 35% in the product mix and 65% for ULIPs	▪ ULIP APE declined due to negative movement in equity markets and the company's focus on traditional products. ▪ Continued improvement has been witnessed in the 13th month and 61st month persistency. ▪ Strong VNB margin expansion in 4QFY25 was driven by a change in the product mix toward non-linked products.
ICICI LOMBARD	▪ EOM can see some upside risk from 1) investment for future growth, 2) a shift of mix toward new businesses, and 3) an increased share of retail health. ▪ From a guidance perspective, the erstwhile guidance of 102% combined ratio had not factored in 1/n regulation.	▪ While growth in the commercial and auto segments remained weak on the back of a weak economic backdrop, the health segment continued to do well for ICICIGI. ▪ The company continues to gain market share in the motor segment.
STAR HEALTH	▪ Fresh business growth momentum, price correction across the product portfolio (20-40% hike in 60% of the products), and prudent selection in the micro-segment to fuel growth and improve loss ratios. ▪ The company expects product-level loss ratios to decline by 2-3% due to price correction of the respective products.	▪ The decline in the group health segment is the result of a recalibrated strategy towards reducing group health contribution. ▪ The claim frequency increased by over 7%, driven by a preference towards hospitalization. ▪ The company witnessed 25% YoY growth in fresh retail GWP driven by renewed agent productivity.
LIC	▪ Management expects premium growth to recover soon, although the reduction in the number of policies issued may take longer to stabilize.	▪ APE decline was primarily driven by the par segment, due to regulatory-led product modifications. ▪ VNB margin in the individual business segment touched 21%, and LIC aims to sustain this momentum to drive overall margin expansion.

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HDFC Life — Buy

Current Price INR 761

Outlook

- Management expects traditional products to perform well, aided by lower interest rates and equity market uncertainty in FY26.
- Growth in FY26 will be lower than in FY25 due to the base effect, as 1HFY25 saw robust growth of 20%, driven by ULIP traction.
- VNB margins will remain range-bound as the company continues to investing the surplus in agent productivity enhancement and technology transformation.

Business performance

- 18% YoY growth in individual APE for FY25 was in line with the stated growth aspiration, driven by 9% growth in the average ticket size and the remaining from volume growth.
- The company continues to launch innovative products with industry-first features like Click 2 Achieve Par Advantage, Sanchay Aajeevan Guaranteed Advantage, and many more in the pipeline, which should increase attractiveness for customers.
- The company has taken additional measures to maintain and improve persistency like hand-holding customers during volatile markets and the usage of data analytics to understand the trend early.

Product Mix

- MFI space remains subdued and hence, the credit protection segment witnessed weak performance. Next 1-2 quarters may remain muted for group protection due to MFI, as per management, and growth will resume from 2HFY26. Non-MFI segment will maintain growth momentum.
- Group term policies are 12-month contracts, and the company follows a calibrated approach toward underwriting feasible group term policies.
- ULIP segment remains elevated but had higher protection rider attachment. Management expects some moderation in ULIPs over the next 12 months due to volatile equity markets.
- Par segment has done well in 4Q with 41% YoY growth, and management expects the segment's contribution to remain in 20s.
- Par margins might be slightly lower than non-par margins, but if products have a longer tenure, then margin delta would be less. Delta between ULIP and par is going down, owing to higher sum assured and persistency improvement.
- Non-par mix has been in early to mid-30s for the last four years, witnessing various interest rate cycles. A flat interest rate environment is expected for the next 12 months, which will be conducive for the segment. Hence, management expects the contribution to remain in a similar range.
- Protection growth will remain faster than overall company growth, as per management, driven by correct pricing and a higher share of ULIPs with rider attachment and higher sum assured. The segment has grown 25% for the last two years and witnessed 19% YoY growth in 4QFY25 (+26% QoQ).

Financial and Operational metrics

- The company raised INR20b of sub-debt, which improved the solvency to 194%. Strong growth in back-book profits resulted in PAT growth.
- The company continues to invest in data analytics and innovation labs to identify early indicators across the value chain.

- The company is undergoing a technology transformation toward building real-time service capabilities, which will result in a temporary rise in cost, but customer experience will be elevated and long-term digital leadership is expected.
- VNB margin was affected by surrender value regulations (~30bp), offset by improvement in product margins (~40-50bp; increase in level of protection in ULIP and longer-term products sold). As a result, VNB margin improved 20bp YoY in 4QFY25.
- Apart from the HDFC Bank channel's support in the sales of higher-margin ULIPs, multiple levers are available for VNB margin improvement, with pricing discipline as the most important aspect. The company also has cost-control measures and cost-efficiency opportunities through process automation.

Distribution

- Counter share of HDFC Bank remains steady at 65%.
- Term business within agency channel grew 50%+ YoY.
- 30,000 new agents added during the year. The company added 200 branches in two years (117 in FY25), taking the branch count to 650. 40 new banca partners were onboarded in FY25.
- The company wants to improve the mix of ULIP with higher sum assured and rider attachment with longer terms in the HDFC Bank channel, which can increase profitability even if ULIP share increases.
- Agency growth has been driven by branch expansion, strong agent addition and agent efficiency. Some business is coming from inorganic portion as well.

EV Walk

- There was a non-material impact of assumption changes on operating variances, but no mortality changes.
- The retirement of first tranches of sub-debt is in the next couple of months, so it will have to see if capital infusion is required to maintain solvency.

ICICI Lombard — Buy

Current Price INR 1,876

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Industry trends

- Government expenditure was flat in 9MFY25, which impacted commercial lines, but the recent uptick should help improve growth.
- Weaker growth in 2W and tractors is indicative of weak rural growth. Passenger car demand has also been weak. In FY26, increased penetration among older vehicles and TP price hikes, if any, can drive growth.
- Health insurance growth was impacted by 1/n in the segment and lower disbursements in the NBFC and MFI segments. However, the industry is expected to deliver double-digit growth over the longer term.
- Tax changes in the budget, leading to higher disposable income, along with a potential interest rate cut supporting credit growth, are expected to drive overall demand.
- The cap on premium hikes for senior citizens and the introduction of ASBA for health insurance premiums are positive regulatory developments in 4QFY25.
- The combined ratio for the industry was at 113.2% in 9MFY25 vs 112.2% in 9MFY24, while for the private sector, it was at 111.2% vs 108% in 9MFY24. In the Motor segment, it was at 123.8% vs 118.2% in 9MFY24.


ICICI Lombard

Motor segment

- In the motor segment, the focus will be on granular portfolio segmentation and profitable segment identification.
- 74.1% of Agency and Direct claims were serviced through PPN in 4QFY25 vs 69.6% for 4QFY24.
- The company aims to achieve double-digit growth in the motor segment, supported by a focus on old vehicles and stronger growth in the CV business.
- The share of Private car/2W/CV stood at 53.4%/25.4%/21.2% in FY25 vs 51.4%/26.7%/21.9% in FY24.
- NPS in claims for 9MFY25 was at 69 vs 66 for 9MFY24.
- Motor TP loss ratio guidance is maintained at 65-67%. If no TP price hike is implemented, better risk selection will be the focus.

Health segment

- The company has gained market share in retail health.
- In the health segment, the company aims for strong double-digit growth, led by: 1) new customers and 2) inflation-led increase in price and sum assured.
- In 4QFY24, the loss ratio for corporate health was 88.1%, while for retail indemnity, it stood at 64.4%. In 4QFY25, the loss ratio increased to 97.2% for corporate and 64.8% for retail. For FY24, the loss ratio in corporate was 93.7%, which increased to 97.6% in FY25, while the retail indemnity loss ratio increased to 67.9% from 65.4%.

Commercial lines

- FY25 was a challenging year with slow capex and weak pricing in fire. However, with recovery in fire pricing and capex activity improving, strong double-digit growth can be expected.
- Fire renewals have been improving in the first two weeks of April'25.

Financials

- Capital gain was at INR5.1b in FY25 vs INR8.02b in FY24 and INR1.06b in 4QFY25 vs INR1.56b in 4QFY24.
- Industry combined ratios have increased, and ILOM will strive to enhance efficiencies in the loss ratio and improve the combined ratio.
- In the long term, ILOM aims to generate RoE of 18-20% (earlier guidance was 16-18%).
- Reinsurance acceptance was higher in the quarter and will continue to grow in case profitable opportunities keep emerging.
- The duration of the investment book is 5.3 years, with a YTM of 7.55%. With low interest rates persisting, reinvestment risk remains a concern.
- The regulator aims to ensure strict adherence to EOM regulations in the industry. If the industry adopts more sensible pricing, ILOM will be better placed to gain market share.
- The QoQ improvement in cost ratio was due to a higher share of the new book in 3Q as well as a higher share of the commercial segment in 4Q.

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ICICI Prudential Life Insurance

ICICI Prudential Life — Buy

Current Price INR 638

Outlook for FY26

- IPRU expects stable market conditions to support the revival of a well-rounded product pipeline. While there is no specific growth guidance, the aim is to grow higher than estimated industry growth of 15% in FY26.
- Focus will be on (1) enhancing guaranteed products with additional features to attract customer interest, and (2) launching higher-sum-assured ULIP products, offering differentiated solutions beyond standard ULIPs.
- Management aims to achieve higher VNB growth compared to APE growth, backed by improvement in protection margins with repricing and sustainable ULIP margins at higher levels with rider attachment.
- Persistency saw some decline in specific segments and is expected to be corrected in FY26 through focused initiatives.
- Commission increases in a phased manner will be offset by opex control, with an aim of bringing down residual costs.

Product mix

- Non-par segment has declined during the year but witnessed resurgence in 4QFY25 due to the launch of Gift Select product, which is expected to perform well in the current volatile market conditions.
- The ratio of par and non-par in the non-linked segment was 50-50.
- Within linked segment, the company is focusing on increasing the proportion of a product that is offering higher sum assured and goal protection oriented benefits. The contribution of that product is currently 10%.
- In credit life business, MFI segment remains impacted by continued challenges, and management expects pressure to continue. Non-MFI business continues to do well, resulting in flat growth of credit life business. In 4QFY25, MFI contributed 40% (lower in 2Q and 3Q).
- Group fund business, which is lumpy in nature, witnessed significant growth (~2x YoY). While the product has low margins, it brings money to the table.
- The annuity segment witnessed strong growth in FY24 due to retail support, along with new product thrust, and has stabilized in FY25. However, the segment is consistently contributing 7-8% to the APE mix.

Channel mix

- Agency + Direct channel (proprietary) contributed 50%+ to retail APE. However, 4QFY25 witnessed a decline due to a high annuity base and customer preference shifting away from ULIPs.
- The quick uptake of the new guaranteed product by the agency channel reflects agility in adopting new products depending on the market environment, giving confidence about continued growth of the proprietary channel, as per the management.
- IPRU is focusing on training agents through embedded programs to enhance their productivity. Few non-performing agents were removed from the company and the agent count is at 200,000+.
- Partnerships have delivered an 18% CAGR in the last four years. However, FY25 was relatively muted due to the channel's bias toward non-linked products in a strong ULIP-demand market, along with adjustments related to surrender value regulations.

- ICICI Bank channel's contribution has been steady at 14% throughout the year.

EV walk

- Operating assumption changes impacted EV, largely due to corrections in mortality assumptions. Specific assumption revisions were seen primarily in group business lines.
- Other variances were residual and immaterial after accounting for key drivers like expenses, persistency, and mortality.
- The impact from yield curve movement was evident in economic assumption changes.

Life Insurance Corporation — Buy

Current Price INR 957

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FY25 Milestones

- LIC achieved its highest-ever new business premium, marking a significant milestone in business growth. The bonus payout to policyholders also reached an all-time high.
- The contribution of non-par products continued to rise, now accounting for 27.6% of the total business, indicating strategic traction in higher-margin products.
- The bancassurance and alternate distribution channels growth was robust, registering a 57% YoY increase in FY25, underscoring LIC's diversification efforts beyond its traditional agency network.
- VNB surpassed the INR100b mark for the first time, showing a 4.5% YoY growth.
- The Board has proposed a final dividend of INR12 per share.

APE

- APE decline was primarily driven by the par segment, due to regulatory-led product modifications. These changes largely involved an increase in the average ticket size.
- Management expects the decline in premium to moderate over time, although the reduction in the number of policies issued may take longer to stabilize.
- LIC remains focused on expanding its non-par business to enhance profitability and offer better policyholder benefits, particularly in a declining interest rate environment. The company sees multiple growth opportunities in the non-par segment and is firmly pursuing this as a long-term strategy.
- Starting this year, LIC has begun hedging its non-par portfolio to mitigate risks and intends to expand coverage of this hedging strategy as market conditions allow.
- The attachment rate of riders is improving steadily. While there is recognition of a limit to how much can be added, riders can boost VNB margins and offer greater flexibility to customers.
- Product strategy is centered around customer needs first, followed by a focus on improving the company's overall profitability.
- ULIP sales have increased significantly due to rising customer interest, though this has led to margin pressures. The company aims to strike a balance in the product mix to improve profitability as well as remain in line with market demand.

VNB

- Non-par products delivered the highest VNB margins, followed by participating products.
- VNB margin in the individual business segment touched 21%, and LIC aims to sustain this momentum to drive overall margin expansion.
- Economic variances, particularly the decline in the risk-free interest rate, negatively impacted the VNB walk. However, the declining interest rate environment is also contributing to an upward trend in VNB margins, especially for non-par products.
- Despite the strong par base, VNB margins remain relatively modest in this segment due to its inherent structure. Even so, the par business saw margin improvements, aided by an increase in average ticket sizes.

Persistency

- LIC has implemented several corrective actions over the past year—including changes to product ticket sizes and commission structures—which are expected to improve persistency metrics over time.

EV

- The company expects operating expenses to continue declining, driven by a gradual reduction in employee headcount. Expense optimization remains a core objective.
- Actuarial assumptions are being revised based on actual experience across persistency, expenses, and policyholder withdrawals.
- A drop in the risk-free rate, combined with MTM adjustments, led to a negative variance of approximately INR300b. This impact was more pronounced in the non-par segment, given its greater reliance on fixed-income instruments.

Distribution Channels

- LIC's agency force is seeing positive momentum, supported by initiatives like Bima Sachiv as well as branch expansion.
- During FY25, 494,000 new agents were recruited, while 422,000 exited the system. The company is strengthening branch-level oversight and agent lifecycle management to reduce attrition. Agent exits were attributed not only to lower productivity but also to better external opportunities.
- According to the management, a full open architecture bancassurance model would entail substantial cost and complexity, potentially affecting productivity. The existing agent model continues to offer strong economic and social incentives, ensuring retention.
- In bancassurance, each partner bank has a specific focus, and growth has been especially strong in annuity and ULIP products. Bancassurance profitability is broadly comparable to other channels, indicating healthy margins from this route as well.

Max Financial Services — Neutral

Current Price INR 1,504

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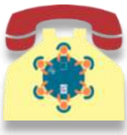

FY25 highlights

- Max Life reported 2-year CAGR of 18% in individual adjusted single premium, which is the fastest growth among the top-10 private insurers.
- The company did 80 product interventions in FY25 because of surrender guidelines. Two new products were launched in 4QFY25 - STAR ULIP and Smart Term Plan Plus.
- Rider attachment increased to 43% in FY25, which cushioned the impact of surrender regulations.
- VNB margin of 24% in FY25 was at the higher end of 23-24% guidance.
- Many product launches are planned in FY26, especially in the traditional space, to rebalance the product mix.
- No dividend payout to preserve capital and grow embedded value.
- The company expects more clarity on the reverse merger after changes in the Insurance Act, expected in the monsoon session of Parliament, after which an immediate action will be taken.

Product mix

- The company witnessed strong growth in Apr'25 with contribution from all lines of business.
- Various efforts have been made to rebalance the product mix, including new product launches and higher focus on traditional products, which will likely result in a decline in ULIP contribution in FY26.
- The company expects to achieve 300bp-400bp higher growth than private industry in FY26.
- Management wants to increase brand awareness of Axis Max Life in Tier-2/3 cities. Decisions about pricing would be taken next year when Axis Max Life brand will cross one year of existence.
- Protection is under penetrated in Top-25 cities and will continue to grow on the back of rider attachment. Protection is the top growth strategy for the company.

VNB margin

- The company expects margin to increase from 24% in FY25 to 24-25% in FY26, with demand for traditional products rising.
- The life insurance industry is looking at product categories that will give more margins to tackle margin pressure due to regulations.

Distribution

- No formal communication has happened about any regulatory changes related to the bancassurance channel.
- Axis Bank channel (48% of company's bancassurance business) witnessed 7% growth in 4QFY25 (10% in FY25), which mirrors the slow growth at the bank level and also impact of higher base. Overall bancassurance growth has slowed down for the industry as banks have focused on building deposits. Protection is becoming a key part of Axis Bank's portfolio, which will contribute to higher growth.
- The company has 54%/56% counter share at Yes Bank/Axis Bank.
- A strong 50% CAGR has been witnessed in e-commerce channel, with the company maintaining the top position for protection business in the e-

commerce channel. The channel has started to participate in the savings business as well.

- Data and integration are key differentiators in the e-commerce channel and the company expects the growth momentum to continue with some impact of high base, going forward.

EV

- Positive impact of INR50m on operating variance was due to assumption recalibration with some positives on mortality and expense side and marginal negative on persistency and lapse side.

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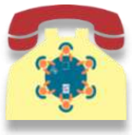

Niva Bupa — Buy

Current Price INR 83

Financial performance

- The company reported 32% YoY growth on pre 1/n basis in GWP during FY25.
- The increase in FY25 combined ratio of 242bp was due to 1/n impact as well as higher claim ratio. Without 1/n impact, the combined ratio improved 267bp, with an 80bp improvement in the ratio and remaining in expense ratio.
- Niva has seen its EOM on gross basis improve 190-200bp each in FY24 and FY25. With strong premium growth, the company is well-positioned to achieve a similar level of improvement going forward, which will help it comply with EOM regulations.
- Investment yield for FY25 was at 7.4%.
- 100% of AUM was invested in debt. While AUM growth was driven by a capital raise, it remains in line with GWP growth after adjusting for the capital raise.
- The industry has improved across parameters like claim settlement, complaints/ policy, etc.
- The company has been able to attract more business and partners in the last six months, leading to better growth than industry.

Product mix

- 65.5% of the business was contributed by retail health in FY25. 13% contribution came from employer-employee business, which increased from the usual 10% due to large corporate wins.
- Retail market share grew from 9.1% to 9.4% in FY25.
- Niva launched a new product in 4QFY25 for the middle-class and lower-middle-class segment, which is one of the largest unserved populations.

Distribution

- 8,000 agents were added in 4QFY25, along with 13 additional distribution partners.
- PPN network is now present in 40 cities with 600 hospitals.
- 80% of claims come from 100 PPNs. The company actively removes hospitals based on their cost practices, service, and quality.
- Corporate hospitals are concentrated in larger cities. Hence, majority of the hospitals are non-corporate, with a few standalone and small chains in the 10,500+ hospital network.

Claims

- IFRS basis loss ratio was 63.8% in FY25. Retail loss ratio was 66% in FY25 (65% in FY24) and group loss ratio was 58.2% (57.7% in FY24).

- Claim inflation of 5% was in line with the 5-7% trend. This was supported by ongoing discussions with the provider network to ensure quality treatment and specific negotiation agreements based on data analytics. Billing review, case management, and other measures have also been deployed to ensure that billing practices are fair.
- The company follows the risk selection method with an LTV approach, risk assessment framework to price risk according to the individual, claims management, cross-selling and upgrading, and execution of annual premium revisions to negate the medical inflation impact.
- Claim reserving in FY25 was similar to FY24. It was higher earlier due to the assumption of rebounding of claims.

SBI Life Insurance — Buy

Current Price INR 1,774

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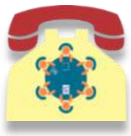

Guidance:

- Overall industry growth was sluggish in FY25. Management expects to maintain 13-14% individual APE growth in FY26, which will be slightly above industry growth of 12% on the back of continued expansion of agency channel and productivity improvement.
- With respect to VNB margin, barring spikes/dips from quarter to quarter, the company expects to maintain the margin in the range of 27-28% in FY26.

Business highlights:

- SBILIFE added four new ULIPs to its product portfolio in FY25, which sold more than 150,000 policies and INR11b worth of new business premium.
- Strong VNB margin expansion in 4QFY25 was driven by a change in the product mix toward non-linked products.
- Net commission and rewards grew in 4QFY25 due to the product mix change toward traditional products in the last two quarters, increasing commission. However, total opex remains in control in single digits.
- 49M persistency is the Covid cohort, and in some geographies SBILIFE witnessed a hit. Revival campaigns have been launched in those areas for improvement.

Product mix:

- ULIP witnessed a decline in 4QFY25 due to movement in equity markets and a higher focus on traditional products.
- Headwinds emerged in group business, particularly group savings product. Decline in group fund was witnessed, but protection business performed well.
- The company expects to achieve a 5% tilt toward traditional products in FY26, taking the contribution to 35% in product mix and 65% for ULIPs (70:30 currently).
- Margin improvement was driven by (1) the launch of a high-sum-assured protection product six months back, (2) several rider attachments which increased product-level margin, and (3) in-built protection in some products.
- In protection, 80% business is contributed by RoP (90% earlier), while the remaining is pure term.

Distribution mix:

- SBILIFE added 97,500 agents in FY25 and opened 17 new branches to create infrastructure and support long-term development of agency channel. Net agent count declined due to the removal of inactive agents.

- The agency channel focuses on increasing agent activation through traditional products. Hence, there has been substantial growth in contribution of non-ULIP products from the agency channel, while overall growth has been slow. Management expects 25% growth from agency in FY26.
- Agency growth is expected to be driven by an increase in the agent count and improvement in productivity. 65:35 is the product mix target for agency channel, but ULIP contribution may be slightly lower than 65% due to focus on traditional products.
- Strong focus on agency channel and brand reputation has helped to keep agency costs in control over the past several years.
- The company is planning to open 87 branches in FY26, reflecting strong focus on agency growth.
- Management expects bancassurance channel to grow in low double digits.
- No mention of bancassurance capping from IRDAI yet. IRDAI follows a consultative process and there have been no guidelines on restrictions as of now.
- SBI channel growth is attributed to increase in per-branch productivity and higher activity.
- In non-SBI bank channel, 30% contribution is from ULIP and 70% is non-ULIP.

Star Health — Buy

Current Price INR 471

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Outlook

- The company is focusing on profitable growth driven by sharper underwriting, introduction of products across customer cohorts, and seamless digital execution with real-time claims and robust self-service.
- It has maintained momentum in fresh business growth, with price corrections (20–40% hikes in 60% of the product portfolio) and measures in micro-segments to ensure prudent risk selection—these will be key drivers of growth.
- Digitized operations and continued investments in digital transformation are expected to enhance operational efficiency.
- The company expects product loss ratios to decline 2–3%, driven by price corrections in the respective products.
- It maintains its guidance of doubling the topline and tripling profitability (as per IFRS) by FY28.
- The company remains selective in group business, which has led to a decline in group loss ratios; management expects further improvement going forward.

FY25 performance

- STARHEAL maintains a dominant position with a 33% market share in the retail health segment.
- The company reported 25% YoY growth in fresh retail GWP, driven by improved agent productivity, targeted campaigns, and acceleration of digital channels.
- The contribution of the group segment to total GWP declined to 7% in 4QFY25 from 9% in 2QFY25, as part of the recalibration strategy.
- The company recorded 6% YoY growth in total policies issued in FY25.
- The average sum assured increased by 10% YoY to INR1.6m per policy, with 87% of the overall portfolio having a sum assured of INR0.5m and above.

- The fresh-to-renewal ratio improved to 23:77 from 22:78.
- The company has started building its equity book, aided by improved solvency. Equity now constitutes 15% of the investment portfolio. Lower profit booking in 4Q compared to previous quarters led to a decline in investment income.

Claim experience

- The increase in the claim ratio was driven by higher severity and frequency of claims, prompting the company to strengthen its reserves.
- Claim frequency rose by over 7%, driven by a shift from secondary to tertiary care hospitals, a preference towards hospitalization, increased accessibility, and more preventive screening. Previously, frequency increases were in the 3–4% range.
- Industry medical inflation stands at over 15%, but Star Health has managed to keep it below 10%. Higher incidence of surgical procedures versus medical cases in FY25 also contributed to increased severity.
- The claim rejection rate declined to 10% in FY25 from 13% in FY24.

Price hikes

- The FHO price correction led to a 5–6% customer drop-off. However, recent price corrections are based on customers' claims experience, leading to better persistency compared to the FHO price hike.
- Cohort-based pricing has been implemented on 60% of the product portfolio to improve retention and reward good customers.

Distribution channel

- The agency channel contributed 82% of GWP in FY25, with fresh business growing 16% YoY. The company added 74,000 new agents in FY25 and aims to grow the overall agent network to 1m, with deeper penetration in non-metro regions.
- The bancassurance channel has a network of 20,000 partners, with fresh business growing 13% YoY in FY25.
- The corporate channel, which focuses on serving MSMEs, contributed 3% of GWP in FY25, with fresh business growing 21% YoY. The proprietary SME calculator has strengthened relationships with agents.
- The digital channel contributed 8% to GWP in FY25, with the company's own proprietary digital platform accounting for 78% of the digital channel's contribution.

IFRS performance

- The claim ratio stood at 70.7% in FY25, compared to 66.5% in FY24.
- The expense ratio was 30.4%, compared to 30.7% in FY24.
- RoE stood at 9.5%, lower than the I-GAAP RoE, due to MTM declines in the investment portfolio in 4QFY25.

HEALTHCARE

- **Companies indicated prolonged weakness in the acute therapies within the domestic formulation segment. This is largely driven by unfavorable seasonality and improved hygienic conditions. This is impacting the overall industry growth as well because of the dominant share of acute therapies (almost 65% of IPM). Companies were bullish on the growth prospects of chronic therapies. Specifically, companies are gearing up for the launch of products in diabetes/obesity. They have tied up with manufacturers and are focusing on marketing activities. On the CDMO front, while companies witnessed a higher number of inquiries from innovator pharma companies, they are yet to see any conversion to business. On the US generics side, companies indicated competition in certain high-value products over the near to medium term, and this would keep the growth under check. Companies highlighted building product pipelines to offset this impact. For the regulated market business, companies are also enhancing their product pipeline in the biologics space. In the rest of the world market, companies faced currency headwinds which impacted 4QFY25 growth to some extent. Companies with surplus cash on the balance sheet are looking forward to inorganic growth opportunities as well. Companies await clarity on the policy front for the US market. While there could be moderation in earnings in the near term because of the competition, management teams were very positive about the overall prospects in the Pharma space in the next 3-5 years.**
- **Hospital companies showed consistent improvement in occupancy with a moderate increase in realization per patient. In addition to better efficiencies at existing sites, companies indicated their focus on adding beds through Greenfield as well as the brownfield approach.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Other key Updates
Aurobindo Pharma	▪ ARBP guided a high single-digit YoY revenue growth and expects to maintain the EBITDA margin at the FY25 level in FY26. ▪ The specialty injectables business is expected to be muted in FY26 due to competition in g-Revlimid and limited approval from Eugia III. However, FY27 prospects are expected to remain strong, given the settled product launches and resolution of regulatory issues at Eugia III. ▪ The China plant is expected to achieve break-even in FY26. In FY25, it had faced an operational loss of INR350m.	▪ PENG delivered encouraging yields in Mar'25 before the plant was shut down due to a fire incident. ARBP is currently awaiting clearance from the Pollution Control Board to restart the plant. ▪ About six products are expected to face loss of exclusivity. The launch of these products, coupled with superior execution, is expected to sustain growth momentum in the EU segment in FY26. ▪ Most oncology oral solids are settled products lined up for launch in the US market in FY27. ▪ Considerable filings are expected from Eugia V in FY26 for the US/EU markets.
Cipla	▪ Cipla guided an EBITDA margin of 23.5%-24.5% for FY26. ▪ Cipla indicated the US sales run rate to be USD220m for 1QFY26. ▪ Cipla highlighted three peptide assets to be launched in FY26.	▪ Cipla has filed six assets to date in the respiratory space and four more to be filed in the next 12-18 months. It has filed nine peptide assets to date and intends to file 10 more in 12-24 months. ▪ g-Abraxane/g-Nilotinib will be launched soon
Dr. Reddy's Labs	▪ DRRD guided a double-digit YoY revenue growth and will maintain the EBITDA margin at FY25 levels in FY26. The EBITDA margin for FY25 stood at 28.3%.	▪ DRRD expects SGA/R&D expenses in FY26 to be similar to those in FY25 as a % of sales. The same for FY25 stood at 28.8%/8.4% level. ▪ DRRD guided the ETR to be at similar levels in FY26. ETR for FY25 stood at 25.4%.
Gland Pharma	▪ Gland aims for mid-teens revenue growth in FY26 after flat YoY performance in FY25. ▪ Growth was driven by biologics, dry powder, GLP contracts, and new launches in US/ROW markets. ▪ Cenexi is expected to reach EBITDA break-even by 3QFY26, and targets a double-digit margin by FY27.	▪ Gland is investing INR1.2b to raise cartridge capacity to 140m units, driven by GLP demand. ▪ Gland plans EUR60m capex at Cenexi to enhance syringe, freeze-drying, and vial production capacities.
Sun Pharma.	▪ SUNP guides for mid-to-high single-digit revenue growth YoY in FY26 ▪ SUNP to seek a partner for MM-II; Phase II trials completed and next steps under evaluation. ▪ SUNP maintains an R&D spending guidance of 6–8% of sales for FY26.	▪ SUNP to invest USD100m in FY26 for specialty product launches and expanding field force. ▪ Illumya posted USD680m in FY25 sales, up 17% YoY on strong global performance. ▪ ETR is expected to inch higher in FY26 as earlier tax loss benefits are now exhausted.
Divi's Lab	▪ DIVI aims to sustain double-digit revenue growth, driven by operational ramp-up and ongoing client engagements. ▪ Commercial benefits from the recently signed INR6.5b contract are expected by end-CY26/start-CY27, pending regulatory approvals.	▪ DIVI has planned INR14b expansion capex for FY26, excluding ongoing maintenance-related investments. ▪ DIVI capitalized INR11b in FY25, including INR7.6b towards the commencement of Unit III operations.

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Ajanta Pharma — Buy

Current Price INR 2,575

- AJP guided for high-teen YoY growth in the US generics segment and low-teen YoY growth in the branded generics segment for FY26.
- Additionally, the company guided for an EBITDA margin of 28% (+-1%) for FY26, similar to that of FY25.
- Considering the high base, the African branded generics business is expected to remain soft in FY26.
- AJP is expected to file 10-12 ANDAs in FY26 (filed six in FY25).
- AJP is expected to optimize MR productivity before adding MRs in FY26 in the Indian market.
- The company spent INR400m to acquire brands (annual sales of INR170m) for the Indian market.
- It launched 32/six products in India for FY25/4QFY25. Of these, eight were first-to-market.
- Additionally, the company launched 30/25 products in African/Asian markets in FY25.
- It aims to outperform IPM by 200bp on an annualized basis.
- The CWIP of INR1.8b pertains to capital expenditure for the administration office and the Pithampur plant.
- AJP will incur a capex of INR3b in FY26.
- In FY25, the company generated CFO of ~INR11.5b and EBITDA-to-CFO conversion of 92%.
- In FY25, the company generated a free cash flow of ~INR7b.

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Alembic Pharma — Neutral

Current Price INR 973

- For FY26, ALPM expects mid-teens YoY growth in US revenue and 10% YoY growth in DF.
- Out of INR5.5b-INR6.5b spent on R&D, 30-35% was spent on complex products like peptides/ophthalmics.
- About 45% of new filings would be for injectables and the remaining for ophthalmics/oral solids dosage form in FY26.
- ALPM expects better operating leverage and lower R&D spending to drive profitability in the coming years.

US: Adds peptide as additional growth driver for US market

- In FY25, ALPM's US business grew 13% YoY to INR19.5b (USD234m), led by 16 product launches in FY25 and higher off-take of products commercialized in earlier years. Overall, 163 products are now commercialized in the US.
- ALPM filed eight ANDAs in FY25 and received approval for 24 products in the US market. ALPM is investing more in complex injectables, ophthalmic, oncology, and inhalation products. Notably, ALPM is also investing in the product pipeline for the peptide category to support growth in regulated markets. ALPM largely has manufacturing capacity in place and expects to implement efforts toward product development and filings.
- It plans to launch more than 15 products in FY26.

- Further, ALPM is raising its capacity in oral solids to support growth in the US as well as non-US markets over the medium term.
- As of today, ALPM has a total of 220 approved ANDAs, comprising 151 oral solids, 30 dermatological products, 20 ophthalmic formulations, 17 injectables, and 1 inhalation product.

Alkem Labs — Neutral

Current Price INR 4,841

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- Alkem aims to outperform IPM by 100bp in FY26. IPM growth is expected to be 7-8% for FY26.
- US business is expected to grow in mid-single digits YoY in FY26.
- Alkem guides for EBITDA margin to remain stable YoY at 19-19.5% in FY26.
- ETR would be 13-15% in FY26, which would rise to 35% in FY27 as its Sikkim plant would be out of tax benefits.
- Operating loss from CDMO (US) and medtech business would be INR1b-INR1.1b in FY26.
- Alkem has a settlement with innovator for Mirabegron, and the launch would be subject to that settlement.
- FY25 capex was INR7.8b (INR4b for Enzene), and it would be spending a similar amount in FY26 (INR2b for Enzene).
- Trade generics business grew in mid-single digits YoY for Alkem. In addition to growth, ALKEM is also focusing on improving profitability and getting closer to corporate EBITDA margin in this segment.
- Alkem filed 6/9 ANDAs in 4QFY25/FY25.
- 4Q volume growth in DF was 2.1%, outperforming IPM by 90bp.
- Cumulative capex for biosimilars is INR5.5b so far.
- 5/6 new launches are expected in FY26. G-entresto can be a potential launch for Alkem in the US market.
- Enzene business recorded sales of INR2.9b (including sales to Alkem).
- Order book at Enzene is diversified across 3-4 customers.

Apollo Hospitals — Buy

Current Price INR 6,875

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- APHS is on track to achieve cash EBITDA breakeven (excluding ESOP cost) in Healthco by 2QFY26/3QFY26.
- Management sees GMV growth of 25-30% YoY in FY26.
- APHS indicated the sales:GMV ratio to be 40-45% in FY26 (37% in FY25).
- The company expects to maintain profitability of the healthcare services segment despite the new addition of operating beds, led by increased occupancy at existing facilities and cost optimization.
- It expects healthcare services revenue to grow by low teens organically. There is potential to add INR10b in revenue from inorganic initiatives in FY27.
- Apollo 24/7 does not have any plan to tie up with such quick commerce companies. APHS has already rolled out 19-min delivery in select cities and intends to further expand the service to more cities.
- New business segments like insurance in Apollo 24/7 (started on Apr'25) expect to have a revenue run-rate of INR60-INR70m quarterly over the near term.


Apollo Hospitals

- INR8b GMV for the quarter has 80% from Rx medicines and 20% from health essentials/FMCG products.
- APHS would have hospitals at Pune, Kolkata, and Sarjapur commencing operations from 2HFY26
- The volume of patients treated was impacted due to geo-political issues at Bangladesh for the quarter. Expect the patients-inflow from Bangladesh to revive in the near term.
- APHS has a target to add 600 stores every year on the offline pharmacy side
- The diagnostic business has witnessed a slowdown due to the reset of its franchise business. The revenue growth is expected to revive soon
- Healthy volume growth in primary care is driving better profitability in this segment for 4QFY25.

Other operational highlights

Hospitals segment (50% of sales)

- Hospital EBITDA grew 16% YoY to INR6.8b for 4QFY25. EBITDA margin grew 20bp YoY at 24.3% in 4QFY25.
- ARPOB grew by 7% YoY to INR 63,569 in 4QFY25. Effectively, the volume of patients treated grew ~4% YoY for 4QFY25.
- Occupancy for 4QFY25 is 67% vs 68% in 3QFY25.
- ALOS in 4QFY25 stood flat at 3.3 days.

Healthco (offline/online pharmacy and Apollo 24/7; 43% of sales)

- Healthco exhibited EBITDA of INR363m for 4QFY25 vs INR566m in 3QFY25.
- Platform GMV grew 11% YoY to INR7.9b. It is stable QoQ. Platform GMV grew 8% YoY to INR30b in FY25.
- A total of 6,626 operating stores as of 31st Mar’25. 596 stores were added in FY25.

AHLL (7% of sales)

- Revenue/EBITDA grew by 11.1%/32% YoY in 4QFY25 to INR3.9b/INR472m
- Revenue of primary care grew 12% YoY in 4QFY25 to INR1.1b
- Revenue of specialty care grew 9.6% YoY in 4QFY25 to INR1.7b
- Network collection centers reduced by 155 centers YoY to reach 2,108 centers.

Aurobindo Pharma — Buy

Current Price INR 1,160

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- ARBP guided for high single-digit YoY revenue growth and expects to
- maintain EBITDA margin at FY25 level in FY26.
- The specialty injectables business is expected to be muted in FY26 due to
- competition in g-Revlimid and limited approval from Eugia III. However,
- FY27 prospects are expected to remain strong, given the settled product
- launches and resolution of regulatory issues at Eugia III.
- The China plant is expected to achieve break-even in FY26. In FY25, it had faced an operational loss of INR350m.
- Eugia III is expected to resume normalized production from 1QFY26 onwards.
- Specialty injectable sales stood at USD178m/USD560 in 4QFY25/FY25.
- PENG delivered encouraging yields in Mar’25 before the plant was shut down due to a fire incident. ARBP is currently awaiting clearance from the Pollution Control Board to restart the plant and has also made a presentation to the


Aurobindo Pharma

concerned government agencies requiring consideration for a minimum import price.

- About six products are expected to face loss of exclusivity. The launch of these products, coupled with superior execution, is expected to sustain growth momentum in the EU segment in FY26.
- Most oncology oral solids are settled products lined up for launch in the US market in FY27.
- ARBP is implementing efforts to build its respiratory pipeline to enhance its differentiated product portfolio for developed markets.
- Considerable filings are expected from Eugia V in FY26 for US/EU markets.
- ARBP is investing INR10b in the CDMO segment to build multiple bioreactor capacities.
- Cumulative investment in the biosimilar segment stands at around USD400m to date. ARBP received two biosimilar approvals in the previous quarter. Production in this segment is expected to begin in 2QFY26, with meaningful revenue contribution expected from FY27 onwards.
- Other operating income is projected to be INR2b in FY26.
- The ETR for FY26 is estimated at 25%.

Biocon — Buy

Current Price INR 331

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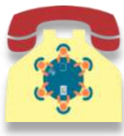


Biocon

- BIOS has a Target Action Date (TAD) for g-Copaxone in the next few months and for Insulin Aspart in about a month. The TAD for Liraglutide is set for 2HCY25.
- BIOS is scaling up production of Bevacizumab and is expected to launch it soon.
- BIOS indicated that a large part of g-Revlimid is being supplied under a settlement agreement with the innovator, which is expected to be lumpy in nature going forward.

BBL (54% of total revenue):

- Four of the company’s biosimilars have recorded sales of USD200m each during FY25.
- In the US, b-Trastuzumab/b-Pegfilgrastim achieved a market share of 26%/30% at the end of FY25.
- BIOS expects USFDA approval for b-denosumab by the end of FY26.
- The company indicated that 80% of the stelara market is commercial in nature.
- Net debt of BBL is about USD1.1b.
- The Emerging Markets business reported a strong performance across all geographies and products, supported by tender wins for bBevacizumab and rh-Insulin.

Generics (23% of total revenue):

- The performance of the Generics segment was driven by the sale of launch quantities of Lenalidomide capsules, Dasatinib tablets, and Triamterne capsules.
- BIOS has also launched Liragutide in the UK market in 4QFY25.
- It has also commenced supplies of Tacrolimus to China.

Syngene (23% of total revenue):

- Considering inventory balancing in large molecule commercial manufacturing, SYNG management has guided for mid-single digit YoY revenue growth in FY26.

- Additional operational costs and depreciation related to new biologics manufacturing facilities are expected to moderate the EBITDA margin to mid-20s from current levels (28.6% for FY25).

Other key highlights:
- BIOS intends to raise INR45b through QIP, largely to meet debt obligations.
- R&D spend is expected to be 7-9% of sales for FY26.
- BIOS aims to incur a capex of USD100m over the next two years in the biologics segment and about USD50m in the generics segment in FY26.

BLUE JET HEALTHCARE

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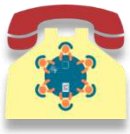

Bluejet Healthcare — Buy

Current Price INR 923

- Significant improvement in all operating metrics in FY25
- The quality of earnings improved, driven by new capacity additions, operating leverage, and cost-control initiatives

Segmental highlights

Pharma intermediates (PI) and API
- Scale up of CVS intermediate in FY25
- Debottlenecking could be done up to 20%, which could take a few weeks, but nothing is on the table right now
- New markets like Canada is are opening up, good growth in the US and Europe for the molecule taking place
- Customer offtak e continues to track well into FY26
- The innovator has committed the offtake to BLUEJET for CY25
- 60-65% capacity utilization in FY25
- BLUEJET is supplying to Daiichi as well, since the intermediate for Bempedoic Acid (that BLUEJET manufactures) goes to Europe too

Contrast media
- 1HFY25 was muted while the segment stabilized in 2HFY25; the key molecule got approved by the customer and is now in commercial production
- Scale up expected in 1HFY26
- ABA HCL- end molecule is seeing double-digit growth; is encouraging for other value chain intermediates to grow as well
- Entry molecule in Gadolinium contrast media would be linear, in line with the molecule market growth
- Launch of the iodinated intermediate is now expected in 1HFY26 and is expected to be realized in FY27
- Usage of gadolinium-based contrast media is increasing at a faster pace globally
- It has not received any negative feedback from customers
- From a medium to long-term perspective, the growth strategy is well aligned

High intensity sweeteners
- Volumes stable with marginal growth in realization
- Global headwinds remain in the segment

Other highlights of FY25
- 157KL of capacity has been added in FY25
- The new Contrast Media block got approved, which is now in commercial production.
- New R&D center (capex of INR400m) for Amino acid derivatives and late-stage intermediates

- To focus on newer chemistry platforms like peptides intermediates for GLP-1s biocatalysts with a focus on immobilized catalysts.
- Tracking about 20 new opportunities with high client interest and visibility- 30% of these are in the late Phase 3 or commercialization stage
- Freight and power costs are well optimized

Outlook

- Mahad Unit-3 backward integration plant progress on track; plant to come online in 2HFY26
- Adoption of GLP-1s, NCEs, and global CDMO de-risking from China is creating long-term opportunities.
- Update on Dahej land of ~7.5 acres: allotment is a very recent activity with no firm timelines to be given at the moment
- Expansion in EBITDA is because of cost control amid higher sales volumes
- Fresh capex of INR3b was incurred in FY25
- Average capacity utilization for the company was 75%
- Ocean freight reduction in 4QFY25 QoQ, which led to a decline in opex, depends on the nature of the contract; it would be the norm going forward
- Fundraising of INR15b announced More visibility on it in 1QFY26, utilization has been decided, but the management could not disclose the same
- The company does not see any bottlenecks for the Mahad facility until FY27

Baseline capex guidance of INR2b, but with all the recent investments, it could be INR3b.

Cipla | Neutral

Current Price INR 1,490

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- Management guided an EBITDA margin of 23.5%-24.5% for FY26.
- Cipla indicated the US sales run rate to be USD220m for 1QFY26.
- Management highlighted three peptide assets to be launched in FY26.
- Cipla has filed six assets to date in the respiratory space and four more to be filed in the next 12-18 months. It has filed nine peptide assets to date and intends to file 10 more in 12-24 months.
- g-Abraxane/g-Nilotinib would be launched soon.
- The Furacort brand in India has surpassed INR9b in annual sales now.
- Cipla expects the domestic formulation YoY growth to be 8-10% for FY26.
- Chronic mix at 61.5% of DF prescription sales in FY25. Cipla now has 26 brands with annual INR1b sales.
- Two oligonucleotides and five 505(b)(2) assets to be filed in the US over the next 12-24 months.
- Cipla has launched 19 products in the trade generics segment in FY25.
- Its prescription business in SA grew 8.3% YoY vs. industry growth of 5.6% YoY.

Divi's Lab — Neutral

Current Price INR 6,630

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Divi's Laboratories

- DIVI aims to sustain double-digit revenue growth going forward.
- Unit III has commenced operations. DIVI has capitalized INR11b in total for FY25, out of which INR7.6b was for Unit III.
- The commercial benefit of the recently signed contract (investment commitment – INR6.5b) would be from the end of CY26/start of CY27, subject to regulatory approvals.
- The raw material sourcing situation has eased to some extent. The sea freight has been stable, and air freight rates are expected to normalize in the medium term.
- Expansion capex for FY26 would be INR14b. This is in addition to maintenance capex.
- Cash at the end of FY25 stood at INR37b.

Focus on broad-based growth

CS: Leveraging peptide capabilities for GLP1/GLP2/GIP products

- After two years of weak performance in the CS segment, DIVI delivered 38% YoY growth in CS business to INR48b in FY25.
- DIVI has been continuously honing its skills in this segment to secure long-term business prospects from its innovator customers.
- Specifically, in peptide space, it has a deep knowledge and skill set to develop/ manufacture through the synthetic route. While there is a lot of excitement about GLP1 products currently as a generic opportunity, DIVI is focusing on offering its skill sets to its customers in the GLP1, GLP2, and GIP product portfolio.
- It has also invested in manufacturing capacities for products in the contrast media space.
- The recent contract from one of the customers has enabled DIVI to invest INR6.5b into building manufacturing capacity.
- Overall, we expect a 25% sales CAGR in the CS segment to reach INR76b over FY25-27.

Generics: Business recovers

- In FY25, the generic API segment grew at a modest 4% YoY to INR37.5b.
- Interestingly, DIVI has reported a revival in YoY growth in this segment in 4QFY25.
- While DIVI is striving hard to expand the product pipeline by adding products expected to go off-patent over the next few years, it continues to improve operating efficiency to maintain margin and gain market share in the scenario of pricing challenges.
- It is implementing capex to aid backward integration in certain products to reduce dependency on key raw materials/intermediates.
- We model an 11% sales CAGR over FY25-27 to reach INR46b vs. steady sales over FY23-25.

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Dr Agarwal's Health — Buy

Current Price INR 355

- DAHL has guided for Revenue/PAT YoY growth of 20%/35%+ in FY26.
- The same center YoY growth was 14-15% for FY25.
- Average revenue per mature facility in India grew 15% YoY in FY25.
- DAHL will be adding 55 new facilities in FY26.
- About 3 tertiary, 27 secondary, and 25 primary centers will be added in FY26 on an organic basis.
- DAHL entered the Delhi market by establishing a state-of-the-art facility spanning 9,000 sq. ft. The tertiary facility offers a complete spectrum of eye care services under one roof.
- DAHL plans to spend INR3.1b on adding facilities on an organic basis.
- Out of the INR3.1b to be spent on capex, INR1.8b-INR2b will be spent on greenfield expansions, INR500m on renovations, INR400m-INR450m on technology upgrades, and INR160m on maintenance.
- An additional INR700-800m will be spent on the flagship center in FY26.
- Brand ambassador-related marketing costs were INR40m/INR12m in FY25/4QFY25. Subsequently, a one-time production related expense of INR55m was incurred in FY25.
- The company has forayed into Uttar Pradesh through an M&A in Varanasi. Additionally, it has launched two primary greenfield facilities post-acquisition to deepen its presence.
- The company is leveraging its network in Mumbai by adding four greenfield facilities in Badlapur, Vashi, Dombivli and Virar.
- It has added one facility at Udhna Surat, expanding its reach in West-India.

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Dr Reddy's Labs — Neutral

Current Price INR 1,290

- Management guided a double-digit YoY revenue growth and will maintain the EBITDA margin at FY25 levels in FY26.
- A certain one-time cost hurt gross margin by 80bp for the quarter.
- DRRD launched 7/18 products in NA in 4QFY25/FY25.
- DRRD has partnered with Shanghai Henlius Biotech to commercialize HLX15 (daratumumab biosimilar) in the US and Europe
- DRRD received Biologics License Application (BLA) acceptance for AVT03 (denosumab biosimilar) developed by partner, Alvotech, for the US market
- DRRD completed the divestment of our manufacturing facility in Shreveport, Louisiana, US.
- DRRD participated in India's 'Jan Aushadi' program with one of our products to provide accessible generic medicines to the public.
- DRRD expects SGA/R&D expenses in FY26 to be similar to those in FY25 as a % of sales.
- The ETR for FY25 was higher due to the reversal of previously recognized deferred tax assets related to land indexation and recognition of previously unrecognized deferred tax assets on operating tax losses. Management guided the ETR to be at similar levels in FY26.

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Eris Life Science — Neutral

Current Price INR 1,654

- ERIS guided for 15% organic YoY growth to reach INR29-INR30b in revenue in FY26. The EBITDA margin in this business is expected to be 37% (+50bp YoY as % of sales).
- ERIS indicated Swiss Parenterals business to the tune of INR3.8-INR3.9b (growth of 15-20% YoY) with an EBITDA margin of 35% for FY26.
- It targeted a net debt of INR18b at the end of FY26 vs. INR22b at the end of FY25.
- The Insulin franchise witnessed 22% YoY growth in revenue to INR3b. This was after facing product shortages throughout the year. The business loss due to product shortage was INR500m for FY25.
- Insulin vial operations commenced at Bhopal, and the cartridge production is expected from 3QFY26. The overall revenue addition for Insugen insulin is expected to be INR2b-IN3b per annum starting Oct-25.
- The company is targeting the g-Saxenda launch in India in 1QFY26. The Semaglutide project is on track to be launched in FY27.
- ERIS has an MR team of 1,200 people focusing on the anti-diabetes portfolio.
- From 66% of insourced products at the end of FY25, ERIS intends to increase the insourced manufacturing to >80% of its total requirement by 4QFY26.
- It is expected to initiate GLP validation from the Bhopal site from 4QFY26.
- It intends to achieve a net debt-to-EBITDA ratio of 1.5x by the end of FY26.

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Gland Pharma — Buy

Current Price INR 1,630

- While Gland ended FY25 with flat revenue YoY, it intends to grow the revenue by a mid-teens rate YoY in FY26.
- The revenue growth would be backed by biologics business (~INR1b), dry powder contract (~INR600-700m), business from GLP contracts and new launches in US/ROW markets.
- GLAND indicated Cenexi to achieve EBITDA break-even in 3QFY26. It aspires to achieve double-digit EBITDA margin by FY27.
- The volume growth in US was 9% YoY for the quarter. The price erosion was ~5% YoY in 4QFY25.
- GLAND has launched its partnered GLP1 product (Liraglutide) and there are ongoing discussions with several partners.
- Considering the demand for GLP products, GLAND is investing INR1.2b for adding cartridge capacity of 100m units to take the total capacity to 140m units.
- Gland has planned capex of EUR60m over next three years at Cenexi. Specifically, Gland is investing in a pre-filled syringe line, expanding freeze drying capacity, and building new vial production area.
- GLAND is also exploring controlled substances opportunities to diversify Cenexi portfolio.
- It is also taking process optimization initiatives at Osny site to boost efficiency.
- Enoxaparin-Heparin sales for 4QFY25/FY25 stood at 16%/14% of total sales.

- Out of inhouse complex pipeline, three are anticipated for approval and six are already launched.
- Further, GLAND is having co-development products progressing on track and commercialization expected from FY27 onward.
- Five ANDAs were filed and seven were approved in 4QFY25.
- R&D expenses for the quarter stood at INR503m (4.9% of sales).
- Net cash stood at INR23b as of Mar'25.

Global Health — Buy

Current Price INR 1,200

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- The board has approved a project to build a 400-bed hospital in Guwahati. Land purchase is in progress. The total investment is expected to be INR5b.
- The construction at Noida is in full swing and the facility is expected to start operations from 2QFY26 onwards.
- Ranchi Hospital is expected to become operational in 2QFY26.
- More than 119 doctors were on-boarded in FY25 across Medanta network hospitals.
- Medanta Lucknow crossed the milestone of 250+ kidney transplants since inception, establishing itself as a leading center for renal transplantation in the region.
- International patient revenue rose 17% YoY to INR557m for the quarter.

Ramping up expansion while maintaining profitability

Healthcare revenue grows on ARPOB gains, higher patient footfall, and oncology uptick

- In FY25, revenue from mature hospitals and developing hospitals grew 10% YoY each to INR26b/INR11b.
- For mature hospitals, revenue growth was supported by 4.6% YoY growth in ARPOB and 5% increase in number of patients treated.
- For developing hospitals, revenue growth was supported by 14% YoY growth in in the number of patients treated. ARPOB witnessed 4% YoY decline due to increased share of revenue contribution by Patna hospital.
- The payor mix witnessed an increase in scheme and PSU category patients from 11% in FY24 to 14% of revenue in FY25.
- The uptick in scheme patients is largely at Lucknow and Patna facilities.
- From the case mix perspective, the cancer treatment share is on a gradual rise from 12.3% in FY24 to 13.7% in FY25.
- Overall, considering a robust doctor-talent team and established brand franchise with increase bed capacity, we expect a 15% sales CAGR in healthcare services to INR49b over FY25-27.

Granules India — Buy

Current Price INR 534

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- The ongoing remediation measures at the Gagillapur facility to resolve the USFDA regulatory issue are likely to impact production for a couple of more quarters.
- GRAN is awaiting USFDA/EU inspection at the Genome Valley Phase I plant.
- It started the Phase II plant and commenced validation activities recently.


Granules India

- In addition to the amount spent on acquiring Senn Chemicals (~INR2b),
- GRAN would be further investing to integrate and scale up capacities/ capabilities in the CDMO segment.
- The company submitted one ANDA in the oncology segment, and there are about 10 products under development. The paracetamol API business remains considerably impacted due to adverse supply-demand scenarios.
- GRAN incurred remediation costs to the tune of INR600m in FY25. GRAN would incur such costs in 1HFY26 as well. However, the quantum is expected to reduce over the medium term.
- The EU business has been severely impacted by the weakness in the Paracetamol business. Having said this, GRAN intends to increase the pace of filings to revive growth in this segment.
- Meaningful revenue from the Oncology segment is expected from FY28.
- GRAN filed three ANDAs in 4QFY25. It has about 127 products filed/92 approved across its focus markets.
- R&D spending was INR2.3b in FY25 (vs. INR2b in FY24).

IPCA Labs — Buy

Current Price INR 1,387

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Ipca Laboratories

- IPCA guided an 8-10% YoY growth in revenue for FY26. It also indicated a 100bp margin improvement in FY26.
- Management indicated 6-7 product filings for the US market in FY26.
- Overall, for export markets, IPCA is likely to file 20+ products in FY26.
- The generics exports business for 4QFY25 was hit by the loss of tenders in the SA market.
- Out of the capex plan of INR10b over FY25 and FY26, IPCA has incurred INR6b in FY25 and would incur INR4b in FY26.
- IPCA outperformed the DF market in acute and chronic categories in FY25.
- IPCA's share of DF business from top-30 metro cities has increased from 32.6% in FY22 to 37.5% in FY25.
- IPCA indicated branded export formulation as well as generic export formulation businesses to achieve 10% YoY growth in revenue for FY26.
- The inventory rationalization affected business in the Australia/New Zealand markets for IPCA.
- IPCA will be shipping seven more products to the US market in FY26 (three in FY25).
- Unichem achieved an EBITDA margin target one year ahead of its earlier guidance. It aims to garner 8-10% YoY growth in revenue and 100bp margin improvement in FY26
- The gross margin of Unichem was lower for the quarter due to changes in product mix.
- Given enough capacity available at Unichem to cater to growth in sales, additional investment in manufacturing would be limited at the Unichem level over the next 1-2 years.
- Despite consistent pricing headwinds in the API business, IPCA has managed to maintain sales in this segment, driven by higher volume off-take.

Laurus Labs — Buy

Current Price INR 641

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- LAURUS expects the ARV business to remain stable at ~INR25b-26b in FY26 as well.
- The company has the capability to manufacture payloads and linkers, although its current business is limited to a few million dollars.
- The capex outlay of INR10b in FY26 would be largely met by internal accruals, and management does not foresee an increase in net debt in FY26.
- Management indicated meaningful traction in the animal health and crop protection businesses from end-FY26 onwards.

- LAURUS has earmarked a total outlay of INR2.5b for building fermentation capacity, with the site expected to be operational by end-FY26.
- The company expects asset turnovers to return to normalized levels over the next two years.
- It has witnessed 40%/30% increase in projects on bio-catalysis/continuous flow reaction platform.
- R&D spend was 4.6% (INR2.6b) for FY25.
- Higher net working capital led to a decline in OCF despite EBITDA growth in FY25.
- LAURUS witnessed multiple signings in late-phase and commercial-phase programs during FY25.
- The company has about 20 clinical and commercial projects in the animal health and crop science segments.
- LAURUS' recent launches in the US led to slight growth in the Formulation segment in 4QFY25.
- LAURUS' JV with KRKA has invested INR2.2b in FY25, with groundbreaking for the manufacturing facility scheduled for Jun'25.

Lupin — Neutral

Current Price INR 1,995

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- LPC expects the EBITDA margin to be 23-23.5% for FY25. LPC delivered a 9MFY25 EBITDA margin of 24%.
- LPC expects a double-digit YoY growth in the US business vs. earlier guidance of a single-digit YoY growth for FY25.
- LPC projected USD1b in US sales for FY26E, assuming competition for Mirabegron and Albuterol, while incremental revenue is likely from Tolvaptan in 1HFY26 and injectables in 2HFY26.
- R&D spending will be INR18b for FY25, implying R&D to be higher for 4QFY25. Five complex generic nasal sprays are expected to be filed in 4Q.
- LPC filed Ranibizumab for the EU market.

A short phase of steady growth after two high-growth years

US – progress underway to strengthen the complex generics pipeline

- In FY25, the US sales grew 16% YoY to INR84b (USD925m; up 13.4% in CC terms), supported by limited competition product launches like g-spiriva, Pred Forte Gx, and Mirabegron. Accordingly, from the low of USD632m, LPC achieved annual sales of USD925m in FY25.

- LPC has a target of 100 new launches, with 65% of new launches from the complex generic category by FY30.
- LPC's R&D effort towards product development is expected to increase the share of complex generics by 49% in FY30 from 31% in FY25.
- The complex generics are going to be injectables, inhalations, biosimilars, and other value-added medicines.
- While new approvals are expected to drive US generics sales, the competition in the base portfolio might keep growth in US generics in check. We expect 8% sales CAGR in the US over FY25-27 to USD1.1b.

DF – Efforts ongoing to enhance differentiated offerings and increase the overall chronic share

- In FY25, DF sales grew at a robust rate of 14% YoY to INR75b due to industry outperformance in therapies like diabetes/cardiology and GI.
- The subdued growth in the anti-infectives segment affected the overall performance to some extent.
- With an MR strength of 10,400 and a focus on innovation pipeline, LPC is implementing the effort to increase the share of the chronic segment, thereby aiding consistent growth prospects in the DF segment going forward.
- Further, focus on GLP-1 and expansion in therapies such as GI, onco, CNS, and VMS are likely to sustain better-than-industry growth in the DF segment.
- We expect an 11% sales CAGR in this segment to reach INR94b over FY25-27.

Mankind Pharma — Buy

Current Price INR 2,361

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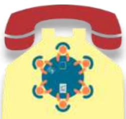

- Mankind enhanced marketing spend during the quarter for select product launches, driving opex higher for the quarter.
- It guided for EBITDA margin to be 25-26% for FY26.
- Mankind guided for revenue growth 1.2x IPM growth from chronic therapies and acute therapies' revenue growth in line with IPM growth for FY26.
- The company expects YoY growth in exports to be in single digits in FY26.
- The course correction in BSV portfolio post acquisition affected FY25 performance. It remains confident of 18-20% YoY growth in FY26.
- There will be additional one-time regulatory costs related to BSV in FY26.
- Mankind guided for R&D spend of 3% of sales in FY26.
- The company would be maintaining its MR strength over the near term and continue to focus on improving the productivity to drive better growth as well as profitability.
- The regulatory impact on 'Unwanted 72' affected the growth in acute portfolio to some extent in FY25.
- Mankind's efforts to better growth of consumer health segment have fructified in FY25, with 15% YoY growth (vs. modest 2% YoY growth in FY24). With new product launches and enhanced marketing efforts, Mankind intends to sustain the revived growth in this segment.
- Mankind has targeted EBITDA:Net debt ratio of 1:1 by the end of FY26 vs. 1.8x (FY25).
- The ETR for FY26 is expected to be 21-22%.

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Max Healthcare **Buy**

Current Price INR 1,137

- MAXH is on track to add 1,500 beds in FY26, following the addition of ~856 beds in FY25.
- It continues its acquisition spree with ~1-acre land parcel adjacent to its fully occupied 400-bed Vaishali facility, which will add 140 beds over the next 30 months. The current Vaishali facility is operating at 83% occupancy.
- Therapy-wise, Oncology, Orthopedics, and Obstetrics/Gynecology witnessed robust YoY growth of 38%/37%/39% in revenue for 4QFY25.
- International patient revenue grew 28% YoY in 4QFY25, despite a lower patient flow from countries like Bangladesh.
- With newer hospitals serving scheme patients, the share of institutional patients increased in 4QFY25. The company maintains a strong focus on profitability.
- The company generated INR14.4b in cash flow from operations, deploying INR12b toward organic expansion and facility upgrades and spending INR17b on the acquisition of JP Healthcare facilities.
- The 500-bed greenfield hospital in Gurugram is expected to be completed by end-FY26.
- The 400-bed expansion tower at Max Smart Super Specialty Hospital, Saket is currently undergoing interior and MEP fit-outs, with commissioning targeted in Q2FY26.
- The Phase 1 expansion at Nanavati Hospital, involving 268 beds, is advancing in line with the schedule, with commissioning expected within the next 90 days.
- At the Mohali facility (a 155-bed tower), MAXH plans to add 45 new beds.
- The newly operational asset-light hospital in Dwarka achieved EBITDA breakeven within six months. Additional 68 beds at the Dwarka facility are yet to be operationalized, while a 200-bed Phase 2 expansion is already in the planning stage.
- At MAXH Lucknow, the company has added 128 beds, with further 35 beds commissioned in May’25. Additional 39 beds are slated for rollout over the next 12 months, while the Oncology block is on track to become operational by Q2FY26, supporting the hospital’s continued scale-up and service line expansion.
- The 550-bed Max Vikrant project at Saket is currently awaiting Forest Department clearance for tree transplantation, while all other statutory approvals are already in place. The project remains on track for completion by FY28.
- The 397-bed Patparganj project has secured environmental clearance, and tendering is underway.
- The acquired units had sales/EBITDA of INR2.8b/INR670m for 4QFY25. EBITDA per bed stood at INR4.6m.

Piramal Pharma — Buy

Current Price INR 208

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- Considering the inventory normalization for the products in the CDMO segment, management guided a mid-single-digit YoY growth in revenue with mid-teens EBITDA margin for FY26.
- PIRPHARM expects significant improvement in revenue growth and EBITDA margin, reaching 19-20% in FY27 based on the order book in the CDMO segment and improved traction in the CHG and ICH segments. PIRPHARM maintained its guidance of USD1.2b revenue with a 25% EBITDA margin in the CDMO segment by FY30.
- The company witnessed a significant increase in the order book for the ADC segment within the CDMO space.
- Capex would be USD100-125m for FY26, including capacity expansion at the Lexington/Riverview site (USD90m).
- PIRPHARM has 75%/44% market share in Baclofen/Sevoflurane in the US.
- PIRPHARM has 59% of CDMO revenues from big pharma and emerging biopharma companies.
- 2.8x surge in projects across clinical phases to 145 projects at the end of FY25 vs 52 at the end of FY17
- Improved procurement strategies, cost optimization, and operational excellence exercises have led to better profitability in the CDMO Segment.
- Certain non-recurring expenses and capacity expansion affected the profitability of the CHG segment in FY25. PIRPHARM expects recovery FY26 onwards in this segment.
- PIRPHARM is expected to tap the USD400m Sevoflurane opportunity in the ROW market through additional manufacturing lines at Digwal.
- PIRPHARM launched a new media campaign with Yami Gautam for ‘Little’s’.

Sun Pharma — Buy

Current Price INR 1,683

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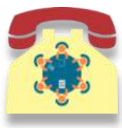

- SUNP guided for mid-to-high single revenue YoY growth in FY26.
- It is expected to invest additional USD100m in FY26 in launch/promotional activities of products in the specialty portfolio and addition of field force.
- Illumya sales at USD680m for FY25, up 17% YoY.
- ETR is expected to further inch up in FY26 compared to that in FY25 due to exhaustion of tax losses.
- SUNP would be seeking a partner to further develop/commercialize MM-II. Phase II clinical trials are completed for this product.
- R&D spend to be 6-8% of sales for FY26.
- Leqselvi to be launched in 2QFY26.
- SUNP has launched a corporate branding initiative for the first time in history.
- The topline data related to Phase-III for Ilumya related to Psoriatic arthritis is expected during 2HCY25.
- The topline data related to Phase-II for SCD-44 related to atopic dermatis/psoriasis is expected during 1HCY25.
- The topline data related to Phase-I for GL0034 is expected during 2HCY25.
- Revlimid sales in 4QFY25 were similar to those in 3QFY25.

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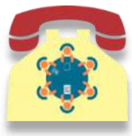

Torrent Pharma — Neutral

Current Price INR 3,144

- TRP is readying itself to be in the first wave of launch of Semaglutide in India market.
- Its Curatio portfolio grew 18-19% YoY in FY25 and aspires to grow this business at higher rate in coming year.
- TRP's chronic portfolio in DF market grew 14% vs. industry growth of 9% for the quarter.
- The company posted volume/price YoY growth of 4%/7% during the quarter.
- TRP added 200 MRs QoQ and intends to take the total MR strength to 6,800-6,900 by the end of FY26.
- The company expects high-single-digit YoY growth in Germany revenue in FY25, led by incremental tender wins.
- TRP expects constant currency growth in Brazil to be 10-12% in FY26 vs. industry YoY growth of 9%.
- About 63 TRP products are awaiting ANVISA approval at the end of FY25.
- While scope of margin expansion in FY26 is there, the R&D spend could increase by 40-50bp as % of sales.
- TRP indicated INR750m sales to be stable quarterly run-rate of insulin business going forward.

Dedicated To Life

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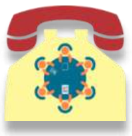

Zydus Lifesciences — Neutral

Current Price INR 956

- ZYDUSLIF aims to grow its US business at a high single-digit rate in FY26.
- Overall, ZYDUSLIF intends to grow its business at a double-digit rate on a YoY basis for FY26. Its EBITDA margin guidance stands at 26% for FY26E.
- The litigation trial for Mirabegron is scheduled for Feb'26. ZYDUSLIF continues to sell the product in the US market.
- ZYDUSLIF has witnessed interest in its vaccines from UNICEF/PAHO. It is also registering the products in other countries.
- The product-related impairment is for the g-rotigotine transdermal patch.
- The EBITDA margin is expected to be lower than that in FY25 due to expected competition in g-Revlimid/g-Asacol, and additional expenses related to Saroglitazar.
- ZYDUSLIF expects commercial benefits from the vaccine segment from FY26.
- The changed demand scenario in Brazil led ZYDUSLIF to take the impairment to the tune of IRN1.4b.
- The chronic share in the domestic formulation market has increased 400bp over the past three years
- ZYDUSLIF witnessed growth across Nycil/Everyuth as well as food-nutrition brands in the consumer wellness division.
- The company has received six ANDA approvals during the quarter. It launched 5 products during the quarter.
- ZYDUSLIF incurred a capex of INR3.2b for 4QFY25. It also incurred R&D expenses of INR4.8b (7.4% of revenues) during the quarter.
- Net cash: INR48b (at the end of FY25).

LOGISTICS

- **In the logistics sector, demand remained depressed in 4QFY25, owing to a slowdown in spending, high inflation impacting MSME clients, and lower e-commerce volumes. E-commerce and express logistics companies reported poor development throughout the quarter, owing to low volumes and fierce competition. However, multimodal logistics firms outpaced pure-play freight operators and express logistics providers. Management anticipates operational performance to improve in FY26, with decreased fuel costs and stable operating expenses. Over time, enterprises remain hopeful about sector growth, fueled by e-way bills, GST implementation, the construction of Dedicated Freight Corridor (DFC) routes, and increased access to key ports, all of which are expected to promote a shift towards the organized sector.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Highlights – 4QFY25
Adani Ports & SEZ Ltd	▪ During FY26, cargo volumes are expected to range from 505 to 515MMT, with revenue projected to be between INR360b and INR380b. ▪ Revenue is projected to reach INR360-380b, while EBITDA is expected to be ~INR210-220b. ▪ Further, APSEZ has outlined a capex plan of INR120b for FY26. The bulk of this expenditure will be directed towards domestic ports (INR60b).	▪ APSEZ reported revenue growth of 23% YoY to INR85b in 4QFY25. Cargo volumes grew 8% YoY to 118mmt. The growth was primarily led by containers. ▪ EBITDA margin came in at 59% in 4QFY25 (+30bp YoY, -130bp QoQ). EBITDA grew 24% YoY to INR50b, while APAT increased 34% YoY to INR31b (in line). ▪ During 4QFY25, port revenue grew 17% YoY to INR64.2b. Port EBITDA margin stood at 72% in 4Q (+200bp YoY). ▪ Logistics revenue grew 84% YoY to INR10.3b. EBITDA margin stood at 18% in 4QFY25 (19% in 4Q FY24). ▪
JSW Infrastructure	▪ Cargo growth of 10% is expected in FY26. ▪ Capacity utilization averages between 65-70%, with long-term growth supported by ongoing capex to reach a 400 MMT capacity by FY30. ▪ Management is targeting a revenue of INR80b, an EBITDA of INR20b, and it aims to undertake a capex of INR90b for building the logistics infrastructure under JSW Ports Logistics.	▪ The 4QFY25 result is not comparable with those of the corresponding periods due to the integration of Navkar Corporation Ltd. ▪ JSWINFRA's consolidated revenue grew 17% YoY to INR12.8b. During 4Q, the company handled cargo volumes of 31.2m tonnes (+5% YoY). ▪ EBITDA grew 10% YoY to INR6.4b. EBITDA margin stood at 49.9%. The margin was lower by ~300bp YoY and higher by ~40bp QoQ. ▪ APAT grew ~19% YoY to INR4.4b. Lower tax outgo led to a beat in APAT.
Container Corporation	▪ CCRI is experiencing strong demand in both EXIM and domestic segments. It is targeting a handling volume of 5m TEUs in FY26. ▪ For FY26, the capex budget is set at INR8.6b. ▪ LLF for FY27 is expected to be INR3.7b (same as in FY25).	▪ Revenue declined 2% YoY to INR22.8b during 4QFY25. Total volumes grew 8% YoY to 1.34m TEUs, with EXIM/ domestic volumes at 1.04m/0.3m TEUs (+12%/-3% YoY). ▪ Blended realization dipped ~9% YoY to INR16,930/TEU. EXIM/domestic realization stood at INR14,265/ INR26,140 per TEU (-8%/-7% YoY). ▪ EBITDA margin came in at 19%. EBITDA declined ~11% YoY. Land License fee for FY25 stood at INR3.7b.
Transport Corporation	▪ Management expects the freight business to bottom out in terms of margins and RoCE profile and sees some volume pick-up from SME customers. ▪ The company aims for 40% LTL penetration by FY26. ▪ Warehousing remains a strong growth driver, with 1m sq. ft. added in FY25, increasing total space to 16m sq. ft. TRPC now services 85 dark stores, particularly supporting quick commerce growth.	▪ Revenue grew 9% YoY to ~INR11.8b in 4QFY25. TRPC's revenue growth was driven by the supply chain business, which recorded a growth of 22% YoY in 4Q. ▪ EBITDA margin stood at 10.3% in 4QFY25 (+20bp YoY and flat QoQ). EBITDA grew 11% YoY at INR1.2b, while APAT grew 9% YoY to ~INR1.1b. ▪ Supply chain revenue grew 22% YoY, while the freight and seaways divisions reported ~3% and 7% YoY growth, respectively. ▪ EBIT margins for freight/supply chain/seaways divisions stood at 2.3%/6.0%/ 36.4% in 4QFY25.
Blue Dart Express	▪ For FY26 and FY27, BDE expects its growth to be strong and consistent regardless of broader industry trends, with a continued emphasis on service quality as a competitive edge.	▪ BDE's revenues grew 7% YoY to INR14.2b. The company handled 0.33m tons of cargo volumes (+11% YoY) in 4QFY25. Realization dipped ~4% YoY to INR42.8/kg. It carried 91.9m shipments in 4Q.

	▪ Growth in the B2C ground express segment may fluctuate based on economic and demand conditions, but BDE is leveraging India's improving ground infrastructure, such as better roads, to command stronger pricing in this segment.	▪ EBITDA margins stood at 8.3%, down 220bp YoY. High operating expenses and employee costs as a percentage of revenue dragged down margins. ▪ Weak operating performance and higher tax outgo led to a 30% YoY decline in APAT to INR532m.
Mahindra logistics	▪ Mr. Rampraveen Swaminathan, MD and CEO, has resigned. The company has appointed Mr. Hemant Sikka as MD & CEO (Designate) from 22nd Apr'25 to 4th May'25 (both days inclusive). ▪ MLL is targeting revenue growth in the mid-to-high teens and an RoE of 18% by FY26. ▪ The long-term target is to transform into an INR100b logistics service provider.	▪ MLL's revenue grew ~8% YoY to INR15.7b in 4QFY25. ▪ EBITDA margin came in at 5% (+110bp YoY and +30bp QoQ. EBITDA rose ~37% YoY to INR777m (in line). ▪ Adjusted net loss narrowed to INR68m in 4QFY25 from INR128m in 4QFY24. ▪ Supply Chain management recorded revenue of INR14.9b (+8.6% YoY) and EBIT loss of INR4m. Enterprise Mobility Services (EMS) reported revenue of INR800m (+2% YoY) and EBIT of INR13.3m.
TCI Express	▪ The SME segment continues to face challenges amid high inflation, interest rates, and tight liquidity. Management indicated no material loss in market share, and volumes were weaker across the industry. ▪ Tonnage growth in FY26 is projected at 7–8%. Revenue growth is projected at 10–12%, driven by higher yields and increased network reach. ▪ Margin improvement of 150–200bp is expected, led by ~3% price hikes, cost rationalization, and a growing share of high-margin rail and air express.	▪ TCIE's 4QFY25 revenue decreased 3% YoY to INR3.1b (+4% QoQ). Volumes declined 1% YoY in 4Q. Volumes were hit by slower growth in the SME segment. ▪ EBITDA stood at INR263m (-41% YoY/-9% QoQ). EBITDA margin came in at 8.5% in 4QFY25. Rising toll fees and labor costs continued to weigh on operational efficiency. ▪ The impact of lower margin was offset by higher other income, which led to an APAT of INR194m (-39% YoY).
VRL Logistics	▪ Volume growth is likely to be negative in the first two quarters of FY26 due to the lingering impact of discontinued low-margin businesses, with improvement anticipated thereafter, leading to low single-digit growth (around 2-3%) for the full year. ▪ For FY26, VRLL expects revenue growth to be driven by maintained realizations and a gradual volume recovery from 3QFY26 onwards. ▪ Capex for FY26 is planned at INR1.5b, primarily for vehicle replacement and some capacity additions.	▪ VRLL's revenues grew 5% YoY to ~INR8.1b (-2% QoQ). Volumes declined 11% YoY to 1m tons, while realizations grew by a whopping 18% YoY to INR7,944/tons, driven by a price hike implemented post-1QFY25. ▪ The company discontinued certain low-margin agreements in 4QFY25, which impacted volume growth but also supported margins. ▪ EBITDA margin stood at 23.1%. VRLL increased its procurement from refineries to 42% in 4Q from 32% in 4QFY24. EBITDA jumped 77% YoY to INR1.9b in 4QFY25. ▪ APAT increased to INR743m in 4QFY25 from INR215m in 4QFY24.

Adani Ports & SEZ — Buy

Current Price INR 1,456

Click below for Results Update

Operational highlights

- APSEZ domestic cargo volumes grew 8% YoY to 118mmt in 4Q FY25.
- APSEZ clocked 450mmt (+7% YoY) cargo volume in FY25 led by growth in containers (+20% YoY), liquids, and gas (+9% YoY)
- As of Dec'24, gross debt was INR458b, and net debt was INR368b.
- The company declared a dividend of INR7 per share, amounting to a total payout of INR15b.

Port vertical

- In 4QFY25, port revenue rose 17% YoY to INR64.2b and the EBITDA margin stood at 72% (+200bp YoY).
- Containers continued to dominate the cargo mix, making up 42% of total volume in FY25, an increase from 37% in FY24. This growth in container traffic reflects APSEZ's continued investment in container handling infrastructure, which is expected to remain a key driver of growth.
- All-India cargo market share for FY25 increased to 27% (26.5% in FY24). Container market share for FY25 increased to 45.5% (44% in FY24).

- Mundra recorded a volume of 50.8 MMT in 4Q FY25 (+11% YoY) and its share stood at 45% in overall cargo v/s 43% in 4Q FY24. For FY25, Mundra's share stood at 47% v/s 44% in FY24.
- Domestic Ports: The company completed the acquisition of Gopalpur Port and began operations at Vizhinjam Port, India's first fully automated transshipment port, which saw impressive growth, surpassing 100,000 plus TEUs in a single month.
- International Ports: Internationally, APSEZ expanded its footprint with the commencement of operations at the Colombo West International Terminal (CWIT) in Sri Lanka, which is the country's first fully automated deep-water terminal. In addition, APSEZ secured a 30-year concession for managing a container terminal at Dar es Salaam Port in Tanzania and progressed with the integration of Haifa Port in Israel. Haifa Port's EBITDA grew by 36% YoY in FY25, and APSEZ signed a union agreement in April 2025 for smoother integration.

Logistics business

- Logistics revenues grew 84% YoY to INR10.3b and EBITDA margins stood at 18% (vs. 19% in 4QFY24).
- APSEZ introduced its inaugural block train from Kishangarh (Rajasthan) to Mundra (Gujarat) with 168 containers in February 2025.
- The total rake count increased to 132, including container, GPWIS, agri, and AFTO categories.
- APSEZ now operates 12 Multi-modal Logistics Parks (MMLPs) and has expanded its warehousing capacity to 3.1m sq. ft., up from 2.4m sq. ft. in Mar'24.
- The company also increased its agri silo capacity to 1.2MMT, with ongoing construction aimed at reaching 4MMT.

Marine business

- APSEZ's marine business experienced significant expansion in FY25. The company's fleet grew to 115 vessels, with an additional 46 vessels operated by Adani Harbor.
- The integration of its marine services business (which includes Ocean Sparkle, Astro, and TAHID) has been progressing well, and APSEZ expects its marine business to grow 3x within the next two years.
- The company has also focused on expanding its marine operations globally, with projects in various regions contributing to both revenue and operational efficiency.

Guidance

- Management expects to handle 505–515 MMT of cargo in FY26, with containers being the primary growth driver, followed by dry cargo and liquid cargo.
- Revenue is projected to reach INR360-380b, while EBITDA is expected to be INR210-220b.

Capex guidance

- For FY26, APSEZ has outlined a capex plan totaling INR120b. The bulk of this expenditure will be directed towards domestic ports (INR60b), including the development of new terminals in existing ports and enhancing container terminal capacities based on industrial demand.
- Internationally, the company plans to invest INR20b, primarily in capacity expansion at its ports in Colombo and Tanzania.

- In the marine services sector, INR6.2b will be allocated for fleet additions across its subsidiaries.
- The logistics segment will receive INR20b for the expansion of trucks, silos, MMLPs, and warehouses.
- Additionally, INR13.8b will be invested in technology and sustainability initiatives, including digital platforms and efforts to achieve carbon neutrality through renewable energy and electric internal transport vehicles (EITVs).

Blue Dart Express — Buy

Current Price INR 6,530

Click below for Results Update


Blue Dart Express

Volume and other highlights

- In 4QFY25, BDE handled a shipment volume of 91.9m parcels and a tonnage of 0.33mt, reflecting robust operational activity.
- However, margins faced pressure due to higher costs from investments made in the previous year and fewer business days due to public holidays.
- The company's revenue composition showed air express contributing 65% and surface express 35%, with B2B and B2C segments accounting for 73% and 27% of the business, respectively.
- Volume growth for FY25 was balanced, with both B2B and B2C segments growing at ~11%.
- BDE successfully implemented price increases across its customer base, with new sign-ups adopting the revised pricing policy during the October-December period.
- The company highlighted that a reduction in crude oil prices would not improve margins due to a corresponding drop in fuel surcharges, effectively neutralizing the impact.
- ROCE remained at a decadal low, primarily due to significant investments in owned assets over recent years, which have weighed on the company's financial metrics compared to pre-COVID levels.

Operations

- BDE has fully normalized and operationalized the significant investments made over the past few years, enhancing its operational efficiency.
- Freighter utilization has reached optimal levels, including at its Guwahati operations, with newly added freighters now performing comparably to older ones.
- Capex in 4QFY25 was focused on replacing and enhancing capacity, particularly for aircraft servicing.
- BDE maintains a strong market share in air express, either holding steady or gaining ground based on volume trends, while continuing to transport significant volumes through commercial and passenger airlines despite increased captive capacity.
- In the surface express segment, competitive intensity remains high, but BDE is focused on increasing its presence in e-commerce, which, while growing slower, remains a key growth catalyst.
- The company achieved a 10% growth in B2B and 9% in B2C in 4Q, supported by an asset-light model and improving ground infrastructure in India, which has enabled a 1-2% margin improvement in the surface express segment.

- BDE's service quality continues to differentiate it, particularly in the BFSI sector, where it handles a large volume of documents, and in B2B parcels, which exhibit steady growth with minimal volatility.

Guidance

- Looking ahead to FY26 and FY27, BDE expects its growth to be strong and consistent regardless of broader industry trends, with a continued emphasis on service quality as a competitive edge.
- The company remains committed to improving margins but did not provide specific guidance for the coming period.
- Growth in the B2C ground express segment may fluctuate based on economic and demand conditions, but BDE is leveraging India's improving ground infrastructure, such as better roads, to command stronger pricing in this segment.
- However, BDE noted that volume growth in FY25 did not fully translate into revenue growth due to the gradual pass-through of prices following the addition of new aircraft and routes, with plans to improve realizations in the near future.
- The company expects the ground express business, particularly B2C, to remain a focal point for growth, while maintaining steady performance in B2B parcels, supported by its robust service quality and operational efficiencies.

Container Corp — Buy

Current Price INR 805

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Results Update

Operational highlights

- In 4QFY25, volume growth stood at ~8% YoY, with EXIM volume up ~12% YoY and domestic volumes down ~3% YoY due to deliberate avoidance of low-margin business, congestion on eastern freight routes, and delays in receiving tank containers. In FY25, CCRI's reported throughput reached an all-time high of 5.1m TEUs, up 8% YoY, driven by 7%/11% YoY growth in EXIM/domestic volumes.
- CCRI resumed rail services for third-country imports, reflecting operational normalization.
- Market share improved across key ports in FY25 (vs. FY24): JNPT at 58.4% (vs. 58.3%), Mundra at 37.7% (vs. 36.4%), and Pipavav at 48.4% (vs. 46%), while pan-India share stood at 56% (vs. 57.7%).
- Notably, CCRI maintained pricing discipline while gaining share, with rail freight margin expanding 55bp to 25.7%.
- FY25 LLF stood at INR3.7b. FY26 LLF is expected to be in the similar range.
- The board approved a 1:4 bonus share issue and declared a final dividend of INR2 per share, taking the total dividend for FY25 to INR11.5 per share.

Volumes

- Total volumes grew 8% YoY to 1.34m TEUs, with EXIM/domestic volumes at 1.04m/0.3m TEUs (+12%/-3% YoY).
- Blended realization declined ~9% YoY to INR16,930/TEU. EXIM/domestic realization stood at INR14,265/INR26,140 per TEU (-8%/-7% YoY).
- In 4QFY25, originating volumes totaled 0.68m TEUs (EXIM: 0.56m TEU; Domestic: 0.12m TEU).

Infrastructure and capex

- To support volume growth and operational complexity, CCRI operated 6,302 double-stack rakes in FY25, up 16% YoY, and scaled its fleet to 388 rakes.
- The container base grew to over 53,000 units.
- FY25 saw a capex of INR8.1b, used for containers, wagons, and terminal upgrades. For FY26, the capex budget is set at INR8.6b, allocated toward fleet procurement, terminal development, and IT infrastructure enhancement.
- The company has also floated open tenders for 500 containers.
- CCRI has laid the groundwork for long-term expansion, targeting 100 terminals, 500+ rakes, and 70,000 containers by 2028.
- Strategic tie-ups have also been established, with Ultratech Cement and Ambuja Cement each allotted two acres of land near CCRI's terminals to load bulk cement into specialized containers, supporting the shift to sustainable bulk logistics.

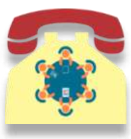
Guidance

- For FY26, CCRI is targeting 13% growth in total volume, with 10%/20% growth in EXIM/domestic volumes. The growth will be underpinned by improved service quality, customer-centric logistics, 100% first-mile and last-mile connectivity, and a focus on sustainable operations.
- The commissioning of the Western DFC up to JNPT by Dec'25 is expected to significantly enhance volumes, especially by shifting light cargo from road to rail.
- Four new terminals—Talabad (Jodhpur), Patri (Haridwar), Mandalgarh (Bhilwara), and Chunar (Varanasi)—are slated for commissioning in FY26. These are expected to unlock new regional freight corridors.
- With total container handling at Indian ports estimated at 23m TEUs, CCRI's leadership and capacity expansion plans are well-aligned to capture a larger share in the coming years.

JSW Infra — Buy

Current Price INR 307

Click below for Detailed Concall Transcript & Results Update



Operational highlights

- During the quarter, the company handled cargo volumes of 31.2m tons (+5% YoY). The volume increase was driven by robust performance at coal terminals in Mangalore, Ennore, and Paradip, along with contributions from interim operations at the Tuticorin Terminal and the JNPA Liquid Terminal. However, this growth was partially offset by reduced cargo volumes at the Iron Ore terminal in Paradip.
- The increase in third-party volume was stronger, with 11% YoY growth. The share of third-party volume in overall volumes stood at 50% in 4QFY25 vs 47% in 4QFY24.
- The Port segment's revenue reached INR11.5b (up 5% YoY), with an EBITDA of INR6.3b (up 8% YoY).
- As of Mar'25, JSWINFRA had a net debt of INR14.7b and a net debt-to-operating EBITDA ratio of 0.65x.
- The company recommended a dividend of INR0.80 per share.


JSW Infrastructure

Logistics business roadmap

- Management is targeting a revenue of INR80b and an EBITDA of INR20b, with plans to invest INR90b in building logistics infrastructure under JSW Ports Logistics.
- The logistics strategy focuses on an asset-light approach, leveraging Gati Shakti terminals and group cargo, with the goal of achieving a 25% margin by FY30.
- Navkar Corporation is a key focus of JSWINFRA’s logistics capex, with plans to invest INR1.7b in FY26 to revitalize its operations and capitalize on previously untapped growth opportunities.
- Rates and Vertical Cargo Terminals (VCTs): JSWINFRA is allocating INR6b in FY26 to acquire rakes and VCTs, aiming to improve logistics throughput and terminal efficiency.
- Potential Acquisitions: The company is exploring additional acquisition opportunities within the logistics space, with a total logistics capex budget of INR15b planned for FY26.

Port updates

- In FY25, the company made significant progress on key projects, including Tuticorin, JNPA, and the slurry pipeline. The capacity of Southwest Port Goa was increased to 11 MTPA, with approval pending for 15 MTPA, bringing the total operational capacity to 177 MTPA.
- **Jaigarh and Dharamtar Expansions:** Civil works have already started for these expansions, which are designed to meet increasing cargo demands, particularly for JSW Steel’s Dolvi plant. These projects are critical for boosting throughput in the company’s western Indian operations.
- **JNPA Liquid Terminal:** The terminal is nearing completion, with commissioning expected by July-Aug’25. This is expected to strengthen JSWINFRA’s ability to handle liquid cargo at Jawaharlal Nehru Port Authority (JNPA), where interim operations have already handled 0.1MT in 4QFY25.
- **Tuticorin:** Interim operations have begun at Tuticorin, with approximately 0.9MT handled in 4QFY25. The project is set for completion by 4QFY26.
- **Mangalore Container Terminal Expansion:** Scheduled for completion by 2QFY27, this expansion will increase container handling capacity to address growing demand along the western coast.
- **LPG Terminal at Jaigarh:** Targeting commissioning by Jun’26, this terminal will diversify JSWINFRA’s cargo portfolio by adding liquefied petroleum gas handling capabilities.
- **Delhi Port:** The concession agreement is expected to be signed by 2QFY26, with completion targeted for March’27. This project marks the company’s strategic entry into northern India’s logistics network.
- **Slurry Pipeline:** A significant infrastructure project, the slurry pipeline involves a 302km pipeline to support JSW Steel’s operations. To date, 180km have been completed, and the project remains on schedule for commissioning by Mar’27.
- Third-party cargo is expected to stabilize at 45-55% of the mix long-term, primarily from the energy (coal) and steel sectors.
- The Dolvi steel plant’s expansion to 15 MTPA by mid-2027 is expected to boost growth, though further expansion is uncertain.

Guidance

- JSWINFRA aims to expand port capacity to 400 MTPA by FY30, scale its logistics business to INR80b in revenue with a 25% EBITDA margin through an asset-light model, and pursue value-accretive inorganic opportunities.
- For FY26, management expects a conservative 10% growth in port volumes, a 50% increase in logistics revenue from INR4.9b in FY25, and an EBITDA target of INR1b for Navkar Corporation (up from INR 500-550m in FY25).

- FY26 volume growth is projected to be driven by third-party cargo (70% of incremental growth).
- JSWINFRA plans to invest INR55b in capex for FY26 (INR40b for ports and INR15b for logistics), compared to INR24.4b spent in FY25, reflecting a continued momentum in capacity expansion.
- The Indian government's plans to boost port handling capacity from 2,700MTPA to 3,500MTPA by 2030 and 10,000MTPA by 2047 create a favorable environment for JSWINFRA, with private players expected to drive this growth.

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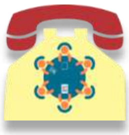

Mahindra Logistics — Neutral

Current Price INR 327

Business update:

- Automotive remained MLL's largest sector, supported by rural demand in two-wheelers, aided by new product launches. The SUV segment also saw strong traction, particularly from new EV launches by Mahindra & Mahindra. Tractor demand remained healthy, and the company expects this trend to sustain.
- While price hikes across industries dented demand, rural consumption showed early signs of recovery. Consumer durables benefited from rising temperatures, boosting sales momentum. The cables and wires sector continued to thrive on the back of strong B2B demand, and the real estate sector also showed signs of a healthy rebound.
- MLL posted 8% YoY revenue growth in 4QFY25, led by continued strength in its 3PL contract logistics. For the full year, revenue increased by 11%, driven by account additions, new service offerings, and strategic business launches. Despite 4Q traditionally being a seasonally weaker quarter for express logistics, the company achieved monthly order intake of 5,000 tons, with volume recovering by 15% QoQ.
- The company also noted positive momentum in order intake across both contract logistics and express segments.
- Service levels remained strong, consistently above 90%.

Segment-wise performance and overview:

- **Contract logistics division** posted revenue of INR12.3b, growing 9% YoY. Gross margins improved by 7% YoY and 2% QoQ, although demand remained mixed due to a post-Oct'24 slowdown across various end-markets.
- **B2B express segment** reported revenue of INR930m, down 4% YoY. However, volumes rebounded sequentially by 8%, aided by expanded sales coverage and stronger integration with the broader MLL ecosystem. Despite yield pressure due to changes in load and customer mix, the company's focused efforts on account management, regional distribution, and new offerings are expected to drive long-term gains.
- **Cross-border logistics segment** performed well, generating INR760m in revenue (+20% YoY). Gross margins grew 9% YoY but declined 10% QoQ due to a softness in ocean and air freight rates. While traction improved in ocean export and global nomination business, the air import segment faced headwinds from BIS regulations.
- **In last-mile delivery, revenue came in at INR880m** (+10% YoY). Gross margin improved 70bp YoY but declined slightly QoQ due to pricing pressure from large e-commerce players. The segment benefited from supply-side synergies and a growing share of high-margin business from non-Amazon/Flipkart clients.

- **Mobility services recorded revenue** of INR790m (+1% YoY). Gross margins declined 13% YoY but improved 2% sequentially. Challenges in this segment included client churn and low offtake, although airport passenger volumes grew by 9% YoY and 3% QoQ.
- **Warehousing revenue** grew 15% YoY, with significant progress in expansions in Kolkata, Guwahati, and Pune. MLL continued to expand its footprint with new facilities in Maharashtra, West Bengal, Guwahati, and Tripura. The company reported strong progress, with half of the Agartala and Kolkata facilities already sold out. Volume recovery was also encouraging, as two-thirds of volumes that were lost in the previous quarter had returned.

Guidance:

- Subsidiaries, such as 2x2 and Lords Logistics, had a standout year, delivering a strong performance in FY25. The company reiterated its strategic focus on margin expansion through cost control, operational efficiency, and turnaround efforts in the express business.
- MLL aims to leverage its acquisitions to unlock future growth and remains committed to building integrated logistics capabilities, enhancing technology and automation to serve as key differentiators.
- MLL is targeting revenue growth in mid-to-high teens and RoE of 18% by FY26.
- The long-term target is to transform into an INR100b logistics service provider.
- MLL remains optimistic about reducing losses as volumes pick up in express vertical.

TCI EXPRESS
LEADER IN EXPRESS

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TCI Express — Neutral

Current Price INR 815

Operational highlights

- Volumes in 4QFY25 stood at 0.25m tons (down 1% YoY).
- The industry outlook remains supportive, underpinned by government policies, higher infrastructure capex, and the development of 12 new industrial parks. The tax reliefs of Union Budget 2025-26 are expected to spur consumer demand and logistics activity.
- TCIE continues to steer clear of e-commerce/quick commerce due to poor unit economics — delivery charges have plummeted from INR45–50 to INR4–5.
- The SME segment continues to face challenges amid high inflation, interest rates, and tight liquidity. Management indicated no material loss in market share, though volumes were weaker across the industry.
- Top revenue verticals include auto, pharma, engineering, lifestyle, and electronics, which together account for ~55% of revenue. Eastern India faced weaker truck utilization during the quarter.
- Capex of INR223m was incurred during 4Q, directed toward branch expansion, automation of sorting centers, and IT upgrades. Total Capex for FY25 stood atINR368m, allocated to branch expansion, sorting center upgrades, and IT infrastructure enhancement.
- Capacity utilization remained strong at 82.5%.
- TCIE added 60 new branches during FY25, including 10 for surface, 25 for rail, and 25 for air express, enhancing reach and network resilience.
- The Board recommended a final dividend of INR2 per equity share, bringing the total dividend for FY25 to INR8 per equity share.

Segment Performance
- The auto sector posted modest growth across 2Ws, LCVs, PVs, and MHCVs, but overall sector softness weighed on revenue.
- Rail Express posted ~25% YoY growth, supported by repeat business from new customers.
- Air Express saw strong traction. Domestic operations added over 1,000 new pincodes, improving last-mile delivery capabilities. International Air Express witnessed rapid growth, expanding the company's global footprint.

Guidance
- Tonnage growth in FY26 is expected at 7–8%. Revenue growth is projected at10–12%, driven by higher yields and increased network reach.
- Margin improvement of 150–200bps expected, led by ~3% price hikes, cost rationalization, and a growing share of high-margin rail and air express.
- The business mix in FY25 stood at 52% institutional and 48% SME. The company aims to stabilize at a 50:50 mix going forward.
- Total capex plan of INR5b for FY23–FY27, of which INR2b has been spent as ofFY25. INR3b is budgeted for FY26–FY27, largely directed at automated sorting centers INR200-250m per site excluding land) and network expansion in Kolkata and Ahmedabad.

Transport Corporation of India — Buy

Current Price INR 1,147

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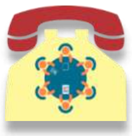


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Transport Corporation of India

Industry trend
- The logistics industry saw moderate trends, with TRPC's multimodal capabilities providing a hedge against downturns in any single segment.
- Key growth catalysts include the favorable impact of the China+1 strategy, the Production-Linked Incentive (PLI) scheme, and government-driven investments in infrastructure and manufacturing.
- TRPC delivered YoY growth for the 19th consecutive quarter, despite a moderately challenging economic environment.

Freight Segment
- TRPC's freight division operates through 25 strategically located hubs across India, enabling efficient cargo consolidation and a reliable distribution network.
- In 4Q FY25, the freight business posted ~3% YoY growth in revenues due to continued weakness in infrastructure and capital goods sectors, coupled with subdued economic activity.
- TRPC opened 40 new branches in FY25 and plans to add 50 more in FY26 to support network growth.
- The LTL segment is a particular area of focus, with LTL contributing 36% of the business in FY25. The company aims to increase this to 40%, supported by robust network expansion. Operating margins in the LTL business are reported to be double those of the FTL business.
- Capital employed in the freight division has increased, driven by working capital intensity and capex investments of INR1b towards trucks and warehousing equipment. As a result, ROCE has seen some impact.
- While SME customer acquisition has been slower, early signs of cost rationalization are visible. The FTL business remains stable, with efforts ongoing

to onboard new clients and enhance service delivery through technological integration.

- The management believes that the freight segment is at the bottom of the cycle and anticipates a recovery starting FY26.
- Management expects freight business revenue to grow by 8–10% in FY26.

Supply Chain Segment

- The supply chain business continued to demonstrate strong growth momentum in 4Q FY25, driven by the addition of new contracts and the expansion of existing ones.
- TRPC witnessed good traction in warehousing, quick commerce, and multimodal services. The company is also expanding its hub-and-spoke logistics network in the automotive sector.
- Despite broader cost pressures, margins remained stable and resilient. The tractor logistics segment performed well during the quarter.
- Going forward, TRPC expects the supply chain segment to grow at a rate of 12–15% in FY26.

Seaways Segment

- In the seaways segment, cargo volumes remained subdued during 4Q FY25. However, favorable freight rates supported overall realizations. Fuel prices stayed within a manageable range, helping to cushion margin pressures.
- The company dry-docked two ships in FY25, and it plans to dry-dock three more in FY26, with one already completed.
- Volume growth is expected to remain flattish, but higher freight realizations are likely to drive revenue growth.
- TRPC remains open to acquiring second-hand vessels if freight rates soften.

Warehousing & Infrastructure

- Warehousing continues to be a robust growth driver for TRPC. During FY25, the company added 1m sq. ft. of warehousing space, bringing the total footprint to 16m sq. ft.
- With rising demand, particularly in quick commerce, TRPC is now servicing 85 dark stores. This trend is expected to contribute significantly to the company's future growth.

Guidance

- TRPC expects to achieve consolidated revenue and profit growth in the range of 10–12% in FY26. Key growth catalysts include the favorable impact of the China+1 strategy, the Production-Linked Incentive (PLI) scheme, and government-driven investments in infrastructure and manufacturing.
- For FY26, the company has outlined a capex plan of INR4.5b, majorly to be sourced from internal accruals.
- The festive season is expected to be favorable for demand across its service lines. The company continues to diversify its sectoral exposure by entering high-potential domains such as aviation and defence logistics.
- TRPC is actively exploring growth opportunities through its joint ventures, which are seeing strong traction.

VRL LOGISTICS LIMITED

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VRL Logistics — Buy

Current Price INR 565

Operational highlights

- VRLL reported revenue growth of 5% YoY in 4QFY25. Revenue growth was primarily driven by an 18% YoY increase in realization per ton in 4Q (from INR6,724 to INR7,944), resulting from freight rate hikes and the discontinuation of low-margin businesses. However, this led to a tonnage decline of approximately 11% YoY in 4Q.
- The company achieved its highest-ever EBITDA margin of 23% in 4Q. This improvement was driven by lower fuel costs, reduced lorry hire charges, and enhanced operational efficiencies. For the full year, EBITDA margins expanded to 18.1% from 13.6% in FY24.
- VRLL increased bulk fuel purchases to 42% in 4QFY25 (up from 32% in 4QFY24), reducing fuel costs from INR87 to INR84 per liter and lowering fuel cost as a percentage of revenue from 29% to 26%, contributing to margin expansion.
- Further, VRLL has reduced dependency on hired vehicles, cutting lorry hire charges from 8% to 4% of revenue through improved utilization of its own fleet and route optimization.
- The company generated strong operational cash flow of INR5.9b in FY25, up from INR4.1b in FY24, supporting a capital expenditure of INR4.4b, including property acquisitions in Bengaluru, Mysuru, and Mangaluru.
- Backed by strong operating performance, the Board declared a dividend of INR15 per equity share for FY25.
- ROCE increased from 10% to 14% in FY25, and ROE increased from 9% to 18%, reflecting enhanced capital efficiency.

Operational efficiency & network expansion

- Volume growth was impacted by the termination of low-price contracts and discontinuation of freebies provided to customers.
- Apart from the termination of contracts with low margins, VRLL also reversed certain concessions previously provided to long-standing customers, such as textile customer concessions. New customers have been onboarded under the latest terms.
- The exercise was completed in 4QFY25.
- The company expanded the branch network with a net addition of 44 branches in FY25 (84 added, 40 closed), reaching a total of 1,251 branches as of Mar'25.
- It plans to add 80-100 branches in FY26, focusing on untapped markets, particularly in the eastern sector.
- VRLL maintains one of the lowest receivables in the industry, with receivable days at 11-12 days, ensuring strong working capital management.

Guidance

- Volume growth is expected to be negative in the first two quarters of FY26 due to the lingering impact of discontinued low-margin businesses, with improvement anticipated thereafter, leading to low single-digit growth (around 2-3%) for the full year.
- For FY26, VRLL expects revenue growth to be driven by maintained realizations and a gradual volume recovery from 3QFY26 onwards.

- Realization growth is anticipated at around 6-7% in FY26, as the company plans to maintain current pricing levels without cuts, even amidst competitive pressures.
- EBITDA margins are expected to be sustained at around 19-20% in FY26, supported by ongoing cost control measures, though more clarity will emerge after Q2FY26.
- Capital expenditure for FY26 is planned at INR1.5b, primarily for vehicle replacement and some capacity additions, along with investments in one or two properties (potential locations include Kolkata, Pune, and Salem).
- The company aims to reduce debt using strong operational cash flows, maintaining a debt-equity ratio of 0.4x.
- It aims to drive healthy volume growth by expanding its branch network in untapped markets, particularly in the northeast, and marketing high-demand commodities. Sourcing from refineries will remain above 40%, and surplus cash will be invested in high-quality facilities.

METALS

- **In the Ferrous Metals space, management teams across companies pointed to 1) a strong of NSR improvement with a steady decline in coking coal costs and 2) the development of captive raw material mines. Although a better performance from Indian operations was backed by better volumes and muted costs in 4Q, offsetting the weak NSR impact. Management believes that global uncertainties might pose challenges to international steel, base metal, and raw material prices in the short term. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices, rising domestic auction coal, and trade tensions, which may be offset by favorable pricing conditions leading to sustained margin in the coming quarters.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Drivers
Tata Steel	▪ Steel prices are likely to be higher in 1QFY26, driven by the safeguard duty and lower imports. ▪ Management expects EBITDA losses of TSE to decline in coming quarters due to its cost-restructuring measures. The capacity ramp-up in the Netherlands and lower fixed cost should also support the overall EBITDA performance. ▪ Though there are near-term challenges related to price volatility because of the trade tension, the long-term outlook remains strong for TATA. While India business is expected to continue its strong performance, improving performance in Europe business would support overall earnings.	▪ Management aims for cost savings of INR115b in FY26: a) INR40b from India via contract optimization and technology-driven procurement; b) UK fixed cost reduction by 29% and c) EUR500m in the Netherlands via operational efficiency and volume maximization. ▪ In 1QFY26, India prices are expected to rise by INR3,000/t and Europe prices by EUR20–30/t. The long-term contracts to provide stability, though spot prices (30-40% of volumes) fluctuate around USD50/t. ▪ Deliveries for FY26 are expected to increase by 1.5mt, primarily from India's Kalinganagar ramp-up.
JSW Steel	▪ JSTL is well placed with new capacities coming on-stream, an expected pickup in domestic demand, and a rising share of value-added proportion in the sales mix. Its focus on raising the captive share of iron ore and improving coal linkages will support earnings. ▪ We expect strong revenue/EBITDA/APAT performance, driven by healthy volume, improving realization, and muted costs. This will result in healthy CFO, which can be diverted toward planned expansions.	▪ Realization/t is likely to go up by INR3,200-3,250/t for 1QFY26. Coking coal costs declined USD15/t QoQ (guided USD10-15/t) in 4QFY25. In 1QFY26, management expects the coking coal costs to further decline by USD10-15/t sequentially. ▪ Volume guidance for FY26: Indian Production/Sales to be 29.5/28.2mt; USA-Ohio Production/Sales to be 1/1mt. ▪ Capex guidance: INR200b for FY26 and INR210b for FY27. Of this, ~96% of the total capex will be incurred on Indian operations, and the rest for overseas.
JSPL	▪ With the completion of its ongoing Angul expansion, JSP's crude steel capacity will rise 65% to 15.9mtpa and finished steel capacity will increase 90% to 13.8mtpa, providing significant headroom for earning growth. ▪ The company reduced its debt significantly, with a net debt-to-EBITDA ratio of 1.26x as of end-4Q. JSPL aims to keep the debt level in check ahead.	▪ The company expects 9-10mt of crude steel production for FY26 (incremental volume of 0.2-0.3mt from existing plants and 0.7- 1.6mt from new expansion) ▪ Coking coal to further moderate by USD10-12/t in 1QFY26 and earnings are expected to be better driven by healthy volumes, better NSR, and lower costs. ▪ Out of the total ~INR470b capex announced for growth and sustenance, JSPL has spent ~INR259b so far and the remaining will be spent over FY26-28E.
Hindalco	▪ Management expects that scrap markets could be tighter as the demand starts increasing because of new capacities coming on stream. HNDL (Novelis) itself will need more scrap for ramping up its new capacities (Guthrie and Ulsan). ▪ Two-thirds of the primary aluminum imports come from Canada into the US. Midwest premiums have risen, and are seeing better spreads for the recycling business, which offset the coil imports from Canadian facilities into the US (affected by the tariffs).	▪ The Bay Minette project remains on schedule. A capex of USD1.3b was spent by the end of Q3FY25, with commissioning expected in 2HCY26 ▪ Some capacity enhancement projects are on track for commissioning in FY26: a) USD130m to debottleneck 65kt of rolling capacity in Oswego, US b) USD150m to debottleneck 80kt in Logan, US c) USD50m to debottleneck 30kt in Pinda, Brazil (following a previously completed 40kt expansion). ▪ Avg recycling rate stood at 63% (target to achieve 75%), whereas the ramp-up of the Guthrie 240kt and Ulsan 100kt recycling plants will lead to more absorption of scrap, increasing scrap consumption.

Hindustan Zinc Limited

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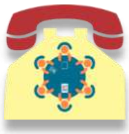

Hindustan Zinc — Neutral

Current Price INR 492

Performance guidance

- For FY26, HZ expects mined metal production of 1,125kt and refined metal production of 1,100kt.
- The decline in CoP during 4QFY25 was led by improved metal grades and softened input prices, along with operational efficiencies. For FY26, HZ expects zinc CoP to be in the range of USD1,025-1,050/t.
- For FY26, the company expects normalized average grades of ~7.5% (vs. 7.85% in 4QFY25) leading to a marginal rise in CoP in FY26 vs. 4QFY25, although operating efficiencies would offset the impact.
- HZ expects power cost to decline by ~10% in FY26, as the share of renewable energy is expected to rise to 30-35% in FY26 from 13% in FY25. As a result, HZ expects cost savings of USD10-12/t.
- FY26 silver volume guidance is ~700-710t. The implementation of lead and silver recovery technology at Dariba will generate ~27t silver & 6ktpa lead per year.
- With expansion, HZ targets to increase silver production to 1,200-1,300t, driven by higher silver grades from Zawar, SK, and Agucha mines.
- Zinc and silver prices surged 16% and 29%, respectively, in FY25, driven by persistent supply deficits, which management expects to sustain in CY25. Zinc prices are projected to remain resilient at USD2,800-2,900/t, lead at USD2,000-2,015/t, and silver bullish at USD3,300-3,800/t.

Capacity update/capital allocation

- Its 510kt of DAP/NPK fertilizer plant at Chanderiya is progressing as per timelines and will be commissioned by 4QFY26.
- The 160ktpa roaster at Debari is expected to be commissioned in 1QFY26.
- Debottlenecking at Dariba Smelting Complex is expected to be completed by 2QFY26 and the debottlenecking at Chanderiya lead-zinc smelter in 3QFY26.
- Bamnia Kalan project is progressing well and the excavation work for portals is in progress. Management guided the production to start from FY28.
- FY26 growth capex is pegged at USD225-250m (subject to change with new project approvals).
- Mine development plan to reach 2mtpa run rate – HZ plans to increase its capacities from 1,200ktpa to 1,450ktpa in the first phase and then add another 500-550ktpa by FY28.

Other Highlights

- Strategic hedging gains in FY25: INR1.5b, with INR550m in 4QFY25.
- HZ reached 13.1mt of metal reserves (net of production) and the total metal R&R stood at 29.6mt (net of production of 1.2mt in FY25) as of Mar'25. Management expects that at the current mining rates, R&R will run for more than 25 years.
- Zinc alloy plant generated EBITDA of INR1b in FY25 and is expected to generate INR2.5-2.75b in FY26 at full capacity.
- The company has implemented a pioneering initiative, Vedanta Metal Bazaar, an e-auction platform for metal sales, which has helped to link premiums with the market and improve transparency and customer centricity.

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Hindalco Inds — Buy

Current Price INR 637

Guidance:

- Coal mix for FY25: linkage was 50%, e-auction was 47%, and the rest was from own mines. Management does not foresee any substantial change in FY26 and indicates the major changes to be seen post commissioning of Chakla and Bandha mines.
- The company expects alumina prices to remain range-bound in the range of USD350-400/t during FY26.
- Downstream EBITDA/t is expected to be USD250-300 for FY26.
- Alumina sales for FY26 are expected to be 700-800kt.
- Out of the 300MW of renewables capacity, HNDL commissioned 6.3MW of floating solar capacity at Mahan, bringing the total RE power to 189MW. Further, 100MW hybrid capacity (with storage) will be commissioned in H1CY25. 9MW of solar capacity is underway, and an additional 20MW of hybrid capacity (Solar + Wind) is expected to be operational by 2HFY26.
- The company hedged around 15% of the aluminum at USD2,695/t and 13% of the currency at INR86/USD.
- With a rising share of renewable energy, the carbon intensity is expected to reduce going forward.
- Alumina: The Belgavi facility is currently running on renewable energy for half the year, which aids in lowering the Alumina carbon footprint.
- Dahej (Copper): Use of hybrid power supported in reducing the carbon footprint.
- Aluminum Smelter: The real challenge is the aluminum smelter, as it requires round-the-clock power.
- Alumina sales were mostly based on long-term contracts (50% based on a % of LME + flat premium index for alumina).
- Aluminum CoP for 4QFY25 declined 1% QoQ, and management expects 1QFY26 to be flat to slightly up QoQ.

Capex:

- The company acquired Bandha coal block with mineable reserves of ~197mt with mine-life of ~45 years and has a proximity to its Mahan power plant and smelter. Bandha mines cost of acquisition of equity shares INR4.8m (share capital) + INR10b (debt they have on the books)
- Northern Coalfield Limited (NCL)'s coal availability is diminishing, and the premium is higher compared to that of Bandha.
- Aditya FRP will start contributing in June and has sold about 20 coils already. June will start witnessing the volumes pick up and target ~60-70kt of commercial sales in FY26.
- The expansion of Aditya Alumina Refinery (850KT) in Odisha is under construction, with a total capex of INR75-80b. The Aditya Aluminum FRP project of 200KT will be commissioned in Jun'25 (FY26), bringing the total downstream capacity to 600kt.
- The 180KT aluminum smelter expansion at Aditya and 300KT copper smelter expansion are awaiting environmental clearance. These projects will be commissioned phase-wise over FY28-29 (aluminum smelter expected to start contributing from FY29 onwards).
- The Silvassa Extrusion Facility is set to be commissioned in mid-2025, which will increase aluminum extrusion production.

- Capex guidance is INR75-80b for FY26, and the company spent ~INR65b in FY25. Key projects include alumina refinery expansion, copper smelter expansion, and aluminum smelter expansion.
- For the copper business, the company has also planned downstream capacity expansion: 1) 25Kt Greenfield inner grooved tubes (INR27b) expected in 4QFY25, and 2) 50kt of e-waste and copper scrap recycling plant.
- The Chakla captive coal mine is on track to start operations by the end of 3Q-4QFY26. HNDL has secured the Meenakshi coal mine, which has a 12mtpa capacity and will boost captive consumption. The company applying for clearance and approvals, which is expected to take close to two years, with completion targeted by FY28.

Global outlook:

- Management expects scrap markets could get tighter as the demand starts increasing because of new capacities coming on stream. HNDL (Novelis) itself will need more scrap for ramping up its new capacities (Guthrie and Ulsan)
- 2/3rd of Primary aluminum imports come from Canada into the US. Midwest premiums have risen, and are seeing better spreads for the recycling business, which offset the coil imports from Canadian facilities into the US (affected by the tariffs).
- Shipments to get support from the beverage market in the US. US Imports ~150kt annually from the SK and Brazil, which will be affected.

Jindal Steel & Power — Buy

Current Price INR 950

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Results Update

Guidance

- The company expects 9-10mt of crude steel production for FY26 with the incremental steel production of 0.2-0.3mt coming from existing plants and 0.7-1.6mt from new expansion.
- JSP expects finished steel sales of 8.5-9mt for FY26; the lag between production and sales will be due to the ongoing ramp-up.
- Coking coal costs declined by USD11/t in 4QFY25 and Management expects a further moderation of USD10-12/t in 1QFY26. Earnings are expected to be better in 1QFY26, driven by healthy volumes, better NSR, and lower costs.
- Chinese steel prices have declined further after the announcement of safeguard duties, which remain a key concern for the domestic steel players. Chinese steel prices are expected to remain stable and no further decline is expected in the near future. In Europe and other regions, prices have started moving upwards.

Capex and timelines

- In 4QFY25, the company spent ~INR23.1b primarily on Angul capex. Out of the total ~INR470b capex announced for growth and sustenance, JSPL has spent ~INR259b so far and the remaining will be spent over FY26-28E.
- JSP acquired Allied Strips Limited (ASL) for cash consideration of INR2.17b in Apr'25. ASL has a capacity of 0.54mt HRPO and 0.3mt CRFH/CRCA. The company is in the process of completing the integration of ASL with JSP, taking the total finish capacity to 14.45mt vs 13.75mt (post-Angul expansion).
- The company has started commissioning activities of BF-II and expects the first hot metal tapping in 1QFY26. BOF-II is in the last leg of commissioning and JSP targets to commission it in 2QFY26. Management expects the BOF-II to reach its

optimum utilization level by FY26 end. The rest of the projects under the current expansion phase are progressing as per the timeline.

- The slurry pipeline completed 82% and is on track to get commissioned in 2HFY26.
- Currently, the Gara Palma IV/6 (4mtpa) and Utkal C (3.37mt) are the only operational coal mines running at par with the EC limit. Going forward, JSP plans to increase the EC limit of both coal mines to 5mtpa.
- JSPL has received all the mine opening approvals for Utkal B1 mines and management expects the coal extraction to start in 1HFY26. Utkal B2 is on track to get commissioned soon.

Other updates

- One-offs INR2.31b (incl. provision GST credits, inventory advancement, carbon credit, old receivable).
- The company revalued its Australian subsidiaries at USD150m and incurred the Impairment provision during the quarter, going forward management does not expect any further impairment.
- HRC sales stood at 350kt in 4QFY25 and the company holds a finished goods inventory of 200kt.
- Net debt stood at INR120b as of 4QFY25 vs. INR136b in 3QFY25. JSP's net debt/EBITDA stood at 1.26x as of 4QFY25 as compared to 1.4x in 3QFY25. Management's target is to remain below 1.5x net debt/EBITDA throughout the capex phase.

JSW Steel — Buy

Current Price INR 969

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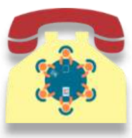

Guidance:

- Realization/t is expected to go up by INR3,200-3,250/t for 1QFY26.
- Coking coal costs declined USD15/t QoQ (guided USD10-15/t) in 4QFY25. In 1QFY26, management expects the coking coal costs to further decline by USD10-15/t sequentially.
- Volume guidance for FY26: Indian operations Production/Sales to be 29.5/28.2mt; USA-Ohio Production/Sales to be 1/1mt.
- Management targets VAP to be 60%+ in FY26. After the capacities come on stream, the VAP share is likely to fluctuate as the downstream capacities will come with a delay as compared to crude steel capacities.
- Coated coloured sheets and CRGO are seeing downstream capacity expansions over the next 2-2.5 years.

Capex:

- Capex Guidance: INR200b for FY26 and INR210b for FY27. Out of this, ~96% of the total capex will be spent on Indian operations, and the remaining for overseas operations.
- JVML Project: The new blast furnaces at JVML are operating at over 90% capacity utilization as of Mar'25. One of two converters and both casters are operational, with the second converter expected by 2QFY26. This expansion is expected to contribute 3.5mt of incremental production in FY26.
- Vijayanagar Blast Furnace 3 (BF3): A shutdown is planned for Jul'25 to upgrade capacity by 1.5mt.

- Dolvi Phase – III expansion: Long lead-time ordered and letter of credit established. This expansion will increase the steel-making capacity by 5MTPA, taking total capacity to 15MTPA, and is expected to be completed by Sep'27.
- BPSL phase II (from 3.5MTPA to 5MTPA) expansion is completed and ramped up to 4.5MTPA in 3QFY25 and the balance 0.5MTPA expansion will be achieved by debottlenecking till FY27.
- The 0.12MTPA color-coating line in Jammu & Kashmir is commissioned and the operations started in 3QFY25 and is under a trial run.

Iron ore linkages:

- Captive sourcing is expected at 40% for FY26. It produced 34 million tonnes in FY25, which should be within a similar range in FY26.
- JSTL has nine mines in Karnataka, with an existing EC of ~7mt, and it recently added 4mt, taking the total capacity to 11mt. The company also allotted three new mines with an EC of ~4.5mt, taking the total production capacity to 15.5mt by 2QFY26, and it targets to produce ~15mt during FY26.
- The mining operations at Cudnem are expected to start by 3QFY26, and Surla and Codli mines by 2HFY27E. Together, JSTL will operate three mines in Goa with cumulative production capacity of 3.5mt, which will support Dolvi operations.
- From the Orissa mines, the company is targeting to generate 30mt of iron ore by enhancing ECs. BPSL mine is expected to start operations in 1QFY26.
- Production from Moitra mine is expected to start in Jun'26.

Demand outlook:

- Steel demand in India is expected to grow by 8-10%, with JSW Steel projecting consolidated production of 30.5mt and sales of 29.2mt (10% volume growth).
- Improved pricing is expected to enhance EBITDA at the Baytown mill (Texas) and reduce losses at Ohio operations. Italian operations are expected to improve with better rail order visibility.
- Imports are expected to moderate, and exports (8% of sales) will face headwinds, but reduced dependence on international markets will mitigate impacts.

Other highlights:

- The Supreme Court rejected JSW Steel's resolution plan for BPSL in May'25, directing refunds of amounts paid to creditors.
- JSW Steel, in consultation with legal advisors, believes it has strong grounds for legal remedies. The matter is sub-judice, and no further details on cash flows, capex, or timelines provided. Production and sales at BPSL continue unabated, with no additional equity infusion or loans extended by JSW Steel.
- There is no tax benefits that JSW Steel received owing to the BPSL acquisition.

नालको
NALCO

NALCO — Neutral

Current Price INR 182

Click below for Results Update

Capacity update and timeline

- FY26 capex guidance is INR17b (INR11b for the alumina refinery & the Pottangi mine and the rest for maintenance), and for FY27, capex is likely to be INR20b.
- NACL is expanding its alumina refinery (5th Stream) by 1mtpa with a completion target of Jan-Feb'26 (delayed from Sep'25 due to local issues).

- The alumina refinery commercial production is expected to start by May-Jun’26 (expected output of 700-800kt in FY27E). ~75% of the financial commitment (budgeted cost unchanged) is completed.
- The company has planned for a new aluminum smelter capacity of 0.5mtpa, with a revised DPR in progress (targeted completion within 6-8 months from May 2025) and commissioning expected by FY30. Total capex is estimated at INR170b, with the initial spending to start from FY27 and full-scale capex during FY28-FY30.
- The Pottangi Bauxite Mines Expansion (capex outlay of INR20b) will produce 3.5mtpa of bauxite to feed the refinery expansion. The mines have a reserve of 111mt, with an expected lifespan of 15-20 years. Tendering for the MDO is in progress and production is expected to start from Jun’26 (delayed from Dec’25 to align with refinery completion).
- NACL operates 198MW of wind power (~281m units generated in FY25) and is adding a 15MW wind power in Tamil Nadu with 7MW solar projects planned.

Guidance

- For 4QFY25, alumina ASP stood at ~USD600/t with a production cost of ~INR22,000/t (USD260/t). Alumina ASP is expected to drop in 1QFY26 to ~USD400/t.
- NACL operated at nearly 100% capacity across all production units, including bauxite mines, alumina refineries, aluminum smelters, and CPP.
- Domestic aluminum sales remained strong and stable, contributing significantly to revenue growth with no exports in the last two-quarters of FY25, capturing Asian premiums in domestic pricing.
- Employee count reduced from 5,030 to 4,800 in FY25 (430 retirements, 200 inductions) leading to a 12% cost decline (INR2b savings). Annual reductions of 250 employees are expected in FY26, stabilizing the costs at INR180b (adjusted for performance-linked payouts).
- FY25 saw significant savings from lower CP Coke (INR4.5-5b), caustic soda (INR1.5b), and CTPH (INR700-800m) costs, although some cost reversal is expected in FY26.
- Management targets a 36-37% EBITDA margin in FY26, down from 46%, due to lower prices, offset by higher volumes and efficiency gains.

Coal outlook

- Captive coal production from the Utkal D&E blocks reached 2.8mt (INR1500-1600/t) in FY25 and targets to reach 4mt (rated capacity) in FY26, fulfilling ~57% of the total coal requirement (~7mt). The rest is sourced from Coal India linkages at INR1,900-2,000/t and 5-6% via e-auction.
- Management guided that the shift towards captive coal will provide cost savings of INR400/t compared to linkage coal.

Industry outlook

- Aluminum prices fluctuated due to global factors, such as US tariffs and trade negotiations with China. Prices dropped from USD2,600/t to USD2,300/t in Apr’25 but recovered to USD2,450/t to date, management projects USD2,500-2,550/t during 2HFY26.
- The global aluminum market is expected to grow by 1.5%, with a slight deficit projected (0.7m tonnes in FY26).

- India's aluminum demand is forecasted to grow at 9-10% CAGR, reaching 7.5-8mt by CY30, driven by transportation, construction, and electrical sectors.
- Alumina prices softened to USD400/t in 1QFY26 from USD590/t average in FY25, due to new refinery capacities in Indonesia and India (e.g., Vedanta) and lower smelter demand globally.
- NACL has prioritized domestic sales over exports as domestic realizations are currently more attractive.

Click below for
Results Update

NMDC — Buy

Current Price INR 71

Guidance

- NMDC has set an ambitious target of 55mt for FY26, with an incremental loading of ~6-7mt from two new lines (line-4 in Bacheli and line-13 in Kirandul).
- Domestic iron ore prices remained stable, supported by safeguard duties on steel, despite range-bound international prices (USD99-102/t).
- High raw material costs (+80% of sales vs. industry peers at 50-55%) were driven by a higher lump-to-fines ratio (32:68 vs. 20:80) and lower initial utilization.
- NMDC is transitioning into an index-based pricing model for iron ore to enhance transparency and align with market dynamics.

Pellet business

- NMDC exported 0.5mt of pellets in FY25, generating INR4.48b of revenue. For FY26, the company targets 2.5-3mt pellet sales, utilizing full capacity of the Kirandul plant.
- The company plans to produce DRI grade pellets (66-67% Fe) instead of the current 62-63% grade, aiming for a premium of USD30-40/t in international markets. The current realization is USD105-110/t, which is expected to rise to USD140-150/t with higher grades.
- A job-work arrangement with KIOCL and an upcoming O&M contract for the Karnataka pellet plant (operational by Dec'25-Jan'26) will boost this segment.

Capex and mine developments

- NMDC incurred a capex of INR37b in FY25, primarily toward capacity expansion, and this is expected to increase in the coming years as part of the company's capacity expansion strategy.
- NMDC aims to double its production capacity from 50mt to 100mt over the next few years. For FY26, the company has guided for a capex of INR40-42b, with a significant ramp-up expected in FY27-28 (potentially exceeding INR100b annually) as projects move into execution.
- ~INR400b worth of projects have been sanctioned, with INR86b under execution and INR200b in the tendering phase. An additional INR120b is slated for sanctioning soon and INR310-320b of projects (e.g., slurry pipelines) are in the planning stage.
- Investments in downhill conveyors, screening plants, and railway infrastructure (e.g. doubling of the KK9 line, with 20km remaining) are underway to support higher production and evacuation.
- Three new sidings were commissioned (e.g. Kirandul Route 15, Bacheli Route 4) and with Rapid Wagon Loading System (RWLS), the company will add 8-9 rakes daily, translating into 12-13mt of annual dispatch capacity.

Diversification strategy

- NMDC is diversifying beyond iron ore into coking coal, copper, lithium, cobalt, nickel, gold, and bauxite, targeting a portfolio of 10 strategic minerals.
- The company is actively evaluating operational coking coal assets in Indonesia, Australia, and other regions, aligned with India's target to increase coking coal imports (from 55-60mt to 150-160mt).
- Two coal blocks (Rohne and Tokisud) under NMDC's joint venture are expected to become operational by 3Q/4QFY26.
- Management has indicated that current cash flows are sufficient to fund domestic expansion. However, it may consider leveraging its balance sheet for international acquisitions (next 12-18 months).

Other highlights

- Receivables spiked to INR78b on account of dues from RINL and NMDC Steel. Management indicated that both entities have begun repayments (NSL paying INR2b monthly; RINL repayments started via bill discounting) and expects these to be reduced by FY26 end.
- The Greenfield Nagarnar Steel Plant became EBITDA positive on an MoM basis in Mar-Apr'25, with production rising from 110-120kt to 180-190kt monthly and dispatches increasing from 125kt to 230kt.
- Nagarnar Steel Plant production was 443kt and sales were 501kt in 4QFY25. Management targets to reach 98% of capacity utilization (2.6-2.7mt) in FY26. With improved operations (e.g. PCI injection rate improved to 150kg/t, fuel rate to 530kg/thm), costs are expected to normalize post-Q1 FY26. (Sinter plant issues are expected to normalize post-July).

Steel Authority of India — Neutral

Current Price INR 133

सेल SAIL

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Guidance:

- In 4QFY25, avg. landed coking coal costs stood at INR18,500/t (guided INR1,000/t improvement) vs. INR19,200/t in 3QFY25. For 1QFY26, management expects coking coal costs to largely remain stable QoQ. Currently, the coking coal price is hovering at INR17,500/t.
- Long steel prices remained stable QoQ at INR53,500/t in 4QFY25, while flat steel prices improved to INR47,300/t in 4QFY25 from INR46,800/t in 3QFY25.
- In Apr-May'25, the average realization for long steel was INR55,000/t, and for flat, it was INR50,500/t. Management expects an upward trend in prices post monsoon.
- Management expects employee costs to decline further in FY26 by ~INR4-5b through normal separation. It also indicated the pay revision to come in CY27.
- The company expects to achieve 20mt of crude steel volume and 19.2mt of saleable volume (sales volume to remain higher).
- SAIL is targeting semis to be around ~14% in FY26 and by FY28, the semis' share is likely to decline with the commissioning of the TMT bar plant.

Capex:

- SAIL targets to increase its capacity by 15mt to 35mtpa by FY30 – In phase I, IISCO expansion of 7.5mtpa (0.5mtpa Brownfield by FY27 end and 7mtpa Greenfield by FY29) will be undertaken, along with some debottlenecking project (Bokaro, Rourkela and Durgapur), adding 2-3mpta by FY28.

- IISCO-Greenfield expansion stage-1 approvals are in place, and the tendering process has started. Management expects higher capex from FY27 onward with timely approvals coming in place.
- Management targets to spend INR75b in FY26E and guided for peak capex of ~INR100b during FY28/29E.
- SAIL plans to add a new TMT mill capacity of 1mtpa at Durgapur (in the next 3-4 years), which will reduce the semi-steel share in the future.
- SAIL plans to expand palletization capacity (under approval) to utilize sub-grade iron ore fines inventory located at Goa mines.

Debt and other highlights:

- Global production declined by ~1% YoY in CY24.
- China continues to dominate the world crude steel production, contributing almost ~53.4% of overall global production during CY24 and ~55.3% during 1QCY25. However, production in China has declined by 2.3% YoY.
- Among the major producers, India (6.3% YoY), Germany (5.2% YoY), Turkey (9.4% YoY) and Brazil (5.3% YoY) have registered growth in production during CY24.
- Management foresees long and flat product markets to improve going forward.
- Total debt stood at INR369b in 4QFY25 compared to INR326b in 3QFY25. Major expansion will start from mid-FY26/27, which will increase the debt level during FY28-29E.

Tata Steel — Neutral

Current Price INR 158

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Detailed Concall Transcript &
Results Update

Management guidance

- In 1QFY26, India prices are expected to rise by INR3,000/t and Europe prices by EUR20–30/t. The long-term contracts (automotive and packaging) provide stability, though spot prices (30-40% of volumes) fluctuate around USD50/t.
- Deliveries for FY26 are expected to increase by 1.5mt, primarily from India’s Kalinganagar ramp-up.
- The company achieved cost savings of INR66b in FY25 via fixed cost reductions, manufacturing efficiencies, and raw material optimization.
- Management aims for cost savings of INR115b in FY26: a) INR40b from India (conversion costs reduction of INR1,000-1,200/t) via contract optimization and technology-driven procurement; b) UK fixed cost reduction by 29% (GBP220m out of GBP540m cost reduction target); and c) EUR500m in the Netherlands via operational improvements and volume maximization.
- Coking coal costs (on a consumption basis) for India operations would be USD10/t lower QoQ in 1QFY26, although spot prices increased QoQ. For the Netherlands operation, coking coal prices may also fall by USD10/t QoQ and iron ore prices might be higher by USD10/t QoQ.
- The company spent INR157b in capex in FY25 and plans to spend INR150b in FY26, primarily for Indian growth projects (e.g., Kalinganagar, Ludhiana EAF).

TATA – European operations

- UK operation is shifting to EAF and the company has successfully decommissioned blast furnaces at Port Talbot. The planning permission is secured and construction is set to begin by Jul’25 with a support of GBP500m in government grant.

- After shutting blast furnaces, UK operation has transitioned into downstream processing, for which TSUK relies on imported slabs and HR coils from India, the Netherlands and other locations.
- UK operation had reduced its fixed cost by 23% (GBP230m) annually.
- Management believes the profitability in Europe will shift from traditional steel price spreads to factors like carbon border adjustments, green fuel availability, scrap pricing, and customer willingness to pay premiums for low-CO2 steel.
- Management indicated that the discussions with the Dutch government continue for de-carbonization support, aiming to replace a blast furnace with a DRI-EAF setup by 2030.

Indian operations

- NINL achieved annual EBITDA of ~INR10b with a margin of 19% and free cash flow of +INR10b, demonstrating a turnaround of the company, which was closed at the time of acquisition.
- Growth projects in India – 1) Kalinganagar about to get completed; 2) Ludhiana 0.8mtpa EAF should be commissioned in FY26; 3) NINL expansion to 9.5mtpa; and 4) Kalinganagar next phase and Bhushan (from 5 to 6.5mtpa).
- To mitigate Jamshedpur's legacy costs, management is undertaking certain measures like workforce renewal (1,000 retirements annually in Jamshedpur) and redistributing overheads.

Other Highlights

- The steel industry faced headwinds in FY25, with increased exports from China pressuring global price sentiment. Since Jan'25, evolving USA policies and regional protectionist measures have supported the price momentum across India, Europe, and the UK.
- India remains a structurally attractive market, supported by safeguard duties and limiting imports. The UK is struggling with import pressures and subdued demand led by unrevised import quotas, while Europe has refined its quotas to curb imports.
- Tata Steel adopted IND AS 109 to value its UK and Netherlands subsidiaries at a fair value, reflecting future profitability drivers (e.g., carbon costs, scrap availability). This led to a non-cash adjustment of INR249b in standalone financials, with no consolidated impact.
- The USD2.5b infusion into Europe reflects a rebalancing of debt from overseas to India, reducing currency risks and post-tax costs.
- The UK-US trade deal is marginally positive for Tata Steel UK as it focuses on packaging exports, but larger indirect benefits come via reduced automotive tariffs (10% within quotas).

Vedanta — Neutral

Current Price INR 440

Click below for
Detailed Concall Transcript &
Results Update

Capacity update

- Lanjigarh Train-1 is ramping up steadily, while the ongoing 1.5mtpa Train-2 expansion is in the advanced stage of commissioning, targeted for 1HFY26.
- At Zinc International, the Phase 2 expansion project is expected to be commissioned by 2HFY26. This expansion will significantly increase production capacity, ensuring higher output and lower costs. By FY27, Gamsberg will be running at full capacity, with both Phase 1 and Phase 2 operational, which will further reduce production costs.


Vedanta

- In BALCO, the company plans to add 30ktpa of aluminum silicon products and 50ktpa of slabs. This expansion will significantly contribute to increasing the VAP portfolio to 68% from 62%, with a target to reach 90%.
- The company targets to commission the next phase of 250ktpa of smelters by FY27-28, reaching 2mtpa of smelter expansion.
- In the merchant power business, 300MW of Meenakshi power plant has been commissioned and the remaining 700MW will be commissioned in 1HFY26.
- The (600MW) Unit 1 of Athena power plant is also scheduled for commissioning in 1HFY26 and the (600MW) Unit 2 is expected to start operation by Mar'26.
- Expected profitability is strong via merchant power sales, with generation costs of around INR3.5 per unit and sale prices of INR5.5-6 per unit (up to INR10 per unit in peak periods).
- At the ESL facility, the company expects total hot metal capacity to increase from 1.7mtpa to 3.2mtpa by the end of FY26, with plans of further debottlenecking to 3.5mtpa in FY27.
- The company has completed 97% of land acquisition for the Sijimali bauxite mine, with commissioning expected by Q2FY26 and full ramp-up by 4QFY26. Management expects forest clearance and EC by Jun'25.
- The Kuraloi and Ghogharpalli mines are on track to be commissioned by 3Q/4QFY26, with all land acquisition and regulatory approvals progressing well.

Guidance

- The increase in aluminum CoP during 4QFY25 was due to the high cost alumina inventory. Management expects the benefit from lower alumina prices to reflect in the next quarter.
- Currently, 55% of alumina is sourced from captive sources, with the rest being imported. As production ramps up to 4mt by Q4FY26, captive sourcing is expected to increase to 65%.
- For the aluminum business, VEDL expects production volume of 2.5mt and CoP of USD1,700-1,750/t for FY26.
- For Bauxite, VEDL expects to source 60% from the domestic market (OMC) and 40% imported in 1HFY26.
- KCM is ramping up well. Management targets 150KT in FY26, with potential upside to 170-180 KT. The mine is expected to be cash positive in FY26 with the completion of the KDMP project.
- Hedging Positions: ~12% of annual aluminum volumes (~275KT) are hedged at USD2,655/t. A small portion of Zinc International (50 KT) is hedged at USD2,840/t. The company is actively monitoring market conditions for additional hedging opportunities.

Other highlights

- VEDL has filed the second motion petition with the NCLT, seeking approval to proceed with the demerger. Management anticipates completing the process by Sep'25.
- VRL's debt has decreased to USD5b (the lowest in a decade) and the leverage at group level has improved to 2x from 2.7x a year ago.
- The project is in early stages, with an MOU signed and ongoing discussions with the Saudi government on key enablers like loans and duty protections. No specific capex has been committed yet, as it is contingent on outcomes of the feasibility study.

OIL & GAS

- **OMCs: While various management teams expect marketing segment performance to remain strong, steady 4Q refining performance might continue as spreads improve in 1QFY26. In 1Q, various management teams expect a QoQ reduction in LPG under-recovery as propane prices soften. CGD management teams remain optimistic about robust CNG & D-PNG volume growth and steady EBITDA/scm margin amid lowering raw material costs. However, GUJGA expects 1Q Morbi volumes to remain weak. GAIL: While the management remains optimistic about robust long-term transmission volume growth, current volumes remain soft as power-led demand remains subdued. ONGC and OINL also forecast strong production growth due to KG-98 and NRL, respectively.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

Oil & Gas	Outlook	Quarterly snapshot
Gas Utilities	▪ **GAIL:** Management expects to clock NG transmission volumes of 139/148/159mmscmd in FY26/27/28. Management maintained its NG marketing EBIT guidance of INR40-45b for FY26. Further, it is expected to clock 108/114/120mmscmd marketing volumes in FY26/FY27/FY28. ▪ **PLNG:** Management guides Dahej expansion commissioning in 3-4 months and 5-6% LNG volume growth in FY26, with INR45-50b capex focused on the Dahej Petchem project.	▪ **GAIL's** EBITDA exceeded our est. by 11%, driven by strong gas marketing performance, which offset weaker results in transmission and petrochemicals. ▪ **GUJS** reported a 30% EBITDA miss, driven by weak volumes at 25.8mmscmd. The implied tariff stood in line at INR847/mmscm. Net profit was impacted by lower other income and a higher tax rate. ▪ **PLNG's** EBITDA beat our estimates by 21%, aided by UoP provision reversal. Adjusted EBITDA was in line. Volumes were 8% below expectations at 205Tbtu due to lower third-party cargoes.
Upstream	▪ **ONGC:** Management guided FY26 standalone production of 21.5mmt for oil and 21mmtoe for gas, which it expects to grow to 22mmtoe by FY27, supported by Daman and KG-98/2 ramp-ups. FY26 capex is guided at INR300-350b. OPaL performance is expected to improve in 1QFY26, aided by cheaper NW gas and SEZ exit benefits. ▪ **OINL:** Management expects the Paradip-Numaligarh crude and Duliajan-Numaligarh gas pipelines to be commissioned by Oct'25. FY26 capex is guided at INR150-160b, including INR91.3b for NRL. The Mozambique project is set to restart in Jul'25. The company plans to drill over 75 wells in FY26, up from 60+ in FY25.	▪ While production for both **ONGC and OINL** came in above our estimates in 4Q, crude oil and natural gas production trends were flat QoQ/YoY. Oil realization stood in the range of USD74-USD75 for upstream companies. ONGC's EBITDA was 5% above our estimate, while OINL's EBITDA came in line. Both companies booked higher-than-estimated dry well write-offs.
CGDs	▪ **IGL** guides an EBITDA margin of INR6-7/scm for the near term and INR7-8/scm for the long term, supported by INR appreciation and stable gas costs. It expects 10% volume growth in FY26, led by CNG and PNG. **MAHGL** expects ~10% YoY volume growth in FY26, led by CNG; EBITDA margins are guided at INR9-11/scm. Capex outlay for FY26 is INR13b. **GUJGA**: FY26 CNG volume growth is guided at 12% YoY; EBITDA/scm to remain at INR4.5-5.5. Morbi volumes to stay steady in 1QFY26 amid soft fuel prices. FY26 capex guidance is INR10b with 70 new CNG stations planned. The amalgamation scheme is likely to be completed by Sep-Oct'25.	▪ While **GUJGA's** EBITDA margins exceeded our expectations, **MAHGL** and **IGL's** adj. EBITDA margins fell short. Total volumes for GUJGA/MAHGL/IGL were broadly in line at 9.2/4.2/9.18 mmscmd. Realizations improved INR1.3/INR3/INR3 per scm during the quarter, primarily led by recent price hikes and provision reversals, partially offset by higher operating expenses.
OMCs	▪ **HPCL** expects HRRL's CDU to start soon, with MS/HSD production by 3QFY26. Key projects like the Mangalore LPG cavern and Visakh bottom upgradation unit will be commissioned in 2QFY26. FY26 capex is guided at INR130-140b, with equal allocation to refining, marketing, and JV equity contributions. **IOCL** plans to add 3,000-4,000 retail outlets in FY26, expanding its network beyond 40,000. FY26 capex is guided at INR340b, with major spending on refining and pipelines. **BPCL's** FY26-28 capex is guided at INR200b/INR250b/ INR300b.	▪ **Higher-than-estimated GRM drives performance:** HPCL/IOCL/BPCL reported a strong EBITDA outperformance of 61%/110%/46% vs. our estimates, driven primarily by better-than-expected GRMs. Refining throughput remained broadly in line with expectations. Marketing margins exceeded estimates for IOCL and BPCL, while HPCL's were in line. Although LPG under-recoveries continued to weigh on profitability, they remained flat QoQ across all three companies.

Bharat Petroleum

Click below for Results Update

Bharat Petroleum — Neutral

Current Price INR 310

FY25 / 4QFY25 operational performance:

- BPCL achieved the highest-ever lubricant/gas sales of 472mmt/2.2mmt.
- BPCL commissioned 1,805 ROs during FY25 (23,642 ROs at FY25'end).
- 340 new CNG stations added in FY25.
- 2,370 CNG stations operating (840 in own GAs).
- Highest ever 19.34% Ethanol blending in 4QFY25.
- 104 B-cafes added in FY25.

Update on ongoing projects:

- Bina refinery expansion: 11% physical progress has been achieved as of Mar'25.
- Andhra Pradesh coastal refinery project:
- In 3Q, INR61b had been approved by the board for pre-project activities (land acquisition and other studies). Studies are still going on.
- Timeline: FID expected to complete by CY25'end, project commissioning shall be done 48 months post FID.
- Planned capacity: 9mmt-12mmt refining capacity and 3mmt-4mmt petchem capacity.
- Refinery product shall be 4-4.5mmt and targeted petrochemical integration is 40%.

Mozambique project:

- Positive developments in Mozambique:
- Major Lender US Exim bank has agreed to project continuation, and all existing contracts are valid.
- The operator has informed that the onshore main contractor has issued full notices to proceed to three key subcontractors, authorizing them to begin their complete scope of work. This step is aimed at enabling a full restart.
- Revised cost of the project is ~USD19.4b for two trains of 6.5mmtpa each.
- Capex: BPCL has already invested USD2.3b and will invest another USD2.1b (gross). Equity contribution will be ~30%.

Capex guidance:

- INR200b annual capex expected in FY26 (172b direct investment, 28b JVs).
- FY27/28 guided capex: INR250b/INR300b.
- CGD, Mozambique and Petchem expansion
- This is excluding Andhra Refinery project capex, which is yet to be approved.

Refining performance in 4Q:

- Average inventory is less than 1 month.
- Bina can process higher Sulphur/Russian crude.
- Russian crude throughput declined to ~24% in 4Q.
- BPCL is able to source sufficient Russian crude in 1QFY26 (up QoQ to 32%).
- Guidance: USD7-9/bbl GRMs can be achieved if:
- Spreads remain constant.
- BPCL is able to source 35% Russian crude at USD3/bbl discount (in line with current discounts).
- Crude sourced - 3Q vs 4Q:
- Russian: 34% to 24%
- Saudi: 19% to 21%

- Abu Dhabi: 11% to 9%
- US WTI: 13% to 5%

Marketing segment:
- Current under-recovery per cyl estimate: INR170/cyl (INR6.6-7b per month).
- BPCL is hopeful of some compensation against LPG under-recovery in FY26.
- Most of the companies LPG term-contracts are Arab Gulf based. The company anticipates a potential margin of USD20-30 per metric ton, if they can optimize supply routes by shifting from AG-based to US-based cargoes.
- BPCL expects crude price to remain around USD65/bbl to USD70/bbl, which shall be beneficial for marketing.

Market share loss:
- While BPCL has lost some market share in the recent quarters, 5y trajectory is positive.
- BPCL aims to expand network, focus on customer service and gain market share.

CGD segment:
- BPCL aims to incur a capex of INR480b over eight years on this segment.
- FY26 capex target: INR20b
- Volume growth: FY25 volumes up 81% YoY at 2.2-2.3mmt.
- While current EBITDA is not material, the company shall generate meaningful EBITDA from FY28.
- 340 new CNG stations added in FY25
- 2,370 CNG stations operating (840 in own GAs)

Kochi refinery:
- Petrochemical segment performance:
- PDPP production: 251tmt (up 10% YoY)
- EBITDA contribution: USD0.55/bbl contribution to the refinery.

Castrol India — Buy

Current Price INR 219

Click below for Results Update

Volume growth outlook:
- 1QCY25 volumes stood at 62m+ lit (8% up YoY).
- All parts of automotive segment grew strongly in 1Q – CVs/PVs in double digits and 2W in high-single digits.
- Industrial segment volume also grew in single digits.
- Rural volume growth was much higher in double digits. CSTRL is the absolute market leader in rural areas.
- Auto-care is already an INR20b+ market in India. These products are margin-accretive. The growth is in high-double digits on a lower base.

Industrial segment outlook:
- While this segment is 12-15% of CSTRL's portfolio, management expects this segment to expand significantly in the future, as the market opportunity is huge in industrial oils and fuels. TAM for CSTRL is ~30%
- While this segment has lower margins, there are no advertisement expenses. Hence, EBITDA margins stay in line with the automotive segment.

Impact of crude oil price correction on base oil:
- Crude oil to base oil price co-relation is very low, as base oil refineries are limited globally and 2-3 months of inventories are stocked.

- Net landed prices for base oil will be range-bound for the next 2-3 quarters. Management does not foresee any major benefits of soft crude oil prices. However, forex fluctuation headwinds prevail.

Others:

- Market coverage: 148k outlets pan-India
- Rural coverage: 40k+ touchpoints in rural areas (incl. workshops)
- The company focuses on providing high-quality products and services to automotive and industrial customers.
- Castrol group has been working with multiple data centers across the world.

GAIL — Buy

Current Price INR 191

Click below for Results Update

FY25 performance highlights:

- Polymers: overall production of 827tmt was achieved in FY26 (102% capacity utilization).
- LHC production declining by 5% YoY to 947tmt (66% CUF), due to a reduction in APM gas allocation in quarter four.
- 0.32mmscmd NW gas allocated to GAIL from Apr'25. This results in a 50% reduction of APM de-allocation.

Marketing segment:

- FY25/26/27 marketing volume guidance: 108/114/120mmscmd.
- 21mmscmd volumes are linked to HH.

NG marketing EBIT guidance of INR40-45b maintained for FY26.

Gas transmission:

- FY26 volume guidance: Volumes to be in the range of 138-139mmscmd. FY27/28 volume guidance: 148/159mmscmd.
- Volume growth drivers: CGDs/IOCL Barauni/Paradip/Haldia/others: 5/1.4/2.4/1mmscmd increase in volumes. New pipeline commissioning shall also help in volume growth.
- The company is not considering GIGL volumes (Panipat refinery) while giving projections.
- Drop in volumes in 4Q: 3mmscmd was related to drop in shipping volumes (1.5/0.8mmscmd from IOCL/BPCL). Some fertilizer companies were also shut down. GIGL volumes also got shifted (5.5mmscmd volumes down to 2.5mmscmd already and can go down further).
- 1QFY26 volumes: 122-125mmscmd volumes currently, as Power demand is lower than expected.

Update on price hike:

- Revised tariffs are expected to be announced by 1QFY26 end.

CGD and Gail Gas:

- GAIL's six standalone GA's CGD volumes are up 25% (~0.4-0.45mmscmd volumes currently (0.3-0.35mmscmd CNG volumes)). These six GA's volumes are expected to grow at 25%.
- These GA's shall be transferred to Gail Gas Ltd.
- Gail Gas operates 16 GA's
- FY25: PBT/PAT up 42%/40% at INR6.2b/4.5b.
- 4Q: Revenue/PBT/PAT at INR30.5b/INR1.4b/INR1b.

- FY25 volumes: Bulk /PNG/others and CGD volumes at 4.4mmscmd/1.67/1.2mmscmd.
- 4QFY25 volumes: Bulk/PNG/others and CGD volumes at 4.18/1.8/1.34mmscmd
- Target: 255 new CNG stations and 0.4m new DPNG connections in the next two years.

Update on the ongoing projects

- KLL Dabhol Breakwater project has been completed.
- 21 cargoes were re-gasified in FY25. 34-36 cargoes are expected to be re-gasified this year. This shall add INR3b at PAT level YoY.

FY26

- Mumbai-Nagpur-Jharsuguda Pipeline.
- Jagdishpur-Haldia-Bokaro-Dharma Pipeline.
- Kochi-Mangalore-Bangalore Pipeline.
- Srikakulam-Angul main pipeline.
- 500ktpa PDH-PP plant at Usar
- 1250ktpa GAIL Mangalore petrochemical plant
- 60ktpa Polypropylene plant at Pata

FY27

- Gurdaspur-Jammu Natural gas pipeline.
- C2/C3 Pipeline (Vijaipur to Pata)

FY28

- 50ktpa IPA, Usar plant.

Capex:

- FY26 target: INR100b capex (30b/30b/10b/16b: Transmission/Petchem/renewables/CGDs and others)

Petchem segment:

- Spread considered while evaluating the PHD-PP plant is still intact.
- Plant shall operate at 60%/90%/100% CUF in 1st/2nd/later years.
- India’s expected Polypropylene production and consumption in FY25: 7.9mmt and 8.2mmt
- Pata consumes HH-linked gas mostly, which shot up in 2HFY25. This is expected to reduce.

GUJARAT GAS

Click below for Results Update

Gujarat Gas — Buy

Current Price INR 476

EBITDA margin guidance:

- EBITDA/scm is expected to be between INR4.5 and INR5.5 going forward (guidance maintained).

CNG volume growth guidance:

- CNG volume growth of 12% YoY is expected in FY26.
- In 4Q, CNG volumes grew 8%/28% YoY in Gujarat/others.

Industrial segment

- In 4Q, average Morbi volumes stood at 2.87mmscmd (3.35mmscmd in 3QFY25). Non-Morbi volumes stood at 2.16mmscmd (2.1mmscmd in 3Q).
- The company saw an uptick in industrial volumes in Ahmedabad, Thane, and DMH. Around nine new big units are coming up in Morbi.
- Current (1QFY26) volumes: 2.6-2.7mmscmd in Morbi. Volumes will remain similar QoQ in 1QFY26, as both Propane and NG prices have corrected.

- Current propane landed cost: INR43/scm vs current natural gas landed cost: INR46.5/scm. Propane prices typically stand at 14%/17% of oil in summers/winters. Hence, gas sourcing at a 12%-13% slope would be competitive with propane.

Gas sourcing mix in 4Q:

- 25% - APM gas (~2.3mmscmd).
- 35% - LT contracts (~3.31mmscmd).
- The company has no HH contracts currently. Slope of current Brent linked contracts: ~13.5%-14%. There are some fixed costs as well.
- 40% ST contracts (~3.77mmscmd from NW gas (similar QoQ in 1QFY26), IGX, HP-HT, and Spot LNG (~2.3mmscmd)).
- New LT contracts (HH and Brent linked) will be finalized shortly and are expected to be better than the current contracts. Current Brent-linked contracts are cheaper than HH.
- Current APM/NW gas allocation: 2/0.6mmscmd.

Scheme of Amalgamation and Merger:

- Completion of the scheme: Sep'25 or Oct'25.
- BSE/NSE approval was received and the scheme was filed with MCA for approval in Feb'25.

CNG stations

- The company added three outlets in 4Q. It is focused on upgrading existing stations (40+ in 4Q).
- Under F-DODO schemes, ~70 CNG stations will be added in FY26.
- FY26 capex guidance: INR10b (maintained).

Others:

- Sharp increase in other expenses in 4Q: INR60m in provisions for non-moving assets, some asset write-offs, security charges, and INR350m incurred toward CSR.
- CNG vehicle addition: 0.2m vehicles added in FY25 (1.5m total).
- D-PNG segment: 0.15m customers added in FY25.
- GSCP 9MFY25 volumes: 13mmscmd.
- LNG business outlook: GUJGA remains the sole supplier of LNG in the GAs allocated to the company.

Hindustan Petroleum — Buy

Current Price INR 401

Robust operational performance:

- HPCL achieved its highest-ever refinery throughput of 25.3mmt.
- The Visakh Refinery, following its recent expansion, operated at full capacity and processed over ~15mmt of crude oil. The Mumbai Refinery also processed ~10mmt of crude oil.
- Additionally, HPCL recorded its highest-ever sales volume of 49.8mmt, marking a domestic market sales growth of 5.5% (industry average growth rate: 4.2%).
- The company achieved a record-high pipeline throughput of 26.9mmt during FY25.
- A total of 1,725 new retail outlets were commissioned in FY24-25, bringing HPCL's nationwide network to 23,747 outlets.

Click below for
Results Update

Inventory gain/losses:
- In 4Q, INR6b/5.5b inventory gain pertains to refining/marketing.
- In FY25, INR5.5b/INR5b inventory loss pertains to refining/marketing.

HRRL:
- The CDU is expected to commence operations, with MS/HSD production targeted to begin by 3QFY26.
- Petchem unit will begin from Jan’26.
- Debt as of Mar’25 amounts to INR350b. Total debt tie-up: INR480b.
- At full capacity, HRRL will generate USD20/bbl integrated GRM (mid-cycle GRMs considered). Opex will be ~USD5-6/bbl.
- Product slate: Gasoline/Diesel and Petrochemicals only (no other products).
- Barmer crude proportion: 20% of total (at certain discount).
- Management believes that HRRL could cover depreciation and interest cost from EBITDA generated by HRRL post commissioning.

Update on ongoing projects:
- LPG cavern (80tmt) (underground LPG storage) in Mangalore will be commissioned in 2QFY26.
- Bottom Upgradation Unit, Visakh: Pre-commissioning activities have been completed, along with the commissioning of utilities. Inspections by OISD and PESO have also been concluded, with PESO approval granted in Apr’25. The unit is now preparing for commissioning in 2QFY26.
- It will take a few weeks post commissioning for full operations to stabilize.

Capex & Debt
- FY26 capex target: INR130b-140b (INR50b/INR50b/INR40b on Refining/Marketing/Equity contribution in JVs).
- Next phase of capex will start after the consolidation of ongoing projects.
- SA D/E ratio is expected to reduce from 1.4x to 1.1x. Long-term debt is likely to decrease YoY.

Marketing segment:
- Diesel sales: HPCL is not facing any issues in evacuating Diesel sales currently.
- Current LPG under-recovery: INR165-170/cyl.
- Domestic vs commercial LPG sale volume proportion: 90% of LPG volumes are domestic volumes.
- Excise duty increase on MS/HSD will be used for compensating OMCs against LPG under-recovery.
- FY25 market share: 24.76%/20%+ in motor fuels/all products. 4QFY25 motor fuel market share stood at 24.2%.

CGD
- Sale volume: 1mmt+ gas sales in total (+40% YoY). HPCL expects 25-30% growth in volumes.
- 600+ retail outlets in HPCL’s GAs (all HPCL GAs are profitable). Total 2100+ retail outlets.
- Capex: INR10b-11b capex is being incurred and this run rate will be maintained.

HMEL:
- During 4Q/FY25, refinery GRM was at USD12/9.3 per bbl.
- As of Mar’25, HMEL’s ND stood at INR330b.
- In FY25, PAT was negative, while EBITDA stood at ~INR40b. In 4QFY25, HMEL’s EBITDA stood at INR18b (7% EBITDA margin).

Click below for
Results Update

Indian Oil — Buy

Current Price INR 139

Marketing segment:

- IOCL plans to add another 3,000-4,000 retail outlets in FY26 (40k+ outlets operating currently).
- 4Q earnings were boosted by marketing inventory gains.
- Current under-recovery per cyl estimate: INR170/cyl.

Refining & Petrochemical segment:

- Russian crude %: 22%/14% in FY25/4QFY25.
- Russian crude availability has increased in 1QFY26 (24-25%).
- Current petchem intensity is 6%, with a target to achieve 15% by FY30.
- Petchem margins are expected to increase as the cycle turns (expected in the next 2-3 years).
- IOCL's petchem EBITDA was ~INR10b and EBIT loss was INR2b.

CGD segment:

- 6 out of 26 GAs are EBITDA positive. 7-8 additional GAs are expected to become EBITDA positive in FY26.
- IOCL aims to achieve EBITDA profitability by FY26.
- Sale volume: 115tmt CGD sale in FY25.

Capex

- FY25 capex: Over INR375b.
- Refining and pipeline: INR200b (majority was expansion-related).
- Planned capex for FY26 and the next few years: INR340b+ p.a.
- INR170b on refining and pipeline, INR70-80b on marketing, INR30b on petrochemicals, and INR5b on CGDs.

Update on ongoing projects: Slight delays expected in the date of commissioning

- Panipat Refinery: Capacity expansion from 15mmtpa to 25mmtpa; Capex of INR380b; Completion by 4QFY26.
- Gujarat Refinery: Addition of 4.3mmtpa, Capex of INR190b; Completion by 4QFY26.
- Barauni Refinery: Capacity expansion from 6mmtpa to 9mmtpa; Capex of INR148b; Completion by 1HFY27.
- Refineries are expected to take 6M to stabilize.
- The Gujarat acrylic project has already been commissioned in May'25.
- The Paradip PX PTA project is expected to be commissioned in Apr'26.

Working capital:

- ~INR100b reduction in working capital and implied reduction in debt might be observed in FY26 as crude declined USD10/bbl.

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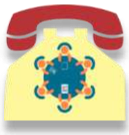
Detailed Concall Transcript &
Results Update

Indraprastha Gas — Buy

Current Price INR 208

FY25 performance:

- Volumes: 8.98mmscmd in FY25 vs. 8.43mmscmd in FY26
- 6% YoY volume growth – CNG 6%/8% if excl. DTC (954 operational CNG stations as of now)
- D-PNG volumes grew by 12-13%
- I-PNG volumes grew by 13-14%
- Area-wise YoY volume growth and volumes:
- Delhi (excl. DTC): 5% (2% for Delhi incl. DTC), volumes: 5.38mmscmd



- NCR: 13%, volumes: 2.28mmscmd
- Others: 32%, volumes: 0.82mmscmd
- Except Kanpur and Ajmer, all GAs are already EBITDA positive. Both these GAs are also expected to be EBITDA positive in 1QFY26.
- CNG conversion: 18,000+ vehicles added p.m. in FY25 (vs. 15,500 p.m. in FY24)
- Month-wise breakup: Mar'25: 17,500 (50% is from PVs); Feb'25: 17,200; Jan'25: 27,000 and Dec'24: 15,000.

Margin and volume guidance:

- Management guided for EBITDA/scm of INR6-7 in the near term (1HFY26) and INR7-8 in the longer run.
- INR appreciation, NW gas allocation and lower R-LNG costs will help margins.
- With Brent at USD67/bbl and HH at USD3.3/mmbtu, gas costs should come down in 1Q.
- IGL might take price hikes, if required.

Volumes are expected to grow at 10% YoY in FY26.

- CNG/PNG volumes expected to grow at ~8%/13%.
- Target: 0.25m to 0.3m new DPNG connections p.a.

APM de-allocation details:

- All future APM de-allocation shall be known two quarters in advance. Hence, current APM allocation shall remain constant for the next two quarters at least.

MNGL and CUGL FY25 performance:

- MNGL volumes grew 19% YoY in FY25, while CUGL volumes rose only 0.3% YoY.
- MNGL PAT was up 7%, whereas CUGL PAT declined YoY.

Gas sourcing updates:

- Term-gas agreements signed with various suppliers for sourcing **1.65mmscmd R-LNG** (majorly HH linked).
- R-LNG contracts are based on:
- 65% of IGL's R-LNG contracts are HH linked, due to more stability
- 8% - HP-HT
- 27% - Crude linked

CNG gas sourcing in 4Q:

- 58% is domestic gas
- 3.51mmscmd APM allocation
- 1.38mmscmd is NW Gas
- Rest 42% is via R-LNG
- IGL has no spot LNG exposure going forward.

INR1.14b provision write-back:

- Provision was related to a dispute during Apr'19-Oct'21 period, which has been settled.
- INR3.5-4.5 per kg in newer GAs. In Delhi, the rates are INR5/kg+.
- Trade margin has a pre-determined 5% escalation clause, which is reviewed every three year.

Delhi EV policy 2.0

CNG 3Ws account for ~7-8% of IGL's volumes.

- IGL has raised concerns with relevant authorities to decouple CNG from fossil fuels or club it with EVs.
- As per the policy, all bus tenders in the future will be EVs.

Portfolio diversification:

- 500MW solar plant with RVUNG in Rajasthan.

- Equity returns in excess of 14-15% and solar energy can be used captively.
- LNG retail and Biogas are other diversification segments, which shall materialize soon.
- 1 LNG station to be commissioned by end of Jun'25.

Capex:

- INR11b+ capex in FY25.
- Capex guidance for FY26/27 increased to INR20b p.a.
- INR13b-INR14b p.a. shall be incurred toward core areas,
- Area-wise capex: Delhi/NCR/Other GAs will be 40%/25%/35%.
- INR5b shall be incurred toward solar project/other areas.

MRPL — Sell

Current Price INR 136

Click below for Results Update

Inventory gain/(loss) and GRM performance:

- GRM stood at USD6.2/bbl IN 4QFY25.
- Inventory gain stood at USD0.42/bbl in 4Q.
- MRPL focuses on maximizing value-added products. The company is trying to maximize Benzene/ATF production. ATF/Benzene output increased 31%/65% YoY.
- The company is not making PX. However, MRPL makes and transfers reformate. This was up 30% YoY in 4Q.
- Petchem's marketing realizations were similar to QoQ.
- Russian crude imports and discounts are at par with other Indian players.
- At USD9 to 14 per bbl MS HSD cracks, MRPL's GRMs should be better.
- GRM includes marketing margins as the company has only one reportable segment.
- Guidance: MRPL expects GRMs to stay in the range of USD6-6.5 per bbl. Throughput target: ~17mmt.

Retail outlet performance:

- 230tkl volumes were recorded in FY25. MRPL targets to achieve 300tkl+ volumes in FY26.
- In the long term, the company expects INR3/lit net marketing margins for MS and HSD (much higher currently).
- Growth guidance: 150+ retail outlets to be added in FY26 (170 ROs operating currently).

Capex:

- FY26/27 capex target: ~INR10b p.a.
- 50% capex in towards the refinery maintenance capex (shutdown capex and replacements).
- The remaining 50% shall be over marketing, power infra, and other projects.
- The company shall also incur capex on value-added products.
- The D/E ratio should be at current levels (~1x).

Green Hydrogen Project:

- About 500tpa capacity project within the refinery is being re-tendered.
- A larger project is under the BOT model.

Distillate Yield:

- Distillate Yield stood at 81.93% in FY25 (78.77%/71.2% in FY24/22).

30% exposure to exports:

- The company has a ~30-35% export exposure. MSD, aromatic complex reformate, ATF, and Benzene are the key products exported.
- The company does not have any B2N contracts. There are spot contracts.
- MRPL is now entering a contract with a trader.
- Selling domestically is always beneficial for MRPL. The export only when unable to sell domestically.

Gas usage at MRPL:

- Gas usage stood at 0.55mmscmd in FY25. The company targets gas use of 0.65-0.7mmscmd in FY26.
- The grid power infra project should be completed this year.
- Fuel loss would come down by 0.4% in the next 18-24 months, led by the Power Infra project.

Oil India — Buy

Current Price INR 422

Oil India Limited

Click below for Results Update

Production volume guidance:

- FY25: crude oil/natural gas production stood at 3.46mmt/3.25bcm.
- Mid-term: OINL's vision remains to achieve 4mmt/5bcm production of crude oil/gas.

OINL 2030 strategy:

- Upstream: Production to rise to 10-12mmtoe p.a. (8.8mmtoe as of now).
- 7-8mmtoe from Domestic EPP, 1-2mmtoe from new wells - PML incl. DSF, and 1-2mmtoe from current international projects.

Downstream:

- Refining capacity (NRL) to triple in FY26.
- 360ktpa PP plant under-constr
- The company plans to bring the total CNG stations to 500+ (74 as of now).

New energy:

- The company plans to invest INR200b in the segment by CY40.
- 5+GW RE capacity

Update on ongoing pipeline expansion projects:

- 9mmtpa Paradip-Numaligarh Crude Pipeline (PNCPL) is expected to be completed by Oct'25.
- 5.5mmta Numaligarh - Siliguri pipeline (NSPL) expansion is expected to be completed by Jul'25.
- 2.5mmscmd Duliajan - Numaligarh Gas Pipeline (DNPL) - 55km replacement project to be completed by Oct'25.
- 4.5mmscmd Indradhanush Gas Grid Limited (IGGL) - Phase 1: Jul'25, Phase 2: Mar'26, and Phase 3: Mar'27

Capex:

- INR84.7b capex incurred during FY25 (80% allocated towards E&P).
- INR150-160b capex shall be incurred by OINL in FY26 (including NRL capex of INR91.3b (INR56.5b/INR23.3b toward refinery/petchem plant)).

Mozambique:

- The Project should restart in Jul'25. OINL has a 10% stake in the project.

NRL's capacity expansion:

- In FY25, NRL's refinery throughput stood at 3.06mmt. GRM stood at USD5.14/bbl in FY25 (MS/HSD spread stood at USD7.9/11 per bbl).

- The ongoing capacity expansion from 3mmtpa to 9mmtpa will be commissioned by Dec'25.
- Revenue will start flowing from FY27.
- NSPL capacity is set to expand from 1.7mmt to 5.5+mmt by Oct'25.
- The cost of the project is ~INR330b. OINL does not see any cost escalations.
- Duliajan Numaligarh pipeline (DNPL):
- Increase in gas offtake for OINL: The current offtake of 1mmscmd from NRL will increase to 2.5mmscmd.
- The hook-up of DNPL and NRL is a three-month process.
- Duliajan feeder line connection from OINL to IGGL is in the approval process (quiet forward stage) and will take 1.5 years to complete.
- OINL has re-routed the pipeline, saving INR8b capex and one year of work.
- The reported GRM of USD5.14/bbl does not include excise duty benefits.
- Petchem project: Planned capex - INR72b.
- IRR: 14%

Long-term demand and policy tailwinds for Oil India:
- India's domestic oil/gas production is required to rise to 90mmt/111mmtoe by CY40.
- No-go zone area is getting unlocked for E&P.

Natural decline and well drilling:
- In FY25, decline rate stood at ~10%.
- OINL dug 60+ wells in FY25. The company plans to dig 75+ wells in FY26.

Gas flaring:
- ~1mmscmd gas that was previously flared is now being piped.

New well gas:
- In FY26, ~20-25% of gas is expected to be NW gas (under-approval).

ONGC — Buy

Current Price INR 238

Click below for Results Update

Production growth:
- FY26 SA production guidance: 21.5mmt/21mmtoe oil/gas. FY27 SA production guidance: 22mmtoe gas.
- Some volumes are expected to kick in from the TSP agreement by FY26'end.
- Project start-up timeline:
- 4QFY26: Daman upside and KG-98/2. DSF (4.5mmscmd) shall come up in FY27.
- Western offshore: In 4QFY26, ~5mmscmd gas shall start flowing from the Daman upside project.
- NW gas is ~20% of total gas sales. This is expected to grow by 10-15% every year.
- Additional revenue from NW gas: INR7b in FY25. This is expected to go up to INR15-20b in FY26.
- In 5-6 years, all gas production shall be NW gas.

KG-98/2:
- Current production: Oil: 33-34kb/d.
- Peak production: Crude oil production to ramp up to 45kb/d.
- Only the living quarter and platform installation are pending at KG-98/2. Current gas production is 2.75mmscmd which shall move to 6mmscmd once the platform is installed (likely in FY26'end). This will later increase to 10mmscmd.

Capex:
- FY26 capex plan: INR300-350b.
- Capex incurred in FY25: INR380b toward conventional business
- INR103b (up 25% YoY) of capex was toward exploration
- INR180b infused in OPaL

OPAL:
- From 1QFY26, OPaL shall have a good performance.
- Input gas (NW gas) is available at USD8/mmbtu to the company.
- The company is on the verge of closing entire Ethane sourcing contracts from CY28 onwards.
- 60%/40% Naphtha/Ethane is currently being consumed, and this will be maintained. Currently, Ethane is being sourced from rich gas, which will be replaced by US gas.
- W.e.f. 4 Apr'25, 8-9% savings would be there as OPaL shall not pay customs duty after its exit from the SEZ.

OVL:
- Mozambique shall deliver gas in the next three years. The force majeure can be lifted any day and work has already started there.
- Production added in Columbia and Azerbaijan. Production was up 9% YoY in FY25.

Other KTAs:
- LNG downstream business: Some big announcements might come up shortly.
- The company shall invest in offshore vessel/rig business.
- The company has a requirement of 50-70 rigs. ONGC might acquire rigs from the market.
- Green energy business: ONGC increased RE capacity from 192MW to ~2.5GW (aim: 10GW).
- Highest ever wells dug in FY25: 109/469 exploratory/development wells.

Petronet LNG — Neutral

Current Price INR 308

Click below for Results Update

Capacity expansion and LT contracts
- Dahej expansion project commissioning is expected in the next 3-4 months.
- On 6th Feb'24, Qatar LNG contract was extended for 20 years (till CY48), and the company remains confident that GAIL, IOCL and BPCL shall off-take entire LNG.
- Petchem project: Completion expected by 4QFY28'end.
- Feedstock is Propane.

FY26 capex guidance: INR45b-50b
- INR25b is allocated toward Dahej petchem project.

PNGRB:
- Management does not foresee any major challenges w.r.t new notification by PNGRB dated 8th May'25.

Drop in Dahej volumes in 4Q
- Major fertilizer plant shutdowns led to lower volumes in 4Q.

Volume guidance:
- With rising demand in India, 5-6% LNG volume growth is expected.
- Some refiners, which had shifted to Naphtha, have returned to NG, as spot LNG prices have corrected.

UoP charges

- None of the bank guarantees have been cashed. Money has been paid by the off-takers.
- Off-takers have paid INR3.6b. However, most of the provision was made against this and was reversed in 4Q.
- In FY25, 33tbtu pertains to UoP dues.

Update on Kochi Terminal

- Post connection to the National Gas Grid by CY25'end, utilization could improve.

Others:

- In 4Q, Regas revenue stood at INR5.9b, and inventory/trading gains stood at INR550m/INR520m.
- As guided, Ind-AS impact has reversed from FY25. In FY24, overall net impact was zero, while it was 130m positive in FY25 (including forex loss of INR620m).

Reliance Industries — Buy

Current Price INR 1,443

Reliance Industries Limited

Click below for Results Update

- **Overall performance:** Reliance Retail's FY25 revenue growth (+6% YoY) was impacted by broader demand weakness and store footprint rationalization. However, EBITDA grew 9% YoY to INR239b, aided by margin expansion.
- **Consumer Electronics** business delivered mid-single digit LFL growth, with a 26% YoY increase in average bill value and higher conversions (up 200bp), boosted by festive campaigns and early summer demand. ResQ services scaled up to 300 cities, while Own Brands delivered robust 30% YoY growth.
- **Fashion & Lifestyle** segment delivered positive LFL growth in 4Q, led by wedding season and regional festivals. The company has repositioned its store formats Trends and Azorte to attract Gen Z customers through optimization of store option count and weekly refreshes. Own Brands' contribution was up 9% YoY, with brands such as Netplay and Avaasa outperforming.
- AJio launched same-day and next-day delivery across 26 cities. During the quarter, the company relaunched Shein across app, web and SIS on AJio.
- Grocery business outperformed industry growth, with robust growth across categories such as general merchandise and value apparel in big box retail formats.
- The company scaled up quick hyperlocal deliveries to service 4,000+ pin codes across 2,100+ stores. Average daily orders jumped 62% YoY, with 2.4x QoQ exit order growth. Currently, the company is offering free delivery and servicing the customers through its retail stores.
- Consumer Brands achieved INR115b in revenue in the second year of operations. Campa gained double-digit market share in key markets. Key acquisitions included SIL, Velvette and Tagz, while the company also launched new products in Campa. General trade contributed ~60% of sales with 3.5x YoY sales growth.
- Management indicated that store rationalization is largely completed. The company rationalized some of the low-margin B2B businesses, which aided margin expansion. In FY26, the company is looking to add more options and aggressively market SHEIN.

Rapid 5G adoption; 5G now accounts for ~45% of overall data usage

- RJio's continued to focus on ramping up 5G users, with its base rising to 191m 5G users (vs. 170m QoQ), accounting for ~40% of wireless subscribers.
- 5G now contributes ~45% of Jio's wireless data traffic.
- Management indicated that the consumption profile of 5G users is significantly higher and the company's large 5G user base provides the company significant monetization opportunities through higher data plan offerings and additional value-added offerings over the next few years.
- RJio served the world's largest gathering at Mahakumbh, handling 2.2m GB data with 99.9% network accessibility.

Fast-tracked growth in Home broadband – targets to reach 100m homes

- JioHome subscriber base crossed 18m, with 1.5m net adds in 4QFY25.
- JioAirFiber subscribers rose to 5.6m (vs. 4.4m QoQ), with ~90% of industry's wireline net additions captured by Jio.
- RJio operationalized the world's first point-to-multipoint wireless solution for fixed broadband, enabling scalable and cost-effective deployment.
- The company continues to target a reach of 100m homes through a mix of FTTH and FWA over the medium term.

Successful deployment of private 5G

- RJio has deployed private 5G with slicing for secure, high-bandwidth, low-latency enterprise use.
- Integrated solutions include robotic automation, video surveillance, and enhanced security for private applications.

Other takeaways: Capex likely to moderate

- RJio's cash capex declined ~14% YoY to ~INR460b. With 5G capex largely done, management expects capex intensity to further moderate over the next few years.
- Among the non-wireless business, Enterprise cloud, government projects and IoT are some of the offerings that are doing well for the company.
- RJio's initial focus was to build significant capacity on 5G and its key priority remains to get more 5G users on its network, which it can monetize at a later point through additional premium offerings.

REAL ESTATE

- **The real estate companies witnessed a shortfall in launches in FY25, mainly due to approval delays, which is expected to spill over into FY26, indicating the potential for strong sales in the current financial year. Real estate developers remain optimistic about sustained demand in the coming years. Average growth in price realization was 15% in FY25, with a similar increase going forward. Approval processes are gradually improving, paving the way for a healthier launch pipeline in FY26. Companies are also actively focusing on land acquisition to strengthen their future project pipeline.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Quarterly Snapshot	Near-term outlook/launch pipeline
DLF	■ DLF reported bookings of INR20b, up 39% YoY (25% below our est.) in 4Q. This impressive performance was fueled by healthy sales from the super-luxury project 'The Dahlias', launched in 3QFY25, which contributed a total of INR137b in FY25 (~65% of total pre-sales of INR212b in FY25). Thus, FY25 exceeded the full-year pre-sales guidance. In FY25, revenue came in at INR80b, up 24% YoY. EBITDA was flat YoY at INR21b, striking a lower margin of 26% (7pp below FY24). PAT was INR49.6b, up 82% YoY (including reversal of DTL), while normalized PAT (ex-DTL) was INR43.7b, up 60% YoY.	■ Projects worth INR739b are planned in the medium term. DLF is confident of launching its Mumbai project (~0.9msft of area) and Privana phase-3 in 1QFY26. Goa would be launched in the rest of FY26. Pre-sales in FY26 are guided at INR200-220b. Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing landbank). In the coming months, DLF is set to launch Mumbai, Goa, and Privana phase 3. Hence, there is little scope for acquisitions, though DLF will surely evaluate good opportunities in the future.
Godrej Prop.	■ GPL's pre-sales volume for 4QFY25 declined 8% YoY (+85% QoQ) to 7.5msf, resulting in the highest-ever quarterly pre-sales value of INR101.6b (+7% YoY/87% QoQ, 32% above estimates). In FY25, pre-sales were up 31% YoY to INR294b (9% above estimates and 9% above guidance). Notably, 80% of the contribution came from projects in NCR, MMR, and Bengaluru.	■ In FY26, GPL guided INR325b in pre-sales (+11% YoY), INR400b in launches (+9% YoY), INR210b in collections (+23% YoY), INR200b in BD, and 10msf of deliveries. Management is optimistic about building on the current momentum and is confident in meeting its FY26 numbers. Of the land acquired since FY23, INR500-550b of launch-ready inventory is remaining. Overall, at the project level (including townships), the remaining inventory is valued at INR1.1t.
Macrotech Dev.	■ In 4QFY25, pre-sales rose 14% YoY/7% QoQ to INR48.1b, while volumes grew 4% YoY/15% QoQ to 3.6msf. In FY25, pre-sales grew 21% YoY to INR176.3b, surpassing the guidance. For FY26, the company has guided INR210b of pre-sales and volumes of 11msf. During the quarter, the company launched seven projects, covering a saleable area of 3.4msf with a GDV of INR33b. For the full year, it launched 9.8msf of projects with a GDV of INR137b across micro-markets.	■ For FY26, the company has guided pre-sales of INR210b, volumes of 11msf, and OCF of INR77b. The company has also guided launches of 13.1msf with a GDV of INR188b across 17 projects. The company has concluded its pilot phase and is moving to the growth phase in Bangalore, in line with its established strategy. Currently, Bangalore accounts for 2-3% of total sales, which LODHA aims to increase to 15% over the next decade.
Oberoi Realty	■ OBER's presales were down 52% YoY to INR8.5b (49% lower than our estimate) in 4QFY25, due to no new residential launches in the quarter. 360-West contributed up to ~62% of sales, while Jardin, which was launched in 3QFY25, contributed barely 6%. SkyCity and Elysian presales plunged 88-90% and accounted for 16% of total presales. Other projects also performed poorly.	■ In FY26, OBER expects to launch one tower in Borivali, one tower in Goregaon, and two towers in Forestville Thane. Additionally, it will also launch projects in Gurugram, Adarsh Nagar, Worli, and Tardeo in FY26. Alibaug is currently in the design phase and may be pushed to FY27.
Mahindra Lifespace	■ MLDL achieved bookings of INR10.5b in 4QFY25, down 3% YoY and up 3x QoQ (53% above estimates). FY25 bookings stood at INR28b, up 20% YoY (15% beat). This growth was driven by strong bookings of ~INR21b in 1QFY25 and 4QFY25 combined, following the successful launches of Vista Ph2, Ivy-Lush, Zen, and Green Estates. 4Q	■ MLDL's residential sales mix is undergoing a significant shift toward premium housing. In FY25, premium projects launched after FY23 contributed 71% of sales value (68% of volume) and are expected to contribute 97% of sales value by FY30, largely driven by land already secured. Affordable housing, which constituted

	sales volume stood at 1.0msf, up 21% YoY and 2x QoQ (80% above estimate). For FY25, sales volume rose 28% YoY to 3.2msf (17% above estimate).	12% of sales value (27% of volume) in FY25, is being phased out. The company is also moving from a new launch-heavy model (~65% in FY25) to a more sustenance-based model (~75% by FY30), supported by multi-year sales streams from large projects like Bhandup and Thane.
BRGD	■ In 4QFY25, BRGD reported a pre-sales growth of 9% YoY to INR24.5b (22% below), due to a 26% YoY dip in volumes to 2.0msf (50% below our estimate). With launches of projects of ~4msf across Chennai and Bengaluru, BRGD recorded its highest-ever quarterly realization of INR12,083/sft, up 47% YoY.	■ Management indicated strong on-ground demand, with all upcoming launches to be fully priced. Brigade aims to sell 50% of inventory within the initial few quarters post-launch, and the balance to be sold as part of sustenance. The company guided ~15-20% YoY growth in pre-sales and a 10% price increase for like-to-like projects. Embedded EBITDA margins are likely to remain in the 27-30% range for the full year, including FY26.
SOBHA	■ SOBHA reported bookings of INR18.4b (8% above estimate), up 22%/32% YoY/QoQ. Its share of sales stood at INR13.7b, up 8%/10% YoY/QoQ. Additionally, SOBHA's share accounted for 75% of total bookings. In FY25, the company reported bookings of INR63b, down 6% YoY (in line with estimates), while its share of sales stood at INR50b, down 8% YoY.	■ SOBHA has guided a 30-35% growth in pre-sales for FY26, which will also depend on the timing of new launches. Key upcoming launches include a 0.7msf project in Greater Noida and the Marina One development in 1QFY26, followed by a 0.6msf launch in Bengaluru. In 2QFY26, a commercial project is planned in Gurgaon, along with another 0.5msf launch in Bengaluru. Overall, the company plans to launch 3-3.5msf in 1HFY26. Overall, 45% of the new launches in FY26 will be from NCR.
Kolte Patil	■ KPDL reported pre-sales of INR6.3b in 4QFY25, down 15%/7% YoY/QoQ, (31% below estimate). In FY25, pre-sales were at INR28b, flat YoY and 9% below estimates due to delays in launches. In FY25, the company launched projects with a total GDV of INR40b, which contributed 42% of total bookings for the year.	■ Management expects a 25% CAGR in pre-sales over FY25-27. KPDL's margin threshold for outright acquisition deals is 25%-28%, and for JV/JDA/redevelopment projects, it is 16-18%. The launches of Laxmi Ratan Versova, Jal Mangal Deep Goregaon, Vishwakarma Nagar, and Jal Nidhi project, with overall GDV of INR20b from the Mumbai portfolio, have been pushed to FY26 due to approval delays.
Prestige Estates	■ PEPL reported a 48%/131% YoY/QoQ rise in pre-sales to INR69.6b (31% below our estimates) due to the absence of guided launches in 4QFY25. For FY25, bookings dipped 19% YoY to INR170.2b (15% below our estimate and 29% below the guidance of INR240b). Significant sales contributions came from Nautilus (34%), followed by Southern Star, Spring Heights, Raintree Park, and Suncrest, which contributed 20%, 16%, 7%, and 5%, respectively. In FY25, these projects contributed 58% of sales, with ~18% of contribution to total sales coming from Nautilus.	■ PEPL's FY26 pre-sales guidance stood at INR270b, with INR120-130b expected in 1QFY26. The GDV pipeline moderated to INR420b for FY26. Additionally, INR100-150b worth of projects are available for launch, if required. Approvals for new launches have started falling in place. Evergreen, Raintree Park, Pallavpuram Chennai, and Dahisar-Mira Road projects are all expected to be launched in FY26. Hyderabad will see launches of Prestige Imperial Park (2.78msf) and Prestige Rock Cliff (0.81msf) in FY26.
Phoenix Mills	■ The company reported revenue of INR10.2b, -22%/+4% YoY/QoQ (16% below estimate), while EBITDA came in at INR5.6b, -11%/+1% YoY/QoQ (27% below estimate). Margin stood at 55.1%, +708bp/-163bp YoY/QoQ (848bp below our estimate).	■ The company expanded Phoenix Palladium Mumbai by 0.25msf and PMC Bangalore by 0.6msf in 3Q. Further expansions are underway at Phoenix Palladium (0.35msft) and Phoenix Market City Bangalore (0.05msf), with both expected to be launched by FY27.
Signature Global	■ Signature Global achieved pre-sales of INR16.2b, down 61% YoY (15% above our estimate) and down 42% sequentially. In 4QFY25, volumes stood at 1.4msf, down 54% YoY and 45% QoQ (13% higher than our estimate). Further, the company achieved	■ In FY26, the company guided pre-sales of INR125b (+20% YoY) backed by launches of INR170b. It also achieved INR129b of pre-sales in CY24, showcasing a run rate of INR10b/month. Like-to-like price increases are in the 15–20%

	volumes of 8.3msf in FY25 (+33% YoY; in line).	range across sectors like 37D and 71, driven by robust infrastructure development and demand dynamics. The company believes that prices continue to rise due to a lack of supply but believes that the rise has moderated.
Sunteck Realty	■ SRIN reported pre-sales of INR8.7b in 4QFY25, up 28% YoY (41% above estimates). Traction in uber-luxury projects increased 36% QoQ, with bookings of INR5.7b, or 66% of total presales. The upper-middle-income segment accounted for 27% of presales (+8% QoQ).	■ In FY26, SRIN will launch a new phase of ODC (Goregaon West), with a GDV of INR30b (two towers with 0.8-1.0msf area, of which ~0.5msf in one tower to be launched). SRIN 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 by end-FY26 or early FY27.
Anant Raj	■ Revenue came in at INR5.4b, up 22%/1% YoY/QoQ (21% above the estimate). EBITDA was at INR1.4b, up 36%/7% YoY/QoQ (36% below the estimate), due to a higher total expenditure of INR4b vs estimated INR2.2b. EBITDA margin stood at 26.3%, up 2.8% YoY but ~24% below the estimate. Adj PAT was at INR1.2b, up 38%/7% YoY/QoQ (16% below the estimate). PAT margin came in at 22%, up 2.5% YoY but ~10% below our estimate.	■ The approval process for the recently acquired 11.35 acres is in its advanced stage, with the Letter of Intent for land conversion already received. Construction of The Estate Residences (Group Housing 1) and Aashray 2 in Tirupati has already commenced and is progressing rapidly, remaining on track for timely delivery.

Brigade Enterprises — Buy

Current Price INR 1,263

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- **Demand/Sales/Margins:** Management indicated strong on-ground demand, with all upcoming launches to be fully priced. Brigade aims to sell 50% of inventory within the initial few quarters post-launch, and the balance to be sold as part of sustenance. The company guided ~15–20% YoY growth in pre-sales and a 10% price increase for like-to-like projects. Embedded EBITDA margins are likely to remain in the 27–30% range for the full year, including FY26.
- **New launches/pipeline:** In 4QFY25, Brigade launched Brigade Altius, Eternia, and Orchards, covering areas of 1.4/2.1/0.4 msf, respectively, in Chennai and Bengaluru. Across FY25, the company launched projects with a Gross Development Value (GDV) of INR117b. Typically, projects are launched within 12 months of acquisition. Of the total sales in FY25, 54% were from new launches and ~70% came from Bengaluru. Brigade has a pipeline of nearly 12 msf of upcoming launches across key cities—Bengaluru (8 projects), Chennai (5 projects), Hyderabad (1 project), and Mysuru (2 projects).
- **Business development**: Total business development in FY25 stood at 12 msf with an overall GDV of INR125b, including 4msf added in 4Q. An additional INR7.5b is planned to be spent on land acquisition. The company is in negotiations for other projects in Hyderabad and is exploring opportunities in additional geographies.
- **Commercial:** Management shared that one of the Twin Towers, totaling 0.55 msf, is intended for strata sales, while other under-construction commercial assets will be retained under the leasing model. Construction has commenced for Brigade Tech Boulevard, Chennai (0.8 msf) and Brigade Padmini Tech Valley Block B (0.7 msf), with ~30% of the commercial space already leased or sold.
- **Hospitality:** In 3QFY25, Brigade submitted a draft proposal to the regulator to seek approvals for listing its hospitality business as a wholly-owned subsidiary

under the name Brigade Hotel Ventures Ltd. As a result, no updates were provided for the hospitality segment in 4QFY25.

- **Expansion in Kerala:** Brigade is expanding in Kerala with a planned World Trade Centre (WTC) in Thiruvananthapuram, comprising 1.5 msf of office space. The group has also signed on to expand the WTC in Kochi Infopark with a third tower, taking the IT infrastructure to 1 msf. Future investments of INR15b are planned in Kerala, expected to create employment opportunities.
- **Chennai residential project (West Chennai):** BRGD signed a Joint Development Agreement (JDA) for a ~1 msf residential project in West Chennai, with an estimated GDV of ~INR8b. This will form part of a 1.5 msf mixed-use development.
- **Whitefield acquisition:** BRGD acquired 4.4 acres of land in Whitefield, East Bengaluru, to develop a premium residential project with 0.6 msf area and an associated GDV of INR9.5b.
- **Mysuru JDAs:** Two JDAs were signed in Mysuru—1) a project with a GDV of INR3b (0.45 msf) including 25% senior living and 75% luxury apartments, and 2) a premium residential project with GDV of INR2.3b (0.37 msf).
- **Velachery Road acquisition (post-4QFY25):** Post-4QFY25, BRGD acquired a prime land parcel on Velachery Road, Chennai, for a premium residential project. The land has development potential of 0.8 msf with a GDV of INR16b and was acquired for INR4.4b.
- **Cash position:** Out of the total INR34b cash on hand, approximately INR15–16b constitutes free cash, with the remainder held in RERA accounts.
- Credit rating upgrade: CRISIL upgraded BRGD's credit rating from AA- (Stable) to AA- (Positive).

DLF — Buy

Current Price INR 825

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Residential business

- **Housing demand:** There is strong housing demand for quality products, both for purchase and rental, particularly in Gurgaon. The city has evolved into a robust investment destination, supported by the presence of Cyber City and a large working population. Investors are increasingly drawn to DLF projects due to the brand's proven track record of quality construction, timely delivery, and consistent execution.
- **Launches & Guidance:** Projects worth INR739b are planned in the medium term. DLF is confident of launching its Mumbai project (~0.9msft of area) and Privana phase-3 in 1QFY26. Goa would be launched in the rest of FY26. Pre-sales in FY26 are guided at INR200-220b.
- **Super Luxury - '**The Dahlias': 'The Dahlias' is a luxury benchmark in the world, with 4mtrs floor-to-ceiling height, 17ft decks, 1,0300sft minimum size of apartment and 0.45msf of club (2.5x of Camellias). In 3QFY25, it was launched with sales of INR118b (98%) of total pre-sales. In 4QFY25, of the INR20b of pre-sales in the quarter, Dahlias' contribution was at 95%. With this, in FY25, the company has surpassed its FY25 total pre-sales guidance, and Dahlias contributed 65% of total pre-sales for the year.
- **RERA cash:** With the virtuous cycle of high-rise coming into play in the future, cash escrowed with the RERA account (at ~INR82b) will reduce.

- **Business development (BD):** Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing landbank). In the coming months, DLF is set to launch Mumbai, Goa, and Privana phase 3. Hence, there is little scope for acquisitions, though DLF will surely evaluate good opportunities in the future.
- **Capex guidance:** Capex is expected to be around INR50b each in FY26 and FY27.
- The effective tax rate is expected to remain stable over the next few years, based on current visibility.

Commercial business:

- **Vacancies for office and retail stand at 6% and 2%, respectively.**
- **Downtown (DT) Gurugram:** The Phase 2 construction has commenced. Block-4 (2msft) is 97% pre-leased and OC received in 4QFY25. Rent will commence in 1QFY26. Cost of construction initially was INR6,200psft of GLA, which, post-inflation and other adjustments, lies at INR8,000psft. Construction has commenced for Block-5/6/7/8 and Mall of India (total ~7.5msft). On Retail, the cost of construction stands at ~INR10,000 psft on GLA.
- **Downtown Chennai:** Downtown-3 (1.1msf) received OC in 1QFY26. Downtown-3 is currently pre-leased at 99%. Rentals will commence by May/Jun'25, while construction for Downtown 4&5 (3.6msf) has already commenced in Jul'24 and should take ~36 months for commissioning.
- **Atrium place:** OC expected in 2QFY26. Pre-leased at 87%. Rentals for 2.1msf Phase-1 will start from Jul'25, which will give rentals for 9-10 months. And the next tower (1.1msf) is slated to be completed in 4QFY26, for which rentals will start from May/Jun'26.
- Crisil upgraded DLF's credit rating to AAA (stable), and ICRA upgraded to AA (positive) from AA (stable).

Godrej Properties — Buy

Current Price INR 2,312

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- **Exceptional year:** In FY25, GPL exceeded its launch guidance by 22%, booking value guidance by 9%, collections guidance by 14%, delivery guidance by 23%, and business development guidance by 32%.
- **Long-term goal:** Besides maintaining a strong national presence, the company aims to lead in each individual market. It anticipates good volume and price growth throughout its projects.
- **FY26 anticipation:** In FY26, GPL guided INR325b in pre-sales (+11% YoY), INR400b in launches (+9% YoY), INR210b in collections (+23% YoY), INR200b in BD, and 10msf of deliveries. Management is optimistic about building on the current momentum and is confident in meeting its FY26 numbers.
- **Demand and market share:** Rising disposable income, job security, favorable policies, and evolving buyer preferences are boosting housing demand and accelerating industry consolidation in favor of strong, branded developers. According to data from PropEquity, GPL holds a 4.3% market—amounting to INR294b—within the INR6.9t real estate market in FY25. The company aims to increase this share to double digits in the near term while maintaining 15% project-level PAT margins (25-30% for plotted development).
- **Inventory:** Of the land acquired since FY23, INR500-550b of launch-ready inventory is remaining. Overall, at the project level (including townships), the remaining inventory is valued at INR1.1t.

- **Launches:** 4QFY25 saw major launches: Riverhills, Noida (INR22b in bookings), Godrej Aristocrat, Gurugram (INR13b), and Godrej Garden City, Hyderabad (INR11b). In FY25, the company launched a total of 34 projects across seven cities, with a total cumulative saleable area of 29.2msf and a GDV of INR366b. Overall, ~55% of sales were from new launches and the balance was from sustenance sales.
- **Proposed debt issue:** In 4QFY25, the Board approved a fundraise of INR20b through non-convertible debentures/bonds/debt securities via private placement. This follows the INR60b raised through a QIP in 3QFY25.
- **Sustenance sales:** Management believes that the sustenance sales momentum is in line with the strategy and will continue to build on it in future.
- **Market-wise outlook:** Growth in FY26 is expected across Mumbai, NCR, Bangalore, and Pune, with aspirations for leadership in all key cities and long-term expansion into Hyderabad and plotted developments.

Kolte Patil Developers — Buy

Current Price INR 438

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- **Demand:** India's GDP is estimated to grow at 6.5%, with momentum expected to remain strong. Demand remained resilient across Kolte-Patil's key markets, and the income tax relief measures announced in the Union Budget are likely to further support demand generation.
- **Business Development:** In FY25, a 22-acre JDA was recently signed in Wadgaon Khurd, Sinhagad Road, Pune (near Nanded City), with an anticipated GDV of INR40b and a total area of 5msf. The project is located in a prime market with well-established social infrastructure, upcoming IT parks, nearby malls, and easy access to the Mumbai-Pune-Bengaluru highway. The project is set to be launched within the next 8-10 months.
- **Guidance:** Management expects a 25% CAGR in pre-sales over FY25-27.
- **Margin:** KPDL's margin threshold for outright acquisition deals is 25%-28%, and for JV/JDA/redevelopment projects, it is 16-18%.
- **Launches:** In FY25, launches stood at INR40b. The launches of Laxmi Ratan Versova, Jal Mangal Deep Goregaon, Vishwakarma Nagar, and Jal Nidhi project, with overall GDV of INR20b from the Mumbai portfolio, have been pushed to FY26 due to approval delays.
- Unsold inventory currently stands at 4msf, of which Life Republic contributes to 2.1msf.
- Life Republic contributed 45% to the total pre-sales for FY25.

Macrotech Developers — Buy

Current Price INR 1,462

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- **Demand:** LODHA observed that demand remained strong, with consumers showing a growing preference for high-quality homes. The company believes that branded developers will be well-placed to navigate any potential slowdown or lean period.
- Despite recent stock market corrections, no significant red flags have emerged in real estate demand—particularly for top-tier players—with strong sales performance indicating continued market strength.

Macrotech Developers

- While any potential slowdown is expected to be segment-specific, LODHA remains confident that diversified and well-established players like itself are best positioned to navigate such phases.
- **Consolidation:** The company also highlighted the ongoing consolidation trend among consumers, lenders, and landowners, who are increasingly aligning with reputed developers.
- **Bangalore's growth has begun:** The company has concluded its pilot phase and is moving to the growth phase in Bangalore, in line with its established strategy. It has added three new projects with a GDV potential of INR66b (achieving 113% of full-year BD guidance of INR210b). Currently, Bangalore accounts for 2-3% of total sales, which LODHA aims to increase to 15% over the next decade.
- **Township projects:** LODHA has launched premium projects 'Lodha Hanging Garden' and 'Golf View' in Palava. The company also closed two land transactions at Palava with Global Hyper-Scale Data Centre at INR210m/acres (INR25m/acres at the time of the listing).
- Land monetization will contribute regularly to sales. On average, 60-80 acres/annum of land will be sold, of which 70-80% will be data center land. The visibility of Palava is expected to increase further with the opening of the Airoli-Katai tunnel by the end of FY26, leading to an expected 20% growth in sales.
- More sales are expected in FY27 as the tunnel becomes operational. Additionally, the Navi Mumbai Airport is set to become operational in the next 12 months, and the Bullet Train project by 2029.
- **Sales and price growth:** ~20% of sales in FY25 were from ready inventory, 30% from new launches, and the remaining from under construction. Price growth for like-to-like projects stood at 4% (against 6% guided for FY25). However, the company expects to achieve this guided goal in FY26.
- **FY26 guidance:** According to the company's 20-20 rule, it expects to generate INR210b in pre-sales and achieve a 21% ROE in FY26. Embedded EBITDA is guided at INR69.3b with a 33% margin. PBT is guided at INR61.2b with a 29% margin and PAT is guided at INR45.8b with a 22% margin. OCF is guided at INR77b, while business development is guided at INR250b. Additionally, the company expects to launch INR188b worth of GDV across 17 projects.
- **Launches**: In 4QFY25, launches stood at INR33b with 3.4msft of area across the micro-markets of Extended Eastern Suburbs, Pune, and Bangalore. For FY26, the company plans to launch eight new projects (8.1msf with a GDV of INR114b) in Pune, Bangalore, and MMR, along with nine new-phase launches (5msf with a GDV of INR74b). Pune is expected to contribute a substantial portion (~INR35b) of sales in FY26 from the INR70b of new launches planned in the near term.
- **Digital infrastructure:** In FY25, LODHA successfully acquired approximately 33 acres of land in NCR and around 45 acres in Chennai. With these strategic additions, the company has expanded its geographical footprint and is now operating across five distinct locations. It has completed net leasing of 0.8msft under the digital infrastructure segment, with popular tenants including Skechers, Mitsui, Delhivery, Zomato, DP World, and DHL.
- **Annuity**: LODHA aims to generate INR15b in annual rental income, with clear visibility of over INR11b from operational/under-construction assets by FY31 and INR5b by the end of FY26. The INR5b will cover interest costs, enabling LODHA to become net debt-free. The yield on cost for rental assets is expected to be in high teens or better.
- **Trademark dispute with HOABL:** The trademark dispute between Macrotech Developers Ltd. (MDL) and House of Abhinandan Lodha (HoABL) has been resolved by the Bombay High Court. The court's ruling confirms that MDL is the sole owner of the 'Lodha' and 'Lodha Group' brand names and holds exclusive rights to their usage.

- **Lodha Philanthropic Foundation:** In Q2FY25, the promoter group decided to transfer 1/5th of its shareholding to Lodha Philanthropy Foundation, a non-profit Sec 8 company. The foundation will utilize all its income solely for social and national upliftment activities. It has committed not to sell more than 0.5% of its equity in any fiscal year. A Board of advisers has been appointed to scale activities in areas such as education innovation, environment, and Indian culture, according to its disclosure.

Mahindra Lifespaces — Neutral

Current Price INR 327

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Results Update

- **Strategic market consolidation and focus on quality delivery:** MLDL is temporarily pulling back from the NCR market to first secure a substantial market share in MMR, Pune, and Bengaluru. The company is focusing on large, high-impact projects, with Bhandup cited as a key example—one of the largest developments it has undertaken. MLDL is also prioritizing outright land acquisitions, Joint Development Agreements (JDAs), and redevelopment opportunities. Alongside these efforts, the company is committed to enhancing brand positioning, targeting the right customer segments, and maintaining a strong emphasis on quality delivery and customer satisfaction to drive long-term growth and loyalty.
- **Capacity building and execution:** Capacity building at MLDL is a dynamic process, occurring at the right time based on the specific project and its timeline. The company manages its channel partners through a dedicated team that is divided into three segments: retail channel partners, institutional channel partners, and the broader India channel model. In terms of distribution, MLDL excels in sourcing verticals. Additionally, the company is performing well in execution and construction.
- **Launches:** In 4QFY25, MLDL launched Project Vista phase 2 in Kandivali with a GDV of INR15-17b, Project Ivy Lush in Pune with a GDV of INR7-7.5b, Zen 2 in Bengaluru with a GDV of INR2.5b, and a plotted project in Green Estates and Tathawade. Upcoming launches include Citadel new tower with a GDV of INR1.5-1.8b, Project Navy in Malad with a GDV of INR10b in Q1-Q2FY26, Project Pink in Jaipur (INR2b plotted), Citadel phase 3 in Pune, Saibaba redevelopment in Borivali with a GDV of INR18b, and Bhandup Phase 1.
- **Business development:** MLDL has signed three projects with a GDV of INR48b from Jan’25 to April’25. One project at Bengaluru (INR10b), second at Lokhandwala Mumbai (INR21.5b), and third at Mahalaxmi (INR16.5b). Of the INR450b GDV expansion plan, MLDL had already acquired INR390b by FY25. The remaining GDV of INR60b is targeted for acquisition, with a focus on the Pune and Bangalore regions.
- **Bhandup strategy:** The Bhandup project spans ~6.4msf of saleable area and is currently nearing the completion of its design phase. The development is expected to offer over 3,000 apartments for sale. Adopting a conservative outlook, MLDL anticipates generating sales of around INR120b over the next 8-9 years. The project positions MLDL to deliver a marquee, high-quality residential offering to customers. Bhandup is recognized as a strong market, with excellent connectivity through the railway station, metro networks, and east-west bridge linkages, enhancing its appeal to future residents.
- **IRR progress:** Until FY18, MLDL was generating a project-level IRR of 3%. This grew over the years and by FY24, the company reported five projects worth INR50b, delivering an average IRR of 26%—reflecting a 23% increase since FY18. Currently, at the portfolio level, the company generates ~16% IRR.
- **Shift toward premium residential sales:** MLDL’s residential sales mix is undergoing a significant shift toward premium housing. In FY25, premium

projects launched after FY23 contributed 71% of sales value (68% of volume) and are expected to contribute 97% of sales value by FY30, largely driven by land already secured. Affordable housing, which constituted 12% of sales value (27% of volume) in FY25, is being phased out. The company is also moving from a new launch-heavy model (~65% in FY25) to a more sustenance-based model (~75% by FY30), supported by multi-year sales streams from large projects like Bhandup and Thane.

- **IC&IC business:** The business signed an extension of the contract for Origins Chennai Phase 2, covering an available lease area of 163 acres, and an MoU for Phase 2 of a partnership with Sumitomo valued at INR2.3b (60% contribution by MLDL). Overall, the business is expected to generate a PAT of INR15-20b over the next 10 years.
- MLDL believes that a continued momentum in the business, driven by end-user demand, is favorable and will help meet the anticipated sales of INR95b within the next five years.
- MLDL's Board of Directors approved a rights issue on February 13, 2025. Proceeds from the rights issue, amounting to INR15b, will be utilized for the repayment of long-term debt and to fund future acquisitions. Post the rights issue, MLDL's net worth is expected to rise to approximately INR34b. The enhanced equity base will also enable the company to raise additional debt for future acquisitions as required.

Oberoi Realty — Neutral

Current Price INR 1,801

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- **Launches:** 4QFY25 did not see new launches after the phenomenal response to recent mixed-use Jardin Project in Thane, which was launched in 3QFY25. One tower in Elysian will be launched in 1QFY26. In FY26, OBER expects to launch one tower in Borivali, one tower in Goregaon, and two towers in Forestville Thane. Additionally, it will also launch projects in Gurugram, Adarsh Nagar, Worli, and Tardeo in FY26. Alibaug is currently in the design phase and may be pushed to FY27.
- **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 Commerz III to 81% in 4QFY25. Accordingly, all three office assets are expected to be fully leased out by the end of FY25.
- OBER recently commenced the soft launch of Sky City Mall in Borivali East.
- I-Ven Realty entered into an agreement for a private equity investment of ~INR12.5b for a 21.74% equity stake. OBER is appointed as developer for a redevelopment project at Bandra Reclamation, with a free sale potential of 0.32msf of RERA carpet area.

Phoenix Mills — Neutral

Current Price INR 1,562

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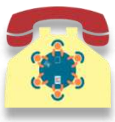
Results Update

- The Core portfolio delivered a strong quarter performance. Operating revenue was up 8% YoY at INR8.9b and EBITDA was up 4% YoY at INR5.1b. Overall revenue was down 22% at INR10.2b and EBITDA was down 11% at INR5.6b.
- **LFL consumption growth:** LFL growth was 8% in 4Q (excluding new malls), guided by jewelry, electronics, and fashion.



- **Business development:** The company expanded Phoenix Palladium Mumbai by 0.25msf and PMC Bangalore by 0.6msf in 3Q. Further expansions are underway at Phoenix Palladium (0.35msft) and Phoenix Market City Bangalore (0.05msf), with both expected to be launched by FY27. There were no new acquisitions in 4Q. However, with the acquisition of 22.1 acres in Coimbatore and Chandigarh Mohali in 2Q, PHNX is set to double its portfolio by FY30.
- **Commercial office leasing pipeline:** Active leasing discussions are going on for 1.2-1.4msf across Pune, Kurla, and Chennai. These discussions are expected to convert into leases by FY26, with more meaningful rental contributions starting in 3QFY26. Around 0.12msf has already been leased, with some tenants beginning rent payments in 4QFY25.

Upcoming malls:

- Phoenix Thane, Majiwada will have a GLA of 1.3msf, with an additional FSI potential of 2.5msf, and is expected to be launched by the end of FY29.
- The Coimbatore mall will feature a 1.0 msf retail area.
- The Chandigarh Mohali mall will have a 1.3msf GLA and unlimited FSI potential.
- The Phoenix Grand Victoria mall Phase 1 (1msf retail area) is expected to be launched by the end of FY26 /beginning of FY27.
- The Phoenix Surat mall with a gross leasable area of ~1msf is expected to be launched by FY27.
- Overall, PHNX expects to launch at least 1msf each year after 2027.
- **The company has acquired additional development rights totaling 136,000 square meters** (1.46msf) of FSI for an investment of INR5.9b. This additional FSI will be integrated into the Lower Parel development, which is currently in the early stages of planning and design. The expansion aims to unlock significant value from one of the company's most strategic land parcels in Mumbai's core commercial and retail district.
- Phoenix Mills maintains an annual capital expenditure guidance of INR10-12b, which covers construction progress across ongoing projects. Any future land acquisitions or FSI purchases—such as the recent transaction at Lower Parel—will be incremental and in addition to the guided capex.
- **Revamps in mature malls to drive growth:** Flat or declining consumption in some mature assets (e.g. Palladium Mumbai, Bengaluru, Pune) is attributed to ongoing revamps and tenant churn. In Bengaluru, ~10% of leasable area is under fit-outs or being repurposed from hypermarkets to high-performing fashion anchors. Pune is undergoing a similar revamp, replacing outdated anchors and restaurants with new-age offerings. These revamps led to a temporary decline of INR2b in consumption and INR0.4b in rental income for the quarter. Management remains confident in long-term performance, expecting strong growth post-revamp from FY27 onwards.
- **Indore infrastructure and outlook:** Indore is witnessing significant infrastructure upgrades, with multiple highways being built around the mall. While this has temporarily limited access, completion is expected within a month. Management expects substantial consumption growth in FY27 and beyond, driven by improved connectivity and densifying catchments.

Prestige Estates **Buy**

Current Price INR 1,626

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Results Update

- **New Launches in 4QFY25:** A total of 14msf new launches were rolled in 4QFY25, spanning four projects – Prestige Suncrest and Prestige Southern Star-Ph 1 in Bengaluru, Prestige Nautilus in Mumbai, and Prestige Spring Heights in Hyderabad, with a combined GDV potential of INR161.3b. Stock in hand stood at 13.85msf from Bangalore, Hyderabad, Mumbai, and others.
- **FY26 Pre-sales and GDV Pipeline Outlook:** FY26 pre-sales guidance stood at INR270b, with INR120-130b expected in 1QFY26. The GDV pipeline moderated to INR420b for FY26. Additionally, INR100-150b worth of projects are available for launch, if required.
- **Hyderabad Launches in FY26:** Hyderabad will see launches of Prestige Imperial Park (2.78msf) and Prestige Rock Cliff (0.81msf) in FY26.
- **FY25 Business Development Summary:** In FY25, out of INR55b spent on BD, INR14-15b was related to stake acquisitions in PPPL, Falcon Mumbai, etc. (translating into a GDV potential of INR200b). Apart from that, acquisitions in the Bengaluru region amounted to INR4b. In the current quarter, some approval payments were made for Indirapuram, etc.
- **FY26 BD Spend and GDV Potential:** Business development spends are expected to be in the range of INR40-45b, which is expected to translate into INR300-400b in FY26.
- **Approval Status of Upcoming Projects:** Approvals for new launches have started falling in place. Evergreen, Raintree Park, Pallavpuram Chennai, and Dahisar-Mira Road projects are all expected to be launched in FY26.
- **Spillover and Pipeline Expansion:** Planned launches worth INR140b have been spilled over to FY26 due to approval delays. An additional GDV of INR500b is currently in the planning stage and will be reflected in the pipeline over the upcoming quarters.
- **Land Near Mumbai Airport:** Discussions are ongoing for about 5.5msf of commercial land near Mumbai Airport. Management will provide further updates in due course.
- **Project Execution Milestones**: For Mahalaxmi, the rehab tower is complete, and the handover of the turf and green estate has started. The targeted year of completion is 2028. The rehab tower in BKC will be handed over by Jun'25, while commercial buildings are expected to be completed by 2028. Trade Centre DIAL in Aerocity is slated for completion by the end of CY25.
- **Debt and Leverage Position:** Net debt declined to INR67b (vs INR70b in 4QFY24), with a Net Debt/Equity ratio of 0.42 and a reduced borrowing cost of 10.32%.
- **Construction Spend Outlook:** In the long run, construction spend per quarter will be in the range of INR16-18b, although some projects nearing completion may experience a rise in construction cost.
- **Collections Outlook:** Collections are expected to scale up to INR160-180b per year once the projects in the pipeline are moderated and ready for launch.
- Capex and Completion Timeline: BKC will be completed by FY28 and Aerocity office space, which is fully leased out, will be completed by the end of CY25. Capex to be incurred is at INR70-80b.

- **Approach to New Acquisitions:** The company follows a conservative approach to new acquisitions, targeting an EBITDA margin of 30-35%.

Signature Global

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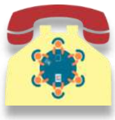

SignatureGlobal — Buy

Current Price INR 1,245

- **Focus on Core Segments:** The company's focus will continue to be on middle-income housing and the premium segment, and it foresees the consumption trends to be steady with sustained supply.
- **Strong Pre-sales Performance:** The company reported strong pre-sales of INR102.9b in FY25 and sold 4,100+ housing units at an average price of INR25m per unit. This was due to the successful launches in Titanium SPR, Dakshin on the Sohna Corridor, and Twin Towers. In FY26, the company guided pre-sales of INR125b (+20% YoY) backed by launches of INR170b. The company also achieved INR129b of pre-sales in CY24, showcasing a run rate of INR10b/month. Like-to-like price increases are in the 15–20% range across sectors such as 37D and 71, driven by robust infrastructure development and demand dynamics. The company believes that the prices continue to grow upwards due to a lack of supply, but it believes that the price rises have moderated.
- **Collections:** The company achieved collections of INR44b in FY25, a miss on guidance due to execution delays and launches being deferred to FY26 due to lack of approvals. In FY26, 75% of collections are projected to come from projects already sold, and the balance 25% from newly launched ones.
- **Land Acquisition in FY25:** In FY25, the company added ~48 acres of land, including a 22.06-acre plot in Gurugram for INR10.7b, offering an overall development potential of 7.97 msf.
- **Upcoming Launches in FY26:** In 1QFY26, 1.6–1.7msf in Sector 71, which is Phase 2 of Titanium. Another 3.3msf in Sector 70. Adding on to it, Project Iconic in 37D and some other inventory getting launched in the Sohna market, some inventory from Project Dakshin, another project Park in Sector 36, Sohna. Within 1HFY26, SIGNATUR plans to launch inventory/projects worth INR100–110b. For 2HFY26, the projects are currently in the planning stage, and more launches are expected to come up in Sector 37D and Sector 71.
- **Utilization of Operating Surplus:** Of the INR16.3b operating surplus in FY25, INR10.6b was towards land acquisition, INR2.8b towards reduction in net debt, and INR2.9b towards debt servicing.
- **Revenue and Margin Guidance:** Management has guided to achieve a revenue recognition of INR48b for FY26, thus achieving 92% YoY growth as the construction picks up pace. Additionally, management is confident of a blended embedded operating margin of 35% for the projects.
- **Annual Land Spending Outlook:** Spending on land would be INR12–15b for Gurgaon on an annual basis. Management believes Gurugram has a lot of areas for greenfield development, and the company wishes to target those areas.
- **Debt Position:** In 4QFY25, SIGNATUR's debt rose to INR8.8b from INR7.4b in 3QFY25. The company's debt, however, reduced to INR8.8b in FY25 from INR11.6b in FY24. SIGNATUR aims to keep FY25 net debt well below 0.5x of the projected surplus.

- **Project Execution and Pipeline:** To date, completions stand at 14msf of saleable area. Another 10–11msf is in the advanced stage of completion, which should be completed by 1QFY27. 39.3msf of upcoming projects in the pipeline of which 40% (14.8msf) already launched with GDV of INR175b and balance 60% (24.6msf) with GDV of INR400b to be launched within 2–3 years.

Sobha — Buy

Current Price INR 1,605

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- **Recent launches:** In 4QFY25, ~76% of its sales were led by Bengaluru. It recorded INR14b of sales across 1.24msf, supported by two new launches, SOBHA Madison Heights and SOBHA Hamptons, with a total saleable area of 3.7msf. Sales in Hyderabad and Tamil Nadu were up ~2x/54% YoY to INR418m/INR371m. Gurgaon posted a 25% QoQ growth in sales, whereas Kerala remained steady. Further, the company plans to launch 10msf in FY26.
- **Upcoming launches:** The company has guided for 30-35% growth in pre-sales for FY26, which will also depend on the timing of new launches. Key upcoming launches include a 0.7msf project in Greater Noida and the Marina One development in 1QFY26, followed by a 0.6msf launch in Bengaluru. In 2QFY26, a commercial project is planned in Gurgaon, along with another 0.5msf launch in Bengaluru. Overall, the company plans to launch 3-3.5msf in 1HFY26. Overall, 45% of the new launches in FY26 will be from NCR.
- **MMR launch:** The MMR project is in the final stages. Management believes that Mumbai offers a range of opportunities across segments and intends to build a strong presence in the city over the long term. The project is estimated to be launched in 3QFY26.
- **Margins:** EBITDA margins on current sales to be recognized stand at 40%. Management targets a project-level EBITDA margin of 33% and an embedded PBT margin of 28% from the remaining INR 160 billion revenue to be recognized, with overall margins (excluding overheads and interest) expected in the range of 15-18%. Overall margins in Q4 have recovered from previous losses caused by contractual business and a reduction in JV projects. RE margins currently stand at 8% and are expected to rise further in the coming quarters.
- SOBHA has a robust upcoming pipeline of 18.56msf across 18 residential projects in nine cities and a commercial pipeline of 0.71msf across two projects, scheduled for launch in the next six to eight quarters. Effective share of SOBHA expected from the upcoming launch is guided at ~81%.
- SOBHA has a completed inventory of 11.4msf, valued at INR147b. With the inventory buildup and accelerated launches, management expects decent sales in FY26.
- Revenue to be recognized from the Real Estate business stands at INR159b.
- The company has spent INR9.5b in land outflow for FY25, compared to INR3.8b in FY24, which is aligned with its growth and expansion plans.
- Operating cash flow is aimed to grow at 10% in FY26.
- For Gurgaon, the company has three projects in the pipeline, which will be brought to the market in FY26.

RETAIL

- **Retail: Demand for apparel and footwear companies remained modest in the 4QFY25 due to continued economic headwinds, with regional slowness in South India, particularly AP and Telangana, pulling down overall performance. However, 2HFY25 showed some sequential improvement due to a normalized holiday calendar, a positive wedding season, and softening base effects. Retailers such as Vedant Fashions, SHOP, and Metro Brands are hesitant about store expansions due to rising rents; however, ABLBL has forecast strong retail expansion in FY26.**
- **Jewelry: The jewelry companies continued to deliver robust sales growth as the demand environment was stable during the quarter, despite macro uncertainties and higher gold prices. Moreover, the Akshaya Tritiya festival showed strong demand trends, with customer sentiments remaining largely upbeat. The solitaires segment witnessed a healthy recovery, supported by increased traction in lower carat weights. Jewelry companies saw high volatility in GML rates in 4Q due to the US tariff volatility; however, the companies have begun to stabilize now.**
- **QSR: Consumption trends remain soft due to macro inflation and an urban slowdown, although the companies expect a gradual recovery in dining-out frequency. Eating-out frequency largely remained unchanged in 4QFY25. With a favorable base, same-store sales growth (SSSG) showed an uptick (ex-KFC). The revenue gap between dine-in and delivery has narrowed, driven by increased dine-in footfall traffic. However, weak underlying growth continued to impact operating margins, exerting pressure on restaurant and EBITDA margins for most brands. Enhancements in value-focused menu offerings and promotional activities have increased footfalls. While delivery channels remain strong, dine-in is showing a gradual improvement. Store additions continued at a healthy pace during the quarter, and companies have maintained their store expansion guidance for FY26.**

KEY HIGHLIGHTS FROM DEPARTMENTAL RETAIL CONFERENCE CALL

	Salient takeaways from the 4QFY25 performance	Outlook
Aditya Birla Fashions	■ The underlying demand remains subdued with cautious consumer spending and low footfalls. However, there were few green shoots in select pockets (value, lower tier markets). Management indicated that underlying demand remains weak in 1QFY26TD as well except for the boost from higher wedding days (vs. no wedding dates in 1QFY25).	■ Long-term plans of tripling sales and double EBITDA margin by 2030. Post recent fundraise, ABFRL's cash balance stood at ~INR23.5b (~INR9b net cash), and the fundraise is primarily earmarked for scaling up in value fashion (Style Up) and Ethnics (through Tasva). Management is targeting EBITDA breakeven for all segments (except TMRW) by FY27.
Shoppers Stop	■ SHOP witnessed a modest demand recovery during 4QFY25 despite ongoing macroeconomic challenges. Departmental stores delivered ~3.5% LTL growth, second quarter of mid-single digit LTL growth. Urban markets, particularly in southern India, continued to lag. Overall sentiment improved as the quarter progressed, and management expects the gradual recovery to continue into FY26.	■ INTUNE witnessed a challenging quarter, marred by weak demand and higher discounting. SHOP has trimmed guidance on INTUNE store additions to 40-60 for FY26 (from 90-100 earlier). In addition to INTUNE, management has also lowered its FY26 guidance for departmental store additions to 6-7 stores (vs. 10-12 net additions earlier). However, management is looking to fund the growth through internal accruals while focusing on reducing leverage and inventory.
V-Mart	■ Demand trends improved, particularly in tier 2/3 cities, supported by a continued shift from unorganized to organized, while Tier 1 markets also witnessed some upswing. Macroeconomic signals remain mixed, but management doesn't expect a material impact on consumption in smaller towns. An early tapering of winters, despite delayed onset, impacted sales in the initial part of the quarter, however, an early Holi and Eid provided some offset.	■ Management is targeting ~17-20% revenue growth, driven by ~12% store additions and a mid-to-high single-digit SSSG.
Bata	■ Despite a weak demand environment weighing on overall revenue, Bata is witnessing volume-led growth in both value (sub INR1k products) and premium segments (Floatz portfolio).	■ Bata India's long-term vision centers on volume-driven profitable growth by focusing on SSSG, portfolio evolution, and inventory agility. It aims to realize operating leverage via cost efficiencies and resetting lead product costs as volumes scale. Aggressive inventory agility—including complexity reduction and aged stock cleanup—is expected to lower markdowns and improve margins.

Campus	■ Demand trends remain mixed across regions. Metros and Tier 1 cities faced a slight dip in salience during 4Q, whereas Tier 2, Tier 3, and rural markets demonstrated better resilience. Overall demand improved but industry growth was still not as per the expectations. Management believes the company was able to increase its market share and anticipates this positive momentum to continue.	■ Management continues to aspire for a 17-19% EBITDA margin over the medium term. New product development is seen as the biggest driver of margin expansion as overheads are fairly under control.
Metro Brands	■ 1HFY25 was challenging due to a combination of fewer wedding dates, general elections, and adverse weather conditions impacting footfalls. However, 2H saw normalization in consumer behavior with business returning to a double-digit growth trajectory.	■ Management reiterated their guidance of ~15% revenue CAGR over the long term. Further, it indicated that rentals are stabilizing and the company will continue to focus on opening meaningful and profitable stores and is not fixated on a particular store opening target (earlier guidance of 140-145 store openings for FY26).
Raymond Life	■ Weak demand persisted throughout FY25 due to inflation and lower discretionary spending, but signs of recovery are emerging with improved secondary sales and 12-13% YoY growth in AW2025 bookings. EBOs and LFS saw better sales in Mar-May'25. Ethnix surpassed INR1b in revenue in FY25 despite weak consumer demand and fewer weddings, with a focus on expanding through franchisee-led stores to optimize profitability.	■ Raymond Lifestyle expects revenue growth of 10–15%+ in FY26, driven by demand recovery, dealer restocking, and easing inflation. Profitability is set to recover strongly as scale improves and store performance stabilizes. Steady-state margins are targeted at 20–22% for Branded Textiles and 14–15% for the overall business.
Vedant Fashions	■ VFL' performance was weighed down by: 1) continued weakness in consumer sentiment; 2) persisting weakness in markets such as AP and Telangana (TS); and 3) increased competitive intensity in the ethnic wear category. Management indicated that excluding AP/TS, SSSG for FY25 was flat (4.2% decline).	■ Management indicated that LFL growth recovery is the key focus for the company in FY26. Further, it expects consolidation of high rental unprofitable stores to continue, at least till 1HFY26
Relaxo Footwears	■ RLXF faced weak demand, especially among the lower-income households, which are key customers of the Hawaii brand, leading to a revenue/volume decline in Q4. Muted consumer sentiment, resistance to trade transformation initiatives, and tighter distributor policies weighed on sales, though these changes are expected to strengthen long-term fundamentals.	■ Despite limited near-term volume growth, the company expects a revenue recovery and margin improvement driven by premiumization and operational efficiency. Management is targeting ~100bp margin expansion in FY26, driven by operational efficiencies and premium product focus, with stable raw material costs supporting profitability. Further, management expects RoCE to also inch up by 2-3%.

KEY HIGHLIGHTS FROM QSR- CONFERENCE CALL

	Highlights from 4QFY25 commentary	Outlook for FY26
Jubilant Food works	■ Domino's orders grew 25% with LFL growth of 12.1%. The delivery business saw a strong 27% YoY revenue growth with 22% LFL growth, contributing 73% (68% in 4QFY24) of total revenue. The dine-in revenue was flat YoY. The waiver of delivery charges continued to shift demand from dine-in to delivery. ■ The company has observed inflationary trends in key inputs such as cheese, oil, and coffee, along with 2-3% food and paper inflation. While milk inflation was higher, it was effectively managed internally. Oil and palm oil prices have begun to cool off.	■ The company is targeting an EBITDA margin expansion of 200bp over the next three years, supported by scale and efficiency. ■ JUBI plans to open 250 new Domino's stores across India. While some of these will be split stores, their share is likely to be no more than 20% of the total. ■ In Turkey, the company plans to open 30 new Domino's stores and 50 COFFY outlets.
Devyani International	■ India revenue was up 7% YoY, with a 16% YoY store expansion, which was offset by weak same-store sales growth (SSSG) across brands. ■ DEVYANI's 4QFY25 was challenging given the inflation and urban slowdown that led to subdued consumption. However, management is optimistic about the tax relief measure taken by the government and a better monsoon outlook,	■ KFC's ROM can reach 19-20% at ADS of INR100k over the next few quarters. DEVYANI is adopting some strategic measures to achieve this target. These measures focus on ADS and cost optimization. ■ The company is in discussion with Yum for PH turnaround, and it will have a plan ready by the end of 1QFY26.

	which will boost consumption. ■ KFC's SSSG was hit by the bird flu in AP and Telangana, which lasted for ~70 days. The flu hit its SSSG and ADS. Kerala and West Bengal faced geopolitical challenges, which adversely impacted the company's SSSG and ADS. That said Karnataka remained stable. Management expects a sequential improvement in SSSG and ADS from the current levels.	
Sapphire Foods	■ SAPPHIRE reported a 13% YoY revenue growth in 4QFY25, led by a 10% YoY rise in store count. ■ KFC's revenue grew 12% YoY, aided by 17% store expansion, but offset by a 1% decline in same-store sales. Pizza Hut (PH) revenue rose 5% YoY, with 5% YoY new store additions and 1% SSSG. ■ The demand situation remains neutral, showing no significant improvement or deterioration compared to the last 3-4 quarters. Competitive pressure has intensified, but efforts are underway to drive growth.	■ The company expects Pizza Hut to deliver low single-digit ROM over the next 12–18 months. ■ The company aims to maintain its KFC expansion run-rate of 70–80 stores annually while taking a cautious approach for Pizza Hut with 20–25 net store additions per year. In Sri Lanka, it plans high single-digit store additions over the next two years.
Barbeque Nation	■ Consolidated revenue declined 2% YoY to INR2.9b (miss) in 4QFY25, impacted by high competition in South India and sluggish demand. **Same-store sales** declined 2% YoY. ■ BBQ India's revenue declined 5% YoY to INR2.3b, due to a decline in same-store sales and low store expansion. Same-store sales dipped 2.9% YoY. GP margin contracted 75bp YoY to 66.9%. RoM (Pre-Ind-AS) margin contracted 210bp YoY to 10.1% due to operating deleverage. ■ For international business, the 4QFY25 ROM at 29.6% is not sustainable. On an annualized basis, BBQN expects ROM to be 23-25%, with a payback period of ~2.5 years.	■ Eating out has been slow for the last two years. The east region has been positive for BBQ, while the north region has been flat and the west region has been slightly negative. The south region is facing higher competition and has been the most affected region for the company. ■ In the long term, ROM will be ~18% on mature stores and ~16% on a blended store-level basis for its India business. ■ The company plans to open 300-325 stores by FY27 vs. 230 stores as of FY25. ■ The company expects a total cash requirement of INR1.4b per year for the next few years, including INR0.2b for maintenance expenses and INR1.2b for new store openings. Historically, capex is funded through internal accruals, while this year BBQ is raising external debt of INR300-350m.
Restaurants Brand Asia	■ RBA posted India revenue growth of 12% YoY, led by a 13% YoY rise in store additions. The same-store sales rose 5% led by dine-in traffic growth and value offerings. ■ India ROM (pre-Ind-AS) rose 51% YoY to INR516m. Margin improved 270bp YoY to 10.5%. EBITDA margin (Pre-Ind-AS) was up 300bp YoY to 5.4%. ■ RBA plans to continue enhancing delivery profitability by optimizing pricing, improvising the menu, and cutting fixed costs like utilities.	■ RBA continued to maintain profitability through disciplined cost management and operational efficiencies, ensuring sustainable financial performance. ■ RM inflation is offset through supply chain efficiencies. The management expects an annual Increase of 0.5% to 0.7% over the next four years. ■ BK plans to open 60-80 new restaurants every year and plans to have 800 restaurants by FY29 from the current 513 restaurants.
Westlife Foodworld	■ Revenue growth of 7% YoY to INR6b in 4QFY25, with same-store sales growth (SSSG) of 0.7% YoY. Average sales per store declined 6% YoY to INR59m (annually). ■ Growth was broad-based, on-premise sales grew 8% YoY, while off-premise sales rose 5% YoY. ■ While the eating-out frequency largely remained unchanged in 4QFY25, the management expects a gradual recovery in dining-out frequency. ■ Input costs remained stable in 4QFY25. The company expects gross margin to maintain ~70% levels in the near term.	■ Over the next couple of years, the company expects to reach mid to high single-digit SSSG level. ■ The company opened 47 new restaurants in FY25 and aims to expand its network to 580-630 restaurants by 2027.

KEY HIGHLIGHTS FROM Jewel- CONFERENCE CALL

	Highlights from 4QFY25 commentary	Outlook for FY26
Titan	▪ Standalone jewelry sales (excl. bullion) rose 25% YoY, driven by an increase in ticket size due to a rise in gold prices. Studded jewelry grew 12% YoY, while mix declined by 300bp YoY to 30%. ▪ High gold prices weighed on sentiment, especially in the sub-INR50k price band, with consumers trading down to lower caratage and lighter-weight products with lower making charges. ▪ Gold jewelry growth was largely ticket-size driven, while growth in studded and gold coins was led by an increase in new buyers. The solitaires segment witnessed healthy recovery, supported by increased traction in lower carat weights. ▪ New buyers contributed 52% of the overall base in 4Q, reflecting successful customer acquisition efforts; the new-to-repeat buyer mix stood at 52:48. ▪ The finance cost has increased more due to gold price impact than from higher GML rates. While GML rates more than doubled YoY in 4Q due to US tariff volatility, they have started to stabilize.	▪ The company continues to guide for healthy double-digit revenue growth going forward. ▪ Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth. ▪ In FY26, Titan plans to open 40–50 new Tanishq stores and refurbish 50–60 existing stores across all formats (expansion, relocation, or area addition).
Kalyan Jew	▪ The demand environment was stable during the quarter despite macro uncertainties. The Akshaya Tritiya festival showed strong demand trends, with customer sentiment remaining largely upbeat. ▪ The company highlighted that gold prices increased by 30%, which affected the composition of its inventory, particularly in terms of 18-carat, 22-carat, lightweight, and heavy jewelry. ▪ Studded revenue growth (+47%) outpaced gold revenue growth (+38%), leading to a 200bp increase in the studded share to 31% (29.5% in 3QFY25). ▪ Gold loan interest rates increased in the range of 2-2.5%. The peak interest rate was ~5%, but it has started to come down. ▪ India revenue grew 38% YoY to INR53.5b and same-store sales increased 21% YoY. SSSG was 20% in the South regions and 22% in the non-South regions.	▪ Management expects EBITDA margins to remain steady or improve marginally in FY26, supported by better operating leverage, efficient inventory turnover, and a calibrated approach to discounting. ▪ It expects to reduce debt in India by INR3,500m-4,000m in FY26. ▪ The company plans to open 170 showrooms with 90 Kalyan and 80 Candere formats in FY26.
Senco	▪ Senco delivered consolidated revenue growth of 21% YoY in 4QFY25, with an SSSG of 18%. Management indicated that rising gold prices had an impact on volumes (-6%). Growth in Tier 3 and Tier 4 towns outpaced that of metros and Tier 2 cities. ▪ Consolidated GM contracted 30bp YoY to 16.8%, with inconsistency in gross margin remaining high on a QoQ basis. ▪ Gold Metal Loan (GML) interest rates were 3.2% in Jan'25, 5.3% in Feb'25, and 6.6% in Mar'25 which has been reduced to 5.6% in Apr'25.	▪ For FY26, the company maintains its revenue growth guidance of 18-20%, with SSSG projected in the range of 15-16%. Additionally, it expects to record an EBITDA margin of 6.8-7.2% and an APAT margin of 3.5-3.7%. ▪ Looking ahead, the company plans to open 8-10 COCO stores and 8-10 franchise outlets annually, with 70-80% of the new stores concentrated in North and East India and the remaining 20% in the West and South.
P N Gadgil	▪ The discontinuation of refinery sales from 3QFY25 onwards impacted the reported revenue. ▪ No inventory gains were recorded during the quarter due to 100% hedging. ▪ The current GML rate is 3%.	▪ The company has witnessed robust performance at the start of 1QFY26, aided by the extended wedding season and festivals like Akshaya Tritiya. ▪ At the retail level, the company expects revenue growth of 30–35% in FY26, with EBITDA margins of 7–8% and PAT margins of ~4%. At the consolidated company level, PAT margins are projected to be in the range of 2.85–3.25%. ▪ The company plans to open 20–25 new stores in FY26, including 6–7 COCO, 6–7 FOCO, and 12–13 PNG Lifestyle stores.

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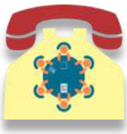

Aditya Birla Fashion — Neutral

Current Price INR 77

- Demand trends: The underlying demand remains subdued with cautious consumer spending and low footfalls. However, there were few green shoots in select pockets (value, lower tier markets). Management indicated that underlying demand remains weak in 1QFY26TD as well, except for the boost from higher wedding days (vs. no wedding dates in 1QFY25).
- ABFRL (demerged): LT plan of tripling sales and doubling EBITDA margin by 2030. Post recent fund raise, ABFRL's cash balance stood at ~INR23.5b (~INR9b net cash) and the fund raise is primarily earmarked for scaling up in value fashion (Style Up) and Ethnics (through Tasva). Management is targeting EBITDA breakeven for all segments (except TMRW) by FY27.
- ABLBL: ABLBL will be listed by end-Jun'25. The company will start with ~INR7-8b net debt, with plans to become net debt free in next 2-3 years. Over the longer term, the aim is to double revenue and further improve profitability.
- Store additions: The company is planning ~300 store additions in FY26 under ABLBL (incl. Reebok). For demerged ABFRL, the company plans to double the store footprint for Style Up (from 46 currently), add ~15-20 Pantaloons and open 25+ TASVA stores (vs. ~67 currently) in FY26.

Demerger-related accounting changes:

- ABLBL reported a one-time exceptional loss of INR980m due to the restructuring of Forever 21 operations.
- Due to demerger accounting, ABLBL's assets were classified as 'held for distribution', leading to INR1.5b depreciation not charged in consolidated results, creating a INR1.1b gain (net of deferred tax- INR390m), inflating reported PAT.
- Inter-division eliminations were discontinued post-demerger, resulting in an INR970m one-time gain for demerged ABFRL, which boosted both gross as well as EBITDA margins.
- Capex: Management indicated a capex of ~INR2.5b for ABLBL, which is primarily earmarked for ~300 retail store expansion (~200 of which are planned to be on company's books and rest franchise). For demerged ABFRL, the management has guided for a capex of ~INR4b on an ongoing basis, with ~INR1b likely in FY26 for Galeries Lafayette store.
- Margin levers for demerged ABFRL: Management indicated that the biggest driver of margin expansion for demerged ABFRL would be reduction in losses for currently loss-making formats (TCNS, TASVA and TMRW). For TCNS and TASVA, management is targeting to achieve double-digit pre-INDAS margins in next 3-4 years (vs. losses currently). Further, management noted that Pantaloons margin could expand by ~300bp over the medium term (vs. ~18% in FY25).
- TMRW fund raise: Management is targeting ~INR12-15b fund raise in FY26 to fund the growth ambitions for TMRW portfolio. Excluding TMRW, management believes the current cash balance should be sufficient for funding growth for demerged ABFRL.
- **Value retail:** The company added ~7 stores in 4QFY25 to reach 49 stores. Management is aiming to add ~40-50 stores in FY26, with further scale-up to

~250-300 stores in next 2-3 years. A scale-up of Style-Up (ABFRL's value fashion format) is likely to be the major focus for cash deployment for ABFRL in coming years.

Barbeque Nation Hospitality — Neutral

Current Price INR 312

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Business environment

- The business condition remained challenging.
- Eating-out has been slow for the last two years. The east region has been positive, while the north region has been flat and the west region has been slightly negative for BBQ. The south region is facing higher competition and has been the most affected region for the company.
- SSSG recovery is expected to be gradual as the competitive intensity remains elevated.
- SSSG of the delivery business remained healthy in 4QFY25. The company repositioned UBQ, which led to some decline in same-store sales, while BBQ and Dumsafar reported SSSG in high single digits.
- Currently, the average group size for BBQ is 4.5, while BBQ generates ~50% of revenue from the group size of 6.
- BBQN records 50% of sales from Monday to Thursday and the rest 50% from Friday to Sunday.
- BBQN closes stores that continue to incur losses and believes that these locations are unlikely to turn profitable in the near-to-medium term.
- The company expects a total cash requirement of INR1.4b per year for the next few years, including INR0.2b for maintenance expenses and INR1.2b for new store openings. Historically the capex is funded through internal accruals, while this year BBQN is raising external debt of INR300-350m. The current net debt is INR0.5b on a net worth of INR4b.

Barbeque Nation India

- FY25 saw various value-based initiatives targeting larger groups, positioning Barbeque Nation as a preferred celebration destination.
- BBQ focuses on driving enhanced guest experience through culinary and service innovations-led sales growth through targeted marketing campaigns and promotional activities.
- The company will continue to introduce culinary innovations to enhance the overall guest experience and differentiate its offerings in the market.
- FY25 pre-IND-AS ROM increased 70bp to 12.0%, led by efficient operating management despite same-store sales decline. In the long term, ROM will be ~18% on mature stores and ~16% on a blended store level basis.
- The company plans to upgrade and refurbish older restaurants to maintain a consistent and high-quality dining experience for customers.
- BBQ will implement efficient cost-control measures to sustain and improve operating margins despite economic and competitive challenges.

Barbeque Nation International

- FY25 revenue growth of ~8% YoY was supported by SSSG (+0.8%) and ramp-up of new stores.
- In the medium term, the company expects to deliver SSSG in the range of 3-5%. That said, the company will focus more on margins.

- Contributed 8% to consolidated revenues in FY25.
- 4QFY25 ROM at 29.6% is not sustainable. On an annualized basis, BBQN expects ROM to be at 23%-25%, with a payback period at ~2.5 years.

Premium CDR

- INR55-60m annualized revenue per outlet is expected to continue in the coming quarters as well.
- The company aims to maintain its leadership position in the Italian cuisine casual dining restaurant segment by offering high-quality dining experiences.
- The segment is more dominant in Bangalore; however, in FY25, it entered 3 new markets – Hyderabad, Delhi and Mumbai. BBQN expects network expansion growth of ~30% YoY.
- Toscano, Barbeque Nation's premium dining brand, will continue to expand in newly launched cities, including Delhi, Mumbai, and Hyderabad.
- The company plans to expand Salt, another premium dining brand, into new metropolitan markets to capture a wider customer base.
- Matured portfolio (restaurants older than 2 years) delivered 21.3% Pre IND-AS ROM in FY25, and in the long term, BBQN aims to sustain this margin level (20-21%).
- BBQN is committed to maintaining strong operating margins in the premium CDR segment, ensuring profitability despite aggressive expansion.

Store expansion

- Barbeque Nation India added one new restaurant in 4QFY25, bringing the total count to 191 stores, with 5 restaurants currently under construction.
- BBQ international operates a total of nine restaurants now, as the company launched a restaurant in Colombo, Sri Lanka, in 4QFY25. Three restaurants are currently under construction. The company is entering in Saudi Arabia.
- In Premium CDR, the company opened 2 new restaurants in 4QFY25, taking total stores count to 30 stores; 4 restaurants are currently under construction.
- BBQN added 18 restaurants and closed 5 restaurants in FY25 (total 230 restaurants).
- In 1QFY26, BBQN is opening 7 stores, of which 2-3 are international stores and 2 in premium CDR and the rest in BBQ India. For FY26, the company plans to open 35-40 stores.
- The company plans to open 300-325 stores by FY27 vs. 230 stores as of FY25.

Food festival initiatives

- BBQN launched food festival 'Lazeez-e-Gosht' during Ramadan to be a part of festive celebrations of guests. Special delicacies offered during the festival: Galouti Kebab, Nihari Gosht, Hyderabadi Haleem, Zaffrani Biryani, Shahi Mutton Korma and many other succulent meat dishes.
- Ramadan promotions were done in Malaysia.
- In CDR space, BBQN did special day promotions like Republic Day brunch, Valentine Week's special menu, etc.

Campus Activewear — Buy

Current Price INR 300

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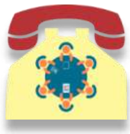


Campus Activewear

- **Demand trends:** Demand trends remain mixed across regions. North, East, and West regions experienced healthy demand growth, while South and Central India remained flattish. Metros and Tier 1 cities faced a slight dip in salience during 4Q, whereas Tier 2, Tier 3, and rural markets demonstrated better resilience. While overall demand improved, industry growth was still not in line with expectations. Management believes the company was able to increase its market share and anticipates this positive momentum to continue.
- **ASP:** The increase in ASP in 4QFY25 was driven by price hikes in open footwear and higher outright sales in the online segment. For FY25, ASP was lower due to the higher sale of accessories and higher salience of open footwear (~100bp increase YoY to 15.2%).
- **Margins:** Management continues to aim for 17-19% EBITDA margin over the medium term. New product development is seen as the biggest driver of margin expansion as overheads are fairly under control.
- **A&P spends:** Ad spends rose to INR1.3b (8.4% of sales) in FY25, with an additional INR100m jump in 4Q, driven by brand and performance marketing. Management expects A&P spends to remain at ~8.5% of sales in FY26.
- Distribution Channel rebounded with an 8% growth in FY25 (11% YoY in Q4), fueled by enhanced on-ground execution, better distributor alignment, and timely supply. Distributor base was slightly rationalized to 300–350 to optimize geography coverage without sacrificing reach. Expansion is focused on North, Central, and West India, with increasing traction in the South.
- Online channel grew 12% YoY in FY25 (15% YoY in Q4), supported by volume growth and higher ASPs due to a stronger premium and higher outright sales mix. Revenue growth outpaced volume due to mix changes. Enhanced online visibility and targeted marketing drove this growth.
- **Profitability:** EBITDA margins expanded to 15.2% (up 73bp YoY) and 17.6% in Q4, supported by lower overhead costs and fewer one-off provisions. Despite a higher mix of open footwear and accessories, margins were protected through strategic price increases and new product launches.
- **BIS impact:** The company is gradually liquidating its non-BIS compliant inventory, albeit slower than initial expectations. The inventory liquidation impacted gross margin by ~20-40bp in FY25, with a similar drag expected in FY26. However, management indicated that imports from China have declined significantly after the BIS implementation, though companies are taking longer to liquidate the non-BIS inventory.
- **Product Category:** Over 250 new styles were launched in FY25 across the men, women, and kids categories, helping to maintain consumer relevance. Sneakers grew 150% YoY and contributed ~8.5% to overall sales, with further volume gains expected as the Haridwar facility will operate at full capacity in FY26. Open footwear's mix rose to 15.2% from 14.2%, diluting the overall ASP. Price increases in this category helped offset some of the impact on ASP. The men's category continues to dominate at 80%, while the focus on women's segment is rising.

- **Working Capital** days reduced from 92 to 71 in FY25 and are currently at optimal levels. The company has no plans to reduce it further to avoid hurting sales. Supply chain efficiency improved with warehouse consolidation, and a new SAP system was launched in Apr'25.

Devyani International — Buy

Current Price INR 169

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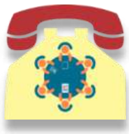

Business and Environment

- DEVYANI's 4QFY25 was challenging given the inflation and urban slowdown that led to subdued consumption. However, management is optimistic about the tax relief measure taken by the government and a better monsoon outlook, which will boost consumption.
- The growth during the quarter was mainly led by store additions in India and Thailand.
- KFC remains a star brand and there is no change in its expansion plans. For PH, the company will be cautious in terms of expansion. The three new brands (TeaLive, New York Fries, and SANOOK KITCHEN) are unique in India and have the potential to become huge brands going ahead. Thus, DEVYANI will focus on all its brands and will continue to strengthen them.
- Biryani is the most ordered and consumed item online as far as Indian cuisine is concerned, and DEVYANI has acquired one of the market leaders in the space.
- The largest categories in the biryani market are Hyderabadi Biryani followed by Lucknowi Biryani and then Calcutta Biryani. These together will be ~60% to 70% of the market. Hence, while the taste varies from state to state, it is not that widely fragmented.
- The Thailand business remains stable, and the company has maintained SSSG and ADS at healthy levels. Moreover, it is evaluating launching TeaLive there. For FY25, the company is EBITDA positive while PAT remains in the negative territory, given the higher depreciation accounting policy in that region.
- The first New York Fries store was opened in Mumbai and more stores will be opened in FY26.
- In 1QFY26, the company will launch TeaLive stores in India and Thailand.

KFC

- KFC's SSSG was hit by the bird flu in AP and Telangana, which lasted for ~70 days. The flu hit its SSSG and ADS. Kerala and West Bengal faced geopolitical challenges, which adversely impacted the company's SSSG and ADS. That said, Karnataka remained stable. Management expects a sequential improvement in SSSG and ADS from the current levels.
- Chicken and flour have witnessed inflation, while oil prices are stabilizing. However, given the muted consumption scenario the company will not be passing prices and will be absorbing the same.
- KFC's ROM can reach 19-20% at ADS of INR100k over the next few quarters. DEVYANI is adopting some strategic measures to achieve this target. These measures focus on ADS and cost optimization.

Pizza Hut

- Pizza Hut India closed 14 stores in 4QFY25.
- There's no major input price inflation. Thus PH had stable gross margins.

- The company is in discussion with Yum for PH turnaround and it will have a plan ready by 1QFY26 end.
- The focus will be on innovation, more value offerings, marketing campaigns etc.

Product innovation & new launches

- It launched Gold Zinger burger and Gold boneless strips – dunked in cheese
- The company launched KFC Koffee during the quarter.

Sky Gate acquisition

- The deal is expected to close by the end of May'25. DEVYANI has received in-principle approval from the Board for a primary infusion of up to INR0.9b
- DEVYANI plans to turn around the brand over the next one year and expects it to become EBITDA positive in this period.
- The gross margin and brand contribution are expected to improve from the current levels.
- The brands acquired can be opened into their existing food courts and airport locations. Moreover, DEVYANI is evaluating every synergy possible.

Jubilant Foodworks — Neutral

Current Price INR 686

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Business Environment

- Domino's reported like-for-like (LFL) growth of 12.1%, driven by strong delivery LFL growth of 21.9%.
- Enhanced value offerings supported strong order growth, market share gains, and continued customer acquisition.
- The free delivery initiative initially led to a reduction in the average ticket size, which the company successfully absorbed; ticket sizes are now showing improvement.
- The company achieved a record-high monthly active users (MAUs) of 13.1 million (+17% YoY) and app downloads of 10.9 million (+16% YoY).
- The Domino's loyalty program has scaled to 33.7 million members.
- Delivery channel revenue grew by 27%, driven by order-led growth of 33.5%, with the delivery channel now contributing 72.9% of total revenue.
- Initiatives like the 20-minute delivery guarantee and free delivery have significantly contributed to delivery-led growth.
- Dine-in revenue remained flat YoY in 4QFY25; however, within dine-in, in-restaurant dining outpaced takeaways in terms of growth.
- The company has launched India's first Android-based POS system, ELATE, enhancing operational efficiency.
- Domino's continues to innovate across both value and premium segments to expand its share of meal occasions. It has also launched Big Big Pizza.
- It has completed a high-commissary capex cycle, and future capex will now focus primarily on store expansion and technology upgrades.
- To deepen regional penetration, the company has reorganized its operations from 4 to 7 regions, with plans underway to create an 8th region in North India.
- The funding for the new Hindustan Coca-Cola business has largely been secured, according to management.
- Growth across Tier 1 to Tier 4 cities in India has been uniform, with no significant variation in performance.

- With a combination of its own fleet and third-party aggregators, the company has not experienced any shortage of delivery riders.
- Discounting as a percentage of sales has declined, indicating stronger pricing discipline.
- The company aims to expand Popeyes to 100 stores over the next 12-18 months, with South India in focus, followed by the Delhi-NCR region.
- JUBI plans to open 250 new Domino's stores across India. While some of these will be split stores, their share is expected to be no more than 20% of the total.
- In India, the company plans to open 250 new Domino's outlets and 30 Popeyes stores.
- The Chicken Feast range is witnessing strong consumer traction, especially in East and South India, where chicken consumption is higher.

Costs and margin

- The company has observed inflationary trends in key inputs such as cheese, oil, and coffee, along with 2-3% food and paper inflation. While milk inflation was higher, it was effectively managed internally. Oil and palm oil prices have begun to cool off.
- The impact of overall cost inflation has been largely offset through internal efficiency initiatives.
- The company is targeting an EBITDA margin expansion of 200bp over the next three years, supported by scale and efficiency.

International business

- Turkey business remains unaffected by geopolitical concerns (e.g., India-Pakistan tensions, US tariffs).
- Turkey's macroeconomic environment is improving, with interest rates declining and inflation cooling, aiding business momentum.
- In Turkey, coffee is growing faster than Domino's, and the franchise-led model offers superior ROI with no additional capex requirements.
- The Turkey business contributes 6-7% of consolidated PAT.
- The profitability trajectory in Turkey has been partially offset by weaker performance in Sri Lanka and Bangladesh.
- In Turkey, the company plans to open 30 new Domino's stores and 50 COFFY outlets.

Kalyan Jewellers — Buy

Current Price INR 555

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Demand environment and outlook

- The demand environment was stable during the quarter despite macro uncertainties, with momentum improving closer to the festive season.
- The Akshaya Tritiya festival showed strong demand trends, with customer sentiment remaining largely upbeat.
- The company witnessed a balanced contribution from both wedding and non-wedding segments.
- Demand in South India remained robust, particularly in Tamil Nadu, while East India saw a ramp-up due to recent store openings.
- Rural markets continued to perform well, aided by Kalyan's strong brand presence and recent network expansion.


Kalyan Jewellers

- The company noted healthy traction in the higher-value purchase segments, reflecting customer preference for large-ticket wedding jewelry.
- The company maintains a cautious yet optimistic outlook on gold price volatility and demand stability.
- Repeat customer contribution continues to remain high, validating the brand's trust and customer loyalty.
- The studded jewelry segment saw strong traction and is a strategic focus area for future growth.
- Working capital days improved marginally, supported by efficient inventory and cash management.
- Kalyan remains open to inorganic growth opportunities but will evaluate them prudently in line with its core strategy and return thresholds.
- The UK FTA is expected to be beneficial for Indian exporters; however, Kalyan has no immediate plans for direct entry into the UK market. Management indicated that it will assess the regulatory and business environment post-FTA before making expansion decisions in the UK.
- The company mentioned that gold prices have increased 30%, which has affected the composition of its inventory, particularly in terms of 18 carat, 22 carat, lightweight, and heavy jewelry.
- High gold prices are creating volume pressure, as customers may no longer be able to afford the same products they originally intended to purchase due to budget constraints.
- Gold loan interest rates increased in the range of 2-2.5%. The peak interest rate was ~5%, but it has started to come down.
- The company has seen a shift in consumer behavior, with studded conversion becoming easier when gold prices are high, as customers are more willing to compromise on gold volume in favor of studded products.
- The company reported a debt reduction of INR2500m in India during FY25. While the initial intent was to reduce non-GML borrowings, the reduction primarily came from GML due to temporary disruptions in the domestic GML environment over the last 3-4 months.
- The company plans to open 170 showrooms, with 90 Kalyan and 80 Candere formats in FY26.
- It expects to reduce debt in India by INR3,500m-4,000m in FY26.

Cost and margin

- Kalyan has effectively managed input cost pressures through better operating leverage and sourcing efficiencies.
- Employee and rental costs saw marginal increases, consistent with the scale-up in operations.
- Management expects EBITDA margins to remain steady or improve marginally in FY26, supported by better operating leverage, efficient inventory turnover, and a calibrated approach to discounting.

Candere

- Candere's performance remained muted during the quarter, though traction in offline expansion is expected to support growth going forward.
- Management remains focused on integrating Candere's omnichannel model and is optimistic about increased contribution from offline stores.

- Candere's EBITDA margin remained under pressure due to higher digital marketing spends and competitive intensity in the online space.
- It is expected to be profitable at the PAT level during FY26.
- Candere's margins are expected to range between 30% and 35% in mature stores, with inventory turns at 2x.
- The company plans to launch 80 Candere showrooms in India in FY26 through a mix of FOCO and COCO showrooms. Most of the showroom launches during 1HFY26 will be FOCO.

International business

- The company's margin in the US at the store level is +25%.
- The Middle Eastern business posted double-digit YoY revenue growth, driven by strong performance in the UAE and Qatar.
- The company sees a growing opportunity among the Indian diaspora in the GCC region and is strategically expanding its presence in the market.
- Currency fluctuations had a marginal impact on the Middle East’s profitability, but operational performance remained healthy.

Metro Brands — Buy

Current Price INR 1,230

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Metro Brands

- **Demand:** 1HFY25 was challenging due to fewer wedding dates, general elections, and adverse weather conditions impacting footfalls. However, 2H saw a normalization in consumer behavior, with business returning to a double digit growth trajectory.
- **Guidance:** Management reiterated its guidance of ~15% revenue CAGR over the long term. Further, it indicated that rentals are stabilizing and the company will continue to focus on opening meaningful and profitable stores and is not fixated on particular store opening targets (earlier guidance of 140-145 store openings for FY26).
- **FILA:** The first two years after the acquisition were focused on liquidation of old inventory, which was completed in 3QFY25. MBL is focusing on repositioning the brand in FY26 and is currently distributing FILA within Metro, Mochi, Foot Locker and online channels. Management expects to open FILA EBOs by 2HFY26. FILA posted INR580m loss in FY24, which reduced by ~50% in FY25 and is expected to reduce further with opening of EBOs.
- **Margin:** BIS-related inventory issues have stabilized and are not expected to impact margins significantly for MBL. Guidance remains unchanged, with gross margins at 55-57%, EBITDA margin at ~30%, and PAT growth at ~15%.
- **SPSF:** Sales per square ft (SPSF) saw a slight decline, in line with management’s expectations. SPSF is impacted by lower share of Crocs in new store openings. Management looks at store-level profitability to judge the store performance rather than SPSF. It anticipates flat SPSF in the near term, with slight inflation-led improvement, and higher growth would depend on favorable store openings mix.
- **E-Commerce:** E-commerce witnessed ~45% YoY growth in 4Q and ~20% YoY growth in FY25, with 5-year CAGR at ~53%. MBL’s focus remains on a profitable omni-channel model, particularly prioritizing full-price sales. Given, likely faster

growth (on a lower base), the e-commerce contribution could go up by ~1-2% over next few years.

- **Walkway:** The addressable market for Walkway is large and the company is focused on getting the value proposition/positioning correct. Management does not see any major obstacle in scaling up the Walkway format, even though it would be dilutive to the company's overall SPSF metric.
- **ASP**: Historically, ASP growth has been in the range of 3 to 5%. In 4QFY25, ASP for footwear grew 5 to 6%, averaging ~INR2,400. Management expects ASP growth to be in the same ball park going ahead, with mix improvement the key driver for ASP increase, rather than price hikes.
- **Foot Locker:** Initial response to Foot Locker has been positive, but full product range availability is constrained by BIS-related challenges. MBL plans to open three more stores in 2HFY26.
- **Capex:** Major capex related to warehouse investment (~INR400m) is expected to be booked in 1HFY26. FY25 capex stood at INR0.86b, which was lower due to slower store additions.
- **Regional trends:** Management indicated that MBL also witnessed relatively soft demand in South India, especially in AP and Telangana, potentially due to slowdown in IT sector and public works activity in Hyderabad. However, management believes this is a temporary issue and not a long-term concern.

PN Gadgil — Buy

Current Price INR 551

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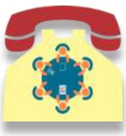

Financial and operational metrics

- In FY25, the company delivered revenue per store of INR1,450m and PAT of INR41m, reflecting resilient performance.
- Consumer footfalls increased by 38%, supported by a strong conversion rate of 92%.
- Transaction count grew by 40%, and ATV stood at INR77,000.
- Stores launched in 3Q turned operationally profitable, demonstrating strong store-level execution.
- PNG has witnessed robust performance at the start of 1QFY26, aided by the extended wedding season and festivals like Akshaya Tritiya.
- The company has time till Sep'27 to execute the QIP and intends to proceed at an appropriate time and valuation.
- For FY26, the company expects single-digit volume growth and >20% value growth, adjusting for the absence of refinery sales in 1HFY26.
- No inventory gains were recorded during the quarter due to 100% hedging.
- Refinery sales were INR12b in FY24 and INR7b in FY25, and are expected to be nil in FY26.
- At the retail level, the company expects revenue growth of 30-35% in FY26, with EBITDA margins of 7-8% and PAT margins of ~4%.
- At the consolidated company level, PAT margins are projected to be in the range of 2.85-3.25%.
- For the 24 stores included in the SSSG calculation, value growth was 27%, and volume growth stood at 3.5%.
- Newly opened stores achieved higher EBITDA, having benefited from festive-season sales post-Diwali.

- PNG Lifestyle stores require an investment of less than INR100m, and due to higher margins, they achieve breakeven in 12-15 months.
- For COCO stores, breakeven occurs in 15-18 months in Maharashtra and 18-24 months outside the state.

Cost and margins

- Other expenses increased due to higher marketing spending and mark-to-market adjustments for GML.
- The company expects margins to improve further with a higher studded ratio and full gold hedging.
- Other income increased, driven by higher fixed deposits utilized for GML.
- A store opened in 3QFY25 underwent a full structural audit in Jan'25 and was fully capitalized thereafter, leading to an increase in depreciation in 4Q.

Store expansion

- The company strengthened its presence in Maharashtra by launching five new stores (4 COCO and 1 FOCO) in 4Q, taking the total store count to 53.
- PNG plans to open 20-25 new stores in FY26, including 6-7 COCO, 6-7 FOCO, and 12-13 PNG Lifestyle stores.
- In FY26, the company plans to open stores in Western Maharashtra, Jalgaon, Dadar, and neighboring states like UP and Bihar.
- A flagship store is scheduled to open in Dadar in 2QFY26, along with expansion into Uttar Pradesh.
- The company also plans to launch 3 stores in Goa, 5-6 in UP, and potentially enter Bihar in FY26.
- PNG Lifestyle stores, typically 1,500-2,000 sq. ft. in size, cater to younger customers seeking fashionable jewelry.
- These stores will offer 18K-22K gold designs with a greater emphasis on diamonds, premium pricing, and expected margins of 15-16%.

Raymond Lifestyle — Buy

Current Price INR 1,046

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- **Demand environment:** Weak demand persisted throughout FY25 due to inflation and lower discretionary spending, but signs of recovery are emerging with improved secondary sales and 12-13% YoY growth in AW2025 bookings. EBOs and LFS saw better sales during March-May.
- **Guidance:** Raymond Lifestyle expects revenue growth of 10–15%+ in FY26,driven by demand recovery, dealer restocking, and easing inflation. Profitability is set to recover strongly as scale improves and store performance stabilizes. Steady-state margins are targeted at 20–22% for Branded Textiles and 14–15%for the overall business.
- **Ransomware:** Raymond Lifestyle faced a ransomware attack in 4QFY25,disrupting operations for 25–26 days. This caused system outages, supply chain delays, and impacted production and sales, especially in the Branded Textile segment. The estimated sales loss was INR5b, of which ~INR2.5b was recovered within the quarter; the rest is expected to be recovered over the next 6–8months. The EBITDA impact was INR700-800m.

Ethnix:

- Ethnix crossed INR1b in revenue in FY25 despite weak consumer demand and fewer weddings.

- The company added 38 stores, taking the total to 152 stores, and targets to reach 300 stores in the next 3-4 years.
- Ethnix stores opened over two years ago have underperformed initial expectations due to weak consumer demand and fewer weddings, achieving only 75-80% of initial estimates.
- Break-even timelines have extended from the usual 24 months to 36–40months, impacting profitability due to high fixed costs. But the company sees strong growth potential, backed by new launches and robust brand positioning.
- The focus is shifting towards franchisee-led store expansion to optimize profitability, reducing the burden of rental and manpower costs.

Garmenting:

- Segment witnessed additions of over ~20 new clients in key markets like the US,UK, and Europe.
- Profitability in 4Q was hurt by global uncertainties, price renegotiations, an adverse sales mix, and higher manpower training costs for new manufacturing lines.
- UK FTA is expected to benefit the Garmenting segment by enhancing its cost competitiveness in the UK market. The UK currently accounts for 20-22% of the segment's revenue, and is anticipated to inch up to 30-40% over the next two years. The process might take 12-15 months for new customers to place large orders, but the UK-India FTA is expected to be very beneficial in the long run.

Restaurant Brands Asia — Buy

Current Price INR 81

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Business environment

- In 4QFY25, the company achieved ADS of INR108,000 backed by 5.1% SSSG, which was led by dine-in traffic growth and a strong focus on value offerings. FY25 India SSSG stood at 1.1%
- The company is actively driving in-store visits by introducing attractive offers and new menu innovations.
- In FY25, dine-in traffic grew 9% YoY, backed by value offerings. Moreover, they saw 3x growth in dine-in App transactions over FY24.
- With 464 Café restaurants in India, BK Café is now present in 90% of restaurants, up from 77% in FY24.
- BK Café is gaining traction through menu expansion, product trials, and social media engagement.
- The company remains focused on driving traffic into its restaurants and continuing to focus on both delivery and restaurant-level profitability.
- Cumulative 18m Burger King app has been installed, showing 28% YoY growth.
- The company has rolled out a new initiative called King's Journey. Significant investments in digital sales channels have resulted in 90% of dine-in orders at certain locations being placed through digital platforms, including Self-Ordering Kiosks (SOKs) and the BK App.
- BK plans to open 60-80 new restaurants every year and plans to have 800 restaurants by FY29 from the current 513 restaurants.

Indonesia business

- The Indonesian business is seeing early green shoots of recovery.

- 4QFY25 saw ~10% decline in sales due to store rationalization & geopolitical headwinds. However, the SSSG grew 2% during the quarter.
- April and May have been positive for BK.
- RBA has taken some price hikes to pass on the beef price inflation.
- Dine-in channel ADS for the period Nov 24 – Apr 25 is higher by 10% YoY.
- RBA continued the rationalization of stores and renegotiation of rentals, and closed eight stores during the year. Management indicated that it may rationalize the portfolio further.
- The management expects INR450m of G&A reduction in FY26.
- The company is also investing in marketing campaigns to enhance brand awareness and drive customer engagement.
- In Indonesia, the company has no plans for store expansion for both Burger King and Popeyes, instead prioritizing profitability by strengthening its dine-in business and optimizing the store portfolio.

Cost and Margins

- RBA remains focused on driving efficiencies across its P&L through initiatives aimed at reducing utilities, rentals, and other fixed costs.
- To strengthen profitability, the company plans to enhance delivery margins by optimizing pricing, refining the menu mix, and streamlining operational expenses.
- RBA continues to maintain profitability through disciplined cost management and operational efficiencies, ensuring sustainable financial performance.
- RM inflation is offset through supply chain efficiencies. The management expects an annual Increase of 0.5-0.7% over the next four years.
- Capex per restaurant in India is INR27m.
- No plans to open new restaurants in Indonesia.

Product Innovation

- In India, launched new range of Iced Coffees.
- Made Mutton protein more accessible by launching Mutton Whopper Jr. INR199.
- Launched authentic Korean Spicy fest capitalizing on culture and flavor trend - Korean Paneer Burger, Korean Chicken Burger, Korean Boneless Chicken, Korean Chicken Wings, Korean Fries.
- In India, the company continued to strengthen its snacking portfolio with the Veg Pizza Puff.

Sapphire Foods — Buy

Current Price INR 326

SapphireFoods

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Business environment

- The demand situation remains neutral, showing no significant improvement or deterioration compared to the last 3-4 quarters. Competitive pressure has intensified, but efforts are underway to drive growth.
- The company continues to pursue a multi-brand strategy and will consider adding a third brand if it is scalable and aligns with Sapphire's "7 Mantras of Acquisition."
- In Pizza Hut, the company is adopting a cautious store expansion strategy, with store sizes of 1,000-1,200 sq. feet.


Sapphire Foods

- Dine-in footfalls remain challenging, although delivery growth continues, albeit at a slower pace than previously experienced.
- The company has closed all four stores in the Maldives as part of its ongoing portfolio optimization.
- The cash balance declined during the year as capex and EBITDA (pre-Ind AS) for FY25 remained similar, while the company also repaid an INR250m loan in Sri Lanka; however, working capital efficiency improved during the period.
- In the coming year, there may be a marginal dip in cash balances due to the renewal fees payable to Yum Brands upon the completion of the 10-year agreement.

Segmental information

KFC

- KFC's SSSG improved QoQ to -1% in 4QFY25, while same-store turnover growth (SSTG) remained flat.
- Restaurant revenue grew by 12% YoY, driven by continued network expansion and improving performance of newly opened stores.
- Restaurant EBITDA margin declined by 300bp YoY to 15.7%, impacted by lower ADS of INR108k, a higher mix of delivery orders, and operating deleverage.
- The company continued to invest in strengthening its own delivery channel, resulting in better SSSG performance compared to aggregator platforms in FY25.
- In FY25, KFC revenue grew by 11% YoY to INR19.0b, while restaurant EBITDA margin contracted by 240bp to 17.3%.
- Sapphire opened 73 new KFC restaurants during FY25, ending the year with a total store count of 502.
- Sapphire is enhancing the relevance of its Fried Chicken category through the "Taste The Epic" campaign, aimed at driving visibility and trial for its core variety offerings including Chicken Buckets, Boneless Chicken, Zinger Burgers, and Rolls.
- The company launched a premium sub-line under the KFC Gold banner, introducing elevated variants of the Zinger Burger and Chicken Strips to drive premiumization and improve brand perception.
- To strengthen its value proposition, the company has implemented a structured 3-tier pricing strategy: 1) Entry-level core products starting at INR99, 2) Individual meal offerings priced at INR149, and 3) Group meals retained at an attractive price point of INR399.
- The company maintains the current expansion run rate of 70-80 new KFC stores annually to deepen penetration and capture incremental demand.
- Digital kiosks were deployed across 238 restaurants to enhance in-store ordering efficiency.
- App downloads crossed 50.7 million, with 2.1 million monthly active users, indicating strong digital engagement.

PH

- Pizza Hut reported a weak performance in 4QFY25, with ADS at INR42k, lower than the INR48k average seen during Apr-Dec'24, and SSSG at just 1% YoY.
- Despite a 5% YoY increase in restaurant sales, restaurant EBITDA turned negative at -4.6%, declining by 190bp YoY due to weak throughput and cost deleverage.
- The muted performance highlights the extended timeline required to revive the brand's positioning and profitability.

- Product innovation efforts remain ongoing, with the launch of the refreshed core "Juicylicious" pizza range in Apr'25. The company has launched three flavors of it.
- The refreshed pizza launch will be supported by a targeted marketing campaign. Mass-media advertising will be focused on Tamil Nadu, an exclusive market for Sapphire, while other markets will see support through below-the-line media, such as local promotions and direct marketing, to generate awareness and drive sales.
- In FY25, Pizza Hut revenue grew by 5% YoY to INR5.5b, while restaurant EBITDA margin declined 250bp YoY to 2.4%.
- The company added 15 new Pizza Hut outlets during the year, taking the total restaurant count to 334.
- The company has not invested in mass-media advertising during the quarter, which led to a decline in transactions. The reduced marketing spend has likely affected brand visibility and consumer engagement in the short term.
- Total app downloads crossed 16.6m, with 1.4m monthly active users, indicating strong digital engagement.
- The company expects Pizza Hut to deliver low single-digit ROM over the next 12-18 months
- The company remains cautious about store expansion and plans to add 20-25 net stores per year.

Sri Lanka business

- The Sri Lanka business delivered strong performance in 4QFY25, with SSSG of 16% in LKR and similarly robust SSTG.
- Restaurant EBITDA margin expanded by 250bp YoY to 14.8%, reflecting improved operating efficiency and strong sales recovery.
- Restaurant sales grew by 19% YoY in LKR terms and 31% YoY in INR terms, supported by volume growth and favorable currency movement. This quarter marks the culmination of a strong turnaround year for the Sri Lanka business.
- In FY25, the Sri Lanka segment grew by 14% YoY to LKR15b, with restaurant EBITDA margin improving by 170bp YoY to 15.4%.
- Sapphire added 7 new restaurants in Sri Lanka during FY25, taking the total store count to 127.
- For Sri Lanka, the company plans to add a high single-digit number of new stores over the next two years.

Senco Gold — Neutral

Current Price INR 370

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Demand environment and performance

- In 4QFY25, gold jewellery witnessed 21% value growth despite a 6% decline in volumes, driven by a sharp increase in gold prices.
- Diamond jewellery saw robust growth in 4Q, with volumes rising 21% and value increasing 38% YoY.
- For FY25, gold Jewellery's value grew 20%, while volumes declined 3%, reflecting the impact of elevated gold prices.
- For FY25, diamond volume growth was 2%.
- The company expects 15-16% growth in diamond jewellery.

- During FY25, the company opened 16 stores, comprising nine COCO stores, six franchise outlets, and one Sennes store focused on Lab-Grown Diamonds (LGD).
- The non-East India business grew 23% YoY in FY25, reflecting successful regional diversification.
- Footfalls increased 17% in FY25, with 5% of sales contributed by new customers.
- The sharp rise in gold prices during 4QFY25 led to a surge in old gold exchanges, which contributed ~40% to overall sales. Notably, 61% of these exchanges came from non-Senco customers.
- With diamond prices beginning to rise gradually, the company anticipates improved customer sentiment and plans to continue its focus on driving diamond jewellery sales.
- The wedding segment remains at ~35-40% of the overall business.
- Inventory days increased to 166 in FY25 (from 151 in FY24), primarily due to elevated gold prices and higher inventory buildup.
- The company also saw strong growth in silver jewellery in FY25, with volumes rising 20%. Additionally, demand for low-ticket-size items increased, driven by affordability and wider customer appeal.
- The company's production sourcing is composed of ~75% from karigars, ~20-21% from third-party manufacturers, and ~4-5% from in-house manufacturing.
- To offer a wide variety of designs and styles, the company procures inventory from third-party suppliers.
- Diamond jewellery accounts for ~13-14% of the company's total inventory.

Cost and margins

- GP margins are expected to remain stable if gold prices remain steady. However, in periods of gold price volatility, quarterly margins may fluctuate, though they typically stabilize over the full year.
- Advertising spends declined 44% YoY in 4QFY25. However, since ad expenditures tend to fluctuate quarterly, it is more meaningful to assess them on a full-year basis—on that basis, FY25 ad spends rose 2% YoY.
- GML's interest rates were 3.2% in Jan'25, 5.3% in Feb'25, and 6.6% in Mar'25, which reduced to 5.6% in Apr'25. The rate for May'25 is yet to be announced.

Guidance

- For FY26, the company expects an EBITDA margin of 6.8-7.2% and an APAT margin of 3.5-3.7%.
- Revenue is expected to grow 18-20% in FY26, with a strong focus on expanding in East and North India.
- SSSG is expected to be in the range of 15-16%.
- Looking ahead, the company plans to open 8-10 COCO stores and 8-10 franchise outlets annually, with 70-80% of the new stores concentrated in North and East India and the remaining 20% in the West and South.
- Strategically, the company prefers the franchisee model in the current environment due to its asset-light nature. However, it remains selective and enters into franchise agreements only after thorough due diligence.
- Return ratios (RoE/RoCE) are expected to improve to 17-18% over the next 3-4 years.
- The company has guided to increase the studded jewellery mix to 15% over the next 2-3 years, indicating a strategic push toward higher-margin products.

Shoppers Stop — Neutral

Current Price INR 503

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- **Demand trends:** SHOP witnessed a modest demand recovery during Q4 FY25 despite ongoing macroeconomic challenges. Departmental stores delivered ~3.5% LTL growth, second quarter of mid-single digit LTL growth. Urban markets, particularly in southern India, continued to lag. Overall sentiment improved as the quarter progressed, and management expects the gradual recovery to continue into FY26.
- **INTUNE:** Management indicated that INTUNE witnessed a challenging quarter, marred by weak demand and higher discounting. SHOP has trimmed guidance on INTUNE store additions to 40-60 for FY26 (from 90-100 earlier). The slightly mature stores continue to deliver INR10k+ annual SPSF, while three store closures in INTUNE were driven by weak organic footfalls in the store locations.
- **Capital allocation:** SHOP invested heavily in working capital in FY25 (up INR1.4b), primarily for scaling up INTUNE and onboarding new brands. Management aims to reduce working capital by ~INR1b in FY26.
- **Store openings:** In addition to INTUNE, SHOP has also lowered the FY26 guidance for Departmental store addition to 6-7 stores (vs. 10-12 net additions earlier). However, management is looking to fund the growth through internal accruals, while focusing on reducing leverage and inventory.
- **INTUNE store mix:** Management indicated that ~60% of the INTUNE stores are in malls and typically mall stores do better than standalone or high street stores. The store economics of mall stores is protected by a frugal selection of sites.
- **Regional demand trends:** After 2-3 years of slowness in demand, the North region witnessed recovery, and West India remained steady for SHOP. However, the company witnessed some slowdown in demand in the South, especially in the AP and Telangana markets.
- **Premiumization:** There has been consistent progress on premiumization over the last 18 months, with the contribution of premium products to the overall mix rising to 65% (from 54% in 1QFY24). To ride the premiumization wave, SHOP has been adding new brands, such as D&G, Jimmy Choo, Gant, A|X, etc.
- **Capex:** The company spent ~INR1.9b towards store openings and deposits. Further, ~INR210m on modernization of warehouse in Bhiwandi.

Titan — Buy

Current Price INR 3,504

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Performance and Outlook

- The jewelry division delivered strong ~23% YoY revenue growth, driven by ~27% growth in plain gold jewelry and ~64% growth in gold coins.
- Studded jewelry grew ~12% YoY; however, a surge in gold prices impacted the overall product mix, leading to a ~300 bps YoY decline in the studded share to 30% in 4Q.
- In Q4, domestic jewelry revenue grew 23% YoY, while secondary sales growth was ~20%, factoring in pre-Akshaya Tritiya channel up-stocking.
- Studded jewelry grew 12% YoY at both primary and secondary levels.


Titan Company

- Gold jewelry growth was largely ticket-size driven, while growth in studded and gold coins was led by an increase in new buyers.
- The solitaires segment witnessed a healthy recovery, supported by increased traction in lower carat weights.
- New buyers contributed 52% of the overall base in 4Q, reflecting successful customer acquisition efforts; the new-to-repeat buyer mix stood at 52:48.
- High gold prices weighed on sentiment, especially in the sub-INR50k price band, with consumers trading down to lower caratage and lighter-weight products with lower making charges.
- There is a growing openness among consumers, including traditional buyers, towards 18k gold jewelry, with some markets also witnessing traction for 14k gold.
- TTAN launched 9k jewelry in February (Valentine's Day), which was well received.
- The studded jewelry segment, particularly in smaller-sized SKUs (which form over 95% of the portfolio), is seeing a revival in demand; TTAN is expanding distribution for these across formats like Tanishq, Mia, and CaratLane.
- The large solitaire diamond prices have corrected in the wholesale market, which has limited impact on TTAN, given their minimal share in the portfolio. Retail prices of smaller diamonds have remained stable, aiding margins in the studded segment.
- The wholesale price of lab-grown diamonds (LGD) continues to fall due to tech advancements.
- TTAN is evaluating entry into the LGD segment cautiously as it has seen that customers are not sure about the product.
- Standalone jewelry EBIT margins (ex-bullion) came in at 11.9% in 4Q, due elimination of primary sales to subsidiaries. Adjusting this elimination, EBIT margin came at 11.6%, aided by operating leverage and the hedging gain despite a lower share of studded jewelry.
- There are normally operating leverage benefits to the jewelry companies when they see good revenue growth in 2-3 quarters.
- In the volatile gold price scenario, the company has realized contango gains in 4Q through international forward contracts on gold, part of which is expected to be sustainable.
- Working capital increased due to a sharp rise in gold prices.
- The finance cost has been increased more due to the gold price impact than from higher GML rates.

Store Expansion and Outlook

- In FY26, TTAN plans to open 40–50 new Tanishq stores and refurbish 50–60 existing stores across all formats (expansion, relocation, or area addition).
- The company continues to guide for healthy double-digit revenue growth going forward.
- Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.

Segmental Information

Caratlane

- CaratLane reported a ~23% YoY increase in total Income.

- Studded jewelry revenues grew ~19% YoY, while the rest of the portfolio (including gold jewelry, gold coins, etc.) posted a robust ~44% YoY growth.
- Overall buyer growth stood at ~5% YoY, impacted in part by elevated gold prices and a shift in consumer preference toward gold coins. Meanwhile, average bill value rose ~18% YoY.
- The company added 17 net new stores during the quarter, expanding its pan-India footprint to 322 stores across 139 cities.

Watches & Wearables Segment

- Domestic business reported strong revenue growth of ~18% YoY, led by ~18% YoY growth in the analog watches segment.
- The Helios channel, which houses premium TTAN and international watch brands, continued to deliver strong double-digit growth.
- All brands posted double-digit growth during the quarter, with Fastrack leading at ~44% YoY growth, followed by Sonata at ~25% YoY—reflecting robust traction in the affordable fashion segment supported by recent product innovations.
- Strong topline performance drove operating leverage, resulting in a ~330 bps YoY improvement in EBIT margin.
- Helios expanded its presence in the premium space by launching a new store format, Helios Luxe, adding four stores during FY25.
- During the quarter, TTAN added 20 net new Titan World stores, 10 Helios stores, and 11 Fastrack stores.

Eye Care (Domestic):

- Domestic revenue grew ~15% YoY driven by strong double-digit volume growth.
- Among product categories, sunglasses led the performance with ~52% YoY growth, while prescription products (lenses and frames combined) grew in the low double digits.
- International brands posted robust growth of ~47% YoY, whereas house brands recorded ~7% YoY growth.
- The YoY margin improvement was supported by revenue-led growth and slightly better gross margins YoY.

Emerging businesses

- Women's Bags segment reported ~10% YoY growth, driven by recent store additions.
- Fragrances delivered strong ~26% YoY growth, led by robust performance in Fastrack perfumes. Both SKINN and Fastrack brands saw high double-digit volume growth, reflecting strong consumer traction.
- Taneira sales declined ~4% YoY during the quarter.
- SKINN launched its first store at Seawoods, Mumbai, as part of its premium retail strategy.
- IRTH expanded its footprint with four new store openings, while Taneira closed one store during the quarter.

International Businesses

- Jewelry international business reported a strong ~69% YoY revenue growth, primarily driven by continued store expansion in the GCC and North America.
- The GCC region saw the addition of one store in Sharjah, taking the total to 15 stores in the region.
- In North America, Tanishq expanded its footprint to seven stores with new openings in Atlanta and Santa Clara.

- The global jewelry store count now stands at 23, comprising 21 Tanishq stores and 2 Mia stores, including operations in Singapore.
- The Watches business recorded a ~198% YoY growth in the GCC, albeit on a low base.
- Eye Care and Fashion Accessories (exports) segments together posted a robust ~114% YoY growth.
- Titan Eye+ further expanded its GCC presence by adding two new stores—one each in Sharjah and Dubai—bringing the total to six stores in the region.

V-Mart Retail — Neutral

Current Price INR 3,403

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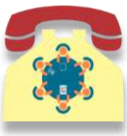

- **Demand environment:** Demand trends improved, particularly in tier 2/3 cities, supported by a continued shift from unorganized to organized, while Tier 1 markets also witnessed some upswing. While macroeconomic signals remain mixed, management does not expect any material impact on consumption in smaller towns. An early tapering of winters, despite delayed onset, impacted sales in the initial part of quarter, which was offset by early Holi and Eid.
- **Growth guidance:** Management is targeting ~17-20% revenue growth, driven by ~12% store additions and mid to high single digit SSSG.
- **Margin:** Gross margin improvement was largely attributed to better full-price sale-through and better inventory management. EBITDA margin improvement was driven by lower losses in LimeRoad and closure of unprofitable stores. Management expects healthy SSSG with operating leverage to be the key lever for further margin expansions.
- **Store additions:** During FY25, V-Mart added 62 new stores and closed nine stores. For FY26, management is targeting ~65 new stores with expansion focused on South India (TN, Kerala) and North India (Uttarakhand, GJ, MP and RJ), while strengthening its presence in its core markets of UP and Bihar.
- **Consumer trends:** Management indicated that younger consumers tend to visit the stores more often but shop for fewer items per visit, which impacts the average basket price. Further, management indicated that consumers are increasingly visiting multiple stores before making a purchase, which leads to higher footfalls but lower conversions.
- **ESOP expenses:** ESOP expenses accounted for ~0.5% of FY25 revenue (~INR161). Management has guided for annual ESOP expenses of ~INR80-100m. ESOPs are linked to the company's performance, with 20% YoY growth as the key target.
- **Unlimited:** Unlimited grew 7% in FY25, but delivered better SSSG (~14%) and strong margin improvement. Its pre-INDAS profitability is still below V-Mart's (core), due to lower productivity and higher rentals for legacy Unlimited stores. However, as the share of new stores rises, management expects Unlimited profitability to match V-Mart (core)'s profitability.
- **Limeroad (LR):** Management sees LR as an omnichannel enablement platform for V-Mart and has strategically wound down the e-marketplace business. The overall losses in LR have been on a declining trend, which management expects to continue in FY26 as well.
- **Lease accounting changes:** The company has reassessed its lease term estimates for store leases (from ~9 years to ~6 years earlier). This has resulted in

an exceptional gain of ~INR242m during 4QFY25. Going ahead, management expects the gap between reported and pre-INDAS profitability to reduce as a result of this accounting change.

Vedant Fashions — Neutral

Current Price INR 811

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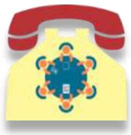

- **Demand trends:** VFL's performance was weighed down by: 1) continued weakness in consumer sentiment, 2) persisting weakness in markets such as AP and Telangana (TS), and 3) also increased competitive intensity in the ethnic wear category. Management indicated that excluding AP/TS, SSSG for FY25 was flat (4.2% decline).
- **Demand outlook:** Management is witnessing some green shoots in demand in 1QFY26 (albeit on a weak base). However, overall demand sentiments still remain weaker-than-expectations.
- **Key focus areas for FY26:** Management indicated that LFL growth recovery is the key focus for the company in FY26. Further, it expects the consolidation of high rental unprofitable stores to continue, at least till 1HFY26.
- **Mohey:** It has undergone a strategic shift from being a bridal wear brand to a broader wedding wear brand, which has positively impacted footfalls and conversions. During FY25, ~40% of the new retail area addition was dedicated to Mohey, which has been the fastest-growing brand in VFL's portfolio. Management indicated that Mohey accounts for ~14% of VFL's retail area, while revenue productivity is slightly lower than Manayavar, but on an improving trend.
- **Competitive intensity:** India's men's ethnic wear market has seen an increase in competition over the past 2–3 years, with an unprecedented number of store openings (up 3x) due to the entry of several new retailers. Management believes that despite significant store openings, no single player has gained any significant share, and most new stores would not be at long-term sustainable profitability levels. Further, management indicated that legacy competitors have seen consolidation due to weak demand, but new entrants are still opening stores.
- **Store Expansion:** In FY25, VFL added a net 85k sqft. retail area (~150k on gross basis). Management indicated that store openings would be measured in FY26 and would pick up pace as rental inflation subsidies.
- **New initiatives:** The company has taken initiatives such as: 1) improvement in the product's design quotient to make them more fashionable and suit regional tastes, 2) increased focus on digital marketing through multiple smaller campaigns and 3) launch of VFL Parivaar app to enable more frequent training of retail staff.
- **Rentals:** The rental cost was up ~1.5-2% of sales YoY, due to operating deleverage. Further, management indicated that the company has been negotiating rentals for stores, where SSSG has been weak.
- **Franchise sentiment:** Despite weak demand over the past two years, management indicated that the company hasn't faced any challenge in onboarding new franchise partners as profitability still remains robust.
- **Inventory and Receivables:** Inventory increase in 4QFY25 was driven by strategic build-up ahead of Eid, as production is temporarily disrupted as

artisans go on leave. Management indicated that the increase in receivables was largely on account of new store openings and also higher inventory for Mohey.

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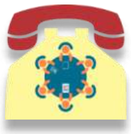

Westlife Foodworld — Neutral

Current Price INR 670

Performance and outlook

- Consumption trends remain soft, though the company expects a gradual recovery in dining-out frequency, backed by easing consumer-level inflation and government stimulus.
- Eating out frequency largely remained unchanged in 4QFY25.
- The company achieved a Same Store Sales Growth (SSSG) of 0.7%, underpinned by a steady guest count. The adjusted SSSG, excluding the leap-year impact, stood at 1.7%.
- Over the next couple of years, the company expects to reach a mid-to-high-single-digit SSSG level.
- The company remains focused on delivering value to consumers, which is increasingly crucial for brand trust. This approach has led to higher footfall, driven by improved value perception and affordability scores.
- On-premise sales grew by 8% YoY, while off-premise sales grew by 5% YoY, with off-premise contribution consistent at 43% of total sales.
- While the company has its own distribution fleet, they are heavily dependent on food aggregators for its delivery. That said the company is looking to expand its delivery network.
- West continued to do well for WLDL while it continued to gain healthy traction in the South, aided by various initiatives undertaken by WLDL in that region.
- The company opened 47 new restaurants in FY25 and aims to expand its network to 580-630 restaurants by 2027.
- Hyderabad, Chennai, and Tamil Nadu will see a higher number of store additions as the company is under-indexed in the South.
- A store takes 2-3 years to break even.
- The company's 99% of restaurants are now in EOTF format.
- The company's value platforms, McSaver Meals and McSavers+ Combos, helped improve affordability metrics and guest count.
- Digital engagement continued to strengthen, with digital sales contribution rising to 75% of total sales, fueled by the growing adoption of Self-Ordering Kiosks, mobile apps, and increasing enrollments in the MyMcDonald's Rewards program, enhancing throughput efficiency. App downloads reached over 41m, accompanied by a 17% YoY increase in Monthly Active Users.

Strategic focus

- The company is focused on expanding its value portfolio, driving product innovation, and optimizing costs.
- The three strategic focus areas for Westlife over the medium term are:
- Meals Strategy: Achieving market leadership in core day parts (such as lunch and dinner) through brand relevance, driven by menu innovation and focused marketing efforts.

- Omnichannel Strategy: Integrating various customer touchpoints and channels into a unified "One McDonald’s" platform to offer consumers a seamless experience across in-store, delivery, and digital platforms.
- Network Expansion: Expanding aggressively into unserved geographies and strengthening presence in existing markets, to achieve notable footprint growth.

Cost and margins

- Input costs remained stable in 4QFY25. The company expects gross margin to revive to +70% levels in the near term.
- Annual wage rate hike is in the range of 8-10%
- 4QFY25 EBITDA growth was backed by targeted cost efficiencies and normalization of marketing spends.
- The company has guided an 18-20% EBITDA margin by FY27.

Innovation and new launches

- The company introduced innovative menu items, including the Korean Range of Burgers, Sides, and a beverage in March at an entry-level price point of INR69.
- They also launched the Mango Burst range starting at INR45, featuring Mango Burst McFlurry with OREO, Mango Burst McSwirl, and Mango Burst Smoothie.

TECHNOLOGY

- **The management teams of IT services companies remain cautiously optimistic, though they acknowledge persistent macroeconomic challenges weighing on overall demand. Discretionary spending, which showed signs of recovery earlier in FY25, now appears to be stalling as clients adopt a wait-and-watch stance due to trade tensions and uncertainty around the Fed's rate trajectory. BFSI remains relatively resilient, providing a buffer amid weaknesses in Manufacturing, Retail, and Healthcare verticals, which are facing headwinds from policy shifts and a weaker macro backdrop. With continued focus on cost optimization, stable deal inflows, and early signs of demand stabilization in select verticals, management teams are hopeful of a better growth trajectory as FY26 progresses.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Revenue outlook for FY26	Margin (%)
HCL Tech	▪ FY26 revenue growth guidance: 2-5% YoY CC (same for Services), with 1% contribution from inorganic growth. Guidance is supported by strong 4Q bookings. ▪ The tariff impact will hit the Manufacturing and Consumer segments first, and eventually become broad-based (with a possible one-quarter lag).	▪ FY26 EBIT margin guidance is maintained at 18-19%. ▪ Wage hikes are expected around 3QFY26, in line with the current cycle.
Infosys	▪ FY26 revenue growth guidance stands at 0-3% in CC terms. M&A closed during the quarter are likely to contribute 40-50bp to full-year revenue growth in FY26. ▪ Third-party costs and revenue are likely to be lower in FY26 vs. FY25, given the current deal pipeline. ▪ With changes in the economic outlook, client conversations are increasingly centered on cost take-outs and vendor consolidation.	▪ EBIT margin guidance remains at 20-22%. ▪ Wage increments were rolled out in Jan'25, with the remainder implemented in Apr'25. ▪ FY26 expected ETR: 29-30%. For FY26, FCF is expected to be above 100% of PAT.
TCS	▪ TCS observed delays in decision-making around discretionary spending. The anticipated revival in such spending, as expected in 3Q, has not materialized. ▪ Sectors such as Retail, CPG, Travel, and Automotive are likely to be the most affected by tariffs. The demand environment in BFSI remains strong, barring Insurance, which has been experiencing some challenges.	▪ Management maintains its margin guidance in the 26–28% range. ▪ Some pressure may arise from reduced utilization and the lack of currency tailwinds. Subcontracting costs are expected to unwind as the BSNL deal ramps down, which should support margin improvement.
Tech Mahindra	▪ Consolidation and cost-takeout programs are expected to play a key role in this environment, alongside the growing importance of GCC deals. ▪ Most clients acknowledge a gap between AI potential and realized value; TECHM sees this as an opportunity to deliver AI more effectively. The company views AI as a major industry tailwind. ▪ Telcos are prioritizing cost optimization over discretionary spending. Europe and Asia showed signs of stability, benefiting the Comviva business.	▪ Margin gain in FY25 was aided by a 100bp benefit from the reduction of the non-core portfolio. A 20-30bp tailwind is expected in FY26 from the same. ▪ The effective tax rate is expected to remain in the 25-26% range.
LTIM	▪ Clients were largely in the "wait-and-watch" mode in 4Q, but they are opening up now for conversations. ▪ Strategic initiatives for FY26: 1) Sales Transformation – Realignment of service lines and sales structure to target a broader portion of client spending via the AI economy. 2) Robust GTM – Focus on multi-service, multi-delivery, and multi-geography models. 3) Fit for Future – Drive agility and profitability by reassessing direct/indirect costs, and improving efficiency across sales and delivery.	▪ Productivity gains were delivered to the top client in 3Q and 4Q. No pricing reset has happened and no future impact is expected on pass-backs. ▪ Margin improvement is anticipated to begin in 1QFY26. ▪ Focus areas for margin improvement would be pyramid correction and an improved span of control.
Wipro	▪ Many clients are engaged in scenario planning to evaluate the potential impact of tariffs, which led to delays or holdbacks in further investments. ▪ Guidance for 1QFY26 IT Services revenue was provided in the range of -3.5% to - 1.5% QoQ in CC terms.	▪ Margin pressures are expected in 1QFY26 due to two headwinds: 1) the overall revenue environment and 2) pricing pressure in cost-takeout and vendor consolidation deals.

Coforge

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Coforge — Buy

Current Price INR 1,766

Demand outlook

- COFORGE enters FY26 with its highest-ever order intake, and the large deal pipeline remains robust.
- Growth in FY25 has been broad-based across geographies, service lines, and industry verticals.
- The company is focusing heavily on execution discipline and scaling large-deal solutions to gain wallet share. Industry-led engineering is a key strategic pillar.
- Transformation and legacy modernization initiatives will accelerate growth in the coming fiscal year.
- COFORGE remains confident in reaching its USD2b revenue target by or before FY27. Organic growth in FY26 is expected to surpass FY25.
- FY25 revenue stood at USD1.5b, a ~31% YoY increase, including 15% organic CC growth. The quality of growth remains high, led by large deals and strong deal momentum. The company's top client cohort remains stable and resilient.
- GCC-driven and GCC-led revenue contributes ~10% of total revenue. Several organizations are turning to COFORGE for offshore execution. Significant cross-sell and upsell opportunities exist in acquired accounts.
- FY25 deal TCV reached USD3.5b, with USD2.1b booked in 4Q alone. Five large deals were signed in 4Q, ensuring a strong start to FY26. The 12-month executable order book grew 47.4% YoY to USD1.5b.
- The Sabre USD1.5b deal has ramped up strongly and will continue over the next three quarters. It is not expected to dilute margins. Sabre's financial situation poses no risk, as they are deleveraging, and COFORGE has a credit insurance policy in place.
- **TTH:** The travel industry remains cautious due to geopolitical issues. Recovery is being driven by low-cost carriers and digital-first models, especially in Europe. Steady demand continues in APAC and MEA. Key focus areas include Modern airline retailing, M&A integration opportunities, data modernization, and loyalty solutions.
- The company is actively building capabilities and presence in government outside India and healthcare verticals.
- AdvantageGo Limited's business was divested during the quarter. Recent acquisitions (Rhythmos and ServiceNow capabilities) have margin profiles comparable to COFORGE's core business.
- A client complaint filed regarding database access was deemed misrepresentative. The client, with an eight-year relationship, is not in COFORGE's top 50 accounts and COFORGE had no role in managing their database.
- The company expects material headcount additions in the coming quarters to support deal ramp-ups.
- COFORGE has developed 200+ real-world AI-led solutions for clients.
- The company is building competencies in Agentic AI, signalling deeper investment in next-gen AI capabilities.

Margin performance and other comments

- FY25 adjusted EBITDA margin was 18%. 4QFY25 EBIT margin was 13.2%; the company aims to raise this to 14% by FY27, with visible improvements in FY26. Reported EBIT will expand materially in FY26.
- One-off expenses from M&A (Cigniti, Rhythmos, and AdvantageGo divestment) impacted PAT. These costs were INR148m in 4Q (vs. INR162m in 3Q).

- The AdvantageGo divestment alone had a 50 bps margin impact. ESOP costs declined 33 bps QoQ and currently stand at 1.8%. This is expected to reduce to ~1.0% by 2HFY26.
- Reported EBITDA margin is expected to approach 18% by FY27.
- Cash flow performance is typically stronger in 2H. On an ongoing basis, OCF/EBITDA conversion is targeted at 67–70%
- No margin pressure is expected in 1QFY26, except for visa-related costs.
- Working capital utilization is improving, which should positively impact cash flow. However, other income is not expected to be a lever for PBT in FY26.

Cyient — Sell

Current Price INR 1,342

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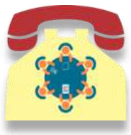

Commentary on verticals

- **Transportation:** Aerospace client issued profit warning, but no major impact yet on Cyient. There could be some impact in the future; however, since the work related to MRO is based on flight hours, the business has not been significantly affected so far.
- **Connectivity:** While renewing with one of large customer, a portion of new business was held. This will be signed in Apr’25.
- **Sustainability:** A major green hydrogen deal has been secured with a Norwegian marine company, marking a significant step forward for the business. The project is currently ramping up and is expected to have a substantial impact on overall operations. Also, a former employee has rejoined the company and will now lead the energy division in Germany.
- **New growth areas:** Strong traction in turn-key projects via Semcon business. Healthcare vertical gained momentum through FY25.

Demand and outlook

- Macro headwinds impacted performance in Mar’25. Management expects this uncertainty to persist for the near term.
- As a result, Cyient will stop providing formal guidance temporarily.
- 4Q was slightly below expectations due to softer Mar’25 performance.
- New CEO commented: Cyient needs to work on the execution side. It is building a leadership team and has hired a few industry veterans as vertical leaders. It is sub-segmenting the sustainability vertical into utilities, energy and minerals and mining verticals.
- Leadership investments are made to improve partnership ecosystems and execution. Will harness investments made in Technology.
- The company has taken GCC-focused view, going into FY26. It has created a new team in India and has realigned its existing clients. GCC deals will not be EBIT dilutive. Cyient will take steps to ensure overheads are lower in GCC deals.
- DET revenue: USD170m, down 1.9% QoQ CC (vs est. of flat). Consolidated revenue: USD220m, up 0.1% YoY CC.
- FY25 revenue: USD687.7m, down 3% YoY CC (lower than est. of -2.7%).
- Mar’25 weakness will impact 1QFY26 as well.
- Order intake: USD184.2m, down 41% QoQ and 19% YoY.

Margin

- DET margins came in at 13% (est. 13.5%), down 50bp QoQ/300bp YoY.
- DET 4QFY25 margins were also lower than the guidance of 13.5%.
- Cost controls helped cushion the margin decline amid revenue pressure.
- It aims to stabilize margins at 15% over the next 24 months.

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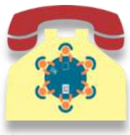

HCL Technologies — Buy

Current Price INR 1,632

Demand and industry outlook

- Discretionary spending will remain subdued. Tariffs and de-globalization are expected to impact the IT sector, leading to potential budget cuts and deal re-negotiations.
- Clients are looking to diversify supply chains; tariff impact will hit Manufacturing and Consumer first, and eventually become broad-based (with a possible one-quarter lag).
- AI-driven efficiency will drive vendor consolidation. While it may lead to some deflation, HCLT is securing a higher wallet share during renewals — 95% of renewals included incremental business.
- Revenue declined 0.8% QoQ in CC (vs. est. -0.6%). FY25 revenue was USD13.8b, up 4.7% YoY CC — within the guidance of 4.5-5%. Growth was driven by both Software (P&P) and Services businesses.
- 4Q revenue decline was primarily due to seasonality in the P&P (Products & Platforms) segment.
- TCV in 4QFY25 stood at USD3b, aided by a megadeal; bookings were well-balanced across service lines. About 50% of 4Q bookings came in Mar’25.
- No deal cancellations or ramp-downs in 4Q. One large deal in pipeline was deferred to 1QFY26.
- GCC deals are signed at company-level profitability. In-sourcing is not expected in these deals for 3-5 years.
- **Guidance:** FY26 revenue growth guidance: 2-5% YoY CC (same for Services), with 1% contribution from inorganic growth. Guidance is supported by strong 4Q bookings. The lower end reflects macro uncertainty and a “no-growth” environment; mid-to-upper end assumes successful closure of a few large deals in 1Q.
- 1QFY26 expected to be better YoY, though with some seasonality.
- **BFSI:** Partnership with Western Union to drive transition to an AI-led platform for greater agility.
- **Life Sciences and Healthcare:** Near-term softness expected; pharma clients face industry-specific headwinds.
- **Telecommunications and Media:** Strong FY25 growth. Active engagement with 25-30 telco clients. HP CTG acquisition will support enhanced delivery to clients.
- Retail & CPG: Deal ramp-down in the US from previous quarter continued into 4Q, leading to softness.
- **ER&D:** Bookings grew 75% YoY in FY25; upbeat outlook for FY26. Active work in Platform Engineering, Semiconductor Services, Software-Defined Vehicles, and EV charging infrastructure.
- **P&P:** Growth accelerated from 1-2% to 3-4%. Expanding its presence in India, the Middle East, and emerging markets.
- **Gen AI:** Enterprises are accelerating GenAI adoption. Dual impact: some pricing pressure, but also significant opportunities.
- **Key use cases – Service Transformation:** "AI Force" deployed with 35 clients; target is 100 clients. Value Stream Innovation: Developing repeatable, horizontal GenAI solutions across verticals.
- “AI Force” is now integrated with NVIDIA.
- Investing heavily in Agentic AI capabilities; strategic partnerships with Microsoft, Salesforce, Amazon, and Google.

Margin performance

- EBIT margin stood at 18%. FCF conversion on LTM basis was 123%. FY25 EBIT margin: 18.3%, within guided band of 18-19%.
- Margin walk: Major Drivers - Headwinds: Seasonality in P&P: -1,024bp, Services margin drop: -38bp, Wage hikes: -50bp, Tailwinds: FX impact: +46bp
- FY26 EBIT margin guidance maintained at 18-19%.
- Wage hikes expected around 3QFY26, in line with the current cycle.

Other highlights

- Management declared an interim dividend of INR18/share.
- LTM attrition at 13%, stabilizing due to targeted initiatives. Focused on building non-linearity in revenues — aiming for higher productivity and growth with a leaner workforce. The delivery model will be location-agnostic.

Infosys — Neutral

Current Price INR 1,554

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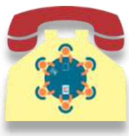

Performance in 4QFY25 and demand outlook

- The environment remains uncertain. With changes in the economic outlook, client conversations are increasingly centered around cost take-outs and vendor consolidation.
- USD revenue declined 4.2% QoQ to USD4.7b. In CC, revenue declined 3.5% QoQ.
- Roughly two-thirds of the revenue decline was due to lower third-party costs and revenues, as some deals slipped out of the quarter. Seasonality and reduced volumes also impacted performance.
- Third-party costs and revenues are expected to be lower in FY26 vs. FY25, given the current deal pipeline.
- Recently won deals have started ramping up during 4QFY25. No major ramp-downs or closures were observed.
- Pricing remained stable during the quarter. The company sees opportunities for pricing improvement through value-based selling and does not expect pricing pressure from vendor consolidation deals.
- Large deal TCV for the quarter was USD2.6b (vs. USD2.5b in 3QFY25), up 4% QoQ; 63% of these were net new.
- FY26 revenue growth guidance stands at 0-3% in CC terms. M&A closed in the quarter are expected to add 40-50bp to full-year revenue growth in FY26. The top end of the guidance assumes steady-to-marginal improvement; the lower end assumes elevated macro challenges. Tariff impact remains difficult to quantify.
- **BFSI:** The positive outlook is supported by deregulation and a strong 1QFY25 for clients. Budgets are flat to slightly higher for AI, regulatory compliance, and cost optimization. Mortgages could see improvement if interest rates decline. Steady growth is seen in Cards & Payments and Capital Markets, especially in large global and US regional banks.
- **Manufacturing:** Budgets are lower for Automotive and Industrials, while remaining flat for Aerospace. The company is supporting clients in Aerospace with supply chain bottlenecks.
- **Communications:** Discretionary spending is under pressure, but there is potential for an uptick in IT budgets if interest costs decline, benefiting Telecom OEM profitability.
- **EURS:** The vertical outperformed the company's average for FY25. Energy prices remain volatile, but midstream/downstream markets in the US are opening up. There has been an increase in M&A and tax-related work, with cloud migration and vendor consolidation being key focus areas in the services sub-segment.

- **Europe:** The automotive sector has experienced some softness. Grew at 3x the company's average, supported by strong client mining and large deals.
- Large customer ser vice programs using AI are yielding 30-40% productivity benefits; these gains are partially shared with clients.

Margin performance

- EBIT margin stood at 21%, down 30bp QoQ.
- **Margin Walk:** Headwinds – 140bp from wage hikes and 40bp from one-time amortization of acquired intangibles. Tailwinds – 80bp from lower post-sales customer support, 20bp from currency, 30bp from Project Maximus, and 20bp from lower subcontractor costs.
- Wage increments were rolled out in Jan'25, with the remainder implemented in Apr'25.
- FY26 expected ETR: 29-30%. For FY26, FCF is expected to be above 100% of PAT.
- EBIT margin guidance remains at 20-22%.

LTIMindtree — Buy

Current Price INR 5,180

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Demand and industry outlook

- FY25 was a year of consolidation; discretionary spending remained muted in 4Q.
- 2H momentum slowed due to ongoing macro uncertainty, which persisted in 4Q.
- Strategic initiatives for FY26: 1) Sales Transformation – Realignment of service lines and sales structure to target a broader portion of client spend via the AI economy. 2) Robust GTM – Focus on multi-service, multi-delivery, and multi-geography models. 3) Fit for Future – Drive agility and profitability by reassessing direct/indirect costs, improving efficiency across sales and delivery. Margin improvement expected to start in 1QFY26.
- LTIM sees the current tech transformation phase (especially AI) as an opportunity. Demand in the current environment is concentrated around cost-saving, vendor consolidation, and tech modernization.
- Management is confident about a return to growth in 1QFY26.
- Order inflow was USD1.6b in 4QFY25, down ~4.7% QoQ. FY25 total TCV was USD6b. LTIM is adjusting its portfolio from a higher discretionary mix to longer-term efficiency programs. Some closed deals failed to ramp up as planned; certain 4Q deals got delayed.
- Engaged in a couple of large deal conversations with retail clients.
- Management expects order book in FY26 to be better than FY25, with deal ramp-ups starting from 1QFY26.
- Clients were largely in "wait-and-watch" mode during 4Q, but they are opening up now for conversations.
- Manufacturing & Resources: Growth supported by prior large deal wins. Deals are mostly signed for vendor consolidation, managed services, and ERP transformation. The outlook is steady and growth-oriented.
- Technology, Media, and Communications: Productivity gains delivered to the top client in 3Q and 4Q. No pricing reset has happened and no future impact is expected on pass-backs.
- Consumer: There were some client-specific issues in the Travel, Transport & Hospitality portfolios. Those clients are now planning new initiatives. No material impact observed from tariff-related changes.
- Healthcare, Life Sciences & Public Services: Segment declined 13% QoQ — the smallest vertical in the portfolio. No specific client issues. Business here is largely project-based, especially in healthcare and public services.

- Headcount was ramped up in 2Q/3Q in anticipation of 4Q deal execution, which did not materialize, leading to a drop in headcount.
- Onboarded 4,700 freshers in FY25 as part of pyramid correction strategy. AI-driven productivity to drive non-linear growth.
- Declared a final dividend of INR45/share for FY25.

L&T Technology Services

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L&T Technology

L&T Technology — Neutral

Current Price INR 4,325

Demand and industry outlook

- Investments made in 1HFY25 are expected to support future large deals. TCV in 1QFY26 appears similar to 4QFY25.
- The company anticipates FY26 to be a better year than FY25, targeting double-digit constant currency revenue growth. The medium-term goal of achieving USD2b in revenue is reaffirmed.
- The market is expected to remain uncertain for the next one to two quarters, with stabilization anticipated from the end of 2QFY26.
- Growth is expected from key clients, supported by targeted client mining initiatives. A strong deal backlog supports the FY26 double-digit revenue growth guidance. Overall, organic revenue growth in FY26 is expected to be stronger than in FY25.
- LTTS posted a third consecutive quarter of organic QoQ growth, despite macroeconomic headwinds.
- While stronger 4Q revenue was anticipated, certain deals were delayed due to macro uncertainty, and some strategic investments were made in proprietary solutions for selected clients, which aimed at securing future large deals.
- Deals won in 3Q are ramping up and will contribute to revenues from 1QFY26.
- Clients are increasingly demanding efficiency improvements through AI.
- 3Q/4Q deals were signed at standard segmental margins, not at dilutive rates.
- A good amount of traction in digital transformation and consolidation deals are underway in the US and Europe.
- Successful integration of Intelliswift has expanded the company’s portfolio in hyperscalers-driven segments, enabling LTTS to serve adjacent markets in Retail, Fintech, and Healthcare.

Vertical-specific demand commentary

- Mobility: Invested in hyper-personalized SDV and AI platforms during FY25; early benefits are beginning to show. Near-term softness expected; recovery anticipated from 2QFY26. Pipeline includes deals in SDV; slight demand softness observed across Auto, Aerospace, and Off-Highway segments.
- Sustainability: Growth tempered by unexpected deal delays. FY26 is expected to outperform FY25 for this vertical. Seeing decent traction in greenfield/brownfield capex in plant modernization. Largest-ever USD 80M deal was signed in this segment. Strong deal pipeline expected to drive both sub-segments—Industrial and Plant Engineering.
- Hi-Tech: Excluding Intelliswift, Hi-Tech delivered the highest growth across all verticals. Starting to see traction in Intelliswift’s portfolio. Communication, media, and consumer tech segments are undergoing significant AI-driven transformation. Hi-Tech margins were affected by Intelliswift integration and seasonal SWC business.

Margin performance and outlook

- FY25 margin performance was impacted by strategic investments, the Intelliswift acquisition, and unforeseen macro headwinds in 4Q.
- EBIT margin stood at 13.2%; down 270bp QoQ vs. our estimate of 15%. For Full year, EBIT margin stood at 14.9%.

- Intelliswift acquisition impacted margins by ~150bp. Macroeconomic challenges affected high-margin segments like Sustainability.
- LTTS continues to prioritize revenue growth to gain market share while driving operational efficiency for margin improvement. The company aims to achieve mid-16% EBIT margins between 4QFY27 and 1QFY28.
- Integration of Intelliswift is ongoing, with revenue and margin synergies expected.
- No final decision has been made yet on FY26 wage hikes.
- Onsite mix increased in 4Q due to Intelliswift integration and ramp-up of large deals.

Mphasis — Neutral

Current Price INR 2,528

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Demand and industry outlook

- Certain industries, including logistics, energy, automotive, and supply chains, are directly impacted by tariff fluctuations. Volatility in tariffs has not changed their stance, as decision-making has been paused. While decisions are being delayed, no cancellations have been observed. BFSI is experiencing second-order macroeconomic impacts, though these have not yet materially affected results.
- Clients are prioritizing the consolidation and modernization of their technology stacks. Converting pipeline opportunities into TCV and converting TCV into revenue remain top strategic priorities.
- Gross revenue for the quarter was USD430m, growing 2.9% QoQ in CC and 5.4% YoY in CC. This was the highest quarterly growth in the past 12 quarters.
- Management expects revenue to grow above the industry average in FY26, supported by recent deal wins.
- In the current environment, the company believes it is more prudent to prioritize growth over margin expansion.
- AI-led deals are becoming a key driver of pipeline growth, especially for large contracts, helping the company maintain its competitive edge.
- TCV-to-revenue conversion remains steady, with an accelerated pace of deal conversion.
- Management expects the current TCV run rate to be sustained in FY26, unless there is a significant macro deterioration.
- BFS: Growth was driven by increased wallet share from existing accounts and the ramp-up of large deal wins. The mortgage business remains stable, with clients exploring AI integration in operations. AI-driven consolidation and transformation are the key trends.
- TMT: The segment continues to see traction in deal wins and large deal conversions, with wallet share expanding through the execution of existing contracts. While the segment holds promise, there is some uncertainty in manufacturing and hi-tech (including tech devices, med devices, and ISVs). The enterprise stack, engineering services, R&D, IT value stream modernization, and cybersecurity services are performing well.
- Logistics and Transportation: The segment experienced a disproportionate impact due to macroeconomic uncertainty. The decline was broad-based and not limited to a single client.
- Offshore utilization (excluding trainees) improved 300bp QoQ, reaching 78%. Offshore headcount increased in Q4 due to large deal ramp-ups. The company does not plan on building a large bench and will continue to align its headcount with demand.

- MPHL continues to invest in AI platforms while maintaining its target margin band.
- Clients are increasingly focused on improving productivity using AI across business operations, IT, underwriting, and claims processing.
- New opportunities are emerging around AI infrastructure, data governance, and data privacy, as more spending shifts in that direction.
- The shift from service delivery to solution delivery has reduced concerns around margin dilution from onshoring; the company now views it as a 'right-shoring' strategy.

Margin performance

- EBIT margin stood at 15.3%, in line with estimates of 15.4% QoQ. For the full year FY25, the EBIT margin was also 15.3%.
- The company has revised its sustainable EBIT margin target range to 14.75-15.75% (earlier 14.6-16%) to allow flexibility for ramping up mega or large deals, which often require upfront investments.

Persistent Systems — Buy

Current Price INR 5,620

Persistent

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Persistent Systems

Growth and demand outlook

- The macroeconomic environment remains uncertain, but PSYS is leading with cost optimization offerings.
- No client cancellations were reported. Strengthening of sales channels and active engagement with clients continues.
- Strong pipeline visibility despite macro challenges. Confident of achieving USD 2B revenue target by FY27.
- Growth drivers for FY26: BFSI and Hi-Tech, followed by Healthcare & Life Sciences.
- Exploring micro-verticals incubation in BFSI/HLS, or inorganic entry (via acquisition) into new verticals to support USD 5B aspiration by FY31.
- Hired leadership across sub-verticals and geographies to fuel vertical-led growth.
- **TTM TCV:** USD517.5m, down 13% QoQ, up 15.6% YoY (book-to-bill: 1.4x). Net **New TCV:** USD329m, down 2% QoQ. ACV: USD198m.
- Higher renewals in 3Q (due to FY end of North America region ;~75% of revenues) lead to seasonality and hence sequential fall observed in deal growth in the current quarter.
- **BFSI:** The US Banks had a strong start to FY25.
- Low discretionary exposure; well-positioned for vendor consolidation and cost-focused initiatives.
- Client productivity is driven by both labor arbitrage and the SASVA AI platform.
- Recent vendor consolidation deal ramp-up led to higher third-party expenses.
- **Healthcare & Lifesciences:** Payers and providers in pressure due to lower federal funding.
- Puts and takes with DOGE initiatives lead to certain customers getting impacted, however, cost optimization opportunity emerges.
- Anyone doing Research was receiving funding from the state govt was pulled out. Funding was used for software and technology. This led to one of the customers ramping down.

- Offshoring has started for the biggest customer and given margin levers, it will start for other clients as well.
- Net headcount up 2.7% QoQ. Utilization improved 70bp QoQ to 88.1%.TTM attrition ticked up by 30bp QoQ to 12.9%.
- Acquisition of Starfish enhanced capabilities in the contact center domain. Arkaa acquisition strengthens offerings in data privacy and governance.
- Proprietary AI platform SASVA is driving deal wins and service delivery. Data & AI practice grew 56% YoY, led by SASVA-led initiatives.
- Final dividend of INR 15/share approved for FY24–25.
- Acquisitions will be used to scale to USD5b ARR by FY31, focusing on Europe or micro-verticals in BFSI/HLS in the US to broaden horizontal solutions.

Margin performance and outlook

- EBIT margin was 15.6%, up 70bp QoQ, ahead of our estimate (14.8%).FY25 margin: 14.7%.
- Margin Walk: Headwinds: Third-party license costs (-40bp).
- Tailwinds: Improved utilization (+20bp), SG&A savings (+30bp), earnout credits (+20bp), favorable currency (+40bp).
- ETR guidance: 23–23.5%.
- Aspiring 100bp YoY improvement in margins depending on growth and market conditions. Investments in SG&A will continue.
- Intangible assets under development rising due to acquisitions and patent filings.
- Aspiration of OCF conversion in 100-120%. The current quarter has improved to 108%. DSO, a major driver for cash conversion, has dropped six days to 58.
- It expects utilization to be in a tight range in the next few quarters.

Tata Consultancy Services — Buy

Current Price INR 3,372

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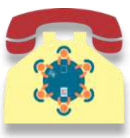

4QFY25 performance and demand outlook

- The company observed delays in decision-making around discretionary spending. The anticipated revival in such spending, as expected in 3Q, has not materialized. However, the focus on cost optimization programs from clients is increasing, which presents new opportunities for TCS.
- Uncertainty in demand began to emerge in Mar'25, although no major project ramp-downs have been observed so far. Sectors such as Retail, CPG, Travel, and Automotive are expected to be the most affected due to tariffs.
- The demand environment in BFSI remains resilient, except for Insurance, which has been experiencing some challenges.
- Organizations continue to face high levels of technology debt and thus technology transformation—particularly in cloud adoption—is expected to drive growth.
- The company maintains a positive outlook for FY26 (to be better than FY25), especially in international markets. It is also exploring domestic opportunities to offset the adverse impact of the BSNL ramp-down.
- The quarter saw a healthy mix of cost optimization and vendor consolidation programs, with all major markets recording sequential growth. Deal activity included a balanced mix of large, medium, and small deals.
- There was no major change in the split between renewals and new deal wins.

- Deal cycles are shortening, but deal durations have remained stable.
- Key themes in deal wins included vendor consolidation, technology modernization, customer experience transformation, and AI adoption for both business and IT.
- The BFSI sector maintained a positive demand outlook, though Insurance showed some softness.
- BFSI clients continue to focus on initiatives led by tech modernization, cost optimization, vendor consolidation, and regulatory spending.
- Banking and financial institutions are proactively addressing tech obsolescence via legacy modernization efforts, examples being core platform upgrades in payment operations and improved lending experience.
- The professional services segment within Hi-tech is showing some softness.
- The automotive sector is likely to be impacted by tariffs.
- Auto OEMs are witnessing weak demand, partly due to a downturn in the EV segment and turbulence in the ICE market with the increased inventories.
- The Aerospace industry is seeing a surge in demand for new planes and engines but is struggling in the near term due to supply chain disruptions.
- The Retail vertical is expected to be most affected by US-imposed tariffs.
- Heightened caution was seen in the US following a decline in consumer sentiment from Feb'25.
- In regional markets, public sector demand remains strong, driven by national development initiatives.
- However, they are prioritizing cost-saving and defensive technology trade deductions and trade deduction modernization initiatives, especially on the enterprise digital core.
- Customers are moving cautiously, focusing on critical programs, which is leading to delays or reassessment of project timelines.
- Net headcount increased by 625 to reach 607,979 employees as of 4QFY25 (flat QoQ). The company is comfortable with current attrition levels, and no significant AI-related impact on hiring has been observed.
- Over one-third of client engagements now involve AI or GenAI for accelerated project outcomes and improved quality. There have been no deal cancellations related to GenAI engagements.
- The Board declared a final dividend of INR30 per share for 4QFY25.

Margin performance and outlook

- Operating margin for 4QFY25 stood at 24.2%, down 30bp QoQ. Investments in capabilities adversely impacted margins.
- Margin Walk: Tactical interventions, such as merit-based promotions effective from 1st Jan'25, had a 100bp impact. Higher expenses in strategic marketing and travel contributed 60bp of pressure. However, currency movements provided a 40bp cushion, with the remaining impact mitigated through operating efficiencies.
- Management maintained its margin guidance in the 26–28% range. Some pressure may arise from reduced utilization and lack of currency tailwinds. Pyramid, productivity enhancements, and improved realizations remain key levers.
- Subcontracting costs are expected to unwind as the BSNL deal ramps down, which should support margin improvement.

- Capex stood at INR50b in FY25, with continued investment in talent and strategic partnerships planned.
- Wage hikes for FY26 are yet to be finalized.

Tech Mahindra — Buy

Current Price INR 1,562

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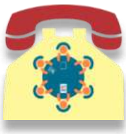

Tech Mahindra

Demand and industry outlook

- The global economic landscape remains volatile. FY25 was a foundational year focused on laying the groundwork for future growth, while FY26 is expected to be a year of acceleration.
- Consolidation and cost-takeout programs are expected to play a key role in this environment, alongside growing importance of GCC deals.
- Softness was observed in the auto and hi-tech segments over the past three months.
- Although telecom has not been impacted by tariffs yet, it remains under pressure due to delayed interest rate cuts.
- Some BPO ramp-ups in the USA were deferred during the quarter.
- The sequential revenue decline was largely attributed to deferral of a renewal deal in the BPO segment.
- For FY25, focus was sharp on large accounts, and the company exited accounts where there was no headroom for future growth.
- Deal wins were broad-based across industries and geographies. Many of them were multi-year deals and strategic in nature. No deal cancellations were reported in 4Q.
- Increased deal sizes contributed to YoY growth, particularly in larger accounts.
- **BFSI:** Growth was supported by recent deal wins and project ramp-ups. The company opened 3 Fortune 500 accounts and added 15 new clients in FY25.
- **Hi-Tech:** Momentum tapered off, and the outlook became more cautious in 4Q. One renewal deal was deferred, impacting 4Q revenues.
- **Communication & Media:** The vertical declined due to industry-wide headwinds. Telcos are prioritizing cost optimization over discretionary spending. Europe and Asia showed signs of stability, benefiting the Comviva business. The company is working to integrate Comviva's software capabilities with its service offerings. Comviva recorded double-digit growth.
- **Manufacturing:** Remains a key growth area, although weakness was observed in the auto sector during 2H. The company is addressing operational inefficiencies and supply chain challenges in delivery centers.
- Most clients acknowledge a gap between AI potential and realized value; TECHM sees this as an opportunity to deliver AI more effectively. The company views AI as a major industry tailwind.

Margin performance

- EBIT margin improved by 40bp QoQ to 10.5%, beating our estimate of 10.3%. Full-year margins stood at 9.7%, up 360bp YoY.
- Margin improvement for FY25 was supported by a 100bp benefit from the reduction of the non-core portfolio. A 20-30bp tailwinds is expected in FY26 from the same.

- Wage hikes impacted margins by 100bp in 4Q but were offset by gains from Project Fortius, Comviva seasonality, and favorable currency movement (~30-40bp).
- Margin excellence was also driven by pyramid correction and premium pricing for key service lines.
- The company is enhancing productivity in fixed-price engagements using lean practices and AI, aiming to reduce headcount in specific areas and redeploy resources elsewhere.
- The effective tax rate is expected to remain in the 25-26% range.
- Digital Enterprise Applications, Engineering Services, Next-Gen Services (AI and Industry 4.0), and Cloud are margin-accretive compared to the company average.

Wipro — Sell

Current Price INR 248

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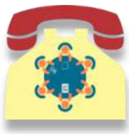

4QFY25 and full-year performance and demand outlook

- Clients remain cautious amid macroeconomic uncertainty, even though the underlying demand for technology modernization remains strong.
- Many clients are engaged in scenario planning to evaluate the potential impact of tariffs, which led to delays or holdbacks in further investments.
- Large transformation projects are either paused or have had their timelines realigned. Some clients are also re-evaluating their IT budgets.
- There is a clear shift in client focus toward cost reduction, speed, and AI-led efficiency.
- The company is focusing on expanding its presence in existing large accounts.
- Tariffs are having a direct impact on sectors such as Manufacturing and Consumer, with indirect effects being felt across other verticals.
- All verticals declined QoQ in CC terms, except for Energy, Manufacturing & Resources (EMR), which grew by 1.1% QoQ CC.
- Guidance for 1QFY26 IT Services revenue was provided in the range of -3.5% to -1.5% QoQ in CC terms. This reflects the company's expectation that clients will
- maintain a cautious approach to large transformation programs and discretionary spending.
- The number of clients in the USD1m and USD10m buckets declined, indicating weaker discretionary spending. However, YoY growth was observed among the top 5, 10, and 20 clients.
- Large deal TCV was USD1.8b, up 83% QoQ and 48% YoY. The company closed 17 large deals in 4QFY25 and 63 during FY25. Two megadeals were won during FY25.
- Large deals are expected to take some time to ramp up.
- BFSI: Capco grew 6.5% QoQ. The US and APMEA regions are performing well, but uncertainties may affect the next quarter. Europe is facing client-specific issues, dragging down overall growth. Decision-making continues to be delayed, keeping clients in wait-and-watch mode. There is a strong deal pipeline in application modernization, IT infrastructure modernization, BPS, cybersecurity, and consulting.

- Consumer: Inflationary pressures in the US may impact the consumer vertical. A large SAP program for a consumer client has been paused due to tariff-related concerns.
- Europe: A new leadership and execution team has started the year by closing a large deal with Phoenix Group, which is expected to ramp up in 2HFY26. Margins in Europe are also impacted by ongoing project ramp-downs. Clients are rescheduling their transformational project timelines.
- Continued investment is being made to upskill employees, particularly in AI. Top performers are being moved into client-specific strategic roles, and leadership development initiatives are underway.

Margin outlook

- IT Services EBIT margin stood at 17.5% for the quarter, flat QoQ. For the full year FY25, EBIT margin was 17.1%.
- Margin pressures are expected in 1QFY26 due to two headwinds: 1) the overall revenue environment and 2) pricing pressure in cost-takeout and vendor consolidation deals.
- The company aims to maintain margins within a narrow band going forward. Margin levers include sustaining or improving utilization, enhancing fixed-price productivity, and rationalizing overhead costs.

zensar™

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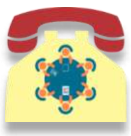

Zensar Technologies — Neutral

Current Price INR 831

Growth and outlook

- The company expects a first-order impact on manufacturing due to macroeconomic uncertainty and tariffs. However, exposure to the auto segment is limited, and retail—despite high exposure—is not expected to be significantly affected. Healthcare is expected to face a relatively lower impact from tariffs.
- Demand began right shifting toward the latter half of Mar'25 and has continued in Apr'25, driven by uncertainty around trade and tariffs. If demand contracts due to macro uncertainty, competition could intensify.
- All geographies reported growth in Q4, supported by sustained margins.
- There was good traction in mining and expansion in existing accounts, with several clients moving into higher-revenue buckets.
- FY26 is expected to be better than FY25, though 1QFY26 may be softer than previously anticipated due to recent macro shifts.
- Continued investments in verticalization, AI solutions, and deepening service line capabilities are driving performance.
- 4Q marked the highest-ever order book, reflecting strong client confidence and successful account mining strategies. No significant changes in the pipeline despite macro uncertainty. One key client has entered the USD20m+ revenue
- bucket due to enhanced farming. TESCO win involves a new greenfield setup; this is not a re-badging arrangement.
- Actively working on creating large deals beyond just responding to RFPs. The RFP-based pipeline remains muted.
- BFSI reported strong growth in 4Q, supported by robust farming and new account wins, and is expected to remain a key growth area.
- Manufacturing performance remains steady.

- Growth continued in TMT as the furlough impact eased. The segment appears to be stabilizing.
- Capital investment dollars in IT is expected to be muted in the near term, as companies typically reduce spending in uncertain environments. This trend is already visible in the TMT sector, where many cloud providers have either cancelled or postponed their planned data center projects.
- Salary hikes were effective from 1st Jul'24. FY26 budget also includes provisions for salary increases.
- South Africa remains a key market, with ZENT among the top 3 players. Leadership has been realigned to oversee this market from India.
- Voluntary attrition stood at 9.9%, the lowest in recent years. Headcount has grown consistently.
- Dividend payout ratio has been raised to 45-50% of consolidated profits (from 26-35%). A final dividend of INR11/share was declared in 4Q.

Margin performance and outlook

- Maintained 4Q EBITDA at 15.6%, aided by cost management and improved utilization, despite furlough-related pressures.
- 40bp tailwind from volumes and utilization was offset by 20bp increase in delivery costs and another 20bp in SG&A.
- Mid-teens margin guidance for FY26 maintained, including ESOP costs, which have already been absorbed in 4Q margins.
- Any margin upside beyond mid-teens will be reinvested into the business.
- Offshore-onsite mix is tailored to client requirements.

- **Residual benefits of the tariff hikes were offset by two fewer days QoQ in 4Q. With a higher share of subscribers on longer-duration plans, RJio expects some more benefits from tariff hikes to flow through over the next two quarters. Bharti and Vi both continue to advocate for a change in pricing construct from high daily data allowances to usage-based plans, wherein higher data-consuming users should be charged more. On the fixed broadband, both Bharti and RJio have highlighted high potential and have accelerated FWA rollouts.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Management guidance
Bharti Airtel	▪ **Capital allocation:** Bharti would like to strike a balance between its priorities such as: 1) deleveraging the balance sheet, 2) stepping up dividend payments, and 3) selective and prudent investments to bolster capabilities in B2B adjacencies. Moreover, management appeared open to increasing its stake in subsidiaries such as Indus Towers and/or Airtel Africa.	▪ **Capex:** For FY25, the India capex (excl. Indus) at INR303b was lower than ~INR334b in FY24, in line with management's guidance. Management expects capex to further unwind in FY26. Going ahead, the priorities for capex would be investments in the transport layer, Home Broadband, data centers, and B2B, while radio capex would decline in FY26, with the completion of the rural rollout.
Bharti Hexacom	▪ **Capital allocation**: The capital allocation policy would be similar to its parent, Bharti Airtel. It will be a prudent mix of deleveraging, step-up of dividend payments, and growth capex	▪ Management expects the capex to decline in FY26 as there is no major rural rollout planned in its circles.
Indus Towers	▪ **Tenancy additions**: Excluding the impact of Bharti's tower acquisitions, tenancy additions at ~8.2k again outpaced tower additions. The decline in the tenancy ratio to 1.63x is primarily on account of the acquisition of single-tenant towers from Bharti.	▪ Management indicated that the order book remains robust, and the focus is to drive growth both organically (through higher market share in key customers' rollouts) and inorganically.
Tata Communications	▪ **Demand environment**: Given the global macro uncertainties, there is an elevated level of caution among customers. TCOM has faced deferrals in a few deals that were expected to close in 4QFY25 and have slipped to 1QFY26. However, the company is not seeing any knee-jerk reaction from the customers or deal cancellations and believes that the customers will continue to make investments.	▪ **Order book and margin**: Management remains confident in the business outlook, highlighting a healthy deal funnel both in India and internationally. While order book growth moderated in 2H after strong large-deal wins in 1H, it still registered double-digit growth for FY25. Importantly, management reiterated its medium-term margin guidance of 23–25%, supported by ongoing cost synergy programs from recent acquisitions.
Vodafone Idea	▪ **Subscriber trends**: Management indicated that 4G net adds are improving with the ongoing network rollout. Further, it indicated that the 5G user base on its network continues to improve steadily.	▪ **Network rollout**: Vi rolled out ~7.6k towers (~8.5k MBB towers) and ~34k net MBB sites in 4Q, boosting 4G population coverage to 83%. 4G coverage is expected to increase to 84-86% in the near term, based on the current visibility of ~INR50-60b capex plans. The company also rolled out 5G in Mumbai, Delhi, Chandigarh, and Patna, with plans to expand 5G to key cities across 17 priority circles by Aug'25.

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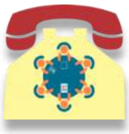


Bharti Airtel

Bharti Airtel **Buy**

Current Price INR 1,879

- **Capex:** Bharti's 4Q capex was higher due to investments in cloud and data centers (in B2B) and the timing of certain shipments in wireless. However, for FY25, India capex (excl. Indus) at INR303b was lower than ~INR334b in FY24, in line with management's guidance. Management expects capex to further unwind in FY26. Going ahead, the priorities for capex would be investments in the transport layer, Home Broadband, data centers and B2B, while radio capex would decline in FY26, with the completion of rural rollout.
- **Capital allocation:** Bharti would like to strike a balance between its priorities such as: 1) deleveraging the balance sheet, 2) stepping up dividend payments, and 3) selective and prudent investments to bolster capabilities in B2B adjacencies. Moreover, management seemed open to increasing its stake in subsidiaries such as Indus Towers and/or Airtel Africa.
- **Equity conversion of AGR dues:** Management indicated that the company had written to DoT for the option to convert AGR dues into equity to ensure a non-discriminatory playing field. The decision on whether to ultimately convert GoI dues into equity would be taken by Bharti's board.
- **APRU:** Management indicated that ARPU on equal days basis stood at INR248 (vs. INR245 reported in 4Q). The drivers of ARPU improvement remain upgrades from feature phone to smart phone, prepaid to postpaid upgrades, data monetization and international roaming growth.
- **Pricing construct:** Management reiterated the ARPU in India is still among the lowest globally and more tariff repair is required for the industry to be financial stable and deliver reasonable returns on a sustained basis. It also reiterated its stance on the need for the industry to rethink the pricing construct to usage-based plans, with reduced data allowances in the popular plans.
- **5G:** The company's 5G user base expanded to 135m (vs. 120m QoQ and ~190m for RJio). Management indicated that ~85% of overall smartphone shipments are now 5G enabled and Bharti has been gaining its fair share in growing 5G handset adoption. Bharti does not see an immediate need to switch to standalone 5G as the capacity on its 5G network is still underutilized.
- **Home broadband:** Bharti added ~810k users in Home Broadband in 4QFY25, with ~45-50% of net adds driven by FWA. Management expects the medium-term potential for Home Broadband at ~80-90m homes (vs. 46m currently) and aspires to improve its capability for accelerating the pace of net additions in home broadband through a combination of ramp-up in FTTH home passes and FWA deployment.
- **Datacenter:** Bharti has plans to double its datacenter capacity to 400MW in the next three years (earlier target was by 2025). Management indicated that the market is growing rapidly and given deep relationships with customers (both Enterprise and OTTs), Bharti is aiming for significant increase in capacity over next 2-3 years (vs. its current ~12% share in India's datacenter capacity).
- **B2B:** The revenue decline was due to the company's exiting from low-margin commoditized voice business as guided by management in 3QFY25. Management indicated that the wholesale voice and messaging business continues to face headwinds, while core-connectivity continues to grow at steady pace, with Bharti gaining ~600-700bp market share over the past few years to reach 35% share. Data center business continues to grow at ~12-14%, while digital business grew 25-30%. The company is looking to accelerate the growth in its digital portfolio through investments in Cloud. Overall, the order book appears strong in digital and core connectivity.
- **DTH:** The company launched IPTV during 4QFY25, which has seen encouraging response from customers. Airtel DTH's market share reached record highs in

FY25. Further, the company has stopped subsidies on set-top box and expects competition to follow the suit.

- **Deleveraging:** The company prepaid further INR60b of spectrum dues pertaining to 2024 during 4Q (~INR260b high-cost debt prepayments in FY25). Bharti is now left with ~INR520b spectrum dues pertaining to 2021 and 2022 auctions (at 7.2-7.3% interest rate) and ~INR40b AGR dues (8% interest). Further, the company redeemed USD1b perpetual bonds (not part of reported debt earlier).
- **War on waste:** Management indicated that the company's continuous "War on Waste" program has led to network opex saving of ~INR22b, through reduction in diesel consumption, AI-ML enabled network management.

Indus Towers — Neutral

Current Price INR 384

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- **Deferral of dividends:** Indus' Board has appointed a committee to evaluate the company's need for growth capital and decide on the modalities of cash distribution to enhance shareholder returns. Management indicated that the company has internally funded the ~INR20b payments for the tower acquisition currently, but it still plans to raise debt at a later stage. The tower acquisition payouts, though, could impact the quantum of cash distribution to shareholders.
- **Bharti's tower acquisition:** Indus acquired 12,606 towers from Bharti Airtel, including 2,226 leaner towers for a consideration of ~INR20b. Management indicated that the acquired towers were single-tenant towers and the ARPT for macro towers would be in line with MSA for the single-tenant towers. Further, there is an opportunity to increase tenancy on these towers.
- **Tenancy additions and outlook:** Excluding the impact of Bharti's tower acquisitions, tenancy additions at ~8.2k again outpaced tower additions. The decline in the tenancy ratio to 1.63x is primarily on account of the acquisition of single-tenant towers from Bharti. Management indicated that the order book remains robust, and the focus is to drive growth both organically (through higher market share in key customers' rollouts) and inorganically.
- **Accounting of tower acquisition:** The company recognized ~INR1.83b as the operating costs for these towers (mainly energy costs and depreciation/interest costs on lease rentals) from 18-Nov'24 (Indus consolidation date). The revenue from these towers has been recognized only for eight days in 4QFY25, which resulted in an accounting loss of ~INR1.75b in 4QFY25.
- **ARPT movement:** The reported ARPT was boosted by ~2% due to year end reconciliations, while it was impacted by a higher tower base used in the calculation, after Bharti's tower acquisitions (for which revenue was recognized for just eight days in 4Q). Further, ARPT is impacted by factors such as changes in product mix, annual escalations, loadings, renewal, and sharing discounts on an ongoing basis.
- **Past dues collection:** The company has collected ~INR51b in past dues from Vodafone Idea in FY25 to largely clear all the outstanding dues.
- **Cost efficiencies:** Indus deployed ~15k solar sites in FY25 (though modest ~1k in4Q) and has been pursuing energy-saving initiatives such as electrification, energy-efficient storage solutions, etc., which led to ~6% YoY reduction in diesel consumption in FY25.
- **Energy under-recoveries:** The energy under-recoveries at ~INR1.4b are optically higher due to the accounting of costs for Bharti's tower acquisitions. Adjusted for the same, the energy spreads would have been -2% (~INR0.5b).
- **Higher maintenance capex:** Management indicated that repairs and maintenance activity is typically higher in 4Q, as the company prepares for the upcoming monsoon season. Overall capex for FY26 would depend on tower and

tenancy additions, which as per management expectations is likely to remain robust.

TATA COMMUNICATIONS

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Tata Communications — Neutral

Current Price INR 1,712

- **Order book and funnel additions:** The order book was relatively stronger in 1H, driven by a few large deals across sectors such as BFSI, OTT, World Athletics, etc., which led to high double-digit growth. However, the growth in order-book normalized in 2H, with fewer large deal wins. Overall, the order book grew by double digits during FY25. Further, management indicated that the funnel continues to remain strong with a healthy representation of deals across India and internationally.
- **Demand environment:** Given the global macro uncertainties, there is an elevated level of caution among customers. TCOM has faced deferrals in a few deals which were expected to close in 4QFY25 and have slipped to 1QFY26. However, the company is not seeing any knee-jerk reaction from the customers or deal cancellations and believes the customers would continue to make investments.
- **Digital portfolio growth drivers:** The strong ~29% YoY growth in Cloud and Security was primarily driven by the execution of a large deal win from 1HFY25. Further, the company has launched a next-generation cloud fabric, Tata Communications Vayu, to address the challenges of rising cloud costs, multi-cloud expertise, etc. The growth in Incubation was driven by new vehicle additions on the platform. Management noted that ~3% QoQ dip in Collaboration and CPaaS revenue in 4Q was due to the temporary customer-specific issues and also the seasonality of customer interaction business in 4Q.
- **Margin:** 4Q margins were hit by certain customer-specific issues, spillover costs from cable repairs, and higher marketing costs for new product launches. However, the core business EBITDA margin (excl. subsidiaries and acquisitions) at 23.3%, declined marginal 40bp YoY in FY25 and was within the management's guided range of 23-25%. The decline in core margin was on account of increased provisions for certain deals in the SAARC region (~50bp impact). Further, management remained committed to improving the margin to 23-25% over the medium term, driven by an uptick from ongoing cost synergy programs in the acquisitions.
- **FX impact:** Adjusting for the rupee depreciation, consolidated revenue growth would have been ~2.3% QoQ and ~4% YoY, as compared to 3.3% sequential and ~6% YoY reported consolidated revenue growth.
- **Weakness in net revenue:** The impact was primarily due to a one-time customer-specific issue and a fixed-cost deal not materializing. Additionally, the impact of cable outages also affected the high-margin core connectivity segment. Management indicated that these factors were temporary and net to gross ratio should improve from 1QFY26.
- **Acquisition:** Improved capabilities on the back of Switch and Kaleyra purchase, have helped TCOM in winning certain large deals and improved its relevance to the customers. However, cost synergy and margin improvement have been slower than expected, but the company is taking steps to rationalize lower-margin segments in Kaleyra and improve overall profitability.
- **Leverage:** Net debt moderated to INR93.7b during the quarter with net debt to EBITDA ratio at 2.06x. The reduction was driven mainly by proceeds from the land sale and the divestment of TCPSL. The company aims to keep the net debt-to-EBITDA ratio below 2x, with expectations to reach the level within the next two quarters.

Utilities

- **Various management teams highlighted a moderation in FY25 power demand growth to ~4%, due to a high base and favorable monsoon. However, peak demand is projected to surge to 278GW from 250GW last May, with long-term peak demand reaching 458GW by 2032. On the thermal front, the government aims for nearly 80GW of thermal capacity by 2032, including 29GW under construction (11GW due soon), 19GW awarded, and another 36GW in the planning stage. For BESS, viability gap funding will support 9 GW by 2027, scaling to 47 GW by FY32. Management teams expect the wind sector to add 6GW/7–8GW in FY26/FY27 and 9GW annually thereafter, with the repowering of old sites gaining momentum post-FY26. The draft RLMM policy is expected to boost the domestic wind supply chain. On the transmission front, the National Electricity Plan projects over INR9t in transmission projects by FY32, with INR3t already allocated and the rest to be bid out by FY29, implying increased bidding over the next four years. For power exchanges, amendments to Late Payment Surcharge (LPSC) rules now require state government generating stations to offer un-requisitioned surplus (URS) power on exchanges, and the management teams expect liquidity to improve once similar mandates are extended to private generators.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Highlights – 4QFY25
Power Grid	▪ Management reaffirmed strong growth prospects, targeting capex of INR280b (FY26), INR350b (FY27), and INR450b (FY28). ▪ FY25 capitalization guidance missed by ~50%, but INR230-250b is targeted for FY26. ▪ Management flagged that rising capex may pressure dividends. ▪ Leh–Ladakh HVDC: land acquisition underway; Pang-Leh line award expected in 2QFY26.	▪ PWGR's standalone Revenue, EBITDA, and PAT were in line with our estimates. ▪ Higher-than-expected interest expenses were offset by lower depreciation, taxes, and increased other income.
JSW Energy	▪ Management targets 30GW generation capacity and 40GWh energy storage by 2030, with INR1,300b capex planned for FY26–FY30. ▪ FY26 capex guided at INR150-180b. ▪ KSK Mahanadi and O2 Power acquisitions to drive EBITDA growth from FY26. ▪ Management is confident in achieving 2.7x- 3.0x. EBITDA growth by FY30 over FY25 pro forma levels.	▪ JSWE missed our Revenue/EBITDA estimates by 16%/8%, mainly due to weaker performance at the Ratnagiri/ Barmer thermal plants, with net generation falling 7%/11% YoY. ▪ Despite lower fuel costs, standalone EBITDA remained under pressure due to higher employee expenses and increased other opex. ▪ JSWE completed the acquisition of both KSK Mahanadi and O2 Power during the quarter.
NTPC	▪ NTPC targets group capacity additions of 11,806MW/9,904MW in FY26/FY27. ▪ Standalone capex plans of INR876b in FY25- FY27 (avg. INR292b annually) and INR2.6t in group capex (avg. INR884b annually). ▪ Captive coal production targets: 50 MMT (FY26), 56 MMT (FY27), 60 MMT (FY28). ▪ Secured 6GW of land, with another 8GW in the pipeline; connectivity has been arranged for RE targets until FY27. ▪ Pumped storage target of 1 GW by FY26. ▪ Nuclear power target: 30 GW by 2047.	▪ NTPC's standalone revenue exceeded our estimate driven by a 2% YoY growth in generation, but EBITDA fell short, primarily due to a 27% YoY increase in other expenses. ▪ PAT also came in below expectations, mainly due to higher-than-anticipated depreciation, finance costs, and tax rates. ▪ The PLF for coal, hydro, and gas plants stood at ~81%, 13.9%, and 2.1%, respectively.
IEX	▪ IEX management remains positive on sustained volume growth, supported by strong electricity and RE market momentum. ▪ Awaiting regulatory approval to extend TAM contracts from 90 days to 11 months, unlocking a 40BUs addressable market.	▪ IEX's standalone revenue missed our estimate by 7%, primarily due to a lower-than-estimated per-unit transaction fee. ▪ Standalone PAT was in line, led by an 18% YoY rise in electricity volumes and other income. ▪ IEX's overall volumes rose ~27% YoY in 4QFY25.

Tata Power	■ Tata Power targets INR250b capex in FY26. (~60% RE, ~30% T&D broadly). ■ Plans to commission 2.5-2.7GW RE capacity in FY26 supported by a 5.5GW pipeline set for execution over the next 6-24 months. ■ TP Solar's plants are fully operational, targeting >3,700MW output each for cells and modules in FY26. ■ DISCOM privatization (e.g., Uttar Pradesh) is seen as a key growth driver.	■ EBITDA came in 7% above our estimate, driven by robust growth in Orissa distribution, strong results in Mundra, coal, and shipping, and higher contributions from both traditional and renewable generation. ■ APAT was in line with our expectations.
Suzlon Energy	■ Management guided at least a 60% YoY increase across key metrics- deliveries, revenue, EBITDA, and PAT in FY26. ■ Segment margins are anticipated to remain stable, with WTG contribution margin at ~23% and consolidated EBITDA margin near 17%. Capex is pegged at INR4- 4.5b in FY26.	■ Consol. revenue was 6% above our estimates, driven by ~15% higher-than-expected WTG deliveries. ■ EBITDA/APAT exceeded expectations by 38%/44%, on the back of stronger gross margins.

ACME Leading Through Innovation

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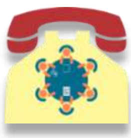

ACME Solar **Buy**

Current Price INR 254

Capacity Growth and Project Portfolio

- ACME added 1,200 MW of solar capacity in FY25, up from a base of 1,350 MW, bringing total operational capacity to ~2,700 MW (May'25).
- The company has won bids for an additional 1,900 MW across solar, hybrid, and firm and dispatchable renewable energy (FDRE) technologies, taking its total project portfolio to ~7 GW.
- FY26 commissioning target: 450 MW of capacity. Of this, 300 MW is at the Sikar plant (Rajasthan), with 165 MW commissioned and 112.5 MW commissioned recently; the balance ~135 MW is expected within 30 days. Realized average merchant tariff is around INR 3.1/kWh, making the project viable in merchant markets. The plant benefits from the ISTS waiver, enhancing offtake attractiveness. Expected annual revenue upon full commissioning is INR2.3-2.4b.
- FY27: 1.89 GW expected to be commissioned.
- Target of 7GW capacity by FY28 and 10GW by FY30.

Wind Project Progress

- A 50 MW wind project is under commissioning: 26.5 MW is expected to be commissioned within the week. The remaining 23.5 MW will be within the next 10 days.
- An additional 100 MW is in advanced construction stages, with equipment on-site. First phase commissioning is targeted for early Q2 FY26 and full commissioning by late 2QFY26.

Under-Construction Capacity

- Total under-construction capacity stands at 4.3 GW: 2.2 GW with signed PPAs and 2.1 GW with Letter of Award (LoA).
- All projects have transmission connectivity in place. Additionally, 2.5 GW of surplus connectivity has been secured for future bids.
- Land acquisition progress: >50% of land acquired for the solar component of PPA-signed projects. >60% land was acquired for the wind component. Applied for ~10,000 acres of government land.

Financing, Debt Management, and Capex

- ACME has secured INR165b of debt financing covering 1,700 MW of under-construction capacity.
- Additionally, INR77b has been sanctioned for refinancing operational projects, at an average interest rate of 8.8% p.a., offering a 75 bps interest cost saving.
- Total capex of INR200b to be supported by ~INR 4,000 crore of equity and the aforementioned debt financing. No further equity infusion is planned. The company will only undertake Capex where PPAs are signed, ensuring financial prudence.

Financial Metrics

- FY25 net operational debt to EBITDA: 4.4x (within guided cap of 5.5x).
- Net debt to net worth improved to 1.7x.
- Asset base expanded by INR41b, taking gross block to INR155b.
- Cash and bank balances at INR29b.

Battery Storage and FDRE Projects

- Price lock-ins secured for long-lead equipment and battery systems; hedges in place to mitigate currency volatility. Battery storage is becoming a core component of future projects, especially under hybrid and FDRE configurations.
- First FDRE projects scheduled for commissioning by May/June 2026:
- 380 MW FDRE: 190 MW PPA signed in June 2024; scheduled COD: June 2026.
- 320 MW part of 580 MW SGBN: COD expected by May 2026.
- Construction, transmission, GIS, transformers, and battery procurement have commenced.
- Battery cells/packs (20-year, one-cycle/day warranty) to be imported. Pilot scale to be executed by Q2 FY26, followed by full-scale deployment in 3QFY26. Battery capacity would be temporarily monetized through merchant markets until PPAs are executed.

Industry Context and Policy Developments

- FY25 power demand growth was ~4%, lower than expected due to a high base and favorable monsoon.
- Peak demand of 250 GW in May 2024 is expected to rise to 278 GW in summer 2025.
- 50 GW of tenders floated in FY25, largely hybrid/FDRE with storage components.
- Key policy changes included expedited PPA signings encouraged by the government, mandatory domestic content under ACLM to restrict Chinese cell imports post June 2026.

Pumped Storage Projects (PSP)

- ACME Solar is developing a 600 MW x 6-hour PSP project in Uttar Pradesh.
- PSP will only be developed under a PPA-backed model; no merchant route.
- The DPR approval is under discussion with the CEA; applied for state incentives.

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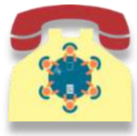

Indian Energy Exchange — Neutral

Current Price INR 199

Financial performance and market overview

- Standalone profit in 4QFY25 stood at INR1.12b, reflecting a 17.8% YoY growth; revenue rose 16.5% to INR1.4b.
- In FY25, Consolidated revenue grew 19% YoY to INR6.5b, while reported PAT rose 22% YoY to INR4.29b vs. INR3.5b in FY24.
- The company declared a final dividend of INR1.50/share.

Trading volumes and mar ket segments

- Electricity volumes in 4QFY25 grew 18% YoY to 31.7BUs, while total volumes for FY25 increased 18.7% to 121BUs.
- Renewable Energy Certificates (RECs): 6.8m RECs traded in 4QFY25 (+108% YoY). 17.8m RECs issued in FY25 (+136% YoY).
- Real-Time Market (RTM): 9.7BUs in 4QFY25 (+29% YoY). 39BUs in FY25 (+29% YoY), highlighting RTM's role in balancing short-term demand and integrating renewables.
- Green Market: 1.9 BUs in 4QFY25 (+100% YoY). 8.7BUs in FY25 (+171% YoY), aiding Renewable Purchase Obligation (RPO) compliance.

IGX performance

- IGX traded 20.2m MMBTU in 4QFY25, up 132% YoY mainly as Reliance and ONGC started domestic gas production and they sold a good part of this for the market. Reported PAT grew 102.9% YoY to INR89m.
- Trading volumes for FY25 stood at 60m MMBTU, reflecting a 47% growth YoY. PAT was INR309m, a 34% YoY growth.

Market share and market coupling

- For FY25, IEX's market share for the collective segment, i.e. DAM, and RTM, is ~99.8% and for bilateral, it is ~35%. Overall market share of 84.2% in the electricity trading segment. In RECs, the market share was ~60%.
- No update has been received from CERC for potential market coupling,

Regulatory and Product Development

- Awaiting CERC approval to extend Term-Ahead Market (TAM) contracts from 90 days to 11 months, tapping into a 40BUs addressable trader market.
- The green RTM petition hearing was completed and public comments on the petition hosted on the CERC website have been closed. This segment will enable resellers to earn a price premium over conventional power and help buyers meet RPOs.

URS Power and LPSC Regulation

- Amendments to the Late Payment Surcharge (LPSC) rules now mandate state government generating stations to sell Un-Requisitioned Surplus (URS) power on exchanges. 100–120 MUs/day of URS power is now available; 15–20 MUs/day is being cleared.
- Further liquidity increase is expected once similar mandates are extended to private generators.

Emerging Market Models

- New models like Battery Storage, FDRE, and Virtual PPAs (VPPSs) are set to deepen market integration.

- VPPA activity has begun, with 1,500 MW registered; this power appears as conventional in the exchange, contributing to increased solar hour supply.

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JSW Energy — Buy

Current Price INR 508

Installed and Operational Capacity

- JSW Energy currently has a total installed generation capacity of 12.2 GW.
- In FY25, the company added 3.6 GW of operational capacity, including 1.7 GW from organically developed projects.
- Net electricity generation during 4Q increased 24% YoY to 7.9 BU, driven by a 32% rise in renewable generation from new capacity additions.

Thermal Power Assets

- JSW Energy secured a 1.6 GW ultra-supercritical thermal power plant at Salboni, West Bengal, fully contracted with WBSEDCL.
- The second unit of the 350 MW Ind Bharat JSW Utkal plant was successfully commissioned and is now operational.
- The KSK Mahanadi thermal plant recorded EBITDA of INR28.95b in FY25 with a PLF of 67.4%; post-acquisition in Mar’25, PLF surged to 79% in 25 days, with a deemed PLF of 99%.

Renewable Energy Portfolio

- JSWE’s under-construction renewable portfolio stands at 9.7GW. There is a development pipeline of ~4.9GW, backed by Letters of Intent/Award, awaiting finalization of PPAs.
- O2 Power, JSW’s renewable subsidiary, has an operational capacity of 1,343 MW, comprising 271MW of wind and remainder in solar energy.
- O2 Power targets scaling up to 4.7 GW by Jun’27, with a planned investment of INR130b-140b.

Energy Storage Initiatives

- JSWE’s committed energy storage portfolio has expanded to 28.3 GWh.
- Key projects include: 1)12 GWh Bhavali pumped hydro project in Maharashtra (under implementation with MSEDCL) and 2) A 12 GWh pumped storage project under PPA with UPPCL, targeted for completion over six years.

Merchant Market and Fuel Trends

- Peak demand in 4Q touched 238 GW in Feb’25, and 250 GW for full FY25.
- Electricity demand in 4Q grew by 3.2% YoY on a high base of 7.4% from the previous year.
- Merchant tariffs rose during 3Q-4QFY25 and will further increase to INR4.76/unit in 1QFY26.
- Average merchant market price in 4Q stood at INR4.5/unit, supported by softer coal prices.

Fuel Mix and Contracted Capacity

- Following full contracting of the Vijayanagar project, JSWE’s open capacity is ~976 MW.
- Only 9-10% of the open capacity depends on imported coal; the remainder is supplied by domestic coal.

Growth Outlook and Capex Plans

- JSW Energy aims to reach 30 GW of generation capacity and 40 GWh of energy storage by FY30.

- EBITDA is projected to grow by 2.7x to 3x by FY30 over FY25 pro forma levels.
- The company has planned capex of INR1,300b during FY26-FY30.
- For FY26, the targeted capex is INR150-180b.

Other income was higher due to:

- Reversal of deferred consideration provision related to the Mytrah acquisition (post-closing conditions not met).
- Elevated treasury income, reflecting strong cash and liquidity positions.

NTPC — Neutral

Current Price INR 329

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Operational highlights:

- NTPC's gross power generation in 4QFY25 stood at 95 BUs, up 2% YoY.
- Group generation for FY25 was 439 BUs, up 4% YoY; standalone was at 373 BUs, up 3% YoY.
- Group commercial capacity reached 79,930 MW; standalone was at 59,413 MW.
- NTPC added 3,972 MW in FY25, including 3,312 MW from renewables.
- Coal plant availability improved to 92.5% (vs 89.4% in 4QFY24). Coal PLF rose to ~81% in 4QFY25, up 2% YoY.
- Coal PLF stood at 77.44% in FY25, significantly higher than the all-India average of 67.23%, marking a seven-year high.

Financial highlights:

- NTPC reported SA revenue/ EBITDA/Adj. PAT of INR439b/INR112.6b/INR50b in 4QFY25, +3%/-1%/flat YoY, respectively.
- FY25's standalone revenue/EBITDA/APAT stood at INR1,700b/454b/180b, up 5%/5%/10% YoY.
- Debt-equity ratio improved to 1.15 (standalone) and 1.34 (consolidated).
- Group capex stood at INR446b and standalone capex stood at INR229b.
- Regulated equity rose to INR909.02b standalone and INR1,087.91b consolidated, both up 4% YoY.
- Under-recovery for FY25 was INR4.64b; 4QFY25 saw a profit of INR40m.

Other highlights:

- NTPC added 2,977 MW RE capacity in FY25 (854 MW organic and 2,123 MW via the Ayana acquisition), bringing the total RE capacity to 5,902 MW. The company's RE capacity addition target for FY26 is 6.5 GW.
- Total group capacity addition targets: 11,806 MW in FY26 and 9,904 MW in FY27.
- Captive coal production targets: 45 MMT in FY25, 50 MMT in FY26, 56 MMT in FY27, and 60 MMT in FY28.
- NTPC has secured 6 GW of land and has 8 GW in the pipeline; CTU connectivity is in place until FY27.
- Long-term nuclear capacity target set at 30 GW by 2047.

Power Grid Corporation — Buy

Current Price INR 294

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Record project wins:

- PWGR secured a record 24 TBCB projects in FY25 with the total cost of projects won amounting to ~INR920b.
- The company enjoys a market share of ~57%/55% in terms of NCT cost/project wins.

Project execution and financial performance:

- In 4QFY25, on a consol. basis, capex was INR86b and capitalization was INR16b.
- On a consol. basis, in FY25, a capex of INR263b was incurred (FY24: INR125b), and capitalization was INR90b in FY25 vs guidance of INR180b. These delayed projects are expected to be commissioned in 1QFY26 and 2QFY26.
- In 4QFY25, about 645ckm of transmission lines and 12,000MVA transformation capacity were added.
- In FY25, Transmission system availability was 99.8%, and trippings per line per year stood at 0.27.
- Average Borrowing Cost: 7.41% on a standalone basis in 4QFY25.
- Debt stood at INR1,309b, and net worth stood at INR922b.

Telecom division highlights:

- Customer Growth: Added 75 new customers in FY25.
- FY25 income rose by 24% to INR11b from INR9b in FY24.

Consultancy Segment highlights:

- PWGR received 8/55 new international/domestic orders in FY25.
- Revenue grew 45% YoY to 8b in FY25 from INR5.5b in FY24.

Capex guidance and work in hand:

- The company estimates an outlay of INR3.06t by FY32 with INR2.99t towards transmission business.
- Capex target for FY26/FY27/FY28 : INR280b/INR350b/INR450b.
- Capitalization target for FY26: INR230-250b.
- Work in hand: INR1.55t, including INR1.05t for TBCB projects, INR95.8b for ongoing RTM projects, INR372.2b for new RTM projects, and INR27.9b for other projects.

HVDC Project Updates

- Leh–Ladakh HVDC: Land acquisition and infrastructure work in progress. Awarding of the line from Pang to Leh is expected in 2QFY26.
- Preliminary studies for the Paradip–Andaman HVDC link have been completed, and the same is expected to extend further to Singapore. However, there is currently no definitive visibility on the project. Clarity from the Government of India is anticipated by 2QFY26.

Growth outlook:

- Growth in the transmission network is driven by the government's target of 600 GW non-fossil capacity and the Green Hydrogen mission, which alone requires around 71 GW of renewable energy, necessitating increased connectivity by 2032.
- As per the National Electricity Plan (NEP), over INR9t of transmission projects to be completed by FY32, and of these, INR3t projects are already allocated, so remaining are to be allocated by FY29, implying heavy bidding activity over the next four years. Intra-state transmission entails a capex opportunity of over

INR3t. Execution could be challenging unless routed through TBCB. States like Maharashtra, Gujarat, and UP have adopted the TBCB framework. The company intends to participate in these projects, as intra- and inter-state execution requirements are similar in approach.

Other Highlights

- The company has commissioned the world's largest digital substation, the 765kV/400kV/220kV Navsari (Gujarat) Substation, which is based on IEC 61850.
- It commissioned an 85MW Solar PV Power Project at Nagda in Apr'25.
- The company's estimates are largely aligned with the NCT cost, with a deviation of only up to 5% in most cases. However, the Khavda–Nagpur HVDC project is an exception, where the NCT cost stands at ~INR240b, while the company's estimates range between INR330-340b.
- One Sun, One World, One Grid Initiative: The possibility of international interconnections is a growth driver for PWGR.

Suzlon Energy — Buy

Current Price INR 67

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Regulatory & industry outlook

- The draft RLMM policy is expected to provide a significant boost to the domestic wind energy supply chain, with an emphasis on the localization of R&D and data centers.
- Management highlighted that India already possesses adequate domestic manufacturing capacity to meet the requirements of the RLMM notification mandating local sourcing of key components. The country has 20GW nacelle, 29GW gearbox, 28GW blade, and 14.5GW generator manufacturing capacity. Hence, the argument of insufficient capacity is not valid.
- The industry outlook remains robust, with India projected to add 6GW of wind capacity in FY26, 7–8GW in FY27, and 9GW annually thereafter.
- Repowering of old wind sites is expected to gain momentum from end-FY26 onwards.

Operational performance

- Suzlon's WTG order book stood at over 5.5GW as of May 2025, including a 1.5GW PSU tender from NTPC.
- The S144 platform has received a strong market response, with the order book exceeding 5GW; it is entirely manufactured in India.
- The manufacturing capacity is 4.5GW, distributed across Daman, Pondicherry, Madhya Pradesh, and Rajasthan. The same setup can deliver up to 5.5GW annually with consistent demand.
- Suzlon delivered 1,550MW in FY25, including 573MW in Q4FY25, marking a 2x YoY increase.
- Installations in FY25 stood at 707MW (including 371MW erected/ready for commissioning).
- Suzlon's O&M portfolio exceeds 15GW, including over 3GW under Renom, its O&M subsidiary.

Financial performance

- Record financial performance in FY25, with the highest-ever revenue, EBITDA, and PAT since FY17.
- Q4FY25 Highlights:

- Revenue: INR37.8b, EBITDA: INR6.93b (+95% YoY, +39% QoQ)
- EBITDA margin: 18.4% (up 200bp QoQ)

FY25 Highlights:

- FY25 revenue stood at INR109b (+67% YoY). EBITDA/APAT surged 81%/ 106% YoY to INR18.5b/INR14.7b as WTG deliveries more than doubled YoY.
- WTG business EBITDA jumped 392% YoY; WTG contribution margin stood at 23.6%

Balance Sheet:

- Consolidated net worth: INR61b
- Net cash: INR 19.4b

Segmental margins & outlook

- WTG contribution margin stood at 23.6% in FY25 and is expected to be maintained at ~23% in FY26.
- Consolidated EBITDA margin was 17% in FY25 and is expected to remain stable in FY26.

FY26 guidance & strategic outlook

- Management expects at least 60% YoY growth in FY26 across all key metrics: Deliveries, Revenue, EBITDA, and PAT.
- COD (Commercial Operation Date) growth is also expected to exceed 60%.
- Order inflow momentum remains strong and may accelerate further due to traction in the PSU segment. Management does not foresee any order visibility concerns over the next 18–24 months.
- The EPC pipeline is expected to grow steadily.
- Exports: While Suzlon is prepared for exports, the current focus remains on fulfilling India's demand.

Technology & product outlook

- S144 turbine is well-suited to current market needs. A new variant of S144 may be introduced, but a completely new model will be launched only when needed.
- For low wind sites, rotor diameter and hub height are more critical than nameplate MW capacity.
- R&D investment is expected to increase from INR1.5b annually to INR2.25b in FY26.

Financial estimates & cost projections

- Depreciation: INR0.9b in FY25 (vs. INR0.6b in FY24), due to Renom acquisition-related intangibles and IT assets. FY26 depreciation is likely to be INR3.5-4.0b.
- Interest Cost: INR1.5b in FY25; expected to rise to INR2.5b in FY26.
- Capex: INR3.5b in FY25. FY26 capex estimated at INR4–4.5b.

Sector & market commentary

- Wind vs. Solar+BESS: Wind remains cost-competitive; solar + BESS is not yet a viable replacement unless storage cost drops dramatically.
- SE Forge is expected to diversify beyond wind, targeting domestic non-wind sectors and export markets.

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Tata Power — Buy

Current Price INR 393

Power demand and sector outlook:

- National power demand grew ~5% in FY25 and 4% in 4QFY25.
- Although Apr'25 witnessed a modest 2% increase in demand, TPWR anticipates peak demand to reach ~270GW in FY26. The sector is expected to be adequately prepared to meet this increased load.
- TPWR has affirmed that all its generation assets are operating at full capacity to meet supply obligations.

Capex and financial position:

- Capex of INR162b was incurred in FY25, incl. INR41b in 4QFY25.
- For FY26, the capex target is INR250b (~60% for RE expansion and ~30% in Transmission & Distribution broadly, but might change).
- Net debt stood at INR447b, while Net debt: EBITDA ratio was 2.93x.
- Net debt: equity improved to 1.0x from 1.1x in the previous quarter.

RE execution update and outlook

- Commissioned 1,026MW of RE capacity in FY25, including 166MW in 4QFY25, below the target of ~0.6GW, as transmission evacuation infrastructure was not ready at some sites—where third-party agencies were responsible—and due to the Right of Way (RoW) challenges.
- The management clarified that these delays are temporary, with all pending projects expected to be completed in the current quarter. On track to commission 2.5-2.7GW of RE capacity in FY26.
- The RE pipeline stands at 5.5GW, expected to be commissioned over the next 6-24 months, and the company remains on track to achieve its target of 70% clean and green energy by 2030.
- The 600MW Dagachhu hydro project in Bhutan has started, with completion expected by Nov'29.

Solar rooftop and manufacturing

- The rooftop business is expected to nearly double in FY26, driven by government-led initiatives under the PM Surya Ghar Yojana in Odisha, UP, Rajasthan, Assam, and Maharashtra.
- TPWR maintains market leadership in rooftop solar, with presence in over 700 cities.
- TP Solar's cell and module plants are now fully operational. FY25 production included 3,300 MW of modules, with 913 MW of modules and 650 MW of cells supplied in 4Q alone.
- With both the cell and module lines now fully operational, management expects production to exceed 3,700MW for both cells and modules in the coming year.
- Transmission and distribution:
- The aggregate transmission capacity, including ongoing projects, exceeds ~7,000ckm (2,414ckm under construction).
- Odisha discom delivered strong performance, with PAT increasing to INR4.39b, driven by operational improvements and enhanced service quality.
- Plans to expand its distribution footprint, with bidding processes commencing in states such as Uttar Pradesh. Bid documents are anticipated by month-end.

Mundra:

- PAT improved from INR570m in FY24 to INR1.1b in FY25, driven by the plant operating all five units under Section 11, compared to four units last year, along with a regulatory gain of ~INR320m recognized during the year.
- The outlook for FY26 remains uncertain, with Section 11 currently extended for two months. The company is in discussions for a revised PPA.

EPC business:

- The order book for Utility Scale & Group Captive Solar EPC stood at INR114b and INR8.7b for rooftop EPC.
- The company expects to maintain an EPC margin of 5% going forward.

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APL Apollo Tubes — Buy

Current Price INR 1,914

Operating performance

- APL Apollo Cross 3.1 million ton sales volume in FY25, making it the world's largest downstream player outside China.
- OCF to EBITDA has been higher than 90% consistently and stood at 100% in FY25
- Fifth consecutive year of zero working capital days, driven by the cash model, and throughout the five years, the distributors, dealers, and customers have given a thumbs up to the strategy of cash and carry.
- The last two years' volume growth was ~45%, and this has come in the hindsight of weak macros, weak retail spend, low government spend on infrastructure, general elections, uncertainty on global bulk trade, and the down cycle which started one and a half years ago.
- General structure category's EBITDA/MT in 4QFY25 was the highest at INR2897/MT, which was at a 5% premium to the nearest competitors.

Guidance and outlook

- The management laid out a volume growth target of ~20% YoY over the next 3-4 years, and it is currently on track to achieve this target with a healthy growth in May so far.
- In 1HF26, the company is on track to achieve ~1.7-1.8mMT and in 2HFY26, the company aims to have sales of ~2m MT
- The company targets to have better operating performance in FY26, and targets the EBITDA/MT to be ~INR5000/MT as the company shifts its focus towards margin expansions.
- Employee cost in FY25 stands at ~INR1000/MT, and the company targets to take it down to INR800/MT in FY26 and INR600/MT in FY27, while the MD has withdrawn its FY25 salary and commission to reduce the cost and improve the margins.
- APAT targets a ROCE of ~35% next year and ~50% in the next two – three years
- The company aims for the market share of the structural steel tube to increase to 8.3% in 2030 from 6.5% in FY24.

Capacity and capex

- Expansion will be done largely based on four strategies: 1) expansion in virgin markets (East India, Dubai, and South India), 2) expansion into new product segments, 3) export from Indian mills, and 4) to maintain the brand premium for APAT.
- The company plans to incur a capex of INR15b over the next three years (with ~INR5b to be incurred every year); this will be focused on increasing the current capacity from 4.5m tons to 6.8m tons by FY28.
- Out of the 2.3m ton capacity expansion, 0.8m tons will be brownfield expansion (Dubai 200k ton, Raipur 500k ton in roofing sheets, and another 100k ton in heavy) pipes .

Others

- Current capacity utilization in roofing sheets is 100%, and in heavy structural it is 60% and will increase in the next three years.
- The capacity utilization in Raipur across segments stands at 60%.

- The current capacity in Dubai stands at 300KMT, and in the next 3-4 months will start another 200KMT plant, taking the total capacity to 500KMT. Margins are currently at ~INR7,000-8,000/MT
- The company has signed various deals to decrease electricity costs among with various other cost-saving initiatives.
- EBITDA per ton for general products was high because of the market share of the company and with no visible competition, and is expected to sustain
- New capacities are strategically located with the entry into new markets, and new products will continue to improve margins due to a better product mix.
- The US and Canada markets were captured by the Korean player, now the Trump government has made the tariffs for the player in the UAE the same as the Chinese players, so the plant in Dubai will get a huge benefit and once the shipments reach the US and the management is confident of receiving more orders from these regions.
- The company will also be coming up with a super specialty tubes segment with small investments into 250KMT capacity by spending ~INR3b, this will be a small investment to test the market initially – This will be a part of its 10M MT capacity target by FY30.
- The competition in the specialty tubes space is very low in the domestic market.
- Ad spending in FY25 was INR310m, and FY26 will see marginal growth
- Over the next 2-3 years, the company will have enough cash to meet its current liabilities.
- Going ahead, there could be excess supply in the general products due to an increase in competition, but not in the value-added products.
- In FY25, the revenue from exports stood at ~6%, and the company aims to take it to 10%.
- Currently, there are no instruments in the market available to hedge the fluctuation of steel prices.

Cello World — Buy

Current Price INR 607

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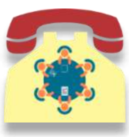

Guidance

- The company expects overall revenue growth of 12–15% in FY26.
- The consumer-ware segment (including glassware) is projected to grow at 17–18%, supported by new product additions and demand recovery.
- Writing Instruments business is expected to grow 10–12%, with stronger focus on domestic markets as export headwinds persist.
- The furniture segment is guided to grow at 7–8%, with a focus on expanding the premium product mix.
- Opalware plant capacity utilization at ~80% is targeted to be fully exhausted by FY26.
- The glassware plant, commissioned in Feb'25, is expected to contribute INR4.5b–INR4.7b in FY26, reaching 65–70% utilization by year-end.
- New steel vacuum flask plant to be commissioned in 3–4 months, aiming for operational efficiencies over FY26.

Margin trends & cost pressures

- EBITDA margin is expected to remain steady for FY26.

- The glassware plant is in a learning curve, currently at 55% efficiency, aiming for 75% in the next 2–3 months — margin pressure anticipated till break-even.
- Gross margin is healthy at ~58% in writing instruments, 53% in consumer-ware, and 42% in furniture.
- Raw material prices are anticipated to remain stable at current benign levels amid soft crude prices, supporting margin stability.
- Margin impact from BIS-related inventory adjustments in steel vacuum flasks is expected short term, but long-term opportunity remains strong.

Demand outlook

- Consumer demand improved in 4Q, driven by early summer hydration demand, though growth lacked consistency across months.
- Exports, especially in writing instruments (46% of segment sales), declined by INR200m YoY in FY25, but early signs of recovery were seen with entry into new markets.
- The domestic writing instruments market remains stable; management expects growth resumption from 2HFY26.
- Growth from quick commerce and e-commerce channels accelerated, contributing an incremental 2% to overall revenue share, with continued growth expected.
- Houseware (excluding glassware) is expected to grow from high single digits to low double digits in FY26.

Capacity expansion and capex plans

- The company incurred a capex of ~INR1.66b, primarily for the glassware plant.
- FY26 capex is planned at INR1b, including investments for the new steel vacuum flask plant.
- Opalware plant expected to reach full utilization (~INR4b–4.2b revenue potential) in FY26.
- Focus on deeper distribution reach across all states and higher penetration in alternative channels (quick commerce and e-commerce).

Working capital & cash flow management

- Inventory days are expected to improve by 7–10 days over FY26, aided by product rationalization and reduction of lower ROCE SKUs.
- Healthy operating cash flows at INR2.6b in FY25, with net debt reduced to a net cash position by Mar'25.
- Debtor days are targeted for further reduction through pipeline clean-ups and streamlined product offerings.

Others

- CELLO identified a significant long-term growth opportunity in the domestic vacuum flask market, following the implementation of BIS import restrictions. As an interim measure, it has secured 5–6 months of inventory to manage short-term demand requirements until in-house manufacturing commences.
- Despite challenges in the export business, particularly in writing instruments, the company has successfully maintained its market share and expanded its footprint into new international markets to mitigate geographic concentration risks.
- Management remains open to strategic M&A opportunities within the consumer segment. While actively evaluating prospects, the company remains

prudent, having recently opted out of a potential acquisition following an unsatisfactory due diligence outcome.

- CELLO continues to prioritize the expansion of its premium product portfolio, portfolio optimization initiatives, and efforts to sustain and improve its return ratios (ROCE and ROE), thereby enhancing long-term shareholder value.

Coromandel Intl — Buy

Current Price INR 2,316

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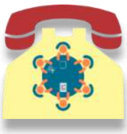

Industry scenario

- Food grain production is estimated at 331 million tons, marking an increase of nearly 5% over the last year. According to the National Statistical Office, the gross value added in agriculture and allied activities for FY25 is expected to grow 4.6% compared to 2.7% last year, reflecting a positive turnaround in the agri sector.
- The area under assured irrigation increased from 45% in 2010 to 55% in 2021, resulting in increased cropping intensity. In its budget, Andhra State has allocated INR18b for various irrigation projects, including Polavaram, which is scheduled for implementation in FY26.
- The Telangana state government has cleared the integrated Sita Rama Lift Irrigation and Multi-purpose Project, which is expected to bring close to 0.8m acres under assured irrigation, supported by direct income schemes.
- During the year, the domestic phosphate industry increased its production by 9% to 15 million tons. There has been a significant shift in the consumption mix, with NPK sales moving up 28% to 14 million tons and replacing the DAP shortfall, especially in central and northern markets, despite the lower MRP of DAP.
- Looking at the full-year numbers, the share of NPK rose to 60% compared to 15% last year. DAP supplies were impacted by lower supplies from China and MRP restrictions, which affected the viability of domestic as well as DAP imports. Prices of phosphoric acid have remained elevated due to robust demand from China and Morocco, while sulfur prices surged to USD300/ton.
- The government has announced an increase in key rates, which is aligned with the increase in key prices.
- The CP industry reported stable volumes, and going forward, the market is expected to remain steady with prices stabilizing.

Operating performance

- CRIN registered record sales of phosphatic fertilizers and record consumption in FY25, increasing volumes by 13%.
- The share of unique grade stands at 35%. On a consumption basis, the company's market share improved to 18% from 15% last year.
- On the SSP front, sales volumes for the year were up 18%, with major growth coming from differentiated variants like Grow Plus and Urea SSP.
- Rupee has been volatile, moving from 85.39 per USD to 87.71 per USD. The company remained conservative and hedged most of its exposure.
- Phosphoric acid capacity is expected to be added in Q4 of FY26 and will reach its full capacity by FY27.

Retail

- During the year, the company's retail business expanded its footprint by adding 130 centers in Andhra, Telangana, and Karnataka, while also entering new markets like Maharashtra and Tamil Nadu.
- With 99% of the stores profitable, the company is looking to expand its presence in the coming year.

Subsidy

- The subsidy/non-subsidy business share stood at ~79%/21% in 4QFY25, compared to ~78%/22% in 4QFY24.
- During Q4FY25, the company received INR2.1b toward subsidy claims, largely the same as against Q4FY24.
- As of Mar'25, the outstanding subsidy stood at ~INR1.6b.

NACL

- The company is awaiting regulatory approvals for the acquisition of NACL, which may take another two or three months. After that, it will consider the available opportunities.
- NACL follows a similar business model, focusing mainly on the generic space. It has been the supplier of choice for major MNCs for many years. Most of its manufacturing capabilities were established by NACL much earlier, with plant facilities and processes designed to produce high-quality products. This is a critical advantage for the business.
- NACL previously achieved margins in the range of 10-11%, which has declined to 4-5%. The company will prioritize to restore the margin to the 10-11% range.
- NACL's debt repayment will be supported by plants operating at full capacity, including the Dahej plant. Following this, the company expects improved cash flows and liquidity, which should help reduce debt. However, these debts have been secured for capex investments and may take a while to be repaid.

Capacity

- Major integration projects for the fossil-hit sulfuric acid plant at Kakinada are on track and are expected to be commissioned by FY26.
- The company has also initiated work on the brownfield granulation train at Kakinada, which is expected to be operational by FY27.

Nano DAP

- During the year, the company marketed 2.6m bottles, maintained a market share of 33%, and achieved close to 80% liquidation in stock.
- The company is also evaluating export opportunities of Nano DAP across various countries.

Outlook and guidance

- The company has maintained a guidance of INR5,000/MT manufacturing EBITDA for FY26.
- Fertilizers' EBITDA per ton may jump 40% over the next 2-3 years on account of the commissioning of the new plant.

DreamFolks

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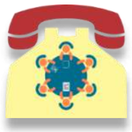

DreamFolks — Buy

Current Price INR 264

Quarterly performance & outlook

- DFS added 30+ new clients across the Enterprise and Banking industries in FY25, including marquee names such as MakeMyTrip and Amazon. The strategic focus remains on expanding the enterprise client base to reduce dependency on banking clients.
- The company introduced six new premium services during the year, taking the total premium service offerings to more than 20.
- DFS aims to more than double operations over the next 5 years by emphasizing diversification, adding enterprise clients, and expanding its international lounge footprint.
- The pay-and-use model and partnerships with lifestyle services like golf clubs and coffee outlets are part of a broader shift to reduce reliance on airport lounges.
- FY26–FY30 outlook: DFS targets 2.5x revenue growth over the next five years, driven by expansion into diversified services and enterprise segments.
- The addition of railway lounges and lifestyle services like social clubs further diversifies the company's offerings, with social clubs expected to be a premium service for customers.
- The contribution of services other than India Airport Lounges rose from 5.8% to 6.7% in FY25.
- The pay-and-use model and international F&B tie-ups are expected to reduce cost per transaction while expanding customer engagement.
- The company reiterated its ambition to scale non-lounge services to contribute one-third of revenue in 5 years.
- DFS expanded its global presence to 800+ airport lounges.
- 100+ new lounges and F&B outlets were added globally via strengthened partnerships like Plaza Premium.
- Strategic focus remains on Southeast Asia and the Middle East, supported by an overseas team based in Singapore.
- New offerings like coffee outlets at malls and social clubs help penetrate tier 2 and tier 3 markets.
- Structural changes continue as banks shift to spend-based benefit models. DreamFolks is supporting this with real-time digital tracking and flexible benefit provisioning.
- The company is now integrated with the top 10 banks in India, handling full credit and debit card portfolios.

Others:

- Collaborated with 40 domestic and ~600 global golf clubs, and F&B brands like Costa Coffee, Barista, and Tim Hortons at 83 mall outlets.
- Added 75 domestic airport lounges and 14 railway lounges, ensuring 100% domestic airport coverage.
- Pay-and-use services are positioned as an alternative for customers who don't meet credit card spending thresholds, creating a new revenue stream.
- Staff strength and associated costs increased due to strategic hiring for new verticals and services.

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EPL — Buy

Current Price INR 240

Guidance and outlook

- EPL maintains guidance of double-digit revenue growth and EBITDA growth higher than revenue growth, led by strong momentum in the 'Personal Care & Beyond' category.
- The company sees this as a large category opportunity with an improved 'Right to Win,' driven by innovations and investments in organizational and backend capabilities to support growth.
- Expansions are underway in Brazil with the new capacity expected to be operational this quarter (capacity of 40m tubes per annum), along with a greenfield plant in Thailand, which is expected to start contributing from 2HFY26.
- Margin expansion is expected to continue, supported by product mix improvements and cost initiatives in the US and Europe.
- Capex for FY26 is projected at INR3.6b-3.8b, with major investments in Thailand. FY27 capex is expected at INR3.8b-INR3.9b.
- The company aims to increase ROCE to 20% in the short term, with further improvement in the long term.
- EPL will maintain a strong dividend payout policy, with marginal increases expected.
- The Poland plant benefits from low tax rates, which, along with an increase in contribution from this plant and technology benefit received in China, will keep the tax rate in the range of 18-20%.

Beauty and health care segment

- The company is seeing early traction in beauty and cosmetics, as new seam tubes, innovations and a strong push to increase market share in America and Europe led to new customer wins.
- EPL is committed to becoming a dedicated beauty and cosmetics player, evolving from its traditional oral care positioning.
- Plans include aggressive growth efforts, customer expansion in India, with no order being too small, and a commitment to "do whatever it takes" to grow in this space.
- The company already performs well in hair care, and sees huge potential in skin care.
- Going ahead the company is aiming to export more from India and targeting that the excluded tubes business in China is part of this growth strategy.
- Right to win is improving as customers shift to laminated tubes, offering cost and innovation advantages.

America

- A minimal tariff impact due to local manufacturing in the US and exports to the US forming less than 5% of total revenue, with the company enjoying contractual pass-through of duties with most US customers.
- US imports a significant volume of tubes from China; this could be a competitive advantage for EPL if tariffs are imposed on Chinese products.
- EPL is moving laminate production closer to demand centers, supporting regional supply chains.
- Margins in America are strong at ~19%, with further room for expansion.

Europe

- European margins are in the 16-17% range and are sustainable.
- Continued margin expansion is driven by cost-saving initiatives and an improved business mix.

- Europe remains a core geography for future beauty and cosmetics market share expansion.

EAP

- 4Q is typically soft in this region due to the Chinese New Year, which impacts margins.
- Despite current softness, strong growth expected in FY26, especially once the Thailand plant goes live in 2Q.
- Driving extruded business in China and have made investments here as well.

AMESA

- AMESA revenue growth was impacted by:
- India's muted revenue growth of 0.8%, despite strong underlying demand, due to lower inter-company laminate sales from inventory corrections.
- Egypt's FX headwinds, with the Egyptian Pound depreciating 35% YoY vs. INR. This is the last quarter of impact, with normalization expected in 1QFY26.
- India's 4Q margin stood at 18.7% (vs 17.7% in Q4FY24), with 6.5% YoY growth.

Margins

- Sustainable margin expansion is seen across regions, with Europe at 16-17% and America at ~19%.
- Margin growth is driven by cost-saving initiatives, improved operational efficiency, and a better product mix.
- The company continues to be the lowest-cost producer globally by at least 3%, enhancing competitiveness and profitability.

Others

- The company has trimmed inventory, reducing inventory days and improving working capital.
- Tube revenue in India is growing at a mid to high single-digit rate.
- 35% of the portfolio is recyclable, up from 21% last year, helping attract ESG-focused customers.
- Total new capacity: Brazil to add 40 million tubes/year, with Thailand starting small and scaling up based on customer demand.
- The company operates in a stable pricing environment, with raw material prices remaining within a consistent range.
- Category mix evolves in the right direction toward Personal care.
- Pricing environment remains stable with range-bound raw material prices, aiding margin visibility.

eternal

Eternal — Buy

Current Price INR 257

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Demand and growth outlook

- YoY adj. revenue grew 60%, continuing to exceed the stated outlook of 40%+. The company remains confident of the long-term outlook of 20%+ yearly FD GOV growth, supported by strong business fundamentals.
- With respect to last-mile delivery partners, the company expects supply to increase over the mid to long terms. While there have been occasional supply pressures due to competition, it believes supply will catch up with the lag.
- Management reiterated that competitive intensity in QC will rise, and further expansion and investments will continue. It emphasized a continued focus on market share gains, even if it meant prioritizing growth over short-term profitability.
- 1Q is a seasonally strong quarter, and there were no surprises for this quarter.

- The District app is scaling well, now contributing to one-third of the 'Going Out' GOV.
- The decline in revenue from the Going Out business is seasonal. In the near term, profitability is expected to remain around current levels. (Adj. EBITDA as a % of GOV)
- Bistro remains in the early stages; management is not yet in a position to assess whether it can fill the Zomato Everyday gap.
- **Hyperpure business:** Working capital requirements are dependent on seller dynamics.
- **IOCC inventory model:** The company may choose to own inventory in QC, alongside operating as a marketplace. Inventory days may increase to 25-26 (from 15-16). For categories where the company takes on inventory ownership, ROCE will be a key focus area. If this model is adopted, the company does not plan to launch private labels. The company is still in the early days of evaluating the marketplace vs. inventory-led models.
- **Food delivery business:** Food Delivery GOV stood at INR97b. Growth remained below the company's expectations. The company attributed this to several factors: a) a sluggish demand environment (especially on discretionary spends); b) a shortage (temporary) of delivery partners due to their high demand in AC; and c) competition from QC platforms offering fast delivery of packaged food, leading to a decline in demand for food delivery from restaurants.
- **Last mile delivery partners:** The company expects supply to increase over mid to long terms, though occasional supply pressures have occurred due to competition. It expects supply to eventually catch up with the lag.
- The company also delisted 18,000 restaurant partners due to quality issues.
- **20% YoY Growth Guidance:** The three pillars—assortment, delivery time, and affordability—have not made a meaningful impact yet. The company has guided for long-term CAGR.
- **NOV and GOV:** Ad income is not included in NOV; it directly contributes to revenues (~4% of GOV).
- Reducing delivery time for Zomato Quick has proven difficult and has not resulted in incremental demand, leading to its shutdown. The focus will now remain on reducing delivery time via delivery fleet optimization.
- **Blinkit (QC)**: Blinkit GOV came in at INR94b (up 134% YoY) vs. our estimate of INR87b. The management reiterated that competitive intensity will increase in QC, and further expansion and investments are expected to continue. It emphasized an ongoing focus on market share gains, even if it means prioritizing growth over short-term profitability.
- Higher competition is evident from the lack of margin expansion, as companies are unable to charge higher fees in some geographies.
- Current QC platforms and new players are offering competition in various forms, including discounts, marketing activities, and store expansions.
- There is significant competition for the same real estate for dark stores.
- The company has added 294 net new stores in 4QFY25, making it the highest-ever net store addition in a single quarter. The company is on track to reach 2,000 stores by Dec'25.

- The company is broadly expanding into smaller cities, with new store openings in smaller markets (non-top eight). There is strong demand and appetite in Tier 2 /3 cities.
- The time taken for stores to ramp up to maturity remains pretty consistent with past trends.
- There can be a difference of more than 20% between GOV and NOV for non-grocery items, which is why NOV reporting has started. In some categories, the difference can range from 50-60% (what it sells at vs what the MRP is).
- **SSG:** Overall growth continues, with no slowdown observed. Numbers are seen geography-wise rather than store-wise.
- Costs like last-mile delivery, marketing cost, and real estate have increased due to competition.
- Loss of wallet share has not been observed yet.
- The NOV/GOV ratio saw an uptick due to festivities in the last quarter.

Margins

- For Food Delivery, adjusted EBITDA as a % of GOV margin was up 10bp QoQ at 4.4%, missing our estimates of 4.7%. Blinkit reported contribution margin of 3.1% (3.0% in 3Q). Adj. EBITDA margin was -1.9%, in line with our expectations. Management refrained from providing guidance citing variability and competition.
- The sequential increase in QC losses was expected and aligns with the plan to accelerate store network expansion. Blinkit aims to achieve 2,000 stores by 3QFY26, one year ahead of its earlier guidance of 3QFY27.
- New initiatives such as Bistro and Nuggets contributed to losses in the ‘Other segment’. Other income increased due to treasury gains.
- No meaningful change is expected in the margin profile for the next quarter, as competition continues to pressure margin.
- Taxation witnessed a decline in the quarter due to higher provisioning in the last quarter.

Godrej Agrovet — Buy

Current Price INR 818

Godrej agrovet brighter farming

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Astec

- The phase has been challenging for the enterprise segment, primarily due to pricing pressure, and is now behind. A recovery is expected, driven largely by volumes.
- Certain molecules are expected to deliver robust volume growth of 20–30%, though a few will remain under stress. Gross margins are guided to remain in the range of 20–23%. Approximately 90% of the growth will be driven by existing molecules.
- The CDMO business is gradually recovering. CDMO is expected to contribute 70–75% of total revenue by FY26 (vs ~60% currently). The company will focus heavily on scaling the CDMO segment over the next 2–3 years. CDMO activity generally ramps up in H2, however in H2FY25, order cancellations led to a revenue decline in this segment
- CDMO business is expected to grow by ~35% annually for FY26. A new product launch is planned, complementing growth from existing molecules.


Godrej Agrovet

- For Astec, PAT loss is expected to reduce to half of FY25 levels, with positive EBITDA projected.
- The company has not planned any capex over Astec in the near term.

Crop protection (standalone)

- Channel placement is strong, supported by expectations of a normal monsoon. Retail-level dispatches are progressing well, indicating a healthy season and strong volumes. EBIT margins, currently around 40%, are expected to normalize to ~30%+ in FY26 as current levels are unsustainable
- One in-licensing product is slated for launch in FY26. Five molecules and one to two mixtures (sourced from Japan) are currently in development. These have peak revenue potential of USD10–20m each. Most launches are planned over the next 8–10 quarters, primarily in FY27.

Dairy

- Lower margins in FY25 were partly due to higher marketing spending (~INR60m in 4QFY25) for Value-Added Products (VAP). Actor Rana Daggubati was roped in as a brand ambassador to strengthen brand visibility.
- The saliency of VAP is expected to cross 40% in FY26. Price hikes of 4–5% (and up to 10% in certain areas) have been implemented in case of VAP. However, such products form only 10 – 12% of the portfolio.
- Direct milk procurement has exceeded 60% and is targeted to reach 70%, reducing dependency on chilling infrastructure by ~50%.
- EBITDA margins are expected to grow to 6–7% (from ~5% currently) in FY26.

Palm Oil

- Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) prices increased due to higher import duties. Prices have now corrected: CPO is at INR 115,000–118,000/MT, down from INR 130,000/MT. PKO remains strong at INR 215,000–230,000/MT, offering competitiveness with coconut oil—positive for margins.
- A refinery for PKO is being commissioned by the end of the season and is expected to add 1–2% to margins. Fresh Fruit Bunch (FFB) arrivals were subdued in FY25 due to water and monsoon distribution issues but grew 10% YoY in 4Q
- FY26 FFB arrivals are expected to grow ~18%, with April off to a strong start. Profit growth is expected to mirror volume growth in FY26.

Poultry

- Product mix for FY25 comprised of Live Bird (32%) and Yumiezz and RGC combined (68%)
- Live Bird's revenue contribution declined to 23% in FY25 from 39% in FY24. The reduced focus on live birds - given their high price volatility, has proven beneficial
- Although 4QFY25 witnessed high live bird prices, such levels are not expected to be sustained. The business environment is expected to stabilize over the next 1–2 quarters.

Animal Feed

- The Aqua feed business is expected to witness strong growth. FY25 benefited from soft raw material prices, resulting in margin expansion.
- The ethanol blending policy indirectly lowered input costs (e.g., soybean), supporting margins.
- EBIT per kg is expected to be maintained at ~INR 1.9–2/kg in FY26 (with some quarterly fluctuations).

Others
- The company has moved away from the supplier financing arrangements, as the spread was quite high, leading to a reduction in payables days. Backed by a reduction in inventory, the working capital cycle improved.
- FY25 working capital levels are considered sustainable.
- Capex will be directed only toward high-margin businesses, such as Vegetable Oil.

GR Infra — Buy

Current Price INR 1,283

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Business updates
- As of May'25, GR Infra has a total of seven operational projects.
- INR3.6b of debt was repaid during the quarter, improving the debt-equity ratio to 0.07x, among the best in the sector.
- One HAM asset was transferred for INR2.26b during 4QFY25. Provisional COD was received for one HAM project.
- Pending equity contribution for HAM projects stands at INR28.75b, with INR10b each to be infused in FY26 and FY27, and the remainder in FY28. Total equity invested to date is INR20b.
- Normalized EBITDA margin in 4QFY25 was ~13%.
- Capex for FY26 and FY27 is expected at INR1.0–1.3b each, of which INR400–500m will be for the corporate office.
- The company has one operational power transmission project and three under development. It is evaluating monetization options for these assets.
- The company recently entered the optical fiber cable (OFC) segment with margin expectations of ~10%, expanding beyond highways, ropeways, railways, power, and transmission sectors.

Order book
- Order book (including L1) stood at INR243.5b as of Mar'25, with INR143.2b under execution.
- Executable order book is ~INR140b as of May'25, with some projects nearing completion. LOAs for a BharatNet-OFC project and a railway project have been received recently.
- Bids worth INR65b (across five railway and one highway project) are yet to open.
- Order inflow in FY25 (excl. L1) stood at INR80b. The company targets 2.5x that level (i.e., ~INR200b) in FY26, driven by a pickup in BoT project activity and large project awards.
- FY26 order inflow guidance: Highways: INR110b, of which INR20–30b will be BoT projects
- Power transmission sector: Targeting a strong book amid expectations of sectoral investment surge (aim to double power capacity by 2032)
- The company targets IRRs of over 15% for new projects.
- GR Infra plans to take on INR30–40b of BoT projects annually, investing ~INR10b equity into those.
- For Maharashtra's L1 project, LOA is expected by 2Q–3QFY26 due to the pending land acquisition.
- The road and highway sector is expected to witness 1.4x investment growth between FY26 and FY29; recently, 30,000km of two-lane to four-lane conversion was announced by the government.

Guidance

- The company is confident of achieving double-digit revenue growth in FY26.
- EBITDA margin for FY26 is expected to remain healthy, supported by normalization seen in 4QFY25.
- GR Infra continues to diversify beyond roads, entering segments such as ropeways, power transmission, railways, metro, telecom (OFC), and tunneling.

Gravita India — Buy

Current Price INR 1,830

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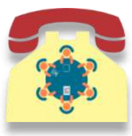

Operating performance

- In FY25, GRAVITA witnessed a 46% contribution from value-added products, aligning well with its target to reach ~50% by FY29. The company also saw a notable 60% increase in domestically sourced scrap, driven by the Battery Waste Management Rules (BWMR), Extended Producers Responsibility (EPR), and stricter GST enforcement—a trend that is further expected to grow.
- GRAVITA strengthened its global footprint with the strategic acquisition of a waste tire recycling plant in Europe.
- A Special Purpose Vehicle (SPV) has been formed in Romania, with Gravita Netherlands holding an 80% equity stake and management control, while the remaining shares are held by local partners. The total investment in the SPV stands at INR400m, of which INR320m is contributed by GNBV.
- GRAVITA is progressing steadily with the start-up of a pilot lithium ion battery recycling project and the inaugural rubber recycling facility in Mudra. Both plants are expected to be operational by 1HFY26.
- 40% of the total scrap was sourced from the domestic market, compared to 30% last year.

Outlook and guidance

- GRAVITA remains well-placed to realize its 'Vision 2029' targets, reiterating its guidance of ~25% CAGR in sales volume and ~35% CAGR in PAT, with RoIC of over 25%. Additionally, the non-lead business/value-added products mix is expected to stand at 30%/50% over the next three to four years.
- Management anticipates maintaining a tax rate in the range of 12-13% in the foreseeable future on a global basis.
- Sustainable EBITDA/kg is expected at INR18-INR19 for lead (with gradual annual improvement), INR14-INR15 for aluminum, and INR10-INR11 for plastics, with plastic margins likely to improve from FY27 onwards.
- Going forward, ~40-50% of profitability is expected to come from overseas operations, with the remaining contribution from the Indian business.

Capex

- The company had a capacity of approximately 334 KMT in FY25, with the goal to increase it to over 700KMT by FY28 and 25-30% by FY28.
- The company plans to incur a total capex of INR15b to be deployed by FY28, aimed at expanding its existing operations and investing in new verticals such as lithium ion, paper, rubber, and steel recycling.
- Of the total, approximately INR10b is allocated to expanding existing verticals, while the remaining is earmarked for new initiatives.
- The company plans to incur a capex of INR3.75b this year, aimed at capacity expansion in existing plants in India, the establishment of a new plant in a location where GRAVITA currently has no presence, capacity increases in Romania and the Dominican Republic, and the addition of more rubber plants in India as part of its aggressive expansion in the rubber business.

Aluminum

- ADC 12 is already listed on the Shanghai Exchange, and the process for its listing on the MCX is underway, with an expected listing by 1HFY26.
- The majority of the aluminum business is dependent on the Indian market, which is why the listing of aluminum on the MCX is essential. In contrast, overseas operations currently do not require such hedging.

Rubber

- The company remains optimistic about the rubber segment and is, therefore, increasing its production capacity in India as well as overseas.
- In the rubber segment, GRAVITA plans to focus on Value-Added Products (VAP), reclaim carbon black from char, produce pyrolysis oil, and extract steel from select products.
- At present, GRAVITA is only producing pyrolysis oil at existing locations. The plant acquired in Romania also has the capability to produce reclaimed carbon black, although this production has not yet been initiated.
- The company plans to commission around 60 KMT of additional capacity in FY26, with part of it coming online in the first half and the remainder in the second half of the year.
- Driven by capacity expansion and higher sales of rubber products, the company is targeting a revenue CAGR of approximately 70% over the next 2-3 years.

Other

- The company anticipates the introduction of the Reverse Charge Mechanism (RCM) for lead and battery scrap in FY26, which is expected to drive a significant shift from the informal to the formal sector.
- 85% of the total volume is generated through tolling at present.
- In India, setting up a Greenfield capacity takes 1 to 1.5 years, while a brownfield project typically takes about 9 months. In international markets, the most time-consuming aspect is obtaining license approvals, with plant setup being relatively straightforward for the company.
- The company faced some operational challenges in Mozambique due to political instability after the elections.
- Treasury income for the quarter was INR90m, and the company saved INR70m in finance costs through debt repayment.
- In the short term, the increase in container costs may pressure margins, but any global events typically have only temporary effects due to GRAVITA's global procurement network.
- The company has some M&A plans that may impact future capital expenditure plans.
- Asset turn stands at ~8-10x of the total and is similar for the rubber segment.
- The inventory cycle improvement was led by an increase in local procurement; local scrap procurement is more linear in nature compared to imported scrap.
- Volumes for turnkey projects depend on the number of projects being developed.

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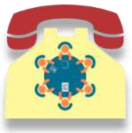

Indian Hotels — Buy

Current Price INR 772

Operating performance

- In 4QFY25, IH set a new benchmark of growth, with 74 signings and 26 openings in FY25 (97% of signings being capital-light), bringing the total portfolio to 381 hotels.
- Management strongly believes that IHCL is well-placed to double its revenue by FY30.
- Apr'25 saw a 17% YoY revenue growth, despite the absence of wedding dates in April and May. The growth was driven by a low base effect, pent-up demand in non-North Indian regions due to local events, and strong ARR-led growth from large-scale events such as Waves and Coldplay in Mumbai.

Outlook and demand

- The company is well-positioned to sustain double-digit revenue growth, led by strong same-store performance, continued momentum in new businesses, and the launch of 30 new hotels.
- The industry outlook remains favorable, with demand structurally outpacing supply, a steady recovery in Foreign Tourist Arrivals (FTAs), and sustained strength across leisure, social, and MICE segments.
- Ginger Santacruz closed FY25 with a revenue of INR970m and is expected to surpass INR1b in FY26.

New and reimagined business

- New and reimagined business grew 40% YoY in 4QFY25, with a consolidated margin of 37% against 35% margins of the whole business.
- Qmin Ginger contributed to 95% of the total revenue of the new and reimagined business.
- Qmin has expanded to 72 outlets and established its presence at Westside in Mumbai.

International business

- San Francisco (SF) has shown a sharp recovery since Jan'25 after 2.5 challenging years; April was particularly strong. Management expects SF to perform well in FY26.
- In New York, PIEM turned EBITDA positive for the first time and is expected to strengthen further.

Taj Bandstand

- The asset will be housed under a subsidiary. Road connectivity between Taj Lands End and Bandstand to the Sea Link will boost accessibility and enhance the property's value.
- Regulatory approvals are expected soon, with construction likely to commence in the latter half of FY26.
- The project will be de-risked by engaging a turnkey contractor; no partner will be brought in as the company maintains ample liquidity.

Capex

- The company spent ~INR10.7b in FY25 across greenfield developments (including land and FSI for Taj Bandstand), renovations, and routine maintenance.
- It plans to invest over INR12b in FY26 toward a comprehensive asset management and upgrade program, greenfield developments, and enhanced digital capabilities, with a key focus on the iconic Taj brand.
- Of the above capex, ~60-65% may be incurred toward renovation, while the remainder may be incurred toward greenfield projects.

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IndiaMart Intermesh — Buy

Current Price INR 2,436

Collections, paying suppliers, and customer additions

- Collections grew to INR5.41b for the quarter, up 12% YoY. For FY25, collections reached INR16.2b, reflecting 10% YoY growth on a consolidated basis.
- Unique business inquiries grew 10% QoQ. The company continues to address churn within the silver bucket and focuses on acquiring higher-quality customers.
- 50% of the customer base and 75% of revenue come from the gold and platinum segments, which exhibit low churn and strong ARPU growth.
- Gold and platinum revenue contribution is steadily increasing QoQ as the customer base grows (Gold & Platinum: churn remains low at ~1%).
- The company's initial focus was on improving service levels in the first four quarters; product-market fit initiatives started in the last two quarters.
- The number of buyers introduced per supplier reduced from 6.5 to 3.8, with 80% of RFUs now being buyer-defined, leading to fewer but higher-quality inquiries.
- This shift is driving healthy renewal rates in the gold and platinum segments.
- First-year retention remains a challenge, particularly in the silver bucket; improvements are expected over the next few quarters. Silver (monthly): 6-7% churn. Anecdotal evidence suggests positive feedback from suppliers on recent platform changes.
- The company will hold back on increasing customer acquisition costs until core issues are addressed. The emphasis remains on breaking the 5,000 suppliers/quarter addition barrier before shifting attention to the supplier addition target of 2k-3k each quarter.
- No pricing action has been taken on the Silver tier. However, Gold and Platinum plans typically see an annual price hike of around 10%, often implemented in January.
- The company is experimenting with website, video, and affiliate advertising to boost platform traffic and enhance visibility.
- Pilot projects on advertising are underway to increase traffic and engagement. These experiments will continue over the next two quarters. If scaled, they could have a significant impact on margins.
- The top 10% of customers have seen a 17% increase in ARPU. Overall, ARPU was up 11%; gold and platinum ARPU grew 10%+ over the last 5-6 quarters.
- The successful implementation of variable pricing in platinum accounts has supported consistent ARPU growth. Management remains confident in achieving >10% ARPU growth in the coming year. Almost all revenue growth is currently driven by ARPU increases.

Cost and margin

- EBITDA margin was 37%, down 240bp QoQ and below our estimate of 38.5%, due to increased manpower expense and outsourced sales cost. For FY25, EBITDA margins stood at 38%.
- Margins remained elevated in the 38-40% range due to low customer acquisition costs. As acquisition investments normalize, margins are expected to settle at around 33-34%. A strategic pause in gross additions supports sustainable margin performance.

Other highlights

- BUSY has been merged with two other INMART subsidiaries, effective from 1st Apr'23. 8,000 licenses were sold in the quarter, while 33,000 licenses were sold during the year.

- First-time license pricing is ~75% of what Tally offers. Renewal pricing is at par or slightly higher compared to peers. There is scope for further ARPU enhancement.
- The Board has recommended a final dividend of INR30/share and a special dividend of INR20/share.

infoedge

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Info Edge — Neutral

Current Price INR 1,474

Recruitment

- Billing growth in 4Q was driven by continued improvement in the recruitment business and sustained performance of non-recruitment businesses.
- Billing for FY26E will depend on the hiring environment. There is global uncertainty, but if the economy grows at 6.0–6.5%, current growth rates (mid to high teens) can be sustained.
- Billing growth was broad-based, with the IT segment growing by 17%, the non-IT segment by 19%, and the recruitment consultant segment by 15%.
- Key non-tech sectors like BFSI, Healthcare, Infrastructure, and Manufacturing witnessed double-digit growth.
- The Jobspeak Index showed muted momentum. The hiring market remains modest, though better than a year ago. In this environment, IT companies are cautious about spending on recruitment firms, making Naukri a cost-effective option.
- The blue-collar job platform Job Hai is gaining traction, currently focused on the NCR region. If the model proves successful, it will be expanded to other cities. Operates on a freemium model.
- No major new product launches, but algorithmic improvements through AI have enhanced existing product performance.
- GCCs contributed around 16–17% of Recruitment India's B2B billings in FY25.
- Continued investments in marketing across B2B, B2C, and IPL advertising had some impact on margins.
- The go-to-market strategy is being refined to diversify the client base, with a focus on growing presence among GCCs, SMEs, Tier 2 cities, and non-IT segments.

Real Estate

- Billing growth in 4Q was supported by both a rise in the number of billed customers and higher average billing per customer.
- Notable market share gains were recorded in 4Q. The company plans to continue gaining share.
- Broker and channel partner billings grew faster than developer billings.
- Continued focus on improving digital performance marketing through analytics, creative content, and audience optimization.
- 99acres was near breakeven on an FY25-cash basis. If the current marketing efforts (with increased supplier participation and customer engagement) deliver, growth could accelerate. The new strategy has shown better ROI.

Other highlights

- Jeevansathi: The matchmaking industry remains competitive, with the top three players aggressively expanding their market share. High margins are difficult to achieve.
- The company has a strong foothold in North India compared to competitors in the matchmaking business.
- The matrimony industry is growing at ~8%; the company is targeting 20–25% growth in FY26E and is gaining a share.

- 4Q was the biggest wedding season of the year; monetization efforts continued.
- Engagement metrics like profile acceptances and two-way chats remain healthy.
- Marketing investments delivered better efficiencies. Continued platform innovation via AI/ML contributed to growth and helped reduce operating losses.
- The shift to a freemium model has increased engagement and put the business on the path to breakeven.
- Shiksha: Domestic private universities and colleges are expanding course offerings beyond engineering, offering more choices to students.
- Higher visa rejection rates for US-bound students and lower job prospects abroad have reduced interest in international education. Students are increasingly opting to study in the UK and continental Europe.
- Operating profits for the year were at breakeven.
- EBITDA margin stood at 37.7% (down 546bp QoQ and 290bp YoY), below the estimate of 43.7%.
- Margin contraction was driven by increased advertisement expenses (12.3% of revenue vs. 9.9% in 3QFY25).
- IPL advertising had some impact, which may spill over into 1Q.
- 99acres was near breakeven on an FY25-cash basis. If the current marketing efforts (with increased supplier participation and customer engagement) deliver, growth could accelerate. The new strategy has shown better ROI.
- Employee costs rose in Q4 due to variable payouts linked to billing growth. Investments in AI also led to increased hiring for training purposes.

Interglobe Aviation — Buy

Current Price INR 5,482

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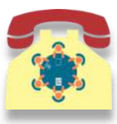

- About 32m passengers served in 4QFY25, with the international market growing at 30% YoY.
- Its upbeat performance in 4Q was also propelled by Mahakumbh festivities and an extended wedding season.
- In FY25, it added 67 aircraft on a net basis, with 58 aircraft in FY24 being received from Airbus as part of the original order book.
- Enhancing operational procedures has helped in robust on-time performance by the company.
- Closed FY25 with 40 international destinations, added 41st international destination last week
- Expanded into newer countries and regions, India still remains underserved in international markets.
- Capacity in terms of ASKs in the international market at 30% in FY25.
- The company has signed an agreement to lease six B787 aircraft to serve the international geographies.
- Further expanding into Amsterdam and Manchester from Mumbai from today itself.
- It has signed agreements with Accor and Swiggy to help customers better use their loyalty points.
- Events in CY25 to propel INDIGO's FY26 performance.
- After 42 years, the IATA AGM would be held in India in CY25.
- Delhi and Mumbai will have their second airport in each location.
- Margin improvement in 4QFY25 led by better unit passenger revenue and a favorable crude environment
- AOG situation- peaked in early CY24, which reduced to mid-60s in 3QFY25 and to mid-50s in 4QFY25, and currently in mid-40s.
- In Apr'25, strong yields and passenger growth were seen but…

- Significant cancellation trends since 22nd Apr'25 until mid-May'25, but INDIGO is assessing the situation regularly.
- Optimistic about demand recovery in Jun'25, but the situation has to be reassessed at that time as per the management.
- Pakistan airspace closure impacted 34 flights out of the 2,200 daily flights that INDIGO operates; there has been some financial impact, but INDIGO is well diversified to absorb it.
- Expect all the flights to be operated on INDIGO Stretch, and then it would be in a better position to comment on the PLFs on the Stretch class.

IRB Infra — Neutral

Current Price INR 51

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IRB Infrastructure

- For FY25, toll revenue across projects in Private InVIT and IRB (including Mumbai-Pune, Ahmedabad-Vadodara, and other projects) grew by ~23% YoY, significantly outpacing the national toll revenue growth of 12.5% YoY. Specifically, in 4QFY25, the BOT segment recorded toll revenue of INR6.4b, a 4% increase from INR6.2b in 4QFY24.
- The Ganga Expressway Project has received three tranches of grants from the Uttar Pradesh Expressways Industrial Development Authority (UPEIDA), totaling INR12.9b out of an allocated INR17.6b. The project remains on track with its scheduled timeline and is potentially ahead of schedule, reflecting efficient execution and strong coordination with UPEIDA.
- The Vadodara-Mumbai Expressway (Package-7) under HAM and the Palsit-Dankuni BOT projects have applied for PCOD and COD as they are nearing completion. Upon completion, the Palsit-Dankuni project's tariff will increase from 75% to 100%, with an additional three-year escalation clause, boosting revenue potential. These completions enhance IRB's operational portfolio and cash flow prospects.
- Private InVIT has been generating positive cash flows since FY24. In 4QFY25, it declared distributions of INR540m. For FY25, cumulative distributions reached INR2.4b. Private InVIT's enterprise value, as per an Independent Valuers' Report in Mar'25, stands at INR85b, underscoring its significant contribution to IRB's financial stability.

Order Inflows

- As of Mar'25, IRB's total order book stood at INR305b, providing strong revenue visibility. The executable order book for the next two years is around INR50b, split as follows: EPC will be around INR24b, primarily for FY26 execution; O&M will be INR26b, evenly distributed over FY26 and FY27, ensuring stable cash flows.
- Project awards by NHAI were subdued in FY25 due to election-related delays, impacting order inflows across the sector. However, BOT and TOT bidding showed promise, with 4–5 bidders participating in recent BOT projects, indicating healthy interest in private participation models.
- IRB anticipates a pickup in order momentum in FY26, particularly for BOT and TOT projects, as the government emphasizes private-sector involvement. The company is preparing to capitalize on this wave by leveraging proceeds from asset monetization, positioning itself for competitive bidding.

Monetization of Private InVIT assets to Public InVIT

- IRB Infrastructure Trust revised its non-binding offer to transfer three matured assets (down from an initial five) to the Public InVIT, valued at INR85b as of Mar'25. The proceeds from this transfer will be utilized for the upcoming bidding opportunities, enhancing IRB's capacity to secure new projects worth up to INR250b.

- IRB maintains a 25-30% market share in BOT and TOT projects and expects to sustain this in future bids. While EPC and HAM segments face intense competition (with bids as low as 40% below NHAI estimates), the BOT and TOT pipelines remain active, with multiple projects expected to be awarded in the coming months.

Guidance

- The construction vertical is projected to achieve a 15% CAGR over the next two to three years, supported by stable EBITDA margins of 20-25%. This growth is underpinned by the executable EPC order book and efficient project execution.
- The O&M order book, valued at INR26b for the next two years, provides revenue visibility. O&M execution has increased to 20-25% of the total order book, up from 5-10% previously, and is expected to further improve to 30% within two to three years, driven by operational efficiencies and new project commissions like Palsit-Dankuni and Ganga Expressway.
- The road sector experienced muted order inflows in FY25 due to elections, but IRB expects a recovery in FY26, particularly in BOT and TOT projects. IRB remains focused on its core road infrastructure business, avoiding diversification into unrelated sectors.

Kajaria

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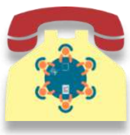

Kajaria Ceramics

Kajaria Ceramics — Buy

Current Price INR 1,012

Demand trend and sector outlook

- The overall market conditions remained subdued due to several factors, including weak demand from the real estate sector. Additionally, competitive pressures from Morbi-based players also contributed to the challenging environment. However, KJC believes that demand from the real estate sector would be much better in FY26.
- Export volumes and revenues were subdued during the quarter due to shipping constraints and weaker global demand. It indicated that the global slowdown has impacted several export markets. However, management remains confident that exports will improve as global market conditions ease. Freight rates are the lowest currently, and KJC believes tile exports should reach INR200b in FY26.
- The domestic tile industry grew by ~2-3% YoY in volume in FY25 compared to KJC's growth of ~6%.
- KJC's revenue mix: ~15-18% from Tier 1 cities, ~30% each from Tier-2 and Tier-3, and ~22-25% from Tier-4 and other areas, with competitive pressures felt uniformly across all tiers.
- For FY26, demand is anticipated to grow, particularly in Tier 2 and Tier 3 cities, where real estate activity remains strong. To outperform the industry, KJC plans to enhance its distribution network, aiming to have 500 dealers exclusively selling its products.
- In 1QFY26, the company plans to have a minimal price increase for specific tile products. Export demand is expected to recover in FY26 due to lower freight rates and easing global conditions.

Other operational highlights

- Gas prices stood at INR 38/scm across all plants, reaching parity with propane prices. As gas has already become cheaper than propane at the company's southern plant at Srikalahasti, it now plans to transition from propane to gas at its northern facilities as well.

- It is exiting its loss-making ventures, including its UK retail operations, and focusing on export there. However, it remains confident about its investment in the UAE, which it views as a strategic, long-term opportunity.
- It discontinued the operations of its wholly-owned subsidiary, Kajaria Plywood (KPPL), due to a lack of strategic fit and continued losses. Consequently, the company has fully impaired its investment and loan to KPPL, amounting to INR1.12b.
- Bathware revenue rose ~8% YoY to INR1.1b. Adhesives revenue grew by 61% YoY to INR230m.

Expansions and debt position

- Capex for FY25 was INR2.0-2.2b. Future capex will be attributed to regular maintenance capex (INR1.0b), a corporate office (INR750m), adhesive business (INR250m) and Nepal plant (INR150-200m).

KNR Constructions — Neutral

Current Price INR 210

KNR Constructions Limited.

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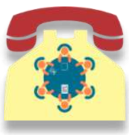

Industry opportunity

- The road infrastructure sector experienced a slowdown in FY25 but showed signs of recovery in 4Q, driven by improved project awarding and acceleration in execution. To further streamline project timelines and ensure responsible bidding, MoRTH introduced key policy reforms, including fixed deadlines for land acquisition and clearances, along with an additional performance security requirement for aggressively priced bids.
- MoRTH also unveiled plans to upgrade 25,000–30,000km of existing two-lane highways into four-lane corridors, with an estimated investment of INR80–100m per km. Additionally, a 5,800km high-speed corridor network is in development to enhance connectivity and road safety.

Order book and bidding pipeline

- As of Mar'25, KNRC reported an order book of ~INR51b.
- The composition of the order book included 37% from HAM projects, 28% from irrigation works, 21% from pipeline-related projects, and the remaining 13% from other road construction activities.
- The company has set an ambitious target to secure INR80-100b in fresh orders by the end of FY26. The current bidding pipeline is strong, with opportunities worth INR300-400b from NHAI, INR100-150b from various state government projects, and an additional INR20-50b from the mining sector.
- To diversify its business portfolio, KNRC is actively exploring new sectors including mining, water infrastructure, state highways, railways, airports, and river interlinking, often through joint ventures to broaden its capabilities.
- Out of the revised INR9.9b equity commitment for HAM projects, the company has invested INR6.5b to date. The remaining INR3.4b will be infused over the next two years—INR2.1b in FY26 and INR1.3 in FY27.

Other highlights

- KNRC reported an increase in working capital days to 93 days in FY25, compared to 89 days in FY24.
- Net debt-to-equity ratio stood at 0.44x, up from 0.34x.
- Unbilled revenue as of March 2025 stood at INR9.7b.
- A key concern for the company is the pending receivables of INR12b from irrigation projects in Telangana, which management expects to resolve within two months.
- There is no ban on the parent company for bidding for projects, although the involved subsidiary may face a ban. The company is actively engaging with

authorities and is optimistic about a favorable resolution. Insurance coverage is unlikely to cover the repair costs for the damaged structure, but the impact is expected to be manageable.

Guidance

- For FY26, KNRC expects revenues worth INR25-30b from its existing order book. Additional revenue could accrue depending on the award of new contracts, such as those from MSRDC, which could contribute INR3-4b additionally.
- Management expects EBITDA margins in the range of 13–14%, slightly lower YoY due to elevated overheads and a relatively softer execution.
- Capex for FY26 is expected to be modest at INR200-300m, although FY27 may require a higher outlay of INR1-2b if the company wins large new projects.
- On the monetization front, KNRC has four HAM assets in advanced stages of negotiation, with deal closures anticipated by mid-Jul’25.

Lemon Tree Hotels — Buy

Current Price INR 141

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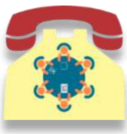

Operating performance and guidance

- In 4Q, LEMONTRE signed 15 new management and franchise contracts, adding 833 rooms to the pipeline. Additionally, two hotels were operationalized, contributing 121 rooms to the company’s active portfolio.
- In Apr’25, the company recorded 21% growth, which crashed to 14% in May’25 due to the rising fear of Covid and war. However, LEMONTRE still expects to deliver high- to mid-teen growth in 1QFY26.
- The company is targeting EBITDA margins of 55% by FY28.
- It plans to add ~3,000 rooms to the pipeline in FY26.
- Retail ARR in 2H is typically 1.2-1.3x that of 1H.

Infinity 2.0 loyalty program

- LEMONTRE relaunched its loyalty program, Infinity 2.0, in order to boost retail demand (currently 45%).
- It has 1.5 million loyalty members and is on track to operate 20,000 rooms over the next three years.
- Currently, loyalty contributes 20-30% of business and offers a cost-effective way to acquire and retain customers.
- The company aims to achieve two-thirds of its demand through loyalty within the next three years (by FY28).

Renovations

- The company’s renovation drive is focused on upgrading high-value, high-demand assets. It renovates around 1,000 rooms annually. It spent INR1b on renovations in FY25.
- About 70% of its portfolio has already been renovated, with the remaining 30% targeted for completion this year. The company plans to spend INR1.3b on renovations in FY26.
- Of the total portfolio, 1,000 rooms require no renovation, 1,500 rooms need minor refurbishments, and the remaining rooms require an investment of INR0.5-1m per room.

Aurika

- Aurika Mumbai generally records OR of 70-75% in the summer, which rises to 85% in the winter. The company targets a blended OR of ~83 - 85% in FY26. ARR will drop due to seasonality, as Aurika Mumbai is still stabilizing.
- Aurika achieved EBITDA of INR420m and EBITDA margin of 67% in 4QFY25.
- Retail pricing ranges from the bottom 3% of market rates at around INR6,000 to as high as INR20,000 during peak seasons.

- Aurika has the largest inventory in India. The current focus is on maximizing occupancy in 1H, followed by repricing in 2H as demand strengthens.

Pipeline and future expansion

- Strategic focus on expanding presence across 200 Indian cities with populations above 0.5 million and good connectivity, particularly in high-growth states.
- Most Tier 2-3 cities currently host 2.5-3.5 star properties.
- The company is signing hotels in markets where Lemon Tree Premier and Aurika are not feasible, thereby widening its national footprint.
- The company will evaluate further expansion of Red Fox hotels after all the renovations have been completed.

Other key highlights

- Keys hotels remain a work in progress. The brand achieved 40% EBITDA margin in 4Q; however, a major part of the portfolio still requires renovation. The company has guided for EBITDA of INR600m in FY27.
- The effective tax rate came in lower due to the recognition of deferred tax assets this year.
- LEMONTRE intends to concentrate on core hotel operations for now, and may explore adjacent business opportunities at a later stage.
- About 18% of its inventory in Hyderabad was taken offline for renovation – significant inventory shutdowns occurred in Banjara Hills. These closures affected ARR and OR. Hyderabad's ARR stood at INR7,700.
- A definitive update on Fleur is expected by the next board meeting.

MTAR Technologies — Buy

Current Price INR 1,764

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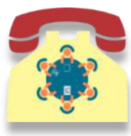

Overall guidance

- The company is targeting 25% revenue growth in FY26 and healthy EBITDA margins of ~21% (±100bp), driven by operational efficiency and strong demand visibility.
- This guidance excludes upside from multiple opportunities, including EMAs for Tejas aircraft, nuclear tenders, and Fluence battery storage orders.
- In FY26, margin expansion is anticipated to be driven by operating leverage, scale-up of high-margin sectors (especially A&D) and the successful ramp-up of recently developed, higher-value products.
- The company has delivered multiple first articles and prototype units to prominent multinational clients, including Clearance, Weatherford, IIG, and others, underscoring its growing reputation and technical capabilities.
- The focus remains on securing long-term contracts in high-growth sectors like Clean Energy, Oil & Gas, and Aerospace, while simultaneously investing in internal capacity enhancements to reduce reliance on outsourcing.

Clean Energy

- The company reported FY25 revenue of INR4.7b, with a strong order book of INR3.49b already secured, providing healthy revenue visibility heading into FY26.
- FY26 revenue is guided to grow 15-20% YoY, led by increasing traction across key verticals such as fuel cells, battery storage, and hydropower.
- Proto-1 for battery storage has been successfully completed, while Proto-2 is currently underway with ongoing design revisions.
- A long-term supply agreement with Fluence is anticipated in 1Q/2QFY26, with mass production to commence post-signing. Additionally, the electrolyzer

(currently not factored into projections) presents a significant upside opportunity.

Nuclear

- The company reported revenue of INR190m in FY25 and has guided for a strong increase to INR600m in FY26, supported by long-term projects such as FMBC systems and fuel transfer systems.
- Orders from NPCIL and government bodies for the refurbishment of five reactors across Tarapur, Rajasthan, Madhya Pradesh, and Taiga are expected shortly.
- The company is actively targeting an opportunity worth INR7-8b from the upcoming nuclear expansion projects, including the Bharat 220 MW modular reactor component supply.

A&D

- The company reported revenue of INR930m in FY25, supported by key contracts from ISRO, DRDO, GKN, Talis, and Elbit.
- It has guided for ~80% YoY revenue growth in FY26, led by qualification orders, execution of defense tenders, and increasing export demand.
- Development and certification of EMAs for the Tejas aircraft are in advanced stages, with volume ramp-up anticipated in the near term.

Products

- The company recorded revenue of INR1.48b in FY25 and has guided for 20% YoY growth in FY26, driven by expanding product portfolio and customer base.
- It has developed several import-substitute products, including roller screws, VMAs, electromechanical actuators, and special valves, strengthening its position in the domestic supply chain.
- Multiple products are currently under first article validation, with several nearing qualification or commercialization, indicating a strong pipeline for future revenue visibility.

Order book

- The company recorded FY25 order inflows of INR7.2b, with key contributions from Clean Energy (INR3.49b), A&D (INR1.78b), and Nuclear (INR1.55b).
- It has set a robust order backlog target of INR15b for FY26, supported by deferred orders for Taiga Units 5 & 6 and strong visibility from the upcoming tenders.
- Management highlighted an additional upside potential of INR7-8b from modular reactor components and reactor refurbishment orders, which are not yet factored into the FY26 plan.

Capex, working capital and debt profile

- The company incurred a capex of INR1b in FY25 and plans to invest INR500–600m in FY26, focusing on resolving capacity bottlenecks and expanding high-margin business segments.
- Additional capex may be required for long-term strategic projects, contingent on final agreement sign-offs.
- Net working capital cycle improved to 229 days in FY25, with targets to reduce it further to 200 days in FY26 and 175 days by FY27.
- Long-term debt declined by INR150m to INR1.27b, with INR460m scheduled for repayment in FY26; the company aims to repay 80% of its total debt by FY27.

Other

- The Vedapur oil & gas project is nearing first article completion, with a long-term agreement expected in 1QFY26. Volume production will follow, leveraging infrastructure on pre-acquired land.
- MTAR is assembling battery storage systems (excluding batteries) for Fluence's US projects. With one prototype complete and another underway, a long-term deal is expected by 2QFY26 to enable a scale-up.
- Substantial FY27 revenue is anticipated from the Fluence deal, though final figures await pricing clarity.

PVR Inox — Neutral

Current Price INR 1,041

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- **FY25 performance:** Box office performance was impacted by an uneven content release slate, with Bollywood and Hollywood underperforming, while movies dubbed in Hindi (Pushpa 2, Kalki) performed well. Hindi box office dropped 26% due to fewer releases and lack of superstar movies, while Hollywood fell 28% owing to continued impact of Hollywood strikes and lack of tent-pole movies.
- **Strategy to improve footfalls and profitability:** Curated re-releases drove ~7.1m footfalls (~5% of overall) and accounted for ~INR1.2b GBOC. Similarly, PVR's cinema lovers' day/national cinema days with affordable pricing initiatives also led to better footfalls. The company has also been taking initiatives such as Blockbuster Tuesdays (movie tickets at INR99-149) to improve footfalls. Further, on the cost front, the company has been optimizing all cost line items and tied up with developers to add screens at lower capex.
- **Capital-light strategy:** The company is actively transitioning to a capital-light growth model involving a mix of FOCO (100% capex by developers, PVR will get 8.5-10% of revenue management fee) and asset-light arrangements (capex partly funded by developer in lieu of yield). As of FY25, the company has signed 23 cinemas with 101 screens under the capex-light model. Management reiterated its strategy to continue with all three models, FOCO, asset-light, and legacy model, based on location viability and developer participation.
- **Screen additions:** During FY25, PVR INOX opened 77 new screens, mainly in prime catchment areas, while it exited 72 underperforming ones. The closures were due to factors like deteriorating mall infrastructure or lease expiries, and resulted in EBITDA savings of INR80m. Going ahead, the company plans to add 100-110 new screens (20 already opened in 1QFY26TD), while it will continue to rationalize unviable screens. Management expects a 30:70 split between FOCO (won't be consolidated by PVR) and asset-light/lease formats for the new screen additions.
- **Content line-up:** Management indicated that 1QFY26 has benefitted from movies such as Raid 2, Kesari 2, and Jaat performing well and remains optimistic about the prospects of upcoming film releases such as Sitare Zameen Par, War 2, Housefull 5, Jolly LLB 3, and Delhi Files. Further, management expects pick-up in Hollywood collections in FY26, driven by a strong pipeline, with titles such as Mission Impossible: Final Reckoning, Fantastic Four, Avatar 3, Formula 1 and The Conjuring sequel.
- **Capex:** Management indicated a capex plan of INR4-4.3b for FY26, with ~INR2.5-3b earmarked for new projects and the remaining to be spent on renovating the screens, maintenance capex and IT-related spends.
- **Debt:** PVR has made significant progress in deleveraging its balance sheet, with net debt reducing by INR3.4b in FY25 to INR9.5b. Management has taken

several steps to reduce working capital days such as aggressive collection of security deposits, GST refunds, renegotiations with creditors, etc. Management highlighted that operating cashflows should be sufficient for further deleveraging. Further, it would like to have cash on the balance sheet, given the fixed cost-heavy nature of business and volatility of content.

- **Competition from OTTs:** Management believes film producers are aligned that a big movie should release first on big screens as the upside is unlimited (vs. capped in case of OTTs). Further, management indicated that OTTs are also looking at theatrical performance of movies before committing a significant sum to purchase the digital rights.
- **Operating cash flow/net debt:** Transitioning to asset-light and FOCO models may affect EBITDA margins due to revenue sharing, but management expects the overall impact to be immaterial in the short-to-medium term, given the existing 1,700-screen base under the lease model. However, capex is likely to be meaningfully lower for the screen openings.

QUESS
WINNING TOGETHER

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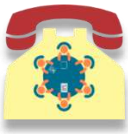

Quess Corp — Neutral

Current Price INR 315

4QFY25 and FY25 performance

- **In GS,** weakness in revenue and EBITDA was led by macro headwinds and the NBFC ramp-down (reduction of ~38K count, a client-specific move and not a structural challenge). This had a 7% impact on revenues and a 4% impact on margins on the overall book. The lost growth is expected to be recouped during the year. 4Q saw a transitory volume impact.
- The NBFC circular required clients to pursue insourcing. However, sectors like telecom, retail, logistics, and manufacturing are seeing demand and open mandates. The company expects to offset the impact of the ramp-down in the next couple of quarters.
- Approximately 89K new gross associates were added in 4QFY25. 80% of contracts are on a collect-and-pay basis.
- 80 new contracts were added during the quarter (ACV ~INR 1,530m); 323 were added for the full year.
- The company remains fully focused on achieving double-digit (low teens) revenue growth and non-linear margin growth.
- The government's ELI scheme (currently in draft rules) could reduce costs and lead to more hiring. While there is an initial mobilization cost with associates, the scheme is expected to help keep attrition low over time.
- The company is working on attrition control through productivity and fulfillment program.
- **Professional Staffing:** Performance was satisfactory despite modest IT hiring. The company is focused on GCCs and high-margin niche businesses. The share of low-margin revenue dropped from 51% to 24%, while the high-margin segment grew from 19% to 39%.
- The company will continue to emphasize high-margin business, enabling non-linear growth in both margins and revenue.
- Margins crossed the 9% mark on a sustainable basis. Realization per associate is 25x higher than in General Staffing.
- Early focus on GCCs helped navigate macro challenges in IT staffing. Operational efficiency remains a key focus area.
- The company is building "GCC-as-a-Service." Open mandates remain encouraging.

- **Overseas Business:** Headwinds continue in Singapore for IT staffing due to visa delays; focused investments in GS are helping offset some of the impact.
- A turnaround is visible in Malaysia's IT staffing segment, led by strong government-led demand. The company is also expanding into the Philippines for IT staffing.
- Margins remain at 6%. In recent years, visa regulations have impacted IT headcount, leading to margin compression.
- However, performance in other geographies like the Middle East and Malaysia is offsetting some of the pressure.
- There are no current plans to expand into new geographies.
- The company is investing in a digital ecosystem for blue-collar jobs. Platforms remain in the incubation phase.
- EBITDA margin stood at 1.8%. It is expected to remain in this range going forward. Corporate costs post-demerger has impacted margins. The company aims to exit FY26 with a 2% margin.
- The company accelerated ECL provisioning beyond standard floor rates for exited projects in utilities (bill distribution) and the skill development segment. These projects had long gestation periods and extended recovery cycles. The company will continue to drive collection efforts. Total ECL impact: INR 1,190m.
- The Board has declared a dividend of INR 6/share. As per the new dividend policy for the demerged company, the company expects to return up to 75% of free cash flow cumulatively over a three-year block.

One 97 Communications — Neutral

Current Price INR 942

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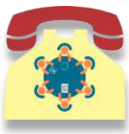

Revenue

- UPI incentives are expected to reduce once MDR is introduced and will likely be limited to small merchants. Overall, UPI incentives will trend lower going forward.
- ARPU remains an important metric, and the company continues to prioritize customers who contribute to revenue.
- Multiple options for the wallet are currently being evaluated, and the company plans to provide further updates in the coming months.
- The company has applied for a payment aggregator license and is currently in discussions with RBI to address the recommended steps.

MDR

- Discussions around MDR on UPI are gaining momentum and are expected to materialize within the current financial year. This should enable monetization on both the QR and consumer fronts.
- Significant headroom still exists for UPI penetration and consumers are not expected to bear the MDR cost.
- PAYTM is likely to capture around 7-8bp of the total MDR implemented.
- Incentives currently apply to transactions below INR2,000, whereas MDR will apply more broadly, though further clarity is awaited.
- For larger merchants, competitive incentives are expected to increase once MDR is introduced.

Default Loss Guarantee (DLG)

- DLG is not reducing discipline in ML; in fact, it is enabling a higher take rate, up to 200bp more than the previous period. If all products were under DLG, take rates could be 350bp higher.
- DLG costs are in the 3-4% blended range and are mostly linked to the ML structure.

- The company currently has three DLG partners, and details have been published on the website.

Cost-related

- Increased automation is driving higher productivity, and the company is clearly not backfilling roles when employees leave. Operational capabilities are improving, and no one-off costs are expected going forward.
- Payment processing charges declined QoQ as Q3 included the festive season. Additionally, better cost terms with partners contributed to the reduction. The focus remains on further improving payment processing margins.

ESOP cost

- An inflow of around INR0.75-1b is expected over the next few quarters, with further clarity to be provided in due course.
- ESOP costs are expected to decline in the upcoming quarters.

Lending business

- Personal loan disbursements declined QoQ, while merchant lending saw healthy growth. No major uptick is expected on the PL front.
- The company is gradually shifting its focus toward secured lending products.
- A total of 14 lending partners are onboarded across PL and ML businesses.
- The company is targeting a customer base of 200m-250m, with investments directed toward product development rather than marketing.
- Marketing expenses have been reduced, yet business performance remains strong, indicating product-led growth.
- ML business trends remain stable; the second half of the year provided positive signals for this segment.
- Consumer lending saw cyclical pressure due to the broader credit cycle. However, the company is entering FY26 with optimism around cross-selling.
- PL volumes are currently declining but are expected to recover in the latter part of the year, driven by credit cycle dynamics.
- PL growth has been subdued due to marketing-based distribution strategies.
- The financial services customer base has declined, mainly due to PL loan adjustments and reduced activity on PAYTM Money, driven by regulatory changes. A recovery is expected, with stronger prospects on the ML side.

Others

- The company is confident that the product and tech built in India can be monetized globally, supporting local teams of foreign companies in developing merchant and consumer platforms abroad.
- With optimized product investment and better resource utilization, the company sees potential to scale its offerings across multiple geographies.
- PAYTM Money currently contributes a small portion of revenue but holds strong growth potential. Revenue of INR2-3b is expected, supported by the launch of MTF, which can drive large-scale expansion.

SBI Cards & Payment Services — Neutral

Current Price INR 944

SBI card

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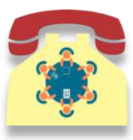

Opening remarks

- SBICARD continues to play a key role in the expanding payment ecosystem.
- With 109m cards-in-force, the credit card industry is witnessing strong growth in new additions.
- SBICARD remains the largest standalone credit card issuer.
- The focus is on growing the co-branded card portfolio, with ongoing efforts to strengthen partnerships.
- To offer a diversified product suite, new cards like SBI Miles have been launched.


SBI Cards

- The BPCL fuel card partnership has crossed 4m SBI Cards.
- The risk management framework has been updated to align with both market practices and regulatory guidelines.
- A dividend of INR2.5/per share has been declared.
- SBICARD is the second-largest card issuer in India, consistently adding 1m cards every quarter. In FY25, 4m new accounts were added.
- Market share in card spends stands at 15.6%, with retail spends growing 15% year-on-year.
- Corporate spending is recovering; the strategy to diversify the corporate segment is proving successful and remains a focus area.
- Strong spending has been seen in consumer durables and jewelry segments.
- UPI-based credit card acceptance is boosting overall spending growth.
- Strong business momentum has supported solid financial performance in 4Q.
- The cost of funds is expected to decline due to the RBI's rate actions, helping to maintain stable NIMs.
- Asset quality is under pressure due to ongoing macroeconomic headwinds.
- Gross credit cost improved by 40bp, marking the first decline after several quarters of increase.
- Delinquencies in the 30-day and 90+ day buckets are now on a declining trend.
- Credit costs are expected to moderate, influenced by the state of unsecured lending and broader macro conditions.

Asset Quality

- The overall ECL rate has declined from 3.6% to 3.4%, remaining largely stable over recent quarters.
- SBICARD follows an ECL model that is reviewed by external auditors and various stakeholders.
- The shift in ECL is primarily driven by changes in Stage 1 and Stage 2 assets, while Stage 3 changes are attributed to recoveries — all contributing to the ECL reduction.
- Asset quality has been improving, indicating a downward trend in credit costs going forward.
- The gross write-off pool remains elevated.
- Stage 2 ECL has increased, mainly due to early provisioning and a reduction in Stage 3 provisions.
- Early delinquencies among new customers continue to decline.

Opex and other income

- Operating expenses have declined due to lower cashback-related spends in the previous quarter, following the festive-heavy 3Q.
- The C/I ratio is expected to remain in the 55–57% range.

NIMs, cost and yields

- NIMs are influenced by two key factors — yields and interest rates. With rates trending lower, NIMs will see a calibrated expansion.
- The company's loan book is on a fixed-rate structure, while borrowings have short terms. The impact of the Feb'25 rate cut should reflect in 1Q, though with a lag.
- On the yield side, rate benefits can be passed on to customers, supporting efforts to maintain stable NIMs.
- While rate cuts will provide relief over time, yields on the EMI portfolio may face slight pricing adjustments due to benchmark shifts. NIMs are likely to stay stable, with a slight upward bias.
- There is no regulatory cap on lending yields, providing flexibility in pricing.

Spends; loans and receivables

- The corporate card strategy aims to boost corporate spending, with 4Q expected to benefit from seasonal growth.

- Growth will continue in a calibrated manner given economic uncertainties, with new additions projected at 1.1m per quarter.
- Receivables grew 10% last year and are expected to rise by 12-14% YoY this year.
- Industry-wide spend growth has slowed, including in the corporate segment for SBICARD. FY26 is projected to see a similar growth trend as FY25, at 18-19% YoY.
- Market share was impacted by weaker corporate spends, but it is expected to recover as corporate activity picks up.
- Attrition rates in cards stand at 10-13%, with some exits being voluntary, while write-offs are involuntary.
- The drop in corporate spends was due to RBI regulations, which led the company to adjust its corporate portfolio strategy.
- Rental spends have moderated following the implementation of certain fee charges.

Sourcing

- The Rupay card portfolio now accounts for 20% of the total, with UPI-based spends nearing double digits as a share of overall spends.
- The banca channel mix rose to 63% in 4QFY25 and averaged 51% for the full year. The aim is to maintain a balanced 50-55% contribution from both Banca and open market channels.

Revolver mix and receivables

- The mix of revolvers and EMI remains largely unchanged, with a slight downward bias in revolvers for new customers.
- Over the next 3-4 quarters, the revolver mix is expected to range around 23-25%, with the last six quarters averaging around 24%.
- As newer vintages are added, the revolver mix is likely to lean closer to 23%, given a stronger tilt toward transactors in the new portfolio.

SIS — Buy

Current Price INR 376

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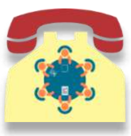

Quarterly performance and outlook

- Delivered highest-ever quarterly revenue of INR14.35b, marking 9.6% YoY growth, supported by ~INR240m in new monthly contracts.
- Growth was broad-based, with strong client additions in Mining, BFSI, Education, Auto, and Retail—a clear sign of diversified sectoral traction.
- The merger of SLV and UNIQ under the new “SISCO” brand aims to unlock pan-India scale efficiencies, increase competitiveness in regional markets, and enhance delivery synergies.
- EBITDA grew 11.1% YoY to INR800m and margins inched up to 5.6%, reflecting the benefits of past contract rationalization and improved operating leverage
- Management attempts to at least have 15-16% growth in EBITDA and revenue in the coming quarters.

Security Solutions – International:

- Key wins included defense, Sydney Trains, Canberra Airport, and Google data centers.
- Secured AUD180m in new contracts in FY25 (4x the five-year average), underlining the success of its long-term investments in business development.
- EBITDA margin improved to 4.0%, up from 3.8% in 3Q, supported by seasonal tailwinds, pricing actions, and early signs of easing labor tightness in Australia.

Facility Management Solutions:

- Reported record revenue of INR5.87b, up 12.9% YoY, with ~INR 15+ crore in new monthly orders across IT, Healthcare, Real Estate, and Manufacturing.
- EBITDA jumped 34.1% YoY to INR274m and margin improved to 4.7%, signaling a turnaround from the margin pressures of the past.

- FM business continues its strategic exit from margin-dilutive contracts, focusing instead on solution-led engagements with better pricing power.
- ~30% of FM revenues are now outcome-based and technology-enabled, laying the foundation for structural margin improvement as scale builds.
- Management remains focused on pushing EBITDA margin closer to 5%+, aided by operating leverage.

Goodwill Impairment and profitability:

- A non-cash goodwill impairment of INR3.06b was recognized for Henderson, SLV, Uniq, and ADIS, related to acquisitions made just before COVID.
- This led to a reported loss of INR2.23b in 4QFY25.
- However, operating PAT stood at INR825m, up 52.9% YoY, reflecting core business strength.
- Management confirmed that impairment assessments are now complete with no further impairment expected.

Margins:

- DSOs reduced by 10 days to 68 days at the end of Mar'25 vs. Dec'24.
- SG&A rationalization and favorable contract mix supported margin expansion.
- Management reiterated its goal of restoring ~6% EBITDA margins through revenue growth and operating leverage.
- Favorable contract mix supported margin expansion.

Other Comments:

- The company reiterates its focus on organic growth, though open to acquisitions at the right price and fit.
- Labor code implementation (especially minimum wage hikes) remains a potential structural tailwind, but timelines are uncertain due to national focus on security matters.
- The company believes it is not planning any equity dilution and its net debt-to-EBITDA is just 0.71x, giving them space to acquire debt if necessary.
- The current debt is at a cost of about 7%-7.5% and the company is in talks with the bank to reduce the interest rate.
- Focus is on improving the market share and currently no plans to expand in a different business line.
- SIS-Prosegur, the company's Cash JV operating in the Cash Logistics Solutions segment, has filed its draft red herring prospectus (DRHP) with SEBI for its IPO. The proceeds will help SIS further reduce its debt.

Swiggy — Neutral

Current Price INR 364

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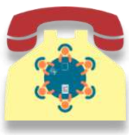

Demand and growth outlook

- FD: 4Q is a seasonally weak quarter coming after the festive season, though it does benefit late in the quarter due to a popular sporting event in India.
- Non-linear innovation will be table-stakes to continue to harness the multi-decadal opportunity that FD presents in India. Bolt is for speed; a lot of work is happening in value. Swiggy One is for differentiation.
- It retains an annual growth guidance of 18-22% over the medium term.
- **Swiggy Bolt:** Operating at 45k+ restaurant brands across 500 cities. AOVs on Bolt are within range of the platform. There are three parts to a Bolt Order: 1) orders delivered in 10 mins, 2) orders delivered in 10 mins when a customer chooses to, 3) incremental orders. Delivery partners are not informed that an order is a Bolt one, and no incentives are tied to delivery speed, ensuring safety-first execution at every touchpoint.
- Currently, over 12% of FD platform orders are through Bolt. New users acquired through Bolt have shown 4-6% higher monthly retention than the platform

average. Margin structure of Bolt is not dilutive to the platform as it has a low last-mile cost.

- **Instamart:** Instamart GOV came in at INR46.7b (up 101% YoY) for 4QFY25.
- The Quick commerce industry is going through a phase of heightened consumer awareness and store rollouts. Competitive intensity has increased from existing and new players in the market. However, market size ensures not many growth challenges for players.
- Three aspects for QC growth shall be looked at: MTUs addition, stores addition, NOV, and order addition. 4Q saw MTUs and store additions. The AOV will be less for this cohort. Next quarter shall see repeat business.
- Mature cohorts do not need incentives. Incentives are for trials and value propositions, and these are ensuring customer stickiness. Over multiple quarters, retention has gone up.
- Dark store expansion: Dark store expansion accelerated with 316 new active dark stores added in 4Q alone (greater than cumulative addition in the last eight quarters).
- There shall be some gradation in the store addition. The decision to open a store and go live in 60 days. Average size of dark stores has now increased to ~3,900 sq ft vs. 3,475 in 3Q.
- 1,021 active dark stores as of Mar’25. Nearly half of dark stores are less than a year old. Added 412 new stores in the past six months. 1/3rd was added in 80 new cities, and the rest were in existing metro and Tier 1 towards densification and catering to increased demand.
- Megapod AOVs are substantially higher than the platform average, while the overall contribution of non-grocery categories to GMV also continues to increase. No incremental cost on variable spends for megapods.
- Fixed costs- (performance marketing and brand marketing)- saw a heightened level of investments. The company expects operating leverage to play out.
- IOCC model- The Difference between both structures is 30-40bp. There are no plans in the near future for exploring the option.
- Others: Out-of-home consumption is expected to contribute positively to the company's EBITDA. The company will continue to focus on increasing investments in this segment, which was acquired around 2 to 2.5 years ago.
- New initiatives like Snacc (quick delivery of low involvement food consumption occasions) and Pyng (AI AI-powered platform to connect with verified professionals) are part of Platform Innovations. These are currently in an experimentation phase, and initial investments are being made to expand them to a certain critical mass.

Margins

- For food delivery, adjusted EBITDA as a % of GOV margin was up 40bp QoQ at 2.9%. Operating leverage shall increase in FY26(saw 80bps improvement in FY25). Expects CM to expand 100-150bp steady state.
- Instamart adjusted EBITDA as a % of GOV was -18% (-14.8% in 3Q). Instamart reported a contribution margin of -5.6% (-4.6% in 3Q).
- Swiggy reaffirms its adjusted EBITDA breakeven target for 3QFY26 at the corporate level. It has declined from -1.9% in 2QFY25, due to network underutilization (~170 bps) and customer incentives (~250 bps), partially offset by improvement in take rate (~50 bps).
- The company expects to reach Contribution break-even in QC in 3-5 quarters from now. Corporate adjusted EBITDA breakeven timeline continues to remain in sync with Contribution breakeven for Quick-commerce. (Earlier guided for 3QFY26).
- Underutilization of network cost shall unwind in the coming quarters.

- Capex investments- a large part of the capex cycle is behind. Working capital – DSO for advertising revenues increased during the quarter, hence WC increased. It shall reduce going forward.

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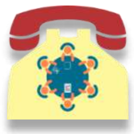

Team Lease **Buy**

Current Price INR 1,900

Demand and growth outlook

- 1HFY25 saw broad-based growth, while 2H was tempered by sectoral headwinds. TEAM is well-positioned for cost optimization and growth in FY26.
- 4QFY25 was more of a period of consolidation than expansion. At the group level, there was a net reduction of ~7K headcount, primarily due to scheduled BFSI attrition following regulatory changes. This impacted EBITDA by ~INR15m.
- In General Staffing, BFSI was a mixed bag in FY25; hiring slowed down. Credit card issuers saw some decline, resulting in a downstream impact.
- Around 25k associates were added during the year, primarily led by Consumer and Telecom sectors. Of these, 37% were from new clients.
- The RBI's restoration of RWA weights could be favorable for demand. Impact cannot be ascertained as of now.
- E-commerce and quick commerce sectors remained positive. Telecom (ISPs, equipment manufacturers) showed growth among service providers.
- E-commerce exposure is ~10% of headcount. In quick commerce, the company is involved with workforce in dark stores; attrition is 70% per month.
- Consumer durables and retail registered growth due to increasing formalization in the sector.
- Sales momentum is stable; 102 new client logos were signed during the year.
- 71% of customers are on variable mark-up contracts for FY25. Associate mix: 25% in BFSI, 35% in Telecom, 10% in E-commerce, and the balance in Manufacturing.
- PAPM stood at INR665, down INR5 QoQ and INR14 YoY. A portfolio play between sectors and customers should help TEAM sustain PAPM.
- The insourcing impact in BFSI due to the RBI circular is largely behind. Some demand is returning.
- In Specialized Staffing, the IT hiring landscape continues to face macro challenges. There are delays in closing open positions, though high-level tech roles are still in demand.
- GCCs now account for 60% of Specialized Staffing revenue and 40% of headcount. The company has currently partnered with 75 GCCs.
- Completed 80% acquisition of Ikigai Enablers Pte. This will enhance IT staffing in Singapore and the Middle East, though growth is currently in low volume.
- The IT hiring landscape continues to face macro challenges. There are delays in closing open positions, though high-level tech roles are still in demand. Softer demand may persist in 1HFY26.
- Demand continues in BFSI and high-tech sectors. The BOT model has enabled value-chain progression.
- In HR Services segment, catch-up billing for the EdTech vertical was completed in 4QFY25, leading to a sharp recovery in profits.
- The integration of TSR Darashaw HR Services and Crystal HR is complete and contributed ~INR10m to EBITDA in 4QFY25.
- HRTech services are being leveraged for upselling to existing customers. This can help to sustain margins in case of PAPM pressure.
- The company expects 20-25% revenue growth and 5-6% EBITDA margins in this vertical in FY26.
- The withdrawal of the NEEM scheme has led to some margin dilution.

- There was a slowdown and backlog in Direct Benefit Transfer (DBT) from the government to corporates for apprenticeships. This issue was resolved in late Feb'25, triggering a recovery in demand.

Margin outlook

- EBITDA margin stood at 1.7%. EBITDA grew 37% QoQ, supported by catch-up billing in EdTech and inorganic contributions.
- EBITDA in Staffing & Allied Services was flat due to NEEM headcount attrition impact in 1H and flat headcount addition in 2H.
- Improved GCC mix has strengthened EBITDA in Specialized Staffing. Margins of 7.3-7.4% are seen as sustainable in this segment.
- The company focuses on expanding absolute profits rather than margins, as it does not control staff salaries. It targets 20-25% growth in the General Staffing business.

Updater Services — Buy

Current Price INR 309

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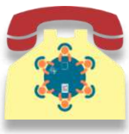

Quarterly performance and outlook

- The company expects overall revenue growth of 15% in FY26.
- The company is focusing on increasing cross-sales between the IFM and BSS segments to enhance synergies.
- The revenue split stands at 66:34 between IFM and BSS.
- In IFM, the company completed contract rationalization and is now focused on streamlining operations. The aspiration is to grow at 3x the GDP growth rate, supported by expansion of co-working spaces, and growth in automotive factories.
- The key strategic focus is on securing ROCE- and margin-accretive contracts. The company added 77 logos during the FY25.
- In BSS, Technology investments impacted margins in FY25; the company is now targeting high-value contracts to offset this.
- FY25 was a challenging year as global clients rationalized their spending.
- This segment is now operating under tighter and more focused leadership.
- It added 35 new client logos in FY25.
- Denave: 85% of revenue comes from clients with 7+ years of relationship. Market disruptions from AI are seen as opportunities. Focus areas include: 1) Platform-based service – 'Intellibank', aimed at improving client conversion 2) outreach programs to stimulate demand.
- Athena saw changes in client engagement due to technological disruptions in BFSI. While some customers are reevaluating engagement models, no clients have been lost. AI integration is a strategic priority and is expected to be a growth driver.
- One client moved operations in-house, and another underwent a merger. The company is in the process of onboarding a large BFSI client. It is working to diversify the client base.
- Audit and Assurance services: This represents a huge opportunity as the segment remains largely unorganized.
- Employee Background Verification Services: Expected to deliver better margins once hiring momentum returns. The company has seen subdued hiring in IT and BFSI.
- Other income saw a sharp increase in 4QFY25 due to the revaluation of investments in one of the subsidiaries.
- The employee attrition rate is between 4% and 5% per month, which is lower than the industry average.
- The company is targeting 15% organic growth in FY26 for the BSS segment.

- Margins are expected to remain broadly stable, with a 20–30 bps YoY expansion from operating leverage.
- Global (Aviation training center): Achieved breakeven in FY25, helped by travel season activity and events like the Kumbh Mela.
- AVON: Business performance improved due to a better contract mix, leading to higher gross margins. The vision is to become a leading and cost-effective logistics partner.

UPL — Neutral

Current Price INR 647

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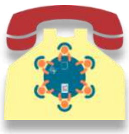

Outlook and Guidance

- The management laid a revenue growth guidance in the range of 4-8%, with North America, LATAM, and ROW expected to see strong traction. While the EBITDA growth is anticipated to be in the range of 10-14%.
- 1HFY26 is expected to be subdued with some EBITDA growth, with growth expected to accelerate from the 2HFY26.
- The industry remains highly challenging, with overall industry growth expected to be flat, driven by volume growth and offset by price deflation.
- The international crop protection segment in FY26, growth will primarily be volume-driven, with a potential 1-2% price increase, though there may be FX headwinds from Brazil.
- The innovation rate in FY25 was 14%, and it is expected to increase to approximately 17.5% in FY26, meaning 17.5% of the revenue will come from products launched in the past five years. By the end of the decade, this is expected to rise to around 20%.
- In India, the Crop protection segment growth will be driven by volume, with a modest 1-2% price increase.
- Outlook for crop prices: There is some strength in corn futures, whereas soybeans are expected to experience a subdued market.
- All platforms will continue to focus on enhancing cash generation, with a sustained emphasis on margin expansion. The company anticipates similar margin growth to that of 4Q, even in the first half of FY26.

Operational performance

- Achieved the upper end of the guidance, with a forecasted growth of 4-8% for FY25, compared to an actual year-on-year growth of 8%, driven by volume-led growth across key platforms and markets.
- EBITDA for FY25 increased by approximately 47% YoY, primarily due to a strong recovery in the second half, favorable product mix, normalization of rebates, and a reduction in the cost of goods sold.
- New product launches, which generated ~USD100m in revenue, contributed to an improved product mix across platforms.
- Net debt was reduced by approximately USD1b, supported by strong operational free cash flow generation.
- Working capital days were decreased by 33 days to 53 days, driven by lower inventories and stricter credit controls.
- The regional revenue mix was as follows: 38% from Latin America, 15% from Europe, 13% from North America, 13% from India, and 21% from the rest of the world.

- UPL Established and nurtured key relationships with customers in Brazil, South Africa, and India.
- A strong customer focus combined with significant investment in R&D has provided the company with the opportunity to revitalize its business.
- The company holds over 2,700 patents, with more than 30% of the current product portfolio being intellectual property (IP) protected.
- Approximately 38% of the product portfolio consists of differentiated and sustainable products.

UPL Corp (Global Crop Protection):

- FY24 was the most challenging year for the entire industry; however, UPL capitalized on this adversity as an opportunity to recover in FY25. The second half of the year showed robust performance, and the company successfully met all its guidance targets.
- Over the past 24 months, market structure has changed, and overcapacity from China has become the new normal. In response, the company implemented various strategic measures, including downsizing and focusing on trimming low-EBITDA products.
- The company witnessed a strong recovery led by volume, mainly in North America and Europe. While volumes of fungicide (e.g., mancozeb) grew more than 30%, herbicides witnessed recovery in North America and LATAM.
- Margin-accretive growth was observed in North America, led by product mix, rebate normalizations, and lower COGS.
- Channel destocking has been completed in key markets, and the normalization of ordering has been observed going forward, and prices have reached their lowest point and are expected to stabilize from here onwards.
- The company has achieved higher market penetration in key regions with industry-leading volumes, and the differentiated/ sustainable mix now stands at ~38%.
- While the volume growth in LATAM was affected by slow growth in Argentina, although. North America witnessed a 64% volume growth in herbicides and fungicides in 4QFY25.
- Both the Differentiated and Sustainable segments experienced growth of approximately 10-11% each in FY25, driven primarily by volume increases.
- The company anticipates strong demand in FY26, with low commodity prices likely to persist. The company aims to continue to accelerate its product mix.
- The company will remain agile and flexible in adapting to market changes.
- Moving forward, the company will focus on delivering best-in-class customer outcomes, disciplined resource allocation, and portfolio management to achieve both contribution and EBITDA margin expansion. Additionally, the company will transform its operating model to drive efficiencies and growth.

UPL SAS (Sustainable Agri Solutions):

- The segment reported 57% YoY revenue growth in 4QFY25, driven by good rabi season liquidation. The contribution margin improved by 22pp YoY, supported by a favorable product mix.
- FY25 was a pivotal year for the company in India, where it not only recovered but also strategically rebuilt the segment to keep long-term growth perspectives in mind

- In addition to its focus on traditional crops, the company has shifted its attention to corn, sugarcane, and rice, which have been key drivers of growth in this segment.

Advanta:

- Advanta experienced a 12% YoY revenue growth in FY25 despite the Industry growth remaining flat, driven by higher volumes and improved realizations in corn, sorghum, canola & vegetables, and Healthy volume traction in sorghum, field corn and vegetables.
- EBITDA margins improved by 930bp, driven by favorable crop mix, Lower fixed overheads as % of sales vs. LY, partly offset by higher production costs due to weather, and lower recoveries in India, Australia, Thailand, and Indonesia.
- Advanta is now ranked among the top 10 seed companies globally, and UPL has expanded its portfolio across all crops and regions.
- The fourth quarter contributed 35% to the total revenue, compared to a typical contribution of 20-22%.
- The higher fixed overheads, which are in in-line with the future growth strategy, were effectively passed on to the customers.
- Going forward, Europe will be a key focus for the company. Once the market stabilizes, particularly after the conclusion of the Ukraine conflict, the current 2% contribution from Europe has the potential to increase to ~15%.
- The largest shift in Indian agriculture is being driven by ethanol, with farmers benefiting from higher corn prices.
- Unlike traditional seed companies that focus on economic trades, the company prioritizes reducing production costs.

UPL Superform

- The three-year journey since April 2022 has enabled the company to make significant improvements in its lagging indicators.
- India holds a significant advantage in production due to its access to cost-effective, skilled labor. Additionally, the lag in logistics and infrastructure has greatly improved, now comparable to other developing countries.
- Western customers are increasingly satisfied with conducting business in India, particularly due to the country's robust intellectual property (IP) regulations.
- As consumption in India has grown, numerous opportunities have emerged to produce products domestically, as large-scale production can be efficiently achieved within the country.
- Revenue in FY25 grew 6% YoY, while the specialty business grew by 24% YoY and launched 7 new products in FY25, however, EBITDA margins declined 160bps YoY due to some captive pricing pressure, under-absorbed factory costs
- UPL entered into six binding/ non-binding MoUs for contract manufacturing; peak revenue potential of INR15b - INR20b

Others

- The company made significant efforts to reduce working capital days, and moving forward, it will challenge itself to maintain these improved working capital days.
- All of the company's technologies are adding value, and once these innovations achieve breakthrough status, they are expected to have a significant impact on profitability.

- Advanta began its R&D activities in Ukraine in 2016, capitalizing on the country's large sunflower market, valued at USD1b. Despite the ongoing conflict, the company continued its R&D efforts and is now relocating these activities to Hungary.
- In India, demand remains robust and is expected to continue, providing the company with the opportunity to leverage its differentiated products to capitalize on this growth.

Zee Entertainment — Neutral

Current Price INR 128

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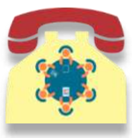
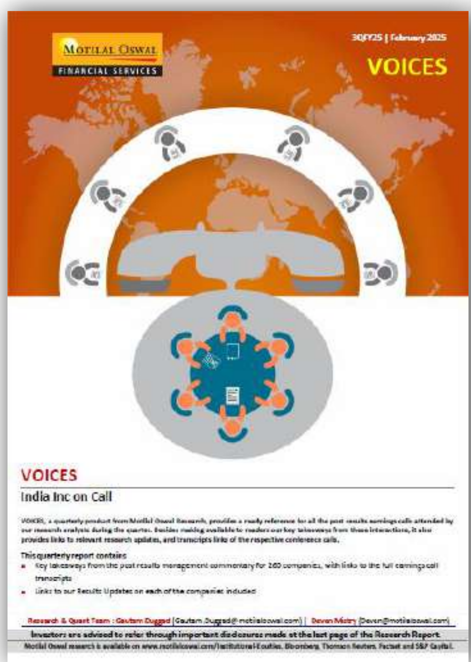



Zee Entertainment

- **FY25 review:** FY25 was a mixed bag for the overall media industry, underpinned by sluggish advertisement revenue, though partially offset by improved subscription revenue following price revisions. Zee focused on enhancing profitability through cost controls, Zee5's loss reduction, and generating robust cash flows.
- **Ad revenue trends and outlook:** Management indicated that rural recovery momentum did not sustain as per the expectations. Further, a busy sports calendar in 4Q also impacted ad revenue for Zee (GEC in general). While macroeconomic challenges persist in FY26, management is targeting improvement in ad revenue through a re-entry into FTA, the launch of new genres such as mini-series, and a focus on regional languages. The company remains hopeful of high single-digit growth in ad revenue in FY26.
- **Zee5:** Management indicated that a sharp QoQ reduction in Zee5 losses was driven by higher syndication revenue in 4Q. However, even without the boost from syndication revenue, Zee5 would have delivered revenue growth and a reduction in operating losses. Going forward, a further reduction in Zee5 losses would be on the back of pick-up in revenue growth, as cost efficiencies are already realized. Management believes Zee5 can break even in the next three years.
- **Jiostar impact:** Management noted that it is still early to draw any definite conclusions but remains optimistic that the merger will have a positive overall impact on the industry. It is already witnessing positive signs in the acquisition of content such as OTT, films, etc.
- **Star arbitration:** Management indicated that the company remains open to all possibilities, both legal and non-legal, including an out-of-court settlement. The verdict on the matter is expected early next year.
- **Lower other expenses:** The reversal of certain bad debt provisions led to lower other expenses in 4QFY25. Management indicated that the 9MFY25 run-rate should serve as the sustainable run-rate for other expenses going forward.
- Movie production and distribution: Zee is looking to distribute ~18-21 films in FY26, which have been hand-picked based on the content that resonates with the audiences.
- **ZeeMusic:** Growth in ZeeMusic tapered to single digits in FY25, primarily due to the shutdown of some homegrown streaming platforms. Excluding this impact, growth on other platforms remained healthy. The company plans to continue adding adequate number of songs to keep the library refreshed and growing.
- **FCCB funding utilization:** The company is still evaluating a couple of assets and will take a call based on the right mix of valuation and potential scalability of any acquisition to ensure it is value accretive.

GALLERY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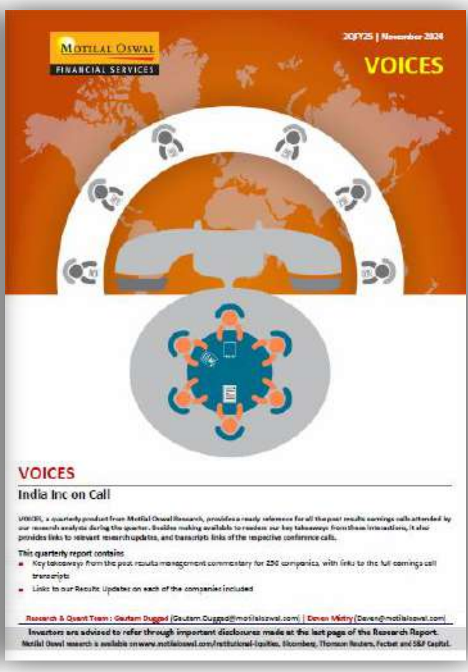
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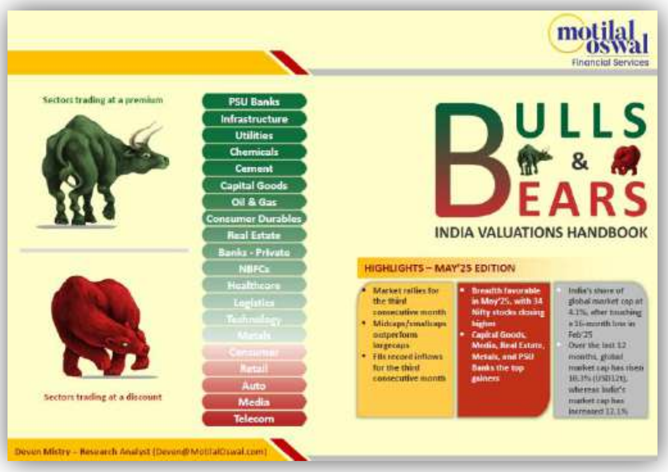
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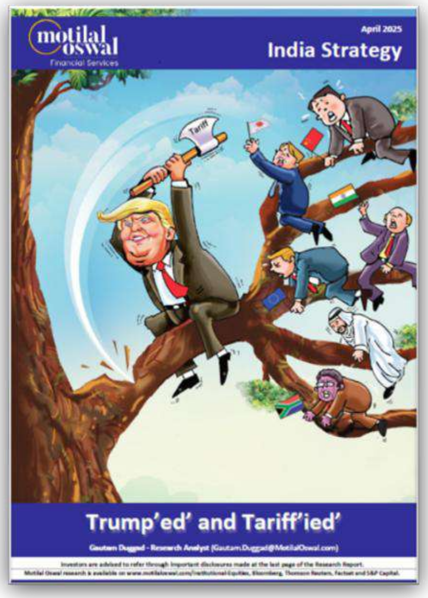
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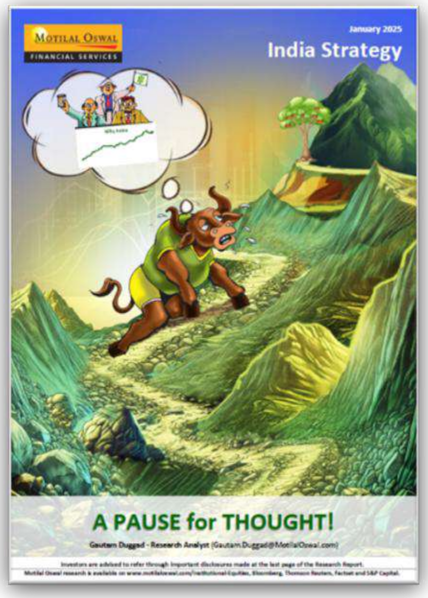
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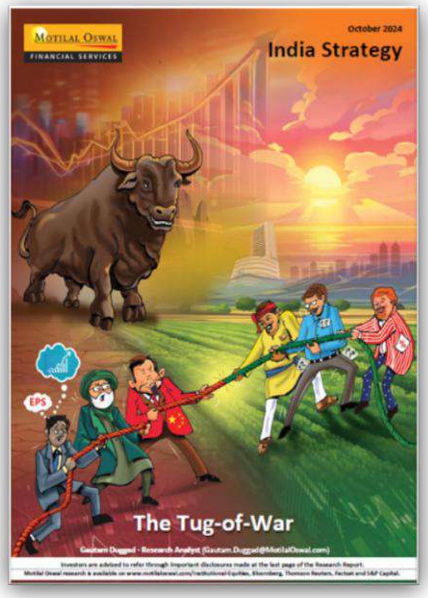
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