## Market snapshot

| Equities - India | Close | Chg .% | CYTD.% |
|---|---|---|---|
| Sensex | 82,605 | 0.7 | 5.7 |
| Nifty-50 | 25,324 | 0.7 | 7.1 |
| Nifty-M 100 | 58,970 | 1.1 | 3.1 |
| **Equities-Global** | **Close** | **Chg .%** | **CYTD.%** |
| S&P 500 | 6,671 | 0.4 | 13.4 |
| Nasdaq | 22,670 | 0.7 | 17.4 |
| FTSE 100 | 9,425 | -0.3 | 15.3 |
| DAX | 24,181 | -0.2 | 21.5 |
| Hang Seng | 9,251 | 1.9 | 26.9 |
| Nikkei 225 | 47,673 | 1.8 | 19.5 |
| **Commodities** | **Close** | **Chg .%** | **CYTD.%** |
| Brent (US$/Bbl) | 63 | 0.2 | -15.5 |
| Gold ($/OZ) | 4,207 | 1.6 | 60.3 |
| Cu (US$/MT) | 10,669 | 0.3 | 23.3 |
| Almn (US$/MT) | 2,753 | 0.2 | 8.9 |
| **Currency** | **Close** | **Chg .%** | **CYTD.%** |
| USD/INR | 88.1 | -0.8 | 2.9 |
| USD/EUR | 1.2 | 0.3 | 12.5 |
| USD/JPY | 151.1 | -0.5 | -3.9 |
| **YIELD (%)** | **Close** | **1MChg** | **CYTD chg** |
| 10 Yrs G-Sec | 6.5 | -0.03 | -0.3 |
| 10 Yrs AAA Corp | 7.1 | -0.02 | -0.2 |
| **Flows (USD b)** | **15-Oct** | **MTD** | **CYTD** |
| FIIs | 0.01 | 0.87 | -16.6 |
| DIIs | 0.53 | 3.06 | 69.3 |
| **Volumes (INRb)** | **15-Oct** | **MTD*** | **YTD*** |
| Cash | 1,074 | 1063 | 1067 |
| F&O | 1,29,385 | 2,84,937 | 2,25,899 |

Note: Flows, MTD includes provisional numbers.
*Average

## Today's top research idea

### Axis Bank: PPoP in line; PAT miss amid one-time provisioning

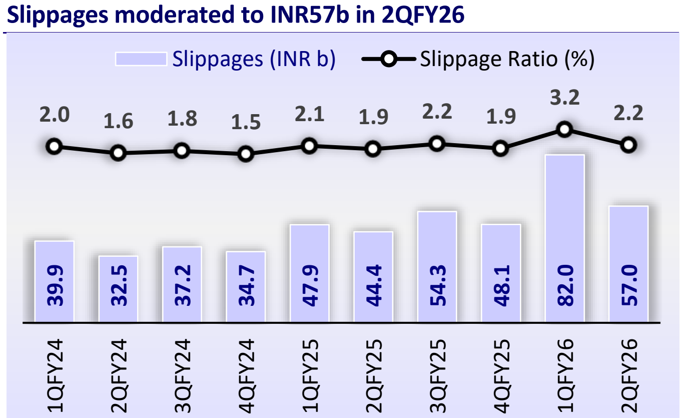
- Axis Bank (AXSB) reported 2QFY26 net profit of INR50.9b (26% YoY decline, 8% miss) amid higher provisions.
- NII grew 1.4% QoQ (up 2% YoY) to INR137.4b (4% beat). NIMs contracted 7bp QoQ to 3.73%, aided by 4bp growth from interest reversals.
- Provisioning expenses stood at INR35.5b (18% higher than MOFSLe). The bank made a one-time standard asset provisioning of INR12.31b following an RBI inspection related to two discontinued crop loan variants.
- Loan book grew 11.7% YoY (up 5.4% QoQ). Deposits grew 10.7% YoY (up 3.6% QoQ), and CD ratio increased to 92.8% (vs. 91.2% in 1QFY26). CASA mix stood stable at 40%.
- Fresh slippages stood at INR56.96b (vs INR82b in 1QFY26), reflecting a technical impact of INR15.12b (44% QoQ decline). Net slippages on account of technical impact remained muted at INR2.8b. Adjusted for this technical impact, gross slippages stood at INR41.8b. GNPA/NNPA ratios improved 11bp/1bp QoQ to 1.46%/0.44%. PCR moderated 103bp QoQ to 70.5%.
- We fine-tune our earnings estimates and project FY27 RoA/RoE at 1.6%/14.4%. Reiterate Neutral with a TP of INR1,300 (1.6x FY27E ABV).

## Research covered

| Cos/Sector | Key Highlights |
|---|---|
| Axis Bank | PPoP in line; PAT miss amid one-time provisioning |
| Hyundai Motor | Targets to launch seven new nameplates by 2030 |
| HDFC Life Insurance | Performance in line; a 0.5% impact of GST on VNB margin |
| HDFC AMC | Lower tax provisions lead to PAT beat |
| Other Updates | HDB Financial Services \| Tata Communications \| EcoScope (a. MPC minutes; b. Trade deficit) \| L&T Finance \| Oberoi Realty \| KEI Industries \| Angel One |

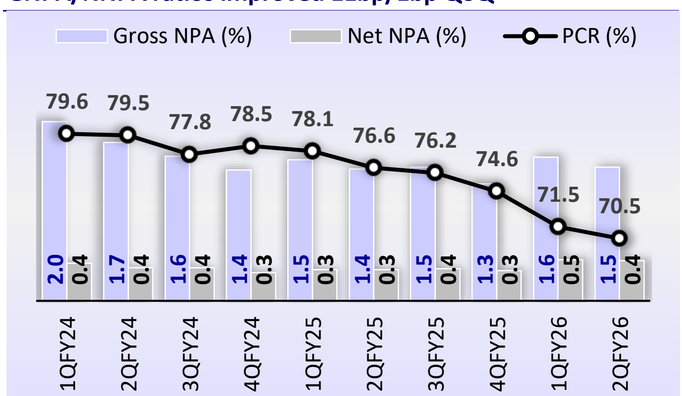
## Chart of the Day: Axis Bank (PPoP in line; PAT miss amid one-time provisioning)

**Slippages moderated to INR57b in 2QFY26**




Source: MOFSL, Company

**GNPA/NNPA ratios improved 11bp/1bp QoQ**




Source: MOFSL, Company

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# In the news today

Kindly click on textbox for the detailed news link

1

### NTPC invites bids to set up 1,800 tonne SAF plant in Andhra Pradesh

NTPC Ltd has invited bids for a 1,800 tonnes per year sustainable aviation fuel (SAF) plant in Pudimadaka, Andhra Pradesh. The project encompasses design, engineering, construction, and supply, with bids due by November 6.

2

### Tarun Garg set to be first desi at Hyundai Motor India's wheel in Korean auto major's 3-decade local history

Hyundai Motor India has appointed Tarun Garg as its new Managing Director and Chief Executive. This marks a significant moment as Garg is the first Indian to lead the company in India in almost thirty years.

3

### Greater wall of China throws shadow on Indian manufacturing

India's industries face a new challenge as China tightens export controls. These measures now include components with rare earth magnets. This will impact sectors like automotive, consumer electronics, and industrial machinery.

4

### Aditya Birla fashion unit to open Galeries Lafayette stores in Mumbai, Delhi

French luxury retailer Galeries Lafayette is set to open its first Indian store in Mumbai. Aditya Birla Fashion and Retail announced the partnership. Plans are underway for a second store in Delhi. The company aims to open stores in at least four major Indian cities within three years.

5

### OYO Assets plans to acquire 12 hotels in next six months

OYO parent PRISM-backed OYO Assets plans to acquire 12 hotels in H2 of this financial year to expand its premium and mid-premium portfolio, with seven deals in advanced stages. Funded through debt and equity, the acquisitions target high-potential locations and will operate under PRISM brands like Sunday Hotels, Palette Hotels, and Townhouse. PRISM currently manages over 1,300 hotels in India

6

### Andhra approves Rs 940 cr Raymond Group investments; 5500 jobs expected

The Andhra Pradesh government approved two Raymond Group investments totaling Rs 940 crore in aerospace and automotive manufacturing under Industrial Development Policy 4.0. JK Maini Global Aerospace will invest Rs 510 crore in Satya Sai district, creating 1,400 jobs, while JK Maini Precision…

7

### TVS Apache RTX 300 launched

TVS has introduced the Apache RTX 300 in India. This new adventure tourer enters a competitive segment. The bike boasts a 299 cc engine delivering 35.5 hp and 28.5 Nm. It features a steel trellis frame and a full-colour TFT display. Multiple ride and ABS modes enhance its versatility. The Apache RTX 300 is priced at Rs 1.99 lakh.

# Axis Bank

| | |
|---|---|
| Estimate change | ⟷ |
| TP change | ⟷ |
| Rating change | ⟷ |

| | |
|---|---|
| Bloomberg | AXSB IN |
| Equity Shares (m) | 3103 |
| M.Cap.(INRb)/(USDb) | 3629.1 / 41.2 |
| 52-Week Range (INR) | 1247 / 934 |
| 1, 6, 12 Rel. Per (%) | 5/-3/0 |
| 12M Avg Val (INR M) | 8984 |

**Financials & Valuations (INR b)**

| Y/E March | FY25 | FY26E | FY27E |
|---|---|---|---|
| NII | 543.5 | 562.2 | 656.8 |
| OP | 421.0 | 445.7 | 520.6 |
| NP | 263.7 | 242.6 | 306.8 |
| NIM (%) | 3.7 | 3.5 | 3.6 |
| EPS (INR) | 85.3 | 78.3 | 99.0 |
| EPS Gr. (%) | 5.7 | -8.2 | 26.4 |
| BV/Sh. (INR) | 577 | 645 | 731 |
| ABV/Sh. (INR) | 547 | 621 | 709 |
| **Ratios** | | | |
| RoA (%) | 1.7 | 1.4 | 1.6 |
| RoE (%) | 15.9 | 12.8 | 14.4 |
| **Valuations** | | | |
| P/E(X) | 13.8 | 15.0 | 11.8 |
| P/E(X)* | 12.1 | 13.2 | 10.5 |
| P/BV (X) | 1.8 | 1.6 | 1.4 |
| P/ABV (X)* | 1.9 | 1.7 | 1.5 |

* adjusted for subs

**Shareholding pattern (%)**

| As On | Sep-25 | Jun-25 | Sep-24 |
|---|---|---|---|
| Promoter | 7.9 | 7.9 | 7.9 |
| DII | 41.5 | 39.9 | 31.7 |
| FII | 43.8 | 45.7 | 54.0 |
| Others | 6.8 | 6.6 | 6.4 |

FII Includes depository receipts

**CMP: INR1,170 TP: INR1,300 (+11%) Neutral**

## PPoP in line; PAT miss amid one-time provisioning

### Asset quality outlook turning better

- Axis Bank (AXSB) reported 2QFY26 net profit of INR50.9b (26% YoY decline, 8% miss) amid higher provisions.
- NII grew 1.4% QoQ (up 2% YoY) to INR137.4b (4% beat). NIMs contracted 7bp QoQ to 3.73%, aided by 4bp growth from interest reversals.
- Provisioning expenses stood at INR35.5b (18% higher than MOFSLe). The bank made a one-time standard asset provisioning of INR12.31b following an RBI inspection related to two discontinued crop loan variants.
- Loan book grew 11.7% YoY (up 5.4% QoQ). Deposits grew 10.7% YoY (up 3.6% QoQ), and CD ratio increased to 92.8% (vs. 91.2% in 1QFY26). CASA mix stood stable at 40%.
- Fresh slippages stood at INR56.96b (vs INR82b in 1QFY26), reflecting a technical impact of INR15.12b (44% QoQ decline). Net slippages on account of technical impact remained muted at INR2.8b. Adjusted for this technical impact, gross slippages stood at INR41.8b. GNPA/NNPA ratios improved 11bp/1bp QoQ to 1.46%/0.44%. PCR moderated 103bp QoQ to 70.5%.
- **We fine-tune our earnings estimates and project FY27 RoA/RoE at 1.6%/14.4%. Reiterate Neutral with a TP of INR1,300 (1.6x FY27E ABV).**

### Business growth gains traction; NIM contracts by modest 7bp QoQ

- AXSB reported 2QFY26 PAT of INR50.9b (down 26% YoY/12% QoQ, 8% miss). NII grew 1.4% QoQ (up 2% YoY) to INR137.4b (4% beat). NIMs contracted 7bp QoQ to 3.73%.
- Other income declined 1.4% YoY/9% QoQ to INR66.3b (inline). Treasury gains stood at INR4.98b vs INR14.2b in 1QFY26. Total revenue grew 1% YoY to INR203.7b.
- Opex grew 5% YoY to INR99.6b (5% higher than MOFSLe), primarily driven by PSLC-related costs (INR9.48b), of which INR4.74b was recognized in 2Q. PPoP declined 3% YoY to INR104.1b (in line), while C/I ratio increased to 48.9%.
- Loan book grew 11.7% YoY/5.4% QoQ, with retail loans growing 2% QoQ, corporate book growing 10.7% QoQ, and SME loans rising 19% YoY/8.8% QoQ. Management expects advances to grow ~300bp faster than the industry over the medium term.
- Deposits grew 10.7% YoY (up 3.6% QoQ), resulting in an increase in C/D ratio to 92.8%. CASA mix stood at 40%.
- Fresh slippages stood at INR56.96b due to a technical impact. Adjusted for the technical impact, gross slippages stood at INR41.84b. GNPA/NNPA ratios improved 11bp/1bp QoQ to 1.46%/0.44%. PCR moderated 103bp QoQ to 70.5%.
- Delinquency trends in PL, credit cards, and MFI segments are stabilizing, with the bank resuming its card distribution network. Restructured loans stood at 0.10%. Credit cost stood at 0.73%.
- CAR/CET-1 stood at 16.55%/14.43%. Average LCR stood at 119%. RWA levels have increased sequentially, reflecting ~5% higher risk intensity due to higher operating risk and a shift toward SME exposure.

## Highlights from the management commentary

- Higher provisions during this quarter were primarily due to: 1) erosion in security value for 1-2 accounts, 2) aging-related provisions, and 3) higher standard provisions as advised by the RBI.
- The bank had offered two farmer loan products between 2015 and 2019, earlier classified under PSL but now declassified. RBI has directed the bank to make a static provision of INR12.31b, representing 5% of the total exposure. This provision is expected to reverse once the book runs down by Mar'28. To offset the impact, the bank has made PSLC purchases.
- As retail growth strengthens and risk profile improves, the bank expects to benefit from lower risk weights and further expansion in the retail book.
- The bank has maintained a CD ratio of around 92% (±2%) and guides to remain within this band.

## Valuation and view

AXSB reported in-line PPoP, though net earnings were impacted by a higher one-time standard provision, as advised by the RBI. Margins contracted by modest 7bp QoQ, with management expecting NIMs to bottom out in 3Q. Asset quality improved sequentially as GNPA/NNPA ratios improved and slippages moderated QoQ, driven by a sequential decline in both core and technical slippages. Business growth has gained traction, with deposits expected to grow at a healthy rate, while the bank aims to outperform systemic credit growth by 300bp CAGR over the medium term. AXSB has maintained its through-cycle margin guidance of ~3.8%, even as it remains watchful of further repo rate cuts in the coming months. **We fine-tune our earnings estimates and project FY27 RoA/RoE at 1.6%/14.4%. Reiterate Neutral with a revised TP of INR1,300 (1.6x FY27E ABV).**

**Quarterly performance** (INR b)

| | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26E | V/s our |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Est |
| **Net Interest Income** | **134.5** | **134.8** | **136.1** | **138.1** | **135.6** | **137.4** | **140.5** | **148.6** | **543.5** | **562.2** | **131.7** | **4%** |
| % Change (Y-o-Y) | 12.5 | 9.5 | 8.6 | 5.5 | 0.8 | 1.9 | 3.3 | 7.6 | 8.9 | 3.4 | -2.3 | |
| Other Income | 57.8 | 67.2 | 59.7 | 67.8 | 72.6 | 66.2 | 68.2 | 75.9 | 252.6 | 282.9 | 67.0 | -1% |
| **Total Income** | **192.3** | **202.1** | **195.8** | **205.9** | **208.2** | **203.7** | **208.7** | **224.5** | **796.0** | **845.0** | **198.7** | **3%** |
| Operating Expenses | 91.3 | 94.9 | 90.4 | 98.4 | 93.0 | 99.6 | 100.6 | 106.1 | 375.0 | 399.3 | 95.3 | 5% |
| **Operating Profit** | **101.1** | **107.1** | **105.3** | **107.5** | **115.2** | **104.1** | **108.1** | **118.4** | **421.0** | **445.7** | **103.5** | **1%** |
| % Change (Y-o-Y) | 14.7 | 24.1 | 15.2 | 2.1 | 13.9 | -2.8 | 2.6 | 10.1 | 13.4 | 5.9 | -3.4 | |
| Provisions | 20.4 | 22.0 | 21.6 | 13.6 | 39.5 | 35.5 | 27.3 | 21.8 | 77.6 | 124.0 | 30.0 | 18% |
| **Profit before Tax** | **80.7** | **85.1** | **83.8** | **93.9** | **75.7** | **68.7** | **80.8** | **96.6** | **343.5** | **321.8** | **73.5** | **-7%** |
| Tax | 20.3 | 15.9 | 20.7 | 22.8 | 17.6 | 17.8 | 20.0 | 23.8 | 79.7 | 79.2 | 18.1 | -2% |
| **Net Profits** | **60.3** | **69.2** | **63.0** | **71.2** | **58.1** | **50.9** | **60.9** | **72.8** | **263.7** | **242.6** | **55.3** | |
| % Change (Y-o-Y) | 4.1 | 18.0 | 3.8 | -0.2 | -3.8 | -26.4 | -3.5 | 2.3 | 6.1 | -8.0 | -20.0 | |
| **Operating Parameters** | | | | | | | | | | | | |
| Deposit (INR t) | 10.6 | 10.9 | 11.0 | 11.7 | 11.6 | 12.0 | 12.6 | 13.1 | 11.7 | 13.1 | 12.0 | 1% |
| Loan (INR t) | 9.8 | 10.0 | 10.1 | 10.4 | 10.6 | 11.2 | 11.2 | 11.7 | 10.4 | 11.7 | 10.9 | 3% |
| Deposit Growth (%) | 12.8 | 13.7 | 9.1 | 9.8 | 9.3 | 10.7 | 15.2 | 11.8 | 9.8 | 11.8 | 10.1 | |
| Loan Growth (%) | 14.2 | 11.4 | 8.8 | 7.8 | 8.1 | 11.7 | 10.8 | 12.1 | 7.8 | 12.1 | 8.6 | |
| **Asset Quality** | | | | | | | | | | | | |
| Gross NPA (%) | 1.5 | 1.4 | 1.5 | 1.3 | 1.6 | 1.5 | 1.7 | 1.7 | 1.4 | 1.7 | 1.7 | |
| Net NPA (%) | 0.3 | 0.3 | 0.4 | 0.3 | 0.5 | 0.4 | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 | |
| PCR (%) | 78.1 | 76.6 | 76.2 | 74.6 | 71.5 | 70.5 | 71.0 | 71.8 | 74.5 | 71.8 | 71.2 | |

E: MOFSL Estimates

# Hyundai Motor

| BSE Sensex | S&P CNX |
|---|---|
| 82,605 | 25,324 |

| | |
|---|---|
| Bloomberg | HYUNDAI IN |
| Equity Shares (m) | 813 |
| M.Cap.(INRb)/(USDb) | 1966 / 22.3 |
| 52-Week Range (INR) | 2890 / 1542 |
| 1, 6, 12 Rel. Per (%) | -6/38/- |
| 12M Avg Val (INR M) | 2459 |

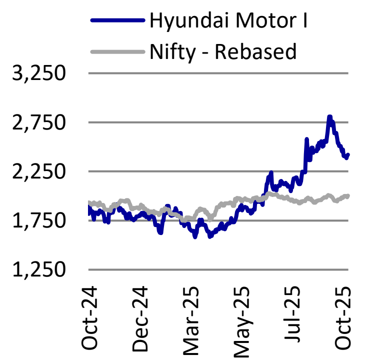
**Financial Snapshot (INR b)**

| Y/E MARCH | FY25 | FY26E | FY27E |
|---|---|---|---|
| Sales | 692 | 710 | 854 |
| EBITDA | 90 | 93 | 115 |
| Adj. PAT | 56 | 58 | 73 |
| EPS (INR) | 69 | 72 | 90 |
| EPS Gr. (%) | (7) | 3 | 25 |
| BV/Sh. (INR) | 201 | 252 | 317 |
| **Ratios** | | | |
| RoE (%) | 41.8 | 31.7 | 31.5 |
| RoCE (%) | 38.2 | 28.5 | 28.2 |
| RoIC (%) | 35.5 | 25.6 | 26.5 |
| **Valuations** | | | |
| P/E (x) | 34.9 | 33.7 | 27.0 |
| P/BV (x) | 12.1 | 9.6 | 7.6 |
| EV/EBITDA (x) | 21.4 | 20.7 | 16.4 |
| Div. Yield (%) | 0.9 | 0.8 | 1.0 |

**Shareholding Pattern (%)**

| As On | Jun-25 | Mar-25 |
|---|---|---|
| Promoter | 82.5 | 82.5 |
| DII | 7.8 | 7.0 |
| FII | 7.1 | 7.2 |
| Others | 2.7 | 3.3 |

**Stock Performance (1-year)**




**CMP: INR2,420 TP: INR2,979 (+23%) Buy**

## Targets to launch seven new nameplates by 2030

**Exports to account for 30% of total production by 2030**

- **Hyundai Motor India (HMIL) plans to invest a total of INR450b over FY26-30, with 60% to be invested in R&D and 40% in capacity expansion and modernization. It has guided for revenue of INR1t, margin of 11-14% and a dividend payout range of 20-40% during the same period. HMIL targets to launch 26 new models by 2030 (including five EVs), with 52% of its mix featuring eco-friendly powertrains. Of these, seven are expected to be new nameplates, with two of them to be launched over FY27-28 and the remaining five in the next two years.**
- **HMIL launched the fully redesigned Venue on 15th Oct. It would also look to enter the MPV and off-road SUV segments in due course. It plans to launch Genesis (luxury brand) in India by 2027 and ramp up operations significantly by 2032. For EVs, HMIL aims to achieve 100% localization in EV manufacturing by 2027, positioning India as a key global hub for the company's EV operations. Further, HMIL aims for exports to constitute 30% of its total production by 2030. We keep our estimates unchanged at this stage.**
- **We factor in HMIL to post a CAGR of 10%/15%/16% in volume/EBITDA/PAT over FY25-28E. Reiterate BUY with a TP of INR2,979, valued at 30x Sep'27E EPS.**

### FY30 roadmap

- Over FY26-30, the company plans total investments of INR450b, with 60% allocated to R&D and 40% to capacity expansion and modernization.
- FY26-30 targets – Revenue: INR1t | Margin guidance: 11-14% | Dividend payout: 20-40%

### Update on new product launches

- HMIL plans to launch 26 new models by 2030, with 52% of its mix featuring eco-friendly powertrains such as EVs, hybrids, and CNG.
- The company will expand its nameplate portfolio from 14 to 18 by FY30.
- Of these, seven are expected to be new nameplates, with two of them to be launched over FY27-28 and the remaining five in the next two years.
- Further, in terms of powertrain options, HMIL would have 13 ICE models, five EVs, eight hybrids and six CNG models.
- HMIL launched the fully redesigned Venue on 15th Oct and also conveyed its intent to enter the MPV and off-road SUV segments in due course.
- It plans to launch Genesis (luxury brand) in India by 2027 and ramp up operations significantly by 2032.

### Update on Domestic operations

- The Indian passenger vehicle market is projected to grow at a 5.2% CAGR through FY30. In contrast, HMIL expects to outperform the industry with a 7% CAGR in volumes, supported by a richer model mix and higher realization per unit. This is expected to result in HMIL's market share improving to 15% by 2030.

- HMIL believes that UVs and MPVs will represent ~72% of the total Indian market by 2030, while HMIL's own exposure to these categories will be around 82%.
- In terms of the SUV powertrain mix, the EV/hybrid powertrains are expected to record 500%/600% growth in volumes by 2030, while the traditional ICE powertrain would record a 10% decline in volumes, as per HMIL. This will result in a change in HMIL's fuel mix to 47% ICE only by 2030 (86% currently), 20% CNG (13%), 16% hybrid (nil), and 17% EV (1%).
- Thus, HMIL is fully aligned with the upcoming CAFÉ 3 fuel efficiency and emission standards. Its proactive investments in EVs, hybrids, and CNG models should enable HMIL to comfortably meet the regulatory norms once finalized.
- HMIL operates a wide network of over 3,600 customer touchpoints in 1,050+ cities and 77% district coverage across India, ensuring strong market penetration across both urban and rural regions. The company is consolidating its dealer partnerships to enhance coverage and efficiency. By FY30, it aims to achieve 85% district-level presence and 30% volume contribution from rural areas.
- **Customer mix:** Among HMIL's customer base, first-time buyers account for about 40% of sales, while non-white vehicles make up 44% of total sales. The company's customer retention rate is 77%, and extended warranty penetration stands at 54%. The age mix is relatively youthful, with 22% of customers aged between 18 and 29 years, and 37% between 30 and 39 years, reflecting the brand's strong appeal among younger consumers.
- Recent GST reductions have boosted demand for compact SUVs such as Venue and Exter, which have witnessed a notable uptick in bookings. The ongoing shift from hatchbacks to compact SUVs and higher-trim variants continues, mirroring the consumer transition observed over the past five years. Supported by robust festive season demand and multiple upcoming product launches, HMIL expects domestic sales growth to accelerate to 4.5-5% in 2HFY26.
- While HMIL continues to grow its domestic footprint, its strategic priority is to enhance profitability by focusing on high-margin export markets, rather than merely pursuing domestic volume expansion.

## EVs and clean mobility strategy

- HMIL has already localized EV assembly and battery pack assembly operations and is now advancing toward the localization of high-technology components, including e-powertrain systems and battery cells. The company has signed MoUs with local vendors to establish domestic LFP cell manufacturing and is actively engaging with Tier-1 to Tier-3 suppliers to build a fully integrated EV supply chain.
- By 2027, HMIL aims to achieve 100% localization in EV manufacturing, positioning India as a key global hub for the company's EV operations.
- HMIL's first fully localized EV, a compact SUV, will be offered with both standard and long-range variants, with advanced infotainment systems and ADAS level 2 providing a superior driving experience to the customer.
- HMIL also plans to launch five EVs by 2030 and expand charging infrastructure to include more than 600 fast-charging stations by 2032.

- Future battery development will focus on reducing costs and improving efficiency. By 2027, HMIL targets 30% lower battery costs, 15% higher energy density, and 15% shorter charging times, with flexibility to use NCM batteries for performance models and LFP batteries for affordability.
- Hyundai Motor Co.'s (HMC) Ioniq 5's EV technology is already proven to retain over 90% battery life even after 400,000km of usage, underscoring its long-term durability.
- HMIL has 125 DC chargers across 98 cities and 946 AC chargers across 232 cities to support EV adoption.

## Exports

- HMIL exports vehicles to over 150 countries, reaffirming its position as HMC's primary global export hub.
- HMIL aims for exports to constitute 30% of its total production by 2030.
- By 2030, the company's targeted export mix includes 50% of volumes to the Middle East and Africa, focusing on compact sedans, SUVs, mild hybrids, and entry-level EVs; 40% to Central and South America, covering hybrids, compact sedans, and hatchbacks; and 10% to the Asia-Pacific region, primarily compact sedans, hybrids, and entry-level EVs.
- Export realizations are approximately 6% higher than domestic ASPs, reflecting a richer mix and more favorable market pricing.

## Manufacturing capabilities

- HMIL's Chennai facility, spread over 536 acres, comprises two vehicle plants and five powertrain shops, with an annual capacity of 824,000 units and a 90% utilization rate. The plant rolls out one car every 30 seconds, demonstrating world-class efficiency.
- The Pune plant, covering 300 acres, will produce 170,000 units p.a. initially and is expected to produce 250,000 units p.a. by 2028. It is designed as a software-defined smart factory, integrating automation and data-driven manufacturing systems.
- HMIL has localized 100% of EV alternators and alloy wheels and plans to expand localization across the entire value chain, including Tier-3 suppliers.
- Supply chain localization for ICE models stood at 82% in FY25, and this is expected to rise to 90% by FY30.

## Hyundai Motor Corporation – understanding parent support to HMI

- HMC is the 3$^{rd}$ largest auto OEM globally by volume, the 2$^{nd}$ largest in terms of profitability and among the top 5 brands in 26 global markets.
- HMC operates through 17 production plants worldwide, supported by a network of 5,400 dealers, underscoring its extensive global reach. The company has developed significant intellectual property strength, with over 250 hybrid-related patents, placing it alongside Toyota as one of the few automakers possessing comprehensive hybrid system capabilities. These hybrid systems are adaptable across both small and large vehicle segments, allowing flexibility in product development.
- HMC's initial hybrid technology (TMED1) was 62% more fuel efficient and gave 27% more power vs. ICE vehicles. The new TMED 2 hybrid system provides even

more power (+3.4% in transmission torque) and better fuel efficiency (up to 4.3% improvement) compared to TMED1.

- HMIL benefits from Hyundai Motor Group’s ecosystem of affiliated companies across R&D, logistics, component manufacturing, and financial services, enabling strong operational and technological synergies.
- In terms of production (sales, R&D support, design and allied functions), HMIL has already achieved 100% local production for its India and Korea production facilities. The localization level stands at around 50% in the Asia-Pacific region, 80% in Europe, 70% in Central and South America, 40% in the United States, and below 10% in the Middle East and Africa.

## Other partnerships

- Effective 1st Jan’26, Mr. Tarun Garg, currently a Whole-Time Director and COO, will assume the role of MD and CEO, succeeding Mr. Unsoo Kim, who will return to Hyundai Korea.
- HMIL is establishing Hyundai Capital India, expected to launch in 2QFY26, initially offering dealer inventory and working-capital financing. In subsequent phases, the platform will expand into consumer loans, leasing, and fleet management and then move beyond mobility.
- HMIL is also pursuing a strategic partnership with TVS in the micro-mobility space, focusing on e-3Ws.

# HDFC Life Insurance

| | |
|---|---|
| Estimate change | ↓ |
| TP change | ⟷ |
| Rating change | ⟷ |

| | |
|---|---|
| Bloomberg | HDFCLIFE IN |
| Equity Shares (m) | 2156 |
| M.Cap.(INRb)/(USDb) | 1641.1 / 18.6 |
| 52-Week Range (INR) | 821 / 584 |
| 1, 6, 12 Rel. Per (%) | -3/-1/6 |
| 12M Avg Val (INR M) | 2211 |

**Financials & Valuations (INR b)**

| Y/E March | 2025 | 2026E | 2027E |
|---|---|---|---|
| Net Premiums | 696.2 | 807.4 | 934.3 |
| PBT | 18.7 | 18.1 | 21.5 |
| Surplus / Deficit | 10.4 | 8.4 | 10.3 |
| Sh. PAT | 18.0 | 18.1 | 21.5 |
| NBP gr - APE (%) | 15.8 | 14.4 | 16.7 |
| Premium gr (%) | 12.6 | 16.0 | 15.7 |
| VNB margin (%) | 25.6 | 24.3 | 26.0 |
| RoEV (%) | 16.8 | 15.4 | 16.5 |
| Total AUMs (INRt) | 3.4 | 4.1 | 4.8 |
| VNB (INRb) | 39.6 | 43.0 | 53.7 |
| EV per share | 257.6 | 297.3 | 346.5 |
| **Valuations** | | | |
| P/EV (x) | 3.0 | 2.6 | 2.2 |
| P/EVOP (x) | 20.7 | 19.0 | 15.4 |

**Shareholding pattern (%)**

| As On | Jun-25 | Mar-25 | Jun-24 |
|---|---|---|---|
| Promoter | 50.3 | 50.3 | 50.4 |
| DII | 14.6 | 14.1 | 11.3 |
| FII | 24.8 | 25.0 | 26.7 |
| Others | 10.4 | 10.6 | 11.7 |

FII includes depository receipts

**CMP: INR761 TP: INR910 (+20%) Buy**

## Performance in line; a 0.5% impact of GST on VNB margin

- HDFC Life Insurance (HDFCLIFE) reported an APE of INR41.9b (in line) in 2QFY26, up 9% YoY. This was led by a 9%/7% YoY growth in individual/ group APE. For 1HFY26, APE grew 10% YoY to INR74.1b.
- HDFCLIFE's VNB grew 8% YoY to INR10.1b in 2QFY26 (in line), resulting in a VNB margin of 24.1% (vs. our estimate of 24%). For 1HFY26, VNB grew 10% YoY to INR18.2b, leading to a VNB margin of 24.5% (flat YoY).
- For 2QFY26, HDFCLIFE reported a 3% YoY growth in shareholders' PAT to INR4.5b (6% miss), supported by a 14% increase in back-book profits. For 1HFY26, its PAT grew 9% YoY to INR9.9b while EV at the end of 1HFY26 was at INR595.4b (RoEV of 14.2%).
- Going forward, management expects mid-teens growth, which should be better than the industry. VNB growth should normalize from FY27, supported by operational adjustments and distribution realignments over the next 2-3 quarters to mitigate the loss of input tax credit. The expectation is to end 4QFY26 with a stable VNB margin.
- We trim our VNB margin assumptions by 70bp for FY26, considering the impact of the loss of input tax credit. We have factored in a 0.5% EV hit on the back book, leading to a 0.6% decline in our FY26/FY27/FY28 EV estimates. **We roll over to Sep'27E EV to arrive at our TP of INR910 (based on 2.4x Sep'27E EV). Reiterate BUY.**

## Improving trends in the protection segment

- For 2Q, HDFCLIFE posted a 14% YoY growth in gross premium to INR192.9b (in line), led by 17%/11% YoY growth in renewal/single premium.
- Overall APE growth of 9% YoY was driven by an 82%/44%/20% YoY growth in Par/ULIP/Term business, while non-par and group business reported a YoY decline of 53%/10%. Individual APE witnessed a YoY increase in contribution from ULIP/Par/Term to 45%/27%/8%.
- The share of ULIPs in total APE increased to 40%, reflecting the rising demand for ULIPs. However, the gradual shift towards higher sum assured ULIPs with rider attachments has helped in maintaining the VNB margin despite rising ULIP contributions.
- The share of the par segment increased to 24% from 14% in 2QFY25 on account of new product offerings. The share of the non-par segment dipped to 15% (35% in 2QFY25) but is expected to improve going forward, with attractiveness increasing owing to declining interest rates and rising demand for guaranteed solutions.
- The protection segment is experiencing traction as the share of total APE has grown from 12% in 2QFY25 to 13% in 2QFY26. In terms of new business premium, the share of term has increased to 28.2% from 26.6% in 2QFY25. The segment witnessed ~3x growth compared to overall company growth, contributing positively to VNB margin. Retail protection grew 50% post-GST exemption from 22nd Sep'25.

- On an individual APE basis, the banca/agency/direct channels witnessed a YoY growth of 12%/25%/19%. HDFC's counter share remained stable, while wallet share among other banks is improving compared to 1QFY26, according to the management.
- HDFCLIFE's persistency ratios have declined YoY across all cohorts except 49th-month persistency, which improved to 70.1% from 69.2% in 2QFY25.
- As of Sep'25, total AUM increased by 11% YoY to INR3.6t.
- Embedded Value (EV) grew 14.2% YoY to INR595.4b as of Sep'25, with operating RoEV for 1HFY26 at 15.8%. The solvency ratio for the quarter stood at 175% and is expected to improve to 180-185% post-debt raising in 2HFY26.
- HDFCLIFE's commission ratios have seen an increase YoY to 12% (10.9% in 2QFY25), offset by operational efficiencies, resulting in a rise in overall expense ratio to 21.3% from 20.9% in 2QFY25.

## Highlights from the management commentary

- Around 80% of September's new business was issued post-GST changes, showing early signs of stronger growth post-GST changes.
- HDFCLIFE plans to raise INR7.5b of debt in 2HFY26, which is expected to enhance solvency by around 7%. Solvency levels dipped due to 1) dividend payout – 4.5%, 2) subordinated debt repayment – 6%, 3) GST impact – 1.5%, and 4) new business strain. Management aims to maintain solvency within the 180–185% range.
- About 50% of the input tax credit loss arises from distributor commissions, with the remainder stemming from technology and outsourcing expenses. Management is actively engaging with vendors and distributors to share costs and optimize efficiency.

## Valuation and view

- HDFCLIFE maintains an industry-leading growth trajectory along with a stable VNB margin driven by a diversified product mix, rising sum assured (especially in ULIPs), and improving rider attachments. While the impact of input tax credit loss will dampen the profitability in the short run, a strong growth trajectory, improving product-level margin, and cost optimization measures should help normalize its VNB margin.
- We trim our VNB margin assumptions by 70bp for FY26, considering the impact of the loss of input tax credit. We have factored in a 0.5% EV hit on the back book, resulting in a 0.6% decline in our FY26/27/28 EV estimates. **We roll over to Sep'27E EV to arrive at our TP of INR910 (based on 2.4x Sep'27E EV). Reiterate BUY.**

## Quarterly performance

| Policyholder's A/c (INR b) | FY25 | | | | FY26 | | | | FY25 | FY26E | FY26E | V/s | YoY (%) | QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2Q | est | | (%) |
| First-year premium | 23.6 | 32.5 | 29.7 | 44.0 | 25.5 | 35.8 | 34.9 | 52.2 | 129.8 | 148.3 | 36.0 | -0.7 | 10.0 | 40.4 |
| Growth (%) | 27.4 | 26.8 | 10.8 | 9.5 | 8.2 | *10.0* | *17.4* | *18.7* | *16.8* | *14.3* | 10.8 | | | |
| Renewal premium | 64.1 | 88.3 | 93.8 | 130.6 | 76.0 | 103.4 | 110.3 | 151.4 | 376.8 | 441.1 | 101.4 | 1.9 | 17.1 | 36.0 |
| Growth (%) | 10.5 | 12.7 | 11.7 | 14.5 | 18.6 | *17.1* | *17.6* | *15.9* | *12.7* | *17.1* | 14.9 | | | |
| Single premium | 40.4 | 48.4 | 49.3 | 65.7 | 47.2 | 53.7 | 56.3 | 77.4 | 203.9 | 234.6 | 54.0 | -0.5 | 10.9 | 13.7 |
| Growth (%) | 0.6 | 6.8 | 10.8 | 19.1 | 16.8 | *10.9* | *14.2* | *17.7* | *10.1* | *15.1* | 11.4 | | | |
| **Gross premium inc.** | **128.1** | **169.3** | **172.8** | **240.3** | **148.8** | **192.9** | **201.4** | **281.0** | **710.4** | **824.0** | 191.5 | 0.7 | 13.9 | 29.7 |
| Growth (%) | 9.7 | 13.3 | 11.3 | 14.8 | 16.1 | *13.9* | *16.6* | *16.9* | *12.6* | *16.0* | *13.1* | | | |
| **Surplus/(Deficit)** | **5.6** | **5.1** | **-1.9** | **1.6** | **0.8** | **-1.7** | **4.2** | **5.1** | **10.4** | **8.4** | **2.6** | -165.1 | -133.7 | -306.4 |
| Growth (%) | 165.7 | 122.6 | -415.7 | -40.1 | -85.2 | *-133.7* | *-317.7* | *212.3* | *35* | *-19.2* | *-48* | | | |
| **PAT** | **4.8** | **4.3** | **4.1** | **4.8** | **5.5** | **4.5** | **3.6** | **4.5** | **18.0** | **18.1** | **4.8** | -5.9 | 3.3 | -18.2 |
| Growth (%) | 15.0 | 14.9 | 13.7 | 15.9 | 14.4 | *3.3* | *-12.9* | *-5.3* | *14.9* | *0.2* | *9.7* | | | |
| **Key metrics (INRb)** | | | | | | | | | | | | | | |
| New business APE | 28.7 | 38.6 | 35.7 | 51.9 | 32.3 | 41.9 | 41.7 | 61.3 | 154.8 | 177.1 | 42.7 | -1.9 | 8.6 | 29.9 |
| Growth (%) | 23.1 | 26.7 | 11.8 | 9.7 | 12.5 | 8.6 | 16.8 | 18.1 | *16.5* | *14.4* | 10.6 | | | |
| VNB | 7.2 | 9.4 | 9.3 | 13.8 | 8.1 | 10.1 | 9.8 | 15.0 | 39.6 | 43.0 | 10.2 | -1.3 | 7.8 | 25.0 |
| Growth (%) | 17.7 | 17.1 | 8.6 | 11.5 | 12.7 | 7.8 | 5.4 | 9.3 | *13.2* | *8.6* | 9.2 | | | |
| AUM (INR b) | 3,102 | 3,249 | 3,287 | 3,363 | 3,559 | 3,600 | 3,816 | 4,062 | 3,363 | 4,062 | 3,773 | -4.6 | 10.8 | 1.2 |
| Growth (%) | 22.5 | 22.7 | 17.5 | 15.1 | 14.7 | 10.8 | 16.1 | 20.8 | *15.1* | *20.8* | 16.1 | | | |
| **Key Ratios (%)** | | | | | | | | | | | | | | |
| VNB Margins (%) | 25.0 | 24.3 | 26.1 | 26.5 | 25.1 | 24.1 | 23.5 | 24.5 | 25.6 | 24.3 | 24.0 | 14bp | -17bp | -96bp |

## Our revised estimates

| | New Estimates | | | Old Estimates | | | Change in Estimates (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E MARCH** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** | **FY26E** | **FY27E** | **FY28E** |
| Net Premiums (INRb) | 807.4 | 934.3 | 1,081.9 | 807.4 | 934.3 | 1,081.9 | - | - | - |
| PBT (INRb) | 18.1 | 21.5 | 24.6 | 20.2 | 22.6 | 25.9 | | | |
| Surplus / Deficit (INRb) | 8.4 | 10.3 | 11.6 | 10.6 | 11.4 | 12.8 | -20.4 | -10.2 | -10.0 |
| Sh. PAT (INRb) | 18.1 | 21.5 | 24.6 | 20.2 | 22.6 | 25.9 | -10.7 | -5.1 | -4.9 |
| NBP gr - APE (%) | 14.4 | 16.7 | 16.7 | 14.4 | 16.7 | 16.7 | | | |
| Premium gr (%) | 16.0 | 15.7 | 15.8 | 16.0 | 15.7 | 15.8 | | | |
| VNB margin (%) | 24.3 | 26.0 | 26.5 | 25.0 | 26.0 | 26.5 | -0.7 | - | - |
| RoEV (%) | 15.4 | 16.5 | 16.7 | 16.1 | 16.5 | 16.7 | | | |
| Total AUMs (INRt) | 4.1 | 4.8 | 5.6 | 4.1 | 4.8 | 5.6 | | | |
| VNB (INRb) | 43.0 | 53.7 | 63.9 | 44.3 | 53.7 | 63.9 | -2.8 | - | - |
| EV per share | 297.3 | 346.5 | 404.4 | 299 | 349 | 407 | -0.6 | -0.6 | -0.5 |

# HDFC AMC

| | |
|---|---|
| Estimate change | ↑ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | HDFCAMC IN |
| Equity Shares (m) | 214 |
| M.Cap.(INRb)/(USDb) | 1233.5 / 14 |
| 52-Week Range (INR) | 5928 / 3525 |
| 1, 6, 12 Rel. Per (%) | -1/31/25 |
| 12M Avg Val (INR M) | 2237 |

**Financials & Valuations (INR b)**

| Y/E Mar | FY26E | FY27E | FY28E |
|---|---|---|---|
| AAUM | 8,863 | 10,430 | 12,286 |
| MF Yield (bps) | 46.3 | 45.3 | 44.3 |
| Rev from Ops | 41.2 | 47.4 | 54.7 |
| Core PAT | 24.5 | 27.9 | 32.4 |
| PAT | 28.7 | 32.7 | 37.8 |
| PAT (bps as AAUM) | 32 | 31 | 31 |
| Core EPS | 115 | 130 | 152 |
| EPS | 135 | 153 | 177 |
| EPS Grw. (%) | 17 | 14 | 16 |
| BVPS | 414 | 453 | 497 |
| RoE (%) | 34 | 35 | 37 |
| Div. Payout (%) | 75 | 75 | 75 |
| **Valuations** | | | |
| Mcap/AUM (%) | 13.9 | 11.8 | 10.0 |
| P/E (x) | 42.8 | 37.6 | 32.6 |
| P/BV (x) | 13.9 | 12.7 | 11.6 |
| Div. Yield (%) | 1.7 | 2.0 | 2.3 |

**Shareholding pattern (%)**

| As On | Jun-25 | Mar-25 | Jun-24 |
|---|---|---|---|
| Promoter | 52.4 | 52.5 | 52.5 |
| DII | 16.7 | 18.0 | 17.7 |
| FII | 22.0 | 20.5 | 20.6 |
| Others | 8.9 | 9.0 | 9.2 |

FII Includes depository receipts

**CMP: INR5,764 TP: INR6,800 (+18%) Buy**

## Lower tax provisions lead to PAT beat

- HDFC AMC's operating revenue grew 16% YoY/6% QoQ to INR10.3b (in line) in 2QFY26. Yields came in at 46.6bp vs. 46.8bp in 2QFY25 and 46.7bp in 1QFY26. For 1HFY26, revenue grew 20% YoY to INR20b.
- Total opex rose 23% YoY/16% QoQ to INR2.3b, driven by 29% YoY growth in employee costs and 16% YoY growth in other expenses.
- EBIDTA came in at INR8b, up 14% YoY. EBIDTA margin was 78% vs. 79% in 2QFY25 and 80% in 1QFY26. For 1HFY26, EBITDA came in at INR15.7b, up 21% YoY
- PAT was up 25% YoY/down 4% QoQ at INR7.2b (9% beat mainly driven by the reversal of INR468m in income tax provisions of earlier years); excluding this one-off benefit, PAT would have been INR6.7b. For 1HFY26, PAT came in at INR14.7b, up 24% YoY.
- HDFC AMC will continue to focus on expanding its product suite, strengthening its distribution network, leveraging technology, and diversifying beyond mutual funds into PMS, AIFs, and products targeted at global institutions investing in India.
- We have raised our earnings estimates by 2%/3%/3% for FY26/FY27/FY28, led by higher growth assumption in Equity AUM. **We maintain our BUY rating on the stock with a TP of INR6,800 (premised on 41x Sep'27E EPS).**

## Equity mix rises sequentially in QAAUM

- QAAUM grew 16% YoY and 6% QoQ to INR8.8t, driven by 17%/12%/20%/ 10%/68%/20% YoY growth in equity/hybrid/debt/ liquid/ ETFs/index funds.
- On a QAAUM basis, the Equity mix stood at 64.9% in 2QFY26 vs. 65.7% in 2QFY25 and 64.2% in 1QFY26. Closing AUM as of 2QFY26 stood at INR8.7t, up 14% YoY and 2% QoQ.
- On closing AUM basis, the company's overall market share in total AUM remained stable YoY at 11.5%; excluding ETFs, the market share declined to 12.8% from 12.9% in Sep'24. Actively managed equity/debt/ liquid AUM market share stood at 12.9%/13.3%/11.8% as of Sep'25.
- Individual Monthly AAUM grew 12% YoY to INR6.2t (~69.8% of total AUM), with a market share of 13.1%, making HDFC AMC one of the most preferred choices of individual investors.
- SIP AUM as of Sep'25 was up 15% YoY/2% QoQ at INR2.1t, backed by growth in the number of transactions to 13.1m. The average ticket size rose sequentially to INR3.4k from INR3.3k in 1QFY26.
- Based on total AUM, the direct channel accounted for the largest share at 43%, followed by IFAs and national distributors at 25% and 22%, respectively. Within equity AUM, IFAs led the distribution with a 32% share, while direct/national distributor channels contributed 29%/26%.
- Unique investors for HDFC AMC were 14.5m (vs. 11.8m in 2QFY25), reflecting 25% penetration in the mutual fund industry. Live accounts grew 26% YoY to 26m.

- Employee costs grew 29% YoY to INR1.2b on account of hirings in the alternatives and international side and recording of the ESOP costs. Other expenses grew 16% YoY to INR1b on account of business promotions and CSR expenditures. As bps of AUM, opex was at 10.3bp vs. 9.7bp in 2QFY25 and 9.4bp in 1QFY26.
- Other income declined 44% YoY and 59% QoQ in the quarter due to adverse MTM changes.
- Total investments as of Sep'25 stood at INR79b, with 89%/6%/5% being segregated into MFs/tax-free bonds/others.

## Key takeaways from the management commentary

- On the alternatives side, the platform continues to gain traction with a team in place and new AI-led initiatives—closed a Category II AIF fund of funds of INR12b last year and launched a Performing Credit Fund that is witnessing strong investor interest. Simultaneously, on the PMS side, it is expanding across discretionary and non-discretionary offerings.
- Under the GIFT City platform, HDFC AMC currently has five active funds, one of which was launched last quarter. Work is underway for the launch of inbound funds and outbound strategies. On the SIF front, approvals are in place, and the company is evaluating options and products best suited for the client segment, with updates expected soon.
- UBS Asset Management (Singapore) has entered into an Investment Advisory agreement with HDFC AMC to jointly offer an India equity strategy. This agreement has gone live.

## Valuation and view

- HDFC AMC remains a strong player in the mutual fund industry, backed by robust financial performance, steady AUM growth, cost efficiency and a strong retail presence. Despite short-term market volatilities, the company's long-term fundamentals remain solid.
- With an improved market position, a diversified product portfolio across permitted segments by SEBI, multi diversification business streams beyond MFs into Alternatives, AIFs & PMS and digital expansion efforts, HDFC AMC is well-positioned to sustain growth and deliver value to its stakeholders.
- We have raised our earnings estimates by 2%/3%/3% for FY26/FY27/FY28, led by a higher growth assumption in Equity AUM. **We maintain our BUY rating on the stock with a TP of INR6,800 (premised on 41x Sep'27E EPS).**

**Quarterly Performance** (INR m)

| Y/E March | FY25 | | | | FY26 | | | | FY25 | FY26E | 2Q | Act v/s | YoY | QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | FY26E | Est. (%) | | |
| Revenue from Operations | 7,752 | 8,872 | 9,346 | 9,014 | 9,682 | 10,274 | 10,507 | 10,748 | 34,984 | 41,211 | 10,115 | 1.6 | 15.8 | 6.1 |
| Change YoY (%) | 34.9 | 38.0 | 39.2 | 29.6 | 24.9 | 15.8 | 12.4 | 19.2 | 35.4 | 17.8 | 14.0 | | | |
| Fees & Commission | 9.0 | 9.0 | 11.0 | 11.6 | 15.5 | 18.8 | 13.0 | 7.7 | 41 | 55 | 14.0 | 34.3 | 108.9 | 21.3 |
| Employee Expenses | 1,011 | 959 | 953 | 969 | 1,092 | 1,238 | 1,251 | 1,370 | 3,894 | 4,951 | 1,227 | 0.9 | 29.1 | 13.4 |
| Other expenses | 788 | 869 | 743 | 731 | 844 | 1,009 | 928 | 905 | 3,132 | 3,686 | 877 | 15.1 | 16.1 | 19.6 |
| Total Operating Expenses | 1,809 | 1,838 | 1,708 | 1,712 | 1,951 | 2,266 | 2,192 | 2,282 | 7,066 | 8,692 | 2,118 | 7 | 23.3 | 16.1 |
| Change YoY (%) | 23.9 | 14.3 | 6.8 | 9.6 | 7.9 | 23.3 | 28.4 | 33.3 | 13.4 | 23.0 | 15.3 | 52.4 | | |
| EBITDA | 5,944 | 7,034 | 7,639 | 7,302 | 7,730 | 8,008 | 8,315 | 8,466 | 27,919 | 32,519 | 7,997 | 0.1 | 13.8 | 3.6 |
| EBITDA Margin (%) | 76.7 | 79.3 | 81.7 | 81.0 | 79.8 | 77.9 | 79.1 | 78.8 | 79.8 | 78.9 | 79.1 | -116bps | -135bps | -190bps |
| Other Income | 1,735 | 1,710 | 931 | 1,241 | 2,330 | 962 | 1,050 | 1,101 | 5,617 | 5,443 | 890 | 8.1 | -43.7 | -58.7 |
| Depreciation | 133 | 137 | 149 | 166 | 173 | 178 | 180 | 182 | 585 | 712 | 175 | 1.8 | 29.6 | 3.1 |
| Finance Cost | 23 | 23 | 22 | 26 | 31 | 32 | 28 | 29 | 94 | 120 | 28 | 13.9 | 40.5 | 3.9 |
| **PBT** | **7,523** | **8,584** | **8,399** | **8,351** | **9,857** | **8,760** | **9,157** | **9,356** | **32,856** | **37,129** | **8,684** | **0.9** | **2.0** | **-11.1** |
| Tax Provisions | 1,485 | 2,818 | 1,985 | 1,966 | 2,381 | 1,575 | 2,198 | 2,237 | 8,254 | 8,391 | 2,084 | -24.4 | -44.1 | -33.8 |
| **Net Profit** | **6,038** | **5,766** | **6,414** | **6,385** | **7,476** | **7,184** | **6,959** | **7,119** | **24,602** | **28,738** | **6,600** | **8.9** | **24.6** | **-3.9** |
| Change YoY (%) | 26.4 | 31.8 | 31.0 | 18.0 | 23.8 | 24.6 | 8.5 | 11.5 | 26.4 | 16.8 | 14.5 | | | |
| Core PAT | 4,645 | 4,618 | 5,703 | 5,436 | 5,708 | 6,395 | 6,161 | 6,281 | 20,396 | 24,525 | 5,924 | **8.0** | | |
| Change YoY (%) | 34.5 | 33.1 | 49.9 | 30.3 | 22.9 | 38.5 | 8.0 | 15.6 | 36.7 | 20.2 | 28.3 | | | |

| **Key Operating Parameters (%)** | **1Q FY25** | **2Q FY25** | **3Q FY25** | **4Q FY25** | **1Q FY25** | **2Q FY25** | **3Q FY25** | **4Q FY25** | **FY25** | **FY26** | **2Q FY25** | **Act. Vs Est** | **YoY** | **QoQ** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue / AUM (bps) | 46.2 | 46.8 | 47.5 | 46.6 | 46.7 | 46.6 | 46.4 | 46.2 | 46.8 | 46.5 | 46.2 | 42bps | -14bps | -11bps |
| Opex / AUM (bps) | 10.8 | 9.7 | 8.7 | 8.8 | 9.4 | 10.3 | 9.7 | 9.8 | 9.4 | 9.8 | 9.7 | 58bps | 60bps | 86bps |
| PAT / AUM (bps) | 36.0 | 30.4 | 32.6 | 33.0 | 36.1 | 32.6 | 30.7 | 30.6 | 32.9 | 32.4 | 30.2 | 240bps | 221bps | -348bps |
| Cost to Operating Income Ratio | 23.3 | 20.7 | 18.3 | 19.0 | 20.2 | 22.1 | 20.9 | 21.2 | 20.2 | 21.1 | 20.9 | 116bps | 135bps | 190bps |
| EBITDA Margin | 76.7 | 79.3 | 81.7 | 81.0 | 79.8 | 77.9 | 79.1 | 78.8 | 79.8 | 78.9 | 79.1 | -116bps | -135bps | -190bps |
| Tax Rate | 19.7 | 32.8 | 23.6 | 23.5 | 24.2 | 18.0 | 24.0 | 23.9 | 25.1 | 22.6 | 24.0 | -602bps | -1484bps | -618bps |
| PAT Margin | 77.9 | 65.0 | 68.6 | 70.8 | 77.2 | 69.9 | 66.2 | 66.2 | 70.3 | 69.7 | 65.2 | 473bps | 494bps | -729bps |
| Core PAT Margin | 59.9 | 52.0 | 61.0 | 60.3 | 59.0 | 62.2 | 58.6 | 58.4 | 58.3 | 59.5 | 58.6 | 365bps | 1020bps | 329bps |
| **Opex Mix (%)** | | | | | | | | | | | | | | |
| Fees & Commission | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.8 | 0.6 | 0.3 | 0.6 | 0.6 | 0.7 | 13bps | 34bps | 4bps |
| Employee Expenses | 55.9 | 52.2 | 55.8 | 56.6 | 56.0 | 54.6 | 0.0 | 0.0 | 55.1 | 57.0 | 0.0 | 5464bps | 243bps | -134bps |
| Others | 43.6 | 47.3 | 43.5 | 42.7 | 43.2 | 44.5 | 0.0 | 0.0 | 44.3 | 42.4 | 0.0 | 4453bps | -277bps | 130bps |
| **Key Parameters** | | | | | | | | | | | | | | |
| QAUM (INR b) | 6,716 | 7,588 | 7,874 | 7,740 | 8,286 | 8,814 | 9,053 | 9,299 | 7,480 | 8,863 | 8,751 | 0.7 | 16.2 | 6.4 |

**Summary of our revised estimates**

| Y/E March | New estimates | | | Old estimates | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E | 2026E | 2027E | 2028E |
| AAUM | 8,863 | 10,430 | 12,286 | 8,814 | 10,264 | 11,959 | 1% | 2% | 3% |
| MF Yield (bps) | 46.3 | 45.3 | 44.3 | 46.1 | 45.1 | 44.1 | 2bps | 2bps | 2bps |
| Rev from Ops | 41.2 | 47.4 | 54.7 | 40.8 | 46.5 | 52.9 | 1% | 2% | 3% |
| Core PAT | 24.5 | 27.9 | 32.4 | 24.0 | 27.3 | 31.3 | 2% | 2% | 3% |
| PAT | 28.7 | 32.7 | 37.8 | 28.1 | 32.2 | 36.7 | 2% | 2% | 3% |
| PAT (bps as AAUM) | 32 | 31 | 31 | 32 | 31 | 31 | 5bps | 0bps | 0bps |
| Core EPS | 115 | 130 | 152 | 112 | 128 | 147 | 2% | 2% | 3% |
| EPS | 135 | 153 | 177 | 132 | 151 | 172 | 2.2% | 1.6% | 2.9% |
| EPS Grw. (%) | 17 | 14 | 16 | 14 | 14 | 14 | | | |
| BVPS | 414 | 453 | 497 | 414 | 451 | 495 | 0% | 0% | 1% |
| RoE (%) | 34 | 35 | 37 | 33 | 35 | 36 | 7bps | 5bps | 9bps |
| Div. Payout (%) | 75 | 75 | 75 | 75 | 75 | 75 | | | |

# Jindal Steel

| BSE SENSEX | S&P CNX |
|---|---|
| 82,605 | 25,324 |

**Stock Info**

| | |
|---|---|
| Bloomberg | JINDALST IN |
| Equity Shares (m) | 1020 |
| M.Cap.(INRb)/(USDb) | 1021.5 / 11.6 |
| 52-Week Range (INR) | 1088 / 723 |
| 1, 6, 12 Rel. Per (%) | -5/10/2 |
| 12M Avg Val (INR M) | 1842 |
| Free float (%) | 37.6 |

**Financials Snapshot (INR b)**

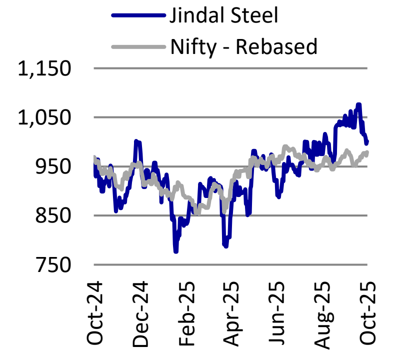
| Y/E MARCH | 2026E | 2027E | 2028E |
|---|---|---|---|
| Sales | 567 | 707 | 779 |
| EBITDA | 125 | 166 | 184 |
| Adj. PAT | 60 | 89 | 101 |
| Cons. Adj. EPS (INR) | 58.8 | 87.1 | 97.9 |
| EPS Gr. (%) | 42.0 | 48.1 | 12.5 |
| BV/Sh. (INR) | 512 | 589 | 675 |
| **Ratios** | | | |
| Net D:E | 0.3 | 0.2 | 0.1 |
| RoE (%) | 12.1 | 15.8 | 15.5 |
| RoCE (%) | 12.9 | 17.0 | 17.1 |
| Payout (%) | 10.0 | 10.0 | 10.0 |
| **Valuations** | | | |
| P/E (x) | 16.9 | 11.4 | 10.2 |
| P/BV (x) | 1.9 | 1.7 | 1.5 |
| EV/EBITDA(x) | 9.3 | 6.8 | 6.0 |
| Div. Yield (%) | 0.6 | 0.9 | 1.0 |
| FCF Yield (%) | (0.4) | 5.0 | 6.8 |

**Shareholding pattern (%)**

| As On | Jun-25 | Mar-25 | Jun-24 |
|---|---|---|---|
| Promoter | 62.4 | 62.2 | 61.2 |
| DII | 18.1 | 17.7 | 15.3 |
| FII | 10.0 | 10.4 | 13.4 |
| Others | 9.5 | 9.7 | 10.0 |

FII Includes depository receipts

**Stock Performance (1-year)**




## CMP: INR1001 TP: INR1,200 (+20%) Buy

## New capacity addition to drive earnings

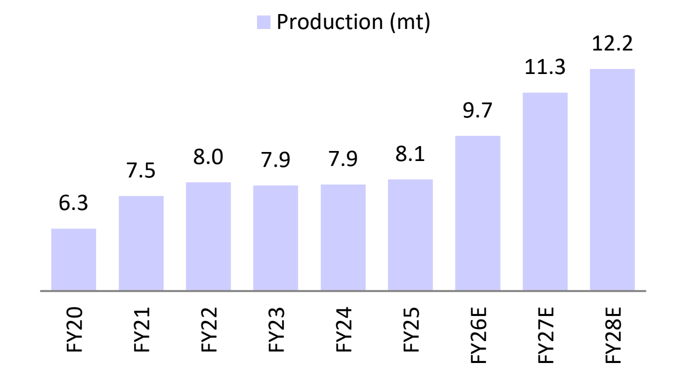
- **Jindal Steel (JINDALST) has successfully commissioned a new 3mtpa of crude steel capacity at its Angul plant, expanding the plant's total steelmaking capacity to 9mtpa. Another 3mtpa expansion at Angul is scheduled for commissioning in FY26, which will bring JINDALST's total capacity to 15.6mtpa (vs 9.6mtpa). This expansion will position JINDALST as the fourth-largest steel producer in India. Supported by the incremental capacity and improving domestic demand, we expect the company to witness ~14% CAGR in volume. Coupled with steady NSR growth, revenue is projected to witness a 17% CAGR over FY25-28.**
- **JINDALST's VAP share stands at ~72% as of 1QFY26, and in the near term, this may moderate to ~50% with the addition of new steel capacity. However, the commissioning of the CRM complex and VAP enhancement projects will favorably improve the product mix.**
- **JINDALST is implementing several cost-effective measures to boost operating margins, including: 1) strengthening raw material integration, 2) increasing the captive power share, 3) raising the flat steel mix to ~70%, and 4) focusing on VAP. Beyond the Angul expansion, the company has planned an additional INR160b capex over FY26-28 with a focus on enhancing VAP (INR57b), strengthening logistics and supply chain (INR45b), and ensuring operational sustainability (INR57b). With steady NSR and various cost-saving measures, EBITDA/t is expected to increase to INR15,000/t by FY27/28.**
- **The company has reduced its net debt from INR464b in FY16 to INR114b in FY25, maintaining a net debt/EBITDA ratio of 1.5x as of 1QFY26. Out of the INR310b of ongoing capex, over 75% has already been spent, and the remaining is expected to be deployed in FY26. Moreover, the company has proposed an additional INR160b of sustenance capex over FY26-28E. As a result, we expect it to generate an operating cash flow of ~INR340b over FY26-28, enabling it to comfortably fund its capex (ongoing + proposed) without breaching the net debt/EBITDA target of 1.5x.**

## Valuations

- The ongoing capacity expansion is expected to increase crude steel capacity by 65% to 15.6mtpa, primarily supporting topline growth. Additionally, the ramp-up of existing coal mines, the commencement of the Utkal block (C and B1 & B2), the slurry pipeline, and the ACPPII commissioning are expected to lower coal costs and support margins. Further, the company's focus on improving the VAP share (CRM complex + VAP enhancement project) will support NSR.
- JINDALST has followed a prudent deleveraging policy, which has helped the company strengthen its balance sheet. With a strong FCF, we expect the company to maintain its net debt/EBITDA below ~1.5x, even while undertaking ongoing and proposed capex.
- At CMP, the stock trades at 6.9x EV/EBITDA and 1.7x P/B on the FY27 estimate. We reiterate our BUY rating on JINDALST with a TP of INR1,200, based on 8x EV/EBITDA on FY27 estimate.

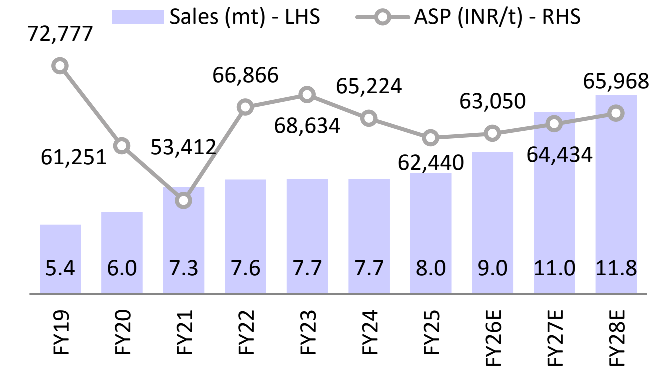
# Story in charts

### Angul's expansion to drive volume growth



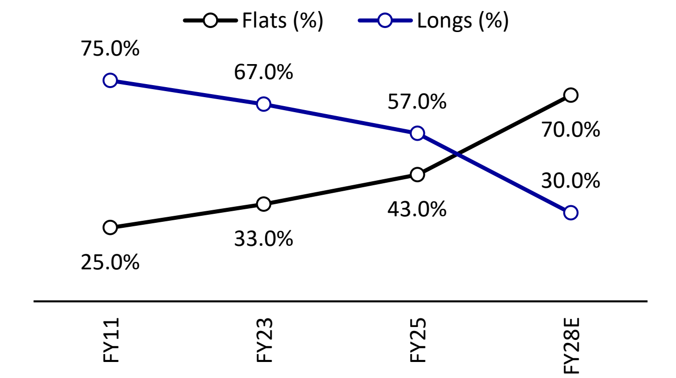

Source: MOFSL, Company

### Robust volume a key catalyst for revenue growth



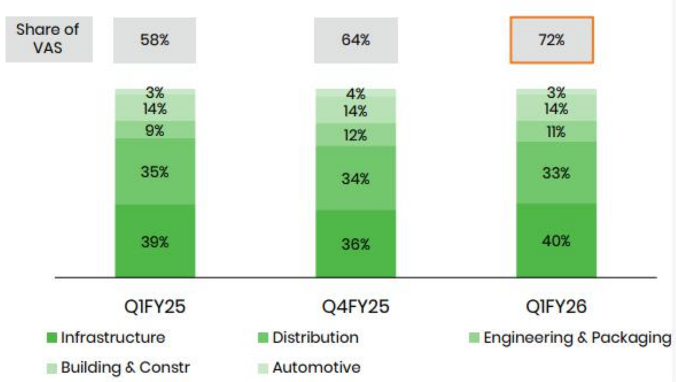

Source: MOFSL, Company

### Post-expansion, flat share to hit ~70%



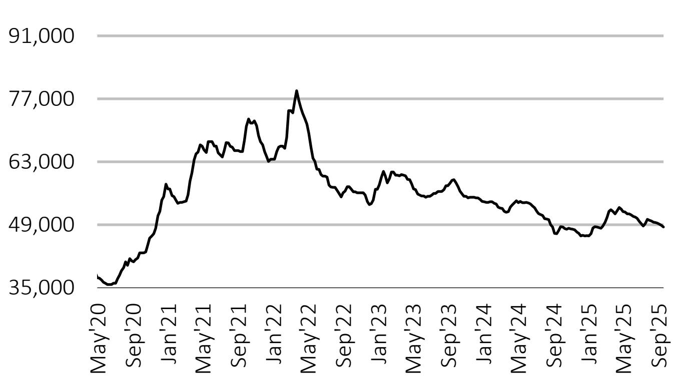

Source: MOFSL, Company

### Current VAP share stands at 72%



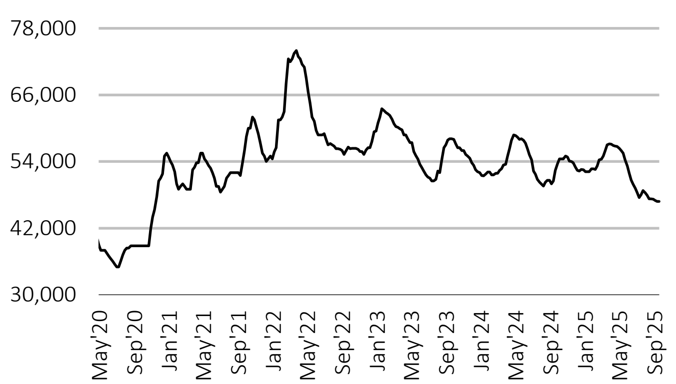

Source: MOFSL, Company

### Domestic HRC prices (INR/t)




Source: MOFSL, Company

### Domestic rebar prices (INR/t)




Source: MOFSL, Company

# HDB Financial Services

| | |
|---|---|
| **Estimate change** | ↔ |
| **TP change** | ↓ |
| **Rating change** | ↔ |

| | |
|---|---|
| Bloomberg | HDBFS IN |
| Equity Shares (m) | 830 |
| M.Cap.(INRb)/(USDb) | 616.7 / 7 |
| 52-Week Range (INR) | 892 / 728 |
| 1, 6, 12 Rel. Per (%) | -7/-/- |
| 12M Avg Val (INR M) | 3062 |

**Financials & Valuations (INR b)**

| Y/E March | FY25 | FY26E | FY27E |
|---|---|---|---|
| Total Income | 74.5 | 89.3 | 102.3 |
| PPP | 49.7 | 61.0 | 70.4 |
| PAT | 21.8 | 26.1 | 33.9 |
| EPS (INR) | 27.3 | 31.4 | 40.8 |
| EPS Gr. (%) | -11.9 | 15 | 30 |
| BV (INR) | 199 | 252 | 293 |
| **Ratios** | | | |
| NIM (%) | 7.8 | 8.1 | 8.1 |
| C/I ratio (%) | 42.8 | 41.2 | 40.9 |
| RoAA (%) | 2.2 | 2.3 | 2.5 |
| RoE (%) | 14.7 | 14.2 | 15.0 |
| **Valuation** | | | |
| P/E (x) | 27.2 | 23.6 | 18.2 |
| P/BV (x) | 3.7 | 2.9 | 2.5 |
| Div. Yield (%) | 0.4 | 0.5 | 0.7 |

**Shareholding pattern (%)**

| As On | Jul-25 |
|---|---|
| Promoter | 74.2 |
| DII | 5.1 |
| FII | 4.1 |
| Others | 16.5 |

FII Includes depository receipts

**CMP: INR743 TP: INR820 (+10%) Neutral**

## Weak quarter; guiding for recovery in 2H due to a pickup in retail

**Loan growth was muted and credit costs remained elevated.**

- HDB Finance (HDBFIN)'s 2QFY26 PAT declined ~2% YoY to INR5.8b (in line). PAT in 1HFY26 declined ~2% YoY, and we expect 2HFY26 PAT to grow ~45% YoY. NII in 2QFY26 grew ~20% YoY to ~INR21.9b (in line). Other income rose ~14% YoY to ~INR6.6b (in line).
- Opex grew ~12% YoY to ~INR13.2b (in line). The cost-to-income ratio in the lending business declined ~2pp QoQ to 40.7% (PQ and PY: 42.7%). PPoP stood at INR15.3b and grew 24% YoY (~5% beat).
- Yields (calc.) declined ~10bp QoQ to ~14.1%, and CoF (calc.) dipped ~35bp QoQ to ~7.4%. Reported NIMs in 2QFY26 expanded ~20bp QoQ to ~7.9%. The company guided for NIM of 7.9-8.0% in the subsequent quarters. We expect HDBFIN's NIM to expand ~30bp to 8.1% in FY26 (vs. ~7.8% in FY25).
- Management indicated that the elevated credit costs during the quarter were largely driven by higher slippages in the CV segment, along with some impact from the CE portfolio. The company highlighted that heavy monsoon-led floods led to unusually high vehicle idling this year compared to prior years. Management guided for normalized credit costs of 2.2% over the medium to long term. We expect credit costs of 2.4%/2% in FY26/FY27.
- While demand remained subdued in 2Q due to heavy rainfall, flooding, and deferred purchases ahead of anticipated GST cuts, management expects a strong rebound in retail demand in 3Q and 4Q, and anticipates growth momentum to accelerate in 2HFY26. We estimate a CAGR of 12%/17%/24% in disbursement/AUM/PAT over FY25-28, with RoA/RoE of ~2.5%/15% in FY27. **Reiterate Neutral with a TP of INR820 (premised on 2.6x Sep'27E BVPS).**
- **Key risks:** 1) HDBFIN's focus on low- to middle-income and self-employed segments exposes it to higher credit sensitivity during economic slowdowns, despite its secured portfolio mix; 2) execution risk remains in translating scale into sustained profitability, as operating efficiency metrics currently lag peers; 3) rising competition in semi-urban and rural lending and potential yield compression.

## AUM rises ~13% YoY; disbursements remain flat YoY

- Business AUM grew 13% YoY/3% QoQ to INR1.11t. Enterprise lending grew 9% YoY/1% QoQ, asset finance grew 15% YoY/2% QoQ, and consumer finance grew 17% YoY/2% QoQ during the quarter.
- Total disbursements in 2QFY26 were flat YoY at ~INR156b. Enterprise lending disbursements declined ~5% YoY, asset finance disbursements declined 1% YoY, and consumer finance disbursements grew 3% YoY.
- Management shared that it remains optimistic about the retail segment, expecting the positive sentiment to translate into stronger growth momentum in 2HFY26. The company guided for AUM CAGR of 18-20% over the medium to long term. We model AUM CAGR of ~17% over FY25-28E.

## Asset quality deterioration leads to sequentially higher credit costs

- Asset quality deteriorated, with GNPA rising ~25bp QoQ to ~2.8% and NS3 increasing ~15bp QoQ to ~1.3%. PCR declined ~2pp to ~54.7%.
- Credit costs stood at ~INR7.5b (~5% higher than MOFSLe). Annualized credit costs stood at ~2.7% (PQ: ~2.5% and PY: ~1.8%). Management guided for normalized credit costs of ~2.2% over the medium to long term. We estimate credit costs (as % of avg. loans) of ~2.4%/2.0% in FY26/FY27.

## Key highlights from the management commentary

- Management expects strong momentum in Auto, 2W, and Consumer Durables segments, supported by government initiatives to stimulate consumption, healthy Kharif sowing, and improving farm incomes.
- The LAP portfolio continues to operate with minimal credit costs, while consumer durable loans entail relatively higher credit costs. The company aims to optimize overall credit costs across its diversified product portfolio and expects them to moderate further in the coming quarters.
- HDBFIN expects growth momentum to strengthen across all product categories, with the business loans segment showing signs of stabilization and likely to return to a growth trajectory in the coming quarters.

## Valuation and view

- HDBFIN reported a muted quarter, with modest loan growth and disbursement activity impacted by factors such as heavy rainfall and demand deferment ahead of anticipated GST rate cuts. Asset quality weakened further, resulting in sequentially higher credit costs. The only positive was a ~20bp expansion in NIM during the quarter, driven by a decline in the cost of borrowings.
- HDBFIN offers a play on India's high-growth, underpenetrated retail lending market. With an AUM of ~INR1.11t and ~21m customers, the company has built a granular, largely secured loan portfolio (~73% secured) and demonstrated credit discipline. With strong governance, in-house collections, and a differentiated sourcing model, the company has the foundations for sustainable value creation.
- HDBFIN currently trades at 2.5x FY27E P/BV. We estimate a CAGR of 12%/17%/24% in disbursement/AUM/PAT over FY25-28, with RoA/RoE of ~2.5%/15% in FY27. **Reiterate Neutral with a TP of INR820 (premised on 2.6x Sep'27E BVPS).** With valuations largely factoring in medium-term growth potential, we will look for clearer evidence of stronger execution on loan growth, the ability to better navigate industry/product cycles, and structural (not just cyclical) improvement in return ratios.

**Quarterly Performance** (INR M)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | 2QFY26E | v/s Est. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Interest Income | 32,646 | 34,310 | 35,169 | 36,233 | 38,315 | 38,865 | 39,681 | 40,893 | 1,38,358 | 1,57,754 | 39,120 | -1 |
| Interest Expenses | 14,964 | 15,985 | 16,448 | 16,505 | 17,397 | 16,940 | 16,906 | 17,162 | 63,902 | 68,405 | 17,588 | -4 |
| **Net Interest Income** | **17,682** | **18,325** | **18,721** | **19,728** | **20,918** | **21,925** | **22,775** | **23,731** | **74,456** | **89,349** | **21,531** | 2 |
| *YoY Growth (%)* | *17.8* | *21.2* | *17.1* | *17.3* | *18.3* | *19.6* | *21.7* | *20.3* | *18.3* | *20.0* | *17.5* | |
| Other Income | 6,192 | 5,758 | 6,267 | 6,428 | 6,339 | 6,589 | 6,760 | 7,066 | 12,478 | 14,466 | 6,371 | 3 |
| **Total Income** | **23,874** | **24,083** | **24,988** | **26,156** | **27,257** | **28,514** | **29,535** | **30,798** | **86,934** | **1,03,815** | **27,902** | 2 |
| *YoY Growth (%)* | *3.2* | *2.2* | *6.5* | *14.2* | *14.2* | *18.4* | *18.2* | *17.7* | *18.2* | *19.4* | *15.9* | |
| Operating Expenses | 11,912 | 11,782 | 12,223 | 12,776 | 13,235 | 13,209 | 13,723 | 14,304 | 37,239 | 42,782 | 13,359 | -1 |
| **Operating Profit** | **11,962** | **12,301** | **12,765** | **13,380** | **14,022** | **15,305** | **15,812** | **16,494** | **49,695** | **61,033** | **14,543** | 5 |
| *YoY Growth (%)* | *16.5* | *13.6* | *12.1* | *19.1* | *17.2* | *24.4* | *23.9* | *23.3* | *17.9* | *22.8* | *18.2* | |
| Provisions & Loan Losses | 4,125 | 4,310 | 6,357 | 6,338 | 6,697 | 7,483 | 6,523 | 6,146 | 21,130 | 26,849 | 7,130 | 5 |
| **Profit before Tax** | **7,837** | **7,991** | **6,408** | **7,042** | **7,325** | **7,822** | **9,289** | **10,348** | **28,565** | **34,183** | **7,413** | 6 |
| Tax Provisions | 2,020 | 2,081 | 1,685 | 1,733 | 1,648 | 2,008 | 2,369 | 2,671 | 7,519 | 8,696 | 1,742 | 15 |
| **Net Profit** | **5,817** | **5,910** | **4,723** | **5,309** | **5,677** | **5,814** | **6,920** | **7,676** | **21,046** | **25,488** | **5,671** | 3 |
| *YoY Growth (%)* | *2.6* | *-1.6* | *-25.8* | *-19.1* | *-2.4* | *-1.6* | *46.5* | *44.6* | *-8.6* | *21.1* | *-4.0* | |
| **Key Parameters (Calc., %)** | | | | | | | | | | | | |
| Yield on loans | 14.1 | 14.1 | 14.0 | 13.9 | 14.2 | 14.1 | 14.0 | 13.8 | | | | |
| Cost of funds | 7.7 | 7.9 | 7.9 | 7.7 | 7.8 | 7.4 | 7.4 | 7.3 | | | | |
| Spread | 6.3 | 6.2 | 6.1 | 6.2 | 6.4 | 6.6 | 6.6 | 6.5 | | | | |
| NIM | 7.6 | 7.5 | 7.5 | 7.6 | 7.7 | 7.9 | 8.0 | 8.0 | | | | |
| C/I ratio | 49.9 | 48.9 | 48.9 | 48.8 | 48.6 | 46.3 | 46.5 | 46.4 | | | | |
| Credit cost | 1.8 | 1.8 | 2.5 | 2.4 | 2.5 | 2.7 | 2.3 | 2.1 | | | | |
| Tax rate | 25.8 | 26.0 | 26.3 | 24.6 | 22.5 | 25.7 | 25.5 | 25.8 | | | | |
| **Balance Sheet Parameters** | | | | | | | | | | | | |
| **Disbursements (INR b)** | **165** | **157** | **163** | **176** | **152** | **156** | **176** | **191** | | | | |
| Growth (%) | *0.0* | *0.0* | *0.0* | *0.0* | *-8.1* | *-0.5* | *8.0* | *8.2* | | | | |
| **AUM (INR b)** | **956** | **986** | **1,021** | **1,069** | **1,093** | **1,114** | **1,155** | **1,208** | | | | |
| Growth (%) | 29.9 | *26.6* | 21.5 | 18.5 | 14.3 | *13.0* | **13.1** | **13.0** | | | | |
| **Borrowings (INR b)** | **786** | **827** | **837** | **874** | **915** | **905** | **928** | **950** | | | | |
| Growth (%) | 37.1 | 33.6 | 20.6 | 17.6 | 16.4 | 9.5 | 10.9 | 8.7 | | | | |
| **Asset Quality Parameters** | | | | | | | | | | | | |
| GS 3 (INR B) | 18.4 | 20.7 | 22.9 | 24.1 | 27.9 | 31.3 | | | | | | |
| GS 3 (%) | 1.9 | 2.1 | 2.2 | 2.3 | 2.6 | 2.8 | | | | | | |
| NS 3 (INR B) | 7.3 | 8.2 | 9.2 | 10.6 | 12.1 | 14.2 | | | | | | |
| NS 3 (%) | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 | 1.3 | | | | | | |
| PCR (%) | 60.2 | 60.7 | 60.0 | 56.0 | 56.7 | 54.7 | | | | | | |

# Tata Communications

| | |
|---|---|
| Estimate change | ↔ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | TCOM IN |
| Equity Shares (m) | 285 |
| M.Cap.(INRb)/(USDb) | 557.2 / 6.3 |
| 52-Week Range (INR) | 2000 / 1291 |
| 1, 6, 12 Rel. Per (%) | 16/14/0 |
| 12M Avg Val (INR M) | 898 |

**Financials & Valuations (INR b)**

| Y/E March | FY26E | FY27E | FY28E |
|---|---|---|---|
| Net Sales | 246.6 | 265.8 | 286.6 |
| EBITDA | 48.7 | 55.8 | 61.0 |
| Adj. PAT | 12.0 | 17.5 | 21.5 |
| EBITDA Margin (%) | 19.7 | 21.0 | 21.3 |
| Adj. EPS (INR) | 42.0 | 61.5 | 75.3 |
| EPS Gr. (%) | 46.0 | 46.6 | 22.5 |
| BV/Sh. (INR) | 120.3 | 160.7 | 209.9 |
| **Ratios** | | | |
| Net D:E | 2.9 | 1.8 | 1.1 |
| RoE (%) | 37.1 | 43.8 | 40.7 |
| RoCE (%) | 11.6 | 15.5 | 17.9 |
| Payout (%) | 47.7 | 40.6 | 39.9 |
| **Valuations** | | | |
| EV/EBITDA (x) | 13.4 | 11.4 | 10.1 |
| P/E (x) | 46.2 | 31.5 | 25.7 |
| P/BV (x) | 16.1 | 12.1 | 9.2 |
| Div. Yield (%) | 1.0 | 1.3 | 1.6 |
| FCF Yield (%) | 1.5 | 2.5 | 3.3 |

**Shareholding Pattern (%)**

| As On | Jun-25 | Mar-25 | Jun-24 |
|---|---|---|---|
| Promoter | 58.9 | 58.9 | 58.9 |
| DII | 14.8 | 14.5 | 13.2 |
| FII | 17.2 | 17.0 | 18.1 |
| Others | 9.1 | 9.6 | 9.9 |

FII includes depository receipts

**CMP: INR1,938 TP: INR1,750 (-10%) Neutral**

## Steady 2Q; data EBITDA margin improves, but TCR contracts

- Tata Communications (TCOM) delivered steady 2Q, with ~7% YoY (~1% QoQ) growth in data revenue and 145bp data EBITDA margin expansion.
- TCOM's consol. EBITDA grew 4% YoY (3% QoQ), but came in **~3% below** our estimate as margin expanded by a modest 17bp QoQ to 19.2% (75bp miss), due to a sharp ~28pp contraction in TCR margins (linked to implementation of new incentivized payout structure).
- Management indicated that the order book was stable in 1HFY26 (on high base of 1HFY25) as healthy deal wins in Enterprise were offset by headwinds in service provider segment. The funnel remains robust, with a 60% contribution from the digital portfolio.
- As per management, rising data center (DC) investments bode well for TCOM in multiple ways – through its leadership in DC-to-DC connectivity, investments in AI Cloud, Multi Cloud Connect and potential monetization of land parcels, among others. However, there is currently no agreement with TCS for its recent announcement on AI data center investments.
- We build in ~8% data revenue CAGR over FY25-28E, with data revenue reaching INR246b by FY28. We believe **the ambition of doubling data revenue (INR280b by FY28) remains a tall ask without further acquisitions**.
- We also believe **reaching 23-25% EBITDA margin by FY28 would be difficult** and build in ~21.3% consolidated EBITDA margin in FY28.
- Our FY26-28 revenue and EBITDA estimates are broadly unchanged. We build in ~11% consolidated EBITDA CAGR over FY25-28E.
- We value TCOM's data business at 9.5x Dec'27E EV/EBITDA and the voice and other businesses at 5x EV/EBITDA to arrive at our revised **TP of INR1,750**. **We reiterate our Neutral rating.** Acceleration in data revenue growth, along with margin expansion, remains key for re-rating.

## Steady quarter, reported margins weaker despite improvement in data margins

- Consolidated gross revenue grew ~2.3% QoQ (+8.1% YoY on like-for-like basis) to INR61b (1% higher). However, adjusted for FX benefits, the growth was modest at ~0.4% QoQ.
  - Data revenue at INR51.8b (in line) grew 7.3% YoY (+1% QoQ), driven by ~15% YoY (~1% QoQ) growth in digital portfolio and modest ~1% YoY/QoQ growth in core connectivity.
- Consolidated net revenue (a proxy for gross margin) at INR34.1b continued to grow at slower pace, rising ~3% YoY (+4% QoQ) due to continued weakness in net revenue growth for data portfolio (up 7% YoY vs. 15% YoY gross revenue growth).
- Consolidated adjusted EBITDA grew 3% QoQ (+13% YoY on like-for-like basis) to INR11.7b (3% miss) due to higher other expenses (up 7% QoQ).
  - Consolidated adjusted EBITDA margin expanded 15bp QoQ (75bp YoY) to 19.2%, but came in ~75bp lower than our estimate as improvement in data EBITDA margins was offset by weaker margins in voice and other subsidiaries (especially TCR).

- Reported Consol. PAT came in at INR1.8b (-19% YoY, -4% QoQ).
- Net debt inched up INR12b QoQ to INR113b, due to dividend payments and investments in STT. Net debt/EBITDA rose to 2.45x (vs. 2.1x in Mar'25).
- Committed capex increased to ~INR6b in 2Q (vs. INR4.4b in 1QFY26), while cash capex declined ~20% QoQ to INR5.1b (though up ~13% YoY).
- Reported RoCE (annualized) declined further to 15.1% vs. 15.4% in 1QFY26.
- FCF stood at INR2.2b in 2QFY26 (vs. outflow of INR6.2b QoQ).
- For 1HFY26, revenue/EBITDA grew 7%/6%. Based on our estimates, the 2HFY26 implied revenue/EBITDA run rate stands at 7%/13%.

## Key takeaways from the management interaction

- Strategic bets: TCOM is seeing strong progress both in product and capability build-out as well as receiving good early customer traction. The company launched Voice AI platform to strengthen its Kaleyra.ai platform value proposition. Further, AI Cloud is seeing good customer traction, with early deal wins for its sovereign AI cloud from a large payments player. TCOM's digital fabric tool enabled a large contract win with the GST Appellate Tribunal. Management expects **strategic bets to contribute at least 10% of the incremental digital revenues in FY26, which will scale up to INR100b by FY30.**
- **Order book and funnel:** TCOM's enterprise order book grew in double digits; however, overall order book was flat due to headwinds in the service provider segment. Management noted that 1HFY25 had the benefit of several large deal wins, and 1HFY26 order book was better than 2HFY25, which faced macro headwinds, with cloud/international order books growing in healthy mid-teen/double digits in 2Q. The funnel remains robust, with digital portfolio accounting for ~60%.
- **Potential collaboration with TCS on data centers:** Management noted that TCOM and TCS have been collaborating in various areas for a long period of time. Rising DC capacity in India will be beneficial for TCOM's core connectivity (DC to DC connectivity), digital fabric (Multi Cloud Connect, AI Cloud with liquid cooling) as well as from potential monetization of land parcels. However, there is no firm agreement at the moment.
- **FX benefits:** Normalizing for FX movement, consolidated revenue growth was **up by a modest 0.4% QoQ (vs. reported 2.3% QoQ growth).**
- **Data EBITDA margins:** ~140bp QoQ improvement in data EBITDA margin was driven by 1) improvement in Vayu Cloud portfolio, 2) right-sizing in certain verticals in line with the growth, and 3) operating leverage with rising scale. However, near-term margins are likely to be impacted by the revenue loss and costs associated with the Red Sea cable cut and a change in the payout structure in TCR.

## Valuation and view

- We currently model ~14% CAGR in digital revenue over FY25-28 and expect digital to account for ~54% of TCOM's data revenue by FY28 (vs. ~49% currently). Acceleration in digital revenue remains key for re-rating.
- Our FY26-28E revenue remains broadly unchanged and believe TCOM's ambition of doubling data revenue by FY28 remains a tall ask without further

acquisitions. Overall, we build in ~8% data revenue CAGR over FY25-28, with data revenue reaching INR246b by FY28 (vs. TCOM's ambition of INR280b).

- We lower our FY26E EBITDA by a modest 1% while keeping our FY27-28E EBITDA broadly unchanged. We believe that margin expansion to 23-25% by FY28E could be challenging, given the rising share of inherently lower-margin businesses in TCOM's mix amid weakness in core connectivity. Our FY28 margin estimate is ~21.3%.
- We roll forward our valuations to Dec'27E (from Sep'27) and ascribe 9.5x EV/EBITDA to the data business and 5x EV/EBITDA to voice and other businesses. We ascribe an INR37b (or INR132/share) valuation to TCOM's 26% stake in STT data centers to arrive at our revised **TP of INR1,750 (earlier INR1,685)**.
- After the recent run-up (TCOM: +15% in last five day), the stock now trades at ~12.5x one-year forward EV/EBITDA (~22% premium to the LT average).
- We **reiterate our Neutral rating** as we await sustained acceleration in data revenue growth, along with margin expansion, before turning more constructive on TCOM.

**Cons. Quarterly Earnings** **(INR b)**

| Y/E March | FY25 | | | | FY26 | | | | FY25 | FY26E | FY26E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Var (%) |
| **Revenue** | 55.9 | 56.4 | 57.7 | 59.9 | 59.6 | 61.0 | 62.6 | 63.4 | 229.9 | 246.6 | 60.5 | 1 |
| YoY Change (%) | 17.2 | 15.8 | 2.4 | 5.2 | 6.6 | 8.1 | 8.5 | 5.8 | 9.7 | 7.2 | 0.0 | |
| Total Expenditure | 44.6 | 46.0 | 46.2 | 48.7 | 48.2 | 49.3 | 49.9 | 50.6 | 185.4 | 197.9 | 48.5 | 2 |
| **EBITDA** | **11.4** | **10.4** | **11.5** | **11.2** | **11.4** | **11.7** | **12.8** | **12.8** | **44.5** | **48.7** | **12.1** | **-3** |
| YoY Change (%) | 11.0 | 2.7 | 1.6 | 6.2 | 0.0 | 12.5 | 10.7 | 14.4 | 5.3 | 9.3 | 0.0 | |
| **EBITDA Margin (%)** | **20.3** | **18.5** | **20.0** | **18.7** | **19.1** | **19.2** | **20.4** | **20.2** | **19.4** | **19.7** | **20.0** | |
| Depreciation | 6.3 | 6.5 | 6.4 | 6.7 | 6.7 | 6.8 | 6.9 | 6.9 | 25.9 | 27.2 | 6.7 | 1 |
| Interest | 1.7 | 1.9 | 1.9 | 1.8 | 1.8 | 2.0 | 1.7 | 1.6 | 7.3 | 7.1 | 1.8 | 15 |
| Other Income | 0.2 | 0.1 | 0.3 | 0.7 | 0.2 | -0.2 | 0.3 | 0.5 | 1.3 | 0.8 | 0.3 | -157 |
| **PBT Before EO Expense** | **3.5** | **2.2** | **3.6** | **3.4** | **3.1** | **2.8** | **4.5** | **4.8** | **12.6** | **15.2** | **3.9** | **-29** |
| Exceptional (gain)/loss | -0.9 | -1.3 | -0.1 | -5.8 | 0.2 | 0.2 | 0.0 | 0.0 | -8.1 | 0.4 | 0.0 | |
| **PBT** | **4.4** | **3.4** | **3.7** | **9.1** | **2.9** | **2.5** | **4.5** | **4.8** | **20.7** | **14.8** | **3.9** | **-35** |
| Tax | 0.9 | 1.0 | 1.3 | 1.8 | 0.7 | 0.8 | 1.0 | 1.1 | 4.9 | 3.6 | 0.9 | |
| Rate (%) | 19.7 | 28.3 | 34.0 | 19.2 | 22.5 | 32.3 | 22.5 | 22.5 | 23.5 | 24.2 | 22.5 | |
| MI & P/L of Asso. Cos. | 0.2 | 0.2 | 0.1 | -3.0 | 0.4 | -0.1 | -0.1 | -0.1 | -2.5 | -0.4 | -0.1 | |
| **Reported PAT** | **3.3** | **2.3** | **2.4** | **10.4** | **1.9** | **1.8** | **3.6** | **3.8** | **18.4** | **11.5** | **3.1** | **-41** |
| **Adj PAT** | **2.5** | **1.0** | **2.2** | **4.6** | **2.1** | **2.0** | **3.6** | **3.8** | **10.3** | **11.5** | **3.1** | **-34** |
| YoY Change (%) | -34.9 | -55.8 | -3.5 | 23.9 | -14.9 | 108.5 | 59.7 | -18.4 | -14.5 | 11.4 | 24.6 | |

E: MOFSL Estimates

# MPC minutes signal caution amid tariff woes

- **Dovish pause:** The RBI adopted a dovish pause (repo rate unchanged at 5.5%) in its October policy, signaling readiness to support growth if disinflation sustains and growth momentum softens.
- **Four members voted for a "neutral" stance:** Dr. Nagesh Kumar and Prof. Ram Singh voted in favor of changing the stance from "neutral" to "accommodative".
- **Rationale behind the pause:**
  - **Inflation has turned even more benign** in recent months, supported by lower food prices and government supply measures. Headline inflation remained well below the RBI's 4% target for the eighth consecutive month in Sep'25.
  - **Improved supply conditions** from a normal monsoon and lower commodity prices.
  - **Stable financial conditions and adequate liquidity support credit growth.**
  - **Growth still trails expectations**, with 3Q and beyond likely to see a mild moderation due to tariff hikes partly offsetting GST-driven gains.
- **Scope for monetary easing:** The sharp moderation in inflation has created room to support growth. Despite tariff pressures offsetting GST benefits, a 50bp rate cut may be possible in Dec'25/Feb'26.

## Highlights of the MPC minutes:

- **Growth below aspirational levels:** India's growth outlook remains resilient, supported by strong domestic demand, a good monsoon, easing inflation, monetary accommodation, and the positive impact of recent GST reforms. However, as per the MPC members, growth continues to lag desired levels. While the FY26 growth forecast has been revised upwards to 6.8% from 6.5% earlier, projections for Q3 and beyond are likely to be slightly softer than earlier estimates, as the adverse impact of recent tariff hikes partly offsets the benefits from GST rationalization.

- **Key statements by MPC members**
  - **Shri Saugata Bhattacharya:** "*The impact of the frontloaded monetary policy actions and the recent fiscal measures is still playing out. Trade-related uncertainties are still unfolding. A moderation in the inflation rate is not a compelling reason, at this point, to cut the policy rate.*"
  - **Prof Ram Singh:** "*CPI headline inflation has continued to surprise on the downside, as it declined to 2.1% YoY in August 2025 after registering its eight-year low of 1.6% in July. The prevailing inflation rate is too low - it is neither conducive for businesses nor for public finances.*"

    *"Inflation trajectory looks benign at least for the next two quarters. Inflation may top 4% aim in FY27 on unfavorable base, demand boost."*

    *"The next question to ponder over is what could be the downsides of a further rate cut… But interest rates do not seem to be the main driving force of the aggregate saving rate."*
  - **Dr. Poonam Gupta:** *"The described growth-inflation mix, particularly slower growth in 2H and a benign inflation rate, has potentially opened some space for lowering the policy rates further; yet it is difficult for me to vote for a rate cut at this juncture."*

# Trade deficit widens to an 11-month high in Sep'25

- **India's Sep'25 goods trade deficit widened to an 11-month high of USD32.1b vs. USD26.5b in Aug'25, as imports grew much faster than exports.**
- **India's exports increased in Sep'25, despite facing headwinds from US tariff hikes, supported by strong demand for engineering goods, electronic goods, mineral products, and petroleum products, which offset weaker shipments of textiles, meat, leather products, oil meals, and gems & jewelry.**
- **Goods exports to the U.S. fell to USD5.4b from USD6.9b in Aug'25, as tariffs hit shipments of goods such as textiles, shrimp, and gems and jewelry. However, in 1HFY26, India's exports to the US increased 13.4%.**
- **India's imports grew sharply in Sep'25, marking a three-year high. The increase in imports in Sep'25 was mainly driven by higher purchases of gold (106.9% YoY), silver, and fertilizers.**
- **We expect CAD at 0.8% of GDP with an oil price assumption at USD65b. As US-India negotiations started, a positive resolution is likely to cap the upside risks on CAD. While new FTAs may help cushion the impact, we anticipate the CAD could widen to approximately 1.2-1.4% of GDP if 50% tariffs persist.**
- **That said, even under a worst-case trade scenario, the CAD is expected to remain within manageable levels (below 1.5%), supported by lower import demand, favorable oil prices, and moderate growth in services exports.**
- **We expect the USDINR to average 87.50 for FY26 amid ongoing trade negotiations, geopolitical developments, and weak capital inflows.**

**Exhibit 1: India's exports rose 6.8% in Sep'25…**

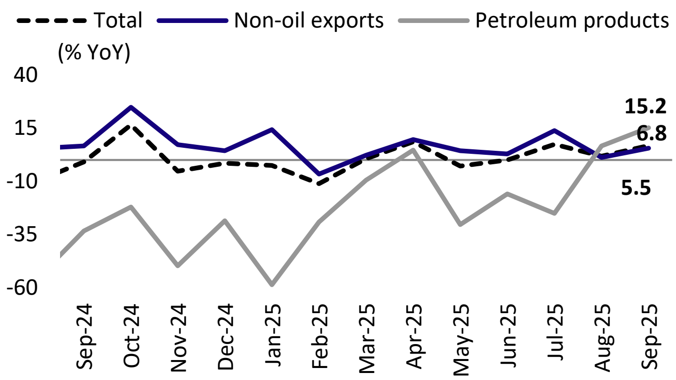
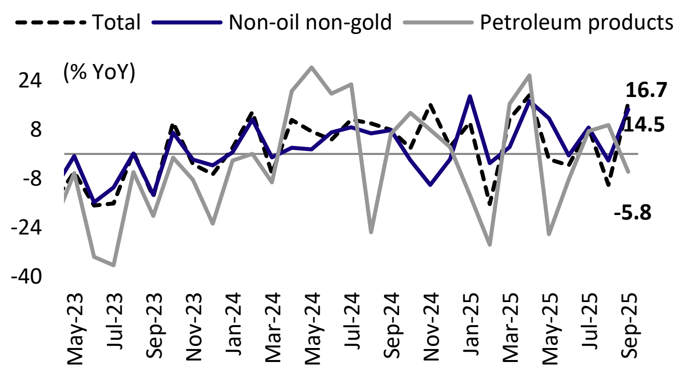



**Exhibit 2: …while imports grew at a three-year high**




Source: CEIC, MOFSL

**Exhibit 3: Trade deficit widened to an 11-month high in Sep'25**

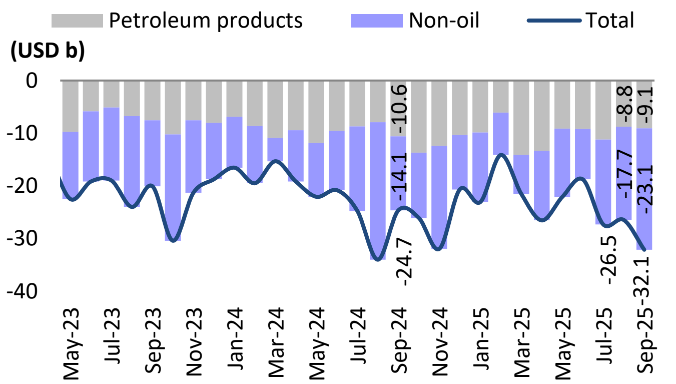
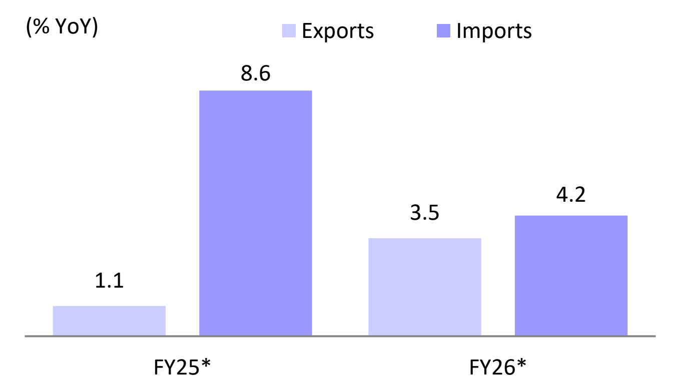



**Exhibit 4: Imports grew faster than exports**
**Exhibit 1:**




Source: CEIC, MOFSL

# L&T Finance

| BSE SENSEX | S&P CNX |
|---|---|
| 82,605 | 25,324 |

**CMP: INR272** **BUY**

## Conference Call Details

**Date:** 16th October 2025
**Time:** 11:00 AM IST
**Call details:**
+91 22 6280 1486/
+91 22 7115 8867
Registration Link

**Financials & Valuations (INR b)**

| Y/E March | FY25 | FY26E | FY27E |
|---|---|---|---|
| Total Income | 86.7 | 97.3 | 120.9 |
| PPP | 59.6 | 67.6 | 85.9 |
| Adj. PAT | 26.4 | 29.9 | 40.2 |
| EPS (INR) | 10.6 | 12.0 | 16.1 |
| EPS Gr. (%) | 13.8 | 13.2 | 34.5 |
| BV/Sh. (INR) | 102 | 112 | 125 |
| **Ratios** | | | |
| NIM (%) | 9.9 | 9.4 | 9.5 |
| C/I ratio (%) | 40.1 | 39.9 | 38.0 |
| RoAA (%) | 2.4 | 2.3 | 2.6 |
| RoE (%) | 10.8 | 11.2 | 13.6 |
| Payout (%) | 26.0 | 26.0 | 25.0 |
| **Valuation** | | | |
| P/E (x) | 25.6 | 22.6 | 16.8 |
| P/BV (x) | 2.6 | 2.4 | 2.2 |
| Div. Yield (%) | 1.0 | 1.2 | 1.5 |

## Earnings in line; credit costs (before utilization) down QoQ

**NIMs + fees stable QoQ; healthy asset quality**

- L&T Finance's (LTF) 2QFY26 PAT grew 5% YoY to INR7.3b (in line). NII grew ~10% YoY to INR24b (in line). Opex rose ~12% YoY to ~INR10.7b (in line). Cost-income ratio declined ~40bp QoQ to ~39.5% (PQ: ~40%).
- PPoP grew ~3% YoY to ~INR16.8b (in line).
- Credit costs stood at INR6.4b (~9% lower than MOFSLe), translating into annualized credit costs of ~2.47% (PQ: 2.53% and PY: 2.85%). The company utilized macro prudential provisions of INR1.5b in 2QFY26 on account of residual forward flows. Before macro prudential provision utilization, credit costs for the quarter stood at ~3% (PQ: 3.4%). The company now has unutilized macro provisions of ~INR1.25b.
- Total loan book grew ~15% YoY and ~5% QoQ to ~INR1.07t. Wholesale loans were stable QoQ at ~INR25b.

## Retail loans grow ~18% YoY; strong momentum in personal loans

- Retail assets contributed ~98% to the loan mix (PQ: ~98%). Retail loans grew ~18% YoY, led by healthy growth in 2W, SME, LAP and Personal Loans. Personal loans witnessed robust growth of ~16% QoQ and 52% YoY. Rural Business Loans (MFI) grew ~3% QoQ, while 2W grew ~6% QoQ.
- Total disbursements in 2QFY26 rose ~25% YoY to ~INR189b. Wholesale disbursements were only ~INR130m during the quarter.

## Asset quality broadly stable; retail GS3 stands at ~2.9%

- Consol. GS3 was stable QoQ at ~3.3%; NS3 was also stable QoQ at ~1%. PCR declined ~50bp QoQ to ~70.3%.
- Retail GS3 was broadly stable QoQ at 2.9%.

## MFI collection efficiency shows minor improvement during the quarter

- MFI collection efficiency (0-90dpd) stood at ~98.2% in Sep'25 (vs 97.8% in Jun'25). Collection efficiency in Karnataka stood at 99.05% in Aug'25 and 99.18% in Sep'25 (compared to ~98.5% in Jun'25).
- Only ~3.6% (PQ: ~5.2%) of LTFH customers have loans from our or more lenders (including LTFH).

## NIMs + fees stable QoQ; CoB (reported) declined ~35bp QoQ

- Spreads (calc.) remained stable QoQ at ~8.6%. Yields (calc.) declined ~20bp QoQ to ~15.4%, while CoF (calc.) declined ~20bp QoQ to 6.8%.
- Reported NIMs rose ~20bp QoQ to 8.4%. However, consol. NIMs+fees were stable QoQ at ~10.2%, driven by lower fee income.
- Consol. RoA/RoE in 2QFY26 stood at ~2.4%/11.3%

## Other updates

- Project Cyclops has been successfully implemented across 2W, farm equipment and SME business. Further, the implementation in personal loans will be completed by 3QFY26.
- Nostradamus is live in Beta mode, with MVP (minimum viable product) for 2W finance going live in Aug'25. The full implementation of Nostradamus is expected by Dec'25 for all lines of business.

- By end-FY26, the company plans to add 200+ new branches, taking its gold distribution strength to ~330 gold loan branches.

## Valuation and view

- LTF's 2QFY26 earnings were in line with the expectations, with healthy disbursement volumes driving ~18% retail loan growth. Asset quality remained largely stable, resulting in sequentially lower credit costs (before macro provision utilization). The company also benefited from lower borrowing costs, aided by policy rate cuts, which contributed to a modest expansion in NIM.
- In the retail segment, personal loans, LAP, SME, and 2W exhibited healthy loan growth, with retail now contributing ~98% to the loan mix. We will review our estimates and TP after the earnings call on 16th Oct'25.

**Quarterly performance** **(INR M)**

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26 | 2QFY26E | v/s Est. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Interest Income | 34,526 | 36,544 | 38,064 | 37,499 | 39,145 | 40,374 | 42,029 | 43,804 | 1,46,633 | 1,65,353 | 40,300 | 0 |
| Interest Expenses | 13,514 | 14,763 | 15,692 | 15,998 | 16,357 | 16,343 | 16,882 | 18,473 | 59,968 | 68,055 | 16,603 | -2 |
| **Net Interest Income** | **21,012** | **21,781** | **22,371** | **21,501** | **22,788** | **24,031** | **25,147** | **25,331** | **86,665** | **97,297** | **23,697** | **1** |
| Change YoY (%) | 19.9 | 18.1 | 14.6 | 8.2 | 8.4 | 10.3 | 12.4 | 17.8 | 15.0 | 12.3 | 8.8 | |
| Other Operating Income | 3,318 | 3,649 | 2,912 | 2,730 | 3,451 | 2,983 | 4,150 | 5,471 | 12,610 | 15,104 | 3,800 | -21 |
| **Net Operating Income** | **24,330** | **25,431** | **25,283** | **24,231** | **26,238** | **27,015** | **29,297** | **30,802** | **99,275** | **1,12,401** | **27,497** | **-2** |
| Change YoY (%) | 30.8 | 34.6 | 16.0 | 3.7 | 7.8 | 6.2 | 15.9 | 27.1 | 21.0 | 13.2 | 8.1 | |
| Other income | 2 | 47 | 76 | 43 | 0 | 0 | 49 | 143 | 167 | 193 | 42 | -99 |
| **Total Income** | **24,332** | **25,477** | **25,359** | **24,274** | **26,239** | **27,015** | **29,346** | **30,945** | **99,442** | **1,12,593** | **27,539** | **-2** |
| Change YoY (%) | 20.9 | 18.1 | 13.8 | 3.6 | 7.8 | 6.0 | 15.7 | 27.5 | 14.6 | 13.2 | 8.1 | |
| Operating Expenses | 9,656 | 9,578 | 10,578 | 10,034 | 10,486 | 10,680 | 11,424 | 12,383 | 39,846 | 44,973 | 10,823 | -1 |
| Change YoY (%) | 24.1 | 11.4 | 18.9 | 2.4 | 8.6 | 11.5 | 8.0 | 23.4 | 13.6 | 12.9 | 13.0 | |
| **Operating Profits** | **14,676** | **15,899** | **14,781** | **14,240** | **15,753** | **16,335** | **17,922** | **18,562** | **59,597** | **67,620** | **16,716** | **-2** |
| Change YoY (%) | 18.9 | 22.5 | 10.5 | 4.6 | 7.3 | 2.7 | 21.3 | 30.4 | 15.3 | 13.5 | 5.1 | |
| Provisions | 5,453 | 6,504 | 6,542 | 6,185 | 6,320 | 6,446 | 7,118 | 8,194 | 24,684 | 28,079 | 7,054 | -9 |
| **Profit before Tax** | **9,223** | **9,396** | **8,239** | **8,055** | **9,432** | **9,889** | **10,804** | **10,368** | **34,913** | **39,541** | **9,662** | **2** |
| Tax Provisions | 2,370 | 2,429 | 1,983 | 1,697 | 2,424 | 2,540 | 2,593 | 2,052 | 8,478 | 9,609 | 2,415 | 5 |
| **Profit after tax** | **6,855** | **6,967** | **6,257** | **6,358** | **7,008** | **7,349** | **8,211** | **8,316** | **26,434** | **29,933** | **7,246** | **1** |
| Change YoY (%) | 29 | 17 | -2 | 15 | 2 | 5 | 31 | 31 | 14 | 13 | 4 | |
| **Key Operating Parameters (%)** | | | | | | | | | | | | |
| Rep. Net Income (% of Avg Assets) | 11.08 | 10.86 | 10.33 | 10.15 | 10.22 | 10.22 | | | | | | |
| **Rep. Cost of funds (%)** | 7.85 | 7.80 | 7.83 | 7.84 | 7.68 | 7.32 | | | | | | |
| Cost to Income Ratio | 39.7 | 37.6 | 41.7 | 41.3 | 40.0 | 39.5 | | | | | | |
| Rep Credit Cost | 2.37 | 2.59 | 2.49 | 2.54 | 2.23 | 2.41 | | | | | | |
| **Tax Rate** | 25.7 | 25.9 | 24.1 | 21.1 | 25.7 | 25.7 | | | | | | |
| Balance Sheet Parameters | | | | | | | | | | | | |
| **Gross Customer Assets (INR B)** | 887 | 930 | 951 | 978 | 1,023 | 1,071 | | | | | | |
| Change YoY (%) | 12.9 | 18.1 | 16.3 | 14.3 | 15.3 | 15.1 | | | | | | |
| Borrowings (INR B) | 803 | 849 | 862 | 922 | 938 | 977 | | | | | | |
| Change YoY (%) | 6.5 | 10.9 | 13.4 | 20.5 | 16.8 | 15.1 | | | | | | |
| Customer Assets /Borrowings (%) | 110 | 110 | 110 | 106 | 109 | 110 | | | | | | |
| **Asset Quality Parameters (%)** | | | | | | | | | | | | |
| GS 3 (INR B) | 27.9 | 29.6 | 30.8 | 32.2 | 33.9 | 35.2 | | | | | | |
| Gross Stage 3 (%) | 3.14 | 3.19 | 3.23 | 3.29 | 3.30 | 3.29 | | | | | | |
| NS 3 (INR B) | 6.9 | 8.7 | 9.1 | 9.3 | 9.9 | 10.5 | | | | | | |
| Net Stage 3 (%) | 0.79 | 0.96 | 0.97 | 0.97 | 0.96 | 0.98 | | | | | | |
| PCR (%) | 75.3 | 70.6 | 70.6 | 71.1 | 70.8 | 70.3 | | | | | | |
| **Return Ratios (%)** | | | | | | | | | | | | |
| ROAA | 2.7 | 2.6 | 2.3 | 2.2 | 2.4 | 2.4 | | | | | | |
| ROAE | 11.6 | 11.7 | 10.2 | 10.1 | 10.9 | 11.3 | | | | | | |

E: MOFSL Estimates

# Oberoi Realty

| BSE SENSEX | S&P CNX |
|---|---|
| 82,605 | 25,324 |

## Conference Call Details

**Date:** 17th October 2025
**Time:** 17:00 IST
**Dial-in details:**
+91-22 6280 1244 / +91-22 7115 8145

**Financials & Valuations (INR b)**

| Y/E Mar | FY26E | FY27E | FY28E |
|---|---|---|---|
| Sales | 63.6 | 88.9 | 90.6 |
| EBITDA | 40.7 | 49.7 | 53.8 |
| EBITDA Margin (%) | 64.0 | 55.9 | 59.4 |
| PAT | 28.6 | 36.3 | 39.7 |
| EPS (INR) | 78.8 | 99.7 | 109.3 |
| EPS Gr. (%) | 28.7 | 26.6 | 9.6 |
| BV/Sh. (INR) | 502.7 | 594.4 | 695.7 |
| **Ratios** | | | |
| RoE (%) | 16.9 | 18.2 | 16.9 |
| RoCE (%) | 15.3 | 16.9 | 16.1 |
| Payout (%) | 10.2 | 8.0 | 7.3 |
| **Valuations** | | | |
| P/E (x) | 20.3 | 16.1 | 14.7 |
| P/BV (x) | 3.2 | 2.7 | 2.3 |
| EV/EBITDA (x) | 14.5 | 11.1 | 9.5 |
| Div yld (%) | 0.5 | 0.5 | 0.5 |

## CMP: INR1,601 — Neutral

## Subdued operations amid strong profitability

### Operational performance – 2QFY26

- In 2QFY26, OBER achieved pre-sales of INR13b, down 10% YoY and 21% QoQ (7% below our estimate), wherein ~62% was contributed by Elysian and 360 West. In 1HFY26, bookings stood at INR29.4b, up 18% YoY.
- Volumes were down 9% YoY / 29% QoQ to 0.25msf (16% below estimates). In 1HFY26, volumes stood at 0.6msf, up 24% YoY.
- Total units booked in the quarter stood at 158, which was flat YoY and down 13% QoQ. In 1HFY26, a total of 339 units were booked, up 14% YoY.
- An interim dividend was declared for 2Q at INR2/sh, i.e., 20% of face value.
- OBER was ranked No. 1 globally among listed residential developers in the high-rise multifamily category, earning a 5-Star rating and a perfect score of 100 in its second year of participation in the GRESB Real Estate Assessment.
- Overall, the annuity portfolio delivered a 47% YoY revenue growth to INR2.8b with an EBITDA margin of 92%.
  - **Office:** Occupancies at Commerz-I and -II were stable at 96%. Commerz-3 occupancy increased to 87% from 83% QoQ, resulting in a revenue growth of 38% YoY to INR1.3b. This brought the total office revenue to INR1.8b (+29% YoY), leading to an EBITDA margin of 91%.
  - **Retail:** Oberoi Mall delivered a 7% YoY increase in revenue to INR522m at an EBITDA margin of 99%, while Sky City Mall delivered revenue of INR452m with an EBITDA margin of 92%. Oberoi Mall was 99% occupied, while Sky City was 53% occupied.
- **Hospitality:** In 2QFY26, The Westin hotel witnessed a 2% YoY growth in revenue to INR446m, although there was a 9% YoY increase in ARR of INR13,735. Occupancy was at 80% in the quarter, from 82% YoY and 72% QoQ. EBITDA came in at INR177m with a margin of 40%.

### Cash flow performance

- Collections stood at INR13.5b, up 12% YoY and 36% QoQ (25% below our estimates).
- The company turned net cash during the quarter.

### P&L highlights

- In 2QFY26, revenue was up 35%/80% YoY/QoQ to INR17.8b (25% above estimates). In 1HFY26, OBER's revenue stood at INR27.7b, up 2% YoY.
- The company reported an EBITDA of INR10.2b for the quarter, up 25%/96% YoY/QoQ (12% above estimates), while the margin contracted 4% YoY to 57%. In 1HFY26, OBER reported an EBITDA of INR15.4b, down 5% YoY.
- PAT in the quarter was up 29%/80% YoY/QoQ to INR7.6b, which was 19% above our estimates. In 1HFY26, PAT stood at INR11.8b, flat YoY.

**Quarterly performance** (INR m)

| Y/E March | FY25 | | | | FY26E | | | | FY25 | FY26E | FY26 | 2QE Var |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2Q Est. | (%/bp) |
| **Net Sales** | **14,052** | **13,199** | **14,111** | **11,501** | **9,876** | **17,790** | **18,553** | **17,356** | **52,863** | **63,575** | **14,237** | 25% |
| YoY Change (%) | 54.4 | 8.4 | 33.9 | -12.5 | -29.7 | 34.8 | 31.5 | 50.9 | 17.6 | 20.3 | 7.9 | |
| Total Expenditure | 5,901 | 5,061 | 5,549 | 5,321 | 4,672 | 7,588 | 6,681 | 3,953 | 21,832 | 22,893 | 5,127 | |
| **EBITDA** | **8,151** | **8,138** | **8,561** | **6,181** | **5,203** | **10,203** | **11,872** | **13,403** | **31,030** | **40,681** | **9,110** | 12% |
| Margins (%) | 58.0 | 61.7 | 60.7 | 53.7 | 52.7 | 57.4 | 64.0 | 77.2 | 58.7 | 64.0 | 64.0 | -664bp |
| Depreciation | 202 | 208 | 233 | 242 | 316 | 334 | 453 | 449 | 885 | 1,553 | 348 | |
| Interest | 589 | 517 | 745 | 801 | 750 | 712 | 815 | 516 | 2,652 | 2,792 | 625 | |
| Other Income | 368 | 387 | 492 | 632 | 864 | 658 | 464 | -397 | 1,879 | 1,589 | 356 | |
| **PBT before EO expense** | **7,728** | **7,800** | **8,076** | **5,769** | **5,002** | **9,815** | **11,068** | **12,041** | **29,373** | **37,925** | **8,493** | |
| Extra-Ord expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| **PBT** | **7,728** | **7,800** | **8,076** | **5,769** | **5,002** | **9,815** | **11,068** | **12,041** | **29,373** | **37,925** | **8,493** | 16% |
| Tax | 1,905 | 1,930 | 1,919 | 1,439 | 857 | 2,329 | 2,711 | 3,392 | 7,194 | 9,289 | 2,080 | |
| Rate (%) | 24.7 | 24.7 | 23.8 | 24.9 | 17.1 | 23.7 | 24.5 | 28.2 | 24.5 | 24.5 | 24.5 | |
| MI & Profit/Loss of Asso. Cos. | 23 | 25 | 27 | 2 | 68 | 117 | 0 | 0 | 76 | 0 | 0 | |
| **Reported PAT** | **5,845** | **5,894** | **6,184** | **4,332** | **4,213** | **7,603** | **8,357** | **8,649** | **22,255** | **28,637** | **6,413** | 19% |
| **Adj PAT** | **5,845** | **5,894** | **6,184** | **4,332** | **4,213** | **7,603** | **8,357** | **8,649** | **22,255** | **28,637** | **6,413** | 19% |
| YoY Change (%) | 81.7 | 29.0 | 71.7 | -45.0 | -27.9 | 29.0 | 35.1 | 99.7 | 15.5 | 28.7 | 8.8 | |
| Margins (%) | 41.6 | 44.7 | 43.8 | 37.7 | 42.7 | 42.7 | 45.0 | 49.8 | 42.1 | 45.0 | 45.0 | |
| **Operational metrics** | | | | | | | | | | | | |
| **Residential** | | | | | | | | | | | | |
| Sale Volume (msf) | 0.21 | 0.28 | 0.66 | 0.14 | 0.35 | 0.25 | 1.20 | 0.60 | 1.3 | 2.4 | 0.30 | -16% |
| Sale Value (INRm) | 10,519 | 14,425 | 19,183 | 8,533 | 16,387 | 12,991 | 35,000 | 18,595 | 52,658 | 82,972 | 14,000 | -7% |
| Collections (INRm) | 10,114 | 12,112 | 13,950 | 7,653 | 9,971 | 13,528 | 20,703 | 20,845 | 43,829 | 65,048 | 17,975 | -25% |
| Realization (INR/sft) | 49,903 | 52,305 | 29,081 | 62,135 | 46,389 | 51,817 | 29,167 | 30,894 | 41,027 | 34,488 | 46,667 | 11% |

Source: MOFSL, Company

Note: The estimates are under review since we will revise them after the earnings call.

# KEI Industries

| BSE SENSEX | S&P CNX |
|---|---|
| 82,605 | 25,324 |

## Conference Call Details

**Date:** 16 October 2025
**Time:** 12:00 IST
**Dial-in details:**
+91 22 6280 1123
+ 91 22 7115 8024
Link for the call

**Consol. Financials Snapshot (INR b)**

| Y/E MARCH | FY26E | FY27E | FY28E |
|---|---|---|---|
| Sales | 116.3 | 136.2 | 159.7 |
| EBITDA | 12.1 | 14.8 | 17.7 |
| PAT | 8.8 | 10.4 | 12.3 |
| EBITDA Margin (%) | 10.4 | 10.9 | 11.1 |
| Adj. EPS (INR) | 91.9 | 108.5 | 128.4 |
| EPS Gr. (%) | 26.2 | 18.0 | 18.4 |
| BV/Sh. (INR) | 691 | 794 | 916 |
| **Ratios** | | | |
| Net D:E | (0.3) | (0.3) | (0.2) |
| RoE (%) | 14.2 | 14.6 | 15.0 |
| RoCE (%) | 14.5 | 15.1 | 15.6 |
| Payout (%) | 6.5 | 5.5 | 4.7 |
| **Valuations** | | | |
| P/E (x) | 48.1 | 40.8 | 34.5 |
| P/BV (x) | 6.4 | 5.6 | 4.8 |
| EV/EBITDA(x) | 33.3 | 27.3 | 22.7 |
| Div. Yield (%) | 0.1 | 0.1 | 0.1 |
| FCF Yield (%) | 0.2 | 0.2 | 0.4 |

**CMP: INR4,421** **Buy**

## In-line performance; OPM below our estimate

- KEII's 2QFY26 revenue grew ~19% YoY to INR27.3b (in line). EBITDA rose ~20% YoY to INR2.7b (in line). OPM was flat YoY at ~10% (-50bp below our est.). PAT grew ~31% YoY to INR2.0b (in line). There has been a delay in the commissioning of the Sanand Project, with Phase-I expected in Nov'25 (earlier in Sep'25) and EHC to be commissioned by 4QFY27 (earlier in 1HFY27).
- Revenue mix of different cables in overall cables revenue: LT/HT/EHV cables stood at ~71%/19%/10% vs. ~63%/30%/7% in 2QFY25 and ~63%/29%/8% in 1QFY26. Exports contributed ~16% to total revenues vs. ~9%/13% in 2QFY25/1QFY26. The order book declined ~1% YoY/2% QoQ to INR38.2b.
- C&W sales through dealers rose ~17% YoY during the quarter (~54% of total revenue vs. ~55% in 1QFY25). Further, its active working dealer count increased to 2,343 vs. 2,038/2,094 in 2QFY25/1QFY26.

## C&W revenue rises ~22% YoY and EBIT margin up 50bp YoY to 10.9%

- KEII's revenue/EBITDA/Adj. PAT stood at INR27.3b/INR2.7b/INR2.0b (+19%/ +20%/+31% YoY and -1%/-5%/-3% vs. our estimate) in 2QFY26. OPM was flat YoY to ~10%. Depreciation/interest cost increased by ~24%/6% YoY. Other income increased ~232% YoY.
- Segmental highlights: a) **C&W** revenue was up ~22% YoY at INR26.3b, EBIT rose ~28% YoY to INR2.9b, and EBIT margin increased 50bp YoY to 10.9%. b) **EPC business** revenue declined ~23% YoY to INR1.0b, EBIT declined 58% YoY to INR51m, and EBIT margin declined 4.2pp YoY to ~5.1%. c) **Stainless steel wires (SSW)** revenue declined ~11% YoY to INR539m, EBIT increased 55% YoY to INR44m, and EBIT margin increased 3.5pp YoY at 8.2%.
- In 1HFY26, revenue/EBITDA/PAT grew 22%/20%/31% YoY. EBITDA margin stood at 9.9% (down 20bp YoY). C&W revenue/EBIT was up 27%/29% YoY, and EBIT margin was flat YoY at 10.8% in 1HFY26. Operating cash inflow stood at INR3.8b vs. operating cash outflow at INR3.1b in 1HFY25. Capex stood at INR7.6b (including INR1.2b for land purchases) vs. INR3.1b. Net cash outflow stood at INR3.8b vs. INR6.2b in 1HFY25.
- The company's gross debt stood at INR1.8b vs. INR2.0b as of Jun'25. Cash & bank balance (incl. unutilized QIP proceeds of INR7.7b) stood at INR15.6b vs. INR17.0b as of Jun'25. Net cash balance (ex-acceptances) stood at INR7.3b vs. INR10.5b in Jun'25 and INR14.9b in Mar'25.

## Valuation and view

- KEII's 2QFY26 performance was in line with our estimates. While the C&W segment delivered strong revenue growth, the performance in SSW and EPC was muted, with revenue declining YoY. We are structurally positive on the C&W sector given strong growth drivers. However, we seek management clarity on the impact, if any, of a delay in its greenfield expansion in Sanand.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 16th Oct'25 (Concall Link).

**Quarterly Performance** (INR m)

| Y/E March | FY25 | | | | FY26 | | | | FY25 | FY26E | MOSL | Var. (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | |
| **Sales** | **20,605** | **22,838** | **24,673** | **29,148** | **25,903** | **27,263** | **28,756** | **34,341** | **97,359** | **1,16,264** | **27,405** | **(1)** |
| Change (%) | 15.6 | 17.3 | 19.8 | 25.7 | 25.7 | 19.4 | 16.6 | 17.8 | 20.1 | 19.4 | 20.2 | |
| **Adj EBITDA** | **2,146** | **2,248** | **2,408** | **3,013** | **2,580** | **2,693** | **2,953** | **3,915** | **9,910** | **12,141** | **2,836** | **(5)** |
| Change (%) | 20.4 | 10.3 | 12.3 | 23.2 | 20.3 | 19.8 | 22.6 | 29.9 | 18.3 | 22.5 | 28.6 | |
| Adj EBITDA margin (%) | 10.4 | 9.8 | 9.8 | 10.3 | 10.0 | 9.9 | 10.3 | 11.4 | 10.2 | 10.4 | 10.3 | (47) |
| Depreciation | 155 | 163 | 190 | 193 | 199 | 202 | 236 | 411 | 701 | 1,047 | 220 | (8) |
| Interest | 142 | 133 | 143 | 139 | 145 | 142 | 150 | 167 | 556 | 603 | 140 | 1 |
| Other Income | 178 | 128 | 136 | 371 | 396 | 423 | 300 | 211 | 718 | 1,330 | 350 | 21 |
| Extra-ordinary Items | - | - | - | - | - | - | - | - | - | - | - | |
| **PBT** | **2,027** | **2,079** | **2,212** | **3,052** | **2,632** | **2,773** | **2,867** | **3,549** | **9,370** | **11,821** | **2,826** | **(2)** |
| Tax | 525 | 531 | 564 | 786 | 675 | 738 | 737 | 886 | 2,406 | 3,035 | 726 | |
| Effective Tax Rate (%) | 25.9 | 25.5 | 25.5 | 25.8 | 25.6 | 26.6 | 25.7 | 25.0 | 25.7 | 25.7 | 25.7 | |
| **Reported PAT** | **1,502** | **1,548** | **1,648** | **2,265** | **1,957** | **2,035** | **2,130** | **2,663** | **6,964** | **8,786** | **2,100** | **(3)** |
| Change (%) | 23.8 | 10.4 | 9.4 | 34.4 | 30.3 | 31.5 | 29.2 | 17.6 | 19.9 | 26.2 | 35.6 | |
| **Adj PAT** | **1,502** | **1,548** | **1,648** | **2,265** | **1,957** | **2,035** | **2,130** | **2,663** | **6,964** | **8,786** | **2,100** | **(3)** |
| Change (%) | 23.8 | 10.4 | 9.4 | 34.2 | 30.3 | 31.5 | 29.2 | 17.6 | 19.9 | 26.2 | 35.6 | |

**Segmental Performance (INR m)**

| Y/E March | FY25 | | | | FY26 | | | | FY26 | Var. (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | 2QE | |
| **Sales** | | | | | | | | | | |
| Cables (Power + HW) | 18,757 | 21,440 | 23,517 | 27,968 | 24,771 | 26,256 | 27,515 | 32,886 | 26,111 | 1 |
| Stainless steel wires | 538 | 602 | 551 | 462 | 521 | 539 | 578 | 567 | 616 | (13) |
| EPC Business | 2,261 | 1,309 | 759 | 2,234 | 994 | 1,014 | 1,063 | 2,508 | 1,178 | (14) |
| **Growth (% YoY)** | | | | | | | | | | |
| Cables (Power + HW) | 16.4 | 20.8 | 26.0 | 35.2 | 32.1 | 22.5 | 17.0 | 17.6 | 22.0 | |
| Stainless steel wires | (8.9) | 2.0 | 19.4 | (19.3) | (3.0) | (10.6) | 5.0 | 22.8 | 3.0 | |
| EPC Business | 22.4 | (58.2) | (79.9) | (34.4) | (56.0) | (22.6) | 40.0 | 12.3 | (10.0) | |
| **EBIT** | | | | | | | | | | |
| Cables (Power + HW) | 2,067 | 2,241 | 2,372 | 3,069 | 2,665 | 2,871 | 2,972 | 3,638 | 2,846 | 1 |
| Stainless steel wires | 10 | 29 | 30 | 25 | 42 | 44 | 29 | 12 | 30 | 50 |
| EPC Business | 298 | 121 | 19 | 170 | 79 | 51 | 96 | 276 | 100 | (49) |
| **EBIT Margin (%)** | | | | | | | | | | |
| Cables (Power + HW) | 11.0 | 10.5 | 10.1 | 11.0 | 10.8 | 10.9 | 10.8 | 11.1 | 10.9 | 3bps |
| Stainless steel wires | 1.9 | 4.8 | 5.5 | 5.4 | 8.1 | 8.2 | 5.0 | 2.2 | 4.8 | 343bps |
| EPC Business | 13.2 | 9.2 | 2.5 | 7.6 | 8.0 | 5.1 | 9.0 | 11.0 | 8.5 | (344bps) |

# Angel One

| BSE SENSEX | S&P CNX |
|---|---|
| 82,605 | 25,324 |

## Conference Call Details

**Date:** 16th Oct 2025

**Time:** 11:00am IST

Link for the call

**Financials & Valuations (INR b)**

| Y/E March | 2025 | 2026E | 2027E |
|---|---|---|---|
| Revenues | 41.3 | 38.4 | 45.3 |
| Opex | 24.3 | 25.9 | 27.9 |
| PBT | 15.9 | 11.2 | 15.9 |
| PAT | 11.7 | 8.2 | 11.8 |
| EPS (INR) | 129.8 | 91.0 | 130.7 |
| EPS Gr. (%) | -3.1 | -29.9 | 43.6 |
| BV/Sh. (INR) | 678.4 | 742.9 | 835.4 |
| **Ratios (%)** | | | |
| C/I ratio | 58.9 | 67.6 | 61.6 |
| PAT margin | 28.4 | 21.4 | 26.1 |
| RoE | 27.1 | 14.0 | 18.0 |
| Div. Payout | 28.5 | 35.0 | 35.0 |
| **Valuations** | | | |
| P/E (x) | 19.8 | 25.3 | 17.6 |
| P/BV (x) | 3.8 | 3.1 | 2.8 |
| Div. Yield (%) | 1.4 | 1.4 | 2.0 |

**CMP: INR2,445** **Buy**

## In-line performance; broking recovers sequentially

- Gross broking revenue at ~INR7.2b declined 23% YoY but grew 4% QoQ (in-line). The sequential growth in brokerage revenue was led by F&O activity (F&O brokerage rose 8% QoQ and was in line), while cash brokerage declined 21% YoY/16% QoQ. The commodity brokerage rose 28% YoY/5% QoQ; 8% miss.
- Net brokerage income at INR5.5b dipped 21% YoY/grew 5% QoQ (in line).
- Net interest income at INR2.9b was flat YoY but grew 5% QoQ (in-line).
- Other income at INR1.1b declined 52% YoY but grew 10% QoQ (7% beat on estimates). The sequential growth was largely driven by 40% QoQ growth in distribution income.
- Total income at INR9.4b (down 21% YoY but grew 6% QoQ) was in line with our estimates. For 1HFY26, total income declined 21% YoY to INR18.3b.
- Total operating expenses grew 3% YoY (in-line) to INR6.2b. The CI ratio increased to 65.5% vs 50.1% in 2QFY25, with employee expenses up 19% YoY while admin expenses declined 8% YoY. Operating profit for 2QFY26 came in at INR3.2b, reflecting a margin of 34.5% (49.9% in 2QFY25). For 1HFY26, the operating margin stood at 28% (44% in 1HFY25).
- PAT for the quarter came in at INR2.1b (in-line), down 50% YoY but up 85% QoQ. For 1HFY26, PAT declined 54% YoY to INR3.3b.

## Continued momentum in F&O and commodity; cash declines

- ANGELONE's 2QFY26 witnessed a continued rise in F&O activity after the resetting of base post F&O regulations in 4QFY25, with Angel reporting a 7% sequential increase in F&O orders (8% F&O revenue growth QoQ). A volatile market environment resulted in a 3% sequential decline in cash orders (16% cash revenue decline QoQ). A surge in commodity activity resulted in a 7% sequential growth in commodity orders (5% sequential growth in commodity revenue).
- Average client funding book witnessed a substantial growth of 26% QoQ to INR53.1b (INR42.1b in 1QFY26). Net interest income grew 5% QoQ to INR2.9b.
- Maintained SIP momentum and ~100% sequential growth in credit disbursals to INR4.6b during the quarter (INR13.9b – cumulative as of Sep'25), resulting in a 40% sequential growth in distribution income.

## Expenses broadly in line; operating margin at 34.5%

- Total operating expenses grew 3% YoY to INR6.2b with 19% YoY growth in employee expenses, offset by an 8% YoY decline in admin expenses.
- The CI ratio increased to 65.5% in 2QFY26 from 50.1% in 2QFY25.
- Employee costs included ESOP costs of INR470m and employee benefit expenses of INR2,275m.
- Admin and other expenses declined 8% YoY to INR3.4b, owing to a decline in customer additions to 1.7m during the quarter (3m in 2QFY25).

## Valuation and view

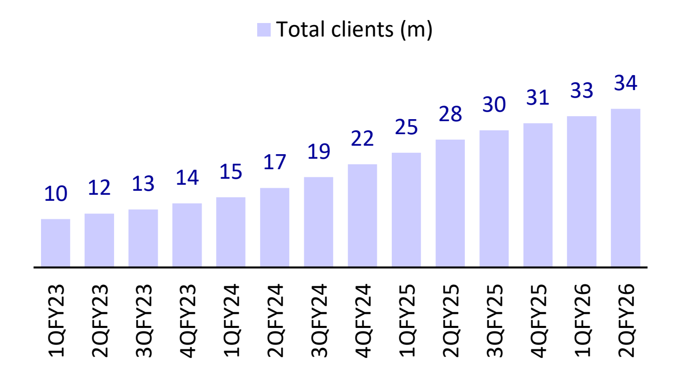
Sequential growth momentum was maintained in 2QFY26, with the industry seeing recovery in F&O activity and a strong surge in commodity activity, offset by a volatile market impacting the retail cash activity. Costs were controlled with flattish employee expenses and a decline in customer acquisition costs. The new business of loan distribution witnessed strong growth during the quarter. Other new businesses, such as the distribution of fixed deposits, wealth management, and AMC, are likely to gain traction over the medium term. We may review our estimates after the earnings call on 16th Oct'25.

**Quarterly Performance** (INR m)

| Y/E March | FY25 | | | | FY26 | | FY25 | FY26E | 2Q | Act v/s | YoY | QoQ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | | | FY26E | Est. (%) | Growth | Growth |
| Revenue from Operations | 9,150 | 9,774 | 8,895 | 7,439 | 7,952 | 8,353 | 35,258 | 33,939 | 8,348 | 0.1 | -15% | 5% |
| Other Income | 1,983 | 2,210 | 963 | 869 | 961 | 1,056 | 6,025 | 4,187 | 985 | 7.2 | -52% | 10% |
| **Total Income** | **11,133** | **11,984** | **9,858** | **8,308** | **8,913** | **9,409** | **41,283** | **38,127** | **9,333** | **0.8** | -21% | 6% |
| Change YoY (%) | 77.1 | 46.9 | 19.1 | -21.7 | -19.9 | -21.5 | 23.9 | -7.6 | -22.1 | | | |
| Operating Expenses | 6,940 | 6,007 | 5,717 | 5,665 | 6,969 | 6,163 | 24,329 | 25,671 | 6,252 | -1.4 | 3% | -12% |
| Change YoY (%) | 114.8 | 51.2 | 23.3 | -3.3 | 0.4 | 2.6 | 37.5 | 5.5 | 4.1 | | | |
| Depreciation | 226 | 256 | 267 | 285 | 299 | 307 | 1,034 | 1,249 | 309 | -0.9 | 20% | 2% |
| **PBT** | **3,968** | **5,721** | **3,874** | **2,357** | **1,644** | **2,939** | **15,921** | **11,207** | **2,772** | **6.0** | -49% | 79% |
| Change YoY (%) | 33.7 | 40.5 | 10.4 | -48.6 | -58.6 | -48.6 | 5.2 | -29.6 | -51.5 | | | |
| Tax Provisions | 1,041 | 1,487 | 1,059 | 612 | 500 | 823 | 4,199 | 3,176 | 721 | 14.1 | -45% | 65% |
| **Net Profit** | **2,927** | **4,234** | **2,816** | **1,745** | **1,145** | **2,117** | **11,722** | **8,031** | **2,051** | **3.2** | -50% | 85% |
| Change YoY (%) | 32.5 | 39.1 | 8.2 | -48.7 | -60.9 | -50.0 | 4.1 | -31.5 | -51.6 | | | |
| **Key Operating Parameters (%)** | | | | | | | | | | **bp** | **bp** | **bp** |
| Cost to Income Ratio | 62.3 | 50.1 | 58.0 | 68.2 | 78.2 | 65.5 | 58.9 | 67.3 | 67.0 | -148.0 | 1,538 | -1,269 |
| PBT Margin | 35.6 | 47.7 | 39.3 | 28.4 | 18.4 | 31.2 | 38.6 | 29.4 | 29.7 | 154.0 | -1,650 | 1,279 |
| Tax Rate | 26.2 | 26.0 | 27.3 | 26.0 | 30.4 | 28.0 | 26.4 | 28.3 | 26.0 | 199.0 | 200 | -240 |
| PAT Margins | 26.3 | 35.3 | 28.6 | 21.0 | 12.8 | 22.5 | 28.4 | 21.1 | 22.0 | 52.0 | -1,284 | 965 |
| **Revenue from Operations (INR Mn)** | | | | | | | | | | | | |
| Gross Broking Revenue | 9,173 | 9,356 | 8,182 | 6,332 | 6,906 | 7,191 | 33,043 | 29,522 | 7,339 | -2.0 | -23% | 4% |
| F&O | 7,705 | 7,578 | 6,627 | 4,876 | 5,132 | 5,528 | 26,787 | 22,560 | 5,389 | 2.6 | -27% | 8% |
| Cash | 1,009 | 1,216 | 982 | 886 | 1,141 | 961 | 4,094 | 4,142 | 1,163 | -17.4 | -21% | -16% |
| Commodity | 459 | 561 | 573 | 570 | 684 | 721 | 2,163 | 2,891 | 787 | -8.4 | 28% | 5% |
| Net Broking Revenue | 6,762 | 6,934 | 6,236 | 4,864 | 5,217 | 5,491 | 24,797 | 22,532 | 5,544 | -1.0 | -21% | 5% |
| Net Interest Income | 2,388 | 2,840 | 2,659 | 2,575 | 2,735 | 2,862 | 10,461 | 11,408 | 2,804 | 2.1 | 1% | 5% |
| **Revenue from Operations Mix (%)** | | | | | | | | | | | | |
| As % of Gross Broking Revenue | | | | | | | | | | bp | bp | bp |
| F&O | 84.0 | 81.0 | 81.0 | 77.0 | 74.3 | 76.9 | 81.1 | 76.4 | 73.4 | 345.0 | -412 | 256 |
| Cash | 11.0 | 13.0 | 12.0 | 14.0 | 16.5 | 13.4 | 12.4 | 14.0 | 15.9 | -248.0 | 37 | -315 |
| Commodity | 5.0 | 6.0 | 7.0 | 9.0 | 9.9 | 10.0 | 6.5 | 9.8 | 10.7 | -70.0 | 403 | 12 |
| Net Broking (As % Total Revenue) | 73.9 | 70.9 | 70.1 | 65.4 | 65.6 | 65.7 | 70.3 | 66.4 | 66.4 | -68.0 | -521 | 13 |
| Net Interest Income (As % Total Revenue) | 26.1 | 29.1 | 29.9 | 34.6 | 34.4 | 34.3 | 29.7 | 33.6 | 33.6 | 68.0 | 521 | -13 |
| **Expense Mix (%)** | | | | | | | | | | **bp** | **bp** | **bp** |
| Employee Expenses | 28.0 | 36.8 | 39.7 | 31.4 | 37.7 | 42.4 | 33.7 | 41.4 | 42.6 | -16.0 | 566 | 474 |
| Admin Cost | 68.3 | 59.3 | 55.9 | 63.8 | 58.3 | 53.0 | 62.2 | 54.0 | 52.7 | 26.0 | -633 | -530 |
| Depreciation | 3.2 | 4.1 | 4.5 | 4.8 | 4.1 | 4.7 | 4.1 | 4.6 | 4.7 | 3.0 | 65 | 62 |

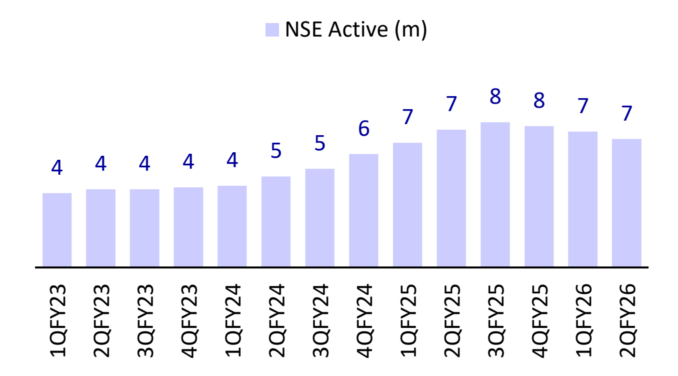
# Key exhibits

### Total clients rose at a slower pace



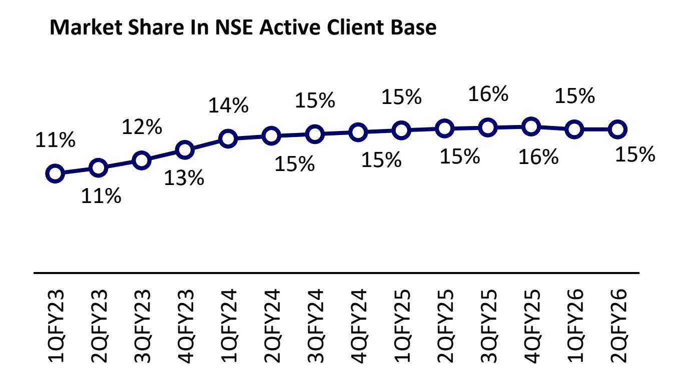

Source: MOFSL, Company

### NSE active clients declined QoQ



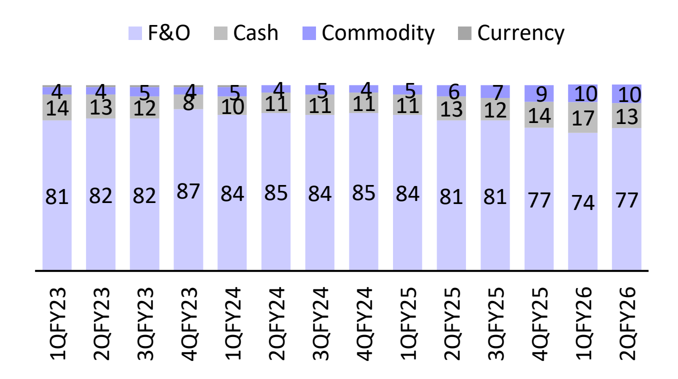

Source: MOFSL, Company

### Market share in NSE active clients remained stable



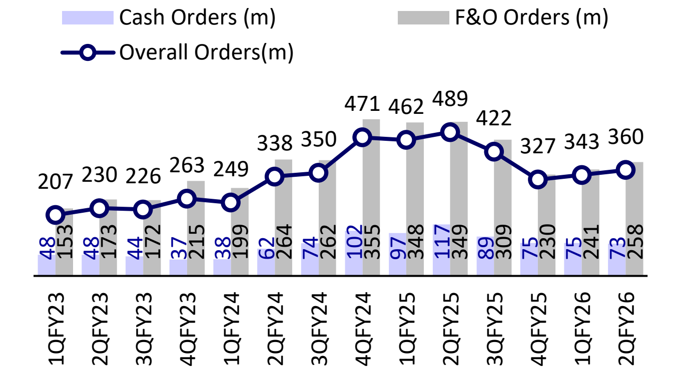

Source: MOFSL, Company

### Gross broking revenue mix



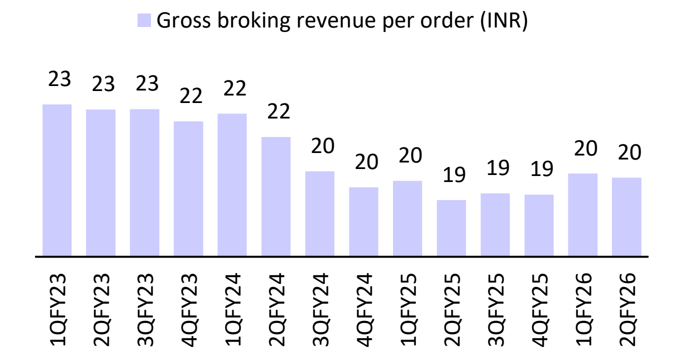

Source: MOFSL, Company

### No. of orders grew sequentially…



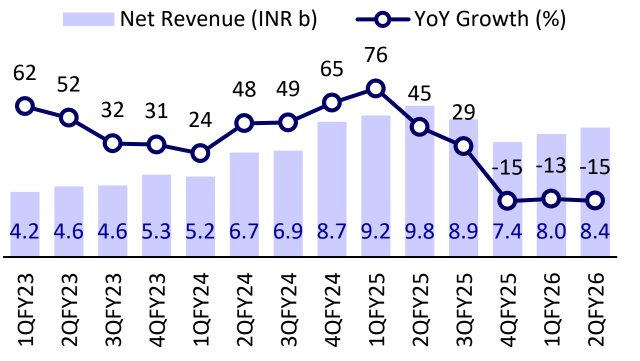

Source: MOFSL, Company

### …while revenue per order was largely stable



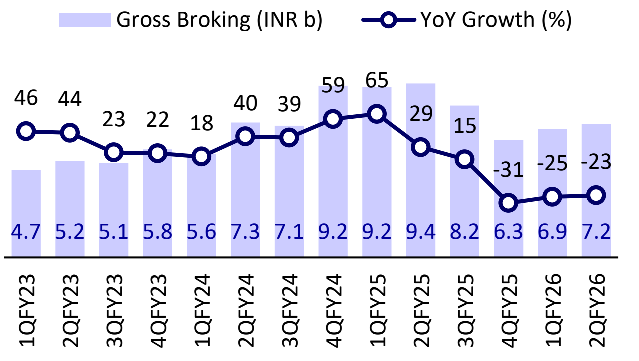

Source: MOFSL, Company

**Net revenue declined 15% YoY…**



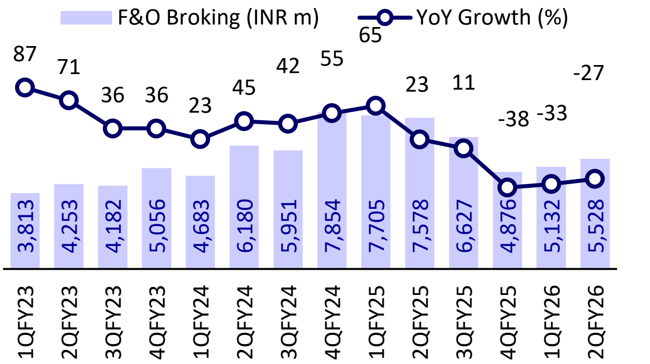

Source: MOFSL, Company

**…as gross broking revenue declined 23% YoY**



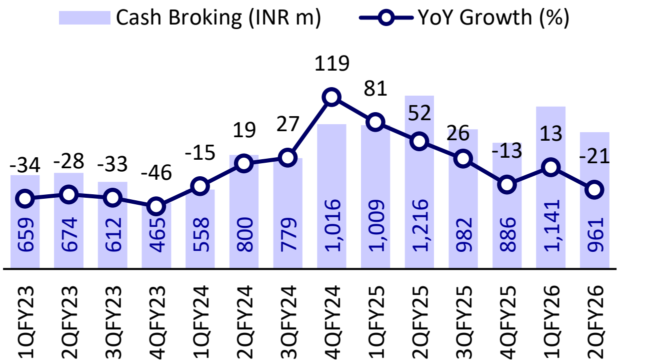

Source: MOFSL, Company

**F&O continued its sequential recovery**



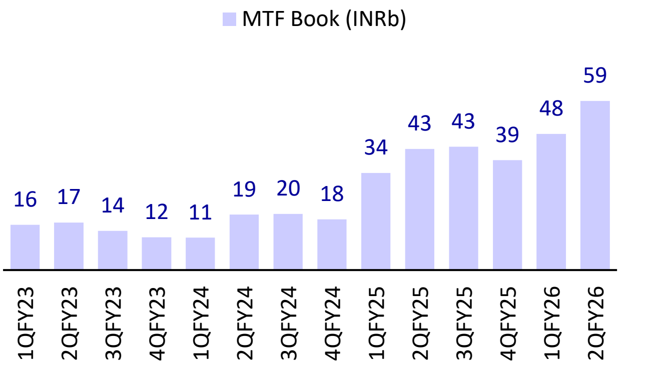

Source: MOFSL, Company

**Sequential decline in cash brokerage**



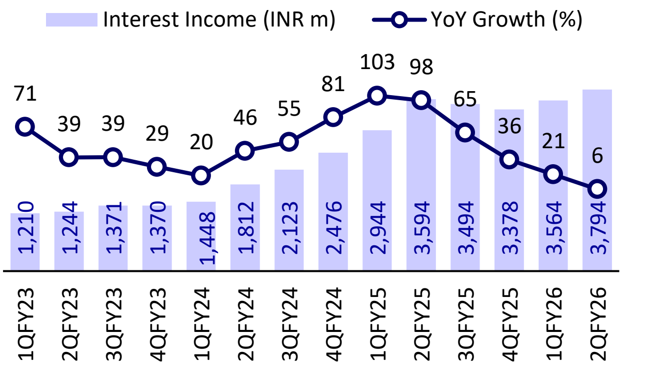

Source: MOFSL, Company

**The MTF book grew sequentially**



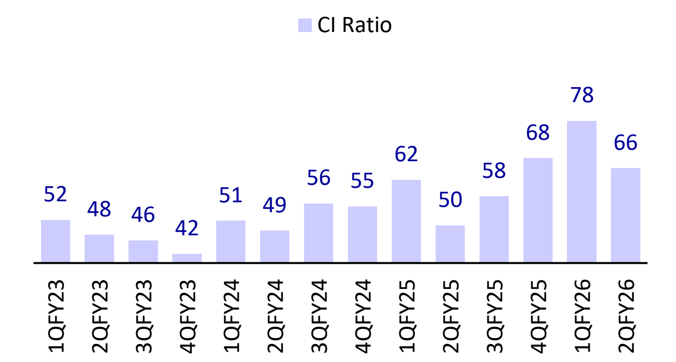

Source: MOFSL, Company

**Interest income continued to increase YoY**



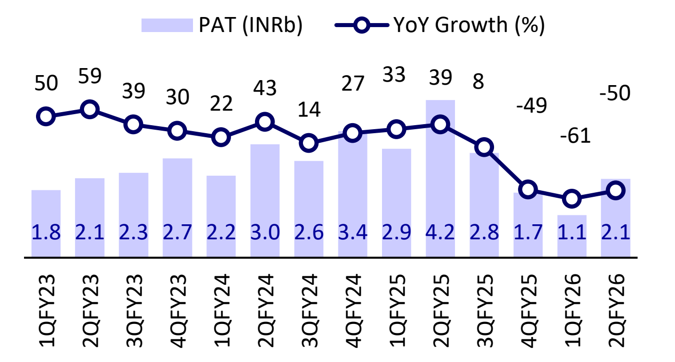

Source: MOFSL, Company

**CI ratio increased YoY**




Source: MOFSL, Company

**Trend in PAT growth**




Source: MOFSL, Company

**Consistent total net revenue from every cohort**

| | | Actuals | | | | | |
|---|---|---|---|---|---|---|---|
| (₹ Mn) | Gross Acquisition (Mn) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
| Pre-FY20 | | 3,589 | 3,358 | 3,606 | 3,439 | 3,681 | 3,816 |
| FY20 | 0.6 | 1,116 | 2,066 | 1,801 | 1,743 | 1,894 | 1,842 |
| FY21 | 2.4 | | 3,472 | 6,455 | 5,760 | 6,037 | 5,779 |
| FY22 | 5.3 | | | 4,885 | 8,233 | 8,483 | 7,924 |
| FY23 | 4.7 | | | | 3,728 | 7,081 | 5,825 |
| FY24 | 8.8 | | | | | 6,156 | 10,942 |
| FY25 | 9.3 | | | | | | 5,154 |
| **Total Net Income** | | **4,705** | **8,896** | **16,747** | **22,902** | **33,331** | **41,282** |
| (-) Employee + Opex (Ex-Branding Spend) | | 3,205 | 4,436 | 7,951 | 10,479 | 16,817 | 22,127 |
| **Margin (Ex-Branding Spend)** | | **1,500** | **4,460** | **8,797** | **12,423** | **16,514** | **19,155** |
| *Margin (Ex-Branding Spend)* | | *31.9%* | *50.1%* | *52.5%* | *54.2%* | *49.5%* | *46.4%* |
| (-) Branding Spend | | 103 | 165 | 243 | 202 | 878 | 2,200 |
| **Operating Profit** | | **1,397** | **4,295** | **8,554** | **12,221** | **15,637** | **16,953** |
| *Operating Profit Margin (%)* | | *29.7%* | *48.3%* | *51.1%* | *53.4%* | *46.9%* | *41.1%* |
| Payback of Cost of Acquisition (# of months) | | | | 5 | 7 | 7 | 10 |

Source: MOFSL, Company

## Persistent Systems :Would Like To See If We Can Improve Margin By Another 100 bps In FY27; Vinit Teredesai

- Guided 200–300 bps margin improvement by FY27; already at 15.9% for 1H.
- BFSI (35% of revenue) driving growth; strong traction from new logos, especially in North America.
- H2 outlook steady; pipeline strong with consistent 22-quarter sequential growth.
- Reduced H1B dependency; <10 new India applications, majority local hires.
- Expecting continued momentum toward $2 bn revenue target by FY27.

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## Lemon Tree Hotels There Is An Uplift In Demand Due To Lower Prices Post GST Reforms; Patanjali Keswani, CMD

- GST cuts to boost demand; ~200 bps margin hit from lost input credit.
- ~40% of business affected; 1.5–2% revenue impact.
- Strong H2 expected on festive timing, higher Nov demand.
- Industry growth seen in mid-to-high teens.
- Exploring Fleur Hotels listing, fundraise, and acquisitions.

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## ICICI Lombard: Will Try And Outperform Markets By 100-200 Bps On Growth Front; Gopal Balachandran, CFO

- Combined ratio improved to ~104% YoY; trajectory expected to stay positive.
- Industry growth seen accelerating from 7% to 8–9% in H2; ICICI Lombard targeting 100–200 bps higher.
- Growth momentum strong across motor and retail health segments.
- GST cuts boosting demand and insurance volumes, especially in autos.
- Input tax credit impact manageable; focus remains on profitable, sustainable growth.

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## Leela Palaces Hotels & Resorts: EBITDA Expected To Grow In Mid-To-High Teens In FY26; Anuraag Bhatnagar

- RevPAR up 13% YoY; EBITDA margin at 48%, up 555 bps YoY.
- Expecting mid-to-high teens EBITDA growth in FY26; PAT to exceed ₹100 cr.
- Targeting ₹2,000 cr EBITDA by FY30 via new hotels and brand extensions.
- Expanding internationally with 25% stake in Dubai's Palm Jumeirah project.
- Debt reduced; net debt/EBITDA at 0.5×, interest cost down to 8.4%.

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

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