motilal oswal
Financial Services

18 September 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	82,694	0.4	5.8
Nifty-50	25,330	0.4	7.1
Nifty-M 100	58,849	0.1	2.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,600	-0.1	12.2
Nasdaq	22,261	-0.3	15.3
FTSE 100	9,208	0.1	12.7
DAX	23,359	0.1	17.3
Hang Seng	9,597	2.2	31.6
Nikkei 225	44,790	-0.2	12.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	-0.4	-8.0
Gold ($/OZ)	3,660	-0.8	39.5
Cu (US$/MT)	9,925	-1.4	14.7
Almn (US$/MT)	2,685	-1.8	6.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	87.8	-0.3	2.6
USD/EUR	1.2	-0.5	14.1
USD/JPY	147.0	0.3	-6.5
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.5	-0.02	-0.3
10 Yrs AAA Corp	7.2	0.00	0.0
Flows (USD b)	**17-Sep**	**MTD**	**CYTD**
FIIs	-0.13	-0.07	-15.3
DIIs	0.26	3.99	59.4
Volumes (INRb)	**17-Sep**	**MTD***	**YTD***
Cash	1,095	992	1062
F&O	93,442	2,49,864	2,18,869

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

NSDL - Initiating Coverage: Shaping Tomorrow's Capital Markets

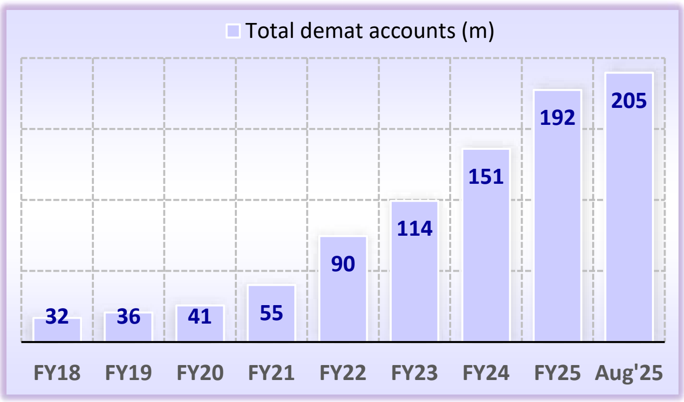
- NSDL – the first depository of the country – is uniquely positioned to benefit from the rising financialization trend, capturing both the breadth of new retail investors entering the system and the depth of rising custody value from institutional and corporate issuers.
- NSDL dominates in institutional, custodian, and large corporate accounts, resulting in revenue per active account at ~INR157 in FY25 — nearly 3x that of CDSL. Incremental demat market share has risen over the past few months (10% in Aug'24 to 17% in Aug'25) with focus on expanding fintech partnerships.
- NSDL services the widest base of issuers in India, which not only generates stable, recurring issuer charges but also creates a sticky moat, as issuers rarely migrate once demat systems are embedded.
- While the contribution to net profit from NDML and NPBL is currently less than 10%, these adjacencies provide accretive growth drivers and diversification opportunities.
- We believe the stock is fairly valued, and all the positives are priced in at current levels. Hence, we initiate coverage on NSDL with a Neutral rating and a one-year TP of INR1,200 (premised on ~45x FY28E P/E).

Research covered

Cos/Sector	Key Highlights
NSDL	Initiating Coverage: Shaping Tomorrow's Capital Markets
Automobiles	Back in the reckoning
Aditya Birla Capital	Driving growth and stability through retail acceleration
Federal Bank	The Corner Office: Marching towards sustained higher profitability

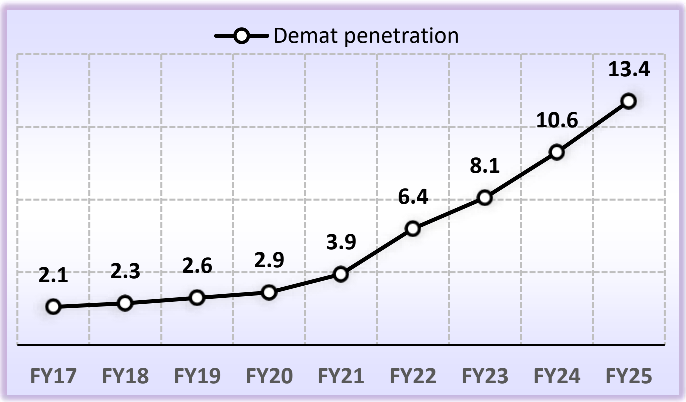
Chart of the Day: NSDL | Initiating Coverage (Shaping Tomorrow's Capital Markets)

Strong growth in demat accounts post-FY20…



Source: NSDL, CDSL, MOFSL

…but penetration still remains low



Source: Company, MOFSL

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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.

In the news today

Kindly click on textbox for the detailed news link

1

Marico under tax cloud; IT survey done at premises

The income tax department conducted a survey at Marico’s premises led by its Mumbai unit, deploying around 200 officers.

2

JK Tyre’s tax penalties from 27 states revised 10% lower in rectification order

JK Tyre first received the tax penalty order on September 4 when the company received a show cause notice, which raised a tax demand from 27 states.

3

Godrej Enterprises regroups 14 businesses into three clusters, rules out IPO plans

Mumbai: The ₹19,000-crore Godrej Enterprises Group (GEG) has reorganised its 14 business verticals into three clusters—consumer-first, nation-first and future-first—aimed at driving scale, focus and agility, chairman Jamshyd Godrej said.

4

JSW Steel unit will increase stake in M Res NSW to 83.3%

JSW Steel's market-linked contract with Illawarra Metallurgical Coal allows it to purchase hard coking coal in proportion to its economic interest in the company.

5

Zee Entertainment appoints Siju Prabhakaran as Chief Business Officer of Zee 5

Having spent 20 years at Zee, Prabhakaran spearheaded the South cluster of linear TV channels for the broadcast segment

6

Tribunal allows Sony India's plea for audit of Tata Play's systems

The dispute arose after SPNI, dissatisfied with an earlier audit, invoked Telecom Regulatory Authority of India (Trai) rules that permitted a second audit.

7

Auto industry seeks govt help as China magnet supplies remain stuck

India’s auto industry faces supply chain stress as rare earth magnet shipments from China remain stuck despite diplomatic talks.

NSDL

BSE Sensex	NIFTY
82,381	25,239

CMP: INR1,298 TP: INR 1,200 (-8%) Neutral

NSDL
Technology, Trust & Reach

Stock Info

Bloomberg	NSDL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	259.7 / 2.9
52-Week Range (INR)	1425 / 880
1, 6, 12 Rel. Per (%)	8/-/-
12M Avg Val (INR M)	14225
Free float (%)	100.0

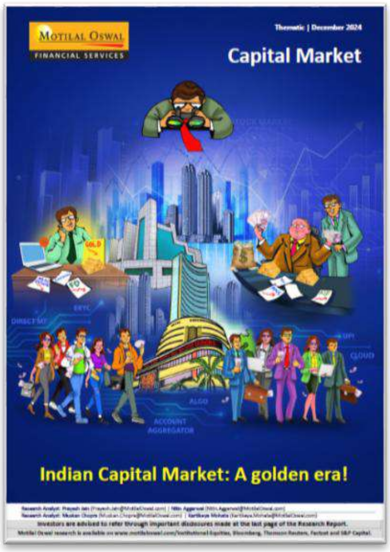
Financial Snapshot (INR b)

Y/E March	2025	2026E	2027E
Revenue	14.2	13.1	14.6
YoY growth (%)	12.0	-7.6	11.3
EBITDA	3.8	3.8	4.6
EBITDA Margin (%)	26.4	28.9	31.6
PAT	3.4	3.6	4.3
PAT Margin (%)	24.0	27.5	29.6
EPS	17.0	18.0	21.6
EPS Grw. (%)	23.1	5.9	19.8
BVPS	100.3	117.5	138.3
RoE (%)	18.5	16.6	16.9
Div. Payout (%)	4.8	5.5	4.6
Valuations			
P/E (x)	76.2	71.9	60.0
P/BV (x)	12.9	11.1	9.4

Shareholding Pattern (%)

As On	Jun-25
Promoter	0.0
DII	44.4
FII	15.6
Others	40.0

FII Includes depository receipts



Shaping Tomorrow's Capital Markets

Building strong relationships with overlay of robust technology

- **The opportunities for the entire Indian capital market ecosystem over the next decade, with a rising financialization trend but low penetration (demat penetration at 15% vs 60%+ in the US), continue to be immense (highlighted in our capital market thematic report). NSDL – the first depository of the country – is uniquely positioned to benefit from this trend, capturing both the breadth of new retail investors entering the system and the depth of rising custody value from institutional and corporate issuers.**
- **NSDL dominates in institutional, custodian, and large corporate accounts, resulting in revenue per active account at ~INR157 in FY25 — nearly 3x that of CDSL. The institutional skew offers more stable revenue pools linked to custody value rather than purely transaction volumes, underpinning resilience across market cycles.**
- **NSDL services the widest base of issuers in India, including ~70%+ of unlisted corporates mandated to dematerialize. This not only generates stable, recurring issuer charges but also creates a sticky moat, as issuers rarely migrate once demat systems are embedded. The potential growth for this is large, as the unlisted market in India continues to grow at a healthy pace.**
- **NSDL has stepped up its focus on investor engagement by expanding partnerships with fintech brokers, enabling digital onboarding and account opening in tier 2/3 cities, which has resulted in a rise in incremental demat market share over the past few months (10% in Aug'24 to 17% in Aug'25). However, it is still lower than the demat account market share of ~20%, indicating further headroom for market share expansion and growth.**
- **NDML (KRA, insurance repository) and NPBL (payments bank) position NSDL beyond a pure-play depository. While the contribution to net profit from these subsidiaries is currently less than 10%, these adjacencies provide accretive growth drivers and diversification opportunities from the core depository business.**
- **We expect a revenue/EBITDA/PAT CAGR of 5%/14%/15% over FY25-28. Given the duopoly nature of the industry and NSDL's superior pricing power, depositories deserve premium valuations. However, we believe the stock is fairly valued, and all the positives are priced in at current levels. Hence, we initiate coverage on NSDL with a Neutral rating and a one-year TP of INR1,200 (premised on ~45x FY28E P/E).**

Depositories – catalysts to the transformation of India's capital markets

- The depository industry has been at the core of India's capital market transformation. Since the advent of dematerialization in the mid-1990s, it has enabled a seamless shift from paper-based securities to a fully digital ecosystem, enhancing transparency, efficiency, and investor confidence.
- Continuous technology upgrades and the surge in retail participation driven by fintech-led discount brokers, digital KYC, and UPI-enabled IPO applications have propelled demat accounts from ~40mn in FY20 to over 205mn by Aug'25. Yet penetration remains only ~15% of India's population, far below the US (~60%+) and China (~15–20%), underscoring the long runway ahead.
- Cash market ADTO expanded structurally, rising from ~INR213b in FY15 to over INR1t in FY25, supported by robust retail flows and a healthy IPO pipeline. Elevated delivery-based volumes provide a durable uplift to transaction-linked revenues. At the same time, with household equity allocation still just ~6% in FY25, the industry stands to benefit from further financialization of savings in an underpenetrated market.

- Apart from underpenetration, issuer activity adds another structural lever for the industry. SEBI's 2018 mandate requiring unlisted public companies to dematerialize their securities has expanded the issuer universe significantly, while IPO activity continues to funnel new companies and investors into the system.
- At the intersection of household financialization and capital market deepening, the depository industry is poised for sustained growth. Low penetration, expanding regulatory scope, elevated cash market volumes, and technology-led service innovation ensure a resilient and scalable operating environment for depositories over the coming decade.

Structural levers of the core depository business

- NSDL's core depository business benefits from multiple structural drivers that underpin both revenue growth and profitability. These levers are anchored in account growth, issuer expansion, custody value, and sustained transaction activity.
- In terms of demat accounts, NSDL has a market share of ~20% as of Aug'25, which has declined from 48% in FY20. However, with its continuous engagement with discount brokers and strengthening foothold amongst traditional/bank-based brokers, the incremental market share has moved up from 10% in Nov'24 to 17% in Aug'25. We expect the momentum to be sustained over the medium term.
- Custody fees and annual issuer charges – which are linked to value under custody and number of issuers – contributed ~48% of standalone revenue in FY25, providing predictable and recurring income streams. With ~79,700 unlisted companies registered on its platform (versus ~35,900 for CDSL), NSDL enjoys a wide issuer base that further enhances revenue stability.
- NSDL has been a direct beneficiary of the strong expansion in cash market volumes as well as the rise in IPO activity through transaction-linked revenues such as trade settlement, pledge/hypothecation, and corporate action processing. These revenues contributed ~58% of standalone income in FY25, and we expect the contribution to remain in a similar range going forward.
- The business exhibits strong operating leverage, as incremental revenues from custody value, issuers, and transactions flow through with minimal cost addition. Standalone EBITDA margin stood at ~53% in FY25, and we expect the same to improve to ~58% in FY28.

Subsidiaries provide diversification and earnings optionality

- Beyond its core depository business, NSDL has developed meaningful adjacencies through its subsidiaries — NSDL Database Management Ltd. (NDML) and NSDL Payments Bank Ltd. (NPBL). Together, these entities contributed ~55% of consolidated revenues in FY25, underscoring their rising importance in NSDL's overall business mix.
- NDML is one of the leading KYC Registration Agencies (KRAs) in India, playing a pivotal role in investor onboarding across capital markets. With SEBI tightening KYC norms and enforcing centralized validation, KRAs are expected to see rising volumes and increased compliance-linked revenues, benefiting NDML disproportionately, given its scale.
- NDML also manages the insurance repository business, enabling policyholders to hold insurance policies in electronic form. While the contribution to revenue

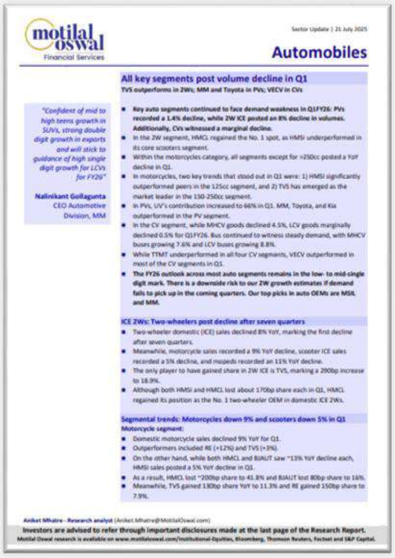
is not meaningful, the company is one of the four players in the industry. These businesses diversify NDML's revenue pool and leverage its expertise in secure data management. In FY25, NDML delivered strong profitability, with EBITDA margin exceeding 35%, highlighting its high operating leverage and scalability.

- NSDL launched NPBL in 2018 to strengthen its role in India's digital payments ecosystem. NPBL is authorized to provide basic banking services, digital wallets, and payment solutions, while also acting as the nodal bank for the UPI-based IPO applications – a fast-growing use case directly linked to NSDL's core business.
- Profitability in NPBL remains a work in progress, given the competitive and thin-margin nature of payments and continued investments in building scale and technology. The company became profitable in FY23 and maintains a <1% PAT margin. Nevertheless, its strategic relevance is significant: by acting as the banking backbone for IPO subscriptions and other market-linked payment flows, NPBL reinforces NSDL's systemic integration within capital markets.

Valuation and view

- With its leadership in depository services, robust infrastructure, scale advantages, affluent client base, and strategic subsidiaries, NSDL is well-positioned to capitalize on market growth.
- We expect NSDL to deliver a revenue/EBITDA/PAT CAGR of 5%/14%/15% over FY25-28, reflecting the company's strong market position, diversified revenue streams, and growth potential in India's expanding capital markets. The company's operational efficiencies and tech-led scale-up are expected to improve its EBITDA margin over the same period.
- Given the duopoly nature of the industry and NSDL's superior pricing power, depositories deserve premium valuations. **However, we believe the stock is fairly valued, and all the positives are priced in at current levels. Hence, we initiate coverage on NSDL with a Neutral rating and a TP of INR1,200 (premised on ~45x FY28E P/E).**
- Prolonged weak market sentiment or tighter regulatory interventions on fee structures could weigh on transaction volumes and pressure monetization, leading to lower-than-expected earnings growth. However, a sharper-than-expected rise in retail participation, stronger IPO activity, or any favorable regulatory stance on pricing could accelerate revenue and drive faster earnings growth than our estimates.

Automobiles


Sector Update | 21 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.

Company	Rating	Target Price
Bajaj Auto	Neutral	9,326
Hero MotoCorp	Buy	6,168
TVS Motors	Neutral	3,549
Eicher Motors	Sell	5,610
Maruti Suzuki	Buy	17,890
M&M	Buy	4,145
Hyundai	Buy	2,979
Tata Motors	Neutral	686
Ashok Leyland	Buy	154
Escorts	Neutral	3,624

Back in the reckoning

Multiple tailwinds likely to drive demand revival and hence sector re-rating

The GST Council has provided a much-needed booster shot to the auto sector by reducing the tax rates on the majority of auto segments to 18% from 28% earlier, effective 22nd Sep'25. The GST rate on all SUVs above 4mtr (and other specifications) has been reduced to 40% without cess from an average of 43-50% earlier. For tractor/tractor components, the rates have been cut to 5% from 12%/18% earlier. These timely rate cuts, coupled with other sectoral tailwinds like normal monsoon boosting rural sentiment, a ~100bp reduction in interest rates in CY25 so far and income tax benefits, are expected to revive demand for the auto sector from this festive season. Further, while we expect the premiumization trend to continue, we also expect small car demand to grow over a very low base. We have now raised our FY26/FY27 volume growth estimates for 2Ws to 4%/7.5% (vs. 1%/5.7% earlier), PVs to 3%/8% (vs. 2%/4% earlier), CVs to 5%/7% (vs. 2%/4% earlier) and tractors to 10%/6% (vs. 8%/5% earlier). With a pick-up in demand, we also expect discounts to trend down across key segments, which should drive margin expansion going ahead. On the back of demand revival and much better earnings growth, we expect a re-rating for the sector. Our top picks among auto OEMs are Maruti Suzuki (new launches and export ramp-up to drive 16% earnings growth) and M&M (new launches and positive rural sentiment to drive 20% earnings growth). We also like Hyundai, Hero MotoCorp and Ashok Leyland. We maintain our Sell on Eicher Motors. We have a Neutral rating on Tata Motors, Bajaj Auto and TVS.

GST rate cut a boon for the auto sector

The GST Council in its meeting on 3rd Sep'25 announced the much-awaited GST rate rationalization, which has largely happened on expected lines as below: 1) the majority of the auto pack will shift from a 28% GST + cess structure to a flat rate of 18%; 2) all SUVs above 4mtr (and other specifications) will move to a 40% rate without cess from the earlier avg of 43-50%; 3) 2Ws above 350cc will move to a 40% rate from 31% earlier. The revised rates would be effective from 22nd Sep'25. One of the key positive surprises in this restructuring was the fact that the government has also reduced GST rates for the luxury segment (where there was some ambiguity earlier). Further, another positive factor was for the tractor segment, where the government has not only reduced rates but also taken away the inverted duty structure by reducing GST rates on tractor parts to 5%.

Segment-wise GST rates (in %)

Segments	Sub segments		GST	Cess	Total	Revised
PVs petrol, CNG, LPG	❖	Up to 4mtr and up to 1200cc	28	1	29	18
PV diesel	❖	Up to 4mtr and up to 1500cc	28	3	31	18
PV	❖	Up to 1500cc	28	17	45	40
PV	❖	above 1500cc	28	20	48	40
PV	❖	>4mtr and >1500cc and >1700mm ground clearance	28	22	50	40
PV hybrid	❖	Up to 4mtr and 1200cc petrol	28	0	28	18
PV hybrid	❖	above 4mtr or above 1200cc petrol	28	15	43	40
Two wheelers	❖	up to 350cc	28	0	28	18
Two wheelers	❖	>350cc	28	3	31	40
Three wheelers			28	0	28	18
CV	❖	goods	28	0	28	18

Assessment of key beneficiaries

Segments / Players	GST rate change	Extent of benefit	Comments
Two Wheelers			
Hero MotoCorp	❖ 18% from 28%	*****	❖ Benefits 95% of its portfolio
Bajaj Auto	❖ 18% from 28%	***	❖ Benefits 51% of its mix, no change for exports and EVs
TVS Motors	❖ 18% from 28%	***	❖ Benefits 69% of its mix, no change for exports and EVs
Eicher Motors	❖ 18% from 28% up to 350cc, but 40% from 31% for >350cc+	***	❖ Benefits 81% of mix, no impact on 11%, negative on 8% which is 350cc+
Passenger Vehicles			
Maruti Suzuki	❖ 18% from 29% on cars, 40% from range of 43-50% on UVs	****	❖ strong benefits on 48% of mix, some benefit on large UVs + Vans - 31% of mix
M&M	❖ 40% from avg of 43 to 50% on UVs; 5% from 12% on tractors	***	❖ some benefit to UVs (40% mix), strong benefits to tractors (31% mix)
Tata Motors	❖ 18% from 29% on cars, 40% from range of 43-50% on UVs	*	❖ India business ~28% of consol revenue, of this 13% comes from cars and 47% from UVs
Hyundai	❖ 18% from 29% on cars, 40% from range of 43-50% on UVs	****	❖ strong benefit to 51% of mix, some benefit on large UVs (28% mix)
Escorts	❖ 5% from 18%on tractors	****	❖ Tractors is 83% of revenues which benefits positively
Commercial Vehicles	❖ 18% from 28% on trucks	NA	❖ indirect benefit from improvement in consumption

After the GST announcement, here are some of the key factors to watch out for from hereon:

- Considering the prime minister’s announcement of an expected GST cut on Independence Day, retails were weak in Aug’25, and the weakness has continued in Sep’25 too as customers look to have postponed their purchases to take advantage of the rate cut.
- Given the festive season beginning on 22nd Sep and huge pent-up demand, there is expected to be a surge in retails that day onward. Thus, like-to-like retails comparison YoY in this festive season may not make sense.
- Moreover, given that compensation cess can be offset only against cess and cess has been discontinued from 22nd Sep, most OEMs will see some one-time impact as they would need to absorb this amount for the unsold inventory as of 22nd Sep. This is also the reason why players like MM had curtailed wholesales in Aug’25 as the bulk of its models would have attracted higher cess.
- Further, M&M is the only player that has passed on the entire GST reduction to consumers immediately from 6th Sep. It was a smart move by the company as many of its models have cess of around 15-22%. Given that cess can only be compensated with cess, MM has chosen to “lose” 10% by reducing vehicle prices upfront by 10% so that it can look to take credit of cess until 22nd Sep instead of losing the “15-22%” of cess credit after 22nd Sep on unsold inventory. However, given that we are in the midst of an inauspicious Shradh period, retails are seasonally weak in this period. Hence, it remains to be seen how effective MM’s move has been.

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. MM has also emerged as a key beneficiary given: 1) the reduction in GST rates on tractors and tractor parts, and 2) no hike in GST on high-end vehicles, as was earlier anticipated. Further, 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).

17 September 2025

Company Update | Sector: NBFC

Aditya Birla Capital

BSE SENSEX	S&P CNX
82,694	25,330

Bloomberg	ABCAP IN
Equity Shares (m)	2611
M.Cap.(INRb)/(USDb)	741.8 / 8.4
52-Week Range (INR)	295 / 149
1, 6, 12 Rel. Per (%)	1/63/26
12M Avg Val (INR M)	1211

Financials & Valuations (INR b)

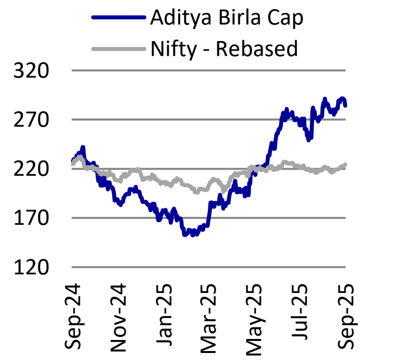
Y/E March	FY25	FY26E	FY27E
PBT Break-up			
NBFC	33.6	41.2	52.4
Housing	4.2	7.0	10.4
AMC	12.5	13.6	15.4
Life Insurance	1.6	1.8	2.0
Health Insurance	0.1	0.8	1.5
Other businesses	1.4	2.0	1.7
Consolidation adjustments	1.5	1.6	1.7
Consol PBT	**54.8**	**67.9**	**85.2**
Consol PAT Post MI and others	**33.3**	**39.0**	**49.4**
Growth (%)	-0.1	17.0	26.8
RoE (%)	**11.6**	**12.2**	**13.9**
Con PE	22.2	18.9	14.9
Cons. PBV	2.4	2.2	2.0

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	68.8	68.8	69.0
DII	12.1	9.8	8.1
FII	7.2	8.8	11.0
Others	12.0	12.6	11.9

FII Includes depository receipts

Stock performance (one-year)



CMP: INR284 TP: INR340 (+20%) Buy

Driving growth and stability through retail acceleration

- Aditya Birla Capital (ABCL) has steadily evolved into a digitally enabled, customer-focused financial services platform with a diversified presence spanning lending, insurance, and asset management. The company has sharpened its strategic focus on expanding its retail and MSME lending portfolio, enhancing productivity through proprietary digital platforms, such as the **ABCD App** and **Udyog Plus**, and strengthening its omni-channel presence to boost direct customer engagement.
- In recent quarters, the company has implemented several strategic initiatives, including tightening underwriting standards, deliberately reducing exposure to small-ticket loans, and recalibrating digital partnerships in its personal and consumer loans (P&C) segment. These measures have helped it maintain asset quality, which is significantly stronger than that of its peers.
- With credit quality stabilizing and business momentum gaining traction, ABCL has started accelerating growth in its P&C segment. Provided the macro environment remains supportive, this momentum is likely to sustain in the coming quarters. Notably, the renewed focus on the P&C segment should also strengthen its overall profitability, given its structurally higher yields and margins.
- The housing finance subsidiary has posted robust growth over the past two years, underpinned by strategic investments that are now translating into tangible outcomes. Its strategy centers on maintaining a well-diversified portfolio, with a balanced emphasis on both prime and affordable housing, along with a significant presence in construction finance. Looking ahead, we expect the subsidiary to sustain its strong growth trajectory, supported by the capacity built in recent years and further reinforced by cross-selling opportunities across the ABG and ABC ecosystem.
- ABCL has successfully amalgamated its wholly owned subsidiary, Aditya Birla Finance (ABFL), with itself, creating a unified and larger entity with strengthened financial capacity and greater operational flexibility.
- With its key building blocks firmly established and a vast market opportunity ahead, the company is well-positioned to achieve the next phase of growth. Looking forward, it aims to sustain the strong momentum built over the past three years by leveraging its diversified business model and strengthening its digital capabilities to simplify financial services and deliver an enhanced customer experience.
- We expect a consolidated PAT (pre MI) CAGR of ~26% over FY25-27. The thrust on cross-selling, investments in digital platforms, and leveraging 'One ABC' will lead to healthy return ratios, even as we build in a consolidated RoE of ~14% by FY27. **Reiterate BUY with an SoTP (Mar'27E)-based TP of INR340.**

NBFC: Recovery in unsecured lending; focused growth with caution

- Over the past three years, the NBFC business has more than doubled its AUM, delivering a robust CAGR of over 30%. Notably, around 74% of the portfolio remains secured, underscoring the company's prudent risk management framework, which continues to anchor its growth strategy by balancing expansion with capital protection.
- In FY25, ABCL adopted a cautious approach by tightening its underwriting standards, reducing exposure to small-ticket unsecured loans, and recalibrating sourcing from select digital partners to mitigate risks such as customer over-leverage. These measures contributed to sustained asset quality, with 30+dpd improving by ~75bp YoY to ~3.7% as of Jun'25.
- With most lenders flagging stress in small-ticket unsecured MSME lending, the company remains relatively well positioned owing to its portfolio mix. ***Within the MSME portfolio, which forms 55% of the total loan book, ~46% is secured, while just 1.3% constitutes of small-ticket unsecured loans, an area where the company continues to remain cautious.***
- The recalibration of the P&C business brought down its share in the overall loan mix from ~20% to ~13% over the past two years. However, having made the necessary course correction, the company is now confident of scaling up this segment, which should support NIM improvement given its structurally higher yields. In addition, the ~1pp rate cut is expected to lower funding costs. Together, these factors are likely to drive margin expansion, with management guiding for margins to stabilize at ~6% and subsequently expand further.
- ABCL aims to double its NBFC loan book over the next three years, along with steady expansion in RoA. The improvement in RoA will be driven by a gradual margin expansion, gains in operating productivity, and a favorable shift in the underlying product mix.

HFC: Full-stack player with presence across prime and affordable segments

- Aditya Birla Housing Finance (ABHFL) is focused on building a digitally enabled, analytics-driven retail housing finance franchise that caters to salaried individuals, self-employed professionals, and micro-entrepreneurs across Tier-I suburbs and Tier-II/III cities, while maintaining strong credit quality. As a result of its disciplined underwriting and risk controls, 30+dpd has improved significantly, declining ~130bp YoY to 1.35% as of Jun'25.
- The company is looking to accelerate growth in both prime and affordable housing segments, with a target ATS of INR2.5-5m. This growth strategy is expected to be supported by synergies from the broader ABG ecosystem.
- Over the past three years, the company has made substantial investments in capacity building and branch infrastructure. With these investments now largely in place, it expects a significant improvement in operating leverage, which should contribute meaningfully to RoA expansion.
- ABHFL aims to sustain its growth momentum and expand its market share. As the portfolio scales up, it expects operating leverage to improve and profitability to strengthen. It has guided for RoA of ~2.0%-2.2% over the next 6-8 quarters.

AMC: Strong AUM growth with focus on retail expansion and digital integration

- ABSL AMC's fund performance has improved consistently since Jan'25, with ~67% of equity AUM appearing in the top two quartiles on a one-year return basis in Jul'25 compared to average of ~20% in the preceding 12 months.

- The company is expanding its product pipeline across alternatives (private markets and real estate), passives (ETFs, index funds, FoFs), and offshore strategies, reinforcing its multi-asset platform beyond its core MF platform.
- The company reported 21% YoY growth in total QAAUM to INR4.43t in Jun'25. Mutual Fund QAAUM rose 14% YoY to INR4.03t, with a market share of ~6.2%, supported by improved fund performance and strong sales momentum.
- The company continued to strengthen its retail franchise and expand its geographical reach, now operating in over 300 locations, with more than 80% of its presence in B30 cities.
- In FY25, the company strengthened its distribution network by expanding its empaneled base to over 89,000 MFDs, 330 national distributors, and 90+ banks. It added 10,500 MFDs during the year.
- Going forward, the AMC aims to strategically scale its retail franchise while diversifying product offerings. Growth will be driven by strengthening direct and HNI channels and accelerating SIP inflows to ensure long-term AUM stability.
- Digital capabilities are in focus, with continued investments to ensure seamless service delivery and customer experience. The company also aims to expand its geographic footprint, strengthen multi-channel distribution, and deepen synergies through One ABC locations to drive cross-sell and up-sell momentum.

Life and health insurance segments scale up with market share gains

- Aditya Birla Life Insurance (ABSLI) emerged as the fastest-growing life insurance player in FY25, with individual first-year premium (FYP) rising 34% YoY to INR41.1b, significantly outpacing 15% growth for private players and 10% growth for the industry. Management has guided for a CAGR of 20-22% in individual FYP and VNB margins of over 18% in the next three years.
- Aditya Birla Health Insurance (ABHI) is one of the fastest-growing health insurers, with GWP rising 33% YoY to INR49b in FY25. The company achieved breakeven in its eighth full year of operations, reporting a net profit of INR50m. As of Jun'25, the combined ratio stood at 111% (vs. 112% in 1QFY25). We are optimistic about the long-term outlook of the health insurance sector. ABHI aspires to be the fastest-growing health insurer and targets to achieve a combined ratio of ~100% at the earliest.

Valuation and view

- ABCL continues to demonstrate healthy growth in its core businesses, NBFC, HFC, AMC, and life and health insurance, supported by improving profitability, operational leverage, and strong customer acquisition momentum. Its 'One ABC' strategy enhances cross-selling opportunities, increases wallet share, and improves cost efficiency. Its focus on digital transformation and expansion of distribution reach should also support long-term growth.
- We estimate a consolidated PAT (pre-MI) CAGR of ~26% over FY25-27. The thrust on cross-selling, investments in digital, and leveraging 'One ABC' will lead to healthy return ratios, even as we build in a consolidated RoE of ~14% by FY27. **Reiterate our BUY rating with an SoTP (Mar'27E)-based TP of INR340.**

Marching towards sustained higher profitability

NIMs to bottom out in 2Q; Aiming for 1.4-1.5% RoA by FY28E

We interacted with the top management team of Federal Bank, represented by Mr. KVS Manian – MD & CEO, Mr. V Venkateswaran – Executive Director, and Mr. Souvik Roy, Head – Investor Relations to discuss the bank's business, profitability outlook, and other key focus areas. Following are the key takeaways from the discussion:

Federal Bank

Mr. KVS Manian, MD & CEO

Mr. KVS Manian is a seasoned banking professional with a distinguished career spanning over four decades. He began his professional journey at NELCO, a Tata Company, and has spent three decades with the Kotak Mahindra Group. He played a pivotal role in transforming Kotak from an NBFC into a leading private sector bank by driving growth across corporate, investment banking, and wealth management. He was the Joint MD in his last stint at KMB before taking charge as the MD & CEO of Federal Bank in Sep-24. Mr. Manian is an IIT (BHU) alumnus with an MBA from Jamnalal Bajaj Institute of Management Studies (JBIMS) and is also a qualified Cost Accountant.

Targeting balanced growth with focus on high-yielding segments

Federal Bank is strategically realigning its growth approach by optimizing its asset mix toward medium- and high-yield segments, while maintaining strong asset quality. The bank is prioritizing gold loans, LAP, and commercial banking, with the mortgage portfolio expected to remain subdued in the near term. However, LAP is anticipated to scale steadily, delivering robust quarterly growth. Gold loans are likely to remain a key growth driver, expanding by ~25% supported by healthy demand and branch-led distribution. Commercial banking is on track to grow over 25%, driven by deeper penetration into mid-market and SME segments with a focus on higher-yield relationships. Corporate lending remains selective, aimed at replacing low-yield exposures with better-quality accounts, a trend already implemented over the past two quarters and expected to continue. Notably, 80% of NTB additions this year are mid-market clients, boosting overall yields. Additionally, the bank is cautiously exploring premium CV financing and tractor loans for diversification. The focus remains on mid-yield assets that ensure stable, predictable returns with intact credit quality. The bank expects loan growth to sustain at 12-13% YoY over FY26. We estimate Federal Bank to clock ~15% CAGR in advances over FY25-28.

CASA mobilization (distinct focus on CA) to act as a key to limit funding

Federal Bank is prioritizing the expansion of its CASA base, with a particular focus on growing current accounts to lower funding costs and enhance NIMs. With a CASA ratio of 30.4%, the bank is implementing customer-focused initiatives such as auto sweep facilities and relationship-driven strategies to attract new deposits. The "Free the Branch" program has empowered staff to focus entirely on deposit mobilization, improving productivity by centralizing non-sales activities and introducing a new, low-cost sales channel. KRAs have been realigned to support this transformation. While savings accounts offer low yields, they provide pricing flexibility to stay competitive. With a substantial base of ~INR900b in NR deposits, there is ample scope for cross-selling and wealth management opportunities. The franchise is expected to accelerate, contributing meaningfully to both deposits and fee income. Management aims to increase current account share from ~7% to ~10% by FY28 and to ~13% over the medium term, supported by branch optimization, regional expansion, and technology-driven onboarding. Deposit growth is expected at 12% YoY in FY26, improving to ~14.5% CAGR over FY25–28.

NIMs to bottom out in 2QFY26; remain one of three key pillars behind RoA expansion

Federal Bank expects its NIMs to face near-term pressure, with a 5-10bp decline in 2QFY26, as rate cuts and a faster transmission through its T+1 repricing model impact lending yields. Despite this, management remains confident that margins will recover from 3Q onwards, aiming for an exit NIM of ~3.1% by 4QFY26, assuming no further rate cuts. Moderating funding costs and a shift in the asset mix towards secured, higher-yielding loans such as LAP, gold, and CV financing will support spreads. Mortgages are being scaled back amid intense competition, while unsecured lending is being carefully monitored to manage risks. With a calibrated approach to cost optimization and lending discipline, the bank aims to navigate macroeconomic challenges while improving RoA. Over FY26, NIMs are projected to decline by 20-24bp, and we expect them to recover to ~3.2%/3.4% in FY27/28, respectively.

Cost ratios to remain sticky in the near term; focus remains on scaling fee income

Federal Bank expects cost ratios to remain elevated in the near term as investments in branch expansion, technology, and customer acquisition continue. C/I ratio, which stood at 54.9% in 1QFY26, is likely to remain at elevated levels in the near term, as operating expenses increase to support growth initiatives. Management is not focusing on cost-cutting in the short term, as expanding current accounts and opening new branches in metro regions are necessary to enhance reach and funding capabilities. Over the medium term, process centralization and better manpower utilization are expected to gradually improve efficiency, potentially reducing the C/I ratio to <50% in the next few years. Meanwhile, fee income is being actively scaled, driven by cards, wealth management, and fintech cross-sell opportunities. These efforts aim to strengthen profitability and complement balance sheet expansion while keeping near-term cost ratios stable.

Asset quality holds steady, excluding MFI stress; reiterates credit cost guidance of 55bp

Federal Bank witnessed elevated slippages in 1QFY26, mainly led by the microfinance (MFI) portfolio, as the slippage ratio in the rest of the businesses remained stable. Management expects MFI slippages to have peaked, with improving monthly trends in collection efficiency. A coverage ratio of 75%, supported by accelerated provisioning on unsecured loans, provides resilience to the balance sheet. Retail, SME, and corporate segments remain stable, reflecting diversified risk exposure. Management reiterated its guidance to maintain FY26 credit cost at 55bp, with 2H being better than 1H.

RoA recovery to begin from 3QFY26E; estimate earnings CAGR at 16% over FY26-28

Federal Bank's RoA is expected to gradually recover from 3QFY26, led by recovery in margins and credit costs, along with an improved disbursement run rate. We, thus, estimate RoA to recover from 1.00% in 1QFY26 to 1.15% by 4QFY26. Advances are likely to grow 12-14% YoY, with the rising mix of higher-yield segments driving improved spreads, while secured SME loans are expected to contribute to volume expansion. On the liability side, CASA, which grew 12% YoY, will be key in lowering funding costs, currently at 5.78%, thereby enhancing net interest margins. Technology-led improvements in onboarding, underwriting, and employee productivity will further strengthen profitability. We estimate RoA to recover to 1.2%/1.3% over FY27/28E, with the possibility of a further upside as execution picks up pace.

Other highlights

- **RoA drivers:** To enhance RoA, the bank is focusing on three key pillars: 1) Current account mix (20bp impact), 2) Rising mix of mid-yield assets (20bp impact), and 3) Fee income (20bp impact). Among these, the highest priority is given to improving the asset mix, followed by the current account mix, and then fee income. The bank's goal is to drive RoA to 1.4-1.5% by FY28E.
- The bank is evaluating branch locations and redesigning interfaces to enhance visibility and efficiency. In addition, it is building a low-cost salesforce focused on acquiring customers and onboarding mid-market cos.

Valuation and view: Reiterate BUY with a TP of INR235

- Federal Bank's focus on asset mix diversification and operational efficiency has boosted its resilience against macro volatility. While challenges persist, Federal Bank's conservative credit stance, robust provisioning, and customer engagement strategies offer a well-defined roadmap to steady growth.
- With ongoing liability optimization, focus on improved asset mix, and controlled credit cost, the bank is on a path to improved profitability. Its CASA initiatives, branch rationalization, and tech investments provide scalability while keeping costs under control.
- Federal Bank trades at 1.2x FY27E ABV, thereby offering an attractive opportunity for investors seeking stable, risk-adjusted returns. Management's guidance points to a gradual margin recovery, with credit costs contained at around 55bp (recovery in 2H) and sustained growth in granular lending segments.
- We expect Federal Bank to deliver 1.2% RoA in FY27, with further improvement to be witnessed in FY28 at 1.3%. We estimate the bank to clock ~27% PAT CAGR over FY26-FY28. We remain optimistic about Federal Bank's execution and delivery, and reiterate a BUY rating with a revised TP of INR235 (premised on 1.5x FY27E BV).

Laxmi Organic: We Will Be The Global Supplier To Hitachi Energy Global For SF6 Replacement; Rajan Venkatesh, Managing Director & CEO

- Exclusive worldwide supplier of eco-efficient SF6 replacement gas to Hitachi Energy.
- Fluorination revenue guided at ₹80–100cr in FY26, scaling to ~₹200cr peak by FY27.
- Phase-1 investment of ~₹75cr with asset turns of ~1.2x; further phases possible beyond ₹1,100cr plan.
- Targeting 23–25% EBITDA margin and 1.2–1.5x asset turns from new fluorination platform.
- IP ownership gives scope to serve other OEMs beyond Hitachi's India/global demand.

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Yatharth Hospital: Buys Agra's Shantived Hospital | Agra Is A Very Promising Market; Yatharth Tyagi, Whole-time Director

- Yatharth buys Shantived Hospital (Agra) for ~₹260cr cash; 150 beds (expandable to 250), FY25 revenue ~₹50cr.
- Agra's 2.4m population + expressway/NCR link + first corporate hospital positioning supports growth.
- Occupancy to triple in 3 years; ARPOB growth ~10% annually via specialties and scheme tie-ups.
- No immediate spend; future expansion to ~400 beds possible with adjacent land.
- Aims ~30% revenue CAGR; bed base to reach ~3,000 before FY27 with other brownfield projects.

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Shringar House of Mangalsutra: ₹14,300 Cr Revenue, Tier-2 Expansion & Margin Innovation Plans; Viraj Srithadeshwar, Director & CEO

- Post-IPO working capital boost, stronger B2B chains, and deeper tier-2/3 city expansion.
- Higher-value products like 24k hallmarked mangalsutras with better making charges.
- From ~1–1.5% now to meaningful growth via exhibitions and global buyer outreach.

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Stovekraft: Revenue Guidance, Growth Triggers, High Margin Potentials & More; Rajendra Gandhi, MD

- Revenue to double in 4–5 years via new categories, faster e-com/EBO expansion, and export scale-up (IKEA, others).
- EBITDA >11%; higher-margin products + operating leverage to drive further gains.
- 35–40% portfolio under lower GST, boosting affordability and volumes.
- 30–40% new capacity yet to scale; 15%+ growth achievable with minimal capex; US exports steady despite tariffs.

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

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

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