

## Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	82,030	-0.4	5.0
Nifty-50	25,146	-0.3	6.3
Nifty-M 100	58,324	-0.7	2.0
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	6,644	-0.2	13.0
Nasdaq	22,522	-0.8	16.6
FTSE 100	9,453	0.1	15.7
DAX	24,237	-0.6	21.7
Hang Seng	9,079	-1.6	24.5
Nikkei 225	46,847	-2.6	17.4
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	62	-2.8	-15.7
Gold (\$/OZ)	4,143	0.8	57.9
Cu (US\$/MT)	10,633	-3.8	22.9
Almn (US\$/MT)	2,748	-1.3	8.7
Currency	Close	Chg .%	CYTD.%
USD/INR	88.8	0.1	3.7
USD/EUR	1.2	0.3	12.1
USD/JPY	151.8	-0.3	-3.4
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.5	-0.01	-0.3
10 Yrs AAA Corp	7.1	-0.01	-0.1
Flows (USD b)	14-Oct	MTD	CYTD
FII's	-0.17	0.76	-16.5
DII's	0.41	2.42	68.7
Volumes (INRb)	14-Oct	MTD*	YTD*
Cash	1,185	1062	1067
F&O	6,92,177	3,02,220	2,26,391

Note: Flows, MTD includes provisional numbers.

\*Average



## Today's top research idea

### Persistent Systems: In the pink of health

- ❖ Persistent Systems (PSYS) reported 2QFY26 revenue of USD406m (vs. est. USD404m), up 4.2% QoQ in USD terms and 4.4% in CC (est. +3.5%). EBIT margin stood at 16.3% (est. 15.7%).
- ❖ TTM TCV was USD609m, up 17% QoQ/15% YoY (1.5x book-to-bill). We revise our FY27E estimates upward by 4%, reflecting continued revenue momentum and steady margin gains.
- ❖ We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), while our FY25/FY26 estimates remain largely unchanged. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 43x Jun'27E EPS. Reiterate BUY with a TP of INR6,550.



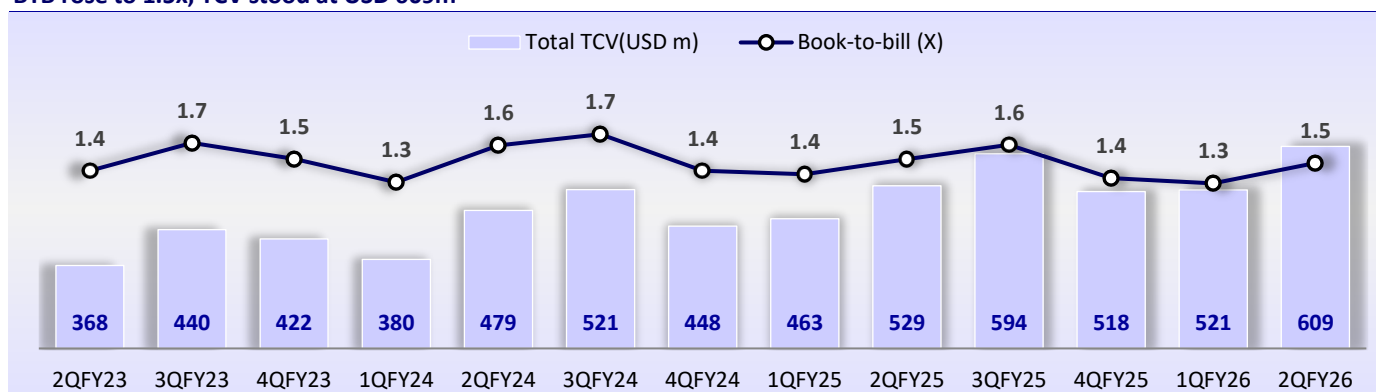
## Research covered

Cos/Sector	Key Highlights
Persistent Systems	In the pink of health
Fund Folio   October 2025	Equity inflows continue to slow down due to higher redemptions
Tech Mahindra	Continues to impress
Cholamandalam Inv & Fin	Cyclical soft patch; long-term engines intact
ICICI Lombard	Strong NEP growth leads to a beat on combined ratio
ICICI Prudential Life Insurance	Strong VNB margins; GST cut to impact cost ratios
Anand Rathi Wealth	Consistent performance across market cycles
Cyient DLM	Favorable business mix supports margin expansion
Retail	Festive demand & GST impact: Muted start to the festive season
Expert Speak   Consumer	Current dynamics and festive trends in the gems & jewelry sector



## Chart of the Day: Persistent Systems (In the pink of health)

BTB rose to 1.5x; TCV stood at USD 609m



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](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

**1**

**Dmart Ready pivots towards metros as quick commerce forces it to wind up in five tier – 2 cities**

DMart Ready said its ceased operations in five smaller cities this QTR, It wants to focus on metro cities even as quick commerce expands in smaller cities and towns

**2**

**Volkswagen, JSW revive talks for new India auto joint venture**

Volkswagen Group is reportedly in talks with JSW Group for a potential joint venture in India, as its alliance with Mahindra & Mahindra seems to have stalled. JSW Auto would manage local operations, utilizing technology from both VW and SAIC Motor.

**3**

**Credit growth of PSU banks outperformed private banks**

Public sector banks are showing renewed strength and resilience. Credit growth now surpasses private banks. This improvement stems from better due diligence and credit standards. Customers are returning due to increased efficiency and transparency.

**4**

**Gems and jewellery exports rise by 6.5 pc to \$2.9 bn in September**

India's gem and jewellery exports have seen an uplift in September and during the first half of the fiscal year, driven largely by increased demand during the festive and wedding period. Key markets such as the UAE, Hong Kong, and the UK reflect promising growth trends.

**5**

**India adds 4.9 GW rooftop solar capacity under PM Surya Ghar scheme; only 13% of target met**

India's Pradhan Mantri Surya Ghar Yojana has added 4.9 GW of residential rooftop solar capacity, with over 57.9 lakh applications submitted. However, only 13.1% of the 1 crore installation target is met, and just 14.1% of subsidies released, posing challenges to the FY2027 goal.

**6**

**India's hospitality sector poised for its most dynamic phase**

India's hospitality sector is poised for dynamic growth, driven by domestic travel and evolving consumer preferences for authentic experiences. Rosetta Hospitality's CEO, Jai Sreedhar, outlines the company's roadmap, focusing on expanding its leisure portfolio and embedding sustainability ...

**7**

**Cloudnine Hospitals leads race to acquire Apollo Cradle**

Cloudnine Hospitals is stepping into a pivotal role in the maternity and pediatric care sphere, as it engages in advanced discussions to acquire Apollo Cradle and Children's Hospital at a valuation of around ₹1,500 crore. Having signed an exclusivity pact, Cloudnine has kicked off due diligence procedures.

# Persistent Systems

Estimate change



TP change



Rating change



Bloomberg	PSYS IN
Equity Shares (m)	156
M.Cap.(INRb)/(USD\$)	834.8 / 9.4
52-Week Range (INR)	6789 / 4149
1, 6, 12 Rel. Per (%)	-1/7/-5
12M Avg Val (INR M)	3142

## Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	146.1	175.9	209.7
EBIT Margin (%)	15.7	16.2	16.0
Adj. PAT	18.6	23.0	27.0
Adj. EPS (INR)	119.1	147.0	172.7
EPS Gr.(%)	32.0	23.4	17.5
BV/Sh.(INR)	478.5	566.7	670.9

## Ratios

RoE (%)	27.1	28.3	28.1
RoCE (%)	24.5	25.7	25.5
Payout (%)	40.0	40.0	40.0

## Valuations

P/E (x)	44.8	36.3	30.9
P/BV (x)	11.2	9.4	8.0
EV/EBITDA (x)	29.9	24.4	20.5
Div. Yield (%)	0.9	1.1	1.3

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	30.6	30.7	31.0
DII	27.8	26.9	28.2
FII	24.8	25.2	23.2
Others	16.9	17.3	17.5

FII Includes depository receipts

CMP: INR5,338

TP: INR6,550 (+23%)

Buy

## In the pink of health

### Healthy beat justifies premium valuations

- Persistent Systems (PSYS) reported 2QFY26 revenue of USD406m (vs. est. USD404m), up 4.2% QoQ in USD terms and 4.4% in CC (est. +3.5%). EBIT margin stood at 16.3% (est. 15.7%).
- EBIT grew 12.7% QoQ/43.7% YoY to INR5.8b. Adj. PAT came in at INR4.7b (est. INR4.4b), up 11% QoQ/45% YoY. For 1HFY26, revenue/EBIT/PAT grew 22.7%/39.4%/42.0% YoY in INR terms.
- We expect revenue/EBIT/PAT to grow 22.1%/24.7%/25.5% YoY in 2HFY25. TTM TCV was USD609m, up 17% QoQ/15% YoY (1.5x book-to-bill). **Given its consistent execution and visibility on growth**, we value PSYS at 43x Jun'27E EPS. Reiterate **BUY** with a TP of INR6,550.

### Our view: Deal TCV improving even as demand remains uncertain

- **Growth came in above estimates; FY27 target intact:** PSYS reported 4.4% QoQ CC growth in 2QFY26, coming in ahead of estimates, driven by traction in BFSI (+7.0% QoQ) and steady growth in Healthcare (+3.8% QoQ). At a CQGR of around 4.5% over the next couple of quarters, PSYS should comfortably deliver ~17.5% YoY CC growth in FY26E. While this is a slight moderation from FY25 levels, it remains healthy in the current demand environment. The company also reaffirmed its USD2b revenue target by FY27, implying ~18% CC CAGR over FY25-27.
- **Margin performance admirable:** EBIT margin stood at 16.3%, up 80bp QoQ. The improvement was supported by a few one-offs and operational levers: +80bps from software license cost reversal for one client, +60bps from currency gain, and +30bps from offshoring ramp-up for a large healthcare client, partly offset by -50bps from higher doubtful debt provisions, -20bps from lower utilization, and -20bps from IT amortization and depreciation.
- We do expect some margin pullback in 3Q due to wage hikes. Utilization stands at 87% and key margin levers are now peaked out. SG&A leverage continues to be a key margin lever. Currency gains have been a broad positive this quarter; however, if the currency moves unfavorably, it could turn into a near-term risk. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), even as management guides for around 100bps improvement in FY27.
- **Pipeline remains healthy, but conversion remains key:** TTM TCV stood at USD609m, up 15% YoY, with a healthy 1.5x book-to-bill ratio. That said, net new deal TCV remains a bit soft. Conversion will remain the key monitorable in the near term. PSYS continues to chase larger deals and sharpen its focus on TCV-to-ACV conversion, supported by good traction in BFSI and growing adoption of AI-led programs.

### Valuation and revisions to our estimates

- **We project a 19% USD revenue CAGR over FY25-27 for PSYS**, which, combined with margin expansion, could result in ~26% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We revise our FY27E estimates upward by 4%, reflecting continued revenue momentum and steady margin gains. We factor in margin expansion of 100bps over FY26E (and another 50bps by FY27E), while our FY25/FY26 estimates remain largely unchanged. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 43x Jun'27E EPS. **Reiterate BUY with a TP of INR6,550.**

### Beat on revenue and margins; deal TCV momentum returns

- 2QFY26 revenue stood at USD 406m, up 4.2% QoQ in USD terms (above our estimate of 3.7% QoQ). The company reported CC growth of 4.4% QoQ vs our estimate of 3.5% QoQ CC growth.
- Growth was led by BFSI (up 7.0% QoQ) and Healthcare (up 3.8% QoQ).
- EBIT margin at 16.3% was up 80bps QoQ and above our estimate of 15.7%.
- TCV was USD609m, up 17% QoQ/15% YoY (1.5x book-to-bill).
- Net new TCV was up 4% QoQ at USD350.8m. ACV stood at USD447m.
- Net headcount improved by 3.5% QoQ. Utilization dipped 50bp QoQ at 88.2%. TTM attrition was down 10bp QoQ at 13.8%.
- EBITDA grew 11.8% QoQ/42% YoY to INR6.8b. EBITDA margin came in at 19.1%, above our estimate of 18.4%.
- Adj. PAT stood at INR4.7b (up 11% QoQ/45% YoY), above our estimate of INR4.4b.

### Key highlights from the management commentary

- The macro environment remains mixed; however, it is gradually stabilizing as stakeholders adapt to it. It remains confident in its ability to sustain a historical growth momentum.
- The industry is expected to continue reporting robust deal wins going forward.
- The company remains committed to strengthening its capabilities in AI.
- BFSI is expected to lead growth due to deal ramp-ups and a healthy pipeline, followed by Hi-Tech and Healthcare.
- It is still early for AI to have a significant impact on renewal deal revenues; however, the company is proactively integrating AI-led solutions with its top 100 customers (~82% of revenue).
- Offshoring ratio remains optimal at ~85%. The pricing structure is aligned with customer agreements to ensure a fair realization.
- Wage hikes effective from 1<sup>st</sup> Oct 2025 for all employees are expected to impact margins by 180bps in 3Q; however, ~80-100bp of this impact is expected to be offset through utilization, offshoring, and subcontractor rationalization.
- Healthcare & Life Sciences (HLS): Large deals are progressing through ramp-up, offshoring, and optimization cycles.
- SASVA streamlines SDLC and optimizes GPU infrastructure for scale. The company has filed 20 new patents, bringing the total SASVA patents to 75.

### Valuation and view

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### Quarterly Performance (IFRS)

Y/E March (Consolidated)	FY25				FY26E				FY25	FY26E	Est. 2QFY26	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue (USD m)	328	346	360	375	390	406	424	443	1,409	1,664	404.0	0.5
QoQ (%)	5.6	5.3	4.3	4.2	3.9	4.2	4.5	4.5	18.8	18.1	3.7	57bp
Revenue (INR m)	27,372	28,972	30,623	32,421	33,336	35,807	37,641	39,334	1,19,387	1,46,118	35,259	1.6
QoQ (%)	5.7	5.8	5.7	5.9	2.8	7.4	5.1	4.5			5.8	164bp
YoY (%)	17.9	20.1	22.6	25.2	21.8	23.6	22.9	21.3	21.6	22.4	21.7	189bp
GPM (%)	33.0	33.4	34.7	34.9	35.3	36.0	34.0	36.0	34.0	35.3	35.0	98bp
SGA (%)	16.4	16.8	17.1	16.8	16.9	16.9	16.6	17.0	16.8	16.9	16.6	28bp
EBITDA	4,552	4,807	5,378	5,844	6,116	6,838	6,549	7,474	20,581	26,977	6,488	5.4
EBITDA Margin (%)	16.6	16.6	17.6	18.0	18.3	19.1	17.4	19.0	17.2	18.5	18.4	70bp
EBIT	3,840	4,062	4,557	5,053	5,178	5,837	5,571	6,411	17,512	22,998	5,536	5.5
EBIT Margin (%)	14.0	14.0	14.9	15.6	15.5	16.3	14.8	16.3	14.7	15.7	15.7	60bp
Other income	165	283	263	-1	376	331	301	315	710	1,323	282	17.3
ETR (%)	23.5	25.2	22.6	21.7	23.5	23.6	23.3	23.5	23.2	23.5	23.0	
Adj. PAT	3,064	3,250	3,729	3,958	4,249	4,715	4,504	5,146	14,001	18,613	4,480	5.2
QoQ (%)	-2.8	6.1	14.7	6.1	7.4	10.9	-4.5	14.2			5.4	553bp
YoY (%)	10.5	23.4	30.3	25.5	38.7	45.1	20.8	30.0	22.6	32.9	37.8	723bp
Reported EPS (INR)	19.9	21.0	23.9	25.4	27.2	30.2	28.8	32.9	90.2	119.1	28.7	5.1

### Key Performance Indicators

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q	2Q	
Revenue (QoQ CC %)	5.6	5.1	4.6	4.5	3.3	4.4	
<b>Margins</b>							
Gross Margin	33.0	33.4	34.7	34.9	35.3	36.0	34.0
EBIT Margin	14.0	14.0	14.9	15.6	15.5	16.3	14.7
Net Margin	11.2	11.2	12.2	12.2	12.7	13.2	11.7
<b>Operating metrics</b>							
Headcount	23,519	23,237	23,942	24,594	25,340	26,224	24,594
Voluntary Attrition (%)	11.9	12.0	12.6	12.9	13.9	13.8	12.9
Utilisation (%)	82.1	84.8	87.4	88.4	88.7	88.2	88.4
<b>Effort Mix(%)</b>							
Global Delivery Centers	15.2	15.8	15.1	14.8	14.5	14.1	15.2
India	84.8	84.2	84.9	85.2	85.5	85.9	84.8



# Fund Folio

## Indian Mutual Fund Tracker

### Equity inflows continue to slow down due to higher redemptions

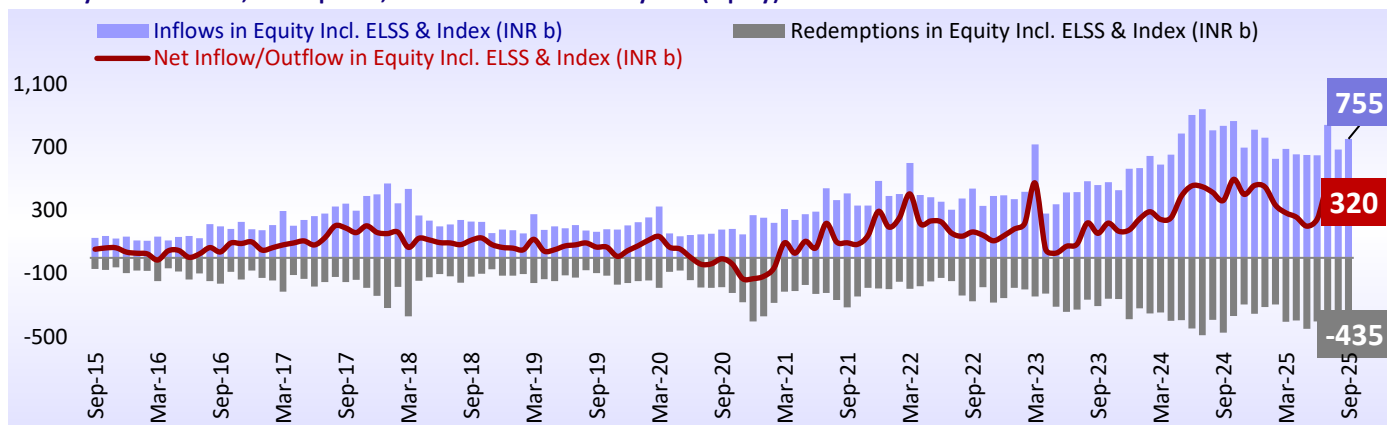
#### Key observations

- The Nifty closed in green (up 0.8% MoM) in Sep'25 after two consecutive months of decline. Notably, with extreme volatility, the index hovered around 1,016 points before closing 184 points higher. In Sep'25, FIIs recorded the third consecutive month of outflows at USD2.1b. FII equity outflows were the highest ever, reaching USD17.5b in CY25YTD vs. outflows of USD0.8b in CY24. DII inflows continue to remain strong at USD7.4b in Sep'25. DII equity inflows were at a record high of USD66.7b in CY25YTD vs. USD62.9b in CY24.
- Total AUM of the MF industry increased 0.6% MoM to INR75.6t in Sep'25, primarily led by a MoM increase in AUM for equity (INR644b), other ETFs (INR235b), balanced (INR200b), and Gold ETFs (INR176b) funds. Conversely, AUM of liquid funds (INR804b) and income funds (INR105b) declined MoM.
- Equity AUM of domestic MFs (including ELSS and index funds) rose 1.8% MoM to INR36.8t in Sep'25, owing to a rise in market indices (Nifty up 0.8% MoM) and an increase in sales of equity schemes (up 9.9% MoM to INR755b). The pace of redemptions picked up to INR435b (up 28.8% MoM). Consequently, net inflows moderated for the second consecutive month in Sep'25 to INR320b vs. INR349b in Aug'25.
- Investors continued to park their money in mutual funds. Inflows and contributions in systematic investment plans (SIPs) stood at INR293.6b in Sep'25 (+3.9% MoM and +19.8% YoY).

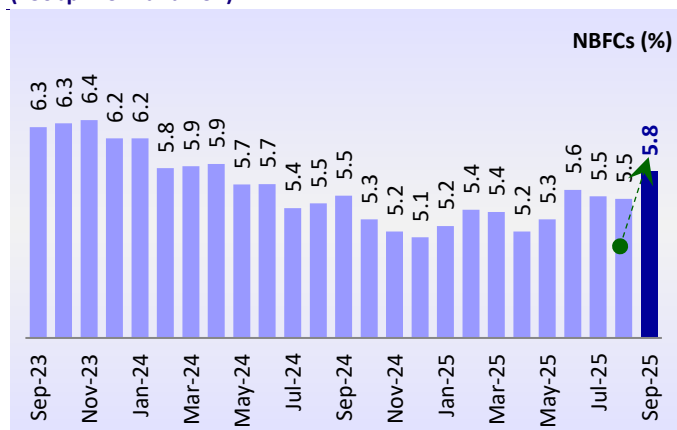
#### A few interesting facts

- The month witnessed **notable changes in the sector and stock allocation of funds**. On an MoM basis, the weights of NBFCs, PSU Banks, Metals, Automobiles, Capital Goods, Oil & Gas, Utilities, and Real Estate increased, while those of Technology, Private Banks, Healthcare, Consumer, Retail, Telecom, Chemicals, Consumer Durables, and Media moderated.
- **NBFC's weight climbed to a 17-month high** in Sep'25 to 5.8% (+30bp MoM and YoY).
- **PSU Banks' weight scaled to a 17-month high** in Sep'25 to reach 3.3% (+30bp MoM; +70bp YoY).
- **Technology's weight slipped in Sep'25, the lowest since Mar'20**, to 7.5% (-40bp MoM; -130bp YoY).
- **Private Banks' weight moderated for the third consecutive month to an eight-month low** in Sep'25 to reach 17.3% (-20bp MoM; +120bp YoY).
- **The top sectors where MF ownership vs. the BSE 200 is at least 1% lower are** Consumer (18 funds under-owned), Oil & Gas (17 funds under-owned), Private Banks (16 funds under-owned), Utilities (13 funds under-owned), and Technology (11 funds under-owned).
- **The top sectors where MF ownership vs. the BSE 200 is at least 1% higher are** Healthcare (16 funds over-owned), Chemicals (10 funds over-owned), Consumer Durables (10 funds over-owned), NBFCs (9 funds over-owned), and Capital Goods (8 funds over-owned).
- **In terms of value increase MoM, divergent interests were visible within sectors:** The top 5 stocks that witnessed the maximum rise in value were SBI (+INR86.7b), M&M (+INR59.3b), Eternal (+INR56.3b), Axis Bank (+INR55.6b), and Kotak Mahindra Bank (+INR50.9b).

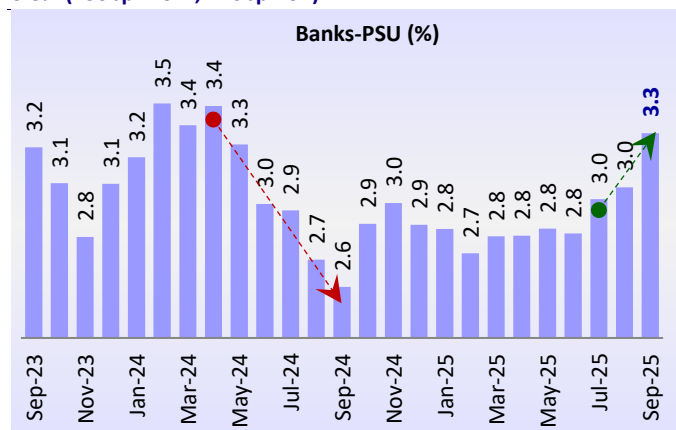
### Monthly trends in sales, redemptions, and net amount raised by MFs (equity)



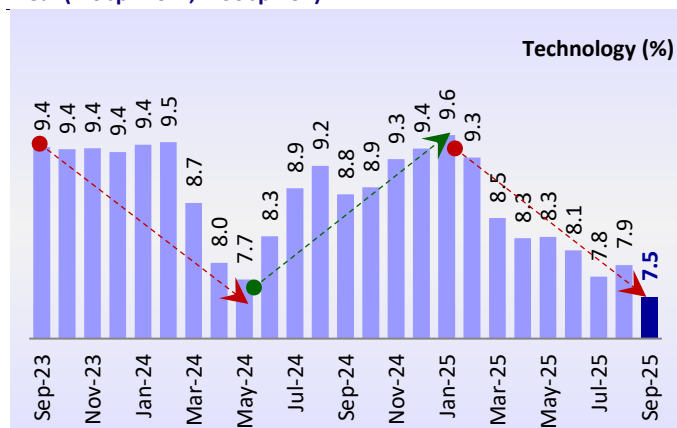
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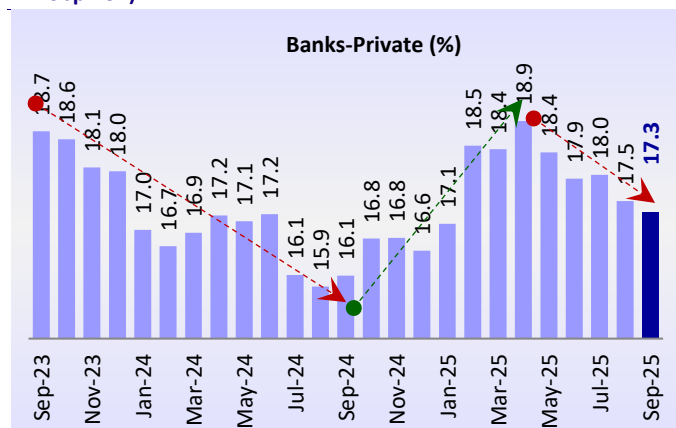
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**Private Banks' weight moderated for the third consecutive month to an eight-month low in Sep'25 to reach 17.3% (-20bp MoM; +120bp YoY)**



# Tech Mahindra

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TECHM IN
Equity Shares (m)	980
M.Cap.(INRb)/(USDb)	1438 / 16.2
52-Week Range (INR)	1808 / 1209
1, 6, 12 Rel. Per (%)	-4/4/-13
12M Avg Val (INR M)	3200

## Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	562	594	628
EBIT Margin (%)	12.3	14.4	15.1
Adj. PAT	53.3	69.2	76.6
Adj. EPS (INR)	60.1	78.0	86.3
PAT	53.3	69.2	76.6
EPS (INR)	60.1	78.0	86.3
EPS Gr. (%)	25.3	29.8	10.7
BV/Sh. (INR)	317.7	329.2	342.0

## Ratios

RoE (%)	19.2	24.1	25.8
RoCE (%)	21.3	25.7	27.5
Payout (%)	85.0	85.0	85.0

## Valuations

P/E (x)	24.4	18.8	17.0
P/BV (x)	4.6	4.5	4.3
EV/EBITDA (x)	14.6	12.1	11.0
Div Yield (%)	3.5	4.5	5.0

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	35.0	35.0	35.0
DII	32.3	32.3	30.9
FII	23.3	23.0	23.3
Others	9.4	9.8	10.8

FII Includes depository receipts

**CMP: INR1,468** **TP: INR1,900 (+29%)** **Buy**

## Continues to impress

### Disciplined execution gets it closer to FY27 targets

- Tech Mahindra (TECHM) reported 2QFY26 revenue of USD1.6b, up 1.6% QoQ in CC vs. our estimate of 1.0% CC growth. Retail/Manufacturing/BFSI grew 9.0%/5.3%/3.8% QoQ, whereas Communications/Others fell 2.0%/8.8% QoQ (in USD terms). EBIT margin was up 100bp QoQ at 12.1%, beating our estimate of 11.6%. PAT stood at INR11.9b (up 4.7% QoQ/down 4.4% YoY), below our estimate of INR13b.
- In INR terms, revenue/EBIT/PAT grew 4.0%/33.3%/11.1% in 1H FY26 YoY. In 2H FY26, we expect revenue/EBIT/PAT to grow by 8.3%/34.7%/39.0% YoY. We reiterate BUY on TECHM with a TP of INR1,900 (implying 29% upside), based on 23x Jun'27E EPS.

### Our view: Deal momentum improves, margins to expand linearly

- **Broad-based growth across all verticals:** Revenue was up 1.6% QoQ CC, led by strength in manufacturing, BFSI, and logistics, while telecom stayed weak, down 2% YoY. The drag was mainly in Europe; the US and Asia books improved. Management said the largest client is growing again and expects telecom to turn up in 2H as vendor consolidation deals start contributing.
- **Margin performance continues:** EBIT margin rose to 12.1%, helped by better fixed-price delivery, lower SG&A, and some forex gains (40bp). TECHM continues to deliver on margins, and while admittedly FY27E expansion is contingent on growth returning, we believe the execution has so far been on point. We expect margins to come in closer to its FY27 target (our estimates at 14.4% in FY27E). While this may be a tad lower than 15%, we believe steady-state margins for a company of TECHM's size are above 16%, and the margin expansion should extend beyond FY27, in our view.
- **Deal wins continue to improve:** Deal TCV reached USD815m, up 35% YoY. Management aims to see this number closer to USD1b to meet growth targets. However, the current deal win run rate may suffice if discretionary demand improves.
- **All in all, steady progress amid muted demand:** Growth remains slow, but operational discipline and improved client mining are visible. The focus on larger accounts and efficiency programs is helping TECHM deliver margin goals even as the broader demand environment stays soft. We expect gradual and linear margin improvements through 2H, with FY27 likely to be a year of steady rather than sharp gains.

### Valuation and change in estimates

- We keep our estimates unchanged, reflecting steady directional progress. We estimate FY26/FY27 EBIT margins at 12.3%/14.4%, which will result in a 28% CAGR in INR PAT over FY25-27. The ongoing restructuring under the new leadership is tracking well, and this quarter was another step in the right direction. We continue to like TECHM's bottom-up turnaround story. We value TECHM at 23x Jun'27E EPS with a TP of INR1,900 (29% upside). We reiterate our BUY rating on the stock.



### Beat on revenue and margins; healthy deal TCV growth

- Revenue stood at USD1.6b, up 1.6% QoQ CC (up 1.4% QoQ in USD terms), above our estimates of 1.0% QoQ CC growth.
- IT service/BPO were up 4.5%/ 6.7% QoQ. Americas and RoW grew 2.6%/1.6% QoQ.
- Retail/Manufacturing/BFSI rose 9.0%/5.3%/3.8% QoQ, whereas Communications/Others fell 2.0%/8.8% QoQ (in USD terms).
- EBIT margin was up 100bp QoQ at 12.1%, beating our estimate of 11.6%.
- Net employee addition was 4,200 (up 2.8% QoQ). Utilization (ex. trainees) was down 60bp QoQ at 84.4%. LTM attrition was up by 20bp at 12.8%.
- NN Deal TCV was USD816m, up 1% QoQ/35.3% YoY.
- Adj. PAT stood at INR11.9b (up 4.7% QoQ/down 4.4% YoY), below our estimate of INR13b.
- FCF conversion to PAT stood at 176% vs. 65% in 1QFY26.

### Key highlights from the management commentary

- The company remains pleased with the progress made in 1HFY26, which was focused on building a strong foundation. 2HFY26 is expected to mark a shift toward decisive execution and comparable gains.
- 2HFY26 performance is expected to improve, supported by strategic actions, seasonality, and an improving demand environment.
- While customers continue to expect productivity gains, these expectations are now at more realistic levels.
- Management reiterated confidence that FY27 will be a better year for both the industry and the company compared to FY26.
- The deal pipeline remains healthy and well-diversified across verticals.
- As discretionary spending improves, revenue conversion from deals is expected to accelerate. If the current environment remains steady, TCV should rise further, and if the environment improves, the existing run rate will remain strong.
- Margin expansion was driven by fixed-cost project optimization, SG&A rationalization, and a 40bp currency tailwind.
- Around 55-60% of the portfolio comprises fixed-price projects, providing levers for GM improvement.
- **Communication and Media:** APAC and US regions performed well, while Europe faced temporary challenges expected to recover in 2H.
- Comviva continues to perform strongly and is expected to deliver growth for the year.
- **Europe:** Vendor consolidation opportunities are progressing well; while some decisions are deferred, others are mid-discussion. Positive outcomes are expected in coming quarters.

### Valuation and view

- We remain positive about the restructuring at TECHM under the new leadership. But we expect the impact from these steps to be visible gradually. With the continued strength in BFSI and improving operational efficiency, we see room for continued margin improvement ahead. **We value TECHM at 23x Jun'27E EPS with a TP of INR1,900 (29% upside). We reiterate our BUY rating on the stock.**

## Quarterly Performance

(INR b)

Y/E March	FY25				FY26E				FY25	FY26E	Est. 2QFY26	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Revenue (USD m)	1,559	1,589	1,567	1,549	1,564	1,586	1,616	1,640	6,264	6,406	1,588	-0.2
QoQ (%)	0.7	1.9	-1.4	-1.1	1.0	1.4	1.9	1.5	-0.2	2.3	1.6	-16bp
Revenue (INR b)	130	133	133	134	134	140	143	145	530	562	139	1.0
YoY (%)	-1.2	3.5	1.4	4.0	2.7	5.1	7.9	8.7	1.9	6.1	4.1	99bp
GPM (%)	26.5	27.9	28.8	29.2	28.7	29.1	29.7	28.9	28.1	29.1	29.0	15bp
SGA (%)	14.5	14.8	15.2	15.2	14.2	13.7	13.8	13.0	14.9	13.6	14.0	-35bp
EBITDA	16	18	18	19	19	22	23	23	70	87	21	4.3
EBITDA Margin (%)	12.0	13.1	13.6	14.0	14.5	15.5	15.9	15.9	13.2	15.5	15.0	49bp
EBIT	11	13	14	14	15	17	18	19	51	69	16	5.7
EBIT Margin (%)	8.5	9.6	10.2	10.5	11.1	12.1	12.7	13.0	9.7	12.3	11.6	54bp
Other income	1	4	-1	1	1	0	2	2	5	4	2	-124.4
ETR (%)	26.7	26.6	23.9	22.0	30.2	27.5	26.0	26.0	24.8	27.3	26.0	153bp
Adj. PAT	9	13	10	12	11	12	15	15	43	53	13	-8.7
QoQ (%)	-12.2	46.8	-21.4	18.7	-2.2	4.7	23.1	3.7			14.8	-1003bp
YoY (%)	-10.9	27.8	36.8	20.3	34.0	-4.4	49.5	30.6	17.4	25.3	4.7	-915bp
Extra-Ordinary Item	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Reported PAT	9	13	10	12	11	12	15	15	43	53	13	-8.7
EPS (INR)	9.6	14.1	11.1	13.2	12.9	13.5	16.6	17.2	47.9	60.1	14.8	-8.8

## Key Performance Indicators

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q	2Q	
Revenue (QoQ CC %)	0.7	0.7	1.2	-1.5	-1.4	1.6	
<b>Margins (%)</b>							
Gross Margin	26.5	27.9	28.8	29.2	28.7	29.1	28.1
EBITDA margin	12.0	13.1	13.6	14.0	14.5	15.5	13.2
EBIT Margin	8.5	9.6	10.2	10.5	11.1	12.1	9.7
Net Margin	6.5	9.4	7.4	8.7	8.5	8.5	8.0
<b>Operating Metrics</b>							
Headcount (k)	148	154	150	149	149	153	149
Util excl. trainees (%)	86.0	86.0	86.0	86.0	85.0	84.4	86.0
Attrition (%)	10.0	10.6	11.2	11.8	12.6	12.8	11.8
Deal TCV (USD m)	534	603	745	798	809	816	2,680
<b>Key Verticals (QoQ %)</b>							
Communication	-2.0	2.8	-4.0	1.0	2.8	-1.9	-6.5
Enterprise	2.1	1.4	0.0	-2.2	0.1	3.1	3.2
<b>Key Geographies (QoQ%)</b>							
North America	3.9	-0.6	-1.9	-5.8	2.6	2.6	-2.5
Europe	-2.6	4.5	-3.0	6.4	3.4	-0.9	0.0

# Cholamandalam Inv & Fin

BSE SENSEX

82,030

S&P CNX

25,146



## Stock Info

Bloomberg	CIFC IN
Equity Shares (m)	841
M.Cap.(INRb)/(USD\$)	1384.7 / 15.6
52-Week Range (INR)	1684 / 1168
1, 6, 12 Rel. Per (%)	9/1/9
12M Avg Val (INR M)	2710
Free float (%)	50.1

## Financials Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
Total Income	135.7	170.4	205.1
PPP	82.3	104.4	127.1
PAT	42.6	52.6	67.8
EPS (INR)	50.6	61.3	79.0
EPS Gr. (%)	24	21	29
BV (INR)	281	358	434

## Ratios

NIM (%)	6.9	7.0	7.1
C/I ratio (%)	39.3	38.7	38.0
RoAA (%)	2.4	2.4	2.6
RoE (%)	19.7	19.4	19.9
Payout (%)	4.0	3.3	3.2

## Valuations

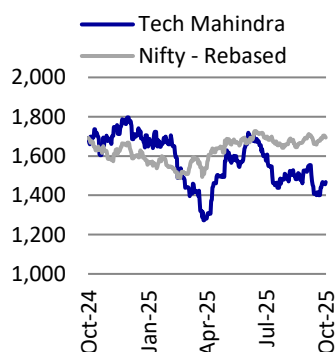
P/E (x)	32.5	26.8	20.8
P/BV (x)	5.9	4.6	3.8
Div. Yield (%)	0.1	0.1	0.2

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	49.9	49.9	50.3
DII	16.1	15.5	16.9
FII	28.0	28.2	26.6
Others	6.1	6.4	6.2

FII Includes depository receipts

## Stock Performance (1-year)



**CMP: INR1,646 TP: INR1,920 (+17%)**

**Buy**

## Cyclical soft patch; long-term engines intact

**Recalibrating to enhance quality and build a more resilient franchise with structural strength**

- Cholamandalam Investment and Finance (CIFC) is currently navigating a cyclical soft patch, reflected in moderation in business volumes and AUM growth. This phase has also coincided with the strategic winding down of the CSEL business, which was developed through digital partnerships. To offset this, the company is actively building new growth engines, such as consumer durables and gold loans—both segments with significant potential to scale over the medium term.
- In terms of asset quality, the company has witnessed some seasonal weakness, further accentuated by early and prolonged monsoons. In FY26-YTD, credit costs have remained elevated for the company, driven by multiple factors, including: 1) higher delinquencies in newer business segments, 2) the early onset of monsoon that disrupted fleet utilization, particularly in mining and rural transport markets, and 3) widespread floods in certain parts of the country, which affected operations and collections. We believe that credit costs are likely to remain elevated in 2Q as well, driven by extended (and early) monsoons and localized flood-related disruptions.
- We expect asset quality pressures in the vehicle finance segment to persist in the near term, with the second half of this fiscal year likely to see a recovery as seasonal trends turn favorable, fleet utilization improves, festive demand picks up, and the agricultural cycle strengthens.
- Amid a challenging macroeconomic environment and initial issues in segments such as consumer durables and gold loans, the company remains strategically focused on safeguarding asset quality and redirecting growth toward segments that offer superior risk-adjusted returns—a philosophy set to drive CIFC's next phase of expansion. NIM tailwinds are expected to continue and further expand in 2HFY26, supported by a decline in the CoF driven by the transmission of MCLR rate cuts from banks.
- CIFC's entry into gold loans marks a diversification into a high-yield, high-frequency retail lending business. The company opened ~73 dedicated gold loan branches in 1QFY26 and plans to expand to over 100 in the near future. Given the secured and short-tenor nature of this product, the company plans to scale this business in a calibrated manner through FY26, initially strengthening its presence in urban markets before expanding deeper into rural and semi-urban markets.
- CIFC continues to demonstrate resilience through its diversified business model, prudent risk management, and focus on sustainable growth, even as it navigates a dynamic operating environment. The company is actively working to improve asset quality amid a weak macro environment. Although currently experiencing a soft cyclical patch, CIFC remains a robust franchise, with an expected CAGR of ~20% in AUM and ~25% in PAT over FY25-28, alongside projected RoA/RoE of 2.7%/20% in FY28. **Reiterate our BUY rating with a TP of INR1,920 (4x Sep'27E BVPS).**

### **Moderation in AUM growth; vehicle volumes will be a key monitorable**

- CIFIC's AUM growth stood at 23% as of 1QFY26 and is expected to moderate to ~21% by 1HFY26, reflecting deferred vehicle sales (driven by the announcement of GST rate cut in mid-Aug'25) and relatively lower disbursements in certain new business verticals. Disbursement momentum is anticipated to revive in 2H, supported by festive-season demand, improving rural cash flows, some spillover in vehicle sales from 2Q to 3Q/4Q, and a pick-up in its newer gold loan business.
- Going forward, CIFIC will focus on expanding its consumer durable (CD), gold loan, and in-house digital lending businesses, with the company expecting a noticeable improvement in AUM and disbursement growth from these segments by 4QFY26.
- For VFs, the cut in vehicle prices has led to loan amounts being ~5-6% lower (assuming LTVs remain constant). Consequently, auto sales volumes need to increase by ~10-11% to achieve any noticeable improvement in disbursement growth. Vehicle volumes did pick up after 22<sup>nd</sup> Sep'25, driven by pent-up demand and the GST rate cut coinciding with Navratri. However, the key monitorable remains whether this momentum in vehicle sales will sustain over the medium term or taper off within the next 3-4 months. We model AUM growth of 21%/20% in FY26/FY27E.

### **NIM tailwinds to continue; expect expansion of ~10-15bp in FY26**

- CIFIC will continue to benefit from a declining interest rate environment, with the company guiding for an NIM expansion of 12-15bp in FY26. This improvement is expected to be primarily driven by a reduction in its CoB and the ability to maintain decent yields even in its floating-rate product segments.
- The company's CoB is projected to decline by ~25-30bp in FY26, with the impact largely expected to be back-ended. Nearly half of CIFIC's bank borrowings are linked to Repo and T-Bill rates, which reprice quickly, while most MCLR-linked borrowings are also expected to show a decline as banks more effectively transmit lower interest rates through their MCLR rates in 2HFY26.
- NIM expansion in FY26 is also expected to be back-ended, with stronger improvement anticipated in 2HFY26. Supported by a gradually improving funding environment and a balanced liability profile, CIFIC is well-positioned to deliver margin expansion in the near-to-medium term. We model an NIM expansion of ~10-15bp each in FY26/FY27.

### **Tight cost control and operational efficiency driving stable opex**

- CIFIC has maintained strict control over its operating expenses, demonstrating a strong focus on efficiency and cost management. The company continues to leverage digital initiatives and process optimizations to enhance operational efficiency, helping offset inflationary pressures and support sustainable profitability.
- While the cost ratios are expected to remain slightly elevated in the coming quarters, CIFIC's continued emphasis on cost discipline and productivity is likely to keep overall operating ratios well-contained in FY26. CIFIC will be adding dedicated gold loan branches this year, while branch additions in other product segments are expected to remain limited.
- CIFIC is prioritizing productivity improvements within its existing branch network to drive greater operating leverage. We expect opex/avg. assets to remain stable at ~3% in FY26/FY27.

### Near-term pressure on credit costs; gradual relief expected in 2H

- In FY26YTD, the company's credit cost remained elevated, driven by a combination of cyclical and operational headwinds as highlighted above. These factors, coupled with higher delinquencies in new business segments, early and extended monsoons, and a broader slowdown in industrial activity, have exerted pressure on asset quality.
- Management shared that stress in unsecured MSME lending will be relatively contained for the company, given its limited exposure to this segment. The company has also discontinued newer originations in its fintech-originated CSEL business and tightened underwriting norms in unsecured products to course correct and mitigate incremental slippages. Additionally, it has reduced exposure to supply chain financing, given the lower risk-adjusted returns in this segment. This calibration may moderate near-term growth but is expected to strengthen the company's risk profile and provide more stability to NIM.
- Given the macro environment (and vehicle financing in particular) in 1HFY26, we expect credit costs in FY26 to remain ~10bp higher YoY at ~1.6%. However, if rural income and industrial activity strengthen through 2HFY26, it could help mitigate further risks to rising credit costs for the fiscal year.
- We believe that near-term asset quality pressures are likely to persist in 2QFY26, driven by prolonged (and early) monsoons and stress in newer businesses. However, a gradual improvement is anticipated from 3QFY26 as fleet utilization improves, infrastructure and construction activities pick up, and agricultural cash flows gain traction.

### Valuation and view

- CIFIC is gradually evolving into a more robust and resilient NBFC—one that is less cyclical, more diversified, and increasingly anchored in stable, secured retail and SME income streams. The company's measured approach of curbing exposure to riskier product lines, while simultaneously expanding newer businesses, such as CD and gold loans, underscores its commitment to preserving earnings quality and maintaining balance sheet strength amid a weak macro environment.
- **The company is navigating a complex operating environment by reinforcing its core businesses while taking corrective measures in underperforming segments. A key management priority is improving operational efficiency, with efforts directed toward enhancing productivity and optimizing costs, particularly in its vehicle and home loan businesses.**
- CIFIC trades at **3.8x FY27E P/BV**, a premium that we believe is well-deserved and likely to sustain. This reflects the company's consistent focus on navigating vehicle demand cyclicalities while sustaining healthy AUM growth and stable asset quality through a well-diversified product mix. We expect CIFIC to deliver a **PAT CAGR of ~25% over FY25-28, with RoA/RoE of 2.7%/20% by FY28. We reiterate BUY with a TP of INR 1,920 (based on 4x Sep'27E BVPS).**

### Valuation matrix of vehicle financiers in our coverage

Val summary	Rating	CMP (INR)	TP (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
Cholamandlam	Buy	1,646	1,920	1,384	61.3	79.0	358	434	2.4	2.6	19.4	19.9	26.8	20.9	4.6	3.8
MMFS	Buy	288	315	395	18.4	23.3	177	194	1.8	2.0	11.5	12.6	15.6	12.3	1.6	1.5
Shriram Finance	Buy	674	770	1,264	49.4	59.9	341	389	3.0	3.2	15.4	16.4	13.6	11.2	2.0	1.7



# ICICI Lombard

Estimate change

TP change

Rating change



Bloomberg	ICICIGI IN
Equity Shares (m)	497
M.Cap.(INRb)/(USD\$)	922.9 / 10.4
52-Week Range (INR)	2145 / 1613
1, 6, 12 Rel. Per (%)	-2/-2/-11
12M Avg Val (INR M)	1291

## Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
NEP	222.9	251.0	287.4
U/W Profit	-8.5	-7.7	-7.4
PBT	41.0	47.7	54.5
PAT	30.8	35.8	40.9
EPS (INR/share)	62.5	72.6	82.9
EPS Growth (%)	22.7	16.1	14.3
BVPS (INR/share)	336.4	392.7	459.3

## Ratios (%)

Claims	69.9	69.2	68.8
Commission	19.4	19.6	19.6
Expense	13.4	13.2	13.1
Combined	102.8	102.0	101.5
RoE	19.9	19.9	19.5

## Valuations

P/E (x)	29.8	25.6	22.4
P/BV (x)	5.5	4.7	4.0

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.5	51.6	51.8
DII	17.6	17.8	17.3
FII	23.9	23.7	23.9
Others	7.0	6.9	7.0

FII includes depository receipts

**CMP: INR1,855**
**TP: INR2,300 (+24%)**
**Buy**

## Strong NEP growth leads to a beat on combined ratio

- ICICI Lombard's (ICICIGI) gross written premium rose 2% YoY in 2QFY26 to INR70.6b (in line), impacted by the 1/n regulation. NEP grew 12% YoY to INR56.5b (16% beat). For 1HFY26, NEP grew 13% YoY to INR108b.
- The claims ratio stood at 72.1% (vs our est. of 74%) vs. 71.4% in 2QFY25. Commission ratio increased to 19.1% (our est. 17.5%) vs. 17.5% in 2QFY25, and opex ratio came in at 14% (our est. 14.5%) vs. 15.6% in 2QFY25.
- Combined ratio was at 105.1% in Q2FY26 vs 104.5% in 2QFY25. Excluding the impact of CAT losses of INR0.7b in 2QFY26 and INR0.9b in 2QFY25, the combined ratio stood at 103.8% and 102.6%, respectively.
- PAT grew 18% YoY to INR8.2b (18% beat) due to strong growth in NEP. For 1HFY26, PAT grew 23% YoY to INR15.7b.
- On the motor side, the company outperformed the motor insurance industry in terms of profitability amid steep pricing pressure through strong underwriting discipline. Early trends following the GST rate cuts indicate strong momentum, which the management expects to sustain, with a focus on driving market share gains.
- We have raised our FY26/FY27/FY28 NEP estimates by 6%/7%/7%, driven by GST benefit-led growth in the motor segment. However, we have raised EPS estimates by only 1%/2%/3% for FY26/FY27/FY28, due to the higher combined ratio in the motor segment. **Reiterate BUY with a TP of INR2,300 (based on 30x Sep'27E EPS).**

## Higher commission and claim ratio drive YoY rise in combined ratio

- GDPI declined 1.9% YoY to INR66b in 2QFY26. Excluding the impact of 1/n, it rose 3.5% YoY.
- NEP growth of 12% YoY was driven by 10%/22% YoY growth in the motor/health (including PA) segments. The marine segment reported YoY growth of 4%, while the fire segment remained stable YoY.
- Underwriting loss stood at INR1.8b vs a loss of INR1.6b in 2QFY25 and MOFSL of INR2.6b. Total Investment income on the policyholders' account was 6% higher than our estimates at INR9.3b. For shareholders' account, it was in line with our estimates.
- Claims ratio at 72.1% rose 70bp YoY, driven by a 420bp YoY rise in the motor OD segment loss ratio, while the motor TP segment remained flat YoY and the health segment improved 650bp YoY.
- Investment book grew 9% YoY to INR562b, reflecting strong investment leverage of 3.6x. Absolute investment yield for 2QFY26 stood at 2.2%, flat on a YoY basis. For 1HFY26, it stood at 4.6% vs 4.5% for 1HFY25. The investment portfolio mix for Corporate Bonds/G-Sec/Equity (incl. Equity ETF) was at 47.6%/34.0%/14.4%, respectively, for 1HFY26.
- Strong profitability due to robust investment gains resulted in RoE of 20.8% in 1HFY26 (20.3% in 1HFY25).
- Solvency ratio was at 2.73x (2.65x in 2QFY25 and 2.7x in 1QFY26).

### Highlights from the management commentary

- GST exemption on health insurance is expected to make healthcare protection more affordable and expand coverage across households. The recent rate cut in auto insurance further reduces the cost of ownership for vehicle buyers. The company intends to pass on the full GST benefit to policyholders
- ICICI's retail health segment outpaced the industry, increasing the market share to over 4% by Sep'25, driven by product innovation, wider distribution, and stronger customer engagement. Meanwhile, group health declined in 1HFY26 amid muted microfinance activity. The company aims to maintain the retail health loss ratio in the 65-70% range.
- ICICI's fire premium grew in Sep'25 after a subdued start; management cited catastrophe-led volatility but emphasized that disciplined risk selection remains key to driving long-term profitability, while also highlighting the Sep'25 rebound as a recovery from earlier market share losses.

### Valuation and view

- A recovery is anticipated in FY26, driven by favorable regulatory changes. The recent GST exemption is set to make health insurance more affordable. Rate cuts in auto insurance are expected to boost performance, positioning the company well to capitalize on market share gains.
- The company's retail health segment continues its strong momentum, driven by effective new customer acquisition and significant traction of its 'Elevate' product, leading to market share gains.
- We have raised our FY26/FY27/FY28 NEP estimates by 6%/7%/7%, driven by GST benefit-led growth in the motor segment. However, we have raised the EPS estimates by only 1%/2%/3% for FY26/FY27/FY28 due to a higher combined ratio in the motor segment. **Reiterate BUY with a TP of INR2,300 (based on 30x Sep'27E EPS).**

## Quarterly Performance

(INR b)

Y/E March	FY25				FY26				FY25	FY26E	2Q FY26E	act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE						
Gross premium	79.3	69.5	64.7	69.0	80.5	70.6	73.8	79.0	282.6	303.9	68.4	3.1	2%	-12%
Net written premium	53.6	48.4	50.8	54.8	56.1	53.1	58.3	62.3	207.6	229.9	47.9	10.9	10%	-5%
Net earned premium	45.0	50.3	50.5	52.3	51.4	56.5	56.6	58.4	198.0	222.9	48.9	15.7	12%	10%
Investment Income + Trf from SH A/C	8.5	8.3	8.4	6.3	9.5	9.3	8.8	9.1	31.3	36.8	8.8	5.9	13%	-2%
<b>Total Income</b>	<b>53.5</b>	<b>58.5</b>	<b>58.8</b>	<b>58.5</b>	<b>60.8</b>	<b>65.8</b>	<b>65.4</b>	<b>67.6</b>	<b>229.3</b>	<b>259.7</b>	<b>57.7</b>	<b>14.2</b>	13%	8%
Change YoY (%)	17.9	15.9	17.6	13.4	13.7	12.5	11.2	15.5	16.1	13.2	-1.5			
Incurred claims	33.3	35.9	33.2	37.4	37.5	40.7	37.3	40.3	139.9	155.9	36.2	12.7	14%	9%
Net commission	8.0	8.4	11.6	10.3	9.4	10.1	12.8	12.3	38.4	44.6	8.4	20.8	20%	8%
Opex	7.1	7.5	7.1	6.7	7.4	7.4	7.9	8.1	28.4	30.8	6.9	6.9	-2%	1%
Total Operating Expenses	48.5	51.9	52.0	54.4	54.3	58.3	58.0	60.7	206.7	231.3	51.5	13.2	12%	7%
Change YoY (%)	15.3	16.5	13.3	18.2	11.9	12.4	11.6	11.7	15.8	11.9	-0.7			
<b>Underwriting profit</b>	<b>-3.5</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-2.9</b>	<b>-1.8</b>	<b>-1.5</b>	<b>-2.3</b>	<b>-8.7</b>	<b>-8.5</b>	<b>-2.6</b>	<b>-32.1</b>	N.A	N.A
Operating profit	5.0	6.6	6.9	4.2	6.5	7.5	7.4	6.9	22.7	28.3	6.2	22.1	13%	15%
<b>Shareholder's P/L</b>														
Transfer from Policyholder's	5.0	6.6	6.9	4.2	6.5	7.5	7.4	6.9	22.7	28.3	6.2	22.1	13%	15%
Investment income	2.5	2.8	2.8	2.6	3.3	3.2	3.3	3.2	10.6	13.0	3.2	1.1	16%	-2%
<b>Total Income</b>	<b>7.5</b>	<b>9.4</b>	<b>9.6</b>	<b>6.8</b>	<b>9.8</b>	<b>10.7</b>	<b>10.7</b>	<b>10.1</b>	<b>33.3</b>	<b>41.3</b>	<b>9.3</b>	<b>15.0</b>	14%	9%
<b>Total Expenses</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>	<b>-</b>	<b>NA</b>	-124%	NA
<b>PBT</b>	<b>7.7</b>	<b>9.2</b>	<b>9.6</b>	<b>6.7</b>	<b>9.9</b>	<b>10.8</b>	<b>10.6</b>	<b>9.7</b>	<b>33.2</b>	<b>41.0</b>	<b>9.3</b>	<b>15.5</b>	17%	8%
Change YoY (%)	48.8	20.3	67.3	-4.2	28.4	17.2	10.8	45.1	30.0	23.6	1.5			
Tax Provisions	1.9	2.3	2.4	1.6	2.5	2.6	2.7	2.6	8.1	10.3	2.3	11.3	15%	5%
<b>Adj Net Profit</b>	<b>5.8</b>	<b>6.9</b>	<b>7.2</b>	<b>5.1</b>	<b>7.5</b>	<b>8.2</b>	<b>8.0</b>	<b>7.1</b>	<b>25.1</b>	<b>30.8</b>	<b>7.0</b>	<b>16.9</b>	18%	10%
Change YoY (%)	48.7	20.2	67.9	-1.9	28.7	18.1	10.2	40.0	30.7	22.7	1.0			
<b>Rep Net Profit</b>	<b>5.8</b>	<b>6.9</b>	<b>7.2</b>	<b>5.1</b>	<b>7.5</b>	<b>8.2</b>	<b>8.0</b>	<b>7.1</b>	<b>25.1</b>	<b>30.8</b>	<b>6.9</b>	<b>17.9</b>	18%	10%
<b>Key Parameters (%)</b>														
Claims ratio	74.0	71.4	65.8	71.6	73.0	72.1	66.0	69.0	70.6	69.9	74.0	-191bp	-72bp	92bp
Commission ratio	15.0	17.5	22.9	18.7	16.8	19.1	22.0	19.7	18.5	19.4	17.5	156bp	-159bp	-229bp
Expense ratio	13.3	15.6	14.0	12.1	13.2	14.0	13.5	13.1	13.7	13.4	14.5	-52bp	163bp	-82bp
Combined ratio	102.3	104.5	102.7	102.5	102.9	105.1	101.5	101.7	102.8	102.8	106.0	-86bp	-68bp	-219bp
Solvency	2.56	2.65	2.36	2.69	2.70	2.73	0.00	0.00	3.0	3.1	0.0			

## Change in estimates

Y/E March	New estimates			Old estimates			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
NEP	222.9	251.0	287.4	210.6	235.0	269.5	6%	7%	7%
U/W Profit	-8.5	-7.7	-7.4	-7.7	-6.1	-7.0			
PBT	41.0	47.7	54.5	40.6	46.9	53.1	1%	2%	3%
PAT	30.8	35.8	40.9	30.5	35.2	39.8	1%	2%	3%
EPS (INR/share)	62.5	72.6	82.9	61.9	71.4	80.9	1%	2%	3%
EPS Growth (%)	22.7	16.1	14.3	21.5	15.4	13.3			
BVPS (INR/share)	336.4	392.7	459.3	335.8	390.9	455.4			
<b>Ratios (%)</b>									
Claims	69.9	69.2	68.8	70.0	69.8	69.6	-9bp	-54bp	-73bp
Commission	19.4	19.6	19.6	18.5	18.4	18.5	95bp	126bp	115bp
Expense	13.4	13.2	13.1	13.8	13.2	13.2	-41bp	0bp	-14bp
Combined	102.8	102.0	101.5	102.3	101.3	101.2	45bp	72bp	29bp
RoE	19.9	19.9	19.5	19.8	19.6	19.1	18bp	26bp	36bp

# ICICI Prudential Life Insurance

Estimate change



TP change



Rating change



Bloomberg	IPRU IN
Equity Shares (m)	1447
M.Cap.(INRb)/(USD\$)	865.2 / 9.7
52-Week Range (INR)	777 / 517
1, 6, 12 Rel. Per (%)	-1/-2/-19
12M Avg Val (INR M)	779

## Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Premiums	472.6	536.8	617.1
Surplus / Deficit	18.0	17.6	22.0
Sh. holder's PAT	11.9	12.6	15.9
NBP growth unwt'd (%)	24.4	13.3	14.5
APE (INRb)	104.1	111.5	126.8
VNB (INRb)	23.7	26.8	31.1
VNB margin (%)	22.8	24.0	24.5
EV per share	332	371	419
RoEV (%)	13.3	11.7	13.0
Total AUMs (INRt)	3.0	3.5	4.1

## Valuations

P/EV (x)	1.8	1.6	1.4
P/EVOP (x)	15.6	14.3	11.7

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	73.0	73.0	73.2
DII	8.9	8.8	8.8
FII	13.1	13.3	13.2
Others	5.1	5.0	4.8

FII Includes depository receipts

**CMP: INR598**
**TP: INR720 (+20%)**
**Buy**

## Strong VNB margins; GST cut to impact cost ratios

### Product mix gradually shifting to non-par and protection

- ICICI Prudential Life Insurance (IPRU) reported APE of INR24.2b (in-line), reflecting a decline of 3% YoY. In 1HFY26, APE declined 4% YoY to INR42.9b.
- VNB margin for the quarter stood at 24.4% vs. our estimate of 23.5%, reflecting an expansion of 100bp YoY. Absolute VNB grew 1% YoY to INR5.9b (in-line) in 2QFY26. For 1HFY26, VNB was largely flat YoY at INR10.5b, reflecting an improvement in VNB margin to 24.5% (23.7% in 1HFY25).
- IPRU reported an EV of INR505b at the end of 1HFY26, growing 10% YoY. PAT grew 19% YoY to INR3b (in-line) in 2QFY26 (26% YoY growth for 1HFY26).
- With a benign base for 2HFY26, management expects to build growth momentum, aided by the GST cut benefits. A short-term uptick in cost ratios is expected due to the loss of input tax credit, but management anticipates a gradual improvement as GST exemptions boost volumes and operational cost-efficiency initiatives take effect.
- We have maintained our APE growth estimates for FY26/FY27. However, we have raised our cost assumptions for 2HFY26 due to the loss of input tax credit, reducing our FY26 VNB margin estimates by 20bp while keeping FY27/28 estimates intact. Additionally, we have factored in a 1% EV hit on the back book owing to the GST ITC impact. This has resulted in a 1% decline in our FY26/27/28 EV estimates. Rolling over to Sep'27 EV leads us to a **TP of INR720 (based on 1.6x Sep'27E EV). Reiterate BUY.**

### Cost efficiency and product mix shift driving profitability

- IPRU's gross premium grew 2% YoY to INR123b (8% below estimates) in 2QFY26, driven by a 14% YoY growth in single premium, while renewals declined 2% YoY.
- APE declined 3% YoY in 2QFY26, largely due to a 9%/47% YoY decline in ULIP/ annuity segments due to a high base. The non-linked segment maintains momentum, growing 12% YoY. Meanwhile, 88% YoY growth in the lumpy group business softened the overall APE decline. The protection business witnessed a flat performance, with retail protection growing 2% YoY.
- The 90bp YoY expansion in VNB margin to 24.4% was driven by a higher contribution from the non-linked business at 22.1% (19.1% in 2QFY25), along with continued growth in retail protection contribution from 6.6% in 2QFY25 to 7% in 2QFY26.
- Commission expenses witnessed a slight increase of 3% YoY to INR12.7b, while operating expenses declined 17% YoY, driven by cost optimization measures. Total expenses declined 54% YoY due to a 6% YoY decline in benefits paid as well as a decline in actuarial liabilities. Going forward, profitability may be impacted by commission structure renegotiations aimed at curbing the input tax credit impact following the GST exemption.

- On the distribution front, agency/direct channels saw a decline of 23%/9% YoY due to the high base of ULIP and annuity last year. The bancassurance channel witnessed slow growth of 1% YoY but continued to contribute the highest to the mix (30.6% for 2QFY26). The group business posted strong growth of 21% YoY, largely due to the lumpy group business during the quarter. Corporate agents also witnessed 23% YoY growth.
- On a premium basis, persistency declined in 2QFY26, with 13<sup>th</sup> month persistency at 82.4% (86.4% in 2QFY25) and 61<sup>st</sup> month persistency at 59.4% (63.1% in 2QFY26).
- AUM was largely flat YoY at INR3.2t, while solvency improved to 213.2%.

#### Highlights from the management commentary

- APE in Sep'25 showed flat growth despite most business occurring later in the month. The linked business has started to see recovery, with initial signs of traction post-GST exemption reflected in increased website traffic and improved conversion rates.
- The higher mix of protection and non-par products, increasing rider attachment, and favorable yield curve movement have offset GST-related drag. The GST hit has already been reflected in 1HFY26 VNB. If the company cannot offset further impact through levers like cost optimisation and commission renegotiations, VNB margin will be affected temporarily. However, management expects to see recovery through higher volumes and absolute VNB growth.
- In the savings segment, ULIP returns and non-par IRRs are already trending higher post-exemption, while protection volumes are expected to rise meaningfully in the coming quarters.

#### Valuation and view

- IPRU's cost optimization measures and product mix shift have resulted in continued YoY expansion with respect to VNB margin. Going forward, while a short-term impact on profitability is expected due to the loss of input tax credit, the severity of this impact will depend on effective cost optimization and commission rationalization measures. In the longer term, higher volumes driven by GST exemption, increased traction of non-linked products, and improved product-level margins will support the company's profitability.
- We have maintained our APE growth estimates for FY26/FY27. However, we have raised our cost assumptions for 2HFY26 due to the loss of input tax credit, reducing our FY26 VNB margin estimates by 20bp and keeping FY27/28 estimates intact. Moreover, we have factored in a 1% EV hit on the back book due to the GST ITC impact. This resulted in a 1% decline in our FY26/27/28 EV estimates. Rolling over to Sep'27 EV results in a TP of INR720 (based on 1.6x Sep'27E EV). Reiterate BUY.



## Quarterly performance

(INR b)

Policy holder's A/c	FY25				FY26				FY25	FY26E	FY26E 2QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	15.2	20.6	18.2	27.1	14.5	19.8	19.3	34.2	81.1	87.6	21.9	-10%
Growth (%)	48.8%	34.6%	19.0%	-8.1%	-5.0%	-4.1%	5.7%	26.1%	15.4%	8.0%	6.4%	
Renewal premium	43.3	69.9	60.9	92.1	49.4	68.5	67.4	107.6	266.2	292.8	76.1	-10%
Growth (%)	4.3%	18.6%	0.2%	9.3%	14.0%	-1.9%	10.6%	16.8%	8.4%	10.0%	9.0%	
Single premium	24.3	30.3	47.5	49.1	25.7	34.7	54.4	60.8	151.2	175.6	35.1	-1%
Growth (%)	10.6%	0.9%	77.6%	30.1%	5.8%	14.5%	14.7%	23.7%	29.8%	16.1%	15.9%	
<b>Gross premium income</b>	<b>82.8</b>	<b>120.8</b>	<b>126.6</b>	<b>168.3</b>	<b>89.5</b>	<b>123.0</b>	<b>141.1</b>	<b>202.5</b>	<b>498.5</b>	<b>556.0</b>	<b>133.2</b>	<b>-8%</b>
Growth (%)	12.3%	15.8%	23.1%	11.1%	8.1%	1.8%	11.4%	20.3%	15.3%	11.5%	10.3%	
<b>PAT</b>	<b>2.3</b>	<b>2.5</b>	<b>3.2</b>	<b>3.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.6</b>	<b>11.9</b>	<b>12.6</b>	<b>3.0</b>	<b>0%</b>
Growth (%)	8.9%	3.1%	42.8%	121.7%	34.0%	18.9%	-6.6%	-6.7%	39.3%	6.5%	19.1%	
Key metrics (INRb)												
New Business APE	19.6	25.0	24.4	35.0	18.6	24.2	26.8	41.9	104.1	111.5	24.5	-1%
Growth (%)	34.4%	21.4%	27.8%	-3.2%	-5.0%	-3.3%	9.8%	19.6%	15.0%	7.1%	0.0	
VNB	4.7	5.9	5.2	8.0	4.6	5.9	6.3	10.0	23.7	26.8	5.8	3%
Growth (%)	7.8%	1.6%	18.6%	2.4%	-3.2%	1.0%	21.6%	25.6%	6.4%	12.9%	0.0	
AUM	3,089	3,205	3,104	3,094	3,245	3,210	3,306	3,532	3,094	3,532	3,342	-4%
Growth (%)	15.9%	17.9%	8.3%	5.2%	5.1%	0.2%	6.5%	14.2%	5.2%	14.2%	0.0	
Key Ratios (%)												
VNB Margin (%)	24.0	23.4	21.2	22.7	24.5	24.4	23.5	23.8	22.8	24.0	23.5	

# Anand Rathi Wealth

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	ANANDRAT IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	262.6 / 3
52-Week Range (INR)	3324 / 1586
1, 6, 12 Rel. Per (%)	6/66/56
12M Avg Val (INR M)	472

## Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
Revenues	11.7	14.3	17.3
Rev Gr. (%)	24.9	22.2	20.5
Opex	6.4	7.6	8.9
PBT	5.2	6.7	8.2
PAT	3.9	5.0	6.1
EPS (INR)	46.8	59.8	73.5
EPS Gr. (%)	29.3	27.9	22.8
BV/Sh. (INR)	117.6	166.3	228.7

## Ratios

EBITDA Margin	45.4	47.3	48.4
PAT margin	33.1	34.7	35.3
RoE	47.0	42.0	37.1
Div. Payout	21.4	18.4	15.0

## Valuations

P/E (x)	67.5	52.7	42.9
P/BV (x)	26.8	19.0	13.8
Div. Yield (%)	0.3	0.3	0.3

## Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	42.7	47.3	48.1
DII	8.4	7.2	8.3
FII	4.9	4.9	5.0
Others	44.0	40.6	38.6

FII includes depository receipts

**CMP: INR3,163**      **TP: INR2,800 (-11%)**      **Neutral**

## Consistent performance across market cycles

- Anand Rathi Wealth (ARWM) reported operating revenue of ~INR3b in 2QFY26 (in line), up 23% YoY/9% QoQ, primarily driven by 28% YoY growth in revenue from the distribution of financial products and 16% YoY growth in MF revenue. For 1HFY26, it grew 19% YoY to INR5.7b.
- Operating expenses rose 16% YoY and 9% QoQ to INR1.6b, driven by 14%/21% YoY increase in employee/other expenses. Improved operational efficiency resulted in EBITDA of INR1.4b, up 32% YoY and 8% QoQ (in line), with EBITDA margin at 46.2% vs. 42.9% in 2QFY25. For 1HFY26, EBITDA grew 31% YoY to INR2.7b.
- For 2QFY26, PAT stood at INR999m, up 31% YoY/6% QoQ (in line). PAT margin expanded by 215bp YoY to 33.6% (est. 34.7%). For 1HFY26, PAT grew 30% YoY to INR1.9b.
- Management remains confident of sustaining 20-25% growth, supported by low RM and client attritions and existing RM capacity per AUM. It is targeting minimum PBT/PAT margins of ~40%/~30%, led by continued reinvestment in technology, talent, and operational efficiencies.
- We expect a CAGR of 25%/22%/27% in AUM/revenue/PAT during FY25-28E, with robust cash generation (INR12.8b of OCF during FY25-28E), RoE of 37%+, and a healthy balance sheet. We reiterate our Neutral rating with a one-year TP of INR2,800 (premised on 42x Sep'27E EPS).

## AUM growth backed by MF flows; maintains guidance

- Total AUM grew 22% YoY to INR916b, led by steady strong inflows and an increase in the ticket size of clients. The share of equity MFs in the AUM mix stood at 53%, with equity AUM market share rising to 1.43% in Sep'25 from 1.02% in Mar'19. Private Wealth/Digital Wealth AUM grew 22%/21% YoY to INR894b/INR22b.
- Total quarterly net inflows rose 29% YoY to INR30b, while equity net flows jumped 101% YoY to INR20.6b. For 1HFY26, equity flows grew 30% YoY. **Equity inflows as a proportion of total stood at 70% vs. 52% in 2QFY25, driven by higher allocations amid declining markets.**
- Monthly SIP flows for Sep'25 increased 37% YoY to INR800m.
- The share of customers with AUM of INR500m+ has increased to 28% in 2QFY26 from 25% in 2QFY25. It onboarded 451 net new client families in 2Q, taking the total count to 12.8k families.
- Operating expenses grew 16% YoY, while the cost-to-income ratio (CIR) improved to 53.8% in 2QFY26, compared to 57.1% in 2QFY25.
- Other income increased 37% YoY but declined 4% QoQ to INR98m. For 1HFY26 it grew 34% YoY to INR201m.
- The company reported one of the lowest client attrition rates in the industry, with only 0.09% of AUM lost in 2QFY26 vs. 0.18% in 2QFY25. RM attrition remained minimal, with two exits during the quarter. **About 82% of AUM associated with the RM attrition has been retained.**
- AUM per RM increased to INR2.3b in Sep'25 from INR2b in Sep'24, driven by continued association of RMs with the organization. Additionally, clients per RM improved to 33 from 29 in 2QFY25.

### Highlights from the management commentary

- Revenue mix currently stands at 40-41% for MF and 60% for Structured Products, with a target of gradually achieving a 50:50 balance over time.
- In terms of revenue, PAT, and AUM guidance for FY26, the company has already achieved 50.3%, 52%, and 92%, respectively, as of 1HFY26. The company did not revise its AUM guidance.
- Diversification initiatives are planned and will be addressed in due course.

### Valuation and view

- ARWM is one of the few companies in the listed space that has consistently outperformed its stated guidance. For FY26, management has guided for revenue/PAT of INR11.8b/INR3.8b vs. our estimates of INR11.7b/INR3.9b.
- We expect a CAGR of 25%/22%/27% in AUM/revenue/PAT during FY25-28E, with robust cash generation (INR12.8b of OCF during FY25-28E), RoE of 37%+, and a healthy balance sheet. We reiterate our Neutral rating with a one-year TP of INR2,800 (premised on 42x Sep'27E EPS).

### Quarterly performance

Y/E March	FY25				FY26				FY25	FY26E	2Q FY26E	Act. Vs Est. (%)	(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE					YoY	QoQ
MF – Equity & Debt	890	1,057	1,087	1,030	1,131	1,230	1,329	1,403	4,064	5,092	1,253	-2	16.4	8.8
Distribution of Financial Products	1,471	1,352	1,267	1,174	1,593	1,728	1,617	1,627	5,264	6,564	1,636	6	27.8	8.5
Other Operating revenue	15	15	16	16	16	16	17	20	62	69	17	-7	6.7	0.0
<b>Revenue from Operations</b>	<b>2,376</b>	<b>2,424</b>	<b>2,370</b>	<b>2,220</b>	<b>2,740</b>	<b>2,974</b>	<b>2,962</b>	3,049	<b>9,390</b>	<b>11,726</b>	<b>2,906</b>	2	22.7	8.5
Change YoY (%)	35.8	32.7	29.9	20.4	15.3	22.7	25.0	37.4	29.6	24.9	19.9			
Operating Expenses	1,394	1,384	1,300	1,311	1,462	1,599	1,639	1,700	5,388	6,401	1,536	4	15.6	9.3
Change YoY (%)	37.2	31.6	26.7	18.0	4.9	15.6	26.1	29.7	28	19	11			
<b>EBIDTA</b>	982	1,040	1,070	908	1,278	1,375	1,323	1,349	4,001	5,325	1,370	0	32.1	7.6
Depreciation	57	61	65	71	77	83	85	86	255	331	80	4	35.4	8.2
Finance Cost	14	30	35	37	40	48	48	49	115	185	38	26	63.7	21.1
Other Income	78	72	72	194	102	98	104	111	416	416	93	6	37.2	-4.2
<b>PBT</b>	990	1,021	1,041	995	1,263	1,341	1,295	1,325	4,047	5,225	1,345	-0	31.4	6.2
Change YoY (%)	39.6	31.3	33.5	25.9	27.6	31.4	24.3	33.2	32	29	32			
Tax Provisions	256	259	269	257	324	343	324	344	1,040	1,335	336	2	32.4	5.6
<b>Net Profit</b>	734	762	773	737	939	999	971	980	3,007	3,890	1,009	-1	31.0	6.4
Change YoY (%)	37.9	32.0	33.2	29.6	27.9	31.0	25.7	33.0	33	29	32			
<b>Key Operating Parameters (%)</b>														
EBIDTA Margin	41.3	42.9	45.2	40.9	46.6	46.2	44.7	44.2	42.6	45.4	47.1	-90bp	332bp	-39bp
Cost to Income Ratio	58.7	57.1	54.8	59.1	53.4	53.8	55.3	55.8	57.4	54.6	52.9	90bp	-332bp	39bp
PBT Margin	41.7	42.1	43.9	44.8	46.1	45.1	43.7	43.5	43.1	44.6	46.3	-115bp	300bp	-99bp
Tax Rate	25.8	25.3	26.0	26.0	25.7	25.5	25.0	26.0	25.7	25.7	25.0	53bp	19bp	-15bp
PAT Margins	30.9	31.4	32.6	33.2	34.3	33.6	32.8	32.2	32.0	33.1	34.7	-110bp	215bp	-67bp

# Cyient DLM

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	CYIENTDL IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	37.2 / 0.4
52-Week Range (INR)	744 / 350
1, 6, 12 Rel. Per (%)	2/-5/-34
12M Avg Val (INR M)	160

## Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	14.4	18.0	22.5
EBITDA	1.6	2.3	3.0
Adj. PAT	1.0	1.3	1.9
EBITDA Margin (%)	11.1	12.5	13.2
Cons. Adj. EPS (INR)	12.0	16.8	23.7
EPS Gr. (%)	28.9	39.7	41.1
BV/Sh. (INR)	131.7	148.5	172.2

## Ratios

Net D:E	-0.3	-0.4	-0.4
RoE (%)	9.6	12.0	14.8
RoCE (%)	10.0	12.0	15.0

## Valuations

P/E (x)	39	28	20
EV/EBITDA (x)	21	14	10

## Shareholding pattern (%)

As on	Jun-25	Mar-25	Jun-24
Promoter	52.1	52.2	66.7
DII	28.2	28.7	17.4
FII	2.5	2.4	5.1
Others	17.2	16.8	10.8

Note: FII includes depository receipts

**CMP: INR468**
**TP: INR550 (+17%)**
**Buy**

## Favorable business mix supports margin expansion

### Operating performance in line with estimates

- Cyient DLM's (CYIENTDL) 2QFY26 consolidated revenue/EBITDA declined ~20%/1% YoY to INR3.1b/INR312m. However, EBITDA margins expanded 190bp YoY to 10% (est. 9.7%), led by a better business mix (higher Aerospace mix of 37%).
- The order book rose 16% YoY/7% QoQ to INR23b, boosted by an order intake of ~INR5b. About 1/4th of this order inflow is executable in FY26. With this addition, the company's book-to-bill ratio stands at ~1.6x, and it aims to maintain the ratio at ~1.4-1.5x in FY26.
- We reduce our FY26 revenue estimate by 9% due to slower execution of new orders and a higher base of BEL orders. Consequently, we lower our FY27/FY28 revenue/earnings estimates by 10%/12% and FY26 adjusted PAT estimate by 20%. We reiterate our BUY rating on the stock with a TP of INR550 (27x Sep'27E EPS).

### Increasing order inflow enhances growth visibility

- Consol. revenue declined 20% YoY to INR3.1b (est. in line) in 2QFY26 due to a high base of 2QFY25, which included a large order from BEL (completed in 4QFY25).
- Excluding the defense segment (down 90% YoY due to the completion of BEL orders), other segments showcased strong growth. Aerospace grew 49% YoY, while the inclusion of Altek drove ~3.6x/2.2x YoY growth in the Industrial/Medtech segments.
- EBITDA margin expanded 190bp YoY to 10% (est. 9.7%). EBITDA declined 1% YoY to INR312m (est. in line). EBITDA margin expansion was largely led by a favorable business mix. Gross margin expanded 20.6pp to 41.2%.
- Reported PAT grew 2x YoY to INR321m (est. INR115m), led by a one-off earn-out reversal of INR196m (had to be paid to Altek on fulfillment of some performance obligations). Adj. PAT declined 19% YoY to INR126m.
- For 1HFY26, revenue/adj. PAT fell 9%/23% YoY, whereas EBITDA/adj. PAT grew 9%/52%. Gross debt stood at INR1.6b vs. INR2.4b in Mar'25.
- CYIENTDL generated free cash flow of INR270m. After adjusting for one-time land acquisition costs of INR190m, normalized FCF was INR460m.

### Highlights from the management commentary

- **Outlook:** The current book-to-bill ratio is ~1.6x and the company aims to maintain it around ~1.4-1.5x by the end of FY26. Further, it expects growth in 4QFY26, largely led by growth in industrial segment (as 3QFY25 had large order execution of BEL).
- **Order flows:** CYIENTDL secured two global logos in 2QFY26: 1) a Japanese EVOTL company that focuses on future of mobility; 2) an EV charging company with focus on EV solutions. The company is optimistic about a multi-million-dollar opportunity from them in the near future.
- **Inorganic acquisitions:** The company is actively looking for inorganic acquisition targets in NAM and EMEA to drive growth in the medical and industrial segments and new industries like EV.

### Valuation and view

- The revenue decline in 2Q was offset by margin expansion. We expect margin expansion momentum to continue going ahead, driven by an improved product mix and increasing orders of box-build and build-to-spec. Macro tailwinds such as the end of the Israel-Gaza conflict, opportunities in the EV space, and B2S customer additions will drive growth in the medium term.
- For CYIENTDL, we estimate a CAGR of 14%/27%/37% in revenue/EBITDA/adj. PAT over FY25-28. We reiterate our BUY rating on the stock with a TP of INR550 (27x Sep'27E EPS).

### Consolidated - Quarterly Earning

Y/E March	FY25				FY26E				FY25	FY26E	FY25E	Var %
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
<b>Gross Sales</b>	<b>2,579</b>	<b>3,895</b>	<b>4,442</b>	<b>4,281</b>	<b>2,784</b>	<b>3,106</b>	<b>3,687</b>	<b>4,837</b>	<b>15,196</b>	<b>14,415</b>	<b>3,116</b>	<b>0</b>
YoY Change (%)	18.8	33.4	38.4	18.3	8.0	-20.2	-17.0	13.0	27.5	-5.1	-20.0	
Total Expenditure	2,379	3,578	4,081	3,706	2,534	2,794	3,292	4,195	13,745	12,814	2,813	
<b>EBITDA</b>	<b>200</b>	<b>316</b>	<b>361</b>	<b>574</b>	<b>251</b>	<b>312</b>	<b>396</b>	<b>642</b>	<b>1,452</b>	<b>1,600</b>	<b>303</b>	<b>3</b>
Margins (%)	7.8	8.1	8.1	13.4	9.0	10.0	10.7	13.3	9.6	11.1	9.7	
Depreciation	67	69	100	105	105	106	109	110	341	430	107	
Interest	80	110	100	86	86	68	75	70	375	299	82	
Other Income	89	71	69	33	42	31	35	35	262	143	40	
<b>PBT before EO expense</b>	<b>142</b>	<b>209</b>	<b>230</b>	<b>417</b>	<b>101</b>	<b>169</b>	<b>247</b>	<b>497</b>	<b>997</b>	<b>1,014</b>	<b>154</b>	
Extra-Ord expense	0	0	80	0	0	-196	0	0	80	-196	0	
<b>PBT</b>	<b>142</b>	<b>209</b>	<b>150</b>	<b>417</b>	<b>101</b>	<b>365</b>	<b>247</b>	<b>497</b>	<b>917</b>	<b>1,210</b>	<b>154</b>	
Tax	36	54	40	106	26	43	62	125	236	257	39	
Rate (%)	25.2	26.0	26.8	25.5	26.1	11.9	25.2	25.2	25.8	21.2	25.2	
<b>Reported PAT</b>	<b>106</b>	<b>155</b>	<b>110</b>	<b>310</b>	<b>75</b>	<b>321</b>	<b>184</b>	<b>372</b>	<b>681</b>	<b>953</b>	<b>115</b>	
<b>Adj PAT</b>	<b>106</b>	<b>155</b>	<b>168</b>	<b>310</b>	<b>75</b>	<b>126</b>	<b>184</b>	<b>372</b>	<b>739</b>	<b>757</b>	<b>115</b>	<b>9</b>
YoY Change (%)	97.7	5.5	-8.7	36.5	-29.6	-18.7	9.6	19.9	20.8	2.4	-25.5	
Margins (%)	4.1	4.0	3.8	7.3	2.7	4.0	5.0	7.7	4.9	5.3	3.7	

\*Gain on fair valuation of earnout liability (reversal) of INR195.75m



# Retail

## Chanel Check



## Festive demand & GST impact: Muted start to the festive season

### GST benefits largely passed on

### Subdued consumer sentiment continues for apparel and footwear retailers

The onset of the festive season following Shraddh – namely Navratri, Dussehra, Karwa Chauth, and the pre-Diwali period – has so far **seen muted consumer sentiment across apparel and footwear retailers**. Overall demand during the Navratri period, which included GST adjustments and the festival itself, was transient and modest. Most stores experienced a visible uptick in the initial days of Navratri, but this momentum quickly waned, and the anticipated pre-Diwali surge has been softer than usual. After Navratri, the market entered a post-festival lull, with consumers broadly deferring purchases. Although mall-level footfalls continue to grow YoY and MoM, store-level performance remains highly location-dependent. Retailers are now hoping for a demand pickup over the coming weekend to ensure a stronger Diwali.

### GST cuts have not led to any major boost in consumption trends for footwear and apparel

The recent GST revisions have yielded a mixed impact across consumption categories. While the rate cut to 5% on select footwear and apparel offered theoretical price relief to consumers, the actual demand response has been modest. Mid-premium SKUs priced above INR2,500 faced mild headwinds following the GST increase from 12% to 18%, prompting several retailers to partially absorb the higher tax to preserve price competitiveness. Consequently, **the overall net impact of the GST changes has been largely neutral for the broader apparel and lifestyle segments**. Interestingly, despite being the category most directly benefiting from the rate cut, footwear has not witnessed a meaningful demand uptick so far, in our channel checks.

### Demand for electronic retailers improves following the GST rationalization

Driven by ~10% GST rate cuts on high-ticket white goods such as TVs and room ACs, the electronics retailers emerged as clear beneficiaries, with a sharp uptick in footfalls and conversions. Our channel checks suggest that TV demand is sustaining even beyond the festive period, underscoring faster transmission of tax benefits in the durables segment.

### Our take

Following our discussions with retailers, it appears that consumer buying patterns have shifted in recent years, with purchases increasingly back-ended closer to Diwali. While pre-festive sales have been slow, momentum is expected to pick up sharply as the festival approaches. Departmental stores such as Shoppers Stop are likely to outperform exclusive brand outlets (EBOs) due to greater brand variety, convenience, and in-store assistance. Several retailers appeared wary of a softer festive season due to low footfalls amid a variable incentive-driven pay structure; others remained **optimistic about stronger sales over the coming weekends**. The recent GST reduction has not materially influenced consumer demand, and its initial impact is expected to remain largely neutral across retailers.

## Pre-festive buying trends

- Consumer sentiment across apparel and footwear retail remains muted, with footfalls at normal to below-average levels. Retailers indicated steady but softer-than-expected demand through Navratri, marked by a brief early pickup and a notable improvement during Dussehra. The first weekend of Oct (4-5<sup>th</sup> Oct'25) saw a modest uptick in store walk-ins and sales, though the trend lacked structural strength and has not sustained the festive momentum. Some brands saw momentum sustaining post-Navratri; however, this was limited to a few retailers and not the norm. Overall, retailers are waiting for a stronger weekend-led traction as the core Diwali buying window approaches, hoping for a more sustained lift in demand trends.
- Evening footfalls remained weak, as consumers engaged in festive activities or fasting, an annual structural pattern observed during Navratri. Typically, pre-Diwali sales begin 10–15 days before the festival, but this year's post-Dussehra surge was softer than anticipated, and Diwali walk-ins remain below the earlier “jam-packed” norms, pointing to a muted festive start.
- Nevertheless, the weekend before Diwali remains the key, with most store managers hopeful of pent-up demand materializing closer to the festival. Some also noted that sales shortfalls versus internal targets could impact employee incentives.
- On the other hand, mall-level footfalls continue to show a positive trajectory, both YoY and MoM, according to mall representatives. However, store-level performance remains highly location-dependent in malls, as store placement within the mall continues to be a key determinant of productivity, walk-ins, and conversion rates.

## Footfall trends across retailers

Segment	Observation	Commentary
Value Fashion (Zudio and Max)	Consistent to strong	❖ Structurally strong footfall; steady conversions.
Department Stores (Shoppers Stop and Pantaloons)	Improvement	❖ Benefiting from brand variety and mall traffic. Pantaloons is benefiting majorly from a store refresh and an elevated consumer experience.
Mid-Premium EBOs (Allen Solly, Van Heusen, and Peter England)	Soft	❖ Diwali footfalls yet to materialize; festive LTLs are flat vs. last year.
Ethnic (BIBA, W, and Ethnicity)	Soft	❖ Demand pick was much lower than anticipated.
Premium EBOs (LP and TH)	Soft	❖ Short-lived festive momentum, but still faring much better than the rest of the branded peers.
Footwear (Bata, Crocs, Puma, Nike, and Skechers)	Weak Navratri but improving trends	❖ Post-monsoon uptick in formal shoes for Bata; Navratri was weak for major footwear retailers; Diwali is aiding a mild recovery.
Premium fabrics (Raymond MTM)	Low	❖ Location-driven structural constraint; repeat clientele-driven demand.
Malls	Healthy	❖ Footfalls are higher YoY; conversion is lagging due to limited offers.
Electronics (Croma, Vijay Sales, and Reliance Digital)	Significant improvement	❖ Improved demand trends driven by GST rationalization, especially for premium TVs.

Source: Company, MOFSL

# Expert Speak

## Current dynamics and festive trends in the gems & jewelry sector

We hosted an expert session with Mr. Sachin Jain, Regional CEO – India, World Gold Council, to gain insights into the current trends shaping the gold and jewelry industry. The discussion focused on demand patterns in the jewelry, investment, and rural segments amid evolving consumption behavior and heightened gold price volatility. Mr. Jain also shared perspectives on consumer response to elevated gold prices, its implications on product mix, grammage, and retailer margins. The session further covered the festive and wedding season outlook, assessing near-term sales momentum for listed jewelry players. Additionally, he provided clarity on import duties, hallmarking regulations, and recent government measures influencing gold trade and jewelry retail dynamics in India.



**Mr. Sachin Jain**  
Regional CEO – India,  
World Gold Council

Mr. Jain leads the organization's initiatives in the Indian gold market. With over two decades of experience in the luxury and consumer sectors, he brings deep expertise in the Indian jewelry landscape, from strategy to execution. Prior to joining WGC, he spent 13 years at De Beers, where he led the Forevermark business across India and the Middle East. He has also held leadership roles at Lladro, Swatch Group, and Benetton.

## Gold prices and market dynamics

- Gold prices have witnessed an unprecedented rally, rising sharply from USD3,500 to USD4,000 per ounce in just 35 days, a steep acceleration compared to the historical average of around 186 days required for a similar increase of USD500 per ounce.
- This surge coincided with the Shradh period and the onset of the festive season, traditionally a high-demand phase for jewelry in India.
- On 23rd April, gold prices crossed the INR100,000 per 10g mark for the first time, reflecting an all-time high consumer interest and market momentum.
- Although jewelry volumes have temporarily softened due to elevated prices, the underlying demand remains intact. Once prices stabilize or soften, significant pent-up demand is expected to emerge, particularly from wedding and festive purchases, many of which are done in advance in anticipation of further price increases.

## Global consumption drivers

Globally, gold demand is driven by the following major segments:

- **Jewelry:** This remains the largest component of global gold consumption. India overtook China in jewelry demand last year, reaffirming its leadership in the global gold market.
- **Financial markets:** Investment inflows into gold ETFs and related instruments play a crucial role in influencing global price movements.
- **Central banks and reserves:** Accelerated de-dollarization has led central banks to diversify their reserves by increasing gold allocations. The share of global reserves held by China in USD has declined from 74% to 57% since the Russia-Ukraine conflict, driving steady institutional gold buying.
- **Technology:** The growing use of gold in AI chips, electronics, and semiconductor components has added incremental demand from the technology sector.

## Investment and ETF trends

- In India, out of 802 tons of annual gold demand, about 70% comes from jewelry, while the remaining 30% is investment demand, of which 80% is in physical form and the balance through ETFs.
- The assets under management (AUM) of gold ETFs in India have grown sharply, from 40 tons in Jan'24 to 57 tons in Jan'25, and now exceed 80 tons, indicating a surge in investor interest in financialized gold instruments.
- Supported by rising disposable incomes, Indian consumers continue to view gold as both a store of value and an aspirational asset, blending emotional attachment with financial prudence.

## Evolving jewelry consumption trends

- While around 58% of India's gold jewelry demand is wedding-related, evolving lifestyles and changing consumer preferences are leading to structural shifts within the category.
- Demand for lightweight and lower-carat jewelry (9K and 14K) is gradually increasing, particularly among urban and younger consumers, reflecting a shift toward more wearable and affordable designs.
- Despite these changes, gold remains the preferred long-term wealth asset for Indian families due to its cultural, emotional, and financial significance.
- The imitation jewelry segment also continues to gain traction for fashion and occasion-based use, coexisting with traditional gold jewelry rather than substituting it.

## Rural market and consumption

- Rural India accounts for nearly 40% of the country's total gold consumption. A healthy monsoon last year supported agricultural incomes, which translated into robust rural gold purchases.
- Despite per capita gold holdings averaging just 0.5 grams, the latent demand potential remains immense. Historically, a 1% rise in disposable income has been associated with roughly a 1% increase in gold demand, underscoring the strong correlation between rural income growth and gold consumption.

## Formalization and market transparency

- The Indian gold industry has undergone significant formalization and consolidation over the past decade. The share of organized players has risen to around ~45%, up from roughly 20% a decade ago.
- Regulatory initiatives such as mandatory hallmarking, audit-compliant operations, and gold saving schemes have improved consumer confidence and market transparency.
- The proportion of old gold exchange in new jewelry purchases has increased from 20-25% a few years ago to 40-45% currently, enhancing liquidity and recycling efficiency.
- The adoption of scientific hedging and price risk management practices is gaining traction as organized jewelers formalize operations and strengthen their risk frameworks.

## Gold as a strategic investment

- Gold continues to be regarded as a strategic long-term investment, with experts recommending that 10-15% of personal portfolios be allocated to gold for diversification and stability.
- While Indian households continue to prefer holding gold in physical form, overall financial exposure to gold investments remains below 10%, indicating considerable headroom for deeper financialization through instruments such as ETFs and sovereign gold bonds.

## Lab-grown vs. natural diamonds

- Over the long term, both lab-grown diamonds (LGDs) and natural diamonds are expected to coexist and grow within distinct consumer segments.
- LGDs are increasingly preferred by younger consumers due to their affordability, innovation, and sustainability appeal, while natural diamonds continue to represent heritage, emotion, and timeless luxury.
- The coexistence of both categories will define the future jewelry landscape, catering to diverse consumer motivations and value perceptions across price points and occasions.



### **LG Electronics India :Will Create 2,000 Direct & Indirect Jobs By 2026 At New Sri City Plant; Sanjay Chitkara**

- India's low appliance penetration offers multi-year growth runway.
- Introducing value-segment lineup (~8–10% cheaper) to expand premium access.
- Margins protected through value engineering, despite lower price points.
- Next growth drivers: B2B, HVAC, services, and third manufacturing plant.

[➔ Read More](#)

### **Anand Rathi: ₹1 Lk Cr AUM Was An Aspirational Number For Us For FY26, So Will Not Revise It Upwards**

- Strong quarter with 6% PAT growth; AUM close to ₹1 lakh cr ahead of plan.
- Equity inflows up 2x YoY despite muted markets.
- Reiterate FY26 guidance: ₹1,175 cr revenue, ₹375 cr PAT.
- Focus on sustainable profitability over AUM chase.

[➔ Read More](#)

### **KEC International : Wins New T&D Orders Worth ₹1,174 Crore | Margin Of New Orders Is Above 10%; Vimal Kejriwal, MD & CEO**

- Secured fresh T&D orders with ~10% margins, ~18-month execution cycle.
- YTD order inflow at ~₹14k cr; on track for ₹30k cr target in FY26.
- L1 position for ~₹4.5k cr orders, closure expected shortly.
- Robust ₹1.5 lakh cr tender pipeline; strong traction in India, MEA.
- Water collections improving; maintain 15% revenue growth, 8–8.5% margins.

[➔ Read More](#)

### **Puravankara:65% Of New Launches Planned Will Be Achieved By End Of This Fiscal; Ashish Puravankara, MD**

- Q2 pre-sales ₹1,322 cr (+4% YoY); new launches in Q3–Q4 to drive growth.
- 15 mn sq.ft. launches planned; ~65% expected by March '26.
- Redevelopment pipeline 4.25 mn sq.ft. (₹10,500 cr GDV); first launch in 2 months.
- Expansion via JDA, redevelopment, and selective land buys.
- Net debt ₹2,845 cr; residential stable, commercial may see slight rise.

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

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