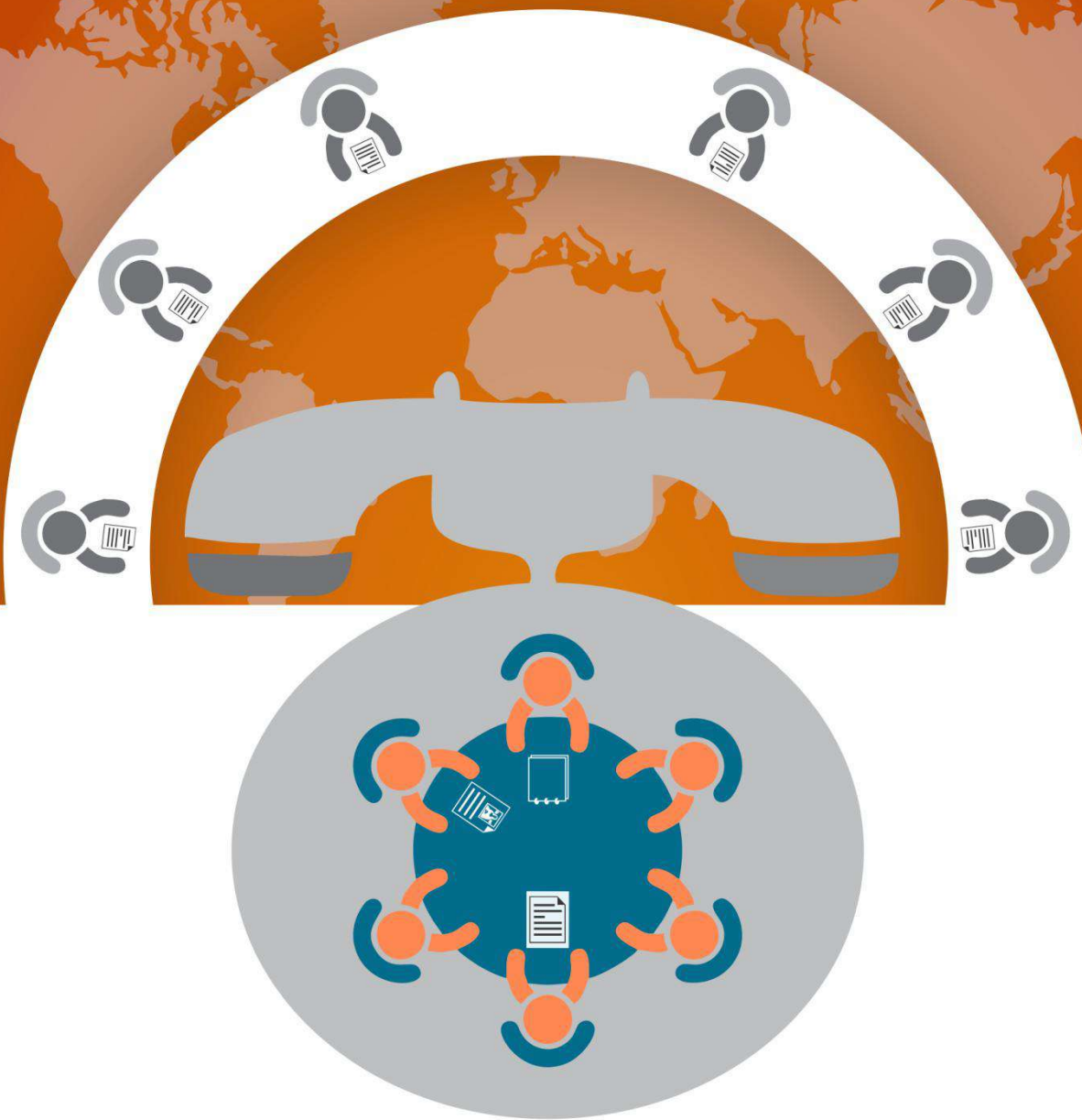




VOICES

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 275 companies, with links to the full earnings call transcripts
- Links to our Results Updates on each of the companies included

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

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

VOICES - INDIA INC ON CALL

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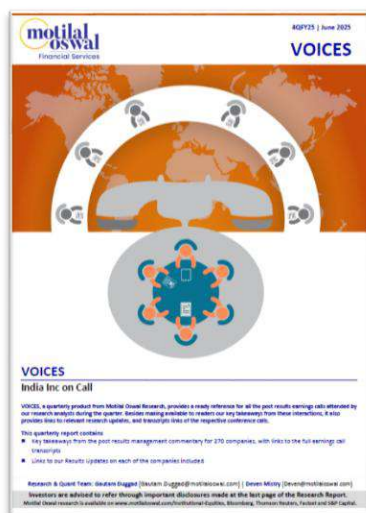


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Note: All stock prices are as on 20th August 2025, unless otherwise stated.

BSE Sensex: 81,307

S&P CNX: 24,870



FY26 commentary begins on a cautious but optimistic note; 1QFY26 earnings – modest yet resilient!

In this report, we present the detailed takeaways from our 1QFY26 conference calls with various company managements as we refine the essence of India Inc.'s 'VOICES'.

- **Corporate earnings – sectoral breadth promising:** Corporate earnings for 1QFY26, perceived as the “Crossover quarter,” marked a transition from the subdued low-single-digit earnings growth of FY25 to a sustainable double-digit growth trajectory. A key highlight of the quarter was better sectoral breadth of earnings growth. Of the 25 sectors under our coverage, 16 delivered double-digit growth, eight reported single-digit growth, and only one sector experienced a decline in PAT. The aggregate earnings of the MOFSL Universe companies grew 11% YoY (vs. our est. of 9% YoY) in 1QFY26. Excluding Financials, earnings for the MOFSL Universe grew 13% YoY (est. +14% YoY).
- **Banks** have entered FY26 on a cautious but optimistic note, anticipating asset-quality easing from 2H as collections normalize. The first quarter, however, proved transitional—core margins compressed as loans repriced faster than deposits. While banks expect NIMs to bottom out in the near term, recovery into 2H hinges on CRR relief and deposit re-pricing, with the pace and quantum of improvement varying across lenders.
- Several management teams at **NBFC/HFC** underlined the following: 1) the market prognosis for the CV category remained subdued due to weak government investment and capex, while demand for tractors improved; 2) asset quality deteriorated across most product segments, except power financiers and select HFCs, due to customer overleveraging, slow consumption, and a weak macroeconomic environment; and 3) NBFC-MFIs improved PAR levels in most states during 1QFY26, barring Karnataka.
- Management teams of **IT services** companies maintain a cautiously optimistic outlook while recognizing that ongoing macroeconomic headwinds continue to pressure overall demand. Infosys maintained a cautiously optimistic stance (upgrading the lower end of guidance), with the upper end of its 3% YoY organic CC guidance hinging on a gradually improving environment, while HCLT remained the most constructive, guiding for 3–5% YoY CC growth (also, upgrading the lower end of guidance).
- In **Automobiles**, management expressed optimism about a revival in domestic demand for the majority of segments during the 1QFY26 earnings calls. The growth of the 2W market is expected to be between 5% and 7% over the next few quarters, and management at PV and CV OEMs is anticipating that demand will pick up during the holiday season.
- For **Consumer**, demand remained steady, indicating a slow sequential improvement supported by positive macros, according to the management of FMCG companies. The demand in cities is increasing, and the rural markets are still doing well. Nielsen's data likewise shows this pattern, with rural growth at 8.4% compared to urban growth at 4.3%. Early monsoons had an impact on paint industries, but there are indications that things are starting to improve.
- The domestic formulation-focused companies in **Healthcare** highlighted that they are gearing up for obesity/diabetes drugs from the peptide family. Companies indicated that they would be focusing on the marketing part of the value chain for

India/EM markets. They indicated that the manufacturing aspects can be outsourced and the medicine can be made available at the time of market formation.

- For **Metals**, in the Ferrous space, management across companies indicated 1) a softer NSR in 2Q, which is likely to rebound post-monsoon with a steady cost structure, and 2) incremental volumes from new capacities with a rising share of captive raw material mines to support margins. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices, rising domestic e-auction coal, and trade tensions, which may be offset by favorable pricing conditions leading to sustained margins in the coming quarters.
- Management in the **Capital Goods** sector holds an optimistic view across important sectors, such as power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capital spending is beginning to increase, while private sector interest is anticipated to emerge in the upcoming quarters. The fulfillment of export orders has increased throughout the quarter, and the outlook remains promising. In the defense industry, management discussions continue to be very positive, predicting a surge in order inflows soon due to emergency procurement, as well as for the medium-to-long-term, driven by both base and large orders.



Autos

- Management expressed optimism about a revival in domestic demand for the majority of segments during the 1QFY26 earnings calls. The growth of the 2W market is expected to be between 5% and 7% over the next few quarters, and management at PV and CV OEMs is anticipating that demand will pick up during the holiday season. The majority of OEMs have handled the chip scarcity problem with little apparent disruption. Short-term disruptions to exports could result from the uncertainty around tariffs and the protectionist position adopted by several governments. The outlook for auto auxiliary companies exposed to material exports is still bleak. Next quarter, input prices are anticipated to be unchanged, which will have little effect on margins.



Capital Goods

- Management holds an optimistic view across important sectors, such as power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capital spending is beginning to increase, while private sector interest is anticipated to emerge in the upcoming quarters. The fulfillment of export orders has increased throughout the quarter, and the outlook remains promising. In the defense industry, management discussions continue to be very positive, predicting a surge in order inflows soon due to emergency procurement, as well as for the medium-to-long term, driven by both base and large orders. In the power generation sector, management believes that prices have largely settled and volumes have returned to levels seen before the transition. The railway sector has reached its lowest point, and order placements have risen in the first quarter, with management remarks suggesting a better outlook for the pipeline in this industry.



Cement

- Management teams predict a ~6-7% YoY improvement in demand in FY26, aided by government infrastructure projects (roads, highways, ports, metro, PMAY), improved rural markets, and stable urban housing demand. Despite seasonal weakening, cement prices have remained stable, and enterprises continue to



strike a balance between volume expansion and profitability. Fuel prices have been range-bound in recent months and are projected to remain stable, providing further support for margins.

Chemicals

- The management remains cautiously optimistic on the near-term outlook, with growth expected to be driven by volumes, supported by resilient domestic demand, moderating raw material prices, and ongoing capacity expansions. However, headwinds such as global oversupply, competitive pressures from Chinese dumping, and heightened 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.



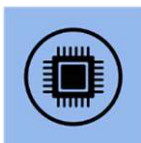
Consumer

- Demand remained steady, indicating a slow sequential improvement supported by positive macros, according to the management of FMCG companies. The demand in cities is increasing, and the rural markets are still doing well. Nielsen's data likewise shows this pattern, with rural growth at 8.4% compared to urban growth at 4.3%. Early monsoons had an impact on paint industries, but there are indications that things are starting to improve. Favorable state excise laws in important markets like Andhra Pradesh and Uttar Pradesh, as well as a solid presence across price points, supported the liquor industry's ongoing development pace. For consumer businesses, emerging channels kept boosting growth and will continue enhancing the sales mix.



Consumer Durables

- Management highlighted that 1QFY26 was a challenging period, as growth momentum weakened sharply from May'25. An unusually mild summer led to a steep drop in peak-season demand for ACs and other cooling products, further weighed down by last year's high base. However, the C&W segment continued to perform well, supported by strong infrastructure and industrial demand. The company views the dip in performance as temporary and remains confident of a recovery in revenue growth and margin expansion in the coming quarters.



EMS

- Most management have retained their revenue growth guidance, with Avalon increasing its revenue guidance, fueled by robust demand, project ramp-ups, scale benefits from new capacities, and strong order book visibility in 2HFY26. Strategic global tie-ups, acquisitions, and product diversification across sectors are expected to continue the growth momentum. Continued capex, R&D, and backward integration efforts should support margin expansion and strengthen long-term positioning.



Financials

Banks

- Banks have entered FY26 on a cautious but optimistic note, anticipating asset-quality easing from 2H as collections normalize. The first quarter, however, proved transitional—core margins compressed as loans repriced faster than deposits. While banks expect NIMs to bottom out in the near term, recovery

into 2H hinges on CRR relief and deposit re-pricing, with the pace and quantum of improvement varying across lenders. Headline profitability was often supported by treasury gains and one-offs, masking softer NII and subdued loan demand. Differentiation through FY26 will be shaped by: 1) liability strength – CASA mix and granularity of deposits, 2) credit exposure – share of unsecured/MFI lending, and 3) treasury buffers – ability to absorb MTM swings. Banks with strong, low-cost liability franchises and limited unsecured books are best placed to outperform, while peers with weaker deposit franchises may see prolonged margin pressure and elevated credit costs. Key monitorables remain: 1) 90+ dpd (delinquency) trends and 2) the speed of deposit re-pricing and treasury mark-to-market volatility. Muted credit growth underscores the need for selective underwriting, though robust capital buffers will provide adequate shock absorption.

NBFC

- Several management teams at NBFC/HFC underlined the following: 1) The market prognosis for the CV category remained subdued due to weak government investment and capex, while demand for tractors improved; 2) Asset quality deteriorated across most product segments, except power financiers and select HFCs, due to customer overleveraging, slow consumption, and a weak macroeconomic environment; 3) NBFC-MFIs improved PAR levels in most states during the quarter, barring Karnataka. Collection efficiency in Karnataka is likely to stabilize by the end of 1HFY26; and 4) gold loan demand remained robust due to rising gold prices, rapid tonnage growth, and the lack of unsecured loans.
- Management at NBFC has stated that certain areas, including CV, unsecured MSME, and micro-LAP, are experiencing difficulties. This is likely to improve during 2HFY26. The recent decision on rationalizing GST rate cuts could benefit NBFCs by boosting economic activity, increasing spending, and improving individual savings. Lower spending or stronger savings can boost demand for fresh loans (for productive uses) or increase a borrower's ability to repay.

Capital Markets

- The capital market ecosystem witnessed a healthy recovery, but exchanges and brokers could see weakness in the near term, led by a weak volume trajectory in July. Given the efforts to diversify the revenue, the impact can be cushioned. Mutual fund activity is anticipated to remain healthy, driven by improving fund performance across key large players and the emergence of a strong online acceptance of online distributors as a channel. Wealth managers are expected to witness strong inflows going forward, with a portion of the recurring segment increasing in the overall mix.

Insurance

- The life insurance players reported a slowdown in premium growth, affected by a slowdown in the ULIP momentum and a high base. During 1QFY26, the life insurance industry witnessed APE growth of ~7% YoY, driven by ~10% YoY growth reported by private life insurers, while LIC grew ~2% YoY. The shift in product mix towards traditional products from ULIPs led to a strong expansion in the VNB margin across the industry. Management teams across players guide a further expansion of margins led by 1) an increased shift in product mix towards par and non-par products, 2) a higher contribution from high-ticket-size products, 3) a higher sum assured and better rider attachment rates, and 4) an



improvement in persistency. The general insurance industry's growth remained subdued, with partial recovery in the motor segment offset by the impact of 1/n regulation on the health segment. Recovery in auto sales and capex are key monitorables for growth prospects among general insurance players.

Healthcare

- The domestic formulation-focused companies highlighted that they are gearing up for obesity/ diabetes drugs from the peptide family. Companies indicated that they would be focusing on the marketing part of the value chain for India/EM markets. They indicated that the manufacturing aspects can be outsourced and the medicine can be made available at the time of market formation. Having said this, the acute therapies continued to show some weakness due to adverse seasonality, according to the management teams.
- In the CDMO segment, while management continues to witness increased inquiries, the conversion to commercial benefit may take time due to volatility in the funding for small innovator companies and low clarity on the tariff aspects from the US. Management teams have been upgrading their technology platforms to expand the coverage service for innovator pharma companies.
- In the US generics, management indicated an increased recalibration of R&D towards a complex product pipeline in the areas of injectables, respiratory, nasal sprays, and peptides. The pace of filings is reducing gradually to focus on select products.
- Despite geopolitical volatility on the policy front, companies continue to invest in R&D as well as manufacturing capacities/capabilities to benefit from the industry tailwinds.
- On the hospital side, companies indicated their strong focus on adding beds either at existing sites or entering newer, economically viable locations. Management teams indicated that the companies are implementing efforts to revive international patient flow from countries without any political unrest. They also reported increasing operational efficiency by optimizing case mix, payor mix, and average length of stay (ALOS). Overall, companies have been selectively positive and executing strategies based on their strong skill sets to benefit in the pharma as well as the hospital domains.



Logistics

- The logistics sector witnessed a subdued performance in 1QFY26, as demand was weighed down by muted spending, inflationary pressures on MSMEs, and lower e-commerce activity, which particularly affected express logistics players. While pure-play freight and parcel operators struggled with weak volumes and margin pressures, multimodal logistics companies performed relatively better, benefiting from diversified operations and port-linked growth. Supply chain-driven businesses showed resilience, though challenges persisted in freight and SME-dependent segments. Looking ahead, the companies are expecting to gradually recover in 2HFY26, aided by stable operating expenses and a seasonal demand uptick.



Metals

- In the Ferrous space, management across companies indicated 1) a softer NSR in 2Q, which is likely to rebound post-monsoon with a steady cost structure, and 2) incremental volumes from new capacities with a rising share of captive raw material mines to support margins. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices, rising domestic e-auction coal, and trade tensions, which may be offset by favorable pricing conditions leading to sustained margin in the coming quarters. Overall, the 1Q Indian operations performance was backed by better NSR and muted costs, offsetting the muted volume impact. Management believes that global uncertainties might pose challenges to international steel and input prices, but with the safeguard duty, the domestic businesses are cushioned from downward risks.

Oil & Gas

- OMCs: Management commentary suggests that marketing segment performance is likely to remain resilient, as lower MS/HSD margins are expected to be offset by easing LPG under-recoveries. However, refining performance is expected to stay soft in 2Q. CGD: Companies remain positive on sustained growth in CNG and D-PNG volumes, supported by steady EBITDA/scm margins amid declining raw material costs. That said, GUJGA anticipates continued weakness in Morbi volumes in 2Q. GAIL: The company has revised down its transmission guidance, reflecting weaker gas transmission volumes over the past two quarters. ONGC & OINL: Both companies continue to project strong production growth from KG-98 and NRL, though at levels lower than earlier guidance.

Real Estate

- Real estate companies reported a 59% YoY surge in launches during 1QFY26, driven largely by major projects from PEPL that had been deferred from FY25 due to approval delays. Developers remain optimistic about sustained demand in the coming years. Average price realizations grew 16% in 1QFY26, with a similar trajectory expected ahead. With approval processes gradually improving, the launch pipeline for FY26 looks stronger, while companies are also actively pursuing land acquisitions to bolster their future development portfolio.

Retail

- **Retail:** The demand environment remained subdued in 1QFY26, led by weak consumer sentiment, early monsoons, and a shift in the festive calendar, though improvement in wedding-related footfalls provided some cushion. Retailers focused more on operational efficiency, tighter cost control, and improving store productivity rather than aggressive expansion. Overall, the sector participants remain cautiously optimistic, with hopes pinned on the demand recovery during the upcoming festive season.
- **Jewelry:** Jewelry companies sustained strong sales growth despite geopolitical headwinds, tariff pressures, and a sharp rise in gold prices (+32% YoY, +5% QoQ). Consumer demand remained resilient, supported by a favorable festive and wedding season. Management highlighted that the 2Q base is elevated due to last year's customs duty reduction, which could weigh on reported growth. However, demand momentum in July has been encouraging, aided by relative stability in gold prices over the past three months.
- **QSR:** Demand trends for QSR players remained weak in 1QFY26. Management expects demand to improve, supported by a good monsoon, easing inflation,



and government measures such as income-tax cuts and GST rationalization, along with company-specific initiatives. However, muted underlying growth continued to weigh on operating performance, keeping pressure on restaurant-level and EBITDA margins across most brands. While value-focused menu extensions and dine-in-led promotions have helped drive footfalls, a sustained recovery in ADS and SSSG remains critical to restoring unit-level profitability.

Technology

- IT services companies maintain a cautiously optimistic outlook while recognizing that ongoing macroeconomic headwinds continue to pressure overall demand. Infosys maintained a cautiously optimistic stance (upgrading the lower end of guidance), with the upper end of its 3% YoY organic CC guidance hinging on a gradually improving environment, while HCLT remained the most constructive, guiding for 3–5% YoY CC growth (also, upgrading the lower end of guidance).
- Management commentary in BFSI remained relatively steady, with verticals such as Manufacturing, Retail, and Healthcare seeing pressure from macro/trade headwinds. GenAI is beginning to disrupt pricing conversations and revenue realization across Tier-1s, with Infosys, Wipro, LTIM, and HCLT all acknowledging the commercial implications of rising productivity. A few companies noted deal deferrals in 1Q, which are expected to close in 2QFY26.



Telecom

- One extra day QoQ, constant subscriber net additions, increased data consumption, and the flow-through of recent tariff hikes all contributed to the telecom sector's stable performance throughout the quarter mentioned by the telecom operators. With the help of a stronger customer mix and rising broadband usage, ARPU continued to improve. Rollouts of home broadband accelerated and significantly boosted growth. The timing and magnitude of the upcoming tariff increase, which continues to be the primary driver of additional financial performance improvement, will now determine the sector's outlook.



Utilities

- Several companies acknowledged that power demand dipped 1.5% YoY in the quarter due to a high base and the onset of early monsoon, though management expects normalization and remains constructive on medium-term growth. India has already met its Paris NDC target of 50% clean energy capacity (243GW non-fossil). Meanwhile, several state discoms are increasingly opting for competitive bidding for thermal procurement to secure firm power alongside renewables. The ALMM (Wind) policy is seen as a game-changer, ensuring domestic sourcing and strengthening supply chain resilience. Management expects wind additions of 6GW/7–7.5GW/8–9GW over FY26–FY28 and does not see supply chain concerns, as domestic manufacturing capacity for key components such as gearboxes and generators is sufficient. On the transmission front, as per the NEP, INR9t of transmission projects are to be completed by FY32, with all awards to be finalized by FY30, and only INR3t has been awarded so far, implying INR6t must be bid over the next five years, averaging ~INR1t annually. On the storage front, the second tranche of the INR54b VGF scheme will support 30GWh BESS capacity, complemented by extended ISTS waivers for co-located BESS and pumped hydro projects until Jun'28, enhancing the viability of RE + storage solutions. CERC has directed market coupling in the DAM by Feb'26, shifting price discovery to a centralized mechanism.

Key takeaways from management commentary

AUTOMOBILES



- Management expressed optimism about a revival in domestic demand for the majority of segments during the 1QFY26 earnings calls. The growth of the 2W market is expected to be between 5% and 7% over the next few quarters, and management at PV and CV OEMs is anticipating that demand will pick up during the holiday season. The majority of OEMs have handled the chip scarcity problem with little apparent disruption. Short-term disruptions to exports could result from the uncertainty around tariffs and the protectionist position adopted by several governments. The outlook for auto auxiliary companies exposed to material exports is still bleak. Next quarter, input prices are anticipated to be unchanged, which will have little effect on margins.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Demand outlook	Other key takeaways from the call
Ashok Leyland	■ Outlook: Management expects the MHCV industry to post mid-single-digit growth in FY26, while the LCV segment is expected to grow at a slightly higher rate. Exports witnessed growth in 1Q, and this momentum is expected to continue. ■ Backed by a healthy order backlog, management remains confident of achieving double-digit growth in the defense segment in FY26 and sustaining the momentum into FY27.	■ Switch India reported a positive PBT in 1QFY26 and is targeting PAT breakeven in FY26E. As of the end of 1Q, it had an order backlog of 1,500 buses. ■ Hinduja Leyland Finance Ltd. (HLFL) has received RBI approval for its merger with NxT Digital, with remaining statutory and regulatory approvals still in process. According to management, the HLFL listing is likely to take at least 3-4 quarters.
Bajaj Auto	■ Outlook: Given the positive on-ground fundamentals, management anticipates 5-6% growth in the 2W industry in the coming months. ■ With the impact of rare earth metal shortages, BJAUT is expected to operate at 50- 60% of its planned capacity for 2W EVs and 75% for 3W EVs in Aug'25, reflecting a similar shortage experienced in Jul'25.	■ Management expects the impact of net material costs (cost less price hike) to largely remain flat QoQ in 2Q. ■ Further, with the INR depreciating against the USD again, management expects some currency benefits in 2Q. However, BJAUT plans to leverage these benefits to regain and expand its market share in the domestic market.
Eicher Motors	■ RE expects volume growth to continue in FY26, driven by increasing appeal among Gen Z and first-time buyers. Additionally, increased demand from the rural segment has contributed to improved market penetration. ■ In exports, RE continues to strengthen its position in the mid-size segment. Following rapid volume traction in Brazil and Argentina due to CKD localization and channel ramp-up, RE is now among the top three players in key Latin American markets.	■ Despite cost inflation, RE has implemented limited price hikes (only a modest ~1.15% increase in Apr'25), choosing to absorb the margin impact to support volume growth. ■ The shortage of rare earth materials has impacted the production of models like Scram and Himalayan 450. Alternative sourcing strategies have normalized supply, ensuring stable production going forward.
Hero MotoCorp	■ Outlook: Management maintains its 6-7% volume growth guidance for the industry and expects to outperform industry growth, aided by its new launch pipeline. Long-term margin guidance remains at 14-16%, though near-term margins are expected to be at the lower end of this range. ■ HMCL aims to grow exports by 40% in FY26, targeting 10% of total revenues and volumes from its global business in the medium term.	■ New launches for HMCL include two 125cc motorcycles planned for 2Q, Xoom 160, cosmetic refreshes in Xtreme 125R to reignite interest, and new launches from the Harley partnership. ■ Despite industry-wide concerns over rare earth supply, management has confirmed that it has secured the necessary materials for 2Q production for both ICE and EV models, while actively pursuing long-term alternatives.

Hyundai	Domestic PV demand remains challenging, with June marking the lowest TIV in the past 30 months (excluding December). However, management is hopeful of a pickup in demand due to the 100bp interest rate cut, the upcoming festive season, and healthy monsoons.	- The increase of CNG and EVs in the product mix has helped the company achieve CAFÉ norms. - SUVs continued to gain traction, with increasing penetration even in rural areas.
M&M	- Auto: Management continues to maintain its growth guidance of mid-to-high teens for UVs in FY26E, aided by healthy traction for most of its models. - Tractors: An expert panel has been established for TremV and has recommended a phased implementation based on segments. However, management awaits clarity on the timeline of the implementation.	MM will continue to invest in brand, channel, and market creation across key export markets. The launch of the XUV 3XO in South Africa has received a favorable response, and the model has recently been introduced in Australia as well. In South Africa, MM is already among the top 10 OEMs and is one of the fastest-growing players in the region.
Maruti	Demand outlook: Management is hopeful of a demand revival in PVs in 2Q-3Q, led by the festive season and positive rural sentiment. Management expects to outperform industry growth, supported by two upcoming SUV launches in 2Q. Exports: Management expects its export momentum to improve further with the launch of e-Vitara, which is planned for rollout across approximately 100 regions globally. Export revenue stood at INR65b in 1Q.	- The company has two launches lined up for FY26 in the SUV segment, one being the e-Vitara and the other an ICE model - The company has two launches lined up for FY26 in the SUV segment, of which one is the e-Vitara and the other in the ICE segment. Availability of rare earth magnets remains a challenge for MSIL; however, the company has been able to manage its supply requirements so far.
Tata Motors	- India CV: Management expects the CV industry to post single-digit volume growth in 2Q over a low base. Further, with a normal monsoon and festive season build-up, TTMT expects CV demand to pick up in 2H. - Indian PV: In the Indian market, TTMT continues to expect low single-digit growth in PVs for FY26. While ICE margin is likely to remain under pressure in the near term, management anticipates a recovery in the medium term with improving demand. TTMT remains committed to achieving double-digit EBITDA margin in the PV business over the long term.	JLR: Global luxury demand has been weak due to tariff-led uncertainties in key regions. However, management believes that once tariffs are finalized, the uncertainty will subside, allowing demand to stabilize at a new normal. Management has maintained its FY26 EBIT margin guidance at 5-7% with near nil FCF.
TVS Motor Co.	- Domestic: Management remains optimistic about the continued growth momentum in the domestic market in FY26. It has also reiterated that the company holds sufficient stock of rare earth magnets to meet short-term demand. - International: Management expects 2W exports to post healthy growth in FY26, led by strong demand from Latin America and a recovery in Sri Lanka and Africa.	Capex: Capex is expected to remain in the range of INR1.6b-1.7b, with investments in new products. TVS will continue to invest about INR20b in subsidiaries and associates.
BIL	- Given the uncertain tariff environment, the overall industry experienced a volatile ordering cycle in April. Management expects the ordering cycle to normalize once the complete tariff structure across all regions is finalized. - BIL's exports to the US are currently subject to a 10% tariff. Approximately 60% of this cost is absorbed by end customers, with the company absorbing the remainder. Management clarified that its competitive positioning remains unchanged despite the US tariff levies.	- As part of its diversification into the PCR/TBR segments, the company plans to focus on niche premium segments, including radial. It aims to commence SOP for this project by Jun'26 - Despite the benefit of currency depreciation, management has maintained its margin guidance at 24-25% for FY26, citing an uncertain demand environment. Accordingly, management has refrained from providing any volume growth guidance for FY26E.

BHFC

- Management targets to accelerate growth in high-return Indian verticals – defense, aerospace, advanced castings, and a growing electronics cluster – while concluding the review of its European steel forging assets.
- Utility vehicles now account for almost two-thirds of total market sales. Management expects this trend to generate opportunities in the medium term. However, it has also noted that recent US trade tariffs and the protectionist stance adopted by various nations will cause disruptions, leading to short-term pressure on BHFC's revenue and profitability in FY26.
- Going forward, BHFC plans to expand its global footprint with greater caution. India will become the center of gravity, with capital, engineering, and leadership focus aligned to areas where demand visibility, policy support, and supply-chain strength converge.
- Over the past 3-4 years, BHFC has invested significant capital to strengthen its overseas aluminum operations, scale up its Indian subsidiaries, and expand capacity in the domestic forging business. Majority of these investments are now complete, with FY26 capex focused solely on India.

apollo

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Results Update**



Report No. 2024000

- While Hungary's average tax rate stands at 9%, the same in the Netherlands is about 20%. However, despite shifting operations from the Netherlands to Hungary, the average tax rate is unlikely to materially change, as they are headquartered in Hungary and they procure from the Netherlands and supply to different locations globally from Hungary.
- Reifencom booked Euro 53m in revenues, which was 5% up YoY, and an EBITDA margin of 4%.

Guidance:

- APTY refrained from providing margin guidance due to volatility in macroeconomic conditions. There is no change from the previous capex guidance of INR15b, which includes INR7b for maintenance and INR8b for expansion.
- Gross margin may improve in future quarters on account of reduced RM costs; however, exchange rate uncertainty remains a major factor to look out for.
- RoCE target remains at 15%. European operations pulled down the company's returns, but management is hopeful about recovery in the coming quarters.



Ashok Leyland

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Detailed Concall Transcript &
Results Update



Ashok Leyland

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Outlook

- Management expects the domestic MHCV truck market to grow in 2Q, albeit over a low base of FY26. Further, given positive lead indicators (healthy fleet utilization levels, rising freight rates, reduction in interest rates and an ever ageing fleet), management is hopeful of a pick-up in demand during the festive season.
- Management expects the MHCV industry to post mid-single-digit growth for FY26, and LCVs a bit higher than that.

1Q key highlights

- AL's market share in MHCV goods has improved 130bp YoY to 31.3% in 1Q. Moreover, its share in the up to 7.5T LCV segment rose 120bp YoY to 12.9%, according to Vahan.
- In 1Q, the company added 23 MHCV dealers and 13 LCV dealers, largely in North and Central regions where it intends to ramp up its presence. With this, the total dealer count for MHCV stands at 1,073, and the same for LCVs stands at 851. AL targets to cross 2k total touchpoints by FY26-end.
- In servicing, AL is now ranked No. 1, and holds No. 2 position in customer and sales satisfaction survey.

Update on new launches

- Management indicated that it is preparing to launch a slew of new products in both MHCVs and LCVs. It is looking to launch 280, 320, and 360 HP variants in tippers, tractor trailers, and MAVs. Management expects to launch higher HP trucks that will feature the highest power and highest torque in the category. It will target to launch the same at a premium price position.
- It is also planning to launch its first LNG based CV soon.
- It will also launch 13.5mtr and 15mtr buses with a unique value proposition in the coming quarters.
- It will also unveil its first bio fuel product in the LCV range.

Update on defense

- 1QFY26 was an aberration due to the very high base of last year, with defense revenue at INR1.2b vs INR4b YoY.
- It already has orders worth INR10b and has won tenders worth INR20b.
- Hence, management remains confident that despite the decline in 1Q, the defense segment is expected to post double-digit growth in FY26 and sustain its momentum in FY27.

Capacity and utilization levels

- Capacity utilization stands at 75% for AL.
- Its bus body building capacity now stands at 950 units per month, which will increase to 1,650 units per month. They are seeing a higher demand for fully built vehicles now
- Its new plant in AP was inaugurated in 4QFY25 and has an initial capacity of 200 units per month.
- Further, its upcoming and most modern plant in Lucknow is expected to SOP in 3QFY26.
- It is also looking to enhance its bus capacity at the Trichy and Alwar plants.

Update on exports

- Export volumes in 1QFY26 grew 29% YoY to 3,011 units, marking one of the strongest quarterly performances in recent years.
- The GCC region posted a strong 60% YoY growth in 1Q.
- However, demand from Bangladesh, SAARC, and Africa was below expectations in 1Q due to adverse macro factors.
- Management highlighted ongoing efforts to diversify the export base by entering newer geographies and strengthening dealer networks in under-penetrated regions.
- Management expects its exports momentum to continue in the coming quarters.

Update on Switch

- Switch India reported positive PBT in 1QFY26, marking a key milestone in its path toward sustainable profitability. It targets to achieve PAT breakeven in FY26.
- Switch India had an order backlog of 1,500+ buses as of 1Q-end
- The shutdown of Switch UK operations at its Sherburn facility will be completed by early Q3FY26. Production will be shifted to other global facilities.

Update on OHM Mobility

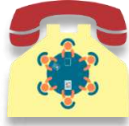
- OHM Mobility is currently operating more than 850 buses at 98% utilization levels. It has further added 200 buses in 1Q, and is on track to achieve its target of 2,500 buses by FY26E.
- Most of its projects are at healthy double-digit IRR.
- AI has invested INR3b in this subsidiary in 1Q. It had invested INR3b in FY25. These investments are sufficient to take care of OHM's requirements for FY26E.
- Post this, the company may consider alternate funding options for OHM, including unlocking value.

Update on Hinduja Leyland Finance

- HLFL reported an AUM of INR504b as of 1QFY26.
- Total Income in 1Q stood at INR18.6b and PAT stood at INR1.6b for 1Q.
- Its NNPA stands at 1.63%, and capital adequacy is at 18.2%
- HLFL has received an RBI approval for its merger with NxT Digital, with the remaining statutory and regulatory approvals already in process. According to management, HLFL listing is likely to take at least 3-4 quarters.



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Bajaj Auto

Neutral

Current Price INR 8,826

Result highlights

- While export revenue stood at ~USD500m in 1Q, spares parts revenue grew 19% YoY to INR16b.
- Input cost pressure was up 80bp QoQ (vs. earlier guidance of 100bp) due to a rise in AI and steel and OBD2 norms.
- Margins were impacted by weak domestic demand, unfavorable currency (INR/USD at 85.6 vs. 86.5 QoQ) and supply chain constraints on rare earth materials.
- BJAUT generated FCF of INR12b in 1Q and its surplus cash stood at INR170b.
- It has invested INR1b in 1Q and expects to invest INR6-7b in FY26.
- Cons. PAT rose 14% YoY (10% revenue growth) to INR22b and was largely driven by strong performance at BACL, which saw its PAT double YoY.

Outlook

- Given the positive on-ground fundamentals, management believes that 5-6% growth in the 2W industry is possible in the coming months.
- Management expects the impact of net material costs (cost less price hike) to largely be flat QoQ.
- Further, given that INR is again depreciating vs. USD, management expects some currency benefits in 2Q. However, BJAUT intends to use these benefits to target and recover some market share in the domestic market.
- Given the impact of rare earth metal shortage, BJAUT is likely to produce 50-60% of planned capacity for 2W EVs and 75% of planned capacity for 3W EVs in Aug'25, with a similar shortage seen in Jul'25 as well.

Domestic motorcycles update

- While the exact period of a demand slowdown in 2Ws remains unclear, management attributes the same to: 1) the advancement of the monsoon in many parts of the country, and 2) larger urban markets seeing greater slowdown than others due to rising inflation (especially around rentals). As a result, customers seem to be postponing their purchase decisions, which is more prevalent at a time when the festive season is around the corner.
- Management also indicated that the 100cc segment is facing challenges likely due to muted wage hikes, inflationary pressure and limited availability of financing.
- Given weak demand, most OEMs have launched tactical measures to gain share, especially in the 100cc market. BJAUT has refrained from doing the same, which has led to its market share loss in the segment.
- BJAUT has always been of the view that rather than competing in the 100cc segment, it would be worthwhile to upgrade entry-level customers to 125cc by launching affordable products in the segment. It is already working on an entry-level 125cc product (unlikely to be branded as Pulsar), which is likely to be launched soon and would help the company recover some of the lost market share in domestic motorcycles.
- Triumph is now present in 80 cities with 130 dealerships. recently launched a TV commercial around the Pulsar family.

Update on new ABS norms mandate

- Management has indicated that BJAUT would need about 12-14 months to get the supply chain aligned if ABS were to be made mandatory on all two wheelers.

- Also, cost implications due to the same are also likely to be high and would likely have a dampening impact on demand.
- The government is currently in discussion with industry stakeholders and they hope to come up with a positive resolution on this soon.

Update on exports

- Of the top 30 markets that contribute to 70% of emerging market demand, demand in 25 markets grew 17% YoY in 1Q. BJAUT outpaced these markets with 27% YoY growth.
- Latin America continues to be one of the key growth drivers for BJAUT. While Africa has now recovered from the bottom, macro uncertainties prevail, making it difficult to gauge demand sustainability here.
- In Brazil, the company has sold 7k units per month and would look to have a capacity of 50k units p.a. by FY26 end. Dominar and Triumph are doing well in this market. BJAUT has introduced Pulsar 150 for the delivery segment. It expects to ramp up presence in this market gradually in the coming years.
- Exports to the US are only from KTM and Triumph and these contribute to less than 1% of total revenue.
- 3W exports have picked up over the last few months, led by strong demand across all its key regions. BJAUT has introduced 3Ws in 23 different countries, which had never seen a 3W before.

Update on EVs

- Management indicated that EV adoption is following “scooterisation” trends in the sense that EV penetration has picked up in regions where scooter penetration is high and vice-versa for obvious reasons.
- Industry split for models priced >INR100k:<INR100k is 40:60, while the same for BJAUT is 85:15.
- In fact, BJAUT’s market share in the models priced >INR100k is 31% and it is a leader in this segment.
- Its market share in 2W EVs has improved to 21% from 12% a few quarters ago.
- BJAUT has now expanded the Chetak 35 series with a higher range, fast charging and higher boot space.
- In 3W EVs, BJAUT has a 35% market share and has reached a leadership position.
- BJAUT is looking to launch a product in the e-rik market as well, which is a 40k-unit per month industry. It will launch a lithium-ion based product with premium pricing relative to unorganized players.

Update on KTM

- The restructuring process is underway.
- BJAUT is in the process of seeking few regulatory approvals for completing the KTM acquisition. Once they are in place, the company would move to a controlling position and target to turn around the company.

Update on BACL

- BACL delivered over 2x growth in PAT to INR1.1b in 1Q.
- AUM increased to INR120b and it expects to end FY26 with AUM of INR190b.
- BACL’s penetration now stands at 40%.
- BJAUT has infused INR3b in BACL in 1Q.



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BHARAT FORGE

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Results Update**

Balkrishna Inds

Neutral

Current Price INR 2,421

- Given the uncertain tariff environment, the overall industry experienced a volatile ordering cycle in April. Management expects the ordering cycle to normalize once the complete tariff structure between all regions is in place.
- Europe volumes declined 20% YoY as the farm sentiment in Europe currently remains weak.
- Despite the adverse macro environment, BIL posted only a 3% YoY volume decline, which highlights the resilience of its business model, according to management. The company has outperformed its end market and is likely to continue its outperformance in the coming quarters as well.
- BIL's exports to the US are currently subject to a 10% tariff. Its end customer is absorbing about 60% of this impact, while the company is absorbing the balance. Management clarified that its competitive positioning remains unchanged even after the tariff levies by the US.
- Dealer inventory remains stable between 2 and 3 months.
- Carbon Black sales to third parties contribute 9% to overall revenues.
- Input costs are likely to remain stable QoQ in Q2.
- The Euro-INR rate for 1Q stands at INR93.6, while for the balance period, the hedge rate is closer to the ongoing spot rate.
- Despite the benefit of currency depreciation, management has maintained its margin guidance at 24-25% for FY26, citing an uncertain demand environment. Accordingly, management has refrained from providing any volume growth guidance for FY26E.
- Management has indicated that its export margins are about 50-100bp higher than those of the Indian business.
- Its rubber track expansion is set to commence SOP by H2FY26.
- As part of its diversification into the PCR/TBR segments, it plans to focus on niche premium segments, including radial. It aims to commence SOP for this project by Jun'26. The company is confident that it will outperform market expectations in this venture, citing a potential operational advantage over its peers.
- The advanced Carbon Black capacity is still in the trial phase and is expected to ramp up from Q4CY25 onwards.
- BIL currently has around 76 distributors for the core business. While there could be some overlap, it aims to set up a new distribution network for the PCR and TBR segments.

Bharat Forge

Neutral

Current Price INR 1,159

- CV exports declined 15% YoY to INR4.5b largely due to disruptions in North America caused by a pause in emission norm changes and the ongoing tariff uncertainties. Europe exports saw some revival after the lows seen last year.
- PV exports were up marginally by 5% YoY, driven by diversification efforts beyond North America. Non-auto exports declined 7% YoY due to slower growth in HHP engines, construction and mining, and seasonality impact in the aerospace business.

The screenshot shows a financial analysis report for Bharat Forge. It includes a table with various financial metrics such as Revenue, EBITDA, and Net Profit, along with a detailed text analysis of the company's performance. The report is dated 15th August 2025.

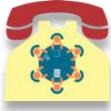
- Domestic revenue declined 9.7% YoY. CV business revenue fell marginally by ~2% YoY, largely attributed to market softness and seasonality in the beginning of FY26. PVs saw robust performance, growing 19% YoY, aided by new business wins and higher volumes at some of their key OEM customers. While non-auto was down 21% YoY due to high base of defense execution, it posted 28% QoQ growth, driven by better execution in defense and small one-time orders for machine tools.
- EU aluminum operations remained stable with fair utilization of 70%, delivering EBITDA of INR330m (margin at 3.1%, down 40bp YoY). US aluminum business saw a second consecutive quarter of positive EBITDA margins, at 6.1%, driven by operational efficiencies and better utilization of capacity to 70% of phase 1. The restructuring of European steel business is under consideration and a final decision is likely by FY26 end.
- The acquisition of American Axles is seen as another step in value addition for its product lineup as BHFC would get access to know-how on design and manufacturing of axles. With this acquisition, it gets access to supply components to LCV/SUV segments with a good RFQ pipeline. This acquisition should add INR10b to revenue. American Axles will produce products for highway and off-highway sectors.
- New business worth ~INR 9bn was secured in 1Q, which included INR4.29b from India business, INR2.69b from defense, and INR1.49b from JSA.
- Defense business has signed MOU with French company Turgis Gaillard to offer MALE unmanned aerial vehicles (AAROK) to the Indian defense ministry. The order pipeline consists of unmanned aerial, land and water drones, artillery systems, naval guns and carbines.

Outlook

- 2Q outlook remains cautious as the impact of the new revised US tariffs on Indian exports would be reflected in 2Q. BHFC expects demand to revive in 2H, based on customer feedback. Over the medium to long term, management stated that the primary focus will shift back to India operations from overseas, as India manufacturing will become more lucrative, driven by opportunities from machine tools and emerging sectors in the domestic market.
- US accounted for one-third of exports from Indian manufacturing in 1Q.
- BHFC does not plan to set up a manufacturing facility anywhere outside India in the near term. Competitive landscape remains stable since, among major competitors in BHFC's crankshaft business, India faces the lowest tariff rates from the US.
- Management expects strong growth of over 20% for the aerospace business in FY26, based on the order backlog.
- Defense business has an order backlog of ~INR95b in orders. BHFC has emerged as L1 for another tender to supply carbines with an order size of INR14b.
- Management aims to get into the server manufacturing business; however, this is still in the early stages and the primary focus would be on serving a niche customer base before scaling up capabilities and addressing the mass market.



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BOSCH

Neutral

Current Price INR 39,929

- In 1Q, demand was healthy in tractors and 3Ws. They saw subdued demand in PVs, 2Ws, and CVs.
- The NOx sensor required for the OBD2 application has been localized and is produced from its Bidadi facility. They would also use this line for exports. As per their strategy, Bosch Ltd would first focus on the Indian demand, and if there is spare capacity, they would look to export it to regions based on requirements. Continuously increasing its exports is one of its stated targets. Apart from Nox sensors, they also export products like spark plugs, a few injectors to OEMs in Europe.
- Bosch Automotive Electronics, its sister company, serves as a contract manufacturer for VCUs and electric coolant pumps for EVs. The sale of these products happens through the listed entity.
- For the EV business, Bosch is in discussion with many OEMs for various solutions, and the company hopes to see some order wins soon.
- Many developed regions continue to see a weak demand outlook for autos currently, given the uncertainty led by tariffs and an overall slowdown in their respective economies.
- The deadline for TREM V emission norms for tractors are currently on hold
- Its parent company in Germany has entered into an MoU with Tata Electronics to look at potential co-operation in products like semiconductors and OSAT. This MoU is for one year. Once there is some progress and if there are localization opportunities in the future, the listed entity may look to play a part in the same at a later stage.
- The company is in the early stages of development of hydrogen-based ICE systems. It is currently working with various OEMs towards technology maturity in the same field. However, requisite infrastructure needs to be developed in terms of the generation of hydrogen, storage, distribution, pumping, etc., for this technology to be commercially viable in the future.

CEAT

Buy

Current Price INR 3,195

Result highlights

- Overall volume growth for Q1 stood at 9% YoY, led by healthy growth in OEM, steady growth in replacement, and flat exports.
- The replacement segment recorded high single-digit growth, led by strong demand in the TBR segment, particularly from the mining and construction segments. CEAT also saw double-digit growth in 2W replacement demand (higher in scooters than bikes). However, PV replacement demand was muted, declining to low single digits
- The OEM segment grew in the early 20s, driven by strong new order wins. The farm tyre OEM segment grew in mid-single digits.
- In exports, demand was weak in Europe across both the PCR and TBR segments due to geopolitical headwinds.
- ASP declined QoQ due to an adverse mix in exports, led by: 1) weak demand in Europe (higher ASP/margin region), and 2) a one-time large private-label order with lower ASP.

The image shows a screenshot of a financial statement for CEAT. The document is titled 'CEAT' and includes a table with multiple columns and rows of financial data. The table appears to be a consolidated financial statement, possibly a balance sheet or income statement, with various line items and their corresponding values. The data is presented in a structured format with bold headings for different sections.

- EBITDA margin declined 60bp QoQ due to: 1) flat input costs QoQ; 2) weaker mix within exports; 3) partial absorption of tariffs in the US; 4) higher marketing spends due to IPL; and 5) weaker exports and replacement mix.
- Interest burden was high as average debt in Q1 was higher, with an average interest cost of 8%. Additionally, interest paid on security deposits accounted for 25% of the total interest burden.
- Share of profit from associates and JVs turned negative as the SL JV paid a dividend to the parent slightly exceeding the annual PAT, triggering withholding tax, which was adjusted in consolidated numbers.

Demand outlook - Domestic

- Management expects long-term demand for the domestic tyre industry to grow at a high single digit till FY31.
- For FY26, management expects to deliver double-digit revenue growth. It also expects continued strong growth in the replacement segment for 2Ws and CVs through the year. However, PV replacement is likely to remain muted. Overall, it expects to post high single-digit volume growth in 2Ws, mid single-digit growth in CVs, and low single-digit growth in PVs.
- OEM demand may taper off compared to Q1 levels. However, given the new wins and ramp-up in higher sizes, CEAT should outperform the industry. It expects to grow in high single digits in both PCR and TBR in OEMs.

Demand outlook - Exports

- Channel destocking has paused, likely leading to positive demand sentiment for the coming quarters.
- Management expects a gradual pick-up in agri and radial OEM demand in Europe over the coming quarters. It also expects the PCR segment demand to stabilize.
- In the non-specialty business, Africa witnessed demand growth, while challenges still persist in Latin America (currency depreciation) and the Middle East (key market for CEAT).

Market positioning

- In the two-wheeler segment, CEAT has established a strong position in the domestic market and continued to gain share in Q1. Given this, management does not expect quantum improvement in share from here. It continues to hold a strong share in the 2W commute segment. It is now focusing on the fast-growing higher cc segment (radial tyres), which currently accounts for 5% of the industry.
- In the PV replacement tyre segment, which is highly competitive, CEAT is nearing its all-time high market share. It has gained shares in both the replacement and OE categories in the PV segment in Q1. It is focusing on the premium segment, given its robust growth. This market currently accounts for 10-11% of the industry but is expected to improve to 25-30% in the next 3-5 years. Additionally, CEAT is likely to continue to witness strong single-digit growth in PVs going forward, according to management, based on its new order wins.
- It continues to hold a dominant share in PV EVs at 32%. It also has a strong presence in 2W EVs. Its share has declined to 12% but is expected to revive in the coming quarters.

Update on input costs

- International natural rubber prices have corrected by USD 200 to USD 1700 per MT. Given 60% of total rubber procurement for CEAT is from exports, it stands to benefit from this. However, the benefit is likely to be partially offset by rising rubber prices in India (to INR 200 per kg from INR 180 per kg) due to the demand-supply gap.
- However, even crude prices are lower at USD 69 per barrel. On the other hand, INR has appreciated vs USD by about 1%.
- Overall, management expects the raw material basket to reduce by 1-2% QoQ in Q2.
- With improving demand macro, the export mix is likely to improve in the coming quarters.

Update on Camso

- Management expects to close the Camso acquisition in Q2.
- Sri Lanka currently faces a 30% reciprocal tariff (this includes both tyres and tracks) on exports to the US, effective from 1st August, declining from the earlier 44%. With ongoing negotiations between the two nations, further reductions are expected.
- If tariffs remain unchanged, CEAT is planning to shift part of the tyre production to India to leverage any relative advantage for exports to the US. However, the track production will continue to be based in Sri Lanka.
- According to management, Camso holds no disadvantage compared to competition from China/Canada/Vietnam/India. However, the sharp tariff increase is likely to lead to demand weakness in the US.

Update on capex and debt

- Capacity utilization at CEAT currently stands at 80%+.
- The company has already invested INR2.3b in capex in Q1, which is in line with its annual capex guidance for FY26 of about INR9.5-10b (including maintenance). This includes the new capex approved by the Board worth INR4.5b for the PCR capacity in Chennai. However, capex outflow for this project is unlikely to be material in FY26E.
- Maintenance capex for CEAT stands at INR2-2.5b pa.
- Maintenance capex for Camso (including SL JV) is likely to be under INR1b for FY26.
- However, it intends to set up an upstream capex (INR1.5-2b, spread over two years) in Sri Lanka for Camso, enabling independent manufacturing of all tyre and track sizes.
- Consolidated debt currently stands at INR18.1b. Management expects this to inch up to INR35-36b by FY26-end. This will be driven by: 1) outflows related to Camso; 2) partial funding of capex; and 3) dividend payouts.



CIE Automotive

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CIE Automation

Buy

Current Price INR 403

India performance update

- Q2 revenue growth was 6% YoY, ahead of the ~5% blended average growth rate for the industry. While the 2Ws and 4Ws segments have posted 3-5% growth, the tractor segment continues to post higher growth. The reason for its outperformance relative to industry growth has been the execution of its order book, especially at CIE Hosur, which is now seeing a gradual ramp-up.
- Capacity utilization in the India business stands at an average of 75-80%
- They have recently hired new personnel for new business development, and the management is satisfied with the progress of the same. The order book at the end of H1 stands at INR6b (was INR3.5b at the end of Q1). They usually get around INR10b worth of orders every year.
- Exports stand at 12-13% of the India revenue. It has recently started exporting castings to US customers, and the company expects a healthy ramp-up from this segment from Q1CY26 onwards. Globally, CIE follows a local-to-local policy, and hence, exports are not one of their core growth drivers. It exports such products where it does not have much capacity elsewhere globally. Nevertheless, the export outlook remains uncertain given the ongoing tariff-led uncertainty in key markets.
- Management expects a steady improvement in the India business in the coming quarters on the back of the company's healthy order backlog and stable domestic growth in core segments.
- The margin impact on a QoQ basis is more of a mix impact (higher sales of stampings). There have been no one-offs in the India business. Management expects the India business to see margin improvement in the coming quarters on the back of normalization of mix and a pick-up in revenue. Management has guided for 17.5-18% margin range for the India business.
- They have no exposure to rare earth magnets. However, for their magnets business, they are seeing a marked increase in competition from China.

Europe performance update

- The PV and CV markets in Europe are weak and are likely to remain so in the near term. Demand is likely to continue to remain at current levels for at least the next couple of quarters.
- However, management has indicated that the sharp double-digit decline in Europe is now behind, and it does not expect revenue to go down further from current levels.
- OEMs are now indicating that they expect the market to recover by Jan'26. However, management is not as optimistic on the same as the outlook continues to be highly uncertain.
- Current capacity utilization in Europe stands at around 40-50%
- Given the weak demand in Europe, supply is much higher than demand, and a lot of companies are undergoing financial stress, as per management. This is likely to drive industry consolidation, and CIEINDIA is likely to emerge as a key beneficiary of the same
- The end markets for Metalcastello, viz off-highway and CVs, continue to see very low demand levels. Further, they had invested in a big ramp-up in several EV programs. However, given the ongoing slowdown, these plans have been

postponed at least for 2-3 years if not more. This is the reason they are undergoing restructuring in this business. They have so far given VRS to 30 of the total 200 employees in the company. On the back of these restructuring initiatives, they hope to recover margins in this business.

- Management has provided a recurring margin guidance of about 14-15% for Europe in the long run.

Other highlights

- They continue to be prudent on capex spends given the weak demand. However, they would need to invest in the new order wins in the India business. Hence, capex is likely to be close to 5% of revenues for CY25 as well.



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Particulars	Q3 FY26	Q3 FY25	Q3 FY24
Revenue	1,100.00	1,050.00	1,000.00
EBITDA	150.00	140.00	130.00
EBIT	100.00	90.00	80.00
Net Profit	70.00	60.00	50.00
Operating Profit	120.00	110.00	100.00
Operating Profit Margin	10.9%	10.5%	10.0%
EBITDA Margin	13.6%	13.3%	13.0%
EBIT Margin	9.1%	8.6%	8.0%
Net Profit Margin	6.4%	5.7%	5.0%

Craftsman Automation

Neutral

Current Price INR 6,886

Overall guidance

- Management has reiterated its earlier guidance for FY26 — revenue target of INR70b, EBITDA of INR11b, and EBIT of INR6.5-7b — despite industry headwinds and geopolitical uncertainties.
- Capex guidance for FY26 stands at INR8b, in line with the growth trajectory across segments. No incremental major capex is planned unless visibility improves; potential deferment if land sale is delayed or customer orders do not materialize.
- Consolidated net debt stood at INR24b, with net debt/EBITDA at 2.27x. This is expected to improve after the Gurgaon land sale, potentially valued at INR3.5b. Standalone net debt to EBITDA is higher at 2.87x due to borrowings for acquisitions and capex.
- Management expects India to become a central manufacturing hub for CV powertrains and stationary engines in the near future.

Update on powertrain business

- Margin reached 15.2%, driven by cost optimization and stable production post-maintenance investments.
- High single-digit growth expected in FY26; 4Q may see double-digit growth.
- India continues to emerge as a global powertrain hub.
- Within powertrain, utilization for CV business was at ~50-60% and farm and SUV at ~70-80%, while construction equipment capacity utilization was weak due to pressure from emission norms.

Update on aluminum business

- 1Q revenue mix for Craftsman/DR-Axion/Sunbeam stood at 35%/38%/27%, with 4W aluminum solutions accounting for 59% of revenue, 2Ws 35% and other vehicles 5%.
- Standalone aluminum revenue grew 56% YoY. Even after adjusting for alloy wheel contribution, core business grew 34% YoY.
- Margins improved due to operating leverage and optimization at Coimbatore and Bangalore plants.
- Capacity utilization was at ~75% and is expected to touch 80% during the festive season.
- The company continues to expect 20-25% CAGR over the next 3-4 years, with increased global customer engagement.

Update on Sunbeam

- Sunbeam reported revenue of INR2.91b in 1QFY26. About 50% of manpower cost has already been reduced, with future cost optimization expected through automation and layout improvements.
- Operations at the Gurgaon plant were ceased in May'25, and machinery has been relocated. The relocation cost was INR82m. Gurugram land sale is targeted for FY26, pending completion of formalities and value maximization efforts.
- No major incremental capex is planned; focus is on improving productivity and margins.

Updates on alloy wheel business

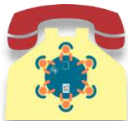
- Bhiwadi plant reported INR500m in revenue in 1QFY26, up 20% QoQ. It is now EBITDA-positive but yet to turn EBIT-positive. The plant is expected to achieve the full ramp-up in 3-4 quarters, with improving margins and overheads shared with Sunbeam.
- Greenfield project at Hosur is targeted to be operational by 3QFY26, with smoother commissioning expected in comparison to Bhiwadi.
- Combined revenue potential of INR8b p.a. from both alloy wheel plants expected by FY27.

Update on storage business

- Storage automation expected to grow 15% YoY, albeit at modest ~4% EBITDA margins.
- It remains a capital-light, scalable business, with potential margin upside in the medium term.



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Eicher Motors
Q1 FY26 Financial Results

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue	2,910.00	2,450.00	2,100.00
EBITDA	150.00	100.00	80.00
EBIT	100.00	50.00	30.00
Profit After Tax	80.00	40.00	20.00
EPS	8.00	4.00	2.00

Eicher Motors

Sell

Current Price INR 5,940

Royal Enfield update

- Royal Enfield reported a strong 14.7% YoY growth in volumes, supported by a 41% surge in exports. Domestic sales rose 11.8%, led by a broader portfolio appeal and distribution push into non-urban geographies. Rural sales' contribution has increased to 50% from 32% over last few years, underlining the success of deeper market penetration and tailored financing.
- Younger buyers continue to fuel RE's growth story. With the Hunter 350 driving appeal among Gen Z and first-time buyers, the brand's average buyer age has dropped significantly, and now nearly two-thirds of RE's customer base is under 35 years. This demographic shift is supported by targeted community events like Hunterhood and a product design philosophy aligned with urban mobility and lifestyle preferences.
- Shortage of rare earth materials have impacted production of models like Scram and Himalayan 450. Alternative sourcing strategies have normalized supply, ensuring stable production going forward.
- Despite cost inflation, RE has limited price hikes (only a modest ~1.15% increase in Apr'25), preferring to absorb margin impact in favor of scale-driven growth.
- In exports, RE continues to entrench itself in the mid-size segment. With Brazil and Argentina seeing rapid volume traction post CKD localization and channel ramp-up, RE is now among the top three players in key Latin American markets. The Himalayan 450 launch in Brazil has received overwhelming response, supporting brand momentum overseas.

- Credit penetration stands at 61%, and RE's internal financing platform is now active in over 575 dealerships. This has significantly improved dealer throughput and rural conversions.
- RE is also preparing for the EV transition. Its first electric motorcycle is production-ready

VECV update

- VECV maintained its industry-beating growth trajectory in Q1FY26, with volumes up 9.7% YoY and revenue growth of 11.8%, outperforming broader CV sector trends. Gains were led by strong execution in the bus segment (up 15% YoY), revival in institutional demand, and continued gains in the LMD category.
- The company now commands over 36% share in the LMD truck segment, a category where it has established dominance through robust after-sales support, modular platforms, and rural-focused product lines. In HD trucks too, VECV clocked its highest-ever market share at 9.1%, underscoring product competitiveness.
- EBITDA margin expanded to 9%, marking a 140bp YoY increase on the back of a better product mix, lower discounts, and improving operating leverage.
- However, PAT declined 10% YoY to INR2.9b.
- VECV export volumes grew 20% YoY, and the company is scaling presence in African, ASEAN, and Middle East markets.
- Network expansion continues to be a structural driver for VECV's outperformance, with over 100 new service points added across Tier 2/3 cities over the past 18 months. This has led to greater reach and higher customer retention rates.



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Endurance Technologies

Buy

Current Price INR 2,860

Update on ABS and braking systems opportunity

- ENDU's current ABS capacity stands at 640k units p.a., of which it is utilizing 400k units p.a. for single-channel ABS being supplied to BAL and RE. Thus, it has about 13% share in the current ~3m industry.
- Its dual-channel ABS final testing is ongoing and the expected SOP of the same is 2QFY26. This will enable ENDU to ramp up the balance 240k-unit capacity for dual-channel ABS.
- Once ENDU receives the approval for dual channel from its core customers, it targets to increase the capacity by another 2.4m units p.a. by Mar'26.
- MORTH has proposed a new safety requirement for 100% use of ABS on all 2Ws above 4kw motor power w.e.f Jan'26. When this regulation is finalized and notified, management foresees a huge opportunity for ENDU in the braking systems business.
- This would open up a market of almost 22m units of domestic 2Ws (almost 10x growth from current levels). At this higher volume, ENDU now targets 25% market share in ABS initially.
- Further, higher ABS usage would also mean a higher requirement of disc brakes. Given that ENDU is a market leader in 2W disc brakes (43% share in disc brake systems and 60% share in brake discs), it is likely to emerge as a major beneficiary.

- Management is confident that this regulation will come, even if it is with a lag. Hence, it has already started investing in capacity additions to take the benefit of this opportunity.
- As a result, ENDU is planning to increase its disc brake capacity at Waluj and increase its capacity in the Chennai plant (for disc brake assembly) to cater to South-based customers like TVS, RE and Yamaha. These new capacities are likely to come on stream by Mar'26.

Snapshot of order wins in 1QFY26 – excl. BAL

- ENDU won orders worth INR2.5b in 1Q, of which INR2.47b were new orders (excluding the INR3b p.a. battery pack order). It has received these orders from OEMs like RE, TVS and MM.
- Cumulative EV orders so far stand at INR8.6b; including BAL, they stand at INR10.2b.
- Overall, total order wins since 2021 stand at INR49.5b, of which new business accounts for INR39.8b. Of these orders, INR14b worth of orders have seen SOP in FY25, another INR11.5b will see SOP in FY26 and the balance would commence in FY27-FY28.
- For EVs, ENDU received an INR3b order for 4W EVs from four renowned international customers, including Valeo and Yazaki.

Update on suspensions

- ENDU remains the market leader in 2W/3W suspensions in India.
- In 2W inverted front forks, ENDU is by far the market leader. It is already a big supplier to BAL and KTM and has received orders from TVS and HMCL. Recently, it has also won a new order from a leading Chinese 2W OEM for inverted front forks and rear mono shocks. SOP for this order is likely to start in 3Q-4QFY26 and is likely to peak in FY27.
- Further, supplies for KTM had sharply reduced in the recent past. With BAL taking over KTM, supplies are expected to normalize in the coming quarters.
- It has now tied up with a Korean entity for the entry into 4W suspensions in India and is actively pursuing new business with multiple OEMs.

Update on AI forgings opportunity

- ENDU had started this product as a backward integration option for inverted front forks. This is now evolving as a good business opportunity in different segments.
- The JLR order is expected to commence in Jan'26.
- ENDU has also recently received an order from RE and HMCL for the supply of AI forgings.
- It now sees this as a key area for future growth.
- ENDU is setting up a new plant for this business and expects to relocate the current setup in the new plant.

Update on Transmissions business

- ENDU has received an order from HMCL to supply 100k units of clutches per month, for which SOP will begin in 4QFY26.
- Similarly, it has received an order for the first slip assistance clutch (in partnership with Adler) from RE, which will start from Sep'25.
- ENDU has also received its first order for 4W drive shafts, for which testing has already begun.

Update on first order in 4W brakes

- ENDU has won its first order for 4W drum brakes from TTMT, for which SOP will start in 4QFY26.
- Although it is a small order worth INR250m pa, it is critical as it marks ENDU's entry into this segment with a huge opportunity for growth in the long run.
- It aims to get into advanced braking systems like ESP in collaboration with BWI. However, ENDU is cognizant of the fact that the lead time is high in such safety-critical products for 4Ws.

Update on Maxwell

- In 1QFY26, ENDU purchased the remaining 38.5% stake in Maxwell and now owns 100% of the company.
- At Maxwell, ENDU is getting BMS orders for motorcycles, 3Ws, tractors and EVs used in airports for cargo handling.
- ENDU is working on orders worth INR1.56b at Maxwell, which are expected to reach a peak by 1QFY27. It is also working on further leads worth INR1.5b.
- For the same, ENDU is setting up two high-speed surface-mounted lines.

Update in Maharashtra Incentive

- The company has received an eligibility certificate to apply for Maharashtra government incentives worth INR6.06b for capex incurred as of FY25. As a result, ENDU has booked an incentive of INR329.1m in 1Q.
- ENDU would look to apply for the eligibility certificate to receive incentives for capex incurred in FY26 soon.

Update on Europe

- ENDU has consolidated Stoferle in Apr'25. Stoferle revenue stood at EUR22.9m in 1Q and EBITDA at EUR4.5m, translating into EBITDA margin of 19.6%.
- The market outlook for Europe continues to be challenging.
- Further, most regions are awaiting the government's stance on EVs, which is also leading to a postponement in purchases by customers. Spain is the only market that is growing in double digits as its government has introduced incentives for EVs.
- In Europe, ENDU has won a new order worth EUR2m for a specialty plastics unit in EVs.
- The total cumulative order book stands at EUR231m, with EUR196m of new orders. Of these orders, SOP for orders of EUR65m started in FY25 and SOP for EUR35m will begin in FY26. SOP for the bulk of the remaining orders is expected in the next two years.

Update on new capacity addition and capex guidance

- ENDU has so far incurred a capex of INR2.86b in 1Q.
- It intends to invest INR8b in the standalone entity in FY26 and the capex is unlikely to reduce even in FY27 given that ENDU foresees significant growth opportunities in different segments.
- From the Auric Shendra plant, ENDU has already received orders from Valeo to supply motor housings, which would eventually be used in M&M EVs. In this die casting facility, ENDU targets to have capacity from 1,100t-2,500t of castings. SOP for the same is expected in 4QFY26.
- Investments in the 2W alloy wheel facility at Auric (Bidkin) is also on track with a planned capacity to produce 3.6m units p.a., which is almost fully booked. SOP for this is expected in Aug'25.



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Escorts Kubota

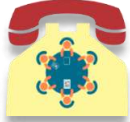
Neutral

Current Price INR 3,624

- **Domestic tractor industry** volumes grew 9% YoY to 286k units in 1Q, with North and Central regions slightly up 0.5% and the rest of India substantially up by 19.3%. However, domestic volumes fell 2% YoY to 28,848 units with a market share of 10.5%. Dealer inventory currently stands at ~five weeks.
- Export grew strongly by 80% YoY to 1.7k units on a low base. Exports make up ~6% of ESCORTS' total volumes. Tractor export growth guidance stands at 25-30% in FY26, led by new product launches and Kubota network access. Exports through Kubota's global network formed 52% of total export volumes.
- **Domestic tractor outlook:** 2HFY25 saw 15% YoY growth in tractors. Given this high base, management expects the industry to remain flat or post marginal growth in 2HFY26. Hence, management expects the tractor industry to post 4-5% YoY growth in FY26. Also, the outperformance of ESCORTS weak markets, South and West, is likely to cease in 2H as it will be in the base. Hence, ESCORTS expects to marginally outperform the industry or grow in line in 2H. Overall, ESCORTS expects to post some growth in tractor volumes for FY26.
- ESCORTS launched the PROMAXX series under the Farmtrac brand (30-50 HP) to strengthen its presence in Gujarat, Maharashtra, Chhattisgarh, Odisha, and MP. It has recently launched the Kubota MU series in the 41-50HP category, and its effect will be seen from 2Q. The Wetland series will be launched in the coming quarters under the Powertrac brand.
- Kubota currently operates predominantly in the South region, whereas Farmtrac operates in the North region. Current focus is to strengthen weaker markets for each of the brands to grow the overall brand of ESCORTS.
- Non-tractor revenue (spares, engines, implements) contributed ~21% of agri machinery revenue. Farm implement revenue stood at ~INR6b in FY25, with expectations to grow further this fiscal. Harvester sales grew >30% YoY; however, as these are currently imported, margins remain under pressure. Localization efforts are underway and expected to support margin improvement in the medium term.
- **Construction Equipment:** CE revenue declined 21% YoY to INR30.1b. Volume declined 24% YoY, which led to margin pressure. EBIT margin fell to ~5.8% (from ~10% YoY). Three new product launches are planned to revive growth in 2HFY26. Crane segment outperformed the industry, resulting in market share gain of 150bp to 41%, and mini excavators gained strong traction of 600+bp YoY, reaching ~19% market share.
- **Railway Equipment** (discontinued operations): ESCORTS completed the sale of its Railway Equipment division to Sona Comstar for INR16b, resulting in a one-time post-tax gain of INR10b.
- The company also sold ~33,000 sq. yards of land for INR1.1b to Sona Comstar, where its spare parts operations were housed (now being relocated), and received an exceptional gain of ~INR759m.
- **Greenfield plant:** ESCORTS is pursuing a greenfield expansion plan and is evaluating land acquisition in Uttar Pradesh, following the cancellation of its Rajasthan facility plans. There have been delays in acquiring the land from the farmers by the UP government; however, this should be resolved in the next month or so. Management expects to close out the acquisition by FY26 end after conducting the required due diligence on the land.



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Happy Forgings

Buy

Current Price INR 949

CV business update

- CV revenue now accounts for 39% of HFL's total revenue vs. 42% earlier. CV revenue declined in mid-single digits YoY in 1QFY26, impacted by demand weakness in Europe. CV OEMs in Europe reported ~8-10% YoY volume drop this quarter, falling for eight consecutive quarters. Further, India MHCV segment production was flat, while sales declined by 4% YoY in 1Q.
- Despite new order wins, HFL was able to only marginally outperform CV industry growth in 1Q due to the loss of market share for one of its key OEMs in the segment.
- It has a healthy pipeline of orders for future quarters, which includes one large order for CV crankshafts. Additionally, HFL has negotiated a deal with a CV client who is setting up a complete transmission plant in India. This deal is expected to boost volumes in the future.
- Management expects to outperform the domestic CV industry in 2H on the back of its new order wins. Revenue growth guidance for domestic CVs stands at high single digits.
- CV exports currently make up close to 50% of HFL's total exports (~9-10% of total revenue). CV outlook in Europe remains weak, with expectation of 10% decline in CV production in CY25.

Tractor business update

- Farm equipment accounted for ~32% of total 1Q revenue (flat YoY). Domestic tractor sales grew 9% YoY (production up 13%), supported by a good monsoon outlook and improving rural sentiment. However, HFL has slightly underperformed the industry growth in 1Q. Management indicated that it is likely to be due to OEM-specific issues.
- Considering positive rural sentiment, HFL expects the momentum in the domestic tractor industry to sustain at least till Diwali. Overall, it expects the industry to post 4-7% growth in FY26.
- However, the US and Europe markets declined in high single digits. Large OEMs expect a 5-15% volume drop in CY25.
- The direct export segment makes up only 1% of total revenue. However, total tractor exports (indirect/deemed) contributed to close to 10% of revenue. Despite the decline in end markets, HFL's CV export revenue remained flat YoY.
- In 1Q, HFL won new orders from two large European OEMs, including an order worth INR2.5b (INR500-600m p.a.) from the largest tractor OEM in Europe. HFL is in an advanced stage of getting another order from another large European OEM. Given the ongoing tariff issues, these are expected to be direct export orders for HFL.

OHV business update

- OHV contributed ~10% of total 1Q revenues. This segment saw mid-single-digit YoY decline due to soft demand in India and globally. Domestic construction equipment industry fell in mid-single digits on delays in road, mining, and infrastructure projects; Europe/US markets dropped 10-12%.

PVs business update

- PV contribution rose to 6% of total 1Q revenue (vs. 3% in 1QFY25), driven by the ramp-up of dedicated lines for key SUV platforms. This remains its key growth

driver and is on track to reach 8-10% of revenue in two years, with a planned scale-up and capacity expansion (INR800m planned in FY26).

- Direct exports to the US contribute to about 3-4% of revenue. However, current orders are such that the tariff impact will be borne by OEMs, as per management. Thus, while HFL does not see any tariff-related impact on PV segment, the resultant slowdown due to this measure is a real risk that needs to be monitored going forward.
- HFL is also working on a few new products for its North American customers on the suspensions side.

Industrial business update

- The Industrial segment's contribution stood at 13% of total 1Q revenue, with strong growth led by domestic demand in wind energy, power generation and oil and gas sectors.
- Industrial exports contributed to about 5-6% of revenue.
- Growth is expected to accelerate after the commissioning of the INR6.5b heavy-press capacity in FY27, which will cater to high-value, large-sized components for oil & gas, defense, marine, mining, wind, and power generation, with ASPs expected to rise and margins above current levels. While HFL is getting a lot of enquiries, global OEMs are waiting for this plant to be commissioned before awarding HFL new orders.
- A key order win was an INR6b deal for wind energy installation. The SOP for this would be Jan'26. The wind shafts used for this order range around 150-300kg. Another large order of INR1.8b for fully machined products for data centers is in the pipeline as well, for which capex is ongoing. In defense, HFL has started participating in tenders and quoted for certain projects.

Update on capex

- A 6,300-ton press commissioned in FY25; a 4,000-ton press under installation for PV orders. Another 10k-ton press would be installed in FY26. After this, capacity would increase to ~150k MT p.a.
- Forgings utilization stands at 59% in tonnage terms and it has another 18-20% capacity available for growth. The utilization of the 14k T press stands at 46-48%.
- The planned capex for FY26 stands at INR3b, excluding the solar plant investment (INR600-700m for solar CPP with four acres of land already bought). INR1.2b has already been invested in capex in 1Q.



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Hero MotoCorp

Current Price INR 5,136

Buy

Domestic 2Ws – industry update

- The company had taken a planned shutdown in four plants (Daruhera, Neemrana, Gurgaon, and Haridwar) in April for around five days to resolve supply chain issues. HMCL also timed this with the maintenance activity. The impact of this shutdown was felt this quarter with lower volumes reported (down 11% YoY); however, the numbers have since normalized.
- The domestic 2W industry saw a mixed performance in the first four months of FY26. April and May saw strong growth driven by the marriage season and improved rural demand outpacing urban. However, momentum slowed in the months of June and July, primarily due to the early onset of the monsoon.

The image shows a screenshot of a financial report for Hero MotoCorp. The report includes a table with columns for 'Q1 FY2024', 'Q2 FY2024', and 'Q3 FY2024'. The table lists various financial metrics such as Revenue, Profit, and Earnings Per Share (EPS). The report also includes a section titled 'Management Discussion and Analysis' which provides a detailed overview of the company's performance and future outlook.

- HMCL's retail 2W market share in 1Q improved 100bp QoQ to 30.9%, driven by strong performance in entry and 125cc segments.
- Despite the recent slowdown, HMCL expects a rebound in demand during the upcoming festive season, supported by positive macro conditions such as lower inflation, the RBI rate cuts, and a favorable monsoon. Management maintains its 6-7% volume growth guidance for the industry and expects to outperform industry growth on the back of its new launch pipeline.
- Management has indicated that there should not be any material net cost increase QoQ in 2Q as the slight increase seen in input costs is likely to be offset by price hikes and cost savings. Margin guidance maintained at 14-16% over the long term, however, the same is likely to be at the lower end of the band in the near term.
- New launches for HMCL include two 125cc motorcycles planned for 2Q, Xoom 160, cosmetic refreshes in Xtreme 125R to reignite interest, and one new launch from the Harley partnership.
- In the 100cc segment, they launched an upgraded HF Deluxe Pro, which has led to an 800bp improvement in market share in the entry-level segment. With multiple segment-first features, HMCL plans to blend affordability and aspiration in the entry segment with the launch of this model.
- While the sporty 125cc segment faced headwinds at an industry level, Xtreme 125 continues to gain share in this segment.
- ICE scooter market share improved sequentially to 6%, led by the successful launches of Destini 125 and Xoom 125. It hopes to further improve the share with the upcoming launch of the Xoom 160.
- HMCL is scaling up its Premia channel, which currently stands at ~125 stores covering 45% of its premium industry footprint.

Update on EVs

- EV business witnessed a robust scale-up, achieving its highest ever EV market share of 7% (doubling YoY). It has further improved to ~10% in July, led by strong customer traction for the VIDA product range.
- The launch of VIDA VX2 in July marked a move towards the Battery as a Service (Baas) model, which is an industry first. This is expected to reduce the upfront TCO for EVs with customers paying a fixed per-kilometer rate for batteries, and thereby attracting new customers and driving EV adoption. Their subscription plans would be based on customer usage patterns. The Vida VX2 Go is planned to launch with a 2/3 year battery subscription plan, while the VX2 Plus will incorporate a 2/3/5 year subscription plan.
- HMCL's EVs are now available in 600+ touchpoints across 400+ cities.
- The company received PLI certification for the VIDA V2 Pro in July and is working to secure the same for other models.
- Despite industry-wide concerns for rare earth supply, management has stated that it has secured supply requirements for 2Q for both ICE and EV models, and is continuing to work on long-term alternatives.

Update on Exports

- Global business continued its robust performance with a 27% increase in YoY dispatch in Q1, with an even stronger retail growth. Currently, it is focused on 10-12 key global markets with tailored products aligned to the specific needs and preferences of the customers.

- They plan to grow exports by 40% in FY26, with a target of 10% of total revenues and volumes from their global business in the medium term.

Other Highlights

- HeroFincorp's financing penetration had dipped in 1Q primarily due to seasonality, as 1Q demand is largely driven by the marriage season with cash purchases. However, its finance penetration has normalized back to ~65% in July. However, elevated NPAs and rising credit costs have led to a loss at HFCL in 1Q. However, this is likely to reverse with the reduction in interest rates, as per management. HeroFincorp loan book currently sits at INR54.73b.
- Inventory is currently sitting at ~7 weeks and is expected to build further ahead of the festive season.
- First-time buyer share increased to ~74% in 1Q, from 71% earlier.
- The Government has floated a draft proposal making ABS mandatory for all scooters above 50cc, EVs above 4kWh, and motorcycles above 100cc from June 2026. This is likely to dampen demand given the likely cost increase. However, OEMs are working with regulators to propose alternative safety solutions with realistic implementation timelines.



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Hyundai Motor

Buy

Current Price INR 2,485

- Revenue: Sales have declined 6.1% YoY, but exports have shown a growth of 13% YoY, contributing to 27% of the mix.
- Exports to Africa grew 28% YoY, and exports to Mexico rose 14% YoY. Management has indicated that HMI's exports in 1H are better than in 2H. Exports growth guidance has been maintained at 6-7% for FY26E.
- Exports ASP is down QoQ as the company received a few fleet orders for Aura/Verna, for which HMI had to offer some discounts
- Demand: Domestic PV demand remains challenging. June has been the lowest TIV month for the last 30 months (excluding December). Management is hopeful of a pickup in demand due to the 100bp interest rate cut, the upcoming festive season, and healthy monsoons.
- Average discounts in 1Q stood at 3.4% of ASP, up from 2% in 4Q
- Volume mix: SUVs have continued to gain traction and stood at 69% of total sales.
- Fuel mix: Highest ever CNG mix at 16% (from 11.4% earlier), driven by dual cylinder technology and other product interventions on CNG. EV contribution stood at 1.4% in 1Q. Model-wise CNG mix: Aura: 89%, Exter: 30%, Nios: 18%.
- Increase of CNG and EVs in the product mix has helped the company achieve CAFÉ norms. HMI's CAFÉ target for 1Q was 117.286, and the company managed to achieve 112.856.
- Rural contribution for HMI stands at 22.6% compared to 19.9% in 1QFY25 and 20.9% for FY25 as a whole. SUV penetration, even in rural regions, stood at 68.8% for HMI.
- First-time buyer mix for HMI has gone from 32% in 2022 to 40% in 2025. For Creta, the same stands at 32% and for Venue at 45%
- Customer Base: 44% of HMI customers are salaried employees, and 16% of them are Government employees. Thus, HMI expects to be among the major beneficiaries of the upcoming pay commission payouts.

- About 47% of HMI's network is in rural regions. In order to increase its rural penetration, every 7 in 10 new outlets are being opened in rural regions by HMI. HMI is now present in 75% of the districts in India
- Localization: The localization levels have reached 82% currently (localized sunroof last year) from 78% in 2024. Management will continue to work on many localization opportunities, especially in EVs
- Pune plant (Talegaon): Engine production has started in mid-June this quarter. The car assembly capacity setup for production of ICE and EVs is expected to commence in 3Q.



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Mahindra & Mahindra

Buy

Current Price INR 3,394

Auto update

- In SUVs, MM posted a robust 22% YoY growth to 152k units despite a weak demand environment.
- In the auto segment, its revenue market share improved 570bp to 27.3% in 1Q. Also, their LCV share (<3.5T segment) has improved by 340bp YoY to 54.2%
- E-SUV penetration for MM stood at 7.8% vs. 5.6% for the industry. MM's E SUV market share improved to 31.8% after the launch of its new BEVs.
- MM continues to maintain its leadership in 3W EVs with a 38.7% share
- A new multi-energy platform that will support petrol, diesel, hybrid, and EV variants will be unveiled on August 15, 2025. It is currently scouting for a location to set up a greenfield for the same.
- ICE SUV capacity stood at 55k units, and the utilization was around 80%. EV sales are expected to ramp up to 5-6k units by the festive season. It expects these to ramp up further after the new launches scheduled for Jan'26. MM plans to launch seven BEVs by 2030, with two slated for debut in 2026.
- MM continues to maintain its growth guidance of mid-to-high teens for UVs in FY26E on the back of healthy traction seen for most of its models.
- It expects rising steel prices to drive cost inflation in the coming quarters.
- MM has not accrued PLI benefit in 1Q and expects to receive its final PLI certification for the XE 9E by 2Q-3QFY26. It hopes to apply for the same for BE 6E in 4QFY26.
- MM has an adequate rare earth inventory, at least for the next two quarters, and hence it does not expect any production disruption. It has explored substitutes such as light earths and ferrites as alternates for rare earth materials.
- MM would continue to invest in brand, channel, and market creation in key export markets. The launch of XUV 3XO in South Africa has received a very good response. They have also recently launched the same model in Australia. In South Africa, they are already amongst the top 10 OEMs and amongst the fastest growing in the region.

FES segment update

- MM's 1Q volume grew 10% YoY to 133k units.
- Tractor share also improved 50bp to 45.2%.
- The farm machinery business has delivered 17% YoY growth to INR3.1b in revenues. It has now changed its strategy in this business to reasonable growth

without diluting margins. In the rotavator segment, its market share now stands at 25%. Further, it has now reached a 5-6% share in the harvester business. The company is now happy with the current run-rate in this business.

- The consolidated farm segment has posted just 6% EBIT growth due to the impairment taken on its subsidiary Sampo (Finland). Management has taken impairments in this entity in 4Q as well, but it doesn't expect the same to continue going forward. Ex-impairments, Farm EBIT growth (consol) would have been 18%
- On TremV, an expert panel has been in place, and they have recommended implementing the same based on segments. However, management awaits clarity on the timeline of implementation.



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Maruti Suzuki

Current Price INR 14,212

Buy

- **Industry outlook:** Domestic PVs saw weak demand in 1Q (down 1.4% YoY), as the participation of first-time buyers has declined mainly due to affordability issues, especially in the entry-level cars. However, management is hopeful of a demand revival in PVs in 2Q-3Q, led by the festive season and positive rural sentiment. Management expects to outperform industry growth on the back of two SUV launches coming up in 2Q.
- The company has two launches lined up for FY26 in the SUV segment, of which one will in the EV segment and the other in the non-EV segment.
- Consumer preference continues to shift toward SUVs and MPVs, which led to an increase in the SUV mix to 55% and MPVs to 11% of total sales in the industry.
- Retail sales stood at 380k units and were down 3.7% YoY, lower than wholesales.
- **Inventory and discounts:** Dealer inventory by 1Q end for MSIL was normal at 33 days. Discounts remained flat on a per-vehicle basis QoQ, whereas peers saw a rise in discounting QoQ.
- **Rural-urban mix:** Rural markets continue to perform better than urban markets due to the early onset of monsoons.
- For MSIL, CNG mix stands at around one-third.
- **Exports:** MSIL posted strong 37% YoY growth in exports in 1Q, while the industry (excl. MSIL) saw a 2% decline. Export mix improved to 18% for MSIL. Japan becomes MSIL's second-largest export market, with models like Fronx and Jimny seeing strong demand. Management expects its export momentum to improve further with the launch of e-Vitara, which is slated to be launched in around 100 regions globally. Export revenue stood at INR65b in 1Q.
- While Grand Vitara volumes have declined in the recent past, MSIL is optimistic about its volume pick-up with the launch of the CNG upgrade.
- **Business performance:** Positive factors contributing to the margins were favorable mix (30bp) and lower advertisement cost (60bp). On the other hand, negative factors that led to margin pressure were: Impact of Kharkhoda greenfield plant (30bp), adverse commodity prices - Steel (40bp), unfavorable operating leverage (60bp), forex (40bp) and higher employee expenses (50bp) on account of seasonality. Further, lumpy costs in 4Q (90bp) were reversed in 1Q, on expected lines.

- **Higher non-operating income:** Other income significantly increased due to MTM gain on forex and commodity hedges and prudent treasury management.
- SMG has accrued interest income of INR400m from its investments.
- FY26 capex guidance is unchanged at INR100b.
- MSIL expects CAFÉ norms to be finalized in the next couple of months so that OEMs can prepare for them, which will be implemented in Apr'27. Given the multiple supply chain/infrastructure challenges in EV transition, a multi-fuel approach to meet CAFÉ norms is likely to be the best way forward, as per management.
- **Availability of rare earth magnets remains a challenge for the industry, including MSIL, and the company is managing its supplies so far.**



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Motherson Wiring

Buy

Current Price INR 43

- Revenue grew 14% YoY to INR24.9b on the back of the commencement of two new greenfields. Excl. these greenfields, revenue was up 7% YoY, ahead of PV industry growth of 3% YoY, reflecting strong content growth and presence in new model launches. Both PV and 2W segments saw weak demand in 1Q. However, management indicated that MUSMI has presence in several new upcoming launches even in the 2W and PV segments.
- Revenue contribution from greenfields stood at INR1.56b in 1Q. Of the three greenfields, the Maharashtra and Gujarat plants have commenced operations, while Haryana is expected to commence from 2Q onwards. The ramp-up of both Gujarat and Maharashtra greenfields has been delayed due to delays at customer end amid the shortage of supplies of rare earth magnets due to a delay in approvals from China.
- All three plants together are likely to have employee strength of ~7k at peak production.
- The jump in staff costs in 1Q was due to the addition of employees at these greenfields.
- The share of EVs in revenue increased to 5.4% in 1QFY26. In PVs, content increase in EVs is 1.5-1.7x higher than in ICE, as per management.
- Capex guidance for FY26 stands at INR2b.

Samvardhana Motilal Oswal

Buy

Current Price INR 98

- EBITDA margin stood at 8.1% (vs. 9.6% YoY), reflecting structural challenges in Western/Central Europe, FX volatility, geopolitical tensions and greenfield start-up costs. Management believes that this impact is transient in nature and expects a much better performance in 2H and FY27 once the impact of its cost-cutting measures (mainly in modules and polymers business) is visible and the greenfields ramp up (Consumer Electronics).
- Emerging business margins declined 380b YoY to 8.4% due to: 1) start-up costs of greenfields at Consumer Electronics division; 2) seasonally weak quarter for aerospace division, CVs and metals; 3) integration of Atsumitec, which is margin-dilutive, but the performance would start improving as integration benefits kick-in in the coming quarters
- Three greenfield plants were operationalized in 1QFY26 (two automotive, one non-automotive); 11 more are under various stages of completion. Consumer Electronics greenfield (phase 1) received customer approval in 2QFY26, with production schedules awaited. Other SOPs include Wiring Harness (2QFY26),

Technology & Industrial Solutions (4QFY26), Aerospace (two plants in 4QFY26), and multiple Modules/Elastomer facilities in FY27.

- The second facility in the Consumer Electronics division is expected to commence production in a couple of weeks. These two facilities together would ramp up to 16-17mn units p.a. by FY26 end. This will position the segment as a key growth driver in the company's non-automotive portfolio. SAMIL has not seen any reduction in orders from OEMs in this business despite the uncertainty around US tariffs.
- Capex guidance is maintained at INR60b for FY26 aimed at capacity addition and backward integration, which should aid margins in the future. Additionally, SAMIL is undertaking certain business transformative measures in Europe to realign operations to the challenging macro, which should drive cost savings worth EUR50m p.a. once fully completed over the next three years.
- The direct impact of US tariffs on SAMIL is minimal as most of its products supplied to USA are USMCA-compliant and for the non-USMCA compliant parts, discussions with OEMs are ongoing for the pass-through of these costs.



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SONA BLW Precision

Neutral

Current Price INR 450

Update on new order wins

- Sona has added a single largest order worth INR15.5b in last 2.5 years from a legacy North American OEM of EV PVs for its upcoming EV platform, which is likely to commence in 3QFY28. The order is for the supplies of differential assemblies with final drive gear.
- It has also won a large order worth INR2.6b from Indian OEM of 2W and 3Ws for the supply of traction motors, and production is expected to commence in 4QFY26.
- The net order book now stands at INR262b, of which 75% is EV mix.
- Production from Novelic is expected to start from FY27 onward for an EV customer in cabin sensing. This product is powertrain-agnostic.

Update on China JV

- Sona has recently signed a term sheet to form a JV with JNT to enter the China market. While Sona will take a majority 60% stake in the USD20m JV, JNT will take over operational responsibilities. Combining the strength of both partners and confirmed orders from OEMs, Sona aims to be one of the key suppliers of driveline systems in China. This JV is set to commence operations from 2HFY26 and would supply to both EV and non EV customers.
- Sona does not intend to manufacture differential gears in China. It will make them in India and assemble them in China.

Update on Railways division

- The company has consolidated this business for about three weeks in 1Q.
- It is a market leader in brake system in Indian Railways. Sona has identified opportunities to add new segments and hence would focus on strong growth over the next 4-5 years.

Update on supply constraints due to rare earth magnets

- Traction motors business saw some impact due to the shortage of rare earth magnets.
- It has not identified light earth substitutes for these heavy earth magnets, which can be used for motors up to 15 kw.
- For larger motors, Sona would still be dependent on heavy earth material. Also, one has to note that while Sona has been able to find alternatives in light earth materials, supply of such material is also controlled by China.

- Sona is now back to normal production levels in July with alternate supply arrangements. In traction motors, most of its business comes from 2Ws, which have up to 2kw motor.

Other highlights

- Sona's plans to ramp-up production in Mexico remain on track despite the tariff-led uncertainty as these were for specific parts as required by OEM.
- Its earlier margin guidance stood at 25-27%. With the merger of the Railway business, which is estimated to have 18% margin, Sona's margins are likely to fall to the 23-25% range.
- Its key growth driver in China has been suspension motor supplies to Neo, for which production commenced in Mar'25.

TATA MOTORS

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Tata Motors

Neutral

Current Price INR 690

Tata CV business

- Overall domestic CV retail market share improved 50bp QoQ to 36.1% in 1Q.
- Margins remained strong at 12.2% (flat QoQ and +60bp YoY), led by better ASP, higher exports and higher share of non CV sales.
- PLI accrual stood at INR250m in 1Q.
- In terms of lead indicators, utilization of fleet has remained healthy. However, utilization has seen a dip in each segment in recent months due to the early onset of monsoon. As a result, the sentiment index in MCVs, tippers and SCV dropped, while ILCVs held up well. However, fleet operator profitability for long-haul freight remains healthy as freight rates have inched up in the recent past.
- TTMT has transitioned to AC driver cabins for the entire mix and complemented its trucks with a higher power-to-weight ratio for improved value to customers. Management indicated that TTMT has not seen any pick up in volumes due to pre-buying in 1Q.
- Management expects CV industry to post single-digit volume growth in 2Q over a low base. Further, with normal monsoon and festive season build-up, TTMT expects CV demand to pick up in 2H. Hence, TTMT maintains its 5% volume growth guidance for the industry for FY26. Within segments, TTMT expects HCVs to post 3-5% growth, ILCVs a bit lower, and SCVs to remain flat.
- TTMT has recently launched Ace Pro EV in 10 cities, which has been well accepted. It is the most affordable SCV truck having better TCO than even 3W EVs with EMI equal to 3W EVs. TTMT's ACE Pro has qualified for PLI.

Tata Motors PV business:

- Industry demand has remained weak in 1Q. TTMT has lost 50bp market share in retail PVs in 1Q.
- In terms of segmental demand trends, the <INR1m models are seeing about 15% YoY decline in volumes and this is where discounts continue to be elevated. TTMT has recently started seeing flat trends in SUVs. CNG segment continues to do well with 20% growth in 1Q.
- Given a healthy mix of EVs and CNG in its portfolio, TTMT's emissions are well below the mandated CAFÉ norms currently for the current fiscal.
- PV EBITDA margins were down 180bp YoY at 4% due to weak demand, higher input costs, higher promotional spends (IPL) and higher discounting pressure. There have been periods where inventory was higher than normal levels due to lower than expected demand, which in turn led to higher discounts.
- EV business has delivered positive EBITDA margin with PLI accruals. With improving mix in the coming quarters led by new launches, this is likely to further inch up in coming quarters.

- On rare-earth magnet supplies, management has indicated that TTMT is well covered for the next 2-3 months of requirements.
- For CAFÉ 3 guidelines, while the government is in discussions with the industry for the extent of stringency, the timeline for the same is unlikely to change.
- PLI accrual for 1Q has been INR870m and TTMT is on track to accrue INR7b worth of PLI for FY26.
- Some of the product actions TTMT has taken to overcome weak demand conditions include: 1) product interventions in Harrier and Safari at competitive price points 2) strong marketing campaigns, and 3) introduction of life-time warranty in EV products like Nexon and Currv. This has helped to drive a 55% rise in bookings for these 2 models in July over 1Q and a 40% jump in July retails over 1Q. This has also helped to improve its Vahan market share in EVs to 40% for July and the same is set to improve to 50% levels in coming quarters on the back of upcoming new launches.
- Harrier EV has seen a blockbuster launch with as high as 10k bookings on Day 1 of its launch. The model boasts of rich features, which include Dolby experience, 540-degree view, auto parking, all-wheel drive, 500km real range, etc. These features come at an extremely competitive price point with the EV positioned at similar price point to its ICE variant. With the launch of the Harrier EV, TTMT expects its EV mix to increase to 17% in 2Q.
- Sierra EV is also on track for launch in 2H.
- TTMT continues to expect low single-digit growth in PVs in FY26. Even to achieve this, demand will need to pick up in the festive season and 2H, given that the first four months have seen flat retail demand with a 3% fall in last two months.
- ICE margin is likely to remain under pressure in the near term. However, with pickup in demand, management expects ICE margins to revive in the medium term. TTMT remains committed to achieving double-digit EBITDA margin in the long run in PV segment.

Other highlights

- The overall India business (PV + CV) recorded free cash outflow of INR38b in 1Q post capex of INR22b.
- At a consolidated level, the net automotive debt has increased to INR135b from a net cash position of INR10b QoQ. Bulk of this net debt has increased at JLR and stands at INR106b.
- 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.

JLR: Key takeaways from the management commentary

Result Highlights – JLR

- Overall, 77% of JLR's mix comprised RR, RRS and Defender
- As a result, ASP per unit improved to all-time high of ~GBP76k, up 1.7% YoY. 1Q wholesale volumes declined 10% YoY to 87k units following a temporary pause in shipments to the US in April and planned wind-down of legacy Jaguar models.
- Retails declined 15% YoY to 94k units.
- Overall revenue declined 9% YoY to GBP6.6b.
- EBIT margin declined 490bp YoY to a multi-quarter low of 4%. The sharp margin impact was a function of: 1) weak volumes, partially offset by an improved mix (impact of GBP82m), US tariff impact for two months (GBP254m), higher VME spends (up 90bp YoY to 4.1%, impact GBP38m), higher warranty (up GBP144m) and adverse currency movement (GBP205m).

- JLR has invested GBP864m in capex in 1Q. Due to weak margins and adverse working capital (impact GBP616m), free cash outflow was GBP758m in 1Q.
- JLR has paid a dividend of GBP448m to TTMT in May'25.

JLR update

- Luxury demand globally has been weak given the tariff led uncertainty in key regions. However, once the tariffs are set, management expects the uncertainty to go away, and hence, demand would reset to the new normal. In terms of region-wise demand, US demand continues to be strong and UK is stable. However, Europe remains uncertain and China has been weak due to the additional tax on luxury vehicles. BEV demand is not rising outside China.
- Management has maintained JLR's FY26 EBIT margin guidance at 5-7% with near nil FCF
- JLR has segregated MENA as a separate region as TTMT is now seeing a strong demand pull for RR, Defender, etc. However, demand in 1Q was muted due to the ongoing conflict in the region.
- CAFÉ penalties were reduced to nil in the US (benefit of GBP76m), which also helped to release balance sheet reserves (GBP120m).
- For 1Q, JLR assumed tariffs at 27.5% (2.5% + 25%) for exports to the US from the UK and Europe. Tariffs are paid with a month of lag, and hence TTMT has paid tariffs for two months in 1Q. The tariff impact is reflected in cost of sales.
- After the recent trade deals, US tariffs for UK exports are expected to reduce to 10% and the same for Europe to 15%. However, TTMT is yet to receive the official confirmation.
- Assuming the tariff stands at 10-15% for the UK and Europe as per the trade deals, management expects the tariff impact of GBP300-400m in FY26. However, this would also depend on how market reacts to such tariff impact in terms of both pricing and demand.
- The UK will be able to export 100k units p.a. to the US. However, since the US-UK trade deal is effective from May'25, the quota for 2025 for UK exports to the US stands at 65,200 vehicles. Vehicle sales beyond this number would attract 25% tariff. Management has indicated that this quota is enough to cover its expected vehicle sales to the US for 2025.
- China has raised tax rates for luxury vehicles, which has increased the tax incidence on RR models by 10%. Given the weak demand macro in China and an even weaker dealer profitability, JLR has decided to absorb bulk of the impact of the same in the near term.
- Capitalization ratio now stands at a peak of 70%.



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Tube Investments

Buy

Current Price INR 3,181

- **Engineering:** The engineering segment margins declined 60bp YoY due to cost pass-through, which comes with a lag of 1-2 quarters. The new CRSS plant has commenced operations in 1Q and is expected to ramp up to full capacity in a year.
- **Metal Formed:** TIINDIA remains optimistic about demand pick-up in this segment as it is a supplier to Hyundai from its upcoming new Pune plant, which will commence operations from Oct'25. Further, in 4Q, it won a new Railways order worth INR10b spread over seven years, which is expected to commence from 4QFY26.
- **Mobility:** 1Q volumes were strong due to seasonal cyclicity (school and office resumes). Mobility margins improved sharply YoY due to good pick-up in demand.

- **EV segment:** As of 1QFY26, EV volumes stood at 45 units for big trucks (vs. 65 in 4Q), 1668 units for 3W (vs. 1,662 in 4Q), 44 units for SCV (vs. 4 in 4Q) and 34 units for tractors (vs. 2 units last quarter). TII focuses on cost reduction, localization and economies of scale to improve gross margins. It expects cost reduction through in-house battery pack assembly. Currently, the EV business is operating at low gross margins, with the operational breakeven unlikely in FY26 (as guided earlier) due to slower-than-expected scale-up so far.
- **Update on e-3Ws:** To tackle increasing competition, TII plans to introduce a model refresh in 2QFY26, enter new battery sub-segments apart from the 10kWh segment it already operates in, and launch new variants in the cargo (L5N) and e-rickshaw (L3) segments. The government is likely to implement stringent safety regulations in the e-rik segment, which is likely to drive industry consolidation, and TII hopes to emerge as a beneficiary of this trend. Further, it would look to maintain its premium positioning even in the e-rik segment. Entry into multiple 3W segments would also help to improve dealer viability. Further, TII targets to expand from 95 currently to 125 dealerships in FY26, with partnerships with local financiers to help with credit availability, which will help boost volumes.
- **Update on e-truck segment:** TII has so far launched a 6x4 55-ton heavy-duty truck with a 4x2 variant in the works. It expects to launch a truck in the tipper segment. With this, TII would have a presence in the three large markets in the truck segment. It expects to have battery swapping technology available for this business, which is likely to help scale up this business. TII plans to apply for PLI incentive for its e-trucks in 2Q and is confident that its products will meet the eligibility norms.
- **Update on e-SCVs:** TII sold 44 electric SCVs in 1Q. It has received a very encouraging response for e-SCVs and expects to ramp up distribution network in the coming quarters for the same. Positioning to remain premium to drive performance differentiation.
- **Capex guidance** for the standalone business for FY26 stands at INR3.5b, which will be focused on the engineering and metal formed products segments.
- **Exports:** Export contribution currently stands at 15% of revenues. While 2Q orders are still on track, future visibility remains subdued given the uncertainty around US tariffs.
- **Future capital allocation:** Management has indicated that TII would continue to focus on ramping up its presence in these three key segments: TICMPL, TI and CDMO. For any other future growth avenues, TII would look to enter through partnerships.
- **TI Medical:** The company has got CE certification for most countries, while a few are pending. It is now fully booked for 2Q export orders. However, TII is yet to finalize a greenfield facility for the same.
- **CDMO business** has received environment clearance for a commercial facility. For the semi-commercial facility, it is conducting validation batches for the first DMF — likely to come out within next two quarters.



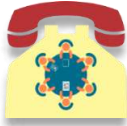
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TVS Motors

Neutral

Current Price INR 3,231

- **Domestic:** Management remains optimistic that domestic market growth momentum will continue in FY26. 1QFY26 saw retail growth of ~9% YoY, with rural markets slightly outperforming at ~10% YoY, supported by healthy reservoir levels, improving agricultural outlook, and continued infrastructure investments. The 2W domestic ICE segment grew ~8% YoY.



- **International:** 2W exports grew 40% YoY against an industry growth of 23%. Africa remains a key focus, particularly with the successful launch of the HLX 125 Five Gear variant, which has received an excellent response across the East and West African markets. Entry into Morocco is expected to further strengthen the brand in North Africa.
- LATAM continues to perform well, with consistent MoM improvement.
- Sri Lanka's reopening and Nepal's stability are aiding performance in Asia.
- Bangladesh continues to face macroeconomic challenges, though a gradual recovery is anticipated.
- The Middle East also continues to remain resilient and consistent overall.
- The company reported the highest-ever quarterly export volumes of 352k units despite global headwinds.
- Exports revenue for Q1 stood at INR24.9b.
- **EV:** TVS reported EV revenue of INR10b in 1QFY26. EV 2W sales grew 35% to 70k units in 1QFY26.
- **2Ws:** TVS is seeing robust momentum in EVs, led by iQube, which is now available in over 900 dealerships, with plans to scale up to 1,400. EV penetration in the 2W industry stands at ~6.3%, and TVS is targeting structured expansion in key markets. New variants of iQube have been launched recently, bringing the total to six, making it one of the widest and most competitive portfolios in this sector.
- A new family scooter and other ICE & EV variants are under development for launch later in the year.
- **3W:** TVS recently launched King EV Max, offering a 179 km range, quick 2-hour 15-minute charging, and advanced features for better ROI and earning potential. The 3W category is growing faster, with penetration at 26% last quarter, expected to rise further.
- Both 2W and 3W EVs are gross margin positive.
- Management has iterated that it has sufficient stock of rare earth magnets to meet short-term demand. It is currently exploring alternatives in the short term, apart from the resizing of larger- magnets that it is already pursuing. Over the long term, it is looking to target HRE free ferrite-based, magnet free motors as well as import from other countries, if possible.
- Battery localization and vertical integration are being pursued to improve the cost structure and supply chain resilience. TVS is investing in charging infrastructure, financing, and digital retail to support EV adoption. The company is actively working on swappable battery tech and improved connected features for future EV launches.
- **TVS Credit:** The company reported a book size of INR269b, with PBT growth of 30% YoY at INR2.43b. It is working to build a diversified book, expanding product offerings and distribution, enhancing customer experience, and improving operational efficiency. TVS Credit disbursed loans of over 1.6m new customers, bringing the total customer base to 20m. It will continue to focus on steady growth by increasing market share and expanding the book size.
- **Capex:** Capex is expected to be in the range of INR1.6b-1.7b, with investments in new products.
- TVS will continue to invest about INR20b in subsidiaries and associates.
- Norton's product development is on track, with initial release of three products; over a period of time, it will look to expand the range further. The products will be launched in Q4FY26E in the Indian and European markets.

CAPITAL GOODS



- Management holds an optimistic view across important sectors, such as power T&D, renewable energy, data centers, cement, steel, construction, oil & gas, and defense. Public capital spending is beginning to increase, while private sector interest is anticipated to emerge in the upcoming quarters. The fulfillment of export orders has increased throughout the quarter, and the outlook remains promising. In the defense industry, management discussions continue to be very positive, predicting a surge in order inflows soon due to emergency procurement, as well as for the medium-to-long term, driven by both base and large orders. In the power generation sector, management believes that prices have largely settled and volumes have returned to levels seen before the transition. The railway sector has reached its lowest point, and order placements have risen in the first quarter, with management remarks suggesting a better outlook for the pipeline in this industry.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Domestic capex cycle
Cummins	■ The company has guided for double-digit revenue growth for FY26. ■ Margins are expected to remain steady.	■ The company expects robust demand from quick commerce, mission-critical segments, manufacturing segments, pharma, etc. ■ It anticipates strong industrial demand, led by construction and railways (diesel electric tower car and power cars).
KOEL	■ The company expects to reach USD2b by FY30 (2B2B strategy).	■ It expects broad-based powergen demand recovery, with HHP witnessing high traction. ■ Strong traction is expected from construction, mining, railways, defense, marine, and nuclear in the industrial segment.
Larsen and Toubro	■ The company expects FY26 order inflows to rise 10% YoY, revenue to grow 15% YoY, margin guidance of 8.3-8.5%, and NWC-to-sales ratio of 12%.	■ Prospect pipeline will grow 65% YoY to INR15t for the next nine months of FY26. ■ Of this, infra will account for INR7.97t (+32% YoY), hydrocarbon INR5.8t (more than 100% YoY growth), carbon-lite solutions INR0.6t (+22% YoY), green and clean energy INR0.2t, and heavy engineering INR0.3t.
Thermax	■ Overall margin is expected to reach double digits in FY26. ■ The company has guided for 2Q margin of 12-13% for the chemicals segment, with a medium-term target of 16-17%.	■ Industrial Product: Strong demand in Water and Enviro; cooling segment prospect pipeline of INR1b; Heating and ethanol market expected to revive due to increased inquiries. ■ Industrial Infra: Eyeing opportunities from IPP projects, waste-to-energy, and advanced biofuels. ■ Green Solutions: Expected to exceed 300 MW capacity by FY26, with an additional 300-400 MW under construction in FEPL.
Bharat Electronics	■ The company has guided for FY26 order inflow of INR270b (excluding QRSAM), with exports of +USD120m. ■ It aims for revenue growth of 15% and an EBITDA margin of >27% for FY26. Export revenue is expected to be +10% of total revenue over the next five years. ■ R&D investment will stand at >INR16b.	■ Management expects capex to remain over INR10b for FY26, driven by large expansions and capital items required for its new-generation test instruments, among other factors.
Triveni Turbine	■ Revenue and order books are expected to grow in FY26, with growth likely to be back-ended and concentrated in 2H, especially in 4Q.	■ Domestic inquiry pipeline increased ~130% YoY, driven by strong traction across key sectors, including steel, cement, sugar, waste-to-energy, and process cogeneration industries. ■ Export traction declined in Europe, Southeast Asia, and SAARC, while the US (+175% YoY), Central Asia, and Africa remained active.

Hitachi Energy	Margins are expected to be in double digits.	The company has committed to a sizable INR20b capex program over the next few years, spanning key business areas such as transformers, high voltage equipment, grid automation, and HVDC systems.
Kalpataru Projects	FY26 is expected to witness 20-25% revenue growth, PBT margin of 5.0-5.5%, NWC below 100 days, and order inflow guidance of ~INR260-280b.	The company has a T&D tender pipeline of INR1.2t for the next 12-18 months and aims to expand into data centers in the B&F segment. Collections are improving in water segments, supported by a growing pipeline in metro systems, elevated corridors, and tunneling infrastructure.
KEC International	- The company has guided for FY26 revenue growth of +15% YoY, with an EBITDA margin of 8-8.5%, along with a 50-100bp improvement in FY27. - Interest cost is expected to stand at 2.5%, with the debt level reducing to INR45b, despite a 15% YoY growth. - The company has an order inflow target of INR300b.	- The company has a tendering pipeline of INR1.8t, particularly from the T&D and civil segments. - It anticipates upcoming T&D tenders worth INR900b over the next 1-2 months, with INR300b in India and INR600b in international markets.
Zen Technologies	The company aims for 50% revenue CAGR, achieving cumulative revenue of INR60b. EBITDA/PAT margin is expected to stand at 35%/25% over the next three years.	- Management expects INR6.5b in orders in 2QFY26, with execution planned for the latter half of FY26 and some spillover into 1QFY27. Capex guidance for FY26 is INR400m-500m.



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Results Update



ABB India

Buy

Current Price INR 5,123

- **Execution in 2Q:** Despite operational headwinds such as QCO-related disruptions and forex volatility, ABB ensured continuity in customer commitments by leveraging its strong backlog and diversified segment exposure. Management emphasized that execution strength was particularly visible in segments like process automation, where high service content and project closures supported profitability. While electrification and motion segments faced some delays and cost pressures due to imported content, ABB's overall execution momentum remained intact, supported by disciplined order conversion.
- **Order inflows and order book:** Base orders grew 5% YoY, led by traction in Tier 2 and Tier 3 markets, though large orders remained absent this quarter. The total order backlog stood at INR100.6b, with a healthy mix of large and product orders spread over an 18-24-month execution cycle. While base orders in motion and electrification remained resilient, process automation saw order delays, and robotics had a high prior base from a large electronics order.
- **2H order inflow expectations:** Management expects 2HCY25 to see a gradual pickup in order inflows, though at a more normalized pace compared to the post-Covid surge seen over the last few years. While the large order pipeline is not as robust as seen in earlier periods, the company is hopeful of converting a few mid- to large-sized opportunities in segments such as railways, metros, and data centers. Private sector capex decisions remain cautious due to global uncertainties and delayed clarity on domestic consumption trends, but public capex, particularly in infra, is expected to gather pace in 2H. ABB also expects continued order inflow from emerging trends such as energy transition, grid strengthening, and digital infrastructure, including localized data centers and cloud computing ecosystems.

- **Prospect pipeline delayed, not decreased:** Management clarified that the overall project pipeline has not reduced meaningfully but is facing delays in decision-making across segments. In process automation and motion, prospects remain healthy, with delays attributed to timing rather than demand decline. Electrification continues to see strong base enquiries, though large project decisions, particularly in oil & gas and heavy industries like cement and steel, are taking longer. In robotics, interest levels are high with a short-term gap, which is expected to normalize. Overall, management views the situation as temporary, with recovery likely once customer confidence improves.
- **Nature of hit on electrification segment:** The electrification business faced a one-time impact of INR395m due to engineering corrections in an ongoing project. Additionally, this segment was disproportionately impacted by the QCO compliance requirements, which forced ABB to import critical components at elevated costs to meet delivery deadlines. These factors, along with an unfavorable revenue mix tilted toward trading activity, have impacted segmental profitability. This QCO requirement is expected to last for a few more quarters.
- **Impact of US tariffs:** Management claimed that the impact of recently announced US tariffs would be negligible for ABB India. Over 90% of its revenue is derived from the domestic market, and its global 'local-for-local' sourcing model has further helped the company during trade disruptions. Only a small portion of exports go to the US, and any cost impact on these limited volumes is not material to the overall business. After Covid, ABB has deepened its domestic supply chain integration, aligning its sourcing and manufacturing footprint more closely with local demand, which will help ABB mitigate the impact of geopolitical or tariff-related risks.
- **Pricing impact:** The company faced headwinds on price realization, particularly in motors, due to heightened competition and weaker demand in some segments. While ABB remains focused on offering technologically superior products, pricing volatility in short-cycle product orders is harder to pass through. Long-cycle orders are somewhat shielded through index-based adjustments. Inflationary costs are partly being passed on, but the volatility in input prices, particularly for imports, has led to margin compression.
- **Forex losses:** Forex volatility had a material impact (~INR565m), particularly from EUR and CHF appreciation during the quarter, which affected hedged imports. ABB uses fair value hedging, and currency movements directly impacted the P&L. Some of this impact was mitigated through service revenue and favorable project mix in process automation.
- **Competition from Chinese players:** Management acknowledged increased Chinese competition, particularly in process automation and heavy industries, with aggressive pricing. However, the company has chosen not to match irrational prices and focuses on value-added offerings. No significant Chinese presence was seen yet in electrification or motion segments.



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Results Update**

Cummins India

Buy

Current Price INR 3,819

- **Domestic Powergen:** Domestic Powergen revenue increased 31% YoY/21% QoQ to INR10.6b in 1QFY26. Demand was broad-based based but key segments where the segment saw demand from the manufacturing sector, pharma, quick commerce, and mission-critical operations. Data centers contributed steadily, accounting for 15-20% of overall powergen sales, while project business formed a steady double-digit share without any one-off boosts.



- **CPCB IV+ Products:** The CPCB IV+ transition is now fully stabilized, with market pricing holding steady for two consecutive quarters despite continued competition. Volumes are back to pre-transition levels, and the technologically advanced nature of CPCB IV+ engines is creating higher aftermarket opportunities, given the greater need for technical support versus CPCB II products. In 1QFY25, CPCB IV+ contributed roughly 60% of domestic powergen revenues. Management is focused on maintaining pricing discipline while catering to customer-specific requirements.
- **Industrial Segment:** Industrial revenues reached INR4.2b (+12% YoY/+10% QoQ), led by strong performance in railways (INR1.5b) from diesel-electric tower cars and power cars, and steady growth in construction (INR1.5b), which saw some project delays due to early monsoons. Compressor sales were stable at INR560m, matching last quarter's demand. Marine continues to grow steadily, driven by defense vessel orders, though timelines depend on government tenders. Management expects steady order flow in railways and consistent activity across industrial sub-segments.
- **Distribution Segment:** The distribution business grew 19% YoY, supported by deeper penetration in traditional powergen and railways, alongside improved aftermarket solutions. While new products—such as DEF, hydraulic filters, and railway equipment like hotel load converters—are starting to contribute, growth remains largely driven by core segments. CPCB IV+ adoption is expected to further boost aftermarket demand due to higher electronic content, but industrial aftermarket opportunities (railways, mining, marine) will also support balanced growth across segments.
- **Exports:** Export revenue stood at INR5.2b in 1QFY26. The segment saw broad-based growth across geographies and horsepower categories, with Latin America and Europe outperforming versus last year. Most export volumes still cater to lower-emission-norm markets, though CPCB IV+ products are supplied to compliant geographies. The company is exploring increased traction in the UK following trade developments, and sees potential for US growth in specific high-HP engine platforms, though tariff impacts are being evaluated.
- **1QFY25 revenue breakup:** Within domestic powergen (INR10.6b), LHP contributed INR840m, medium INR2.3b, heavy duty INR1.2b, and HPP INR6.3b. Industrial segment revenues stood at INR4.2b, while distribution delivered strong double-digit growth to INR7.8b, aided by both powergen and industrial aftermarket sales. Export revenues stood at INR5.2b for the quarter.
- **Guidance:** Management maintained its double-digit revenue growth outlook for FY26, driven by strong domestic demand in Powergen, industrial, and distribution segments. Exports will be pursued cautiously amid geopolitical and trade uncertainties, while margins are expected to hold steady on sustained volumes, a favorable mix, and cost efficiencies.



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Kirloskar Oil Buy

Current Price INR 962

- **Powergen Segment:** Management highlighted strong momentum in the segment despite 1QFY25 witnessing pre-buying on emission norm change. This was driven by a broad-based demand recovery, especially from infrastructure, real estate, and commercial sectors. KOEL emphasized sustained domestic demand across segments such as data centers, hospitality, QSRs, and retail, with no visible signs of cyclicity. The recently launched Sentinel and Optiprime ranges have gained good traction, supported by high customer acceptance. The company is also actively tracking market share node-by-node in the high

horsepower category, where service quality is increasingly critical. Management expressed confidence in the company's extensive product portfolio and strong service network as key differentiators.



- **Industrial Segment:** Management acknowledged a YoY decline in industrial revenue, attributing it to a high base from railway pre-buying last year. However, KOEL remains optimistic about the segment's long-term prospects, citing progress in strategic defense and nuclear projects, including those for NPCIL and the Indian Navy. These are milestone-based development orders, and a successful execution is expected to open up larger opportunities. Additionally, KOEL is expanding its focus in mining and construction equipment, aiming to leverage these verticals for future growth.
- **Distribution Segment:** Management noted that the transition to CPCB IV+ norms has catalyzed consolidation in the distribution and aftermarket space. With all engines up to 800kW now being electronically controlled, servicing has become more proprietary, effectively reducing competition from unorganized players. KOEL has completed a channel restructuring initiative to enhance service capabilities and coverage. The service model now includes both in-house engineers and trained personnel through certified service partners, offering flexibility based on operational needs.
- **Export segment:** Management shared that international business performance remained robust, with particular strength in the MENA region. The appointment of MYSPAN as a regional OEM partner has now stabilized, enabling stronger market traction. KOEL sees this model as scalable and expects continued momentum in the coming quarters. Export growth was also aided by better alignment among distributors and improved product availability across nodes.
- **B2C Segment:** Within the B2C space, management indicated that its water management solutions business had a stable quarter and is now delivering consistent performance, marked by low double-digit EBITDA margins and positive cash flows. After plant consolidation, operational efficiency improvements have begun to reflect in the results. KOEL has divested its Optiqua (cables and pipes) business as part of its core-focus strategy and will continue expanding the B2C product portfolio in alignment with its roadmap.
- **Arka Fincap:** On Arka, management reiterated the long-term strategic intent to build a strong, granular retail book while complementing the existing wholesale portfolio. They highlighted progress in infrastructure and talent build-out, with 32 branches already operational. Although near-term returns remain subdued, management views this as a transitional phase. Management remains confident in the new leadership's ability to deliver returns in line with the core business over the medium term.



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Results Update**



KEC International

Neutral

Current Price INR 822

- **TAM:** KEC sees a strong pipeline of ~INR1.8t, with INR900b in T&D and over INR500b in civil. Domestic demand is being driven by grid upgrades and REZ transmission, while international markets like Saudi Arabia, the UAE, and the Americas continue to offer steady opportunities. Though 1Q saw slower tender activity in India, management expects improved order finalizations in the coming quarters.
- **Order inflows:** Order inflows for 1Q stood at over INR55b, led by T&D and civil segments. The company holds an L1 position of INR60b, largely in T&D. While

some awards from private developers are delayed, conversions are expected soon. The order book remains diversified and strong at INR344b.

The image shows a screenshot of a financial statement for KEC International. It includes a table with columns for various financial metrics and their values. The table is partially obscured by a watermark, but the structure is clear. The metrics include Revenue, EBITDA, and other financial indicators. The values are presented in a structured format, likely in Indian Rupees (INR).

- **T&D segment:** Revenue touched INR31.6b (+26% YoY), with new orders of INR32b during the quarter. Strategic progress was made in HVDC, with more bids underway. Hardware and tower exports picked up, particularly in Brazil and Mexico. Capacity expansion at Nagpur and other plants supports growing global demand. STATCOM and grid tech are emerging areas of focus.
- **Cables:** 1QFY26 revenue rose 5% YoY to INR3.8b. Margins were impacted due to approval delays and inventory build-up, but normalization is underway. Capacity doubling at Vadodara and E-beam cable investments remained on track, with commercial launch expected by year-end.
- **Civil business:** The civil business revenue was INR9.4b, which was hit by labor and cash flow issues. However, the segment secured large orders, including in high-rise and semiconductor EPC. Execution is expected to pick up from 2QFY26, aided by improved labor availability and a strong INR100b order book.
- **Railways segment:** The railways business posted INR4.7b in revenue, with notable deliveries for Vande Bharat and the Chenab Bridge. Execution of 500 km of KAVACH is ongoing, though supply chain issues have slowed the pace. New orders are expected, including from the Middle East.
- **Water:** Collections improved to INR2.6b in 1Q, with additional inflows in July, but total receivables remain high at ~INR8b. Execution remains cautious and selective. Improvement is gradual, and the segment continues to drag on working capital.
- **Update on capacity expansions:** Expansions have been completed at Dubai, Jaipur, and Jabalpur, and is now ongoing at the Nagpur plant. In the cables business, post commissioning of the aluminum conductor line in Vadodara, the company has already initiated its doubling. Capex for E-beam and elastomeric cables is underway, with commercial launch expected by the end of FY26.
- **O&G:** The business remained relatively subdued, with no significant revenue contribution during the quarter. However, the company secured its second international order for terminal station works in Africa, where it is already executing a pipeline project. Given the limited tender pipeline and high competition in the Indian market, KEC is focusing its O&G strategy on select overseas opportunities, especially in Africa.
- **Guidance maintained:** Revenue growth guidance of ~15% for FY26 is intact, with EBITDA margin guidance of 8-8.5% and targeted 50-100bp improvement in FY27. Working capital and debt metrics are also expected to improve sequentially.



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Larsen & Toubro

Buy

Current Price INR 3,589

- **Order book up 25% YoY:** The order book at the end of 1QFY26 stood at INR6.1t, reflecting a strong 25% YoY growth. Order inflows during the quarter reached INR945b, up 33% YoY. The order book is evenly split between domestic (54%) and international (46%) operations. The domestic order book consists of orders from PSUs (34%), state governments (25%), the central government (14%), and the private sector (27%).



- **Strong ordering prospects for remaining 9MFY26 – INR 15t (+63% YoY):** Management indicated that the company has a robust order prospect pipeline of INR15t for the remaining 9MFY26, which is a substantial 63% increase YoY. Infrastructure contributes INR8t to the pipeline, with segments such as heavy civil infrastructure (17%), transportation (19%), renewables (14%), power transmission and distribution (14%), buildings and factories (11%), water (17%), and minerals and metals (8%). The total prospect pipeline is INR6.54t, with INR5.78t from hydrocarbon, INR0.55t from carbon-lite, and INR0.21t from green energy - majority from international markets.
- **Working capital remains comfortable:** Management emphasized that the company has continued to strengthen its balance sheet, with net working capital improving to 10.1% of sales, down from 13.9% in 1QFY25. This improvement has contributed to an increase in RoE to 17% in 1QFY26 from 14.7% in 1QFY25 (+380bp). Working capital remains at comfortable levels, supported by improved collections of INR603b in 1QFY26, +31% YoY. NWC for the projects and manufacturing (P&M) segment is steady at 8.5%. Excluding the water segment, NWC has improved by another 75bp.
- **GCC ordering:** The Middle East continues to be a major growth driver for LT, contributing around 82% of the international order inflow pipeline. Within the GCC region, robust activity is being seen across infrastructure, oil & gas, and energy transition segments. Hydrocarbon prospects worth INR5.78t are largely international, with INR5.51t concentrated in the Middle East, spanning both onshore and offshore projects, including INR1.31t in offshore wind.
- **Hyderabad metro performance:** On Hyderabad Metro, management said that average daily ridership decreased to 417,000 pax/day in 1QFY26 from 432,000 in 1QFY25. However, fare revisions helped to boost revenues to INR1.6b in 1QFY26, up from INR1.01b last year.
- **FY26 guidance:** For FY26, management has maintained its previous guidance of 10% growth in order inflows and revenue growth of 15% YoY, while the core E&C margin is targeted to be at 8.3%-8.5%. Hydrocarbon margins are likely to remain subdued in 1H due to competitive bid orders and peak execution of older projects. However, the company is confident that this has been factored into the margin guidance. The company expects to maintain net working capital-to-revenue ratio of 12%, and anticipates stronger execution momentum in the second half of the year.



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Zen Technologies

Neutral

Current Price INR 1,420

- **Revenue disappointment in 1QFY26:** Revenues dropped significantly due to design modifications in a major equipment order by end-user. A deferred revenue of ~INR500m-700m is expected to be recognized in 2QFY26.
- **Order book split:** The standalone order book stood at INR6.05b, while subsidiaries contributed INR1.48b to the consolidated order book. Within the standalone segment, INR2.6b was attributed to AMC, and the remaining INR3.5b represented equipment orders, which included both simulators and anti-drone systems. Specifically, simulator orders were valued at ~INR2.8b, and anti-drone systems at ~INR640m. Management also highlighted an imminent simulator order worth INR6.5b, expected in 2QFY26, which would significantly

augment the order book and provide execution visibility for 2HFY26 and beyond.

	FY25	FY26
Revenue (INR Cr.)	1,200	1,500
EBITDA (INR Cr.)	400	500
EBITDA Margin (%)	33%	33%
Operating Profit (INR Cr.)	300	400
Operating Profit Margin (%)	25%	27%
Net Profit (INR Cr.)	200	300
Net Profit Margin (%)	17%	20%

Demand outlook: While the demand environment remains strong, the company acknowledged that the procurement cycle has slowed due to the government's focus on emergency purchases following Operation Sindoor. However, these delays are seen as temporary, and management expects regular procurement cycles to pick up from 3QFY26.

- **Export opportunities:** The company is actively targeting export markets, including Africa, the Middle East, CIS countries, Southeast Asia, and NATO-aligned countries. In particular, the US and Latin America are being approached through ZEN's US-based subsidiary, ARI, which has a robust dealer network in multiple regions including Japan. While some export orders are expected to materialize in 2HFY26, the company considers FY27 a potentially breakthrough year for exports.
- **Demand outlook:** While the demand environment remains strong, the company acknowledged that the procurement cycle has slowed due to the government's focus on emergency purchases following Operation Sindoor. However, these delays are seen as temporary, and management expects regular procurement cycles to pick up from 3QFY26.
- **Future inflows timeline and size:** Management expects a substantial increase in its order inflows over the next few months. A simulator order worth INR6.5b is anticipated by Sep'25, where ZEN is currently the sole qualified vendor. In addition, the company expects significant orders under the emergency procurement window for anti-drone systems, particularly those with hard-kill capabilities, to be finalized during 2HFY26.
- **Guidance maintained:** Despite the slow start to FY26, management reaffirmed its long-term revenue guidance and strategic roadmap. While FY26 is likely to be flat or only modestly positive due to 1H delays, management expects to deliver significant growth in FY27 and FY28, driven by strong inflows and execution. Additionally, ZEN is investing heavily in becoming an AI-native organization, integrating AI across its products, operations, and financial systems to drive innovation and efficiency.
- **Subsidiary guidance:** ARI, the US-based subsidiary, is expected to contribute INR1.7b in revenue in FY26, while other subsidiaries like Vector Technics and UTS are expected to contribute INR800m. After accounting for intercompany eliminations, the total consolidated contribution from subsidiaries is projected to be around INR2.5b. These businesses are also expected to maintain EBITDA margins of ~35% and PAT margins of ~25%, consistent with ZEN's margin benchmarks. The company also announced its plan to increase ownership in ARI from 76% to 100% by year-end, reflecting its long-term confidence in the international business.

CEMENT



- Management teams predict a ~6-7% YoY improvement in demand in FY26, aided by government infrastructure projects (roads, highways, ports, metro, PMAY), improved rural markets, and stable urban housing demand. Despite seasonal weakening, cement prices have remained stable, and enterprises continue to strike a balance between volume expansion and profitability. Fuel prices have been range-bound in recent months and are projected to remain stable, providing further support for margins.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
UltraTech Cement	■ The overall cement demand in 1QFY26 was steady, supported by strong government capex. Key states driving demand were Bihar, Andhra Pradesh, Gujarat, and Maharashtra, which saw higher YoY spending. Government capex has started improving and will support volume growth going forward. ■ The South market is consolidating and is now in a better position. The market does not expect to see a negative reaction. New mega-projects in the region are also expected to support demand. With the change of state leadership in Andhra Pradesh, green shoots are visible in the Telangana market, and Tamil Nadu is set to hold state elections next year. Demand is estimated to remain strong in the region going forward.	■ Capex guidance of FY26 is INR100b, with INR20b already spent in 1QFY26. Consolidated net debt stands at INR163.4b vs. INR54.8b in Jun'24, while standalone net debt is at INR137.1b vs. INR33.2b in Jun'24.
Ambuja Cements	■ Cement demand is estimated to grow ~4.0% YoY in 1QFY26, driven by Pradhan Mantri Awas Yojana, Pradhan Mantri Sadak Yojana, Bharatmala, Sagar Mala, and other infra projects. It remains positive on cement demand outlook and has raised demand growth estimates by 1pp to ~7-8% for FY26. ■ 1QFY26 saw a healthy improvement in cement prices. The company is maintaining strong pricing discipline across its entire channel network and intends to continue this approach. It also believes that a positive demand outlook will lead to a positive pricing trend.	■ It is rapidly expanding market presence across geographies, with synergies from recent acquisitions being realized ahead of schedule. Further, greenfield and brownfield expansions are being developed with a focus on long-term competitiveness. Nearly 40% of its current capacity now comes from next-generation assets that are optimized for capital efficiency, lower operating costs, greater use of renewable energy, and enhanced logistics, including improved rail connectivity. ■ Total installed grinding capacity has increased to 104.5mtpa, and the company targets to add another 13mtpa in the remaining 9MFY26 (with most of the capacity to be commissioned between Dec'25 and Mar'26). ■ The clinker unit of 4mtpa at Bhatapara is set for a trial run, and commissioning is expected in 2QFY26. Other brownfield and greenfield expansions across various sites, including Salai Banwa, Dahej, Marwar, Kalamboli, Krishnapatnam, Bhatinda, Jodhpur, and Warsaliganj, are expected in 2HFY26.
Shree Cement	■ Management noted that industry demand is expected to grow 6-7% YoY in FY26, aided by strong government capex, rising rural housing demand supported by a good monsoon, increasing urbanization, and industrial activities.	■ In Apr'25, SRCM commissioned capacities at Baloda Bazar, Chhattisgarh (3.4mtpa), and Etah, Uttar Pradesh (3.0mtpa), taking the total grinding capacity to 62.8mtpa. The company's ongoing integrated cement capacity expansions at Jaitaran, Rajasthan (3.0mtpa), and Kodla, Karnataka (3.0mtpa) are progressing according to the schedule. After the commissioning of these plants, SRCM's domestic grinding capacity will increase to 68.8mtpa. It has also reiterated its capacity target of 80mtpa by FY28. ■ Given the improved performance and healthy demand outlook, SRCM announced a capacity expansion plan of

		3.0mtpa for UCC at an investment of AED110m (INR2.6b).
Dalmia Bharat	- Management reiterated its confidence in the strength of the economy, aided by robust government spending and a strong housing sector, which should support cement demand growth of ~6-7% for FY26, in line with long-term trends. - However, while the medium-term demand outlook remains positive, management highlighted that the start of FY26 was weaker than expected. Cement sales in 1Q grew in low-to-mid-single digits, mainly due to external challenges like cross-border tensions and an early arrival of the monsoon in key markets.	- The company plans to add 14-14.5mtpa capacity by FY28, taking the total cement capacity to 63.5-64mtpa. Key projects include a 3.6mtpa clinker unit and 3mtpa grinding unit at Belgaum and a 3mtpa greenfield grinding unit in Pune, expected by FY27, to strengthen its Western Maharashtra presence. - The company announced a 3.6mtpa clinker and 6.0mtpa grinding expansion at its Kadapa plant (along with a 3mtpa bulk terminal in Chennai to strengthen presence in North Tamil Nadu) at a capex of INR32.9b. With Kadapa already running at high utilization, the 3.6mtpa Umrangso clinker unit in the Northeast will make the region clinker-surplus, enabling 2-2.5mtpa of split grinding capacity in future. Trial runs for Umrangso are slated for Sep'26, with commercial production expected by 3QFY26. - The company is pursuing a 6mtpa greenfield project in Jaisalmer, with approvals in progress, and will decide by Mar'26 based on the outcome of its bid for Jaiprakash Associates' 5mtpa Central India assets.
J K Cement	- The company has maintained guidance for grey cement sales volume of 20mtpa in FY26, implying ~12% YoY growth in 9MFY26. It has also maintained a cost-saving target of INR40-50/t for FY26, with the green power share expected to increase to ~60% by end-FY26 (vs. 52% currently). - Cement prices on average remained flat compared to the last quarter. Though the South region saw a substantial increase, there was some pressure on prices in the North and Central regions. So far, no significant changes have been observed in cement prices during the monsoon season.	- The company acquired 60% in Saifco Cement (0.26mtpa clinker/0.42mtpa cement, J&K) and expanded Ujjain GU by 0.5mtpa via debottlenecking, taking the grey cement capacity to 25.3mtpa (including 1.06mtpa from subsidiaries). It is evaluating a 0.7mtpa debottlenecking at its South India plant. - The Board approved a 0.6mtpa wall putty expansion at Nathdwara (capex: INR1.95b), expected to be commissioned by FY27, adding to the current 1.3mtpa, with volumes expected to post ~9% CAGR. - Work on the 4.0mtpa Panna clinker unit and 1mtpa grinding units at Panna, Hamirpur, and Prayagraj is on track for Dec'25 commissioning (capex incurred: INR14.3b). - The 3mtpa Bihar split GU (capex: INR2.8b till Jun'25) is also progressing well, with completion expected by Dec'25. The company is finalizing the next expansion phase, which is expected to be disclosed post the Board's approval. It has reiterated its 50mtpa target by FY30, with plans to undertake annual projects and the capacity to run two simultaneously. Capex guidance stands at INR20b for FY26 and INR6b for FY27.
Birla Corp	- The company estimates pan-India cement demand growth at ~4-5% YoY in 1QFY26. It has consolidated its market share in all key markets. The company witnessed higher volume growth of ~15-18% YoY in the east and west regions, while in its core markets, central and north, volume grew ~7-8%. - Cement prices across regions (except for the south) are holding well in 2QFY26 (so far) vs. 1QFY26.	- Capex of INR1.0b was incurred in 1QFY26, with guidance maintained at INR9.0-10.0b for the remaining 9MFY26. - The company is expanding the grinding capacity to 27.6mtpa by FY28-29 from 20.0mtpa currently. Key projects include: 1) 1.4mtpa brownfield GU at Kundanganj, Uttar Pradesh; 2) 3.7mtpa brownfield clinker capacity at Maihar, Madhya Pradesh, and three greenfield grinding units with a combined capacity of 6.2mtpa in central India (3.4mtpa) and Bihar (2.8mtpa). Management is likely to provide the status of various expansion projects in the next earnings call.

**JK Lakshmi
Cement**

- Industry-wide cement demand grew at ~5-6% YoY in 1QFY26, with regional disparities. While the South and East markets saw robust growth, North remained relatively flat. JKLC outperformed industry growth, supported by increased sales in new geographies, especially Eastern Uttar Pradesh and Central India, where seeding efforts and brand awareness initiatives began paying off.
- Prices in 1QFY26 were mixed, with South up ~8-9% and East up ~6-7%, while the North & West were relatively weaker, with West seeing some price dips. In 2QFY26, pricing remained broadly stable, though slight weakness was noted in non-trade segments in the North and East.
- JKLC reiterated its 30mtpa target by FY30, led by the Durg project (2.3mt clinker, 4.6mt grinding across Durg, Madhubani, Prayagraj, and Patratu). The Durg clinker unit and grinding units at Durg/Madhubani are expected to commence by Mar'27, with Prayagraj and Patratu by FY28. The project cost has risen to INR30b (vs. INR25b) due to added equipment and cost escalation.
- The company is also reviving its Northeast expansion, now directly under JKLC, after securing full ownership of two limestone mines (250mt reserves); details will be finalized next quarter. Expansions in Nagaur (Rajasthan) and Kutch (Gujarat), targeting ~3mt each, are progressing with approvals and land acquisition underway
- Management has guided for capex of INR15b in FY26, INR18b in FY27, and INR15b in FY28, largely for Durg and Northeast. Cumulative Durg spend is pegged at INR30b, with the rest for Northeast, Nagaur, Kutch, and routine maintenance (INR700–800m annually). In 1QFY26, INR1b capex was incurred; JKLC plans INR10b fresh debt in FY26 while maintaining net debt/EBITDA at 1.5x (ceiling of 3x at peak).

**Ambuja
Cement**

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Results Update



Ambuja Cements

Buy

Current Price INR 592

Demand and pricing

- Cement demand is estimated to grow ~4.0% YoY in 1QFY26, driven by Pradhan Mantri Awas Yojana, Pradhan Mantri Sadak Yojana, Bharatmala, Sagar Mala, and other infra projects. It remains positive on cement demand outlook and raised demand growth estimates by 1pp for FY26 to ~7-8%.
- Its sales volume grew 20% YoY to 18.4mt with market share increased by 2pp to 15.5%, aided by inorganic growth. Capacity utilization during the quarter was at ~77-78% (on a consolidated level). Earlier, the company's volume included CLC, which is a clinker plus cement. However, since it is primarily in the business of selling cement, it decided to follow industry practice and move to reporting only on cement volume. Hence, the volume component is entirely cement sales.
- 1QFY26 has seen a healthy improvement in cement prices. It is following a good discipline in pricing, adhering to the whole channel network, and it will continue to do so as a trend. It also believes a positive demand outlook will lead to a positive pricing trend.

Operational highlights

- Share of premium products increased to ~33% vs. ~29% of total trade volumes in 4QFY25. The company has taken various initiatives on the ground level, such as focused branding and promotion activities, active engagement of the technical support team with influencers, offering of value-added solutions beyond cement, and improved physical infrastructure to maximize premium and solution-focused product offerings.
- Green power contributed to 28.1% of total power requirement vs. 18.5%/26.1% in 1QFY25/4QFY25, and targeting to increase to ~60% by FY28. This will reduce the existing power cost from INR5.9 per unit to almost INR4.5 per unit by FY28. In

1QFY26, it commissioned 57.7MW of renewable energy (RE), taking the total RE to 473MW. WHRS capacity stood at 228MW.

- Kiln fuel cost was at INR1.59/Kcal vs. INR1.74/INR1.58 in 1Q/4QFY25. Fuel cost is estimated to sustain at these levels. It estimates kiln heat consumption to improve 35-40Kcal/kg of clinker led by various initiatives including mix of new kilns.
- Logistics cost declined 3% YoY on account of footprint optimization and closer-to-market strategy. Primary lead distance has been reduced by 8kms to 269km. This is expected to further decline by ~75kms post reaching to 140mtpa capacity target by FY28. This will help to reduce logistics cost by INR150/t aided by a higher share of rail and sea transportation. Currently, the company's PTPK cost stands at INR3.25.
- It reiterated its commitment to achieving a total cost reduction of INR530/ton, with 35-40% of the target already realized. Key levers include a rising share of renewable energy, logistics optimization, efficiency gains from new generation kilns, and long-term sourcing of fly ash.

Capacity expansion and capex plan

- It is rapidly expanding market presence across geographies, with synergies from recent acquisitions being realized ahead of schedule. Further, the greenfield and brownfield expansion are being developed with a focus on long-term competitiveness. Nearly 40% of its current capacity now comes from next-generation assets that are optimized for capital efficiency, lower operating costs, greater use of renewable energy, and enhanced logistics, including improved rail connectivity.
- Total installed grinding capacity has increased to 104.5mtpa and targets to add another 13mtpa in the remaining 9MFY26 (with most of the capacity will be commissioned between Dec'25 and Mar'26).
- The clinker unit of 4mtpa at Bhatapara is being driven for a trial run, and commissioning is expected in 2QFY26. Other brownfield and greenfield expansions across various sites, including Salai Banwa, Dahej, Marwar, Kalamboli, Krishnapatnam, Bhatinda, Jodhpur, and Warsaliganj, are expected in 2HFY26.
- The merger of Adani Cementation, Sanghi, and Penna Cement received requisite approvals, and further process of completion is ongoing.
- The company's net cash balance stood at INR30.0b, considering the payment made for the Orient cement acquisition and the dividend payment. Capex is pegged at INR100b in FY26 towards various expansion plans (capex incurred INR20b in 1QFY26).



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Results Update**



Birla Corp

Buy

Current Price INR 1,272

Demand and pricing

- The company witnessed mixed regional trends, with strong demand and pricing in the western and eastern markets, while the central and northern regions remained subdued. The company's geo-mix was – central ~50%, East ~21%, North ~16% and West ~13%.
- The company has some constraints in terms of clinker capacity as there are no clinker capacity additions immediately, and only some debottlenecking work is

planned to increase clinker capacity in the near term. Hence, it is focusing on improving value share rather than on increasing volume share.

- It estimates pan-India cement demand growth at ~4-5% YoY in 1QFY26. The company has consolidated its market share in all its key markets. The company witnessed higher volume growth of ~15-18% YoY in the east and west regions, while in its core markets, central and north, volume grew ~7-8%.
- Cement prices across regions (except the south) hold well in 2QFY26 (so far) vs. 1QFY26.

Operational performance

- Profitability was partly impacted by the extended maintenance shutdown at its Mukutban and Maihar plants. Both plants are highly efficient and have the cheapest clinker production costs. These extended shutdowns led to clinker purchases from third parties at higher costs (clinker production declined ~17% YoY to 2.44mt; clinker capacity utilization stood at ~75% vs. ~91% in 1QFY25).
- It believes there will be no need to purchase clinker in the remaining 9MFY26. It is evaluating some debottlenecking opportunities at existing plants to increase clinker capacity in the near term. Further, corrective measures have been taken at Mukutban and Maihar plants for future needs.
- The company's capacity utilization stood at ~96% in 1QFY26 vs. ~90%/105% in 1QFY25/4QFY25. The company's core strategy remains intact for optimum capacity utilization.
- Blended cement sales stood at ~89% vs. ~84%/82% of total volumes in 1QFY25/4QFY25. Trade share stood at ~78% of total volumes in vs. ~72%/~73% in 1QFY25/4QFY25. Premium products contributed ~58% of trade volumes vs. ~59% in 1QFY25/4QFY25 (each). The volume of its flagship brand, Perfect Plus, increased ~19% YoY in 1QFY26, led by healthy sales in Rajasthan, Madhya Pradesh, Uttar Pradesh, Maharashtra, and West Bengal. The volume of Unique Plus, another premium brand, grew ~37% YoY in 1QFY26, albeit on a lower base.
- The share of renewable power stood at ~27% vs. ~25% in 4QFY25. The current WHRS capacity stood at ~40MW. It is planning some modification works to increase WHRS generation to ~50MW. The company continues to work on optimizing its energy mix, power sourced from green energy (solar hybrid and Waste Heat Recovery Systems), and increasing green power. Fuel consumption costs stood at INR1.46/Kcal vs. INR1.39/Kcal in 4QFY25.
- Accrued incentives stood at INR230m for 1QFY25 vs. INR410m in 4QFY25.

Capacity expansion and net debt

- Capex of INR1.0b was incurred in 1QFY26, and capex is pegged at INR9.0-10.0b in the remaining 9MFY26 (maintain the guidance).
- The company is expanding grinding capacity to 27.6mtpa by FY28-29 from 20.0mtpa currently. Key projects include 1) 1.4mtpa brownfield GU at Kundanganj, Uttar Pradesh; 2) 3.7mtpa brownfield clinker capacity at Maihar, Madhya Pradesh, and three greenfield grinding units with a combined capacity of 6.2mtpa in central India (3.4mtpa) and Bihar (2.8mtpa). Management is likely to give the status of various expansion projects in the next earnings call.
- Net debt stood at INR23.0b as of Jun'25 vs. INR22.4b as of Mar'25. It expects net debt to remain under INR30.0b by FY26-end.

The image shows a screenshot of a financial report page from Motilal Oswal, specifically for Birla Corporation. The page contains a table with financial data, including metrics like Revenue, Profit, and various ratios, presented in a structured format with columns for different periods and rows for different financial items.



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Results Update



Dalmia Bharat

Buy

Current Price INR 2,345

Demand and pricing outlook

- Management reiterated its confidence in the strength of the economy, aided by robust government spending and a strong housing sector, which should support cement demand growth of ~6–7% for FY26, in line with long-term trends.
- However, while the medium-term demand outlook remains positive, the management highlighted that the start of FY26 was weaker than expected. Cement sales in 1Q grew in low-to-mid-single digits, mainly due to external challenges like cross-border tensions and an early arrival of the monsoon in key markets.
- On the pricing front, cement prices in key regions, especially South India, bounced back well during the quarter, reversing last year's decline. Prices in the Eastern region remained steady, holding on to the gains from recent quarters, even though construction activity slowed down due to the monsoons. Despite the early monsoon, spot prices are still close to the 1Q average, showing signs of better pricing discipline in the industry.

Operational highlights and cost insights

- The decline in volumes was primarily due to the discontinuation of the tolling arrangement with Jaiprakash Associates, which had contributed to sales volumes in Q1FY25 (0.4mt). Excluding this one-off impact, the core volume numbers remained flat YoY.
- RM cost/t rose substantially due to the imposition of the new mineral tax by the Tamil Nadu government, which impacted cost structures in the Southern region. However, this was offset by the decline in power and fuel costs.
- Power and fuel costs declined, driven by a drop in international fuel prices to USD100 from USD106 in 1QFY25 and an increase in the share of renewable energy (RE) to 41% from 35% in 1QFY25.
- The blended fuel consumption cost stood at INR1.33/kcal vs. INR1.30/Kcal in 4QFY25. During 1Q, the company commissioned 26MW of renewable energy under a group captive model, taking its total operational renewable energy (RE) capacity to 294MW. The company is targeting 576MW of RE capacity in FY26E. Lead distance was 280km vs. 277km in 4QFY25.
- The C:C ratio improved to 1.71x from 1.67x in 1QFY25. The trade share stood at ~68% vs. 64% YoY. The premium cement sales share stood at ~22% vs. 24% in 4QFY25. Logistics costs were reduced through increased direct dispatches to 62% vs. 61% in 4QFY25.
- Incentives accrued during 1QFY26 stood at INR840m, while collections totaled INR420m. Incentives receivable stood at INR7.8b as on Jun'25, which includes a sizeable INR2.5b from the Government of West Bengal. The company noted that the retrospective revocation of the West Bengal incentive scheme remains a challenge, with the company optimistic about a favorable legal resolution.
- Management continues to drive multiple cost initiatives aimed at improving profitability. It aims to achieve cost savings of INR150–200/t over the next two years through higher renewable energy consumption, better logistics optimization, and operating efficiencies. Early benefits should start reflecting in 2HFY26 onwards.

Expansion plans and capex

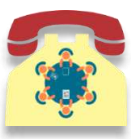
- The company has committed to adding 14–14mtpa of incremental cement capacity by FY28, which will lift its total cement capacity to 63.5–64mtpa. Key announced projects include a 3.6mtpa clinker unit and a 3mtpa grinding unit at its existing Belgaum facility, along with a 3mtpa greenfield grinding unit in Pune that will enable the company to strengthen its presence in Western Maharashtra and is likely to be commissioned by FY27.
- The company announced a new capacity expansion plan of 3.6mtpa (clinker) and 6.0mtpa (grinding) at its existing Kadapa plant in Andhra Pradesh (alongside a 3mtpa bulk terminal in Chennai to deepen its access to the underpenetrated North Tamil Nadu market), with an estimated capex of INR32.9b. The plant that is already operating at a higher utilization levels. In Northeast, commissioning of the 3.6mtpa Umrangso clinker unit will make the region clinker-surplus, allowing the company to evaluate an additional 2-2.5mtpa of split grinding capacity in due course of time. Trial runs for Umrangso are targeted for Sep'26, with commercial production expected by 3QFY26.
- The management highlighted that it is also pursuing a greenfield expansion of 6mtpa in Jaisalmer, Rajasthan, for which land acquisition and mining lease formalities have been completed, and environmental clearance is in process. The company expects to take a final call on this project by Mar'26, depending on the outcome of its bid for acquiring Jaiprakash Associates' cement assets, which could add an immediate 5mtpa of capacity in Central India.
- The management gave a capex guidance of INR40b for FY25, out of which INR6.1b has already been spent in 1QFY26.

Debt position and other key highlights

- The company divested a 4.1% stake in IEX for INR7.4b, bringing its holding in IEX down to 10.8%. The company's net debt (including investment in IEX of INR18.6b vs. INR23.4b as of Mar'25) increased to INR8.7b from INR7.2b as of Mar'25.
- The net debt-to-EBITDA ratio stood at 0.33x vs. 0.30x as of Mar'25, which was within the management's range of staying below 2.0x net debt-to-EBITDA. It believes net debt is expected to peak at INR50b in the coming years, considering the current expansion projects.



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Grasim Industries

Buy

Current Price INR 2,867

Paints Segment

- Management linked the overall industry slowdown to intense competition in the economy segment, with incumbents focusing on low-end products and deeper discounting. Despite this, Birla Opus kept a strong 65% revenue share from premium and luxury products across emulsions, enamels, wood finishes, and waterproofing.
- The company continued to expand its footprint, reaching over 8,000 towns within a year of launch and nearing its first-year target of 50,000 dealers. Throughput per dealer improved as the focus shifted from dealer additions to deepening product penetration per outlet.
- Trial production at the 6th plant in Kharagpur commenced, with commercial launch targeted by Q2FY26-end. Post commissioning, total capacity will rise to 1,332 MLPAs, representing ~24% of the organized industry's capacity.



- The PaintCraft services platform—digitally integrated and offering transparent pricing, financing, and tax-compliant execution—will expand to the top 100 towns in Q2FY26 via dealer-operated franchises, targeting mid- and small-town penetration. Marketing efforts remained robust, with the second phase of the ‘Duniya Ko Rang Do’ campaign sustaining high brand salience; total awareness is now at par with the top three brands.
- 179+ products with over 1,460+ SKUs are placed in the distribution channel, which are operational across India. The total capex in the Paints business stood at INR95.5b as of Jun’25.
- Management reiterated that the business remains in its growth phase, simultaneously adding dealers and consolidating share-of-wallet from existing ones, and is fully geared for the early festive season in September.

VSF Segment

- The cellulosic fibre business demonstrated resilience amid global demand softness. Prices remained steadier compared to volatile competing fibres such as cotton and polyester, and price hikes partially offset higher input costs.
- Segment revenue rose YoY, aided by a 6% YoY volume growth in the cellulosic fashion yarn segment. However, fashion yarn realizations remained under pressure from lower-priced imports, particularly from China.
- Phase-1 of the 55K TPA Lyocell project at Harihar, Karnataka is progressing as planned, with commissioning targeted for mid-FY2027. Orders for long-lead items have been placed, while procurement and contracting for the remaining requirements are underway.
- China’s operating rates stood at 82% in Q1FY26 vs. ~82%/87% in Q1FY25/Q4FY25. However, the average inventory holding increased to 20 days in Q1FY26 compared to an average of 12/14 days for Q1FY25/Q4FY25. CSF prices declined to USD 1.52/kg in Q1FY26 from USD 1.60/kg in Q4FY25, as low-priced imports from China continued to pressure realizations.

Chemical Business

- Caustic soda’s international average spot prices (CFR-SEA) for 1QFY26 were flat YoY at USD468/ton. Domestic caustic sales volume rose YoY, led by a stable domestic demand scenario. Specialty chemicals achieved record volumes as expanded capacities ramped up.
- Management is balancing margin protection with market share retention and expects potential policy support from ongoing FTA reviews. Renewable power met ~15% of energy needs in chemicals, with captive and grid power contributing equally. Key projects—the ECH and CPVC plants—are slated for completion in 3QFY26, while smaller chlorine derivative expansions are being timed to market conditions.

B2B E-commerce

- The segment continued its strong growth trajectory, with high single-digit sequential revenue growth despite seasonal weakness in the construction materials segment. The platform now spans 35 product categories, offering 40,000+ SKUs from 300+ brands, supported by private label traction in tiles and plywood.
- The annualized revenue run rate is on track to hit INR85b by FY27, at which point management targets breakeven—potentially earlier. Capex remains broadly in line, mainly directed toward strengthening the technology platform to improve pricing, product range, and customer experience. The business is also expanding its buyer-seller network and boosting engagement through its Birla Pivot Suite tech system.



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JK Cement

Buy

Current Price INR 7,542

Demand, pricing, and operational highlights

- Grey cement volume growth in central India was 30%+, followed by growth in the teens in the South, aided by a low base. However, volumes declined in the North due to weak demand in the region. The company has not lost market share in any of the markets and believes that there has been a market share gain in a few markets. Clinker sales were higher in 1Q on a sequential basis. It expanded the dealers' network to drive the volume growth for expanded capacity and targets to touch 1.0mt volume in Bihar markets by FY26-end.
- Cement prices on average were flat compared to the last quarter. Though the South region saw a substantial increase, there was some pressure on prices in the North and Central regions. So far, not much change in cement prices has been seen in the monsoon season.
- It has maintained guidance for grey cement sales volume of 20mtpa in FY26, implying ~12% YoY growth in 9MFY26. It maintained cost cost-saving target of INR40-50/t in FY26 and green power share to increase to ~60% by end-FY26 (vs. 52% currently).
- Fuel consumption cost/kcal was INR1.53 vs. INR1.62/INR1.41 in 1QFY25/ 4QFY25. The fuel mix comprised 60% petcoke, with the balance made up of domestic and imported coal. Power and fuel costs during the quarter have increased QoQ due to an increase in petcoke price and partly due to the inventory of clinker.
- Green energy contributed ~52% of energy requirements in 1QFY26 vs. 57% in 1QFY25. It aims to raise the green power share to ~75% by FY30. The thermal substitution rate was 13.2% in 1QFY26 vs. 17.3% in 1QFY25, and it aims to increase it to ~35% by FY30. The company's green power capacity stood at 184.1MW, comprising 82.3MW of WHRS and 101.8MW of other RE (solar and wind).
- Clinker/cement capacity utilization was at 92%/83% in 1QFY26. Blended cement sales were at 68% (flat QoQ) vs. 67% in 1QFY25. Trade sales were at 68% vs. 63%/71% in 1QFY25/4QFY25. Premium product sales were at 14% of trade volume vs. 13%/16% in 1QFY25/4QFY25.
- Road mix was 89%, while 11% of volumes were transported through railways. The lead distance was at 436km vs. 415km/434km in 1QFY25/4QFY25, due to extended footprint.
- The company accrued INR850m in incentives in 2QFY25. The annual ceiling for the Aligarh unit had been exhausted, and hence incentive for this unit was lower in 4QFY25. The Aligarh incentive will last until 4QFY26. Currently, the company accrues incentives from the North region (Nimbahera Line-3), which will continue till FY26-end. Other than that, it is entitled to incentives in Hamirpur and Prayagraj. Going forward, it will be eligible for incentives for its Ujjain and Panna expansions. The current run-rate of incentives is expected to continue over the next few years. It estimates the full-year incentive to be at ~INR3.0b.

Capacity expansion and capex update

- The company has completed the acquisition of a 60% stake in Saifco Cement (with a footprint in J&K), having clinker/cement capacity of 0.26mtpa/ 0.42mtpa. It has also expanded Ujjain GU capacity by 0.5mtpa through debottlenecking. The

company's grey cement capacity stood at 25.3mtpa (including 1.06mtpa belonging to two subsidiaries). The company is evaluating the opportunity of debottlenecking at the South India plant (with potential grinding capacity expansion of 0.7mtpa).

- The board has approved a 0.6mtpa capacity expansion of wall putty at an investment of INR1.95b at Nathdwara, Rajasthan. This expansion is expected to be commissioned by FY27. The company's current wall putty capacity is 1.3mtpa. Wall putty volumes are expected to grow at ~9% CAGR going forward.
- Expansion works of 4.0mtpa 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. The cumulative capex incurred for this project stands at INR14.3b until now.
- Bihar split location grinding unit (cumulative capex incurred: INR2.8b until Jun'25) of 3mtpa is also going on as per schedule, and is expected to be completed by Dec'25.
- Approvals have not yet been received for limestone mining in Odisha, and the company is still pursuing the matter with the government. In Saifco, the company has an immediate opportunity to expand clinker capacity given the availability of limestone reserves and other infrastructure.
- Further it is close to finalize next phase of capacity expansion, and will communicate the expansion details (capacity/location and expected timeline of commissioning) after the board approvals. It reiterated its aim to reach to a capacity of 50mtpa by FY30. It is expected to announce expansion projects every year in the medium term and has the ability to run two projects simultaneously.
- Capex pegged at INR20.0b in FY26 and INR6.0b in FY27 (as of now).

Other highlights

- Capacity in the Paint business stood at 60k kl, and investment done so far is at INR4.5b. The company has approval of total capex of INR6.0b in Paints. Paint revenue stood at INR860m in 1QFY26, and gross margin was ~30%. Operating loss during 1QFY26 stood at INR100m. At the UAE plant, management estimates a total EBITDA of INR800-900m in FY26.
- Standalone gross debt stood at INR52.0b vs. 51.0b as of Mar'25, and net debt stood at INR28.0b vs. INR25.6b as of Mar'25. Net debt/EBITDA at 1.3x (similar to FY25). It targets to maintain a net debt to EBITDA ratio of less than 2.0x.

JK LAKSHMI
C E M E N T

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JK Lakshmi Cement

Buy

Current Price INR 939

Demand and pricing

- Industry-wide cement demand grew at ~5%–6% YoY in Q1FY26, with regional disparities. While South and East markets saw robust growth, North remained relatively flat. JKLC outperformed industry growth, supported by increased sales in new geographies, especially Eastern Uttar Pradesh and Central India, where seeding efforts and brand awareness initiatives began paying off.
- Volume growth was also aided by better clinker availability, with enhanced traction in Madhya Pradesh East and Maharashtra East, catered from the Durg plant.

[illegible]

- Prices in Q1FY26 were mixed, with South up ~8–9%, East up ~6–7%, while the North & West were relatively weaker, with West seeing some price dips. In the 2QFY26, pricing has remained broadly stable, though slight weakness was noted in non-trade segments in North and East.

Operational efficiency

- Operations in the East operated at near ~100% utilization, reflecting tight operational efficiency. Lead distance increased to 399km from 393km in 4QFY25. Blended cement share was ~63%.
- JKLC has already realized ~80%–90% of the operational synergies from the UCWL merger. Key brands from UCWL (Platinum Heavy Duty, Platinum Supremo) will be retained and integrated to improve channel reach and strengthen premium offerings.
- Premium product share was at ~23% of trade volume vs. 25% in 4QFY25, with a target of 27% in FY26.
- Non-cement revenue stood at INR1.45b, including RMC revenue of INR700m.
- Average fuel cost stood at INR1.50/kcal vs. INR1.53/INR Kcal in 4QFY25
- JKLC is reiterating its 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 stands at ~49% of the total power mix.

Capacity expansion and capex

- JKLC reiterated reaching its goal of 30mtpa by FY30. This expansion strategy is the upcoming project at Durg, which includes setting up a 2.3mt clinker unit and 4.6mt cement grinding capacity. The cement grinding capacity expansion will be distributed across four locations — Durg (Chhattisgarh), Madhubani (Bihar), Prayagraj (Uttar Pradesh), and Patratu (Jharkhand). The management expects the Durg clinker unit and the two grinding units at Durg and Madhubani (each) to be commissioned by Mar'27, while the Prayagraj and Patratu grinding units will be commissioned by FY28E. The project's cost estimate increased to INR30.0b vs. the previous estimate of INR25b, primarily due to the inclusion of additional equipment (including railway siding at split GU) and a cost escalation.
- The company is also reviving its Northeast expansion project, which will now be executed directly under it, instead of through its subsidiary, Agrani. JKLC has successfully obtained 100% ownership of two out of three limestone mines (totaling 250 mt of reserves) after the cancellation of an earlier MDO agreement. Project size and cost are still being finalized, with clarity expected by the next quarter.
- The expansions in Nagaur (Rajasthan) and Kutch (Gujarat) are underway. Both regions have significant limestone deposits, and the company is targeting ~3mt capacity each at these locations. In Nagaur, one mining lease has nearly completed the regulatory approval process, and land acquisition is underway. The second lease is in earlier stages, involving forest and land exchanges. In Kutch, public hearings are completed, environmental clearances are underway, and land rehabilitation activities have begun.
- The management provided guidance of INR15b in FY26, INR18b in FY27, and another INR15b in FY28, with the majority directed toward the Durg and Northeast projects. Cumulative capex on the Durg project alone is pegged at

INR30b, while the remainder will be split among Northeast expansion, land acquisition in Nagaur and Kutch, and routine maintenance capex of INR700–800 annually. In 1QFY26, JKLC incurred a capex of INR1b, and management indicated it would raise INR10b crore in fresh debt during FY26 to fund this capex. Despite the ongoing heavy capital outlay, it maintains a net debt-to-EBITDA ratio of 1.5x, with a ceiling of 3x even during peak investment phases.



[Click below for Results Update](#)

The Ramco Cement

Neutral

Current Price INR 1,114

Capex and project update

- The company plans to increase cement capacity to 30mtpa by Mar'26 through the commissioning of line II at Kolimigundla, along with de-bottlenecking and adding grinding capacities at existing facilities with minimal capex.
- The company has monetized INR5.0b out of its targeted INR10b from non-core assets. Balance is expected to be monetized before Sep'25 vs. the earlier estimate of by Jul'25 due to a delay in regulatory approval.
- An additional 5MW WHRS at R R Nagar is scheduled for commissioning by Aug'25, and the balance 5MW is expected by Sep'25. An additional 15 MW of WHRS at Kolimigundla, AP, is expected to be commissioned in tandem with Kiln line II in FY27.
- At Kolimigundla, AP, a railway siding has been commissioned in Jul'25, and the first outward & inward movements have taken place.
- Construction chemicals capacity in Odisha was commissioned in Jul'25.
- The company has acquired ~57% of the mining land and ~13% of factory land for a Greenfield project in Karnataka.
- The total capex incurred was INR3.2b in 1QFY26, and capex is pegged at INR12.0b for FY26.

Capacity utilization and volume

- Cement capacity utilization stood at ~68% vs. ~77%/~85% in 1QFY25/4QFY25. Cement volume declined ~7% YoY to 4.0mt in 1QFY26.
- Volume share from South/East was ~79%/~21% in 1QFY26 vs. ~76%/~24% in 1QFY25.

Operational highlights

- The share of premium products was ~29% in 1QFY26 vs. ~27% in 1Q/4QFY25 in the South region. In the East region, the share of premium products was ~22% in 1QFY25 vs. ~20%/23% in 1Q/4QFY25. The OPC share was ~31% of total volumes in 1QFY26 vs. 31%/32% in 1QFY25/4QFY25.
- Blended coal consumption cost was USD126/t (INR1.55/kcal) vs. USD137/ USD121 (INR1.49/INR1.50 per kcal) in 1QFY25/4QFY25.
- TRCL used 54% petcoke vs. 58%/66% in 1QFY25/4QFY25. Alternative fuel share remains low at 1-2%.
- Green energy contributed 31% of power requirements vs. ~33%/31% in 1QFY25/4QFY25.
- Avg. lead distance was 246kms in 1QFY26 vs 273kms in 1QFY25 and 278kms in 4QFY25.

Debt and other highlights

- Gross debt stood at INR47.3b vs. INR46.5b as of Mar'25. The cost of debt for 1QFY26 was at 7.64% as against 7.92% in 1QFY25.



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Results Update



Ultratech Cement

Buy

Current Price INR 12,871

Demand and pricing

- The overall cement demand in 1QFY26 was steady, supported by strong government capex. Key states driving demand were Bihar, Andhra Pradesh, Gujarat, and Maharashtra, which saw higher YoY spending. Government capex has started improving and would support volume growth going forward.
- Rural markets remained stable and are expected to benefit further as the monsoon spreads. Urban housing was slow in 1HCY25 but new project launches signal a healthy pipeline, and a rebound in cement demand is viable going forward.
- South India, which suffered weak prices in FY25, saw price recovery. South and East regions led price gains, while North and West remained stable. Prices are expected to be stable during the monsoon season, with July prices improving over exit-1Q in a few parts of the country.
- UTCEM aims to maintain double-digit volume growth for FY26, supported by continuous capacity expansions (commissioned 3.5 MTPA capacity in 1QFY26) and an additional ~10 MTPA already in the pipeline.
- South market is getting consolidated and is in a better shape. The market should not see negative reaction. Mega-projects are also coming up in the region which should support demand. Change of state leadership in Andhra Pradesh, green shoots are visible in Telangana market and Tamil Nadu will go for state elections in the next year. Demand is estimated to remain strong in the region going forward.

Guidance on the operations of Kesoram and ICEM

- **Kesoram's operations:** Kesoram Cement's operations have integrated well since the effective takeover in Mar'25. The company aims to gradually ramp up capacity utilization and operational efficiency at Kesoram's plants, supported by planned WHRS installations and process upgrades. Kesoram still has its own brand, and the company is migrating at a faster pace (targeting brand transition program completion before FY27-end). Kesoram is strengthening its footprint in the South and West markets. Management reiterated that the focus remains on aligning Kesoram's cost structure with group benchmarks and unlocking expansion potential through incremental upgrades.
- **India Cements' operations:** For ICEM, UTCEM outlined a clear turnaround plan targeting an increase in EBITDA from INR400/t to over INR1,000/t by FY28. The improvement will be driven by a dedicated capex plan, including 21MW of WHRS and 219MW of renewables, raising green power share to ~86% (currently ~3%), preheater modification, cooler upgrade, and alternative fuel technologies. The entire plan will be funded through internal accruals and debt, with net debt expected to drop below INR500m by the end of the planned capex and effectively be debt-free by FY28. UTCEM retains only an INR10/bag marketing charge on sales of ICEM's products; all other realization benefits are fully passed through to ICEM. Brand migration to UltraTech is progressing and should be completed by FY27, with selective use of the Coromandel name in certain deep South markets if required.

Operational and other highlights

- Lead distance reduced from 384km to 370km QoQ. C:C ratio improved from 1.44 to 1.49. Green Power mix stood at ~39.5% in 1QFY26 v/s 27.9%/34.4% in 1QFY25/4QFY25.
- Fuel cost increased sequentially in 1QFY26 due to an increase in blended fuel consumption cost. Blended imported fuel consumption (CV: 7500) stood at USD127/t; +5% QoQ and -14% YoY. Fuel consumption cost was at INR1.78/Kcal v/s INR2.00/1.73 per kcal in 1QFY25/4QFY25. Petcoke consumption was at 52% vs. 37%/55% in 1QFY25/4QFY25.
- The average cost of borrowing was ~7% in 1QFY26 and is expected to fall further with recent RBI rate cuts.
- Revenue of the buildings product segment during 1QFY26 was INR1.85b.
- Capex guidance of FY26 is INR100b, with INR20b already spent in 1QFY26. Consolidated net debt stands at INR163.4b vs. INR54.8b in Jun'24, while standalone net debt is at INR137.1b vs. INR33.2b in Jun'24.

CHEMICALS



- The management remains cautiously optimistic on the near-term outlook, with growth expected to be driven by volumes, supported by resilient domestic demand, moderating raw material prices, and ongoing capacity expansions. However, headwinds such as global oversupply, competitive pressures from Chinese dumping, and heightened 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
Clean Science	■ CLEAN incurred a capex of INR800m in 1Q, with an additional INR1.2b to be invested in subsidiary. ■ Sales stood at INR240m and volume at 580 tons. It expects EBITDA at monthly sales of INR100m, which is nearing breakeven. Advanced HALS grades priced at USD11-USD35/kg to be commercialized over next two quarters. The company is entering into complex products like 2020 starting next month. ■ The company has revised its EBITDA growth guidance to 15-18% (from 18-20%) due to softness in 1Q and global headwinds, but expects a stronger ramp-up from 3QFY26 onward.	■ CLEAN reported revenue of INR2.4b (+8% YoY). Performance Chemicals revenue grew ~16% YoY to INR1.8b, while revenue from Pharma & Agro Intermediates/FMCG Chemicals declined ~4%/~17% YoY. ■ EBITDA was in line with our estimate at INR1b (+5% YoY), with a gross margin of 65.5% (vs. 65.4% in 1QFY25). EBITDAM contracted to 41.1% from 42.3% in 1QFY25 due to higher other expense YoY (+13% YoY).
Deepak Nitrite	■ Expects FY26 capex in the range of INR8-10b and peak debt of INR70-75b. The polycarbonate project is expected to deliver a payback period of 5-5.5 years with an estimated IRR of 16-18%, highlighting management's confidence in the long-term viability of the investment program. For the MIBK (Methyl Isobutyl Ketone) product, management has guided for merchant revenue of ~INR5.5b. ■ The company continues to face a subdued agrochemical recovery, pricing pressure from Chinese oversupply, and geopolitical uncertainties. Management expects tariff impacts from the US to be limited, given the company's modest 2.5-3% consolidated exposure.	■ DN reported a muted operating performance in 1Q, as EBITDA declined by 39% YoY to INR1.9b. Gross margin contracted by 280bp YoY to 28% and EBITDA margins contracted by 420bp, led by the persistent pricing pressure and a slower-than-expected recovery in some agrochemical intermediates. ■ Advanced Intermediates revenue stood at INR6b (down 15% YoY), EBIT declined 47% YoY to INR355m, and EBIT margin came in at ~5.9% (down 340bp YoY). ■ Phenolics revenue stood at INR13b (down 11% YoY), EBIT declined 43% YoY to INR1.2b, and EBIT margin came in at ~9% (down 340bp YoY).
Galaxy Surfactants	■ GALSURF plans to maintain regular maintenance and debottlenecking capex of INR1.2-1.5b, with no major new investments amid market uncertainties. For FY26, it aims to sustain last year's 4% growth rate, with a likely uptick to 6%, though achieving the typical 68% range would require a meaningful demand recovery in India. ■ It maintained EBITDA per metric ton at ~INR20,000 in 1QFY26 (vs. INR20,200 in 1QFY25) despite prevailing challenges. Margin recovery remains contingent on a rebound in the premium specialties business and resolution of the US tariff situation.	■ GALSURF reported EBITDA/kg of INR18.4 (est. INR19.3), down 5% YoY. Total volumes increased ~5% YoY to 67.3tmt (vs. est 64.4tmt), supported by robust growth in the RoW region (up 16% YoY), driven by LATAM and APAC. EBITDA remained stable at INR1.2b, while PAT was flat YoY at INR795m (our estimate: INR756m).

Navin Fluorine	- NFIL announced an exclusive partnership with Buss ChemTech AG, Switzerland, to commercialize high-purity electronic grade HF. It is engaging with global electronics customers, supporting the development of its broader product portfolio. - NFIL successfully commercialized the R32 project in Mar'25 and is currently running it at optimal capacity. With global demand for R32 accelerating, NFIL is actively working with international partners to further capitalize on this opportunity.	1QFY26 was a strong quarter for NFIL, with revenue rising 39% YoY, supported by strong performance across all three business segments. Revenue in HPP/specialty chemicals/CDMO grew 45%/ 35%/22% YoY. EBITDA grew 2x YoY, driven by operating efficiencies and a better pricing environment.
NOCIL	- Ongoing capex is INR2.5b, with 30% already spent as of Mar'25. New capacity should contribute from 2HFY27 onward, with the commercialization of new products anticipated by the end of the year. - NOCIL said that US tariffs and geopolitical issues affected latex product exports. It expects a temporary demand softness from latex-based customers in upcoming quarters, while structural growth will continue in the non-latex segment, supported by ongoing customer diversification efforts.	1QFY26 was a muted quarter for NOCIL, with revenue declining 10% YoY to INR3.3b, while EBITDA margin contracted 190bp YoY to 8.8% due to continued pricing pressure in the domestic market.



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Clean Science & Technology

Neutral

Current Price INR 1,181

- HALS sales in 1QFY26 of INR240m and volume of 580 Tonnes
- HALS business to reach EBITDA breakeven at monthly sales of INR100m; currently near breakeven given ongoing momentum.
- Advanced HALS grades priced at USD11–USD35/kg to be commercialized over next two quarters.
- Entry into complex products like 2020 starting next month.
- Capacity utilization stood at 75% for the Performance and FMCG segment, 68% for Pharma, and 22% for HALS.
- Company is repurposing its existing PBQ facility to manufacture Barbituric Acid, with commercialization targeted by end-August; growth will be driven by the launch of new products including HALS, Performance Chemical 1, and Performance Chemical 2.
- Company incurred a capex of INR800m in 1QFY26 with an additional INR1.2b planned for investment in subsidiary. Performance Chemical 1 is set to commercialize by 2QFY26.
- Water trials for performance chemical 1 is set to begin in next 3-4 weeks, with the commercial production possible in Sep'25.
- The management expects performance chemical 2 to commercialize by 4QFY26.
- Pharma intermediate plant is operational its production is stabilized. Samples have been sent to customers for validation.
- Management has revised its EBITDA growth guidance from 18–20% to 15–18%, with further clarity expected by end of 2QFY26.
- The improved product mix led to lower raw material costs and record EBITDA margins, company's volume grew by 8%YoY.



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- Raw material cost declined 13% sequentially and 4% annually, while non-established products saw muted traction amid soft demand.
- The promoter group plans to reduce its stake from 75% to 51%, with a 24% stake to be divested by a part of the Boob family for estate planning purposes.
- The company aims to strengthen its growth trajectory by entering higher-grade product segments, expanding its portfolio to align with European standards, increasing wallet share with existing customers, and targeting new international markets such as Vietnam.

Deepak Nitrite

Sell

Current Price INR 1,814

- Over the past several months, the company has navigated multiple challenges that have significantly impacted the industry. A slower-than-expected recovery in certain agrochemical intermediates, combined with persistent oversupply from China, has exerted pressure on pricing. These headwinds, further intensified by rapidly evolving geopolitical developments, have added to the overall complexity of operations.
- The company's resilience in the current environment has been underpinned by strong business fundamentals, including an import substitution strategy, capacity expansion and new projects, process optimization, and a continued emphasis on innovation and sustainability.
- Despite these challenges, the company anticipates an improvement in demand momentum, supported by evolving market dynamics.
- DN saw a notable recovery in demand from non-agrochemical applications and the initial success from certain cost-optimization initiatives.
- In the advanced intermediate segment, although agrochemical intermediates are experiencing subdued global demand, the company projects a recovery in the upcoming period.
- The phenolic segment witnessed steady demand with better realizations, backed by the bottlenecking and capacity augmentation initiatives.
- The segment's resilience reinforces the strength of its integrated approach. The company is progressing well on key projects that will enhance its backward and forward integration, strengthening its competitive advantage.
- DN is expanding into new applications to broaden its market presence and diversify its customer base.
- This growth will be driven by the commercialization of a new value stream integrated product for the dyes and cosmetics segment and the launch of a new product through a long-term co-manufacturing agreement.
- Existing assets and negligible investment: While DN may have launched these products in the middle of the year, they are going to be tested by customers for stability, and then the company will be able to supply commercial volume after the next contractual cycle begins.
- DN's concentrated nitric acid plant is in the trial production phase. For the weak nitric acid, commissioning activities are ongoing with the technology partner at the site; expected to be commissioned in this quarter.
- Leveraging its extensive expertise in hydrogenated aromatics and non-aromatics, DN has commenced trial production at its new hydrogenation facility, thereby significantly enhancing the Group's overall production capacity.
- Marketing reinvestment for the quarter was at 9.3% of net sales. The full year guidance is same and it may step up to 9.5-10% in the peak season (Oct-Dec).

- DN is not planning to decrease its capex due to tariffs as it is focusing on Indian customers.
- Import duty reduction benefits should flow in in 1QFY27.
- FY26 capex expected to be INR8-10b, FY27 capex expected around INR30b, and the remaining in FY28, with some spillover into the following year.
- Peak debt is expected to be around INR70-75b.
- For the polycarbonate project, the expected payback period is 5-5.5 years with IRR of 16-18%.
- The nitric acid project is expected to add 200-300bp to advanced intermediate segment margins.
- DN's direct exposure to the US market is limited to 2.5-3% at a consolidated level.
- Its consolidated domestic-to-export revenue ratio is 86:14
- The company plans total capex of INR100-110b, including the BPA project.
- DN saw improved spreads QoQ in phenolics in 1Q, though revenue declined 6%.
- A new INR2.2b facility for agrochemical intermediates and fluorochemicals is under construction and expected to be commissioned between Jan'26 end and mid-Mar'26.



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Galaxy Surfactants

Buy

Current Price INR 2,185

- EBIDTA /MT remains at the same level on a YoY basis to INR20,009/MT 1QFY26 vs INR20,197/MT 1QFY25
- In 1QFY26, consolidated volumes grew by 5% YoY and 9% QoQ, with sequential growth nearing double digits across Performance and Specialty care segments.
- In India, volumes grew 3% YoY and 15% QoQ.
- Raw material availability in 1Q was impacted by a sudden and prolonged disruption at one of the company's key suppliers in East Asia. While the situation has begun to ease, feedstock prices remained elevated and may stay high through 2QFY26. The company expects a price correction in due course and is managing raw material price risks in a measured manner.
- In response to sustained high feedstock prices, some customers are revising their formulations. The company views this as a temporary trend but is maintaining flexibility in its product portfolio to cater to such requirements if needed.
- In AMET, while Egypt and Turkey faced headwinds, resilience in the Gulf and Sub-Saharan markets helped maintain momentum.
- Europe stayed flattish, while product mix improved, aligned with the company's 2030 vision.
- Premium specialty is gaining traction.
- Supply-side challenges persisted with tight raw material availability and regional congestion, but price pass-through mechanisms and inventory vigilance helped mitigate the impact.
- The specialty care segment is not doing well in the US (the company has 8-10% exposure in the US). GALSURF may look to reroute its US sales from Egypt instead of India.
- The company remains committed to retaining its long-standing customers and is prepared to take margin adjustments as necessary to maintain these relationships.
- The US remains a strategic market for the company, and management is exploring measures to mitigate the impact of tariffs.

- For FY26, the company would be happy to maintain last year's 4% growth or reach 6%; thus, achieving its 6-8% range will be difficult without significant demand recovery in India.
- For 2026, the planned capital expenditure of INR1.2–1.5b will be directed towards debottlenecking initiatives and other projects.
- The company expects margins to recover to the previous year's levels in Q2 and Q3 if prices remain stable, though this depends on premium specialties recovery and North American business performance.
- Margins were impacted by product mix changes, particularly due to reduced premium specialty sales in North America because of tariff uncertainties.
- Due to uncertain demand, customers are keeping minimal inventory in their pipelines, just enough to serve consumers. Where customers previously planned for six months of inventory, they are now planning for only three months.



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Navin Fluorine Intl

Neutral

Current Price INR 5,009

Specialty Chemicals

- The company will start supplying three new molecules in 2QFY26, with orders already in place.
- The Fluor Specialty unit at Dahej, which commenced in Dec'24, will have a meaningful contribution in FY26.
- A strategic partnership with Chemours has been announced to manufacture its proprietary product (Opteon); execution of a two-phase immersion cooling fluid project is already underway, alongside plans to foray into the high-growth advanced materials sector.
- The company is facing pricing pressure from Chinese competitors, though volume recovery is currently underway.

CDMO

- The company has strong revenue visibility backed by a robust order book for FY26.
- Orders are expected in FY26.
- EU Major – Material order received for supply in 2QFY26.
- Another EU Major – Scale up order expected in 2QFY26.
- US Major – Commercial order expected for delivery in FY26 (Scale-up order delivered).
- Total capex for cGMP4 is INR2.9b; Phase 1 capex of INR1.6b is on track and set to be commissioned by the end of 3QFY26.
- The company possesses strong capabilities, platforms, and technologies in the CRAMS (Contract Research and Manufacturing Services) or CDMO (Contract Development and Manufacturing Organization) segment, with proven expertise in handling complex chemistries and specialty processes.

HPP

- Capex for AHF stands at INR4.5b at Dahej and is expected to be commissioned by the end of 2QFY26.
- The company's R32 capacity is at optimum utilization. The company indicated that prices for refrigerant gases are stable.
- There will be no impact of US tariffs on refrigerant gases; however, it is too early to comment on the implications for long-term contracts.

Capex

- The company has raised its capex from INR5b-6b to INR7b, and subsequently to INR10b, allocating funds to projects that offer the right value.
- The company has raised INR7.5b through QIP, proceeds of which will be used to strengthen the balance sheet and address fund capex requirements.

Others

- Margin expansion – The company witnessed a 2/3rd margin expansion due to operating leverage and 1/3rd due to the overall environment (increase in demand and improvement in price realization).
- The company has raised INR7.5b through QIP, proceeds of which will be used to strengthen the balance sheet and address fund capex requirements.
- The company remains firm with its margin guidance at 25%.
- There will be no impact of US tariffs on refrigerant gases. However, management intimated that it is too early to comment on long-term contracts.
- The company has an exclusive partnership with Buss ChemTech AG, Switzerland, to commercialize its high-purity electronic grade HF, making significant progress in engaging global customers in the electronic market. This serves as a foundation for advancing its broader product portfolio, with several products currently in the development and pilot stages.
- The company witnessed a QoQ decline, as sales are campaign-driven. Capacity utilization in the last quarter was 80%, compared to ~70% utilization in the current quarter.



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NOCIL

Neutral

Current Price INR 184

- The company holds a 40% market share in the domestic rubber chemicals segment.
- Revenue and volumes remained largely stable on a QoQ basis
- The company discussed the ongoing INR2.5b capex, with 30% spent as of Mar'25. Revenue generation from this expansion is expected in 2HFY27. Current capacity utilization stands at 65-67%.
- Management also highlighted new product development in advanced stages of customer trials, with commercialization expected by year-end. These new products can initially be manufactured within existing facilities.
- Export volumes continued to show moderate growth, partially offsetting domestic market pressures.
- Management addressed the impact of a 50% tariff from India on exports, particularly to the US market, which represents 4-5% of its business. It is exploring other avenues in Europe, Asia, and Latin America. It also noted the impact of US tariffs on latex products, which moderated export growth to 3-3.5% in the quarter.
- The domestic market continues to face dumping pressure, impacting competitiveness and pricing dynamics.
- To address domestic dumping concerns, the company has filed anti-dumping petitions with the Government of India on select products, which together account for approximately 40-45% of its overall business. The outcome is currently under government investigation and is expected in the coming months.
- The tire sector is expected to post mid-single-digit growth.
- In the upcoming quarters, the company anticipates a temporary impact on demand from latex-based customers, while non-latex segments are expected to grow structurally.
- Rubber chemical demand in India grew 3.1%, while China registered 1.9% growth. Other international markets witnessed contraction during the period.
- The company has commenced supplies to Japanese customers and is currently at various stages of engagement.
- The company operates on eight strategic levers—Market, Innovation, Portfolio, Investment, People, Excellence, Digitalization, and Sustainability—designed to

enhance capabilities, strengthen customer value, and drive consistent long-term growth.

- The company continues to prioritize operational efficiency, optimal asset utilization, and product diversification.
- Raw material prices, particularly for key inputs like aniline, have been trending downward.
- The company secured aniline at competitive prices in 2QFY26. Most of the adverse impact on margins was absorbed in 1QFY26, with limited residual impact expected in the current quarter.
- As of Mar'25, the company incurred approximately 30% of its planned capex.
- The company targets an asset turnover ratio of 1.8-2.2x for rubber chemical production from this facility.
- Trial production is expected to commence in 1HFY26, subject to customer approvals, with revenue contribution anticipated from 2HFY26.
- Certain products fall under Free Trade Agreements (FTA) with countries such as Thailand, South Korea, China, and the European Union, which support cost competitiveness in export markets.
- Over the long term, the company aims to achieve a 10% share in the global rubber chemicals market, which would require sustaining a 10% CAGR over the next few years.



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PI Industries

Buy

Current Price INR 3,797

Operating performance

- PI commercialized two new products in exports and two in domestic agri brands.
- Domestic brands witnessed robust volume growth of ~7% in 1QFY26 led by a strong Kharif season, marked by increased acreage in rice. However, biological products revenue decreased by ~38% YoY. Abrupt regulatory suspension of the sale of biologicals in June for the entire industry. Domestic revenue excluding biologicals grew by ~13% YoY.
- Gross margin improved mainly on account of a favorable product mix. The rise in overheads is attributable to the strategic development of newer businesses (~7%) and promotion of new products, development of the portfolio, and new technologies in existing businesses (~10%).
- Total capex for 1QFY26 was INR2,207m (1QFY25: INR1,523m).
- Trade working capital increased due to the delayed season in domestic Agri and the phasing of agchem exports.
- Cash flows from operating activities were INR2,168m. Surplus cash net of debt was INR41,554m.

Outlook and guidance

- Expect the 2H recovery to be led by resumed export momentum, domestic demand, and biologicals normalization.
- Maintain single-digit FY26 revenue growth guidance with sustained margins.
- Earlier guided range was 50-52% and despite high gross margins in 1Q, the company stuck to its earlier guidance. The gross margins are mostly attributable to a product mix change.
- Continued investment in Pharma, Biologicals, Discovery R&D, specialty chemicals, and process digitization (SAP HANA, supply chain integration)
- Tax rate going ahead is expected to be in the range of 22-23%

- FY26 Capex to be ~INR7-8b and will be towards Pharma expansion, Global biologicals platform (PI Healthcare), Discovery R&D, and Specialty & electronic chemicals.

Industry Environment

- The global Agchem industry continued to face challenging conditions in Q1 FY26, marked by low commodity prices, subdued farm incomes, high interest rates, extreme weather events, and uncertainty around tariffs.
- Over the past two years, these factors have collectively dampened demand. However, certain positives emerged, such as gradual inventory destocking in most markets and an increased adoption of the “China+1” supply chain diversification strategy by global innovators.
- In India, favorable monsoon patterns and healthy sowing trends supported agricultural activity, but abrupt regulatory changes in the biological fertilizers segment disrupted the Kharif season momentum.
- Long-term drivers for the industry remain strong, with rising demand for advanced crop care solutions, AI-driven research-to-farm tools, and integrated biological crop health management solutions aimed at boosting yields and ensuring sustainability.

Pharma business

- The Pharma business posted exceptional performance, recording 187% YoY revenue growth.
- This growth was driven by the integrated CRDMO (Contract Research, Development, and Manufacturing Organization) platform, which continues to attract new business.
- PI onboarded two large pharma clients during the quarter and expects to add two more by the end of the fiscal year.
- The company is leveraging its manufacturing and R&D capabilities from the Agchem CSM business to accelerate growth in pharma, focusing on both biotech and large pharma customers.
- Current expansion plans include upgrades and additions to facilities in India and Europe to support the segment’s strategic growth trajectory.

Biological Business

- The acquisition of PI Healthcare in August 2024 has significantly enhanced PI’s global biologicals footprint. The business, which includes proprietary technologies such as Pretec and Harpid, aims to provide innovative solutions that improve crop resilience against diseases and environmental stresses, thereby boosting yields and farmer profitability.
- Target markets include the US, Brazil, Mexico, and India. However, domestic sales in this segment remain at a standstill due to recent regulatory challenges, affecting roughly 20% of domestic revenue.
- The company expects resolution within the next 1–2 months, given the government’s focus on promoting balanced and sustainable agriculture.
- Management reiterated that biologicals hold higher long-term margin potential than chemicals and are considered a critical future growth driver.

CSM

- Planned softness due to customer inventory balancing; new products commercialized in the last three years grew 46% YoY; 6–7 launches are planned in FY26.



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The image shows a screenshot of a financial results table for SRF. The table includes columns for various financial metrics such as Revenue, Earnings Before Interest and Taxes (EBIT), Earnings Before Tax (EBT), and Net Profit, broken down by segment (Specialty Chemicals, Fluorochemicals, Packaging Films, and Others) and overall. The data is presented for the first quarter of FY26 compared to the same quarter of FY25.

- Filed for registration of PIOXANILIPROLE, first India-discovered molecule, targeting Lepidopteran pests in row and vegetable crops; launch expected in 2–2.5 years.
- More than 20 products are in various stages of development and registration.
- Expansion into specialty and electronic chemicals is underway, with multiple global projects in the pipeline.

SRF

Buy

Current Price INR 2,925

Outlook and Guidance

- The company maintains its guidance of 20% topline growth for the chemicals business on the back of a strong 1QFY26 performance.
- For the PTFE business, management expects 75-80% capacity utilization by FY26 exit.
- The company targets an RoCE of over 25% for the chemicals business and about 200bp lower RoCE for the packaging films business over the long term.

Capex

- The management plans to incur a capex of INR24b-INR25b during FY26
- The Board of Directors approved two new projects: 1) a BOPP film manufacturing facility in Indore, Madhya Pradesh, with a capex of INR4.9b, and (ii) an agrochemical production facility in Dahej, Gujarat, at a capex of INR2.5b.

Chemicals business: Specialty chemicals

- The agrochemicals market witnessed a gradual demand uptick after inventory rationalization in FY25, though broad-based improvement still awaited
- The segment reported healthy revenue and margin growth, led by volume recovery for key agrochemical intermediates and momentum in the recently launched products.
- SRF has plans to incur a capex of INR2.5b for setting up an agrochemical production facility at Dahej. The capacity will be decided based on the product mix.
- Ramp-up of recently commissioned plants is expected to further augment growth in FY26 and FY27.
- Strategic pricing initiatives and focus on operational efficiencies driven by cost optimization and process improvements have helped to tackle competitive pressures.
- The US tariffs & stringent global regulations are creating some uncertainties.
- There are some delays in product launches for innovators due to stricter registration norms.
- Pricing pressure due to low-cost Chinese supplies persists and is likely to be the new normal.
- Seen some of the old and legacy products have also reported volume growth
- The order book of agrochemicals is in a fairly good position, and the company continues to maintain its guidance of 20% growth in revenue.
- Exports account for 60% of the revenue mix in specialty chemicals; historically, this number has been much higher.
- SRF has launched a new pharma intermediate and registered an AI product in 1QFY26, and both are expected to scale up during FY26.

Chemicals: Fluorochemicals

- The fluorochemicals business delivered a strong performance, mainly driven by the export volumes, while the domestic market remained weak due to subdued RAC production during 1QFY26.
- The company maintained its leadership in RAC in the domestic market
- SRF has started commercial sales of the patented products - R467A
- The AHF-3 plant is getting stabilized, and the full ramp is yet to be seen

- Global demand for refrigerant gases remained stable, due to a tightening demand-supply balance in China.
- The upcoming in-cabin AC requirement for commercial vehicles is expected to be a key driver of ref gas consumption.
- Capacity utilization of R-32 is pretty much at the rated capacity and is effectively full capacity utilization, and the management is targeting to continue at this level in FY26.
- The prices of R-32 are a play of demand and supply; the management believes the prices currently are strong and will continue to be strong.
- FY26 is expected to be a better year for PTFE compared to FY25.
- Thematically, HFC prices overall are higher, and the management anticipates a stable to higher trend during FY26.
- Capacity utilization for PTFE stands in the range of 50-60%.
- SRF commands a market share of ~60-70% in domestic HFCs.

Packaging film business

- The overall global demand for BOPET and BOPP remained stable in 1QFY26
- BOPP faced a supply shortage in the Indian market, leading to price increases and higher capacity utilization, and will continue to do so with some imports required going ahead.
- The prices of BOPET softened in 1QFY26.
- Southeast Asia continues to face pricing pressure amid regional oversupply
- Anti-dumping duty in India on imports of Aluminum Foil from China has led to higher realizations
- Higher realizations and increased volumes of BOPP are leading to better margins
- A strong portfolio of high-impact VAPs and a corporate customer base have supported the performance during the quarter
- Higher freight costs and prevailing Chinese competition impacted Thailand's performance.
- The Board has approved a new BOPP line and metallizer at a projected cost of INR4.9b at Indore, which is expected to be completed in the next ~24 months.
- Sustainability trends continue to drive demand for BiLam, PCR films, and mono-family structures.

Technical textiles business:

- The Technical Textiles business's revenue decline was primarily led by lower Nylon Tyre Cord Fabric volumes and pricing due to subdued domestic demand
- Belting fabric exports saw growth, though margins remained under pressure due to lower-priced Chinese imports.
- Healthy quarterly sales for Polyester Tyre Cord Fabric were witnessed in 1QFY26
- Revival in Tier II markets, rising demand for value-driven products, recovery in infrastructure and industrial sectors, and increased government spending are expected to improve BF performance.



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Tata Chemicals

Neutral
Current Price INR 944

Demand-supply scenario

- The demand-supply balance continues to be soft, coupled with uncertainties in soda ash trade due to tariff changes.
- Soda ash markets continue to face oversupply, with high inventory levels in most regions. Prices continued to weaken during 1QFY26. Overall global demand is estimated to be flat in the near term.
- The medium- to long-term trend is positive, driven by sustainability applications (Solar PV + EV growth), even with short-term margin challenges.

- Lower YoY revenue in 1QFY26 was attributed to lower realization due to pricing pressure in all regions and lower volumes mainly on account of Lostock cessation.

India

- Performance was better this quarter due to operational efficiency.
- The company expects similar volumes in 2Q.
- Variable costs were down this quarter due to higher volumes. Also, the business enjoyed operating leverage.
- Soda ash pricing in India is set quarterly or semi-annually.

North America

- Exports to Asia continued to be under price pressure.
- Exports were impacted by the spill over (~45ktpa) of shipments to next quarter.
- Better margins were attributed to a volume mix – greater share of domestic vs. export. This will normalize with a spillover in the next quarter and lower fixed costs this quarter .
- Domestic market is carried on an annual contract basis, so prices only change annually.

Europe

- Margin improvement was led by the product mix.
- There are two drivers for margin expansion: The company has started buying In-house CO2 this quarter rather than purchasing it externally, resulting in cost savings.
- Secondly, pharma-grade plant products are being tested with customers. This is expected to be started in 2HFY26.
- Management expects the bicarb business to break even this year as TTCH has to recalibrate the business after the cessation of soda ash capacity.
- The company expects to see sequential improvement going ahead and by 4Q, it can see a normalized business run rate.
- Pricing contracts are annually set.

Africa

- Volumes were lower due to a delay in shipments to Southeast Asia (as requested by customers).
- No major expansion is expected after the expansion in Kenya (~50ktpa capacity). Trial runs of the said capacity are going on, and it is expected to be commissioned in 2HFY26.
- Margins are expected to come back to normal levels.

Other

- Growth in Rallis was led by the crop care and the seeds business.
- Other income included INR750m of tax refund with interest.
- The current tax rate was a one-off and cannot be considered going forward.
- The company has guided for an annual maintenance capex of INR10b for FY26.

The image shows a screenshot of a financial report from Motilal Oswal Financial Services for Tata Chemicals. The report includes a table with financial data for the quarter ended 31st March 2025, comparing it with the same quarter of the previous year (2024). The table lists various financial metrics such as Revenue, Earnings Before Interest and Taxes (EBIT), Earnings Before Tax (EBT), and Net Profit. Below the table, there is a section titled 'Management Commentary' which provides a detailed analysis of the company's performance, discussing factors like pricing pressure, operational efficiency, and regional performance. The report also mentions the company's expectations for the next quarter and the full year.



CONSUMER

- Demand remained steady, indicating a slow sequential improvement supported by positive macros, according to the management of FMCG companies. The demand in cities is increasing, and the rural markets are still doing well. Nielsen's data likewise shows this pattern, with rural growth at 8.4% compared to urban growth at 4.3%. Early monsoons had an impact on paint industries, but there are indications that things are starting to improve. Favorable state excise laws in important markets like Andhra Pradesh and Uttar Pradesh, as well as a solid presence across price points, supported the liquor industry's ongoing development pace. For consumer businesses, emerging channels kept boosting growth and will continue enhancing the sales mix.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Takeaways from 1QFY26's performance	Outlook for FY26
Asian Paints	■ The key retailing season is expected to shift to September, supported by the early festive season and the hope that monsoons will not affect demand. ■ Competition remains intense, and the company is focusing on innovation, brand saliency, regionalization, and other strategic levers to navigate near-term uncertainties. ■ The company is targeting single-digit growth in both value and volume terms.	■ The company is targeting single-digit growth in both value and volume terms. ■ Despite cost pressures, the company aims to maintain its EBITDA margin guidance of 18-20%, supported by formulation and sourcing efficiencies. ■ The company has planned INR7b capex for FY26, of which INR1b has already been spent in 1Q.
Britannia	■ In 1QFY26, five out of seven regions gained market share vs FY25. The region that saw a decline was the East, primarily due to internal restructuring of the distribution network. ■ The overall market share remained largely flat, as regional players gained traction due to pricing advantages in certain markets. ■ Rural markets delivered double-digit growth, while urban markets saw high single-digit growth. ■ E-commerce contributes 4% to the overall business, with quick commerce accounting for 75% of total e-commerce sales.	■ Improving macro trends indicate a gradual consumption recovery in FY26. ■ If commodity prices remain stable, margins are expected to expand. ■ The company has guided for a capex of INR1b in FY26, lower than the levels seen in the past few years.
Dabur	■ For the last five consecutive quarters, rural markets have outperformed urban markets. That said, urban markets have witnessed a sequential recovery. ■ Management noted ~7% inflation during the quarter, which was mitigated by price increases of ~4% and cost-saving initiatives. ■ Volume growth stood at -1%. Excluding the seasonal portfolio, volume growth stood at 3.5%.	■ Dabur expects sequential recovery in demand in India on the back of softening food inflation, favorable monsoon, sustained momentum in rural areas, and some green shoots that are visible in the urban demand. ■ For FY26, Dabur aims to post high single-digit growth. However, it expects the growth to be in double digits for 2QFY26 due to the low base. ■ The company expects GM to expand, along with a significant YoY improvement in the operating margin.
Godrej Cons.	■ Consumption trends are improving modestly, with this quarter being slightly better than the previous one. Growth is slightly easier than in earlier quarters, especially outside of soaps. ■ Rural demand shows signs of gradual recovery. ■ Ex-Soaps portfolio saw mid-teens UVG, but margins slightly declined due to strategic pricing actions. ■ Price hike of 5% taken on FAB with no negative impact on volumes.	■ In India, management has guided for high single-digit UVG, high single-digit revenue growth in INR terms, and double-digit EBITDA growth for FY26. ■ Margin recovery is expected in 2HFY26 as palm oil benefits flow in. ■ HI: Maintain high single-digit volume growth guidance. ■ Soaps: Expect improvement from 2QFY26 as pricing and season normalize. ■ Africa: Sustainable double-digit growth expected.

Hindustan Unilever	- Rural-led recovery remains intact, with urban demand also picking up, albeit at a slower pace. Growth is being driven by smaller towns and channels like e-commerce and quick commerce. HUL's rural business comprises ~1/3 of its overall portfolio. - The combined digital-first Beauty and wellbeing portfolio now stands at INR 30bn. The portfolio is growing >25%.	1HFY26 growth is expected to be better than 2HFY25, driven by continued portfolio transformation and improving macroeconomic indicators. - The company is focused on volume-led competitive growth and prioritizing top-line momentum over margin expansion. - EBITDA margin guidance is maintained at 22-23%.
Marico	- Copra prices rose sequentially due to irregular weather patterns and market-specific dynamics. - The company is facing heightened competition, particularly in the Amla sub-segment. Excluding Amla oil, the VAHO portfolio recorded double-digit volume growth in 1QFY26. Overall volume growth is expected to be in mid-single digits. - The premium segment continues to outperform the mass segment, with growth primarily driven by e-commerce and modern trade channels. General Trade is also witnessing positive momentum, supported by the company's rural initiative, Project SETU.	- The company anticipates a steady growth trajectory in its core categories, even as it navigates near-term input cost pressures. - While achieving double-digit EBITDA growth in FY26 may be challenging, management remains confident of delivering it in 2HFY26. - MRCO is targeting a double-digit CAGR in PAT over the next two years. - No further price hikes are planned in the immediate term, though the pricing base will begin to normalize from the latter half of 2Q.
PIDI	- The company remains cautiously optimistic as domestic macroeconomic conditions continue to improve, supported by a favorable monsoon and steady demand. - Rural growth continues to outpace urban growth. During the quarter, value and volume growth remained closely aligned, suggesting that growth was primarily volume-driven, with minimal contribution from pricing. Pricing contributed ~70bp to growth in 1QFY26, and the company expects pricing impact to remain within this range for the rest of FY26.	- While remaining vigilant about potential risks from geopolitical developments, the company is cautiously optimistic about improvements in domestic macroeconomic conditions. - In its core categories, the company aims to grow at 1-2x GDP, while in its emerging or growth categories, it targets 2-4x GDP. - The company expects gross margins to remain in the 54-55% range through FY26. - The company maintains its EBITDA margin guidance of 20-24% for FY26.
UNSP	UNSP remains optimistic about domestic consumption, supported by an upbeat monsoon and early signs of urban consumption recovery. The Maharashtra excise duty hike has resulted in an MRP spike in the range of 30-40%. Maharashtra contributes mid to high teens to UNSP in value terms. It is too early to comment on new developments. The one-off tax provision of INR400m is spread over five years, resulting in an annualized impact of INR60-80m.	- UNSP expects ENA prices to rise slightly following the government's announcement of a new ethanol policy around Sept-Oct'25. - The company plans to maintain A&P spends at 9.5-10% of sales. - Management expects EBIT growth to moderate but still aims to keep it slightly ahead of revenue growth.



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Asian Paints

Current Price INR 2,570

Neutral

India Business

- APNT's 1Q demand was hit by early monsoons, though early signs of recovery are visible in urban areas, while rural demand remained stable.
- June experienced weak demand due to heavy monsoons, and a similar pattern observed in 1Q is continuing in July.
- The key retailing season is expected to shift to September, supported by the early festive season and the hope that monsoons will not affect demand.
- Lower inflation and supportive government policies are likely to aid overall demand recovery. Green shoots of demand are visible across the industry.

The image shows a screenshot of a financial report page for Asian Paints. The page contains a table with multiple columns and rows of data, likely representing financial performance metrics. The table is partially obscured by a watermark and some text, but the structure is visible. The title 'Asian Paints' is prominently displayed at the top of the table area.

- Competition remains intense, and the company is focusing on innovation, brand saliency, regionalization, and other strategic levers to navigate near-term uncertainties.
- The company continues to build scale in its Industrial Business segment by leveraging technical expertise and expanding distribution reach.
- The 1Q product mix was led by economy emulsions, Smartcare waterproofing, exterior textures, and wood finishes, while luxury emulsions underperformed.
- Downtrading was observed in the luxury segment, while both the economy and premium segments displayed healthy growth.
- The company expanded its distribution footprint, now catering to over 0.17m retail touchpoints.
- The projects and institutional business saw some deceleration in segments like co-operative housing societies and factories, though demand remained strong from builders and government projects.
- The company continues to focus on service differentiation through Beautiful Homes Painting Service and Trusted Contractor Service, with a strong emphasis on NPS.
- Innovation remains a core focus, with new product launches contributing ~14% of overall 1Q revenues.
- The Home Décor business now contributes 4% to overall decorative revenues.
- The recent job cuts in IT companies are not expected to materially impact paint demand, as repainting demand is need-based and the premium housing segment, where most IT employees reside on rent, will be stable.
- The company offers additional quantity in paints like new variants of the Ultra range with 10% additional coverage, which does not directly help the consumers but helps the channel partners, i.e., contractors, to push new product offerings, which improve their margins and enhance engagement.
- Northern, Western, and Eastern regions performed well, while the Southern region saw weaker performance.
- The company is targeting single-digit growth in both value and volume terms.

Segmental Information

- White Teak (decorative and designer lighting) net sales decline 32% YoY, impacted by BIS-related challenges and subdued retail demand.
- Weatherseal (uPVC windows and doors) posted net sales growth of 32% YoY, driven by an expanded product portfolio, wider reach, and synergies with the Beautiful Homes Network.
- The Kitchen business saw a revenue decline of ~2% in 1Q due to weak demand conditions.
- The Bath business reported a revenue decline of ~5%, also hit by muted demand.
- PPG Asian Paints (PPGAP) delivered double-digit revenue growth, benefiting from strong performance in the Automotive and General Industrial segments.
- Asian Paints PPG (APPPG) posted modest revenue growth of 5%, driven by the Protective Coatings segment.

International Business

- The company reported 1Q revenue growth of 8.4% in INR terms, with constant currency growth at 17.5%, led by strong performance in Asian markets, the UAE, and Egypt.
- Performance in Ethiopia was adversely impacted by currency devaluation.

- Profitability improved during the quarter, supported by operational efficiencies and favorable raw material costs.

Costs and margins

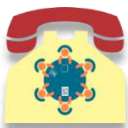
- Gross margin was supported by sourcing and formulation efficiencies, along with raw material deflation, despite an adverse product mix and increased discounting.
- Raw material prices have softened, especially crude derivatives, but the company is monitoring potential cost increases due to anti-dumping duties on TiO₂ from China.
- The impact of TiO₂ duties was not felt in 1Q due to sufficient inventory, but a 1.5%–2.5% cost increase is expected from 2Q onwards.
- Despite cost pressures, the company aims to maintain its EBITDA margin guidance of 18–20%, supported by formulation and sourcing efficiencies.

Capex

- Backward integration projects for VAM-VAE and white cement are progressing on schedule and are expected to enhance cost efficiency and support differentiated product development.
- The company has planned INR7b capex for FY26, out of which 1b has already been spent in 1Q.
- The white cement plant has been commissioned and is expected to become operational in the next quarter.
- The VAM plant is expected to commence operations between 1QFY27 and 2QFY27.



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Britannia Inds

Neutral

Current Price INR 5,703

Business environment and performance

- The company has improved its relative market share compared to organized players over the past three years.
- In 1QFY26, five out of seven regions gained market share compared to FY25.
- The only region that saw a decline was the East, primarily due to the internal restructuring of the distribution network, where a mega distribution model is being implemented. During this transition, local players gained share; however, the situation has since normalized.
- **The company reported 2% volume growth in 1QFY26. Transaction growth stood at 12%.**
- Approximately 60% of revenue comes from price-led packs.
- A 6–8% gap between revenue and volume growth is expected to continue over the next two quarters.
- Overall market share remained largely flat, as regional players gained traction due to pricing advantages in certain markets and categories, especially amid alternating inflationary and deflationary cycles in the industry.
- Distribution expanded in both rural and urban markets.
- **Rural markets delivered double-digit growth, while urban markets saw high single-digit growth.**
- All four key focus states—Uttar Pradesh, Madhya Pradesh, Gujarat, and Rajasthan—grew at double-digit rates in 1QFY26, recording growth 2.7x higher than the rest of the states.

- E-commerce contributes 4% to the overall business, with quick commerce accounting for 75% of total e-commerce sales.
- Biscuits hold the lowest share in e-commerce, while other product categories each contribute over 8%.
- The company holds a 500bp higher market share in the e-commerce channel compared to offline. Profitability in e-commerce remains strong, driven by a higher mix of premium products.
- Premium product salience has increased 310bp since FY22.
- The company has guided for a capex of INR1b in FY26, lower than the levels seen over the past few years.
- **The company remains open to implementing price cuts in select territories to remain competitive, if required.**

Adjacent categories

- The rusk category posted double-digit growth across all channels, driven by strong distribution.
- The croissant segment registered its fourth consecutive quarter of mid-20s growth and has now reached breakeven profitability.
- The wafer segment grew approximately 30%, achieving 2.7x the growth of biscuits during the quarter, and gained 190bp in market share over the past two years.
- In the dairy segment, cheese grew 40% in General Trade; this growth is now sustainable following its relaunch and price alignment with competitors, compared to a previous premium of 25-30% over the largest competitor.
- In the beverages segment, milkshakes delivered double-digit growth despite seasonal headwinds.
- The cake category reported single-digit growth during the quarter, with margin pressures continuing to persist. The company attempted a strategic shift in price points from INR10 to INR15, assuming that UPI-led micro-payments would ease consumer resistance; however, price sensitivity remains a key challenge, prompting a reassessment of this strategy.

Cost and margins

- 1QFY26 was a stable commodity quarter; flour costs increased 8%, palm oil deflated sequentially but rose 45% YoY, cocoa prices declined 10% sequentially but rose 35% YoY, and sugar inflation was 3% YoY.
- If commodity prices remain stable, margins are expected to improve.
- The benefit of palm oil duty reduction began to reflect partially in 1QFY26 and is expected to fully benefit the business from 2QFY26.
- A&P spend was rationalized during the quarter, with a focused investment in IPL-related digital campaigns; digital marketing is becoming increasingly important for the company.
- Other operating income was higher in the base quarter (1QFY25) due to government incentives received on investments made in Ranjangaon; going forward, this income is expected to remain more stable.



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Dabur

Current Price INR 535

Buy

Operating Business and Environment

- Unseasonal rains during peak summer months impacted the performance of Dabur's summer-centric portfolio, particularly in categories like beverages and glucose. Excluding this seasonal portfolio, cons. sales grew by 7% in 1QFY26. India business revenue grew by 4.3%, excluding the seasonal portfolio.
- Volume declined 1%; excl. seasonal portfolio, volume grew 3.5%.
- For the last five consecutive quarters, rural markets have outperformed urban. In 1QFY26, rural growth was 390bp higher than urban growth, both in value and volume terms. That said, urban markets witnessed sequential recovery.
- Dabur drove consumer engagement and brand superiority across product categories, leading to market share gains across 95% of the portfolio.
- Premium portfolios are doing well.
- NPD contribute more than 20% to consol sales.
- Dabur is looking for companies in the space of wellness, wellness foods, health, etc. in terms of inorganic growth opportunities.
- For FY26, Dabur aspires to grow in high single digits, while given the low base for 2QFY26, it expects growth in double digits.
- Dabur exited from Tea, adult baby diaper, sanitizers and breakfast cereals categories in line with its Vision FY28 strategy, as these were margin-dilutive segments and recorded cumulative sales of INR80m.
- Dabur expects sequential recovery in demand in India on the back of softening food inflation, favorable monsoon, sustained momentum in rural and some green shoots visible in urban demand.

Cost and Margins

- Management said that there was ~7% inflation in the quarter, which was mitigated by price increases of ~4% and cost-saving initiatives.
- For FY26, the company expects GM improvement and expects operating margin to see significant improvement YoY.
- Dabur indicated that Dabur will continue to invest in its brands.

Channel-wise performance

- Dabur has made remarkable strides in expanding its distribution footprint, with direct reach surging by 63,000 outlets YoY, now spanning 1.52m vs 1.45m in 1QFY25.
- Village coverage expanded by around 10,000 villages, reaching 0.13m villages, while Yoddha network grew by around 900 members to 19,900 Yoddhas.
- MT and emerging channels are doing well in urban markets. That said, quick commerce is ~10% of population and thus GT will remain key focus channel for Dabur.
- Dabur is focusing more on rural markets by expanding its rural footprint, enhancing last-mile connectivity, and rolling out tailored product formats.

International business

- Dabur's International Business reported 13.7% growth in cc terms.
- The UK business reported 41% growth, while the Turkey business grew by 36%. Namaste business grew by 30%, Sub-Saharan Africa grew by 20%, and MENA reported 10.1% growth.
- The Bangladesh business also reported 10.2% cc growth.

Segmental performance

HPC

- HPC portfolio performed well with 5% YoY growth.
- Oral Care grew in mid-single digits YoY. The toothpaste business grew 7.3%, backed by Dabur Red and Meswak.
- In 1QFY26, the toothpaste category grew 4%, while non-herbal grew 4.4% and herbal grew 8.8%.
- Home Care grew in double digits, backed by strong performance in both Odonil and Odomos.
- Skin Care grew in high single digits, with robust double-digit growth in the Gulabari franchise.
- Hair Care grew in low single digits, while hair oils grew ahead of the category and gained 214bp market share. Its pure Coconut oil, “Dabur Anmol”, grew in double digits, led by pricing growth.

Healthcare

- The overall healthcare, excluding glucose, grew by 2.7% and Dabur has taken ~6% price increase in this portfolio.
- Including Glucose, it declined 4.4% YoY.
- Health Supplements saw high single-digit YoY growth, excl. Glucose. Glucose declined ~40% YoY on account of unseasonal rains and high growth in base quarter (31% growth in 1QFY25). While Chyawanprash grew in double digits on account of early onset of monsoons, Honey reported healthy growth of ~11% in 1Q.
- Digestives grew in high single digits YoY as Hajmola and Pudina Hara grew in high single digits. Extensions and variants now contribute to more than 50% of Hajmola franchise.
- The OTC & Ethicals segment grew in low single digits YoY. Honitus recorded strong double-digit growth; ramp up in consumption on account of early monsoons. Health juices grew in high teens during the quarter.

Food & beverages

- Foods and Beverages segment declined 14.3% YoY as Real portfolio was impacted by milder summers and unseasonal rains.
- Activ range maintained its strong double-digit growth momentum; grew by ~20%. Coconut water performed well on the back of a new campaign focused on ‘hydration’ and ‘no added sugar’.
- Management indicated that in spite of headwinds during the quarter, Dabur performed better than the category and gained 207bp market share in the nectars category and 141bp in 100% Juices.
- Dabur indicated that the beverage business will grow in low single-digit in 2QFY26.
- In the culinary portfolio, key products like coconut milk, Lemoneez and mustard oil recorded strong double-digit growth.
- Badshah delivered 6.5% growth YoY, while volume grew in double-digits YoY.



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Emami

Current Price INR 627

Buy

Performance and outlook

- Urban discretionary consumption remained under pressure during the quarter, while rural demand showed early signs of recovery.
- A shorter-than-usual summer, impacted by unseasonal rainfall and early monsoons, adversely affected the company's summer-centric portfolio.
- The Talc and Prickly Heat Powder portfolio declined 17% YoY due to a high base of 54% growth in 1QFY25. July also witnessed muted demand in this category.
- Revenue growth is expected to remain subdued in 2QFY26 as the high base of the talc portfolio continues to weigh on overall numbers; however, the ex-talc portfolio is expected to deliver healthy growth, supporting overall profitability.
- The company remains focused on building long-term value in global markets through portfolio localization and strategic innovation.
- Management remains optimistic about macroeconomic recovery, supported by favorable monsoons, easing inflation, and improving consumption trends.
- The company continues to leverage key growth levers such as innovation, expanding distribution, digital acceleration, and cost optimization to drive profitable growth.
- Organized trade channels (Modern Trade and eCommerce) contributed 27% of domestic revenue in 1QFY26, up 190bp YoY.
- Quick commerce grew nearly 3x YoY, reflecting the success of the company's omnichannel strategy.

Cost and margins

- Gross margin expansion was supported by a favorable mix, with a higher-margin pain management portfolio contributing positively compared to the lower-margin talc.
- A&P spending remained consistent with FY25 levels, in the range of 18–19%.
- EBITDA losses for both The Man Company and Zanducare narrowed compared to the previous year, reflecting improved operating efficiency.

Segment performance

- Innovation remained a strong growth driver with launches like Dermicool Prickly Heat Spray, Navratna Ayurvedic Hairfall Control Oil, Navratna Cool Talc – Fresh Floral (Odisha), and BoroPlus Icy Citrus Blast Prickly Heat Powder (including a new INR10 SKU).
- The company maintained its digital-first strategy by introducing products exclusively on the Zanducare platform, including Zandu Shilajit Cool Rush Capsules & Resin, Zandu Kansa Wand Ayurvedic Massager, and Zandu Chia & Flax Seeds.
- Pain management portfolio registered a strong 17% growth in 1QFY26, which continued into July, aided by monsoon-led demand.
- The Fair and Handsome cream portfolio continues to face pressure despite a rebranding effort; the focus has now shifted to driving growth in the face wash category with category extensions planned in 2HFY26.
- The Smart and Handsome range is set to expand into new categories in 2HFY26, supported by a 360° relaunch, new communication, and a strengthened innovation pipeline.

- Kesh King continues to face growth challenges due to heightened competition from D2C players; a full-scale relaunch with a new proposition, packaging, pricing, and 360° campaign is planned for 2HFY26.
- Sales of The Man Company and Brillare declined 4% YoY; however, The Man Company returned to growth in June. Growth is expected to ramp up with enhanced marketplace/Q-commerce presence and a full brand revamp, while Brillare showed early signs of traction in marketplace channels and plans offline distribution expansion.
- Demand for The Man Company is expected to strengthen with enhanced execution across channels, as the category remains underpenetrated and holds significant potential; brand repositioning is also underway.
- The channel mix for The Man Company remains skewed towards online (~80%), with the remainder spread across modern trade and general trade.
- The company relaunched Navratna Gold in select channels and reintroduced Zandu Roll-On as “Zandu Roll-on Tension Gone”, offering dual relief for headache and cold symptoms.
- The Zandu Fast Relief range, including gel and spray formats, delivered strong growth in consumer-facing channels, supported by monsoon-driven demand for balms.
- The antiseptic and soft cream category grew strongly at 60% YoY, driven by BoroPlus, including the launch of a new Icy Citrus Blast variant.

International performance

- The international business, contributing 16% of total revenue, reported modest growth of 2% YoY amid continued geopolitical and macroeconomic challenges in key markets such as Bangladesh, the Middle East, and Africa.
- The Bangladesh business saw a sharp decline, while other international markets posted a robust growth of 13.6% YoY.



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Results Update



Godrej Consumer

Buy

Current Price INR 1,247

Business operations and environment

- Consumption trends are improving modestly, with this quarter being slightly better than the previous one.
- Growth was slightly easier than in earlier quarters, especially outside of soaps.
- The quarter had mixed weather: unusually hot April, poor May in North India, followed by recovery in June.
- Rural demand showed signs of gradual recovery.
- GCPL is optimistic about domestic macro, but cautious due to geopolitical uncertainties and palm oil volatility.
- Pet Care (Ninja brand) launched in Tamil Nadu; initial consumer acceptance is strong, but it is a long gestation category.

Cost and margins

- India's standalone EBITDA declined 6% due to: 1) Margin impact from price cuts in aerosols and hair color and 2) Soaps margin remaining in the low range due to high inventory costs and grammage reduction.
- Ex-Soaps, the portfolio saw mid-teen UVG, but margins slightly contracted due to strategic pricing actions.
- GCPL expects normative margins to return in 2HFY26 through: 1) Cost-saving initiatives: ANP efficiency, media negotiations, supply chain improvements from

new factories, and 2) No major structural margin correction anticipated in Indonesia.

Home care

Household Insecticides (HI)

- The HI business's volumes grew in high single digits, led by double-digit growth in electrics.
- GCPL gained unprecedented market share in electrics and, for the first time in a decade, gained share in overall HI.
- New molecule (R&F) has been successful; exclusivity gives competitive moat; strong consumer repeat and recall.
- The incense stick category continues to grow, restricting premium category expansion.
- Future HI volume growth expected to be in high single digits, barring seasonality changes.
- No clear boost from early monsoons; April was too hot and seasonality was average overall.

Air Fresheners

- Air Pocket launched in Africa and other markets have received strong consumer traction.
- GCPL is investing heavily in this category across markets such as Africa and India.

Personal care

Soaps

- Soaps performed poorly due to sharp grammage cuts (e.g., 55g → 43g in INR10 pack) and a weak season in May.
- Market share gain continues but at a slower pace than usual.
- Price increase implemented earlier will mark its anniversary in 2Q and should help improve reported numbers.
- Long-term volume growth is expected to return to 2-3% p.a., in line with population growth.

Hair Color

- The price drop in large hair color packs (INR42 → INR37) is expected to correct the value gap with INR15 pack, which has performed well.
- Margin impact from price correction is expected to be recovered via cost savings.

Deodorants & Antiperspirants

- Amazon Woods 4X launched successfully; consumer traction is strong.
- Block antiperspirant (INR99) aims to build a new habit; slow category build-up expected.
- Strategic shift from trade-led to consumer-led pricing — pilot in Tamil Nadu (MRP cut from INR230 to INR99, with same margin %) resulted in explosive growth.
- GCPL plans to scale this INR99 price-point strategy gradually across markets.

Laundry Liquids

- FAB detergent continues to gain share and consumer acceptance despite competition (e.g., Unilever's Sunlight at INR70/ltr).
- Price hike of 5% was taken on FAB with no negative impact on volumes.
- GCPL sees FAB as a branded upgrade play from powders, not a pricing war.

Park Avenue and Kamasutra

- Park Avenue and KS are central to GCPL's personal care strategy, especially in deodorants and the new antiperspirant segment.
- GCPL is transforming the category from high-trade-margin-driven to consumer-led through a price architecture reset.
- The INR99 pricing innovation is delivering strong results, especially in pilot regions.
- Block antiperspirant is a long-term strategic bet, aimed at category creation and consumer habit change.
- Distribution strength offers GCPL an edge in driving retail-led adoption of these changes.

International business

Indonesia

- The business was impacted by a macro slowdown and heightened price competition, especially in HI and air fresheners.
- GCPL initially delayed its reaction to pricing aggression but matched prices later in 1Q.
- Price gap was 7-8% higher than competition; now corrected.
- Margin pressures are expected to be temporary, with normalization likely by 3QFY26.

Africa

- Sales grew 30%, EBITDA grew 15%.
- Margin dilution seen due to heavy investments in Air Pocket and on-ground marketing.
- About 10-12% of growth is attributed to base correction from last year's inventory clean-up.
- Double-digit growth is expected to continue, assuming macro remains supportive.

Latin America

- The market continued to post high single-digit volume growth.
- EBITDA margins are now in double digits.

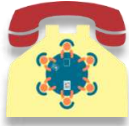
FY26 guidance

- In India, management guided high single-digit UVG, revenue growth of high single-digit in INR terms, and double-digit EBITDA growth for FY26.
- Margin recovery is expected in 2HFY26 as palm oil benefits flow in.
- HI: Maintain high single-digit volume growth guidance.
- Soaps: Expect improvement from 2QFY26 as pricing and season normalize.
- Africa: Sustainable double-digit growth expected.
- Indonesia: Margins to recover from 3Q assuming no further competitive disruptions.



Hindustan Unilever Limited

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Hindustan Unilever

Current Price INR 2,669

Buy

Operational environment

- The macro environment has turned favorable with a 100bp repo rate cut since Jan'25, improved liquidity in the system, retail inflation at a six-year low of 2.1%, income tax relief announced in the FY26 budget, and a good monsoon forecast for FY25.
- 1HFY26 growth is expected to be better than 2HFY25, driven by continued portfolio transformation and improving macroeconomic indicators.
- Rural-led recovery remains intact, with urban demand also picking up, albeit at a slower pace. Growth is being driven by smaller towns and channels like e-commerce and quick commerce. HUVR's rural business comprises ~1/3 of its overall portfolio.
- Volume growth stood at 4%, showing sequential improvement.
- FMCG demand remained stable with gradual improvement in recent weeks. Encouraged by favorable macros, the company has increased investments to drive its portfolio transformation.
- The company continues to execute its ASPIRE strategy—focusing on superior brands, stronger innovation, and digital media models—to drive competitive, volume-led growth.
- Its ~50% of the portfolio is classified as core, while the remaining comprises “future core” and “market makers,” reflecting a strategic shift toward premiumization.
- The premium portfolio's contribution has improved by 500bp since 2QFY24.
- The company remains focused on volume-led competitive growth and prioritizing revenue momentum over margin expansion.
- If the current commodity trends persist, HUVR expects to increase prices in single digits.
- The ice cream demerger process remains on track and is expected to be completed by 4QFY26.
- Minimalist delivered strong double-digit growth in 1QFY25.
- The combined digital-first B&W portfolio now stands at INR30b (Minimalist + Oziva at INR10b, existing B&W at INR20b). The portfolio is growing >25%.
- The company has identified four key synergy areas with Minimalist: R&D and innovation, supply chain, offline distribution, and leveraging its international network for expansion.
- Tea witnessed high single-digit growth due to price softening, reversing recent downtrading trends.
- Coffee costs have declined ~30% after previous hikes of 70-80%. Initially, HUVR aims to narrow the price-cost gap before passing on the benefits to consumers.
- Horlicks, although still under pressure, has shown sequential improvement. The company is focusing on driving consumption and improving penetration in the category. The competition is limited in the category.
- The skin care portfolio is seeing a shift toward premium segments and e-commerce channels. The masstige portfolio has performed well, gaining market share in e-commerce and modern trade.
- Glow & Lovely continues to decline, although the rate of decline has moderated sequentially. Management expects the brand to stabilize as macro demand revives and portfolio actions (like relaunches and repositioning) take effect.

However, the brand is unlikely to be a major growth driver in the near to medium term.

- Glow & Lovely remains a critical brand for the company, featuring in both the core and future core portfolios. The future core positioning targets new-generation consumers, while the core portfolio has been renovated with new packaging. Early signs of recovery are visible in urban markets; rural traction is expected to follow over the next few quarters.
- The B&W segment saw margin dilution due to increased investments in digital media and product innovation; however, margins remain above the company average.
- The pricing-led growth, which was 4-5% historically, has now moderated to ~1% for HUVR and across the broader FMCG industry.

Costs and margins

- Key commodities such as palm oil derivatives, crude, and tea witnessed sequential softening.
- Gross margins are expected to improve sequentially, supported by better price-cost dynamics, favorable mix, and benefits from the end-to-end Net Productivity Program.
- EBITDA margin guidance is maintained at 22-23%.
- Gross margins declined due to its focus on maintaining the right price-value equation for consumers.

Segmental highlights

Home Care

- Standalone Home Care delivered 4% underlying sales growth (USG), led by high-single digit UVG.
- There was an adverse pricing impact as the company maintained a competitive price-value equation and passed on lower commodity costs to consumers.
- Fabric Wash witnessed mid-single digit volume growth, led by Surf Excel.
- Household Care saw double-digit UVG, driven by strong performance in the dishwash category.
- Liquids portfolio continued its double-digit growth trajectory.
- Key launches are Surf Excel Matic Express – designed for short wash cycles using pioneering technology. Vim Pro Clean Liquids – relaunched with RhamnoTech for enhanced performance and a more effortless and sensorial dishwashing experience.
- Price declines were attributed to commodity deflation (especially in crude derivatives and soda ash), which impacted powder detergents and bars. Competitive intensity, which drove selective price cuts, particularly in liquids and bars.
- No incremental price actions were taken in 1QFY26; the adverse price impact reflected the full-quarter effect of earlier cuts.
- Crude-linked inflation in liquids was offset by price reductions undertaken primarily for competitive reasons, unlike powders, which saw price reductions largely due to commodity deflation.
- The liquids category remains a concentrated segment with limited players, whereas the bars segment is highly fragmented with both national and regional competition.

Beauty & Wellbeing

- Standalone B&W delivered 7% USG and low-single digit UVG.

- Hair Care grew in mid-single digits, driven by strength in the Future Core and Market Makers portfolio.
- Skin Care and Colour Cosmetics delivered low-single digit growth, supported by strong performance from Ponds, Vaseline, and Simple.
- Health and Wellbeing saw robust growth with OZiva turnover tripling YoY.
- Channels of the Future (digital/e-commerce) delivered competitive double-digit growth.
- Key launches are Nexxus – a prestige, science-backed Hair Care brand, Dove Peptide Bond Strength range – for hair repair and strengthening and Lakmē Retinol range – expanded to offer intelligent skincare solutions suited for Indian skin.

Personal care

- Standalone Personal care posted 6% growth, supported by calibrated pricing due to commodity inflation.
- Skin Cleansing grew in mid-single digits, led by double-digit growth in premium bars.
- Bodywash sustained its strong double-digit growth.
- Oral Care delivered mid-single digit growth, led by Closeup.
- Key relaunches are Liril – refreshed packaging and upgraded formula for all-day freshness, Dove Serum Bar – enriched with Nutrient Serum for deep nourishment and repair, and Closeup – updated with improved formulation and modern packaging.

Food & Refreshment (F&R)

- Standalone Foods delivered 5% USG, driven by mid-single digit UVG.
- Beverages (Tea & Coffee) grew in double digits as Tea posted high-single digit growth, driven by both price and volume. Coffee continued its strong double-digit growth, primarily price-led.
- Lifestyle Nutrition maintained market leadership and showed sequential improvement.
- Packaged Foods grew in mid-single digits, supported by strong performance in Future Core and Market Makers portfolio.
- Ice Cream delivered high-single digit volume-led growth, though early monsoon onset impacted performance.
- Key launches are Red Label Instant Spiced Tea Mix – aimed at convenience and taste, and Boost Protein – a protein drink for adults to expand functional offerings.
- Kissan Jams and Boost both registered mid-single-digit growth.



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Indigo Paints

Buy

Current Price INR 1,162

Performance and outlook

- April and the 1st half of May saw a healthy offtake. However, the early onset of monsoon impacted the performance. July saw demand improvement and management expects the growth momentum to sustain, with healthy pent-up demand anticipated in 2HFY26.
- Bihar, West Bengal, Andhra Pradesh have performed well for INDIGOPN.
- Enamels and primers posted both volume and value growth; emulsions and putty saw a decline in both.

The image shows a screenshot of a financial statement for Indigo Paints. It includes a table with multiple columns and rows of data, likely representing financial performance metrics over time. The table is partially obscured by a watermark and some text, but it appears to be a detailed financial report.

- Management indicated that ~15% of paint demand comes from fresh construction, while the rest from repainting, where demand remains soft.
- South India contributes 35% of sales, and a large part of it comes from Kerala. Management sees no significant pickup in competitive intensity in Kerala, where it holds a dominant share.
- Management views the current industry discounting as within historical norms; it also indicated that the recent incentives were to counter slower volumes and pass on RM cost savings. It mentioned that the industry discounting levels remain far below those of Birla Opus.
- The company is launching experiential centers across regions and expects FY26 to see 60-70 stores for Color Canvas Store.
- Apple Chemie's revenue was impacted by early monsoon, which affected roads and metro projects, and revenue declined ~18% YoY to INR140m.
- Margins at Apple Chemie saw a marked improvement, backed by the company's various strategic initiatives. 2QFY26-end will see more high-margin product launches, which will further boost margins.
- The company remains open to inorganic growth opportunities. It was also part of the race to acquire Akzo Nobel.

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.
- Ad spends reduced to 6.8% of sales, as highlighted earlier; A&P spends as a percentage of revenue is expected to decline slightly in FY26, despite increased investments in digital marketing.
- For INDIGOPN, EBITDA margin is historically lower during 1Q and 2Q and hits a peak during 4Q. This is because of product mix changes during the year.
- EBITDA margin is expected to expand going forward, driven by recovering demand, lower input costs, and a more favorable product mix.

Distribution network

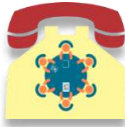
- INDIGOPN added 301 tinting machines in 1QFY26, bringing the total count to 11,301.
- As of Jun'25, the number of active dealers stood at 18,556, reflecting a QoQ increase of 185.
- The number of active dealers declined in 2HFY25 due to subdued demand; however, a rebound in active dealer count is expected in FY26.
- 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 2QFY26.
- The company also plans to complete the brownfield expansion of its Putty plant by 2QFY26.



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LT Foods

Current Price INR 454

Buy

Industry Scenario

- India is the largest producer and exporter of basmati rice,
- 70% of the consumption in India is in loose rice is still unbranded/loose rice, and the company is poised for growth as consumers prefer more and more branded rice
- The impact of the water crisis in Pakistan has not had much impact on the production of basmati rice
- ~80% of the global basmati is exported by India and continues to remain strong
- India produced ~10mmt of basmati rice out of which ~ 6mmt are exported (up 15% YoY)
- The Global basmati rice market is ~12mmt globally compared to the 500mmt overall rice market

Operating performance

- Revenue growth was led by the entry into new countries, increased household penetration, improved demand, and increased brand value
- The QoQ decline in gross margin was primarily driven by a shift in the product mix within the organic segment, as soybeans, a lower-margin product, contributed a higher share to the revenue mix.
- In India, volumes grew by 13% YoY, while value growth stood at ~10% YoY.

Guidance

- Brand spending as a percentage of sales is expected to continue, although the management anticipates a better gross profit margin
- Brand spending as a percentage of sales is expected to be in the same range as in 1QFY26, though management anticipates an improvement in gross profit margin going forward.
- The management is targeting an EBITDA margin in the range of 12.5–13%, along with a ROCE of over 23% in the coming years.
- The management remains primarily focused on improving ROCE over other financial metrics.
- Management anticipates a lower double-digit revenue growth from the US
- Freight costs stood at ~5.7% of revenue in 1QFY26, which is in line with the previous quarter, and management expects the logistics costs to remain the same in FY26.

International business

- Golden Star is now the number 1 Jasmine rice brand
- Continental Europe's progress has been robust, reporting a growth of 57% YoY; the spurt in the revenue is mainly attributed to the UK plant being fully operational in the past quarter
- Partnered with four leading UK retailers, which is further expected to drive growth in the European region; the incremental sales from these four chains are ~INR800m
- Royal commands a 54% Basmati rice import share in the US.
- The Middle East business includes two segments, branded and private label. The decline in the Middle East was due to the discounting of some private-label products as the terms were not favorable; however, the branded products

continue to do well, and overall, this region is in line with the management's expectations.

- In the US, 32% growth was due to Golden Star; on a normalized basis, growth is ~18%. This growth is expected to continue, led by immigration, rising consumption in the US, rising consumption of Indian cuisine, and the adoption of basmati rice by various restaurants.
- The uncertainty on the tariffs has not led the US distributors to buy more than usual; the uncertainty may have had an impact of ~2-3%
- In the Middle East, management is focused on the companies' owned labels, and the strategy will continue to be the same.
- Management believes there is a potential to increase revenue from the Middle East, although this market has high entry barriers and is a mature market.

Organic business

- The organic business is gaining momentum, with a remarkable 32% growth in 1QFY26, driven by increasing consumer preference for healthier and sustainable food choices.
- A major chunk of the growth in 1QFY26 in the organic segment was led by the growth in soybeans.
- Organic business is majorly B2B at present; it will further improve the margins. The company will now supply products to supermarkets, leading to improved margins.

RTH and RTC

- One of the products was discontinued in 1QFY26, leading to a revenue decline.
- The RTH and the RTC are expected to be EBITDA breakeven when this segment reports a revenue of INR3.5b, which is expected to be over the next 2-3 years.

Other

- SGA % of sales has increased due to investments in brand image, while the Logistic cost has reduced by 90bp, brand spends have gone up 120bp YoY
- Broadly, ad spending depends on quarter to quarter, and on average, it is expected to be in the range of 3-4% of the sales.
- Paddy prices in the company's books stood at INR29 as of 30th Jun'25, and the management expects no inventory gain or loss.
- The market prices for paddy have stabilized at an average price of ~INR34-35,
- Generally LT foods procures ~60-70% in the season, this season due to the good rains, the company has procured ~75% of their inventory needs during their season itself.
- Specialty rice has two varieties of rice is 1) basmati (85% of the revenue mix) and 2) jasmine rice (15% of the revenue mix)
- Basmati rice is mainly sourced from India, and sometimes from Pakistan (less than 10% this year)
- Globally, on average, Basmati rice accounts for 20-25%, which is used by HORECA, and the rest is used for home consumption.



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Marico

Current Price INR 752

Buy

Business environment and outlook

- The sector has witnessed stable to improving demand trends over the past couple of years, and a gradual uptick in overall demand is expected in the upcoming quarters, supported by easing inflation, a favorable monsoon, and continued policy support.
- The company anticipates a steady growth trajectory in its core categories, even as it navigates near-term input cost pressures.
- Growth will be supported by initiatives aimed at strengthening select General Trade channel partners and scaling up direct distribution through Project SETU.
- The company remains confident in its performance, driven by healthy offtakes, deeper penetration, and market share gains across key portfolios.
- **The company expects to maintain positive momentum in volume and revenue growth through the year, while delivering resilient profit growth despite elevated input costs.**
- The premium segment continues to outperform the mass segment, with growth primarily driven by e-commerce and modern trade channels. General Trade is also witnessing positive momentum, supported by the company's rural initiative, **Project SETU**.
- **While achieving double-digit EBITDA growth in FY26 may be challenging, the management remains confident of delivering it in 2HFY26. Moreover, the company is targeting a double-digit CAGR in PAT over the next two years.**
- The double-digit growth will be led by: 1) improving volume trajectory in the core business, 2) Margin expansion on easing of inflation, 3) sustained 25%+ growth in Foods, and 4) ongoing momentum in Digital-first brands.
- Project SETU has shown encouraging growth in 1QFY26, and the company expects even stronger performance in the 2HFY26. Market share gains have been observed across both rural and urban markets, supported by better assortment, increased diversification, and ongoing premiumization efforts in urban stores.

Material costs, margin, and guidance

- Copra prices increased by 18% sequentially and surged 107% on a YoY basis, driven by weather-related supply disruptions and market volatility.
- Vegetable oil prices moderated during the quarter, supported by the government's reduction in import duties.
- Crude oil derivatives remained largely rangebound, providing some stability on the input cost front.
- The company intends to continue expanding its consumer franchises while strategically utilizing its pricing power to manage margin pressures.
- **Margin pressures are expected to peak in the 1HFY26 and gradually ease thereafter.**

Segmental performance

Parachute coconut oil

- Parachute Coconut Oil reported a 1% volume decline during the quarter, impacted by unprecedented hyperinflationary input costs and adverse pricing conditions.

- After adjusting for ml-age changes, the brand registered 1% growth in terms of number of packs sold, indicating stable consumer offtake.
- Despite multiple rounds of price hikes and pack-size reductions that have cumulatively increased effective pricing by over 60%, the brand demonstrated strong pricing inelasticity with minimal impact on volumes.
- Parachute consolidated its market share on a MAT basis and delivered robust revenue growth of 31% YoY.
- Copra prices rose sequentially due to irregular weather patterns and market-specific dynamics, but the company remains confident in managing these short-term headwinds through its brand strength and efficient supply chain.
- Copra prices are currently ~12% below their recent peak; however, copra productivity has declined by ~9%, leading to some inflationary pressure.
- The company implemented a ~30% cumulative price hike in 1QFY26, and the full impact of this will be visible in 2QFY26.
- No further price hikes are planned in the immediate term, although the pricing base will start normalizing from the latter half of 2Q.

Saffola oil

- Saffola Edible Oils posted mid-single-digit volume growth despite elevated pricing levels during the quarter.
- Revenue grew 28% YoY, supported by strong brand equity and value delivery to consumers.
- The company proactively passed on the benefits of recent import duty reductions on vegetable oils, reinforcing its consumer-first approach.
- The quarter saw the launch of the Saffola Cold Pressed Oils range, including Single Seed and Dual Seed variants, combining innovation with authentic taste.
- These products were initially launched on e-commerce and Q-commerce platforms to capture the digitally engaged health-conscious consumer base.

VAHO

- The Value-Added Hair Oils (VAHO) portfolio grew 13% in value terms, showing a notable improvement in recovery momentum.
- The growth was driven by sustained traction in the mid and premium segments, reflecting improving category health.
- The franchise gained approximately 140 bps in value market share on a MAT basis.
- Going forward, the company is shifting investments from trade-led activations toward brand-building initiatives and plans to expand direct distribution through Project SETU.
- The company is facing heightened competition, particularly in the Amla sub-segment. To counter this, it is increasing investments in both ATL and BTL marketing. Excluding Amla oil, the VAHO portfolio recorded double-digit volume growth in 1QFY26, and overall volume growth would be in mid-single digits.

Foods and Premium Personal Care

- The Foods business grew ~20% YoY in value terms, led by strong performance in core and newer categories.
- Saffola Oats continued to gain market share and retained its leadership position in the category.
- True Elements and the plant-based nutraceuticals portfolio of Plix sustained their strong growth momentum during the quarter.

- Saffola Muesli gained healthy consumer traction and saw the addition of two new variants—Mango Crunch and a no-added-sugar Berry Crunch—enhancing the portfolio's appeal.
- Premium Personal Care maintained its accelerated growth trajectory, led by its digital-first portfolio.
- The portfolio, comprising Beardo, Just Herbs, and Plix's personal care range, exited the quarter at an annualized revenue run-rate exceeding INR8.5bn.
- Growth was driven by digital-first strategies, product innovation, and growing consumer demand across key platforms.

International business

- In the international business, Bangladesh reported 17% constant currency growth and maintained strong business fundamentals. In Bangladesh, the company is witnessing volume growth in its core portfolio, along with significant contribution from NPDs, particularly in baby care and shampoo products.
- Vietnam experienced a muted quarter but is expected to gradually recover in the coming periods.
- MENA delivered 42% constant currency growth, with both the Gulf region and Egypt showing strong performance. In the MENA region, growth is being driven by the core product categories, with market share gains seen across key markets. The company had launched VAHO in Egypt 2–3 years ago and has backed it with aggressive distribution efforts. New product developments (NPDs) in categories such as shampoo, shower gel, and body lotion are also showing strong traction.
- South Africa recorded flattish growth in constant currency terms, though full-year growth aspirations remain unchanged.
- Non-core distribution (NCD) and exports delivered 37% growth, reflecting strength in newer geographies and emerging business lines.



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Page Inds

Buy

Current Price INR 45,380

Performance and outlook

- Consumption patterns were subdued in 1Q, affecting tertiary sales growth. A shift in festive consumption in Apr'25 (vs. Apr'24) and heightened geopolitical tensions in early parts of May'25 contributed to weak consumption. That said, PAGE is seeing an encouraging recovery month.
- Online business continues to deliver robust growth.
- With all-time low inflation, low borrowing rates, rationalization in direct tax rates, and higher liquidity, management expects consumption sentiment to improve.
- PAGE expects double-digit sales growth in a normalized business environment.
- Currently, it is focusing on product innovation, no price hikes, cost optimization and various marketing initiatives.
- Management stated that competitive intensity is much better now compared to three years ago.
- In 1Q, management indicated that the innerwear segment slightly underperformed other categories such as Athleisure. The difference, however, was not significant.
- Management expects an uptick in volumes in the coming quarters.

- PAGE is able to reduce its labor costs per minute, which, along with improved efficiencies, led to robust YoY gross margin expansion.
- In 1Q, inventory days stood at 56 as of 1Q end vs. 64 at the beginning of the quarter. Net working capital was 48 days vs. 64 days at the beginning of 1Q.
- In Athleisure, the company has revamped its designing in line with a change in buying preferences of consumers.
- For innerwear, inventory days are now normal. In Athleisure, PAGE continues to reduce inventory days monthly; however, it will normalize in three quarters.
- PAGE has launched a new fashionable range of products under JKY Groove on jockey.in and select EBOs in the country, addressing a younger target audience. The initial response to the collection has been encouraging. The company will be expanding its reach gradually.
- PAGE has commenced commercial production in its new state-of-the-art manufacturing facility in Orissa. Production will be gradually ramped up in the coming months.

Costs and margins

- Its product pricing remained unchanged, and PAGE focused on maintaining operating margins through efficient raw material sourcing, optimum manpower deployment, marketing investments and digital transformation.
- Gross margin expanded YoY driven by lower raw material costs and improved productivity. PAGE expects current GM levels to be sustainable.
- EBITDA margin expansion was supported by stable input costs and enhanced operational efficiencies. Ad spends during 1Q stood at 3.5%.
- FY26 EBITDA margin guidance remains broadly unchanged at 19-21%.
- It has taken a term loan of INR40m for its upcoming facility.
- Ad spends are expected to be 4-5% in FY26.

Distribution channels

- PAGE has a distribution network comprising 110,487 MBOs, 1,490 EBOs, and 1,296 LFS as of Jun'25.
- Speedo brand is available in 720 stores and 38 EBOs across 150+ cities.
- Inventory remained healthy across distribution network in 1QFY26.
- In General Trade, PAGE expects to add 8k-9k outlets annually.
- It has successfully completed the pilot run of its modern distribution management system through Salesforce and it is on track for full deployment. Migration to SAP S4 HANA is progressing as per the plan.
- Online business continues to deliver robust growth. The Jockey mobile app users continue to expand.
- E-commerce growth continues to be ahead of the rest of the channels' growth.
- 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.



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**motilal
oswal**
Financial Services

Pidilite Industries

Current Price: INR 3,084

Rating: Neutral

Key Metrics:

Parameter	Q1 FY26	Q4 FY25	Q3 FY25	Q2 FY25	Q1 FY25
Revenue (₹ Cr.)	1,000	950	900	850	800
Profit (₹ Cr.)	150	140	130	120	110
EPS (₹)	15.0	14.0	13.0	12.0	11.0
Dividend Yield (%)	2.5	2.5	2.5	2.5	2.5

Key Highlights:

- Revenue growth of 12.5% in Q1 FY26.
- Profit growth of 9.1% in Q1 FY26.
- EPS growth of 9.1% in Q1 FY26.
- Dividend yield of 2.5%.

Pidilite Industries

Current Price INR 3,084

Neutral

Demand environment and outlook

- The company remains cautiously optimistic as domestic macroeconomic conditions continue to improve, supported by a favorable monsoon, steady demand—particularly from the construction sector—lower interest rates, and recent policy measures aimed at improving liquidity.
- However, the company stays vigilant about potential risks arising from geopolitical developments, which may disrupt supply chains and create uncertainty around global tariffs.
- Rural growth continues to outpace urban growth.
- In its core categories, the company aims to grow at 1-2x GDP, while in its emerging or growth categories, it targets 2-4x GDP. However, given the current demand environment, growth may remain at the lower end of these ranges.
- Demand trends remain healthy, with double-digit UVG seen across segments. Growth is broad-based across regions, categories, and products. Roff has shown strong momentum, and Dr. Fixit is witnessing incremental growth.
- The company's core portfolio continues to perform well, and its new, innovative product offerings are also gaining traction. New projects and premiumized products have also started delivering strong performance and these demand trends appear to be sustainable going forward.
- During the quarter, value and volume growth remained closely aligned, suggesting that growth was primarily volume-driven, with minimal contribution from pricing.
- Pricing contributed ~70bp to growth in 1QFY26, and the company expects pricing impact to remain within this range for the rest of FY26.
- Price increases will be tactical in nature. With no significant commodity inflation currently seen, the company does not plan any major price hikes.
- Geopolitical uncertainty has a limited impact on the business and is largely confined to B2B operations. However, this exposure is small. The project business is witnessing robust growth, and the company expects to sustain double-digit volume growth in B2B going forward.
- Competitive intensity remains high in the tile adhesive segment in Hyderabad and in select other categories in Gujarat. However, the company has seen sequential improvement in these markets.
- In Kerala, the business continues to face some challenges, but the company is actively evaluating the situation and working towards resolution.
- Tile adhesive products are priced marginally higher than competitors, reflecting their quality and value proposition.
- Unofin, originally targeted at the retail segment, is now being increasingly used in large-scale projects. While it is a habit-changing product that will take time to scale, it offers significant benefits—such as a 20-25-year lifespan and water resistance. The company is focusing on engaging both architects, who understand the product benefits, and end customers such as building owners.
- The company's Haisha Paints business continues to make steady progress and is currently present in five southern states—Telangana, Andhra Pradesh, Odisha, Karnataka, and Tamil Nadu. The focus remains on "Rurban" (rural and smaller town) markets, with consistent QoQ growth.

- The key competitor in the tile adhesive segment is the MNC, Laticrete, which entered the market earlier and has maintained a strong focus on the project segment. The company now holds the No. 2 position, having built a solid presence in the project space. While the overall market is growing at 2x GDP, the company is outpacing it with growth at 1.5x the market rate.
- The company continues to evaluate opportunities, particularly in the premium end of the market. It remains open to acquisitions in the home improvement space and actively monitors potential targets to strengthen its portfolio.

Cost and margin

- Gross margin moderated slightly on a QoQ basis, partly due to product mix and marginally higher VAM consumption compared to 4Q. The company expects gross margins to remain in the 54-55% range through FY26.
- The company maintains its EBITDA margin guidance of 20-24% for FY26.



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Radico Khaitan

Buy

Current Price INR 2,834

Operating environment

- The Indian alcoholic beverages industry is witnessing a structural shift from traditional consumption to lifestyle-driven demand, supported by rising affluence and changing consumer preferences.
- The company is well-placed to benefit from this trend through its strategy of premiumization, innovation, and deepening market penetration.
- State excise policies remain favorable in key markets like Uttar Pradesh and Andhra Pradesh, encouraging presence across price segments.
- In Maharashtra, consumer prices are expected to rise due to duty changes, but the company believes state policies typically evolve to protect revenues, as seen previously in Karnataka.
- If the contribution from Andhra Pradesh is excluded, the company's overall IMFL volume growth in 1QFY26 would have been approximately 12% YoY.
- In the P&A segment, volume growth excluding Andhra Pradesh would have been in the range of 15%-20% YoY in 1QFY26.
- The company expects the low base benefit from AP to continue through 2QFY26 and partly into 3QFY26, after which growth should normalize.

State-Specific

- In Andhra Pradesh, Radico's market share improved significantly from 10% in 1HFY25 to 28% in 1QFY26, the highest in the industry.
- Maharashtra contributed only 4-5% of volumes and did not experience any pre-buying ahead of duty changes.
- The company does not expect any material impact on profitability from the Maharashtra duty changes.
- In Karnataka, the contribution of premium brands increased sharply from 4% to 15% YoY, indicating improving consumer acceptance of higher-end offerings.
- Receivables from Telangana stand at INR900m, the lowest in the industry, and while clearance is slow, recent payments have been timely and the balance is expected to be recovered over time.

Brand Performance

- Radico's luxury and semi-luxury brands delivered nearly 50% YoY value growth in 1QFY26, reflecting strong consumer demand and successful premiumization.
- The company is on track to achieve its stated guidance of INR5,000m in revenue from luxury and semi-luxury brands in FY26.
- Royal Ranthambore whiskey delivered ~90% YoY growth and continues to gain traction among premium consumers.

- Magic Moments vodka posted 20% volume growth and retains 60% market share, reinforcing its leadership in the domestic vodka space.
- Volumes of After Dark whiskey, following repositioning and packaging improvements, have grown from 0.9m cases to 1.9m in FY25 and are expected to double again in FY26.
- After Dark is currently available in 14 states and will expand to 24 states over the next six months.
- Morpheus Super Premium Whiskey, Radico's entry into the 17m-case super-premium segment, has seen strong initial response and will be launched in 10 states covering 70% of the market.
- Spirit of Kashmir, a luxury vodka brand aimed at competing with international offerings, is positioned for global scale-up and premium consumer appeal.

Cost and margins

- Gross margin remained largely flat sequentially due to a higher share of bulk sales.
- Non-IMFL business grew 12% YoY and currently contributes margins of 6.5-7%, with scope for improvement due to easing grain and ENA prices.
- The company has revised its margin expansion guidance upward to 125-150bp annually for the next three years (vs. 100bps earlier), aiming to reach high-teens margins.

UK-India FTA

- The UK-India Free Trade Agreement has reduced import duty on bulk Scotch from 150% to 75%, with further reductions planned annually to reach 40% over 10 years.
- Radico expects Scotch imports worth INR2500m in FY26, and projects imports to exceed INR4,000m in three years.
- The reduction in duties will bring significant cost advantages and support the company's premium blend portfolio.

Capex and debt

- Annual capex guidance for the next two years stands at INR1,500-1,600m, focused on malt infrastructure and brand development.
- The recently commissioned Sitapur facility, the largest in Asia, ensures sufficient capacity for IMFL production and eliminates any constraints.
- Single malt capacity has been tripled, positioning the company to cater to future demand in the premium and luxury segments.
- The company reduced its net debt by INR1,640m since Mar'25. The debt reduction was primarily driven by strong profitability and improvement in working capital efficiency during the quarter.
- With only limited capex planned over the coming years, the company expects to be almost debt-free by FY27.

New launches and innovation

- Morpheus Super Premium Whiskey was launched to fill a portfolio gap in the high-growth super-premium segment, priced at INR150, above the nearest competitor.
- The blend for Morpheus includes Scotch malts and aged Indian grain spirits, positioned to compete at the top end of the market.
- Spirit of Kashmir was introduced as a luxury vodka brand with aspirations to compete globally and elevate India's presence in this category.

Marketing strategy

- Marketing spends are maintained at 7-8% of turnover, with a growing focus on digital media, on-trade promotions, and experiential branding.
- The company has undertaken high-impact branding campaigns across eight major airports including long-term visibility at Mumbai and Delhi.

TATA CONSUMER PRODUCTS

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- Radico's marketing strategy is customized at the state level, recognizing cultural and consumer behavior differences across regions.
- This localized approach, combined with aspirational brand building, is seen as a competitive advantage over peers.

Tata Consumer Products

Buy

Current Price INR 1,106

India packaged beverages business

- The India packaged beverages business reported revenue growth of 12% YoY, with volumes growing 1%. This growth was broad-based across brands/segments.
- Coffee continued its strong trajectory; revenue grew 67% in 1QFY26 on the back of 33% growth in volumes.
- The core India business, which includes tea and salt, witnessed double-digit growth.
- Tetley introduced Slim Care and Beauty Care Green Teas, with its disruptive innovation of green teas enriched with L-Carnitine and Biotin, respectively.
- The tea segment is expected to operate at gross margins of 34-37%, though it currently lags by approximately 10pp. Tea prices declined 13% YoY, but margins are expected to expand starting Q3.
- Going forward, realization growth may moderate, but volume is expected to pick up in the mid-single digits, supporting a maintained value growth guidance of 6-8% for FY26.
- The company has taken both price increases and reductions across select blends this quarter, demonstrating agility in pricing strategy.
- May witnessed a 25-30% increase in tea production YoY. With expectations of a normal monsoon, the company anticipates a further softening in tea prices.

India foods business

- The business registered 14% YoY revenue growth in 1QFY26, with volume growth of 6% YoY during the quarter.
- In line with the company's premiumization agenda, value-added salt products maintained their strong momentum, up 31% YoY in 1QFY26.
- The company launched 'Namak Ho Tata Ka 2.0' to reinforce its brand promise, featuring region-specific musicals and broad activation across major TV, digital, and high-impact platforms.
- During the quarter, Tata Sampann grew 27% YoY, led by strong traction in new launches and innovations.
- Dry fruits and Cold Pressed Oil continue to build on their growth momentum.

RTD

- Revenue for the RTD segment declined ~13%, led by low volume growth of ~3%, which was impacted by unfavorable weather and trade price corrections undertaken last year.
- The premium business grew 11% in 1QFY26, while Tata Copper+ recorded 11% revenue growth.
- The RTD segment continues to strengthen its portfolio by entering new segments, formats, and occasions, launching eight new products during the quarter.

Capital Foods and Organic India

- Capital Foods/Organic India revenue stood at ~INR1.6b/INR930m in 1QFY25.
- Capital Foods and Organic India grew 10% in 1QFY26 on a combined basis (including international operations on a like-for-like basis, including pre-acquisition revenue). This was impacted by transitory issues.
- The combined gross margin stood at 50% for 1QFY26.
- Organic India's 1QFY26 e-commerce revenue grew ~3.5x YoY.

- Capital Foods activated media on quick commerce platforms to strengthen brand association with the channel.
- Organic India partnered with Sachin Tendulkar, aligning his reputation for integrity with the brand's emphasis on quality and trust.
- The subdued primary growth was largely due to temporary issues in Q1, including shipping disruptions in the Middle East, supply chain challenges with imported ingredients (primarily from China), which required recipe modifications, and inventory optimization in select categories. Most of these issues have now been resolved.
- The company has more than doubled the distribution reach for Capital Foods since the acquisition (from ~300,000 outlets).

Tata Starbucks

- Revenue grew 6% YoY in 1QFY26.
- Same store sales growth (SSSG) was positive except during May, when the regional geopolitical tensions flared up and impacted store operating hours in specific geographies.
- The company added six new stores (net) in 1QFY26, bringing the total store count to 485 as of Jun'25 in 80 cities.
- The Cold Brew category continued to grow, contributing to a larger share of the beverage menu mix.

Non-branded business

- Non-branded business revenue in constant currency (including Vietnam) grew 6% YoY in 1QFY26.
- The soluble business witnessed ~5% YoY revenue growth in 1QFY26, while plantations delivered 11% growth, as moderating coffee prices impacted margins.
- As coffee prices come off their record highs, albeit with continued volatility, the non-branded business has responded with prompt agility.
- Profitability for the business was impacted owing to the drop in global coffee prices.

International operations

- Revenue for international operations grew 5% (constant currency) in 1QFY26.
- US business: The US coffee continued to witness accelerated growth, up 20%. Eight O'clock continued to gain market share within bags as well as K-cups.
- UK business: 4Q revenue declined 4% YoY as the business cycled a high base; Tetley's new TV ad titled 'Britain's tea' was well received by consumers across the Board.
- Canada business: It witnessed revenue decline of 7% YoY (constant currency) in 4QFY25, primarily due to a shift in promotional calendars at key retail partners. Meanwhile, Tetley continued to retain its market leadership position.

NourishCo and growth business

- Pricing corrections were implemented in the second half of June or early July 2024. The growth slowdown was partly due to increased distributor margins stemming from elevated incentive structures.
- The company expects growth to exceed 30% for both NourishCo and the overall growth business over the next three quarters.

Other highlights

- Channels of the future continued to fuel the company's growth and innovation agenda. The e-commerce channel grew 61% and Modern Trade recorded 21% growth in the quarter.
- New channels - Rollout in Food Services and Pharmacies to fuel growth is progressing as per plan. Food Services saw successful activation across key large accounts and premium hotel chains. Pharmacy distribution has expanded to the top 40 cities.

- Momentum on innovation continued with a focus on Health & Wellness, Convenience, and Premiumization.
- According to Nielsen data, market share declined 40bp in salt and 80bp in tea (June 2025 vs June 2024). Nielsen revised its methodology this year, shifting from a triennial update cycle to an annual one. The company does not fully endorse the latest Nielsen market share estimates.
- Across the portfolio, the company has implemented both price increases and reductions.
- There are three US-focused businesses that rely heavily on Indian operations: U.S. Coffee Business, Organic India (40% of turnover is U.S.-bound exports from India), Ethnic Exports (Tata Sampann, Tea).
- The company anticipates no adverse impact from tariffs on these segments, and if any impact arises, it will be industry-wide rather than company-specific.
- Dry fruits are inherently high-volume, low-margin products. However, the company has stabilized its supply and demand ecosystem and now aims to pursue value addition to enhance margins.
- The noodle category faced capacity constraints, as the company was unaccustomed to offering multiple low-price-point SKUs. Recently launched INR 10 and INR 15 packs have seen unexpected demand, quickly exceeding available production capacity.



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United Breweries

Neutral

Current Price INR 1,925

Business operations and environment

- Volume grew by 11% in 1Q on a low base of last year (the impact of elections during the peak season). Volume growth was led by Andhra Pradesh, Uttar Pradesh, and Telangana, though offset by declines in Karnataka and West Bengal. Around 2-2.5% of volume growth was attributed to the low base effect.
- The company gained market share during the quarter, outperforming the industry by over 300bp.
- Premium brands now account for 10% of the total portfolio.
- The premium portfolio grew 46% YoY, ahead of the category, led by robust growth in Kingfisher Ultra, Amstel Grande, and Heineken Silver.
- Amstel Grande was introduced in Karnataka after a strong consumer response in Maharashtra, West Bengal, and Uttar Pradesh.
- Continued investments in premiumization, localization, and supply chain are aimed at capturing long-term growth opportunities.
- 1Q capex stood at INR1.36b, primarily focused on enhancing sales and supply chain infrastructure.
- A greenfield brewery project has been announced in Uttar Pradesh, with operations expected to commence in 1QFY27.
- The Mangalore unit was closed to streamline operations and focus on the expanded Mysore brewery.
- The company remains committed to reinvesting in capacity and market development, driven by increasing disposable incomes, a younger demographic, and rising demand for premium beer.
- The company is facing major headwinds due to the shortage of cans, which make up 20-22% of the portfolio. The government has also imposed BIS regulations on the import of cans.
- The reliance on cans is even higher in certain states, such as Uttar Pradesh and Madhya Pradesh, where they represent 75-80% of the portfolio.
- With limited brewery capacity, the company has leased additional facilities and localized premium beer production in six locations to improve supply agility.

- A dual-bottle strategy is being implemented—new bottles for premium SKUs and recycled ones for mass-market offerings—to control packaging costs.
- The company is actively addressing SKU-specific glass bottle shortages, particularly for premium products.
- In Telangana, the receivables situation has improved compared to the prior quarter; old dues have been cleared, though some new payments are still pending.
- With the recent hike in excise duty on spirits, retailers in Maharashtra have stocked up in anticipation of further price hikes. However, spirit companies protest the hike, but if the state maintains the current policy, it could help to drive double-digit volume growth for beer.
- Beer is the fourth-largest alcoholic beverage category in Maharashtra, and recent RTM (route-to-market) efforts have expanded distribution, presenting a significant growth opportunity.
- The company is engaging with regulators, distributors, and other stakeholders to build a resilient and scalable business across regions.

Cost and Margins

- Gross margin declined 50bp YoY due to temporary pressure from inter-state transfers and an adverse state mix, though partly cushioned by strong revenue management and cost-optimization initiatives.
- The company aims to achieve double-digit EBIT margins over the medium term.
- Barley prices remain stable, with no near-term inflation concerns, as the company has secured supplier contracts.
- Cost efficiency is supported by dual-bottle usage and increased localization of production.
- Management acknowledges the need for backward integration in packaging (both bottles and cans) to mitigate long-term supply chain risks and ensure operational scalability.

State-wise performance

- Karnataka saw a 16-17% volume decline, largely in line with the overall category contraction due to a steep hike in excise duties. Importantly, the company retained its market share.
- West Bengal witnessed a double-digit category decline, exacerbated by price competition, as some players did not pass on tax increases in the economy segment.
- Uttar Pradesh remains a high-potential market, aided by a favorable policy environment. The company expects 20-25% growth in the state.
- Telangana is showing signs of recovery, with improved collections and stabilization of the prior-year base impact.
- In Maharashtra, recent tax hikes in spirits have created headroom for beer growth. If policies remain unchanged, it could help to drive double-digit volume growth.
- Maharashtra, the fourth-largest beer-consuming state, also presents significant upside due to expanded distribution coverage undertaken last year.
- Premium beer production has been successfully localized across six locations to enhance supply chain agility and improve margins.



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United Spirits

Neutral
Current Price INR 1,335

Operational environment and outlook

- Management indicated that discretionary consumption remains tepid. That said, early indicators suggest that consumer spending is growing in mid-teens, which is encouraging. However, UNSP requires 30-35% growth in consumer spending to be revenue neutral.

[illegible]

- UNSP remains optimistic about domestic consumption given an upbeat monsoon and some early signs of urban consumption recovery.
- The Maharashtra excise duty hike has resulted in MRP spike in the range of 30-40%. Maharashtra contributes in mid- to high-teens to UNSP in value terms. It is too early to comment on new developments.
- UNSP is seeing progressive policy changes in some states like UP, MP, and Jharkhand.
- Quarterly growth, excluding Andhra Pradesh, was 3.2% both for the total portfolio and P&A segment. UNSP stated that as demand moderated at the top end and in line with seasonality of the business, its price mix was flat during the quarter. Price mix for the quarter, excluding AP, was 2.3% YoY.
- AP contributed 8% to the overall 9% volume growth in P&A and popular segments. Excl. AP, overall growth was 1.7% and P&A was 2.7%.
- The UK FTA is expected to benefit both the BII and Bottled in Origin (BIO) segments. The company has a long inventory pipeline for imported products, which will be launched when benefits from import duty reductions are realized.
- Premiumization, innovation, and format-led recruitment continue to be UNSP's key growth levers.
- UNSP remains optimistic about the medium-term opportunity to lead India's Alcobev premiumization curve with differentiated and tailored opportunities.
- UNSP has completed the acquisition of Now Spirits in 1Q, which has brought brands like Greater Than and Hapusa into UNSP's portfolio.

Maharashtra policy change

- On the MML policy, UNSP stated that states, like Rajasthan and UP, have experimented with similar policies; however, due to limited success, they were rolled back. UNSP is uncertain if Maharashtra will roll back the same.
- UNSP has not entirely passed on the duty hikes and has absorbed some. For example, in the middle prestige level, it has absorbed significant pricing action, and in lower prestige, it has marginally absorbed. In popular, it passed on everything as there was a minimum price requirement.
- During the Maharashtra excise duty changes, the company deliberately kept inventory levels low and cleaned their pipeline due to lack of clarity.
- UNSP remains cautiously optimistic about Maharashtra's demand outlook and will reallocate resources to optimize growth and offset the expected decline in the state.
- After the excise duty change, UNSP has not seen any aggressive spike in competitive intensity.
- Maharashtra's contribution to the overall portfolio is in the mid-to-high single digits.

Costs and Margins

- ENA and glass were stable in the quarter. However, UNSP expects ENA prices to inch up as the new ethanol policy is announced by the government around Sep-Oct'25.
- Glass inflation was mitigated through alternative sourcing, alternative packaging solutions and long-term vendor contracts, which contributed positively to cost and gross margin. That said, UNSP expects some supply-related disruptions in the upcoming quarters in glass owing to planned shutdowns by key suppliers in East and West India.
- The one-off tax provision of INR400m spans over a five-year period, so on an annualized basis, it will be INR60-80m. UNSP is working on neutralizing this amount.
- The marketing reinvestment rate during the quarter was 9.3% of net sales. Management indicated that while it may appear elevated for a seasonally low

quarter, it is a conscious step taken to build brand visibility throughout the year. The company plans to maintain A&P spends at 9.5-10% of sales.

Brands/new launches/re-launches

- In Upper Prestige, signature-making high-sales in high salience, RCAP entered the CSD channel, boosting institutional access.
- In Mid Prestige, Royal Challenge delivered double-digit growth and performed competitively, led by cultural activations like Bold Share Me and India's first Al-Khabib e-sports campaign. That format innovation on Royal Challenge has scaled up effectively and is delivering healthy double-digit YoY growth across the launch stage.
- The Pocket pack provides consumer penetration through convenience, enables productivity realization, and significantly reduces the carbon footprint.
- Newly launched McDowell's Double Oaked Barrel has been well received by customers. The 180ml pack format further supports penetration and trials. Consumer feedback on smoothness and premium value has been very encouraging, as per the management.
- McDowell X series sustains its momentum, especially in the eastern states, and is helping UNSP gain share in the wide experience.
- The India single malt, Godawan continues to register strong growth, supported by the recent launch at the Bangalore duty-free and other markets, and strong traction in the CSD channel. Its UK debut included listings at Selfridges and SodaSquare.



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Varun Beverages

Buy

Current Price INR 518

Operating performance

- Consolidated sales volume declined by 3.0% in 2QCY25 primarily due to abnormally high unseasonal rainfall throughout the quarter in India.
- Net realization per case at the consolidated level improved by 0.5%, driven by 6.6% improvement in the international markets.
- EBITDA margins expanded despite an increase in fixed overheads due to new capacity being commissioned at four greenfield plants in India, which all are yet to yield incremental volumes.
- Realizations per case and EBITDA margins were intact due to growth in international markets, supported by strong positive currency movement in Africa territories.
- PAT growth was driven by operational efficiencies and lower finance costs.
- In 1HCY25, mix of low-sugar/no-added-sugar products was ~ 55% of the consolidated sales volumes.
- Other costs fell in 2Q due to freight cost optimization, led by the commissioning of larger plants strategically located to reduce transportation distances.
- Additionally, manpower optimization, improved efficiency of new production lines, and increased use of renewable energy contributed to cost savings. These measures are sustainable and expected to continue going forward.

Guidance

- VBL remains focused on driving growth by leveraging enhanced capacities and diversified portfolio and strengthening its distribution network.
- With slight improvements in weather conditions (usually the case in 3Q), VBL expects to perform well in 3Q, aided by a low base.
- EBITDA margin guidance remains at ~21%.

- The company is currently present in 4m outlets, with a target to expand by 10% in CY25. It is close to achieving this goal; however, growth may be impacted by unseasonal rains. This challenge is expected to affect the entire industry, as many temporary stores, particularly in Tier-2 markets, may not open as planned.
- As the newly opened facilities start ramping up volumes, EBITDA margins are expected to expand.

India business

- Consumer demand remains strong, and the company has strengthened its go-to-market strategy by increasing visi cooler placements.
- In the CSD segment, smaller packs continued to perform well, whereas larger packs were affected by unseasonal rains that disrupted events and weddings.
- During the rainy season, water consumption typically increases as people seek to avoid infections, leading to higher water sales.
- The value-added dairy segment and Nimbooz have performed well in the domestic market
- Capacity utilization in India is currently close to 70%, and no major capex is planned as there is sufficient headroom within the existing capacity.
- In India, there is limited scope for further capacity expansion.
- VBL plans to expand its renewable energy portfolio as a means to reduce costs.

Strategic developments

- VBL has acquired 50% equity share capital of Everest Industrial Lanka (EIL), which is engaged in the business of production, manufacturing, distribution and selling of commercial visi-coolers and related accessories.
- VBL has commenced operations in Prayagraj (UP), Damtal (HP), Buxar (Bihar) and Mendipathar (Meghalaya). These new facilities are expected to increase VBL's market share in low penetrated markets.

International business

- Varun Beverages Morocco has commenced commercial production of PepsiCo's snacks product, Cheetos, and has received an encouraging response.
- Management continues to focus on the growth opportunities in South Africa markets and has enhanced capacity by setting up a can line in Durban at one of the existing production facilities.
- Management is awaiting approval from the Competition Commission of South Africa for land parcel purchase adjoining to the production facility in Boksburg to further enhance capacity and backward integration.
- Strong currency and the efforts in implementing backward integration last year have resulted in enhanced profitability across the African territories.
- It has further strengthened the balance sheet of its subsidiaries in Zambia, DRC and South Africa through in-process equity infusion, raising the stake in Zambia from 90% to 95%.
- Beverage demand in Zimbabwe has started to stabilize.
- Low sugar prices in international markets have supported EBITDA improvement.

CAPEX

- During 1HCY25, VBL incurred a capex of ~INR25b, which included INR14.5b for setting up four greenfield production facilities, INR1.2b for brownfield expansion in Sricity, and INR4.5b in international territories.
- The balance capex was spent on visi-coolers, glass bottles, pallets, vehicles and logistics.

Others

- VBL remained net debt free in 2QCY25, with free cash of INR5.1b.
- Working capital days remained steady at ~35 as of Jun'25 vs. ~ 33 as of Jun'24.
- Sting Gold has received a mixed response. While it is performing well in some markets, it has yet to gain traction in others. A clearer picture is expected to emerge in the coming quarters.
- Capacity utilization is currently close to 70%. No major capex is required as there is enough potential in the current capacity.
- Marketing spends by Pepsi remain unchanged, while VBL continues to manage its own promotional expenses, with no change in its allocated budget.
- Management is actively exploring new acquisitions, with a focus on deploying cash towards expansion in international markets.

CONSUMER DURABLES



- Management highlighted that 1QFY26 was a challenging period, as growth momentum weakened sharply from May'25. An unusually mild summer led to a steep drop in peak-season demand for ACs and other cooling products, further weighed down by last year's high base. However, the C&W segment continued to perform well, supported by strong infrastructure and industrial demand. The company views the dip in performance as temporary and remains confident of a recovery in revenue growth and margin expansion in the coming quarters.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Capex plans
Havells	■ The company is expecting significant revenue growth in the solar business, with INR4b of revenue generated in FY25 and over INR10-15b anticipated over the next few years. This also presents opportunities for the cables, lights, and other adjacent businesses. ■ The company has witnessed a decline in pump revenue, as well as in air cooler revenue, similar to the decline seen in RACs. The seasons for RACs and water coolers are very limited; however, fans are now an all-season product. Demand for fans is expected to pick up in the next few months, although inventory adjustments may take 1-2 months.	■ The company has invested INR6.0b in Goldi Solar to accelerate growth in the renewable sector. Through this investment, it targets to expand HAVL's solar portfolio by leveraging Goldi's solar module manufacturing capabilities. ■ Investments in underground cables will continue through next year, presenting strong mid-term opportunities. Capacity expansion is underway for both LT and MT cables, with sufficient capacity already in place for LT cables. Aligned with its long-term growth plans, the company has accelerated investments in this segment, committing an additional capex of INR3.4b during the quarter.
Polycab	■ The C&W business continued to deliver strong growth, driven by robust domestic demand and supportive commodity price trends. Going forward, it expects strong demand tailwinds from infrastructure spending, improving private sector investment, and momentum in the real estate sector. Both distribution and institutional channels delivered healthy performance, indicating a broad-based demand momentum. ■ In exports, the US remains a key market, being one of the largest consumers of cables and a major contributor to the company's export sales, accounting for nearly one-third of exports this quarter. While current tariff-related uncertainties weigh on near-term visibility, the long-term potential remains significant. India so far enjoys a relatively favorable tariff position (10%) compared to other major exporters like China (55%), Mexico (30%), South Korea (25%), and Vietnam-Philippines (20% each). This provides India with a competitive edge for now, though the situation is dynamic.	■ Capex in 1QFY26 was INR4.1b, in line with its Project Spring guidance of INR12-16b annually through FY30. Currently, the capex is largely directed towards the C&W business, with some allocation for backward integration and the FMEG segment.
KEI Inds	■ Demand across its core sectors remains robust, both in India and globally, providing strong visibility for sustained growth. Management reiterated its ambition to sustain a steady ~20% CAGR over the next 2-3 years, driven by robust demand from sectors like renewables, transmission and distribution, railways, metros, data centers, and the expanding manufacturing base. ■ Looking ahead, management remains confident of delivering ~18-19% growth in FY26, supported by a healthy order book and increasing capacity additions from its upcoming Sanand plant. The company's export mix is expected to rise to ~17-18% of total	■ The company has already incurred capex of INR8.80b at Sanand as of Q1FY26, with an additional INR6-7b expected to be deployed in FY26 and a final INR3-4b planned for 1HFY27. The Phase 1 commercial production for low- and high-tension cables is set to commence by Sep'25, while EHV cable production is expected to start by 1QFY27. ■ When fully ramped up, the Sanand plant will add INR60b to the topline, comprising INR12b from EHV cables and INR48b from low and medium voltage segments. The company is also establishing backward integration and advanced

	sales during this year. ■ Management reiterated its guidance of maintaining EBITDA margin between 10.5% and 11% for the year, despite changes in the sales mix toward higher cables volumes.	processes, like the electron beam line for solar cables, at this facility. ■ Additional land parcels have been secured in Salarpur and Rajasthan at INR950m for future expansions.
RR Kabel	■ Demand momentum remained robust across key sectors, led by infrastructure expansion, housing construction, and increased electrification. Domestic market growth was supported by deeper penetration in semi-urban and rural regions, while exports continued to scale steadily. ■ The company maintains its guidance of ~18% volume growth and 100bp margin expansion, and is confident of achieving these targets. It has seen ~40bp expansion in margins. Capacity expansions are underway, which is likely to support volume growth and margins. ■ Within wires and cables, the cable segment is expected to grow, given the capacity additions and healthy demand in both domestic and export markets. Hence, it expects a higher contribution from the cable segment in the coming quarters. Management believes the wires and cables mix will be 60:40 over the next three years for the company, vs. 70:30 currently.	■ It is expanding capacities at the Silvassa and Waghodia plants to cater to increased C&W demand. Total capex is pegged at INR12.0b over the next three years, with capacities to be commissioned in a phased manner each year. The expansion plan is structured in a way that the new capacity commissioning aligns with the expected demand improvement.
Voltas	■ In 1QFY26, the delayed and milder summer significantly reduced footfalls, especially in Tier-2/3 cities and metros. Elevated trade channel inventory, built up in anticipation of another strong season, propelled management to scale back production mid-season to prevent overstocking. ■ Management expects FY26 industry growth to remain flat at 5-10%. Recovery is anticipated from the festive season onwards, supported by the second summer demand in the western and southern regions. Cost improvement initiatives are underway to offset current margin pressures.	■ Voltas Beko's growing scale, expanding product portfolio, and increasing consumer acceptance continue to strengthen Voltas' overall appliance business while reducing its reliance on seasonal product categories.



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Havells India

Neutral

Current Price INR 1,567

- The company's rural journey is still at a nascent stage, contributing only ~5-6% of revenues. However, growth in rural markets is outpacing urban markets. The company plans to continue expanding its product portfolio in rural markets and is opening Utsav stores even in low-population areas. It is also launching multiple product categories in smaller markets, including Lloyd products. Some of its product categories are generating 10%+ revenues from rural markets; The Rio switches brand is generating ~25% of revenues from rural areas.
- Lloyd: In the past few years, margin has expanded in Lloyd, led by manufacturing and internal efficiencies. There is ample room for margin expansion, driven by better operational efficiency and price positioning.
- 1QFY26 was a challenging quarter; however, the company managed its supply chain and expenses efficiently. Lloyd remains a mid-to-long term play, and continues to invest in brand building like in-shop demonstrators. Structurally, Lloyd is on the right trajectory for revenue and margin expansion.

The image shows a screenshot of a financial report from Motilal Oswal, specifically for Maveli India. The report includes a table of contents and a detailed financial statement. The table of contents lists sections such as 'Management Discussion and Analysis', 'Financial Results', and 'Risk Factors'. The financial statement includes a table with columns for 'Particulars' and 'Amount in Lakhs of INR'. The report is dated 31st March 2025.

- Its investments in brand building and distribution channel have remained higher than peers over the last few years. Inventories are high at both the channel and company levels. It will take time for the supply chain to normalize. However, inventory adjustments are not likely to impact margins over the next two quarters.
- Revenue for Lloyd remained flat YoY in 1HCY25. It remains among the top three brands in RAC. The company is also flexible with its supply chain, and the benefit of the same should be visible in 3Q/4QFY26.
- **C&W:** The C&W segment posted volume growth of 20-21% YoY, with wires growing slightly higher than cables. The company aims to maintain contribution margin of 14% in this segment, though margins were higher in 1QFY26.
- Investments in underground cables will continue until next year. There is a good growth opportunity in this segment in the mid-term. Capacity expansion is underway for both LT and MT cables, although the company has sufficient capacity for LT cables. There was some inventory build-up for wires in 1Q, which is expected to get cleared in the next 1-2 months. In line with the company's long-term growth plans, it has accelerated investments in this segment, committing an additional capex of INR3.4b during the quarter.
- The segment also benefited from channel stocking, driven by rising copper prices. On the real estate front, it remains positive and believes the sector is entering the finishing stage, which typically drives demand for its products. While the pickup may not be immediate, it is confident that this demand will begin to reflect in the coming quarters.
- **ECD segment, small appliances and lighting:** The company has started seeing improvement in contribution margins across all segments, including ECD. However, product-mix changes and low volumes in 1Q impacted the overall performance of this segment. The company's strategy remains focused not only on driving growth but also on enhancing margins through operational efficiencies and portfolio premiumization.
- The company expects significant revenue growth in the solar business, which generated INR4b in FY25, with revenue projected to cross INR10-15b over the next few years. This growth is also expected to create opportunities for its cables, lights, and other adjacent businesses.
- The company witnessed a revenue decline in pumps and air coolers, similar to the decline in RAC sales. While RACs and water coolers have a limited seasonal demand, fans have now become an all-season product. The company expects fan demand to pick up in the next few months, though inventory adjustment will take 1-2 months.
- The company expects growth in the Lighting segment, driven by a focus on premium and solution-oriented products over lower-value items. It believes that it has maintained market shares across all product categories.
- In the switches & switchgear segment, competition primarily comes from matured players given high entry barriers. Contribution margin is expected to remain stable, with the company consistently targeting a ~38% to 40% range. While this may slightly fluctuate due to changes in the business mix—such as a higher share of exports or project-driven sales—sequential improvements over

the past few quarters indicate a steady return toward its targeted ~38%-40% band.

- **Goldi Solar investment:** The company has invested INR6.0b in Goldi Solar to accelerate growth in the renewable sector. Through this investment, it targets to expand HAVL's solar portfolio by leveraging Goldi's solar module manufacturing capabilities. The company is also moving toward backward integration into solar cells, which will enhance its capabilities across the value chain. Looking ahead, there is potential to expand into battery energy storage as well. For now, the focus remains on modules and solar cells, with plans to fully integrate these capabilities over the next 18 months.



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KEI Industries

Neutral

Current Price INR 3,984

Demand outlook and guidance

- Demand across its core sectors remains robust, both in India and globally, providing strong visibility for sustained growth. Management reiterated its ambition to sustain a steady ~20% CAGR over the next 2–3 years, driven by robust demand from sectors like renewables, transmission and distribution, railways, metros, data centers, and the expanding manufacturing base.
- Looking ahead, the management remains confident of delivering ~18%-19% growth in FY26, supported by a healthy order book and increasing capacity additions from its upcoming Sanand plant. The company's export mix is expected to rise to ~17–18% of total sales over this horizon.
- The management reiterated its guidance of maintaining EBITDA margins between 10.5% and 11% for the year, despite changes in sales mix towards higher cables volumes.

KEI – 1QFY26 performance

- C&W volume growth was ~32% in 1Q. C&W domestic institutional sales stood at INR7.1 v/s INR5.7b in 1QFY25. EHV domestic institutional sales were at INR1.2b, v/s INR790m in 1QFY25. Sales through dealers/distributors increased 22% YoY and contributed 51% (vs. 53% in 1QFY25). Domestic sales grew ~27%.
- Export revenue increased ~61% YoY to INR3.7b. Within this, the C&W export sub-segment alone delivered ~122% YoY growth to INR3.3b. This surge was due to increasing penetration in new overseas geographies such as the USA and Europe. Although exports to the USA remained at INR1.6b in FY25, the company expects this to steadily scale up as customer approvals mature. Europe has also emerged as a promising new market, adding incremental volumes alongside its strong presence in the Middle East, Africa, and Australia. Margin difference b/w export and domestic is ~50bp.
- In EHV cables, the addressable market in India is estimated to double from INR30b currently to INR60b in three years, and the management believes to be in a position to capture this opportunity both domestically and overseas. It expects to achieve INR5.5-6b revenue from EHV power cables in FY26
- EPC revenue, excluding cable, was INR610m vs. INR1.3b in 1QFY25. ~90% of the business is generated directly from EPC projects, while only ~10% comes through distributors, primarily in the USA. Most orders are typically executed within 4–5 months. The absence of a project in Zambia this year has resulted in a decline in EPC revenues.

- Pending order book stood at INR39.2b vs. INR38.4b in 4QFY25. This comprised INR5.4b for EPC, INR5.38b for EHV, and INR21.4b for domestic cables.
- KELL is gradually increasing its presence in the South and East regions, and deeper market penetration in these zones remains a long-term goal.

Capex plan and net cash/debt position

- The company has already incurred capex of INR8.80b at Sanand as of Q1FY26, with an additional INR6–7b to be deployed in FY26 and a final INR3–4b planned for 1HFY27. Phase 1 commercial production for low- and high-tension cables is set to commence by Sep'25, while EHV cable production will start by 1QFY27.
- When fully ramped up, the Sanand plant will add INR60b to the topline, comprising INR12b from EHV cables and INR48b from low and medium voltage segments. The company is also establishing backward integration and advanced processes like the electron beam line for solar cables at this facility.
- Additional land parcels have been secured in Salarpur and Rajasthan at INR950m for future expansions.
- The company's gross debt stood at INR2.0b vs. INR1.8b as of Mar'25. Cash & bank balance (including unutilized QIP proceeds of INR11.1b) stood at INR17.0b vs. INR19.2b as of Mar'25. Net cash balance (ex-acceptances) stood at INR10.5b vs. INR14.9b as of Mar'25.

POLYCAB
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[illegible]

Polycab India

Current Price INR 7,154

Buy

C&W segment

- The C&W business continued to deliver strong growth driven by robust domestic demand and supportive commodity price trends. Going forward, it expects strong demand tailwinds from infrastructure spending, improving private sector investment, and momentum in the real estate sector.
- Volume growth stood at 25%+ during the quarter. Both distribution and institutional channels suggested healthy performance, indicating broad-based demand momentum. From a regional perspective, the South led the growth, followed by the North, East, and West. During this quarter, the cable mix was ~73-74% while, balance was wires.
- C&W's margin expansion was led by a combination of strategic pricing action, operational efficiencies, and a favorable business mix. Copper price volatility is not much during the quarter as compared to the previous 3-4 quarters. After only a few days of decline, prices moved up for the rest of the quarter, which supported the timely pass-through and allowed for the maximum benefits. Further, the increased scale of operation and improvement in business mix (higher contribution from C&W and lower EPC business) fueled better margins.
- The company has given a margin guidance of ~11-13% for a longer term considering various factors such as the geographic mix, volatility in commodity prices and new capacity expansion as capacity expansion have an impact in terms of lower operating margin in the near to mid-term. Further, the company continued to increase its ad spending due to its strong focus on B2C business, which also be considered in its long term margin guidance.
- International business grew 24% YoY and contributed 5.2% to the consolidated revenue.

- In exports, the US remains a key market, being one of the largest consumers of cables and a major contributor to the company's export sales, accounting for nearly one-third of exports this quarter. While current tariff-related uncertainties weigh on near-term visibility, the long-term potential remains significant. India so far enjoys a relatively favorable tariff position (10%) compared to other major exporters like China (55%), Mexico (30% effective August 1), South Korea (25%), and Vietnam and the Philippines (20% each). This gives India a competitive edge for now, though the situation is dynamic. Nevertheless, the US is expected to remain a major driver of long-term export growth.
- In Europe, customers are willing to pay a premium to diversify suppliers, so it is not seeing price dumping from Chinese players there. Also, the Middle East has robust cable demand due to large-scale infrastructure investments, and it is seeing good traction in markets like Saudi Arabia, where favorable tariff treatment gives the company an edge over Chinese competitors. However, Australia remains challenging, as China enjoys zero-duty access under a bilateral trade agreement, making it a price-sensitive market for the company. In effect, except Australia, it doesn't see a dumping effect from Chinese suppliers, and hurting export opportunities.

FMEG segment

- The FMEG segment continued its healthy trajectory, registering ~18% YoY growth despite seasonal headwinds from an early monsoon. In the fan segment, while overall sales were muted due to a shortened summer, the premiumization strategy has helped with the premium fans portfolio contributing ~25% of the fan sales, underscoring growing consumer preference for feature and aesthetically superior products. E-commerce is also gaining and accounting for a mid-teens share of total fans' revenue, further supporting premium offerings to digital channels.
- In the lighting, the impact of premiumization is even more evident where premium products contributes over 35% of the sales during the quarter. This portfolio shift is helping it to improve gross margin realization in this business.
- In switches and switchgears, conduit solutions show healthy demand from the real estate sector. Here also, focus on value-added offerings is showing results with premium switch line now constituting ~20% of the total switch sales. Similarly, in switchgears, the focus is on increasing the mix of RCCBs and multiple MCBs in sales.
- The solar products category, which recorded more than 2x growth YoY, is now emerging as the largest contributor within the FMEG portfolio. It expects this momentum to continue, backed by supportive government policies (rooftop solar) and rising adoption of renewable energy solutions.
- Solar demand has been primarily driven by the government's rooftop solar scheme. In addition, several states have introduced their incentive programs, further boosting adoption. As a result, it is seeing strong traction in the solar inverter segment, particularly in states like Maharashtra, Gujarat, Rajasthan, Madhya Pradesh, Telangana, Tamil Nadu, and Uttar Pradesh.
- The FMEG segment saw its second consecutive profitable quarter, led by premiumization, better product mix, and operating leverage from scaling efficiency. Every product category of FMEG saw gross margin expansion. In this

segment, the target is to grow 1.5-2x of the industry growth rate and achieve an EBITDA margin of 8-10% by FY30.

EPC Segment

- EPC business as at end of Mar'25, it had an open order book of ~INR70b. Post that it won an order on the Bharatnet project, put together roughly the Capex part that have to do and the overall is outstanding is around INR80b (excludes the GST), that will be accrued over the period of next three years.
- The company currently have a strong EPC order book that will be executed over the next two to three years. The quarterly performance may fluctuate depending on the project execution phase. In some quarters, when material is being supplied, margins tend to be stronger; in others, during on-ground execution, margins may soften. These variations are part of the normal project cycle. However, on an annual basis, it expects to deliver margins broadly in line with guidance. Over the near to mid-term, the contribution from the EPC business is expected to remain in the 5–10% range.

Capex and working capital

- Working capital improved to 43 days in 1QFY26, due to a temporary increase in payable days. It expects this to normalize and back to a long-term range of 50 to 55 days in the coming quarters.
- Capex in 1QFY26 was INR4.1b in line with its project spring guidance of INR12-16b annually through FY30. Currently, the capex is largely towards the C&W business and some part for backward integration and the FMEG segment.

Other highlights

- Advertisement spending was lower in 1QFY26 largely due to limited promotional activity in the fans business due to an early onset of monsoon, which impacted the seasonal campaign cycle. However, with the upcoming festive season, the advertising and promotion spend will increase and it targeted should be ~3%-5% of B2C segment revenue.
- In the C&W organized market, the company's share stood at ~26-27% in FY25, with cables a bit higher at ~30% while in wires were at ~20%.



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RR Kabel

Neutral

Current Price INR 1,218

C&W segment

- Demand momentum remained robust across key sectors, led by infrastructure expansion, housing construction, and increased electrification. Domestic market growth was supported by deeper penetration in semi-urban and rural regions, while exports continued to scale steadily. The company improved supply chain efficiency and maintained product reliability despite commodity cost pressures, supported by strategic pricing and procurement.
- Overall volume growth stood at ~6.5% of which wires grew by ~8–10%, while cables recorded a growth of ~2% (due to spillover impact of domestic orders). On the margin, it is working on improving product mix by focusing on higher-margin products. This performance is broadly in line with the company's plans and budgets. The company's wires capacity utilization was at ~70% and cables capacity utilization was at ~92-95% during the quarter.
- It maintains guidance of ~18% volume growth and 100bp margin improvement, and is confident of achieving these targets. It has seen ~40bp improvement in

The image shows a screenshot of a financial statement or report, likely from Motilal Oswal. It contains various financial metrics, tables, and text, including a header with the company name and logo. The content is dense and appears to be a professional financial document.

margins. The capacity expansions are underway, which is likely to support volume growth and margins.

- Within wires and cables, the cable segment is expected to grow, given the capacity additions and healthy demand in both domestic and export markets. Hence, it expects a higher contribution from the cable segment in the coming quarters. It believes the wires and cables mix in the next three years would be 60:40 for the company, vs. currently at 70:30.
- It has experienced strong growth in export business, with export volumes growing faster than domestic volumes. So far, it hasn't seen any adverse impact on this front, and its order book from all key customers remains healthy. At present, the majority of its exports are to Europe and the Middle East, with a small portion going to the U.S. However, conditions in the U.S. market are still uncertain, so it's too early to comment on that. It has recently received a few approvals for the cable segment. With the expansion of cable capacity, the share of cables in its exports will also increase.
- In the domestic market, wires carry higher margins, while cables have relatively lower margins due to a low base, longer delivery cycles, and higher waiting times. However, with the improvement in the scale of cables, margins will gradually improve. In exports, it is the opposite: wires, being simpler products, have lower margins, whereas cables enjoy higher margins. With an increasing share of cable exports, management expects this mix to further support improvement in overall margins.
- It has delivered a stronger performance in the domestic wire segment in 1Q. While it already has a strong presence in the northern and western regions, it is also expanding into the southern and eastern markets. These new markets are performing well, but since the base there is still small, the overall growth impact appears moderate. It is steadily expanding its distribution network across India, and over time, it focus will be on deepening its presence in these new markets.
- In the domestic market, cable performance was slightly negative this quarter. As a result, most of the growth on the domestic side was driven primarily by the wire segment. However, it is confident of achieving ~25% volume growth in 9MFY26.

FMEG segment

- In 1QFY26, it has reduced losses by ~550-600bp. Segment losses have reduced significantly, driven by operational cost savings, along with a marginal increase in contribution from an improved product mix and volume growth.
- While, initial target was to achieve break-even, the quarter did not turn out as strong as expected. RRKABEL is now anticipating that, within this year, it will achieve break-even and, on a full-year basis, it will turn marginally positive. FMEG revenue growth is estimated to be ~20-25% in FY26.
- Fans contribute ~50% of revenue, lighting ~30%, and appliances ~10%. It has also introduced mid-premium and premium categories, and these premium products now account for ~20% of its overall sales, which is improving market visibility and enhancing margins.

Capex and working capital

- It is expanding the capacity Silvassa and Waghodia plants to cater to increased C&W demand. Total capex pegged at INR12.0b over the next three years, with capacities to be commissioned in a phased manner in each year. The expansion

plan is structured in a way that the new capacity commissioning aligns with the expected demand improvement.

- Net working capital stood at 52 days vs. 56 in Mar'25 and 64/75 days in Mar'24/Mar'23. Working capital days have improved vs. the historical level, and are estimated to be maintained at these levels.

VOLTAS

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Voltas

Neutral

Current Price INR 1,369

Macro trends

- The global economic backdrop remained mixed, with the IMF projecting 3% growth in 2025, aided by early spending and lower tariff rates, but weighed down by geopolitical tensions, trade policy uncertainty, and uneven inflation trends.
- The consumer durables sector faced headwinds after strong growth in FY24, with tightened credit flows and lower electricity consumption signaling softer demand for cooling products. Weather played a decisive role—summer arrived late, remained mild, and ended early, curtailing peak AC demand. Despite this, it retained leadership in the room AC market, supported by brand strength and channel relationships, while continuing to expand its appliances portfolio.

Unitary Cooling Products (UCP)

- The UCP segment faced one of the most abrupt seasonal reversals in recent years. Q1FY25 had been exceptionally strong, with AC volumes up ~65% YoY, setting a high base. In Q1FY26, the delayed and milder summer significantly reduced footfalls, especially in Tier-2/3 cities and metros. Elevated trade channel inventory, built up in anticipation of another strong season, forced the management to scale back production mid-season to prevent overstocking.
- Management noted that brand-level inventory stands at ~3–4 months and channel inventory at ~2 months. Despite these challenges, it maintained a ~18% market share for the quarter and improved to ~19% in June exit, up from April's ~17% and May's ~18%, highlighting its push to extract more share even in a weak season. However, June-end market share was still down YoY due to heightened competition—over 65 brands now operate in the RAC space, fragmenting the market.
- North India, a stronghold, did not witness a full summer, impacting performance more severely than peers with higher southern exposure. To support sales, the company increased promotional spending and advertising, which, together with under-absorption of fixed costs from the Chennai facility, compressed margins. Management clarified that these spends were strategic to retain leadership and would normalize as volumes recover.
- Commercial AC demand remained steady, led by VRF systems, cassette ACs, and ducted products, though margins were softer and expected to improve in H2. Preparations have begun for the upcoming Energy Star labelling regime, which is expected to increase costs by ~4–5%. It plans to mitigate part of the impact via value engineering and pass on the remainder to consumers.
- Management expects FY26 industry growth to be flattish to +5%–10%. Recovery is anticipated from the festive season onwards, aided by the second summer demand in western and southern regions. Cost improvement initiatives are underway to offset current margin pressures.

Electro-Mechanical Projects and Services

- EMPS performance was stable despite the broader macro slowdown. International projects in the UAE and Saudi Arabia contributed meaningfully, underpinned by strong execution discipline, timely certifications, and prudent receivables management.
- The order book was INR62b as of Jun' 25, providing solid revenue visibility. Management reiterated its cautious approach by stating that it would bid only for projects with assured margins and secured funding, to avoid repeats of past international losses.
- Margins for the quarter were slightly below historical levels due to provisioning for one international project, but management reaffirmed that ~5% margin is sustainable in this business, with potential for slight improvement in domestic projects. Order inflows are expected to improve in the remaining quarters, supported by a healthy tender pipeline.

PES segment

- The performance in the segment was affected by subdued macroeconomic conditions, weaker demand in some sub-segments, and cautious customer spending. In the mining and construction equipment vertical, sales volumes, particularly of power screen machines, declined, reflecting softer infrastructure and mining investment. However, the product mix shift was favorable, resulting in an improved margin profile. The business was supported by stable revenues from operations and maintenance (O&M) contracts, which provide recurring income and reduce cyclicalities.
- In textile machinery, demand was muted, especially in international markets, as customers deferred capex amid global uncertainty. The agency business also experienced spending caution, impacting both volumes and profitability. Management is focusing on consolidating its presence in spinning and post-spinning segments and strengthening service capabilities to be ready for the next investment cycle.
- While near-term growth is constrained, margins are expected to be supported by higher-margin service and O&M activities. PES remains strategically important for the company, diversifying revenue streams and providing a counterbalance to the seasonal volatility of consumer durables.

Voltas Beko

- It delivered a standout performance, selling close to 1m units in 1QFY26. Growth was led by washing machines, where market share gains were achieved in both semi-automatic and overall categories. Refrigerators—especially direct cool models—also gained share.
- Key growth drivers included refreshed product launches, enhanced retail visibility, manufacturing ensuring timely availability of fast-moving SKUs, and strong execution across general trade, modern trade, and e-commerce. Marketing campaigns further strengthened brand pull.
- While the business remains loss-making, management treats current losses as brand investment, with gross margin improving over the past year. The strategic goal is to reach ~10% washing machine market. Value engineering projects are underway to further improve the cost structure without sacrificing product competitiveness.

EMS



- Most management have retained their revenue growth guidance, with Avalon increasing its revenue guidance, fueled by robust demand, project ramp-ups, scale benefits from new capacities, and strong order book visibility in 2HFY26. Strategic global tie-ups, acquisitions, and product diversification across sectors are expected to continue the growth 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	■ The company has raised its revenue growth guidance to 23-25% (from 18-20%) and aims to double revenue by FY27, led by major growth in India. ■ Margins are expected to improve sequentially starting next quarter, with continued momentum in FY27 as well. ■ Volume ramp-up is anticipated in 2HFY26, with operating leverage benefits kicking in from 2QFY26 and sustaining momentum into FY27.	■ Capex stood at INR96m in 1QFY26, with full-year guidance maintained at INR450m-INR500m. ■ AVALON entered the semiconductor equipment manufacturing space through a partnership with a top global semiconductor OEM, leveraging its box-builds expertise. The ramp-up will occur over the next 4-5 quarters, with initial revenues starting from the next quarter. This is a high-margin and scalable business.
Cyient DLM	■ The company aims to maintain a book-to-bill ratio above 1x for FY26 (current ratio stands at ~2x). ■ It plans to maintain a continued strategic focus on the defense sector. It is working closely with a key customer to secure repeat business. ■ The company expects to deliver a 30% CAGR over the next five years while achieving double-digit EBITDA margins for FY26.	■ The company plans to maintain a continued strategic focus on the defense sector. It is working closely with a key customer to secure repeat business and anticipates fresh order inflows from clients in geopolitically sensitive (war-prone) regions. ■ Early-stage discussions are underway with several potential acquisition targets. The company will continue to explore inorganic growth opportunities within similar business segments.
Data Pattern	■ Revenue softness in 1Q from customer approval delays is expected to normalize, with strong order visibility supporting 2Q's rebound. ■ Management maintains its FY26 growth guidance of 20-25% and 35-40% EBITDA margin, with scaling efforts focused on 2HFY26.	■ The company's order book stands at INR10b, with over INR3.2b in new orders received since the start of the financial year, including significant wins from BrahMos and the Ministry of Defense. ■ The export order book remains healthy at around INR1b, supported by increasing traction in international markets. Management is targeting over INR10b in additional orders over the next 6-8 months.
Kaynes Tech	■ Management retained its full-year revenue guidance of INR4.5b (with INR42.5b from the EMS business, INR1b from the OSAT business, and INR1.8b from the Canadian business). ■ EBITDA margin is expected to be in a similar range as 1Q (it is revised upwards). Management has guided for 'significantly positive' OCF and NWC days in the range of 70-80 for FY26.	■ KAYNES has already secured two clients for its OSAT business (from India and the US), while it is on track to onboard one more client (from Germany). Both the OSAT/HDI PCB facilities are on track to be fully commissioned by 4QFY26. ■ The company is targeting North America for further inorganic growth. Additionally, the company aims to focus on Europe for design and ODM (in railway, industrial, etc.) related businesses. The company also aims to deepen its technology footprint by suitably adding backward integration into niche areas.
Amber Enterprises	■ The company has guided for an overall margin of 8-9% for FY26. ■ Consumer durables: RAC is expected to outpace industry growth of 10-12% YoY in FY26. ■ Electronics division: It targets to scale to USD1b in three years, with margins of 11.5-12%. Double-digit growth is expected from FY27 onwards. ■ Railways: The company will double its revenue over the next two years.	■ The company has allocated capex of ~INR6.5b for Phase 1 of the Ascent Circuits plant, with INR3.5b-4b expected in FY26 and the balance in FY27. ■ Korea Circuits JV: Capex of ~INR32b, with INR12b in FY27. ■ Sidwal facility: Capex of ~INR3.5b, with INR1.5b in FY26 and balance in FY27. ■ The company is planning to raise funds worth INR25b. ■ 70% of capex is expected to be reimbursed through state and central government schemes.

Dixon Technologies

- Mobile volumes: 43m-44m units in FY26 (excluding Vivo), 60m-65m units in FY27.
- IT hardware: Revenue of INR30b-35b in two years.
- Consumer durables: Refrigerator's revenue is expected to grow to INR20b-25b in two years (volumes from 1.2m to 2.2m). Washing machine is likely to increase to INR18b-20b.
- Capex of ~INR11.5b-12b in FY26 will be allocated to camera modules and displays (INR7.5b-8b), along with capacity expansions across the EMS business (INR3b-4b)
- Display JV with HKC involves capex of USD130m in a phased manner. Trials are expected to start in 4QFY26, with mass production anticipated from 1QFY27.



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Avalon Technologies

Buy

Current Price INR 846

Guidance and outlook

- Revenue guidance has been revised upwards to 23-25% (vs earlier 18-20%), despite a cautious stance amid ongoing geopolitical uncertainties.
- The company aims to double its revenue by FY27 (vs FY25), with India expected to drive the bulk of this growth.
- Margins are expected to expand steadily, supported by operating leverage and improved product mix.
- The company is targeting conservative gross margins of 33-35% in FY26.
- Volume ramp-up is anticipated in 2HFY26, with operating leverage benefits kicking in from 2QFY26 and sustaining momentum into FY27.
- Indian customers' contribution has increased to 40% (vs ~20% a few years ago), with a target to achieve a balanced 50:50 mix between domestic and international clients.
- Capex stood at INR96m in 1QFY26, with full-year guidance maintained at INR450m-INR500m.
- Strong order momentum continues in the clean energy segment, with growth expected to pick up from the next quarter.
- In the industrial segment, multiple orders have been received, with several products scheduled to commence in 2H. This is driving growth in industrials and contributing to momentum across other segments as well.
- The order book mix broadly aligns with the current revenue mix.
- Many projects are currently in the prototype stage or one phase away from commercial production, with a ramp-up expected over the coming quarters.

Operating performance

- Both India and the US recorded strong YoY growth of 62%.
- Net working capital (NWC) improved, despite an intentional increase in inventory levels to support anticipated growth in upcoming quarters.
- The company is targeting working capital in the range of 120-130 days by the end of FY26.
- India manufacturing contribution rose to 80%, delivering healthy EBITDA and PAT margins of 13.2% and 8.8%, respectively.
- Gross margin expanded, driven by a favorable change in the product mix.
- EBITDA margin expanded, supported by improved execution efficiencies.
- As of Jun'25, gross debt stood at INR1.34b, while cash and investments totaled to INR1b.
- The increase in employee costs was driven by new hires for upcoming project ramp-ups and annual appraisals in 1Q. This is expected to normalize, as project execution scales up.
- Order book growth has been well-balanced and diversified across industry, verticals, and geographies.

Semiconductor

- AVALON has entered the semiconductor equipment space through a collaboration with a leading global OEM, ranked among the top 4-5 semiconductor manufacturers.
- This partnership allows the company to leverage the core expertise in Box-Builds solutions, which currently accounts for 56% of the revenue.
- Production is expected to ramp up over the next 4-5 quarters, with initial revenue beginning in the upcoming quarter and scaling gradually thereafter.
- This is a high-end, margin-accretive business with the potential to become a significant segment for the company in the long term.
- Growth is currently limited by space, not capacity. The business is scalable, and the company may explore government incentives going forward.

The big beautiful bill

- Most products have long lifecycles, typically ranging from 5 to 15 years.
- The company has not observed any meaningful business impact from the recently proposed bill.
- The solar storage market in the US is growing rapidly at a rate of 60-70%.

US tariffs

- All current contracts are structured as complete pass-through.
- There has been no pre-buying by US customers amid tariff uncertainty, as orders are typically placed 6-8 months in advance.
- The company remains agile and well-positioned to navigate ongoing tariff-related volatility.
- If the current situation persists, the company expects a limited impact of only 10-15% on its US business, translating to a minimal effect in terms of overall revenue contribution.

Zepco partnership

- AVALON, via Zepco, is entering the drone component space (power electronics & motors), targeting localization of imports.
- 95% of drone motors and power electronics currently being imported presents a large domestic opportunity.
- This partnership supports growth across the industrial and clean energy verticals.
- Zepco supports design for power domain clients, while AVALON will execute manufacturing, enhancing customer stickiness.

Other

- In the communication segment, the focus remains on 5G radios, a segment the company entered three quarters ago. An uptick in volumes is expected in the coming quarters.
- One of the key customers began ramping up towards the latter part of 1Q. With a continued scale-up, the company expects its US operations to move toward breakeven over the next few quarters.



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Cyient DLM

Buy

Current Price INR 442

Industry overview

- The addressable market is projected to post a 6.9% CAGR over FY25-32.
- Significant opportunities are emerging in the renewable energy space, aided by the accelerating EV adoption.
- Growth in India's EMS sector is being fueled by the PLI scheme and supportive industrial macro trends.



The screenshot displays a financial statement for 'Cyient DLM'. It includes a balance sheet with columns for 'As at 31st March' and 'As at 31st March', showing figures for 'Total Assets' and 'Total Liabilities'. Below this is an income statement with columns for 'For the period ended 31st March' and 'For the period ended 31st March', showing figures for 'Revenue', 'EBITDA', and 'Net Profit'. The document is dated '31st March 2025'.

- Some supply chain diversification is visible due to the ongoing shift under the China + 1 strategy.

Operating performance

- The company secured one global logo in Q1FY26 (Deutsche Aircraft), while two major B2S orders are in the final stages.
- While revenue growth was modest, EBITDA margin expanded meaningfully. Healthy EBITDA growth was supported by a favorable mix and a marginal uptick in volumes.
- The order book was largely flat YoY. However, it grew 12% QoQ, resulting from an order intake of INR5b during the quarter. 50% of this order intake is expected to be executed in FY26.
- Two new accounts added last year are expected to scale into multi-million-dollar accounts within the next 12 months.
- Q1 order intake is not expected to significantly alter the full-year segment contribution mix. Notably, industrial and medical orders this quarter were driven by new customer additions.
- The order backlog composition remains consistent with the present industry segment mix.
- The company maintains a robust business mix, with strong contributions from both industrial and med-tech sectors; exports account for ~90% of revenue. Increasing momentum is anticipated from the domestic (India) market.

Financial and operational metrics

- The defense segment's growth moderated due to the completion of a large order in FY25.
- The company reported an FCF of INR802m in 1QFY26. This is the third quarter in a row where the company has generated positive cash.
- The aerospace segment grew 63% YoY, while the inclusion of US operations led to growth in Industrial/Medtech by ~5x/2.4x.

Guidance and Outlook

- The company aims to maintain a book-to-bill ratio above 1x for FY26 (current ratio stands at ~2x).
- The B2S vertical is not expected to contribute significantly to FY26 revenue.
- The company plans to maintain continued strategic focus on the defense sector. It is working closely with a key customer to secure repeat business.
- It anticipates fresh order inflows from clients located in geopolitically sensitive (war-prone) regions.
- The company expects to deliver a 30% CAGR over the next five years.
- It targets achieving double-digit EBITDA margins for FY26.
- The company plans to reach 55-60% capacity utilization by year-end (currently at a low base). It currently operates on two shifts and has the flexibility to move to a three-shift model.
- Sustainable gross margins are expected to remain in the current range, though mix changes may cause fluctuations.

Others

- The Connecticut-based manufacturing facility strengthens its ability to serve US clients amid a volatile tariff environment.
- Altek's margin profile is comparable to Cyient DLM's existing business.
- The entire IPO allocation earmarked for inorganic growth has been utilized.
- Early-stage discussions are underway with several potential acquisition targets.
- INR400m from IPO proceeds has been deployed toward capex initiatives.
- The company will be renegotiating to secure an order from BEL. However, there is no clear visibility on this yet.



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Data Patterns

Neutral

Current Price INR 2,559

Operational Performance

- Order delays amounted to ~INR270m in 1QFY26; customer acceptance has commenced in the last 10 days, and the orders are expected to be billed in 2QFY26.
- Margins in the quarter were impacted by a higher share of low-margin contracts. Going forward, management will focus on high-IP and higher-margin contracts.
- The cost of goods sold decreased YoY due to a favorable product mix.
- Higher employee costs were attributed to increased wages and headcount for future growth readiness.
- The company is proactively hiring and training people to support future growth plans and handle complex products.

Outlook

- The company witnessed revenue moderation in 1Q due to temporary delays in customer approvals; this is expected to normalize in the coming quarters.
- Management maintains FY26 growth guidance of 20-25%, with EBITDA margins of 35-40%.
- Strong order visibility is expected to drive a pickup in execution and revenue from 2Q onwards.
- The company is focused on scaling up the business in 2HFY26; it remains bullish on long-term growth.

R&D

- The company has deployed QIP funds toward product development in Radar, Electronic Warfare (EW), and Communication systems.
- It has a 100% in-house product pipeline, where it anticipates strong traction.

Order Book

- The company's order book stood at INR10.b, with over INR3.2b of new orders received since the start of the financial year, including orders from BrahMos and MOD.
- The export order book remains healthy at about INR1b, with increasing traction in the international market.
- Management expects to achieve over INR10b of orders in the next 6-8 months.
- The company has secured key AMC contracts from BrahMos (five-year contracts, billed annually) for the Navy and Air Force.
- Airborne radar orders are expected in 3-6 months.
- The company expects a substantial increase in order book, driven by BrahMos export orders.
- The long-term order book is expected to be production-driven; development contracts are likely to decline, though margins will remain at similar levels.
- Government offers incentives on production contracts.
- Emergency procurements were largely awarded to PSUs.
- The Ashwini LLTR radar contract is likely to be finalized in 3-6 months.

Other

- The company has already deployed capex of INR1.2b in new product development.
- It continues to focus on meeting global customer specifications.
- The company is transitioning into a system vendor, moving up the value chain.
- It has a unique product portfolio with no direct peers in India.
- It has a strong opportunity in the upgrade business; repeat orders form a significant part of the pipeline.
- The company anticipates higher inquiries from HAL and strong traction in LAD (Large Area Display) orders for execution in 2H.

- The company has developed a jamming pod that is currently undergoing air trials and aerodynamic testing, with completion expected in about a month.
- The company has a long-standing relationship with DRDO (~25 years); it is looking to expand into new markets for Indian defense players.

Domestic & Export Market

- The domestic market remains the primary focus due to large untapped potential and superior IP compared to peers.
- The company's primary focus remains on this market due to its large untapped potential and superior IP compared to peers.
- Exports mainly consist of manufacturing orders.
- It is strategically shifting to IP- and value-driven products; successful domestic products are projected to be exported to the East Asian markets.



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Dixon Technologies

Buy

Current Price INR 16,874

- **Mobile phones:** Mobile revenue grew 125% YoY to INR116.6b in the quarter, of which hearables & wearables/telecom/Ismartu/IT Hardware revenue stood at INR1.8b/14.1b/19.9b/2.5b. Growth was led by strong domestic demand, rising export volumes, and deeper engagement with top smartphone brands. Strategic JVs and backward integration into key components like camera and display modules enhanced scale and efficiency. Looking ahead, growth will be driven by the upcoming Noida mega facility, ramp-up from the Vivo JV, and expanding global orders. Dixon targets annual mobile volumes of 60m-65m units, supported by localization and a robust customer base.
- **IT Hardware:** Dixon has started mass production of laptops and AIOs for HP, while Lenovo volumes are scaling steadily. A 60:40 JV with Inventec will manufacture notebooks, desktops, and servers; operations expected to begin by 4QFY26/1QFY27. A separate JV with Chongqing will produce precision mechanical components for IT hardware and smartphones.
- **Consumer Electronics:** The decline in the segment was primarily due to weak LED TV volumes during the quarter. However, management said that 2QFY26 looks promising with a strong order book for LED TVs, especially ahead of the festive season. Dixon expects to ship ~800,000 LED TV units in 2Q, with ~72% of volumes coming from ODM clients. Refrigerator business has scaled to 10% share in the direct cool segment and Dixon is now expanding capacity and entering frost-free and side-by-side segments. With capacity expansion and new product launches in the cooling segment, management is confident of achieving 50% YoY growth in the consumer electronics vertical in FY26.
- **Home Appliances:** The company is enhancing production capacity at its Tirupati and Tamil Nadu units, which are expected to be operational by Aug'25. It has already launched high-capacity semi-automatic washing machines in the 16kg and 18kg categories, with market availability expected by 3QFY26. The company is in the development phase for front-load washing machines, for which it has recruited a senior Korean R&D expert to lead the project.
- **Lighting:** Dixon's JV with Signify is set to operationalize by the first week of Aug'25, targeting premiumization with a focus on high-value indoor and architectural lighting products. The company has received a pilot export order from a leading US retail chain for LED strip and rope lights, which is being executed in the current quarter and is expected to scale meaningfully.
- **Exports:** In FY25, exports stood at INR16b, which Dixon expects to boost to INR70b in FY26 and to INR110b over the medium term, driven by increased smartphone and component exports. Dixon has already begun exporting smartphones to Africa and expects a significant ramp-up, driven by anchor customers targeting international markets. Export volumes are expected to grow meaningfully, especially as new JVs with Vivo and Longcheer mature.

- **JV:** Dixon is acquiring a 51% stake in Q Tech India at a project cost of INR5b, aiming to ramp up its camera module business from INR20b to INR50b in the next 4-5 years. QTech had revenue of INR20b, EBITDA margin of 7-7.5% and PAT of INR700m. Dixon, in the next 4-5 years, plans to grow its revenue to INR50b by investing more in capex. Overall enterprise valuation comes at 15x PAT, and the company would incur a cost of INR5.15b for a 51% stake. It is a negotiated valuation and both partners are bringing synergies, with Dixon bringing its customer base and Qtech bringing its expertise in camera modules. With operating leverage, margins can go to 9-9.5%. Longcheer JV strengthens Dixon's domestic mobile volumes and offers export and design synergies over time. Vivo JV, pending final approvals, is expected to add 18m-20m units annually, helping Dixon reach its mobile volume target of 60m-65m units per year.
- **Non-mobile segment outlook:** Dixon expects its telecom segment to scale to INR50b in a year, driven by 5G FWA devices. In refrigerators, it targets INR25b, expanding from direct cool into premium categories. Washing machines are expected to grow to INR18b-20b with new models and added capacity. The lighting JV with Signify is poised to double revenue to INR20b, while IT hardware could reach INR30b-35b, backed by JVs with Inventec and Chongqing Yuhai. Growth in hearables & wearables remains steady.



INCORPORATED IN INDIA COMPANY CODE: KAYNES

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Results Update



Key Metric	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25
Revenue (INR Cr.)	42.5	45.2	48.1	51.3	38.7	41.5	44.2	47.8
EBITDA (INR Cr.)	12.1	13.5	14.8	16.2	10.5	11.8	13.1	14.5
EBITDA Margin (%)	28.5	30.1	30.8	31.6	27.1	28.4	29.6	30.3
Operating Profit (INR Cr.)	8.5	9.2	9.8	10.5	7.8	8.5	9.1	9.7
Operating Profit Margin (%)	20.0	20.3	20.4	20.5	20.2	20.5	20.6	20.3
Net Profit (INR Cr.)	6.2	6.8	7.2	7.8	5.5	6.1	6.5	7.0
Net Profit Margin (%)	14.6	15.0	15.0	15.2	14.2	14.7	14.7	14.6
EPS (INR)	1.24	1.36	1.44	1.56	1.10	1.22	1.30	1.40

Kaynes Technology

Buy

Current Price INR 6,200

Outlook and guidance

- Management has reiterated its full-year revenue guidance of INR4.5b (with INR42.5b from EMS business, INR1b from OSAT business, and INR1.8b from Canadian business)
- Revenue growth is expected to catch up from 2Q onwards
- The company plans to integrate the business from August Electronics in 2Q itself
- EBITDA margins are expected to be in the same range going forward
- Going ahead, the share of revenue from aerospace and railway is expected to increase. Aerospace/railways may from 8%/10% of total sales for FY26

Expansion projects and capex plans

- Construction of the OSAT facility in Sanand and the HDI PCB facility in Chennai remains on schedule.
- OSAT facility is expected to be commissioned by Dec'25, while multi multi-layered PCB plant in Chennai is expected to be commissioned by Q4FY26
- The KAWACH development program is going on well and is undergoing pilot implementation.
- Capex spent till date on the OSAT facility is ~INR3b, and the balance INR4b is expected to be spent from QIP money. In the case of PCB, INR1b has been spent
- Government funding is not for Land and buildings, it is for plant and machinery. As soon as the plant and machinery start coming in, the funding will start.

Orderbook and client wins

- The company opened the year with a robust order book of INR74b (vs. an order book of INR50b in 1QFY26), supported by incremental high-margin orders across the segments.
- Going ahead, the company expects the order book to keep growing
- KAYNES secured a new client in the aerospace segment.

OSAT business

- KAYNES already has two major clients (American and Indian). While it is on track to onboard the third client (German). The company has a healthy mix of clients across countries. Further, it has also signed MOUs with four clients.
- By the first week of August, the first building is expected to be ready

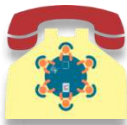
- Major capex will be consumed by the end of FY27, will also see healthy capacity utilization during that period
- Company sees strong traction on the advanced packaging side
- Margins from the OSAT business are going to be better than the EMS business

Other

- Positive OCF is expected in FY26 (significantly positive)
- KAYNES secured a new client in the aerospace segment
- The spike in WC days is due to naturally ramping up for the quarters coming ahead. The acquisition of a subsidiary resulted in the spike, and it expects to resolve this by 1HFY26. The company aims to bring the WC down to 70 days. KAYNES will also work with its suppliers to reduce the burden.
- The company remains confident about the automotive sector going ahead. There has been margin expansion across all sectors (200bp improvement in the gross margin).
- There was an increase in gross margins across segments: 2% increase in the automotive, 1% in EV, and a very strong margin increase in the industrial segment due to a certain product.
- Semiconductors are outside the purview of tariffs. The bulk of consumption for semiconductors is expected to be driven by India.
- The company expects significant activity in North America going forward. Further, the company would like to focus on Europe for design and ODM (in railway, industrial, etc.). Lastly, the company would like to deepen its technology footprint by suitably adding backward integration into niche areas.



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Syrma SGS Technology

Buy

Current Price INR 720

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.
- NWC was at 69 days as of Jun'25, with a focus on bringing it below 65 days in the next few quarters. On a full-year basis, the company is confident of bringing it below 65 days. Consumers had a shorter turnaround. For other segments, such as industrial, the company is required to build higher inventory.
- Gross debt as of Jun'25 stood at ~INR7.8b.

Outlook and guidance

- Going forward, the company expects the share of consumer business to account for ~30% of revenue by FY26-end, indicating a declining share in the overall mix.
- The company expects EBITDA margins of approximately 8.5-9% in FY26.
- Management expects the company to grow at the rate of ~30-35%, with a continued focus on margin expansions.
- In the coming nine months, the company expects to grow at 38-40%, i.e. an average of INR13b per quarter run rate.
- The company's focus will be on high-margin growth driver businesses as opposed to volume accretive businesses.

Entered into JV to manufacture PCBs

- The company entered into a JV with Shinhyup Electronics to manufacture PCBs.
- This will be a multi- and single-layer PCB plant used in industrial, auto, and consumer segments. The company does not plan to venture into HDI PCBs used in mobile phones.
- Capex in Phase 1 will be USD90m over the next 3-5 years and is eligible for PLI and state government incentives of up to 40% (this will be in a staggered manner). Additionally, there will be component PLI benefits.

- Over the next 12- 18 months, the company will commence operations with initial capacity, incurring a capex of ~USD30-35m. The remaining investment will be deployed gradually as capacity ramps up.
- Subsidies for capex incurred in FY25/26 will be received with a lag of 1.5 years, i.e. in FY26/27.
- Once the plant stabilizes, the company expects an EBITDA margin of 15-18%, which may extend to 20%.
- PCB trials are expected to start by Q3FY27 (depending on government approvals).
- The company expects NWC to be in the range of 60-75 days.

Order book

- As of Jun'25, the order book stood at INR54-55b.
- The auto/consumer/industrial/healthcare/IT and railway mix of the order book stands at 35-40%/25-27%/25-27%/6-8%/and balance to IT and railway.
- The company has recently commenced production for Dynabook (Singapore client). For MSI (Taiwanese client), it is currently supplying small quantities limited to the Indian market but is in negotiations for global market orders.

Export

- Exports formed 25% of total sales revenue, growing ~27% YoY to INR2.4b.
- The company guides for the exports to cross INR10b in FY26.
- Exports are majorly made to Western Europe and US. Tariff uncertainty is holding back customers from delivering large orders. Post tariffs, the company expects an aggressive stance from customers.

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.
- The ODM segment formed ~2% of total revenue in 1QFY26.
- Only low-margin consumer products will be scaled down.

Capex

- The Bangalore plant is expected to go on stream by the end of FY26.
- The company incurred a capex of ~INR350m in 1QFY26 for its existing plants.
- The company has guided for full-year FY26 capex to be less than INR1b.
- With some plants currently operating at less than 50% capacity, management sees more room for revenue growth from existing plants.
- Management guides for a marginal capex of INR800-1000m every year.

Others

- PLI incentive during this quarter was ~INR40-60m.
- High-margin businesses have prolonged the WC cycle; however, the company may be able to maintain or even reduce this going forward.
- There is a lot of volatility in the tariff environment, but India may not be negatively affected by tariffs.
- Revenue from smart meters was in the range of INR550-600m in 1QFY26, with the full-year guidance of INR2.5-3b.
- The company currently supplies a small part to the defense sector and remains open to exploring opportunities across other sectors.
- Margins are high in case of exports for the industrial segment.
- The railway business contributed INR210m in 1QFY26. The company expects revenue of ~INR800-1,000m and is negotiating large RFQs for next year. FY27 should be a better year for the railway business.
- In the Auto sector, margins vary from customer to customer, i.e. Tier 1 customer or OEM. The margin profile is expected to improve going forward, with more cost efficiencies and economies of scale.

FINANCIALS/BANKS



- Banks have entered FY26 on a cautious but optimistic note, anticipating asset-quality easing from 2H as collections normalize. The first quarter, however, proved transitional—core margins compressed as loans repriced faster than deposits. While banks expect NIMs to bottom out in the near term, recovery into 2H hinges on CRR relief and deposit re-pricing, with the pace and quantum of improvement varying across lenders. Headline profitability was often supported by treasury gains and one-offs, masking softer NII and subdued loan demand. Differentiation through FY26 will be shaped by: 1) liability strength – CASA mix and granularity of deposits, 2) credit exposure – share of unsecured/MFI lending, and 3) treasury buffers – ability to absorb MTM swings. Banks with strong, low-cost liability franchises and limited unsecured books are best placed to outperform, while peers with weaker deposit franchises may see prolonged margin pressure and elevated credit costs. Key monitorables remain: 1) 90+ dpd (delinquency) trends and 2) the speed of deposit re-pricing and treasury mark-to-market volatility. Muted credit growth underscores the need for selective underwriting, though robust capital buffers will provide adequate shock absorption.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26/27	Asset quality and collection efficiency
Axis Bank	■ Management remains focused on driving growth that is both profitable and sustainable, supported by a strong capital position. ■ Advances are expected to grow 300bp above the industry average, with corporate growth outpacing retail amid higher repayments in retail portfolios. ■ The bank has maintained its NIM guidance of 3.8%, although 2Q will fully absorb the 75bp rate cut, which is expected to be partly offset by cost efficiencies. ■ Management remains optimistic about FY26 and FY27, highlighting that the bank is well-positioned to deliver above-industry growth.	■ Changes in recognition norms have led to higher reported slippages in 1Q, largely technical in nature (INR18.6b of net slippages). These are not reflective of the underlying portfolio stress. ■ PCR declined 300bp, though ex-technical slippages, PCR has improved, as fresh slippages are lower quality-risk and require less provisioning. ■ Credit card and PL portfolios are showing improving trends with signs of stabilization. ■ Directionally, slippages should ease from 2Q onwards, with a return to normalized levels expected by FY27.
HDFC Bank	■ Loan growth is expected to align with system growth in FY26 and outpace it in FY27, supported by strong demand in the MSME and rural segments. ■ In the medium term, the bank aims to reduce the CD ratio further to 87-90% (from 95.1% in 1QFY26). ■ C/I ratio, currently at a normalized 39.6%, is a key priority area, and the company expects to improve this further. ■ Margins are likely to expand from 2Q as the impact of the June policy rate cut flows through, provided no further cuts are announced.	■ GNPA/NNPA ratio rose modestly QoQ by 7bp/4bp to 1.4%/0.5%; PCR remained broadly stable at 66.9%. ■ Credit costs were elevated in 1Q due to seasonal agri stress but are expected to remain benign and well-controlled for the rest of FY26. ■ Retail NPAs (ex-agri) remained stable at 82bp, covering credit cards, PL, and other retail loans, with no material stress visible in these segments. ■ Overall, management continues to highlight asset quality as the bank's key USP, with stable trends across the retail (ex-agri) and MSME segments.
ICICI Bank	■ Loan growth was moderate in 1Q, with retail up 6.9% YoY and corporate down sequentially, though the BB portfolio grew strongly (+30% YoY). BB growth is expected to outpace overall portfolio growth, supported by disciplined underwriting and a relationship-led approach. ■ CASA franchise continues to gain market share, while the reduction in high-cost wholesale deposits has improved the funding profile and lowered CoF. ■ NIMs are expected to come under pressure in 2Q due to cumulative repo rate cuts. Management expects margins to benefit in 3Q from the CRR cut, which should provide a partial cushion against rate-related compression. ■ Consumer business momentum remains healthy: PL and credit card portfolios are expected to see higher volumes, with CC growth likely to accelerate in the coming quarters.	■ Net NPA ratio stood at 0.41% in 1QFY26, with PCR at 75.3%, reflecting a stable asset quality trend. ■ Gross slippages were INR62.5b, of which INR7.7b came from the seasonal KCC portfolio; this segment typically sees stress in 1Q/3Q. ■ Asset quality in the BB portfolio remains stable, though management has guided for some normalization in credit costs as the book expands. ■ Overall, asset quality remains comfortable, with secured retail portfolios performing well and unsecured NPLs remaining stable.

IndusInd Bank	■ The bank has exited bulk and CD funding, resulting in higher retail and granular deposits. ■ The bank aims to further grow its business on a QoQ basis. ■ Last quarter, SA cuts have yet to accrue in the profits. An additional 40-50bp of SA cuts may still be possible. ■ Over a term of 3-6 months, repricing should have been largely done on the EBLR side.	■ The MFI segment will take six months to stabilize, with slippages currently reduced to INR9b, though still elevated. This follows changes in MFI guidelines as well as state-related regulatory adjustments. ■ Other slippages, ex-MFI, remained stable. GNPA and NNPA write-offs have not been taken into consideration as of now. ■ Slippages in the CV segment are expected to improve compared to last year.
Kotak Mahindra	■ The bank aims to increase its unsecured retail mix to 15% of the total book. Once credit filters improve, disbursements in MFI will resume. ■ TD rates have yet to decline, but are expected to ease in the coming quarters; reliance on MIBOR-linked SA deposits has also reduced. ■ The full impact of the 50bp repo cut will be visible in 2Q; 1Q reflected only 15 days' effect. Deposit repricing will play out over 3-4 quarters. ■ No material impact is expected on SA balances due to rate changes. Focus remains on granular and fixed-rate SA. ■ CV stress was identified two quarters ago; disbursements in the retail CV segment have since been tightened.	■ MFI stress began surfacing in 3QFY25; slippages over 3Q-4Q led to elevated 1Q credit costs. ■ Karnataka contributed to the uptick in 1Q credit costs, but the impact is now stabilizing and is expected to decline. ■ MFI stress is expected to ease, while PL remains stable; only limited incremental stress is expected in CV. ■ The JLG model has been replaced with an individual lending model, which has been back-tested with satisfactory loss estimates. ■ No signs of stress were seen in SME or business banking; both books are fully secured. ■ Retail CV stress may persist for another quarter.
SBI	■ The bank reiterates its domestic NIM guidance of 3%. Margins may see a contraction in 2Q but are expected to recover in 3Q, supported by CRR releases and easing deposit rates. ■ The bank currently has INR7.2t of pipeline and, hence, is confident of posting double digits in corporate growth. ■ Although the auto sector remains soft, a recovery is anticipated in 2HFY26, which could positively impact SME lending. ■ The bank targets a C/I ratio of below 50% on a sustainable basis.	■ Fresh slippages affected overall asset quality, but no segment-specific concerns were noted. Recoveries and pullbacks have offset some of the stress. ■ The bank is confident of delivering INR20b AUCA recoveries per quarter, as guided. ■ Excluding microloans, most of the SME book is either secured or backed by CGTMSE guarantees. The underwriting quality has improved significantly. ■ The bank reiterated that Xpress Credit is effectively as secure as secured loans, with internal controls ensuring portfolio quality. ■ No significant risks are anticipated from the Xpress Credit segment.



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AU Small Finance Bank

Buy

Current Price INR 759

Opening remarks

- 1QFY26 was seasonally soft, with system-level credit growth continuing to moderate.
- RBI's accommodative policy stance, including liquidity infusion and the CRR cut, is expected to support deposit growth going forward.
- AUBANK delivered a robust performance with 31% YoY growth in the overall business and 18% YoY loan growth.
- CASA deposits grew 31% YoY, driving healthy total deposit growth.
- The bank reduced peak savings and term deposit rates by 50bp and 90bp, respectively.
- Its focus remains on building granular retail deposits, supported by a comprehensive product suite.
- The bank plans to add 70-80 new deposit branches in urban markets.

AU Small Finance Bank

Assets

Category	Value
Net Loans	1,23,45,67,89,012
Net Advances	1,23,45,67,89,012
Net Assets	1,23,45,67,89,012

Liabilities

Category	Value
Net Deposits	1,23,45,67,89,012
Net Liabilities	1,23,45,67,89,012
Net Equity	1,23,45,67,89,012

Equity

Category	Value
Net Equity	1,23,45,67,89,012
Net Assets	1,23,45,67,89,012
Net Liabilities	1,23,45,67,89,012

- Loan growth of 18% YoY was driven by the core secured portfolio, which now constitutes 88% of the total book.
- Vehicle Finance (VF), Mortgages, and Gold Loans continue to be the flagship products.
- The wheels segment accounts for 32% of the GLP, diversified across new and used vehicles. The segment will be further supported by 200 new branches.
- Exposure to used LCVs and HCVs remains small, with asset quality expected to remain stable, despite emerging stress in the broader industry.
- The gold loan portfolio, yielding 16%, carries no RWAs and remains compliant with regulatory norms.
- Commercial banking forms 21% of the portfolio.
- Unsecured loans declined 23% YoY and now constitute 8% of total advances.
- The MFI segment continues to face headwinds from asset quality pressures and portfolio contraction.
- The bank is targeting an MFI book of INR70b by FY26.
- MFI credit cost is expected to rise to 5% (from earlier 3-4% guidance), although 97% of the portfolio is backed by CGFMU coverage.
- Reported RoA stood at 1.5%.
- NIM contracted 38bp QoQ due to lower asset yields—impacted by repo rate cuts, reduced MFI share, and softer yields in the credit card segment.
- NIMs were further impacted by 10bp due to mutual fund investments, which is expected to reverse in the coming quarters.
- Management expects NIM to bottom out in 2Q, with improvement anticipated from 3Q onwards as no further rate cuts are expected.
- The C/I ratio stood at 54%, benefiting from higher treasury gains.
- Credit cost guidance for FY26 has been revised upward by 10-15bp to 1%.

Advances

- The used CV and HCV book accounts for a modest 6% of the total loan book.
- The south-based mortgage portfolio, while high-yielding, has a differentiated risk profile. With the collection infrastructure in place, outcomes are expected to improve in the next couple of quarters.
- The bank aims to grow at 2-2.5x of the nominal GDP. Normalization of the unsecured portfolio may take time; however, the core momentum remains intact.
- Despite a seasonally weak quarter, 1QFY26 loan growth stood strong at 18% YoY.
- Future growth will be led by Commercial Banking, Vehicle Finance, and Gold Loans.
- Vehicle Finance grew 26% YoY in 1Q. Mortgages posted a 15% CAGR over the past three years, with operational gaps now largely addressed. The bank targets 18% YoY growth for this year, improving to 20% in the upcoming years.
- The MFI segment is expected to stabilize from 2Q onwards, with FY26E growth guidance at 5%.
- Southern markets form 15% of the book, with some slippages observed in the mortgage portfolio.
- The Wheels segment faces challenges due to softness in the used and heavy vehicle markets, but management is confident of achieving FY26 targets, aided by expansion in southern and eastern geographies.

Yields, costs, and margins

- NIMs are expected to remain under pressure in 2Q but should recover meaningfully in 3Q and 4Q. FY26 is expected to be stronger than FY25 in terms of RoA.

- About 70% of the loan book is fixed-rate, providing better earnings visibility into FY27.
- Full NIM recovery is anticipated by FY27E.
- Yield pressure may persist if liquidity tightens and growth in the wheels segment remains muted.

Asset quality and provisions

- Mortgage collections, especially in the non-OD and MFI segments, have seen some pressure, though the expected deterioration did not fully materialize.
- Government guarantee coverage should aid recovery in affected segments.
- Transition in the south-based mortgage book led to temporary collection challenges.
- MFI slippages are expected to remain elevated in the near term, but recent trends suggest improving stability.

Credit cost (Provisions)

- Credit cost was marginally higher than internal estimates due to lower collection efficiency in MFI and some slippages in southern mortgages.
- Secured retail credit costs are trending higher than FY17-FY19 levels, largely due to macro pressures. Given the bank's pan-India presence and scale, credit costs have structurally shifted.
- Revised guidance for FY26 credit cost is at 1%, up from the earlier 85bp.
- The bank continues to strengthen credit culture in preparation for potential conversion to a universal bank.
- Credit card credit cost has already peaked in 1Q; 2Q will likely mark the high point. Growth in this portfolio will be more selective.
- Structural changes, including management actions in the credit card business—such as a change in the credit card head—are already underway and expected to yield better results by year-end.
- The bank is approaching the credit card business with a renewed strategic lens.

Opex

- Other operating expenses have moderated, aided by expense rationalization and slower credit card origination.
- Operating leverage has improved due to cost synergies and tighter spend control.

Guidance

- The bank aims to grow at 2-2.5x of the nominal GDP. The normalization of unsecured portfolio may take time; however, the core momentum remains intact.
- Mortgages posted a 15% CAGR over the past three years, with operational gaps now largely addressed. The bank targets 18% YoY growth for this year, improving to 20% in the upcoming years.
- The bank has revised its FY26 credit cost guidance to 1% (up 10-15bp).
- By FY27E, RoA is targeted at 1.8%.
- Full NIM recovery is expected by FY27, with improvement anticipated to begin in 3QFY26.
- Credit card credit cost has already peaked in 1Q; 2Q will likely mark the high point. Growth in this portfolio will be more selective.
- The MFI portfolio is expected to stabilize from 2Q, with 5% growth targeted for FY26E.
- 100% CGFMU coverage in the MFI book by FY26-end should help contain credit costs.
- A decision on the universal banking license is expected within the current fiscal year.



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Results Update



Axis Bank

Neutral

Current Price INR 1,080

Opening remarks by the management team

- Focus remains on driving growth that is both profitable and sustainable.
- Operating profit rose 14% YoY. Fee to assets continues to rank among the best in the industry.
- The bank is well capitalized with CAR at 16.85% and CET-1 at 14.68%.
- Changes in recognition norms have led to shifts in slippages, credit cost, and NIMs.
- Expenses declined 5% QoQ.
- Deposit profile has improved, with a shift toward more granular sources.
- CoF declined due to lower rates in SA and other deposits.
- Focused on acquiring quality customers in 1Q.
- Made targeted efforts toward onboarding new-to-salary clients. Burgundy AUM grew 6% YoY.
- Continued expansion of partnerships in the cards segment.
- 80% of the customer base has migrated to the new digital platforms.
- Deposits under Bharat Banking grew 8%.
- Management remains optimistic about FY26; the platform is well positioned to support above-industry growth.
- Capital accretion stood at 1bp QoQ.
- AXSB holds INR57b in prudent provisions to support ECL transition and does not need additional capital.
- NIMs were hit by 3bp due to agri-related slippages.
- 2Q NIMs will be impacted by the full 75bp rate pass-through.
- RIDF book reduced to 0.8% of assets from 0.9% in 4QFY25.
- Trading gains were higher due to a fall in rates.
- Staff costs rose, led by higher gratuity expenses.
- Advances are likely to grow 300bp above the industry rate.

Technical impact of changes in recognition

- The bank has reviewed its classification on various types of loans. Technical impact is largely restricted to cash credit and overdraft products and one-time settled accounts.
- GNPA ratio post adjustment was 1.41%, down 13bp YoY.
- Gross slippages (adjusted) for the quarter stood at INR54.9b; INR18.6b of net slippages were due to technical factors.
- Adjusted net slippages were INR32.9b (1QFY25: INR27b; 4QFY25: INR10.8b).
- Technical impact weighed on NIMs by 1bp.
- Impact on PAT: INR6140m, RoA: 15bp, RoE: 1.4%.
- The bank does offer cash credit even in the retail format. The wholesale accounts are much faster to recover.
- Portion of the technical impact will reverse through routine recoveries.
- 80% of these technical-impact loans are nearly 100% secured and the bank has security cover to recognize this economic loss.
- AXSB has followed a practice of comparing the benchmarking with the peers — when competition gets prudent, the bank follows the same benchmark. It is an annual feature and the bank does not expect any further impact due to this.

- Tightened recognition standards led to high slippages, driven by proactive stance, not regulatory push. For example, in OTS accounts, a delay in scheduled instalment—even if part-paid—prevents upgrade, due to revised criteria.
- The recognition norms have been tightened, resulting in higher gross slippages — this was a proactive decision, not driven by regulatory changes. For instance, in OTS, OD, and CC accounts, recognition now considers both DPD and qualitative factors. Take a case where a PL account is 5 DPD — if there's a perceived risk of non-recovery, an OTS may be offered with three instalments of 30 and a 90-day moratorium for INR100. On the 85th day after the first due date, the full INR100 can be classified as overdue. Even if INR30 is paid on the 95th day and DPD technically resets to zero, the account won't be upgraded due to the revised recognition rule. This reflects a technical trigger rather than a pure DPD-based parameter.
- Full-stock impact taken in 1Q; classification and upgrade standards remain most prudent.
- No further change unless mandated by regulation. Stage-3 assets are well provisioned as per ECL norms.
- 2Q/3Q and 4Q will have high slippages but will have more recoveries in the next quarter. Directionally 2Q, 3Q and 4Q will be better than 1Q.
- FY27 will mark a return to normalized slippages, with no further changes in norms.

Advances and deposits

- ALM is aligned within an 18-month duration bucket.
- The bank has grown more in the corporate segment, and retail growth has been slower than corporate growth.
- Disbursements in retail segment have picked up, but AUM has not, amid loan repayments. The bank has seen more growth in wholesale and expects growth to be faster in the credit side.
- Retail accounts for 60% of the book.
- No changes have been made in the individual savings deposits after the rate cuts in the savings account.

Opex and other income

- AXSB dialed up opex when the Du-pont permitted to do so.
- In the short term, management is poised to do a positive job. In the long term, the cost ratios will improve.

NIMs

- The bank is confident of maintaining NIMs of 3.8%.
- 1Q NIMs have absorbed 25bp of rate cut. The 75bp of rate cut will completely flow through 2Q and will have an offset of cost.
- Competitive intensity changes, which affects the liability duration and the rate in the market, which will affect the CoF.

Asset quality

- Adjusted for the technical impact, slippages are largely similar to 3QFY25.
- The bank has seen aging provisions and adjusting for the impact, the bank is flat as compared to 3QFY25.
- Slippages are stabilizing and the new stock book in retail is trending like a pre-Covid level. The quality is improving rapidly.
- The credit cost will revert to the normalized level.



Click below for
Results Update

The screenshot shows the Bank of Baroda financial results for Q1 FY26. It includes a table with various financial metrics such as Total Income, Total Expense, Profit Before Tax, and Profit After Tax. The table is presented in a structured format with columns for the metric and its corresponding value. The results show a steady increase in income and a decrease in expenses, leading to a higher profit margin compared to the previous quarter.

- AXSB has seen improvement in the credit cards and PL has shown signs of stabilization.
- PCR is down 300bp. Excl. technical slippages, PCR has actually improved and new slippages have attracted lower PCR. The technical accounts are fully secured and hence will not require more provisions.

Bank of Baroda

Neutral

Current Price INR 245

Opening remarks

- Domestic advances grew 12.4% YoY, while retail grew 17.5% YoY. Agri stood at 16.2% YoY, SME at 13.1% YoY, and Corporate at 4.2% YoY.
- Within retail, education, home loan, and mortgage grew faster.
- The bank's PL segment witnessed moderate growth.
- Deposits grew 9.1% YoY. CASA grew 5.5% YoY. Domestic CASA ratio stood at 39.3%.
- RoA stood at 1.03% in 1QFY26.
- NIMs have been under pressure due to repo rate cuts and immediate repricing of EBLR-linked loans.
- In NIM, there has been a reclassification of interest on IT refunds.
- Slippage ratio has increased to 1.16% vs 1.0% in 4QFY25.
- Credit cost stood at 0.55%. SMA book stood at 0.4%.
- CET-1 stood at 14.12% and CRAR stood at 17.61%.
- Collection efficiency (ex agri) stood healthy at 98.9%. LCR stood at 119%.
- Corporate book is witnessing deleveraging, leading to subdued credit demand, with borrowers increasingly opting for bond markets.
- Corporate book is expected to grow 9-10% in FY26.
- Cost of deposits stood at 5.05%, the lowest among large peers in the industry. Moreover, CASA stood at 39.3%.
- NIMs moderated 7bp QoQ in 1QFY26, whereas for most banks, there was double-digit moderation.

Advances and deposits

- Deposits growth stood at 9.1% YoY, CASA growth at 5.5% YoY, and Domestic CASA ratio at 39.3%.
- Retail growth was 3-4% higher than that of large peers in the system.
- The digital spend was at 10% of the operating profit, and the bank expects to bring it to 15% in future.
- The bank plans to add another 300 branches in FY26.
- Yield on RAM advances stood at ~9-9.5%.
- On the liability side, the bank remains positive as it is in a better position to reprice deposits.
- Loan book composition: MCLR is 45% and fixed rate is 6%.

Cost, margins, and yields

- Pressure on NIMs will continue in 2Q; however, 3Q will be better.
- Fee income growth has remained slightly soft. The bank is internally focusing on cash management and prioritizing initiatives to improve fee income.
- There has been an IT refund; excluding this, margins would stand at ~2.81%. Even then, margin moderation would be 7bp QoQ, similar to the previous quarter, as the IT refund has been reclassified.
- Deposit repricing of ~75-80% will be done in the next quarter.

- The bank has given an NIM guidance of ~2.85-3.0% for FY26.
- On the provisioning side, the bank has taken prudential provisioning of 40% on the international book that has slipped.
- EBLR has been fully repriced, while one rate cut has been passed on in MCLR.
- A moderation of 15-17bp in the cost of deposits and cost of funds is expected.
- The bank capitalized on OMO opportunities, reporting healthy treasury gains.
- The discount rate has declined, leading to a lower provisioning requirement under AS-15.
- Earlier, the IT refund was recorded under other income, but in this quarter, it has been classified as income; hence, NII has been reclassified for both this and previous quarters.
- The bank expects a further 25bp rate cut, likely toward the end of the calendar year, after September.
- Deposits remain sticky due to their fixed nature. Assuming a deposit maturity of one year, with 3-4 months already elapsed, ~70-75% repricing is expected to be completed in the next quarter.
- The bank has adequately made provisions toward PLI and AS-15.

Asset quality

- The bank's slippages have increased due to one large international account that slipped to NPA this quarter and stress on the legacy personal loan book.
- This international account was restructured during COVID-19 and later upgraded. However, it has now moved into the resolution category in the international portfolio, with a resolution period of 210 days. This is a secured account, and the bank expects to recover the dues. It has taken a 40% provision against this.
- In the personal loan segment, the legacy book contributed ~INR1-1.5b to slippage.
- The SMA book has three accounts that are government-guaranteed. If these accounts are excluded, the total SMA book will be 0.10%.
- Recovery target for FY26 is >100b.
- A couple of accounts have inherent weaknesses, and the bank has made provisions for them as advised by auditors. These constitute additional provisions made during the quarter.
- On standard accounts, incremental provisions of ~INR5-6b were made due to inherent weakness.
- Slippage ratio in retail and MSME segments remains within the bank's threshold, and GNPA is at a controlled level.
- The bank has exposure to an airline account, with ~1/3rd of the exposure backed by guarantee and 2/3rd secured against a land parcel.
- MSME loans are largely secured, and in retail too, most loans are secured except for personal loans. Unsecured MSME loans are covered by government guarantees.

Guidance

- The bank has given an NIM guidance of ~2.85-3.0% for FY26.
- Recovery target for FY26 is >100b.
- The bank plans to add another 300 branches in FY26.



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Detailed Concall Transcript &
Results Update



Bandhan Bank

Neutral

Current Price INR 174

Opening remarks

- The Indian economy continues to exhibit strong fundamentals. The RBI expects Real GDP growth of 6.5%, while it has offered many monetary benefits to the system (like repo cuts and CRR cuts).
- 1QFY26 is not comparable to 1QFY25 given the changes in the MFI guardrails. Further challenges are expected in the MFI till 2Q.
- Recent regulatory and monetary inventions and PSL have been constructive for the sector.
- Loan growth was muted due to modest performance in EEB.
- Increase in secured loans in terms of loans mix is enhancing stability in the balance sheet.
- Strong CRAR and liquidity should provide robust foundation for the bank.
- The bank's gross advances grew 6% YoY, while its liability profile would continue to perform better. Retail deposits grew 30%+ YoY.
- CASA deposits account for 27% of total deposits for the bank.
- Secured book grew at a healthy rate and asset quality remains a top priority.
- The bank took INR10.47b of technical write-offs.
- CAR stands at 19.4% and Tier at 18.6%, providing headroom for future growth.
- Bandhan will focus on prudent risk management.
- It has enabled 4,400 branches to offer retail deposits. Enabling granular retail mobilization.
- The bank has reduced interest rates in both SA and TD over 1QFY26.
- Launched specialized products like Elite products to attract HNI customers.
- Bandhan is diversifying into new retail loans while expanding to new partnerships.
- Advances – Gross advances grew 6.4% YoY (down 2.5% QoQ), due to a 7% contraction in EEB portfolio. EEB declined due to controls in the book.
- Non-EEB book is now 52% (grew 27% YoY, led by retail, wholesale as well as housing).
- Growth in retail was led by housing, auto and gold loans.
- West Bengal forms 22.8% of total loans — the highest state exposure.
- Healthy growth in advances outpaces deposit growth, and focus remains on retail deposits.
- Retail TD demonstrated strong momentum, growing 34% YoY.
- CASA declined amid 1Q seasonality. CASA was also impacted by SA rate cuts and has shifted to TDs.
- Top 5 states account for 66% of total deposits. West Bengal forms 40% of the total deposits.
- Collection efficiency declined amid changes in policy norms during holidays.
- The bank has taken INR10.5b of write-offs, of which INR9.52b were due to MFI book.
- DPD pool stood at INR20.26b (3.3% of the advances). SMA-1 remained stable, while SMA-0 increased (due to changes in installment demand on the holidays).

Advances and deposits

- Disbursals in 1Q were down due to the seasonality and the implementation of new guardrails. No one is onboarding 60 DPD customers, and a maximum of three loans per customer allowed.
- 16-18% of customers have not been given loans by any of the players. Tamil Nadu and Karnataka are the new geographies. UP and Gujarat too are seeing problems in growing the book.

- Bandhan+3 loan book will come down to below 3% in the next 2 to 3 months. 90% of the portfolio is Bandhan+2. 70% of the portfolio is Bandhan+1 and nearly 59% of the book is only Bandhan.
- Disbursals will grow 10-15% YoY from 3QFY26 onward.
- The qualifying criteria have changed, and now MFIs can do 40% of non-micro lending, which can lead to aggressive lending in individual loans.
- Growth in Karnataka and Tamil Nadu is challenging amid heightened competition and also being new in these geographies.

Cost, margins and provisions

- There has been no hike in yields or processing fee.
- NIMs will moderate. 1Q had 25bp impact and 2Q will see 75bp impact.
- The bank has approx. 50% of the book as fixed; hence, NIM impact will be limited, but will see contraction.
- As the secured book portion increases, NIMs will see a decline.
- In 2H, slippages will stabilize, which will limit NIM compression.
- Cuts in SA rates and TD rates have led to a 19bp decline in CoF.
- The bank will get the full benefits of TD rate cuts expected until Mar'26. Some bit of the impact will also play out in 3Q also.

Asset quality

- The new book onboarded will have NPA of 3.5% vs. 5% for the existing book. There is a temporary impact on NPA due to new guardrails.
- SMA-0 increased due to holidays on demand.
- SMA-1 and SMA-2 are largely stable. More upcoming holidays will lead to more SMA-0 in the near term but will be recoverable.
- Unsecured retail is showing little stress and the little upside left in terms of the risk.
- A large portion of the housing book is largely secured.
- EEB side – SMA-0 was slightly elevated but the recovery was good. The bank is raising demand on holidays, but not for collection.
- Due to some holidays, 1/6th of the portfolio can become SMA-0 and looks large, but there is no concern as the book is recoverable.

Guidance

- Bandhan+3 loan book will come down to below 3% in the next 2 to 3 months.
- Disbursals will step up like 10-15% YoY from 3QFY26 onwards, it will be like a more step-up growth.
- 2H growth will be better for the EBB portfolio and aim to close at 5 to 8% of the EEB portfolio. Overall portfolio will grow at 15-17% over the next years.
- NIMs will get moderated, 1Q had an impact of 25bp and next quarter will see an impact of the 75bp.
- NIMs shall stabilize in 2H as the slippages will stabilize which will limit the sharp compression in NIMs.
- Bank will get a full benefit of this year TD rate cuts till next march. Some bit of the impact will also play in 3Q also.
- The new book onboarded will have a NPA of 3.5%, rather than 5% of the current NPA. There is a temporary impact in NPA due to the new guardrails.
- 2Q's credit cost will be better than 1Q. Overall credit cost will be better than current and the bank will be maintaining this guidance.



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Results Update**

Canara Bank

Buy
Current Price INR 112

Opening remarks

- The bank exceeded its previous guidance, as credit growth surpassed expectations.
- PCR improved by ~400bp to 93.17%, while CET-1 capital rose to 12.3%.



The image shows a screenshot of a financial statement for Canara Bank. It includes various financial metrics, ratios, and a table of contents. The document is titled 'Canara Bank' and 'Financial Statement'. It lists various financial indicators such as Net Income, Total Assets, and Capital Adequacy Ratio. The table of contents lists sections like 'Financial Statement', 'Key Ratios', and 'Management Discussion'. The document is dated 31st March 2025.

- 1Q RoA came in above the guided level of 1.14%.
- Business growth was primarily driven by RAM credit, which grew 15% YoY. RAM now constitutes 58% of the asset book, aligning with the guidance provided three years ago.
- Growth within the RAM segment was led by housing loans, with additional support from the vehicle finance portfolio.
- NIMs moderated in 1Q, though fee and treasury income provided some cushion.
- Decline in slippages led to an improvement in GNPA and NNPA ratios.

Advances and deposits

- NBFC portfolio declined by 3%, as the bank remained cautious about yields and margin pressures.
- CASA ratio dipped below 30%. In 4Q, the bank had mobilized some institutional deposits, leading to a partial reversal in 1Q.
- Certain government accounts are not maintaining balances with the bank. Achieving 12% YoY CASA growth is currently challenging, prompting a strategic shift in focus toward boosting CASA deposits.
- CBK maintains that the CASA ratio should remain above 30%. With term deposit rates declining, there is a growing tendency among customers to move funds into savings accounts over fixed deposits.
- Core agriculture lending is witnessing double-digit growth. The bank expects healthy momentum in MSME lending and is optimistic about growth in both segments. Overall, it anticipates credit growth of 11-12%, with RAM growing at 15% and corporate credit expanding at ~10% YoY.
- Advance growth tends to be slower in the first half of the year. The bank had yields of 9.23-9.3% in the RAM segment, which should ideally come down to around 8.5% due to recent repo rate cuts.

P&L

- CBK recorded INR3-4b in interest from the income tax refund and is expected to continue.

Yields and margins

- NIMs declined in 1Q. In 4Q, NIMs were steady due to a stable cost of deposits.
- Yield compression began in Mar'25, and with 45% of the book linked to RRLR, the bank passed on a 100bp reduction in yields during 1Q. However, it did not reduce deposit rates to mobilize deposits.
- The bank has implemented a 50-60bp reduction in deposit rates, which should boost margins from 2Q onward.
- 2Q will fully reflect the impact of the repo rate cut. The bank aims to maintain NIMs at 2.5%. In the absence of further rate cuts, NIMs could improve in 3Q and 4Q. The bank anticipates one or two more rate cuts and expects to bear the impact for 6 to 9 months.
- If two additional repo rate cuts of 25bp each are implemented, achieving the NIM guidance of 2.75-2.8% will be challenging.
- While the bank has repriced some bulk deposits, retail TD rates were not reduced until 8th Jun'25. The impact of lower interest rates will start reflecting from 2Q onward.
- Rate cuts are passed on by the bank on the 12th of each month.
- The bank has reduced SA rates by a total of 40bp, in two tranches of 20bp each. There are currently no further plans to reduce SA rates.
- MCLR-linked book forms 45% of the total, and MCLR rates have been cut by 40bp. This reduction was partially reflected in 1Q yields. Further rate cuts could lower the cost of funds, potentially triggering more MCLR reductions. However, MCLR changes only affect accounts due for reset, and the full impact of any MCLR reduction typically takes a year to be realized.

Other income

- Some banks have stopped booking PSLCs, and partial reclassification of PSL took place last year. The bank booked PSLCs at a rate of 3%, significantly higher than the 1.6-1.7% seen earlier. While volumes have declined, yields on PSLCs have improved. The bank expects PSLC-related income to sustain over the next 1-2 years.
- 1Q was exceptional for treasury income, aided by gains from OMO, which are unlikely to recur in 2Q. However, the bank anticipates continued benefits from the AFS category.
- CBK also holds excess PSLC commission, which is expected to contribute positively in 2Q and help to offset lower treasury income.
- Recoveries from written-off accounts could be better in 2Q compared to 1Q.

Asset quality

- The credit cost guidance has been set conservatively, but the bank expects to outperform its asset quality guidance in 2Q/3Q.
- One real estate account of INR20b and a state government irrigation project have been fluctuating between SMA-0 and SMA-1. The bank has already made provisions of INR12b for this exposure and does not expect it to slip further.
- CBK has identified eight additional accounts for transfer to NARCL and has finalized OTS agreement worth INR12b, which is expected to benefit 2Q performance.
- 1Q slippages were: Agriculture – INR6.5b, Retail – INR4b, and MSME – INR10b.
- Outstanding restructured book stands at INR110b, of which INR70b remains standard, while INR40b is classified as NPA.

Project finance provisioning and ECL disclosure

- As per the new project finance guidelines, projects nearing completion or closure do not require additional provisions. Only those maturing after Oct'25 will be subject to provisioning requirements. Therefore, no further provisions are expected going forward.
- The bank is fully prepared for the implementation of ECL provisioning and does not foresee any pressure on this front. Even after factoring in ECL, the bank remains confident of maintaining its CRAR.

Opex

- The bank invests around INR10b in tech. It does not have a DSA-heavy business and has 16% of the DSA business. It is confident of maintaining the opex growth run rate at 6-7%.

Miscellaneous

- CBK recorded a gain of INR18.3b at the consolidated level from the sale of Andhra Grameena Bank to Union Bank. This RRB was among the most profitable in the country.
- Despite the dilution of its stake in two subsidiaries, the bank will continue to retain majority ownership in both.
- Subsidiary divestment is planned for the current quarter, pending SEBI approval, with another divestment expected in 3Q.
- The bank aims to strengthen its position in Canara Bank Securities, which could also contribute to an improvement in CASA mobilization.

Guidance – FY26

- Business growth at 10.5% YoY.
- Advances growth at 10-11%.
- Deposits growth at 9-10%.
- CASA ratio at 32%.
- NIMs (Global) to be 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%, credit cost at 0.9%.

DCB BANK

Click below for
Detailed Concall Transcript &
Results Update



DCB Bank

Buy

Current Price INR 123

Opening remarks

- Deposits grew 20% YoY, while the balance sheet expanded by 19–20% YoY.
- Bottom-line growth remained in line with top-line trends.
- Core fee income rose 17.5% YoY; operating leverage at 15% was the highest in four years.
- The bank made accelerated provisions in 1Q, fully covering its MFI book and unsecured DA portfolio.
- Despite a 100bp policy rate cut, NIMs declined only 9bp in 1Q.
- Slippage ratio has crept up; there are higher slippages in MFI and unsecured DA. Small ticket secured DA has flown into NPA. School finance was also one of the reasons for this.

Advances and deposits related

- The co-lending portfolio now constitutes 15% of the bank's overall book.
- The current strategy emphasizes fixed-rate and short-tenure loans, with increased focus on gold loans and co-lending.
- Growth in long-tenure loans is expected to revive following the recent repo rate cuts.
- IBPC is actively used to cushion NIM impact; the bank benefits from strong PSLC availability and favorable pricing in this segment.
- Overall advances are expected to grow at ~20% YoY in the near term.
- Mortgage growth remains healthy, with IBPC largely comprising secured assets. Small-ticket mortgages have a limited impact on performance. Within mortgages, the focus has shifted to fixed-rate segments.
- The proportion of LAP within the mortgage book is rising, aiding margin resilience.
- Mortgage disbursements remained slow in 1Q, as part of a deliberate strategy, and are expected to improve from 2Q onwards.
- The bank has been prioritizing LAP over traditional mortgage loans.
- With the repo rate cut now behind, the bank plans to re-enter long-tenure lending. The earlier tilt toward short-term loans was in anticipation of the rate reduction.
- A dedicated resource has been hired to scale the SME lending portfolio.
- The construction finance book targets small-ticket loans, with peak exposures ranging between INR 100–120m.

Income and cost-related

- Core fee income includes third-party distribution, which tends to be higher in 4Q; hence, QoQ comparisons can be volatile.
- Fee income is expected to grow slightly below the pace of asset growth.
- Fee income should remain above 1% of average advances.
- The unsecured portfolio comprises an MFI book of INR 6.25b, lending via BCs of INR 5b, and personal loans of INR 2.71b.
- The bank sees strong PSLC performance in the SMF segment, though it currently has no presence there. General PSL demand remains subdued, while PSL in agriculture is relatively unattractive.

Yields and Margins

- The bank has fully transmitted the repo rate cuts during the calendar quarter.
- Efforts continue to lower the cost of funds and cost of deposits to support NIM management.
- Savings account rates were reduced across various buckets in both June and July.
- The benefit from rate cuts will continue to flow through 2Q and extend into 3QFY27.

- The full transmission impact is yet to be realized; one more quarter is needed for complete pass-through. As a result, term deposit repricing will aid margins progressively over the coming quarters.
- NIMs will reflect the impact of rate cuts through 2Q and 3Q as well.

With respect to asset quality

- The bank has made accelerated provisions across MFI, unsecured DA, and secured DA portfolios.
- Gross NPA ratios have increased in the mortgage segment as well.
- PCR declined 300bp QoQ, largely due to write-offs.
- Credit cost is expected to remain below 45bp over the coming quarters.
- The DA book remains small, and within that, the INR 0.2–0.6m ticket-size segment has very limited exposure. Even if stress persists, its impact on credit costs should be minimal.
- The DA portfolio is largely experimental, aimed at testing new geographies and customer segments where the bank has limited presence.
- Stress is emerging in the small-ticket DA segment.
- The bank has taken full provisions on both unsecured DA and MFI exposures.
- Slippages are largely from the MFI and unsecured DA segments, with some stress also seen in secured DA loans in the INR 0.2–0.6m range. However, credit costs are expected to remain within the guided range.
- From a slippage standpoint, the stressed pool is relatively small. Moreover, most of the unsecured book has already been provided for, giving the bank confidence in maintaining credit costs at 40–45bp.
- The bank also monitors loans originated by other lenders in similar segments, which helps in keeping asset quality under control and disbursements to the right customers.
- Stress in the MFI segment is expected to persist for another 2–3 quarters before recovery begins.
- Most gold loans are sourced from players like Muthoot and Manappuram, where bullet repayment structures are followed.

Others

- The bank has submitted revised documents to the RBI following the demise of its promoter, Aga Khan. This is expected to increase the promoter's stake to above 15%.

Guidance

- Credit cost is expected to remain below 45bp over the coming quarters.
- The bank aims to grow its overall advances by ~20% YoY in the near term.
- NIMs will remain under pressure in 2Q and 3Q due to the lagged impact of repo rate cuts.
- RoA is guided to remain above 1% - Details below –
- 1) NIMs are projected at 3.2%, 2) fee income is expected to contribute 1.1%, 3) resulting in a total revenue yield of ~4.3%.
- 4) Cost-to-assets stands at 2.5%, translating into a PPoP of 1.8%.
- 5) After factoring in a credit cost of 45bp, PBT is expected to be in the range of 1.35–1.4%, 6) supporting a RoA of ~1%+.



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Results Update**

Equitas Small Finance Bank

Buy
Current Price INR 55

Opening remarks by MD & CEO

- This quarter marks the first reported loss since 2008, driven by elevated credit costs in the MFI segment and additional provisioning to strengthen the balance sheet.
- The bank continues to strengthen its diversification strategy, with secured advances now forming 90% of the non-MFI book.



The screenshot shows the financial statements of Equitas Small Finance Bank for the quarter ended September 30, 2025. The table includes various financial metrics such as Total Assets, Total Liabilities, and Capital Adequacy Ratio (CAR).

Particulars	Q3 FY26	Q3 FY25	Q3 FY24
Total Assets	1,00,00,00,000	95,00,00,000	90,00,00,000
Total Liabilities	95,00,00,000	90,00,00,000	85,00,00,000
Capital Adequacy Ratio (CAR)	20.48%	19.50%	18.50%

- Collection efficiency is expected to recover by 3QFY26, with July already showing an improvement (99.14%).
- MFIN 2.0 guardrails, implemented in Jan'25, are expected to improve future underwriting and credit quality. The bank no longer operates in the <INR 300K loan segment.
- CRAR stood strong at 20.48%, aided by a recent INR5b Tier-2 capital raise, improving CAR by 1.7%.
- The Board has approved a Tier-1 capital raise of INR 12.5b to support medium-term growth.
- Retail deposits form over 70% of the deposit base. CASA ratio remained stable during the quarter.
- A significant rise in treasury income aided non-interest income.
- Operating expense growth continues due to ongoing investment in branch expansion (50 new branches) and workforce to support secured lending momentum.
- RoA declined due to credit costs, but the bank expects a strong rebound in H2.

Loans and deposits

- MFI total loan book remained broadly flat QoQ. Secured book grew 18% YoY, with SBL (Small Business Loans) up 22% YoY and Micro LAP showing robust growth.
- Retail deposits form over 70% of deposit base.
- The MFI portfolio declined to 9% of AUM vs 17% YoY, and is expected to drop further to mid-single digits by Mar'26.
- The bank targets 15-16% overall loan growth in FY26, led by secured products.
- The Housing Finance portfolio currently comprises 12% of AUM, with 20% YoY growth guidance.
- The focus remains on used CVs, used cars, and semi-urban affordable housing.
- July DPD trends and collections show early signs of recovery.
- Two new products for HNI clients are in the pipeline.

Yield, cost of funds, margins, and operating expenses:

- Yield on advances dropped QoQ due to a shrinking MFI portfolio and rising delinquencies.
- Yield on disbursements fell 140bp QoQ to 16.76%.
- The cost of funds remained stable at 7.5% in 1QFY26 and is expected to moderate in the coming quarters, aided by revised deposit rates.
- NIM contracted to 7.51% in 1QFY26 (vs 8.36% YoY) but is expected to stabilize by FY26-end.
- The bank has revised rates in SAs and TDs. It will look at lower cost of funds in the coming quarter.
- The C/I ratio rose to 70% due to slower disbursements and income growth. The bank believes C/I has peaked and aims to bring it down to 60-65% over the next few years.

Asset quality

- GNPA/NNPA levels increased, particularly in MFI and lower-end LAP, notably in Karnataka and Tamil Nadu.
- The bank continues to maintain a strong PCR at 66.83%.
- Total credit cost stood at 3.14% in 1QFY26, including INR1.8b floating provision. Excluding this, the credit cost was 2.6%.
- The bank believes the MFI credit cost peaked in 1QFY26.
- It has given a credit cost (non-MFI Book) guidance of 1% to 1.2% for this FY.
- Some additional provisioning in non-MFI was made book due to a decline in the MFI book, aimed at increasing the PCR. The bank indicates this as a one-off provisioning.

Credit cost guidance

- Investments MFI Book: INR 4b already provided, another INR3b expected in FY26.
- Non-MFI Book: 1%-1.2% for FY26.
- Guardrails introduced in Jan have led to significant improvement in collection efficiency and SMA trends.
- The bank has intentionally made higher provisions to maintain a healthy PCR as the MFI portfolio declines.

Guidance and outlook

- FY26 credit costs are expected to normalize by 4QFY26, with a gradual improvement expected from 3Q onward.
- ROA is guided to return to >1% by 4QFY26 and improve further to 1.5–1.75% by FY27.
- The bank expects secured loan growth of 20% YoY, led by SBL and housing finance.
- Despite short-term earnings impact, management reiterated its confidence in long-term profitability and sustainability.
- Strategy remains focused on building a granular, secured, and diversified portfolio with an emphasis on quality growth over scale.



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Federal Bank

Buy

Current Price INR 200

Opening remarks

- The top 20 borrower & depositor concentration as a % of total portfolio stood at 7.88% and 5.92% respectively.
- Focus on increasing granularity in fee income, yield on advances, and cost of funds management.
- Already begun the process of reviewing branch processing and efficiency. A slightly lower number of branches is expected in FY26.
- Department-level P&L to branch-level P&L has been rolled out.
- Fee income and pricing charges have been changed, keeping in mind the competition; the impact of that can be seen in fee growth.
- Partnership is being renegotiated and restructured by the bank.
- The retail credit head will soon be joining the bank's team.
- Strengthen the technology team with three key new hires. The CRM platform revamp has already been done.
- Federal 4.0 is not just a plan anymore; the bank remains determined to continue the journey.
- Corporate demand continues to remain selective, and credit growth remained muted.
- Unsecured retail portfolio, especially cards and MFI, is under scrutiny.
- FB is the sixth-largest private sector bank by business.
- Retail restructuring has already been completed, which will lead to healthy retail growth.
- Management expects growth to be ~1.2.15x of nominal GDP growth.
- FB follows the T+1 approach, and mostly the whole of the 100bp impact has been taken in 1Q.
- Digital Share stands at 92.6% for the month of Jun'25.
- NIM moderated 18bp QoQ to 2.94% due to repo rate cut, and NIM will bottom out in 2Q given there are no further rate cuts.

- Slippages mounted to INR6.58b (increased primarily due to MFI book) vs INR4.83b in 4QFY25.
- Credit cost for 1QFY26 is at 65bps vs 27bps in 4QFY25.
- CA grew 17% QoQ with the CASA ratio at 30.35%, better than last year.
- The bank opened 73 branches in the year and was very strategic in choosing the locations.
- Early signs of consumption revival can be seen, and a strong opportunity in MSME, LAP, CV/Ce, and Gold loans can be seen.
- RoA stood at 1% and RoE at 10.3% in 1QFY26.
- Robust business budgeting approach and rolled out revised scorecards.
- The bank has taken accelerated provisions due to segment-specific provisioning in MFI.
- Focus on the granular growth. Reorientation towards the balance sheet is what has been observed.
- Have been focused on the RaRoC return.

Loans and deposits

- In Business banking, a very large (most) part of the book is a secured book.
- On MFI, the bank saw a peak of this in May, in June, and in July FB saw a cyclical fall in overall slippages, including MFI.
- More optimistic on mid-yielding segments' growth. In Retail assets, the bank has completed the restructuring.
- Improvement in RoA will be driven by CASA, improvement in fee mix, and a change in the mix of assets.
- FB has made some internal rejig on credit buying decisions, and the bank continues to grow faster on the commercial bank side. The bank is focusing on the upper end of MSME growth faster than the lower end.
- In CV/CE, there is marginally higher stress than in the past, but not something alarming. The bank has medium to large-sized customers in this.
- In Business banking, there is a more Kerala-focused book with ~30% share. The bank has been cautious and taken protective measures on that book and some tinkering on underwriting as well.
- The bank is close to the bottom of RoA, assuming no rate cut happens.
- All branch and employee scorecards have been changed. CA, fee, and asset mix are showing steady improvement, and asset mix is more towards the yield segment.
- More than half the weightage is towards the liability product.
- 48% are EBLR-linked loans, and the bank expects it to reduce going forward. 33% is a fixed-rate book.
- The bank is talking about a higher asset yield with a change in mix.
- Lower end of business banking/MSME is property secured, but in the upper end, not the whole portion is secured.
- The bank's objective is to get the right pricing for the risk it takes.
- If a bank has to choose between the two, it would give a rate discount but not bring down the security value.

Yields, costs, and margins

- Bank repriced faster due to T+1 policy, the cost of funds has also significantly reduced, FB doesn't expect further NIM pressure to be more than 5-10bp.
- Fee on average asset has grown, but due to MFI provisions, RoA has been lower.

- Wealth vertical has been falling in place, which will add to fees. On the transaction banking side, the team is getting built, which will lead to healthy fees on that side as well.
- Fee income growth is expected to grow more than the asset.
- The bank has added 70 RMs, but it has optimized internally and not done much addition; however, realignment of manpower has been done.
- 4-5bps impact on NIM was due to interest reversals.
- The general processing fee will remain high as disbursement goes up.
- The bank will also get the benefit of PSLC in the next quarter.
- Some products that generate higher processing fees (like gold loans) have lower growth in this quarter, which will improve going forward. Gold loan growth was only there in June, mainly.

Asset quality

- MFI stress has begun to show in 4Q, significantly showed up in 1Q, June and July have seen a drop in slippages, and have seen the highest slippages in MFI.
- Apart from Agri MFI, slippages have remained in the same range as last year. Nothing alarming in asset quality other than the MFI segment.
- On MFI, the portfolio is not in Kerala but across countries, with 20% in Karnataka, where there is stress.
- Marginal deterioration in BUB, COB's asset quality, but it is not yet alarming. So, the bank is confident of its asset quality.
- Agri slippages are high due to MFI slippages. Retail slippages were high due to seasonality.
- GNPA/ NNPA ratio increased 7bp/4bp QoQ to 1.91%/0.48%. PCR stood at 75.2%.
- Recovery from written-off accounts was lower than last quarter, but this recovery will continue at the same pace or improve going forward.

Guidance

- Intention is to have growth at 1.2-1.5x of Nominal GDP growth.
- Credit cost guidance at 55bp for FY26.
- C/I ratio will continue to remain in mid-50s.



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HDFC Bank

Buy

Current Price INR 1,988

Opening remarks by the MD and CEO, Mr. Sashidhar Jagdishan

- The bank expects GDP growth to be sustained.
- CD ratio has been brought down to 95.1% as of 1QFY26.
- Bank's income was high due to gains from stake sale in HDB Financial amounting to INR91.3b.
- Advances growth improved 8% YoY and expects loan growth to remain healthy and in line with the system growth going forward.
- A large part of the bank's book is floating in nature, and this is a headwind as the rate cycle is in a downward trend.
- The Board has approved a bonus issuance in the ratio of 1:1 with a record date of 27th Aug'25. The bank has also announced an interim dividend of INR5/sh.

Yields, costs, and margins

- It takes one to three months to price in after a rate cut; hence, the Jun'25 rate cut of 50bp has not yet been taken into account.

The screenshot displays a financial analysis report for HDFC Bank. It includes a table with columns for 'Metric', 'Value', and 'Unit'. The metrics cover various aspects of the bank's financial health, such as assets, liabilities, capital, and performance indicators. The report also includes a section on the bank's strategy and future outlook.

- Fee income is lower due to the subdued third-party distribution fees. For the full year, distribution fees are expected to remain healthy.
- C/I is always priority for the bank despite growth, current normalized rate is 39.6%. Bank expects this to keep improving going forward.
- Logically, margins should come through in 2Q if no more rate cut happens.

Deposits

- Following the merger, priority was to garner deposits in any manner so that the CD ratio is reduced. But now that there is some breather in CD ratio, bank has told their people to upsell more and more products which will eventually lead to low cost deposits base more.
- Corporate contributes to a small proportion of CASA, so it does not have a significant impact on it.
- In the medium term, the bank aspires to reach a CD ratio of 87-90%.
- CASA ratio goes down when interest rates go up, and therefore, CASA is expected to improve as the rate cut happens.
- The bank will be focused on gaining more market share and market returns in terms of overall deposits.
- HDFCB caters to all deposit needs, offering products comparable to those of larger peers.
- The bank emphasizes building liability relationships and expanding its branch network to grow its customer base, which drives deposits and liabilities.

Loans

- Healthy demand can be seen from rural, positive inquiries coming from there. In urban side, there is little bit fatigue but bank expects it to do well in festive season.
- In the MSME segment, buoyancy can be observed; the bank is eyeing the opportunity in this segment, and it is expected to continue to do well.
- Not anything significant can be seen in private capex but the bank will participate in all its segments. The Mortgage segment has also seen intense competition from PSBs.
- Disbursals – 9% growth in retail assets, and it can grow more going forward; in the non-mortgage segment, disbursals have been good.
- Loan growth is expected to grow in line with the system in FY26 and grow faster than the system in FY27.
- Respective business heads have remained the same, albeit the classification has changed.

Opex and income

- The number of employees has gone up by 4,300 as the bank has added more branches in 4Q earlier, and it does not want to lay off anyone.
- HDFCB is the best in terms of cost-to-asset, and it continues to press on new technology and better productivity to improve this further.
- Focus is on driving productivity while maintaining tight cost controls. Investments in people and technology are aligned to enhance efficiency.

PSL

- The bank 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.

- At the aggregate level, the PSL requirement is 40%; there are some purchases in the SMF category, but at the overall level, the bank is comfortable with it.

Asset quality

- The GNPA/NNPA ratios rose 7bp/4bp QoQ to 1.4% / 0.5%. PCR stood broadly stable at 66.9%.
- Any change in OTS will largely lead to an NPA.
- Credit cost in 1Q is elevated due to seasonality (agri). Credit cost is expected to remain benign and healthy.
- HDFCB has made additional INR17b contingent provisions (57bp of the loan book).
- Asset quality continues to be the bank's greatest USP; excluding agri, asset quality continues to remain benign.
- Retail NPA (ex-agri) stood stable at 82bps, which includes cards, PL, etc. There is no stress in this segment.

Subsidiaries

- HDB Financial reported loan growth of 14.3% YoY/ 2.3% QoQ to INR1093b, while PAT stood at INR5.7b. GS3 assets stood at 2.56%, while CAR was 20.2%.
- HDFC Securities: Revenue grew 11% YoY to INR7.3b, while PAT declined 21% YoY to INR2.3b.



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ICICI Bank

Buy

Current Price INR 1,430

Opening remarks

- Focus remains on growing PBT through a 360-degree approach.
- In 1Q, average deposits grew 3% QoQ. Average LCR stood at 128%.
- Domestic loans grew 1.5% QoQ. Retail loans grew 6.9% YoY and 0.5% QoQ. BB portfolio grew 29.7% YoY and 3.7% QoQ. Domestic corporate portfolio grew 7.5% YoY and declined 1.4% QoQ.
- Net NPA ratio was 0.41% in 1QFY26. Provisions stood at INR18.15b. PCR was 75.3% as of 1QFY26.
- Including 1Q profits, CET1 ratio was 16.31%.
- Gross slippages stood at INR62.45b (of which INR7.67b was due to the KCC portfolio). KCC faces seasonality in 1Q and 3Q.
- Standard, contingency and other provisions stood at INR226.64b (1.7% of advances).
- In 2Q, NIM would be impacted by repo rate cuts by the RBI.
- Employee expenses increased by 8.5% YoY, due to annual increments and promotions that happen during 1Q.
- Provisions were higher at INR18.15b (last year, they were lower at INR13.3b, included the impact of release of AIF-related provisions of INR3.89b). Provisions were higher amid the seasonality of the KCC impact.

Advances and deposits

- Growth in better-yielding segments was driven by both demand and pricing factors, particularly amid pricing competition in the BB segment. The bank adopts a relationship-led approach here.
- It maintains a strong risk-reward balance in BB, supported by process discipline and credit underwriting focus.

- Lending to lower-rated segments (BBB and below) is managed in a highly calibrated manner.
- The BB book is expected to grow faster than the broader loan portfolio.
- The bank is gaining market share in CASA deposits. Competitive intensity and rate actions remain largely unchanged across peers. Focus remains on deepening customer wallet share and positioning as the primary banker.
- In PL and CC, the bank is confident about the quality of new originations and expects a pick-up in volumes. CC growth is expected to accelerate in the coming quarters.
- The BB segment, which is now INR2.7t (20% of the book) in size, is under constant monitoring. While asset quality remains stable, some normalization in credit costs is anticipated.

Margins and yields

- Reported NIMs for 4QFY25 would have been lower without the change in day-count methodology. The 3Q and 4Q margins are expected to be less volatile compared to the prior year.
- The NIM impact in 4QFY25 and 1QFY26 would have been only 4-6bp QoQ on a like-to-like basis.
- Under the earlier method, NIMs typically were impacted later in the year. With the new calculation, this steep movement is expected to be smoother.
- There has been no deposit rate unwinding. The 25bp cut in SA rates in Apr'25 benefitted margins during the quarter. Retail TDs are expected to show further benefits.
- A reduction in high-cost wholesale deposits also led to a decline in CoF. The bank continues to raise wholesale deposits aggressively.
- The CoF decline is expected to continue in 2QFY26, although margin contraction due to repo rate cuts will also be more pronounced.
- The Feb'25 repo cut was largely reflected in NIMs, while Apr'25 cut had a partial impact; the Jun'25 cut was minor, with its effect expected in 2Q.
- Overall CoF declined by 15bp YoY.
- The CRR cut benefits will be visible in 3Q, likely providing some cushion to NIMs.
- Wholesale deposit rates were higher than retail TD rates, and the bank's decision to reduce its wholesale deposit book contributed to a decline in CoF.

Asset quality

- Currently the credit cost can inch up a bit due to healthy growth in the BB segment, but any kind of major movement is not expected.

Subsidiaries

- ICICI Pru Life reported VNB of INR4.57b in 1QFY26 vs. INR4.72b in 1QFY25. New business sum assured grew by 36% YoY in 1QFY26.
- ICICI Lombard's gross direct premium income (GDPI) grew to INR77.4b. Market share was at 9.8% as of 1QFY26.
- ICICI Securities grew by 15.4% YoY to INR8.55t. Its market share in MTF was 17% in 1QFY26.

Guidance

- NIMs are expected to come under further pressure in 2Q due to cumulative repo rate cuts by the RBI.
- Margins in 3Q and 4Q should show less volatility due to the revised methodology for NIM reporting.



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- In PL and CC, the bank is confident about the quality of new originations and expects a pick-up in volumes. CC growth is expected to accelerate in the coming quarters.
- The CRR cut benefits will be visible in 3Q, likely providing some cushion to NIMs.
- The decline in CoF is expected to continue in 2QFY26, although margin compression due to repo rate cuts will also be more pronounced.

IDFC First Bank

Neutral

Current Price INR 71

Opening remarks by management

- Balance sheet grew 18% YoY, with deposits expanding at a faster pace and retail deposits maintaining strong momentum.
- CASA deposits rose 30% YoY, while overall term deposits grew 21% YoY, and the CASA ratio increased to 48%.
- Asset Growth (82% of the asset growth on a YoY basis) contributed by Mortgage loans, Vehicle financing, Business Banking, MSME & Wholesale Loans.
- The MFI loan book reduced to INR83b (down 37% YoY), and is now only 3.3% of the overall loan book.
- Customer deposits crossed the INR2.5t mark in this quarter.
- CASA+RTD stood at 85% of total deposits.
- ~INR26b of high-cost legacy borrowing has been repaid, and the remaining maturity will happen in the next quarter.
- 13% of the total loan book is unsecured retail credit.
- New businesses launched in the last 3-4 years, which are at a scale-up stage with a low base.
- PCR continued to remain healthy at 72.3%.
- SMA 1&2 for MFI reduced from 5.1% in Mar'25 to 2.64% in Jun'25.
- The Bank continues to hold INR3.15b as a contingency provision on the SMA book.
- Gross slippages (excluding the MFI book) for 1QFY26 stood at 3.54%.
- Except Microfinance book, the rest of the book continues to be stable.
- During the quarter, the bank announced a fresh equity capital raise of INR75b. Process is likely to be completed in 2QFY26.
- Excluding MFI, GNPA for retail, rural finance stands at 1.48%.
- The Operational Risk RWA computation is re-assessed at the beginning of every year, which affected the CET-1 ratio by ~38bp.
- Opex growth moderated to 11%, trading gains for the quarter were strong as the bank participated in OMO, and the rest came from yields decline.
- 91% of the fee income & other income is from retail banking operations.
- The bank intends to grow branches by only about 10% annually, against the estimated deposit growth of ~25%.
- LCR was broadly stable at 118%.
- Post capital raise announced and conversion to equity, CRAR and Tier-I would be 17.60% and 15.38%.

Opex and other income

- Opex growth is expected to be around 11-12% YoY in the near and medium term, 600-800bp lower than advances growth.
- In Credit Cards, the C/I ratio has come down to 96%.

- At an overall bank level, the C/I ratio target is ~65% by FY27.
- C/I ratio stood at 68.7% due to higher treasury gains, but excluding that, it is ~73%.
- C/I ratio will start coming down from 4QFY26.

Loan and deposits

- Management expects the CD ratio to reach earlier 90s by the end of this year.
- The pace of MFI book reduction is expected to come down. The bank will want to grow this segment after it stabilizes (in line with the industry).
- ~INR220b is coming from business finance, INR52b is coming from vehicle growth, and some is coming from mortgage growth. So these are the three levers from where growth is coming.
- CA stood at 15% of total CASA, and the bank expects this to increase, as it is lower than the industry.
- The bank has cut FD rates more sharply, and the benefit of it will be seen in the coming years, as it will structurally come down

Yield and margins

- NII grew by 5.1% YoY because the repo rate cut was passed on to eligible customers, and the asset mix changed, including a reduction of MFI.
- On the other hand, Term Deposit repricing takes ~9 to 12 months to take effect. NII growth expected to increase in 2HFY26.
- Excluding the impact of MFI business, the NII grew by 11.8% YoY.
- Some more impact in margins will be seen in 2Q, but the benefit from FD will also be seen down the line. Until 4QFY26, margins will be restored to the last quarter's margins.
- Bank expects margins to be ~5.8% in 4QFY26.
- Repo transmission will spill over to 2Q; the current deposit pattern and capital coming will lead margins to come at ~5.8% level by 4Q.

Asset Quality

- Credit cost of the Bank (excluding MFI and one legacy infra toll account) stood 2.0% in 1QFY26 as compared to 1.8% in FY25. It slightly increased on account of seasonality.
- Collection efficiency in the MFI book improved from 98.1% in 4QFY25 to 99.0% in 1QFY26. The SMA 1+2 portfolio in the MFI business has been reduced.
- Gross slippages increased due to slippages of INR1.08b of an ATM service provider company in 1QFY26, which is fully provided for. Excluding this, it has increased by ~INR2b.
- Management is monitoring certain segments; some part of stress is there in the rural segment, but the bank has seen collection efficiency improvement.
- Credit card delinquency was marginally high sequentially. In the unsecured MSME segment, credit costs are at similar levels.
- Credit cost is expected at ~2.0-2.05% for FY26.
- Slippage ratio is quite stable at ~3.5%.

Guidance

- Management expects the CD ratio to reach the early 90s by the end of this year.
- Opex growth is expected to be around 11-12% YoY in the near and medium term.
- The bank expects the margin to be ~5.8% in 4QFY26.



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Indian Bank

Current Price INR 670

Buy

Opening remarks

- The bank delivered an inline performance and crossed INR13.5t in total business.
- CD ratio increased to 78.5%.
- RAM share increased to 65.3% in 1QFY26.
- In NBFC, balance O/S has come down to INR560b. Total sanction stood at INR270b in 1QFY26 vs. INR180b in 4QFY25.
- Interest on IT refund was INR1.8b, and INR860mn in penal charges recovered.
- 1Q RoE/RoA stood at 20.26%/1.34%.
- C/I ratio inched up to 45.8% on account of a reduction in other income.
- Cost of deposits increased as repricing of deposits is yet to happen, which will start from this quarter.
- Slippage ratio at 0.94%. Recovery has been consistently higher than slippages.
- SMA-2 increased due to two PSU accounts that came from SMA-1.
- CRAR stood at 17.8% and CET-1 at 15.26%.
- EBLR-linked loan increased to 40.46% as jewel loan is classified as retail loan.
- INBK has made recovery of INR4.51b from NCLT in 1QFY26.
- About 1,217k savings accounts were opened in 1QFY26.
- Digital adoption has been a key focus area, with significant investments made in the past 2-3 years.
- Some initiatives on CASA taken by launching five products on CASA.
- Opened 51 branches, which will help to garner new CASA business.
- Planning to open 119 branches in FY26.

Advances and deposits

- Deposits stood at INR7.4t, up 9.3% YoY and 1% QoQ.
- Focusing on increasing the MSME business on the digital side.
- Not yet prepared for co-lending digitally.
- RAM and corporate mix stood at 65% and 35%, respectively.
- Improving the CASA ratio will be a challenge as the government is adopting JIT in many states. Moreover, people are shifting their SA accounts to other investment avenues. CASA ratio of 40% will also be a challenge for the bank.
- In the PLI sector, INBK is seeing some traction, but the amount of private capex is not as per expected levels.
- Some stress was there in textile business, but signs of revival can be seen now.
- IT spends will be ~INR15b for FY26; ~3,000 fresh hiring will be done in FY26.
- In Mumbai, Gujarat, and Rajasthan, the bank is seeing potential to open some branches.

Digital

- Launched its own UPI app, Ind UPI, and MSME business app.
- Launched AI for collections, which will control SMA and slippages.
- Customer service improvement is a priority, with a new next-gen call center. New CRM vendors have been onboarded.
- UPI transactions have increased substantially; launched 11 digital journeys, taking the total to 132 journeys.

Yield, cost and margin

- Bulk rate has come down by more than 100bp, the impact of which will be reflected in 2QFY26.
- ~INR860b will get repriced going further. Margin is expected to be maintained at ~3.15-3.3%.
- On SMA-2, INBK has a policy of providing 10%.
- MCLR book is 52%, out of which one-year linked is 41%. On 40% of book, which is EBLR linked, rate cut impact has already been passed on.
- MCLR has come down by 5bp and will reduce further as the cost of deposits will decline.
- There will be further margin reduction in 2QFY26 as well.
- INBK is not taking bulk aggressively as it costs more.
- Quantum of margin decline will reduce from 2Q onward as bulk will also start repricing as retail TDs will also reprice and SA rates will also reprice.
- Retail TDs stood at INR2,500b, out of which INR860b will get repriced in the next 3-6 months.

Asset quality

- In SMA-2, there were two PSU accounts of INR33b, which the bank did not expect to slip.
- Credit cost guidance is less than 1%; expects to settle between 50bp and 70bp.
- In the restructured book, ~25% provisions have been taken.
- Recovery from written-off accounts has been healthy, as one big account of INR3.4b has been resolved in this quarter.
- AUCA recovery guidance of INR20b; in the next quarter, ~INR4-5b of recovery will come.
- ~INR2.58b of PSLCs booked in this quarter; the bank has already sold PSLCs and expects ~INR10b recovery income in FY26.
- Gross NPA guidance remains <3% and can go below this; Net NPA to be maintained at current levels.

FY26 guidance

- Deposit growth guidance is maintained at ~8-10%.
- Credit growth guidance is ~10-12% for FY26 overall.
- NIM: 3.15-3.30%
- GNPA: <3% and can go up to 2.5% | NNPA: Maintain at current levels
- Credit cost guidance is less than 1%; expect to settle between 50bp and 70bp.
- Slippage Ratio: <1%
- Recovery Target: INR55-65b
- Assets under collection book recovery: INR20b
- Planning to open 119 branches in FY26.



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IndusInd Bank
Neutral
Current Price INR 778
Opening remarks

- The board and management have invested significant time in addressing treasury, legacy, and accounting concerns.
- Internal treasury transactions have been discontinued.
- A Project Management Office has been established to resolve operational gaps.



- 1QFY26 results were reported cleanly, with no legacy irregularities carried forward.
- The CEO appointment process has progressed significantly.
- No change in the CEO nomination process; both internal and external candidates are being considered.
- The management team is robust, operating under a strong governance framework.
- The Board is focused on five key priorities: 1) The profitability-first approach (reduced deposit rates), 2) stringent cost management (implemented by all business units), working on containing opex to single digits, 3) heightened focus on recoveries, 4) building the One IndusInd franchise, and 5) effective engagement with stakeholders.
- Vehicle Finance and Consumer Finance disbursements remained stable; MFI disbursements were calibrated.
- Corporate lending was moderated but is now gaining momentum.
- The bank has exited bulk and CD funding, resulting in higher retail and granular deposits.
- 1Q had no one-offs. CET-1 improved to 15.48%, supported by efficient capital use.
- Financial performance remains below potential, but business recovery is on track with steady momentum.
- C/I ratio was elevated due to surplus liquidity; cost efficiency is a key focus area.
- MFI slippages remained high but showed early signs of stabilization.
- Gross slippages: VF – INR7.43b, Corporate – INR2.45b, Other Retail – INR6.92b, MFI – INR8.88b.
- CEO succession is progressing well; confident of a strong leadership pipeline.
- SMA1+2 stood at 14bps; Net Security Receipts at 22bps; Restructured book at 10bps of total loans.

Retail

- Other retail assets grew 18% YoY.
- SME book grew 8% YoY, scale of home loans continues with 113% YoY growth.
- LAP book 12% YoY.
- Market share in credit cards stood at 4.8% as per the latest data.
- Credit cost remains elevated but stable.
- The bank is focused on secured retail assets.

MFI business

- MFI book was down 6% QoQ and 16% YoY.
- IIB took a cautious stance in the MFI business in 1Q, including KYC checks. These measures hurt disbursements in 1Q.

Vehicle segment

- VF grew 7% YoY and 1% QoQ. Disbursements were steady on a YoY basis. 1H is a weak quarter, but 2H is expected to be better.
- Tractor loans declined amid a tight underwriting process.
- Expect slippages to be range-bound in this business.
- Have not sold any NPAs to ARCs.
- The restructuring book is now at INR850m.
- VF demand is expected to remain muted; however, IIB expects better monsoon and government incentives to boost the subdued demand.

Corporate

- Corporate disbursements were muted. With liquidity issues now resolved, the bank is expecting disbursements to resume in this segment.
- Gems and Jewels have strong asset quality with no SMA1, and 2 accounts.
- Corporate slippages are expected to improve going ahead.
- Restructured book reduced to INR1320m.

Deposits

- Deposits acquisition improved in 1Q, although it has not reached ahead of the March disclosure.
- The share of retail deposits stood at 46.5%.
- The bank has exited the unhealthy wholesale deposits. As a result, deposits dipped 3% QoQ.
- The bank has taken a rate action of 200bp on SA deposits. There is further scope to cut both the SA as well as TD rates.
- The bank has let go of some of the CDs raised in March.
- IIB has an average LCR of 141%.

Loans and deposits related

- CDs are still there and have a maturity of six months. CDs are slightly elevated and aspire to bring this down.
- The bank is combining the affluent as well as NR deposits for better client offerings.
- The bank's ambition is to show improvement on a QoQ basis in terms of business growth.
- The bank has done INR65b in BFIL, and the last quarter was INR75b. The bank is in a wait-and-watch situation as many states are going through elections.
- Bank book mix - Fixed is at 55-58%, EBLR – 27%, MCLR – 13%.
- The bank is letting go of unprofitable accounts in retail. The focus is on the retail deposits to make it more stable and sustainable.
- SA cuts are yet to be fully implemented into the cost of deposits.
- IIB has INR480b of surplus liquidity and is optimizing its balance sheet by exiting low-margin corporate loans and focusing on retail.

Margins, yields, cost

- The bank has a one-off interest reversal on the tax refund. Interest recovery on one account. Both of these have resulted in 11bp of positive impact on NIM.
- Last quarter, SA cuts are still left to accrue in the profits. There are another 40-50bp of SA cuts too possible.
- Corporate yields have been down 20bp as the bulk of EBLR repricing has already happened.
- Over a term of 3-6 months, the repricing should have been largely done on the EBLR side.

Asset quality-related

- MFI will take six months to stabilize and has come down to INR9b of slippages, although it is still elevated. There were changes related to the MFI guidelines as well as state-related changes.
- Other slippages, ex-MFI, were quite stable. GNPA and NNPA write-offs have not been taken into consideration as of now.
- Slippages in the CV will be better than last year.

- The bank has operated at 50-60bp of NNPA. If the bank had enough profit pool, the bank would have operated in this range.
- The book that was written 6 to 9 months ago also had some stress showing up in these loans.

Other income and opex

- Fee income this quarter was hit by lower disbursements. But there are no one-offs in the fee income.
- Expect fee income to go up from 2Q and better from the 2H onwards.
- Fee to assets is down at 1.1%. 1Q is a seasonally weak quarter.
- There were some restatements in terms of the employee expenses. There was an accounting change of INR1.14b in the employee expenses, and it will stay at this level from hereon.
- Given the environment is muted, the disbursements in the VF will come down as a result, and the opex shall be lower.
- Slower growth and investment in tech, which has already happened, shall lead to slower opex growth in the coming quarters.

Others

- The bank continues to seek shareholder approval at each AGM for enabling resolutions.
- There are no fresh developments regarding an increase in promoter shareholding.
- BFIL, a subsidiary, reported a loss this quarter, leading to consolidated profits being lower than standalone profits.
- The CEO appointment process is on track, pending regulatory approval. The bank is evaluating both internal and external candidates to fill leadership gaps, with several key roles expected to be filled soon.



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Results Update



Kotak Mahindra Bank

Buy

Current Price INR 2,018

Opening remarks

- Economic growth remains moderate, with the RBI projecting FY26 GDP at 6.5%.
- RBI has infused liquidity and executed 100bp repo rate cuts.
- Private sector capex remains sluggish; vehicle sales are muted, and retail credit demand has softened.
- Repo rate cuts combined with a shift in product mix have impacted its NIM.
- NIMs are expected to stabilize over the course of the year.
- Elevated credit costs in 1Q were primarily driven by the MFI segment.
- Credit card delinquencies have plateaued and are expected to improve in 2H.
- Credit costs in personal loans stabilized from 4Q.
- Stress has emerged in the retail CV segment, prompting a cautious stance.
- The legacy corporate book also contributed to elevated credit costs.
- Private banking AUM continues to grow healthily, with strong contribution from the 811 franchise, which also supports deposit growth and cross-selling.
- The KMCC pipeline remains robust, with healthy deal activity in investment banking.
- NIMs declined in 1Q due to the full impact of a 100bp repo cut; NII growth was restricted to 6% vs. 14% loan growth.

- Post-embargo, income and costs related to the new acquisition will reflect in the books.
- Credit costs peaked in 1QFY26.
- Underwriting norms in the unsecured portfolio have been tightened.
- PAT declined 7% YoY, primarily due to higher credit costs.
- 4QFY25 NIMs had a one-off benefit due to the number-of-days calculation.
- Fee income was impacted by lower credit card fees and muted deal activity.
- Marketing expenses rose due to promotional spending on the 811 proposition.
- Slippages were elevated, particularly in Micro, Retail CV, and Agri portfolios; stress in PL and credit cards has stabilized.
- Consolidated customer assets grew 13% YoY.
- Kotak Securities' market share stood at 12.8% in 1QFY26.
- Credit card growth has been slower than anticipated, but is expected to improve; a one-time portfolio clean-up led to temporary market share loss.
- Credit card portfolio delinquencies have stabilized.
- Disbursements in construction CV have stabilized; CV declined 18% YoY while PV grew 22% YoY.
- Collections in the retail commercial segment remain challenging.
- MFI is expected to recover gradually through FY26, with growth picking up in 2H and credit costs declining; early signs of improving delinquencies are encouraging.
- Wholesale banking grew 13% YoY, largely driven by SME; some SME loans have been reclassified under Corporate Banking, making YoY comparisons difficult.
- Pricing pressure continues in the large corporate segment.

Asset quality

- MFI stress began surfacing in 3QFY25; slippages over 3Q–4Q led to elevated 1Q credit costs.
- Karnataka contributed to the 1Q credit cost uptick, but the impact is now stabilizing and expected to decline.
- MFI stress is expected to ease, while PL remains stable; only limited incremental stress is expected in CV.
- The JLG model has been replaced with an individual lending model, which has been back-tested with satisfactory loss estimates.
- No signs of stress in SME or business banking; both books are fully secured.
- Smaller SME loans are being closely monitored; these are mostly sole-banked and fully secured, providing full customer visibility.
- Retail CV stress may persist for another quarter.

Advances and deposits

- The bank aims to increase its unsecured retail mix to 15% of the total book. Once credit filters improve, disbursements in MFI will resume.
- Credit card business is still scaling up; two new launches—Indigo and Solitaire—are expected to drive growth.
- MFI will be capped at 3–4% of total assets. The unsecured retail book currently stands at 9.7%, to reach 15% over time.
- No visible stress in MSME or Business Banking.
- While the legacy MFI book has been under stress, the new book is performing significantly better.

- CV stress was identified two quarters ago; disbursements in the retail CV segment have since been tightened.
- Gold loan branches are being rationalized in low-growth towns, though the overall gold loan portfolio is growing at 30% YoY.
- In PL and credit cards, the stressed legacy book is being phased out; new vintages are performing well.

NIM

- Three main reasons for NIM contraction are 1) repo rate cuts, 2) higher unsecured mix, and 3) retail interest recognition based on days (4Q usually benefits from this).
- TD rates have yet to decline but are expected to ease in the coming quarters; reliance on MIBOR-linked SA deposits has also reduced.
- Average SA rate is now at 3.25%; the reset to 2.5% will reflect in 2Q.
- Repo rate resets occur fortnightly; combined with CRR cuts and CoF reduction, this will help support margins.
- Full impact of 50bp repo cut will be visible in 2Q; 1Q reflected only 15 days' effect. Deposit repricing will play out over 3–4 quarters.
- No one-offs in 1Q NIMs; SA balances remained stable post rate cut, though there's been a shift from floating to fixed rate. The MIBOR book continues to decline, improving deposit mix quality.
- CoF declined 9bp. TDs have a 9–12 month tenure. Fixed-rate SA at 2.5% and lower MIBOR-linked SA reliance will further reduce CoF.
- No material impact on SA balances due to rate changes; focus continues on granular, fixed-rate SA.

Opex

- Investment continues to be directed more towards technology than payroll.
- Costs remain elevated due to 811-related marketing, but this is expected to be income-accretive over time.



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Punjab National Bank

Q1 FY26 (Q4 FY25)

Particulars	Q1 FY26 (Q4 FY25)	Q1 FY25 (Q4 FY24)	Q1 FY26 (Q4 FY25)
Revenue	1,100.00	1,050.00	1,100.00
Operating Profit	250.00	240.00	250.00
Net Profit	150.00	140.00	150.00
EPS	1.50	1.40	1.50
Dividend	0.50	0.50	0.50
Book Value	10.00	9.50	10.00

Key Metrics:

- Revenue Growth: 4.8%
- Operating Profit Growth: 4.2%
- Net Profit Growth: 7.1%
- EPS Growth: 7.1%
- Dividend Yield: 5.0%
- Book Value Growth: 5.3%

Punjab National Bank

Buy

Current Price INR 107

Opening remarks

- Global business grew 11.6% YoY. Deposits grew 12.86%, well above the guidance. Advances grew 9.84%, below the guidance.
- The bank has a sanction of INR1.30t, which is yet to be disbursed.
- The RAM mix stood at 56.6% in 1QFY26 vs 55.5% in 1QFY25.
- NIM is expected to expand from 3QFY26 due to the repricing of deposits and the impact of the CRR cut by RBI.
- The adoption of the new tax regime, along with a one-time impact from IT provisions, led to an earnings decline; however, the bank expects earnings to remain healthy going forward.
- The bank has reduced the stress level in its portfolio. PCR stood at 96.7%, well above the guidance.
- The NII decline in 1Q reflected the policy rate cuts.
- The bank has performed well in asset quality. GNPA reduced to 3.78% and NNPA reduced to 0.38%.
- The slippage ratio guidance was below 1%, and it stood at 0.71% in 1QFY26.
- CRAR was 17.5% vs 17% in 4QFY25. CET-1 stood at 12.95%.

- Total recovery stood at INR33.6b, with guidance for FY26 at INR160b.
- The bank has sanctioned a total of INR11.34t in the past year, of which INR9.84t has already been disbursed and INR7.1t is O/S as of Jun'25.
- All digital lending platforms have been integrated with AI and ML.
- The bank has introduced Gen AI Chatbot (PIHU), which is available on its websites, IBS and PNB One.
- The company is focused on strengthening its presence in various geographies.
- It aims to increase the CASA mix and RAM advances, which will help improve margins.

Business

- MSME growth stood at 18.6% YoY, while core retail stood at 17.7% YoY. The bank experienced muted corporate growth, but it has already sanctioned INR1.3t, which is expected to be disbursed soon.
- The bank is focusing on the turnaround time for sanctioning loans. It expects the head-office sanctioning to occur within 15 days on the corporate front.
- The bank has not seen any change in the quality of the MSME portfolio and fresh underwriting that occurred over the past four years; however, incremental slippages of 2.5-3% are expected in this segment.
- Net worth has increased due to revaluation. O/S AFS reserve stood at INR8b.
- The bank has implemented several initiatives in RAM. It is conducting numerous outreach activities, which are generating good leads.
- The RAM mix is expected at ~58-59%.
- Despite stress on income, the bank has removed the minimum balance charges. For the entire CASA product, the bank has come out with a special scheme, providing add-on services like OTT subscription, free health checkup, etc.
- Housing loan growth stood at over 17% YoY within the retail segment. The bank follows the strategy of growing retail in-house rather than DSAs.
- ~INR85b is education loans, INR164b is mortgages, INR225b is personal loans, and INR12b is credit cards.
- The bank expects some improvement in the CD ratio and anticipates it to account for ~73% by the end of FY26.
- Bulk deposits stood at INR2.8t. The bank has reduced its rate by 100bp in bulk deposits, bringing it down to ~6.7-6.75%. It will get repriced in 2Q as well. Real impact will be visible from 3Q.

Cost, margins, and other highlights

- The bank purchased PSLCs for the priority sector, which stood at INR8.5b. Hence, opex for 1QFY26 was high.
- Deposit rates are reduced, and the repricing of deposits will help margins from 3Q.
- NIM guidance is expected to be maintained at ~2.8-2.9% for FY26.
- The bank will be maintaining NIM at 1Q levels in 2QFY26 as it has shed some low-yielding advances. A reduction in the cost of deposits will also be seen in 2Q.
- MCLR has already been reduced by 15bp till now.
- The bank does not expect major changes in opex going forward.
- Opex is expected at ~80b-82b quarterly going forward.
- The bank has INR5b of interest recovery in 1QFY26.
- Every quarter, the bank has interest recovery of INR5-7b.

- It has passed full 100bp of rate cut to borrowers.
- 56% of the book is EBLR-linked, 30% is MCLR-linked, and the remaining are fixed rate, etc.
- Overseas margin for the bank stood at 0.45-0.5%.
- The bank has taken a massive step for PSLC targets and is taking an aggressive stance in onboarding Self Help Group. ~40b has been added in SHG. Within 3 years, the bank will come out of borrowing in PSLC.
- It has built a strong treasury book. With lower interest rate, treasury will contribute to healthy income and this trend will continue.

Tax related

- The migration to new tax regime is expected to support ~16bp in RoA going forward.
- From the new tax regime, tax rate will be 25% 2Q onwards, and the bank expects operating profit to grow at the same level.
- Due to the new tax regime, the bank will be able to save INR7b every quarter. Hence, the total net profit accretion will stand at INR21b for FY26.

Asset quality

- Recoveries in 1QFY26 amounted to INR33.6b; two recoveries stood at INR12b.
- The total recovery target for FY26 is INR160b, with a minimum INR15b expected per quarter.
- Breakup of SMA: INR280b in retail, INR116b in agri, 240b in MSME, and the balance at INR52b.
- Slippages that occurred in MSME are mostly till the 10lakh category, most of which are mudra loans, which are government guaranteed (75% will be received by the bank).
- The bank has now transitioned to providing mudra loans (i.e. 10 lakh loans) digitally rather than manually.
- Credit cost is 0.14% and the bank expects this to remain below 0.5% for FY26.
- Combined SMA-0, SMA-1 and SMA-2 (loans < INR500m) stood at 6.14%, with SMA-0 at INR430b, SMA-1 at INR132b, and SMA-2 at INR127b.

Guidance for FY26

- The company has maintained its guidance at <1% of the slippage ratio.
- Operating profit growth trend will continue going forward.
- Credit growth guidance is maintained at 11-12%.
- NIMs are expected at the 2.8-2.9% range.
- Gross NPA ratio is expected to be below 3%.
- Net NPA ratio is expected to be 0.35%.
- Total recovery is expected at INR160b.



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RBL Bank

Buy

Current Price INR 257

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.
- Advances grew 9% YoY/2% QoQ, the trend is encouraging with secured advances growth of 23% YoY and commercial banking 32% YoY.
- Recently introduced new products for our retail clients. Commercial banking remains the key growth engine.
- Capital ratios remained comfortable, with CRAR at 15.59% and CET-1 at 14.05%.

The image is a screenshot of a presentation slide for RBL Bank, part of a Motilal Oswal Financial Services report. The slide is titled 'RBL Bank' and contains several tables and charts. The top table shows 'Key Metrics' with columns for 'Metric', 'FY25', 'FY24', and 'FY23'. The bottom table shows 'Financial Performance' with columns for 'Metric', 'FY25', 'FY24', and 'FY23'. The slide also includes a line chart showing 'Growth in Deposits' and a bar chart showing 'Growth in Advances'.

- Deposits grew 11% YoY/2% QoQ, and on a per-branch basis, the bank's deposits are comparable with peers of this size. RBK is continuing to invest in deepening its branch presence.
- CASA deposits grew 11% YoY, while moderating QoQ. Granular deposits grew 16% YoY/5% QoQ.
- Sharper and more balanced portfolio in wholesale and retail.
- Important pillars for growth: Cost of deposit, cost of operations, cost of credit, and cross-selling.
- Avg. LCR was 152% for the quarter, which would be moderated to 130-140%.
- NIM was lower due to repricing on the advances side and a change in the mix of advances; this led to a 50bp sequential decline in the yield on advances.
- Within wholesale, commercial banking grew 32% YoY/6% QoQ.
- Granular retail deposits as a % of total deposits stood at 51.4%. Secured book will grow faster than the unsecured book.

Yields, costs, and margins

- Cost of funds was marginally lower at 6.55%, while the cost of deposits was flat at 6.53%.
- NIM came in at 4.5%, lower due to repricing of advances and change in advances mix. RBK expects an improvement in margin from 3QFY26 onwards.
- Yield on advances was lower by 48-49bps QoQ due to lower card balances and repo cut. Management expects a 15-20bp decline in yield on advances in 2QFY26 (would be bottomed out).
- The bank has reduced its SA and TD rates, the full impact of which will be visible in 2QFY26.
- SA rates are down 60bp, and TD rates are cut by 40-70bp.
- Expect deposit costs to fall 20-22bp in 2QFY26.
- On 4QFY26 exit, NIM would be in the 4.8-4.9% range.
- Opex grew 12% YoY/8% QoQ due to higher collection costs, as the bank is shifting the collections process in-house. This has resulted in the C/I ratio inching up to 72.4%. Operating leverage benefit would be reflected from 3QFY26.
- Expect cost growth to be in line with advance growth or slightly lower.
- Fee income should also grow, trend in teens going forward
- A 15-20bp drop in yield is expected in 2Q, which will be offset by a reduction in deposit rates. Consequently, this will stabilize the NIM trajectory.

Deposits and advances

- Growth in unsecured has moderated due to lower growth in cards, while JLG was steady.
- RFL undertakes disbursements in Affordable housing, small business, and would extend individual loans to seasoned JLG borrowers, which is expected to scale in the next 2-3 quarters.
- Mortgage focus was on small ticket loans, RFL distribution adds to originations.
- Over the next 6-9months, growth would be higher from secured retail book than unsecured.
- Credit card profitability was below the normalized level; it should stabilize in the next two quarters.
- The bank is comfortable with a CD ratio of 83-87%.
- Overall credit growth for FY26 would be in mid-teens, with wholesale book growth likely to be in the mid-high teen's level.
- Unsecured book would clock single-digit growth, while the Secured book would record early-to-mid-20s growth.

- Repo- linked book was ~30%, MCLR was ~5%, floating was 47-48%.
- Foreign currency book is about 6% of the rupee book, 47-48% is floating rate, and 5-7% is short-term fixed-rate book (which RBK considers as floating).
- The bank has seen some movement from SA to TD, but no movement out of the bank can be seen.
- RBK will compromise on growth to get the right yield in Prime loans.
- The entire drive is on AH and LAP, and business banking is to leverage on branches; it has been participating in cross-selling, and in tier 2-3 cities, RBK has been able to attract better yields.

Asset quality

- The bank has reinstated 1% contingent provisions on JLG; however, it does not intend to reinstate this for cards.
- Restructured book stood at 22bps in 1QFY26.
- Accounts slipping from SMA to slippages would be 75-80% of SMA in JLG.
- Going forward, provisions on JLG would be 25% of fresh slippages, unless there are some material issues. Thus, credit cost would be in the range of 50bps.
- The bank has sold INR9b NPA in cards to ARC.
- Guided Sub 2% credit cost to be maintained.
- In some high-value accounts, loans have slipped, and the bank doesn't expect this to repeat going forward.
- Between 4Q and 1Q, there was an increase in revolver rate due to funding requirements for customers; there was no risk-led increase, just a cyclical movement.

CGFMU related

- Pay 1% of the portfolio as cover for insurance costs.
- About 50% of the JLG book would be covered by CGFMU.

Guidance

- The bank wants to exit the year with 1% RoA.
- On 4QFY26 exit, NIM would be 4.8%-4.9% range.
- Bank expects a 15-20bp decline in yield on advances in 2QFY26 (would be bottomed out).
- Overall credit growth for FY26 would be in mid-teens with Wholesale book growth would be mid-high teens.
- Unsecured book would see single-digit growth, and the Secured book growth would be in the early-to-mid-20s level.
- The CD ratio should be ~83-87% going forward as well.



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State Bank of India

Buy

Current Price INR 829

Opening remarks

- The global macro environment has remained fluid amid geopolitical tension as well as the tariff situation.
- RBI estimates GDP at 6.5% and inflation at 3.1%.
- The bank added 14bp YoY in the loan market share.
- Attrition remained 1% in 1QFY26. The company aims to grow with quality.
- The bank maintains its medium-term guidance of delivering 15% RoE and RoA of over 1% across cycles.
- Domestic CD ratio stood at 68.8%.
- Net NPA declined 10bp QoQ to 0.47%.

State Bank of India

Quarterly Financial Results for Q4 FY26

Particulars	Q4 FY26	Q4 FY25	Q4 FY24
Gross Income	₹1,10,000 crore	₹1,05,000 crore	₹1,00,000 crore
Operating Income	₹45,000 crore	₹42,000 crore	₹40,000 crore
Profit After Tax	₹15,000 crore	₹14,000 crore	₹13,000 crore
Net Income	₹15,000 crore	₹14,000 crore	₹13,000 crore
Assets	₹1,50,000 crore	₹1,45,000 crore	₹1,40,000 crore
Liabilities	₹1,40,000 crore	₹1,35,000 crore	₹1,30,000 crore

- 1QFY26 results reflect the bank's ability to grow at scale. In line with its future-readiness strategy, the bank has launched 'Project Saral' to transform and streamline retail operations.
- Project Saral aims to simplify and centralize processes through AI-enabled digital tools while delivering best-in-class customer service.
- The bank had a sanctioned pipeline of INR3.4t in 4Q, translating into 0.8% QoQ credit growth.
- Retail segments saw strong performance, except for Xpress Credit.
- Home loans performed well, although corporate credit faced headwinds.
- The bank had a sanctioned pipeline of INR3.4t in 4Q, while it has posted a 0.8% QoQ growth in credit.
- Pre-payments of INR120b in the corporate segment were due to pricing competitiveness; additionally, corporates have resumed tapping CP markets.
- The bank currently has INR7.2t of pipeline and, hence, is confident of posting double digits in corporate growth.
- Xpress Credit has seen structural improvements. However, over-leverage among certain segments in FY25 led to portfolio re-evaluation. The bank is now reactivating select segments and is witnessing encouraging traction.
- Xpress Credit's offering is now fully digitized, aiding strong recovery. The bank expects to achieve double-digit growth in this segment.
- Government capex visibility remains strong, with INR11.5t of expected spending. The bank is evaluating opportunities in emerging areas such as green hydrogen and renewables, with positive inquiry trends in power. Consolidation trends in the cement and steel sectors also offer corporate lending potential. The bank targets 10-11% growth in corporate/project finance.
- Although the auto sector remains soft, a recovery is anticipated in 2HFY26, which could positively impact SME lending.
- SME lending is largely sole-banked, with minimal consortium exposure. Borrowers are required to route cash flows through the bank.
- Power sector's lending remains stable for the bank, even as NBFCs have gained share. SBI continues to focus on thermal power, while NBFCs remain active in the space due to sector-specific mandates.
- Liquidity and capital adequacy remain comfortable. The recent QIP was intended to enhance market confidence. With an excess SLR of INR3.5t, the bank expects loan growth of ~12%, with an upward bias toward 13% YoY.
- Loan book composition: MCLR-linked – 30.7%, Repo-linked – 30.8%, Fixed-rate – 22.6%, T-Bill – 15.9%.

Yields, cost, and margins

- The bank reiterates its domestic NIM guidance of 3%. Margins may see a contraction in 2Q but are expected to recover in 3Q, supported by CRR releases and easing deposit rates.
- The cost of funds has increased due to a higher share of term deposits. However, repricing over the next 6-9 months should support funding cost moderation.
- The decline in CASA has also contributed to rising deposit costs.
- RoA stood at 1.14% in 1QFY26 and may face marginal pressure if treasury gains moderate.

- NIM assumptions are based on the repricing of SA and TDs. CRR releases of INR520b will support margin trajectory. The current policy stance of holding rates steady should sustain yields on retail assets.

Asset quality

- Fresh slippages affected overall asset quality, but no segment-specific concerns were noted. Recoveries and pullbacks have offset some of the stress.
- The bank is confident of delivering INR20b AUCA recoveries per quarter, as guided.
- SMA accounts have shown signs of moderation.
- Excluding micro loans, most of the SME book is either secured or backed by CGTMSE guarantees. The underwriting quality has improved significantly.
- The bank reiterated that Xpress Credit is effectively as secure as secured loans, with internal controls ensuring portfolio quality.
- Slippage breakdown: SME – INR26.8b, Agriculture – INR24.64b, Personal Loans – INR26.02b; of the total slippages of INR77.46b, INR15.89b has already been recovered or pulled back.
- No significant risks are anticipated from the Xpress Credit segment.

Other income and opex

- Treasury performance in 1Q was similar to that in 4Q, with no exceptional gains or losses.
- Operating expenses remained low, partly due to expense front-loading in 4Q. Project Saral is expected to drive further productivity gains.
- The bank aims to maintain its C/I ratio below 50% across cycles.
- The AFS portfolio stood at INR77b, marginally higher than in the previous quarter.

Miscellaneous

- The bank executed one of the largest QIPs, with ~60% participation from cross-border investors.
- Impact of tariffs in trade-affected sectors is minimal. While a few clients are holding shipments, there is no broad-based concern.
- Two subsidiaries are potential candidates for listing, though no timeline has been indicated for near-term action.

Guidance-related

- RoE is guided at 15% and RoA at over 1% through the cycles.
- Domestic NIMs are expected to remain at around 3%, with a dip in 2Q and improvement in 3Q due to CRR benefits and easing deposit rates.



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Union Bank of India

Neutral

Current Price INR 137

Opening remarks

- The global environment remains uncertain due to evolving trade dynamics; however, India's macroeconomic fundamentals are quite strong, making it the fastest-growing economy globally.
- The bank continues to maintain a stable CD ratio of 76% and aims to operate at the same level.
- ROA continues to remain above 1%.
- CRAR remains strong, supporting the bank's future growth plans.

The image shows a slide titled 'Union Bank of India' with the subtitle 'Q1 FY26 Financial Results Summary'. It contains a table with financial data for Q1 FY26 and YTD FY26, comparing them to Q1 FY25 and YTD FY25. The table is divided into two main sections: 'Consolidated Financial Results' and 'Key Performance Indicators (KPIs)'. The 'Consolidated Financial Results' section includes metrics like Total Income, Total Expense, and Profit After Tax. The 'Key Performance Indicators (KPIs)' section includes metrics like Net Interest Income, Net Interest Margin, and Cost of Funds. The data shows a significant increase in Total Income and Profit After Tax for Q1 FY26 compared to Q1 FY25, while Total Expense also increased but at a slower rate. The Net Interest Margin improved from 2.65% in Q1 FY25 to 2.75% in Q1 FY26. The Cost of Funds decreased from 1.15% in Q1 FY25 to 1.10% in Q1 FY26.

Metric	Q1 FY26	YTD FY26	Q1 FY25	YTD FY25
Total Income	1,10,000	3,30,000	1,00,000	3,00,000
Total Expense	85,000	2,55,000	80,000	2,40,000
Profit After Tax	25,000	75,000	20,000	60,000
Net Interest Income	75,000	225,000	70,000	210,000
Net Interest Margin	2.75%	2.75%	2.65%	2.65%
Cost of Funds	1.10%	1.10%	1.15%	1.15%

- The bank continues to invest in digital banking initiatives and HR-related enhancements.
- For the quarter ended 4QFY25, UNBK secured the third position among public sector banks under the EASE (PSB reforms) program.

Advances & deposits related

- As of 1QFY26, RAM book grew 10.3% YoY, with the MSME segment growing 18% YoY.
- Within RAM, the retail segment alone grew 25% YoY. Ram is expected to grow in double digits in FY26.
- The bank continues to build advances cautiously, focusing on sustainable and profitable growth rather than volumes.
- There is INR200b pipeline of loans ready for sanctioning.
- The gold loan book stood at INR837b as of 1QFY26, up from INR 780b in 1QFY25.
- Deposit growth moderated, mainly due to a reduction in bulk deposits.
- 20% of retail term deposits have been repriced as part of the deposit cost optimization.
- The bank noted a sharp decline in CASA balances in 1QFY26 compared to Mar'25 due to some corporate one-time flows in 4QFY25. Excluding Mar'25, CASA has shown stable growth in other quarters.
- CASA's decline has been a key concern, which the bank has been addressing over the past 1.5 years. Around 1,500 relationship managers have been assigned to 300-400 high-value clients to improve CASA, with growth in CASA deposits expected in upcoming quarters.
- 48% of the book is linked to EBLR, which reprices within 2-3 days. 42% is MCLR-linked and the balance 10% is linked to others.

Yields, costs, and margins

- NIM moderated 11bp QoQ in 1QFY26. The bank expects 20-25bp moderation in NIM for FY26 over Mar'25 levels.
- The rate cut in June led to a 22bp reduction in yield on advances. Further decline in yields is limited to ~20bp.
- SA deposit rates were reduced by 25bp in Jun'25.
- Management sees potential for further deposit rate reductions if market conditions remain supportive.
- NIM is expected to bottom out around 2.60-2.65%, from where an upward movement is expected.
- C/I ratio increased due to the changing interest rate environment. The bank expects C/I ratio to return to a lower range as the environment stabilizes.
- The digital transformation budget for FY26 is INR15b, up from INR10b in FY25.

Other income

- Treasury income was significantly high in Mar'25, largely due to the write-back of SR provisioning. Excluding the SR impact, treasury income has continued to perform well in 1QFY26.
- No PSLC certificate income was booked in 1QFY26. The bank may consider booking PSLC income in the coming quarters if market conditions are favorable, though it is expected to be lower than peer banks and less than what was booked in FY25.

Asset quality

- A marginal reduction was seen in GNPA and NNPA, staying within the guided range.
- Credit cost declined to 47bp for 1QFY26, continuing its downward trend.
- Slippages have been consistently declining over the past few quarters.
- In 1QFY26, gross recoveries outpaced slippages.
- While the MSME segment saw a slight increase in slippages, there were no large accounts contributing to this, and the overall rise was nominal.
- SMA accounts increased from INR38.4b in 4QFY25 to INR49.2b in 1QFY26. However, many of these accounts have shown historical recovery trends, and management is confident of good recoveries in upcoming quarters.
- Standard asset provisioning of INR4.5b was made in 1QFY26, primarily related to ICA accounts and not linked to any private borrowers.

Miscellaneous

- Outstanding AFS reserve stood at INR15b.
- The bank remains focused on profitable growth, with a continued ROA guidance of >1% for FY26.
- Management emphasized that the current operating environment in 1QFY26 was marked by a sharp reduction in interest rates.
- The bank maintains a strong focus on improving both top-line and bottom-line performance.

FINANCIALS/NBFC



- Several management teams at NBFC/HFC underlined the following: 1) The market prognosis for the CV category remained subdued due to weak government investment and capex, while demand for tractors improved; 2) Asset quality deteriorated across most product segments, except power financiers and select HFCs, due to customer overleveraging, slow consumption, and a weak macroeconomic environment; 3) NBFC-MFIs improved PAR levels in most states during the quarter, barring Karnataka. Collection efficiency in Karnataka is likely to stabilize by the end of 1HFY26; and 4) gold loan demand remained robust due to rising gold prices, rapid tonnage growth, and the lack of unsecured loans.
- Management at NBFC has stated that certain areas, including CV, unsecured MSME, and micro-LAP, are experiencing difficulties. This is likely to improve during 2HFY26. The recent decision on rationalizing GST rate cuts could benefit NBFCs by boosting economic activity, increasing spending, and improving individual savings. Lower spending or stronger savings can boost demand for fresh loans (for productive uses) or increase a borrower's ability to repay.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26/FY27	Asset quality and others/1QFY26 Highlights
ANGEL ONE	■ Scale-up in non-broking segments will allow the company to clock margins of 40-45% in 4QFY26. ■ Management expects the momentum in MTF growth to sustain and efforts are underway to build advisory capabilities around MTF stocks. ■ Wealth business is on track to achieve breakeven in near term. On the AMC side, it is planning to expand its equity bouquet further and working toward launching commodity-based funds.	■ Sequential revenue growth was driven by a slight recovery in F&O activity, strong improvement in cash realization, and robust traction in credit distribution. ■ A stable market environment resulted in flat sequential growth in cash orders. However, revenue per order improved QoQ, supported by higher ticket sizes and robust MTF activity. ■ CAC remained stable QoQ, as the company was able to maintain its pace of customer onboarding.
Bajaj Fin.	■ For FY26, BAF guided for ~10bp of NIM expansion and 13-15% growth in fee income. ■ FY26 cost of funds is expected to be 7.60%-7.65% (not taking into account any further policy rate cuts). ■ Management targets 185-195bp credit costs in FY26. Credit costs will remain sideways in 2Q and will improve in 2H. ■ MSME business is likely to see the slowest growth. MSME segment AUM will grow in single-digits in FY26. Disbursements will be flat or slightly lower YoY.	■ MSME business has shown strain since February. Both 2W/3W and MSME businesses will grow much more slowly in the current year starting from 2Q onwards. ■ ~INR2.2b of customers (primarily MSME) were assisted with a restructuring option and another ~INR1.5b will be restructured in 2QFY26. ■ Karnataka (11% of the total balance sheet) has exhibited vulnerabilities. KAR had an unintended impact on the portfolio. For the first time, BAF is seeing political risk, which it does not know how to navigate. Cut business by 35-40% in Urban, Rural and 2W/3W in Karnataka.
BSE	■ BSE currently has 350 racks (75-80% utilized) and plans to add ~140 in FY26. From Jun'25, it introduced throttle pricing (free orders cut from 10k to 40; incremental pricing starts at INR50k annually), driving additional revenue. ■ Expiry shifted to Thursday from Tuesday based on market feedback; premium realization impact expected to be neutral.	■ Cash ADTO fell 20% YoY amid weak markets, while premium ADTO hit a record INR151b in 1Q, driven by higher non-expiry day activity. ■ Clearing and settlement expenses declined sequentially due to 1) shift in volume to non-expiry days driving higher premiums, and 2) larger contract sizes. ■ Total transactions processed on the Star MF platform were up 30% YoY, crossing ~61m transactions per month in FY25 vs ~47m last year.
360 ONE WAM	■ Continues to target net flows at 12-15% of opening ARR AUM annually i.e. ~INR200-250b of net flows on the wealth side; INR80-100b on asset management. ■ For FY26, total gross flows are likely to be INR600-650b, including INR100b from UBS, INR150-200b from B&K, and INR300-350b	■ ARR flow growth was aided by the B&K acquisition, adding 700 corporate clients, and expected to enhance long-term wallet share. ■ The exit of two RM teams caused gross outflows of INR35-40b (4-6% of AUM), resulting in net inflows of INR15-20b for the quarter. The impact is expected to be front-ended, with recovery anticipated through

	from organic initiatives. ■ Wealth yields to remain stable; blended yields may dip 2-3bp on mix shift toward advisory. Listed strategy yields in asset management also expected to decline 2-3bp with rising AUM.	FY26 as new RM teams are onboarded.
Mahindra Finance	■ Guides for non-wheels business to make up 25% of the business asset mix by FY30. ■ It aims for RoA of 2.2% and subsequently 2.5%. Management is optimistic, citing the inherent attractiveness of the sector. ■ MMFS will gradually gain momentum, with an improving economic environment. It intends to capitalize on emerging opportunities. ■ The tractor lending business delivered standout growth. The company plans to increase its market share in this segment.	■ Management has guided that, across cycles, it aims to maintain credit costs in the range of ~1.5-1.7%. ■ The wheels business is facing challenges in entry-level PVs and continued stress in certain CV segments. The company plans to leverage growth opportunities in the used vehicles and tractors segments for the rest of the year. ■ M&HCV and CE businesses are increasingly shifting to banks, making them unavailable for MMFS. Hence, the company expects growth to decline in these segments.
Muthoot Fin.	■ Spreads stood at 9.5% and will be maintained in this range. Any reduction in the cost of borrowings will be passed on to customers. ■ Expects additional recoveries of INR1b-1.5b from the ARC transaction (done previously) over the next two quarters.	■ Belstar Microfinance opened 10 gold loan branches in 1Q to diversify its portfolio and plans to add another 50 gold loan branches this year. ■ Non-gold business is 13-14% (Excl MFI at 5%) and the company aims to keep it in the 15-20% range going forward as well. ■ It is comfortable with the capital adequacy and does not plan to raise equity capital in the near term.
NUVAMA	■ Management guides for ~30% growth in Wealth and ~26-27% in Private for FY26, supported by current flow momentum. ■ Jane Street's trading ban may impact 2Q volumes, but recovery is expected via a strong client pipeline. ■ CIR is expected to be steady at ~55%, with improvements of 100bp in the Wealth and reduction to 65% from 69% currently in the Private segment, offset by higher CIR in the Capital Markets segment.	■ Wealth segment net flows were strong at INR28.7b, with ~79% from MPIS (highest-ever quarterly flows on robust annuity inflows). ■ Average fee-paying AUM rose 85% YoY, though net new money declined 101% YoY due to softer public market flows; management expects recovery ahead. ■ Capital Markets revenue declined 10% YoY to INR1.8b due to a large one-off M&A deal in 1QFY25; excluding this, underlying performance was in line. Sequentially, revenue grew 10% on improved market momentum.
CAMS	■ Management targets non-MF revenue share at ~20% in three years (vs. 13% now), growing ~25% YoY through KRA, CAMSPay, and AIF, with insurance nearing breakeven. Non-MF EBITDA margins (~12%) have headroom to expand to 25-30%, while MF margins remain strong at 45%+. ■ Management guides for overall EBITDA margins to sustain at over 45% (43.6% in 1QFY26). 1Q yields compressed ~4-4.5%; FY26 yields may decline ~9% YoY before normalizing to 3-3.5%. No major repricing expected in the next 18-24 months.	■ Overall AUM crossed INR50t, reaching nearly INR52.5t as of Jul'25. Equity AUM surpassed INR25t during the quarter. ■ CAMS Alternatives strengthened leadership with 50 new mandates (incl. 3 from GIFT City). ■ CAMSPay grew 26% YoY but fell 18% QoQ on seasonality in the insurance volumes and delays in gateway launch; management expects a rebound from 2Q with revenue growth aided by stream diversification."
HDFC AMC	■ The company has applied to SEBI for the launch of specialized investment funds (SIFs), in line with its investment and risk management capabilities. ■ Non-cash ESOP/PSU costs are estimated at INR2.05-2.1b over FY26-30 (~INR560m in FY26, ~INR630m in FY27, ~INR510m in FY28, ~INR320m in FY29, and ~INR60m in FY30). Under the earlier ESOP scheme, ~INR140m remains to be expensed—INR110m in FY26 and INR30m in FY27.	■ Net flow market share continues to exceed the overall book market share, in line with management commentary. ■ Other income rose 34% YoY/88% QoQ, driven by MTM gains on both debt and equity investments. ■ As of Jun'25, SIP AUM rose 25% YoY/14% QoQ to INR2t, driven by 12m transactions. Average ticket size fell to INR3.3k (vs INR3.7k in 1QFY25) on lower high-value STP flows.

NAM AMC

- Management expects a ~2-3bp YoY dip in yields, with ~45% of AUM already under commission rationalization and no further cuts planned.
- The SIF team, led by Andrew Holland, is set to launch its first product soon, with the segment positioned as a key new vertical.
- NAM delivered the fastest growth among top 10 AMCs QoQ/YoY, lifting overall market share to 8.49% (highest since Jun'19), with equity net sales and SIP shares in double digits.
- Offshore business saw inflows from Asia and Europe, alongside expansion in Japan and new regions across Asia, Europe, and Latin America.
- Systematic flows remained strong despite volatility, with SIP discontinuation rates better than industry.

360ONE

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360ONE WAM

Buy

Current Price INR 1,103

Operational Performance

- 360ONE continues to target net flows equivalent to 12–15% of opening ARR AUM annually. This translates to INR200-250b of net flows on the wealth management side and INR80-100b from the asset management vertical.
- 1QFY26 was a solid quarter in terms of gross flows, which were at INR60-65b (excluding B&K flows). However, the exit of two RM teams led to gross outflows of INR35-40b, representing 4–6% of AUM, taking net inflow to INR15-20b during the quarter.
- The impact of the team exits is largely front-ended, and the impact on flows may be seen in 2QFY26. Hiring of new teams is expected to offset much of the attrition-led impact during the year.
- Several large RM teams have already joined, and another 3–4 significant team additions are expected over the next 6–8 months, which should support AUM expansion and normalization of flows.
- The lending book saw some outflows during the quarter, largely due to refinancing of large-ticket loans at lower rates. Management expects this book to stabilize and recover in the near term.
- Carry income was lower sequentially due to carry fees on a large institutional mandate in 4Q.
- Historically, the wealth business sees gross outflows of INR8-10b per quarter and gross inflows of INR45-50b, resulting in net inflows of INR40b. This quarter's higher outflows reduced net inflows to INR15-20b despite strong gross inflows of INR60b.
- On the asset management side, the company expects one fund closure per quarter and is targeting 4–5 new fund launches to achieve the annual net flow target of INR80-100b. The pipeline includes five institutional mandates, with at least one expected to be executed in FY26.
- For FY26, total gross flows are expected to be INR600-650b, including INR100b from UBS, INR150-200b from B&K, and the remaining INR300-350b organically.

Strategic highlights

- The acquisition of B&K has been fully consummated, with all requisite regulatory approvals secured by May 2025. Post-merger integration is underway, positioning 360ONE to build a stronger transactional platform. Notably, B&K contributes 20–25% of its revenues from ARR-linked sources.
- All regulatory approvals for the UBS partnership have also been received, and the firm is now working on operational migration and integration to create a robust cross-border wealth collaboration.

- With ET Money, the strategic agenda is to penetrate deeper into the mass affluent segment. The platform is technology-led, SIP-driven, and content-rich, offering significant scalability. Importantly, ET Money's cash burn has been reduced from INR550-600m to INR250m annually.
- 360ONE is also deepening its domestic channel presence via MFDs. The pipeline for new funds and institutional mandates remains strong, with healthy demand from both domestic and global investors. The firm plans to widen access to its alternate investment strategies across its broader client base over the coming quarters.
- Management reiterated its ambition to scale up transactional income to INR10b annually (INR2.5b per quarter steady-state), supported by strong research, as well as higher contribution from fixed income and real estate products. This would bring transactional income to ~20% of the total revenue mix.

Yield outlook

- Headline yields are likely to remain stable, although the overall yield may reduce by 2-3bp due to changes in business mix towards advisory. Distribution yields currently stand at 70–75bp, while advisory yields are in the range of 30–35bp.
- On the asset management side, yields from listed strategies are expected to decline slightly (2–3bp) as more AUM is added in this category.
- Lending yields increased in 1QFY26 following the capital raise last quarter. A steady-state yield of 4.8–5% is expected going forward.
- Within the AIF segment, yields have remained stable, although there has been a change in asset mix, leading to an increase in blended yields.

Inorganic highlights

- ARR flow growth in the quarter was bolstered by the B&K acquisition. The integration brought in 700 corporate clients and is expected to enhance client wallet share over time.
- Quarterly costs include expenses related to ET Money as well as post-acquisition costs from B&K. As integration synergies begin to materialize and scale builds up, management expects a gradual improvement in cost efficiency.
- B&K's monthly revenue has grown from INR160-170m last year to approximately INR210m/ month during 1QFY26, reflecting a 15-20% increase in top-line and a 10–14% improvement in PBT.
- In the HNI segment, B&K contributed INR5b of net inflows during the quarter.
- The collaboration agreement with UBS post-transaction is expected to be finalized within the next 1–2 months.



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Aavas Financiers

Neutral
Current Price INR 1,682

Guidance

- Management guided an 18-20% AUM growth in FY26 and 20-25% AUM growth from FY27 onwards.
- Impact on disbursements can be covered up in 2Q and 3Q
- Guided a continued downward trend in its cost of borrowings



Particulars	Q1 FY26	Q2 FY26	Q3 FY26	Q4 FY25	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY24	Q1 FY24
Assets	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000
Liabilities	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000
Net Income	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000	1,00,000

Disbursements and the one-time impact from the change in the realization model

- The primary reason for the impact on disbursements is because of the change in the realization model. Now the disbursements are booked only when the funds are credited to the account of the customer.
- LAP and MSME segments were not impacted because they are primarily RTGS disbursements
- Categories like Builder purchase and Home re-purchase were impacted because of the cheque disbursements.
- Adjusted for this change in the disbursement realization, disbursements in 1QFY26 would have grown double-digit YoY.
- Recent demand trends have been encouraging, with disbursements growing ~16% YoY in Jul'25. Disbursement run-rate (cheque realized) stood at INR5.5-6.0b in Jul'25 (which was up 16% YoY)

Asset Quality

- AAVAS observed some seasonal uptick in delinquencies. 1+dpd has already shown normalization trends in July, reinforcing its confidence in the stability of the portfolio
- Ticket-size of more INR500k has 1+ dpd <4% and GNPA <1% of AUM
- Rajasthan and its Northern States have 1+dpd <4%
- GS3/GNPA rose by ~15bp QoQ to 1.22% and this is largely seasonal in nature. 1+dpd rose by ~75bp QoQ and ~50bp YoY to 4.15%
- 1+dpd stood at 4.15% in Jun'25 but fell below ~4% in Jul'25
- Aavas highlighted a few markets where there was a seasonal spike, and it has tightened the credit underwriting in those markets. Barring a few isolated pockets, it is not seeing any broad-based credit quality concerns, and it expects AUM growth to start picking up in the coming quarters.
- Pockets in states of Maharashtra, MP, and Karnataka have exhibited some stress. This was particularly pronounced in ticket sizes below INR500K.

Liabilities

- Within its Bank borrowings, ~38% is linked to EBLR, 40% is linked to MCLR (within which ~24-25% is linked to up to 3M MCLR), and ~22% is fixed-rate
- Received a fresh sanction from NHB in the quarter and completed a drawdown of INR2b in the quarter
- Borrowing Mix: Term Loans: 49% | Assignment: 25% | NHB: 14% and Debt Capital Markets: 11%
- ~58% of its total borrowings will exhibit faster re-pricing in line with the decline in the policy repo rates

Credit rating discussions

- Management shared that the company is well-positioned for a credit rating upgrade. The company is engaging with its existing credit rating agencies, and it is hopeful that they will take up AAVAS's case positively.

Opex

- Aavas has a direct distribution model and its employee on rolls will be higher under this model compared to an intermediary-led or channel-led distribution model.
- Beginning to see positive results in its partnerships with CSC, E-mitra, and India Post Bank. The company is receiving 1000+ monthly logs through the CSC

partnership. There have been staff additions to handle the digital channels and fulfill leads originated through these channels.

Others

- AUM grew 16% YoY and ~2% QoQ to INR207.4b
- Aavas has not made any PLR changes in FY26-YTD. It will decide on making any changes to the PLR by the end of 2Q or early 3Q.
- Remains well-capitalized with a networth of INR45b and CRAR of 43.2%
- Aavas remains focused on self-employed segments where it sees a better risk-reward
- Over 450 Aavas customers have benefited from PMAY 2.0 and have received a total subsidy of INR15m
- Branch openings will be front-ended in 1H of this fiscal year(unlike in the prior years). The company will be entering a new state, Tamil Nadu, and all 10 new branches will be located there.



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Aditya Birla AMC

Buy

Current Price INR 889

MF Business:

- 1Q net sales registered strong growth, surpassing full-year net sales of FY25, reflecting solid business momentum. Growth was supported by improved fund performance across categories and various ongoing initiatives aimed at sustaining market share over the past two quarters.
- Equity investments continued to show consistent performance improvement, with strong returns delivered across multiple schemes, aided by process enhancements implemented across offerings.
- Fixed income performance remained strong across all categories. The company is also planning to broaden its product suite, with one or two new funds in the pipeline to cater to the evolving needs of a growing investor base.
- Achieved a significant milestone during the quarter by crossing INR4t in AUM.
- SIP AUM for the quarter stood at ~INR840b, accounting for ~45% of equity AUM.
- SIP contributions stood at INR11.4b, supported by 3.86m active SIP accounts.
- The company serviced 10.7m folios as of Jun'25, marking a 14% YoY increase.
- Continued expansion of the distributor network with the addition of over 2.2k new MFDs in 1Q, bringing the total to more than 89k.
- No immediate plans for distribution commission rationalization.
- On the SIF front, the board has approved the creation of a separate brand. Product opportunities have been identified across fixed income, credit, arbitrage, and long-short strategies.
- A regional growth summit for distributors is planned shortly to drive deeper market penetration and ensure sustained business growth.

Non-MF Business:

- In the passive space, the company aims to build significant AUM by launching innovative products across ETFs, Index Funds, and FoFs.
- Alternates business revenue came in at ~INR320m. The company intends to hire leadership to drive accelerated growth in the Alternates segment.
- The PMS and AIF product suite covers both fixed income and equity segments. A new offering under development is the ABSL India Equity Innovation Fund.

- Real estate AUM stood at INR5b, with ongoing fundraising in the Credit Opportunities Scheme.
- Under the GIFT City platform, fundraising is in progress for the ABSL Flexi Cap Fund (internal remittance) and ABSL Bluechip Fund (external remittance). Some large client withdrawals were observed due to portfolio restructuring.
- Following the ESIC mandate secured last year, AUM under this mandate now stands at ~INR242.6b.

Yields:

- Yields: Equity/Debt/Liquid stood at 67-68bp/24-25bp/13-14bp

Financials:

- Employee costs declined 6% QoQ due to higher variable pay being recorded in the previous quarter.
- ESOP expenses for the quarter stood at INR16m.



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Aditya Birla Capital

Buy

Current Price INR 283

Global uncertainties and India outlook

- The global macro-economic environment continues to remain volatile in the backdrop of tariff-related discussions and geopolitical conflicts. However, India presents a compelling case of economic strength.

NBFC

- Disbursements grew 18% YoY to INR158.5b. The company took several proactive interventions in unsecured loans over the past few quarters.
- The NBFC loan book grew 22% YoY and 4% QoQ to INR1.31t.
- RoA stood at 2.25%.
- P&C disbursements grew 28% QoQ and 65% YoY to ~INR39.5b. It will continue to monitor the macro-economic trends closely in the segment.
- Secured business loans to SME grew 27% YoY and 4% QoQ to INR72.6b.
- The total unsecured MSME loan book stands at INR123b (~9.5% of the NBFC loan book). This includes Supply Chain Finance (1.6% of the total loan book) and Business Loans (6.5% of the total loan book), both of which show strong portfolio performance. However, small-ticket unsecured loans (~1.3% of the total loan book) are exhibiting some stress, prompting the company to remain cautious. Pre-emptive interventions were taken a few quarters ago to address these concerns.
- 75% of the principal gets covered by the guarantee, and it takes between 12-18 months to recover claims from CGT-MSE. If the claims are not approved, it can evaluate improving the provision cover.
- ABCL will continue to grow its business loan portfolio as well as short-term unsecured loans. However, it will tighten and slowdown sourcing in small-ticket unsecured loans.
- Capital adequacy stood at ~18.1%, and Tier-1 stood at 15.62%. The company infused ~INR2.5b into its HFC business in 1QFY26 and is sufficiently capitalized to meet its funding requirement for the next 9-12 months. It will look to raise equity capital thereafter.
- NIM is an outcome of the product mix. The Personal and Consumer business performed well in 1QFY26. As this portfolio grows, its unsecured business will grow, in turn improving its margin.

- LAP is a vintaged portfolio and has stood the test of the time. It is backed by cashflows and the collateral of customers.
- The portfolio quality continues to remain stable. 30+ dpd improved ~8bp QoQ.
- Over 70% of the portfolio is secured and Stage 3 PCR stood at 41.2%. Within its unsecured business, 53% of the Stage 3 book is covered under Government Guarantee Schemes.

HFC business

- Disbursements grew 76% YoY to INR54b.
- Credit quality in HFC is the best in class, with GS3 declining 4bp QoQ to 0.62%.
- HFC AUM grew ~70% YoY to INR346.1b.
- Operating leveraging is kicking in and RoA improved ~15bp QoQ to 1.6%.
- CoB improved 11bp QoQ and has passed on ~15bp to customers from Jul'25.

AMC business

- PAT grew 18% YoY to INR2.77b.

Life insurance

- Individual NBP grew 23.4% YoY in 1QFY26 and expanded its market share ~15bp.
- The company increased its mind-share in partnerships with Bank of Maharashtra, IDFC Bank, and Axis Bank.
- ABSLI reported a 15% decline in its Group business.
- Digital collections account for 81% of the renewal premium.
- The Opex to Premium ratio stood at 27.65%, marking a YoY increase, attributed to the lower group business (in line with its Strategy).
- It raised INR2b via sub-debt; solvency ratio stood at 192%.
- The company reiterated that it will continue to expand its VNB margin through the course of this year, reaching 18%+ in FY26.

Health insurance

- GWP grew 30% YoY, driven by a differentiated health-driven model.
- The market share among SAHIs rose ~200bp YoY to 14.5%.
- The retail channel grew 39% YoY.
- The company has on-boarded the Bank of India as a partner.
- Net loss for 1QFY26 stood at INR360m (according to new accounting norms) and at INR240m (according to old accounting norms).

Omnichannel architecture

- The company allows customers to choose the channel of their choice.
- D2C platform ABCD went live about a year ago.
- Udyog Plus now accounts for ~30% of the business in its unsecured business loans.
- The company added 67 branches during the quarter, along with 1,000 co-located branches with the One ABC proposition.

ANANDRATHI
Private Wealth. uncomplicated

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Anand Rathi Wealth

Neutral

Current Price INR 2,794

Financials

- In 1QFY26, the company has already achieved 25% of its PAT target and 24% of its revenue target for FY26, and is just 14% short of reaching its INR1t AUM goal.
- Employee costs as a percentage of revenue decreased to 42% in 1QFY26 from 46% in 1QFY25, primarily due to a decline in variable costs, which fell to ~INR450m during the quarter from about INR480m in 1QFY25, based on performance.
- Primary issuance during the quarter amounted to ~INR17b, while secondary issuance stood at ~INR7b.
- Total inflows for the quarter reached INR38.3b, with the composition being MF/ debt/ structured products/ others at INR19.8b/INR3b/INR10.6b/INR4.8b.
- AUM per RM rose to INR2.24b as of Jun'25, compared to INR1.87b in Jun'24, largely attributed to the retention of RMs.

Private Wealth:

- Added ~600 new clients in 1QFY26, taking the total to ~12.3k.
- Added 22 new RMs in last 12 months, taking the total to 382.
- Client attrition was among the lowest in the industry in 1QFY26 at 0.11% (as a % of AUM).
- RM regret attrition stood at 2.

Business:

- OFA business added 563 new subscribers during the quarter, taking the total subscriber base to 6,627.
- On the international front, the company is in the process of establishing new offices in London and Bahrain, marking nearly a decade since the Dubai office was set up. Management remains highly optimistic about international capital inflows into Indian markets and is looking to expand into additional geographies.

Others:

- On the potential impact of Jane Street on volumes, management has indicated that there will be no effect on the upcoming INR1.5-2t AUM pipeline.
- ARWM stands out as the only company among the top MSCI constituents to have consistently met its guidance for three consecutive years.



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Angel One

Buy

Current Price INR 2,721

Financial performance

- Despite modest market dynamics during the quarter, elevated retail investor participation supported a sequential order growth of 5%. The order mix comprised 45% from F&O, 10% from cash equities, 6% from commodities, and 31% from margin trade funding (MTF); the remaining came from distribution, wealth management, asset management, and other fee-based businesses.
- Topline growth of ~8% QoQ is expected going forward, driven by improving retail activity and margin discipline to result in operating margins trending back to the 40–45% range by 4QFY26.
- Direct business contributed 76% of the company's net broking revenue. The client funding book reached a new peak during the quarter, with interest

The image shows a screenshot of the Motilal Oswal Angel One financial statement for the third quarter of FY25. The document is titled 'Angel One' and includes a table of contents. The main table displays financial data for the quarter, including revenue, expenses, and profit. The revenue is reported as ₹1,10,100 crore, and the profit is ₹1,10,100 crore. The statement also includes a section for 'Key Highlights' and a 'Management Discussion and Analysis' section.

income from MTF and fixed deposits growing 4% and 7% QoQ, respectively. A rise in delivery-based trading volumes led to higher depository income as well.

- The distribution business saw strong momentum, supported by healthy traction in credit, insurance, and IPO products.
- A fresh round of ESOP grants in the wealth management business led to a spike in the stock option cost, which is expected to amount to INR2.1b for FY26. The impact will be spread out over the remaining three quarters, at an estimated INR550m per quarter.
- Excluding IPL-related marketing costs and the reversal of variable pay in 4QFY25, operating profit rose 30.5% QoQ, with operating margin at 34.3% for 1QFY26.
- While new businesses are in the investment phase, management indicated that the wealth business is likely to break even sooner. In the interim, new business investments will exert a 2.0–2.5% drag on consolidated margins.
- Higher tax rates during the quarter were attributed to losses in emerging businesses and the non-deductibility of CSR contributions, the latter contributing a ~100bp uptick in effective tax rate.

Broking business

- Cash broking realizations benefited from a rising share of MTF trades and a higher average ticket size among MTF users. There is no significant competitive pressure on MTF pricing, as usage is driven largely by market momentum.
- MTF continued its secular growth trajectory for the third straight quarter. The company remains confident in its sustainability and is enhancing the user experience to reinforce this momentum. Additionally, efforts are underway to build advisory capabilities around MTF stocks.
- CAC was stable QoQ, with the company able to maintain its pace of customer onboarding. Equity and MTF market share continued to inch up, although there was some month-on-month volatility in F&O share; this is expected to stabilize as more customers are added.
- The company continues to focus on acquiring high-quality clients, increasing organic acquisition, and expanding its base of premium and high-value users.
- MTF lending rates are not sensitive to RBI rate cuts. Borrowings are linked to MCLR, so the impact of rate cuts comes with a lag, providing potential for margin expansion in a declining interest rate environment.

Distribution business

- Credit distribution has significant growth potential amid India's under-penetrated lending landscape. The company uses proprietary AI/ML models to assess creditworthiness and match borrowers with lenders, improving risk management for partners while sustaining healthy margins. Early initiatives have also begun in secured credit.
- Over 3m customers have now engaged with mutual funds (vs. 2m last year). Key metrics, including repeat usage, wallet share, and stickiness, continue to improve, supported by AI/ML tools that simplify the fund selection process.
- In insurance, the company is seeing steady growth, particularly through the sub-broker channel. The phygital model is beginning to scale gradually.

Wealth management

- The UHNI base is gaining traction, powered largely by referrals and word-of-mouth. Tools and engagement platforms are being provided to RMs to improve client interaction.
- The company has been an early mover in products such as SIFs, GIFT City-based structures, and long India strategies. As of 30th Jun'25, the wealth platform had an AUM of INR50.6b, over 1,000 clients, and a team of 184 professionals across functions.

Asset management

- After receiving regulatory approval in 3QFY25, the AMC has made steady progress. As of June 30, 2025, AUM stood at INR3.4b across five products spanning equity and fixed income. Two new funds were added during the quarter, and the company is continuing to expand its product basket.
- Angel One is pursuing a multi-channel strategy to ensure product discoverability. The AMC is also planning to expand its equity bouquet further and is working towards launching commodity-based funds.
- Notably, the AUM ramp-up thus far has been achieved with zero marketing expenditure, with participation coming from across the country.



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BSE

Neutral

Current Price INR 2,523

Regulatory trends

- Regulatory changes continue to follow a consultative, co-created process; no new consultations are ongoing currently.
- SEBI's derivatives regulations 2.0 (including gross/net open position limits) went live in Jul'25; management mentioned it is too early to assess the full impact, though no major disruption has been seen so far
- The expiry shift to Thursday from Tuesday was decided after feedback from market participants, and no negative impact on premium realization is expected.

Business

- Options volumes mix: HFT/Retail/Proprietary and Others at 35%/25-26%/35-40%
- Total transactions processed on the Star MF platform were up 30% to 183m in 1QFY26, crossing ~61m transactions per month in FY25 vs ~47m last year. July saw the highest ever monthly transactions at ~66.5m
- BSE Index Service Private Limited has a product portfolio of ~170+ indices currently, servicing 300+ marquee clients domestically and globally. Launched 7 new indices during the quarter, including four factor indices, in addition to 20 launched last year
- BSE is actively working with its subsidiaries on creating a platform for trading in the commodities and agriculture segments
- Common Contract Note has been successfully implemented in India with effect from 27th Jun'25, enabling institutional investors to trade seamlessly across trading venues.
- During the quarter, BSE reached the milestone of 600 SME listings to date, with 18 listings raising INR8.8b in Jul'25 alone (highest ever monthly)

- Since the platform's launch, a total of INR106.5b has been raised, with the last 100 SMEs raising INR40.7b, contributing ~38% of the total amount raised.
- In 1QFY26, BSE welcomed 21 new equity listings across the mainboard and SME, raising INR142b
- BSE platforms continue to be the preferred choice for Indian companies to raise capital, facilitating INR7.6t through equity, debt, bonds, commercial papers, mutual funds, etc.
- Under the IPF, BSE conducted ~1,026 awareness programs during the quarter to promote financial literacy.
- BSE recently collaborated with SEBI on a campaign to raise awareness against financial fraud and protect investor interests
- Recently launched the 'Nivesh Mitra' mobile app, aimed at helping users learn how to open trading/demat accounts, assess their personal risk profile, and simulate investments using historical data.
- Rebranded its wholly owned subsidiary 'Asia Index Private Limited' to 'BSE Index Services Private Limited'

Financials

- Revenue from operations grew strongly by 59% YoY, driven by strong performance in transaction-related income, other operating income, and investment-related income.
- Transaction revenues were up 84% YoY, supported by strong volumes in the Sensex derivatives product.
- Operating expenses increased by 5%. Approximately 48% of total operating expenses were attributable to regulatory fees and clearing and settlement expenses, which are directly linked to increasing derivatives volumes.
- No additional contribution was made to the core SGF during the quarter
- Clearing and settlement expenses declined sequentially to INR550m from ~INR840m in 4QFY25, due to 1) a shift in volume to non-expiry days driving higher premiums, and 2) larger contract sizes

Colocation

- BSE has 350 racks currently allocated (75–80% utilization), with plans to add ~140 more racks in two phases during FY26 (one tranche in this month and the other by the end of FY26)
- Rack pricing stands at INR1.2m/year for 6 KVA and INR2.5m/year for 15 KVA. Estimated revenue for 1QFY26 was ~INR120m
- Effective Jun'25, BSE introduced throttle pricing for colocation; free orders per second have been reduced from 10,000 to 40. For incremental orders, pricing depends on the subscribed speed and starts from INR50,000 annually.



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Bajaj Finance

Neutral

Current Price INR 888

FY26 assessment/guidance

- There could be a positive bias on NIM, with management guiding for ~10bp expansion
- The company guided for 13-15% growth in fee income.
- Credit costs stood at 2.02% (up 5bp QoQ, excluding re-modeling of the ECL model). The company guided for 185-195bp credit costs in FY26. Credit costs will remain sideways in 2Q and improve in 2H.

The image shows a screenshot of a financial statement for Bajaj Finance. It includes various financial metrics, ratios, and a detailed breakdown of assets and liabilities. The document is titled 'Bajaj Finance' and appears to be a quarterly or annual report. The content is dense with numbers and text, typical of a financial statement.

- The MSME business is expected to exhibit the slowest growth in the current year; The MSME segment's AUM will grow in single digits in FY26. In terms of disbursements, it will be flat or lower.
- The liquidity buffer was increasingly deployed into mutual funds during the quarter. Adjusted for this, NIM was largely flattish on a QoQ basis.

Asset quality

- Consumer leverage continues to remain an area of concern. The company has taken several actions across all products to reduce contribution of customers with multiple loans.
- Credit costs were elevated in the 2W/3W and MSME businesses. The MSME business has shown strain since February. Both these businesses will grow much more slowly in the current year starting from 2Q onwards.
- Absolute loan losses were higher by INR700m-750m in 2W/3W (which is a winding-down book).
- Over the cycle, 2W/3W used to give 5% losses - BAF wants to build the new 2W book, which will operate at 2.5-3.0% loan losses.
- ~INR2.2b worth of customer accounts (primarily MSME) were offered a restructuring option despite being classified as standard.
- The company guided that BAF may undertake an additional ~INR1.5b of loan restructuring in the second quarter.
- 3MOB and 6MOB are performing better, and BAF aims to return to pre-COVID levels.
- Karnataka (11% of the total balance sheet) has exhibited vulnerabilities, with KAR having an unintended impact on the portfolio. For the first time, BAF is encountering political risks and is uncertain on how to navigate them. Consequently, business in Urban, Rural, and 2W/3W in Karnataka has been cut by 35-40%.

MSME

- Macro is weak: BAF tracks 17 key industries within MSME, of which 13 MSME industry segments are shrinking. This is primarily to do with the economic slowdown and weak credit growth.
- MSME customers now have a higher working cycle requirement, while banks are slowing lending in the MSME unsecured segment.
- It is virtually a 'certain storm' which has come about suddenly.
- The MSME and Business Loans markets are contracting, with monthly disbursements dropping to ~INR70b (vs INR110b earlier).
- Loans to doctors stand at INR150b (within the total MSME portfolio of ~INR525b), and even this portfolio is now showing stress (earlier ~99% current). Issues in Business Loans (BL) are slightly more pronounced.
- MSME loans are all unsecured loans.

Mortgages

- Intense competitive pricing in home loans has led to significant portfolio attrition for banks. This level of competition has not been witnessed in the last 7-8 years of building the mortgage business.

Liabilities

- In 1Q, the cost of funds was 7.79%, an improvement of 20 bp over 4QFY25. FY26 cost of funds is expected to be 7.60-7.65%. This does not take into account any further policy rate cuts that may come.
- Deposits in the mix will decline to 15-16%. Over the next 12 months, there will be higher reliance on NCD, ECB, and Bank borrowings to optimize its CoB. Earlier, it was originating ~INR14-15b of retail deposits. Now, it has priced retail deposits at the same rate as bank borrowings/NCD.

- Borrowing cost in NCD has seen a ~90bp improvement and is currently at 7.0-7.1%
- 80% of bank term loans are EBLR-linked and ~15% are on MCLR.
- CP gets repriced very quickly and has seen an 80-90bp improvement in the CP rate as well.

Update on the leadership change

- Anup Saha (who was with BAF for 7.5 years) tendered his resignation as MD and Director of BFL for personal reasons. The Board, upon the recommendation of NRC, noted and accepted the resignation effective 21 Jul'25.
- To ensure continuity and stability, Rajeev Jain has decided to come back in an operational role and has been appointed as the MD till Mar'28. Any change in leadership will happen only closer to Mar'28 - meaning that any succession planning will be kept internal and not disclosed until closer to the MD/CEO change.

Financial performance

- AUM grew 25% YoY. Opex to NTI stood at 32.7% (PY: 33.3%).
- Capital adequacy remained strong at 21.96% as of Jun'25. Tier-1 capital was 21.2%.
- Net gain on FV change stood at INR790m, reflecting additional gains. All investment gains in MFs are recorded under this line, whereas gains from G-Sec investments are captured under the interest income line.

Others

- FY26 will be a defining year in terms of transformation and leveraging AI capabilities.
- Geographic presence stood at 4,192 locations, gold loan branches at 1,254, and MFI branches at 337. In 1Q, the company added 85 standalone gold loan branches and 4 standalone MFI branches.
- Employee attrition was higher by ~1pp YoY in 1QFY26.
- Behavioral maturity of the standalone book is 19 months.
- In 1QFY25, the company had made an NPA sale, which was absent in the current quarter.
- The top of the funnel remains active, providing the company with a strong roadmap.
- BAF dedicated 150 employees to its AI function in Jan'25.



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Can Fin Homes

Neutral

Current Price INR 782

Guidance

- CANF expects ~INR25b+ disbursements in 2QFY26 and INR105b in FY26.
- It has guided for cost-income-ratio of 18% in FY26 and 19% in FY27.
- Credit costs guidance for FY26 is ~15bp.
- It has guided for spreads and NIM of 2.5% and 3.5%, respectively.
- CANF plans to open 15 branches in FY26 and targets to reach 300 branches by FY28.
- It has guided for an RoA of 2.2% and RoE of 17% for FY26.
- The company aims to increase its non-housing share to 20% by FY28 (from 11% in FY23).
- The company is front-ending its branch expansions, with all 15 new branches expected to be operational by Sep'25.

Management changes

- Abhishek Mishra has been appointed as the new CFO of the company. He joined the company in Jun'25.



Disbursements trends and regional performance

- Overall disbursements exceeded INR20b in 1QFY26, up 9% YoY. Disbursements in April were below INR5b. However, June saw a sharp pick-up to INR8b.
- Zone-wise performance:
- North India delivered robust growth of 40% YoY; West delivered disbursements growth of 15% YoY.
- Tamil Nadu continued the strong momentum with 35% YoY growth.
- Eastern zone turned positive after prior weakness, with 35% YoY growth.
- Disbursements in Karnataka remained flat with INR2b monthly disbursements impacted by E-Khata and Panchayat-level challenges. However, the government has indicated some resolution in July.
- While inquiry levels remain healthy in Karnataka, limited conversions due to legal/registry issues are resulting in lower disbursements.
- SARFAESI proceedings were initiated in many cases but execution was stalled due to the unresolved E-Khata status.
- Disbursements in Telangana remained weak with no turnaround yet. However, early signs of improvement are visible post-state government's withdrawal of demolition threats under Project Hydra. Macro-level assessment and team-level changes have been implemented to revive growth.

Asset quality & delinquency trends

- There was reduction in total delinquency compared to March figures. Delinquency ratio is now at its lowest level since the past five quarters. However, GNPA rose slightly, attributed to the seasonal factors of 1Q.
- Delinquency trends were stable across all six operating zones.
- Telangana is expected to show improvement going forward, supported by improving sentiment and macro conditions.
- Management expects further improvement in delinquency metrics in 2Q. Credit costs for FY26 are expected to remain below 15bp.
- The company has significantly ramped up the sales team's strength from 39 employees to 100 as of July 1st. This is expected to support business growth and reduce dependence on DSAs.

Liabilities

- Within its bank borrowings, ~20% are linked to repo and ~80% are linked to T-bills.
- The company expects rate cut benefits of 50bp on its INR25-30b term loan portfolio, which will further reduce its cost of borrowings.
- Cost of borrowings declined from 7.55% to 7.3% in 1QFY26, aided by repo rate reductions.
- Incremental borrowings are currently at ~7.2-7.24%, with bank borrowings at ~7.25% or lower, while CPs are coming at slightly below 6%
- NCD amounting to INR7.5b matured in 1Q, though the overall impact was minimal.
- The company has passed on a 10bp rate cut in May to both existing and new customers. It has also announced a further 15bp cut in lending yields from July onwards.
- Except LICHF and CANF, which have passed on ~25bp to customers, other HFCs/NBFCs have not passed on similar rate cuts to customers.
- The regulator has not announced any rate cuts on NHB borrowings yet. Hence, no benefits have been realized. Once implemented, such rate cuts are expected to further reduce borrowing costs.
- As of Jun'25, around 67% of the total portfolio remained on annual reset, with the balance on a quarterly reset. ~99% of assets remained on floating rates, while only 1.3% were on fixed rates.

- CANF has guided for a minor increase in spreads going forward (in the near-term), as PLR benefits are being passed to customers with a lag (since many of them are still on an annual reset).

Cost-to-income ratio

- The increase in the cost-to-income ratio on a YoY basis was due to salary revisions to align with market compensation and an increase in rent and taxes for 32 additional offices (25 branches, 6 zonal offices, and an extension of the Head Office).
- There was an INR45m impact from the actuarial calculation of employee expenses.
- The company expects the cost-to-income ratio to stabilize at ~18% in FY26 and 19% from FY27 due to IT transformation-related costs.
- Further, costs increased due to higher rent, taxes, CSR provisioning (~INR190m), and branch investments, with 29 new branches added over the past two years and additional corporate office space taken up in June.

Others

- The company remains focused on reducing DSA dependence, with DSA sourcing declining from 85% in FY23 to 79% as of Jun'25
- LAP yields start at 10.7%.
- CANF remains focused on increasing direct sourcing, supported by the expansion of its sales team.
- Strong inquiry flow from APF projects is expected to drive future conversions.
- The portfolio LTV stands at ~60%, based on the realizable value of the collateral.
- The number of monthly contracts was around 4k-4.5k, with a total of 48k-50k contracts for the entire year. Total contracts have remained flat and growth has been primarily from an increase in ticket size.

Tech & infrastructure enhancements

- ALM and related systems are expected to be transitioned by Sept-Oct 2025.
- Core LOS, LMS, DOS, and deposit modules are expected to be transformed by 3QFY26.

Policy & regulatory commentary

- PMAY 2.0 lacks the momentum of PMAY 1.0 due to tighter eligibility norms and fewer participating cities.
- Affordable housing supply under PMAY 2.0 remains limited, especially in key states (Gujarat, Maharashtra, Tamil Nadu, MP, Haryana).



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CDSL

Neutral

Current Price INR 1,584

Business:

- More than 5.7m demat accounts were opened during the quarter, bringing the total to ~158.6m accounts and maintaining a healthy market share of around 79%.
- The average number of folios for the financial year stood at ~332.6m.
- CDSL has continued to take pricing actions when necessary via regulatory approvals and currently charges INR3.5 per transaction, which is 50 paise less than its competitor.
- CDSL offers a discount of 25 paise for female investors for two years to encourage trading, and a similar discount to all investors transacting in bonds and mutual funds via demat accounts.
- In the insurance repository segment, CDSL crossed 1.8m policies and holds ~2m e-insurance accounts.
- During the quarter, about 3,486 companies in the unlisted space were dematerialized, taking the cumulative total to over 20k companies

The screenshot displays the Motilal Oswal Investor App interface. It includes sections for 'Weak operating performance', 'Key financial metrics', and 'Key operational metrics'. The 'Key financial metrics' section shows a table with columns for 'Metric', 'Q1 FY26', 'Q1 FY25', and 'YoY Change'. The 'Key operational metrics' section shows a table with columns for 'Metric', 'Q1 FY26', 'Q1 FY25', and 'YoY Change'. The app also features a 'Company Information' section with details about the company's business and its commitment to responsible investing.

- In order to advance investor education and empowerment, both depositories collaborated to introduce a new feature in their respective investor apps. CDSL's version is called MyEasi. This feature allows retail shareholders to access proxy advisory recommendations while voting on company resolutions via the e-voting system.
- An IPF website was also launched in 12 languages, designed specifically as a one-stop destination for investors. It covers a wide range of investor education and empowerment topics, including concepts related to the securities market to promote responsible investing.

CVL:

- Total income for CVL declined 32% YoY to INR420m.
- Total expenses remained flat on a YoY basis to INR264.3m.
- PAT declined to INR164m, down 57% YoY.

Financials:

- Income from CAS/e-voting/e-sign and e-KYC/pledge/miscellaneous segments for the quarter stood at INR130m/INR65m/INR45m/INR50.5m/INR70m.
- Investment income stood at INR350m and comprised a significant portion of other income, and impairment costs for the quarter were INR36.9m.
- Annual issuer charges rose sharply during the quarter, driven by an increase in the number of folios. Application processing fees, a one-time income item, stood at INR 52.3m in 1QFY26 and were included in annual issuer charges.
- Online data charges declined 42% YoY and 16% QoQ due to subdued market conditions, leading to fewer account openings.
- KYC revenue contributed approximately 33% to consolidated revenue.
- The mix between KYC creation and KYC fetching stood at 85:15.
- Unlisted revenue from issuer charges was INR63.9m for the quarter, compared to INR52.3m in 1QFY25.
- Revenue from IPOs and corporate actions declined 22% YoY and 16% QoQ due to a lower number of IPOs. However, corporate actions now account for a higher proportion of income in this segment.
- Employee costs increased 46% YoY and 24% QoQ, mainly due to variable payouts recorded in Q1 and new recruitments done in line with business growth. Bonus provisions made during the quarter were consistent with the company's longstanding policy.
- There is continued investment in technology, aligning with the company's role as a market infrastructure institution.
- Tax rate was higher during the quarter at 32%, compared to 23% in 1QFY25 and 21% in 4QFY25. The increase was due to tax adjustments on dividends received from the subsidiary company.



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Cholamandalam Inv. & Finance

Buy

Current Price INR 1,522

Guidance

- In Vehicle Finance, guidance of overall disbursement growth of 10-12% and Vehicle AUM growth of 15-17%.
- Confident that the company will be able to achieve AUM growth of 20% (lower end of its guided range of 20-23%)
- Guided for a ~20bp decline in its CoF. However, a 5-8bp reduction in the yields will result in a 12- 15bp expansion in NIM.
- Targets the opex to assets ratio at 2.9-3.0% in 2Q/3Q as well
- Guided for credit costs of 1.5% (as % of average assets). Credit costs will remain elevated in 2Q (1.7-1.8%) but will start seeing significant improvement in 2H.

Chitramandala Int. & Finance

Quarterly Financial Performance Report for the quarter ending 30th September 2025

Revenue: ₹1,200 Crores (10% increase from ₹1,090 Crores in Q3 2024)

Profit: ₹150 Crores (5% increase from ₹142 Crores in Q3 2024)

Key Financial Ratios:

Ratio	Q3 2025	Q3 2024
Current Ratio	1.2x	1.1x
Debt to Equity Ratio	0.8x	0.9x
Return on Equity (%)	12.5%	11.8%
Operating Leverage	1.1x	1.0x

Summary of Performance over the last 12 months:

- Revenue growth: 15%
- Profit growth: 8%
- Operating leverage: 1.1x
- Debt to equity ratio: 0.8x

What led to the asset quality weakness?

- The economy has been muted for some time now. And it usually sees an improvement in 2H with the onset of the festive season.
- Vehicle capacity utilization was low from the early arrival of monsoons, and Industrial production was down YoY
- Early onset of the rain and the macros are not favorable as of now.

Outlook

- The economy is expected to bounce back if there are no extended monsoons and geopolitical risks are in check
- Hoping that Vehicle disbursements will pick up from 2Q itself, with the festival season commencing from 25th Sep'25
- The Rural Economy is improving, and it will further improve after the monsoons are over.
- CIBC shared that FY26 will be a year for collections and not a year of disbursements.

Vehicle Finance

- Within Vehicle Finance, CIBC has done better or in-line growth (relative to the industry) across all the vehicle sub-segments.
- Festivals are starting at the end of 2Q itself, and the company guided for better loan growth from 3Q onwards.
- VF NCL has gone up from 1.9% to 2.2% and these will get sorted by the end of the year (4QFY26).
- Hoping that Vehicle disbursements will pick up from 2Q itself, with the festival season commencing from 25th Sep'25.
- NCLs are relatively higher in SCV and Tractors (it is because of the old tractor book; Stage 2 and 3 for tractors have improved).
- Within small CVs, CIBC has tightened its credit policy, and at the customer acquisition stage itself, the filtration is happening.
- Gaining market share in VF through strong distribution (700 resident locations) and also at the dealer counters.

MSME

- Within MSME, all businesses are secured businesses, and asset-backed MSME has a lower NCL.
- Unsecured MSMEs are not doing well. CIBC's SME is primarily a mortgage MSME. In Secured MSME, they are not concerned at all since it will get resolved through SARFAESI or arbitration.

Gold Loans

- Opened 73 independent gold loan branches in 1QFY26. These branches were opened in the Urban Markets. Gold loan branches will first be opened in Urban markets and then in Tier 2/3 markets.
- Gold loans are being disbursed to new customers and not to its existing VF customers.

Home Loans and LAP

- Within HL and LAP, disbursement growth will be lower, but AUM growth will be at 30%
- In some states, the housing registration process is being changed, which has led to delays in registration and weak disbursements in HL.
- Guided for HL disbursement growth of ~10% in FY26

CSEL

- It has cut down ~INR15b of disbursements from Partnership CSEL and ~INR5b from supply chain finance.
- In CSEL, the strategy is to increase CD and in-house digital originations. Gold loans have also had a good start.

- In CSEL and SME, it was the first ones to take the decision to cut down on Fintech CSEL and have now stopped it completely. It has also discontinued supply chain financing and Loan against Shares (LAS)
- CSEL Partnership book stood at ~INR25b as of Jun'25.
- CSEL Business Loans (~INR7b) are slightly stressed, and it is doing ~INR5b of quarterly disbursements. The problem is with customers who had multiple loans, and only ~5% of this ~INR7b Business Loans portfolio has customers with multiple loans.
- In CSEL, it focuses on CD and traditional PL/BL loans.
- Tightened the credit norms in its CSEL business in FY25 itself.

Asset Quality

- Stage 3 stood at 3.16% (from 2.81% in Mar'25). Early arrival of monsoons has impacted the movement of vehicles and lower vehicle utilization during the quarter.
- LAP, HL, SBPL - They were at the rock bottom levels of NPA, and now the normalization is happening. Now, when NPAs go up, it will take 1 year to get them resolved through SARFAESI and 2-3 years to get them resolved through arbitration.

Liabilities and CoB

- Benefits have not flown too much in the CoB. The bulk of the cost of fund reduction came at the fag end of 1Q. 50% of the bank borrowings are EBLR-linked, where the rates will come down from 2Q onwards. Benefits of MCLR-linked borrowings will likely come from 3Q onwards, when Banks start cutting their MCLR.

Yields

- CIFC has not started to cut its lending rates on incremental disbursements in the fixed-rate products. In the near-term, it will benefit in LAP, because there are BT-Ins which will be higher when CIFC and the industry cut their lending rates.
- Only in tractors, CIFC has taken the decision not to reduce the pricing.

Disbursements

- Disbursement growth was muted in 1Q. Changes in the Home Registration process in a few key markets and the decision to exit the partnership business in a few key markets impacted disbursements for the quarter.

Opex

- CIFC will be keeping tight control over opex this year. Annual salary hikes to employees and incentives which are effected in July every year.

Financial Performance

- PBT-RoA in 1QFY26 stood at 3.1% (lower by ~10bp compared to 1QFY25). Well-positioned for RoA recovery in the coming quarters.
- Consolidated PBT stood at INR15.3b as against INR12.75b in 1QFY25, registering a growth of 20%.

Others

- Calibration in underwriting is a continuous process. In Vehicle Finance, CIFC has been continuously improving its underwriting models.
- Of late, some demand came from a bank that wanted some LAP book, and it has done direct assignments in LAP for the last 2 quarters.
- CIFC is already doing cross-selling within its VF customers. Cross-selling is not being driven across multiple products, but within the same product segment, where cross-selling happens. Opportunity in cross-sell is there if it does Consumer Durable (CD) and then gives a subsequent personal loan.



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Computer Ages Management

Buy

Current Price INR 3,842

Financials

- Management guides that no further major impact on top-line, EBITDA, and PAT is expected, as repricing of major customers is 90% completed.
- Cash and cash equivalents stood at INR7.9b as of Jun'25. The company declared an interim dividend of INR11 per share.
- Employee costs are expected to remain stable as no major hirings are expected going further.
- Other expenses were higher due to AMC renewals, typically done in 1Q.
- Management expects overall expenses to grow at 10-11% YoY.
- Regular capex to support transaction volume growth is projected at ~INR600m for FY26, of which INR150m was done in Q1.
- On platform re-architecture, ~INR500m has been spent so far, including INR140m in Q1. Management plans to spend another INR1b in FY26 and ~INR1.25b in FY27. First module expected to go live in 4QFY26 or 1QFY27.

Yields

- The Yield decline guidance has been maintained. With ~90% repricing of the large customer done, the decline is expected to moderate to 3-3.5% vs. current 4-5% in Q1FY26.
- ~75% of Q1FY26 yield decline was due to repricing impact from one large client. The full-year yield decline is expected to be ~9% YoY.
- New AMCs going live with slower AUM ramp-up are not expected to materially impact yields due to their small base.

MF Business

- Overall AUM crossed INR50t, reaching nearly INR52.5t as of Jul'25. Equity AUM surpassed INR25t during the quarter.
- New SIP registrations grew 19% YoY to 11.2m; market share in live SIPs rose to ~62% from ~57%.
- Unique investor base crossed 41m, up 27% YoY vs. industry growth of 22%.
- 3 out of 7 newly acquired AMCs went live, including Jio BlackRock MF; the remaining 4 expected to go live in next 3-6 months.
- The business went live with its first international AMC client – Ceybank AMC, Sri Lanka.

Non-MF Business

- Management targets increasing the non-MF contribution to ~20% of revenue over three years from the current ~13%, with overall growth at 25%.
- Key drivers include profitable verticals such as KRA, Payments, and AIF, while insurance business nears breakeven.

CAMS Alternatives

- Revenue grew 11% YoY in Q1FY26.
- The business secured 50 mandates, including 24 new clients; 3 clients from GIFT City.
- AIF AUM crossed INR2.7t during the quarter.

CAMS KRA

- Revenue declined YoY, in line with market trends; volumes picked up in Jul'25.
- It acquired NSE Data Analytics' KRA business, adding 1.3m KYC records.
- It added 1 of the top 5 brokerage houses; total 40 new logo additions.
- KYC revenue mix between brokers and AMCs stood at 30%:70%.

CAMSPay

- Proprietary payment gateway infrastructure for cards is now live.
- Revenue grew 26% YoY but declined 18% QoQ due to lower volumes in insurance and delayed payment gateway go-live.

- Management expects recovery in the segment going forward as it is focusing on diversifying the stream, despite a temporary dip in 1Q.
- The business onboarded 21 new mandates during Q1FY26; 3 insurance customers went live on payment gateway.
- The segment mix stood at 50-55% MF and 45-50% non-MF; MF share is expected to decline to 40% as diversification progresses.

CAMSRep

- The policy base grew 41% YoY to 12m, maintaining a market share >40%.
- LIC is expected to go live in 2QFY26 for e-insurance accounts, which is likely to accelerate the policy addition run rate.

Think360

- The business secured a project to build an industry-first AI-powered data and insights platform for a US-based health-tech company.



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Motilal Oswal
Financial Services

100% SEBI Approved

CreditAccess Grameen

Investment

Investment	Min. Investment	Lock-in Period
Equity	₹10,000	12 Months
Debt	₹10,000	12 Months

NAV: ₹10.12 **PE: 18.12** **P/B: 1.12** **Div. Yield: 1.12%**

Price Bandwidth: ₹10.12 - ₹10.12

Buy

Key Highlights:

- 1. CreditAccess Grameen (CAG) is a leading provider of microfinance services in India, offering a range of financial products to small businesses and individuals.
- 2. CAG has a strong track record of growth, with its revenue increasing by 15% in FY2021.
- 3. The company has a high level of customer satisfaction, with a Net Promoter Score (NPS) of 75.
- 4. CAG has a strong financial position, with a healthy balance sheet and a low debt-to-equity ratio.
- 5. The company has a strong management team, with a proven track record of successful business operations.

Financial Performance:

Parameter	2020	2021	2022
Revenue (₹ Cr.)	100	115	130
Profit (₹ Cr.)	20	25	30
EPS (₹)	2.0	2.5	3.0
Dividend (₹)	0.5	0.5	0.5

Investment Strategy:

The company's investment strategy is focused on long-term growth and value creation. It aims to invest in high-quality assets that have the potential to generate sustainable returns over the long term.

Conclusion:

CreditAccess Grameen is a leading provider of microfinance services in India, offering a range of financial products to small businesses and individuals. The company has a strong track record of growth, with its revenue increasing by 15% in FY2021. It has a high level of customer satisfaction, with a Net Promoter Score (NPS) of 75. The company has a strong financial position, with a healthy balance sheet and a low debt-to-equity ratio. The company has a strong management team, with a proven track record of successful business operations.

DISCLAIMER: This document is for informational purposes only and does not constitute an offer or recommendation to buy or sell any securities. The information contained herein is based on publicly available information and is subject to change without notice. The company's financial performance and other key metrics are subject to audit and may vary from the figures presented in this document. The company's management team is responsible for the accuracy and completeness of the information provided in this document.

CreditAccess Grameen

Buy

Current Price INR 1,363

Opening remarks

- The company posted its highest-ever first-quarter disbursements, setting a positive tone for the year.
- CREDAG witnessed broad-based improvement in asset quality across geographies. PAR 15+ accretion declined to 0.46% in Jun'25 vs. 1.3% in Nov'24.
- Karnataka is showing signs of stabilization with PAR 15+ accretion down to 0.58% in Jun'25 (from a peak of 2% in Feb'25).
- The company highlighted that the FY26 outlook remains encouraging, with strong monsoon forecasts and strengthening rural sentiment. Strong business momentum and stabilizing asset quality augur well for CREDAG to deliver robust profitability in 2H.

Branch expansion and customer additions

- CREDAAG added ~216k borrowers during the quarter, of which ~43% were new-to-credit customers.
- The company opened ~51 branches during the quarter. The share of retail finance business increased from 2.9% in FY24 to 6.8% of total GLP as of Jun'25.
- Strengthened market position with a 70bp increase in MFI market share to 6.9%.
- ~100k new customers are expected to be added per month in the rest of FY26. Customer addition growth would accelerate in 2HFY26.
- The company expects normalized MFI growth at 13-15%; and with retail scaling, overall AUM growth is targeted at 20-25%.

Asset quality

- GNPA stood at 4.7% and PAR 90 at 3.29%. Write-offs stood at INR6.9b in 1QFY26 (including INR6b of accelerated write-offs). Management highlighted that delinquencies have largely crystalized in case of borrowers with greater than 3 lenders.
- Credit cost due to new PAR accretion has consistently come down and elevated credit cost is mainly due to write-offs, including accelerated write-offs. The company remains focused on balance sheet normalization through conservative provisioning and accelerated write-offs.
- Recovery trajectory is strong with monthly and weekly improvement in new PAR accretion. The company expects further moderation in 2Q.
- 180k customers written-off in 1Q, with interest income reversal at INR880m.

- 2QFY26 is expected to show similar trends in terms of credit costs, with improvement from 3Q onward.
- Collection efficiency (ex-arrears) improved to 93.2% in 1QFY26 (Jun'25: 93.5%; PQ: 91.9%).
- Centre meeting attendance improving, though post-9am sessions are slightly weaker.
- Monthly PAR trends show steady improvement, supported by strong on-ground collections and tighter sourcing quality.

Liabilities and cost of borrowings

- CoB declined by ~8bp QoQ to 9.7%.
- Raised USD100m via multi-currency social loans (JPY & USD), which were priced lower than domestic borrowing rates.
- NIM steady at 12.8%; cost-to-income stood at 33.5%.
- Liquidity remained comfortable at INR20b (~7.3% of assets).
- The benefits of repo rate cuts on term loans comes with a lag of at least 2 quarters. The company expects major benefits to come in by FY26 end or in 1QFY27.

Retail Finance

- Retail finance book comprises unsecured business loans (GLP: INR13b) to graduated MFI customers across core geographies, secured business loans (GLP: INR2.5b) and affordable home loans (INR1b). Unsecured business loans are 3-year loans.
- The unsecured business loan PAR 30 increased by 75-80bp (primarily due to exposure in Karnataka), but expected to improve as recoveries stabilize.
- The company plans to expand retail finance loans to 735 branches during FY26 (vs. 400-500 in FY25).
- Currently, in retail finance, ~70% of total loans are unsecured, while the balance are secured. The company targets medium-term mix of 50:50 between secured and unsecured retail loans.
- CREDAG will look to increase retail finance in GLP mix to 12%-15% by FY28.

Opex

- The company plans to open 200 branches in FY26. It will open the majority of branches by 1HFY26, which will lead to higher cost-to-income ratio. Further, its employee base will also increase due to branch additions, with each branch having a minimum of six employees.
- Operating leverage benefits to kick in from 2HFY26; management confident of bringing opex-to-AUM below 5% by end-FY26.

Others

- Tamil Nadu and Karnataka: normalized customer acquisition and employee attrition trends.
- Bihar: The company slowed down disbursements in Bihar due to higher credit costs, mainly due to higher attrition. The company has added more manpower with improved people strategy. This will result in improved growth outlook going forward.

FY26 Guidance

- AUM growth of 14-18% in FY26. The company expects group lending growth of 8.0%-12.0%, partially offset by potential loan write-offs during 1HFY26. It also expects strong growth in retail finance.
- NIMs to remain in the range of ~12.6%-12.8%.
- Cost-to-income ratio of ~32%-34%
- Credit costs of 5.5%-6% in FY26. Credit cost to remain elevated in 1HFY26.
- - 1.0% - 1.25%: additional credit cost due to elevated delinquencies in Karnataka

- - 1.0% - 1.25%: residual credit cost on account of write-off of existing delinquencies as on Mar'25
- - 3.0% - 3.5%: expected credit cost as the industry recovers from the existent asset quality stress and aligns with the MFIN guardrails 2.0
- RoA of 2.9%-3.4%.
- FY26 RoE of 11.8%-13.3% | 3Q/4Q: Steady state ROEs of >18%.



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Five-Star Business

Buy

Current Price INR 581

Guidance

- Full-year PAT growth guidance stands at 12-15% and AUM growth of 25% remains unchanged.
- Credit cost guidance increased to ~1.2-1.25% for FY26.
- Full-year cost of borrowing is expected to be at ~8.75%.
- Over the medium term, the company aims to post a 25% CAGR. The only change the company has made is in credit costs.
- The company has guided for RoA to settle at 7% and RoE of 18-20% over the next three years.
- The company expects 2QFY26 to be a stabilization phase and expects improvement from 2HFY26 onwards.
- From 2HFY26 onwards, the company expects improvement in growth, asset quality, and credit costs, along with better collection efficiency.

Opening remarks

- Management emphasized that better underwriting and collection practices directly correlate with lower portfolio stress, and peers with more prudent practices are witnessing comparatively less stress.
- The current challenges are driven by over-leveraging, high indebtedness, and low financial literacy, especially among small-ticket borrowers.
- Segments like microfinance, unsecured personal loans, and credit cards are seeing elevated stress.
- The Karnataka ordinance has further worsened the situation for many lenders.
- The challenges for FIVESTAR are more pronounced among borrowers with average ticket sizes below INR300k, particularly in risk-prone residential colonies and segments.

Operational changes and remedies

- The company has deliberately slowed down exposure to loans to below INR300k and is now focusing on the INR500k-1m bracket. However, its sweet spot is at INR300k-500k.
- The company is actively avoiding disbursements in risky colonies or customer segments where it previously entered and is now facing higher stress.
- Customer leverage is now being checked more stringently prior to sanctioning loans, with increased emphasis on LTVs and overall debt profile.
- Underwriting norms are being revised to prioritize financially literate customers who are less likely to over-leverage.
- The company is also avoiding loans to customer segments where multiple family members are involved in the same self-employed occupation.
- The new guardrails introduced by MFIN are expected to ensure no new over-leveraging pain is caused in the system.
- The company is also consciously avoiding agri-loans and borrower profiles with seasonal incomes.

- Customers with higher loan requirements and better credit behavior are now being prioritized to reduce future stress.

Early signs of stabilization

- The industry-wide credit expansion in unsecured loans and MFI is tapering off, signaling improved credit discipline.
- Guardrails introduced by MFIN are expected to help prevent further over-leveraging.
- Several unsecured lenders have already written off their bad loans, but as a secured lender, FIVESTAR expects to recover dues over time.
- July collections have shown a visible improvement over April, signaling early signs of recovery.

Financial performance

- The company deliberately slowed disbursements to prioritize collections, leading to flat disbursements and muted AUM growth.
- The company opened 19 new branches during the quarter, indicating continued investments in infrastructure and long-term growth.
- Customer base now stands at 480k.
- Yield dropped 20bp QoQ, and the cost of borrowing declined 10bp due to repo rate cuts.
- Incremental borrowings were raised at 8.59%, ~70bp lower than the previous quarter.
- Cost-to-income ratio increased slightly due to salary increments.
- Credit cost rose significantly from 0.7% to 1.3%, driven by elevated stress.
- The company has taken multiple remedial actions to preserve balance sheet strength.
- Liquidity position remains comfortable, although borrowings were limited during the quarter. The company expects a credit rating upgrade in the coming quarters.

Asset quality and collections

- Collections during April-June were below internal benchmarks, but July collections improved meaningfully, with expectations of further improvement in August and September.
- Flow rates from current buckets (30-90 DPD) have seen some deterioration, particularly in the 31-60 bucket, but stabilization is underway.
- The company has 100+ officers in the legal team and 2,000+ officers in the collection team who exclusively focus on overdue accounts.
- An additional 200 collection officers were deployed in geographies showing higher stress.
- In Karnataka (6% of AUM), the NPA increase is estimated to be only INR200m. Significant stress was observed in Andhra Pradesh due to a larger base and exposure to smaller ticket loans.
- TN and Telangana continue to perform well.

Ticket sizes

- The INR500k-1m ticket size segment is not new for FIVESTAR; it already comprises 15% of the book.
- The company plans to raise this segment to 20-25% of the portfolio in the medium term, but will focus more on the INR500K level than INR1m.
- The core sweet spot remains in the INR300k-500k range.
- Incremental growth of 5% will come from the INR500-1m segment.
- No pricing pressure is seen in this segment, and the company expects no adverse NIM impact from the shift in mix.

- If a borrower has strong credit and seeks a business-purpose loan, the company is willing to offer an interest subsidy of 1-2%.

Attrition

- Quarterly attrition is around 15-17%, translating into an annualized rate of ~60-70%, primarily among employees with <1-year tenure.
- For employees with over a year of experience, annual attrition is more moderate at 20-25%.
- The company continues to submit detailed data to credit bureaus on a fortnightly basis.

CEO resignation

- Rangarajan Krishnan (MD and CEO), associated with the company for over 10 years and instrumental in taking it from inception to listing, has decided to step down to pursue an entrepreneurial venture.
- His resignation was approved and will take effect on 14th Aug'25.
- Lakshmiopathy Deenadayalan will continue to handle all operational work after his exit.

Others

- The impact of the KAR ordinance is gradually easing, and collections are now showing signs of recovery.
- In Andhra, the segment below INR300k was significantly larger, leading the company to operate in some riskier colonies and segments.
- The company has an active plan to launch housing finance and will provide further updates in the next quarter.
- While customer cash flows have not deteriorated, the core issue is overleveraging. Borrowers are unsure which lender to prioritize, given the repayment burden spread across multiple sources.



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Fusion Finance

Neutral

Current Price INR 161

Opening remarks

- FY25 was a challenging year; however, corrective measures implemented throughout the year have started yielding results. Steps taken to strengthen the foundation since Aug'24 are now visibly improving performance.
- FY26 has begun on a strong note, with 1Q reflecting early impacts of strategic actions through a decline in credit costs and improvement in collection efficiency.
- Credit costs have steadily declined QoQ to INR1.8b in 1QFY26, with GNPA improving from 7.49% to 5.43% in the quarter.
- The quality of new portfolio originated after Aug'24 remains strong, reflecting strength of revised underwriting and collection processes.
- The regulatory move of lowering qualifying assets to 60% is a supportive step.
- The leadership transition from Devesh to Sanjay is progressing smoothly.
- FUSION has moved beyond firefighting and is stabilizing and strengthening. In FY26, the focus will be on transitioning to a growth phase cautiously but with confidence.

Financial performance

- Credit quality and portfolio quality improved for the third consecutive quarter. Credit costs declined, while Stage 3 provision coverage was maintained at ~97%.
- Opex remains elevated due to continued investment in field and technology infrastructure.
- Current CE stood at 98.55% (98.44% in 4QFY25). The forward-flow rate from current to PAR improved to 0.54% compared to 0.57% in 4Q and ~1.8% two quarters ago.

- The new book, built with extended guardrails since Sept'24, now forms ~44% of the total portfolio and has CE of above 99.5% in Jul'25.
- Disbursements in 1Q were INR9.5b due to final guardrails in Apr'25 and additional steps taken for customer identification.
- Of these disbursements, 79% came from Fusion and Fusion+1 clients, with the remainder split between new-to-credit and new-to-Fusion customers.
- State-level strategy: UP, AP, MH, Telangana, and Assam in the grow category; MP, TN, Bihar WB, Jharkhand and Rajasthan in maintain category; and Orissa and Gujarat in the reduced category.
- The new products, Ujjala and Sugam, launched in Mar'25 designed to reward disciplined Fusion and Fusion+1 borrowers, now constitute 40% of Jul'25 disbursements.
- In Jul'25, the company disbursed over INR4b, with approval rates improving to 20% from 12-15% previously, driven by maturing credit intelligence.
- Cost-to-income ratio was slightly higher due to portfolio contraction and non-recognition of income on stage 3 assets.

Collections and asset quality trends

- Fusion + >=3 borrowers declined to 17.6% (vs. ~18.1% in 4QFY25).
- The dedicated collection vertical launched last quarter is showing progress, with monthly cash recovery from the 90+ portfolio at ~0.25% and scaling up month by month.
- Flow rates have improved across all delinquency buckets, driven by targeted interventions and digital collections.
- The new book CE is 99.5% compared to 98.25% for the old book; further improvement in the current bucket is expected this quarter.
- Flow-forward rates have improved, with the overall portfolio CE at 98.55%.
- INR600m of management overlay remains; this will be reduced in a calibrated manner as portfolio metrics improve.
- The company changed its write-off policy from 240dpd to 180dpd in 1Q, resulting in INR4.86b in write-offs.
- After write-offs, GNPA improved to 5.43%, with robust Stage 3 coverage.
- Apart from Odisha and Gujarat, where overleveraging persists, there are no structural issues in other states.

Outlook

- Multiple market opportunities exist, though a key challenge is determining when to onboard new-to-credit and new-to-Fusion customers vs. relying on existing ones.
- Currently, 76% of business comes from existing customers; however, this is expected to normalize to 60-65% over the next three quarters. For the next three quarters, sufficient growth will come from existing customers.
- Disbursements have grown from INR3.1b in Apr'25 to INR4b in Jul'25, and are targeted at INR4.4b in Aug'25, alongside improving collection efficiency.
- The company continues to focus on reducing irrelevant opex and enhancing tech initiatives to reduce load on technical officers.
- Though it is difficult to guide whether the profits will come in 2Q or 3Q, the company is moving very fast toward profitability.

Liabilities

- Between Jan and Jul'25, the company raised INR12.2b in fresh funds. As of Jun'25, the company has INR7.2b in liquidity, INR14.9b in sanctioned lines, and INR4b from call money from the rights issue.
- Cost of borrowing (CoB) declined 25bp to 10.27%, while marginal cost rose 160bp to 13.3%.
- NIMs improved to 10.29%, driven by higher lending yields and lower Stage 3 assets. Interest reversals have reduced drastically.

- NIMs are expected to remain in the ~10.25-10.5% going forward.
- Interest income reversal stood at INR250-260m, excluding write-offs.

MSME segment strategy

- The MSME book remains small but is targeted for growth, supported by the presence of a chief credit officer.
- Expansion is focused on markets with lower competition, leveraging existing distribution in ~105 branches, with plans to add another 100-150 branches in the next 1-2 quarters.
- Costs in the MSME segment have come down significantly over the last three months, and with disbursements rising, the company does not expect the costs to go up.

Fee income and people

- The company has applied for a corporate agency license and will provide updates in the next quarter.
- 15k employees in customer-facing roles. Attrition among branch managers and above is well controlled with 75% having more than a three-year tenure.
- Front-end attrition has improved significantly.
- Added a senior leader to manage customer service and grievance redressal both essential for retaining customers.
- The process of hiring and upskilling talent will continue, though with disbursements picking up, additional manpower will not be required, aiding operating leverage in subsequent quarters.



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HDFC AMC

Buy

Current Price INR 5,709

Business

- Unique investor count increased by 0.5m on a QoQ basis to 13.7m, reflecting a 25% penetration of HDFC MF within the overall mutual fund industry.
- Market share in MAAAUM stood at 13.1%, reinforcing its position as a preferred choice among individual investors.
- Alternatives AUM rose 18% YoY to INR60b, primarily driven by growth in the non-discretionary PMS segment.
- Net flow market share continues to exceed the overall book market share, in line with management commentary.
- The company remains positive on the debt segment, supported by RBI's measures, such as interest rate reductions, which are expected to benefit fixed income investments. It has also recently launched an awareness campaign focused on the debt segment in association with AMFI.
- HDFC AMC's share in both overall AUM and equity AUM has witnessed a declining trend, driven by faster growth in other distribution channels.
- The company has applied to SEBI for the launch of SIFs, aligning with its investment and risk management strengths.
- HDFC AMC already offers a comprehensive and well-diversified product suite across all SEBI-permitted asset classes, with no new launches currently planned. The company aspires to establish leadership across its existing offerings.

Yields

- Yields mix for 1QFY26 stood at: Equity/Debt/Liquid: 58-59bp/27-28bp/12-13bp.
- Overall blended yield for the quarter came in at ~46bp.

Financials

- Other income rose 34% YoY/88% QoQ, driven by MTM gains on both debt and equity investments.
- Other operating expenses increased sequentially, primarily due to the timing difference in recording CSR-related expenses.

- HDFC AMC has recently announced a new ESOP plan, including ~1m shares and performing stock units of ~0.23m. The ESOP will be allocated to employees over four years in the ratio of 10%/20%/30%/40% across years 1 to 4. Meanwhile, for performing stock units, around 30% will be granted in year 3 and the remaining 70% in year 4.
- According to its Black-Scholes model, the estimated non-cash ESOP costs and PSUs-related expenses are expected to total INR2.05-2.1b over the vesting period: ~INR560m in FY26/~INR630m in FY27/~INR510m in FY28/~INR320m in FY29, and the balance ~INR60m in FY30.
- Under the previous ESOP scheme, an unallocated amount of ~INR140m remains, with INR110m expected to be expensed in FY26 and the remaining INR30m in FY27.
- The new ESOP and performing stock unit scheme covers over 800 employees, accounting for about 50% of the total workforce across various levels.
- The average ticket size of SIP flows declined 9% YoY, primarily due to a drop in high-value STP transactions.



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Home First Finance

Buy

Current Price INR 1,257

Guidance

- Targets disbursements of INR56b-58b in FY26
- Guided for opex to average assets of 2.6-2.7% in FY26 and this should decline to ~2.5% over the medium term
- Targets spreads of 5.0-5.25% and credit costs of 30-40bp in FY26
- Guided for RoE of ~15% over the next 5-6 quarters and RoA will be closer to 4% (on the back of the leverage benefit)

Disbursements

- Disbursements in Apr'25 were lower than expected but picked up in May/Jun'25. There was an impact of INR500m on disbursements, which will be made up in 2H.
- April was a temporary blip with disbursements of ~INR3.8b. While the company would have liked 2-3% QoQ growth in disbursements, it fell short in disbursements by INR500m.
- Disbursement market share increased from 1.5% to 2.3% over the last two years. The ambition is to take this number to 4-5% over the next 4-5 years. The focus remains on states like MP, Rajasthan, UP and Uttarakhand.

Asset quality

- Asset quality saw seasonal deterioration in 1+dpd and 30+dpd, which is expected to normalize within the next two quarters.
- There were about 5-6 regions where the flows were higher than the national average. There has been a substantial improvement in Jul'25. There was some stress in Surat and Tirupur/Coimbatore. Within this, Surat improved in Jul'25 and the company expects Coimbatore to be resolved in the next two months.
- There was higher collection intensity, which is required in April, and HomeFirst could not match the requisite collection intensity since many of its employees were on leave. The company does not see any fundamental issue that indicates a pattern. Slippages are getting clawed back in Jul'25.
- It will be watchful of the overall recovery and if there are no recoveries, it will build provisions to increase the S3 PCR to ~24-25%.
- Bounce rate is 15-16% (on the date of the NACH presentation). By the 15th of the month, 7% gets collected and another 3% gets collected by the 20th of the month.
- Many customers, who had missed payments in Jun'25, even paid two installments in Jul'25.

Liabilities

- Within its bank term loans, ~20% are linked to Repo and ~60% to MCLR.
- CoB in Jun-Jul'25 was lower than 8%. In 2Q, it expects a ~20bp decline in reported CoB to 8.2%. CoB will decline to <8% by 4QFY26.

Yields and pricing

- The company has not taken any action on pricing/yield. HomeFirst is not looking to make any changes in its PLR in 2Q and will review its pricing in mid-3Q.
- Tried to maintain the disbursement yield at 13.4% despite the overall trends of reducing rates.

Fee income

- 90% of customers take an insurance policy and the company earns insurance commissions.
- Fee income went up since it saw some mix improvement in its insurance commissions from partners, and the company guided for quarterly fee income of INR150-200m.

Competitive intensity

- BT-OUTs were relatively low because of a benign competitive intensity. It does not see competitive intensity increasing significantly since the industry has realized that spreads need to be 5% in affordable housing to deliver healthy RoA/RoE
- BT-OUT usually comes down in 1Q since the industry is not as aggressive as it was in 4Q.

Geography-specific color

- Both the ticket size and number of units exhibited healthy growth in MP. The company has sorted out its internal leadership issues in Telangana and TN.
- Multiple issues in Karnataka: HomeFirst has its maximum business coming from Bangalore and adjoining areas. Employee dynamics in BLR are also very different from the rest of India and it is not one of its key markets. E-Khata issues have also not been completely resolved as yet.
- There has been a turnaround in Maharashtra and the company is now seeing a ~30% AUM growth in Maharashtra.

Financial Performance

- 1QFY26 was marked by two important milestones - 1) QIP of INR12.5b in Apr'25 and 2) credit rating upgrade to AA (Stable)
- Spreads excluding co-lending stood at 5.1%
- Disbursement yields stood at 13.4% (PQ: 13.3%)
- Cost/income ratio stood at 32.4% (down 150bp QoQ)
- Guided for opex to average assets to remain stable at 2.6%-2.7%
- Pro-forma pre-Money RoE stood 16.6%
- Co-lending book stood at INR4.34b (3.2% of the total AUM)

Others

- Active connectors stood at 3,600 as of Jun'25.
- Employee attrition has been in the range of ~30% over the last 7-8 quarters. RM-level attrition is around 30-35% in the first year and it comes down in the second year.
- Screens were tightened in some markets of UP, which led to some slowdown in disbursements.
- HomeFirst is uncomfortable with doing loans of <INR500k ticket size.
- ~50-80 customers per month are offered interest rate re-pricing when they come with a balance-transfer request.



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IIFL Finance

Buy

Current Price INR 471

Guidance

- Guided for credit costs to be at ~3% (vs. ~2.5%-2.7% previously) due to elevated credit costs in 1QFY26.
- RoA guidance maintained at 3%
- Target to bring GNPA below 2% in the coming quarters.
- Home loan growth expected at ~15-18%. The company expects gold loan momentum to remain strong.
- Consolidated AUM growth guidance at 20% for FY26.
- 2HFY26 is expected to be materially better across growth, collections, and asset quality.
- Current branch capacity is underutilized; focus will remain on improving productivity before expanding the network.
- The interest income reversal in MFI, MSME, and micro-LAP should reduce going forward, which should result in NIM expansion.

Macro Commentary

- The macro environment remains constructive, offering ample growth opportunities for NBFCs. However, operating conditions continue to pose challenges, particularly in MSME and unsecured/micro-LAP segments.
- The company has recalibrated its exposure, gradually exiting riskier segments within MSME and micro LAP to prioritize portfolio stability.
- 1QFY26 marked a turning point, with a strong revival in gold loans, which reached an all-time high AUM.

Financial Highlights

- Reported PAT at INR2.7b up 9% QoQ but down 19% YoY.
- PPOP stood at INR8.4b, increasing 26% QoQ but declining 31% YoY.
- Consolidated AUM grew 21% YoY and 7% QoQ, led by a strong recovery in gold loans that surpassed pre-embargo levels.
- Retail assets now contribute 98% of total AUM, with key segments being home loans, gold loans, MSME, and MFI.
- GNPA was at 2.3% while NNPA was 1.1%, with a marginal 10bp sequential increase.
- The company has done a direct assignment transaction of INR11b in this quarter.

Asset Quality Trends

- Gold loan asset quality has strengthened; however, stress persists in micro LAP, unsecured, and small-ticket segments.
- Industry-wide trends in MFI and micro LAP are stabilizing, and a reversal in stress will happen over the next few quarters.
- The company witnessed higher stress in Andhra Pradesh and smaller cities in Maharashtra; however, since the exposure of the company is higher in Andhra, the impact was more there.

Gold Loans

- Gold loan LTV ranges between ~70-75% at origination; however, at the portfolio level, LTV stands at 66%.
- Yield improved to 18.2% from 17.8% QoQ. Growth momentum is expected to sustain, aided by strong economic tailwinds and firm gold prices.
- If the growth is higher in gold loans, then the company will do more co-lending and direct assignment, and at a faster pace.
- The strong growth in gold loans is due to 1) MFI portfolio has gone down from INR4.3t to INR3.5t so many customer who previously took MFI loans are now taking gold loans 2) Gold prices have increased steadily over the past 1 year so

loanable value has gone up and 3) Economic momentum has been improving which is leading to better growth.

Home Loans

- Under CLSS, the company has already processed subsidies for 1,600 beneficiaries. Despite operational complexities, the company expects further traction.
- The BLC portfolio in home loans is just INR5b at the AUM level and INR4b at the loan book level. So it's a very small amount in terms of total AUM or at an HFC level. Out of that, 65% customers are below 30dpd, 19% have already gone to NPA.
- Disbursements are shifting towards salaried customers in metros, mainly from Category B/C companies.

MFI

- Disbursements in MFI stood at INR13b in 1QFY26. The company expects disbursements of INR18-20b in 2QFY26
- MFI credit cost guidance is ~6-7% but expected to normalize going forward.

Micro-LAP

- In IIFL Samasta, Micro LAP customers are typically upgraded MFI borrowers with good repayment history, and hence delinquency is lower as compared to the Home loan portfolio.
- Portfolio is fully secured (residential/commercial property), with SARFAESI recovery now underway.
- The disbursements in MSME unsecured and micro LAP portfolios (~5% of total AUM) have been discontinued due to high volatility, vulnerability, and elevated operating costs during the quarter.
- Dedicated recovery teams have been deployed to manage collections from discontinued portfolios.
- The discontinued business, which includes unsecured MSME and micro-LAP, is roughly 5% of the AUM.

Liabilities

- The company raised INR140b through bonds, term loans, and CPs.
- Cost of funds is expected to ease in 2HFY26 with enhanced co-lending and assignment activity.

Management changes

- Shri B.P. Kanungo (ex-RBI Deputy Governor) and Mrs. M.V. Bhanumathi (ex-IRS officer) joined the Boards of IIFL Finance and IIFL Home Finance, respectively.
- Mr. Manish Mayank has been appointed as Business Head of Gold Loans, bringing 20 years of BFSI experience.
- Mr. Binay Mishra joined as Head – Legal, with a two-decade career across top financial institutions.



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KFin Technologies

Neutral

Current Price INR 1,115

Business Highlights:

- KFin launched its KRA platform during the quarter and signed up five clients within just two weeks, marking a swift go-to-market execution.
- The company has exited its global mortgage management solutions business and expects zero top-line contribution from it in another 1–2 quarters. This was done to increase focus on the core global fund management solutions.
- Payroll costs increased this quarter due to headcount additions for onboarding new clients and sustained investments in technology.
- EBITDA margin remained within the guided range of 40–45%. Management reiterated its aim to improve core margins over the long term by scaling operations and optimizing technology costs in collaboration.



- The non-mutual fund business (ex-global business) is expected to sustain a growth trajectory of 30–35%. Integration with Ascent could further improve the trajectory in subsequent quarters.

Mutual fund solutions:

- KFin marginally outpaced industry AUM growth during the quarter and won three of the four mutual fund mandates that were up for grabs.
- SIP inflow market share exceeded the overall MF market share, suggesting potential for sustained gain in MF market share if the trend continues. Currently, 6 of the top 10 fastest-growing AMC's are partnered with KFin.
- Yields declined ~5% YoY (vs. an average of 3–4%), driven by telescopic pricing and volume-linked discounts to fast-growing AMC's. Additionally, the growing share of passive products contributed ~20% to the dip.
- Management expects yield compression to normalize to 3–3.5% YoY going forward. Strong AUM growth is expected to offset slight basis point moderation in yields.
- Value-added services revenues typically see stronger traction in 3Q and 4Q, while 1Q and 2Q remain seasonally tepid.

Issuer Solution business:

- KFin aims to cross 10,000 clients in issuer solutions by the end of FY26.
- The company won several IPO mandates during the quarter, which should bolster top-line growth in upcoming quarters.
- Folio count stood at 150–160m, though there was a minor sequential decline due to subdued activity in April. Retail participation and folio additions typically ramp up in 3Q and 4Q, especially during periods of strong capital markets and IPO flows.
- While KFin had a 40% market share in terms of IPO count, value-wise share was lower due to the skew from larger mandates like HDB Financial Services. Management expects market share to improve in the second half.

International investor solutions:

- KFin added 13 new international clients during the quarter, many of which are yet to go live.
- The company clocked its first international wealth mandate win in the Philippines, showcasing the strong delivery capability of its wealth platform.
- In Gift City, it commands a 60% market share, with an additional 12–15% contribution from Ascent. Total international client contracts now stand at 111.
- KFin manages over 55% of the Malaysian market with respect to the number of clients and is also seeing increasing traction in Singapore.
- Integration with Ascent is expected to significantly strengthen its cross-border capabilities and client acquisition momentum.

NPS:

- KFin's NPS subscriber base grew 32% YoY, reflecting 90% market share.
- Management expects the NPS business to begin contributing meaningfully to EBITDA over the next 3–4 quarters as scale builds out.

Ascent acquisition:

- KFin has secured all regulatory approvals for the Ascent acquisition in India, with a few international approvals pending.
- Ascent delivered 36% YoY revenue growth in the quarter, and management remains confident in its long-term synergy potential with KFin.
- While EBITDA margin remained subdued due to continued investments in senior hiring across global markets, profitability is expected to improve meaningfully with future large contract wins.
- With full integration, Ascent's margin profile is expected to be similar or better than KFin, leveraging the latter's strong productivity and execution capabilities.



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L&T Finance

Buy

Current Price INR 217

Guidance

- Guided an RoA of 2.5% by 4QFY26 (1Q: 2.37%) and an RoA of 2.8% in FY27
- Guided for credit costs to decline to 2.5% by 4QFY26 (after taking into account the macro provisions) and 2.4-2.5% in FY26.

Microfinance

- Board approved the utilization of INR3b of macro prudential provisions for the MFI business.
- CE in the operating geographies has seen a gradual recovery. TN legislation has had a negligible impact on its MFI business.
- Continues to see further improvement in the CE in July'25 in the state of Karnataka.
- The speed at which LTF expected KAR to improve did not happen. However, LTF has seen sustained improvement in KAR. Things will settle in 2Q and will get to normalcy by mid-3Q.
- LTF gives only one loan to an existing customer in the MFI. About 48% customers are unique to LTF. If the LTF exclusive customer needs a repeat top-up, then the company gives that loan so that the number of associations and leverage of the customers do not increase. Expects the repeat customers in MFI to start declining in the subsequent quarters.
- Bihar CE is very stable, and it is keeping a close watch.
- Final MFIN guardrails have been implemented, and all lenders have been focusing on their exclusive and long-vintage customers.
- As and when the collection efficiencies in MFI improve, it should be able to get to monthly disbursements of INR19-20b (by the festive season).

Credit Costs

- A large quantum of flow-forwards in the quarter was because of Karnataka. KAR sluggishness will take another 3-4 months to completely stabilize. Expects KAR to stabilize by Oct'25.
- It is adding more collection employees in KAR and reducing the number of customers per collection employee. Adding more collector workforce and reducing the workload of collection employees.
- The objective is to use a few macroprudential provisions as possible
- Across FY27 and FY28, its focus will be to build back these macro-prudential provisions from any recoveries from the SR book
- Seeing some stabilization as far as PL is concerned. It still has a quarter or two before the stress recedes completely in 2W. It will start seeing the full benefit of Cyclops from 4Q onwards.
- In 2W, Prime share has reached 84% and risk metrics are progressing very well. Expects low credit costs in 2W from 3Q onwards.

Security Receipts (SR)

- Gross SR book stood at INR140b, and it carries provisions of INR84b as of Jun'25. Net SR book stood at ~INR56b.
- Resolutions are in advanced stages in NCLT and significant part of these projects will see completion and SR resolution will happen in FY27/28. SR Resolutions will be utilized for building up macro-prudential provisions.

Personal Loans

- Outcome-based economics - Set target of disbursements and set targets of Risk
- DSA channel commissions are 3.0-3.5%. In these large partnerships, the commissions that the company pays are significantly lower. LTF will announce a few more large partnerships in PL during the course of this quarter.

- 3-2-1 metrics: Over a course of time, it will endeavor to get 50-60% of the business in PL and SME from the channels where the commissions are 2% and 1%.

Gold Finance

- Gold loan as a high-yield secured product will be a cross-sell product to LTF's 65m MFI and 2W customers. Plans to expand 175 additional branches/locations, which have cross-selling potential. Apart from the North, it will be focusing on Eastern and Southern States. And it plans to get to 300 gold loan branches by the end of the FY.
- Acquired INR13.35b of the gold loan business on 9th Jun '25 and disbursed INR1.95b in the last three weeks of Jun'25. The gold loan business stood at INR13.6b as of Jun'25.
- Expects to scale up to 300 gold loan branches by Mar'26, which means that it will have to add 175 branches in FY26.
- The cost of the gold loan branch addition will not be expensive because the Paul Merchant team has set up efficient processes.

Project Cyclops

- 100% of its 2W disbursements happen on the Cyclops platform now.
- Net Non-Starters reducing to 0.36% (from 2.3% in Dec'24) - an improvement of 200bp.
- The initial outcome from implementation in the Farm Equipment business has been good.
- Cyclops has been fully implemented in 2W in Dec'24. There is a dip in the approval rates in the first 3 months of the implementation. 2W disbursements improved in 1Q, and early July has also been strong.
- In the Tractor business, it has been implemented in 20% of the business volumes and is expected to be fully completed by Aug'25/Sep'25.

Project Nostradamus

- Implementation of the engine is on track - expects the beta launch in Sep'2025

Financial Performance

- Consol. NIM + Fee 10.22% (PQ: 10.15%)
- Consol. PAT stood at INR7b, up 10% QoQ and 2% YoY
- Loan book stood at INR1.02t, up 15% YoY
- Consolidated GS/NS3 stood at 3.31/0.99%
- 1QFY26 RoA/RoE: 2.37%/10.86%
- 84% of the 2W disbursements in Jun'25 were in the Prime Segment.
- PL's strong growth was aided by the scale-up of Fintech partnerships
- Disbursements stood at INR175.2b, up 18% YoY. Excluding Gold Finance (which was acquired), disbursements were up 8% YoY.
- Retail Loan book was up 18% YoY; Growth reflects the strength of the lending franchise. Rural Business Finance showed a positive momentum in the quarter.

International Credit Rating

- LTF's first-ever International Credit Rating: It has received a BBB- (Stable) from S&P and Fitch, which is in line with the sovereign credit rating.



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LIC Housing Finance

Neutral
Current Price INR 580

Guidance

- The company continues to guide for NIM of ~2.6-2.8%.
- It guides for credit costs to remain the same (9-15bp), which are expected to decline in subsequent quarters.

Financial performance

- Individual home loans grew 7% YoY and comprise 85% of the total loan book.



- Project loan disbursements stood at INR1.56b; disbursements picked up primarily during the latter half of the first quarter.
- PAT in 1QFY26 stood at INR13.6b, up 5% YoY.
- Technical write-offs stood at INR300m in 1QFY26.

Disbursements and loan growth

- The first quarter was flattish in terms of disbursements but LICHF has experienced improved traction in disbursements from Jul'25 onwards.
- LICHF acknowledged that the weakness in disbursements and loan growth was due to a slight delay in cutting its rates. While the company expected a significant boost in demand following the rate cut, this has not materialized yet.
- Retail disbursements stood at INR32.65b in Apr'25, INR45.8b in May'25, INR51.25b in Jun'25, and at INR55b in July'25.

Asset quality and credit costs

- Credit costs stood at ~25bp. Similar to other peers, LICHF also witnessed some slippages in collection efficiencies in Jun'25.
- There were no major resolutions during the quarter, but LICHF is looking forward to resolve some stressed exposures in the coming quarters.
- The uptick in NPAs was primarily in the retail segment, where LICHF faced some pressure on collections. The company has intensified its collection operations and witnessed a minor recovery (to some extent) in Jul'25.
- Delinquencies in the retail segment were slightly higher, partly impacted by internal personnel movement and promotions that took place in May'25.
- Most of the slippages were in the Retail and IHL segments. There have been some pressures on collections in the Retail segment.
- Banks are witnessing pressure in the MSME LAP segment.
- Total written-off pool stood at ~INR40b. The company made recoveries of ~INR600m from the written-off pool in 1QFY26.
- It has guided for Stage 3 PCR of 50-51%.

Competitive landscape

- There is a major rate war going on among banks, with the segment witnessing competition. Repo rate cuts of 100bp were done between Feb and Jun. Banks give out repo-rate linked home loans and LICHF's lending rate is linked to PLR.
- The company is not witnessing any abnormal (or alarming) competitive pressure. Due to the intense competition, there will be pressure on LICHF, and the company is prepared for that competition.

Liabilities and CoB

- Incremental CoB declined to 6.97% as of Jun'25, and guided to further dip by 5-7bp in 2QFY26.
- Going forward, the yield contraction on advances will be offset by a decline in the cost of borrowings. LICHF is seeing significant benefits in its CoB compared to the impact of its yield contraction.
- The company has guided that its incremental CoB could decline 5-7bp in the coming quarters.
- ~25% of the total borrowings are EBLR. ~INR220b of NCDs would get repriced this year. Within its liabilities mix, ~43% are floating and the remaining ~57% are fixed-rate liabilities.

Yields, PLR, and pricing

- Except for LICHF, CANF and BHFL, no other HFCs have cut their rates by as much.
- LICHF has cut its PLR rate by ~25bp on 28th Apr'25. New home loan rates start at 7.5%.
- 1/3rd of the loan book (linked to EBLR) was repriced in 1QFY26, and the remaining was repriced effective 1st July.
- Incremental yields stood at 8.9% (v/s 9.4% in 4QFY25).

Project finance

- LICHF is not withdrawing from the Project Finance market. However, it has slowed its pace as it seeks to finance only manque and strong developers (BBB or above) and projects.
- Project finance disbursements are construction-linked (even as the project finance sanctions stood at ~INR8b in 1QFY26).

Affordable segment

- LICHF is making slow and steady progress in the affordable segment.
- Affordable business disbursements stood at INR4.58b in FY26 and LICHF targets affordable segment disbursements of ~INR10b in FY27.



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M&M Financials

Buy

Current Price INR 267

Guidance

- The company guided for the non-wheels business to constitute 25% of the Business Assets mix by FY30.
- It aspires to achieve an RoA of 2.2% and subsequently 2.5%.
- The first quarter was relatively muted, making it difficult to provide full-year guidance. However, management remains optimistic, citing the inherent attractiveness of the sector.
- It expects MMFS to gradually gain momentum, supported by an improving economic environment, and intends to capitalize on emerging opportunities.

Vehicle finance

- Segments like tractors have benefited from strong tailwinds, while entry-level PVs and certain CV segments continue to witness weakness.
- New PV and used PV segments have mirrored the underlying commerce trends. The company is calibrating its CV business, focusing on segments that are attractive from an NBFC standpoint and offer healthy margins.
- Prolonged stress persists in certain segments, such as the entry-level car segment, where high prices and affordability issues are impacting demand.
- The wheels business is facing challenges in entry-level PVs and continued stress in certain CV segments. However, the company plans to leverage growth opportunities in the used vehicles and tractors segments for the rest of the year.
- The tractor lending business delivered standout growth, rising 21% YoY, and the company plans to increase its market share in this segment, supported by favorable tailwinds.
- MMFS has proactively taken a few prudent underwriting decisions.
- Competitive intensity remains high, with mainstream banks increasingly focusing on the vehicle finance category.
- Key metrics have been maintained at stable levels. For the remainder of the year, the company will be watching out for tailwinds for growth. Rural cashflows are expected to remain strong, supported by encouraging Kharif sowing and MSP trends. Additionally, it anticipates an improvement in the environment with the onset of the festive season.

CV business

- MMFS has never been a major player in the M&HCV segment; its primary focus has been on the SCV/LCV segment, along with some business with fleet operators.
- Banks are chasing fleet operators, making pricing unattractive from an NBFC standpoint. It has actively stayed out of the M&HCV fleet operator segment and remains focused on the SCV/LCV and Buses segments.
- The CV segment has struggled for some time, facing challenges in the mining segment and issues with price discovery for newly purchased vehicles.

- The M&HCV and CE businesses are increasingly shifting to banks, making it unviable for MMFS to compete with mainstream banks. This decision is driven more by NIM considerations than by risk concerns. Given its selective participation choices, the company expects growth to decline in these segments.

Asset quality

- 30+ dpd stood at 9.7% in 1QFY26; GS2 + GS3 rose 57bp in 1QFY26 (while it rose 123bp in 1QFY25).
- 2Q has traditionally been weak for MMFS and its collection teams will need to work diligently to maintain performance.
- The company has guided for credit costs of 1.5-1.7% in FY26.
- The company has reorganized its collection offices, creating bucket-wise and product-wise collection teams.
- The cycle is not extremely benign, requiring MMFS to over-index on collection rigor.
- Agri-customer volatility: MMFS has deeply immersed itself in micro-markets, leveraging tool-kits to incorporate micro-market data into its scorecards for underwriting decisions. Understanding customer cashflows has been key, enabling it to structure repayments (e.g. tractors) based on individual cashflow patterns. This approach has helped MMFS manage collection volatility effectively.

Fee income

- The company received dividend income of INR460m from MIBL; this will be a recurring item going forward. MIBL is a 100% subsidiary of MMFS.
- Fee and Investment income has seen an improvement both on a YoY and QoQ basis. MIBIL investment added ~14bp to the RoA.
- There is enough headroom to deepen fee-based income. The company will consider pursuing FDs going forward only if it identifies meaningful cross-sell/up-sell opportunities.

Yields and pricing

- Variables influencing: The company has reached an optimal level in sourcing customers in the prime segment. It now has strong underwriting, where it is able to onboard customers in the near-prime segment at good risk-adjusted rates.
- The near-to-prime customer segment is not price-sensitive. NBFCs have to ace the game of service and quick delivery.

Margins

- NIM has bottomed out at 6.5% and there will be positive trends, supported by a gradual reduction in the CoB.
- The product mix will also help NIM going forward. The company aims to increase the refinance book's contribution, which will drive NIM expansion on fresh disbursements.

Liabilities

- It is too early to comment on the borrowing side at the portfolio level; however, the company continues to see benefits in incremental borrowings.
- For loans linked to the MCLR, there will be a lag in re-pricing. However, in the subsequent quarters, the company will see incremental benefits on the CoF side.
- MMFS is raising three-year NCDs at an interest rate of 7.1-7.2%.

Opex

- In 1Q, the company moved some employees from on-roll to off-roll; excluding this change, the number of employees remained flat QoQ.

Refinance business

- The used cars and refinance businesses are areas of growth that the company has factored into its plans.
- The business yields are decent enough, and the company is open to doing both refinance and financing purchase of used vehicles.
- The company targets various used vehicle dealerships (usually used PV and some used CV). If a customer wants a top-up on their existing vehicle, it offers refinance loans.
- The company calibrates the volume of incremental business in this segment based on its risk guardrails.
- Existing customers can avail top-up loans on their existing vehicles.

SME business

- SME business did see a decline in disbursements but the book grew 28% YoY.
- The company has rehashed its geography strategy and this is a temporary disbursement decline in SMEs. SME disbursements will be strong going forward.
- The company has restructured its operations into 4-zone and 2-NSM structure. It plans to over-index on LAP, and SME business volumes will start improving from hereon.
- In the MSME segment, the company started with micro-enterprises, primarily in the auto ancillary businesses, before expanding to service/trading enterprises, with LAP emerging as the flagship product. The company has staffed many branches with MSME-focused teams and established robust underwriting processes. LAP now accounts for ~50% of its SME business. It does not have any bulky loans sitting within its MSME book. It offers machinery loans, supply chain financing, and bill discounting products.

MRHFL

- MRHFL - Mortgage subsidiary has become PAT positive; it continues to make edits in the business model and expects the performance to improve in the subsequent quarters.
- MMFS finds the affordable housing highly attractive. It is pleased with the way MRHFL is being turned around. Ticket size and pricing have moved along expected lines.

Technology

- The company has fully migrated from its tech stack (LOS), completing the cut-over in June. Consequently, all June disbursements were processed on the new technology stack.
- Significant investments are being made on the data side.

Branches

- MMFS has crossed 6,000 dealers that it works with. It is increasing its point of connect at the dealership.
- It now has branches across the country that are well spread out across East, West, North and South zones.
- Branches have been reorganized with a Branch Head and a cross-sell desk at the branches.
- Mobile App is one of the biggest branches and several acquisitions are now happening on the mobile app as well.

Others

- RoA stood at 1.6%.
- The company raised INR30b through Rights Issue and augmented Tier-1 to 17.9%. MMFS is well-capitalized for growth opportunities now.
- MMFS will not be looking at Gold Loans since it is an operationally-intensive business. Within SMEs, the company offers LAP/Supply Chain Finance and Bill Discounting. It is also participating in the Leasing business and aims to over-index on fee-based income going forward.

- MMFS tracks a targeted product per customer metric, which is progressing well, showing a healthy upward trend.
- The company has a co-lending partnership with a bank, where MMFS acts as the junior partner and is currently streamlining processes for the same. It also has some co-lending partnerships in MSME (but they are very small now), where it is the senior partner.



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Manappuram Finance

Neutral

Current Price INR 266

Guidance

- Guided that it wants to gradually improve gold loans in the mix to ~75%. Introduced various gold loan schemes at attractive prices. Plans to grow its Housing, CV and MSME loans in a prudent manner, within the overall ceiling of 90% secured book. MFI (unsecured book) will be ~10% of the consolidated AUM mix.
- Guided for gold loan growth in FY26 to be higher than in FY25.
- Hopeful of bringing down the opex by the end of the year.

Appointment of new CEO and VP Nandakumar as Chairman

- Mr. Deepak Reddy, who has joined as the new CEO, has over three decades of experience. He will be responsible for steering MGFL through the next phase of growth and innovation.
- The board has decided to appoint VP Nandakumar as the Chairman and MD of Manappuram Finance.

Gold Finance

- MGFL is following a conscious strategy to bring gold lending rates on par with the leading gold NBFC players.
- Gold loan yields stood at ~20.7% (4QFY25: 22.2%), which will decline to ~18% over the next 4-6 quarters.
- MGFL plans to reduce gold lending rates across the board in a calibrated manner. Gradually, driven by the actions taken by the company, there will be growth in the customer base and gold tonnage as well.
- MGFL is doing a gradual and calibrated reduction in its gold loan interest rates.
- Gold loan auctions stood at INR510m.
- Small ticket-gold loans (<INR100K) are showing some downtrend. This customer segment has the tendency to go to the unorganized segment. However, higher ticket gold loan customers continue to prefer the organized segment.
- MGFL added 350k new customers in 1QFY26. It has attracted high-ticket gold loan customers, but low-ticket customers have declined.
- Gold loan companies, which have over 1,000 branches, have to seek prior approval from the RBI for opening new gold loan branches. Until the Bain transaction is over (expects RBI approval by next month), the RBI will not give approval for opening newer branches.
- MGFL is in discussion with banks for opportunities in co-lending. It plans to leverage its gold loan branches in Asirvad for doing co-lending with banks in gold loans. In the future, it might also look at adding gold loans in some of the MFI branches in Asirvad.
- Gold loans of ticket size >INR500k stood at ~19% of total gold loans, and at the industry level, it could be ~30%.

MFI

- Peak stress was over in 4QFY25. Losses in MFI business will keep declining in the subsequent quarters.
- Tightened its underwriting on the back of the SRO guidelines.

- MFI credit costs should decline by 30-40% in the coming quarters and the company guided that it can deliver a profit in its MFI business by 4QFY26.
- Asirvad has started MFI disbursements with tightened underwriting norms. It is focusing on the centers where the collections are better.

Vehicle Finance

- MGFL is seeing challenges in Farm Equipment (which it exited) and it has re-modelled 2W for an automated underwriting system (which will bring own the opex).
- It will now be working on the used CV and used car segments.

Financial Performance

- Gold loan contributed ~65% of the consolidated AUM. Gold AUM grew ~22% YoY and 12.6% QoQ to INR288b.
- MFI AUM declined ~23% QoQ to INR55.4b.
- Asirvad posted a loss of ~INR2.67b in 1QFY26. Asirvad CRAR stood at 23.8%
- Vehicle finance AUM declined ~5.9% QoQ and was up 1% YoY. Asset quality challenges faced by the 2W and farm segments. GNPA increased to ~9.2%.
- Loans to MSME and allied sectors stood at INR31.05b. Disbursement in this segment was INR3.56b.
- Standalone CRAR of 28.7% and net worth of INR125.04b
- Standalone RoA of 3.8% and leverage of 2.5x. Standalone GNPA at 3%
- CoB declined ~2bp QoQ
- The board has declared an interim dividend of INR0.5 per share.
- Profitability was impacted mainly by the stress in the MFI sector and yield compression in gold loans.

Others

- The Bain deal is progressing smoothly. CCI approval has already been received. RBI approval is expected next month.
- Short-term borrowings in the mix are coming down. In the coming quarters, it expects a benefit in its cost of borrowings, driven by the cuts in MCLR.
- The RBI's harmonized guidelines on co-lending (CLA) will provide incentive to NBFCs to operate at the grass-root level.
- Both assignment (DA) transaction and ARC transaction (of INR500m) were done for MSME secured loans.



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MAS Financials

Buy

Current Price INR 314

Guidance

- Guided for AUM growth of ~20-25%, with a continued emphasis on portfolio quality and profitability.
- If the macro environment is favorable, growth could be at the upper end of the spectrum.
- The company targets achieving an AUM of INR200b over the next 3 years.
- Strategic goal includes maintaining 20-25% of AUM as off-book through direct assignments and co-lending arrangements.
- The retail segment is expected to constitute 70-75% of total AUM over the next 6-12 quarters.
- NIM is likely to stay in the ~7-8% range, with sustainable RoAs at 2.75-3.0%.
- The majority of disbursement activity is expected in 3Q and 4Q, driven by seasonal demand and early festive momentum.
- Expects 25-35bps reduction in borrowing costs over FY26, supported by repo rate cuts.
- While the branch expansion remained muted last year and this quarter due to the macro environment, the company will again focus on expanding its branch presence from 3Q and 4Q onwards

Metric	Q1 FY26	Q4 FY25	Q1 FY25
Consolidated AUM (INR)	208,000	195,000	185,000
Net Income (INR)	1,200	1,100	1,000
RoA (%)	2.8	2.7	2.6

Opening Remarks

- Consolidated AUM delivered growth of ~20.8% YoY in 1QFY26.
- The company's current net worth stands at INR27b, with plans to double it over the next 5-6 years.
- It operates a well-established distribution network of 206 branches. Due to prevailing external conditions, branch expansion has been temporarily subdued; however, management expects renewed momentum from 3QFY26 onward.
- ~60-65% of the business is sourced through branches, while the remainder comes from NBFC partnerships, which have consistently delivered strong results over the years.
- Retail business is expected to grow at a faster pace, benefiting from favorable macroeconomic tailwinds. The retail mix is projected to increase to 70-75% of the overall AUM.
- The company remains committed to prudent underwriting and continues to extend credit based on sound risk evaluation.
- Investments in technology are yielding results. A robust in-house tech team and a BRE-enabled LOS are expected to support operating leverage and profitability improvements going forward.

Financial Highlights

- Continued focus on the MSME segment, which contributes ~75% of the portfolio.
- Asset quality remains resilient across product segments.
- GNPA stood at 2.5%, while Net Stage 3 was maintained at 1.6%.
- RoA stood at a healthy 2.8%, supported by an improved yield profile driven by a higher retail mix. Despite rising operating expenses, profitability remains intact.

Liability Management

- The company has maintained average cash balance of INR10b, with INR2.5b in unutilized liquidity. Sanctioned but undrawn facilities of ~INR22b remain available.
- The company executed over INR7b in DA transactions in the last quarter and currently has a DA/co-lending pool of INR15b, which it plans to utilize over the next two quarters.
- The company raised INR8.4b via term loans (3-5 year tenor).
- Raised INR1.75b through NCDs and plans to raise another INR4b-5b in the next quarter.
- The incremental cost of borrowings stood at ~9.25% in the quarter.
- Increase in NIMs during the quarter attributed to improving asset mix in favor of high-yielding retail assets. Operational expenses have risen, but RoAs remain steady.
- Most borrowings are MCLR-linked; resets are expected over the next 3-6 months, which should further ease funding costs.
- Liabilities are linked as follows: 15% to T-bills/repo/other benchmarks, 10% fixed-rate, and 75% on MCLR with varying tenures (3M, 6M, and 12M).

Opex

- Operating expenses rose 46% YoY, largely due to investments in retail infrastructure and manpower.
- Despite elevated opex, RoA and RoE remain broadly unaffected due to improved NIM profile.

Wheels business

- Focused on used CVs, particularly LCVs and MCVs used for last-mile logistics. Average ticket size: INR300-600k.
- AUM remained stable as disbursements were deliberately moderated in 1QFY26 due to eligibility concerns and sectoral stress.
- CV asset quality was slightly under stress with GS3 at 4% and Stage 2+3 at 9%.

- Elevated slippages in the CV portfolio led to flat disbursements on a sequential basis.
- The company is doing pilot in used car. The company has done some business however the number is small as of now. 2W, CV, used car will grow going forward.

Housing Finance

- Confident of achieving INR10b in AUM for FY26, supported by strong profitability and healthy asset quality.
- Asset quality remains best-in-class, with GNPA at 0.92% and NNPA at 0.64%.
- AUM stood at INR7.9b, marking 27% YoY growth.
- PAT increased 27% YoY to INR2.7b.

Other Updates

- Management believes that it may take another 1-2 quarters for eligible demand to rebound and for portfolio quality to strengthen meaningfully.
- Branch count currently stands at 206 vs. a targeted 235-240. Expansion efforts to resume in 3Q/4Q with deeper penetration in existing markets across the west, north, and south. No plans to enter new geographies in the near term.
- SPL is not expected to be a major growth driver in the near term.
- Sectoral trends: a) No major improvement in the FMCG sector, b) Textiles showing signs of stabilization, and c) Agri sector continues to face headwinds
- Login volumes, disbursements, and sanction rates have remained steady, and a gradual improvement is expected going forward.
- There are no new segments that the company would want to open.

MCX

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MCX

Neutral

Current Price INR 8,220

Business highlights:

- MCX launched new products, including 10g gold futures, options on silver, and electricity futures during the quarter. Cardamom futures were launched in Jul'25.
- The exchange experienced a one-off trading delay due to a database anomaly affecting the overnight clearing processes.
- Premium-to-notional in bullion contracts was lower compared to energy contracts due to higher volatility in crude oil driven by macroeconomic conditions.
- Retail participation rose to 52.4% in 1QFY26, aided by interest in 10g gold futures and silver monthly options.
- Futures and options volumes have both picked up and are expected to scale further with new product launches.
- The product pipeline remains strong across metals, agri, and bullion contracts. The exchange is awaiting regulatory approvals, after which product launches will proceed according to the internal timeline.
- Index options are part of the product pipeline but the exchange is awaiting regulatory clarity on expiry formats. However, the current regulatory stance remains cautious with respect to weekly expiries.
- Commercial interest in electricity futures is growing with private generators and corporates (with 30-40% power cost exposure) contributing ~50% of electricity futures volume. Currently, the focus is on increasing traction from this segment, while participation from other investor segments is expected to increase over time.

Financial highlights:

- Operational efficiency remains the key focus. However, EBITDA margin may remain under pressure in the near term due to weak July volumes and continued investments in tech and personnel.

- Employee cost continues to witness growth due to annual increments, headcount expansion, and apportionment of variable pay. The run rate is expected to remain consistent in the subsequent quarters as well.
- Tech investments will continue to support product rollout and platform enhancement, though the focus remains on efficiency.
- Transaction charges were INR1,090m from futures and INR2,270m from options. Other operating income was stable, which includes margin money and warehousing income that are not volume-linked.
- Contribution towards SGF also includes regulatory costs and IPF contribution to the tune of ~INR40m.
- Effective tax rate stood at 20.7% due to benefits from tax deductibility of the SGF contribution by subsidiary. Tax rates are expected to remain in the 21-22% range.

Nippon Life India Asset Management Ltd

Nippon Life India AMC

Buy

Current Price INR 867

Business

- NAM was the fastest growing company among the top 10 AMCs on both QoQ and YoY basis, leading to an increase in overall AUM and equity AUM market shares.
- The company witnessed an increase in both YoY and QoQ market shares across all investor segments, with overall market share at 8.49%, marking the highest since Jun'19.
- The equity net sales market share (in double digits) and SIP market share (at >10%) were much higher than the overall equity market share.
- NAM continues to have the largest investor base in the mutual fund industry, with 21.2m unique investors.
- The company launched four new products during the year: 1) Nippon India Nifty 500 Quality 50 Index Fund, 2) Nippon India Nifty 500 Low Volatility 50 Index Fund, 3) Nippon India BSE Sensex Next 30 ETF, and 4) Nippon India BSE Sensex Next 30 Index Fund.
- It completed the NFO of Nippon India Income plus Arbitrage Active Fund of Fund as of Jun'25; the AUM of this fund stood at INR5.8b.
- Digi transactions grew 27% YoY to 3.6m and contributed 75% to new purchases; 41 new digital purchases/SIPs were done every minute in Q1FY26.

SIP flows and yields

- Yields for the quarter: Equity/Debt/Liquid/ETF - 55bp/25bp/12bp/17bp; blended yields stood at 36bp.
- Overall yields are expected to decline ~2-3bp on a yearly basis, mainly due to the telescopic pricing effect.
- The company saw continued momentum in systematic flows despite market volatility.
- Commission rationalizations have been carried out for three schemes, constituting ~45% of the AUM. There are currently no such targets set for further rationalization.
- SIP discontinuation % of the company is better than the industry.
- Regarding SIF, the team is already in place (seven members currently), led by Mr. Andrew Holland, and will soon be launching a product. Management sees a significant opportunity in the SIF segment and treats it as a separate business vertical.

ETFs

- The company continues to be one of the largest ETF players with a 52% share in the industry ETF folios and a 51% share in ETF volumes on NSE and BSE.

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- The ETF average daily volume across key funds remains far higher than the rest of the industry.
- Gold ETF is among the top 10 globally in terms of AUM as of Jun'25.

AIF and offshore

- Under the AIF subsidiary, the company offers Category 2 and Category 3 AIFs and has raised cumulative commitments of INR81b across various schemes, up 25% YoY. Notably, the company raised INR7b in Q1FY26 (the highest ever in a quarter).
- It recently launched a real estate scheme, Nippon India Yield Maximize Optimizer, with INR3b of commitments raised.
- Fundraising is currently underway for two listed equity AIFs, performing credit, 1) AIF residential RE fund, and 2) a direct VC fund.
- Fund deployment across all strategies was robust in Q1FY26.
- On the offshore front, inflows during the quarter were actively witnessed from regions such as Asia and Europe.
- The company is continuously expanding in Japanese institutional and retail markets, along with new geographies across the Asian, European, and Latin American markets.

GIFT CITY

- GIFT City funds crossed AUM of USD13m across Nippon India Large Cap Fund GIFT and Nippon India Nifty 50 Bees GIFT (Fund).
- Future pipeline: Nippon India Sharp Equity Fund: Long Short Equity Fund and Nippon India Digital Innovation Fund: Fund of Funds, which shall invest in India-focused venture capital funds for repeat Japanese investors.

Financial performance

- The company recorded the highest-ever quarterly operating profit of INR3.8b and PAT of INR3.96b.
- ESOP costs for the quarter stood at INR110m, of which INR40m was for the new segment and ~INR460m/INR260m-270m is projected for FY26/FY27.
- Excluding ESOP costs, operating expenses rose 15.8% YoY, driven mainly by investments in talent in the non-MF business segment and enhancements in technology infrastructure.



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Results Update](#)

The screenshot shows a detailed financial results table for Muthoot Finance. It includes various metrics such as Revenue, Profit, and Assets under Management (AUM) across different segments like Gold Loans, Personal Loans, and Real Estate. The table is organized into columns for different financial periods and rows for specific line items.

Muthoot Finance

Neutral

Current Price INR 2,684

Guidance

- Spreads stood at 9.5% and the endeavor will be to maintain spreads in this range. Any reduction in the cost of borrowing will be passed on to the customers.
- Expects additional recoveries of INR1b-1.5b from the ARC over the next two quarters.

Financial Performance

- Standalone loan AUM reached a record high of INR1.2t, driven by a strong 40% YoY growth in gold loan AUM, reflecting the success of the company's three-pronged strategy focusing on disbursements, operational efficiency, and healthy margins.
- Standalone PAT for the quarter rose 90% YoY to INR20.5b.
- One-offs in interest income: There was a ~INR6b QoQ reduction in NPA, which led to an interest income write-back and recoveries of ~INR2.5b, and it also received ~INR1b from the ARC sale consummated in FY24.
- Yields expanded by 1pp QoQ to 19.56%. Adjusted for the interest income write-back and recoveries from the ARC, the yields were broadly stable QoQ.

RBI Gold Lending Guidelines

- Recent RBI guidelines on gold loans are expected to bring greater transparency and streamline processes.
- The revised Gold lending guidelines are Gold loan business-friendly. MUTH will be able to offer a larger number of products to the customers, and for gold loans up to INR250K, LTV has been increased up to 85% (v/s 75% earlier).

Customer Franchise

- Total active customers rose by ~1.4% QoQ. Sequential net addition to the total customer franchise was weaker in 1Q compared to the previous two quarters.
- New customer additions remained strong with new customer additions at 410K in 4QFY25 and 424K in 1QFY26.
- 85% of MUTH customers are below the ticket size of INR250K

Liabilities

- Most of its Loans are linked to the MCLR, and it expects MCLR benefits to be passed on from banks within 3-6 months. MUTH does not have its bank term loans linked to EBLR.
- Muthoot is doing a three-year NCD at 7.85%.

Gold Loans

- Gold auctions stood at INR130m in 1QFY26
- Split of gold loans by ticket size
- <INR50K: 11%
- INR50K-INR100K: 15%
- INR100K-300K: 34%
- >INR300K: 40%

Subsidiaries

- Belstar Microfinance opened 10 gold loan branches in 1Q to diversify its portfolio, maintaining Stage III loan assets at 4.4%, in line with industry peers. It currently has 15 Gold loan branches in Belstar and plans to add another 50 gold loan branches this year.
- MUTH Home Finance AUM stood at INR30.1b, which grew 41% YoY
- Muthoot Money AUM stood at INR50b (~INR1.5b in Vehicle Finance and the rest gold loans), which grew 202% YoY. GNPA in MUTH Money has increased to 0.96% as of Jun'25. The branch network increased to 997 in this quarter.

MFI

- Collections have improved during the quarter
- Excellent collection efficiency of ~99.8% on the MFI loans originated in the last 6 months.

Non-Gold businesses

- Non-gold business is 13-14% (Excl MFI at 5%), and the company would like to keep it in the 15-20% range going forward as well.
- Non-gold NPLs declined INR300m, and it has also seen ECL provision reversal of INR300m from this portfolio (since the non-gold NPAs are 100% provided for)

Equity Raise

- The company is comfortable with its capital adequacy and does not plan to raise equity capital in the near term.

Others

- MUTH is accelerating its efforts to enable its digital gold loan offerings. Technology investments are enhancing customer experience, reducing turnaround time, and improving operational efficiency.



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Nuvama Wealth

Buy

Current Price INR 6,861

Nuvama Wealth

- Revenue increased 17% YoY, driven by a strong 59% YoY growth in the MPIS segment, (~54% of the revenue mix), aligning with the company's strategy.
- MPIS segment's revenue declined 7% QoQ due to seasonal softness in insurance volumes, which are typically stronger in 4Q. Management expects volumes to rebound in the coming quarters.
- Client assets rose 20% YoY, supported by net new money from MPIS and mark-to-market gains on other assets.
- Net flows from MPIS remained robust at INR22.8b (~77% of total flows), the highest ever quarterly flows, aided by sustained strength in annuity products.
- Management projects ~30% overall growth for FY26 on the 1Q base, backed by current flow run rate and an expected ~50-60% YoY increase in annuity income for FY26.
- Wealth business priorities: 1) delivering holistic asset allocation resilient to market volatility, 2) expanding the MPIS book (~77% of flows), 3) continuing tech investments to support a large RM, external wealth manager, and client base (portfolio solutions tool, revamped website, RM/EWM dashboards, unified product investment journey), and 4) improving RM productivity as their vintage increases.
- RM base currently stands at ~1.2k, with a target of ~3-4k over the next 3-4 years.
- The multi-product platform continues to attract healthy inflows across asset classes, aided by ongoing investments in talent and technology.
- Management anticipates a 100bp reduction in CIR from ~66% currently for FY26.

Nuvama Private

- Revenue grew 19% YoY, led by ~25% growth in the ARR segment (~66% of revenue), while the transactional segment posted 9% growth in 1QFY26.
- Transactional revenue dropped 40% QoQ due to weak market sentiment from global uncertainty and tariff concerns.
- Management expects ~26-27% growth for FY26 on the 1Q base, based on the current flows run rate.
- CIR remained steady at 69% YoY despite an increase in RMs to 137 in 1QFY26 from ~118 in 1QFY25; the company targets to reduce CIR to 65% for FY26.
- Client assets increased 17% YoY, driven by a 25% YoY rise in ARR assets and mark-to-market gains.
- Around one-third of clients have AUM above INR100m, and ~50-60% have AUM above INR50m.
- The focus is on strengthening the lending segment, with growth expected in upcoming quarters.

Asset Management

- Revenue rose 37% YoY, supported by strong performance in public markets and the Commercial Real Estate strategy.
- Closing AUM increased 54% YoY, driven by: 1) 93% YoY growth in Public Markets AUM and 2) Commercial Real Estate (completion of its first deployment).
- The company recently executed the second phase of a real estate fund deal in Chennai; it expects a significant improvement in the flow run rate.
- Net flows were subdued during the quarter due to a slowdown in public market flows, though activity has started to pick up.
- In private markets, the focus is on fund deployment.

Asset Services

- Revenue advanced 46% YoY, driven by scaling up existing clients and adding new ones in both international and domestic markets.
- Revenue mix: international ~70–75%, domestic ~25–30%.
- International business has >100-150 clients, with the top 10 contributing ~30-35% of international revenue.
- The pipeline remains strong in both international and domestic segments; it currently serves 250+ clients (FII, AIF, PMS).
- Domestic plans include adding two value-added services for AIF and PMS clients—RTA services and Trusteeship services. Board approvals have been secured, and implementation is expected within six months.
- Regarding the ban on Jane Street’s market activity, management expects a 2Q volume impact, but strong client pipelines and scaling from existing clients should normalize volumes, even if Jane Street remains inactive.
- Retention remained high at 2.1% despite market volatility; management expects this to decline to ~2% in a deeper market correction.
- CIR was ~30-32% during the quarter.

Institutional Business

- The business witnessed steady growth from the previous quarter, supported by improved market sentiment and continued client engagement.
- Capital Markets’ 1Q revenue declined 10% YoY due to a large one-time M&A transaction in 1QFY25; excluding this, performance was on an uptrend, in line with strategy.
- Sequentially, revenue grew 10%, driven by a better market momentum.
- Fixed income markets (IB segment) continue to perform well, benefiting from stronger client coverage and higher volumes.
- CIR stood at ~50-55% during the quarter.

Financials

- Net debt increased ~INR10b QoQ, with ~50% linked to the loan book, ~30% to working capital, and the remainder to client facilitation.
- Management expects CIR to stay at around ~55%, factoring in: 1) a reduction in Private segment CIR to 65% from 69%, 2) a 100bp decline in Wealth segment CIR, and 3) some increase in Capital Markets CIR, offsetting these improvements to normal levels.
- Overall, costs rose 13% YoY due to provisions for increments and distribution capacity expansion.
- Other opex fell sequentially as 4Q included one-offs like conference costs, offsites, and a CNBC deal pay-out. Management expects a ~7-8% increase in FY26 vs the last full year.

Others

- For SIF, the company has applied for an MF license. The first SEBI inspection round has been completed, with approvals expected in 3-4 months.
- The team and strategy are ready, with operations to ramp up once the license is granted.



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Piramal Enterprise

Neutral

Current Price INR 1,177

Guidance

- Medium term guidance stands at 3.5%-4.0% on Opex to AUM.
- In FY25, the company changed to processing fee on an amortization model. Improvement in fee income should continue.
- RBI has notified new charges on floating-rate loans effective from Jan'26. Pre-payment fees in its MSME lending/LAP business will get impacted but there is no change in guidance on the fee income.
- Growth business is at 1.4-1.5% PBT and PAT RoA, but it needs to scale up close to 3% RoA over the medium term.
- The company has guided for FY26 PAT of INR13-15b PAT in FY26.
- RoA improvement will be driven by: 1) benefits in the opex ratios and 2) improvement in the fee income. Apart from that, it would need to work on margins by increasing the proportion of unsecured loans at an appropriate time and some benefit in the cost of borrowings.

Wholesale 2.0

- Disbursements stood at ~INR23b and grew 46% YoY.
- Effective interest rate stands at 14.5%.
- Pre-payments were 43% of the disbursements in 1QFY26.
- Since the inception of the new Wholesale Lending business, it has not seen any delinquencies in this business.
- The company aims to build a highly diversified and granular Wholesale 2.0 book, which is also diversified across industries.
- Some segments of IT are witnessing a slowdown - IT service companies are seeing muted headcount growth, but there has been a significant demand from global capability centers (GCC).

Branches

- The number of branches remained unchanged at 517. The company has not added new branches over the last few quarters since the focus was on improving branch productivity and increasing the number of products offered per branch.
- The company has put a temporary pause on branch expansions to absorb the opex and improve the branch/employee productivity. It may resume branch openings after two or three quarters.

Micro-LAP and Gold Finance

- ATS is INR900K in Micro-LAP and will scale-up to INR10b by end-FY26.
- The company has started pilots in Gold Finance and aims to set up dedicated gold loan branches.

Growth Business

- Growth business, comprising Retail and Wholesale 2.0, now stands at ~93% of the total AUM.
- Growth business consol. PBT was fully translated into consolidated PAT.
- Credit costs for the growth business declined to ~1.4% (PQ: 1.8%).
- Growth business PBT to AUM (excl. POCI gains) came at 1.4% (FY25: 1.1%).

Merger of PIEL and PFL

- 1QFY26 will be the last quarter before the merger of PIEL with PFL.

- Total CRAR stood at 19.3% (vs 23.6% at the end of FY25). The change of the HFC subsidiary to an NBFC and the growth of the business led to this reduction. The completion of the merger will reverse ~245bp of this compression in CRAR.
- The company expects the merger to be completed in the last week of August and/or first week of September. In the next quarter, there could be a single company declaring its results, which will have the benefit of carrying forward losses in its computation of taxation.
- There should be no negative surprise in the financials when the merger is completed, though there will be some material merger expenses (<INR1b) in 2Q. However, this merger expense has already been factored into the FY26 PAT guidance of INR13-15b.

Pockets of Opportunities

- Consideration due to PIEL from the sale of Piramal Imaging will be based on the financial performance in CY25. The company expects to receive the payment subsequently in the last quarter of FY26.

Retail Disbursements and AUM growth

- PIEL has had a strong 1QFY26 and was able to sustain AUM growth of 37% YoY in Retail.
- Disbursements stood at ~INR87.2b; mortgages account for 55% of the total AUM of the company.
- Three reasons for strong growth in AUM: 1) Strong clarity on its product segments, where the focus is on the Bharat segment, 2) Diversified product suite, and 3) High-tech and High-touch approach. A maturing branch network is contributing to improved productivity.

Digital Loans

- PIEL has become more comfortable with digital lending since it has seen a very steep improvement in 90+ dpd in its digital loans. A lot more FLDG is now available, which gives more comfort to work more deeply in digital loans.
- The company is highly selective in the BNPL business (~10-15% of the originations) and has increased the proportion of salaried customers in digital loans.

Asset Quality

- Credit risk performance – Delinquencies and credit costs have broadly improved.
- Secured lending products had a stable quarter. Salaried businesses in unsecured loans saw a strong Q1.
- Two pockets that showed deterioration: MSME unsecured (6% of the overall AUM; portfolio that was sourced open-market showed deterioration, but the cross-sell business performed well) and Used Car Finance.
- Cross-sell origination in UBL continues to perform well. However, open-market sourced UBL is witnessing a decline.
- In 1QFY26, ECL rebalancing had a positive impact of INR1.05b (while in 4QFY25, there was an unfavorable impact of INR450m). PIEL does ECL rebalancing in the first quarter of the fiscal year. Internal performance has been better than the external industry. The company absorbed most unfavorable impacts in 4Q, followed by favorable effects in 1Q.
- PIEL makes ~100% provisions in unsecured on 120dpd and writes off the loans at 170dpd.

- There are only four assets left in the AIF book, and there were no recoveries from AIF in the quarter. The company has made recoveries from old wholesale written-off accounts.

Financial Performance

- Consolidated PAT stood at INR2.76b, up 53% YoY.
- Retail AUM grew 37% YoY and forms 80% of the total AUM.
- With the reduction of drag from the legacy AUM, consol NIM expanded 10bp QoQ to 5.9%.
- Growth business AUM grew to INR794.3b.
- With the completion of the PIEL-PFL merger, it expects CRAR to increase by 245bp.

Equity Raise

- The company does not foresee the need for an equity raise this year. It is reasonably comfortable till CRAR of ~18%.
- An appropriate level of debt-to-equity will be 4x (which is currently at 2.5x).
- The sale of investments in Shriram Life and General (whenever it happens) will also release significant capital.

Others

- Customer franchise grew 21% YoY to 4.8m; significant proportion of customer originations will be eligible for cross-sell opportunities.
- The company has begun working on pilots in Gold Finance.
- It has hired employees for micro-LAP and MFI businesses, which led to slightly higher employee expenses.
- Incremental CoB stood at 9.0-9.1%
- Loans against MF stood at ~INR10b, proving to be better than loans against shares. The company prefers this business from a strategic viewpoint.



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PNB Housing Finance

Buy

Current Price INR 809

Guidance

- PNBHF increased the NIM guidance to 3.7% (from 3.6-3.65% previously).
- It guided for opex/assets in the range of ~1%-1.1%.
- The company plans to add 50 branches in FY26, with a focus on emerging and affordable segments.
- It guided for GNPA at ~1%.
- It targets to reach 14% RoE in the next three years, supported by the rising share of high-margin products.
- It guided for retail loan growth of 18% YoY (guidance maintained).
- RoA is expected to be maintained at ~2.5% despite the declining interest rate environment, with cost of borrowing expected to trend lower.

Opening remarks

- RBI's 50bp policy rate cut is seen as a positive for the housing sector and should support real estate demand.
- PNBHF reported a 16% YoY growth in its total loan book to INR777b, with retail book growing ~18%.
- Affordable and emerging segments now contribute 37% to the total retail portfolio.

- Collection efficiency remains strong. Further, recoveries remained healthy during the quarter, with total recoveries of INR570m (including retail and Corporate).
- GNPA improved to 1.06% with a target of reaching GNPA of 1%.
- RoA in 1QFY26 stood at 2.57%, while NIMs remained broadly stable QoQ at 3.74%.

Yields, CoB, and NIM

- Incremental yield in the affordable segment rose to 12.1% (vs. 11.6% last year), aided by the portfolio mix shift and deeper presence in high-yield regions.
- Management expects NIMs to improve from 3.6-3.65% to 3.7% in FY26. The company aims to take this to ~4.0-4.1% by FY27, supported by lower cost of funds and improvement in affordable/emerging in the mix.
- The launch of the LAP vertical this year is also expected to aid margin expansion.
- CoB reduced ~8bp to 7.76%. Further, incremental borrowing rate dropped ~39bp QoQ to 7.44%.
- PNBHF has reduced its PLR rate by 10bp effective 1st Jul'25.

Disbursement strategy and branch expansion

- The company continues to pivot towards high-yielding products, with slower growth in the prime segment and increased focus on the affordable and emerging segments.
- Out of 356 branches, 200 are focused on affordable lending and 20 have been reclassified from the prime to emerging segment based on the potential for higher yield generation. Total emerging branches now stand at 80.

Prime and emerging segment update

- The company continues to prioritize margins by moderating growth in the prime segment while accelerating growth in the affordable/emerging segment.
- The emerging market loan book grew 32% YoY.
- The emerging segment delivers ~35bp higher yield compared to the prime segment.
- NHL now contributes ~29-30% to the total mix, with a focus on scaling the business profitably.
- A dedicated NHL team has been set up across 10 markets to support this strategy. Management expects NHL disbursements of INR1b-INR1.5b per quarter going forward.
- The prime segment's disbursements grew just 1% YoY in 1QFY26 due to seasonal softness and the impact of repo rate cuts.
- Disbursement growth in the prime segment was guided at 12-13%, with loan book growth of 8-9%.
- The prime segment will remain balanced, while the company aims to increase its focus on affordable and emerging segments, which already contribute 50% to disbursements.

Financial performance

- Overall loan book grew 16% YoY; retail loan book rose 18% YoY.
- 1QFY26 yield stood at 9.99%, marginally down from 10.03%.
- NIMs stable at 3.74%, supported by a declining cost of funds.
- Operating expenses grew 12% YoY but remained lower than the loan growth, resulting in operating leverage.
- The company maintained opex guidance at 1.0-1.1% of average loan assets.
- Credit costs remained negative at 27bp, supported by recoveries of INR570m.

- RoA improved to 2.57% and RoE stood at 12.4%.
- CRAR remains strong at 29.9% and BVPS at INR673.

Affordable housing

- The affordable housing loan book stood at INR57b as of 1QFY26, registering a sharp 143% YoY growth.
- Disbursements grew 35% YoY to INR7.5b, driven by rising contribution from Tier-3 and Tier-4 markets and a sharper focus on high-yielding customers.
- All new branches opened last year are now contributing meaningfully, with new markets like Punjab, Chhattisgarh, and the Northeast seeing traction.
- The self-employed borrower mix rose to 41%, indicating a conscious effort to improve yield profile.
- Bounce rates in affordable housing were well below peers and the industry.
- BT-IN stood at 12% and BT-OUT at 1% in 1QFY26.

Asset quality and credit costs

- The affordable portfolio is maturing well, performing better than industry averages.
- GNPA stood at 0.33%, with peak GNPA expected at ~1-1.1%.
- Within the affordable segment, risk segmentation stands at 20% high risk, 60% medium risk, and 20% low risk.
- In steady state, credit costs for the affordable segment are guided at 25bp. There is minimal difference in credit costs between prime (19-20 bp) and emerging (20-23 bp).
- Total recoveries stood at INR570m during the quarter - INR400m in retail and INR170m in corporate.
- The company had an outstanding written-off pool of INR7b in the corporate segment and INR4b in the retail segment, as of Jun'25

Shift toward emerging and affordable segments

- Management plans to shift the business mix entirely to the affordable and emerging segments over the next 4-5 years.
- LAP and NHL are expected to be the key focus areas, with selective expansion in markets yielding higher returns.

Credit rating

- Management expects a credit rating upgrade to AAA in the next 4-5 quarters, with discussions already underway.

Others

- Yield difference between segments is expected to widen further as the affordable and emerging segments scale up.
- The company does not have an overlap with MFI customers, minimizing asset quality risks.
- Overall yield in the affordable segment stood at 12.6-12.65% and is expected to move closer to 13% in FY27.
- Overall LTV stands at 66-67%, while in affordable, it is lower at ~53-54%.
- The sanction-to-disbursement ratio is healthy at 64%.



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Results Update



Poonawalla Fincorp

Buy

Current Price INR 463

Opening remarks

- The company reiterated its commitment to a risk-first approach, emphasizing that it prioritizes prudent lending over aggressive growth.
- Over the past year, the focus has been on laying a strong operational and risk foundation, setting the stage for future expansion.
- Over the next 3 to 4 quarters, the company aims to scale AUM with calibrated credit growth across newly launched products, which are seeing encouraging early traction.

Guidance

- The company has guided for 35-40% AUM growth in FY26.
- NIMs are expected to reach ~9% over the next 3-4 quarters as newer, high-quality STPL and other product portfolios scale and the old book runs down.
- Credit costs are expected to range between ~1.5 and 2% and are guided to decline steadily over the next 2 to 3 years.
- Target leverage (D/E) remains in the range of 4.75-5x.
- The company aims to achieve a sustainable RoA of ~3-3.5% by FY28, with a conservative approach likely to help exceed this target.

Performance highlights

- AUM grew 53% YoY and 15.8% QoQ to INR413b as of Jun'25, reflecting strong momentum in disbursements and product expansion.
- Disbursements for the quarter stood at INR106b, supporting healthy balance sheet growth.
- The share of long-term borrowings increased from 61% to 75% QoQ, improving the stability of the funding profile.
- NCDs were ramped up significantly, rising from 6% to 24% of total borrowings by Jun'25.
- NII (including fee income) continued to show healthy growth, underpinned by rising volumes and improved funding mix.
- Despite the rising share of long-term borrowings, CoB declined marginally to 8.04% (vs. 8.07% in Q4FY25).
- Opex/AUM ratio remained elevated at 4.8% as the company continued to invest in new businesses, branch expansion, and digital platforms.
- PPOP stood at INR3.2b for the quarter.
- Employee count stood at 4,685 and the branch network was significantly expanded.
- CRAR stood strong at 20.55% with Tier-1 capital at 19.03%, and LCR was 130%, indicating ample liquidity.
- NIMs saw some contraction due to the rundown of the older STPL book; however, management expects margins to expand as the high-yielding new book scales up.

Asset quality

- Consolidated credit costs improved to 2.61%, a 53bp decline QoQ. Excluding the STPL portfolio, credit costs for the remaining 12 products, which account for roughly 80% of the AUM, stood at 1.43%, a level the company claims is among the best in the industry.
- GNPA remained stable at 1.84%.

- First EMI bounce rates improved 25% QoQ, reflecting improved collections and risk calibration.
- Quarterly credit cost declined from 3.14% in Q4FY25 to 2.61% in Q1FY26.
- Management is confident of a further improvement in credit costs on a YoY basis, with robust underwriting and portfolio diversification.
- MSME portfolio is ~60-70% secured, well-calibrated, and shows no major early warning signs.
- STPL portfolio, now down to ~4% of AUM, will fully run down in the next 7 to 8 months. Of this, 80% of the portfolio is 0dpd and the balance 20% is well provided for.
- In MSME, the focus is on borrower-level risk and customers with multiple credit inquiries are avoided, helping maintain portfolio quality.
- Credit costs from the erstwhile STPL book have reduced to INR640m in 1QFY26 from INR1.37b in 4QFY25.

Liabilities & capital raise

- The company significantly increased NCD borrowings to optimize funding cost. The share rose from ~6% in 4QFY25 to 23% in 1QFY26, with plans to take this to 35% over the next couple of years
- The company raised INR54b via NCDs during the quarter. The company has further raised INR10b in July itself.
- The company has announced an equity infusion of INR15b from the promoter group at INR 452.5/share, indicating strong sponsor confidence and providing growth capital.
- With an improved capital structure and increased reliance on market borrowings, PFL aims to maintain competitive CoB while driving growth.

New business segments

- LAP grew 128% YoY; business loans grew 57% YoY, showing strong momentum.
- Prime PL disbursements stood at INR3b in June alone, with significantly better quality than legacy STPL.
- Digital 24x7 PL business continues to gain traction through fintech partnerships, expected to scale up over the next 4 to 6 quarters.
- Gold Loans: The company will focus on doubling down on branch-based lending. It will continue to focus on gold loans as it is a high-RoA product. 90% of the 400 gold loan branches will be in tier 2 and tier 3 cities.
- The company targets to reach 400 branches by Mar'26. It has already made 80 branches operational across GJ, HR, RJ, and MH.
- Consumer Durables: The company has signed up 3k dealers across 160 cities and aims to scale to 12k dealers across 210 cities. It has also launched the PFIN EMI card to improve customer stickiness.
- CV Loans: Disbursements reached INR920m during the quarter; INR470m was disbursed in Jun'25 alone. The business is now active across 27 cities in 10 states.
- Education Loans: This segment saw strong early traction with INR560m disbursed in Jun'25. The company has already locked in 4,000 files and on-boarded 100 partners, with a target of 500 education consultants by year-end.

Industry outlook

- The demand environment is strong for retail loans with continued consumer confidence in spending.

- The company aims to scale up secured lending in FY26, followed by calibrated expansion in unsecured products.
- MSME book remains ~60-70% secured, mostly through LAP, with ~75% of borrowers owning self-occupied properties.
- Old STPL is now just 4% of the book; the remaining portfolio is largely fresh and of better quality, including a sizable portion that is Odpd.
- As the customer base expands, cross-sell opportunities will increase, supporting deeper engagement and better unit economics.

Digital initiatives

- The company is accelerating digital marketing and building an omnichannel presence.
- Its entire customer acquisition journey is being optimized for cost efficiency and digital scalability.
- The company is revamping its mobile app to drive engagement.
- Key AI-led initiatives are underway, with 10 incremental projects already identified.
- It has implemented human-less field agents to reduce turnaround time for faster customer engagement post delinquency across digital, tele-calling, and field channels.



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Power Finance Corporation

Buy

Current Price INR 403

Standalone Financial Highlights

- PFC registered PAT of INR45.02b, up 21% YoY.
- Within a stable range, yields for 1QFY26 stood at 10.01%, CoF at 7.40%, resulting in spreads of 2.61% (within the guided range).
- FY25 NIM stood at 3.68%.
- PFC's Board has declared an interim dividend of INR3.7/share.
- CRAR stood at 22.37%, well above the minimum regulatory requirements

Asset Quality

- NNPA stood at 0.38% (at its lowest level), and GNPA stood at 1.92%. PFC continues to have zero NPA on the government loan book.
- Two projects with exposure of ~INR16.6b 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%
- For both these projects, the restructuring plan has been finalized, and the documentation and implementation process are currently underway.
- Overall PCR of ~80% on Total Stage 3. The provision reversal in 1QFY26 is mainly on account of the revision in the rating of certain DISCOMs. Improvement in the rating of Tamil Nadu DISCOM from "C minus" to "C" led to the provision reversal of INR6b.

Loan Growth

- Loan Asset book stood at INR5.5t, up 16% YoY. Management expects the loan book to grow by 10-11% in FY26, which is in line with guidance shared earlier.
- Renewable book stood at INR815b, up 36% YoY, and PFC is the Largest renewable financing agency in the country.

- Disbursements in 1Q stood at INR362b, up 86% YoY. This is the highest ever disbursement in 1Q.

Borrowings

- PFC's outstanding borrowings amounted to INR4.6tb out of which ~80% were domestic borrowings and the remaining ~20% were through foreign sources. Approximately 65% of the liabilities are at fixed rates, while the remaining 35% are at floating rates.
- Within its foreign currency borrowings, ~68% of the exposure is in USD. Further, the foreign currency borrowings portfolio is majorly long-term in nature, with short-term borrowing accounting for only 6.5% of the total borrowings.
- Nearly 100% exchange-rate risk is hedged for the US Dollar-denominated portfolio, and nearly 95% of the total foreign currency portfolio has been hedged for exchange rate risk.
- Though USD/INR movement remained range-bound, EUR/INR saw a 9% depreciation as compared to Mar'25. The EUR/INR movement is one of the key reasons for the foreign exchange translation loss in 1QFY26.

Others

- As per the new guidelines, lenders are required to maintain standard asset provisioning of 1% during the construction phase and 0.4% during the operational phase. PFC already maintains a provision of 0.98% for Stage 1 and 2 assets; therefore, the potential impact of the change in guidelines is expected to be minimal.
- RDSS Scheme has an outlay of INR3.03t with Gross Budgetary Support (GBS) of INR976b and has the objective of reducing the pan-India AT&C losses to 12-15% and ACS-ARR gap to zero. The scheme has been extended by the GOI by another two years, now ending on 31st Mar'28.
- PFC's action plan has been approved for all 13 states. Further, PFC has so far sanctioned loans of INR366b and disbursed INR51b under RDSS.



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Prudent Corporate Advisory

Neutral

Current Price INR 2,824

Business highlights:

- The company has started 2QFY26 with a 7% sequential uptick in daily average AUM compared to 1QFY26 QAAUM.
- Growth in equity AUM in 1QFY26 was driven largely by mark-to-market gains of INR113.6b.
- Prudent crossed the INR10b SIP book milestone in Jul'25, highlighting continued investor stickiness.
- Employee costs rose sequentially, but were in line with internal expectations. The base in 4QFY25 was suppressed due to lower provisioning and a reversal of variable pay.
- A 15-16% fixed salary hike was implemented in Apr'25, and management expects overall employee costs to rise ~20% in FY26.
- The ESOP plan is awaiting shareholder approval, which could additionally impact 2-2.5% of PBT.
- Management flagged near-term pressure on RM costs due to increasing competitive intensity, but remains confident of achieving 23-24% margins (excluding ESOP costs) in FY26.



Distribution:

- There has been a growing traction for fintechs with respect to SIP registrations, leading to strong growth of direct plans. However, Prudent continues to maintain its market share in regular plans.
- Payout levels have increased in the short term due to increased competition, especially with the entry of B2B2C platforms. However, the company sees this competition as positive in the medium to long term and has not seen any significant distributor attrition.
- Branch expansion remains a focus, with 16-17 branches added in FY25 and another 7 in 1QFY26. A majority of branches are opened in the fast-growing Western India, where the company aims to deepen its market presence. However, new branches have also been opened outside of the West, supporting pan-India growth.
- Most of the trail provisioning to distributors was completed in 2HFY25. The FY25 payout ratio stood at 64%, which the company considers sustainable. Adjusted for the INR110m insurance income in 1QFY26, the payout ratio stands at ~64.7%, which could rise marginally with insurance-linked commissions.
- Payouts to distributors are currently aligned with rates on new transactional AUM, with changes made when AMCs revise historical transactional AUM rates.
- Over 600 distributors are certified to sell PMS products, of which 350-400 have started actively distributing.

Yields:

- MF distribution yield is expected to sustain at 90bp for FY26.
- The slight QoQ decline in 1QFY26 was due to INR8-8.5m extra income booked in 4QFY25. In addition, repricing by SBI MF during the quarter resulted in a revenue impact of INR3.5m.
- Kotak MF also implemented repricing from Jul'25, which will further impact revenue for FY26 to the tune of ~INR27m.
- Going forward, yields may improve as the top five AMCs lose share to mid-sized, better-performing AMCs, if investors make a shift toward such AMCs.

Insurance Distribution

- Life insurance distribution was muted as the earlier focus on traditional products is being scaled back. Contribution from guaranteed plans has reduced from 70-80% earlier to 40-45% now.
- The focus has shifted towards more profitable segments, such as Term + ULIP and pure ULIP products, to support fresh premium growth.



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Repco Home Finance

Neutral

Current Price INR 375

Guidance

- The company is confident of delivering disbursements of INR40b and grow its loan book to ~INR160b by Mar'26.
- It targets to improve GS3 to 2.5% and Stage 2 to 7-8% by end-FY26.
- Repco will be adding 14 new branches in FY26 and upgrading 12 satellite centers to branches. The total network is expected to reach 247 by the end of the year.
- CoB has been declining; commercial banks have still not passed on MCLR cuts. The company expects to raise an NCD of ~INR5b from debt markets. It has guided for CoBs to continue declining over the next few quarters.

Asset quality and collections

- The company has not experienced anything unusual or any significant deterioration in any of the states.
- It has strengthened its recovery vertical by appointing three recovery managers in each region. Moreover, it has introduced a special OTS (which was approved

The image shows a screenshot of a financial statement for Repco Home Finance. It includes a table with various financial metrics and ratios, such as Gross Income, Net Income, and Return on Equity. The table is organized into columns and rows, with some sections highlighted in blue. The text is in English and appears to be a formal financial report.

by the Board yesterday). It is also conducting mega auctions on a monthly basis. The company plans to allocate more accounts to recovery agencies.

- The implementation of the vertical system in collections has reduced bounce rates to 1-2% from 4-5% earlier.

Disbursements and loan growth

- Momentum is improving in Karnataka. In Gujarat and Rajasthan, the company experienced substantial improvement in 1Q.
- Repco has opened 30-35 branches over the last 2-3 years, which have now started contributing to the business. Achieving disbursements of INR40b will not be a challenge.
- The Karnataka government is introducing solutions for e-Khata/A-Khata/B-Khata. Repco is processing only those cases where e-Khata is available.
- Except for Maharashtra (where the company needs to deploy more manpower), it is seeing healthy growth across all other states.
- Disbursements in Karnataka grew ~10-12% YoY and 7-8% YoY in Telangana.

Competitive landscape and balance transfers

- The company is retaining customers by offering a reduction in RoI or top-ups. Although it is experiencing pressure on BT-OUT, it has managed the situation effectively so far.
- Repco witnessed a BT-OUT of INR600-650m, and BT-IN stood at ~INR800-850m in 1QFY26.

Financial performance

- Repco achieved the highest-ever disbursements and sanctions in 1Q.
- AUM stood at INR146.9b and grew 7% YoY. The company reflects strong regional contribution, with Tamil Nadu and Karnataka contributing 60% and 12% to quarterly disbursements.
- The share of Home Equity stood at 28%, and HL stood at 72%.
- GNPA stood at 3.3% (PY: 4.3%) and NNPA stood at 1.19%. The new loan book has shown strong performance, with GS3 at 1.1%.
- There was a notable improvement in its cost-income ratio.
- PAT stood at INR1.08b (PQ: INR1.05b).
- RoA/RoE stood at 2.9%/14%.

Liabilities

- CoF stood at 8.7%, and the company has started diversifying its borrowings. Repco issued CP worth of INR1.5b in 1QFY26.
- Total borrowings stood at INR110.7b as of Jun'25.
- The current borrowing mix stood at 82% from banks, 8% from NHB, 8% from Repco Bank, and 1% from CP.

Others

- The company initiated the introduction of new loan schemes during the year.
- Major changes implemented by the management included: 1) Strengthening verticalization, 2) improving TAT, 3) enhancing recovery efforts with special OTS schemes, and 4) undertaking initiatives to improve employee morale.
- Software systems have been successfully upgraded, resolving initial issues. Additionally, the new mobile apps for field personnel have been rolled out.
- BoD approved to include P.K. Vaidyanathan (CDO) to the Board.
- Repco has partnered with developers for APF but is engaging only in projects that are RERA-approved.
- The company is making efforts to improve the productivity of its sales team.



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Results Update

REC

Buy

Current Price INR 381

Guidance

- Loan growth of 12% can be reasonably achieved in FY26.
- Guided for spreads of 2.75%-3.0% and NIM of 3.5-3.75% in FY26

Financial Performance

- Robust sanctions: REC has sanctioned ~INR1t of loans. Distribution remains the largest area with 43% of the total sanctions made in 1QFY26.
- Disbursements were up 36% YoY to INR595b. Under distribution capex, special working capital loans have been sanctioned, wherein a discom can borrow up to ~35% of the revenue of the preceding year.
- Loan book stood at INR5.85t. Confident that its strong fundamentals will continue to drive strong growth in power finance. During 1QFY26, REC got INR150b of repayments (which included ~INR60b of pre-payments from NTPC and Adani). Adani has submitted four new projects for sanction. Some pre-payments were under the RBPF scheme, wherein discoms can make pre-payments at a three-day notice.
- Private sector is at ~13% of the total loan mix.
- NIM stood at 3.74% (vs. 3.64% in FY25).
- Currency translation losses of INR5.76b in 1QFY26. There were high derivative losses in the quarter. CHF got stronger against USD, which led to forex losses.
- The board declared an interim dividend of INR4.6/share in 1QFY26.

Asset Quality

- Resolved TRN Energy worth INR15.04b.
- Remaining 11 NPAs (worth ~INR61.5b) have PCR of ~77.05%, which are being resolved in NCLT.
- No NPAs in the state sector; standard loans PCR of 0.87%
- GNPA/NNPA declined to 1.05%/0.24%.
- During the quarter, TRN Energy, having outstanding loan of ~INR15.04b, was restructured. Accordingly, an amount of ~INR3.92b was written off with a corresponding reversal of ECL of ~INR2.72b.
- No new addition of stressed assets. Targeting to become a net-zero NNPA company by end of FY26.
- Total provision write-backs stood at INR6.17b: 1) regular new ECL provisions of INR2.95b, 2) provision reversal of INR6.05b for 10 gencos, where the rating was upgraded from C- to C, 3) change in LGD leading to provision reversal of INR1.25b, 4) additional provisions made for delay in COD at INR1.06b, and 5) provision reversal from restructuring of TRN Energy, which released ECL of INR2.72b, and 5) provision reversal from change in the ECL rate at INR160m.
- Standard loans PCR of 0.07% in Infra - E&M segment because these are government-guaranteed loans, which have much lower PD/LGD.
- Stage 1 PCR stood at 0.87% and Stage 2 PCR stood at 0.90%.
- New provisioning guidelines will be implemented, effective Oct'25. For under-construction projects, standard asset provisions will increase from 0.4% to 1.0%. These provisioning guidelines will be applied prospectively.

Status of resolution of stressed assets

- Hiranmaye Power, Sinnar Thermal and Bhadrashwar are in advanced stages of resolution and expected to get resolved in FY26.
- Global Metals and Bhavnagar are also in discussions with RECL.

- There are five assets under liquidation and are 100% provided for. What recoveries come from these assets will accrue to income.
- RECL expects additional provision reversals of INR7-8b over the next three quarters from the resolution of stressed exposures.

Yields and NIM

- In its loan book, ~28% of the loans are on a 3-year reset and ~48% on 1-year reset. On the liability side, ~20% of its borrowings mature every year.
- CoB will also decline. Even if there is compression in yields, REC will be able to maintain its spreads and NIM.
- In the renewables sector, REC's lending rate is a little bit on the lower side. Even in other segments, its pricing is competitive.

Infrastructure segment

- In infrastructure projects, funds are being disbursed based on the requests by the agencies. Under the MoU with the Maharashtra government, there will be some power and infrastructure projects.
- In this segment, RECL is only financing the projects that are self-revenue sustainable.

Others

- Capital adequacy ratio stood at ~24% as of Jun'25.
- Lowest cost of borrowings among comparable NBFCs; NIM improved to 3.74% from 3.64% in FY25.
- 40 out of 63 utilities have seen an improvement in AT&C losses. Health of utilities has been improving as the regulators are using timely tariff orders.
- REC is the implementing agency for RDSS and it is operating in 19 out of the 32 states.
- Sun-set date for the subsidy under the RDSS scheme is Mar'26. States have requested the government for the extension of the sun-set date.



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Shriram Finance

Buy

Current Price INR 616

Guidance

- Credit costs are expected to remain below 2% (as a % of total assets) for FY26.
- MSME loan growth moderated due to soft demand, but management expects a recovery over the next two quarters as rural demand improves.
- The company remains confident of achieving its FY26 guidance.
- The company targets an exit NIM of 8.5% by 4QFY26; full-year NIM may vary depending on 3Q and 4Q performance.
- Margin expansion is expected to be driven by lower borrowing costs.
- Overall performance is expected to show improvement from 2QFY26, backed by rural demand revival.
- Management expects excess liquidity to normalize over the next 4 to 5 months.

Liability management

- Total liabilities stood at ~INR2.43t, diversified across multiple instruments.
- Retail deposits witnessed a positive uptick during the quarter.
- Incremental cost of funds declined 49bp QoQ to 8.37% (vs. 8.86% in 4QFY25) and is expected to reduce further.
- Total cost of liabilities reduced ~7bp to 8.88% in 1QFY26 (vs. 8.95 in 4QFY25).
- The company has reduced deposit rates by 40bp from 1st Aug'25. The deposit rate now stands at 7.6% (vs. 8.5% at the start of FY26).

- 55% of deposits are from senior citizens; the company is comfortable offering marginally higher rates for long-term stable funding.
- Liquidity buffer remains elevated (equivalent to five months' repayment obligations), which will be normalized to ~3 months over the next 4 to 5 months to reduce the negative carry. The company aims to reduce around INR100b of excess liquidity over the next 4 to 5 months.
- Its focus is on repaying high-cost debt and slowing incremental borrowings to optimize cost.
- ~85% of the company's liabilities are fixed and will take some time to reprice, while 15% are floating and will benefit as banks reduce the cost of funds.

Asset quality

- GNPA stood at 4.53%, while NNPA was at 2.57%, indicating broadly stable asset quality. The company shared that there was no significant deterioration in asset quality.
- The increase in Stage 2 assets was seasonal in nature, primarily due to the early arrival of the monsoon in some parts of the country, which temporarily disrupted borrower cash flows. Management expects most of these accounts to roll back to Stage 1 over the coming quarters.
- Management does not expect any meaningful forward flow from Stage 2 to Stage 3, and views the current rise in Stage 2 as transient.
- Used CV and MSME segments continue to perform well with no major stress indicators, supported by healthy demand, especially in rural and semi-urban areas.

Business trends

- Demand for used CVs continues to remain strong, especially in rural and semi-urban areas, supported by healthy resale values and limited competition.
- Entry-level new car demand remains on the lower side, while demand for used cars is rising. New car sales are slowing as customers are shifting to SUVs and compact SUVs.
- Two-wheeler customers are increasingly aspiring to upgrade to entry-level cars or compact SUVs, leading to a shift in demand profile.
- LCVs, which underperformed last year due to weak rural economy, are expected to grow ahead of SCVs as rural activity improves.
- Trucking activity remains healthy with freight rates stable and no excess capacity.
- Used CV disbursements remain strong with stable asset values, and there are no signs of weakness in the trucking market.
- MSME loans now cover 2/3rd of the branch network, with plans to expand to the remaining branches. Within MSME, lending is largely done to trading segments (wholesalers, shopkeepers), with no stress visible in any of the segments. In MSME, the company does not lend to any manufacturing segment as such.

Financial performance

- Disbursements grew 13.1% YoY to INR418b.
- AUM grew 16.6% YoY and 3.4% QoQ to INR2.72t.
- NIM declined slightly to 8.11% (vs. 8.25% in 4QFY25), largely due to negative carry from excess liquidity.
- PAT grew 8% YoY to INR21.5b.
- GNPA stood at 4.53% and Net Stage 3 at 2.57%.
- Write-offs for the quarter stood at INR4.48b.

- Stage 2 increase was seasonal and linked to the early arrival of monsoon. The company remains confident of rolling back most Stage 2 accounts and expects improvement ahead.
- No forward flows are expected from Stage 2 into Stage 3 in the next quarter.

Macro commentary

- India's GDP grew at 6.5% in FY25, and similar growth is expected in the current fiscal.
- Consumer Price Inflation (CPI) is at its lowest in six years, while wholesale inflation fell to a 12-month low of -1.3%.
- Monsoon conditions have been broadly favorable, aiding rural sentiment.
- Rural consumption is expected to be a key driver in FY26.
- GST collections continued to grow healthily, reflecting sustained economic activity.
- In the auto sector, CV sales declined 0.6% YoY in 1QFY26. Within this, MHCV sales were down 2.3%, LCVs remained flat, PVs declined 1.4%, and 2W sales were down 6.2%, while 3Ws were flat and tractors grew 6.3%. Construction equipment (CE) recorded a marginal decline.

Other highlights

- Employee count stands at 79,186.
- Employee expenses were higher due to annual increments and bonuses.
- Commission expenses rose in line with an increase in deposit inflows.
- No DA assignments were done this quarter; the prior quarter had INR1.7b in DA commission income.
- Construction activity remained subdued due to monsoon; a pickup is expected in Sept-Oct.



Click below for
Results Update

The screenshot shows a research report for Spandana Sphoorty. It includes a table with financial data for FY25 and FY26, and a section titled 'Guidance'.

Parameter	FY25	FY26
Revenue (INR Cr)	1,200	1,300
Operating Profit (INR Cr)	150	180
Net Profit (INR Cr)	100	120
EPS (INR)	10	12

Guidance

- FY26 will be a rebuilding year, with a focus on process improvements for higher efficiency and lower operating costs.
- Targeting 20% AUM growth for FY26.
- Profitability to remain under pressure for one more quarter; recovery expected thereafter.
- From H2FY26, substantial improvement in AUM and disbursement growth expected, though 2Q will remain stressed.
- Emphasis on ground-level operational efficiency: 81 branches have been merged; AUM will be run down to reduce costs. Staff will be replenished only in geographies with proven productivity.

Spandana Sphoorty

Buy

Current Price INR 247

Guidance

- FY26 will be a rebuilding year, with a focus on process improvements for higher efficiency and lower operating costs.
- Targeting 20% AUM growth for FY26.
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- From H2FY26, substantial improvement in AUM and disbursement growth expected, though 2Q will remain stressed.
- Emphasis on ground-level operational efficiency: 81 branches have been merged; AUM will be run down to reduce costs. Staff will be replenished only in geographies with proven productivity.

Asset Quality & Credit Costs

- MFI portfolio trending towards stability.
- Stricter controls introduced: compulsory house visits before disbursements, e-signing for faster processing, and other onboarding improvements.
- About 50% of active and dormant customers are eligible for fresh loans under tighter credit norms.
- GNPA at 5.5%; NNPA at 1.15%.
- Forward flows into the GNPA bucket remain elevated, but current bucket CE improved to 98.5% in July; forward flows are expected to remain elevated for 1–2 quarters, with deceleration in forward flows from 3Q/4Q onwards.

- On a BAU basis, MFI credit costs will be 2.5–3%. Digital collections have improved to 14% from 3–4% earlier.

Collections

- A 500+ member collection team recovered INR410m from overdue accounts this quarter, complemented by tele-calling efforts.
- Digital payment solutions are implemented to improve customer service and extend collection windows.
- Collection efficiency is improving in the top five states.
- X-bucket collection efficiency at 97.9% vs 98.6% in Mar'25—dipped in April/May but has normalized in July.
- Current bucket collection efficiency of the loans source post implementation of MFI Guardrails 2.0 stood at ~100%.

AUM

- Disbursements of INR 2.8b in the quarter; July alone saw INR 2.7b. Strong momentum continues into August, with the first two weeks exceeding July's pace.
- AUM at INR 49.5b, down ~58% YoY; targeting 20% growth in FY26.

Liquidity

- Liquidity at INR 17.3b; CRAR at 40.8% as of Jun'25.
- Post-rights issue, CRAR rises to 46%.

Financials

- NII stood at INR 1.3b, down 37% QoQ and 70% YoY, impacted by AUM decline and interest income reversals.
- Operating loss came in at INR590m vs. an operating profit of INR 250m in 4QFY25.
- Yields dropped to 19.4% from 20.4% in 4QFY25, while CoB rose ~20bp QoQ to 12.3%.
- Net loss of INR 3.6b was reported due to elevated provisions and technical write-offs.
- NIMs contracted 250bp QoQ to 8.2%.

Others

- It successfully completed the INR4b Rights issue, with incremental participation from institutional investors.
- Weighted average loan maturity is 6-7 months (never beyond 9-10 months under normal conditions). Profitability is expected to improve after one more quarter of stress.
- Spandana +>=3 earlier accounted for 30% of GNPA.
- Loan disbursement interval extended: previously 6 months after the first loan, now 12 months. Current mix: 85% loans for 2 years, 15% for 12–18 months.
- New leadership appointment expected within 30–45 days; candidates are being considered internally and externally.
- Promoter Kedaara holds 48.2% stake (41% via Fund 1, remainder via Fund 3), with holdings broadly unchanged after the Rights issue.

INSURANCE



- The life insurance players reported a slowdown in premium growth, affected by a slowdown in the ULIP momentum and a high base. During 1QFY26, the life insurance industry witnessed APE growth of ~7% YoY, driven by ~10% YoY growth reported by private life insurers, while LIC grew ~2% YoY. The shift in product mix towards traditional products from ULIPs led to a strong expansion in the VNB margin across the industry. Management teams across players guide a further expansion of margins led by 1) an increased shift in product mix towards par and non-par products, 2) a higher contribution from high-ticket-size products, 3) a higher sum assured and better rider attachment rates, and 4) an improvement in persistency. The general insurance industry's growth remained subdued, with partial recovery in the motor segment offset by the impact of 1/n regulation on the health segment. Recovery in auto sales and capex are key monitorables for growth prospects among general insurance players.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	1QFY26 Highlights
HDFC LIFE	■ VNB margins are expected to remain range-bound due to slower growth and reinvestment of surplus into distribution expansion and fixed cost absorption. ■ Growth in 2H to outpace 1H; however, full-year FY26 growth is likely to come in below FY25 levels. ■ Non-par product mix to rise to the mid-20s, while the share of par products is expected to decline to ~25%.	■ While the counter share in the parent bank remained stable, strong growth from other bank partnerships and ongoing digital integration with the parent bank will support a better channel mix in 2HFY26. ■ The share of ULIPs remained stable despite expectations of a slowdown, aided by favorable market conditions. The Credit Protect segment showed signs of recovery.
SBI LIFE	■ Mid-teen APE growth, supported by new non-par and protection product launches. ■ Product mix shift toward non-linked products, higher sum assured and improved rider attachment are expected to drive VNB margin expansion to 26-28%. ■ Credit life to maintain 20-25% YoY growth, backed by 10-15% YoY growth in home loans and better attachment rates.	■ Pivot toward a margin-accretive product mix, with the agency channel already achieving this shift. Similar progress is visible in the bancassurance segment. ■ Group protection reported robust growth, led by credit life (up 25% YoY), while GPI growth was also in double digits. ■ Margin expansion was supported by an increased share of non-par and protection products, along with improved rider attachment rates, which rose to 40%.
ICICI LOMBARD	■ If the pricing improves, the company can consider scaling up its market share in the group health segment. ■ Pricing discipline is expected to support improved profitability in the commercial lines' portfolio in the coming quarters.	■ Prioritizing profitable growth, which has led to slower motor growth (industry combined ratio is over 120%). ■ Retail health continued to demonstrate robust momentum, accompanied by steady gains in market share.
STAR HEALTH	■ Pricing actions, underwriting strategy, and reducing pressure from claim frequency and severity will drive an improvement in the company's loss ratio trajectory in the coming quarters. ■ Annual price increases are expected to continue, especially in low-profitability segments.	■ Assure and Super Star together contributed 80% of new business, and multi-year policies, though just 8% of volumes, contributed 30% of fresh business. The flagship FHO product comprises 30% of the overall book. ■ Digital business saw a sharp rise, contributing 20% of new business (vs. 12% in 1QFY25). Banca contributed 7%.
NIVA BUPA	■ Confident about achieving the EoM regulatory threshold within FY26, while the claims ratio is expected to recover in subsequent quarters. ■ High single-digit price hikes are expected, with a 7% increase already taken in one of the flagship products during 1QFY26.	■ Claims auto-adjudication was temporarily suspended, which impacted claims processing. ■ The improvement in expense ratio was driven by tighter control on discretionary spending and operational leverage. ■ Retail IFRS loss ratio was at 68%, and group loss ratio at 61%.

LIC

- Premium growth to recover in 2HFY26 and the focus remains on absolute VNB growth.
- VNB margin improvement will be driven by product mix shift toward non-par, cost optimization, higher contribution from high-ticket size products, and improvement in persistency.
- Across lines, VNB margins have either stabilized or improved, with the most notable gains in the individual non-par segment.
- While agency productivity in terms of number of policies has moderated, the average ticket size has risen 23% and sum assured has increased 15%.



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HDFC Life

Buy

Current Price INR 796

Business performance

- 1QFY26 started on a strong note with healthy growth in top-line, value of new business, and stable margins.
- The company continues to focus on enhancing channel economics through a multi-pronged strategy—diversifying the product mix, driving cross-sell and upsell, leveraging the bank's digital assets, and improving customer experience.
- Management guides for H2 growth to be better than H1, but on an overall basis, the growth for FY26 would be lower than FY25 growth.
- The company outperformed both the overall industry and the private sector, leading to a 70bp increase in overall market share to 12.1%, marking a new milestone.
- ~70% of new customers acquired in 1QFY26 were first-time buyers, with a presence across Tier 1, 2, and 3 cities. Growth during the quarter was driven by higher average ticket sizes and increased traction in select unit-linked and par products.
- Retail sum assured grew in double digits and recorded a 30% CAGR over two years. The company maintained its leadership position in overall sum assured, reinforcing its market leadership in protection.
- 117 branches were added in FY25, bringing the total to 658. Branches opened in the last 18 months now contribute a high single-digit share, in line with the company's expectations. The focus remains on improving branch-level profitability.
- A decline was observed in 13th month persistency, driven by a reduced proportion of large-ticket policies due to changes in taxation.
- 61st month persistency improved across cohorts, supported by stronger retention in long-term savings products.

Product mix

- The par segment gained momentum during the quarter due to new product offerings and the re-launch of the existing retirement product.
- The non-par savings mix saw a temporary dip during the quarter due to an irrational pricing environment. However, it is expected to recover going forward, leading to favorable growth in margins.
- Management expects the non-par product mix to rise to the mid-20% range, while the share of par products is expected to decline to around 25% during the year.
- The share of ULIPs remained stable despite expectations of a slowdown (though lower than the industry), aided by favorable market conditions. Management indicates a gradual shift in focus toward traditional products.
- The credit protect segment showed signs of recovery, supported by higher disbursements, better attachment rates, and entry into new lending segments.

The MFI segment remains strong, with the pace of decline among larger partners easing, supported by a more stable regulatory landscape and a favorable base effect.

Margins:

- The 30bp margin impact due to surrender charges was offset by an improved product mix.
- Management continues to reinvest margin gains into expanding distribution and absorbing fixed costs. Margins are expected to remain range-bound for the year due to slower expected growth, but are projected to expand over the longer term.

Financial:

- PAT grew 14% YoY in 1QFY26, driven by 15% growth in back-book profits.
- Renewal collections registered robust growth of 19% YoY during the quarter.

Distribution

- Management expects consistent growth across all distribution channels.
- ~23k new agents were added in 1QFY26, reflecting strong recruitment momentum. Continued agent additions and investments in the agency transformation program are expected to support growth in the channel.
- The agency channel delivered a 10% CAGR over two years following the surrender regulation changes, maintaining a healthy double-digit protection mix and profitable growth despite uneven trends in the broader industry.
- The counter share in the parent bank remained stable, while other bank partnerships recorded healthy growth.
- Digital integration with the parent bank is expected to support an improved product mix in 2HFY26.

Others

- On the regulatory front, the company remains aligned with the broader vision and continues to proactively strengthen disclosures, sales practices, and customer experience.
- It believes that balanced regulation will support long-term growth and deeper penetration, especially as bancassurance and open architecture emerge as key enablers for expanding insurance access
- MSCI has upgraded the company's ESG rating from A to AA, making it the highest-rated insurer in India.



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ICICI Lombard
Buy
Current Price INR 1,969
Industry trends

- The government's ongoing emphasis on infrastructure development, a healthy banking sector, and capacity utilization levels that are currently exceeding historical averages point to a favorable outlook for the Commercial Lines segment over the coming quarters.
- In the auto segment, data released by SIAM indicated a YoY decline of 1.5% in PVs and 7.2% in 2Ws during 1QFY26. CVs posted a healthy 7.0% YoY growth, primarily driven by the strong performance of the electric 3W category. With the monsoon expected to be normal, management expects rural demand to improve further.

- Health insurance continues to dominate the industry product mix, accounting for 40.2% of GDPI in 1QFY26, benefiting from structural tailwinds like rising employment activity and increasing medical inflation. However, overall industry growth moderated due to the adoption of the 1/n accounting.
- Industry players that pursued aggressive pricing strategies have seen deterioration in their combined ratios, with 50% of the companies not adhering to EoM limit. In contrast, ICICIIGI remains focused on maintaining underwriting discipline.

The screenshot displays the 'ICICI Lombard' financials page on the Motilal Oswal platform. It includes a table with columns for 'QoQ', 'YoY', and 'FY' (FY25, FY26). The table lists various financial metrics such as 'Premium Income', 'Claims Paid', 'Operating Profit', and 'Net Profit'. Below the table, there is a section titled 'Key Highlights' with bullet points summarizing the company's performance and strategic focus.

Motor segment

- The Motor segment continues to face profitability pressures. The industry has recommended a hike in motor TP premium rates, marking the first major proposal in four years, and some optimism exists regarding approval of the same.
- ICICIIGI is consciously prioritizing profitable growth, which has led to relatively slower expansion in a highly competitive market, which has a high combined ratio of over 120%.
- In terms of portfolio mix, the composition for 1QFY26 was: Private Cars – 54.8%, Two-Wheelers – 27.0%, and Commercial Vehicles – 18.2%. compared to 51.5%, 26.0%, and 22.5%, respectively in 1QFY25.

Health insurance segment

- Retail health continued to demonstrate robust momentum, accompanied by steady gains in market share. This was supported by consistent product innovations and strengthening of distribution capabilities.
- Share of long-term health policy is reviving as the industry has been unified on payout of commissions.
- Group health witnessed YoY decline, which was attributed to muted activity in the group benefit space, primarily due to subdued credit disbursement and the impact of 1/n accounting. If the pricing improves, the company can consider scaling up market share in this segment.
- The retail health loss ratio increased slightly to 74.3% (vs. 72.5% YoY), while the group health loss ratio improved to 95.7% (vs. 97.9% YoY). Management expects retail health performance to improve gradually, aided by the "Elevate" product, and aims to end FY26 with a retail loss ratio in the 65-70% range.
- The company continues to focus on retaining its existing customer base while expanding into the underserved population of first-time insurance buyers. Notably, the proportion of portability-driven business in the retail mix declined YoY.

Commercial lines

- The Commercial Lines segment is witnessing improving pricing trends at the industry level, though price movements vary across sub-segments. ICICIIGI remains focused on driving profitable growth through prudent risk selection and leveraging its wide-reaching distribution network.
- While there is still intense competition, the overall pricing environment is showing signs of rationalization. The most aggressive pricing behaviors seen in previous quarters have started to moderate, and insurers across the board are increasingly pricing risks more appropriately. This pricing discipline is expected

to support improved profitability in the Commercial Lines portfolio in the coming quarters.

- The fire insurance segment, which typically sees bulk of premium booking in 1Q, could still witness incremental growth in the coming quarters. Last year, discounting in this segment intensified with each successive quarter, which can now contribute to premium growth for the coming quarters.
- On the aviation front, the recent claim linked to the Air India incident has been fully provided for in the company's financials, in line with actuarial assumptions and reserving standards.
- Activity in the crop insurance segment remains muted. Most tenders and contracts are expected to come up for bidding only in the next financial year.



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ICICI Prudential Life

Buy

Current Price INR 633

Business overview

- The life insurance industry witnessed muted growth in retail premium during the quarter. As a result, IPRU Life, which had delivered strong growth last year on the back of ULIP momentum, saw the impact of market volatility and a high base effect play out this quarter.
- While market movements remain uncontrollable, the company is focused on driving new business and improving renewal growth—both of which are expected to naturally lead to higher AUM over time.
- Although the base effect may continue to weigh on quarterly growth, management emphasized that its focus remains on operating in a way that sustains VNB growth. It remains confident about delivering growth over the next nine months, aided by operating leverage and cost efficiencies.

Persistence trends

- The 13th month persistency declined YoY, attributed to product-channel combinations.
- The 61st month persistency was also impacted by regulatory changes that extended the revival period for both linked and non-linked policies. Importantly, the high persistency witnessed in June 2024 (which benefited from pre-tax-change sales in March 2023) has normalized in June 2025, as expected.

Product mix dynamics

- The company saw a shift in favor of non-linked products, driven by equity market volatility. The non-linked business is now split equally between participating and non-par products.
- IPRU launched Smart Insurance Plan Plus, an affordable ULIP offering, to cater to customer segments that continue to demand ULIP products despite short-term market uncertainty.
- Retail protection continues to gain momentum, supported by the launch of iProtect Smart Plus, which provides an immediate death benefit upon claim.
- In the credit life segment, growth remained flat YoY as the MFI segment slowed down in line with broader industry trends. Management expects a gradual recovery here.
- Annuity remains a strategic focus area but witnessed a decline due to high base. With declining FD rates, single premium annuity products have become more attractive, leading to signs of recovery.

- New guaranteed product launched at the end of FY25 has also gained good initial traction, reflecting continued customer preference for regular, consistent, and guaranteed income.
- ULIP demand trajectory remains similar to 1QFY26, and the company does not anticipate a sharp rebound like last year. Management noted that affluent customers typically pause or take a conservative stance during market volatility rather than immediately returning to ULIP. Nonetheless, it expects demand for ULIPs to return over time, while guaranteed products are likely to retain their appeal.
- In group term, while pricing competition remains intense during some quarters, the volume of deal activity is high. Being part of these discussions positions the company well for granular growth even in a competitive environment.

Channel performance

- Proprietary channel performance was impacted by the increased share of annuity sales and a broader customer shift away from linked products. Management views this as a temporary phenomenon, with these channels having the capability to pivot across product categories depending on market dynamics.
- The agency force now exceeds 240,000 agents, with a wide geographic presence. Management is confident that as micro-market penetration deepens, the ability to toggle between product segments will become more seamless.
- Agency channel growth was particularly strong in 1QFY25 (70%+), aided by ULIPs and annuity launches. However, due to higher average ticket sizes in ULIPs and weak equity sentiment, growth in 1QFY26 has been muted. The company continues to focus on expanding its advisor base and enhancing agent productivity, with no fundamental concerns in the channel.
- In bancassurance, ICICI Bank accounts for ~50% of the channel and ~15% of total business. This segment is skewed towards protection and annuity, in addition to ULIPs. The weak ULIP performance in 1Q affected ICICI Bank's contribution, leading to flattish growth.
- All savings product categories are fully available across banca partner branches, and the company believes it is well-positioned to compete across segments given the strength and breadth of its partnerships.

VNB margin and profitability

- VNB margin movement during the quarter was driven by a shift in product mix towards non-linked products and a higher share of protection business.
- The company is undertaking cost optimization initiatives to build a leaner operating structure, and the benefits are already visible. Total expenses declined by 4.4% YoY, even as premium income grew, leading to an improvement in the cost-to-premium ratio.
- Strategically, the company is also focusing on driving longer tenure policies, higher rider attachment, and increasing sum assured multiples to enhance product-level profitability.
- IPRU Life remains well within the Expense of Management (EoM) regulations for both participating and non-par segments. While it continues to invest in manpower, the company is also pruning non-essential work and realigning teams as needed.

- Cost structures are being fine-tuned in line with anticipated product mix trends, providing flexibility amid evolving demand. Management reiterated that the priority remains on growing VNB in absolute terms. Cost savings are expected to materially support profitability, especially in the savings business segment.

EV

- Excluding the COVID period, there has been no material shift in mortality assumptions. The company relies on its onboarding and underwriting processes, which are supported by robust data models, to manage mortality risk. These efforts have contributed to a decline in early claims, reinforcing confidence in their underwriting framework and EV assumptions.



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Life Insurance Corporation

Buy

Current Price INR 899

Business highlights

- LIC's individual and group market shares stood at 38.76% and 76.54%, respectively (vs. 39.27% and 76.59% in 1QFY25).
- The number of policies sold declined 15% YoY, impacted by changes in surrender value regulations; however, this also led to a shift toward higher ticket-size products. Growth is expected to pick up meaningfully in 2HFY26.
- Policy sales via the Ananda app rose 39.4% YoY, reflecting progress in digital adoption.
- Several steps have been taken to improve margins: (1) rising proportion and demand of non-par products, which carry higher margins; (2) redesigning of non-par guaranteed products following IRDAI regulation changes, and (3) a shift toward high-ticket products with stronger persistency and profitability.
- The company's dividend payouts have increased consistently from INR1.5/share in FY22 to INR12/share in FY25 and this trajectory is expected to sustain. LIC aims to maintain solvency in the 1.8-2.0x range, balancing growth ambitions with potential regulatory changes that could impact solvency.
- Economic assumptions were impacted (50-75bp) by interest rate changes, while operating assumptions contributed positively owing to expense efficiencies and improved long-term persistency. Mortality experience remains stable, with a favorable effect from higher ticket-size products.
- Individual VNB margin improved to 23-24% in 1QFY26 from 21% in 4QFY25.
- Monthly premium mode accounts for 10-15% of policies.
- LIC is leveraging a combination of workforce rationalization and technology for cost optimization. The goal is expense optimization rather than outright reduction.
- Digital transformation is in focus, with AI/ML being integrated into the decision-making process across all departments. The company is also working with fintech partners to enable seamless digital services and it aims to remain competitive on the digital front.
- LIC is currently evaluating a health insurance foray through the acquisition of a stake in a standalone health insurer. However, this is contingent on further regulatory developments expected on the composite license proposal.
- The government's stake in LIC is targeted to come down to 90% by 2027, with dilution expected in tranches.

Product mix and VNB margin

- ULIP witnessed strong growth due to a low base, while savings and annuity had a higher base. While non-par product margins were the highest, par product margins improved due to repricing. Strong ULIP growth led to a robust increase in absolute VNB resulting in margin improvement.
- Management remains focused on scaling up the non-par business, which will support continued improvement in overall VNB margins. While margin improvement remains an objective, business growth and customer demand remain the key priorities. Improved longevity assumptions and a stronger focus on protection in the group business have also supported VNB margin improvement.
- Group business VNB margin varies by product but is higher in the assurance segment. Group business contributes ~30% of overall VNB and remains a strategic segment, especially on the assurance side.
- Annuity products are expected to gain relevance as the senior citizen population rises. Cross-selling and upselling opportunities remain strong, and the company's strategy is to sell customer-centric solutions.
- Across the lines, VNB margins have either stabilized or improved, with the most notable gains in the individual non-par segment.

Distribution

- LIC added 61,000 agents over the past year, maintaining its agent market share at 47.11% (vs 48.64% in 1QFY25).
- While agency productivity in terms of number of policies has moderated, the average ticket size has risen 23% and sum assured has increased 15%. The company expects policy count-based productivity to improve going forward.



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Max Financial Services

Neutral

Current Price INR 1,645

Business highlights

- Management expects the gap between Adjusted First Year Premium growth and APE growth to narrow down to 2-4% going forward. The higher delta between the two is largely due to moderation in the e-commerce channel amid market volatility, impacting ULIP sales.
- The company launched its in-house developed Axis Max Life app to integrate life insurance with wellness offerings. The app is expected to enhance customer engagement, NPS, and persistency, while also supporting cost efficiencies. It focuses on enabling real-time service and cross-selling opportunities.
- The Insurance Bill is expected to be presented in the upcoming Parliament session. Once approved, it will allow for mergers between life and non-life insurers (with the IRDAI nod).

VNB margin

- The management reiterated confidence in achieving 24–25% VNB margin guidance for FY26. Any upside is likely to be reinvested into business growth.
- After the surrender regulation changes, multiple initiatives were undertaken to mitigate margin impact.
- A newly launched non-par savings product, repricing actions, and maintained momentum in rider attachment aided margin expansion. However, some product segments saw pressure due to design changes.

Product mix

- Strong opportunity seen in the underpenetrated protection segment, where growth is expected to outpace the industry.
- Focus remains on maintaining a balanced product mix across proprietary and bancassurance channels to keep overall margins stable.
- New product launches typically contribute ~50% of new business for that segment.
- Higher non-par mix has led to an elevated new business strain.
- Core protection business grew 26% YoY, while health product saw a decline post 01st Oct'24 regulatory changes that made certain benefits less attractive for consumers.
- Rider additions across ULIP, par, and non-par segments are enhancing sum assured and aiding margin evolution.

Distribution

- 15 new partners added to strengthen distribution, leading to non-Axis bancassurance APE growth of 54% YoY.
- The insurer maintains leadership in the online space, though online APE remained flattish due to a high ULIP base in the prior year.
- Agent productivity rose 4% YoY in terms of active agents.
- Product mix with Axis Bank is being optimized, leading to 20%+ growth in policies, offsetting the impact on growth due to the shift away from ULIPs. Wallet share in Axis Bank remains stable at 65–70%.

EV

- The 13th month persistency saw some pressure due to high ticket size base and economic stress, though efforts continue on improving collections.
- EV movement saw a positive non-operating variance, largely driven by favorable interest rate movements. Operating variance was also positive, though of a smaller magnitude. Unwind rate moderated from 8.4% to 8.3%.



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Niva Bupa

Buy

Current Price INR 85

Industry initiatives

- An industry-wide awareness campaign focused on health and motor insurance has been initiated, which is expected to be a game-changer in driving urgency around health insurance purchases.
- An empanelment initiative is underway, with 1,500 applications received to join the industry panel. The objective is to establish common agreements and uniform tariff structures across the board.
- There is a strong movement toward evidence-based medical practices. Given the expected spurt in infections post-monsoon, the industry has collectively defined treatment protocols that should enhance customer experience and reduce unnecessary medical interventions.

Business highlights

- Niva Bupa reported 28% YoY growth in 1QFY26, excluding the 1/n impact, with retail health growing at 32%. A large portion of this growth was volume-led, as ticket sizes have remained stable.
- IFRS PAT rose to INR700m from INR360m in 1QFY25. The combined ratio improved to 103.2% (vs. 103.9% in 1QFY25), with a better expense ratio offsetting a rise in claims ratio. The improvement in expense ratio was driven by



tighter control on discretionary spending and operational leverage. The company remains confident about achieving the EoM regulatory threshold within FY26.

- Retail health market share stood at 10%.
- A chronic condition management program was launched in 1QFY26 through the app, aimed at bending the cost curve on claims arising from chronic conditions by promoting better lifestyle and medication adherence to avoid hospitalization.
- The company is updating its core system to an Oracle stack, marking a significant transformation in its technology infrastructure. AI capabilities have also been strengthened to enhance customer experience and call quality.
- The bancassurance channel grew over 20% YoY.

Claims

- Claims auto-adjudication was temporarily suspended, which impacted claims processing. The share of cashless claims settled within 30 minutes dropped to 76% (from 90%), resulting in a build-up of outstanding claims. This is expected to normalize in the subsequent quarters with third-party information security reviews now complete.
- Higher reserves were held on a prudent basis and will be monitored in the coming quarters. Auto-adjudication resumed in 2QFY26, and no abnormalities have been seen so far.
- Retail IFRS loss ratio was at 68%, and group loss ratio at 61% (vs. 66% and 58% respectively in 1QFY25). The increase in group claims ratio was due to a mix shift towards the corporate segment from B2B2C.
- Excluding the 1/n impact, the increase in loss ratio was partly due to the 50:50 accounting method in a few group accounts, where premiums were not fully earned while claims had already occurred.

Product mix

- The portfolio mix stood at 67% from retail health, 31% from group health, and 2% from travel and PA.
- High single-digit price hikes are expected, with a 7% increase already taken in one of the flagship products in 1QFY26.
- Fresh business accounted for 40% of sales, with the balance coming from renewals.
- The company continues to focus on the SME segment across all distribution channels. While corporate group business is also being written, it is pursued only where pricing is deemed reasonable.
- No material changes have been observed in price sensitivity in the SME segment. In the rest of the group business, growth continues to be driven by the selection of profitable opportunities.



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SBI Life Insurance

Buy

Current Price INR 1,858

VNB and profitability:

- The shift in VNB during the quarter was primarily driven by a change in the product mix toward higher-margin traditional products, compared to the mix in 1QFY25.
- Margin expansion was supported by an increased share of non-par and protection products, along with improved rider attachment rates, which rose to 40%. Management aims to further increase attachment rates by extending rider offerings to existing policies (currently only offered on new policies).

- Despite opening a similar number of branches as last year, the company reported largely stable opex margins YoY, aided by improved productivity.
- While there was a marginal increase in cost ratios due to new branches and investments in digital infrastructure, the company expects opex ratios to remain within 6-6.5% for the full year.
- SBILIFE maintains a guidance of 26-28% for VNB margin in FY26.

Product mix:

- SBILIFE continues to pivot toward a margin-accretive product mix, with the agency channel already achieving this shift. Similar progress is being made in the bancassurance segment, with ULIP contribution declining 2%, backed by the company's focus on further increasing the non-par share.
- Group protection reported robust growth, led by credit life (up 25% YoY), while GPI growth was also in double digits. Management expects credit life to maintain 20-25% YoY growth, backed by 10-15% YoY growth in home loans as well as better attachment rates. However, GPI growth may moderate due to its inherently lumpy nature.
- The company reaffirmed its full-year guidance of mid-teen APE growth, supported by non-par and protection product launches.

Channel performance:

- The company added 31,000 agents on a gross basis and opened 36 new branches during the quarter, reflecting a continued focus on scaling the agency channel.
- While agency growth was slightly below internal expectations, the product mix achieved was in line with strategic goals, and agency productivity is expected to improve over the next nine months.
- The bancassurance channel saw a sequential pickup in June due to the mobilization of field staff, with management confident of delivering stronger performance in the coming quarters.
- SBILIFE currently works with 14,000+ branches of partner banks, of which 10-20% are active monthly. The company aims to improve activation levels to unlock higher growth.
- The digital/online channel accounted for 14% of APE, with robust YoY growth in individual (+46%) and protection (+58%) businesses. This reflects the company's broader strategy to diversify beyond agency and banca by investing in a scalable online platform.

Persistency trends:

- The 49th-month persistency ratio declined due to a specific legacy cohort that has been underperforming for several years. This will also impact the 61st-month persistency ratio in the upcoming period.

EV:

- Improvement in equity market conditions led to a positive impact on IEV. RoEV was healthy, driven by both unwinding and mark-to-market gains.



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Star Health

Buy

Current Price INR 436

Financial Performance

- Excluding 1/n accounting, retail health premium grew 18% YoY, driven by a robust 25% YoY growth in fresh business.
- GWP persistency remained best-in-class at 98% on a value basis, while volume persistency stood at 84-85%, with an improving trend across all customer cohorts highlighting strong customer loyalty and brand equity.



- IFRS expense ratio declined to 30.1% from 31.1% in 1QFY25, while combined ratio rose marginally to 99.6% (from 99.2% in 1QFY25) due to an increase in loss ratio to 69.5% (from 68.1% in 1QFY25).
- Claim settlement ratio improved significantly to 90% from 85%, and management indicated that pricing actions, underwriting strategy, and recalibration measures undertaken earlier should start reflecting in lower loss ratios in the coming quarters. The company also highlighted an improving trend in both claim frequency and severity.
- The equity proportion in AUM increased from 10% to 15% in Mar'25 and currently stands at 17.5%. Management expects this to result in stronger investment yields over a rolling three-year horizon.
- While the earlier guidance of doubling its IFRS revenue may be impacted by the strategic realignment of the corporate portfolio, the IFRS profitability guidance remains unchanged.

Product Strategy

- The company continues to pursue disciplined pricing with multiple affordability levers for customers, including network-based discounts.
- Over 65% of the book underwent price correction last year, and annual price increases are expected to continue, especially in low-profitability segments.
- Group health loss ratio was at 85.1%, while retail health was at 65.5% for the quarter.
- SME business now contributes 65% of the corporate channel (vs. 40% in 1QFY25).
- Assure and Super Star together contributed 80% of new business, and multi-year policies, though just 8% of volumes, contributed 30% of fresh business. The flagship FHO product comprises 30% of the overall book.

Distribution mix

- Agency network expanded to 781,000+ agents. Despite lower focus on portability (10% of business), agency fresh business still grew 16% YoY.
- Digital business saw a sharp rise contributing 20% of new business (vs 12% in 1QFY25), with 73% YoY growth in digital fresh premiums. Of the digital channel, 70% is direct and 30% is through partners. Multi-year policy uptake has also been strong in this channel.
- Bancassurance contributed 7% of total business, and the company expects better profitability from banca going forward due to a sharper focus on the preferred product mix. The share of preferred products in fresh banca business has improved to 92% from 74%, with over 20% growth in this segment.

HEALTHCARE



- The domestic formulation-focused companies highlighted that they are gearing up for obesity/ diabetes drugs from the peptide family. Companies indicated that they would be focusing on the marketing part of the value chain for India/EM markets. They indicated that the manufacturing aspects can be outsourced and the medicine can be made available at the time of market formation. Having said this, the acute therapies continued to show some weakness due to adverse seasonality, according to the management teams.
- In the CDMO segment, while management continues to witness increased inquiries, the conversion to commercial benefit may take time due to volatility in the funding for small innovator companies and low clarity on the tariff aspects from the US. Management teams have been upgrading their technology platforms to expand the coverage service for innovator pharma companies.
- In the US generics, management indicated an increased recalibration of R&D towards a complex product pipeline in the areas of injectables, respiratory, nasal sprays, and peptides. The pace of filings is reducing gradually to focus on select products.
- Despite geopolitical volatility on the policy front, companies continue to invest in R&D as well as manufacturing capacities/capabilities to benefit from the industry tailwinds.
- On the hospital side, companies indicated their strong focus on adding beds either at existing sites or entering newer, economically viable locations. Management teams indicated that the companies are implementing efforts to revive international patient flow from countries without any political unrest. They also reported increasing operational efficiency by optimizing case mix, payor mix, and average length of stay (ALOS). Overall, companies have been selectively positive and executing strategies based on their strong skill sets to benefit in the pharma as well as the hospital domains.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Other key Updates
Aurobindo Pharma	■ ARBP maintains its EBITDA margin guidance of 20-21% for FY26. ■ It is confident of improving the profitability of Lanett after the acquisition, with synergy in the portfolio and better operational efficiency of Lanett's manufacturing facilities. ■ Pen-g prices are currently at USD20 per unit. ARBP can achieve break-even at these levels from in-house manufacturing. ■ The company is confident of achieving EUR1b in revenue in FY26 from its EU business.	■ ARBP is re-scaling the production at its PEN-G plant with encouraging yield after the clearance from the pollution control board. ■ It is gearing up for launch quantities of approved biosimilars for EU/UK markets; adding two bioreactor production lines to be fully operational by 3QFY26. ■ ARBP plans to add two 15KL bio manufacturing lines under contract with Merck Shape and Dohme. ■ Eugia III remediation sales recovered to pre-USFDA levels. ARBP has invited the USFDA for re-inspection, and a favorable outcome would enable product approvals from the site, boosting sales prospects.
Cipla	■ Cipla maintains its EBITDA margin guidance of 23.5-24.5% for FY26. ■ It aims to achieve revenue of USD1b in FY27. ■ While YoY growth in the Rx segment in India was muted in 1QFY26, Cipla is confident of delivering stronger growth over the next three quarters.	■ Cipla's first biosimilar is set to launch soon in the US market. The company is implementing an in-licensing strategy in this segment over the medium term. ■ It plans to invest USD100m in the biosimilar segment over the next 2-3 years.
DRRD	■ DRRD intends to sustain double-digit YoY growth in DF segment. ■ FY26 GM is expected to remain the same as the 1QFY26 level at 57%. ■ ETR for FY26 is projected to be around 25%. ■ R&D expenses for FY26 would be in the range of 7-7.5% of total sales. ■ PLI income is expected to be minimal in FY26 and scale up in FY27-28.	■ DRRD filed/launched 1/5 products in NA during the quarter. ■ Work on phase III trials related to abatacept is on track, with read-out expected in Nov'25. DRRD intends to launch the product in CY27. The subcutaneous version is expected to be launched a year later. Both launches are subject to timely approval for the US market.

Gland Pharma	- For FY26, Gland guides for mid-teens YoY growth in revenue and EBITDA margin of 24-25%. - Cenexi achieved EBITDA breakeven in 1QFY26; 2Q may see a dip due to the summer shutdown, but profitability should improve in the subsequent quarters with strong orders and lower downtime.	- Business from collaboration with DRRD to start in 2Q. - In 1Q, Gland filed 1 ANDA and received 9 approvals, and had 12 launches in markets related to base business. - Gland sees g-Dalbavancin as a potential opportunity for the US market from Sep'25 onward. CMS contract for US/EU markets would also support growth in those markets for FY26.
Sun Pharma.	- SUNP maintains its R&D spending guidance of 6-8% of sales for FY26. - ETR is expected to be 25% for FY26.	- With Ph-III completed for psoriatic arthritis, SUNP plans to file Illumya for this indication by CY25 end. - SUNP launched four products in the US in 1Q. - It plans to launch Unloxcyt in 2HFY26. It has recently launched Leqselvi and seen encouraging prescriptions.
Divi's Lab	- DIVI has been experiencing pricing pressure in its base portfolio. It has been able to offset this impact due to backward integration and leading volume market share in certain products. - Its gadolinium-based contrast media project is undergoing pilot study and qualification. It would take about 18 months to witness commercial benefit from this project.	- DIVI is on track for three major projects with a total investment of INR20b. The business from these projects is related to molecules just commercialized by innovator and certain molecules that have finished clinical trials and are ready for commercialization. - DIVI has secured contracts as a second-source supplier for multiple phase II/III molecules.



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Ajanta Pharma

Buy

Current Price INR 2,681

- While no ANDA was filed in 1QFY26, AJP has maintained its guidance of 10-12 ANDA filings for the US market in FY26.
- The company aims to sustain a gross margin of 78% (+-1%) for FY26. It indicated maintaining FY26 EBITDA margin at similar levels to those in FY25.
- AJP guided for mid-to-high single-digit YoY growth in the domestic formulation segment in FY26.
- It aims to sustain the US sales run rate on the back of new launches, market share gains, and upcoming launches.
- AJP indicated its intention of adding 250MRs across branded markets of India/Asia/Africa in FY26.
- The segmental mix has been stable QoQ, while the product mix is driving gross margin expansion on a QoQ basis.
- The trade generic business in 1QFY26 was INR390m.
- Given the muted outlook at industry level, AJP indicated some softness in growth prospects of the African business for FY26.
- Capex for FY26 is expected to be INR1.5b-INR2b.



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Alembic Pharma

Neutral

Current Price INR 982

- ALPM has guided for US sales to grow 10-15% YoY in FY26.
- Non-US sales are also guided to grow at 10-15% YoY in FY26.
- ALPM is addressing certain challenges in the DF business and has gained better control over channel inventory for its products. This, however, impacted specialty segment growth for the quarter.
- Data leakage by certain Chinese traders regarding exports from India has impacted ALPM's API business. APLM expects to launch 4-5 products in the US in 2QFY26.
- Gross/net debt stood at INR11.8b/INR9.7b at the end of 1QFY26.
- ALPM has not witnessed any channel stockings for its portfolio in the recent past in anticipation of tariffs.
- G-entresto is a notable launch for ALPM. In-house API manufacturing provides potential for both market share gains and improved profitability for this product.
- Despite pricing pressures in US generics, ALPM has posted YoY growth in the segment due to a higher volume off-take.
- While gross margin of the US generics business is encouraging, EBITDA margin is relatively lower due to lower capacity utilizations related to injectables/derma/new capacity for oral solids.
- The commissioning of the Indore plant led to a higher depreciation for the quarter.

Alkem Labs

Neutral

Current Price INR 5,396

- While 1QFY26 was a robust quarter, ALKEM maintained its EBITDA margin guidance of 19.5% and GM guidance of 64% for FY26.
- Med-tech business has started showing commercial benefits, with revenue of INR25m in 1QFY26. ALKEM intends to scale up this revenue to INR250m in FY26.
- ALKEM has launched g-Entresto in the US market in Jul'25. The benefit is expected from 2QFY26 onward.
- CDMO revenue is a t a small scale, led by lab-level work. 4Q would be the quarter to look forward to reasonable revenue from this segment.
- ALKEM reported strong volume growth of 2.9% YoY vs. IPM volume growth of 1.5% YoY for the quarter.
- Overall export margin would be slightly lower than the consolidated company-level margin.
- ALKEM exhibited Gastrointestinal growth of ~1.6x IPM, VMN ~2.3x IPM, Pain ~1.4x IPM, Anti-Diabetics ~1.4x IPM, Neuro/CNS ~1.2x IPM, Respiratory ~1.4x IPM, and Derma ~1.1x IPM for the quarter.
- R&D expense was 3.5% of sales in 1QFY26, and ALKEM intends to maintain its guidance of 4.5-5% of sales for FY26. With a higher focus on growing international non-US business, there is some R&D spending on product development/filing for these markets.



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- Gross margin expansion in 1QFY26 was due to lower API prices (0.8-0.9% of sales). Segmental mix improvement also favored GM for the quarter. About 3-4% price drop was witnessed in US generics segment.
- ALKEM has filed b-denosumab for the US market. It would take about 12 months for approval from USFDA for this product.
- CDMO/Med-tech related opex will be INR500m/INR250m per quarter at 100% capacity utilization.
- Enzene revenue was INR900m and EBITDA broke even in 1QFY26.

Apollo Hospitals

Buy

Current Price INR 7,883

- APHS is on track to achieve cash EBITDA breakeven (excluding ESOP cost) in Healthco by 2QFY26/3QFY26.
- Surgical revenues grew 14% YoY, led by a healthy momentum in CONGO (cardiac, oncology, neurosciences, gastro, and ortho) therapies in 1QFY26.
- Better institutional tariffs, case mix, and inflation-linked price hikes fueled growth in ARPP for the quarter.
- The GMV comprises pharmacy, diagnostics, and the business driven by Apollo Group Hospitals. The redefinition of GMV related to Apollo Group Hospitals and the restated GMV of INR8b-INR9b would enable APHS to achieve EBITDA breakeven in the digital platform.
- APHS has reworked customer acquisition charges, discounts, and lifestyle costs to reduce the overall opex for the digital platform.
- Hospitals that would be operational in FY26 are the Women's Oncology Center in Delhi, a multi-specialty hospital in Pune, the acquired hospital in Bengaluru, and a multi-specialty hospital in Kolkata. The company would add 700 beds to the current operational bed size of 9,458.
- The GMV-revenue ratio remains intact at 45%-46%.
- APHS is on track to add 600 stores in FY26. It has added 112 stores in 1QFY26.
- There has been healthy growth in volume for diagnostics. APHS opened a reference lab in Chennai recently. A certain one-off cost dragged profitability in the diagnostic segment within AHLL.
- International patients contributed 5% of the revenue for the quarter. APHS has kept its target to reach 7%/10% in FY26/FY27
- APHS is engaging with newer markets like Africa/Middle East as well as Iraq to offset the impact on international patient flow due to political turmoil in Bangladesh.

Other operational highlights

Hospitals segment (50% of sales)

- Average revenue per patient grew 9% YoY to INR172,282 for the quarter.
- Occupancy for 1QFY26 is 65% vs 68% in 1QFY25.
- ALOS for hospitals in 1QFY26 decreased by 6% to 3.1 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 23% YoY to INR6.8b. A total of 6,742 operating stores as of 1QFY26 for Healthco.
- A total of 6,742 operating stores as of Jun'25. 112 stores were added in 1QFY26.

AHLL (7% of sales)

- Revenues of primary care grew by 17% YoY in 1QFY26 to INR1.1b.
- Specialty care grew by 9% YoY in 4QFY26 to INR1.9b
- Network collection centers increased by 65 centers YoY to 2173 centers.



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Aurobindo Pharma

Buy

Current Price INR 1,046

- On Ex-Revlimid basis, EBITDA grew 12% YoY for the quarter.
- ARBP maintained its EBITDA margin guidance of 20-21% for FY26.
- With the implementation of remediation measures at Eugia III, global specialty and injectables sales have normalized (pre-USFDA inspection level). In fact, ARBP has invited the USFDA for a re-inspection.
- ARBP is confident in improving Lanett's profitability post-acquisition, driven by portfolio-level synergies and enhanced operational efficiency at Lanett's manufacturing facilities.
- ARBP is scheduled to make its first biosimilar submission in the US in FY26.
- Free cash flow was higher for the quarter due to a reduction in the working capital requirement and lower capex.
- ARBP maintains an 18-20% EBITDA margin for its Europe business. It is adding two more oncology manufacturing lines to cater to the robust demand for its products in the European market.
- PEN-G prices are currently around USD20 per unit. ARBP can achieve break-even at these levels from in-house manufacturing.
- ARBP is gearing up for launch quantities of its approved biosimilars for the EU/UK markets.
- ARBP is confident of achieving EUR1b revenue in FY26 from the EU business.
- The company aims to add two 15KL bio manufacturing lines, along with associated utilities, as part of its contract with Merck Sharp & Dohme.

Biocon

Buy

Current Price INR 359

- While generics business was subdued for the quarter, BIOS has a line-up of product launches, which would improve profitability of generics going forward. Specifically, Liraglutide in EU, g-Entresto, and Micafungin everolimus in the US would drive near-term sales.
- BIOS awaits approval for Liraglutide in the US market. Insulin Aspart would be launched soon in the US market.
- With respect to RH-Insulin, BIOS has expanded its drug product capacity in Malaysia to cater to certain markets after regulatory approval.
- About 77% of biologics business comes from advanced markets and the remaining from emerging markets.
- There has been a small component of g-Revlimid in 1QFY26 sales for BIOS.
- Net debt was USD1.1b for Biocon Biologics and USD100m for generics.
- The presence of innovator in the formulary continues to hold BIOS back from gaining traction in Yesintek (b-adalimumab).
- BIOS has filed for semaglutide with Canada's health regulatory authority. Interestingly, the Canadian regulator has not approved even a single GLP product till date.

BLUE JET HEALTHCARE

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The screenshot shows a slide from a presentation titled 'Blue Jet Healthcare'. It includes a table of financial results for Q1 FY26, comparing it to Q1 FY25 and Q4 FY25. The table shows metrics like Revenue, Gross Profit, Operating Profit, and Net Profit. Below the table, there is a section titled 'Operational performance' with bullet points discussing management's confidence, QoQ reduction in gross margin, overheads, and capacity utilization.

- The new facility has incremental opex of INR600m per quarter in the generics segment. There would be a further increase in opex due to additional facilities. Having said this, new launches would drive better profitability in this segment for BIOS.

Bluejet Healthcare

Buy

Current Price INR 777

Operational performance

- Management remains confident on FY26 due to the structural tailwinds of de-risking of supply chains by global innovators, increasing adoption of complex API and NCE intermediaries.
- Reduction in QoQ is primarily attributable to a drop in gross margin to 48.4% in Q1 FY26 from 54.7% in 4QFY25, driven by a shift in product mix and reduced inventory levels, resulting in lower overhead absorption during 1QFY26
- Overheads are absorbed in inventory valuation; this decline in inventory releases more overheads into the P&L, compressing the margin. Of the 6.5% reduction in gross margin, roughly more than 4.4% is attributable to this inventory adjustment, and 2.1% to the product mix specifically because of higher contribution by the PI-API segments and lower contribution by the Others segment.
- Management has guided to sustain the gross margin at ~53%.
- The company reported an asset turnover of 4x on its net block, while inventory days stood at 131.
- With current capacity utilization at 60%, the company is optimistic about leveraging the anticipated increase in demand going forward.
- The company has developed approximately 45 peptide fragments, which are ready for commercialization based on customer interest.

Capital allocation

- The company intends to expand capacity by 1,000 KL over the next 2–3 years in Phase 1, comprising four blocks: two for CMI, one for high-intensity sweeteners, and one MMP block.
- The company is developing a backward-integrated facility at Unit 3, Mahad, featuring a highly engineered continuous process to produce the key starting material required for its CMI segment.
- At Unit 3 in Mahad, the company expects the originally planned capex of INR2.5 b to increase to approximately INR3b. Of this, around INR1b has already been incurred, with the remaining INR2b to be spent by FY27.
- The company has committed to a capex of INR400m towards the R&D capabilities focused on amino acid derivatives and late state intermediates. R&D pipeline comprises around 20 new opportunities with strong client interest, of which approximately six are in late Phase 3 or the commercial stage.

Contrast media

- The company possesses strong product development and process optimization capabilities, supported by a robust in-house R&D infrastructure.
- It maintains a strategic focus on molecules with high customer interest, particularly targeting opportunities in outsourcing or alternate sourcing of next-stage advanced intermediates.

- Contrast media remains the company's flagship product, while the PI segment is also gaining traction, supported by the China+1 strategy. Additionally, the company is well-positioned in the high-intensity sweeteners business.
- The new CDMO capacity catering to PI and SEQ CMI segment at Unit 2, Ambarnath, is fully operational.

High intensity sweeteners

- The company has received the inspection report from the US Food and Drug Administration (USFDA).
- In the High-Intensity Sweeteners segment, the integrity of the value-added variant remains intact. Phase 2 of the expansion at Unit 2 has been completed and is now fully operational. Additionally, construction activities at Unit 3 in Mahad are progressing as scheduled, with commissioning anticipated in 2HFY26.
- Within the Pharma Intermediates segment, the PI-API business continues to exhibit strong momentum, primarily driven by cardiovascular (CVS) applications. The company intends to further scale operations in this area.

Pharma intermediates

- Management indicated a strong visibility of customer demand in the PI-API segment and anticipates additional product launches during 2HFY26.
- The company outlined a dedicated capacity of 120KL for the production of cardiovascular intermediates.



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Cipla

Neutral

Current Price INR 1,546

- Cipla maintained its EBITDA margin guidance of 23.5-24.5% for FY26.
- G-Revlimid sales in 1Q were similar to 4QFY25. In the short- to medium-term, the loss of business from g-Revlimid is expected to be more than offset by new product launches.
- Cipla aims to achieve revenue of USD1b in FY27.
- While YoY growth in the Rx segment in India was muted in 1QFY26, Cipla remains confident of delivering stronger growth over the next three quarters.
- Cipla recorded sales of g-Abraxane and Nilotinib for part of 1QFY26, with their full-scale launches expected soon. □ Cipla is not part of the first wave of sema launches in Canada.
- G-Lanereotide sales have already matched the average quarterly sales prior to disruption in this product.
- Given Cipla's already established institutional channel, it will be able to market biosimilar filgrastim effectively. The company intends to enhance the pipeline through in-licensing, while its own biosimilar products are expected to be launched in FY29-30. Cipla plans to invest USD100m in the biosimilar segment over the next 2-3 years.
- Cipla witnessed healthy growth in the consumer health segment. Further investment into products and channels would improve growth momentum in this segment.
- Cipla's portfolio includes products such as a triple combination in respiratory segment, positioning it to outperform the industry over medium term.
- Cipla holds a share of 61.5% in the chronic segment of India's Rx market.



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- One-India will benefit from PLI as well as export incentives in the quarter.
- For g-Abraxane, there are currently two authorized generics (AGs), one ANDA-approved player, and one 505b2-approved player. Cipla remains confident of securing a reasonable share in this product.

Divi's Lab

Neutral

Current Price INR 6,005

- The Kakinada backward integration project has started reflecting in DIVI's gross margins. DIVI is also shifting certain KSMs and intermediates from Unit-I/II to the Kakinada site to utilize the cGMP capacity of Unit I/II.
- DIVI is on track for three major projects with a total investment of INR20b. The business from these projects is related to molecules just commercialized by innovator and certain molecules that have finished clinical trials and are ready for commercialization.
- DIVI is working on biocatalysis with certain projects on a pilot scale with innovators.
- The capital work in progress was INR14b at the end of Jun'25.
- The gadolinium-based contrast media project is undergoing pilot study and qualification. It would take about 18 months to witness commercial benefits from this project.
- Overall capacity utilization was ~80%.
- The commercial-level solid-state peptide capacity is available with DIVI based on the customer requirement.
- While there has been pricing pressure in the generics segment, DIVI has been able to offset this impact due to backward integration and leading volume market share in certain products.

Dr Agarwal's Health

Buy

Current Price INR 450

- DAHL added 12 facilities in 1QFY26.
- Refractive surgeries have a certain element of seasonality, impacting YoY growth for the quarter. Most of the payments came out of pocket. The increased incidence of myopia is expected to drive refractive surgeries.
- DAHL witnessed 18.6% YoY increase in number of patients served on a quarterly basis.
- Mature facilities moved up to 116 in 1QFY26 from 103 in FY25.
- Rental payout was INR300m for the quarter.
- Increase in insurance share in 1QFY26 was led by higher penetration of insurance at the industry level. Africa geography also had a higher share of insurance in overall revenue.
- Capex – INR3b remains intact for FY26.

Sustains double-digit growth with expanding network/surgical volumes

- DAHL delivered 20.8% YoY revenue growth to INR4.9b in 1QFY26. It performed 78,882 surgeries during the quarter, up 16% YoY, comprising 57,877 cataract surgeries (+15% YoY), 17,331 other surgeries (+23% YoY), and 3,674 refractive surgeries (+3% YoY).
- The company expanded its network to 249 facilities (+26.4% YoY) and served 705,214 patients (+18.6% YoY).

- The diagnosis and consultation segment witnessed 14% YoY growth in revenue to INR640m in 1QFY26.
- The product business, comprising opticals, contact lenses, accessories, and pharma products, grew 30% YoY to INR409m for 1QFY26.
- Payor mix wise, DAHL witnessed 17% YoY growth in revenue from cash patients, reaching INR3b and forming 61.7% of the business in 1QFY26.
- Notably, the facilities (341) up to FY22 delivered 15% YoY growth in 1QFY26. Facilities added in FY23/FY24 also delivered healthy YoY growth of 14%/23% in 1QFY26.
- While South India remains the strong base for DAHL, it has increased its facilities and has seen 18.5% /13.4% /14.9% YoY growth in West/North/East India in 1QFY26.
- It is also upgrading facilities to offer enhanced services, including complex eye surgeries.
- Accordingly, we expect DAHL to deliver a 20% revenue CAGR, reaching INR24.7b over FY25-27.



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Dr Reddy's Labs

Neutral

Current Price INR 1,246

- DRRD expects g-Revlimid sales to be stable in 2QFY26 and then decline sharply due to competition.
- Semaglutide opportunity for Canada market is subject to litigation outcome in India and regulatory approval in Canada.
- DRRD has a single pen version product for Canada market. It intends to sell 12m pens in FY26.
- Its own capacity of manufacturing pens would be available from FY28 onward.
- The R&D expenditure for FY26 is expected to be in the range of 7-7.5% of total sales (~8.5% in FY25).
- PLI income is expected to be minimal in FY26 and scale up in FY27-28.
- DRRD's work on phase III trials related to abatacept is on track, with read-out expected in Nov'25. DRRD intends to launch the product in CY27. The subcutaneous version is expected to be launched a year later. Both launches are subject to timely approval for US market.
- DRRD is also gearing up for liraglutide launch across markets.
- Out-licensing income was INR1.2b for the quarter.
- The company filed/launched 1/5 products in NA during the quarter.
- DRRD intends to sustain double-digit YoY growth in DF segment. It has about 10k field force for this segment. It launched 5 brands in DF segment in 1QFY26.
- Growth in India will be driven by innovative products, with a limited focus on the branded generics segment.
- Excluding NRT, DRRD launched 13 products in Europe market.
- FY26 GM is expected to remain at similar levels.
- ETR for FY26 is projected to be around 25%.
- Capex (INR25-27b for FY26) will be primarily allocated toward expanding capabilities in peptides and biosimilars.
- DRRD generated FCF of INR4.3b in 1QFY26.



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Eris Life Science Neutral

Current Price INR 1,759

- ERIS reaffirmed its overall revenue guidance of INR33.2b-INR35b with EBITDA of INR11.9b-INR12.5b for FY26.
- While its 1Q sales declined in the international business, ERIS remains confident of achieving a revenue of INR3.8b in FY26.
- Management could not get approval to launch liraglutide 3mg in India, and hence, the business from this product has been lower. It is expected to pick up in the coming months.
- Bhopal vial manufacturing has been commissioned after considerable delays. Bhopal cartridge manufacturing is expected to be commissioned by 4QFY26.
- The RHI cartridge market opportunity is expected to accrue to ERIS from Nov-Dec'25.
- ERIS reduced the trade generics business division by reprioritizing strategic focus on other potential areas of growth.
- ERIS has added a potential opportunity for the EU market in injectable dosage. ERIS is expected to be among the early entrants post-loss of exclusivity.

Gland Pharma Buy

Current Price INR 1,944

- Gland guided for mid-teens YoY growth in revenue for FY26 and EBITDA margin of 24-25% for FY26.
- While Cenexi achieved EBITDA breakeven in 1QFY26, it might see subdued performance in 2Q due to summer shutdown. In the subsequent quarters, the profitability is expected to improve on the back of a healthy order book and reduced downtime.
- US sales for the quarter were impacted by reduced sales of Enoxaparin (INR700m in 1QFY26 vs. INR1.4b QoQ/YoY).
- Gland indicated g-Dalbavancin to be a potential opportunity for the US market from Sep'25 onward. The CMS contract for US/EU markets would also support growth in those markets for FY26.
- Gland launched liraglutide in UK/Australia markets. Since it is a global deal, it is expected to scale up business from this product in coming quarters.
- The company indicated an additional 100m GLP-1/pen/cartridge capacity to be operational by Mar'25. FY27 can have commercial benefits from 20m GLP-1/pen/cartridge to start with.
- Business from collaboration with Dr. Reddy's Lab to start from 2QFY26 onward.
- Excl. Cenexi, revenue grew ~3% YoY to INR10.4b and EBITDA rose 22% YoY to INR3.6b. Gross profit margin was 59%, up 630bp YoY.
- R&D expenses for the quarter were INR460m (4.4% of sales).
- In 1Q, one ANDA was filed and nine were approved, contributing to a total of 372 ANDA filings in the US (325 approved, 47 pending).
- Cenexi reported revenue of INR3.6b. It reported positive EBITDA of INR86m after a downtrend for the last few quarters.

- Fontenay site: Production at the facility is on track, with improved order shipments after the commissioning of a new high-speed ampoule line and received GMP Certificate from ANSM.
- Braine-l'Alleud site: Business from the two sites remains robust.
- Hérouville facility: The site is making steady progress on tech transfer projects in the vaccines and ophthalmic gel formats, resulting in increased revenue in 1Q

GLOBAL HEALTH
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Global Health

Buy

Current Price INR 1,377

- The 300-bed Noida hospital would be operationalized by 2QFY26.
- The 110-bed Ranchi hospital commenced operations in Jul'25.
- While there have been reductions in international patients from Bangladesh, Afghanistan, and Iraq, there has been an increase in patient flow from Africa and CIS countries.
- About 11-12% of revenue at Gurgaon hospital is from international patients. Hence, there is a limited impact of international patients on the increase in ARPOB on a YoY basis.
- The developing hospitals witnessed a slight YoY decline in ARPOB due to an 11% reduction in ARPOB at Lucknow. This was offset to some extent by an 8% YoY rise in ARPOB of Patna.
- About 100 beds will be added in Patna. Also, a mother-child care unit will be set up at Patna.
- 1QFY26 had INR30m opex related to Noida hospital.
- Medanta on-boarded 150+ doctors/30+ senior clinicians across its existing hospitals. About 15-20 doctors were onboarded related to Noida Hospital. Considerable team building will happen soon in Noida.
- The existing Ranchi site (~200beds) had limitations to add new specialties. Also, the structure being built in CY15, there was a limited scope to renovate without stopping existing operations at the site. The newly built 110-bed hospital would solve both issues for Medanta.
- Increase in ARPOB at a mature hospital is driven by improved case mix, renegotiation with insurance companies, and price hike to some extent.
- Medanta also looks forward to any inorganic growth opportunities as well.

Granules India

Buy

Current Price INR 461

- GRAN expects FY27 to be a much better year for revenue growth vs. FY26.
- The company has acquired a business at EV of INR4.5b, with investment of INR1b in a Swiss facility and INR200-300m in R&D in FY26. FY27 capex will likely be for manufacturing capacity expansion.
- GRAN continues to gradually increase capacity in Europe, with more product approvals expected to improve the growth trajectory.
- Net debt as of 1QFY26 end was INR9.5b, up INR2.5b QoQ. The cash conversion cycle also inched up to 205 in 1QFY26 vs. 202 in 4QFY25.
- Senn Chemicals revenue for 1QFY26 was INR290m.
- GRAN is in early clinical trial stages for most CDMO molecules and is focusing on the execution of ongoing and new projects.

This is a screenshot of the Motilal Oswal Granules India Q1 FY27 earnings call transcript. It details financial performance, including revenue growth, EBITDA margin, and management's commentary on the company's strategy and challenges.



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This is a screenshot of the Motilal Oswal IPCA Laboratories Q1 FY27 earnings call transcript. It provides insights into the company's financial results, operational performance, and management's outlook for the future.

- GRAN has six product launches lined up for Europe in the coming quarters. Peptides R&D facility is positioned to be a cost-efficient alternative to China.
- GRAN's CDMO market opportunity is estimated at INR16-20b. API growth is modest and not a core focus.
- The company spent INR800m on remediation and INR510m on infrastructure and improvement capex related to facility upgrades.
- Its manpower cost rose due to Senn Chem AG acquisition; expected to stabilize. ROCE dipped to 16% due to the acquisition and a long gestation period.
- GRAN targets full peptide ramp-up by 1QFY27 and is also setting up R&D facilities in India for cosmetic industry applications.

IPCA Labs

Buy

Current Price INR 1,369

- IPCA guided for 9-10% YoY revenue growth in FY26. EBITDA margin is expected to improve gradually by 70-75bp YoY in FY26.
- Unichem lost market share in four products due to competition, while its business was also impacted in Asia/Africa/Brazil. Additionally, a provision of INR120m was made in 1QFY26 due to currency fluctuation. The closure of the Ireland facility further led to an expense of INR100m.
- IPCA restructured its cardiovascular division and added 400MRs, which temporarily impacted business in this therapy during 1QFY26. However, this is expected to improve going forward.
- The company expects about 3-4% addition in the field force on an annual basis over the next 3-5 years, largely for chronic therapies.
- IPCA has filed one product with the USFDA, and 15-16 products are under various stages of development.
- API prices are now stable, and the outlook is gradually improving.
- IPCA witnessed 15% YoY growth in chronic therapies vs 9.9% YoY growth exhibited by IPM.
- IPCA witnessed 9.8% YoY growth in acute therapies vs 6.8% YoY growth exhibited by IPM.
- IPCA delivered 13% YoY growth in pain therapy for 1QFY26.
- The institutional business is expected to remain stable due to a lack of global funding.
- GM expansion is largely due to the product mix.
- Onyx reported a loss due to limited projects as a result of inadequate funding from big pharma/smaller innovators.

Strategic measures in place to drive growth in focus markets

DF: Chronic focus; volume uptick propels DF momentum

- IPCA delivered 10% YoY growth in 1QFY26, after delivering 12% YoY growth in FY25.
- Therapy-wise, IPCA exhibited strong YoY growth in the antineoplast/immunomodulator and gastro-intestinal segments for the quarter. The pain-analgesic/cardiac segment were steady; however, derma/anti-infectives dragged overall YoY growth to some extent.

- Interestingly, temporary disruptions in the cardiology therapy, driven by the restructuring of the division and addition of MRs, affected YoY growth to some extent for the quarter.
- IPCA has largely been in line with the industry in 1QFY26. That said, chronic therapies grew 15% YoY vs 9.9% YoY growth for the industry in 1QFY26, according to IMS.
- IPCA remains one of the leading company, where considerable portion of domestic formulation growth is driven by volume. Almost 5% YoY growth has been attributed to volume growth for the past 12M.
- There has been consistent efforts toward improving the share of metro cities in the overall DF segment. There is also a focus to enhance the share of chronic therapies in the overall portfolio. Interestingly, if rheumatoid arthritis is clubbed under chronic, given the medicine in-take is for a prolonged period of time, the overall chronic share is greater than IPM.
- We expect a 12.2% sales CAGR in the DF segment to INR43.5b over FY25-27.



LAXMI DENTAL LIMITED

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Laxmi Dental

Buy

Current Price INR 349

- While revenue grew 10% YoY in 1QFY26, management remains confident of achieving 20-25% YoY growth for FY26.
- LAXMIDEN has sold over 200 scanners in 1QFY26; it aims to sell over 1,000 scanners during FY26.
- Delays in regulatory approvals impacted the performance of Kids-e-dental. However, LAXMIDEN expects growth in this segment to pick up from 2QFY26/3QFY26.
- Through its investments in AI Dent, LAXMIDEN aims to offer AI-powered solutions—such as dental imaging, X-ray analysis software, and other AI-driven dentistry tools—to existing customers. These additions are expected to further enhance the value proposition of its current offerings.
- By converting physical reach into digital reach, LAXMIDEN aims to channel both its laboratory solutions and aligners through its dentist network.
- Delays in regulatory approvals impacted the performance of Kids-e-dental. LAXMIDEN expects growth in this segment to pick up from 2QFY26/3QFY26.
- LAXMIDEN was successful in passing earlier 10% US tariff to its customers. It is discussing with customers for the subsequent tariff increase effect. Notably, the competing country also has similar tariff from US and hence, there is very limited pricing disruption impact on the exports business of LAXMIDEN.
- The company plans to diversify geography-specific risks by expanding its offerings in other countries.
- Biz-Dent revenue was largely stable at INR93m for the quarter, while Vedia's revenue posted strong 37% YoY growth to INR92m.
- Almost 55% of the company's Indian business revenue comes from Tier-1 cities, while 34%/11% comes from Tier-II/III cities.



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Laurus Labs

Buy

Current Price INR 876

- LAURUS expects healthy YoY growth in CDMO segment in FY26.
- As contribution from CDMO segment rises, gross margin is expected to be at 55-60% vs. earlier guidance of 50-55%.
- Customer-specific challenges affected its bio business, though it is expected to be back on track in the coming quarters.
- ARV business grew 17% YoY, though LAURUS has maintained stable sales guidance for FY26.
- LAURUS commenced the construction of its new Gene/ADC facility in Hyderabad, and Microbial fermentation facility in Vizag.
- Its overall capex is expected to be INR50b over the next five years. Net debt-to-EBITDA ratio is expected to be in the range of 2.2x-2.5x.
- Non-ARV FDF business is expected to pick up when the FDF facility is qualified by next year.
- LAURUS has multiple programs in execution covering complex chemistries, biocatalysis, flow chemistry, and peptides within CDMO segment.
- The construction of its fermentation manufacturing site (Vizag) is on track and is expected to commence operations by CY26 end.
- The company plans to invest INR5b at JV level with KRKA.
- LAURUS would invest USD25m in gene therapy. A new site will start operations by end-CY26.

Lupin

Neutral

Current Price INR 1,940

- LPC guided for strong double-digit YoY revenue growth, with EBITDA margin expected at 24%-25% in FY26.
- The goal dates for Risperdal Consta/Ranibizumab are Sep'25/Jun'26.
- LPC has gained considerable market share for g-Spiriva in the commercial channel and is actively working on the Medicare/Medicaid channels to further drive business from this product.
- LPC expects to launch g-Dalbavancin this year.
- Patient recruitment for Namuscla in the US market is underway, with commercialization targeted by FY29.
- Regarding Spiriva, a couple of companies have filed ANDAs for the US market.
- LPC plans to launch g-Victoza (liraglutide) in Oct'25. Pending approval of g-Victoza, the scope of USFDA approval for g-Saxenda has increased, with a goal date set for FY27.
- LPC benefited from g-Tolvaptan for part of 1QFY26.
- Competition in mirabegron for the US market is subject to litigation outcome for peers.
- LPC witnessed additional competition in Albuterol with the entry of Amphastar.
- It has added oncology and CNS as newer focus therapies in the DF market.
- The company has a pipeline of 80 products, which are expected to be launched in the Indian market over the next five years.
- LPC received two ANDA approvals and launched three ANDAs in 1QFY26.
- It launched five brands across therapies in the DF segment in 1QFY26.
- R&D was 7.9% of sales for the quarter.



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- ETR is expected to be 19% for FY26.
- Capex for the quarter was INR2b.
- Cash surplus stood at INR12.4b at the end of Jun'25.

Mankind Pharma

Buy

Current Price INR 2,506

- Mankind maintained its EBITDA margin guidance of 25-26% for FY26.
- It expects BSV YoY sales growth of 18-20% and EBITDA margin of 26-28% in FY26. YoY BSV sales were stable in 1QFY26.
- The company plans to invest INR1.5-2b in setting up a biologic facility at Baroda to scale up its BSV business.
- Mankind highlighted that organic growth would be 10% YoY for the quarter. This implies BSV sales of INR4b for the quarter.
- The company also noted that international base business grew in single digits in 1Q. Assuming it to be 8%, BSV exports would be INR1.9b for the quarter.
- Mankind expects to pay debt of INR20b in FY26. INR5b was paid in 1Q.
- Panacea portfolio sustained its growth momentum, with YoY growth of 25% in 1QFY26.
- The chronic segment of DF Rx business grew 14.5% YoY for the quarter, while acute grew at 5.6% YoY in 1QFY26.
- Mankind's modern trade and e-commerce share in the consumer health segment increased to 11% vs. 9% YoY.
- Mankind witnessed 49% YoY growth in Nobeglar (insulin glargine) for the quarter.
- Most of the strategic reset with respect to field force is done, and management expects productivity to improve going forward.
- Net debt at the end of 1QFY26 was INR52b.
- CFO:EBITDA was almost 99% for 1QFY26.
- Gastro-intestinal and pain segment underperformed the industry in the quarter.

Max Healthcare

Buy

Current Price INR 1,226

- Excluding the newer hospitals added since 4QFY24, the base hospitals delivered revenue/EBITDA YoY growth of 13%/15% for the quarter.
- The 160-bed tower at Max Mohali has been completed. The trial run was initiated in Jul'25.
- Forest clearance at Max Vikrant remains delayed due to the ongoing dispute between DDA and the Delhi government over tree cutting in an eco-sensitive area.
- The MSSH Saket hospital (400 beds) is expected to be commissioned by the end of 2QFY26.
- The bed capacity at Lucknow is expected to increase to 520 by the end of FY26 from the current size of 413 beds.
- At Gurgaon, structural MEP work is in progress, with high-end equipment under installation. The facility is expected to be commissioned by the end of FY26.
- Net debt is expected to increase by INR4b-INR5b by the end of FY26.
- The Nanavati hospital is on track to get commissioned in the next few weeks.

Max Healthcare

Q1 FY26 (Mar 2025) vs Q1 FY25 (Mar 2024)

Particulars	Q1 FY26 (Mar 2025)	Q1 FY25 (Mar 2024)
Revenue	1,234.56	1,123.45
EBITDA	234.56	212.34
Net Profit	123.45	112.34
Operating Profit	156.78	145.67
EBIT	189.01	178.90
EBT	201.23	190.12
Net Income	123.45	112.34
EPS	12.34	11.23



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Piramal Pharma

Q1 FY26 (Mar 2025) vs Q1 FY25 (Mar 2024)

Particulars	Q1 FY26 (Mar 2025)	Q1 FY25 (Mar 2024)
Revenue	567.89	543.21
EBITDA	123.45	112.34
Net Profit	67.89	65.43
Operating Profit	89.01	87.65
EBIT	101.23	99.87
EBT	112.34	110.98
Net Income	67.89	65.43
EPS	6.78	6.54

- With respect to the 100-bed facility at Nagpur, while the civil contract has been awarded, management is awaiting environmental clearance to commence construction.
- Work at the Patparganj hospital is on track following environmental clearance, and the tendering process is currently underway.
- The Lucknow hospital posted 97% YoY growth in revenue and 191% YoY growth in EBITDA for the quarter.
- The Nagpur hospital posted 27% YoY growth in revenue and 27% YoY growth in EBITDA for the quarter.
- The Noida hospital posted 13% YoY growth in revenue and 32% YoY growth in EBITDA for the quarter.
- For MAXH, 1Q is typically the weakest among the four quarters.

Piramal Pharma

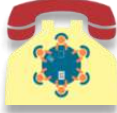
Buy

Current Price INR 192

- Management maintained its FY26 revenue and margin guidance. It remains confident in achieving mid-single-digit YoY growth in revenue and mid-teens EBITDA margin for FY26.
- The company highlighted that growth will be back-ended, with 1HFY26 remaining soft and a pickup expected only in 2H. CDMO growth to be driven by investments in ADC and overseas facilities, especially the UK.
- PIRPHARM's gross margin is likely to remain in the 62–65% range in the mid-term, with future improvement driven by innovation, commercial production, and patented products.
- Management expects the CHG business to experience strong growth from injectable and pain management segments, particularly in 2HFY26. Double-digit growth is expected for the full year.
- In addition to the GBP45m investment at Grangemouth, PIRPHARM broke ground in Lexington for a further investment of USD90m to integrate its ADC development and manufacturing program.
- Lower sales in the CHG segment for the quarter were due to the timing of the shipment at the end of Jun'25.
- PIRPHARM is working on measures to resolve supply constraints related to inhalation anesthesia (IA) and pain management. The benefit is expected to accrue FY27 onwards.
- The USFDA approval for Sevoflurane API/finished product for both human and animal use at Digwal would enhance prospects to supply Sevoflurane over the medium term.
- Biotech funding is yet to witness consistent improvement. This is leading to prolonged decision-making by customers and thus slowing the scope of business for CDMO companies such as PIRPHARM.
- PIRPHARM saw improved traction in the nutrition supplement and generic API business within the CDMO segment.
- PIRPHARM has a plan of incurring USD135m in capex focused on organic growth, including CDMO facility expansion and product development. Capex will support the path to its FY30 revenue guidance.
- Management guided a lower effective tax rate in FY26, driven by improved profitability in low-tax overseas markets and upfront R&D benefits in the US and Canadian subsidiaries. However, the rates will vary depending on the revenue mix across geographies.



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Sun Pharma

Buy

Current Price INR 1,635

- With Ph-III completed for psoriatic arthritis, SUNP intends to file Illumya for this indication by the end of CY25.
- SUNP is planning to launch Unloxcyt in 2HFY26. The company has recently launched Leqselvi and seen encouraging prescriptions.
- 1QFY26 sales of G-Revlimid were slightly higher QoQ.
- SUNP launched 4/5 products in the US/India market in 1QFY26.
- The company maintained its guidance of R&D expenses at 6-8% of sales for FY26.
- Global innovative medicines sales were USD311m for the quarter. The quarter did not have any major milestone income.
- SUNP witnessed majority of YoY growth in the DF market, led by volume and new launches for the past 12M.
- SUNP indicated that USD100m will be a direct operating cost related to marketing/promotional spend and addition of MRs for innovative medicines.
- The ETR is expected to be 25% for FY26.
- The CC growth in sales for EM/ROW was 4%/15% in 1QFY26.

Torrent Pharma

Neutral

Current Price INR 3,663

- TRP has guided to maintain its FY26 EBITDA margin at the 1QFY26 level.
- The company plans to add 800 MRs in FY26, bringing the total count to ~7,000.
- The acquisition process for JB Chem is largely on track, with CCI approval currently awaited.
- In the Brazilian market, TRP aims to launch 8-10 products annually.
- Approximately 10 launches are also planned for the US market, alongside market share gains in existing products to drive growth.
- Strict prescription guidelines for Ozempic are expected to keep off-label use in check in the Brazilian market. Annual Ozempic sales in Brazil stand at around USD150m and have declined 14-15% over the past year. Wegovy is currently tracking sales of USD150m per quarter. However, a generic version of this product is expected only after a couple of years.
- TRP expects constant currency growth in Brazil to be 10-12% in FY26 vs the industry YoY growth of 9%. The company targets 8-10 launches annually over the next 4-5 years.
- TRP's chronic therapies grew at 13% YoY vs 9% at the industry level in the DF segment.
- Consumer health formed 10-15% of DF sales for the quarter. TRP had 4-5 meaningful launches, with 9-10 line extensions over the past year.
- TRP has about 14 brands with annual sales of INR1b+ each.
- Disruption related to a third-party supplier has impacted the German market's performance.
- While the US business has shown decent YoY growth, it remains an unprofitable business.
- ETR is expected to be 25-26% for FY26.



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The image shows a thumbnail of a research report titled 'Zydus Lifesciences'. It includes a table of contents and a list of key points. The table of contents lists sections like 'Company Overview', 'Financial Performance', 'Business Segments', 'Key Products', 'Investment Highlights', and 'Risks'. The key points section lists several bullet points, including 'Zydus Lifesciences has maintained its FY26 guidance with single-digit growth despite Revlimid price pressure', 'Zydus Lifesciences has maintained its guidance of single-digit YoY revenue growth in the US business for FY26', 'Mirabegron's prospects are subject to the outcome of a trial scheduled for Feb'26', 'Zydus Lifesciences has guided for high-teens to mid-twenties YoY growth in international emerging markets for FY26', 'In the biologics segment, Zydus Lifesciences has initiated plans to scale up the new manufacturing facility acquired from Agenesis', 'Zydus Lifesciences's biotech JV is progressing large-scale whey protein manufacturing, with commercialization in ~two years', 'Zydus Lifesciences plans to acquire the Agenesis biologics manufacturing facility, with USD75m upfront payment and USD50m contingent payment', 'Zydus Lifesciences has witnessed a considerable loss of Asacol due to competitive pressures', 'The company exhibited faster growth in therapies like cardiology, respiratory, anti-infectives, pain management, and oncology within chronic therapies', 'The company is fully integrated for semaglutide manufacturing. It has enough capacity to benefit from upcoming opportunities in India/emerging markets', and 'With respect to Desidustat, Zydus Lifesciences has completed clinical trials and addressed queries from Chinese authorities. It expects approval over the next 12M. Zydus Lifesciences will be eligible for a royalty/profit share from its partner in this venture'.

Zydus Lifesciences

Neutral

Current Price INR 983

- ZYDUSLIF has maintained its FY26 guidance with single-digit growth despite Revlimid price pressure; it has planned for over 30 launches and injectable facility clearances.
- ZYDUS has maintained its guidance of single-digit YoY revenue growth in the US business for FY26, despite rising competition in g-Revlimid. The company's confidence is supported by an uptick in the base business, scale-up of 505b2 products, and favorable offtake of mirabegron.
- Mirabegron's prospects are subject to the outcome of a trial scheduled for Feb'26, though ZYDUSLIF continues to sell the product.
- ZYDUSLIF has guided for high-teens to mid-twenties YoY growth in international emerging markets for FY26.
- In the biologics segment, ZYDUSLIF has initiated plans to scale up the new manufacturing facility acquired from Agenesis. Additionally, at the Sterling Biotech facility, the company is undertaking a large capex program to build capabilities for recombinant whey protein and whey isolate production, with commercialization expected to begin next year.
- ZYDUSLIF's biotech JV is progressing large-scale whey protein manufacturing, with commercialization in ~two years.
- ZYDUSLIF plans to acquire the Agenesis biologics manufacturing facility, with USD75m upfront payment and USD50m contingent payment. There is an exclusive manufacturing agreement for immuno-oncology products viz. Botensilimab (BOT) and Balstilimab (BAL) with Agenesis.
- ZYDUSLIF has witnessed a considerable loss of Asacol due to competitive pressures.
- The company exhibited faster growth in therapies like cardiology, respiratory, anti-infectives, pain management, and oncology within chronic therapies.
- The company is fully integrated for semaglutide manufacturing. It has enough capacity to benefit from upcoming opportunities in India/emerging markets.
- With respect to Desidustat, ZYDUSLIF has completed clinical trials and addressed queries from Chinese authorities. It expects approval over the next 12M. ZYDUSLIF will be eligible for a royalty/profit share from its partner in this venture.



LOGISTICS

- The logistics sector witnessed a subdued performance in 1QFY26, as demand was weighed down by muted spending, inflationary pressures on MSMEs, and lower e-commerce activity, which particularly affected express logistics players. While pure-play freight and parcel operators struggled with weak volumes and margin pressures, multimodal logistics companies performed relatively better, benefiting from diversified operations and port-linked growth. Supply chain-driven businesses showed resilience, though challenges persisted in freight and SME-dependent segments. Looking ahead, the companies are expecting to gradually recover in 2HFY26, aided by stable operating expenses and a seasonal demand uptick.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Highlights – 1QFY26
Adani Ports & SEZ	■ During FY26, cargo volumes are expected to be around 505-515mmt. ■ Revenue is projected to reach INR360-380b, while EBITDA is expected to be ~INR210-220b. ■ APSEZ has outlined a capex plan of INR120b for FY26, with about INR60b likely to be spent on domestic ports.	■ Revenue grew 31% YoY to INR91b in 1Q. Cargo volumes rose 11% YoY to 121mmt, primarily led by containers. ■ EBITDA margin stood at 60.2% (-80bp YoY, +120bp QoQ). EBITDA grew 29% YoY to INR55b, while APAT increased 28% YoY to INR34b (9% above our estimate). ■ All-India cargo market share rose to 27.8% (vs. 27.2% in 1QFY25). Container market share stood at 45.2% (vs. 45.9% in 1QFY25).
JSW Infrastructure	■ Cargo growth of 10% is expected in FY26. ■ Capacity utilization averages 65-70%, with long-term growth supported by ongoing capex to reach a 400MMT capacity by FY30. ■ Management is targeting revenue of INR80b, EBITDA of INR20b, and capex of INR90b for building the logistics infrastructure under JSW Ports Logistics.	■ Consolidated revenue grew 21% YoY to INR12.2b (in line). The company handled cargo volumes of 29.4m tons (+6% YoY), driven by strong coal handling at Ennore, PNP, and Paradip, along with solid performance at South West and Dharamtar Ports. Interim operations at Tuticorin and JNPA terminals also aided volumes, though lower iron ore volumes at Paradip partially offset the gains. ■ EBITDA grew 13% YoY to INR5.8b. EBITDA margins stood at 47.5%, down ~350bp YoY and ~250bp QoQ. ■ APAT grew ~20% YoY to INR3.6b.
Delhivery	■ Peak volumes anticipated in 2Q and early 3QFY26, setting the stage for a strong 2HFY26. ■ Revenue growth expected to be driven by Express Parcel and PTL, with SCS and new services contributing in later quarters. ■ Core profitability to remain robust; management targets 6-7% EBITDA margin in FY26, despite cost pressures and ongoing investments.	■ Revenue grew 6% YoY to INR22.9b. EBITDA jumped 53% YoY to INR1.5b. EBITDA margin improved to 6.5%. ■ Adjusted PAT stood at INR911m, up 53% YoY, aided by margin expansion and disciplined cost management. ■ Core transportation segment, comprising Express Parcel and Part Truckload (PTL), saw healthy volume growth (Express Parcel: +10% YoY and PTL: +15% YoY), aided by improved service levels and network utilization. ■ Service EBITDA margins of Express Parcel and PTL stood at 16.3% and 10.7% respectively, underscoring Delhivery's operational efficiency and scale advantages.
Container Corporation	■ For FY26, CCRI is targeting 13% growth in total volume, with 10%/20% growth in EXIM/domestic volumes. ■ CCRI is witnessing strong demand in both EXIM and domestic segments. It is targeting handling volume of 5m TEUs in FY26. ■ For FY26, the capex budget is set at INR8.6b. ■ LLF for FY26 is expected to be INR3.7b (flat YoY).	■ Revenues grew 3% YoY to INR21.5b. ■ Total volumes grew 11% YoY to 1.3m TEUs, with EXIM/Domestic volumes at 0.97m/0.32m TEUs (+12%/+9% YoY). ■ Blended realization fell ~8% YoY to INR16,662/TEU. EXIM/Domestic realization stood at INR14,384/INR23,676 per TEU (-5%/-12% YoY). ■ EBITDA margins were at 19.8%. EBITDA fell 1% YoY. ■ LLF stood at INR1.1b.

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. ■ FY26 capex guidance remains unchanged at INR4.5b, with higher deployment expected in 2HFY26.	■ Revenue grew 9% YoY to ~INR11.4b, driven by the supply chain business (up ~23% YoY). ■ EBITDA margin came in at 10.6% (up 70bp YoY/30bp QoQ). EBITDA grew ~17% YoY to INR1.2b, while APAT grew 17% YoY to ~INR1.1b. ■ Supply chain revenue rose ~23% YoY, while freight/seaways division reported ~5%/11% YoY. ■ EBIT margin for Freight/Supply Chain/Seaways stood at 2.4%/5.6%/36.9% in 1QFY26.
Blue Dart Exp	■ For FY26/FY27, BDE expects strong and consistent growth regardless of broader industry trends, with a continued emphasis on service quality as a competitive edge. ■ 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.	■ Revenue grew 7% YoY to INR14.4b. ■ EBITDA margin stood at 6.9% (-120bp YoY). High employee costs and other expenses as a percentage of revenue dragged down margins. ■ EBITDA dipped ~9% YoY to INR1b (vs. our estimate of INR1.5b). Weak operating performance led to a 9% YoY decline in APAT to INR469m.
Mahindra logistics	■ MLL appointed Mr. Hemant Sikka as MD & CEO for a tenure of five years, effective May'25. ■ MLL is targeting revenue growth in the mid-to-high teens and RoE of 18% by FY26. ■ Management's long-term target is to transform MLL into an INR100b logistics service provider.	■ Revenue grew ~14% YoY to INR16.2b. EBITDA margin came in at 4.7% (flat YoY/down 30bp QoQ). ■ EBITDA grew ~15% YoY to INR763m. Adj. net loss decreased to INR108m from INR93m in 1QFY25. ■ Supply Chain management posted revenue of INR15.4b (+15% YoY) and EBIT loss of ~INR103m. ■ Enterprise Mobility Services (EMS) reported revenue of INR819m (+2% YoY) and EBIT of INR46m.
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 8-9%. Revenue growth is projected at 11-12%, driven by higher yields and increased network reach. ■ EBITDA margin expected to improve through cost optimization, higher automation benefits, and price increases, with FY27 margins guided at 15-16%.	■ Revenue fell 2% YoY to INR2.9b (-7% QoQ). Volumes declined ~1% YoY, hit by slower growth in the SME segment. ■ EBITDA stood at INR281m (-14% YoY/+7% QoQ). EBITDA margin came in at 9.8%. Higher employee and other expenses resulted in lower margins. ■ Weak operating performance resulted in APAT decline of 13% YoY to INR195m (flat QoQ).
VRL Logistics	■ Volume is expected to decline by 8-9% in 2QFY26, largely reflecting the lagged impact of the recently completed contract restructuring and realignment of customer base. However, volumes are expected to stabilize in 3QFY26 due to a strong festive demand cycle, and return to YoY growth in 4QFY26. ■ EBITDA margins are expected to normalize to 18-19% over 2QFY26 and 3QFY26, factoring in higher administrative costs (professional/legal fees) and the salary increment effective from Aug'25.	■ Revenue grew 2% YoY to ~INR7.4b (-8% QoQ). Volume dipped 13% YoY to 0.93m tons, while realization rose 17% YoY to INR7,852/ton, driven by a price hike. Volume drop was mainly due to contract restructuring and the voluntary exit of certain low-margin contracts. ■ EBITDA grew 74% YoY to INR1.5b with margins at 20.4%, aided by lower fuel costs, reduced lorry hire charges, and improved procurement efficiency (refinery sourcing at 41.5% vs. 33% YoY). ■ APAT grew to INR500m from INR134m in 1QFY25. ■ Capex stood at INR150m.



Ports and
Logistics

Click below for
Results Update

The screenshot shows a research report titled 'Adani Ports & SEZ' with a date of August 2025. It includes a table of contents and a summary of the report's findings, highlighting the company's strong performance in the ports and logistics sector.

Adani Ports & SEZ

Buy

Current Price INR 1,370

Operational highlights

- APSEZ handled 121 MMT of cargo in 1QFY26, registering 11% YoY growth, driven primarily by containers (+19% YoY). Mundra Port contributed 48% to overall volume in 1QFY26 (vs. 51% in 1Q FY25), maintaining its dominance.
- The all-India cargo market share increased to 27.8% (v/s. 27.2% in 1QFY25), while the container market share stood at 45.2% (v/s. 45.9% in 1QFY25).
- Domestic cargo volume increased 6% YoY from 106.8MMT to 112.9MMT, while international cargo volume rose sharply by 245% YoY to 7.7MMT, led by Haifa and Colombo terminals.
- Net debt to EBITDA stood at 1.8x as of Jun'25. The company extended average debt maturity from 4.3 to 5.2 years and reduced bond yields by up to 116bp as part of its long-term capital management strategy.
- Cash and equivalents stood at INR169b, with gross debt at INR531b as of Jun'25.

Port vertical

- Revenue from domestic ports grew 14% YoY to INR61.4b, with EBITDA margins expanding to 74.6% (vs. 72.5% in 1QFY25).
- Colombo West International Terminal (CWIT) commenced operations under a 35-year BOT agreement. Once completed, CWIT will handle ~3.2m TEUs annually.
- Dhamra Port opened a new export berth and began construction of two additional berths to increase capacity to 92 MMT.
- Vizhinjam Port, India's first fully automated transshipment port, completed one year of operations. It achieved 100% utilization in its ninth month and has started Phase 2 construction.
- 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.
- Haifa Port reported its highest-ever quarterly revenue and EBITDA since acquisition, led by a 29% YoY volume growth—with containers up 25% YoY and other cargo up 38% YoY.
- Volumes in July were weak due to adverse weather conditions, but the situation is expected to normalize in August.

Logistics business

- Logistics revenue doubled YoY to INR11.7b. The strong growth was supported by higher container and GPWIS volumes, along with ongoing network expansion.
- APSEZ handled 0.18m TEUs of container rail volume (+15% YoY) and ~6 MMT GPWIS volume (+9% YoY).
- APSEZ launched double stack container rake movement between ICD Tumb and ICD Patli.
- APSEZ continues to scale its integrated logistics platform, including rail, trucking, and warehousing segments.

Marine business

- The integration of its marine services business (which includes Ocean Sparkle, Astro, and TAHID) has been progressing well, and APSEZ expects its marine business revenue to increase to INR33b in FY27 (3x FY25 revenue).
- The marine segment's revenue jumped 290% YoY to INR5.4b, driven by a significant increase in vessel count from 76 (Jun'24) to 118 (Jun'25).
- The ramp-up reflects APSEZ's aggressive expansion and consolidation in marine services.
- APSEZ 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 505-515MMT 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 toward 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.



[Click below for Results Update](#)

Blue Dart Express

Buy

Current Price INR 5,844

Volume and other highlights

- In 1QFY26, BDE handled a shipment volume of 94m parcels and a tonnage of 0.34mt, reflecting robust operational activity.
- However, margins faced pressure due to higher costs from investments made in the previous year and an unfavorable volume mix.
- The company's revenue composition showed air express contributing 65% and surface express 35%, with B2B and B2C segments accounting for 71% and 29% of the business, respectively.
- Volume growth for 1Q FY26 was balanced across both B2B and B2C segments.
- 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.

Operations

- BDE has fully normalized and operationalized the significant investments made over the past few years, enhancing its operational efficiency.
- Freight utilization has reached optimal levels, including at its Guwahati operations, with newly added freighters now performing on par with older ones.

- Capex will now focus 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 stable growth in B2B and B2C in 1Q, supported by an asset-light model and improving ground infrastructure in India, which has also enabled margin expansion 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 to post strong and consistent growth regardless of broader industry trends, with a continued emphasis on service quality as a competitive edge.
- The company expects margins to expand, but has not provided any specific guidance.
- 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.
- 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.



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Container Corp

Buy

Current Price INR 557

Operational highlights

- In 1QFY26, CCRI reported 11% YoY growth in total volumes to 1.3m TEUs, led by 12%/9% growth in EXIM/domestic volumes to 0.97m/0.32m TEUs, respectively. However, revenue grew modestly by 3% YoY to INR21.5b due to an 8% YoY decline in blended realization to INR16,662/TEU.
- North India, which was earlier subdued, has started showing strong traction in both EXIM and domestic volumes from 2QFY26 onwards. Volumes from JNPT are also witnessing growth, and are expected to improve further post the commencement of double-stack rake operations by Dec'25.
- CCRI's land license fee (LLF) stood at INR1.1b for the quarter. The company continues to evaluate and surrender underutilized land parcels to rationalize LLF, which is expected to remain at FY25 levels through FY26.
- During the quarter, the estimated useful life of LNG Trucks & Trailers was revised from 8 years to 15 years, resulting in a one-time depreciation reduction of INR15.4m and a corresponding increase in PBT.
- The board declared an interim dividend of INR1.6 per share (INR1.2b total payout).

The screenshot shows a financial statement for Motilal Oswal Container Corporation. It includes a table with columns for various financial metrics and a detailed text section below it.

- Employee costs increased by INR180m during the quarter due to advance salary disbursements and rewarding employees for strong performance.
- The company currently operates 66 terminals, which are being utilized optimally. No tariff impact has been observed so far.

Volumes

- EXIM volumes stood at 0.97m TEUs (+12% YoY) and domestic at 0.32m TEUs (+9% YoY). EXIM realization declined 5% YoY to INR14,384/TEU, while domestic realization fell 12% YoY to INR23,676/TEU.
- Lead distances stood at: EXIM – 688kms; Domestic – 1,356kms; Total – 792kms
- Rail freight margin improved to 26.96% (v/s 24.36% in 1Q FY25).
- Volume discount spillover from FY25 impacted realizations in 1QFY26.
- There is no change in the discounting policy of CCRI.

Other highlights

- First-Mile Last-Mile (FMLM) services contributed INR980m in revenue during the quarter. ~35% of total volumes are covered under FMLM, which remains a profitable segment. The company aims to scale this further as part of its integrated logistics strategy.
- Delay in delivery of specialized tank containers continues to impact domestic volumes. The company has placed an order for 1,000 units (two tranches of 500). The first rake has been received, and the remaining 500 containers are expected within three months. Liquid volume in tank containers remains subdued due to these delays.
- ICDs serving Central and South India are seeing strong volume growth, while some North India ICDs catering to Mundra traffic witnessed weaker traction, impacting margins.
- Market share in 1QFY26: JNPT – 58.4%, Mundra – 36% (v/s 38% YoY), Pipavav – 49%, Pan-India – 53.6%.
- Port mix for 1Q FY26: JNPT – 35%, Mundra – 35.3%, Pipavav – 8%, Vizag – 6%, Chennai – 4.8%.

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.



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Results Update



Delhivery

Buy

Current Price INR 471

Operational highlights

- 1Q is seasonally the weakest quarter for Delhivery. Despite this, sequential volumes were largely stable, aided by continued execution in core businesses.
- The company closed the quarter with ~43,000 active customers, supported by new initiatives such as Delhivery Direct (on-demand intra-city logistics) and Delhivery Protect (insurance cover for transit loss/damage).
- Delhivery continued to drive profitability improvements and shut down select unprofitable accounts to protect margins.
- Integration of Ecom Express commenced after CCI approval in Jun'25; consolidation will reflect in financials from 18th Jul'25.
- Capex intensity has eased, with major investments in mega-gateways and high-capacity trucking already completed. Ecom acquisition brings in automation assets and infrastructure, further lowering future capex needs.
- New services: Delhivery Direct (on-demand intra-city logistics) launched in Ahmedabad, Delhi NCR, and Bengaluru; expected to be scaled up across India. Rapid operates 20 dark stores in three cities, targeting sub three-hour fulfillment for D2C brands. Expansion to 35-40 stores and three additional cities planned by 4QFY26. Total investment in both initiatives stood at INR140m in 1Q.

Express Parcel Business:

- Express Parcel revenue grew 10% YoY to INR14b, with shipments up 14% YoY to 208m. Service EBITDA margins remained healthy at 16.3%, indicating strong cost control and network efficiency.
- Volume momentum will continue in 2Q, positioning the company well for the peak season.
- The company remains confident about Express Parcel's margin profile, with expected improvement to 17-18% by Mar'26, driven by productivity gains and network optimization.
- Delhivery does not expect any adverse pricing changes despite sectoral cost inflation and remains committed to pricing discipline and sustainable profitability.
- Ecomm Express volumes have been largely integrated into Delhivery network seamlessly.

PTL Business:

- PTL revenue grew ~17% YoY to INR5b, while volumes increased 15% YoY to 0.46MT. Service EBITDA margin stood at 10.7%, supported by improved yields and a favorable client mix.
- Despite being a seasonally weak quarter, tonnage remained flat QoQ, indicating strong market positioning.
- PTL profitability has improved over 12 consecutive quarters, with steady-state EBITDA margins of 16-18% targeted over the next two years.

Truckload (TL) Freight

- TL revenue declined 5% YoY to INR1.5b. The business remained operationally stable, with Orion platform transacting ~INR1.1b monthly.
- Brokerage margins stood at ~5%; the company plans to expand monetization avenues (fuel discounts, financing, on-road services).

- Orion and Axle platforms, alongside TransportOne, are expected to contribute to long-term scalability.

SCS:

- SCS revenue declined ~21% YoY to INR2b, partly due to the exit from unprofitable contracts. However, service EBITDA margin improved to 7.2% due to cost control and re-negotiated deals.
- The company targets 12% plus margins and 20% plus RoCE in the medium term.
- Key focus areas include tech stack enhancement (WMS, OMS, TMS), deeper client pipeline, and expansion of white-labelled “Prime” service for D2C and SME e-commerce.
- Revenue guidance for the segment stands at INR18-20b over the next three years.

Cross-border services:

- Cross-border revenue declined 44% YoY to INR240m.
- The business remains nascent, but Delhivery plans to expand product offerings via global partnerships and the launch of economy services in 3Q.
- While Express parcel remains in focus, freight will stay a small contributor in FY26.

Guidance

- Revenue growth expected to be driven by Express Parcel and PTL, with SCS and new services contributing in later quarters.
- Core profitability to remain robust; management targets 6-7% EBITDA margin in FY26, despite cost pressures and ongoing investments.
- Peak volumes anticipated in 2Q and early 3QFY26, setting the stage for a strong first half.



Click below for
Detailed Concall Transcript &
Results Update



JSW Infra

Buy

Current Price INR 308

Operational highlights

- JSWINFRA handled cargo volumes of 29.4MT during 1QFY26, marking a 5% YoY increase. Growth was led by robust coal handling at Ennore, PNP, and Paradip, supported by strong performance at South West Port and Dharamtar Port. Interim operations at the Tuticorin Terminal and the JNPA Liquid Terminal also contributed. However, lower volumes at the Paradip Iron Ore terminal partially offset this growth.
- Port Revenues grew 8% YoY to INR10.8b. Logistics segment recorded revenues of INR1.4b.
- Third-party cargo volumes grew 8% YoY, with their share rising to 52% in 1QFY26 (vs 50% in 1QFY25), indicating continued progress in customer diversification.
- Employee costs dipped due to lower ESOP expenses, a trend likely to continue.
- The company reported a strong balance sheet with net debt of INR12.5b and cash and bank balances of INR43.6b (gross debt: INR56b as of Jun'25).
- Navkar delivered a strong performance, with EXIM volumes reaching 81,000 TEUs (+31% YoY) and domestic cargo volumes at 0.275m tons (+11% YoY).

Logistics business roadmap

- JSWINFRA remains focused on scaling its logistics business through an asset-light strategy, leveraging synergies from the Navkar acquisition. It aims to build a pan-India multimodal network, targeting INR80b revenue with a 25% EBITDA margin by FY30.
- In FY26, the logistics business is expected to contribute INR7–8b in revenue and ~INR1b in EBITDA, driven by improved operations at Navkar and increased traction from recently added infrastructure.
- 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.

Port updates

- Group cargo volumes at Jaigarh Port declined due to maintenance shutdowns and reduced third-party cargo, but recovery is expected in 2QFY26.
- Jatadhar Project: Assured cargo from a slurry pipeline agreement starting April 2027.
- Efforts are underway to increase third-party cargo at Jaigarh and Dharamtar despite soft volume growth over the last few quarters.
- Delays in the Jaigarh LPG terminal and Tuticorin projects due to statutory approvals and LOA timelines have been resolved, with projects now on track.
- During the quarter, JSWINFRA secured a 30-year DBFOT concession from the Syama Prasad Mookerjee Port Authority for redevelopment and mechanization of Berths 7 and 8 at Netaji Subhas Dock in Kolkata. With a permissible draft of 7 meters and a planned capacity of 0.45m TEUs (~6.3MTPA), this project aims to strengthen its presence in eastern India's container trade
- The company also received a Letter of Intent (LoI) under a resolution plan for NCR Rail Infrastructure, which owns a private freight terminal in Khurja, UP. The asset includes six rail lines, two operational warehouses (~0.2m sq. ft), and 130 acres of land, with NCLT approval pending.

Key project updates

- JSWINFRA continues to make significant progress across multiple port and logistics development projects. At V.O. Chidambaranar Port in Tuticorin, the company signed the concession agreement in July 2024 for the construction of a 7 MTPA dry bulk cargo berth with an estimated capex of INR 6b. Civil foundation works have commenced, and 1.07MMT of cargo was handled under interim operations during 1Q FY26. Project completion is targeted for 1Q FY27.
- At the JNPA Liquid Terminal, the concession agreement was signed in Apr'24 to develop two liquid cargo berths with a combined capacity of 4.5MTPA. The project entails a capex of INR 1b. As of June 2025, 100% of the pipelines have been delivered and 70% have been installed. Completion is likely by 2QFY26.
- The Mangalore Container Terminal is undergoing a capacity expansion from 4.2MTPA to 6 MTPA, backed by a capex of INR 1.5b. The project is expected to be ready by 2Q FY27.
- At South West Port (Goa), JSWINFRA is expanding terminal capacity from 8.5MTPA to 15MTPA through the construction of a covered shed. With the Consent to Operate (CTO) now in place, total capacity has increased to 11 MTPA, while approvals for the remaining 4 MTPA are currently in process.

- In Jaigarh, a new LPG terminal with a capacity of 2MTPA is being developed, requiring an estimated capex of INR 9b. Completion is targeted within FY27.
- Expansion efforts are also underway at Dharamtar and Jaigarh, where a combined capacity addition of 36MTPA (21MTPA at Dharamtar and 15MTPA at Jaigarh) is planned. This is being developed in line with the 5MTPA steel-making capacity expansion by JSW Steel at Dolvi, the anchor customer. The estimated capex for this project is INR 23.6b, with commissioning expected by March 2027.
- The proposed Keni Port in Karnataka is a 30MTPA all-weather, greenfield, deep-draft, multi-cargo commercial port with direct berthing facilities. The concession agreement was signed with the Karnataka Maritime Board in November 2023. The project has an estimated capex of INR 41.2b. A public hearing is scheduled for August 2025, and construction is expected to be completed within three and a half years, targeting commercial operations by FY29.
- For the Jatadhar Port project, the concession agreement was signed in Jun'25 by the anchor customer. The port will have a capacity of 30MTPA and require a capex of INR 30b, with construction targeted for completion by Mar'27.

Guidance

- Management remains confident in achieving 10% volume growth for FY26, expecting a stronger second half despite a slower 1Q.
- 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.
- 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.



Click below for
Detailed Concall Transcript &
Results Update



Mahindra Logistics

Neutral

Current Price INR 321

Business update:

- MLL reported consolidated revenue growth of 14% YoY in 1QFY26, driven by strong performance across Contract Logistics, Last Mile Delivery, and Express businesses. The Express business crossed the INR1b revenue mark for the first time, reinforcing the company's strategic shift toward integrated logistics.
- The company continues to expand its warehousing footprint, with new sites in Pune and Agartala going live during the quarter. A 3.4m sq ft facility for Cummins was also inaugurated.
- The Freight Forwarding business remained stable, while the Enterprise Mobility segment posted improved profitability through enhanced operational discipline.
- EBITDA grew 10% YoY, led by volume gains and cost efficiencies.
- Warehousing revenue stood at INR3.1b (+18% YoY), with continued momentum in e-commerce-led demand.
- Consumer and manufacturing remain the key end markets, with the company planning to appoint dedicated vertical heads for sharper business focus.
- The company integrated Whizzard and Last Mile Delivery operations and appointed a new segment head to streamline execution.
- As part of its deleveraging strategy, MLL launched a rights issue of INR7.5b, of which INR5.6b will be used for debt repayment. As of Jun'25, total borrowings

stood at INR6b. The balance rights issue amount of INR1.9b will be used for general corporate purposes.

Segment-wise performance and overview:

- Contract Logistics division reported strong performance, with revenue growth of 18% YoY to INR12.9b. Gross margins improved by 15% YoY and 4% QoQ, despite 1Q being a seasonally softer quarter. Volume momentum in the auto and farm sectors remained healthy. MLL continues to scale up its Contract Logistics business with a warehousing footprint of 21m sqft, supported by marquee clients. The company is also expanding into the e-commerce segment and is well-positioned to cater to rising festive demand, with sufficient capacity already in place.
- B2B Express segment delivered revenue of INR970m, up 11% YoY. Volumes saw a healthy sequential recovery, with pickup and delivery volumes increasing by 9% and 10% YoY, respectively. However, yield pressures persisted due to changes in the customer mix. While volumes are on an uptrend, the business continues to face profitability challenges. MLL remains focused on improving the customer and load mix to enhance yields and stem losses in the coming quarters.
- Cross-border Services segment posted revenue of INR740m, up 4% YoY. Gross margins improved 6% QoQ and remained stable YoY. Ocean exports showed growth, supported by increased activity in the global nomination business. However, headwinds persisted in the air and ocean imports segment, primarily due to BIS-related regulatory changes impacting volumes.
- Enterprise Mobility segment recorded revenue of INR800m, flat growth YoY. Gross margins improved by 7% YoY and 12% QoQ, reflecting better efficiency through quality fleet additions and improved utilization. The segment also benefited from a 6.6% YoY increase in airport passenger volumes.

Guidance:

- MLL will maintain its focus on execution, with the new leadership team prioritizing optimization of existing infrastructure and capacity utilization. No further white space expansion will be pursued until the current vacant space is fully utilized.
- The Express business will remain a key growth pillar, with continued focus on infrastructure improvements and customer mix realignment to improve yield and reduce losses.
- Contract Logistics and Warehousing businesses are expected to sustain their current growth rates, aided by festive demand and capacity readiness.
- The recently signed warehousing contract with Mahindra & Mahindra (0.3m sqft in Nashik) is expected to go live in Sep'25. The company remains focused on deepening its relationship with anchor clients while expanding its presence in non-auto sectors like e-commerce.
- Capex discipline remains strong, and future investments will be ROI-led, with normalized capex targeted at 1.5% of revenue.
- MLL has reiterated its commitment to becoming debt free after the rights issue and driving long-term shareholder value through cost optimization, operating leverage, and segmental profitability.



Click below for
Results Update

The screenshot shows a financial results page for TCI Express for Q1 FY26. It includes a table with various financial metrics such as Revenue, EBITDA, and Net Profit, along with their respective growth rates compared to the previous year. The page also contains a brief summary of the company's performance and a note about the results.

TCI Express

Neutral

Current Price INR 694

Operational highlights

- Volumes in 1QFY26 stood at 0.23m tons (down 1% YoY).
- Capacity utilization during 1QFY26 remained steady at 82%.
- TCIE commissioned three advanced sorting centers in Nagpur, Raipur, and Indore (over 0.2m sq. ft.), enhancing processing capacity and enabling faster, cost-efficient operations in Central India.
- Capex of INR129m was incurred in 1QFY26, which was directed toward branch expansion, sorting center construction, and IT infrastructure upgrades.
- The Surface Express segment maintained stable direct costs through April-June 2025 despite elevated freight rates and inflationary labor costs.
- The company continues to focus on automation, with upcoming facilities in Kolkata and Ahmedabad to replicate technologies deployed at Gurugram and Pune.
- Multimodal express capabilities remain a strategic focus, with the contribution targeted to reach 20-22% of the total revenue over the next 2-3 years.

Segment performance

- Surface Express: The segment remained the largest contributor to revenue, driven by demand from retail, automotive, and industrial goods. A price hike of 0.75% was implemented in 1Q, with additional hikes totaling 2% expected by Dec'25. The company is targeting volume growth of ~8% for FY26.
- Rail Express: The segment saw continued network expansion and customer acquisition, delivering ~8% growth during the quarter. This was supported by cost-effective, environmentally compliant services.
- Domestic Air Express: The segment expanded its last-mile connectivity to improve reach beyond metros.
- International Air Express: The segment delivered ~33% YoY growth with over 100 tons handled in the quarter. It operates a two-way flow model, catering to a distinct customer base.
- C2C Segment: The segment grew 14% YoY, driven by new customer acquisition and adoption of customized delivery solutions. It enhances operational efficiency through route optimization and improved return-node utilization.

Guidance

- Tonnage growth in FY26 is expected at 8-9%. Revenue growth is projected at 11-12%, supported by price hikes, network expansion, and growing multimodal contribution.
- Multimodal revenue share is targeted to rise from 17-18% currently to 20-22% over the next 2-3 years, aided by separate service networks for air, rail, international, and C2C segments.
- EBITDA margin is expected to expand through cost optimization, higher automation benefits, and price increases, with FY27 margins guided at 15-16%.
- The total capex of INR5b is planned for FY23-FY27 (likely extending to FY28), with INR2b spent to date. INR1b each is budgeted for FY26 and FY27, primarily for automated sorting centers (INR80–100m per site excluding land) and network expansion.



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Results Update



Transport Corporation of India

Buy

Current Price INR 1,165

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 posted YoY growth for the 20th consecutive quarter, despite a moderately challenging economic environment.

Freight Segment

- Revenues in the freight segment remained largely flat during the quarter, as the business continued to face headwinds from weakness in the infrastructure and capital goods sectors.
- Broader economic activity was moderate, further impacting volumes. The company maintained its strategic focus on expanding its LTL network to capture growth in the fragmented freight market.
- In FY25, TCI added 40 new branches under this initiative and has set a target of opening 50 additional branches in FY26 to improve geographic coverage and service depth
- Management believes that the freight segment is at the bottom of the cycle and anticipates a recovery soon.
- Management expects freight business revenue to grow 8-10% in FY26.

Supply Chain Segment

- The supply chain segment sustained its growth momentum with ~23% YoY revenue growth in 1QFY26, supported by the onboarding of new contracts and expansion in scope with existing customers.
- The company witnessed strong traction in warehousing and multimodal services, particularly within the automotive sector, where it continued to strengthen its hub-and-spoke distribution model. Despite facing cost pressures, the business was able to maintain stable margins, reflecting operational resilience.
- Capital employed in the segment rose due to the acquisition of 15 new trucks and warehousing equipment. While these additions are expected to support future growth, they resulted in short-term margin contraction during 1QFY26.
- TRPC already operates three rail rakes, and in line with its green logistics strategy, the company has ordered two additional rail rakes, which are expected to be commissioned in the next 12-15 months. The newly ordered ones are specially designed to carry two levels of SUVs. With the Indian passenger vehicle market increasingly shifting towards SUVs, the new rakes are expected to enhance efficiency and competitiveness in automobile logistics.

Seaways Segment

- The seaways business continued to benefit from favorable freight rates and relatively lower average fuel prices, which supported healthy profitability.
- One vessel underwent dry-docking during the quarter, and two more are scheduled for similar maintenance later in the year.
- Depreciation costs declined this quarter, as most of the vessels in the fleet have already been written off.

- Management expects the current margin profile to continue into the next quarter, with sustainable EBIT margins in the 35-40% range over the next two quarters.
- While prices of second-hand vessels remain high, the company has earmarked a budget of INR1.5b for potential acquisitions, should a viable opportunity emerge.
- When new ships are inducted in FY27, there may be a short-term dip in EBIT margins during the initial 2-3 months of capacity ramp-up.
- The government's ambition to double the share of waterways in India's modal mix from 6% to 12% by 2030, supported by over USD 120b in planned investments, bodes well for long-term demand. Policy initiatives such as the Sagarmala program and the Coastal Shipping Bill, 2024 are further expected to improve infrastructure and cost efficiencies for domestic coastal shipping.

Joint Ventures

- The company's joint ventures posted strong revenue growth during the quarter, though profit growth remained flat YoY due to potential margin pressures.
- The Transystem JV with Mitsui continued to perform well, particularly in the automotive supply chain, and remains strategically important.
- Dividends received from JVs contributed to consolidated PAT, while also enhancing TRPC's service offerings and geographic reach.

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 scheme, and government-driven investments in infrastructure and manufacturing.
- The company expects the effective tax rate to remain largely stable in the near term. However, given the higher profitability in the shipping segment, there could be a 2-3% variation in the tax rate depending on the segmental mix.
- The company has retained its FY26 capex guidance at INR4.5b. While capex execution tends to be slower in 1QFY26, it is expected to pick up meaningfully in 2HFY26. The investments will primarily be funded through internal accruals.
- The supply chain division has now emerged as the largest contributor to consolidated revenues and is expected to continue its strong growth trajectory in the coming quarters.



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VRL Logistics

Buy

Current Price INR 282

Operational highlights

- The revenue growth was driven by improved realizations, while volumes declined by ~12–13% YoY due to the strategic exit from low-margin contracts.
- Margins remained robust despite higher administrative expenses, reflecting strong cost control.
- Internal fuel procurement improved significantly to 41.5% in 1QFY26 (vs. 33% YoY), reducing fuel cost as a percentage of revenue to 25% (from ~29%). Lorry hire charges declined from 7% to 4%, aided by higher own fleet utilization and reduced dependency on external vehicles.
- Administrative expenses rose to 2.2% of revenue (vs. 1.4% YoY), led by legal and professional fees, which are expected to persist for the next 2–3 quarters. A



one-time loss on vehicle sale was also recorded, leading to higher other expenses.

- Employee costs remained stable at ~18% of revenue. A company-wide salary revision effective August 2025 was approved by the Board, which is expected to increase costs by ~2–3% of revenue in subsequent quarters.
- Capex during the quarter stood at INR150m, largely toward vehicle purchases. Fleet size stood at 5,949 vehicles (vs. 6,127 YoY), reflecting improved asset utilization and selective scrapping of high-maintenance vehicles.
- VRL maintains the lowest attrition rate in the industry and continues to deliver high service levels with strong human capital and operational systems

Operational efficiency & network expansion

- VRL sustained 100% hub-to-hub efficiency across its network, enabling reduced turnaround time and improved vehicle loading.
- Investments in proprietary in-house digital infrastructure, including GPS tracking, real-time route optimization, OTP-based vehicle unlocking, consignment barcoding, and CCTV-based security systems, have contributed to better claim ratios and cost savings.
- Door-to-door services accounted for ~38–40% of revenue in 1QFY26 (vs. 25–28% in 1QFY25), reflecting an evolving positioning toward express PTL offerings.
- A net reduction of 12 branches was recorded during the quarter (18 opened, 30 closed), part of a strategy to shut underperforming or low-utilization locations.
- While VRL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.

Guidance

- Volume growth is expected to remain negative in 2QFY26 with a YoY decline of 8–9%, largely reflecting the lagged impact of the recently completed contract restructuring and realignment of the customer base. However, volumes are expected to stabilize in 3QFY26 due to a strong festive demand cycle and return to YoY growth in 4QFY26.
- Overall, management expects FY26 volumes to remain flat or show marginal growth, with a stronger recovery expected in FY27 (guided growth of 7–8% YoY).
- Realizations are expected to be maintained at current levels (~INR7,800/ton) in 2QFY26. Management has reiterated its stance of not changing freight rates unless there is a meaningful decline in input costs, such as fuel.
- EBITDA margin is expected to normalize to 18–19% over 2QFY26 and 3QFY26, factoring in higher administrative costs (professional/legal fees) and the salary increment effective from August 2025. Margin impact from employee cost is anticipated to be 2% in 2Q and ~3% from 3Q onwards.
- Branch additions are expected to pick up pace later in the fiscal year. The company had earlier guided for 80–100 new branches annually, but actual additions in FY26 are likely to be lower as the focus remains on price stabilization and profitability-led expansion.

METALS



- In the Ferrous space, management across companies indicated 1) a softer NSR in 2Q, which is likely to rebound post-monsoon with a steady cost structure, and 2) incremental volumes from new capacities with a rising share of captive raw material mines to support margins. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices, rising domestic e-auction coal, and trade tensions, which may be offset by favorable pricing conditions leading to sustained margin in the coming quarters. Overall, the 1Q Indian operations performance was backed by better NSR and muted costs, offsetting the muted volume impact. Management believes that global uncertainties might pose challenges to international steel and input prices, but with the safeguard duty, the domestic businesses are cushioned from downward risks.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY26	Drivers
Tata Steel	■ EBITDA improvement in Europe operations is expected to continue steadily in the coming quarters on account of its cost-restructuring measures. ■ The capacity ramp-up in the Netherlands and lower fixed costs should also support the overall EBITDA performance going forward. ■ Though there are near-term uncertainties related to price volatility due to trade tension and recent correction in steel prices, the long-term outlook remains strong for TATA.	■ Management guided India NSR to be INR2,000/t lower in 2Q compared to 1Q, due to seasonal weakness and domestic supply pressure. ■ Coking coal consumption cost is projected to reduce by USD10/t in both India and the Netherlands during 2Q. Iron ore cost in the Netherlands is expected to be lower by USD7-8/t in 2Q. ■ Total cost savings target of INR115b will be achieved in 12-18 months, of which INR44b (INR15b in FY25 and INR29b in 1QFY26) has already been realized as of 1QFY26.
JSW Steel	■ Going forward, we estimate double-digit revenue growth in FY26/FY27, driven by the ramp-up of new capacity and price recovery. Further, as input costs are expected to remain soft, we believe EBITDA margin would rebound to 18-19% in FY26/FY27 (~INR12,000/t in FY26E and ~INR13,500/t in FY27E) on account of domestic steel price recovery led by safeguard duty. ■ Strong margins will enable JSTL to generate CFO of INR620b, which can be utilized to fund the expansion plans of INR350b (INR150-200b each) over FY26-27E and any potential deleveraging efforts. JSTL's net debt/EBITDA declined to 3.2x as of 1QFY26, which we expect to decline to 1.7x by FY27E, supported by robust operating profit.	■ Management guided volume growth in 2QFY26 as planned shutdowns are completed and operations at Dolvi and BPSL stabilize. ■ Blended coking coal costs were ~USD160/t in 1QFY26 and are likely to stabilize in the coming quarters. Management foresees a marginal coking cost reduction of USD5/t in 2QFY26. ■ Steel prices softened in Jun'25 (HRC prices down by ~INR1,000/t) and continued to show softness in Jul'25, led by Global uncertainties. ■ Management expects cost efficiencies to improve in 2Q, led by 1) lower coking coal costs (USD5/t) 2) better operational efficiencies at JVML (potential cost savings up to INR1,500/t QoQ), 3) reduction in iron ore costs via higher captive sourcing and beneficiation.
JSPL	■ With the completion of its ongoing Angul expansion, JSPL'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 has reduced its debt significantly, with a net debt-to-EBITDA ratio of 1.26x as of end-4Q. JSPL aims to keep debt in check ahead.	■ Management reiterated its FY26 crude steel production guidance of 9-10mt. ■ Raw material cost reduction was driven by coking coal savings, PCI savings, scrap and other inputs, plus absence of one-off 4Q charges. ■ Coking coal cost reduced by USD11/t in 1Q (in line with guidance) and is expected to decline by another USD5/t in 2Q. Management expects iron ore costs to remain flat QoQ in 2Q.
Hindalco	■ Novelis' earnings outlook is expected to soften in 2Q, led by tariff implication, but guided to rebound in 2H, driven by its mitigation plans. Additionally, we anticipate the strong domestic earnings will manage to offset the muted Novelis profitability for FY26. ■ The ongoing capex in Novelis will establish HNDL as the global leader in the beverage can and automotive FRP segments. Also, the commissioning of Bay Minette will reduce the import dependency and free up other US capacities for high-margin products.	■ Alumina sales stood at 170kt and are expected to be ~190-200kt in 2Q. ■ The company targets to achieve aluminum downstream EBITDA of USD250-300/t in coming quarters as FRP ramp-up continues. ■ Management reiterates copper EBITDA guidance of INR6b every quarter. ■ CoP to increase by ~3% QoQ in 2Q, due to monsoon impact and higher coal prices. ■ For Aditya Alumina Refinery expansion, HNDL placed all the orders, EC received and construction has started with the commissioning targeted by FY28.



Hindustan Zinc Limited

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Hindustan Zinc

Neutral

Current Price INR 430

Performance guidance

- RE share during 1QFY26 stood at 19% of the total energy mix as compared to 13% in FY25. Coal mix stood at 50% domestic vs. 45% imported in 1QFY26.
- The reduction in CoP during 1QFY26 was on account of better mine grade, higher RE share via Serentica and higher domestic coal usage amid muted imported coal prices.
- On account of improving efficiencies, the company is confident of achieving the lower end of its full-year cost guidance (USD1,025-1,050/t).
- Saleable silver production was lower than expected due to lower metal production and lower silver grades (88ppm vs. ~93-98ppm last year).
- Completion of debottlenecking projects and commissioning of a new roaster in 2QFY26 will boost silver and metal production, supporting HZ to meet the FY26 guidance of 700-710t.

Capacity update/capital allocation

- The 510kt DAP/NPK fertilizer plant at Chanderiya is in progress and will be commissioned by 1QFY27 (earlier 2QFY26). Out of the total FY26 capex of INR12b, HZ has already spent INR10b.
- Ramp-up is expected to take 2-3 months, with full operations likely in 2HFY27 with revenue potential of INR20-25b and EBITDA of INR4-4.5b.
- Management expects 160ktpa roaster at Debari to be commissioned in 2QFY26 (earlier 1QFY26).
- It has completed debottlenecking at Dariba Smelting Complex. The Chanderiya Lead Zinc smelter debottlenecking is expected to complete by 2QFY26.
- The hot acid leaching technology innovative for lead (27mtpa) and silver (6ktpa) recovery from smelting waste at Dariba will be completed by 4QFY26.
- The Bamnnia Kalan mine is under development (40-45% complete) and is expected to be operational by late 2026 or early 2027, with grades projected to be at 8-9% (stands between RD and SK mines).
- In Jun'25, HZ announced integrated refined metal capacity expansion plans of 250ktpa, along with matching mines & mills capacity, with an investment of INR120b (guidance: INR35b - FY26, INR50b - FY27, and the rest in FY28). The expansion is expected to be completed in the next 36 months.
- Orders for a 250ktpa smelting complex have been placed, with mining orders to follow within 10-15 days and concentrator orders by mid-Aug'25.
- Phase-II aims to double the refined metal capacity to 2mtpa (1.6/0.4mtpa - Zinc/Lead, respectively) and silver capacity to 1.5ktpa. Management guided that the planning of phase-II is completed and all the orders will be placed by Sep'25.

Other highlights

- Guided to distribute surplus cash after capex; maintaining a balance between leveraging and dividend payouts (brand fees payment of INR5b in 1QFY26).
- HZ had secured licenses for potash (Rajasthan), tungsten (AP) and rare earth blocks (UP). The potash block will complement the fertilizer business, while preliminary studies are ongoing for the tungsten/rare earth block.
- Long-term grade deterioration at mines like Rampura Agucha, SK, and RD is being managed through a strategic mining and new mine development (e.g., Bamnnia Kalan).



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Hindalco Inds

Buy

Current Price INR 701

Volume, Pricing, and Cost Guidance/Outlook:

- Coal mix for 1QFY26 - linkage accounted for 63% and others (e-auction and captive) accounted for the remaining. Any major changes in the coal mix will be seen after the commissioning of Chakla, Bandha, and Meenakshi mines.
- Cost of production (CoP) for upstream aluminum fell 3% QoQ in 1QFY26 due to a higher linkage coal mix (~63%). Management has guided CoP to increase ~3% QoQ in 2QFY26 due to the monsoon impact and higher coal prices.
- Downstream EBITDA/t is expected to be USD250-300 for FY26.
- Alumina sales volume stood at 170kt and is expected to clock ~190-200kt in 2Q.
- Management has reiterated its copper EBITDA guidance of INR6b every quarter.
- Aluminum hedging: The company hedged ~20% for 2QFY26 at USD2,666/t and currency hedged ~18% at INR87/USD.
- The fully operational captive coal mines (Chakla, Meenakshi, Banda) will produce ~20mtpa and reduce the coal cost by ~30% vs. current linkage prices.
- TCRCs are expected to remain subdued over the next couple of years.

Capex and Capacity Update:

- Capex for FY26 is guided at INR75-80b, where INR12.7b was spent in 1QFY26.
- Management expects peak capex of INR150b in FY27, mainly due to the execution of large upstream and recycling projects.
- For the Aditya Alumina Refinery expansion, the company has placed all the orders, received EC, and commenced construction, with commissioning scheduled for FY28.
- The 180KT aluminum smelter expansion at Aditya will proceed alongside the alumina refinery and is expected to be operational by FY28, whereas the 300KT copper smelter expansion will be commissioned by FY29.
- Two captive coal mines (Chakla and Bandha) will start the initial work in FY26, with commercial coal output from Chakla expected by Feb-Apr'27. Chakla's output is expected to start from FY27 onwards (~0.5–1mt in the first year), whereas Bandha and Meenakshi are expected to begin production later in FY28.
- The copper scrap recycling facility is under execution, with the first 50kt module expected to come online by Dec'27 (future expansions will bring the capacity up to 200kt). The e-waste recycling project is also progressing on schedule and will be commissioned by FY27, with expected margins of 2-3x higher than conventional smelting.
- The ramping up of the Aditya Aluminum FRP (200KT; bringing the total downstream capacity to 600kt) and Silvassa plants is currently underway and expected to increase EBITDA/t in the USD250-300 range.
- The 100MW RTC renewable power project has been delayed to Oct-Nov'26 (earlier by Jun'26) due to slow grid connectivity approvals. Despite the delay, the company ensures that expansion projects will use thermal power.

Demand Outlook and Other Highlights:

- The global aluminum market in 2QCY25 had a marginal deficit, with China's deficit offset by a surplus in the rest of the world.
- In China, 2QCY25 production reached 11mt (+2% YoY in 1HCY25), while consumption rose 4% to 23mt, driven by strong solar installation demand and a 50% increase in new energy vehicle production.
- The Chinese construction sector remains weak, with declining investments.
- Overall, global aluminum consumption outside China is growing marginally (+1% in 1HCY25), supported by India and Brazil but offset by weaker Europe and North America demand.



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Jindal Steel & Power

Buy

Current Price INR 1,061

Guidance

- Management reiterated its FY26 crude steel production guidance of 9-10mt, with incremental volumes of 0.2-0.3mt expected from existing facilities and 0.7-1.6mt from new expansions.
- Capacity utilization of the Angul unit stood at ~84-85% and Raigarh at ~95%, leading to a blended utilization of ~87% (down ~1% QoQ) in 1QFY26.
- VAP share stood at 72% in 1QFY26 vs. 64% in 4QFY25, led by the ramp-up of high-grade HR coils, specialty plates, and unique products like 50mm TMT bars. The product mix stood at 44% flats and 56% longs for the quarter.
- The reduction in raw material costs was driven by savings in coking coal, PCI, scrap, and other inputs.
- Coking coal costs reduced by USD11/t in 1QFY26 (in line with the guidance) and are expected to decline by another USD5/t in 2QFY26.
- Domestic steel prices are currently 5-7% lower than 1QFY26, with a potential recovery expected in latter 2QFY26.
- Management expects iron ore costs to remain flat QoQ in 2QFY26.

Capex and timelines

- 1QFY26 capex stood at INR22.3b, mainly for the Angul expansion. Of the announced INR470.4b capex program, the company has spent ~INR281.5b till Jun'25, and the balance will be deployed over FY26-28E.
- Management reiterate its capex guidance of INR75-100b for FY26.
- Blast Furnace-II commissioning is underway, with the first hot metal expected in Aug'25. BOF-II commissioning is at an advanced stage and is expected in 2QFY26, with optimum utilization targeted by FY26-end.
- The slurry pipeline project is on schedule for commissioning in FY26.
- The company commissioned its first galvanizing line at Angul and expects a colour-coating line by 3QFY26, along with additional galvanizing/colour lines by 4QFY26.
- The Tensa mine contributed 0.13mt in 1Q, as it is nearing the closure stage. The company is expected to offset the declining output from the Tensa mine by ramping up production from the newly won Roida-I iron ore mine.
- Operational coal mines: Gare Palma IV/6 (4mtpa) and Utkal C (3.37mtpa) are operating at EC limits; plans are underway to increase EC for both mines.
- Utkal B1 mining activities are expected to commence in 2QFY26 and Utkal B2 is on track to get commissioned soon after.
- Thermal coal sourcing stood at 90-95% captive, primarily from Gare Palma and Utkal C mines, with minimal dependence on external purchases.
- The Saradhapur Jalatap East coal block (awarded Mar'25) has geological resources of ~3.26bt, and the company has commenced exploration activities. This additional coal mines will feed captive power plants and are not for commercial sale.

Other updates

- Net debt stood at INR144b as of Jun'25 vs. INR120b in 4QFY25.

- Net debt/EBITDA increased to 1.49x in 1QFY26, compared to 1.26x as of 4QFY25. Management's target remains below 1.5x net debt/EBITDA throughout the capex phase.
- The company expects to release working capital in 2Q (inventory liquidation) and BF-II contribution to support cash flows, aiding debt reduction.
- Chinese steel exports remained elevated, impacting global pricing.
- Indian safeguard duty of 12% (effective Apr'25) and BIS/QCO norms have sharply reduced Chinese imports into India.
- Chinese prices remained firmed, while European and other regional markets are seeing upward price trends.
- Auto segment volumes remain low at present but are expected to ramp up in the coming quarters.



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Jindal Stainless

Buy

Current Price INR 766

Guidance:

- Management reiterated volume growth guidance of 9-10% YoY for FY26, with capacity utilization of 80-85%. Moreover, similar volume growth is expected in FY27, subject to timely capacity addition and demand conditions.
- JSL saw a 12% QoQ increase in higher-margin Cold Rolled (CR) volumes in 1QFY26 and guided for a further ~15-20% increase in 2H, supported by a ramp-up at Chromeni (now at 65% utilization and targeting 80-85%).
- The company aims to increase the CR share to 75% of its total melting capacity, indicating a long-term push toward higher-margin products.
- The company has maintained its EBITDA/t guidance of INR19,000-21,000/t for FY26, despite volatile raw material prices.
- The SS series mix for 1QFY26 stood at 200 series - 36%, 300 series - 46%, and 400 series - 18%.
- Management expects LME-nickel prices to remain range-bound between USD15,000 and 16,000/t in the near term.

Capex:

- Capex guidance for FY26 is INR27b (incl. spill overs and maintenance capex). For FY27, capex is expected to be ~INR10-12b.
- The Indonesian SMS project is progressing as planned and will come online in FY27.
- The land acquisition of the Maharashtra expansion is underway, and the expansion will occur in a phase manner of 1mtpa x 4 unit, subject to approval and other macro/micro environment. Phase 1 is likely to come on stream by FY29-30.
- The HRAP line is on schedule for commissioning in 2HFY27.

Subsidiaries business operations:

- Despite flat volumes, JUSL (100% subsidiary) showed improved EBITDA contribution due to a better product mix.
- The Rathi steel capacity is running at 80-85% of utilization level, with 70% of the wire rod share. The rebar production remain muted, while management aims to increase the rebar output.
- Chromeni has turned EBITDA-positive and currently operates at 60-65% of the utilization level, while management targets to reach 80-85% of utilization in 2H.

- NPI operations are steadily ramping up and have already reached a certain operational stage.

Demand outlook:

- Domestic demand remained robust, especially in the auto, railways, elevators, and white goods sectors.
- JSL is increasing its focus on domestic markets due to global trade uncertainties and tariff realignments.
- For JSL, domestic demand is expected to remain the growth driver and exports will only be pursued if it benefits margins incrementally.
- Imports from China and other countries declined with the implementation of BIS quality norms and management is actively supporting anti-dumping measures.
- Management indicated that the company is fully compliant with CBAM and will continue to cater to the European market.

Other highlights:

- The company is evaluating a merger of the recently acquired downstream assets to improve tax efficiency.
- JSL has received ~USD20m from the sale of equipment for its earlier operations in Indonesia and is working on the divestment of the remaining land parcel only over favorable valuations.
- Indian Stainless Steel Development Association (ISSDA) has submitted a formal application to the DGTR over CR SS flat products from China, Vietnam, and Indonesia, alleging harmful impact on the domestic industry.



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JSW Steel

Buy

Current Price INR 1,083

Guidance:

- Volumes are expected to improve on a QoQ basis in 2QFY26 as planned shutdowns conclude and operations at Dolvi and BPSL stabilize.
- Blended coking coal costs were ~USD160/t in 1QFY26 and are likely to stabilize in the coming quarters. Management foresees a marginal coking cost reduction of USD5/t in 2QFY26.
- In 1QFY26, blended steel prices increased ~INR3,300/t QoQ, in line with prior guidance. However, steel prices softened in Jun'25 (HRC prices down by ~INR1,000/t) and continued to show softness in Jul'25, led by global uncertainties, cheaper imports into India, and seasonal monsoon affecting infrastructure and construction demand.
- 1QFY26 costs were impacted by shutdown-related expenses (~INR2b) and a one-time forex loss of ~INR3.43b on euro loans. These factors contributed to a cost impact of ~INR800/t in 1Q, which is not expected in 2QFY26.
- Management expects cost efficiencies to improve going forward, led by: 1) subdued coking coal cost; 2) improved operational efficiencies at JVML (potential cost savings of up to INR1,500/t QoQ); and 3) reduced iron ore costs due to increased captive sourcing and beneficiation.

Capex:

- Capex Guidance: INR200b for FY26 and INR210b for FY27.
- Vijayanagar Blast Furnace 3 (BF3): A shutdown is planned for Sep'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 the total capacity to 15mtpa, and is expected to be completed by Sep'27.
- The BPSL phase II (from 3.5mtpa to 5mtpa) expansion was completed and ramped up to 4.5mtpa in 3QFY25. The 0.5mtpa brownfield expansion at BPSL remains under review pending Supreme Court decisions, with a potential slight delay but no impact on the broader 2030 capacity target of 0.5mtpa.
- The company acquired ~900 acres of land in Odisha for future expansion, separate from the ongoing Paradip project in Jagatsinghpur. The Paradip project includes a slurry pipeline and pellet plants, both on track, with steel production plans to be announced later.

Iron ore linkages:

- JSTL has nine mines in Karnataka, with an existing EC of ~7mt. It has recently added 4mt, bringing the total capacity to 11mt. The company also allotted three new mines with an EC of ~4.5mt, bringing the total production capacity to 15.5mt by FY26-end.
- In Goa, the mining operations at Cudnem are expected to start by 3QFY26, and Surla and Codli mines by 2HFY27E. Together, these three mines in Goa will have a cumulative production capacity of 3.7mt, which will support Dolvi operations.
- The company is entering into a JV with the Andhra Pradesh Mineral Development Corporation (APMDC) to set up a beneficiation plant for a magnetite resource.

Demand outlook:

- Management anticipates steel demand growth of 6% to 9% in FY26 in India, driven by the infrastructure and construction sectors despite a higher base.
- Management believes the company is well-positioned to meet this demand through its expanded capacities and product mix improvements.

Other highlights:

- Inventories rose 400kt QoQ, totaling ~2.3mt, including semi-finished goods, work-in-progress, and finished goods.
- The slurry pipeline project is progressing on schedule. ~100 km of the 300km pipeline has been completed and the remaining 110 km is under construction.
- The pipeline is expected to be operational by Apr'27, with cost savings of up to INR1,000/t of iron ore.
- JSTL, along with the Committee of Creditors (CoC) and Resolution Professional (RP), filed review petitions, which mandated a status quo on NCLT proceedings for implementing a prior judgment.



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NALCO

Neutral

Current Price INR 192

Capex and capacity update/timeline

- NACL's 5th stream alumina refinery of 1mtpa is on track (~74-75% physical progress completed) for the mechanical completion target by Mar'26 (delayed from Sep'25 due to local issues).
- Commercial production is expected to start by May-Jun'26 with an expected output of 500-600kt in FY27E and will get ramped up to 1mt in FY28E.



- Brownfield aluminum smelter expansion of 0.5mtpa is progressing on track. The revised DPR is under preparation (expected DPR completion by FY26-end) and land acquisitions are underway.
- NACL plans to enhance value-added product offerings via a new wire rod mill (INR2.5-3b capex) for converting ingots and aluminum foil plant (INR500-600m capex). It is also planning to add annealing furnace for rolled products expected by Mar'26, increasing output from 2-3ktpm.
- For the Pottangi bauxite mines expansion plan (capex outlay of INR20b), the company has already floated MDO tender, and groundwork is underway. Management expects the mining operations to commence by 4QFY26 end.
- The Pottangi mine will add 3.5mtpa of bauxite production capacity and will directly feed the new 1mtpa refinery.
- NACL operates 198MW of wind power spread across Rajasthan, Maharashtra and Andhra Pradesh. The company plans to add 7MW (current capacity 1MW) of rooftop solar, which is currently in the tendering phase. Also, a 10MW wind power project in Tamil Nadu is in the final stages of clearance and will be commissioned by Sep-Oct'25.

Volume and demand guidance

- Management guided that alumina export volume is expected to increase to ~1,200-1,280kt in FY26 vs. 1064kt in FY25, as the company plans to increase alumina shipments from 36 in FY25 to over 40 in FY26.
- Export share is expected to remain 80% of total alumina sales, while the remaining 20% to be supplied in the domestic market.

Pricing and cost guidance

- In 1QFY26, NACL achieved an average alumina realization of USD416/t, although spot prices moderated to ~USD400/t. Management expects alumina spot prices to remain in the range of USD400-450/t in the coming quarters.
- The cost of production (CoP) for alumina in 1QFY26 was in the range of INR20,000-21,000/t, of which ~60% was variable cost and the rest was fixed. NACL aims to reduce CoP further via better control over caustic soda consumption and operational efficiency.
- NACL expects alumina CoP to remain stable or slightly improve in FY26 on account of continued optimization efforts.
- The landed cost of caustic soda increased to INR44,301/t in 1QFY26 from INR36,300/t in 1QFY25.
- Average aluminum CoP stood in the range of INR155,000-161,000/t in 1QFY26.
- NACL aims to achieve ~15-20% green power penetration in its energy mix by 2030, aligning with its rising renewable purchase obligations (RPOs).
- Other expenses rose to INR7.1b, mainly due to RPO costs (~INR0.75m), increased transportation, and maintenance costs.

Coal outlook

- NACL commenced its captive coal mines (Utkal D&E blocks) operations in Jan'25 and currently operating at a run rate of 100% (~4mt).
- NACL's annual coal requirement is ~7.2mt, of which ~4mt (~55%) is met through captive sources and the remaining ~3.2mt through linkage agreements with Coal India (subsidiaries - Mahanadi Coalfields).



सेल SAIL

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The image shows a screenshot of a financial results table for SAIL. The table includes columns for various financial metrics such as Revenue, EBITDA, and Net Profit, along with their respective values and percentages. The table is presented in a structured format with multiple rows of data.

- Captive coal has cost benefits of INR400/t, along with lower transportation costs due to proximity between coal mines and power plants.

Industry outlook

- LME aluminum prices fell to USD2,380/t in Apr'25 but rebounded to USD2,560/t, influenced by US tariff announcements.
- Global alumina supply has improved, resulting in a slight surplus, and the aluminum remains in a mild deficit.
- Aluminum capacity in China is capped at 45mt, limiting future supply increases.

Steel Authority of India

Neutral

Current Price INR 124

Guidance:

- In 1QFY26, the blended coking coal costs stood at INR16,920/t vs. INR17,650/t in 4QFY25. The imported coking coal cost dropped to INR17,600/t from INR18,500/t in 4QFY25. For 2QFY26, management expects coking coal costs to largely remain stable QoQ.
- EBITDA margins were affected by downward inventory revaluation. The stock revaluation impact was ~INR10.5b as compared to 1QFY25, primarily driven by a sharp decline in imported coking coal prices (down by INR5,000-6,000/t), which reduced the cost of existing inventory. It was a one-time hit and will not recur in 2QFY26.
- Long steel prices increased to INR54,500/t in 1QFY26 from INR53,300/t in 4QFY25, while flat steel prices improved from INR47,300/t in 4QFY25 to INR50,400/t in 1QFY26. Currently, the average NSR for long steel stood at INR51,500/t, and flat at INR48,600/t.
- SAIL holds 1.7mt of saleable steel and 1.3mt of in-process stock as of Jun'25, against ~1.4mt and 1.3mt, respectively in 4QFY25 end.
- Guided to achieve sales of ~18.5mt (excl. volume from NMDC steel) for FY26.

Capex:

- SAIL plans to add 4.5mtpa capacity at IISCO with an estimated capital outlay of ~INR360b (~USD1050/mtpa). This includes 4mtpa of new capacity and 0.5mtpa via debottlenecking.
- The tendering process is currently underway, and order placements are expected soon. The major capex related to this expansion will begin in FY27E, with the project expected to be implemented over 3-4 years.
- For FY26, SAIL has set a capex target of INR75b, to be spent on ongoing projects across various plants.
- The IISCO expansion will start contributing to capex from FY27 onward, and similar capacity enhancements will be considered for other facilities.

Debt and other highlights:

- Steel imports, particularly from China, Vietnam, and Japan, have created price pressure on domestic producers.
- 1Q imports were under control. Steel prices have stabilized, with expectations of improvement in subsequent quarters.
- SAIL continued its focus on deleveraging during 1QFY26, reducing its total borrowings by ~INR11b to INR287b. This reduction was supported by improved cash flows and operational efficiencies.



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Tata Steel

Neutral

Current Price INR 162

Management guidance

- Despite the drop in 1Q volumes due to maintenance shutdown, TATA has maintained its ~1.5mt incremental volume guidance for India in FY26, to be mainly driven by production ramp-up at Kalinganagar.
- Management guided India NSR to be INR2,000/t lower in 2QFY26 compared to 1Q, due to seasonal weakness and domestic supply pressure.
- Coking coal consumption cost is projected to reduce by USD10/t in both India and Netherlands during Q2 FY26. Whereas the iron ore cost in Netherlands is expected to be lower by USD7-8/t in 2QFY26, aiding margins further.
- TATA achieved INR29b of cost savings in 1QFY26, in which India operations saw INR11b of cost saving, INR14b in Netherlands, and INR4b in UK operations.
- Total cost savings target of INR115b will be achieved in 12-18 months, of which INR44b (INR15b in FY25 and INR29b in 1QFY26) is already realized till now.
- Conversion costs of India operation declined INR7b QoQ, driven by a reduction in power & fuel cost, lower maintenance, and efficiency gains under the cost saving program.

TATA – European operations

- TATA Netherlands is actively engaging with the Dutch government for funding support towards de-carbonization and emission reduction initiatives.
- Netherlands cost saving of INR14b was mainly driven by improved sales mix and procurement efficiencies. UK cost saving of INR4b was led by lower maintenance, lease, and operating charges.
- UK EAF plant will help the company to process existing local scrap (UK the biggest scrap supplier) rather than importing iron ore and coking coal as earlier.
- The US duty on Dutch-origin steel (25–50%) caused an USD14m EBITDA impact in 1QFY25, though a partial cost sharing was agreed with customers.
- EU-CBAM is expected to rollout from Jan'26 and will favor domestic producers like TATA-Netherlands, with long-term competitiveness.
- UK operation challenges - 1) US tariffs impacting shipment and 2) liberalized import quota and contracted demand (15% decline in auto demand).
- The UK government is reviewing safeguard quotas and policy revisions are expected to improve pricing dynamics in the coming months.

Indian operations

- Tata Steel is expanding its Kalinganagar facility, with all major steelmaking units (vessels, caster, annealing, and galvanizing lines) expected to be operational in FY26E.
- In 1QFY26, NINL reported an EBITDA of INR2.2b, with an EBITDA margin of 24% vs 23% in 4QFY25. The BF at NINL was shut for maintenance in Apr'25 has resumed normal operating levels.
- The proposed expansion of NINL is in advanced stages of planning, and the company is seeking to complete all the approvals and engineering work before pursuing the Board's approval (Final Investment Decision- Oct'25) to enable faster execution.
- The 0.75mtpa EAF plant in Ludhiana is under construction and expected to be commissioned within 2 years.

- The Ludhiana EAF plant will target the high-margin retail rebar market within 300km range (expects to save INR2,000-3,000/t in logistics costs), helping TATA to achieve better NSR, despite higher EAF production costs. This capacity will source scrap locally via scrap processing facility in Rohtak.
- A 0.5mtpa Combi Mill in Jamshedpur is also being set up to convert surplus billets into long steel products, enabling value addition.

Other Highlights

- Geopolitical tensions, US policies, and China's macroeconomic situation are driving steel trade flow volatility. Steel prices in China increased ~USD35-40/t in early July due to policy announcements, but the impact on global prices is yet to fully materialize.
- Steel prices in India rose in Apr'25, led by safeguard measures, but softened in Jun-Jul'25 due to lower Chinese exports prices. Due to lower domestic export prices, more Indian steel is being sold domestically leading to additional price pressure in the domestic market.
- Domestic demand is expected to improve post-monsoon with construction activity and the festival season, supported by a good monsoon forecast.
- The company spent INR38.29b as capex in 1QFY26, primarily for Indian growth projects (e.g., Kalinganagar, Ludhiana EAF).
- TATA has completed the residual acquisition of NINL in Jul'25, making it a 100% wholly owned subsidiary.



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Vedanta

Neutral

Current Price INR 445

Capacity update and expansion plan

- Lanjigarh Train-1 is ramping up steadily; the commissioning of Train-2 is planned for 2QFY26, which will boost captive alumina availability.
- At Zinc International, the Hamstrap Phase 2 expansion project is expected to be commissioned by Dec'25 and likely to get fully ramped up by 4QFY26, contributing significantly to Zinc International's overall output. The project includes a 4mtpa ROM plant, which is being debottlenecked for an extra 10% throughput.
- With the completion of this phase-II expansion, the operational mine capacity at Zinc International will rise to 525ktpa.
- VEDL targets 2.8-2.85mtpa of aluminum metal capacity via debottlenecking at BALCO and Jharsuguda, and the execution time is estimated to be 18 months.
- VEDL plans to add 1,300MW of merchant power capacity by FY26 through its Meenakshi and Athena power plants. In Jul'25, 350MW was commissioned at Meenakshi (Unit 3) and 600MW at Athena (Unit 1).
- Another 315 MW at Meenakshi (Unit 4) is expected to be commissioned in Aug'25 and the second 600 MW unit of Athena is scheduled for commissioning in Q4FY26, taking total new capacity to 1,865 MW for the year.
- VEDL aims to restore production to 95-100 kbopd in FY26 via infill drilling and field enhancement. The ASP (Alkaline-Surfactant-Polymer) injection project has started in the Mangala field and volume uplift is expected in the next 3-4 quarters.
- The company has received a strategic mineral license in Saudi Arabia's Jabal Sayid belt, with 25-30 MT resource potential at 1.3% Cu and 3g/t Au. An USD2b

Guidance

- The aluminum business is on track to achieve ~3.1mt of alumina and 2.8mt of metal production by FY26-FY27E.
- Despite soft global commodity prices, management remains optimistic over domestic pricing, led by strong domestic demand for aluminum and zinc.
- Power realizations at Meenakshi and Athena are expected to stay strong at INR5-5.7/unit, supported by short-term PPAs.
- Domestic market demand remains a key lever, with 75% of zinc and 65% of aluminum sales consumed within India, limiting the exposure to US tariffs.
- VEDL expects aluminum CoP to fall below USD1,700/t in 2HFY26, aided by higher captive alumina share and low power costs. Alumina cost is likely to decline USD80-100/t over the next two quarters, driven by increased output from Lanjigarh. ~ 60% of the cost reduction will come from an increased captive mix at Lanjigarh, while the remaining 40% will be due to softer market alumina prices.
- Power cost is projected to remain at around USD500/t, though 2QFY26 may see a temporary rise due to planned maintenance at power plants.
- Oil & gas opex is expected to stay low at USD15-16/bbl, supported by optimized polymer and chemical use.
- Management guided the mining segment's margins to remain strong, continuing the current USD49/t level.

Other highlights

- Vedanta Resources' debt decreased to USD4.8b as of Jun25, with ongoing deleveraging efforts.
- The 3% brand fee will continue till 2029, with no plans for adjustment.
- The Ministry of Petroleum raised concerns during the NCLT hearing, but management is optimistic about a favorable outcome (Sept-Oct'25 completion timeline).
- VEDL secured two additional mining blocks for critical minerals (including nickel, chromium, cobalt, vanadium, manganese, tungsten, gold, and rare earth elements), increasing its total to 10 blocks since the launch of India's critical minerals mission.

OIL & GAS



- **OMCs:** Management commentary suggests that marketing segment performance is likely to remain resilient, as lower MS/HSD margins are expected to be offset by easing LPG under-recoveries. However, refining performance is expected to stay soft in 2Q. **CGD:** Companies remain positive on sustained growth in CNG and D-PNG volumes, supported by steady EBITDA/scm margins amid declining raw material costs. That said, **GUJGA** anticipates continued weakness in Morbi volumes in 2Q. **GAIL:** The company has revised down its transmission guidance, reflecting weaker gas transmission volumes over the past two quarters. **ONGC & OINL:** Both companies continue to project strong production growth from KG-98 and NRL, though at levels lower than earlier guidance.

KEY HIGHLIGHTS FROM CONFERENCE CALL

Oil & Gas	Outlook	Quarterly snapshot
Gas Utilities	■ GAIL: Management has lowered its transmission guidance to 127-128mmcmd/135-136mmcmd for FY26/27. The FY27 capex target is set at INR120b. GAIL plans to add 85 new CNG stations and over 0.15m DPNG connections over the next two years. EBIT guidance for FY26 remains unchanged at INR40b-45b. ■ PLNG: The FY26 capex plan of INR50b includes investments in the 3rd Jetty, the petrochemical complex, the Gopalpur terminal (INR3b), the corporate office (INR1b), and over 25 CBG plants (INR1b). Capex in FY27 is expected to be higher than in FY26.	■ Both GAIL and GUJS witnessed soft transmission volumes amid subdued demand from refineries, petchem, fertilizer, and CGD segments. GAIL's EBITDA came in 7% below estimates. Natural gas (NG) transmission volumes stood below our estimate at ~121mmcmd. GUJS's EBITDA was 24% above our estimates, driven by volumes of 29.7mmcmd. PLNG's EBITDA was 5% below our estimate. Total volumes came in 6% above our estimate, primarily due to higher third-party and service cargos.
Upstream	■ ONGC: Management has lowered its FY26 standalone production guidance to 19.93mmt for oil and 20.11mmtoe for gas. For FY27, overall production is guided at 21mmtoe. FY26 capex guidance is maintained at 350b. ■ OINL: Management has guided oil and gas production targets of 3.7mmt/3.65bcm for FY26, and 3.95mmt/4.31bcm for FY27. OINL plans to incur standalone capex of INR70b in FY26, while NRL has planned capex of INR91.3b for FY26 and INR73b for FY27.	■ ONGC's/OINL's 1QFY26 revenue came in 5% above our estimate at INR320b/INR50b, as both oil and gas sales stood in line with estimates. Oil realization stood in the range of USD66-67/bbl for upstream companies. ONGC's EBITDA stood 12% above our estimates, while OINL's EBITDA came in 26% below estimates.
CGDs	■ IGL guides for EBITDA margin of INR7-8/scm and volumes of 10mmcmd by FY26 end. It expects long-term volume growth of 10% YoY. FY26 capex is guided at INR14-15b, with plans to add 102 new CNG stations during the year. MAHGL's management has maintained its EBITDA margin guidance at INR9-11/scm. For FY26, it targets adding 80 new CNG stations, with a capex outlay of INR13b. GUJGA: FY26 capex is expected to be INR8-10b. GUJGA is expanding into propane/LPG sales, aiming to capture 25% of the market by FY26-end (1.2-1.3mmcmd) and subsequently scale up further.	■ MAHGL's EBITDA came in 20% above our estimates, while GUJGA's/IGL's EBITDA was 8%/10% below estimates, respectively. Total volumes for MAHGL/IGL were broadly in line with expectations at 4.2/9.1mmcmd, respectively, whereas GUJGA's volumes were 7% below estimates at 8.9mmcmd.
OMCs	■ HPCL's management has guided for capacity utilization of 10-15%/35-40% for FY26/FY27. LPG cavern (80tmt) (underground LPG storage) in Mangalore is ready and scheduled for commissioning in 2QFY26. HRRL's refinery section is expected to commence operations in the next couple of months. BPCL's FY26-27 capex guidance is maintained at INR200b/INR250b and INR300b for FY28-29. The Bina refinery has reached 14% physical progress. The company expects the Russian crude proportion to remain steady throughout the year.	■ Lower-than-expected GRM drags down earnings despite strong marketing margins: HPCL/ BPCL/ IOCL reported EBITDA 9%/12%/16% below our estimates, primarily due to higher-than-expected inventory losses. While OMCs reported a 10-24% beat on marketing margin estimates, their reported PAT stood 11-20% below estimates. According to the 8th Aug'25 PIB release, the Union Cabinet approved INR300b compensation for PSU OMCs, resulting in a 4-9% boost to FY27E BVPS.



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Aegis Logistics
Q1 FY26 Financial Performance Summary

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue (INR Crores)	145.0	138.0	135.0
EBITDA (INR Crores)	20.0	18.0	17.0
EBITDA/ton (INR)	1100	1050	1000
Operating Profit (INR Crores)	15.0	14.0	13.0
Net Profit (INR Crores)	10.0	9.0	8.0
EPS (INR)	10.0	9.0	8.0

Aegis Logistics

Neutral

Current Price INR 738

Financial Performance:

- 1QFY26 normalized EBITDA stood at INR2.6b.
- The Liquid division posted its highest-ever 1Q revenue of INR1.4b.
- QoQ decline in revenue was on account of seasonality. 1Q and 2Q are generally softer than 3Q and 4Q.
- Yearly realization to be around INR3000/cbm. EBITDA to be in the range of INR2000/cbm.
- The Gas division clocked its highest-ever 1Q EBITDA and logistics volume.
- EBITDA/ton to be in the range of INR1000-1100 in case of throughput of LPG.
- Distribution margin to be in the range of INR3000-3500/mt.

Operational updates:

- AVTL successfully got listed in Jun'25.
- Mumbai port liquid storage capacity currently stands at 275,000kl and LPG static capacity stands at 21000mt.
- Additional liquid capacity of 125,000kl is expected to be operational by year-end, with 50% likely to be commissioned in 2QFY26.
- Capex for the same is projected at INR2.5b.
- An additional 30 acres of land has been allotted at the JNPA terminal, where the company is developing liquid and LPG storage capacity, along with an LPG bottling plant. Planned capex is INR16.8b.
- The upcoming commissioning of the KGPL and JLPL pipelines is expected to enhance the performance of the Kandla Terminal going forward.
- VLGC will start operations at Kandla Port, enabling the unloading of larger-sized cargoes.
- The company announced additional liquid terminal capacity of 94kcbm at Kandla Port, which will come online in FY27.

Ammonia Terminal Business:

- The company commenced development of an ammonia storage terminal at Pipavav with a planned capacity of 36k MT.
- The terminal has a contract for 15yrs with Hindustan Drink.
- The company has signed a non-binding memorandum with L&T to develop an ammonia terminal at Kandla Port for their upcoming Green Ammonia facility.
- Total LPG static capacity at Pipavav terminal stands at 70.8kmt.
- The company added 82kmt LPG static capacity (~6million tons of throughput) at Mangalore port. Additional land has been allotted at Mangalore Port, with liquid storage facilities planned for development in the near future.
- The company intends to set up a rail guarantee for evacuation of liquid products, which will boost the port's performance.

1QFY26 LPG volumes:

- Logistics: 1.16mmt (1.01mmt in 1QFY25)
- Incremental capacity benefits will kick in from 2QFY26.
- Distribution: 145kmt (128kmt in 1QFY25)
- Sourcing: 119kmt (124kmt in 1QFY25)

Capex:

- Cumulative capex will reach INR1.2b by FY27. The company plans to incur a capex of INR5b by FY30.
- The company plans to maintain a debt gearing ratio of 0.6x (3.5x EBITDA) to fund the same.



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Management guidance:

- Management has reiterated its target of achieving 25% EPS CAGR in coming years.
- The entry of CGD companies into propane trading presents a favorable opportunity for AEGIS, as these players lack terminal infrastructure. AEGIS can capitalize on its vertically integrated LPG operations to serve this demand and strengthen its market position.

Bharat Petroleum

Neutral

Current Price INR 320

1QFY26 operational performance:

- BPCL has received its first HH-linked cargo.
- 300+ retail outlets, 90+ CNG stations and 831 EV charging stations were added in 1Q.
- Group level debt as of 30 Jun'25 was INR39.5b. ND/E stood at 0.25x and the company had surplus funds of INR17.6b.
- Higher other income was due to high interest income from surplus funds.
- BPCL has contributed profits due to currency fluctuation. JV companies have also performed well.
- BPCL achieved lubricant sales of 78.7tmt in FY26.
- BPCL charges retail margin of INR2/kg to CGDs on gas sales from BPCL's outlets.

Update on ongoing projects:

- Bina refinery expansion: 14% physical progress has been achieved as of Jun'25. INR8b capex has been spent.
- Mumbai refinery upgrade capex: INR142b will be spent. Fluid Catalytic Cracking unit and some other units are being replaced, including the upgrade of a bottom residue unit. Completion is expected in May'29. Work has started on the refinery.

Mozambique project:

- Some positive news is expected by the company in 2Q.

Capex guidance:

- INR200b annual capex expected in FY26 (INR23.8b has been spent in 1Q).
- INR65b for ref/petchem, INR140b for marketing, INR40b for CGD, INR14b for LPG, and INR25b for BPRL.
- FY27 guided capex: INR220-250b. FY28/29 guided capex: INR350b
- Expected D/E would be 1x during peak capex in FY28/29.

Refining performance in 1Q:

- Inventory levels were on the higher side in 1Q, at around 2.9-3mmt crude oil inventory (usually 2.2-2.3mmt).
- Russian crude throughput stood at ~34% in 1Q (lower in Jun'25). Discounts were down to USD1-1.5/bbl.
- No issues in payment. The company expects Russian crude proportion to remain similar for entire year.

Marketing segment:

- Robust retail fuel margins led to strong marketing segment performance, even after high marketing inventory losses.
- Under-recovery per cyl:
- 1Q: INR150/cyl
- Jul/Aug'25 INR100/cyl
- Sep'25: INR30/cyl
- LPG compensation:

- Details for compensation disbursement are pending. BPCL's share will be 25-26%.
- HSD market share: 29.6%.

CGD segment:

- 2,464 CNG stations operating (840 in own GAs)
- Volumes: own GAs: 339tmt, from ROs: 269tmt.



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Results Update

Castrol India

Buy

Current Price INR 209

- Increasing rural presence and growth in the industrial segment are driving revenue growth.
- The company shall continue to stay focused on bike segment expansion (more than 50% bikes are being sold in rural India).
- Management maintained its EBITDA margin guidance of 21-24%.
- The company manufactures high-value products in its factories. Further, it provides chemical maintenance services (high-margin value-added service), which aid margins. Hence, the company has reported margin improvement even when the low-margin industrial business is growing in double-digits.

Volume growth:

- 2QCY25 volumes stood at 66m+ lit (8% up YoY).
- Bike and car volumes grew in high single digits YoY. Industrial volumes grew 13% in 2Q.
- Overall market share stands at ~20% now.
- Automotive lubricant space volumes in India are expected to be in the range of 3.5%-4.5%, while Castrol is growing at 7-8%. Hence, Castrol has gained 40bps market share YTD.
- Auto-care products: The company has sold ~27k auto-care products in Jun'25 online. The sales doubled YoY in 2Q.

Castrol global business:

- Castrol has ~10%+ volumes and profitability share in the Castrol global business.

Sales mix in 2Q:

- 43%/44%/13%: Personal mobility/CV/Industrial segment.

Others:

- In 2Q, advertisement expenses stood at INR460m, lower QoQ. However, in 1HCY25, advertisement expense was up 20% YoY.
- Selective price hikes have been taken in the portfolio. ~1.5% delta in 2Q comes from price hike.
- Other income in the range of INR1b should be the expected run-rate in the future.



Click below for
Results Update

GAIL

Buy

Current Price INR 178

1QFY26 performance highlights:

- 1QFY26 revenue included a one-off settlement benefit of ~INR1.3b related to the differential tariff impact from previous years.
- Polymer production fell to 177tmt in 1QFY26 due to the annual maintenance shutdown.

Core business guidance:

- Gas transmission guidance has been reduced to 127-128mmscmd/135-136mmscmd for FY26/27.
- Reason for guidance downgrade:
- Reduction in refinery shipping volumes,

The screenshot displays the Motilal Oswal Financial Services website. The main header shows the company logo and name. Below it, there's a section for 'GAIL India Ltd.' with various financial metrics and news snippets. The news snippets include updates on the company's performance, such as 'GAIL India Ltd. QoQ increase is driven by the restart of fertilizer plants and Pata plant' and 'Marketing segment PBT stood at INR9.9b in 1Q'. The website also features a 'Current Price' section and a 'Buy' button.

- Shutdown at Pata petchem plant, Muted demand from power sector due to early onset of monsoon, Un-scheduled fertilizer plant shutdown. KFCL is currently not operating.
- Current transmission volume run rate is around 127+mmscmd.
- QoQ increase is driven by the restart of fertilizer plants and Pata plant.
- Marketing segment PBT stood at INR9.9b in 1Q. Guidance of INR40b-45b EBIT for FY26 has been maintained.

Update on the ongoing projects:

- The Durgapur-Haldia section of JHBDPL has been completed. Now, Bengal Gas and other CGDs will be connected, having potential volumes of 0.4mmscmd.
- Expected commissioning in FY26
- Mumbai-Nagpur-Jharsuguda Pipeline.
- Jagdishpur-Haldia-Bokaro-Dharma Pipeline.
- Kochi-Mangalore-Bangalore Pipeline.
- Srikakulam-Angul main pipeline.
- 1250ktpa GAIL Mangalore petrochemical plant
- 60ktpa Polypropylene plant at Pata
- Expected commissioning in FY27
- 500ktpa PDH-PP plant at Usar – FY27 (delayed) (13-14% IRR as current levels)
- 50yrs contract signed with BPCL for Propane (Saudi CP index based pricing).
- Gurdaspur-Jammu natural gas pipeline.
- C2/C3 Pipeline (Vijaipur to Pata)

Capex:

- FY27 capex target of INR120b — INR25b for transmission, INR40b for petchem, INR20b for renewables, INR14b for operational capex, and the balance for other segments.
- 1QFY26 capex: INR34b (INR5.4b for Transmission, INR5.4b for Petchem, INR14.5b for Equity, and INR5.5b for others).

CGD and Gail Gas:

- GAIL's SA CGD business: It has 212 CNG stations/4.4lakh D-PNG connections. In 1Q, volumes stood at 0.46mmscmd (0.17/0.29mmscmd APM/R-LNG).
- It plans to add 85 new CNG stations and 1.5lakh+ DPNG in the next two years.
- GAIL gas: 1Q volumes stood at 7.03mmscmd. Revenue/PAT stood at INR29.3b/INR1.1b.
- 664 CNG stations operate currently. GAIL gas plans to add 260+ CNG stations and 2.6 lakh new DPNG connections in the next two years.

Petchem segment:

- Product off-take is not an issue. Issue is related to pricing. The Henry Hub-linked gas price used at Pata has doubled within a year.
- Stress will be there on the Petchem side.



GUJARAT GAS

Click below for
Results Update

Gujarat Gas

Buy

Current Price INR 432

Update on merger scheme:

- No objection certificate was received from BSE/NSE earlier, and the scheme was filed with MCA in Feb'25.
- The company is in touch with MCA and scheme is under their active consideration. Approval is expected in 3QFY26. Approval from other regulatory authorities is also underway.

GUJGA expands into propane/LPG sales:

- The current Morbi gas market size is 7-7.5mmscmd (2/3rd is Propane).

The image shows a screenshot of a financial report for Gujarat Gas. It includes a table with columns for various financial metrics and a detailed text section below it. The table contains data for different periods, and the text section provides a narrative overview of the company's performance and financial position.

- It is targeting 25% of this market by FY26 end (1.2-1.3mmscmd), and then scale this up.
- GUJGA can reduce working capital requirement of customers.
- The company will source Propane from international market on a spot basis, and believes that it will have pricing advantage over competitors.
- No capex is involved apart from booking capacity at terminals. No margin guidance was stated by GUJGA.

Industrial segment:

- Total volumes of I&C-PNG stood at 4.71mmscmd in 1Q.
- Morbi volumes: 2.51mmscmd (2.87mmscmd in previous quarter)
- 2Q volumes will be lower QoQ due to geopolitical tensions and Janmashtami festival (current volumes: 2.3-2.5mmscmd).
- ~1-1.5mmscmd customers can use only PNG.
- Non-Morbi 1Q volumes: 2.20mmscmd (2.16mmscmd in previous quarter, up 8% YoY)
- GUJGA is targeting long-term contracts and is also getting in touch with bulk customers.
- Current Propane vs. I-PNG price difference is INR3.5-4/scm (Current I-PNG price: INR43.3/scm).
- Due to a decline in R-LNG costs, GUJGA cut industrial gas prices in 1Q.
- The company can reach 6/2.5mmscmd volumes in Morbi/Non-Morbi if R-LNG pricing turns favorable over Propane.

CNG segment:

- Robust 12% YoY CNG volume growth in the quarter.
- Volumes grew 10%/27% YoY in Gujarat/other areas.
- GUJGA added three new CNG stations in 1Q. ~70 CNG stations are under construction (F-DODO scheme), and CNG station additions by Sep'25 will be in double digits.
- CNG vehicles grew 15% in relevant GAs. With rapid CNG infrastructure expansion, management expects CNG vehicle addition to increase at a higher pace YoY.
- CNG remains 45%/23% cheaper than MS/HSD.

Domestic segment:

- GUJGA signed an agreement with Bhatinda Military Centre (11,300 residential quarters).
- 35k new D-PNG connections were made in 1Q.

Capex:

- INR1.2b capex was incurred in 1Q. FY26 capex is expected to be INR8-10b.

Gas sourcing mix during the quarter:

- APM allocation: 41%/100% for CNG/D-PNG (51% in total for priority segment sale).
- HP-HT gas volume stood at 0.7mmscmd.
- Out of total volumes (8.9mmscmd):
- 38%: LT contracts.
- 34%: ST contracts.
- Rest is domestic gas.

Dealer commission paid by GUJGA:

- OMC and existing franchisee stations: INR3-4/kg
- F-DODO scheme stations: INR8-10/kg (as the capex is entirely incurred by station owner).
- The dealer commission forms part of operational cost in financials.

Impact of change in zonal tariff regulation:

- As per management, GUJGA will benefit from the development.

Others:

- Hydrogen blending pilot project was completed with 8% blending.
- GSPC FY25 volumes: ~12.5mmcmd.
- ~50% was sold to GUJGA. Sourcing: ~65%/35% gas was R-LNG/domestic gas.



Click below for
Results Update

Hindustan Petroleum

Buy

Current Price INR 391

Operational performance:

- HPCL's core GRM stood at ~USD6.5/bbl (implying ~USD3.5/bbl inventory loss). One Diesel conversion unit was under maintenance, leading to lower core GRM QoQ.
- HPCL achieved a quarterly throughput of 6.7mmt (+16% YoY), with an average capacity utilization of 109%.
- Visakh Refinery posted a record quarterly crude throughput of 4.2mmt at 111% capacity, while Mumbai Refinery recorded 2.5mmt, operating at 106%.
- The company has processed four new crude grades during the quarter.
- The company achieved a high pipeline throughput of 6.7mmt during 1QFY26.
- Market sales volume for the quarter reached a record 13mmt (including exports) (+3.2% YoY).
- Combined sales of Petrol (MS) and Diesel (HSD) stood at 8.11mmt (+1.1% YoY), while total LPG sales (domestic and non-domestic) reached 2.21mmt (+6.6% YoY).
- Recorded its highest-ever quarterly MS sales at 2.62mmt and highest CNG sales at 310tmt.
- Aviation sales reached 291tmt in 1Q (+ 11.4% YoY), with continued market share gains.
- Signed a five-year agreement with NCPOR to supply ATF, Marine Gas Oil, and lubricants for India's Antarctic expeditions

LPG under-recovery (UR):

- The company has been in discussion with the Ministry and remains hopeful for compensation. HPCL has a 27% share in the OMC compensation. If compensation comes up, debt shall be reduced.
- 1Q LPG UR stood at INR21.5b (INR167/164/155 per cyl UR in Apr/May/Jun). Current-level UR results in INR10b in under recovery per quarter.

Russian crude:

- 1Q: 13.2% proportion. Hence, if Russian crude share goes to zero, HPCL will not have a very big impact.
- Proportion of West-African crude increased in 1Q.

Update on ongoing projects:

- LPG cavern (80tmt) (underground LPG storage) in Mangalore is ready and 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'end or early 3QFY26.
- Chhara terminal: Breakwater facility is not complete yet. Four planned cargoes post monsoon.
- Capacity utilization target: FY26/FY27 - 10-15%/35-40%.

HP Green R&D Centre (HPGRDC)

- By 30th Jun'25, HPGRDC filed a total of 669 patents, of which 259 have been granted.

Capex

- In 1QFY26, the company incurred capex of INR28.6b.
- EBITDA enhancement program via operational efficiency:
- INR10-15b EBITDA uplift (savings) by Mar'31. 25% savings are locked in and 16% target has already flown in 1Q (~INR0.5b).

HRRL

- 88% overall completion has been achieved. Refinery/petchem portions are 95%/73% complete.
- Refinery section is expected to start in a couple of months.
- Total project commitment stands at INR728.1b. Capex of INR592.9b has been incurred.



Click below for
Detailed Concall Transcript &
Results Update



Indraprastha Gas

Buy

Current Price INR 205

Volume growth:

- Split of 0.5mmscmd YoY increase in volumes for IGL: 15%/45%/40% from Delhi/Noida, Ghaziabad, etc/other GAs.
- CNG volume, adjusted for DTC buses, grew 8-9% YoY.
- Delhi CNG volumes were flat YoY. However, NCR/other GAs grew 14%/23%.
- 17% YoY increase in new and retrofitted CNG vehicles (18.5k vehicles added per month during the last 12m).
- I PNG volumes grew 8% YoY (0.86mmscmd currently) (100 customers added during 1Q)
- C PNG volumes grew 14% YoY (0.24mmscmd currently) (170 customers added during 1Q)
- I/C PNG realization in 1Q: INR50/60 per scm.
- CUGL: 0.34mmscmd up 13% YoY. PAT stood at INR176m
- MNGL: 1.85mmscmd up 18% YoY. PAT: INR1.3b

Gas sourcing split:

- APM (CNG): 3.08mmscmd
- IGX (HPHT): 0.73mmscmd, NW gas: 0.9mmscmd and CBM: 0.12mmscmd
- Brent linked and Henry Hub (HH) linked: 4.22mmscmd
- No spot volume requirement

Zone-wise volumes

- 87% of D-PNG & CNG volumes currently fall under Zone 2.
- As per management, the regulatory change benefit would result in EBITDA margin benefit of INR0.7-1.3/scm.

Margin and volume guidance:

- EBITDA margin guidance: INR7-8per scm. Volumes: 10mmscmd as of FY26 end.
- Long-term volumes growth guidance: 10% YoY
- Volume growth would be driven by strong CNG PV sales and station augmentations.

Capex:

- 1QFY26 capex stood at INR2.9b
- FY26 target: INR14-15b
- 102 CNG stations to be added in FY26.

Taxation:

- Rajasthan has 14% VAT currently. Further, UP tax is expected to reduce from 23.5% to 10%.
- The company will pass on major tax reduction benefits to gain traction in volumes.

LNG retailing:

- Planning to commission 4 stations in 2Q, and 5-6 stations more on highways later.



[Click below for Results Update](#)

MRPL

Sell

Current Price INR 125

- In 1QFY26, distillate yield (%) was ~80.9% with fuel loss at ~11.4% (normalized: 10%).
- GRM came in at USD3.88/bbl.
- Inventory loss stood at USD2/bbl, implying core GRM of USD5.9/bbl.
- If the shutdown would not have been there, MRPL's core GRM would have been USD8/bbl (i.e. USD2/bbl GRM impact of shutdown).
- At the current GRM run rate, MRPL can generate GRM of USD8+/bbl going ahead.
- Global refinery capacity shutdowns (UK and California) should support GRMs going ahead.

2QFY26 throughput should be above 4.3mmt.

- Finance cost was up due to short-term debt raised to support ongoing shutdown and maintenance.
- 1QFY26 capex stood at INR5.4b (primarily due to shutdown). **FY26 capex guidance is INR10b.**

Retail outlet performance:

- 1QFY26: Margin stood at INR600m with volumes of 68tkl (guidance for FY26/27 is 300tkl+/500tkl).
- Growth guidance: Over 100 new retail outlets to be added in FY26, building on the existing network of 170+ ROs.
- Net debt stood at INR136b as of 30th Jun'25. Short-term debt was raised to support ongoing shutdown and maintenance.
- Poly-propylene plant is running at 100% capacity.
- Russian crude proportion and discounts are similar industry-wide.
- Product slate: Middle distillate (ATF + Diesel) is 50%+ (can go up to 42% on Diesel (38% currently)).
- MRPL's diesel is not going into the Europe market.



[Click below for Results Update](#)

ONGC

Neutral

Current Price INR 238

Production growth:

- FY26 SA production guidance: 19.93mmt/20.11mmt oil/gas. FY27 SA production guidance: 21mmt/21.487mmt oil/gas (guidance downgraded).
- Guidance given on previous call: FY26 SA production guidance: 21.5mmt/21mmt oil/gas. FY27 SA production guidance: 22mmt oil/gas.

NW gas

- Current NW gas is ~2.6bcm (13-14%). In FY27, NW gas shall be ~4.8+bcm (24-25%).

KG-98/2:

- Current production: 30+kb/d oil and 3mmscmd gas.
- Production (both oil and gas) should ramp up from Jan-Feb'26, and gas production should ramp up to 6-7mmscmd by FY26 end.
- The living quarter and platform installation are still pending at KG-98/2 (delayed). This will be completed by Dec'25.
- Peak oil/gas production shall be 45kbpd/10mmscmd.

ONGC BP contract:

- Teams are working and **tangible production output should be visible from 4QFY26**.

Capex:

- FY26 capex guidance maintained: INR320-350b (INR800-100b exploration, INR150b on infra and INR100b on drilling).

OPAL:

- Ethane usage will start from FY28. ONGC is planning to own ships for transportation of Ethane (cheaper).
- Ethane usage from FY28: 600ktpa
- OPAL was EBITDA positive in 1Q (INR130m). Plant is running at 90% capacity and should end the year on a positive note.
- Interest rate and debt are going down.

OVL:

- A change in the accounting method has led to a sharp decline in YoY revenue for OVL. However, OVL is receiving profits via JV.
- In Mozambique, the force majeure can be lifted any day and work has already started there.

Other KTAs:

- Contribution to OPAL in 4Q and a decline in interest rates led to a decline in other income in 1Q.



[Click below for Results Update](#)

Petronet LNG

Buy

Current Price INR 280

Contract with Deepak Fertilizer:

- Volumes: 0.5mmtpa (can go up to 0.6mmtpa).
- Regas charges are similar to that of Dahej's existing capacity.

Slowdown in demand in 1Q:

- Demand has picked up QoQ. Long-term (LT) crude-linked gas prices remain at an affordable level and will support LT volumes. The LT vs. spot gas price difference is still high, leading to pressure on spot volumes. However, with ample LNG

The image shows a financial statement for Petronet LNG. It includes a balance sheet, income statement, and cash flow statement. Key figures include revenue, expenses, and net income. The document is dated 30.09.2024 and is in Hindi.

availability globally in the coming years, spot prices could soften, resulting in better spot volumes.

- In 1Q, inventory gains stood at INR420m. Trading gains were nil during the quarter. Regas contribution stood at INR6.4b.

Kochi utilization:

- Drop in 1Q volumes was attributed to a 1.5-month shutdown at a consumer plant (it reduced off-takes by ~1mmscmd), leading to slight decline (similar case happened in 1QFY25).
- After connecting to the National Gas Grid by CY25/FY26'end, utilization could improve.
- Major off-taker is BPCL (refinery and customers). Others are GAIL and IOCL (fertilizer cos and refineries).

Gorgon contract:

- Existing contract: 1.4mmtpa.
- Another 1.2mmtpa contract from Dec'25 (initially 0.5mmtpa for 2 years).

Gopalpur terminal:

- LT off-take contracts: Discussions are ongoing. Major off-takers will be promoters of the company. The terminal construction will start in 2-3 months.
- The terminal is 35km away from a major trunk pipeline (GAIL's Srikakulam Angul pipeline). Once connected, off-take will not be an issue.
- Key demand centers: Access to North and Northeast and South India with connection to National Gas Grid.
- Shift to land-based terminal: Cost of FSRU has gone up significantly. Hence, with savings in opex, the land-based terminal becomes more viable.
- Competition: The company is not worried about competition. With decades of experience and optionality of swapping cargoes across coasts, the Gopalpur terminal will be able to maintain good utilization.

Dahej expanded capacity:

- Some minor spillages in construction due to early monsoon and war situation. Likely to get completed by Dec'25. Stable operational terminal by 1QFY27.
- Third Jetty construction is going on as per schedule (CY27).
- UoP provisioning policy: 20%/30%/50% provision in 1st/2nd/3rd year of payment delay.
- Updates on the ongoing PDH-PP project:
- The project construction is on-track.

Capex guidance:

- FY26: INR50b toward 3rd Jetty, Petchem complex, Gopalpur terminal (INR3b), corporate office (INR1b), CBG plants (25+, INR1b).
- FY27 capex shall be higher than FY26 capex.
- Long-term capex plan is INR30b, mainly allocated to the petchem plant.
- Petchem project: INR5b spent till date.

Macro view:

- PLNG sees 6-7% growth in natural gas consumption in India.
- India's LNG demand is expected to double by CY30.
- ~180mmtpa LNG supply capacity increase in the next 2-3 years globally, resulting in soft Spot LNG prices.



Click below for
Results Update

The image shows a screenshot of a financial results table for Reliance Industries. The table includes various financial metrics such as Revenue, Profit, and Earnings Per Share (EPS) for different quarters and years. The data is presented in a structured format with columns for the metric and rows for the respective periods.

- With a lot of gas pipeline infrastructure coming up in the next few years on the East coast, Gopalpur terminal will be the biggest beneficiary. PLNG sees this terminal as the next Dahej terminal.

Reliance Industries

Buy

Current Price INR 1,412

RJio – Key takeaways from the management meeting

5G adoption continues to accelerate

- RJio's 5G user base rose to 213m in 1Q (vs. 190m QoQ).
- 5G data usage continues to surge, contributing ~56% to the total 54.7 exabytes of data consumed in 1QFY26 (up 24% YoY).
- Per capita data consumption rose to 37 GB/month, driven by the IPL boost and rising FWA subscriber base.
- ARPU improved marginally to INR 209 (vs. INR 206 QoQ), supported by newer offerings and increased consumption.

Reach 20m home connects; Jio AirFiber now largest FWA service globally

- RJio added 2.6m net Home connects in 1QFY26 to reach ~20m home broadband subscribers, driven by FWA ramp-up and free trial offerings during IPL.
- Jio AirFiber subscribers increased to 7.4m (vs. 5.6m QoQ), capturing ~82% of the industry's share and propelling Jio AirFiber to become the largest FWA service globally.
- Management indicated that RJio has been able to connect 1m+ homes monthly during 1QFY26, and exit run rate of net adds was higher than 1Q entry run rate.
- RJio was running "Unlimited offer" during the IPL season, wherein users on the INR299 and above plans were offered free JioHotStar subscription for 90 days and 50-day free JioFiber/JioAirFiber trial connection.
- The success of the Unlimited Offer during the cricket season has led the company to extend the offer to 2QFY26 as well.
- RJio's in-house Unlicensed Band Radio (UBR)-based point-to-multipoint (P2MP) technology is enabling fast, scalable, and cost-effective broadband rollout.

Strong momentum in enterprise digital services

- RJio has been gaining higher connectivity share in BFSI/government, driven by managed WiFi, CPaaS and IoT.
- As per management, several key enterprise accounts have now migrated 100% of their connectivity to RJio, leading to wallet share gains.
- IoT business saw healthy traction, with share gains in automotive, payments, and utility segments.
- Management indicated that the biggest non-mobility service by revenue in JPL is Cloud, followed by Bundled Content and Enterprise WiFi.

Digital platforms scaling well across gaming, AI, and cloud PC

- JioGames, a cloud gaming platform, enables users to play high-end console quality games on smartphone, laptop/desktop or Jio-STB. JioGames has reached 3m+ registered users and 50m+ hours played.
- JioAICloud platform, which offers free 100GB storage with AI tools, has scaled to 33m registered users.
- JioPC, a cloud-based computing service that can convert any screen into a personal cloud computer, is being prepped for a mass rollout. RJio is offering

JioPC on monthly subscription with a low upfront cost and no lock-in. RJio believes there is an immediate opportunity of 10m+ households for JioPC.

- RJio is receiving enquires for its end-to-end 5G stack from global telcos and is open to taking the solution to global markets.

Reliance Retail – Key takeaways from the management meeting

- Integrated retail ecosystem: RR operates India's largest integrated retail network (19.6k physical retail outlets, multiple online and B2B platforms), which seamlessly connects brands to over 358m customers.
- Grocery: Core grocery categories saw healthy double-digit growth, aided by premiumization, format innovation, and new product launches. Metro format saw strong growth momentum across key categories.
- JioMart: JioMart has scaled up rapidly to cover 4,290 pin codes across 1,000+ cities, to deliver 175% YoY growth in daily orders with deepened presence in fresh and daily essentials.
- Quick commerce strategy: Management indicated that the company is already opening dark stores in select micro markets to cater to rising demand. RR remains focused on organic growth as integrating another player's network is difficult and cost economics are unfavorable. Further, JioMart is seeing good demand for hyperlocal deliveries beyond the top 50 cities as well, with the average order value largely similar to the top 50 cities, but with lower costs.
- Fashion & Lifestyle: Fashion vertical saw growth led by new formats, private brands, and expansion into non-apparel categories. Emerging formats like GAP, Azorte and Yousta registered 59% growth YoY (170+ stores).
- AJIO and Shein: These platforms saw strong traction with rising new customer contribution, faster deliveries (AJIO Rush – 4hour delivery in 6 cities), and expanded catalogues. New customers' revenue share at 18% was up by 150bp YoY, while the average bill value was up 17% YoY on AJIO.
- Consumer Electronics: The average bill value grew 26% YoY with a 200bp rise in conversions, though AC sales were impacted by early monsoons. The resQ service network expanded 31% YoY to 1,621 centers. Kelvinator IP acquisition further strengthens its own-brand portfolio.
- Consumer Products: RIL Consumer Products (RCPL) scaled up to INR44b in revenue in 1QFY26 (2x YoY), with Campa recording double-digit market share in key markets. RCPL will be demerged from RRVL to increase its focus on the consumer brands portfolio. Management expects RCPL to become one of India's largest FMCG company by 2030.
- LFL growth: Grocery and F&L posted mid-to-high single digit LFL in 1QFY26.
- Margins: Management indicated that margin expansion was curtailed due to certain costs (manpower, rentals etc.) related to store closures from earlier quarters. However, the rationalization of stores is largely done and should help to boost margins in the coming quarters.



REAL ESTATE

- Real estate companies reported a 59% YoY surge in launches during 1QFY26, driven largely by major projects from PEPL that had been deferred from FY25 due to approval delays. Developers remain optimistic about sustained demand in the coming years. Average price realizations grew 16% in 1QFY26, with a similar trajectory expected ahead. With approval processes gradually improving, the launch pipeline for FY26 looks stronger, while companies are also actively pursuing land acquisitions to bolster their future development portfolio.

KEY HIGHLIGHTS FROM CONFERENCE CALL

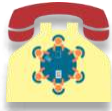
	Quarterly Snapshot	Near-term outlook/launch pipeline
DLF	In 1QFY26, bookings surged 78% YoY/5x QoQ to INR114b (11% below our est.), fueled by healthy sales from the luxury project, DLF Privana North, launched in 1Q. Privana North contributed INR110b or ~96% of total presales, while the remaining 4% came from Dahlias. Total occupancy in DCCDL's office portfolio was stable at 94% (98% non-SEZ/ 87% SEZ / 98% Retail). Rental income grew 15% YoY to INR13.3b, led by steady growth across the portfolio.	Goa remains under approval. Phase 2 of the Mumbai project (1.2msft) is expected to be launched in FY27. The main launch of Dahlias is scheduled for Mar/Apr'27, (50% of the inventory already sold out). The upcoming DLF City project is also set to be launched in FY27. Projects valued at INR629b are planned over the medium term. In 1Q, DLF launched Privana North, achieving 39% embedded gross margins, followed by the Mumbai project (~0.9msft of area) in 2Q. The Goa project is slated for launch in the remainder of FY26. Presales guidance for FY26 stands at INR200-220b, with ~50% already achieved in 1QFY26, led by Privana.
Godrej Prop.	GPL's pre-sales volume for 1QFY26 declined 31% YoY/18% QoQ to 6.2msf (in line with estimates). However, pre-sales value stood at INR71b (-18% YoY/-30% QoQ, 11% below estimates). Realization grew 19% YoY to INR11,478/sq. ft. The quarter's pre-sales were driven by new project launches—Godrej MSR City, Godrej Majesty, and Godrej Tiara—which together accounted for a booking value of INR38b (54% of total reported bookings in 1QFY26). Notably, 89% of the contribution came from projects in NCR, MMR, and Bengaluru.	GPL plans to launch several projects in key markets, including a 3.6-acre land parcel in Sector 53, Gurgaon, and its first retail product in Greater Noida. In Mumbai, launches are scheduled in Worli and Versova, where acquisitions were completed in 1Q. Additional launches are planned in Panvel city, Sanpada, and Rajendranagar in Hyderabad. In Pune, a project in Keshavnagar is in the pipeline, while Bengaluru will see one to two project launches. The recently acquired Panipat land parcel is also expected to be launched. Furthermore, projects in Greater Noida and Kharghar—where acquisitions have been finalized—are slated for launch, alongside one project under the Evergreen Square brand and a plotted development.
Macrotech Dev.	In 1QFY26, LODHA's presales were up 10% YoY to INR44.5b (12% miss). Collections rose 7% YoY to INR28.8b (34% miss), and OCF improved 44% YoY to INR9.5b. Five new projects were added in MMR, Pune, and Bengaluru with a total GDV of INR227b. With these new projects, LODHA achieved 91% of its FY26 business development guidance in the first quarter itself. The company launched 3.9msf of projects with a GDV of INR83b.	For the rest of FY26, LODHA plans to launch 11 new projects (9.6msf with a GDV of INR133b) in Pune, Bangalore, and MMR, along with 5 new-phase launches (3.7msf with a GDV of INR37b). Pune is expected to contribute a substantial portion (~INR35b) of sales in FY26 from the ~INR69b of new launches planned in the near term. Most launches would be skewed towards 2HFY26. The company is moving to the growth phase in Bangalore, in line with its established strategy. The strategic focus will be on the premium and luxury segments.
Oberoi Realty	Oberoi Realty (OBER) delivered pre-sales of INR16.4b in 1QFY26, up 56% YoY and 92% QoQ (in line), fueled by the launch of Elysian Tower D. Total units booked during 1Q jumped 30%/132% YoY/QoQ to 181. Collections were INR10b, down 1% YoY/up 30% QoQ (42% below our est.). Net debt-to-equity during the quarter was 0.01x (flat QoQ).	In FY26, management expects to launch one tower in Borivali and two towers in Forestville (Thane), Peddar Road, and Gurugram. Additionally, it may also launch projects such as Adarsh Nagar, Worli, and Tardeo in the year. One more tower in Goregaon and Alibaug to be launched in FY27. Commerz I and Commerz II are fully leased out following an increase in occupancy in Commerz III to 83% in 1QFY26. Both Commerz III and Sky City Mall are likely to be fully leased out by the end of FY26.

Mahindra Lifespace	MLDL achieved bookings of INR4.5b, down 56% YoY and 57% QoQ (35% below estimate), due to fewer launches in the quarter. Launches stood at INR4.5b. Sales volume in 1QFY26 stood at 0.6msf, down 50% YoY and 44% QoQ (11% below estimate). Blended realization in 1QFY26 was down 11% YoY and 24% QoQ to ~INR7,741 psf (27% below estimates). The company achieved quarterly collections of INR5.2b, down 4% YoY and up 11% QoQ. In 1QFY26, MLDL added a project with INR35b GDV, up 2.5x YoY.	In 2QFY26, MLDL launched Marina64 in MMR. Upcoming launches include Project Pink in Jaipur (INR2b plotted), Citadel phase 3 in Pune, Saibaba redevelopment in Borivali with a GDV of INR18b, and Bhandup Phase 1. In FY27, the company expects to generate INR45-50b in presales. 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
BRGD	1Q presales grew 3% YoY to INR11.2b (56% miss), mainly because only one project with 1.09msf of potential was launched in Chennai. The company recorded volumes of 0.95msf (-17% YoY; 63% below our expectations) in 1QFY26. Consolidated collections rose 8% YoY to INR17.3b (31% below estimate). BRGD launched 1.63msf of projects in 1QFY26 in Chennai, Bengaluru, and Gujarat (one residential and two commercial projects).	BRGD has a pipeline of nearly 13 msf of upcoming residential launches across key cities—Bengaluru (7 projects), Chennai (4 projects), Hyderabad (3 projects), and Mysuru (2 projects). INR46b of GDV will be launched by 2Q and 3Q. This includes project Cherry blossom and Avalon in Bangalore, which were already launched in 2Q, and the rest will come from Gateway and phase 2 of Morgan Heights, which will be launched.
SOBHA	In 1Q, 57% of sales were led by NCR, as Gurugram sales jumped 2x QoQ to INR3.5b, led by Sobha Aranya and Sobha Altus. The newly launched project, Sobha Aurum, marked the company's entry into Greater Noida, contributing INR8.3b in sales. About 29% of sales were led by Bangalore, with healthy contributions from Sobha Town Park, Sobha Ayana, and Sobha Neopolis. Kerala sales were up 64% QoQ at INR2.1b, led by the launch of four towers of Marina One, Kochi. Tamil Nadu sales jumped 2x YoY/59% QoQ at INR587m, maintaining steady volumes. Hyderabad and Pune witnessed muted sales due to limited inventory.	The company plans to launch ~6-8msf (~INR100b GDV) more in FY26. It has guided for 30% growth in pre-sales in FY26, which will also depend on the timing of new launches. Key upcoming launches in 2QFY26 include 0.6msf in Bengaluru, a commercial project in Gurgaon, and 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 in NCR. The MMR project is in the final stages. Phase 1 of the project (0.15msf) is estimated to be launched in 3QFY26.
Kolte Patil	Kolte Patil Developers' (KPD) bookings declined 13% YoY/2% QoQ to INR6.2b (42% below our estimates) in 1QFY26, primarily due to the absence of new launches. Sales were mainly driven by sustenance inventory. Volumes declined 13% YoY but rose 5% QoQ to 0.8msf (32% below our estimates). Of these, 63% (0.53msf) was driven by KPD's flagship project, Life Republic Integrated Township. Average realization declined 1% YoY/7% QoQ to INR7,337 (15% below our estimates).	Business development activity has gained strong traction, and the momentum is expected to accelerate further in FY26, with deal closures and land acquisitions likely to surpass the achievements of FY25. In Pune, NIBM and Wadgaon project (divided into three to four phases), with Phase 1 of 1.5msf scheduled to be launched this year. Overall, Pune is expected to see 5-5.5msf of launches (INR40b). In total, 6-7msf of area is planned for launch during this year (INR50-52b). Other Mumbai projects—Jal Mangal Deep Goregaon, Vishwakarma Nagar, and Jal Nidhi project—are currently in approval stages.
Prestige Estates	1Q presales grew 300% YoY/74% QoQ to INR121.3b (in line), aided by stellar launches in NCR, Bengaluru, and Chennai. 59% of total sales were contributed by NCR, followed by 21% from Bengaluru, 12% from Mumbai, 5% from Hyderabad, and 3% from other markets. In 1Q, PEPL launched four residential projects, totaling 14.94msf (GDV INR136b), featuring a mix of plotted developments and integrated townships that cater to diverse homebuyer	FY26 presales guidance stood at INR270b, of which 45% was achieved in 1Q. The GDV pipeline for the rest of the year stands at INR299b with 29.16msf of area, of which INR85b will be launched in 2QFY26. 2Q-3Q will see launches of three plotted developments in Bengaluru, two in MMR and one in NCR. Additionally, INR100-150b worth of projects are available for launch, if required. ~30% of sales will come from sustenance sales. Total GDV of INR500b is currently in the planning stage and will be reflected in the pipeline over the upcoming

	segments - Mulberry and Oakwood (Indirapuram) in NCR – 9.64msf, Gardenia Estates (Plotted) in Bengaluru – 1.06msf, Pallavaram Gardens in Chennai – 4.24msf.	quarters.
Phoenix Mills	■ PHNX reported 1QFY26 revenue of INR9.5b, up 5% YoY/ down 6% QoQ (15% below estimate), while EBITDA came in at INR5.6b, up 6% YoY/1% QoQ (19% below estimate). Margin stood at 59.2%, up 48bp YoY/415bp QoQ (259bp below our estimate). Adj. PAT stood at INR2.4b, up 3% YoY/down 11% QoQ (36% miss). PAT margin was 25.3%, down 47bp YoY/124bp QoQ (822bp below estimate). In 1QFY26, group net debt stood at INR26.6b, down INR0.5b from 4QFY25.	■ PHNX board has approved its acquisition of the remaining 49% stake held by CPP Investments in ISMDPL, thereby increasing its ownership to 100%, subject to shareholder and regulatory approvals. The total consideration of ~INR54.5b will be paid over 36 months in four tranches through a mix of buyback, capital reduction, dividend payout, and/or secondary purchase. With 4.4msf of operational retail space generating EBITDA of over INR6.2b in FY25, the platform is expected to grow to over 5.2msf of retail, 4msf of office, and 1,000 hotel keys over the next few years. It has current net debt of INR5.96b, while gross debt is INR9.5b.
Signature Global	■ Signature achieved pre-sales of INR26.4b in 1QFY26, down 15% YoY but up 63% QoQ (12% below our estimate), aided by the launch of 'Cloverdale SPR', a premium residential project located on Southern Peripheral Road (SPR), Sector 71, Gurugram. Area sold in the quarter stood at 1.6msf, down 20% YoY and up 19% QoQ (12% below our estimates). Average sales realization stood at INR16,296/sqft, up 6% YoY/37% QoQ. Higher realization was attributed to the launch of Cloverdale SPR. Total units sold in the quarter were ~778, down 20% YoY and up 32% QoQ.	■ In FY26, 75% of collections are projected to come from projects already sold and 25% from newly launched ones. Collections are guided to be significantly better in 3Q-4QFY26. Overall, FY26 launch pipeline exceeds 10msf, with estimated GDV of INR170b, wherein 2Q-4Q will see 3.5msf in Sector-37D and 4msf will be launched in Sector-71. To date, completions stand at 15.7msf of saleable area. Another 9-10msf is in the advanced stage of completion, wherein a lot of inventory is within the mid-income segment, which should be completed by 2QFY27. 41.6msf of upcoming projects in the pipeline, of which 41% (17.1msf) already launched with GDV of INR220-230b and the balance 59% (24.5msf) with GDV of INR400b to be launched within 2-3 years.
Sunteck Realty	■ SRIN reported pre-sales of INR6.57b in 1QFY26, up 31% YoY (16% above estimates). 92% of total presales in the quarter came in from 'Uber Luxury' and 'Premium Luxury' segment. Collections were up 3% YoY to INR3.51b for 1QFY26 (21% below estimates). Net operating cash flow surplus stood at INR1.08b, up 8% YoY. The net debt-to-equity ratio stood at 0.02x. The company added a redevelopment project in Andheri with a development potential of 0.28msf and GDV of INR11b.	■ From 2Q-4QFY26, Sunteck Realty (SRIN) plans to launch projects with an aggregate GDV of ~INR110b. The pipeline includes: a new phase at Sunteck City ODC, Goregaon West with GDV of INR15b (~0.5 msf, one tower); Sunteck Beach Residences, Vasai with INR5-6b; Sunteck Skypark, Mira Road with INR10b; the Bandra West project with INR10b; Sunteck World, Naigaon with INR5b; a newly added Andheri redevelopment with INR11b; and the balance GDV of INR54b from the Nepean Sea Road project.
Anant Raj	■ ARCP's revenue came in at INR5.9b, up 26% YoY/10% QoQ (35% above our estimate). EBITDA stood at INR1.5b, up 46% YoY/6% QoQ (in line). EBITDA margin was 25.4%, up 3.6pp YoY for the quarter. The company's adj. PAT came in at INR1.3b, up 38% YoY/6% QoQ (23% above our estimate). Its PAT margin was 21%, up 2pp YoY.	■ ARCP initially planned to build the 28MW project by FY25, primarily with the help of fundraising. However, it now plans to incur capex through internal accruals. As per the current plan, ARCP will develop 63MW of IT load by FY26, wherein the earlier 49MW was co-location and 14MW was cloud services. ARCP decided to keep 49MW of co-location commissioning intact, while the 14MW cloud will take six more months. By 1HFY26, the company would commission and lease a 4MW IT load for cloud, wherein 3MW will be operationalized by 1st Aug'25. However, ARCP would keep 2MW vacant for future ramp-ups out of 6MW in the first phase.



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Brigade Enterprises

Buy

Current Price INR 956

- **Demand/Sales/Margins:** Management indicated strong on-ground demand, with all upcoming launches to be fully priced. Brigade aims to sell 50% of the 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 1QFY26, BRGD launched Morgan Heights Ph 1 (residential), El Dorado Commercial B Block (commercial), and International Finance Center Ph 2 (commercial), covering areas of 1.1/0.1/0.5 msf, respectively, in Chennai, Bengaluru, and Gujarat. Typically, projects are launched within 12 months of acquisition. Of the total sales in 1QFY26, ~50% were from new launches. ~75% came from Bengaluru, while the remaining 23–24% came from Chennai and 1–2% from Hyderabad. BRGD has a pipeline of nearly 13 msf of upcoming residential launches across key cities—Bengaluru (7 projects), Chennai (4 projects), Hyderabad (3 projects), and Mysuru (2 projects). INR46b of GDV will be launched by 2Q and 3Q. This includes project Cherry blossom and Avalon in Bangalore, which were already launched in 2Q, and the rest will come from Gateway and phase 2 of Morgan Heights, which will be launched.
- Of the total collections, INR12.5b was towards real estate, INR3b towards commercial, and INR1.7b towards hospitality.
- In the coming few quarters, average realization should remain flat, while it will increase in the near term.
- **Business development:** In 1QFY26, BRGD acquired INR112b of GDV across Bangalore, Chennai, and Hyderabad. An additional INR13.8b is planned to be incurred on land acquisitions, of which INR5b has already been spent in 2QFY26. Balance INR8.8b to be spent in 12–18 months. The company is in negotiations for other projects in Hyderabad and is exploring opportunities in additional geographies.
- **Commercial:** Construction 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:** Brigade Enterprises listed its hospitality arm, Brigade Hotel Ventures Limited (BHVL), on 31st July 2025, retaining a 74.09% stake. In 1QFY26, BHVL reported a 19% YoY increase in revenue to INR1.4b and a 34% YoY rise in EBITDA to INR480m. The company currently operates 1,604 keys and has nine hotels with a total of 1,700 keys in the planning stage, including six properties with 940 keys under agreement with Marriott International. Cost of construction is likely to be at INR10m–15m per key for the 5-star category, while for the 4-star it will be at INR7–7.5m.
- **Credit rating upgrade:** CRISIL upgraded BRGD's credit rating from AA- (Stable) to AA- (Positive). ICRA upgraded the rating to AA (Stable).



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DLF

Current Price INR 770

Buy

Residential business

- **Housing demand:** Housing demand remains strong in Gurgaon, driven by a growing preference for quality residential options, both for ownership and rental.
- **Gross margin:** Gross margin was lower due to the recognition of One Midtown in revenue, which is a JV with GIC.
- Collections were subdued due to construction delays, which impacted the release of demand; however, momentum is expected to improve in the near term.
- **Launches and guidance:** Goa remains under approval. Phase 2 of the Mumbai project (1.2msft) is expected to be launched in FY27. The main launch of Dahlias is scheduled for Mar/Apr'27, (50% of the inventory already sold out). The upcoming DLF City project is also set to be launched in FY27. Projects valued at INR629b are planned over the medium term. In 1QFY26, DLF launched Privana North, achieving 39% embedded gross margins, followed by the Mumbai project (~0.9msft of area) in 2QFY26. The Goa project is slated for launch in the remainder of FY26. Presales guidance for FY26 stands at INR200-220b, with ~50% already achieved in 1QFY26, led by Privana.
- **RERA cash:** With the virtuous cycle of high-rise coming into play in the future, cash escrowed with the RERA account (at ~INR78b) will reduce. ~INR25b is the balance from which the company will pay dividends.
- **Business development:** Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing land bank). 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 13% and 2%, respectively.
- **Downtown Gurugram:** The Phase 2 construction has commenced. Block-4 (2msft) is 97% pre-leased and OC was received in 4QFY25. Rentals will commence in 2Q-3QFY26. 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 ~INR10,000psft on GLA.
- **Downtown Chennai:** Downtown-3 (1.1msf) received OC in 1QFY26. Downtown-3 is currently pre-leased at 99%. Rentals to commence in 2Q-3QFY26, while construction for Downtown 4&5 (3.6msf) has already commenced in Jul'24 and should take ~36 months for commissioning.
- **Atrium place:** OC is expected in 2QFY26. Pre-leased at 73%. Rentals for 2.1msf Phase-1 to start from 2Q, 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.
- **Malls:** Highstreet Plaza Mall is 85% leased, with rental income expected to commence by 3QFY26. DLF 5 Mall is projected to begin generating rentals from 4QFY26. Promenade Goa is scheduled for completion by 4QFY26.



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Godrej Properties

Current Price INR 2,041

Buy

- **Long-term vision and market positioning:** In addition to sustaining a robust national footprint, the company aspires to establish leadership in each of its operating markets. It expects healthy growth in both volumes and pricing across its portfolio. Demand drivers and market positioning: Increasing disposable incomes, improving job stability, supportive government policies, and shifting consumer preferences are driving housing demand and speeding up consolidation within the sector—benefiting well-established, branded developers.
- **Inventory and collections:** Of the land acquired since FY23, INR550-600b of launch-ready inventory is remaining. Overall, at the project level (including townships), the remaining inventory is valued at INR1.14t. Pending collections stand at INR510b.
- **Price increase:** Like-for-like price increases stood at 2-3% in North, 1-2% in Mumbai, 2-3% in South market, and a marginal 0.5% increase in Pune market.
- **Launches:** 1QFY26 saw launches of GDV INR85b, of which it saw bookings in: Godrej MSR City in Bangalore (INR24b), Godrej Majesty in Greater Noida (INR9b), Godrej Tiara in Bengaluru (INR5b), Godrej Park World in Pune (INR3b), Godrej Alira in Gurugram (INR2b), and Godrej City in MMR (INR2b). Overall, ~64% of sales in value terms were from new launches and the balance was from sustenance sales. GPL remains intact with its annual launch guidance of INR400b of GDV and pre-sales guidance of INR325b for FY26.
- **Upcoming launches:** The company plans to launch several projects across key markets, including a 3.6-acre land parcel in Sector 53, Gurgaon, and its first retail product in Greater Noida. In Mumbai, launches are scheduled in Worli and Versova, where acquisitions were completed this quarter. Additional launches are planned in Panvel city, Sanpada, and Rajendranagar in Hyderabad. In Pune, a project in Keshavnagar is in the pipeline, while Bengaluru will see one to two project launches. The recently acquired Panipat land parcel is also expected to be launched. Furthermore, projects in Greater Noida and Kharghar—where acquisitions have been finalized—are slated for launch, alongside one project under the Evergreen Square brand and a plotted development.
- **Business Development:** Five new projects were added in the quarter, with 9.24msf of area and GDV of INR114b. This included one residential project in Versova (0.51msf with GDV of INR14b), two residential projects in Kharadi (6.2msf with combined GDV of INR73b), one residential + retail in Hoskote Bengaluru (1.52msf with GDV of INR15b), and one plotted project in Panipat (1.02msf with GDV of INR13b).
- An outstanding INR9b is yet to be spent on deals signed in FY26, while INR12b is pending for deals from previous years.
- **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.



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Kolte Patil Developers

Buy

Current Price INR 403

- **Demand:** India's GDP is projected to grow at a robust 6.5%, with economic momentum expected to remain steady. Demand trends continued to show resilience across KPDL's core markets.
- **Business development:** Business development activity has gained strong traction, and the momentum is expected to accelerate further in FY26, with deal closures and land acquisitions likely to surpass the achievements of FY25.
- **Guidance:** Management expects a 30% YoY growth in pre-sales in FY26.
- **Completions** were muted during the quarter; however, with steady progress, 2QFY26 is expected to see significant completions, leading to stable revenues.
- **Margin:** KPDL's margin threshold is 25-28% for outright acquisition deals and 16-18% for JV/JDA/redevelopment projects.
- **Launches:** There were no new launches during the quarter due to approval delays. The launch of Laxmi Ratan - Versova in Mumbai is expected in FY26. In Pune, NIBM and Wadgaon project (divided into three to four phases), with Phase 1 of 1.5msf scheduled to be launched this year. Overall, Pune is expected to see 5-5.5msf of launches (INR40b). In total, 6-7msf of area is planned for launch during this year (INR50-52b). Other Mumbai projects—Jal Mangal Deep Goregaon, Vishwakarma Nagar, and Jal Nidhi project—are currently in approval stages.
- Unsold inventory currently stands at 3.5msf, of which Life Republic contributes 1.6msf.
- Moreover, Life Republic contributed 57% to total pre-sales for 1QFY26.



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Lodha Developers

Buy

Current Price INR 1,299

- **Demand:** LODHA noted continued strong demand, with consumers increasingly preferring high-quality homes amid expectations of a downward trend in interest rates. The company believes branded developers are well-positioned to withstand any potential slowdown or lean phase. Non-launch weekly sales improved to INR2.8b in July despite factors such as the monsoon impacting sales. The company aims to raise weekly sales to INR4b by the end of FY26, up from INR2.5b per week in FY25.
- **Launches:** In 1QFY26, launches stood at INR84b with 3.9msft (10 projects) of area across the micro-markets of MMR, Pune, and Bangalore. This includes five new projects with 1.8msf area and GDV of INR40b and 5 new phase launches with 2.1msf of area and GDV of INR44b. For the rest of FY26, the company plans to launch 11 new projects (9.6msf with a GDV of INR133b) in Pune, Bangalore, and MMR, along with 5 new-phase launches (3.7msf with a GDV of INR37b). Pune is expected to contribute a substantial portion (~INR35b) of sales in FY26 from the ~INR69b of new launches planned in the near term. Most launches would be skewed towards 2HFY26.
- **Sales and price growth:** Of the total presales of INR44.5b, INR15b (34%) came in from new launches. Price growth for like-for-like projects stood at 2%. The company expects to achieve 5-6% of price growth in FY26. Average quarterly presales to increase to INR50b from FY26 onwards.

- **Bangalore's growth momentum:** The company is moving to the growth phase in Bangalore, in line with its established strategy. The strategic focus will be on the premium and luxury segments. It scaled up from 100 employees in FY25 to 200 employees by 1QFY26 and expects the workforce to double by the end of 1QFY27. It did its largest BD in 1QFY26 in Bangalore by adding 7msf of area with a GDV of INR84b. The company is in the process of launching one of the large projects in Bangalore spanning 70 acres. Currently, Bangalore accounts for 2-3% of total sales, which LODHA aims to increase to 15% over the next decade.
- **Delhi NCR to begin its pilot phase:** The pilot phase is set to commence shortly, beginning with the establishment of a local operating team. The company anticipates concluding one or more land acquisitions within FY26 to launch its first project in FY27. This marks the initial step in laying a long-term foundation in the new market.
- **Township projects:** INR5b sales towards data center, and the rest INR5b were residential sales. 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. New villa neighborhood launched with sizes INR50m and higher. Palava is likely to deliver INR80b in annual sales and an EBITDA margin of 50% in the next decade. 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.
- **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. In 1QFY26, it has completed net leasing of 0.2msft under the digital infrastructure segment, with popular tenants added, including Tesla, DP World, and FM Logistics.
- **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 the high teens or better.

Mahindra
LIFESPACES

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Mahindra Lifespaces

Neutral

Current Price INR 356

- **Strategic consolidation, brand focus, and scalable execution:** MLDL is strategically consolidating its market presence by temporarily exiting NCR to deepen its foothold in MMR, Pune, and Bengaluru, focusing on large-scale, high-impact projects like Bhandup. The company is actively pursuing outright land buys, JDAs, and redevelopment, while sharpening its brand positioning and customer focus to drive long-term loyalty. Execution capacity is being scaled in sync with project needs, supported by a structured channel partner model split across retail, institutional, and national networks. MLDL also continues to perform strongly in both sourcing and execution.
- **Launches:** In 1QFY26, MLDL launched New Haven in Bangalore and Citadel in Pune for a total GDV of INR4.5b. In 2QFY26, MLDL launched Marina64 in MMR. Upcoming launches include Project Pink in Jaipur (INR2b plotted), Citadel phase 3 in Pune, Saibaba redevelopment in Borivali with a GDV of INR18b, and

Mahindra Lifespaces

Quarterly Financial Statement for Q1 FY26

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue	1,234.56	1,123.45	1,012.34
Operating Profit	234.56	212.34	198.76
Net Profit	123.45	112.34	101.23

Bhandup Phase 1. In FY27, the company expects to generate INR45-50b in pre-sales.

- **Business development:** MLDL has signed three projects with a GDV of INR35b from Apr'25 to Jun'25. These include: a project at Lokhandwala 2 (INR11.5b), in addition to Lokhandwala 1 cluster development added in Feb'25; a second at Mulund Mumbai (INR12.5b); a the third at Navrat Bengaluru (INR11b). Of the INR450b GDV expansion plan, MLDL has already acquired INR410b by 1QFY26. The remaining GDV of INR40b is targeted for acquisition, with a focus on Pune and Bangalore. Of the existing pipeline of INR410b, INR200b is directed toward Bhandup and Thane, INR120b toward redevelopment, INR30b toward Rajasthan and Murud, and the remaining INR60b is outright. The outright portion is expected to be launched within 12 months of acquisition, while the balance may take more time.
- **Cash flows:** Following the rights issue, the company utilized the proceeds to repay debt and has turned net cash positive with a D/E ratio of -0.23x. In 1QFY26, the operating cash flow stood at INR1.96b, while overall spends on land stood at INR2.25b.
- **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. Phase 1 of this project is expected to be launched in FY26.
- **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 project level, the company generates ~20% IRR.
- 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.



Click below for
Detailed Concall Transcript &
Results Update



Oberoi Realty

Quarterly Financial Statement for Q1 FY26

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue	567.89	543.21	521.09
Operating Profit	123.45	112.34	101.23
Net Profit	67.89	61.23	56.78

Oberoi Realty

Neutral

Current Price INR 1,658

- **Launches:** OBER's 1QFY26 witnessed the launch of Elysian Tower D, Goregaon, which propelled sales. In FY26, management expects to launch one tower in Borivali and two towers in Forestville (Thane), Peddar Road, and Gurugram. Additionally, it may also launch projects such as Adarsh Nagar, Worli, and Tardeo in the year. One more tower in Goregaon and Alibaug to be launched in FY27.
- **Annuity portfolio:** The company is witnessing strong leasing traction across all three office assets and the newly launched Sky City mall. Commerz I and Commerz II are fully leased out following an increase in occupancy in Commerz III to 83% in 1QFY26. Both Commerz III and Sky City Mall are likely to be fully leased out by the end of FY26.
- **Gurugram project:** Demolition work has commenced at the site, and an office has been set up in Gurugram. The design has been completed, with contract negotiations nearly finalized and issuance expected shortly. The land and license are in the company's name, with all licensing approvals in place.
- The private equity transaction in I-Ven Realty Limited was completed, and INR12.5b of investment was received in the joint venture entity.



Click below for
Detailed Concall Transcript &
Results Update



Phoenix Mills

Neutral

Current Price INR 1,564

Acquisition of 49% stake of ISMDPL:

- PHNX board has approved its acquisition of the remaining 49% stake held by CPP Investments in ISMDPL, thereby increasing its ownership to 100%, subject to shareholder and regulatory approvals.
- The total consideration of ~INR54.5b will be paid over 36 months in four tranches through a mix of buyback, capital reduction, dividend payout, and/or secondary purchase.
- With 4.4msf of operational retail space generating EBITDA of over INR6.2b in FY25, the platform is expected to grow to over 5.2msf of retail, 4msf of office, and 1,000 hotel keys over the next few years. It has current net debt of INR5.96b, while gross debt is INR9.5b.
- PHNX expects strong EBITDA growth and cash flow from this platform, with new assets becoming operational between FY26 and FY27, while continuing its ongoing joint ventures with CPP Investments in other projects.
- The consideration is to be paid in four tranches: The 1st tranche of INR12.6b to be paid in FY26 within 30 days of the date of receipt of all requisite approval.
- 2nd tranche of INR13.7b in FY27.
- 3rd tranche of INR13.6b in FY28.
- 4th tranche of INR14.7b in FY29.
- The tranche-based payment structure is designed to preserve PHNX's liquidity, enabling it to continue pursuing its planned growth initiatives while offering flexibility for asset-level monetization within ISMDPL and its subsidiaries.

Expansions planned over the ISMDPL deal:

- PMC Bangalore is currently expanding from the current 1msf to a super campus of 4+ msf. It is planning a retail and office expansion in phase 2 of total 0.57msf and building Grand Hyatt Hotel of 400 keys, which is expected to be completed by 2027 (capex contribution of INR10b to be contributed).
- Phase 3 of PMC Bangalore will include retail and office expansion of 1.8msf and a hotel with 300 keys (0.4msf). Phase 3 construction will commence soon.
- Phoenix Citadel: an upcoming Hotel with 300 keys currently under the planning stage.
- Other than the above, PHNX has balance FSI potential of 2.71msf, with 0.88msf in Phoenix Citadel, Indore, 0.67msf in Phoenix Mall of Millenium, Pune, and 1.16msf in Phoenix Mall of Asia, Bengaluru.
- Core portfolio delivered a strong quarterly performance. Operating revenue was up 4% YoY at INR8.8b and EBITDA was up 2% YoY at INR5.4b. Overall revenue was up 5% YoY at INR9.5b and EBITDA was up 6% YoY at INR5.6b.
- Consumption growth was 12% in 1Q, guided by jewelry, fashion, FEC and multiplex.
- Other expansions planned: Further expansions are underway at Phoenix Palladium (0.35msft), expected to be launched by FY26-27. With the acquisition of 22.1 acres in Coimbatore and Chandigarh Mohali in FY25, PHNX is set to more than double its portfolio by FY30.

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.

- Coimbatore mall will feature a 1.0 msf retail area to be completed by FY29.
- Chandigarh-Mohali mall will have a 1.3msf GLA and unlimited FSI potential to be completed by FY29-30.
- Phoenix Grand Victoria mall Phase 1 (1msf retail area) is expected to be launched by FY27.
- Phoenix Surat mall with a gross leasable area of ~1msf and is expected to be launched by FY27.
- Overall, PHNX expects to launch at least 1msf each year after 2027.
- **Capex:** The company maintains an annual capex guidance of INR12-13b at a group level, 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 certain mature assets is linked to ongoing revamps and tenant churn. In Bengaluru, ~10% of the leasable area is currently under fit-outs or being repurposed from hypermarkets to high-performing fashion anchors. Pune is undergoing a similar transformation, replacing outdated anchors and restaurants with newer, more relevant offerings. Management remains optimistic about long-term performance, projecting strong growth from FY27 onward once the revamps are completed.



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Results Update

Prestige Estates Projects

Project Name	Location	Area (msf)	GDV (INR)	Completion Status
Prestige Mulberry	NCR	9.64	INR94b	Completed
Prestige Gardenia Estates	Bengaluru	1.06	INR8b	Completed
Prestige Pallavaram Gardens	Chennai	4.24	INR34b	Completed

Key Metrics:

- Total GDV: INR136b
- Total Area: 15.22msf
- Projects Completed: 3
- Projects Under Construction: 0
- Projects in Planning Stage: 0

Prestige Estates

Buy

Current Price INR 1,626

- **New launches in 1QFY26:** A total of ~15msf new launches with GDV of INR136b were rolled in 1QFY26, spanning four projects – Prestige Mulberry and Prestige Oakwood in NCR (9.64msf with GDV of INR94b), Prestige Gardenia Estates in Bengaluru (1.06msf with GDV of INR8b), and Prestige Pallavaram Gardens in Chennai (4.24msf with GDV of INR34b). Stock in hand stood at 15.22msf from NCR, Bangalore, Hyderabad, Mumbai, Chennai and others.
- **Guidance and launch pipeline:** FY26 presales guidance stood at INR270b, of which 45% is achieved in 1QFY26. The GDV pipeline for the rest of the year stands at INR299b with 29.16msf of area, of which INR85b will be launched in 2QFY26. 2Q-3Q will see launches of three plotted developments in Bengaluru, two in MMR and one in NCR. Additionally, INR100-150b worth of projects are available for launch, if required. ~30% of sales will come from sustenance sales.
- **Pipeline expansion:** Total GDV of INR500b is currently in the planning stage and will be reflected in the pipeline over the upcoming quarters.
- **Hyderabad launches in FY26:** Hyderabad will see launches of Prestige Imperial Park (2.78msf) and Prestige Rock Cliff (0.81msf) in FY26.
- **Business development summary:** In 1QFY26, PEPL acquired seven JDA projects across Hyderabad, Bengaluru, Chennai and Mumbai with a total area of 102 acres comprising GDV of INR204b. Pending land spends are at INR5b for existing and previous business development.
- **Revenue recognition:** Revenue recognized in 1QFY26 was lower than the value of projects completed during the quarter, as only handed-over projects are accounted for in revenue. For full-year FY26, residential revenue is guided in the range of INR80-100b. PEPL has a total of INR571b of unrecognized revenue across regions. EBITDA margins on portfolio level stand at 30-35%.
- **Approval status of upcoming projects:** Approvals for new launches have started falling in place. Evergreen, Falcon City, Raintree Park, and Dahisar-Mira Road projects are all expected to be launched in FY26.



Signature Global

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Results Update](#)

The screenshot shows a research report titled 'Signature Global' by Motilal Oswal. It includes a table of financial metrics and a summary of the company's performance. The table lists various financial ratios and metrics, such as P/E, P/B, and Dividend Yield, along with their historical values and current estimates. The summary section provides a brief overview of the company's business and its financial health.

- **Debt and leverage position:** Net debt increased to INR68b (vs. INR67b in 4QFY25), with a net debt-to-equity ratio of 0.42x and a reduced borrowing cost of 10.14%.
- **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.

SignatureGlobal

Buy

Current Price INR 1,114

- **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.
- In FY26, 75% of collections are projected to come from projects already sold and the balance 25% from newly launched ones. Collections are guided to be significantly better in 3Q-4QFY26.
- **1QFY26 launch:** In 1Q, the company launched Cloverdale in Sector-71, the second phase of Titanium, achieving 65% of its presales from this project. The total GDV stood at INR40b with 2msf area.
- **Upcoming launches in FY26:** Overall, FY26 launch pipeline exceeds 10msf, with an estimated GDV of INR170b, wherein 2Q-4Q will see 3.5msf in Sector-37D and 4msf will be launched in Sector-71.
- **Completions:** About 1.44msf was completed in the quarter — ~45% of area was premium and 55% was mid-income segment.
- **Utilization of operating surplus:** Of the INR1.9b operating surplus in 1QFY26, INR1.2b was spent on land acquisition and INR0.8b on debt servicing. Net debt increased by INR0.1b due to fresh borrowings.
- **Debt position:** In 1QFY26, debt increased to INR8.9b from INR8.8b in 4QFY25 but decreased from INR11.6b in FY24. SIGNATUR aims to keep FY26 net debt well below 0.5x of the projected surplus.
- **Presales, revenue and margin guidance:** Management is confident of achieving presales of INR125b and revenue recognition of INR48b in FY26, thus achieving 92% YoY growth, as construction picks up pace. Additionally, management is confident of a blended embedded operating margin of 35% for the projects.
- **Annual land spend 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.
- **Project execution and pipeline:** To date, completions stand at 15.7msf of saleable area. Another 9-10msf is in the advanced stage of completion, wherein a lot of inventory is within the mid-income segment, which should be completed by 2QFY27. 41.6msf of upcoming projects in the pipeline, of which 41% (17.1msf) already launched with GDV of INR220-230b and the balance 59% (24.5msf) with GDV of INR400b to be launched within 2-3 years.



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Results Update



Sobha

Buy

Current Price INR 1,504

- Recent launches: In 1QFY26, Sobha launched two projects.
- Sobha Aurum (first project launched in Greater Noida): The project is located in Sector 36, Greater Noida, and is spread across 3.46 acres and offers a total saleable area of 0.7msf. The project comprises 420 units in 1, 2, 3, and 4 BHK configurations, with unit sizes ranging from 739 to 2,306 sqft. As of 1QFY26, 80% of the project is sold out (i.e. INR8.3b).
- Marina One, Kochi: The remaining four towers are launched, comprising a saleable area of 0.9msf, offering 362 units in 2, 3, and 4 BHK formats, with unit sizes ranging from 2,006 to 3,061 sqft.
- Upcoming launches: Further, the company plans to launch ~6-8msf (~INR100b GDV) more in FY26. It has guided for 30% growth in pre-sales in FY26, which will also depend on the timing of new launches. Key upcoming launches in 2QFY26 include 0.6msf in Bengaluru, a commercial project in Gurgaon, and 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 in NCR.
- MMR launch: The MMR project is in the final stages. Phase 1 of the project (0.15msf) is estimated to be launched in 3QFY26.
- Margins: Due to delays in OCs for five Bangalore projects, revenue of INR6.5b could not be recognized and EBITDA margins were impacted by 9%. Management targets a project-level EBITDA margin of 33% from the remaining INR172b in revenue to be recognized. RE margins currently stand at 6% and are expected to rise further in the coming quarters.
- SOBHA has a robust upcoming pipeline of 17.67msf across 17 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. The effective share of Sobha expected from the upcoming launch is guided at ~82.9%.
- Sobha has a completed inventory of 11.6msf, valued at INR145b. With the inventory buildup and accelerated launches, management expects decent sales in FY26.
- The company has spent INR2.8b on land acquisition in 1QFY26, up 75% YoY, which is aligned with its growth and expansion plans.
- Operating cash flow is aimed to grow 10% in FY26.
- Apart from the forthcoming projects totaling 18msf, the company has identified 24msf of projects, for which the approval process will soon begin, along with a land bank of 1,765 acres.
- Spending on new deals is expected to be higher in the future.

RETAIL



- **Retail:** The demand environment remained subdued in 1QFY26, led by weak consumer sentiment, early monsoons, and a shift in the festive calendar, though improvement in wedding-related footfalls provided some cushion. Retailers focused more on operational efficiency, tighter cost control, and improving store productivity rather than aggressive expansion. Overall, the sector participants remain cautiously optimistic, with hopes pinned on the demand recovery during the upcoming festive season.
- **Jewelry:** Jewelry companies sustained strong sales growth despite geopolitical headwinds, tariff pressures, and a sharp rise in gold prices (+32% YoY, +5% QoQ). Consumer demand remained resilient, supported by a favorable festive and wedding season. Management highlighted that the 2Q base is elevated due to last year's customs duty reduction, which could weigh on reported growth. However, demand momentum in July has been encouraging, aided by relative stability in gold prices over the past three months.
- **QSR:** Demand trends for QSR players remained weak in 1QFY26. Management expects demand to improve, supported by a good monsoon, easing inflation, and government measures such as income-tax cuts and GST rationalization, along with company-specific initiatives. However, muted underlying growth continued to weigh on operating performance, keeping pressure on restaurant-level and EBITDA margins across most brands. While value-focused menu extensions and dine-in-led promotions have helped drive footfalls, a sustained recovery in ADS and SSSG remains critical to restoring unit-level profitability.

KEY HIGHLIGHTS FROM DEPARTMENTAL RETAIL CONFERENCE CALL

	Salient takeaways from 1QFY26's performance	Outlook
Aditya Birla Fashions	■ ABFRL indicated that overall demand remained muted with select pockets of growth, mainly driven by an uplift from the wedding season. Premium and occasion-wear saw an uptick in demand, while momentum for value retail sustained in lower-tier markets.	■ The company has budgeted INR3b for regular capex this year, with an additional one-time spend of around INR2b for the flagship Galleries Lafayette store, taking the overall capex to INR5b.
Aditya Birla Lifestyle	■ The overall consumption environment in 1QFY26 remained sluggish, with select pockets of growth, largely driven by higher wedding-related demand. Management indicated that despite cautious sentiments, ABLBL delivered strong double-digit LTL retail growth across its Lifestyle brands portfolio.	■ ABLBL aims to deliver early double-digit growth in Lifestyle brands through retail network expansion and robust LTL growth, while emerging brands are likely to see higher ~18-20% growth on a relatively lower base.
Campus	■ 1QFY26 sales were hurt due to the consolidation of the warehouse, which disrupted the supply of inventory for nearly three weeks (online sales -8% YoY), while distribution remained strong. Despite this, management reaffirmed its double-digit FY26 growth guidance, citing a strong recovery in July, solid distributor orders, and sneaker-led premiumization.	■ The company continues to target 17-19% EBITDA margins over the next couple of years. Operational disruptions impacted short-term performance, but strategic actions and product mix improvements are expected to support this margin target.
Go Fashions	■ 1QFY26 saw a 2% SSSG decline, with volumes reducing ~5% due to weak footfalls, LFS disruptions, and delayed Bangladesh-sourced SKUs. Sales were soft in April-May (Eid timing, regional issues), but recovered in June via EOSS. Management targets mid-single-digit SSSG, supported by a sharper pricing (INR1,000-1,200) and 6-7 new bottom-wear launches.	■ The company is targeting 120+ net additions for FY26. The expansion strategy prioritizes Tier 2 and Tier 3 newer markets, with 60-70% of new store openings planned in these regions, supported by encouraging early responses.
Metro Brands	■ Demand trends were broadly in line with expectations, though impacted by the shift in Eid dates (to 4QFY25) and the early onset of monsoon. These factors were offset by higher wedding-related footfalls. Management noted that the early festive season will influence sales dispersion in 2Q (vs. 3Q).	■ Management reiterated its long-term guidance of 15-18% CAGR, driven by mid-to-high single-digit SSSG, new store openings, and rising contribution from new banners. Further, driven by its robust cost controls and superior store economics, the company aims to deliver 30%+ EBITDA margin and mid-teen profit margin.
Raymond Life	■ Global macro uncertainty, especially the persisting US tariff overhang, is impacting consumer sentiment. While a newly signed FTA with the UK is a positive long-term development, the alignment of supply chains could take	■ Management expects FY26 to be a much stronger year vs. FY25. Momentum in AW26 bookings was solid. With internal levers like a better product mix, shelf space gains, and

	time. Demand recovery is underway, aided by dealer restocking and a slight improvement in consumer sentiment. July fared better than expected for the company, aided by a successful garment exchange program (~900 stores participated, 55,000+ new customers onboarded). Fabric and apparel segments performed well, but management continues to maintain its cautious stance on the demand outlook.	brand refreshes, it anticipates margin- and volume-led growth in FY26.
Shoppers Stop	Management remains optimistic about the outlook, driven by an improvement in footfalls, festive momentum, and easing inflation.	In FY26, SHOP plans to add 7-8 departmental stores (pivoting to 35-40k sq. ft.), 30-40 INTUNE stores (vs. 40-60 earlier), and 2-3 beauty stores despite ongoing rationalization.
Vedant Fashions	VFL continues to face weak consumer sentiment in the mid-premium segment, though regions such as AP and Telangana have rebounded in 1Q. While early trends for FY26 are positive, management remains cautious, expecting clearer visibility over the next 1-2 quarters.	Management is focused on improving the quality of the retail area in FY26 and aims for ~8-10% YoY increase in gross area. However, net area growth is expected to remain flat or slightly negative due to the closure of certain underperforming stores and the right-sizing of some stores.
Vishal Mega Mart	Management indicated that the company posted double-digit SSSG across tiers and states in 1QFY26, driven primarily by higher footfalls as well as slight up-trading to higher price points by customers. There was some impact from the shift of festivals such as Ugadi and Eid to Mar'25 (vs. Apr'24 in the base quarter). VMM remains optimistic about an improvement in consumer demand, led by higher disposable income after income tax rate cuts. Moreover, there is a slight uptick in rural demand.	Management reiterated its endeavor to keep gross margin broadly stable, with any surplus likely to be reinvested in the business for driving growth. However, EBITDA margin is expected to expand slightly (~10-30bp), primarily driven by operating leverage.
V-Mart	Demand was slightly impacted by the shift of Eid to 4QFY25, border tensions in the Northern region, and the early monsoon. Overall, demand sentiment is mildly positive, but certain headwinds persist in East India, where cross-border demand from Bangladesh has weakened. In contrast, North India (states such as Rajasthan and Uttarakhand) saw robust growth.	Management reiterated its target of 12-15% net store area additions (~65 stores) and mid-to-high single-digit SSSG in FY26. Emphasis remains on increasing fashion content, maintaining tight inventory control, and adopting selective marketing to improve overall profitability.

KEY HIGHLIGHTS FROM QSR- CONFERENCE CALL

	Highlights from 1QFY26 commentary	Outlook for FY26
Jubilant Food works	- Gross margins decreased year-on-year due to increased investments in growth efforts, client acquisition, and delivery mix. - Popeyes has adopted a regional structure and leadership approach similar to Domino's, with designated physical and digital leaders, while only having around 60 restaurants.	- Implementing technology in several areas improves employee efficiency, leading to increased EBITDA margins and higher consumer conversion. - Management will only increase prices when necessary, as current inflation levels do not warrant large pricing changes.
Devyani International	- The implementation of GST on rent has resulted in a rise in rental costs. The management stated that the QSR industry does not receive input credit on GST. - There are around 300 variants of Biryani available in India. However, 70% of the market is made up of the top three or four types of Biryani, including Hyderabad biryani. BBK offers Lucknowi and Calcutta biryani.	- Three new brands (TeaLive, New York Fries, and SANOOK KITCHEN) will open stores in the next quarter. These brands will be launched in test markets first, and then gradually scaled up, so it will take some time for them to contribute significantly to Devyani sales. - KFC aims to consistently achieve ADS of INR100k throughout the year.

Sapphire Foods	- The company expects to undertake a 3-5% pricing raise in Sri Lanka, which is projected to assist margin expansion from the second quarter. - For PH in Tamil Nadu, mass media advertising support drove positive SSSG and SSTG, with a double-digit delta compared to the rest of the market. In other locations, marketing efforts remained concentrated on below-the-line (BTL) initiatives.	- The firm is cautiously expanding in the Philippines, focusing on smaller-format restaurants ranging from 1,000 to 1,200 sq. ft. - Management plans to add 60-80 new KFC locations annually to increase market penetration and capture incremental demand.
Restaurants Brand Asia	- RBA anticipates greater margins for vegetarian offerings during Hindu festivals such as Shravan, Shradh, and Navratri in the second quarter. - RBA wants to launch new limited-time offers every quarter to increase customer engagement and boost its premium offering. Korean burgers now sell for INR200 and perform well.	- BK aims to open 60-80 new restaurants annually and reach 800 by FY29, up from the existing 519. - Their current gross margin is 67.7%, with a goal of reaching 70% by FY29. - In Indonesia, the company prioritizes profitability over shop expansion for Burger King and Popeyes, focusing on dine-in and store portfolio optimization.
Westlife Foodworld	The company anticipates a moderate increase in eating out during FY26, while consumption trends remain stable. This improvement is expected to be aided by lower inflation and government stimulus.	- The company aims to achieve mid to high single-digit SSSG levels in the coming years. - The company wants to expand to 580-630 outlets by 2027. - The company aims to achieve an EBITDA margin of 18-20% by FY27.

KEY HIGHLIGHTS FROM Jewel- CONFERENCE CALL

	Highlights from 1QFY26 commentary	Outlook for FY26
Titan	- The domestic jewelry business, comprising Tanishq, Mia, and Zoya ('Jwl. Domestic'), delivered robust revenue growth of ~17% YoY, despite a tough macro environment. SSSG stood at around 12%. - LGD continues to form a small part of the overall studded jewelry market, contributing less than 2%. - In the US, TTAN delivered a resilient performance in 1Q, backed by strategic preparedness for the evolving tariff landscape; however, the US currently contributes only ~2% to total sales.	2QFY26 has a high base due to the reduction in customs duty and deferred purchases in the same quarter last year. As a result, the full impact on sales is expected to be visible after 24th Jul'25. - For FY26, the company has guided to mid-teen EBIT margins for the watches segment. Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.
Kalyan Jew	- Demand in the first three weeks of July was healthy. The last week of July to the first week of August is not comparable due to a high base created by the customs duty cut. That said, management believes that the high base impact should be offset in 2QFY26, which will benefit from key festive events such as Navratri and the conclusion of Shradh. - Gold loan interest rate is back at 4%.	- Going forward, TTAN aims to focus on monetizing its real-estate collateral (~INR2b), developing a new retail format alongside Kalyan and Candere, and undertaking supply-side restructuring to improve gross margins. - It will launch a company that will have regional brands and offer localized jewelry to compete with regional brands. There will be multiple brands, each allocated to a particular state. - TTAN will be launching its first regional brand in FY26, starting with five showrooms requiring capital of INR3b (largely inventory), and further expansion will be FOCO-led.
Senco	- The strong momentum was fueled by popular festivals such as Akshay Tritiya and Poila Baishakh. - Given high gold prices and competitive intensity, Senco resorted to discounting in 1Q, which was offset by high making charges. Senco does not expect making charges to reduce significantly despite elevated competitive intensity. - Heading ratio in 1Q again reduced to 55-60% from ~75% in past few quarters. Average inventory is six months and going forward, management indicated that hedging will be in the range of 50-80%, depending on the risk perception of Senco.	- Revenue is expected to grow by 18-20% in FY26, with a strong focus on expanding in East and North India. - Senco expects EBITDA margin of 6.8-7.2% and APAT margin of 3.7-4% for FY26. - Looking ahead, the company plans to open 8-10 COCO stores and 8-10 franchise outlets annually. - The company expects to increase the studded jewellery mix to 15% over the next 2-3 years, indicating a strategic push toward higher-margin products.

P N Gadgil

- 1Q SSSG was 8% across 27 stores. In FY25, Gudi Padwa fell in 1Q, supporting performance. In FY26, the festival occurred earlier in 4QFY25, impacting LFL growth. Gudi Padwa sales stood at ~INR1,235m this year (booked in 4Q).
- Gross profit margins expanded due to a higher share of studded jewellery, strong conversion rates, and cost efficiency measures.
- Gross profit margins expanded due to a higher share of studded jewellery, strong conversion rates, and cost efficiency measures.
- The planned store expansion in FY26 will be funded through internal reserves and surplus and a term loan of INR1,400m, demonstrating a balanced approach to funding growth.
- For FY26, the company intends to open 20-25 new stores across multiple formats, including 7-8 COCO, 7-8 FOCO, and 10-11 PNG Lifestyle stores (split evenly between COCO and FOCO).
- PNG plans to increase the total store count to 64 by 2QFY26 and 80 by FY26. It is planning to open six stores during the Navratri festival this year.



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Aditya Birla Fashion

Neutral

Current Price INR 76

- **Demand:** ABFRL indicated that overall demand remained muted, with select pockets of growth, mainly driven by uplift from the wedding season. Premium and occasion-wear saw an uptick in demand, while momentum for value retail sustained in lower-tier markets. The strategic focus remains on driving profitability while selectively pursuing growth opportunities in new businesses, which have seen their contribution increase significantly to ~44% of revenue (from 37% YoY).
- **Pantaloons:** Adjusting for the shift in Eid to 4QFY25, Pantaloons' LTL growth would have been ~3% (vs. zero reported in 1QFY26). Over the last 12-18 months, the company has closed unprofitable stores and believes the store closures are largely behind. Pantaloons is targeting larger-size ~20-25k sqft stores, with cleaner, bigger, more impactful and contemporary layout in line with the brands' repositioning. Nearly 50% of the stores have been shifted to a new retail identity with improved visual merchandizing and experiential customer engagement. The performance of these stores has improved in line with management's expectations. Pantaloons' profitability has improved to 17-18%, but is diluted by losses from Style Up on reported basis. Management believes there is room for ~300-500bp margin expansion in Pantaloons.
- **Ethnics:** From nearly zero presence in FY20, ABFRL now boasts the most comprehensive ethnic wear portfolio in India with a mix of highly profitable designer-led brands, TCNS (which is in turnaround phase) and Tasva (which is currently in build-out phase). Typically, profitability is higher in 2H, driven by a higher number of weddings. Tasva is expected to achieve a breakeven by FY27, while TCNS has shown improvement after integration. TCNS' reported EBITDA was positive in 1Q, though it was still loss-making on pre-INDAS 116 basis. Designer brands are performing well, and at the portfolio level, management expects ~20%+ margin, though seasonal variations will persist.
- **TMRW Fund Raise:** ABFRL has so far invested ~INR7.7b through equity in TMRW, which has now raised ~INR4.4b by selling ~11% stake to ServiceNow Ventures, implying a valuation of ~INR40b. TMRW plans to raise ~USD100m in the current funding round. The funds are earmarked for accelerating the growth through more branding activities and offline expansions for key brands (which offers more credibility to the brand and improves gross margin by 10% vs. online channel). Management indicated that TMRW's revenue (incl. Wrogn) stood at ~INR10b, with plans to accelerate the revenue run rate to INR14-15b in FY26.

- **Cash and funding:** Gross cash stands at INR20.7b, with ~INR19b at standalone level, partly offset by ~INR7.5b long-term borrowings. There is also some debt on TMRW and ethnic wear subsidiaries (~INR2b). TMRW should become net debt free after the closure of the current equity raise. Management believes liquidity is more than adequate to fund the planned expansions and ongoing cash burn.
- **Style Up:** The Style Up format expanded to 49 stores, delivering robust ~36% YoY growth. SPSF has been in the range of INR20-25 per day in low-performing stores and ~INR35-40 in high-performing stores. The company plans to add ~40 Style Up stores in FY26, with further scale up to 75-100 in FY27. Style Up is profitable at the store level, while there is still some cash burn due to corporate overheads, which could continue for the next 2-3 years as the company ramps up its team to accelerate the pace of store expansion.
- **TCNS:** After Covid, TCNS struggled to grow organically due to a shift in customer preferences. However, driven by changes in merchandizing, the closure of unprofitable stores/distribution and improved retail execution, TCNS is now delivering strong double-digit LTL growth. April was slightly impacted by the Eid shift, but subsequent months delivered high growth. The focus remains on accelerating this growth trajectory. For TCNS, ~50% of the sales come from retail channel, 15-18% from online and the remaining from departmental formats (incl. Pantaloons). MBOs form a small part of revenue for TCNS. Management expects to commence store expansions for TCNS from 2HFY26, which should deliver growth and pre-INDAS profitability from FY27 onward.
- **Tasva:** Tasva has evolved past the stage of viability of concept and has been delivering healthy LTL growth. Tasva is likely to expand its presence to 90 stores by FY26-end, with focus on reaching ~200 stores in next three years. The focus is on getting the right store location in the key wedding markets, with the aim of achieving the break-even by FY27.
- **Sabyasachi:** Jewelry has been an expanding category for the Sabyasachi brand, contributing to revenue growth and strengthening its luxury positioning. This segment is benefiting from high demand in premium ethnic and bridal wear markets, aligning well with the brand's heritage and aspirational appeal.
- **Ad Spends:** Typically, Pantaloons spends ~1-2.5% of revenue as marketing spends, which could be at a higher end in the near term, driven by significant investments in the new retail identity, improved design, display and aesthetics. However, there is no change in the long-term trajectory.
- **Capex:** The company has budgeted INR3b for regular capex this year, with an additional one-time spend of around INR2b for flagship Galleries Lafayette store, taking the overall capex to INR5b. Investments are directed towards new store rollouts, refurbishments, and capability building.



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Aditya Birla Lifestyle

Neutral

Current Price INR 141

- **Demerger:** The demerger from ABFRL was completed effective 1st May'25 and all operations have fully transitioned to the new company across front-end, back-end, and employee systems.
- **Demand environment:** The overall consumption environment during 1QFY26 remained sluggish, with selective pockets of growth, largely driven by higher

The image shows a financial statement for Adityan Birla Lifestyle Brands. It includes a table with columns for 'Particulars', 'FY2025', 'FY2024', and 'FY2023'. The table lists various financial metrics such as Revenue, EBITDA, Earnings before interest and taxes, and Net income. Below the table, there are several paragraphs of text providing a detailed analysis of the company's financial performance, including discussions on revenue growth, profitability, and the impact of various factors like inflation and market conditions.

wedding-related demand. Management indicated that despite cautious sentiments, ABLBL delivered strong double-digit LTL retail growth across its Lifestyle brands portfolios, aided by strong brand recall, wide-spread network and improved retail execution.

- **Growth guidance:** ABLBL intends to deliver early double-digit growth in Lifestyle brands through retail network expansion and robust LTL growth, while Emerging brands are likely to see higher ~18-20% growth on a relatively lower base.
- **Store additions & distribution expansion plans:** ABLBL added 50 stores on a gross basis in 1QFY26, but on a net basis, overall store count declined by ~23. However, management reaffirmed its target of adding 250+ net stores in FY26 across all brands. Expansion will be portfolio-wide, including Lifestyle brands, Reebok, and youth brands, with strong opportunities to expand the network in tier-2 and tier-3 towns. Major heavy lifting in department store network correction has been done, and only minor closures will happen going ahead.
- **E-commerce:** E-commerce channel sales declined ~19% YoY in 1Q, driven by strategic corrections and reduced discounting to ensure uniform pricing across channels. Management indicated that a large part of corrections is behind and online channel should stabilize over the next two quarters. Excluding e-commerce, 1Q revenue growth would have been 10%+. E-commerce remains an important channel, but a large part of growth over the long term will be fueled by the retail channel.
- **Marketing Investments:** Marketing spend spiked to ~5.5% of revenue in 1Q due to increased advertising spends during the IPL, which boosted brand visibility and helped deliver strong retail LTL growth. ABLBL will continue its significant investment in advertising to improve brand relevance and customer engagement. However, for the full year, ad spends are likely normalize to ~3-3.5% of sales.
- **Reebok:** Reebok posted 9% retail LTL growth, though overall revenue growth was marginal due to lower primary sales. The channel mix is ~50% retail, 20-25% e-commerce, 10–15% wholesale, and a small institutional business. Unlike Lifestyle brands, 60% of the sales in Reebok are billed as primary sales to franchise partners, which leads to some quarterly volatility. However, since acquisition, Reebok has doubled its retail footprint (from ~90 EBOs) and grown ~2.5x in sales to ~INR5b sales, despite the clean-up of old inventory and challenges posed by BIS implementation. Management intends to deliver 20%+ growth for Reebok over the long term.
- **Innerwear Business:** Innerwear business grew marginally, though its losses have halved YoY in 1Q, reflecting improved cost control and operational efficiency. Management has guided for breakeven in FY27. The premium segment is seeing recovery in demand, with expectations of a gradual growth rebound despite the competitive intensity.
- **Debt & cash generation:** Net debt rose INR2b to ~IN7b in 1Q due to inventory build-up ahead of the upcoming festive season. However, management expects an annual debt reduction of INR2-3b, targeting to become net-debt free in the next 2-3 years. Cash generation is sufficient to fund retail expansion in both Lifestyle and Emerging brands.



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- **Working capital & capex:** The capex guidance for FY26 was maintained at ~INR2.5b, mainly for retail expansions, store refurbishments, and smaller allocations to upgrading warehouse infrastructure and technology. Working capital remains in the range of 13-15% of sales, with slight quarterly variations.

Barbeque Nation Hospitality

Neutral

Current Price INR 272

Operating environment and performance

- The company is navigating a soft dine-out cycle with operational discipline and expansion-led resilience.
- Consolidated revenue declined 3% YoY to INR2970m, impacted by weak SSSG in the core BBQ India business.
- Management remains optimistic about long-term growth, underpinned by efficient execution and a focused multi-brand strategy.

Barbeque Nation India (BBQ India)

- Revenue declined 7% YoY to INR2290m; SSSG came in at -5.2% (vs. -8.8% in the base quarter), implying a ~13–14% cumulative decline over 2 years.
- Demand challenges were led by weak dine-out trends, price competition (especially in South India), and softer corporate footfalls in cities like Bangalore and Chennai.

Strategic actions include:

- Right-sizing new outlets (20–25% smaller format)
- Menu innovation (e.g., Khukad Carnival, new starters)
- Value promotions (e.g., “Sizzling 7 at INR777”)
- Increased marketing (3% of sales; 80% digital)
- Appointment of a dedicated COO for BBQ India
- Despite pressure on SSSG, profitability impact remains limited, with only 3–4 stores currently loss-making.
- Management is continuing expansion with optimized capex and formats.

International Business (BBQ International)

- Revenue grew 10% YoY to INR263m; SSSG stood at 8.5%.
- Restaurant-level margins exceeded 23%; mature stores delivered margins of +27%.
- Recent openings in Kuala Lumpur and Jeddah (Saudi Arabia).
- Plans to open 4–6 additional outlets across the Middle East and Southeast Asia in the near term.
- International continues to be a profitable and scalable vertical.

Premium Casual Dining Restaurants (CDR)

- Revenue increased 19% YoY to INR431m.
- Gross margin was healthy at 74%, with mature outlet margins exceeding 20%.
- Two new outlets launched in Mumbai and Bangalore.
- Expansion strategy includes growing presence in Delhi, Mumbai, and Hyderabad (~30% YoY growth target).
- Acquired a 51% stake in “On Nom Nom,” adding 6 outlets in Bangalore.
- Premium CDR is being scaled with a plan to add 12–15 new stores in FY26.

Strategic Pillars & Outlook

Operational Focus:

- Emphasis on tight cost control to protect margins amid demand softness.
- Continued focus on the dine-in segment (~85% of revenue).

- Delivery business (15% of revenue) is improving, with Dum Safar Biryani posting positive SSSG.

Expansion Strategy:

- Plan to open 20–25 BBQ India restaurants annually.
- Premium CDR and International segments to be scaled with sustainable margins.

Guest Experience:

- Strengthened through product/menu innovation and refreshed store designs.
- Marketing is predominantly digital (80% of budget), helping drive better consumer engagement.
- NPS scores have improved across multiple formats.

Capital Allocation:

- Investments directed towards high-return, quick-payback opportunities.
- Expansion in Premium CDR is carefully managed to avoid capital dilution in BBQ India.



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Campus Activewear	
Revenue	1,000.00
EBITDA	150.00
EBIT	120.00
Net Profit	80.00
EPS	1.60
P/E Ratio	16.67
Dividend Yield	0.00
Market Cap	1,600.00
Debt to Equity	0.00
Return on Equity	10.00%
Return on Assets	8.00%
Operating Margin	15.00%
Net Profit Margin	8.00%
EBITDA Margin	15.00%
EBIT Margin	12.00%
Current Ratio	1.00
Debt to Capitalization	0.00
Free Cash Flow	100.00
Free Cash Flow Yield	10.00%
Free Cash Flow to Equity	80.00
Free Cash Flow to Equity Yield	8.00%

Campus Activewear

Buy

Current Price INR 267

- **Demand trends:** 1QFY26 sales were hurt due to the consolidation of the warehouse, which disrupted the supply of inventory for nearly three weeks (online sales -8% YoY), while distribution remained strong. Despite this, management reaffirmed double-digit FY26 growth guidance, citing a strong recovery in July, solid distributor orders, and sneaker-led premiumization.
- **ASP & premiumization:** ASP rose ~15% YoY in 1QFY26, driven by the higher salience of sneakers (150% YoY growth to 550k pairs) and rationalization of lower-priced product categories such as DIP school shoes and slippers. Campus continues to see good traction on premiumization, with 50%+ of sales coming from products priced 1,500 and higher. While the ASPs would continue to grow on a YoY basis, the growth over 1QFY26 levels may be modest.
- **Margins:** The company continues to target 17-19% EBITDA margins over the next couple of years. Operational disruptions impacted short-term performance, but strategic actions and product mix improvements are expected to support this margin aspiration.
- **Competition:** The Value segment remains highly competitive, with unorganized players resorting to lower prices. Management expects BIS regulation to gradually benefit the large organized players, but competition remains high in the interim.
- **Sneaker:** Volume surged 150% YoY to 550k pairs in 1Q, with management targeting 15-20% growth on 1QFY26 base. Dedicated stitching lines at Haridwar II and full operationalization of the Himachal plant boosted capacity. Launches include 50+ new styles and an expanded INR 2,000+ range to compete with international brands.
- **Supply chain investments:** Campus completed two large-scale projects, SAP implementation and consolidation of three raw material warehouse networks into a single high-capacity warehouse (capable of handling 200k pairs/day). This move hurt the 1QFY26 sales by ~INR100-120m (~300-400bp impact on revenue growth), but it eliminates supply chain bottlenecks and boosts peak-demand readiness.

- **BIS Compliance:** Non-BIS inventory has been substantially reduced across the companies. This has resulted in lower liquidation losses YoY, boosting gross margin. Further, BIS norms have led to a reduction in the supply of fake and unbranded imports from China, improving pricing parity for organized players. Non-BIS inventory for Campus is now minimal.
- **Growth Drivers:** Rising sneakerization, improved share in women's footwear, and strong growth in the southern market remain the key growth drivers for Campus.
- **Distribution Initiatives:** Retailer engagement remains a key strength, with over 150+ retailer meets across the country and large-scale distributor events, which gives good visibility on demand. South India delivered strong YoY growth, aided by heightened on-ground execution and deeper market penetration.



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Devyani International

Buy

Current Price INR 170

Business and Environment

- While near-term macro factors have led to a phase of soft consumer demand, DEVYANI sees a better outlook for the industry in coming years, with improving macros and market potential.
- India's QSR industry is on a structural growth trajectory, underpinned by rising urbanization, growing income levels, increasing digital adoption, rising female work participation rate, and a growing appetite for convenience.
- DEVYANI has seen a good response and adoption for the products offering more value to customers. It piloted unlimited Pizza Fridays at select stores, which received healthy traction.
- KFC SSSG has been negative for the last 8-9 quarters; however, 1QFY26 was impacted by Shravan, and adjusting for this, SSSG would have been flat to marginally positive, as per DEVYANI. That said, it has seen a good growth momentum in the online category, driven by initiatives undertaken in the online channel.
- For KFC, it is targeting ADS of INR100k on a consistent basis for the full year.
- DEVYANI has undertaken various initiatives to optimize the delivery channel, and several pilot projects have been successful, which will be implemented over the coming quarters. The company has reduced the store size to focus on delivery while ensuring dine-in experience remains unaffected.
- There are ~300 varieties of biryani available in India. However, 70% of the market is dominated by the top 3-4 types, namely Hyderabad biryani, Lucknowi biryani, and Calcutta biryani, which is offered by BBK.
- Stores for three new brands (TeaLive, New York Fries, and SANOOK KITCHEN) will be launched next quarter. These brands will initially be launched in test markets and gradually be scaled up. Hence, it will take time for them to become significant contributors to DEVYANI's sales.
- In 1QFY26, the company launched one TeaLive store in Mumbai.

Cost and margins

- There was an increase in raw material prices of cheese, flour, and edible oils during the quarter.

- A change in GST applicability on rent has also led to an increase in rental costs. The management highlighted that QSR industry does not get input credit on GST.
- Further, high saliency of off-premises sales across the two key brands, KFC and Pizza Hut, led to higher aggregator and delivery expenses.
- The company is working on optimizing its costs; however, it was unable to offset this entirely.

Product innovation & new launches

- The company launched Juicylicious pizzas with three flavors of marinated toppings and Indian sauces at INR249, and a free Pepsi was offered as Dine-in only offer.
- It launched KFC Saucy Popcorn at INR199 as a dine-in offer only.

Sky Gate acquisition

- The acquisition is now being completed.
- Sky Gate financials are included in consol from 11th Jun'25.
- DEVYANI invested INR1030m in Sky Gate with equity stake increased to ~86.13%.
- Currently, BBK is ~90% delivery.
- The company is working on taste optimization.
- DEVYANI has launched airport and food court store formats.
- Blackvelvet and Say Chefs have become fully-owned subsidiaries of Sky Gate.
- The management indicated that integration process remains on track.



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Go Fashions

Buy

Current Price INR 694

- **Demand & SSSG:** The quarter was marked by weak footfalls, LFS disruptions, and Bangladesh-led supply delays. SSSG declined 2%, with volumes down ~5%, largely due to softer April-May trends (Eid shift, geopolitical factors). However, June saw a strong recovery via EOSS, though July was muted. Management targets mid-single-digit SSSG via sharper pricing (INR 1,000-1,200) and 6-7 new bottom-wear launches.
- ASP rose to INR805, reflecting premiumization. The focus remains on value-added products and expanding the core bottom-wear portfolio.
- **Supply chain disruption:** Bangladesh sourcing was disrupted by India's road transport ban, forcing slower sea shipments. Key SKUs arrived late (mid-June), affecting Q1 sales. To mitigate risk, GOCOLORS is localizing production; full normalization is expected by winter FY26.
- **LFS:** Revenue declined 13% YoY despite 12-13% outlet growth, impacted by weak footfalls, timing of promotions, and partner disruptions. With restructuring now complete and near-full partner coverage (except for Max Fashion, where GOCOLORS is not present), stability is expected.
- MBO channel is in early stages, growing fast on a low base. Since it is seen more as a marketing and customer acquisition tool rather than a core revenue stream, the company is expanding selectively in large MBOs, aligning with its target audience. Growth will be calibrated, with no aggressive scale-up planned.
- Employee costs rose in 1QFY26 due to i) higher headcount from new EBO and LFS additions and ii) annual increments in April. Along with negative operating leverage, this drove a 300bp increase in employee cost as a % of sales to 19.8%,

and accounted for the bulk of the ~350bp YoY decline in pre-Ind AS EBITDA margins to 15.7%.

- **Expansion:** GOCOLORS added 27 new EBOs (total 803), and remains on track to achieve its target of 120+ net additions for the full year. The expansion strategy prioritizes Tier 2 and Tier 3 newer markets, with 60-70% of new store openings planned in these regions, supported by encouraging early responses.
- **New Initiatives** A pilot for women's top-wear and menswear was launched in 10-15 existing stores (1,500–1,900 sq. ft.) using surplus space. The company aims to validate the concept before scaling it up. Its first overseas store was opened in Dubai, which received positive initial traction.
- **Promoter Pledge:** ~0.9-0.95m shares were released in July; pledged shares now stand at ~4.8-4.9m (16-17% of promoter holding; 8% of total capital). The 200bp reduction signals gradual deleveraging.



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Jubilant Foodworks

Neutral

Current Price INR 634

Business Environment

- Domino's reported like-for-like (LFL) growth of 11.6%, driven by a robust 20.1% delivery LFL growth.
- Strong order growth was supported by enhanced value-to-consumer propositions.
- Gross margins contracted YoY due to higher investments in growth initiatives, new customer acquisition, and an increased share of the delivery mix.
- The quarter saw an accelerated pace of innovation and a stellar performance for the Domino's app.
- Following the positive response to the Cheese Burst range and Big Big Pizza, the company launched Chicken Burst to cater to non-veg consumers.
- The delivery channel's revenue grew 24.6% YoY, driven by a 25.7% increase in delivery orders.
- Initiatives like the 20-minute delivery guarantee and free delivery played a key role in boosting delivery-led growth.
- Dine-in channel revenue rose 2.5% YoY, primarily supported by the success of INR99 lunch hour meals.
- Popeyes operates 60 restaurants across 23 cities, with sequential improvement in restaurant-level profitability and double-digit SSG in southern India.
- COFFY operates 167 cafés across 38 cities in Turkey, with consistent bottom-line improvement and steady progress towards becoming the country's most loved coffee brand.
- The company has avoided broad-based price hikes for the past 2.5 years, opting instead for calibrated increases in select cases as also seen that value growth remains slightly higher than order growth.
- Management will implement price hikes only when necessary, noting that current inflation levels do not warrant significant pricing actions.
- The long-term store expansion target is 5,000 outlets, with a focus on innovation, digital asset improvement, faster deliveries in top metros, and strengthening on-ground teams—ensuring growth is driven by operational initiatives, not just base effects.
- The company has invested heavily in stores, technology, and supply chain infrastructure to fuel future growth, which has led to higher depreciation in the short term.

- App MAUs stood at 14.7m (+21.5% YoY) and installs at 12.3m (+19.4% YoY), while Domino's loyalty program membership reached 37.0m.
- Store formats are tailored by location: 800–850 sq ft in metros and Tier 1 cities, where delivery and takeaway dominate, and 1,500-1,600 sq ft in Tier 2 cities, where the preference for dine-in is higher.
- Consumers now have tools to easily compare pricing with competitors, prompting the company to take measured pricing actions to maintain affordability and avoid losing customers.
- Popeyes is on track to achieve healthy unit economics through lower capex requirements, active engagement with store managers, and targeted marketing investments.

Popeyes

- The company has adopted a proven regional structure and leadership model similar to Domino's, with dedicated physical and digital leaders, despite operating just ~60 stores.
- The company has strengthened its delivery capabilities despite patchy coverage, leveraging Domino's large-scale expertise of 40,000+ daily riders and integrating advanced delivery technology.
- It holds quarterly interactions between top management and all restaurant managers to set priorities, conduct training, and foster a startup-like culture of agility and ownership.
- It is undertaking intensive efforts in cost measurement, food cost optimization, capex reduction, and building supply chain capacity through automation to improve profitability.

Costs and margin

- About 75% of the gross margin dilution this quarter was due to new product launches (Big Big Pizza, Chicken Burst, INR 99 lunch meals). While these products exceeded sales expectations, their margins were initially dilutive. Big Big Pizza extended through the full IPL season and Chicken Burst was launched alongside a calibrated price increase, while the INR99 lunch offering aims to drive dine-in traffic.
- The company remains focused on gross margin expansion over time.
- Management clarified that gross margins are not impacted by aggregator contracts.
- Technology deployment across multiple areas is enhancing employee productivity, which is expected to aid EBITDA margin expansion and improve consumer conversion.
- While new innovations are margin dilutive in the short term, they help improve operating leverage by optimizing rental costs and G&A expenses, ultimately strengthening the profitability profile in the long run.



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Kalyan Jewellers

Buy

Current Price INR 510

Demand environment and outlook

- Demand in the first three weeks of July was healthy. The last week of July to the first week of August is not comparable as the base was high, given the custom duty cut. That said, management believes the impact of a high base will be offset in 2QFY26, as 2Q will have festivities such as Navratri, the ending of Shradh, etc.
- Management indicated that there is no pent-up demand likely to emerge due to gold price moderation, as weddings were not postponed.

The image shows a screenshot of a Motilal Oswal research report for Kalyan Jewellers. The report includes a table of contents, a summary of the company's performance, and a detailed analysis of its financials and operations. The report is dated 15th August 2025.

- Going forward, the company will focus on monetizing its real estate collateral (which is ~INR2b), creating a new retail format alongside Kalyan and Candere, and undertaking supply-side restructuring to improve gross margins.
- The initial investment in the new regional brand will be INR3b (largely inventory) and the company will open 5 stores, post which the store expansion will be FOCO-led.
- The studded jewellery segment remained steady and is a strategic focus area for future growth.
- Gold loan interest rate is back to 4%.

Cost and margin

KALYANKJ managed input cost pressures effectively through better operating leverage and sourcing efficiencies. GM improvement was due to the pilot project and a higher mix of silver/platinum, which involve higher margins.

New format focused on regional brands launching soon

- The company will launch a company housing regional brands that offer localized jewelry to compete with regional brands. There will be multiple brands, each allocated to a particular state.
- The company will be launching its first regional brand in FY26, starting with five showrooms requiring capital of INR3b (largely inventory), and further expansion will be FOCO-led.
- KALYANKJ stated that while the products will have lower gross margins, they will involve a high inventory turn and RoCE will remain in the range of 18-20%.
- The sourcing strategy will be modified and benefit from a leaner credit period. The pilot is currently underway.
- KALYANKJ indicated that it may raise debt in the subsidiary.

Candere

- Candere is expected to be PAT level neutral/positive by FY26 end.
- The company plans to launch 80 Candere showrooms in India during FY26 through a mix of FOCO and COCO showrooms.

International business

- The ME demand continues to remain robust.
- 1Q saw healthy growth of 27%, partially aided by the refurbishment/relocation of 8 showrooms in the region in the last 12 months.
- The company sees a growing opportunity among the Indian diaspora in the GCC region and continues to strategically expand its presence.
- Currency fluctuations have a marginal impact on the Middle East profitability, but operational performance remains healthy.

metro
BRANDS

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Metro Brands

Buy

Current Price INR 1,150

- **Demand:** Demand trends were broadly in line with expectations, though impacted by the shift in Eid dates (to 4QFY25) and the early onset of monsoon. These factors were offset by higher wedding-related footfalls. Management noted that early festive will influence sales dispersion in 2Q (vs. 3Q).
- **Regional trends:** Management indicated that MBL was impacted by the early monsoon in Maharashtra and Gujarat and witnessed relatively soft demand in South India, potentially due to a slowdown in the IT sector. However, management believes this is temporary and not a long-term concern.

Metric	FY25	FY26
Revenue (INR Cr.)	1,200	1,300
Profit (INR Cr.)	150	180
EBITDA (INR Cr.)	200	250
Operating Profit (INR Cr.)	120	150
Net Profit (INR Cr.)	100	120
EPS (INR)	10	12
P/E Ratio	15	12
Debt/Equity Ratio	0.5	0.4
Current Ratio	1.5	1.6
ROCE (%)	15	18
ROE (%)	12	15

- **Store openings:** MBL opened 23 new stores and closed three stores during 1Q. Management indicated that rentals have come off slightly, but the company continues to focus on opening profitable stores and is not chasing any particular number for store additions. Further, the company expects to open three Foot Locker stores before the festive season, scale up New Era from 2QFY26 onwards, and open FILA EBOs from 2HFY26.
- **Guidance:** Management reiterated its long-term guidance of 15-18% CAGR, driven by mid-to-high single digit SSSG, new store openings, and rising contribution from newer banners. Further, driven by its robust cost controls and superior store economics, the company aims to deliver 30%+ EBITDA margin and mid-teen profit margin.
- **Muted SPSF trends:** Management reiterated that blended SPSF is a combination of various factors, including brand-wise and geography-wise store expansions. Further, company-level SPSF is somewhat impacted when a new store/format is opened in the vicinity of a high-performing existing store. This strategy leads to some cannibalization of old stores' sales, but helps the company increase its share in that micro-market.
- **ASP trends:** ASP for footwear stood at INR 2,700 in 1Q, up ~3.5-4% YoY, as the share of INR3k+ product further inched up to 56% (+200bp YoY) and the impact from FILA liquidation at lower price points waned off. Brands such as FILA, Foot Locker, and Clarks are expected to drive further premiumization of the portfolio, while there could be some dilution from the scale-up of Walkway.
- **E-commerce:** Online sales grew 45% on a slightly lower base of 1QFY26; however, the traction remains strong with a rising contribution from the channel. MBL continues to drive its omni-channel strategy and strengthen its D2C business while consciously avoiding discount-led growth.
- **Gross margin:** Higher online sales and lower contribution from own brands slightly impacted gross margins in 1Q, though they remain at healthy levels.
- **Walkway:** MBL opened four Walkway stores in 1Q (vs. four net additions during the entire FY26). Walkway caters to the value segment (<INR1k price point), which accounts for ~80% of footwear sold in India. The company is repositioning Walkway through initiatives such as improved store presentation, tighter cost structures, and supply chain optimization. Management indicated that while SPSF for the Walkway format is lower than Metro or Mochi, it offers an efficient use of MBL's cash reserves, given the large opportunity in the segment. Further, the company expects store-level ROCE of ~30% over the long term (vs 40-45% for its Metro/Mochi formats).
- **Clarks:** MBL sees significant potential in its long-term exclusive tie-up with Clarks. Management indicated that Metro and Mochi were among the largest sellers of the Clarks brand earlier and believes the brands' customer relevance remains intact. The average selling price (ASP) for Clarks is expected in the INR3,500-4,000 range, aligning with MBL's premium positioning. Management believes there are strong synergies with its existing portfolio and is confident of building scale for this brand over time.
- **Higher marketing spends:** Marketing spends were curtailed in 1QFY25 and have seen an increase in 1QFY26, in line with demand recovery. MBL's marketing

spends are ~3.5-4% of sales on a full-year basis and could be slightly higher in FY26, driven by continued investments to support brands' growth.

- **FILA:** MBL expects to open FILA EBOs starting 2HFY26. The company adopted a cautious approach to the FILA EBO rollout due to challenges posed by the BIS implementation. MBL has been gathering customer responses to FILA's new product lines through its Metro/Mochi stores. FILA reported a loss of ~INR0.6b in FY24, which reduced ~40% in FY25 and should further decline in FY26. Management expects FILA to achieve breakeven in FY27.



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PN Gadgil

Buy

Current Price INR 579

Financial and operating performance

- The company recorded a 23% YoY growth in transaction count, reflecting strong consumer engagement despite a challenging gold price environment.
- The average ticket value (ATV) stood at INR93k, indicating healthy spend per customer.
- This performance was supported by a 25% rise in footfalls, with a high conversion rate of 92%, highlighting the brand's ability to effectively convert store visitors into buyers.
- SSSG for 1QFY26 was 8% across 27 stores. In FY25, Gudi Padwa fell in 1Q, supporting performance. In FY26, the festival occurred earlier in 4QFY25, impacting LFL growth. Gudi Padwa sales stood at ~INR1,235m this year (booked in 4Q).
- Despite a sharp 35% YoY increase in gold prices, consumer demand for gold jewellery remained resilient.
- Studded jewellery sales rose 41.6% YoY, while the studded ratio improved to 10% of total retail sales.
- On Akshaya Tritiya, the company posted a 35% YoY growth, achieving record sales of INR1,395m.
- Revenue per store stood at INR312m, and net profit per store was at INR13m, although profitability for the quarter was adversely impacted by a notional hedging loss of INR250m.
- The company's net debt stood at INR3,240m, with a total finance cost of 4.9%. Its total debt stood at INR 8540, while fixed deposits stood at INR5,300m.
- The planned store expansion in FY26 will be funded through internal reserves and surplus as well as an INR1,400m term loan sanctioned by two banks, demonstrating a balanced approach to funding growth.
- For FY26, the company intends to open 20-25 new stores across multiple formats, including 7-8 COCO (company-owned, company-operated), 7-8 FOCO (franchise-owned, company-operated), and 10-11 PNG Lifestyle stores (split evenly between COCO and FOCO).
- The company plans to bring the total store count to 64 by 2QFY26 and 80 by FY26.
- In the near term, 6 stores are scheduled to open during the Navratri festival this year.
- New store launches during the quarter included Indore, Kanpur, Lucknow, and Jalgaon, marking a diversification of its geographic footprint.
- The Lifestyle model delivers a GP margin of 25-26%, with each store holding inventory worth INR80-90m and expected to generate revenue of INR100-110m.

- The company has sought Board's approval for a QIP but has no immediate plans to proceed, as it currently has sufficient funds to support its expansion plans.
- The franchisee business segment witnessed strong traction following store remodeling in the past three months.
- Management has identified optimal locations for new franchise stores to maximize footfalls.
- As the studded share improves, the sustainable net margin from franchise operations is expected to rise to 3.5-4%, up from the current 3%, with 2.5% coming from operations and 0.5% from franchise fees.
- The old gold ratio stood at 42%, generating a 3% margin on buying and selling transactions; refinery sales declined from INR3,535m in 1QFY25 to nil in 1QFY26.
- The company expects newly opened stores to achieve breakeven within 15-18 months if launched post-Diwali, and 12-15 months if launched before Diwali, benefitting from the festive demand cycle.
- Management's long-term target is to raise the studded jewellery ratio to 13%, which should further enhance margins and profitability over time.

Cost and margins

- Gross profit margins expanded due to a higher share of studded jewellery, strong conversion rates, and cost efficiency measures.
- GP margins stood at 33% for studded jewellery, 7-8% for non-studded jewellery, and 25-26% for the lifestyle store format.
- Marketing and promotional spends increased to 1% of revenue during the quarter, reflecting the company's strategic focus on expanding beyond its core Maharashtra market into new territories in central and northern India.

Raymond
LIFESTYLE LIMITED

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Raymond Lifestyle

Buy

Current Price INR 1,238

- **Demand outlook:** Global macro uncertainty, especially the persisting US tariff overhang, is impacting consumer sentiment. While a newly signed FTA with the UK is a positive long-term development, the alignment of supply chains could take time. Demand recovery is underway, aided by dealer restocking and a slight improvement in consumer sentiment. July fared better than expected for the management, aided by a successful garment exchange program (~900 stores participated, 55,000+ new customers onboarded). Fabric and apparel segments performed well, but management continues to retain its cautious stance on the demand outlook.
- **Consumer sentiment:** The sentiment improvement over last year has been driven by the interest rate cuts and higher disposable income after the income tax rate cuts. However, customer demand is still not back to FY23-24 levels, as there is still some cautiousness among consumers, driven by global uncertainties. Cautious optimism is visible in trade bookings and customer engagement. Internal initiatives (pricing, product innovation, and policy tweaks) are helping drive share gains even in a subdued environment.
- **Store footprint:** Store count stood at 1,675, with a net decline of ~13 stores QoQ. Ethnix by Raymond opened six stores and closed 18 underperformers. The company reviewed its store footprint and took a call to shut 35

underperforming stores. The closures in Ethnix were driven by higher competition from organized as well as local boutiques.

- **US and UK share in business:** Exports form 15-17% of revenue, while the US contributes ~6.5-7% of RLL's total revenue, out of which ~2-3% is met through exports from Ethiopia, which has low ~10% tariffs. The UK contributes ~15% of the garmenting revenue and should see improvement over the medium term with the FTA with the UK.
- **FY26 outlook:** Management expects FY26 to be a much stronger year vs. FY25. Momentum in AW26 bookings was solid. With internal levers like better product mix, shelf space gains, and brand refreshes, they anticipate margin and volume-led growth in FY26.



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Restaurant Brands Asia

Buy

Current Price INR 82

Business environment

- In 1QFY26, the India business achieved ADS of INR120,000 backed by 2.6% SSSG, which was led by both dine-in traffic growth and the delivery channel.
- Delivery channel revenue grew 11.5% while profits have gone up by 1% as the company remains focused on driving traffic into its restaurants and continuing to focus on both delivery and restaurant-level profitability.
- In 2Q, RBA expects a vegetarian-skewed demand given Hindu festivities like Shravan, Shradh, and Navratri, which they see positively as vegetarian offerings have higher margins.
- The company continues to focus on value offers to bring more people into restaurants.
- The 2.4X promotion (2 for 79 and 2 for 99) has been running for over a year, building on the success of the INR 99 crispy veg meal from last year, and continues to drive traffic.
- With 482 Café restaurants in India, BK Café is now present in 93% of restaurants, up from 352 stores in 1QFY25.
- BK Café is gaining traction through menu expansion, product trials, and social media engagement.
- RBA plans on launching a new limited-time offer every quarter to drive customer engagement and strengthen its premium offering, as the Korean burgers are selling at INR200, and they continue to perform really well.
- The company is scaling up its 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.
- Crazy App Deals are exclusive dining deals available only on the Burger King app, aimed at driving loyalty and frequency.
- 63 net new restaurants were added over the last year, with 6 added during the quarter.
- BK plans to open 60-80 new restaurants every year and plans to have 800 restaurants by FY29 from the current 519 restaurants.
- They aspire to achieve a 70% gross margin level by FY29; current GM stands at 67.7%

Indonesia business

- The Indonesian revenue declined by 7% YoY due to store rationalization and geopolitical headwinds.
- The company closed 4 BK stores during the quarter, while Popeyes stores remain unchanged at 25 stores.
- 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.
- The Burger King business in Indonesia is witnessing strong momentum.

Cost and margins

- RBA remains focused on driving efficiencies across its P&L through initiatives aimed at reducing utilities, rentals, and other fixed costs.
- New rent deals are way below what was signed six to eight years ago, and this will continue to lower the overall rent ratio as more such properties come online.
- Many IT contracts have been renegotiated, and technology consumption has been rearranged, contributing to profitability.
- 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 gross margins to reach ~70% by FY29.

Product Innovation

- In India, the company launched the Korean Spicy Fest to ride the “Hallyu Wave”. Also relaunched King’s Collection with Premium Brioche Buns with 2 new patties.
- Launched new Whopper Deluxe: Crunchy Paneer, Molten Cheese, Crunchy Chicken starting from INR139 to INR199.
- BK Fusion made with Kit Kat as the first partnership, with plans to introduce more such brand tie-ups in the future.
- Café at 99 Promo during the summer/holiday season to generate trials for BK Café.



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Sapphire Foods

Buy

Current Price INR 327

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’.
- The company implemented KFC Digital Kiosk at 259 restaurants.
- KFC total app downloads stood at 54.3mn+ and monthly active users are 2.4m.

The image shows a financial report for Sapphire Foods. It includes a table with columns for various financial metrics and a detailed text section below it. The table contains data for different periods, likely quarters or years, and the text section provides a narrative explanation of the financial performance.

- The company is following a cautious expansion approach for PH, focusing on smaller-format stores with sizes ranging between 1,000 and 1,200 sq. ft.

Segmental information

KFC

- KFC reported flat SSSG for the quarter, while SSTG turned positive after several quarters with low single-digit growth.
- The pickup in transactions is a positive indicator.
- Growth was supported by investments in the EPIC Core Variety X Value campaign and attractive consumer offers.
- The company launched KFC Gold, a premium range comprising Zinger Burgers and Chicken Strips, to strengthen its presence in the premium chicken category, enhance brand positioning, and drive mix-led growth.
- ROM contracted 8% YoY to INR828m, with a 310bp margin contraction to 15.7%, impacted by operating leverage, lower gross margins, and a higher share of delivery.
- The company added eight new KFC stores during the quarter, taking the total store count to 510.
- Management reiterated its plan to continue adding 60-80 new KFC outlets annually to drive deeper market penetration and capture incremental demand.
- The delivery mix has improved on a YoY basis and remained stable sequentially; the company expects the dine-in and delivery channel mix to remain largely stable going forward.

PH

- PH revenue declined 5% YoY, with SSSG at -8% YoY.
- Its EBITDA margin was negative at -2.5%, down 710 bp YoY; however, excluding additional marketing spends, EBITDA was at breakeven.
- ADS dropped 8% YoY to INR44k from INR48k in 1QFY25.
- The 'Juicylicious' pizza range launched in April 2025 received encouraging feedback from consumers.
- In Tamil Nadu, mass media advertising support drove positive SSSG and SSTG, with a double-digit delta vs the rest of the market. In other regions, marketing remained focused on below-the-line (BTL) activities.
- To revive growth in PH, the company continues to run consumer promotions and value offers.
- The company also introduced a new 'Summer Sipper' beverage range in multiple flavors.
- Two new stores were opened during the quarter, taking the total PH store count to 336.

Sri Lanka business

- Sri Lanka operations continued to deliver strong performance with double-digit SSSG (12% in LKR) and SSTG growth.
- Margin benefits were offset by a sharp increase in minimum wages, leading to higher employee costs.
- New product launches in Sri Lanka included Cheese Pizza, Tater Tots, and Crispy Chicken Bites.
- The company plans to implement a 3-5% price hike in Sri Lanka, which is expected to support margin expansion from 2Q onwards.



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Senco Gold

Current Price INR 375

Neutral

Demand environment and performance

- The quarter was marked by continued geopolitical tensions and a tariff war, as well as a spurt in gold prices by 32% YoY and 5% QoQ, despite which consumer demand remained elevated. The strong momentum was significantly fueled by popular festivals such as Akshay Tritiya and Poila Baishakh.
- Given high gold prices and competitive intensity, Senco resorted to discounting in the quarter. However, an increase in making charges covered up for the same. The company does not expect making charges to reduce significantly despite elevated competitive intensity.
- To mitigate rising GML interest rates, the company has increased making charges, which has protected SENCO's profitability.
- The hedging ratio in 1QFY26 again reduced to 55-60% from ~75% in the past few quarters. The company's average inventory is around six months, and going forward, management indicated that the hedging will be in the range of 50-80% depending on the risk perception of the company.
- During the last six months, the company has hired a consulting company, which is helping it improve store economics and assortment mix.
- In 1Q, Non-East revenue contributed 17.5% of total retail revenue.
- In the retail segment, COCO showrooms, contributing 63% to the overall retail revenue, registered a 25% growth in Q1. The FOFO business, which accounts for the remaining 37%, grew by a strong 34% during the same period.
- 1QFY26 saw strong performance in diamond jewellery, which saw 35% YoY growth in volumes and 50%+ in value. This has resulted in the stud ratio improving from 9.9% to 11.6% YoY, leading to better margins.
- 2QFY25 saw a duty cut, which led to robust sales in Jul and Aug'24, thus giving a high base. SENCO expects 2Q growth to be in the range of 18-20%.
- Secondary sales are ~85% of primary sales. The management indicated that as the share of franchisee stores increases, the gap will further widen.
- ASP of 9k jewellery is in the range of INR3.5k-3.9k. SENCO indicated that 9k will be mostly offered in the studded category. Initial traction, especially from young customers, has been healthy for them. Furthermore, the management expects 9k jewellery to become a significant gifting tool.
- Average ticket size for Senco is INR70-72k, with ~60-70% of products sold being lightweight in nature at ~INR50-60k. Most lightweight jewelry is studded in nature, and thus, the company expects its margins to be higher than plain gold jewelry.
- LGD revenue has been in the range of high single digits to low double digits. Currently, SENCO has 6-7 LGD stores. For FY26, the LGD's sales will be less than INR500m. The management indicated that for weddings and other social occasions, the customers resort to natural diamonds only.
- SENCO's old gold exchange program ensured that the price rise impact was mitigated, ensuring continued demand. It contributed ~39% of sales in 1Q vs 25% of sales almost 2 years back.

Cost and margins

- GM expanded by 180bp YoY to 19.1% largely backed by improved studded mix, lower hedging, and an increase in making charges.

- While 1QFY26, saw robust improvement in EBITDA margin (+230bp), the management has maintained its annual EBITDA margin guidance of 6.8–7.2%.
- Senco indicated that, given the uncertain geopolitical scenario, the GML rates have again inched up. However, an increase in the making charges has protected SENCO's profitability.

Guidance

- Revenue is expected to grow by 18–20% in FY26, with a strong focus on expanding in East and North India.
- The company is expecting an EBITDA margin of 6.8–7.2% and an APAT margin of 3.7–4% for FY26.
- Looking ahead, the company plans to open 8–10 COCO stores and 8–10 franchise outlets annually. The company plans to open more franchisee outlets.
- 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.
- 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.



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Shoppers Stop

Neutral

Current Price INR 537

- **Demand trends:** SHOP reported a steady 1Q performance with 6% YoY sales growth, led by 5% LFL growth in departmental format and 67% contribution from premiumization (+8% YoY). EBITDA rose 17% YoY, aided by cost controls and improved operating efficiency. Departmental EBITDA margins expanded 145bp to ~3%. Management remains upbeat about the outlook, driven by improvement in footfalls, festive momentum, and easing inflation.
- **Store expansion guidance:** In FY26, SHOP plans to add 7-8 departmental stores (pivoting to 35-40k sq. ft.) and 30-40 INTUNE stores (vs. 40-60 earlier). In Beauty, despite 4 store closures, 2-3 new store openings are expected, alongside SIS additions.
- Intune performance was muted sequentially, owing to a challenging macro and heightened discounting by peers (YoY sales doubled on low base). The format's LFL growth lagged, weighing down overall company LFL to 3% (vs 5% for department stores). Losses expanded due to increased store count. Operationally, full-price sell-through improved to 60%+, inventory turns strengthened, and certain stores exceeded INR12,000/sq.ft productivity. With a 32% repeat rate in LFL stores, SHOP is doubling down on product freshness (75-100 new options weekly), value-focused marketing, and new customer segments like infant wear.
- Departmental format delivered a resilient 1Q with 5% LFL sales growth, driven by improved customer entry (+2pp), higher ATV (+6%), ASP (+3%), and IPT (+3%), despite external challenges like Eid festival shift and regional disruptions. EBITDA margins expanded by 145bp YoY to ~3%, supported by cost controls and operating leverage.
- Premiumization strategy gained traction, with premium products contributing 67% of revenue (+8% YoY), aided by global brands and private labels. Private Brands segment delivered a muted 3% YoY sales growth amid ongoing brand consolidation and space optimization. First Citizen loyalty program drove 85% of

total sales, with 195k Silver and 31k Black Card enrolments; Black Card sales rose 44% YoY, contributing 19% of revenue. Personal Shopper channel contributed 25% of sales (+700bp YoY), with an ATV of INR15,500 (3x company average). The company plans to expand to 35-40k sq. ft stores (7-8 new stores in FY26E) to elevate brand experience, deepen loyalty integration, and reinforce its premium positioning.

- **Beauty Segment:** Core Beauty (ex-distribution) delivered a modest 2% YoY growth. However, distribution-led revenues from Global SS Beauty doubled YoY, aided by portfolio expansion and newer market entries. Omni-channel strength and premiumization continued to drive this segment, but store closures (4 this quarter, 1–2 more ahead) highlight footprint recalibration and rationalization amid evolving consumer preferences.



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Titan

Buy

Current Price INR 3,593

Performance and outlook

- The domestic jewelry business, comprising Tanishq, Mia, and Zoya ('Jwl. Domestic'), delivered robust revenue growth of approximately 17% YoY, despite a challenging macro environment. Same-store sales growth stood at around 12%.
- Within the domestic portfolio, gold jewellery sales grew ~15% YoY, coin sales surged ~46% YoY, while studded (ex-CaratLane) jewelry recorded ~11% YoY growth.
- The overall growth was entirely led by an improvement in the average ticket size, which rose ~16% YoY, thereby offsetting the adverse impact of elevated gold prices on customer footfalls during the quarter.
- The jewelry domestic segment reported an EBIT margin of 11.8%. This includes a one-time gain during the quarter, which contributed a ~50bp margin benefit and is expected to reverse in subsequent periods.
- The International Jewelry business—primarily driven by Tanishq's operations—continued to gain traction, posting a strong ~49% YoY growth to INR5.5b. This performance was underpinned by healthy double-digit growth in both the UAE and North American markets, enabling the business to swing to a positive operating profit during the quarter.
- The second quarter (2Q) of FY26 had a high base due to the reduction in customs duty and deferred purchases in the same quarter last year. As a result, the full impact on sales is visible post-24th July.
- Titan marginally gained market share nationally in FY25 and sustained this in 1QFY26.
- India has emerged as the second-largest diamond market globally, highlighting the growing preference for premium jewellery in the country
- The nine-carat diamond jewelry is priced in the INR30,000-40,000 range. These products initially gained traction online and are now being introduced in select stores, showing steady growth as customers increasingly shift to lightweight and affordable options amid rising gold prices.
- Studded jewelry (excluding CaratLane) saw higher buyer growth compared to gold jewellery, indicating a growing preference for studded offerings.
- LGD continues to form a small part of the overall studded jewelry market, contributing less than 2%.

- Prices of LGDs are declining across both the retail and wholesale segments due to low entry barriers and limited product differentiation.
- In India, the primary consumers of LGDs are existing natural diamond buyers, especially in the solitaire segments, where price differences are significant.
- In the US, 1QFY26 performance has been positive, with the company well-prepared for the evolving tariff environment. However, the macro environment remains volatile. The US contributes around 2% of the company's overall sales.
- The company's global expansion efforts are progressing with the acquisition of Damas in the GCC region, which now contributes ~6% to the consolidated revenue.

Margin guidance

- For FY26, the company has guided for mid-teen EBIT margins in the watches segment.
- Standalone EBIT margin (ex-bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.

Segmental Information

CaratLane

- CaratLane (domestic) reported a strong revenue growth of ~39% YoY, reflecting its continued momentum in penetrating the digital-first jewelry market.
- The brand's targeted promotional campaigns, bundled with gold coin offers, elicited an excellent consumer response, contributing to healthy customer acquisition during the quarter.
- Studded jewelry sales grew ~35% YoY, supported by a robust ~60% YoY growth in the premium Solitaires category and double-digit growth in gold jewellery, including coins.

Watches & Wearables segment

- The domestic watches business delivered an impressive revenue growth of ~24% YoY, underscoring TTAN's strong market positioning in analog watches and strategic repositioning efforts in the smartwatch segment.
- Growth was primarily driven by analog watches, which posted a robust ~28% YoY increase, supported by both higher volumes and pricing actions. The smartwatch category continued to focus on sustainable profitability optimization.
- Key brands—Titan, Sonata, and Fastrack—performed well, each registering healthy double-digit growth during the quarter. International brands, distributed via the Helios channel, also maintained strong momentum, growing ~21% YoY, reflecting a growing consumer preference for premium timepieces.
- Same-store retail growth across all key formats remained in healthy double digits.
- The strong top-line growth enabled significant operating leverage and margin expansion.
- The quarter also included one-time gains from inventory revaluation, which contributed ~400bp to the EBIT margin. Even after excluding one-off gains, the adjusted EBIT reflects strong underlying profitability and operating leverage.

EyeCare (Domestic):

- The EyeCare business reported a ~13% YoY growth, aided by seasonal tailwinds during the quarter, with sunglasses significantly outperforming prescription products such as lenses and frames.

- International brands registered strong growth of ~25% YoY, reflecting rising consumer preference for premium offerings.
- Network optimization efforts continued during the quarter, with a net closure of 20 stores across India.

Emerging businesses

- The Women's Bags segment witnessed strong momentum, registering a robust ~65% YoY growth during the quarter, supported by ongoing brand-building initiatives.
- Fragrances delivered an impressive ~56% YoY growth, led by strong volume expansion across SKINN and Fastrack perfumes. The category continues to maintain consistent profitability, reinforcing the division's strategic focus on achieving growth with margins.
- Taneira posted ~16% YoY growth, entirely driven by same-store performance. Volume growth remained in early double digits, highlighting the brand's deepening presence in the growing Indian ethnic wear market.
- The Emerging Businesses portfolio significantly improved operational efficiency, with losses narrowing to INR140m from INR260m in 1QFY25, driven by better profitability in Fragrances and operational leverage as these businesses mature.



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V-Mart Retail

Buy

Current Price INR 760

- **Demand trends:** Demand was slightly impacted by the shift of Eid to 4QFY25, border tensions in the Northern region, and early monsoon. Overall, demand sentiment is mildly positive, but few regional headwinds persist—particularly in East India, where cross-border demand from Bangladesh has weakened. In contrast, North India (states such as Rajasthan and Uttarakhand) saw robust growth.
- **Demand outlook:** Demand was slightly soft in July but is expected to pick up with the onset of the festive season from August. Additionally, with inflation in check and better monsoons, rural consumption is likely to pick up. Competition from national as well as regional value retailers is rising, driven by higher store openings. However, this is also leading to higher footfalls for the organized value retailers. VMART continues to focus on driving profitable growth.
- **Guidance:** Management reiterated its target of 12-15% net store area additions (~65 stores) and mid-to-high single-digit SSSG in FY26. Emphasis remains on increasing fashion content, maintaining tight inventory control, and adopting selective marketing to improve overall profitability.
- **Margins:** Margins in 1QFY26 were impacted by lower SSSG, which should pick up in 2Q-3Q. Overall, VMART is targeting a higher absolute margin, driven by volume-led growth for FY26.
- **Unlimited:** VMART is methodically integrating the Unlimited format by aligning its product assortment, pricing, and store aesthetics with the core VMAT model. Currently, about 50% of products overlap during spring/summer and festive seasons, while winter assortments remain differentiated. New Unlimited stores, focused on tier 3/4 towns, are gaining traction with value-focused consumers, though ~30% of new stores are still operating at lower margins. Despite Unlimited's higher gross margins (~37% vs. Core VMART's ~34%)— driven by a ~5% price premium to cover higher operating costs, the company plans to bring

ASPs in Unlimited closer to VMART's levels over time. This reflects a deliberate shift toward mass affordability.

- **Rental costs:** Rentals have increased from INR 36/sq.ft per month five years ago to ~INR 45/sq.ft now, due to rent escalations and the integration of higher-rental Unlimited stores. The new store leases and renewals are at ~5% premium over existing rates. The company remains selective about expansion, ensuring returns meet internal IRR thresholds. While higher rents are accepted in high-potential locations, VMART is clear that it won't scale aggressively if rentals are steep.
- **Other expenses declined ~3% YoY**, driven by targeted cost-control initiatives. Offline marketing spend was curtailed as part of a multi-quarter effort to reduce ad expenses from the 2-2.5% range. Online logistics and marketing costs also fell, aided by LimeRoad's improved omni-sourcing through VMART stores. Structural efficiencies in sourcing, pricing, display, and supply chain, supported by tech, further aided productivity. The company is prioritizing profitable growth over revenue maximization, especially in its digital operations.
- **Impact of change in lease accounting:** In 4QFY25, VMART had reassessed the useful life of leases in line with the actual store lease period. The change in accounting required aligning the useful life of fixed assets, leading to a sharp increase in fixed asset depreciation (from INR190m to ~INR280m/quarter) and a significant drop in the notional finance cost on lease liabilities (from INR320m to ~INR110m/quarter).



VEDANT FASHIONS
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Particulars	Q4 FY25	Q3 FY25	Q4 FY24	Q3 FY24
Revenue	1,23,45,67,890	1,21,34,56,789	1,19,87,65,432	1,18,76,54,321
EBITDA	23,45,67,890	22,34,56,789	21,23,45,678	20,12,34,567
EBIT	18,90,12,345	17,89,01,234	16,78,90,123	15,67,89,012
Net Profit	12,34,56,789	11,23,45,678	10,12,34,567	9,01,23,456
EPS	123.45	112.34	101.23	90.12

Vedant Fashions

Neutral

Current Price INR 773

- **Demand trends:** VFL continues to face weak consumer sentiment in the mid-premium segment, though regions such as AP and Telangana have rebounded in 1Q. While early trends for FY26 are positive, management remains cautious, expecting clearer visibility over the next 1–2 quarters.
- **Margins:** Gross margin contracted ~80bp YoY due to a higher mix from structurally lower-margin brands (Mohey, Twamev), but management isn't too bothered with quarterly fluctuations and is comfortable with gross margin above 65%. EBITDA margin fell ~410bp to 43.2% largely due to a 230bp YoY increase in A&P spends (spends were curtailed in 1QFY25 due to a lack of wedding dates).
- **Store expansion:** Management is focused on improving the quality of retail area in FY26 and is planning ~8-10% YoY increase in gross area. However, net area growth is expected to be flat or slightly negative due to the closure of certain underperforming stores and the right-sizing of some stores.
- **SSSG:** Improvement in SSSG remains the key focus area for FY26. Management indicated that ~3-4% category-wide ASP increases, and ~70-80bp improvement in ASP driven by premiumization (higher growth in Twamev, Mohey), along with improvement in volume and ABV to be the key growth drivers.
- **Competitive intensity:** After 8–10 quarters of aggressive expansion by peers, the intensity on store openings by peers seems to be easing, due to pressures on profitability.
- **Franchise health:** Despite subdued performance over the past few years, management believes that VFL's franchises enjoy a good return on investments,

and as such, the company hasn't been forced to close stores due to franchise-related issues.

- Mohey has repositioned itself from a bridal-only brand to a broader wedding label, consistently outperforming the company-level SSSG. Its growing revenue share (along with Twamev) is lifting overall ASP by 80–90 bp.
- Twamev, “bridge-to-luxury” segment, is gaining traction through curated collections and digital campaigns. With solid SSG and a flagship Mumbai EBO in the pipeline, it is positioned to challenge boutique and small designer-led brands in the segment.
- Divas is in the early stages, aiming to become a mass festive wear brand. Initial feedback is positive, but the upcoming festive season will be its real test. The brand targets a large underpenetrated segment via e-commerce and MBOs, following Manyavar's playbook for creating a mass festive wear brand.



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Vishal Mega Mart

Buy

Current Price INR 150

- **Demand trends:** Management indicated that the company posted double-digit SSSG across tiers and states during 1QFY26, driven primarily by higher footfalls as well as slight up-trading to higher price points by customers. There was some impact from the shift of festivals such as Ugadi and Eid to Mar'25 (vs. Apr'24 in base quarter).
- **Demand outlook:** The company remains optimistic of the improvement in consumer demand, led by higher disposable income after income tax rate cuts. Moreover, there is a slight uptick in rural demand.
- **Margins:** Management reiterated its endeavor to keep gross margin broadly stable, with any surplus likely to be reinvested in the business for driving growth. However, EBITDA margin is likely to expand slightly (~10-30bp), primarily driven by operating leverage.
- **Expansions in Gujarat and Maharashtra:** VMM opened one new store each in Maharashtra and Gujarat during 1Q, and the early response from customers has been encouraging. The company has started looking for more properties in both the states.
- **Seasonality:** 1Q and 3Q typically have a higher salience for VMM from both revenue and margins perspective, driven by the onset of new seasonal collections, festivals, etc., while 2Q and 4Q are impacted to an extent by EoS and inauspicious period (Shradh in North India during 2Q).
- **Expenses:** Rental inflation is as per the lease contracts, which is typically ~5% annual escalation. Wage inflation is typically in the range of 5-7% annually, but could be higher around state elections if minimum wages are hiked.
- **Private label:** VMM has 100% share of private labels in the Apparel category, while its share of private labels has been rising steadily in the FMCG and General Merchandise categories. Management remains focused on increasing the share of private labels. However, given a very high base (~76% of revenue), the increase in contribution would be more gradual going ahead, as establishing supply chain becomes difficult for smaller categories and adoption is usually slower in certain categories such as cold drinks, chocolates, ice-cream, etc.

- **Competitive intensity:** Competitive intensity has remained elevated for the last 3-4 years, with continued aggressive expansion by organized players. The company's strategy remains disciplined with a focus on acquiring properties in the right locations, maintaining sustainable rentals, and ensuring flawless execution.
- **Quick commerce (QC):** As of June-end, 670 out of 717 VMM stores were enabled for quick home delivery. VMM's QC offering covers 454 cities and has reached ~10m registered customers. VMM launched QC service to provide more convenience to its shoppers and is seeing ~20% of QC orders from shoppers who are new to VMM. Overall, management indicated that QC contribution to store revenue is 2-3% in competitive and newer towns, while it has increased to ~6-8% in established markets with low competition from top QC players.
- **Smaller format stores:** VMM has launched six smaller format stores in UP and Haryana, with store sizes typically half of its blended average store size of ~17.5k to cater to smaller towns (<50k population). These stores have a similar category mix, though sales are more skewed towards lower price points. Management noted that the initial response for these stores has been encouraging, and the company will accelerate the rollout of small format stores.
- **Productivity in South India:** VMM's expansion in South India, especially in Kerala and Karnataka, has been fairly recent, and as stores mature, productivity levels should improve. Further, management indicated that the typical store size in Karnataka is higher at ~20k sq ft (vs. ~17k pan-India average). While larger stores are justified in some locations, the company is reviewing them and plans to right-size certain stores to improve productivity levels.
- **Fire safety compliance:** After the recent fire incident in one of its store, VMM has onboarded two of the top fire management consultants to review the existing system and apply the latest safety measures in all its stores. Further, the company has launched training campaigns for store employees to ensure compliance with SOPs.



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Westlife Foodworld

Neutral

Current Price INR 717

Performance and outlook

- Consumption trends remain stable, and the company expects eating-out frequency to pick up gradually in FY26. This improvement is likely to be supported by lower inflation and government stimulus.
- This was the third consecutive quarter of positive SSSG at 0.5% YoY, driven by a stable guest count and average check despite continued pressure on discretionary spending.
- On-premise sales grew 8% YoY, while off-premise sales rose 4% YoY. The off-premise business salience at 41% remains in line with the last three-year average, reinforcing the strength and relevance of the company's robust omnichannel presence.
- Over the next couple of years, the company expects to reach mid- to high-single-digit SSSG level.
- The company is on track to achieve its target of 580-630 restaurants by 2027.

Particulars	FY 2025	FY 2024	% Change
Revenue	1,00,00,00,000	95,00,00,000	+5.3%
EBITDA	15,00,00,000	14,00,00,000	+7.1%
EBIT	12,00,00,000	11,00,00,000	+9.1%
Net Profit	8,00,00,000	7,50,00,000	+6.7%

- The company remains focused on delivering value to consumers, which is highly crucial for brand trust. This approach has led to a higher footfall, driven by improved value perception and affordability scores.
- West continued to perform well for WESTLIFE, while the company is strengthening its team and launching various initiatives in South India to improve its presence.
- 99% of WESTLIFE's restaurants are now in the 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 My McDonald's Rewards program, enhancing throughput efficiency. App downloads reached over 44m, accompanied by a 2% 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, with a goal of achieving significant footprint growth.
- To enable sustained growth in the long-term, the company has established a new vertical focused solely on long-term initiatives, 'Horizon 2 projects', with a strategic outlook extending beyond 2027. These represent a portfolio of highly promising endeavors.

Cost and margins

- Gross margin expanded 100bp YoY and 160bp sequentially to 71.6%, driven by significant enhancements in supply chain efficiencies. The company expects the gross margin to remain in the +70% range in the near term.
- The company took a marginal price hike in March 2025.
- Restaurant operating margin (ROM) expanded ~80bp, led by a strong focus on operational excellence.
- The company has incurred certain upfront costs for its strategic projects, leading to higher SG&A costs. The benefits of these projects will be visible over the next couple of quarters.

TECHNOLOGY



- IT services companies maintain a cautiously optimistic outlook while recognizing that ongoing macroeconomic headwinds continue to pressure overall demand. Infosys maintained a cautiously optimistic stance (upgrading the lower end of guidance), with the upper end of its 3% YoY organic CC guidance hinging on a gradually improving environment, while HCLT remained the most constructive, guiding for 3-5% YoY CC growth (also, upgrading the lower end of guidance).
- Management commentary in BFSI remained relatively steady, with verticals such as Manufacturing, Retail, and Healthcare seeing pressure from macro/trade headwinds. GenAI is beginning to disrupt pricing conversations and revenue realization across Tier-1s, with Infosys, Wipro, LTIM, and HCLT all acknowledging the commercial implications of rising productivity. A few companies noted deal deferrals in 1Q, which are expected to close in 2QFY26.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Revenue outlook for FY26	Margin (%)
HCL Tech	■ For FY26, revenue growth guidance was increased to 3%-5% YoY CC from 2%-5% earlier. ■ Two large deals expected to close in 1Q have moved to 2Q. The delays are unrelated to macro factors, and management remains optimistic about conversions.	■ EBIT margin guidance was lowered to 17%-18% for FY26 (from 18%-19% earlier). ■ EBIT margin guidance was reduced to 17-18% (from 18-19%) due to lower utilization and restructuring efforts. One-time restructuring costs are factored into the guidance.
Infosys	■ INFO guides for FY26 CC revenue growth between 1% and 3% and upgraded the lower end of guidance from 0% to 1%. ■ 1H FY26 is expected to be stronger than 2H due to seasonality and near-term visibility. ■ While logistics, consumer, and manufacturing sectors are facing changing economic conditions, clients continue to prioritize cost and operational efficiency, even if not directly affected by macro headwinds.	■ EBIT margin guidance remains at 20-22%. ■ Wage increments were rolled out in Jan'25, with the remainder implemented in Apr'25. ■ Project Maximus continues to deliver benefits. However, headwinds from fixed costs in growth areas and transitions in large deals will play out during the year. ■ FY26 FCF is expected to be above 100% of profit.
TCS	■ Global macroeconomic and geopolitical uncertainties continued to impact demand. ■ Confident that international revenue in FY26 will surpass FY25 levels, led by strong client conversations in AI & data modernization and cost optimization. ■ 2Q is expected to be better than 1Q if there are no further delays. High single-digit growth for FY26 looks challenging. ■ Management remains comfortable with the USD7-9b quarterly TCV range.	■ Aspirational margin band remains 26-28%. Levers would be better utilization, productivity, and pyramid optimization. ■ Headwinds: ramp-up of new BSNL deal. ■ No decision yet on wage hikes for FY26.
Tech Mahindra	■ A mixed outlook: Seen slowdown in manufacturing, with cutbacks in discretionary spending. Weakness in Hi-Tech due to client-specific issues, particularly among semiconductor clients. Telecom has stabilized. ■ Management expects FY27 growth to exceed peer-group average. BFSI, Telecom, and Retail verticals are key watch areas. Management maintains that FY26 will be better than FY25. ■ Large deals from 2Q are expected to complete transition and begin contributing to revenue, assuming stable conditions.	■ Margin levers ahead include: reducing sub-contracting costs, increasing offshoring in fixed-price contracts, and improving execution and governance. ■ Tax rate for FY26 is expected to remain around 27%. ■ Management remains confident about achieving FY27 EBIT margin guidance.
LTIM	■ Launched GCC as a service this quarter; offerings include entity setup, infrastructure management, and access to an agentic AI suite. ■ Secured a deal with a leading agribusiness firm to build an AI model for application management, driven by vendor consolidation.	■ Utilization surged due to ramp-ups in a few large deals; the company aims to moderate it to a more sustainable level of 86-87%. ■ Wage hikes are yet to be finalized. ■ The JV with Aramco Digital is expected to operate at margins lower than the company average.
Wipro	■ Despite tight discretionary budgets, outsourcing and contract renewals have enabled the company to expand its wallet share. ■ Management indicated that 2H FY26 is expected to be better than 1H, as some deals are currently in transition and are likely to stabilize over the next 3-6 months.	■ Ramp-ups in large deals may exert near-term pressure on margins due to upfront investments, especially in talent acquisition.

Coforge

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Coforge

Current Price INR 1,709

Buy

Demand outlook

- Budget continues to remain similar compared to the last quarter, given the overhang of discussions around macro and tariffs.
- The discretionary nature of spending for the firm remains abated.
- Execution intensity remains a key differentiator, evident across every aspect, including sales, solutions, and M&A, with execution-led metrics becoming central.
- 1) Sustained large deal proposal submissions by the sales team are seen as a better approach with TCV/ACV already signed.
- 2) Execution spans across geo play, vertical play, and partnership scale.
- 3) Hyper-specialization in a few select verticals is essential to create differentiation. AI budgets are increasing at a double-digit rate; industry specialization will remain a key metric in the AI era.
- Real-world AI implementation demands robust infrastructure, data foundation, and AI Ops processors, enabling clients to scale effectively.
- The company reported growth of 8.0% QoQ CC. 2H is expected to be much stronger than 1H.
- Organically, 1Q saw 6% CC growth; 2Q is expected to be equally robust.
- The company reported an order intake of USD507m during the quarter; it signed five large deals and added six new logos.
- The 12-month executable order book stood at USD1.55b, up 46.9% YoY.
- 1Q growth was led by large deal ramp-up. The company aims to close 20 large deals in the current fiscal.
- The Sabre deal will continue to ramp up in 2Q; 3Q is expected to see headcount stabilization.
- Sales execution rewards are credited only to net-new deals; renewals are excluded from incentive metrics.
- Growth in the top 6-10 client buckets is expected to resume from 2Q.
- Integration with Cigniti is targeted for completion by December-January.
- BFSI reported YoY growth of 32%, with strong traction in large deals. BFSI growth is expected to bounce back in 2Q; pipeline remains strong.
- BFS clients are under pressure to improve ROE due to macro conditions and higher interest rates.
- The company has seen positive momentum in regulatory compliance, customer retention, and advanced risk management.
- Additionally, it has witnessed strong demand across lending, commercial banking, and regulation-focused services.
- The cloud-native infrastructure has become essential and is non-discretionary for banks.
- The medium-term outlook remains positive; large-deal pipeline remains solid.
- BFSI is expected to remain at ~27% of revenue and continues to pace ahead at the current run-rate.
- TTH: The Sabre deal ramp up led growth in 1Q. 2Q is expected to see growth due to a further ramp up.
- The company launched Coforge AgentSphere, a platform with 100+ foundational agents targeting specific industry pain-points across Travel, Financial Services, and Healthcare.

Margin performance and other comments

- FY26 EBIT margin target: 14% (according to management factsheet).

- The company's focus is shifting from adjusted EBITDA to EBIT margin commentary.
- EBIT margin was impacted by amortisation from recent acquisitions and higher depreciation due to AI-powered team investments, large deal ramp-up, and visa costs (typically 1Q-loaded).
- One-off impact of USD8.4m from AdvantageGo investment was offset by provisions for cybersecurity incident and a one-time employee bonus of USD5-5.5m.
- FCF was negative this quarter due to capex for a data center deal.
- Discounting on long-term contracts: For every USD100 billed, USD90 is booked as revenue and USD10 as other income. This unwinding is treated as accounting notional interest.
- Capex (~USD85m) was largely incurred in 4Q and 1Q—linked to the data center deal (of which USD62m has been completed).
- ESOP costs are expected to decline in coming quarters.
- Ramp-up expenses on large deals typically precede billing. Post 1Q, similar deal ramp-ups will help margin as operating leverage kicks in.
- Wage hikes are scheduled for 3Q and will be offset by lower ESOP costs.
- OCF/EBITDA is expected to remain in the 65-70% range, with the remaining allocated to working capital to support growth.
- Capex levels will taper down to normalized levels going forward.
- Depreciation and amortization will normalize from here.
- Data center capex: The company owns and controls the asset; it is not client-dedicated.
- FCF for the quarter was weighed down by elevated capex.

CYIENT

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Cyient

Sell

Current Price INR 1,231

Commentary on verticals

- **Transportation:** Segment grew during the quarter; management remains confident about sustaining the momentum. Aerospace remains the primary driver, with opportunities across tech publications and documentation. Customers are significantly scaling up engagements. Increased defense spending is driving the outsourcing of commercial programs. Ongoing cost takeout initiatives in rail and automotive.
- **Networks & Infrastructure:** The segment is undergoing portfolio changes and is expected to stabilize and return to growth in the next couple of quarters.
- **Strategic Units:** Two of the three sub-segments (HLS and Mining & Minerals) witnessed growth. Energy faced a headwind due to a one-off project completion, which may affect performance for the next few quarters.
- **Semi-Conductors:** Management expects this segment to bounce back in 3QFY26, aiming to match DET-level margins. Targeting a USD10m quarterly run-rate, backed by a solid order book. The company is making aggressive leadership investments in this vertical.

Demand and outlook

- Global uncertainty has eased compared to April. Clients have adapted to the new environment and are no longer in a "freeze mode" as seen in March–April.
- Recent leadership changes in the DET segment have laid the foundation for stable and sustainable growth.
- Early signs of recovery are visible, supported by key deal wins and 14 new logo additions during the quarter.

- Non-renewal/new business bookings are witnessing healthy order intake and will remain a key monitorable.
- Cyient-Semcon business is well-positioned to tap into high-growth opportunities; deal TCV was up 10%, with several client onboardings.
- The DLM business is gaining increased traction. Both Cyient DLM and DET are delivering cabin management systems for aircraft manufacturers.
- A large portion of DET revenue is annuity-based, although there are some project-based contributions in the Energy vertical.
- New deal wins typically start in project mode and gradually transition into annuity streams.
- The company views the current phase as a business stabilization period.
- Continued investments are being made in technology, with a focus on differentiation through domain knowledge.
- Signs of recovery are visible, aided by 14 new logo additions in 1QFY26. Some deal ramp-ups were deferred during the quarter.
- Strong order intake in new (non-renewal) business.
- Won a USD20m deal with a leading APAC-based CSP (Vodafone Idea) to expand their wireless infrastructure.

Margin

- EBIT margin stood at 12%, down 63 bps QoQ, primarily due to lower volumes and the first tranche of wage hikes implemented during the quarter.
- A cost optimization program is underway to improve margins, with a medium-term target of achieving 15% EBIT margin.
- FCF to PAT conversion was 69%, impacted by one-off payments related to previously provisioned legal settlements.
- Significant tailwind in PAT due to favorable currency movement.

HCL

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HCL Technologies

Buy

Current Price INR 1,496

- The environment remained stable with some variations across verticals. It did not deteriorate as feared.
- Discretionary spending trends vary by vertical.
- Clients are willing to invest in AI-led transformation for both software development and IT operations.
- Discretionary spending in Financial Services and Technology has not worsened as earlier anticipated.
- Revenue declined by 0.8% QoQ in CC. Growth was seen in the Tech Services vertical, especially around conversational AI and contact center management, which ramped up in Mar'25 and revenue realized in 1Q.
- New deal TCV stood at USD1.8b. A large vendor consolidation deal in FS, not accounted for in 1Q, will contribute to revenue in FY26-27.
- Two large deals expected to close in 1Q have moved to 2Q. The delays are unrelated to macro factors, and management remains optimistic about conversions.
- The digital business has a strong deal pipeline.
- Application modernization continues to be a key contributor to the growth pipeline.
- GenAI and GTM investments are expected to normalize as growth improves by FY27.
- BFSI: Confident of maintaining growth momentum. Vendor consolidation deal provides visibility.

- Technology Services: This remains a growth vertical. A gradual ramp-up of large deals. Optimal performance expected by 3Q. Strong traction for contact center-led transformation deals.
- Manufacturing: Facing pressure due to challenges in the Automotive segment. A quick recovery is not expected.
- ER&D: Expected to be the top growth driver. Strong traction in telecom engineering services, supported by the CTG acquisition last year.
- P&P: Significant traction seen in Agentic AI-based experience solutions. Transitioning toward outcome-based models instead of traditional subscription models.
- LTM attrition stood at 12.8%, down 20bp QoQ. Focus for freshers is shifting toward specialization.
- GenAI: Agentic AI gaining traction in operational efficiency and application modernization. HCLT is investing in AI-driven data lifecycle platforms.
- HCL is seen as an attractive partner by leading tech OEMs, ISVs, and hyperscalers.
- Engagements are growing—from pilots to multi-million-dollar partnerships. Signed a multi-million-dollar AI-led service transformation deal with a major Australian logistics firm.
- AI-led offerings may reduce traditional revenue but are expected to increase wallet share.
- Productivity is estimated to improve by 30-35% in the software development lifecycle.

Margin performance

- EBIT margin for 1QFY26 was 16.3%, down 160bp QoQ.
- The below-target margin was primarily due to 1) lower utilization caused by delays in project ramp-ups and capacity building for specialized skills, 2) supply-demand mismatch in the IT Services business, 3) ramp-downs in the automotive segment, resulting in a larger bench, and 4) one-time impact from a client bankruptcy in IT Services.
- Margin walk: Headwinds — GTM and GenAI investments (-30bp), lower utilization (-80bp), client bankruptcy (-30bp), and change in mix between software and services (-20bp)
- Restructuring exercise: Facilities outside India that are underutilized will be optimized. Talent ramp-downs planned in overseas geographies. Restructuring to occur between 2Q and 4Q; expected cost impact is 30-40bp.
- GTM investments will have ~30bp impact, while lower utilization will have ~20bp impact in FY26.
- GenAI and GTM investments should normalize as growth improves by FY27.
- 2Q margins are likely to moderate further before an uptick in 3Q.

HEXAWARE

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Hexaware Technologies

Buy

Current Price INR 774

Performance and demand outlook: 2QCY25

- Macro softness continues; the slowdown is seen as cyclical rather than AI-driven. While AI is creating a different impact, it hasn't yet become material.
- Decision-making has slowed, leading to lowered expectations for the rest of the year. If trade deals materialize in the next few weeks, it may lift some of the uncertainty.
- The company is winning both large and small logos with scale potential.



Motilal Oswal Technologies

Consolidated Financial Statements for the quarter ended 31st March 2025

Revenue: 1,234,567,890
EBITDA: 234,567,890
Net Profit: 123,456,789

Key Metrics:

- Revenue Growth: 15.2%
- EBITDA Margin: 19.0%
- Net Profit Margin: 10.0%

Management Commentary:

The company has achieved strong growth in the quarter, driven by increased demand for cloud services and successful execution of strategic initiatives. The acquisition of SMC has contributed significantly to the overall performance.

- The acquisition of SMC was a key business development. The GCC (Global Capability Center) model represents a significant growth opportunity, and SMC provides access to GCC-led spending.
- There is substantial demand for cloud services, including both migration and operations.
- The quarter was softer than anticipated due to delayed decision-making. Revenue grew 1.3% QoQ in CC terms.
- Management expects 3Q to deliver stronger QoQ CC growth than 2Q. However, large deal wins will not reflect in 3Q results.
- 4Q performance remains dependent on deal conversions from the pipeline.
- The CY29 revenue ambition of USD3b remains unchanged.
- Financial Services (FS) and Travel & Transportation (T&T) are expected to drive growth.
- Large consolidation deals are still in progress (four in the pipeline). Margins may be impacted if pricing needs to be competitive.
- Small and mid-sized deals are progressing well. The overall pipeline remains strong, with rapid growth in strategic initiatives.
- No additional negatives reported in GSE accounts. One account is undergoing consolidation, and ramp-ups are in progress in the other.
- Financial Services: One large client cut spending, impacting the vertical. This represents a 1% headwind for the company and 3–4% for FS (called out in the previous quarter), but FS is still expected to lead full-year growth.
- Manufacturing and Consumer (M&C): Continued macro-related weakness is delaying decisions. Growth is expected in future quarters.
- APAC: Strong pipeline in the Middle East; revenue expected to start flowing from 4Q. Plans to expand presence in India. Region expected to show growth going forward.
- Utilization improved due to stronger operational performance and is expected to remain range-bound at 83–84%.
- Headcount is expected to grow. Onshore-offshore mix is improving in favor of offshore.
- SMC acquisition: Acquired SMC, a leader in setting up Global Capability Centers (30+ GCCs in the last decade). The acquisition is capability-led and EPS-accretive from day one.
- SMC reported USD22m in CY24 revenue. Deal consideration was USD90m (all cash).
- Customers prefer specialist players for GCCs over traditional vendor-based BOT models.

Margin performance and outlook

- Reported EBITDA Margin: 17.2% (up 50bp QoQ), operational improvements (utilization and calendar) contributed +100bp, while currency and one-offs had 35bp & 15bp impact, respectively.
- ERP implementation costs, expected to end in 2Q, are continuing but tapering. The ERP program is being rolled out in phases, expected to go live across all modules by CY25-end.
- One-offs: Reversal of Softcrylic earnout (INR1,597m) is reflected in other income. Impairment charges on acquired assets (INR394m) are recorded under other expenses—both are one-offs. Provision of USD9m (INR782m) made for a European client who acted in bad faith; legal recovery is ongoing. No further provisions are expected for this client. Restructuring costs of USD3.4m were booked in the EBE segment, with ROI expected from 4Q and 1QCY26. The payback period is estimated to be under a year.



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- ETR for the year is expected at ~24.5%, slightly lower than the prior guidance of 25–26%. ETR for the quarter was 19% due to non-taxable M&A charges.
- Maintains EBITDA guidance of 17.1–17.4% despite continued ERP costs. Several one-offs have created short-term variability.
- LTM OCF to EBITDA target remains at 70%.
- Merit-based salary increases to be implemented from July 1, with a moderate approach compared to previous cycles.

Infosys

Neutral

Current Price INR 1,496

Performance in 1QFY26 and demand outlook

- The company has seen some impact in logistics, consumer products, and manufacturing, but has also benefited from its work in AI and consolidation.
- AI, digital transformation, and cloud are expected to drive future growth. The company believes it can further scale its work in Enterprise AI, potentially opening additional revenue streams.
- While logistics, consumer, and manufacturing sectors are being impacted by changing economic conditions, clients continue to prioritize cost and operational efficiency, even if not directly affected by macro headwinds.
- 1HFY26 is expected to be stronger than 2H due to seasonality and near-term visibility.
- Deal wins are broad-based across consolidation, transformation, and AI. The company remains well-positioned with clients.
- Many large deals stem from clients seeking consolidation. Of the total, about USD 1bn were consolidation deals. Clients are turning to INFO where other vendors have not provided AI solutions or where smaller vendors lacked scale.
- Growth was broad-based across geographies and verticals, driven by leadership in Enterprise AI and consolidation-led client wins.
- Some headwinds are expected from third-party revenues on a YoY basis. FY26 third-party revenues are expected to be lower than FY25.
- Growth was supported by pricing increases, volume expansion, and acquisitions. As utilization is near peak, future volume growth will require additional hiring.
- FY26 CC revenue growth guidance has been raised to 1%-3%, with the lower end increased from 0% to 1%.
- Project Maximus continues to deliver benefits. However, headwinds from fixed costs in growth areas and transitions in large deals will play out during the year.
- BFSI: Strong traction, especially from 20 large clients; INFO has become a strategic AI partner to half of them. Seeing strong demand in tech and operations transformation, and regulatory work. IP-led work is growing in BFSI platforms. Capital markets and commercial banking show transformation opportunities. Agentic AI is being used in KYC, onboarding, and portfolio management. Collaborations with GCCs in BFSI continue for setup and growth deals.
- Retail: Discretionary spend is expected to be self-funded through AI productivity gains. Uncertainty around tariffs has led to muted spending in some large markets, with supply chain and procurement disruptions ongoing.
- Manufacturing: Benefitting from prior large deal wins and consolidation. The auto sector remains challenged. INFO is supporting clients across design, manufacturing, and sales. A large auto deal was won to help set up a GCC.
- Communications & Media: AI is enabling monetization of 5G use cases. OEMs are focused on profitable growth, aiming to reduce IT budgets and boost AI/automation adoption. Growth supported by past large deal wins.

- North America: Strong traction in BFSI and continued opportunities in Energy, Utilities, and Telco. Some consolidation deals originated from this region. Out of 28 large deals, 20 came from North America.
- Europe: Europe remains strong due to prior investments. Consolidation deals are picking up, and the region is increasingly open to outsourcing. The pipeline remains strong, and Europe grew at 3x the company average.

Margin performance

- EBIT margin stood at 20.9%, down 20bp QoQ.
- Margin Walk: Headwinds: 100bp from wage hikes and variable payouts, 30bp from currency impact, 20bp from increased sales investments. Tailwinds: 70bp from pricing and seasonal productivity, 40bp from absence of one-offs (impairment in prior quarter), 20bp from reduced third-party expenses.
- The timing of the next wage hike decision is yet to be finalized.
- Wage increments were rolled out in Jan'25, with the remainder implemented in Apr'25.
- ETR was 28.9% for the quarter, and is expected to be 29–30% for FY26.
- FCF for FY26 is expected to be above 100% of profit.
- EBIT margin guidance remains at 20-22%.



Buy

Current Price INR 5,182

Demand and industry outlook

- Robust strategy and disciplined execution helped the company navigate through uncertain macroeconomic conditions. Sales transformation has played a key role in improving deal win rates.
- Launched GCC-as-a-Service this quarter; offerings include entity setup, infrastructure management, and access to an agentic AI suite.
- Management remains confident of driving growth and improving margins.
- Order inflows stood at USD1.6b, up 17% YoY. Third consecutive quarter with deal TCV exceeding USD 1.5bn.
- Secured a deal with a leading agribusiness firm to build an AI model for application management, driven by vendor consolidation. Any large deal won mid-quarter will see revenue contribution spread over multiple quarters; it will stabilize thereafter. No material margin impact is expected.
- Fit4Future is not merely a cost initiative but includes levers such as internal AI adoption, a restructured sales strategy, and overhead reduction.
- The JV with Aramco Digital is expected to operate at margins lower than the company average.
- BFSI: Spending remains cautious, especially in certain accounts. The company is prioritizing accounts with high growth potential.
- In Insurance, demand is being driven by tech modernization, but the deal flow remains lower compared to BFS.
- Technology, Media and Communications: Stabilized during the quarter. Hi-Tech margins dipped due to late-quarter ramp-ups. A shift in customer business models is underway, with increased AI spending offering long-term opportunities.
- Manufacturing & Resources: Some deals ramped up during the quarter. Margins are expected to improve as these stabilizations settle. Growth was delivered despite pass-through from 4Q to 1Q.
- Healthcare, Life Sciences and Public Services: HLS margins have been declining over the past few quarters, driven by cyclicity and volume decline. One major public sector project concluded during the quarter.

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- A focused approach to operational efficiency led to an increase in utilization to 88.1%, up 230bp QoQ.
- Over 1,000 freshers were onboarded during the quarter.
- Launched “Blueverse”, an agentic AI solution aimed at helping clients drive enterprise transformation through intelligent automation and AI adoption.

Margin performance

- EBIT margin at 14.3%, up 50bp QoQ. EBIT margin expanded, primarily driven by the Fit4Future cost-optimization program, which contributed 100bp in efficiency, partially offset by higher visa and travel costs. These headwinds may turn into tailwinds in the coming quarter.
- Utilization surged due to ramp-ups in a few large deals; the company aims to moderate it to a more sustainable level of 86-87%.
- SG&A expenses grew QoQ due to seasonality, primarily driven by marketing and travel-related costs.
- Wage hikes are yet to be finalized.



L&T Technology Services

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L&T Technology

Neutral

Current Price INR 4,233

Demand and industry outlook

- Clients remain cautious in their decision-making, though there are signs of stabilization. Management expects H2 to be better than H1.
- The AI wave in ER&D is gaining traction, driven largely by enterprise tech leaders recognizing a lag compared to peers in adopting AI to accelerate product development and productivity.
- Backed by a strong order book and a focus on resilience and profitable growth, the company is targeting double-digit revenue growth in FY26 and maintains its medium-term outlook of USD2b revenue.
- H2 is expected to outperform H1, driven by strong TCV wins. FY26 is expected to outperform FY25 in terms of organic growth.
- Macroeconomic challenges, softness in auto demand, and SWC seasonality weighed on growth this quarter.
- Revenue contribution from the top client is expected to improve, supported by targeted programs.
- For the third consecutive quarter, TCV crossed USD200m, led by one USD50m deal, three deals in the USD20-30m range, and six deals above USD10m.
- EBIT margins are expected to improve gradually as growth becomes broad-based across segments. Intelliswift margins are expected to improve over the coming quarters.
- GenAI and automation are now central to client conversations, with increasing deal wins. PLxAI leverages smart prompting, contextual intelligence, and agentic workflows to reduce product lifecycles.

Vertical-specific demand commentary

- **Mobility:** A muted performance is expected in the near term, with a potential turnaround from 2H. US OEMs are uncertain about EV investments; European players are facing pricing pressure from Chinese competitors. SDV feature rollouts by US/UK OEMs are being delayed due to evolving market dynamics. Demand for SDV remains steady. Investments in EV/hybrid stacks have positioned the company well for program wins. Some programs have been paused or delayed; these headwinds may persist for a few more quarters.
- **Sustainability:** Large deal wins from previous quarters are ramping up. Strong demand persists in plant engineering and modernization of legacy plants for efficiency gains. Large deal pipeline continues to grow, with both sub-segments expected to perform well this year. Segment margin stood at 27.4%, up

significantly due to the ramp-up of large deals. Healthy deal flow and closures are expected to sustain revenue and margin momentum.

- **Hi-Tech:** The segment declined in 1Q due to SWC seasonality. MediaTech is evolving with AI; traction is seen in semiconductor accounts, and deal closures are expected in the near term. Middle East expansion continues, with contribution expected to rise over time. SWC signings are being approached selectively due to lower margins. A three-year strategic plan has been laid out for Intelliswift, aiming for USD100m revenue in six years, leveraging hyperscaler business and exposure to retail, fintech (non-banking), and private equity-backed service providers.

Margin performance and outlook

- EBIT margins are expected to improve gradually as growth becomes broad-based across segments.
- H2 margins are projected to be better than H1, aided by large deal momentum, growth in higher-margin segments, and operational efficiency through AI-led automation.
- The company is targeting mid-16% EBIT margins by 4QFY27 to 1QFY28.
- Multiple levers are in place: higher revenue quality, large deal wins in high-margin sustainability vertical, improved delivery pyramid, offshoring, and automation productivity gains.
- SG&A is expected to remain in the range of 10.5-11% of revenue.
- Intelliswift margins are expected to improve over the coming quarters.



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Mphasis

Neutral

Current Price INR 2,836

Demand and industry outlook

- Continued volatility and lack of tailwinds; decision cycles remain elongated due to persistent uncertainty.
- Geopolitics and cyber remain dominant themes in client conversations. Tech spends are being funded at the program level rather than top-down.
- AI investments are being carved out from existing budgets. GCC remains an evolving theme, with models ranging from carve-outs and build-outs to managed captives.
- Demand saw some resilience, but only in selected pockets.
- There's a need to release innovative features to stay competitive. Rapid advances in AI are shifting the model toward "Services as Software."
- Growth momentum sustained through deal wins and underlying business resilience. Growth was led by BFS, Insurance, and the ramp-up of recent large deals.
- Expecting to clock ~2x industry growth on the back of strong Q1 performance and steady TCV-to-revenue conversion.
- Growth in Direct business remains robust.
- Growth momentum expected to sustain across verticals with healthy growth anticipated in 2Q/3Q/4Q.
- The company witnessed the largest-ever pipeline, led by Mphasis AI platforms. It also recorded the highest-ever TCV wins, driven by large deals.
- BFS pipeline up 47% YoY; Non-BFS up 108% YoY. Strong traction seen in AI archetypes like AI Ops, Data, and AI Modernization.
- TCV for the quarter stood at USD760m — the highest in company history. Secured four large deals: three worth USD100m+ and one worth USD50m+.
- TCV wins were primarily led by BFS, Insurance, and TMT. Spend themes focused on cost takeout, efficiency, and vendor consolidation.

- TCV-to-revenue conversion remains steady.
- Investments continue in areas with visible demand signals.
- Pipeline remains active across verticals, including logistics and healthcare.
- Over the past 4–5 quarters, the focus has been on account-specific mining around modernization and cost efficiency.
- Ramp-ups of the four large deals are progressing; a 1–2 quarter ramp-up timeline is a fair assumption.
- BFS: BFS, Insurance, and TMT continued strong momentum with 20%+ YoY CC growth in Direct across all three. BFS revenue growth driven by wallet share gains, new accounts, and ramp-up of previously won deals. Deal closures remain strong. Some fatigue observed among clients working with legacy vendors not investing in capabilities — this is translating into increased deal wins.
- Insurance: Growth driven by ramp-up in recent large deal wins. This vertical is likely to be a growth engine throughout FY26. Pipeline remains strong. Existing clients are driving new deal flow, along with traction from newly signed logos.
- TMT: Continued deal wins and strong conversions are fueling revenue growth.
- Logistics and Transportation: Vertical was impacted by client-specific investment constraints. However, significant new deals are in the pipeline. Issues from specific clients are now behind; business has recovered. Expect a gradual recovery through the year. Headwinds are behind, and the trajectory is expected to improve from hereon.
- Focus remains on pursuing, winning, and executing AI-led engagements at the account level.
- Rapid AI evolution continues to drive the shift to “Services as Software.”
- Ongoing investment in Mphasis.ai and across the origination-to-execution value chain.

Margin performance

- Continued to deliver stable margins while investing in future growth.
- ETR will normalize going forward.
- Targeting operating (EBIT) margin in the 14.75%–15.75% range. Expecting margins to hover around the mid-point of the guidance band.
- Headcount has stabilized; utilization improved in this quarter.
- Going forward, expect divergence between headcount growth and revenue growth. The company also noted a shift toward fixed-price business models.
- No longer see the need for legacy bench policies as services are shifting toward platform-based models. Utilization levels may remain elevated versus the average of the past three years.



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Persistent Systems

Buy

Current Price INR 5,346

Growth and demand outlook

- The environment remains cautious, with delays in client decision-making cycles.
- The company's strategy for the next couple of years is to deepen its presence in existing verticals before expanding into new ones such as Auto—potentially through inorganic acquisitions.
- There was a secular increase in revenues across all top 100 clients. The company remains committed to achieving USD2b in revenue by FY27.
- The focus will be on delivering profitable growth without compromising margins. There may be tuck-in acquisitions (especially in Europe, which is targeted to contribute 15% of total revenues) that will be capability-led over scale.
- There were delays in deal ramp-ups in the healthcare vertical for some clients.

The image shows a screenshot of a financial data table from Motilal Oswal's research platform. The table is titled 'Persistent Systems' and contains various financial metrics and company information. The data is presented in a structured format with multiple columns and rows, typical of a financial research report.

- Growth in FY26 is expected to be led by BFSI, followed by Hi-Tech and HLS.
- The deal pipeline remains healthy, and the company remains confident about the large deals in progress.
- TTM TCV stood at USD 520.8 mn, up 1% QoQ and 12% YoY, translating into a 1.3x book-to-bill ratio.
- The deal pipeline remains healthy, and the company remains confident about the large deals in progress.
- The focus remains on improving TCV to ACV conversion.
- Wage hikes have been deferred by a quarter; historically, they occur in 2Q.
- Management expects 200-300 bp margin expansion by FY27.
- BFSI led growth during 1QFY26, supported by an SASVA-built underwriter agent deployed in loan origination and verification. It is expected to remain a key growth driver in FY26.
- HLS declined QoQ, primarily due to a planned transition of work from onsite to offshore and some client-specific issues.
- The company executed vendor consolidation for a large client, leading to more offshore subcontracting.
- HLS comprises medical device manufacturers, payers, providers, and pharma companies. The medical device supply chain is highly dependent on China, making it vulnerable to tariff impacts. DOGE's funding cuts have also impacted research at medical universities that use products and services from PSYS clients.
- No further decline is expected in this vertical; growth is expected to resume in the remainder of the year.
- Europe: The company aims for Europe to contribute 15% of revenue in the medium term.
- TTM attrition rose 100bp QoQ to 13.9%, though it remains within a comfortable range.
- No major attrition issues are anticipated. Most of the hiring was done offshore.

Margin performance and outlook

- EBIT margin for the quarter stood at 15.5%, down 10bp QoQ.
- Margin walk: Headwinds: 60bp impact due to the absence of earn-out reversals, 100 bp impact from maintaining onsite resources over offshore to de-risk projects, 40bp from delayed ramp-ups, 40 bp from higher amortization, and 40bp from currency fluctuations.
- Tailwinds: 230bp from lower ESOP costs.
- Higher amortization is due to acquired assets and will continue at similar levels without a substantial increase.
- ESOP costs are expected to remain flat for a couple of quarters and reduce in FY27 vs FY26.
- Pricing, utilization, and SG&A leverage will act as margin levers.
- Management expects 200-300bp margin expansion by FY27.
- Wage hikes have been deferred by a quarter; historically, they occur in 2Q.

Tata Consultancy Services

Buy

Current Price INR 3,097

1QFY26 performance and demand outlook

- Global macroeconomic and geopolitical uncertainties continued to impact demand.
- Decision-making delays persisted and even intensified during the quarter.
- Confident that international revenue in FY26 will surpass FY25 levels, backed by strong client conversations in AI & data modernization and cost optimization.



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Particulars	Q3 FY26 (USD bn)	Q3 FY25 (USD bn)	Q3 FY24 (USD bn)
Revenue	7.4	7.5	7.5
Operating Profit	1.8	1.9	1.9
Net Profit	1.5	1.6	1.6
EPS	1.5	1.6	1.6

- 2Q is expected to be better than 1Q if there are no further delays. High single-digit growth for FY26 looks challenging.
- On the positive side, new service lines—AI, Data, and TCS Interactive—grew well.
- Expects better clarity by Jul/Aug’25, depending on the outcomes of the new US presidential bill.
- USD revenue stood at USD7.4b, down 0.6% QoQ in USD terms. YoY CC decline was 3.1%. Sequential CC decline was 3.3%, driven by a 2.8% impact from BSNL ramp-down and 0.5% from international business. AI for modernization is emerging as a strong theme, with AI being used to understand legacy code and modernize architecture.
- Management remains comfortable with the USD7-9b quarterly TCV range.
- Deal pipeline remains healthy and geographically diversified. Key win themes: operating model transformation, vendor consolidation, AI-powered intelligent automation, and SAP S4/HANA transformation.
- Most deals are centred around cost optimization; pricing remains stable.
- New BSNL deal is not included in TCV yet; execution will begin post PO and will be similar to the previous deal.
- Leadership is being established in new and emerging technologies.
- BFSI: TCS BaNCS and product platforms continued their growth momentum. US clients are cautious about tech investments; focus is on regulation and data governance in capital markets and asset management. Seen contraction in Europe.
- Insurance remained soft during the quarter, though demand is expected to rebound.
- Healthcare: Life science clients are cautious. Pharma is facing pricing and supply chain issues. The new US presidential bill may impact medical expenses and affect hospital operators. Payers are focusing on cost optimization.
- Communication & Media: Enterprises are reassessing priorities, focusing on AI, cost optimization, and vendor consolidation.
- Regional markets: MEA and ASEAN are showing strong potential. Particularly strong traction in Singapore; increased focus on Malaysia, Philippines, and Indonesia.
- India: Revenue declined by 32%, largely due to BSNL ramp-down.
- Attrition (LTM) rose by 50bp QoQ to 13.8%, above the company’s comfort band (11-13%).
- On Gen AI: Offerings like TCS SovereignSecure Cloud and TCS DigiBolt are gaining traction.
- The company is expanding AI and data service offerings and collaborating with hyperscalers and AI companies.
- AI demand is segmented into: 1) domain-specific solutions.2) legacy modernization, 3) scaling enterprises via AI CoEs.
- AI productivity gains are factored into deal pricing; revenue conversion remains unaffected.
- Agentic AI: Gaining traction in BFS and Manufacturing verticals; building value chain agents and BPS applications.
- TCS is open to cannibalizing its own revenue if it delivers superior outcomes to clients.

Margin performance and outlook

- EBIT Margin: 24.5% (up 30bp QoQ), despite investments in capacity.
- Tailwinds included lower third-party expenses and currency gains.
- Capacity investments will help tighten operating leverage when demand resumes.

- Aspirational margin band remains 26-28%. Levers would be better utilization, productivity, and pyramid optimization.
- Headwinds: ramp-up of new BSNL deal.
- Other income included a one-time interest on a tax refund and higher investible surplus.
- No decision yet on wage hikes for FY26.
- Employee costs are at 47%; the company aims to optimize and reduce the costs.
- Accounts receivable days rose to 75, up 5 days YoY.



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Tech Mahindra

Buy

Current Price INR 1,524

Demand and industry outlook

- The environment remains dynamic and uncertain.
- A mixed outlook: Seen slowdown in manufacturing, with cutbacks in discretionary spending. Weakness in Hi-Tech due to client-specific issues, particularly among semiconductor clients. Telecom has stabilized.
- Management expects FY27 growth to exceed peer-group average. BFSI, Telecom, and Retail verticals are key watch areas.
- Revenue stood at USD1.6b, down 1.4% in CC, though up 1.0% QoQ in USD terms. Headwinds included rightsizing of the Field Services business and spending reductions in Automotive.
- Management maintains that FY26 will be better than FY25.
- Three key drivers working in the company's favor: 1) Focus on largest clients: The Turbocharge program is yielding growth faster than the company average and still has headroom for expansion. 2) Expansion into must-have accounts: 15 new Fortune 500 clients were added this quarter. 3) Focus on profitable large deals: Emphasis on margin-accretive engagements.
- Net new deal TCV was USD809mn, up 1.3% QoQ and 51% YoY. Large deal win rates have improved.
- Large deals from 2Q are expected to complete transition and begin contributing to revenue, assuming stable conditions.
- Management continues to be prudent on pricing in large deals.
- BFSI: Continues to be the fastest-growing vertical. Confident in long-term potential across geographies. Differentiation in asset management and payments. Strong capabilities in Guidewire and Temenos.
- Hi-Tech: Ongoing restructuring in the semiconductor industry led to steep budget cuts and workforce rationalization at a key client. Gradual recovery anticipated by 2HFY26.
- Manufacturing: Discretionary spending in the automotive segment remains soft. US auto exposure is higher than Europe exposure, while European exposure is primarily via Pininfarina, partially shielding the company from tariffs. Aerospace has seen some ramp-up, helping to offset the auto downturn. The company is more exposed to OEMs than to Tier-1 vendors.
- Retail: Management is encouraged by progress in the Americas, including a deal win with a major US retailer.
- Telco: Spending has stabilized among the top clients. Volatility in India and MEA has settled, with a new leadership in place. In Europe, the deal pipeline is strong, driven by consolidation opportunities. Comviva has had a breakthrough in Europe in both software and services. The company is leveraging its integrated capabilities across IT, network, and Comviva suite.
- Aims to win with digital platforms, API monetization, and vertical-specific services to generate adjacent revenues.

- BPO: There was some seasonality and it expects ramp-ups, hence headcount increased. 2Q will see a BPS deal bringing in revenue, the renewal of which was delayed last quarter.
- Americas: Growth was driven by Telecom and Communications. Manufacturing softness affected overall performance.

Margin performance

- EBIT margin came in at 11.1%, up 60bp QoQ.
- Margin headwinds included seasonality in Comviva, higher visa costs, and lower utilization. These were offset by benefits from Project Fortius and operational leverage.
- Tax rate for FY26 is expected to remain around 27%.
- Margin levers ahead include: reducing sub-contracting costs, increasing offshoring in fixed-price contracts, and improving execution and governance.
- Lower utilization is partly due to training of talent for deployment. Some increase in subcontractor costs may occur, but should be lower YoY.
- Support costs have been rationalized with centralized structures.
- Other expenses include partial seasonality. Some normalization is expected going forward.
- FCF was lower due to seasonality and an increase in DSO (due to timing delays); normalization is expected in subsequent quarters.
- Management remains confident about achieving FY27 EBIT margin guidance.



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Wipro

Sell

Current Price INR 251

1QFY26 performance and demand outlook

- The quarter began with macroeconomic uncertainties, which kept demand muted. Clients prioritized initiatives around cost optimization and vendor consolidation.
- Despite tight discretionary budgets, outsourcing and contract renewals have enabled the company to expand its wallet share.
- WPRO has guided for -1% to +1% QoQ CC revenue performance in 2QFY26.
- Management indicated that 2HFY26 is expected to be better than 1H, as some deals are currently in transition and are likely to stabilize over the next 3-6 months.
- Capco reported 6% YoY growth, led by strong performance in Latin America, with bookings crossing USD1b. Growth was broad-based across Insurance, Asset Management, and Energy sectors.
- WPRO reported total TCV of USD4.9b in 1QFY26, up 25.6% QoQ and 51.3% YoY.
- The company secured 16 large deals, including two mega deals in BFSI. Many of these deals were driven by vendor consolidation.
- The wins reflect a balanced mix between extensions of existing work and new business wins. None of the deals are simple pass-throughs, and several were won through competitive bidding.
- Deal closures provide strong revenue visibility for 2HFY26.
- Despite bookings of over USD5b, the pipeline remains strong across geographies, especially in the Americas, where momentum continues.
- By vertical: BFSI remains strong and steady; Telecom and Communications and EMR are stable; Manufacturing is seeing softness; Consumer segment has seen traction in B2C deal wins.
- BFSI: Demand continues to be strong and steady. Two mega deals were won in this segment. A healthy pipeline exists in Europe. The Phoenix deal won in 4Q is expected to start contributing to revenue from 3Q onwards.

- **Technology & Services:** There is a clear shift toward AI investments by clients that are focused on modernizing software and platforms. A large deal was won, which has potential to evolve into a mega deal. A significant portion of this deal includes an extension of existing work rather than a pure renewal.
- **Healthcare:** Continues to perform well as clients pursue digital and modernization investments. Payers are under cost pressure, but the overall outlook for the vertical remains positive.
- **Consumer:** A client has paused its SAP program, and that pause continues.
- **Europe:** Some client-specific challenges have now been addressed. The second half of the year is expected to see stability and potential growth. The focus remains on converting the strong deal pipeline into wins.
- A healthy pipeline exists in Europe. The Phoenix deal won in 4Q is expected to start contributing to revenue from 3Q onwards.

Margin outlook

- IT Services EBIT margin stood at 17.3%, a 20bp decline QoQ.
- Ramp-ups in large deals may exert near-term pressure on margins due to upfront investments, especially in talent acquisition.
- However, the company expects margin pressures to be offset through key operating levers such as AI-driven productivity, margin improvement in acquired entities, optimization of G&A expenses, improved utilization, and pyramid rationalization.
- The restructuring cost was incurred primarily in Europe and was one-off in nature.

zensar™

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Zensar Technologies

Neutral

Current Price INR 816

Growth and outlook

- The company anticipates some macro-driven variability in planned budgets.
- Despite ongoing political unrest and macroeconomic uncertainties, it remains cautiously optimistic about performance for the rest of the year.
- CIOs are pausing on net new demand due to uncertainty. The overall macro environment remains challenging, with growth slowing in both the US and Europe, and business capital expenditure showing only marginal improvement.
- The right-shifting of demand highlighted in 4Q continues. Deal TCV was impacted sequentially due to this. Clients are focusing on cost-takeout projects.
- Large deals won earlier have started contributing to revenue.
- The company is committed to showing growth every quarter, although double-digit growth for the full year remains uncertain.
- Management is hopeful that FY26 growth will be better than FY25. Growth across client metrics is broad-based.
- Indigo Slate business: There are concerns around the experience services business as AI disrupts the marketing space. While there is downward pressure on budgets, this segment is not critical to the overall business.
- AI-driven deals account for ~20% of the pipeline. The average order book value is increasing.
- Management expects continued YoY growth in bookings, although uncertainty is having some impact.
- The share of managed services in the pipeline is growing, with larger deal durations. This trend has persisted over the past few quarters.
- Large deals are increasingly driven by innovation and solutioning, rather than cost competitiveness.

- Vendor consolidation deals are won on low-cost provider. The company has an adequate client share and is not proactively pursuing such deals.
- Manufacturing & Consumer: Coming off a strong 3QFY25, the vertical saw muted performance. Liberation Day had a more pronounced impact here than in other verticals. Growth is expected to resume in 2QFY26.
- TMT: The worst appears to be behind for this vertical, although consistent growth is not yet assured. Most growth has come from new wins rather than renewals. The company is exploring new opportunities with a large client.
- Europe: Execution challenges persist, with some one-offs from the signing of a large deal. However, the company remains positive on Europe for the year.
- South Africa: Growth lags the company average. New leadership took charge on 1st Apr'25. Green shoots are visible, and improvement is expected over the next couple of quarters.

Margin performance and outlook

- EBIT margin was 13.5%, down 40bp QoQ. Margins declined due to increased SG&A and travel spend.
- Wage hikes were rolled out from 1st Jul'25. Hikes in India were higher than in other geographies, with a USD3m impact.
- 2QFY26 will reflect the impact of wage hikes and ESOP-related expenses. The company maintains mid-teens margin guidance for FY26.
- Cost actions are being taken, though there may be some lead-lag impact.
- The onshore-offshore mix is driven more by client requirements than internal strategies. While offshoring supports margins, it can weigh on revenues.
- The current ESOP plan is under consideration, but the company remains focused on maintaining mid-teens margin guidance.



TELECOM

- One extra day QoQ, constant subscriber net additions, increased data consumption, and the flow-through of recent tariff hikes all contributed to the telecom sector's stable performance throughout the quarter mentioned by the telecom operators. With the help of a stronger customer mix and rising broadband usage, ARPU continued to improve. Rollouts of home broadband accelerated and significantly boosted growth. The timing and magnitude of the upcoming tariff increase, which continues to be the primary driver of additional financial performance improvement, will now determine the sector's outlook.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Management guidance
Bharti Airtel	■ Management believes there is a significant opportunity to scale up Airtel Business, especially in adjacencies. The order book and funnel additions remain robust, and there are some green shoots visible in the global business. Airtel's subsidiary Xtelify has recently launched its cloud offerings and has partnered with international telcos for its software platform.	■ Bharti's 1Q capex was lower due to seasonality and timing differences and should not be extrapolated for FY26. However, management reiterated that FY26 India (ex-Indus) capex should be lower than FY25 levels (~INR300b). Going ahead, the priorities for capex would be on investments in the transport layer, home broadband, data center, and B2B, while radio capex would moderate.
Bharti Hexacom	■ Capital allocation policy would be similar to parent, Bharti Airtel. It will be a prudent mix of deleveraging, increase in dividend payments and growth capex (wider 5G coverage, ramp-up of home broadband).	■ Management expects BHL's capex to also taper down modestly in FY26 as there is no major rural rollout planned in BHL's circles.
Indus Towers	■ Tower additions in 1Q were impacted by certain seasonal factors. Despite a soft start to FY26, management indicated that order book remains robust and the focus remains on driving growth both organically (through higher market share in key customers' rollouts) and inorganically (through acquisition of smaller tower cos).	■ Indus' board has decided to conserve cash in the short term, in view of evolving industry landscape, stability of customers, elevated capex outlook and potential inorganic acquisition. However, management remains committed to creating value for shareholders and will take a call on reinstating dividend payments at the end of FY26.
Tata Communications	■ Despite ongoing macroeconomic headwinds and continued pressures across the industry, TCOM's order book grew in healthy double digits, driven by multiple million-dollar deal wins with good representation of deals across both India and international markets.	■ Management said that the deal funnel remains healthy across the core connectivity and digital portfolios. Some of the large deal wins in core-connectivity are currently under implementation, and revenue is likely to be recognized in the latter part of FY26. Management hopes to achieve low-to mid-single digit growth in core-connectivity.
Vodafone Idea	■ Subscriber churn, particularly to BSNL, has stabilized since Jan'25, and Vi is confident that the worst is behind. Efforts to enhance network quality and customer engagement have begun yielding results. Seasonality and migrant labor challenges impacted VLR subscriber base in 1Q, but management sees an improving subscriber trend as population coverage expands.	■ Management reiterated its commitment to INR50-60b capex in 1HFY26, but noted that major capex beyond 1HFY26 remains contingent on closure of the debt raise and would be funded by internal accruals in the interim.
Reliance Jio	■ 5G adoption continued to gain strong momentum during the quarter, with a rising user base and growing share of overall data traffic.	■ Management indicated that RJio has been able to connect 1m+ homes monthly during 1QFY26, and exit run rate of net adds was higher than 1Q entry run rate. The company remains on course for 100m home broadband connections through a combination of its FTTH and FWA offerings.



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Bharti Airtel

Current Price INR 1,928

Buy

- **Capex:** Bharti's 1Q capex was lower due to seasonality and timing differences, and shouldn't be extrapolated for FY26. However, management reiterated that FY26 India (ex-Indus) capex should be lower than FY25 levels (~INR300b). Going ahead, the priorities for capex would be on investments in the transport layer, Home Broadband, data center, and B2B, while radio capex would moderate.
- **Capital allocation:** Bharti would like to strike a balance between 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 such as cloud, security, and data centers. Further, the company would look to list Airtel Money (Africa mobile money), Airtel Payments Bank in the near term, and Nxta (Datacenter arm) in the future.
- **Airtel Business:** Management believes there is a significant opportunity to scale up the Airtel Business, especially in adjacencies. The order book and funnel additions remain robust, and there are some green shoots visible in the global business. Airtel's subsidiary Xtelify has recently launched its cloud offerings and has partnered with international telcos for its software platform.
- **Focus on quality customers:** Bharti continues to focus on subscriber mix premiumization through upgrades from feature phone to smartphone, prepaid to postpaid, increasing penetration of international roaming, along with partnerships with global firms for value-added services such as Google Cloud and Perplexity as a lever for revenue growth.
- **Pricing construct:** Management reiterated that the ARPU in India is still among the lowest globally, and more tariff repair is required for the industry to be financially stable and deliver reasonable returns on a sustained basis. Further, it reiterated its stance on the need for the industry to rethink the pricing construct for usage-based plans, with reduced data allowances in the popular plans.
- **5G:** The company's 5G user base expanded to 152m (vs. 135m QoQ and 213m for Rjio). Management indicated that ~86% of overall smartphone shipments are now 5G enabled, and Bharti has been gaining its fair share in growing 5G handset adoption. 5G now accounts for ~36% of Bharti's wireless traffic.
- **Home broadband:** Bharti's home broadband net adds further accelerated to a record high ~940k, driven by strong traction across FWA and FTTH. The company is focused on accelerating the pace of home passes to ~2.5m quarterly (vs. ~1.6m currently). The company is looking at UBR technology for rollout as well, but believes UBR will face quality issues in dense urban areas due to interference. Overall, Bharti is looking at a combination of FWA, UBR, and FTTH to accelerate the pace of home connects.
- **DTH:** The company launched IPTV during 4QFY25, which has seen an encouraging response from the customers. The IPTV launch helped offset the decline in DTH subs to an extent, after Bharti stopped subsidies on set-top boxes.
- **Tower additions:** Bharti deployed ~45k towers in the last five years, as part of its rural rollout program. Management indicated that there would be select tower additions, but focus would be on improving the utilization on several sites/sectors, where the utilization is currently low.



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Bharti Hexacom

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue	1,234.56	1,123.45	1,012.34
Operating Profit	234.56	212.34	198.76
Net Profit	123.45	112.34	101.23

Bharti Hexacom

Neutral

Current Price INR 1,772

- **Roaming charges:** The inter-circle roaming charges are impacted by seasonal variations. In 1Q, travel was curtailed due to certain geopolitical events. While lower roaming impacted reported revenue, impact on profitability was minimal.
- **Elevated costs:** There were certain year-end provisions in employee costs in 4QFY25, while other expenses were also lower in 4Q due to the reversal of certain USOF provisions. Management indicated that underlying growth in opex was ~2-3% (vs. ~7% reported in 1QFY26).
- **Capex:** Similar to Airtel, management expects BHL's capex to also taper down modestly in FY26 as there is no major rural rollout planned in BHL's circles.
- **Capital allocation:** The capital allocation policy would be similar to parent, Bharti Airtel. It will be a prudent mix of deleveraging, increase in dividend payments and growth capex (wider 5G coverage, ramp-up of home broadband).
- **Data usage:** The data usage in BHL circles is significantly higher than pan-India levels, due to lower availability of fixed broadband in these circles.
- **Lease-related costs:** The incremental EBITDAaL margins were impacted by accelerated network rollout during FY25 and, going ahead, rollouts are likely to be more gradual, which should lead to a lower gap in EBITDA and EBITDAaL margins.



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Indus Towers

Particulars	Q1 FY26	Q1 FY25	Q1 FY24
Revenue	567.89	543.21	521.09
Operating Profit	123.45	112.34	101.23
Net Profit	67.89	61.23	54.56

Indus Towers

Neutral

Current Price INR 349

- **Capital allocation:** Indus' Board has decided to conserve cash in the short term, in view of evolving industry landscape, stability of customer, elevated capex outlook and potential inorganic acquisition. However, management remains committed to creating value for shareholders and will take a call on reinstating dividend payments at the end of FY26.
- **Higher capex:** Management indicated that despite lower tower additions, capex remained elevated due to investments in energy efficiency initiatives, creating additional infra to support second tenant on existing tower, and also due to spends on certain towers, which could not be deployed in 1QFY26. Further, maintenance capex was elevated due to strengthening the ageing tower portfolio, battery replacement etc. Management expects maintenance capex to remain elevated in the near term.
- **Tower additions and outlook:** Tower additions in 1QFY26 were impacted by certain seasonal factors. Despite a soft start to FY26, management indicated that the order book remains robust and the focus remains on driving growth both organically (through higher market share in key customers' rollouts) and inorganically (through acquisition of smaller tower cos).
- **Capital structure:** Indus turned net cash (excluding leases), aided by collection of past dues and robust operational performance. However, management is not averse to leveraging up the balance sheet to fund the growth.
- **ARPT movement:** Reported ARPT declined ~2% QoQ (flat YoY), primarily as 4QFY25 ARPT was boosted by ~2% due to year-end reconciliations and higher rates and taxes etc. Further, ARPT is impacted by factors such as changes in product mix, annual escalations, loadings, renewal, and sharing discounts on an ongoing basis.

TATA COMMUNICATIONS

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- **Energy costs:** Diesel consumption increased ~10% YoY in 1QFY26, due to weather-related power outages in certain regions. However, Indus continues to pursue energy-saving initiatives such as solarization of sites (added 2.25k sites in 1Q), battery upgrades, etc. to reduce diesel consumption.
- **Energy under-recoveries:** The energy under-recoveries at ~INR1.2b (vs. INR0.5b on adjusted basis in 4QFY25) were seasonally higher due to higher diesel consumption, though the company's investments in energy efficiency measures have led to lower energy under-recoveries on YoY basis.

Tata Communications

Neutral

Current Price INR 1,645

- **Order book and funnel additions:** Despite ongoing macroeconomic headwinds and continued pressures across the industry, TCOM's order book grew in healthy double digits driven by multiple million-dollar deal wins with good representation of deals across both India and international markets. Further, management indicated that the deal funnel continues to remain healthy across the core connectivity and digital portfolios.
- **Margin:** Management indicated that losses have narrowed in the digital portfolio. However, the reported data EBITDA margins were impacted by a decline in core-connectivity revenue. Gross margin (net to gross ratio) remains impacted in the core-connectivity business due to continued challenges in the SAARC region, which holds a higher share of on-net revenue (100% gross margin).
- **Leverage for margin improvement:** Key levers for margin improvement include: 1) scaling up of digital revenue, 2) cost efficiency measures, including the rationalization of lower-margin deals (especially in the CIS portfolio), and 3) better product mix, such as diversification into more value-added services in CIS.
- **Core connectivity:** Some of the large deal wins are currently under implementation, and revenue is expected to be recognized in the latter part of FY26. Management believes that low- to mid-single digit growth should be achievable.
- **Digital portfolio growth drivers:** Management indicated that the ~27% YoY growth in Cloud and Security was primarily driven by pick-up in Security revenue from the execution of a large deal win. Further, management indicated that growth in the Collaboration and CPaaS portfolios could have been higher; however, the company chose not to renew certain low-margin deals. Overall, the company believes there is room to grow digital revenue by 25-30% annually (vs. ~17-18% current run rate).
- **Leverage:** Net debt inched up to INR101b during the quarter, with the net debt to EBITDA ratio rising to 2.2x (from 2.06x QoQ). The increase was driven mainly by seasonal factors, such as higher working capital due to elongated credit cycles offered to certain key customers, investments in AI cloud, etc.

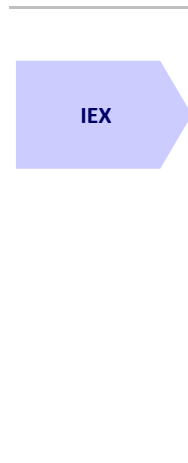
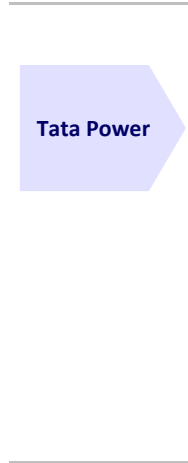
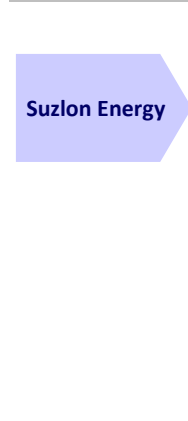
Utilities



- Several companies acknowledged that power demand dipped 1.5% YoY in the quarter due to a high base and the onset of early monsoon, though management expects normalization and remains constructive on medium-term growth. India has already met its Paris NDC target of 50% clean energy capacity (243GW non-fossil). Meanwhile, several state discoms are increasingly opting for competitive bidding for thermal procurement to secure firm power alongside renewables. The ALMM (Wind) policy is seen as a game-changer, ensuring domestic sourcing and strengthening supply chain resilience. Management expects wind additions of 6GW/7–7.5GW/8–9GW over FY26–FY28 and does not see supply chain concerns, as domestic manufacturing capacity for key components such as gearboxes and generators is sufficient. On the transmission front, as per the NEP, INR9t of transmission projects are to be completed by FY32, with all awards to be finalized by FY30, and only INR3t has been awarded so far, implying INR6t must be bid over the next five years, averaging ~INR1t annually. On the storage front, the second tranche of the INR54b VGF scheme will support 30GWh BESS capacity, complemented by extended ISTS waivers for co-located BESS and pumped hydro projects until Jun'28, enhancing the viability of RE + storage solutions. CERC has directed market coupling in the DAM by Feb'26, shifting price discovery to a centralized mechanism.

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	1QFY26 Highlights
Power Grid	- Capex guidance remains unchanged at INR280b/INR350b/INR450b for FY26/FY27/FY28. - FY26 capitalization target was slightly reduced to INR220b (from the earlier guidance of INR230–250b) due to persistent right-of-way (RoW) issues. - The company is expanding its presence in green hydrogen, BESS, and solar, with participation in a 2,000 MW/4,000 MWh BESS tender in Rajasthan. - Aims to become a significant player in green hydrogen and BESS over the next 2-3 years.	- PWGR reported standalone revenue and adjusted PAT 6% below estimates amid weaker-than-expected capitalization trends. - EBITDA was 12% below estimates, hit by a spike in other expenses.
JSW Energy	- FY26 capex target is INR150-180b. It aims to add 3-4GW of capacity (excluding 1.3GW from O2 Power). 1.8 GW KSK Mahanadi plant has upside potential, with plans to complete its fourth 600 MW unit (~45% done), and while the tariff trajectory will vary yearly, management remains confident that its EBITDA will not go below INR24b in any year. - O2 Power's capacity is 1.8 GW, set to reach 4.7 GW by Jun'27 with INR 130–140b capex. - Management maintains its target of achieving 30GW of generation capacity and 40GWh of energy storage by 2030.	- JSWE outperformed our revenue and EBITDA estimates by 6%/24%, driven by higher-than-estimated contributions from the recently acquired assets – KSK Mahanadi (1.8 GW) and O2 Power (1.3GW) – alongside higher generation from the fully contracted Vijayanagar coal plant. - Net generation rose 71% YoY to 13.5 BUs.
ACME Solar	- Capex target of INR120-140b annually for the next two years. - All FDRE projects signed before Dec'24 are scheduled to be commissioned by Dec'26. - It plans early commissioning of BESS of 2.3GW projects, which will enable merchant market sales during peak hours and will boost revenue. - PPA signings for the Omega Urja (300 MW solar with SJVN), ACME Renewtech (300 MW hybrid with SECI), and ACME Marigold (400 MW FDRE with NTPC) projects are expected by Aug'25, while the Urja (190 MW FDRE with SECI) and Platinum Urja (200 MW FDRE with SECI) projects are in advanced stages, with ACME aiming to conclude signings for this pipeline within the next 4 months.	ACME Solar reported a beat in EBITDA (3%) driven by capacity additions and improved capacity utilization factor (CUF), while adjusted PAT also surpassed expectations by 27% on the back of higher other income.

	■ Management is confident of retaining its dominant market share post-market coupling, leveraging ongoing initiatives to maintain customer loyalty. ■ Market coupling in the DAM segment, targeted for Jan'26, will require extensive preparatory work by the regulator and management expects these processes to take time. ■ Following CERC's order, IEX is evaluating multiple options, such as proceeding with the implementation of the order, approaching CERC for a review, appealing the order before the Appellate Tribunal, etc. However, IEX has not yet finalized its next course of action.	■ IEX's standalone revenue was in line with our estimate, while PAT was 5% above our estimate, primarily due to higher other income. ■ IEX's electricity volumes increased 15% YoY, and renewable (RE) volumes surged 149% YoY.
	■ The company aims to commission 1.6 GW of its own RE projects over the next three quarters and remains on track to add over 2 GW of RE capacity in FY26, despite ongoing land and transmission-related challenges. ■ Capex target for FY26 stands at INR250b. ■ Pumped hydro projects commenced in 1QFY26, with commissioning scheduled for 2029. ■ Construction of 600MW Dagachhu hydro project in Bhutan has started, with completion expected by Nov'29. ■ Section XI was not extended beyond 30 June; detailed discussions are underway for a supplementary PPA (SPPA) for the Mundra plant.	■ TPWR substantially beat our EBITDA estimate by 25%, driven by robust improvement in the Odisha distribution business as its AT&C losses narrowed and collection efficiency improved, strong performance in the solar EPC business, and a higher contribution from the cell and module business with the facility operating at over 90% utilization now. ■ APAT, though in line with our estimate, was hurt by an adverse charge related to regulatory deferral balances.
	■ Management retains 60% YoY growth guidance for FY26, with the current 5.7GW order book covering FY26-27 deliveries. ■ Group CFO will resign effective 31st Aug'25, and SUEL is in advanced stages of succession planning. ■ It sees strong export potential, with an initial focus on the Middle East and Europe. It expects to begin securing orders by the end of this year and commence exports within the next 12 months. ■ SE Forge manufactures castings for gearboxes and produces bearings, positioning it well to capture increased demand post-ALMM in the wind segment.	■ SUEL earnings were aligned with our expectations, with deliveries, revenue, and EBITDA coming in line with our estimates. ■ The miss at the APAT level was due to a deferred tax charge.



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ACME Solar

Buy

Current Price INR 291

Operational performance

- ACME commissioned 350MW of renewable projects, including its first 50MW wind project in Gujarat, taking the total operational capacity to 2890MW.
- Annual project EBITDA run rate: INR20b-20.5b with an expected pre-tax ROCE of 14.5%.
- Secured its first standalone project for battery energy storage system (BESS), totaling 550MWh, with NHPC.
- Signed PPAs for 550MW (250MW FDRE and 300MW Solar) and 550MWh standalone BESS.
- Placed orders for over 3.1GWh of BESS from top global energy system suppliers, including Zhejiang Narada and Trina Energy.

ACME Solar Holdings

Q1 FY2025

Particulars	Q1 FY2025	Q1 FY2024	Q1 FY2023
Revenue	1,636	1,450	1,200
EBITDA	420	380	320
EBIT	350	310	250
Net Profit	280	240	180
Operating Assets	1,200	1,100	1,000
Operating Liabilities	800	750	700
Net Operating Assets	400	350	300

- The company believes that importing complete batteries from OEMs is preferable, as it offers longer warranties and greater reliability from established players compared to newer assembly manufacturers.
- 100MW Acme Eco Clean wind project is in the advanced stages of construction.
- PPAs have been signed for ~55% of the under-construction capacity, covering 2,240MW out of the total 4,080MW. Grid connectivity has been secured for the entire under-construction portfolio.
- CUF increased to 28.5% in 1Q, up from 27% in the same quarter last year.
- Power generation increased by 107.1% to 1,636MUs, driven by higher CUF and additional new capacity.

Financial Performance

- In 1QFY26, ACME secured refinancing of INR10.7b debt at a fixed interest rate of ~8.5% p.a. for five years for a 250MW operational project in Rajasthan, resulting in a 95bp reduction in interest cost.
- Added Standard Chartered Bank, Bank of America, and India Infradebt as new lenders.
- The company anticipates a further decline in interest rates due to government policy changes and ongoing loan refinancing.
- 1QFY26 net operational debt to EBITDA: 4.2x (within guided cap of 5.5x)
- Net debt to net worth improved to 1.7x.

Capex

- Capex plan: INR120-140b annually for the next two years.
- INR8b spent in 1Q
- Capex requirement: INR110m/MW for FDRE and INR80m/MW for Hybrid projects
- The debt component of INR115b for the total annual capex is expected to be secured by year-end, which will help to reduce WACC.

PPA signing

- For Omega Urja project (300MW Solar project) with SJVN and ACME Renewtech (300MW Hybrid project SECI), PPA signing should happen by Aug'25. PPA for ACME Marigold (400MW FDRE project with NTPC) is also expected to be signed soon. Urja and Platinum Urja (FDRE projects with SECI), having respective unsigned capacity of 190MW and 200MW, are also in advanced stages for signing. ACME is positive to conclude PPA signing for this pipeline in the next four months.
- NTPC Alpha (150MW) hybrid project is currently pending approval from NTPC.

Battery rollout and commissioning plan for under-construction FDRE projects

- The company has ordered 3.1GWh of battery storage, covering ~50% of the requirement for its 2.3GW contracted under-construction portfolio. Battery orders for remaining capacity will follow shortly.
- Total BESS requirement for the full 4GW under-construction capacity is ~10GWh.
- All FDRE projects signed before Dec'24 are scheduled to be commissioned by Dec'26. However, the company plans early commissioning of BESS for the 2.3GW projects, for which necessary approvals have been taken from counterparties and others. This enables merchant market sales during peak hours and will boost revenue generation.

- As a rule of thumb, 1GW requires 2.5GWh of battery storage. The company plans to install 3GWh of BESS in CY25, followed by an additional 3-3.5 GWh during Jan-Jun'26. The remaining installations are scheduled for the second half of CY26.
- In cases of partial early commissioning, the generated power must be offered to the offtake at 50% of the PPA tariff. Since BESS is classified as a storage asset and not as a generation source under these FDRE projects, the associated power dispatch during early commissioning is not subject to PPA constraints. This classification has been explicitly stated in most PPAs. In instances where such clarity was absent, the company has obtained formal no-objection certificates (NOCs) from the respective counterparties.

Challenges in FDRE Projects

- From an execution standpoint, battery storage is the only new component in FDRE projects and is not expected to pose significant operational challenges.
- However, regulatory approvals are being pursued for the first time. Additionally, wind variability introduces generation risk and potential penalties; hence, the company is strategically limiting wind exposure in these projects.

Standalone 550MWh BESS Project:

- No investment required for evacuation infrastructure or substation development
- Capex limited to USD100/kWh for system installation
- Project offers an IRR of over 16%, inclusive of viability gap funding
- Timeline for the project is 18 months
- Revenue of INR700m is expected from this project.



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Indian Energy Exchange

Neutral

Current Price INR 143

IEX's operational performance

- IEX recorded electricity trading volume of 32.4BUs in 1QFY26, up 15% YoY. PAT rose 21% YoY to INR1.1b.
- In 1QFY26, IEX traded nearly 5.3m RECs, recorded RTM volumes of ~13BUs, and witnessed 51% YoY growth in GDAM volumes, reaching 2.7BUs.
- DAM liquidity rose 45.2% YoY, reducing prices by 16% to INR4.41/unit, while RTM prices fell 20% YoY to INR3.91/unit.

IGX and ICX's 1QFY26 performance

- IGX traded gas volume of 24.6m MMBtu (+109% YoY) and its PAT grew 86.7% YoY to INR141m.
- ICX revenue stood at INR17.9m.

Market coupling

- CERC issued an order on 23rd Jul'25 to initiate market coupling in the DAM by Feb'26. After coupling, price discovery will shift to a centralized mechanism via common software.
- The current market coupling order includes the DAM, while the inclusion of Green DAM (GDAM) remains ambiguous.
- Coupling of RTM will be considered at a later stage due to operational complexity.

- The implementation of market coupling in the DAM segment by Jan'26 will require significant preparatory work by the regulator, including the development of a common software platform for all three exchanges, establishment of the necessary IT infrastructure, design of the settlement mechanism, and formulation of regulations for market coupling. We expect these processes to take time.
- The company will closely monitor how competition and transaction fees evolve over time, but remains determined to protect its market share.
- Under the market coupling framework, volumes will continue to flow through the exchange, from which the bid originates.
- The company mentioned that after CERC's order directing market coupling in the DAM segment, it is evaluating multiple options such as proceeding with the implementation of the order, approaching CERC for a review, appealing the order before the Appellate Tribunal, etc. However, IEX has not yet finalized its next course of action.

High other income

- Growth in other income was mainly due to mark-to-market gains from the target maturity fund, following the RBI's rate cut in early Jun'25, and from the Nifty 50 index fund, which saw a strong recovery during the quarter.

Others

- Key reasons for IEX's leadership include its robust technology platform, proactive introduction of new products ahead of competitors, and extensive customer engagement. It offers a robust IT infrastructure that has remained unbreachable despite multiple cyberattack attempts.
- The company remains confident of retaining its dominant market share after the implementation of market coupling by continuing and enhancing these initiatives to maintain customer loyalty.



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JSW Energy

Buy

Current Price INR 532

Capacity Expansion and Operational Performance

- The company commissioned 1.9GW during the quarter, comprising 1.7GW from O2 Power (1.3 GW operational, followed by an additional 400MW) and 200MW RE capacity in JSW NEO.
- Total installed capacity rose to 12.8 GW, marking a 70% YoY growth.
- Net generation increased to 13.5 BUs, up 71% YoY.
- KSK Mahanadi operated fully during the quarter, generating 2.7 BUs (~20% of total generation); it contributed INR8.6b to consolidated EBITDA (~28%).
- Wind CUF improved to 30% in 1QFY26 due to higher wind speeds and the addition of more efficient turbines.
- Solar PLF declined to 21% (vs. 24% YoY) due to lower radiation from early monsoons.

Financial Performance

- The company achieved record-high quarterly EBITDA of INR30.5b (+93% YoY).
- Reported PAT increased 42% YoY to INR7.43b.
- Net debt increased to INR593b, up INR150b QoQ due to O2 Power acquisition and ongoing capex, of which INR129b is under CWIP.

The image shows a screenshot of a financial report page for JSW Energy. The page contains a table with multiple columns and rows of data, likely representing financial performance metrics. The table is partially obscured by a watermark and some text, but it appears to be a detailed financial statement.

- Weighted average cost of debt declined 15-20bp during the quarter, and the company expects it to reduce further.
- Receivables stood at INR37b, with a DSO of 58 days.

Capex Guidance

- Capex for 1QFY26 was INR24b; full-year guidance was maintained at INR150-180b.

Strategic Acquisitions & Asset Performance

- O2 Power now has an installed capacity of 1.8 GW, targeted to scale up to 4.7GW by Jun'27, with a planned capex of INR13-140b.
- The acquired KSK Mahanadi (1.8 GW) plant is showing an upside potential; plans are underway to complete the fourth 600MW unit (~45% work completed). Tariff trajectory will vary yearly but management remains confident that its EBITDA will not go below INR24b in any year.

Reduced Merchant & Import Coal Exposure

- The company saw a 92% YoY rise in generation at the imported coal-based Vijayanagar plant (1.4 BU), primarily due to a PPA tie-up with JSW Steel, reducing exposure to the merchant market and imported coal volatility.
- As of 1QFY26, only 8% (974MW) of capacity remains untied; of this, just 10% is linked to imported coal, with the remainder being domestic coal-based (Utkal and Mahanadi).
- All under-construction capacity of 13GW has been tied up under PPAs, ensuring forward earnings stability.

Thermal & Renewable Development Plans

- Total capacity addition target for FY26 is 3-4GW (excluding 1.3GW of O2 Power).
- Salboni greenfield thermal project (1.6 GW) has signed PPAs and secured 100% land; environmental clearance is in progress.
- The company remains committed to a 30GW capacity by 2030, with a 2/3rd renewable and 1/3rd thermal mix.

Renewables, Storage, and Green Hydrogen Initiatives

- The company has signed a PPA with UPPCL for 12 GWh of a pumped storage project. A total of 29.4GWh locked-in capacity is under development.
- The Kutehr Hydro plant (3units × 80MW) is nearing full commissioning in the next few days.
- A 20MW floating solar project is under construction in Karnataka, scheduled for commissioning by 2QFY26.
- The battery assembly plant in Pune with 5GWh/year capacity (initial capex: INR1.65-1.8b) is expected to begin trial runs by end-2QFY26. Cells will be imported from China.
- The green hydrogen plant (3,800 TPA) is targeted for commissioning in 2QFY26; it is expected to deliver mid-to-high teens IRR, amortized over seven years.

Strategy and & Regulatory Developments

- Two wind blade manufacturing units are under development in western and southern India, set for commissioning by FY26. Strategic focus remains on reducing LCoE across renewable projects.
- Supreme Court ruling on Hydro asset free power obligation: The company is supplying 18% free power to the Himachal Pradesh government from 19th

July'25. Discussions are ongoing to finalize the supply of an additional 6% free power during 14th Sep'23-18th July'25.

Market Trends and Sectoral Shifts

- Merchant market prices remained stable at INR4.41/unit despite the rising RE capacity.
- India's total power capacity stands at 485 GW, with 46 GW added in the past 12 months.
- A structural shift has been observed in India's power procurement, with a growing preference for competitive bidding by states, particularly for thermal capacity.



[Click below for Results Update](#)

The screenshot displays the financial results for Power Grid Corporation of India for the first quarter of FY26. It includes a table with columns for various financial metrics and their corresponding values. The table is partially obscured by a watermark, but the structure is clear. The metrics include items like 'Revenue', 'Expenses', 'Profit', and 'Capitalization'. The values are presented in Indian Rupees (INR).

Power Grid Corporation

Buy

Current Price INR 288

Project execution and financial performance:

- In 1QFY26, on a consolidated basis, capex was INR69.8b and capitalization was INR28b.
- About 652ckm of transmission lines and 19,370MVA transformation capacity were added.
- Up to 1QFY26, Transmission system availability was 99.84%, and tripping's per line per year stood at 0.08.
- During the quarter, billing of INR84.3b was done while realization was INR86.7b.
- Debt stood at INR1,306b, and net worth stood at INR964b.

Telecom division highlights:

- Customer Growth: Added 16 new customers.
- Income rose by 17% YoY to INR2.9b.
- Order inflow during the quarter was INR0.59b.

Consultancy Segment highlights:

- Income grew to INR3.3b in 1QFY26 (vs. 1.2b in 1QFY25), which included INR1.5b from the new smart meter business.
- PWGR received two new international and 11 new domestic orders during the quarter.

Capex, capitalization, and works in hand:

- FY26 capitalization target at INR220b, with quarterly phasing: 2Q- INR30b, 3Q INR70b, and 4Q- INR80b.
- Capitalization target for FY27- INR200-250b.
- The capex target has been maintained for FY26 at INR280b (RTM: INR35.5b, TBCB: INR190.6, and others: INR53.8b).
- Capex target for FY27/FY28 : INR350b/INR450b.
- Work in hand at INR1.48t, including INR999b for TBCB projects, INR90b for ongoing RTM projects, INR370b for new RTM projects, and INR26b for other projects (Most values are based on NCT cost except Khavda–Nagpur, where actual cost is INR350b vs. NCT INR240b).

Sectoral outlook:

- Growth in the transmission network is driven by India's 2032 targets: 600GW non-fossil capacity, 71GW demand from green hydrogen, and 83GW of energy storage (47 GW BESS + 36 GW pumped hydro).

- As per the National Electricity Plan (NEP), over INR9t of transmission projects will be completed by FY32; hence, all should be awarded by FY30. Of this, only INR3t has been awarded so far, implying that the remaining INR6t must be bid out over the next five years, averaging ~INR1t of bidding annually.

New projects:

- INR290b worth of projects are approved, for which bids are yet to come. Projects worth ~INR390b have already been bid out, which are due for bid submission. Thus, ~INR670b projects are expected to be finalized in FY26, and the company aims to win at least 50-60% of these.
- In addition, ~INR750b worth projects which have been recently approved in NCT are expected to be bid out in the future.
- So, in total, ~INR1.4t worth of projects are currently up for grabs.

New Business Segments and Strategic Initiatives

- Expanding presence in green hydrogen, BESS, and solar (Participating in 2,000MW/4,000 MWh BESS tender in Rajasthan).
- The aim is to become a significant player in green hydrogen and BESS over the next 2-3 years.

RoW challenges

- Right of Way (RoW) remains a key hurdle in meeting capitalization targets.
- A special women-led cell was created to expedite RoW issues.
- Offering fair compensation to landowners, the Mar'25 guidelines mandate a shift from circle rate to market rate (typically 4-6x higher).
- RoW progress seen in Gujarat, Maharashtra, and parts of Rajasthan; still challenging in Delhi and Haryana.

Leh HVDC project:

- The Leh transmission project presents significant challenges as it's working at a height of 4500m-5000m. Currently, only one party is interested and has submitted queries, which are expected to be resolved within the next 2months, following which the order is likely to be awarded to that HVDC OEM.
- Simultaneously, the company is also evaluating the technical and economic feasibility of an AC transmission alternative.

Revenue pressure from the RTM projects drives the need for continuous commissioning.

- Currently, ~90% of the revenue is derived from RTM projects, which follow a regulated tariff structure as per CERC norms under which, depreciation is charged at 5.28% for the first 12 years, post which it declines to ~1.8%, resulting in a corresponding reduction in tariff—and hence, revenue- as every year some or the other project is completing 12 years. Similarly, for loans also, period is 10-12 years post which the interest on loan which is pass through which we get in revenue also reduces every year.
- As a result, RTM project revenues are reducing every year, which is being compensated for by revenue from TBCB projects. So, if the company commissions more projects, only then will the revenue grow.
- Transformer costs have risen 10- 20% annually, nearly doubling in the last seven years.



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Suzlon Energy

Buy

Current Price INR 60

Record Operational Execution & Order Book Strength

- SUEL delivered 444MW in 1QFY26, marking its highest-ever 1Q output in 30 years, due to ramped-up fully operational capacity of 4.5GW.
- Order book reached 5.7GW and is sufficient to cover FY26 and FY27 deliveries. The company doesn't foresee new orders being an issue in the next 2-3 years.
- As 75% of orders are from C&I and PSUs, only remaining 25% of order book is bid-linked. Consequently, any delays in PPA signing are expected to have a very limited impact on the company's performance.
- S144 turbine model's order book surpasses 5GW.
- SUEL maintains a guidance of 60% YoY growth across key metrics for FY26.

Leadership Transition: CFO Succession

- CFO Himanshu Mody will resign effective August 31, 2025; the company is in advance stages of succession planning, with Mody expected to be available for support.

Underlying Financial Metrics:

- Net worth stood at INR65b and net cash at INR16b; the company secured banking limits of INR70b to fund working capital and support execution.
- Interest costs in 1Q were elevated by a one-off INR140m processing fee related to working capital optimization; FY26 interest cost is expected at INR2b.
- Tax rate is projected to be ~25% for FY26 (no cash outflow). Cash tax outflows are expected from FY27.
- The company reiterated WTG contribution margin guidance of 22-23% in FY26. It came in higher at 26%, primarily driven by the execution of orders with higher average selling prices during the quarter and lower project activity due to the early onset of the monsoon. Additionally, effective cost control measures helped maintain COGS, which the company expects to sustain going forward.
- The OMS business is expected to deliver an EBITDA margin of around 40% annually, though it may fluctuate on a QoQ basis.
- Inventory is expected to increase in value, in line with the growing order book. The company aims to reduce net working capital days (including inventory) from 90- 00 days to 75 days.

Export plans

- The company sees strong export potential, with an initial focus on the Middle East and Europe. It expects to begin securing orders by the end of this year and commence exports within the next 12 months.

Sector Outlook, Grid Integration, and Long-Term Prospects

- India's installation should reach 6GW in FY26, 7-7.5GW in FY27, and 8-9GW in FY28.
- There are no concerns regarding the availability of gearboxes, generators, or other components, as sufficient capacity exists in India.
- Wind tariffs currently range at INR3.6-3.9/unit, while solar tariffs stand at INR2.5-2.6/unit. Unless battery storage costs fall below INR1.2/kWh, solar cannot economically replace wind. Moreover, from a grid stability perspective, the replacement is not feasible. All three—wind, solar, and storage—will need to co-exist in the energy mix.

Regulation & Policy Impact

- Amendment to Wind ALMM (Approved List of Models and Manufacturers) by MNRE is a game-changer as all turbine suppliers must source listed components domestically, ensuring level playing field and boosting domestic supply chain resilience.
- SE Forge has recorded consistent growth over the past 3- 4 quarters, and the implementation of ALMM is expected to further benefit it. The company manufactures castings for gearboxes and also produces bearings, positioning it well to capture increased demand post-ALMM in the wind segment.

Operational Challenges, Solutions, and Project Visibility

- SUEL's share in India's FY24 and FY25 WTG installation remained subdued, primarily due to a lower proportion of EPC orders. EPC execution, where SUEL exercises full control, was limited by dependency on clients for land acquisition.
- Currently, 78% of SUEL's order book is non-EPC, with approximately 52-54% representing pure equipment supply, which excludes erection services.
- The company is strategically shifting toward a higher EPC mix by proactively acquiring land across key states. This transition is expected to drive meaningful results from FY27 onwards.



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Results Update

The screenshot shows a detailed financial results table for Tata Power for the first quarter of FY25. It includes various metrics such as revenue, EBITDA, and net profit, along with a breakdown by business segment. The table is presented in a structured format with multiple columns for different financial indicators.

Tata Power

Buy

Current Price INR 391

Demand outlook and sector dynamics

- Power demand is expected to strengthen in the coming months due to the anticipated return of warmer temperatures and higher humidity levels.
- Section XI was not extended beyond 30th Jun'25; detailed discussions are underway for a supplementary PPA (SPPA) for the Mundra plant.
- Mundra power remains cost-effective on a merit order dispatch basis, driven by lower coal prices and high availability.

Transmission & Distribution (T&D)

- The segment remained stable, with ongoing execution of projects as per plan.
- Significant capex is expected in upcoming quarters across transmission projects.
- The Odisha distribution business continues to perform well, having overcome previous billing issues.

Renewable Energy (RE)

- 652 MW of capacity was commissioned in 1QFY26, including 560 MW for third-party clients through the EPC business.
- The company targets commissioning of 1.6 GW of own RE projects over the next three quarters.
- RE capacity commissioning in 1QFY26 was double that of 1QFY25.
- The company remains on track to commission over 2 GW of RE capacity in FY26, despite ongoing land and transmission-related challenges.
- Solar PLF declined due to the early monsoon onset, although wind performance remained healthy.

Manufacturing & Rooftop Solar

- In 1QFY26, ~950 MW of modules and 900 MW of cells were produced; volumes are expected to improve in 2QFY26.
- Utilization of the 4 GW cell/module capacity stood at over 90%.

- Majority of production is currently Monoperc-based, with readiness for TopCon technology progressing.

Rooftop business:

- Primarily runs on internal cell/module production, with minimal reliance on imported cells.
- Realizations are low due to internal transfer pricing.
- Focus remains on expanding reach; volumes are likely to increase substantially.

Financials & Capex

- Capex stood at INR37b in 1QFY26 against a full-year guidance of INR250b.
- Net debt increased by INR29b during the quarter, reaching ~INR480b.
- Leverage ratios remain stable at 2.93x.

Generation Business – Mundra Plant

- Maintenance shutdowns were undertaken across all five units in 1QFY26; FGD-related work is ongoing.
- Once the SPPA is finalized, all five units are expected to be operational.
- With 90% availability in 1QFY26 and an expected 80% for the year, the plant remains entitled to full capacity charges.
- Mundra remains competitive in the merit order, aided by declining coal prices.
- SPPA tariff is expected to be at par with, or slightly lower than, Section XI rates.

Odisha Distribution Business

- Continued focus on reducing AT&C losses; certain areas still face losses in the high teens, targeted to be brought down to 10% within three years.
- Strong capex deployment is expected to support earnings growth.
- Collection efficiency has consistently crossed 100% in several months.
- Over the past four years, 2.5 million smart meters have been installed.
- Utility-scale RE pipeline
- The company has a robust pipeline of 5.4GW in own RE projects and is prioritizing these over third-party orders.

Other key updates

- Pumped hydro projects initiated in 1QFY26; commissioning expected by 2029.
- Resurgent Power acquisition remains under discussion; updates will be provided in due course.
- The Uttar Pradesh government is expected to issue a discom tender this year.
- In JV segment, Indonesian coal price corrections led to subdued performance.
- Tata Projects posted a loss of INR650m in 1QFY26 vs. PAT of INR80m in 1QFY25.
- In the Delhi Distribution Business, a one-off gain of INR1.6b benefited last year's results.

Others



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APL Apollo Tubes

Buy

Current Price INR 1,628

Operating performance

- Sales volume was lower due to a continuous slowdown in the macro environment, elevated geopolitical tensions (Indo-Pak and Israel-Iran conflicts), an early onset of monsoon, and softer money supply in the system leading to a reduction in buying power of customers.
- EBITDA spreads were down due to lower volume and one-time ESOP expenses, which led to an increase in employee costs.
- Currently, 72% of power consumption is based on renewable energy, which the company aims to increase to 80-85% in the next 2-3 years.
- APAT sees good traction in exports from its Dubai plant and will start exports from the Bhuj plant as well.
- EBITDA was lower QoQ due to INR100/MT impact of notional ESOP (INR60m); however, the total impact QoQ was INR300/MT due to adverse operating leverage. About INR870-880m will be sustainable quarterly employee costs going ahead. Further, no discounting was done this quarter.

Guidance and outlook

- Due to a muted show in 1Q, management has lowered its FY26 volume growth target to 10-15% from ~20% earlier.
- EBITDA/MT could be in the range of INR4,600-5,000 in FY26 due to operating leverage.
- Volume recovery will happen from industrial tailwinds in 2H, with orders resuming from aviation, Indian railways, real estate infrastructure, etc.
- 2Q is also expected to be a soft quarter.
- FY27 growth could be much higher than 15-20% in FY26, due to a low base impact of FY26.

Capacity and capex

- The company plans to expand its capacity from 4.5MT currently to 7MT in the next 2-3 years.
- The Dubai plant operates at 60%+ capacity and the Raipur plant operates at a bit less than 60%.
- Out of the 2.3MT capacity expansion, 0.8MT will be brownfield expansion (Dubai 200k tons, Raipur 500k tons in roofing sheets, and another 100k tons in heavy pipes).
- The company plans a greenfield expansion of 1MT – Gorakhpur (200k tons), Kolkata (300k tons), Bhuj (300k tons), and new Malur (360k tons) with a shift of the existing line of 160k tons
- APAT is currently working on a 0.5MT capacity in specialty tubes as well.

Others

- The company divides its cash usage into four buckets: payment of tax, capex, shareholder rewards in the form of dividend or buyback, and paying off liabilities.
- In the last 3-3.5 years, Shankara has quadrupled, and the company sees no point in holdings its shares any further.
- The company does not foresee any other ESOP costs in the next 1-2 years.

- It is open to inorganic opportunities. However, it is not looking to acquire secondary steel companies. Except in India, demand for secondary steel is low.
- There is a good opportunity to increase the export mix. It is building a plant in Bhuj, which will focus on exports.
- General structures have seen improved EBITDA/MT, led by improved pricing, which is well absorbed in the market. (not competitive challenge), and increased contribution from the Dubai plant, which also sells general structures but margins are much higher there (~INR4000-5000/MT).
- Dubai plant accounted for 6% of total volumes (flat QoQ). It was supposed to increase volumes in 1Q, but it did not happen due to geopolitical concerns. However, it is doing well now.
- In general category products, EBITDA spreads have increased from below INR2,000 to around INR2,800 per ton over the last two quarters. The company aims to achieve EBITDA spreads of INR5,500-6,000 per ton.
- APAT has efficient inventory management, turning over inventory 15 times per year with 20-25 days of inventory.
- Dealers have been maintaining light inventory levels since Oct'23, with no significant restocking, except for a brief period in Mar-Apr'25, when steel tariffs were imposed.



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Astral

Buy

Current Price INR 1,393

Guidance and outlook

- Volume was flat in 1QFY26 due to slow demand, early monsoon, and low government spending. Also, inventory loss was ~INR350m in 1QFY26
- However, volume picking up July onwards, and the company is confident of delivering "lower double-digit" volume growth for FY26, with potential for higher growth if ADD/BIS triggers channel restocking. EBITDA margin will be ~16-18% in the piping business.
- The piping division has achieved a volume growth of 30% YoY in Jul'25, and in August, it is also doing well. Even the Adhesive division of India has delivered similar growth of 30% plus in value terms on a YoY basis.
- The company has not compromised margins for the volume growth witnessed in July. The company would not shy away from sacrificing 1-2% on margins if it is seeing strong revenue growth to compensate for it.
- 1Q generally has a higher mix of PVC; hence, QoQ realization tends to be lower.
- The pan-India demand has not opened up. Certain pockets are doing better, and certain are improving. From Sep'25, the company is expecting the market to open, as Festivals are early this time. People will spend on home improvements
- ADD is expected to be announced in this quarter, and management is expecting an uptick in PVC prices as they have bottomed out. PVC prices are at a similar level vs. 1QFY26.

Adhesives and Paints

- India Adhesive business is performing well with 9% YoY revenue growth at INR2.61b vs INR2.39b in 1QFY25
- The segment is on track with a guidance of 15-16% revenue growth for FY26, with margins to be in the range of 14-16%

- UK Adhesive did INR960m revenue vs INR890m in 1QFY25 i.e. 7% YoY growth and ~5.4% EBITDA margin
- Historically, the UK market has generated ~8-10% EBITDA margins, and the company expects this to settle in at this rate going ahead.
- The company has appointed a new executive (a highly senior person with over 25 years' experience) to lead the business and is seeing a healthy turnaround.
- Last quarter, the gross margin of the adhesive business was the highest in the last four years
- Paints segment delivered 20% growth this quarter with Revenue of ~INR500m vs INR415m in 1QFY25.
- The company is aiming for similar growth in the coming quarters. It is expecting ~INR2.4b revenue run rate this year.

Acquisition of Nexelon

- ASTRA has been doing R&D on the CPVC resin for the past three years and has developed this technology in-house. The company has only spent ~INR40-50m on this by setting up a pilot plant and working on 50- 60 kg batch per day.
- ASTRA has entered into an agreement with NEXELON CHEM, whereby ASTRA will acquire 80% of the Equity of that company at the par value of INR80,000/-.
- The tentative cost of the project will be INR1.5b to manufacture 40,000MT of CPVC Resin, and ASTRA has committed to invest approx. INR1.2b (i.e. ~80%).
- The balance 20% stake is of the Technical partner who has worked with ASTRA on this technology. For 20% the partner is bringing his own capital.
- ASTRA's investment and costing will be the lowest in the CPVC industry
- This capacity will not be sufficient for backward, but will decide on further expansion post stabilization of this plant
- The plant will be commissioned by 2QFY27 and will be fully used for captive consumption
- This investment will not only improve market share but also improve margins for the company. Generally CPVC business does ~25-30% margins
- Currently, ASTRA holds ~3 months of RM inventory as it is mostly imported. With this new capacity, investment in working capital will be freed. Currently, the company is sourcing CPVC from DCW locally and Sekisui Chemical (a Japanese company). For PVC, it does not hold more than 1 to 2 weeks of inventory as it's mostly sourced domestically.
- ASTRA is not dependent on any single PVC supplier for its CPVC manufacturing. The company has tested it for the last three years and has built a diversified source. Not seeing any impact of ADD on RM sourcing. Will procure liquid chlorine, and there are many players in Gujarat where ASTRA can source it.
- The spread between CPVC and PVC has narrowed down thereby leading to an increased shift to CPVC.

Capex

- The company has spent ~INR500m in capex in 1QFY26 and plans to spend a total of INR3-3.5b in FY26.
- ASTRAL is not going to do major capacity expansion in pipes for the next two to three years
- Apart from the above, the company is also spending INR1.2b on the new CPVC resin capacity. This will be spread over a period of 12 months.

- The Kanpur plant will be ready by 3Q and will start in a phased manner. Initially, 25,000MT will be added in Kanpur in Phase 1, and it will add more if needed, but the capex for this will be very low. Will serve Northern markets — UP, Bihar, Eastern NC.

Others

- Higher employee costs are due to the company getting into a new business and hence appointing employees for this. Will continue this run rate going ahead, and as a % of sales, will come down with improving revenue.
- ~70% of the piping channels are now selling Bath ware (of any brand). The Company has a good presence in the North, West, and South regions. The company will ramp up the East and for this will hire manpower.
- The bath ware business takes years to scale up this business as it requires convincing customers and creating a strong brand. The company first aims to touch INR5b topline in the coming years.



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Cello World

Buy

Current Price INR 549

Guidance

- CELLO reported a steady start to the year, delivering a 6% YoY growth to reach INR5.3b, driven by the consumer segment, and achieved its highest-ever gross profit margin of 54.0%.
- EBITDA margin contracted due to additional operational costs related to the new glassware facility.
- Growth was slightly impacted by the early onset of rainfall in May, which hurt hydration product sales.

Guidance and outlook

- Margins are expected to stabilize once the glass facility ramps up in the future.
- The company remains committed to enhancing its omnichannel presence to broaden product reach across India, focusing on premiumization and maintaining a stable margin profile.
- The company maintains a positive outlook for H2FY26, driven by a revival in consumer demand across categories.
- The consumer ware segment is expected to grow 12-15% YoY, with decent traction anticipated.
- The company will continue to focus sharply on cost reductions.
- Margins are expected to be ~23%.
- The core consumer ware segment sustained positive momentum, driven by standout categories such as hydration, opal ware, and glassware.
- Writing instruments and furniture segments remained subdued during the quarter.
- Good traction was seen across categories in July.
- Capex is expected to be ~INR1b for FY26, including INR400-500m for the steel flask facility. The glassware facility's revenue guidance stands at INR1.1-1.2b for FY26.

Consumer ware business

- Glassware grew 50%, with facility revenue guidance of INR1.1-1.2b for FY26.

- Hydration posted YoY growth but could have performed better if not for the early monsoons.
- The glassware segment remains loss-making, in line with expectations due to capacity expansion, and will continue to drag profitability (~1% impact) for the next couple of quarters. The company aims to breakeven by year-end.
- Margin pressure persisted due to subdued demand, preventing price hikes despite increased costs.
- Steel flask production is expected to start from November-December.
- Since the glassware capacity is new, efficiencies were low and expenses remained high, impacting overall margins.
- Margins have peaked in certain categories; the company will now focus on differentiation to improve margins.
- Opal ware margins contracted due to higher energy costs and wage hikes, a trend that is expected to continue amid rising competition.

Writing instrument

- The company witnessed a continued slowdown in exports. The domestic market also experienced a slowdown this quarter. Domestic sales were flat; exports declined.

For the rest of the year, the company aims for ~10% YoY growth.

- Despite new pen launches, initial traction was weak but has improved slightly in the last month.
- Efforts are being made to grow this segment through increased marketing and advertising.
- 5-7% of export sales go to the US, with no order cuts seen due to tariffs.
- The slowdown was driven by a decline in both volume and value growth.
- In a challenging environment, lesser-known brands tend to grow faster. No significant benefits are seen from the UK deal; all shipping routes remain operational.

Molded furniture

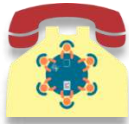
- Performance remained subdued, in line with industry trends.
- Focus remains on premiumization, with expectations of better trends going forward.
- Gross margin was low due to the product mix and will likely remain flat compared to last year.
- Margins may improve as premium products contribute more in the future.

Others

- GT trade remains the leading platform despite increasing traction in e-commerce and quick commerce.
- Other expenses rose due to higher discounts and schemes, aimed at offsetting the subdued environment and boosting sales.
- The company has a healthy order pipeline with trade routes now open. Middle East, Russia, and the US are showing good traction.
- While the number of outlets remains the same, shelf presence has increased.
- ~60-70% of the portfolio consists of differentiated products, with some developed specifically for e-commerce.



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Coromandel Intl

Buy

Current Price INR 2,419

Industry scenario

- After an early onset of the southwest monsoon in May, the country witnessed above-normal rains during the first half of the kharif season.
- While regional variation exists, there has been good recovery, especially over the last fortnight, and overall agriculture scenario remains positive.
- Reservoir capacities have increased to 61% from 38% last year.
- Overall, crop sowing has reached 70m hectares against the total kharif target of 109 million hectares, indicating that around 70% of the sowing has been completed.
- The government has extended strong support to farm incomes by raising minimum support prices for Kharif 2025 crops.
- Overall, primary sales at the industry level grew 9%, driven mainly by NPK, which rose 34% from 220k tons to 290k tons, while DAP witnessed a decline. This indicates farmers' preference for balanced nutrition and choices influenced by product availability.
- DAP prices continue to remain lower compared to the higher pricing of NPK.
- Potash consumption in primary sales increased; however, imports declined significantly due to delays in price negotiation.

Operating performance

- CRIN made a strong start to the season, delivering growth across businesses, driven by procurement efficiencies, operational excellence, and effective marketing initiatives.
- Higher subsidiary rates and volume growth across all business segments were the key drivers of revenue.
- Performance was further aided by an early monsoon onset, which led to higher crop sowing and increased agri-input consumption.
- In 1QFY26, plants operated at full capacity of 840k tons, registering 6% volume growth.
- CRIN continues to operate the newly commissioned sulphuric acid plant at 100% capacity utilization.
- The share of unique grades, which differentiates CRIN from the rest of the players, stands at 34%, marking an improvement from last year's 31%.
- CRIN continues to expand in Central and Northern India, aligning with its strategy to diversify markets.
- The formulation business recorded 33% volume growth, with exports growing nearly 20%, while biological volumes have doubled.

Subsidy

- The subsidy/non-subsidy business share stood at ~83%/17% in 1QFY26, compared to ~81%/19% in 1QFY25.
- During 1QFY26, the company received INR13b toward subsidy claims, compared INR9.87b in 1QFY25.
- As of Jun'25, outstanding subsidy stands at ~INR29.1b, compared to INR19.7b in Jun'24.

DAP

- A government delegation recently visited Saudi Arabia and secured a long-term supply agreement of ~3.1mt for the coming years. This is significant, as India imports 5mt-6mt of DAP.
- Considering the importance of DAP requirement, the government has also come up with additional compensation for DAP beyond a certain threshold level.
- Phosphate prices like DAP continued to rise as the continued absence of Chinese exports and reduced supply from Russia have significantly tightened global market availability.
- There has been a shortfall in DAP supplies from China, leading to increased DAP prices.
- The nano DAP business has made good progress and management has been highly systematic in creating awareness campaigns across India.
- China has been a major source of supply for India in recent years; however, imports from China have completely dried up in the current year, leading to a demand-supply mismatch.
- The company remains confident that increased volumes from the Middle East can compensate for the shortfall from China, which should help ease the overall supply situation significantly.

NPK

- The NPK segment continued to grow well, accounting for 65% of overall sales.
- The company is looking to diversify its portfolio by exploring Nano NPKs.

Crop protection business

- Globally, in agrochemicals, there has been a reduction in channel inventory compared to last year.
- Pricing pressure on certain molecules has improved compared to last year but still persists.
- Favorable monsoon conditions in the domestic market have supported widespread spraying coverage across the region, generating demand for crop protection.
- The company's phosphatic fertilizer business recorded 31% volume growth, driven by its improving presence in existing markets and penetration into new markets.
- Plants operated close to full capacity with enhanced production of intermediates.
- The rock phosphate project at Senegal has stabilized and is delivering consistent rock supplies to phosphoric acid plants in India.
- The crop protection segment's sales and margins grew during the quarter, driven by strong performance in both domestic and international markets.
- CRIN introduced 10 new products, including an in-licensing molecule and three 9(3) formulations, further strengthening its portfolio offerings.

Retail

- The retail business continued its expansion, adding 73 stores during the quarter. It is on track to increase its footprint to 1,200 stores by the end of the year, adding another 400 stores.
- The retail business is enhancing its customer outreach through strengthened e-commerce and digital platforms.

- CRIN will be the only player to make a door delivery of key agri-input products besides providing spraying services.

BMCC

- The Board of Directors approved the acquisition of an additional 17.69% issued share capital of BMCC through its wholly-owned subsidiary for a consideration of USD7.7m, bringing the overall shareholding in BMCC to 71.51%.
- The acquisition of an additional stake in BMCC is a strategic move to further strengthen its backward integration in the phosphates value chain.
- The company's rock phosphate project at BMCC has stabilized its operation, enabling the company to efficiently meet the stock requirements.

Others

- The Specialty & Organic, Bio, Nano Fertilizers, and Gromor Drive businesses delivered robust performance, strengthening the company's integrated crop management approach.
- Backward integration projects for phosphoric and sulphuric acid plants at Kakinada are progressing well and likely to be commissioned by 4QFY26.
- CRIN has also initiated groundwork for setting up a 750k ton fertilizer granulation facility at Kakinada and is on track to open it by CY28.
- The company has signed a long-term agreement with Maaden, a leading fertilizer player based in Kingdom of Saudi Arabia, for securing DAP shipments to India.
- CRIN has set up a joint venture with Sakarni Plaster to manufacture and market PhoSum-based green building materials by utilizing its industrial by-products.
- Going forward, the company aims to broaden its portfolio from institutional partnerships and tap into export markets to enhance its presence.
- Management has also started focusing intensely on the domestic formulation segments and expanding into different geographies by significantly improving the company's presence in additional 40 territories.
- The company has received approval from the Competition Commission for the newly acquired NACL and is awaiting clearance from SEBI to launch the open offer.

DreamFolks

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DreamFolks

Buy

Current Price INR 147

Quarterly performance & outlook

- Looking ahead, DreamFolks remains focused on three strategic priorities: diversifying into non-lounge services, scaling enterprise partnerships, and expanding its geographic footprint in global markets.
- The enterprise segment continued to gain traction, with new client wins in the travel industry.
- While competition previously centered around technology, commercial operators have also started entering the space. To counter this, the company is diversifying into non-travel packages to enhance its value proposition.
- Its proprietary technology platform enables the creation of customized packages, which would be difficult or time-consuming for other operators to replicate.
- The company is exploring potential acquisitions or partnerships and is actively building its international business to support growth.

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[illegible]

- DFS reported revenue of INR 3.5bn in 1QFY26, up 11% QoQ and 8.8% YoY.
- Lounge services contributed 93% to the revenue, while non-lounge services accounted for 7% in the quarter.
- Management foresees increased competition and is strategically bundling non-lounge services with lounge offerings to increase stickiness with clients.
- The company terminated programs with two banks and is currently evaluating the broader impact. Several other banks may also be under pressure. While contracts have not been fully cancelled, some programs have been paused.
- Concurrently, the company is co-developing new programs with banking partners, highlighting its continued strength in lifestyle-driven card benefits.
- On the international lounge front, DreamFolks now operates across 850+ global touchpoints.
- In addition, non-lounge services like Golf Access, Airport Transfers, Meet & Assist, Social Club Access, and Mall Coffee Services have grown to over 3,000+ touchpoints. Many of these premium offerings are gaining strong traction.
- Gross Margin (GM) stood at 13.2% in 1QFY26. The company is shifting its product mix towards high-margin non-lounge services. The business model is expected to evolve from a per-transaction basis to a subscription-based model.
- EBITDA increased by 18% YoY and 35% QoQ to INR 269mn in 1QFY26, aided by price revisions implemented during the quarter.

EPL

Buy

Current Price INR 236

Operating performance

- EPL delivered a strong revenue growth of 10.0% driven by double-digit growth in the Americas, Europe, and EAP.
- Strong momentum in 'Personal Care & beyond with ~28% growth powered by the growth of beauty and cosmetics (up 35% YoY)
- Margin expansion in America and Europe was driven by the successful execution of strategic initiatives.
- Recyclable volumes are scaling up rapidly, with sustainable tubes now accounting for over one-third of the portfolio.

Guidance and outlook

- Management remains confident of its double-digit revenue growth guidance, led by the company's strategic focus and execution discipline.
- EBITDA is expected to grow faster than revenue, with PAT projected to outpace EBITDA growth.

AMESA

- Strong growth in Beauty & Cosmetics is offsetting the softness in oral care demand.
- The management anticipates the Oral care segment to bounce back in 2HFY26
- Oral care is showing signs of improvement, which, along with sustained momentum in Beauty & Cosmetics, is expected to support growth going forward.
- In India, tube revenue growth outpaced overall growth, led by the improving demand for laminated tubes.

EAP

- Robust growth in the quarter was driven by strong performance across the portfolio.
- The Thailand greenfield plant remains on track for commercialization by the second half of FY26.
- The Thailand project was executed with the support of Indorama, which played a key role in securing necessary permits on time, enabling the project to stay on schedule.
- The capex for the Thailand facility is ~USD5m. The company plans to start at a smaller scale and gradually ramp up operations, with margins expected to be in line with those in other global regions.
- The company has a strong pipeline of products in the Beauty & Cosmetics category in Thailand and plans to commence operations quickly, with a fast ramp-up of product lines.
- Thailand is a significant tube market where EPL currently holds a small share, primarily serving the region through its China facility.
- Following the launch of the Thailand facility, the company will be well-positioned to service additional geographies such as Vietnam, Singapore, Malaysia, and Indonesia.

Americas

- Continued double-digit performance with strong revenue delivery across countries.
- The Brazil capacity expansion was completed by the end of 1QFY26.
- The region continues to witness strong momentum in the Beauty & Cosmetics segment.
- Brazil continues to deliver strong growth; the recently completed capacity expansion is expected to support the onboarding of additional customers.
- The Brazil plant has been operating at high utilization levels, with capacity in the Beauty & Cosmetics segment now doubled.

Europe

- Robust revenue growth of over 15% was driven by strong momentum in the Beauty & Cosmetics segment.
- The company has made key changes and strengthened its sales resources, which have begun to deliver tangible value to the business.
- The company is actively exploring M&A opportunities in Europe.
- The opportunity to expand business in this geography remains significant, given the company's currently low market share in the region.

Personal care and beyond

- The Personal Care and Beyond category, which includes Beauty & Cosmetics and Pharma, contributed 54% to the overall portfolio in 1QFY26.
- Management is actively pursuing M&A opportunities in the Beauty & Cosmetics segment, targeting both geographic and product expansion.
- Growth in the Beauty & Cosmetics segment is expected to continue, driven by its significant potential and the management's focus on disciplined execution.

Oral Care

- The decline in oral care was due to category softness in AMESA and a few other markets, but the management anticipates a bounce back in 2HFY26

- Toothpaste remains a resilient category; the current softness is viewed as temporary and is expected to rebound.

Others

- The company is well geographically diversified across its portfolio, and despite softness in certain regions, it remains confident in achieving its overall growth objectives.
- The tax rate for the quarter may be impacted by the revenue mix, with an expected range of 18-20%, largely depending on the geographical distribution of revenue.
- This year, the overall tax rate could be slightly lower due to a higher contribution from low-tax geographies.
- The company only imports laminates into the U.S., and any cost increases are passed on to customers through contractual agreements.
- There is no competition with Indorama, as both companies operate in different product segments and instead share synergistic opportunities.
- The company plans to incur a CAPEX of ~INR3.5b-INR4b, roughly equal to the depreciation.



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Eternal

Buy

Current Price INR 326

Demand and growth outlook

- For FY26, management expects NOV growth to be above 15% YoY, although achieving over 20% growth appears unlikely. The company anticipates NOV growth to trend toward 20% in FY27.
- In response to a muted demand environment, restaurant-funded discounts (as a % of GOV) increased QoQ in 1QFY26. This led to slightly lower NOV growth (+9% QoQ) compared to GOV growth (+10% QoQ).
- MTC growth was healthy and aligned with NOV growth.
- A key metric tracked by the company is the number of hours delivery partners spend on the platform. Idle time continues to decline, and there are no concerns regarding partner availability.
- The company believes YoY growth has bottomed out and expects stronger growth in the upcoming quarters. 2QFY26 is expected to be better than 1Q.
- Transacting customer growth is also expected to improve as users return to the platform.
- Blinkit: This was the first quarter where Blinkit's NOV (INR92b) surpassed that of food delivery (INR89b) for a full quarter.
- The company added 243 net new stores in 1QFY26, taking the total to 1,544. It remains on track to reach 2,000 stores by Dec'25, with visibility to scale up to 3,000.
- Although SSSG (same-store sales growth) is not tracked internally, most of the growth has been driven by existing serviceable areas. Mature markets are also growing at a reasonable pace.
- Growth is broad-based across all categories and is secular in nature.
- The customer base is value-conscious rather than price-sensitive. The company focuses on speed, assortment, support, and price to drive customer satisfaction.
- Revenue per order exceeds INR100 in the first month post-acquisition. Each customer cohort is contribution-margin positive from month one.

- Over the next 2-3 quarters, Blinkit will gradually transition from a marketplace model to an inventory-ownership model. This will reduce administrative costs (e.g., licensing).
- The number of unique customers continues to increase.
- A majority of the business is concentrated in 20 cities. New stores are currently loss-making due to lower throughput. Supply chains in Tier II cities are still being developed, leading to some margin pressure in these markets.
- Under the inventory model, NWC is expected to be ~18 days of NOV, compared to 3-4 days under the marketplace model. Current productivity is INR700,000 daily NOV per store.
- Inventory ownership allows for better margin control and greater leverage in expanding assortments. Management expects a 100bp expansion in contribution margin over time as a result of this transition.
- As NOV grows, operating leverage is expected to drive improvement in adjusted EBITDA margins. While marketing costs (reported below contribution margins) may not reduce, they are expected to remain stable if competition levels remain unchanged.
- With inventory ownership, quick commerce revenue will increasingly align with NOV figures.
- Hyperpure revenue is expected to decline due to a scale-down in its non-restaurant segment. Consequently, NWC will increase in quick commerce and decrease in Hyperpure.
- The company expects a deceleration in Hyperpure in the coming quarters, primarily due to the shrinkage of its non-restaurant business, which historically catered to B2B buyers that are now shifting to Blinkit.
- Going-out (District): Eternal is developing “District” as a unique, comprehensive platform for going-out use cases in India, covering dining-out, movies, sports, concerts, and more — all inside a single app targeted at a premium customer base.
- Losses in this segment are expected to remain within a bounded range.
- The Going-Out business is now 20% of the size of the FD and QC businesses.
- Management sees a potential market size of USD3b and an adjusted EBITDA of USD150m over the next five years.
- Bistro: Early signs from Bistro are encouraging. Kitchens are driving incremental demand without cannibalizing the main Zomato business.

Margins

- For the food delivery business, adjusted EBITDA as a percentage of GOV margin declined by 20bp QoQ to 4.2%. The contribution margin fell to 8.2% from 8.6% in 4QFY25. This decline was primarily due to seasonality, including lower availability of delivery partners during festivals and adverse weather conditions such as the onset of summer and monsoon across various regions. The company aims to maintain adj EBITDA margins at around 5% of NOV over the long term.
- Blinkit reported a contribution margin of 3.0% compared to 3.1% in 4QFY25. Adjusted EBITDA margin stood at -1.4% vs. -1.9% in 4QFY25. Contribution margin is driven by a higher share of new stores, seasonal cost pressures (particularly delivery partner costs), competitive intensity, and investments in warehouses and store infrastructure. Additionally, shifts in the category mix also affected contribution margins.
- The company believes that percentage margins have likely bottomed out. If the competitive environment remains stable, margins are expected to improve, aided by the maturing of a large number of stores opened over the past 12 months.

- Absolute losses are also expected to reduce going forward. However, the trajectory of margin improvement may not be linear.
- Management is not overly concerned about near-term breakeven. Due to the mix of mature and new stores, breakeven is expected over time, barring any significant increase in competitive intensity.
- If the lower end of the adjusted EBITDA margin guidance (4% of NOV, within the 5-6% long-term range) is achieved, the company expects to generate RoCE of 40% under a 100% inventory-led model, with capex and NWC accounting for ~9% of NOV.
- The annual wage revision is scheduled for Sep'25.



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Godrej Agrovet

Buy

Current Price INR 762

Operational performance and outlook

- Profitability growth was primarily driven by strong volumes and improved operational efficiencies in the Vegetable Oils business, supported by a significant reduction in losses at Astec Lifesciences.
- The company acquired full ownership of Creamline and Godrej Foods, marking the first major milestone in the ongoing business restructuring.
- The company continues to maintain its guidance for FY26.
- Proceeds from the rights issue will be utilized to repay outstanding debt.

Crop Protection (Standalone)

- Segment revenue grew marginally on the back of an increase in volumes in the in-house category.
- The company reported lower net realizations with respect to in-house and in-licensing categories on account of channel mix and higher discounts, which resulted in marginally lower margins. However, this was in line with the company's expectations.
- In Jul'25, the company launched a new in-licensed maize herbicide under the brand name 'Ashitaka'. This product is being shared with one more competitor under a different brand name.
- Ashitaka has a revenue potential of around INR2b, which the company expects to achieve over the next 3-4 years. Management may revise this estimate upward as the business scales.
- The company anticipates ~37-38m tons of corn production this year, which is expected to support the growth of Ashitaka.
- The company did not have a strong agri quarter in 1Q and expects some product returns in 2Q. Expected returns may exceed the provisions made.
- Management is targeting an EBIT margin in the range of ~28% to 30%.
- Pricing pressure persists due to intense competition; the company aims to mitigate this by expanding into new crops and geographies.
- Gracia is now being in-licensed by other competitors through Nissan. Japanese companies no longer offer exclusivity, so this development was inevitable.
- Gracia contributed ~5% to total revenue in 1QFY26, remaining flat YoY.

Astec LifeSciences

- Segment revenue improved ~31% YoY, primarily on account of higher volumes in both the Enterprise and CDMO categories.
- Improvement in EBITDA was primarily driven by higher volumes and lower raw material costs in the enterprise category, coupled with better capacity utilization.
- Astec is expected to achieve EBITDA breakeven in FY26.

- No signs of price improvement have been observed globally so far.
- There is considerable uncertainty surrounding tariffs. The company's exposure to the US market is ~7-10% of the total sales of Astec, while its major customers are based in Japan and South Korea.
- In the CDMO business, the company is targeting revenue of over INR3b in FY26, accounting for ~65% of total sales. It aims to grow this segment by ~30% annually, with 10 products currently in the pipeline.
- The Triazole business remains a key cash-generating segment for the company. Strong traction is being witnessed, and the company will continue to prioritize growth in this area.
- The CDMO business is geographically diversified, and the company is now expanding its presence in Western markets.

Dairy

- While there is an increase in volume of milk by 3% YoY, unseasonal rains in the months of April-May temporarily impacted the sale of Value-Added Products (VAP). VAP salience for 1QFY26 was ~42% of total sales.
- EBITDA margin contracted primarily due to an increase in milk procurement prices, contraction of margins in key VAP (such as curd, flavored milk, etc.) due to early rains, and increased spends in advertising and marketing.
- EBITDA margins, including working media spends, stood at ~6-7%, and the company expects to maintain this level in FY26.
- The company aims to increase the share of value-added products to 50% of the overall mix.

Palm Oil

- Segment revenue and margins improved significantly in 1QFY26 compared to 1QFY25, driven by increased average realizations of CPO and PKO, coupled with higher Fresh Fruit Bunch arrivals (up 52% YoY).
- The company witnessed its best-ever FFB performance in 1Q, driven by the early onset of the monsoon.
- Going forward, the company expects 15-18% growth in FFB arrivals in FY26, with better oil extraction rates compared to FY25.
- The company witnessed an exceptionally strong Oil Extraction Ratio (OER) of 18.3% in 1QFY26, compared to 17.98% in 1QFY25.
- Value-added products account for 80% of total sales.
- FFB arrivals remain in line with last year's levels and are expected to continue being the strongest in 2Q, as has historically been the case.
- The company has shifted its focus toward PKO rather than CPO, and has the flexibility to switch going forward.

Poultry

- The business recorded a YoY decline in both revenues as well as EBITDA. This was primarily driven by reduced volumes and muted realizations in the live bird category, as the company continued to prioritize its branded offerings and strategically scaled down its exposure to the live bird segment.
- In the branded segment, while the revenue remained flat, contribution margins expanded.
- Live bird share is 15% of the total sales, and the rest is accounted by VAP.
- In the branded segment, revenue remained flat, while margins expanded.
- Live bird sales account for ~15% of total sales, with the remaining 85% come from value-added products.

Animal Feed

- Volume growth was recorded across all key categories, with Cattle Feed up 11% YoY, Broiler Feed up 13% YoY, and Layer Feed up 4% YoY. This was partially offset by a 7% YoY decline in Aqua Feed.
- Despite volume growth, segment revenue remained flat YoY on account of a decline in average realizations, primarily due to subdued commodity prices.
- 1QFY26 witnessed higher utilization of vendor invoice discounting, which resulted in higher input costs and lower financing costs, impacting the segment's performance.



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GR Infra

Buy

Current Price INR 1,271

Business updates

- During 1QFY26, GR Infra added INR333m to fixed assets. The net block of property, plant, and equipment, including intangibles, stood at INR11.7b as of Jun'25.
- Working capital days increased to 121 (vs. 117 days as of Mar'25), driven primarily by higher inventory days in power and road projects.
- The company repaid INR1.37b debt during the quarter, improving standalone debt-equity to 0.04x—among the best in the sector. Consolidated debt-equity stood at 0.61x.
- Standalone receivables stood at INR17.5b (incl. INR15.8b from HAM projects); consolidated trade receivables are INR2.2b; standalone unbilled revenue is INR8.4b; inventory levels stood at INR6.1b (vs. INR5.4b as of Mar'25).
- Promoter equity commitment stands at INR27b, with INR7-8b to be infused in FY26 and INR10b each in FY27 and FY28. Total equity invested in FY26 so far is ~INR3b.
- The company received INR400m as InvIT interest/dividend in 1QFY26; expects full-year receipt of ~INR2.3-2.4b.

Order book

- The order book stood at ~INR237b (incl. L1) as of early Aug'25. Of this, 24 projects worth ~INR150b are currently under execution. The company holds L1 status in three road projects worth ~INR45b. Additionally, it has submitted bids worth INR73b across highway, railway, and power transmission projects.
- FY26 order inflow guidance is INR220b, of which INR140-150b will come from transport (highways, railways, metro); INR25-30b from hydro and tunneling; INR40-45b from power transmission and roadways; ~INR5b from telecom and other segments.
- FY27 order inflow guidance is ~INR300b, contingent on bid pipeline materialization.
- The company expects improved project margins from FY28 onward as project competition stabilizes and current bids are based on revised qualification criteria from NHAI.
- Current BoT strategy involves selective participation in viable toll projects. Out of INR3.5t of expected NHAI bidding in FY26, ~INR700b is likely under the BoT model.

Guidance

- The company expects revenue growth of 10-15% in FY26, with potential for more than 20% growth in FY27 depending on execution ramp-up and order inflow.
- GRINFRA continues to diversify beyond roads, with investments in railways, metro, power transmission, hydro, tunneling, and telecom (OFC). Margins in new segments are expected in the 10-13% range.
- Two MSRDC (Maharashtra) BoT projects, where the company is L1, are expected to receive LoA by 3QFY26; execution likely to begin in 4QFY26.
- The company targets equity investment of at least INR10b in BoT projects annually, with plans to scale this up gradually.



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Gravita India

Buy

Current Price INR 1,726

Operating performance

- The company has maintained a net debt-free balance sheet
- EBITDA was on the higher side due to the increased VAP mix
- VAP mix was from all the existing verticals (including plastic and tyre). However, the share of lead would be 40-45%+.
- Reduction in volume growth due to the shifting of materials from Africa to India
- Volume growth has been sacrificed for higher profitability, but EBITDA has increased.
- Lead prices have been going down for the last 3-4 quarters; however, margins are not being affected, led by economies of scale and an increase in the value-added content.
- Other income of INR190m belongs to treasury income for future capex and working capital. This treasury income would be there until the funds are used for allocated uses.

Outlook and guidance

- The company is targeting 50% contribution through VAP by FY29
- Aims to grow non-lead business, so that it contributes over 30% of total revenue
- Growth guidance in the company is supported by a focused capex program
- GRAVITA aims to diversify into lithium, rubber, and paper going forward
- The company guides for an RoIC of 25%, a profitability CAGR of 35%, and a volume CAGR of 25% for VISION 2029
- INR19-20/kg of EBITDA can be considered sustainable going forward
- Volume growth is over a period of 3 years (volume growth of 25% over a period of 3 years). Of which 15-16% growth would come from the existing capacity, and the rest (7-8%) would originate from new capacities. Total volume growth may be in the range of 22-28%
- ETR for the operational part is likely to be 13-14%, but due to treasury income, the ETR has increased. ETR is expected to be in the range of 15-16% going forward. Once the treasury income expires, the ETR to come back to 13-14%
- EBITDA growth would be 20%+ for FY26.

Capex

- Total capacity for the company has reached 3.4L MT, to reach 7L MT by FY28
- Company guides for a Capex plan of INR15b till FY28. In the current year, the company spent INR600m in Q1FY26
- Company plans to spend around INR3.5b for FY26

- Capacity guides for a capacity increase of 0.1m MT this year, some of it in Q3 and some of it is expected in Q4. Overall capacity may go up to 0.4-0.5m MT by FY26 end. Most of this capacity increase is to be done in India.
- Capacity increase to be done in lead, followed by rubber and Lithium-ion
- Spent only INR1b on capex in the last 2 years as the company had kept it for new verticals only. However, due to scrap availability, the company is now focusing on existing verticals
- GRAVITA plans to set up plants in East India and the Dominican Republic by FY27
- About 50k-60k tonnes of capacity increase is expected in lead in this year
- Total capacity increase in FY27 to be around 1.5L MT
- In FY27, the entire new capacity is expected to operate at optimum utilization

Aluminum

- Listing of aluminum on MCX is in process. It is likely to be listed this quarter.
- The company expects the first go-down of aluminum to be opened in the northern part of India.
- Overall, aluminum capacity in India is under 5% for the company. Volume is coming from overseas locations. By 4Q, the company expects the Indian plant to reach 30-32% utilization.
- The company plans to increase the use of Indian capacity as hedging mechanisms are developed.
- The plant in Africa has got BIS approvals; further, EBITDA margins have gone up (margins are higher due to the African plant).
- Africa sources scrap domestically only and not from Europe
- On a sustainable basis, INR14-15 is sustainable in the future. Since there is no mechanism of hedging, it offsets the profitability for aluminum.

Rubber

- EBITDA per ton of 7-8 per kg is seen in the Romania plant (impact to come from 3Q or 4Q).
- The company is also putting up a plant for rubber recycling in India (impact to come from 4Q this year or 1Q this year).
- EBITDA per kg depends on region to region in the case of rubber
- Company expects a revenue of INR3-4b by FY28
- An increase in volumes later is expected to improve profitability.

Other

- EBITDA/ton for plastic is in the same range. Volumes for plastic haven't gone up, as plastic products are in the development stage.
- Lithium ion is not expected to contribute to profitability this year; it's partially a plan for the future. The company still needs to work on its technology. Pilot lithium-ion battery recycling unit in Mundra is advancing steadily and is expected to be operational in 2QFY26.
- The company is on track to meet its ESG target.
- Govt tightening of BWMR has boosted the availability of domestic scrap.
- For the lead business, currency fluctuation doesn't impact the company as they do not sell anything in Africa. Pricing of raw material is done in USD and is also sold in USD (no impact of currency fluctuations in overseas operations). The same was for lead.
- GRAVITA is looking for inorganic expansion in a year or a year and a half. This has to be under existing commodities only.



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Indian Hotels

Buy

Current Price INR 808

Operating performance

- IHCL reported double-digit growth in consolidated revenue, in line with management's guidance, despite geopolitical headwinds causing flight and hotel reservation cancellations.
- While ARR grew 13% YoY to INR14,552, standalone occupancy rates dipped 170bp YoY to 74.3%.
- The Hotel segment's revenue grew 14%, with strong EBITDA margins of ~31.4%, led by the diversification of the top line across same-store hotels and the new reimagined business.
- Management fee income grew 17% to INR1.3b, despite temporary headwinds. Management remains confident of sustaining this growth rate.
- The domestic traditional business reported RevPAR growth of ~11% in 1QFY26.

Outlook and demand

- The company remains confident of achieving double-digit revenue growth for the hotels segment in FY26, led by MICE activity and continued inflow of high-profile international delegates in India.
- India's world-class convention centers are expected to drive MICE business, supported by several large events scheduled for the rest of the year and high-profile diplomatic visits by Heads of State.
- The outlook for 2QFY26 remains robust despite the high base effect, with trends continuing to be positive. Management expects strong performance in Aug'25, followed by a similar trajectory in Sep'25.
- Management remains confident of delivering double-digit growth, with ~20% top-line growth expected in TajSATS.
- Goa witnessed moderate growth; however, once the renovation of Fort Aguada is completed, growth is expected to rebound.

New and reimagined business

- TajSATS clocked revenue of INR2.9b, marking ~21% growth over the previous year. EBITDA margins stood at 23.5%.
- Ginger grew 25% YoY, driven by stellar performance of the flagship Ginger Mumbai Airport hotel as well as a strong growth in F&B.
- The partnership with Tata Sons for Ginger Kolkata has been in discussions for many years and marks the beginning of an important journey. IHCL is pleased to have gained another platform and source of capital, with similar projects expected in the future.

International business

- The company plans to spend GBP22m by Mar'26 for developing Chambers at its London Hotel.
- London witnessed strong growth in July (20% YoY growth), driven by Wimbledon and the India-England test tour. The company expects significant double-digit growth in the coming quarters as well.
- The San Francisco property is gradually recovering toward its earlier potential and posted strong recovery in 1QFY26.
- The US market performed strongly, with RevPAR growth of 18% on a combined basis, driven by the slightly higher ARR growth compared to the increase in OR. The international consolidated portfolio reported an occupancy of 78%, up 460bp, resulting in RevPAR growth of 13%.

Portfolio

- IHCL signed 12 hotels across its brandscape, including five Taj hotels (three of which are Luxury Wildlife Lodges in Kruger National Park, South Africa), two

SeleQtions and Ginger hotels each, and one hotel each under the Gateway, Vivanta, and Tree of Life brands.

- In 1QFY26, IHCL opened six new hotels, including a Taj in Alibaug, two SeleQtions resorts in Lakshadweep, a Gateway in Coorg, and a Ginger in Dehradun.
- Hotel openings will pick up pace from Sept'25, and the company is on track to achieve over 30 hotel openings in FY26.
- IHCL received MOEF approval in July, and the construction is expected to start by the end of the year.

Others

- Management plans to incur capex of INR12b in FY26 for assets under construction, renovation, expansion, and digital initiatives.
- The company has revised its capex strategy from not exceeding annual depreciation to not exceeding annual free cash flow, aligning with the high-growth phase of the industry.
- Around 2-2.5% of revenue growth was impacted by cancellations due to Operation Sindoor and flight disruptions in June.
- The company continues to target inorganic expansions.
- Two key assets, Taj Palace Delhi and Fort Aguada in Goa, are undergoing renovations.
- The ongoing 150-room renovation in Taj Palace, Delhi, is expected to continue for a few more months, with the entire inventory likely to be operational by Oct'25.
- Payroll costs were high this quarter due to wage hikes implemented in Apr'25 instead of Jul'25, resulting in an impact of ~INR110m. This impact is expected to be much lower in the upcoming quarters as costs normalize.
- Spiritual tourism has witnessed robust traction, with hotels catering to spiritual travelers reporting unprecedented numbers.
- Taj Falaknuma Palace performed exceptionally well this quarter, leading to high RevPar growth in Hyderabad.
- IHCL witnessed an increased license fee in 1QFY26, with an impact of ~INR20-25m. This was a one-off payment to a hotel previously under litigation. Other increases were part of the normal course of business.



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IndiaMart Intermesh

Buy

Current Price INR 2,622

Collections, paying suppliers, and customer additions

- The ratio of business inquiries delivered to unique business inquiries has decreased and currently stands at 3.3x.
- Management is not actively pursuing the addition of new paying suppliers at this time. However, the percentage of repeat customers and the NPS continues to rise.
- Around 80–85% of business inquiries are delivered to paying suppliers, while the remainder goes to non-paying (free) suppliers.
- While the company is not opposed to adopting a transaction-based model, there are currently no plans to change the existing revenue model.
- Metrics such as traffic, unique business inquiries (UBEs), and business inquiries delivered are considered leading indicators for the buy-side.
- Unique business inquiries rose to 29m, marking a 17% YoY increase.
- These inquiries are categorized into four quartiles based on seller traction. The company is working to reduce the lower quartile while increasing the share of the top quartile.

The image shows a screenshot of a document titled "IndianMART" with a table of financial data. The table includes columns for "Q1 FY26", "Q4 FY25", and "Q1 FY25". The rows list various financial metrics such as Revenue, EBITDA, and Net Profit. Below the table, there is a section titled "Management Commentary" which discusses the company's performance and outlook for the quarter.

- Platinum and Gold accounts continue to demonstrate strong upsell potential and high retention rates. ARPU has been the primary contributor to growth and would have grown by 5–9% if customer growth had accompanied it.
- Churn for Platinum and Gold accounts remains low, at approximately 1%.
- Silver accounts faced challenges such as difficulties in platform adoption and issues with lead quality or intent. The company has addressed these concerns and continues to make improvements, though churn remains elevated at 4% annually and 7% monthly.
- Monthly customers typically show lower engagement and purchase intent compared to annual customers. Annual renewals are expected around February–March next year.
- Reduction in churn is expected to take six months, supported by increased marketing investments, which have already contributed to the 17% rise in UBEs.
- GenAI is being leveraged to address core challenges and enhance customer experiences. For example, chatbots are now used to confirm buy-side leads, replacing phone calls.
- On the B2B side, while the company has yet to unlock GenAI-driven revenue opportunities, it is already seeing tangible cost and efficiency gains.

Cost and margin

- EBITDA margin was 36%, down 90bp QoQ and in line with our estimate of 36.4%.
- Advertisement expenses, including APM and affiliate marketing on social media, totaled INR 50–60m in 1QFY26 compared to INR 10m in 4QFY25.
- Early results from these campaigns are encouraging, although further optimization is required.
- Management has budgeted INR 60–100m per quarter for advertising (impacting margins by ~3%).
- The increased ad spend helped drive a 17% increase in UBEs, above the typical growth rate of 10–11%.
- Management expects that sustained advertising over the next three quarters will yield more visible outcomes.
- For FY26, the company expects sustainable margins in the range of 32–33%.

Other highlights

- Losses from associates remained stable during the quarter. One strategic investment was reclassified as an associate. Vyapar and Bizom are the key associates now.
- Busy Infotech: During the quarter, it sold 12,000 new licenses, bringing the total license base to 409,000. The company remains focused on expanding its customer base.

infoedge

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Info Edge

Neutral

Current Price INR 1,395

Recruitment

- Billings growth moderated to 9% in Q1, while revenue growth benefited from the carry-through of earlier momentum.
- Sector-wise: Tech, IT Services & BPM combined grew 8%, GCCs 17%, Other Sectors 7%, and Recruitment Consultants 6%.
- IT Services, BPM, BFSI, and Infrastructure expanded at low single digits, while Retail, Healthcare, and Manufacturing registered double-digit gains.
- The moderation from mid-to-high teens growth in previous quarters was driven by macro headwinds, softer demand, and client contract deferrals late in 1Q.



- Naukri's database now hosts 108mn resumes, with an average of 26k new resumes added daily during the quarter.
- IIMJobs, Naukri Gulf, and Naukri Fast Forward posted healthy YoY billings growth of 41%, 18%, and 15%, respectively.
- Elevated marketing spend was driven by IPL campaigns, database expansion in Tier 2/3 cities, and investments in smaller growth businesses.

Real Estate

- The first quarter billings were resilient in a seasonally softer quarter, aided by continued market share gains and strengthened leadership.
- Growth was supported by an increase in both billed customers and average billing per customer.
- Broker and channel partner billings outpaced developer billings.
- Live new project listings rose 17% YoY, while live resale and rental listings from brokers jumped 29% YoY.
- Continued to enhance digital performance marketing efficiency through analytics, creative content, and audience optimization.
- The business was operating breakeven and generated positive cash flow from operations in 1Q.

Other highlights

- Billings grew 36% YoY, with the business achieving operating breakeven and generating INR 6cr in operating cash flow.
- The matchmaking space remains competitive, with the top three players aggressively expanding market share.
- Core engagement metrics — such as acceptances and two-way chats — remained healthy.
- Continued to build on monetization efforts to grow billings. More reasons for users to pay were introduced in the quarter.
- Achieved operating breakeven; cash generation of INR 6cr.
- Marketing expenses remained stable at INR120–150m per quarter, supporting targeted growth while maintaining breakeven profitability.
- Shiksha: Domestic private universities and colleges continued to broaden their course offerings beyond engineering, giving students more options. Higher visa rejection rates for the US-bound students and weaker job prospects overseas have reduced interest in studying abroad; preference is shifting towards the UK and continental Europe. The rise of new private universities in India offers a growth opportunity for Shiksha to expand its reach.

Other margins

- Standalone operating margin dipped in 1Q due to seasonal IPL spending and investments in emerging/growth businesses.
- Marketing intensity remains structurally high in 99acres and Jeevansathi to drive share gains; discretionary in Naukri based on growth outlook and competitive activity.
- Strong cash reserves provide flexibility to invest in brand building even during softer market conditions.



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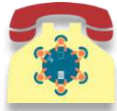
InterGlobe Aviation

Buy

Current Price INR 6,154

External Environment and Industry Context

- There were multiple external headwinds, such as the terrorist attack in Pahelgam, airspace closure in Pakistan, the tragic AI171 crash, and the Middle East conflict. However, despite these, INDIGO served 31m passengers, achieving a 12% YoY growth—double the industry rate (6%).



- Fuel Costs and Lease Strategy: Fuel cost reduction was driven by a decline in ATF prices, retirement of high-cost damp lease, and better fuel procurement terms.

Aircraft Rentals & Income

- Aircraft rental costs decreased as 16 damp-leased aircraft were returned.
- However, the wide-body leases for international expansion will partially offset savings.
- Other income (previously elevated due to AOG claims) will decline with a drop in grounded aircraft (now ~40).
- Domestic Network Growth- The company has launched new destinations and continued network densification through route and frequency additions across India.

Long-Haul & International Expansion

- The company signed an MoU with Airbus to convert 30 A350 purchase rights to firm orders (deliveries from 2032).
- INDIGO signed an agreement with North Atlantic for six wide-body aircraft to bridge the gap until Airbus delivers the orders.

Strategic Investments & Innovation

- IndiGo Ventures launched INR4.5b first fund.
- First investment in J Aerospace (Hyderabad-based aerospace & defense startup)

Fleet & Capacity Outlook

- Its FY26 capacity growth guidance remains in the early double-digits.
- 2QFY26 ASK growth to be mid-to-high single digits due to seasonal demand softness.
- Strong ramp-up planned in Q3 and Q4 via new deliveries and potential damp leases.

Cost & Profitability Outlook

- The company expects non-fuel ex-forex CASK to be flat in FY26 vs FY25.
- Natural inflation in airport fees and maintenance costs will be offset by damp lease reductions and efficiency gains.
- Yield decline in 1Q attributed to May-June disruptions; April was strong.

Management Commentary & Outlook

- Management remains confident in early double-digit ASK growth for FY26.
- 2Q ASK moderation is seasonal and planned; there was no revision in guidance by the company.
- 3Q and 4Q are expected to be strong demand quarters, backed by aircraft deliveries and reinstated capacity.
- IndiGo is focused on delivering affordable, reliable, and on-time travel, with disciplined growth, cost control, and value creation.
- The company is increasing its shift towards finance leases to build aircraft ownership.



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IRB Infra Neutral

Current Price INR 45

- Consolidated EBITDA stood at INR9.5b (+11% YoY) with a margin of 45.4% (-90bp); decline in margin was led by lower-margin utility shifting work and higher HAM execution share.
- BOT EBITDA stood at INR5.7b (margin 88%); InvITs & Related Assets EBITDA was INR2.1b (margin 91%); Construction EBITDA was INR2.2b (margin 18% vs. 30% YoY);



- Private InvIT per-day toll collection increased to INR113m (from INR103m in 1Q FY25), up 10% on traffic growth and tariff hikes; combined Private InvIT + IRB per-day toll collection stood at INR185m (+8% YoY).
- Distribution of INR530m declared by Private InvIT in 1Q FY26, proportionately contributing to IRB's cash flows.
- Palsit–Dankuni project received COD for 61km of the 63.8 km stretch; toll rates revised +47%, expected to boost annual collection by ~INR1b.
- Ganga Expressway Project received INR14.7b (~82% of total grant) from UPEIDA; construction progress on track.
- Interim dividend declared at INR0.07 per share (~INR430m).

Order book

- Order book at end-Jun'25: INR300b (excl. GST) – O&M: INR278b, EPC: INR22b.
- Post-acquisition of three SPVs (KG, KR, Shapur–Moradabad) from Private InvIT by Public InvIT for EV of INR84.5b, IRB to receive INR49b equity release, enhancing capacity to bid for new projects.
- The next two years executable order book (EPC + O&M) is ~INR43b.

Industry & bidding pipeline

- BOT bidding activity showing signs of pick-up; some projects lined up for Sep–Oct'25 bidding.
- NHA's awarding activity remains muted (only ~180 km awarded YTD FY26) due to delays in bid timelines despite identified opportunities.
- EPC/HAM margins expected to remain in the 18–20% range due to mix shift towards HAM and lower-margin utility work in 1Q

Guidance

- Construction vertical to grow at 15% CAGR over the next 2–3 years, supported by executable EPC order book and efficient execution.
- Stable EBITDA margins of 20–25% in construction; O&M execution to rise to 30% of order book in 2–3 years (from ~20–25% currently).
- Focus will remain on core road infrastructure; no diversification into unrelated sectors.
- Proceeds from asset monetization to be used for competitive bidding in upcoming BOT/TOT opportunities.

Kajaria

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Kajaria Ceramics

Buy

Current Price INR 1,275

Demand trend and sector outlook

- The domestic market for tiles remained muted during the quarter, primarily due to subdued real estate activity and softer overall demand. However, management expects an improvement from 2QFY26 onwards, supported by a gradual pick-up in government spending, infrastructure push, and real estate project execution.
- Exports remained under pressure owing to geopolitical challenges. Exports for FY25 stood at INR160b v/s INR 200b in FY24. For 1QFY26, exports were ~INR45b, with full-year exports expected to reach INR190–200b, provided external headwinds ease.
- Despite the weak sector backdrop, the company's volumes have not been materially impacted so far, aided by strong domestic dealer reach and focused branding in Tier-II and Tier-III cities.
- Management indicated that while the market remains competitive, there has been no significant impact from competition in Morbi or the inframart. Demand traction is visible in Tier-II cities with more showroom uptakes.

- KJC's revenue mix: ~15% from Tier 1 cities, ~30% each from Tier 2 and Tier 3, and the remaining from other areas. Its regional mix is: 35% from the North, followed by 30% from the South, 20% from the East, and 15% from the West.

Other operational highlights

- KJC has begun integrating its three tile segments — Ceramic, PVT, and GVT — under one unified sales and marketing framework. This strategic unification is expected to optimize resources and reduce overlapping costs. Earlier, separate sales teams handled different tile categories, whereas, now a single salesperson will cater to dealers for all tile varieties, improving efficiency and dealer service.
- The average gas price stood at INR37/scm, with North at INR38/scm, South at INR39/scm, and West at INR36/scm. It continues to focus on optimizing input costs, including packaging material, raw material sourcing, and other overheads.
- Promoters have undertaken significant cost control measures, foregoing their salary for FY26 (FY25 promoter salary was INR170m). Going forward, promoters will resume taking salaries only when operating profit crosses INR10b.
- Cost savings have also come from reduced advertisement and travel spending, as the company shifts branding investments towards more strategic areas like Tier 2 and Tier 3 markets to enhance market share. The Karonite brand, an economy offering that underperformed, has been discontinued, with remaining stock expected to clear in the next 1–2 months.
- Bathware revenue remained flat YoY to INR915m. Estimated revenue of INR4.8b in FY26 (vs. INR3.9b in FY25). Expected to turn profitable this year, led by scale benefits and cost restructuring.
- Adhesives' revenue grew ~64% YoY to INR249m. Targeting total revenue of INR1.2b+ in FY26 (vs. INR770m in FY25) with EBITDA margins at 17%. Gailpur, Rajasthan plant started operations in May'25, and the Erode, Tamil Nadu plant is set to commence production in the next 3-4 months, enabling Southern market expansion.
- Nepal Ceramic/GVT capacity was 5.1MSM, and capacity utilization stood at ~69% in 1QFY26.



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KNR Constructions

Neutral

Current Price INR 204

Industry opportunity

- The road sector witnessed muted ordering in 1Q FY26, with NHAI awarding only 166km of projects between Apr–Jun'25. Execution, however, showed a marginal improvement, with 1,092km constructed, slightly ahead of the prior year. The slowdown in new awards was largely due to the government's decision to initiate bidding only after securing 90% land acquisition, aimed at minimizing execution delays.
- The project pipeline remains robust, with ~INR3.4t worth of opportunities spanning 6,376kms across 124 highway and expressway projects. Of these, ~84 projects are expected under HAM, 28 via EPC, and 12 under BOT.
- Sector reforms include additional performance security requirements for aggressively priced bids, tighter eligibility norms for consultants, and the adoption of smart construction technologies for real-time monitoring and efficiency gains.

Order book and bidding pipeline

- As of Jun'25, the order book stood at ~INR83b, comprising 27% roads, 17% irrigation, 13% pipeline, and 43% mining projects. Client-wise, 29% of orders are from third-party clients (74% state govt, 4% central govt, 1% private sector) and

71% captive. Excluding mining, the order book is executable over the next 18-24 months.

- The company targets INR100–120b of fresh orders in FY26, excluding the recently secured INR35b mining contract from NTPC (74% KNRC's share). The bidding pipeline includes ~INR3.5b of L1 positions, with key opportunities in Tamil Nadu, Andhra Pradesh, Telangana (GHMC flyover, Musi riverfront), irrigation projects in MP/Rajasthan/Bihar, and NHAI's INR3.4t pipeline.
- Of the revised INR9.9b equity requirement for HAM projects, INR6.3b has been infused to date, with the balance INR3.1b to be deployed over FY26 and FY27.

Other highlights

- Working capital days rose to 169 in 1Q FY26 (vs 93 in Mar'25) due to delayed payments from Telangana irrigation and HAM projects, alongside lower execution in irrigation, which inflated receivable days.
- Irrigation receivables: INR13b pending from Telangana projects (~INR8b certified bills), with management expecting ~INR12b recovery by Mar'26 following state-level assurances. Further, two Telangana projects worth ~INR4.3b were awarded in FY26.
- Mining project: JV with NCC (74:26) awarded Vemardi coal mine in Jharkhand (INR48b excl. GST). First-year revenue ~INR900m, ramping to ~INR7b annually.
- The majority of existing projects were more than 90% complete, and new orders received appointed dates only recently, which led to lower execution in 1Q FY26; the irrigation share of revenue was down to 6% in 1Q FY26.
- Unbilled revenue stood at ~INR10b as of Jun'25 (INR5b irrigation, balance INR5b in roads).
- KNR is planning to enter the metro, railway, BOT toll, and solar sectors, and is exploring JVs for capability expansion.
- Monetization: Sale of four HAM assets in advanced stages; deal closures expected within one month.
- Net debt-to-equity at 0.43x (Jun'25) vs 0.41x (Mar'25).

Guidance

- FY26 revenue guidance revised to INR20–25b (vs earlier INR25–30b), given limited contribution from new orders and ~INR900m expected from mining in the first year.
- FY26 EBITDA margin expected at 13–13.5%.
- Water pipeline project to contribute ~INR5b revenue in FY26.
- Capex in 1Q FY26 was ~INR20m; FY26 capex is expected to be ~INR2b; mining-related capex of INR3–4b to be incurred in FY27.
- Strong execution pick-up expected in FY27, with potential revenue of INR30–35b, supported by mining, water pipeline, and HAM project contributions.



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Lemon Tree Hotels

Buy

Current Price INR 156

Aurika Mumbai Performance & Outlook

- Focus on Occupancy: Primary goal was to achieve sustainable occupancy levels; delivered 76% OR in 1QFY26. Post stabilization, the company will focus on rate increases.
- Corporate & Airline Segment: Achieved 50% growth in corporate business with higher rates; airline contribution also rose.
- Occupancy Metrics: 512 rooms/day at 76.6% OR in 1QFY26 vs. 45.8% in 1QFY25.
- Of this improvement in OR, 65% growth came from the negotiated business (corporate & crew), rest from non-negotiated. ARR remained modest due to a focus on occupancy. Strategy was primarily to fill rooms.

The image shows a screenshot of a financial statement for Lemon Tree Hotels for the fiscal year 2025. The document is titled 'Lemon Tree Hotels' and includes various financial metrics and a table of contents. The table of contents lists sections such as 'Management Discussion & Analysis', 'Financial Results', 'Key Performance Indicators', 'Risk Factors', 'Corporate Governance', and 'Financial Statements'. The financial results section includes a table with columns for 'Particulars', 'FY2025', and 'FY2024'. The table contains data for various financial metrics, including Revenue, Earnings Before Interest and Taxes (EBIT), Earnings Before Tax (EBT), and Net Profit. The revenue for FY2025 is ₹1,000.00 crore, and for FY2024, it is ₹900.00 crore. The EBIT for FY2025 is ₹150.00 crore, and for FY2024, it is ₹140.00 crore. The EBT for FY2025 is ₹140.00 crore, and for FY2024, it is ₹130.00 crore. The Net Profit for FY2025 is ₹100.00 crore, and for FY2024, it is ₹90.00 crore.

- Expecting good momentum for 2HFY26.
- Currently only 4 Aurika managed properties. Facing challenges in securing Aurika management contracts as high-quality assets prefer foreign or top domestic premium brands.

Organizational Restructuring

- Two board committees formed for restructuring within LEMONTRE and Fluer.
- Leadership Changes (effective October 1, 2025):
- Mr. Patanjali Govind Keswani: Executive Director & Chairman (18-month term) of Lemon Tree and Fluer (Material Subsidiary), stepping down as MD on 30th Sep'25. He will be guiding the strategic oversight, expansion, and asset-light growth, while transitioning executive duties to the MD & CEO.
- Key appointment for Lemon tree hotels:
- Mr. Neelendra Singh, with 26 years of experience (including key leadership roles at Adidas), is appointed as the Managing Director, responsible for day-to-day operations and business oversight.
- Mr. Kapil Sharma, the current CFO, will be elevated to the Board as Executive Director & CFO, overseeing finance, strategy, technology, legal, secretarial, and procurement.
- Mr. Vishvapreet Singh Cheema was appointed President effective 9th Jun'25. He leads operations, HR, and revenue, bringing a rich hospitality background, including leadership roles at IHG and other major brands.
- Key appointment for Fluer:
- Mr. Saurabh Shatdal is appointed Managing Director & CEO, responsible for operations and strategic initiatives. He brings 27 years of expertise in capital markets, real estate, and hospitality.
- Mr. Mayank Sharma continues as Chief Financial Officer, overseeing finance, strategy, technology, asset management, and procurement. He brings over 15 years of diverse financial leadership experience.
- Mr. Sanjeev Jain remains the Vice President – Projects & Engineering, handling design, project oversight, and renovation of both new and leased hotel properties. An IIT Bombay alumnus with 33 years' experience.

Overall Renovation Program

- Pre-COVID, the company renovated 1/6th of hotel rooms every year (i.e. 1.5-1.8% of revenue). However, with the addition of Keys portfolio and new hotels in FY19, followed shortly by the onset of COVID-19, planned renovations were delayed. The company is in the process of catching up on these deferred renovations.
- The company is now spending ~INR100crs on renovation (run rate). All renovations are expected to be completed by Oct' 26.
- To renovate - ~4300 rooms post COVID: 65-70% completed in the last 2-2.5years, and balance by Oct'26. ~1200 rooms are expected to be renovated in FY26.

Keys Portfolio Renovations

- Keys Pimpri: Renovated at ~INR100-120m; ARR up INR1,300-1,400; OR up 10pp; Currently ARR stands at over INR5,500.
- Keys Whitefield: Renovated at ~INR100-120m; ARR now ~INR 4,500.
- Keys Ludhiana: Renovation cost INR0.3m/room.
- Total Keys renovation capex: INR450-500m over three years.
- Post-renovation target: INR600-800m annual EBITDA from Keys at ~50% EBITDA margins.

Other Key Renovations & Timelines

- Lemon Tree Delhi: To be completed by Aug'26.

- RedFox Delhi: 60% room renovation done and balance to be completed by next year. Rebranding to LEMONTRE to raise rates by 10-15%.
- LTH Electronic City, Bangalore: Renovation to be completed in the next one to two years and will rebrand to Lemon Tree Premier.
- RedFox Hyderabad: Convert to Lemon Tree next year.
- Lemon Tree Gachibowli: To be completed in next 18 months.
- Keys Hosur: Renovations will continue until early CY28.

Lemon Tree 2.0 Strategic Goals

- Target: 20,000 rooms (including pipeline) by FY28, likely to be achieved earlier.
- Long-term aspiration: Add 30,000-40,000 management rooms.
- Debt-free target: Within next 18 months.

Other key highlights

- Proposed listing of Fluer by end of next year. Fluer's mandate: Focus on building, buying, and leasing hotels.
- The company discussed significant capex related to hotel renovations, with plans to spend approximately INR1.3b this year, split between 60-65% opex and the remainder capex.
- One-off expenses expected in FY26: 1) Technology operating expenses: ~INR 10-12 crore; 2) COVID-era senior management pay cuts being reimbursed in FY25 and FY26, recorded under other expenses.
- The company has undertaken a BCG-led assignment for digital transformation to enable hyper-growth. The IP generated is held under the wholly-owned subsidiary, Total Fox Solution. This subsidiary also has in-house data scientists and specialists.
- Some key transformations are in areas of Gen AI, chatbots, and predictive AI for revenue management and boosting the loyalty program.
- Loyalty Program: 2.1m members; 43-44% repeat customers.



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MTAR Technologies

Buy

Current Price INR 1,498

Overall guidance

- The management anticipates sequential improvements with strong revenue growth in 2HFY26, led by the development of new products and operating leverage.
- The revenue growth guidance for FY26 is 25%, with an EBITDA margin of 21% (+/- 100bp).

Clean Energy

- MTARTECH expects 15–20% revenue growth in FY26 (conservative estimate), with significant growth anticipated in FY27.
- New product development has been initiated for Bloom Energy.
- Bloom has provided a 25% higher order forecast for FY27 compared to FY26.
- MTARTECH has received an approval to start raw material sourcing and related arrangements for Bloom's FY27 orders.
- Customers have assured stability in order flows despite broader market uncertainties.
- The global data center market is projected to grow 115% (from 175 MW to 375 MW) over the next decade, supporting fuel cell demand.
- MTARTECH is seeing a gradual increase in wallet share, not just in Hotboxes but also in enclosures and other components.
- No impact of tariffs has been seen currently; MTAR remains cost competitive and is seeing strong traction from US orders.

- MTAR has higher capacity and broader engagement with Bloom than its Taiwanese competitor, helping maintain its wallet share.
- The scale-up of Electrolyser will take time as the global infrastructure is still under development.
- MTARTECH expects INR1.3-INR1.5b quarterly revenue from Bloom in FY27, compared to INR1b in FY26 (similar to the current quarter).

Nuclear

- The company has submitted quotes for upcoming PHWRs (Pressurized Heavy Water Reactors), including Kaiga 5 & 6, Tarapur, MP, Rajasthan, and Chennai.
- Five reactors are undergoing refurbishment, offering strong order flow potential for MTARTECH.
- INR10b worth of orders are expected over the next 3-6 months, which will be executed on a fast-track basis within three years.
- Kaiga L1 announcement is expected by Sep'25–Oct'25.
- The company is targeting the execution of ~INR600m worth of orders in FY26.
- It is setting up a new dedicated facility near the existing one, primarily for debottlenecking, not large-scale expansion.
- No competition is expected from global players setting up light water reactors in India; in fact, MTARTECH may become a vendor for these companies.

A&D

- The company is actively strengthening its defense portfolio by participating in critical component tenders.
- EU nations are seeking partnerships with Indian companies in defense; MTAR aims to capitalize on this opportunity.
- The company expects ~80% revenue growth in the defense segment in FY26, reaching INR1b-INR1.2b, driven by repeat orders and capacity expansion.
- It anticipates exponential growth in the defense business over the coming years.
- The space segment remains stable, with expected electromechanical actuator orders worth INR600m-INR650m.

Products

- The company is expecting ~20% revenue growth in FY26 from this segment.
- It is actively working on ASP (Advanced Subsystems & Products), ball screws, and valves.
- Valves – development is underway; the company is exploring new opportunities in this category.
- Ball screws – orders have been secured from MNC customers, enabling strong validation of capabilities.
- ASP – the company is supplying components to Bloom Energy, supporting long-term growth visibility.

Others

- The company is currently working on Prototype 2, which is expected to be completed within this quarter. Upon completion, MTARTECH will initiate discussions on a formal agreement with Fluence.
- It has recently entered into a long-term agreement with Weatherford in the Oil & Gas segment after the successful completion of first articles.
- The company is setting up a new dedicated facility in Hyderabad SEZ with INR700m capex in FY26; it is expected to be commissioned by Jun'26. The company is exploring opportunities to cater to other Oil & Gas companies from the same facility.
- The company's working capital has stretched due to lower revenue realization from certain customers, leading to a delay in receivables in the last week of the

quarter. The delay was primarily from Israeli customers due to the ongoing war situation; payments have since been received.

- The company is targeting to reduce the WC cycle to 200 days by the end of FY26.
- Total capex for FY26 (including sustenance + Oil & Gas facility) will be over INR1b.
- FY27 capex is expected to be much lower at INR200m-INR300m.
- FY26 capex will be partly funded by debt (~70%) and the rest through internal accruals.
- Current debt is planned to be fully repaid within the next 2–3 years.
- Improvement in gross margins will be driven by the company's focus on long gestation, high-value projects in nuclear, defense, and aerospace segments.

Paytm

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One 97 Communications

Neutral

Current Price INR 1,248

Revenue and expenses

- Contribution margin stood at 60%, which the company aims to maintain in the high-50s in FY26.
- Merchant subscriptions reached an all-time high of 13m, aided by high-quality devices and superior service network.
- The number of POS machines reached over ~1m. PAYTM has now started offering card sound box with a chip, which is being installed in enterprises.
- Payment business includes subscription and does not include financial services. It is a profitable business, and the company continues to believe that payment alone will be a big driver of profitability.
- Not actively pursuing cost-cutting, but investing in areas where there is future growth.
- Does not have significant amount of DLG so trail revenue will be a bit lower; therefore, the company guides for contribution margin in high-50s.
- Number of devices accepting credit card increased, which led to high payment processing margins. The company's QRs are accepting credit cards.
- UPI volume is not accounted for in any revenue, so yield is looking low currently.
- PAYTM does not plan to increase prices now, as competition is growing.
- In consumer credit, PAYTM is facing a little drag, though it will get a lot of monetization in the next ~6-12 months.
- EBITDA margin will see a significant improvement by FY26 end.
- GMV growth is driven by an expansion in its merchant base, and the company will be able to grow this by farming the current merchants and adding more merchants.
- EMI on devices will be considered payment revenue.
- There is a large opportunity on the card side and there will be developments in UPI. In the next 2-3 years, card acceptance will grow.
- In terms of app experience, over the last two quarters, PAYTM has made its payment offering much more prominent, as the company is aiming to retain consumers, which gives PAYTM the upsell opportunity.

DLG

- It is the same lender who has been forgoing DLG as the book has performed well and they are showing comfort.
- Partner portfolio (AUM) is down by 40%, so there has been reduction in FLDG disbursements.
- The reduction in expenses was due to cost rationalization. Collection cost is down as partner AUM has moderated.

Costs

- Increased automation is driving higher productivity. Operational capabilities are improving, and no one-off costs are expected going forward.
- Indirect expenses have declined as efficiency is improving. EBITDA margin expansion will come from high-margin revenue and discipline on indirect expenses.
- The company charges for the sound box in two years. It is increasing the features in the sound box, which will increase customer retention. They do more refurbishments than peers.

Lending business

- Personal and merchant loan mix is roughly the same as it was in previous quarters. Paytm is purely a distributor and so it has stopped reporting lending data.
- No significant recoveries can be seen; it has been linear.
- A small credit issue of less than INR50k was an overhang, and there is no other KPI related to wallet.
- When personal credit comes back, BNPL will also return.
- Paytm is lending 30-40% of capital availability. In merchant lending, the majority of business is repeat business.
- Merchant lending has been healthy. In terms of personal loans and credit cards, the company will wait for a recovery.
- On every internal process, they are focused on AI-driven solutions.
- Personal loan business – change will be cycle dependent, mostly 2-3 quarters away.
- MTU increase is not only due to the addition of customers but also higher retention and engagement of customers.

Others

- The company sees potential of over 100m merchants, who will accept payments, and it believes that over a period of time, 40-50% of these merchants will need subscription services for managing their business needs.



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Prince Pipes

Buy

Current Price INR 328

Demand and Market Environment

- The quarter was impacted by subdued demand across core end-user segments such as agriculture and construction, along with a noticeable decline in government infrastructure spending.
- This environment led to inventory rationalization among key channel partners.
- A sharp correction in PVC prices during the quarter further contributed to destocking, which in turn weighed on operating profits.
- However, management indicated that channel sentiments have improved and PVC prices appear to have bottomed out, which could support demand revival going forward.
- Management remains optimistic about a gradual demand recovery in the coming quarters, supported by improving activity in residential real estate and anticipated momentum in government infrastructure projects.
- July has already witnessed a strong start in volumes, primarily driven by the residential building materials segment. However, the agri segment continues to lag.

Operational Performance

- Prince Pipes reported an inventory loss of INR150–200m in 1QFY26 due to the sharp PVC price correction.

The image shows a screenshot of a financial report titled 'Prince Pipes and Fittings' by Motilal Oswal. The report includes a table with financial data and a detailed analysis of the company's performance. The table lists various financial metrics such as Revenue, EBITDA, and Net Profit, along with their respective percentages and trends. The analysis section provides a narrative overview of the company's operations, highlighting its focus on brand-building and expansion into new markets.

- The interest cost for the quarter increased as the company capitalized most of the expenditure related to its Bihar facility. With the commissioning of the plant, interest outgo is expected to reduce going forward.
- Net debt currently stands at approximately INR1b.
- While return ratios have temporarily declined due to higher capex and margin pressure, the company remains confident of returning to its long-term ROCE range of 15–20% once profitability and utilization levels normalize.
- In Q1, CPVC volumes grew by high single digits and outpaced traditional PVC segments. CPVC now contributes over 25% of total revenue, up from 15% earlier, reflecting a strategic shift toward higher-value products.
- In terms of segment mix, agriculture contributes 30–35% of annual revenue, infrastructure accounts for 3–4%, water storage is around 1%, while the remaining share comes from building material segments such as plumbing and SWR.

Guidance and Outlook

- For FY26, the company has guided for high single-digit to low double-digit volume growth. Margins are expected to improve sequentially, with 4QFY26 margins projected to normalize around 12%. No further inventory losses are anticipated.
- The company is targeting total inventory days of 70–75. Raw material inventory days have improved from 45 days in March 2025 to 35 days in June 2025, with the target to maintain them at 30–35 days. Finished goods inventory days, however, increased from 35 to 40 over the same period, likely due to stocking for newer product lines and regional expansions.

Capacity Additions and Capex

- The company continues to execute its capex plans in line with its growth strategy. Capex in 1QFY26 stood at INR750m, with an additional INR1.6–1.7b planned over the remaining nine months of FY26, largely toward the Bihar facility and expansion of the Aquel bath ware business.
- The 8th manufacturing unit in Begusarai, Bihar, which commenced operations last quarter, currently has a capacity of 58,000 MTPA and is expected to reach 60,000 MTPA by the end of September 2025.
- While utilization remains low as product ranges are being developed, the company expects a pickup from mid-Q2 or Q3.
- Bihar facilities' contribution to EBITDA is likely from Q3 onwards, although break-even on the Bihar investment is expected over a 5-year horizon at 70% utilization.

Bath ware Business (Aquel)

- Aquel, the company's bath ware division, has expanded its footprint into South and East India after a successful launch in the North and West.
- In Q1FY26, the segment reported INR110m in revenue but incurred a loss of approximately INR50m.
- Management expects the bath ware business to break even in the next four to six quarters, i.e., by mid-FY27. Revenue from this segment is projected to be in the range of INR500 to 600 crore in FY26, driven by contributions from newer geographies.

Others

- Prince Pipes continues to invest in brand-building initiatives to deepen customer engagement. Advertising and marketing spend during the quarter was approximately 1.7–1.8% of sales and is expected to be maintained at ~2% for the full year.



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- A key branding initiative included a strategic partnership with Indian Railways to enhance visibility across high-footfall platforms like Vande Bharat and other premium trains.
- The company retains strong market share positions in key states such as Gujarat, Uttar Pradesh, and Telangana.

PVR Inox

Neutral

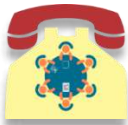
Current Price INR 1,085

- **Box office trends:** PVR INOX delivered a robust Q1FY26 performance (revenue up 23% YoY). This is attributed to strong performance by Hindi cinema (+38% YoY) and a rebound in Hollywood collections (+72% YoY), driven by several tentpole movies. Premium formats saw a 20% YoY growth in admissions, driven by improved Hollywood content slate. Further, management indicated that 2QFY26 and 3QFY26 should see sustained momentum, driven by an improving content slate across languages.
- **Initiatives to improve footfalls:** Admissions rose 12% YoY to 34m, supported by initiatives focused on affordability (INR99 'Blockbuster Tuesday' offer reactivated ~1m dormant users), and alternate content (IPL streaming, concerts, re-releases, which added 0.5m admissions). July delivered the highest monthly footfalls in 18 months, and management remains confident on FY26 admissions exceeding FY24 levels (~150m).
- **F&B performance:** F&B SPH hit an all-time high of INR148 (up 10% YoY), primarily driven by better customer conversions rather than price hikes. Weekday value packs and refillable formats (for unlimited Pepsi and Popcorn) also improved the overall SPH.
- **Karnataka Draft Regulation impact:** The ticket price cap was a draft and is yet to be notified. The draft has received over 700 objections, and key details such as applicability on premium formats and tax inclusion/exclusion remain unclear at the moment. PVR INOX's Karnataka expansion plans remain unchanged due to the draft regulation.
- **Advertisement income:** Ad income grew 17% YoY and was the highest post-pandemic, driven by the release of big ticket movies, which attracted strong advertiser interest.
- **Capital-light expansion:** PVR INOX is focused on scaling via capital-light formats, asset-light, and FOCO to enhance RoCE and FCFF. Under asset-light, developers co-fund capex, while FOCO model involves zero capex from PVR INOX. FY26 capex is likely to remain ~INR4-4.25b (with ~INR2.5b for new screens). Though currently a small share, capital-light formats will accelerate expansion and debt reduction (declined INR0.6b QoQ to INR8.9b).
- **Convenience fee:** Convenience fee income grew 9.8% YoY to INR481m (vs. 23% YoY growth in ticketing revenue). Management indicated that base quarter had a one-time gain of INR35m. Adjusting for the same, growth was ~19.5%, broadly in line with ticketing revenue growth.
- **Disciplined cost management:** Consolidated fixed costs rose just 2.8% YoY to INR 8.64b, despite 23.1% revenue growth. Rentals grew 5% YoY (6.2% for comparable cinemas), aided by renegotiations and waivers; annual rental outflow for PVR INOX is ~INR12.5b. Management aims to keep rental growth below revenue over the next 2-3 years. Utilities and other overheads declined

YoY due to tech-driven staffing, energy optimization. While the asset-light model is still nascent, it is expected to drive long-term structural cost efficiencies.



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Quess Corp

Neutral

Current Price INR 270

1QFY26 performance

- General staffing remained flat year-on-year due to muted headcount growth; however, signs of recovery were visible in Jun'25. Margin expansion remained constrained as flat-fee contracts do not support margin expansion.
- M&I and BFSI registered growth, while the CRT segment recorded a marginal decline. Summer products experienced softer growth due to the early onset of monsoon, which impacted retail demand.
- The associate-to-core employee ratio declined to 23% YoY, with 79,000 new additions in 1Q. Recruitment will be ramped up for the July-October period. Open mandates are increasing, and the ratio is expected to reverse as seasonal demand fades.
- Interest rates have come down, increasing BFSI clients' openness to expanding hiring.
- While the electronics manufacturing and auto sectors showed signs of a slowdown earlier, a gradual recovery is underway. The outlook remains positive for retail demand until October (Diwali).
- In the construction segment, the company operates on a bill-rate model. Gross margins here can be 3 to 4 times that of other segments, though this remains a long-term opportunity. The company is currently working with three customers in this segment.
- Professional Segment: Growth is largely driven by niche and strategic segments rather than pure headcount expansion. A favorable deployment mix and investments in an AI-driven delivery model have contributed to this growth.
- The EBITDA contribution of professional staffing increased from 23% in FY25 to 29% in 1QFY26. This was led by deeper engagement with capability centers (GCCs). The company expects to sustain double-digit margins for this segment.
- Average wages have increased, aiding margins, as the company operates on a percentage-commission model.
- GCC exposure currently stands at 73%, primarily driven by digital, hi-tech, media, and telecom sectors. The company works with 157 GCCs. Of the 12 new logos added, 10 are for GCCs. Around 68% of open mandates are from GCCs.
- The ELI scheme will go live on 1st August. The scheme aims to formalize the labor market and address the challenge of retaining entry-level employees. It offers DBT-based benefits after a few months, which is expected to help reduce attrition. The company will provide better guidance after the next quarter.
- The company launched Origint, a GCC-as-a-service platform, to tap into India's growing GCC opportunity. Having built IT staffing capabilities over the years, the company is well-positioned to support hiring, infrastructure services, and plug-and-play models. The platform follows a cost-plus markup model and is not capex-heavy.
- Overseas Business: Singapore continues to face challenges due to visa issues, resulting in a 7% QoQ decline in headcount. A strategic shift to general staffing is helping offset the decline in professional staffing. The company is now focusing on a localized business model.

- EBITDA margin for overseas operations was 5.9%. Despite headwinds in Singapore, margins expanded due to contributions from other geographies. This trend is expected to continue.
- Singapore is no longer the largest contributor; the Middle East has taken the lead.
- IT remains the dominant sector, followed by BFSI and Retail.
- The Middle East, Philippines, and Malaysia recorded both headcount and EBITDA growth, especially in the IT and ITES sectors.
- 32 new contracts were added during the quarter.

Valuation and view

- We estimate revenue growth of 6.2%/15.2% in FY26/27, with stable EBITDA margins (~2%) over both years.
- While QUESS stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters continues in 1Q, too. We reiterate our Neutral rating with a TP of INR340, valuing the stock at 19x FY27E P/E, as we believe the current valuations broadly reflect the medium-term upside.



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SBI Cards & Payment Services

Neutral

Current Price INR 818

Opening remarks

- In Apr'25, the RBI reduced its GDP growth forecast to 6.5% from 6.7%.
- India's payments landscape is undergoing a significant transformation.
- As per a recent study, the credit card industry is expected to double to 200m cards.
- SBICARD remains India's largest pure-play credit card issuer, with a 19.1% market share in CIF and 16.6% in spending.
- The company continues to introduce customized card offerings for customers.
- CIF rose 10% YoY, though the company remains cautious on new card sourcing.
- Total spending grew 21% YoY; retail spends rose 15%, driven by both POS and e-commerce usage.
- Travel and airline-related spends witnessed strong growth.
- UPI transaction volumes increased 20% YoY.
- New product launches include cards with Tata Neu and Apollo (healthcare).
- Signed an MoU with Bank of Maharashtra to serve its customer base.
- With repo rate cuts, CoF fell to 7.1%, and is expected to decline further. Stable yields make SBICARD a key beneficiary.
- Credit costs rose in 1Q due to higher ECL rates. The company expects them to remain range-bound in the near term.

Credit cost and ECL

- ECL resets were implemented during the quarter, alongside an increase in net earning assets. ECL rates are expected to stay within the range seen in 4QFY25-1QFY26.
- Newly acquired customers are performing well.
- Credit costs are guided at 9.0-9.6% due to the ECL reset.
- The increase in delinquencies is largely due to the runoff of older books; newer books are exhibiting more stress.
- As legacy portfolios roll off, ECL rates may rise, even with AUM growth.
- ECL models are refreshed on a quarterly basis.

Asset quality

- The company is more selective in underwriting and customer onboarding.
- Delinquencies are trending lower, with improving flow metrics; this positive trend is expected to continue steadily.

Opex and other income

- Several campaigns were run in 4Q, but campaign intensity reduced in 1Q, leading to lower marketing spend.
- A decline in new card acquisitions contributed to reduced acquisition costs and a lower C/I ratio.

NIMs, cost and yields

- NIMs improved in 1QFY26 after adjusting the 20bp one-off impact seen in 4Q.
- The company has also optimized its borrowing mix during the quarter.
- The full impact of the Jun'25 repo rate cut will reflect in 2QFY26, likely reducing CoF by 20-25bp.
- A lease-related benefit in 4QFY25 contributed around 10bp to margin gain in 1Q.

Spends; loans and receivables

- Retail growth across the industry remains muted; however, the company expects 10-12% YoY growth in receivables in the upcoming quarters.
- Spends per card is INR17k. On RuPay cards, the average spending is higher at INR3-3.5k per card, above the normal card. RuPay card profitability was largely similar. There is a lower interchange in RuPay cards. For example, the normal card has an interchange of INR100 and the Rupar card has INR70-75. The lower interchange in RuPay is offset by higher-than-average spending in RuPay.
- Corporate cards command a higher interchange. Interchange varies by card type and merchant category, typically ranging around 1.35-1.45%.
- Focus remains on acquiring high-quality customers, targeting a run rate of 0.9-1m cards going forward.
- Expects card sourcing to pick up during the festive season.
- No signs of a slowdown in overall spending — total spends grew 21% YoY; spends per card are also rising. Adjusted for declining rental payments, spend growth is in the low-20s.

Guidance

- With repo rates easing, CoF has reduced to 7.1%, and is expected to fall further, supporting margins.
- Credit costs are likely to remain range-bound in the coming quarters.
- Receivables growth guidance is lowered to 10-12% (from 12-14%) but may improve during the festive season.
- Credit costs are expected to remain in the 9.0-9.6% range, reflecting the updated ECL framework.



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SIS

Buy

Current Price INR 360

Quarterly performance and outlook

- SECIS's revenue grew 13.4% YoY/3.5% QoQ to ~INR35.4b
- The company is increasingly promoting technology-based solutions over traditional guarding services. However, customer adoption of technology remains limited, as manpower remains relatively inexpensive. The pace of wage increases has a direct bearing on tech adoption.
- Growth drivers for business include – 1) minimum wage escalations – all contracts are linked and pro-rated to prevailing minimum wages; 2) Economic activity continues to support demand, especially in public utilities like metro

systems and private infrastructure, which require uninterrupted private security services; 3) Government procurement remains strong, and there is visible demand from the manufacturing sector.

- **Security Solutions – India:** The segment reported new contract wins worth ~INR380m of monthly revenue during the quarter. Major contributors to this growth were clients from the e-commerce, construction, manufacturing, BFSI, and retail sectors.
- **Facility Management Solutions:** This segment secured new contract wins worth ~INR250m of monthly revenue. Growth was primarily driven by clients in the energy, automobile, construction, and manufacturing sectors.
- **Pest control remains a highly profitable but small-scale business.** The company has set a five-year plan to double the scale of this business to INR1,000m in ARR. It is considered a complementary offering to the IFM portfolio. Hence, SIS has taken 100% control of this operation to keep it in-house.
- **Security Solutions – International** posted ~18.9% YoY CC growth, supported by new business wins in the energy and airport sectors.
- Initial onboarding costs for these new contracts impacted margins temporarily and are expected to normalize over the next few quarters.
- There are no major operational challenges currently.
- Following the completion of ongoing restructuring efforts, the company expects margins to return to the 4-4.5% range.

Margins:

- Consolidated EBITDA margin stood at 4.3%, down 10bp YoY. Margin performance was supported by the rationalization of SG&A expenses and better customer portfolio management.
- Historically, the company has delivered EBITDA margins of around 6% and remains committed to returning to that level in the coming quarters.
- EBITDA margin in Security Solutions – International declined to 3.0%, largely due to weaker performance in the Events business and one-off seasonal costs in Australia.
- Restructuring costs related to SXP also weighed on margins, as SIS exited underperforming management. Some margin volatility is expected through 3Q.
- Despite the ACR, the Security Solutions – India segment maintained a stable EBITDA margin at 5.4%.
- Trade receivables over one year are primarily from government and PSU clients. The company maintains over 10% provisions against such receivables as a prudent measure and finds this level to be adequate based on historical trends. Efforts are ongoing to reduce the outstanding receivables over one year.
- Goodwill impairment in the quarter was related to the Henderson business (90% impaired). However, it is now operating at a breakeven level and has shown YoY growth. In the consolidated context, it remains a relatively small business.
- The effective tax rate (ETR) for the India business is currently 0%. The tax outgo in this quarter was related to inter-company dividends. In international markets, SIS pays a tax rate of ~30%.

Other Comments:

- SIS-Prosegur, the company's Cash JV, has received approvals for its IPO from SEBI, BSE, and NSE. The JV now has a one-year window to list. Proceeds from the IPO will be used to reduce SIS Limited's debt.
- As part of the SIS Ventures initiative, the company invested INR60m in Adhikosh Financial Advisory (Kosh), a fintech platform focused on providing Joint Liability Group (JLG) loans to blue-collar workers in Tier 2–4 towns across India.



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Supreme Inds

Buy

Current Price INR 4,539

Guidance and outlook

- The 1QFY26 demand was hit by the early arrival of the monsoon, particularly affecting the agri-piping segment, but a strong rebound is expected in housing and agriculture demand from the upcoming quarters.
- With destocking largely complete and channel inventory below normal levels, normalization is expected from Sep'25, and SI aims to outpace industry growth of ~9-10%, especially in the CPVC segment.
- 1QFY26 margins were significantly impacted by inventory losses estimated at INR500-600m, with some effect also seen in other expenses such as fixed overheads.
- For FY26, the company has guided for an EBITDA margin of 14.5-15.5%, supported by the absence of inventory losses, a higher share of VAP, and an expected improvement in capacity utilization from ~60% to 65-70% by year-end.
- The company has guided for total volume growth of 14-15% in FY26, with plastic piping system volumes expected to grow 15-17%, revised upward following the Wavin acquisition.
- With over 15k SKUs across 45 system offerings, the company remains focused on expanding its value-added product portfolio and launching innovative products like PP silent pipes and showers.

Segment-wise updates

- The Packaging Products segment witnessed strong volume growth of 10% in 1QFY26, driven by robust demand for cross-laminated and protective packaging, with no inventory losses; FY26 revenue is targeted at over INR10b compared to INR8.6b in FY25.
- The Composite LPG Cylinder business is expected to benefit from orders placed by BPCL (200k units) and IOCL (231k units), which will support improved capacity utilization.
- In the Gas Piping segment, Supreme has received DVGW certification for both pipes and fittings, enabling it to serve the ~700 KMTPA market, currently from its Gadegaon facility, with potential expansion to other regions.

Capex and expansion plans

- The total cash outflow planned for FY26 is ~INR13.5b, which includes INR3.1b towards the acquisition of Wavin, covering both purchase consideration and net working capital.
- The remaining outlay will be allocated towards organic capex across various business divisions to support growth and product diversification.
- Key capacity expansions include increasing plastic piping capacity from 870 KMTPA in Mar'25 to 1 MMTPA by Mar'26, with a major focus on CPVC products.
- The company is also setting up a 5 KMT window profile line in Kanpur and expanding its Material Handling division.
- Additionally, the OPVC segment is being scaled up with a capacity of 500 MT per month at two operational lines; it has started receiving orders and is targeting the replacement of DI pipes, particularly those with diameters 110-315mm.

Wavin acquisition

- The acquired facility has a capacity of 75 KMTPA and is expected to contribute around 30 KMT in volumes over the remaining eight months of FY26.
- The acquisition is scheduled to close by 1st August 2025, enabling integration and ramp-up in the current fiscal year.
- A seven-year technology licensing agreement has been signed with Wavin Netherlands/Orbia for advanced building and infrastructure systems to use in SAARC nations.

- While the initial contribution will be primarily volume-driven, the benefits from value-added products leveraging Wavin's technology are expected to begin from FY27.

Others

- PVC prices were volatile during 1QFY26, with an initial hike in April followed by a correction in June, resulting in a net decline over the quarter; current prices stand at approximately INR6768/kg.
- Prices have now stabilized at affordable levels, and no major fluctuations are anticipated in the near term.
- The company expects the final recommendation on anti-dumping duty for PVC imports by Oct–Nov'25.
- JJM receivables amounting to INR374m have been pending for over six months, indicating delays in fund disbursement.
- A full recovery of JJM-related payments is not expected in the immediate future.



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Swiggy

Neutral

Current Price INR 420

Demand and growth outlook

- **FD:** FD's GOV stood at INR80.9b, up 10% QoQ and 18.7% YoY. The company remains confident of maintaining high-teen growth in the near term.
- The resilient GOV performance was driven by a growing MTU base, enabled by better execution—particularly in Tier-2 cities—and improved consumer propositions, which also helped expand GOV per MTU.
- Swiggy sees significant growth headroom as more meal occasions shift to delivery platforms.
- The company has unified the rider app for FD and Instamart, though dedicated riders serve each business. Gig workers can operate across both.
- Contribution margin contraction was seasonal, largely due to rider availability issues. These are expected to normalize.
- Adjusted EBITDA margins contracted to 2.4% (-52bps QoQ), primarily due to a seasonal dip in contribution margins and higher fixed expenses from the annual appraisal cycle, which increased manpower costs. A similar impact is expected to recur in 1Q each year.
- **Swiggy Bolt:** Bolt now contributes over 10-12% of total orders. It has a minimal impact on AOV and is not dilutive at the platform level. Its economics are close to the platform average, despite no incremental monetization.
- **Instamart:** GOV growth (up 107% YoY) was led by the expansion of dark stores, both in existing and new geographies.
- AOV increased 26% YoY, which is a key driver of profitability. Order growth was deliberately moderated by phasing out low-value orders that hurt P&L.
- The Maxxsaver basket-building program helped consolidate orders. Retention among Maxxsaver users is higher, supporting AOV growth. The company expects orders to rise going forward.
- **CM improved 100bp QoQ.** The company expects further improvement in the next quarter and targets CM neutrality by 3QFY26–1QFY27, noting that margin gains will not be back-ended.
- Levers driving the 100bp improvement included higher ad revenue, rationalized customer incentives, and operating leverage on network costs (240bp), partially offset by expansion costs (90bp) and a ~50bp hit from lower take rates in non-grocery segments.
- The take rate dip in non-grocery was a one-off. As larger ASP products scale up, they are expected to improve margins.

- Non-grocery penetration is still low, but the share of these products will continue to grow over the next few quarters. Increased assortment is planned across a wider coverage area.
- Contribution of non- grocery categories in the GOV mix has increased to 18.5%, vs 7% a year back.
- Marketing investments remain elevated and are expected to continue.
- Maxxsaver has helped increase AOV through repeat use and customer habit formation. Profitability has improved in this segment, and take rates are likely to rise. There remains headroom for higher ad revenue.
- The company believes its current dark store network can support 2x growth. Future expansion will be need-based, not broad-based.
- Swiggy's network model prioritizes timely delivery (10 minutes), favoring larger-format stores for better basket economics.
- Fixed costs, largely CAC and marketing, are expected to remain steady for a few quarters. Competitive intensity is already factored into current plans.
- Swiggy is present in 127 cities and will focus on deeper penetration in its top markets. Many of the top 10 out of the top 20 cities still have low penetration.
- The share of domestic ownership has risen to ~40% since IPO. Swiggy may consider moving to an inventory model eventually, which could improve profitability by 50–70bp (though not materially).

Margins

- The company maintains its guidance of achieving contribution margin break-even for Quick Commerce between Q3FY26 and Q1FY27. Currently, the most mature dark stores in established geographies operate at an average contribution margin of ~2%, with the top-performing cohort reaching ~4%.
- Swiggy reiterated its medium-term EBITDA margin target of 5% in FD business.



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Team Lease

Buy

Current Price INR 1,826

Demand and growth outlook

- Consumer remains the largest vertical despite headwinds from unseasonal rains impacting sales, leading to muted growth.
- Growth was a mixed bag across sectors in 1QFY26.
- FMCG and Telecom sectors expected to remain muted; BFSI likely to pick up pace.
- Project-based, just-in-time hiring continues to rise.
- At the group level, ~5,000 net headcount was added, including 110 net additions in the Specialized Staffing segment.
- Despite headwinds in BFSI and IT services, ~19,000 associates were added YoY.
- 65% of gross hiring came from Tier-2 and Tier-3 cities, with an average monthly salary of INR21,000.
- 118 new logos were added during the quarter.
- 2Q is typically the strongest quarter for the company.
- Green shoots visible in the Degree Apprenticeship (DA) and Staffing businesses; management is optimistic about upcoming quarters due to current open positions.
- In General staffing, Singapore rate card is 5-6x higher than India, though India clients are giving better margins.
- In PAPM model, the enterprise segment has a larger revenue share but at lower PAPM. Recent variable model signings will take time to reflect in metrics.
- Open positions are lower YoY, due to softness in BFSI and Retail. Growth is currently coming from increasing wallet share.
- Expects 10-15% volume growth in 2Q, which should support profitability due to operating leverage.

- PAMP remained flat QoQ.
- Growth is being driven by both deeper penetration in existing accounts and formalization of clients.
- Headcount grew 5% YoY, while revenue rose 11% YoY. 44 new logos were added, over 60% under the variable model.
- In Specialized Staffing, gross revenue grew by 22% on YoY basis, including inorganic contribution. Broad-based IT hiring is facing challenges due to evolving tech trends; it expects resilience to return in coming quarters.
- Margins were impacted by ACR in Specialized Staffing and lower-margin mandates from MSMEs.
- IT hiring remains cautious, with muted demand from traditional IT services. However, growth is visible in Tier-2 IT firms and product companies.
- Onboarded 11 new clients during the quarter, including five GCCs. GCCs continue to be a cornerstone of the business, especially across BFSI and Hi-Tech. Total GCC client count stands at 75. GCC hiring remains steady.
- Gradual recovery in margins expected toward ~7.2%, aided by higher-value mandates from clients.
- Headcount declined from 9,000 to 6,000 due to slowdown in IT hiring, which also led to margin compression.
- Organic YoY growth was 13%. Net headcount addition stood at 110, including 20 from TLD Singapore.
- GCCs remain the backbone of the business, contributing ~46% of total headcount and 64% of net revenue. TLD now serves 75 GCC clients, with strong traction in BFSI, Healthcare, Hi-Tech, and Engineering sectors.
- In HR Services segment, Both EdTech and HR Services continue to deliver 25-30% revenue growth consistently, with EBITDA margins in the 6-8% range.
- EdTech faced seasonal losses during the quarter but is expected to be profitable at the full-year level.
- QoQ EBITDA was impacted by EdTech seasonality.
- DA continues to gain momentum with 1,700 net apprentice additions in 1QFY26.
- Education initiatives are expanding across Financial Services, ITES, BPO, and Pharma sectors.
- 14 new clients added during the quarter; 22% of the client base has fully adopted learning solutions.

Margin outlook

- Gradual recovery in margins expected toward ~7.2%, aided by higher-value mandates from clients.
- EBITDA grew 39% YoY, supported by volume expansion and operating leverage.
- Acquisitions contributed ~4% to overall EBITDA growth.
- Expects EBITDA margins in the 6-8% range in HR service segment.



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Time Technoplast

Buy

Current Price INR 484

Business development and outlook

- Announced a 1:1 bonus issue.
- Focusing on higher-margin VAP business.
- Plans to raise up to INR10b via QIP for capex, debt reductions, working capital needs, acquisitions, etc.
- Non-core asset divestment (INR470m pending from INR1.25b identified).
- RoCE of 20% in FY26E will be driven by its continued focus on cost reductions through automation, re-engineering of machinery and moulds, and optimization of the working capital cycle.
- Strategic decision to consolidate products and manufacturing units in India and overseas underway to improve efficiency.

- Fundraise of up to INR10b through QIP is valid till 27th Nov'25.
- Signed MoU with Drone Stark to develop hydrogen-powered drones using composite hydrogen cylinders and fuel cell technology.
- To transform 75% of electricity consumption to green energy within the next two years through a tie-up with solar power generating companies.
- To set up a recycling unit by investing INR1.2b over the next 3-4 years in fully automated recycling plants across key Indian regions (West, North, South, East) with the capacity to process up to 60,000 MT of plastic annually.
- US tariffs have no impact due to local manufacturing and selling of products.
- Continuously putting efforts in R&D to develop composite products for new applications, which can have a big market in few years.
- Fire extinguisher is also a big market; Indian Railway has mandated to use only composite cylinders in the new Vande Bharat trains.

1QFY26 performance

- Volume/revenue/EBITDA/PBT/PAT grew 14%/10%/12%/18%/20% YoY.
- EBITDA margin was healthy at 14.4%.
- Volume growth of 14% was led by 17% rise in overseas business, while India business grew 12%.
- CFO was healthy at INR1.16b, spent on capex (INR434m) and debt reduction (INR374m) during the quarter.

Operating metrics (1QFY26)

- Established Products: revenue up 8% YoY, revenue mix 74%, EBITDA margin 13.2%
- VAP: revenue up 15% YoY (IBC up 17%, CNG up 20%, LPG up 6%), revenue mix 26%, EBITDA margin 18%
- India: volume/revenue up 12%/8% YoY, revenue mix 62%, EBITDA margin 14.7%, PAT margin 6.5%
- Overseas: volume/revenue up 17%/14% YoY, revenue mix 38%, EBITDA margin 14.1%, PAT margin 7.9%
- Polymer Product: revenue up 7% YoY, revenue mix 64%, EBITDA margin 13.9%
- Composite Products: revenue up 15% YoY, revenue mix 36%, EBITDA margin 15.4%
- Capacity utilization: blended ~85%.

The image shows a screenshot of a financial report from Motilal Oswal. It includes a table with various financial metrics and a small chart. The table has columns for different financial indicators and rows for different periods. The chart shows a trend over time.



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Results Update



Updater Services

Buy

Current Price INR 246

Quarterly performance and outlook

- Revenue stood at INR7.0b, up 7% YoY and down 3% QoQ. The QoQ decline was attributed to year-end incentive billings in 4QFY25, which led to a revenue spike. A similar spike is expected in 4QFY26.
- Global uncertainties, including rising tariffs, have led to cautious hiring and spending by large MNCs and IT companies, resulting in muted performance in the BSS segment during the quarter.
- Consolidated growth is expected to stabilize in the 13–15% range for FY26.
- The revenue split stands at 66:34 between IFM and BSS.
- IFM: The company added five large marquee clients during the quarter.
- Continued investments are being made in training and upskilling employees.
- IFM reported 10% YoY growth, in line with the business plan. However, seasonality in the catering business and modest spending by non-industrial clients contributed to lower QoQ growth.
- The business is focused on scaling up profitability by targeting high-value, technically complex contracts.
- IFM growth is expected to outpace BSS growth going forward.

- BSS: Delivery models saw moderation, and clients have raised expectations on RoI. As a result, the next couple of quarters are expected to be flat in terms of sales and enablement services.
- UDS faced an impact of around INR1,000m (about 15% of overall business) due to global macroeconomic factors, particularly affecting Athena and Denave. The company remains confident in the rest of the BSS business.
- Denave: Secured new client wins, including Palo Alto and Lenovo, for post-sales services, and SAP for digital services. All group companies are working to optimize operations through AI, although the implementation is still ongoing.
- Due to a cautious macro environment, client spending has reduced, causing a marginal drop in margins.
- Margins are expected to remain under pressure over the next couple of quarters due to ongoing investments.
- Athena: Revenue and profitability were impacted by some clients continuing to transition previously outsourced operations back in-house. These are the same clients that began this transition in the previous quarter; no new clients were lost in 1Q.
- Athena is actively expanding its client base beyond BFSI, with marquee additions like Lodha and Bajaj Electricals during the quarter. Its revenue run rate is expected to normalize over the coming quarters.
- Margins are currently around 20%, down from the earlier 25-27% range. These are expected to remain stable but are unlikely to return to previous highs. The business appears to have bottomed out on the revenue headwind.
- Matrix: In audit and assurance services, despite pricing competition, client interest remains strong. The focus is on building domain expertise in retail and apparel sectors—where inventory management is complex—to improve margins. In the Employee Background Verification segment, a broader slowdown in IT and related hiring sectors is affecting volumes.
- Avon continues to deliver margin improvement, supported by a favorable sales mix with a higher proportion of high-margin contracts. The launch of PTL Logistics in 2Q is expected to further enhance margins.
- Global business reported double-digit revenue growth, driven by a gradual increase in travel volumes. Rising demand for outsourced aviation training is expected to be a key growth driver.
- Global business reported a positive PAT in 1QFY26 from a loss in 1QFY25.
- EBITDA margin stood at 5.6%, down 70bp YoY.
- IFM margins were flat YoY, impacted by a one-off provision for receivables amounting to INR60m.
- Athena, being a high-margin business, contributes significantly to EBITDA; hence, its revenue decline had a material impact on overall BSS profitability.
- Merger-related cost absorption slightly impacted EBITDA margins but contributed meaningfully to tax optimization.



Click below for
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Results Update



UPL **Neutral**
Current Price INR 714

Outlook and guidance

- Management has reiterated a growth guidance in the range of 4-8%, with North America, LATAM, and ROW expected to see strong traction. EBITDA growth is anticipated to be in the range of 10-14%.
- Growth is expected to accelerate from 2HFY26.
- This growth will be majorly led by a better product mix, strong volume growth amid softened pricing, and better capacity utilization.

Operational performance

- The company improved its leverage ratios while also reducing its WC.
- The company reported double-digit growth in the Indian crop protection business, with Advanta growing 20% driven by a mix of volume and pricing. Further, Superform supported this growth (up 9%), led by higher volumes.
- UPL Corp is witnessing seasonality-related challenges in Brazil (decline in volumes by 3%).
- Growth was driven by India and supported by North America and Europe, which was partially offset by LATAM and ROW.
- Contribution increased to INR40b (up 12% YoY), with margins growing 390bp YoY.
- Significant reduction in finance cost was mainly driven by lower WC requirement and debt prepayment. Interest cost on borrowing reduced 17%, excluding the forex loss.
- Net debt increased due to perpetual bond redemption and higher WC requirement in line with business seasonality.
- NWC stood at INR110b (lower by INR33b YoY), led by inventory management and tighter credit control.
- Net debt/EBITDA improved from 5.4x to 2.6x. Net debt/Equity improved from 0.9x to 0.6x YoY.
- Factoring is a strong risk mitigation tool on a non-recourse basis. This factoring amount reduced USD45m, typically increasing in 3Q/4Q and declining during 1Q.
- During 1Q and 2Q, there is often an inventory buildup (this is not unusual and is a part of normal business).

UPL Corp (Global Crop Protection)

- Channel inventory has returned to normal levels.
- Order book remains strong on a yearly basis (specifically Brazil).
- Revenue was lower YoY, but contribution margin and EBITDA grew, led by an improving product mix, lower COGS, and higher capacity utilization.
- Fungicides posted robust volume and revenue growth; herbicides also benefited from volume and growth.
- The USD13m ECL is a non-cash item, expected to unwind and be fully reversed over time. Exposure to this distributor has reduced compared to earlier. The company does not expect to go through any ECL issues throughout the rest of the year.
- In Europe, revenue growth was driven by higher volumes of key herbicides such as flufenacet, supported by fungicides such as captan and growth in thiopron—a biofungicide product within its NPP portfolio. The company continues to see high growth, specifically in Germany, Italy, Belgium and Spain.
- Higher revenue was generated from key molecules such as acephate and mancozeb.
- The company remains confident in its growth targets for FY26 – growth is expected to kick in from H2 of FY26.
- Price increase was seen in key commodities such as clethodim, mancozeb, and s-metolachlor.

Particulars	2024-25 (H1)	2023-24 (H1)	2024-25 (H2)	2023-24 (H2)
Revenue	1,23,45,67,890	1,12,34,56,789	1,34,56,78,901	1,23,45,67,890
EBITDA	23,45,67,890	21,34,56,789	25,67,89,012	23,45,67,890
EBIT	18,90,12,345	17,89,01,234	20,12,34,567	18,90,12,345
Net Profit	12,34,56,789	11,23,45,678	13,45,67,890	12,34,56,789
Operating Assets	56,78,90,123	54,67,89,012	58,90,12,345	56,78,90,123
Operating Liabilities	45,67,89,012	43,56,78,901	47,89,01,234	45,67,89,012
Operating Capital	11,11,01,112	11,11,01,112	11,11,01,112	11,11,01,112

- It does not expect tariffs to have a material impact on its business as the company remains at advantage vs China.
- Exposure to tariff-oriented products in the US remains at less than 10%.
- The company expects growth to come from volumes, majorly in 2Q to 4Q, with price declines mainly due to Brazil.
- Contribution margin is expected to remain sustainable going forward – replacement inventory came in at a lower cost. Benefits of USD30m were due to COGS reduction, and the rest USD20 came in due to utilization rates.

Advanta

- Advanta found a volume expansion of 12%, which was led by corn in India and Thailand, as well as sunflower and sorghum.
- The cost of procurement of raw seeds has increased, with recovery from raw corn declining.
- Increased rain during harvest resulted in slower recovery.
- Moreover, there was an increase in overheads (one-off in nature). Overheads include permanent and seasonal employees (during the time of harvesting and packaging). This is expected to reduce over time.

Others

- The rights issue committee approved the payment of the final call of INR180 per partly paid equity shares, totaling INR16.8b. The record date for this payment is set for 1st Aug'25.
- SGA expenses amounted to INR26.9b (11% up YoY). This was mainly due to one of Brazil's distributor impact. It is to be noted that this is non-cash in nature and will subsequently unwind over the period of recovery horizon.
- Target is to reduce water consumption, CO2, and waste generation by 60%.
- Overcapacity from China continues, with prices remaining similar since the last 18 months.
- Prices are beginning to increase for several products. However, there has not been a significant change in pricing.
- New crop prices are to be announced in the coming week.
- FX cost increased from USD17m to USD21m.
- There has been a strong crop produce with regards to soybean and corn in Brazil. This seems to be the case for the US as well. Due to this, pricing of crops may remain in the same range going forward.
- DTL numbers reduced for key regions. Higher inventory balance caused a DTA of INR1.2b. ETR for the group will depend on the geography mix going forward. On a sustainable basis, ETR could be in the range of 15-17% for the group.



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Results Update



Zee Entertainment

Neutral

Current Price INR 118

- **Ad revenue trends and outlook:** Domestic advertising revenue was impacted by continued macroeconomic headwinds, extended sports calendar (IPL), and lower ad spending by FMCG companies. However, management remains cautiously optimistic on ad recovery in the coming quarters, driven by early signs of recovery supported by a healthy monsoon and the onset of the festive season. The company maintained its guidance of 8% ad revenue growth, driven

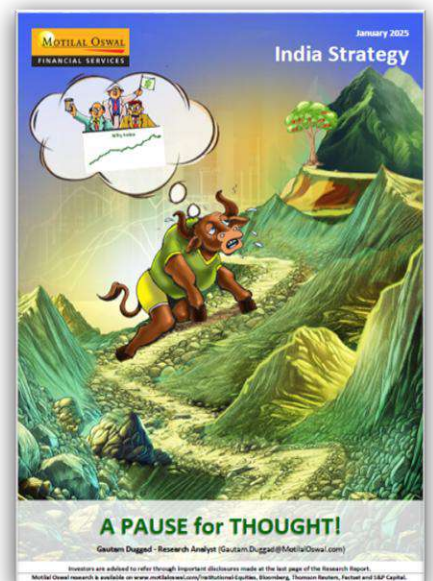
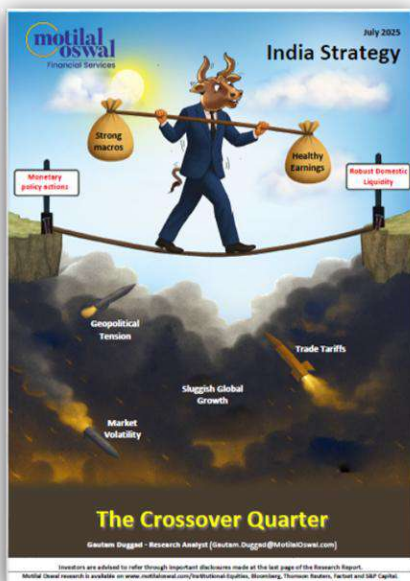
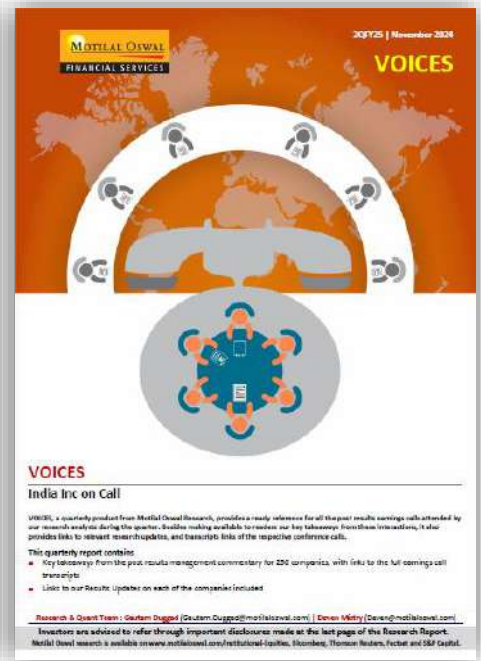
The image shows a screenshot of a research report from Motilal Oswal. The report is titled 'Zee Entertainment' and is dated 12.08.2025. It includes a table of contents and a list of key points. The key points include: Zee5 reported 30% YoY revenue growth, supported by digital syndication and a pricing strategy focused on regional language packs; Zee Music demerger; Movies; Cash balance; and Strategic partnerships.

by Zee's re-entry into the FTA segment, rising viewership share, launch of new genres, and a focus on regional languages.

- **Subscription trends and outlook:** Digital subscription growth was supported by the introduction of language packs in Zee5; however, this was offset by a decline in linear subscriptions due to a drop in Pay TV subscribers. Management indicated that the company remains in negotiations with DPOs and expects subscription revenue to grow in line with inflation.
- **Guidance & outlook:** Management remains committed to its goals of: 1) accelerating growth (8-10% annually), 2) improving margins (18-20%), and 3) driving Zee5 to breakeven by FY26-end. Management noted that all new investments are already factored into the margin guidance (18-20%), and there is no change in plans despite the shareholders not approving the recent promoter infusion.
- **Viewership trends:** The GEC genre was seasonally impacted by increased sports viewership and summer-led demand in the kids' category. However, Zee's viewership share improved to 16.8% (up 40bp YoY) in 1QFY26 and further to 18%+ in July, the highest in the last two years. This was driven by strong traction in Hindi, Marathi, Kannada, Odia, and Bangla markets, reflecting improved content quality and audience receptiveness.
- **ZEE5:** ZEE5 reported 30% YoY revenue growth, supported by digital syndication and a pricing strategy focused on regional language packs. These packs were introduced in June across seven languages to make subscriptions more affordable and in tune with the users' content consumption patterns. Management remains confident that an omni-channel content strategy, focus on breadth and depth across languages, and operational efficiency will help achieve breakeven in Zee5 by FY26-end.
- **Zee Music demerger:** Zee has appointed business officers for the syndication and music divisions. The company remains committed to value unlocking; however, the timeline has not been firmed up yet.
- **Movies:** Zee Studios released seven films in Q1; three in Hindi and four regional. While the quarter saw fewer big-ticket theatrical releases, management indicated that FY26 content line-up remains robust and broadly in line with the annual plans.
- **Cash balance:** The sequential dip in cash balance was driven by the cyclical nature of subscription collections and fund deployment in content and new initiatives.
- **Strategic partnerships:** The company launched two key strategic initiatives: the micro-drama platform Bullet targeting Gen-Zs with short-form, high-quality storytelling and IdeaBaaz aimed at surfacing stories and innovations from tier 2/3 India.

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GALLERY



NOTES

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

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