4 September 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,568	0.5	3.1
Nifty-50	24,715	0.6	4.5
Nifty-M 100	57,346	0.6	0.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,448	0.5	9.6
Nasdaq	21,498	1.0	11.3
FTSE 100	9,178	0.7	12.3
DAX	23,595	0.5	18.5
Hang Seng	9,050	-0.6	24.1
Nikkei 225	41,939	-0.9	5.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	-2.6	-8.8
Gold ($/OZ)	3,559	0.7	35.6
Cu (US$/MT)	9,909	0.0	14.5
Almn (US$/MT)	2,623	-0.1	3.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	88.1	-0.1	2.9
USD/EUR	1.2	0.2	12.6
USD/JPY	148.1	-0.2	-5.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.5	-0.02	-0.2
10 Yrs AAA Corp	7.2	-0.03	0.0
Flows (USD b)	**3-Sep**	**MTD**	**CYTD**
FIIs	-0.2	-0.48	-15.3
DIIs	0.28	1.35	59.4
Volumes (INRb)	**3-Sep**	**MTD***	**YTD***
Cash	1,036	983	1066
F&O	1,20,936	3,35,440	2,18,553

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

L&T Finance: Balancing growth and asset quality amid macro headwinds

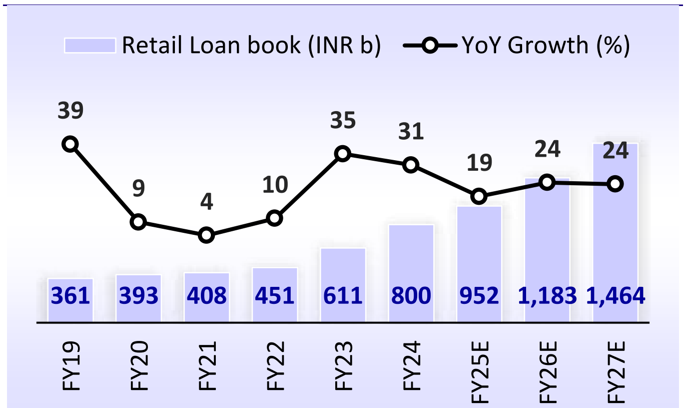
- LTF began FY26 on a stable footing, despite ongoing asset quality challenges in the MFI industry (more residual in nature), unsecured business loans and micro-LAP. The company continues to pursue a measured growth strategy, with a sharper focus on secured and prime segments, while effectively leveraging its proprietary underwriting platform, Project Cyclops, to reinforce credit discipline.
- LTF is harnessing technology as a structural advantage, making rapid progress with Project Cyclops, its AI-ML-powered underwriting engine. With 100% of 2W disbursements now processed through Cyclops, asset quality has seen a sharp improvement, with net non-starters dropping to 0.34% in Jun'25 from 2.36% in Dec'24 (~2pp improvement in just five months).
- We estimate a CAGR of ~22% in loans and ~25% in PAT over FY25-FY27, with consolidated RoA/RoE of 2.7%/~14% by FY27E. LTF will soon emerge out of the MFI credit cycle and will continue to deliver better profitability and RoA expansion. Reiterate BUY with a TP of INR260 (based on 2x Mar'27E BVPS).

Research covered

Cos/Sector	Key Highlights
L&T Finance	Balancing growth and asset quality amid macro headwinds
India Strategy	GST 2.0: A new dawn
Automobiles	GST 2.0 announced largely on expected lines
Insurance	GST 2.0: Rate cuts to benefit policyholders
Retail	GST 2.0 could spur broad-based consumption revival
JSW Cement	Strong volume growth; operating performance improves

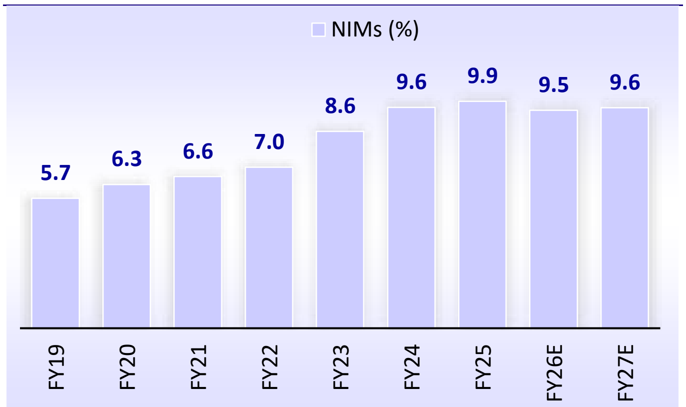
Chart of the Day: L&T Finance (Balancing growth and asset quality amid macro headwinds)

Retail loan CAGR of ~24% over FY25-FY27E



Source: MOFSL, Company

NIM likely to moderate due to a higher share of secured loans in the mix



Source: MOFSL, Company

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In the news today

Kindly click on textbox for the detailed news link

1

GST Council slashes tax slabs to two to spur consumption

In a landmark decision that promises to ease household budgets and lift consumer sentiment, the Council scrapped the 12% and 28% rates, retaining only the 5% and 18% slabs. Items earlier taxed at 12% and 28% will now largely migrate to the other two slabs, making a wide range of products cheaper…

2

Swiggy raises platform fee to Rs 15 in select markets amid surge in orders

Swiggy has increased its platform fee to Rupees 15 in high-demand areas. This follows a recent increase to Rupees 14. The move aims to improve unit economics. Zomato currently charges Rupees 10 plus GST. Swiggy's losses have increased due to investments in Instamart.

3

BHEL Bags Rs 2,600-Crore Equipment-Supply Order For Thermal Power Project

The order involves the supply of boiler, turbine, generator for a 1x800 MW power project, which is based on supercritical technology, at Anuppur, according to an exchange filing on Wednesday. The boiler and turbine generator are to be manufactured at BHEL's Tiruchirappalli and Haridwar plants respectively.

4

JSW Cement to boost capacity 65% by 2028

JSW Cement is setting up several greenfield units and one brownfield expansion, which will take capacity to 33.85 million tonne by 2028. After this phase, the company plans to push capacity to 41.85 million tonne through the second expansion at Vijaynagar and new greenfield plants at Hatta in Madhya Pradesh and in Uttar Pradesh…

5

Coal India issues tenders to build 5 GW of renewable power capacity

Coal India, facing a production dip of 3.5% in the initial five months of this fiscal year, is diversifying its energy portfolio. The state-run mining giant has issued tenders for 3 GW of solar and 2 GW of wind power projects. This move aims to boost revenue sources and expand its renewable energy capacity to 9.5 GW by 2030.

6

Polymed to acquire 90% in Netherlands-based PendraCare for ₹189 cr in cardiology biz push

PendraCare Group develops, manufactures and sells innovative cardiology catheter solutions and also provides design, development and manufacturing services to global OEMs. This bolt-on acquisition will allow Polymed to scale its cardiology business globally…

7

Vodafone Idea seeks lenders' NOC to monetise fibre for Rs 7,000-Cr capex push

Vi has sought a no-objection certificate (NOC) from lenders led by State Bank of India (SBI) to pledge its fibre optic network. Go-ahead from lenders is the first step for the debt-laden telecom operator to secure fresh funding. However, this will not give new lenders priority over existing bank debt,

L&T Finance

BSE SENSEX	S&P CNX
80,568	24,715

Bloomberg	LTF IN
Equity Shares (m)	2499
M.Cap.(INRb)/(USDb)	567.6 / 6.4
52-Week Range (INR)	228 / 129
1, 6, 12 Rel. Per (%)	12/53/34
12M Avg Val (INR M)	1259

Financials &Valuations (INR b)

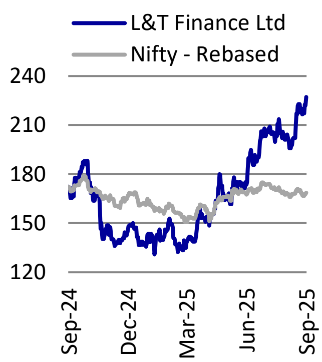
Y/E March	FY25	FY26E	FY27E
Total Income	86.7	98.9	122.2
PPP	59.6	69.2	87.2
PAT	26.4	31.1	41.2
EPS (INR)	10.6	12.5	16.5
EPS Gr. (%)	13.8	17.7	32.4
BV/Sh. (INR)	102	112	125
Ratios			
NIM (%)	9.9	9.5	9.6
C/I ratio (%)	40.1	39.4	37.6
RoAA (%)	2.4	2.4	2.7
RoE (%)	10.8	11.6	13.9
Payout (%)	26.0	26.0	25.0
Valuation			
P/E (x)	21.4	18.2	13.7
P/BV (x)	2.2	2.0	1.8
Div. Yield (%)	1.2	1.4	1.8

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	66.2	66.2	66.4
DII	14.1	13.3	11.7
FII	6.2	5.5	7.3
Others	13.5	15.0	14.7

FII Includes depository receipts

Stock performance (one year)



CMP: INR227 TP: INR260 (+15%) Buy

Balancing growth and asset quality amid macro headwinds

Benefits of Cyclops will be more visible from 2HFY26

- LTF began FY26 on a stable footing, despite ongoing asset quality challenges in the MFI industry (more residual in nature), unsecured business loans and micro-LAP. The company continues to pursue a measured growth strategy, with a sharper focus on secured and prime segments, while effectively leveraging its proprietary underwriting platform, **Project Cyclops**, to reinforce credit discipline.
- **In Mar'25, we highlighted in our note that although the company was also facing challenges in its MFI business, it will likely emerge out of the MFI credit cycle much less affected than its peers. Since Mar'25, the stock has delivered ~60% returns.**
- LTF remains focused on acquiring high-quality customers through technology-driven underwriting and stringent credit controls while maintaining strong collection efficiency (CE) across all segments. Although credit costs were slightly elevated due to a slower-than-expected recovery in Karnataka, steady improvements have been observed, with CE strengthening in 1Q and further in Jul-Aug'25. CE is expected to stabilize during 2Q and return to normal levels by mid-3Q.
- LTF is harnessing technology as a structural advantage, making rapid progress with **Project Cyclops**, its AI-ML-powered underwriting engine. **With 100% of 2W disbursements now processed through Cyclops, asset quality has seen a sharp improvement, with net non-starters dropping to 0.34% in Jun'25 from 2.36% in Dec'24 (~2pp improvement in just five months).** The company is now rolling out Cyclops to its **Farm Equipment and SME Finance** businesses, with full deployment targeted by end-**2QFY26**, strengthening its position to deliver scalable and high-quality growth.
- LTF has swiftly completed the integration of Paul Merchants Finance's gold loan business in just two months, adding 130 branches, 700+ employees. It now has a gold loan book of ~INR13b. Gold loans, being a high-yield secured product, are expected to materially strengthen the retail franchise and offer significant cross-selling potential across its 26m+ customer base (driven by its 20,000+ field force). The company targets scaling up to 300+ gold loan branches by FY26, largely through its new 'Sampoorna' multi-product branches.
- LTF has been assigned a debut investment grade credit rating of 'BBB-/ Positive' by S&P Global Ratings and 'BBB-/Stable' by Fitch Ratings, unlocking access to a wider pool of global capital at competitive costs.
- **We estimate a CAGR of ~22% in loans and ~25% in PAT over FY25-FY27, with consolidated RoA/RoE of 2.7%/~14% by FY27E. LTF will soon emerge out of the MFI credit cycle and will continue to deliver better profitability and RoA expansion. Reiterate BUY with a TP of INR260 (based on 2x Mar'27E BVPS).**

Well positioned for stronger growth in 2H

- LTF remains focused on expanding its customer base by deepening penetration in existing segments and broadening its geographic presence. In Rural Business Finance, the approach has been calibrated to prevailing macro conditions, with disbursements now gradually regaining momentum. The 2W finance business is witnessing renewed traction, aided by policy changes and the reactivation of dealers to strengthen engagement with prime customers. Farmer Finance is set to pick up pace in the ongoing kharif season, while the Personal Loan portfolio continues to follow a risk-calibrated strategy, ensuring prudent growth.
- Digital partnerships with Amazon, CRED, and PhonePe continue to gain traction, delivering INR6.5b of personal loan disbursements in 1QFY26 (INR12.4b till date), with a strong focus on risk-calibrated growth.
- We expect LTF to sustain its growth momentum with healthy traction in 2Q, followed by a strong acceleration in 2H, supported by festive season demand. We model a CAGR of ~22% in the loan book over FY25-FY27E.

Margin pressure from change in loan mix partly offset by decline in CoF

- NIMs are likely to remain under pressure through FY26, primarily due to a reduced share of high-yielding MFI loans in the portfolio mix and yield compression from a growing focus on prime and secured customer segments. However, this pressure is expected to be partially offset by a decline in borrowing costs, supported by the declining interest rate cycle.
- While the reported yields may moderate, we believe that the portfolio shift toward better-quality assets is expected to enhance risk-adjusted returns and support profitability over time.
- The planned expansion of the gold loan business, a high-yielding segment, will also provide support to overall yield levels and act as a key growth driver in the near-to-medium term, supported by favorable industry tailwinds. We model NIMs of ~9.5%/9.6% in FY26/FY27 (vs. ~9.9% in FY25).

Asset quality better than MFI peers'; expect gradual moderation in credit costs

- LTF has demonstrated resilience in asset quality, maintaining stability despite industry-wide pressures in select segments. This has been driven by its disciplined underwriting standards and strategic focus on secured assets and prime customer profiles.
- While credit costs remained slightly elevated due to a slower-than-expected recovery in Karnataka, the company is now seeing steady improvement, with CE strengthening in 1Q and further in Jul'25. We expect the situation to stabilize in 2Q and normalize by mid-3Q.
- LTF has cumulatively utilized INR7b of macro-provisions, with INR4b utilized in FY25 and INR3b in 1QFY26. It now has an unutilized buffer of INR2.75b as of Jun'25. Looking ahead, the company expects further utilization of macro-provisions to address forward flows from Karnataka; however, such usage will remain measured and prudent. Over FY27-FY28, the company will re-build provision buffers, primarily utilizing the inflows/gains from SR resolutions.
- We expect asset quality to strengthen over FY26-FY27, with GNPA improving to 2.5%/2.4% from 3.3% in FY25. Correspondingly, credit costs are expected to moderate gradually to 2.7%/2.6% in FY26/FY27 from 2.8% in FY25.

Smarter underwriting, stronger outcomes: Engineering the future with AI-ML

- With a strong emphasis on artificial intelligence (AI), machine learning (ML), and data-driven insights, LTF is transforming its financial services ecosystem. Flagship initiatives like **Project Cyclops**, the AI-powered credit underwriting engine, and **Project Nostradamus**, the predictive risk management platform, are set to revolutionize the company's credit assessment and portfolio monitoring capabilities.
- The company has fully deployed Project Cyclops in the 2W segment, delivering significant improvements in asset quality. A phased rollout in the farm business is in progress and is expected to be completed by end-2QFY26. Implementation in the SME and personal loan segments is also on track, with full deployment targeted by 2QFY26 and 3QFY26, respectively.
- The impact of Project Cyclops is expected to become more pronounced from 4QFY26 onward, as the portfolio originated under this framework matures and expands to account for a meaningful share of the overall book.

Valuation and view

- LTF has invested in process automation and customer journeys. This, along with large partnerships with digital behemoths, should lead to stronger and more sustainable retail loan growth. While there is industry-wide stress in non-MFI retail segments like unsecured business loans and micro-LAP, we expect the stress to subside within the next few quarters. Going forward, we expect LTF's growth in MFI loans to be more opportunistic in nature, given that it targets to bring down the MFI loans in the loan mix to 20-22% over the long term.
- LTF's relatively better navigation of the MFI credit cycle and diversification into non-leveraged MFI markets demonstrate its resilience and adaptability. Supported by digital partnerships with major players such as Amazon and PhonePe, LTF is poised for sustainable earnings growth once the near-term headwinds in the MFI business subside.
- LTF can deliver a PAT CAGR of ~25% over FY25-FY27E, which will result in a RoA/RoE of 2.7%/14% in FY27E. **Reiterate our BUY rating on the stock with a TP of INR260 (based on 2x Mar'27 P/BV). Key risks:** 1) stress in microfinance lingering beyond the next 3-4 months, 2) asset quality deterioration in relatively vulnerable retail segments such as 2W, unsecured business loans and micro-LAP and 3) any near-term pressure on NIM and fee income.

Valuation matrix of LTF and its peers

Val summary	Rating	CMP (INR)	Mkt. Cap (INRb)	EPS (INR)		BV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
				FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
LTF	**Buy**	**227**	**567**	**12.5**	**16.5**	**112**	**125**	**2.4**	**2.7**	**11.6**	**13.9**	**18.2**	**13.8**	**2.0**	**1.8**
BAF	Neutral	897	5,566	33.0	42.4	184	220	4.0	4.1	19.5	21.0	27.1	21.2	4.9	4.1
Poonawalla	Buy	443	343	9.6	22.4	129	149	1.8	2.8	8.3	16.1	46.3	19.8	3.4	3.0
ABCL	Buy	279	729	14.9	18.6	129	144	0.0	0.0	12.1	13.6	18.7	15.0	2.2	1.9
PIEL	Neutral	1,092	246	63.7	105.4	1,255	1,345	1.4	1.9	5.2	8.1	17.2	10.4	0.9	0.8
MAS Financial	Buy	313	57	20.1	25.9	158	182	2.8	2.9	13.5	15.2	15.6	12.1	2.0	1.7
IIFL Finance	Buy	438	186	38.8	55.0	327	377	2.5	3.0	12.5	15.6	11.3	8.0	1.3	1.2
HDB Financial	Neutral	777	645	31.8	42.5	253	295	2.2	2.5	14.3	15.5	24.8	18.5	3.1	2.7

GST 2.0: A new dawn

GST 2.0: Rate rationalization, structural reforms and process simplification

- Following up on Prime Minister Narendra Modi's Independence Day declaration to usher in GST 2.0 reforms, the GST Council has finalized and approved the measures, largely in the proposed form. The apparent centerpiece of these reforms is the rationalization of the currently complex four-tier rate structure (5%/12%/18%/28% - with cess in some cases) to a simplified, mostly two-tier rate structure (5%/18%) with a demerit rate of 40% for select items categorized as sin or luxury goods. Importantly, there are certain silent yet deep-impact reforms as well. The government is focusing on the ease of doing business and ease of living by bringing in several structural reforms in the GST structure and streamlining/expediting various processes. New rates will become applicable for most products/services from 22nd Sep'25, thus striving to pass on the benefits to end consumers during the festive season.

Economy-wide benefits: Consumption and growth boost; fiscal impact manageable

- **A welcome boost to consumption and growth:** This is the first big reform measure of the government in the current term, which will boost consumer sentiment and provide a consumption fillip. The measure should support growth and encourage longer-term capacity building to drive the economy toward greater self-reliance in a volatile and uncertain global scenario.
- **Impact on fiscal balances should be manageable:** As per the Finance Ministry estimates, the overall fiscal impact is manageable with likely net tax foregone of INR480b. The government has a strong track record of fiscal rectitude and most times, its estimates have been conservative, hence inspiring confidence. Moreover, the government has several levers to improve receipts in case the fiscal impact of the approved measures turns out higher than estimated.

Addressing long-standing issues: Inversion and blocked credit challenges should dissolve

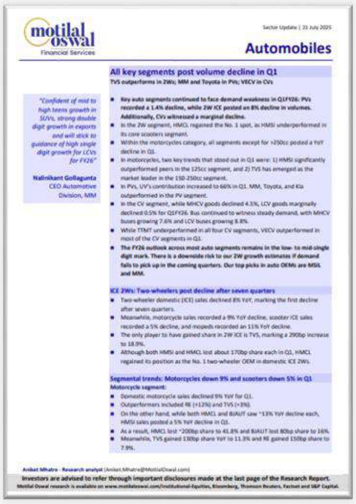
- **Anti-profiteering clause to be largely observed:** The revenue secretary assuaged concerns over profiteering and a suboptimal flow-through to retail prices by reassuring that the industry will transmit the benefits of rate cuts. Since the GST's inception, there have been 704 cases of profiteering, totaling to a rather miniscule amount of INR43.6b (60% was front-ended to the first three years, indicating steadily rising compliance with the spirit of anti-profiteering.
- **Addressing the vexatious issues of inversion and blocked credits**: The council has endeavored to resolve the vexatious inverted duty structure in several segments, such as textiles and fertilizers, while rendering ITC claim process easier now. Moreover, this will also help in transitioning toward a faster release of blocked credit, a major pain point for MSMEs, and enhance the ease of doing business, unlocking this critical segment of the economy.

Most domestic-oriented sectors benefit

- **Key sector beneficiaries –** The approved measures are likely to yield economy-wide benefits and favorably impact several sectors. Key segments/sectors that will benefit include: Automobiles (across most segments), Consumer Durables (RACs, TVs, DWs), Consumer Staples (food, fruit drinks, HPC), Cement, Hotels (sub-INR7,500 room rate inventory), Insurance (retail health and life), Retail (footwear, apparel – below INR2,500 price, electronic retailers), Renewables (solar cells), Oil & Gas (benefits through CNG cars), Banks+NBFCs (second-order beneficiary of better consumption demand), Logistics (second-order beneficiary of higher volumes), Quick Commerce (second-order beneficiary of higher volumes), and EMS (better demand for ACs).

- **Key stock beneficiaries:** Given the wide-ranging effect of the measures, many domestic-focused stocks are likely to benefit. Some of the key names include: Maruti, M&M, Ashok Leyland, HUVR, Britannia, Varun Bev, Ultratech, JK Cement, Havells, Voltas, Amber, Metro, Trent, LemonTree, Indian Hotels, Niva Bupa, HDFC Life, IGL, Acme Solar, Suzlon, Swiggy, Delhivery, ICICI Bank, HDFC Bank, Bajaj Finance, Shriram Finance (for detailed list, refer to Exhibit 1).
- **Next waves of reforms in works:** There will likely be a cavalry of reforms after GST 2.0, including the long-overdue factor market reforms, especially in land and labor, along with judicial reforms, faster approvals and permits, etc. In addition to policy changes, the focus will also be on improving the ease of living, decriminalizing trivial offences, and ironing out avoidable day-to-day hassles that reduce business efficiency.
- **Our view:** The resolute stance on simplifying the GST structure should not be seen just as 'tax reform' but more as 'growth reform'. Through simplified rates and processes, the government intends to boost consumption sentiment. As the Prime Minister has indicated, there will be further reform measures across multiple domains, intended to unleash the animal spirits of the economy, providing a shield against the global geopolitical headwinds.
- The government is clearly in an overdrive to lift and stimulate the domestic economy, and the latest announcements on GST, once implemented, will be the first big structural reform of the government in the current term. In our view, this will also kickstart a cycle of positive uptrends for the Indian equity market, which has been a key underperformer over the past year. The current valuations at ~20.8x (vs. LPA of 20.7x) are reasonable and have room to expand given our estimates of double-digit PAT growth (10%/12% PAT growth for Nifty/MOFSL).

Automobiles


Sector Update | 31 July 2025

Automobiles

All key segments post volume decline in Q1

TVS outperforms in 2Ws; MM and Toyota in PVs; VECV in CVs

"Confident of mid to high teens growth in SUVs, strong double digit growth in exports and will stick to guidance of high single digit growth for LCVs for FY26"

Nalinikant Gollagunta
CEO Automotive Division, MM

- **Key auto segments continued to face demand weakness in Q1FY26: PVs recorded a 1.4% decline, while 2W ICE posted an 8% decline in volumes. Additionally, CVs witnessed a marginal decline.**
- In the 2W segment, HMCL regained the No. 1 spot, as HMSI underperformed in its core scooters segment.
- Within the motorcycles category, all segments except for >250cc posted a YoY decline in Q1.
- In motorcycles, two key trends that stood out in Q1 were: 1) HMSI significantly outperformed peers in the 125cc segment, and 2) TVS has emerged as the market leader in the 150-250cc segment.
- In PVs, UV's contribution increased to 66% in Q1. MM, Toyota, and Kia outperformed in the PV segment.
- In the CV segment, while MHCV goods declined 4.5%, LCV goods marginally declined 0.5% for Q1FY26. Bus continued to witness steady demand, with MHCV buses growing 7.6% and LCV buses growing 8.8%.
- While TTMT underperformed in all four CV segments, VECV outperformed in most of the CV segments in Q1.
- **The FY26 outlook across most auto segments remains in the low- to mid-single digit mark. There is a downside risk to our 2W growth estimates if demand fails to pick up in the coming quarters. Our top picks in auto OEMs are MSIL and MM.**

ICE 2Ws: Two-wheelers post decline after seven quarters
- Two-wheeler domestic (ICE) sales declined 8% YoY, marking the first decline after seven quarters.
- Meanwhile, motorcycle sales recorded a 9% YoY decline, scooter ICE sales recorded a 5% decline, and mopeds recorded an 11% YoY decline.
- The only player to have gained share in 2W ICE is TVS, marking a 290bp increase to 18.9%.
- Although both HMSI and HMCL lost about 170bp share each in Q1, HMCL regained its position as the No. 1 two-wheeler OEM in domestic ICE 2Ws.

Segmental trends: Motorcycles down 9% and scooters down 5% in Q1

Motorcycle segment:
- Domestic motorcycle sales declined 9% YoY for Q1.
- Outperformers included RE (+12%) and TVS (+3%).
- On the other hand, while both HMCL and BJAUT saw ~13% YoY decline each, HMSI sales posted a 5% YoY decline in Q1.
- As a result, HMCL lost ~200bp share to 41.8% and BJAUT lost 80bp share to 16%.
- Meanwhile, TVS gained 130bp share YoY to 11.3% and RE gained 150bp share to 7.9%.

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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.

GST 2.0 announced largely on expected lines

Clarification on compensation cess and tractor parts incremental positive for MM

The GST Council has announced the much-awaited GST rate rationalization, which has largely happened on expected lines as below: 1) the majority of the auto pack would shift from a 28% GST + cess structure to an 18% flat structure; 2) all SUVs above 4mtr (and other specifications) move to a 40% rate without cess from the earlier avg of 43-50% rate; 3) 2Ws above 350cc move to a 40% rate from earlier 31%. The revised rates would be effective from 22nd Sep'25. While most of these measures have been on expected lines, the clarity on cessation of compensation cess and GST rate reduction for tractor parts will be an incremental key positive. Also, the fact that the government has implemented this before the festive season is a key positive. This is in addition to several tailwinds for the sector such as: 1) positive progress of monsoon driving up rural sentiment, 2) income tax benefits, 3) 8th pay commission, and 4) interest rate cuts. Thus, we believe the GST rate rationalization should drive a demand revival in the festival season and lead to potential re-rating within the sector. In our assessment, the biggest beneficiaries are Hero MotoCorp (HMCL), Maruti Suzuki India (MSIL) and Hyundai Motor India (HMIL). Note that while these stocks have moved in line with expectation, a key beneficiary is M&M (given cess clarification highlighted above). We would revisit our estimates on the sector soon. Our top OEM picks in the sector remain MSIL and M&M, and our top auto ancillary picks are Endurance, SAMIL and Happy Forgings.

Understanding sectoral nuances

Passenger vehicles (PVs) – clarity on cess and tractors positive for MM

- All PVs previously fell under the 28% GST bracket.
- However, there are multiple sub-segments, and each used to get taxed at a different rate depending on the fuel mix and the cess levied on each vehicle.
- Simply put, small cars (up to 4mtr in length) were taxed at 28%, whereas large cars (above 4mtr) were taxed in the range of 43-50%.
- As per the new GST rate structure, the small cars (up to 4mtr in length), which as of FY25 accounted for 32% of industry volumes, will now be taxed at a flat rate of 18%. Cars above 4mtr (the remaining 69%) would be taxed at a peak rate of 40%, which is still lower than the previous average of 43-50% tax bracket, as compensation cess is no longer being levied on automobiles.

Our view

- The GST rate cut will lead to a correction in car prices and is expected to provide a much-needed fillip to the car segment, which has been seeing muted traction over the past few years.
- In our assessment, in the PV segment, MSIL and HMIL stand to emerge as the biggest beneficiaries of this rate cut as they have a sizeable portion of their mix coming from the sub 4mtr segment.
- Further, given that there was still an uncertainty around whether or not the final tax incidence on UVs would be lower or not, MM stands to gain after the clarification regarding the cessation of compensation cess. MM also benefits from the fact that GST rates on both tractors and tractor parts have been reduced to 5% from 12% / 18% earlier.

Two wheelers (2Ws) – in line with expectations

- 2Ws up to 350cc were taxed at 28%, and 2Ws above 350cc attracted another 3% cess and hence were taxed at 31%.
- According to the revised structure, 2Ws up to 350cc will be taxed at 18%, whereas 2Ws above 350cc will attract a 40% tax rate.

Our view

- In our assessment, HMCL stands to benefit the most given that 95% of its volumes come from the domestic segment of up to 350cc.
- Benefits for Bajaj Auto (BJAUT) and TVS are limited given their relatively high exposure to exports and EVs. Similarly, for Royal Enfield (RE), its up-to-350cc segment (81% of mix) stands to benefit, while its >350cc domestic segment (8% of mix) will be adversely impacted by the higher GST rates.

Commercial vehicles (CVs)

- The GST rate on trucks has been reduced to 18% from 28% earlier.

Our view

- We expect the CV segment to see an indirect benefit, as a reduction in GST rates on key segments would increase consumption in the economy, which would, in turn, help revive CV volumes in the coming quarters.
- However, the only pure-play CV company that would benefit from this is Ashok Leyland (AL).

Tractors

- The GST rates on tractors and tractor parts have been reduced from 18% to 5%.

Our view

- The inverted duty structure on tractors has now been taken care of.
- Major beneficiaries include M&M and Escorts.

Quick observation on few auto ancillaries

- According to the new rates, all auto parts (excl. farm-related products) would now attract an 18% GST slab.
- Overall, the GST restructuring would be a pass-through for all auto ancillaries, though we believe domestic-focused companies are likely to be indirect beneficiaries of this rationalization given the expected demand revival. Since export-focused companies continue to face headwinds in their end markets, we think the final benefit of this measure is unlikely to be material for them.
- Hence, key auto ancillaries within our coverage universe that are expected to benefit include all tyre companies, battery companies, Bosch, Endurance, Happy Forgings and MSWIL. Tyre and battery companies will also benefit as they have a relatively high replacement share.
- **A quick take on Endurance**: Endurance enjoys a dual benefit: 1) the indirect effect of auto demand recovery, 2) the possible implementation of ABS on all 2Ws.

Near-term factors to watch out for

- We understand that the compensation cess can be offset only by cess in the value chain. With the cessation of compensation cess, it remains to be seen how this can be offset for the stock of vehicles lying in the system.

Our View

- FY26 had started off on a weak note for the auto sector as most segments, except tractors, were currently trailing growth expectations.
- After the first four months of FY26, domestic 2W industry was down 4% YoY (earlier estimate of high-single-digit growth), PVs were down 1% YoY (est of 2-4% growth) and CVs were flat YoY (estimate of mid-single digit growth).
- The GST cut rationalization was a much-needed booster shot for the sector. This is in addition to upcoming favorable tailwinds such as: 1) positive progress of monsoon driving up rural sentiment, 2) income tax benefits, 3) 8th pay commission in Jan'26, and 4) interest rate cuts.
- Given that the government has ensured that the GST rate rationalization happens before the festive season, we expect to see a revival in sector demand from the festive season onward.
- Our top OEM picks in the sector remain MSIL and M&M, and our top auto ancillary picks are Endurance, SAMIL and Happy Forgings.

GST 2.0: Rate cuts to benefit policyholders

- **The government has exempted retail health insurance and retail life insurance from GST as compared to a tax of 18% with ITC earlier. The change will be effective from 22nd Sep'25.**
- **With ITC no longer available, the pass-through may not be complete. However, an improvement in retention for health insurance companies and persistency for life insurance companies can offset the impact.**
- **Also, even if the insurance companies do not pass on the entire cut, we still see a meaningful reduction in premiums for policyholders and prospective customers, which will help drive demand as affordability improves.**
- **In the near term, ensuring renewals until 22nd Sep, cancellations of the policies sold in the last one month (which are in the free look period), and the delay in fresh purchases until 22nd Sep can pose some challenges from the cash flow perspective.**
- **General insurance players would benefit from the cut in GST rates on automobiles, which is expected to boost vehicle sales.**
- **We remain positive on the insurance space and our preferred picks are HDFC Life and Niva Bupa.**

Retail Health Insurance – Exempt from GST vs. earlier rate of 18% with ITC

- Ceteris paribus, companies will have to bear the cost of ~4-5%, which was availed as ITC earlier. Assuming the base premium was INR100 and the customer was paying INR118 with GST, to maintain profitability, the insurer can increase the base premium from INR100 to INR104-105. Hence, the customer will see the benefit of lower premium by INR13-14 (from INR118 earlier).
- On the other hand, if companies envisage increased retention of the old book in terms of the number of policies, a base premium hike may not be needed.
- The pass-through of GST rate cuts, whether complete or partial, would still lead to demand growth.
- Cutting commissions may be another alternative for insurance companies as a large portion of ITC was arising from commissions.
- SAHIs with a higher share of retail health, such as Star Health at 93% and Niva Bupa at 67% in FY25 (reported including 1/n), should be major beneficiaries. ICICI Lombard should see a limited benefit as the share of retail health in its overall premium was just 6%.

Retail Life Insurance – Exempt from GST vs. earlier rate of 18% with ITC

- With GST rate cuts, we expect a demand boost for protection plans, which are better VNB margin products. While the back book was priced considering the ITC benefit, which will no longer be available, the companies will have to incur a cost, which can be taken as a hit in the EV.
- On the other hand, if the companies envisage an increase in persistency of the old book in terms of the number of policies, the impact on EV can be offset.
- IRR for customers can increase even if there is a partial pass-through of the GST rate cuts in the saving products.

- VNB margins may be under some pressure in case the companies don't offset the increase in cost (as ITC is no longer available) via price hikes.
- Cutting commissions may be another alternative for insurance companies as a large portion of ITC was arising from commissions.
- Life insurance sector will not only benefit from stronger growth in 2HFY26 thanks to rate cuts but also from a low base in 2HFY25. Moreover, the profitability should look better with a higher share of non-par products.

Impact from delay in purchases and renewals

- Insurance products have a free look period of 30 days. Hence, the policies purchased during the period could come for cancellations and premiums might have to be returned.
- Also, the fresh business until 22nd Sep could be impacted as customers would delay their purchases.
- For renewals, companies have a grace period of 30 days, wherein customers can delay their renewals.
- If the coverage tenures can be extended for health insurance for the business written in the past 30 days and for renewals falling until 22nd Sep, the cash flow issue could be resolved.

Higher auto sales to drive motor business for GI players

- The cut in GST rates for the auto sector for small cars and 2Ws is likely to drive sales for automobiles, which in turn will drive stronger growth in the motor segment for general insurance players.
- ICICI Lombard with a high share of 40% from the Motor business should be a big beneficiary of this trend.
- On the other hand, the GST cut on Motor TP for goods carrier vehicles from 12% + ITC to 5% + ITC reduces the probability of a Motor TP price hike in this year.

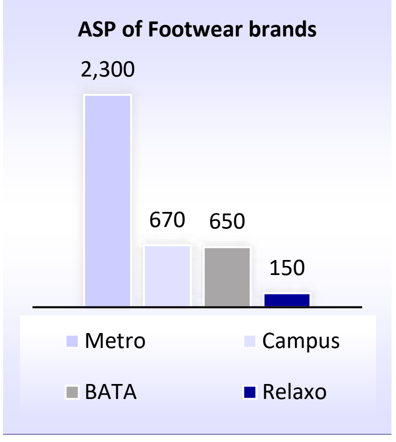
Exhibit 1: GST rationalization for the insurance sector and key beneficiaries

Sector	Earlier Rate	New Rate	Key Stock beneficiaries
Insurance			
Retail health insurance with reinsurance thereof	18% + ITC	Exempt	❖ Niva Bupa, Star Health, ICICI Lombard
Retail life insurance with reinsurance thereof	18% + ITC	Exempt	❖ HDFC Life, SBI Life, ICICI Pru Life, Max Fin, LIC
Motor TP for goods carriage	12% + ITC	5% + ITC	❖ ICICI Lombard

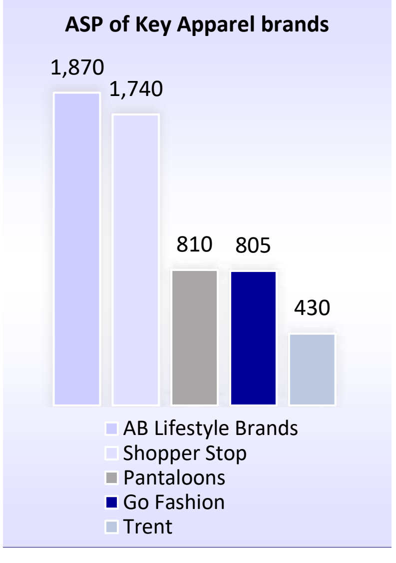
Retail

Rationalized GST, Revitalized Retail

ASP of footwear brands (INR)



ASP of key apparel brands (INR)



GST 2.0 could spur broad-based consumption revival

- The GST Council has approved a streamlined two-slab GST structure of 5% and 18%, with a 40% rate retained for sin and luxury goods, effective 22nd Sep'25.
- Under the new GST framework, there has been a reduction in GST rates for apparel and footwear up to INR2,500, appliances such as TVs and ACs, and broad-based daily essentials.
- The rationalization of GST rates could lead to a broad-based reduction in prices, as the rate cut would have to be passed on to end-consumers, which could potentially spur consumption, especially in the mass and mid-premium categories, and improve the competitiveness of organized retailers, especially in the mass footwear category.
- We believe footwear companies, mid-premium apparel retailers, consumer electronics retailers and grocery retailers such as DMart stand to benefit from the GST rate rationalization.

Apparel: Mid-premium retailers to benefit

- The GST rate on apparel priced between INR1,000 and INR2,500 has been reduced from 12% to 5%, while apparel priced above INR2,500 has seen GST rate increase from 12% to 18%. The GST rate on apparel priced below INR1,000 remains unchanged at 5%.
- While the government has talked about fixing the inverted duty structures, the quantum of price reductions will depend on the GST rate applicable to input materials.
- Prima facie, we believe the GST rationalization would be positive for mid-premium retailers such as West Side (Trent), Pantaloons, and to an extent Aditya Birla Lifestyle Brands.
- However, an increase in the GST rate could hurt the premium and ethnic wear retailers, such as Vedant Fashions, Shoppers Stop, Raymond Lifestyle, etc.

Footwear: Organized retailers could gain competitiveness

- The GST rate on footwear priced up to INR2,500 has been reduced to 5% from 12% for footwear priced below INR1,000 and from 18% for footwear priced above INR2,500.
- We note the increase in the GST rate to 12% from 5% a few years ago had been one of the reasons for subdued performance of mass footwear retailers such as Relaxo, Bata and Campus. We expect the reduction in GST rates to improve their competitiveness against low-priced unorganized players.
- With the entry-level GST rate slab rising to INR2,500, we expect Metro Brands to also benefit.
- Similar to apparel, the exact price reduction in footwear will depend on the correction of the inverted duty structure through the rationalization of rates on inputs.

Electronics retailer: Lower GST rate on high-end appliances to benefit RIL

- The GST rates on high-end appliances, such as ACs and TVs, have been reduced to 18% from 28%.
- The rate rationalization is likely to lead to delays in purchasing decisions and may impact 2QFY26 performance.
- However, we expect consumption to pick up after the implementation of new rates, ahead of the upcoming festive season, which should benefit electronics retailers such as Reliance Retail.

Daily essentials: Broad-based rate rationalization to benefit DMart, RIL

- The GST rates on several daily essential goods have been reduced from 12%/18% to ~5% and even NIL in certain cases.
- The reduction in GST rates could lead to a pick-up in broader consumption and slight uptrading to branded goods, which should benefit large organized retailers such as DMart and RIL.

Await more clarity on fix for inverted duty structure

- The organized retailers were facing certain challenges due to an inverted duty structure such as blockage of input tax credits, leading to strained working capital and impacting competitiveness vs. the unorganized sector.
- Input materials, such as man-made fiber yarn and fabric, were taxed at 12%, while garments sold below INR1,000 faced just 5%.
- Similarly, footwear inputs such as synthetic leather, rubber soles, and adhesives attracted 12-18%, while finished products were taxed lower.
- The government has talked about addressing these issues, but we await more clarity on the modalities and their implementation, which would determine the extent of the benefit that ultimately gets passed through to consumers.

Outlook and beneficiaries

- We believe the shift in the government's stance toward consumption-led growth through recent reform measures, such as income tax cuts and the GST rationalization, should boost consumption and bode well for organized retailers.
- We believe footwear retailers such as Bata, Campus, Relaxo and Metro Brands are the biggest beneficiaries of the GST rate rationalization.
- In the apparel pack, we believe this is positive for mid-premium brands such as Westside (Trent), Pantaloons (ABFRL), etc., whereas it could be negative for premium and ethnic retailers such as Vedant Fashions, Raymond, and Shoppers Stop.
- A broad-based pick-up in consumption also bodes well for the likes of DMart and Reliance Retail.

Exhibit 1: Current and revised GST rates for footwear and apparel

Price (INR)	Apparel		Footwear	
	Current	Revised	Current	Revised
0-1,000	5%	5%	12%	5%
1,000-2,500	12%	5%	18%	5%
2,500+	12%	18%	18%	18%

JSW Cement

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JSWCEMEN IN
Equity Shares (m)	1363
M.Cap.(INRb)/(USDb)	217 / 2.5
52-Week Range (INR)	160 / 144
1, 6, 12 Rel. Per (%)	-/-/-
12M Avg Val (INR M)	3620

Financial Snapshot (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	68.2	84.1	98.3
EBITDA	12.7	16.2	19.2
Adj. PAT	3.7	4.5	5.4
EBITDA Margin (%)	18.7	19.3	19.5
Adj. EPS (INR)	2.3	2.9	3.6
EPS Gr. (%)	n/m	27.0	21.5
BV/Sh. (INR)	45.1	48.8	52.8
Ratios			
Net D:E (x)	0.7	0.8	0.8
RoE (%)	7.4	6.2	7.0
RoCE (%)	7.4	7.4	7.8
Payout (%)	10.0	15.0	20.0
Valuations			
P/E (x)	2.3	2.9	3.6
P/BV (x)	3.5	3.3	3.0
EV/EBITDA(x)	20.6	16.8	14.3
EV/ton (USD)	140	112	99
Div. Yield (%)	0.1	0.3	0.4
FCF Yield (%)	-7.1	-2.3	1.7

Shareholding pattern (%)

As On	Jun-25
Promoter	72.3
DII	4.8
FII	4.4
Others	18.5

FII Includes depository receipts

CMP: INR159 TP: INR163 (+3%) Neutral

Strong volume growth; operating performance improves

Positive cement demand outlook; capacity expansion on track

- JSW Cement's (JSWC) 1QFY26 revenue/EBITDA increased ~8%/39% YoY to INR15.6b/INR3.2b. EBITDA/t surged ~29% YoY/45% QoQ to INR975. OPM was up 4.6pp YoY at ~21%. Adjusted PAT (exceptional fair value loss arises from conversion of CCPS into equity share of INR14.7b) stood at INR1.1b as compared to net loss of INR151m in 1QFY25.
- Management indicated that a good monsoon, increased government infra spending, and GST reforms bode well for the industry's demand outlook. It anticipates cement demand growth at 6.5%-7.5% in FY26. Its cost saving (increase in green power, AFR usages, lead distance optimization) and revenue growth (introduction of premium products) initiatives are likely to yield INR400/t over the next two years. In terms of expansions, Sambalpur GU (1.0mtpa) is expected to be commissioned in Sep'25, while Nagaur integrated plant (3.3mtpa/3.5mtpa clinker/grinding) is expected to be commissioned in FY26.
- We recently initiated coverage on JSWC with Neutral rating. We maintain our earnings estimates. At CMP, the stock is trading at 17x/14x FY27E/FY28E EV/EBITDA. We value it at 15x Sep'27E EV/EBITDA to arrive at our TP of INR163**. Maintain Neutral.**

Sales volume increases ~8% YoY; cement realization/t up ~3% YoY

- Consolidated revenue/EBITDA stood at INR15.6b/INR3.2b (up 8%/39% YoY). Adjusted PAT stood at INR1.1b vs. net loss of INR151m in 1QFY25. Total sales volume increased ~8% YoY to 3.3mt. Cement volume was up ~10% YoY to 1.85mt and GGBS volume was up ~5% YoY to 1.30mt. Cement realization increased 3% YoY/6% QoQ to INR4,894. GGBS realization declined ~4% YoY (flat QoQ) to INR3,715. Blended realization was flat YoY at INR4,712/t (+3% QoQ)
- Opex/t declined ~6% YoY/4% QoQ as other expenses/freight cost per ton fell ~13%/6% and employee costs fell ~19% (special incentive paid in 1QFY25). However, variable cost per ton inched up ~1% YoY. Depreciation increased ~5% YoY, whereas finance costs declined ~28% YoY. Other income was down ~9% YoY.

Highlights from the management commentary

- Cement trade mix stood at 52% in 1QFY26. Clinker factor was at 51% and blended cement mix at 67%. GGBS sales are purely B2B in nature (non-trade).
- The share of green energy stood at 21.6% in 1QFY26 (vs. 21.5% in FY25). It aims to scale this up significantly to ~49% by FY26 end and ~63% by FY27.
- Capex is pegged at INR20b in FY26, with INR4.6b incurred in 1QFY26. Net debt increased to INR45.7b from INR42.0b as of Mar'25, due to additional borrowings for ongoing expansions.

Valuation and view

- We estimate a CAGR of ~19%/31% in revenue/EBITDA over FY25-28, driven by higher sales volume and pricing improvement. EBITDA/t is estimated to be INR920/INR964/INR993 in FY26/FY27/FY28 vs. INR699 in FY25 (CAGR of ~12% over FY25-28). Despite improvement in profitability, we expect debt to remain elevated, driven by higher capex of INR56b over FY25-28E. Net debt is estimated to be INR45.2b/INR55.1b/INR57.5b in FY26/27/28E vs. INR40.7b (ex-CCPS) in FY25. Net debt-to-EBITDA ratio is estimated to remain elevated at 3.6x/3.4x/3x in FY26/27/28E vs. 3.2x/4.7x in FY24/25.
- At CMP, JSWC trades at 17x/14x FY27E/28E EV/EBITDA and USD112/USD99 FY27E/FY28E EV/t (adjusted EV/t at USD128/126 for FY27E/28E, considering surplus grinding units). We value it at 15x Sep'27E EV/EBITDA to arrive at our TP of INR163. Maintain Neutral.

Quarterly Performance (Consolidated)

Y/E March	FY25		FY26	FY25	FY26E	YoY	QoQ
	1Q	4Q	1Q			(%)	(%)
Net Sales	**14.5**	**17.1**	**15.6**	**58.1**	**68.2**	8	-9
YoY Change (%)	0.0	0.0	7.8	0.0	17.3		
Total Expenditure	12.1	14.6	12.4	49.5	55.5	2	-15
EBITDA	**2.3**	**2.5**	**3.2**	**8.6**	**12.7**	39	29
Margins (%)	16.1	14.6	20.7	14.8	18.7	463	605
Depreciation	0.7	0.8	0.8	3.1	3.3	5	-1
Interest	1.4	1.2	1.0	5.9	4.9	-28	-18
Other Income	0.2	0.2	0.2	1.0	1.1	-9	3
PBT before EO Expense	**0.4**	**0.7**	**1.6**	**0.5**	**5.6**	313	139
Extra-Ord loss/ (income)	-	-	14.7	-	14.7		
PBT after EO Expense	**0.4**	**0.7**	**-13.0**	**0.5**	**-9.1**	NA	NA
Tax	0.3	0.6	0.6	1.2	1.5		
Prior period tax adjustment	-	-	-	-	-		
Rate (%)	80.4	86.4	-5.0	0.0	0.0		
Reported PAT (pre minority)	**0.1**	**0.1**	**-13.7**	**-0.7**	**-10.5**	NA	NA
Share of loss/(profit) from JV	0.3	-0.1	-0.0	1.0	1.0		
Minority	-0.1	-0.2	-0.1	-0.5	-0.5		
PAT Adj for EO items and post MI	**-0.2**	**0.3**	**1.1**	**-0.1**	**3.7**	NA	222
YoY Change (%)	0.0	0.0	NA	0.0	NA		

Per ton analysis (blended) INR/t

Sales volume (mt)	**3.1**	**3.7**	**3.3**	**12.3**	**13.8**	8	-11
YoY Change (%)			7.8				
Net realization	**4,714**	**4,583**	**4,712**	**4,738**	**4,935**	0	3
YoY Change (%)			0.0				
RM Cost	1,089	1,209	1,206	1,209	1,209	11	0
Employee Expenses	326	257	245	301	292	-25	-4
Power, Oil & Fuel	744	639	642	690	676	-14	0
Freight and Handling Outward	1,168	1,076	1,098	1,138	1,155	-6	2
Other Expenses	631	731	547	701	683	-13	-25
Total Expenses	**3,957**	**3,912**	3,738	4,038	4,015	-6	-4
EBITDA	**757**	**671**	**975**	**699**	**920**	29	45

Bandhan Bank: Net Interest Margin May Dip Further This Quarter, But Improve Thereafter; Rajeev Mantri, CFO

- Industry level credit growth has come down
- Secured book grew by 27% and believe momentum will sustain
- For MFI industry saw a decline of 17% while bandhan reported 15% decline YoY in Q1
- By FY27 secured mix to go up by 5-6%, which means 50-60 bps impact on NIM over the next 2 years
- 45% of loans are repo linked

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- Expect double digit margin with this JV
- The Indian market for the railway sector is growu

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- Placed bids for orders worth $1 Bn
- Confident of closing the year with a strong orderbook
- Have visibility for orders another Rs 3,500 cr

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N O T E S

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SELL	< - 10%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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