Market snapshot

Equities - India	Close	Chg .%	CY25.%
Sensex	83,628	-0.3	9.1
Nifty-50	25,732	-0.2	10.5
Nifty-M 100	59,598	-0.2	5.7
Equities-Global	**Close**	**Chg .%**	**CY25.%**
S&P 500	6,964	-0.2	16.4
Nasdaq	23,710	-0.1	20.4
FTSE 100	10,137	0.0	21.5
DAX	25,421	0.1	23.0
Hang Seng	9,285	0.7	22.3
Nikkei 225	53,549	3.1	26.2
Commodities	**Close**	**Chg .%**	**CY25.%**
Brent (US$/Bbl)	66	0.0	-15.7
Gold ($/OZ)	4,583	-0.3	64.6
Cu (US$/MT)	13,274	0.0	43.9
Almn (US$/MT)	3,195	0.0	17.5
Currency	**Close**	**Chg .%**	**CY25.%**
USD/INR	90.2	0.0	5.0
USD/EUR	1.2	0.0	13.4
USD/JPY	158.9	0.5	-0.3
YIELD (%)	**Close**	**1MChg**	**CY25 chg**
10 Yrs G-Sec	6.6	0.02	-0.2
10 Yrs AAA Corp	7.3	0.00	0.1
Flows (USD b)	**13-Jan**	**MTD**	**CYTD**
FIIs	-0.17	-2.80	-18.8
DIIs	0.13	8.98	90.1
Volumes (INRb)	**13-Jan**	**MTD***	**CYTD***
Cash	1,092	1108	1108
F&O	8,05,104	3,19,647	3,19,647

Note: Flows, MTD includes provisional numbers. *Average

Today's top research idea

Canara HSBC Life Insurance | Initiating Coverage: Banca-led compounding story in the offing!

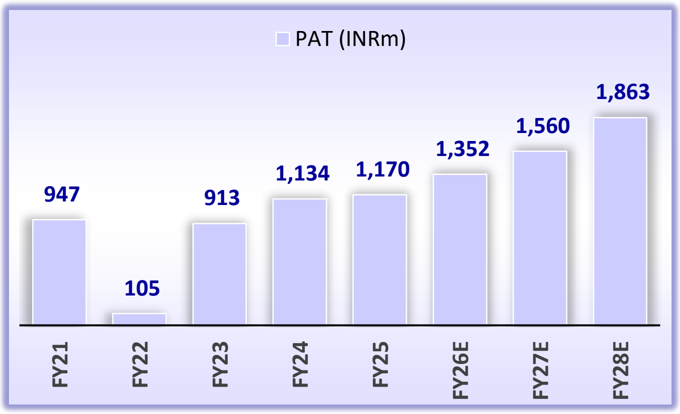
- Canara HSBC Life Insurance (CANHSBC) is one of the top-10 life insurance companies in India and has outperformed the overall industry and private segment with a FY15-25 APE CAGR of 22%.
- We believe the life insurance industry is well positioned to deliver strong growth traction, aided by 1) increasing penetration (India's penetration at 2.8% vs. global 2.9%), 2) GST exemption tailwind, 3) narrowing protection gap in the country (83% in India, highest among peers), and 4) expected favorable regulations such as risk-based solvency, composite license etc.
- CANHSBC has just 1.7% penetration among Canara Bank (72.5% of FY25 individual APE; FY22-25 CAGR of 21%) customers and with Canara Bank investing significantly in digital tools to do customer segmentation, we see a strong growth trajectory for CANHSBC going ahead. The expansion plans of HSBC (13% of FY25 individual APE; FY22-25 CAGR of 19%), along with its retail focus, can further expand the premier and profitable clientele for CANHSBC.
- We expect CANHSBC to report a CAGR of 20%/23% in APE/VNB during FY25-28E. VNB margins are likely to expand by 50bp each year over the next couple of years owing to a favorable product mix and scale benefits, which are partially offset by investment in the agency channel. Operating RoEV is likely to be above 17%. We value the company at 1.7x FY28E P/EV to arrive at a TP of INR180. Initiate coverage with a BUY rating.

Research covered

Cos/Sector	Key Highlights
Canara HSBC Life Insurance	Banca-led compounding story in the offing!
Fund Folio	Equity AUM rises for the 12th successive year; net inflows moderate in CY25
EcoScope	FY27 Budget Preview: Defense-led capex growth
Other Updates	ICICI Prudential Life Insurance | ICICI Lombard | Tata Elxsi | Anand Rathi Wealth

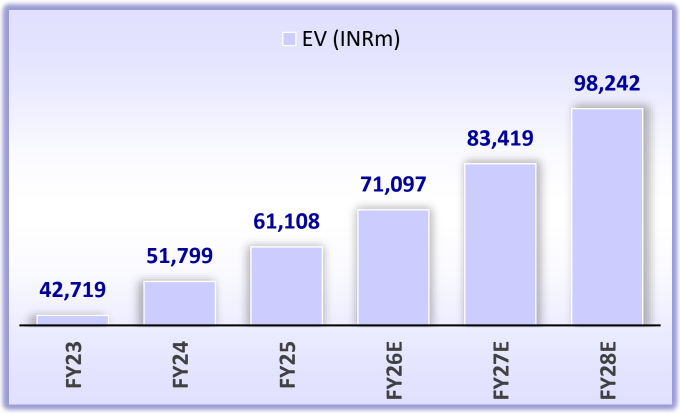
Chart of the Day: Canara HSBC Life Insurance (Banca-led compounding story in the offing!)

Strong PAT growth backed by automation



Source: Company, MOFSL

EV expected to reach ~INR100b by FY28



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Reliance Industries allots stake in RCPL to 13 key investors

Reliance Industries has transferred shares in its new consumer goods company, RCPL. Thirteen investor groups now hold a stake in RCPL. These investors previously held stakes in Reliance's retail business. This move separates the consumer goods operations.

2

Miners may lose lease on failure to start in 2 years

India is set to introduce tougher rules for mineral block auctions. Leases may be cancelled if production does not begin within two years. Area limits for mining concessions will also be removed. These changes aim to speed up mineral resource development and attract more investment.

3

Trai seeks more powers to stop telcos from dodging fines

The Telecom Regulatory Authority of India wants stronger powers. It seeks the ability to impose significant penalties on telecom companies that do not follow its rules. Currently, penalties are low and difficult to collect. TRAI has proposed a substantial increase in fines and a new process for appeals.

4

Cement cos feel GST-led price drop, Q3 profits may slip

Cement firms anticipate weaker earnings for the December 2025 quarter. Price moderation following a GST revision, subdued demand from the non-trade sector, and increased raw material costs are impacting profitability.

5

Uday Kotak's family office acquires US snack brand Go Raw

USK Capital, the family office of Uday Kotak, has made its first foreign investment by acquiring a majority stake in US-based snacking brand Go Raw. This overseas direct investment marks a significant move for the family office into the growing healthy eating trend.

6

UPI user base can more than double to 1 billion: RBI Deputy Governor

Reserve Bank Deputy Governor T Rabi Sankar stated that UPI has the potential to reach 1 billion users, more than doubling its current 400 million base.

7

Blinkit drops 10-minute delivery promise after labour ministry nudge

While there is no law yet prohibiting these platforms from advertising 10-minute delivery, the message has been conveyed through government intervention, says sources

Canara HSBC Life Insurance

BSE Sensex	S&P CNX
83,878	25,790

CMP: INR146 **TP: INR180 (+23%)** **Buy**

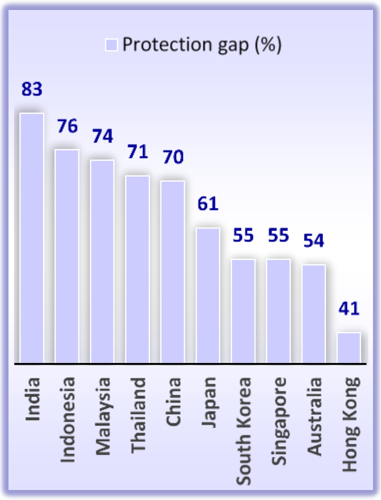
Stock Info

Bloomberg	CANHLIFE IN
Equity Shares (m)	950
M.Cap.(INRb)/(USDb)	138.3 / 1.5
52-Week Range (INR)	158 / 106
1, 6, 12 Rel. Per (%)	20/-/-
12M Avg Val (INR M)	429
Free float (%)	38.0

Financial Snapshot (INR b)

Y/E March	2026E	2027E	2028E
Net Premiums	96.0	112.3	131.7
Sh.PAT	1.4	1.6	1.9
APE	28.0	33.5	40.1
APE growth (%)	19.6	19.6	19.8
VNB	5.5	6.7	8.2
VNB margin (%)	19.5	20.0	20.5
RoE (%)	8.6	9.2	10.0
RoEV (%)	17.1	17.3	17.8
AUM	460.1	534.2	622.4
EV per share	75	88	103
Valuations			
P/EV (x)	2.0	1.7	1.4
P/EVOP (x)	13.3	11.3	9.4

Protection gap highest in India



Banca-led compounding story in the offing!

Bancassurance efficiency improvement to drive growth

- **Canara HSBC Life Insurance (CANHSBC) is one of the top-10 life insurance companies in India. It has a diversified product mix, with ULIP/Non-Par/Par/Protection contributing 50%/34%/8%/8% in 1HFY26. The business is primarily led by the bancassurance channel, with Canara Bank/HSBC contributing 70%/15% in 1HFY26.**
- **Over the past decade, CANHSBC has outperformed the overall industry and private segment with a CAGR of 22% in APE. Resultantly, its market share has increased by 90bp/110bp during the period within the industry/private segment.**
- **We believe the industry is well positioned to deliver strong growth traction, aided by 1) increasing penetration (India's penetration at 2.8% vs. global 2.9%), 2) GST exemption tailwind, 3) narrowing protection gap in the country (83% in India, highest among peers), and 4) expected favorable regulations such as risk-based solvency, composite license etc.**
- **Within this industry framework, we believe CANHSBC can continue to gain market share as it increases its penetration among Canara Bank customers, scales up cross-selling in the HSBC channel, builds a strong agency channel, and develops relationship with new-age distributors.**
- **CANHSBC has just 1.7% penetration among Canara Bank's (72.5% of FY25 individual APE; FY22-25 CAGR of 21%) ~120m customers and its branch productivity is at just INR1.6m vs. INR5m+ for other private banks. With Canara Bank investing significantly in digital tools to do customer segmentation, we see a strong growth trajectory for CANHSBC going ahead.**
- **HSBC (13% of FY25 individual APE; FY22-25 CAGR of 19%) provides access to high-quality customers like NRIs, affluent segments, employer-employee groups, and ~1m credit card base. The expansion plans of HSBC, along with its retail focus, can further expand the premier and profitable clientele for CANHSBC.**
- **We expect the product mix to shift back to Linked/Non-Linked mix of 40:60 over the next couple of years as demand for protection gets a natural fillip from GST exemption, credit protection picks up with increasing attachment rates, and interest rate cuts drive up the Non-Par share.**
- **We expect CANHSBC to report a CAGR of 20%/23% in APE/VNB during FY25-28E. VNB margins are likely to expand by 50bp each year over the next couple of years owing to a favorable product mix and scale benefits, which are partially offset by investment in the agency channel. Operating RoEV is likely to be above 17% and solvency is likely to be above 200% in the foreseeable future.**
- **We value the company at 1.7x FY28E P/EV to arrive at a TP of INR180. Initiate coverage with a BUY rating.**

Life insurance industry well poised for strong growth

- India's life insurance industry continues to be underpenetrated, with premium/sum assured as a percentage of GDP standing at 2.8%/85%, much lower than its Asian peers – Singapore at 7.4%/332%, Thailand at 3.4%/143%, and Malaysia at 3.7%/153%. Protection gap for India is at 83% vs. 55%/71%/74% in Singapore/Thailand/Malaysia.
- APE growth in India has been 12% for the past decade, and private players have increased their market share to 65% from 47%. This growth has been achieved despite several regulatory changes in the past five years, such as the implementation of new surrender charges, taxation changes, and EOM regulations.

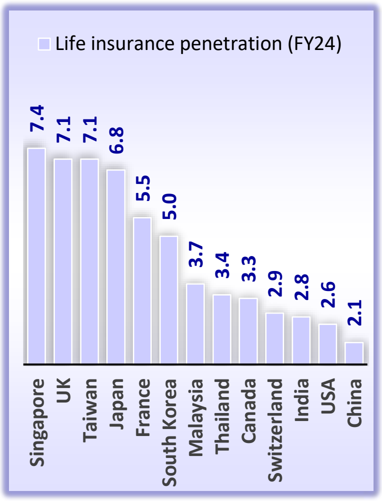
With under-penetration and strong regulatory support, we expect the industry to clock 16-18% APE CAGR over the medium term.

- Going ahead, we expect favorable regulatory changes such as implementation of risk-based solvency, which should release capital for future growth, and composite license, which will allow insurance companies to offer more products. With under-penetration and strong regulatory support, we expect the industry to clock 16-18% APE CAGR over the medium term.
- In terms of channels, the bancassurance channel will continue to dominate for the private players, but proprietary channels such as agency and online should grow as insurers enter lower-tier cities. In terms of the product mix, we expect the share of protection (led by GST exemption) and non-par savings (declining interest rates) to increase at the cost of ULIPs.

Canara Bank will be the growth bedrock

- Canara Bank's customer segmentation, complete focus on analytics-driven business model, TAT-tracked lead disposition, and performance-linked branch activation have opened the doors for long-term growth for CANHSBC.
- Productivity in FY25 was just INR1.6m premium/branch against SBI's INR6.8m, reflecting a massive headroom for growth. Even a partial convergence to ~INR2.8m premium/ branch will lead to a FY25-28 CAGR of 21%.
- The embedded base of ~80m insurable customers ensures long-duration, low-CAC growth visibility.

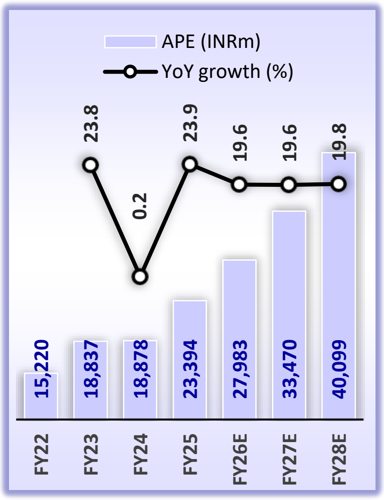
Penetration remains low in India



HSBC to further augment growth

- **HSBC serves as a structurally important second pillar in the distribution architecture.** The bank's distribution model is characterized by deeper advisory-led selling, higher RM engagement per customer, and more consistent renewal behavior.
- Additionally, HSBC's distribution capability extends through corporate salary accounts, international banking clients, and digitally engaged users across its expanding India network, enabling the insurer to widen its reach without proportional fixed-cost buildup.
- The bank has recently gotten approval to add 20 more branches (current branch count is 26). If the bank improves its existing branch productivity to INR115m premium/branch and 75% productivity in new branches, will result in a FY25-28 CAGR of 19%.

CANHSBC's APE growth expected to be at ~20%



Investing in agency channel, spreading wings among other partners

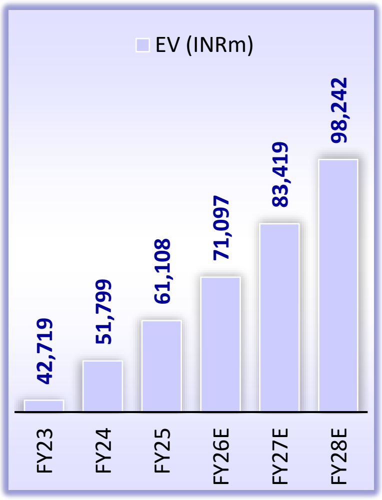
- Diversification through the agency channel is expected to be a low-capex model that leverages existing bancassurance tech and onboarding infrastructure. The Canara brand offers a natural right-to-win in agent recruitment similar to how SBI Life scaled its ~270,000 agent base. While it may dilute margins by ~200bp, the agency channel materially improves its reach into underserved geographies and aligns with long-term VNB growth.
- CANHSBC also benefits from eight regional rural banks, providing access to deep rural geographies, 13 brokers, and three corporate agents, expanding third-party flows. The company's digital direct channel is seeing efforts to scale online traffic through multilingual content marketing. The defense channel offers stable group savings and long-term protection to army personnel. These channels, while still small, provide a long-term hedge against concentration risk and will grow as digital adoption rises.

Shift in the product mix, with non-par demand rising and consistent focus on credit life, with loan attachment rates of 45-50%, continues to be a strong VNB contributor.

VNB margin expansion backed by operational efficiency

- The insurer is witnessing a shift in the product mix, with non-par demand rising (~17% of APE) as guaranteed-return preference strengthens. Protection (~8% of APE) is being supported by differentiated offerings (Promise2Protect, Term ULIP) and rising rider attachment rates. Consistent focus on **credit life**, with loan attachment rates of **45-50%**, continues to be a strong VNB contributor.
- Opex as a percentage of gross premium improved from 13.1% in FY24 to 12.4% in FY25 and is expected to improve further to ~10% by FY28 as automation and AI-driven processes scale up.
- Margin accretion from the product mix shift and operating leverage will more than offset the agency ramp-up costs and the loss of ITC impact by FY28. The company has already passed on the loss of ITC on renewal commissions to the distributor and is in discussions with respect to vendor negotiations to reduce the impact.
- VNB margin has improved from 19.1% in FY25 to 19.6% in 1HFY26 (including 50bp impact from loss of ITC). We expect VNB margin to reach 20.5% in FY28 despite ITC loss and agency ramp-up, driven by (1) product mix shift, (2) higher protection and rider attachments, (3) tech-driven cost efficiency, and (4) stronger persistency.

EV expected to reach ~INR100b by FY28



Valuation and view

- CANHSBC offers a rare multi-year compounding opportunity anchored in a structurally improving banca engine, rising contribution from premiumized HSBC flows, and disciplined agency expansion. With one of the most under-penetrated PSU-bank funnels and clear visibility on branch activation, product mix upgrades and operating leverage, we expect the company to deliver **17%+ operating RoEV going ahead** despite near-term ITC and agency drag.
- Over FY25-28, we expect a CAGR of 20%/23% in APE/VNB for CANHSBC. We initiate coverage on the stock with a BUY rating and a one-year TP of INR180 (based on 1.7x FY28E P/EV).
- Slower-than-expected branch activation at Canara Bank, weaker persistency, or adverse regulatory changes in banca commission norms could delay the margin and APE compounding trajectory.

Equity AUM rises for the 12th successive year; net inflows moderate in CY25

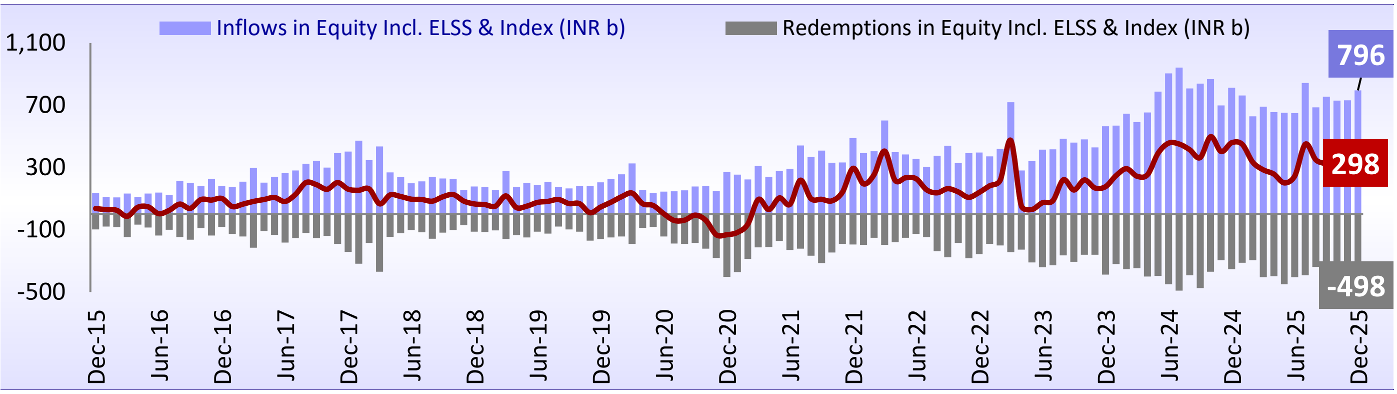
Key observations

- CY25 concluded with yet another year of positive returns for the Indian markets, marking the tenth consecutive year of positive returns. The Nifty touched a fresh high of 26,326 before ending CY25 at 26,130, up 10.5% YoY. The year was marked as one of the most volatile years for Indian equity markets. Geopolitical tensions, US trade-tariff headwinds, the Japan carry-trade unwind, sharp INR depreciation, moderate domestic corporate earnings, muted consumption growth, and concerns around relatively high valuations together led to record FII selling of Indian equities during the year. DII flows into equities were the highest ever at USD90.1b in CY25 vs. inflows of USD62.9b in CY24, with just one year of outflows since CY15. Conversely, FIIs witnessed the highest ever equity outflows of USD18.8b in CY25 vs. outflows of USD0.8b in CY24.
- However, despite the challenges, domestic MFs saw their equity AUM rise for the 12th consecutive year to INR39t (+17% YoY) in CY25. AUM growth was fueled by an uptrend in market indices (Nifty: +10.5% YoY). However, lower equity scheme sales (at INR8,583b; -5.9% YoY) and higher redemptions (at INR4,810b; +3.5% YoY) led to a fall in net inflows to INR3,773b in CY25 (-15.7% YoY) from INR4,475b in CY24.
- The MF industry's total AUM increased 20% YoY (INR13.3t) to INR80.2t in CY25, propelled by the growth in equity funds (INR5,657b), other ETF funds (INR2,011b), balanced funds (INR1,418b), liquid funds (INR1,265b), income funds (INR1,237b), and Gold ETFs (INR833b).
- Investors continued to park their money in mutual funds, with inflows and contributions in systematic investment plans (SIPs) reaching a new high of INR310b in Dec'25 (up 5.3% MoM and 17.2% YoY).

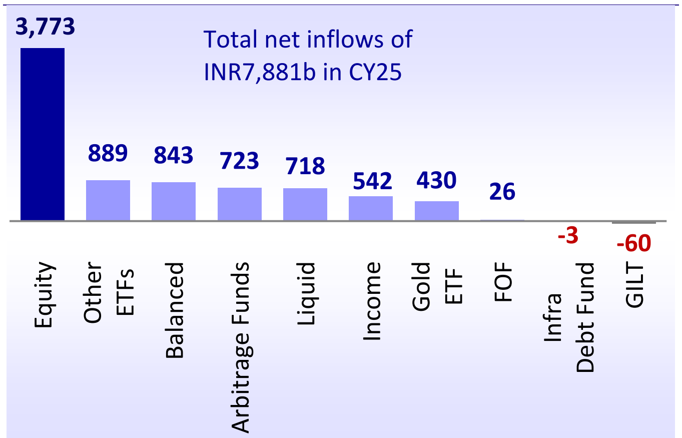
A few interesting facts

- The year saw a notable change in the sector and stock allocation of funds. The weight of domestic cyclicals improved 170bp to 63.2%, aided by an increase in the weights of BFSI and Automobiles, while the weights of Capital Goods, Consumer Durables, Cement, Chemicals, Infrastructure, Retail, Real Estate, Media, and Textiles moderated.
- The weight of Global Cyclicals also increased 50bp to 8.7%, led by Metals.
- Defensives' weightage declined 220bp to 28.1%, dragged down by Technology, Healthcare, Utilities, and Consumer.
- Automobiles saw a rise in weight to 8.6% (+40bp YoY) in CY25, improving its position to second from third a year ago.
- Technology's position declined to third place from second a year ago, as the weightage declined by 150bp YoY to 7.9%.
- Private Banks' weight surged to 17.6% (+100bp YoY).
- Capital Goods saw a decrease in weight to 7.1% (-70bp YoY).
- The top sectors where MF ownership vs. the BSE 200 was at least 1% lower were Oil & Gas (17 funds under-owned), Private Banks (16 funds under-owned), Consumer (16 funds under-owned), Utilities (13 funds under-owned), and Metals (12 funds under-owned).
- The top sectors where MF ownership vs. the BSE 200 was at least 1% higher were Healthcare (14 funds over-owned), NBFCs (11 funds over-owned), Chemicals (10 funds over-owned), Consumer Durables (10 funds over-owned), and Capital Goods (8 funds over-owned).

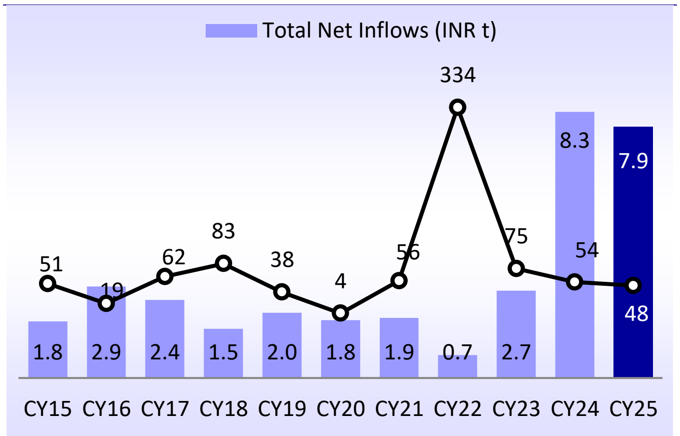
Monthly trends in sales, redemptions, and net amount raised by MFs (equity)



MF inflows at INR7.9t in CY25; equities contributed ~48% of the total flows



Annual trends of total inflows and equities % to MF total inflows



FY27 Budget Preview: Defense-led capex growth

We expect the FY27 Union Budget to mark a pivotal moment in India's fiscal framework, with the gross fiscal deficit targeted at 4.3% of GDP, lower than 4.4% in FY26. This underscores the government's commitment to gradual fiscal consolidation and its shift toward debt-to-GDP as the primary fiscal anchor, in line with global best practices. Given the emphasis on fiscal discipline, we do not expect any populist measures or large tax giveaways in this budget. The budget is likely to be framed around a nominal GDP growth assumption of about 10.1%, providing some headroom to balance discipline with growth support.

<u>On the expenditure side</u>, we expect a clear prioritization of capital expenditure, which should grow at 10.3% YoY and remain close to 3.1% of GDP, with higher allocations for defense and allied industries, infrastructure-linked manufacturing, pharma, power, nuclear, electronics, critical minerals, and trade tariff-affected labor-intensive sectors. At the same time, revenue expenditure is likely to be tightly managed, with limited growth in subsidies and non-essential spending.

<u>On the revenue front</u>, we expect steady but unspectacular growth, with direct taxes broadly tracking nominal GDP, GST collections remaining muted, and continued reliance on non-tax revenues, particularly a strong dividend from the RBI.

<u>On the financing side</u>, borrowing requirements for both the Centre and states are likely to remain elevated. We expect the Centre's gross market borrowings to be ~INR16.5t in FY27 (net borrowings of about INR11.9t), while state governments are likely to raise roughly INR13.2t through gross SDL issuances (net borrowing of ~INR9.7t). Together, this keeps aggregate gross market borrowing elevated through FY27 at INR29.7t. This heavy supply, combined with relatively subdued demand, is likely to limit any sharp decline in yields. We expect the 10-year G-sec yield to trade broadly in the 6.5-6.7% range in FY27.

Bond market was hoping for inclusion in the Bloomberg Global Index, but for now, the inclusion is postponed. With the global rate cut cycle nearing an end or having ended in most countries, we note a synchronous rise in global yields. Japan's latest rate hike has also pushed the yields upwards. The key event to track next would be the announcement of a new US Fed Governor. Although US fiscal metrics are worsening, any sharp revision in market expectations of interest rate cuts (from the current 50bp) can lead to some moderation in US yields, impacting India at the margin. More than that, we see limited reasons for any softening of India yields.

<u>NOTE:</u> We have a special insight for our readers appended towards the end of the report titled, 'A Day in the North block, New Delhi!'. It details the discussions happening in the North Block ahead of the Union Budget. Hope you enjoy reading it!

- The FY27 Union Budget is likely to be a historic document, as India will start using debt as the primary target for fiscal policy, aligning itself with global standards[1].
- The budget will prioritize the government's commitment toward fiscal consolidation by lowering the gross fiscal deficit (GFD) marginally to 4.3% of GDP in FY26 from 4.4% in FY25, though it is not bound by the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act), unlike previously.
- The budget math is likely to be realistic assuming 10.1% YoY as the nominal GDP. It would clearly focus on the next set of reforms for further building the 'Viksit Bharat' narrative while extending benefits to sectors such as defense, nuclear, and critical minerals – the roadmap of which has already been placed in the winter session of the parliament.
- We do not expect any populist measures or direct tax code changes this year (CY25: income tax cuts, GST rationalization) given that the government is attempting fiscal consolidation; however, we see scope for an increase in capital expenditure (capex) in non-traditional or sunrise sectors, especially defense and allied sectors. This is due to India's shift to tracking the debt-to-GDP ratio as its primary fiscal policy goal (the trajectory for which we will see in the budget

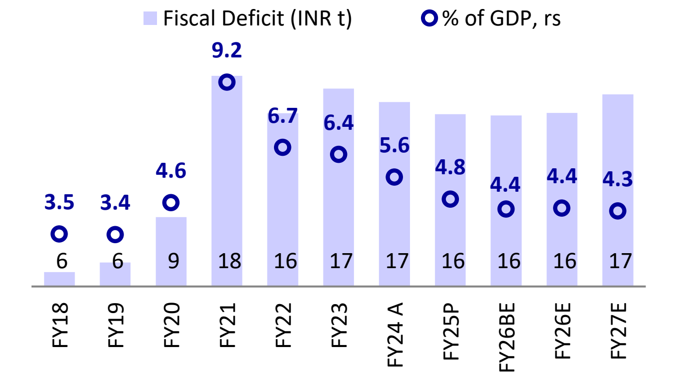
document). India plans to reduce this ratio to 50% (+/- 1%) by FY31 from 56% currently.

- **FY26 Budget recap:** The outstanding contribution from non-tax revenue receipts, backed by the record RBI dividend of INR2.7t alone, has helped the government sail the boat in FY26. The dividend contribution by PSUs is also likely to be more than INR800b, as per media reports, almost double the budget estimate. Tax receipts were dragged down primarily by lower income tax and GST collections.
- On the expenditure side, we expect the capex target of INR11.2t to be met and expect a slight slowdown on the non-subsidy-non-interest revenue spending. On net basis, we expect the deficit target of 4.4% of GDP to be met (FD est.: INR15.9t; FD BE: INR15.7t).
- **FY27 Budget preview**: Dividends by the RBI and PSUs may once again skyrocket to INR3.8t in FY27E from INR3.7t in FY26 due to heavy RBI dollar sales (adding to the RBI's profitability). With nominal GDP growth assumed at 10.1%, we expect the direct tax receipts to be broadly in line with the growth rate at INR25.7t in FY27E (FY26E:7.4% YoY). Indirect tax collections are likely to be boosted by a probable hike in excise duty collections, while GST collections are likely to see muted growth. We assume a disinvestment target of INR450b, marginally lower than last year's INR470b. In our view, revenue expenditure (revex) would moderate, though capex may grow by 10.3% YoY or INR12.4t, representing 3.1% of GDP.

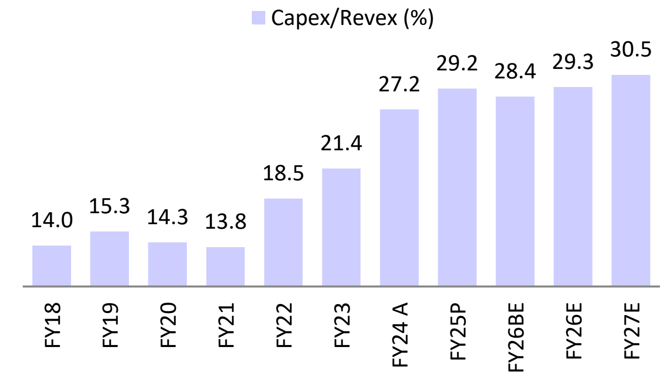
Overall, GFD is expected to see a marginal reduction of 10bp in FY27 to 4.3% of GDP. Here are the broad budget expectations for FY27:

- **Expenditure:** Total expenditure growth rate is assumed at 7% YoY. Capital expenditure is assumed at INR12.4t (10.3% YoY). Revex is expected to grow by 6% on a yearly basis.
- **Receipts:** Total receipts growth rate is assumed at 6.8% YoY. Direct tax collection is expected to grow by 10.2% and indirect tax collection would rise by 6.3%.
- **Centre's Gross borrowing:** It is expected at INR16.5t vs. INR14.6t in FY26E.
- **Centre's Net borrowing:** It is expected at INR11.9t vs. INR11.3t in FY26E.
- **Centre+State Borrowing:** Gross borrowing is expected at INR29.7t vs. INR27.0t in FY26E. Net borrowing is expected at INR21.7t vs. INR20.3t in FY26E.

Fiscal deficit target at 4.3% in FY27E



Capex to be higher, revex to be lower in FY27E



Source: CEIC, MOFSL

ICICI Prudential Life Insurance

Estimate change	↑
TP change	⟷
Rating change	⟷

Bloomberg	IPRU IN
Equity Shares (m)	1447
M.Cap.(INRb)/(USDb)	986.6 / 10.9
52-Week Range (INR)	707 / 517
1, 6, 12 Rel. Per (%)	6/1/-4
12M Avg Val (INR M)	838

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Net Premiums	516.2	595.2	685.5
Surplus / Deficit	15.5	16.3	17.7
Sh. holder's PAT	14.4	16.0	18.3
NBP growth unwtd (%)	4.1	15.3	14.5
APE (INRb)	109.2	126.3	143.6
VNB (INRb)	26.8	31.6	36.6
VNB margin (%)	24.5	25.0	25.5
EV per share	371	419	474
RoEV (%)	11.7	13.0	13.1
Total AUM (INRt)	3.5	4.1	4.7
Valuations			
P/EV (x)	1.8	1.6	1.4
P/EVOP (x)	17.0	13.7	12.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	72.9	73.0	73.1
DII	8.7	8.9	9.3
FII	13.2	13.1	13.0
Others	5.3	5.1	4.7

FII Includes depository receipts

CMP: INR681 TP: INR800 (+17%) Buy

VNB margin consistent sequentially at 24.4%; 90bp beat

Protection contribution continues to rise

- ICICI Prudential Life Insurance (IPRU) reported APE of INR25.3b (in line), up 4% YoY, in 3QFY26. In 9MFY26, APE declined 1% YoY to INR68.1b.
- VNB margin expanded 320bp YoY to 24.4% vs. our estimate of 23.5%. Absolute VNB grew 19% YoY to INR6.2b (in line) in 3QFY26. For 9MFY26, VNB grew 6% YoY to INR16.6b, reflecting an improvement in VNB margin to 24.4% (22.8% in 9MFY25).
- PAT grew 19% YoY to INR3.9b (21% beat) in 3QFY26 (23% YoY growth for 9MFY26).
- Management indicated that GST reforms should be value-accretive for all stakeholders, including distributors. Partner-specific negotiations are underway to ensure VNB neutrality while maintaining distributor economics.
- We have maintained our APE growth estimates for FY26-28. However, we have raised VNB margin assumption by 50bp/50bp/100bp for FY26/27/28, considering the 3QFY26 performance. **We maintain our BUY rating with a TP of INR800 (based on 1.7x FY28E EV).**

Favorable product mix driving VNB margins

- IPRU's gross premium declined 3% YoY to INR122b (13% below estimates) in 3QFY26, driven by 8% YoY growth in renewal premium, while single premium declined 25% YoY.
- APE growth of 4% YoY in 3QFY26 was driven by 19% YoY growth in protection, partly driven by GST exemption, 8% YoY growth in ULIP and 5% YoY growth in non-par savings. Annuity business continued to decline YoY owing to a high base due to product launch last year. Retail growth was partially offset by 43% YoY decline in the lumpy group business. The retail contribution to APE continued to rise and was at 83.8% in 3QFY26.
- The 320bp YoY expansion in VNB margin to 24.4% was driven by a higher contribution from the non-linked business at 18.1% (11% in 3QFY25), along with continued growth in retail protection contribution from 6% in 3QFY25 to 8.2% in 3QFY26 (overall protection contribution at 18.4% in 3QFY26 from 16% in 3QFY25). Other margin improvement drivers included higher sum assured, rise in rider attachments and favorable yield curve movement.
- Commission expenses grew 12% YoY to INR12.7b, while operating expenses grew 15% YoY, resulting in a rise in EoM ratio from 16.4% in 3QFY25 to 19.3% in 3QFY26. However, on a 9M basis, the cost ratio has improved to 19.3% from 19.8% last year despite the loss of input tax credit.
- On the distribution front, agency/direct channels were largely flat YoY, contributing 29%/15% to the mix owing to a high base. The bancassurance channel witnessed growth of 10% YoY, with contribution rising from 25% in 3QFY25 to 27% in 3QFY26. Corporate agent channel continued to witness strong growth (+52% YoY), contributing 13.5% to the mix (from 9.2% in 3QFY25), backed by strong growth in traditional products. The group channel declined 20% YoY, resulting in contribution declining from 21% in 3QFY25 to 16.2% in 3QYF26.

- On a premium basis, persistency declined in 3QFY26, with 13th month persistency at 81% (85.6% in 3QFY25) and 61st month persistency at 58.6% (62.6% in 3QFY25). However, 37th month persistency improved from 72.7% in 3QFY25 to 74.9% in 3QFY26.
- AUM grew 7% YoY to INR3.3t, while solvency improved to 214.8% (211.8% in 3QFY25).

Highlights from the management commentary

- APE growth in 9MFY26 was slow owing to a supportive market environment last year, which supported ULIPs and annuity product launch. IPRU delivered a two-year APE CAGR of 13.8%, marginally ahead of the industry's 13.3%, with management indicating improving momentum based on trends seen in 3QFY26.
- Retail protection remains a structural opportunity, with only ~13% of the population currently protected. Group protection growth remained in single digits, impacted by a slowdown in MFI-linked credit life during 9MFY26, though early signs of recovery were seen in 3Q, which should benefit the company going forward.
- Persistency ratios remained below desired levels, though management outlined multiple corrective actions, which should lead to a recovery in 13M persistency to 85%+ by next year.

Valuation and view

- IPRU's continued efforts toward product mix shift, increasing retail protection contribution and robust cost optimization measures have resulted in continued YoY expansion in VNB margin, despite the loss of input tax credit after GST exemption. In the longer term, the company's profitability will be supported by higher volumes driven by GST exemption, increased traction of non-linked products, and improved product-level margins.
- We have maintained our APE growth estimates for FY26-28. However, we have raised VNB margin assumption by 50bp/50bp/100bp for FY26/FY27/FY28 considering the 3QFY26 performance. We maintain our BUY rating with a TP of INR800 (based on 1.7x FY28E EV).

Quarterly performance (INR b)

Policy holder's A/c	FY25				FY26				FY25	FY26E	FY26E	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
First year premium	15.2	20.6	18.2	27.1	14.5	19.8	20.8	32.6	82.0	87.6	20.2	3%
Growth (%)	*48.8%*	*34.6%*	*19.0%*	*-8.1%*	*-5.0%*	*-4.1%*	*14.1%*	*20.4%*	*16.6%*	*6.9%*	*10.5%*	
Renewal premium	43.3	69.9	60.9	92.1	49.4	68.5	65.9	109.0	267.5	292.8	68.8	-4%
Growth (%)	*4.3%*	*18.6%*	*0.2%*	*9.3%*	*14.0%*	*-1.9%*	*8.3%*	*18.3%*	*8.9%*	*9.5%*	*13.0%*	
Single premium	24.3	30.3	47.5	49.1	25.7	34.7	35.5	58.3	149.0	154.2	51.5	-31%
Growth (%)	*10.6%*	*0.9%*	*77.6%*	*30.1%*	*5.8%*	*14.5%*	*-25.2%*	*18.7%*	*27.9%*	*3.5%*	*8.6%*	
Gross premium income	**82.8**	**120.8**	**126.6**	**168.3**	**89.5**	**123.0**	**122.3**	**199.9**	**498.5**	**534.7**	**140.5**	**-13%**
Growth (%)	*12.3%*	*15.8%*	*23.1%*	*11.1%*	*8.1%*	*1.8%*	*-3.4%*	*18.8%*	*15.3%*	*7.3%*	*11.0%*	
PAT	**2.3**	**2.5**	**3.2**	**3.9**	**3.0**	**3.0**	**3.9**	**4.5**	**11.9**	**14.4**	**3.2**	**21%**
Growth (%)	*8.9%*	*3.1%*	*42.8%*	*121.7%*	*34.0%*	*17.5%*	*19.1%*	*17.4%*	*39.3%*	*21.0%*	-1.8%	
Key metrics (INRb)												
New Business APE	19.6	25.0	24.4	35.0	18.6	24.2	25.3	41.1	104.1	109.2	26.0	-3%
Growth (%)	*34.4%*	*21.4%*	*27.8%*	*-3.2%*	*-5.0%*	*-3.3%*	*3.6%*	*17.4%*	*15.0%*	*5.0%*	7%	
VNB	4.7	5.9	5.2	8.0	4.6	5.9	6.2	10.1	23.7	26.8	6.1	1%
Growth (%)	*7.8%*	*1.6%*	*18.6%*	*2.4%*	*-3.2%*	*1.0%*	*19.0%*	*27.3%*	*6.4%*	*12.9%*	18%	
AUM	3,089	3,205	3,104	3,094	3,245	3,210	3,307	3,532	3,094	3,532	3,306	0%
Growth (%)	*15.9%*	*17.9%*	*8.3%*	*5.2%*	*5.1%*	*0.2%*	*6.5%*	*14.2%*	*5.2%*	*14.2%*	7%	
Key Ratios (%)												
VNB Margin	24.0	23.4	21.2	22.7	24.5	24.4	24.4	24.6	22.8	24.5	23.5	

ICICI Lombard

Estimate change	↓
TP change	↓
Rating change	⟷

Bloomberg	ICICIGI IN
Equity Shares (m)	497
M.Cap.(INRb)/(USDb)	939.1 / 10.4
52-Week Range (INR)	2075 / 1613
1, 6, 12 Rel. Per (%)	-1/-9/-9
12M Avg Val (INR M)	1313

Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
NEP	222.4	253.6	288.3
U/W Profit	-10.1	-9.5	-9.3
PBT	40.0	46.1	52.8
PAT	30.0	34.5	39.6
EPS (INR/share)	60.9	70.1	80.3
EPS Growth (%)	19.6	15.2	14.6
BVPS (INR/share)	334.8	388.6	452.6
Ratios (%)			
Claims	70.8	70.1	69.8
Commission	19.5	19.5	19.4
Expense	13.4	13.2	13.1
Combined	103.6	102.8	102.3
RoE	19.5	19.4	19.1
Valuations			
P/E (x)	31.0	26.9	23.5
P/BV (x)	5.6	4.9	4.2

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	51.4	51.5	51.7
DII	17.5	17.6	16.7
FII	24.0	23.9	24.8
Others	7.1	7.0	6.9

FII includes depository receipts

CMP: INR1,886 TP: INR2,260 (+20%) Buy

NEP miss and one-off drive combined ratio and PAT miss

- ICICI Lombard's (ICICIGI) gross written premium grew 15% YoY in 3QFY26 to INR74.3b (in-line). NEP grew 13% YoY to INR56.9b, (5% miss). For 9MFY26, it grew 13% YoY to INR165b.
- Claims ratio stood at 68.7% (vs our est. of 67.4%) vs 65.8% in 3QFY25. Commission ratio came in at 22.5% vs 22.9% in 3QFY25 (vs. our expectation of 21%) and opex ratio came in at 13.3% vs. 14% in 3QFY25 (vs. our expectation of 13.2%).
- Combined ratio came in at 104.5% (vs our expectation of 101.6%), compared to 102.7% in 3QFY25. Excluding 1/n and new wage code impact of INR0.55b, combined ratio was at 102.2% in 3QFY26.
- PAT at INR6.6b declined 9% YoY (23% miss). For 9MFY26, PAT grew 11% YoY to INR15.7b. Excluding the impact of Wage Code and 1/n, PAT for 3QFY26 was INR7.2b, registering a growth of 6.3% YoY.
- Management highlighted strong underlying demand across both motor and health post GST changes and reiterated its medium-term intent to grow 100–200bp faster than the industry in FY27, while sustaining 18–20% RoE.
- We have kept our premium estimates intact. However, we have raised the claims ratio for the motor segment considering the competitive intensity, leading to a 4% decline in our FY26/27/28 EPS. **Reiterate BUY with a TP of INR2,260 (based on 28x FY28E EPS).**

Strong fresh business growth in motor and health post GST cuts

- NEP growth of 13% YoY was driven by 10%/22% YoY growth in the motor/health (including PA) segments. The marine segment reported a YoY decline of 4%, while the fire segment witnessed a 5% YoY growth. The strong fresh business growth in motor and health post GST reductions resulted in higher URR creation and a 5% NEP miss. Hence, claims ratio came in 130bp above our estimates, while absolute claims were largely in line with our estimates.
- Underwriting loss was at INR3.5b compared to a loss of INR1.5b in 3QFY25 vs MOFSLe of INR1b. This was largely owing to 7% higher commission expenses compared to our estimates, while opex was in line.
- Total investment income in policyholders' account was in line with our estimates at INR9.2b; for shareholders' account, it was 7% below our estimates at INR3.1b.
- Claims ratio at 68.7% rose 130bp YoY, with motor OD loss ratio rising 820bp YoY and motor TP rising 970bp YoY, while the health segment's loss ratio improved 660bp YoY.
- Investment book grew 13% YoY to INR583b, reflecting a strong investment leverage of 3.6x. Absolute investment yield for 3QFY26 was at 2.1%, which was slightly lower YoY (2.15% in 3QFY25). The investment portfolio mix for 9MFY26 stood at 42.5%/ 34.3%/17.8% for corporate bonds/G-Sec/Equity (incl. Equity ETF).

- The impact on profitability due to higher URR creation and one-off wage code impact resulted in an RoE of 16.5% in 3QFY26 (21.5% in 3QFY25). Excluding the wage code impact, RoE was 17.5% for 3QFY26.
- Solvency ratio was at 2.69x (2.36x in 3QFY25).

Highlights from the management commentary

- The auto industry recorded a 19.5% YoY volume growth, the highest in the last 12 quarters, supported by festive demand and GST rationalization, which resulted in growth recovery for motor insurance. In health insurance, GST exemption improved affordability, driving strong uptake, particularly from first-time buyers in Tier-2 and smaller cities.
- In 3QFY26, new business contributed 35% to motor premium, with new business growth at 12.4% YoY and renewals growing 7.4% YoY. After lagging renewals earlier in the year, new business momentum strengthened meaningfully in 3Q, supported by momentum in fresh vehicle sales.
- Retail health premium grew 86% YoY in 3QFY26, raising the retail health market share to 4.5%, supported by GST exemption, higher awareness, and strengthened distribution, including the opening up of the agency channel.

Valuation and view

- 3QFY26 witnessed the favorable impact of the recent GST exemption, making health insurance more affordable, while rate cuts in automobile boosted vehicle sales, leading to a recovery in motor insurance.
- The company's retail health segment continues its strong momentum, gaining market share through effective new customer acquisition, strong distribution capabilities, and significant traction of its "Elevate" product. Competitive intensity remains high in the motor OD segment, but the company maintains the top position.
- We have kept our premium estimates intact. However, we have raised the claims ratio for the motor segment considering the competitive intensity, leading to 4% decline in our FY26/27/28 EPS. **Reiterate BUY with a TP of INR2,260 (based on 28x FY28E EPS).**

Quarterly Performance (INR b)

Y/E March	FY25				FY26				FY25	FY26E	3Q FY26E	act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Gross premium	79.3	69.5	64.7	69.0	80.5	70.6	74.3	75.2	282.6	300.6	73.2	1.6	15%	5%
Net written premium	53.6	48.4	50.8	54.8	56.1	53.1	59.6	59.7	207.6	228.6	60.0	-0.6	17%	12%
Net earned premium	45.0	50.3	50.5	52.3	51.4	56.5	56.9	57.6	198.0	222.4	60.0	-5.2	13%	1%
Investment Income + Trf from SH A/C	8.5	8.3	8.4	6.3	9.5	9.3	9.2	9.4	31.3	37.4	9.1	2.1	10%	-1%
Total Income	**53.5**	**58.5**	**58.8**	**58.5**	**60.8**	**65.8**	**66.1**	**67.0**	**229.3**	**259.8**	**69.0**	**-4.3**	12%	0%
Change YoY (%)	17.9	15.9	17.6	13.4	13.7	12.5	12.4	14.5	16.1	13.3	17.4			
Incurred claims	33.3	35.9	33.2	37.4	37.5	40.7	39.0	40.1	139.9	157.4	40.4	-3.4	18%	-4%
Net commission	8.0	8.4	11.6	10.3	9.4	10.1	13.4	11.6	38.4	44.6	12.6	6.6	16%	33%
Opex	7.1	7.5	7.1	6.7	7.4	7.4	7.9	7.8	28.4	30.6	7.9	-0.0	11%	7%
Total Operating Expenses	48.5	51.9	52.0	54.4	54.3	58.3	60.4	59.5	206.7	232.5	61.0	-0.9	16%	4%
Change YoY (%)	15.3	16.5	13.3	18.2	11.9	12.4	16.2	9.5	15.8	12.5	17.3			
Underwriting profit	-3.5	-1.6	-1.5	-2.1	-2.9	-1.8	-3.5	-1.9	-8.7	-10.1	-1.0	268.5	N.A	N.A
Operating profit	5.0	6.6	6.9	4.2	6.5	7.5	5.7	7.5	22.7	27.3	8.1	-29.5	-17%	-24%
Shareholder's P/L														
Transfer from Policyholder's	5.0	6.6	6.9	4.2	6.5	7.5	5.7	7.5	22.7	27.3	8.1	-29.5	-17%	-24%
Investment income	2.5	2.8	2.8	2.6	3.3	3.2	3.1	3.4	10.6	13.0	3.3	-6.7	12%	-3%
Total Income	7.5	9.4	9.6	6.8	9.8	10.7	8.8	10.9	33.3	40.3	11.4	-22.8	-8%	-18%
Total Expenses	-0.2	0.2	0.0	0.1	-0.1	-0.0	0.1	0.3	0.1	0.3	0.1	96.8	744%	-340%
PBT	**7.7**	**9.2**	**9.6**	**6.7**	**9.9**	**10.8**	**8.7**	**10.6**	**33.2**	**40.0**	**11.4**	-23.5	-9%	-19%
Change YoY (%)	48.8	20.3	67.3	-4.2	28.4	17.2	-9.4	58.4	30.0	20.4	18.3			
Tax Provisions	1.9	2.3	2.4	1.6	2.5	2.6	2.1	2.8	8.1	10.0	2.8	-25.7	-10%	-18%
Adj Net Profit	**5.8**	**6.9**	**7.2**	**5.1**	**7.5**	**8.2**	**6.6**	**7.7**	**25.1**	**30.0**	**8.5**	-22.7	-9%	-20%
Change YoY (%)	48.7	20.2	67.9	-1.9	28.7	18.1	-9.1	51.9	30.7	19.6	17.6			
Rep Net Profit	**5.8**	**6.9**	**7.2**	**5.1**	**7.5**	**8.2**	**6.6**	**7.7**	**25.1**	**30.0**	**8.5**	-22.7	-9%	-20%
Key Parameters (%)														
Claims ratio	74.0	71.4	65.8	71.6	73.0	72.1	68.7	69.6	70.6	70.8	67.4	127bp	-282bp	342bp
Commission ratio	15.0	17.5	22.9	18.7	16.8	19.1	22.5	19.4	18.5	19.5	21.0	152bp	34bp	-346bp
Expense ratio	13.3	15.6	14.0	12.1	13.2	14.0	13.3	13.1	13.7	13.4	13.2	8bp	74bp	70bp
Combined ratio	102.3	104.5	102.7	102.5	102.9	105.1	104.5	102.1	102.8	103.6	101.6	287bp	-174bp	66bp
Solvency	2.56	2.65	2.36	2.69	2.70	2.73	2.69		3.0	3.1	0.0			

Y/E March	New estimates			Old estimates			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
NEP	222.4	253.6	288.3	224.6	252.8	289.5	-1%	0%	0%
U/W Profit	-10.1	-9.5	-9.3	-8.1	-7.3	-7.0			
PBT	40.0	46.1	52.8	41.8	48.1	55.1	-4%	-4%	-4%
PAT	30.0	34.5	39.6	31.3	36.1	41.3	-4%	-4%	-4%
EPS (INR/share)	60.9	70.1	80.3	63.6	73.2	83.8	-4%	-4%	-4%
EPS Growth (%)	19.6	15.2	14.6	24.9	15.1	14.4			
BVPS (INR/share)	334.8	388.6	452.6	337.6	394.5	462.0			
Ratios (%)									
Claims	70.8	70.1	69.8	69.9	69.2	68.9	84bp	90bp	100bp
Commission	19.5	19.5	19.4	19.4	19.6	19.6	12bp	-7bp	-18bp
Expense	13.4	13.2	13.1	13.4	13.2	13.1	-4bp	0bp	0bp
Combined	103.6	102.8	102.3	102.7	102.0	101.5	92bp	84bp	82bp
RoE	19.5	19.4	19.1	20.3	20.0	19.6	-79bp	-63bp	-48bp

Tata Elxsi

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	TELX IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	360.9 / 4
52-Week Range (INR)	6735 / 4601
1, 6, 12 Rel. Per (%)	16/-7/-14
12M Avg Val (INR M)	1461
Free float (%)	56.1

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	37.5	41.9	47.3
EBIT Margin (%)	19.5	22.4	25.0
PAT	6.0	8.5	9.8
EPS (INR)	96.0	135.7	156.6
EPS Gr. (%)	(23.8)	41.4	15.4
BV/Sh. (INR)	491.4	552.2	633.8
Ratios			
RoE (%)	20.2	26.0	26.4
RoCE (%)	14.9	17.6	19.8
Payout (%)	60.0	60.0	60.0
Valuations			
P/E (x)	60.4	42.7	37.0
P/BV (x)	11.8	10.5	9.1
EV/EBITDA (x)	41.7	33.0	26.3
Div Yield (%)	1.0	1.4	1.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	43.9	43.9	43.9
DII	10.4	9.8	7.4
FII	12.5	12.7	13.6
Others	33.2	33.6	35.1

FII Includes depository receipts

CMP: INR5,793 TP: INR4,700(-19%) Sell

Execution improves; broader recovery yet to follow

Vertical divergence persists in 3Q

- Tata Elxsi (TELX) reported revenue of USD107m in 3QFY26, up 3.2% QoQ in CC terms, above our estimate of 1.8% CC. Growth was led by transportation business (up 7.3% QoQ CC), whereas HLS/Media & Communications declined 4.3%/1.3% QoQ CC. EBIT margin was 20.9% (up 240bp QoQ), above our estimate of 18.8%. Adj. PAT was up 15.7% QoQ and down 10.0% YoY at INR1,791m (above our est. of INR1,701m).
- For 9MFY26, revenue/EBIT/adj. PAT declined 2%/22%/22% YoY in INR terms compared to 9MFY25. We expect revenue/EBIT/adj. PAT to grow by 9.1%/10.5%/10% YoY in 4QFY26.
- While 3Q execution improved, TELX's growth remains uneven and largely reliant on Transportation-led ramp-ups, with Media and Healthcare continuing to lag amid cautious client spending. We value the stock at 30x FY28E EPS, with a TP of INR4,700. We maintain our Sell rating.

Our view: Transportation strength helps; HLS is likely to be bottomed out

- **Growth improving but still uneven across verticals:** 3Q revenue growth of 3.2% QoQ CC was ahead of estimates, largely led by Transportation, which grew 7.3% QoQ CC on the back of SDV-led OEM ramp-ups and normalization at a key strategic client.
- However, growth remains uneven, with Media & Comms and Healthcare & Life Sciences down sequentially due to furloughs and delayed deal awards. While management reiterated its aspiration for double-digit growth in Transportation and HLS in FY27, we think near-term growth continues to depend on deal-specific ramp-ups in selective verticals rather than a broad-based demand recovery.
- **Transportation strength does not fully offset softness elsewhere:** Transportation continues to be the key growth driver, supported by SDV programs, electrification initiatives, and rising traction in off-road vehicles and aerospace & defense. Media continues to be impacted by industry consolidation and cautious client spending. Healthcare appears to have bottomed out following regulatory program run-offs, with growth expected to resume in 4Q. We see early signs of stabilization, but consistency across verticals remains a key monitorable.
- **Margins benefited from utilization and cost control; wage headwinds ahead:** EBIT margin expanded by 240bp QoQ to 20.9%, ahead of expectations, driven by higher utilization, operating leverage, cost discipline, and a modest forex tailwind. Headcount reduction during the quarter further supported margins. However, a portion of this benefit is likely to reverse in 4Q due to the remaining wage hike impact (~65-70bp). While management targets a return to historical margins by FY27 exit through utilization improvement and efficiency gains, we expect margin normalization to be gradual as deal ramp-ups, hiring, and continued investments in GenAI and domain capabilities resume.

- Overall, we acknowledge improved execution in 3Q and visibility in Transportation. However, TELX’s growth trajectory remains dependent on sustained OEM ramp-ups and normalization in Media and Healthcare. With ER&D demand still cautious and margin recovery back-ended, we remain watchful for sustained, broad-based consistency before turning more constructive.

Valuations and changes to our estimates

- While 3Q execution improved, TELX’s growth remains uneven and largely reliant on Transportation-led ramp-ups, with Media and Healthcare continuing to lag amid cautious client spending. With demand recovery still selective rather than broad-based, we expect a modest ~6% CAGR in USD revenue over FY25-28.
- We keep our FY27 estimates unchanged but raise our FY26/FY28 by 3%/1%, reflecting stronger-than-expected 3Q execution and better near-term visibility in the Transportation vertical. However, margin expansion is expected to be gradual and back-ended, with EBIT margins improving to 22.4%. This translates into an EPS CAGR of ~7.5% over FY25-28.
- Valuations remain steep at ~43x 12-month forward P/E, which we view as difficult to justify given the lack of sustainable cross-vertical growth visibility. We value the stock at 30x FY28E EPS, with a TP of INR4,700. We maintain our Sell rating.

Beat on revenues and margins; Transportation vertical led growth

- USD revenue came in at USD107m, up 3.2% QoQ CC, above our estimate of 1.8% QoQ CC growth.
- Growth was led by transportation business (up 7.3% QoQ CC), whereas HLS/ Media & Communications declined 4.3%/1.3% QoQ CC.
- In terms of geographies, America/Europe rose 10.7%/3.1% QoQ in USD terms, while India/RoW fell 10.5%/11.5%.
- EBIT margin was 20.9% (up 240bp QoQ), above our estimate of 18.8%.
- Adj. PAT was up 15.7% QoQ and down 10% YoY at INR1,791m (above our est. of INR1,701m). This excluded the one-time impact of INR957m due to new labor code.
- The net headcount decreased by 357 employees to 11,594 (down 2.9% QoQ) in 3QFY26. Attrition (LTM) increased by 20bp QoQ to 15.6%.

Key highlights from the management commentary

- Industry headwinds persist. Customers are making decisions, but they are cautious and carefully calibrated.
- In Automotive and Media, profitability pressures have remained intact, keeping cost takeout and profit improvement as key areas.
- Growth was driven by the Transportation business, aided by accelerated ramp-ups in SDV-led OEM deals won earlier in the year and the normalization of workstreams with a strategic OEM client that was impacted in the last quarter.
- There is scope to improve utilization, with large-scale hiring likely a quarter or two away, though calibrated hiring will continue for select clients.
- The company plans to reach ~80% utilization before initiating broader hiring, compared to ~75% currently.
- Management is confident of returning to historical margin levels by FY27 end.

Vertical-wise performance (QoQ, %)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Transportation	11.4	3.2	2.0	6.4	3.1	9.8	4.8	8.4	-3.3	-9.3	5.2	-2.0	5.7
Media and Communications	-0.8	2.5	0.3	-0.4	0.8	-11.7	1.1	-1.9	-0.2	-6.6	-3.7	4.5	-2.0
Healthcare and Life Sciences	-0.1	0.5	3.6	3.2	4.4	-10.8	-4.5	-10.5	0.5	2.9	-5.5	-4.1	-5.7

Source: Company, MOFSL

Region-wise performance (QoQ, %)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Europe	6.3	4.9	7.0	10.2	4.0	-1.4	7.0	3.9	-7.7	-11.3	3.9	-1.7	10.7
Americas	3.5	-0.8	-1.4	1.5	-3.0	-4.6	-4.3	-7.7	-0.5	-6.3	-2.0	5.4	3.1
India	2.0	9.5	-0.2	-6.0	8.7	4.5	4.0	9.7	0.7	9.2	-11.9	-3.7	-10.5
RoW	7.9	-5.6	-7.2	-4.7	19.5	9.5	5.5	31.1	9.3	-7.5	15.0	2.3	-11.5

Source: Company, MOFSL

Quarterly Performance

(INR M)

Y/E March	FY25				FY26E				FY25	FY26E	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY26	(% / bp)
Revenue (USD m)	**111**	**114**	**111**	**105**	**105**	**105**	**107**	**110**	**441**	**428**	**106**	**0.6**
QoQ (%)	2.2	2.7	-2.5	-5.4	-0.3	0.4	1.8	3.2			1.2	59bp
Revenue (INR m)	**9,265**	**9,551**	**9,392**	**9,083**	**8,921**	**9,181**	**9,535**	**9,912**	**37,290**	**37,549**	**9,480**	**0.6**
YoY (%)	9.0	8.3	2.7	0.3	-3.7	-3.9	1.5	9.1	5.0	0.7	0.9	59bp
GPM (%)	**27.2**	**27.9**	**26.3**	**22.9**	**20.9**	**21.1**	**23.3**	**22.8**	**26.1**	**22.1**	**21.5**	**181bp**
SGA (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0bp
EBITDA	**2,523**	**2,664**	**2,466**	**2,077**	**1,867**	**1,933**	**2,222**	**2,260**	**9,730**	**8,283**	**2,038**	**9.0**
EBITDA Margin (%)	**27.2**	**27.9**	**26.3**	**22.9**	**20.9**	**21.1**	**23.3**	**22.8**	**26.1**	**22.1**	**21.5**	**181bp**
EBIT	**2,252**	**2,393**	**2,207**	**1,830**	**1,625**	**1,699**	**1,994**	**2,023**	**8,681**	**7,341**	**1,782**	**11.9**
EBIT Margin (%)	**24.3**	**25.1**	**23.5**	**20.1**	**18.2**	**18.5**	**20.9**	**20.4**	**23.3**	**19.5**	**18.8**	**212bp**
Other income	272	595	352	385	339	448	425	540	1,603	1,753	517	-17.7
ETR (%)	27.1	23.2	22.2	22.1	26.5	27.9	26.0	26.0	23.7	26.5	26.0	-3bp
Adj PAT	**1,841**	**2,294**	**1,990**	**1,724**	**1,444**	**1,548**	**1,791**	**1,897**	**7,850**	**6,680**	**1,701**	**5.3**
Exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	702	0.0	0.0	702		
PAT	**1,841**	**2,294**	**1,990**	**1,724**	**1,444**	**1,548**	**1,089**	**1,897**	**7,850**	**5,978**	**1,701**	**-36.0**
QoQ (%)	-6.5	24.6	-13.3	-13.4	-16.3	7.2	-29.7	74.2			9.9	
YoY (%)	-2.5	14.7	-3.6	-12.4	-21.6	-32.5	-45.3	10.0	-0.9	-14.9	-14.5	
EPS (INR)	29.6	36.8	31.9	27.7	23.2	24.9	17.5	30.4	126.0	96.0	27.3	-36.0

Key Performance Indicators

Y/E March	FY25				FY26			FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Revenue (QoQ CC %)	2.4	0.2	0.0	-0.6	-3.9	1.0	3.2	
Margins (%)								
Gross Margin	27.2	27.9	26.3	22.9	20.9	21.1	23.3	26.1
EBIT Margin	24.3	25.1	23.5	20.1	18.2	18.5	20.9	23.3
Net Margin	19.9	24.0	21.2	19.0	16.2	16.9	18.8	21.1
Operating metrics								
Headcount	13,142	12,793	12,878	12,414	12,127	11,951	11,594	12,414
Attrition (%)	12.3	12.5	12.4	13.3	15.0	15.4	15.6	13.3
Key Geographies (YoY %)								
Europe	21.1	14.1	1.2	-9.0	-11.7	-16.4	0.4	6.4
USA	-10.0	-18.2	-16.2	-17.7	-15.7	-3.8	-0.3	-15.5

Anand Rathi Wealth

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	ANANDRAT IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	260.4 / 2.9
52-Week Range (INR)	3324 / 1586
1, 6, 12 Rel. Per (%)	8/39/45
12M Avg Val (INR M)	681

Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
Revenues	11.6	14.3	16.9
Rev Gr. (%)	23.7	23.0	18.2
Opex	6.3	7.6	8.8
PBT	5.3	6.7	8.2
PAT	3.9	5.0	6.1
EPS (INR)	47.4	60.3	73.0
EPS Gr. (%)	31.1	27.1	21.1
BV/Sh. (INR)	118.3	167.5	229.3
Ratios			
EBITDA Margin	45.8	47.1	48.1
PAT margin	33.9	35.0	35.9
RoE	47.5	42.1	36.7
Div. Payout	21.1	18.3	15.1
Valuations			
P/E (x)	66.3	52.2	43.1
P/BV (x)	26.6	18.8	13.7
Div. Yield (%)	0.3	0.3	0.3

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	42.7	42.7	48.0
DII	8.7	8.4	8.0
FII	5.6	4.9	5.3
Others	43.0	44.0	38.7

FII includes depository receipts

CMP: INR3,137 TP: INR3,100 (-1%) Neutral

Revenue miss; higher other income drives in-line PAT

- Anand Rathi Wealth (ARWM) posted an operating revenue of ~INR2.9b in 3QFY26 (5% miss), up 22% YoY but down 3% QoQ. This was primarily driven by a 25%/20% YoY growth in revenue from the distribution of financial products/MF. For 9MFY26, it grew 20% YoY to INR8.6b.
- Operating expenses rose 22% YoY but were flat QoQ at INR1.6b, fueled by a 21%/24% YoY rise in employee/other expenses. EBITDA was INR1.3b, up 23% YoY but down 4% QoQ (7% miss). EBITDA margin came in at 45.4% vs. 45.2% in 3QFY25. For 9MFY26, EBITDA grew 28% YoY to INR4b.
- For 3QFY26, PAT stood at INR1b, up 30% YoY but flat QoQ (in line due to higher other income). PAT margin expanded 200bp YoY to 34.6% (est. 33.9%). During 9MFY26, PAT grew 30% YoY to INR2.9b.
- The firm currently has 393 RMs and ~450 account managers undergoing training to transition into RM roles; with this existing RM strength, management believes the business can be comfortably supported over the next 3–4 years.
- We cut our estimates by 2% each for FY26/FY27/FY28 to factor in weak quarterly performance. We expect an AUM/Revenue/PAT CAGR of 23%/22%/26% during FY25-28, with robust cash generation (INR12.6b of OCF during FY25-28E), an RoE of 36%+, and a healthy balance sheet. **We reiterate our Neutral rating with a one-year TP of INR3,100 (premised on 42x FY28E EPS).**

AUM growth backed by MF flows; guidance maintained

- Total AUM grew 30% YoY to INR990b, led by healthy inflows and an increase in the ticket size of clients. The share of equity MFs in the AUM mix was stable QoQ at 53%, with equity AUM market share rising to 1.46% in Dec'25 from 1.01% in Mar'19. Private Wealth/Digital Wealth AUM grew 30%/29% YoY to INR967b/INR24b.
- Total quarterly net inflows/equity flows declined 6%/25% YoY to INR32.5b/INR20.4b. On a 9M basis, total/equity flows grew 10%/4% YoY. **Equity inflows as a proportion of total stood at 63% vs. 79% in 3QFY25.** The share of customers with AUM of INR500m+ has increased to 28.6% in 3QFY26 from 24.5% in 3QFY25. It onboarded 481 net new client families in 3Q, taking the total count to 13.3k families.
- Operating expenses grew 22% YoY/flat QoQ, while the cost-to-income ratio (CIR) improved to 54.6% in 3QFY26, compared to 54.8% in 3QFY25.
- Other income increased 128% YoY/66% QoQ to INR161m. Over 9MFY26, other income grew 64% YoY to INR360m.
- The company reported one of the lowest client attrition rates in the industry, with only 0.12% of AUM lost in 3QFY26 vs. 0.14% in 3QFY25. RM attrition remained minimal, with two exits during the quarter. About **84% of the AUM associated with the RM attrition has been retained.**
- AUM per RM increased to INR2.5b in Dec'25 from INR2b in Dec'24, driven by the continued association of RMs with the organization. Additionally, clients per RM improved to 34 from 30 in 3QFY25.

Highlights from the management commentary

- ARWL has achieved 76% and 78% of its full-year FY26 revenue and PAT guidance, respectively, and management reiterated its guidance for the year. AUM guidance has been largely met at ~99%; however, given global uncertainties, management does not intend to revise guidance upwards.
- The impact of the newly introduced labor code is expected to be limited, as the company already complies with minimum regulatory requirements; consequently, no meaningful impact on operating margins is anticipated.
- RM attrition during 9MFY26 stood at six RMs managing AUM of INR11.2b, of which ARWL retained 88% (INR9.8b). In comparison, during the previous year, three RMs exited with AUM of ~INR4.5b, of which INR3.5b was retained.

Valuation and view

- ARWM is one of the few companies in the listed space that has consistently outperformed its stated guidance. For FY26, management has guided for revenue/PAT of INR11.8b/INR3.8b vs. our estimates of INR11.5b/INR3.9b.
- We have cut our estimates by 2% each for FY26/FY27/FY28 to factor in weak quarterly performance. We expect an AUM/Revenue/PAT CAGR of 23%/22%/26% during FY25-28, with robust cash generation (INR12.6b of OCF during FY25-28E), an RoE of 36%+, and a healthy balance sheet. **We reiterate our Neutral rating with a one-year TP of INR3,100 (premised on 42x FY28E EPS).**

Quarterly Performance (INR m)

Y/E March	FY25				FY26				FY25	FY26E	3Q FY26E	Act. Vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
MF – Equity & Debt	890	1,057	1,087	1,030	1,131	1,230	1,302	1,415	4,064	5,078	1,284	1	19.8	5.9
Distribution of Financial Products	1,471	1,352	1,267	1,174	1,593	1,728	1,578	1,571	5,264	6,470	1,737	-9	24.5	-8.7
Other Operating revenue	15	15	16	16	16	16	16	20	62	68	17	-7	0.0	0.0
Revenue from Operations	**2,376**	**2,424**	**2,370**	**2,220**	**2,740**	**2,974**	**2,896**	3,006	**9,390**	**11,616**	**3,038**	**-5**	**22.2**	**-2.6**
Change YoY (%)	35.8	32.7	29.9	20.4	15.3	22.7	22.2	35.4	29.6	23.7	28.2			
Operating Expenses	1,394	1,384	1,300	1,311	1,462	1,599	1,582	1,655	5,388	6,299	1,619	-2	21.7	-1.1
Change YoY (%)	37.2	31.6	26.7	18.0	4.9	15.6	21.7	26.2	28	17	25			
EBIDTA	982	1,040	1,070	908	1,278	1,375	1,314	1,351	**4,001**	**5,317**	**1,419**	**-7**	**22.8**	**-4.4**
Depreciation	57	61	65	71	77	83	86	88	255	334	85	2	32.3	4.0
Finance Cost	14	30	35	37	40	48	36	38	115	162	48	-25	1.0	-26.1
Other Income	78	72	71	194	102	97	161	118	415	478	104	55	127.8	66.4
PBT	990	1,021	1,040	995	1,263	1,340	1,353	1,343	**4,046**	**5,300**	**1,391**	**-3**	**30.1**	**1.0**
Change YoY (%)	39.6	31.3	33.4	25.9	27.6	31.2	30.1	35.0	32	31	34			
Tax Provisions	256	259	268	257	324	342	352	349	1,040	1,368	362	-3	31.2	2.9
Net Profit	734	762	772	737	939	998	1,001	994	**3,006**	**3,932**	**1,029**	**-3**	**29.7**	**0.3**
Change YoY (%)	37.9	32.0	33.0	29.6	27.9	30.9	29.7	34.8	33	31	33			
Profit from discontinued operations	-	-	1	-	-	1	1							
Net Profit	734	762	773	737	939	999	1,002	994	**3,006**	**3,932**	**1,029**	**-3**	**29.7**	**0.3**
Key Operating Parameters (%)														
EBIDTA Margin	41.3	42.9	45.2	40.9	46.6	46.2	45.4	44.9	42.6	45.8	46.7	-134 bps	22 bps	-86 bps
Cost to Income Ratio	58.7	57.1	54.8	59.1	53.4	53.8	54.6	55.1	57.4	54.2	53.3	134 bps	-22 bps	86 bps
PBT Margin	41.7	42.1	43.9	44.8	46.1	45.1	46.7	44.7	43.1	45.6	45.8	95 bps	283 bps	165 bps
Tax Rate	25.8	25.3	25.8	26.0	25.7	25.5	26.0	26.0	25.7	25.7	26.0	3 bps	23 bps	50 bps
PAT Margin	30.9	31.4	32.6	33.2	34.3	33.6	34.6	33.1	32.0	33.9	33.9	69 bps	199 bps	99 bps

Metropolis Healthcare: Genomics Will Help Us Build A High-Quality Business While Improving Margin; Ameera Shah, Promoter & Executive Chairperson

- Launched a Centre of Genomics, expanding test menu from 220 to 500, focused on oncology and rare diseases.
- Q3FY26 saw strong momentum in True Health (preventive) and specialty diagnostics.
- Specialty tests contribute ~38% of revenues, building a strong moat despite lower gross margins.
- Organic growth guided at 13–15% over FY26–27, with margin expansion and selective bolt-on acquisitions.

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Anand Rathi: Have Achieved AUM Of Rs 99,000 Cr In Q3 Itself Vs FY26 Target Of Rs 1 Lk Crore; Feroze Azeez, Joint CEO

- AUM guidance retained at ₹1 lakh crore.
- Revenue and PAT targets largely achieved; consistent 20–25% YoY growth remains core focus.
- RM attrition remains low, with ~80% client assets retained despite exits.
- Five-year plan intact, targeting higher trail mix and ₹224–289 crore revenue by FY30.

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Amagi Media Labs: Growing At 30% CAGR With Operating Leverage Playing Out Over The Last 2.5 Years; Baskar Subramanian, Co-Founder, MD & CEO

- ~₹1,800cr IPO bets on cloud-based media infrastructure for broadcasters and OTT platforms.
- Revenue has grown ~30% CAGR, with EBITDA margin improving from -21% to ~8.5% over 2.5 years.
- SaaS-led operating leverage, 127% net revenue retention, and falling cloud/R&D costs support profitability.
- Long-term margin potential seen near ~25%, with growth driven by low cloud penetration and global expansion.

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Lemon Tree :₹1,300–1,400 Cr Debt Will Be Transferred To Fleur; Patanjali G Keswani, Chairman & MD

- Warburg Pincus commits up to ₹960cr of primary capital into Fleur Hotels, with IPO targeted in 12–15 months.
- Capital earmarked for aggressive expansion, potentially scaling room inventory from ~6,000 to ~9,000+ keys.
- Post-demerger, Fleur to house ~₹1,300–1,400cr debt, while Lemon Tree Hotels becomes debt-free.
- Strong EBITDA visibility, large development pipeline, and improving cash flows underpin valuation and growth outlook.

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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

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

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