Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	76,735	2.1	-1.8
Nifty-50	23,329	2.2	-1.3
Nifty-M 100	51,974	2.9	-9.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,397	-0.2	-8.2
Nasdaq	16,823	0.0	-12.9
FTSE 100	8,249	1.4	0.9
DAX	21,254	1.4	6.8
Hang Seng	7,983	0.2	9.5
Nikkei 225	34,268	0.8	-14.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	66	0.8	-10.5
Gold ($/OZ)	3,231	-0.2	23.1
Cu (US$/MT)	9,119	-0.8	5.4
Almn (US$/MT)	2,334	-1.1	-7.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	85.8	-0.3	0.2
USD/EUR	1.1	-0.6	9.0
USD/JPY	143.2	-0.2	-8.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.4	-0.03	-0.3
10 Yrs AAA Corp	7.0	-0.03	-0.2
Flows (USD b)	**15-Apr**	**MTD**	**CYTD**
FIIs	0.7	-2.51	-16.7
DIIs	-0.23	4.10	24.8
Volumes (INRb)	**15-Apr**	**MTD***	**YTD***
Cash	1,074	1004	1009
F&O	96,468	1,89,998	1,98,092

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

ABB India - Annual Report: Remains focused on new areas

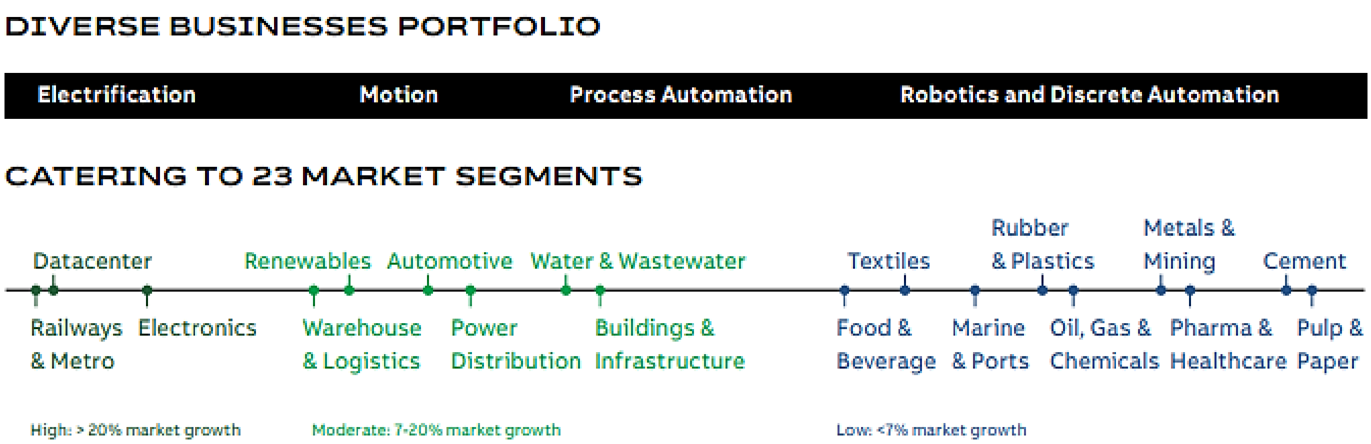
- ABB, in its annual report, highlighted its focus on high-growth segments and deeper penetration into Tier 2 cities, along with new product development. During the year, the company continued to benefit from demand for premium products and increased penetration into Tier 2 and Tier 3 cities.
- ABB continues to see strong potential in segments such as chemicals, pharmaceuticals, automotive, power distribution, water, electronics, and data centers, all of which are expected to attract significant investments, while also considering the global geopolitical situation. It remains focused on new areas of investment, such as green hydrogen, battery storage, and data centers.
- The company has grown its revenue at a 20% CAGR over the last five years and has doubled its profits over the past four years. Ordering in CY24 was lower than our expectations and we may see a near-term impact on overall ordering due to a slowdown in capex activity. However, with the company's continued focus on high-growth segments, we expect inflows and execution to ramp up after a few quarters. The stock has corrected in the recent past to take into account this weakness and is currently trading at 48.2x/43.4x P/E on CY26/27 estimates. We reiterate BUY with a TP of INR6,700.

Research covered

Cos/Sector	Key Highlights
ABB India	Annual Report: Remains focused on new areas
ICICI Lombard	Beat on combined ratio; PAT miss due to investment income
ICICI Prudential Life	APE and VNB in line; margin expands to 22.7%
Financials - Capital Market	Account Aggregator: A boon for the financial ecosystem!
Other Updates	Expert Speak – Automobiles | Metals Monthly | Oil & Gas | EcoScope (a. CPI-IIP; b. WPI)

Chart of the Day: ABB India | Annual Report (Remains focused on new areas)

Diverse business portfolio



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Walmart leases 4.6 lakh sq ft in Chennai for Rs 3.26 crore monthly rent

World's leading retailer Walmart has leased 460,000 square feet of space in ITPC, Chennai, for a monthly rent of ₹3.26 crore.

2

Swiggy partners with labour ministry to create 1.2 million jobs in 3 years

The Ministry of Labour and Employment on Tuesday said it has signed a Memorandum of Understanding (MoU) with food delivery platform Swiggy as part of its overall approach to increase job creation through public-private partnership.

3

External audit finds Rs 1,979 crore hit for IndusInd Bank on derivatives

Private sector lender IndusInd Bank on Tuesday said that the external agency — PwC — appointed to validate the findings of its internal review has identified discrepancies in its derivatives portfolio and estimated a negative impact of ₹1,979 crore as of June 30, 2024.

4

Reliance-ONGC-BP alliance wins Gujarat offshore block for exploration

In a first-of-its-kind three-way partnership, British energy giant BP, Reliance Industries, and state-run ONGC acquired a Gujarat offshore block for exploration of natural gas in the latest bidding round.

5

Daikin India inaugurates third research and development centre in Rajasthan

Daikin India on Tuesday inaugurated its third research and development (R&D) centre in India at Neemrana, Rajasthan. Spread across six acres with an investment of Rs 500 crore, it will support both the Indian and global markets, the company said in a release.

6

Industry experts expect marginal tariffs on pharmaceutical sector, unfazed by chip levies

Ashok Chandak from IESA believes that, from India's perspective, there won't be major problems in the short term even if tariffs are introduced.

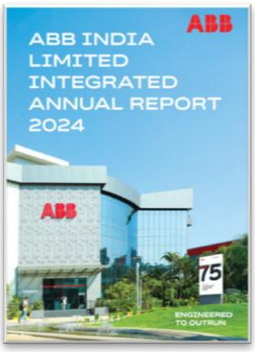
7

Adani Green Energy sees 30% surge in operational capacity in FY25

Adani Green Energy Ltd (AGEL) on Tuesday reported a 30 per cent year-on-year growth in its operational capacity to 14,243 megawatt in FY25.

ABB India

BSE SENSEX	S&P CNX
76,735	23,329



Stock Info

Bloomberg	ABB IN
Equity Shares (m)	212
M.Cap.(INRb)/(USDb)	1111.8 / 13
52-Week Range (INR)	9200 / 4590
1, 6, 12 Rel. Per (%)	-2/-32/-25
12M Avg Val (INR M)	2985
Free float (%)	25.0

Financials &Valuations (INR b)

Y/E MARCH	CY25E	CY26E	CY27E
Net Sales	137.9	159.7	184.4
EBITDA	25.2	28.2	31.5
PAT	20.5	23.0	25.5
EPS (INR)	96.9	108.5	120.6
GR. (%)	9.5	12.0	11.1
BV/Sh (INR)	383.8	435.8	488.7
Ratios			
ROE (%)	27.0	26.5	26.1
RoCE (%)	27.1	26.6	26.2
Valuations			
P/E (X)	54.0	48.2	43.4
P/BV (X)	13.6	12.0	10.7
EV/EBITDA (X)	43.1	38.3	34.0
Div Yield (%)	0.8	0.9	1.1

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	75.0	75.0	75.0
DII	7.0	5.7	6.0
FII	10.3	11.9	11.9
Others	7.7	7.5	7.2

FII includes depository receipts

CMP: INR5,247 TP: INR6,700 (+28%) Buy

Remains focused on new areas

ABB, in its annual report, highlighted its focus on high-growth segments and deeper penetration into Tier 2 cities, along with new product development. During the year, the company continued to benefit from demand for premium products and increased penetration into Tier 2 and Tier 3 cities. ABB continues to see strong potential in segments such as chemicals, pharmaceuticals, automotive, power distribution, water, electronics, and data centers, all of which are expected to attract significant investments, while also considering the global geopolitical situation. It remains focused on new areas of investment, such as green hydrogen, battery storage, and data centers. The company has grown its revenue at a 20% CAGR over the last five years and has doubled its profits over the past four years. Ordering in CY24 was lower than our expectations and we may see a near-term impact on overall ordering due to a slowdown in capex activity. However, with the company's continued focus on high-growth segments, we expect inflows and execution to ramp up after a few quarters. The stock has corrected in the recent past to take into account this weakness and is currently trading at 48.2x/43.4x P/E on CY26/27 estimates. We reiterate BUY with a TP of INR6,700.

Focus remains on high-growth segments

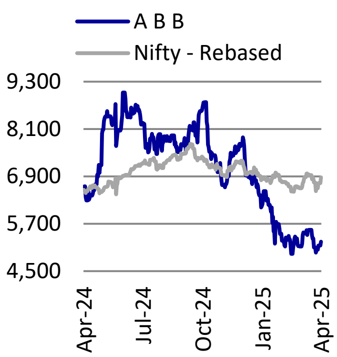
While the company has shared an optimistic outlook across high-growth segments, especially electronics, semiconductors, data centers, and power distribution, it has remained cautious about global market demand due to continued geopolitical uncertainty, as well as the growth outlook of base industries—such as metals, mining, and oil & gas—on the domestic front. ABB's order inflow reported a growth of 6.2% in CY24, which was impacted by transient weakness from government and private capex. During CY24, ABB's EBITDA margin expanded 460bp YoY to 18.9%. Cash flow from operations was broadly flat YoY as NWC increased due to a conscious build-up in inventory to support the order book. FCF remained strong at INR11.2b. Cash balance stood at INR9.4b by the end of CY24.

Segmental performance to be driven by electrification and motion segment

Electrification and motion continue to remain the key segments for ABB. The Annual Report for 2024 highlighted the following:

- In CY24, the **electrification segment's** growth was led by sectors such as buildings, chemicals, oil & gas, and metals, along with emerging segments such as data centers, renewables, railways, other transportation sectors, and exports. Margins in this segment were supported by product mix and localization initiatives. Growth in the electrification segment is expected to be driven by solutions for low and medium-voltage systems, such as Electric Vehicle (EV) infrastructure, modular substations, distribution automation, power protection, switchgear, etc. Key sectors such as renewables, data centers, automation, power protection, switchgear, etc. Key sectors such as renewables, data centers, buildings, rail, textiles, and food & beverages will continue to drive growth in the segment.

Stock performance (one-year)



- During CY24, for the **motion segment**, F&B, data center, rubber, tyre, cement, and oil & gas performed well. Meanwhile, sugar, textiles, metals, and mining remained weak. The motion segment's growth is likely to be driven by diverse automation needs across sectors, which the company is well-positioned to serve through its portfolio of drives, NEMA motors, IEC LV motors, large motors & generators, and traction motors. The company introduced two advanced motor solutions during the year—IE4 Super Premium Efficiency Motors (Small Frame, Cast Iron) and IE3 Aluminium Motors—designed for lightweight and corrosion-resistant applications. In 2025, the business anticipates initial challenges in discrete industries but remains optimistic about a recovery, supported by improving pricing and growing demand from cement, renewables, water, rail, and green hydrogen.
- During CY24, for the **process automation segment**, the cyclical industry remained subdued for almost two quarters, though there is a strong build-up of pipeline in the infrastructure space. The process automation segment will continue to focus on sectors such as energy and water supply, goods production, and transportation.
- For the **robotics and discrete automation** segment, the automotive industry accounted for a major share of the business. Improved traction was also observed in electronics, food and beverages, and service industries, which will continue to remain demand drivers in CY25 as well.

Deeper penetration into Tier II and III cities

ABB is continuously enhancing its outreach to partners and customers, with a focused effort to penetrate deeper into Tier II and Tier III cities. Last year, the company saw a significant rise in orders from Tier III and below cities, led by the Electrification and Motion segment. Tier III and below cities were also a growth hub for the Robotics and Discrete Automation segment, while the Process Automation segment expanded its scope in Tier I and II cities.

Margin performance remains strong; some moderation expected going forward

Over CY20-24, ABB's gross margin expanded 830bp, driven by the benefits of localization, favorable product mix, and improved pricing. With a CAGR of 2.7% in the number of employees, the company's employee costs increased at a 10% CAGR during the same period. Other expenses as a % of sales came down 280bp over CY20-24, despite payouts to the parent remaining high at around 8.1% of sales, indicating operating leverage benefits. The company's purchases from related parties have come down as a % of sales. With some demand moderation observed and the benefit of low-cost RM inventory fading, we expect margins to come down from the current level of 18.9% in CY24. We bake in an EBITDA margin of 18.3%/17.7%/17.1% for CY25/26/27E. ABB expects PAT margin to be broadly around 12-15% going forward.

Sustainability initiatives in focus

In CY24, the company achieved ~86% reduction in Scope 1 and 2 GHG emissions compared to the CY19 baseline. Moreover, 50% of its manufacturing facilities are now water-positive and generate zero waste to landfill. Improvement of water recyclability in CY24 stood at ~47%. Additionally, supplier participation in the company's ESG program increased to 40.5%, marking a 33% rise from CY23, as the company actively partnered with suppliers in their sustainability journey. The company's near-term target is to achieve 80% reduction of scope 1 and 2 GHG emissions and 25% reduction of scope 3 GHG emissions by 2030. Its long-term target is to achieve a 100% reduction of scope 1 and 2 GHG emissions and 90% reduction of scope 3 GHG emissions by 2050.

Capex incurred during the year

ABB incurred a capex of INR2.1b during the year, which was directed towards the upgrade and expansion of the motors factory and office in Faridabad, renovation of the administration building in Nelamangala, upgrade and expansion of Gas Insulated Switchgear shop floors, factory acceptance test and production offices in Nashik, modernization of office space and warehousing and storage for the large motor division in Vadodara, and the establishment of a new sales and marketing office in Mumbai. We have built in a capex of INR2.5b/3.6b/4.1b over CY25/26/27.

We expect margin to moderate from highs of CY24

With some demand moderation observed and the benefit of low-cost RM inventory fading, we expect margins to come down from the current level of 18.9% in CY24. We bake in EBITDA margin of 18.3%/17.7%/17.1% for CY25/26/27E. ABB expects the PAT margin to be broadly around 12-15% going forward.

Valuation and recommendation

We expect ABB to be relatively better placed than peers, as 1) the company has more than 50% exposure to high and moderate growth segments, 2) it has better control over margins through cost efficiencies, even if gross margins come off from current levels in future, and 3) it has the ability to gain more from exports, as it is increasingly preferred by group companies for exports. We incorporate AR2024 details and expect revenue to grow 13%/16%/16% in CY25/26/27E. We bake in margins of 18.3%/17.7%/17.1% for the same period, translating into PAT growth of 10%/12%/11% for CY25/26/27E. We reiterate our BUY rating with a DCF-based TP of INR6,700, implying a multiple of 60x P/E on Mar'27E EPS.

Key risks and concerns

A slowdown in order inflows, pricing pressure across segments, increased competition, supply chain issues, and geopolitical risks could affect our estimates and valuations.

ICICI Lombard

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	ICICIGI IN
Equity Shares (m)	495
M.Cap.(INRb)/(USDb)	903.5 / 10.5
52-Week Range (INR)	2302 / 1477
1, 6, 12 Rel. Per (%)	4/-6/7
12M Avg Val (INR M)	1522

Financials & Valuations (INR b)

Y/E March	2025	2026E	2027E
NEP	198.0	210.5	243.3
U/W Profit	-8.7	-8.3	-8.3
PBT	33.2	38.0	44.0
PAT	25.1	28.5	33.0
EPS (INR/share)	50.9	57.9	67.0
EPS Growth (%)	30.7	13.7	15.8
BVPS (INR/share)	290.3	331.9	382.6
Ratios (%)			
Claims	70.6	69.5	69.2
Commission	18.5	18.5	18.4
Expense	13.7	14.0	13.9
Combined	102.8	102.0	101.5
RoE	19.1	18.6	18.8
Valuations			
P/E (x)	35.9	31.6	27.3
P/BV (x)	6.3	5.5	4.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.6	51.7	47.9
DII	17.3	16.7	18.0
FII	24.4	24.8	23.0
Others	6.8	6.9	11.0

FII includes depository receipts

CMP: INR1,823 TP:INR2,200 (+21%) Buy

Beat on combined ratio; PAT miss due to investment income

- **ICICIGI's gross written premium** was 10% up YoY in 4QFY25 to INR69b (in line), impacted by 1/n regulation implementation for long-term products. **NEP** grew 20% YoY to INR52.3b (15% beat). For FY25, it grew 17% YoY to INR198b.
- **The claims ratio** for the quarter stood at 71.6% (280bp above our estimates and 68.6% in 4QFY24). While the **commission ratio** declined to 18.7% vs our estimates of 19.2% and 19.9% in 4QFY24, the **opex ratio** came in at 12.1% vs. 13.7% in 4QFY24 and MOFSLe at 15.4%).
- The **combined ratio** was 90bp lower than our estimates at 102.5% (vs 102.2% in 4QFY24 and 102.7% in 3QFY25).
- **PAT** declined 2% YoY to INR5.1b (12% miss). For FY25, PAT grew 31% YoY to INR25b.
- The company is targeting double-digit growth in the motor segment through increased focus on older vehicles and robust expansion in the Commercial Vehicle (CV) segment.
- We have broadly retained our FY26/FY27 earnings estimates as higher NEP estimates are offset by lower investment income. **Reiterate BUY with a TP of INR2,200 (based on 33x Mar'27E EPS).**

Lower expenses and commission ratios lead to beat on combined ratio estimates

- The company's **Gross Direct Premium Income (GDPI)** stood at INR268b in FY25 vs INR248b in FY24, up 8.3%, (higher than the industry growth of 6.2%). Excluding the impact of 1/n accounting norm, the company's GDPI grew 11% in FY25, (higher than the industry growth of 8.6%).
- **NEP** growth of 20% YoY was driven by 18%/26% YoY growth in the motor segment/healthy (including PA) growth. Meanwhile, the marine segment recorded a flat NEP and the fire segment declined 6% YoY.
- **Underwriting losses** stood at INR2.1b vs. losses of INR2.3b in 4QFY24 (vs. est. loss of INR3b). Total investment income declined 14% YoY to INR9b vs our estimates of INR11.5b.
- **Claims ratio** came in at 71.6% vs. 68.6% in 4QFY24 (our est. 68.8%). The loss ratio for the motor OD segment rose to 68.4% from 58.4% in 4QFY24. For the Motor TP segment, it declined to 72% from 73.4% in 4QFY24. The Health segment's loss ratio was 81.5% vs. 75.4% in 4QFY24.
- **Combined ratio** stood at 102.5% vs 102.2% in 4QFY24 and MOFSLe at 103.4%. For FY25, it was at 102.8% vs. 103.3% for FY24. Excluding the NATCAT impact of INR0.94b in FY25 and INR1.37b in FY24, the combined ratio stood at 102.4% and 102.5%, respectively.
- In FY25, **NEP/PAT** stood at INR198b/INR25b, up 20%/down 2% YoY.
- **Solvency ratio** was 2.69 vs. 2.36 in 3QFY25 and 2.62 in 4QFY24.

Highlights from the management commentary

- In the health segment, the company aims for strong double-digit growth, led by: 1) new customers and 2) inflation-led increase in price and sum assured.

- FY25 was a challenging year for the Commercial Lines segment due to slow capex and weak pricing in fire. However, with recovery in fire pricing and capex activity improving, strong double-digit growth can be expected.
- The regulator is emphasizing strict compliance with EOM regulations. If the industry adopts more rational pricing, ILOM will be well-positioned to capture greater market share.

Valuation and view

- The general insurance industry's growth rate in FY25 remained slow, due to: 1) weak infrastructure investments, 2) slow credit growth, 3) regulatory impact, and 3) weak trends in motor sales growth.
- However, ICICIGI continues to focus on profitable growth across segments, with motor expected to grow in double digits driven by targeted efforts in older vehicles and commercial vehicles, along with improved portfolio segmentation. The Health segment's momentum remains strong, particularly in retail, where the company has gained market share and is targeting double-digit growth—supported by new customer acquisition and inflation-linked pricing. Commercial lines saw a weak FY25 due to soft fire pricing and sluggish capex, but early signs of recovery are visible in April fire renewals, setting the stage for a rebound.
- Overall, we expect a growth recovery in FY26 and stable improvement in profitability, with combined ratio improving to 101.5% by FY27. PAT is likely to grow ~14%/16% in FY26 and FY27. We have broadly retained our FY26/FY27 earnings estimates as higher NEP estimates are offset by lower investment income. **Reiterate BUY with a TP of INR2,200 (based on 33x Mar'27E EPS)**.

Quarterly Performance (INR b)

Y/E March	FY24				FY25				FY24	FY25	4Q FY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
Gross premium	66.2	62.7	64.4	62.6	79.3	69.5	64.7	69.0	255.9	282.6	66.3	4.1	10%	7%
Net written premium	44.7	42.4	46.9	47.7	53.6	48.4	50.8	54.8	181.7	207.6	49.8	10.0	15%	8%
Net earned premium	38.9	43.1	43.0	43.7	45.0	50.3	50.5	52.3	168.7	198.0	45.5	14.8	20%	4%
Investment Income + Trf from SH A/C	6.5	7.4	7.0	7.9	8.5	8.3	8.4	6.3	28.9	31.3	8.7	-28.4	-21%	-25%
Total Income	**45.4**	**50.5**	**50.0**	**51.6**	**53.5**	**58.5**	**58.8**	**58.5**	**197.5**	**229.3**	**54.3**	**7.8**	13%	-1%
Change YoY (%)	14.1	12.2	14.7	-1.8	17.9	15.9	17.6	13.4	9.2	16.1	5.1			
Incurred claims	28.8	30.5	30.1	30.0	33.3	35.9	33.2	37.4	119.4	139.9	31.3	19.5	25%	13%
Net commission	5.6	7.4	8.5	9.5	8.0	8.4	11.6	10.3	30.9	38.4	9.6	7.3	8%	-12%
Opex	7.7	6.7	7.3	6.5	7.1	7.5	7.1	6.7	28.2	28.4	7.7	-13.2	2%	-7%
Total Operating Expenses	42.1	44.5	45.9	46.0	48.5	51.9	52.0	54.4	178.5	206.7	48.6	11.9	18%	5%
Change YoY (%)	14.9	11.6	12.3	15.7	15.3	16.5	13.3	18.2	13.6	15.8	5.6			
Underwriting profit	-3.2	-1.5	-2.8	-2.3	-3.5	-1.6	-1.5	-2.1	-9.8	-8.7	-3.0	-30.9	N.A	N.A
Operating profit	3.3	6.0	4.2	5.6	5.0	6.6	6.9	4.2	19.1	22.7	5.7	-27.1	-26%	-39%
Shareholder's P/L														
Transfer from Policyholder's	3.3	6.0	4.2	5.6	5.0	6.6	6.9	4.2	19.1	22.7	5.7	-27.1	-26%	-39%
Investment income	1.9	2.2	2.1	2.3	2.5	2.8	2.8	2.6	8.5	10.6	2.7	-5.6	11%	-6%
Total Income	5.2	8.2	6.2	8.0	7.5	9.4	9.6	6.8	27.6	33.3	8.5	-20.1	-15%	-30%
Total Expenses	-0.0	0.6	0.5	1.0	-0.2	0.2	0.0	0.1	2.0	0.1	0.7	-88.9	-93%	NA
PBT	**5.2**	**7.6**	**5.7**	**7.0**	**7.7**	**9.2**	**9.6**	**6.7**	**25.6**	**33.2**	**7.8**	-14.3	-4%	-30%
Change YoY (%)	11.8	25.3	23.3	21.9	48.8	20.3	67.3	-4.2	21.0	30.0	11.8			
Tax Provisions	1.3	1.9	1.4	1.8	1.9	2.3	2.4	1.6	6.4	8.1	2.0	-22.2	-11%	-33%
Adj Net Profit	**3.9**	**5.8**	**4.3**	**5.2**	**5.8**	**6.9**	**7.2**	**5.1**	**19.2**	**25.1**	**5.8**	-11.5	-2%	-30%
Change YoY (%)	11.8	-2.2	22.4	18.9	48.7	20.2	67.9	-1.9	11.0	30.7	10.9			
Rep Net Profit	**3.9**	**5.8**	**4.3**	**5.2**	**5.8**	**6.9**	**7.2**	**5.1**	**20.5**	**25.1**	**5.8**	-11.5	-2%	-30%
Key Parameters (%)														
Claims ratio	74.1	70.7	70.0	68.6	74.0	71.4	65.8	71.6	70.8	70.6	68.8	281bp	3.0	5.8
Commission ratio	12.5	17.4	18.0	19.9	15.0	17.5	22.9	18.7	17.0	18.5	19.2	-46bp	-1.2	-4.1
Expense ratio	17.2	15.8	15.5	13.7	13.3	15.6	14.0	12.1	15.5	13.7	15.4	-324bp	-1.5	-1.9
Combined ratio	103.8	103.9	103.6	102.2	102.3	104.5	102.7	102.5	103.3	102.8	103.4	-89bp	0.3	-0.2
Solvency	2.53	2.59	2.57	2.62	2.56	2.65	2.36	2.69	2.9	3.0				

ICICI Prudential Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	IPRU IN
Equity Shares (m)	1445
M.Cap.(INRb)/(USDb)	819.7 / 9.6
52-Week Range (INR)	797 / 515
1, 6, 12 Rel. Per (%)	2/-16/-13
12M Avg Val (INR M)	979

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	472.6	542.3	624.8
Surplus / Deficit	10.9	12.8	15.0
Sh. holder's PAT	11.9	14.9	17.8
NBP growth (%)*	24.4	16.2	15.5
APE (INRb)	104.1	119.2	138.0
VNB (INRb)	23.7	28.0	33.1
VNB margin (%)	22.8	23.5	24.0
EV per share	332	375	425
RoEV (%)	13.3	13.0	13.4
Total AUMs (INRt)	3.1	3.5	4.0
Valuations			
P/EV (x)	1.7	1.5	1.3
P/EVOP (x)	14.8	12.3	10.7

*unwtd

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	73.0	73.1	73.3
DII	9.5	9.3	6.9
FII	12.8	13.0	14.7
Others	4.8	4.7	5.1

FII Includes depository receipts

CMP: INR567 TP: INR680 (+20%) Buy

APE and VNB in line; margin expands to 22.7%

Enhancing products to boost product-level margins

- ICICI Prudential Life Insurance (IPRU) reported a slight decline of 3% YoY in new business APE to INR35b (in line) in 4QFY25. For FY25, APE grew 15% YoY to INR104.1b.
- VNB margin for the quarter stood at 22.7% vs. our estimate of 21.9% (21.5% in 4QFY24). Absolute VNB grew 2% YoY to INR 8b (in line). For FY25, VNB was at INR23.7b (+6%) and margin stood at 22.8% vs. 24.6% in FY24.
- For 4QFY25, IPRU reported a 122% YoY jump in shareholder PAT to INR3.9b (32% beat). For FY25, PAT grew 39% YoY to INR11.9b.
- Management aims to achieve higher VNB growth compared to APE growth, driven by 1) improvement in protection segment margin by repricing group term products, and 2) sustaining higher margins in ULIPs through rider attachments and higher sum insured. While there is no specific APE growth guidance, the aim is to grow higher than estimated industry growth of 15% in FY26.
- We trim our APE growth estimates for FY26 from 18% to 14% while retaining FY27E growth at 16%. For VNB margins, we build in about 70bp/50bp expansion in FY26/FY27 to 23.5%/24% due to better ULIP and protection margins. **Reiterate BUY with a TP of INR680 (based on 1.6x FY27E EV).**

Margin expansion driven by revival of non-linked business

- IPRU's gross premium grew 11% YoY to INR168.3b (in line) in 4QFY25 and grew 15% YoY to INR498.5b for FY25. Renewal premium grew 9% YoY (in line) to INR92.1b.
- APE declined 3% YoY in 4QFY25, largely due to 3%/16% YoY decline in ULIP/ Non-PAR segments. However, the introduction of a new guaranteed product in 4QFY25 led to strong traction in the non-par segment. The decline was offset by 115% and 9% YoY growth in the lumpy group business and protection business, respectively.
- The 120bp YoY expansion in VNB margin to 22.7% was due to a higher share of non-linked business and a higher contribution of ULIPs with higher sum assured and rider attachments (~10%).
- Retail protection and annuity, the key focus areas for IPRU, witnessed mixed performance in 4QFY25. While retail protection maintained strong growth momentum (+26.5% YoY), annuity witnessed a decline of 57.8% YoY due to the base effect.
- Commission expenses were flat YoY at INR15.8b, while operating expenses declined 8% YoY owing to the focus on operational efficiency. Total expenses declined 33% YoY to INR149.7b, largely due to changes in actuarial liabilities.
- On the distribution front, agency/direct channels saw a decline of 20%/8% YoY due to weak demand for ULIPs during the quarter. Bancassurance channel grew 7% YoY, with the share of ICICI Bank stable during the year at 14%. Group business posted strong growth of 33% YoY, largely due to lumpy group business during the quarter.

- On a premium basis, persistency was mixed in FY25, with 13th/37th month improving to 89.1%/75.2% and 61st month declining YoY to 64.1%.
- As of FY25, EV stood at INR479.5b, reflecting RoEV of 13.1% and EVOP of INR55.3b. RoEV was impacted by the INR2.5b hit in EV owing to operating assumption changes pertaining to mortality in group business.
- AUM grew 5% YoY to INR3.1t, while the solvency ratio stood at 212.2%.

Highlights from the management commentary

- Management expects stable market conditions to support the revival of a well-rounded product pipeline. Focus will be on (1) enhancing guaranteed products with additional features to attract customer interest, and (2) launching higher-sum-assured ULIP products, offering differentiated solutions beyond standard ULIPs.
- Non-par segment has declined through the year but witnessed resurgence in 4QFY25 due to the launch of Gift Select product, which is expected to perform well in the current volatile market conditions.
- The quick uptake of the new guaranteed product by the agency channel reflects agility in adopting new products depending on the market environment, giving confidence about continued growth of the proprietary channel, as per the management.

Valuation and view

IPRU's VNB margin has been under pressure even before 4QFY25, mainly owing to a shift in the product mix (higher share of ULIPs). However, the revival of non-linked business and momentum in higher-margin ULIP products have led to margin expansion in 4QFY25. We trim our APE growth estimates for FY26 from 18% to 14% while retaining our FY27 growth at 16%. For VNB margins, we build in about 70bp/50bp increase in FY26/FY27 to 23.5%/24%. The increase in margin assumption is premised on 1) improvement in protection segment margins as the company reprices group term products and 2) sustainability of higher ULIP margins owing to higher rider attachment and an increase in sum assured. Reiterate BUY with a TP of INR680 (based on 1.6x FY27E EV).

Quarterly performance **(INR b)**

Policy holder's A/c	FY24				FY25				FY24	FY25	FY25E	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
First year premium	10.2	15.3	15.3	29.5	15.2	20.6	18.2	27.1	70.3	81.1	31.7	-15%
Growth (%)	-1.5%	5.9%	11.3%	11.9%	48.8%	34.6%	19.0%	-8.1%	8.3%	15.4%	7.6%	
Renewal premium	41.6	58.9	60.8	84.3	43.3	69.9	60.9	92.1	245.6	266.2	94.8	-3%
Growth (%)	6.8%	4.4%	5.7%	16.6%	4.3%	18.6%	0.2%	9.3%	9.0%	8.4%	12.5%	
Single premium	21.9	30.1	26.7	37.8	24.3	30.3	47.5	49.1	116.5	151.2	35.9	37%
Growth (%)	-5.9%	7.0%	0.9%	20.7%	10.6%	0.9%	77.6%	30.1%	6.7%	29.8%	-5.0%	
Gross premium income	**73.7**	**104.3**	**102.8**	**151.5**	**82.8**	**120.8**	**126.6**	**168.3**	**432.4**	**498.5**	**162.4**	**4%**
Growth (%)	1.5%	5.4%	5.2%	16.6%	12.3%	15.8%	23.1%	11.1%	8.3%	15.3%	7.2%	
PAT	**2.1**	**2.4**	**2.3**	**1.7**	**2.3**	**2.5**	**3.2**	**3.9**	**8.5**	**11.9**	**2.9**	**32%**
Growth (%)	32.9%	22.4%	3.1%	-26.0%	8.9%	3.1%	42.8%	121.7%	5.1%	39.3%	67.4%	
Key metrics (INRb)												
New Business APE	14.6	20.6	19.1	36.2	19.6	25.0	24.4	35.0	90.5	104.1	36.5	-4%
Growth (%)	-3.9%	3.2%	4.7%	9.6%	34.4%	21.4%	27.8%	-3.2%	4.7%	15.0%	0.0	
VNB	4.4	5.8	4.4	7.8	4.7	5.9	5.2	8.0	22.3	23.7	8.0	-1%
Growth (%)	-7.0%	-7.1%	-29.4%	-26.4%	7.8%	1.6%	18.6%	2.4%	-19.5%	6.4%	0.0	
AUM	2,664	2,719	2,867	2,942	3,089	3,205	3,104	3,094	2,942	3,094	3,512	-12%
Growth (%)	15.8%	11.3%	13.8%	17.1%	15.9%	17.9%	8.3%	5.2%	13.6%	5.2%	0.2	
Key Ratios (%)												
VNB Margin (%)	30.0	28.0	22.9	21.5	24.0	23.4	21.2	22.7	24.6	22.8	21.9	

Capital Market

Refer our Capital Market Thematic report

Account Aggregator: A boon for the financial ecosystem!

Unlocking the next step in financial inclusion and data empowerment

- **In our capital market thematic report (click here), we highlighted the importance of the account aggregator (AA) framework for growth in the capital markets space. In this report, we have deep-dived into the current status of the AA framework.**
- **The AA framework, a pioneering initiative by the RBI, is rapidly revolutionizing credit, insurance, and wealth management services in India by enabling secure, user-consented sharing of financial data. With 2.12b+ accounts having the facility of AA, the framework has become the foundation for open finance in India.**
- **Driven by regulatory push, strong players are taking AA licenses (up from 4 in Sep'21 to 17 at present), and the rising Fintech adoption over the last few years has led to a surge in cumulative consent requests under AA to 179.7m in Mar'25 from a paltry 0.33m in Apr'22. The requests are rapidly growing at 8-10% MoM.**
- **Use cases during the launch of AA were predominantly around credit underwriting and are now moving to wealth management and insurance, opening new monetization avenues for AAs and cost optimization opportunities for players in those industries. Currently, AAs earn revenue from data fetching, but the next phase will likely be fueled by bundled offerings and platform licensing.**
- **Competition within the AA space is at a nascent stage with 17 licensed AAs. Players like CAMS Finserv and OneMoney are leveraging existing MF infrastructure to provide high-quality platforms. With limited pricing pressure and a low scope for product innovation, differentiation will emerge through tech capabilities and FIU relationships.**
- **The lack of awareness about the AA ecosystem, however, remains a key concern. Strategic outreach efforts to amplify engagement and adoption can boost monthly consents from 10m currently to 100m, which will help achieve Sahamati's goal of 5b transactions by 2027.**
- **India's AA stack has had a push start on the back of regulatory support, potential scale, and strong existing digital infrastructure (UPI, Aadhaar, etc.), which positions the ecosystem for an inclusive growth trend. Over the long term, higher awareness can spur customer adoption and make AA the "UPI of data" as the framework expands to underserved customers and contributes towards financial inclusion.**
- **While the contribution of the AA framework is low in the non-MF revenue pie of CAMS and KFintech, the existing strong tech capabilities of both, along with continued growth momentum in the AA space, will benefit the business segment. We have a BUY rating on CAMS and a Neutral rating on KFintech.**

Enabler of faster and more secure financial data sharing

- The need for a seamless and secure mechanism to consolidate and share data with third-party financial service providers resulted in combined efforts of regulators (such as RBI, SEBI, IRDAI, and PFRDA) towards implementing the consent-based data-sharing AA framework.
- AAs are entities that use the digital ecosystem to assist individuals in the easy, fast, and secure exchange of data between various financial institutions like banks, insurance providers, and AMCs. The entities act as consent managers for customers to give, manage, review, and withdraw consents related to data access.
- The discussions around the AA framework started in early 2016, and in Sep'16, the RBI issued master directions for AAs. The network went live in 2021 with players like OneMoney, CAMS Finserv, Finvu, and NESL being granted the first AA licenses.

Since then, the network has seen tremendous expansion to 17 licensed AAs and 600+ financial institutions with ~2.2b accounts.

- The first AA transaction was done through OneMoney in May'21, and as of Mar'25, the AA framework has fulfilled 179.7m consent requests, reflecting rising demand for data usage. The framework surpassed 100m consents in three years, making it the fastest-growing open finance network in the world. As of Mar'25, the accounts linked into the AA framework were at 140.5m.
- The stellar growth of the ecosystem in such a short period has been propelled by: 1) the regulatory push and fast collaboration between regulators, 2) mature digital public infrastructure in place through UPI, DigiLocker et al., and 3) continuous product innovation to gauge multiple use cases.
- AA has the potential to become the 'UPI moment equivalent' in the financial services industry, providing a comprehensive verified financial profile to service providers in one place and enabling enhanced product customization along with faster processing. This in turn will reduce data errors as well as costs and improve customer experience.

Asset-light revenue scaling potential for AAs

- The major participants of the AA ecosystem are account aggregators, financial information providers (FIPs), and financial information users (FIU). FIPs hold user data, which is shared with the FIUs for various services such as loans, insurance, wealth management, etc., via requests through an AA.
- AAs primarily earn revenue from FIUs by facilitating consent-based data transfers and charging a data fetch fee (companies like Finvu charge INR20-30 per fetch). Volume-based standard pricing fees are also charged by AAs.
- With the infrastructure in place, AAs have the potential to earn significant revenue through various other streams, including 1) subscription fees to offer differentiated services like dashboards, analytics, etc. to FIUs, 2) license fees to offer core AA infrastructure to FIPs and FIUs, and 3) offering of bundled services (such as AA + Video KYC) as a broader tech stack.

Multiple use cases with strong growth potential

- Currently, the majority of the transactions are around lending, personal finance management, and insurance. Multiple use cases around creating a marketplace for financial products, account onboarding, financial dashboards, product customization, and fraud prevention have been implemented.
- **Retail Lending**
  - Lenders dominate the AA ecosystem, driving a majority of the consents fulfilled with NBFCs, private banks, PSU banks, and RRBs. They contributed ~76% of cumulative consents fulfilled as of Dec'24.
  - Data such as bank statements, EMI data, income & expense profiles, etc., are fetched for products like personal loans, credit cards, & unsecured business loans.
  - The AA ecosystem provides a vast opportunity for the lending ecosystem to improve operational efficiency, reduce turnaround times, address inefficiencies in data collection, and extend financial inclusion deeper into the country.

- **Wealth Management**
  - SEBI-regulated entities such as portfolio managers, stockbrokers, investment advisors (RIAs), and research analysts (RAs) have been early adopters of the AA framework as FIUs. In FY24, SEBI-registered FIUs in the ecosystem surged ~4x YoY, while cumulative consents fetched jumped ~10x YoY, reflecting a rapid adoption of the AA framework.
  - As of Dec'24, 24% of the cumulative consents fulfilled were contributed by Registered Investment Advisors (RIAs) and stockbrokers, largely for demat account opening and personal financial management. RIAs have been one of the earliest adopters of the AA framework, with steady growth in consents and a stable share of ~12-13%. Conversely, stockbrokers have witnessed fast growth, with shares rising significantly to 10-11% in Dec'24 from 2-3% earlier.
  - About 50% of cumulative consents taken by the SEBI FIUs have been for income verification for F&O account opening, 48% for personal finance management, and 2% for portfolio review and management, as of FY24.
  - AAs have enabled FIUs to aggregate data of financial holdings into one single portfolio view, fetch bank statements for income profiling, and analyze historical financial behavior to build tailored investment strategies.
  - While most of the discretionary financial products are primarily used by HNIs and UHNIs, the retail investor base is accustomed to the distributor-led model due to the low availability of RIAs (~1 per mn people). Through the use of AAs, RIAs can achieve scalability as well as operational efficiency by providing customized, data-driven advisory services.
  - Growing retail participation in MFs, reflected by a surge in the demat accounts and all-time high SIP flow, along with SEBI's push for regulated RIAs, will drive the need for AAs in this segment for various use cases.
- **Insurance**
  - As of Dec'24, insurers contributed ~0.1% of cumulative consents fulfilled, reflecting the nascent stage of AA ecosystem integration in this segment.
  - An AA framework enables insurance providers to validate the income of customers for sum assured calculation, access credit records of policyholders for early fraud detection, and also underwrite claims according to the lifestyle patterns of the customer. Going forward, health records via the Ayushman Bharat initiative of the GoI may also be fetched through AA, which will likely enhance the underwriting capabilities of insurance providers.
  - Currently, use cases for the insurance segment are largely helping in reducing mis-selling, preventing fraud, access to better risk data, and improving the persistency ratios. However, in the future, better AA integration can help insurance providers with faster onboarding, data-driven underwriting, and usage-based pricing models, which will in turn drive growth for the ecosystem.
- According to CAMS Finserv, 1.5b use cases exist for financial data aggregation in a year, reflecting single-digit market penetration and large headroom for growth. Use cases are expected to surpass 2b by FY26 in credit and insurance, with strong segment expansion likely from capital market use cases.

Growth opportunities leading to intensifying competition in the AA space

- The AA ecosystem has grown significantly over the years, with 9-10% of the Indian population having linked accounts (112.3m as of Nov'24). This has been driven by the growing base of licensed AAs from 4 in Sep'21 to 17 currently. Players such as FinVu, OneMoney, CAMS Finserv, and NESL-AA marked the beginning of India's operational AA ecosystem.
- **CAMS Finserv**
  - One of the first AAs to go live in the industry with use cases across lending, capital market, insurance, and pension domains.
  - Ranked No. 3 in the AA space with 146 live FIUs (25% market share), 94 FIPs, and 264 FIUs signed.
  - Market share for cumulative consents has grown to 11% from 0.2% in Apr'23, driven by monthly consent market share in the high teens.
  - A dominant player in the capital market use cases with ~90% market share in the F&O account opening use case.
  - Collaborated with Microsoft India in 2022 with the aim to enhance digital transformation and develop a robust tech stack.
  - The company had guided 1m/day data pulls and analysis by FY28 on its platform and now expects to achieve the same in FY26, reflecting a strong growth trajectory of the overall AA industry.
- **Kfintech**
  - Acquired a 25.63% stake in the parent company of OneMoney, India's first licensed AA, in 2023.
  - The acquisition helped Kfintech to embed AA infrastructure into its wealth management offerings and cross-leverage investor data from mutual funds, insurance, and pensions.
  - OneMoney is among the top AAs in the country for cumulative consent requests, with strong traction in lending and microcredit from the start and significant expansion into mutual fund aggregation, insurance policy data, and EPFO integration post-Kfintech acquisition.
- Consent requests have grown 15-20% MoM consistently since 2022, reflecting strong traction, due to which multiple players have taken the RBI license, including large players like PhonePe. The requirement of interoperability reduces the scope of product innovation, and hence, the scope for differentiation lies in tech stack, client servicing, speed, and support.

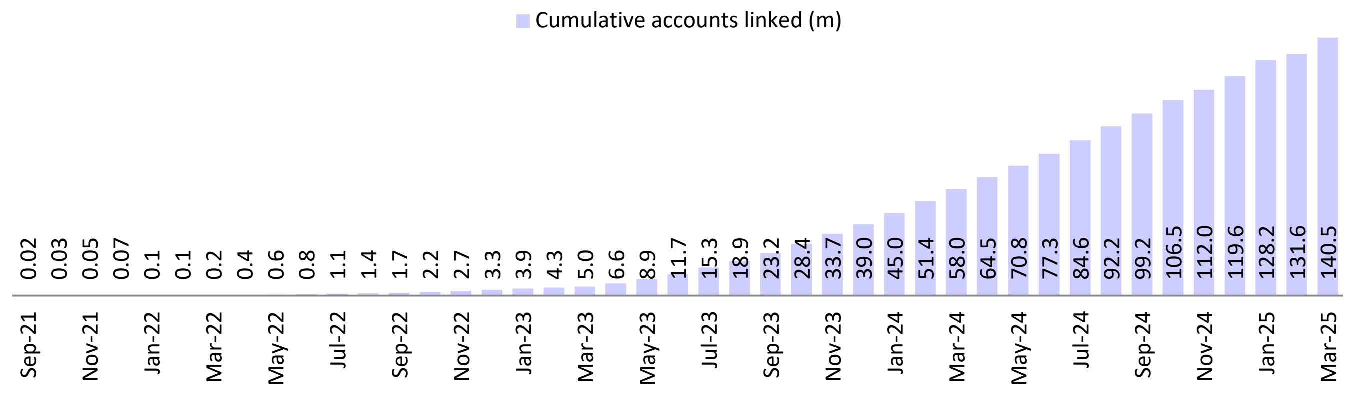
Potential to reshape the financial services sector

- India's AA framework has laid the foundation of a robust, inclusive Open Finance model, fostering collaboration among regulators, financial institutions, and tech providers. The banking sector has been at the forefront of AA adoption, followed by capital markets.
- As of Dec'24, out of the total estimated 3.5b financial accounts in the country, 2.12b accounts have been activated on AA, reflecting 60% penetration. While demat and pension accounts have seen 100% penetration, deposits have seen 60-75% penetration across SCBs and RRBs.
- According to Sahamati's analysis, while the credit use cases will remain prominent going forward, the contribution of transactions will increase from other sectors as well, primarily the capital market (expected to contribute 41%

in 2027). Improved integration of insurance policies in the framework will grow the insurance transactions as well.

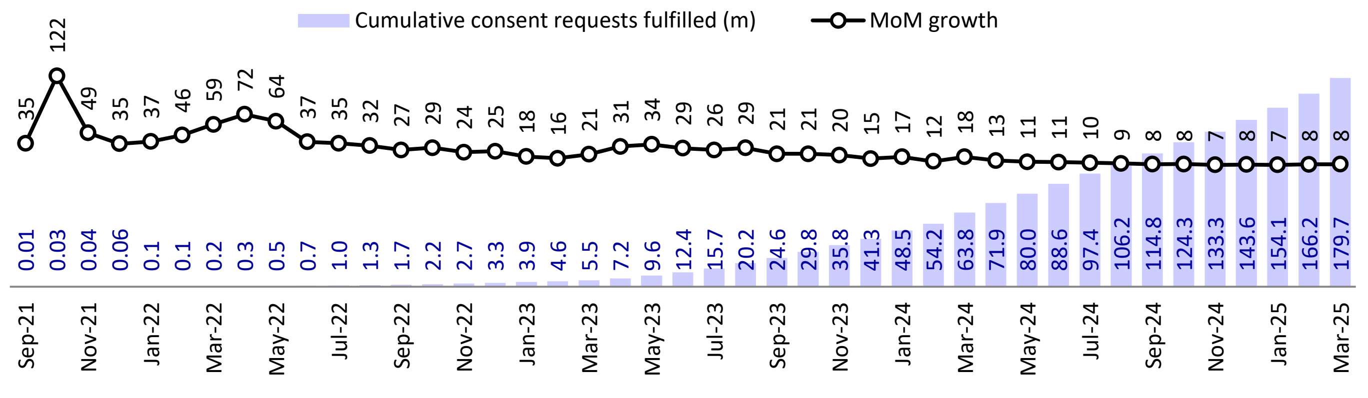
- The number of transactions is expected to reach 5b by 2027, as per Sahamati, driven by the continued growth of the current use cases coupled with the emergence of several more innovative use cases. Broadening the FIP base, interoperability of AAs, deepening usage, product innovation, increasing customer awareness, and continued regulatory support will be key growth drivers for the adoption of the AA ecosystem.

Surge in accounts linked with FIPs since the operational launch of AAs in 2021



Source: MOFSL, Sahamati

Consents fulfilled posted a notable 472% CAGR during FY22-24 and maintained 8-10% MoM growth in FY25



Source: MOFSL, Sahamati

Assessing Impact of US tariffs on Indian auto component market

The Indian auto industry is facing US tariffs in three ways: 1) 25% tariffs announced on 10th Feb'25 on steel and aluminum derivatives; 2) 25% tariffs imposed on the auto industry under Section 232 of the US Trade Expansion Act; 3) region-wise reciprocal tariffs to be levied on parts not included in the above two scenarios, with India falling in the 26% category. However, given the detrimental impact of these tariffs on its own industry, the US government has recently indicated its intent to provide some relief for the auto industry. While most regions are looking to work out a trade agreement with the US, China seems to have entered into a trade war with the US. This may prove to be a silver lining for emerging markets like India. Though a complete shift away from China may not happen, low-cost regions like India are seeing a sharp increase in enquiries from global players, which look to de-risk away from China. Further, the Indian government has been engaged with the US government to sign a bilateral trade deal, which would be beneficial for both trading partners. Eventual winners and losers are likely to be known once there is policy certainty and once these trade agreements are finalized by all regions.

Mr. Vinnie Mehta

Mr. Mehta is an electrical engineer from IIT-BHU. He has completed his MBA from FMS, University of Delhi, and Masters in International Trade from the Indian Institute of Foreign Trade (IIFT). He has been actively involved in promotion, growth and development of the auto component industry in India. Prior to joining ACMA, he headed the Manufacturers' Association for Information Technology (MAIT), the apex body of the IT hardware industry in India.

Key highlights of the discussion

Timeline of US tariff announcements

For the Indian auto component industry, US import tariffs have come in three phases:

- **10th Feb'25**: 25% tariffs announced on steel and aluminum, including derivatives imported into the US – this would include forgings, castings, wheels, etc. These tariffs came into effect on 12th Mar'25 and are applicable as of today.
- **Feb26th**: 25% tariffs to be levied on auto (car and entry trucks) and auto parts imported into the US under Section 232. In this case, the auto tariffs are effective from 2nd Apr'25, while auto component tariffs would be applicable from 3rd May'25. For auto comps, these include engine parts, drive and transmission, electrical parts, battery, etc.
- **2nd Apr'25**: Reciprocal tariffs based on regions with a base tariff of 10%. India was included under a tariff of 25%. This will apply to auto components that are not included in the first two scenarios above, e.g., rubber parts, etc. This tariff was supposed to be implemented from 9th Apr'25. However, it has now been deferred by three months.
- However, on 11th Apr'25, the US Commerce Ministry announced a tariff exemption for smartphones, computers, and other electronics, including semiconductors, and said that these items will come under separate tariffs. Further, on 14th Apr'25, the US president indicated that he would consider some reprieve for auto and auto parts and would look to rework tariffs for this sector in a bid to encourage manufacturing in the US. However, there is a lot of uncertainty about the extent of relaxations given to the auto and auto component sector, for how long, and what happens after the relaxation. Moreover, given the rapidly changing tariff rates, there is a lot of confusion about customs on the ground as to the applicability of tariffs. Further, the US MCA is yet to come up with a regulation on how to control goods imported from Mexico that are made by Chinese-origin companies in Mexico. Mexico has been a huge investment base for Chinese companies, and a lot of Chinese goods manufactured in Mexico are exported to the US.

Who takes the hit of increased tariffs?

- If tariffs are eventually increased, the key question is who takes the burden of increased tariffs? It is clear that no single stakeholder would be able to bear the burden of all the tariffs.
- Hence, once these tariffs come into the picture, all stakeholders would, over a period, figure out how much of it can be absorbed and how much of it needs to be passed on to consumers.

Understanding the impact of US tariffs on global supply chain

- It is clear that if the proposed reprieve highlighted above for the auto sector had not come, it would have been a big blow for the entire global auto supply chain.
- Many experts indicated that based on the proposed tariffs, vehicle prices could go up by as much as USD2,500-12,500 per unit in the US, which would have led to a sharp correction in the US auto industry.
- Given that the US is the largest consumer of auto components globally, this would have had a major impact on the entire auto industry supply chain globally.
- Just to understand the magnitude of the impact, the US imports USD230b worth of auto components. Key regions of imports for US auto components are: Mexico: 35%, China: 15%, Canada: 10%, Japan: 10%, Germany: 7.5%, India: 3%

US vs. China

- For auto and auto components that are exported from China to the US, the US has imposed an additional 20% tariff, which takes the total tariff on Chinese imports to 45% for autos. The same is the case for steel and aluminum derivatives imported from China to the US.
- While China has also substantially raised tariffs on imports from US, it is also putting restrictions on the export of rare earth metals that go into the manufacturing of permanent magnets. It is also putting restrictions on the supply of lithium ion and cobalt, which are used for electric vehicles. OEMs have to declare that the products for which these raw materials are used will not be exported to the US or the US military. This is expected to have an impact on the global EV supply chain.

Why did China+1 not play out in India's favor after the pandemic and can it be better this time?

- Given the differential in tariffs, India certainly has a slight advantage over China at this juncture.
- After the pandemic, there was a lot of talk about many OEMs looking to de-risk away from China and into other low-cost regions, including India. However, things have not played out so far in India's favor as earlier expected.
- Regions like Indonesia, Thailand, and Vietnam benefitted much more than India, as these countries are far ahead of India in the Ease of Doing Business Index, with much less bureaucracy.
- However, a lot has changed in India over the last few years. Compared to China, India is offering competitive pricing, though China provides a lot of subsidies on manufacturing, which creates the essential difference. As per a recent study by BCG, the only reason why Mexico was competitive with India (relative to most other potential export regions to US) was its close proximity to the US, and that too by just 4%. On the other hand, Indian auto component players are 10% more competitive than their Chinese counterparts.
- After the pandemic, many Indian auto component manufacturers have been approached by global OEMs for sourcing from India as they seek to de-risk away from China.
- While the opportunity is huge, it remains to be seen if the domestic auto component players are able to scale up in time, as shifting the supply chain is a time consuming exercise. Product approval itself takes 2-3 years (even if fast-tracked, it will take one year), and then it would take another 1.5-2 years from setting up capacity to SOP. Further, for making such a massive shift, there also needs to be policy certainty in place in the long run.
- Once there is policy stability, it can be determined who are the eventual beneficiaries of the ongoing trade war.

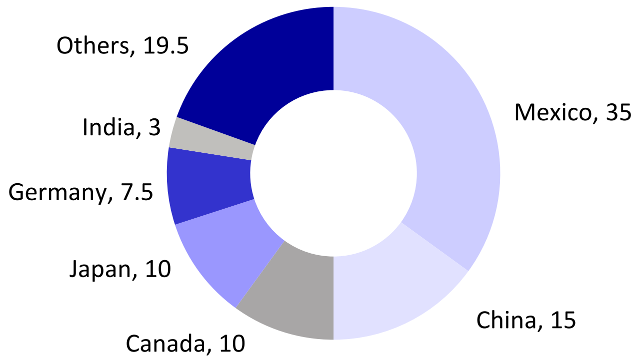
What is the Indian government doing for the industry?

- Given the Indian government's engagement with the US at an early stage, industry experts are hopeful of a favorable bilateral trade deal in the coming six months, which would be beneficial for both trading partners.
- The govt intends to secure a deal where both partners would export goods to one another at favorable rates based on each other's competence.

Indian auto component exports – brief background

- The Indian auto component industry is estimated to be USD74b in size as of FY24, with exports accounting for 30% (USD21.2b). The US and EU are the two large regions for Indian exports, making up about USD7b worth of exports each.
- Engine components and drive and transmissions remain the dominant segments for Indian exports, making up more than 50% of exports.
- Over the last 2-3 years, despite the global geopolitical conflicts, auto component exports have grown, which means India's share has been rising.
- Over the last few years, many US OEMs have been pushing Indian vendors to set up facilities in either the US or Mexico, i.e., closer to customers. While few OEMs have agreed to this, incrementally, vendors would take a call only when policy stabilizes.

US Auto Component Imports - region-wise



Source: MOFSL

Indian companies valuation

	Price	EV/ EBITDA (x)		P/B (x)	
	(INR)	FY25E	FY26E	FY25E	FY26E
Steel					
Tata	137	9.9	7.3	2.1	2.0
JSW	1,010	14.1	9.2	3.1	2.7
JSP	842	10.2	7.2	1.8	1.6
SAIL	113	8.8	4.7	0.8	0.7
Non-ferrous					
Vedanta	397	5.1	4.2	4.9	3.9
Hindalco	619	5.6	5.4	1.5	1.3
Nalco	152	3.4	5.3	1.5	1.4
Mining					
Coal	396	5.3	4.0	2.4	2.1
HZL	434	14.3	10.2	5.7	5.3
NMDC	65	5.3	4.4	1.8	1.6

Global companies valuation

Company	M. Cap	EV/EBITDA (x)		P/B (x)
	USD b	CY25/ FY26E	CY25/ FY27E	CY25/ FY26E
Steel				
AM	23	3.7	3.6	0.4
SSAB	6	4.0	4.4	0.7
Nucor	26	6.0	5.9	1.1
POSCO	15	5.5	5.3	0.4
JFE	7	5.7	5.3	0.4
Aluminum				
Norsk Hydro	10	3.9	3.5	0.9
Alcoa	6	3.6	2.7	1.0
Zinc				
Teck	17	4.5	4.4	0.9
Korea Zinc	10	10.4	NA	1.6
Iron ore				
Vale	42	3.6	3.6	0.9
Diversified				
BHP	118	5.2	5.3	2.2
Rio	99	4.7	4.5	1.5

Safeguard duty provides support to domestic prices amid global tariff war

- Domestic HRC prices surged to INR52,000/t by Mar'25-end vs. INR46,500/t in mid-Jan'25, driven by the 12% provisional safeguard duty recommended on March 19. As a result, average domestic HRC prices in Mar'25 rose INR1500/t MoM.
- Long steel prices rose INR2,000/t MoM to an average of INR54,600/t amid limited supply and stable demand in Mar'25. Prices were also supported by a seasonal uptick in demand from the construction sector.
- Channel checks suggest that the supply shortage, caused by a dip in imports, will support further price hikes by mills in flat steel. Long steel prices are expected to sustain in Apr'25, led by adequate orders in mills and lower inventory levels.
- Global flat prices remained under pressure due to oversupply from China (fell 10% YoY to USD467/t in Mar'25) amid weak consumption. While tariff tensions in the US present a potential headwind for the industry, the safeguard duty in India continues to provide critical support to domestic prices.
- According to the Joint Plant Committee (JPC), crude steel production was up 2% MoM to 12.93mt (provisional) in March, totaling 150mt (+4% YoY) in FY25. India's imports and exports dropped 26% and 10% MoM in Mar'25, primarily due to supply tightness driven by tariffs/duties in both global and domestic markets. We expect inventory pressure to ease considerably, supported by increased domestic consumption and supply tightness.
- As alumina supply stabilizes, spot alumina prices have corrected significantly to USD330/t as of Apr'25. The average alumina price fell to USD435/t in March, declining 15% MoM. LME Aluminum remained flat MoM in Mar'25, while other metals such as Copper, Zinc, Lead, and Nickel saw a 3-5% MoM price increase.

Input costs remain muted in Mar'25

- In Mar'25, iron ore prices remained firm at INR6,000/t for lumps and INR5,060/t for fines. Iron ore prices are expected to remain stable, led by active restocking from steelmakers and improving steel prices amid safeguard duty recommendations.
- Premium HCC coking coal prices (CNF Paradip, India) declined USD13/t MoM to USD189/t in Mar'25, driven by weak demand globally. Most companies expect prices to remain within a tight range in the near to medium term.
- Domestic coal production was up 2% YoY to ~119mt, while Coal India reported a 3% YoY decline in production, reaching 86mt in Mar'25. For FY25, Coal India's production volume grew 1% YoY to ~781mt.

Commodities and forex tracker

	UoM	Spot	WoW (%)	MoM (%)
India HRC (ex-Mum)	INR/t	52,000	-	7.9
India TMT Prime (ex-Mum)	INR/t	56,000	1.8	6.5
India TMT Secondary (ex-Mum)	INR/t	49,500	0.2	0.6
Korea HRC - FoB	USD/t	505	-	4.1
China HRC Dom.	USD/t	464	(0.7)	(1.3)
China HRC - FoB	USD/t	465	(1.1)	(2.1)
India Prem HCC CNF	USD/t	186	0.5	(7.5)
India 64 Mid Vols CNF	USD/t	156	0.6	-
India Low Vols PCI CNF	USD/t	146	0.7	(3.9)
Iron Ore Fines (Odisha Index) Fe 62%	INR/t	5,200	2.0	4.0
Iron Ore Fines (China - CNF) Fe 62%	USD/t	104	1.0	(1.9)
Europe Scrap HMS 1&2(80:20)	USD/t	363	(0.3)	3.7
C-DRI (ex-Raipur)	INR/t	27,900	(0.2)	3.3
RB1 (6000 NAR) SA FoB	USD/t	102	-	(0.5)
RB2 (5500 NAR), SA FoB	USD/t	90	0.6	(1.6)
Indonesia (4200 GAR) Futures	USD/t	48	0.0	1.8
Copper	USD/t	9,646	(1.4)	3.1
Aluminium	USD/t	2,480	(3.0)	(5.5)
Zinc	USD/t	2,774	(4.1)	(1.2)
Lead	USD/t	1,950	(4.7)	(1.1)
Nickel	USD/t	15,748	(1.7)	0.2
Alumina	USD/t	377	(5.8)	(20.1)
Ali UBC Scrap	USD/t	1,720	(1.3)	(4.9)
Ali UBC Scrap Spread	USD/t	760	(6.7)	(6.8)
INR:USD	x	85.5	(0.3)	(2.1)
USD:EUR	"	1.09	1.1	4.1
USD:GBP	"	1.31	0.9	2.8
CNY:USD	"	7.30	0.6	0.2
JPY:USD	"	148	(2.3)	(1.3)

Oil & Gas

APM de-allocation risks re-emerging for CGDs

Indraprastha Gas (IGL) and Mahanagar Gas (MAHGL) announced a ~10% and ~9% reduction in APM gas allocation for their CNG and D-PNG businesses, respectively, effective 16th Apr'25. In our opinion, IGL, MAHGL, and Gujarat Gas (GUJGA) will face the following impacts from the development:

Impact of 8%/4%/5% in EBITDA/scm for IGL/MAHGL/GUJGA:

- Assuming that the APM gas shortfall is compensated with New Well gas (priced at USD9/mmbtu; we assume a similar cut for GUJGA, though there is no official announcement), we estimate an EBITDA/scm impact of up to 8%/4%/5% for IGL/MAHGL/GUJGA, based on FY24 reported EBITDA/scm margin. However, we note that the actual margin impact could be lower as: 1) companies may resort to price hikes to partially offset this margin hit; and 2) while assuming NW gas price of USD9/mmbtu above, we assumed a Brent crude price of USD75/bbl. However, the current Brent crude price is much lower at ~USD65/bbl.
- **FY26 margin impact could be offset by price hikes and lower spot LNG prices:** We see a greater enabling environment for CNG/D-PNG price hikes in FY26 as spot LNG prices have started to come off amid an impending LNG supply glut globally.

EBITDA/scm impact of APM gas de-allocation

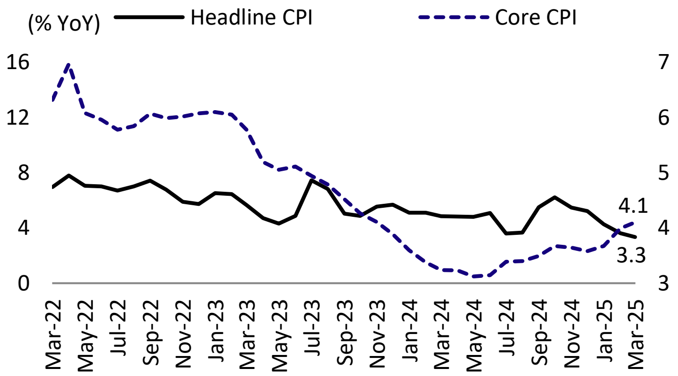
Particulars	Unit	IGL	MAHGL	GUJGA
FY24 sales volume split				
CNG	mmscmd	6.3	2.6	2.9
D-PNG	mmscmd	0.6	0.5	0.9
I&C-PNG & NG	mmscmd	1.5	0.5	6.0
Total [A]		8.4	3.6	9.7
CNG + D-PNG	mmscmd	6.9	3.1	3.7
reduction (%)		10%	9%	10%
APM allocation reduction [B]	mmscmd	0.7	0.3	0.4
Implied reduction over entire volume (%) (A x B) [C]		8%	8%	4%
Overall cost increase (USD2.25/mmbtu x C)	(USD/mmbtu)	0.2	0.2	0.1
Margin impact	**(INR/scm)**	**0.6**	**0.6**	**0.3**
FY24 EBITDA	**(INR/scm)**	**7.7**	**13.9**	**5.5**
Margin impact over FY24 EBITDA/scm	**%**	**8%**	**4%**	**5%**

Mar'25 inflation eases to 67-month low

Providing room for further rate cuts

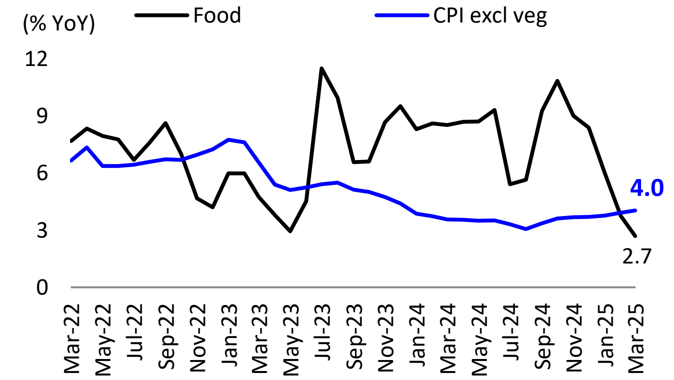
- Headline CPI inflation came down to a 67-month low of 3.3% YoY in Mar'25 vs. 3.6% in Feb'25. The deceleration was entirely driven by 40-month slowest growth in food inflation (2.7% in Mar'25 vs. 3.8% in Feb'25), which was partly offset by the 19-month highest increase in prices of fuel and light items, which marked their first expansion after declining for 18 straight months, and the 16-month highest increase in core inflation. On a sequential basis, inflation declined 0.3% in Mar'25 vs. a decline of 0.5% in Feb'25. The inflation number was lower than the market consensus of 3.5% and our forecast of 3.6%. In FY25, inflation stood at 4.2% vs. 5.4% in FY24.
- Food inflation came down to 2.7% YoY in Mar'25 (lowest in 40 months) vs. 3.8% in Feb'25. Details suggest that lower food inflation (vs. last month) was mainly attributed to the second consecutive contraction in prices of pulses (-2.7% in Mar'25 vs. -0.3% in Feb'25) and 22-month lowest growth in prices of vegetables (-7.0% in Mar'25 vs. 1.1% in Feb'25). Additionally, growth in prices of protein-rich items such as eggs (lowest in 31 months) and meat & fish (lowest in 22 months) also came down sharply during the month. CPI, excluding veggies, stood at a 15-month high of 4.0% in Mar'25 (Exhibit 2). In FY25, food inflation stood at 7.3% vs. 7.5% in FY24.
- Notably, the prices of fuel & light items marked their first expansion in Mar'25 after declining for 18 months. They grew 1.5% in Mar'25 vs. a contraction of 1.3% in Feb'25. Additionally, core inflation increased to a 16-month high of 4.1% in Mar'25 vs. 4.0% in Feb'25. Within core, prices of housing, education, health and transport & communication services went up in Mar'25 (vs. last month). Prices of precious metals remained firm.
- Other details suggest that: 1) Services inflation went up to an 18-month high of 3.9% YoY in Mar'25, while goods inflation came down to a 59-month low of 3.2% in Mar'25; 2) CPI, excluding veggies (weight 94%), stood at a 15-month high of 4.0% YoY; 3) Imported inflation jumped to a 26-month high of 7.4% in Mar'25, while domestically generated inflation came down to 2.9%, lowest in 41 months (vs. 3.2% in Feb'25); 4) Standard core inflation (excluding food & energy) went up to a 16-month high of 4.2% YoY in Mar'25; and 5) Details confirm that only 19% of the CPI basket posted 5%+ inflation in Mar'25 (vs. 24% in Feb'25), lowest in 87 months.
- Overall, we believe that a benign inflation outlook, coupled with weak growth (impeded by global trade and policy uncertainties), should give the RBI room to support growth. Thus, we expect the RBI to cut rates further in the upcoming policies.

Exhibit 1: Retail inflation eased sharply to 3.3% in Mar'25…



Core CPI excludes food & beverages and fuel & light

Exhibit 2: Food inflation at 40-month low of 2.7% in Mar'25



Vegetables weight in CPI = 6.04%

Exhibit 3: Imported inflation jumped to a 26-month high of 7.4% in Mar'25

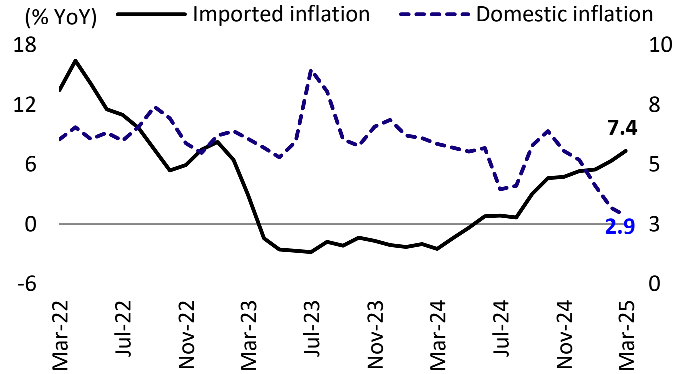
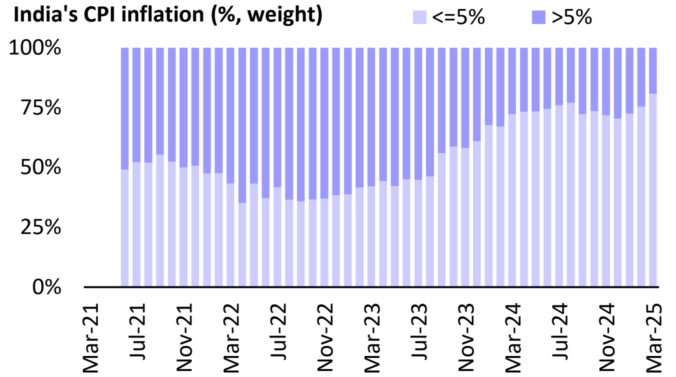


Exhibit 4: Only 19% of the CPI basket recorded more than 5% inflation last month, lowest in 87 months



Based on 299 items

Exhibit 5: CPI and its key components

	FY24	FY25	Mar'24	Dec'24	Feb'25	Mar'25
Overall CPI	**5.4**	**4.2**	**4.9**	**4.3**	**3.6**	**3.3**
Food and beverages	**7.3**	**6.1**	**7.7**	**5.7**	**3.8**	**2.9**
Cereal and products	10.3	6.5	8.4	6.2	6.1	5.9
Pulses and products	16.1	7.0	17.8	2.5	-0.3	-2.7
Meat and fish	3.1	3.8	6.4	5.3	2.1	0.3
Milk and products	6.0	2.6	3.4	2.8	2.7	2.6
Vegetables	17.6	17.3	28.3	11.3	-1.1	-7.0
Pan, tobacco, and intoxicants	**3.6**	**2.4**	**3.1**	**2.3**	**2.4**	**2.5**
Fuel and light	**0.4**	**-2.2**	**-3.4**	**-1.5**	**-1.3**	**1.5**
Housing	**3.7**	**2.5**	**2.7**	**2.8**	**2.9**	**3.0**
Clothing and footwear	**4.3**	**2.5**	**3.0**	**2.7**	**2.7**	**2.6**
Miscellaneous	**4.3**	**3.8**	**3.5**	**4.3**	**4.8**	**5.0**
Transport and communication	1.9	2.3	1.5	2.8	2.9	3.3
Core CPI*	**4.2**	**3.3**	**3.2**	**3.7**	**4.0**	**4.1**

*Excluding food & beverages and fuel & light, # Apr-Feb period

Source: Central Statistics Office (CSO), MOFSL

WPI inflation stood at 2% in Mar'25

Led by the seven-month lowest increase in food prices

- **Wholesale Price Index (WPI)-based inflation stood at 2% YoY in Mar'25, lower than 2.4% in Feb'25 but higher than 0.3% in Mar'24. The deceleration was led by a decrease in food inflation (lowest in seven months), which was partly offset by an eight-month high growth in prices of fuel & power items (first expansion after seven consecutive months of contraction) and the 26-month highest increase in prices of manufacturing products. *(Exhibit 1).* Sequentially, WPI dipped 0.2% in Mar'25 vs. 0.1% in Feb'25. In FY25, WPI-based inflation averaged 2.3%, followed by a contraction of 0.7% in FY24.**
- **The deceleration in WPI was primarily driven by a decrease in food inflation (4.6% YoY in Mar'25, the lowest in seven months). WPI, excluding food, increased 1.0% in Mar'25 (highest in eight months) vs. 0.9% growth in Feb'25. *(Exhibit 2)*. Within the food category, prices of primary food articles rose at a 21-month low of 1.5% in Mar'25 vs. 3.4% in Feb'25, while prices of manufactured food products increased 10.7% in Mar'25 vs. 11.1% in Feb'25. Within the primary food articles category, lower food inflation was driven by lower growth in prices of vegetables, cereals, pulses, and protein-based items such as eggs, meat, and fish. In FY25, WPI-based food inflation rose 7.3%, following a 3.2% growth in FY24.**
- **On the other hand, WPI for fuel and power increased 0.2% in Mar'25 (the highest in eight months and first expansion after seven months of consecutive contraction), following a contraction of 0.7% in Feb'25. At the same time, prices of manufacturing products rose at a 26-month high pace of 3.0% in Mar'25.**
- **WPI for non-food manufacturing products increased at a 25-month high pace of 1.5% in Mar'25 (vs. 1.3% in Feb'25), led by a rise in the prices of wearing apparel, leather products, basic chemicals, pharmaceuticals, basic metals, electrical machinery, and other transport equipment. In FY25, WPI for non-food manufacturing products increased 0.7%, followed by a contraction of 1.4% in FY24.**
- **Agro inflation came down sharply to 1.6% in Mar'25 from 3.6% in Feb'25, the lowest in 21 months. At the same time, agro-input prices increased 1.1% YoY in Mar'25 (highest growth in 23 months) vs. an increase of 0.8% YoY in Feb'25. Consequently, the agricultural terms of trade growth decelerated sharply to 0.5% in Mar'25 (vs. 2.8% in Feb'25, the lowest in 23 months; *Exhibit 4).* Prices of imported items increased 2.0% in Mar'25 (2.2% in Feb'25). Additionally, non-agro domestic inflation rose 2.4% YoY in Mar'25, the highest in 23 months (vs. +1.8% in Feb'25; *Exhibit 3).***

Exhibit 1: WPI stood at 2% YoY in Mar'25 vs. 2.4% in Feb'25…

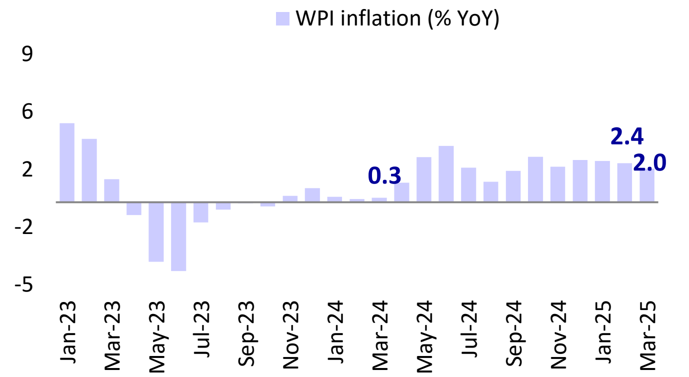


Exhibit 2: …mainly led by lower food inflation

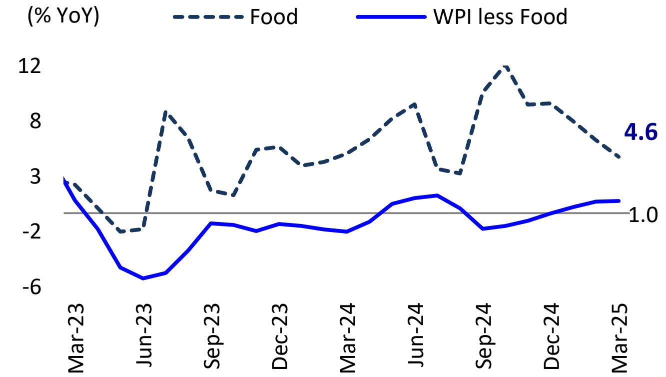
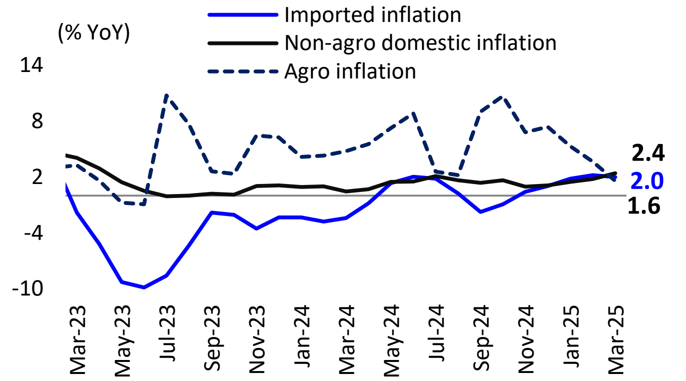
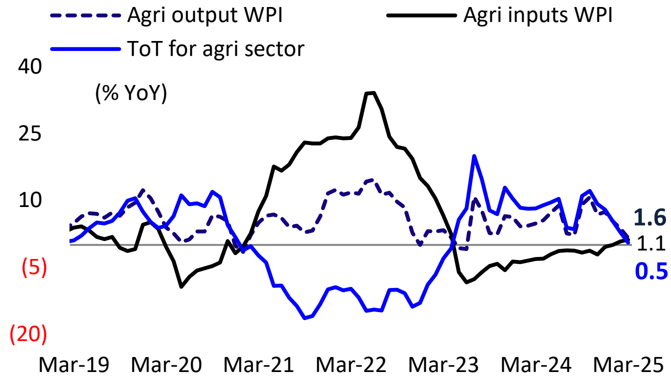


Exhibit 3: Agro inflation came down to 1.6% in Mar'25, the lowest in 21 months



*Constituting ~41.8% weightage in the WPI basket
**Constituting ~38.8% weightage in the WPI basket
@Constituting ~19.4% weightage in the WPI basket

Exhibit 4: Terms of trade for the agri sector decelerated to 0.5% in Mar'25, the lowest in 23 months



Source: Office of Economic Adviser, MOFSL

Muthoot Finance: Objective of gold loan regulations is to harmonise processes; George Alexander Muthoot, MD

- Draft regulation aims to unify processes across NPFCs and banks, improving adherence to compliance measures.
- Current declining interest rate cycle is favorable for maintaining and potentially enhancing net interest margins for NBFCs.
- LTV remains capped at 75%, but clarifications from the RBI are necessary as companies seek to navigate its implications
- When there is an increase in cost of borrowing, we absorb it; maintain NIM at 10%

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Federal Bank: RBI's gold loan norms beneficial for banks, will help reach out to new borrowers; Harsh Dugar, ED

- Banks maintain LTV throughout loan cycle; some NBFs used to maintain LTV only on origination
- Co-lending norms beneficial, will help reach out to new borrowers
- Lenders in deeper geographies will gain
- Co-lending model can bring down costs for partners
- Gold loan norms beneficial for banks; no regulatory arbitrage across lenders

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Symphony: We are exploring full stake monetization of our Australian and Mexican subsidiaries; Nrupesh Shah, MD of Corporate Affairs

- China unit sells tech know-how & IPRs to IMPCO Mexico for $5.1m
- Capital employed was in excess of Rs 400cr
- Australian Investment at Rs351cr, with an additional Rs60cr allocated towards loss funding
- Wish to refocus time and bandwith on growth-oriented & profitable ventures

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Senco Gold: Gold volume growth in Q4 was 4-5%; studded ratio for FY25 increased to 10.9%; Suvankar Sen, CEO

- High gold prices have not dampened consumer interest; ticket sizes for jewelry are increasing.
- Expect robust 1QFY26 during ensuing Poila Baisakh and Akshay Tritiya with 18%+ YoY growth
- 80-805% gold exposure is hedged
- Despite improvement, the overall studded ratio has not seen significant growth compared to the previous year

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N O T E S

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