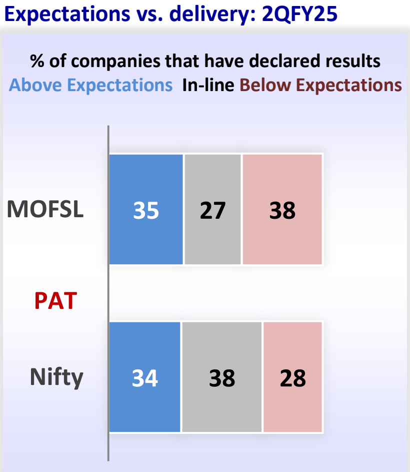
India Strategy

BSE Sensex: 77,580 | **Nifty-50: 23,533**

Refer to our Sep'24 Quarter Preview

Expectations vs. delivery: 2QFY25



Earnings review – 2QFY25: An insipid quarter; Commodities drag

Internals muted; Earnings downgrades>>Upgrades

- **Commodities dent corporate earnings:** The 2QFY25 corporate earnings scorecard was weak, but excluding commodities, it has reported an in-line earnings growth. Consumption has emerged as a weak spot, while select segments of BFSI are seeing asset-quality stress. The weak government spending (flat in 1HFY25 YoY) along with excess rainfall also impacted demand. As some of these factors self-correct in 2HFY25, we expect the corporate earnings to recover ahead.
- **BFSI drives with PSU Banks leading from the front:** The aggregate earnings of the MOFSL Universe companies were in line with our estimates and declined 1% YoY (vs. our est. of flat YoY). Earnings for the Nifty-50 rose 4% YoY (vs. our est. of +3%). The aggregate performance was hit by a drag from global commodities (i.e., Metals and O&G). Excluding the same, the MOFSL Universe and Nifty posted 12% and 11% earnings growth vs. our expectations of +11% and +10%, respectively. The earnings growth was driven by BFSI (+15% YoY) with PSU Banks (+34% YoY against exp of 17% growth) and NBFC-Non-Lending (+92% YoY vs. exp of 85% growth) leading from the front. Technology (+8% YoY), Healthcare (+17% YoY), Utilities (+17% YoY) & Capital Goods (+17% YoY) also contributed to the growth. Conversely, earnings growth was hindered by global cyclicals, such as O&G (OMC's profit plunged 92% YoY), which dipped 41% YoY, along with Cement (-46% YoY), Chemicals (-4% YoY), and Consumer (flat YoY).
- **Nifty clocks single-digit growth for the second straight quarter:** Nifty delivered a 4% YoY PAT growth (vs. our est. of +3%). **Nifty reported a single-digit PAT growth for the second successive quarter since the pandemic (Jun'20).** Five Nifty companies – SBI, Hindalco, ONGC, ICICI Bank, and Axis Bank – contributed 140% of the incremental YoY accretion in earnings. Conversely, BPCL, JSW Steel, Coal India, Indusind Bank, and Reliance Industries contributed adversely to the earnings.
- **The beat-miss dynamics:** The beat-miss ratio for the MOFSL Universe was unfavorable, with 38% of the companies missing our estimates, while 35% reported a beat at the PAT level. For the MOFSL Universe, the earnings upgrade-to-downgrade ratio has turned weaker for FY25E as 43 companies' earnings have been upgraded by >3%, while 121 companies' earnings have been downgraded by >3%. The earnings upgrade/downgrade ratio of 0.4x was the worst since 1QFY21. Further, the EBITDA margin of the MOFSL Universe (ex-Financials) contracted 180bp YoY to 16.2%, primarily dragged down by OMCs.
- **Report card:** Of the 25 sectors under our coverage, 4/12/9 sectors reported profits above/in line/below our estimates. Of the 275 companies under coverage, 97 exceeded our profit estimates, 104 posted a miss, and 74 were in line.
- **A Story of Two Halves – 1HFY25 and 2HFY25E:** The MOFSL/Nifty Universes delivered flat/ +4% YoY earnings growth in 1HFY25. Excluding Metals and O&G, MOFSL/Nifty reported 13%/12% YoY earnings growth. For 2HFY25, we expect MOFSL/Nifty earnings to report a growth of 9%/8% YoY. Excluding Metals and O&G, MOFSL/Nifty is expected to report a growth of 13%/9% YoY.
- **FY25E earnings highlights:** The MOFSL Universe is likely to deliver sales/EBITDA/ PAT growth of 6%/5%/4% YoY in FY25. The Financials and Metals sectors are projected to be the key growth engines, with 13% and 20% YoY earnings growth,

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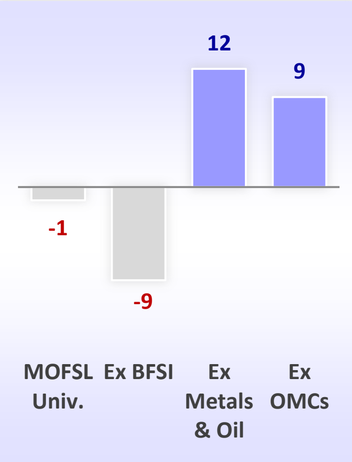
PAT growth YoY in 2QFY25 (%)



respectively. Ex-OMC's, the MOFSL Universe is expected to post 10% YoY earnings growth in FY25.

- **Nifty EPS cut by 1.4%/2.2% for FY25E/FY26E:** The Nifty EPS estimate for FY25 was cut by 1.4% to INR1,057, largely owing to ONGC, BPCL, Reliance Industries, and Coal India. Ex-Commodities, Nifty FY25E earnings saw no downgrades. FY26E EPS was also trimmed by 2.2% to INR1,241 (from INR1,269) led by downgrades in ONGC, BPCL, Reliance Industries, and Tata Motors.
- **The top earnings upgrades in FY25E:** Bharti Airtel (16.3%), Tata Motors (11.6%), Tech Mahindra (8.8%) & Hindalco (8.6%).
- **The top earnings downgrades in FY25E:** BPCL (-34.3%), Indusind Bank (-16.7%), Ultratech Cement (-15.5%), Asian Paints (-14%), and Trent (-12.1%).
- **Key sectoral highlights –** 1) **Banks:** The banking sector reported a soft quarter amid moderation in margins and a rise in provisioning expenses, mainly for private banks. NIM contracted for several banks as cost pressures persisted amid intense competition for liabilities and continued pressure on CASA mix. Public sector banks (PSBs) delivered solid beat led by lower than expected provision costs. 2) **Autos:** After several quarters, rural demand showed some positivity, spurred by a healthy monsoon, the recent festive season, and the upcoming marriage season, which should benefit 2Ws and tractors. 3) **Consumer:** The demand environment was challenging due to adverse weather conditions, including floods and heavy rains in certain areas, coupled with persistent inflation that impacted urban demand. Volume growth across most companies was discouraging after seeing a slight pickup in 1QFY25. 4) **Oil & Gas:** The performance was below our estimate due to OMCs. EBITDA was below our estimate (down 33% YoY), with HPCL, BPCL, IOC, CSTRL, GUJS, IGL, MAHGL, OINL, MRPL, PLNG, and AEGISLOG missing our estimates. Adjusted PAT was 12% below (down 42% YoY). 5) **Technology:** The IT services companies (MOFSL Universe) reported healthy performance (beating our estimates), with a median revenue growth of 2% QoQ CC in 2QFY25 (1%/0.7%/1.2% in 3QFY24/4QFY24/1QFY25). While results were encouraging, the outlook remained slightly guarded, signaling persisting uncertainties. This indicates that despite client pessimism bottoming out, a solid lift-off in discretionary spending has yet to emerge. 6) **Healthcare:** Our coverage companies (excluding hospitals) reported in-line sales/PAT while EBITDA was better than our estimates. The profitability was driven by: a) increased contribution from limited competition products, b) steady growth in chronic therapies, and c) ongoing higher inventory levels for raw materials at industry level, which benefited formulators.
- **Our view:** The corporate earnings scorecard for 2QFY25 has shown weakness, but excluding commodities, it has been broadly in line. Consumption has emerged as a weak spot, while select segments of BFSI are experiencing asset-quality stress. Weakness in government spending has also been one of the factors driving moderation in earnings. After a flat 1HFY25, as the government spending revives in 2HFY25, this should augur well for corporate earnings along with a good kharif crop and improving rural demand. Nifty FY25 EPS has seen another 1% cut after a 4% cut in 2QFY25 preview. Overall, Nifty EPS has seen ~7% downward revision in the last six months, which has reduced the expected FY25 earnings growth to just 5%, the weakest since FY20. The Nifty is trading at a 12-month forward P/E of 20x, near to its long-period average (LPA) of 20.5x. Despite the recent 10% correction from the highs, the broader markets are still trading at expensive valuations (NSE Midcap 100 at ~29x forward P/E). We had

made several significant changes in our model portfolio in the 2QFY25 preview, where we raised the weights in BFSI, Technology, and Healthcare with a distinct bias towards large-caps. **Our model portfolio** reflects our conviction in domestic structural as well as cyclical themes. We are OW on IT, Healthcare, BFSI, Consumer Discretionary, Industrials, and Real Estate. In contrast, we are UW on Metals, Energy, and Automobiles.

Exhibit 1: Our preferred ideas

	MCap	CMP	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
Company	(USDb)	(INR)	FY25E	FY26E	FY27E	FY24-26	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Preferred large cap stocks															
HDFC Bank	153.1	1,693	88.2	100.1	115.6	11.8	19.2	16.9	14.7	2.6	2.3	2.1	14.4	14.6	14.9
Bharti Airtel	111.1	1,551	35.9	45.4	60.6	52.0	43.2	34.2	25.6	9.7	7.6	6.7	24.0	27.0	30.0
ICICI Bank	104.8	1,255	65.4	73.3	85.4	12.0	19.2	17.1	14.7	3.2	2.8	2.4	18.0	17.4	17.4
State Bank	85.0	804	89.3	98.8	115.4	14.7	9.0	8.1	7.0	1.5	1.3	1.1	18.8	17.4	17.2
HCL Technologies	59.8	1,859	63.7	71.9	80.3	11.5	29.2	25.9	23.2	7.5	7.6	7.7	25.6	29.3	33.1
Larsen & Toubro	57.4	3,527	111.1	137.2	160.3	20.5	31.7	25.7	22.0	4.9	4.3	3.7	16.5	17.9	18.2
Mahindra & Mahindra	39.9	2,809	99.7	116.2	136.7	14.4	28.2	24.2	20.5	5.5	4.7	4.0	21.0	20.8	20.8
Power Grid Corp.	34.4	312	17.5	18.4	19.5	5.0	17.8	16.9	16.0	3.2	3.1	3.0	18.4	18.7	19.1
Titan Company	33.6	3,184	43.0	53.6	64.0	16.9	74.0	59.4	49.8	23.5	18.4	14.6	35.7	34.7	32.7
Trent	27.2	6,461	47.8	65.9	89.8	50.2	135.3	98.0	72.0	37.2	26.5	19.0	34.5	33.8	32.9
Mankind Pharma	12.4	2,606	54.6	60.1	76.6	12.2	47.7	43.3	34.0	9.5	8.1	6.9	21.5	20.2	21.9
Preferred midcap/smallcap stocks															
Indian Hotels	12.5	741	11.8	14.3	16.1	26.8	62.8	52.0	46.0	9.4	8.0	6.9	16.2	16.6	16.1
Cummins India	10.9	3,328	74.1	88.7	104.3	21.6	44.9	37.5	31.9	13.3	11.6	10.2	31.3	33.0	34.0
Persistent Systems	10.6	5,714	89.5	115.0	133.8	23.7	63.8	49.7	42.7	15.2	12.8	10.9	25.6	27.9	27.5
Dixon Tech.	10.5	14,766	134.3	177.4	232.2	69.8	110.0	83.2	63.6	35.6	25.1	18.0	38.5	35.3	33.0
Godrej Properties	8.5	2,595	52.0	32.8	27.8	10.5	49.9	79.1	93.2	6.3	5.8	5.5	13.5	7.7	6.1
Coforge	6.4	8,081	147.1	239.2	291.0	34.0	54.9	33.8	27.8	13.0	11.0	9.2	24.6	34.9	35.7
Metro Brands	3.6	1,126	14.1	17.5	22.0	17.2	79.8	64.3	51.1	13.7	11.6	9.8	19.0	20.1	21.3
Global Health	3.4	1,071	19.1	24.0	30.2	16.0	56.1	44.7	35.5	8.6	7.5	6.4	16.4	17.9	19.3
Angel One	2.9	2,697	169.0	189.7	264.1	18.2	16.0	14.2	10.2	3.8	3.2	2.7	31.2	24.5	29.0
PNB Housing	2.8	904	72.3	88.8	108.4	23.7	12.5	10.2	8.3	1.4	1.2	1.1	11.8	12.9	14.0
Cello World	2.0	808	17.0	22.1	27.3	19.0	47.4	36.6	29.6	11.5	8.8	6.8	24.2	24.1	26.0

Note: LP = Loss to profit; Large Cap, Mid Cap and Small Cap Stocks listed above are as per the SEBI categorization

Sector Review Compendium

Highlights / Surprise / Guidance... (Page 18 onwards)

- Automobiles
- Capital Goods
- Cement
- Chemicals
- Consumer – FMCG | QSR
- Consumer Durables
- EMS
- Financials – Banks
- Financials – NBFC: Lending
- Financials – NBFC: Non Lending
- Healthcare
- Infrastructure
- Logistics
- Metals
- Oil & Gas
- Real Estate
- Retail
- Technology
- Telecom
- Utilities

Performance in line: BFSI drives modest earnings growth

- The MOFSL Universe's sales/EBITDA/PBT/PAT were +5%/+1%/-1%/-1% YoY (vs. est. of +7%/+2%/0%/0%). Excluding Metals and O&G, the MOFSL Universe companies recorded sales/EBITDA/PBT/PAT growth of 8%/11%/11%/12% YoY (v/s est. of +8%/10%/10%/11%) in 2QFY25.
- The modest earnings growth was driven once again by BFSI, with positive contributions from Technology, Telecom, Healthcare, Utilities, Capital Goods, and Automobiles. Conversely, earnings growth was weighed down by global cyclicals, such as O&G (OMC's profit plunged 92% YoY), which saw a dip of 41% YoY, along with Cement, Chemicals, and Consumer (flat YoY).
- The EBITDA margin for the MOFSL Universe (ex-Financials) contracted 180bp YoY to 16.2% vs. exp of 16.5%, lowest in seven quarters .
- The gross margin for two-thirds of the sectors contracted. Nine of the 15 major sectors under MOFSL Coverage reported a contraction in gross margin YoY.

Exhibit 2: Sector-wise 2QFY25 performance of the MOFSL Universe companies (INRb)

Sector	Sales			EBITDA			PBT			PAT		
(no of companies)	Sep-24	Chg. % YoY	Var. over Exp. (%)	Sep-24	Chg. % YoY	Var. over Exp. (%)	Sep-24	Chg. % YoY	Var. over Exp. (%)	Sep-24	Chg. % YoY	Var. over Exp. (%)
Automobiles (25)	2,873	3.8	0.1	369	-2	-4.9	285	1.8	-1.6	217	5.8	-1.8
Capital Goods (11)	869	18.9	5.6	102	20.4	5.8	92	20.3	7.0	61	17.2	5.5
Cement (11)	510	-2.3	1.1	56	-28	-2.5	31	-45.8	-9.8	23	-46.2	-9.4
Chemicals-Specialty (12)	168	8.2	-1.2	31	-0.5	-2.8	24	-0.6	0.1	18	-4.0	1.1
Consumer (19)	870	6.5	0.9	204	1	-1.9	190	-1.1	-3.9	142	-0.2	-3.9
Consumer Durables (5)	167	19.9	5.5	15	7.1	-12.9	15	11.9	-10.7	10	13.0	-12.3
EMS (7)	154	103.9	16.9	8	82	11.1	8	167.4	40.9	4	80.3	2.2
Financials (49)	2,819	10.1	-1.6	1,660	19.1	3.8	1,315	16.0	3.2	985	15.3	3.9
Banks-Private (13)	925	11.3	0.0	706	14	1.8	569	6.4	-2.0	437	5.2	0.3
Banks-PSU (6)	883	5.1	-0.8	661	25.2	8.6	539	31.1	13.4	393	33.5	13.9
Insurance (6)	655	10.1	-5.5	31	2	-13.1	23	23.3	-1.9	22	16.0	-1.2
NBFC - Lending (19)	326	18.2	-0.1	245	18.1	0.5	166	4.7	-6.5	120	0.6	-9.8
NBFC - Non Lending (5)	30	59.6	0.1	16	89	2.7	17	87.8	3.7	13	91.9	3.7
Healthcare (24)	871	10.5	1.7	209	17.3	3.3	173	21.3	4.6	129	17.0	1.6
Infrastructure (3)	36	-16.2	-17.9	10	-11	-13.6	6	8.0	11.6	4	14.0	13.2
Logistics (8)	156	8.0	-2.9	59	12.1	0.6	41	15.6	-3.1	33	10.3	-3.6
Media (3)	45	-17.1	-0.5	10	-30	7.0	8	-32.3	4.3	6	-26.0	7.2
Metals (10)	2,715	-1.4	-0.5	464	9.0	2.3	297	16.4	4.7	197	3.1	1.4
Oil & Gas (15)	7,309	0.6	-8.2	772	-33	-14.3	512	-40.6	-13.6	370	-40.7	-11.9
Ex OMCs (12)	3,543	1.7	-0.1	661	-7.2	-3.7	482	-5.5	5.6	350	-2.4	10.0
Real Estate (12)	135	31.9	0.6	36	24	-9.0	29	26.2	-7.8	27	45.0	0.9
Retail (19)	535	18.4	0.1	57	12.5	-5.1	30	5.3	-11.0	22	7.2	-8.7
Staffing (4)	119	11.5	-1.2	4	12	-5.9	2	14.0	-21.3	2	9.0	-23.3
Technology (12)	1,944	6.2	1.1	435	6.7	2.2	409	9.3	2.4	300	8.3	1.1
Telecom (4)	656	9.8	0.5	324	15	2.4	28	LP	6.9	-17	Loss	Loss
Utilities (5)	697	0.2	-6.9	240	0.2	-9.0	130	11.4	-1.7	97	17.3	-5.9
Others (17)	565	10.5	9.8	68	2	11.7	12	-50.2	-23.7	6	-70.5	-23.1
MOFSL Universe (275)	**24,211**	**4.7**	**-2.4**	**5,132**	**0.7**	**-1.5**	**3,637**	**-0.5**	**-0.8**	**2,637**	**-1.3**	**-1.4**
MOFSL Ex Financials (226)	**21,392**	**4.1**	**-2.5**	**3,472**	**-6.2**	**-3.9**	**2,322**	**-8.0**	**-2.9**	**1,652**	**-9.1**	**-4.4**
MOFSL Ex Metals & Oil (250)	**14,187**	**8.4**	**0.5**	**3,896**	**10.7**	**1.0**	**2,828**	**11.4**	**1.4**	**2,070**	**11.5**	**0.4**
MOFSL Ex OMCs (272)	**20,446**	**5.8**	**0.3**	**5,021**	**7.8**	**0.5**	**3,607**	**9.2**	**2.2**	**2,616**	**8.8**	**1.7**
Nifty (50)	**14,333**	**4.0**	**0.1**	**3,479**	**4.8**	**-0.9**	**2,647**	**4.5**	**1.3**	**1,923**	**4.0**	**1.0**
Sensex (30)	**10,468**	**3.9**	**0.9**	**2,814**	**7.7**	**0.6**	**2,077**	**6.3**	**1.8**	**1,486**	**5.4**	**1.1**

LP: Loss to profit; PL: Profit to loss

Exhibit 3: PAT declined 1% YoY for the MOFSL Universe

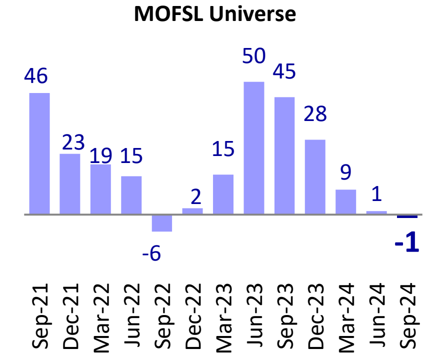


Exhibit 4: PAT declined 9% YoY for the MOFSL Universe, excluding Financials

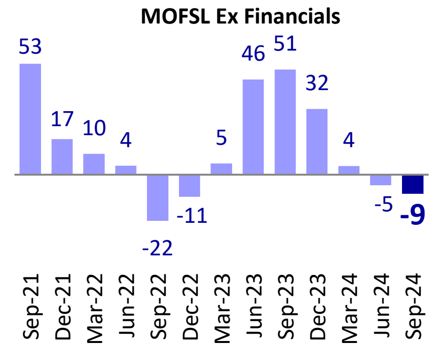


Exhibit 5: PAT rose 12% YoY for the MOFSL Universe, sans Metals & O&G

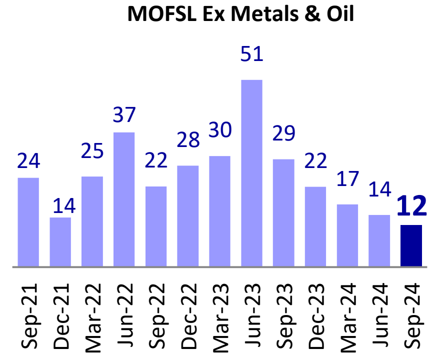


Exhibit 6: PAT growth for the Nifty Universe stood at 4% YoY

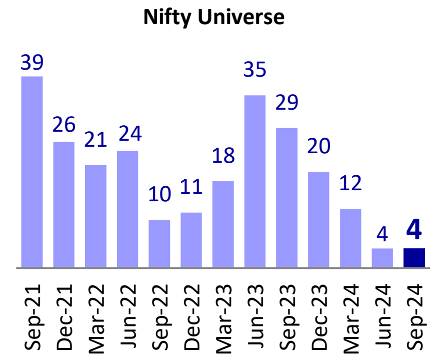


Exhibit 7: PAT for the Nifty Universe, sans Financials, was flat YoY

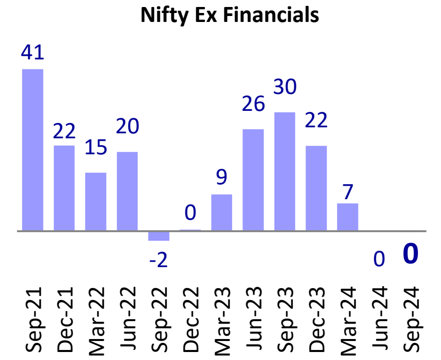
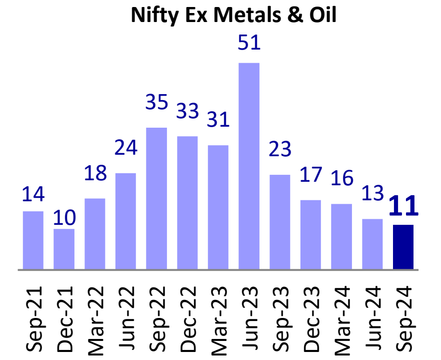


Exhibit 8: PAT grew 11% YoY for the Nifty Universe, sans Metals & O&G



Earnings upgrade-to-downgrade ratio unfavorable for FY25E

- For the MOFSL Universe, the earnings upgrade-to-downgrade ratio has turned weaker for FY25E as 43 companies' earnings have been upgraded by >3%, while 121 companies' earnings have been downgraded by >3%. The earnings upgrade/downgrade ratio of 0.4x was the worst since 1QFY21.
- The beat-miss ratio for the MOFSL Universe was unfavorable, with 38% of the companies missing our estimates, while 35% reported a beat at the PAT level.
- Of the 25 sectors under our coverage, 4/12/9 sectors reported profits above/in line/below our estimates.

Exhibit 9: The upgrade-to-downgrade ratio trend for the MOFSL Universe – the worst since 1QFY21

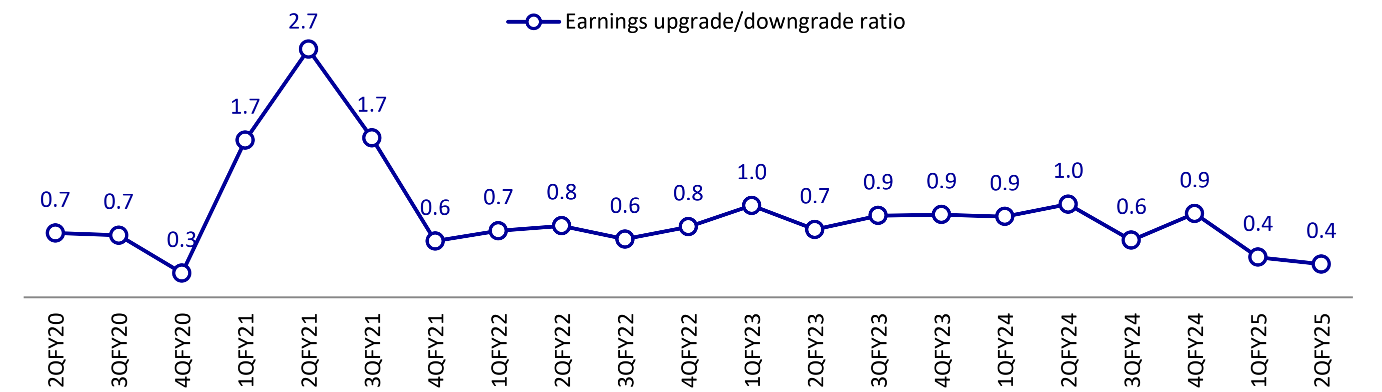


Exhibit 10: Surprise/miss ratio for the MOFSL Universe at 0.9x in 2QFY25

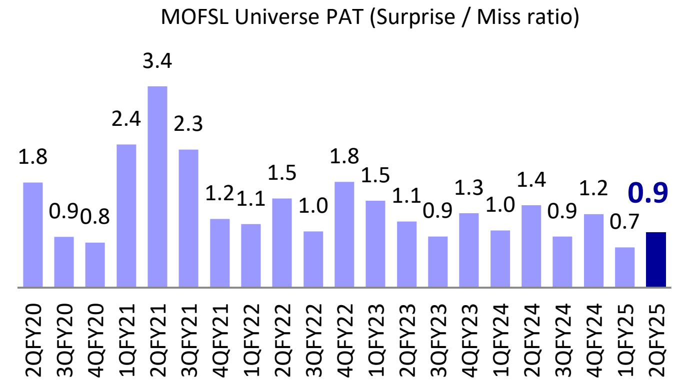


Exhibit 11: Sectoral surprise/miss ratio at 0.4x, for the MOFSL Universe, in 2QFY25

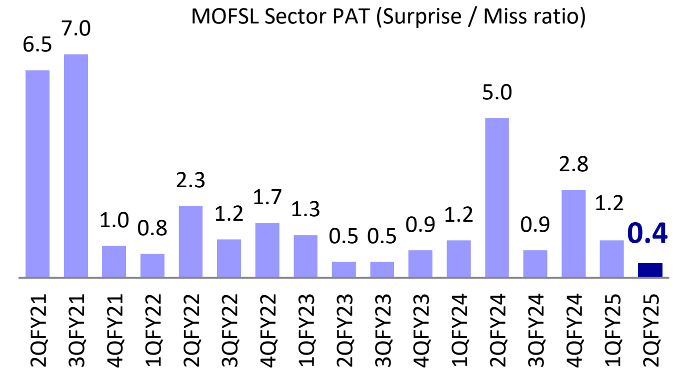


Exhibit 12: Two and three-year profit CAGR for the MOFSL Universe

	EBITDA (INR b)			CAGR (%)		PBT (INR b)			CAGR (%)		PAT (INR b)			CAGR (%)	
Sector	**2QFY22**	**2QFY23**	**2QFY25**	**2-year**	**3-year**	**2QFY22**	**2QFY23**	**2QFY25**	**2-year**	**3-year**	**2QFY22**	**2QFY23**	**2QFY25**	**2-year**	**3-year**
Automobiles	160	228	369	27	32	63	127	285	50	66	31	97	217	50	92
Capital Goods	60	71	102	20	19	48	59	92	25	24	30	37	61	28	26
Cement	85	47	56	9	-13	68	27	31	8	-23	47	20	23	6	-22
Chemicals-Specialty	26	35	31	-6	6	21	29	24	-10	5	16	24	18	-14	4
Consumer	152	178	204	7	10	145	166	190	7	9	109	126	142	6	9
Consumer Durables	10	10	15	19	13	10	8	15	31	15	7	7	10	23	15
EMS	2	4	8	49	62	1	2	8	86	84	1	2	4	54	61
Financials	1,027	1,199	1,660	18	17	563	859	1,315	24	33	426	642	985	24	32
Banks-Private	437	505	706	18	17	253	409	569	18	31	190	306	437	19	32
Banks-PSU	427	498	661	15	16	195	305	539	33	40	148	226	393	32	39
Insurance	20	28	31	5	17	14	16	23	19	20	13	15	22	20	18
NBFC - Lending	138	160	245	24	21	95	121	166	17	20	71	89	120	16	19
NBFC - Non Lending	5	7	16	49	46	6	8	17	48	42	4	6	13	50	44
Healthcare	144	153	209	17	13	118	127	173	17	14	94	97	129	15	11
Infrastructure	12	11	10	-4	-4	5	6	6	4	9	3	4	4	1	7
Logistics	36	46	59	14	18	24	31	41	14	19	20	26	33	12	19
Media	8	9	10	9	9	7	7	8	7	5	5	5	6	15	6
Metals	680	367	464	12	-12	555	221	297	16	-19	416	139	197	19	-22
Oil & Gas	653	616	772	12	6	517	378	512	16	0	385	276	370	16	-1
Real Estate	22	21	36	30	18	15	13	29	47	25	15	15	27	35	21
Retail	35	46	57	10	17	22	29	30	1	LP	16	22	22	1	LP
Staffing	3	3	4	18	10	2	2	2	23	6	2	2	2	14	10
Technology	352	386	435	6	7	330	355	409	7	7	247	264	300	7	7
Telecom	224	256	324	12	13	-23	-16	28	LP	LP	-46	-42	-17	Loss	Loss
Utilities	190	209	240	7	8	82	90	130	21	17	73	84	97	8	10
Others	32	45	68	24	29	1	9	12	13	LP	77	2	6	86	LP
MOFSL Universe	**3,911**	**3,941**	**5,132**	**14**	**9**	**2,574**	**2,528**	**3,637**	**20**	**12**	**1,976**	**1,848**	**2,637**	**19**	**10**
Nifty Universe	**2,506**	**2,739**	**3,479**	**13**	**12**	**1,777**	**1,968**	**2,647**	**16**	**14**	**1,309**	**1,438**	**1,923**	**16**	**14**

Exhibit 13: Sales for the MOFSL Universe up 5% YoY (est. 7%)

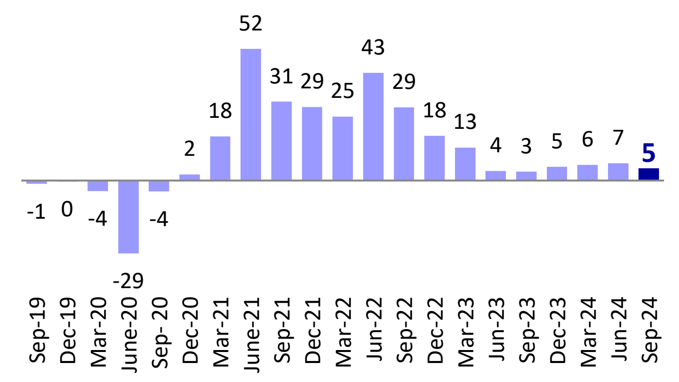


Exhibit 14: EBITDA for the MOFSL Universe up 1% YoY (est. 2%)

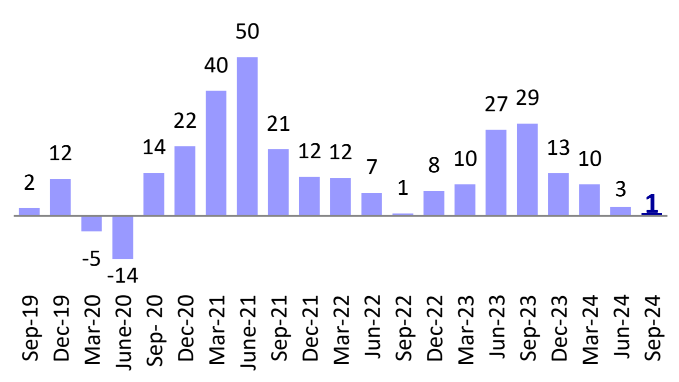


Exhibit 15: PAT for the MOFSL Universe at -1% YoY (est. 0%)

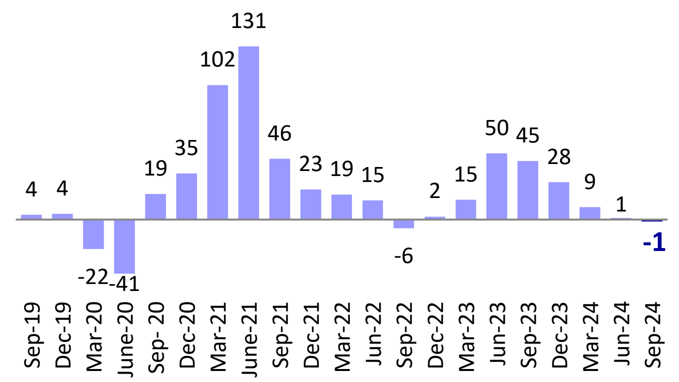


Exhibit 16: EBITDA margin, excluding Financials, contracted 180bp YoY to 16.2%

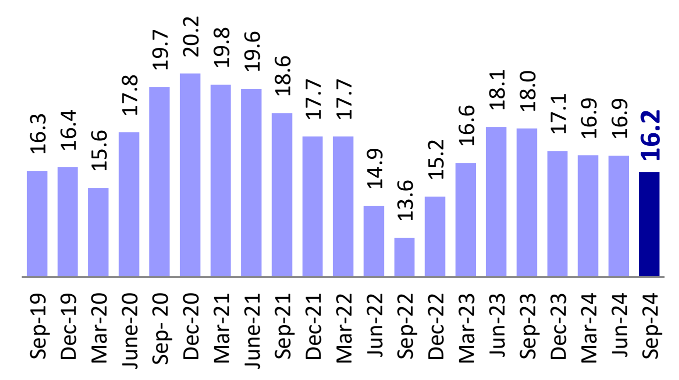


Exhibit 17: MOFSL Universe (ex-Nifty) posted a decline of 11% YoY in profits, due to OMCs

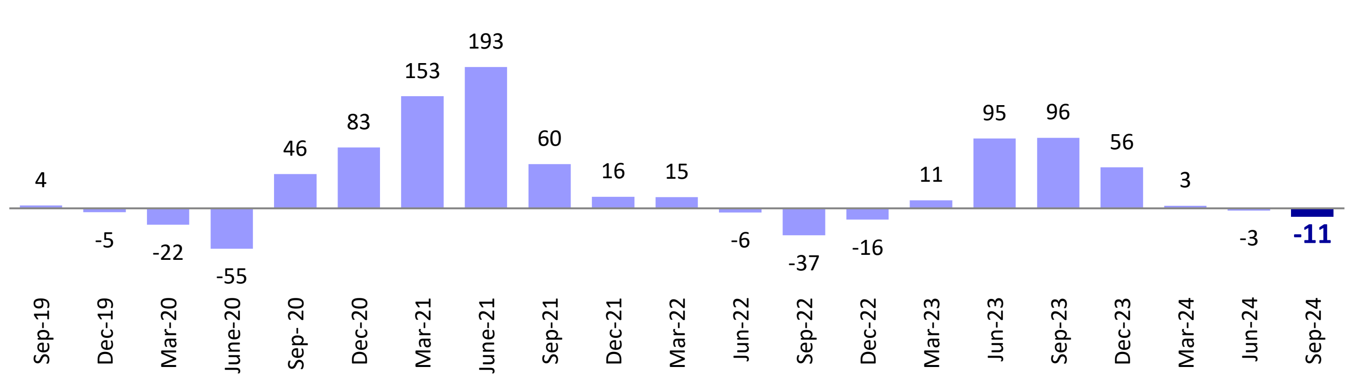


Exhibit 18: Sales growth for the MOFSL Universe, excluding Nifty companies, stood at 7% YoY

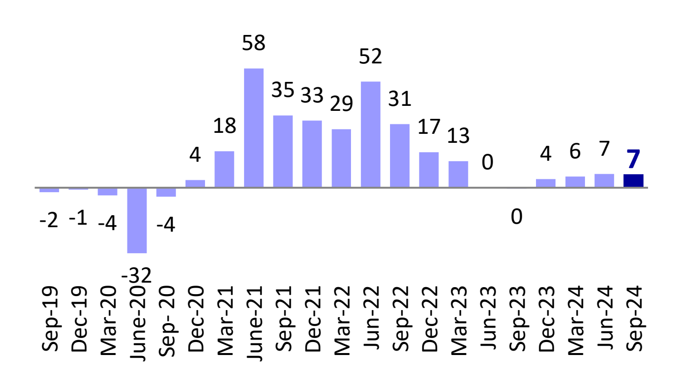
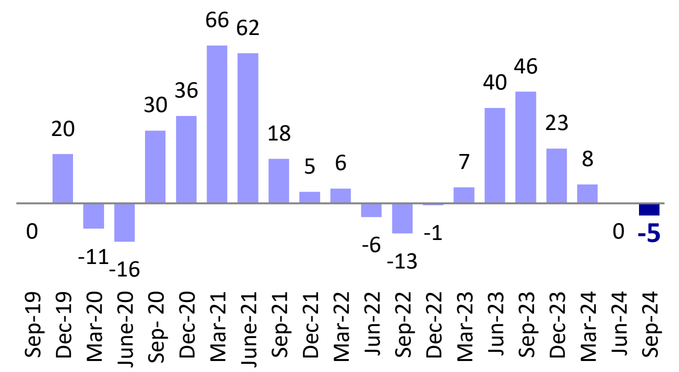


Exhibit 19: EBITDA was -5% YoY for the MOFSL Universe, excluding Nifty companies



Margin contracts owing to a high base

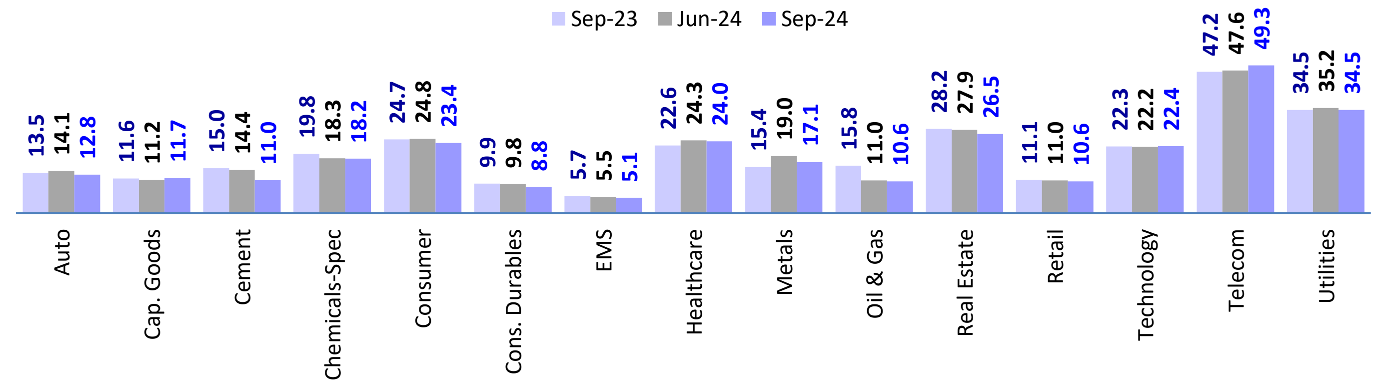
- Sales for the MOFSL Universe companies grew 5% YoY (in line). Excluding Metals and O&G, sales growth was in line at 8% YoY (in line).
- Sectoral sales growth: EMS (104%), NBFC - Non Lending (60%), Real Estate (32%), Consumer Durables (20%), and Capital Goods (19%).
- EBITDA margin for the MOFSL Universe (ex-Financials) contracted 180bp YoY to 16.2%. Gross margins for two-thirds of the sectors contracted.
- In 2QFY25, nine of the 15 major sectors under MOFSL Coverage reported a contraction in gross margin YoY.

Exhibit 20: Gross margin contracted in several sectors due to a high base

	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Change in GM bps YoY
Cement	65.8	61.0	59.7	59.7	56.3	56.1	55.0	62.6	57.4	60.4	57.7	57.8	63.9	657
Healthcare	63.4	63.0	62.8	62.4	64.0	64.0	63.7	65.1	65.6	65.9	67.2	68.1	68.2	253
Utilities	0.2	0.2	0.2	27.1	27.2	33.1	31.3	47.8	46.8	49.0	49.3	47.0	48.9	210
Infrastructure	40.8	41.4	36.0	40.7	71.4	39.1	36.6	36.7	40.2	51.7	33.0	39.5	42.2	200
Automobiles	29.1	29.8	29.3	31.6	32.0	33.3	34.0	34.9	34.7	36.0	36.4	36.5	35.8	110
Logistics	18.5	18.6	18.5	51.5	49.9	48.4	50.8	52.7	51.7	52.0	52.2	51.8	52.7	97
Technology	35.5	35.2	34.5	33.1	33.6	34.4	34.5	33.9	34.0	34.4	34.3	35.1	33.7	-25
Retail	31.9	32.9	32.6	32.9	32.5	31.6	31.3	30.6	30.2	30.9	30.7	30.7	29.9	-33
Chemicals-Specialty	51.5	53.2	53.8	53.3	51.0	54.8	54.3	54.6	53.3	54.1	54.2	52.6	53.0	-35
Others	38.7	43.1	40.3	42.9	38.6	43.5	41.7	48.9	43.9	45.0	45.1	47.9	43.4	-50
Consumer	49.6	48.7	48.7	47.6	48.5	50.0	51.2	51.6	52.6	53.0	53.7	52.8	51.7	-98
Consumer Durables	16.7	16.0	14.8	18.8	18.5	19.5	18.4	25.4	27.2	26.6	25.4	25.1	25.7	-143
Oil & Gas	22.9	20.8	21.8	16.8	17.0	18.4	22.5	25.2	25.0	22.2	22.7	20.9	22.6	-243
Real Estate	46.3	50.8	41.1	44.2	53.2	49.3	43.2	48.6	52.3	54.3	49.3	52.6	49.5	-274
Metals	59.4	55.9	54.1	56.2	47.9	51.1	54.1	52.8	49.9	55.5	53.7	52.7	38.0	-1,189

Source: 211 companies that form part of the MOFSL Universe, excluding Financials, Telecom, Media, and Staffing

Exhibit 21: Several sectors recovered YoY in terms of operating margins



Contributions of BFSI and Technology in profit pool improve

- The BFSI contribution to the overall MOFSL profit pool accounted for more than one-third of the profits. The contribution improved to 37.3% and was the highest since Sep'20.
- The Technology contribution to profit pool saw an improvement for the third consecutive quarter to 11.4% in 2QFY25 – this was at a seven-quarter high.
- The Oil & Gas contribution to profit pool, which slipped to a multi-quarter low of 13.7% in 1QFY25, saw an uptick in 2QFY25 to reach 14%.

Exhibit 22: Financials' contribution was up in 2Q; it accounted for more than 1/3rd of the overall profit pool

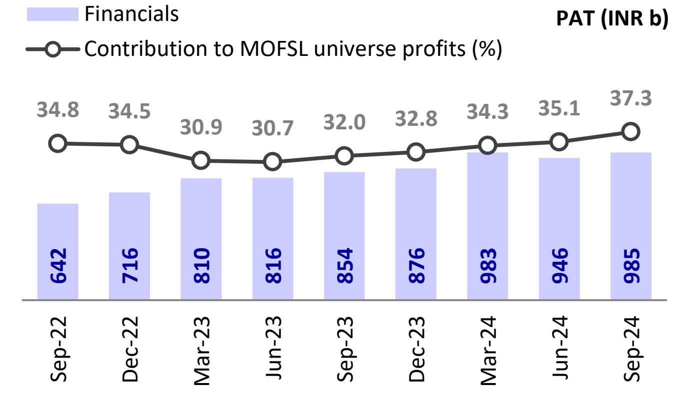


Exhibit 23: IT sector's contribution to the overall profit pool improved in 2QFY25

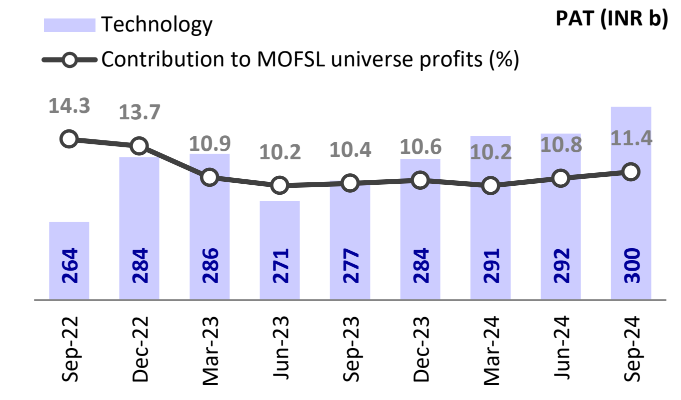


Exhibit 24: O&G's PAT contribution to the overall profit pool saw an uptick in 2QFY25

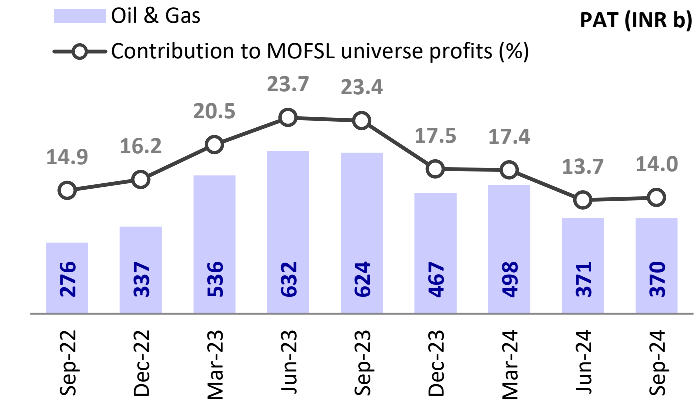


Exhibit 25: Metals' PAT contribution to the MOFSL Universe decreased in 2QFY25

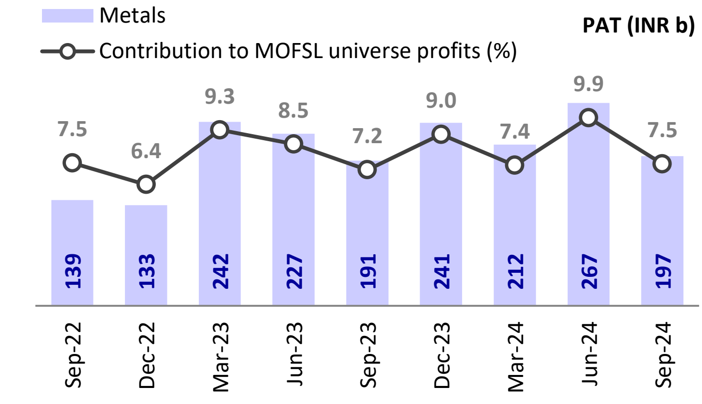


Exhibit 26: Auto sector's contribution to the overall profit pool declined marginally in 2QFY25

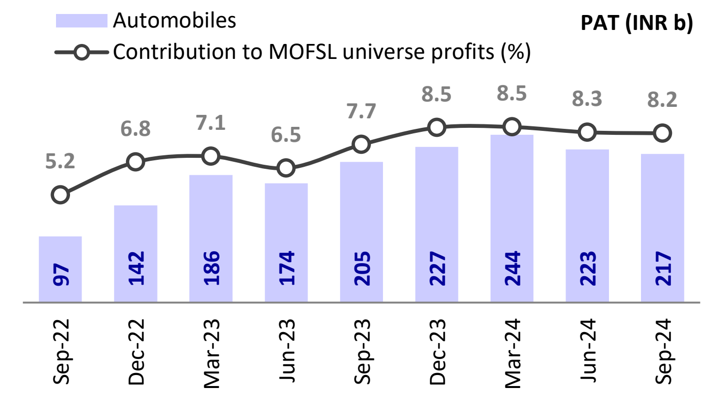
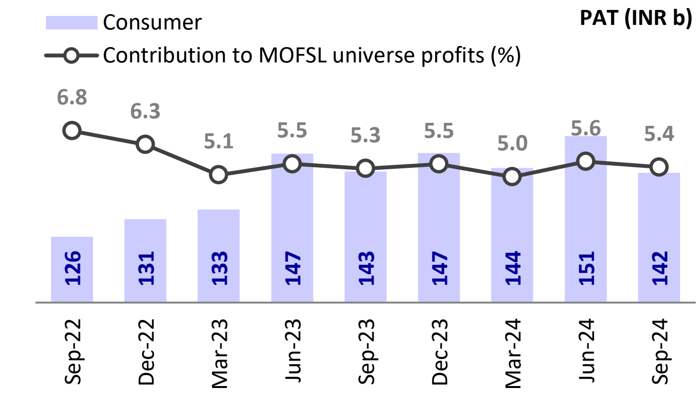


Exhibit 27: Consumer sector's contribution dipped in 2QFY25



A Story of Two Halves: 1HFY25 and 2HFY25E

- The MOFSL Universe delivered a flat YoY earnings growth in 1HFY25. Excluding Metals and O&G, it reported 13% YoY earnings growth.
- During 1HFY25, out of 25 sectors under our coverage, 19 sectors saw a YoY growth in PAT, while six saw a decline. NBFC Non Lending (+82%), EMS (+68%), Real Estate (+54%), Consumer Durables (+24%), PSU Banks (+23%), Healthcare (+23%), Insurance (+22%), and Capital Goods (+20%) were top gainers. Conversely, Oil & Gas (-41%), Cement (-34%), Media (-17%), and Chemicals (-12%) were the laggards.
- For 2HFY25, we expect MOFSL earnings to report a growth of 9% YoY (13% for MOFSL Ex Metals & O&G). This will be contributed by BFSI, Metals, Telecom, Technology, and Healthcare.

Exhibit 28: Sector wise 1HFY25 performance (%) – dragged by Oil & Gas

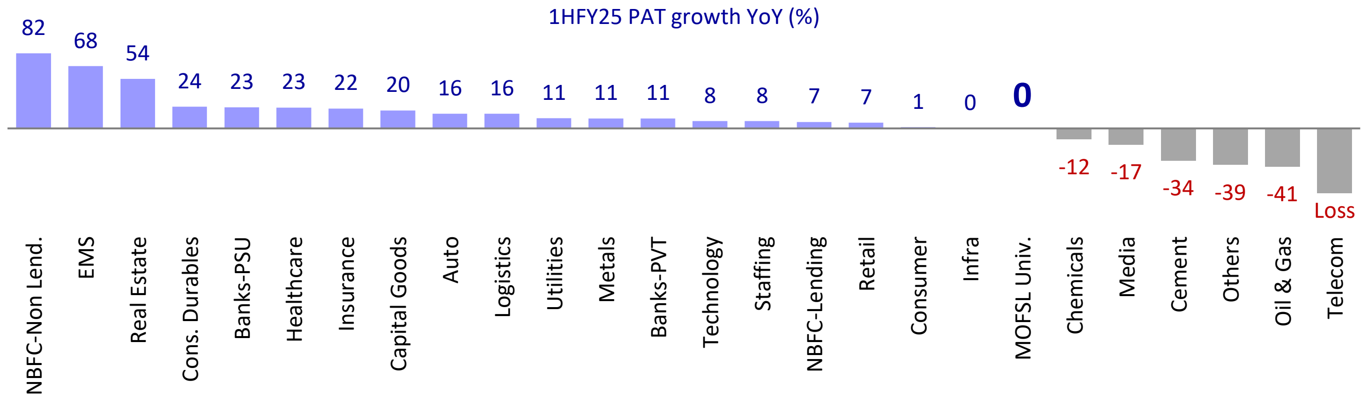


Exhibit 29: Sector wise 2HFY25E performance (%) – Oil & Gas and Cement will continue to be the laggards

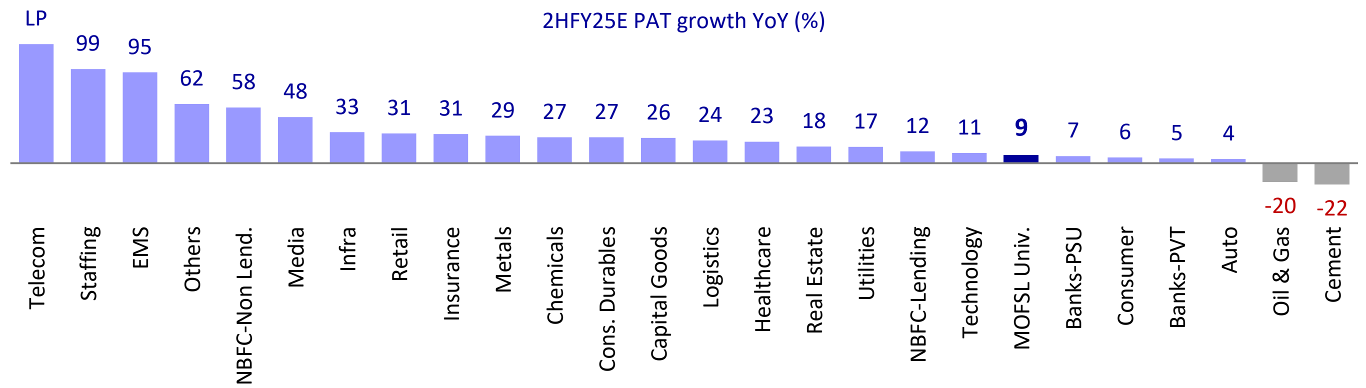
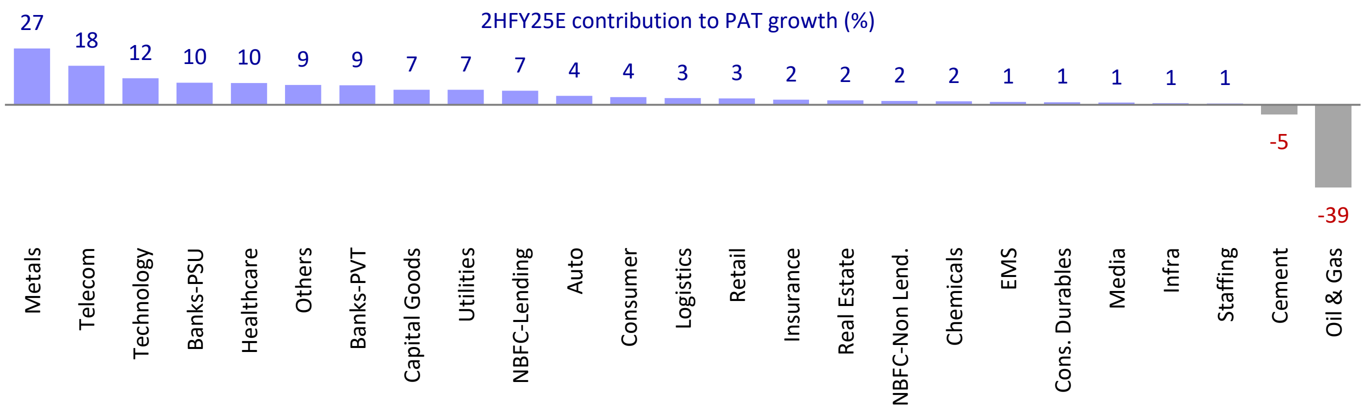


Exhibit 30: Sector-wise contribution to 2HFY25E earnings growth (%)



Performance highlights of the Nifty constituents in 2QFY25

Top five stocks account for ~140% of the incremental profit YoY

- Sales/EBITDA/PBT/PAT growth for Nifty constituents was in line at +4%/+5%/+4%/+4% YoY in 2QFY25. Excluding Financials, profits for Nifty constituents were flat YoY (vs. est. of flat YoY).
- Among Nifty constituents, 34% exceeded our PAT estimates, while 28% missed our estimates.
- SBI, Hindalco, ONGC, ICICI Bank, Wipro, Mahindra & Mahindra, HCL Technologies, Bharat Electronics, Tech Mahindra, Maruti Suzuki, Hero Moto, Larsen & Toubro, Trent, Cipla, Tata Consumer, Tata Steel, and JSW Steel delivered higher-than-estimated earnings.
- In contrast, Bharti Airtel, NTPC, Kotak Mahindra Bank, Titan Company, Britannia, Nestle, Asian Paints, Grasim, Ultratech Cement, Tata Motors, Indusind Bank, Coal India, and BPCL missed our profit estimates.
- Five Nifty companies witnessed earnings upgrades of over 5% in their FY25 EPS estimates, while 14 companies witnessed downgrades of over 5%.

Exhibit 31: Nifty sales up 4% YoY (in line) in 2QFY25

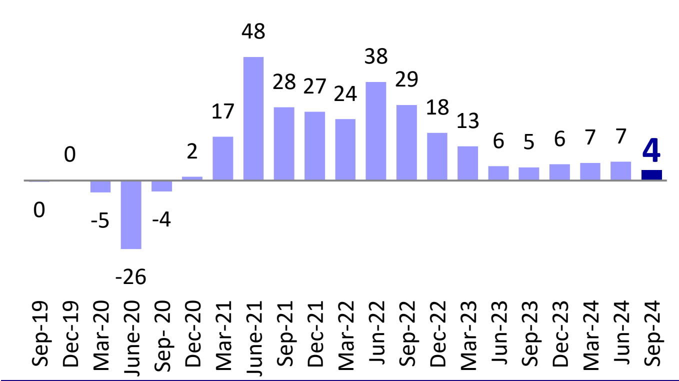


Exhibit 32: Nifty EBITDA up 5% YoY (est. 6%) in 2QFY25

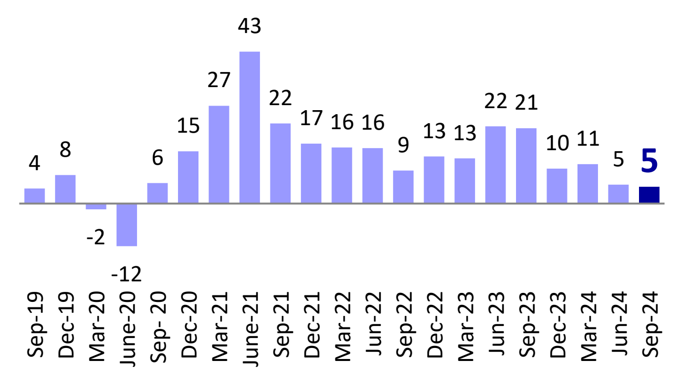


Exhibit 33: Nifty PAT up 4% YoY (est. 3%)

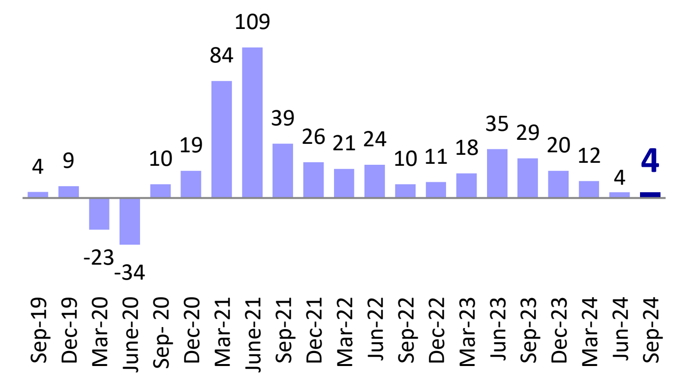


Exhibit 34: Nifty EBITDA margin (ex-Financials) contracted 90bp YoY to 19.1%

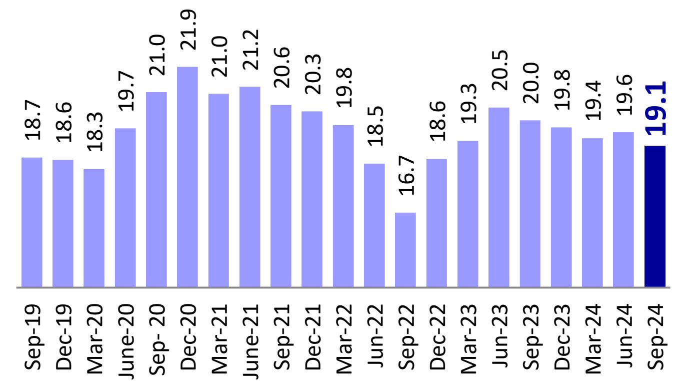


Exhibit 35: BFSI, Technology, and Metals to drive FY25E earnings for the Nifty

Sector	PAT (INR b)						Growth YoY (%)					
	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY22	FY23	FY24	FY25E	FY26E	FY27E
Automobiles	76	289	624	667	733	841	-57	278	116	7	10	15
BFSI	1,433	2,026	2,541	2,845	3,259	3,841	37	41	25	12	15	18
Capital Goods	108	134	170	201	248	293	22	24	27	18	23	18
Cement	130	115	134	115	159	194	31	-11	16	-14	38	22
Consumer	319	386	437	432	483	532	9	21	13	-1	12	10
Healthcare	143	164	204	236	278	297	31	15	24	16	18	7
Logistics	59	77	89	110	131	156	30	30	16	23	19	19
Metals	926	540	599	650	873	1,033	169	-42	11	9	34	18
Oil & Gas	1,107	1,089	1,550	1,259	1,577	1,731	43	-2	42	-19	25	10
Retail	24	37	45	55	71	89	198	54	24	22	29	25
Technology	919	977	1,009	1,111	1,245	1,371	16	6	3	10	12	10
Telecom	35	82	113	206	275	367	Loss	Loss	LP	82	33	34
Utilities	307	323	364	373	421	452	6	5	13	2	13	7
Others	8	27	35	57	57	57	-29	249	30	63	0	0
Nifty	**5,593**	**6,266**	**7,914**	**8,319**	**9,809**	**11,253**	**37**	**12**	**26**	**5**	**18**	**15**

Exhibit 36: Sectoral upgrades/downgrades for the MOFSL Universe

	PAT (INR b) - preview			PAT (INR b) - review			Upgrade/downgrade (%)			Growth YoY (%)		
Sector	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Automobiles	934	1,138	1,348	927	1,062	1,238	-0.8	-6.7	-8.2	8.5	14.5	16.6
Capital Goods	275	348	415	276	347	415	0.6	-0.4	0.0	23.9	25.4	19.7
Cement	209	283	346	180	260	327	-14.0	-8.0	-5.5	-22.9	44.6	25.8
Chemicals-Specialty	76	99	119	72	95	116	-5.4	-4.1	-2.6	5.5	31.4	22.3
Consumer	618	701	780	601	682	761	-2.7	-2.6	-2.4	2.6	13.5	11.5
Consumer Durables	55	69	84	52	65	81	-5.8	-4.5	-3.0	24.9	25.7	24.3
EMS	18	28	39	20	29	41	9.6	3.7	5.7	84.3	48.1	41.4
Financials	4,098	4,778	5,662	4,041	4,702	5,539	-1.4	-1.6	-2.2	12.8	16.3	17.8
Banks-Private	1,849	2,141	2,544	1,823	2,117	2,502	-1.4	-1.1	-1.7	7.8	16.1	18.2
Banks-PSU	1,540	1,750	2,020	1,561	1,729	1,977	1.3	-1.2	-2.1	20.6	10.8	14.3
Insurance	93	108	131	91	105	128	-2.3	-2.8	-2.8	22.6	15.2	21.6
NBFC - Lending	568	723	900	519	693	863	-8.6	-4.0	-4.0	5.3	33.5	24.5
NBFC - Non Lending	48	56	67	47	57	69	-1.2	1.0	4.0	49.8	20.6	22.1
Healthcare	532	630	705	527	628	707	-1.0	-0.3	0.2	22.7	19.2	12.5
Infrastructure	21	28	31	20	26	32	-4.2	-5.3	0.4	17.6	27.5	20.9
Logistics	148	187	221	146	181	219	-1.5	-3.2	-0.8	20.2	24.0	21.1
Media	26	33	39	27	33	38	2.9	1.0	-1.4	9.8	23.5	16.3
Metals	1,070	1,413	1,647	1,049	1,415	1,648	-2.0	0.1	0.0	20.4	34.9	16.4
Oil & Gas	1,902	2,355	2,543	1,635	2,093	2,288	-14.0	-11.1	-10.0	-32.6	28.0	9.3
Excl. OMCs	1,554	1,914	2,090	1,452	1,793	1,978	-6.6	-6.4	-5.4	-8.6	23.5	10.3
Real Estate	137	169	175	124	178	178	-9.3	4.9	1.2	31.1	43.2	0.0
Retail	115	156	200	105	142	182	-9.1	-8.9	-9.0	21.5	35.8	27.7
Staffing	11	14	17	10	14	16	-6.8	-4.4	-3.3	49.8	31.8	19.7
Technology	1,223	1,381	1,527	1,228	1,388	1,540	0.4	0.5	0.9	10.0	13.0	11.0
Telecom	-3	111	202	-4	95	224	-244.5	-14.9	10.9	Loss	LP	136.7
Utilities	483	533	566	451	519	549	-6.6	-2.6	-2.9	7.5	15.1	5.8
Others	163	239	325	159	245	340	-2.8	2.7	4.7	12.6	54.6	38.7
MOFSL Universe	**12,112**	**14,692**	**16,989**	**11,646**	**14,198**	**16,478**	**-3.8**	**-3.4**	**-3.0**	**3.8**	**21.9**	**16.1**

Note: PL: Profit to loss; LP: Loss to profit

Exhibit 37: Nifty delivered 4% YoY profit growth in 2QFY25

	Sales			EBITDA			PBT			PAT			EBITDA Margin	
Company	Sep 2024	Chg. YoY (%)	Var. (%)	Sep 2024	Chg. YoY (%)	Var. (%)	Sep 2024	Chg. YoY (%)	Var. (%)	Sep 2024	Chg. YoY (%)	Var. (%)	Sep 2024 (%)	Chg. YoY bp
High PAT growth														
Hindalco	582	7	2	79	40	20	62	92	48	43	**97**	36	13.5	3.2
Apollo Hospitals	56	15	4	8	30	8	6	47	9	4	**64**	5	14.6	1.6
Trent	40	40	-6	6	39	-8	6	48	5	4	**46**	6	15.9	-0.1
SBI Life Insurance	204	1	-8	15	-3	-14	5	41	4	5	**39**	3	7.1	-0.3
Bharat Electronics	46	15	-3	14	38	26	15	35	18	11	**34**	18	30.3	5.1
Bharti Airtel	415	12	1	218	12	1	68	23	-1	39	**32**	-12	52.7	0.0
NTPC	403	-1	-3	97	-8	-19	61	14	-4	42	**29**	-9	24.0	-1.8
State Bank	416	5	0	293	51	9	248	28	12	183	**28**	12	70.4	21.2
Tech Mahindra	133	3	2	18	24	7	17	55	37	13	**28**	31	13.1	2.2
Sun Pharma	133	11	2	38	25	8	35	23	3	29	**22**	2	28.5	3.3
Wipro	223	-1	1	46	8	4	43	22	12	32	**21**	11	20.5	1.7
Bajaj Auto	131	22	0	27	24	2	29	22	3	22	**21**	3	20.2	0.4
Med/Low PAT growth														
Shriram Finance	55	19	0	40	14	-4	27	17	-1	21	**18**	0	72.9	-2.8
Axis Bank	135	9	-1	107	24	5	85	9	-4	69	**18**	4	79.5	9.4
ONGC	339	-4	-4	182	-1	-1	150	12	22	120	**17**	30	53.8	1.6
HDFC Life Insur.	166	12	-9	9	17	-4	4	32	2	4	**15**	3	5.7	0.2
ICICI Bank	200	10	1	167	18	6	155	14	7	117	**14**	8	83.4	5.7
Hero Motocorp	105	11	2	15	14	3	16	15	8	12	**14**	7	14.5	0.4
Mahindra & Mahindra	276	13	1	39	26	7	49	14	16	38	**13**	14	14.3	1.5
Bajaj Finance	88	23	0	73	25	2	54	13	-1	40	**13**	0	82.7	1.6
Cipla	71	6	0	19	9	2	18	9	4	13	**11**	6	26.7	0.8
Adani Ports	71	6	-4	44	13	1	29	17	-5	25	**11**	-4	61.8	3.4
HCL Technologies	289	8	2	64	7	7	57	11	8	42	**11**	9	22.1	-0.2
Tata Consumer	42	13	-1	6	17	7	4	-16	-8	4	**10**	14	14.9	0.5
Eicher Motors	43	4	-4	11	0	-8	12	4	-4	11	**8**	2	25.5	-0.9
Bajaj Finserv	277	28	1	79	23	-1	60	13	-3	21	**8**	-11	28.4	-1.1
Larsen & Toubro	616	21	8	64	13	5	56	11	8	34	**5**	6	10.3	-0.7
HDFC Bank	301	10	1	247	9	1	220	11	1	168	**5**	3	82.0	-0.8
Maruti Suzuki	372	0	0	44	-8	-4	43	-11	-11	39	**5**	6	11.9	-1.0
TCS	643	8	1	168	7	-1	160	5	-4	120	**5**	-4	26.1	-0.2
Kotak Mahindra Bank	70	11	1	51	11	-4	44	5	-5	33	**5**	-5	72.6	-0.6
Power Grid Corp.	103	5	-2	88	3	-4	44	1	-2	35	**5**	-3	85.6	-1.9
Infosys	410	5	0	98	3	4	93	6	3	65	**5**	-1	23.8	-0.5
Dr Reddy’ s Labs	80	17	3	22	10	1	19	13	4	14	**2**	-5	27.5	-1.5
ITC	207	17	11	68	5	1	68	3	-1	50	**2**	-2	32.6	-3.7
Titan Company	145	16	1	15	8	-7	12	-1	-14	9	**2**	-14	10.5	-0.8
PAT Decline														
Hind. Unilever	159	2	0	38	0	0	36	-1	-1	26	**-2**	-3	23.8	-0.5
Grasim Industries	76	18	1	3	-45	-17	11	10	-8	8	**-5**	-18	4.3	-4.9
Reliance Inds.	2,315	0	0	391	-5	-2	250	-5	3	166	**-5**	4	16.9	-0.8
Nestle	51	1	-5	12	-5	-11	10	-8	-15	8	**-7**	-17	23.3	-1.5
Britannia	47	5	-2	8	-10	-16	7	-10	-18	5	**-9**	-18	16.8	-2.9
Tata Motors	1,015	-3	1	117	-14	-11	57	-7	-2	33	**-14**	-22	11.6	-1.5
Coal India	307	-6	-3	72	-20	-28	80	-22	-24	63	**-22**	-22	23.3	-3.8
Asian Paints	80	-5	-6	12	-28	-18	11	-32	-21	9	**-29**	-19	15.4	-4.8
Tata Steel	539	-3	4	55	29	18	16	2,633	139	5	**-36**	LP	10.2	2.6
Ultratech Cement	156	-2	0	20	-21	-7	10	-40	-18	8	**-36**	-12	12.9	-3.0
IndusInd Bank	53	5	-2	36	-8	-10	18	-39	-36	13	**-40**	-36	67.3	-9.7
BPCL	1,028	0	-4	45	-65	-42	32	-72	-49	24	**-72**	-48	4.4	-8.2
JSW Steel	397	-11	-4	54	-31	20	12	-70	85	6	**-80**	35	13.7	-4.0
Nifty Universe	**14,333**	**4**	**0**	**3,479**	**5**	**-1**	**2,647**	**4**	**1**	**1,923**	**4**	**1**	**24.3**	**0.2**
Ex-Metals & Oil	**8,827**	**8**	**1**	**2,601**	**12**	**0**	**2,045**	**11**	**1**	**1,497**	**11**	**1**	**29.5**	**1.1**

Note: PL: Profit to loss; LP: Loss to profit

Nifty EPS experiences a downward revision

- The Nifty EPS for FY25E was cut 1.4% to INR1,057, largely owing to ONGC, BPCL, Reliance Inds, and Coal India. Ex-Commodities, Nifty EPS saw no downgrade for FY25E. FY26E EPS was also trimmed 2.2% to INR1,241 (vs. INR1,269) led by downgrades in ONGC, BPCL, Reliance Inds, and Tata Motors.
- **The top earnings upgrades in FY25E:** Bharti Airtel (16.3%), Tata Motors (11.6%), Tech Mahindra (8.8%), Hindalco (8.6%), and Tata Consumer (6.3%).
- **The top earnings downgrades in FY25E:** BPCL (-34.3%), Indusind Bank (-16.7%), Ultratech Cement (-15.5%), Asian Paints (-14%), and Trent (-12.1%).

Exhibit 38: FY25E EPS revisions – Five Nifty constituents saw upgrades of over 5%, while 14 witnessed downgrades of over 5%

Company	Current EPS (INR)			EPS Upgrade / Downgrade (%)			EPS Growth (%)			
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Bharti Airtel	35.9	45.4	60.6	16.3	-2.7	-0.8	36.7	82.5	26.6	33.5
Tata Motors	63.7	63.0	68.3	11.6	-9.4	-14.9	2628.0	8.6	-1.2	8.5
Tech Mahindra	47.9	63.7	71.1	8.8	0.8	1.1	-28.2	16.5	33.1	11.5
Hindalco	68.4	63.1	74.4	8.6	0.0	-0.3	0.8	49.9	-7.7	17.8
Tata Consumer	16.0	19.5	21.5	6.3	-3.0	-2.7	26.1	11.3	22.3	10.0
Apollo Hospitals	97.4	126.3	164.5	3.1	0.6	12.8	29.6	56.0	29.7	30.2
Larsen & Toubro	111.1	137.2	160.3	2.9	1.0	1.4	24.5	17.6	23.4	16.9
ICICI Bank	65.4	73.3	85.4	2.8	1.8	0.0	27.5	12.0	12.1	16.6
HCL Technologies	63.7	71.9	80.3	2.4	2.7	3.4	5.6	10.1	12.9	11.6
Wipro	22.6	24.5	25.9	2.3	0.1	0.8	-1.5	11.0	8.1	5.9
State Bank	89.3	98.8	115.4	1.8	-2.1	-2.9	20.6	18.7	10.7	16.8
Kotak Mahindra Bank	95.5	108.5	130.5	1.0	-1.8	-4.1	21.9	4.3	13.6	20.3
Sun Pharma	49.3	59.3	67.4	0.3	2.4	1.6	15.8	19.0	20.2	13.7
Bajaj Auto	302.1	387.9	492.8	0.0	0.0	0.0	28.9	9.4	28.4	27.0
Bharat Electronics	6.7	8.2	9.9	0.0	0.0	0.0	33.7	21.0	22.7	20.9
Axis Bank	85.1	98.2	115.5	-0.5	-0.4	-0.4	14.9	5.4	15.5	17.6
Shriram Finance	223.3	264.7	321.6	-0.7	-2.9	-2.9	19.8	16.7	18.5	21.5
Infosys	63.4	71.1	79.6	-0.8	-1.5	-1.0	10.0	0.2	12.0	12.1
Adani Ports	50.8	60.5	72.2	-0.9	-0.9	-0.9	16.5	23.0	19.2	19.3
TCS	141.0	156.8	172.0	-1.0	0.1	0.1	9.5	11.7	11.2	9.7
HDFC Bank	88.2	100.1	115.6	-1.2	-0.6	0.5	1.0	10.2	13.5	15.4
Hero MotoCorp	227.4	249.1	278.7	-1.3	-11.0	-15.9	40.5	11.1	9.6	11.9
Eicher Motors	158.8	171.3	196.6	-1.5	-2.5	-1.3	37.3	8.5	7.9	14.8
ITC	16.7	18.2	19.8	-1.9	-1.8	-1.7	9.0	1.9	9.2	8.4
Hind. Unilever	45.3	51.0	56.2	-2.1	-2.5	-2.2	0.7	3.7	12.5	10.1
Dr Reddy' s Labs	69.3	79.7	69.9	-2.1	2.4	-1.8	29.6	9.2	15.0	-12.3
Bajaj Finance	266.7	343.8	441.2	-2.4	-5.4	-7.2	22.8	14.1	28.9	28.3
SBI Life Insurance	23.9	24.8	27.7	-2.5	-0.8	-0.7	9.9	26.1	3.8	11.7
HDFC Life Insur.	8.3	9.5	10.6	-2.7	-0.6	-6.5	15.3	13.2	14.8	11.5
Mahindra & Mahindra	99.7	116.2	136.7	-3.1	-5.3	-6.6	34.0	12.4	16.5	17.7
JSW Steel	31.5	67.8	85.5	-3.1	0.0	0.0	148.7	-14.3	114.8	26.2
Cipla	56.8	62.7	66.1	-3.2	-4.4	-3.1	39.0	8.3	10.3	5.5
Tata Steel	5.7	12.2	18.0	-3.3	-1.5	0.4	-61.8	111.6	112.4	48.2
Power Grid Corp.	17.5	18.4	19.5	-4.5	-4.0	-3.1	1.0	4.7	5.2	5.9
Titan Company	43.0	53.6	64.0	-5.4	-4.9	-4.2	6.8	9.6	24.7	19.3
Reliance Inds.	48.4	64.8	73.5	-5.6	-3.4	-2.0	4.4	-6.0	34.1	13.4
Nestle	34.0	38.6	43.6	-6.1	-3.9	-4.2	62.5	-17.1	13.5	12.8
Maruti Suzuki	444.6	500.6	566.9	-6.4	-9.0	-8.8	56.8	3.6	12.6	13.2
Coal India	56.8	67.4	70.5	-7.3	0.0	0.0	17.8	-6.5	18.7	4.7
Britannia	93.5	107.0	120.7	-7.6	-6.1	-5.1	10.1	5.5	14.4	12.8
NTPC	21.6	25.7	27.8	-8.3	-2.8	-3.1	23.1	0.7	18.8	8.3
Grasim Industries	82.1	100.5	119.2	-8.4	-2.9	-0.7	-2.9	-14.2	22.5	18.5
ONGC	40.8	46.7	49.3	-9.4	-11.4	-11.3	44.9	-12.0	14.6	5.5
Trent	47.8	65.9	89.8	-12.1	-9.9	-6.4	162.5	63.4	38.1	36.1
Asian Paints	47.5	55.2	62.7	-14.0	-10.7	-10.2	30.9	-18.0	16.2	13.6
Ultratech Cement	211.9	313.6	392.7	-15.5	-6.8	-3.9	39.4	-13.3	48.0	25.2
IndusInd Bank	94.9	128.2	163.1	-16.7	-8.7	-7.2	20.3	-17.9	35.1	27.2
BPCL	21.4	26.2	26.9	-34.3	-26.3	-25.3	1271.9	-66.2	22.2	3.0
Nifty (50)	**1,057**	**1,241**	**1,432**	**-1.4**	**-2.2**	**-2.2**	**24.1**	**5.1**	**17.4**	**15.4**

Exhibit 39: We estimate a 12% CAGR for the Nifty free-float PAT over FY24–26

Company	Sales CAGR % 24-26	EBITDA Margin (%)			EBITDA CAGR % 24-26	PAT (INR b)				PAT CAGR % 24-26	Contbn to Delta %
		FY25E	FY26E	FY27E		FY24	FY25E	FY26E	FY27E		
High PAT Growth (20%+)	**12**	**24**	**26**	**27**	**19**	**912**	**1,183**	**1,607**	**2,006**	**33**	**37**
Tata Steel	6	12	15	17	30	34	71	152	225	112	6
Bharti Airtel	12	53	55	56	15	113	206	275	367	56	9
Trent	36	16	16	17	40	10	17	23	32	50	1
Apollo Hospitals	15	14	14	14	22	9	14	18	24	42	0
JSW Steel	11	15	19	19	20	90	77	165	209	36	4
Adani Enterprises	3	13	13	13	12	35	57	57	57	28	1
Tech Mahindra	4	13	16	16	25	36	42	57	63	25	1
Bajaj Finserv	32	68	61	58	20	81	103	125	146	24	2
Bharat Electronics	19	25	25	25	20	40	49	60	72	22	1
Bajaj Finance	26	82	80	79	26	144	165	213	273	21	4
Adani Ports	14	59	60	60	15	89	110	131	156	21	2
Larsen & Toubro	15	11	11	11	18	130	153	189	220	20	3
Sun Pharma	10	27	29	29	16	100	119	143	162	20	2
Medium PAT Growth (0-20%)	**7**	**25**	**27**	**27**	**11**	**6,637**	**6,966**	**8,000**	**9,029**	**10**	**72**
Tata Consumer	10	15	15	15	13	14	16	19	21	19	0
Bajaj Auto	18	20	21	21	22	77	84	108	138	19	2
Shriram Finance	21	74	74	75	20	72	84	99	121	18	1
Hindalco	7	13	12	12	9	101	152	140	165	18	2
Titan Company	17	10	10	10	17	35	38	48	57	17	1
State Bank	8	67	67	67	20	671	797	882	1,030	15	11
Ultratech Cement	11	17	20	21	14	71	61	92	116	14	1
Mahindra & Mahindra	12	14	14	15	17	106	120	139	164	14	2
SBI Life Insurance	13	7	7	7	14	19	24	25	28	14	0
HDFC Life Insur.	18	5	6	6	17	16	18	20	23	14	0
Reliance Inds.	7	17	20	20	12	696	654	877	995	12	10
ICICI Bank	11	82	83	83	14	409	459	514	600	12	6
Dr Reddy' s Labs	16	28	28	25	15	53	58	66	58	12	1
HDFC Bank	12	82	83	85	10	608	670	761	878	12	8
HCL Technologies	8	22	22	22	9	157	174	196	218	12	2
TCS	8	27	28	28	11	462	512	569	624	11	6
Hero MotoCorp	10	14	14	14	10	41	46	50	56	10	0
Axis Bank	12	77	79	79	15	249	263	303	356	10	3
Infosys	8	23	24	25	9	243	263	295	330	10	3
Britannia	9	18	18	19	7	21	23	26	29	10	0
NTPC	8	30	31	32	13	208	210	249	270	9	2
Cipla	8	25	25	25	9	42	46	51	53	9	0
Kotak Mahindra Bank	12	76	75	75	12	182	190	216	259	9	2
Eicher Motors	9	27	26	26	7	40	43	47	54	8	0
Hind. Unilever	6	24	24	24	7	103	107	120	132	8	1
Maruti Suzuki	6	13	14	14	9	135	140	157	178	8	1
Wipro	2	20	20	20	5	110	120	128	136	8	1
ITC	9	35	36	36	7	205	209	228	247	6	1
IndusInd Bank	12	71	73	75	9	90	74	100	127	5	1
Coal India	9	34	35	35	11	374	350	415	435	5	2
Power Grid Corp.	6	86	85	84	5	156	163	172	182	5	1
Grasim Industries	17	5	8	9	11	63	54	66	78	3	0
Tata Motors	5	13	13	13	4	225	234	231	251	1	0
ONGC	-4	17	19	19	2	583	513	588	620	0	0
PAT de-growth (<0%)	**-7**	**7**	**8**	**8**	**-22**	**366**	**170**	**202**	**217**	**-26**	**-9**
Asian Paints	5	18	19	20	0	56	46	53	60	-2	0
Nestle	-3	24	25	25	-3	40	33	37	42	-3	0
BPCL	-8	5	6	6	-30	271	91	112	115	-36	-8
Nifty (PAT free float)	**7**	**24**	**25**	**26**	**11**	**4,461**	**4,748**	**5,574**	**6,434**	**12**	**100**

FY25E earnings highlights: Banks, Metals, and Technology to drive the incremental earnings

- The MOFSL Universe is likely to deliver sales/EBITDA/PAT growth of 6%/5%/4% YoY in FY25E. The Banks, Metals, and Technology sectors are projected to be the key growth engines, with 13%, 20%, and 10% YoY earnings growth, respectively. They are likely to contribute 161% of the incremental earnings in FY25E.

Exhibit 40: Banks, Metals, and Technology to lead the incremental profits for FY25E (PAT, INR b)

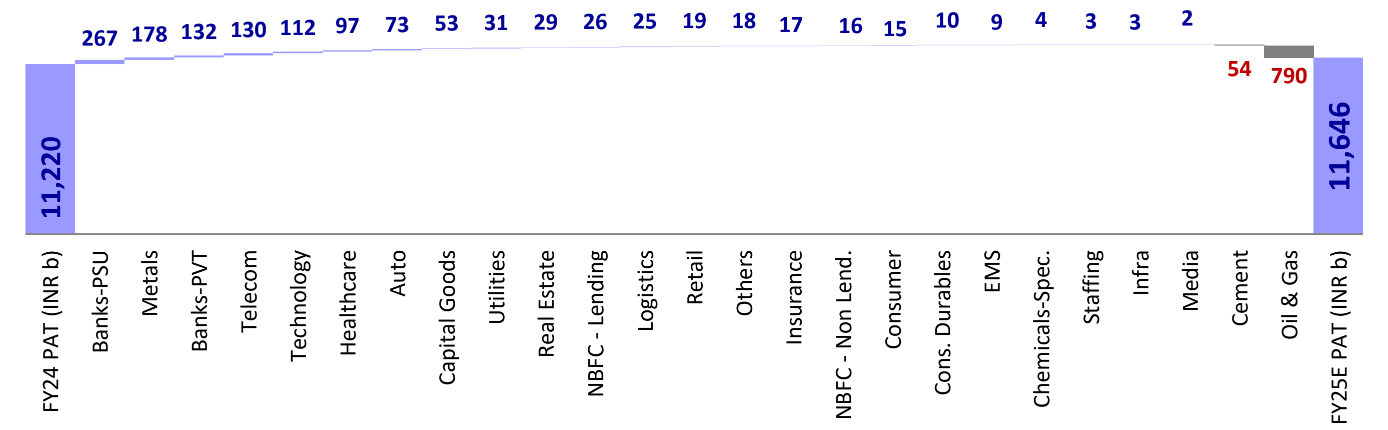
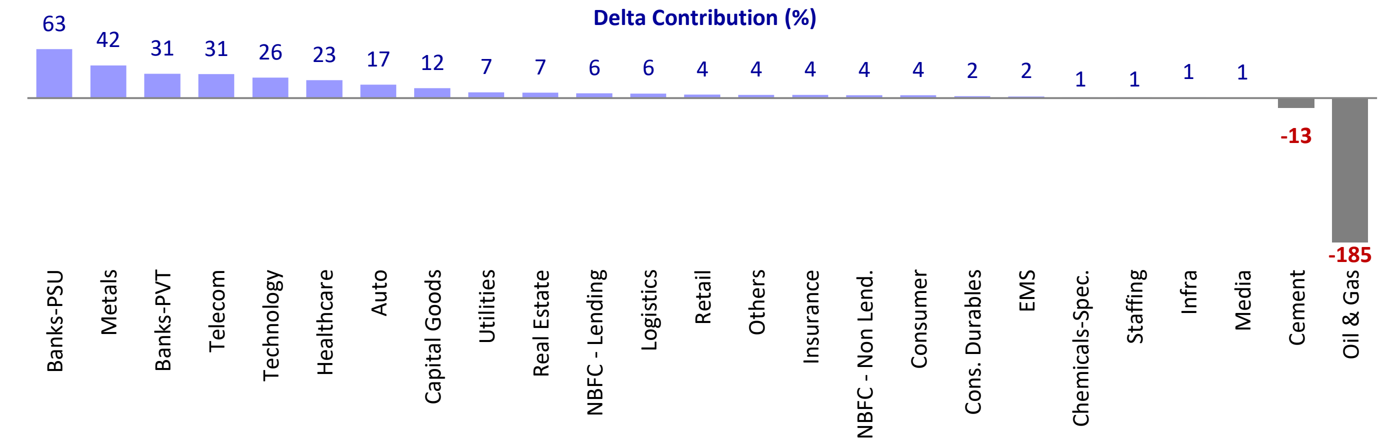


Exhibit 41: Delta contribution to FY25E profit for the MOFSL Universe (%)

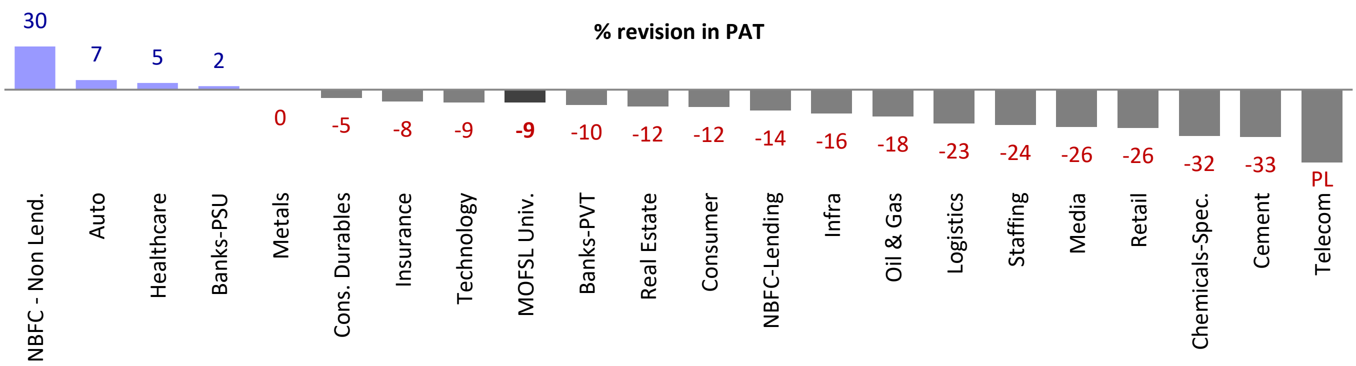


MOFSL Universe saw 9% earnings downgrade for FY25E on a TTM basis

Cement, Chemicals, and Retail witness downgrades

- Over the last one year, earnings revisions for the MOFSL Universe saw a cut of 9%.
- NBFC Non-lending, Autos, Healthcare, and PSU Banks saw upgrades of 30%, 7%, 5%, and 2%, while Cement, Chemicals, Retail, O&G & Consumer witnessed significant earnings downgrades of 33%, 32%, 26%,18% and 12%, respectively.

Exhibit 42: Autos and Healthcare saw major earnings upgrades, while Cement saw downgrades over the last one year



Note: Comparable MOFSL Universe of 233 companies

Exhibit 43: Annual Sales/EBITDA/PAT estimates for the MOFSL Universe

	Sales (INRb)			Growth YoY (%)			EBITDA (INRb)			Growth YoY (%)			PAT (INRb)			Growth YoY (%)		
Sector	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**	**FY25E**	**FY26E**	**FY27E**
Automobiles	12,078	13,536	15,132	6	12	12	1,646	1,886	2,141	5	15	14	927	1,062	1,238	9	15	17
Capital Goods	3,788	4,329	4,968	19	14	15	449	536	621	23	19	16	276	347	415	24	25	20
Cement	2,314	2,676	2,986	2	16	12	333	461	560	-12	39	21	180	260	327	-23	45	26
Chemicals-Specialty	680	773	874	10	14	13	128	160	190	8	26	18	72	95	116	5	31	22
Consumer	3,490	3,847	4,238	6	10	10	846	946	1,049	4	12	11	601	682	761	3	14	12
Consumer Durables	744	860	994	17	16	16	72	91	112	19	26	23	52	65	81	25	26	24
EMS	565	738	912	77	31	24	34	47	63	68	39	32	20	29	41	84	48	41
Financials	11,782	13,484	15,595	12	14	16	6,602	7,598	8,883	15	15	17	4,041	4,702	5,539	13	16	18
Banks-Private	3,771	4,309	5,050	12	14	17	2,853	3,309	3,922	11	16	19	1,823	2,117	2,502	8	16	18
Banks-PSU	3,606	3,988	4,441	6	11	11	2,543	2,818	3,166	17	11	12	1,561	1,729	1,977	21	11	14
Insurance	2,939	3,414	3,957	14	16	16	136	169	205	10	25	21	91	105	128	23	15	22
NBFC-Lending	1,344	1,630	1,980	20	21	21	1,010	1,231	1,504	19	22	22	519	693	863	5	34	24
NBFC-Non Lending	123	143	167	46	16	17	59	71	86	70	20	20	47	57	69	50	21	22
Healthcare	3,489	3,927	4,350	11	13	11	842	974	1,076	20	16	10	527	628	707	23	19	13
Infrastructure	186	216	252	-2	16	17	52	62	73	3	18	18	20	26	32	18	28	21
Logistics	655	769	910	13	17	18	246	291	343	14	19	18	146	181	219	20	24	21
Media	189	207	226	0	9	9	44	51	57	3	17	13	27	33	38	10	24	16
Metals	11,735	13,254	14,307	5	13	8	2,179	2,705	3,021	16	24	12	1,049	1,415	1,648	20	35	16
Oil & Gas	35,370	36,871	38,178	0	4	4	3,653	4,428	4,759	-21	21	7	1,635	2,093	2,288	-33	28	9
Excl. OMCs	19,070	19,799	21,025	1	4	6	3,080	3,689	3,987	-3	20	8	1,452	1,793	1,978	-9	23	10
Real Estate	606	730	761	28	20	4	170	236	240	29	38	2	124	178	178	31	43	0
Retail	2,255	2,678	3,147	20	19	17	253	311	373	19	23	20	105	142	182	22	36	28
Staffing	482	549	625	12	14	14	17	22	25	16	24	18	10	14	16	50	32	20
Technology	7,819	8,533	9,305	6	9	9	1,759	1,999	2,207	7	14	10	1,228	1,388	1,540	10	13	11
Telecom	2,654	2,957	3,305	10	11	12	1,325	1,480	1,681	16	12	14	-4	95	224	Loss	LP	137
Utilities	3,332	3,594	3,819	12	8	6	1,215	1,323	1,441	15	9	9	451	519	549	7	15	6
Others	2,383	2,745	3,166	13	15	15	393	466	587	20	19	26	159	245	340	13	55	39
MOFSL Universe	**106,593**	**117,270**	**128,048**	**6**	**10**	**9**	**22,258**	**26,074**	**29,504**	**5**	**17**	**13**	**11,646**	**14,198**	**16,478**	**4**	**22**	**16**

Source: MOFSL

SECTOR-WISE: Highlights / Surprise / Guidance

AUTOS: Demand moderation drives earnings cuts

- **Rural demand boosts outlook for tractors and 2Ws; PV and CV to remain moderate in 2H:** Auto OEMs reported ~9% YoY volume growth for the quarter, driven entirely by 2W and 3W segments, which grew around 13% and 7% YoY, respectively. PV volumes declined ~2% YoY, with a 9% growth in SUVs offsetting 20% YoY drop in passenger cars. CV volumes declined 11% YoY, while tractor volumes rose moderately by 1% YoY. We are witnessing an uptick in rural demand after several quarters, spurred by a healthy monsoon and an increase in MSP for major crops. Further, the ongoing marriage season in November is expected to help drive momentum for segments such as 2Ws and tractors. Overall, the 2W demand is likely to remain steady for the rest of the fiscal year, with the industry likely to post a high single-digit growth for FY25. Tractor OEMs have already raised their FY25 volume growth guidance to 6-7% (from low single digits previously). For PVs, volume growth is likely to stay muted due to weak entry-level demand and limited SUV growth from a high base last year. After a weak H1, we expect CV demand to pick up in 2H (4% YoY decline) as the government is likely to revive its capex plans in H2.
- **Exports – Weak demand in Europe continues:** 2W export volumes grew ~16% YoY (on a low base). The outlook remains upbeat for regions such as Latin America, while weak for Africa and Bangladesh. However, PV demand challenges persist, particularly in Europe and China. This slowdown is likely to impact not only OEMs such as JLR but also ancillary companies that export to these regions. Additionally, rising freight and energy costs are expected to impact margins going forward.
- **EBITDA miss driven by higher RM, discounts, and rising operational costs:** Total revenue/EBITDA/PAT for our coverage universe grew ~3.8%/-1.5%/5.8% YoY. While revenue and PAT aligned with expectations, EBITDA fell short, largely due to higher discounts, particularly for OEMs. Additionally, increased operational costs, including freight and advertising, further impacted margins, which resulted in an EBITDA margin contraction of ~70bp YoY to 12.8% (vs. an estimated 13.5%). OEMs saw a similar trend, with revenue, EBITDA, and PAT growing ~1.6%, -2.5%, and 6% YoY and EBITDA missing estimates.
- **Expect margins to remain range-bound in the coming quarters:** Commodity prices, excluding rubber, are expected to remain stable in 2H. However, while we expect H2 volumes to be better than 1H, the increase in operating costs, such as freight and energy costs, is likely to offset these gains. Hence, we expect margins to remain at similar levels in 2H across most business segments. On the other hand, tire company margins are expected to face continued pressure in 3Q, and start improving from 4Q onwards as input costs are likely to peak out by then.
- **Several EPS downgrades amid demand moderation:** The quarter witnessed several downgrades in FY25 EPS estimates. Among OEMs, we saw EPS downgrades in MSIL (-6%), AL (-11%), BHFC (-16%), MOTHERSO (-13%), CEAT (-9%), APTY (-16%), MRF (-6%), MSUMI (-11%), TIINDIA (-24%), and CRAFTSMA (-17%), largely due to moderate demand in the underlying segments. Our ratings remain unchanged during the quarter.
- **Valuation and view:** As highlighted above, given the moderation in demand across various segments and an uncertain outlook for exports, majority of our coverage companies (~11/17 in FY25E/26E, respectively, out of 26 companies) witnessed earnings downgrades during the 2QFY25 results. However, post the recent correction in stock prices over the last quarter, we expect the sector to be back on investors' radar. With the PV sector having seen base correction this fiscal, we expect it to witness gradual demand revival from FY26 onwards. Given this, along with the relatively attractive valuations, we continue to prefer PVs over 2Ws. MSIL is our top pick in Autos along with MM and Hyundai.
- **Surprises:** MM, SONACOMS
- **Misses:** APTY, BHFC, CEAT, CRAFTSMA, ESCORTS, MSUMI, MOTHERSO, TTMT, TIINDIA

Note: We have not considered Hyundai financials for comparison as it was not part of our coverage universe during the 2QFY25 preview estimates.

Guidance highlights:

- **MSIL**: The management has given retail growth guidance of 3-4% for FY25. Rural is outperforming the urban market. Its inventory level post the festive season is expected to normalize to approximately one-month level.

The management indicated that during the period from Shradh to the festive end (i.e. from 29th Sep to 12th Nov'23 and from 17th Sep to 31st Oct'24), MSIL is likely to experience 14% YoY growth in retail to 297k units (vs. 260k units in the same period last year).

- **MM: Auto -** The management has reiterated its FY25 volume growth guidance of 15-18% YoY for its UV segment. Despite tepid demand, new launches should help MM outperform. Urban pockets have shown stress, while its rural mix for LCVs/UVs stands at 65%/50%. **Tractors:** MM has increased its growth guidance to 6-7% for FY25, mainly due to positive macroeconomic factors such as higher reservoir levels, growth in the kharif output, and a hike in the MSP of key crops.
- **TTMT: JLR -** Despite tough market conditions, JLR maintained its FY25 guidance for EBIT margin at 8.5% and reduced its FCF to GBP1.3b from GBP1.8b. **CV -** With the festive demand and increased infra spending, CV demand is expected to revive in 2H. Passenger bus is expected to experience further growth in 2H. **PV -** Channel inventory now stands at below 30 days. It expects lower industry wholesales in the next few months as OEMs focus on streamlining inventory to adequate levels ahead.
- **AL:** An upturn is expected in demand with favorable government spending and possible rate cuts. Replacement demand and MHCV volumes have shown a decline due to uneven weather and rainfall and slow GOI spending. Management remained upbeat on MHCV demand, aiming at 35% market share. Fleet age is at its peak currently at 10-11 years (vs. average 7-8 years). This, coupled with a high fleet utilization level, instills confidence in recovery in replacement starting this month.
- **BJAUT: Domestic 2W -** The management is hopeful of a demand recovery in Diwali and expects the overall festive season to end with 3-5% YoY growth. The management expects the 2W industry to clock 5% growth in FY25. **Exports 2W -** 2Q was better than 1Q and 3Q is expected to improve further with over 10% growth. On account of a richer mix and favorable USD exchange rates, export revenue growth is likely to be better than volume growth going forward.
- **HMCL**: It has witnessed good recovery in both the entry and 125cc segments for the last couple of quarters. Moreover, rural growth is ahead of urban growth. The management has indicated that its retail market share was ahead of the wholesale market share in 2Ws in 1Q.
- **TVSL:** Domestic 2W industry has grown 11% YoY during Navratras (4% YoY growth seen to date in 3QFY25), with TVSL outperforming the industry. Overall, the industry is expected to see 7-8% YoY growth in 3QFY25. **Exports -** The ongoing Red Sea crisis continued to hurt the export transit time and timely availability of containers. However, TVSL has seen a pick-up in retail, which is higher than the industry.
- **EIM**: **Domestic -** After strong growth of 26% YoY during the festival season (vs. industry growth of 6-7% YoY), RE is now witnessing better demand compared to the pre-festive period. This can be attributed to its new launches, the high availability of all the models, and increased promotional activities to drive consumer interest. **VECV -** 2HFY25 CV demand is expected to witness a revival, according to the management. 1HFY25 remained subdued due to elections, delays in tenders, and monsoons.
- **MOTHERSO**: The demand has grown 4-5% YoY despite a decline in the global light vehicle market due to premiumization and EV penetration. Booked business stands at USD87.7b, this would be executed over the next 5-6 years. Almost 24% of this comes from EVs.
- **BHFC: Domestic CV -** It expects to see a visible pickup in demand in another 1-2 quarters as elections are now behind us and the government should resume its capex. **Defense business -** With order wins of INR6.4b in 2Q (1HFY25=INR14b), the executable order book as of Sep'24 stood at INR59b, with a mix of artillery guns, vehicles, and consumables. Given this order book, the management expects to post 50%+ growth in the defense business in FY25 and expects the same to continue next year as well.
- **BIL:** The management has guided for minor volume growth YoY in FY25 due to persistent recessionary pressure in the US, elevated sea freight, and geopolitical challenges. EBITDA margin guidance for the full year is ~25%. **Increased capex guidance -** The company has increased its capex guidance to INR8-10b for FY25 vs. INR6-7b earlier.

Exhibit 44: Key operating indicators

	Volumes ('000 units)					EBITDA Margins (%)					Adj PAT (INR M)				
	2QFY25	2QFY24	YoY %	1QFY25	QoQ %	2QFY25	2QFY24	YoY bp	1QFY25	QoQ bp	2QFY25	2QFY24	YoY %	1QFY25	QoQ %
Bajaj Auto	1,222	1,054	15.9	1,102	10.8	20.2	19.8	40	20.2	0	22,160	18,361	20.7	19,884	11.4
Hero MotoCorp	1,520	1,417	7.3	1,535	-1.0	14.5	14.1	40	14.4	10	12,035	10,538	14.2	11,226	7.2
TVS Motor	1,228	1,074	14.3	1,087	13.0	11.7	11.0	70	11.5	20	6,626	5,366	23.5	5,773	14.8
Maruti Suzuki	542	552	-1.9	522	3.8	11.9	12.9	-100	12.7	-80	39,068	37,165	5.1	36,499	7.0
M&M	324	303	7.1	333	-2.6	14.3	12.8	150	14.9	-50	38,409	33,931	13.2	26,126	47.0
TTMT India CV**	86	107	-19.5	94	-8.2	10.7	10.4	30	11.6	-90	13,140	15,270	-13.9	15,350	-14.4
TTMT India PV**	131	139	-6.1	139	-6.0	6.2	6.4	-20	5.8	40	2,290	2,980	-23.2	1,730	32.4
TTMT (JLR)	97	109	-10.9	110	-12.0	11.7	14.9	-320	15.8	-410	283	272	4.0	496	-43.0
Ashok Leyland	46	50	-8.5	44	3.9	11.6	11.2	40	10.6	100	6,933	5,768	20.2	5,256	31.9
Eicher(Consol)						26.3	27.9	-160	27.9	-160	11,003	10,163	8.3	11,015	-0.1
Eicher - RE	228	229	-0.6	226	0.8	26.3	27.9	-160	27.9	-160	10,099	9,385	7.6	10,880	-7.2
Eicher - VECV	21	20	6.3	20	5.4	7.1	7.8	-70	7.6	-50	2,090	1,870	11.8	2,330	-10.3
Aggregate **	**5,443**	**5,042**	**7.9**	**5,179**	**5.1**	**13.1**	**12.8**	**40**	**13.4**	**-30**	**1,36,235**	**1,38,718**	**-1.8**	**1,15,780**	**17.7**

We have not captured Hyundai in the sheet as it was not the part of preview ** PBT instead of PAT; JLR in GBP m; Source: MOFSL, Company

Exhibit 45: Aggregate EBITDA margin contracted 30bp QoQ to 13.1% mainly due to higher operational costs, discounts

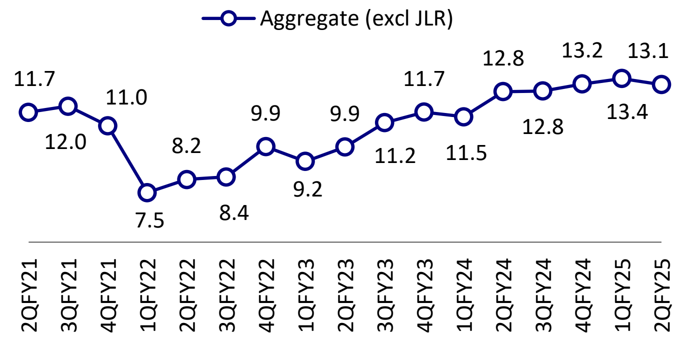
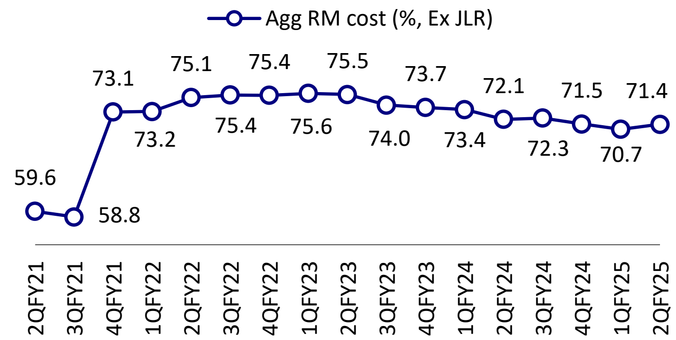


Exhibit 46: Gross margins contracted 70bp QoQ, led by higher discounts and rising RM



Revised EPS Estimates (INR)

	FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
BJAUT	302.1	302.0	0.0	387.9	387.9	0.0
HMCL	227.4	230.3	-1.3	249.1	280.1	-11.0
TVSL	53.6	52.5	2.2	67.9	67.9	0.0
EIM *	158.8	161.1	-1.5	171.3	175.7	-2.5
MSIL *	444.6	475.1	-6.4	500.6	550.4	-9.0
MM	99.7	103.0	-3.1	116.2	122.7	-5.3
TTMT *	63.7	57.1	11.6	63.0	69.5	-9.4
Hyundai*	68.3	68.7	-0.5	77.3	79.8	-3.2
AL	9.7	10.9	-10.8	12.1	13.2	-8.3
ESCORTS	102.0	99.9	2.0	113.8	127.4	-10.7
ARE&M	53.8	54.5	-1.4	61.3	61.7	-0.7
EXID	13.5	13.7	-1.4	16.0	16.8	-4.5
BOSCH	732	732	0.0	877	877.2	0.0
ENDU	60.2	61.9	-2.8	75.4	74.3	1.5
CIEINDIA	22.0	21.7	1.4	25.5	26.8	-4.9
BHFC	28.0	33.4	-16.2	39.5	44.3	-10.9
MOTHERSO *	5.5	6.3	-13.1	7.3	8.4	-13.5
SONACOMS	10.7	10.2	4.3	13.5	13.2	2.5
CEAT	131.9	145.0	-9.0	176.3	193.4	-8.9
APTY *	21.3	25.4	-16.1	29.0	33.2	-12.6
BIL	85.0	82.0	3.7	110.6	108.8	1.7
MRF	4,472.1	4,745.7	-5.8	5,093.3	5,546.8	-8.2
MSUMI	1.4	1.6	-11.1	1.9	2.1	-9.8
TIINDIA	46.0	60.6	-24.1	64.2	74.4	-13.7
CRAFTSMA	120.1	144.4	-16.8	193.3	223.1	-13.3
HAPPYFORG	30.2	30.5	-1.0	40.8	42.7	-4.5

* Consolidated; Source: MOFSL, Company

CAPITAL GOODS: Ordering and execution beat expectations

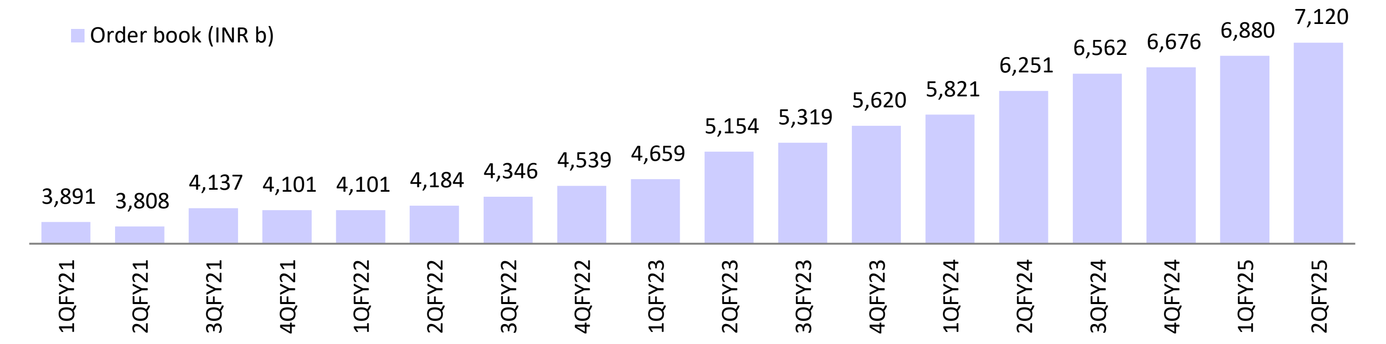
- **Ordering above expectations:** Order inflow growth was healthier than expected, despite a seasonally weak quarter. While domestic ordering has been slow for LT and TRIV, we believe this will see an uptick in 2HFY25, with government capex poised for a pickup and improvement in private sector ordering from select pockets, as large sectors such as cement, steel, petrochemicals, etc. are yet to witness a meaningful traction. Sectors such as power T&D, renewable energy, data centers, real estate, defense, etc. continue to drive momentum.
- **Execution growth exceeds estimates:** Overall execution of our coverage universe (excluding Siemens) grew by 19% YoY (vs. our estimates of 12%) on the back of healthy opening order books, with both EPC and product companies clocking 19% growth. Accordingly, LT, KKC, TRIV, and ZEN saw healthy revenue growth, while ABB was noticeably weaker as its order book mix had a higher share of long-gestation projects.
- **Margin trajectory stable:** With relatively benign commodity prices, margins remained stable for EPC players, which are witnessing a sequential improvement, with 2HFY25 poised to see a healthy expansion. Product companies continue to benefit from a shorter execution cycle, robust demand, tech-led offerings and a healthy pricing environment. Notable examples include ABB, BHE, KKC, KOEL, TRIV, and TMX, which reported healthy margin expansion in 2QFY25.
- **Exports improve sequentially:** While LT, TRIV, and TMX reported a good uptick in international ordering, KKC saw a 13% YoY decline in export revenue owing to continued weakness in key markets amid high inflation, geopolitical tensions, etc. However, there was 13% QoQ growth, marking the third straight quarter of sequential improvement. Going ahead, sustainability of the same would be a key monitorable.
- **Top picks:** With the recent correction in stock prices, we remain positive on LT, ABB and KKC.
- **Surprises:** LT, KKC, TRIV, ZEN, TMX, BHE
- **Misses:** KECI, POWERIND, ABB, KPIL

Guidance highlights:

Most managements remained optimistic about a robust order pipeline, which is expected to materialize from 2HFY25, with a healthy pickup seen in domestic ordering.

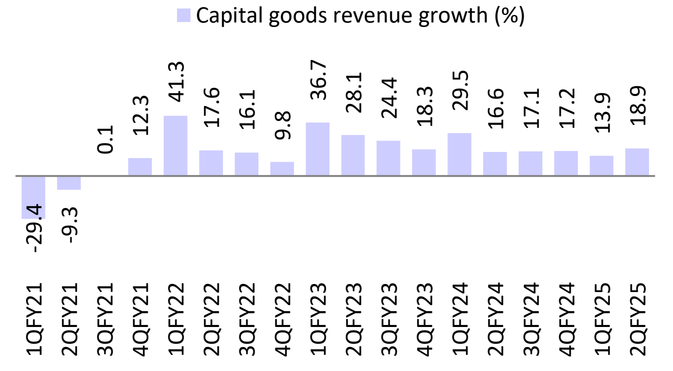
- **LT:** Maintained FY25 revenue and order inflow guidance at 15% and 10% respectively, with core margin guidance of 8.25%. Remainder of FY25 has an order pipeline of ~INR9t.
- **BHE:** Retained FY25 revenue growth guidance of 15%, margin guidance of 23-25% and order inflow guidance of INR250b (excluding QRSAM).
- **KKC**: Reiterated double-digit revenue growth guidance for FY25 at 2x the GDP growth rate.
- **KOEL**: Maintained its aim of "2B2B" – to achieve USD2b size in the next five years; margins to be in double digits.
- **KECI:** Retained FY25 order inflow guidance at ~INR250b, revenue growth of 15%, and margin guidance of 7.5%. It expects double-digit margin performance in FY26.
- **KPIL:** Reiterated FY25 guidance of 20% revenue growth, PBT margin at 4.5-5%, NWC below 100 days and capex at ~INR5b. Order inflow guidance is INR220-230b.
- **TRIV:** Domestic ordering expected to pick up 2HFY25 onward, while export opportunities continue to be robust.
- **ZEN:** Guidance maintained for FY25 with revenue/EBITDA margin/PAT margin to be INR9b/35%/25%.

Exhibit 47: Aggregate order book seeing a steady build-up (INR b)



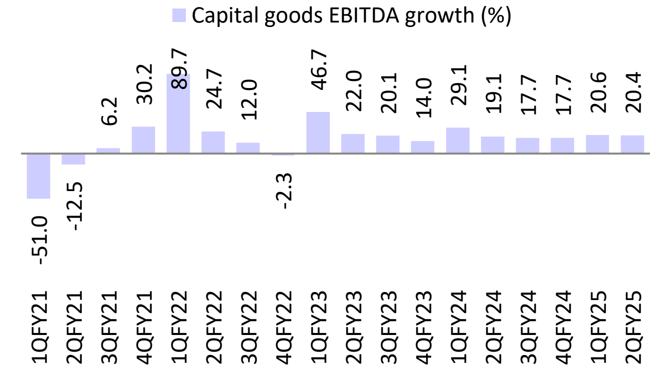
Source: Company, MOFSL

Exhibit 48: Aggregate revenue growth (%)



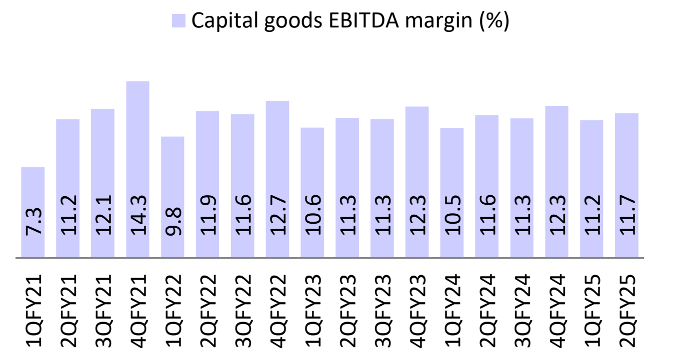
Source: Company, MOFSL

Exhibit 49: Aggregate EBITDA growth (%)



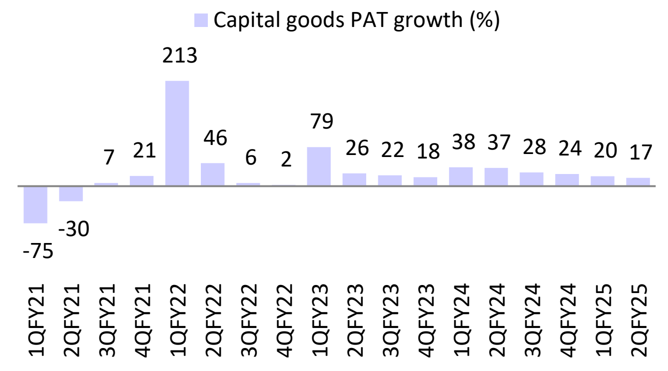
Source: Company, MOFSL

Exhibit 50: Aggregate EBITDA margin (%)



Source: Company, MOFSL

Exhibit 51: Aggregate PAT growth (%)



Source: Company, MOFSL

CEMENT: Muted volume growth and price drop dent margins

- **Muted volume growth and weak realization on expected line:** Cement demand in 2QFY25 was hit by intense monsoons across the country and lower government spending. Aggregate sales volume of our coverage universe grew ~2% YoY (in line). Conversely, cement realization declined ~8% YoY (down 3% QoQ; in line). ACEM reported the highest volume growth of ~9% YoY, followed by DALBHARA and UTCEM at ~8% and 4%, respectively. In contrast, the rest of the players under our coverage universe posted a volume decline in the range of 3-9% YoY. Muted volume growth and weak realization led to ~6% YoY decline in aggregate revenue (ex-GRASIM; in line). GRASIM's standalone revenue rose 18% YoY in 2QFY25, aided by an incremental revenue from its new growth businesses (Birla Opus and Birla Pivot). GRASIM's VSF/chemical segment's revenue was up 6%/3% YoY (in line).
- **Gross margin for our cement coverage dipped 50bp YoY to ~57%,** as the impact of weak realizations was partly offset by lower variable costs (average variable cost/t declined 7% YoY). Total opex/t declined 4% YoY (in line). **Aggregate EBITDA for coverage companies declined 29% YoY (including GRASIM, which registered an EBITDA decline of 45% YoY), and OPM dipped 3.7pp YoY to 12.5% (in line with our estimate)**. The EBITDA of JKLC declined 59% YoY, while that of BCORP/JKCE/SRCM declined 32-39%. The EBITDA of ACC/DALBHARA/TRCL/UTCEM declined 21%-26% YoY, while EBITDA of ACEM declined 15% YoY. ICEM reported an operating loss of INR1.6b vs. EBITDA of INR81m in 2QFY24. **Avg. EBITDA/t declined 29% YoY to INR657 (vs. estimated INR674).**
- **PAT declines 47% YoY (ex-Grasim, PAT down ~58%):** Aggregate interest/depreciation expenses for our coverage universe grew 15%/26% YoY, and other income increased 30% YoY. **Aggregate profit declined 58% YoY to INR12.7b for cement companies (profit down 47% YoY to INR20.3b, including GRASIM, as it reported PAT decline of 5% YoY to INR7.6b in 2QFY25, aided by higher other income)**. Profits declined 75%-81% YoY for JKCE/SRCM/TRCL, 54% for DALBHARA and 33%-39% for ACC/ACEM/UTCEM. BCROP/JKLC/ICEM reported net losses during the quarter.

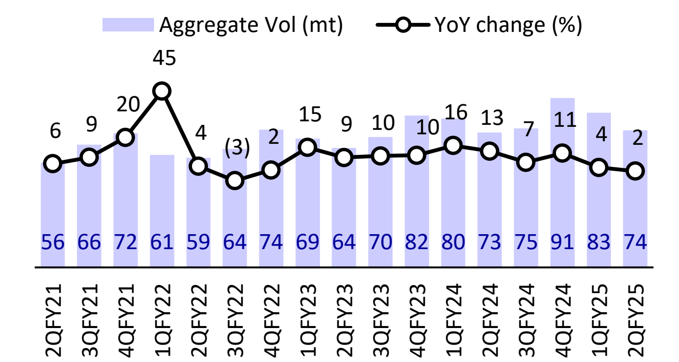
- **Several earnings downgrades due to lower volume guidance and pricing pressure:** We cut our aggregate EBITDA estimates by ~7% for FY25, but there were no rating downgrades. For FY25, we cut our EBITDA estimates by ~15% for JKLC, ~12% for GRASIM, 8%-9% for ACC/BCORP/JKCE/UTCEM and ~5% for SRCM and DALBHARA (each). In contrast, we broadly maintained our FY25 EBITDA estimates for ACEM and TRCL.
- **Top picks:** We remain positive on UTCEM, ACEM, and JKCE within our coverage universe.
- **Surprises:** ACEM and TRCL
- **Misses:** UTCEM, JKCE, JKLC, and ICEM

Guidance highlights:

Most of the management teams guided an industry demand growth of ~6-7% YoY in FY25E, with demand growth of ~8-9% YoY in 2HFY25. Pent-up demand, pick-up in construction activities, and infrastructure projects post-festive period should lead to demand recovery going forward. Cement prices are marginally up and steady (until Oct'24) as compared to 2QFY25 average. Consolidation is intensifying in the industry and this should benefit in the longer term.

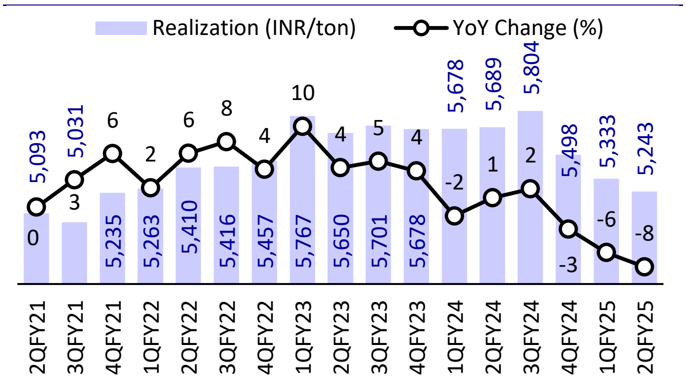
- **UTCEM**: Guided a double-digit volume growth in 2HFY25 and anticipates outperforming the industry's volume growth. Its high-cost fuel contracts are nearing the end and will have a slight impact in 3QFY25. It commissioned 9mtpa grinding capacity in 1HFY25 and will commission another ~8mtpa in 2HFY25.
- **ACEM**: Estimate cement demand to grow ~4-5% in FY25 (implies ~7-8% growth in 2HFY25). It will commission 4.0mtpa clinker and 6.4mtpa grinding capacity in 2HFY25. Further, it aims to increase its market share from ~15% currently to ~20% by FY28E.
- **SRCM:** Guided volume growth to be in line with the industry in 2HFY25. It is following a strategy of value over volume and focusing on increasing premium cement share, which helps it to restrict the drop in realization. It reiterated its capacity target of +80mtpa by FY28 vs. 56.4mtpa currently.
- **DALBHARA**: It estimates demand growth at ~6% YoY in FY25 (vs. previous estimate of ~8%). Further, better demand is likely to lead to price improvements; though competitive intensity needs to be monitored. Reiterated the company's volume at 1.5x of the industry growth.
- **JKCE:** It trimmed its gray cement volume guidance to ~6-7% YoY (vs. earlier estimate of ~10%). The capacity expansion plan of 6mtpa is on track and expected to be commissioned in 2HFY26. Further, the company aims to realize cost savings of up to INR60/t in FY25E out of its cost-saving target of INR150-200/t in the next two years.
- **JKLC**: Expects industry volume growth at ~4-5% in FY25 and believes the company's growth will align with the industry in 2HFY25. It maintained its market share in its core markets. Its capacity expansion plans remain intact, but the expected timelines of commissioning have been extended by six months.
- **BCORP:** It is cautiously optimistic about demand recovery in the near term and expects it to be delayed until end-Nov'24. It aims to scale up the capacity utilization at its central India plant to ~100% and Mukutban plant to ~60%. Management estimates an EBITDA/t improvement of up to INR150-170/t in 2HFY25.

Exhibit 52: Sales volume grew ~2% YoY in 2QFY25



Source: Company, MOFSL

Exhibit 53: Blended realization was down 8% YoY in 2QFY25



Source: Company, MOFSL

Exhibit 54: Aggregate EBITDA declined 27% YoY in 2QFY25

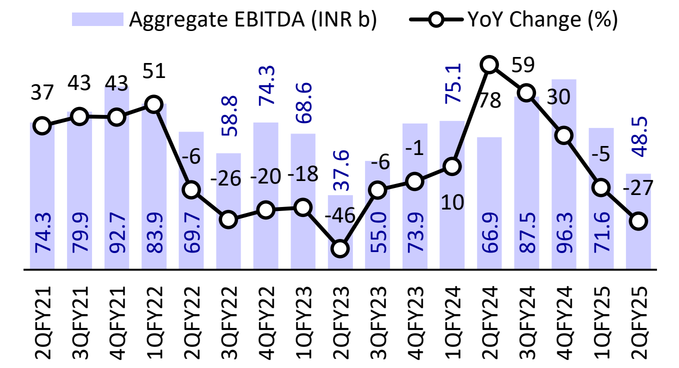
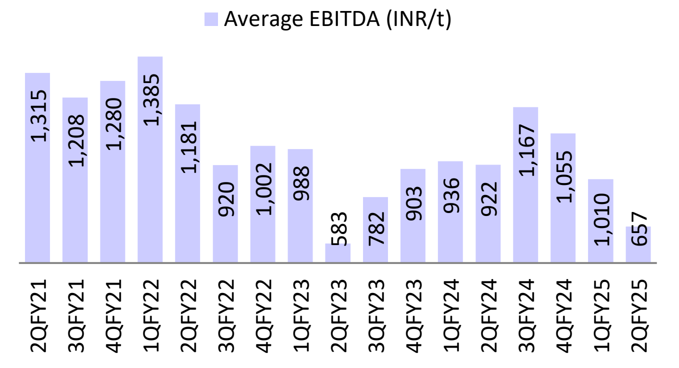


Exhibit 55: Average EBITDA/t was down 29% YoY in 2QFY25



Source: Company, MOFSL; Note: *EBITDA excluding Grasim

Source: Company, MOFSL

CHEMICALS: Margins still under pressure; 2HFY25 could be better than 1HFY25

- **Overall performance:** Revenue was in line with our estimates (FINEORG beats our estimates, while NOCIL missed our estimates). EBITDA was in line with our estimates too (DN, FINEORG, NFIL beat our estimates, while CLEAN, GALSURF, NOCIL, SRF missed our estimates). Adj. PAT was in line with our expectation (CLEAN, GALSURF, SRF, TTCH missed our estimates, while the rest were above our estimates). Aggregate revenue was up 8% YoY at INR168.2b, EBITDA was flat YoY at INR30.6b, and adj. PAT declined 4% YoY to INR17.6b.
- Aggregate gross margin for our coverage universe declined 40bp YoY in 2QFY25 (vs. 200bp fall YoY in 1QFY25). CLEAN, DN, FINEORG, and SRF saw gross margin decline YoY. Aggregate EBITDA margin dipped 160bp YoY. AACL, ATLP, FINEORG, PI, and VO posted YoY expansion in EBITDAM, while there was a YoY contraction for the rest of the companies in our coverage universe.
- **Ratings and earnings revisions:** There was no rating change for our coverage universe after 2QFY25 earnings. However, we have lowered our estimates for AACL, DN, NOCIL, PI, SRF, VO. There were no upgrade in estimates.
- **Top picks: ATLP –** Improving demand, capacity expansions, project ramp-ups, and efficiency initiatives should drive growth in 2HFY25, with a ramp-up in key projects, including a 50ktpa epoxy plant, and Anaven's utilization. **PI –** Medium- to long-term growth will be driven by CSM momentum, product launches in FY25, and pharma segment ramp-up, despite near-term global challenges. **VO –** Growth is supported by new capacities in FY25, AO ramp-up (INR1.3b revenue in FY24), and VAPL amalgamation, despite Chinese competition.
- **Surprises:** DN, FINEORG, NFIL
- **Misses:** CLEAN, GALSURF, NOCIL, SRF

Guidance highlights:

- **AACL:** The company expects 10% volume growth in FY25. ADD on ACN could be imposed in 4-5 months. MIPA challenges persist due to Chinese imports. 2HFY25 will focus on volumes with margin improvement, while Ethylamines offers significant growth potential.
- **CLEAN:** The business environment remains encouraging, given the launch of a pharma intermediate product in 3QFY25, the commissioning of a performance chemicals product by Jul'25, the commercialization of a water treatment product by Dec'25, and a focus on volume growth in 3QFY25.
- **DN:** DN: 3Q performance would be mixed, but 4QFY25 should be strong in the existing business. Newer projects ramp up is expected by 2HFY26, potentially adding 2-4% EBITDAM in the standalone business. Key projects include nitric acid commissioning in 2HFY25, Photochlorination by 4QFY25, MIBK/MIBC and Acetophenone by 1QFY26, and an R&D center by 2HFY25, with a capex plan of INR70b by FY27 and a focus on India's growing PC demand.
- **FINEORG:** Higher input costs in 2Q, including increased vegetable oil prices and freight, impacted efficiency, but demand remained stable, with all plants operating at optimal capacity, except Patalganga-II, which has room for ramp-up.
- **GALSURF**: Supply challenges persist in AMET, with 4-5% volume growth guidance for 2HFY25 (up from mid-Oct'24). RoW saw mid-20% volume growth in 1HFY25 and should sustain momentum in 2HFY25, with mid-teens volume growth guidance for FY25. There is no risk to EBITDA/kg guidance unless geopolitical issues escalate.

- **NFIL:** R32 capacity expansion (INR840m) will be commissioned by Feb'25, AHF project (INR4.5b) by FY25/FY26, and two new molecules in 3QFY25; Surat project (INR300m) to start commercial supply in Nov'24. Spec Chem revenue in 2HFY25 is expected to grow, with cGMP4 Phase I (INR1.6b) on track for 3QFY26 and a strong 2HFY25 order book.
- **PI:** The company revised its FY25 revenue growth guidance to high single digits, expecting strong domestic branded growth and high single-digit export growth in 2HFY25, while near-term demand is impacted by inventory issues and pricing pressures. Pharma revenue is targeted at INR2.5-2.7b, with volume growth expected in 2H, and capex for FY25 is projected at INR1-1.25b, with a reduction in the following year.
- **SRF:** The company expects margin recovery by 4Q, supported by strong volumes in domestic and Middle Eastern markets, despite pressure in HFC and Chloromethane pricing. Chemicals business recovery is expected in 2HFY25, with stronger volumes and accelerated offtake in 3Q, peaking in 4Q.
- **TTCH:** TTCH expects steady operations in 2HFY25 after a volatile 1HFY25, with a strong demand outlook in India and the US. It plans debt repayments in FY26/FY27. The company is adding 400ktpa of soda ash capacity, with clearances expected by Mar'25, and aims to complete the plant within 30-36 months.

Exhibit 56: Revenue for our coverage universe

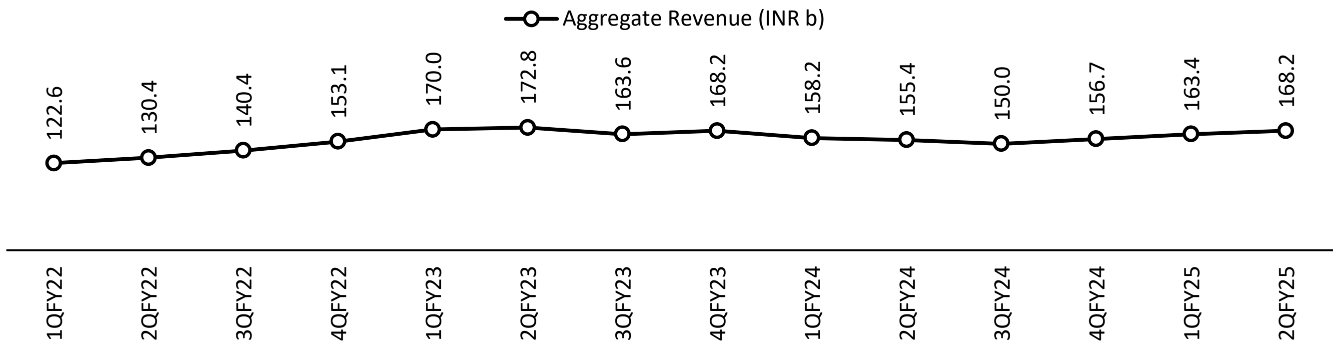


Exhibit 57: Gross margin for our coverage universe

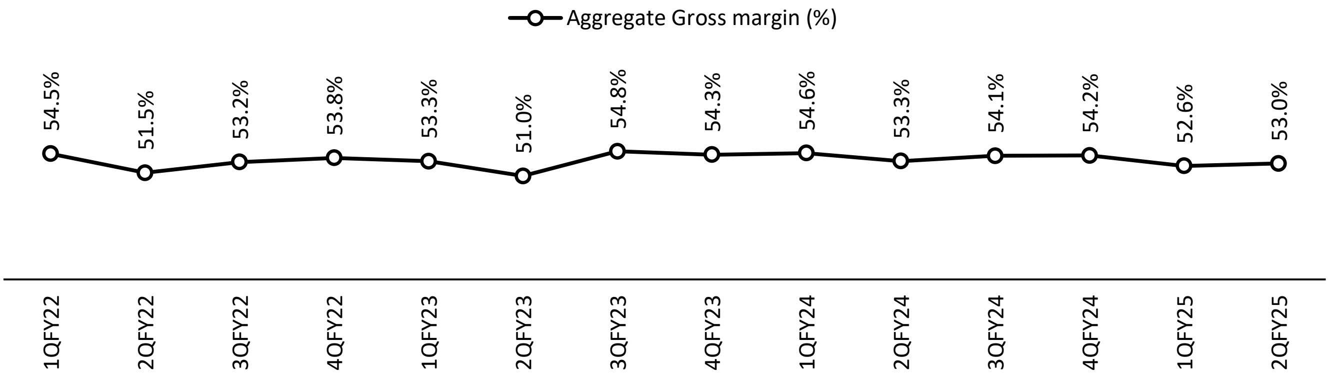


Exhibit 58: EBITDAM for our coverage universe

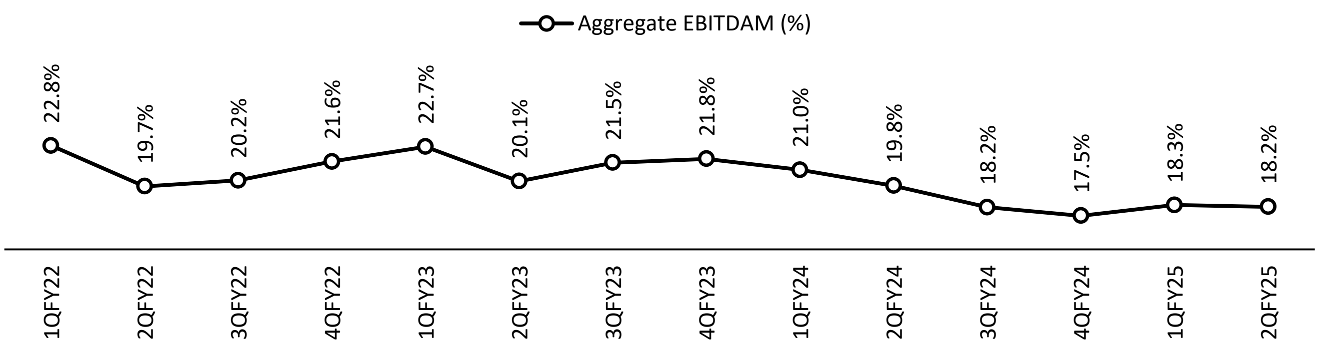


Exhibit 59: EBIT margin for our coverage universe

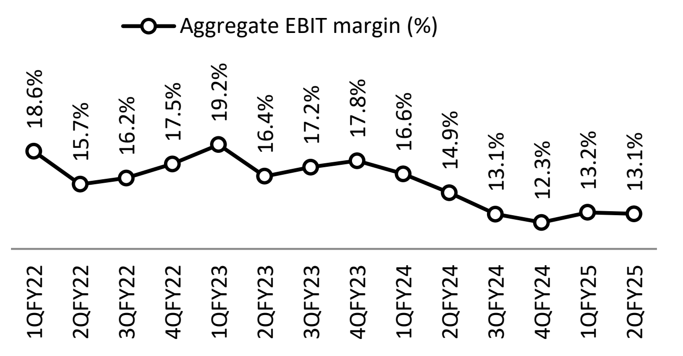
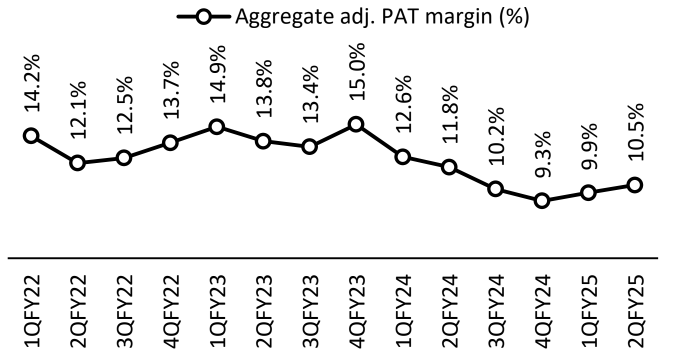


Exhibit 60: PAT margin for our coverage universe



CONSUMER - FMCG: Urban slowdown a disappointment; expect better print in 2HFY25

- **Demand challenges in 2Q; expect revenue trend to improve in 2HFY25**: Our coverage universe reported a 6.5% YoY revenue growth (vs. est. 5.5%). Excluding ITC, our consumer sector grew at a modest rate of 3.6% YoY (est 5.5%). The demand environment was challenging due to adverse weather conditions, including floods and heavy rains in certain areas, coupled with persistent inflation that impacted urban demand. Volume growth across most companies was discouraging after seeing a slight pickup in 1QFY25 (see Exhibit 1). Many companies witnessed rural markets outpacing urban markets, a trend also reflected in Nielsen data, which shows rural growth at 6.7% compared to 5% in urban areas. Commodity prices have shown a YoY inflation, prompting several companies to consider potential price hikes going forward. The volume trend is expected to see stability with a gradual upward trend. Companies are also implementing price hikes, thereby, the price cut led pressure on revenue growth is behind. The rapid growth of e-commerce and quick commerce channels is putting pressure on General Trade (GT) growth across the industry. It will be interesting to see how companies use this trend in their favor. In our coverage universe, six companies reported double-digit revenue growth, while four saw revenue contraction. Revenue growth was largely in line with our estimates for 15 out of 19 companies under our coverage. Asian Paints, Jyothy Labs, and PG missed our revenue estimates, while ITC exceeded expectations.
- **Gross margin weak; A&P spend control helps EBITDA margin:** Gross margins for most companies were weak due to rising inflation, while some companies saw margin expansion (see Exhibit 3). A few companies controlled their A&P spending to reduce the pressure of gross margin and operating deleverage. However, most companies saw weakness in EBITDA growth. A price hike is anticipated in 2HFY25 to offset the rising raw material prices. Our coverage universe reported a modest 1% YoY (est. 3%) EBITDA growth in 2QFY25. Excluding ITC, EBITDA decline marginally by 0.4%, (est. 2.9%) in 2QFY25.
- **PBT and PAT below expectations:** For 12 of the 19 coverage companies, PBT was either ahead of or in line with our estimates, with a better-than-expected performance by PAGE and UBBL. Conversely, there were notable misses by APNT, BRIT, CLGT, JYL, NESTLE, PG, and TATACONSUMER. Aggregate PBT declined 1% YoY (est. +3%). Aggregate PAT was flat YoY (est. +4%).
- **Outperformer (2Q):** PAGE, UBBL, MRCO
- **Underperformer (2Q):** APNT, CLGT, BRIT, NESTLE, DABUR, and TATACONSUMER
- **Near-term outlook:** Rural demand has consistently been seeing an improving trend, with factors such as favorable monsoons, we expect rural demand to maintain an upward trend. Weakness in urban demand and higher inventory in GT impacted urban revenue in 2Q. We remain watchful on whether this is a temporary trend or a shift that could impact the trajectory over the long term. Companies are leaning on traditional strategies of enhancing distribution, launching new products, and offering consumer incentives to regain momentum. Additionally, price hikes are anticipated in 2HFY25 to counter the recent raw material inflation. Gross margin is likely to witness gradual recovery and a more meaningful improvement in 4Q. Urban pickup, pricing activities, channel strategy, and RM prices are the key monitorables.
- **Top picks – HUVR, GCPL and DABUR:** HUVR fits among the best play for consumption recovery, particularly as demand is expected to improve for low-mid income HHs. HUVR with its wide product basket (presence across price points), can leverage the opportunity. Rural is still more GT driven market, where competitive pressure is limited and known (unlike D2C, quick commerce etc in urban), which HUVR can navigate well to drive it's volume growth. Price cuts impacting value growth was behind in 1HFY25. Volume with price hikes both can drive

revenue growth from 2HFY25 onwards. **GCPL** is consistently working to expand the total addressable market for its Indian business through product innovations to drive frequency. Besides, there has been a consistent effort to address the gaps in profitability and growth in its international business. We see margin headroom from the RCCL and Indonesia businesses. The valuation is expensive, but earnings are expected to outperform peers. **DABUR:** Recovery in rural markets should support its portfolio as it is heavily skewed toward rural areas. In the domestic business, we expect healthcare, oral care, and food businesses to grow faster than others. The distribution drive will further contribute to rural growth. EBITDA margin has remained in the range of 19-20% for the past several years. The margin is expected to improve in the coming years due to a better mix of products (such as higher healthcare offerings) and increased pricing in high market-share brands.

Guidance highlights: Consumption trends remain weak, with CPI inflation rising and demand slowing down in urban markets. Many companies are planning price hikes across categories to support margin expansion.

- **APNT:** The management expects EBITDA margin to remain at ~18.5% for FY25. The company implemented a 1.2% price hike in **the** quarter, but full realization is expected in Q3. The company has experienced intense competitive activity with higher discounting levels.
- **BRIT:** The company has plans to implement a price hike of 4-5% over the next two quarters, targeting specific SKUs where prices have not been adjusted recently. Price hikes are expected to expand margins. Rural growth was at a high single-digit and is growing 2x more than urban growth. Metro areas contribute ~30% to the total FMCG business.
- **DABUR:** The management expects mid to high single-digit revenue growth and flattish margin expansion in 2HFY25. Distributor ROI has been improved with a reduction in inventory days from 30 days to 21 days after inventory correction. The company plans to bring it to 19 days by Dec'24.
- **HMN:** The company aims to achieve high single-digit revenue growth and double-digit EBITDA growth in FY25. With a favorable winter forecast, the company expects strong performance from its winter portfolio in 3Q. It continues to invest in brand-building efforts. Although brand investment declined in 2Q, it increased by 8% in 1HFY25 and is expected to grow further in 2HFY25.
- **HUVR:** The company will focus on volume-led growth to drive competition and maintain EBITDA margin at the current level. It will announce a price hike in a low single digit if commodity prices remain at the current level. The effective tax rate is marginally above 26% for FY25.
- **GCPL:** The company expects to maintain a volume growth of 6%-8% and significant price growth in the second half, potentially bordering on double digits. It expects 3-4% annual pricing growth in the household insecticide segment in a steady state. RCCL's EBITDA target set by the company is between INR 1.4b and INR 1.5b but is expected to fall slightly short of this target. The effective tax rate is projected to increase by 100bp to 30% this year but is anticipated to decrease next year with the new tax regime.
- **MRCO:** The company expects consolidated revenue growth in double digits in 2HFY25. It will implement further price hikes to manage input cost pressures in 2HFY25. The company remains focused on driving volume and revenue growth but may experience an EBITDA margin contraction of up to 40-50 bp in FY25 due to rising raw material prices.
- **PIDI:** The management has upheld its guidance for double-digit underlying volume growth for FY25. The company deferred advertising and promotional spending to 2HFY25. Consequently, margins are expected to moderate in 2HFY25. EBITDA margin is expected to be 20-24% in the medium term. It targets growth at 1-2x GDP in its core categories and 2-4x GDP in its high-growth categories.
- **UBBL:** Premium volume remained strong, with a 27% surge, particularly driven by Kingfisher Ultra, Ultramax, and Heineken. The company reported minimal impact from slower urban demand during the quarter. It is fast-tracking plans to set up local production in West Bengal to boost its premium segment. Moreover, it is prioritizing its efforts to strengthen the portfolio over the next 1-2 years with incremental margin expansions.
- **VBL:** The company expects to deliver healthy double-digit volume growth in CY24. It is adding ~300-400k outlets every year. Out of total ~12m outlets, the company has currently reached just 4m outlets. It is launching Nimbu masala soda and expects to launch a Jeera-related beverage by early next year. The VBL rPET plant is progressing as per schedule and will be operational by next year.

Exhibit 61: Quarterly volume growth

Volume growth (%)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Asian Paints	37.0	10.0	0.0	16.0	10.0	6.0	12.0	10.0	7.0	-0.5
Britannia	-2.0	5.0	3.0	3.0	0.0	0.0	5.5	6.0	8.0	8.0
Colgate	-2.5	-2.5	-4.5	0.5	3.0	-1.0	-1.0	1.0	7.0	8.0
Dabur	5.0	1.0	-3.0	1.0	3.0	3.0	4.0	3.0	5.2	-7.0
Emami	9.6	-1.0	-3.9	2.0	3.0	2.0	-1.0	6.4	8.7	1.7
Godrej Consumer	-6.0	-5.0	3.0	13.0	10.0	4.0	5.0	9.0	8.0	7.0
HUL	6.0	4.0	5.0	4.0	3.0	2.0	2.0	2.0	4.0	3.0
ITC	26.0	20.0	15.0	11.5	8.0	5.0	-1.0	2.0	3.0	3.5
Marico	-5.0	3.0	4.0	5.0	3.0	3.0	2.0	3.0	4.0	3.0
Nestle	7.0	8.8	-2.3	5.1	5.4	5.4	4.0	4.0	4.0	5.0
Page Industries	150.0	1.0	-11.0	-15.0	-11.5	-8.8	4.6	6.1	2.6	6.7
UBBL	121.0	23.0	4.0	3.1	-12.4	7.0	8.0	10.9	5.0	5.0
United spirits	17.9	8.3	-25.0	-27.3	5.8	1.0	-1.8	3.7	3.5	-4.4

Exhibit 62: Revenue/EBITDA/PAT growth for 2QFY25

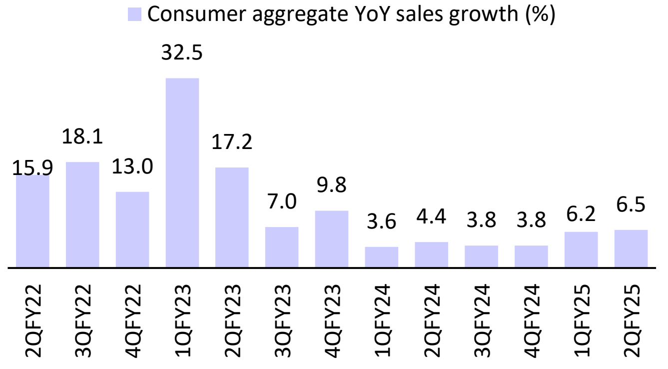
Company Name	Revenue	2QFY25 YoY %	EBITDA	2QFY25 YoY %	PAT	2QFY25 YoY %
Asian Paints	80,275	-5.0	12,395	-28.0	8,738	-29.0
Britannia	46,676	5.0	7,834	-10.0	5,317	-9.0
Colgate	16,191	10.0	4,974	3.0	3,555	5.0
Dabur	30,286	-5.0	5,526	-16.0	4,333	-17.0
Emami	8,906	3.0	2,505	7.0	2,333	19.0
Godrej Consumer	36,663	2.0	7,617	5.0	4,953	12.0
HUL	1,59,260	2.0	37,930	0.0	26,027	-2.0
Indigo Paints	2,995	7.0	415	-1.0	226	-11.0
ITC	2,07,359	17.0	67,618	5.0	49,937	2.0
Jyothy	7,338	0.0	1,385	2.0	1050	1.0
Marico	26,640	8.0	5,220	5.0	4,132	17.0
Nestle	51,040	1.0	11,888	-5.0	7,503	-7.0
P&G Hygiene	11,352	0.0	2,905	2.0	2,119	1.0
Page Industries	12,463	11.0	2,815	21.0	1,953	30.0
Pidilite	32,349	5.0	7,688	13.0	5,415	18.0
Tata consumer	42,145	13.0	6,263	17.0	3,848	10.0
United Breweries	21,147	12.0	2,268	23.0	1322	23.0
United Spirits	28,430	-1.0	5,070	8.0	3,350	5.0
Varun Beverages	48,047	24.0	11,511	30.0	6,196	24.0

Exhibit 63: Gross and EBITDA margin expansion in 2QFY25

Companies	Gross Margin (%)	YoY (bp)	QoQ (bp)	EBITDA Margin (%)	YoY (bp)	QoQ (bp)
Asian Paints	40.8	-259	-176	15.4	-480	-344
Britannia	41.5	-136	-188	16.8	-290	-95
Colgate	68.5	-23	-210	30.7	-206	-325
Dabur	49.3	102	155	18.2	-238	-131
Emami	70.7	61	303	28.1	111	423
Godrej Consumer	55.6	70	-26	20.8	69	-102
HUL	51.6	-139	-37	23.8	-49	-2
Indigo Paints	43.7	-186	-290	13.9	-124	-137
ITC	55.9	-433	-463	32.6	-370	-395
Jyothy	50.2	98	-110	18.9	38	88
Marico	50.8	30	-146	19.6	-48	-409
Nestle	56.6	14	-102	23.3	-146	1
P&G Hygiene	62.9	199	371	25.6	56	1150
Page Industries	56.5	83	234	22.6	183	354
Pidilite	54.4	304	55	23.8	167	-17
Tata consumer	43.6	110	-131	14.9	48	-47
United Breweries	43.8	-69	81	10.7	95	-79
United Spirits	45.2	178	73	17.8	142	-164
Varun Beverages	55.5	22	84	24.0	117	-371

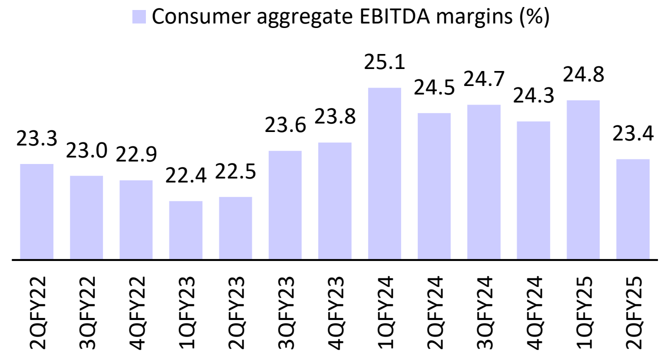
Source: Company, MOFSL

Exhibit 64: Sales grew 6.5% YoY for our consumer universe



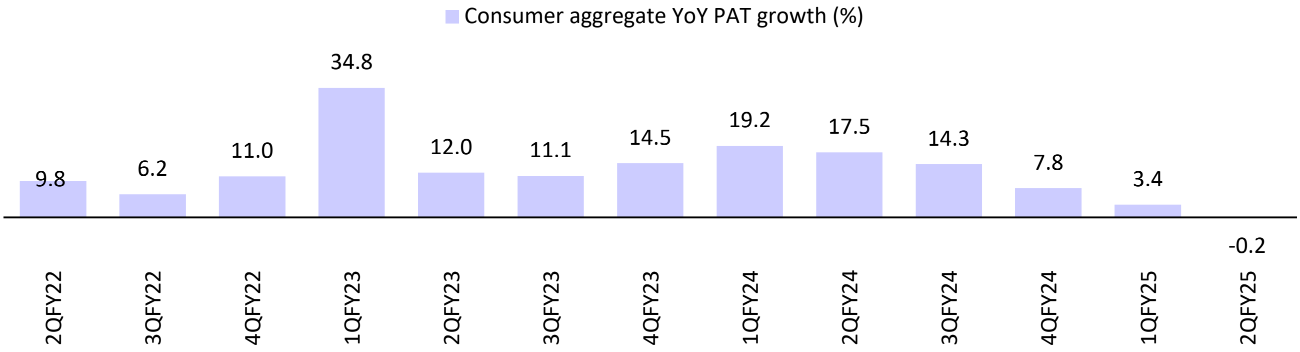
Source: Company, MOFSL

Exhibit 65: Aggregate EBITDA margin contracted in 2Q to 23.4%



Source: Company, MOFSL

Exhibit 66: Aggregate adjusted PAT flat YoY in 2QFY25



Source: Company, MOFSL

CONSUMER - QSR: Weakness persists; pressure on profitability

- **Sluggish demand trajectory**: QSR companies have sustained their sluggish performance as growth metrics (SSSG, ADS) remained weak during the quarter due to competition from local players and weak dine-in demand. The delivery business has sustained outperformance over the dine-in business. Companies have initiated several offers for consumers and waived off delivery charges to drive demand. The value segment is seeing better traffic growth compared to other segments. Sales were weak in Jul'24 due to the Shravan period and heavy rains across regions. While some improvements were noted in Aug'24, sales tapered off again in Sep'24 due to the Shraad period. Weak growth was observed across markets (metros/tier2/ tier3). Our coverage universe posted revenue growth of 7% YoY (organic growth) in 2QFY25 vs. 6% in 1QFY25 and 9% in 2QFY24. SSSG/ADS continued to decline, barring Jubilant which reported LFL growth of 3%. Westlife/Devyani KFC/Devyani PH/Sapphire KFC/Sapphire/RBA registered same-store sales decline of 7%/7%/6%/8%/3%/3%.
- **Acceleration in store addition:** The store addition momentum improved during the quarter. The management has maintained its store addition guidance for FY25.
- **Pressure on profitability:** Given the weak underlying growth, companies witnessed a significant impact on their unit economics. Both restaurant margin and EBITDA margin contracted for all brands in 2Q. PBT also declined for all companies.
- **Outperformer (2Q):** Jubilant Foodworks
- **Underperformer (2Q):** Sapphire, Devyani, Westlife and RBA
- **Near-term outlook:** We expect QSR companies to sustain growth weakness in the near term, which will likely keep operating margins under pressure. Following a sharp contraction in margins, any further contractions will be closely monitored. We are watchful for any recovery signs (particularly for dine-in) in 2HFY25 and the pace of store addition in FY25.

Guidance highlights:

- **JUBI**: The company expects growth momentum to accelerate in 3Q compared to 2Q. It has not increased prices in the last nine quarters and has no plan to implement price hikes. It focuses on giving more value to gain more share. The 20-minute delivery initiative and free delivery options have driven delivery growth, although takeaway demand has decelerated.
- **Devyani**: The company's focus will be on the value-driven portfolio to fuel growth. It is on track to reach the 2,000 store network by FY25. KFC added 49 stores in 1HFY25 and is on track to meet its FY25 target of adding 100-110 stores. PH has added 23 stores in 1HFY25 and plans to open 60-70 stores in FY25.
- **Westlife**: The company has guided 15-18% operating margin (pre-Ind-AS) and 18-20% operating margin (Post-Ind-AS) in the medium term. It targets to open 45-50 stores in FY25 with a focus on South India, smaller towns, and drive-thru. It aims to reach 580-630 restaurants by FY27. The company aims for 15-18% contribution of McCafé to the total business by FY27.
- **Sapphire**: The company is focused on expanding its value portfolio, driving product innovation, and optimizing costs to navigate current challenges. It will take pricing as part of its campaign in the Festive quarter, specifically in the North and East regions. It plans to open 45-50 new stores in FY25, with a target of expanding its network to 580-630 restaurants by 2027.
- **RBA**: RBA aims to expand its footprint in India, with a goal of reaching 510 restaurants by the end of FY25. The company has set a target to achieve a gross profit margin of ~69% by FY27. This improvement is expected to be driven by initiatives such as optimized sourcing, menu mix adjustments, and pricing strategies. RBA's immediate focus on Indonesia is to reach cash breakeven at a country level.
- **Barbeque**: The company plans to open 25 stores in FY25 and reach 240 stores. Expansion plans include adding three international stores in 2HFY25—two in the Middle East and one in Sri Lanka. Management guided ~68% GP margins for FY25.

Exhibit 67: Quarterly trends

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue Growth (%)										
Barbeque Nation	209.0	41.0	14.0	12.0	3.0	-3.0	1.0	6.0	-6.0	1.0
Devyani	100.0	45.0	27.0	28.0	20.0	10.0	7.0	39.0	5.0	14.0
-KFC	109.0	47.0	27.0	26.0	22.0	15.0	14.0	11.0	7.0	7.0
-Pizza Hut	71.0	36.0	18.0	16.0	11.0	2.0	-2.0	-4.0	-1.0	0.0
Jubilant	41.0	17.0	10.0	8.0	6.0	5.0	3.0	6.0	10.0	9.0
Sapphire	80.0	36.0	17.0	13.0	20.0	14.0	12.0	13.0	10.0	8.0
-KFC	98.0	36.0	26.0	24.0	21.0	19.0	16.0	16.0	11.0	9.0
-Pizza Hut	85.0	60.0	20.0	18.0	12.0	-6.0	-4.0	-3.0	3.0	3.0
Restaurant Brands (Consol)	64.0	47.0	21.0	29.0	25.0	19.0	15.0	16.0	6.0	1.0
Westlife	108.0	49.0	28.0	22.0	14.0	7.0	-2.0	1.0	0.0	1.0
Total	**75.0**	**34.0**	**18.0**	**17.0**	**14.0**	**9.0**	**6.0**	**14.0**	**6.0**	**7.0**
SSSG (%)										
Barbeque Nation	182.0	23.0	-1.0	-3.0	-8.0	-11.0	-5.0	1.0	-7.0	-3.0
Devyani - KFC	64.0	13.0	3.0	2.0	-1.0	-4.0	-5.0	-7.0	-7.0	-7.0
Devyani - PH	32.0	3.0	-6.0	-3.0	-5.0	-10.0	-13.0	-14.0	-9.0	-6.0
Jubilant (LFL)	28.0	8.0	0.0	-1.0	-1.0	-1.0	-3.0	0.0	3.0	3.0
Sapphire - KFC	65.0	15.0	3.0	2.0	0.0	0.0	-2.0	-3.0	-6.0	-8.0
Sapphire - PH	47.0	23.0	-4.0	-4.0	-9.0	-20.0	-19.0	-15.0	-7.0	-3.0
Restaurant Brands	66.0	27.0	9.0	8.0	4.0	4.0	3.0	2.0	3.0	-3.0
Westlife	97.0	40.0	20.0	14.0	7.0	1.0	-9.0	-5.0	-7.0	-7.0
Gross profit margin (%)										
Barbeque Nation	66.8	66.1	66.7	65.8	64.0	65.9	67.9	68.9	68.1	68.1
Devyani	71.1	70.2	69.3	69.6	70.8	70.8	70.6	69.2	69.2	69.3
-KFC	69.0	67.9	67.6	68.6	69.7	69.0	69.4	69.9	69.5	69.0
-Pizza Hut	76.2	74.5	73.6	73.2	74.9	75.7	75.8	77.3	76.8	76.7
Jubilant	76.7	76.2	75.5	75.3	76.0	76.4	76.7	76.6	76.1	76.1
Sapphire	67.9	66.4	67.1	67.9	68.5	68.7	68.9	68.9	68.6	68.8
-KFC	67.3	65.6	66.5	66.8	68.1	67.9	68.4	68.3	68.2	68.3
-Pizza Hut	75.3	74.7	74.4	74.3	75.1	76.1	75.7	75.5	76.1	76.5

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Restaurant Brands (Consol)	64.3	64.6	63.6	64.1	64.0	64.2	64.4	64.2	64.5	64.9
Westlife	68.0	69.3	70.2	71.9	70.6	70.1	70.3	70.2	70.6	69.7
EBITDA Pre-Ind AS margins (%)										
Barbeque Nation	13.7	10.0	10.3	3.8	5.5	4.5	11.0	8.0	6.9	5.4
Devyani	16.1	15.1	14.8	12.1	13.2	11.5	9.3	9.2	11.6	9.4
Jubilant	18.9	18.7	15.7	13.4	15.4	15.3	14.5	12.4	13.7	13.8
Sapphire	13.2	11.1	12.4	10.0	11.8	10.6	10.8	8.6	9.8	8.5
Restaurant Brands (Consol)	-2.2	-2.9	-2.4	-3.8	-0.4	1.5	2.8	-0.5	1.3	0.6
Westlife	13.0	13.4	14.3	12.0	12.9	11.9	11.4	8.7	8.1	7.7
ADS ('000')										
Barbeque Nation	179	168	172	144	170	158	175	153	155	153
Devyani										
-KFC	127	121	116	106	117	109	104	93	104	96
-Pizza Hut	44	45	43	39	40	39	37	32	36	35
Jubilant	85	84	84	78	79	78	78	75	79	78
Sapphire										
-KFC	144	134	136	127	138	125	125	114	122	111
-Pizza Hut	61	64	58	50	52	48	45	41	48	47
Restaurant Brands	115	121	113	108	120	126	119	105	119	118
Westlife	181	189	199	173	189	185	176	157	170	168
Store (India)										
Barbeque Nation	195	205	212	216	212	212	210	217	219	222
Devyani	961	1,047	1,120	1,184	1,230	1,298	1,387	1,429	1,473	1,524
-KFC	391	423	461	490	510	540	590	596	617	645
-Pizza Hut	436	466	483	506	521	535	565	567	570	593
Jubilant	1,676	1,753	1,814	1,863	1,891	1,949	2,007	2,096	2,148	2,199
Sapphire	516	550	599	627	660	692	725	748	762	784
-KFC	281	301	325	341	358	381	406	429	442	461
-Pizza Hut	235	249	274	286	302	311	319	319	320	323
Restaurant Brands	328	334	379	391	396	404	441	455	456	464
Westlife	331	337	341	357	361	370	380	397	403	408
PBT (INR M)										
Barbeque Nation	208	69	67	(125)	(55)	(151)	75	(9)	(55)	(100)
Devyani	771	700	736	412	603	330	97	44	381	(9)
Jubilant	1,642	1,619	1,194	930	1,014	963	819	508	683	698
Sapphire	356	269	336	123	336	214	140	8	118	53
Restaurant Brands (Consol)	(509)	(551)	(559)	(800)	(541)	(507)	(399)	(921)	(522)	(655)
Westlife	318	420	480	277	406	302	231	20	45	7
PBT Margins (%)										
Barbeque Nation	6.6	2.2	2.0	-4.5	-1.7	-5.0	2.3	-0.3	-1.8	-3.3
Devyani	10.9	9.4	9.3	5.5	7.1	4.0	1.1	0.4	3.1	-0.1
Jubilant	13.2	12.6	9.1	7.4	7.7	7.2	6.0	3.8	4.7	4.8
Sapphire	6.5	4.8	5.6	2.2	5.1	3.3	2.1	0.1	1.6	0.8
Restaurant Brands (Consol)	-10.4	-10.5	-10.6	-15.6	-8.8	-8.1	-6.6	-15.4	-8.1	-10.3
Westlife	5.9	7.4	7.9	5.1	6.6	4.9	3.9	0.4	0.7	0.1

CONSUMER DURABLES: Strong revenue growth; RM cost volatility hurts margins

- **Revenue growth higher than our estimates:** Revenue for our consumer durables coverage universe increased 20% YoY in 2QFY25 (6% above our estimates). As expected, demand for cables and wires (C&W) has improved, led by stable domestic demand from renewable energy, transmission sector, data centers, etc. Hence, C&W segment aggregate revenue grew ~21% YoY/15% QoQ (6% above our estimates) in 2QFY25. Secondly, aggregate revenue of UCP segment (coverage companies) grew 28% YoY in 2QFY25 despite being a seasonally lean period for RAC (16% above our estimates). Other categories like refrigerators, washing machines and water heaters also posted better growth during the quarter, led by inventory stocking prior to the festive seasons. Revenue growth for Polycab/KEII/HAVL/VOLT/RRKABEL stood at 30%/17%/16%/14%/12% YoY. Demand in C&W segment is expected to improve in 2HFY25, led by a pick-up in government spending, infrastructure projects, real-estate and higher exports. A recovery in rural demand and festivals should also drive growth in the ECD segment.

- **Steep volatility in RM prices hurts margins:** Higher copper/aluminum prices (up ~19%/13% YoY in 2Q) and lower exports of C&W led to a margin contraction. Gross margin for our coverage companies dipped 1.4pp YoY to 26% (1.7pp below estimate). Aggregate EBITDA for our coverage universe grew merely 7% YoY (~13% below our estimates) and EBITDA margin contracted 2pp YoY to ~9% (est. ~11%). VOLT's EBITDA grew ~131% YoY, aided by a low base (profit in EMPS segment vs. a loss last year). EBITDA of KEII/Polycab grew ~8%/4% YoY, while it was flat for HAVL and declined ~29% YoY for RRKABEL. C&W companies expect margin recovery in 2HFY25, backed by strong growth momentum and favorable RM prices (average copper prices down ~2% QoQ so far in 3Q).
- **Several EPS downgrades due to margin pressure:** C&W companies saw margin pressure due to higher volatility in RM prices. Hence, we cut our FY25E/FY26E/FY27E EPS by 26%/13%/8% for RRKABEL, 4-8% for HAVL, and 3-6% for KEII and 3-4% for Polycab. We maintained our EPS estimates for VOLT.
- **Top picks:** We remain positive on VOLT and Polycab
- **Surprises:** VOLT
- **Misses:** RRKABEL, HAVL, and KEII

Guidance highlights:

- **Polycab:** Demand momentum to remain strong in the C&W segment and 2H should be better than 1HFY25. FMEG business is likely to pick up in FY26 on account of robust demand from the real estate sector. It has participated in the phase III tenders of the BharatNet project, and applied for all 16 packages in different states.
- **KEII:** Demand remains strong from solar renewable energy and transmission sectors. Thermal power projects, pump storage projects, data centers, and highway tunneling projects are also driving demand. Volatility impact of RM costs will average out on a six-month basis, and KEII maintained its OPM guidance of 10.5-11.0% for FY25 (vs. ~10% in 1HFY25). Capex in FY25/FY26 will be INR11b+/INR6-7b. KEII intends to remain a debt-free company and has obtained board approvals for a fundraise of up to INR20b via QIP.
- **RRKABEL:** It guided for volume growth of ~15% in 2HFY25 in C&W, led by 25% growth from cables and ~10% from wires. Further, it expects the margin to recover to the range of 8%-8.5% in 2HFY25. It is doubling its power cable capacity and increasing its wire capacity by ~20-25%, which is expected to be completed by FY25-end. FMEG business is estimated to achieve break-even by early-FY26.
- **HAVL:** It has been cautiously optimistic on festive demand improvement and believes that rural demand has also improved. Further, in C&W segment, HAVL expects margin should be better in 3Q if there is not much volatility in RM prices, and 4Q should experience normal margins. In lighting segment, margin should bottom out this year and expects improvement from next year. It expects ECD segment margin to normalize in FY26. In switches and switchgear segment, HAVL expects low double-digit growth with a recovery in industry demand.
- **VOLT:** RAC exit market share stood at 21.0% as of Sep'24. It has seen strong growth in Voltbek home appliances business, with a market share of 7.5% for washing machines and 5% for refrigerators as of Sep'24-YTD. Increased volume in Voltbek business led to a gradual reduction in losses. It aims to break-even at the EBITDA level in the near future. In the EMPS segment, project execution was hit by heavy rains. However, it expects business to return to normal levels going forward.

Exhibit 68: Aggregate* UCP revenue and growth

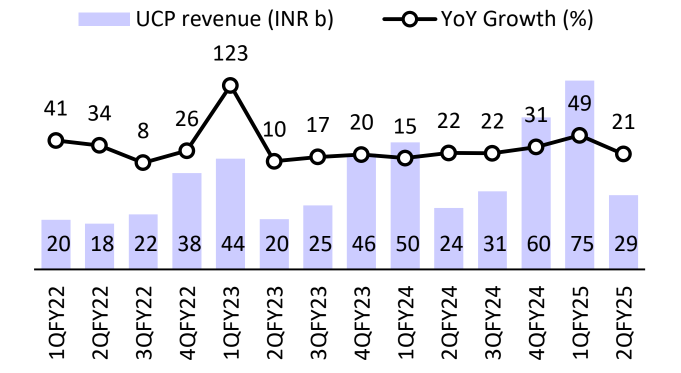
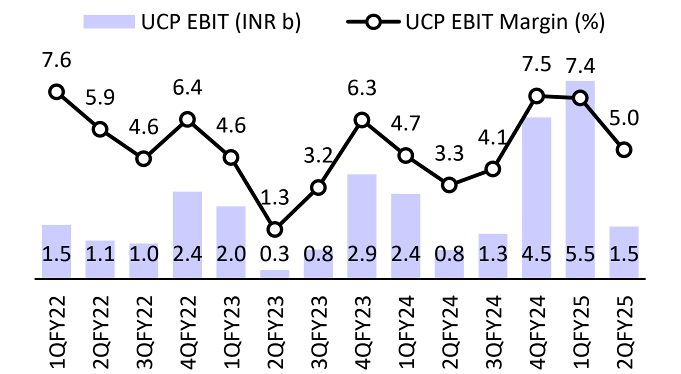


Exhibit 69: Aggregate* UCP EBIT and margin



Source: Company, MOFSL; Note: *In UCP revenue and EBIT we consider VOLT, HAVL, and Blue star (not rated)

Exhibit 70: Aggregate* C&W revenue and growth

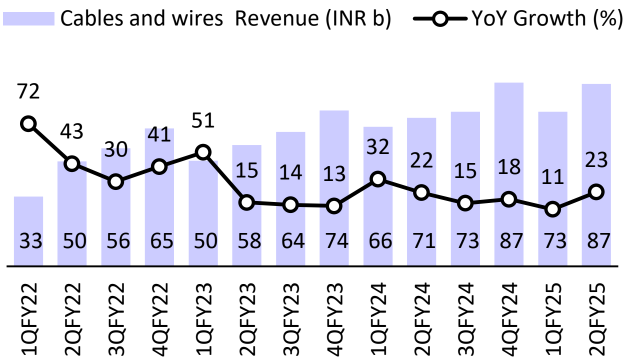
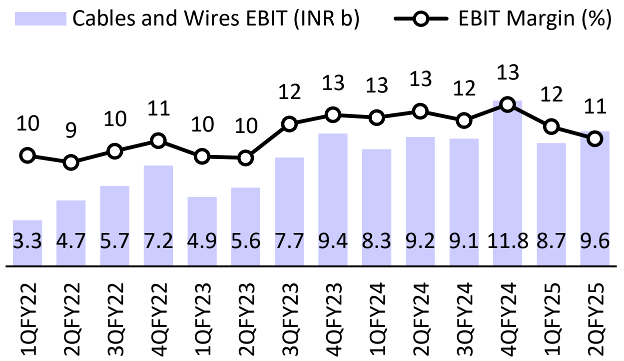


Exhibit 71: Aggregate* C&W EBIT and margin



Source: Company, MOFSL; Note: *In Cables and Wires revenue and EBIT we considered Polycab, KEII, HAVL

EMS: Stars aligned for EMS: Strong revenue growth and stability in margins drive all-round performance

- **Strong revenue growth across EMS players:** The EMS sector reported another robust quarter with aggregate revenue doubling on a YoY basis to INR153.8b. This superlative growth was driven by the execution of a strong order book at hand. Dixon led the pack with revenue surging 2.3x YoY, followed by Amber (82%), and Kaynes (59%). Avalon witnessed a strong recovery with revenue up 37% YoY. DATAPATT was the only outlier with revenue declining ~16% YoY due to deferment of a completed order by the client. Going ahead, we expect the strong revenue momentum to continue led by healthy demand traction and strong order book (~INR146.6b as of Sep'24; excluding Dixon and Amber, i.e., ~1.7x of TTM revenue of these companies). We expect aggregate revenue growth of ~66% for our coverage universe in 2HFY25.
- **The order book (Ex-Dixon, Amber) remains healthy; tapering of order inflows likely to reverse in 2HFY25:** The sector continues to witness healthy order inflows (INR26.7b) in 2QFY25. However, the intensity of the inflows has moderated with order inflows growing ~12% YoY. Most of the companies expect order inflows to accelerate in 2H, fueled by inflows from newly added clients and healthy traction in a seasonally strong period. Among our coverage universe, Kaynes saw the highest order book growth of ~57% YoY, followed by Syrma/Avalon at ~26%/19% YoY.
- **Operating leverage at play; aggregate margins dragged by Dixon:** EBITDA margin for our coverage universe dipped 60bp YoY due to a 150bp contraction in gross margin. However, the contraction was fully attributable to Dixon (EBITDA margin down 30bp YoY). Excluding Dixon, the coverage universe witnessed a margin expansion of ~40bp YoY, with all the companies witnessing margin expansion/stability. Avalon witnessed the highest EBITDA margin expansion of ~470bp YoY, led by a shift in ~45-50% of the US manufacturing operations to India and favorable operating leverage. It was followed by Syrma (EBITDA margin up 160bp YoY), which benefitted from a favorable business mix during the quarter. Going forward, we expect the margins for our coverage universe to remain broadly stable on a YoY basis in 2HFY25.
- **The quarter experienced five earnings upgrades:** We have upgraded our earnings estimates for Avalon by 36%/10% for FY25/FY26 as we expect a strong 2HFY25 performance due to restocking by the US customers, incremental order flows from new customers, and the growing Indian business.
- Apart from these, we have upgraded our earnings estimates for Dixon (up 13%/5%/5% in FY25/FY26/FY27 to factor in higher growth in mobile phones & lighting product segments) and Amber (up 14%/19%/22% in FY25/FY26/FY27 to factor in higher growth in consumer durables and electronics segments).
- Further, we have upgraded our FY25 earnings estimates for Syrma by 6%, factoring in a better-than-expected operating performance of 2Q (while largely maintaining our FY26 estimates); we have also upgraded our FY26 earnings estimate for Cyient DLM led by integration of a newly acquired US company, Altek Electronics (FY25 estimates revised down by 5% due to higher-than-anticipated interest costs because of a rise in debt).
- **Surprises:** DIXON, AMBER, AVALON and SYRMA SGS.
- **Misses:** KAYNES, Cyient DLM and DATA PATTERN.

Guidance highlights:

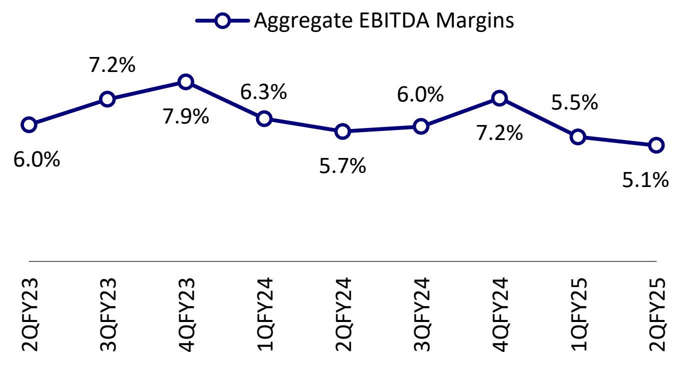
- **Kaynes** maintains its guidance of surpassing INR30b revenue in FY25 with EBITDA margins of ~15%. It is expected to clock ~USD1b revenue by FY28 and triple its revenue by FY29 (on FY25 base). An increase in the mix of high-margin sectors, coupled with operating leverage, will drive margin expansion in 2HFY25.
- **Avalon** has maintained its FY25 revenue growth guidance to 16-20% with gross margins ranging from 33% to 35%. It expects healthy growth to continue in 2HFY25. The US manufacturing mix is expected to come down to ~15% by the end of FY25, resulting in cost benefits and margin expansion.
- **Syrma SGS** maintains its FY25 revenue growth guidance of 40-45% (i.e., revenue of ~INR45b) and EBITDA margin of ~7% (i.e., EBITDA of ~INR3.1-3.2b). In 2HFY25, the company expects a better mix from the healthcare and ODM businesses.
- **Cyient DLM** maintains its guidance of ~30% revenue CAGR. It expects EBITDA margins to reach near to its earlier guidance of double digits, but they will be largely flat YoY in FY25.
- **DATAPATT** guides ~20-25% revenue growth in FY25, with EBITDA margins of ~35-40%. The company expects revenue growth for 2H, led by deferment of orders.

Exhibit 72: Key operating indicators

	Revenue (INR m)					EBITDA margins (%)					Adj PAT (INR m)				
	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	2Q FY25	2Q FY24	YoY (bp)	1Q FY25	QoQ (bp)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)
Kaynes	5,721	3,608	59	5,040	14	14.4	13.5	80	13.3	110	602	323	86	508	19
Avalon	2,750	2,010	37	1,995	38	11.0	6.3	470	2.2	880	175	73	140	-23	-857
Cyient DLM	3,895	2,918	33	2,579	51	8.1	8.1	10	7.8	40	155	147	5	106	46
Syrma SGS	8,327	7,117	17	11,599	-28	8.5	6.9	160	3.8	470	362	297	22	193	88
Data Patterns	910	1,083	-16	1,041	-13	37.7	37.6	10	35.7	200	303	338	-10	328	-8
Dixon	1,15,341	49,432	133	65,798	75	3.7	4.0	-30	3.8	-10	2,144	1,073	100	1,337	60
Amber	16,847	9,271	82	24,013	-30	6.8	6.4	30	8.2	-140	192	-69	NA	724	-73
Agg.	**1,53,791**	**75,440**	**104**	**1,12,064**	**37**	**5.1**	**5.7**	**-60**	**5.5**	**-40**	**3,933**	**2,181**	**80**	**3,172**	**24**
Agg. (ex. Dixon, Amber)	**21,603**	**16,737**	**29**	**22,253**	**-3**	**11.5**	**10.4**	**110**	**7.8**	**380**	**1,597**	**1,177**	**36**	**1,112**	**44**

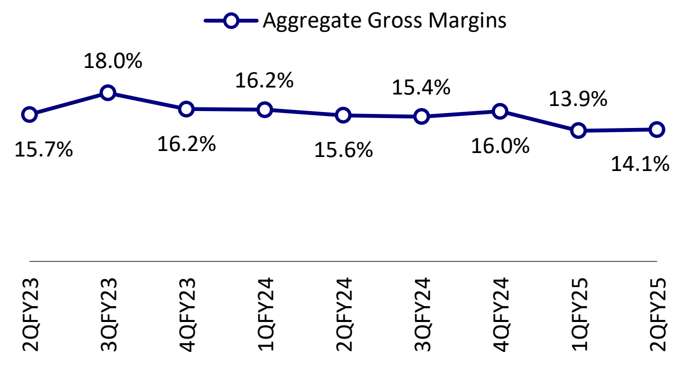
Source: MOFSL, Company

Exhibit 73: Aggregate EBITDA margin remained under pressure due to…



Source: MOFSL, Company

Exhibit 74: …unfavorable product mix that adversely impacted aggregate gross margin



Source: MOFSL, Company

Exhibit 75: Our revised EPS estimates (INR)

	FY25E			FY26E		
	Revised	Old	Chg (%)	Revised	Old	Chg (%)
Dixon	134.3	114.0	18	177.4	168.3	5
Amber	78.0	68.1	15	113.0	95.2	19
Kaynes	53.8	53.4	1	95.1	94.2	1
Avalon	9.2	6.7	36	16.6	15.1	10
Cyient DLM	13.1	13.9	-5	24.7	22.0	12
Syrma SGS	9.5	9.0	6	14.7	15.0	-2
Data Patterns	39.1	40.0	-2	51.4	53.1	-3

FINANCIALS – BANKS: Earnings growth affected by persistent NIM pressure, unsecured delinquencies; Deposit growth surpasses credit growth

- The banking sector reported a soft quarter amid moderation in margins and a rise in provisioning expenses, mainly for private banks. NIM declined for many banks as cost pressure persisted amid intense competition for liabilities and continued pressure on CASA mix. Public sector banks (PSBs) also witnessed margin compression mainly due to the classification of penal interest to penal charges in other income. Opex growth normalized, whereas other income for most banks remained healthy. Deposit growth for most private banks remained steady, surpassing the credit growth, and therefore, the loan-to-deposit (LDR) ratio moderated for some banks. Growth in corporate segment was tepid, while unsecured retail loan growth also moderated, reflecting the stress in microfinance and credit card. We have cut our growth estimates for many banks. We note that the deceleration in credit growth has been sharper than we thought (partly driven by the weakness in the credit environment, mainly unsecured loans, besides elevated LDR). We have lowered our FY25 credit growth estimate to 11% from 12.5% earlier.
- NII growth stood at 11.3% YoY for private banks and 5.1% YoY for PSBs. In our coverage universe, AUBANK and Federal Bank reported healthy NII growth sequentially, whereas RBK and UNBK reported a sequential decline, impacted by penal charge adjustment. Further, we believe that NII growth moderation should continue in the near term as cost pressure continues. As a result, we believe that the NII growth trajectory should lag credit growth over the coming quarters. We remain watchful on the margin trajectory as the funding cost remains elevated and a potential turn in the rate cycle will further put pressure on lending yields. Some banks witnessed a double-digit decline in margins, with RBK reporting a 32bp decline in margins. HDFCB saw only 1bp contraction in margins sequentially.
- Fresh slippages increased for most banks mainly due to stress in microfinance and other unsecured loan segments. As the asset quality of unsecured loans has deteriorated, most lenders have adopted a cautious stance on underwriting and are growing slower in this segment. SMA book of PSBs increased during the quarter due to state-owned PSU accounts. However, most PSBs have guided for a controlled credit cost (PNB has reduced its FY25 credit cost guidance to 0.25%-0.30%), supported by healthy recoveries and lower slippages. Private banks (especially with high MFI exposure) should see elevated credit cost as PAR formation remains high. PCR increased for select lenders, while the restructured book continued to follow a declining trend.
- **Private Banks – Deposit growth surpasses credit growth; margin pressure continues:** Advances growth was healthy in 2Q, barring HDFCB, which saw 1.3% QoQ growth. However, for most banks, deposit growth outpaced credit growth. ICICIBC/AUBANK saw healthy credit growth of 4.4% /5.8% QoQ and steady deposit growth of 5%/ 12.7% QoQ. HDFCB also reported healthy deposit growth of 5.1% QoQ. Among mid-sized banks, DCBB reported strong business growth, with advances/deposits up 5.4%/5.5% QoQ. The CASA ratio continued to moderate for most banks (FB saw ~80bp QoQ expansion). NIM continued to contract as yields declined due to slower growth in microfinance and unsecured segments for most banks. Slippages inched up for select banks due to stress in the unsecured segment, while others kept them under control.
- **Public Sector Banks – Earnings momentum steady; asset quality continues to improve:** NII saw flat growth as NIMs declined for most banks due to adjustment for penal charges. UNBK and PNB saw a 15bp QoQ decline each in margins. Slippages remained under control for most banks, barring UNBK, which reported higher slippages due to one large ticket size account. Recoveries and upgrades also remained healthy. As a result, the GNPA ratio improved 8-50bp QoQ. Overall, PCR continued to be at healthy levels of ~74-90%. SMA book increased due to a long-term government account; however, the restructured book witnessed a sequential decline.
- **Small Finance Banks – Business growth healthy; asset quality deteriorates:** AUBANK reported healthy business growth as advances jumped 48% YoY (merged basis, 5.8% QoQ), led by growth in both retail and commercial assets. Deposit growth was robust at 12.7% QoQ, whereas the CASA ratio moderated to 32%. Asset quality deteriorated and credit cost was high due to ongoing stress in unsecured (MFI and Credit Card). EQUITASB reported healthy advances growth of 18% YoY/6.4% QoQ; however, its MFI book declined as the management

remains cautious amid rising delinquencies in the sector. Deposits grew at a healthy 6.2% QoQ. NIMs declined to 7.69%. Slippages were elevated and the bank made additional provisions due to stress in microfinance business.

- **Our view:** After 2QFY25 results, we have lowered our growth estimates for many banks. We earlier estimated a credit growth of 12.5% YoY for FY25, which we now believe can drift down toward ~10.5% YoY. We remain vigilant about margins and the delinquency cycle in unsecured loans and factor in some more increase in credit cost for private banks. We have slightly cut our estimates for private banks by ~1% for FY25/FY26. We thus expect private banks' aggregate earnings to grow 8% YoY. However, over FY26/FY27, we estimate earnings to gain traction and project 16%/18% growth in PAT. For PSBs, we have raised our earnings estimates by 1.4% for FY25 and reduced by 1.3% for FY26. We estimate aggregate earnings growth for PSBs to moderate to 9-12% over FY26-27. Robust balance sheets, strong contingency buffers and reasonable sector valuations keep us positive on the sector. **Our preferred picks** are ICICIBC, HDFCB, SBIN and FB.
- **Surprises: BOB, PNB, SBIN, AUSFB, FB**
- **Misses: IDFCB, IIB, EQUITASB, SBI Cards**

Guidance highlights

- **HDFCB** is focusing on deposits and has outperformed the industry in deposit growth. The bank expects to achieve LDR of 85-90% within 2-3 years at an accelerated pace. The bank is motivated to decrease its LDR swiftly while ensuring profitability.
- **KMB** is making efforts to build its strong and stable deposits franchise. It focuses on garnering deposits at a lower cost and has cut the savings account rate by ~50bp. Reductions in yield on advances and NIM are due to a change in the asset mix more toward secured products. The bank has entered into an agreement to acquire the personal loan portfolio of Standard Chartered Bank India.
- **ICICIBC** prioritizes retaining deposits and cultivating strong customer relationships rather than heavily promoting its products. A substantial segment of the current customer base still does not utilize credit cards, presenting a potential growth area. Retail deposit rates have increased by 15bp this calendar year, slightly raising the cost of deposits. The bank has already implemented most of the necessary rate adjustments and does not foresee further increases in retail deposit rates. A ~7bp effect on the bank's overall NIMs has resulted from the impact of day count conventions. The bank anticipates relatively stable NIMs in 2H, barring the start of a rate-cutting cycle.
- **AXSB** deposit growth was lower compared to peers. Loan growth – HL, VF and corporate have been lagging the system average growth and the bank expects a pick-up in loan growth in retail. It expects to continue operating within a similar range of CD ratio. Write-offs have been higher, following the bank's pre-defined policy.
- **SBIN** delivered a healthy performance with 15.3% credit growth and guides for 14-15% growth, backed by broad-based sector growth. Deposit growth guidance is 10%+ YoY. Incremental Credit growth will be funded by incremental deposit growth. The bank is actively engaged with the government regarding SMA accounts to maintain oversight and manage any potential risks effectively. Credit cost guidance is 0.5% and slippages will be contained.
- **IIB** is comfortable with 16-18% growth. It is cautiously optimistic about loan growth and will accelerate growth as the credit environment improves. The cost of deposits increased 2bp QoQ, while yields declined due to slower growth in MFI and other higher-yield business. 1H credit cost was at 131bp vs. the guidance of 110-130bp. The bank does not expect 2H credit cost to exceed the guided range of 110-130bp.
- **BOB** deposit growth remains challenging, with the bank lowering its guidance to 9-11% from 10-12% earlier. Loan growth guidance is revised to 12-13% from 12-14% due to a moderation in the international book, though the bank aims to exceed this target. The bank maintains its previous NIM guidance at 3.15% (+/- 5bp) and anticipates a decline in the cost of deposits. Credit cost is projected at 0.75%, and the slippage ratio at 1%-1.25%.

Exhibit 76: Earnings decline led by NIM pressures & elevated credit cost for select private banks; PSBs reported healthy earnings

	NII			PPOP			PAT		
INR b	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)
AUBANK	19.7	58.1	2.8	11.3	80.0	18.9	5.7	42.1	13.7
AXSB	134.8	9.5	0.3	107.1	24.1	6.0	69.2	18.0	14.6
BANDHAN	29.5	20.7	(1.9)	18.6	17.2	(4.4)	9.4	30.0	(11.9)
BoB	116.2	7.3	0.2	94.8	18.2	32.3	52.4	23.2	17.5
CBK	93.2	4.6	1.6	76.5	0.5	0.5	40.1	11.3	2.8
DCBB	5.1	7.0	2.5	2.6	21.2	24.2	1.6	22.6	18.4
FB	23.7	15.1	3.3	15.7	18.2	4.3	10.6	10.8	4.7
HDFCB	301.1	10.0	0.9	247.1	8.9	3.4	168.2	5.3	4.0
ICICIBC	200.5	9.5	2.5	167.2	17.5	4.4	117.5	14.5	6.2
IDFCFB	47.9	21.2	2.0	19.6	29.9	4.2	2.0	(73.3)	(70.5)
IIB	53.5	5.3	(1.1)	36.0	(7.9)	(8.9)	13.3	(39.5)	(38.7)
INBK	61.9	7.9	0.3	47.3	9.9	5.0	27.1	36.2	12.6
KMB	70.2	11.5	2.6	51.0	10.6	(2.9)	33.4	4.8	(5.0)
PNB	105.2	6.0	0.4	68.5	10.2	4.1	43.0	145.1	32.4
RBK	16.1	9.5	(5.0)	9.1	24.5	5.9	2.2	(24.3)	(40.1)
SBIN	416.2	5.4	1.2	292.9	50.9	10.8	183.3	27.9	7.6
UNBK	90.5	(0.9)	(3.9)	81.1	12.4	4.2	47.2	34.4	28.3
EQUITASFB	8.0	4.8	0.1	3.5	5.9	2.7	0.1	(93.5)	(50.0)
Total Banking Coverage	**1793.3**	**8.1**	**0.8**	**1349.9**	**19.3**	**6.3**	**826.3**	**17.4**	**6.7**

Source: MOFSL, Company

Exhibit 77: NIMs continue to moderate with some banks reporting double digit compression

NIM (%)	1QFY25	2QFY25	YoY (bp)	QoQ (bp)
AUBANK	6.00	6.05	55	5
AXSB	4.05	3.99	(12)	(6)
BANDHAN	7.60	7.40	20	(20)
BoB	3.18	3.10	3	(8)
CBK	2.90	2.86	(14)	(4)
DCBB	3.39	3.27	(42)	(12)
FB	3.16	3.12	(10)	(4)
HDFCB	3.47	3.46	6	(1)
ICICIBC	4.36	4.27	(26)	(9)
IDFCFB	6.22	6.18	(14)	(4)
IIB	4.25	4.08	(21)	(17)
INBK	3.53	3.49	(3)	(4)
KMB	5.02	4.91	(31)	(11)
PNB	3.07	2.92	(19)	(15)
RBK	5.67	5.35	(19)	(32)
SBIN	3.22	3.19	(10)	(3)
UNBK	3.05	2.90	(28)	(15)

Exhibit 78: Deposit growth outpaced credit growth of many banks

	Loans			Deposits			CASA ratio (%)		
INR b	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)
AUBANK*	948	47.8	5.8	1,097	44.8	12.7	26.9	(84)	(113)
AXSB	10,000	11.4	2.0	10,867	13.7	2.3	41.0	(300)	(100)
BANDHAN	1,261	23.6	3.7	1,425	22.8	(1.5)	33.2	(264)	(372)
BoB	11,212	12.3	7.0	13,635	9.1	4.3	39.8	(4)	(78)
CBK	9,840	10.3	4.0	13,473	9.3	0.9	31.3	(88)	29
DCBB	445	19.3	5.4	545	19.9	5.5	25.6	57	20
FB	2,303	19.4	4.3	2,691	15.6	1.1	30.1	(110)	80
HDFCB	24,951	7.0	1.3	25,001	15.1	5.1	35.3	(230)	(70)
ICICIBC	12,772	15.0	4.4	14,978	15.7	5.0	40.6	(16)	(28)
IDFCFB	2,151	20.7	6.2	2,236	30.6	6.6	48.9	247	228
IIB	3,572	13.2	2.7	4,124	14.7	3.5	35.9	(353)	(80)
INBK	5,329	13.2	2.3	6,931	8.2	1.8	38.9	(125)	(17)
KMB	3,995	14.7	2.5	4,615	15.1	3.1	43.6	(470)	20
PNB	10,196	14.6	3.6	14,583	11.3	3.6	39.3	(284)	(77)
RBK	879	15.1	1.4	1,080	20.2	6.5	33.6	(219)	99
SBIN	38,574	15.3	2.9	51,173	9.1	4.4	40.0	(185)	(67)
UNBK	8,971	11.6	2.1	12,419	9.2	1.5	32.7	(194)	(68)
Total Banking Coverage	**1,47,399**	**12.9**	**2.6**	**1,80,874**	**11.9**	**2.7**	**39.4**		

* AU Bank Nos on merged with Fincare, Source: MOFSL, Company

Exhibit 79: Asset quality deteriorates for select banks; Slippage ratio remain elevated

Asset quality	1QFY25 (%)			2QFY25 (%)			QoQ change (bp)			2QFY25 (%)
(%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR	Slippage Ratio
AUBANK	1.78	0.63	67.6	1.98	0.75	62.8	20	12	(229)	4.59
AXSB	1.54	0.34	78.1	1.44	0.34	76.6	(10)	-	(144)	1.87
BANDHAN	4.23	1.15	73.7	4.68	1.29	73.5	45	14	(21)	3.89
BoB	2.88	0.69	76.6	2.50	0.60	76.3	(38)	(9)	(27)	0.28
CBK	4.14	1.24	71.0	3.73	0.99	74.1	(41)	(25)	308	0.26
DCBB	3.33	1.18	65.2	3.29	1.17	65.2	(4)	(1)	(3)	4.54
FB	2.11	0.60	71.9	2.09	0.57	72.9	(2)	(3)	101	0.82
HDFCB	1.33	0.39	71.2	1.36	0.41	71.2	3	2	-	1.29
ICICIBC	2.15	0.43	80.2	1.97	0.42	79.0	(18)	(1)	(117)	1.83
IDFCFB	1.90	0.59	69.4	1.92	0.48	75.3	2	(11)	588	4.13
IIB	2.02	0.60	70.6	2.11	0.64	70.1	9	4	(47)	2.14
INBK	3.77	0.39	90.0	3.48	0.27	92.5	(29)	(12)	243	1.18
KMB	1.39	0.35	74.9	1.49	0.43	71.4	10	8	(344)	3.75
PNB	4.98	0.60	88.4	4.48	0.46	90.2	(50)	(14)	174	1.05
RBK	2.69	0.74	73.1	2.88	0.79	73.0	19	5	(15)	5.38
SBIN	2.21	0.57	74.4	2.13	0.53	75.7	(8)	(4)	125	0.59
UNBK	4.54	0.90	80.9	4.36	0.98	78.4	(18)	8	(255)	2.16

Exhibit 80: Snapshot of restructured book across Banks (%)

INR b	Restructured book									
	Absolute	Sep'22	Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24
AXSB	13.2	0.38	0.3	0.22	0.21	0.2	0.18	0.16	0.14	0.13
BANDHAN	NA	0.2	NA	NA	NA	NA	NA	NA	NA	NA
DCBB	9.2	5.45	4.94	4.51	3.97	3.4	3	2.62	2.34	2.07
HDFCB	NA	0.53	0.42	0.31	NA	0.22	NA	NA	NA	NA
ICICIBC	25.5	0.7	0.5	0.4	NA	0.32	0.29	0.26	0.22	0.20
IIB	10.4	1.5	1.25	0.84	0.66	0.54	0.48	0.40	0.34	0.29
KMB	2.5	0.34	0.25	0.22	0.19	0.15	0.13	0.10	0.08	0.06
FB	16.4	2.03	1.81	1.62	1.4	1.3	1.1	0.97	0.83	0.71
RBK	3.3	2.21	1.67	1.21	1.05	0.89	0.63	0.51	0.44	0.38
AUBANK	3.8	1.7	1.4	1.2	1	0.8	0.7	0.60	0.40	0.40
BOB	NA	2.12	1.87	1.5	1.31	NA	1	NA	NA	NA
SBIN	148.3	0.93	0.85	0.8	0.69	0.62	0.54	0.47	0.43	0.38
INBK	71.4	3.9	3.37	2.51	2.19	2.12	1.93	1.67	1.51	1.34
PNB	NA	1.8	1.54	1.32	NA	NA	NA	NA	NA	NA
UNBK	112.4	2.6	2.38	2.2	2	1.71	1.57	1.48	1.30	1.21
CBK	NA	2.09	1.75	NA	NA	NA	NA	NA	NA	NA

Exhibit 81: We slightly cut our earnings estimate for private banks by ~1% for FY25-26E; while earnings for PSBs remain steady

PAT (INR b)	Old estimates		Revised estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Private Banks						
AXSB	263.9	304.4	262.6	303.2	-0.5%	-0.4%
BANDHAN	39.3	46.0	39.1	42.6	-0.4%	-7.3%
DCBB	6.0	7.6	5.9	7.7	-2.7%	2.2%
HDFCB	678.2	764.8	670.0	760.5	-1.2%	-0.6%
ICICIBC	446.8	505.4	459.1	514.5	2.8%	1.8%
IDFCFB	29.9	42.2	24.4	40.2	-18.3%	-4.8%
IIB	88.6	109.3	73.8	99.8	-16.7%	-8.7%
KMB	142.5	164.9	144.3	161.0	1.3%	-2.3%
FB	41.2	49.8	41.6	49.4	1.0%	-0.8%
RBK	12.7	17.9	10.2	17.2	-19.6%	-3.9%
AUBANK	21.6	28.8	22.4	29.2	3.7%	1.4%
EQUITASB	6.4	10.2	6.4	10.2	-44.3%	-18.0%
Total Private Banks	**1,777.1**	**2,051.2**	**1,760.0**	**2,035.4**	**-1.1%**	**-0.9%**
YoY growth	**9.5%**	**15.4%**	**8.5%**	**15.6%**		
PSU Banks						
BOB	194.7	213.9	185.5	203.6	-4.7%	-4.8%
CBK	161.4	175.8	162.6	183.6	0.7%	4.5%
INBK	102.2	112.2	104.1	112.8	1.8%	0.5%
PNB	143.6	168.5	156.5	176.8	8.9%	4.9%
SBIN	698.1	782.7	698.1	782.7	2.0%	-2.4%
UNBK	156.2	179.2	155.6	170.7	-0.4%	-4.7%
Total PSU Bank	**1,456.2**	**1,632.3**	**1,462.2**	**1,630.3**	**1.4%**	**-1.3%**
YoY growth	**18.0%**	**12.1%**	**18.5%**	**11.5%**		
Total for Banks	**3,233.4**	**3,683.5**	**3,222.3**	**3,665.7**	**0.0%**	**-1.0%**
YoY growth	**13.2%**	**13.9%**	**12.8%**	**13.8%**		
Other Financials						
SBICARD	26.2	35.3	20.4	28.6	-22.1%	-19.1%
PAYTM	-18.5	-8.0	-16.9	-7.0	NA	

FINANCIALS – NBFC: Loan growth outlook weakens; unsecured retail keeps credit costs high

- NBFCs (incl. HFCs) under our coverage reported AUM growth of ~17% YoY/4% QoQ in 2QFY25. Vehicle financiers (VFs) clocked AUM growth of 24% YoY, but we expect growth to moderate by FY25 end. Large HFCs (PNBHF and LICHF) grew 7% YoY; affordable and small-ticket HFCs saw ~15% YoY growth; NBFC-MFIs grew 12% YoY (down 6% QoQ); and gold loan NBFCs grew ~25% YoY. NII/PPoP/PAT grew 19%/17%/2% YoY for our coverage companies (excl. PIEL).
- NIM for HFCs (including affordable HFCs) was either stable QoQ or contracted because of pressure on yields and an increase in the portfolio cost of borrowings (CoB). For CANF, NIM expanded ~10bp QoQ due to higher yields and lower CoB. Large HFCs, such as PNBHF, reported stable NIM QoQ, while LICHF reported a ~5bp QoQ decline in NIM, mainly due to a contraction in yields. Among small HFCs, AB Housing Finance reported stable NIM QoQ and Aavas reported a sequential NIM compression in 2Q.
- While there is no consensus on the quantum and timing of a repo rate cut in India, it will be incrementally positive for fixed-rate vehicle financing. The demand outlook has weakened in the new vehicle segment amid weakening demand in the PV segment and sluggishness in last-mile delivery vehicles like LCV/SCV (due to weak consumption). In the used vehicle segment, there was a divergence in commentaries by VFs, with one suggesting stable momentum and the other suggesting demand/delinquencies in used CVs were similar to that in new CVs. VFs indicated that 2H is expected to be better in terms of disbursements and AUM growth. VFs (except SHFL) reported a minor worsening in asset quality due to industry-wide deterioration in collections accentuated by floods and extended monsoons in certain parts of the country.
- Except for power financiers and select affordable HFCs, a vast majority of NBFCs, including MFIs (particularly in unsecured product segments), reported a deterioration in asset quality, attributable to customer overleveraging, sluggishness in consumption, and floods/extended monsoons. In addition to customer overleveraging, MFIs also

attributed sustained slippages to low center meeting attendance and high attrition at the loan officer levels. Asset quality remains a concern for MFIs and a recovery is still distant. PNBHF, LICHF, PFC, REC and SHFL reported a QoQ improvement in asset quality. Credit costs were significantly elevated for NBFC-MFIs, which posted a sequential decline in loan growth and a sharp deterioration in asset quality. CREDAG/Spandana/Fusion reported a sequential rise in GS3 of ~100bp/~230bp/~395bp, resulting in high credit costs in 2Q.

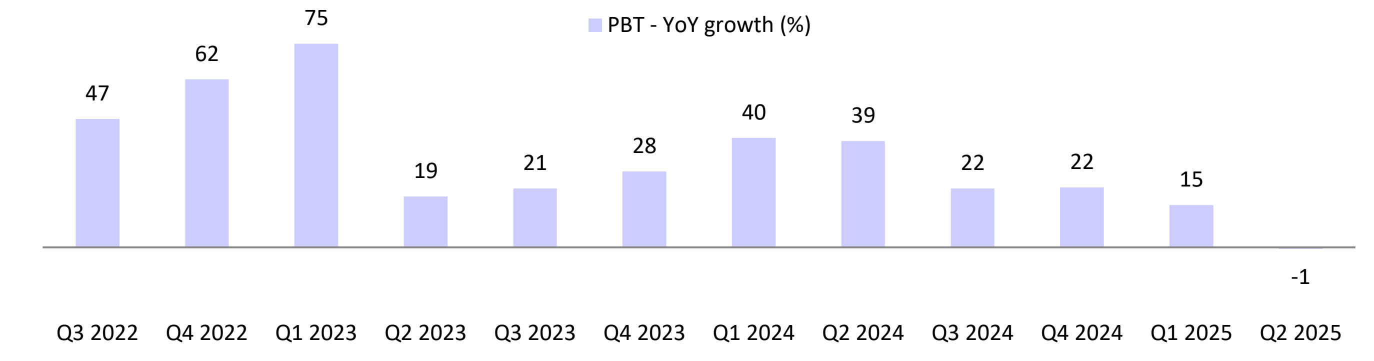
- **HFCs/AHFCs – Expected Interest rate cut and rollout of CLSS scheme are positive for demand outlook; NIM could exhibit transitory compression:** HFCs reported a steady quarter as disbursements were either sequentially stable or exhibited minor growth because of lower construction activity during monsoons. PNBHF, LICHF, CANF and Repco reported a sequential improvement in disbursements. Competitive intensity remains high, which impacted the incremental yields for HFCs. Affordable HFCs (except for HomeFirst, CANF, Repco) reported a sequential moderation in margins because of the pressure on yields and a rise in CoB (in some cases). Selectively, some affordable HFCs have taken PLR increases to offset the compression in spreads and NIM. Asset quality remained broadly stable or improved across HFCs and AHFCs despite some industry stress seen in other (unsecured) products, as borrowers prioritized repaying secured loans.
- **Vehicle financiers – Muted disbursements on slowdown in PVs; minor deterioration in asset quality from floods and extended monsoons:** Disbursements grew 11% YoY for three VFs in our coverage universe. While SHFL and CIFC have a diversified AUM mix, we have classified them under VFs for this exercise. Asset quality deteriorated for CIFC and MMFS, while there was a minor improvement for SHFL. SHFL's NIM saw a minor sequential improvement because of better yields. However, NIM for MMFSL saw a minor contraction due to pressure on yields and some impact of seasonality from higher trade advances before the onset of the festive season.
- **Diversified financiers – Stress from unsecured retail loans such as MFI and small-ticket MSME, resulting in growth calibration and higher credit costs:** Diversified lenders, including BAF, AB Capital, LTFH and even SHFL, continued to calibrate their growth in personal loans. Poonawalla acknowledged the stress in small-ticket personal loans and took a one-time credit cost of ~INR6.7b on this book. LTFH performed significantly better than the overall industry and its MFI peers, and did not exhibit any significant stress in its rural business loans (MFI portfolio). However, in our view, it remains vulnerable given that the MFI sector is going through a period of heightened stress and there is no visibility on improvement in collections as yet.
- **Gold financiers – Gold loan growth remained healthy without any associated trade-off in margins:** Gold loan growth over the last two quarters has been accompanied by decent gold tonnage growth and customer additions. MUTH/MGFL reported ~6%/3% QoQ growth in gold loans. Asirvad MFI (subsidiary of MGFL) and Belstar (subsidiary of MUTH) acknowledged the stress in the MFI segment, which resulted in higher credit costs. During the quarter, the RBI in its circular instructed gold lenders to review their gold lending policies and monitor the end use of gold loans. Going forward, we need to closely monitor the trajectory of gold prices and the impact on competitive industry after the ban on IIFL Finance was revoked by the RBI.
- **Microfinance institutions (MFIs) – Asset quality deteriorated further and loan growth was muted; high credit costs impacted profitability; recovery is still distant:** A significant deterioration in asset quality across the microfinance sector, with all NBFC-MFIs, SFBs and even larger banks acknowledging the problem of customer overleveraging, which has resulted in higher delinquencies and lower collection efficiencies. Spandana attributed its asset quality deterioration to high attrition, low center meeting attendance and disruption in select geographies due to rainfall and floods. CREDAG continued to see forward flows into higher buckets and reported a lower collection efficiency, resulting in a rise in GS3. FUSION performed the worst among MFIs, reporting a GNPA of ~9.4% as of Sep'24; this has perhaps triggered auditors to comment on material uncertainty in relation to going concern assumption of the company. MFIs have aligned their business teams and have become compliant with the guardrails proposed by MFIN. We believe credit costs are likely to remain high in 3Q and will be far from the normal level. We expect a recovery by FY25 end or early FY26.
- **Power financiers – Good quarter supported by strong disbursements and healthy loan growth; stressed asset resolutions keep credit costs benign:** Power financiers reported a robust loan growth in 2Q, with PFC/REC reporting loan growth of ~10%/15% YoY. NIM was broadly stable. Both lenders posted strong sanctions and guided for healthier disbursements and loan growth in 2HFY25. Asset quality continued to improve, driven by

resolution of a stressed asset. Given expectations of resolutions in some of the stressed assets, which are in advanced stages of resolution, credit costs will be benign in 2H.

- **Our view:** Expected cuts in repo rates in 2HFY25 will be positive for the NBFC sector (in particular for fixed-rate lending like vehicle finance). The microfinance sector will go through a difficult patch for the next few quarters because the problem of customer overleveraging is broad-based (spread across different states) and this stress will run its course before things improve. While we fundamentally have a **positive** stance on the sector, the regulatory overhang has currently taken the center stage, with most investors/analysts trying to understand the regulatory risks for each of the NBFCs (including MFIs and mortgage lenders). While VFs will benefit in a declining interest rate environment, the outlook on their loan growth has become weaker due to a slowdown in the PV segment. PMAY CLSS announced in the Union budget will spur housing purchases and give a gradual fillip to demand for mortgages. Our preferred ideas are SHFL, PNBHF, and PFC/REC.
- **Positive Surprises:** SHFL, MUTH
- **Misses:** CREDAG, Spandana, Poonawalla, IIFL Finance, MMFSL, Fusion
- **Rating Change:** NA

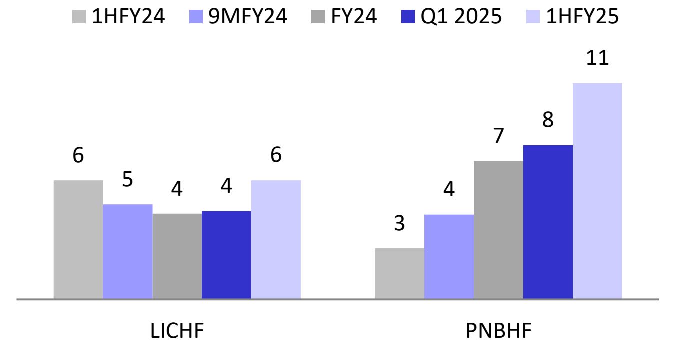
Guidance highlights: a) MMFS guided for flat disbursement growth in FY25; b) MUTH raised its FY25 gold AUM growth guidance to ~25% YoY; c) BAF guided for ~27-28% AUM growth in FY25 and medium-term AUM growth of ~25-28%; guided for FY25 credit costs of ~2.05% (vs. ~1.75%-1.85% earlier); d) PNBHF guided for retail recoveries to continue for the next 4-5 quarters; and e) NBFC-MFIs, particularly CREDAG and Spandana, guided for stabilization in 3Q and improvement from 4QFY25 onward.

Exhibit 82: PBT (ex-PIEL) down 1% YoY for our NBFC coverage universe*



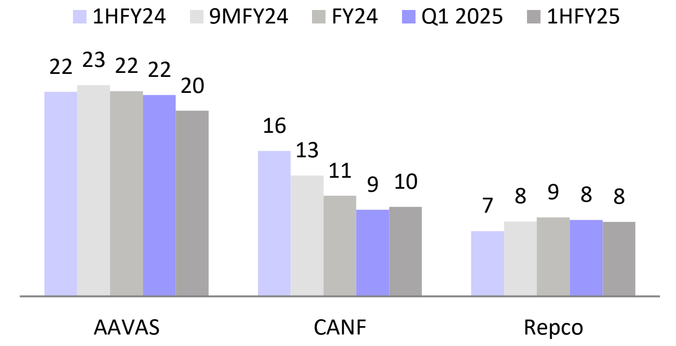
Source: MOFSL, Company, *MOFSL universe excl. PIEL and Indostar

Exhibit 83: LICHF loan growth has lagged the industry, while PNBHF retail loan growth has been gaining momentum



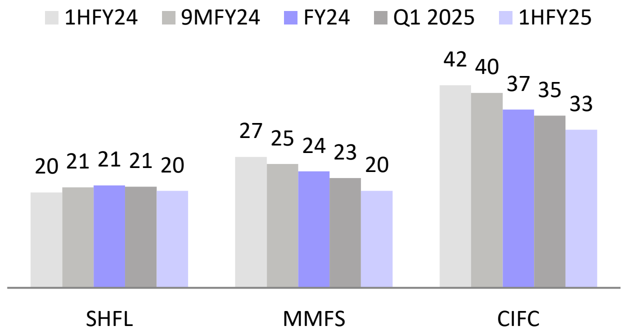
Note: YoY AUM growth for large HFCs

Exhibit 84: Loan growth moderated for Aavas, while it was largely stable for Repco and Canfin;



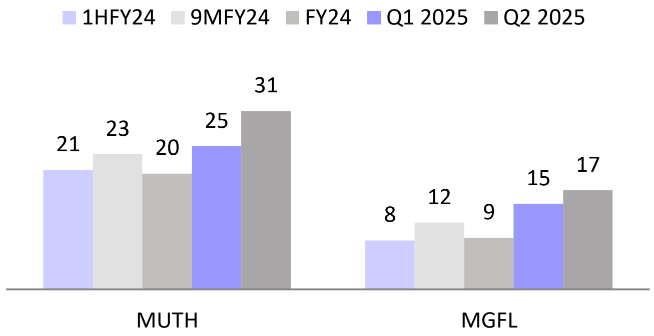
Note: YoY AUM growth for affordable housing financiers

Exhibit 85: SHFL is best placed among VFs to exhibit strong growth in the subsequent quarters



Note: YoY AUM growth for vehicle financiers

Exhibit 86: Gold loan growth picking up pace, aided by higher gold prices, tonnage growth and customer additions



Note: YoY AUM growth for gold financiers

Exhibit 87: PAT (excl. PIEL) grew 2% YoY for our NBFC coverage universe*

INR m	NII			PPOP			PAT			NIM		
	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (bp)	QoQ (bp)
AAVAS	2,418	9	-1	1,948	19.5	14.9	1,479	21.5	17.3	6.6	-0.7	-0.2
ABCAP (NBFC)	17,114	13	0	11,804	9.0	-1.7	6,290	14.8	1.3	6.2	-0.6	-0.3
ABCAP (HFC)	2,730	33	20	1,158	18.2	27.6	1,038	7.1	22.5	4.2	-0.7	-0.0
BAF	88,377	23	6	73,071	25.2	5.2	40,137	13.0	2.6	9.7	-0.6	-0.1
CANF	3,398	7	6	2,878	6.5	3.0	2,115	33.8	5.9	3.8	-0.1	0.1
CIFC	27,128	35	5	19,221	35.3	3.9	9,631	26.3	2.2	6.8	0.0	-0.1
Fivestar	5,161	30	7	3,800	36.9	7.1	2,679	34.4	6.5	19.4	-0.7	0.1
HomeFirst	1,566	19	7	1,261	20.7	5.9	922	24.1	5.1	5.8	-0.8	-0.0
IIFL Finance	13,394	-6	-7	8,532	-8.9	24.1	-1,577	-	-	3.9	-0.0	0.0
LTHF	25,431	35	5	15,899	22.5	8.3	6,967	17.2	1.7	11.2	1.6	0.0
LICHF	19,739	-6	-1	17,417	-8.3	-1.7	13,289	11.9	2.2	2.7	-0.3	-0.1
MMFSL	18,106	14	2	11,961	26.9	5.4	3,695	57.1	-28.0	6.6	-0.4	-0.2
MASFIN	1,324	29	7	1,284	23.9	8.5	766	27.6	8.7	7.2	0.2	0.3
MGFL	16,354	21	6	10,331	19.2	5.3	5,721	2.0	2.8	14.8	-0.2	0.3
Muthoot	25,180	35	9	19,150	42.7	11.6	12,511	26.3	16.0	11.8	0.6	0.0
PIEL	7,754	6	7	3,166	-35.5	33.4	1,630	238.2	-10.2	8.0	-1.0	3.0
PNBHF	6,618	3	3	5,591	1.3	3.1	4,697	22.6	8.5	3.7	-0.3	0.0
PFL	5,592	18	-3	2,792	-16.8	-35.4	-4,710	-	-	9.2	-1.7	-0.8
REPCO	1,884	7	3	1,367	2.2	-0.9	1,125	14.7	6.7	5.1	-0.3	-
SHFL	54,641	19	4	39,848	14.5	3.4	20,696	18.2	4.5	9.2	-0.1	0.0
CREDAG	4,846	14	-5	6,721	19.5	-5.2	1,861	-46.4	-53.2	13.5	0.4	0.5
FUSION	3,987	30	0	2,838	17.4	-4.7	-3,050	-	-	11.5	0.4	-0.1
SPANDANA	3,487	10	-20	2,278	-11.6	-20.6	-2,163	-	-	14.0	-0.8	-1.9
PFC	44,083	18	2	53,284	13.7	15.8	43,704	13.6	17.6	3.6	0.1	0.0
REC	49,678	23	6	48,955	21.0	2.0	40,055	6.2	16.4	3.7	0.3	0.1
Total (excl. PIEL)	**4,42,235**	**19**	**4**	**3,63,391**	**17.5**	**5.2**	**2,07,876**	**2.4**	**-1.5**			

Source: MOFSL, Company, *MOFSL universe excl. PIEL and Indostar

Exhibit 88: Advances/AUM growth

INR b	Advances/AUM		
	2QFY25	YoY (%)	QoQ (%)
AAVAS	184	20.1	3.1
ABCAP (NBFC)	1,147	22.7	6.9
ABCAP (HFC)	232	50.5	13.9
BAF	3,739	28.8	5.6
CANF	366	9.7	2.9
CIFC	1,646	32.5	5.9
Fivestar	109	32.2	5.6
HomeFirst	112	34.2	7.2
IIFL Finance	670	-8.4	-3.8
LTHF	930	18.1	4.8
LICHF	2,946	6.0	2.1
MMFSL	1,125	20.0	5.8
MASFIN	110	21.8	6.1
MGFL	457	17.4	1.7
Muthoot	902	30.7	7.0
PIEL	747	11.6	5.8
PNBHF	747	10.8	3.0
PFL	284	40.5	5.3
REPCO	140	8.1	1.9
SHFL	2,430	19.9	4.1
CREDAG	251	11.8	-4.5
FUSION	116	15.4	-5.1
SPANDANA	105	7.7	-10.1
PFC	4,934	9.8	3.9
REC	5,461	15.1	3.1
Total	**29,891**	**16.52**	**3.9**

Source: MOFSL, Company

Exhibit 89: Asset quality snapshot

Asset quality	As on 1QFY25 (%)			As on 2QFY25 (%)			QoQ change (bp)		
(%)	GNPA	NNPA	PCR	GNPA	NNPA	PCR	GNPA	NNPA	PCR
AAVAS	1.0	0.7	28.8	1.1	0.8	28.7	7	5	-16
ABCAP (NBFC)	2.5	1.3	49.5	2.5	1.4	46.0	-1	8	-350
ABCAP (HFC)	1.6	NA	NA	1.3	NA	NA	-30	-	-
BAF	0.86	0.4	56.1	1.06	0.5	57.1	20	8	106
CANF	0.9	0.5	47.0	0.9	0.5	46.0	-3	-2	-100
CIFC	2.6	1.5	45.5	2.8	1.6	44.5	21	14	-100
HomeFirst	1.7	1.3	27.5	1.7	1.3	26.7	-1	0	-78
IIFL Finance	2.3	1.1	51.3	2.4	1.1	55.5	15	-3	420
LTFH	3.1	0.8	75.3	3.2	1.0	70.6	5	17	-475
LICHF	3.3	1.7	49.6	3.1	1.6	49.3	-24	-11	-33
MMFSL	3.6	1.5	59.8	3.8	1.6	59.5	27	13	-31
MASFIN	2.5	1.5	39.1	2.6	1.6	39.1	3	2	-5
MGFL	2.0	1.7	NA	2.4	2.1	NA	40	40	-
Muthoot	4.0	NA	NA	4.3	NA	NA	33	-	-
PIEL	2.4	1.0	60.0	2.8	1.4	53.5	37	35	-649
PNBHF	1.4	0.9	32.5	1.2	0.8	32.7	-11	-8	27
PFL	0.7	0.3	52.4	2.1	0.3	84.5	143	1	3205
REPCO	4.3	1.7	61.8	4.0	1.6	60.7	-30	-8	-108
SFL	5.4	2.7	51.1	5.3	2.6	51.7	-7	-7	55
CREDAG	1.5	0.5	69.2	2.4	0.8	69.5	98	31	31
FUSION	5.5	1.3	78.1	9.4	2.4	76.2	395	113	-194
SPANDANA	2.6	0.5	79.8	4.9	1.1	79.7	227	52	-13
PFC	3.4	0.9	74.4	2.7	0.7	73.6	-67	-15	-81
REC	2.6	0.8	68.5	2.5	0.9	65.1	-8	6	-335

Source: MOFSL, Company

FINANCIALS – NON-LENDING: Stable momentum for capital market players; elevated claims hurt profitability of general insurers; subdued VNB margins for life insurers

- **Capital market activity continues to rise:** Strong momentum in overall volumes remained intact in 2QFY25, backed by a higher number of trading days. However, cash ADTO witnessed a declining trajectory from the Jun'24 peak. Demat account addition was at an all-time high of 13.1m, while the number of NSE active clients increased to 47.9m. The increase in orders due to higher trading days, along with growth across various pockets, led to 46% YoY growth in Angel One's revenue. The company demonstrated cost efficiency despite strong client addition, but investments in headcount for new non-cyclical business segments impacted margins.
- **F&O surge benefitting exchanges:** Growth momentum was stable in option volumes during the quarter, improvement in the premium-to-notional turnover ratio and market share gains benefitted BSE's revenue and profitability. Star MF continued to report a healthy performance as volumes jumped 70% YoY and revenue surged 2x. The surge in commodity volumes (110% YoY growth in total ADT), driven by rising participation and increase in turnover/clients, led to strong revenue growth for MCX. Options ADT surged 125% YoY to INR1.9t, largely propelled by 194% YoY growth in bullion contracts and 117% YoY growth in energy contracts. Futures ADT rose 44% YoY to INR269b, fueled by 59%/61%/7% YoY growth in bullion/base metals/ energy contracts.
- **Robust flow trajectory in asset management:** AAUM of the MF Industry reached INR68t at the end of 2QFY25, up 10.9% QoQ. Total equity AAUM grew 13.2% QoQ. Net inflows stood at INR2.26t vs. INR3.06t in 1QFY25. SIP flows continued to gain traction, with INR714b flows in 2QFY25 vs. INR625b in 1QFY25. The consistent growth momentum in the industry resulted in 55% YoY growth in CAMS' PAT, supported by a YoY increase in the share of non-MF business and an improving mix of equity AUM in the total MF AUM. 360ONE continued to witness strong ARR flows but a sequential decline in ARR yields due to broker code changes, high cost of borrowing and lower carry income. The company's plan to diversify across client segments (mass affluent) and geography (lower-tier cities) is gaining traction, and its global platform has also seen green shoots.
- **VNB margins hit by product mix changes:** Life insurance players continued to report healthy premium growth. HDFC Life/Ipru Life/Max Financial witnessed better-than-industry growth of 27%/21%/31% YoY, while SBI Life saw tepid growth of 3% YoY. However, VNB margins for IPRU/SBILIFE/HDFCLIFE/MAXF contracted 460bp/160bp/190bp/160bp YoY due to a rising share of ULIPs and the delay in re-aligning non-par prices with a decline in bond yields. LIC reported APE growth of 26% YoY and VNB margins expansion of 260bp YoY to 17.9%.
- **Spike in NATCAT claims impacted profitability:** General insurance firms posted modest growth in premiums, impacted by low automobile sales, while demand for health insurance remained steady. Commercial business line is growing in line with economic growth. Profitability of insurers was largely impacted by a rise in NATCAT claims and prolonged monsoon keeping the health loss ratios elevated, while motor segment loss ratios were steady. For Star Health, the spike in loss ratio due to increasing share of group segment, heightened medical inflation and elevated claims led to an increase in the combined ratio to 103%. ICICI Lombard's combined ratio was impacted by elevated opex. ICICIGI/STARHEAL posted YoY NEP growth of 17%/16% and PAT growth of 20%/ decline of 11% YoY.

Valuation and view: Capital market participants are benefitting from rising volumes, strong demat additions and positive market sentiments. We believe that the impending F&O regulations will affect the profitability of players like Angel One and BSE in the short term. However, a gradual recovery in volumes, Angel One's strategy to diversify from core broking revenues, and improvement in BSE's premium-to-notional turnover ratio will lead to steady earnings growth in the long run. New product launches and rise in active clients will boost revenue and profitability of MCX over the medium term. Strong growth in mutual fund flows and steady trend of financialization of savings will benefit CAMS and 360ONE. General insurers have witnessed modest premium growth in the recent quarters and we expect growth to recover with automobile sales recovery and continued popularity of health insurance. IRDAI's new surrender value regulations w.e.f. Oct'24 will lead to changes in product and commission construct, impacting growth and profitability in 2HFY25 for life insurers. **Our top picks are ANGELONE, 360 ONE, HDFCLIFE and SBILIFE.**

- **Surprises:** BSE, CAMS
- **Misses:** STARHEALH, IPRU LIFE

Guidance highlights:

- **360ONE:** On the new businesses front, the HNI segment is live and gaining traction, while the global business completed the Phase 1 of the platform and reported new flows of USD160m. More recruitment and expansion to new cities will start in Apr'25. MF offerings are growing due to strong fund performance and strengthened salesforce. 360ONE is deepening its channel presence in the domestic market through MFDs. It plans to reduce dividend payout from 65-80% currently to 25-40% (mainly from wealth and AMC segments). The management maintains the flow guidance of INR250-300b as the platform gains traction and the C/I ratio to come down to 46-47% by 4QFY25 or early FY26 from the late 40s currently.
- **ANGELONE:** Management anticipates a hit of 13-14% in broking revenue owing to volumes decline in the near term, which can be mitigated through a number of levers, including the pricing action. However, if the current client addition growth rate continues, the impact will be negligible. To drive brand awareness, the company continues to invest in marketing, including IPL sponsorships. ANGELONE is actively diversifying beyond broking, and has taken constructive steps to grow in various areas. While the cost-to-income ratio is currently elevated due to new business investments, it is expected to stabilize as these operations ramp up.
- **BSE:** Under the True-to-Label charges regulation, BSE raised the transaction fee for options contracts to INR3,250 per crore, while for equity cash segment fee remains unchanged (on flat basis since Dec'22). The lot sizes have increased to 20 for Sensex, 30 for Bankex and 60 for Sensex 50. BSE will continue with Sensex Derivatives as weekly expiry and shift Bankex and Sensex 50 to monthly contracts. BSE faces challenges with differential regulatory and clearing fees and has requested regulatory reconsideration. Any relief would benefit BSE.
- **CAMS:** The company witnessed the fastest quarterly growth in overall AUM, adding INR4.9t in 2QFY25 to INR45t as of Sept'24 (a historic high in AUM accretion). Non-MF revenue share stood at ~12.9% of total revenue (in line with the guidance of 2% increase in share every year). Costs are largely expected to be stable, except variable portion, which is rising with revenue growth. Management forecasts EBITDA margins of ~47-47.5% in FY25 from 46.6% currently.
- **MCX:** Key growth drivers include new product launches (futures & options), continued volatility in commodity prices amid global uncertainties, and sustained growth momentum in retail participation in the options market. MCX introduced single-tier transaction charge to adhere to true-to-label regulations. This has effectively reduced the charges for a vast majority of clients.
- **ICICIGI:** It maintains a combined ratio guidance of 101.5% for FY25. Loss ratio guidance for Motor OD/Motor TP/Overall stood at 60-65%/65-70%/65-67%, whereas for the health segment, the retail/group segment at 70%/94-95%. The Retail health segment's market share grew to 3.5% from 2.1%, driven by the 'Elevate' product. The company remains cautious about the group health employer-employee segment due to increased competitive intensity.
- **STARHEAL:** Claims ratio increased owing to 1) seasonal impact due to extended monsoons, 2) 10% rise in severity, 3) 6% increase in frequency, 4) higher reinsurance business taken last year, and 4) rising share in the group business. The company has reprised 10-12% of the product portfolio and plans to reprise 50-60% more following the differential pricing method to manage the loss ratios. The management guides for overall growth at 18% for FY25 with GWP of INR300b and PAT of INR25b by FY28. While the company aims for a long-term combined ratio of 95-96%, medical inflation poses a short-term challenge.
- **HDFCLIFE:** An impact of 100bp is expected on VNB margins from the new surrender charges regulations. The company is renegotiating with channel partners to reduce the impact. It guides for 15-17% growth in VNB in FY25. However, surrender regulations and the high popularity of ULIP will be an overhang on margins. It also guides for 18-20% growth in APE for FY25. VNB margins declined to 24.6% (25.5% our est.) due to high ULIP share in the product mix and repricing of non-par products.
- **IPRU:** The company expects a minimal impact of new surrender charge regulation and is in discussion with the channel partners to offset the impact through various models, including commission claw-back, reduction of commission in certain products, etc. Management will focus on the growth of absolute VNB and product mix,

while VNB margins being the end result. VNB margins declined 460bp YoY to 23.4%, mainly due to 1) a shift in the product mix toward ULIPs, and 2) delays in IRR change to accommodate declining G-sec yields.

- **LIC:** In order to ensure no adverse impact of new regulations on margins, LIC has relaunched 32 out of 54 products and many have undergone revisions in premium rates, along with design changes. Redesigning products is done with a mindset of 1) aligning with regulator expectations, 2) maintaining investor profitability and 3) keeping benefits of intermediary intact. There has been no change in commission rates, policies have been modified to link rewards to better persistency. Persistency improvement has been mixed across cohorts with respect to policy and premium. The company is incentivizing the sale of higher-ticket size and longer-duration policies to improve persistency.
- **SBILIFE:** No change is made to the commission structure due to the minimal impact of new surrender guidelines as the product mix is skewed toward ULIP. It guides for VNB growth to be in the range of 12-15% and VNB margin at ~26-27% for FY25. Regarding the product mix, the management has guided for Non-par, Protection and Par products to constitute ~40% and ULIP to constitute ~60% of the overall product mix. The management expects protection premiums to report strong growth on account of the recent launch of two new products, which will boost margins.

INR m	Revenue			EBITDA			PAT		
Broking/Wealth/RTA	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)
ANGELONE	9,996	48	9	5,446	34	37	4,017	32	37
IIFLWAM	6,175	45	3	3,520	65	5	2,907	16,058	19
CAMS	3,447	25	4	1,601	31	7	1,145	37	7
Exchanges									
BSE	7,104	126	17	3,214	127	13	2,898	146	10
MCX	2,729	65	16	1,724	-701	30	1,430	-850	29
General Insurance	Gross Premium			Underwriting Profit/(Loss)			PAT		
	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)
ICICIGI	71,504	14	-10	-1,216	NA	NA	7,098	23	22
STARHEAL	43,288	16	25	-892	14	NA	1,566	25	-51
Life Insurance	APE			VNB			PAT		
	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)	2QFY25	YoY (%)	QoQ (%)
HDFCLIFE	38,580	27	35	9,380	17	31	4,330	15	-9
IPRU	25,040	21	28	5,860	2	24	2,517	3	12
SBILIFE	53,900	3	48	14,500	-3	49	5,294	39	2
MAXFIN	21,700	31	49	5,120	23	102	1,393	-11	-11
LIC	1,64,650	26	42	29,410	47	83	76,209	-4	-27

HEALTHCARE: In-line 2Q; robust mid-teens YoY growth in EBITDA despite seasonal headwinds

- Our coverage companies (excluding hospitals) reported in-line sales/EBITDA/PAT in 2QFY25. The profitability was driven by: a) increased contribution from limited competition products, b) steady growth in chronic therapies, and c) current higher inventory levels for raw materials at the industry-level benefitting formulators. This was partly offset by the lower off-take of products in acute therapies due to an unfavorable season.
- On an aggregate basis for the pharma segment, sales/EBITDA/PAT grew 10%/17%/15% YoY. EBITDA margins expanded 150bp YoY for 2QFY25.
- In the overall listed hospital space, Revenue/EBITDA grew 18%/20% YoY, led by an increase in volume growth (up 10.7% YoY) supported by the ARPOB growth (up 6% YoY). Meanwhile, occupancy was in line with that of 2QFY24 at ~65%. During the quarter, there was an addition of ~2940 operating beds in listed hospital spaces. From the 2QFY25 performance perspective, APHS/MAX were largely in line with our estimates while MEDANTA was above our estimates. The performance was driven largely by the growth in volumes, while ARPOB growth was moderate for the quarter.
- Out of 24 companies, six reported a better-than-expected performance. GLAND/GSK/MEDANTA/LPC/MANKIND specifically beat our earnings estimates by 5.1%/7.1%/19.3%/11.8%/9.1% for the quarter. 5 out of 20 companies delivered a miss on estimates. ALPM/TRP/IPCA missed our estimates by 16.8%/11.3%/5.5% for the quarter.

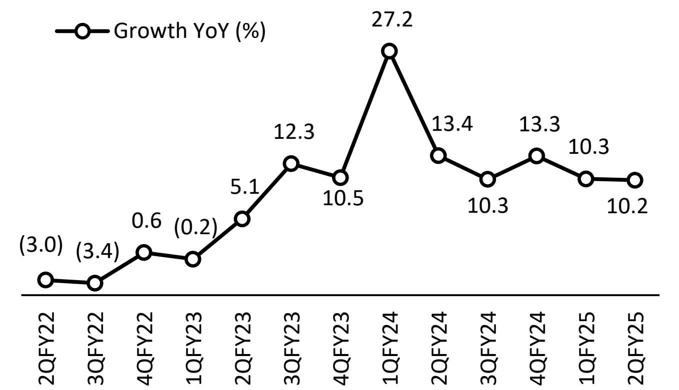
- **US sales** witnessed a robust performance, up 10.2% YoY (in cc terms) to USD2.4b, on an aggregate basis, for the companies under our coverage. The YoY growth has been steady for five consecutive quarters now. Improved segmental mix, increased niche launches, better traction in existing products, and lower price erosion in the base portfolio resulted in healthy YoY growth in US generics for the quarter.
- Among our coverage companies, ZYDUSLIF delivered the highest YoY growth of 28% in US sales, led by niche product launches such as Mirabegron and volume expansion in the base business. SUNP delivered 20% YoY growth in US sales, led by strong growth momentum in specialty products including Illumya, Cequa, and Winlevi. g-revlimid also led the growth in the US market for SUNP. The DRRD US segment delivered 17% YoY growth on account of the integration of the Mayne portfolio, new launches, and an increase in sales volumes, partially offset by price erosion. However, ALKEM/TRP witnessed a 25%/6% YoY decline in US sales due to the lack of approvals and price erosion in the base business.
- On an overall basis, our coverage companies received approvals for 74 ANDAs (54 final approvals and 20 tentative approvals) in 2QFY25.
- On an aggregate basis, **Domestic Formulation (DF)** exhibited YoY growth of 11% in 2QFY25 led by strong growth in Chronic therapies offset by the lower offtake of acute therapy. Among therapies, Cardiac/GI/Anti-diabetic/Derma delivered 11.6%/9.8%/9.1%/9.5% YoY growth, outperforming IPM (8% YoY growth). However, Ophthal/Respiratory/Gynae underperformed IPM by 11.8%/5.3%/5.6%. Among our coverage companies, LPC/DRRD/GNP delivered 18.8%/17.8%/14.3% YoY for 2QFY25. ERIS delivered 46.7% YoY growth, partly due to acquisitions.
- Among our coverage companies, nine companies have seen earnings upgrades while 12 have seen earnings downgrades. The maximum upgrades in FY25/FY26/FY27 earnings were seen in LPC (15.4%/7.6%/7.4%), GLXO (4.3%/5.2%/4.9%), ZYDUS (2.7%/4.3%/0%), and ALKEM (0.9%/2.5%/10.2%). Conversely, BIOS (55.8%/48.1%/25.4%), ALPM (15.5%/8.1%/5.3%), GLAND (7.6%/10.1%/7%), and LAURUS (7.9%/4.8%/0%) witnessed maximum downgrades in earnings estimates.
- **Top picks: SUN, MEDANTA, IPCA**
- **Surprises:** DIVI, GLAND, GSK, LPC, MANKIND, MEDANTA
- **Misses:** ALPM, IPCA

Guidance highlights

- **SUNP** has reduced its guidance for R&D spending to 7-8% from 8-10% earlier due to a delay in clinical trials in FY25. The unfavorable court outcome has pushed off the launch of SUNP's Deuruxolitinib in the US market. SUNP is gaining traction in Ilumetric in China and expects it to be a meaningful product in the country.
- **DRRD** expects Abatacept to be launched in FY27. The company expects SG&A expenses to be ~27.5-28% of the revenue for FY25. DRRD expects to launch b-Rituximab in Feb'25/1HFY26 for the EU/US market.
- **DIVI's** DIVI guided for a capex of INR16b for FY25, which is higher than its earlier annual run rate. Production from phase 1 of Unit 3 would start in Dec'24. Gadolinium-based compounds are currently under the qualification phase.
- **CIPLA** has guided for 24.5%-25.5% EBITDA margin in FY25. CIPLA indicated US quarterly sales to moderate to ~USD220m in 3Q due to production modification at its partner's site for Lanreotide.
- **BIOS** anticipates better growth outlook for 2HFY25, led by strong growth of Syngene, market share gain in the key biosimilars, and the launch of GLP-1 in the UK. BIOS expects the generics business to witness recovery in 2H.
- **LPC** expects EBITDA margin to be 22-23% for FY25. It guided the US business to grow in double digits in FY25, led by Predforte, gMyrbetriq, Tiotropium, and gProlensa. LPC looks forward to a GLP-1 opportunity in the emerging markets (from CY26 onwards). It expects opportunities from Glucagon/Dalbavancin in 4QFY25/1QFY26.
- **ZYDUSLIF** reiterated its FY25 revenue growth guidance for high teens. Mirabegron remains an interesting opportunity in 2HFY25. ZYDUSLIF guided for 8% R&D spending for the full year. ZYDUS is working closely with the USFDA to implement Corrective and Preventive Action (CAPA) in order to resolve WL at its Jarod site.
- **APHS** indicated that ARPOB will witness 6-7% YoY growth going forward, led by a better case mix/ALOS. AHEL plans to add ~1,600 beds across four hospitals - Gurugram, Hyderabad, Kolkata, and Pune - in FY26.

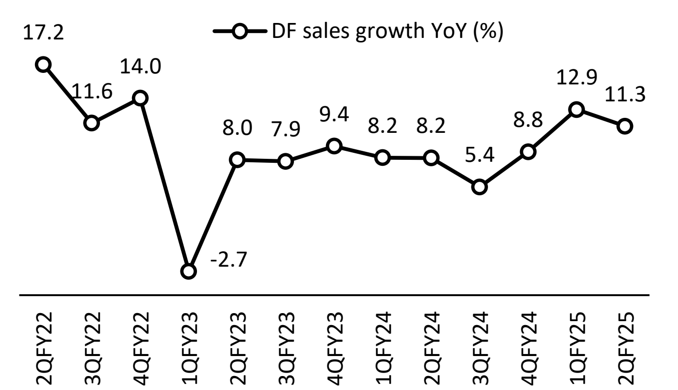
- **LAURUS** maintained its outlook for FY25. It also guided an EBITDA margin of 20% for FY25. The crop protection intermediate facility qualification is targeted for the end of FY25. LAURUS is on track to build a commercial fermentation capacity at Vizag.
- **GLAND** maintained its guidance of mid-teens YoY growth in revenue (ExCenexi) for FY25. It guided ROW markets to grow at a healthy rate for the year. Moreover, it guided positive EBITDA in 4QFY25 for the Cenexi business.
- **TRP** expects the current levels of gross margin (~76.5%) to sustain going forward. TRP has guided for 50-100bp annual EBITDA margin expansion over the next three years, led by price hikes and operating leverage. The company expects the R&D spend as a % of sales to remain ~5-5.5% for the year.
- **IPCA** guided revenue growth of 9-10% with EBITDA margins of 22% in FY25. For Unichem, IPCA guided revenue of INR19b in FY25 with EBITDA margins of ~14-15% in FY25. IPCA expects six product launches in the US in FY25 (three products launched by Sep'24) and 6-7 products in FY26 via Unichem.
- **MAXHEALTH** expects ARPOB to grow 8-9% over the next 12M. MAXH plans to increase operational bed capacity from 376 beds currently to 430 beds by end-FY25 and 480 beds in 2HFY26 in Jaypee hospitals, Noida. MAXH will operationalize 140/141/150/268 beds in Lucknow/Dwarka/Nagpur/Nanvati by the end of FY25.
- **MEDANTA** has witnessed signs of recovery at the Lucknow hospital. It has also expanded its clinical capabilities at this site. MEDANTA remains on track to begin the Noida hospital in 1QFY26. The O&M project to cater to micro markets of Northwest and West Delhi would require a capex spend of INR6b.

Exhibit 90: US sales grew 10.2% YoY in 2QFY25 (CC terms)



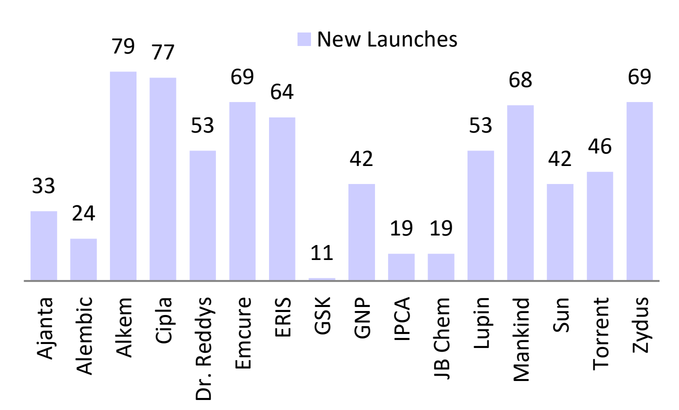
Ex-APHS/MAXHEALT/MEDANTA Source: MOFSL, Company

Exhibit 91: DF sales grew 11.3% YoY in 2QFY25



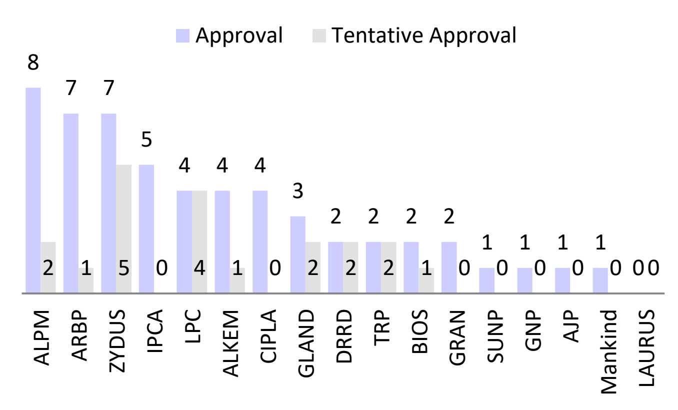
Ex-APHS/MAXHEALT/MEDANTA Source: MOFSL, Company

Exhibit 92: Alkem tops amongst peers in new drug introduction over last eight quarters



Source: MOFSL, Company

Exhibit 93: 54 Final ANDAs approved on an aggregate basis for our coverage universe in 2QFY25



Source: MOFSL, Company

Exhibit 94: Aggregate EBITDA up 17.3% YoY to INR193b in 2QFY25 for the pharma universe

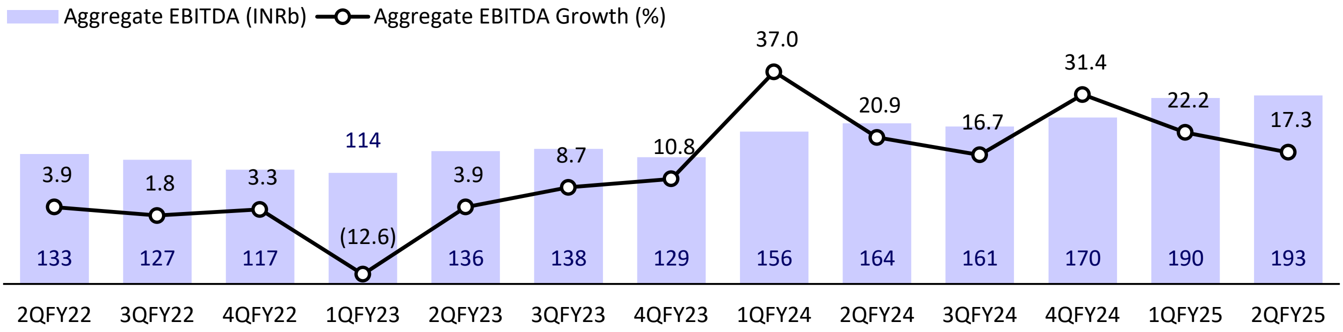
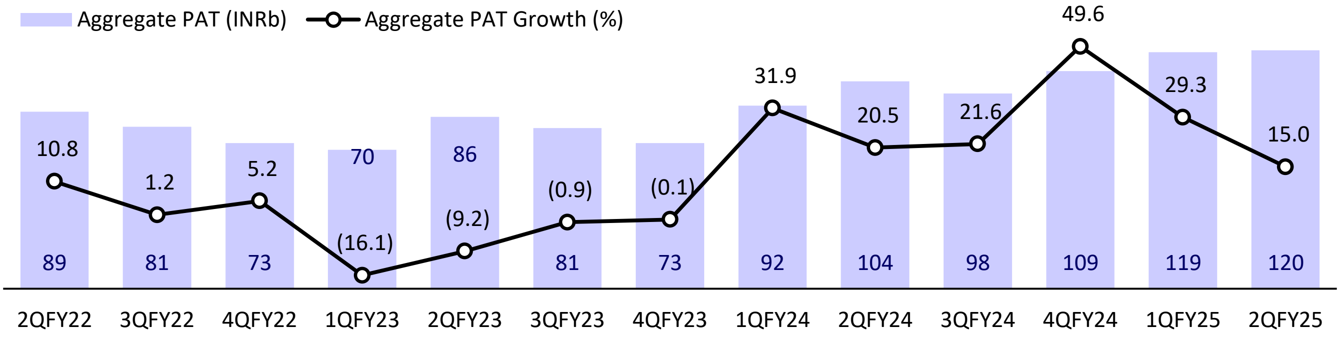


Exhibit 95: Aggregate PAT up 15% YoY in 2QFY25 for pharma companies under coverage



Ex-APHS/MAXHEALT/MEDANTA/SOLARA

Source: MOFSL, Company

Exhibit 96: USFDA inspection history of our coverage companies for the quarter

Company	Inspection Date	Inspection Facility	Outcome	Observations
Alembic	Sep-24	OSD - Panalev	EIR	0
	Jul-24	OSD - Panalev	Form 483	0
Granules	Jun-24	FD - Gagillapur	Form 483	6
Piramal	Sep-24	Ahmedabad	EIR	0
	Jul-24	Ahmedabad	Form 483	0
Dr. Reddy	Aug-24	(FTO-7 & FTO-9) in Duvvada, Visakhapatnam	EIR	0
Aurobindo	Sep-24	Unit II - API facility in Telangana	Form 483	10
	Sep-24	Eugia Steriles Pvt Ltd	EIR	0
	Aug-24	Unit III - Eugia Pharma Specialties Ltd.	OAI - Warning letter	
	May-24	Unit II - Eugia Pharma Specialties Ltd.	OAI	
Biocon	Sep-24	Insulins - Johor Bahru, Malaysia	Form 483	5
	Sep-24	API facility (Site 2) - Bengaluru	Form 483	4
	Sep-24	API facility (Site 1) - Bengaluru	Form 483	3
	Jul-24	Biocon Biologics - Bengaluru	EIR	VAI
	Jun-24	API facility (Site 5) - Andhra Pradesh	EIR	VAI
	Jun-24	API facility (Site 6) - Andhra Pradesh	EIR	0
Zydus Lifesciences	Apr-24	Injectable - Jarod, Vadodara	OAI - Warning letter	
Cipla	Jul-24	Kurkumbh	VAI	
	Nov-24	Virgonagar, Bengaluru	Form 483	8
Divis Labs	Jul-24	Unit II - Vishakhapatnam	Form 483	1
Gland Pharma	Aug-24	Pashamylaram Facility, Hyderabad	Form 483	3
	Jul-24	Dundigal Facility, Hyderabad	Form 483	2
Glenmark	Sep-24	Chhatrapati Sambhaji Nagar (Aurangabad), India	No observation	0
Lupin	Sep-24	Pithampur Unit-1 API and finished product	Form 483	3
	Jul-24	Dabhasa Facility	EIR	NA
Sun Pharma	Jul-24	Dadra facility	Warning letter	NA
Unichem	Jul-24	Goa formulation facility	Form 483	5
Laurus Labs	Sep-24	API manufacturing facility at Hyderabad	No observation	0

Source: MOFSL, Company

Exhibit 97: Performance of top therapies in Sept'24 - (INR b)

Company	MAT Sept'24 value	Market share (%)	Growth (%)	YoY growth (%) in the last eight quarters								One month
				Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Mar'24	Jun'24	Sep'24	Sep'24
IPM	2,253	100.0	7.7	7.4	3.6	9.2	7.2	8.3	5.7	8.9	8.0	5.1
Cardiac	286	12.7	11.1	5.3	7.1	10.6	9.9	9.0	11.3	12.4	11.6	9.7
Anti-Infectives	250	11.1	4.9	25.3	6.2	10.6	1.1	8.8	-2.9	6.5	7.0	-0.3
Gastro Intestinal	241	10.7	9.1	-10.1	-1.9	5.5	8.6	9.4	5.5	11.4	9.8	5.6
Anti Diabetic	199	8.9	7.4	-0.2	0.5	6.6	4.8	5.7	7.1	7.6	9.1	7.7
Respiratory	180	8.0	1.8	56.5	30.2	11.6	0.0	5.4	-2.7	1.7	2.7	-1.1
Pain / Analgesics	179	8.0	7.6	6.7	-1.5	11.1	7.4	8.3	5.9	8.4	7.6	4.6
Vitamins/Minerals/Nutrients	176	7.8	8.0	-2.7	-4.5	6.5	7.4	8.6	6.6	8.8	7.9	4.9
Derma	156	6.9	7.7	10.3	-3.0	8.5	5.5	3.5	8.1	9.6	9.5	8.3
Neuro / Cns	135	6.0	8.6	3.1	2.9	9.3	8.2	8.8	8.0	8.3	9.2	7.4
Gynaec.	111	4.9	5.0	-6.4	-1.6	5.5	8.3	6.7	5.1	5.8	2.4	1.2
Antineoplast/Immunomodulator	59	2.6	19.1	5.0	11.0	21.7	25.6	24.3	21.6	20.9	11.0	10.1
Ophthal / Otologicals	43	1.9	1.4	2.8	2.1	9.9	19.9	0.9	4.0	5.2	-3.8	8.0
Urology	49	2.2	13.3	4.7	5.4	14.8	14.3	12.4	14.0	13.7	13.1	11.5
Hormones	35	1.5	5.7	14.8	10.2	11.7	8.0	6.1	3.2	8.5	4.9	2.7

Source: IQVIA, MOFSL

INFRASTRUCTURE: Heavy monsoons hurt execution; sluggish project awarding in 1HFY25

- **Execution declines YoY amid heavy rainfall:** Infrastructure companies in our coverage universe (excluding IRB) reported 21% YoY revenue decline in 2QFY25, primarily because of heavy and extended rainfall, delays in land acquisition and subsequent delays in appointed date (AD) for several projects. KNR/GRIL revenue declined 9%/28% YoY. GRINFRA faced a slowdown in execution primarily due to fewer projects under execution. NHAI awarding was sluggish in 1HFY25 and both the companies, KNR and GRIL, are exploring non-road infrastructure opportunities like power transmission projects, water projects and solar EPC projects in order to diversify their order book. KNR and GRIL have guided for flat growth or a decline in FY25. Execution is likely to improve in 2HFY25 onward across our coverage companies.
- **Awarding activity remains subdued in 1HFY25; pipeline robust**: Awarding activity by NHAI has been subdued with ~310km of projects awarded in YTDFY25 vs. a target of ~5,000km in FY25. While there is a huge tender pipeline, order inflows could kick-in materially only in 4QFY25. GRIL and KNR have guided for order inflow targets of INR200b and INR60-80b, respectively, in FY25. Amid sluggishness in awarding activity by NHAI, both the companies will focus on diversification toward non-road segments.
- **Lower execution keeps margins in check:** Our coverage companies reported a 140bp YoY drop in EBITDA margin due to muted execution despite subdued input costs in 2Q. Steel and aluminum prices have corrected ~30% from their highs in Apr'22. Cement prices have decreased ~5% from their highs in Oct'23.
- **Focus on asset monetization:** NHAI is focusing on asset monetization to generate funds beyond budgetary allocations. NHAI sets up an asset monetization cell and has a monetization target of INR540b in FY25. The cell will advise on planning, conduct market analysis, and identify high-revenue assets. In FY24, NHAI exceeded its target by awarding four ToT bundles worth INR159b. For FY25, NHAI plans to offer a dozen bundles for private bids, aiming to achieve significantly higher monetization than the INR400b reached in FY24.
- **Top picks:** Awarding activities by NHAI and execution have been muted and are expected to improve only in 2HFY25. Companies with decent order backlogs, a solid financial position, and involvement in multiple segments are well positioned to benefit in the near to medium term. Our preferred choice in the space is KNR.

Exhibit 98: Revenue down 19% YoY for our coverage universe

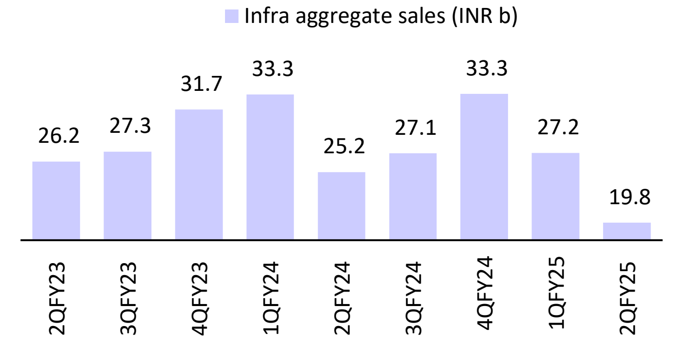


Exhibit 99: Gross margin stagnant on YoY basis

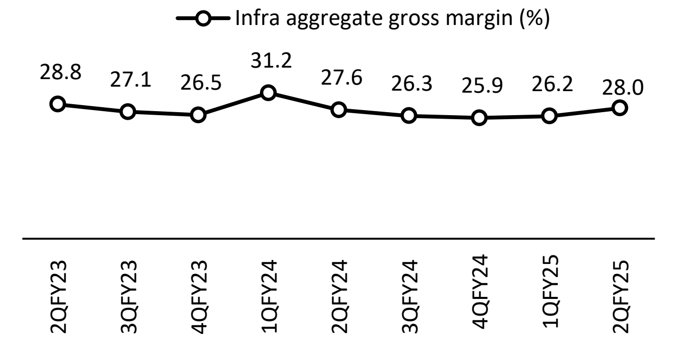


Exhibit 100: EBITDA contracts on YoY and QoQ basis

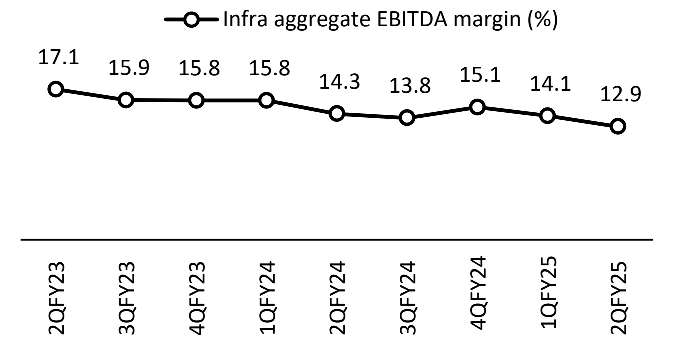
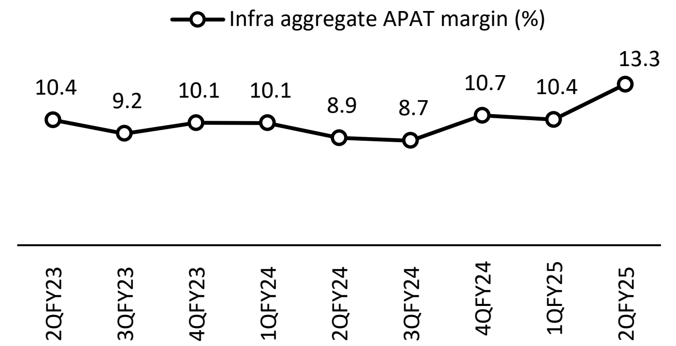


Exhibit 101: APAT margins higher on YoY basis



Note: Data in charts above is for our coverage universe excluding IRB

LOGISTICS: Volumes remain muted amid slowdown in consumption; port operators continue to gain market share

- **Logistics activity remains muted; private port operators gain market share:** Logistics activity remained subdued due to challenges like slowdown in consumption, market fluctuations, and rising labor costs. Express logistics saw volume decline owing to competitive pressure and heavy rainfall across the country, leading to lower margins. Logistics companies (excluding APSEZ and JSWINFRA) achieved 9% YoY revenue growth. Organized freight operators expect better results in 2HFY25 with the onset of the festive season. Multimodal logistics outperformed pure freight and express logistics. APSEZ and JSWINFRA reported 10% and 16% YoY growth in cargo volumes, respectively, with market share gains driven by efficiency and expansion. In 1HFY25, APSEZ managed ~27% of the country's total cargo and ~45% of container cargo. With volume ramp-up at recently acquired ports/terminals, volumes are expected to be strong ahead for APSEZ and JSWINFRA.
- **Margins improve QoQ due to price hikes:** Gross margin for our coverage universe, barring APSEZ and JSWINFRA, stood at 30.2% in 2QFY25 (down 30bp YoY and up 130bp QoQ). Though margins improved QoQ, operating expenses such as high fuel prices and high toll charges remained high. EBITDA margin for our coverage universe, excluding APSEZ and JSWINFRA, increased 140bp YoY and 210bp QoQ to 14.1%. APSEZ's margins stood at 61.8% (up 340bp YoY and 80bp QoQ) and JSWINFRA's margins was 52% (down 130bp YoY and up 100bp QoQ).
- **Organized players with pan-India network and technological advantage to gain higher market share:** The introduction of GST, e-way bills, and reduced e-invoicing turnover limits have driven businesses to partner with organized logistics providers. Express companies are expanding their infrastructure and digitalizing operations. This positions them to capture higher volumes. The government's port privatization efforts offer opportunities, with APSEZ and JSWINFRA well-placed to benefit due to their strong balance sheets.
- **Top picks**: APSEZ is our preferred choice in this space.

Guidance

- **APSEZ:** In FY25, APSEZ expects cargo volumes of 460-480mmt, revenue of INR290-310b, EBITDA of INR170-180b, and a net debt-to-EBITDA ratio of 2.2-2.5x. It plans a capex of INR115b, primarily for ports, logistics, and renewables, including 1,000MW of solar and wind power with imported panels from China.

- **JSWINFRA:** For FY25, volume growth is expected at 10% YoY, with capacity utilization of 65-70%. Long-term growth would be supported by ongoing capex aimed at increasing its capacity to 400mmt by FY30. It has already spent INR4b on projects in 1HFY25, keeping cumulative expansion on track to achieve the 288mmt capacity target by FY28. During the quarter, the effective tax rate rose to ~25% due to reduced ATIA benefits and full taxation on forex gains of INR1.6b. The effective tax rate for FY25 will be ~25%.
- **VRLL:** Recent price hike will support margins ahead while volume growth remains in mid-single digits. Good monsoon and a stronger rural economy should boost volume growth for the remainder of FY25, particularly for textile and agro commodities, which account for ~40% of total tonnage.
- **TRPC:** In FY25, TRPC expects revenue and PAT growth of 10-15% with marginal margin improvement, driven by the supply chain and freight businesses, which will be supported by growth in the auto and infrastructure sectors. During 2QFY25, joint ventures performed well, with Concord achieving ~13% YoY revenue growth, the cold chain business growing ~35% despite profitability challenges from new truck depreciation and interest, and Transystem registering ~46% YoY revenue growth. For FY25, total capex is projected at ~INR3.8b.
- **BDE:** As overall demand improves, a further pickup in volumes is anticipated in 2HFY25. A price hike will be implemented in Jan'25 based on demand conditions, with no margin impact expected from hub expansions. The management anticipates a healthy demand outlook will enhance profitability in the coming quarters. PBT margins are expected to remain in the 7-8% range going forward.
- **CCRI:** In FY25, EXIM volume is projected to grow by 15% and domestic volume by 25%, leading to an overall volume growth of 18-20%. Margins are expected to be around 25%. The rail coefficient is anticipated to increase due to rising rice exports, softening ocean freight rates, and the commissioning of the DFC at Nava Sheva by Mar'25. Domestic volume growth will be driven by new bulk cement initiatives, a long-term shipping line tie-up in Sep'24, double stacking at Nava Sheva, and partnerships with major companies like Jindal, Tata, and Reliance for end-to-end logistics. The First Mile Last Mile (FMLM) mix, currently at 25% of volumes, is targeted to reach 50% in FY25 and 85% in FY26, with FMLM margins around 25%.
- **MAHLOG:** MLL targets revenue of INR100b and RoE of 18% by FY26. It is focusing on mid-teens growth in the 3PL business to generate INR65b in revenue and rapidly expand its network services. Management is cautiously optimistic about 3QFY25, expecting the festive season to boost demand in personal care and consumer durables. Growth will be led by automotive and recovery in FMCG. Strength in the telecom sector owing to tariff hikes and 5G investments, along with strong quick commerce and grocery segments, supports 15-18% projected growth despite challenges in the express business.
- **TCIE:** Weak volume growth, particularly from MSME customers, and higher costs led to a weak performance in 2Q. TCIE expects mid-single digit volume growth in 2HFY25 and 15% in FY26, with margins normalizing at 14%+ as volumes rise. Management projects 22-25% revenue contribution from new value-added services by FY25 and plans to establish 7-8 fully automated centers by FY26, each requiring around INR500m in capex.

Exhibit 102: Sales improved 9% YoY for our Coverage Universe

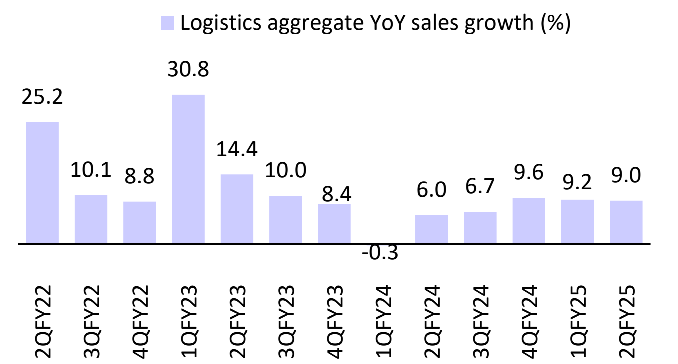


Exhibit 103: Margins improved on QoQ basis

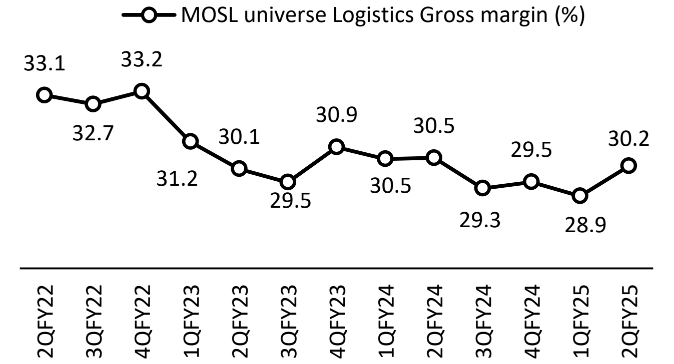
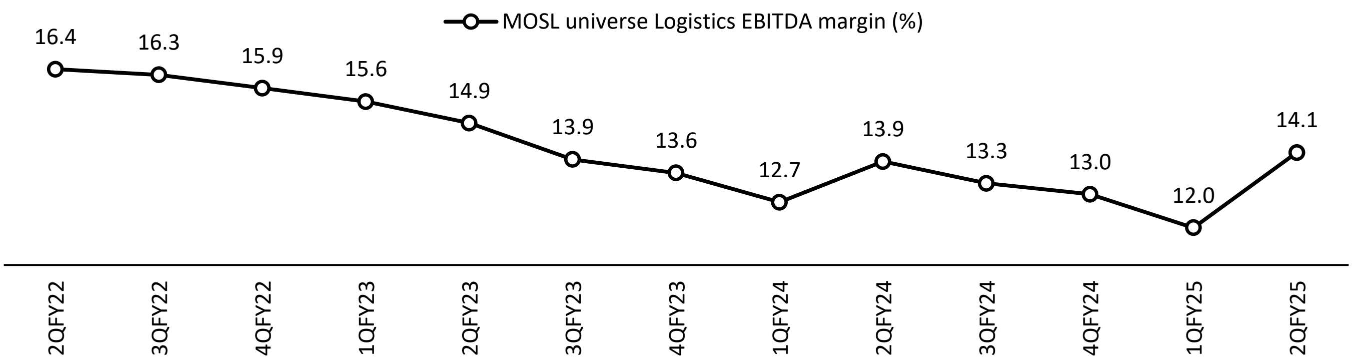


Exhibit 104: EBITDA margin improved due to price hikes and marginal pick up in volumes with onset of festive season



Note: Data in charts above is for our coverage universe excluding APSEZ& JSWINFRA

Source: Company, MOFSL

METALS: Weak operating performance due to weak NSR; muted input costs cushion margin contraction

- **Volume remains subdued across the board**

Ferrous: The companies within our coverage universe reported a sales volume decline of 3% YoY (volumes were flat QoQ). Prices for flat steel were primarily hit by high imports, while muted construction activities led by the monsoons hurt demand and prices for long steel. Companies expect demand and prices for long steel prices to rebound with rising construction activities in 2HFY25, whereas flat steel prices would remain under pressure due to elevated imports and higher supply from the domestic players.

Non-Ferrous: HNDL/NACL's domestic aluminum volumes declined 2-4% YoY and copper volumes for HNDL declined 13% YoY and 2% QoQ. HNDL's international aluminum business (Novelis) saw flat volume during the quarter, led by muted demand and production interruptions in the Sierre plant. Vedanta posted 3% YoY (+2% QoQ) volume growth for aluminum business and domestic zinc business (HZ) saw a volume growth of 7% YoY, aided by the lead mode at pyro plant operations during the quarter.

Mining: COAL's sales (dispatches) decline by 3% YoY and 15% QoQ to 168mt led by muted mining activity due to monsoons, while NMDC's sales were up 4% YoY to 9.9mt; however, sales declined 1% sequentially.

- **Ferrous ASPs plunge QoQ; non-ferrous benefits from favorable pricing:** Aggregate revenue for the ferrous companies under our coverage declined 9% YoY and 5% QoQ, due to weak NSR. The realization decline was between 4-9% YoY and 3-7% QoQ (excluding JSPL, it was flat YoY). The weakness in ferrous pricing, especially flats, was due to the higher imports. Aggregate revenue for non-ferrous companies increased 10% YoY and 4% QoQ fueled by favorable pricing during the quarter. HNDL reported revenue growth of 7% YoY and 2% QoQ, and HZ/VEDL revenue grew by 22/10% YoY and 2/5% QoQ in 2QFY25.
- **Ferrous' QoQ EBITDA/t dragged by weak ASP; non-ferrous delivers strong growth: a) Ferrous**: Aggregate EBITDA for our coverage companies declined 13% YoY and 16% QoQ in 2QFY25, owing to weak NSR. Tata Steel reported an EBITDA/t of INR7,434/t (down 22% YoY and 20% QoQ) as the operating losses from EU operations widen with weak NSR. For JSTL, the EBITDA/t was INR8,869/t (down 29% YoY and 2% QoQ). **b) Non-ferrous**: EBITDA for non-ferrous companies increased by ~47% YoY and 5% QoQ on account of strong pricing and muted costs during the quarter. The biggest improvement was visible in NACL, which benefited from alumina sales.
- **Weak operating profit dents PAT for ferrous companies:** Aggregate APAT for ferrous company declined 72% YoY and 6% QoQ in 2QFY25, due to weak operating performance. However, non-ferrous companies' aggregate APAT jumped 133% YoY and 7% QoQ during the quarter.

Capacity enhancement: a) Ferrous: TATA is doubling its domestic crude steel capacity to 40mt from 21mt. The 2BF at Kalinganagar was commissioned and other associate facilities will be commissioned in the coming years (already spent ~INR190b and INR70b+ of capex is pending). Similarly, JSP is doubling its finished steel capacity to 13.75mt by FY26 (with a capex INR310b) from 7.25mt. JSP received all the approvals for Utkal B1 mines and is in an advanced

stage of opening by 4QFY25. Utkal B2 is under clearance and is likely to open in FY25. The 5MTPA Vijayanagar integrated facility (Sinter and BF) got commissioned, and SMS is under commissioning. Management expects to ramp up the capacity by the end of 4QFY25 (earlier guidance by 3QFY25). SAIL plans to increase its capacity from 20mtpa of crude steel to 35mtpa by the end of FY31. SAIL plans to set up a 4.1mt greenfield flat steel facility at IISCO, predominantly focused on HRC and CRC facilities afterwards.
b) Non-ferrous: Novelis's (HNDL) Bay Minette facility is expected to be completed in 2HCY26 and would take 18-24 months to fully ramp up. VEDL commissioned train-I at Lanjigarh refinery of 1.5MTPA and expects to fully ramp up by Dec'24, whereas it is on track to commission train 2 by Jan-Mar'25.

- **Surprises:** TATA, HNDL and NACL
- **Top picks:** COAL and JSTL

Guidance highlights:
TATA: Management expects NSR for domestic operations to decline INR2,000/t QoQ in 3QFY25 due to low-priced contracts (six-month) with an auto manufacturer. ASP for the UK operation would fall by GBP45-55/t QoQ, whereas the Netherlands could see GBP70/t QoQ reduction during 3QFY25. Coal costs on a consumption basis to dip by USD20/t QoQ for the India operations and in the Netherlands, costs are anticipated to be USD10/t QoQ lower in 3QFY25. Management is confident of reducing the UK fixed costs (employee/other costs) by GBP100/t from 3Q/ 4QFY25 until 1QFY26 (Jun'25).
JSTL: Management foresees the coking coal costs to be USD20-25/t lower QoQ for 3QFY25 and sounded cautious over iron ore price hikes by NMDC. JSTL believes that iron ore prices will moderate in near future and will be in line with global iron ore prices. Management aims to increase the captive iron share to offset the high-price impact. The company revised its capex guidance from INR200b to INR170b, primarily due to the transfer of slurry pipeline to JSW Infra and Vijaynagar planned shutdown shifted to 1HFY26.

JSP: Coking coal costs expected to be USD20-25/t lower in 3QFY25 and earnings are likely to be better in 2HFY25 as compared to 1HFY25, driven by better volumes and realization. The company implemented a price hike of INR1,000-2,000/t across products during 3Q, and indicated that the prices are holding up on account of healthy demand following the festive season. Further, it guided iron ore costs to correct; otherwise the spot spreads may compress.

SAIL: For 3QFY25, management expects coking coal costs to decline further by INR2,000/t QoQ and expects NSR to be INR1,000-1500/t lower QoQ as spot prices continue to remain muted. High imports dragged down the flat prices in domestic markets and will remain under pressure. Long steel prices would rebound as construction activities and Government infra spending picks up.

HNDL: Aluminum CoP is expected to increase marginally by 1-1.5% QoQ in 3QFY25 due to higher coal auction premiums. Management expects to clock an EBITDA run rate of INR6b per quarter in copper business. The company has hedged 30% of the commodity at USD2517/t, while an additional 15% is hedged at USD2262/t, with a ceiling price of USD2542/t. Bauxite supply disruption in Guinea and Alcova pushed alumina prices higher to USD700/t, and the high-cost alumina impact will start reflecting from 3Q. Both (aluminum and copper) announced smelters are brownfield and require a capex outlay of USD1b each and ~USD4-5b of capex for the next 3.0-3.5 years.

VEDL: It expects coal costs to be USD50-60 lower post-monsoons, due to better coal grades obtained through MCL e-auctions with nil premiums. Management anticipates achieving 230kt of total MIC production for FY25 in its Zinc International business. Alumina cost inflation turned to be a potential headwind in 3QFY25, but management believes it will be offset by lower costs and the Lanjigarh ramp up.

Exhibit 105: Domestic spot steel spreads (USD/t) contracted and currently below the LTA

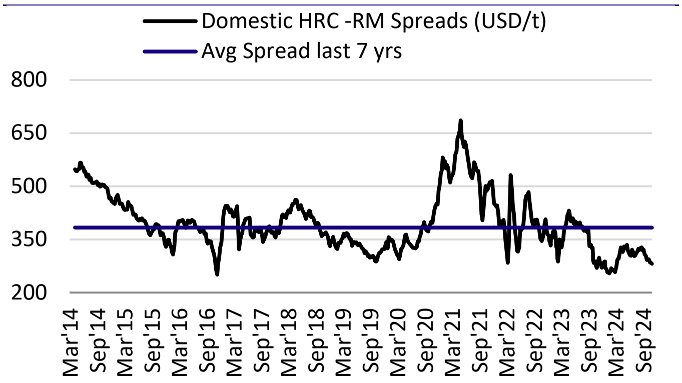
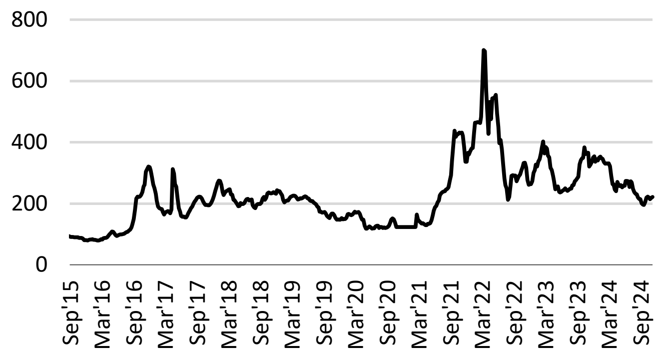


Exhibit 106: Coking coal (USD/t) moderated significantly from the peak and is now range-bound at USD210-220/t



Source: MOFSL, Steelmint

Exhibit 107: HRC (INR/t) bottomed out at INR48,000/t on account of increasing imports

Source: MOFSL, Steelmint

Exhibit 108: Rebar (INR/t) prices rebounded to 54,000/t level with increasing construction activities post-monsoons

Source: MOFSL, Steelmint

Exhibit 109: Aluminum prices rebounded to +USD2,500/t levels

Source: MOFSL, Bloomberg

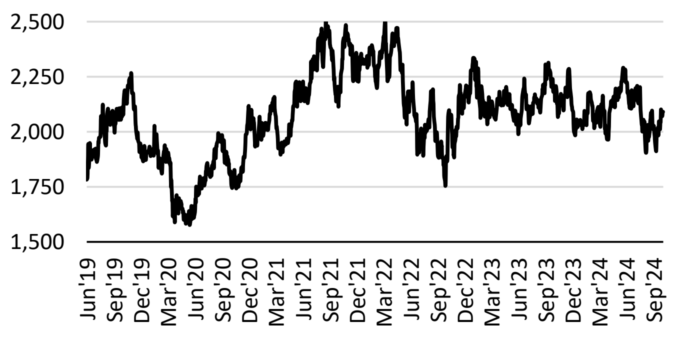
Exhibit 110: Zinc prices surpassed +USD3,100/t levels

Source: MOFSL, Bloomberg

Exhibit 111: Copper prices recovered to USD10,000/t levels

Source: MOFSL, Bloomberg

Exhibit 112: Lead prices hovered around USD2,000/t



Source: MOFSL, Bloomberg

Exhibit 113: EBITDA/t for steel companies under our coverage (consolidated)

EBITDA/t	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
JSW Steel	12,158	12,340	12,341	11,967	9,100	9,003	8,869
Tata Steel	9,279	7,186	6,037	8,760	8,271	9,059	7,343
SAIL	6,247	4,245	4,429	5,638	3,879	5,536	3,111
JSPL	10,775	14,283	11,372	15,705	12,162	13,585	11,893

Source: MOFSL, Company

OIL & GAS: Refining dents OMC performance; CGD margins soften QoQ amid APM de-allocation

- **Overall performance:** Revenue came in 9% below our estimate (flat YoY). Excluding OMCs, revenue was in line with our estimate (flat YoY). EBITDA was below our estimate (down 33% YoY), with HPCL, BPCL, IOC, CSTRL, GUJS, IGL, MAHGL, OINL, MRPL, PLNG, and AEGISLOG missing our estimates. Conversely, GUJGA beat our estimates, while GAIL, RIL, and ONGC's EBITDA was in line. Excluding OMCs, EBITDA was also in line (down ~5% YoY). Adjusted PAT was 12% below est. (down 41% YoY). Adjusted PAT, excluding OMCs, was 10% above our estimate (down 2% YoY).
- **RIL:** Jio's revenue/EBITDA increased 7%/8% QoQ in 2QFY25. RIL performance was in line with our estimates, led by weak performance in O2C (softer refining/petchem cracks) and Reliance Jio (elevated subscriber churn), offset by lower depreciation and higher other income.
- **Upstream:** For **ONGC,** reported EBITDA came in line, but OINL missed our estimates as gas sales (0.65bcm) came significantly below our estimate of 0.74bcm coupled with a 14% YoY rise in other opex. While ONGC's oil production from KG DWN-98/2 field rose to ~25kb/d (1QFY25: 12kb/d) and Crude oil/gas sales came in -1%/+2% vs. our estimate, OINL's oil production grew 5% YoY during the quarter.
- **OMCs – LPG under-recovery drags performance:** IOCL/HPCL/BPCL posted a 57%/41%/42% miss on our EBITDA estimates due to subdued refining margins, with reported GRMs coming in at USD1.6/USD4.4/ USD3.1 per bbl. In addition, their earnings took a significant hit due to the LPG under-recovery, amounting to INR37b/INR21b/ INR21b for IOCL/HPCL/BPCL in 2QFY25.
- **CGDs: MAHGL and IGL** also missed our estimates due to lower-than-expected EBITDA/scm of INR10.7 and INR6.5 (7%/11% miss), respectively. However, **GUJGA** delivered a beat vs. our estimates, led by higher-than-expected EBITDA/scm of INR6.4 (est. INR5.6). Volumes for MAHGL/IGL increased 13%/10% YoY to 4/9mmscmd. However, GUJGA's volume decreased 6% YoY to 8.8mmscmd.
- **Gas utilities**: While **GAIL's** EBITDA was in line with our estimates, PAT came in 14% above our est. EBITDA/PAT grew at 7%/11% YoY, driven by higher other income and lower DDA vs. our estimates. Natural gas transmission volumes were 130.6mmscmd (vs. our est. of 128.5mmscmd; 131.8mmscmd in 1QFY25). **GUJS's** EBITDA was 18% below our estimate at INR1.9b, as total volumes came in 13% lower than our estimate. Implied tariff also came in ~13% below at INR831/mmscm. PAT was boosted by strong other income (dividend from Gujarat Gas and Sabarmati Gas). **PLNG** delivered a 9% miss on EBITDA. Its total volumes stood at 239Tbtu (est. of 232.5Tbtu, +4% YoY). **MRPL** reported a substantial miss due to weak refining performance, with GRM coming in at USD0.5/bbl. **CSTRL/AEGISLOG** reported a 6%/17% miss on EBITDA, led by lower-than-estimated margins.
- **Ratings and earnings revisions: OMCs** – Owing to subdued refining performance and weak refining outlook, we cut BPCL/HPCL/IOCL's FY25E adjusted PAT estimates by 34%/49%/59%. Following **MRPL's** weak 2Q refining performance, we reduce our FY25/FY26 EPS estimates by 75%/37%. **For OINL,** we cut our FY25/26 PAT by 2/5%, mainly as we moderate our volume growth assumptions. For **ONGC,** we trim our volume assumptions, and together with the cut in HPCL/MRPL's adjusted PAT, these lead to a 9-11% cut in consolidated EPS for ONGC over FY25-27.
- **Top picks: GAIL** – During FY24-27, we estimate a 14% PAT CAGR driven by: 1) an increase in natural gas transmission volumes to 149mmscmd in FY27 (120mmscmd in FY24); 2) a substantial improvement in petchem segment's profitability over 2HFY25-FY27, as new petchem capacity will be operational; and 3) healthy trading segment profitability with guided EBIT of at least INR45b. **HPCL** – It remains our preferred pick among the three OMCs. We see the following as key catalysts for the stock: 1) demerger and potential listing of lubricant business,

2) the commissioning of its bottom upgrade unit, and 3) the commencement of Rajasthan refinery in 4QFY25-end. **OINL's** production growth guidance remained robust (5% increase YoY), with drilling activity and development wells in old areas contributing to this growth. OINL is also implementing new technologies to increase production besides pursuing the Indradhanush Gas Grid connectivity. Capacity expansion for NRL (from 3mmt to 9mmt) is also expected to be completed by Dec'25, which will drive further growth.

- **Surprise:** GUJGA
- **Misses:** BPCL, HPCL, IOC, OINL, CSTRL, GUJS, IGL, MAHGL, MRPL, PLNG, and AEGISLOG

Guidance highlights:

- **RIL**: Management expects the increase in global oil demand to normalize at ~1mb/d (vs. 2.1mb/d in the previous year). RIL expects refinery cuts globally in 3QFY25 amid weak refining margins. Some products, such as jet fuel, may witness a robust 0.45mbd growth YoY in 3QFY25. Petrochemical spreads are expected to receive support from stimulus package in China and the festive season in 2HFY25.
- **GAIL**: Management expects 5mmscmd p.a. growth in marketing volumes over the next two years. For the trading segment, the management guides EBIT of at least INR45b in FY25. For petchem segment, it expects 2Q EBIT run-rate to continue in 2HFY25. Capex in 2HFY25 shall be higher than 1H, taking FY25 capex to INR90b-INR100b.
- **Upstream: ONGC's** management expects total production volume (incl. JV) to rise by 11% over FY24-FY27 to 46.2mmtoe, mainly driven by KG-98/2 and Daman upside development. Gas production from the KG-98/2 asset, which will begin in 4QFY25, is expected to ramp up to 10mmscmd by FY25 end-1QFY26, while oil production is expected to ramp up to 45,000bopd by 4QFY25. ONGC expects capex to average INR360b from FY26. **OINL's** management guided for a ~5% YoY increase in oil and gas production during FY26. NRL has achieved 70% physical completion and is slated to start in Dec'25. Standalone/consolidated capex of INR70b/INR120b is planned to be incurred in FY25, with 75% being incurred on the upstream segment. OINL plans to drill 70+ wells in FY25.
- **OMCs**: **HPCL's** management expects the mid-cycle GRM to be ~USD6-8/bbl + USD2/bbl benefit post-bottom upgrade unit commissioning. For FY25, management expects capex of INR120-130b, of which INR65.9b has already been incurred. Additionally, the company is targeting a 20% ethanol blending rate by FY26. In the CGD business, management expects to reach INR10b EBITDA over the next five years. **BPCL's** management expects similar cracks for the next few quarters. In the CGD business, BPCL plans to add 150/160/182/200 stations in FY25/FY26/FY27/FY28, with expected volume CAGR at 15-16%. For FY25, management expects a capex of INR150b-160b, of which INR56 has already been incurred. The annual capex of INR180b-200b is expected in the next couple of years. Capex shall increase from FY27 and shall amount to ~INR220b-250b going forward.
- **CGDs**: IGL's management guided a robust 8-10% YoY growth in CNG volumes. For FY25, management expects capex of INR17b, of which INR5b has already been incurred. It plans to add 50 LNG stations in the next 3-5 years. MAHGL's management guidance on margin and volume growth remained conservative (7% volume growth ex-UEPL), with EBITDA/scm of INR10-12. For FY25, management expects a capex of INR8-9b, of which INR4.8b has already been incurred. GUJGA's management guided a conservative annualized volume CAGR of ~5-7% for FY25. The management expects EBITDA/scm to range between INR5 and INR6 going forward. Capex shall be INR8b for FY25. Additionally, the management expects volume from Morbi to be ~3.5mmscmd in 3QFY25.

Exhibit 114: Implied gross marketing margin (INR/lit)

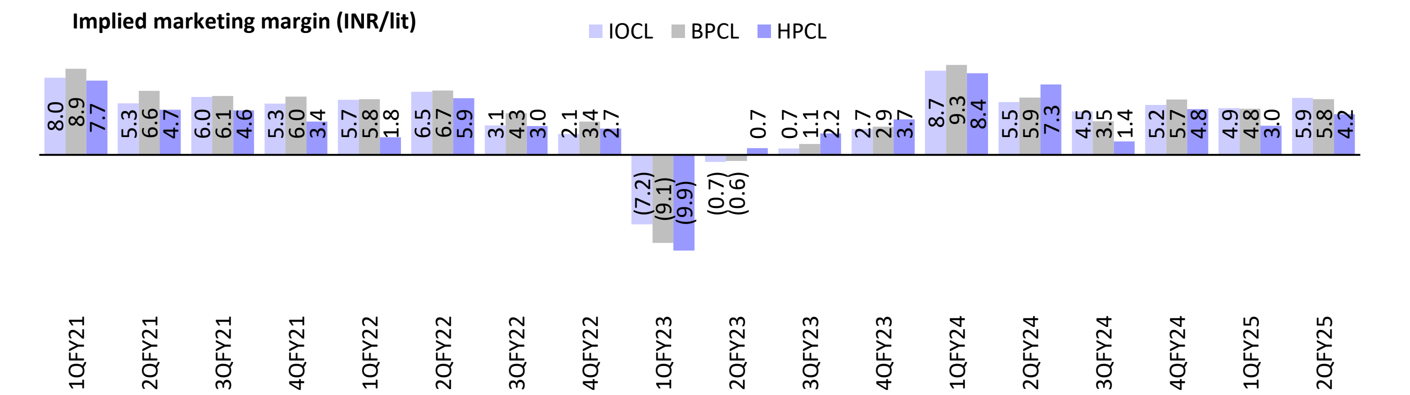


Exhibit 115: Reported refining margin (USD/bbl)

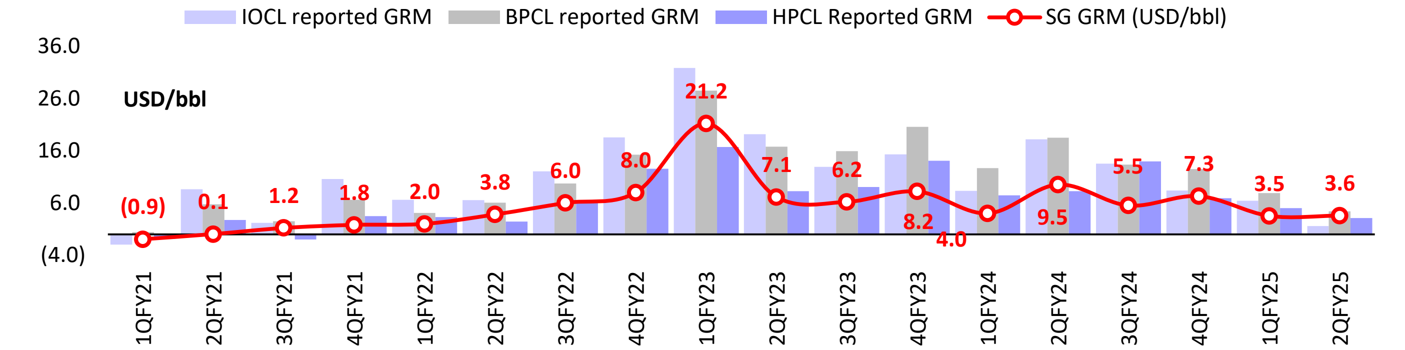


Exhibit 116: Exhibit 3: Sales volume of CGDs (mmscmd)

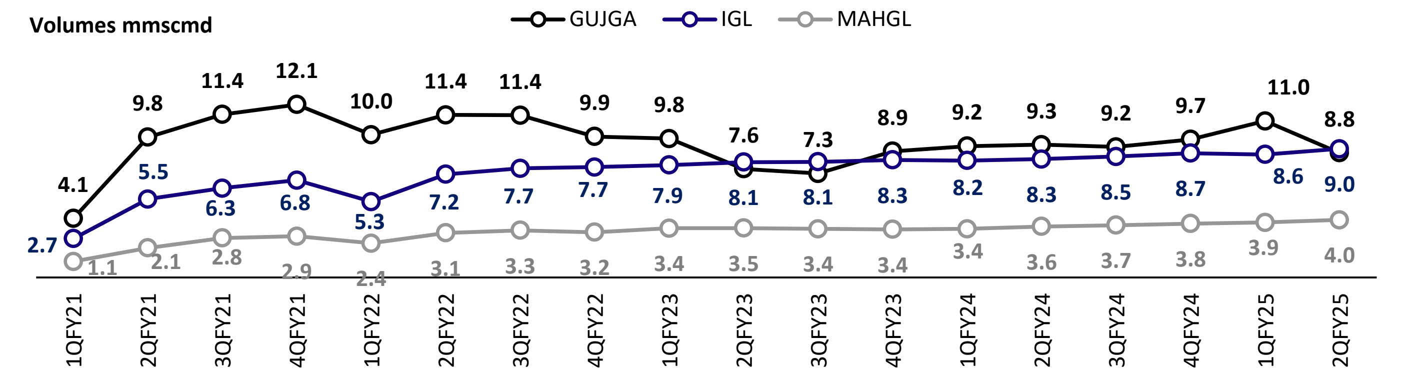
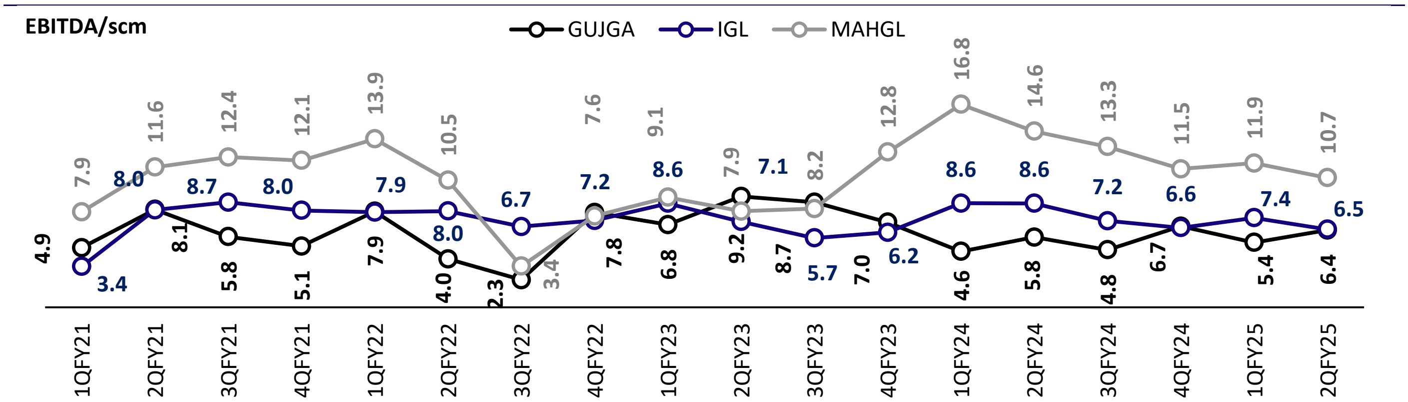


Exhibit 117: Exhibit 4: EBITDA/scm trend for CGDs (INR)



REAL ESTATE: Demand remains intact but launches critical for 2HFY25

- **Sales declined 5% YoY:** Our coverage universe reported bookings of INR231b, a 5% decline YoY, due to seasonality as well as a lack of launches due to approval delays. Demand was strong on an aggregate basis as sales were only down 5% YoY even after launches were down 15% YoY, which confirms strong sustenance sales. While the individual performance was healthy for most of the companies, timely launches for a few companies such as GPL, LODHA, PEPL, BRGD, and SIGNATUR enabled them to outperform peers. SIGNATUR reported the best performance with a 3x YoY increase in bookings, aided by a strong response to its premium project launch.
- Pre-sales volume declined 13% YoY while our coverage universe witnessed 10% YoY growth in realization, driven by price hikes and a product mix change. For the LfL product, price hikes were calibrated at a low single digit.
- **Double-digit growth aspiration intact:** Our coverage universe posted a 43% CAGR in cumulative bookings over FY21-24 and they aspire for 20-30% growth in FY25 despite a high base. Over the last few quarters, business development has remained equally strong, led by GPL and LODHA, which added new projects worth GDV of INR212b and INR203b, respectively, and the traction sustained in 1HFY25 too. Consequently, companies have identified a vast launch pipeline for FY25, which can support their future growth aspirations.
- **Launches dominated by few players:** Unlike in 2HFY24, which saw broad-based launches from all key developers, only a handful of players, such as GPL, PEPL, BRGD, and SIGNATUR, successfully launched multiple new projects. Cumulative launches in 2QFY25 stood at 19msf (vs. 22msf in 2QFY24). FY24 saw 88msf of new launches from the coverage universe (vs. 66msf in FY23), which will further pick up as most of them have less than 12 months of inventory. We expect our coverage universe to launch more than 130msf of projects in FY25.
- **Collections:** Total collections for 2QFY25 increased 22% YoY to INR189b. Moreover, collection efficiency (collections-to-sales) improved to 82% vs 65% in 1QFY25 vs. TTM average of 66%, which can be attributed to sustenance sales and new projects. With progress in construction, we expect efficiency to further move north going forward, resulting in higher collections.
- **P&L performance – mixed bag:** Aggregate revenue for coverage universe increased 32% YoY to INR121b (in-line). The individual performance was a mixed bag as DLF/LODHA/SOBHA/SUNTECK/KPDL/SIGNATUR reported healthy revenue growth and OBER/PEPL/BRGD/MLIFE were affected by lower project deliveries. Cumulative EBITDA stood at INR35.7b, up 24% YoY, with an EBITDA margin of 26% (vs. 28% in 2QFY24).
- **View:** The operational performance of our coverage universe was in line with our expectations. We retain our FY25 pre-sales estimates (except upward revision for OBER) for all the companies but we will critically monitor launches as many companies have shown concern regarding approval delays. However, companies were also confident to meet their annual guidance on the back of strong inherent demand as well as strong sustenance sales witnessed in 2QFY25. We prefer PEPL, GPL, and SIGNATUR as our top picks.

- **Positive Surprises:** GPL
- **Negative Surprises**: DLF

Company commentary:

- **LODHA:** LODHA has ended its pilot phase in Bengaluru with the success of two projects and plans to increase its market share to 15% in a decade's time as it did in other markets. Additionally, the management is now evaluating a new city that can be a potential market and will decide on it by FY25 end.
- **OBER:** The company launched the most awaited Pokhran Road project in Thane, for which it witnessed strong bookings of INR14b. Additionally, it plans to launch a new tower in Borivali and Goregaon in 2HFY25. OBER will launch its Gurugram, Adarsh Nagar, Worli, and Tardeo projects in FY26.
- **DLF:** DLF targets to launch INR410b worth of projects in 2HFY25 across all segments. DLF launched its Ultra Luxury project named 'The Dahlias' with a total revenue potential of INR260b with +70% gross margins. Goa, Mumbai, and the next phase of Privana are in different stages of approval, while DLF is confident of launching its Mumbai project in 4QFY25. Privana phase-3 would be launched in 4QFY25 and IREO after 1QFY26 (most definitely in FY26). The management maintained the earlier guidance of INR170-180b bookings in FY25. However, it indicated that except for the ultra-luxury project in DLF 5, all the new projects are likely to follow the previous trend of monetizing significant (80-90%) inventory during the launch.

- **GPL:** The management remains confident about the sustainability of the demand for a couple of years and highlighted that it is in the early- to mid-stage of the cycle. GPL remains on track to meet or exceed its guidance for all key parameters. The management is optimistic about building on the current momentum, with plans to launch projects in Worli, Golf Course Road in Gurgaon, Sector 44 in Noida, Bangalore, Pune, Kolkata, and Hyderabad.
- **PEPL:** PEPL plans to launch The Prestige City Indrapuram NCR, Southern Star & Sunset Park Bangalore, Palava Gardens Chennai, Prestige Spring Heights Hyderabad, Beach Gardens Goa, and some small projects in Bangalore and Hyderabad in 3Q. Nautilus is expected to be launched in 4QFY25. With the planned launches, PEPL is confident about achieving its pre-sales guidance.
- **BEL:** Launches contributed 47-50% to the total pre-sales during 1HFY25. The company maintained its 13msf launch guidance, but this will depend on regulatory approvals.
- **MLIFE:** The management aims to launch over INR30-35b worth of inventories across six projects in the next two quarters. The key projects include Kandivali Phase 2, Malad redevelopment, Navi, Zen Phase II, Crown Phase 2, and the plotted project in Jaipur.
- **SOBHA:** The inventory of 8.9msf across the ongoing projects (including completed) provides healthy visibility. Additionally, SOBHA has 19.29msf under forthcoming projects at different stages of approval. SOBHA now intends to foray into Mumbai and Noida but will remain calibrated in the approach.
- **KOLTE PATIL:** Management has reiterated its business development guidance of INR80b and expects a 25% CAGR in pre-sales over FY25-27. KPDL is hopeful about launching the Laxmi Ratan Versova, Jal Mangal Deep Goregaon, Vishwakarmanagar project from the Mumbai portfolio by the end of FY25. KPDL expects to recognize INR18b in revenue in FY25 and would report EBITDA margin in the early teens. As a framework, the company targets GM of 26-27%, EBITDA of 17-18%, and PAT margin of 10-11%.

Exhibit 118: Pre-sales for the coverage universe declined 5% YoY…

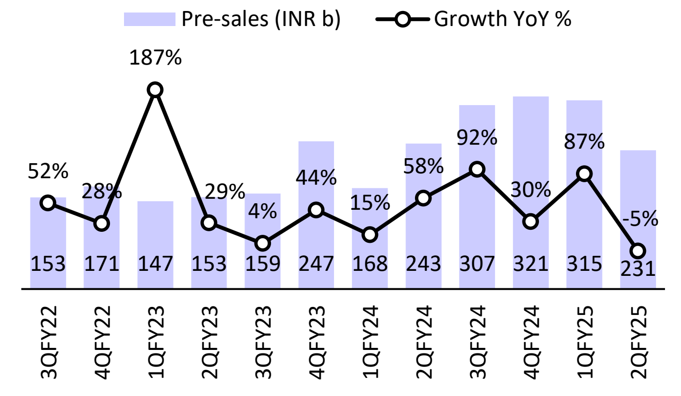


Exhibit 119: …while volumes declined 13% YoY

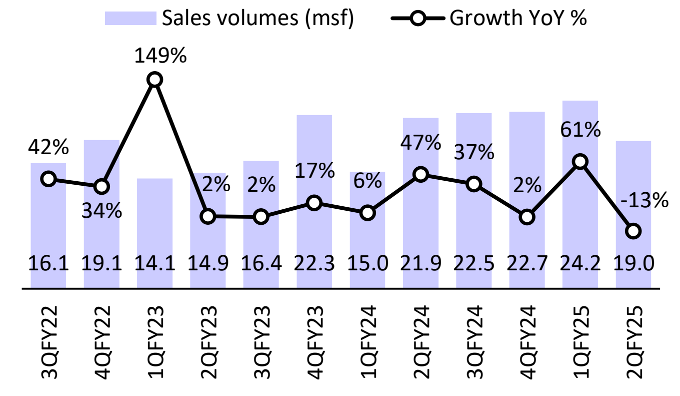


Exhibit 120: Collections improved 33% YoY in 2QFY25

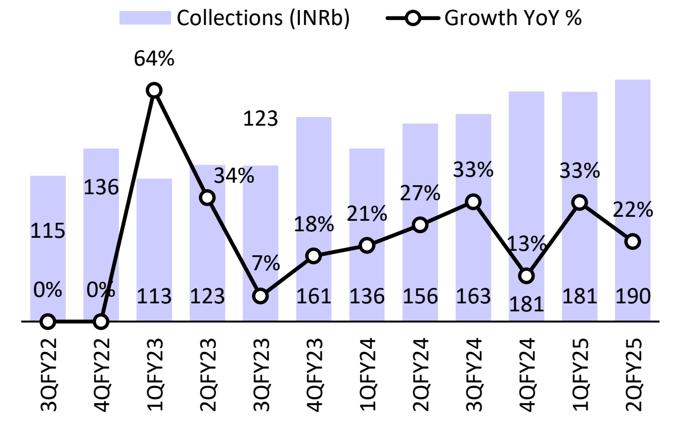


Exhibit 121: Expect coverage stocks to deliver 27% YoY growth in bookings

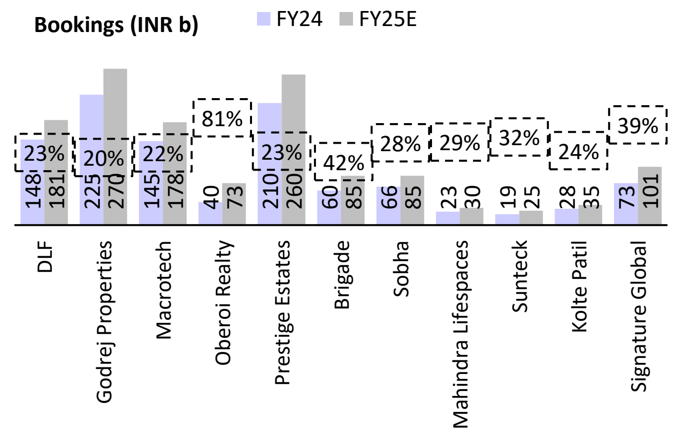


Exhibit 122: Estimate changes for our coverage universe

INR b	Revenue					
	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	74	80	68	75	-7%	-6%
Godrej Properties	35	37	35	36	0%	-4%
Macrotech	138	181	138	181	0%	0%
Oberoi Realty	47	64	56	69	19%	8%
Prestige Estates	104	114	104	114	0%	0%
Brigade	50	50	50	50	0%	0%
Sobha	42	50	42	50	0%	0%
Mahindra Lifespaces	4	5	4	5	0%	0%
Sunteck	14	18	11	21	-21%	16%
Kolte Patil	20	30	20	30	0%	0%
Signature Global	37	52	37	52	0%	0%

INR b	EBITDA					
	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	27	30	17	31	-37%	3%
Godrej Properties	2	2	2	2	0%	-28%
Macrotech	37	52	37	52	0%	0%
Oberoi Realty	26	36	33	40	25%	13%
Prestige Estates	28	32	28	32	3178%	0%
Brigade	16	18	16	18	0%	0%
Sobha	6	11	6	11	0%	0%
Mahindra Lifespaces	-2	-1	-2	-1	0%	0%
Sunteck	3	5	2	6	-39%	28%
Kolte Patil	3	6	3	6	0%	0%
Signature Global	9	13	5	10	-42%	-20%

INR b	PAT					
	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	41	42	26	47	-37%	12%
Godrej Properties	14	10	14	9	0%	-5%
Macrotech	23	34	23	34	-1%	0%
Oberoi Realty	18	26	24	30	32%	17%
Prestige Estates	7	10	7	10	0%	0%
Brigade	8	9	8	9	0%	0%
Sobha	3	7	3	7	0%	0%
Mahindra Lifespaces	1	1	1	1	0%	0%
Sunteck	2	3	2	5	-36%	35%
Kolte Patil	1	3	1	3	0%	0%
Signature Global	7	10	4	8	-39%	-18%

INR b	Pre-sales					
	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	180	230	181	232	1%	1%
Godrej Properties	270	321	270	321	0%	0%
Macrotech	178	213	178	213	0%	0%
Oberoi Realty	59	79	73	98	24%	24%
Prestige Estates	260	305	260	305	0%	0%
Brigade	85	105	85	105	0%	0%
Sobha	85	110	85	110	0%	0%
Mahindra Lifespaces	30	36	30	36	0%	0%
Sunteck	25	31	25	31	0%	0%
Kolte Patil	35	43	35	43	0%	0%
Signature Global	101	130	101	130	0%	0%

	Collections					
	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	101	135	102	137	1%	1%
Godrej Properties	218	263	218	263	0%	0%
Macrotech	125	144	125	144	0%	0%
Oberoi Realty	48	65	60	76	23%	17%
Prestige Estates	152	218	152	218	0%	0%
Brigade	56	78	56	78	0%	0%
Sobha	66	76	66	76	0%	0%
Mahindra Lifespaces	22	31	22	31	0%	0%
Sunteck	17	24	17	24	0%	0%
Kolte Patil	25	34	25	34	0%	0%
Signature Global	62	94	62	94	0%	0%

RETAIL: Modest recovery in 2Q; optimistic outlook on demand recovery in 2H

- **Modest sequential demand recovery, optimism abound for 2H:** The aggregate revenue for the five apparel stocks in our coverage grew 22% YoY to INR99b (~3% miss), driven mainly by: 1) robust growth for Trent (+40% YoY) and VMart (+20% YoY) and 2) recovery in growth for Vedant (+23% YoY). Including DMart, the aggregate revenue was up ~17% YoY to INR240b (1% miss). Productivity/LFL growth during the quarter continued to remain weak for most retailers, except Trent (double-digit SSSG), V-Mart (+15% SSSG), and Vedant Fashions (+17% SSSG). However, there was a modest sequential improvement in SSSG driven by an advancement of the festive period. Managements remained upbeat on demand recovery in 2H driven by the festive season and higher number of weddings. Aggregate gross profit for grocery and apparel retailers was up 22% YoY (~2% miss) as aggregate gross margins expanded ~95bp YoY (~15bp miss). The aggregate EBITDA was up 18% YoY (~4% miss) as aggregate margin remained broadly stable YoY (30bp miss) on weaker margins for heavyweights such as Trent and DMart.
- **Subdued 2Q for Footwear on non-BIS inventory liquidation and higher discounting:** The aggregate revenue for the four footwear stocks under our coverage was up ~4% YoY (inline), largely led by 29% YoY growth in Campus' revenue (on a low base). Aggregate gross profit was up modest ~3% YoY (3% miss), as gross margin contracted ~40bp YoY (115bp miss) on account of non-BIS inventory liquidation and higher discounting. Relaxo was the only company to report YoY uptick in gross margin as it decided against diluting pricing and margin amid higher competition from lower-priced unorganized players. The aggregate EBITDA was broadly stable YoY (7% miss) as 56% YoY growth for Campus was offset by declines for Bata and Relaxo. EBITDA margin contracted ~60bp YoY (120bp miss) due to 130-150bp EBITDA margin contraction for Bata and Metro. Managements of all four footwear companies were optimistic on demand recovery in 2H, driven by the festive season and higher number of weddings.
- **Store additions moderated in 1HFY25 due to store rationalization by apparel retailers:** The revenue growth during Q2 for our retail coverage (apparel, grocery, and footwear) was largely driven by store addition **(+11% YoY)**, while store productivity was up ~5% YoY, driven by rationalization of unprofitable stores. **Net store addition in 2QFY25 for the MOFSL Retail sector was 40, reaching 10,715 stores.** Though store additions supported revenue growth, majority of the retailers moderated the pace of store openings with 75 net store additions in 1HFY25 (vs. 353 net store additions in 1HFY24). The weak demand environment, increased real estate prices over the past year, and rationalization of loss-making stores resulted in net closures/slower store additions for most apparel retailers.
- **Top picks:** TRENT, DMart, and Metro Brands
- **Positive surprises:** Vedant Fashions

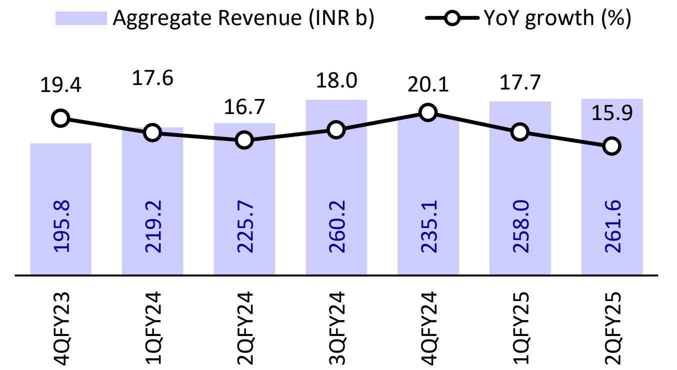
Guidance highlights:

- **ABFRL:** Management's focus was on consolidating unprofitable stores in 1H and expects ~100 store openings in urban-centric locations in ABLBL Lifestyle brands and Reebok stores in 2H. Further, the management aims to open 20-25 stores annually in Pantaloons in larger towns. Pujo was slightly weaker in Kolkata due to several externalities, but management expects demand to pick up driven by festive and wedding seasons in 2H.
- **Shoppers Stop:** Management expects to deliver mid-single digit LFL growth in 2H, driven by a higher number of weddings and discretionary spending pick-up. Further, it expects mid-single-digit pre Ind-AS EBITDA margins in

FY25 (vs. loss in 1H) with further atleast 100bp margin expansion in FY26. It plans to open ~60 new stores in 2H, including 50 Intune, 7 Department, 6 Beauty, and 2 HomeStop stores, while closing down 5-6 underperforming departmental stores (closed 3 in 1H).

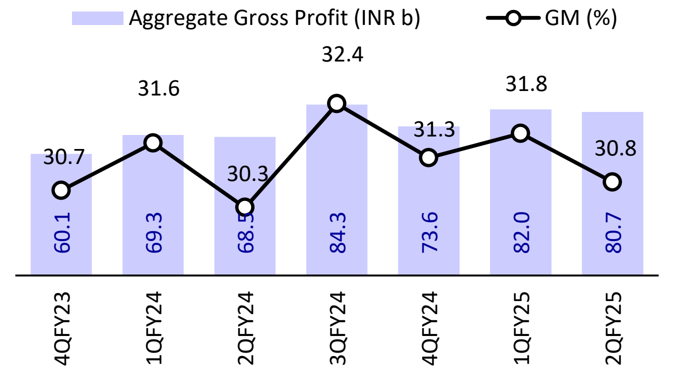
- **Vedant Fashions:** The management indicated that store expansions are likely to be higher in 2H, with some spillover anticipated into FY26. Some store openings in Q2 were postponed to the first week of Q3 (because of the Shradh period). The company usually closes 2-2.5% of its retail area every year. However, this year, the closure is expected to be higher at ~4-5% (a major clean up like this happens once in 4-5 years).
- **VMART: a)** GM of the offline business is expected to remain stable over the medium term; however, the drag from lower LR commissions could impact blended gross margins. Overall, VMART expects to get back to pre-Ind-AS EBITDA margin of 7-8% (pre-COVID margins) in the next 2-3 years. **b**) The management guided for the addition of 55-60 stores in FY25. Store renovation is driving higher capex; however, the average capex per store has not increased meaningfully. The management aspires for 12-13% annual sq. ft. additions over the long term.
- **BATA:** The management highlighted that demand improved modestly in Q2 (vs. Q1) with demand in Sep'24 much better than that in July'24. Tier 2 and below towns witnessed better traction, which was partially offset by premium products performing better than mid and mass products (<1k products contribution declined to ~30% from ~40% YoY). Further, management remained confident of gross margin expansion in the medium term.
- **Campus Activewear:** The margins are expected to expand in H2 led by operating leverage benefits. Despite a weaker 1H, the management has guided for margin in FY25 to be higher than FY24 (14.6%).
- **Metro Brands**: The management has maintained its store opening guidance of net 100 store additions for FY25 (despite a slower pace with 35 store openings in 1H). Further, the management has guided for a broad range of 10-15% revenue growth for FY25 (vs. 2% YoY in 1H), driven by a pick-up in demand in 2H.
- **Relaxo:** Management expects flattish volumes for FY25, with 8- 10% revenue growth for the Sparx brand.

Exhibit 123: Aggregate revenue for retailers under our coverage grew 16% YoY led by ~11% store additions



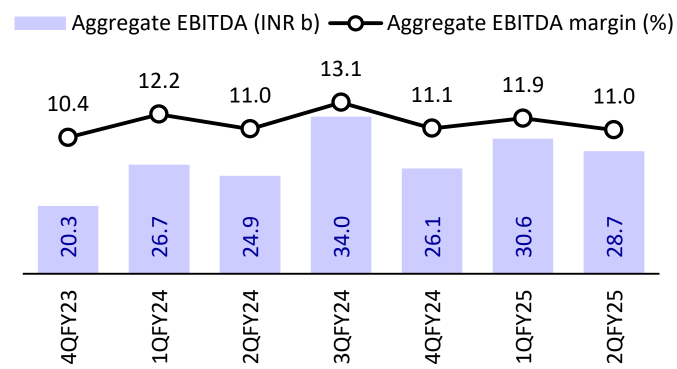
Source: Company, MOFSL

Exhibit 124: Aggregate gross profit was up ~18% YoY as gross margin expanded 50bp YoY (~25bp miss)



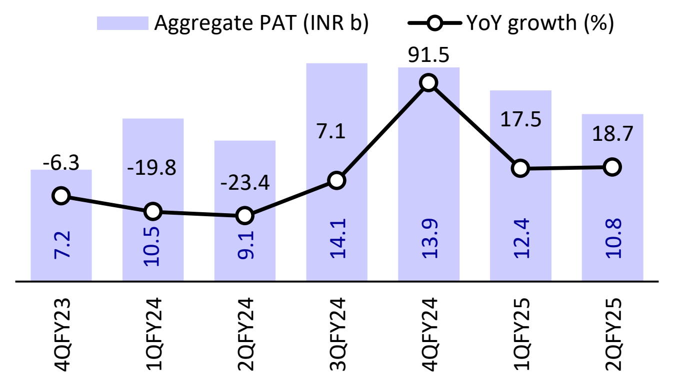
Source: Company, MOFSL

Exhibit 125: Aggregate EBITDA was up 15% YoY as margin contracted ~5bp due to weak margins for footwear retailers



Source: Company, MOFSL

Exhibit 126: Aggregate PAT rose ~19% YoY, driven mainly by improvement in Trent's profitability



Source: Company, MOFSL

Exhibit 127: Store additions moderated on rationalization of stores by apparel retailers

Total Stores	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY	QoQ
ABFRL	4,188	4,056	4,753	4,664	4,607	4,538	11.9	-1.5
DMART	327	336	341	365	371	377	12.2	1.6
SHOP	276	281	290	306	320	341	21.4	6.6
TRENT	632	661	715	811	823	831	25.7	1.0
VMART	431	437	454	444	448	467	6.9	4.2
Vedant Fashions	662	669	673	676	662	650	-2.8	-1.8
Metro	789	817	840	839	854	873	6.9	2.2
Campus	225	240	250	268	275	280	16.7	1.8
Bata	1,750	1,781	1,835	1,862	1,916	1,955	9.8	2.0
Relaxo	389	394	399	405	399	403	2.3	1.0
Total coverage stores	**9,669**	**9,672**	**10,550**	**10,640**	**10,675**	**10,715**	**10.8**	**0.4**
Absolute adds QoQ	350	3	878	90	35	40		

Note: Excluding Raymond Lifestyle and Reliance Retail stores Source: Company, MOFSL

Retail - Jewelry: Robust revenue growth; positive trend in the festive season

- Jewelry companies have delivered robust sales growth driven by recovery in demand post the custom duty reduction. Titan (Jewelry standalone), Kalyan, and Senco delivered revenue growth of 26%, 37%, and 31%, respectively. Their SSSG was 15%, 23%, and 20% respectively. Studded jewelry sales declined across companies, except for Kalyan, due to softer diamond demand, which impacted margins. For Kalyan, a higher revenue contribution from franchise stores also pressured reported margins. The reduction in customs duty resulted in an inventory loss of INR2.9b for Titan, INR690m for Kalyan, and ~INR298m for Senco, which hurt the reported profitability of companies. These losses were partially offset by adjustments in raw material prices, with the remaining 40-50% impact expected in 2HFY25. Festive demand in October 2024 was robust and we remain positive on the jewelry sector, anticipating an accelerated shift in consumer preference from unorganized/local channels to organized retail.
- **Outperformer (2Q) –** Kalyan Jewelers
- **Underperformer (2Q) -** Titan, Senco

Guidance highlights:

- **TTAN:** The company expects standalone (ex-bullion) EBIT margin of 11% to 11.5% for FY25. Demand was healthy during the festive season.
- **Kalyan Jewelers**: The company will open 80 Kalyan showrooms and 50 Candare showrooms in FY25. Store openings in FY26 are expected to be higher than the current year, with additional stores planned for the South Indian, Middle Eastern, and international markets.
- **Senco:** The company aims for 18-20% revenue growth in FY25, with 12-13% expected from SSSG and the rest from new store openings. Profitability growth guidance is of 15-18%. GP margin is expected to be ~16% in FY25. Store guidance of 18 to 20 stores is maintained for FY25.

TECHNOLOGY: IT services post robust 2Q, but guarded outlook signals gradual recovery

- **Aggregate performance:** The IT services companies (MOFSL Universe) reported healthy performance (beating our estimates), with a median revenue growth of 2.0% QoQ CC in 2QFY25 (1.0%/0.7%/1.2% in 3QFY24/4QFY24/1QFY25). While results were encouraging, the outlook remained slightly guarded, signaling persisting uncertainties. This indicates that despite client pessimism bottoming out, a solid lift-off in discretionary spending has yet to emerge. Nonetheless, we anticipate a gradual return of modernization and discretionary spending in selected pockets. The recovery in the US banking sector started taking shape, and this trend has persisted in this quarter's commentary as well. Apart from US banking, we anticipate growth in pockets such as healthcare and manufacturing as well as steady recovery in data and ERP modernization. We believe the cycle is gradually turning (might not be a J-curve recovery) as clients are beginning to reinvest their savings from cost-reduction programs to reduce technological debt.
- **Healthy revenue growth**: Tier-1 saw a median revenue growth of 1.6% QoQ CC, while Tier-2 companies reported a growth of 3.0% QoQ CC, driven by strong performances of Coforge (26.3% CC QoQ growth, organically 5.5% CC

QoQ) and Persistent (5.1% QoQ CC). ZENT (0.3% QoQ CC) and WPRO (0.6% QoQ CC) reported a muted growth. HCLT (+1.6 QoQ CC vs. est. of flat revenue) and Coforge (organic +5.5% QoQ CC vs. 4.0% est.) outperformed their peers with strong executions in 2Q. On the margins front, Tier-1 and Tier-2 companies both reported ~20bp QoQ expansion. The margin expansion for Tier-1 was majorly attributed to ramp up of previously won deals, deferred wage hikes (INFO), and a recovery in ER&D margin (HCLT), whereas for Tier-2, margin expansion came from better-than-expected Cigniti' s margins (COFORGE), growth leverage, and operating efficiency.

- **TCV back to normal run-rate:** The deal TCV growth has normalized for Tier-1 companies, with Infosys being an exception in 2Q (down 41.5% QoQ). Tier-2 companies also reported robust growth in TCV. HCLT's new deal TCV stood at USD2.2b (up 13% QoQ). Within Tier-2, PSYS's TTM TCV was USD529m, up 14% QoQ and 10% YoY. COFORGE's organic order intake of USD448m in 2Q with three large deals, resulted in a robust organic 12-month executable order book of USD1,105m (+18% YoY). The 2Q book-to-bill was decent at ~1.0x for both Tier-1 and Tier-2 players.
- **Headcount movement**: The hiring activities were robust in 2Q; the net headcount reported an addition of ~17.5k for Tier-1, while Tier-2 saw a net addition of ~5.1k. The attrition rate remained range-bound at lower levels for a majority of the companies, while utilization also remained stable QoQ.
- **Top picks:** We prefer HCLT and LTIM among large-caps and COFORGE and PSYS in the mid-cap space. We estimate HCL to lead revenue growth among large caps over the next three years, driven by its resilient portfolio and engineering services. Our positive outlook on LTIMindtree is based on its best-in-class offerings in data and ERP modernization, with a recovery in US banks' discretionary spending expected to further support its growth. We believe Coforge's healthy executable order book and a rebound in BFS client spending bode well for its organic business. Cigniti could prove to be an effective long-term asset. Persistent Systems, with its strong product engineering background, remains the fastest-growing IT services company in our coverage and is well-positioned to benefit from the long-term GenAI investments.
- **Significant Beat:** HCLT (revenue growth and margin), Wipro (margin), Coforge (revenue growth), Persistent (revenue growth)
- **Significant Miss:** LTIM and LTTS (revenue growth and margin)
- **Significant Surprise:** Infosys (revenue guidance increased less than expected)
- **Major EPS upgrades/downgrades:** Infosys' FY25/FY26/FY27E EPS were upgraded by 2.5%/2.7%/3.4%. LTTS' FY25/FY26/FY27E EPS were cut by ~2% each. ZENT/CYL's FY25E EPS were upgraded by 3.5%/3.6%.

Guidance highlights

- **TCS:** It expects growth markets such as India, EMEA, and Asia Pacific to be sustainable growth drivers going forward and anticipates one more quarter of margin impact due to the transformational projects, which should act as a tailwind from 4Q/1Q. Further, TCS anticipates the furlough situation to remain the same as last year. The company has an aspirational margin range of 26-28% for the long term, with FY25 likely to exit at ~26%. In BFSI, North America is seeing good growth in banking, and TCS expects this growth to sustain in the coming quarter.
- **INFO:** Revenue growth guidance has been revised from 3.75% to 4.5%. 2HFY25 will be impacted by seasonality due to furloughs and fewer working days, but this has been factored into the guidance. EBIT margin guidance remains at 20-22%. Tailwinds in 2H are expected from pricing improvements and subcontractor cost optimization.
- **WPRO:** It expects revenue from the IT Services business to be in the range of -2.0% to 0.0% in CC terms for 3QFY25. Client-specific issues leading to softness in Europe have been factored into the guidance. The company is focused on doubling down on manufacturing and energy, natural resources, and utilities (ENU) for a potential revival. The target margin range is 17.0-17.5%.
- **HCLT:** The outlook for discretionary spending is improving. For FY25, revenue growth guidance was upgraded to 3.5-5% YoY in CC (similar for Services) from 3%-5% earlier. EBIT margin guidance was maintained at 18.0- 19.0% in FY25. The lower end of growth guidance has increased; 2% growth is needed in Q3 and Q4 to achieve the upper end guidance of 5%. This growth assumes similar furloughs and the execution of deals signed in recent quarters.

- **TECHM:** The second half of the fiscal year is expected to be better as the foundation for a turnaround has been established. The company is making steady progress on its FY27 targets based on long-term metrics of three pillars, viz; growth, margins, and organizational excellence. The outlook for discretionary spending in manufacturing is conservative, reflecting softness in the sector. A wage hike is unannounced but likely to be announced in the coming months.
- **LTIM:** LTIM is cautious on discretionary spend. 2H should see a ramp-up of deals closed in 1HFY25, barring seasonal impacts. The target margin of 17-18% has been extended due to external challenges. The current focus is on maintaining margins while waiting for growth to return. 2HFY25 will face margin headwinds such as wage hikes, large deal ramp-ups, and hiring. It observed continued deal momentum in key verticals; however, it is cautiously optimistic about maintaining the momentum in 3Q.

Exhibit 128: Tier-1 leading the path to growth recovery

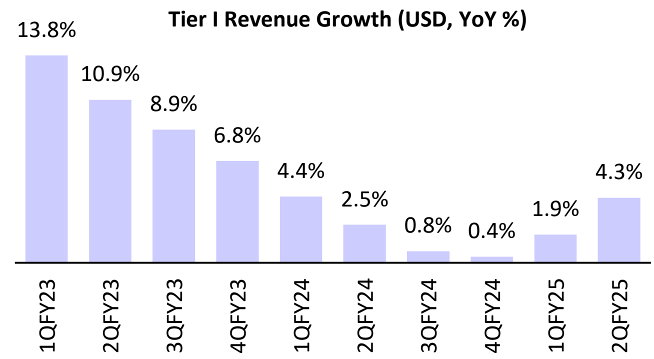


Exhibit 129: Tier-2 posted healthy revenue growth, supported by a low base and the Cigniti acquisition impact

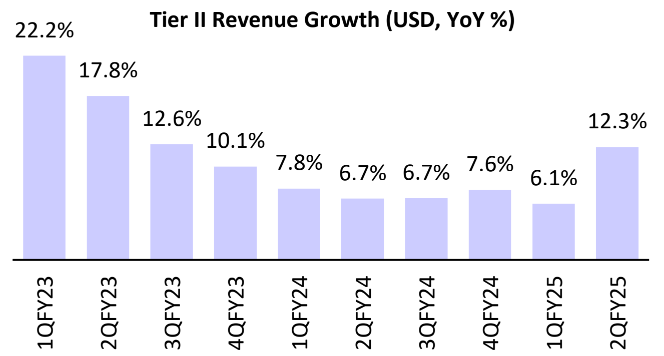


Exhibit 130: Recovery in BFSI is solidifying in 2Q

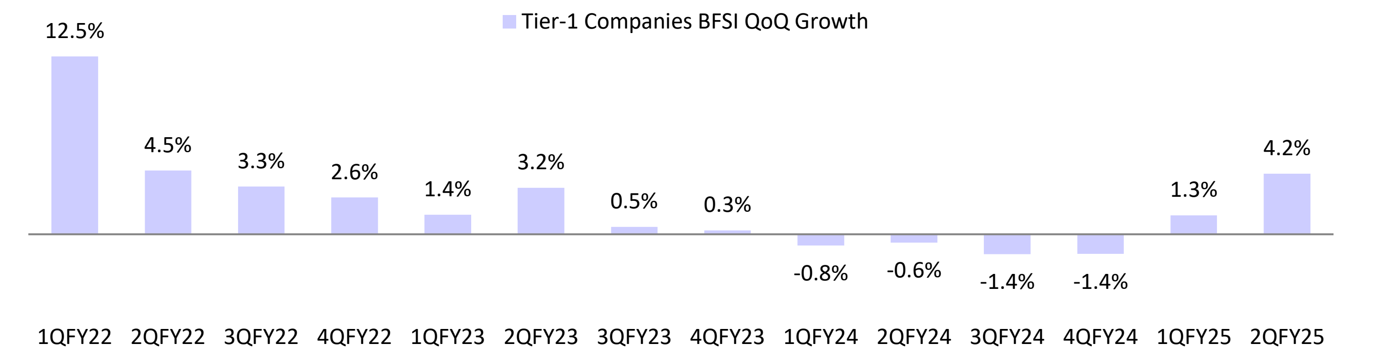
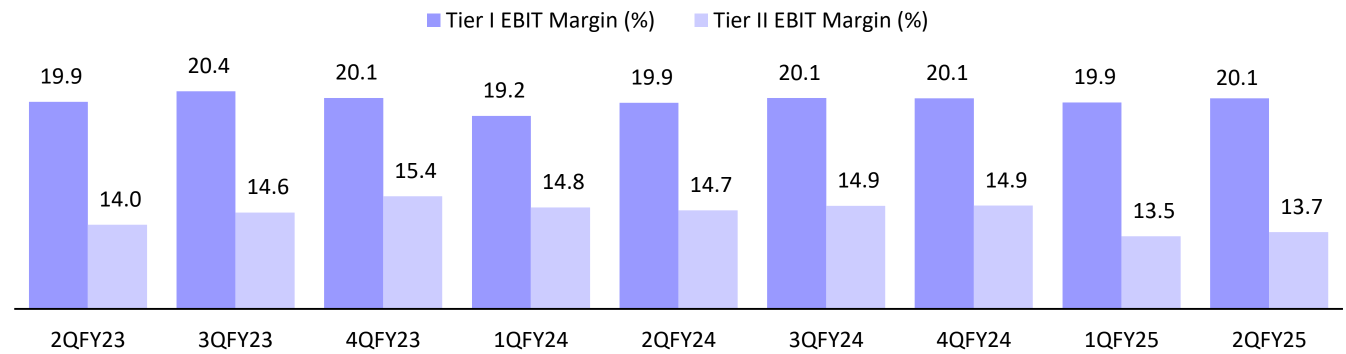
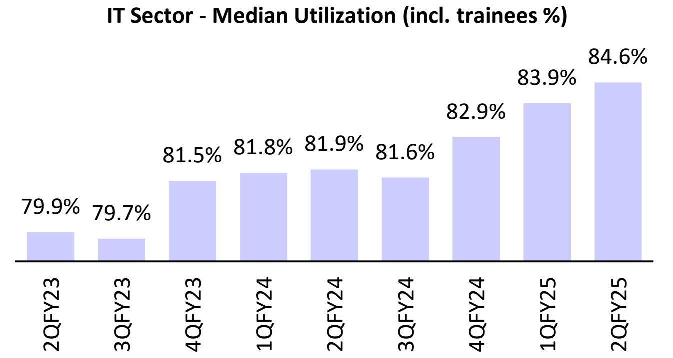


Exhibit 131: Margins improved for both tier-1 and tier-2 players



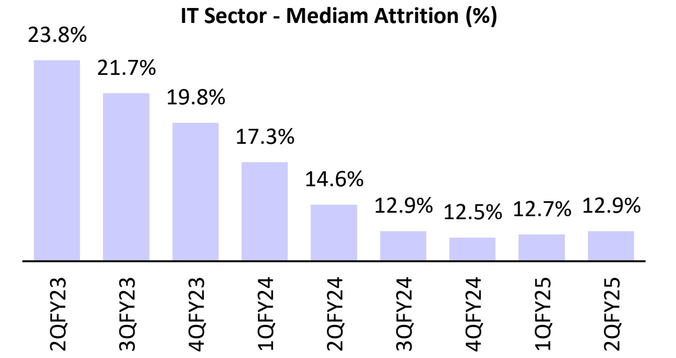
Source: Company, MOFSL

Exhibit 132: Median utilization (%) inched up 70bp QoQ in 2Q



Figures excl. TCS and HCLT; CYL excl. from 1QFY24; LTTS excl. from 1QFY23; MPHL (Offshore); Source: Company, MOFSL

Exhibit 133: Median attrition (%) inched up 20bp in 2Q



Figures exclude MPHL; Source: Company, MOFSL

TELECOM: Strong quarter on partial benefits of tariff hike flow-through

As expected, 2QFY25 was a strong quarter for telcos, with 8% QoQ growth (17% YoY, inline) in wireless revenue for the three private telcos. Blended wireless ARPU was up 9% QoQ (+11% YoY), driven by partial benefits of Jul'24 tariff hikes. However, due to SIM consolidation after the tariff hikes, reported subscribers for private telcos declined by ~21m (-2% QoQ). We expect subscriber churn to moderate over the next few months. EBITDA for private telcos was up ~10% QoQ (+18% YoY, in line), driven by healthy ~70% incremental margins. Among private telcos, Bharti was again the biggest gainer in 2QFY25, with ~90bp QoQ gain (~175bp YoY) in revenue market share (RMS) and ~40bp QoQ (+60bp YoY) subscriber market share (SMS) gains. RJio lost ~45bp QoQ (-15bp YoY) RMS and ~30bp QoQ (still up 100bp YoY) SMS in 2Q due to the clean-up of inactive subscribers. Vi continued to lose market share, with RMS down further ~45bp QoQ (-160bp YoY) and SMS down ~10bp QoQ (-165bp YoY). With the completion of the first phase of 5G rollouts, wireless capex for BHARTI and RJio moderated sharply in 1HFY25, while Vi's capex inched up moderately, after the fund raise. Home Broadband subscriber net additions accelerated for Bharti/RJio in 2Q, with the ramp-up in fixed wireless access (FWA) offerings.

Tariff hike boost partially offset by subscriber churn; Bharti biggest gainer

Driven by the partial flow-through of tariff hikes, blended wireless ARPU was up ~9% for private telcos, with Bharti leading with ~11% QoQ uptick, followed by ~7% QoQ increase for RJio and Vi. The tariff hikes led to SIM consolidation and 40-110bp QoQ increase in monthly churn. Their reported subscriber base declined by ~21m (-2% QoQ), with RJio reporting the highest wireless net subscriber decline of ~12-13m, followed by 5m decline for Vi and modest ~3m decline for Bharti. We expect subscriber trends to normalize from 3QFY25. With tariff hike flow-through partly offset by subscriber churn, wireless revenue for private telcos rose ~8% QoQ, with Bharti leading with ~10% growth, followed by 7% for RJio and 5% for Vi. Bharti's incremental RMS at ~52% remained higher than its 2Q RMS of ~40.5%.

Robust incremental margin drives 10% sequential growth in combined EBITDA for three private telcos

Driven by tariff hike flow-through, incremental margin for private telcos improved to ~70% (from 66% QoQ). As a result, combined EBITDA grew ~10% QoQ (~18% YoY), with Bharti leading with ~13% growth, followed by 8% growth for RJio and Vi. Vi led with ~160bp QoQ EBITDA margin expansion, followed by ~145bp expansion in Bharti's wireless EBITDA margin. RJio's EBITDA margin improved by a modest ~50bp QoQ owing to a sharp ~10% QoQ increase in customer acquisition costs.

Capex moderating for Bharti and RJio; net debt inches up for Bharti and Vi on spectrum purchases

- Bharti's India wireless capex declined 30% YoY (down 18% QoQ) to INR40b, with India capex down 20% YoY (8% QoQ) to INR63b. Bharti's 1HFY25 India capex stood at ~INR130b and it could inch up in 2H, but we believe Bharti's India capex likely peaked in FY24 (~INR335b) in the medium term.
- RJio's 1H cash capex was up 17% YoY at ~INR200b, likely on repayment of capex creditors. However, RJio's asset additions (an indication of committed capex and interest capitalized) declined to ~INR205b (vs. INR380b YoY).

- Vi's 2QFY25 capex increased to INR14b (from ~INR8b in 1Q) as it rolled out ~42k 4G sites. Management indicated that capex would further rise to INR80b in 2HFY25 as Vi targets to further ramp up its 4G population coverage and selectively roll out 5G services.
- Bharti's consolidated net debt (excl. leases) increased by INR59b QoQ to INR1.41t on spectrum acquisition and dividend payments.
- Vi's net debt (excl. leases) increased by INR93b QoQ to INR2.12t on account of dues repayment to vendors/banks, higher cash capex, and spectrum acquisition.
- RJio's net debt declined by ~INR90b in 1HFY25 to INR2t, with 1HFY25 FCF generation of INR28b (vs. INR2b YoY).

Indus continues to benefit from prior period provision reversals: 2Q reported financials came in ahead of our estimate owing to a higher-than-expected reversal of prior-period bad debt provisions (INR11b vs. our estimate of INR5b). However, core operational performance was slightly below estimates, with a 2% miss on recurring EBITDA (+1% QoQ, +7% YoY) on lower tower net additions and weaker energy spreads. Tower additions further moderated QoQ on adverse weather events but should pick up in 2H. Vi's fund raise and impending network rollout are materially positive for Indus as it: 1) helps sustain 100% collections, 2) enables past dues recovery (INR36b), and 3) provides incremental business to Indus at minimal capex. However, we remain concerned on long-term risks from potential shortfall in Vi's payments, given its large cash shortfall (INR200b+ annually over FY27-31E).

TCOM subdued performance continued: TCOM's data revenue grew 3% QoQ, with growth primarily led by loss-making incubation segment. EBITDA declined 1% QoQ (5% miss) as margins contracted 60bp QoQ to 19.4%. Reported financials were also boosted by INR0.9b prior-period revenue recognition; adjusting the same, growth in core-business remained subdued.

- **Top picks:** BHARTI, RIL
- **Positive surprises:** Airtel Africa

Guidance highlights:

- **RJio:** RJio has rolled out standalone 5G services and migrated 148m users to 5G. The pace of home connects accelerated to 1.8m in 2QFY25 (3x vs. past four quarters on average) and management plans to further ramp up customer acquisition to 1m homes per month with a target to reach 100m connected homes (vs. ~14m in 2Q).
- **Bharti:** The flow-through of tariff hike has been in line with the management's expectations, while the SIM consolidation and customer down-trading came in lower than its initial expectations. Management reiterated its stance on the need for further tariff hikes and a change in tariff construct to usage-based plans.
- **Vi:** The company rolled out ~42k 4G sites during 2Q, which led to an increase in 4G population coverage by 22m to 1.05b by Sep'24. Management expects to reach 4G population coverage of 1.1b by Mar'25 and 1.2b by Sep'25. Further, it aims to start rolling out 5G services from 4QFY25. Vi is targeting INR80b capex in 2HFY25 (vs. ~INR22b in 1H).
- **TCOM:** The order book was up 25% YoY in 2Q on account of large deal wins with OTTs and hyper-scalers as well as the highest order booking in five years in international business. The funnel remains robust, though funnel additions have been subdued. Management has maintained its ambition of doubling data revenue by FY27 and bringing EBITDA margins back to 23-25% over the medium term.
- **Indus:** Tower additions were impacted by seasonality in 2Q. However, the order book remains healthy and management expects tenancy additions to improve further on account of Vi's upcoming network rollouts. Further, Indus' management remains engaged with Vi for swift clearance of past overdue and to ensure timely payments.

Exhibit 134: BSNL gained subscriber market share, post the tariff hikes by three private telcos

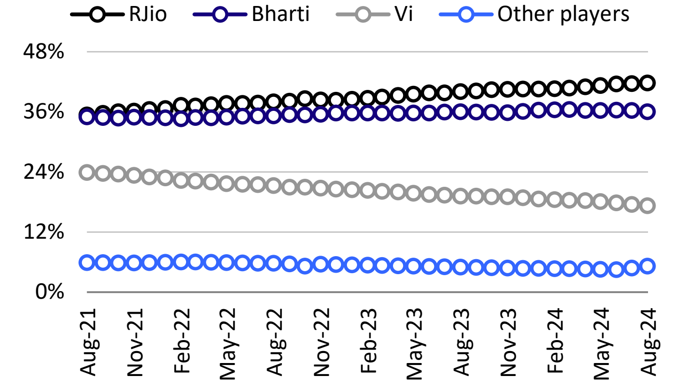


Exhibit 135: Bharti continued to lead with highest ARPU growth

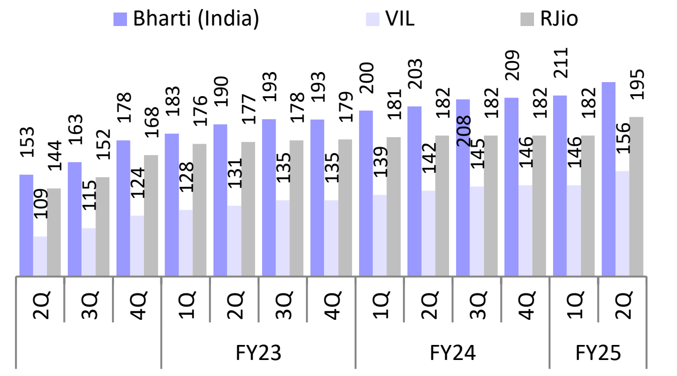


Exhibit 136: Wireless KPI comparison

	FY22				FY23				FY24				FY25		YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	(%)	(%)
EOP Wireless SUBS (m)																
Bharti (India)	321	323	323	326	327	328	332	335	339	342	346	352	355	352	2.7	-0.8
Idea	255	253	247	244	240	234	229	226	221	220	215	213	210	205	-6.7	-2.4
RJio	441	430	421	410	420	428	433	439	449	460	471	482	490	479	4.2	-2.2
Avg. Wireless Subs (m)																
Bharti (India)	321	322	323	324	327	328	330	334	337	340	344	349	353	353	3.7	-0.1
Idea	262	254	250	246	242	237	232	227	224	221	218	214	211	208	-5.9	-1.8
RJio	433	435	425	416	415	424	430	436	444	454	465	476	486	484	6.6	-0.3
ARPU (INR/month)																
Bharti (India)	146	153	163	178	183	190	193	193	200	203	208	209	211	233	14.9	10.6
Vi	104	109	115	124	128	131	135	135	139	142	145	146	146	156	9.9	6.8
RJio	138	144	152	168	176	177	178	179	181	182	182	182	182	195	7.4	7.4
MOU/Sub (min)																
Bharti (India)	1,044	1,053	1,061	1,083	1,104	1,082	1,094	1,122	1,138	1,123	1,127	1,158	1,128	1,135	1.1	0.6
Idea	642	629	620	614	620	601	611	623	626	613	615	626	607	586	-4.4	-3.5
RJio	815	835	901	962	1001	968	984	1004	1002	979	981	1008	974	977	-0.2	0.3
Wireless traffic (B min)																
Bharti (India)	1,002	1,020	1,030	1,051	1,079	1,063	1,082	1,124	1,149	1,148	1,161	1,210	1,195	1,200	4.5	0.4
Idea	504	480	465	452	450	428	424	425	420	406	401	402	385	365	-10.1	-5.2
RJio	1060	1090	1150	1200	1246	1230	1270	1313	1335	1334	1370	1440	1420	1420	6.4	0.0
Data usage/Sub (Gb)																
Bharti (India)	18.5	18.6	18.3	18.8	19.5	20.3	20.3	20.3	21.1	21.7	22.0	22.6	23.7	23.9	10.1	0.7
Idea	13.0	13.2	12.5	12.6	13.0	13.7	13.9	13.9	14.4	14.6	14.2	14.3	14.5	14.4	-1.6	-1.1
RJio	15.6	17.6	18.4	19.7	20.8	22.2	22.4	23.1	24.9	26.6	27.3	28.6	30.3	31.0	16.2	2.4
Data traffic (B Gb)																
Bharti (India)	10.8	11.3	11.3	11.8	12.6	13.5	13.9	14.2	14.9	15.7	16.4	17.4	18.8	19.8	25.6	5.2
Idea	5.4	5.4	5.1	5.1	5.3	5.6	5.6	5.7	5.9	6.0	5.9	5.9	6.0	5.9	-2.1	-1.9
RJio	20.3	23.0	23.5	24.6	25.9	28.2	29.0	30.3	33.2	36.3	38.1	40.9	44.1	45.0	24.0	2.0

Source: MOFSL, Company

Exhibit 137: Financials

	FY22				FY23				FY24				FY25		YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	(%)	(%)
Revenue (INR b)																
Bharti (India wireless)	143	152	161	176	182	190	194	195	204	210	216	221	225	248	18.5	10.3
Bharti (consolidated)	269	283	299	315	328	345	358	360	374	370	379	376	385	415	12.0	7.7
Idea	92	94	97	102	104	106	106	105	107	107	107	106	105	109	2.0	4.0
RJio	180	187	193	209	219	225	230	234	240	248	254	260	265	283	14.5	7.0
EBITDA (INR b)																
Bharti (India wireless)	70	75	79	89	93	99	104	105	112	115	119	122	125	142	23.2	13.1
Bharti (consolidated)	130	138	147	160	165	176	185	187	196	195	198	194	197	218	12.0	10.9
Idea	37	39	38	46	43	41	42	42	42	43	44	43	42	45	6.2	8.2
RJio	86	90	95	105	110	115	120	122	126	130	133	136	139	150	16.1	8.0
EBITDA Margin (%)																
Bharti (India wireless)	49.2	49.2	49.4	50.6	51.2	52.4	53.8	53.8	54.8	54.9	55.1	55.1	55.6	57.1	215bps	145bps
Bharti (consolidated)	48.3	48.8	49.2	50.9	50.4	51.0	51.5	51.9	52.3	52.7	52.3	51.5	51.2	52.7	0bps	150bps
Idea	40.5	41.1	39.3	45.4	41.6	38.6	39.4	40.0	39.0	40.0	40.8	40.9	40.0	41.6	165bps	161bps
RJio	47.9	48.0	49.2	50.3	50.1	51.0	52.2	52.2	52.3	52.3	52.3	52.4	52.6	53.1	72bps	49bps
PAT (INR b)																
Bharti (consolidated)	3	11	8	20	16	21	16	30	16	13	24	21	42	36	168.0	-13.6
Idea	(73)	(71)	(72)	(66)	(73)	(76)	(80)	(64)	(78)	(87)	(70)	(77)	(64)	(72)	-17.9	11.6
RJio	35	35	36	42	43	45	46	47	49	51	52	53	54	62	23.2	14.4
EPS (INR)																
Bharti	0.5	2.1	1.5	3.6	2.9	3.8	2.8	5.3	2.8	2.4	4.3	3.7	7.2	6.2	162.6	-13.6
Idea	(2.5)	(2.5)	(2.5)	(2.0)	(2.3)	(2.4)	(2.5)	(1.3)	(1.6)	(1.8)	(1.4)	(1.5)	(0.9)	(1.1)	-41.1	11.6
RJio	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.4	23.2	14.4

Source: MOFSL, Company

UTILITIES: Mixed 2Q; JSWE and IEX beat PAT estimates

- **Overall performance:** For our coverage universe, revenue was below our estimates by 6.9% (mainly due to an 18% miss for TPWR), EBITDA was below our estimates by 9% (mainly due to a 19%/13% miss for NTPC/JSWE, while TPWR was 15% above our estimates), and Adjusted PAT (APAT) was below our estimates by 4% (JSWE/IEX were 20%/3% above our estimates).
- **Overall mixed 2Q with JSWE and IEX beating PAT estimates:** JSWE's APAT was 20% above our estimates, reporting a 14% YoY increase in net generation to 9.8BUs primarily driven by enhanced hydro generation, the addition of new wind capacity, and an increase in thermal generation. The company also commissioned 204MW of wind capacity, further expanding its Renewable Energy (RE) portfolio. PWGR's reported SA PAT was in line with our estimate, while it added 405ckm of transmission lines and 8,515MVA of transformation capacity. TPWR's EBITDA came in 15% above our estimate despite challenges at Mundra (low plant availability) and Odisha DISCOM operations (impacted by cyclone/heavy rains). However, the adjusted PAT was just a 2% miss vs our estimate. NTPC's standalone EBITDA was 19% below our estimate of INR119b, primarily due to a sharp rise in other opex (Coal plant PLF was 72% (down 5% YoY), hydro plants' PLF improved to 97%, and gas plants' PLF declined to 6.7% (2QFY24: 18.25%)). IEX delivered standalone revenue in line with our estimate, while reported standalone PAT came in 3% above our est., mainly led by higher other income. IEX's overall volumes rose 38% YoY in 2QFY25, with electricity market (DAM, TAM, and RTM) volumes rising 15% YoY and RE volumes surging 277% YoY.
- **Ratings and earnings revisions: NTPC -** We cut our standalone FY25E adjusted PAT by 6% to INR199b, primarily due to weaker profitability observed during the quarter. **TPWR -** Following the weak 2QFY25 result at the reported PAT level, we cut our FY25 estimate by 13%, mainly as we build in the INR4.4b merger-related charges and given the weaker profitability at some of the Orissa subsidiaries. We also moderate our FY26 adjusted PAT by 5% as RE generation ramp-up has been somewhat behind expectations. **PWGR** - Following 2QFY25 results, we moderate our FY25 PAT estimate marginally (-4%) due to 1H consolidated capitalization (INR40b), trailing previously provided guidance of INR140-150b for FY25.

- **Top picks: JSWE and PWGR** remain our preferred picks.

Surprises: JSWE, IEX.

Misses: PWGR, NTPC, TPWR.

Guidance highlights:

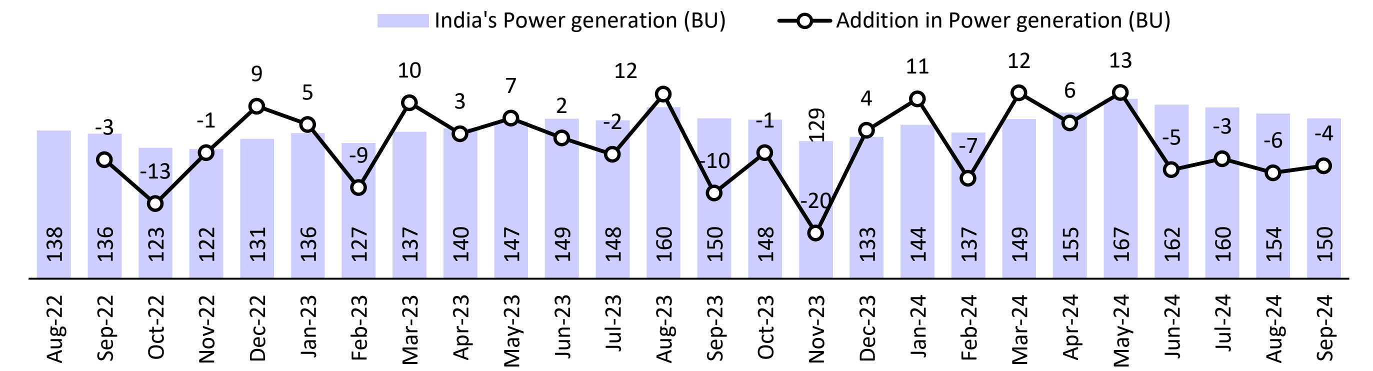
- **JSWE:** Management maintained its full-year capex guidance of INR150b and highlighted that the locked-in capacity stands at 19.2GW and only 3.5GW capacity is awaiting PPA. Management also highlighted that transmission and land-related visibility has been achieved for 80% of the pipeline, which has secured PPAs. Construction of its 1GWh battery project remains on track for completion by Jun'25. The target to reach 10GW in operational capacity was revised to FY25-end (from CY24-end earlier).
- **PWGR:** Management increased FY25 capex guidance marginally to INR200b (INR180b previously), capex and capitalization guidance for FY26 was INR250-300b, while capitalization for FY27 was guided at INR400b. It was highlighted that assuming a ~50% win rate, PWGR could secure INR1.92t in upcoming project bids under NEP 2032, in addition to its current INR1.43t order book, implying a minimum cumulative capex of INR3t by 2032. PWGR management highlighted a total capex potential of INR6.6t in Inter-State Transmission Systems, where PWGR holds a leading 50-60% market share. Management also highlighted six upcoming HVDC projects and three cross-border linkage projects (India-Bangladesh, India-Myanmar, and India-Sri Lanka), in which PWGR remains well-placed to compete and execute.
- **NTPC**: Management guided that NTPC will add 2.7GW/8.0GW thermal capacities in FY25/FY26. Thermal pipeline beyond FY26 includes 8.8GW of projects with PPA visibility likely to be achieved by the end of CY24 for this pipeline. NTPC targets to award an additional thermal capacity of 13.6GW by FY26-27, complementing the 11.16GW already under construction. For FY25, the guided standalone capital outlay stands at INR227b, while the consolidated capital outlay is INR279b. The current year is expected to see a capacity addition of 3GW in renewables, with projections of 5GW next year and 8GW in the following year. The company aims to achieve a RE capacity target of 60GW by FY32, all under NTPC Green Energy. Management expressed confidence in the timely execution of its RE projects.
- **TPWR**: Management has reiterated its target of INR110b revenue in FY27 for the EPC business and highlighted that a large proportion of the current EPC Order Book (OB) projects is expected to be implemented in Q3-Q4FY25. 5GW of under-construction renewable energy projects will be executed by FY26. The board had approved an investment in the 1,000 MW PSP project, the work for which will start from 1st Jan'25 and all necessary approvals for the project have been received barring one. 4.3 GW for cell and module manufacturing - full stabilization for the cell line is expected to be achieved by Nov'24-end and by Dec'24 end, both plants should be producing at full capacity.
- **IEX:** Management highlighted its commitment to maintaining high dividend payouts (65%-70%). Approval for the 11-month contract and the Green RTM market are expected to enhance trading opportunities.

Exhibit 138: Key Snapshot

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	1QFY25	2QFY25
Total generation growth (%)	**5.4**	**5.2**	**0.7**	**-0.6**	**8.1**	**9.0**	**7.2**	**10.9**	**1.3**
Conv. Generation growth (%)	4.1	3.6	0.0	-1.6	7.1	7.7	6.7	11.5	0.3
RE generation growth (%)	24.9	24.4	7.8	7.7	16.2	19.1	10.9	7.0	7.3
Capacity addition (GW)									
Net Coal	6.0	3.6	4.1	4.2	1.4	1.2	5.7	0.0	0.1
Solar	9.4	6.5	6.4	5.5	13.9	12.8	15.0	3.7	5.3
Wind	1.8	1.6	2.1	1.6	1.1	2.3	3.3	0.8	0.7
Total capacity addition	**17.2**	**12.1**	**14.0**	**12.0**	**17.3**	**16.6**	**25.9**	**4.2**	**6.5**

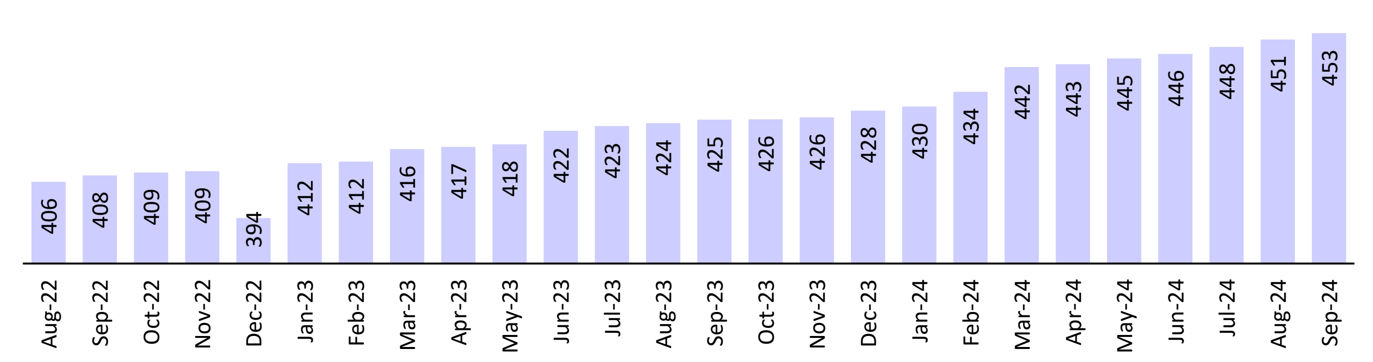
Source: Company, MOFSL

Exhibit 139: India's power generation



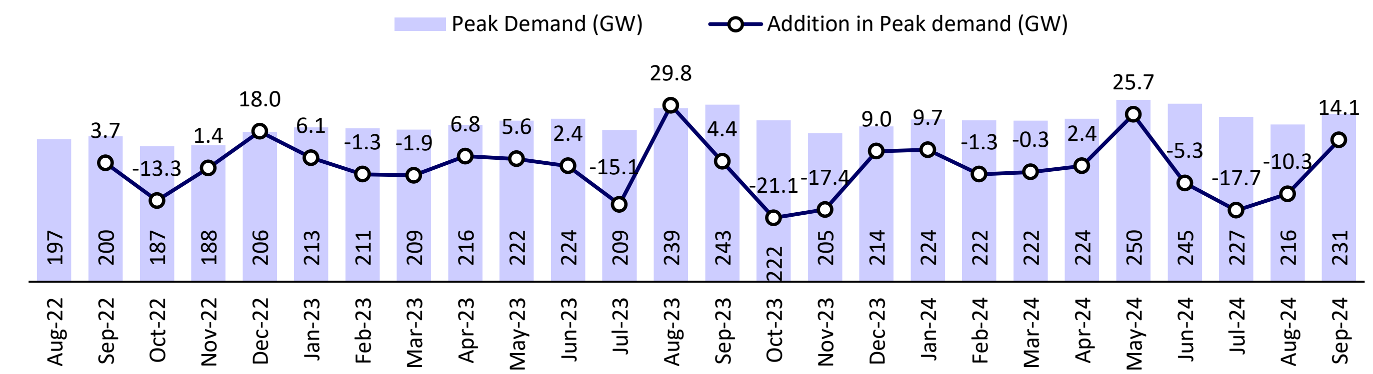
Source: Company, MOFSL

Exhibit 140: India's power generation capacity (GW)



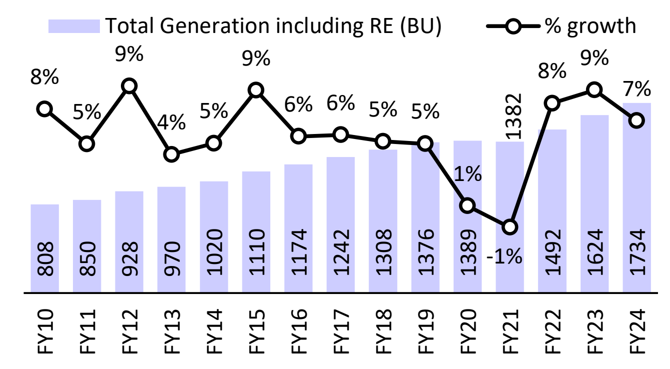
Source: Company, MOFSL

Exhibit 141: India peak demand



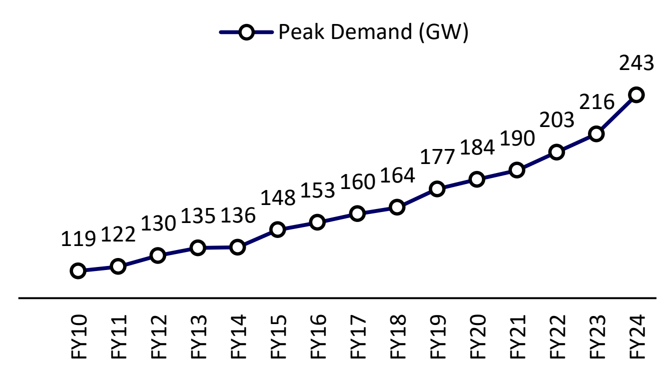
Source: Company, MOFSL

Exhibit 142: India's power demand growth



Source: Company, MOFSL

Exhibit 143: Peak demand growth



Source: Company, MOFSL

ANNEXURE: MOFSL UNIVERSE (ACTUAL V/S EXPECTATIONS)

	Sales (INR b)				EBITDA (INR b)				PAT (INR b)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
Company	**Sep-24**	**YoY**	**QoQ**	**Exp. (%)**	**Sep-24**	**YoY**	**QoQ**	**Exp. (%)**	**Sep-24**	**YoY**	**QoQ**	**Exp. (%)**
Automobiles	**2,872.9**	**3.8**	**-1.2**	**0.1**	**368.6**	**-1.5**	**-10.3**	**-4.9**	**216.6**	**5.8**	**-2.8**	**-1.8**
Amara Raja Energy	31.4	11.6	0.1	1.4	4.4	7.5	2.4	-1.1	2.4	6.3	-1.6	-4.0
Apollo Tyres	64.4	2.5	1.6	0.3	8.8	-24.3	-3.5	-6.3	3.0	-37.6	-9.2	-19.6
Ashok Leyland	87.7	-9.0	2.0	-0.9	10.2	-5.8	11.7	-0.6	6.9	20.2	31.9	9.3
Bajaj Auto	131.3	21.8	10.1	0.3	26.5	24.3	9.8	2.1	22.2	20.7	11.4	2.7
Balkrishna Inds	24.6	9.7	-10.1	0.1	6.2	12.9	-13.3	5.1	3.5	4.3	-26.8	-4.2
Bharat Forge	22.5	-0.1	-3.9	-8.3	6.1	-0.2	-6.4	-9.8	3.5	0.1	-7.3	-13.2
Bosch	43.9	6.4	1.8	-1.5	5.6	14.1	7.9	4.8	5.0	29.2	6.7	-2.0
CEAT	33.0	8.2	3.5	0.2	3.6	-20.6	-5.4	-4.5	1.2	-41.4	-18.0	-20.0
CIE Automotive	21.3	-6.4	-6.9	-3.2	3.3	-4.3	-8.2	0.0	1.9	4.3	-10.0	0.1
Craftsman Auto	12.1	3.0	5.5	-0.2	1.9	-18.8	-2.3	-10.7	0.6	-34.7	16.0	-21.4
Eicher Motors	42.6	3.6	-3.0	-3.8	10.9	0.1	-6.7	-8.3	11.0	8.3	-0.1	2.3
Endurance Tech.	29.1	14.4	3.1	0.7	3.8	20.0	2.1	0.0	2.0	31.3	-0.4	-0.1
Escorts Kubota	24.8	0.5	-11.6	18.5	2.7	0.3	-27.6	-7.2	3.3	53.2	7.6	24.1
Exide Inds.	42.7	3.9	-1.1	-3.8	4.8	0.1	-2.2	-7.2	3.0	3.8	6.5	-2.0
Happy Forgings	3.6	5.3	5.8	1.2	1.1	12.4	8.0	5.5	0.7	20.6	4.3	1.7
Hero Motocorp	104.6	10.8	3.1	2.2	15.2	14.1	3.8	3.3	12.0	14.2	7.2	6.8
Mahindra & Mahindra	275.5	12.9	1.9	1.2	39.5	26.4	-1.8	7.2	38.4	13.2	47.0	14.1
Maruti Suzuki	372.0	0.4	4.7	-0.1	44.2	-7.7	-1.9	-3.8	39.1	5.1	7.0	5.7
Motherson Wiring	23.3	10.5	6.4	1.4	2.5	0.6	4.5	-7.1	1.5	-2.4	2.2	-11.6
MRF	67.6	11.1	-4.5	-0.8	9.7	-13.8	-14.4	-4.9	4.6	-20.4	-19.0	-4.3
Samvardhana Motherson	278.1	18.2	-3.7	-3.2	24.5	23.1	-11.8	-9.7	7.5	65.7	-24.9	-21.0
Sona BLW Precis.	9.3	17.0	3.6	5.5	2.5	14.2	1.5	5.3	1.5	20.2	9.1	12.9
Tata Motors	1,014.5	-3.5	-6.1	1.3	117.4	-14.5	-24.3	-11.5	33.4	-13.6	-39.6	-21.7
Tube Investments	20.6	4.8	5.3	-2.5	2.5	-2.1	2.5	-7.0	1.7	-7.5	8.6	-12.1
TVS Motor	92.3	13.3	10.2	-3.4	10.8	20.0	12.5	1.8	6.6	23.5	14.8	2.4
Capital Goods	**868.9**	**18.9**	**11.0**	**5.6**	**101.8**	**20.4**	**16.6**	**5.8**	**61.1**	**17.2**	**21.3**	**5.5**
ABB India	29.1	5.2	2.9	-15.1	5.4	23.2	-0.4	-18.1	4.4	21.7	-0.5	-18.3
Bharat Electronics	45.8	14.8	9.2	-3.1	13.9	38.2	48.2	26.0	10.9	34.3	40.6	18.2
Cummins India	24.9	31.2	8.2	11.3	4.8	42.1	2.9	8.0	4.5	37.2	7.3	10.4
Hitachi Energy	15.5	26.5	17.1	-0.7	1.1	68.0	129.1	-14.5	0.5	111.4	401.8	-28.2
Kalpataru Proj.	41.4	7.6	11.1	0.6	3.5	13.1	11.0	-1.5	1.3	17.1	13.1	-5.1
KEC International	51.1	13.7	13.3	2.0	3.2	16.7	18.4	-3.2	0.9	53.1	-2.5	-14.4
Kirloskar Oil	11.9	12.8	-11.1	-2.1	1.6	67.3	-16.5	12.6	1.1	89.6	-17.6	18.0
Larsen & Toubro	615.5	20.6	11.7	8.4	63.6	13.0	13.3	5.5	34.0	5.4	21.9	6.0
Thermax	26.1	13.4	19.6	1.9	2.8	35.8	96.9	5.9	2.0	24.9	81.0	10.3
Triveni Turbine	5.0	29.2	8.2	2.7	1.1	49.8	16.5	11.4	0.9	41.4	13.2	7.9
Zen Technologies	2.4	277.4	-4.8	20.8	0.8	264.9	-23.0	13.4	0.7	276.1	-12.1	31.7
Cement	**510.0**	**-2.3**	**-9.8**	**1.1**	**56.1**	**-28.4**	**-31.3**	**-2.5**	**22.7**	**-46.2**	**-32.9**	**-9.4**
ACC	46.1	3.9	-10.6	6.9	4.3	-21.7	-36.6	-0.2	2.3	-39.1	-36.1	18.1
Ambuja Cements	75.2	1.2	-9.6	5.9	11.1	-14.6	-13.2	38.3	5.3	-33.2	-18.1	41.2
Birla Corporation	19.5	-14.6	-10.9	0.6	1.8	-38.7	-31.4	4.6	-0.3	PL	PL	Loss
Dalmia Bharat	30.9	-2.0	-14.7	-1.1	4.3	-26.3	-35.1	-4.6	0.6	-53.8	-75.6	-3.6
Grasim Industries	76.2	18.3	10.6	0.9	3.3	-45.2	0.0	-17.2	7.6	-4.7	LP	-18.0
India Cements	10.2	-16.8	4.6	16.9	-1.6	PL	Loss	Loss	-2.5	Loss	Loss	Loss
J K Cements	25.6	-7.0	-8.8	-4.5	2.8	-39.2	-41.6	-21.7	0.4	-80.0	-80.6	-60.3
JK Lakshmi Cem.	12.3	-21.6	-21.1	-12.5	0.9	-58.9	-59.9	-41.7	-0.1	PL	PL	PL
Ramco Cements	20.4	-12.5	-2.4	2.4	3.1	-21.7	-2.3	26.0	0.3	-74.7	-27.9	LP
Shree Cement	37.3	-18.3	-22.9	-2.2	5.9	-31.9	-35.3	-3.5	0.9	-81.0	-70.7	26.2
Ultratech Cement	156.3	-2.4	-13.5	0.0	20.2	-20.9	-33.6	-7.1	8.2	-36.0	-50.9	-12.1
Chemicals-Specialty	**168.2**	**8.2**	**2.9**	**-1.2**	**30.6**	**-0.5**	**2.1**	**-2.8**	**17.7**	**-4.0**	**8.9**	**1.1**
Alkyl Amines	4.1	17.8	3.8	4.3	0.7	52.3	-7.0	3.6	0.5	74.2	-2.9	16.9
Atul	13.9	16.7	5.4	1.6	2.4	56.4	8.7	1.9	1.4	52.9	24.5	6.3

Company	Sales (INR b)				EBITDA (INR b)				PAT (INR b)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)
Clean Science	2.4	31.5	6.3	-1.0	0.9	19.8	-5.3	-16.8	0.6	12.6	-10.9	-24.3
Deepak Nitrite	20.3	14.3	-6.2	1.1	3.0	-1.6	-3.8	12.3	1.9	-5.3	-4.1	14.8
Fine Organic	6.0	26.2	17.1	6.7	1.4	36.9	17.4	6.3	1.1	42.5	14.3	10.5
Galaxy Surfactants	10.6	8.1	9.1	-0.6	1.3	2.2	2.9	-9.5	0.8	9.4	6.3	-5.9
Navin Fluorine	5.2	9.9	-1.0	-2.6	1.1	9.2	7.0	5.5	0.6	-2.9	14.9	14.6
NOCIL	3.6	3.4	-2.5	-7.2	0.4	-16.6	-6.7	-19.1	0.4	54.3	52.3	32.3
P I Industries	22.2	4.9	7.4	-3.8	6.3	13.9	7.7	2.7	5.1	5.8	13.2	14.8
SRF	34.2	7.8	-1.1	-4.5	5.6	-13.1	-9.7	-14.1	2.2	-30.0	-16.9	-27.7
Tata Chemicals	40.0	0.0	5.5	-0.6	6.2	-24.5	7.7	-4.2	1.9	-44.8	43.7	-9.2
Vinati Organics	5.5	19.5	5.4	3.3	1.3	27.9	7.1	1.6	1.1	46.4	23.4	16.1
Consumer	**869.6**	**6.5**	**0.0**	**0.9**	**203.8**	**1.2**	**-5.5**	**-1.9**	**142.3**	**-0.2**	**-6.1**	**-3.9**
Asian Paints	80.3	-5.3	-10.5	-5.8	12.4	-27.8	-26.8	-17.5	8.7	-29.1	-26.4	-18.8
Britannia	46.7	5.3	9.8	-1.5	7.8	-10.2	3.9	-15.9	5.3	-9.3	0.4	-18.3
Colgate	16.2	10.1	8.2	-2.6	5.0	3.2	-2.2	-11.7	3.6	4.6	-2.3	-12.3
Dabur	30.3	-5.5	-9.6	-0.3	5.5	-16.4	-15.6	0.0	4.3	-17.2	-14.8	-0.9
Emami	8.9	3.0	-1.7	-2.0	2.5	7.2	15.7	0.5	2.3	18.6	37.0	8.9
Godrej Consumer	36.7	1.8	10.0	-0.6	7.6	5.3	4.9	1.9	5.0	12.2	6.5	2.9
Hind. Unilever	159.3	1.9	1.4	-0.4	37.9	-0.1	1.3	0.5	26.0	-2.1	-1.6	-3.5
Indigo Paints	3.0	7.4	-3.7	0.8	0.4	-1.5	-12.4	-4.9	0.2	-10.6	-13.6	-1.5
ITC	207.4	16.7	12.3	10.5	67.6	4.8	0.2	0.7	49.9	2.0	-2.0	-2.5
Jyothy Labs	7.3	0.2	-1.1	-8.1	1.4	2.3	3.7	-8.2	1.1	1.0	3.3	-8.3
Marico	26.6	7.6	0.8	0.2	5.2	5.0	-16.6	0.2	4.1	17.1	-10.9	10.1
Nestle	51.0	1.3	6.0	-4.5	11.9	-4.7	6.1	-11.4	7.5	-6.9	1.7	-16.8
P&G Hygiene	11.4	-0.3	21.8	-8.6	2.9	2.0	121.2	-5.0	2.1	0.6	133.3	-7.3
Page Industries	12.5	10.8	-2.4	3.9	2.8	20.5	15.7	12.5	2.0	29.9	18.2	13.8
Pidilite Inds.	32.3	5.2	-4.7	-1.7	7.7	13.1	-5.4	0.9	5.4	17.8	-5.3	1.2
Tata Consumer	42.1	12.9	-3.2	-0.6	6.3	16.6	-6.2	7.2	3.8	10.2	26.9	14.3
United Breweries	21.1	12.0	-14.5	1.8	2.3	22.9	-20.3	8.2	1.3	22.9	-23.7	9.6
United Spirits	28.4	-0.8	20.9	-3.3	5.1	7.8	10.7	3.7	3.4	5.3	12.0	-0.2
Consumer Durables	**167.5**	**19.9**	**-13.2**	**5.5**	**14.8**	**7.1**	**-21.9**	**-12.9**	**10.5**	**13.0**	**-22.7**	**-12.3**
Havells India	45.4	16.4	-21.8	5.4	3.8	0.5	-34.5	-25.3	2.7	7.5	-34.3	-24.7
KEI Industries	22.8	17.1	10.6	0.9	2.2	8.2	2.8	-12.2	1.5	10.4	3.0	-8.3
Polycab India	55.0	30.4	17.0	10.4	6.3	3.7	8.3	-4.5	4.4	3.3	11.1	-3.6
R R Kabel	18.1	12.5	0.1	-1.4	0.9	-29.1	-9.7	-35.7	0.5	-33.2	-23.1	-43.9
Voltas	26.2	14.2	-46.8	5.1	1.6	130.8	-61.7	10.7	1.3	265.3	-59.9	8.3
EMS	**153.8**	**103.9**	**37.2**	**16.9**	**7.9**	**82.2**	**27.9**	**11.1**	**3.9**	**80.3**	**24.0**	**2.2**
Amber Enterp.	16.8	81.7	-29.8	32.7	1.1	90.9	-42.0	28.0	0.2	LP	-73.4	104.8
Avalon Tech	2.8	36.8	37.9	16.0	0.3	139.1	589.3	99.1	0.2	140.1	LP	150.1
Cyient DLM	3.9	33.4	51.0	1.5	0.3	34.4	58.2	-2.0	0.2	5.5	45.8	-21.7
Data Pattern	0.9	-16.0	-12.5	-29.4	0.3	-15.8	-7.7	-30.7	0.3	-10.4	-7.7	-27.8
Dixon Tech.	115.3	133.3	75.3	21.0	4.3	114.4	72.0	13.5	2.1	99.8	60.4	1.0
Kaynes Tech	5.7	58.5	13.5	-5.1	0.8	68.3	22.8	-7.8	0.6	86.4	18.6	-9.7
Syrma SGS Tech.	8.3	17.0	-28.2	-16.4	0.7	44.8	59.1	18.0	0.4	22.0	87.8	30.3
Financials	**2,819.1**	**10.1**	**7.0**	**-1.6**	**1,660.1**	**19.1**	**6.4**	**3.8**	**984.6**	**15.3**	**4.0**	**3.9**
Banks-Private	**925.2**	**11.3**	**1.1**	**0.0**	**706.3**	**14.0**	**2.7**	**1.8**	**437.2**	**5.2**	**0.9**	**0.3**
AU Small Finance	19.7	58.1	2.8	0.1	11.3	80.0	18.9	12.9	5.7	42.1	13.7	16.0
Axis Bank	134.8	9.5	0.3	-1.1	107.1	24.1	6.0	4.6	69.2	18.0	14.6	4.4
Bandhan Bank	29.5	20.7	-1.9	-2.5	18.6	17.2	-4.4	-0.7	9.4	30.0	-11.9	7.1
DCB Bank	5.1	7.0	2.5	-2.1	2.6	21.2	24.2	14.0	1.6	22.6	18.4	15.1
Equitas Small Fin.	8.0	4.8	0.1	-2.5	3.5	5.9	2.7	-0.1	0.1	-93.5	-50.0	-92.8
Federal Bank	23.7	15.1	3.3	-0.6	15.7	18.2	4.3	6.7	10.6	10.8	4.7	5.2
HDFC Bank	301.1	10.0	0.9	1.0	247.1	8.9	3.4	1.4	168.2	5.3	4.0	2.9
ICICI Bank	200.5	9.5	2.5	0.6	167.2	17.5	4.4	5.6	117.5	14.5	6.2	7.7
IDFC First Bank	47.9	21.2	2.0	-1.1	19.6	29.9	4.2	1.3	2.0	-73.3	-70.5	-64.8
IndusInd Bank	53.5	5.3	-1.1	-1.9	36.0	-7.9	-8.9	-10.3	13.3	-39.5	-38.7	-35.5

	Sales (INR b)				EBITDA (INR b)				PAT (INR b)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
Company	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)
Kotak Mahindra Bank	70.2	11.5	2.6	1.0	51.0	10.6	-2.9	-4.1	33.4	4.8	-5.0	-5.1
RBL Bank	16.1	9.5	-5.0	-3.2	9.1	24.5	5.9	8.4	2.2	-24.3	-40.1	-11.8
SBI Cards	15.0	15.8	1.7	0.8	17.6	13.3	-7.5	-9.2	4.0	-32.9	-32.0	-31.4
Banks-PSU	**883.2**	**5.1**	**0.4**	**-0.8**	**661.2**	**25.2**	**10.0**	**8.6**	**393.1**	**33.5**	**13.2**	**13.9**
Bank of Baroda	116.2	7.3	0.2	0.8	94.8	18.2	32.3	26.2	52.4	23.2	17.5	13.8
Canara Bank	93.2	4.6	1.6	1.2	76.5	0.5	0.5	5.1	40.1	11.3	2.8	5.7
Indian Bank	61.9	7.9	0.3	-0.7	47.3	9.9	5.0	2.9	27.1	36.2	12.6	6.4
Punjab National Bank	105.2	6.0	0.4	-3.5	68.5	10.2	4.1	-4.2	43.0	145.1	32.4	24.3
State Bank	416.2	5.4	1.2	0.0	292.9	50.9	10.8	9.4	183.3	27.9	7.6	11.7
Union Bank	90.5	-0.9	-3.9	-5.2	81.1	12.4	4.2	7.4	47.2	34.4	28.3	27.4
Insurance	**655.3**	**10.1**	**31.6**	**-5.5**	**31.3**	**2.3**	**41.8**	**-13.1**	**21.6**	**16.0**	**-5.2**	**-1.2**
HDFC Life Insur.	165.7	12.3	32.5	-9.4	9.4	17.1	30.6	-4.0	4.3	14.9	-9.3	3.2
ICICI Lombard	50.3	16.7	11.6	3.4	-1.6	Loss	Loss	Loss	6.9	20.2	19.6	-2.2
ICICI Pru Life	120.8	15.8	45.8	2.8	5.9	1.6	24.2	-9.2	2.5	3.1	11.7	-6.8
Max Financial	77.4	16.8	43.3	-10.7	5.1	23.1	101.6	1.6	1.4	-11.2	-10.6	21.6
SBI Life Insurance	204.1	1.2	31.1	-7.9	14.5	-2.7	49.5	-14.1	5.3	39.3	1.9	2.9
Star Health	37.0	15.5	5.2	2.0	-1.9	Loss	PL	Loss	1.1	-11.2	-65.1	-28.9
NBFC - Lending	**325.8**	**18.2**	**3.6**	**-0.1**	**245.4**	**18.1**	**4.1**	**0.5**	**119.8**	**0.6**	**-9.8**	**-9.8**
AAVAS Financiers	2.4	8.8	-1.1	-4.9	1.9	19.5	14.9	2.7	1.5	21.5	17.3	4.9
Bajaj Finance	88.4	22.8	5.6	-0.2	73.1	25.2	5.2	1.8	40.1	12.9	2.5	-0.3
Can Fin Homes	3.4	7.3	5.7	3.8	2.9	6.5	3.0	2.2	2.1	33.8	5.9	0.6
Chola. Inv & Fin.	27.1	34.6	5.4	0.4	19.2	35.3	3.9	-0.6	9.6	26.3	2.2	-2.2
CreditAccess	9.3	22.2	0.7	2.3	6.7	19.5	-5.2	-1.4	1.9	-46.4	-53.2	-28.8
Five-Star Business	5.2	29.6	6.9	0.4	3.8	36.9	7.1	3.5	2.7	34.4	6.5	2.5
Home First Fin.	1.6	18.6	7.0	0.5	1.3	20.7	5.9	0.6	0.9	24.1	5.1	1.0
IIFL Finance	13.4	-6.0	-6.9	4.3	8.5	-8.9	24.1	35.0	-1.6	PL	PL	PL
L&T Finance	21.8	18.1	3.7	-2.0	15.9	22.5	8.3	3.8	7.0	17.1	1.6	0.0
LIC Housing Fin	19.7	-6.3	-0.8	-3.1	17.4	-8.3	-1.7	-4.3	13.3	11.9	2.2	11.1
M & M Financial	18.1	14.1	1.5	-1.9	12.0	26.9	5.4	1.4	3.7	57.1	-28.0	-14.7
Manappuram Finance	16.4	20.8	6.3	3.4	10.3	19.2	5.3	2.5	5.7	2.0	2.8	2.2
MAS Financial	1.9	26.0	9.4	2.4	1.3	23.9	8.5	1.1	0.8	27.6	8.7	3.1
Muthoot Finance	25.2	35.5	9.2	3.7	19.1	42.7	11.6	6.5	12.5	26.3	16.0	-3.9
PNB Housing	6.6	2.5	3.1	-0.6	5.6	1.3	3.1	-1.0	4.7	22.6	8.5	6.1
Poonawalla Fincorp	5.6	17.8	-2.9	-8.5	2.8	-16.8	-35.4	-36.7	-4.7	PL	PL	PL
Repco Home Fin	1.7	-2.3	-1.3	-3.9	1.4	2.2	-0.9	-3.2	1.1	14.7	6.7	3.7
Shriram Finance	54.6	18.9	4.4	-0.3	39.8	14.5	3.4	-4.1	20.7	18.2	4.5	0.4
Spandana Sphoorty	3.5	10.4	-19.7	-5.3	2.3	-11.6	-20.6	-13.8	-2.2	PL	PL	Loss
NBFC - Non Lending	**29.6**	**59.6**	**10.2**	**0.1**	**16.0**	**89.0**	**23.2**	**2.7**	**12.9**	**91.9**	**26.8**	**3.7**
360 ONE WAM	5.9	37.7	-1.9	-6.7	2.9	35.8	-13.7	-19.4	2.5	33.4	1.5	-16.5
Angel One	9.8	44.9	6.8	-2.2	5.7	40.5	44.2	5.1	4.2	39.1	44.7	5.4
BSE	7.5	137.3	22.8	5.1	3.9	192.2	37.0	21.0	3.5	192.2	30.9	19.4
Cams Services	3.7	32.7	10.2	6.0	1.7	39.4	13.6	6.3	1.2	44.2	13.0	5.5
MCX	2.9	73.0	21.9	4.6	1.8	LP	35.4	4.1	1.5	LP	38.5	7.4
Healthcare	**870.9**	**10.5**	**4.0**	**1.7**	**208.8**	**17.3**	**2.5**	**3.3**	**128.7**	**17.0**	**1.5**	**1.6**
Ajanta Pharma	11.9	15.4	3.6	4.2	3.4	15.9	-6.5	-2.1	2.4	26.5	-10.2	-2.3
Alembic Pharma	16.5	3.3	5.5	1.4	2.4	14.9	1.0	-12.4	1.4	3.6	5.8	-16.8
Alkem Lab	34.1	-0.7	12.6	-1.4	7.5	0.8	23.7	-5.1	6.9	2.0	26.3	4.9
Apollo Hospitals	55.9	15.3	9.9	3.6	8.2	30.0	20.8	7.6	3.8	63.5	24.1	4.8
Aurobindo Pharma	78.0	8.0	3.0	6.3	15.7	11.6	-7.6	1.3	8.2	5.1	-9.3	-0.9
Biocon	35.9	3.7	4.6	-1.2	6.9	-7.4	10.5	-4.6	0.4	-74.7	LP	42.7
Cipla	70.5	5.6	5.3	0.4	18.9	8.8	9.9	1.7	13.0	10.9	10.6	5.9
Divis Labs	23.4	22.5	10.4	6.1	7.2	43.5	15.1	6.9	4.9	38.3	14.3	2.8
Dr Reddy' s Labs	80.2	16.5	4.5	2.6	22.0	10.3	3.5	1.4	13.6	2.4	-2.4	-4.5
ERIS Lifescience	7.4	46.7	3.0	-2.2	2.6	46.0	5.8	-0.6	0.9	-25.8	10.1	-7.3
Gland Pharma	14.1	2.4	0.3	0.2	3.0	-8.3	12.3	8.0	1.6	-15.8	13.7	5.1

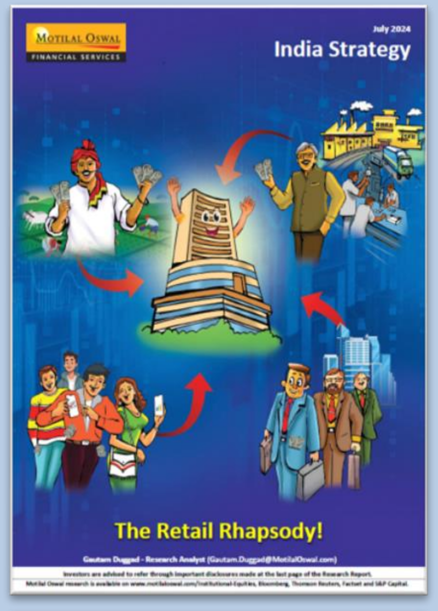
Company	Sales (INR b) Sep-24	Sales Gr (%) YoY	Sales Gr (%) QoQ	Sales Var. over Exp. (%)	EBITDA (INR b) Sep-24	EBITDA Gr (%) YoY	EBITDA Gr (%) QoQ	EBITDA Var. over Exp. (%)	PAT (INR b) Sep-24	PAT Gr (%) YoY	PAT Gr (%) QoQ	PAT Var. over Exp. (%)
Glenmark Pharma	34.3	7.1	5.8	2.0	6.0	19.1	-1.4	-7.4	3.5	153.5	-0.6	2.3
Global Health	9.6	13.3	11.1	8.2	2.3	7.3	22.6	16.3	1.4	9.4	28.8	19.3
Granules India	9.7	-18.7	-18.1	-1.1	2.0	-4.5	-21.6	1.0	1.0	-4.8	-27.8	4.2
GSK Pharma	10.1	5.6	24.1	3.8	3.2	11.1	39.5	7.2	2.5	13.9	35.9	7.1
Ipca Labs.	23.5	15.8	12.5	3.5	4.4	22.7	12.7	-6.0	2.3	36.4	19.9	-5.5
Laurus Labs	12.2	-0.1	2.4	-4.3	1.8	-5.1	4.2	0.3	0.2	-46.3	56.5	16.9
Lupin	55.4	10.0	-1.0	1.7	12.4	34.0	-9.2	7.0	7.7	55.5	-14.5	11.8
Mankind Pharma	30.8	13.6	6.3	2.6	8.5	24.5	17.4	7.0	6.5	30.4	14.5	9.1
Max Healthcare	21.2	23.3	9.7	5.0	5.7	17.1	14.8	4.8	3.7	4.9	19.9	-2.7
Piramal Pharma	22.4	17.3	14.9	1.4	3.4	28.6	67.2	31.4	0.2	348.2	LP	-11.3
Sun Pharma	132.6	10.5	5.9	2.4	37.8	25.1	7.2	8.2	29.3	21.9	1.9	2.2
Torrent Pharma	28.9	8.6	1.0	-3.8	9.4	13.8	1.6	-4.7	4.5	17.4	-3.8	-11.2
Zydus Lifesciences	52.4	19.9	-15.6	-4.0	14.2	33.1	-32.9	9.1	8.8	19.1	-38.9	-0.2
Infrastructure	**35.7**	**-16.2**	**-21.9**	**-17.9**	**10.2**	**-11.5**	**-17.5**	**-13.6**	**3.6**	**14.0**	**-11.2**	**13.2**
G R Infraproject	11.3	-28.3	-40.5	-32.9	1.2	-39.5	-52.5	-47.2	1.2	-5.8	-38.6	-19.3
IRB Infra	15.9	-9.1	-14.4	-8.8	7.7	-3.5	-10.5	-4.7	1.0	4.3	-28.6	16.1
KNR Constructions	8.6	-9.1	4.5	-7.7	1.4	-17.0	1.8	-11.4	1.5	47.9	82.9	61.7
Logistics	**155.5**	**8.0**	**4.4**	**-2.9**	**59.4**	**12.1**	**6.2**	**0.6**	**33.4**	**10.3**	**-0.5**	**-3.6**
Adani Ports	70.7	6.3	1.6	-3.5	43.7	12.6	2.9	1.1	24.6	10.9	-6.5	-3.7
Blue Dart Express	14.5	9.4	7.9	-2.6	1.2	-6.6	11.4	-15.9	0.6	-14.8	17.9	-21.7
Concor	22.8	4.2	8.9	-3.0	5.7	7.0	33.1	9.9	4.0	10.7	55.1	17.4
JSW Infra	10.0	18.0	-0.8	-4.1	5.2	15.1	1.1	-7.1	2.6	4.7	-11.8	-18.1
Mahindra Logistics	15.2	11.5	7.1	-2.8	0.7	23.9	0.2	-16.5	-0.1	Loss	Loss	PL
Transport Corp.	11.2	12.8	7.2	0.8	1.2	16.6	12.8	-0.6	1.1	22.3	16.9	6.5
TCI Express	3.1	-2.6	6.3	-7.3	0.4	-27.1	12.3	-17.8	0.3	-29.3	12.8	-16.9
VRL Logistics	8.0	12.7	9.9	0.7	1.3	44.9	53.1	20.8	0.4	84.4	166.7	38.3
Media	**45.2**	**-17.1**	**-1.6**	**-0.5**	**10.4**	**-29.8**	**10.3**	**7.0**	**6.2**	**-26.0**	**11.1**	**7.2**
PVR Inox	16.2	-18.9	36.2	3.2	1.9	-56.2	LP	10.4	0.2	-89.2	LP	18.9
Sun TV	9.0	-11.6	-29.5	2.5	5.3	-26.1	-25.1	-1.2	4.0	-12.7	-27.2	-3.2
Zee Entertainment	20.0	-17.9	-6.1	-4.6	3.2	-3.5	18.2	21.4	2.0	15.1	35.4	34.8
Metals	**2,715.2**	**-1.4**	**-3.4**	**-0.5**	**463.6**	**9.0**	**-13.3**	**2.3**	**197.0**	**3.1**	**-26.2**	**1.4**
Coal India	306.7	-6.4	-15.9	-3.2	71.5	-19.6	-38.0	-27.7	62.9	-21.9	-42.6	-22.1
Hindalco	582.0	7.4	2.1	2.2	78.8	40.5	5.1	20.3	42.7	97.3	25.4	35.7
Hindustan Zinc	82.5	21.5	1.5	5.7	41.2	31.3	4.5	6.7	24.1	39.4	2.8	8.2
JSPL	112.1	-8.5	-17.7	-15.9	22.0	-3.7	-22.5	-9.0	8.6	-38.0	-35.7	-19.9
JSW Steel	396.8	-11.0	-7.6	-4.2	54.4	-31.1	-1.3	19.7	6.1	-80.1	-27.9	34.7
Nalco	40.0	31.5	40.1	25.5	15.5	290.7	65.8	69.1	10.5	458.3	77.8	80.9
NMDC	49.2	22.5	-9.1	1.6	13.9	16.4	-40.8	-16.9	12.0	16.5	-39.1	-9.9
SAIL	230.4	-17.6	-4.0	-12.0	12.8	-40.0	-42.5	-15.4	-3.8	PL	PL	Loss
Tata Steel	539.0	-3.2	-1.6	3.7	55.2	29.4	-17.5	17.8	4.5	-35.8	-65.8	LP
Vedanta	376.3	10.1	5.2	6.1	98.3	46.3	-1.2	6.2	29.5	504.8	-18.2	12.6
Oil & Gas	**7,308.7**	**0.6**	**-5.8**	**-8.2**	**772.3**	**-32.9**	**-9.5**	**-14.3**	**370.1**	**-40.7**	**-0.2**	**-11.9**
Oil Ex OMCs	**3,543.0**	**1.7**	**-0.5**	**-0.1**	**661.4**	**-7.2**	**-4.1**	**-3.7**	**349.6**	**-2.4**	**12.5**	**10.0**
Aegis Logistics	17.5	41.8	9.3	-15.7	2.2	7.5	-3.6	-17.2	1.3	-0.8	-4.2	-5.0
BPCL	1,027.9	-0.2	-9.1	-4.0	45.5	-65.1	-19.6	-41.9	24.0	-71.8	-20.5	-48.5
Castrol India	12.9	8.9	-7.8	-0.6	2.9	6.5	-11.3	-5.7	2.1	6.7	-10.7	-6.7
GAIL	329.1	3.4	-2.3	-3.2	37.4	7.3	-17.3	-0.3	26.7	11.1	-1.9	13.9
Gujarat Gas	37.8	-1.7	-15.0	2.8	5.1	3.5	-4.0	9.5	3.1	3.1	-6.9	16.9
Gujarat State Petronet	2.4	-47.5	-29.1	-23.1	1.9	-53.0	-35.9	-18.4	3.9	-26.8	83.6	103.3
HPCL	999.3	4.4	-12.2	0.9	27.7	-67.7	33.1	-40.9	6.3	-87.7	77.4	-72.7
Indraprastha Gas	37.0	6.9	5.0	8.1	5.4	-18.4	-7.9	-8.6	4.3	-19.4	7.4	6.9
IOC	1,738.5	-3.3	-10.0	-26.3	37.7	-83.0	-56.3	-57.4	-9.8	PL	PL	PL
Mahanagar Gas	17.1	9.0	7.7	11.8	4.0	-16.8	-4.8	-7.3	2.8	-16.5	-0.6	-2.9
MRPL	249.7	29.8	7.4	9.9	-4.3	PL	PL	PL	-6.8	PL	PL	PL
Oil India	55.2	-6.7	-5.5	-1.2	21.8	-12.3	-11.5	-10.6	18.3	-3.9	25.0	10.0

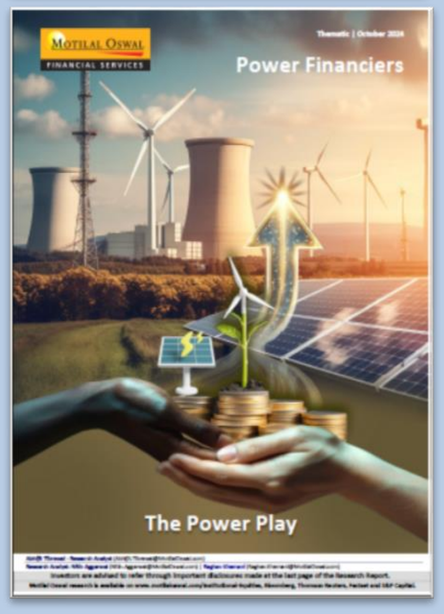
	Sales (INR b)				EBITDA (INR b)				PAT (INR b)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
Company	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)
ONGC	338.8	-3.6	-3.9	-3.7	182.4	-0.7	-2.0	-0.7	119.8	17.3	34.1	29.6
Petronet LNG	130.2	3.9	-2.9	-7.1	12.0	-1.2	-23.2	-8.5	8.5	3.6	-25.8	-4.6
Reliance Inds.	2,315.4	-0.2	-0.1	0.4	390.6	-4.7	0.8	-1.7	165.6	-4.8	9.4	3.7
Real Estate	**134.8**	**31.9**	**11.5**	**0.6**	**35.6**	**23.8**	**5.9**	**-9.0**	**27.1**	**45.0**	**-4.3**	**0.9**
Brigade Enterpr.	10.7	-21.5	-0.5	-11.9	2.9	-10.1	-0.2	-22.7	1.2	-10.9	42.1	-32.7
DLF	19.8	46.5	45.0	40.9	5.0	8.6	119.6	-2.0	7.8	24.7	20.3	5.6
Godrej Properties	10.9	218.7	47.9	109.8	0.3	LP	LP	-62.2	3.3	359.5	-35.7	40.9
Kolte Patil Dev.	3.1	55.6	-9.5	-39.3	0.2	364.7	-41.8	-75.1	0.1	LP	56.3	-61.2
Macrotech Developers	26.3	50.1	-7.8	-15.6	7.0	69.3	-6.9	-8.2	4.2	101.5	-11.9	-7.0
Mahindra Lifespace	0.1	-57.2	-96.0	-91.4	-0.5	Loss	Loss	Loss	-0.1	Loss	PL	PL
Oberoi Realty	13.2	8.4	-6.1	26.6	8.1	27.5	-0.2	37.3	5.9	29.0	0.8	41.2
Phoenix Mills	9.2	4.9	1.5	-0.4	5.2	2.3	-2.5	-5.6	2.2	-13.7	-6.4	-9.5
Prestige Estates	23.0	3.0	23.8	0.5	6.3	6.5	-20.7	10.7	1.9	3.6	-17.4	120.3
SignatureGlobal	7.5	660.5	87.0	-17.9	-0.1	Loss	Loss	PL	0.0	LP	-40.6	-97.5
Sobha	9.3	25.9	45.8	-7.4	0.8	2.2	37.9	-38.4	0.3	74.6	330.8	-56.4
Sunteck Realty	1.7	577.3	-46.6	-53.9	0.4	LP	19.1	-60.6	0.3	LP	51.9	-46.5
Retail	**534.6**	**18.4**	**4.5**	**0.1**	**56.5**	**12.5**	**0.7**	**-5.1**	**22.3**	**7.2**	**1.2**	**-8.7**
Aditya Birla Fashion	36.4	12.9	6.3	-0.2	3.6	11.8	0.8	3.5	-2.0	Loss	Loss	Loss
Avenue Supermarts	144.4	14.4	2.7	-0.1	10.9	8.8	-10.4	-6.9	6.6	5.8	-14.8	-10.6
Barbeque Nation	3.1	1.3	0.0	0.7	0.5	2.7	-10.4	0.1	-0.1	Loss	Loss	Loss
Bata India	8.4	2.2	-11.4	0.2	1.7	-3.9	-5.6	-10.3	0.5	-19.0	-38.8	-24.7
Campus Activewear	3.3	28.9	-1.7	8.3	0.4	56.0	-26.2	-12.7	0.1	4368.7	-43.7	-22.9
Devyani Intl.	12.2	49.1	0.0	4.8	2.0	25.2	-11.0	-4.4	0.0	PL	PL	PL
Jubilant Foodworks	14.7	9.1	1.9	0.1	2.8	1.3	2.2	-0.1	0.5	-27.8	1.1	-2.0
Kalyan Jewellers	60.7	37.4	9.6	2.5	4.0	26.3	5.4	-3.4	1.8	34.6	2.5	-14.5
Metro Brands	5.9	5.4	1.6	1.0	1.5	-0.3	-14.2	-5.3	0.7	6.2	-22.2	-7.0
Relaxo Footwear	6.8	-5.0	-9.2	-7.5	0.9	-4.2	-11.4	0.3	0.4	-16.9	-17.2	3.4
Restaurant Brands	4.9	8.5	0.3	-0.9	0.7	10.3	13.2	9.2	-0.2	Loss	Loss	Loss
Sapphire Foods	7.0	8.3	-3.1	-0.2	1.1	-2.7	-9.8	0.1	0.1	-65.9	-36.7	59.9
Senco Gold	15.0	30.9	6.9	3.0	0.8	107.1	-24.8	-15.8	0.3	188.7	-32.7	-21.4
Shoppers Stop	10.7	4.2	3.3	-2.4	1.5	-8.1	3.3	-12.3	-0.2	PL	Loss	Loss
Titan Company	145.3	16.0	9.6	0.7	15.3	8.2	22.4	-7.1	9.3	1.7	30.2	-14.1
Trent	40.4	39.6	1.1	-5.7	6.4	39.0	4.9	-7.7	4.2	46.2	23.8	6.5
Vedant Fashions	2.7	22.7	11.7	9.7	1.2	31.4	8.2	17.0	0.7	37.3	7.1	21.2
V-Mart Retail	6.6	20.3	-15.9	0.0	0.4	5664.2	-61.0	29.8	-0.6	Loss	PL	Loss
Westlife Foodworld	6.2	0.5	0.3	-1.6	0.8	-21.1	-1.7	-7.6	0.0	-98.3	-88.5	-95.8
Staffing	**119.2**	**11.5**	**4.9**	**-1.2**	**4.2**	**11.6**	**7.3**	**-5.9**	**2.1**	**9.0**	**9.1**	**-23.3**
Quess Corp	51.8	9.1	3.5	0.2	2.0	16.2	3.8	-0.8	0.9	25.3	6.2	-12.5
SIS	32.7	6.3	4.4	-5.3	1.4	0.2	5.4	-15.4	0.7	-8.6	7.1	-41.0
Team Lease Serv.	28.0	23.1	8.4	2.0	0.3	5.4	50.4	5.1	0.2	-9.9	28.4	-18.3
Updater Services	6.8	13.3	4.3	-4.9	0.4	47.8	6.8	0.2	0.3	41.8	9.2	5.9
Technology	**1,943.8**	**6.2**	**3.3**	**1.1**	**434.9**	**6.7**	**4.1**	**2.2**	**300.2**	**8.3**	**2.9**	**1.1**
Coforge	30.6	34.5	27.6	20.2	4.6	33.6	48.1	11.7	2.0	11.8	51.8	-10.5
Cyient	18.5	4.0	10.3	8.4	3.0	-9.0	11.8	-6.6	1.9	-1.0	26.4	-4.2
HCL Technologies	288.6	8.2	2.9	1.9	63.9	7.5	10.3	7.4	42.4	10.5	-0.5	8.6
Infosys	409.9	5.1	4.3	0.2	97.6	3.1	4.3	3.9	65.1	4.7	2.2	-1.2
L&T Technology	25.7	7.8	4.5	0.0	4.7	-2.0	2.1	-6.2	3.2	1.3	1.9	-7.7
LTIMindtree	94.3	5.9	3.2	-0.3	17.0	4.2	5.8	-1.9	12.5	7.7	10.3	1.2
Mphasis	35.4	7.9	3.3	0.8	6.5	8.8	4.8	5.5	4.2	8.0	4.7	-1.7
Persistent Systems	29.0	20.1	5.8	0.7	4.8	18.6	5.6	3.1	3.2	23.4	6.1	0.6
TCS	642.6	7.7	2.6	0.5	167.7	6.7	0.3	-1.1	119.6	5.1	-1.2	-4.2
Tech Mahindra	133.1	3.5	2.4	1.6	17.5	24.4	11.9	6.9	12.5	27.8	46.8	31.1
Wipro	223.0	-1.0	1.5	1.1	45.6	7.8	2.7	4.5	32.1	21.3	6.8	11.1
Zensar Tech	13.1	5.4	1.5	0.2	2.0	-12.9	2.5	4.4	1.6	-10.4	-1.3	11.2
Telecom	**656.4**	**9.8**	**5.8**	**0.5**	**323.8**	**14.7**	**9.6**	**2.4**	**-16.6**	**Loss**	**Loss**	**Loss**

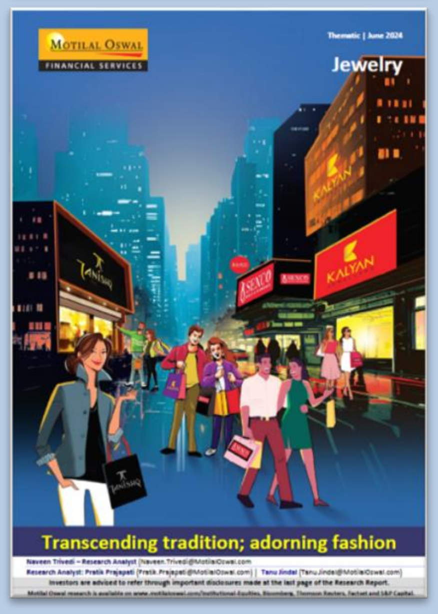
	Sales (INR b)				EBITDA (INR b)				PAT (INR b)			
		Gr (%)		Var. over		Gr (%)		Var. over		Gr (%)		Var. over
Company	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)	Sep-24	YoY	QoQ	Exp. (%)
Bharti Airtel	414.7	12.0	7.7	1.0	218.5	12.0	10.9	0.9	39.1	32.2	33.7	-12.3
Indus Towers	74.7	4.7	1.1	-1.0	48.6	42.2	8.0	11.2	14.2	9.5	4.4	-22.3
Tata Comm	57.7	18.4	2.4	0.6	11.2	10.0	-0.6	-5.0	1.8	-16.7	-25.4	-40.1
Vodafone Idea	109.3	2.0	4.0	-0.6	45.5	6.2	8.2	2.7	-71.8	Loss	Loss	Loss
Utilities	**696.6**	**0.2**	**-6.8**	**-6.9**	**240.1**	**0.2**	**-8.7**	**-9.0**	**97.4**	**17.3**	**7.2**	**-5.9**
Indian Energy Exch.	1.4	28.3	12.7	-0.4	1.2	30.5	20.3	-1.8	1.1	28.0	13.6	3.5
JSW Energy	32.4	4.8	12.4	-7.9	16.8	-1.5	18.8	-12.7	8.5	19.0	63.5	20.1
NTPC	403.3	-1.3	-9.2	-3.3	96.8	-8.2	-22.3	-19.0	42.0	28.9	0.2	-8.9
Power Grid Corp.	102.6	5.3	1.9	-1.7	87.9	3.0	0.5	-3.8	35.0	4.8	1.2	-3.4
Tata Power	157.0	-0.3	-9.2	-17.7	37.5	21.2	4.4	14.6	10.8	20.0	31.6	-17.0
Others	**564.8**	**10.5**	**6.2**	**9.8**	**68.2**	**2.1**	**-23.3**	**11.7**	**5.6**	**-70.5**	**-83.9**	**-23.1**
APL Apollo Tubes	47.7	3.1	-4.0	-9.2	1.4	-57.5	-54.2	-20.8	0.5	-73.5	-72.1	-39.5
Cello World	4.9	0.2	-2.1	-7.2	1.2	-1.4	-8.2	-12.5	0.8	2.1	-1.1	-8.2
Coromandel International	74.3	6.4	57.2	6.3	9.7	-7.9	92.7	5.7	6.6	-12.3	113.5	2.7
Dreamfolks Services	3.2	12.2	-1.2	-8.8	0.2	-5.0	0.9	-27.0	0.2	-9.3	-6.5	-32.7
EPL	10.9	8.4	7.8	-0.6	2.2	21.8	18.7	2.9	0.9	72.3	35.5	1.4
Godrej Agrovet	24.5	-4.8	4.2	-1.5	2.2	10.9	-1.2	-2.1	1.0	-9.0	-29.1	-25.3
Gravita India	9.3	10.9	2.2	-7.7	1.0	27.2	11.3	0.5	0.7	24.4	6.9	0.6
Indiamart Inter.	3.5	18.0	5.0	-0.7	1.3	69.0	12.9	23.9	1.4	95.7	18.8	39.9
Indian Hotels	18.3	27.4	17.8	0.5	5.0	41.3	11.5	1.3	3.2	94.1	30.5	31.8
Info Edge	6.6	10.6	2.7	-0.9	2.7	13.8	10.0	1.6	1.9	-9.3	-16.5	-19.0
Interglobe Aviation	169.7	13.6	-13.3	39.0	23.8	-0.4	-58.7	31.1	-9.9	PL	PL	Loss
Kajaria Ceramics	11.8	5.1	5.9	-0.1	1.6	-11.6	-4.9	-12.0	0.8	-21.9	-6.2	-21.8
Lemon Tree Hotel	2.8	25.2	6.1	1.6	1.3	28.3	13.6	5.6	0.3	30.9	49.6	11.5
MTAR Tech	1.9	14.0	48.3	-3.4	0.4	2.0	121.7	-4.4	0.2	-8.2	324.0	-15.8
One 97 Comm.	16.6	-34.1	10.6	2.8	-4.0	Loss	Loss	Loss	-4.2	Loss	Loss	Loss
UPL	110.9	9.0	22.3	4.1	15.8	0.0	37.4	-6.4	-0.6	PL	Loss	PL
Zomato	48.0	68.5	14.1	0.3	2.3	LP	27.7	71.0	1.8	388.9	-30.4	23.4

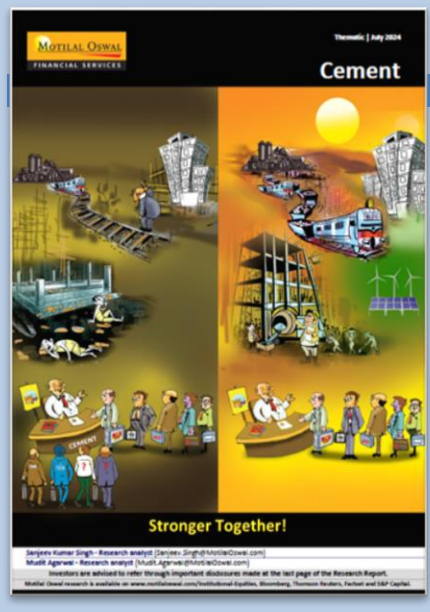
REPORT GALLERY

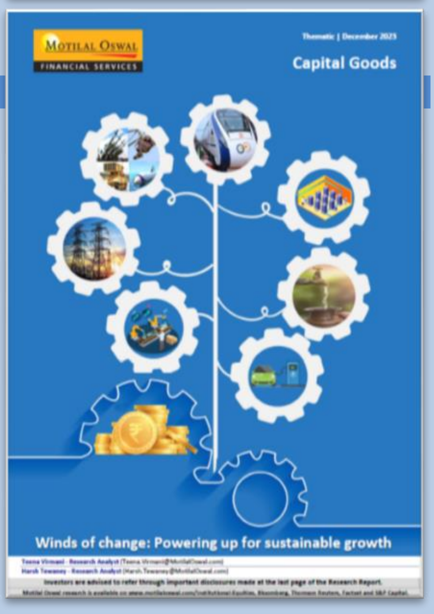
RECENT STRATEGY/THEMATIC REPORTS



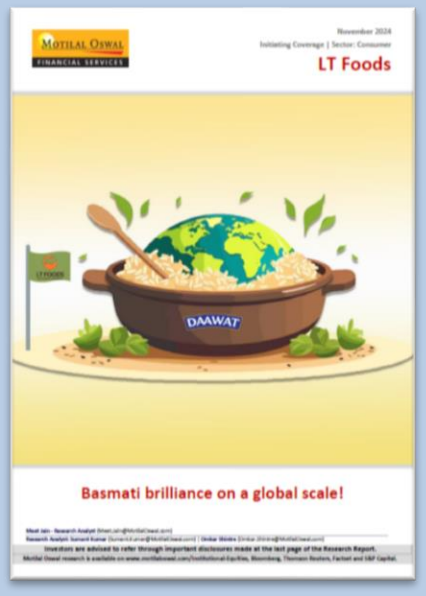


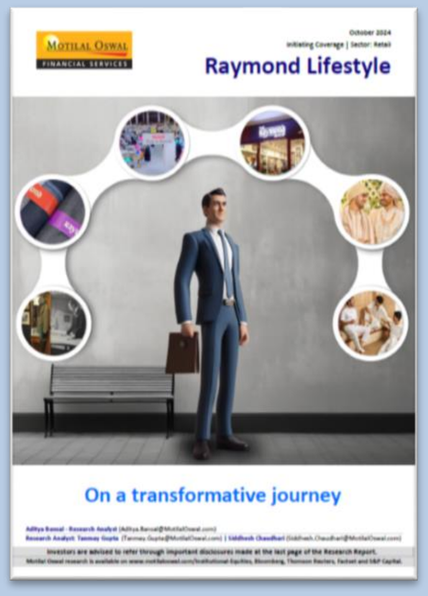


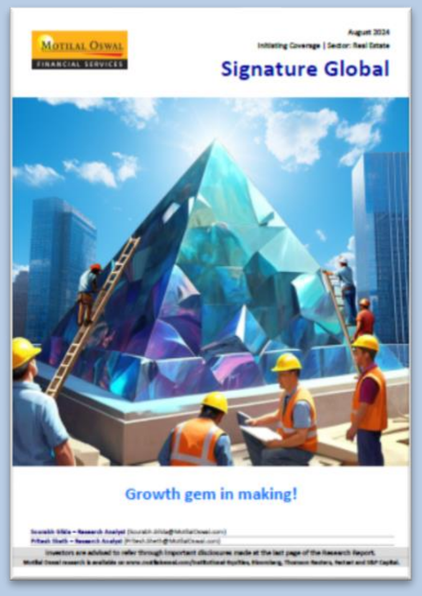




RECENT INITIATING COVERAGE REPORTS







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

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