

Market snapshot



Equities - India	Close	Chg .%	CYTD.%
Sensex	84,680	-0.6	8.4
Nifty-50	25,860	-0.6	9.4
Nifty-M 100	59,711	-0.8	4.4
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	6,800	-0.2	15.6
Nasdaq	23,111	0.2	19.7
FTSE 100	9,685	-0.7	18.5
DAX	24,077	-0.6	20.9
Hang Seng	8,758	-1.8	20.1
Nikkei 225	49,383	-1.6	23.8
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	60	-2.1	-18.9
Gold (\$/OZ)	4,302	-0.1	63.9
Cu (US\$/MT)	11,582	-0.6	33.9
Almn (US\$/MT)	2,833	0.4	12.1
Currency	Close	Chg .%	CYTD.%
USD/INR	91.0	0.3	6.3
USD/EUR	1.2	-0.1	13.5
USD/JPY	154.7	-0.3	-1.6
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.6	-0.02	-0.2
10 Yrs AAA Corp	7.3	-0.02	0.0
Flows (USD b)	16-Dec	MTD	CYTD
FII	-0.26	-1.79	-17.7
DII	0.12	4.87	86.0
Volumes (INRb)	16-Dec	MTD*	YTD*
Cash	896	968	1067
F&O	5,26,507	3,01,378	2,36,105

Note: Flows, MTD includes provisional numbers. *Average



Today's top research idea

Astra Microwave Products - Initiating Coverage (Precision in motion!)

- ❖ Astra Microwave Products (AMPL) designs and manufactures high-quality radio frequency and microwave modules, subsystems, and systems in India. The company is moving from being a subsystem-level player to a complete system solutions provider and is eyeing opportunities from Active Electronically Scanned Array (AESA) radar, Uttam radar, meteorological orders, repeat orders from the Navy, and counter-drone orders over the next few years.
- ❖ The company's order book stood at INR22b as of 30th Sep'25. AMPL posted 13% revenue CAGR over FY21-25. Driven by a changing business mix, the company was able to improve its EBITDA margin notably to 25.6% in FY25 from 12.3% in FY21. We expect the company's revenue to post an 18% CAGR over FY25-28 and project its margin to improve 40bp over the same period to reach ~26% by FY28. This would lead to PAT CAGR of 23% over the same period.
- ❖ We initiate coverage on AMPL with a BUY rating and a TP of INR1,100, premised on 38x Dec'27 estimates. This valuation reflects a discount compared to larger defense PSUs. We consider AMPL a long-term investment opportunity in defense electronics, anticipating its revenue growth to accelerate between FY27 and FY30 as larger orders are awarded by the Ministry of Defence (MoD) and defense PSUs.



Research covered

Cos/Sector	Key Highlights
Astra Microwave Products Initiating Coverage	Precision in motion!
Vishal Mega Mart	Long runway for sustainable double-digit growth
Other Updates	The Corner Office (Mahindra and Mahindra Financial Services) Technology Financials – Indian General Insurance

Chart of the Day: Astra Microwave Products (Precision in motion!)

AMPL's addressable market across segments

Particular	Total Addressable Market (INR b)
Meteorology/Hydrology	9-10
Special Projects	20-30
Radar Programs	100-110
Space (FM)	5-6
Missiles and Telemetry	18-20
Turnkey Projects	50-60
Exports	15-20
EW	7-7.5
Total	240-250

Source: Company, MOFSL

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

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



In the news today



Kindly click on textbox for the detailed news link

1

NCLT clears Vedanta's demerger plan

The clearance comes despite objections raised by the ministry of petroleum and natural gas, which had opposed the demerger citing concerns over financial risks, alleged misrepresentation of hydrocarbon assets, and inadequate disclosure of liabilities.

2

Britannia will move to a culture sans hierarchy: New MD

Britannia Industries welcomes Rakshit Hargave as its new Managing Director and Chief Executive Officer. Hargave aims to foster an open, hierarchy-free work environment and will travel extensively.

3

Ola Electric founder Bhavish Aggarwal pares stake marginally, clears ₹260 crore promoter-level loan

It is part of the founder's conviction that Ola Electric should operate with zero pledge overhang

4

CAG raps BPCL over idling time chartered vessels leading to unnecessary expenditure of ₹470.56 crore

BPCL pulled up for deficient planning in assessing creation of storage and infrastructure facilities, besides poor supply and logistics planning

5

Prestige shelves Lutyens' plan, sells bungalow

Prestige Group has exited a luxury project deal in Delhi's Kasturba Gandhi Marg. Delays in approvals led the Bengaluru-based developer to sell the property. The group acquired the land for approximately 300 crore and sold it for around 450 crore. Prestige Group will now focus on its NCR projects in Ghaziabad, Noida, and Gurgaon.

6

Kotak Mahindra Bank revamps microfinance play, cuts JLG exposure amid cyclical stress

Kotak Mahindra Bank is restructuring its microfinance portfolio, significantly reducing joint liability group (JLG) loans to focus on individually underwritten loans.

7

Reliance eyes Jio-style disruption in genomics with sub-Rs 1,000 tests

The energy-to-retail conglomerate is leveraging Strand Life Sciences for its entry into the emerging areas of specialised healthcare diagnostics and genomic sciences. Reliance had acquired the Bengaluru-based company for ₹393 crore in 2021.

Astra Microwave Products

BSE SENSEX 84,680
S&P CNX 25,860



Astra Microwave Products Ltd.

Bloomberg	ASTM IN
Equity Shares (m)	95
M.Cap.(INRb)/(USDb)	84.2 / 0.9
52-Week Range (INR)	1196 / 584
1, 6, 12 Rel. Per (%)	-11/-27/-1
12M Avg Val (INR M)	474
Free float (%)	93.5

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Net Sales	11.2	13.7	17.3
EBITDA	2.8	3.6	4.5
PAT	1.9	2.8	3.6
EPS (INR)	16.4	23.7	30.3
GR. (%)	0.8	44.4	27.7
BV/Sh (INR)	133.1	156.8	187.1

Ratios

ROE (%)	13.2	16.4	17.6
RoCE (%)	12.0	14.2	15.3

Valuations

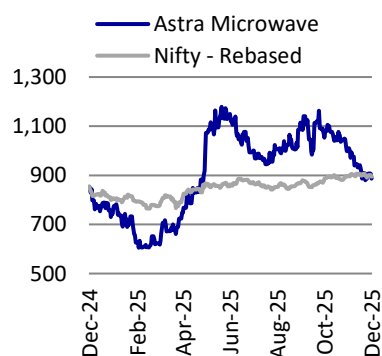
P/E (X)	54.1	37.4	29.3
P/BV (X)	6.7	5.7	4.7
EV/EBITDA (X)	30.0	24.1	19.3

Shareholding pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	6.5	6.5	6.5
DII	14.6	14.4	15.0
FII	6.5	6.5	5.7
Others	72.5	72.6	72.8

FII includes depository receipts

Stock Performance (1-year)



CMP: INR888

TP: INR1,100 (+24%)

Buy

Precision in motion!

Transitioning from a subsystems to a system-based player

Astra Microwave Products (AMPL) designs and manufactures high-quality radio frequency and microwave modules, subsystems, and systems in India. The company is moving from being a subsystem-level player to a complete system solutions provider and is eyeing opportunities from Active Electronically Scanned Array (AESA) radar, Uttam radar, meteorological orders, repeat orders from the Navy, and counter-drone orders over the next few years. The company's order book stood at INR22b as of 30th Sep'25. AMPL posted 13% revenue CAGR over FY21-25. Driven by a changing business mix, the company was able to improve its EBITDA margin notably to 25.6% in FY25 from 12.3% in FY21. We expect the company's revenue to post an 18% CAGR over FY25-28 and project its margin to improve 40bp over the same period to reach ~26% by FY28. This would lead to PAT CAGR of 23% over the same period. We initiate coverage on AMPL with a BUY rating and a TP of INR1,100, based on 38x Dec'27 estimates. This valuation reflects a 15% discount compared to target multiple of larger defense PSUs owing to its smaller size. We consider AMPL a long-term investment opportunity in defense electronics, anticipating its revenue growth to accelerate between FY27 and FY30 as larger orders are awarded by the Ministry of Defence (MoD) and defense PSUs.

Healthy addressable market across segments

The total addressable market for AMPL is ~INR240b-250b across all sectors through FY28. Within this addressable market, AMPL targets significant opportunities until FY28 in radar, missiles, telemetry, and turnkey projects, followed by other initiatives. The company's offerings range across AAAU hardware, AESA multi-functional radar, Electronic warfare (EW) subsystems, jammers, telemetry subsystems, et al. Further, AMPL is actively participating in multiple Make-II programs of the Indian Air Force and the Indian Army, focusing on various radar systems. We thus expect AMPL to benefit from upcoming orders related to QRSAM, the Uttam radar for Tejas Mk1A, the EW suite and Virupaksha AESA radar for the Su-30 MK1 upgrade, weapon locating radars, and other defense segment projects over the next 1-2 years. We also project emerging opportunities in space, meteorology, exports, and other projects for AMPL over the medium to long term.

Revenue growth profile to change over the next 4-5 years

AMPL is targeting potential orders worth INR14-15b from QRSAM, INR10b from Uttam radar, and INR15-16b from the EW suite related to the Su-30MK1 upgrade. These will be followed by orders for the Virupaksha AESA radar and an additional INR15-16b from weapon-locating radars. The company is already qualified as one of the suppliers for these orders. Once awarded, we expect project execution to scale up during FY27-30, supplementing AMPL's base orders. Additionally, AMPL is expected to benefit from meteorology-related orders through Mission Mausam and the launch of a satellite, which could increase revenues in meteorology and the space segment. Export opportunities are anticipated to take 1-2 years before contributing meaningfully to revenue.

AMPL has a strong order book of INR22b, providing revenue visibility for three years. With this, we expect revenues to clock 18% CAGR over FY25-28.

AMPL reported a revenue CAGR of 13% over FY21-25, mainly driven by the execution of defense and export orders over FY23-25

Wide product portfolio

AMPL's range of products encompasses offerings in defense, space, and hydro/meteorology, along with expertise in antennas, MMIC, contract manufacturing, Homeland security, and environmental & EMI/EMC testing services. It supplies various kinds of EW subsystems and components to DPSUs and the programs of the Indian Air Force, Navy, and Army. It is also associated with Jammer's program for LCA Mk1A, Su-30 MKI, and other fighter platforms in India. It is also a critical partner of Bharat Electronics (BEL) for EW. It supplies various subsystems for Telemetry applications such as S-Band FM Transmitter, Airborne RF Trans receiver, Ground Up-down Converters, C & S Band Switch Antenna Systems, Telemetry Tracking systems, etc. Currently, 80% of the company's defense segment revenue originates from subsystems and 20% from systems. The company plans to alter the ratio to 50-50% in the future.

Strong order book, JVs, and alliances enhance revenue visibility

AMPL has a strong order book of INR22b, providing revenue visibility for three years. With this, we expect revenues to clock 18% CAGR over FY25-28. Along with this, the company has also formed JVs and alliances with various players to enter new areas such as explosives (with Premier Explosives to get hard-kill capabilities for anti-drones), navigation systems (with Manjeera Digital to manufacture navigation chips), tactical radio communication systems, and electronic warfare (EW) with M/s Rafael Advanced Defense Systems. These JVs and alliances further enhance revenue visibility for the company via newer areas.

Strong client base

The company has a strong client profile. Its clientele includes RCI, BrahMos, Gaetec, Bharat Electronics, Bharat Dynamics Limited, Electronics Corporation of India Limited, HAL, BSF, IITM, GUVNL, Adani Defense and Aerospace, L&T, IAI ELTA, Rafael, Elbit Systems, Thales, Sematron Italia, Raytheon Technologies, ISTRAC, URSC, Antrix Corporation, NARL, SAE, CSIR-NAL, MGAM, the Government of Telangana, the Central Water Commission, and the India Meteorological Department.

Focusing on working capital reduction

Management targets a reduction in working capital, which would particularly be driven by a reduction in receivables. The receivables had moved up in the last 3-4 years, especially driven by certain orders related to radars, where payments are linked to acceptance of those radars by the client. These receivables, worth nearly INR1.7b, are likely to be received during FY26. Therefore, we expect AMPL's NWC days to come down for FY26. This will enhance operating cash flows for the company. However, we do not expect a sharp reduction in NWC days going forward.

Financial outlook

AMPL reported a revenue CAGR of 13% over FY21-25, mainly driven by the execution of defense and export orders over FY23-25. EBITDA margin improved to 25.6% in FY25 from 12.3% in FY21, fueled by the completion of low-margin export orders. AMPL raised INR2.25b at the beginning of FY24 to strengthen its balance sheet. However, gross borrowings rose from INR1b in FY21 to INR4.2b by FY25 due to an increase in the net working capital cycle. We expect the company's revenue/EBITDA/ PAT to record a CAGR of 18%/19%/23% over FY25-28, while its RoE and RoCE are expected to remain at comfortable levels of 13-17% in FY28.

At the current price of INR888, the stock is trading at 37.4x/29.3x P/E on FY27E/ FY28E financials. We initiate coverage on AMPL with a BUY rating and a TP of INR1,100 (based on 38x Dec'27 estimates)

Future growth strategy

The company expects to capitalize on the strong growth prospects in the defense sector by 1) moving up the value chain from manufacturing subsystems for OEM customers to manufacturing complete systems, 2) entering into collaborations and JVs for complex projects, 3) providing comprehensive solutions to clients, 4) diversifying revenue mix, 5) increasing the share of higher-margin domestic orders vs. exports, and 6) maintaining a strong balance sheet.

Valuation and recommendations

At the current price of INR888, the stock is trading at 37.4x/29.3x P/E on FY27E/ FY28E financials. **We initiate coverage on AMPL with a BUY rating and a TP of INR1,100 based on 38x Dec'27 estimates. Our target multiple at a 15% discount to the target multiple of larger PSU owing to its smaller size.** We view Astra Microwave to be a long-term play in defense electronics, with its revenue growth profile to improve more during FY27-30 as larger orders get awarded from MoD.

Key risks and concerns

Key risks include: delays in awarding of larger platforms, lower-than-expected spending from the government on the defense sector, and supply-chain issues.

ASTRA MICROWAVE PRODUCTS: GROWTH DRIVERS

Transition from subsystems to full-system integration

Strong presence across radar ecosystem

Large pipeline of high-value defence programs such as QRSAM, Uttam AESA radar, etc.

Diversification beyond defence with traction across meteorology and space

JVs enabling entry into high-value segments



Vishal Mega Mart

BSE SENSEX 84,680 S&P CNX 25,860



Bloomberg	VMM IN
Equity Shares (m)	4671
M.Cap.(INRb)/(USDb)	635.5 / 7
52-Week Range (INR)	158 / 96
1, 6, 12 Rel. Per (%)	0/5/-
12M Avg Val (INR M)	3794
Free float (%)	45.9

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	129.2	154.7	184.0
EBITDA	19.0	23.1	27.9
Adj. PAT	8.4	10.8	13.8
EBITDA Margin (%)	14.7	14.9	15.2
Adj. EPS (INR)	1.8	2.3	3.0
EPS Gr. (%)	31.3	28.5	27.4
BV/Sh. (INR)	15.7	18.0	20.9

Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	12.3	13.8	15.2
RoCE (%)	10.4	11.2	12.1
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	75.4	58.6	46.0
EV/EBITDA (x)	33.8	27.5	22.4
EV/Sales (X)	5.0	4.1	3.4

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	54.1	54.2	76.0
DII	25.4	27.3	6.4
FII	15.4	12.9	4.6
Others	5.1	5.6	13.0

FII includes depository receipts

CMP: INR136 TP:INR170 (+25%) Buy

Long runway for sustainable double-digit growth

We interacted with senior management of Vishal Mega Mart (VMM) to understand the company's growth runway, scope of operating leverage and profitability in South India, among other things. Here are the key takeaways:

- Management remains optimistic about sustaining double-digit SSSG on an annual basis (quarterly deviations might happen due to a change in the festive season, etc.) for a fairly long period, driven by differentiated own brands portfolio (~75% of the revenue mix).
- VMM has focused on premiumization over the last few years to match the rising aspirations of its customer base while remaining competitive in the opening price points by investing the gains from better buying efficiencies to improve the product quality.
- The company's focus on volume-led growth, technology (warehouse automation, RFID implementation), best-in-class supply chain management (<3% of revenue) and frugal operational philosophy should result in operating leverage and drive EBITDA margin expansion.
- Management noted that lower throughput in South India is a function of relatively new stores (3-4 year old vs. 10+ years in core states). However, driven by higher apparel salience, the profitability in South is similar if not better than the pan-India level, which has buoyed management to accelerate store expansion in South India.
- VMM offers quick commerce (QC) in 460 towns, with its share varying between 2% and 9% of in-store sales, depending on competitive intensity. Further, management indicated that despite higher FMCG salience (~70%, lower gross margin) and associated delivery costs (~INR30-40/order), VMM's QC offering is largely profitable on cash basis as AoV at ~INR700 is similar to typical in-store sales.
- We remain positive on VMM for its consistent growth trajectory, along with potential for margin expansion. We **reiterate our BUY rating with a revised TP of INR170**, premised on ~40x DCF implied Dec'27E pre-INDAS 116 EV/EBITDA (implies ~61x Dec'27 P/E).

Confident of sustaining double-digit SSSG over fairly long period

- VMM management remains confident of sustaining double-digit SSSG on an annual basis over a fairly longer period, though on a quarterly basis, there could be deviations due to a change in the festive calendar, etc.
- VMM's differentiated proposition (~75% of revenue from own brands), ownership of opening price points and loyal customer base (~95% of sales to repeat customers) remain key drivers for sustainable SSSG.
- Management noted that stores across various cohorts are delivering double-digit growth. For example, 7-10-year old stores with SPSF of ~1.7-2x of system average remain among the best performing stores.
- Further, VMM's focus on premiumization is helping it garner a higher wallet share from customers, especially during the festive period.

South India expansion remains profitable despite lower throughput

- Throughput in South India is optically lower due to 1) historically larger store sizes in Karnataka (~25k sqft vs. ~17-18k sqft national average) and 2) relatively new store footprint (3-4 years of operations vs. 10+ years in core markets).
- However, despite lower throughput, management noted that profitability in South India is at par, if not better than national average, given higher salience of apparel in the region.
- Buoyed by the performance of stores in South India, the company has added more stores than initially anticipated in key markets such as Bangalore and Hyderabad and remains bullish on store expansion prospects.
- Further, VMM has witnessed encouraging response in new markets such as Kerala, which has prompted the company to accelerate the pace of store expansion (~15 stores already opened in last 12-15 months).

Scale-up of QC offerings and small-format stores to expand VMM's TAM

- VMM's QC offering (now live in ~460 towns) is also bringing newer customers to VMM's ecosystem. QC contributes ~2-9% of VMM's in-store sales, depending on competitive intensity across regions.
- Further, management noted that VMM's QC offering is broadly profitable on cash basis as a high average order value (~INR700, in line with typical in-store ABV) makes up for the lower gross margin (~70% FMCG salience vs. ~27-28% in store) and associated delivery costs (~INR30-40/order).
- VMM is also piloting small store formats to target ~50k population towns, which is leading to expansion in its targetable addressable market (TAM). As per management, the performance of these small-format stores has been broadly in line with large-format stores, providing encouragement to roll it out to 40-50 stores over the next 12 months.

Valuation and view

- We believe the company's diversified category mix, ownership of opening price points, significant contribution from its own brands, and lean cost structure provide it with a strong moat against intense competition from both offline and online value retailers.
- Our FY26-28 earnings estimates remain broadly unchanged. We model a CAGR of 20%/22%/27%/30% in revenue/EBITDA/pre-INDAS 116 EBITDA/PAT over FY25-28E, driven by ~12% CAGR in store additions, consistent double-digit SSSG and ~160bp pre-INDAS 116 EBITDA margin expansion.
- We **reiterate our BUY rating with a revised TP of INR170**, premised on DCF-implied ~40x Dec'27E pre-IND AS 116 EV/EBITDA (implying ~29x Dec'27E reported EBITDA and ~61x Dec'27E P/E).

Our TP implies ~29x Dec'27E reported EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	26.7	29	779
Net debt (incl. leases)			-2
Equity value			781
TP (INR/share)			170
CMP (INR/share)			136
Potential upside (%)			25

Source: MOFSL

Ascribe a TP of INR170, based on DCF implied ~40x Dec'27E pre-IND-AS 116 EBITDA

INR b	EBITDA	Multiple (x)	Value
Enterprise value	18.7	40	758
Net debt (excl. leases)			-23
Equity value			781
TP (INR/share)			170
CMP (INR/share)			136
Potential upside (%)			25

Source: MOFSL

A sharper growth path anchored in diversification

We met Mr. Raul Rebello, MD and CEO of Mahindra and Mahindra Financial Services (MMFS), to gain insights into the company's future growth plans and other strategic developments. The key takeaways from our discussion are outlined below.

- MMFS is aspiring to transition from a monoline vehicle financier to a diversified financial services platform, reflecting its ambition to deliver an 18–20% AUM CAGR—well above the trajectory of its core wheels business. Achieving this ambition will require a deliberate pivot toward new engines of growth, particularly MSME lending, mortgages, and fee-income adjacencies, thereby reducing cyclicity and deepening its relevance across the credit ecosystem.
- MMFS has undertaken meaningful portfolio clean-up, strengthened risk governance, and stabilized its housing subsidiary (MRHF), while consciously exiting riskier segments like open-market personal loans. Recent enhancements to underwriting frameworks, dealer health monitoring, and collection architecture have materially lifted asset-quality visibility.
- Cyclical tailwinds are also aiding the business. The GST-led reduction in vehicle prices has revived sentiment in the second half of the year, nudging fence-sitters toward purchase decisions. Sustained investments in technology, analytics, and branch infrastructure have strengthened MMFS's operating backbone, improved balance-sheet resilience, and reinforced its long-term RoA/RoE delivery potential. With the strategic reset largely complete and new growth engines expected to start scaling in the coming years, the company is better positioned to drive durable, multi-dimensional expansion.
- We reiterate our BUY rating with a TP of INR405 (based on 2x Sep'27E BV), underpinned by MMFS's better growth algorithm, potential improvement in the profitability trajectory, and emerging diversification-driven optionality.

Mahindra and Mahindra Financial Services



Mr. Raul Rebello
MD & CEO

Mr. Rebello is a career banker with deep expertise in Rural Banking and Financial Inclusion. He joined MMFS as COO in 2021 and was subsequently promoted to CEO in Apr' 24, playing a pivotal role in driving the company's growth and transformation. Prior to MMFS, he spent 19 years at Axis Bank, where he led major businesses across Rural Lending, MSME, Gold Loans, Tractor, Farm Equipment, Payments, and Insurance.

Growth anchored in expansion beyond vehicles

- MMFS's ability to achieve an 18–20% AUM CAGR over the long-term hinges on scaling MSME and mortgages, given that the core wheels franchise can record a ~10-12% AUM CAGR. The company's deep rural reach and 12m+ customer base provides a strong platform for this expansion.
- The GST rate cut has revived auto demand by improving affordability and EMI flexibility. This has brought fence-sitters into the market and expanded leverage headroom, enabling MMFS to underwrite incremental risk with greater conviction. Even with an estimated ~5% reduction in ticket sizes (as customers use savings to upgrade models), robust double-digit disbursement volumes position MMFS to deliver ~13% AUM growth and ~14% disbursement growth over FY26–28E. There are upside risks to these growth estimates if MMFS is able to scale both its mortgage and MSME businesses.

GST-led demand revival – catalysts for near-term momentum

- Disbursements are expected to remain healthy in 2HFY26, driven by the sustained favorable impact of GST cut.
- Initially, OEM supply was constrained by logistics challenges and uncertainty regarding GST treatment for in-transit inventory, causing the demand momentum to spill over into Nov'25.
- Lower vehicle prices (e.g., ~INR1m reduced to ~INR900k) have materially enhanced the eligibility and borrowing capacity of customers by easing margin and EMI requirements. Dealer health has improved significantly, with inventory levels dropping to 2-3 weeks, compared to 2 months during the same period last year. While the GST rate cut has improved household borrowing capacity, the volume expansion remains critical to offset the impact of reduced loan amounts.

Core vehicle franchise: Segment-level outlook and positioning

Tractors: Strong rural tailwinds

- A strong farm and rural economy has translated into robust demand for tractors. MMFS has gained market share in both the Mahindra and Swaraj brands. The growth has been aided by the newly created Swaraj Finance vertical earlier this year, which has gained traction and now operates as a strategic siloed structure.
- Used tractor financing continues to remain healthy, with trade-ins accounting for ~25- 30% of new tractor sales.

PV: Capitalizing on market strength with prudent margin discipline

- MMFS continues to leverage M&M's strong PV cycle while maintaining its position as the second-largest financier for Maruti, with specific programs and dedicated products for hatchbacks.
- The segment is becoming increasingly competitive, prompting the company to carefully maintain a balance between growth and margins while focusing on RoA-oriented growth.

CV: Focus on high-visibility segments

- The CV segment remains moderate, with the GST cut having no major impact, and continues to require a boost. Management also stated that the cross-cycle RoA for the CV portfolio remains structurally unattractive based on past cycles such as demonetization and COVID.
- Management highlighted that pure new-fleet operator financing has become largely competitive due to aggressive pricing by banks, and MMFS plans to enter the new fleet financing business only if it gains access to the borrowers' used vehicles, thereby strengthening underwriting. However, the company is strategically focusing on the below 3-ton pick-up last-mile segment, where M&M commands a high market share and demonstrates strong underwriting capability.

Used vehicle financing: Selective in open market channels, strong on refinance

- MMFS is adopting a selective approach in the open-market used vehicle channel, due to price reset following GST reduction. However, the company remains steadfast on refinancing top-up loans, a high RoA product, for existing customers, helping retain those targeted by banks.

Diversification engines

Mortgages: Clean platform primed for scale

- Mahindra Rural Housing Finance (MRHF) has been fully cleaned up, with GNPA <3% and NNPA <1%, placing it in a position to resume growth.
- The company's mortgage strategy focuses on an optimal mix of affordable housing (provides high returns, but requires a measured ramp-up) and prime housing (HFC Prime segment offering volumes but lower RoA), while closely monitoring margins. Although the initial scale-up may dilute RoA, management aims for a long-term RoA of >2% from the mortgages business. The company also plans to leverage MRHF's 300 branches for multi-product usage to avoid cost duplication and optimize operating expenses.

MSME: High-potential profit and growth pool

- The MSME strategy is anchored around LAP and a growing base of supplier-linked channel finance. Management plans to first cater to Mahindra suppliers, with plans to further channel growth through other players.
- MMFS expects to execute bill-discounting throughput of ~INR180b this year, which will serve as a natural feeder pool for working-capital lending.
- Both LAP and WC lending are higher-ticket, lower-OPEX products that align well with MMFS's diversification strategy.

Personal Loans: Selective strategy for customer retention

- MMFS has discontinued open-market PL and consumer durable financing due to intense competition from existing players and unfavorable entry economics. The company intends to focus on segments where it can build a meaningful market share and does not see consumer durable financing fulfilling this objective.
- The PL segment will function as a cross-sell retention product, aimed at deepening engagement with MMFS's ~12m customer base.

Fee income – Structural levels to drive margin upside

- MMFS has levers in its fee income/non-interest income for a potential improvement of ~15-20bp. Growth in the fee income is expected to be driven by: a) distribution arrangements with Mahindra Group's life insurance business, b) Increasing penetration in the insurance broking business across Mahindra vehicles, where the company has huge headroom to grow, c) steady dividends from the insurance broking subsidiary, and d) potential future dividend contribution from its AMC business, which has recently achieved breakeven.
- A decline in the CoF, complemented by the benefit of fixed pricing and a balanced mix of floating rate liabilities, is expected to support margins. We expect NIM + Fee income (as % of avg assets) for MMFS to improve from ~7.0% in FY26E to ~7.2% by FY28E.

Opex: High-touch model with targeted efficiency

- Opex is expected to remain within ~2.5-2.7%, with a temporary inch-up to ~2.8% during the mortgage scale-up phase. Management emphasized that aggressively cutting opex could be counterproductive, as it may lead to higher credit costs in a high-touch business where customers require physical interactions. To balance efficiency, investments will continue in branch upgrades, credit infrastructure, technology, and selective deployment of AI.
- AI is also expected to be implemented carefully to avoid a negative impact on the credit costs, given that ~75% of customers are self-employed. These technological advancements are expected to be complemented by on-ground collection efficiency. Additionally, customer interactions are increasingly handled through bots instead of call centers, which helps optimize operating expenses.

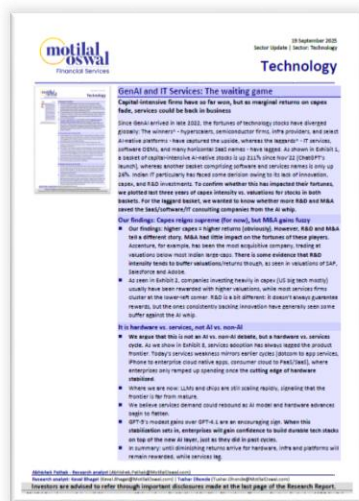
Strengthening asset quality: Improved performance bolsters leverage and RoE targets

- Despite industry-wide challenges over the past 12–15 months, asset quality metrics have improved, with Stage 2 levels remaining very comfortable, reflecting a strong early book. Rural disruptions due to delayed rains were manageable and did not materially affect portfolio behavior. We expect credit costs for MMFS to be ~1.9% for FY26 and decline to ~1.7% by FY28E.
- The enhanced risk environment supports management's confidence in leveraging the balance sheet more aggressively. This improved asset quality has increased management's comfort to pursue ~7x leverage sustainably and target an RoE of ~15%.

Valuation and view

- MMFS has strengthened its foundation through strategic clean-up, portfolio diversification, and operational improvements. Core vehicle financing remains stable, while mortgages, MSME, working capital, and fee-based businesses are being scaled. Improved asset quality and risk management position the company to sustain growth, diversify the loan mix, and make steady progress towards its long-term RoA and RoE targets.
- MMFS currently trades at 1.7x FY27E P/B and 14x FY27E P/E. With a projected PAT CAGR of 21% over FY25-28E and RoA/ RoE of 2.2%/14.3% in FY28E, we reiterate a BUY rating with a TP of INR405 (based on 2x Sep'27E BV).

Technology



Technology: Investor feedback post upgrade

Our notes from meetings across India and Asia

Since we released our IT services sector upgrade ([Time to buy the next cycle](#) dated 24th Nov'25), we met a host of investors across India and Asia to discuss our investment thesis. In this note we list the key questions and debates: **1) Has the sector truly bottomed out, or is another leg of downward revisions still ahead? 2) If the GenAI services inflection is still 6-9 months away, why upgrade now? 3) Will GenAI drive deeper deflation than prior tech cycles, and can new services pools offset this? 4) Will the next leg of growth favor large caps, or can midcaps' outperformance continue given the changing delivery model? 5) Is 3Q a genuine non-event, and when does the market get clearer signals for re-rating?**

As these points of discussion indicate, consensus remains unsure about the timing and the strength of recovery, and near-term data points continue to be limited. However, as argued in our note, traditional demand may remain soft in the next 3-4 months, but signs of an AI-services inflection at the enterprise level are already visible.

Cutting-edge LLM providers such as **Claude and OpenAI are now beginning to open structured channel partnerships with system integrators**, signaling that the services layer of AI is beginning to formalize. We believe this will pick up pace over the next six months, and we expect AI services demand to inflect in CY26.

Our top picks to play the next AI wave are HCLT and TechM in large-caps and Hexaware and Coforge in mid-caps.

Has the sector really bottomed out, or could earnings still see another leg down?

- **Our View:** Most of the negative news related to soft discretionary budgets, furloughs, and delayed pipelines is already baked into our estimates. Some downside is possible if demand does not turn around, but valuations at multi-year lows limit incremental risk unless macro conditions deteriorate materially from hereon.

If GenAI services inflect only in 6-9 months, why upgrade now?

- **Our view:** The sector could re-rate ahead of revenue inflection as deal announcements of AI services deals start taking shape. As shown in exhibit 4, our timelines for this turnaround are:
- **0-3 months (near-term):** Furloughs and deal deferrals continue, with clients waiting for 2026 budgets to firm up. Little incremental demand is expected until Jan'26 when planning cycles reset.
- **3-9 months (2H CY26):** Enterprises begin scaling AI services beyond pilots. Deal activity improves, with rising TCVs in application modernization, data engineering, and integration-led work. This marks the first tangible evidence of the transition from hardware to services.

- **2HFY27:** AI-related deal conversion begins to show up in revenue. This is also when AI-linked productivity deflation begins to be offset by new AI services work. Large-cap revenue growth rates start improving toward the 6-7% range.
- **FY28:** AI services move into full deployment mode. Industry revenue growth rates materially accelerate to 8-9% (vs. 3-4% today) as AI modernization, data workloads, and enterprise integration scale up. This supports a sector-wide re-rating as growth visibility improves.
- We see Mar-Apr'26 as the confirmation window, but think current levels offer a more favorable entry point.

Will GenAI compress revenue more sharply than cloud, making the 2016-18 analogy less relevant?

- **Our view:** GenAI is more disruptive and revenue deflation is unavoidable. However, the market may be underestimating the size of the new services pool, which will emerge from the implementation of GenAI.
- BPO and IMS in the cloud cycle were disrupted — cloud was a headwind early on, but it also unlocked new service lines such as data and cloud migration. We still expect sector growth to accelerate meaningfully during FY26-28E as these programs scale.
- **We expect AI to have the highest deflationary impact across the ADM bucket— as seen in exhibit 5, we expect 10-12% of revenue to be at risk over 3-4 years (2% hit to revenue each year).** If the impact turns out to be higher than this estimate, it would be a risk.

Will large caps dominate execution again, or can midcaps take share?

- **Our view:** GenAI reduces delivery intensity and headcount dependence, which narrows the traditional scale advantage. With strong partnerships and domain capabilities, midcaps can compete more effectively than in previous cycles. However, large-scale implementation projects may still go to large caps with consulting strengths.

Is 3Q a non-event, and when do clearer signals emerge?

- **Our view:** 3Q is widely expected to be subdued, and we see limited incremental information coming through. More decisive signals should emerge in Mar-Apr'26 as budgets reset, US banking commentary stabilizes and early AI implementation data points appear. This supports building positions ahead of that window rather than after it.

Valuation and View

- We believe we are at the bottom and the risks skew to the upside. Our analysis suggests outsized gains if this plays out, whereas the current levels already bake in the status quo (GenAI-led deflation, demand apathy).
- We have upgraded our growth estimates to factor in the anticipated recovery, which we expect to start reflecting in reported growth rates in 2HFY27 and take full shape in FY28 as enterprises move into full-scale AI deployments. We have also rolled over our target prices to FY28E EPS and increased our target multiples by ~20%.
- **Our top picks to play the next AI wave: Hexaware and Coforge in mid-tier and HCLT and TECHM in large-caps.**



Insurance Tracker

Premium and YoY growth (%)

GWP, INR b	Nov-25	YoY
Grand Total	269	24%
Total Public	67	-1%
Total Private	158	35%
SAHI	37	35%
Bajaj Allianz	40	193%
ICICI -Lombard	22	7%
New India	28	11%
Niva Bupa	7	47%
Star Health	15	19%

Source: GIC, MOFSL

Strong growth driven by health and fire segments

SAHIs and private players outperform industry growth

- The industry's gross written premium (GWP) grew 24% YoY to INR69b in Nov'25, driven by 35% YoY growth in fire segment and 52% YoY growth in health segment.
- The motor segment grew 8% YoY to INR93.2b, with motor OD and motor TP segments growing 10% and 7% YoY, respectively.
- The health segment's growth was largely driven by government schemes (GWP of INR24.6b in Nov'25 vs. INR0.3b in Nov'24). Retail health witnessed strong growth of 34% YoY, while group health grew 9% YoY.
- During the month, GWP for private players grew 35% YoY to INR157.6b vs. public players' flat YoY performance with GWP of INR66.6b (mainly due to 25% YoY decline in National Insurance). SAHIs continue to benefit from GST exemption and 1/n impact going away, with GWP growth of 35% YoY to INR36.9b as all players recorded strong double-digit growth.
- Among key players, ICICIGI grew 7% YoY, while Bajaj General grew 193% YoY (owing to govt schemes). Go Digit/NIA reported growth of 20%/11% YoY. Niva Bupa posted strong growth of 47% YoY, while Star Health reported GWP growth of 19% YoY.

~33%+ YoY growth for second consecutive month in retail health

- The overall health business grew 52% YoY to INR115.4b, driven by 34% YoY growth in retail health to INR43.8b, 9% YoY growth in group health to INR46b, and government schemes at INR24.6b (vs. INR0.3b in Nov'24).
- Within the retail health segment, SAHIs/private multi-line players grew 36%/46% YoY. The public segment grew 11% YoY. Star Health reported 22% YoY growth, while all other SAHIs reported 50%+ YoY growth (Niva Bupa at 55% YoY). ICICIGI reported strong growth of 89% YoY. GST exemption and end of 1/n impact likely boosted the growth momentum in retail health.
- In group health segment, private players witnessed growth of 23% YoY, with ICICIGI growing 27% YoY. SAHIs witnessed growth of 31% YoY, with Niva Bupa reporting 38% YoY growth and Star Health declining 20% YoY. Public insurers witnessed a decline of 8% YoY.

Motor segment growth stable at 8% YoY

- Motor GWP grew 8% YoY to INR93.2b, backed by 10% YoY growth in motor OD and 7% YoY growth in motor TP.
- Within motor OD, private players grew 14% YoY, while ICICIGI reported 12% YoY growth. Public players witnessed a decline of 7% YoY. While competitive intensity is high, GST reduction for motor vehicles and the resultant boost in automobile sales will likely help to maintain the growth trajectory for motor OD.
- Within motor TP, private players posted growth of 10% YoY, while ICICIGI reported a decline of 7% YoY. Public players reported growth of 2% YoY. The rate hike remains a key driver for growth in motor TP.

YTD performance of key players

- **ICICIGI** reported a growth of 2% YoY (market share of 8.6% vs. 9.1% in YTD FY25).
- **Bajaj General** reported growth of 11% YoY (market share of 7.9% vs. 7.7%).
- **GO DIGIT** recorded a growth of 14% YoY (market share of 3% vs 2.9%).
- **New India** recorded a growth of 13% YoY (market share of 12.8% vs 12.2%).
- **STARHEAL** registered a growth of 7% YoY (market share of 4.9% vs. 5.0%).
- **NIVABUPA** recorded a growth of 18% YoY (market share of 2.2% vs 2%).



Mtar: Margins To Improve Further In Fy27, Guided For 21% For FY26; Srinivas Reddy, MD

- Better margins on operating leverages, capacity utilization
- Key to amend atomic energy act to include private players
- Pvt. Cos inclusion to develop nuclear energy will lead to modernization
- Have enough infra, capacity to manage large order inflow

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Intellect Design: Growth Momentum Accelerates Across All Financials Metrics; Rajesh Saxena, CEO

- Deal funnel surpassed INR12k Cr. Driven by eMACH.ai & purple fabric
- Recurring revenue share grows, enhancing business quality
- Strong traction in North America, Europ, Africa & Canada Credit Unions
- Growth momentum accelerates across all financials metrics

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Narayana Health: Expect Margin To Be Slightly Impacted By Cyclical Weakness In Q3FY26; Sandhya J, Group CFO

- Aspire to take modest price hike
- See some wage pressure due to new labour code
- Price hikes will be in low single digits
- Insurer negotiations occur over an extended period of time

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Caplin Point: Receiving Approvals From The US, With A Few Niche High-Margin Drug Approvals Expected; Vivek Partheeban, COO

- Have 40+ products approved in US, see product approvals in 14-15 months
- Been acquiring ANDA's and plan to acquire around 10 more
- US business to grow around 25-30% in next 2-3 years
- Sitting on fairly good reserved, generating INR300-350 cr. Of cash from ops

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Vascon Engineers: Have Singed 5-Year Mou With Adani Infra; Siddharth Vasudevan, MD

- Order win of approx. INR260 Cr. From Navi Mumbai Corporation
- Order – EPC contract for super specialty hospital in CBD Belapur
- Have singed 5-year MoU with Adani Infra
- Adani pact to build projects from design stage

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