Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	85,525	0.0	9.5
Nifty-50	26,177	0.0	10.7
Nifty-M 100	60,816	0.0	6.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,910	0.5	17.5
Nasdaq	23,562	0.6	22.0
FTSE 100	9,889	0.2	21.0
DAX	24,340	0.2	22.3
Hang Seng	8,914	-0.3	22.3
Nikkei 225	50,413	0.0	26.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	63	0.0	-15.2
Gold ($/OZ)	4,483	0.9	70.8
Cu (US$/MT)	12,060	1.1	39.4
Almn (US$/MT)	2,939	1.3	16.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	89.7	0.0	4.7
USD/EUR	1.2	0.3	13.9
USD/JPY	156.0	-0.6	-0.7
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.6	-0.02	-0.1
10 Yrs AAA Corp	7.4	0.00	0.1
Flows (USD b)	**23-Dec**	**MTD**	**CYTD**
FIIs	-0.20	-1.13	-17.1
DIIs	0.43	6.66	87.5
Volumes (INRb)	**23-Dec**	**MTD***	**YTD***
Cash	956	989	1066
F&O	5,02,454	2,76,394	2,35,702

Note: Flows, MTD includes provisional numbers. *Average

Today's top research theme

India Strategy: Earnings cuts give way to earnings raises

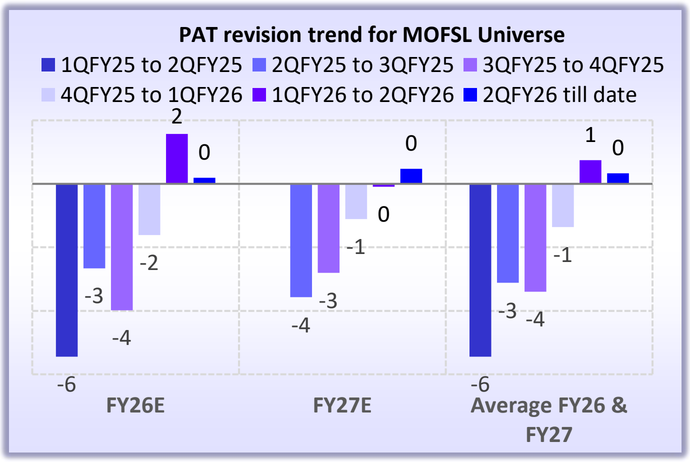
- The past ***trend of easing earnings cuts' intensity has gradually given way to earnings raises***. For the three months ending 2QFY26 season, the aggregate FY26 PAT estimate of MOFSL universe was raised by 2% – the first instance of an upgrade since the end of 1QFY25 earnings season – comparing favorably to the earlier readings of -6%/-3%/-4%/-2% for 2QFY25/3QFY25/ 4QFY25/1QFY26.
- This momentum has continued post the 2QFY26 earnings season as well. The sectoral breadth of earnings revision has been more favorable within larger sectors, driven by Oil & Gas (+13%), Telecom (+30%), PSU Banks (+5%), Insurance (+3%), and NBFC-non lending (+2%).
- We also address a key question on nominal GDP growth and corporate Profit growth and infer that GDP growth has lesser impact on PAT growth than generally perceived.

Research covered

Cos/Sector	Key Highlights
India Strategy	Earnings cuts give way to earnings raises
Cholamandalam Inv & Fin	Refutes allegations; franchise fundamentals intact
Hero MotoCorp	Demand momentum for 2Ws likely to sustain
Oil & Gas	CGD: Transient headwinds; multi-year growth ahead

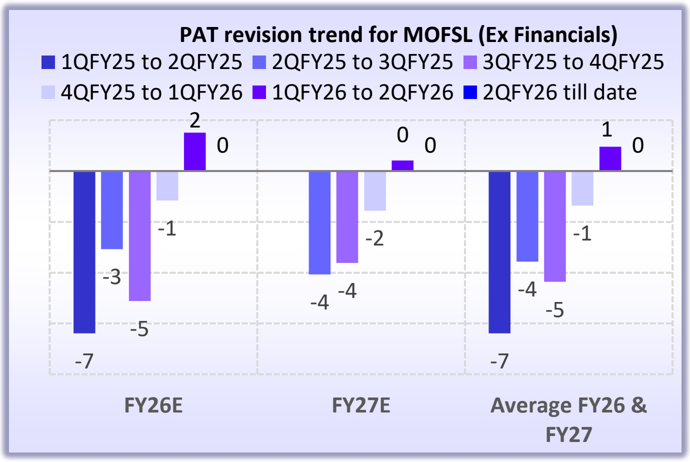
Chart of the Day: India Strategy (Earnings cuts give way to earnings raises)

PAT revision trend for MOFSL Universe (%)



Source: MOFSL estimates

PAT revision trend for MOFSL Universe (Ex-Financials) %



Source: MOFSL estimates

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In the news today

Kindly click on textbox for the detailed news link

1

Coca-Cola India's bottling arm, HCCB to lay off about 300 staffers

Hindustan Coca-Cola Beverages, HCCB, is cutting around 300 jobs. This move aims to boost profits and streamline operations under new leadership. The company stated the downsizing is minor and will not disrupt operations.

2

HMEL to invest Rs 2,600 crore in Bathinda refinery

HMEL is set to invest ₹2,600 crore in a new petrochemical facility at its Bathinda refinery. This expansion will boost polypropylene production and establish fine chemical projects. The company also plans to launch petrol pumps across Punjab.

3

Novelis holding company gets $800 million five-year loan

The loan agreement, signed on Monday, was priced 125 basis points above the three-month Secured Overnight Financing Rate (SOFR), said the person.

4

Tata Motors to keep factories humming to electric beats

Tata Motors plans new electric vehicle launches and charging network expansion. The company aims to defend its market leadership with a focus on premium models. Investments will strengthen its EV portfolio and accelerate mainstream adoption.

5

JK Tyre completes merger of Cavendish Industries

Cavendish was acquired by JK Tyre in 2016 at an enterprise value of around ₹2,200 crore from Kesoram Industries

6

Aurobindo arm ups stake JV with Chinese firm

The initial acquisition of the 20 per cent stake would be made in three months

7

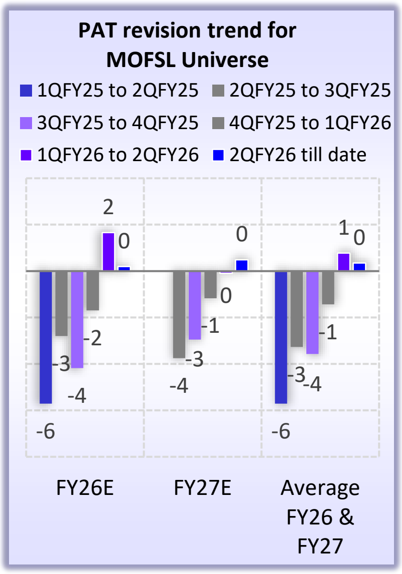
Ramky Infra order book at ₹10,000 crore: CEO

Work is split across engineering, procurement, construction, hybrid annuity model and operation & maintenance, balancing execution-led revenues with long-tenure operating cash flows

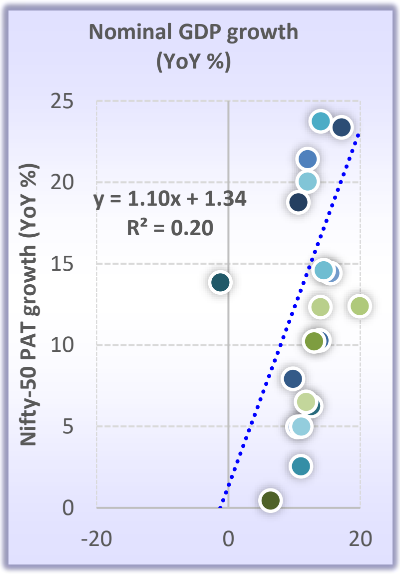
India Strategy

BSE Sensex: 85,525 **Nifty-50: 26,177**

MOFSL universe earnings revision trend (%)



Nominal GDP growth has lesser impact on corporate profit growth

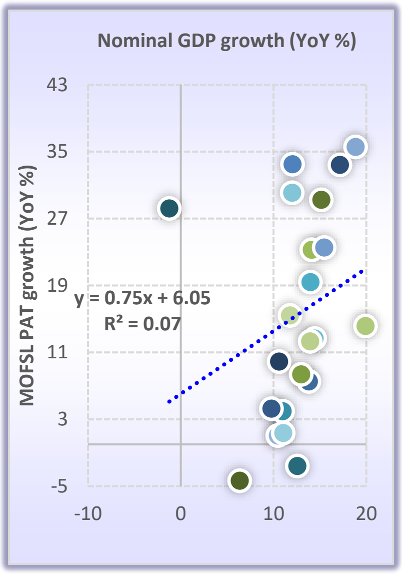


Earnings cuts give way to earnings raises

First instance of aggregate earnings upgrade in five quarters

- Our analysis of recent earnings revisions for MOFSL universe reveals that the past ***trend of easing earnings cuts' intensity has gradually given way to earnings raises***. For the three months ending 2QFY26 earnings season, the aggregate FY26 PAT estimate of MOFSL universe was raised by 2% – the first instance of an upgrade since the end of 1QFY25 earnings season – comparing favorably to the earlier readings of -6%/-3%/-4%/-2% for the three months ending with earnings season of 2QFY25/3QFY25/ 4QFY25/1QFY26. Mid-caps posted maximum earnings upgrades at 3.1%, while large-caps were also strong at ~2%. Small-caps were the laggards, with continuing downgrades of 5.5%. This momentum has continued post the 2QFY26 earnings season as well. FY27 PAT estimates for the MOFSL universe were albeit flat in 2QFY26 (but raised by 0.5% post 2QFY26). Nonetheless, the trend of easing intensity of earnings cuts has been evident for FY27 estimates as well, with readings of -4%/-3%/-1%/0% in 3QFY25/ 4QFY25/1QFY26/2QFY26.
- **Earnings revision trends in the past four months beat our expectations.** In an earlier note in Sep'25 (Link), we highlighted that the intensity of earnings cuts had been moderating and posited that a large part of the cuts was already behind, with a stable earnings floor likely to lend support to the equity market. In fact, our expectations have been exceeded, with the recent round of overall FY26 MOFSL PAT rise of 2% and various Indian benchmark indices rising between 1%-4% during this period. Even after the end of 2QFY26 earnings season, upgrades to MOFSL PAT estimates have continued – albeit at an understandably modest level of 0.2%/0.5% for aggregate FY26/FY27 PAT est.
- **Positive breadth in bigger sectors.** On an overall basis, the sectoral breadth of earnings revision has been more favorable within larger sectors. Key sectors driving positive revisions were Oil & Gas (+13%), Telecom (+30%), PSU Banks (+5%), Insurance (+3%), and NBFC-non lending (+2%), while Utilities was the biggest drag (-8%), followed by Autos (-3%, but mainly owing to TAMO; excluding TAMO, Autos' PAT was in fact revised upwards by 3%) and Healthcare (-3%). However, among the smaller sectors, more sectors saw higher aggregate downgrades vs. upgrades, led by Chemicals (-6%), Media (-9%), Staffing (-5%), and Cement (-4%). Within large-cap stocks, sectors with >1% aggregate earnings raise equaled those with earnings cut of <-1% by a ratio of 7:7, with PSU Banks, Insurance, Oil & Gas, Telecom, and Autos (ex-TAMO) posting meaningful upgrades, while the biggest drags were Utilities (-9%%), Real Estate (-5%) and Cons Durables (-3%). For mid-cap stocks too, the sectoral revision breadth was balanced at 8:9, but small-cap sectors languished the most with revision ratio of 2:17 and large cuts seen in Pvt Banks (-24%), Insurance (-18%), Retail (-15%), and EMS (-10%).
- **Will this trend of earnings upgrade sustain?** The backdrop for earnings has improved vs. last year, engineered by a series of stimulative fiscal and monetary measures. This has contributed to improved earnings revision outcomes over the past two quarters, culminating in an aggregate earnings upgrade in the past

Effect on PAT growth of broader universe is lower



few months. Looking ahead, we currently forecast FY26/FY27 earnings growth of 12%/15% YoY and 15%/16% YoY for Nifty/MOFSL, which appears reasonably well poised, and revisions in either direction should not be too sharp from here, barring possibly for Nifty-50 FY26 PAT.

- **Sub-10% nominal GDP growth not necessarily a very big concern for earnings.** In this note, we also attempt to provide some perspective around a top-of-the-mind question for several investors: 'Can corporate earnings grow at mid-teens when nominal GDP growth is expected to be sub-10%?' Our analysis of the past two decades of annual growth data reveals that nominal GDP growth, while important for corporate activities, does not fully explain annual corporate profit growth. There is modest explanatory power of nominal GDP growth for the broader MOFSL universe's annual PAT growth. Even for a narrower, large-cap universe, i.e. Nifty-50, nominal GDP growth explains ~20% of the profit growth for the observed period, as corporate profits get influenced by multiple other factors, like leverage, pricing power, cost pressures, irrational competition, etc. Even in a stretch case, the nominal GDP growth explains less than one-third of corporate profit growth. Hence, we believe that one should look beyond the GDP growth trajectory to assess corporate PAT growth.
- **Share of corporate profits in GDP is not too high:** Corporate profits' share of GDP is not too high in India. In FY24 and FY25, Nifty-500 PAT was 4.7% of GDP, while overall corporate profits (listed + unlisted) stood at 7.3% of GDP, rendering corporate profits more cyclical compared to the steadier GDP growth trajectory. Moreover, the base effect has a greater impact on corporate profits. With FY25 MOFSL PAT growth at 6% YoY, there is a higher likelihood of mid-teens growth in PAT, even as nominal GDP grows at sub-10%.
- **The US economy also displays limited correlation.** We carried out this analysis for the US economy and observed that despite corporate profits forming a higher % of GDP in the US (averaging 11% for CY20-24), the explanatory power of GDP growth for corporate PAT growth was limited in the US as well. In fact, for a developed market like the US, this number was surprisingly low, clearly hinting at multiple other factors determining corporate profit growth.
- **Our view:** We have a positive outlook on Indian equities and believe that Indian markets are well poised to retrace the underperformance of CY2025, supported by better earnings prospects, supportive domestic macros, and improved geopolitical situation. Valuations, particularly for large-caps, are not demanding (Nifty PE at 21.3x vs. LT average of 20.8x), while earnings appear well poised to deliver mid-teens growth over FY26/27. The prevalent concerns of lower nominal GDP materially affecting corporate profit growth appear overblown to us, as corporate earnings are influenced by multiple factors beyond broad economic growth, which possesses limited explanatory power for corporate earnings growth. India could also benefit from the abatement of overexuberance of global AI stocks, which can prompt country rotation towards India within FII portfolios. A lower USDINR level may further offer an attractive entry point. Our key overweight sectors are Diversified Financials, Automobiles, Capital Goods, IT Services, and Telecom, while our key underweight sectors are Energy, Metals, Utilities, and Staples.
- **Top Picks:** Our top large-cap picks are Bharti, ICICI Bank, SBI, Infosys, L&T, M&M, Titan, Eternal, BEL, Indigo, TVS Motors, Tech M, and Indian Hotels. Our top mid-cap picks are: Swiggy, Dixon, Suzlon, Jindal Stainless, Coforge, Kaynes, Radico Khaitan, V-Mart, VIP Ind.

23 December 2025

Company Update | Sector: Financials - NBFC

Cholamandalam Inv & Fin

BSE SENSEX	S&P CNX
85,525	26,177

Stock Info

Bloomberg	CIFC IN
Equity Shares (m)	841
M.Cap.(INRb)/(USDb)	1416.4 / 15.8
52-Week Range (INR)	1782 / 1168
1, 6, 12 Rel. Per (%)	1/1/33
12M Avg Val (INR M)	2731
Free float (%)	50.1

Financials Snapshot (INR b)

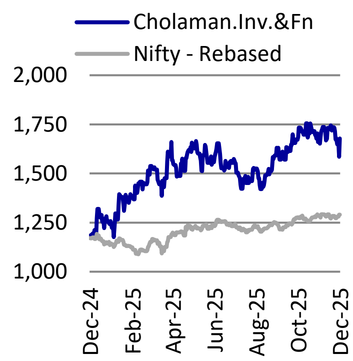
Y/E March	FY26E	FY27E	FY28E
Total Income	169.9	205.5	247.2
PPP	104.0	126.7	154.0
PAT	51.4	67.6	84.1
EPS (INR)	59.9	78.7	98.0
EPS Gr. (%)	18	32	24
BV (INR)	356	433	528
Ratios			
NIM (%)	7.0	7.2	7.2
C/I ratio (%)	38.8	38.4	37.7
RoAA (%)	2.4	2.6	2.7
RoE (%)	19.0	20.0	20.4
Payout (%)	3.3	3.2	2.6
Valuations			
P/E (x)	28.1	21.3	17.2
P/BV (x)	4.7	3.9	3.2
Div. Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	49.9	49.9	50.2
DII	17.3	16.1	16.6
FII	26.9	28.0	27.2
Others	6.0	6.1	6.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,679 TP: INR2,000 (+19%) Buy

Refutes allegations; franchise fundamentals intact

Robust near-term outlook on the back of improving business momentum

- On 22nd Dec'25, an agency named Cobrapost released an investigative report alleging large-scale related-party transactions, cash handling irregularities, governance lapses, and regulatory non-compliance at CIFC. CIFC's management responded promptly, categorically refuting the claims and stating that the allegations are malicious, distorted, and motivated, and lack any factual or regulatory basis.
- CIFC's management convened an investor call to address investor queries and the allegations raised, reiterating that the claims are baseless, selective, and stem from misinterpretation of disclosures and the applicable regulatory framework. The company further stated that there is no change in business strategy, operating performance, or guidance, and reiterated confidence in delivering on its stated growth, profitability, and asset quality objectives.
- CIFC stated that its capital position and balance sheet remain strong, with net worth expected to increase by around INR25b from FY25 levels. This is supported by INR3b already infused through CCD conversion and a further INR17b of CCD conversions expected over the next three quarters, which will further strengthen capital adequacy.
- While the call was convened to address queries related to the allegations, management also highlighted that the current quarter has been strong in terms of disbursements across both vehicle finance and home loans. The company expects 3QFY26 to mark a turnaround, with 2HFY26 likely to be seasonally strong.
- Moreover, CIFC stated that it will engage with regulators to assess whether there is any financial or market-manipulation motive and will consult legal advisors to evaluate appropriate action against Cobrapost and related reporting, while expressing confidence that regulatory scrutiny will validate its position.
- CIFC remains a robust franchise, with an expected CAGR of ~20% in AUM and ~25% in PAT over FY25-28, alongside projected RoA/RoE of 2.7%/20% in FY28. **Reiterate our BUY rating with a TP of INR2,000 (4x Dec'27E BVPS).**

Summary of key allegations and management's clarification

- Cobrapost's key allegations include aggregation of transactions over multiple years and claims of fund diversion through group entities such as Murugappa Management Services (MMS), Chola Business Services Ltd. (CBSL), and Chola MS General Insurance (CMGICL). The report alleges transactions exceeding INR100b involving CIFC, group entities, family members, and senior management that were inadequately disclosed as related party transactions (RPTs).

The key allegation and management response are as follows:

- **Allegation 1:** The report highlights cash deposits of ~INR250b made by CIFC across 14 banks over the past six years, raising questions around cash handling practices for a large NBFC.
- **Management response 1:** CIFC shared that given the cash-based nature of borrower incomes, EMIs are often collected in cash and subsequently deposited into banks. These cash collections are governed by robust internal controls and are subject to both internal and statutory audits. Management further shared that cash collections have come down to 15% from 50% historically.
- **Allegation 2:** CIFCL is alleged to have earned very high insurance commission income, including about INR9.4b in FY25, raising questions on whether insurance was bundled with vehicle and home loans, which is not allowed by regulators.
- **Management response 2:** CIFC offers accident and hospitalization insurance to its borrowers, with premiums remitted to Chola MS General Insurance based on competitive pricing and coverage, while also partnering with multiple third-party life and health insurers, underscoring the absence of exclusivity or coercion.
- **Allegation 3:** The report also raised concerns in relation to payments made to rating agencies over the years.
- **Management response 3:** Management stated that fees paid to credit rating agencies are market-linked and lower than peers, with payments of ~INR 380m to ICRA and ~INR 170m made to CRISIL over the past eight years. The company shared that it paid annual CRA fees of ~INR200m in FY25, which are below industry averages for CIFC's balance sheet size, and emphasized that there is no preferential treatment or influence involved.
- **Allegation 4:** CIFCL allegedly paid more than INR200m to non-profit organizations, religious bodies, and trade associations, including Isha Foundation, but recorded these as work-contract expenses rather than donations.
- **Management response 4:** Management clarified that all CSR spending is fully disclosed in the annual reports and is structured as work contracts rather than donations to ensure proper monitoring, measurable outcomes, and regulatory compliance, describing this approach as a governance-led choice rather than an exception.
- **Allegation 5:** RPT and disclosure allegations
- **Management response 5:** Management strongly refuted allegations of undisclosed or improperly classified RPTs. It clarified that all RPTs have been disclosed in accordance with applicable accounting standards, and all payments have been made in full compliance with legal requirements. Management pointed out that Cobrapost's analysis aggregates transactions across extended periods and applies retrospective related party definitions that were not applicable in earlier years, leading to inflated and misleading aggregates.

Valuation and view

- CIFC is gradually evolving into a more robust and resilient NBFC—one that is less cyclical, more diversified, and increasingly anchored in stable, secured retail and SME income streams. The company's measured approach of curbing exposure to riskier product lines, while simultaneously expanding newer businesses, such as CD and gold loans, underscores its commitment to preserving earnings quality and maintaining balance sheet strength.
- The company is navigating a complex operating environment by reinforcing its core businesses while taking corrective measures in an underperforming segment like CSEL. A key management priority is improving operational efficiency, with efforts directed toward enhancing productivity and optimizing costs, particularly in its vehicle, home loans, and LAP businesses.
- CIFC trades at 3.9x FY27E P/BV, a premium that we believe is well-deserved and likely to sustain. This reflects the company's consistent focus on navigating vehicle demand cyclicality while sustaining healthy AUM growth and stable asset quality through a well-diversified product mix. We expect CIFC to deliver a PAT CAGR of ~25% over FY25-28, with RoA/RoE of 2.7%/20% by FY28. We reiterate BUY with a TP of INR 2,000 (based on 4x Dec'27E BVPS).

Hero MotoCorp

BSE Sensex	S&P CNX
85,525	26,177

Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	1149.3 / 12.8
52-Week Range (INR)	6390 / 3323
1, 6, 12 Rel. Per (%)	-5/30/24
12M Avg Val (INR m)	3531

Financials & Valuations (INR b)

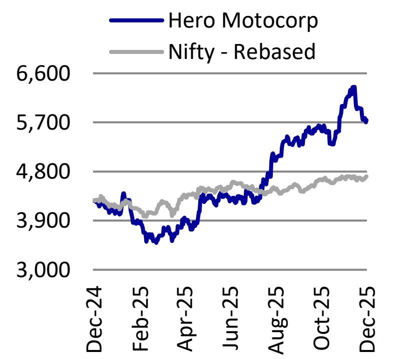
Y/E March	2026E	2027E	2028E
Sales	449.1	490.9	536.7
EBITDA	66.1	74.6	81.4
Adj. PAT	51.7	59.1	65.6
Adj. EPS (INR)	258.4	295.0	327.6
EPS Gr. (%)	14.3	14.2	11.0
BV/Sh. (INR)	1,073	1,168	1,265
Ratios			
RoE (%)	25.1	26.3	26.9
RoCE (%)	24.5	25.8	26.4
Payout (%)	67.7	67.8	70.2
Valuations			
P/E (x)	22.2	19.5	17.5
P/BV (x)	5.4	4.9	4.5
Div. Yield (%)	3.0	3.5	4.0
FCF Yield (%)	4.9	5.1	5.7

Shareholding Pattern (%)

As of	Sep-25	Jun-25	Sep-24
Promoter	34.7	34.7	34.8
DII	26.4	27.8	27.0
FII	28.8	27.0	29.6
Others	10.1	10.4	8.7

FII includes depository receipts

Stock Performance (1-year)



CMP: INR5,744 | **TP: INR6,782 (+18%)** | **Buy**

Demand momentum for 2Ws likely to sustain

Pick up in rural demand bodes well for HMCL

We met with the management of Hero MotoCorp (HMCL) to discuss the demand trends in the domestic 2W market and the company's plan to capitalize on the same. Demand for 2Ws has picked up well post-GST rate cuts, and it is expected to be sustained, according to the management. Demand was aided by positive rural sentiment which bodes well for HMCL. Management has maintained its volume growth guidance of 8-10% for the 2W industry for H2. While it remains a dominant player in the entry segment, HMCL targets to recover lost share in the 125cc segment post recent variant launches of Glamour and Xtreme125R, which have been well received in the market. HMCL's scooter segment, both on ICE and EVs, has also picked up well. Management remains confident of a gradual market share recovery in the coming quarters. HMCL's focus on the top 10 export markets has helped revive its export momentum. We project a revenue/EBITDA/PAT CAGR of ~10%/12%/13% over FY25-28. **We reiterate our BUY rating with a TP of INR6,782 (based on 20x Sep'27E EPS + INR141/423 for Hero FinCorp/Ather after a 20% Holdco discount).**

Demand momentum for 2Ws likely to be sustained

Motorcycle demand appears to have bounced back after the GST rate cuts, as is visible in the Oct and Nov'25 sales trends. More importantly, demand has been broad-based, with healthy growth visible across all segments. Management expects the entry-level demand to be sustained, given the positive rural sentiments. Further, the company expects to recover the lost share in the 125cc segment, aided by healthy feedback for the recently launched Glamour upgrade and the Xtreme125R dual-channel ABS variant. Overall, management expects the industry to post about 8-10% growth in 2Ws in H2.

Scooters have picked up well

In scooters, HMCL has been outperforming peers over the last few months on the back of a healthy acceptance for products like Destiny125. As a result, in a highly competitive market, HMCL's scooter market share has improved by 80 bps YoY on a YTD basis to 5.9%. In EVs, the Vida VX2 has been very well received by customers, and its market share has improved to 12% currently. It targets to take this to 14-15% by the end of Mar'26. Over the long term, HMCL aims for a leadership position in EVs.

Export momentum likely to be maintained

HMCL's 2W exports have recovered, aided by focusing on the top 10 markets, which drive ~80% of its volumes. Growth is being driven by locally tailored launches and continuous strengthening of service, dealer, and export capacity. Exports now form ~8% of volumes, with a target to reach 10% by Mar'26.

Valuation and View

We expect HMCL to deliver a volume CAGR of ~6% over FY25-28, driven by rural recovery and a ramp-up in exports. We project a CAGR of ~10%/12%/13% in revenue/EBITDA/PAT over FY26-28. **We reiterate our BUY rating with a TP of INR6,782 (based on 20x Sep'27E EPS + INR141/423 for Hero FinCorp/Ather after a 20% Holdco discount).**

Key highlights from the management meeting

Update on domestic motorcycles

- In order to remove volatility in numbers due to the impact of pent-up demand, management is considering a 100-day period for sales comparison, viz., about one month before and after the festive season. In these 100 days, HMCL's retail sales have outperformed the industry. Its retail sales grew 21% YoY, gaining 80bp market share YoY, according to the management. In fact, HMCL highlighted that the growth in Oct and Nov has been even higher than this 100-day period.
- The quality of growth was broad-based: all segments and brands recorded growth. Within 2Ws, the entry motorcycle segment grew 13%, scooters grew over 30%, and other segments grew in double digits.
- Further, growth was also driven across all regions. In fact, all regions posted double-digit growth except the central zone, which posted high single-digit growth. The relative weakness in the central zone was largely driven by weak sales in MP, which was in turn hit by the unseasonal monsoons.
- Management indicated that while it has fully passed on the GST rate cut benefit to consumers, it has taken this opportunity to reduce discounts on its products. However, the company has used this lever to increase its promotions across different brands.
- The Glamour relaunch has been well received, and it has initially been launched in the South and East, which are its key regions. One expects Glamour to be pan-India in the coming months.
- HMCL has launched a refresh of the Xtreme 125cc model with dual-channel ABS, which is a segment-first feature. On the back of both launches, management expects to regain share in the 125cc segment in the coming quarters.
- HMCL continues to focus on building its brand in the premium segment (150-250cc). It would look to launch an upgraded Xtreme160R soon. Further, its Xpulse model continues to do well in its segment. HMCL has recently launched the all-new HD440 X, which comes with a much better fit and finish, and its advertising campaign has started recently.
- For the premium customers, the company so far has about 100 "Premia" outlets, which are likely to ramp up to 125 by Mar'26 and further to 225 by Mar'27. By then, they would have covered almost 90% of the addressable market for premium motorcycles, as per management. Beyond this, management would intend to use the Hero2.0 stores to sell premium brands.
- According to management, footfalls in premia stores are higher than those at its Hero 2.0 stores, and conversion rates stand at 14-16%, which is almost 2x that of Hero 2.0 stores. As per HMCL, over 50% of dealers running Premia stores for over 12 months have already reached break-even levels.

Update on domestic scooters

- In scooters, HMCL has been outperforming peers over the last few months on the back of good acceptance for products like Destiny125, Xoom, etc. As a result, in a highly competitive market, HMCL's scooter market share has improved by 80 bps YoY on a YTD basis to 5.9%. Given the momentum, management targets to reach 9% in retail market share in scooters by Mar'26.
- In EVs, the Vida VX2 has been very well received by customers, and HMCL has now seen its market share improve to 12% and targets to take this to 14-15% by the end of Mar'25.

- The removable battery feature that can be charged at home using a normal plug is likely to be one of the key USPs of this product.
- Management did highlight that although the swappable battery feature has not been a high contributor to sales, it has helped generate very high walk-ins in showrooms and thereby helped boost sales.
- In the EV domain, HMCL is now present in 440 cities with the Vida EV brand, supported by a charging network of ~4,500 points for HMCL's Vida customers.
- HMCL is currently in the process of doubling its capacity in EV 2Ws to 30k per month, which should be operational by the end of March. Over the long term, the company aims for a leadership position in EVs.
- HMCL has recently taken a price hike of 10%. Further, it expects to receive the PLI eligibility certificate in 4Q. On the back of these, along with its aggressive cost reduction initiatives, management aims to have a positive contribution to EVs by 1QFY27E. It is likely to take about 15-18 months for the segment to become EBITDA positive in EVs after that.

Overall feedback on domestic 2Ws

- Given the multiple model launches over the last 12 months, HMCL has indicated that it would refrain from launching any new brand in the near term and look to leverage these launches through targeted campaigns.
- The company's upcoming new launches would include Xtreme variants in the premium segment, the recently unveiled HD 440, and a few Vida variants. HMCL would also look to launch a couple of upgrades in the premium segment next year, apart from a couple of Vida variant launches.
- Finished goods inventory has reduced to five weeks now, and management would look to maintain this level of dealer inventory going forward as well.
- HMCL has maintained its industry growth guidance of 8-10% for the rest of the fiscal.
- On the raw material front, management noted an inflationary trend in aluminum and copper. However, currency depreciation is likely to be a net positive, as the company's exports exceed its imports, providing a natural hedge and some margin support.
- On the proposed ABS deadline, the SIAM representatives have requested the government to consider cheaper yet safer options, such as CBS for 2Ws. They continue to await clarity on the same.

Exports – healthy pick-up, albeit over a low base

- HMCL is now seeing a healthy pick-up in the exports business as well. HMCL currently has around 8% contribution from exports, with a target to increase this to 10% by Mar'26.
- The strategy is to focus on the top 10 markets, which together account for about 80% of export volumes. The top 10 markets include Bangladesh, Colombia, Mexico, Nigeria, Turkey, Nepal, Sri Lanka, and the Philippines, with an average market share across these markets of around 12%.
- Product launches in these markets have been tailored specifically to local customer requirements. Notably, around 40% of exports now come from premium products, with Xtreme 160, Xtreme 250, and Xpulse 200 performing particularly well.
- HMCL is now working towards raising its export capacity to cater to higher demand.

Snapshot of the revenue model

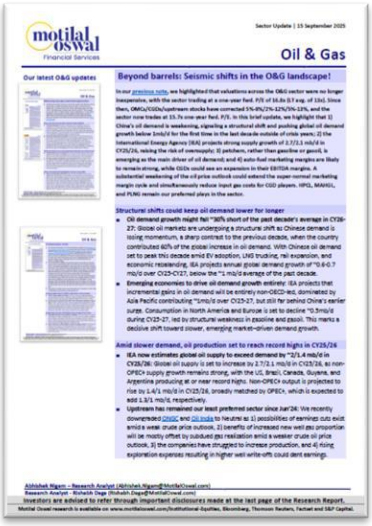
000 units	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total M/Cycles	5,333	4,628	4,959	5,191	5,476	5,694	6,056	6,443
Growth (%)	*-11.0*	*-13.2*	*7.2*	*4.7*	*5.5*	*4.0*	*6.4*	*6.4*
% of total volumes	*92.1*	*93.6*	*93.1*	*92.3*	*92.8*	*90.6*	*90.6*	*90.7*
Total Scooters	458	316	369	431	423	591	627	664
Growth (%)	*9.2*	*-30.9*	*16.8*	*16.6*	*-1.9*	*39.9*	*6.0*	*6.0*
% of total volumes	*7.9*	*6.4*	*6.9*	*7.7*	*7.2*	*9.4*	*9.4*	*9.3*
Total volumes	**5,792**	**4,944**	**5,329**	**5,621**	**5,899**	**6,285**	**6,683**	**7,107**
Growth (%)	*-9.6*	*-14.6*	*7.8*	*5.5*	*4.9*	*6.5*	*6.3*	*6.4*
- of which Exports	172	290	162	171	258	348	390	437
% of total volumes	*3.3*	*6.5*	*3.3*	*3.3*	*4.8*	*6.1*	*6.4*	*6.8*
Net Realizations (INR/unit)	53,182	59,152	63,443	66,630	68,945	71,458	73,460	75,518
Growth (%)	*18.8*	*10.7*	*8.4*	*6.0*	*3.6*	*3.4*	*2.8*	*2.8*
Net Revenues (INR b)	**308**	**292**	**338**	**375**	**407**	**449**	**491**	**537**
Growth (%)	*6.8*	*-5.0*	*15.6*	*10.8*	*8.6*	*10.4*	*9.3*	*9.3*

SIAM, Company, MOFSL

Valuation and view

- **We expect HMCL to deliver a volume CAGR of ~6% over FY25-28**, driven by 1) new model launches in scooters and motorcycles, 2) the recently launched variants in the 125cc motorcycle segment, and 3) a ramp-up in exports.
- **Gradual rural revival bodes well for HMCL:** Rural sentiments are positive, given positive terms of trade for farmers and a healthy monsoon so far. Further, management has indicated that it is seeing a gradual recovery in rural markets currently. Given that HMCL has a dominant 100-110cc portfolio, any recovery in the rural region bodes well for the company.
- **Exports offer a huge headroom for growth:** Exports to emerging markets present a huge opportunity (~2x that of the Indian market) for HMCL, given that it has a relatively smaller presence in exports so far. Over the years, HMCL has been working on launching new products customized to key markets, revamping its distribution network, and investing in brand building in key markets. In FY25, HMCL posted 43% YoY growth in exports, at 2x the industry growth, and targets 40%+ growth in FY26E as well. We expect exports to continue to be a steady growth driver for HMCL in the coming years.
- We expect HMCL to deliver a volume CAGR of ~6% over FY25-28, driven by new launches and a ramp-up in exports. HMCL will also benefit from a gradual rural recovery, given strong brand equity in the economy and executive segments. We project a CAGR of ~10%/12%/13% in revenue/EBITDA/PAT over FY25-28. **We reiterate our BUY rating on the stock with a TP of INR6,782 (based on a 20x Sep'27E EPS + INR141/INR423 for Hero FinCorp/Ather post-20% Holdco discount).**

Oil & Gas



CGD: Transient headwinds; multi-year growth ahead

- **In this note, we highlight the key structural shifts that have reshaped India's city gas distribution (CGD) sector in the past 5-7 years, laying the foundation for a durable, multi-year growth runway. These changes include a policy mandate to expand CGD coverage nationwide, increased participation of private capital, a larger execution role for OMCs, and an improvement in the quality and economic density of geographical areas (GAs), enhancing RoCE potential for operators. In parallel, several states have rationalized natural gas taxation, improving competitiveness vs. alternate fuels.**
- **These reforms have driven a sharp scale-up in downstream infrastructure, with the number of CNG stations rising ~4x over the last six years, alongside a significant expansion in CNG vehicle models in PV and CV segments. The CNG powertrain remains one of the fastest-growing categories in India's PV market (FY25: +35% YoY) and now forms a meaningful share of OEM sales. CNG mix for TTMT/MSIL rose to 25%/18% in FY25 from 16%/15% in FY24. Unlike EVs, recent CNG launches are largely focused on the affordable sub-INR1m segment, supporting broader adoption. We expect CNG penetration in overall industry volumes to continue to rise in the medium term.**
- **The benefit of these reforms is evident from strong volume growth and network expansion posted by companies within our coverage universe as well OMCs and not covered private players. Among the listed CGD players, we continue to like Mahanagar Gas or MAHGL (strong volume growth + inexpensive valuations), though we think price hikes will be imperative for a re-rating. We also like Indraprastha Gas (IGL) as we see a strong likelihood of margin expansion following the recent tweak in tax and zonal tariff reforms.**

'One Nation, One Grid' gains momentum as ownership broadens

- **CGD footprint expands nationwide as private and OMC participation deepens:** Over the past decade, India's CGD footprint has expanded from ~40 pre-PNGRB areas to **307 authorized GAs**, creating a contiguous gas ecosystem where trunk pipelines, spur lines and stations collectively serve households, vehicles and industries at scale. This expansion has coincided with a clear shift from a public sector/JV-led structure to **balanced private and OMC participation**, particularly across PNGRB bidding Rounds 8 to 12.
- **Capital commitment deepens with private players taking the lead:** Cumulative committed capex in Rounds 8-12 exceeds **INR1t**, with **majority contributed by private players**, reflecting deep and durable capital commitment to a nationwide rollout. Participation by committed, well-capitalized players supports the development of a pan-India CGD ecosystem. OMCs bring the benefit of strong balance sheets and established distribution networks, enabling a faster rollout, while OEMs are increasingly launching multiple CNG variants. Momentum across CGD players has progressively shifted from the pre-PNGRB phase through Round 12, based on GA allocations.

Scale and density in new GAs reduce capex burden

- **Larger, denser GAs enhance capital efficiency and returns:** The GA profile of CGD players has improved materially, leading to a reduction in capex intensity per unit of gas sold. New GA allocations, especially in the 9th and 11th rounds, cover **larger and more economically dense regions**, including urban centers and industrial corridors. This allows fixed infrastructure costs such as pipelines, compressors and metering stations to be spread across high consumption volumes, lowering capex per SCMD.

- **GA quality has improved meaningfully across PNGRB rounds:** Early rounds featured smaller, fragmented GAs, limiting scale benefits (Rounds 6-8 together awarded only 25 GAs). A clear step-change emerged from the 9th round onward, with 86 GAs awarded across ~0.8m sq. km, followed by the 10th round's 50 GAs over ~0.6m sq. km, materially increasing average GA size and density. Subsequent rounds (11th-12th) focused on strategic infill, including the North-East and Union Territories, effectively completing pan-India CGD authorization.
- **Demand base broadens beyond legacy segments:** Historically, city gas demand was concentrated among select industrial consumers and public transport fleets, with limited household PNG penetration and low consumer awareness. Currently, demand is expanding across private CNG vehicles, logistics fleets, domestic PNG households, commercial establishments, MSMEs and large industries. This shift has been supported by rising awareness and supportive government policies promoting CNG/PNG adoption. The resulting diversification of the demand base improves long-term revenue stability, enhances volume visibility and supports sustained growth for CGD companies.

OMCs: Number of GAs and CNG stations as of 31 Mar'25

Particulars	HPCL	BPCL	IOCL
Number of GAs	25	26	49
Number of CNG stations	2,038	2,400	2,437

Source: Company, MOFSL

Percentage split of GAs between public and private entities across rounds

Entity	Pre PNGRB	Till Round 8	Till Round 12	Remarks
Public	90%	66%	54%	❖ Pre PNGRB - GAIL & its Subsidiaries
Private	10%	34%	46%	❖ Till Round 8 - GAIL, GGL, IGL, MGL & Other PSU ❖ Till Round 12 - Same as till Round 8 & OMCs

Source: PNGRB, MOFSL

Supportive taxation and reforms improve affordability and project viability

- **Interstate tax reform improves gas sourcing economics:** Petroleum products and natural gas continue to be taxed under central excise and state VAT, rather than GST, with excise levied at production and VAT at the distribution or retail stage. Historically, limited gas consumption and fewer CGD authorizations meant natural gas had low relevance in state revenue frameworks. As CGD penetration has increased, several states have **reduced VAT and excise rates** on natural gas and CNG vehicles to promote clean fuel adoption. Lower VAT directly reduces delivered gas prices, strengthening CGD margins, improving competitiveness vs. alternate fuels and accelerating adoption across urban and semi-urban markets. These measures also enhance project viability in new GAs by improving return profiles and shortening payback periods.

Comparison of VAT rates across states

State	Old Rate	Date	New Rate	Date
Rajasthan	14.50%	Sep-19	7.5% (CNG and D-PNG)	Mar-25
Punjab	14.30%	Mar-15	3.3% (D-PNG) & 14.3% (CNG)	Oct-19
Gujarat	15.00%	Jul-17	5% (CNG & D-PNG)	Oct-22
Maharashtra	13.80%	2015 onwards	3% (CNG and D-PNG)	Apr-22

Source: PNGRB, MOFSL

- **Gujarat's CST shift materially improves CGD sourcing economics:** A notable example of a state supporting gas consumption via favorable taxation is that **from 1st Oct'25, Gujarat replaced VAT with CST for interstate transport, reducing the tax burden from 15% to 2% and lowering logistics costs for CGD operators**. This reform is particularly beneficial for operators in landlocked northern states such as Uttar Pradesh, Rajasthan and Madhya Pradesh, where gas is transported over long distances from coastal terminals. Lower interstate taxes enable more economical sourcing, better pipeline utilization and more competitive end-consumer pricing.
- **GST cuts boost CNG affordability and CGD project returns:** Effective 22nd Sep'25, GST on small petrol, CNG and diesel cars was reduced from 28% to 18%, along with the removal of 1% cess on large cars. This has improved affordability and total cost of ownership for CNG vehicles. Lower GST on inputs such as compressors and dispensers also reduces infrastructure capex, improving project economics and returns.
- **Zone 1 tariff for CNG/D-PNG removes distance-linked cost disadvantage:** Effective 1st Apr'23, the government introduced the unified tariff regime under the 'One Nation, One Grid, One Tariff' framework to standardize pipeline transportation charges across interconnected gas pipelines. The regime initially operated with three distance-based tariff zones. Subsequently, **PNGRB's Second Amendment dated 4th Jul'25 reduced the zones from three to two and extended the lower Zone-1 tariff (up to 300km) nationwide for CNG and domestic PNG consumers, irrespective of distance from the gas source.** This shift to a 'One Zone, One Tariff' structure eliminates distance-linked cost disadvantages for remote and newly authorized GAs, materially improving affordability and CGD economics in Tier-2 and Tier-3 cities.
- **IGL beneficiary of the zonal tariff reform:** As per our estimate, the revised unified zonal tariff, applicable from 1st Jan'26, would translate into an INR0.9/scm EBITDA margin benefit for IGL, MAHGL is expected to see an INR0.3/scm contraction, and GUJGA is likely to remain unaffected.

Impact on CGDs due to change in unified zonal tariff

Particulars	Existing %	New %	Existing tariff	New tariff	Margin impact	1HFY26 reported EBITDA margin	% impact
Gujarat Gas					**0.0**	**6.0**	**0%**
Zone 1	14%	42%	42.0	54.0			
Zone 2	53%	46%	80.1	102.9			
Zone 3	21%	0%	106.8				
IGL					**0.9**	**5.7**	**16%**
Zone 1	0%	86%	42.0	54.0			
Zone 2	86%	14%	80.1	102.9			
Zone 3	14%	0%	106.8				
MAHGL					**-0.3**	**8.8**	**-3%**
Zone 1	69%	86%	42.0	54.0			
Zone 2	31%	14%	80.1	102.9			
Zone 3	0%	0%	106.8				

Source: Company, MOFSL

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