3QFY25 | February 2025

VOICES

VOICES

India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates, and transcripts links of the respective conference calls.

This quarterly report contains

- Key takeaways from the post results management commentary for 260 companies, with links to the full earnings call transcripts
- Links to our Results Updates on each of the companies included

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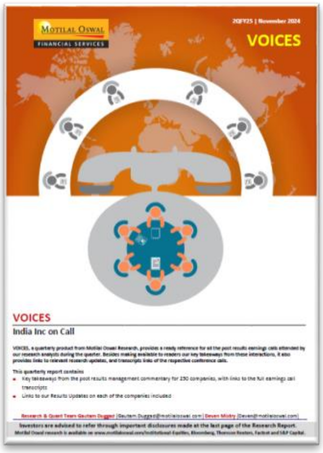
VOICES - INDIA INC ON CALL

Note: All stock prices are as on 19th February 2025, unless otherwise stated.

Voices

BSE Sensex: 75,311 **S&P CNX: 22,796**



Cautious commentary; India Inc. posts a third successive quarter of single-digit growth

In this report, we present the key takeaways from our 3QFY25 conference calls with various company management teams as we refine the essence of India Inc.'s 'VOICES'.

- **BFSI drives with PSU Banks benefitting from lower credit costs:** The aggregate earnings of the MOFSL Universe companies were in line with our estimates and increased 6% YoY (vs. our est. of 7% YoY). Earnings for the Nifty-50 rose 5% YoY (vs. our est. of +5%). The aggregate performance was marred by global commodities (i.e., Metals and O&G). Excluding the same, the MOFSL Universe and Nifty posted 10% and 7% earnings growth vs. our expectations of +11% and +7%, respectively.
- Management teams for most **Banks** remain cautious due to growth moderation and contracting NIMs. A majority of the banks are closely monitoring asset quality in unsecured segments, though there were some positive signs in Dec'25, driven by improved collection efficiency. With repo rate cuts announced, most banks indicate they are well-positioned to handle a potential 25bp cut; however, further reductions could pressure NIMs in FY26.
- Within **NBFC/HFC**, various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and weak macroeconomic environment; 3) MFIs experienced early green shoots with collection efficiency improving in Dec'24 and further in Jan'25; 4) competitive intensity remained high in HFC/ AHFCs, which hurt disbursement yields for the companies; and 5) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.
- In **Technology**, management teams of various IT companies remain cautiously optimistic, as the demand from discretionary projects remains unchanged compared to the previous quarter. However, they note a gradual recovery in shorter-term engagements this quarter, with early signs of a revival in discretionary spending. Cost optimization continues to be a key focus area for clients, but the company is experiencing robust momentum in BFSI, with Hi-Tech also exhibiting a positive outlook as semiconductor clients and hyperscalers plan to raise spending.
- In **Healthcare**, companies indicated sustained growth momentum in the chronic category of therapies in the DF segment, offset by the adverse impact of the weak season in acute therapies. Notably, the margins remained elevated due to lower raw material prices as per management. For the US generics space, management indicated that while price erosion is in mid-single to low-single digits for the base portfolio, the growth prospects are promising given their effort toward building a complex product pipeline.
- Most of the management teams in the **Automobile** sector widely suggested a slowing of domestic demand, while the outlook for exports remains uncertain. Within the domestic market, tractor demand is predicted to be stable, while 2W, PV, and CV growth is likely to be in the low-to-mid-single digits in the fourth quarter.

- Within **Consumer**, most companies witnessed limited volume growth, typically in the low-to-mid-single digits. While urban demand remained subdued, rural consumption exhibited indications of a revival. Management predicts a gradual increase in demand, driven by reasons such as income tax breaks, interest rate cuts, and a generally better macroeconomic climate.
- In **Capital Goods**, management maintains a positive outlook across key sectors, including power transmission & distribution, renewable energy, data centers, railways, and defense. Public capital expenditure is anticipated to rebound in the coming quarters, while private sector inquiries are expected to materialize from 4QFY25 onwards.

Autos

- In the 3QFY25 earnings calls, management widely suggested a moderation in domestic demand, while the outlook for exports remains uncertain. Within the domestic market, tractor demand is predicted to be stable, while 2W, PV, and CV growth is likely to be in the low to mid-single digits in the fourth quarter. Most of the companies expect input costs to remain steady from quarter to quarter, with margin performance mostly determined by operating leverage advantages and discounting trends in Q4. Ancillary players with worldwide exposure are projected to experience ongoing problems due to demand uncertainties in certain export markets.

Capital Goods

- Management maintains a positive outlook across key sectors, including power transmission & distribution, renewable energy, data centers, railways, and defense. Public capital expenditure is anticipated to rebound in the coming quarters, while private sector inquiries are expected to materialize from Q4FY25 onwards. In the defense sector, management remains highly optimistic, forecasting a ramp-up in order inflows from 4QFY25, with a strategic focus on improving the share of export orders in FY26. In the Powergen industry, genset volumes are expected to improve sequentially but remain lower year-over-year. Demand in the railway sector, though delayed, has impacted execution timelines for players. With the election schedule now largely over across main states, management expects the focus to shift towards capex in coming quarters.

Cement

- Cement demand is opening up as capex is gaining momentum from the end of 3QFY25. Rural demand should be positive with the good monsoon we have witnessed. Industry volume growth is estimated to be ~6-7% YoY in FY26. However, prices are anticipated to improve gradually with improvement in demand. Industry players are targeting cost savings in the range of INR100-300/t over the next two to three years. Further, they expect ~50mtpa capacity addition in FY26 (almost ~8% growth). Consolidation is intensifying in the industry with higher capacity addition by large players and aggressive M&A activities. Expect sequential improvement in profitability in 4QFY25 led by positive operating leverage, favorable fuel prices, and higher exit prices.

Chemicals

- Management anticipates demand recovery, driven by international markets, and local market normalization by 4QFY25. Key capacity expansions and greenfield projects are on track, ensuring long-term growth across industries. Competitive challenges, feedstock costs, and regulatory developments will have an impact on margins and pricing. Capex remains a top priority, with investments in new products, technology, and operational efficiency driving the companies' future performance.

Consumer

- Most of the companies witnessed limited volume growth, typically in the low to mid-single digits. While urban demand remained subdued, rural consumption displayed indications of a revival. Management predicts a gradual increase in demand, driven by reasons such as income tax breaks, interest rate reductions, and a generally better macroeconomic climate. However, rising commodity costs, notably in the agricultural sector, combined with insufficient price hikes, have strained gross margins in various sectors. To combat raw material inflation, corporations are considering significant price increases in the fourth quarter. The management teams are optimistic that price modifications, together with an expected increase in volume, will drive revenue growth in the coming quarters.

Consumer Durables

- Management teams have indicated that demand in the C&W segment would remain strong, led by infrastructure, industrial demand, and robust real estate growth. Further, early summer trends and expected increases in consumer spending will drive demand outlook for cooling products.

EMS

- A majority of the management teams have either raised or maintained revenue growth guidance, citing healthy demand across industries and a focus on expansion, operating leverage, and margin improvement. Key investments in electronics, railways, and backward integration, combined with worldwide collaborations, are expected to boost long-term growth while retaining a healthy order book.

Financials

Banks

- Management teams for most banks remain cautious due to growth moderation and contracting NIMs. A majority of the banks are closely monitoring asset quality in unsecured segments, though there were some positive signs in Dec'25, driven by improved collection efficiency. With repo rate cuts announced, most banks indicate they are well-positioned to handle a potential 25bp cut; however, further reductions could pressure NIMs in FY26. The banks have signaled a slowdown in unsecured segment growth, while other segments remain resilient. PSBs continue to demonstrate stable asset quality, with no signs of stress in either corporate or other retail segments, while credit cost guidance continues to remain benign for most of the PSBs. Banks remain cautious about deposit growth amid tight liquidity, although measures such as RBI's liquidity injection are expected to support a recovery in deposit growth.

NBFCs

- Within **NBFC/HFC**, various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and weak macroeconomic environment; 3) MFIs experienced early green shoots with collection efficiency improving in Dec'24 and further in Jan'25; 4) competitive intensity remained high in HFC/ AHFCs, which hurt disbursement yields for the companies; and 5) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.

Capital Markets

- Activity in the capital markets slowed down in 3QFY25, primarily due to F&O regulations and weak market sentiments. The recent F&O regulations led to a 20% YoY/14% QoQ decline in ANGELONE's order count, with management guiding for an 18-20% income impact. True-to-label charges further weighed on revenues. The medium-term growth drivers for BSE are improved premium turnover quality, lower settlement fees, increased participation in long-term contracts, and colocation rack implementation. All AMCs maintained their positive outlook on SIPs despite weak market sentiments. The companies have guided a reduced impact of telescopic TER structure on yields going forward, as they have taken steps such as: 1) higher TER in a few debt schemes and 2) a decline in AUM due to MTM, leading to an increase in TER. 360 ONE WAM guides a 20-25% AUM growth aided by strong net flows. NUVAMA continues to focus on annuity and ARR assets in the private business and MPIS in the wealth business, resulting in robust flows.

Insurance

- The general insurance players faced slow growth due to weak infrastructure investments, slow credit growth, subdued motor sales, and accounting norm changes during the quarter. STARHEAL repriced 65% of its retail health portfolio to offset medical inflation and expects no impact from the 1/n regulation due to its 1/365 URR method. ICICIGI's retail health segment saw strong growth from new product launches, while group health was weak due to lower credit growth and rising competition. It will continue to evaluate price hikes in the health segment due to medical inflation. Private life insurers saw steady premium growth. With the implementation of revised commission structures and product redesigning, all key players guided a minimal impact of surrender charges on margins. Increased focus on the ULIPs led to VNB margin contraction, however, management across key players guided to focus more on protection, annuity, and non-par products to drive the margins growth.

Healthcare

- In Healthcare, companies indicated sustained growth momentum in the chronic category of therapies in the DF segment, offset by the adverse impact of the weak season in acute therapies. Notably, the margins remained elevated due to lower raw material prices as per management. For the US generics space, management indicated that while price erosion is in mid-single to low-single digits for the base portfolio, the growth prospects are promising given their effort toward building a complex product pipeline. The overall filing pace has reduced due to the inclination toward limited competition products. Additionally, the companies indicated that they are building capabilities/ capacities towards GLP-1 products to position themselves for business opportunities FY26 onwards in many emerging markets. Further, the management teams indicated that the freight costs will moderate from their elevated levels as the geopolitical issue in the Middle East is over. In the CDMO space, the companies indicated that the increased inquiries due to the Bio-secure Act are yet to convert into businesses. On the hospital front, companies are implementing efforts towards adding beds and focusing on increasing the volumes. Some companies indicated the international patient flow was impacted due to political unrest in Bangladesh.

- Overall, the pharma space continues to witness tailwinds led by niche pipelines in the US and EU. Hospitals remain poised to benefit from the considerable demand-supply gap by not only adding infrastructure but also nurturing the doctor-nurse resources.

Logistics

- In the logistics sector, demand remained subdued in 3QFY25, primarily due to a slowdown in consumption, high inflation affecting MSME customers, and weaker e-commerce volumes. E-commerce and express logistics companies experienced sluggish growth during the quarter, driven by muted volumes and intense competition. However, multi-modal logistics companies outperformed pure-play freight operators and express logistics providers. Management expects operational performance to improve in FY26, supported by lower fuel costs and stable operating expenses. Over the long term, companies remain optimistic about sector growth, fueled by e-way bills, GST implementation, the expansion of Dedicated Freight Corridor (DFC) routes, and improved connectivity to major ports, which are likely to drive a shift towards the organized sector.

Metals

- In the Ferrous Metals space, management teams across companies pointed to: 1) a steady decline in coking coal costs; and 2) the development of captive raw material mines. Though a better performance from Indian operations is backed by better volumes in 3Q, weak NSR is keeping margins under pressure. Management believes that global uncertainties might pose challenges to international steel, base metal, and raw material prices in the short term. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices and rising domestic auction coal, which may be offset by favorable pricing conditions leading to sustained margin in 4QFY25.

Oil & Gas

- **OMCs:** While various management teams expect marketing segment performance to remain strong, weak refining performance might continue in the short term amid subdued refining margins (mid-term GRM expected to be ~USD5-6/bbl). In 4QFY25, the management teams expect LPG under-recovery to be in the similar range QoQ, and under-recoveries should start tapering off from 1QFY26 onwards. **CGDs** were hit by a sharp APM de-allocation in 3Q, and the various management teams expect similar margins QoQ in 4Q, post APM re-allocation, and New Well Gas allocation. However, CGDs' management teams remain optimistic about robust volume growth. **ONGC and OINL** also forecast strong production growth due to KG-98 and NRL, respectively. Additionally, gas utility entities are anticipating stable transmission volumes.

Real Estate

- Management is confident of achieving a 20-30% YoY presales growth for FY25 even after the delays in approvals, fueled by strong demand. Moreover, real estate companies indicate that demand will remain intact in the coming years. Average growth in price realization will trend between 7% and 10% depending on various geographies. Approval delays are easing out steadily, and projects will be ready for launches consequently. Management is focusing on replenishing the land to strengthen the project pipeline.

Retail

- **Retail:** Most retailers indicated that demand picked up during the festive season, but the momentum could not be sustained after the festive period. Retailers such as Metro Brands and Vedant Fashions highlighted that store additions would be lower than their earlier guidance due to continued inflation in rentals. BIS implementation continues to weigh on gross margins for footwear companies; however, management teams expect the impact of non-BIS inventory liquidation to be significantly lower going forward. Overall, despite continued weaker demand trends, retailers remain optimistic about growth recovery aided by the recent tax cuts announced in the Union Budget.
- **Jewelry**: The companies continued to post strong sales growth, fueled by festive demand, wedding purchases, and higher gold prices. Jan'25 saw healthy growth; however, the sharp rise in gold prices led to some softness in the last 7-10 days. Companies anticipate an increase in gold lease rates due to US tariff-related changes, prompting banks to raise lease costs. Inventory losses related to customs duty reduction were accounted for in 2Q and 3Q, and no further losses are expected in the coming quarters.
- **QSR:** The companies witnessed a slight improvement in demand trends during 3Q, particularly toward the quarter's end. Same-store sales growth (SSSG) saw an uptick, supported by a favorable base. The revenue gap between dine-in and delivery has narrowed, driven by increased dine-in footfall. However, subdued underlying growth continued to weigh on operating margins, exerting pressure on both restaurant and EBITDA margins for most brands. To drive recovery, companies are focusing on innovation, customer engagement, and value-driven offerings. Additionally, government measures aimed at the middle class in the budget could aid demand revival. Despite the challenges, most companies have maintained their store expansion guidance.

Technology

- The management teams of IT companies remain cautiously optimistic, as the demand from discretionary projects remains unchanged compared to the previous quarter. However, they note a gradual recovery in shorter-term engagements this quarter, with early signs of a revival in discretionary spending. Cost optimization continues to be a key focus area for clients, but the company is seeing robust momentum in BFSI, with Hi-Tech also showing a positive outlook as semiconductor clients and hyperscalers plan to increase spending. While manufacturing and life sciences face near-term challenges, management expects an improvement as the demand environment stabilizes and policy clarifications provide better visibility. Margins are expected to improve in FY26, driven by operational efficiencies, including better pricing, automation, and an optimized revenue mix. With deal ramp-ups, a gradual revival in discretionary spending, and vendor consolidation efforts, management remains confident about an improved growth trajectory in FY26.

Telecom

- The benefits of tariff hikes are largely reflected in 3Q results for Bharti and Vi, while RJio management indicates that tariff hike benefits are still to completely flow through. The subscriber losses to BSNL, after the tariff hikes, are now reversing for all three private telcos. Vi expects capex to increase further in 4Q with ~INR100b guidance for FY25 (vs. INR53b in 9M), while Bharti expects capex to trend downwards both in FY25 and FY26. Bharti and RJio have increased their focus on accelerating the FWA rollout.

Utilities

- The management teams noted a moderation in 3QFY25 power demand growth to 2.7% due to a high base effect from last year's 9.9% growth. However, they highlighted that a surge in demand in the past month and an anticipated intense summer could push peak demand to 265–270 GW, with current levels already above 230 GW despite summer not having commenced. The ministry plans to add 40–50 GW of renewable capacity annually until 2030, which is expected to enhance sell-side liquidity on power exchanges in the coming years. To ensure winter power availability, MoP extended the Section 11 directive until February 28, 2025. The Union Budget increased funding for the PM Surya Ghar scheme, providing opportunities for rooftop solar expansion. Additionally, proposed amendments to the Nuclear Power Act will enable private sector participation, which the management is keen to explore as policy details unfold.

Key takeaways from management commentary

AUTOMOBILES

- **In the 3QFY25 earnings calls, management widely suggested a moderation in domestic demand, while the outlook for exports remains uncertain. Within the domestic market, tractor demand is predicted to be stable, while 2W, PV, and CV growth is likely to be in the low to mid-single digits in the fourth quarter. Most of the companies expect input costs to remain steady from quarter to quarter, with margin performance mostly determined by operating leverage advantages and discounting trends in Q4. Ancillary players with worldwide exposure are projected to experience ongoing problems due to demand uncertainties in certain export markets.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Demand outlook	Other key takeaways from the call
Ashok Leyland	▪ **FY25 outlook:** AL is hopeful that the industry will continue to grow in 4Q. Key demand indicators for CVs are in place, including: 1) healthy fleet operator economics, supported by improving utilization levels and the ability to pass on freight rate increases, and 2) the beginning of the interest rate cut cycle. ▪ While AL has good visibility for the next six months, management is hopeful that all segments within the CV industry will post growth in FY26.	▪ **Defense:** Although the 3Q ramp-up in this segment was slower, management is confident of strong growth in this business in the long run, driven by its order backlog. It expects the Army will likely require 10-12k new trucks over the next 3-4 years. ▪ Switch: It is hopeful that Switch India can be EBITDA positive by 2QFY26, though it will depend on the company's ability to execute orders.
Bajaj Auto	▪ **Domestic 2Ws:** Management expects the industry to post 6-8% growth in the near term. Given its focus on 125cc+ segment, BJAUT targets to outperform industry growth. ▪ Exports: BJAUT expects 20%+ growth in exports for the next couple of quarters. The fastest-growing markets for BJAUT are Latin America (+30% YoY) and ASEAN. Even Africa has recovered, with Nigeria now clocking close to 30k units per month.	▪ BJAUT expects the L5 segment to grow at 5-7%, driven by rising EV penetration, and BJAUT targets to outperform industry growth with new launches. ▪ Management has indicated that input cost is likely to see headwinds in 4Q, which is likely to be partially offset by favorable currency movement.
Eicher Motors	▪ Focusing on growth: Management has indicated that it will continue prioritizing growth and will start shortlisting products that need marketing support to drive growth. ▪ Exports: While sentiment in export markets remains weak, the company maintains a cautiously optimistic outlook for export growth in FY26.	▪ VECV: Management has indicated that discounts have been trending downward and are expected to continue as all OEMs recognize the importance of pricing discipline. ▪ It is hopeful of a recovery in the upcoming quarters as the government focuses on infrastructure spending.
Hero MotoCorp	▪ Outlook: After the festive season, 2W demand saw a temporary slowdown, but it is expected to pick up with the upcoming wedding season and March festivities. On the back of new launches, management expects HMCL to post double-digit revenue growth in both FY25 and FY26.	▪ As per management, increased disposable income of INR40k-50k could support 2W EMI payments, boosting demand in the coming year. ▪ EV business will remain a part of the standalone entity. Lower investments in the last 1-2 months were due to the transition from Vida V1 to V2.
Hyundai	▪ HMI expects stability in export markets in coming quarters. Growth drivers: 1) Hyundai India is an export hub for Latin America, the Middle East and Africa; 2) HMI intends to evaluate global export opportunities for Creta EV; and 3) Exter left-hand drive should see huge opportunities in key markets. ▪ Management expects the domestic PV industry to post low-single-digit growth in CY25 as well.	▪ Management has indicated that, with the support of its parent, HMI would look at alternate powertrains, including EVs, flex fuels, CNG and hybrid for the Indian market to comply with emission laws. ▪ Its Pune plant is on track to commercialize production by CY25 end, with initial capacity of 170k units p.a.

M&M	▪ FES: Given strong rural sentiment, management expects the tractor industry to grow by 15%+ in 4Q. This is likely to result in 10% growth of the tractor industry for FY25. ▪ While management has refrained from providing guidance for FY26, it expects the industry to post growth in FY26 as well.	▪ Automotive: Its market share in the below-3.5T PikUp segment improved 230bp YoY to 51.9%. ▪ Management is hopeful of a demand recovery in the PikUp segment in the coming quarters, despite the current slowdown.
Maruti	▪ Demand outlook: 3Q retails grew 8.3% YoY to 573k units, resulting in 3.5% retail growth for MSIL over 9M. MSIL expects to deliver similar retail growth in 4Q. Rural (+15%) is performing better than urban (+2.5%) for MSIL. ▪ Exports: MSIL continued to witness strong growth in many export regions, including Africa, LatAm, ME, and ASEAN.	▪ In the hatchback segment, high-end cars are outperforming low-end cars. Similarly, in rural areas, consumer trends are increasingly aligning with urban regions, with a noticeable shift to premiumization. ▪ E-Vitara will be exported to over 100 countries. MSIL is poised to become the No. 1 EV OEM by production in India in its first year of launch.
Tata Motors	▪ India CV: Management believes there are positive tailwinds for the sector, which include improving fleet operator profitability led by improving utilization levels and higher freight rates. ▪ Indian PV: Management expects the PV industry to post 2% YoY growth in FY25, in line with the trend for 9M. Dealer inventory has now been reduced to less than 25 days.	▪ JLR: Management has maintained its EBIT margin guidance for FY25 at 8.5%. ▪ Management may have, however, lowered its revenue and RoCE guidance for FY25 due to the ongoing slowdown in China. It intends to reaffirm its FY26 guidance at the annual event after 4QFY25.
TVS Motor Co.	▪ Domestic: Expects growth momentum to continue in FY26. Healthy reservoir levels, improved crop outlook, and higher infrastructure investments should support demand going forward. ▪ International: In 3Q, Africa showed improvement, with expectations for further growth in 4Q. LATAM continued to perform well, with consistent MoM growth.	▪ Capex: Guided for FY25 capex of ~INR13b and investments of INR17b. ▪ Investments are focused on product readiness, e-bikes, new technology via TVS Singapore, and setting up a new international hub in Dubai to tap opportunities in Africa, the Middle East, and Europe.
BIL	▪ Outlook: Management has maintained the guidance of minor volume growth in FY25. The market scenario remains challenging. ▪ While volumes during the quarter grew despite channel de-stocking, management clarified that there were still no major market share gains.	▪ RM costs: Costs increased 100bp in 3Q, but the major impact is likely to be felt in 4QFY25 due to the lag in shipping time. However, RM costs are likely to remain stable in the coming quarters. ▪ Capex: Management has guided for a capex of INR11-12b for FY26.
BHFC	▪ **CVs:** The Indian CV market is expected to post slightly better growth QoQ in 4Q, while FY26 is likely to be flat. US Class-8 CV demand is projected to grow 10% in FY26, largely back-ended. Uncertainty remains regarding potential tariff changes. ▪ **Global demand:** Weak demand persists in the EU and the US due to the industry transition to EVs and economic uncertainty.	▪ JSA continued to see strong ramp-up and it expects this business to hit an annualized run rate of INR10b in the next 6-8 quarters. ▪ Defense: The domestic ATAG order is likely to be awarded in the next 3-4 months. However, serial production will commence 15-18 months from now.

AMARA RAJA
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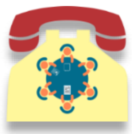
Results Update



Amara Raja Energy — Neutral

Current Price INR 971

- **Outlook:** LAB growth is expected to remain steady in the coming quarters. Lithium packs and chargers are projected to grow at least 10% in FY25. Discussions with multiple 2W and 3W OEMs for NMC cells are ongoing, though no new major agreements have been disclosed beyond the previously announced deal with Ather Energy. The company aims for a steady ramp-up in its lithium cell business from CY27 onwards.
- **FY26:** 4W segment is expected to grow 8-9%, while 2W demand could rise by 11-12%. The UPS segment is projected to grow 6-7%, and exports could see 13-14% growth. Total LAB revenue is expected to grow 11-12% in FY26E.
- **Lithium ion Sector headwinds:** Challenges include oversupply, pricing pressure, and RM volatility, particularly from China. Given the high capital intensity, the company prefers a calibrated investment strategy, ensuring optimal utilization of capital while adjusting timelines as required.
- **Revenue and growth:** LAB contributed 96% of revenue, while the remaining came from the new energy business, including battery packs and chargers.
- **LAB Segmental Performance**: 4W aftermarket volume growth stood at 11%, while OEM demand remained muted. 4W exports grew 8-9%, with expectations of a double-digit increase by year-end. 2W aftermarket and OEM volumes grew 16-17%, maintaining momentum. Tubular batteries and home UPS systems saw 15% volume growth. The lubes distribution business generated INR1b in revenue this quarter. The industrial segment witnessed strong growth in UPS and exports, though telecom battery demand declined due to the shift toward lithium ion.
- **Segmental Market share in LAB:** The company holds a stable 33-34% aftermarket share in 4W batteries and around 35-36% in 2W. Industrial battery market share, combining lead and lithium, stands at 57-58% in telecom and 40-43% in UPS. The OEM 2W segment has a 25% share, with inverter batteries at 10-11% due to limited manufacturing capacity.
- **Telecom Battery Segment:** It contributed 10-11% of total revenue, with LAB accounting for 9%. Industry revenue growth remains muted due to limited new tower expansion, with demand driven primarily by replacement. The segment witnessed a 25% YoY decline due to the shift to lithium ion based batteries. Despite the low capacity utilization of the plant, profitability impact is limited as this is amongst the oldest plants of the company.
- The company received insurance claims of INR2.75b in lieu of the accident at its tubular battery plant. Given that this is in excess of its book value, company has reported an exceptional gain of INR1.11b in Q3. The new plant is set to resume operations in early FY26.
- The first phase of the recycling plant (50k ton refining capacity) began commercial operations this quarter, with smelting operations expected by 1QFY26.
- **Margin and cost pressures:** Operating margins were impacted by 100-120bp due to higher alloy metal costs (tin and antimony) and a power cost adjustment from the Andhra Pradesh government for FY24. Higher electricity costs are expected to impact margins by 40-50bp in the next quarter as well. However,

increased procurement from renewable sources is expected to reduce power cost pressures from FY26.

- Currency depreciation is another headwind, with INR nearing 87.5-88 per USD, affecting imported lead prices. The company will explore mitigation measures to manage the impact.
- No immediate pricing changes have been made despite currency depreciation. Lead price movement will be monitored, and pricing actions will be taken accordingly.
- **New Energy Business:** Revenue declined 20% YoY due to changes in OEM demand, but localization of chargers is expected to drive recovery through FY25. The company started commercial deliveries of 2W battery packs and localized portable chargers for 2W and 3W applications.
- **Lithium-Ion Plant:** The NMC cell plant is expected to commence operations by end-CY26 or early CY27, initially targeting 1GWh capacity, with NMC cell prices at USD70-75/kWh. The LFP plant will commence at least three to four quarters after the NMC plant due to capital equipment gestation and software development requirements. The company remains cautious with its investment approach to avoid capital inefficiencies.
- The NMC plant at 2GWh will not be EBITDA positive initially. The entire lithium ion capacity utilization needs to reach at least 7-8GWh for low double-digit EBITDA margins. Stabilization will take two to three years, with optimal margins expected at ~85% utilization, subject to demand and plant ramp-up.
- **Capex Plans:** For FY25, total CapEx is expected to be around INR10b, with INR3-4b allocated to lead-acid business and INR5-6b to the new energy business.
- 4W battery capacity utilization is at 85-90%, while 2W is close to 90%. Industrial UPS batteries' utilization is at 85%, whereas LVRLA is lower at 65-70%. Efficiency improvements have led to a 5-6% increase in output without significant capex. The upcoming tubular facility with a capacity of 120-130k batteries will support inverter battery demand.

Apollo Tyres — Buy

Current Price INR 413

Standalone update

- **Demand outlook:** Overall volume growth was marginal, with healthy replacement demand being offset by OEM weakness. Replacement demand is expected to remain positive in 4Q, with the potential for further growth beyond current levels.
- **Volume Growth:** Replacement volumes grew 5% YoY, while OE volumes declined 10% YoY. Exports remained flattish. In the replacement segment, demand for TBR, PCR, and farm tires has picked up in Jan and is expected to be better than Q3, in Q4.
- OEM volumes remained weak, particularly in CVs, due to lower vehicle production and an unfavorable mix (higher bus sales).
- **4Q Outlook:** The CV segment is expected to recover in 4Q, with improving demand for TBR CV tires. Election-related volatility impacted demand this year, but OEMs are seeing early signs of recovery, according to the management.

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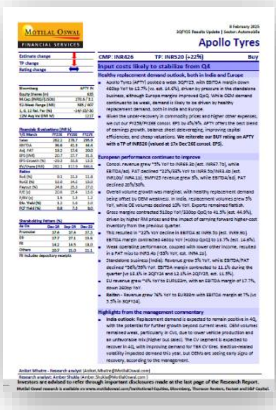

- **Market share & product strategy:** APTY gained market share in the PCR and agri replacement segments in India in Q3. The company is exiting the 12-13 inch tire market with OEMs and continues to focus on the high-margin 16-inch+ segment.
- **Exports:** APTY sees the US as the next growth market, with a strong performance in PCR (with the Vredestein brand) and initial traction in APTY TBR. The Middle East, particularly Saudi Arabia, will be the next go-to region for APTY.
- **Margins & cost structure:** EBITDA margin contracted YoY and QoQ due to sharp raw material inflation (+15% YoY). RM costs included the impact of carrying forward higher-cost inventory from the previous quarter. Given the input cost inflation, the company reduced its other expenses during the quarter, which is expected to return to normal levels in the coming quarters.
- In 3Q, RM costs stood at INR175/kg (+15% YoY, +2% QoQ), with key inputs priced at INR215/kg for NR, INR195/kg for SR, and INR125/kg for CB. RM costs are expected to remain stable QoQ in 4Q, with no price increases planned so far due to weak market conditions. Marginal cost benefits may be seen in 1QFY26.
- Net debt to EBITDA for India stood at 1.4x as of Dec'24, compared to 1.1x QoQ.

Europe business update

- **Financials:** In 3Q, it reported revenue of EUR183m with an EBITDA of EUR32m, achieving a 17.7% EBITDA margin. Reifen contributed EUR88m in revenue with an EBITDA margin of over 7%.
- **Demand:** Demand recovery is expected to continue, with strong replacement demand for both PCR and truck tires. There are no signs of demand tapering off, and the UHP/UUHP segments are expected to grow faster.
- Volume growth in the PCR segment lagged the industry; however, APTY outperformed in profitable segments such as winter tires and UHP.
- The UHP mix for APTY stood at 48% for the quarter, up from 43% YoY, reflecting continued premiumization.
- Despite raw material cost inflation (+4% YoY), the company reported an 18% operating margin (+290bp QoQ, -260bp YoY).

Update on Capex and debt

- **Investments and debt:** India business capex stood at INR3.5b for 9M, with gross debt at INR32b, while consolidated capex was INR5b with gross debt at INR35b. FY25E capex is expected to moderate to ~INR7.5b. With the PCR segment in both India and Europe reaching optimal utilization levels at 85%+ and 90%+, respectively, management has planned growth capex for both regions in the PCR segment. Assuming the same level of maintenance capex of INR7b and another INR8b for growth, the estimated capex for FY26E is likely to increase to INR15b. With this, the PCR capacity expansion in India would be 7-8%, while in Europe, it will be slightly higher.
- **Financing:** In India, interest costs increased due to higher working capital borrowings, driven by profitability challenges for dealers and a weaker market. In Europe, interest costs declined, with working capital needs likely to reverse. Additionally, the interest burden is expected to reduce in the coming quarters, considering the reduction in debt.

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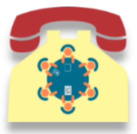

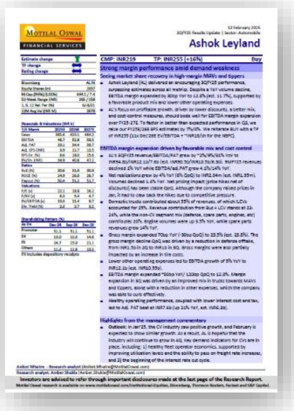

Ashok Leyland — Buy

Current Price INR 225

Outlook

- In January, the CV industry saw positive growth, and February is expected to show similar growth. As a result, AL is hopeful that the industry will continue to grow in Q4. Key demand indicators for CVs are in place, including: 1) healthy fleet operator economics, given the improving utilization levels and the ability to pass on freight rates, and 2) the beginning of the interest rate cut cycle.
- While the company has good visibility for the next 6 months, management is hopeful that all segments within the CV industry will post growth in FY26.
- Management believes that the recent slowdown in bus demand is temporary. It already has an order book from STUs of 4k buses to be executed over 6-8 months. Hence, management is confident that the strong growth momentum in buses is likely to continue for at least two more years.
- The regulation for mandatory AC cabins is likely to be implemented from Jun'25. However, the cost impact for the same is likely to be much smaller. Hence, management does not see any major impact of this regulation on the demand for CVs.
- Regarding the DFC, management expects only a gradual impact on CV demand in the next few years.
- Management has indicated that it continues to make good progress on its medium-term targets, which include: 1) a 35% share in MHCV, 2) mid-teens EBITDA margin, 3) strong growth in non-CV businesses, 4) leadership in alternate fuels, 5) value unlocking in subsidiaries.

AL recovering in high-margin segments within MHCVs

- Management indicated that over the last few quarters, it lost a significant share in the tippers segment, which declined to about 23% from 29-30% due to a product gap that was developed in the segment.
- It has addressed this and is now seeing an improvement in market share for the segment. Hence, it expects to experience disproportionate growth from this segment over the coming quarters.
- Overall, AL is experiencing a healthy market share recovery in both the MAVs and tippers segments, which are better-margin products.
- LCVs: In the 2-4T segment, the company now holds a market share of 18.5%. It has also recently launched the new Saathi at the 2.2 T segment, marking its first offering in the entry-level LCV segment. This is expected to help the company improve its market share in the 2-4T segment to 20% in the short term and to 25% in the medium term.
- AL's products currently cover 48-49% of the domestic LCV market. This is expected to increase with the launch of Saathi. The company targets to increase its addressable market reach to 80% on the back of new products over the next 3 to 4 years.
- Exports: AL has seen a strong 19% YoY growth for 9M due to continued focus on exports and a strong presence in regions like GCC, SAARC, and Africa. It continues to experience a strong order book for Q4 as well.
- The company hopes to reach close to 15k units of exports by FY25E (vs 11.5k in FY24). Its medium-term (2-3 years) target is to reach 25k units of exports, while its long-term target is to reach 50k units of exports.

- Defense business: Although the Q3 ramp-up was slower from this segment, management is confident of strong growth from this business in the long run, supported by its order backlog.
- According to the management, the Indian Army has about 70k old trucks that would need replacement soon. It expects the Army will likely require 10-12k new trucks over the next 3-4 years. Management remains confident about the long-term outlook of this business.
- Switch: The India business continues to perform well and now has an order backlog of 1800 buses, which includes 100 bus orders from Mauritius. Management is hopeful that Switch India can be EBITDA positive by Q2FY26 at the latest, though this will depend on its ability to execute the 1,800 bus order, which has an execution timeline of 12-18 months. It expects to ramp up this business well before considering the listing of this entity, which is likely to be at least 2-3 years away.
- The EV LCV sales run rate has now improved to 100 units per month.

What is ailing Switch UK?

- The outlook for Switch UK remains uncertain, as the EV market for buses in the UK is not picking up.
- The UK market has seen a sudden surge in demand for diesel CVs and almost a 30% decline in the EV market.
- EV volumes are currently below 1k units and hence, management indicated that it does not make sense to maintain manufacturing operations for such low volumes unless there is demand revival. Switch UK is currently operating at a loss, and management has stated that it is currently evaluating options for Switch UK.
- Hinduja Leyland Finance: Management has indicated that the reverse merger of HLFL in NXT Digital is on track and is likely to conclude by 1QFY26. AUM for HLFL stands at INR444b and that for Hinduja Housing stands at INR134b, reflecting growth of 26% and 43% YoY, respectively

Capex and balance sheet details

- The company has moved to a strong position, becoming cash positive with INR9.6b from a net debt of INR17.5b YoY. Capex for 3Q stands at INR1.8b and the same for 9M was at INR4.9b.
- The company has approved an investment of INR2b in HLFL and INR5b in Switch. Of the INR5b in Switch, part of this will go to the Indian entity, while the balance will go to Switch UK to help reduce debt.

Bajaj Auto — Neutral

Current Price INR 8,482

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Domestic motorcycles

- Management expects the industry to post 6-8% growth in the near term. Given its focus on 125cc+ segment, BJAUT targets to outperform industry growth.
- It plans to launch nine new variants in the 125cc+ segment between Dec24 and Marc'25, including the recently launched N125cc, upgrade for Pulsar 150cc to 160cc with improved features, etc.
- While its retail market share in 125cc+ segment has remained stable for YTD, it has lost share in 100cc segment due to aggressive discounts from competition.


Bajaj Auto

- The 125cc+ segment continued to grow at 2x the pace of the 100cc segment in 3Q.
- BJAUT has launched another variant under Triumph. It will focus on network expansion and brand awareness of Triumph in tier 2/3 towns.
- Cost increase due to OBD2 is likely to be 1% on its portfolio.

Exports

- Management expects exports to grow 20%+ for the next couple of quarters.
- The fastest-growing markets for BJAUT are Latin America (+30% YoY) and ASEAN. Even Africa has recovered, with Nigeria now clocking close to 30k units per month.
- BJAUT enjoys healthy 55% market share in Nigeria. As per management, it has significantly outpaced each of these key export markets on YTD basis.
- Management has refrained from giving a long-term outlook for exports given the current uncertainty in global markets.

Update on 3W EVs

- BJAUT has sold 17k units of 3W EVs in 3Q. Its EV 3Ws have been well accepted in the market.
- It now enjoys a 37% market share in the passenger segment (up from 13% YoY) and mid-20% share in the cargo segment.
- The company has recently taken a price cut in 3W EV in select markets in line with competition. It will launch one large 3W variant in 4Q.
- It will also introduce an e-rik variant at 4Q end. The e-rik market is 45k per month and BJAUT is now looking to gain some share in this unorganized market.
- BJAUT expects the L5 segment to grow at 5-7%, driven by rising EV penetration, and it targets to outperform industry growth on the back of its new launches.

Chetak

- Chetak market share has improved to 22% in 3Q from 13% YoY.
- It has recently launched a premium Chetak variant under the 35 series. It hopes to gain to a stronger leadership position in EV scooter segment, especially in the premium segment, where its share has been low.
- This will also be a better margin product.
- For its total EV portfolio, BJAUT posted EBIDTA in 3Q vs. just break-even in 2Q.

Freedom CNG bike

- This bike has been very well accepted in markets where CNG penetration is good (viz. Delhi, Kerala). However, it is seeing low adoption in other markets.
- BJAUT has launched one more variant of Freedom recently.
- It targets to launch marketing campaigns to increase customer awareness about the product from 4Q onward.

KTM

- Pierer Mobility is in the midst of putting together a plan for the restructuring of KTM by Feb'25. If all stakeholders approve, KTM may be revives from its current woes.
- From BJAUT's standpoint, the revival of KTM is pertaining only to export markets.
- KTM bikes produced in BJAUT plant in India are clocking sales of about 6k units per month.

Bajaj Auto Credit

- The finance arm of BJAUT has completed its pan-India rollout ahead of schedule.
- It enjoys almost 70%+ share in BJAUT stores.

- BACL now has AUM of INR70b. The credit arm posted minor PAT of INR520m for the first time in 3Q.

Bajaj Auto Technology Ltd

- The erstwhile Chetak Technology is now renamed as Bajaj Auto Technology Ltd
- BJAUT intends to develop capabilities in the EV ecosystem toward electronics, controls, hybrids, fuel cells, software, etc.
- It has already employed 50 people.
- Once it scales up, it would start supporting BJAUT and its partners.

Balkrishna Inds — Neutral

Current Price INR 2,671

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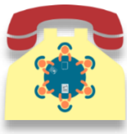

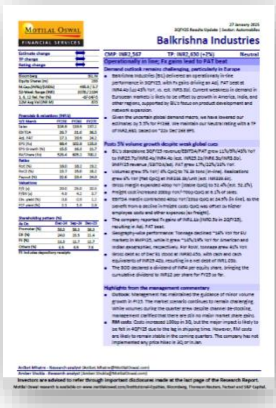

Balkrishna Industries

- **Outlook:** Management expects to maintain minor sales growth in FY25. The market scenario continues to remain challenging. Though volumes during the quarter grew despite channel de-stocking, management clarified that there are still no major market share gains.
- **America:** The region posted growth driven by the company's focus on products and infrastructure. The demand is anticipated to stabilize and then grow in the coming period.
- **India:** The company is seeing visible growth in the market, partly due to BIL's lower base. It holds a market share of 6-7% in India (similar to the global market share), with ~10% market share in the Agri business.
- **Europe:** The demand scenario in this region remains weak.
- **RoW:** The company believes that growth is sustainable in other regions. RoW includes regions such as Africa, the Middle East, Australia, and New Zealand.
- Channel inventory currently stands at a normal level.
- **RM costs:** Costs increased 100bp in 3Q, but the major impact is likely to be felt in 4QFY25 due to the lag in shipping time. However, RM is likely to remain stable in the coming quarters. The company has not implemented any price hikes in 3Q or Jan.
- **Carbon black project:** The advanced carbon black plant, with a capacity of 30,000 MTPA, was completed in September last year and is undergoing customer testing for non-tire grade carbon black applications in plastics, ink, and paint industries.
- Revenue contribution from third-party carbon black sales stands at 9-10%.
- Profitability for this segment is expected to align with or slightly exceed industry standards, but is likely to be lower than the average company margins.

Capex: Management has guided for capex of INR11-12b for FY26.

- The company incurred capex of INR9.68b in 9MFY25.
- Capex for a 35,000 MTPA OTR tire range, announced in August last year, is progressing as planned, with completion expected in H1FY26.

Others:

- European deforestation regulations have been deferred to 1st Jan'26.
- The company is not looking for any buyback at this stage.
- EUR-INR rate: The EUR-INR rate was INR91 for Q3 and YTDFY25. For Q4, it is expected to be INR92-93.

KALYANI

BHARAT FORGE

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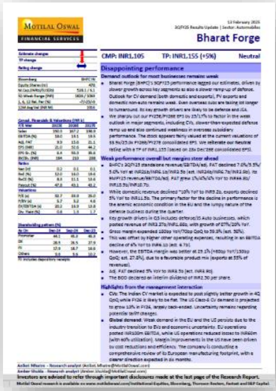

Bharat Forge — Neutral

Current Price INR 1,075

India business trends and outlook

- The Indian CV market is expected to post slightly better growth in 4Q QoQ while FY26 is likely to be flat.
- The US Class8 CV demand is projected to grow 10% in FY26, largely back-ended. Uncertainty remains regarding potential tariff changes.
- In domestic PVs, BHFC has seen strong growth in 3Q and the momentum is likely to continue on the back of order wins from new customers. Increasing localization is benefiting BHFC, with rising supplies of engine, transmission, and chassis components.
- Capex has slowed in infrastructure and industrial capital formation, particularly in power plants and water projects. Large-scale projects from previous years have been completed, while new mega projects are yet to commence. This is likely to lead to a slowdown in the domestic non-auto segment in the near term.
- Export industrial revenue grew ~7-8% YoY and was largely driven by strong growth from oil & gas and aerospace segments.
- Its aerospace segment continues to be a key growth driver with a quarterly revenue run-rate of INR5-6b currently and is expected to surpass triple digits per quarter in FY26. BHFC has approved new investments in landing gear machining and high-precision ring mill forgings. This facility is likely to commence production by FY27 end and the segmental revenues can potentially double from there, post this.
- Oil & gas revenue grew ~60-70% YoY in 3Q, over a low base of last year. This sector can potentially see strong growth going forward which is contingent on the development of pipeline infrastructure in the US.
- The standalone business won orders worth about INR7.83b in this quarter
- Standalone capex for FY26 is estimated at ~INR3b, with an additional INR2-2.5b allocated for Indian subsidiaries. Investments will be concentrated on India's business, including the new aerospace facility.

Update on Defense

- Defense revenue was INR3.4b and the slower ramp-up was due to the lumpy nature of the business. For 9M, defense revenue grew 49% YoY to INR14.9b. This segment has seen order wins of INR1b in 3Q with outstanding orders of INR57b.
- The domestic ATAG order is likely to be awarded in the next 3-4 months. However, serial production will commence 15-18 months from now.
- A new MoU with L3 Harris opens opportunities in C4I (Command, Control, Communications, Computers, and Intelligence) for defense electronics.

Update on Overseas subsidiaries

- Weak demand in Europe and the US persists due to industry transition to EVs and economic uncertainty. EU operations posted INR100m EBITDA, while the US operations reduced losses to INR60m (with 60% utilization). Margin improvement in the US has been driven by cost reductions and efficiency gains.
- Demand softness in Europe and customer-specific challenges impacted performance. While efforts are underway to reduce these losses, weak performance is likely to be sustained in the coming quarters as well given weak demand. The company is conducting a comprehensive review of its European manufacturing footprint, with a clearer direction expected in six months.

Update on JS AutoCast

- JSA reported a 20% YoY revenue growth in 3Q, reaching INR1.66b.
- On the back of strong new order wins, management is confident that this business can ramp up to INR10b in revenues within the next 6-8 quarters. They are also confident of improving margins in this business by 250-300bp from here and would be driven by operating leverage, cost reduction, and an improved product mix.

BOSCH Neutral

Current Price INR 27,272

BOSCH

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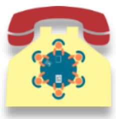

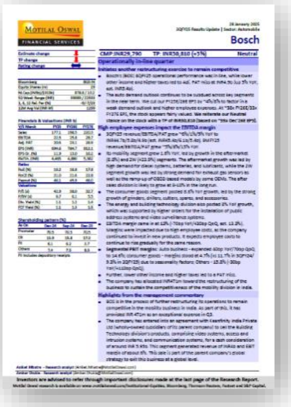

- The auto industry grew 3% YoY in Q3FY25 as OEMs adjusted production to manage inventory levels post the festive season. PVs grew 4% YoY, led by healthy growth in SUVs and aggressive festive promotion. As a result, inventory was reduced to 55 days from 75 days earlier.
- CV demand remained weak due to a slowdown in mining and construction segments. However, buses and tipper segments are experiencing strong growth. LCV growth remains muted due to a slowdown in economic activity in urban regions.
- Additionally, there is some shift visible from the SCV <2T segment towards 3Ws. Tractors have posted healthy revival backed by favorable monsoon, improved yield, and high MSPs. While 2W saw a festive surge in Oct, demand weakened in Nov-Dec.
- For BOS, its mobility segment grew 1.6% YoY, led by growth in the aftermarket (8.8%) and 2W (+23.9%) segments. Aftermarket growth was led by high demand for diesel systems, batteries, and lubricants. The 2W segment growth was led by strong demand for exhaust gas sensors as well as a ramp-up of OBD2-based models by some OEMs. The after sales division is likely to grow at 8-10% in the long run.
- The consumer goods segment has posted 8.8% YoY growth, led by strong growth for grinders, drillers, cutters, spares, and accessories.
- The energy and building technology division also posted 8% YoY growth, led by higher orders for the installation of public address systems and video surveillance systems.
- The company has launched a VCU and accelerator pedal module in an EV model introduced by one of India’s largest UV OEMs.
- Additionally, its EMS solution has been assembled for the first time in one of the iconic 350 motorcycles in India.
- Employee costs remained elevated as the company continued to invest in new products. It expects employee costs to continue rising gradually for the same reason.
- The company is in the process of further restructuring its operations in order to be competitive in the mobility business in India. For the same, an amount of INR471m has been provided as an exceptional expense in Q3.
- The company has entered into an agreement with Keenfinity India Private Ltd (wholly-owned subsidiary of its parent) to sell its Building Technology division’s products, comprising video systems, access and intrusion systems, and communication systems, for a cash consideration of around INR5.95b. This segment generated revenue of INR4b and EBIT margin of about 6%. This sale is

part of the parent company's global strategy to exit this business at a global level.

- For certain products, the company is being screened for potential global opportunities in products like electrification and hydrogen-based components. In fact, for hydrogen-based components, it is closely working with the parent company for potential global opportunities (local for global strategy).

CEAT — Buy

Current Price INR 2,706

CEAT's 3QFY25 performance:

- The company reported volume growth of 7.9% YoY and revenue growth of 11.6% YoY. International and replacement segments have grown in double digits in value terms, while OEM witnessed mid-single-digit growth.
- OEM – MHCV continues to decline in the low single digits, 2W growth has slowed but remains close to double digits, while passenger car growth has slowed to low single digits.
- Exports- Positive export growth, particularly from Europe, with TBR moving to higher levels.
- Replacement- Double-digit CV growth, driven by stronger radial demand; MHCV grew mid-to-high single digits. Rural demand surged by 40-50% over urban, boosting 2W and agri demand. Passenger car replacement demand is modest at mid-single digits.
- Demand outlook: For the coming quarters, in the replacement segment, CEAT expects high single-digit growth in the truck bus segment, double-digit growth in 2W, and low single-digit growth in the farm and passenger segments. However, in the OEM segment, 2W OEM is expected to grow in the high single digits, PV low single digits, and CV OEMs are likely to remain weak in the near term.
- Exports are likely to grow in double digits in 4Q as well.
- Geopolitical issues and currency headwinds in Brazil persist, but GTM in the US and Europe is improving, which drove strong quarterly performance in passenger and TBR with a positive outlook ahead. Sri Lanka's economic recovery has helped revive that business, which has met CEAT's targets for the fiscal.
- Camso acquisition will help improve contribution from international business to 26% post-integration, which currently stands at 19%.
- Non-Camso exports saw 46+ off-highway product launches in 3Q. Key OEM approvals include ITL, Magna, JD Brazil, and Accomassi Ferguson. It has also expanded OHT channels in the US and entered Vietnam and Peru.
- The integration of CAMSO will generate synergies for OHT from 2HFY26. OHT's share, currently at 15%, is expected to more than double with the acquisition. The Camso acquisition will be funded through internal accruals as well as debt.
- RM costs increased marginally by 1-1.2% QoQ in 3QFY25.
- EBITDA margin contracted QoQ due to an increase in RM prices. CEAT has received a 3-4% price hike in the indexed category of OEMs and a discussion-based price hike in the commercial segment of OEMs.
- In replacement, it has taken price increases in commercial and farm to the extent of 1% to 1.5% in 3Q, about 4% in PCR replacement. However, it did not take a price hike in the 2W segment barring a minor 1% hike at the end of 3Q. They hope to take similar small price hikes in coming quarters in 2Ws.
- EVs- It has about a 25% share of business in 2W and 4W EVs.

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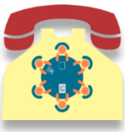

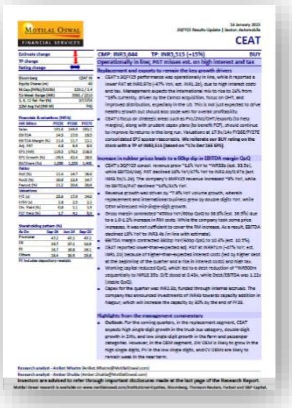

- Capex for 3Q stood at INR2.5b, and the same for YTDFY25 stood at INR7.13b, with full-year guidance maintained at ~INR10.5b. The board approved a 2W capacity expansion at Nagpur to 100k tyres per day.
- In Chennai, PV capacity can be increased from the planned 20k to 35k-40k tyres per day at peak brownfield capacity. TBR capacity can rise to 3k tyres per day, with the current capacity at just 30%.
- Debt reduced by INR0.50b to INR18.35b in 3QFY25. Working capital increased in the previous quarter due to higher raw material inventory, particularly natural rubber, driven by longer lead times. However, working capital reduced by INR0.84b QoQ in 3Q, with further opportunities to normalize it in 4Q.

Craftsman Automation — Neutral

Current Price INR 4,093

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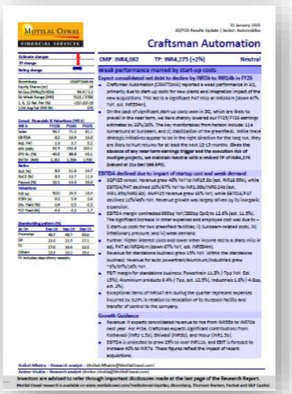
MOTILAL OSWAL

Craftsman Automation

Neutral

- Guidance: For the first time, management has provided some indicative guidance of what to expect in coming years, based on orders in hand and integration of the new acquisitions
- They expect to post revenue of around INR70b in FY26. Beyond the 3Q run rate, the new Kothavadi plant is expected to contribute INR1-1.5b, while the new Hosur plant is likely to contribute INR1.5bn of revenues in FY26.
- They expect consolidated EBITDA to improve by 29% YoY to INR11b and deliver 40% growth in EBIT to INR7b.
- Capex guidance for FY25 stands at INR8.5b (invested INR7b in 9M). Capex is likely to reduce by 50% in FY26E.
- Consolidated debt stands at INR18b, with D/E of 2.24x. They expect to sell the Gurgaon land in 1QFY26 for around INR3b and use these proceeds to reduce debt. Post this, D/E would come down to a comfortable level of 1.4x.
- Sunbeam: Now a wholly owned subsidiary since Oct'24, posted a turnover of INR2.84b with EBIT of INR100m.
- The Gurgaon plant relocation has begun and is expected to be completed by 1QFY26, after which the land sale will be considered.
- About 50% of employees opted for VRS and were relieved in Nov'24, with the remaining to be settled by April-May. Post the relocation of Gurgaon plant and the VRS, employee costs are expected to reduce by 30% with further reductions expected going forward as they focus on automation.
- The order book remains comfortable, and the company expects a reasonable turnover and positive EBITDA in 4Q.
- Sunbeam is expected to turn EBIT neutral by 2QFY26 and will be EBIT positive for the full FY26.
- Craftsman Germany reported consolidated revenue of INR560m with positive EBITDA and expects to maintain this in 4Q. Its order book for CY25 is fully booked.
- Fronberg is expected to see modest growth of 5-10%, with strategic benefits from cross-collaboration between Craftsman and Fronberg teams.
- Bhiwadi: This plant has been operational in a record time of eight months. It is operating at 20-25% utilization and expected to ramp up to full speed by July.
- This plant posted EBIT loss of INR200m due to start-up costs. It is expected to become EBIT neutral in 1QFY26, and by the end of FY26, it will be EBIT positive with high single-digit margins.

- Hosur: The new greenfield alloy wheel plant at Hosur is planned to complement the Bhiwadi plant, catering to customers in the South. Both Bhiwadi and Hosur plants are fully booked with orders for CY25.
- The Hosur plant will be operational by 2QFY26 and will reach full capacity by 4Q.
- The revenue potential for the Hosur and Bhiwadi alloy wheel plants is expected to be around INR4b each and the plants are likely to reach the peak by FY27.
- Kothavadi- It is developing powertrain components for stationary engine applications, a market that is seeing significant demand by AI-led data center growth. It has secured engagements with five of the top 10 global players in the segment, with trials underway at Unit 3.
- Several samples have been supplied to customers, and production is expected to begin in 4QFY25 upon approval.
- Given the long gestation for these projects, the major ramp-up of this plant is likely to be in FY27.
- However, some engineering parts will be produced at the Kothavadi plant, generating approximately INR1.50b in revenue for the next FY.
- For the stationary engines and machining capacity (including the Arasur plant), the expected revenue in FY28-29 is around INR8.5b.

Aluminium:

- The aluminum business is set to reach INR40b in revenue next year, including the alloy wheel capacity ramp-up.
- They are now reaching a size where global players are showing interest to consider them for global opportunities.

Industrials:

- The order book for automated storage is full for the next year, positioning the company to benefit from increased profitability in this area.
- 3Q automated storage revenue was INR1.42b, with a projected full-year revenue of INR5b. Craftsman ranks among the top two Indian players in this segment.
- Exposure to ICE and evolution of product portfolio:
- Around 90% of the powertrain products are related to ICE, with a small portion being fuel-agnostic (e.g., transmission parts). The focus on powertrain remains on commercial vehicles, construction equipment, and the farm segment, with a growing emphasis on stationary engines. Further, with many MNCs setting up large capacities for stationary engine applications in India, India is emerging as a production hub for the same. Hence, management expects minimal EV risk in the powertrain segment going forward.
- In the aluminum business, the company has de-risked its portfolio by diversifying into passenger vehicles and alloy wheels. The casting processes are flexible and can cater to both ICE and EV applications. The aluminum content is expected to increase in both ICE and EVs given OEM increasing their focus on light-weighting.

EICHER

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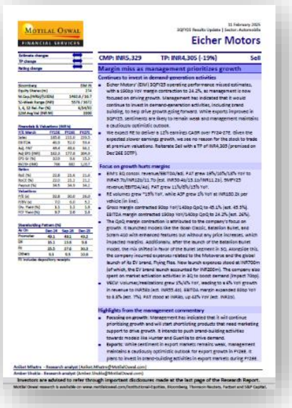
Eicher Motors

CMP: INR5,329 TP: INR4,305 (-19%) Sell

Margin miss as management prioritizes growth

Eicher Motors — Sell

Current Price INR 4,807

- Leadership transition: Mr. Siddhartha Lal has now been appointed as the Executive Chairman of Eicher Motors. Mr Vinod Aggarwal has been appointed as the Vice Chairman (non-executive) of Eicher Motors. He will continue to be the MD and CEO of VECV. Mr Govindrajan has been appointed as the MD of Eicher Motors. He will continue to be the CEO at Royal Enfield.

Royal Enfield update

- In 3Q, RE posted a strong 17% YoY growth in total volumes. While domestic sales were up 13% YoY, exports grew 71% YoY over a low base. Even retail sales for 3Q grew 19% YoY.
- The QoQ margin contraction is attributed to the company's focus on growth. It launched models like Goan Classic, Batallion Bullet, and Scram 410 with enhanced features but without any price increases, which impacted margins. Additionally, after the launch of the Batallion Bullet model, the mix shifted in favor of the Bullet segment in 3Q. Apart from this, it incurred expenses related to the Motoverse and the global launch of its EV brand, Flying Flea. New launch expenses stood at INR700m (of which the EV brand launch accounted for INR200m). The company also spent on market activation activities in 3Q to boost demand (impact 70bp).
- Management has indicated that it will continue to focus on growth and start shortlisting products that need marketing support to drive growth. It indicated that it intends to push brand-building activities towards models like Hunter and Guerilla over the coming quarters to drive demand. It will also look at investing in improving the brand awareness of its recent launches.
- Given its focus on growth, management has indicated that earnings growth should be evaluated on an absolute basis rather than in terms of margin.
- Inventory has now normalized to 2-3 weeks.
- On a YTD basis, RE exports have seen 38.5% YoY growth and have been driven by strong growth in the UK, Brazil, Italy, Europe, and the Americas. In fact, retails in these markets have been 8-9% higher than wholesales, according to the management. By 4Q, it will have launched all its models in all key markets.
- The company has maintained its market share in the middle-weight motorcycle segment in key regions globally: 1) No. 1 player in the UK; 2) amongst the top three in Europe with 8.5% share; 3) 8% share in the Americas; and 4) 9% share in APAC.
- While sentiment in export markets remains weak, management maintains a cautiously optimistic outlook for export growth in FY26E. It will invest in brand-building activities in exports in FY26E.

VECV update

- Management has indicated that discounts have been trending downwards and are expected to continue, as all OEMs recognize the importance of pricing discipline in the industry.
- VECV launched its first SCV EV, Eicher Pro X, at the Bharat Mobility Show last month.
- Its spare part and servicing revenues grew 25.6% YoY to INR 7.1b.
- Financials: Revenue grew 6% YoY to INR 58b. EBITDA margin expanded 80bp YoY to 8.8%, aided by strong service revenues. PAT grew 44% YoY to INR3b.
- While CV demand has remained weak for 9M, management is hopeful of a recovery over the coming quarters as the government focuses on infrastructure spending.

ENDURANCE
Complete Solutions

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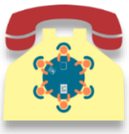

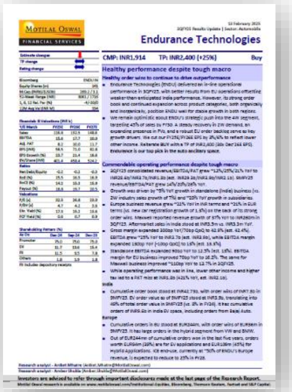
Endurance Technologies

Endurance Technologies — Buy

Current Price INR 1,878

- **Stoferle acquisition in Germany** enhances its presence among German OEMs and strengthens its vertical integration.
- They signed SPA on 12th Dec'24 and they await EU antitrust approval. The companies expect to close the transaction by FY25 end.
- Stoferle has been a competitor of ENDU in transmission components. It has in-house machine building capabilities and automation expertise.
- For almost 60% of its products, Stoferle has been a sole supplier to OEMs. For the balance 40%, ENDU was competing with Stoferle for business. After this acquisition, ENDU will be the sole supplier for 80% of the products.
- Thus, this acquisition will reinforce ENDU's position in Germany.
- Stoferle also has sound financials: EUR80m in revenue with 18-20% EBITDA margin, and it is a net cash company.
- Further, the SpA and Ingenia Automation acquisitions enhance ENDU's in-house machine-building, benefiting Indian operations. EU operations are managing SpA internally for early payback.

Expansion Projects

- The Auric Shendra 4W casting plant will be ready by Feb'25, with SOP planned for Jun'25. This green facility, with zero waste to landfill, will house automated die-casting machines and advanced finishing equipment. The plant has secured a machine casting order from Valeo, with peak annual sales of INR730m, and an INR1.5b export order from a premium global OEM.
- The AURIC Bidkin 2W alloy wheel plant is on schedule and is expected to help ENDU expand its OEM customer base.
- ENDU is setting up a new G45 R&D facility for the suspension business, which is set to open by Mar-Apr'25. This facility will be four times larger than the existing setup, strengthening OEM trust and enhancing its technological leadership in suspension systems. The existing R&D setup will be used for the expansion of suspension capacity.

Update on segmental new order wins

- ENDU secured new orders worth INR7.8b, with 50% for EVs and 40% for 4Ws. Key OEMs include HMCL, HMSI, Kawasaki, and TVS. It has won Al die castings orders worth INR3.8b in FY25 from TTMT, Valeo, Ather, HMCL and Piaggio. Brake orders stood at INR1.71b, transmission at INR524m, and drive shafts at INR450m, mainly from Mahindra.
- In the suspension segment, ENDU has secured INR1,430m in new orders in FY25, including premium 2W models and e-scooters.
- The braking segment has received INR1,710m in orders and now supplies brakes to all major 2W OEMs in India. ABS production capacity stands at 650,000 units annually. Beyond Bajaj and RE, the company is in advanced discussions with two more OEMs for ABS opportunity. Its dual-channel ABS is planned for launch in 1QFY26.
- In the transmission segment, clutch orders from HMCL and Royal Enfield will boost sales by INR1,000m in FY26. It has also won drive shaft orders worth INR450m. Management expects this business to touch the INR1,000m run rate soon. It also expects to get orders for drive shafts from 4W OEMs in FY26.

- **4W Suspension:** ENDU is entering the 4W suspension segment via a tech tie-up with a leading Korean firm, initially as a second source but aiming for the primary supplier status in new platforms. Strong OEM interest is driving ongoing discussions, with a planned greenfield facility. Despite OEMs' preference for home-country suppliers, ENDU is engaging with Japanese and other OEMs, by leveraging its cost-competitive technology and performance.
- **4W braking business:** ENDU plans to enter the 4W braking segment, targeting commercialization in 4QFY25. Development is underway with BWI, its existing technology partner, for 2W braking systems.
- **New 4W EV orders:** ENDU has secured orders worth INR2.2b for its new AURIC Shendra plant, including business from Valeo and a large unnamed customer (INR1.5b). Discussions with additional customers are ongoing. This expansion enhances ENDU’s casting business, targeting high-margin exports and EV-related applications. The company leverages its leadership in aluminum die-casting and engineering capabilities to drive further growth.
- **Maxwell:** It is seeing strong growth and profitability, with a robust product pipeline for 3Ws and 2Ws. While mass production is limited to one or two customers, multiple discussions are underway. The company is also developing allied products like motor control units and battery management systems.
- **Embedded electronics and EV readiness:** ENDU is advancing mid- and high-voltage BMS via XP Safe and HP Safe for applications from 2Ws to grid storage, ensuring cost-effective solutions through semiconductor partnerships. It is also expanding into motor control and power electronics, enhancing OEM opportunities. EV sales in 3QFY25 stood at INR722m (3.5% of total), with 96% of its product range being EV-agnostic.
- **State incentives:** ENDU has submitted all necessary documents for state incentives of INR80m for 2H. Booking in 4Q depends on the government issuing the eligibility certificate, which is at an advanced stage.

Escorts Kubota — Neutral

Current Price INR 3,020

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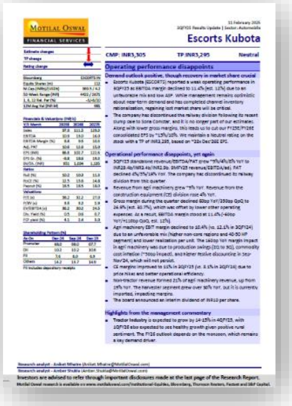
Results Update

- **Domestic Tractor:** Industry grew 13.5% YoY to 267k units, with North & Central regions up 2.5% and the rest of India up 28.6%. EKL’s domestic volumes stood at 31,585 units (+6% YoY), with a market share of 11.8%. Industry growth for FY25 is expected at 6-7%.
- **Tractor Industry** is expected to grow by 14-15% in 4QFY25, with 1QFY26 also expected to see healthy growth given positive rural sentiment. Outlook for FY26 depends on the monsoon, which remains a key demand driver.
- **EKL wholesale market share stood at 11.8%** for 3Q. Retail market share remains higher than wholesale market share due to inventory rationalization, now at four weeks (from six weeks earlier). EKL’s market share was impacted by higher industry growth in non-core markets (South, West, Chhattisgarh, Odisha, Jharkhand). Market share is expected to improve over the next 3-6 months, supported by product interventions and channel expansion.
- **EKL launched the PROMAXX** series under the Farmtrac brand (30-50 HP) to strengthen its presence in Gujarat, Maharashtra, Chhattisgarh, Odisha, and MP, with more product launches lined up.



- **Captive financing** has started selectively and will scale up in 2HFY26, aiding market share growth.
- Export volumes declined to 971 units (vs. 1,371 YoY), with ~27% of sales to the Kubota Global Network. New specialized products for the European market have entered production, with exports commencing from this quarter. Exports are expected to grow 20-25% in FY26, aided by a low base and increased access to Kubota's European network (~5,000 units currently). Export margins are in line with domestic margins, though contribution per unit is slightly lower; however, realization is better due to exchange rates.
- Non-tractor revenue & machinery: Non-tractor revenue (agri machinery, engines, services, and spares) formed 21% of agri machinery revenue, up from 19% YoY. The harvester segment grew over 30% YoY, but it is currently imported, impacting margins. Margin improvement is expected once localization begins. Kubota and Tractec hold over 30% share in the harvester segment.
- Construction Equipment (CE): Industry volumes for cranes, backhoe loaders, mini excavators, and compactors grew ~14% YoY, led by backhoe loaders (+18%). EKL's CE volume stood at 1,989 units (vs. 2,008 YoY), with revenue at INR5.2bn (+4.1% YoY). EBIT margin improved to 11% (vs. 8.1% YoY), aided by pricing actions and operating leverage. New emission norms from Jan'25 will increase costs by 10%+ (BS3-to-BS5) and 5-6% (BS4-to-BS5). Given a weak demand outlook, the cost pass-through may take time. This is likely to hurt margins and profitability in FY26.
- Railway Equipment Business (Discontinued Operations): Revenue declined 2.2% YoY to INR2b. The order book stands at INR8.9b, excluding INR3.8b orders for freight wagons, which are on hold. The railway division posted a PBIT of INR440m, with a margin of 21.9% for the quarter.
- Greenfield Plant: The company expressed interest in acquiring land in UP after cancelling Rajasthan plant plans. Management is awaiting confirmation from the Government on the same.

Happy Forgings — Buy

Current Price INR 900

HAPPY FORGINGS LIMITED

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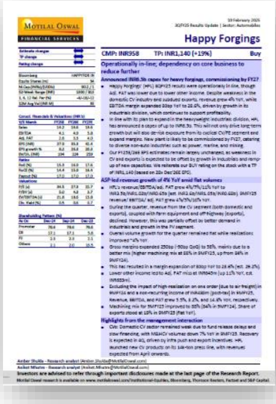
- **CVs:** The domestic CV sector remained weak due to fund release delays and slow financing, with M&HCV volumes down 7% YoY in 9MFY25. Recovery is expected in 4Q, driven by infra push and export incentives.
- EU and NA heavy-duty truck sales declined by 10-15% in CY24, with leading OEMs reporting a 9% decline in deliveries for 9MCY24. Despite this, HFL's CV sales saw only a marginal decline, outperforming broader market trends.
- HFL launched new CV products on its 14k-ton press line, with revenues expected from April onwards.
- **Farm equipment:** The domestic FE segment showed signs of recovery, with HFL's sales outperforming industry production growth in 9MFY25. However, exports remained weak due to a significant decline in EU and North American markets. Strong OEM relationships and recent client additions position HFL well for a rebound when demand recovers.
- **Industrial segment:** Despite a global industrial slowdown, this segment is expected to contribute 18-20% of total revenue over the next two years (from


Happy Forgings

14% currently), with the potential to exceed 30% in 4-5 years if new capex ramps up on expected lines.

- **Passenger vehicles:** It has secured an INR1.4b order from a leading Indian OEM, with deliveries starting in FY26 and peak annual revenue expected at INR0.3-0.5b. Deliveries of e-axle components for NA clients began in 3Q. On the back of its new order wins, this segment is expected to contribute 8-10% (~4% now) of revenue over the next few years.
- **Exports & Tariffs:** Exports contribute ~19% directly and ~9% indirectly to revenue. While the EU and NA CV and FE sectors are experiencing a downturn, HFL's direct exposure to NA exposure remains low at ~4%. Testing for new PV segment products is ongoing as planned, with no immediate tariff concerns.
- However, the potential tariff impositions on Mexico, Brazil, and Canada remain unclear for India, making it too early to assess any impact.
- **New product development:** HFL is developing small crankshafts for portable gensets and the power sector, marking a new segment for the company. It is expanding into heavy axle programs in Europe, targeting industrial, material handling, mining, and excavator applications. Lightweighting initiatives are underway in PVs, and pilot lots for front axle beams in CVs have been completed. The company plans to set up a ring rolling line for the bearing segment, though no business has been finalized yet.
- **RM:** Steel price decline impacted revenue by INR100m in 3Q and INR340m in 9M. The company also faced a scrap price hit of INR1.5-1.8b as this is not a pass-through in OEM contracts. Inventory correction is largely completed, and steel prices are unlikely to rise in the next 1-2 quarters unless demand from the infrastructure sector strengthens.
- **Capex:** HFL announced an INR6.5b capex plan to establish advanced forging capabilities for heavyweight components (>250kg), catering to power generation, marine, mining, oil & gas, wind energy, and aerospace & defense. The company is targeting 7-8% of the INR100b global market, currently dominated by a European player with a 40% share.
- Over 50% of this capex will likely be spent in FY26, with the remainder in FY27. The facility, set to be operational by FY27, will be one of the largest in Asia.
- It expects asset turns for the new heavy-duty forging business to reach 1.2-1.3x at full scale. Even at 0.8x utilization, RoCE is projected to exceed 30%, with ASP of over INR500/kg. Initial ramp-up to 0.5-0.6x utilization is expected in two years, with 0.8x utilization achievable in three years. Large orders in discussion could accelerate this timeline for which clarity is expected over the next 1-2 quarters.
- Overall, for FY26, capex is expected to be INR4b, which includes investments in heavy-duty forging lines and additions of the 10k-ton and 4k-ton press lines for forgings and machining. Utilization on the 14k-ton press line stands at ~57-58%.
- INR0.3-0.4b would be routine capex (included in total capex). The majority of new capex is focused on export-oriented non-auto large components (250kg-3T).
- The Jammu facility is awaiting government approval, with proposals filed for INR1.6b. The formation of a subsidiary has been completed but election delays have impacted the execution.

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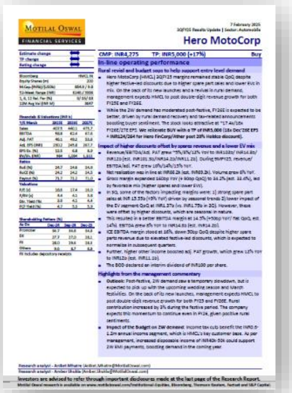

Hero MotoCorp

Hero MotoCorp **Buy**

Current Price INR 3,880

- **Strategy and leadership:** HMCL's 2030 strategy focuses on four pillars: growing the core, winning in premium, building EV leadership, and diversifying revenue. Portfolio reshaping continues with four launches at Bharat Mobility (Xtreme 250R, Xpulse 210, Xoom 125, and Xoom 160).
- **Key Management Changes:** Mr. Niranjana Gupta (CEO) has decided to step down from his post to pursue other opportunities. Mr. Vikram Kasbekar, Executive Director (Operations) has been appointed as the Acting CEO w.e.f. 1st May'25. Mr. Ranjivjit Singh has also stepped down from his role as Chief Business Officer. The current National Sales Head for India, Mr. Ashutosh Verma, will become the new CBO for the India business unit from 1st May'25. Further, Mr. Ram Kuppuswamy, currently the chief procurement officer, will assume the additional role of Chief Operations Officer (Manufacturing) w.e.f 1st Apr'25.
- **Outlook:** Post-festive, 2W demand saw a temporary slowdown, but is expected to pick up with the upcoming wedding season and March festivities. On the back of its new launches, management expects HMCL to post double-digit revenue growth for both FY25 and FY26E. Rural contribution increased by 3% during the festive period. The company expects this momentum to continue even in FY26, given positive rural sentiments.
- **Impact of the Budget on 2W demand:** Income tax cuts benefit the INR0.6-1.2m annual income segment, which is HMCL's key customer base. As per management, increased disposable income of INR40k-50k could support 2W EMI payments, boosting demand in the coming year.
- Exports have grown at 40% YoY during the quarter, double the industry rate.
- **Market Share & Sales:** HMCL's domestic 2W retail market share rose 520 bps QoQ to 32.8%, with HMCL posting the highest ever quarterly retail sales at over 2m units, growth of 11% YoY. This was in turn driven by highest ever festive retails of 1.6mn units, growth of 13% YoY
- **EVs:** This business will remain a part of the standalone entity. Lower investments in the last 1-2 months were due to the transition from Vida V1 to V2. With V2 now fully stocked with most dealers, HMCL expects market share recovery in 2W EVs in the coming months.
- Its EV business is positioned on three pillars—accessible, affordable, and aspirational. The recent launch of Vida V2 targets the sub-INR100k segment, which makes up 60% of the EV market. Retail expansion and broader portfolio coverage are expected to drive market share gains. HMCL is optimizing BOM costs through localization and PLI benefits. While the focus is on scaling up its presence in EVs, it intends to keep a close watch on profitability as well.
- **PLI Compliance for EVs:** HMCL's entire EV portfolio is expected to be PLI-compliant in FY26.
- **Hero FinCorp:** Loan book grew 13% YoY to INR55.5b. Credit costs increased by 150bp to 6% due to lower collection efficiency, particularly in personal loans. Efforts to improve collections are showing positive trends in Dec'24 and Jan'25. Profitability, impacted in 3Q, is expected to recover with improving collection efficiency.

- **OBD phase 2 norms:** Management expects to transition all models to new norms well within the timeline of 1st Apr’25. It expects to take a price hike of about 1-2% for the same. Unlike in the previous transition, management has clarified that they can produce existing models till Mar31st.
- HMCL would launch a new platform in partnership with HD in FY26.

Hyundai Motor **Buy**

Current Price INR 1,877

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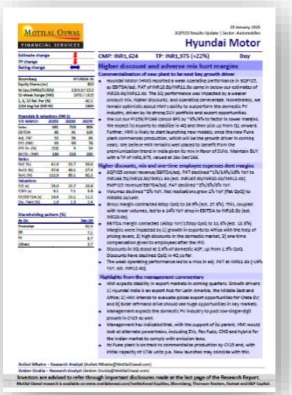

- Domestic SUVs account for 67.6% of volumes.
- Rural sales contribution increased to 21.2% from 19.7% YoY. The contribution of SUVs, even in rural regions, is stable at 68%.
- CNG penetration increased to 15% from 12% YoY after the launch of dual-cylinder variants.
- In exports, demand in the Middle East (37% of exports) was down 10% YoY due to the Red Sea crisis. Demand in Latin America was down due to adverse macro. On the other hand, demand in Africa (28% of mix) was up 15% YoY as HMI pushed sales in the region with the help of some pricing levers.
- HMI expects stability in export markets in coming quarters. Growth drivers: 1) Hyundai India is an export hub for Latin America, the Middle East and Africa markets; 2) HMI intends to evaluate export opportunities for Creta EV globally; and 3) Exter left-hand drive, likely to be ready in the next 12 months, is expected to see huge opportunities in key markets.
- Management expects the domestic PV industry to post low-single-digit growth in CY25.
- 3Q margins impacted by: 1) export push in Africa with the help of pricing levers; 2) high discounts in the domestic market; 3) one-time compensation given to employees after the IPO.
- Discounts in 3Q stood at 2.6% of domestic ASP, up from 1.9% QoQ. Discounts have declined QoQ in 4Q so far. Leading from the front, HMI increased prices in Jan’25, followed by other OEMs.
- Royalty has remained largely stable QoQ at 2.7% of revenue.
- Fiscal incentive from Tamil Nadu govt stood at INR1b in 3Q.
- Its Pune plant is on track to commercialize production by CY25 end, with initial capacity of 170k units p.a. New launches are likely to coincide with this.
- Management expects the new Creta EV to reach 10% penetration within Creta portfolio.
- HMI aims to localize the battery EV ecosystem, including cells, powertrain, power electronics, etc.
- Management has indicated that, with the support of its parent, HMI would look at alternate powertrains, including EVs, flex fuels, CNG and hybrid for the Indian market to comply with emission laws.
- Management has indicated that HMI would announce a dividend policy by FY25 end.

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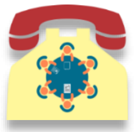

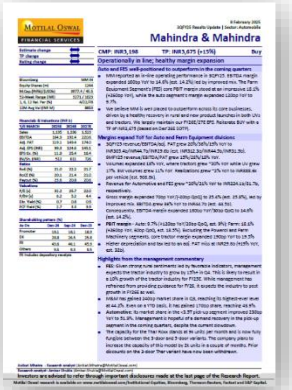

Mahindra & Mahindra — Buy

Current Price INR 2,757

Auto update

- Its market share in the <3.5T pick-up segment improved 230bp YoY to 51.9%. Management is hopeful of demand recovery in the segment in the coming quarters as the current slowdown remains puzzling.
- Additionally, in the e-3W segment, it continues to maintain its market leadership, with a 41.8% share in Q3. With the launch from large OEMs, the L5 EV penetration has now increased to 24.9%.
- M&M has implemented a 0.7% price hike in YTDFY25 and another 0.8% hike in Jan'25.
- The auto segment margin expanded 120bp YoY to 9.7%.
- The marketing spend for the new EV launches is allocated to MEAL and, hence, is not part of the standalone auto division performance.
- They are currently constrained by the gasoline powertrain capacity for XUV 3XO. While they had planned for a 65% gasoline mix for the model, it is currently trending much higher at 80%. It expects to raise XUV3XO's capacity by 2k units per month, bringing its capacity to 9k units per month.
- The capacity for the Thar Roxx stands at 9k units per month and is fully fungible now between the 3-door and 5-door variants. It plans to further increase the capacity of this model by 2k units in a couple of months. Prior discounts on the 3-door Thar variant have now been withdrawn.
- In exports, there is a strong demand for XUV3XO in South Africa. Currently, the company is focused on leveraging existing models in existing markets (South Africa, Chile, Australia, New Zealand, etc). Phase 2 will involve M&M launching a lifestyle pick-up for global markets. At a later stage, the company plans to explore exporting its EVs globally.

FES segment update

- Tractor volumes in Q3 were up 20% YoY. M&M has gained 240bp market share in Q3, reaching its highest-ever level at 44.2%. Even on a YTD basis, it has gained 170bp share, reaching 43.9%.
- One of the reasons for M&M's strong outperformance is the successful refresh and transformation of Swaraj, which has been well-received by customers. It has now entered the 20-30 HP segment with a good product and has gained market share. Additionally, its strong markets of South and West are now seeing a demand revival.
- Most of the inventory correction required for M&M in tractors is now complete.
- The farm machinery business has grown 12% YoY in Q3 and at 20% on a YTD basis. Management believes there is still significant potential for further growth in this segment.
- Some of its international subsidiaries are seeing subdued performance, partly due to hyperinflation in Turkey and weak demand in key regions. The company is currently evaluating some of these subsidiaries, with the process expected to be completed by Q4.
- Standalone FES margins have expanded 260bp YoY to 18.1%. Excluding the Powerol and Farm Machinery segments, core tractor margin expanded 190bp YoY to 19.5%

- Given the strong rural sentiments driven by favorable indicators, management expects the tractor industry to grow by 15%+ in Q4. This is likely to lead to a 10% growth in the tractor industry for FY25E. While management has refrained from providing guidance for FY26, it expects the industry to post growth in FY26E as well.

EV update

- M&M will commence bookings of the BE 6E and XE 9E from 14th Feb onwards. Given the encouraging initial response, management expects to sell 5k units per month in the initial months of the launch.
- With the new EVs, it is attracting a fairly new profile of customers, largely in the INR25-30 lakh price range, many of whom would not have considered purchasing an M&M vehicle earlier.
- From Q4 onwards, the impact of the EV ramp-up will be visible on standalone financials, as the standalone entity is engaged in contract manufacturing for MEAL.

Maruti Suzuki — Buy

Current Price INR 12,679

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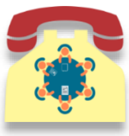
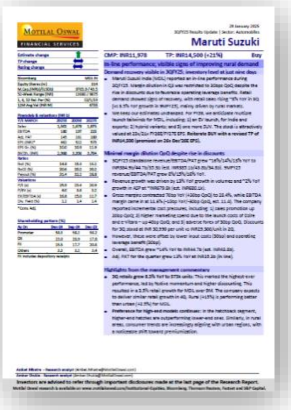


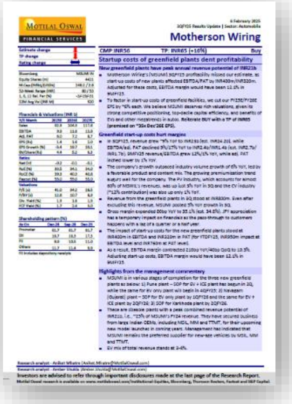


- **3Q retails grew 8.3% YoY to 573k units:** This marked the highest-ever performance, driven by festive momentum and higher discounting. This resulted in a 3.5% retail growth for MSIL over 9M. The company expects to deliver similar retail growth in 4Q.
- Rural (+15%) is performing better than urban (+2.5%) for MSIL.
- In the hatchback segments, higher-end hatches are outperforming the lower-end ones. Similarly, in rural areas, consumer trends are increasingly aligning with urban regions, with a noticeable shift toward premiumization.
- Inventory at the end of December stood at just nine days.
- **3Q margin contracted just 30bp** QoQ, which can be attributed to the following: 1) sales promotion up 20bp QoQ; 2) higher marketing spend due to the launch costs of Dzire and e-Vitara – up 40bp QoQ; and 3) adverse forex of 30bp QoQ. This was offset by lower input costs (30bp) and operating leverage benefit (30bp).
- Discount for Q3 stood at INR 30,990 per unit vs 29,300/unit in Q2.
- MSIL continues to witness strong growth across many export regions, including Africa, LatAm, ME, and ASEAN. Export revenues for 3Q stood at INR65b.
- MSIL announced a price hike of 30bp on net sales in Jan'25.
- e-Vitara will be exported to over 100 countries globally. MSIL is poised to become the No. 1 EV OEM by production in India in its first year of launch.
- With the launch of the e-Vitara, it plans to develop an EV ecosystem, including a charging network, dealer capability, roadside assistance, etc.
- The launch of the new Dzire has received a very positive response, selling more than the previous variant, with about 20k pending bookings. The mix of the top two variants has doubled to 37% from 19% for the old variant.
- The CNG mix for MSIL stands at 30%+.
- The company is currently evaluating the PLI compliance requirements for EVs. Additionally, while the battery for e-Vitara will initially be imported, the company plans to consider localizing production at a later stage.
- The new Karkhoda plant will be operational from Q4FY25.

Motherson Wiring — Buy

Current Price INR 50

Click below for Results Update


Motherson Wiring

- MSUMI is in various stages of completion for the three new greenfield plants as below: 1) Pune plant – SOP for EV + ICE plant has begun in 2Q, while the same for EV only plant will begin in 4QFY25; 2) Navagam (Gujarat) plant – SOP for EV only plant by 1QFY26 and the same for EV + ICE plant by 2QFY26; 3) SOP for Karkhoda plant by 2QFY26.
- These are sizeable plants with a peak combined revenue potential of INR21b, i.e., ~25% of MSUMI's FY24 revenue. They have secured business from large Indian OEMs, including MSIL, MM and TTMT, for their upcoming new model launches in coming years. Management has indicated that MSUMI remains the preferred supplier for new-age vehicles by MSIL, MM and TTMT.
- EV mix of total revenue stands at 3-4%.
- Capex guidance for FY25 stands at INR2b. MSUMI has so far invested INR1.2b in 9MFY25. It has invested about INR400-600m in each plant, excluding the cost of land and building, which MSUMI has taken on lease from SAMIL.
- For high-voltage wiring harness, the company has localized the cables and few connectors. However, based on OEM plans, the target would be to continue to drive up the localization going forward.

SONA BLW Precision — Neutral

Current Price INR 510

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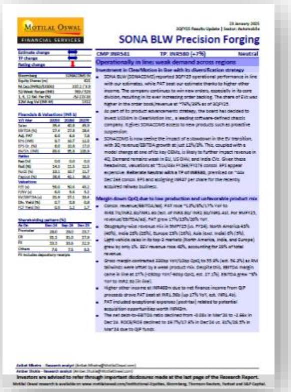
SONA BLW Precision Forging

Business update

- Weak demand in the EU, US off-highway market, and India's CV market adversely affected the core differential gears and assembly businesses.
- In North America, inventory build-up in 1H led to significant corrections in recent months; management expects normalization of supply schedules by Mar'25.
- Supplies to a key customer will be impacted over the next two months due to the transition to an upgraded model, with further disruption expected in 4QFY25.
- **EVs:** Revenue from BEV grew ~48% YoY to INR3.29b in 3QFY25, making up 39% of total revenue.
- **Region-wise EV industry outlook:** China is likely to remain the fastest-growing market in EV penetration globally. Management does not expect EVs in the US to grow materially next year. While there is a slowdown in the industry, EV penetration is likely to be on an uptrend in Europe. Further, India is likely to be one of the fastest-growing EV markets globally given the strong line-up of new models from many OEMs.
- **New orders:** The order book has increased to INR232b as of 3QFY25 from INR231b.
- The company has won a program for differential assembly for electric passenger vehicles for the Indian market. This has added INR3b to the order book, for which SOP is likely in 2QFY27.
- EVs accounted for ~76% of the order book. In 3QFY25, it added one new EV program, taking the total number of awarded programs to 57 across 32 customers.
- Board of directors has approved an investment of USD4m in ClearMotion Inc., a leading software-defined chassis company. It will own a 1.5% stake in the company after the full conversion.

- Its proactive suspension and road sensing software provide a smooth riding experience even on uneven road surfaces. The initial addressable size for the product is USD4b, largely for premium cars. The company will progressively move to a higher volume segment. ClearMotion has successfully commercialized this technology, and it is already under production for Nio ET9.
- **Differentiated technology:** ClearMotion's active suspension technology controlled by SONA's BLDC motor-controller based actuator has 5x lower latency compared to the other existing alternatives available in the market.
- In 3QFY25, it has commercialized one product, zone monitoring sensor, and added two new future products- i) Robotics/EVTOL gearbox, and ii) Limited Shift Differential (LSD) to its technology roadmap.
- **Increasing focus on China:** Asia (excl. India) currently contributes just 6% of total revenue. Management has indicated that the company will increasingly focus on having a presence in China, Japan and South Korean regions in a bid to ramp up its global market share further.
- Its global market share has improved in differential gears from 8.1% in CY23 to 8.8% in CY24 and in starter motor from 4.2% to 4.4%.

TATA MOTORS

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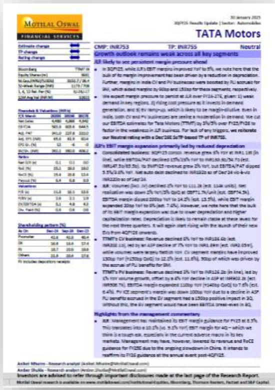

Tata Motors — Neutral

Current Price INR 681

TTMT's CV business

- 4Q CV volumes are expected to be flat YoY after a decline posted for 9MFY25. This itself is expected to be a positive outcome and would set a good base for growth for FY26. Management believes there are positive tailwinds for the sector, which include improving fleet operator profitability led by improving utilization levels and higher freight rates.
- TTMT's CV market share has declined 150bp to 37.7% for YTDFY25.
- There are some signs of stress in financing in segments like SCVs, especially for first-time buyers.
- CV segment margins have improved 130bp YoY to 12.4%, 90bp of which was driven by the accrual of PLI benefits for 9M.
- RoCE for the CV business stands at 38.1%.

TTMT's PV business:

- Management expects the PV industry to post 2% YoY growth in FY25E, in line with the trend for 9M.
- TTMT PV business was able to improve market share by 70bp on a QoQ basis in retail terms in 3Q.
- Dealer inventory has now been reduced to less than 25 days.
- Punch was the No 1 model in the industry in 2024 and continues to be the No 1 model in FY25YTD.
- The supply-side issues on the Tata Curvv have been addressed in Jan'25. Of the automatic variants, one of them is likely to be available from 4Q itself, following which one can expect the full benefit of this model. One other factor that is impeding the ramp-up of this model is the new body style of the vehicle, which
- customers are taking time to adapt. However, management is confident that once its visibility on the road rises, its sales will pick up.
- While the EV mix has reduced to 11% for YTD from 13% for FY24, the CNG mix has improved to 24% from 16% in FY24.
- They have managed to maintain a 53% market share in EVs despite a significant increase in competition.
- PV ICE segment margin is down 100bps YoY due to a decline in ASP.
- PLI benefits accrued in the EV segment had a 150bp positive impact in 3Q. Without this, the EV segment would have been EBITDA break even in 3Q.

- All of TTMT's products are expected to qualify for PLI as they meet the 50%+ DVA criteria. Currently, TTMT has PLI certifications for Tiago and Tigor. The company expects to receive the same for Punch in the coming quarters followed by the Nexon. TTMT will receive 13% of revenue as a PLI incentive, net of vendor claims. This can go up to 18% as the revenue keeps rising.

Consolidated:

- At a consolidated level, net auto debt stands at INR 192b. TTMT India has a net cash of INR700m. While JLR has a net debt of INR 123b, TML Holdings has a net debt of INR75b
- The demerger of PV and CV businesses is on track with the appointed date for the same as 1st Jul'25, subject to all approvals.
- The CV and PV businesses have delivered a strong FCF of INR25.2b in 3Q. The company has invested about INR60b on a YTD basis and is on track to meet its capex guidance of INR80b for FY25E.

JLR: Key takeaways from the management commentary

- North America has seen 25% YoY growth on a YTD basis and 48% YoY growth in 3Q. The 3Q sales were boosted by timing issues on the homologation of certain models on a QoQ basis.
- However, China sales have been noticeably weak with contribution from the region down to 9% of mix from 15% YoY.
- In terms of models, RR, RRS, and Defender mix improved to 70% in 3Q from 62% YoY. This has more than offset the impact of weak sales offtake in China.
- JLR ASP declined to GBP72k per unit from GBP74k per unit QOQ as benefits from a strong model mix were offset by a weak China mix, adverse forex impact, and rise in VME.
- EBIT margin for the quarter has improved to 9% (vs. 8.8% YoY) with the bulk of the benefits being driven by a reduction in depreciation. Depreciation is likely to remain stable at these levels for the next three quarters. It will again start rising with the launch of the new EVs from 4QFY26 onwards.
- VME has increased to 4.2% from 1.7% YoY. Management expects VME to marginally rise in coming quarters due to weak demand macro.
- Warranty provision has increased in 3Q due to a rise in costs. However, management expects the same to have peaked in 3Q and expects the same to start reducing in FY26.
- Management has maintained its EBIT margin guidance for FY25 at 8.5%. This translates into a 10.2% (vs. 9.2% YoY) EBIT margin for 4Q – which we think is a tough ask, especially in the current adverse macro in its key markets. Management may have, however, lowered its revenue and RoCE guidance for FY25E due to the ongoing slowdown in China. It intends to reaffirm its FY26 guidance at the annual event post-4QFY25.
- On a YTD basis, FCF stands lower at GBP 151mn due to increased capex (GBP 2.9bn) and increased working capital requirement.
- If the US and UK regulators do not revisit the stated mandates for EV transition in their regions, JLR's cost for emission compliance is likely to rise in the future.
- **BEV launch pipeline:** RR EV is expected to commence deliveries from Q4CY25 followed by 1st BEV from EMA architecture in mid-2026. The Jag EV is expected to be launched in late summer of 2026. In Jag EV, the company would not focus on market share but have a strong presence in the premium end of the EV segment.

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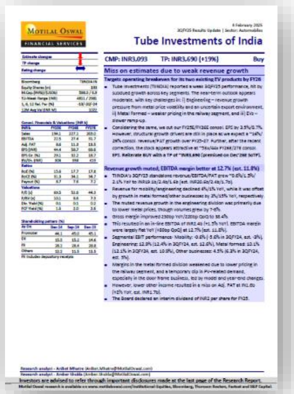

Tube Investments — Buy

Current Price INR 2,679

- **Engineering:** The muted revenue growth in the engineering division was primarily due to lower metal prices, though volumes grew 7-8% YoY. Exports remained steady at 19-20% of revenue, but future demand remains uncertain due to macroeconomic volatility.
- **Metal Formed:** Margins weakened due to lower pricing in the railway segment and a temporary dip in PV-related demand, particularly in the door frame business, due to model and year-end changes. The company expects margins to normalize, targeting a sustainable PBT margin of 10-11%.
- **EV segment:** It remains committed to achieving USD1b in revenue from its EV business by 2029. The company believes it is on track despite market evolution.
- TIINDIA's 3W volumes underperformed the industry with a flat YoY growth at 1,837 units sold in 3Q, vs. the industry growth of 19% YoY. Management reasoned that while 3Q industry growth was led largely by festive boost which is prevalent in North and West India, TII has a stronger market presence in South India and it has not lost share in this region. The EV penetration in the 3W passenger L5 segment reached ~25% (Apr-Dec). The company has aggressive plans for both passenger and cargo EVs, with scale-up plans from 1QFY26. Profitability is a challenge industry-wide. The company would target to be operational breakeven in FY26 aided by scale.
- Truck deliveries fell from 42 in 2Q to 36 in 3Q, contributing to the revenue decline from INR1.46b to INR1.27b. It sees an early-mover advantage in HCV goods segments in EVs, where TII seems to be the only large-scale player for at least another year, which will allow it to build a strong position in the segment.
- They target to launch one new SCV and a new tractor EV in 4Q with a ramp-up in FY26. TII aims to achieve operating breakeven for its two existing EV products in the next FY, while the other two will still require investments.
- Losses in 3Q increased due to a reduction in 3W PM-e-drive incentives (cut from INR50k per vehicle to INR25k / unit), higher product development expenses, costs related to the newly commissioned Tech Center, and increased fixed costs for ramping up new products in tractor and SCV segments.
- **Capex for EVs:** It plans a capex of INR3b for its four EV business segments in FY26E. The company is sufficiently funded for at least two more years in TICMPL.
- **EV distribution:** The Company is exploring export opportunities for its EV business and expects to consider it over a 2-3-year horizon. However, the priority remains on establishing a strong domestic presence first.
- **Network:** 3W Business – 88 operational dealers, with plans to reach 100+ by the end of FY25E. SCV: The company has given dealer LOIs in 15 cities, with dealers expected to be operational by the end of the FY. Tractor: Targeting 10 dealers by the end of the FY.
- **EV Chain Market:** While most EV scooters still do not use chain drives, one OEM is in the early stages of developing a chain-based system as a replacement for belts. The overall chain market remains strong due to sustained motorcycle growth and a large aftermarket demand.
- **Medical devices:** It expects to complete its CE certification by 4QFY25, with growth anticipated thereafter as customer relationships and distribution channels continue to develop. The delay was due to the company's name change, which led to delays of a couple of quarters.
- **Depreciation:** Standalone capex stood at INR2.95b as of December, with higher depreciation driven by these investments.
- **Optical Lens Business:** Progress has been slower than expected. Limited customers are willing to source only lenses from India, and the company is

cautious about investing in full camera module production due to pricing challenges against Chinese competitors. It aims to achieve efficiency at the lens level before considering forward integration into camera modules.

- **Moshine Business:** It has struggled to scale its investment due to supply chain dominance by China in the electronics sector.
- Export Opportunities: The company exports 35-40% of its exports to the US, with half of it linked to long-term OEM relationships, making it relatively insulated from immediate tariff changes. Beyond the engineering division, export growth opportunities are being explored in bicycles, Metal-Formed products, and industrial chains.
- **Acquisition Strategy:** The decision of the Murugappa Group to acquire Hupergroup is based on the nature of the business. New platforms in entirely different sectors, like inks and chemicals, are kept outside of TI. Management has indicated that they would remain focused on existing TI2 and TI3 businesses and target to ramp them up, before considering further inorganic growth options. Management also indicated that valuations are currently not supportive of considering inorganic growth.

TVS Motors — Neutral

Current Price INR 2,383

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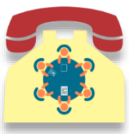

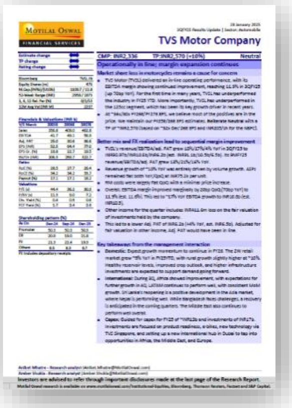
TVS Motor Company

- **Domestic:** Expect growth momentum to continue in FY26. The 2W retail market grew ~9% YoY, with rural growth slightly higher at ~10%. Healthy reservoir levels, improved crop outlook, and higher infrastructure investments are expected to support demand going forward.
- **International:** During 3Q, Africa showed improvement, with expectations for further growth in 4Q. Entry into Morocco is set to boost momentum in North Africa, while the HLX 125 five Gear, launched last quarter in key African markets, has received a very positive response.
- LATAM continues to perform well, with consistent MoM growth. Sri Lanka's reopening is a positive development in the Asia market, where Nepal is performing well. While Bangladesh faces challenges, a recovery is anticipated in coming quarters. The Middle East also continues to perform well overall.
- It has reported export revenue of INR20.18b during 3Q vs INR22.29b in 2Q.
- **EV- TVSL** reported EV revenue of INR8b in 3QFY25.
- 2Ws: EV industry volumes grew 36% YoY during 9M with penetration now at 5.8%, slightly better than the last year. The iQube is available at 900 dealerships, with the potential to expand to 1,400 main dealerships schematically.
- **3W:** TVS recently launched King EV Max, offering a 179 km range, quick 2-hour 15-minute charging, and advanced features for better ROI and earning potential. The 3W category is growing faster, with penetration at 21% YTD and 26% last quarter, expected to rise further.
- **TVS Credit:** The company reported an AUM of INR271.9b (+7% YoY) with PAT growth of 40% YoY at INR321cr. D/E improved to 2x from 5x, with a capital adequacy ratio of 19.4%. GNPA stood at 3%. Collections were strong at INR70b vs INR50b in 3QFY24; disbursements of INR74b vs INR69b in 3QFY24.
- **Capex:** Guided for capex for FY25 of ~INR13b and investments of INR17b.
- Norton's product development is on track, with launches expected by the end of this year and early FY26. FY26 will be pivotal for Norton's market entry.
- Investments are focused on product readiness, E-Bikes, new technology via TVS Singapore, and setting up a new international hub in Dubai to tap into opportunities in Africa, the Middle East, and Europe.

- The merger of Sundaram Auto Components involves its plastic business, 100% owned by TVS Motor. It plans to sell this business along with 24+ acres of land near the factory. There will be no additional business or revenue transferred to TVS Motor as part of this process.
- **PLI:** Will see the benefits of the full year to be accounted for in 4QFY25 and later it will be accrued every quarter.

Others

- **OBD-II B norms:** TVSL preparing products for launch by April 1, 2025, with lower price increases compared to the BS4-BS6 transition.
- Spare parts revenue in 3QFY25 was INR9.5b vis-à-vis INR9.3b in 2QFY25.
- **Gross margins:** Steady over the quarters, with minimal material cost changes and insignificant price increases in 3Q.
- **Technology:** Added 500 employees, with continued investment in capability building and software for global market growth and new tech areas.

CAPITAL GOODS

- **Management maintains a positive outlook across key sectors, including power transmission & distribution, renewable energy, data centers, railways, and defense. Public capital expenditure is anticipated to rebound in the coming quarters, while private sector inquiries are expected to materialize from Q4FY25 onwards. In the defense sector, management remains highly optimistic, forecasting a ramp-up in order inflows from 4QFY25, with a strategic focus on improving the share of export orders in FY26. In the Powergen industry, genset volumes are expected to improve sequentially but remain lower year-over-year. Demand in the railway sector, though delayed, has impacted execution timelines for players. With the election schedule now largely over across main states, management expects the focus to shift towards capex in coming quarters.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Domestic Capex Cycle
Cummins	▪ Double-digit revenue growth guidance for FY25 and FY26.	▪ Robust demand from data centers, manufacturing, real estate, etc. ▪ Industrial demand is robust, fueled by construction, rail, mining, etc.
KOEL	▪ NA	▪ Strong demand from infra, construction, railways, and defense, while Powergen demand will stabilize in the next two quarters.
Larsen and Toubro	▪ FY25 revenue guidance hiked to 15%. Order inflow guidance of 15% will likely be exceeded. A margin guidance of 8.25% was maintained.	▪ The outlook remains healthy with robust order prospects in the near term. The government has started to rebound, which will provide an impetus to infrastructure.
Thermax	▪ NA	▪ The pipeline is the strongest in three years, primarily in power, steel, cement, refining, and petrochemicals. Certain large projects were delayed due to design changes and shifts in timelines by customers.
Bharat Electronics	▪ Guidance maintained for FY25: INR250b order inflow, 15% revenue growth, 42-44% gross margin, and 23-25% EBITDA margin.	▪ NA
Triveni Turbine	▪ Robust prospects for exports and aftermarkets for the near to medium term. ▪ Domestic order inflows to improve on the back of improving inquiries.	▪ Inquiries are up 75% from steel, cement, MSW, chemicals, biomass, petrochemicals, etc.
Hitachi Energy	▪ NA	▪ Robust traction in power T&D, HVDC, renewables, data centers, etc.
Kalpataru Projects	▪ FY25 to see 12-13% revenue growth, PBT margin at 4.5-5%, NWC below 100 days, and order inflow guidance of ~INR220-230b.	▪ Strong domestic and international T&D pipeline, driven by the shift towards renewable energy. ▪ Healthy traction in real estate, data centers, etc.
KEC International	▪ FY25 order inflow guidance at ~INR250b will be surpassed, while revenue growth will be slightly lower at 12-14%, with margin guidance of 7.5%.	▪ The tendering pipeline in both India and internationally is very strong at ~INR1.5t.
Zen Technologies	▪ Guidance maintained for FY25 with revenue/EBITDA margin/PAT margin at INR9b/35%/25%.	▪ NA

Bharat Electronics — Buy

Current Price INR 253

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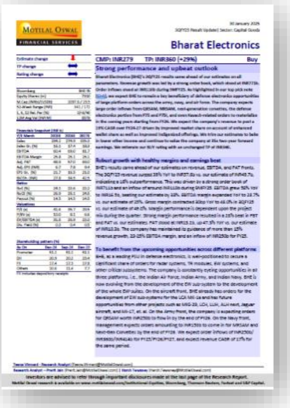

Major orders executed in the quarter

- Management stated that the major orders that were executed in 3QFY25 were for LRSAM, WLR (weapon locating radar), Shakti EW systems, ADCRS for Akashteer systems, and the execution of a civilian project (CIVIC). As of this date, out of the INR711b order book, around INR200b-250b worth of orders consist of orders for LRSAM, electronic fuses, Himshakti, Arudhra radar, and BMP-2 upgrade.

Order inflows to peak in 4Q

- Order inflows for 9MFY25 were around INR110b and the management had guided it to reach INR250b for FY25. The company continues to maintain that guidance and is confident that the gap of INR140b will be filled in by the end of 4QFY25. Management stated that the large orders that they were expecting are in the finalization stage and orders for the same should come in within 1-2 months. Major orders expected are Ashwini Radar, EW Suite for MI-17, Atulya, and Himshakti, et al.

Status on prototype order for KAVACH

- Management stated that for the orders on Kavach, they are in the process of developing an indigenous product for the prototype order they received from the railways. The same is expected to be completed by Jun-Jul'26. After this R&D stage, the same will be submitted to railways for further integration and testing, which takes around 4-6 months. The company expects to get clearance and certification on this by Dec'25-Jan'26 and will be ready for the next bid.

Share of non-defense to increase in the future

- For the past few years and the first nine months of FY25, the share of non-defense in revenue and order book has been between 7-9%. The company's target is to initially increase that to 10-15% and later maintain it at 20-25% level. To achieve that, management plans to enter different markets such as network and cybersecurity-related business, and homeland security. Management also stated that it wants to target data centers and border security for the same.

Company guidance

- The company continues to maintain its FY25 guidance for revenue of +15% YoY, Gross margins to be 42-44%, EBITDA margin to be in the range of 23-25%, and order inflows to reach INR250b.

Cummins India — Buy

Current Price INR 2,693

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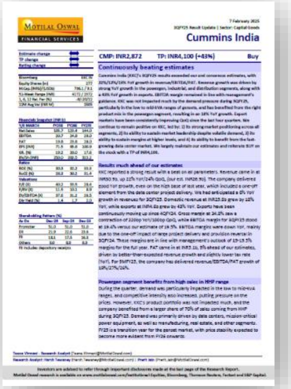
- **Domestic powergen:** Demand continues to be robust on the back of infrastructure investments, data centers, real estate, manufacturing, hospitals, and other mission-critical applications. A large part of the company's product portfolio is localized, and the company is looking at further localization.
- **CPCB 4+ products:** Pricing will take 1-2 quarters to settle for industry participants, while for KKC, it is largely stable, given that the company launched its CPCB 4+ range in Jul'23. This launch also allowed KKC to bring down the TCO for its customers. Until the last quarter, CPCB 2 inventory was available in the market, but it has been exhausted now. CPCB 4+ products accounted for ~40% of 3QFY25 powergen revenue.
- **Industrial segment:** It reported 24% YoY growth on the back of robust backlog execution in the construction and railways space. Railways is a tender-based


Cummins India

business and KKC continues to see base demand holding up. 9MFY25 revenue breakup: Construction: INR4.5b, Rail: INR3.6b, Mining: INR1.7b, and Others INR12.9b.

- **Exports:** Export trajectory is improving in the Middle East and LatAm, while other geographies are a mixed bag. The company will observe the impact of US tariffs on different regions very closely. Export revenue breakup – HHP: INR2b (+47% YoY; +1% QoQ), LHP: INR2.2b (47% YoY; +9% QoQ).
- **3QFY25 revenue breakup:** Industrial – INR5.1b (+24% YoY), Powergen – INR12.7b (+18% YoY), Distribution – INR7.5b (+13% YoY), HHP exports – INR2b (+47% YoY), and LHP exports – INR2.2b (+47% YoY).
- Margin: 9MFY25 gross margin has probably reached peak levels, while future margin performance will be determined by a combination of pricing, volumes, product, and segment mix.

Hitachi Energy — Sell

Current Price INR 10,603

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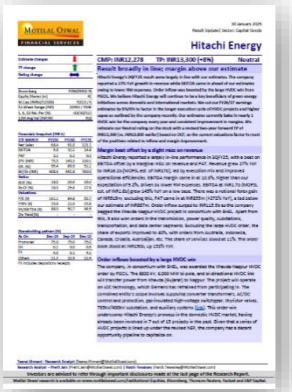
Hitachi Energy

- **Order book execution –** Revenue from the recently awarded HVDC projects for FY26/27/28: The company secured an HVDC order to transmit renewable energy from Khavda to Nagpur, covering 1,200 km and transferring 6000 MW of renewable energy. The contract duration for execution is 48 months for bipole 1 and 54 months for bipole 2. Revenue recognition for the project will be low in the first 12 months but will pick up significantly in the second and third years. The company recorded its highest-ever order backlog of INR190b, ensuring strong revenue visibility for upcoming quarters.
- **Status of Mumbai Adani HVDC project:** It uses VSC (Voltage Source Converter) technology – a first-of-its-kind project in India. The execution is on track, with the company leveraging its end-to-end capabilities in India.
- **Margin outlook –** The company achieved a double-digit EBITDA margin of 10.3% in 3QFY25 and maintains it further as revenue scales up. Forex gains and operational efficiencies contributed to higher profitability.
- **Capex –** The company plans to invest INR20b over the next 4-5 years to a) expand the transformer factory and testing facilities, b) increase traction transformer capacity, and c) strengthen network control and export capabilities. The company is also planning to raise INR42b through QIP to fund capacity expansion, M&A, and working capital requirements.
- **Exports –** Export orders now contribute over 40% of total orders, excluding the large HVDC project. The company is leveraging parent company expertise and targeting strong growth in exports over the long term.
- **Extraordinary items –** Exchange and commodity gains amounted to INR519m in 3QFY25. The company became debt-free as of 3QFY25, aided by advances from HVDC projects and strong collections.
- **Services & Digital business expansion -** New service business unit launching from FY26 to leverage ~INR820b worth of installed assets. ~10% of HVDC project value will come from commissioning & services.

KALPA-TARU
KALPATARU PROJECTS INTERNATIONAL LIMITED

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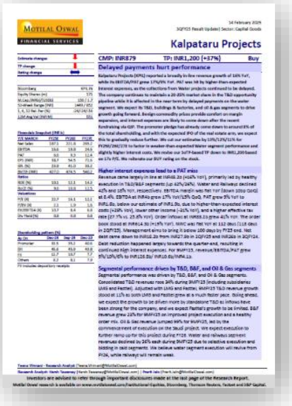

Kalpataru Projects — Buy

Current Price INR 941

- **T&D segment –** There is continued strong traction across both domestic and international geographies given the global thrust on renewables, increasing electrification, and grid expansion. In India, the pipeline looks very strong for the coming 3-4 years, including HVDC projects. KPIL is confident of achieving 20-25% revenue CAGR over the coming three years; however, the availability of labor continues to be an issue.
- **Non-T&D –** B&F, oil & gas, and urban infra segments continue to witness healthy traction, while Railways would continue to be sluggish. In B&F, KPIL doesn't see any impact of weak private capex sentiments and is witnessing a lot of traction in real estate, factories, PSU buildings, etc. In oil & gas, margins from the Saudi Aramco order have not reached the recognition threshold, and FY26 will see ~40% execution and corresponding margin recognition in the high single digit. Because of the political instability in Bangladesh, the execution of the railway's order has been affected but is picking up now. KPIL intends to foray into the African market for railway projects going forward.
- **Water –** The collection trajectory continues to be slow, which has led to a stretched WC cycle. Of the Water order book of ~INR100b, JJM projects account for 75-80%. KPIL is confident of collecting receivables worth ~INR5-7b in the next 2 quarters. While it remains cautious in the short term, the company is optimistic about the long-term prospects on the back of budgetary allocations for JJM projects. It has received payments from Odisha and MP, but UP is still lagging, which forms a major portion of the Water segment's order book.
- **Non-core assets** – Sale of VEPL to be concluded in FY26, with an equity value of ~INR5b. Shubham is at a breakeven level. The company has invested ~INR690m in road BOOT assets in 9MFY25 and expects to invest another INR290m in 4QFY25. In FY26, the investment would be below INR500m. The Indore real estate inventory is expected to be cleared in a few weeks.
- **International subsidiaries –** LMG is sitting on a record order book of INR31.4b, while its revenue doubled YoY in 3QFY25. Fasttel was impacted by a sharp weakening of the Brazilian Real and is expected to break even in FY26.
- **Guidance –** Owing to the slowdown in Water projects, FY25 revenue growth guidance has been trimmed to 12-13%. However, management maintained PBT margin guidance at 4.5-5%, NWC below 100 days, and interest cost as a % of sales below 2%. Except for Railways, all other segments will report double-digit execution growth in FY26.

kirloskar
Oil Engines

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Results Update

Kirloskar Oil — Buy

Current Price INR 608

- **Powergen segment:** Demand has corrected owing to the CPCB 4+ transition and pre-buying in previous quarters in LHP and MHP nodes where KOEL is dominant. OptiPrime is seeing a healthy response, however, KOEL will need to ramp up its marketing efforts as its presence in the HHP nodes is minimal. Industry volumes are expected to recover to 36-38k units in 4QFY25 from ~32k units in 3QFY25. Price discovery is still playing out with some nodes seeing a correction while others have experienced an increase.
- **Industrial segment:** Demand continues to be strong from construction, defense, railways, mining, and oil & gas sectors. Defense continues to be a key growth area and the company doesn't see any softening in demand. While the flat budgetary allocation for railways is expected to have a bearing on power car demand, KOEL believes it has other growth avenues. Notably, the CEV-V

emission norm change has helped the company gain market share with construction OEMs.

- **Exports:** Exports declined 17% YoY, on a high base of 3QFY24 which saw the delivery of a large one-time order (~INR400m). KOEL sees MENA and Americas driving growth going ahead.
- **B2C:** The water management solutions segment (WMS) grew by 5% YoY while the farm mechanization segment (FMS) revenues continued to decline (53% YoY). Overall, B2C declined 3% YoY owing to the continued impact of the consolidation of its manufacturing locations into a single unit in Sanand. Accordingly, EBIT margin dipped to -9.3%, which is expected to normalize by 4QFY25. KOEL is evaluating its FMS business strategy closely, with adjustments in product portfolio and business model.

KEC International — Neutral

Current Price INR 744

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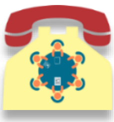

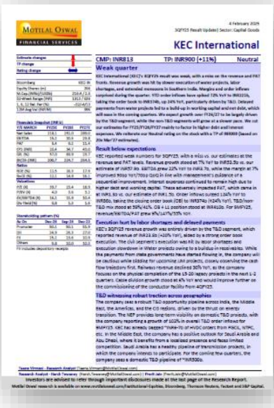

- **Order inflows –** KEC's 3QFY25 order inflows saw a robust growth of 124% YoY at INR86b, primarily driven by the T&D segment taking the order book to INR374.4b (+24% YoY). Additionally, the company is L1 in orders worth INR40b on the T&D side.
- **Total addressable market for domestic and international T&D Projects:** The Indian government has announced an increase in renewable energy capacity from 500 GW to 600 GW by 2032, which is expected to drive growth. Several key orders have been secured, including a prestigious HVDC segment project for PGCIL. The company's total order pipeline is INR1.5t, out of which around INR500b is expected to be in the T&D segment. On international geographies, the Middle East (Saudi Arabia, UAE, and Abu Dhabi) and the Americas are the key growth drivers. Saudi Arabia has announced aggressive 2030 & 2040 T&D expansion plans to support renewable energy and grid modernization. Abu Dhabi's power and renewables investment is increasing, providing new opportunities.
- **Execution –** Revenue grew 7% YoY to INR53.5b due to a conscious execution slowdown in Water projects on account of delayed payments, labor shortage in Civil and T&D projects, extended monsoon in South India, and Brazilian Real depreciation, impacting SAE revenue in INR terms.
- **Civil segment –** Bagged orders from residential and industrial real estate, defense, and metals sectors. The company expects 15% growth in the civil segment in FY26, driven by industrial (steel, metals, and mining) and commercial segments. More focus is on selective order intake, ensuring better margins and payment terms.
- **Railways segment –** Legacy orders should see a physical completion in 1-2 quarters, while financial closure could take a year due to dispute arbitration. Notably, newer orders have been booked at better margins, with average execution below 12 months. Of the railways order inflow of ~INR20b, Kavach orders account for ~INR7-8b. Of the overall railways capex outlay in the budget of INR2.5t, KEC has a TAM of INR1.1t.
- **Cables business –** Seeing steady growth, with orders from T&D, solar, railways, and data centers. The company expects 11-12% revenue growth for FY26.

Customers are showing a preference for aluminum cables over copper due to cost advantages, resulting in lower revenue growth as realizations are lower.

- **Capacity expansion –** The upcoming aluminum conductor facility in Vadodara will be commissioned by 4QFY25, while the elastomeric cables facility will come online by 4QFY26. The company has successfully debottlenecked the Dubai and Jaipur facilities for tower manufacturing, with the Jabalpur facility underway. This will increase capacity from 422k MTPA to 468k MTPA of towers.
- **Others –** With lower tendering in oil & gas, the company will focus on international expansion and securing PQs. In case Mexico is imposed with tariffs, KEC will ramp up supplies from India, which has a better margin profile. The company is confident of achieving 110 days of NWC by 4QFY25, with a debt reduction of INR5b and interest costs at 2.9% of 4QFY25 revenue.
- **Guidance –** The company is on track to surpass its FY25 order inflow guidance of ~INR250b, with 9MFY25 OI of INR220.9b. Revenue growth guidance was toned down to 12-14%, vs. 15% earlier. EBITDA margin at 7.5%, with 4QFY25 margin of ~9%, was unchanged.

Larsen & Toubro — Buy

Current Price INR 3,278

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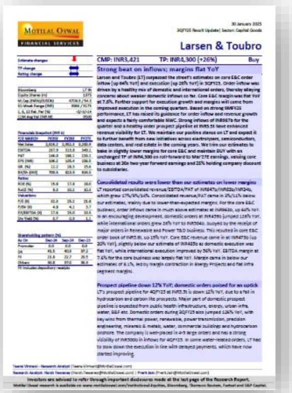

- **Core order book up 19% YoY –** The order book at the end of 3QFY25 stood at INR5.6t. Inflows during the quarter grew by 60% to INR963b. For the Infrastructure segment, international geographies contributed to order inflow growth (+33%), while domestic inflows declined 20% YoY. The domestic/ international mix stood at 58%/42%. The domestic order book comprises state PSUs (39%) and states (26%), Center (15%), and private sector (20%). About 15% of total order book is funded by multilateral agencies. 45% of the order book is fixed price in nature.
- **Order prospects at INR5.51t –** The prospect pipeline for 4QFY25 stood at INR5.51t vs. INR6.27t for 4QFY24. This reduction was due to a fall in hydrocarbon and carbon lite prospects. Infrastructure prospects stand at INR4t spread across water (18%), power T&D (6%), renewable energy (3%), transportation infrastructure (35%), buildings and factories (14%), heavy civil (18%), and metallurgical and material handling (6%). Energy segment prospects stand at INR1.44t, entirely from hydrocarbons, while Hi-tech manufacturing prospects stand at INR65b.
- **Working capital at comfortable levels –** The net working capital as a % of sales at 12.7% saw a healthy improvement of ~390bp YoY. This was on the back of gross working capital improvement and higher customer collections (INR591b vs. INR494b).
- **Progress on new-age opportunities –** LT received PLI incentives of INR3b for a 90,000 MTPA green hydrogen project at an incentive of INR11.11/kg of hydrogen. The realization of the incentives depends on the timelines when the project is set up and the output LT is able to generate. On the semiconductor side, the company's approach is to build up semiconductor designs, which will be manufactured by other fabricators. It will explore in-house fab manufacturing only in the longer term.

- **Signs of domestic capex bottoming out –** Domestic ordering has slowed down owing to the Center and state elections, coupled with selective private investment. The company believes that economic activity has seemingly bottomed out and there are initial signs of a rebound in government spending, likely providing impetus to infrastructure spending in the near term.
- **GCC region looks promising –** GCC region accounts for 84% of LT's international order book of INR2.37t. The region is strengthening its physical and digital infrastructure while monetizing its oil & gas wealth. In addition to Saudi Arabia, other countries too have embarked upon energy transition projects, which provide robust visibility to the company. LT's competencies such as oil & gas, gas to power, and carbon capture are witnessing robust traction, with timely payments. The company is able to compete well in GCC contracts and secure its share of orders, as the addressable market has expanded. Labor availability is not really a challenge, with the company having good relations with local subcontractors.
- **Hyderabad metro performance –** Average ridership saw a sequential decline to 445k pax/day vs. 468k pax/day in 2QFY25, owing to the festive holidays. PAT loss came in at INR2.03b vs. INR2.54b YoY. The company expects further TOD monetization to take place in 4QFY25 and aims to reduce debt from INR126b to INR90b, which will help to bring down interest cost.

Thermax — Sell

Current Price INR 3,337

THERMAX

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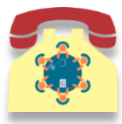

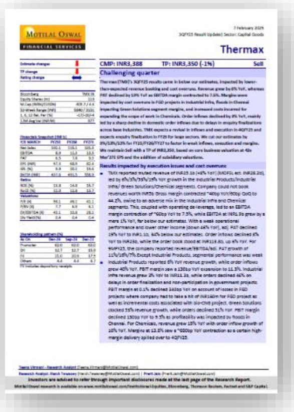
Thermax

- **Order pipeline –** The strongest order pipeline in more than three years, particularly in power, steel, cement, refining, and petrochemical industries. Large projects had been forming but were delayed due to design changes and shifting timelines by customers. Additionally, the company has been selectively approaching larger government projects, owing to its past experience. January saw a major INR2b order closure, with 4QFY25 expected to cross INR30b in new orders and revenue. There is a need to secure consistent project inflows to manage the base cost of INR1b.
- **Industrial Products –** This segment has shown strong profitability and consistency, with 40% growth in order inflow and ~30% growth in the order book. The company has been focusing on expanding its heat pumps, gas upgradation, and zero liquid discharge solutions. Services within industrial products are highly profitable, with efforts to double service revenue. International expansion in biomass and waste-to-energy segments is a key growth driver. On the domestic side, a favorable policy environment for air pollution, water and wastewater, ZLD, ethanol, semiconductors, biomass, WTE, etc. will continue to bode well for the business going ahead.
- **Industrial Infra:** There is a conscious reduction in exposure to government projects, while a selective approach will be adopted for future bids. A significant improvement in orders is expected next year. Investment is increasing in wastewater treatment, air pollution control, and desalinization plants. A push toward cleaner energy and industrial sustainability is driving new business opportunities.
- **Bio-CNG projects -** Bio-CNG has been a major area of investment, with over INR1b already spent. The company is facing issues due to low conversion rates

from rice-based feedstock, volatility in moisture levels of feedstock, and government-regulated pricing environment. There is lobbying for subsidies on bio-CNG-derived fertilizers, which are a by-product of bio-CNG. The company has multiple plants stabilizing operations and expects orders to resume in 2HFY26. Business grew from Nil to INR0.5b+ and TMX is targeting INR2-3b in revenue in the next few years.

- **Green Solutions -** TOESL: Expects much higher ordering (INR0.5-1b) in 4Q, with a pipeline of ~INR10b. Business is self-sustaining, with low funding requirement. FEPL: Another disappointing quarter with heavy flooding in Chennai. FY26 losses will narrow down from the FY25 levels. While the 1GW target remains intact, the timeline will be a bit longer. Loan funding increased by ~INR3b.
- **Chemicals** – Faced a temporary dip in profitability due to a mix impact, but it is expected to recover in 4Q. TMX is investing in construction chemicals, flooring solutions (Vebro partnership), and a new yet-to-be-announced product segment. It acquired a new building for chemical expansion. TMX targets 16-18% PBIT margins in 4Q and sustained growth next year.
- **Subsidiaries –** TBWES: Doing extremely well with 8% margin and robust order book. There was an ~INR150m hit owing to a government customer.

CEMENT

- **Cement demand is opening up as capex is gaining momentum from the end of 3QFY25. Rural demand should be positive with the good monsoon we have witnessed. Industry volume growth is estimated to be ~6-7% YoY in FY26. However, prices are anticipated to improve gradually with improvement in demand. Industry players are targeting cost savings in the range of INR100-300/t over the next two to three years. Further, they expect ~50mtpa capacity addition in FY26 (almost ~8% growth). Consolidation is intensifying in the industry with higher capacity addition by large players and aggressive M&A activities. Expect sequential improvement in profitability in 4QFY25 led by positive operating leverage, favorable fuel prices, and higher exit prices.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook FY25	Capex plans
UltraTech Cement	■ Volume started to recover from Dec'24 and there has been a demand recovery across all sectors, including infrastructure, IHB, rural, and urban demand. Urban demand, though, is maturing slightly but continues to see growth. ■ The company aims for double-digit growth driven by expanded capacities and targets a capacity utilization of 80-85%. Industry demand growth is expected to be at 6-7% YoY in 4QFY25 and FY26. Despite the increased competitive intensity in the South region, prices are likely to improve with a pickup in demand.	■ Capex in FY25 will be ~INR93b. In FY26, capex is expected to be at INR80-90b for UTCEM and INR4-5b for Kesoram. Capex in FY27 is expected to be at INR60-70b. ICEM's capex will be at INR5b+. UTCEM will add an organic capacity of 15mtpa in FY26. Including other big players' capacity addition, overall supply in the industry is estimated at ~50mtpa in FY26 ■ The company has added 6.75mtpa clinker in 9MFY25 and another 3.35mtpa will be added in 4QFY25. It will also commission a clinker capacity of 10mtpa in FY26.
Ambuja Cements	■ Cement demand is projected to grow 4-5% in FY25, implying a better demand scenario compared to 1HFY25, driven by improved consumption, greater demand in the housing and infrastructure segments, and increased government spending. ■ Price hikes were implemented in mid-Dec'24 and are expected to positively impact 4QFY25. However, cement prices in the South remain more depressed. The company's exposure in the South region has increased with the acquisition of a GU each in Tamil Nadu and Penna Cement.	■ The company plans to expand its cement capacity to 140mtpa by FY28 and is progressing well to achieve the stated target. With the acquisition of Orient Cement, the company's operating cement capacity will rise to 97mtpa (post completion of the acquisition) from 89mtpa currently. The company has identified 13 additional grinding units, for which land acquisitions and statutory approvals are currently in process. These units will help the company achieve a capacity of 140mtpa by FY28. ■ Capex for FY25 is estimated at INR80b; 9MFY25 capex stood at INR60b. The remaining balance will be utilized in 4QFY25 for ongoing expansions.
Shree Cement	■ Avg. fuel cost declined to INR1.55/Kcal vs. INR1.71/kcal in 2QFY25. The fuel consumption cost is currently at the same level. The share of green power in the total electricity consumption stood at 55.1% vs. 54.8% in 2QFY25. Further, improved cost control was driven by a reduction in other expenses ■ The company has started operations of its state-of-the-art, end-to-end solid waste feeding system for municipal solid waste consumption at one of its locations, and this system is being replicated at other plants too. This initiative will help increase the share of alternative fuel and improve the TSR level.	■ Capex is pegged at INR38-40b for FY25; it stood at INR32b in 9MFY25. The full-year FY25 depreciation is estimated at INR28b.
Dalmia Bharat	■ FY25 started slow due to the general elections in 1Q, followed by heavy monsoons in 2Q, with the macro slowdown further impacting overall growth. However, the company remains optimistic, supported by healthy GDP growth and increased government spending. ■ The company expects consolidation to continue in the industry, with a large part of capacity addition driven by the top four players. Currently, players are aggressive in gaining volume/market share. Competitive intensity is expected to be high in South India, as small players acquired by larger	■ Capacity expansion of 2.4mt in the Northeast and 0.5mt in Bihar is at the advanced stage. The company expects the clinker capacity in the Northeast to be commissioned in 2QFY26. Capex stood at INR20.4b in 9MFY25 and INR6.6b in 3QFY25. It is pegged at INR30b in FY25 and INR25b-INR30b in FY26 (including land acquisition). ■ The company is likely to provide details of the next phase of its expansion in the next six months, aiming to reach a grinding capacity of 75mtpa vs. 49.9mtpa by FY26-end.

companies seek to optimize these assets by ramping up capacity utilization.

J K Cement

- Volume growth for the company should be at 7-8% YoY in 4QFY25 and ~10% in FY26. Most of the company's volume growth is coming from the Central markets because of capacity additions in the region. In the Central region, the company is growing ahead of the markets
- There has been some improvement in cement prices in both the North and Central markets recently. However, volume push at the year-end needs to be seen. In FY25, the company will realize cost savings of INR40-50/t and the rest of INR75/t will be realized over the next few quarters. It is trying to increase its share of green power and AFR and also working towards logistics cost improvement
- JKCE spent ~INR14b in 9MFY25 and capex in FY25/26 will be at INR19b/INR17b. The capex of FY26 will largely be towards Panna expansion (~INR14b) and maintenance capex will be INR3b. JKCE is also trying to get approvals for the Jaisalmer plant and will have better clarity by 2QFY26.
- A clinker plant of 3.3mtpa at Panna and grinding units of 1mtpa each at Panna, Hamirpur, Prayagraj are expected to be completed by Dec'25. Bihar GU should get commissioned in 11-12 months.
- Some modifications are being done at the Toshali plant which is about to be completed now. The cumulative loss from this plant in 9MFY25 was INR90m. This plant should become EBITDA positive in FY26.
- The company is getting limestone for existing capacities under long-term agreements. However, limestone is not available for future expansion. The state government is considering JKCE's proposal for the allotment of mining reserves. This plant is expected to get normalized in 4QFY25 and JKCE will also launch its brand in the markets.

Birla Corp

- BCORP remains cautiously optimistic about demand recovery, projecting full momentum restoration in 4QFY25. Post the muted demand scenario earlier in FY25, the Northern and Eastern regions witnessed demand recovery and favorable price movements toward the end of 3QFY25. The Kumbh Mela had no material impact. However, the pent-up demand is expected to be realized in the coming period..
- The company's core market in Central India has been facing challenges due to overcapacity and weaker demand in the trade segment, leading to pricing pressures.
- So far, the company has not provided any guidance on its future expansion plan, beyond the ongoing capacity expansion at Kundanganj (Line III) GU in eastern UP with a planned capacity of 1.4mtpa.
- Capex for 9MFY25 was around INR3b, and the total capex for FY25 is INR5b, reduced from the earlier projection of INR7b.

JK Lakshmi Cement

- Demand showed recovery with better traction in its operating markets. JKLC expects strong demand in FY26, supported by pent-up demand related to delayed capex.
- It anticipates ~8% volume growth in 4QFY25, aligning with industry growth expectations of ~6-8% in 4QFY25.
- Prices are also improving, backed by improvement in cement demand. Cement price is currently up by around INR75-100/t compared to the 3QFY25 average.
- Surat GU Phase-I of 0.75mtpa is likely to be commissioned in Feb-Mar'25 and Phase II of 0.6mtpa by Jun'25. Its brownfield clinker/cement capacity expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh, and greenfield GU at Prayagraj are expected to be commissioned in 1HFY27. The Phase II expansion of 2.2mtpa grinding unit in Bihar and Odisha should be commissioned in FY28. Also, the greenfield capacity expansion of 1.5mtpa in the Northeast is expected in FY28.
- Surat GU Phase-I of 0.75mtpa is likely to be commissioned in Feb-Mar'25 and Phase II of 0.6mtpa by Jun'25. Its brownfield clinker/cement capacity expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh, and greenfield GU at Prayagraj are expected to be commissioned in 1HFY27. The Phase II expansion of 2.2mtpa grinding unit in Bihar and Odisha should be commissioned in FY28. Also, the greenfield capacity expansion of 1.5mtpa in the Northeast is expected in FY28.

Ambuja Cement

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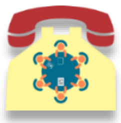

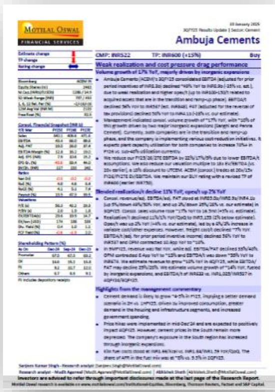
Ambuja Cements

Ambuja Cements | Buy

Current Price INR 480

Demand and pricing

- Cement demand is projected to grow 4-5% in FY25, implying a better demand scenario compared to 1HFY25, driven by improved consumption, greater demand in the housing and infrastructure segments, and increased government spending.
- Price hikes were implemented in mid-Dec'24 and are expected to positively impact 4QFY25. However, cement prices in the South remain more depressed. The company's exposure in the South region has increased with the acquisition of a GU each in Tamil Nadu and Penna Cement.

Operational highlights

- The blended cement mix in total sales volumes is at ~82%. Premium products as % of trade volume increased 400bp to ~26% (flat QoQ). Kiln fuel costs stood at INR1.66/Kcal vs. INR1.84/INR1.59 YoY/QoQ. The share of AFR in the fuel mix was at ~8% vs. 9.5% in 2QFY25. The share of green power in the power mix increased to 21.5% vs. 15.8%/18.2% YoY/QoQ. Additionally, the company has increased its WHRS capacity from 40MW (at the time of acquisition from Holcim Group) to 197MW and aims to expand it further to 218MW by Mar'25.
- Freight costs declined due to footprint optimization, as overall lead distance declined by 4km to 285km. Direct dispatches increased 7pp YoY to ~57%. Road PTPK costs decreased by 2% to INR4.12 PTPK. The company has ordered 11 GPWIS rakes, all of which have been delivered and are running in the approved circuit. These rakes will enable cost-efficient clinker movement from other plants to the clinker grinding units. In addition, the company has ordered 26 BCFC rakes for safe and cost-efficient transportation of Fly Ash from thermal power plants to its facilities. Of these, five rakes have been delivered and another four are likely to be delivered before Mar'25.
- The company commissioned a 200MW solar power in Gujarat, Khavda, during the quarter. It also secured 631mt of new limestone reserves (one in MP and one in Karnataka) in 3QFY25.
- The company now includes the volumes of Penna and Sanghi in its overall consol. volumes (1.4 mt) during the quarter. The cost structures of both the companies are currently in a transition phase, with various initiatives in place to reduce costs. The capacity utilization for both entities is still sub-40%. The company estimates INR100-150/t of impact on profitability due to the transition of these newly acquired assets, which are still in the ramp-up and transition phase. It expects the performance of both assets to improve going forward and reach 70%+ capacity utilization in FY26. Additionally, both Sanghi and Penna brands (B and C categories) have been transitioned into ACEM and ACC (A category).
- The Sanghi plant has two kilns. Cost optimization and shutdown work have been completed for the first kiln, while the second kiln remains shut down for full repair and maintenance.
- The company is set to receive a large bucket of incentives of around INR45b (over the next seven to nine years).

Capacity expansion and capex plan

- The company plans to expand its cement capacity to 140mtpa by FY28 and is progressing well to achieve the stated target. With the acquisition of Orient Cement, the company's operating cement capacity will rise to 97mtpa (post-completion of the acquisition) from 89mtpa currently.
- The 4mtpa clinker unit in Bhatapara (Chhattisgarh), along with associated grinding units in Sankrail and Farakka (West Bengal) and Sindri (Jharkhand), is expected to be commissioned by end-4QFY25. The GU in Salai Banwa, Uttar Pradesh, is set to be commissioned in 1QFY26. The brownfield expansions at the Bathinda GU in Punjab and the Marwar GU in Rajasthan are expected to be commissioned in 2QFY26. Additionally, the Kalamboli blending unit in Maharashtra, the Dahej GU expansion in Gujarat, the Jodhpur (Penna) GU, and the Krishnapatnam GU are expected to be commissioned in 3QFY26. The Maratha clinker unit of 4mtpa in Maharashtra and the Warishaliganj grinding unit in Bihar are expected to be commissioned by end-FY26, with the potential to reach 118mtpa by FY26-end.
- The company has identified 13 additional grinding units, for which land acquisitions and statutory approvals are currently in process. These units will help the company achieve a capacity of 140mtpa by FY28.
- Additionally, the Maratha clinker unit (4mtpa) in Maharashtra and the Warisaliganj grinding unit in Bihar are set to be completed by FY26 end, bringing the total capacity to 118mtpa. With 13 more grinding units planned, the capacity is expected to reach 140mtpa by FY28.
- Capex for FY25 is estimated at INR80b; 9MFY25 capex stood at INR60b. The remaining balance will be utilized in 4QFY25 for ongoing expansions. The company's consolidated cash balance stood at INR87.6b as of Dec'24. Cash outflow for the Orient Cement acquisition is expected to be INR40b (excluding the cash required for an open offer, expected in FY26) in 4QFY25. With this, the company expects a closing cash balance of around INR37.0b as of Mar'25.

Birla Corp — Buy

Current Price INR 974

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Demand and pricing

- BCORP remains cautiously optimistic about demand recovery, projecting full momentum restoration in 4QFY25. Post the muted demand scenario earlier in FY25, the Northern and Eastern regions witnessed demand recovery and favorable price movements toward the end of 3QFY25. The Kumbh Mela had no material impact. However, the pent-up demand is expected to be realized in the coming period.
- The company's core market in Central India has been facing challenges due to overcapacity and weaker demand in the trade segment, leading to pricing pressures.
- The North region witnessed a strong uptick in demand as well as pricing, mainly in the non-trade segment, where prices were significantly lower. The company also benefited from its single-location plant at Chanderia Rajasthan.
- The company deliberately limited exposure to non-trade sales to maintain profitability and brand strength in the premium trade segment.


Birla Corporation

- The Mukutban plant emerged as a growth engine despite pricing pressures in Maharashtra. The plant maintained ~40% premium product sales and predominantly sold blended cement, despite being in an OPC-dominated region.

Operational performance

- The company's capacity utilization stood at ~92% in 3QFY25 vs. ~85%/78% in 3QFY24/2QFY25. Blended cement sales stood at 79% in 3QFY25 vs. ~83%/83% of total volumes in 3QFY24/2QFY25. Trade share stood at ~68% of total volumes in 3QFY24 vs. ~69%/71% each in 3QFY24/2QFY25. Premium products contributed ~59% of trade volumes in 3QFY25 vs. ~52%/62% in 3QFY24/2QFY25.
- The share of renewable power stood at ~26% in 3QFY25 vs. ~23%/25% in 3QFY24/2QFY25. The company aims to achieve 35% green energy usage over the next 1-1.5 years through hybrid solar initiatives. The lead distance was ~360km, while for the Mukutban plant, it was ~425km.
- Fuel consumption costs stood at INR1.50/Kcal vs. INR1.47/Kcal in 2QFY25. Reduced reliance on petcoke and a shift toward indigenous coal helped contain costs for the company. The Bikram coal mines are expected to reach optimum utilization levels by FY27, which is expected to increase indigenous coal supply by ~30% and raise the overall mix of indigenous coal to ~55-60%.
- Accrued incentives stood at INR600m in 9MFY25, with a projection of INR1.0b for FY25.

Capacity expansion and net debt

- So far, the company has not provided any guidance on its future expansion plan, beyond the ongoing capacity expansion at Kundanganj (Line III) GU in eastern UP with a planned capacity of 1.4mtpa.
- Capex for 9MFY25 was around INR3b, and the total capex for FY25 is INR5b, reduced from the earlier projection of INR7b.
- Net debt stood at INR30.0b as of Dec'24.

Dalmia Bharat — Buy

Current Price INR 1,771

Dalmia Bharat Limited

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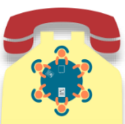


Dalmia Bharat

Demand and pricing outlook

- FY25 started slow due to the general elections in 1Q, followed by heavy monsoons in 2Q, with the macro slowdown further impacting overall growth. However, the company remains optimistic, supported by healthy GDP growth and increased government spending.
- Demand growth in 3Q was slower than estimated, registering low single-digit growth due to lower government spending, unseasonal rains, and state elections. Within regions, the east market saw better growth than the south. Sales volume from Dalmia's plants grew ~4% YoY (as last year, it had 0.37mt volumes through tolling arrangements with JP Group plants). Government spending may increase 20% YoY over Dec'24-Mar'25. The company expects ~6-7% growth in 4Q, led by a pickup in government spending and a seasonally strong quarter for construction activities. Further, it expects industry growth to stand at ~6-8% YoY in FY26, subject to a pickup in GDP growth.
- The company continues to invest in brand building, expanding retail channels, premiumizing its product mix, and maintaining its position as a low-cost producer. Additionally, it is building practices/culture for long-term engagement, with a strong focus on people, process, and culture.

- The company expects consolidation to continue in the industry, with a large part of capacity addition driven by the top four players. Currently, players are aggressive in gaining volume/market share. Competitive intensity is expected to be high in South India, as small players acquired by larger companies seek to optimize these assets by ramping up capacity utilization.

Operational highlights and cost insights

- RM costs marginally declined due to a reduction in fly ash and limestone costs. Fuel consumption cost stood at INR1.31/Kcal vs. INR1.36/Kcal in 2QFY25. The benefit of lower fuel prices was offset by a reduction in the RE share (due to the shutdown of WHRS). The share of RE stood at ~33% vs. ~39% in 2QFY25. RE capacity is currently at 252MW, with an additional 21MW signed in 3Q (total at 297MW under the group captive arrangement). The company expects RE's share in the total power mix to reach 42-45% by FY25-end and anticipates power costs to decline in 4Q as the RE share increases.
- Fright costs were higher, partly due to selling in Central India markets from its eastern plants and higher clinker transfer costs resulting from plant shutdowns for debottlenecking. Lead distance was at 269km vs. 287km/280km YoY/QoQ. While DALBHARA is not serving all Central India markets from its own plants, earlier tolling arrangements with JP have helped it serve both the UP and MP markets.
- Blended cement sales stood at 85% vs ~83% QoQ. The C:C ratio stood at 1.7 vs. 1.64x in 2QFY25. The trade share stood at ~66% vs. 63% YoY. The premium cement sales share stood at ~24% vs. 21% in 3QFY24.
- Depreciation increased sequentially due to accelerated depreciation on certain equipment that was replaced during the debottlenecking process.
- Incentives accrued stood at INR1.0b in 3QFY25 (including an additional incentive of INR140m related to 1HFY25) and incentives received stood at INR1.2b.
- Incentives receivable stood at INR7.6b as of Dec'24. The company expects total incentive accruals and collections to be around INR3.3b in FY25. It expects a normalized incentive of INR90-100/t in FY26.
- The company has reiterated its target of cost savings of INR150-200/t by FY27E through internal cost-saving initiatives.
- In the Northeast, the company is a strong player with higher capacity, a robust dealer network, an established brand, and a low-cost structure. With numerous announcements regarding hydropower projects, infrastructure, and border safety, along with improved connectivity between the Northeast and the rest of India, the company expects demand to rise in this region. The company is not involved in coal mining in the Northeast. It currently has stock coal/fuel for 4-5 months and believes there will be no impact on its operations.
- The Odisha captive power plant is shut due to an accident. While this will not impact production, power costs may increase as a result.

Expansion plans and capex

- Capacity expansion of 2.4mt in the Northeast and 0.5mt in Bihar is at the advanced stage. The company expects the clinker capacity in the Northeast to be commissioned in 2QFY26. Capex stood at INR20.4b in 9MFY25 and INR6.6b in 3QFY25. It is pegged at INR30b in FY25 and INR25b-INR30b in FY26 (including land acquisition).

- The company is likely to provide details of the next phase of its expansion in the next six months, aiming to reach a grinding capacity of 75mtpa vs. 49.9mtpa by FY26-end.

Debt position and other key highlights

- Gross debt stood at INR54.6b as of Dec'24 vs. INR47.8b as of Sep'24. Net debt (considering the IEX investment part of cash and cash equivalents) stood at INR12.4b vs. INR6.4b as of Sep'24. The increase in net debt by INR3.0b was due to a lower value of IEX investments (MTM value stood at INR24.2b vs. INR27.2b as of Sep'24), and the balance INR3.0b was related to capex and other costs that were not fully covered by internal cash accruals. The company does not expect a material increase in net debt by FY25-end/FY26.
- Its net debt to EBITDA stood at 0.55x vs. 0.25x as of Sep'24. The company considers the net debt to EBITDA ratio to be at comfortable levels to initiate the next phase of expansion. It has reiterated its target to maintain the net debt to EBITDA ratio below 2.0x until there is a large inorganic/strategic opportunity.

Grasim Industries — Buy

Current Price INR 2,461

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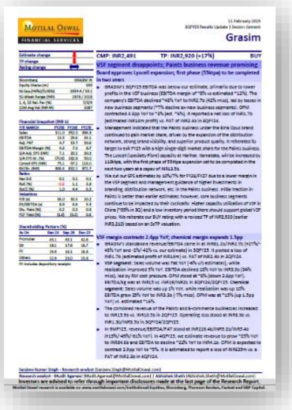

Paints Segment

- Birla Opus continues to gain market share in the Indian decorative paints market, backed by the rapid expansion of its distribution network, increasing brand visibility, and superior product quality.
- Industry demand growth for Paints is lower than earlier anticipated. In 3Q, industry growth was flat to marginally negative. However, the decorative paints market is estimated to grow in double digits over the next decade.
- Birla Opus will be the second-largest player in terms of installed capacities (1,332mlpa) after all its plants get commissioned. Commercial production at the Chamarajanagar plant started in Nov'24, while the Mahad (capacity of 230mlpa) and Kharagpur (capacity of 236mlpa) plants are expected to be commissioned by 4QFY25 and 1QFY26, respectively.
- The advertisement campaigns 'Duniya Ko Rang Do' and 'Naye Zamane Ka Naya Paint' have been successful, reaching over 700m Indians. The addition of the dealer network remains on track, and Birla Opus is now the second most visible paint brand in India.
- Operating losses in the segment were in line with estimates. The company is on track to exit FY25 with a high single-digit market share. It will continue investing in brand building, as well as expanding its distribution and dealer network.
- The company saw a strong offtake in the mid and upper-mid-tier towns in the first few months. However, in the last quarter, it saw excellent traction in metros. The product is already available in over 5,500 towns.
- It has a presence in all product categories and across various points in the Paints segment. Better quality of products has helped the company gain acceptance. Its luxury products too are receiving good repeat orders. It is still developing the distribution of its entire product range, as some of the SKUs have only recently hit the market.
- 170+ products with over 1,000+ SKUs are placed in the distribution channel, and 131 depots are operational across India. The company is confident of having

50,000 dealers on board by the end of FY25. The total capex in the Paints business stood at INR90.2b as of Dec'24, ~90% of the total project cost.

VSF Segment

- The VSF segment's margin was impacted by a 10% increase in RM prices, including pulp, caustic soda, and Sulphur.
- VSF volume remained flat YoY at 205KT due to production disruption at the Excel Plant, Kharach, and seasonally weak demand during the quarter-end. While VFY volume grew 10% YoY on a lower base; realization remained under pressure due to a surge in cheaper imports from China.
- The Board has approved setting up a 110K TPA capacity (increased capacity at 153K TPA) of Lyocell (specialty Fibre) at Harihar, Karnataka. The first phase of 55K TPA will be executed by mid-FY27 at an investment of INR13.5b.
- China's operating rates improved to 89% in Q3FY25 vs. ~86% in Q2. Additionally, the average inventory holding was at the lowest level of eight days compared to an average of 13 days for FY24. A stable demand scenario in China has led to steady CSF prices of USD1.65/kg in Q3FY24.

Chemical Business

- Caustic soda's international average spot prices (CFR-SEA) for Q3FY25 were higher by 16% YoY at USD516/ton, the highest since 1QFY24. Realization in domestic markets also improved QoQ, in line with global prices. However, continued negative Chlorine realizations due to oversupply resulted in a slower growth in ECU realization, increasing by only ~8% YoY to INR34,041/ton.
- Caustic soda sales volume growth at 1% YoY was muted due to lower production at the Vilayat plant, restricted by lower power availability.

B2B E-commerce

- The B2B building material market size is huge (+INR1t), and Grasim remains committed to building a comprehensive and end-to-end B2B commerce platform for all user categories. Digital adoption has still been fairly low.

JK Cement — Buy

Current Price INR 4,619

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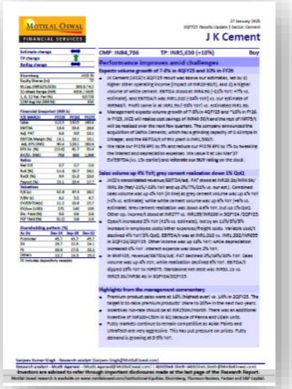
Demand, pricing, and operational highlights

- Volume growth for the company should be at 7-8% YoY in 4QFY25 and ~10% in FY26. Most of the company's volume growth is coming from the Central markets because of capacity additions in the region. In the Central region, the company is growing ahead of the markets.
- There has been some improvement in cement prices in both the North and Central markets recently. However, volume push at the year-end needs to be seen. In FY25, the company will realize cost savings of INR40-50/t and the rest of INR75/t will be realized over the next few quarters. It is trying to increase its share of green power and AFR and also working towards logistics cost improvement.
- The company had placed orders for pet coke between USD95 and USD105/t in 3QFY25, but there has been some increase in fuel costs recently. Fuel consumption cost/kcal was INR1.5 vs. INR1.82/INR1.65 in 3QFY24/2QFY25. Pet coke consumption stood at ~75% in the quarter.
- Green energy contributed 50% of energy requirements in 9MFY25 vs. 51% in FY24; it targets the contribution to increase to 75% by FY30. The thermal



substitution rate was at 11% in 9MFY25 vs. 16.3% in FY24 and the target is to increase it to 35% by FY30.

- Cement/clinker capacity utilization was at 73%/85%. Blended cement sales were at 67% vs. 70% in 2QFY25. Trade sales were at 66% vs. 65% in 2QFY25. Premium product sales were at 16% (highest ever) vs. 14% in 2QFY25. The target is to increase premium products' share to 20%+ in the next two years. The maximum sales of premium cement are happening in the South region as of now.
- Road mix was at 91% while 9% of volumes were transported through railways. The lead distance was at 422km vs. 427km/419km in 3QFY24/2QFY25.
- Incentives run-rate should be at INR250m/month. There was an additional incentive of INR100-150m in 3Q on account of Panna and Ujjain units.

Acquisition of Saifco Cement

- JKCE announced the acquisition of Saifco Cements Private Limited (Saifco) which has a clinker/cement capacity of 0.26/0.42mtpa in Srinagar. This company had a turnover of INR863m in FY24 and JKCE will acquire a 60% stake at an INR1.74b (EV/t of ~US$80). This acquisition should be completed in 6-9 months subject to the completion of due diligence and fulfilment of certain conditions.
- Saifco has a presence in the Srinagar markets and is operating at a low capacity utilization of 40% as the plant gets operated for nine months only due to weather conditions and EBITDA/t is INR1,500. JKCE plans to invest INR600m through the accruals of Saifco and believes that it will lead to improvement in operational efficiency and can help to improve EBITDA/t by INR400/t.
- Saifco has SGST benefits available till 2031 (100% exemption amounting to INR800-900/t). The clinker capacity of this plant can be expanded to 1,000 tons/day. Mining reserves of this plant are spread across 144 hectares and the plant has a limestone reserve of 123mt. Earlier, mining leases in the region were allotted to individuals only and not to the companies. These individuals used to lease the mines to companies, but there has been a relaxation in this norm now. The mines will be transferred in the name of JKCE and renewable of the mining lease has been granted till 2046.

Capacity expansion and capex update

- JKCE spent ~INR14b in 9MFY25 and capex in FY25/26 will be at INR19b/INR17b. The capex of FY26 will largely be towards Panna expansion (~INR14b) and maintenance capex will be INR3b. JKCE is also trying to get approvals for the Jaisalmer plant and will have better clarity by 2QFY26.
- A clinker plant of 3.3mtpa at Panna and grinding units of 1mtpa each at Panna, Hamirpur, Prayagraj are expected to be completed by Dec'25. Bihar GU should get commissioned in 11-12 months.
- Some modifications are being done at the Toshali plant which is about to be completed now. The cumulative loss from this plant in 9MFY25 was INR90m. This plant should become EBITDA positive in FY26.
- The company is getting limestone for existing capacities under long-term agreements. However, limestone is not available for future expansion. The state government is considering JKCE's proposal for the allotment of mining reserves. This plant is expected to get normalized in 4QFY25 and JKCE will also launch its brand in the markets.

Fujairah unit and white cement business

- Result of Fujairah, UAE plant has improved as the UAE economy has started improving. The EBITDA of this plant was at INR240m in 3QFY25; similar at 2QFY25. EBITDA in 9MFY25 was INR680m vs. INR550m in 9MFY24.
- Putty markets continue to remain competitive, as Asian Paints and UltraTech are very aggressive. This has put pressure on prices. Asian Paints has become the largest seller of Putty, but they do not have any manufacturing capacity. Putty demand is growing at 8-9% YoY. Putty volume of Asian Paints should have grown in double-digits; whereas; JKCE's volumes have grown at 4% YoY. OPM of this segment is around 15-20%.
- Asian Paints is planning to set up a white cement plant in the UAE that will be commissioned in mid-FY26. It will export clinker into India and will be used for putty production here. JKCE is a major supplier of white cement to Asian Paints (~0.1mt) and hence, volume could be impacted. However, it is diversifying its market presence for white cement. The capacity utilization of the Fujairah plant is ~85% and it should continue to operate over 75%.

Other Highlights

- Revenue of the Paints segment was INR830m vs. INR530m in 2QFY25 and INR470m in 3QFY24. In 9MFY25, revenue was at INR2b vs. INR1.1b in 9MFY24. Revenue should be at INR2.75b in FY25, INR4.0-4.5b in FY26, and INR6b in FY27.
- This segment incurred a loss of INR170m vs. INR70m in 2QFY25. During 9MFY25, the total loss was INR380m and loss in FY25 is estimated to be INR500m+. This business should achieve EBITDA break-even by FY27.
- Standalone gross debt was at INR48.63b vs. INR45.93b in Mar'24. Cash and Cash Equivalents were INR17.55 vs. INR20.11b in Mar'24. Net debt was at INR31.08b vs. INR25.82b in Mar'24.

JK Lakshmi Cement — Buy

Current Price INR 710

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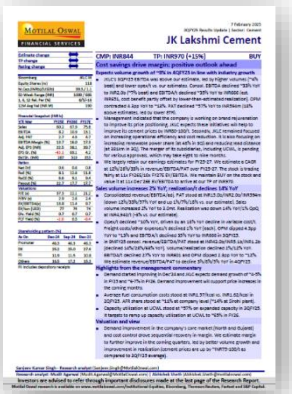

JK Lakshmi Cement

Demand and pricing

- Demand showed recovery with better traction in its operating markets. JKLC expects strong demand in FY26, supported by pent-up demand related to delayed capex.
- It anticipates ~8% volume growth in 4QFY25, aligning with industry growth expectations of ~6-8% in 4QFY25.
- Prices are also improving, backed by improvement in cement demand. Cement price is currently up by around INR75-100/t compared to the 3QFY25 average.

Operational efficiency

- JKLC standalone cement capacity utilization was 78%, UCWL utilization was ~57%, and overall company capacity utilization was 68% during the quarter.
- TSR stood at ~11% vs. 13% in 2QFY25. Further, lead distance was 381km vs. 387km in 2QFY25. Blended cement share was ~65% and its C:C ratio stood at 1.45x.
- Premium product share was at ~19% of trade volume vs. 25% to 30% in 2QFY25. In east regions, the company's premium product share is not good. JKLC is streamlining its brand and changing price positioning, which also hurt premium

product share during this quarter. But it expects the share to increase back to previous levels, given the brand restructuring (including in east markets).

- Non-cement revenue stood at INR1.35b, including RMC revenue of INR640m. Margin remained subdued at ~1%.
- Average fuel cost stood at INR1.57/kcal vs. INR1.62/Kcal in 2QFY25.
- The company has been undertaking various cost efficiency initiatives, which include the increase in utilization of railway siding and wagon loading at Durg and Udaipur units. The company is also planning to ramp up TSR at Udaipur and Sirohi.
- The company is focusing on adopting clean energy to reduce its carbon footprint and energy expenses. This includes boosting investments in solar and wind power while optimizing energy usage at major plants. Currently renewable energy accounts for 48% of the company's total energy needs, with plans to further increase it going forward.

Capacity expansion and capex

- Surat GU Phase-I of 0.75mtpa is likely to be commissioned in Feb-Mar'25 and Phase II of 0.6mtpa by Jun'25. Its brownfield clinker/cement capacity expansion of 2.3mtpa/1.2mtpa at Durg, Chhattisgarh, and greenfield GU at Prayagraj are expected to be commissioned in 1HFY27. The Phase II expansion of 2.2mtpa grinding unit in Bihar and Odisha should be commissioned in FY28. Also, the greenfield capacity expansion of 1.5mtpa in the Northeast is expected in FY28.
- Consolidated capex, which was earlier pegged at INR9.0b in FY25, has been lowered to INR8.0b (INR5.0b for JKLC standalone and INR3.0b for UCWL). It guided for capex of INR10.0b/INR15.0b for FY26/FY27 for capacity expansion and efficacy improvement plans as announced by it.
- Consolidated gross debt stood at INR21.5b and net debt stood at INR17.5b as of Dec'24.

The Ramco Cement — Neutral

Current Price INR 862

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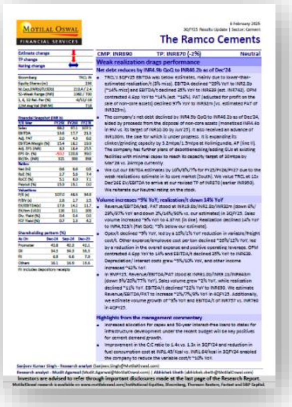

Capex and project update

- The company is set to reach a cement production capacity of 30mtpa by Mar'26 through the commissioning of line II at Kolimigundla. This target will be further supported by de-bottlenecking and expanding grinding capacities at existing facilities with minimal capital investment.
- The company has monetized INR4.4b out of its targeted INR10b from non-core assets and remains on track to achieve the stated goal. Additionally, it has received advances totaling INR100m for assets that are currently in the advanced stages of the sale process.
- The WHRS plant of 2MW at Alathiyur was commissioned in 3QFY25. An additional 10MW WHRS at R Nagar is planned for commissioning by 1QFY26. Railway siding in Kolimigundla, AP, will be commissioned in 4QFY25.
- The construction chemicals capacity expansion in Odisha is expected to be commissioned by 4QFY25.
- The company has acquired ~52% of the mining land and ~13% of factory land for a Greenfield project in Karnataka.
- The total capex incurred was INR2.56b in 3QFY25 and INR8.0b in 9MFY25.

Capacity utilization and volume

- Cement capacity utilization stood at ~75% vs. ~74%/~75% in 3QFY24/2QFY25. Cement volume declined ~3% YoY to 4.3mt, whereas building products volume was flat YoY to 0.09mt.
- Volume share from South/East was ~79%/~21% in 3QFY25 vs. ~76%/~24% in 3QFY24.

Operational highlights

- The share of premium products was ~26% in 3QFY25 vs. ~31% in 3QFY24 in the South region. In the East region, the share of premium products was ~23% in 3QFY25 vs. ~20% in 3QFY24. The OPC share was ~30% of total volumes in 3QFY25 vs. 33%/30% in 3QFY24/2QFY25.
- Blended coal consumption cost was USD122/t (INR1.45/kcal) vs. USD138/ USD130 (INR1.64/INR1.60 per kcal) in 3QFY24/2QFY25.
- TRCL used 69% petcoke vs. 51%/58% in 3QFY24/2QFY25. It used ~62% petcoke in 9MFY25 vs ~52% in 9MFY24.
- Green energy contributed 39% of power requirements vs. ~36%/39% in 3QFY24/2QFY25. Green energy contributed ~37% in 9MFY25 vs ~34% in 9MFY24. Green power share is expected to reach ~40% in FY25.
- Avg. lead distance was 259kms in 3QFY25 vs 282kms in 3QFY24 and 244kms in 2QFY25.

Debt and other highlights

- Net debt (including working capital borrowings) stood at INR46.2b vs. INR51b/ INR49.6b as of Dec’23/Sept’24.
- The cost of debt for 3QFY25 is 7.89% as against 7.85% in 3QFY24.

Ultratech Cement — Buy

Current Price INR 11,289

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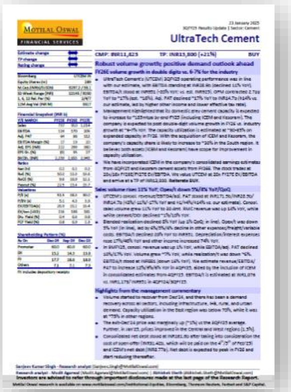

Demand and pricing

- Volume started to recover from Dec’24 and there has been a demand recovery across all sectors, including infrastructure, IHB, rural, and urban demand. Urban demand, though, is maturing slightly but continues to see growth.
- The volume of ICEM was not included in 3Q volumes. The North and West regions continued to perform well, while the East region saw the lowest growth compared to other regions. Industry volume growth is expected to be at ~5% YoY in 3QFY25.
- Capacity utilization in the East region was below 70%, while it was at ~75% in other regions. The North region saw the best profitability, followed by the West region.
- The company aims for double-digit growth driven by expanded capacities and targets a capacity utilization of 80-85%. Industry demand growth is expected to be at 6-7% YoY in 4QFY25 and FY26.
- The exit-Dec price was marginally up (~1%) vs the 3QFY25 average. Cement demand started to improve from Dec’24, thus boosting cement prices. The North and West regions saw the best improvement in prices, with a growth of 3%+. In Jan’25, prices improved in the Central and West regions (~1.5%).
- Despite the increased competitive intensity in the South region, prices are likely to improve with a pickup in demand.

Guidance on new acquisitions and strategic investment

- **Integration of ICEM and Kesoram cement businesses:** Capacity utilization of ICEM was 57% in 3Q, and there is an opportunity to increase the utilization rate. Kesoram is operating at ~70% capacity utilization, with the potential to improve its utilization by 4-5pp. There is no rush to change the brands of the acquired entities; however, the transition will happen in due course. The company will provide better clarity on the brand transition in the next quarter. It will take 12 months to improve the profitability of ICEM and bring it to a reasonable level. WHRS at ICEM plants will be commissioned by 3QFY27. There is also scope to improve realizations and reduce operating costs at Kesoram's plants. Increasing the density of plants in the South region will help reduce logistics costs.
- The open offer for ICEM was subscribed at 110% and concluded on 21st Jan'25. Post the open offer, UTCEM's stake increased to 84.19%, which will be brought down to 75% in line with regulatory requirements. The average cost of acquisition was INR359/share.
- Debt of ICEM stood at INR8.77b in Dec'24 and the EV for this acquisition is INR120.8b for 14.45mtpa capacity. Cash generation from non-core assets will help further reduce debt. Capex will be required for WHRS, RE, and plant upgrades. The company has started reducing operating costs from the first month itself. There are debottlenecking and brownfield opportunities at a few of the plants, which will help increase capacities. WHRS will be commissioned by 3QFY26, and after that, the company's opex should be in line with UTCEM. There is a difference of INR25-30/bag in the selling price of UTCEM and ICEM brands. Rebranding of the ICEM brand will take place over time. ICEM's profitability turnaround is expected in 12 months, and at that time, it will
- generate INR200-300/t lower profitability compared to UTCEM. The company will look forward to monetizing land that is not suitable for cement plants. ICEM's Tamil Nadu plants have limestone reserves with visibility of over 25 years.
- The company is awaiting the last leg of approvals for the mine transfers in Telangana and Andhra Pradesh. This acquisition is expected to be completed by Mar'25. UTCEM's capacity will reach 185mtpa by FY26-end, including the capacities of Kesoram and ICEM.
- The company is evaluating the North East markets and its investment in Star Cement is purely financial investment. It has acquired an 8.42% stake at a consideration of INR7.76b.

Operational highlights

- The company will have to use a mix of coal and petcoke and given its size, it will face higher consumption costs. Blended imported fuel consumption (CV: 7500) cost was at USD125/t; 6% lower QoQ and 17% lower YoY. Petcoke consumption was at 58% in 3Q and fuel consumption cost was INR1.76/kcal vs INR1.84/kcal in 2QFY25. At current spot prices, coal costs should come down to INR1.7/kcal. Power cost was slightly higher due to an additional one-time charge of INR480m levied by the Andhra Pradesh government during the quarter.
- Lead distance was 377km vs 397km in 2QFY24, with potential for further reduction of 5-6%. Coastal transport will not go beyond 5% (3% as of now).

Capex and net debt

- Capex in FY25 will be ~INR93b. In FY26, capex is expected to be at INR80-90b for UTCEM and INR4-5b for Kesoram. Capex in FY27 is expected to be at INR60-70b. ICEM's capex will be at INR5b+. UTCEM will add an organic capacity of 15mtpa in FY26. Including other big players' capacity addition, overall supply in the industry is estimated at ~50mtpa in FY26.
- The company has added 6.75mtpa clinker in 9MFY25 and another 3.35mtpa will be added in 4QFY25. It will also commission a clinker capacity of 10mtpa in FY26.
- Consolidated net debt stands at INR161.60b after taking into consideration the cost of the open offer (INR31.42b to be paid on the 4th/5th of Feb'25) and ICEM's net debt (INR8.77b). The company expects net debt to peak in FY26 and start reducing thereafter.

- **Management anticipates demand recovery, driven by international markets, and local market normalization by 4QFY25. Key capacity expansions and greenfield projects are on track, ensuring long-term growth across industries. Competitive challenges, feedstock costs, and regulatory developments will have an impact on margins and pricing. Capex remains a top priority, with investments in new products, technology, and operational efficiency driving the companies' future performance.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook	Quarterly snapshot
Alkyl Amines	▪ The Ethylamines plant contributed to the volumes in 3Q, without which it would have been constrained on that front. Although utilization is at 60-65%, the company expects this to pick up going forward. In the future, there could be debottlenecking that could happen from 100tpd to 120tpd in the plant. DMAHCL is running at 80-85% utilization and the company is planning to announce a Greenfield project in Dahej for the same in FY26.	▪ AACL's 3QFY25 revenue increased 15% YoY to INR3.7b. The growth was mainly volume-driven, while the company still experiences pricing pressure from Chinese players. Gross margin expanded 80bp YoY to 48.4%, while EBITDAM stood at 19.2%. RM prices declined more than the FG prices. PAT came in at INR438m vs. our estimate of INR298m
Clean Science & Technology	▪ CLEAN is actively pursuing R&D activities and has entered the HALS series, which has an estimated global market size of USD1b. While the commercial production from CFCL has commenced, management expects HALS to ramp up in the next three years.	▪ CLEAN's reported EBITDA in 3QFY25 was above our estimate at INR985m (+14% YoY), with a gross margin of 63.5% (vs. 66.8% in 3QFY24). The EBITDAM contracted to 40.9% from 44.5% in 3QFY24. The revenue contribution of Performance Chemicals increased 2% YoY in 3QFY25, while that of Pharma & Agro Intermediates declined 1% and 2% YoY, respectively. PAT increased 5% YoY to INR656m.
Deepak Nitrite	▪ Industry demand is improving, with international recovery leading and domestic demand expected to normalize by 4QFY25. Agrochemical de-stocking is easing, polymer demand is strengthening with new projects, and margin expansion is likely as feedstock costs decline. ▪ Agrochemical volumes are rising internationally, with domestic demand expected to follow by quarter-end. Key projects, including Acetophenone and nitric acid, will be commissioned in 1HFY26, while increased domestic Phenol supply may reduce imports.	▪ Revenue was at INR19b (our est. INR18.6b, down 5% YoY). EBITDA was at INR1.7b (our est. of INR2.4b, down 45% YoY). Gross margin was at 26.8% (down 490bp YoY) while EBITDAM stood at 8.9% (vs. 15.2% in 3QFY24) ▪ Reported PAT stood at INR981m (our est. of INR1.5b, down 51% YoY). In 9MFY25, Revenue was at INR61b (+10% YoY), EBITDA at INR7.8b (-5% YoY), and PAT at INR4.9b (-11% YoY). EBITDAM was at 12.7% (-200bp YoY).
Fine Organic Industries	▪ FINEORG has already applied for Environment Clearance (EC) which is currently in progress. That said, it would take 18-24 months to set up new capacities. Although the Greenfield capacity is expected to take care of growth for the next 10 years, FINEORG does not expect growth to commence until the beginning of FY28. Exports account for more than 50% of the total revenue for FINEORG.	▪ FINEORG reported revenue of INR5.2b, 19% below our estimate, while EBITDA was INR1b (34% below; up 13% YoY) in 3QFY25. The EBITDAM contracted 170bp YoY to 20%, while the gross margin contracted 360bp YoY to 38.2%. PAT increased 28% YoY to INR890m (our est. INR1.2b). There was a slight dip in demand from export markets QoQ, as exports contributed 56% of the revenue, while domestic sales accounted for 44% of total revenue.
Galaxy Surfactants	▪ Volume growth of 6-8% for the next 2-3 years is intact as of now, including EBITDA/kg guidance. Capex would be more in terms of equipping the company for the future.	▪ GALSURF reported an EBITDA/kg of INR16.9, down 5% YoY (our estimate of INR18). The company achieved a total volume decline of ~1% YoY to 62.6tmt (our est. of 68.8tmt) with strong YoY performance in the RoW region. Subsequently, EBITDA stood at INR1.1b (down 6% YoY), while PAT came in at INR646m (down 9% YoY, our estimate of INR798m).
Navin Fluorine International	▪ The additional R32 capacity, with a capex of INR840m, is progressing on schedule for commissioning by Feb'25, with an asset turnover of 2-2.5x. The AHF capex of INR4.5b remains on track for early FY26 commissioning, with captive consumption expected at 25-27ktpa and external sales at 6-7ktpa. Management anticipates exiting FY25 with an EBITDAM at ~25%, with no guidance on future margin trajectory.	▪ NFIL's EBITDA/PAT in 3QFY25 came in at 6%/12% higher than our estimates due to the strong YoY performance in the HPP and Specialty Chemicals segments. Gross margin stood at 56.6%, while EBITDA margin expanded 920bp YoY to 24.3%. Earnings expanded 131% YoY to INR836m in 3QFY25. Management continues to drive operational efficiency in the company while indicating that it could exit FY25 with an EBITDAM at ~25%.

NOCIL	▪ Demand is expected to improve next month, but pressure will persist due to competition from China, Korea, and the EU, impacting prices and volumes. While tyre demand remains strong in the domestic replacement market and exports, OEM demand is weak. Volumes are set to recover next quarter, driving operating leverage higher. ▪ Volume growth of 8-10% is expected for FY25, with a similar trend for FY26. An anti-dumping investigation on a couple of products should conclude within the next 9-12 months. The company is exploring inorganic growth and new product development; it has ~INR5.5b in cash and investments. Inquiries from the US are also rising following new tariffs on China.	▪ NOCIL's EBITDA/kg stood at INR18.5 in 3QFY25, down 52% YoY, missing our estimate. Sales volumes increased 3% YoY to 12.9tmt. Realization was down at INR247.4/kg (down 10% YoY) due to reduced selling prices in line with the fall in RM prices. Hence, EBITDA was at INR238m (down 50% YoY) while PAT was at INR185m (down 38% YoY). Volumes, too, declined on a sequential basis.
PI Industries	▪ The company maintains its growth guidance of single-digit revenue growth for FY25 and is cautiously progressing toward achieving it. The pharma revenue guidance for FY25 remains unchanged from the previous quarter, projected at ~INR2.5-INR2.75b. Management anticipates revenue growth to accelerate further in 4QFY25, driven by the current order visibility.	. ▪ PI reported flat revenue YoY in 3QFY25, as muted growth in CSM (up 4% YoY; 82% mix) and domestic (up 5% YoY; 15% mix) businesses was fully offset by a 50% YoY fall in the pharma business (up 55% QoQ; 3% mix). EBITDA declined 14% YoY on account of a change in the product mix and adverse operating leverage.
SRF	▪ Management anticipates robust demand from agro in 4QFY25 with a significant performance improvement over 3QFY25. Going forward, SRF anticipates clocking a revenue growth of ~20% in FY26. The company expects positive traction from FY26 onwards in PTFE. For FY25, SRF has plans to incur a capex of ~INR15b, and going forward the company's capex will be in the range of ~INR15b-20b for future projects.	▪ SRF posted a decent overall performance in 3QFY25. However, the Chemicals business and the Packaging Films business displayed material improvement during the quarter. Margins for the Chemicals business improved 120bp/ 620bp YoY/QoQ, while the same for the Packaging Films business improved 240bp/70bp YoY/QoQ.
Tata Chemicals	▪ India, Asia, and the US are expected to continue their growth momentum, with the western parts of Europe likely to be flat or experience a slight decline. Pricing in the domestic market has remained steady in India, and the management expects the same in 4QFY25. Management expects volumes in 4QFY25 to be much better compared to 3QFY25.	▪ TTCH's 3QFY25 consolidated EBITDA declined 20%/30% YoY/QoQ due to lower realizations YoY (while sequentially, realizations have marginally inched up), higher fuel & freight costs, a plant production outage in the US, and unfavorable operating leverage across geographies.

Clean Science

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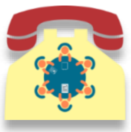

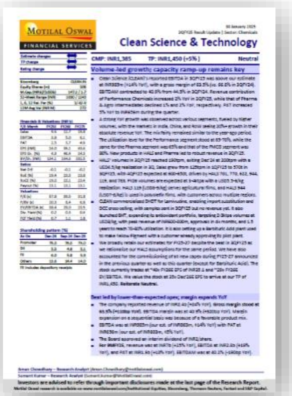

Clean Science & Technology — Neutral

Current Price INR 1,325

- Despite difficult time for the chemical sector, the company has posted robust growth on a YoY basis
- Volumes have increased, decline in RM price and weakening of USD which has given the company an edge in 3QFY25
- Coal prices also came off a bit in 3Q and the plant was shut down for five days because of Diwali so consumption was on the lower side therefore decline in Opex
- Utilization levels of Performance 65-70%, Pharma 65%, FMCG 80% in 3QFY25
- Increased growth in revenues with new products in the HALS series and pharma intermediate product
- HALS volumes in 3QFY25 was 190tpm while Dec'24 exit rate was 200tpm
- Realization of USD4.5/kg in 3QFY25
- 1QFY25 sales was 125tpm, 2Q was 135tpm, 3Q total volumes was 570t and 4Q total volumes expected ~600-650t
- Sales contributed by HALS 701, 770, 622 and the newly launched HALS 944, 119, 783
- HALS 770 was produced in the parent company where a majority of it was produced in 3QFY25
- Expect 3-4ktpa of sales volumes in HALS in FY26, with USD5.5-6/kg selling price expected

- HALS119- used in agricultural films with customers in Turkey, Europe, and North & South America- price of ~USD8-9/kg
- HALS944- used in polyolefin films with customers in similar countries and India as well- price of ~USD7-8/kg
- 25% GM on HALS for CLEAN
- China's market share in HALS is 30%
- Commercialized DHDT is a pharma intermediate that is used to manufacture Lamivudine and provides import substitution play for the company.
- Also provides cross-selling opportunities to its DCC customers
- Samples have been sent to customers in 3QFY25 and no contribution in the quarter
- Further, commercialized BHT strengthens the antioxidant portfolio of CLEAN and is sold along with BHA, TBHQ, and AP
- Want to produce 2-3ktpa on an annual basis with pricing around USD3/kg
- Revenue at peak to be at INR600-800m
- All approvals in the next 6 months with further 1.5years to be taken to ramp up to 70-80% utilization
- CLEAN has dropped P-BQ product and instead with the same facility/ equipment is undertaking the below product with minimal capex
- The company is undertaking the production of Barbituric Acid- an intermediate used to produce pigment yellow.
- Imported from China, not produced in India currently
- The pilot plant has been approved by Sudarshan Chemicals
- Expected commercialization in the next 3 months
- GM is decent to the tune of 50%
- Acetone prices have come off which should aid in margin expansion from 4QFY25.

Galaxy Surfactants **Buy**

Current Price INR 2,289

Global Supplier to Global Brands

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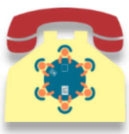

- Several one-off items impacted the 3Q performance, including a weaker-than-expected festive season, excess channel inventory, lower-than-projected govt spending, and weak rural and urban spending.
- Softness is likely to continue in 4Q as well.
- Lower funding for various D2C brands.
- Rural and urban spending to pick up from 1QFY26.
- Lower operating leverage in the India business (40% of the total business).
- Lower-than-expected conversion in the specialty segment.
- Structural story remains intact as per the management.
- Galseer Derma Green product
- Green oil soluble cleanser (for the skin)
- High-margin product for use in the US and Europe.
- Customers are sampling it, including consumer sampling.
- Volumes were down 7% in India and 1.5% in AMET but up 9.5% in RoW.
- Specialty volumes declined 5% YoY, while performance segment volume grew 0.5%.
- Capex would be aimed more at equipping the company for the future.

Standalone business

- Some specialty ingredients did not perform as expected.
- Fatty alcohol prices to be stable in 4Q but may reach ~USD1500/mt next year.
- Palm oil and palm kernel oil prices have gone up, which affected fatty alcohol prices.
- Supply chain issues have eased compared to 1HFY25 and may ease further going forward.

- Retains volume growth guidance of 6-8% for the next 2-3 years, along with EBITDA/kg guidance.

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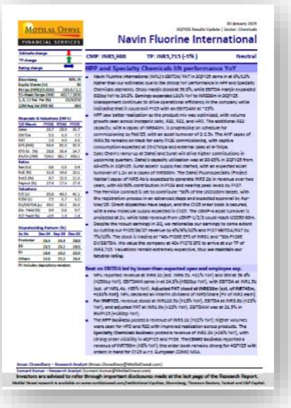
Navin Fluorine International

Navin Fluorine Intl — Neutral

Current Price INR 4,045

- Business environment continues to be uncertain due to geopolitics and macro.
- Despite this, the company delivered sustainable performance.

HPP

- Better realization by optimizing product mix in the quarter
- Volume growth in inorganic salts, R32, R22, and HFO
- Additional R32 capacity at a capex of INR840m progressing on schedule, to commission by Feb'25

Asset turnover to be 2-2.5x

- AHF capex for INR4.5b on schedule to be commissioned by early FY26
- Captive consumption to be ~25-27ktpa and external sales to be ~6-7ktpa

Spec Chem

- Ongoing ramp-up at Dahej and Surat to contribute higher in coming quarters
- Dahej capacity utilization of 80-85% in 3QFY25 compared to 40-45% last quarter
- Surat asset turn to be 1.2x, with capex of INR300m; supply has already started
- Dahej Fluorospecialty product (Project Nektar) capex of INR5.4b
- Revenue of ~INR5.2b spread across 2 years (by FY27 get closer to this peak)
- 40-50% of the revenue should come in FY26

CDMO

- Fermion contract to contribute ~30% of the USD100m target in the business
- Registration process is in a very advanced stage
- The customer is confident of getting favorable registration in Apr-May'25
- Direct dispatches already started
- Order book for CY25 already secured in the business
- Supply of a new molecule expected in CY25 as well
- cGMP-4 asset turnover to be 2x
- cGMP-1/2/3 total revenue could be USD50-60m
- Management continues to drive operational efficiency in the company.
- The company is striving to achieve the following targets to create long-term value for all stakeholders:
- Manufacturing excellence
- Deepening the relationship with existing customers while pursuing new ones
- Disciplined project execution
- Pursuing growth opportunities within a tight financial framework
- Management expects to exit FY25 with an EBITDAM at ~25%; no guidance on future margin trajectory.

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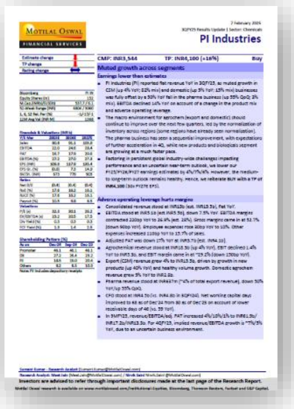
P I Industries — Buy

Current Price INR 3,203

Operating performance

- PI delivered stable performance amid challenging times. Despite a high base, exports grew ~9% in 9MFY25 thanks to healthy volume growth, which was primarily driven by growth in new products (up ~35% YoY in 9MFY25).
- The company is witnessing a healthy volume offtake in the domestic business (~8% volume growth in 9MFY25). However, total revenue remained subdued due to reduced supply to institutional customers.
- The company maintained its focus on new product launches, successfully commercializing six products in the export segment and six in domestic agri brands during 9MFY25.



- Margins continue to be influenced by changes in the product mix.
- As of Dec'24, the company's order book stood at USD1.4b.

Outlook and guidance

- Looking ahead to the next season, market sentiment will be shaped by investment trends in the sector and the overall health of the rural economy.
- Being a pure agrochemical and CSM business with an opportunity size of INR20b to INR50b in innovative products, the company is targeting a 10x bigger market opportunity over the next two decades.
- The company maintains its growth guidance of single-digit revenue growth for FY25 and is cautiously progressing toward achieving it.
- The pharma revenue guidance for FY25 remains unchanged from the previous quarter, projected at ~INR2.5-INR2.75b.
- A strong pipeline of over 20 products is advancing through various stages of development and registration.
- The company has identified three new projects for potential near- to long-term revenue generation.
- Management anticipates revenue growth to accelerate further in 4QFY25, driven by the current order visibility.
- The company is making steady progress in its mid- to long-term growth trajectory in the pharma segment.
- Stable commodity prices and higher reservoir levels should drive growth for the agri segment for PI, as it focuses on new launches and biologicals. However, the overall pricing pressure is expected to continue in the generic space.
- The effective tax rate (ETR) for FY25 is expected to be around 22-23%.

Pharma business

- Before acquisition, the company developed and supplied specific intermediates and products tailored to the Covid period. Additionally, some development projects initiated during that period have now been integrated into the company's overall pharmaceutical development pipeline.
- Gross margins have been maintained, and as the company transitions toward the CRDMO business, margins are expected to improve further.
- Revenue should accelerate further in 4QFY25, driven by strong order visibility.
- The new CDMO project is a lifeline application and a commercial product. Currently undergoing testing, it holds strong long-term potential.

Biological Business

- The company plans to introduce new products in India while expanding these products in its existing markets.
- PI is among the top three players in the Indian market.
- The company anticipates a growth of more than 25-30% next year, with further acceleration in the following years.

Agrochem Business

- The industry currently presents a mixed scenario, with performance varying by product, and it is showing improvements in certain markets. Meanwhile, the global crop protection industry continues to demonstrate a strong growth trajectory in the medium-to-long term.
- The domestic agrochemical segment is facing pricing pressure.
- In certain geographies, inventory levels have stabilized, accompanied by a recovery in demand.
- Certain generic products continue to face inventory destocking; however, the overall industry is expected to improve over the next two quarters, positioning itself better than last year.

CSM

- The business faces near-term macro headwinds, including tariff wars, geopolitical uncertainties, and pricing pressures.

- The company aims to sustain its current volume levels, with demand expected to improve in the second half of CY25.

Capex

- The company plans to undertake capex by constructing two new multi-product plants (MPP). The total capex for this initiative is estimated to be INR80-100b.

Others

- PI became the first Indian company to receive approval from International Organization for Standardization (ISO) for a ground-breaking insecticide named "PIOXANILIPROLE”.
- Currently there are 60+ projects at different development stages.
- PI secured a key CDMO order for a new program.
- The company is actively advancing technological development to establish new frontiers for growth, with the progress on R&D leading to potential commercialization.
- Incoming inquiries indicate a shift, with over 50% directed toward non-agrochemical products, particularly electronic chemicals.
- Plant healthcare is currently a small business, serving primarily as a development platform for the company.
- The increase in depreciation was due to the amortization of intangibles added in this quarter as part of PHC’s integration, and this run rate is expected to continue going forward.
- The company continues to gain traction in new customer acquisitions, adding 5-10 new customers in 3QFY25.
- PI has successfully commercialized 3 to 4 electronic chemical projects over the past two years, which are currently in the scale-up stage. It is collaborating with global players from Japan and the EU. This year, two molecules have been commercialized, and a strong development pipeline is in place, with plans to commercialize two more molecules next year.
- The company has identified Pharma and Biologicals as key growth engines for the next two decades. With relatively smaller initial investments, both segments are currently operating at a smaller scale. However, given the significant growth opportunities, the company aims to target an addressable market of USD100b in Pharma and over USD25b in Biologicals.

SRF — Buy

Current Price INR 2,727

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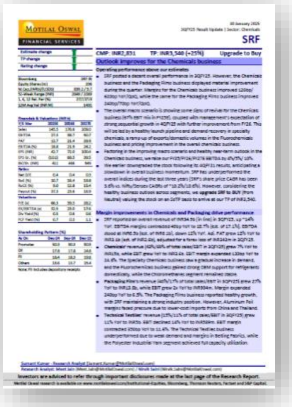
Chemicals business: Specialty chemical

- The Specialty chemical business reported strong revenue and margin growth driven by the notable traction gained by the newly launched products while achieving the highest-ever quarterly sales for some products.
- The success of commercialization and ramp-up of the new products will remain a key driver of growth going forward.
- Despite some intermediates continuing to face competition from China, the overall agro segment has started to show signs of recovery with the demand deferment for certain key agro intermediates now witnessing a gradual pickup.
- The management anticipates robust demand from agro in 4QFY25 with a significant performance improvement over 3QFY25
- Most of the new registered products are patented.
- Specialty chemicals witnessed netter margins in 3QFY25 led by a better pricing environment, operating leverage, new products, and increases in overall volumes.



- Going forward, SRF anticipates to clock a revenue growth of ~20% in FY26.
- The company has capitalized ~INR20b over the last two years.

Chemicals: Fluorochemicals

- The Fluorochemical business was largely driven by strong growth in volumes of ref gases in the domestic market led by Strong support for refrigerants from OEMs
- Demand for Dymel®/ Pharma propellant remained strong
- Refrigerant gas demand and pricing are expected to remain strong globally, with the US markets witnessing a decline in HFC consumption due to regulatory changes and a shift to alternatives
- while markets like India and the Middle East are experiencing higher growth rates
- Going forward china's consumption growth will remain a key driver of the growth of refrigerant gas
- The company expects positive traction from FY26 onwards in PTFE
- The current capacity of R32 is 25-28KMT and the company no plans to further expand this
- R32 capacity utilization for 9MFY25 stands at ~65-70%

Packaging film business

- The Packaging Films Business maintained a steady performance and recorded a modest improvement in margins compared to the second quarter.
- SRF remains India's largest exporter of BOPET films, with strong growth in high-impact VAP sales across BOPP and BOPET, supporting performance in challenging market conditions
- South Africa maintained its domestic market leadership with stable results; Hungary saw increased sales to Mainland Europe, while Thailand faced intense competition from Chinese players.
- The demand-supply mismatch in BOPET continued in the short to medium term, while the BOPET demand and prices remained stable in India.
- Freight rates from India & Thailand to the US have started to show early signs of softening.

Technical textiles business:

- The Technical Textiles business performed well owing to the higher sales volume
- Lower demand and pressure on margins in the Belting fabrics segment led to the technical textiles segment remaining muted on a sequential basis.
- Polyester Industrial Yarn achieved the highest-ever capacity utilization while better traction on Polyester Tyre Cord Fabric was witnessed.
- The demand outlook for NTCF and PIY is expected to remain stable, while BF demand is expected to experience moderate growth.
- The aggressive import prices for BF from China continue to hurt margins, creating a persistent challenge for market competitiveness.

Others

- For FY25 the company has plans to incur a capex of ~INR15b and going ahead on future projects the company the capex will be in the range of ~INR15b-20b
- The company witnessed an overall reduction in interest rate in the last 6-8 months and management expects this to flow through in FY26
- Going ahead the management remains confident of finishing the year on a reasonably strong footing.

TATA CHEMICALS LIMITED

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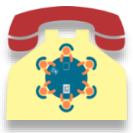

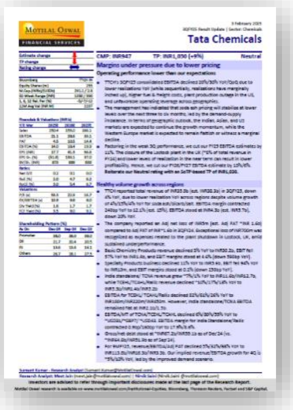

Tata Chemicals — Neutral

Current Price INR 854

Demand-supply scenario

- Asian markets have shown growth, particularly in China, reporting robust volume growth on a YoY basis
- The US and Western EU have started showing a slight decline in volumes, primarily led by reduced demand for flat and container glasses.
- The current demand scenario is likely to persist in the short term, with the industry expected to stabilize over the long term, led by growth sectors such as solar glass and lithium batteries.
- Globally, supply increased this quarter from major exporting countries such as China, US, and Turkey. However, Chinese exports have been muted and moderated based on internal demand, while the US and Turkey have seen a robust increase, with some of their exports directed to China.
- Prices in China witnessed a sharp decline in the range of ~25-30%, while prices in domestic markets declined 15% YoY due to lower import prices. Prices in the Western EU and the US remained stable due to annual contracts.
- Volumes in India and US have been strong and are expected to remain stable in the next quarter as well.
- The market has remained range-bound with pricing stabilizing at lower levels, largely due to the supply-demand imbalance. These levels are likely to continue for the next 3-6 months.
- India, Asia, and the US are expected to continue their growth momentum, with the western parts of Europe likely to be flat or experience a slight decline.

India

- Revenue growth was largely due to high volumes, which was partially offset by lower pricing.
- The imposition of MIC is expected to be sentimentally positive as it will safeguard domestic price volatility.
- Pricing in the domestic market has remained steady in India, and the management expects the same in 4QFY25.
- The company reported sequential EBITDA growth in its India business, which is also growing at a decent pace on a YoY basis.
- The debt from Singapore has been moved to India.
- The company has plans to calibrate the high inventory it holds in India.
- Management expects volumes in 4QFY25 to be much better compared to 3QFY25.
- The company expanded its capacity utilization in India.
- The current capacity is ~250KMT/quarter (gross production, which includes both soda ash and bicarb). Going forward, the company targets to operate at ~230-235KMT/quarter.
- The plants operated at full load capacity in 3QFY25, i.e 251KMT per quarter, leading to higher inventory levels.

North America

- US exports to Southeast Asian countries, especially Indonesia, Malaysia, and Thailand, have increased significantly.
- The US contract with ASP remains unchanged. However, pricing in the US has dropped by USD50/MT.

- High inventory levels are due to upcoming deliveries, but this is expected to normalize going forward as it is a timing issue.
- The company took two large shutdowns this year, which were originally scheduled for 2Q but were instead implemented in 3Q.
- Domestic sales of container glass in the US were very low, as the market favors chemical glass and flat glass.

Europe

- The UK market witnessed lower volumes, but pricing remained steady.
- The company decommissioned its soda ash plant in the UK, but some units will still operate to produce chemicals such as bicarb and salts. The company does not anticipate any major expenses related to this.
- The UK will manage its own debt with two units still in operation.
- Due to the Emission Trading Scheme and its impact, Turkey's natural market for natural soda ash will continue to be EU, as it has lower carbon emissions. After serving the EU, the company will ship it to the southern American and Indian markets.

Capex and capacity expansion

- Management is in the initial stages of calibrating capex to reduce stress on cash flow.
- With a 400KMT expansion in the US, the company is exploring the possibility of a two-step expansion approach.
- A 300KMT capacity expansion is planned in Kenya, which will be done in phases, with the first 50KMT set to open in the initial phase and the remaining in the latter phases (3-4 phases).
- The company also has plans for a 300KMT capacity expansion in India, which will be completed all at once, as there is no opportunity for phased expansion.
- Most of these capex projects are brownfield expansions, initially planned over 3 years, but now recalibrated to span up to 4 years.

Others

- China remained a net exporter in 3QFY25, with most of these exports directed to Southeast Asian countries.
- Inner Mongolia's capacity has come online.
- China is now selling soda ash from both processes below their cost, driving down prices; however, these prices are not sustainable for them in the long term.
- Long-term debt remains intact, although there has been an increase due to a rise in working capital.

- **Most of the companies witnessed limited volume growth, typically in the low to mid-single digits. While urban demand remained subdued, rural consumption displayed indications of a revival. Management predicts a gradual increase in demand, driven by reasons such as income tax breaks, interest rate reductions, and a generally better macroeconomic climate. However, rising commodity costs, notably in the agricultural sector, combined with insufficient price hikes, have strained gross margins in various sectors. To combat raw material inflation, corporations are considering significant price increases in the fourth quarter. The management teams are optimistic that price modifications, together with an expected increase in volume, will drive revenue growth in the coming quarters.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Takeaways from 3QFY25 performance	Outlook for FY25
Asian Paints	■ Domestic volume grew modestly by 1.6% YoY. The impact of last year's price cuts (3%) continued to hurt value growth despite a 1% price hike in 2QFY25. The decorative paint industry saw a 4-5% decline in 3Q. ■ There was a weak demand period with overall muted sentiment, which impacted the paint industry. Downtrading impacted value performance. Demand was also impacted by a shorter festive season and urban slowdown.	■ Management expects revenue weakness to persist for at least two more quarters. ■ The company is targeting to achieve single-digit volume growth in the near term, with 18-20% EBITDA margin guidance for the medium term. ■ APNT is more worried about industry challenges than competition. ■
Britannia	■ BRIT posted operating revenue growth of 6% YoY in 3QFY25, with volume growth of 6%. ■ Economic slowdown and high food inflation led to subdued consumer demand. CPI rose to 5.2% in 3Q, with food inflation at 8.4%. ■ Britannia's commodity inflation stood at ~11%, primarily driven by rising cocoa and palm oil prices. ■ GM contracted 510bp YoY to 38.7%, due to rising commodity prices, mainly palm oil (+43% YoY) and Cocoa (+103% YoY). ■ Direct reach has expanded to 2.88 million outlets, with rural distribution now covering 31,000 distributors.	■ The company is implementing strategic price hikes (2% in 3Q, further 2.5% in 4Q and 1.5% in 1QFY26) and cost efficiency (~2.5% in FY26) to offset cost inflation. ■ It has guided that EBITDA margin will be in the range of 17-18%. ■ No major capital expenditure is planned, with only INR1.5-2b allocated for FY26. ■
Dabur	■ Dabur's consolidated sales grew by 3% YoY. India revenue rose 2%, with volume growth of 1.2%. ■ Urban demand moderated during the quarter, affected by persistent food inflation. The rural market exhibited strong performance. ■ Delayed and contracted winter conditions were observed, with October and November being the warmest in India in recent years, impacting seasonal product demand. ■ Dabur had taken 3% price hike to offset inflation, but it was neutralized by trade schemes and promotions.	■ The company anticipates sequential improvement in demand and mid-single digit value growth in 4QFY25, driven by both pricing and volume growth. ■ For FY26, the company aims to maintain margins, with a potential for marginal improvement through cost initiatives and pricing actions.
Godrej Cons.	■ India revenue grew 3% YoY, with flat volume growth. ■ There is a slowdown in urban consumption, particularly in modern trade and premium product segments. Rural demand has outpaced urban demand, driven by the success of GCPL's Van Program, which enhanced rural penetration and growth. ■ GCPL is working to reduce inventory levels in urban general trade, especially in metro areas, aiming to improve the return on investment for GT distributors to 20-30%.	■ The company has taken mid-single-digit price hikes in 3Q, with further increases expected in 4QFY25 to offset palm oil inflation. They expect positive organic revenue growth in 4QFY25. ■ EBITDA margins in Raymond business sustained at mid-teens and will expand further going forward. ■ Margins are expected to improve sequentially, with normalization expected in 1HFY26.

Hindustan Unilever	▪ Demand recovery was delayed as urban consumption was under pressure. The higher share of LUPs has further impacted the mix for underlying volume growth (UVG). Near-term growth pressure is expected to sustain despite healthy rural demand. UVG was flat YoY in 3Q. ▪ Home Care maintained high-single-digit volume growth and clocked 5% revenue growth. Fabric Wash and Household Care sustained strong growth. ▪ Beauty & Wellbeing segment posted a low-single-digit volume decline, with revenue growth of 3% (standalone 1%), impacted by the delayed winter and mass skin portfolio. Personal Care posted a mid-single-digit volume decline and 3% revenue decline, impacted by skin cleansing. Oral Care grew in mid-single digits, led by pricing.	▪ HUVR has implemented price hikes to mitigate the impact of raw material price inflation. It will continue to raise prices by low-single digits if commodity prices remain at the current level. ▪ EBITDA to be maintained at the lower end of 23-24%.
Marico	▪ Domestic revenue growth was 17% YoY with 6% volume growth. International growth was 10% YoY (16% cc growth). ▪ FMCG sector retained a steady demand momentum in 3Q, with stable urban sentiment and relatively stronger rural demand growth. ▪ Price increases were implemented across core portfolios in response to the sharp escalation in input costs. ▪ Modern trade and e-commerce, including quick commerce, led growth with high double-digit volume increases, while general trade was flat. ▪ Project SETU now covers 11 states.	▪ The company expects double-digit revenue growth (unlike other FMCG peers) in the medium term, and has maintained its operating margin guidance at ~20% for FY25.
PIDI	▪ UVG was 10% in 3QFY25. Consumer business witnessed value and volume growth of 5% and 7% YoY, similar trend in 9MFY25. B2B business reported 19% and 22% value and volume growth. ▪ Price cut impact lowering down, value and volume gap has narrowed down to 200bp vs. >400bp in 1HFY25. ▪ Demand has seen some softness, particularly in urban market. Rural growth continues to outperform the urban. ▪ VAM dipped to ~USD884/t in 3QFY25 from USD902/t in 3QFY24 and is anticipated to remain stable in the near term.	▪ Management has maintained its guidance of double-digit UVG for FY25. ▪ PIDI aims to achieve growth of 1-2x of GDP in its core category and 2-4x in its growth category. ▪ Management maintains EBITDA margin guidance in the range of 20-24% for FY25. ▪
UNSP	▪ The price mix stood at 4.6% (5.2% excluding Andhra Pradesh). ▪ Total volume grew 10%. Prestige & Above (P&A) clocked volume/value growth of 11%/16%. Popular segment posted 6%/10% YoY volume/value growth. Andhra Pradesh saw quick ramp-up after policy change and contributed 6% to total revenue in 3Q ▪ ENA price continues to face inflationary pressures, and this trend is expected to persist for the next couple of quarters. However, glass cost has stabilized.	▪ The company remains committed to achieving double-digit P&A growth in FY25. ▪ The company expects FY25 margin expansion to be in the range of 70-100bp.

asianpaints

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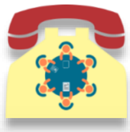

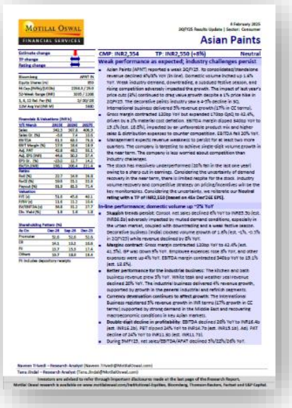

Asian Paints — Neutral

Current Price INR 2,237

India Business

- Demand was weak with overall sentiments being muted. This adversely impacted the paint industry, and downtrading hit value performance. The demand during 3QFY25 was also hurt by the shorter festive season along with the urban slowdown.
- The decorative segment's volume rose 2% (+12% five-year CAGR) while value declined 8% YoY (+10% five-year CAGR). During 9MFY25, volume was up 3% YoY (+13% five-year CAGR) while value declined by 6% YoY (+11% five-year CAGR)
- Decorative and Industrial segment performance was slightly better with 1.7% volume growth while value declined 6.6%. During 9MFY25, volume rose 3% while value declined 5% YoY.
- Distribution expansion continued with 1.69lac touch points.
- Painting service has seen sustained acceptance; the biggest in the world.
- B-B has done quite well than 2Q; govt spending was better. Overall B-B is showing good signs.
- **New Launches:** Several premium products were launched. Apex Ultima Air-o-Clean was launched in the exterior category, which uses advanced technology that neutralizes known pollutants. It is available in 200+ shades. There is also a range of regional packs (Maharashtra, Gujarat, and Kerala) under Royale GLITZ. There has also been a packaging change, with premium looks across luxury, premium, and economy ranges. The contribution from the new products was 12% of revenue.
- Future of waterproofing with 25 years of waterproofing warranty for terraces.
- Launched a new campaign for Ultima Protek, an ultra-durable exterior paint with 12 years of warranty. The new campaign is also for the exterior textures.
- The VAM project in Dahej and the white cement project in Dubai are on time.
- Beautiful Homes Signature Store launched in Mumbai, spread across 14k sqft. Similarly, it was launched in Surat spread across 13k sqft.
- The company launched Nilaya WALL WRAP Zero PVC, Zero Plastic, Zero VOC, and made from naturally occurring minerals.
- The demand in November and December was better than October.
- The decorative industry saw a decline of 4-5%, while industrial performance was slightly better.
- The company has not seen such kind of demand issue in the last two to three decades (probably seen in the early '90s).
- NEO latex paint was to add a new customer base; the target customers are not part of the organized paint so this launch expands the category size.
- The company is looking to reduce the hassle for the customers in the paint category.
- **Near-term Outlook:** The demand condition was challenging in 3Q with stress seen in urban continues. The company is optimistic about rural demand. Paint is a category where consumers can postpone demand, which is impacting the current overall slowdown. Govt spending should be strong going ahead. Industrial business should be strong. The revenue growth weakness will be sustained for at least two more quarters. The company is looking to first achieve single-digit volume growth in the near term.

- **Competition:** The company has not seen much competition impact in 1HFY25; instead, it was the industry weakness that hit most players. It is too early to comment on the new competition impact as the category size at INR800b is huge. Competition has now rolled out products across price points; it will be important to see real value propositions to customers as there is no uniqueness in the product.

Operating Margin

- GM improved sequentially but it was down YoY.
- Last year's price cut impact was in 3QFY25 despite a 1.2% price hike in 2QFY25.
- Employee cost inflation was negligible as the company looked for higher employee productivity.
- Sales and distribution expenses have gone up to counter competition.
- Negative oplev impacted the operating margin.
- The company maintains 18-20% EBITDA margin guidance for the medium term.

International Business

- 3Q growth in INR terms at 5%; strong 17.1% growth in constant currency terms
- Africa: Impacted by currency devaluation in Egypt & Ethiopia
- Middle East: Strong double-digit growth; especially in UAE – a key growth market.
- Focus on prelux and waterproofing categories supporting growth.
- Increase in overall profitability driven by the recovery in key Asian geographies.

Britannia Inds — Neutral

Current Price INR 4,837

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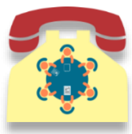

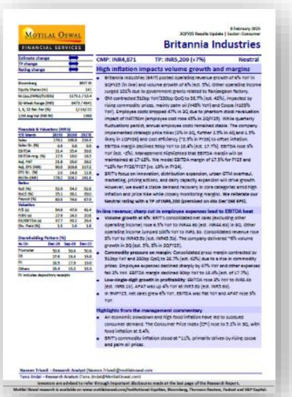

Business environment and performance

- Economic slowdown and high food inflation have led to subdued consumer demand.
- The Consumer Price Index (CPI) rose to 5.2% in 3Q, with food inflation at 8.4%.
- Private final consumption expenditure (PFCE) is projected to grow by 7.8% in real terms and 13.7% in nominal terms in 2H.
- Key household essentials experienced significant inflation in Dec'24, with cereals at 6.5%, oils & fats at 14.6%, vegetables at 26.6%, and fruits at 8.5%.
- BRIT's commodity inflation stood at ~11%, primarily driven by rising cocoa and palm oil prices.
- The company is implementing strategic price hikes and cost-cutting measures to mitigate the impact of inflation.
- A 2% price increase was implemented in 3Q, with an additional ~2.5% planned for 4Q (overall price hike expected to be 4.5% for FY25). A further 1.5% increase is planned for 1QFY26.
- The company continues to focus on cost efficiency measures, targeting savings of ~2.5% of sales in FY26.
- Direct reach has expanded to 2.88 million outlets, with strengthened rural distribution now covering 31,000 distributors.
- Focus states, including Madhya Pradesh, Rajasthan, Uttar Pradesh, and Gujarat, grew 2.6x faster than the rest of India in 3Q, contributing 15% of total revenue, with rural markets showing stronger growth.
- The company remains committed to innovation, catering to regional preferences and driving premiumization.

- The RTM 2.0 strategy aims to expand distribution, enhance sales capabilities, upgrade technology, and improve street-level engagement.
- Urban retail channels are 1.3 times more profitable than the company's overall business.
- International business continues to perform well, particularly in the non-Middle East markets, maintaining healthy margins.
- No major capital expenditure is planned, with only INR1.5-2b allocated for FY26.
- The e-commerce mix for BRIT's product categories stands at ~ 4% for biscuits, 17% for croissants, 9% for cakes, and 11% for dairy, showing a higher share for adjacent businesses.

Adjacent categories

- The company plans to relaunch its entire cake and cheese portfolio with enhanced graphics to strengthen its competitive position.
- Croissant is on a strong double-digit growth trajectory.
- Rusk continues to see healthy volume and value growth.
- Wafers are driven by innovation and distribution expansion.
- Cheese category is leveraging in-house capabilities for competitiveness and growth.
- Drink segment maintains strong double-digit growth.
- Croissant revenue projected to reach INR2b next year. Milk business has already crossed INR2b in revenue.
- Strengthened adjacent categories with new launches like Dual Flavored Layer Cake and INR5 Rusk Pack.

Cost and margins

- Palm oil prices surged 36% QoQ and 43% YoY in 3QFY25. Cocoa prices increased 19% QoQ and 103% YoY in 3QFY25.
- Employee costs impacted by stock price appreciation provisions. Stock price in 2Q was ~INR6,300, which dropped to ~INR4,600 in 3Q, causing an impact of INR750m on employee costs. Employee costs fluctuate quarterly in line with stock price volatility.
- The company highlighted that employee costs will rise at a rate of 0.75x of revenue growth.
- Management highlighted that EBITDA margin will be maintained at 17-18%.

Dabur — Buy

Current Price INR 505

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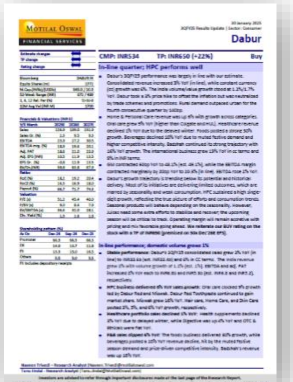
Operating Business and Environment

- Urban demand moderated during the quarter, affected by persistent food inflation, while the rural market exhibited strong performance.
- Delayed and contracted winter conditions were observed, with October and November being the warmest in India in recent years, impacting seasonal product demand.
- The company anticipates sequential improvement in demand and mid-single-digit value growth in 4QFY25, driven by both pricing and volume growth.
- The company's rural distribution network expanded by 15,000 villages this fiscal, now covering over 131,000 villages.



- According to Nielsen data, rural growth outpaced urban growth by 490 basis points during the quarter. Overall, the FMCG sector grew by 7%, with urban areas growing by 5% and rural areas growing by 10%.
- In Dabur's domestic business, value growth stood at 1.7%, with urban areas growing by 0.6% and rural areas growing by 2%. Rural demand outpaced urban by 140bp.
- The strategic vision cycle has been revised from four years to three years, considering the volatile geopolitical landscape.
- The company implemented a 3% price increase YTD to offset the 3% inflation; however, the pricing impact was neutralized by trade schemes and consumer promotions.
- In the home care segment, the company achieved 15-16% volume growth and 5% value growth, with 10% of the value growth offset by the trade schemes. Similarly, in the hair oil segment, volume growth stood at 6%, while value growth was 3% during the quarter.
- The company expects 8% inflation going forward and plans to implement calibrated price hikes to sustain profitability.
- During the quarter, the inventory days at the distributor level are at ~21 days.
- Quick commerce maintained strong growth momentum, driven by speed, convenience, and 24/7 availability, reinforcing its role as a key distribution channel.

Cost and Margins

- The company remains focused on premiumization and product mix optimization to drive margin expansion.
- In 4QFY25, the company expects mid-single-digit operating profit growth and maintain margins at the current level.
- For FY26, the company aims to maintain margins, with a potential for marginal improvement through cost initiatives and pricing actions.

Segmental performance

HPC

- The HPC segment recorded a 6% YoY sales growth during the quarter.
- Oral Care grew by 9% YoY, driven by strong demand for Dabur Red toothpaste and the premium brand Meswak.
- Meswak posted 16% growth, driven by strong premium positioning, while Babool declined during the quarter.
- The herbal care category market share has increased from 30% to 32%.
- The Gels portfolio in the 'freshness' segment achieved double-digit growth.
- The company received recognition from the Indian Dental Association (IDA) for Dabur Red Toothpaste as a non-fluoride product.
- To modernize its oral care portfolio, the company will revamp Dabur Red’s packaging to enhance appeal in the organized trade channels.
- As part of a marketing initiative during Mahakumbh, the company set up 10-15 stalls showcasing its toothpaste and toothbrush range, while also organizing the Dant Snan campaign before pilgrims take bathing at Kumbh Mela.
- Revenue growth in oral care was driven by both volume growth and price hikes. The company expects oral care to be its fastest-growing segment in FY26.
- Rural markets contribute 45-50% of oral care revenue, aligning with the company's overall rural business contribution.

- The hair oils segment grew 3% YoY and gained 150bp market share. The Shampoo category outperformed the broader market, gaining ~20 bps in market share.
- Home Care registered 5% YoY growth, with Odonil delivering double-digit volume growth, supported by strong performance in the Aerosol and Gel segments, resulting in a 101bps market share gain in air fresheners.
- Odomos reported a muted performance due to a category-wide slowdown, but still outperformed the segment, gaining 574bps market share in the MRC (Mosquito repellent cream) segment.
- Sanifresh recorded double-digit growth during the quarter.
- Skin Care grew by 6% YoY, led by strong performance in the Gulabari franchise, which posted high single-digit growth.

Healthcare

- The Healthcare portfolio declined by 1% YoY during the quarter.
- Health Supplements saw a 3% YoY decline, impacted by unfavorable weather conditions, affecting seasonal product demand.
- Chyawanprash continued to strengthen its market leadership, gaining 139 bps in market share. The category declined by 6% YoY while the Dabur Chyawanprash sales dipped 3% YoY helping to gain market share. The company is actively working to revive growth in this portfolio.
- The Chyawanprash portfolio's annual revenue rate is ~INR5,000m and is seeing good traction in its new formats, including tablets, liquids, and powders.
- Chyawanprash's new variant flavors now contribute 20% of the overall portfolio and are offering higher margins.
- The Digestives category grew by 4% YoY, with Hajmola recording mid-single-digit growth in both candy and tablet formats. Extensions and variants of Hajmola now contribute more than 15% to the overall Hajmola franchise.
- The OTC & Ethicals segment remained flat YoY while key brands like Honitus, Shilajit, Health Juices, and Women's Health tonics performed well. The annual revenue rate for OTC is ~INR8000-9000m and for Ethicals is ~INR5000m.

Food & beverages

- The Foods segment maintained its strong growth momentum, reporting ~30% YoY growth driven by Hommade paste, coconut milk, oil & ghee, tomato puree, and Lemoneez.
- Badshah continued its strong growth trajectory, delivering 16% value growth with double-digit volume growth, and is gaining market share.
- The Beverages segment declined by 10% YoY, with the Juices & Nectars (J&N) category impacted by muted festive season demand and price-driven competitive pressures. Despite the decline, Real gained ~318 bps market share during the quarter.
- The Active Juices portfolio grew by 10% YoY, contributing 10% of the beverages portfolio, while the coconut portfolio and food drinks also posted double-digit growth during the quarter. The Nectars business faced pricing pressures, prompting the company to reduce prices from INR 130 to INR 100 for 1L pack and introduce lower-priced packs to remain competitive.
- Adverse weather conditions such as unseasonal rains, weak summer season, and lackluster festive demand affected the beverage segment. The nectar portfolio, being predominantly urban-centric, was further affected by the

slowdown in urban consumption. 40% of the beverages portfolio comprises 200ml tetra packs, which were the most impacted during the quarter.

- The company is revamping its communication strategy, positioning cola as sugar-flavored water, while Dabur products use only natural sugar, and introducing new competitively priced offerings with an emphasis on value for money and also improving the distribution margin.

Emami — Buy

Current Price INR 549

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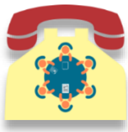

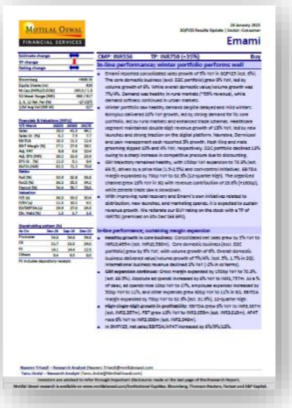

Performance and outlook

- Urban demand is facing headwinds, primarily due to rising food inflation and liquidity constraints in retail and wholesale trade channels.
- Rural demand exhibited resilience, driven by favorable monsoon conditions and a strong harvest.
- Seasonal categories were impacted by the delayed onset of winter, adding further complexity to market dynamics.
- Organized channels like Modern Trade, e-Commerce, and Institutional sales now contribute 28.6% of domestic business and grew by 13% in 3Q.
- There is a slowdown in general trade; however, there are no inventory issues.
- Emami focuses on small packs catering to middle-income consumers (~20% revenue contribution).
- Rural salience in the domestic business stands at 53-54%, with organized channels contributing 28-29% and urban GT contributing 16-18%.
- CSD (canteen store department) is included in institutional sales, contributing ~4% of total revenue.
- Operating cash flow (CFO) is expected to be in the range of INR5,000-5,500m in 9MFY25.
- Goodwill amortization is expected to be INR900m for FY26.
- The company remains committed to achieving high-single-digit revenue growth and double-digit EBITDA growth in FY25.
- The effective tax rate stands at 8-9% in FY25 due to MAT credit, with the company anticipating a rate of 10% in FY26.

Cost and margins

- Gross margin expansion is driven by a combination of price hikes, input cost deflation, and the company's cost-reduction initiatives. This improvement is expected to be sustained in the near term.
- Deflation has been observed in packaging material costs, and the company has implemented a 1.5-2.5% price increase across categories, including both LUPs (low-unit packs) and larger packs.
- The impact of the 1.5-2.5% price increase is expected to reflect in 4Q, contributing positively to margins.

New product launches

- The company rebranded its flagship product Fair and Handsome to Smart and Handsome in Jan'25, reflecting a strategic shift toward a more inclusive and contemporary positioning in the male grooming category.
- Under the Smart and Handsome brand, the company aims to reposition itself as a comprehensive solution provider for male grooming needs, moving beyond fairness-focused products.

- The strategy includes an enhanced focus on face wash offerings and a robust pipeline of NPD across the male grooming segment over the next three years.
- In Dec'24, the company introduced Mentho Plus Balm TOTAL in the southern region, marketed as an aromatic balm designed to address various types of body pain, including cold and headache, thereby expanding its presence in the therapeutic and wellness segment.
- During 3QFY25, the company launched a new television commercial for BoroPlus antiseptic cream in the Bengal region, reinforcing its market positioning and engaging with its core consumer base in a key geography.

Segmental information

- The healthcare portfolio delivered double-digit growth, driven by strong performance across Zanducare, Zandu Ayurvedic Cough Syrup, Zandu Health Juices, and the Immunity range, reflecting sustained consumer demand in the wellness segment.
- In the BoroPlus range, growth was led by the core BoroPlus Antiseptic Cream and lotions, benefiting from continued brand strength and category expansion.
- Boroplus has shown growth on a lower base, driven primarily by the core cream segment. This momentum is expected to continue in 4Q as the brand continues to perform well.
- Boroplus, a mass-market brand, is driven by strong rural demand and enhanced trade schemes.
- The company has increased its focus on the Kesh King Shampoo Sachet, enhancing in-market visibility through prominent display units and strategic placements to capture incremental demand in value-conscious segments.
- Kesh King faces challenges due to category issues in the hair oil segment. The company has engaged BCG to develop strategic plans for Kesh King, with the strategy expected to be delivered in the next 1-2 quarters.
- In The Man Company portfolio, Emami is strategically calibrating discounts to ensure sustainable long-term growth, despite a temporary impact on revenue. It also plans to invest judiciously in branding initiatives to achieve sustainable and profitable growth over the next two quarters.
- The Brillare portfolio witnessed robust growth, with hair care products like Hair Oils and Professional Shampoos leading the momentum, followed by body care products. Offline expansion efforts have also gained traction, with coverage extending to over 3,000 salons and retail stores, driving higher visibility and consumer engagement.
- The decline in The Man Company is attributed to a shortened festive period this year (one month YoY compared to two months last year) and delays in transitioning to quick commerce platforms.
- The company has maintained its pricing strategy for new launches under the Smart and Handsome brand.
- Smart and Handsome is seeing a revival in 4Q, supported by new product launches.
- The international business witnessed a decline, primarily due to lower growth in Russia and Ukraine. However, performance was stable in Bangladesh and other markets.
- Panchasrishta growth in healthcare faces challenges due to a declining category after Covid. The company is undertaking initiatives like improved packaging and

advertising campaigns to revive the category. Category saw strong growth during Covid, but major players now face pressure or decline.

- The company has not seen any significant impact from Dabur's SESA acquisition in hair oil and does not anticipate much competitive threat from it.
- There are gradual benefits in the Ethicals portfolio from insurance policies extended to the Ayurvedic portfolio. The company is taking steps to engage with Ayurvedic hospitals; however, improvements in both the ethical and generic portfolios are expected to be gradual.

Godrej Consumer — Buy

Current Price INR 1,024

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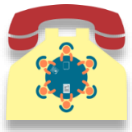

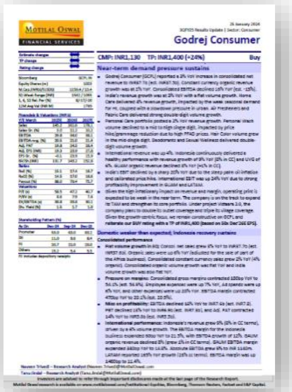

Performance and outlook

- There is a slowdown in urban consumption, particularly in the modern trade and premium product segments.
- Rural demand has outpaced urban demand, driven by the success of GCPL's Van Program, which significantly enhanced rural penetration and growth.
- The company is working to reduce inventory levels in urban general trade, especially in metro areas, aiming to improve the return on investment for GT distributors to 20-30%.
- The company expects positive organic revenue growth in 4QFY25.
- It has implemented multiple price hikes across categories, especially in soaps, to counter the impact of elevated palm oil derivative costs.
- It implemented a mid-single-digit price hike in 3Q, with further price increases expected in 4QFY25.
- These price hikes, combined with damage cuts and trade scheme reductions, led to trade destocking, impacting short-term volume growth.

Cost and margins

- Palm oil prices have corrected ~20% from their peak, but PFAD (a key derivative) has only declined 7-8%, delaying the expected input cost relief.
- Normalization in PFAD prices is expected, depending on global supply-demand dynamics.
- The company is implementing price hikes to restore India's margins at 24-26%.
- Margins are expected to improve sequentially, with normalization expected in 1HFY26.
- EBITDA margins in the Raymond business improved to mid-teens and will expand further going forward.

Segmental performance

Home Care

- Home Care revenue grew modestly by 4% YoY.
- The Household Insecticides (HI) category faced challenges due to an unfavorable season and a slowdown in urban consumption.
- Good Knight Agarbatti continues to deliver exceptional growth, gaining significant market share in the incense sticks segment.
- GCPL gained a significant market share in liquid vaporizers, particularly in machines, during November and December.
- Premium formats in the HI category were impacted by the slowdown in urban consumption; however, market share gains in these formats indicate strong consumer acceptance of the RNF molecule.
- The Air Fresheners segment delivered double-digit volume growth.

- Fabric Care reported robust double-digit volume growth, driven by successful category expansion.
- Godrej Fab has been rolled out nationally and continues to strengthen its market position with sustained share gains.

Personal Care

- Personal Care revenue grew by a subdued 2% YoY.
- Personal Wash volumes declined in the mid-to-high single digits, offset by price increases implemented across the portfolio.
- Persistent cost pressures from inflation in palm derivatives continue to weigh on margins, with the pressure expected to persist in the near term.
- Magic Handwash sustained its strong performance, delivering robust double-digit volume growth.
- Hair Colors posted mid-single-digit volume growth, supported by steady category performance.
- The Godrej Expert Rich Crème access packs maintained double-digit growth momentum.
- Shampoo hair color volumes continued their strong growth trajectory, expanding in double digits.
- The Sexual Wellness segment delivered double-digit value growth and further strengthened its market share.
- GTM integration for deodorants across cosmetic outlets is nearing completion, with performance stabilizing in this segment.

International market updates

- Indonesia showed steady performance with a 6% volume growth, 9% revenue growth, and 12% EBITDA growth.
- Indonesia Hair Colors recorded strong double-digit volume growth, driven by Shampoo Hair Color.
- Indonesia Stella Pocket continues to perform strongly, with volumes doubling YoY.
- In Africa and Latin America, the focus remains on balancing pricing with volume growth to drive revenue recovery.

New launches

- The company has launched Mini Aer Pocket in certain states of South India at INR30.
- The company re-launched Aer Spray at INR99 across India.

Hindustan Unilever — Buy

Current Price INR 2,250

Hindustan Unilever Limited

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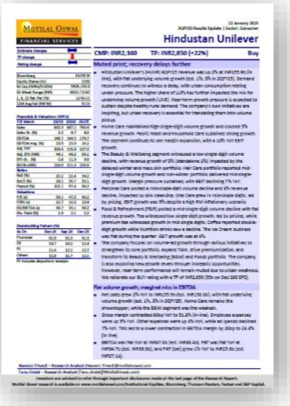
Detailed Concall Transcript &
Results Update

Operational environment

- FMCG demand trends remained subdued during the quarter with continued moderation in urban growth, while rural sustained its gradual recovery.
- Rural demand was driven by the consumption of LUPs, while urban markets faced demand compression, with consumers trading down from larger to smaller packs, particularly in the Home Care segment.
- The moderation in consumption trends will continue in the near term.
- HUVR has implemented price hikes to mitigate the impact of raw material price inflation. HUVR will continue to raise prices by low-single digits if commodity prices remain at the current level.
- HUVR focuses on volume-led growth to drive competition.


Hindustan Unilever

CMP: INR2,580 TP: INR2,850 (+22%) Buy

Muted print; recovery delays further

- The company has sustained positive absolute volume (tonnage) growth. Underlying volume growth was flat in 3QFY25, impacted by higher growth in Home Care with lower per-ton realizations and faster growth of lower-priced packs (LUPs), such as sachets, compared to larger packs. However, this was partially offset by ongoing premiumization efforts.
- Home Care remains a resilient category given its essential nature, performing well despite macroeconomic challenges. HUVR's strong portfolio, with product availability across price points, is ensuring continued growth.
- The new Stratos formulations for Lifebuoy and Lux have been expanded to a large part of the country and have received positive consumer feedback.
- Organized trade continues to outpace growth compared to other channels and has grown by double digits during the quarter.

Costs and margins

- Gross margin was primarily impacted by RM prices, with volatility in commodity prices. Crude oil and soda ash prices declined 11% and 3%, while palm oil and tea prices increased 40% and 24% YoY.
- EBITDA is expected to be maintained at the lower end of 23-24%, led by the product mix and operating leverage.
- Management guided that EBITDA margins for the Food business will be maintained at 19-20% and for Personal Care at 17-18%.

Segmental highlights

Home Care

- Home Care grew 6%, with a high-single-digit UVG, both in Fabric Wash and Household Care.
- The Fabric Wash segment delivered broad-based growth across all formats, with the liquids portfolio sustaining its double-digit growth momentum.
- Rin bar was re-launched with advanced product enhancements for superior performance. Comfort underwent a comprehensive re-launch to further strengthen its brand positioning and superiority.
- Household Care growth is driven by strong performance in the Dishwash category. The launch of Sun, a new liquid dishwash brand, reflects the company's strategic focus on expanding liquid products within the mass segment.

Beauty & Wellbeing

- Beauty & Wellbeing's standalone revenue grew 3% (1% standalone revenue), with a low-single-digit underlying volume decline. Excluding the winter portfolio, the segment grew in mid-single-digit.
- Hair Care recorded mid-single-digit competitive volume growth, driven by strong performances from Dove, Tresemme, and Clinic Plus. Growth was broad-based across sachets and emerging formats. New launches, including Dove's Hair and Scalp Therapy and Tresemme's Silk Press range, bolstered the company's future core and market-maker portfolio.
- Skin Care faced challenges due to a delayed winter, while Color Cosmetics had a muted quarter. However, sequential improvement in the mass skin segment was supported by portfolio expansion. The non-winter skincare portfolio achieved mid-single-digit growth.
- Six strategic focus areas and emerging channels continued to deliver double-digit growth.

Personal Care

- Personal Care saw a 3% decline and a mid-single-digit volume decline.
- Strategic initiatives in Skin Cleansing drove market share gains during the quarter, with positive momentum observed in the non-hygiene segment.
- Lifebuoy was re-launched to address challenges in the declining hygiene category.
- Body Wash maintained its strong double-digit growth, further solidifying its market leadership. As part of the premiumization strategy, Dove introduced its Serum Shower collection of soaps and body wash.
- Oral Care achieved mid-single-digit growth, led by pricing and the performance of Closeup.

Food & Refreshment (F&R)

- F&R’s revenue was flat, with a mid-single-digit volume decline.
- Tea recorded low-single-digit growth, driven by premium brands such as 3 Roses and Taj Mahal, while retaining its value and volume leadership in the category.
- Coffee achieved double-digit growth, supported by robust performance in organized trade channels.
- HUVR's Nutrition Drinks strengthened its value and volume market leadership despite a category decline due to subdued consumption. Pricing adjustments for consumption packs were implemented during the quarter to drive demand.
- Packaged Foods posted mid-single-digit growth, led by strong contributions from future core and market-maker segments.
- Key categories such as ketchup, mayonnaise, food solutions, international sauces, and cuisines continued to deliver strong volume growth.
- New launches during the quarter included Knorr's Korean Noodles flavor and the pan-India expansion of Horlicks Strength Plus.
- Ice cream revenue remained flat year-on-year.

Minimalist acquisition

- HUVR has acquired a 90.5% stake in Minimalist at an EV of INR29.55b, paying INR26.70b. The remaining 9.5% will be acquired from the founders within two years. The deal is expected to close in 1QFY26.
- The founders, Mohit and Rahul Yadav, will continue to lead the business for two years post the acquisition.
- Minimalist has an annual revenue run rate of +INR5b and the business has been profitable since inception. Revenue in FY22/FY23/FY24 was at INR1.03b/ INR1.84b, and INR3.47b.
- HUVR is under-indexed in the premium beauty and wellbeing category and has targeted to shift the portfolio towards premiumization by 900bp.
- The acquisition of Minimalist supports this transformation by expanding HUVR’s beauty portfolio. Minimalist operates in the masstige segment with strong e-commerce capabilities. Half of the overall beauty market comprises the masstige segment, which sees robust demand from affluent customers.
- The derma activist category, where Minimalist operates, comprises 2/3 masstige products. This segment is growing at twice the rate of the overall beauty market.
- Minimalist also excels in innovation, with several successful launches in the previous quarters driving growth across categories.

Synergy opportunities:

- Expansion of Minimalist’s product portfolio using HUVR’s R&D capabilities

- Leverage HUVR’s distribution network to build Minimalist’s offline presence as Minimalist already has an online presence
- Utilize Unilever’s global reach to expand Minimalist internationally
- Benefit from HUVR’s supply chain to achieve cost and capacity efficiencies, creating margin synergy

Ice-cream business

- The ice cream business will be operated under the Kwality Wall’s (India) Limited brand, incorporated in Jan’25.
- The demerger offers shareholders an equitable opportunity to participate in the future value creation of the standalone ice cream business, with a 1:1 share entitlement ratio.

Acquisition of the palm undertaking

- HUVR has approved the acquisition of the palm business from Vishwatej Oil Industries in Telangana.
- This move supports HUVR's palm localization strategy to reduce dependence on imports from Indonesia and Malaysia and strengthen its supply chain. The acquisition aligns with India's National Mission on Edible Oils.

Indigo Paints **Buy**

Current Price INR 1,064

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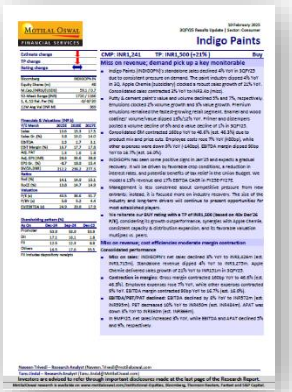

Performance and outlook

- The demand slowdown has persisted over the past year, with festive demand falling below expectations.
- No significant difference has been observed between urban and rural demand growth.
- The company has seen some signs of improvement in Jan’25 and expects demand to recover, driven by favorable crop conditions, a reduction in interest rates, and potential tax relief in the Union Budget.
- Emulsion value growth stood at 3%, while volume growth was 2%, indicating an improved product mix and increasing premiumization.
- Premium emulsion at the retail level is the fastest-growing segment, with a strong focus on engaging painting contractors across metro cities and Tier-1, Tier-2, and Tier-3 markets.
- Waterproofing and construction chemicals (WPCC) products for the retail channel were launched and marketed under the INDIGOPN brand (Protect Plus Series), while Apple Chemie continues to target the B2B and fast-growing infrastructure segment.
- The company is strategically focusing on selling Apple Chemie in regions where the product mix is more favorable.
- The company does not see significant demand for latex paint and has no plans to enter this segment.
- INDIGOPN has been minimally impacted by Birla Opus, primarily due to its differentiated product offerings and strong distribution network. The effect on Indigo Paints’ sales is estimated to be ~1%.
- The entry of new players has had a limited impact on existing industry participants. However, as the overall market is experiencing a slowdown, these effects have become more noticeable.
- Pricing in the paint industry is primarily dictated by the market leader.

- Paint consumption is largely driven by repainting, which accounts for 85% of total demand, while new construction contributes ~15%.

Costs and margins

- Gross margin was affected by a change in product mix and price cuts implemented last year.
- During 2QFY24 and 3QFY24, the company hired additional employees as part of its expansion efforts, leading to an increase in employee costs.
- The additional depreciation from the new plant in Tamil Nadu (commissioned in Sep'23) impact on PAT is already factored into the base.
- Advertising and promotion (A&P) expenses as a % of revenue declined to 8.2% in 3QFY25 from 9.5% in 3QFY24.
- Apple Chemie's margins were significantly impacted due to an unfavorable product mix but are expected to improve with a better product mix and a focus on select states.

Distribution network

- INDIGOPN added 217 tinting machines in 3QFY25, bringing the total count to 10,772.
- As of Dec'24, the number of active dealers stood at 18,578, reflecting a QoQ decline of 120. During periods of weak market conditions, active buyers tend to reduce their purchases, leading to a drop in dealer count. However, as demand recovers, the number of active dealers is increasing again.
- The company has a network of 750–1,000 dealers that exclusively sell INDIGOPN's products.

Others

- In Jodhpur, erection work is progressing at full pace for the water-based plant with a capacity of 90,000 KLPA, with commissioning expected by 3QFY26.
- Erection and installation work is also progressing for the solvent-based plant, with a capacity of 12,000 KLPA, and commissioning is expected by 1QFY26.
- The brownfield expansion of putty production is expected to be commissioned by 1QFY26.

Jyothy labs

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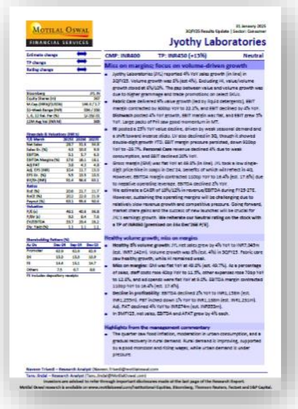
Jyothy Labs — Neutral

Current Price INR 355

Performance and outlook

- The quarter saw food inflation, moderation in urban consumption, and a gradual recovery in rural demand.
- Rural demand is improving, supported by a good monsoon and rising wages, while urban demand is under pressure.
- The company is seeing no major improvement in demand in the near term.
- The revenue mix between urban and rural is 60:40.
- JYL is implementing selective price hikes to mitigate inflationary pressures.
- It took a low-single-digit price hike in Dec'24, with an additional increase planned in 4Q for the soap portfolio.
- The company reported 4% value growth and 8% volume growth for the quarter.
- Excluding the HI (Household Insecticide) segment, value growth stood at 6%, while volume growth was 10% during the quarter.
- Overall volume growth was driven by the dishwash category.
- The difference in value and volume growth is attributed to higher grammage and trade promotions offered by the company on select SKUs.



- Higher grammage is being offered in dishwash and liquid detergents.
- The gap between volume and value growth is expected to remain in the 2-3% range in FY26.
- Quick commerce is rapidly gaining traction in metro areas, reshaping channel dynamics.
- The company is focusing on rural distribution, product innovation, and SKU expansion to cater to specific consumer segments.

Costs and margins

- Rising raw material prices may exert pressure on margins.
- A&P spending is expected to remain in the 8-9% range.
- JYL maintains EBITDA margin guidance of 16-17% for FY25.

Segmental details

Fabric care

- Fabric care net revenue rose 9% YoY, led by liquid detergents.
- Ujala Detergent Powder held a 24.5% market share in Kerala in 3QFY25.
- The company enhanced consumer engagement through targeted programs, promotions, and channel-specific SKUs.
- It expanded its liquid detergent portfolio with Mr. White and Morelight, strengthening innovation and catering to diverse price segments

Dish wash

- It delivered 4% sales growth in 3QFY25.
- Competitive intensity remains high in small pack grammage. Pril maintains its leadership in Modern Retail and E-commerce, driven by larger SKUs.
- Exo has 14.1% market share in dish wash bar and Pril has 13.5% market share in dish wash liquids in 3Q.

Household Insecticides

- Sales declined 25% YoY in 3QFY25 due to unfavorable weather conditions.
- Maxo LV recorded strong double-digit growth YTD, though 3Q saw a decline. Coil sales remained impacted by consumers shifting toward incense sticks.
- Jyothy launched Maxo Anti-Mosquito Racquet featuring long battery life to further expand its HI portfolio.
- Maxo Coil and liquid vaporizer market share stood at 23.8% and 7.2%, respectively, in CY24.

Personal Care

- Sales declined 4% YoY in 3QFY25 due to a slowdown in consumption.
- To capitalize on growth opportunities in the mass toilet soap category, JYL introduced JOVIA beauty soap in two variants – "Lemon & Aloe Vera" and "Sandal & Turmeric" – strengthening its personal care portfolio.
- JOVIA was launched in the mass segment at a highly competitive price point of INR25-26, targeting downtrading consumers. The product is expected to be margin-dilutive in the initial years.
- The company focuses on increasing the visibility and appeal of Margo Neem Naturals, with dedicated campaigns aimed at boosting brand visibility and consumer engagement.

LT FOODS
NURTURING GOODNESS

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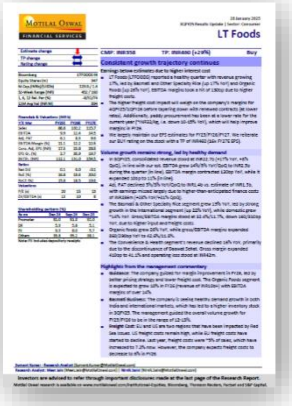

LT Foods **Buy**

Current Price INR 386

Outlook and guidance

- The company aims for revenue from the Organic Food and Ready to Heat (RTH)/Ready to Cook (RTC) segments to each account for ~10% of its total consolidated revenue by FY29.
- The company remains focused on maintaining a diversified portfolio across categories and geographies, with expansion plans driven by shifting consumer trends.
- Going forward, the company expects margins to expand from 2QFY26, led by the positive impact of lower raw material prices and reduced freight costs.

Freight costs

- Logistics costs as a percentage of revenue increased 2.3%/0.5% YoY/QoQ and stood at ~7.2% of the revenue in 3QFY25.
- The company is in talks with freight companies, and the management expects freight costs to come down from FY26 onwards.
- Freight costs are expected to remain elevated in 4QFY25 and 1HFY26, as the current inventory already includes the freight cost component.
- Europe and US were the regions most impacted by the Red Sea crisis. However, European freight costs have started to decline, while US costs still remain elevated.

International market

- In North America, the company's flagship brand Royal continues to maintain its market leadership with ~55% market share, while Golden Star remains the number 1 jasmine rice brand.
- The company has maintained its market share of ~20% in the northern parts of Europe.
- It has further expanded its global presence by extending its footprint in the Middle East.

Basmati and other specialty rice

- The Basmati and other specialty rice segment has witnessed strong traction in the international market, led by strong demand in the US, Europe, and the Middle East.
- Paddy prices have decreased compared to last year (in the range of 10-15%), with the company now evaluating its pricing strategy in response to the increased competitive environment. The average paddy procurement rate for this year declined ~10-15% YoY and stood at INR32/kg.
- Revenue from India grew 14% QoQ in 3QFY25. However, the company is seeing soft demand in the Indian market. Revenue from international markets increased 11% QoQ, with the Middle East being the fastest-growing territory (~37% YoY in 9MFY25).
- Basmati rice volume stood at 185KMT/525KMT, with an average realization of INR105/kg / INR103/kg in 3QFY25/9MFY25.
- The company currently holds ~28% of the market share in India, compared to 30% last year. This was a strategic decision as the company exited some segments due to lower profitability. However, the company has increased its market share in the premium segment.
- Golden Star continues to be a major contributor to the profits from associates, with the business growing at the rate of 20%. However, profitability is impacted by inflated freight costs, as raw materials are sourced from Thailand. Going forward, the company expects freight costs to improve.

Organic food and ingredients

- Growth in the organic foods segment was driven by the expansion of distribution in Europe and the US, along with increased sales across product segments, such as rice, grains, and soya.
- LTFOODS completed the acquisition of the remaining stake in NBFL (17.5%) on 31st Dec'24. NBFL is now a 100% wholly-owned subsidiary of LTFOODS.
- With the rise in global demand for health-conscious products, the company targets a revenue of INR10b+, with an expected CAGR of ~10-12% and EBITDA margins of ~14% by FY26.

RTH and RTC

- RTH/RTC reported a revenue decline of ~16% YoY, primarily due to the discontinuance of 'Daawat Sehat'.
- The company witnessed a robust growth of ~148% in Biryani Kits, 26% growth in RTH, and ~60% growth in Kari Kari in 9MFY25.
- The company targets a revenue CAGR of ~33-35% over the next five years in the RTH and RTC segments.
- The US is growing at a much higher rate compared to the Indian market, contributing ~INR1b in revenue while maintaining an EBITDA margin of 7%.
- India currently is not profitable; however, the company remains optimistic about the future of RTH and RTC in India and aims to break even by FY27.

Other

- Higher inventory days in 9MFY25 were due to strategic paddy procurement, as greater demand is anticipated in key markets like the US and India.
- Other income was lower in 3QFY25 due to the reclassification of exchange into operating revenue.
- India/US/UK and Europe/Rest of the World contribute 30%/40%/18%/12% to the total income.
- The company expects to receive its insurance claim by 10th Mar'25.

Marico — Buy

Current Price INR 634

Business environment and outlook

- The FMCG sector maintained steady demand momentum during the quarter, with urban sentiment remaining stable and rural demand sustaining its relatively stronger growth.
- Retail inflation eased in December due to moderating food prices but remained at relatively high levels.
- A favorable crop season and supportive government initiatives are expected to aid consumption in the coming quarters, with further stimulus measures anticipated in the upcoming Union Budget.
- The India business recorded a sequential improvement in underlying volume growth, supported by resilient performance across core portfolios and the expansion of new businesses.
- Offtake growth remained robust, with over 90% of the business either gaining or maintaining market share and ~80% of the portfolio sustaining or improving penetration on a MAT basis.
- Price increases were implemented across core portfolios in response to the sharp escalation in input costs.
- Modern Trade (MT) and E-commerce, including Quick Commerce, led growth with high double-digit volume increases, while General Trade (GT) was flattish.
- Quick commerce has emerged as a major growth driver in the organized channel, with growth exceeding 50%.

marico

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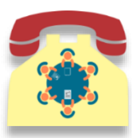

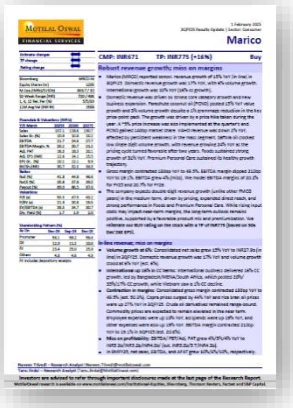

- In the domestic revenue mix, organized channels contribute ~30%, CSD accounts for 6-7%, and General Trade (GT) makes up 63-64%. Profitability is higher in General Trade than in organized channels.
- Project SETU was extended to one more state during the quarter, bringing the total coverage to 11 states.

Material costs, margins, and guidance

- Gross margin contracted ~180 bp YoY, mainly due to the sharp increase in copra and vegetable oil prices, partially offset by price hikes.
- Copra prices surged 38% YoY and rice bran oil prices were up 19% YoY in 9MFY25. Crude oil derivatives remained range-bound.
- Commodity prices are expected to remain elevated in the near term.
- Consolidated A&P expenses increased 19% YoY in 3Q, reflecting continued investments in strengthening brand franchises and driving portfolio diversification.
- The company has maintained operating margin guidance at ~20% for FY25.

Segmental performance

Parachute coconut oil

- Parachute Rigids recorded 3% volume growth despite a 1% grammage reduction in the key price-point pack, offsetting the need for a price hike.
- Volume offtakes grew in high single digits, resulting in a ~140 bp market share gain on a MAT basis.
- Revenue growth for the brand reached 15%, aided by the price hike taken by the company during the year.
- An additional price hike of ~5% at the brand level was taken towards the end of the quarter, as copra prices are likely to remain firm in the near term.
- Parachute oil’s rural contribution exceeds that of urban sales. With the anniversaries of price hikes in 2QFY26 and 3QFY26, the volume-value gap is expected to narrow.

Saffola oil

- Saffola oil delivered low-single-digit volume growth despite a sharp increase in vegetable oil prices.
- Revenue growth stood at 24%, driven by price increases taken over the past few months.

VAHO

- VAHO declined 2% in value terms; however, it is showing signs of recovery.
- The mid and premium segments performed relatively better, contributing to a ~70 bp gain in value market share on a MAT basis.
- Gradual improvement is expected in VAHO trends, supported by increased ATL investments, brand activations, and strengthening rural consumption sentiment.

Foods and Premium Personal Care

- The Foods segment recorded strong 31% YoY value growth in 3Q, nearing an annual revenue run rate (ARR) of INR10b.
- Saffola Oats delivered double-digit growth, while newer franchises continued to perform well.
- In the Foods business, Saffola Oats is the key driver, with its EBITDA margin aligning with the company’s overall margin. Both oats and masala oats have delivered double-digit growth.
- Other categories like honey and soya are in the early stages and are expected to become margin-positive once their annual revenue reaches INR1-1.5b.
- True Elements and Plix’s plant-based nutrition portfolio sustained their strong growth momentum. The cash burn in the business has been reduced.
- Premium Personal Care maintained its strong trajectory, driven by the digital-first portfolio.
- Beardo is on track to achieve a double-digit EBITDA margin this year.

- The company aims to achieve a positive EBITDA margin for its overall digital portfolio in FY26, with a goal of double-digit margins by FY27.
- The combined revenue contribution of Foods and Premium Personal Care (including Digital-first brands) to the domestic business stood at ~21% in 9MFY25, reinforcing the ongoing portfolio diversification strategy.
- The digital-first portfolio is expected to reach an ARR of ~INR6b by FY25 end, with ambitions to double this by FY27, resulting in these segments contributing ~25% of domestic revenue by FY27.

International business

- International business delivered 16% growth in CC terms.
- Bangladesh reported 20% Constant Currency Growth (CCG) on a subdued base, reflecting the resilience of the business model despite macroeconomic challenges.
- MENA recorded 35% CCG, driven by broad-based growth across the Gulf region and Egypt.
- South Africa posted 17% CCG, with both the Hair Care and Health Care segments performing well.
- South East Asia experienced a soft quarter due to sluggish consumption trends and geopolitical uncertainties in Myanmar.
- NCD and Exports grew 15% during the quarter.
- EBITDA margin for the International business stood at 27.1%, expanding ~100 bp YoY.
- Double-digit constant currency growth momentum is expected to be sustained over the medium term.

Page Inds — Buy

Current Price INR 41,560

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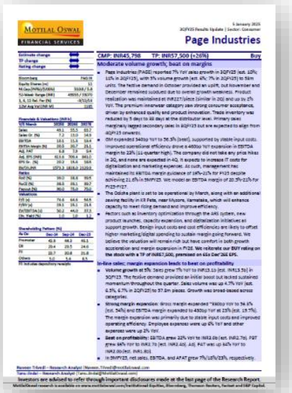
Page Industries

Performance and outlook

- The operating environment in 3Q remained challenging due to subdued demand conditions.
- The festive demand provided an initial uplift but lacked sustained momentum throughout the quarter.
- Retail and consumer demand were muted, with a slight pickup in October, but November and December remained subdued.
- The premium innerwear category saw strong consumer acceptance, driven by enhanced quality and product innovation.
- Secondary sales showed a slight improvement over primary sales during the quarter.
- The company did not take any price hikes in 3Q, and none are expected in 4Q.
- Growth was broad-based across all categories, with no significant pressure in any segment.
- Revival in consumer demand, improved inventory levels, and digitalization initiatives are expected to drive medium-term growth.
- Growth is accelerating as the company expands further into the country, with Tier-3 and Tier-4 cities leading, followed by Tier-1, Tier-2, and metros. This includes both organic and inorganic growth.
- The Odisha plant is set to be operational by March, with an additional sewing facility in KR Pete, Karnataka. Together, both the plants will house 2,000 sewing machines, with Odisha capable of running two shifts to meet future demand.
- The company will benefit from Odisha state subsidies, including wage subsidies for 5-6 years, along with incentives on power, water usage, and additional capex subsidies.

Inventory days

- Inventory at the distributor level has been reduced by five days, with ~17.7-18m pieces of inventory in the system.
- Innerwear inventory is at an optimal level, while athleisure and junior categories have some scope for further inventory reduction.
- Working capital days improved to 65 days from 75 at the end of FY24.
- Inventory days reduced to 59 from 93 days at the end of FY24 due to channel stocking adjustments.
- 93% of the overall business operates under ARS, with 84% of distributors contributing to this model, ensuring optimal inventory levels.

Costs and margins

- Gross margin expanded YoY, driven by lower raw material costs and improved productivity.
- EBITDA margin expansion was supported by stable input costs and enhanced operational efficiencies.
- The FY25 EBITDA margin guidance remains at 19-21%, despite achieving 21.6% in 9MFY25, as management anticipates higher IT costs for digitalization and increased marketing expenses in the coming quarters.
- The FY26 EBITDA margin guidance remains broadly unchanged at 19-21%.

Market penetration and growth potential

- Women's market penetration stands at 6-8%, with a 6% share in bras and 8% in panties.
- Men's innerwear has 18-20% market penetration and athleisure has 6% market penetration.
- EBITDA margins remain consistent across all categories, ensuring profitability as the business scales.
- Performance across categories was strong, with better growth seen in the athleisure and women's segments.

Distribution channels

- PAGE has a distribution network that comprises 110,176 MBOs, 1,436 Exclusive Brand Outlets (EBOs), and 1,212 LFS as of Dec'24.
- The expansion plan for EBOs and retail outlets remains aggressive compared to the previous years.
- The company is now focusing on its distribution network, with an emphasis on metros and tier 2 and 3 cities.
- Modern retail, including exclusive brand stores and e-commerce, continued to exhibit strong growth.
- The company has not lost any shelf share in the GT market, indicating no major competitive pressure from industry peers.

Pidilite Industries — Neutral

Current Price INR 2,769

Pidilite

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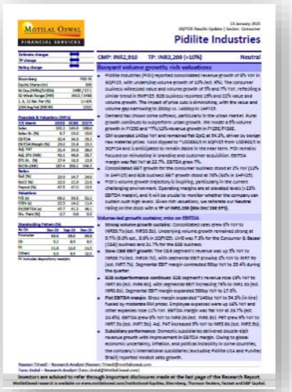
Demand environment and outlook

- The company is witnessing some softness in both urban and rural markets at the macro level; however, rural growth continues to outperform urban growth.
- The Pidilite core category is under strain due to the subdued demand environment. Management remains cautious about demand recovery in the near term as there is no significant increase in consumer disposable income.
- The company remains optimistic about medium-term recovery, supported by increased government spending.
- During the quarter, the gap between volume and value growth narrowed.



- PIDI targets growth of 1-2x GDP in its core categories and 2-4x GDP in high-growth categories. In the current demand scenario, growth will be on the lower side.
- Around 70% of revenue is derived from the repair and renovation segment, while the remaining 30% comes from new construction. Both new and regular construction activities are witnessing a slowdown across geographies.
- The expected demand recovery from the festive season has not materialized, with no significant revival observed in the real estate sector.
- The B2B business continues to deliver strong double-digit growth, driven by strategic execution. The B2B growth is mainly led by: 1) the projects division, where the growth momentum observed over the past 6-8 quarters is expected to sustain, 2) the packaging business, benefiting from increased consumer demand through e-commerce and quick-commerce channels, and 3) the pigments business, which has shown healthy growth, though competitive pressures may lead to some moderation in the coming quarters.
- Subsidiary companies, such as ICA Pidilite, which has a predominantly urban focus, are facing some pressure. Moreover, there are some internal challenges in the Pidilite MEA subsidiary that have impacted growth. However, management expects recovery once these issues are resolved.
- The company is focusing on driving revenue growth through volume growth rather than price hikes.
- It will continue to invest in brand building, upgrading and expanding manufacturing facilities, and strengthening the distribution network.

Cost and margin

- The consumption cost of VAM stood at USD 884/ton in 3QFY25 vs USD 902/ton in 3QFY24. The company anticipates VAM costs to remain stable in 4QFY25.
- Management has guided for ad spends to remain at 3-5% of sales over the next three years, reflecting a consistent focus on brand investments.
- Input costs are expected to remain stable over the next two months. However, given the uncertain geopolitical conditions, fluctuations are anticipated in the medium team.
- Management has projected EBITDA margins to be in the range of 20-24% for FY25. For 9MFY25, EBITDA margins stood at ~23.8%; however, negative operating leverage is expected in 4QFY25 due to the typically smaller quarter.

Inorganic opportunities

- The company is generating healthy cash flows and will consider inorganic growth opportunities when strategically viable.
- Management is looking to explore opportunities in the EV and semiconductor sectors, given their high growth potential.
- Its technology partnership with Jowat for PU hot melt adhesives is strategically significant, catering to advanced packaging. The company has also partnered with electronic adhesive manufacturers to enhance its capabilities in emerging technologies.

TATA CONSUMER PRODUCTS

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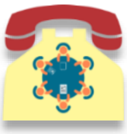

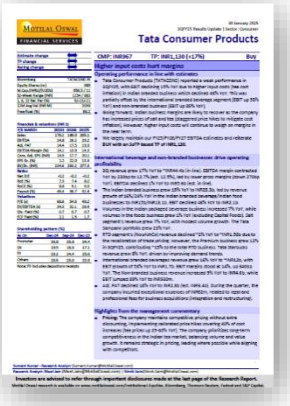

Tata Consumer Products — Buy

Current Price INR 1,025

India packaged beverages business

- The India packaged beverages business witnessed a revenue growth of 10% YoY, led by a 7% growth in volumes and growth across segments, fueled by competitive prices rather than heavy discounting.
- The company calibrated price hikes and implemented them across the tea portfolio.
- Tea volumes grew 7% YoY, led by the company's focus on long-term competitiveness while calibrating price increases across the portfolio, which partially offset the significant increase in tea costs.
- The company has implemented decent hikes in tea and expects margin pressure to ease going forward. The price hike has compensated for 40% of the cost increase, with the remaining 60% still to be addressed.
- The company expects to see the full benefit of the price increase in teas by the end of 1QFY26 or early 2QFY26.
- Going forward, the company will continue to focus on gaining market share through volume growth.
- Coffee continued its strong performance, growing 28% in 3QFY25.

India foods business

- The business registered 31% YoY revenue growth in 3QFY25, with LFL revenue (excluding Capital Foods) growing 11% YoY. The segment recorded volume growth (excluding Capital Foods) of 1% YoY during the quarter.
- Salt revenue grew 7% YoY, driven by pricing and modest volume growth during 3QFY25. Value-added salts maintained their strong momentum (up 31% YoY).
- Tata Salt relaunched Sendha + (rock salt), offering consumers a superior and trusted product in the mass premium segment and registered record volumes.
- The dry fruits portfolio has achieved an Annualized Run Rate (ARR) of over INR1b, while Tata Simply Better's cold press oils achieved an ARR of ~INR500m.
- Tata Sampann's portfolio witnessed another strong quarter, posting 23% YoY growth, with the urban growth rate in low single digits and the rural growth in double digits.
- Going forward, management anticipates gross margins to expand to ~12-15%.

Ready-to-drink (RTD)

- Revenue for the RTD segment declined 2% owing to the recalibration of trade pricing.
- During the quarter, the RTD business recorded a volume growth of 14%, with a notable growth of 39% in Dec'24.
- The premium business grew 12% in 3QFY25 and contributed to ~15% of the total RTD business.
- Tata Copper+ recorded 21% revenue growth, significantly up from the previous quarter.

Capital Foods and Organic India

- Capital Foods/Organic India revenue stood at ~INR2.1b/INR930m in 3QFY25.
- The run rate of Capital Foods continues to improve with expansion into white spaces and the buildup of the food services channel.
- Organic India is now listed in all major trade banners and pharmacy chains.

Tata Starbucks

- Revenue grew 8%/10% YoY/QoQ, led by improving demand trends.
- The company added 16 new stores (net) in 3QFY25, bringing the total store count to 473 as of Dec'24.
- Expansion in East India was dialed up with store launches in Patna, Ranchi, Jamshedpur, Bilaspur, and Gangtok, bringing the total number of cities to 74.

Non-branded business

- Non-branded business revenue in constant currency (including Vietnam) grew 8% YoY in 3QFY25, led by exceptionally strong coffee realizations in the plantation business, which grew 36% YoY.
- The soluble business witnessed ~2% YoY revenue growth in 3QFY25, as the multi-decadal high coffee prices impacted demand.
- EBIT margin for non-branded business expanded 880bp YoY.

International operations

- US business: The US coffee continued to witness accelerated growth, up 5%. The Tea business witnessed 4% YoY growth (constant currency).
- UK business: Revenue for 3QFY25 remained flat while operating margins remained robust. The company strengthened its number 2 position in the UK, with Good Earth now being listed on Tesco.
- Canada business: It witnessed revenue growth of 5% YoY (constant currency), with ~21% growth in specialty tea, as supply normalized following Tetley's transition to new and improved sustainable packaging.
- A substantial portion of margin expansion comes from the UK and Canada, where the company has implemented structural changes.
- The US has also witnessed improvement. However, the company plans to reinvest this margin expansion into brand building in Canada, while the International business will continue experiencing margin expansion.

Distribution channels

- The sales and distribution infrastructure was further strengthened with the scale-up of split routes for the company's sales force, resulting in significant improvements in product range selling.
- Channels of the future continued to drive growth and innovation. Ecommerce channel grew 59% and Modern Trade recorded 14% growth during the quarter (excluding Capital Foods and Organic India). Ecommerce now accounts for ~15% of the revenue, which is slightly higher than Modern Trade.
- The rollout of new channels in Food Services and Pharmacies, aimed at fueling growth, is progressing as planned.

Other highlights

- Coffee prices have reached a 50-year high. As prices move up, margins in this segment are expected to improve, but such high prices may lead to a tapering of demand.
- The beverage industry has become significantly more competitive after taking price hikes.
- Tata Gluco+ has taken a price cut to compete with other players, which has impacted margins to an extent.
- The management laid a long-term guidance of mid-single-digit growth for beverages.

- Despite a 7% price hike in talk, there was no margin expansion, while Sampann witnessed slight margin dilution.
- Capital Foods' margins are ~50% higher than TCPL's, making it one of the key reasons for its acquisition.

United Breweries — Neutral

Current Price INR 2,029

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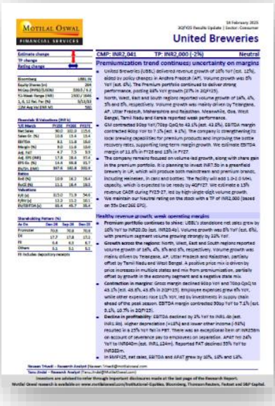

Environment and outlook

- Total volume growth stood at 8.4% in 3Q (vs. category growth of 7%), driven by broad-based growth across our footprint and positively impacted by recent policy changes in AP.
- Premium volume grew 33% in the quarter, bringing the YTD growth rate to 35%. The growth in the premium portfolio was led by Kingfisher Ultra, Kingfisher Ultra Max, and Heineken Silver.
- UBBL indicated that it has lost market share in West Bengal, as beer has become expensive (from INR135 to INR160) after the recent duty increase. It has also lost market share in Rajasthan and Tamil Nadu.
- The 15% price increase in Telangana is not enough to cover the entire costs, as per UBBL. The company is pushing for tax restructuring, as currently the entire price increase is passed on to consumers. Furthermore, UBBL expects its outstanding receivables to be paid by the government soon.
- In Karnataka, beer is becoming less affordable for consumers, as per UBBL. In the economy segment, UBBL has a low volume share and has passed on price increases to customers in this segment. In its Ultra portfolio, UBBL is absorbing the price hikes. As per management, this is done to protect category growth.
- With the revised UP excise policy, effective Apr'25, liquor stores can sell both beer and IMFL, thus UBBL can now reach 17,000 stores vs. 6,000 earlier.
- The company anticipates that growth in its premium segment will continue to outpace the overall portfolio growth in the coming quarters.

Costs and margins

- UBBL expects gross margin recovery to be gradual.
- The company is prioritizing the development of local capabilities in its breweries to bring premium production closer to the market and consumers, aiming to drive long-term margin growth.
- UBBL saw 5% improvement YoY in the bottle recovery rate. Given volume growth, new bottles are also being introduced in the network. The company aims to achieve a 70% bottle recovery rate.
- The company will introduce a productivity program in 2HFY26 to optimize its efficiency and profitability.

Product development

- UBBL introduced Kingfisher Flavours with two new variants, Lemon Masala and Mango Berry Twist, to target young customers. Currently, they are launched only in Goa and Daman and will be gradually scaled up. Management stated that the initial traction has been encouraging.

Capex

- UBBL is investing INR7,500m in a greenfield brewery in UP (after 12 years), which will produce both mainstream and premium brands, including Heineken, in cans and bottles. The facility will add 1.0-2.0 MHL capacity, which is expected to be ready by 4QFY27. Currently, the company caters to this market through contract manufacturing.

- UBBL has been investing in warehouses and maintenance capex to optimize its production capacities ahead of the peak season.
- UBBL added 10,000 coolers in 3QFY25.

United Spirits — Neutral

Current Price INR 1,328

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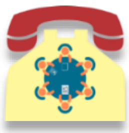

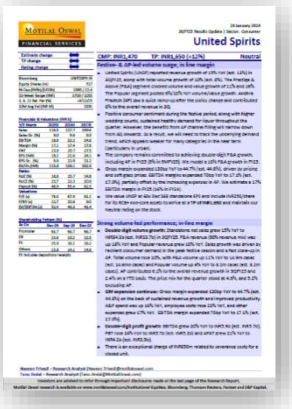

Operational environment and outlook

- The demand environment for the company remains moderate but shows sequential improvement.
- Management anticipates a stable demand situation over the next two to three quarters.
- While inflationary pressures persist, the company has effectively mitigated the impact by leveraging its pocket pack strategy, catering to price-sensitive customers.
- Revenue growth during the quarter was led by greater consumer participation in social occasions and festive celebrations during October-December.
- The structural premiumization trend continues to support growth, with no significant signs of down-trading within the portfolio.
- The price mix for the quarter stood at 4.6%, and 5.2% excluding AP.
- The company remains committed to delivering double-digit growth in the P&A segment, including AP, for FY25 and is on track to meet this target.
- Inventory levels are at ~60 days, with retailers holding 30-35 days of inventory and corporation deposits holding 20-25 days of inventory.
- Other income increased due to dividends from a wholly-owned subsidiary, Royal Challengers Bangalore.

Andhra Pradesh policy change

- Andhra Pradesh contributed 6.1% of the overall revenue growth in 3QFY25 and 2.4% on a YTD basis.
- This quarter marked the transition of Andhra Pradesh's alcobev retail operations from government control to private retailers, leading to a retail pipeline filling and a significant scale-up.
- Price levels in Andhra Pradesh are similar to those in Telangana, but a superior cost footprint in Andhra Pradesh contributes to a slightly better profitability.
- Local production was ramped up to meet demand, and the state now has a stable operational setup.
- While the retail pipeline filling has boosted 3Q revenues, quarterly run rates will stabilize over the next two to three quarters.

Costs and margins

- Neutral alcohol (ENA) costs remain inflated, with a further increase anticipated due to adjustments in ethanol pricing.
- Glass costs have been declining for three quarters but are expected to stabilize, reducing incremental benefits.
- Marketing reinvestment during the quarter was 11% of net sales, aligning with efforts to sustain brand equity during the festive season.
- Employee costs increased due to the setup of new teams in Andhra Pradesh and investments in innovation and commercialization teams.

Brands/new launches/re-launches

- The company expanded its portfolio with X Series, a new non-whiskey offering under McDowell's brand, now launched in five key markets: Maharashtra, Goa, Uttar Pradesh, Rajasthan, and Madhya Pradesh.
- A 180ml pocket pack for Royal Challenge was introduced in Assam, Rajasthan, and Maharashtra. This ‘triple benefit intervention’ is designed to enhance consumer penetration, improve carbon footprint efficiency, and boost value chain productivity.
- The company launched Godawan in the UK in December, receiving widespread acclaim for its purpose-driven branding and exceptional quality.
- A duty-free version of Godawan was introduced at Dubai Duty Free, with further rollouts planned for Indian duty-free markets.
- Exclusive limited editions of Godawan were created for premium hotel chains such as Taj, further elevating the brand's luxury positioning.

Varun Beverages — Buy

Current Price INR 476

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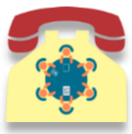

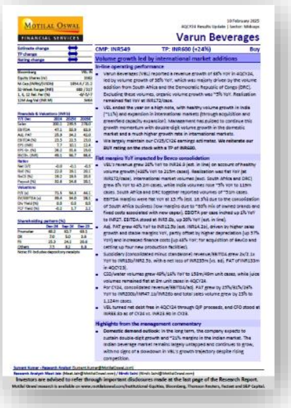

India

- The soft drink industry in India is growing at a faster rate than any other FMGC industry.
- Management targets a double-digit volume growth in the domestic business.
- VBL is not competing with the lower-priced products in the domestic markets. Management focuses on growing its outlet reach.
- VBL currently operates in 4 million outlets across India, out of a total of 12 million outlets. The company aims to expand its presence by 10% annually.
- The company continues to experience strong growth in India, with no signs of decline. Instead, it is witnessing accelerated expansion, with no disruptions to its growth trajectory.
- India business is expected to maintain margins at ~21% over the long term.
- There is ample room for competition in India, and the increased competition will further strengthen and expand this market segment in India.

South Africa

- Modern trade accounts for 40-45% of the South African market, leading to lower margins. To drive margin expansion, VBL is increasingly focusing on the general trade market, which makes up ~60% of the market in South Africa, coupled with the implementation of backward integration, which is starting next year.
- Margins are improving, and the South African market is expected to evolve similarly to the Australian market.
- VBL anticipates strong growth of 30% in this market.

Ghana and Tanzania

- PepsiCo already holds the leading position in the Tanzanian market. VBL aims to further strengthen its market presence by enhancing its go-to-market strategy and expanding production capacity.
- In Ghana, PepsiCo has a minimal presence, making it a largely untapped market for expansion, and the company has plans to redevelop the entire market.
- Management expects African markets to achieve strong double-digit growth.

Capacity and capex

- Management expects to incur a capex of INR31b for CY25. As of 31st Dec'24, about INR16.5b has already been incurred through capital work in progress (CWIP) and capital advances.
- Out of the expected capex, VBL will spend INR20b to establish greenfield facilities in India (in Prayagraj, Damtal, Buxar, and Meghalaya).
- In CY25, capacity is set to increase by 25% compared to CY24, with new plants becoming operational by Mar'25, ahead of the peak season.
- VBL does not anticipate any capacity shortages this year, supported by strong growth.
- From the CY22 level, India annual production capacity increased by ~45% in CY24 and ~25% in CY23.

Sting

- Sting contributes ~15% of total volume, while the energy drink segment in India remains underpenetrated, accounting for only 5-6% of total beverage volume. VBL plans to expand its presence by continuously adding new products.
- The company is set to launch a new energy drink variant, Sting Gold, soon. Unlike Sting Blue, which was introduced as a limited edition for the World Cup, Sting Gold is planned as a long-term product.
- New products will provide customers with a wider variety of tastes and options, expanding choices in the energy drink market.

Others

- The no-sugar and low-sugar product mix is improving, with 7Up and Mirinda expanding into low and no-sugar variants, along with Sting offering low-sugar alternatives.
- Morocco is expected to generate ~USD25m-USD30m or more in revenue, with production starting in Jun'25.
- Zimbabwe and Zambia operations began in Feb'25, while the plant is set to commence production in 3QCY25.
- The Indorama JV capacity expansion is on track, with production set to begin in early 3QCY25. Once operational, VBL will have ample recycled products to meet its requirements.
- Currency devaluation in Africa is currently lower than in India. In cases of significant devaluation, costs are passed on to customers, while minor fluctuations have a minimal impact. Pricing adjustments and cost fluctuations are easily absorbed in the African markets.
- The company now has three backward-integrated facilities.

CONSUMER DURABLES

- **Management teams have indicated that demand in the C&W segment would remain strong, led by infrastructure, industrial demand, and robust real estate growth. Further, early summer trends and expected increases in consumer spending will drive demand outlook for cooling products.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook FY25	Capex plans
Havells	■ The consumer sentiment is a bit weak but has started improving by 3Q-end. The company has gained market share in all consumer-facing categories. Residential demand is anticipated to improve as real estate has been doing better for the last few years. ■ No major pricing action across categories, however, given the fluctuation in copper prices, C&W prices may see changes. The company remained focused on channel and product expansions. Management targets an EBIT margin (ex-Lloyd) of 12-13% in FY26. In the Lighting segment, volume growth was 13-14% YoY, but price erosion adversely impacted growth. Currently, price erosion is bottoming out, and growth should start improving.	■ The additional investments in other segments are in the emerging channels for sustainable growth in the business. Incremental investments will continue, but there should not be any additional cash burn. ■ Investments in other categories of Lloyd are being made.
Polycab	■ The Indian economy has experienced a slowdown over the last few months; however, key metrics such as visual payments, power demand, services PMI, air passenger traffic, and pool collection indicate a sustained recovery. The current slowdown appears to be temporary, and a pick-up is anticipated over the next few quarters. ■ The company is confident that demand in the current quarter remains strong and, so far, has not seen an impact from the slowdown in public capex during 1HFY25. However, if public capex does not pick up materially going forward, it could lead to some impact on the C&W industry in 1HFY26.	■ The company targets capex of INR60b-INR80b over the next five years, with the majority allocated to the C&W business, which is expected to generate an asset turnover of 4x-5x. ■ For EHV cable expansion, capex is estimated at INR6.0-7.0b. This will be commissioned by FY26-end and is estimated to start contributing to revenue from 1QFY27 onwards. The EHV cable asset turnover is close to 4x; however, the ramp-up is expected to be gradual.
KEI Inds	■ The demand outlook remains strong, and it remains optimistic on domestic as well as export growth opportunities. It is getting good traction from customers in the international markets. It intends to achieve a revenue growth of 19-20% and an EBITDA margin of 11% in FY26. In the export market, revenue should grow from the US and Australia in FY26. Export revenue should grow 30% YoY in FY25 and 30-35% YoY in FY26. The contribution of exports should be at 15-17% of revenues in the next 2-3 years. ■ The target is to achieve a turnover of INR250b by FY30, and it will clock a CAGR of 20% from FY26 onwards. EBITDA margin should be at 12.5% by FY28. RoCE should improve to 28% in 3-4 years vs. 24% as of now. It targets raising its US exports to INR5b in FY26 vs. INR2b in FY25. Freight cost for USA export is between 8-10%.	■ During 9MFY25, capex incurred was INR4.26b including INR2.52b for the Sanand project, INR570m for the Chinchpada project, INR270m for the Bhiwadi project, and INR490m for the Pathredi plant. Capex in 4Q will be INR4b and FY26 capex will be around INR6-7b. ■ Brownfield expansions at the Chinchpada and Pathredi plants are completed, and capacity utilization in 9MFY25 stood at 85% for cable, 69.7% for housing wire, and 91% for stainless steel wire. Volume growth should be at 16-17% in FY25. The Sanand project's first phase of expansion is expected to be commissioned by 1QFY26 and the second phase will be completed by FY26-end. The commissioning of the Sanand plant will help it achieve a volume CAGR of 19-20% over the next few years vs. a 14-15% CAGR over the last 15 years.
RR Kabel	■ Demand for cable & wire remains resilient despite a slowdown in general economic activity, and the company has taken several initiatives like capacity expansion, the introduction of high-margin products, new launches, and expansion of the distribution network to capitalize on the growth opportunities. Infrastructure spending by the government and an increase in housing construction activities are expected to drive growth going ahead.	■ Ongoing capex (INR5b in FY24/25) had a revenue potential of INR25b and will help to grow in FY26/27. It will incur a further capex of INR12b spread across FY26-28. This capex will be for brownfield expansion at the Waghodia plant, and most of the capex (~80%) will be towards cables. Revenue potential from this capex will be INR40-45b. Capex in the FEMG segment will be at INR200-250m every year only as 67% of sourcing happens through trading.

Voltas	▪ The pressure on UCP margins is due to the company's focus on gaining market share, which involves significant spending on advertising, promotions, and in-store demonstrations. It aims to deliver a high single-digit margin in 4QFY25. ▪ Voltbek aims to fully localize refrigerator manufacturing in India, reinforcing its Made-in-India brand identity. Premiumization across product categories and an extensive washing machine lineup will drive market share growth.	▪ It has earmarked capex of INR4.0-4.5b for compressor manufacturing and ramping up production from 1m to 2m units over the next 12 to 18 months. While investments in other machinery, such as injection molding, sheet metal work, copper tubes, and heat exchangers, will be completed in the next 10 to 12 months, commercial finalization (capex of INR2.5b) has not happened as the company is looking for some technological collaboration.

HAVELLS

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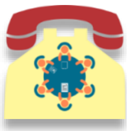

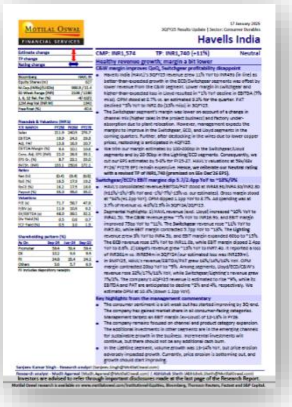

Havells India — Neutral

Current Price INR 1,517

- The consumer sentiment is a bit weak but has started improving by 3Q-end. The company has gained market share in all consumer-facing categories. Residential demand is anticipated to improve as real estate has been doing better for the last few years.
- No major pricing action across categories, however, given the fluctuation in copper prices, C&W prices may see changes. The company remained focused on channel and product expansions. Management targets an EBIT margin (ex-Lloyd) of 12-13% in FY26.
- The additional investments in other segments are in the emerging channels for sustainable growth in the business. Incremental investments will continue, but there should not be any additional cash burn.
- **Lighting segment:** In the lighting segment, volume growth was at 13-14% YoY, but price erosion impacted overall growth. Pricing trend pressure is seen across categories, including, CoB LEDs. Price erosion is bottoming out, and growth should start improving. The Lighting segment's contribution margin should be in the range of 30-32%. The company is focusing more on premium and emerging technologies.
- **ECD segment and small appliances:** Demand for water heaters was very strong after remaining flat in the last few years. The contribution margin in water heaters and small appliances is lower than in Fans and hence, the margin was low. However, the ECD segment should start improving going forward. The focus in the ECD segment is to gain market share in small appliances and other categories where investments are being made. Initially, investments are higher in branding and channel expansion, but the margin should come back to ~24-25% in the medium to long term. Growth for small appliances was higher than for Fans and water heaters; though all these categories grew in double digits.
- **C&W –** Overall, volume growth in cables was 11-12%; though it was negative for wires. Overall, it was flat for the segment. The RM cost increase impact was 8-9% YoY. Wires segment is seeing restocking, and 4Q is seasonally a strong quarter for the cables segment due to higher demand for underground cables. Wires continue to have healthy growth potential, while the company is catching up in cables. C&W mix is 60% wires and 40% cable and is not seeing a significant shift. The expansion was on both cables and wires, but cables require a significant capex. There will be equal focus on both the cables & wires segments, and it will continue to remain a focused player in wires.
- **Switches & Switchgear segment** – Change in product mix, channel mix, and plant relocation overhead led to lower margins in the segment during 3QFY25.

Project business comes with lower margins, while there was no pressure on margin in the trade channels. The contribution margin of the segment will be in the range of 38-40%, and the margin should improve in the coming quarters. The need for relocation was strategic, as a small plant in Faridabad (Haryana) was relocated to Sahibabad (Uttar Pradesh), where the company has a switch & switchgear facility. EBIT margin in the switchgear segment should normalize at ~24-25%. The mix of Switches, Switchgear, and Industrial segments is 40:40:20.

- **Lloyd:** For Lloyd, other categories have grown faster than RAC during the quarter. Management is looking at expanding its contribution margin; in the RAC business, the margin is improving and premiumization is working. Investments in other categories of Lloyd are being made. The company's right-to-win in other categories (ex-RAC) is also improving and consumers have started recognizing the brand. The company's journey into the RAC segment is giving confidence, and it remains a long-term journey. There is positivity in the channel after a strong summer season last year, and stocking starts happening from Jan/Feb for the next season. Last time, the channel was not positive.

KEI Industries — Buy

Current Price INR 3,566

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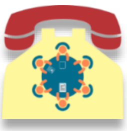

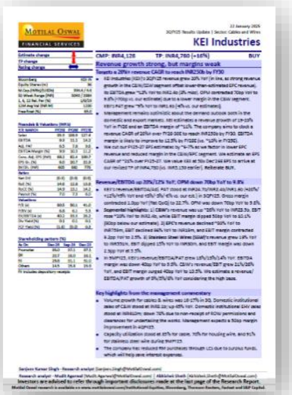

Demand outlook and guidance

- Demand outlook remains strong and it remains optimistic on domestic as well as export growth opportunities. It is getting good traction from customers in the international markets.
- It intends to achieve a revenue growth of 19-20% and an EBITDA margin of 11% in FY26. In the export market; revenue should grow from USA and Australia in FY26. Export revenue should grow 30% YoY in FY25 and 30-35% YoY in FY26. Contribution of export should be at 15-17% of revenues in the next 2-3 years.
- The target is to achieve a turnover of INR250b by FY30 and it will clock a CAGR of 20% from FY26 onwards. EBITDA margin should be at 12.5% by FY28. RoCE should improve to 28% in 3-4 years v/s 24% as of now.
- It targets to increase its US exports to INR5b in FY26 v/s INR2b in FY25. Freight cost for USA export is between 8-10%.

KEII – 3QFY25 performance

- Volume growth for cables & wires was 16-17% in 3Q. Domestic institutional sales of cables & wires was INR8.1b; up 45% YoY. Domestic institutional EHV sales were at INR410m; down 78% due to non-receipt of ROW permissions and clearances for undertaking the works.
- The company had export revenue of INR690m towards the Gambia project last year which declined to INR130m in 3QFY25. This led to lower export revenue for cable & wires.
- EHV capacity was used for the production of HT cables which recorded a growth of 45% YoY. The company generated ~INR2b additional revenues for HT cables. The EBITDA margin for EHV cables is 4-5pp higher. Even in 4QFY25; the company will utilize EHV capacity towards HT cables (INR500-600m).
- EPC revenue other than cable was INR600m vs. INR1,460m in 3QFY24. The company is focused on gradually reducing its EPC business and would maintain annual revenues of INR4-5b in this segment.
- B2C sales contributed 51% of revenues v/s 46% in 3QFY24.

Order book and revenue growth

- Pending order book stands at INR38.7b vs. INR38.3b in 3QFY24 and INR38.5b in 2QFY25. The order book for EPC was down 41% YoY; while the order book for Export and Cable segments grew 20%/18% YoY. EHV's order book was INR6b; up 1% YoY. EHV segment's revenue should get normalized and reach at INR5.5-6b in the next year as the order book remains strong.
- The export order book will be executed in the next 3-4 months. The EHV order book will be executed in six months; while the EPC order book will be executed in two years.

Capex plan

- During 9MFY25, capex incurred was INR4.26b that included INR2.52b for the Sanand project; INR570m for the Chinchpada project; INR270m for the Bhiwadi project, and INR490m for the Pathredi plant. Capex in 4Q will be INR4b and FY26 capex will be around INR6-7b.
- Brownfield expansions at the Chinchpada and Pathredi plants are completed and capacity utilization in 9MFY25 stood at 85% for cable, 69.7% for housing wire, and 91% for stainless steel wire. Volume growth should be at 16-17% in FY25.
- The Sanand project's first phase of expansion is expected to be commissioned by 1QFY26 and the second phase will be completed by FY26-end. Commissioning of the Sanand plant will help it to achieve a volume CAGR of 19-20% over the next few years v/s 14-15% CAGR over the last 15 years.

Other highlights

- The margin in the export and cable business was ~11%. In the institutional business of LT and HT cables, the margin was 10.5%. In EHV, the margin stood at 14-15%; whereas, in the EPC business, the margin was ~12-14%.
- The company is focused on increasing its retail sales and the same has been growing at 20-25% YoY over the last few years. This has been achieved by expanding the geographical reach and increasing the sales team and influencer activities.
- The company has reduced RM purchases through LCs due to surplus funds, which will help to save interest expenses.
- Working capital: Improved management saw inventory days reduce to 2.25 months, while receivables remained stable at 2.1 months.
- Gross debt was INR2.7b vs. INR1.3b as of Mar'24. The cash balance was INR16b. Acceptance credit was INR1.13b vs. INR5.1b as of Mar'24. Overall, the net cash balance stood at INR17.1b vs. the net cash balance of INR566m as of Mar'24.

POLYCAB
IDEAS. CONNECTED.

Polycab India — Buy

Current Price INR 5,598

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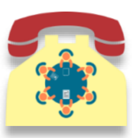
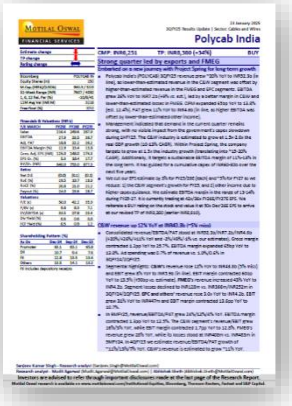


Key highlights of Project Spring

- The company has launched Project Spring, which will focus on six strategic pillars: a) solidifying market leadership in B2B; b) expanding in B2C; c) ramping up the international business; d) driving innovation- and automation- led holistic development; e) nurturing talent and capabilities; and f) increasing ESG integration.
- The domestic C&W industry is expected to grow at 1.5x to 2.0x the real GDP growth. The global C&W market is also witnessing strong growth, fueled by


Polycab India

several transformative trends, such as investment in renewable energy projects, adoption of EVs, expanding digitization, and the need to invest in data centers. Additionally, urbanization trends and the rise of smart city projects are creating significant traction worldwide. These factors are expected to drive the growth of the global C&W industry, which is expected to post 7.5% CAGR and reach USD410b by FY30.

- Overall demand for C&W is expected to remain robust in the near- to mid-term, both domestically and globally. Within Project Spring, the company targets to grow the C&W business at 1.5x the market growth, with sustainable EBITDA margins of 11%-13%. Moreover, it targets to increase its international business share to 10%+ of the overall company's revenue. The company targets capex of INR60b-INR80b over the next five years, with the majority allocated to the C&W business, which is expected to generate an asset turnover of 4x-5x.
- In FMEG, the company expects the sector to register 8-10% growth in the near to mid-term, driven by factors such as favorable demographics, urbanization, increasing per capita income, increasing brand consciousness, and the continuing upcycle of real estate. It aims to grow 1.5x to 2.0x the market growth, increasing its market share in line with its goal of becoming top-three player across product categories within the FMEG business. Further, it targets to achieve EBITDA margin of 8-10% by FY30 within this segment.
- The company will continue with its existing product categories within the FMEG business and does not plan to add any new categories in the near future. A small part of the capex will be allocated to expanding capacities, as needed.

Demand trends in the C&W segment

- The Indian economy has experienced a slowdown over the last few months; however; key metrics such as visual payments, power demand, services PMI, air passenger traffic, and pool collection indicate a sustained recovery. The current slowdown appears to be temporary and a pick-up is anticipated over the next few quarters.
- Government capex is expected to improve, supporting infrastructure growth and industrial demand. Meanwhile, the real estate sector continues to drive sustained demand momentum.
- The company is confident that demand in the current quarter remains strong and, so far, has not seen an impact from the slowdown in public capex during 1HFY25. However, if public capex does not pick up materially going forward, it could lead to some impact on the C&W industry in 1HFY26.

POLYCAB – 3QFY25 performance and other highlights

- Margin recovery in the C&W segment was led by: a) normalization of margins in the wire business, and b) higher export revenues - 62% YoY and 29% QoQ. The contribution from the international business to consolidated revenue stood at 8.3% for the quarter and 6.6% for 9MFY25.
- Capacity utilization is at ~75-80% in cables, while slightly lower in wires. In the mix of C&W, the share of cables has increased to over 75%. Volume growth for cables was in double digits in 9MFY25, while for wires, it was in single digit. Overall C&W volume growth was in double digits in 9MFY25.
- The growth of the FMEG business was led by factors such as channel expansion and the implementation of the influencer management program. The Fan segment continued to experience growth. The Lights and Luminaires segment

registered strong volume and value growth on the back of festive demand and successful execution of various strategic initiatives. Additionally, switchgears, conduit pipes, and fittings and switches delivered healthy growth, driven by sustained demand from real estate. The growth was also supported by the introduction of 130 plus new SKUs, geographical expansion to over 500 towns, the addition of 150 distributors in new geographies, and 7,000 retailers during the year. Losses in the FMEG business were reduced, led by improving contribution margin and higher economies of scale.

- The domestic cable business continued to deliver healthy growth. However, the growth of the wire business was impacted by the high channel inventory at the beginning of 3Q and the declining trend of copper prices. Wire demand is expected to improve in 4Q, led by normalized channel inventory and the inflationary trend in copper prices.
- The quarterly run-rate for the EPC business is expected to remain at similar levels, with a high single-digit margin in the medium-to-long term.
- The company is expanding capacity across product categories in C&W. The capacities are largely fungible, allowing flexibility to produce any type of cable based on which one is driving higher demand at a given point in time.
- For EHV cable expansion, capex is estimated at INR6.0-7.0b. This will be commissioned by FY26-end and is estimated to start contributing to revenue from 1QFY27 onwards. EHV cable asset turnover is close to 4x; however, the ramp-up is expected to be gradual.
- The company's EPC order book stood at INR48b as of Dec'24, to be executed over the next two to three years.
- Further, the working capital was at 51 days, within a comfortable range of 50-60 days.

RR Kabel — Buy

Current Price INR 1,134

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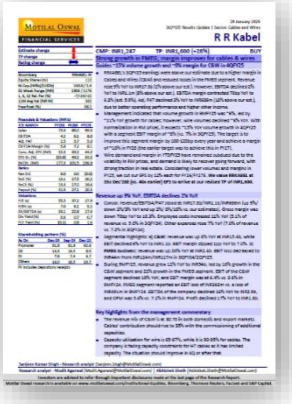
View on domestic and export demand

- Demand for cable & wire remains resilient despite a slowdown in general economic activity and the company has taken several initiatives like capacity expansion, introduction of high-margin products, new launches, and expansion of distribution network to capitalize on the growth opportunities. Infrastructure spending by the government and an increase in housing construction activities are expected to drive growth going ahead.
- On the export front, weak economic conditions, shipment delays, and geopolitical issues continued to impact demand, however; the company posted 11% YoY growth in export revenue in 3Q. It is working on securing new certifications to strengthen its presence in global markets.
- About 10% of the company's export revenue came from the US. Europe's contribution to export revenue was 50%+. Export was hurt in the European markets in Oct and Nov'24, but improvement was witnessed from Dec'24. The company has a strong order book for exports and it is also in the process of acquiring new certifications for the European and US markets. This will help higher growth in the future.
- In the European markets, the company competes with Turkish players, while in the US, China remains the largest exporter. India's contribution to global exports


R R Kabel

remains low and there is scope to improve its export markets both in the US and Europe.

- In domestic markets, wire is considered as a B2C product and there is a liking for branded products. The organized sector is getting market share in wires.
- The capex cycle to increase capacities in cable & wires is ~24-30 months. Given the government's plan for infrastructure spending, focus on wind and solar energy, and export opportunities; there should not be a scenario of oversupply in domestic markets.

Guidance for 4QFY25

- 1HFY25 saw high volatility in RM prices; however; prices have stabilized now. Volume growth of cable & wire is expected to be at 15% in 4QFY25 and 10-12% in FY25. EBIT margin of this segment should be at 8% in 4QFY25.

Cable & Wire segment

- The revenue mix of cable & wire is at 30:70 in both domestic and export markets. Cables' contribution should increase to 35% with the commissioning of additional capacities.
- Volume growth in 9MFY25 was ~6% YoY (wire volume declined ~3% YoY). Export volume of wire declined ~6% YoY in 9MFY25; while; domestic volume was flat. Volume growth of cable was ~21% YoY in 9MFY25 led by ~18% growth in domestic markets and ~19% growth in export markets. Demand for wire has started improving from end-3QFY25. Earlier, due to RM cost volatility, the channel was holding low inventory. Now, with stabilization in inventory levels; demand is expected to improve.
- Capacity utilization for wire is 65-67%; while it is 90-95% for cables. The company is facing capacity constraints for HT cables as it has limited capacity. The situation should improve in 4Q or after that. The target is to improve the
- margin of the C&W segment by 100-120bp every year led by a change in product mix, higher scale of operations, and more value-added products (e.g., solar and specialized cables). The target is to reach to double-digit margin in the cable & wire segment in FY28.

FMEG segment

- In the FEMG segment, growth was driven by higher volumes of fans, followed by growth in appliances. Cost savings, volume growth, and product-mix optimization helped to curtail losses in this segment. This segment should achieve EBITDA break-even in FY26 led by new product launches, premiumization, and expansion of geographical reach.
- Fans' contribution to the segment's revenue has increased to 45% now vs. 40% earlier. ~32% of segmental revenue comes from Lighting; while ~23% is from appliances and switches. Premium fan's contribution is at 23-25% of fan's revenues.

Capex and working capital

- Ongoing capex (INR5b in FY24/25) had a revenue potential of INR25b and will help to grow in FY26/27. It will incur further incur a capex of INR12b spread across FY26-28. This capex will be for brownfield expansion at the Waghodia plant and most of the capex (~80%) will be towards cables. Revenue potential from this capex will be INR40-45b. Capex in the FEMG segment will be at INR200-250m every year only as 67% of sourcing happens through trading.
- Net working capital was at 65 days vs. 64 days in Mar'24 and 63 days in Sep'24.

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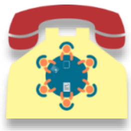

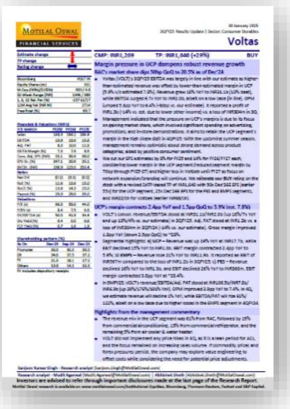

Voltas — Buy

Current Price INR 1,284

Macro trends

- The global economy experienced stable but subdued growth, with a projected annual growth rate of 3.1%. The US saw upgrades in its economic forecasts, while other advanced economies, particularly in Europe, faced downgrades due to geopolitical tensions and financial market volatility.
- In India, the economy continued to grow, driven by strong performance in the services and agricultural sectors. However, inflationary pressures, particularly in food prices, posed challenges, leading to a cautious monetary policy stance by the RBI. Despite global uncertainties, India's economic fundamentals remain strong, positioning it as a key player in the global economic landscape.

Unitary Cooling Products

- The third quarter is traditionally a lean period for cooling products. Demand during this period is primarily driven by the festive season or a second summer in the country. An anticipated strong summer demand and support from In-shop demonstrators helped it to achieve better performance for all products with the RAC category experiencing good demand. Both window and split ACs experienced healthy growth and VOLT's market share in the RAC segment stood at 20.5% exit-Dec'24.
- The revenue mix in the UCP segment was 61% from RAC followed by 19% from commercial airconditioning, 15% from commercial refrigerator, and the remaining 5% from air cooler & water heater. The pressure on UCP margins is due to the company's focus on gaining market share, which involves significant spending on advertising, promotions, and in-store demonstrations. It aims to deliver a high single-digit margin in 4QFY25.
- The company did not implement any price hikes in 3Q, as it is a lean period for ACs, and the focus remains on increasing sales volume. If commodity prices and forex pressures persist, the company may explore value engineering to offset costs, while considering the need for potential price adjustments.
- The commercial refrigeration (CR) segment faced challenges. While all the CR product categories reported moderate growth, sales push to liquidate inventory and reduced capex by customers led to a dip in margins. Growth was driven by higher sales in Visi coolers, Combo, and glass top freezers. Cold Room portfolio is gaining traction with a strong order pipeline. However, low production ramp-up in the new factory added costs. With fresh orders expected, the outlook for CR products remains positive in the coming months.
- The air cooler segment saw strong growth despite the off-season. VOLT's market share in air coolers reached 11.1% in exit-Sep'24, making it the No. 2 brand. Quantity tie-ups with distributor and sub-dealer schemes for the season contributed to strong performance in the both Air cooler and Water heaters segment.
- The commercial airconditioning segment continued steady performance, driven by strong sales of VRF and ducted ACs. Margin-accretive products, value engineering, and AMC jobs boosted profitability. A strong order pipeline for retrofit jobs and a positive conversion of product sales to AMC jobs are expected to sustain consistent growth in this business.

- Rising commodity prices and USD-INR depreciation affected profitability, but cost control measures helped maintain stable margins. Investments in BTL advertising yielded positive results, while consumer financing schemes drove strong sales growth. Value engineering initiatives further supported profitability.
- The newly established AC facility in Chennai continues to ramp up as planned and is gearing up for the season. It anticipates operational efficiency to boost business in the coming months.

Electro-Mechanical Projects and Services

- The project execution remained strong across verticals and geographies. Focus on completion certification and various project management initiatives boosting profitability. The total order book for the segment reached INR68.2b, ensuring a strong pipeline for future execution.
- Domestic projects expanded their order book, maintaining a positive outlook. New orders worth INR14.4b were secured in 9MFY25, bringing the total order book to INR48.6b.
- In the international projects sector, operations in the UAE and Saudi Arabia continued to perform well. It remains focused on collections. The international order book stood at INR19.6b, mainly from the UAE and Saudi Arabia. In 3Q, no new international orders were taken. There have been no cancellations of orders. The focus in international business is on consolidation, ensuring good KYC practices, and only executing profitable projects. This strategy continues to mitigate any potential risks from past issues.
- The company has adopted a two-fold strategy for its international business 1) focusing on collecting outstanding payments from previous customers, as some exposures were higher than expected; 2) the company is concentrating on expanding its business in key geographies, specifically the UAE and Saudi Arabia, where it is executing a mix of large and small projects (10-12 in total). It plans to selectively pursue more projects in these regions, provided they are funded by reliable clients.

EMS

- **A majority of the management teams have either raised or maintained revenue growth guidance, citing healthy demand across industries and a focus on expansion, operating leverage, and margin improvement. Key investments in electronics, railways, and backward integration, combined with worldwide collaborations, are expected to boost long-term growth while retaining a healthy order book.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Insights and future outlook	Other Key highlights
Avalon Tech	■ Avalon has raised its FY25 revenue growth guidance to 22-24% (up from 16-20%), reflecting strong expansion and demand trends. Growth will be broad-based, with each vertical contributing 25-30% to revenue, driven by a significant upside in the communication sector. ■ Gross profit margins for FY25 are expected at 34-36%, with a medium-term target of 33-35%. EBITDA margins are projected to be more than or equal to 12%, driven by operating leverage.	■ The US market is gaining strong traction with increasing deal wins; while AVALON's solar business remains small, minimizing any impact from Trump's policies. ■ Avalon Tech has secured key deals in the industrial and communication sectors and is moving from prototype to volume production for an automotive customer, with strong traction expected next year.
Cyient DLM	■ Cyient DLM reiterates a 30% revenue CAGR guidance over the next three years, though yearly growth rates may vary, and expects the overall margins to be soft till 1HFY26 and expand from there on, driven by the change in revenue mix. ■ The order backlog stands at INR21.4b, including INR2.9m from Altek. While order consumption by major clients is outpacing order book growth, the company is seeing strong traction in North America and is actively engaging with three large global firms.	■ The focus on local manufacturing in the US, driven by favorable regulations by the new government, will provide significant growth opportunities for Altek and strengthen its manufacturing capacities in the US markets. ■ The integration process of Altek is going at a good pace, and as per the plan, with synergy benefits being mapped and expected to start in the upcoming quarters. The ROE is expected to be along the same lines as Cyient DLM.
Data Pattern	■ DATAPATT maintains its revenue guidance of ~20-25% growth over the next 2-3 years while maintaining EBITDA margin at ~35-40% for the full year. ■ Data Patterns anticipates a major ramp-up in 4QFY25 and remains optimistic about delivering strong growth. It is firmly on track to achieve its full-year growth guidance.	■ As of Dec'24, the international order book stands at INR1b, with 3QFY25 production orders including INR800m for EW, INR530m for Radar, and INR530m for Avionics exports. ■ Inventory days increased due to two large radar orders, which tied up ~60-65% of the company's inventory. The company is expected to deliver one project by Mar'25-end and the other by 1HFY26, leading to a significant decline in inventory.
Kaynes Tech	■ Management reduced its revenue guidance to INR28-29b from the earlier guidance of over INR30b for FY25. ■ While its EBITDA margin guidance remains intact at ~15%. For FY26, management expects INR45b of revenue (ex-inorganic revenue) with further improvement in margins led by better gross margin and operating leverage.	■ The company highlighted its plans to raise funds through QIP to support its future growth drivers, such as geographical expansion (in North America), scaling up the ODM business, and deepening its technological footprint in certain niche areas of semiconductors. ■ The ramp-up of the smart meter is progressing well, and the current order book makes it mandatory for the company to further increase its capacity soon.
Amber Enterprises	■ New products in the railway segment will have a margin profile of 15-18%. Revised EMS division growth guidance for FY25 to be +55% YoY (vs. +45% earlier). ■ Its capex plan includes INR2.5b for consumer durables, INR6.5b for the electronics division (with INR4.0–4.5b in FY26), and INR3.5b for the railways division (INR1.5b expected in FY26).	■ Its subsidiary has formed a JV with Korea Circuit to manufacture HDI, Flex, and semiconductor substrate PCBs, with the facility to be ready by 1QFY26 and trials starting in 2Q/3QFY26. ■ It expects the Resojet JV to break even in FY26 with losses declining from 2QFY26, and a full turnaround for all JVs beyond FY26.
Dixon Technologies	■ Dixon is in discussions with a global technology partner to set up a world-class display fab, a critical component in Mobile, IT Hardware, and Consumer Electronics. ■ It has finalized the location for manufacturing of displays in partnership with HKC, with production set for 1HFY26. It is also exploring entry into precision components, mechanical parts, camera modules, and battery packs.	■ The company expects total mobile phone volumes to ramp up and reach around 30m units in FY25, with exports of 0.5-0.6m units of mobile phones expected in February and March of this fiscal year. ■ It is expanding capacity in the telecom segment due to increased volumes and expects to double the segment's revenues in FY26. It is exploring additional categories like robotic vacuum cleaners, water purifiers, chimneys, and other large kitchen appliances.

Motilal Oswal

Amber Enterprises India Limited

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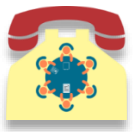

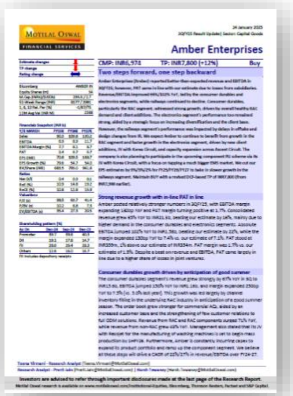

Amber Enterprises — Buy

Current Price INR 5,516

Segment-wise

- **Consumer Durables:** Growth in RAC sub-segment was driven by the conversion of new customers from gas charging to ODM and deepening of customer relationships. One new customer in the quarter in its commercial AC division strengthens its order book position. Management stated that Amber's JV with Resojet is progressing well, with trials under process and mass production is expected to begin from 1HFY26 onward.
- **Electronics:** The company revised its EMS division growth guidance for FY25 to +55% YoY (vs. +45% earlier), led by both PCBA and bare board verticals. The company's continued expansion of its customer base in its PCBA vertical with the addition of renewable energy customers is expected to support its revised guidance. Further, the management sees increased wallet share for existing customers and order book visibility of INR20b+ for its JV with Koran Circuit.
- **Railway:** The segment was largely impacted by delays and product expansion expenses. Management states that the delay in offtake is only for a few quarters and that there have been no cancellations for these orders. The company has further strengthened its order book for the segment by adding air conditioning orders for a Metro project. Over the next 2-3 quarters, management expects the order book for defense to start ramping up too. Management expects these factors to revive the segment, bringing the margins back to the 18-22% range by 2HFY26. Management also expects new products in the railway segment to have a margin profile of 15-18%.

Other highlights

- **PLI Incentives:** Management confirmed INR4b PLI approval from the GoI and is skipping the third round of PLI for home appliances to focus on leveraging existing incentives.
- **JV and associates:** The company's subsidiary formed a JV with Korea Circuit for the manufacturing of HDI, Flex and semiconductor substrates PCBs. The facility is expected to be ready by 1QFY26, with trials to begin from 2Q/3QFY26.
- **Capex:** Management spoke about capex for the consumer durables division to be around INR2.5b as the company is bringing up new model line-ups and ramping up the component segment. Further, for the electronic division, the company had already announced capex investment of INR6.5b in regards to its Hosur PCB manufacturing facility. Out of this, a major portion of INR4-4.5b is expected to come in next year. For the railways division, out of the already announced INR3.5b capex for its new facility in Faridabad, the company has already spent INR1b in the current fiscal, and another INR1.5b is expected to be incurred in FY26.
- **Minority interest:** Revenue from Ascent Circuit for 3QFY25 was around INR820m, which is expected to grow by 20-25% in the coming quarters. Management expects revenues from Ascent Circuit to double in 2-3 years. Even though revenue is starting to ramp up for Ascent Circuits, the same is not being reflected in profits, and hence, it is in minority interest, mainly because of the scale of operations and Amber's ownership in the said company being at ~60%.
- **Losses in JV:** Management expects its JV with Resojet to break-even in FY26 and the losses to start coming down from 2QFY26. After a loss in FY26 from other JVs, management expects a complete turnaround beyond FY26.

Avalon Technologies — Buy

Current Price INR 660

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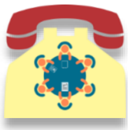

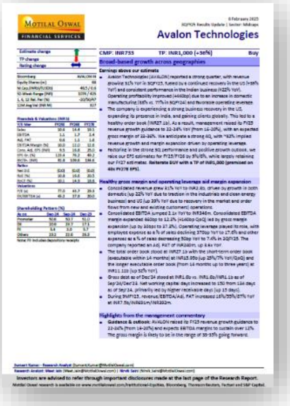

Business and growth outlook

- AVALON is experiencing strong growth, fueled by the US market recovery and its expansion in India. The company is capitalizing on these opportunities to strengthen its position.
- With sustained momentum, AVALON has raised its FY25 revenue growth guidance to 22-24%, up from the previous 16-20%, reflecting confidence in its expansion and demand trends.
- Gross profit margins for FY25 are expected at 34-36%, with a medium-term target of 33-35%. EBITDA margins are projected to be more than or equal to 12%, driven by operating leverage
- Growth will be broad-based, with each vertical contributing 25-30% to revenue. While the communication sector is set for a significant upside, medical remains a lower-focus area.

Operating performance

- Operating leverage benefits are starting to show, leading to improved profitability as the company scales. Efficiency gains are driving better cost absorption, supporting margin expansion.
- Trade receivables increased from 80 days in Sep'24 to 94 in Dec'24, temporarily pushing up net working capital days. However, management expects a 10–15-day improvement by FY25-end, easing the pressure.
- The company's financial position remains stable, with gross debt at INR1.56b and cash & investments at INR1.29b. Despite a negative cash outflow of INR106m from operations in 9MFY25, liquidity remains manageable.
- Capex stood at INR113m in 3QFY25 and INR727m in 9MFY25. The company continues investing in new manufacturing facilities, reinforcing its commitment to long-term growth.
- The order book mix is well-aligned with the revenue mix, with India contributing 45% and the US 55%.
- Higher other income was recorded due to investment returns and forex gains, supporting overall profitability.

Manufacturing & Market Performance

- The US operations reported a net loss of INR340m, a sharp improvement from the INR140m loss in 1QFY25. However, profitability remains uncertain due to political and macroeconomic factors.
- Customers are increasingly shifting business from the US and Mexico to India. Meanwhile, production for Lunar has begun, with a ramp-up likely in 1QFY26.
- India operations remained strong, with EBITDA margin at 15% and PAT margin at 10.8%, reflecting healthy profitability.
- The Chennai export plant (Phase 1) is fully operational and generating business, while the company has sufficient capacity to double growth in three years, with a 6-9 month lead time for new infrastructure.

Geographical trends and segment focus

- The US market is gaining strong traction with increasing deal wins; while AVALON's solar business remains small, minimizing any impact from Trump's policies.
- In the US energy storage is growing at 50-70% YoY, and the clean energy segment continues to perform well, supporting long-term growth.
- Customer inquiries are shifting from Mexico to AVALON's India operations, reflecting India's growing importance in the supply chain.

- In India, the company has secured key deals in the industrial and communication sectors and is moving from prototype to volume production for an automotive customer, with strong performance expected next year.
- The company is focused on volume-led automotive products, considering EV as a global opportunity rather than an India-centric market.
- In the railways segment, new products have been added, with Kavach-related products currently under testing.
- Chip design services are offered through US subsidiaries, though IP ownership remains with clients. Around 150-200 designers are engaged in this segment, enhancing the company’s capabilities.

Others

- AVALON is actively working on anti-collision systems for railways, with significant business potential expected in the future.
- The company is seeing increasing traction in clean energy storage solutions, which are less impacted by policy changes compared to solar.
- Phase 2 of the Chennai expansion is expected to begin in the 4QFY25, further supporting future growth.
- AVALON is strategically using its US presence as a "beachhead" to onboard customers, before transitioning production to India for cost efficiency.

Cyient DLM — Buy

Current Price INR 413

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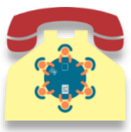

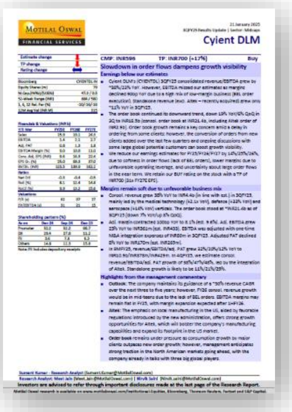

Operating performance

- The revenue mix is slowly changing, which will have some effect on operations in the medium term.
- Large contracts signed last year are starting to see some traction.
- The defense segment reported ~31% YoY growth, while the aerospace segment reported ~14% YoY growth.
- The business share of the Rest of the World (ROW) market continues to be higher, driven by increased demand in aerospace & defense customers outside of India.
- The Indian business mix stood at ~39%, with a major contribution from the defense segment, and going forward, management expects this trend to continue.
- One-time M&A integration related expenses of INR80m were included as other expenses in 3QFY25 and are not expected to be repeated going forward.
- Despite foreign exchange gains, other income remained low, and going forward the company does not expect other income to increase as the company continues to consume the surplus cash from the IPO, leading to a decrease in interest yields.

Order book

- Order backlog stands at INR21.4b, which includes INR2.9m worth of order backlog from Altek.
- Growth in order consumption by big clients is faster than growth in the order book.
- The company is in active conversation with three large global companies, with the company seeing strong traction in the North American markets.
- Standalone order book execution is usually around 18-24 months.

Altek acquisition

- Altek is based in Connecticut, providing high-value electronic manufacturing service in the medical and industrial segments.
- The integration process is going at a good pace as per the plan, with synergy benefits being mapped and expected to start from the upcoming quarters.

- Going forward the focus will be on market dealers. It is working with top clients of both companies.
- The focus of local manufacturing in the US, driven by favorable regulations by the new government, will provide significant growth opportunities for Altek and strengthen its manufacturing capacities in the US markets.
- Altek has been providing services in the EMS industry for about 50 years, with a focus on the industrial, defense and medical segments. Altek's business complements Cyient DLM's business in many ways.
- Many clients of the company are based in the US and this acquisition will open more avenues for the company.
- Altek EBITDA margins were similar to Cyient DLM in 3QFY25, significantly below the historical margins of ~10%. However, 3Q was a one-off quarter and the company has a plan for margin expansion.
- RoE for both businesses will be in similar lines.

Guidance and Outlook

- Management reiterates a 30% revenue CAGR guidance over the next three years, though yearly growth rates may vary.
- Overall margins are expected to be flat in FY25 on a YoY basis.
- EBITDA margins are expected to be soft in 1HFY26 and may expand in FY26, driven by the change in the revenue mix.

Others

- The industry and medical segments are showing signs of a recovery in India.
- Cyient DLM has added a leading global technology company, which specializes in energy services and solutions.
- Currently, the company has sufficient capacity; hence, there are no major capex plans other than small incremental capex.
- The pipeline as of 3QFY25 stands at USD1b (total contract value), with three large deals at advanced stages.
- The revenue mix has changed significantly from the previous quarters and it looks more balanced with the acquisition of Altek, which resulted in 47%/156% YoY growth in the industrial/MedTech.
- Standalone EBITDA margins were impacted by the rise in other expenses due to the increase in bad debt provisions.
- Every year USD1m will be coming under amortization and the balance will be goodwill.

Data Patterns — Neutral

Current Price INR 1,546

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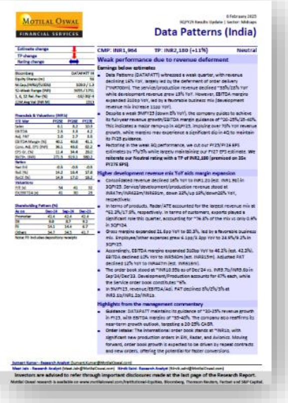
Industry scenario

- The Indian government allocated INR6.8t for the defense budget in FY25-FY26, reflecting a 9.5% increase from the previous year.
- A significant INR1.8t has been designated to enhance military capabilities, with 70% of the modernization budget dedicated to domestically produced weapons and equipment.

Operating performance

- While the company faced certain delivery deferments from customers, the overall execution momentum remains strong.
- In 3QFY25. a substantial portion of the revenue and order book was driven by the export market.
- The company achieved an improvement in gross margin to 80% in Q3, up by 1260 bp, driven by a favorable product mix.


Data Patterns (India)

CMP: INR1,964 TP: INR2,180 (+11%) Neutral

Weak performance due to revenue deferment

Higher development revenue mix YoY aids margin expansion

Highlights from the management commentary

- The company took on two large contracts for radars with very low margins to build capability and demonstrate product capabilities.
- The total impact of the deferment of contacts was ~INR700m.

Guidance

- The company maintains its revenue guidance of ~20-25% growth over the next two to three years while maintaining EBITDA margins at around 35-40% for the full year.
- The company anticipates a major ramp-up in 4QFY25 and remains optimistic about delivering strong growth. It is firmly on track to achieve its full-year growth guidance.
- The company reports higher margins when producing systems domestically in India, compared to exporting complete systems.
- The management is strategically deploying funds to accelerate product development with a substantial portion allocated to expanding its R&D capabilities.
- Moving forward, the company will focus on growing the addressable market, with an emphasis on manufacturing complete systems.

Order book

- The international order book stands at INR1b as of 31 Dec'24.
- In 3QFY25, the company secured production orders for EW worth INR800m, Radar worth INR530m, and Avionics export worth INR530.
- The market order book does not follow an annual cycle; it typically takes several years to develop.
- However, the conversion rate to contracts could accelerate in the near future, with growth driven by repeat contracts and new orders.

Others

- Inventory days were elevated as the company proceeded with two larger orders for radar, with ~60-65% of its inventory tied up in these orders. Once these orders are completed, inventory is expected to decrease substantially.
- The company generally avoids inventory-based contracts due to their complexity but took on two larger orders to develop expertise and proficiency in designing and constructing complete systems.
- The company has experienced a shift in order intake, with some product-related decision-making taking longer than expected. However, none of those contracts have been lost.
- The company is working internally to develop products that meet export standards before reintroducing them to the international market. This strategy follows a medium- to long-term approach.
- Indian businesses generate higher EBITDA margins compared to exports business.
- There have been delays in executing orders due to financial constraints within the government and delays in government clearances. However, as these issues are resolved, the company expects to be involved in many more programs.
- Additionally, DRDO has received approval for several new programs, with the necessary funding already sanctioned.

Dixon

The brand behind brands

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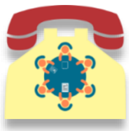

Dixon Technologies — Buy

Current Price INR 14,087

Backward integration and entry into the components ecosystem to boost future growth

- **Backward integration:** Dixon has finalized the location for the manufacturing of displays in partnership with HKC, with plans to start production in 1HFY26. The company is also expanding into precision components, mechanical parts, camera modules, and battery packs. The company is awaiting component PLI from GoI under ISM 2.0 and will then decide on the further expansion of its components product portfolio.
- **Display Fab:** Electronics manufacturing has reached a level of maturity, and now, a component ecosystem is required on the non-semiconductor side, i.e. displays, mechanicals, etc. Management mentioned that Dixon is in active discussions with an existing global technology partner for setting up a world-class display fab, which is a critical component in Mobile, IT Hardware, and Consumer Electronics. The company is awaiting government guidelines on ISM2.0 for this fab. It expects a 50% capital subsidy from the central government and 20% from the state government for this fab. Hence, Dixon's share of capex will be much lower. This is a margin-accretive project with a fast payback period, and a large part will add value through captive consumption in mobile, notebook, etc. The expected capex is around USD3b – TV displays are 60%, mobile 12-15%, and notebook 12-15%.

Segment-wise

- **Consumer Electronics:** Consolidated revenue/EBITDA were weak for the quarter, decreasing 32%/31% YoY, reaching INR6.3b/0.22b. The contribution of refrigerators to the segment totaled INR1.7b. Within the first year of operations, Dixon was able to capture 8% of the market share in India in refrigerator manufacturing. The company also started exporting refrigerators to Nepal and is actively exploring the Sri Lanka and UAE markets. The LED TV market has faced poor growth due to subdued consumer demand. Management stated that the company is working closely with Amazon Fire TV and LG for webOS, where it already has some export queries and expects growth starting from 1QFY26. The company has also started manufacturing 65-100 inch digital signage's, for which it has a decent order book.
- **Mobile Phones:** Consolidated Revenue/EBITDA from the mobile phones & EMS segment for the quarter increased 190%/210% YoY, reaching INR93b/3.2b. To strengthen its position as a trusted mobile manufacturing partner, the company has expanded its capabilities by adding a new facility in Noida, bringing the total to seven state-of-the-art manufacturing units with a combined capacity of over 60m smartphones annually. Dixon's subsidiary Ismartu has invested INR1.3b in acquiring land, plant, and machinery to scale up production for brands like Nothing, Techno, and Itel, including fulfilling 3m export volumes to Africa. The company expects to export 0.5m-0.6m units in February and March of this fiscal year. Management stated that orders remain strong for Motorola, Xiaomi's volumes are growing steadily, and OPPO's order book has been robust. The company successfully dispatched its first production for Compal in December'24. Further, Dixon has entered into a JV with Vivo, with Dixon holding 51%, where Vivo will transfer its production to this JV.
- **Lighting Products:** Management claimed that a further increase in the backward integration of lighting products is expected to materialize in 4QFY25, which will lead to a positive change and margin expansion.
- **Home Appliances:** Consolidated revenue stood at INR3.15b in 3QFY25, up 9% YoY. The segment's EBITDA stood at INR320m, increasing 7% YoY, while EBITDA

margins contracted 20bp from 10.4% to 10.2%. In terms of volume sales, the company grew 100% YoY, reaching monthly sales of 25 thousand units. Management stated that it is exploring additional categories like robotic vacuum cleaners, water purifiers, chimneys, and other large kitchen appliances in this particular business.

Kaynes Technology — Buy

Current Price INR 4,214

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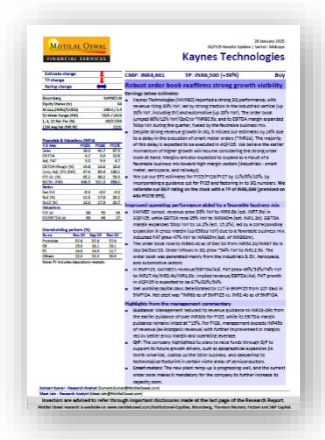

Outlook and guidance

- FY25 revenue guidance targets INR28-29b, representing 55% YoY growth, with implied 4QFY25 growth of 60-67% to achieve guidance; margins expected to be over 15%. At the current gross block, the company can grow revenue by 40-50% from current levels (TTM).
- FY25 EBITDA margin is expected to be more than 15%, with further improvement supported by high-margin segments like industrials, aerospace, and IT; gross margin is projected to sustain above 30% in the long term.
- KAYNES' FY26E revenue is projected to be ~INR45b, driven by growth in EMS, Semiconductor, and OSAT & PCB businesses, barring acquisition-based revenue.
- The long-term outlook anticipates significant margin improvement by FY27-FY28, driven by high-margin OSAT business contributions.

Orders and execution

- Order book growth is driven by industrials, EVs, aerospace, and automotive sectors, with orders expected to materialize from 4QFY26.
- Aerospace and defense-secured orders are anticipated to contribute significantly to revenue from FY26 onwards.
- Smart Meters' integration of Iskraemeco is progressing well, with capacity expansion at the new Hyderabad plant addressing current orders; shipment delays are due to ramp-up, while additional orders include AMISP and three state projects.
- Railways revenue has been impacted by order delays related to elections, with recovery expected post-budget; order inflows have increased, and production for "Kavach" will begin after POC completion in FY26.

Capex and projects

- OSAT business groundbreaking at Sanand, Gujarat is underway, with revenue expected from 4QFY26; HDIPCB factory approved in Tamil Nadu, with total semiconductor project capex at INR23b, supported by 50% Central and ~20-25% state subsidies, which comes to 6-9 following the Central's subsidy.
- QIP funds will be utilized for expansion into new geographies like North America, scaling the ODM business, and potential acquisitions of companies with USD35-50m ticket sizes having strong profitability and cultural alignment.

Business updates and strategic initiative

- For growth, the company wants to strengthen its presence in North America, Europe, and South Asia and focus on ODM and high-margin businesses as part of its margin strategy. Additionally, an infrastructure push is expected to drive demand in the railways, power, and telecom sectors through government projects.
- The automotive business focuses on EV chargers, components, and expansion into 2W and 3W segments.
- The IoT and IT segments are progressing as anticipated, with the largest government customers onboarded, and further expansion is expected in the coming year, backed by growing opportunities; these segments are among the higher-yielding areas in the company's order book, which also includes industrial, aerospace, and railways.

- The company has secured a large European-based medical client, which has expanded its presence in the US through acquisitions, providing substantial RFQs and significant order visibility, thereby addressing a prior gap in large.
- clientele and positioning the company for steady growth in the medical segment.
- By FY26-27, three-fourths of the revenue is expected to come from the existing EMS business, while one-fourth will be driven by newer businesses. This will require additional working capital; hence, the increase in debt levels for FY26 is anticipated to be less than proportionate.
- The company has acquired a majority stake (54%) in Sensonic GmbH, a railway network safety company.

Other

- Exports to contribute 20-25% of revenue by FY26, driven by silicon and PCB assembly.
- Working capital days improved to 107 days in Dec '24 from 117 days in Mar '24, while inventory days remain elevated due to advance purchases for upcoming quarters. Positive operating cash flow (OCF) is expected to begin from 4QFY25 onwards.

Syrma SGS Technology — Buy

Current Price INR 441

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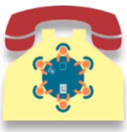

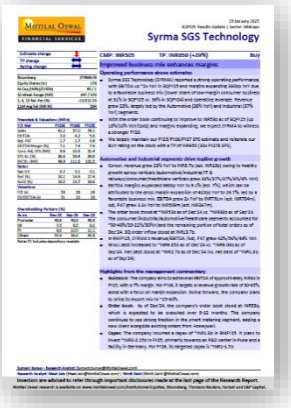

Operating performance

- Margin expansion was largely driven by a favorable change in the product mix, along with initiatives implemented by management, which have started to yield results.
- As of Dec'24, net working capital stood at 64 days, slightly higher than the last quarter due to additional inventory for new customers. However, the guidance for the full year remains unchanged at 60 days.
- Gross debt as of Dec'24 stood at ~INR6.8b

Outlook and guidance

- Going forward, the company expects ~39-40% of revenue to come from the consumer business, with an implied mix in 4QFY25 to be in similar lines as 3QFY25. The long-term target is to reduce this mix to below 35%.
- The company expects EBITDA margins of approximately 7% in 4QFY25, in line with its long-term guidance, and is targeting an EBITDA of around INR3b for FY25.
- Management expects the company to grow at the rate of ~30-35%, with a continued focus on margin expansions.
- The export business typically has higher margins than the domestic business, and the company targets to bring the export mix to ~25%-30% of total revenue going forward.
- The tax rate for FY25 and FY26 is expected to be ~23%-24%.
- The current weighted average asset turnover is ~5.6x and is expected to improve to ~6.5-7x, driven by the order book and new business opportunities. With EBITDA margins of 8-8.5%, the overall ROCE is expected to be within the target zone.
- With the current gross block (minor additions), the company can achieve revenue of INR65b.
- The company expects ~INR700m revenue from railways in FY25 and anticipates this segment to contribute ~INR1b to overall revenue going forward.

Order book

- As of Dec’24, the order book stood at INR52b, which is expected to be executed over 9-12 months.
- The auto/consumer/industrial mix of the order book stands at 30%+/30-40+/20-22%.
- The company has witnessed strong traction from smart metering, adding a new client in this segment alongside existing orders from Honeywell.

Capex

- The company incurred a capex of ~INR1.80b in 9MFY25. For FY25, it plans to incur a capex of ~INR2b-2.25b, with spending primarily focused on building a large R&D center in Pune and a facility in Germany.
- For FY26, the company targets a capex of ~INR1b-1.5b.

Others

- The company has started renegotiating contracts in the consumer segment to explore potential opportunities for margin expansion, with plans to structure the business in a way that allows it to benefit from PLI and improve margins.
- The joint venture for laptops started last month, and the company expects it to mature into backward integration for board manufacturing in the coming years.
- The company had previously acquired land in North Haryana but has since sold it, as all expansion activities are now focused in Pune.
- The company has received INR140m in 9MFY25 and expects ~INR170m for FY25, compared to INR165m in FY24.
- Overall capacity utilization at the Pune plant is slightly below 70%. The company recently added two lines in Pune and has the ability to add more, with additional lines expected to be ready by FY26-27.
- The company has received approvals for a QIP, and the funds raised will be used to fuel inorganic growth opportunities.
- The company is evaluating its plant for potential entry into the OSAT business.
- The Auto and Consumer segments remained flat QoQ in 3QFY25, as inventory typically builds up in 2Q to cater to the festive season in 3Q.

- **Management teams for most banks remain cautious due to growth moderation and contracting NIMs. A majority of the banks are closely monitoring asset quality in unsecured segments, though there were some positive signs in Dec'25, driven by improved collection efficiency. With repo rate cuts announced, most banks indicate they are well-positioned to handle a potential 25bp cut; however, further reductions could pressure NIMs in FY26. The banks have signaled a slowdown in unsecured segment growth, while other segments remain resilient. PSBs continue to demonstrate stable asset quality, with no signs of stress in either corporate or other retail segments, while credit cost guidance continues to remain benign for most of the PSBs. Banks remain cautious about deposit growth amid tight liquidity, although measures such as RBI's liquidity injection are expected to support a recovery in deposit growth.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	Asset quality and collection efficiency
Axis Bank	▪ The macroeconomic environment is showing signs of moderation, and it remains volatile. Liquidity constraints could continue to impact loan & deposit growth in FY26. ▪ Deposit growth has been lower compared to other private banks, but the bank remains focused on improving the quality and granularity of deposits. ▪ The bank provides 100% provisioning on retail unsecured exposures at 90 DPDs, demonstrating a more prudent approach compared to peer banks.	▪ Fresh slippages increased to INR54.3b (from INR44.4b in 2QFY25). While the GNPA/NNPA ratio inched up mildly by 2bp/1bp QoQ to 1.46%/0.35%. PCR stood at 76.2%. ▪ Credit costs stood at 1.28% vs. 0.90% in 2QFY25. Restructured loans edged lower to 0.12%.
HDFC Bank	▪ The bank has ample liquidity, is growing deposits faster than the industry, and is well-positioned to capture market share when the macroeconomic environment improves. ▪ The C/I ratio remains stable, with cost growth maintained at 7%. ▪ Regarding the excess liquidity on the balance sheet, the investment net of cash was INR500b sequentially. This was invested in the treasury and the earnings stood at 6.5-7.0%.	▪ GNPA/NNPA ratio increased by 6bp/5bp QoQ to 1.42% / 0.46%. PCR decreased 207bp QoQ to 67.8%. ▪ HDFCB holds total provisions (contingent + floating) of INR259b. CAR improved to 20%, with Tier 1 at 18% (CET1 at 17.5%).
ICICI Bank	▪ The bank continues to add branches but has been streamlining its internal process by continuously leveraging the cost base, which has led to lower opex consistently. ▪ Credit costs stood at 37bp in 3QFY25 and the bank expects to sustain its target of ~50bp going forward. ▪ There remains considerable scope for the bank to enhance its fee income, particularly in transaction banking and asset-related services.	▪ Fresh slippages stood at INR60.85b (ex-agri at INR53.7b). The GNPA ratio declined 1bp QoQ to 1.96% while the NNPA ratio was stable at 0.42%. PCR moderated 29bp QoQ to 78.7%. ▪ The contingency buffer stood unchanged at INR131b (1.0% of loans).
IndusInd Bank	▪ The bank is reducing the share of its MFI business and wants to bring this down to 8-10%. About 13% of the MFI business pertains to Karnataka, and the bank has reduced this book by 4% QoQ. ▪ Early indicators suggest that CE will be down by 1%.	▪ Fresh slippages were elevated, up 22% QoQ to INR22b, primarily due to a rise in slippages in the consumer finance book to INR19.2b. ▪ GNPA/NNPA ratios increased 14bp/4bp QoQ to 2.25%/0.68%. The bank has utilized INR2b of the contingent buffer of which INR1.6b was towards MFI and INR0.4b for the corporate portfolio. Restructured book declined 11bp QoQ to 0.18%.
Kotak Mahindra	▪ NIMs have stabilized, supported by favorable yields and cost of funds. As the share of unsecured loans increases, yields are expected to improve. On the cost side, CA deposits will help manage and contain expenses. ▪ The bank aims to achieve a RoA of over 2%, which will depend on when the embargo is lifted.	▪ Fresh slippages declined 11.6% QoQ to INR16.6b, with MFI contributing the highest. GNPA ratio was flat at 1.5%, while NNPA declined 2bp QoQ to 0.41%. PCR increased 1.75% QoQ to 73.2%. ▪ SMA-2 advances stood at INR2.1b (5bp of loans). CAR stood at 22.8%, while CET-1 stood at 21.7%.
SBI	▪ Credit growth guidance remains at 14-16%, with broad-based growth across all segments. ▪ The bank continues to expect FY25 credit costs at 0.5%. ▪ It targets a sustainable RoE of over 15%, outperforming credit growth. ▪ Deposit growth is targeted at 10% YoY, with a possibility of meeting this goal in 4QFY25.	▪ Fresh slippages declined to INR38.23b vs INR48.71b in 2QFY25. ▪ The GNPA ratio improved 6bp QoQ to 2.07%, while the NNPA ratio was flat at 0.53%. PCR ratio declined marginally to 74.7%. Restructured book declined to INR137b (0.34% of advances).

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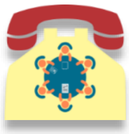
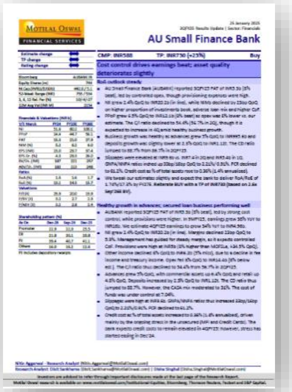
Results Update





AU Small Finance Bank — Buy

Current Price INR 525

Opening Remarks

- The Indian economy saw an uptick at the end of 2Q before slowing down in 3Q. However, the rural economy and government spending have increased.
- Deposits are analyzed based on growth, CASA ratio, LCR, CD ratio and COF, and the bank aims to maintain these ratios at an optimal level. This year the bank has grown 16% YoY on deposits side. Bank grew 2.3% QoQ on deposits on account of withdrawal of some government accounts.
- CASA ratio stands at 31% and LCR is at 115%, up 3% QoQ. About 80% of deposits are stable.
- The bank focuses on the right mix of deposits with optimal pricing. Incremental CoF improved to 7.4%, though the current market environment is challenging.
- The bank increased its rate by 10bp in peak TDs. Despite this, the CoF guidance is maintained at 7.10-7.15%.
- Branch banking is in focus in the top 20 cities, of which Delhi, Jaipur and Bangalore are performing well. The bank plans to open 70-80 new branches in these cities.
- The bank has made a lot of efforts to improve branch profitability.
- Its loan portfolio has grown 13% YTD, faster than the system and that of other peers.
- Retail business book forms 67% of the total business portfolio and is a flagship franchise, which has been built over the years. This segment is performing well with 14% growth YTD and will benefit from an increase in the number of touchpoints.
- December is strong in terms of asset quality.
- Wheels book makes up 32% of the GLP and is expected to grow 25% YoY. Yields have improved by 25bp YoY and asset quality is broadly well. It will be present in 530 touchpoints by FY26 end and will be expanded to bigger geographies.
- Mortgage book forms 33% of the GLP and has ATS of INR1.2-1.3m; there are no close peers operating in a similar yield. MBL is expected to grow in low teens. Credit cost is 0.6% YTD. It is present in 900 touchpoints in this segment.
- Gold forms 2% of the portfolio and expertise comes from Fincare. Gold grew 29% YTD with yields of 16%. The latest guidelines of the RBI provide the level playing field for the bank.
- Commercial banking is 21% of the portfolio. Competition is mainly with other private sector banks. Growth and asset quality remain largely on track. Commercial banking generated INR110b of deposits for the bank.
- AD1 business is gaining traction and is important for current account.
- An inclusive finance bank is key to fulfilling financial inclusive charter. The total book is INR78b and the MFI is the biggest in this portfolio with a strong MFI franchise. It has the lowest exposure in the industry and the book is well diversified.
- MFI industry is under stress due to high customer indebtedness; however, the long-term prospects remain strong. The bank has tightened its MFI norms and has improved collection efforts.

- MFI GLP declined 6% QoQ and credit cost was 9.4% annualized. SMA pool was 4.4%. Collection efficiency has bottomed out. December was better in terms of collections in the MFI. The bank is keeping a close watch on the MFI segment.
- PPoP increased 6%, driven by strong control in opex. PAT was down 7% QoQ due to higher credit cost in MFI.
- Achieved 1.5% of RoA in 3Q.
- NIM decline by 23bp due to a higher proportion of investment book (~10bp), adverse loan mix and higher CoF (~9bp), and NII reversal on NPAs (~4bp).
- Insurance fee was impacted by the changes in regulatory norms of IRDA.
- C/I is expected to be at 57-58% in FY25.
- Although the credit cost will be high, RoA will be maintained at 1.6%. GLP growth is expected at 20% and secured portfolio will grow faster at 23-24%.
- The bank has applied for the universal banking license and is in touch with the RBI.

Laibilities

- Fincare has 1,200 touchpoints to operate in MFI, with 70% of them being quasi-headquarters. About 80-90 branches will be added in this experiment this year.
- 23-25% deposit growth is expected in Mar'25.

Advances

- AUBANK wants to build MFI with the help of other secured businesses. The bank had expected RoA of 4% in MFI, but it has given only 1% this year.
- MFI exposure is expected to be capped at 10% and the bank will be looking at this book differently.
- The bank has reduced the guidance as it does not want to face a hiccup in the future.
- The bank has SMF lending. It does not expect the SMF deficit despite a slowing MFI book. The bank is working on the digital lever and should be lesser in C/I in next few years.
- MFI book – CE inched up to 98.7% and is a stable outcome.
- Gold loan circular – The BC model has to be revamped (business has to be done from the branches). Renewal has been stopped in the industry. LTV of gold loans has been standardized and cannot give above 75% throughout the tenure.
- The guidelines have been stringent and the bank only lacks in the delivery time of the loan. There is a level playing field for all. Many banks might be doing this and Fincare is already practicing this. It has been working on this and a lot of work has to be done to come out in the final print.

Yields, cost and margins

- The bank targets 2% RoA, which will be aided by a rate cut will be helpful as the bank will be utilizing the funds in a better way.
- CoF was 7.05% in 2QFY25.

Asset quality and provisions

- On MFI – the bank is 4.4% of SMA and 17% of borrowers have more than three lenders. But lot of it has been arrested in the past few quarters. The bank will take one more quarter to have more color on it. The overall credit cost will be 1.5-1.6% for the entire bank in FY26. There as green shoots available, such as the upcoming MFIN guidelines.
- MFI credit cost will be 6-7% in FY26 and it will remain high in 4Q. Other secured assets will continue to improve in 4Q.

- Credit card's credit cost, a lot more have been arrested on this too and doing underwriting in physical basis. This quarter will see the peak credit cost, which will ease next year.
- 3Q has been stronger than 1H, with 90% of the assets in a better shape.
- The bank has worked on underwriting in new acquisition. The bank shifted to physical operations where digital capacities were not enough.
- SMA – the bank has standard provisions and created INR170m of provision on MFI.
- The bank has been doing secured retail assets in the past two decades. The pain is there in segments, in which the bank operates. The secured book is built on productive aspects and will remain strong.
- 1H is not better for secured retail assets. Early in 2H, asset quality declines before improving in Dec'24.
- The typical credit cost comes at a lag of six to eight months. But January, February and March will be much better.
- December was better than November in terms of collection efficiency in standard advances and disbursements.
- PCR is coming down as new fresh loans are becoming NPAs. The bank has a prudent write-off policy. PCR is 60% for secured assets and 80% for unsecured assets. The bank aims to achieve PCR of 70%.

Opex

- By CY26, the bank will integrate tech with Fincare. The leadership is aligned with Fincare and saving a lot of cost here. By 4Q, the cost will be aligned with the bigger umbrella.
- C/I for the entire year will be 58% as 4Q will have more opex seasonally. The bank aims to maintain 55% of C/I in the next two years.
- The focus is on operational efficiency and the whole business expansion is meant for a purpose. The bank will keep moving around and C/I will have to move around 55% and a lot more sincerity has come in.
- Last year, C/I was 63-64%; despite headwinds and continuous investments, the bank has seen a decline in the C/I ratio.
- The bank wants the C/I ratio to touch 55% in next year and wants to build more secured class and commercial banking. There is a lot much on the table and want to focus there. Idea is to be lower than this current year for the next year.

AXIS BANK

Axis Bank — Neutral

Current Price INR 1,011

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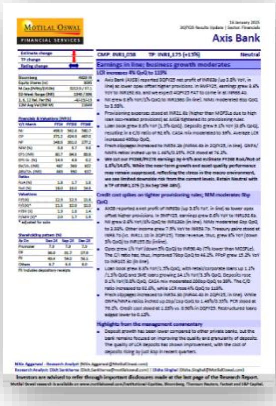
Opening remarks by the management team

- The provisioning policy is recognized as one of the best among Indian banks.
- The bank has delivered on growth quality and cost of funds, though systemic challenges have affected deposit growth.
- The CET-1 ratio stands at 14.61%.
- Retail asset quality is normalizing.
- The cost of funds increased by only 3bp over three quarters, while quarterly average deposits grew 13% YoY, outperforming most banks.
- Approximately 130 branches were opened during 3Q.
- There is a significant market potential, with salaried customers continuing their engagement with the bank.



- New-to-bank customers grew 42% YoY.
- On retail asset quality, the bank maintains one of the best GNPA ratios among large peers.
- MFI loans account for 1% of retail loans and 0.6–0.7% of total advances.
- The bank continues to uphold top-tier asset quality among large PVBs. A recent bureau report highlights rising delinquencies in unsecured loans.
- The bank remains cautious regarding unsecured loans.
- BB remains strong, with new products launched during 3Q.
- The migration of Citi was completed in 2Q, and from 3Q onward, the focus will shift to growing and cross-selling to these customers.
- Consolidated RoA is 1.8%, and RoE is 16.9%. Leverage on the balance sheet has been reduced.
- Subsidiaries contributed 7bp to the consolidated RoA.
- Expenses decreased by 5%, and the cost-to-assets ratio improved by 7bp since Mar'24.
- The bank added 87bp to CET during 9MFY25, with a CET-1 ratio of 14.61%.
- A higher tax rate this quarter was due to favorable tax orders in the previous quarter.
- The bank is not considering raising Tier-1 capital.
- NIM at 3.93% declined by 6bp QoQ, with 3bp attributed to interest reversal and 3bp to LCR impact.
- RIDF comprises 1.1% of total advances as of 3QFY25 vs. 1.8% in 3QFY24.
- The impact on the cost of funds from CASA decline was offset by higher deposit rates.
- Operating expenses stood at INR9.44, declining 5% QoQ. The bank opened 130 branches in 3Q and 330 in 9MFY25. Technology and digital accounted for 10.2% of total operating expenses, while headcount declined QoQ.
- Net credit costs were INR21.9b, annualized at 80bp, impacted by seasonality.
- Subsidiary ROI is 49%.
- Slippages were primarily in cards and PL, with some slippages in MFI during 3Q, though MFI accounted for only 1% of retail loans.
- Gross slippages totalled INR54.3b, including INR9.9b due to seasonality. Retail slippages were INR49.2b, CBG INR2.1b, and corporate INR2.5b.
- Net slippages totalled INR35.2b, with retail at INR33.9b, CBG at INR1.5b, and corporate at INR-0.23b.

Opex and other income

- The bank had previously guided for optimizing operating expenses. With 4Q being the strongest quarter, appropriate costs shall be considered.
- Fee income declined in 3Q, as retail fees are linked to incremental disbursements.
- Restoring fee income is not a challenge and can be managed at reasonable levels.

Outlook of the sector

- The macroeconomic environment is showing signs of moderation. Liquidity constraints could continue to impact loan and deposit growth in FY26.
- The bank has made strategic decisions to pay higher prices compared to competitors for the long-term benefit of the franchise.

- For now, prioritizing the right action is more important for the bank.
- A slowdown across the industry is expected in the coming quarters unless there is a shift in the macroeconomic conditions.

Advances and deposits

- Deposit growth has been lower compared to other private banks, but the bank remains focused on improving the quality and granularity of deposits. The quality of LCR deposits has shown improvement, with the cost of deposits rising by just 3bp in recent quarters. QAB growth was 13%, surpassing industry growth rates.
- The bank is committed to accelerating deposit growth. The Citi acquisition has contributed to overall deposit growth, and new products have been introduced to further enhance deposit mobilization.
- QAB deposit growth of 13% reflects the bank's focus on granular deposits rather than large lumpy ones.
- The bank believes its balance sheet is well-calibrated and has no issues maintaining the LDR at current levels.
- While the bank understands the importance of maintaining monthly or quarterly deposit levels, it acknowledges that system-wide liquidity constraints are affecting deposit growth. Efforts are underway to maintain MAB, while sustaining QAB levels.
- The bank aims to grow deposits at the right cost and only if suitable loan growth opportunities are available.
- PL growth stood at 17% YoY and 1% QoQ, down from 23% YoY in 2Q. The bank is taking corrective actions, and is already seeing early signs of improvement.

LDR

- The bank has submitted its strategy to the RBI and is confident of maintaining the specified range. Discussions with the RBI have indicated comfort with this approach.
- The bank is not pursuing lumpy deposits that are transient, instead it is focusing on growing deposits in a granular manner.

NIMs

- The proportion of the domestic book has increased, and excess liquidity has affected global NIMs.

Asset quality

- Asset quality policy: The bank provides 100% provisioning on retail unsecured exposures at 90 days past due, demonstrating a more prudent approach compared to peer banks. Write-offs in the SME portfolio are rule-based.
- The bank considers the current cycle as reflecting normalized credit costs.
- There is no evidence of unsecured loan issues spilling over to other segments, and no contagious effects related to asset quality challenges have been observed.
- Industry-wide increases in delinquencies for MFI, PL, and CC have been noted. However, the bank's policy filters ensure new acquisitions are of better quality.
- The bank has focused on two key areas: new acquisitions over the past nine months and improved collection efficiency. In the past 6-9 months, the bank has revamped its collection processes.
- Slippages are primarily in personal loans and cards. The MFI portfolio is small and contributes minimally to overall slippages.

- The challenging macroeconomic environment reflects in individual customer health, with the industry yet to reach its peak impact.
- Seasonality and MFI effects have impacted slippages, with seasonality being the more significant factor. There is no seasonality impact on personal loans or credit cards.
- Recovery from written-off accounts has improved, particularly in 2Q and 3Q, though recoveries remain difficult to predict.
- Portfolio actions have been taken, particularly in cards, where the impact takes longer to materialize. Corrective actions have shown early positive signs, and portfolio growth has moderated due to tightened measures.
- The bank's provisioning policies are stricter than market norms, underscoring its conservative stance on asset quality.

Miscellaneous

- The bank holds INR50.1b in ECL provisions. It also maintains higher provisions for standard assets, resulting in a mixed impact.

Bank of Baroda — Neutral

Current Price INR 209

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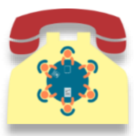

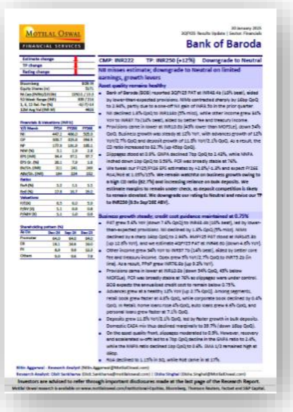

Opening remarks

- Global advances grew by 11.8% YoY, with domestic advances up 11.9% and the international loan book expanding by 11.2%.
- Retail loans increased by 20%, MSME loans by 14%, and corporate loans by 7%.
- Mortgage loans saw a strong growth of 16.6%.
- Personal loan growth is moderating, with Dec'24 recording a 24% YoY increase.
- Deposits grew by 11.8% YoY, while CASA growth stood at 6.5% YoY, outperforming peer banks. The CASA ratio remains steady at 40%.
- Profitability remains strong, with RoA exceeding 1% for the 10th consecutive quarter, aligning with guidance. RoE for the quarter exceeded 17%.
- Yields on advances improved from 8.44% to 8.46%.
- Asset quality remains robust, with GNPA declining by 7bp and NNPA reducing by 1bp QoQ.
- CRAR stands at 15.96% (excluding profits), while including profits, it exceeds 17%.
- BOB operates on a sustainable business model, ensuring consistent growth.
- In 3Q, advances grew at the same pace as deposits.
- Deposit costs remain elevated.
- The bank will continue to focus on retail expansion.
- Operating income grew by 9.2%.
- The bank's key profitability metrics remain strong and sustainable.
- NIMs were impacted by changes in accounting methodology.
- NIM guidance is revised to 3.1% (+/- 5bp) following an accounting change in penal interest recognition.
- Asset quality trends remain positive, with both GNPA and NNPA declining.

Advances and deposits

- Borrowings surged by 21.6%, primarily to offset deposit costs. In 3Q, INR50b was raised, bringing the total borrowings for the last three quarters to INR150b. This option is more cost-effective, allowing the bank to strike a balance by increasing borrowings.

- Agri gold loans are not subject to specific guidelines, while in the MSME segment, collateral cannot be taken for loans up to INR1m. The retail gold loan portfolio is minimal at INR60b.
- Home loan growth remains stable, supported by strong channels and efficient delivery. The bank sees no asset quality concerns in this segment and expects continued growth.
- PL book is relatively small, with 50% of loans being digital, totaling INR120-130b. Last year, when industry growth in this segment surged, the bank paused expansion. It has since refined its underwriting model, shifting toward salaried employees for improved credit quality.
- The bank focuses on enhancing the quality of its advances portfolio, with strong underwriting standards. It is also maintaining a balance between income growth from advances and overall loan book expansion.

Cost, margins and yields

- Domestic yields have declined, despite slower growth in the corporate segment.
- Interest income in 2Q was benefitted by a better recovery, which was absent in 3Q, leading to a QoQ decline in interest income.
- International NIMs remain stable between 1.9% and 2%.

Other Income

- NPA recovery saw a sharp decline, as 2Q recovery from the written-off book was a one-off event. The current run rate for the written-off book represents a normalized level for the bank.
- Interest from tax refunds and treasury income largely offset the impact of lower recoveries.
- Core fee income was strong, up 12.3% YoY. The bank focuses on optimizing and ensuring stability in fee income.

Asset quality

- GNPA in the personal loan (PL) segment has risen, yet the bank continues to expand its PL book. GNPA increased by 0.5%, with a slippage run rate of INR25b, which is manageable.
- The SMA book did not roll back in 3Q, and including RSA, it accounts for 2.48% of the loan book. However, three accounts were pulled back during 3Q.
- Credit cost is expected to remain below 0.75%, and given the strong asset quality, the bank aims to maintain it within the 0.5-0.7% range for FY25.
- The international book has remained stable for multiple quarters, consisting of small, low-risk accounts.
- PL book slippage was INR1b, while the normalized slippage run rate is INR25b, with the total PL book at INR340b. Despite this, NIMs remain strong, and the bank is comfortable in maintaining 25% YoY growth in this segment.
- The bank focuses on salaried-class personal loans, ensuring quality growth in its advances.

Guidance

- Deposit growth guidance at 9-11% YoY.
- Advances growth at 12-13% YoY.
- NIM guidance at 3.1% (+/- 5bp). There can be an upside bias in NIM guidance. NIM guidance is maintained, despite the expected rate cuts.

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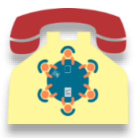

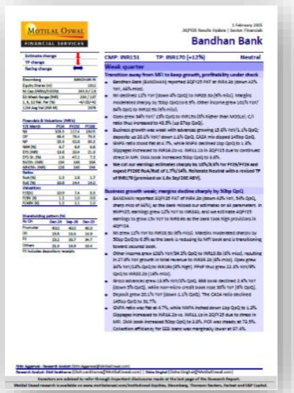
Bandhan Bank

Bandhan Bank — Neutral

Current Price INR 134

Opening remarks

- The bank aims to increasing the share of secured book to 55% of total book by FY27, to be led by home loans, gold loans, auto loans, CV, VE, and secured book of commercial banking. Growth in EEB book will be relatively slower.
- Bandhan has created a digital unit under CEO for augmenting transaction banking, payments products, etc.
- Market Intelligence team set-up: GEN AI to be used for commercial borrowing. This team will also handle underwriting.
- The bank aims to drive deposit growth higher than advances growth.
- Risk management and Compliance framework to be strengthened.
- Asset quality: prudent provisioning policies have been implemented.
- MFI sector has been facing headwinds: MFI disbursements will be moderated in 4Q, as the bank has implemented risk guardrails.

One-time impact in 3QFY25

- A couple of one-offs were incurred in non-interest income with positive impact: CGFMU recovery of INR5.38b and INR0.52b received from Assam government for MFI.
- Provisions: With technical write-offs of INR12.66b in EEB, Bandhan saw an impact of INR3.36b and INR0.30b on account of non-banking assets.
- Staff expenses stood at INR1.66b due to a change in accounting policy in ESOP.

Advances and deposits

- Deposit grew 20% YoY but declined QoQ due to a conscious decline in bulk deposits.
- Gross advances grew by 14% YoY and 1% QoQ (15% YoY and 2% QoQ, adjusted for technical write-offs).
- EEB portfolio declined 3% YoY/5% QoQ. Retail assets grew by 95% YoY, commercial banking by 38% YoY and housing loans by 19% YoY. Retail asset growth was driven by auto and gold.
- EEB portfolio: Average maturity of EEB portfolio is ~18 months (range of 1-2 year). Disbursements yield in EEB portfolio is 22.95% and average yield stood at ~20.37%
- EEB portfolio guardrails: With industry standards at 3+1 loans, Bandhan is following Bandhan plus 1 policy. Compared with industry standards of 60dpd, Bandhan is not providing loans to 30dpd customers.
- Out of the total EEB portfolio of INR560b, INR7.4b (group lending is INR4b) pertains to Karnataka. It is not a major concern for the bank. The legislation is targeted toward unregistered RE.
- Secured book grew 34% YoY, with a secured mix of ~49%.
- CASA growth came in at 6% YoY, with overall CASA ratio at ~32%.
- Retail deposit growth stood at ~69% vs. 68% in the previous quarter.

Cost, margins and provisions

- NIM declined 50bp QoQ to 6.9%, largely due to a change in secured mix and higher slippages. On 9MFY25, it was ~7.3% (within the guided range of 7-7.5%).
- Opex grew by 35% YoY (excluding the ESOP adjustments it grew by 23% YoY) – the increase was led by volume growth in non-EEB business. Opex-to-average asset ratio stood at 4.2% (adjusted for one-offs at 3.8%).

- Provisions stood at INR13.76b (included one-offs of INR3.36b for write-offs and INR0.3b for non-banking assets).
- Interest reversal for the quarter came in at INR0.69b.

Asset quality

- Slippages stood at INR16.21b – the increase was led by EEB book amounting to INR11.96b vs. INR .52b in previous quarters.
- Recoveries and upgrades stood at INR2.82b vs. INR3.04b in 2QFY25.
- SMA 1 and SMA 2 increased by INR0.98bn and INR1.13b, respectively, on a sequential basis.
- Credit cost stood at 4.1% (excluding one-time impact it would have been 3.1%). On 9MFY25, it was 2.6% (2.2%). The bank expects a credit cost of 2% for FY25 and 1.5-1.6% in FY26
- PCR, including technically write-offs, stood at ~85% vs. 70% in Dec'23.
- Collection efficiency, excluding NPAs, was marginally lower and geographically affected – UP, Tamil Nadu and Gujarat being most impacted.
- EEB book CE stood at 97.4% vs. 98.1% in previous quarter. Collections in Non EEB declined to 98.3% vs 98.7% in previous quarter
- CE in West Bengal and Assam stood at 98.8% and 98.2%, respectively, better than the rest of India.

Canara Bank — Buy

Current Price INR 86

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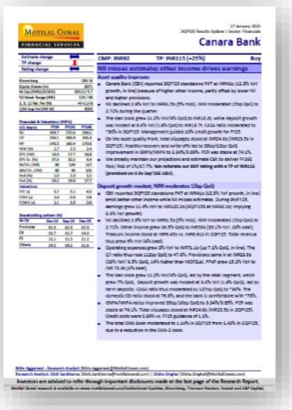


Opening remarks

- The global business grew 9.3% YoY, Global deposits grew 8.44% YoY, and Global advances at 10.45% YoY.
- Operating profit grew ~15% YoY.
- PCR reached 91.26% and was up 225bp YoY. NNPA reached an all-time low and declined 43bp YoY.
- RAM credit growth was led by retail in which Housing and BF were the main drivers.
- Fee-based income grew 23.31% YoY. The slippage ratio is now below 1% and the YoY reduction is 28bp.
- Credit cost is at 0.89% and is an all-time low.
- CBK is in line with achieving the guidance and has achieved nine guidance parameters out of 13.
- There is an issue in the market due to liquidity. Bank can grow TDs at a faster rate.
- The bank had pledged excess SLR at 6.5% and is helping to gain the extra share in the bottom line and due to the same the deposit growth has been affected.
- LCR stood at 123%, and due to the draft LCR guidelines, it can come down to 110-111%. For this, the bank has started offering new TDs for long-term deposits of longer maturities. This will help negate the drag on the LCR to 115-120%.

Advances and deposits related

- CASA has been affected. For this, the bank has come out with a new deposit product to garner deposits. Currently, there is a liquidity issue, which is affecting the deposits. With the matured payments market, the money flow of money is very easy, which is affecting the deposit growth.

- CD ratio is at 76.5% and the bank can reach 78%. The bank is very comfortable at the 78% range (the rest of the 18% is SLR and 4% CRR).
- Gold Loan in Agri – Internal Audit has been completed and there is no issue with the regulator for the same. The bank doesn't have a bullet type of Gold loan.
- The regulatory concern is only for the unsecured loans, and the bank doesn't have any unsecured loans. The bank doesn't give loans to the non-salaried class. CBK is not aggressive in MFI lending.
- The bank does have an excess SLR and the rate at which it has been parking the same is at 6.5%. Credit growth guidance of 10% YoY can be achieved easily; to meet this requirement the bank has a cushion window from the RBI.
- CBK is also focusing on the Retail TDs, aiming to grow in retail TD and as well as CASA growth. Targeted growth is 10% and the actual growth is 10.5%.
- The global CD ratio is 76.5% and the bank doesn't want to surpass 78%. With the current CD ratio at 76.5%, the bank can continue to grow in its achieved targeted range.
- External ratings for INR250m and above are compulsory.
- Renewal and Solar energy exposure is INR6.5b.
- CBK targets to open 250-300 branches every year, wherever the CASA is lower. The bank targets to open new branches in North India, which will yield better CASA.

Income, margins, and yields related

- Interest income – Interest on loans has been significantly better. The bank used to lend effectively in the overnight market or the call money market and accounted for other interest income. But since this time CBK has used excess liquidity to increase credit growth, it is not lending more in overnight investments. Going forward can expect the NII to grow at a steady rate.
- Interest on NPA Loans - The bank recorded INR3.2b as a one-time interest income. This was taken into the benefit of the NII and this quarter the recovery was normalized which has affected the NII.
- Yields were 8.79% (up 2bp QoQ), and the bank is not comprising in any rate of interest. The only cost is the cost of funds for the bank.
- CBK has started doing high-yielding loans, which has resulted in better yields of 8.79%.
- Fee income – It has grown 23% YoY, Commission, Exchange, and Brokerage have seen steady growth, and now have started to show results. The bank is focused on non-fund-based business growth. The bank has also started a cash management and collection center, which is providing good income.
- Miscellaneous income is only the debit card changes and has to be looked at on a YoY basis.
- Treasury income saw improvement, as per the latest guidelines the bank has sold 5% of the HTM securities and part of the 5% has been sold and will be sold in the 4Q. This impact was of INR3br in 3Q.
- Other banks have taken the benefit of the 5% HTM sale,
- Written off account – This quarter the recovery in 4Q will be INR20-21b and currently the bank has INR680b of O/S written off account.
- Expect the C/I ratio to be at 47-48%.

- Other Opex – The Bank has been investing in IT and the bank is opening branches which will add to the Opex to some extent.

Asset quality related

- Slippages break up: Agri - INR8b, Retail - INR5b, MSME is at INR10b, This all totals to INR23b. No corporate account slipped to the NPA.
- The bank's Standard Restructured Book is at INR86b and INR45b slipped to the NPA.
- NCLT and the SARFESEI, DRC, and NCLT are the options. However, the OTS recovery is the main factor for the overall recovery. Recovery is more than slippages; the bank has a separate recovery team that focuses on recovery.
- Management expects INR5-6b of recovery in 4Q. The recovery would be led by two accounts.
- Last quarter the two accounts that were slipped into the SMA book, are now out of the SMA book. They were in SMA until the quarter but are now out of SMA (Accounts – an Andhra-based Steel account and a state government account).

New guidelines on IRB

- As of now, there is no adverse impact. The new guidelines are yet to come.
- If the impact of interest rate change is beyond 15% of Tier-1 Capital, then to that extent banks have to provide additional capital under Pillar 2.
- As of now, with the rough estimate, it is below 15%. CBK need not provide any additional capital as far as Pillar 2 is concerned.

Others

- The bank has started the divestment process in two subsidiaries – Canara Robecco and Canara HSBC Life.
- These two cases may already have all the regulatory required permissions we obtained. Now the bank has communicated to the respective boards to take it forward for that coming out of that public issue.
- Expect the IPO to be launched in the next FY.
- The bank had an LCR of 130% last year. The bank has to maintain an LCR of 100% and the bank has an internal target of 105%.
- Penal charges have been changed, which used to be charged in the interest income and is now part of other income which was INR1.2b.

Guidance-FY25

- Management guides for credit growth of 10% for FY25.
- Deposits growth guidance at 9% YoY.
- NIMs guidance at 2.9%.
- Domestic CASA to Domestic Deposits at 33%.
- Credit cost at 1.1%.
- RoA – 1%, RoE – 18%.

DCB BANK

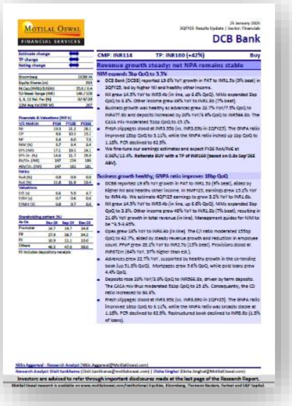
DCB Bank — Buy

Current Price INR 109

Click below for Results Update

Opening remarks

- In 3QFY25, advances grew 22.7% YoY, while deposits grew 20.3% YoY.
- The industry is facing headwinds in unsecured, MFI, etc.
- DCBB has been consistently growing by 18-20% YoY for the past few quarters.
- There was an uptick in the yield on advances, while the cost of funds inched up, and NIM expanded.


DCB Bank

- NII saw double-digit growth. Core fee continued to see an uptrend.
- Top 20 deposits have a less than 7% interest rate. Savings grew by 17% YoY, clearly showing that its efforts are leading to desired results.
- The employee count declined in 3QFY25 to 11,339.
- Mortgages (Home Loan + LAP), MSME/SME, gold loan, co-lending, AIB, construction finance are expected to lead the growth.
- The CASA ratio moderated to 25.09%. Core fee increased 44% YoY, leading to healthy other income.

Advances and deposits

- A majority of the growth has come from co-lending. Excluding co-lending, growth has been as good as it was in the previous quarter. The biggest partner has started originating business in co-lending.
- Home loans, unsecured business loans, gold loans, SME, and CV are various types of co-lending products that the bank is offering with ~7-8 partners.
- The bank offers direct lending through MFI institutions and lending through business channels. Business correspondent loans are given to individuals and MFI loans are given to MFI institutions.
- Due to a slowdown in the MFI segment, there has been a surge in gold loans, which is helping the organic book as well as co-lending book.
- Tier-2 capital came during the quarter and the cost of fund is looked at and have also looked at bit of borrowings which has resulted into CD ratio going up.
- It is improving the liability profile by focusing more on individuals than on institutions and entities.
- The current PMAY scheme is hitting the soft point of home loans. Once the final PMAY guideline comes, the bank will look into the mix of business loans.
- Co-lending makes up 11% of advances currently. The bank is comfortable with the yield and book growth that they are getting.
- The bank has always been playing a key role in an alliance or partnership. It is involved with more than 10 co-lending partners and has relationship with many financial institutions.
- The bank wants to offer co-lending with partners that are not in the same locations and products that the bank has.
- More than 40% of book is mortgage, which is a low-engagement product but has customer stickiness.
- Mortgage book is divided into LAP and home loans and the bank expects to have higher LAP as it has better yields.
- The transition from home loans to business loans is ongoing, which gives the bank an additional yield.
- A higher ticket size has not seen an appreciable movement to throw a dent on the cost. The bank is still working on hitching up the average ticket size.

Cost and income

- NIM contraction has stopped. Margins increased 3bp QoQ as yield on advances increased to 11.44% and the increase in the cost of fund increased was less than the increase in YoA.
- For the first time, NII grew double digits, which reflects balance sheet growth.

- Productivity has increased. Performers are taken care of and non-performers are groomed. There has been a reduction in headcount. It is working on other expenses, which led to a reduction in opex overall.
- The bank wants the right component of deposits to grow, i.e., retail deposits, and small ticket size, which would lead to a stable cost of fund.
- In a chase of higher NIM, the bank will not move out of the risk framework that it follows. The bank is reassessing its portfolio to see where it can get higher revenue, as reflected in higher core fee income in 3Q.
- The profit from the sale of investment depends on how interest rates move, but the bank can forecast the core fee income with a clear plan.

Asset quality

- GNPA ratio improved 18bp QoQ to 3.11% and NNPA ratio inched up 1bp QoQ to 1.18% in 3QFY25. PCR stood at 62.9%.
- Recoveries have been lower, but there were more than normal slippages due to MFI+BC book and some unsecured book.
- 99% recoveries on LAP and 98.9% collection on home loans.
- Higher write-off was due to mainly MFI. The bank is also working on mortgage.
- Credit cost stood at 0.38% in 3QFY25, lower due to diminished return benefits on the restructured book.
- The bank continues to guide for GNPA of below 2.50% and NNPA of 1.00%.
- It expects a credit cost of ~45-55bp to average assets.

Guidance

- The bank expects full-year RoA of 1%.
- It aims to double the loan book every 3-4 years.
- DCBB now targets a cost-to-avg asset ratio of 2.5-2.6% and a cost-to-income ratio of 60% or below in the near term.
- The bank expects NIMs to be ~3.50%-3.65% going forward.

Equitas Small Finance Bank — Buy

Current Price INR 61

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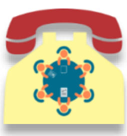

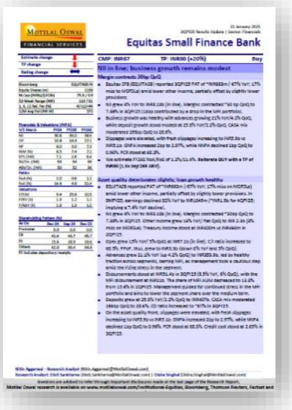
Equitas Small Finance Bank

Opening remarks by the MD & CEO

- Stress in the MFI sector is the immediate focus. The MFI portfolio was performing well till 4Q but began seeing stress from 1Q. A major surprise occurred in 2Q when the collections were affected across geographies.
- Around 10-15% of customers had more than three lenders previously. The removal of the lending cap backfired, leading to a rapid increase in the O/S amount per borrower.
- Parallel loans were being offered by app-based lenders, with loan amounts ranging INR5-15k. This contributed to customer stress in terms of overleveraging.
- Ex-bucket collections stabilized in 3Q, but this was not sufficient, and credit costs are expected to remain elevated in 4Q. Some level of moderation is anticipated in 2Q and 3Q of the next FY.
- The bank has started diversifying its book away from MFI, and as of now, only 14% of the portfolio comprises MFI loans.
- The bank has completed two cycles of loans for 0.23m customers. MLAP represents the top 15% of MFI customers. It will be used to further run down the MFI book.

- On the lending side, the bank has 86% of loans as secured. These products have been tested well.
- Credit costs have remained in the narrow range for the secured portfolio.
- Additionally, it has launched PL for its deposit customers and will launch credit cards for them as well.
- The bank reduced the rate on peak TDs by 25bp in 3Q.
- While there is a short-term impact due to the MFI issue, the bank remains confident about growing other businesses in a sustainable way.
- The bank is experiencing a small uptick as the economy picks up.
- CASA remains stable, while CA and SA remain a challenge.
- Retail TD and CASA together account for 73%.
- The bank is on track to launch its AD1 business.
- Three quarters ago, the bank mentioned its liability 3.0 strategy, with the goal of reducing the cost of mobility.
- With the launch of CC, PL, and other products, the bank has a strong proposition to build a loyal and sticky customer base.
- The bank is watchful of the liquidity situation.
- FD cost should see some moderation going forward.
- The revamped mobile banking app has led to customer additions.
- The bank is focused on high-yielding assets, despite the slowdown in the MFI business.
- GNPA continues to hold well, with no signs of deterioration in the MFI business.
- VF's overall growth is slow at 14% and the bank is moving away from the new CV book. With 260 branches, the book remains largely small, but growth is expected in the coming quarter.

Loans and deposits related

- The bank is working on building a team to penetrate the top 15% of MFI loans and scale this to the MLAP product.
- Some of the secured loans in the portfolio are older and contribute significantly to the bank's profitability. Affordable and MSE accounts are still working toward breakeven. The new CV loans are at the borderline of breakeven and are expected to contribute to the bottom line soon.
- SBL yields stand at 16% and MicroLAP yields stand at 20%.
- 80% of the book is fixed rate and the remaining is floating (which is Affordable). The floating rate is linked to the Repo rate, and the bank is awaiting a reversal in the interest rate cycle, which would benefit the bank.

MFI

- PPoP to Assets is being affected by the MFI book, and the bank aims to reduce its MFI book. The focus is on acquiring other products with similar RoAs.
- The MFI book is declining at a much faster rate and the bank will require 2-3 quarters to experience a normalized quarter of earnings.
- There has been a 17-18% decrease in disbursements in the MFI business this year. MFI will continue to moderate, with less comfort and subdued growth expectations.
- The bank has increased the fleet on the street in the MFI sector and is awaiting the impact of this initiative. Going forward, the real benefits are expected to become visible.

- The bank was disbursing INR3.5b per month, with a total of INR9.5b in 3Q. Disbursements in October alone reached INR5b, while those in November and December were normalized. The bank does not expect October levels to repeat.
- Of the total MFI portfolio, microfinance accounts for 70% and micro loans account for the remaining 30%.
- Provisioning Policy – For 91-150 DPD, the provisions rate stands at 50%, with the rest of the portfolio classified as doubtful and at 100%.

On asset quality

- For MFI, the ex-bucket collection stood at 98.2%, similar levels as 2Q and 98.9% in 1Q. In other businesses, the collection efficiency continues to remain healthy.
- 3Q is generally better than 2Q; retail and SBL businesses performed well. A significant improvement was observed in slippages and 4Q is expected to be the best quarter.
- NPA provisions have been changed, and the bank will follow these revised norms consistently.
- SMA 0 and 1 have improved, while SMA 2 has risen to 2.73%. Eventually, a part of this will move to NPA. SMA 0 and 1 have stabilized and the ex-bucket has improved.
- The ex-bucket for January is similar to December. Although January had many holidays, February and March are expected to be much better.
- Credit costs have a six-month lag effect, and they are expected to moderate in 2Q.

FEDERAL BANK

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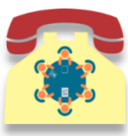

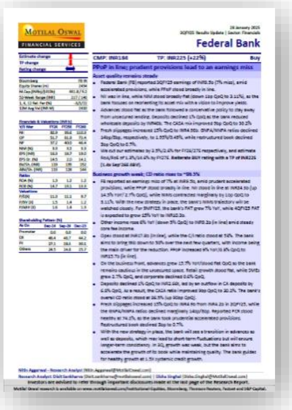

Federal Bank — Buy

Current Price INR 181

Opening remarks

- The full first quarter was under Mr. KVS Manian, the new CEO of the bank.
- The last three months have been a learning curve for the bank, serving as a period of exploration. Mr. Manian traveled to various parts of the country to understand how the bank operates.
- The bank adheres to the 'Triple A' culture—Acute, Agile, and Alert.
- The focus is on scaling operations with quality as the priority.
- While expanding beyond Kerala, the bank has a clear strategy and focus.
- This quarter witnessed significant changes, essential for a seamless transition.
- The transitions have been smooth and disruption-free.
- The bank emphasizes granular growth over high-value asset growth.
- A shift in focus toward balance sheet reorientation is evident.
- Tangible progress has been observed in liabilities, with a strong focus on sustainable average CASA growth.
- End-of-period CASA declined due to reduced wholesale deposits. The priority remains on deposit quality rather than short-term fluctuations.
- FB is committed to creating long-term value instead of pursuing short-term gains.
- Strategic decisions have driven business growth.
- Wholesale term deposits with a three-year tenure have decreased INR40b, aligning with the bank's strategy.
- Wholesale deposits and CDs now comprise 18.2% of the deposit base, reflecting efforts to de-risk.

- The LCR improved significantly from 111% to 133%, though maintaining this level is not the goal.
- On the asset side, the strategy has been reoriented, with a cautious approach to unsecured lending.
- Increasing exposure to high-risk unsecured loans is not a current option; the focus is on home loans, with customer penetration at 80%.
- Auto loans have shifted from floating to fixed rates, with 80% of disbursements now at fixed rates, resulting in improved yields.
- Commercial Retail Banking (CRB) grew 5.6% QoQ, showing strong momentum. Business banking achieved record disbursements, while gold loans faced some regulatory impact.
- In corporate lending, caution has been exercised in sectors like NBFCs and Power.
- The bank remains focused on RaRoC.
- Despite shifts in strategy, NIMs have been maintained, even with rising costs of funds. NIM improvements will take time to fully materialize.
- While short-term headwinds exist, the focus remains on long-term benefits.
- In retail unsecured loans, a robust provisioning framework has been adopted, aligning provision norms rather than making technical adjustments.
- Credit cost guidance stands at 40-45bp.
- Accelerated provisions have been made under the new policy, amounting to INR2.9b. Without these provisions, the bank would have recorded its highest-ever profits.

Loans deposits

- The reorientation of loans and deposits is a medium-term process and will not be completed within a month. However, the bank remains focused on driving growth in the future.
- The goal is to achieve 1.5x the growth rate of the banking system. The reorientation is designed to enable this growth while maintaining market share as a core strategy.
- Rather than opting for an easier approach of relying heavily on CASA deposits, the bank is committed to leveraging its franchise, distribution network, and superior, granular strategies.
- In the short term, the bank will not focus on unsecured lending, but it plans to grow this portfolio over the medium term. Meanwhile, it has increased volumes in medium-yield assets and will continue prioritizing this segment in the near term.
- Credit cards remain a key focus area, with improvements noted, albeit at a slower pace.
- End-of-period current accounts have shown a decline, though average current account balances grew 1.5% QoQ.
- While there has been some asset growth, headwinds persist. Transitioning from one strategic approach to another will require time.
- In gold loans, the bank is actively engaging with the RBI to ensure compliance. Some disruptions are expected over the next 1-2 quarters before growth resumes.

- VF growth is projected to outpace industry growth. The entire CV book is on a fixed rate, while retail vehicle loans have been offered on a floating rate.
- There is significant potential to leverage the bank's network for further growth.
- The bank prefers a higher proportion of fixed-rate loans, as fixed rates align better with its ALM strategy.

Asset quality

- On the MFI front, there has been a high level of stress in the system, but the bank experienced a lower level of stress compared to others.
- The one-time collections occurred in December and appear to be bottoming out. After 4Q, the outlook is expected to improve significantly.
- Unsecured is <5% of the mix, and the QoQ growth is fairly tempered, with the MFI segment remaining flat at 1% QoQ.
- The slippage rate is at 0.83% of advances, which is lower than the 1% guidance.
- The bank has positioned its benchmark provisions policy in line with the industry, emphasizing that it is better to address the risks in a timely manner as they would resurface eventually.
- The provisions are not against standard assets but against NPAs, and have been advanced. It has followed IRAC norms while adopting a better policy.
- While there is inherent risk in the unsecured portfolio, there have been no dramatic changes or surprises. Another quarter of challenges may arise, but it will not significantly affect asset quality.

Yields, costs, and margins

- Some unprofitable growth has been given up, resulting in NII growth being higher than advances growth.
- Average advances and deposits have led to stable NIMs, with no offs in the quarter.
- The bank is shifting toward fixed-rate auto finance, and starting this month, it will offer loans at fixed rates. There are also opportunities to expand in other areas of loans.
- NIMs are influenced by both liabilities and assets. The pivot towards medium-risk business will help maintain NIMs at current levels.
- The cost of deposits has been rising, and while the bank cannot change its CoF in just two months, it expects a directional movement.
- The bank has a stable CASA, and as it improves, NIMs are expected to improve as well.

Provisions

- Despite higher provisions, the bank expects credit costs to remain at 40-45bp. The guidance remains unchanged, even with accelerated write-offs.
- INR2.9b is allocated for accelerated provisions, which are related to existing NPA accounts and not the standard book. Despite changing norms, the bank has catch-up assets, and the guidance for credit cost of 0.4-0.5% remains unchanged.
- Going forward, the bank expects credit costs to be at 0.4%. However, several factors, such as the mix of business, could affect the credit cost.
- Credit cost operates on a lead lag basis, meaning that over time, this dynamic will result in the same credit cost.

Capital ratios

- The bank has not recognized current year profits and will add to 13.8% of the tier-1 ratio.
- LCR
- The exit LCR stood at 133%, with the average LCR for the quarter of 118%.

HDFC Bank — Buy

Current Price INR 1,727

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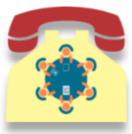

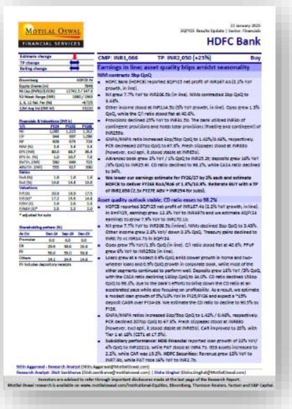

Opening remarks by the MD and CEO, Mr. Sashidhar Jagdishan

- The economy is facing challenges with tight liquidity, sluggish private capex, currency depreciation, and equity and debt withdrawals. However, rural demand is improving, and service exports are gaining momentum.
- In 3Q, the bank's deposits have outpaced loan growth, with average deposits increasing 16%. The bank has achieved robust deposit growth despite a tough environment.
- NIMs have remained stable within a consistent range, despite liquidity pressures.
- The bank has added approximately 1,000 branches in the past year while managing to reduce opex growth due to enhanced operational efficiency.
- It has ample liquidity, with deposits growing faster than the industry, and is well-positioned to capture market share when the macroeconomic environment improves.

Yields, costs, and margins

- NIMs have remained within a stable range over the past few quarters. The bank's reduction in borrowings has been largely offset by a decline in CASA.
- RWA density remains steady at 67-68%, which is 5-6% higher than peers. Over the past 12-18 months, the bank has taken a cautious approach to retail. Yield, being dependent on the portfolio mix, is expected to rise with incremental growth in the retail segment.

Deposits

- CASA ratio has declined due to high interest rates, but as the economy improves over the next couple of years, CASA growth is expected to pick up.
- The bank caters to all deposit needs, offering products comparable to those of larger peers. Over the medium to long term, a shift is expected in the CASA cycle, potentially boosting NIMs.
- The bank emphasizes building liability relationships and expanding its branch network to grow its customer base, which drives deposits and liabilities.
- It has effectively converted loan customers into liability contributors and focuses on cross-selling products to enhance customer engagement.

Loans

- Regarding the excess liquidity on the balance sheet, the investment net of cash for the sequential quarter is INR500b. This is invested in the treasury, generating earnings at a rate of 6.5-7%.
- The borrowing cost stands at 7.75-8%, particularly reflecting borrowing from HDFCL. This quarter, the bank bought INR44b of bonds, which is managed by the treasury team.
- The bank had guided to bring down the CD ratio; in FY25, it achieved an average AUM growth of 7%, in line with expectations, while recalibrating its strategy.

The bank has shown resilience, with key parameters trending northwards. As the macroeconomic environment starts to improve, a shift in prices is expected, aligning with the bank's expectations.

- The bank has not exited any product or geography. Currently, growth is calibrated through a credit or price model. Resources continue to be engaged, and as the macroeconomic environment improves, performance is expected to strengthen.
- Loan mix: 70% is floating (of which, Repo is 45% and the remainder is MCLR and other benchmarks), while the rest 30% is fixed.
- The emerging corporate book has more or less been stable over the past few quarters. The bank had witnessed price tightening in this segment, but the book is now seeing stability.
- The BB portfolio is largely secured, while the self-employed segment is unsecured, which remains stable.

Other income

- The bank has consistently experienced lower treasury gains. It has inherited certain MTM investments, which have been accounted for through the P&L.
- PSL
- Last year, the bank met its overall PSL target at 40%, with a focus on opportunities in the Small and Marginal Farmer (SMF) category. This is managed through IBPCs, PTCs, or PSLCs, with the cost of PSL embedded in the overall cost structure. The bank is actively addressing gaps in the SMF segment.
- There has been limited activity in PSLCs so far, but the bank will assess the situation closer to the year-end.
- While the bank faced a shortfall in PSL last year, it remains comfortable at the aggregate level. However, gaps in the SMF and Weaker Section categories need to be addressed to meet targets.

Asset quality

- PCR depends on the mix of the book; legacy wholesale loans may have a higher PCR, while retail loans could have a lower PCR.
- Agri slippages are slightly higher than in June but are unrelated to the MFI book.
- The bank's PCR stands at 68%; excluding agri slippages, it stands at 71%.
- Contingent provisions are discretionary and depend on events that may or may not occur. This quarter, a corporate account provision reversal led to a contingent provision release.
- PCR varies with the product mix; agri slippages this quarter caused a dip, with ex-agri PCR at 71%.
- The provision policy for retail varies by product type: Unsecured loans are written off at 150DPD, while secured loans are written off at 150-180DPD.
- Book quality remains stable across all segments, backed by an analytical model ensuring consistency. The bank is confident of maintaining this stability.
- Earlier, contingent provisions included 15bp of performing NPAs from the erstwhile HDFCL, which were categorized as restructured loans.
- PCR varies by book mix; legacy wholesale loans typically have higher PCR, while retail loans may have lower PCR. Agri slippages have risen slightly since June but are unrelated to the MFI book.

Opex

- C/I ratio remains stable, with cost growth maintained at 7%. Investments in technology have risen from single digits to over 10%.
- The bank increased its headcount by 3-4k in 3Q, ramping up investments in personnel while focusing on a productivity-driven model. Additional hiring will continue as needed.
- The bank's focus is on driving productivity while maintaining tight cost controls. Investments in people and technology are aligned with the goal of enhancing efficiency.

HDB Financials

- HDB reported higher Stage 3 levels this quarter, partly due to a management overlay that led to increased provisions.
- Stage 2 performance showed improvements, while Stage 3 consists of loans that became NPAs but have moved below 90 days and have not yet returned to zero.
- Overall, Stage 3 stood at 5bp, with higher provisions allocated for the quarter.

ICICI Bank — Buy

Current Price INR 1,261

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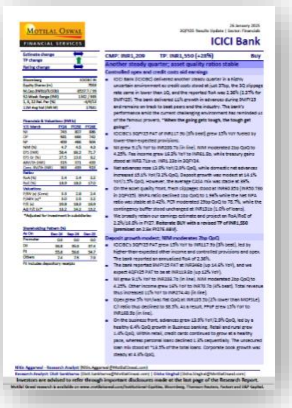


Opening remarks

- ICICIBC continues to have a strategic focus on growing PBT, excluding treasury, through a 360-degree customer approach.
- PBT, barring treasury, grew 12.8% YoY to INR152.9b in 3QFY25.
- Core operating profit grew by 13.1% YoY and 2.9% QoQ to INR165.2b.
- Average deposits grew 13.7% YoY and 2.1% QoQ on 31st Dec'24.
- Excluding dividend income from subsidiaries and associates, core operating profit grew 14.7% YoY and 3.3% QoQ.
- The average LCR stood comfortable at 123%.
- Domestic loans grew by 15.1% YoY and 3.2% QoQ. Retail loans grew by 10.5% YoY and 1.4% QoQ.
- The business banking portfolio grew by 31.9% YoY and 6.4% QoQ. The domestic corporate portfolio grew by 13.2% YoY and 4.3% QoQ.
- The net NPA ratio was stable at 0.42% at 3QFY25. Provision coverage was 78.2% at 3QFY25.
- The bank continues to hold INR131b of contingency buffer/ 1% of the loans.
- The bank has a customer 360 approach and extensive franchisee with a focus on enhancing delivery, which will help it grow its market share in the key segments.
- Remain focused on a strong balance sheet and through prudent provisions.
- Mortgage grew 11.4% YoY, auto finance rose 6.6% YoY, commercial vehicles grew 7.4% YoY, and two-wheelers declined 43.8% YoY. Credit cards grew 17.9% YoY.
- Oversees portfolio dipped 18.9% YoY; and formed 2.4% of the overall loan book.
- Net additions of INR26.9b to gross NPAs in 3QFY25 (2QFY25: INR17.54b).
- Fund-based o/s of INR21.07b (0.2 % of advances) to all standard borrowers under resolution; provisions of INR6.91b held against these borrowers which is higher than the requirement as per RBI guidelines.
- The impact of interest refund was 1bp in 3QFY25 vs 0bp in 2QFY25.

- Of the total domestic loan book, 31% has a fixed interest rate, 52% has an interest rate linked to the repo rate, 1% is linked to other external benchmarks and 16% has an interest rate linked to MCLR and other older benchmarks.
- On 31st Dec'24, total provisions held on BB and below portfolio were INR0.92b.
- Dividend income from subs was INR5.09b in 3QFY25.
- The branch count increased by 129 in 3QFY25.
- Technology expenses were ~10.5% of total opex.
- Total provisions were INR12.27b, and the PCR stood at 78.2% in 3QFY25.

Advances and deposits related

- Funding requirements have led to slow deposit growth and also CRR cut in the middle of Dec'24. RIDF portfolio has also seen some reduction.
- The bank is maintaining an overall relationship with the corporate where there could be periodic working capital requirements but ICICIBC will not go on to take chunky accounts just for growth.
- The bank will largely upgrade from the BB book as the BB portfolio has reduced. The bank will also look to do incremental BBB lending as well.
- In mortgages, there is price competition. Incremental disbursements are not growing much but overall there has been continued momentum. Some softening on more affordable types of segments can be seen.
- Fairly higher degree of digital adoption by customers; formalization and credit discipline have led the bank to perform well.
- SA growth was healthy at 13.5% YoY; the bank does not pursue any particular type of deposit and only wants to increase its share with existing customers and acquire new customers. It does not see from where this share is coming.
- Significant PSLC purchases, especially for the SMF category, are done by the bank but for the rest of the category, the bank is in surplus.
- Significant investment has gone into developing business banking, supported by advancements in digital services which have contributed to this growth.
- While the bank has more ground to cover in expanding its market share in the business banking portfolio, the segment is experiencing rapid growth, and there is ample opportunity within the market.

Other income and opex

- The bank continues to add branches but has been streamlining its internal process with an ongoing journey of leveraging the cost base much better has led to lower opex consistently.
- ICICIBC would aim to continue leveraging the cost base better and need not have a linear relationship with the revenue.
- The transactional platform in fee income is pretty strong and the bank wants more and more adoption both by existing and new customers. Cards and payments are also focus areas where decent growth can be seen. The lending-linked fees have also done well.
- Provisions for retrials and other things are resulting in a decline in employee expenses.
- Fee Income: There remains considerable scope for the bank to enhance its fee income, particularly in transaction banking and asset-related services.

Margins and yields

- The 8bp decline in yields was largely an impact of the KCC portfolio due to a longer period of interest accrual that is reversed. Some unwinding would be seen in the day count in 4QFY25 due to the lesser no. of days.
- NIM contracted 2bp QoQ to 4.25% in 3QFY25.
- Domestic NIM stood at 4.32% in 3QFY25 vs. 4.34% in 2QFY25.

Asset quality

- On the retail business banking portfolio, credit costs have been stable and on the corporate portfolio, there has been a continuous improvement in the quality of the portfolio.
- Credit costs will continue to be ~50bp in the long term.
- Concerns about asset quality are not holding back ICICIBC. Corporate continues to do well, which is 20% of the portfolio. ~17-8% is a business banking portfolio and great opportunity can be seen there.
- On the retail side, secured has seen very less slippages. In unsecured, some increase in delinquencies can be seen over six quarters. Corrective actions, such as receding personal loan portfolio, have been taken by the bank.
- Provisions were controlled as exposure has gone down and resolution provisions have also gone down.
- The bank maintains a strong focus on customer quality in credit card underwriting practices.

Subsidiaries

- ICICI Pru Life had a VNB of INR15.75b in 9mFY25 vs INR14.51b in 9mFY24. New business sum assured grew by 19.1% YoY in 9mFY25.
- ICICI Lombard's Gross direct premium income (GDPI) grew by 10.3% YoY to INR206.2b in 9mFY25.
- ICICI Securities' total assets grew 18.6% YoY to INR8.23t in 3QFY25.
- ICICI AMC's AAUM grew by 42.2% YoY to INR8.74t in 3QFY25. It has a market share of 13.4%.

IDFC FIRST Bank

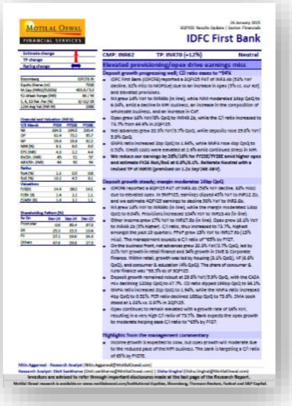
Click below for Detailed Concall Transcript & Results Update

IDFC First Bank — Neutral

Current Price INR 60

Opening remarks by management

- Balance sheet size has reached INR 3.3t, with both advances and deposits growing at a faster pace.
- Retail deposits grew by 30% YoY, while CASA growth was 35% YoY. The CASA ratio has remained stable over time, with retail term deposits growing at a quicker rate.
- High-cost legacy book stands at 8.8%, with INR 10b retired, reducing it to INR 67b. Most of this will mature next year.
- CD ratio has improved, now at 94.2%, reflecting a 200bp QoQ improvement. The incremental CD ratio is 76.5%.
- CoF rose slightly to 6.49%, up by 3bp due to tight liquidity conditions.
- GNPA in retail, rural, and MSME segments increased, driven by growth in MFI.
- SMA 1 and 2 improved to 0.82% from 0.85% in Q2, although SMA 1 saw an increase in the MFI segment.
- Gross slippages rose, mainly due to higher slippages in the MFI segment.


IDFC First Bank

- NIMs on AUM stood at 6.04%, contracting 14bp, primarily due to a reduction in the MFI book (6bp), scaling of the wholesale book (5bp), and an increase in CoF.
- Operating expenses grew at a slower pace of 16% YoY, with higher opex attributed to heightened activity.
- Contingent provisions have been utilized. Credit costs stood at 2.3%, excluding MFI at 1.8%.
- CAR was maintained at 16.11%, with CET-1 at 13.68%, supported by the merger.
- LCR remained broadly stable at 118%.
- The C/I ratio was higher as the bank, being relatively new, is incurring losses of INR 20b annually for branch infrastructure and team hiring. Excluding the INR 20b, profitability would improve in the future.
- Net profit from deposits, measured as operating profit as a percentage of average retail deposits, has improved from -4.2% to -1.3%. It is expected to reach 0% by FY29-30.
- The bank has a strong ability to generate deposits.
- The C/I ratio for credit cards was 240% in FY24, reduced to 116% in 9MFY25, and is projected to fall to 60% by FY29.
- Losses in the credit card segment as a percentage of the average loan book improved from -27.37% to -0.11% in 9MFY25.
- The credit card business is critical for the liability base and is an essential product for positioning the bank as a strong universal bank.
- Corporate banking remains robust, with no new NPAs reported.
- The bank is in its early stages and may face some challenges.
- MFI business helps meet PSL requirements, contributing to the 40% target. With yields of 23-24%, it is profitable and fulfills SMF requirements. MFI is not an issue for the bank; it offers 25 other products that have performed well for over 15 years.

Opex

- Income growth is expected to slow, but opex growth will also moderate due to the reduced pace of MFI business growth. The bank targeting a C/I ratio of less than 65%.
- Opex growth will be slower at 13%. Opex is stabilizing and trending downward.
- Channel sourcing is expected to focus primarily on the assets side, spanning various business verticals.
- Opex growth is projected to decline to 13% YoY, supported by operating leverage. Employee costs are expected to decrease, while non-employee fixed costs will grow in a controlled trajectory. Additionally, investments in technology are expected to enhance operating leverage.

Loan and deposits

- Loan book is projected to grow by 20%, while deposits are expected to increase by 25%. With the slower growth of the MFI book, income growth is also likely to decelerate, but opex growth is expected to slow as well.
- The bank does not sell any additional products to its MFI customers.
- The bank has 9% of its MFI exposure in Karnataka.
- Consumer loan growth has slowed to 9% YoY. Despite the lower base, the bank does not anticipate challenges in expanding its consumer loan portfolio.
- The credit card business is expected to break even next year.

- Not all asset customers are strong liability customers and may not maintain significant balances. However, affluent customers, such as those with home loans and credit cards, tend to hold better deposit balances.
- The two-wheeler business remains stable, with consistent growth over the past 15 years. This segment has been well-developed and continues to perform well.

Asset Quality

- SMA 1 and 2 increased due to MFI, impacted by the holiday cycle in October, which led to a pile-up in the MFI book. The bank has reduced its MFI business, and new disbursals are CGFMU-covered.
- Excluding MFI, the book remains well under control.
- MFI credit costs are expected to peak in 4Q and remain elevated. However, with improved collection trends observed in December, stress levels are likely to decline.
- Cumulative provisions in the MFI segment are approximately 70%.
- MFI stress is expected to peak in Q4, supported by improving collections.
- The bank adheres to MFI industry norms and lender guidelines, taking extra caution beyond market rules. An active scorecard system has been developed for enhanced decision-making.
- NPA pile-up in the MFI book includes some portions covered by CGFMU, with claims expected to settle in FY27, recouping 70% of the amount. Disbursals made after January 2024 will start being recovered from FY27 onward.
- SMA 1 and 2 in the credit card segment have reduced to 1.32%, with NPAs also declining. The bank is confident in its credit card book and anticipates credit costs to normalize.
- Credit costs, excluding MFI, have been stable at 1.7-1.8% over the past three quarters and are expected to remain in this range. MFI stress is more pronounced in rural areas, while urban regions show less stress.
- Each business has its unique credit cost dynamics, but the bank expects credit costs to remain range-bound due to established credit criteria.

Guidance

- Income growth is expected to slow, but opex growth will moderate due to the reduced pace of the MFI business. The bank is targeting a C/I ratio of 65% by FY27E.
- Bank anticipates opex growth to decline to 13% YoY, compared to the current run rate of 16-17% YoY.
- Bank projects loan growth of 20-21% and deposit growth of 24-25% for FY26.

Indian Bank — Buy

Current Price INR 526

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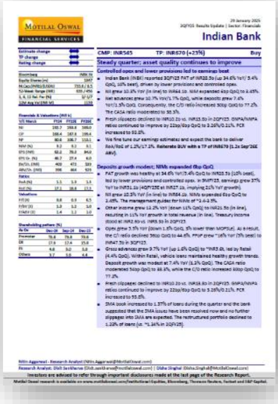
Opening remarks

- Total business grew by 8.33%, with deposits increasing 7.34% YoY. CASA share was steady at 40%.
- Retail deposits rose by 9%, while advances grew by 9.6% YoY. RAM segment expanded by 12.8%, with Retail at 16.16% YoY and MSME at 8.43% YoY. RAM now constitutes 64.35% of the portfolio.
- Net profit increased by 34.57% YoY, while operating profit grew 15.9% YoY. NII rose 10.32% YoY.
- NIMs stood at 3.45%, up 4bp QoQ, while RoE was at 21%.



- C/I ratio improved to 44.56%.
- PCR was maintained at 93.81%.
- CoD rose by 5bp QoQ, while yields increased by 15bp QoQ.
- GNPA declined by 121bp YoY and 22bp QoQ, while NNPA decreased by 32bp YoY and 6bp QoQ. The bank's overall PCR stood at 98.1%.
- Three major accounts entered the SMA category, with one now in SMA-0 and the others out of the SMA pool.
- Digital migration increased to 92%, with mobile banking transactions growing by 8% YoY.
- The bank launched 39 new digital journeys this quarter and opened 8.9 million accounts through digital channels.
- Digital vehicle and gold loan offerings have been integrated into the retail segment.
- The bank onboarded 138 fintech partners in 3Q, with various ongoing digital initiatives.
- The partnership with Rupeek has been discontinued, and there are no outstanding exposures. Additionally, the bank has ceased co-lending operations.

Advances and deposits

- RAM segment witnessed strong growth in the last quarter. The bank has a corporate pipeline of INR400b.
- New CEO is targeting a higher growth rate of 14% and is confident of achieving it.
- Deposit growth could have been higher, but the bank chose to run down wholesale deposits. While bulk deposits could have boosted growth, the bank opted against it.
- No expectations of a rate cut on deposits.
- Credit growth remains healthy in the RAM segment, with the bank confident of achieving growth of INR400-450b.
- Loan book composition: 56% linked to MCLR, 39% to EBLR, and 4.74% is fixed-rate.
- The total gold loan portfolio stands at INR900b, with agricultural loans comprising 78% of it.
- Corporate loan growth was 8%, with 3Q expected to drive further expansion.
- The bank reduced bulk deposits due to unattractive reinvestment rates. Additionally, INR100b was raised for investments amid slowing deposit growth.
- Demand recovery is expected in the textile sector.

Yields, costs and margins

- The bank remains cautious about margins, ensuring a balanced approach between advances and growth.
- MCLR rates have not increased despite the rise in the CoF. The bank calculates MCLR based on the RBI-defined formula.

Investments

- Treasury income for the quarter was INR2.8b, but an MTM charge of INR240m was incurred.
- Trading profits are expected in the next quarter, with no MTM charges anticipated.

Asset quality

- Over the past 3-4 months, three accounts were in the SMA category, but currently, only one remains in SMA-0. This account is also expected to become regular soon.
- The bank has a strong TWO portfolio of INR400b, which is expected to support better recoveries in the future.
- Three SMA accounts are older exposures that faced issues over the past six months. However, these issues have now been resolved, and no further slippages into SMA are expected.
- The bank focuses on investment credit and selectively engages in KCC lending, mitigating risks of seasonal slippages.
- Standard asset provisions are being made continuously.
- The bank applies a flat 10% provision on SMA-2 accounts and a 25% provision on restructured loans.
- Provisions are made on a prudent basis to ensure financial stability.
- Borrowing costs have increased, with the bank raising INR100b through infrastructure bonds. Funds raised in 2Q impacted financials in 3Q.
- The bank does not rely solely on standard provisions but makes additional provisions for accounts showing signs of stress.
- SMA exposure currently stands at INR25.4b, a significant reduction from INR76.8b in 3QFY25.
- There are no SMA accounts in the MSME loan book.

LCR guidelines

- LCR at the end of the quarter stood at 116%, while the current LCR is at 125%.
- The impact of new LCR norms is estimated to be around 8-10%. Even with a 10% impact, the bank remains comfortable with its LCR position.
- The bank is still in the process of assessing the full impact of the new LCR norms.

Guidance

- Deposit growth projected at 8-10% YoY.
- Advances growth expected at 11-13% YoY, with higher demand already visible in 4Q.
- CASA ratio to be maintained at 40%, though it remains a challenge.
- LDR expected to reach 80% (currently at 79%).
- Recovery target is ~INR70b, with INR58b already recovered.
- NIM guidance of 3.4-3.5%, with progress on track.
- RoE expected in the range of 19-20%, currently at 21%.
- Credit cost estimated at 0.77%, compared to the actual 0.47%.

IndusInd Bank — Buy

Current Price INR 1,036

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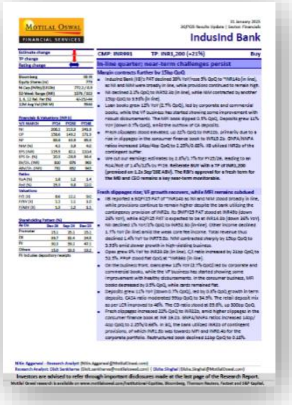
Results Update

Opening Remarks

- Recent trends suggest that the economy has been recovering. Any rural support from the budget can help the MFI business.
- IIB had let go of some of the unattractive LCRs.
- Management is very cautious in the MFI business and has calibrated loan growth.
- Yields on advances were due to lower due to EBLR repricing and lower average outstanding.


IndusInd Bank

- Higher fee income was due to MFI disbursements and an uptick in the CV business.
- Have a corporate account slippage and as a result, the contingent provisions were used against the same.
- CRAR was healthy at 16.46%.
- Asset quality outside the MFI business continues to remain healthy with no major signs of stress.

Loan Related

- Loan book grew 32% YoY.

Retail

- Growth at 19% YoY, MSME grew 12% YoY.
- 80% of the NTB is from granular less than INR20m.
- LAP grew 14% YoY and continued to scale the home loan book.
- Credit cards grew 12% YoY. Share of PL and CC is maintained at 5-6% of the loan book.

MFI business

- MFI saw an improvement amid pent-up demand.
- Remain cautious in the MFI business.
- MH and Orrisa saw an improvement in growth.
- Incremental stress in the MFI has been peaking out.
- Management remains watchful of the new MFIN guidelines.
- The bank remains cautious on overall customer indebtedness.
- The segment is showing early signs of stability.

Vehicle segment

- Have seen improvement in terms of disbursements.
- The quarter has reversed the trends of the last several quarters.
- PVs had seen some drop.
- RSA in VF continues to reduce with the majority of reduction from upgrades and recoveries.
- Remain well positioned once the sector sees a recovery.

Corporate

- Loan book growth is healthy at 16% YoY.
- The diamond business is subdued due to weak industry demand.
- Gross slippages stood at INR2.81b due to one restructured account as it passed the DDCO deadline.
- SMA book stands at 20bp of the overall book.

Deposits

- Deposits declined 1% as the bank let go of some of the LCR unfriendly deposits.
- Share of Retail deposits as per LCR stood at 46%.
- SA grew 2% QoQ.
- Affluent and NRI show robust traction. Affluent grew 20% YoY. NRI segment grew 39% YoY.
- Reliance on bulk deposits remained low.
- The share of the top 20 depositors remained at 15.4%.
- LCR stood at 118%.
- Indie continued to scale as an app open to all customers of the bank.

Loans related

- The bank is reducing the share of MFI business and the bank wants to bring this down to 8-10%.
- The bank will start divesting the business from the MFI to the rural business.
- MFI will give 2.5-3% in the normalized rate. MFI is a very efficient business and operates credit costs at 2.5-3%.
- 86% of the business is BFIL +2, for the other existing customers the bank will maximum allow +1 lender.
- The MFI industry will continue to grow at 16%+ amid under-penetration in the geography.
- SCVs – The interest rate is at 18% and IIB expects the slippages to come down in 4Q.
- About 13% of the MFI business is exposed in Karnataka and have reduced this book by 4% QoQ. Early indicators suggest that CE will be down by 1%. Its stress and collection efficiency are manageable.
- BFIL+3 customers and the bank gives loans to very selective customers. The bank is very low in the overall amount disbursed to the customer.
- The bank is cautious about the overall disbursements and not looking at any number and will continue to operate in the center where asset quality is stable.
- CV business is expected to grow as same as the GDP. Next quarter too will be similar to 3Q.

Margins, yields, Cost

- NIM guidance is difficult and will wait for the MFI business to settle. The bank is looking at the policy announcements very closely.
- Corporate yields have been declining in the last 4 quarters. SBL has been growing faster than the corporate. EBLR repricing has happened which has affected yields.

Asset Quality related

- INR1600m of contingent buffer was used against the MFI and INR400m towards the corporate portfolio.
- October and November were bad for the MFI business and the forward flows continue to be low in the MFI business.
- Flow rates have moderated to 99.5% in the 0+ bucket and forward flows have reduced considerably and have happened in December as well as January.
- VF business in good times gives 110bp of credit cost and in bad times gives 130-140bp of credit costs.
- Elevated slippages are from the credit card flows and the industry is going through the stress.
- Forward flows in the MFI are looking better, but the bank will continue to remain cautious.
- Forward flows look better in 0+ bucket and 90+ bucket has some flows. But forward flows in 0+ have stabilized and have improved gradually.
- Don't have any SMA book in the Jewel business and there are no signs of stress in this book.
- CV in terms of asset quality is very best in 4Q.
- The contingent provision is 4% of the MFI loans; the bank doesn't have any view on the contingent provisions. Bank should also carry the enough contingent provision due to the ECL.

Deposits

- The bank will continue to reduce the dependency on the bulk deposits. LDR guidance is at 88-89%.
- Stable deposits are at 5% of the overall retail deposits.

Kotak Mahindra Bank — Buy

Current Price INR 1,985

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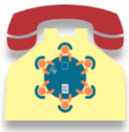

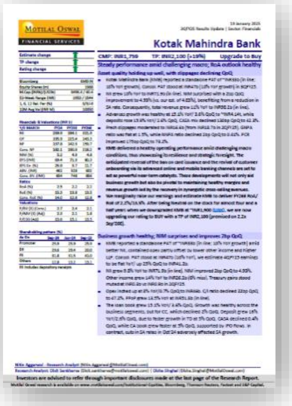

Opening remarks

- The bank is collaborating closely with the regulator on the embargo and worked extensively on various regulatory aspects.
- The credit card segment is experiencing reduced stress levels.
- The MFI is under stress across the broader economy.
- In 3QFY25, despite challenges, advances grew 15%, and deposits increased 16%.
- NIM remained stable, and operating expenses were well controlled.
- The quarter ended with 10% YoY growth on a consolidated basis, with a book value of INR769 per share.
- CAR stood strong at 23.4% on a consolidated basis.
- The standalone bank remained healthy, with a CAR of 22.8% and a robust CET1 ratio.
- Customer assets showed growth in the consumer banking segment.
- The unsecured retail mix declined to 10.5% due to reduced disbursements caused by an embargo.
- Average Sweep TD products grew by 36% YoY.
- NIMs at 4.93% were supported by lower SA rates and higher CA balances.
- Fee income was hit by the credit card embargo.
- Operating costs increased by less than 1% quarter-on-quarter, with employee costs remaining at Q2 levels.
- P&L impact due to the embargo aligned with previous estimates.
- Slippages declined compared to 2Q, with recoveries in the secured business. Secured loan delinquencies were minimal.
- Kotak Securities grew 46% YoY, while Kotak AMC performed well, supported by growth in capital markets.
- Kotak Investments faced challenges due to MTM adjustments related to a large single account.
- Bank customer assets grew by 15% YoY, driven by secured consumer asset growth. Mortgage loans increased by 19% YoY, a key focus area.
- LAP market remained steady, and secured small SME business banking grew by 23% YoY, aided by higher utilization during the festive season.
- Growth in PL and CC was flat, reflecting tightened business conditions. The embargo affected new credit card issuance. Stress increased in line with industry trends, but recoveries improved during 3Q.
- CV loans showed modest growth of 1% YoY, with new vehicle disbursements aligning with industry trends. Growth in this segment has been challenging but is expected to improve.
- The construction finance book remained stable, while tractor business disbursements and market share improved. Management aims to increase its market share in the used-tractor segment.

- Microcredit declined 6% in the 1H, with delinquencies rising as rural recovery remained slow.
- Agri-SME segment had a strong quarter, benefiting from seasonal demand. This remains a priority area for the bank.
- Asset quality in the wholesale business remained strong.
- Average deposits grew 15% YoY, with average CA deposits increasing by 12%, supported by IPO flows, while average SA deposits inched up 1%. Affluent customers shifted their deposits.
- Active money grew 36% YoY, and retail term deposits continued to rise.
- Management remains focused on building a granular retail book with an emphasis on profitability.

The RBI Order and Embargo

- The bank maintains ongoing communication with the RBI and conducts its own evaluations to assess its standing.
- It is challenging to predict the RBI's actions; however, most of the necessary work has been completed, and all required submissions have been made.
- Certain areas have been impacted. The credit card portfolio has contracted, and while the initial target was to have credit cards and unsecured loans account for 15% of the overall portfolio, they currently constitute only 10%.
- Another area affected is the 811 platform, which plays a crucial role in driving the bank's digital business growth.

Asset quality

- The bank is not observing stress in any segment and has successfully grown its secured business without any issues.
- Provisioning policy: The bank has implemented an aggressive provisioning policy, maintaining 180% provisioning for unsecured loans at 180 days overdue. Assets are written off after a specified lookout period—credit card write-offs occur at 270 days, while other segments are written off on a slightly longer, case-by-case basis. For loans overdue by 90 days, the bank provides 50%, and for 180 days, it provides 100%.
- Slippages: The MFI segment has contributed significantly to slippages, whereas the secured business is showing a positive trajectory.
- Slippages in microcredit continue to rise, but PL is seeing easing slippage levels, and credit card slippages have stabilized.
- Management remains cautiously optimistic about the slippage trajectory and is closely monitoring the situation.

Advances and deposits

- PL portfolio is on a strong growth trajectory, with continued disbursements. Growth will be driven by analytics-based decision-making.
- Standard Chartered portfolio will be integrated into the bank’s books this quarter, contributing to growth in this segment.
- The bank aims to grow at 1.5–2x the GDP growth rate.
- The secured portfolio is performing exceptionally well, while the unsecured portfolio remains volatile, with its performance largely dependent on economic conditions.
- Delinquencies in the retail CV segment have seen a slight increase, aligning with overall industry trends.

NIM
- NIM has stabilized, supported by favorable yields and cost of funds. As the share of unsecured loans increases, yields are expected to improve. On the cost side, CA deposits will help manage and contain expenses.
- CA balances have grown by 12% YoY, and reductions in SA rates have positively impacted the cost of funds. Additionally, the interest rates on sweep TDs are lower than regular term deposits, contributing positively to overall costs.

Profitability related
- The bank aims to achieve a RoA of over 2%, which will depend on when the embargo is lifted and the bank can resume growth efforts.
- Post-credit costs, the bank's PAT is growing at 13%. Additionally, growth is supported by non-interest fee income and opex optimization initiatives.

Other income
- Fee income has been declining as the bank is restricted from expanding certain high-fee-generating businesses.
- The reduction in fee income has also been impacted by the implementation of the reference fee circular.

KMPL
- KMPL operates in the two-wheeler financing business, whereas the bank does not engage in this segment. As a result, the delinquency patterns differ between the two.
- KMPL has experienced margin pressure and has faced an MTM impact, leading to a decline in profitability for the business.

Miscellaneous
- The bank plans to grow both organically and through acquisitions, provided they align with its business strategy.
- The bank's headcount stood at 77k as of December 31, 2024.
- Regarding the RBI's bank subsidiary norms, there is minimal overlap with the subsidiary, and therefore, the impact is expected to be negligible.

Punjab National Bank — Buy

Current Price INR 93

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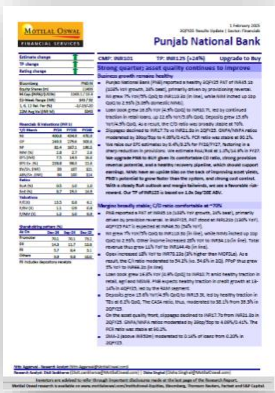

Business related
- Global deposits grew by 15.6% and global advances increased by 14.8% YoY, with a comfortable CD ratio of ~72.58%.
- Credit growth – steady growth was seen across segments on a sequential basis. PNB expects credit growth to be in the range of 13-14% in 4Q, led by healthy growth in MSME and Retail segments within the RAM vertical.
- The bank has a TD rate of 7.25% for more than 1-year bucket and the bank has been able to mobilize healthy demand in this segment. The CASA ratio is 38.12%.
- PNB has sanctions and disbursals in the corporate book amounting to INR1.3t, which the bank expects to be availed in the next couple of quarters; hence, corporate growth is picking up.
- ROA stood at 1.03%, in line with FY25 guidance. The bank expects ROE of 19%.
- In the interest of profitability, new MD & CEO will make certain tweaks in the cost of deposits and the yield on advances.

- MSME vertical: PNB has launched a cash flow-based digital journey for MSME players up to INR2.5m, has already started and launched this month for NTB and ETB.
- Pre-approved personal loans: The bank aims to grow in this vertical.
- In total loans, MCLR has seen a decline, whereas the share of T-bill has increased. This was a conscious decision of the bank. Short-term loans and WTDL products have picked up, which are yield-accretive for the bank.

Yields, costs, and margins

- NIM stood at 2.93% vs. 2.92% in the previous quarter, with domestic NIMs up by 3bp QoQ to 3.09%. With repricing in corporate book (amounting to INR100b), the bank expects the yield to improve in 4Q.
- The cost of deposits inched up 6bp QoQ to 5.24%. This was offset by an increase in the yield by 6bp QoQ to 4.63%.
- This quarter, there was a recovery from the write-back of provisions, despite recovery of INR 7b dip, bank was able to sustain its NIMs in the range of 2.90-3%.
- NPA recovery contribution to interest income was INR6.45b (from GLP and TWO pool) vs. INR6.06b in the previous quarter. The bank expects a similar recovery run rate to continue.
- CRAR stood at 15.48% vs. 14.36% in Dec'23. During 3Q, the bank raised INR30b through Tier-2 bonds.
- Digital banking: Transaction through the app have doubled in a year.
- Treasury profits to improve in the coming quarters due to a couple of initiatives taken by the regulator (VRR and OMO). With open market operation of ~INR600b, the bank expects to gain INR1-1.5b from it.
- IT refund amounted to INR3.5b.
- AS-15 provisions: with a 30bp decline in the yield, the bank recalculated provisioning requirement, which led to high provisions in Sept'24 (INR54b for FY25 on full year basis in 2QFY25). In 3Q, these provisions amounted to INR14b and the bank expects this to remain at similar levels in 4QFY25.
- To boost non-interest income, the bank is looking at cash management services, SCF and vendor management.
- Tax transition: PNB is assessing and planning to move to the new tax regime in FY26.

Asset quality

- GNPA/NNPA ratios stood at 4.09%/0.41%. PCR stood at 96.77% – well above its guided range of 95% of FY25. Excluding TWO pool, the bank has a PCR of 90%. It expects write-backs on provisions to take place in the near to medium term.
- Slippages to remain broadly around the current range of INR16-17b.
- PCR stands at ~97%. In the last two quarters, recovery and upgrades in GNPA to slippages have remained healthy, which will maintain credit cost at minimal levels.
- PNB has TWO pool of INR910b (out of which INR510b pertains to NCLT pool). The bank has enough cushion to guard profitability. In 3Q, recovery stood at INR8.23b, which it expects to pick up in 4QFY25 to the range of INR10-12b.

- SMA (0,1 & 2) stood at ~7% on total loans. SMA (1&2) amounted to 4% of total loans. On an absolute basis, SMA-0 stood at INR495b (largely driven by retail segment), SMA-1 at 150b, and SMA-2 at 130b.
- The bank has made a floating provision of INR2.5b (total floating provisions amounting to INR7.5b). PNB makes prudent provisions on account of restructured accounts.
- The bank aims for total recovery to be in the range of INR50-60b in 4Q (it has guided for full-year FY25 recovery of INR180b; ~115b for 9MFY25).
- Standard account provisions: PNB makes provision on restructured standard book.

Guidance

- Advances growth 11-12%; deposit growth 9-10%
- CASA ratio at 42%, NIM at 2.9-3%
- GNPA/NNPA to remain below 5%/0.5%, credit cost below 1%.

RBL Bank — Neutral

Current Price INR 161

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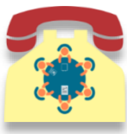
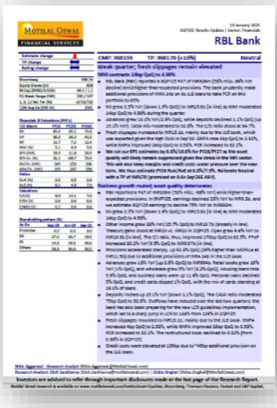
Detailed Concall Transcript &
Results Update





Opening remarks by the MD and CEO Mr. R Subramaniakumar

- Wholesale and secured retail business continues to go well. Return on this business, despite a scale-up in the unsecured business, has delivered enough PPoP.
- Within wholesale, commercial banking grew 21% YoY, and secured retail business grew 30% YoY.
- Credit cards, including personal loans, grew 8% YoY, down 2% QoQ.
- Total deposits declined 1% QoQ but grew 15% YoY. CASA ratio stood at 32.8%.
- Active steps have been taken to control headwinds in rural. Improvement will be better in 4Q.
- Improving trends in slippages witnessed in Dec'24 are expected to continue, and slippages will be less by 1QFY26.
- The bank continues to carry INR2.73b contingent provisions and has not utilized any contingent buffer.
- Weakness persists in the consumer sector, both rural and urban, and therefore the bank is taking risk mitigation steps such as CGFMU cover. About 42% of the disbursal is covered in 3Q, which was 25% in 2QFY25.
- The bank prudently made an additional provision of INR4.14b on its JLG loans to take provision coverage on this portfolio to 85%; PCR including this was 82.17%; PCR incl. Technical write-off stood at 93.46%.
- The bank is expanding on affordable and small businesses. Branches and self-sourcing are improving and shall improve profitability.
- GNPA increased 4bp QoQ to 2.92%, while NNPA improved 26bp QoQ to 0.53%. PCR increased to 82.2%.
- Lower disbursal in JLG business and interest reversal has led to lower NIMs.
- NIM moderation is offset through better fee income.
- INR1.5b tax write-back has happened in the current quarter.

Yields, costs, and margins

- The margin was hit by higher interest reversals on slippages and lower JLG disbursements.
- The cost of deposit would be steady for the next two quarters.
- Margins in 4QFY25 would be lower than in 3QFY25. The trajectory should improve from FY26.

Deposits and advances

- Wholesale and secured businesses – HL, Business Banking, and Wheels – continue to grow well.
- Advances grew 13% YoY, while wholesale grew 5% YoY and retail grew 19% YoY
- Within wholesale, commercial banking grew 21% YoY, and secured retail advances grew 38% YoY (in line with the bank's plan to grow identified focus areas).
- The bank has been cutting risks and focusing on collections
- The bank has tightened risk parameters in line with the current economic environment.
- The focus would be on profitable growth. Important pillars for growth are the cost of deposit, cost of operations, cost of credit, and cross-selling.
- Over the short term, continue the same level of growth, while it would be higher over the medium term.
- Within the secured retail book, Wheels, Tractor, and Business banking have reached break-even, while housing loans and LAP are yet to break even.
- In credit cards, BFL sourcing would be 55%, and other co-brands would be 40%. About 65% would be directly sourced by the bank

Asset quality

- Credit card gross slippages were INR5.7b vs. INR6b in 2QFY25. Slippages from this pool would trend down from 4QFY25 onwards.
- In JLG, slippages were elevated; gross slippage was INR5.36b vs. INR2.4b in 2QFY25. This was expected given the high SMA 1 &2 balances as of 30th Sep'24. The situation on the ground has been in flux; however, Dec'24 has seen improvement in collections and recovery of old NPAs.
- Collection efficiency in Dec'24 was 98.4% vs. 97.5% in Sep'24; however, Oct and Nov were similar to Sep'24. Expect slippages to be higher even in 4QFY25, although recovery would be better. The improving trend in Dec'24 should sustain, and will see a material reduction in slippages from 1QFY26. The bank continues to carry a contingency of INR2.73b.
- The bank has taken CGFMU cover for incremental disbursements in JLG (at 42%), which was 25% in 2QFY25. In the JLG portfolio, 11-12% of borrowers would be borrowing from more than 4 lenders.
- The normal provisioning policy in JLG was 25% every quarter, which came to INR2.5b, but the bank built in an additional provision of INR 4.14bn. Now, the JLG book has 85% coverage.
- Provisioning in 4QFY25 would be higher in this pool. The bank does not give any other retail loans to MFI borrowers. The bank analyses DPD at the family level instead of the individual level.
- States where collection efficiency is lower were KA, TN; UP & BR have recovered.
- Net restructured loans were 0.32% vs. 0.38% in 2QFY25 due to payment by customers.
- Improvement in the trend of recovery even from the write-off pool, is expected to continue.
- There is no stress in the book apart from unsecured loans.
- Credit cost for FY25 would be higher as the aim is to have negligible NNPA in the unsecured book.

Others

- Other income has a one-time impact on the IPO sale of INR1.44b
- C/I stood at 62.5% vs 64.2% in 2QFY25
- Excluding the higher provision, capital consumption would be 10bp in 3QFY25. The bank would be comfortable with CET-1 up to 13% and thus may look for a capital raise after 1.5 years.
- Interest reversal in 3QFY25 was INR1.3b.

Guidance

- Credit cost for FY25 would be higher as the aim is to have negligible NNPA in the unsecured book.
- Expect slippages in JLG book to be higher even in 4QFY25, although recovery would be better.
- Margins in 4QFY25 would be lower than in 3QFY25. The trajectory should improve from FY26.

State Bank of India — Buy

Current Price INR 727

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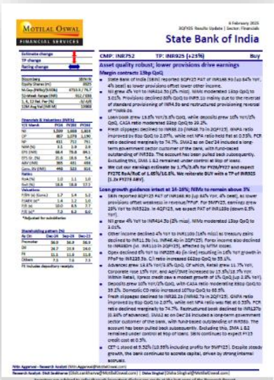

Opening remarks

- The results highlight the bank's continued strength and stability.
- In 2025, the global economy reflected a strong US market, offset by a weaker Eurozone.
- Global GDP growth is projected at 3.3% for 2025 and 2026, below the long-term average.
- PPI inflation has moderated and is expected to ease further.
- SBIN's performance demonstrates its ability to sustain long-term growth at scale.
- CD ratio stood at 68.9%.
- PCR remained strong at 74.66%.
- Total deposits grew by 9.8% YoY, surpassing INR52t, with continued strong growth in Current Account (CA).
- Advances growth stood at 13.8% YoY, and the domestic CD ratio is sufficient for a scalable expansion.
- Slippage ratio was 0.39%, while Net NPA improved by 11bp YoY, with a well-provisioned NPA book (PCR at 75%).
- CRAR, including 9MFY25 profit, stood at 14.5%, while CET-1 was at 10.99%.
- Subsidiaries continued to perform well and maintained their leadership in respective segments.
- Sustained growth underscores the bank's scalability with RoA of over 1%, reinforcing its financial strength.
- SBIN aims to enhance its CA share and further strengthen its SA deposit base.
- It targets a sustainable RoE of over 15%, outperforming credit growth.

Advances and deposits

- Credit growth guidance of 14-16% is strong and achievable.
- Deposit growth is targeted at 10% YoY, with a possibility of meeting this goal in the current quarter.
- SBIN is prioritizing SA deposit acquisition, with a focus on salary accounts.
- Credit growth of INR2.61t is in the pipeline, indicating a healthy outlook.
- The definition of microcredit under PSL has been revised. The bank has revamped SME funding, introducing cash flow-based credit using GST and income tax data.
- Borrowings have increased due to cash flow mismatch.
- Xpress Credit experienced a base effect, with no unusual credit in 3Q. Double-digit growth is expected in 4Q as digital lending stabilizes.
- Growth is primarily driven by capex, contributing 50% to overall growth guidance.
- 3Q saw strong auto loan growth, which is expected to continue.
- Home loans reached INR8t, with an NPA ratio of 0.76%.
- RaRoC is being utilized for wholesale lending, with RWA allocation tailored to each department.
- SBIN does not intend to engage in a rate war for deposits.

- It opens 500-600 branches annually and expands into new regions. So far, 227 branches have been opened this year, with a target of 425-450 branches.
- Various initiatives and product variants have been introduced to enhance CA deposits. As economic activity picks up, CA balances tend to decline.
- When there is a significant gap between SA and term deposit (TD) rates, customers shift toward TDs.

Yields, cost, margins, and opex

- SBIN was affected by MTM losses.
- The cost of funds has risen due to a shift in customers' saving behavior, from savings accounts to term deposits.
- NIMs declined by 13bp QoQ, while yields fell by 8bp and the CoF increased in 3Q.
- Yields on advances have remained stable over the past year, but deposit costs have risen. NIMs were impacted by higher deposit costs.
- NIMs are expected to remain above 3%.
- SBIN is exiting certain loans that are not favorable to its profitability.
- Repo-linked loans constitute 28% of the portfolio, and a 25bp rate cut is unlikely to have a significant impact on NIMs.
- The bank still has 35bp of MCLR repricing remaining.
- NIMs have been primarily affected by the rising CoF.

Asset quality

- SMA-2 accounts increased in 3Q, but only one major account was affected as of Dec'24. This account has since been regularized, reducing the risk of further stress.
- Credit costs have remained stable and asset quality has improved over the past five years. The bank maintains guidance of ~50bp credit costs through the cycle.
- No significant impact of over-leveraging has been observed.

Other income

- Forex income was impacted by MTM losses due to USD/INR appreciation. Despite adverse dollar movements, the bank managed to recoup some losses through rate corrections.

Provisions

- Restructured standard account has been upgraded, and as a result, the bank has seen a reversal in provisions.

Miscellaneous

- SBIN emphasizes responsible selling of insurance products, with an internal ombudsman to address any concerns.
- The Union Budget is expected to be value-accretive for SBIN, benefiting from tax cuts and increased consumer spending.
- Senior citizen savings are expected to flow into banking channels.
- Consumption multiplier is estimated at 3x, meaning surplus savings will flow into consumption, bank deposits, and investments.
- Consumption demand is expected to drive Xpress Credit growth.
- Increased risk weights are attributed to higher investment levels.

Guidance

- Credit growth guidance remains at 14-16%, which is achievable.
- Deposit growth is targeted at 10% YoY, which could be achieved in the current quarter.
- The guidance of ~50bp credit cost through the cycle holds for the bank.

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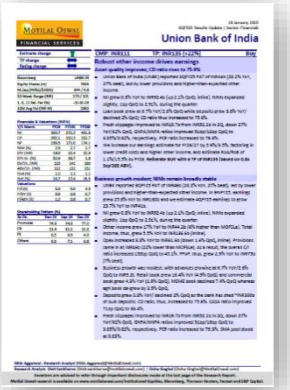

Union Bank of India — Buy

Current Price INR 115

Opening remarks

- The bank achieved its 3QFY25 guidance of maintaining a GNPA ratio below 4% by Mar’25. The GNPA ratio for 3QFY25 stood at 3.85%.
- Moderating urban demand, volatility in the Indian rupee, and liquidity challenges have been putting pressure on the banking sector.
- NIM stood at 2.94% for 9mFY25, which is within the guidance of 2.8-3.0% for FY25.
- CASA + retail TD forms 74% of overall deposits.
- While profitability and asset quality were in line with the bank’s guidance, business growth remained modest.
- Deposits growth was modest as the bank deliberately reduced its high-cost bulk deposits.
- The bank is well on track to consistently achieve better recoveries than slippages.
- Both advances and deposits grew modestly at 6.7% YoY and 3.8% YoY. The CD ratio stands at 75.6%.
- The ratio of RAM loans to corporate loans in the bank's portfolio stands at 55:45.
- The bank's CAR stood at 16.72%, with the CET-1 ratio at 13.59%.
- In 3QFY25, RoA stood at 1.30%, accompanied by RoE of 17.75%.
- Strengthening its digital capabilities has enabled the bank to achieve profitable growth across various business segments.

Advances, deposits, and provisions

- The bank’s CD ratio stood at 75.6% in 3QFY25. The average LCR stood at 130.61%.
- The bank has shed more than INR300b in bulk deposits to improve the cost of deposits and ensure that NIM is not impacted.
- The bank is focused on sustainable growth, with an emphasis on long-term value creation.
- There has been a slowdown in the economy. Normal GDP growth is driving credit growth.
- Yesterday, the RBI notified an easing of liquidity, which is expected to boost the bank’s overall growth.
- The growth of average advances remained at 10-10.5%. Most of the bank’s book is now at MCLR pricing.
- The bank has seen good growth in retail deposits during 9mFY25, which grew at an average of ~8% YoY, and it expects this growth to continue.
- The bank is also exploring alternate sources of funding, and some CASA growth is expected going forward.
- MSME growth has been muted, primarily due to a major portion of INR50b of the MSME book being upgraded to the mid-corporate segment and ~INR120b being declassified due to the unavailability of URN numbers.
- Agri growth was muted due to state governments offering waivers.
- The bank has reduced its bulk deposits to ~25.02% in the current quarter and aims to maintain the ~25% level going forward.
- Under new draft guidelines, the bank’s LCR will remain well above the regulatory requirement.

- The bank has intensified its focus on CASA growth by targeting New-To-Bank (NTB) clients. Premium branches dedicated exclusively to CASA clients have been established to enhance service and retention.
- The gold loan book is currently at INR810b, of which INR600b is agri gold loan book.
- Additionally, the bank has opened a large number of gold loan accounts in the past few quarters.
- Unsecured personal loans stood at INR128b, with YoY growth declining in the personal loan portfolio.

Yield, costs, and margins

- Core fee income grew 26% YoY and the bank expects this growth to continue. Additionally, the bank is generating healthy other income alongside the NII.
- Liquidity tightness and the sell-down of bulk deposits have led the bank to limit its arbitrage activities. However, as liquidity improves, the bank plans to increase its arbitrage income, which is ~1.8b lower than the last quarter.
- DTA stood at INR21.75b. On average, the effective tax rate is 24-25%.
- NIM stood at 3.91%, as the bank has maintained its cost of deposits, and the yield on advances grew 8bp QoQ.
- The reversal in interest income from NPLs was very low in the current quarter.

Digital initiatives and investments

- The bank has launched a platform with 7 journeys, and 17 more journeys are already in the pipeline. ~INR188b in business has been generated through 15+ lending journeys.
- ~103,694 digital savings accounts have been opened as of 3QFY25, and ~1,112k customers were onboarded.
- The bank is investing in creating its own digital platform.
- Additionally, the bank has made investments in analytics and aims to generate the majority of its business through digital channels.

Asset quality

- Recovery from NCLT accounts stood at INR2.94b, with full recovery of INR3.45b on a cash basis.
- The SMA book moderated as the bank had classified one large account in SMA in the previous quarter, which has now been recovered.
- With respect to interest income accrual, recovery was lower at INR17.38b in 9mFY25, and the bank is actively working on improving this.
- The bank has a pipeline of INR750b in sanction limits, of which INR360b is pending disbursements and INR397b is awaiting sanction.
- Exposure still remains, but the overdue from the SMA-2 lumpy account from the previous quarter has been fully recovered.
- GNPA in the personal loan segment stands at 1.8%.
- SMA 1 & 2 for MSME stands at INR99b, with INR35b in SMA 1 and INR46b in SMA 2.

FY25 guidance

- The bank continues to guide for FY25 NIM in the range of ~2.8-3%.
- Slippages are expected to be ~INR115b, while the recovery target is set at INR160b.
- The guidance for GNPA is expected to remain below 4%.

FINANCIALS/NBFC

- **Within NBFC/HFC, various management teams highlighted the following: 1) the demand outlook remained subdued in the CV segment due to weak government spending and capex, while demand in PVs and tractors improved; 2) asset quality deteriorated across most product segments barring power financiers and select HFCs because of customer overleveraging, sluggishness in consumption, and weak macroeconomic environment; 3) MFIs experienced early green shoots with collection efficiency improving in Dec'24 and further in Jan'25; 4) competitive intensity remained high in HFC/ AHFCs, which hurt disbursement yields for the companies; and 5) gold loan demand remained strong due to rising gold prices, high tonnage growth, and unavailability of unsecured loans.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	3QFY25 Highlights
ANGEL ONE	■ Management aims to maintain operating margins at 50%, leveraging pricing levers if needed. ■ Revised the impact guidance of F&O regulations on revenue to 18-20% from ~14-15%. ■ 'Increase in lot sizes' regulation expected to boost cash segment activity, supporting revenue growth.	■ Recorded highest-ever SIP registrations in Dec'24. ■ The number of orders declined 14% QoQ owing to F&O regulations, while the MTF book continued to scale. ■ Angel One continued to witness market share expansion across demat accounts, NSE active clients, and retail turnover, despite weak market sentiment.
Bajaj Fin.	■ For FY26, management guided for AUM growth of ~25%, credit costs of <2%, and PAT growth of ~22-23%. ■ Credit costs have peaked. BAF would look to accelerate AUM growth in the (Rural) B2C segment in the foreseeable future.	■ BAF guided for credit costs of ~2.05% in FY25 and credit costs of 185bp-195bp in FY26. ■ BAF's partnership with Bharti Airtel has the potential to become huge over the medium term, given there are ~200m non-overlapping Airtel customers that can be targeted by BAF.
BSE	■ Medium-term growth drivers: 1) improvement in the premium turnover, 2) lower settlement fees, 3) higher participation in long-term contracts, and 4) introduction of colocation racks. ■ The company is adjusting its strategy to promote Bankex contracts.	■ The company saw 30 new listings. The IPO pipeline remains healthy. ■ Star MF processed a record 61.5m transactions in Dec'24. Investments will continue. ■ Higher SGF due to adoption of SEBI's new corpus calculation method.
360 ONE WAM	■ The deployment of QIP proceeds will be done over the next 3-4 quarters to improve ROE. ■ Maintains the guidance of 20-25% AUM growth, with 10-12% added through net inflows. ■ Employee costs at 34-35% of overall revenues. ■ Revenue mix outlook: TBR at 20-25%, NII at 20%, and core ARR income at 60%.	■ AMC AUM witnessed MTM impact, which was offset by strong inflows, especially in PE and multi-asset segments. ■ Stellar growth in other income during the quarter was largely due to gains in unlisted equity investment. ■ Recently acquired B&K Securities, adding research capabilities and entering into IB.
Mahindra Finance	■ Management shared that momentum was positive in vehicle finance disbursements (particularly PVs and tractors). It guides for mid- to high-teen loan growth in FY26. ■ MMFS guided for NIM of 6.5-6.7% in FY25, with a long-term target of ~7.0%. ■ LCV/HCV business is not growing and replacement demand in this segment is muted.	■ Management guided for opex around ~2.5-2.7% and RoA of ~1.8%-2.0% in FY25. ■ NIM expansion will come from asset diversification and fee-based plans. ■ PCR benefits have largely been demonstrated in the current quarter and there is a possibility that there could be a small uptick in PCR, going forward.
Muthoot Fin.	■ The company has reiterated its guidance for ~25% AUM growth but expects to perform better than that. ■ For FY26, it has maintained a conservative outlook, guiding for ~15% growth in gold loans.	■ MGFL expects NPA numbers to decline by Mar'25 and anticipates some benefits on credit costs. ■ GNPA in the gold loan business is higher due to the stress in the economy. ■ It expects the MFI issue to be transitory and to be resolved in the next few quarters.

NUVAMA	▪ The company will continue to invest in tech, RM additions, and geographic expansions. ▪ It will focus on increasing the loan book to improve ROE. ▪ Yields in the wealth/private are expected to remain at 80-85bp	▪ It focuses on annuity and ARR in private and MPIS in business, driving robust flows and client acquisition. ▪ Retentions in wealth declined due to a dip in NII and average loan book and impact of INR30m from MLDs. ▪ Retentions in the private business declined due to a shift toward CAT III AIF from CAT II, which has lower upfront commission.
CAMS	▪ Management guides for share of non-MF revenue contribution to increase to 20%+ in next 2-3 years. ▪ Guidance for employee costs/opex: 32-33%/8-8.5%. ▪ EBITDA margins to remain intact despite yield compression; Non-MF margin to be at ~15%. ▪ Expects an unusual compression in yields to >3.5%.	▪ Share of Non-MF revenue declined to 12.3% due to faster growth in MF segment and weak markets. ▪ Share in SIP registrations grew to 64% (60% in 2QFY25). ▪ KRA revenue rate declined QoQ due to a slowdown in MF purchases, demat accounts, and trading volumes. ▪ CAMSPay registered stellar revenue growth of 53%, driven by surge in digital adoption, led by UPI auto-pay.
HDFC AMC	▪ Last commission rationalization was done in Aug'24, and it plans to do such activity in the near term. ▪ Aims to become a market leader in the existing product portfolio rather than launching a new. ▪ Management remains optimistic about the SIP growth trajectory going ahead.	▪ QAAUM grew to INR7.9t, with share of equity AUM at 65% vs. 61% as of Dec'24. ▪ Other income declined 35% YoY mainly due to MTM. ▪ In the GIFT CITY, three funds have recently gone live and two more in the pipeline. ▪ Yields: Equity/Debt/Liquid at 58bp/28bp/12-13bp.
NAM AMC	▪ Management does not expect any distortion in the uptick of SIP flows, backed by retail segment. ▪ Overall opex growth (excl. ESOP) at ~15-17%. Will continue to invest in technology and the alternative business. ▪ Guides for no further substantial increase in branches.	▪ Investor base grew to 20m with 38% market share; investor folios grew to 31m. ▪ NAM rationalized Large- and Mid-Cap schemes during the quarter and will assess further rationalization to mitigate yield decline. ▪ Recently launched two index funds and plans to launch more passive schemes.

Aavas Financiers — Neutral

Current Price INR 1,683

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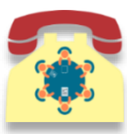

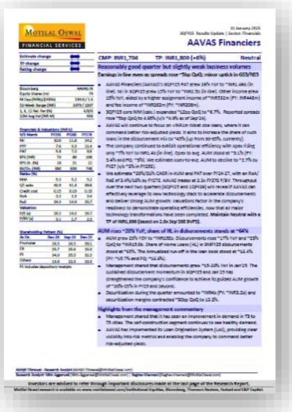

Guidance

- Management has guided for credit costs below ~25bp on a sustainable basis.
- The deterioration in asset quality is seasonal and is expected to revert in 4QFY25.
- Jan'25 disbursements are up 15-20% YoY. The traction seen in 3Q and Jan'25 gives the company confidence that it can achieve AUM growth of 20-25%.
- Management continues to guide for AUM growth of 20-25%.
- There will be focused efforts to improve yields. Spread improvement will depend on the cost of borrowings and interest rate cuts. By next year, all its liabilities will have been re-priced, and the company expects a stabilization in its CoB (except for any minor movement). Any repo rate cut will further benefit its CoB.
- The company aims to achieve an AUM of ~INR500b in 4-5 years.

Business Update

- AUM grew 20% YoY to INR192b.
- Disbursements grew 23% QoQ and 17% YoY to INR16b.
- 3QFY25 PAT grew ~26% YoY to ~INR1.46b.
- Spreads expanded ~4bp QoQ and NIM expanded >10bp QoQ.
- Incremental business yields rose ~25bp across products.
- Opex stood at 3.1%.
- 1+ dpd stood at 3.85%, while GNPA was at 1.14%, with a minor uptick due to seasonality. Credit costs improved to ~15bp in 9MFY25 (v/s 19bp in 9MFY24).
- The company plans to open 20+ branches in 4Q, predominantly in Karnataka and UP.

- It expects increased budgetary allocation to PMAY and CLSS in the upcoming budget.
- 3QFY25 RoA rose ~30bp YoY 3.37% and RoE improved ~115bp YoY to 14.2%.
- Net worth of ~INR42b; total employee count stood at 6,284.

Macro Environment and Affordable Housing Demand

- In Tier 3 to 5 cities, the company has seen an improvement in demand; it is cautiously monitoring upcoming trends and continues to have a cautious approach to underwriting.
- Home loan demand in Tier 3 to 5 cities in self-construction remains healthy.
- AAVAS has received 4,000+ applications under the PMAY CLSS 2.0 scheme.
- AAVAS has a strong presence in government housing in Karnataka and is seeing some easing in the issuance of e-Khata. Over time, Karnataka is expected to become stable.

Asset Quality

- GS3 and NS3 stood at 1.14% and 0.81%, respectively.
- The average 1+dpd and GNPA in its vintage states remain well below 4% and 1%, respectively. In its emerging states, 1+dpd and GNPA remained well below 3% and 1%, respectively.
- AAVAS has consistently been innovative in raising newer sources of borrowings. It raised NCDs of INR6.3b from IFC in 3QFY25.
- Total ECL provisions (incl. for COVID-19 and OTR) stood at ~INR1b as of Dec'24.
- Only 6.7% of customers overlap with MFI customers, and of these, only ~2.2% are into 90+dpd.
- The aging of NPA assets has resulted in a sustained increase in PCR on Stage 3 loans.
- AAVAS has moved its entire ECL provisioning model to a universally accepted Deloitte model. Previously, the model tracked point-to-point movements of NPA (quarter-end and year-end). Now, the company uses real-time modeling to track flows between buckets. This updated ECL model incorporates macroeconomic factors, leading to a one-time recalibration of PCR in Stages 1 and 2.

Yields

- The company has implemented an LoS, providing clear visibility into risk metrics, which helps it achieve better risk-adjusted yields. The focus is on loans with a ticket size of <INR1m, where the company obtains attractive yields. By effectively pricing the risk, this approach has contributed to the improvement in disbursement yields.
- The company continues to focus on <INR1m ticket size loans, where it can achieve attractive risk-adjusted yields. These loans currently contribute ~30-35% to the disbursement mix. The company targets to increase this to 45% over time.
- There is a yield differential of ~200bp between Home Loans and LAP, with MSME loan yields being ~75bp higher than LAP. The Home Loan Portfolio yields stand at 11.5%-12%, while disbursement yields are ~30-35bp lower than the portfolio yields.

Liabilities

- Borrowing Mix: ~50% from Term Loans, 25% from assignments and co-lending, ~16% from NHB, and ~9% from debt capital markets
- Maintained strong relationships with DFIs

- Average CoB stood at 8.24%; Spreads rose ~5bp QoQ to 4.95%
- AAVAS expects its CoB to stabilize at current levels
- ~32% of its bank borrowings is linked to EBLR and 19% is linked to 3M MCLR.

AUM Split and Yield Differential Based on Ticket Sizes

- In terms of AUM, ~80% of the book has a ticket size of <INR2.5m and ~45% has a ticket size of <INR1.5m. In terms of count, ~85% of the book has an average ticket size of <INR1.5m.
- There is a yield differential of ~200bp between loans in <INR1.5m ticket size and >INR1.5m ticket size.

Others

- MSME loans are backed by the company's understanding of risk and are primarily focused towards Self-occupied Residential Property (SoRP).
- The company continues to increase its disbursement yields across products.
- BT-OUT stood at 5.4%, supported by predictive models that predict the likelihood of a BT-OUT, enabling the company to focus on improving retention.
- Channels like e-Mitra, CSC tie-ups, and acquisitions from web and Whatsapp chatbot continue to be a significant part (80-85%) of direct sourcing franchises.
- ATS has increased 6% due to inflation, the rising cost of construction, higher property sizes, and rising incomes.
- The company has achieved ~36% reduction in the Login to Sanction TAT, which has declined from 10 days to 7 days over the last two years.

ADITYA BIRLA CAPITAL MUTUAL FUNDS

Click below for Detailed Concall Transcript & Results Update

Aditya Birla AMC — Buy

Current Price INR 653

3QFY25 performance

- SIP book grew 38% YoY, with 670,000 new SIPs added during the quarter. The sequential decline of 8% in SIP AUM was due to equity MTM movement.
- ABSL already has INR100 SIP in place and industry-wide acceptance of INR250 SIP will further enhance opportunities. The company's intent is to improve customer acquisition through various forms of SIPs.
- Total investor folio crossed 10m, with 2.4m new folios added in 9MFY25.
- ESOP cost for 3QFY25 was INR2.8m.
- Jan'25 is witnessing similar trends as in 3QFY25, with net sales improvement in some schemes. SIP remains in focus and there has not been any significant deviation with respect to SIP cancellations. However, lump-sum flows may get impacted considering the current market volatility.
- Headcount addition is being done especially in the passives and emerging market space. The sales team in Mumbai is also getting strengthened, but no top-level hiring is being done. Recruitment will be completed this year, and the headcount addition would not be significant from next year.
- ABSL will go aggressive in 4QFY25 with respect to the promotion of a new GIFT City product in the pipeline - Global Blue Chip.

Yields

- The improvement in yields was due to (1) increased TER in few debt schemes, (2) marketing and distribution expenses realigned based on current market conditions, and (3) decline in AUM due to MTM, leading to increase in TER.

- For 3QFY25, equity yields were at 70-71bp, debt at 25bp, liquid at 13bp and ETF at 7-8bp.
- Equity yields are likely to remain in a similar range. A marginal improvement is expected in fixed income yields with interest rate declining. ABSL is also aggressively pushing hybrid funds and can see higher revenue contribution when AUM increases.

Non-MF Business

- Alternate growth is likely to be faster than MF growth as customer behavior is different.
- In the AIF fixed income business, ABSL expects AUM to reach INR50b over the next three years.
- Real estate fund is expected to reach INR50b from INR10.5b currently over the next three years on the back of global investor participation.
- Passives AUM is currently at INR320b, which ABSL plans to increase to INR1t in the next three years.
- Alternate asset business used to contribute 14-15% and now contributes 7-8%. The target is to increase the contribution back to 14-15%.
- Incremental cost in the alternates business is only related to the replacement of departing employees. Hiring of a vertical head to drive growth in this segment will be an additional cost. All alternate business segments are profitable.

Distribution

- ABSL's operation team has been contributing strongly to sales. The team's target is increased each year, and hence, the contribution increases.
- The company is focusing on improving engagement with respect to distribution activity at 25 locations, which account for 80% of volumes, to improve contribution from such locations.
- Organized channels are recommending large-cap and hybrid funds of ABSL AMC. The online channel also saw success last quarter, with three funds becoming a part of the recommendation list.
- Net sales improvement witnessed across channels. IFA contribution has improved on an incremental basis.

ADITYA BIRLA CAPITAL

Aditya Birla Capital — Buy

Current Price INR 155

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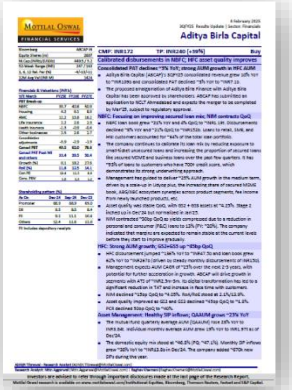
Detailed Concall Transcript & Results Update

Opening remarks:

- The company continues to focus on prudent risk management.
- AB Capital focuses on quality and profitable growth by leveraging data and technology.
- The company continues to strengthen its Omni-channel distribution.

Business highlights:

- Consolidated PAT stood at ~INR7.1b in 3QFY25 vs. INR7.4b in 3QFY23, down ~3% YoY.
- Consolidated revenue grew by 10% to INR109.5b.
- The company is calibrating its NBFC portfolio by reducing exposure to small-ticket unsecured loans and increasing the proportion of secured loans over the past few quarters.



- HFC portfolio was increased considering the market opportunities. Asset quality continues to improve in HFC portfolio.
- The Omni-channel architecture allows customers to choose the channel of their choice and interact with the company.
- D2C platform went live in Apr'24. It offers a comprehensive portfolio of 24 products and helps customers fulfil their financial needs. The company has received a robust response with 4.1m customer acquisitions.
- The company has launched a revised servicing app, which has gone live in December. It is a comm on servicing infrastructure across all the businesses. It allows the company to leverage its existing customer base for upsell and cross-sell.
- UDYOG continues to scale up quite well and received more than 2.2m registrations. It has reached AUM of ~INR33b and contributed ~25% of disbursements of unsecured business loans.
- The company has further enhanced our integration with ABCL Ecosystem to provide credit and supply chain financing solutions to dealers and vendors.
- The company has 1,482 branches across all businesses as of Dec'24 and it is focused on expanding in tier 3 and tier 4 towns.

NBFC Business:

- AUM grew ~21% YoY and ~4% QoQ to INR1.19t.
- The company continues to focus on MSME segment, and business loans to MSME grew by ~32%, comprising 55% of the total portfolio.
- The secured business grew by ~37% YoY during the quarter.
- Disbursements stood at INR156b, of which ~36% was contributed by secured business loans to MSME.
- The number of MSME using UDYOG plus has been sequentially increasing with ~2.2m registrations.
- More than ~20% of the unsecured business disbursements have been sourced through the UDYOG plus platform.
- The total secured portfolio has increased from ~69% last year to 74% as of Dec'24.
- The portfolio mix has undergone a change, where the share of MSME business loans has increased to ~55% (PY: ~50%).
- Credit cost increased by ~11bp, which is well within the guided range of ~1.5%.
- Continues to closely monitor the portfolio; Stage 3 is well provided, with PCR of ~47%.

HFC business:

- The company has achieved all-time high disbursements of INR45b, up 136% YoY.
- GNPA declined to its lowest levels in the past 15 quarters.
- AUM stood at INR267b, up 62% YoY.
- It has crossed a monthly run rate of INR15b, which helped to grow its portfolio by 62% YoY.
- The company has a customer base of 82.3k, up ~36% YoY.
- It has recorded its highest-ever PBT of INR1.1b.
- Stage 2 and Stage 3 declined ~177bp YoY and ~45bp QoQ to ~1.77%.
- Gross NPA declined both in absolute and percentage terms during the year.

- The cost of borrowing continues to be well-diversified and well-effective. The company raised NCD of INR8.3b from IFC. The company will use these funds to provide loans to middle-income and low-income groups.

Asset management:

- AUM stood at INR4t as of Dec'24, up ~23% YoY.
- Mutual fund stood at INR3.84t, up ~23% YoY.
- The company added ~670k new SIPs during the year.
- During the quarter, the company launched ABSL AMC conglomerate fund and index funds.

Life Insurance:

- Individual FYP for the industry grew by ~14% and for private players by ~19%.
- For Aditya Birla, individual FYP grew by ~31% across proprietary and partnership channels.
- The company improved productivity and capacity, aided by good traction in new tie-ups in Bank of Maharashtra and IDFC Bank.
- Total premium stood at INR137b, up ~23%, with a two-year CAGR of 16%.
- Digital collections account for 82% of the total annual premium.
- Total AUM stood at INR970b, of which ~25% is equity fund and the balance is debt fund.
- Almost 100% of new customers are now on-boarded digitally and ~83% of services are covered digitally, with 67% of the customer transactions done digitally.
- It maintains VNB margin guidance of ~17-18% for the entire year.
- Solvency ratio remains healthy at 194%.
- The company has realigned its commission structure with distributors and does not foresee any adverse impact on new business margins on account of these changes.

Health insurance:

- Gross premium stood at ~INR35b, up ~46% YoY.
- All the major bank and digital alliance partnerships exhibited impressive growth.
- Market share in SAHI rose from ~10.7% to 12% YoY, led by retail channel.
- Corporate business achieved ~47% YoY growth.

Anand Rathi Wealth — Neutral

ANANDRATHI
Private Wealth. uncomplicated

Current Price INR 3,794

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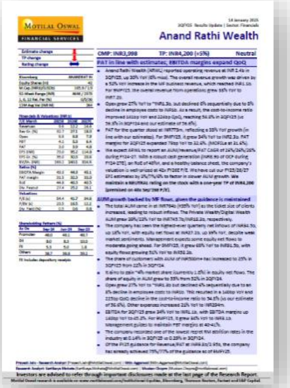
Results Update

Private Wealth business:

- The share of clients with AUM size of INR500m and more has improved from 22% to 25% in 3QFY25 due to an increase in the wallet share.
- Client attrition has been lower at 0.14% in 3QFY25/0.32% in 9MFY25. The company has added 1,785 clients over the last 12 months, bringing the total to 11,426 families.
- It has added 61 RMs over the last 12 months, bringing the total to 383.
- It records one of the lowest regret RM attrition rates in the industry at 0.14% in 3QFY25 vs 0.29% in 3QFY24. One RM handling an AUM size of >INR400m left in the last quarter.

Net flows, AUM, and yields:

- ARWL recorded its highest-ever quarterly net flows of INR34.5b, up 18% YoY, despite market sentiments not being the best. This incremental growth came



from both existing and new customers (50:50 share). ARWL has increased the threshold ticket size from INR5m to INR10m.

- Management is positive regarding the mobilization of flows into structured products, as maturities are expected next year, the new business will perform, and some realignment will take place. It has been adding clients with larger market shares.
- Management expects some tepidness in equity net flows going ahead. It currently holds a market share of 1.8% in equity net flows in the industry and aims to increase this to ~4%. It holds 4.8% market share in SIP flows of the overall industry.
- The share of equity MF in the AUM mix has improved to 55% in 3QFY25 from 52% in 3QFY24.
- Management guides for structured products to be in the range of 25-35% of the overall AUM mix.
- Management guides for yields of structured products, which have matured at 1.15-1.17%, and for matured MF products at 1.09%
- Primary MLD gross issuances for 3QFY25 stood at INR13.5b vs 12.3b in 3QFY24. For 9MFY25, they stood at INR46.3b vs INR39.9b in 9MFY24.
- Secondary MLD gross issuances for 3QFY25 stood at INR5.9b vs 4.3b in 3QFY24. For 9MFY25, they stood at INR15.5b vs INR9.6b in 9MFY24.

Financials:

- Of the FY25 guidance for Revenue/PAT at INR9.8b/2.95b, ARWL has already achieved 75%/77% of these targets in 9MFY25.
- For the last 2-3 quarters, operating leverage has started to kick in and will be reinvested as guided by the management. It guides to maintain the operating margins at 40-41% of PBT.
- As of yesterday, the company's model portfolio generated an alpha of 7.5-8% over Nifty 50 returns.

Others:

- The management mentioned that it plans to begin operations in the wealth management business in the UK market, though it will take 6-9 months to establish.
- ARWL sees a positive outlook for the passive industry but has no plans to enter that space anytime soon. The company has also not participated in any NFOs or sectoral funds.

Angel One — Buy

Current Price INR 2,323

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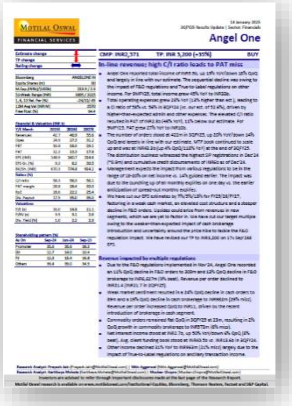
Guidance

- The company is in wait-and-watch mode for 1-2 quarters to observe the permanent impact on lifetime value due to new regulations and will take an informed call on using levers like pricing, if operating margin of 50% cannot be maintained.
- The hit on net income due to recent regulations would be in the range of 18%-20%, including a 13-14% impact due to True-to-Label regulations and the remaining impact from reduced F&O activity after the implementation of new F&O regulations. However, customer addition growth will remain intact.
- The increase in lot sizes can result in higher cash activity from investors, which can boost growth as Angel One has started charging cash brokerage.

3QFY25 performance

- Angel One continued to witness market share expansion across demat accounts, NSE active clients, and retail turnover.


Angel One

- Interest income declined sequentially due to a revision in the MTF rate to 14.99% from 18%.
- Income from depository operations declined sequentially due to lower cash delivery transactions during the quarter.
- Income from distribution was driven by growth in distribution of credit products and IPOs.
- Finance costs increased due to higher borrowing to handle the increase in client funding activity as well as a 40-45bp increase in the average cost of funds.
- While the customer acquisition costs have only increased slightly due to the seasonal impact, operating margin was impacted by higher spends on branding, an increase in CSR expenses and continued investments in new businesses.
- Going forward, the majority of fixed expenses have already been taken care of, apart from the expenses related to the appointment of a new CEO. Further spends will depend on business growth and the customer acquisition strategy. The IPL spend run rate depends on responses before the start of the season.
- The board approved the first interim dividend of INR11/ share.

Distribution

- Angel One witnessed the highest-ever unique SIP registrations in Dec'24, maintaining the 2nd position in terms of incremental registrations.
- Motor insurance was recently launched on the app, partnering with three providers. While the company has physical presence in the insurance distribution space for a few quarters, motor insurance has been launched digitally. The buying journey is live for insurance and the claims journey will be developed in the next few quarters.
- Credit distribution has been slow due to the cautious approach by lenders due to higher incidence of fraud. The company is investing heavily in building risk modelling capabilities to provide the right products to customers and aid underwriting capabilities of lenders, but headwinds may persist for the next few quarters.

Wealth Management

- Its wealth platform has been launched with various features related to customer analytics. Other features will be added soon to enhance customer experience.
- People, product, license and technology are all in place and business is expected to start scaling up now.

Assisted business

- The assisted business has contributed to growing mutual fund AUM.
- Angel One is continuously improving its NxT platform to provide comprehensive visibility of clients to partners. The company has also piloted super local activity targeting local insights and tools to bridge the gap between digital communication and personalized physical conversations.
- The MF distributor base has doubled in the last one year. The company has done a lot of cross-pollinations across assisted partners of various business segments through training to boost growth of the individual as well as the company.

AMC

- The company received approval to commence MF operations recently and will be focusing on passive funds - ETF and Index funds.
- Educational material is being prepared to provide knowledge and will also play a critical role in driving adoptions.
- The increasing share of passives in total AUM mix gives an immense growth opportunity for this business, as per the management.
- AMC, as well as wealth management business, can grow to a substantial size, using tech and domain knowledge. Investors are embracing MFs, reflected by SIP book growth.

- Angel One wants to be a go-to brand for passive-only products, hence expanding the investor base, which can happen by educating investors. With markets maturing, passive funds may also start becoming a part of the existing clients' portfolios.

BSE — Buy

Current Price INR 5,631

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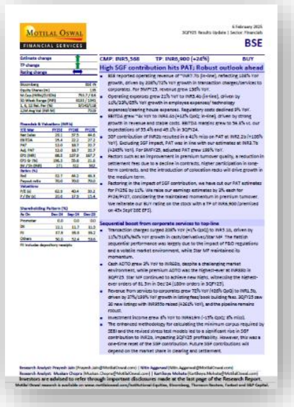

3QFY25 business highlights

- 30 new listings were seen in 3QFY25 and the IPO pipeline remains healthy.
- Sensex contracts continue to scale up but Bankex and single-stock derivative volumes have yet to pick up, as members are still developing connectivity.
- BSE's Star MF platform processed a new high of 61.5m transactions in Dec'24. Continuous investments are being made in Star MF to improve scalability, functionality, and order processing.
- 15 indices were launched by AIPL in YTDFY25 and the company plans to launch more indices and expand the portfolio.
- India INX continues to expand its operation with the launch of Sensex in Feb'24. Sensex futures and options will be available to foreign investors to trade.
- The higher SGF contribution is due to the new methodology for calculating the minimum corpus required by SEBI and the onboarding of new members. Out of INR2b SGF contribution in 3QFY25, INR1.5b is to be contributed by ICCL and INR0.5b by BSE.
- The core SGF computation depends on multiple factors, including volatility and price shocks, making the future trajectory difficult to predict. A significant increase in contribution has occurred due to the use of the enhanced version, and the incremental increase will be marginally lower, according to the management.

Growth drivers

- The company is working towards enhancing market efficiency through a common contract note, which is crucial for increasing secondary market volumes and improving its cash market share.
- BSE is monetizing its colocation facility through rent, and a small token charge has been introduced for order rates, which will be increased at the right time. Currently, the company has 200-220 racks and is working towards expanding additional colocation space to accommodate the large waiting list. The growth of retail algo trading will lead to an increased demand for colocation facilities.
- Factors such as an improvement in the premium turnover quality, a reduction in settlement fees due to a decline in contracts, higher participation in long-term contracts, and the introduction of colocation racks will drive growth in the coming months.

Regulation impact

- Bankex notional volumes have declined 95%, while Sensex notional volumes have seen minimal decline. Premium turnover has remained stable, with turnover on non-expiry days increasing.
- The company is adjusting its strategy to promote Bankex contracts in order to improve volumes for those contracts.

BAJAJ FINANCE

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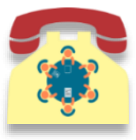

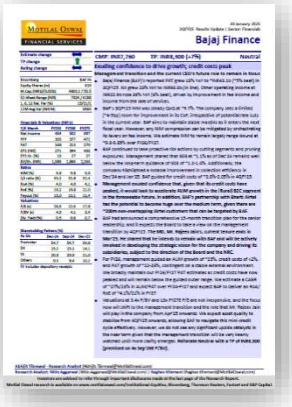

Bajaj Finance — Neutral

Current Price INR 8,440

Business Update

- Loan losses have stabilized and the credit costs were stable QoQ. Loan loss to average AUF was 2.16% in 3Q (vs. 2.13% in 2QFY25).
- Added 5m new customers in 3QFY25. Customer franchise stood at 97.12m and is well on course to surpass 100m customer franchise by Mar'25.
- AUM stood at INR3.98t and was up 28% YoY
- Opex to NTI stood at 33.1% (vs. 33.9% YoY). The company continues to optimize its operating expenses and rapidly implement AI capabilities to improve productivity.
- The company added 2,824 employees in 3QFY25. Annualized attrition as of 31st Dec’24 was 16.2%. Employee headcount addition will continue to be lower as it moves into FY26.
- Liquidity buffer stood at INR136.6b as of Dec'24. In 3Q, the cost of funds was 7.96%, a decrease of 1 bps over 2QFY25.
- 3QFY25 RoA/RoE of 4.5%/19%

Management Succession

- Had announced a comprehensive 15-month transition plan for the senior management and it expects the board to take a view on the management transition by 4QFY25.
- Subject to the approval of the Board and NRC, Rajeev Jain intends to remain with BAF and will be actively involved in strategy and driving its subsidiaries.

Guidance

- BAF guided for credit costs of 2.0-2.05% in 4QFY25.
- 2W/3W composition is going down as a result of the company not doing 2W/3W financing and it will stabilize next year at ~3.5%-4% by Mar'26.
- Rural B2C business is back in growth mode and this business should grow between ~20-23%
- At a design level, the credit costs in FY26 should be <2%
- Remains focused on delivering its medium-term guidance
- On a consolidated basis, it will target to deliver AUM growth of 25%, credit costs of <2%, and PAT growth of 22-23%, provided the external environment does not deteriorate significantly. It will orchestrate the levers on fee income to deliver the guided outcomes.
- Foresees stable mix, and stable pricing at this point but it will depend on the external environment. If the NIM were to compress, it would make up for it from fee income.

Asset Quality

- GNPA/NNPA stood at 1.12%/0.48% respectively. Marginal increase in GNPA/NNPA - Remains reasonably well under the long-term GNPA guidance of 1.2%-1.4%.
- In 3Q, the net increase in Stage 2 & 3 assets was INR6.1b. Net growth in Stages 2 & 3 has stabilized. Stage 2 assets increased by INR1b and stage 3 assets increased by INR6b. The company continues to take proactive risk actions by cutting segments and pruning exposures.
- December'24 and January'25 have been much better in terms of collection efficiency. This gives the company a greater degree of confidence that if the 4Q comes out better. Early MoB delinquencies are looking better.
- Urban B2B continues to remain very strong.
- 2W/3W: Default rate and the efficiency are both impacted, even as this book is de-growing

- Urban B2C: Default rates are lower and collection efficiencies are still lower. It may take the longest to get back to normalcy. Customers with three personal loans (3PL) had gone up to ~14% and have now declined to ~8%.
- Rural B2B: It will get closer to Urban B2B. Earlier the smaller markets gave deeper penetration and the advantage in the rural markets does not exist anymore.
- SME Lending: From Apr to Oct - Efficiencies had dropped significantly - Nov/Dec has gone up back to the ever-good that it has seen in the last two years
- Car Loans: Used Cars have seen pressure and it has cut volumes by 30-35% and New Car continues to remain very strong.
- Within MSME, the slowest growing is professional loans and LAP.
- Used Cars: Delinquencies are relatively higher and BAF continues to remain cautious. New Cars are accelerating. Within Used Cars, elevated losses are in re-finance and that's where it has taken sharp cuts. It has made some cuts in sales finance as well. Like all consumption loans, the refinance of used car loans is under pressure. The used car portfolio was ~INR55b and the new car portfolio was ~INR55b. The bounce rate in the used car portfolio was 10-11% and the same in the new car portfolio was ~3.0-3.5%

NIM

- It does not see a play of more than 4-5bp on its CoF, with or without rate cuts in the current year.
- Pass-through expected from banks is not high; NCD money has already come at ~20bp lower costs in the last 2 quarters.
- Triangulation of growth, margin, and risk. Risk remains the fundamental priority and it will prioritize risk, margins, and growth in that order.
- BAF will not significantly compromise on NIM as it goes into the next year.

Consumer B2C segment

- The Company’s leverage analysis basis June 2024 bureau data suggests that customers having 3 or more live unsecured loans are showing a higher propensity to default and lower collection efficiencies.
- The Company has reduced the share of such customers significantly in new disbursements in line with pre-COVID levels. As it exits 4Q, it will be at pre-COVID levels.

Partnership with Bharti Airtel

- Two products have gone live and there will be nine products by Mar'25
- Five-year vision for this partnership.
- BAF will target around 200m Airtel customers which do not overlap with BFL. Initially start with MSME, Gold Loans, 2W, Insta EMI Cards, and LAP.

Discontinuation of co-branded credit card business

- The company earned distribution fees and a revenue share under the co-brand arrangement.
- The discontinuation will not impact the Company’s future revenue share from this arrangement.

Gold Loans

- Gold loans originated digitally and were dispensed by the physical gold loan branches.
- It will cross 1000 gold loan branches by the end of Mar'25.
- It is playing in Tier 3 and 4 cities and not in Tier 1 cities - Choosing wisely in where it wants to compete.

Aspires to continue as a non-bank

- BAF would like to remain a non-bank; the RBI does not have a roadmap for NBFCs to convert into a Bank. Expect business as usual as an NBFC in the short-to-medium term.

- Ambition will be to have a 200m customer franchise and a 4-5% retail credit market share.

Others

- 48% of the collections are still physical (through collection agencies). 57-58K employees in BFL out of which ~20K employees in debt management who manage agencies that collect from customers.
- Pricing pressure across the board has further intensified in personal loans as the credit growth in PL has slowed down.
- Geographic presence has peaked and it added 14 new locations. It is adding more branches but not more locations.
- Fee income should remain stable.
- Operating leverage has resulted in stronger PAT growth relative to the AUM growth. This is a mini credit cycle at work. Given that it's a mini credit cycle and given that it deals with all classes of customers, BFL has done a decent job.
- NII growth is at 25-27%, credit costs are out of symphony and BAF is committed to fixing it. Portfolio has to churn through and the company will have a lot more confidence once it delivers on the guided credit costs in 4QFY25.

Can Fin Homes — Neutral

Current Price INR 601

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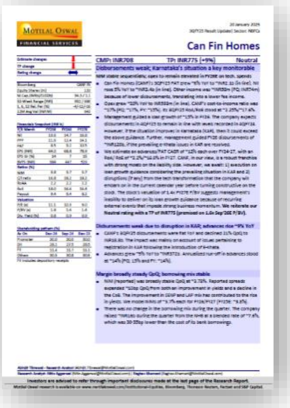

Guidance

- Management expects recoveries to improve in 4Q - Provisioning in 4Q will be very marginal and guided for credit costs of ~15bp in FY25. It also expects GNPA to decline to ~0.8% by Mar'25.
- Expects disbursements in 4QFY25 to be in the same range as in 4QFY24 (flat YoY). If things improve in KAR, then it could be even higher.
- Guidance of normalized spreads of 2.5% and NIM of 3.5%
- If issues in KAR are resolved, it guided for disbursements of ~INR120b and loan growth of ~15% in FY26
- Guided for credit costs of ~15bp and IT transformation costs of INR2.5-3.0b resulting in CIR of 18.0-18.5% for FY26.

Status of KAR e-Khata issuances

- Slight set-back in the state of KAR where it lost ~INR4b of disbursements because registrations have not been happening in KAR since the introduction of e-Khata
- Going forward, registrations in KAR are improving; there is also some movement on the e-Khata. This will be a key monitorable for the disbursement and AUM growth.
- The Govt. of Karnataka had announced that they are looking to deploy an additional 300 employees and accelerate the issuance of E-Khata. A resolution will not take very long since it is just an operational issue.

Issues in Telangana

- In Telangana, ever since the new Congress government came to power in Feb'24, it has formed a body known as Hydra, which has demolished various properties where the approvals were given by the previous government.
- Disbursements in Telangana are down 33% YTD, because of weak sentiment towards property transactions in Telangana.

Asset quality

- GNPA stood at 0.92%.
- SMA0 will decline in 4QFY25. In 4Q, it expects the NPAs to also improve. It does not expect any deterioration in asset quality.
- There has been a slight increase of ~15bp in SMA0. CANF has a portfolio of ~INR7.7b where the total outstanding in each of the individual loan accounts is <INR850, which are cheque bounce charges and/or some other charges.

- Cheque bounce ratios (NACH) in the last four quarters have remained largely similar and there has been no change as such.

Liabilities

- All bank term loans have been moved to Repo Rate/T-Bill-linked loans, with no bank loans now linked to MCLR. Additionally, the company has also been able to negotiate with the banks for a better rate.
- The company raised ~INR16b during the quarter from the NHB at 7.6%. NHB lends in the ratio of 1:3. CANF has borrowed INR4b from the AHF fund and ~INR12b from the regular re-finance window. NHB borrowing was at a blended rate of 7.6%, which was 30-35bp lower than the blended cost of its bank borrowings.

Yields

- LAP proportion has increased to ~6% (v/s 5% earlier). Opened SENP a little bit and the salaried proportion has declined to 70% (v/s 72% earlier). SENP and LAP mix has improved which has helped in the improvement of yields.
- CANF charges ~50bp higher to SENP customers and LAP customers. If the customer profile deteriorates at the end of the year, then the rate is increased.

Opex

- Not much of a change in the opex; CIR has marginally come down in 3Q and there is no major cost factor in 4Q. The company has embarked on a major IT transformation project. Concluded the RFP process and it has finalized the vendor as IBM. Expected to be implemented by 3QFY26.
- Capex for the IT transformation will be amortized over the term of 7 years and annual operating costs will be INR300-350m

Loan growth

- North, Rajasthan, Gujarat, and TN did well in 3QFY25 as well. Other than KAR and Telangana, CANF is doing quite well in the rest of the places.
- Dec'24 was slightly weak but January is looking good in the first 15 days.

Branches

- Closed and merged 10 existing branches and 10 additional branches have been opened. 15 branches are in the pipeline. 11 branches are in advanced stages of opening. There will be net additions of 15 branches in 4QFY25.
- Branches that were opened last year (in 3Q and 4QFY24) have already reached a level where they are doing INR7.5m per month per branch. CANF has 34 people in the Marketing team which is contributing 3.0-3.5% to the sourcing mix.

Others

- Average ticket size (ATS) has marginally come down to INR2.3m (PQ: INR2.5m)
- FY25 RoA of 2.1% and RoE of 17%+
- With regards to the RBI draft circular prohibiting the Bank and its subsidiary/ group companies from being present in the same lines of business - Parent Bank Canara Bank and other Banks have given their feedback to the RBI. RBI will now consider the feedback given and come out with final guidelines. However, there could be some extension of timelines and some exceptions when the final guidelines eventually come out.
- KAR contributes ~34% and Telangana contributes ~15% to the disbursement mix.
- Composition of the loan book: KAR stood at ~INR105b (28%) and Telangana stood at ~INR70b (19%).

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CDSL — Neutral

Current Price INR 1,208

Business:

- Technology costs for 3QFY25 stood at 296m, + 89% YoY. CDSL, being a market infrastructure company, is required to stay ahead of its capabilities and will continue to invest regularly in both high-quality hardware and software.
- Demat accounts opened during the quarter stood at 9.2m.
- In 3QFY25, CDSL earned INR74.7m from an unlisted company as issuer charges, of which INR47.6m was a processing fee (one-time).
- Other operating income included INR140m of e-cash income and INR50m of e-voting income. The margin pledge income for 3QFY25 stood at INR60.6m.
- Income from IPO/Corporate Action charges increased 87% YoY and 12% QoQ due to a higher number of folios, while the number of IPOs declined during the quarter.
- Impairment costs for 3QFY25 stood at INR24.6m. Other expenses declined 6% QoQ, mainly due to a decline in the KYC income during the quarter.
- Regarding regulatory fee charges, the amount paid to IPF is calculated as a % of operating margins, while annual charges paid to SEBI are calculated on the basis of the custody charges collected. Hence, an increase in these factors will lead to an increase in the regulatory fee.

CVL:

- Total income for CVL increased 61% YoY to INR2.2b during 9MFY25.
- Total expenses rose 56% YoY to INR838m during 9MFY25.
- PBT/PAT during 9MFY25 grew to INR1.2b/926m.

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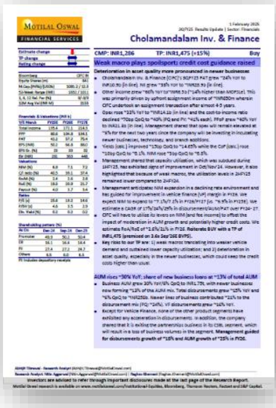

Cholamandalam Inv. & Finance — Buy

Current Price INR 1,376

Guidance

- The company continued to guide for disbursement growth of ~18% and AUM growth of ~25% in FY26
- 4Q will be better than 3Q. Things are currently not looking so good in terms of macros. However, it expects things to start improving from 4Q.
- NCL will start coming down from 4Q onwards. NCL in VF in FY26 will be lower than FY25.
- Increased its credit cost guidance to ~1.4% in FY25 (v/s ~1.3% earlier)
- Opex to Assets in Vehicle Finance will remain flat for some time and then it will start coming down. Guided for Opex to Assets at the company level to remain at ~3% over the next two years because of investments in launching new products, investments in technology, and branch expansions

Outlook on CV segment

- SCV and LCV are strongly correlated to consumption and rural economy. HCVs have a strong correlation to economic activity and on-ground activity in mining and construction has not picked up.
- Within CVs, SCVs and LCVs are exhibiting improvements. HCVs are co-related with economic activity and for improvement it might take 3-4 quarters. CIFC is not very exposed to the HCVs but for the industry, it could take 3-4 quarters.

Capacity utilization (CV)

- In SCV, the number of trips had come down. Capacity utilization came down to 50% and then it started improving MoM and it has now improved to ~70-80%.
- In HCVs, on-ground activity in infra, road and mining is down. It has started improving but still not recovered completely. Problems in HCVs have started now. It will take 3-4 quarters to fully recover.

- In 2HFY25, the improvements in capacity utilization are lower than that in 2HFY24

NIM and CoF

- Expects the CoF to hold at similar levels and if there are interest rate cuts, then it will benefit from the rate cuts.
- In VF, the margins will improve if there are rate cuts. Marginal yields are higher than the book yields. It is seeing an improvement of ~10bp QoQ in VF yield. VF margins (in the next year) will be higher.

Asset Quality

- CIFC had earlier expected the asset quality to be stable from 2Q to 3Q but it exhibited a minor deterioration in asset quality.
- CSEL exhibited higher NCL predominantly from the partnerships sourced loans. Standalone CSEL (excluding partnerships) NCLs are much lower. NCL in CSEL is at 5.75%. Initially, it will come down to 5% and then stabilize at 4%
- SME deterioration is similar to that seen in LAP earlier. Customers have collaterals, where CIFC has to do SARFAESI and then recover the money. Next Financial year there will be reversals in NCL in the SME business. Provision reversals will happen when we start seeing resolutions from SARFAESI. In steady-state, SME book will behave like LAP and NCL will be 0.5%
- 2W, Tractors, LCV, and Used Vehicle - early delinquencies had started inching up from 2QFY24 and now all these have started improving.
- Early default has started coming down from Nov onwards in LCV/SCV. In HCVs, the early delinquencies have started inching up. It will take 3-4 quarters for things to improve in HCVs but the improvement will be gradual. By choice, CIFC is not big in HCVs and will not be much impacted.
- Roll-forward rates have started coming down in the early buckets but the resolutions/recoveries from customers who have slipped are slow.

Opex

- CIFC expects the opex to assets to remain at ~3%. Newer businesses will exhibit operational efficiencies but the company will continue to keep making investments, which will keep the opex elevated. Opex will start coming down after 2 years.

Used Vehicles

- Used Car business is doing well and it is not seeing any stress in the segment.
- Used HCV has started doing well in Nov/Dec'24.

Home Loans

- Last quarter, HL had a small dip since there was a problem with some of the registrars across a few states.
- Guided for disbursement growth of 15% and AUM growth of ~25-30% for the next two years
- Stabilized its HL franchise and is now a Pan-India player in the HL segment.
- In HL, the company has started focusing on efficiency management and the opex will keep trending down.
- HL is operational in 700 branches and there is still headroom to expand coverage across all its VF branches (~1200).
- In HL, there were interest income reversals on the pre-EMI part (in line with regulatory guidelines)
- Yields could moderate but it will be offset with opex improvement. So the company can maintain its RoA in HL at current levels.

LAP

- Confident that things will stabilize this quarter and disbursements will come back to normal levels

- Growing consistently for the last 3-4 years; 25% of disbursement growth and 35-40% AUM growth on a steady state in LAP
- CIFC has its internal reference benchmark for HL/LAP and they are not linked to repo. Rate cut transmission will happen with some lag and only when the banks pass it on to CIFC, will it pass it to HL/LAP customers.

CSEL

- CIFC has already dialed down to three partners (vs. ten partners around two years back). The number of partners will come down further and it will completely come out of Partnerships in CSEL within the next one year.
- CIFC will terminate all its partnerships with CSEL.

SBPL

- SBPL is delivering RoA of >5% and the NCL will be 1.5-2.0%

Consumer Durables

- CIFC will be introducing Consumer Durable now and it has developed its own digital platform where it is doing PL/BL.

Business Update

- PAT stood at INR10.9b for 3QFY25 (up ~24% YoY) and INR29.9b for 9HFY25 (up 27% YoY)
- PBT-ROA for 3QFY25 was at 3.2% and for 9HFY25 it was at 3.1%.
- The RoE for 3QFY25 was ~19.6% and for 9MFY25, the RoE was ~18.9%.
- Disbursements stood at INR258b which grew 15% YoY
- Stage 3 rose to 2.91% (PQ: 2.83%)
- CRAR stood at 19.76% (Tier 1: 14.92%) as of Dec'24
- The Board has declared an interim dividend of INR1.3/share

Disbursements

- VF disbursements stood at INR143.9b, up 16% YoY, and LAP disbursements stood at INR42.1b, up 23% YoY. Home Loans disbursements stood at INR18.2b, up 15% YoY. CSEL disbursements stood at INR31.5b, up 14% YoY. SBL disbursements stood at INR3.3b, up 18% YoY

Others

- Sales productivity of employees also got impacted (in the last two years) because there is not much growth in the number of vehicles sold.
- From 2QFY24, early delinquencies in LCV/SCV had started inching up and the company recruited more manpower in collections and CIFC reduced the number of cases allotted to the collection executives.
- 55% of the employees who were hired in 3QFY25 are in the collection vertical. A total of ~31k employees are engaged in collections.
- CIFC did an assignment transaction in LAP. There was an opportunity wherein there was a request from one of the banks and CIFC did the assignment transaction.
- Over-leveraging of the customer is not possible when CIFC gives a loan to the customer. CIFC will not give loans to an overleveraged customer or a customer who is delinquent to other lenders.

Computer Ages Management — Buy

Current Price INR 3,371

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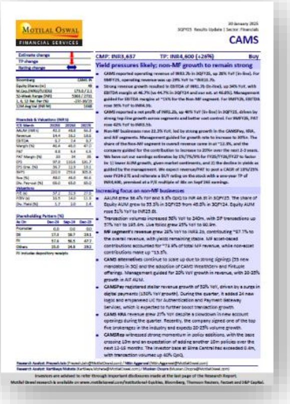
Financials

- The share of the Non-MF segment in overall revenue declined to 12.3%, compared to 12.9% in 2QFY25, as the MF segment grew at a faster pace. However, management is confident that the Non-MF segment will catch up.
- The YoY growth in Non-MF revenue was 22.3% in 3QFY25, vs 31.9% in 2QFY25, due to an adverse fall in capital markets. Management is confident that growth will return to 30%+ soon.



- Management has guided the Non-MF segment to contribute 20% to overall revenue over the next 2-3 years.
- CAMS is in investment mode for products and technology and will continue to prioritize these areas.
- Cash and Cash Equivalents as of Dec'24 stood at INR1.2b.
- Management guided for employee costs to remain at ~32-33% of overall revenue, with 1QFY26 expected to remain elevated due to the impact of increments (guided at 2%).
- Management guided operating expenses to remain in the range of 8-8.5% of overall revenue.
- Fixed costs are expected to remain in-line with inflation growth, with no significant increase in costs.
- EBITDA margins stood at 47%, and management guided that yield compression is not expected to significantly impact EBITDA margins.
- EBITDA margin in Non-MF businesses is guided at ~15%.

Yields

- A more significant decline in yields is expected in FY26. This is not a one-time adjustment; it is done once every 6-7 years as the industry expands. It is not broad-based and is limited to ~1-2 clients.
- Over the longer term, yield compression is typically ~3.5%, but this time, the compression is expected to exceed that level.

MF business

- If AUM grows by 20%, MF revenue historically grew at 15%. However, due to yield compression, revenue growth is expected to be lower by ~100-200bp.
- It recently won all three RTA mandates - Jio BlackRock MF, Pantomath MF, and Choice MF.
- It also won the first international MF-RTA mandate from CeyBank AMC, with an AUM of INR10b, which is expected to go live by April'25.
- Additionally, it won the 2nd MF-RTA migration mandate from the competition. The reasons for migration include the quality of the platform, in-house integration of KRA and payments services, and better handling of client/investor concerns. CAMS is charging a premium for the transfer.
- The churn between two RTAs is more difficult, making it more challenging for a third player to enter the industry.
- NFO sales showed strong momentum, with 35 schemes launched during the quarter. The market share of NFO collections stood at 70%.
- SIP gross registrations saw a dip compared to the historic Q2 level but remained higher than Q1, reflecting a healthy 50% increase on a YoY basis.
- CAMS' share in net SIP registrations increased to 64% from 60% in the previous quarter.
- Unique investor base touched ~39m, up 31% YoY vs the industry's growth at 25%.

Non-MF businesses

CAMS Alternatives

- CAMS Alternatives added 21 new clients during the quarter. ~5000+ AIF/PMS investors were onboarded in 9MFY25.
- The GIFT City business now supports 25 clients managing an AUM size of ~USD1b.
- AIF revenue is expected to grow at 20% YoY, with 30-35% growth in AIF AUM.

CAMS KRA

- The KRA revenue growth rate declined sequentially (27% in 3QFY25 vs 56% in 2QFY25) due to a slowdown in: 1) MFs purchases, 2) demat account openings, and 3) trading volumes.
- In overall KRA revenue, the Non-MF segment contributes ~18-20%.

- The business signed one of the top five brokerages in the country (Angel One and Zerodha not included). This agreement is expected to drive ~20-25% increase in volumes, though there are no exclusive agreements in place.

CAMSPay

- CAMSPay registered stellar revenue growth of 53% in 3QFY25, driven by a surge in digital adoption, led by UPI Auto-Pay.
- 24 new logos were added in 3QFY25, with significant traction from insurance clients, including 5 new logos added in Q3FY25.
- The LIC empanelment for authentication services went live this quarter, and LIC has also empaneled CAMSPay for Payment Gateway services.

CAMS Rep

- CAMS Rep is experiencing strong momentum in policy additions, with the policy base crossing the 10m milestone and 8m eIAs. CAMS expects to add additional 10m policies over the next 12-18 months.
- Star Union Dai-Chi became the second life insurer to opt for 100% coverage of their policyholders with CAMS Rep.
- Bima Central's unique user base crossed 0.4m, with transaction volume growing 40% QoQ.

CAMS Finserv

- CAMS Finserv won the AA and analytics mandate from one of the largest payments banks in the country.
- It also won the TSP++ mandate from one of the largest banks in the country.

CreditAccess Grameen — Buy

Current Price INR 893

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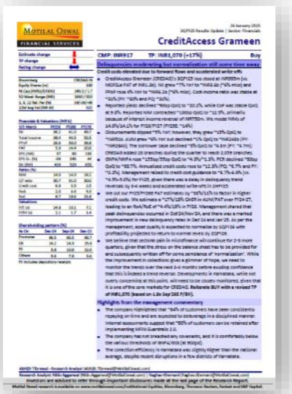

Guidance

- Revised guidance for FY25: Anticipates GLP growth of 8-10% and credit costs of 4.5%-5.0%. The revised guidance is based on the stabilization of delinquencies in 3Q and improvement in 4Q.
- Reiterated its medium-term growth outlook to reach GLP of INR500b by FY28

Guidance

- Delinquency trends show clear signs of reduction. New delinquency additions are expected to normalize by 4QFY25 or 1QFY26.
- Asset quality is expected to normalize by 1QFY26, with profitability normalizing by 2QFY26.
- Credit costs are guided at 6.7-6.9% with RoA of 2.3-2.4% and RoE of 9.5%-10% for FY25.
- FY26 guidance includes: AUM growth of ~18-20% and RoA of 4.2-4.5%.

Delinquency and Asset Quality

- Peak delinquencies occurred in Oct'24/Nov'24, and new delinquency addition rates have been declining in Dec'24 and Jan'24.
- Collection efficiency in the X-bucket stood at 99.2% (98.8% in Nov'24 and 98.7% in Oct'24).

Financial Performance

- AUM stood at INR248b as of Dec'24 and INR251.3b as of January 20, 2025.
- Accelerated write-offs amounting to INR2.8b led to additional credit costs of INR730m
- Net Interest Margin (NIM) contracted to 12.5% due to interest reversals of INR750m.

Operational Updates

- Accelerated write-offs pertain to customers who were over 180 days past due (dpd) and had not repaid in the last 90 days.

Impact of MFIN Guardrails 2.0

- About 84% of customers have been repaying promptly and are expected to deleverage in a normative manner. Internal assessments suggest that ~80% of customers can be retained after implementing MFIN Guardrails 2.0.

Growth and Customer Retention

- Historically, ~60% of growth has been driven by customer retention.
- 70,000 customers were added in December 2024, and the January run-rate indicates an addition of 80,000 customers. During the coming months, it expects to be adding ~100K customers every month.
- Between 4QFY25 and 1QFY26, the company anticipates entering a normalized operational zone.

Regional and Portfolio Insights

- UP and Bihar accounted for 6.0-6.5% of the overall book, with reduced PAR accretion in recent months.
- The collection efficiency in Karnataka was slightly higher than the national average, despite some recent disruptions in a few districts of Karnataka.

Update on developments in Karnataka

- Karnataka witnessed negative news in a few districts like Gulmarga, Tumkur, and Ramnagar, but the company demonstrated improvements in PAR15+ accretion.
- Incidents of harassment or suicides from women are mostly perpetuated by non-regulated entities.
- There will be a meeting between the local government and the regulated MFI entities in Karnataka to address operational challenges.

Retail and Microfinance Growth

- Growth is expected from both Retail and Microfinance segments.
- Retail's contribution will continue to grow, with plans to improve its proportion further.
- The retail strategy focuses on only the core geographies, including Karnataka, Maharashtra, Madhya Pradesh, and Tamil Nadu, over the next few years.

Other Highlights

- Business Rule Engine allows flexible underwriting rules across different districts.
- Roll-forward rates temporarily increased by 10-15% in recent months.
- Interest income reversals were INR350m in 2QFY25 and INR750m in 3QFY25 (INR750m included INR250m from write-offs and INR500m from Stage 3 accretion).
- The attrition rate remains below 50%.
- No covenants have been breached and the company is comfortably below the various thresholds of covenants on GNPA/GS3 (at 90dpd).

Five-Star Business — Buy

Current Price INR 678

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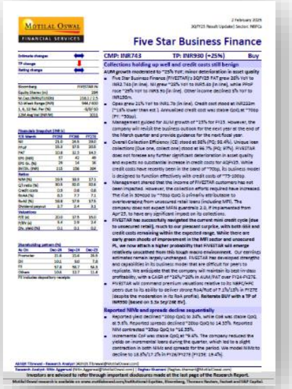
Guidance

- The company has continued to guide for ~25% AUM growth for this year. It will revisit its business outlook for the next year at the end of the March quarter and share it in the 4Q earnings call.
- Credit costs are in the range of 60-70bp, and the company’s business model can operate at credit costs of ~75-100bp.
- Rollbacks will take some time. The company does not expect a further deterioration in asset quality and does not foresee any significant inch up in credit costs in 4Q.
- NBFC Sector/Banking Sector experienced a decline in collections in Oct/Nov. For FIVESTAR as well, collections in Dec'24 picked up well and this trend has continued into January. 4Q will be better than 3Q.



- FIVESTAR is confident that 30+dpd will largely remain stable at current levels and is not expected to exhibit any significant increase from hereon.

Opening Remarks

- In the last quarter, FIVESTAR addressed three key challenges: The regulatory environment, overleveraging, and liquidity environment. The company has overcome these challenges very comfortably.
- The market often compares FIVESTAR to MFIs, but the company has proven that it does not have any direct correlation with MFIs, given the secured nature of its collateral.
- FIVESTAR is a collection-first company and will prioritize collections, followed by profitability and growth.
- In the last quarter, the company focused on Collections, Credit (underwriting in an overleveraged environment), and Cost, achieving the lowest cost-to-income ratio across most lenders.

Business Updates

- FIVESTAR added ~69 branches in 3QFY25, including 28 new branches and 41 split branches. It will be opening 70-80 branches during the full year.
- Disbursements declined ~25% YoY. The strategy was clear: the company will take a sharper hit in 3Q and plans to return to business as usual in 4Q.
- AUM reached INR111.8b, growing 25% YoY, driven by a conscious strategy to moderate portfolio growth for this financial year.
- Collections were in line with the last quarter, with unique collections at 97% and CE at 98% (more or less the same as the previous quarter).
- GS3 stood at 1.62% (vs 1.44% in 2Q). FIVESTAR has performed well in terms of collections and maintaining good asset quality. GNPA would have been 1.93%, even if INR360m of loans written off in 9MFY24 were included.
- Credit costs stood at 0.7% (broadly stable QoQ).

Incremental CoB was stable QoQ at 9.56% (PQ: 9.57%).

- PAT reached IN2.74b, growing 26% YoY.
- In 3QFY25, RoA stood at 8.1% and RoE at ~18.5%.

Financial Performance

- In line with the demand environment, the company moderated its new business and now has an AUM that has grown 25% YoY.
- The company has 440k active loan accounts, and the number of branches stands at 729.
- Disbursements were consciously slowed down.
- The company reduced its yields on incremental loans during the quarter, with yields dropping by ~20bp QoQ. This led to a slight contraction in spreads and NIMs.
- CIR remains robust at 34.9% (34.4% in 3QFY24). The company aims to operate at a cost-to-income ratio of around 34-35%.
- The company continues to be an attractive institution in the eyes of lenders. New lenders during the quarter included HDFC MF, HSBC MF, and SIDBI. SBI provided fresh sanctions of INR5b.

Asset Quality, PCR, and Collections

- There has been no release of provisions to protect profitability. LGD continues to be fairly low at 10-12%, as the company offers a fully secured product. It is ensuring that the overall provision coverage does not drop.
- Out of ~INR1.80b in NPA, it is spread across 6,000 customers with an ATS of INR300K.
- For deep delinquent accounts, the company continues to recover, and actual credit losses are expected to be minimal.

- In the last few quarters, the company has strengthened its legal recovery processes, recovering ~INR100m every quarter from NPA and written-off accounts.
- The incomes of FIVESTAR customers have not been impacted. However, the collection efforts required have increased.
- There are no specific trends that the company has observed for ~70bp increase in 30+dpd. This increase is primarily due to overleveraging, which cannot solely be attributed to MFI. Overleveraging has also occurred from unsecured personal loans.
- Certain new customers will flow forward due to overleveraging and the economic environment. However, at this point, customers are stabilizing in their current buckets and not rolling back.

Recoveries

- Recovery on write-off loans takes 18-24 months, as the company does not have access to SARFAESI for loans below INR2m.
- During this FY, it has recovered INR70m from written-off loans.

Impact of MFIN guardrails 2.0

- MFIN guardrails will not have any impact on collections. FIVESTAR customer incomes remain steady, and the stress experienced by some customers is primarily due to overleveraging. When the guardrails are implemented in Apr, it is expected to create more demand, encouraging customers to turn to FIVESTAR.

Credit Underwriting

- The credit call on overleveraged customers has been an integral part of the assessment, even before this overleverage credit cycle.
- There have been no radical changes to the company’s credit policy, but adjustments are made regularly based on risk metrics.

Inorganic Opportunities

- The company has a strong interest in affordable housing. In this environment, it believes it is better to concentrate on its strengths rather than explore new ventures. For the next two quarters, it is not considering any inorganic or new organic opportunities.

Others

- The number of ROs stood at 6,000 (4,500-4,600 Business Officers and 1,400-1,500 Collection Officers).
- In the case of pre-payment penalties, customers who pre-pay within one year typically do so using their own funds, with minimal BT-OUTs in this segment. No pre-payment charges apply after the first year.
- The company has written-off all loans that have been NPA for more than 2 years, in line with its policy for write-offs beyond 2 years.
- Customers do not typically take unsecured loans to repay secured loans. If at all, they take unsecured loans to repay other unsecured loans.
- There have been no significant issues highlighted by RBI. It provides inputs on growth and lending rates based on the environment, and it is up to the company to act on these inputs for the long-term benefits of the company.

Fusion Finance — Neutral

Fusion Finance

Current Price INR 163

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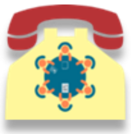
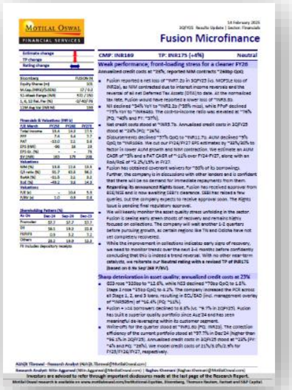
Outlook

- Going forward, with the implementation of MFIN guardrails, customers may experience a liquidity squeeze in the short term, but it will strengthen the industry.
- Fusion is seeing early green shoots but remains cautiously optimistic.





- Overall customer leverage is decreasing. Fusion will maintain a strong focus on collections. It will take another 1-2 quarters before actively pursuing growth, and by then, the team will be fully settled.
- The company is confident that the steps taken to arrest flows are now yielding results, with green shoots visible. New sourcing has been strong since Aug'24, but it will take another 2-3 months to form a firmer opinion. Certain geographies like TN and Odisha have not yet completely recovered.

Rights issue

- BSE/NSE approval has been received, and the company is now awaiting SEBI Approval. There were a few queries from SEBI but the company expects to receive approval soon. Only regulatory approvals are pending.
- The first tranche of ~INR4b will be followed by a subsequent tranche of ~INR4b.
- There is no hesitancy from the promoters in subscribing to the Rights Issue.
- The delay in the Rights Issue is not related to the appointment of the new CEO.

Asset quality and collections

- Over the last three months, Fusion has been seeing consistent improvement in flow rates.
- The current bucket CE stood at 97.7% in Jan'25, compared to 96.1% in 2QFY25
- Interest on Stage 3 loans has not been recognized, and all DTAs have been prudently reversed. DTA is a non-cash item and does not impact the CRAR or cash flows.
- Fusion took ECL provisions of INR5.72b in 3QFY25. PCR stood at 88% (including a management overlay of INR600m).
- Most of the pain has been absorbed, and the situation in the MFI sector is evolving. The company is taking stock of the situation, with the aim of addressing all issues within this financial year. It has increased the PCR across its Stage 3 loans.
- Overall PAR 0 is at 90%. There are still flows into 0+ dpd, but they have declined.
- Around 15-20% of customers have either migrated or changed their numbers, making it challenging to reach them.
- Tamil Nadu and Odisha are still lagging behind other states in terms of collections.
- For the entire Stage 3, interest income reversals have been completed for 9MFY25. When these Stage 3 loans are written off, only the remaining ~12% (since the PCR is 88%) will have to be provided for, and the loans can then be written off.

Liquidity position

- Liquidity position has been further enhanced in 4QFY25 with ~INR4b more liquidity raised in 4QFY25-YTD.
- In 3QFY25, the company raised INR3.95b (including INR950m of direct assignments). In 9MFY25, it raised INR44.5b.
- Liquidity stood at INR11b as of Dec'24. Total liquidity stood at ~INR14b to date.
- As of Dec'24, there was a breach on borrowings worth INR52.88b, and the company has received waivers for INR41.45b, covering 3Q and 4Q.
- Average CoF stood at 10.21% and declined 31bp YoY.

Covenant breaches and waivers

- The company has successfully obtained covenant waivers from majority of the lenders for the breaches.
- Only ~INR9.39b of borrowings (10.84% of total borrowings) remain where waivers are still needed. The company is in discussion with other lenders and remains confident that there will be no demand for immediate repayments.

Factors behind sharp NIM contraction

- 9MFY25 NIM stood at 10.66%, impacted by interest income reversals due to write-offs and the non-recognition of interest income on Stage 3 assets.

- The company de-recognized interest income of INR950m-980m due to reversals on Stage 3 and write-offs. Over the last six months, the portfolio has contracted, leading to lower interest income accretion.
- As a prudent practice, the company has completed the de-recognition of interest for all loans that slipped into Stage 3 during 9MFY25.

Business updates

- Fusion is following stringent credit criteria that are tighter than the MFIN guardrails.
- It has built a superior quality portfolio since Aug'24 and has seen meaningful de-leveraging within its customer segment.
- ~50% of its customers have MFI loans above INR60K.

Measures to stem attrition

- The load of the field officers has been reduced (from 550 customers per field officer, it has now come down to 400).
- Incentive structures have been changed, with no targets set for the first three months for new joiners and fixed incentives now being provided.
- Attrition was notably high in Jul/Aug'24. Although it has decreased, it remains elevated.

Karnataka ordinance and MFI situation

- SRO and MFIN have been working very closely with the Karnataka government.
- While the ordinance explicitly states that it will not be applicable to lending institutions registered with the RBI, there are still elements attempting to exploit the situation and disrupt operations, even for registered entities.
- Fusion is cautious in Karnataka and is closely watching the situation.

Recoveries from written-off pool

- Historically, Fusion has been able to recover 5-6% from the written-off pool. Fusion recovered INR270m in FY24 and INR120m in 9MFY25.
- Since Nov/Dec'24, the company has set up a separate team for collections from the written-off pool.

Others

- Punjab has started performing well over the last 8-9 months. Fusion is considering starting a business in some branches and onboarding new customers.
- In 1QFY25, Fusion was the first to highlight that flow rates had begun to rise unusually.

HDFC AMC — Buy

Current Price INR 3,790

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Results Update

Business

- The quarterly average AUM for HDFC AMC stood at INR7.9t, up 43% YoY with equity share increasing to 65% vs. industry levels at 57%. The market share has improved to 11.5% vs. 11.2% in Dec’23.
- The sharp rise of 43% YoY in QAUM was on account of MTM and led to gains in operating margins.
- In GIFT CITY, three funds have gone live and two more are in the pipeline.
- Regarding the Hybrid and Balanced Advantage Fund segment, HDFC AMC is a pioneer in those segments with no product gaps.
- Regarding AUM mix (%): Equity/Debt/Liquid/Others as of Dec’24 stood at 64.9%/20.2%/10.7%/4.2%.
- Continues to be the 2nd largest player in the B-30 market. It added 25 new offices on 2nd Jan’25.
- Currently serves across ~99% of pin codes in India with 280 offices (of which ~50 were added in last 12 months), of which 196 are in the B-30 locations.

- The company has 1,614 employees and has empaneled 95k+ distribution partners.
- The number of live individual accounts grew 49% YoY to 22.04m and the unique investors grew 45% YoY to 12.6m
- Of the total transactions, digital transactions account for ~95% vs. 69% in FY20.
- The company has recently issued the largest thematic fund on an industry level i.e. the Manufacturing fund, for which it raised ~INR90b and received ~NR20b after the NFO issued.
- In terms of NFOs, it currently has the best-in-class product bouquet consisting of both active and passive funds.
- The commission rationalization was done last in Aug'24. The company has done no such rationalizations since then.
- Regarding product offerings, the management guides to improve its market share and become the leader in the current product offerings rather than focusing on bringing more new products to the bouquet.
- HDFC AMC aims to have its presence in all the segments that are allowed by SEBI and also to service all types of categories from institutional to individual.
- Regarding SIP and investor account growth ahead, the management is optimistic as it still believes that India is highly underpenetrated and there are numerous growth opportunities.

Yields

- Yields: Equity/Debt/Liquid stood at 58bp/28bp/12-13bp.

Financials

- ESOP costs stood at INR51m in 3QFY25 (vs. INR130m in 3QFY24) and INR172m in 9MFY25 (vs. INR371m in 9MFY24).
- Other expenses declined 15% QoQ to INR743m on account of lower CSR expenses and no NFOs in Dec'24.
- The management expects expenses to grow in the range of 12-15% YoY.
- Other income mainly constitutes income earned from investments. It declined 35% YoY and 46% QoQ on account of MTM loss.
- Management guides for the tax rate to remain at 25% under normal circumstances.

Regulations

- New Asset Class regulations: The company is waiting for the final set of regulations and is positive on the same. This will open up a new avenue with higher levels of flexibility and a higher risk-reward profile for a set of investors who are looking for the same.
- Regarding brokerage on the NFO regulations, HDFC AMC has been better placed as it already pays lower commissions.

Home First Finance Buy

Current Price INR 926

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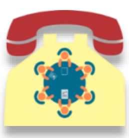
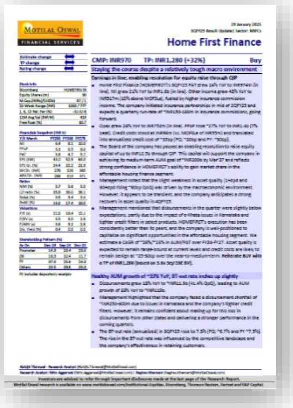
Results Update



Business update

- The company continues to expand its distribution footprint.
- In 3QFY25, it added seven new branches and eight touch points. It now has 359 touchpoints in 141 districts. It expects to add 10 branches in 4QFY25.
- Disbursements in the quarter were INR200m-250m, which was lower than expected. The shortfall of INR100m-120m was attributed to e-Khata issues in Karnataka and another INR100m-120m was due to tighter credit filters.
- There was a minor seasonal uptick in asset quality (0+ dpd and 30+ dpd) due to the macro environment, but there is no cause for concern.
- Account aggregator adoption has increased to 61% on newer approvals.


Home First Finance

- The company has crossed INR120b in AUM and its capital adequacy is well above the requirements. The Board has approved a QIP of INR12.5b. Since its listing, HOMEFIRST has maintained non-dilutive growth.
- Additionally, the BoD has approved the promotion of Ajay Khetan (currently CBO) to Deputy CEO.

Financial performance

- Spreads (ex-CL) stood at 5.2%. CoF (ex-CL) stood at 8.4%.
- Reported NIM contracted ~24bp QoQ. ~11bp of the contraction is attributed to the increase in CoF, ~7bp to higher liquidity, and the remaining ~7bp to the lower realized yield.
- Management has guided for insurance commissions to be at INR160-180m per quarter, going forward.
- It has guided for opex to remain range-bound between 2.7 and 2.8%.
- 9MFY25 credit costs were lower than 9MFY24. Management continued to conservatively guide for credit costs of 30-40bp.
- B/S remains robust to support the company's growth plans, reflecting prudent liability management.
- It expects co-lending to contribute 10% of disbursements over the medium term.
- CRAR stood at 33.1% (T1: 32.7%). The company has made one-time adjustments to this approach in discussions with the new auditor. Organic capital consumption is ~75bp per quarter.
- Net worth stood at INR24.1b, with a BV of INR269/- share.

Liabilities

- Within its bank borrowings, ~20% is linked to external benchmarks, and out of the remaining, 1/3rd each is linked to ~3M, 6M, and 12M MCLR.
- NHB borrowing cost in 3QFY25 was broadly in line with the rate of bank borrowings.

Asset quality

- There is typically a movement in 3Q, partly due to the festive season, and the company anticipates a significant improvement in 4Q. As of now, the company expects that the deterioration in asset quality could completely reverse in 4Q.
- The 30bp increase in 1+dpd was driven by 600 customers who did not make payments at the end of the quarter. There was no negative feedback from the teams on the ground. Moreover, there was no difficulty faced in collections or signs of stress among customers.
- The company’s customer base includes 1-2% customers with MFI loans. Additionally, 20% of its customers have 2W/CD/PL that were included in the FOIR at the time of disbursal of the loan.
- In terms of asset quality, there are no state-wise trends; performance is more branch-specific. Rajasthan and MP continue to perform better than the Rest of India.

Liquidity

- The March quarter typically sees higher liquidity, but the company expects to effectively manage liquidity across quarters.

Competitive landscape

- For HOMEFIRST, affordable housing is <INR2.5m ticket size and average ticket size of ~INR1m. Large HFCs are focusing on operating in the ATS of ~INR2m, where the yields tend to be lower.

LAP

- HOMEFIRST has always maintained a conservative approach to LAP but growth appears higher due to its small base.
- The company is comfortable with increasing LAP’s share in the AUM mix to ~20% within the next 2-3 years (compared to ~15% now).

Disbursements and AUM growth

- Overall disbursement growth was up 20% YoY. Sequential weakness in disbursements can be corrected in a quarter or so.
- Its design is based on AUM growth. The company is targeting AUM growth of 27-30%.
- HL disbursement growth is expected at 16-17% and LAP disbursement growth at 23-25%, which will bring the total disbursement growth to 19-20%.
- Management has guided for 27-30% AUM growth. In FY26, it expects disbursements to average INR5b/month (vs INR4b per month in FY25).
- By 2030, it expects to scale up its AUM to ~INR350b. Over the longer term, the company expects a slightly higher share of LAP and co-lending in the AUM mix.

Yields

- As borrowing costs reduce, asset yields are not likely to decline to that extent.
- HOMEFIRST increased its rate by ~35bp in Aug'24 for a group of customers (40% of the entire customer base) who had not gone through a rate increase previously.

Newer markets of MP, UP, and Rajasthan

- About a year ago, the company shared that MP, UP, and Rajasthan will be its new focus shares. It aims to increase its presence and market share in these regions. In UP, more investments will be needed to penetrate the market, and the company will do so in phases. The company is committed to making significant investments and growing in these areas.

Equity raise

- Leverage is nearing ~5x and the company is internally comfortable with leverage of up to ~6x. It will look to raise equity capital within the next 6-9 months.
- The company plans to improve capital on its balance sheet and engage with credit rating agencies for a credit rating upgrade. It expects both the equity capital raise and credit rating discussions to be completed within the next 6-9 months.
- Debt/Equity: 3.8-3.9x; the company has taken an enabling resolution for raising equity capital so that it has sufficient time to raise equity capital based on the advice of investment bankers and investors.

Tightening of credit filters

- The company implemented tighter credit filters a few months ago, resulting in a volume impact of INR100-150m. An additional INR100-150m impact was caused by the Karnataka e-Khata issue. However, the company expects to offset the impact on disbursements from other markets, and as a result, the overall impact will taper off over time.
- HOMEFIRST has added more filters to enhance the scrutiny process. Self-Construction, Apartment, and Retail - Quite nuanced filters but for some categories it has implemented certain extra filters before approving loans.

Branch additions

- The company expects to add 30-40 branches next year. It aims to penetrate deeper into emerging geographies of UP, MP, and Rajasthan. Broadly, it plans a 50:50 mix of new branches between existing matured states and emerging states.

Others

- BT-IN is negligible for the company, accounting for <1% of its operations.
- The increase in the BT-out rate is largely driven by competition and the company's ability to retain customers effectively.
- HOMEFIRST has added two new partners in co-lending. Due to some policy changes, the company expects co-lending volumes to recover within the next 2-3 quarters.
- The company had 3,646 active connectors during the quarter.

- The company began insurance partnerships in mid-2QFY25. It expects a quarterly run-rate of INR150-180m in insurance commissions on a steady state basis, going ahead.
- The tax rate in the quarter was higher due to a greater proportion of non-housing linked income (fee income from insurance commissions). The company has guided for a tax rate of 24.5% going forward.
- HOMEFIRST offers a commission of 0.4%-0.5% (as % of the disbursements) to its connectors.

IIFL FINANCE

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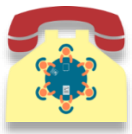
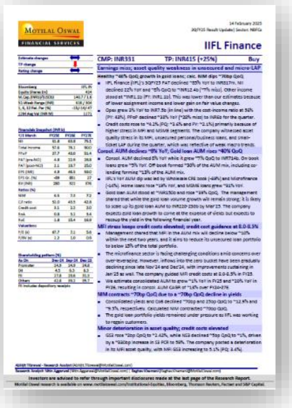
Detailed Concall Transcript &
Results Update





IIFL Finance **Buy**

Current Price INR 314

Opening Remarks

- The long-term structural growth outlook remains intact but there is a cyclical slowdown which has also impacted the markets and macro-economy
- A slowdown in IIP further signals the weaker economic momentum.

Financial Performance

- For 3QFY25, PAT (pre-NCI) stood at INR820m. PPoP stood at INR5.34b, down 29% QoQ and down 35% YoY
- Consol. AUM was up 7% QoQ; Core Product Loan AUM was also up 7% QoQ. This segment now constitutes ~98% of the AUM mix.
- Assigned AUM declined because of lower assignable assets
- In 3QFY25, raised ~INR99.64b through term loans, bonds, and Commercial Papers
- 3QFY25 RoA/RoE stood at 0.6%/1.4%
- CRAR for the NBFC stood at 22%, HFC at 46% and Samasta at 32.2%

Gold Loans

- Gold loan volume growth is there but the yields are down by ~2%.
- Gold volume growth will be stronger and it will fall short of the gold loan guidance. But this growth will come at the cost of yields and the company will make up for it in the next year. Out of this, it expects ~1% yields to be recovered in 1QFY26 itself.
- Guided that the company can scale up its gold loan AUM to ~INR220-230b by Mar'25
- Loan growth will be faster since it is recouping its customers, but then subsequently the gold loan growth should normalize.

Microfinance

- When MFI customers do not get a new loan, they stop repaying as well.
- Most of the States are showing improvement in collections
- The Karnataka ordinance clearly says that it does not apply to regulated entities. Expect a slight disturbance for a month or so. Management guided credit costs of 8.0-8.5% in FY25.
- Flow into the zero bucket has been slowly coming down from the latter part of Nov'24 and Dec'24. This improvement was sustained in Jan’25 as well.
- The MFI industry has undergone a fundamental change in the context of the MFIN guardrails which has been put in place.
- MFI in the AUM mix will decline below ~10% within the next 2 years

Housing

- In the last quarter, there was a very significant interest-strip income (assignment income)
- YoY decline in PAT is because of a) Marginal increase in the CoF and b) Increase in the credit costs. There has been some stress in the micro LAP portfolio and a slight increase in credit costs has come from this portfolio.

Asset quality and credit costs

- Asset quality weakness was seen in MFI, Unsecured lending, and small-ticket LAP, and reflects the overall sluggishness in the Indian economy. Unsecured loans and micro LAP have been very badly impacted.
- Samasta-sourced micro LAP loans have suffered the most since those loans were given to the same MFI customers.
- In the case of a secured loan, the company's experience has been that the ultimate losses will be lower in the micro LAP segment.

Income Tax raids

- There were Income Tax (IT) raids on all the office premises of IIFL and its group companies and also at the residence of a few key employees, including Mr. Nirmal Jain.
- IT raids were conducted under Section 132. Under this, the IT team checked documents and took data and statements from various employees. The IT team was trying to investigate undisclosed income and unreported profits.
- The IT raid started on 28th Jan'25 and concluded on 3rd Feb'25. The IT team will make an appraisal report (which can take three months), which will then go to the assessing officer.

Liquidity and borrowing costs

- Dollar Bonds that it has raised in the month of Jan'25, came at a significantly higher cost (almost ~10%) on a hedged basis. This will increase the blended CoB for the company.
- Availability of funds is not an issue since it can raise funds from banks, mutual funds, and foreign markets.

Others

- Within the MSME segment, secured loans are expected to grow at a faster pace. The company has already discontinued personal loans offered through partnerships.
- Home loans and gold loans will each constitute 1/3rd of the total portfolio, while MSME loans will account for 20-25%, with a composition of 70% secured and 30% unsecured loans. The target is to bring unsecured to lower than 15% of the total portfolio.

KFin Technolgies — Neutral

Current Price INR 854

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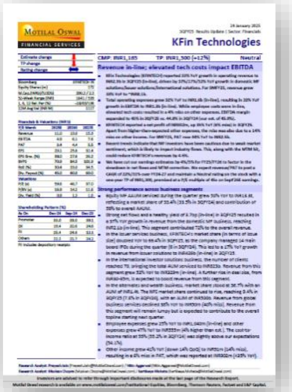
Guidance:

- Non-MF revenue is expected to contribute ~50% to the overall revenue, with an increased focus on diversifying beyond the domestic MF business and expanding in multiple geographies.
- Investment in cloud remains a focus area in terms of tech costs. KFINTECH has spent INR700m on hardware and other tangible assets.
- Investors have become cautious due to the volatile market environment, resulting in a slowdown in inflows, alongside the MTM correction. Management expects an impact of 4-5% on revenue if a similar trend continues.

3QFY25 Performance

- Revenue growth was observed across almost all business segments, driven by: 1) fresh investments in the industry, 2) strong SIP inflows, and 3) new client wins.
- MTM was negative during the quarter, but strong net flows resulted in MF AUM growth.
- EBITDA margin at 45% was at the upper end of the guided range. The increase in costs was due to: 1) volume expansion, 2) headcount growth, and 3) continued investments in tech. During the quarter, 18% of total expenses was spent on IT.


KFin Technologies

Domestic MF Business

- The SIP book remains robust with a 40% market share. SIP market share is expected to be a strong indicator of the overall AUM growth.
- New contracts were secured from two AMCs, including a bank-based AMC (where KFINTECH is not an RTA), and additional contracts were won from two AMCs to develop digital assets.
- A sequential MTM correction of 4% in 3QFY25 offset the higher inflows. In Jan'25, there was an additional 4% correction, and net flows have slowed down as well.

Issuer Solution

- KFINTECH added 366 clients to the corporate registry business, bringing the total folio count to 8m.
- KFINTECH handled the top five IPOs during the quarter (in terms of issue size), and this trend is expected to continue with IPOs of IGI India and LG Electronics in the pipeline.

International Investor Solutions

- KFINTECH won two full-service TA deals, one from a large AMC and a trust corporation in the Philippines, and another full-service TA and FA deal from an AMC in Malaysia. Additionally, a letter of interest from a custodian in Malaysia was received during the quarter.
- Deal sizes have expanded to INR30-35m yearly from INR10m. Deals in the pipeline are near USD1m.
- The focus is on Malaysia, Philippines, and Thailand due to strong MF opportunities in these markets. Meanwhile, Singapore and Hong Kong are being targeted for alternates.
- KFINTECH was onboarded by Blackrock as one of the nine service providers for the Aladdin platform development. It charges 2-2.5bp less compared to others and aims to gain an edge through this competitive pricing.
- In 9MFY25, Hexagram reported revenue of INR95m (INR60m in 9MFY24).

AIF and Wealth

- KFINTECH won nine new AIF mandates, including 360 One AIF, Bandhan AIF, and Angel One AIF. Four deals were won for the newly launched wealth platform 'mPower Wealth', including Tata Capital, Aditya Birla Wealth, and NextEdge.
- Revenue from this segment will start coming in from the next quarter.
- Revenue is earned in the form of: 1) a full-service model, and 2) implementation and license fees for clients (mainly banks) requiring just the platform.

L&T Finance — Buy

Current Price INR 135

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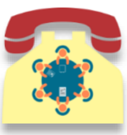
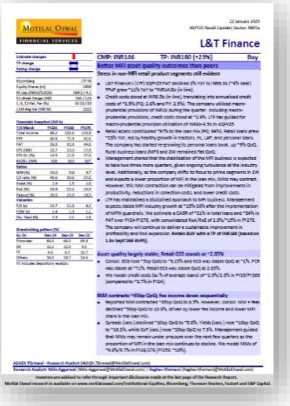


Guidance

- Total MFI credit costs will be INR9.5-10b in FY25; advance estimate of the utilization of macro prudential provisions is INR3.0-3.5b.
- NIM will remain under pressure over the next few quarters as the proportion of MFI in the loan mix will come down.
- Credit costs will remain in line with the last few quarters.

Microfinance - Why LTF's MFI performance has been divergent from the stress in the industry

- LTF has a high proportion of exclusive customers who are not leveraged. It does not rely on third-party origination of MFI loans.
- The company had started tightening its underwriting in MFI from Jan'24 itself and let go of repeat customers.
- It has been disciplined in its MFI business and shared that when any meeting center drops below CE of 98%, the focus shifts to collections and new disbursements are stopped.



- It also leverages extensive data analytics for geo-selection and customer selection.
- The company has also invested in a channel that gets fresh and non-leveraged customers (FSO channel) and helps it access villages that are not penetrated. LTF, in its business model, has built an automatic speed governor mechanism.

MFI - Business update

- When CE came down in Oct/Nov'24, there will be roll-forwards which will continue and will result in write-offs and credit costs. However, the roll-forward will slow down in 4Q (compared to 3Q). The peak of this MFI stress curve will happen between Jan, Feb and Mar'25.
- Kharif arrivals have been good and there is reasonable amount of liquidity in the system. LTF expects that there will be a soft landing in the MFI sector.
- Implementation of MFIN guardrails will lead to better credit quality at the cost of lower growth.
- Evaluating taking the CGTMSE cover to protect its portfolio from external stress events.
- LTF has pushed 900 collectors on the ground. And the LTF + >=3 portfolio will orderly wind down in the next 2-3 quarters.
- In its MFI business, accounts per collector declined from 560 to 480.

Microfinance Industry - Pace after the dust settles down

- A safe growth rate of this business is 15-20%.
- After MFIN guardrails are implemented in Apr'25, the industry may grow around 15-20%
- LTF has already reduced its yields -- the lowest rate is 16% and the highest rate is 23%. Some of the supernormal yields that it would have seen in other franchises will be reduced over time.

Personal Loans

- The company will not give PLs to any non-prime segment customers. About 99% of customers in its DSA channel are salaried and target in partnerships is Prime Salaried.
- PL scale-up will be risk-calibrated and gradual.
- LTF is confident of its current quality of sourcing in PL. The net non-starter is as low as ~40bp in the newly originated PL book.
- ATS in PL is INR250k, with average yields of 17% and average tenor of 30 months.

Two Wheelers

- The company had started moving toward Prime in 2W in Sep'23. In Apr/May'24, it saw some spike in 2W delinquencies, which then improved by Aug/Sep'24.
- Trade advances are given to dealers, which declined by ~INR3.5b after the festive period.

Business Update

- LTF's diversified franchise has enabled it to achieve the highest festive quarter disbursements, with retail disbursements up 5% YoY.
- Some of its digital initiatives can be transformational when successfully completed. Cyclopes has been extended to 100% of the dealerships in 2W finance and it has also started extending it to tractor finance as well.
- Commenced work on Project Nostradamus, its risk management system.
- Retailization stood at 97% and Retail book grew 23% YoY.
- 3QFY25 - RBF disbursements were calibrated downwards. However, the momentum remained strong in tractors, PL and Home Loans.
- In the 2W segment, 69% of the disbursements in Dec'24 were toward the Prime segment, which increased to 75% in Jan'25.
- Retail GS3/NS3 were sequentially stable.

Financial Updates

- Consolidated NIM was 10.33% (10.86% in 2Q), owing to a conscious shift in the disbursement and book mix.
- Retail stood at INR922.24b, up 23% YoY. Consolidated loan book rose 16% YoY.
- Consolidated RoE stood at ~10.2%, down ~1.1% YoY.
- Rural Business Finance: Disbursements stood at INR46b, down 16% YoY. Loan book stood at INR262.3b, down 1% QoQ and up 14% YoY.
- 2W: Disbursements stood at INR24.14b, down 5% YoY, particularly due to the strengthening of documentation process and better underwriting and a shift toward prime customers.
- PL: Large partnerships have started contributing in the PL business. Partnerships contributed ~12% in Dec'24 (vs. 3% in Sep'24)
- SME Business: Disbursements rose 29% YoY. Growth in business volumes was driven by the addition of more distribution channels to diversify the sourcing mix.

ARC sale and provision reversal, which was P&L Neutral

- 85% of the sales to ARC came in the form of Security Receipts (SR).
- INR2.5b was reversed to P&L and the same amount of provisions was created on SR.
- This pool had principal outstanding of INR7.76b and EAD was INR8.15b. This was sold to the ARC for INR8.33b.
- 85% of INR8.33b (INR7.08b of SR) was booked under investments.
- INR180m of profit and INR2.5b (provision reversal), totaling to INR2.68b was adjusted and the net value of the SR stood at INR4.4b
- No credit was taken in P&L and all of it was adjusted against SRs outstanding.

Project Cyclops

- The full benefit (on the technology side) is still not visible since there is a legacy book on the balance sheet. It will take a couple of quarters to fully fructify. As this book starts seasoning, credit costs will start declining.
- Bounce rates have been coming down in the 2W business. Net non-starters in the farm portfolio have declined by 75% over the last one year.
- Cyclops will be implemented for personal loans and SME business loans in the coming quarters. In this year, its focus will be on operationalizing Nostradamus – a first of its kind, AI-driven portfolio management engine.
- Implementing Cyclops in PL and SME also in this quarter.
- LTF will start seeing the benefit of Cyclops from 2HFY26 onward. Replenishment of the portfolio with better credit fundamentals takes 4-6 quarters. The company is already 2-3 quarters into its Cyclops journey and it will take another 2-3 quarters for the headline impact of Cyclops to be visible.

NIM and Fees

- LTF is working on increasing its insurance distribution and putting together a technology platform for the same.
- Micro-LAP: It is trying to grow. PL has been growing quite well - the large partnerships have been scaling up well.
- Even though there are some markets in MFI that have exhibited stress, there are new markets like AP/Telangana, Western UP, and Western Maharashtra, where LTF continues to grow.
- Repo rate cuts will ease the challenge a little bit on the NIM side.
- NIM + Fees might be slightly lower, but the Opex + Credit costs will also be lower. RoA can improve to 2.8%-3.0%.
- Depending on when the MFI business stabilizes - it still sees 2-3 quarters of turbulence at the industry level. Also that the company is moving toward prime in 2W. NIM would be lower, but the decline in NIM can be mitigated from improvement in productivity, lower collection costs and lower credit costs.

Asset Quality - Credit costs and write-offs

- The roll-forwards have been happening in Rural Business Finance.
- Write-offs are distributed across product segments. Write-offs of INR3b in the MFI business and the rest of the write-offs have been equitably distributed across other retail products. There is no one product that is facing stress.
- Farm, 2W and PL will see challenges and thereafter things will start getting better.

Others

- LTF will choose caution over growth and will give clear guidance on retail loan growth after 4Q results.
- Insurance fee income contributed 1% (as % of the assets)
- On the Farm Portfolio, it has stopped the repossession in 90+. There will be an impact on asset quality in 4Q.
- In steady state, it wants to get to debt-equity of 5x and leverage of 6x.
- Write-off policy is that once an asset is fully provided for, it is eligible for technical write-offs. The company makes 100% provisioning on the MFI portfolio after it crosses 90dpd.
- From Apr'25, the overall INR200k capping guideline comes into effect in MFI.
- Cyclops is implemented in 2W and going forward, it will be implemented in PL and SME.
- On the Farm Portfolio, it has stopped the repossession in 90+. Impact will be there in 4QFY25.

LIC HFL
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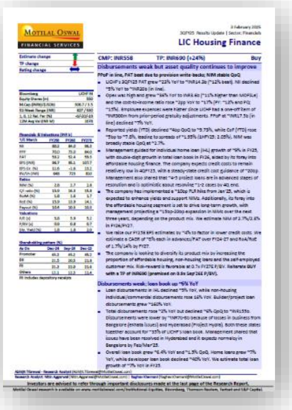

LIC Housing Finance — Buy

Current Price INR 541

Guidance

- LICHF is confident about some more resolutions and further improvement in Stage 3 in 4QFY25.
- It has guided for IHL growth of 9% in FY25. The company hopes for double-digit loan growth in FY26, aided by its foray into affordable housing.
- In the next 2-3 years, LICHF aims to grow its affordable loan book to ~INR250b.
- Credit costs will be fairly low in 4QFY25 and FY25. LICHF has guided for credit costs of ~20bp on a steady-state basis.

Macro outlook

- To ease out liquidity in the system, the RBI has taken various steps, including open market operations (OMO).
- The income tax cut will increase the purchasing power of customers.

Performance update

- Loan book stood at INR2.99t, up 6% YoY. IHL grew 7%, accounting for 85% of its loan mix.
- Bangalore and Hyderabad were impacted by external issues, which led to lower disbursements by INR7-8b. Issues in Hyderabad were resolved in De'24 and it expects Bangalore issues to be resolved in Feb'25/Mar'25.
- PAT stood at INR14.3b, up 23% YoY.
- GS3 stood at 2.75%. Total provisions stood at INR49.74b; Stage 3 PCR of 47.5%.
- Incremental CoF stood at 7.75%.
- LICHF has taken a PL R hike of ~10bp, effective in 4Q.

Loan growth

- Two of its major centers - Bangalore and Hyderabad - were impacted by external issues. Both of them together account for ~35% of the company's loan book. Disbursements were impacted by INR7-8b.

- Business is picking up in Hyderabad. In Bangalore, it has a lot of sanctions, but unless the properties are registered, they cannot translate into disbursements. There has been a slight improvement in Jan'25 and it expects Bangalore to improve in Feb'25/Mar'25.

Liabilities

- For LICHF, ~55% of its liabilities are floating and ~20% will be reset during the next 12 months.
- It is likely to see an improvement in the short-term rates in Feb'25. LICHF may cut rates without impacting the margins.

Asset quality

- LICHF sold a big stressed account. The outstanding principal was INR5.1b and the company received a cash consideration of INR2.5b.
- Stage 3 stood at 2.75%; it has guided that asset quality will only improve.

Yields

- LICHF is getting better incremental disbursement yields (since it implemented minor yield changes across CIBIL buckets), but yields are declining primarily because of the change in the loan mix.
- Higher-yielding accounts were repaid. Recoveries from NPA accounts have stabilized.

Project loans

- Lumpy cases are at various stages of resolution and some cases will be put up to ARCs on an all cash-basis.
- There are 4-5 project loans that are in advanced stages of resolution. Optimistic that at least 1-2 cases will be resolved in 4Q. The focus is on large-ticket project loans. Some of them are at quite advanced stages of resolution.

Opex

- LICHF had higher employee expenses pertaining to the gratuity provision. There was a one-off impact of INR300m in the cost line.

Affordable housing

- Launched a product in the affordable housing segment in 3QFY25. LICHF will price it 250-300bp higher than IHL rates. It has to build the infrastructure. Affordable housing is slightly risky but definitely margin-accretive.
- LICHF is not vacating the prime segment. Growth in the affordable segment will not come at the cost of the prime segment. Affordable business will be developed over a period of 2.5-3.0 years. It will be a new vertical and completely different infrastructural set-up.
- In the next FY, LICHF will be looking to set up separate teams for marketing, credit appraisal, collections and recovery for its affordable business.
- It does not expect any significant operating expenses since the company will adopt a low-opex model in affordable housing.
- LICHF will offer competitive lending rates in affordable housing. For LICHF, its affordable product starts at ~11% (compared to ~12.5-13.0% offered by HFCs). LICHF has a wide reach and it will set up a separate vertical for affordable housing.

Levers for NIM improvement

- One of the margin levers will be its foray into the affordable housing segment.
- LICHF has implemented a ~10bp PLR hike from Jan'25, which will aid yields and NIMs.
- It expects a turnaround in its project loan portfolio, which is a better-yielding segment compared to the other segments.
- NIM will depend on the product mix and improvement in NIM of 15-20bp over the next three years, if the company is able to execute well in affordable housing.

Others

- The Budget proposal for allowing tax exemption on a second self-occupied property will help the industry and LICHF.
- The prime segment in IHL is a competitive segment. In the developer segment, top developers are looking for finance at rates between 8.5-8.7%, which are almost at par with those in IHL.
- LICHF is not looking for any acquisitions and nothing is being discussed as of now. If there is an opportunity, the company will present it to the board in its March strategy meeting.
- LICHF is not increasing its deposits since banks are already in a deposit war. It has not increased the deposit rates at all. LICHF is restricted by IRDAI to borrow from the parent LIC.
- It will significantly enhance the fee contribution (across all product categories) in the revenue pool.

M&M Financials — Buy

Current Price INR 278

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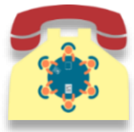

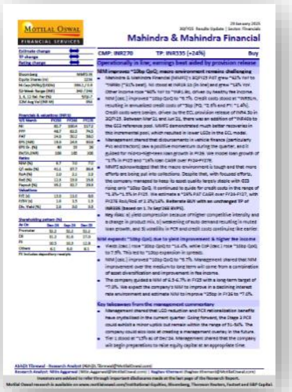

Guidance

- NIM guidance of 7.5% shared at FY22 end was aspirational in nature. MMFS re-calibrated its NIM expectations to 6.5-6.7% for FY25. It does expect NIM to improve if there are interest rate cuts. The long-range target of NIM is ~7%.
- Guided for opex between 2.5-2.7% and RoA of 1.8%-2.0% in FY25. Aspiration is to improve the RoA to 2.5% over the longer term.
- MMFS guided for mid-to-high teens Loan growth in FY26.
- PCR might marginally go up; Cash flows from better collections will dictate the levels of PCR. Does not expect any sharp increase in the PCR, given the CE it demonstrated in the subsequent quarters of the second COVID wave. PCR will be marginally increasing but will remain range-bound and much lower than the peak levels that it saw earlier. In a steady state, the PCR could be ~51-54%
- For the existing wheels businesses, the efficiency improvements will start kicking in. There will be some investments in the newer businesses and given the environment that it is in, there will be higher spending on collections. So the opex will likely remain in the corridor of 2.7%-2.8%.

Performance update

- Disbursements grew ~25% QoQ; 3Q has seen positive momentum in vehicle finance growth.
- SME disbursements were up 60% YoY
- NIM was up ~10bp QoQ to 6.6%, driven by expansion in yields and fee income, even as CoF continued to increase. MMFS is seeing a run-off of its lower-priced liabilities. CoF has moved up sequentially by ~10bp QoQ.
- Asset quality remains range-bound with GS3 at 3.93%. The environment has its set of challenges but it managed to keep its asset quality largely stable.
- Disbursement momentum in 3Q improved mainly on the back of PVs (+8% YoY) and Tractors (+24% YoY). Disbursals were slow in the CV business (-5% YoY). LAP business is coming at a good clip.
- PAT stood at INR9b and was up 63% YoY.

Strategic Updates

- MMFS feels that the movement towards Electric Vehicles (EVs) is a very positive move. It decided to actively participate in EV financing and has inked an exclusive partnership with M&M for financing of its new EV vehicles
- Inked Co-branded credit card partnership with RBL Bank
- Fast-Tag tie-up with IDFC Bank
- Received in principal approval from NPCI for the TPAP license

NIM

- Asset Diversification plan and Fee-based plan to get to those NIM aspirations - SME business and Mortgage business and Fee-based income.

Yield Improvement

- MMFS continues to optimize on incremental pricing in its Wheels portfolio. Product Mix change and Fee-based income have led to an expansion in the reported yields.

Disbursements and AUM growth

- CV business has seen prolonged stress in terms of not breaking out in terms of growth.
- This quarter has not seen very good growth in the used vehicles segment
- A large part of the growth in PV at the industry level is coming in the Prime segment and MMFS has limitations on how much prime business/customers it can target.

Asset quality

- GS3 was up ~10bp QoQ but down ~4bp YoY.
- Continued to look at levers that can keep the GS3 numbers under control.
- In 3QFY25, net slippages were higher YoY but net slippages were lower QoQ
- The macro environment is not as rosy as it was last fiscal year.
- In 2QFY25, there was a delay in the tractor collections; however, the situation improved in 3QFY25.
- MMFS operates across 3W, PV, CV (Light and small CV, bus), used CV and PV and there were no abnormal slippages in any one segment and every segment saw relative pain.
- If the company can stomach some overlay provisions, it will evaluate it at the right time. Management overlay provision was evaluated in this quarter as well but it did not want to add provisions on top of what the ECL model required.

Provision coverage, ECL model refresh, and macro environment

- Provision release of INR4.34b benefited from a decline in the LGD which led to the Stage 3 PCR declining from ~59% to ~50%
- Between Mar'21 and Jun'21 - there was an addition of ~INR40b to the GS3 reference pool. MMFS demonstrated much better recoveries in this incremental INR40b pool. This resulted in lower LGDs in the ECL model in 3QFY25.
- The probability of default (PD) in this environment will tend to trend up and LGD will be based on the collections that it has demonstrated over the last 42-month rolling period.
- The environment is such that it needs to make sure that the collection frontline is constantly on the job.
- Customer leverage is higher and there is a need to be constantly engaged with the end customer and keep a certain level of discipline in collections.
- ECL benefit has been crystallized in this quarter and it would like to operate in the credit cost range of 1.3-1.5%
- If the company can keep its GS3 numbers range-bound, then the provision requirement will not be very high. PD is not within the company's control in this macroeconomic environment.

Capital adequacy and equity raise

- Tier 1 stood at ~15.1% and when the capital adequacy comes down to these levels, the company starts warming up and will raise equity capital at an appropriate time.

Strategic direction

- When it takes the call to diversify and build new business lines, they are all long-term initiatives and investments for an organization that is looking at a holistic financial services play in the future.

- On the choices it has made, some of them will consume opex in the near term and some of it will also have an impact on the margins. It has thought about how much it wants to keep on-book and off-book.
- Also got into co-lending and co-origination partnerships with lenders.

Pre-owned vehicles

- LCV/HCV business is not growing and replacement demand in this segment is muted.
- MMFS could have executed better on a pre-owned vehicle. The incremental sourcing of used PV/CV should be ~20% of the disbursement mix.
- Augmented the used CV team to bite a little bit more of the execution which is possible.

Long-range strategy

- Long-range strategy in Mortgage will be shared with the 4Q results.
- The company will host an analyst/investor day of sorts after 4Q results where it will give a detailed walkthrough of its long-range strategy in its different product segments, digital and AI strategy.

Talent pipeline

- Strengthened Senior Management - Pradeep Agrawal (currently CFO of Aditya Birla Finance) has been appointed as the CFO. He will join MMFS on 5th Mar'25.
- The company has also appointed a marketing head.
- > 4000 Mahindra Finance employees certified for selling Insurance

Tech and digital

- ~40% of the applications have been moved to the cloud.

Opex

- Achieved TAT < 4 Hrs for ~97% of loan disbursement cases with CPC
- CPC coverage increased across — all back-end activities, post-disbursement, NOC, etc.

GRC

- Product-wise collections vertical has been formed.
- An Early Warning System (EWS) for Fraud & Credit risk management has gone Live.
- Strengthened risk guardrails through the implementation of a Machine Learning Scorecard.

MRHFL - Mahindra Rural Housing

- Plans to clean its rural housing book and wants to get to reasonable asset quality.
- A senior resource was on-boarded from Bajaj Housing and has now been deputed full-time to MRHFL.
- Looking at right-sizing the organization (MRHFL) and working to make sure that the asset quality reaches a desirable level.
- There are no aggressive growth plans in MRHFL and it remains adequately capitalized.

Others

- Branches serve for incremental revenues in the future. Some hybrid branches operate out of dealerships. These branches will attract some opex/capex and that is baked into the opex guidance.
- Re-configured the collection team to be product-specific now.
- Rates of new vehicles have been going up and it has not seen any huge drops in the prices of used vehicles.
- Prices in the used PVs have remained largely stable. As discounts are being offered on new vehicles, there could be some rub-off effect on used PVs. Prices of used CVs and tractors continue to remain stable.
- Management refrained from giving guidance on how the LGD will move in the foreseeable future.

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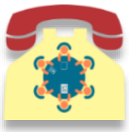

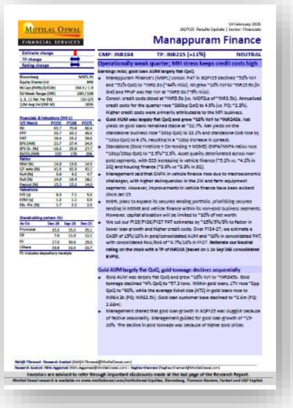

Manappuram Finance — Neutral

Current Price INR 203

Gold Loans

- Gold loan growth was a little slower in 3QFY25 because of festivities. Guided for gold loans to grow at 15-20%.
- Gold tonnage decline was because of higher gold prices. When a higher amount is available with a lower quantity of gold, then customers bring lower quantity of gold jewelry.
- Gold auction stood at INR1.2b.
- Average LTV was at ~60% for gold loan price of INR7110/gm.
- Accrued interest stood at INR10.94b.
- Credit cost in the gold loan business is negligible. ECL provisions on the total gold loan book are 0.4%.

Gold loan branch expansion

- MGFL had a meeting with RBI Governor who asked the Deputy Governor to examine if there is no compelling reason why gold loan companies are asked to take prior approval before opening gold loan branches. Higher officials in the RBI asked MGFL to re-submit the application for permission to open new gold loan branches. It expects that MGFL will get the permission to open new gold loan branches without much delay.
- It appeared that the RBI will be supportive of NBFCs and it expects positive outcomes.

Regulatory Changes wrt the September Circular

- LTV Monitoring and rolling over the pledges at the time of maturity. Re-pledge will be done only with the full repayment of the principal.
- MGFL will be strictly monitoring the LTV at the time of disbursement, with the LTV strictly below 75%, and the interest accrual will be monitored. If there is a small deviation of 5%, it will send SME notifications. With LTV of ~85%, it will send a letter and with LTV of ~90%, it will send an auction notice.
- During the tenor, within the permissible LTV, customers used to take additional loans. Now it will ensure that the customer repays ~50% of the interest before taking additional loans. ~100% of the principal has to be repaid before renewing the loan.
- In the first few days, there was an impact when changes were made but now the customers have aligned to the new processes.

Asirvad MFI

- Asirvad PCR on Stage 3 stood at ~59% (PQ: ~55%). Stage 2 has a PCR of 14% (PQ: 14%) and Stage 1 PCR of 1.2%.
- Technical write-offs stood at INR4b vs. nil write-offs in 3QFY24 and INR400m in 2QFY25.
- MFI industry was reporting reasonable profits even when there was a cap on the interest spreads. With the removal of spread caps, MFI lenders increased the lending rates. This led to indiscriminate lending from all the lenders. There will be a difficult transition phase for the MFI lenders and things should normalize within 2-3 quarters.

Focus on increasing secured loans

- Plans to increase the secured lending business. Priority in non-gold businesses will be secured lending in MSME and Vehicle Finance. Capital allocation will be limited to ~10% of net worth.

Strategic stake sale

- MGFL has been in discussions for a strategic investor, but it does not mean that those discussions have reached anywhere.

Competition and the way forward for MGFL

- There is a pricing difference with MUTH, and MGFL is trying to gradually match that. The pricing difference will narrow down, going forward. It will help MGFL to grow its gold loan book at a higher rate.

Others

- Digital personal loans have been stopped already. It has completely moved to secured loans in the standalone entity.
- Opex has gone up by INR70-80m because employee expenses and other admin costs have gone up due to higher usage of technology and cloud-based tools.
- ECB borrowings are 100% hedged. There is a small increase in the cost of bank borrowings (because of increase in MCLR), which led to a slight increase in CoB.
- GNPA in vehicle finance went up because of macro-economic weakness. Faced with higher delinquencies in 2W and the Farm Equipment segments. However, there has been improvement seen from Jan'25 onward.
- There was a corporate borrower default, which led to higher credit costs. Otherwise the credit costs would have been 0.5-0.6%.

Gold loans by ticket size

- <INR100k: 42%
- INR100k-200k: 22%
- INR200k-300k: 12%
- >INR300k: 25%

MAS Financials — Buy

Current Price INR 238

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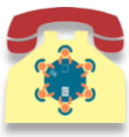

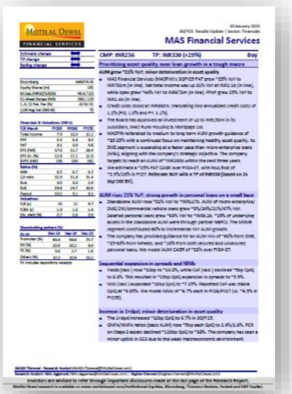

Business Update

- Despite facing challenging times, the company has delivered healthy AUM growth with robust asset quality over the past three decades.
- It posted AUM growth of 21% YoY and PAT growth of 25% YoY. The company had earlier guided that it would deliver slightly lower growth this year but with healthy asset quality.
- The company has seen a minor uptick in GS3 because of the macroeconomic environment.
- It continues to be majorly driven by its MSME portfolio, with SMEs growing at a faster pace compared to its MEL portfolio. This is in line with the strategic intent of the company.
- Management has guided for AUM of INR200b within the next three years.
- The LOS for the entire product is in place, and the sandbox for BRE has also been established. By March, the company expects to launch its BRE-enabled LOS module.
- NBFC partnerships have provided a shield against the cyclical shocks that lending businesses go through from time to time.

Guidance

- Management is confident in achieving its target of 20-25% AUM growth while maintaining healthy asset quality.
- The CoB remained stable during the quarter, and the company expects this stability to continue, going forward
- It has guided for an AUM mix of SME: 60%; Wheels: 25-30%, and 10% from secured and unsecured personal loans.
- Over the medium term, it guided for Opex of 2.75%-3.0%.
- Partner-sourced AUM will remain between 30-35%.

Liabilities

- The company maintained its CoF during the quarter but will focus its efforts on reducing it.
- Cash and cash equivalents stood at INR8.5b. The company completed ~INR6.25b of direct assignment and co-lending in the December quarter.
- It has guided for an off-book mix of 20-21%.
- The company has sanctions of ~INR8b, which will be utilized in the coming quarters.
- Tier 1 stood at ~23.13% and debt-equity stood at 3.22x. Due to the liquidity on hand, the company has executed fewer assignments, leading to an increase in on-book loans. This has resulted in higher capital consumption and lower CRAR.
- Majority of its liabilities are MCLR-linked and there will be a lag in the transmission of rate cuts in the liabilities.
- MAFSIN's CoB has remained stable despite an increase in bank MCLR because of its credit rating upgrade to AA-.

Macroeconomic Outlook

- On the ground level, the situation is improving but still remains challenging.
- MEL, where customers are over-leveraged and vulnerable, is exhibiting weakness. MEL portfolio has grown at 8% YoY.
- Small business entrepreneurs are facing relatively higher stress.
- In SMEs, while there is still room for further assessment, the silver lining is that the company has robust guardrails in place with better assessment.
- MASFIN's CV portfolio is still very small to really show stress. There is some level of stress across all product segments but relatively higher in the MEL segment.
- Within MEL and SME, it is currently circumspect on textiles and FMCG - these are two segments where it is seeing some stress.

Financial Performance

- Consol. AUM stood at ~INR124b, which grew 21% YoY.
- MEL book grew 8.3% YoY, CV grew 47% YoY, and SPL grew 69% YoY.
- The company has maintained the quality of the portfolio with GS3 at 2.41% (PQ: 2.36%) and NS3: 1.62% (PQ: 1.57%).

Housing Finance

- AUM grew 29% YoY and crossed INR7b in AUM.
- It continues to pursue the same fundamentals and expects HFC to also grow between 25-30% in the medium term. Within the next few years, it expects HFC to also create value for the parent.
- PAT grew 19% YoY to INR24m.

Personal Loans

- As far as the SPL portfolio is concerned, 100% of these loans are based on documented income.
- The strong growth in PL (up 69% YoY) is driven by a relatively smaller base.
- The company remains focused on discovering growth rather than simply targeting it. It does not intend to increase the salaried PL in the AUM mix beyond 10%.
- At the industry level, PL has 90dpd ranging between 4%-8% and loan losses ranging between 3-7%. MASFIN has sufficient guardrails in place to protect itself from such risks.

Commercial Vehicles (CV)

- In CV, MASFIN's 90dpd is 5%, which is in line with the industry trends.

Fintech Partnerships

- The company collaborates with Fintech partners using credit screens that have been agreed upon, and these processes have now stabilized.
- The groundwork done with Fintech partners is paying off now. ~50-55% of the new PLs sourced are through Fintech partners and 100% of these PL loans are based on documented income. Additionally, it gets an FLDG of ~5% from its Fintech partners.

Technology

- The company has an in-house team of 100 employees and will look to expand this team.

HR

- It has a strong second-line and middle-line of management, minimum attrition, and a strong leadership pipeline.

MCX — Neutral

Current Price INR 5,633

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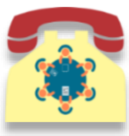

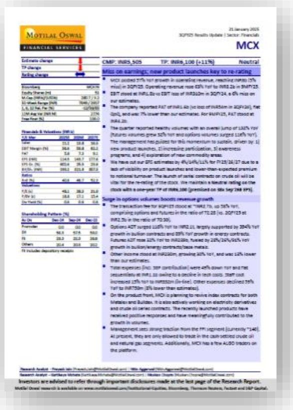

Financials:

- The transaction fee for 3QFY25 stood at ~INR2.65b, comprising options and futures in the ratio of 72:28. For 2QFY25, it stood at INR2.45b, comprising options and futures in the ratio of 70:30.
- On the revenue front, ~65% of the futures segment is contributed by the bullion segment (silver and gold), while the metal and energy gas segments are the major contributors on the options side.
- The provision for TCS contracts is included within the overall AMC costs. Tech costs have been reduced sequentially as MCX has discontinued certain services and is still watchful of whether current levels are sustainable.
- On a standalone basis, management guided for a tax rate in the range of 25%, which is expected to be sustained going forward.
- As of Dec'24, MCX had ~INR11b of surplus cash. It plans to utilize these funds for tech developments, new product launches, and other business initiatives.

Business highlights:

- On the trading front, MCX reported healthy numbers, with futures ADT up 37% YoY and options ADT up 116%. The company expects this momentum to continue, driven by efforts to raise awareness, explore new commodity areas, launch new products, and increase participation.
- Of the total volumes, ~24% comes through mobile trading, reflecting strong retail participation.
- The tender period for base metal futures contracts has been reduced from 5 days to 3 days, simplifying their management process.
- MCX is seeing strong traction from the FPI segment, with 140 FPIs actively trading on the platform. Currently, they are allowed to trade in the cash-settled crude oil and natural gas segments. On the open interest front, FPIs have created 17% long and 32% short positions in the crude segment and ~17% each on long and short positions in the natural gas segment.
- Active client participation has increased from ~0.9m to ~1.1m, with sustained MoM growth. Management expects this momentum to continue going forward as MCX is making efforts to raise awareness and launch new products in line with market demands.
- MCX currently has a few ALGO trader participants.

- Regarding the interoperability of margin regulations between stocks and commodities, MCX finds it challenging.
- As for the colocation facility being introduced on the commodities side, no regulatory approval has been received yet, but MCX continues to explore this domain.
- Mrs Praveena Rai joined MCX three months ago as the MD and CEO. Her top three strategies/focus areas are: 1) achieving operational excellence (through continuous engagement with members and clients) and focusing on tech; 2) ensuring regulatory compliance; and 3) driving new product launches.
- MCX recently conducted ~50 awareness programs at an event held by SEBI in Oct'24.
- The company will keep the trading session open on 1st Feb'25 from 9AM to 5PM to factor in the budget impacts.

Product launches:

- On the product front, MCX plans to revive index contracts for both Metalex and Bulldex.
- The company plans to launch new derivative commodity contracts and is also focusing on innovations in existing products and processes.
- Recently launched products, such as the 1kg gold options monthly contract, cotton seed wash oil, crude oil contract, and mini options contracts, have received positive responses and contributed to the overall volume growth.
- Launching electricity derivatives contracts is high on the radar.
- Regarding the crude series contract launches, the management has guided that internal readiness is in place.
- MCX is actively working on the coal exchange, with many factors depending on government actions. This is a long-term project.

Nippon Life india Asset Management Ltd

Nippon Life India AMC — Buy

Current Price INR 522

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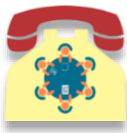
Results Update



Business:

- The unique investor base grew to 20m with a 38% market share. Investor folio base (highest) grew to 31m and has added 2.3m folios in 3QFY25.
- The market share in the overall AAUM increased for seven successive quarters to 8.31% (+63bp YoY and +1bp QoQ).
- The equity market share increased to 6.99% (+31bp YoY and 3bp+ QoQ) – which is the highest after Dec'20).
- On the ETF front, the QAAUM stood at INR1.5t (26% of MF AUM) with market share at 18.1% (up 278bp YoY) and continues to maintain leadership in this segment with one of the largest bouquet of 24 ETFs in the industry across Equities, Debt, and Commodities Markets. NAM has ~55% ETF share on both NSE and BSE.
- On the AIF side, total commitments raised were at INR69.8b as of Dec'24 in CAT 2 and 3 funds with robust trends in deployment. Management guided for further fundraising being underway.
- Management guides for no substantial increase in number of branches. It will focus on leveraging tech to improve the operating efficiency of the existing ones.

- While the ticket sizes of folios have reduced, the vintage of funds has been stronger.
- On the GIFT City front, it recently opened a branch and has taken a Fund Management Entity (FME) license to manage funds. It also launched Nippon India Large Cap Fund GIFT in Jan'25. This Feeder fund is investing in existing large cap MF in India. More fund launches are in the pipeline and will be launched later during the year.
- On the international business front, NAM continues to work extensively with subsidiaries of its parent and is planning for more launches, which would drive its revenue and profits.
- ~4.08m digital transactions were done in Q3FY25and contributed ~73% to overall purchase + new SIP transactions for 3QFY25. New features were launched for creating more ease for the investors

Systematic book:

- Management does not expect any distortion in the uptick of SIP flows trend as compared to the Dec'24 numbers; it is currently in line. It expects the retail SIP flow is be stronger.
- The SIP discontinuation % for NAM is much lower than industry levels based on proven track records.

Yields:

- NAM had earlier done commission rationalization in the Small Cap scheme. During the quarter, it has done rationalization in the Large and multi-Cap schemes with combined AUM size of ~INR760b. NAM will continue to evaluate if any more rationalizations to be done in order to slow down the downfall in the yields. (~50% of AUM book currently is rationalized)
- The rationalization is expected to reduce the intensity of impact of telescopic structure on equity yields.
- Yields for 3QFY25 for Equity/Debt/Liquid/ETF stood at 57bp/25bp/10-12bp/15bp. And the blended yield stood at 37bp.

Financials:

- Management guided overall operating expense growth ex of ESOP costs to range ~15-17%. It will continue to invest in technology and the alternative business.
- Other expenses were up 27% YoY and 9% QoQ to INR770m on account of investments in tech and alternative business. The ESOP Costs for 3QFY25/9MFY25 stood at INR110m/310m.
- The overall income declined 86% YoY and 87% QoQ to INR154m mainly on account of MTM loss on the alternate asset business side as majority of the money is invested in CAT 3 (consisting mainly equity schemes).
- The cash surplus balance stood at ~INR33b vs ~INR43b as of Jun'24 due to 1) dividend payout and 2) new corporate office.

Products:

- Regarding product in pipeline, NAM will be launching few more passives schemes (currently ~48).
- Recently launched 2 new index funds – Nifty Realty Fund and Offshore Index Fund.

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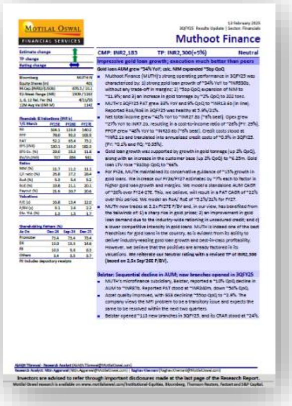

Muthoot Finance — Neutral

Current Price INR 2,269

Guidance

- The company continued to guide for AUM growth of 25% but expects to perform better than that. For FY26, the company has maintained a conservative guidance of 15% gold loan growth.
- It expects NPA numbers to decline by Mar'25 and anticipates some benefit on credit costs for the extent of reduction it expects in the GNPA in 4QFY25.

Regulatory nuances or updates

- Any loan that is rolled over or any new loan provided at the time of maturity will always be done at the existing LTV of 75%.
- There have been no regulatory developments regarding LTV or the rollover of loans at maturity. MUTH has not made any significant changes in its operations.

Liabilities

- Majority of MUTH’s bank term loans are linked to the MCLR of the banks.
- Bank borrowings account for ~56%, ECBs account for 13%, and NCDs account for 26% of the borrowing mix.
- Incremental borrowing cost stands at ~9%.
- ~20% of the bank loans are short-term, while the remaining bank term loans are long-term with an annual reset. A negligible amount of bank term loans is linked to Repo Rates.

Asset quality and update on the ARC transaction

- Stage 3 stood at 4.22% (v/s 4.3% in Sep'24). Around ~INR3b of Stage 3 is from non-gold segments (Personal Loans, Business Loans, LAP, and Insta-Personal Loans).
- The benefits of the ARC sale have already started materializing, and the company has begun booking income from the collections. The value of the SRs has become NIL. Any collections received will directly accrue to the P&L as income.
- In the non-gold portfolio, it makes a provision of ~100% at 90dpd.
- In the Insta-PL loan portfolio, there has been a slight increase in NPAs.

Branch expansions

- MUTH does not have any approvals for opening new branches in the standalone company. It has also applied to the RBI for permission to open new gold loan branches in the listed entity.
- The company added about 800 branches in Muthoot Money (subsidiary), which has been transformed from a Vehicle Finance company into a gold loan company. It has focused on building the distribution network in Muthoot Money, which now has around 900 branches.
- Once Muthoot Money crosses 1,000 branches, the same regulations as MUTH Finance will apply. After 1,000 branches, MUTH Money will also have to apply to RBI to open new branches.

Gold loans

- Auctions stood at ~INR600m in 3QFY25 (9MFY25: INR3.82b).
- Interest accrued stood at INR18.51b.
- GNPA in the gold loan business is higher due to the stress in the economy.

Gold loan split by ticket size

- <INR100K: 30%
- INR100K-300K: 32%
- >INR300K: 38% .

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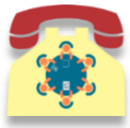

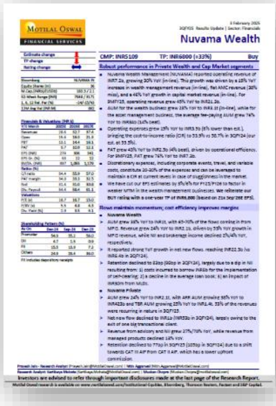

Nuvama Wealth — Buy

Current Price INR 5,486

Strategic Focus Areas

- NUVAMA has expanded its RM capacity and increased its geographic reach in both wealth businesses. Offshore locations have also gone live.
- The company took a calibrated approach towards the loan book to improve RoE. It will now increase the loan book from the current levels.
- The company's focus on annuity and ARR assets in the private business, along with MPIS in the wealth business, has resulted in robust flows and an increase in clients.
- Investment in technology remains a key focus area across all businesses.

3QFY25 Performance

- Growth in opex was largely driven by investments in technology and aggressive RM addition in Nuvama Wealth.
- Discretionary expenses such as corporate events, variable costs, and travel constitute 20-3% of the expenses and can be leveraged to maintain the CIR at current levels in case of sluggishness in the market.
- RM attrition decreased as market volatility increased, reaching 0% during 3QFY25.

Nuvama Wealth

- A greater focus on improving MPIS flows has led to an increase in MPIS contribution, rising to 65-70% from 45-50% of wealth business flows.
- Yields are expected to be maintained in the range of 80-85bp.
- A new AI-based training solution has been created for efficient one-on-one RM training to manage aggressive hiring.
- The dip in NII is temporary, due to: 1) additional interest of INR40m on account of short-term borrowing of INR8b to implement self-clearing in wealth businesses; 2) INR30m impact from MLDs; 3) an INR100m decline in average loan book, which is expected to grow back in 4Q.
- CIR is the same as last year despite aggressive capacity addition. YoY improvement of 300bp would have been witnessed if capacity was not added.
- 65-70% of MPIS flows are attributed to PMS/AIF, with the remaining in fixed income and MLDs, resulting in overall yields at 1%+.
- 50% of the ARR mix is from listed equities and the rest from non-correlated assets like PE, real estate, etc.

Nuvama Private

- The company is not hiring RMs aggressively in this business due to higher price points.
- The ARR mix comprises mostly non-correlated assets, with a few listed equity funds. TBR is dominated by fixed income, followed by MLDs and some standalone deals.
- The offshore business is fully functional, generating revenue and acquiring clients, with breakeven expected to be achieved in the next 6-9 months.
- Transactional income is dominated by fixed income transactions (80-90%) as the involvement of corporate clients in fixed income funds is higher than that of individual clients.
- Net new money was impacted by the move out of a large transactional client, but ARR flows remain robust, according to the management.

- Volatility in the secondary market led to a pickup in activity in the unlisted space.
- Both wealth management businesses have not witnessed a slowdown in Jan'25.

Asset Management

- The first close of the commercial RE fund has been completed with a target to raise INR30b.
- Capital distribution in private equity has been completed, but another fund has been launched, which will bring the funds back.
- 20-25% of funds come from external distributors and the company is adding more distributors.
- The company has filed a special investment fund of a minimum ticket size of INR1m for SEBI approval. This is in response to the recent proposal of SEBI for an MF product with derivative exposure for HNI clients. Taxation similar to MF will make this vehicle efficient for clients.

Asset Services

- The company added significant clients on the domestic side (22% market share of incremental AIF/PMS registrations) and maintains a dominant position in the offshore side.
- Large clients have not stopped activity with respect to hiring or leasing racks.

Institutional Business

- The market share remained intact in IE at 6.5%, but the decline in volume impacted the business during the quarter. Institutional equity contributes 12-13% of revenues.
- Large M&A transactions in Q1 and Q2 also contributed to a sequential decline. However, deal momentum was strong in Q3.
- The company has an 18% market share of deals and IPOs in 3QFY25. Q3 activity was higher than Q1 and Q2, and the flow will likely get spilled over into Q4 as well.
- The deal pipeline remains robust, according to the management.

Piramal Enterprise — Neutral

Current Price INR 933

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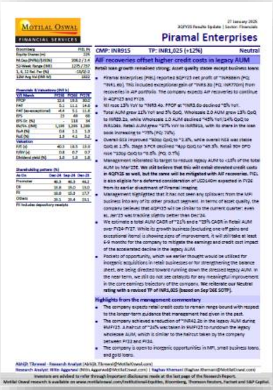
Macro environment

- India's economy has been facing headwinds and slowing economic activity.
- FY25's GDP growth is expected to be ~6.4%. Short-term challenges are expected to ease s oon, aided by policy support.

Consolidated performance

- The business mix continues to shift in favor of the growth business, which accounts for 87% of the total AUM (vs 34% in Mar'22).
- Total AUM grew 16% YoY; consolidated NIM also expanded ~60bp QoQ with this mix change.
- Legacy AUM rundown is on track, which declined INR17.13b QoQ to INR103.5b. It is now 13% of the total AUM, compared to 21% at the beginning of the FY, and the company plans to bring it down to ~10% by Mar'25.
- In 3QFY25, the company reported INR5.5b of recoveries from the AIF book, resulting in a gain of INR3.76b. The company used these gains to build a buffer and make provisions on the legacy AUM. Significant AIF recoveries are expected in 4QFY25 and FY26.
- Credit costs were at 1.9% (vs 1.6% in 2QFY25).


MOTILAL OSWAL FINANCIAL SERVICES

Piramal Enterprises

CMP: INR915 TP: INR1,025 (+12%) Neutral

AIF recoveries offset higher credit costs in legacy AUM

- AUM yield is stable and the fee income has expanded over the last three quarters. Within retail, opex to AUM was down 200bp over the last seven quarters to 4.5%
- The capital and liquidity position continues to be strong, with a CRAR of 23.7%. The company also has cash and liquidity of more than INR80b.
- PIEL is eligible to receive USD140m in FY26, which is the deferred consideration for the sale of Piramal Imaging.

Retail business

- In 3QFY25, Retail AUM grew 37% YoY. Retail disbursements stood at INR83.62b, up 9% YoY.
- Disbursements in unsecured products declined 12% YoY.
- 90+ dpd is 0.5% in Housing Loans and 0.4% in LAP.
- Used Car Loans AUM was up 199% YoY, while Business Loans AUM was up 7% YoY. MFI AUM was roughly flat QoQ and up 10% YoY.
- Digital Loans AUM was down 25% QoQ and 49% YoY.
- Asset quality in the Retail portfolio remains healthy and stable.
- 90+dpd at 0.8% is slightly up (PQ: 0.7%).
- Within unsecured, MFI has seen a sharp deterioration in asset quality in the past four quarters. MFI (90+dpd) is at 5% and is ~2% of its Retail AUM. The rest of the products witnessed stable asset quality trends.

Wholesale

- The company has disbursed INR20.75b in Wholesale 2.0, up 24% YoY.
- AUM grew 60% YoY to INR89.2b, up 13% QoQ.
- Since the inception of Wholesale 2.0, it has seen 100% collection efficiency and faster repayments.
- The company has achieved a reduction of INR42.2b in legacy AUM in 9MFY25. A haircut of ~24% was applied in 9MFY25 to rundown the legacy wholesale AUM, which is similar to the haircut taken between FY22 and FY24.
- It continues to work on paring down the portfolio.

Financial performance

- The company reported Consol. PAT of INR390m in 3QFY25. There was a ~INR1b QoQ reduction in PAT due to a decline in its non-core income compared to 2Q.
- Pro-forma PBT stood at INR2.12b, which translated into PBT (RoAAuM) of ~1.4%.
- The total GNPA/NNPA stood at ~2.8%/1.5%, respectively. The net worth stood at INR269.2b, with consol. CRAR at ~23.7%.

Value unlocking and inorganic opportunities

- The company is open to selling its financial investments in the two insurance entities of Shriram and continues to expect to be available as a potential seller when the right opportunity presents itself.
- It is open to inorganic opportunities in MFI, small business loans, and gold loans.
- Pramerica - PIEL has a stake of ~50% and is classified as a promoter. IRDAI requires promoters to remain invested for five years, and PIEL has been involved for three years now. While it has not decided on its long-term strategy, the company is currently focused on creating value in this insurance business and plans to monetize it at the appropriate time.

Growth business

- It has guided for steady-state credit costs of ~2% in the Growth business. The company will try not to be pro-cyclical with unsecured businesses. It is starting to get comfortable with digital loans.
- It has guided for a retail mix of 75-80% over the medium term.
- PIEL has not seen any spillovers from the MFI segment into any of its other product segments.

Asset quality

- 4QFY25 appears to be similar to 3QFY25. December trends were much better than Oct'24 and Nov'24. However, Jan'25 seems to be slightly better than Dec'24.

Others

- The DA income of ~INR1b is part of the IR disclosure. In the SEBI disclosure, it comes under net loss on the de-recognition of financial instruments.
- At this time, PIEL is more focused on productivity improvements rather branch expansions.

PNB Housing Finance — Buy

Current Price INR 811

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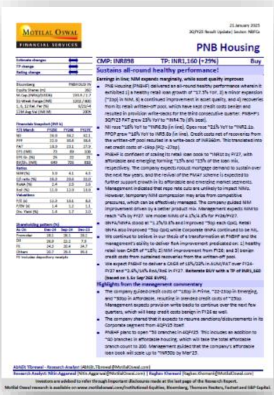

Guidance

- Confident of achieving ~INR1t of Retail book by FY27, including an affordable mix of 15% and Emerging mix of 25%
- Guided for credit costs of ~18bp in Prime, ~22-23bp in Emerging, and ~30bp in Affordable, resulting in blended credit costs of ~25bp.
- Provision write-backs should continue for the next few quarters. For FY26 as well, there will be provision write-backs.
- On a steady state basis, it has guided for opex to ATA of 1.0-1.1%
- Affordable book has doubled in the last nine months and the company aims to take this book to ~INR50b by Mar'25.

Demand outlook

- Management expects demand to be robust for the next few years. PMAY scheme has started and it will be positive for its Emerging and affordable segments.

Liabilities and Impact on NIM

- 20% of its liabilities are fixed-rate
- For every ~25bp cut in the repo rates, its CoB will decline by ~10bp, which will be passed on to the customers. It does not expect an impact on NIM from Repo rate cuts. However, depending on the competitive intensity, there could be a transitory NIM compression, which can be managed.
- NIM will improve from an improvement in the product mix and it expects NIM to improve to ~4% by FY27.

Corporate Book - Resumption of growth from 4QFY25 onwards

- There might be some sanctions and one disbursement in the Corporate book in the current quarter. Corporate business will resume from 4QFY25 onwards.
- It will be sanctioning only.

Asset Quality

- Written-off pool of ~INR12.5b in Corporate (expects recovery of ~67% over next three years) and ~INR2.5b in Retail (expects recoveries of INR450-500m over the next 3-4 quarters).
- PNBHF is constantly checking its portfolio for stress tests. It has good pre-delinquency management. So far it has not seen any stress which will worry the company on its mortgage book across Prime, Emerging, and Roshini.

- The increase in Stage 2 was driven by a stage movement in the Corporate account. It expects this account to move back to Stage 1 in the current quarter. PNBHF's principal outstanding has come down by ~INR2b in this Corporate account.
- Excluding the recoveries from retail, the annualized credit costs stood at ~20bp

Corporate Account which slipped into Stage 2
- This account has been in the SMA bucket and hence it was monitored very closely. The principal outstanding has declined by ~INR2b over the last 2 years.

Business Updates
- The company has surpassed its retail loan growth guidance of 17% and registered a retail loan growth of 17.5%
- Retail loan book has now surpassed INR700b - This is the highest-ever retail book in the history of the company.
- Disbursements were stable QoQ (+31% YoY) despite disruptions in Karnataka, Elections in Maharashtra, and Hydra in Telangana.
- Affordable and Emerging contributed ~38% to the total retail disbursements in 3QFY25.
- PAT stood at INR4.83b, which grew 43% YoY. NIM stood at 3.7% (v/s 3.68% QoQ).
- Corporate Loan-book stood at ~INR12.4b
- Total AUM stood at INR768b
- It has 305 branches across 20 states and plans to open 50 branches in 4QFY25. It will take affordable branches to 200 (from 160 branches currently).
- As per ICRA estimates, the GNPA of the sector is expected to remain stable at 2.1-2.3% as of Mar'25.
- PNBHF raised ECB of USD250m in 9MFY25
- Affordable and Emerging contribute 23% to the Loan Mix.
- Credit costs stood at -19bp (PQ: -24bp and PY: 34bp) and the written-off pool stood at ~INR12.5b in Corporate and ~INR2.5b in Retail.

Financial Performance
- Retail loan book grew 17.5% YoY and disbursements grew 31% YoY
- NII grew 17% YoY to INR6.96b
- CoB has now stabilized and most of the benefit from the Rating upgrade has now been realized.
- Received NHB sanctions of INR50b - which it has drawn down partially and the remaining drawdown will be done in 4Q.
- Cost to ATA remains stable between 1.0-1.1% (in line with guidance)
- Operating profit for the retail segment has also grown 17% YoY
- Recoveries of INR530m from the retail written-off pool
- 9MFY25 RoA stood at 2.53% and RoE at 11.9%
- SLR requirement has been changed to 14% from 1 Jan 2025

Prime and Emerging Markets Business
- Disbursals grew 31% YoY.
- Disbursements were good despite disruptions in Karnataka, Hyderabad, AP on account of rains and Maharashtra Elections.
- Asset quality in the Emerging markets segment is on par with the Prime markets.
- Emerging and Affordable segments contribute 24% to the loan mix and 38% to the disbursement mix.
- The company will be adding 10 more branches in the Emerging Markets business in 4QFY25

Prime
- Disbursals grew 15% YoY and loan books grew 11% YoY
- Run-offs across Prime and Emerging are below 17% (on an annualized basis)

- Working on increasing its yields on incremental disbursements.

Affordable Business

- Affordable book stood at INR38.4b, which grew ~234% YoY
- Disbursals stood at INR9.2b in 3QFY25, which grew 127% YoY and 46% QoQ
- Affordable has 161 branches and it is targeting 130+ high-potential districts
- It will be entering two new States - Punjab and Haryana - for affordable business
- In the last few quarters, it has strengthened its distribution
- Impanelled 500 channel partners for DSA partnership and has more than 1,000 impanelled vendors across the country for legal and technical due diligence.
- The company will be adding 40 affordable branches in 4QFY25
- Incremental yields stood at 12.1% (11.95% in 2QFY25 and 11.6% in 3QFY24). Continuous focus on higher-yielding segments. Yields will continue to increase going forward given that it is opening its newer branches in the Tier 3 cities.

Underwriting and Resolutions

- 95% of its fresh sanction volumes had a ticket size of <INR100m
- As of Dec'24, for business originated in the last 12 months, the 30+ dpd stood at 0.11% and NPA stood at 0.03%, and for business originated in the last 24 months, the 30+ dpd stood at 0.53% and NPA stood at 0.13%
- Recovery from the written-off pool stood at INR530m (which is far higher than the recovery in the previous two quarters)
- 152 successful auctions were done in 3QFY25 (v/s 134 in 2QFY25)

Technology initiatives

- The technology transformation agenda (initiated in 4QFY24) is now in the final stages of completion
- Cloud-based LoS is currently operating in pilot mode across select branches.

Run-down (including Balance Transfers)

- BT-OUT is in the range of 5.5-6.0%
- Whenever the customer approaches PNBHF for re-pricing, it tries to retain the customers.
- Overall run-down in the book stood at 16.5-17.0%, including BT-OUT, foreclosures, part prepayments, and normal amortization.

Others

- PNBHF shared that it lost business of INR5-6b because of disruptions in States such as Karnataka and Telangana.
- Other opex is seasonal in nature and some marketing expenses were incurred during the festive quarter. This will normalize in the coming quarters.
- The plan is to grow the retail loan book by 17% YoY, which can be managed through a combination of disbursements and managing run-downs.
- Fee income growth of 21% and within that the insurance commissions have grown at ~31% (in line with the disbursement growth)
- Affordable business is already profitable and it can move towards steady-state RoA within the next year
- 84% of the customer onboarding is above the Bureau Score of 700. Only customers with a good repayment track record are on-boarded.
- The non-housing book has LAP, LRD, and funding for commercial properties.

POONAWALLA FINCORP

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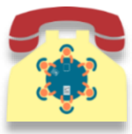

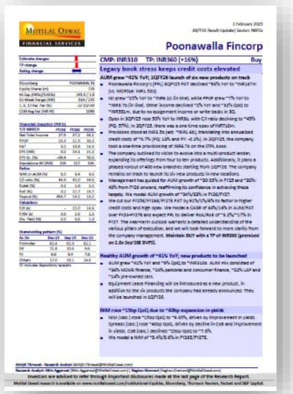

Poonawalla Fincorp — Buy

Current Price INR 286

Opening remarks:

- The company has invested significantly over the last few months in scaling up its secured and unsecured businesses.
- These products have a four-quarter (one-year) gestation period and that is why the opex is high. Therefore, the company expects robust profitability, risk-adjusted return and truly institutional scale and the company also has the required talent pool for the same.
- The company remains firmly on track to achieve its overall guidance. It will remain focused on building 10-12 businesses. AUM growth is likely to be a notch higher than the guidance. It expects a robust sustainable profit trajectory from FY26 and thereafter.

Guidance:

- AUM growth of 30-35% in FY25 and 30-40% from FY26 onwards. The company remains on track to achieve this.
- Expects robust profit growth of ~26-27% and RoA of 3.0-3.5% by the end of the third year.
- All these six businesses and the one announced today will have RoA of ~3.0-4.5%.
- Overall credit cost of the new book is expected to improve as the portfolio is well calibrated.
- The company is well-calibrated even on the STPL now and is confident of growing the AUM now.

Execution Update:

- First building block is people: 100% of the senior leadership is now on-boarded. This completes the leadership foundation of the organization.
- Across organization, the company is bringing in scalability and consistency in its people practices.
- Distribution team – ~90% of the hiring agents benefit from AI-based screening. This leads to an increase in the speed to the market dramatically.

Second building block: Product and distribution

- The company has laid out its vision to become multi-product lender. It is expanding from four products to 10 and is launching 400 new branches in a phased manner from 1QFY26.
- The company remains on track to launch six new product classes in new locations.
- Prime PL- Launched this business in Aug'24 and ramped up to a monthly run rate of INR1.2b catering to the middle-income segment across the country. It complements the play in consumer and education loans.
- 75% of the customers are CAT-A customers with net salary of above INR70k.
- The company is ready to launch industry-first 24/7 digital personal loan for prime salaried professionals in 4QFY25. The company will gradually build it over the next 2-3 quarters.

Technology advancements:

- Given the talent bench, it is trying to be AI-first in all its business models.
- Fleshed out a detailed AI and analytics roadmap. Vision is to sharpen its customer experience productivity and risk efficiency via deployments of Sharp AI. Plan is to go live with targeted use cases.
- The Intent is to reduce default rates and even if it gets a 5%-10% reduction in volumes, it can continue to get sharper in these areas. It will be a fusion of AI and Human interface.
- Across its website and apps, it is using AI to hyper-personalize the user experience, improving customer engagement and cross-sell rates.

- The company will launch its revamped website.
- As the organization scales, it will be leveraging industry-ready SaaS applications in the near term.
- Data is being re-architected on a domain-based approach - including risk, operations and sales.

Risk Management

- PFL 2.0 will focus on three specific areas: a) People, b) Design and c) Process
- People: Successfully on-boarded second- and third-level employees in credit and risk and debt management, supporting existing and new product launches.
- Design: Implementing risk frameworks on new product segments, which will leverage granular customer segmentation and customs algorithm.
- The company has implemented automated no-contact collections and cohort level analytical solutions.
- Gen1 design across the stages of collection lifecycle from review to recovery has already been designed. Now, it has been augmented with machine learning solutions.
- PFL has done collaboration with IIT to drive innovation and leverage unstructured data and cutting-edge technologies across multiple work streams. The aim is to strengthen its physical credit underwriting framework by creating an AI credit assessment. This will lead to reduction in operating cost of credit and bringing in standardization and creating different layers for assisting credit based on consumer risk.

Business updates

- Businesses have seen healthy and credit-calibrated growth.
- LAP is now at INR68b, up 86% YoY and 27% QoQ. Incremental growth has come at LVT of ~51%.
- New management comes with a distribution vintage and that strength is reflected here.
- Business Loans grew 42% YoY to INR50b, disbursed to vintage business with robust cash flows.
- The company has scaled down its STPL book last quarter and worked on re-calibrating the policy. The bounce rates in the new book has declined and it is in line with its credit calibration. The company is now ready to scale it up in a controlled manner.
- The company has shifted the nature and profile of used vehicle. It is focusing on risk-controlled loans.
- Philosophy is to keep the mix of secured and unsecured risks prudent and equally weighted.

Financial highlights:

- AUM grew ~41% YoY and 9% QoQ to INR310b as of Dec'24.
- Total disbursement stood at INR71.5b, up 13% QoQ.
- Core retail disbursements doubled YoY to INR47b.
- The proportion mix between secured and unsecured improved to 54:46.
- NII was INR6.7b, up 22% YoY, despite the increase in secured loans in the overall lending book.
- PPoP was INR3.7b, even after adjusting for exceptional items in the previous quarter.
- Opex-to-AUM ratio was stable at 4.2%.
- GNPA declined ~25bp QoQ to 1.85% and NNPA was at 0.81%.
- CoF was lower by ~4bp QoQ at ~8.06%, despite tight liquidity and an elevated interest rate environment.

STPL book:

- Out of provisions of INR3.5b during the quarter, INR2.b was for STPL book and the rest was for other products. Write-offs stood at INR6.8b for multiple products. However, the bulk of them were for the old STPL book (~INR5.2b).
- The company is confident that credit costs will keep coming down sequentially. For the broad guidance, it will wait for 4Q.

Power Finance Corporation — Buy

Current Price INR 384

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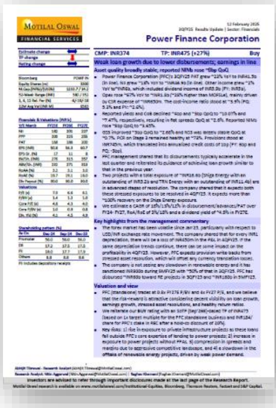

Opening remarks

- Consolidated PAT stood at INR222b for 9MFY25, up ~17% YoY.
- Loan book stood at INR10.7t as of Dec'24, growth of ~12% YoY
- GNPA is below ~3% and stood at ~2.30% and NNPA stood at ~0.73% as of Dec'24.

Standalone

- PAT stood at INR122b for 9MFY25, up 20% YoY.
- The company has declared a third interim dividend of INR3.5/share. The cumulative dividend stands at INR10.25/share in FY25-YTD.
- Yields stood at~10.07%, while COB stood at ~7.47%. Spreads and NIMs remained range bound at ~2.6% and 3.65%, respectively.
- The forex market has been facing volatility since Jan'25, particularly with respect to USD/INR exchange rate movement. If the same depreciation trends continue, there can be some impact on the profitability in 4QFY25; however, the company expects some provision write-backs from stressed asset resolutions, which will offset some impact of exchange rate.
- GNPA stood at ~2.68% and NNPA at ~0.71%, with healthy PCR of ~73%.

Guidance:

- Guided for loan growth of similar levels as seen in the previous year (i.e., ~14%).

Disbursements and loan growth

- PFC disbursements generally ramp up in the last quarter of the financial year; hence, the company maintains its guidance and targets to achieve similar growth levels as the last financial year.
- The renewable energy book has been growing steadily. The company continues to have the largest renewable energy book in the country.
- PFC has entered into the largest green loan agreement of JPY20b.
- The company has not funded any projects in the renewable front wherein some capacity is not supported by PPA.
- The company has a good pipeline and expects decent disbursements in FY25 in the distribution, renewable and even on the conventional side.
- In RDSS scheme, most of the sanctions are already being done and ~94% of the sanctions are toward the loss reduction work and ~90% of the work under smart meters has been already awarded. Hence, PFC expects the same now to pick up as execution will happen.
- The reductions in the transmission book are due to the repayments in the normal course of business. One loan has been prepaid, and hence the transmission book has decreased slightly.
- PFC has disbursed INR25b toward RDSS scheme in 9MFY25 and INR6b in the current quarter.
- The repayments were lower in 3QFY25. Generally repayments of INR240b-250b are received on a quarterly basis; however, in this quarter the company received INR180b-190b.
- The company is not seeing any slowdown in renewable energy and has sanctioned INR900b during 9MFY25, out of which ~50% was in this quarter. The

company has disbursed INR60b in the current quarter and INR160b during the financial year.

Asset quality (stressed asset resolutions)

- There have been no upgrades in the current quarter. The company has filed a final resolution plan in Jan'25 for KSK Mahanadi, whereas Shiga and TRN are in advanced stages of resolution. The company expects Shiga and TRN to get resolved in 4QFY25.
- All the lenders are also going to get a ~26% equity share in the KSK Mahanadi project; however, it is difficult to predict the value of the shares. PFC has funded ~12% of the entire project.
- A waste-to-energy project has slipped into Stage 3 and it has an outstanding amount of INR1.3b. There has been some technological issue in the project because of which it has slipped into Stage 3. The company is not seeing any other project that is going to get impacted by such issues and it is unique to this project.
- The company is envisaging resolutions in three projects worth INR49.6b.
- KSK Mahanadi: With exposure of INR33b (partially commissioned project), the resolutions plan submitted by JSW Energy has been approved by COC and filed into NCLT on 17th Jan'25. The company expects more than 100% recovery against this project based on the current bids received. The company has maintained ~55% provisions on this project.

Borrowings:

- There will be an impact of INR450m for each INR1 depreciation, which will impact the P&L in 4QFY25.
- The company has taken cost-effective options on hedging and there is an upper limit on the benefits received by the company.
- On a broad figure, if the INR reaches INR88 against USD, then there can be an impact of INR4b-5b in the P&L account.
- The company will complete its rating upgrade exercise in the next 10-15 days and will come out with the information on the same.
- There is around INR50b of the borrowings, which are linked to the repo rate, and the same will get repriced on a monthly or quarterly basis and there are no assets linked to the repo rate.

Yields

- For renewable energy, the interest rate are starting at 9% for PFC and depending on the risk profile of the project, it may increase slightly.
- The mix of the company is being changed from conventional generation to renewable energy.
- NIMs and spreads in the renewable energy projects are slightly lower. However, if the loan growth continues at the same pace, PFC can maintain NIMs in the current range.

Prudent

— Money through wisdom —

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Detailed Concall Transcript &
Results Update

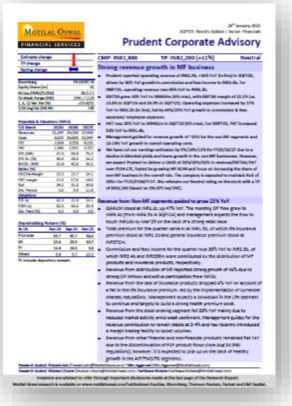
Prudent Corporate Advisory — Neutral

Current Price INR 1,980

Business:

MF:

- Partnering with the platform and adoption of technology are two critical drivers for the exponential growth for mutual fund distributors.
- The number of gross new active investors added in 9MFY25 is already equal to the number of active investors added in FY24.
- Management stated that any commission cuts done by the AMC will be passed on to distributors, and thus, it will not impact net margins of Prudent


Prudent Corporate Advisory

- The SIP market share has fallen as competition from fintech and the direct route to invest via AMCs has increased; however, management is confident that it will grow its market share in the regular route (currently at higher rate than the industry), thus increasing the overall share.
- Total AUM growth of Prudent has surpassed the industry growth by 2.2x at a 36.4% CAGR vs. 17.6% CAGR for the industry (FY14-24).
- AUM growth of top 1,000 MFDs has outperformed the industry, growing by 31.3x (FY14-24).
- Of the top 1,000 MFDs, the top 200 contribute ~72% via the FundzBazar in AUM managing ~730 clients.
- Closing AUM stood at INR1.06t as of Dec'24, but due to MTM fall in the last few days, AUM has declined 6.1% to ~INR1t. However, management is confident that retail sentiment is intact.
- Net sales in 9MFY25 were 50% higher than in FY24. The redemption ratio declined to 44%, which is lower than the 30-quarter historic average of 60%.
- The average ticket size stood at INR2,900. The monthly SIP flow book touched INR9.35b and management is confident of achieving INR10b by Mar'25.
- Management guided for yields from the AIF/PMS segments at 1.3-1.4bp and MF segment at 95-96bp.
- During the quarter, there was no drop in the MFD participation, which management expects to continue. It further guides that the MFD acquisition rate would be higher compared to the previous months.
- The payout ratio has increased from 63.4% to 64.6%, as management had rolled out a scheme in the last quarter for the partners based on net sales by them in the current financial year. It has made additional provision of INR60m for 3Q and 4QFY25.

Insurance:

- The blended yield was down on account of the surrender charge impact, a fall in life insurance premium and a change in the product mix as the company included ULIP (15%), which was not there earlier.
- Management expects yields to remain stable at the current levels.
- It expects the premium growth in the Life segment to slow down. Management is focusing on growing the Health segment premium book as it is bullish on this segment and expects sustainable growth. With the launch of insurance products on Fundzbazar, management expects this to boost premium growth further.
- A fall in revenue from distribution of insurance products was mainly due to a decline in life insurance premium (in line with the industry mainly on account of surrender charges). However, management expects this to get better as the reported Jan'25 numbers were stronger than Nov'24 and Dec'24 numbers.

Financials:

Standalone

- There has been a 21% sequential decline in other financial and non-financial products, mainly due to a fall in AUM of P2P products. Due to new regulations by the RBI in Aug'24, no fresh flows were received.
- AIF/PMS and FD segments saw strong growth, with average PMS/AIF in 9MFY25 doubling to INR10.6b from INR6.1b in FY24. This strong growth is expected to compensate for the decline in P2P.
- Stock broking revenue fell due to a decline in transactional revenue owing to heightened volatility and a fall in markets. However, management guides for the revenue contribution of the segment to remain stable at 3-4%. Prudent is soon

going live with a margin trade facility, which it believes will be a good value-added product, as currently a major part of revenue comes from the cash segment.

- Treasury income classified as other income fell 26% from INR58m to INR43m, mainly because of mark-to-market losses. It mentioned that Prudent does ~1.5-1.6m of monthly SIP and ~INR100m-120m of exposure to the equity book.

Consolidated

- Lower revenue growth is mainly because of non-MF products, like P2P broking, insurance, and the treasury book.
- The margin contraction was mainly attributed to the management call to announce an additional trade based on net sales to distributors.
- Treasury book stood at INR3.3b.
- Management guides for revenue growth of ~25% from the non-MF segments.
- Management expects operating expenses to grow 12-14% YoY. The manpower costs will remain elevated, while it does not expect any significant branch expansions. Guided for depreciation to remain stable in 4QFY25.

Repco Home Finance — Neutral

Current Price INR 334

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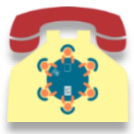
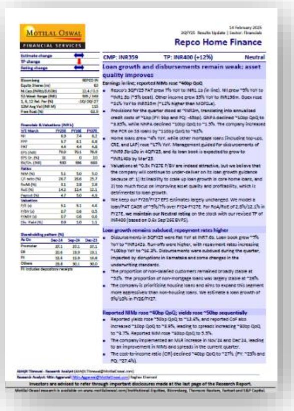
Results Update





Opening Remarks

- The structural changes that have been done in the quarter across the organization like implementation of new software are yielding results.
- The mix between salaried and non-salaried customers stands at 48:52. The share of non-housing loans stood at ~26.5% of the loan book.
- GNPA reduced to ~3.9% in 3QFY25 vs ~4% in 2QFY25. The company has total provision cover of ~61.8% as of Dec'24.
- CoB stood at ~8.7%. The company has got sanction from NHB after a gap of 3 years, which the company will utilize in the next quarter.
- NIMs stood at ~5.5% with spreads of ~3.7%. The cost-to-income ratio reduced marginally to ~26%.
- In the next quarter, the company will focus on improving the growth numbers and reducing its GNPA numbers.

Guidance

- The stage 2 is at ~11%, which will be brought down below ~10% by Mar'25.
- The company has not finalized disbursements and loan growth targets for FY26; however, the company will be targeting far better growth than the current year.
- REPCO will surpass disbursements of INR30b organically and AUM of INR146b by Mar'25.
- There will not be any additional credit costs for FY25. Going by the current trend, there will not be any hit on credit costs in FY26 as well.
- REPCO will grow more on the home loan front and less on non-housing loans.
- The company is targeting ~INR9.5b-10b of disbursements in 4QFY25.
- There can be a net reduction of ~INR300-400m in 4QFY25 in GNPA numbers.

Borrowings

- NHB has sanctioned ~INR1.5b during the quarter.
- The recent rate cuts will help the company reduce the cost of borrowing. But the rate at which the company is borrowing currently is quite competitive for AA- rated NBFC.
- The company has ~90% of the borrowings as floating rate borrowings and balance as fixed. Out of floating rate borrowings, ~90% of the borrowings are

MCLR linked and only ~10% of the borrowings are external loans/repo rate linked. On the asset front, entire book is floating book and the company will decide when to pass on the benefit to customers.

Loan growth

- Disbursements stood at INR7.61b. Sanctions stood at INR8.6b.
- AUM stood at INR141.5b, which grew 7% YoY.
- Disbursements could have been better YoY. The company will continue to have preference on growing housing loans than non-housing loans.
- Developments in Karnataka led to slowdown in business AUM. The company has also done some changes in the underwriting standards during the quarter.

Asset quality

- The new book, which was started from Apr'22, is performing satisfactorily.
- GNPA numbers will keep coming down as the new book is holding well. Once the pre Covid book settles, GNPA will drastically come down.
- The company is planning to do two mega auctions in the next quarter, where it will auction around 300 properties.
- The company has not written-off loans more than INR100m-150m till now.

Software and branch expansion

- Phase 1 of the project comprising LLMS is stabilized. Phase of the projects is at the various stages of implementation. Around INR588m has been spent so far on the software.
- The company has 230 touch-points as of Dec'24, including ~186 branches and 44 satellite centers. It is expanding its branch presence in Karnataka, Andhra Pradesh, Telangana, Maharashtra and few regions of Tamil Nadu.

Yields and NIMs

- The company has taken MLR increase in Nov and Dec, which resulted in an increase in NIMs and spreads in the current quarter.
- There might be a slight contraction in spreads. The company will focus on the quality of the book and will be doing more housing loans, which will put pressure on yields.
- Most of the BT-outs are to the banks as they are able to offer a better rate than what the company offers.

Others

- Around ~42% of the sourcing is through DSA, ~2% through DSC, ~25% through sales force of the company and ~31% direct disbursements.
- The company is recruiting people in sales and collection and employees who have experience in housing finance.
- The company has cautiously brought down the growth in Kerala and there should not be any problem in Gujarat.
- Unless the company does not open more branches, it cannot achieve growth; hence, the company will continue to increase the touchpoints.

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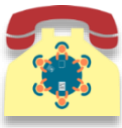

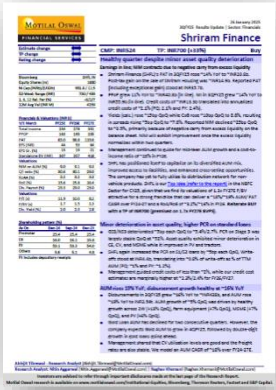
Shriram Finance
Buy

Shriram Finance — Buy

Current Price INR 557

Opening remarks

- The third quarter was a good quarter for the company under the current circumstances.
- As far as M&HCV is concerned, overall market growth has been flat. The other segments such as PV, 2W, and tractors reported healthy growth, while 3W also grew decently. Demand trends in CE also showed a positive momentum.
- Board has declared an interim dividend of 125% i.e. INR2.5/share.

Operational and Financial highlights

- Disbursements grew ~15.2% YoY to INR438b. AUM grew ~18.8% YoY to INR2.54t. NII grew 14% to INR58.2b.
- PAT grew 96% YoY including a one-time gain of ~INR14.9b (net of tax) for the sale of a stake in its subsidiary Shriram Housing Finance. PAT grew ~14% YoY adjusted for this exceptional gain.
- NIMs stood at 8.48% (vs. 8.74% in 2QFY25). The sequential decline in NIM was because of higher liquidity on the balance sheet.
- GNPA/NNPA stood at ~5.4%/2.7% as of 3QFY25 and there was a very minor deterioration in the asset quality.
- Credit costs were stable QoQ at 1.85% (as % of assets)

Liabilities and NIMs

- Liability Mix: Retail deposit at 24%, bank borrowing at ~21%, Offshore and Bond borrowing at ~19%, Securitization at ~17% and Capital market borrowings at 17%.
- NIMs declined QoQ due to the negative carry from excess liquidity on the balance sheet. Once the excess liquidity normalizes, NIMs will come back to previous levels.
- of excess liquidity on the NIM was ~20bp.
- Cost of funds stood at ~8.95% (vs 8.97% in 2QFY25) and marginally declined from the previous quarter.
- LCR stood at ~265% up from 234% in the previous quarter.
- The liquidity has shot up from INR170b to INR270b which is equal to next six months of liability repayments. Liquidity will be moderated over the next two quarter and it will go back to ~3 months of liability repayments. The company will moderate the borrowings in this quarter and next quarter.
- ALM buckets have been positive. Fund mobilization continues to be strong and because of this, the company has been able to slightly reduce its cost of borrowing.

AUM growth

- During the quarter, used vehicle transactions in CV were flattish. However, PV continues to improve in volumes.
- It does not plan to introduce any new products. However, it has announced green financing. The company will focus on building a separate vertical and intends to gradually grow in this segment. The company is doing EV financing in the normal course of business.
- Used vehicle volumes have not gone up as the supply of used vehicles is less. There are not enough vehicles in the market. The growth is because of higher

ticket size in used vehicles. However, in the next 3-5 years, SHFL will benefit in terms of used vehicle financing as used vehicles will start coming to the market.
- Growth in 2W will be double the industry 2W growth.

Fleet utilization
- Utilization levels are very good and the freight rates are also stable
- When a large number of new entrants come into the market and the economy slows down, that's the time there is less demand for vehicle utilization. This time around the new entrants with vehicle ownership are much slower and therefore there is a sufficient load for existing truck owners.

Asset quality
- Small blips as far as asset quality is concerned are not much of a concern.
- The company is into small ticket in MSME lending where there are few cash flow mismatches which will get corrected in 4Q and there is no structural decline in asset quality and the same is temporary.
- In MSME, Stage 1 and Stage 2 are higher but when it comes to Stage 3, it gets corrected.
- Stage 1 PD: 9.05%, Stage 2 PD: 20.74% and LGD was 38.75%.
- Asset quality deterioration in personal loans is not concerning as it is just the usual minor movement between buckets.

Opex
- The increase in opex was led by the addition of new employees and there were other staff and overhead costs which have increased during the quarter.
- Disbursements were also higher in the current quarter as compared to the previous quarter so the variable incentives have gone up and hence employee expenses have grown faster than growth in employee strength.
- Going ahead, the opex growth will be slightly lower than the asset growth which will reduce the opex to AUM.
- The company is confident of bringing down the cost to income to ~28% and expects this to moderate this year and going forward it should moderate further.
- SHGFL will now put a freeze on hiring new employees and will be reworking towards the productivity front.

Guidance:
- Guided for mid-teen AUM growth for the next year and a cost-to-income ratio of 28%.
- Credit costs to be maintained at current levels

Gold loans
- There have been two sequential-quarter declines in the gold loan AUM. However, the company is likely to witness an uptick in the next quarter and subsequently in the next financial year too.
- As far as the asset quality is concerned, Stage 3 was flat in absolute numbers and also credit costs are almost zero there.
- The company would like to grow gold loans in double digits going forward.

Others
- SHFL has maintained its LTV at ~70% on new vehicles
- The business exposure in the Karnataka mines is very negligible and the company has reduced lending to customers who are into mining activity.

- Incremental disbursement yield has been in the same range as in the previous quarter.
- ~95% of its Personal book is towards SHFL's existing customers.
- MHCV growth is flattish as the infra spend by the government has slowed led by central elections, state elections, and heavy rainfall. It expects demand to improve in 4QFY25 led by a revival in government expenditure.
- Repeat customers are ~5% in 2W and the rest are new to SHFL customers.

SPANDANA

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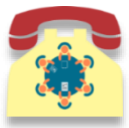

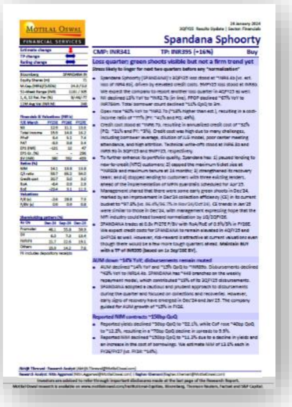

Spandana Sphoorty — Buy

Current Price INR 294

Guidance

- Guided for AUM decline to continue in 4QFY25 and AUM growth of ~15% in FY26.

Early green-shoots from Dec'24

- South India appears to be performing better than North India.
- Early green-shoots in December: Spandana's current book had delinquencies/forward flows of 2.2% in Dec'24 (vs. 3.6% in Nov'24). Centre meeting attendance, a key indicator of customer engagement, is seeing some signs of revival.
- Around Nov'24, customers have started coming back to engage with loan officers and branch managers, since they have been finding it difficult to get new loans.

Flashback (Spandana 2.0 since new management took over in 2022)

- Spandana expanded to states in Northern India - Bihar, UP and Rajasthan - Top 4 states' contribution declined from 57% to 50%.
- All new MFI branches, which were opened in the last two years, were on the weekly collections model. These weekly branches contributed ~14% to AUM and 20-25% to new disbursements.
- Project Parivartan was paused about a couple of quarters ago and it will be resumed after a few quarters when the operating environment across the industry improves.

Challenges in MFI industry

- Branch-staff level attrition remains elevated.
- With easy availability of credit, customers have been leveraged and now do not have the ability re-pay all their loan obligations.
- Loss in JLG discipline - decline in centre meeting attendance over the last couple of years. This has led to higher door knocks for collections.

Strengthening the business fundamentals

- In the next one year, it will have all branches controlled by branch manager.
- Recovery from delinquent pool - on analysis of the delinquent portfolio, a good proportion of the customers are vintage customers but do not have the ability to repay.
- Recovery of INR210m in 3QFY25 (vs. INR230m in 1HFY25). Plans to take the count of the dedicated recovery team to 1,000 by Mar'25 (vs. 600 as of Dec'24)
- **Jan'25 is trending on similar lines as Dec'24.**

MFI sector outlook

- The situation in the MFI sector should normalize by 1Q end or beginning of 2Q.

- In Apr’25, there will be MFIN Guard Rail 2.0, which will bring short-term impact on growth and asset quality. But this is good for the industry, given that this will bring more discipline.
- There has to be an improving trend for 3-4 months before one can be confident that the worst is behind.

Outlook for Spandana

- Spandana will continue to focus on realignment of geographies and will strategize where to grow. It will take one or two more quarters for things to stabilize and from thereon, it can look to start growing again.
- Spandana has had its learnings about which customers and geographies to target and will focus on employee welfare.
- At this point of time, it is better to err on the side of caution for the next 6-7 months.

X-Bucket CE

- Current book net CE for Spandana: National CE: 97.84% | Bihar: 97.55% | KAR: 96.37% | MP 98.52% | MAH: 98.84%
- CE in Bihar is 30-35bp lower than the national average. Karnataka is experiencing some problems but should settle by the end of the month. MP and Maharashtra are clocking better CE than the national average.
- X-bucket CE – Jan’25 is stable compared to Dec’24. In Jan, it is seeing improvements in 1-30dpd and X-bucket.

State-specific nuances

- States like Bihar and Karnataka are pulling down the average CE. Maharashtra is trending very well.
- Slowdown in Bihar from a lending perspective. UP, MAH and Rajasthan are doing OK and Karnataka is also expected to recover within 3-4 weeks.

Asset quality

- Bihar is trending a bit lower and Spandana expects Bihar to catch up with the rest of the country in Jan/Feb’25.
- 1-30dpd stood at INR3.48b as of Dec'24 (vs. INR5.27b in Sep'24).
- What it is seeing now is an abnormally high flow - it is getting close to addressing the current bucket. Next, it will address Stage 2 as well in a more structured manner. It will gradually start seeing improvement in the subsequent buckets as well.

Business update

- During the quarter, the company adopted a cautious approach to lending. Disbursements declined ~43% YoY. AUM declined 14% YoY to INR89.4b.
- Acquired 47K customers during the quarter.
- Maintained PCR at ~80%.
- Marginal CoB was 11.7% in 3QFY25.
- NIM declined 195bp YoY due to the decline in yields and increase in CoF.

Spandana's checklist for the next six months

- Disbursements have to start but the lender has to do cherry-picking.
- Portfolio quality and driving the discipline - Extremely critical that the door-knock model has to be curtailed and it has to ensure that the customer turns up at the centre meeting. Door-knock is a very inefficient way of dealing with customers and not a viable model.

- Opex and the cost-to-income ratio should be brought down to more management levels.
- Centre meeting attendance has to improve from 55-60% to 75% levels.
- Customers in arrears have to be brought back to the current bucket.
- Recoveries have to continue, particularly from the vintage customers who are in the NPA bucket now. There is a lot of meat in the GNPA book. From the GNPA or written-off book, it expects recoveries to sustain.
- JLG discipline, employee welfare complete focus on portfolio quality, and taking care of disbursements and needs of customers.

Capital raise

- Board has given an enabling resolution for equity capital raise of up to INR7.5b.
- While it is strongly capitalized, the company will raise confidence capital at an appropriate time. Management shared that the company will also have the support of its promoter, Kedaara Capital.

Others

- CRISS Financial has ~INR7.5b of individual lending loan book, where the borrower profile is a notch higher than MFI customers. This business is predominantly in AP/Telangana. There were floods in AP and loans of ~INR500m were written off.
- Spandana deliberately slowed down disbursements in 3QFY25 and maintained high cash proportion on the balance sheet.
- Spandana has already restricted its lending to customers who have maximum three lenders (including Spandana).
- No covenants have been breached except on profitability
- MFI customers are not sensitive to interest rates - MFI industry operates in a very tight range of 22-24%
- As an industry, it has implemented the MFIN guard-rails 1.0, which will help restore the discipline in the industry.

INSURANCE

- **The general insurance players faced slow growth due to weak infrastructure investments, slow credit growth, subdued motor sales, and accounting norm changes during the quarter. STARHEAL repriced 65% of its retail health portfolio to offset medical inflation and expects no impact from the 1/n regulation due to its 1/365 URR method. ICICIGI's retail health segment saw strong growth from new product launches, while group health was weak due to lower credit growth and rising competition. It will continue to evaluate price hikes in the health segment due to medical inflation. Private life insurers saw steady premium growth. With the implementation of revised commission structures and product redesigning, all key players guided a minimal impact of surrender charges on margins. Increased focus on the ULIPs led to VNB margin contraction, however, management across key players guided to focus more on protection, annuity, and non-par products to drive the margins growth.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	3QFY25 Highlights
HDFC LIFE	■ Overall growth and margins in 4Q to remain stable, driven by seasonality and an unchanged product mix. ■ ULIP traction may weaken for 9–12 months due to weak market sentiments, but the company remains focused on a balanced diversification strategy.	■ Retail protection growth remains strong across tiers ■ 140bp YoY margin decline in 9MFY25 driven by product mix shift toward ULIP; surrender value regulations impacted margins by 10bp (30bp in 3QFY25). ■ Protection business grew 2x via the agency channel versus overall protection growth of 28%.
SBI LIFE	■ IRP at 15%, with Banca at 10% and Agency at 29-30% ■ Minimal margins impact expected due to surrender value regulations, as all products are relaunched in compliance with the regulations ■ Individual/total APE at 15-17%, at 10-11%; VNB in high single digits, VNB margins at ~27-29%.	■ Agency channels continue to drive strong double-digit growth in non-par protection and savings; ■ Group segment faced headwinds down to INR64b, 9MFY25. ■ PAT surged 71% YoY, driven by higher investment income, strong non-par product, and 15% YoY growth in renewals. ■ Margins contracted 46bp YoY due to product mix shift toward ULIP.
ICICI LOMBARD	■ Management guides for an uptick in the commercial segment. ■ It expects 1/n regulation to have an impact on health and other segments, except motor as it gets already reported on 1/n basis.	■ Slower credit growth led to lower growth in benefit-based products. The company follows a calibrated approach to the employer-employee segment given the pricing pressure. ■ Commercial business has seen slowdown due to muted trends in sectors such as steel, cement and CVs, along with slow government capex.
STAR HEALTH	■ STARHEAL already follows the 1/365 URR method; no material impact expected from the new 1/n accounting framework ■ Company expects motor TP price hike thus reducing the competitive pressure on the segment.	■ Star Health has repriced 65% of retail health portfolio, with impact expected over the coming quarters, ■ The Banca channel faced issues on the PSU side but (up 20% YoY) contributes to 8% of total business. ■ Digital channel accounted for 8% of business in 9MFY25. ■ Agency activation rate grew 13% YoY.
LIC	■ VNB margins expected to improve, supported by a favorable business mix shift. Growth in ticket size and policy count to drive APE expansion ■ Renewal commission rates to rise slightly, with commission payouts increasing in line with business growth.	■ VNB margin improved due to revised commissions, higher non-par mix, premium adjustments for low-margin products, and increased ticket size for low-persistency products. ■ Non-par margins declined YoY due to higher ULIP sales and the impact of lower risk-free rates on annuity products. ■ Banca and alternate channel share in new business premium rose to 5% in 9MFY25 from 4% in 9MFY24

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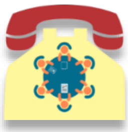

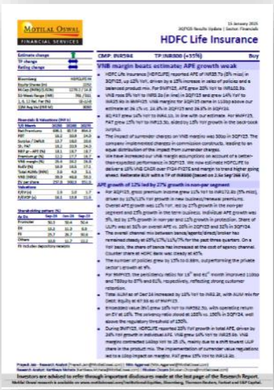

HDFC Life — Buy

Current Price INR 623

9MFY25 operational highlights

- HDFC Life outpaced private and overall industry in terms of premium growth, with an overall market share of 10.8%/private market shares of 15.3%.
- Ticket size grew by 8% YoY and volume expansion was also witnessed during 9MFY25. The number of lives insured crossed 36m.
- Better growth in the non-par segment compared to overall growth led to a decline in the surplus.
- Management expects better growth in 4QFY25, driven by the seasonality impact.
- The unwind rate remains consistent at 8.1%. Economic variances have been largely due to a bond yield decline, while equity markets were weak on a 9M basis compared to 6M basis.
- Improvements in sum assured and higher rider attachment have been due to an enhanced level of protection in all products, especially in ULIPs.

Product mix

- Traction in ULIPs is likely to decline if market sentiment is weak for 9-12 months. However, the company is following a balanced approach to achieve diversification, regardless of the increased popularity of a specific product.
- MFIs have been impacted in the credit life business slowdown, while all other lines have been stable.
- The company did not revise prices in 3Q, but it expects peers to cut prices, likely due to the interest rate environment.
- Growth in the retail protection segment has been secular across tiers. The retail protection segment continues to grow well, with retail protection APE up 28% YoY in 9MFY25.

Margins

- The 140bp YoY decline in 9MFY25 was majorly due to a shift in the product mix toward ULIP. The implementation of surrender value regulations had an impact of 10bp in 9MFY25 (30bp in 3QFY25).
- A lag in repricing in 2QFY25 and better product margins, especially in ULIP, in 3QFY25 due to improvement in persistency led to sequential improvement in margins.
- A 100bp impact due to surrender regulations was expected, considering no changes in the commission structure. However, after successful discussions regarding the changes in the commission structure, management expects the impact to be around 20-30bp for FY25.
- Margins are expected to be in the similar zone or slightly better due to higher business in 4Q and no significant deterioration in the product mix.

Distribution

- Counter market share at HDFC Bank has been steady in the range of 65%. HDFC Bank channel grew 10% YoY.
- The company is focusing on achieving a profitable product mix for the bancassurance channel and optimal manpower to achieve growth through bancassurance.

- Mis-selling in bancassurance channel is lower than in other channels. The company is increasing tie-ups with other banks as well. An open architecture would increase choices for customers and widen the reach as well.
- Bank touchpoints are 10x of life insurance companies and the same can be used to improve the penetration of life insurance.
- The company is focusing on building a high-quality agency franchise. Protection business by the agency channel grew 2x compared to overall growth of protection (28%).
- Agency growth was at 19% YoY for 9MFY25, in line with organization growth, but lower growth was witnessed last year due to changes related to more than 0.5m product categories.
- Term contribution for agency channel is the highest, while ULIP contribution is lower. Growth has come back in the channel due to continued investments. The company added 35 branches to further boost expansion.

ICICI Lombard — Buy

Current Price INR 1,729

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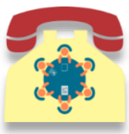

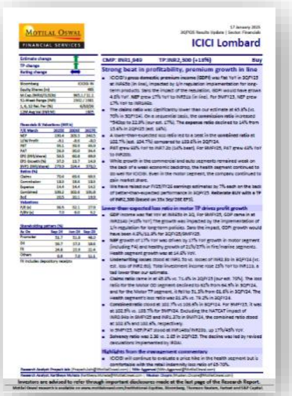

Business

- The benefits of "One IL One team" that was implemented over a year ago have started yielding results from the unified product and business practices.
- In terms of commercial business, sectors such as steel, cement and CVs have witnessed muted trends, along with slow government capex. Bank credit growth was also weak.
- Overall wholesale auto sales were weak, but retail sales picked up.
- The impact of 1/n regulation was on the health and other segments. Auto segment long-term business is already reported on a 1/n basis.
- The number of agents at the end of 3QFY25 stood at 140,777 vs. 133,683 at the end of 2QFY25.
- Solvency margins were impacted by 30bp owing to the impact of new regulations.

Health

- Slower credit growth led to lower growth in benefit-based products. The company follows a calibrated approach to the employer-employee segment given the pricing pressure.
- The health loss ratio was at 97.2% in the corporate health segment (vs. 93.1% in 3QFY24) and 65% in the retail health segment (vs. 66%). For 9MFY25, the loss ratio was at 97.2% in the corporate segment (vs. 93.1 YoY) and 65% in retail health indemnity (vs. 66%).
- ICICIGI will continue to evaluate a price hike in the health segment but is comfortable with the retail indemnity loss ratio of 65-70%.

Motor

- The industry combined ratio was at 113.2% in 1HFY25 vs. 111.9% 1HFY24, while for the motor segment, it was at 124.8% in 1HFY25 vs. 119.4% in 1HFY24.
- Competitive pressures in the motor segment have been easing as reflected in slower growth for some players. The company expects motor TP price hike to come through, but eventually the decision depends on MORTH and IRDAI.
- For the motor segment, growth in the new segment was 9.5%, while in the old segment, it was at 9.3% in 3QFY25.

Commercial segment

- In the commercial segment, while 3QFY25 witnessed lower incidences of CAT events, structurally they have been on the higher side. This would entail a higher price in the fire and other commercial segments over the medium term, especially in FY26 renewals.
- ICICIGI expects pricing to improve in the fire segment as companies adjust to the new reality of higher catastrophic events.

Financials

- The impact of 1/n has been passed on to distributors, which impacted few distributors. However, ICICIGI continues to push distributors to sell the product given its robust economic viability.
- The increase in the retention ratio was because of slower growth in health benefits, as under health indemnity, reinsurance is restricted to obligatory requirements. Also, corporate business, which has a higher level of reinsurance, has slowed down.
- ICICIGI continues to operate within the EOM regulations, and management alluded that it will choose to let go of the business rather than breaching EOM limits. Given the pressure on certain players, ICICIGI expects pricing correction in due course.
- EOM can see some upside risk from 1) investment for future growth, 2) shift of mix toward new businesses, and 3) increased share of retail health.
- From a guidance perspective, the erstwhile guidance had not factored in 1/n regulations. Also, commercial business had seen strong momentum until last year. This business has a much lower combined ratio. At the start of the year, ICICIGI expects the momentum to sustain. However, the business has slowed down in the segment.

ICICI Prudential Life — Buy

Current Price INR 576

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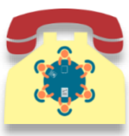

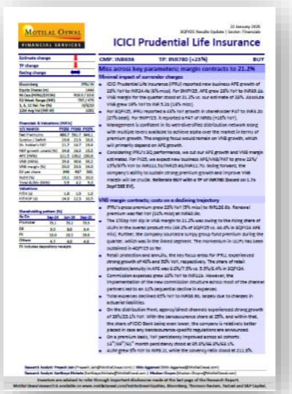

New Product launches

- The growing need for women-centric protection products led to the launch of IPRU Wish – an industry-first insurance plan providing cover for women-specific health conditions.
- A new term insurance product - IProtect Super was launched which offers a premium break facility where customers have the option to take a 12-month break from premium payments while keeping active coverage.
- In the ULIP segment, Ipru Signature was launched, offering a choice of four portfolio strategies.
- Cash flow as a benefit is getting popular and has been offered in a par guarantee product which has been successful for customers.

Product mix

- Linked business contribution increased due to continued traction in the ULIP segment driven by market buoyancy. The momentum in the ULIP segment has been continuing in the early days of 4QFY25 as well.
- A slowdown in the credit life business has been largely due to the ongoing challenges in the MFI segment, but the outlook is gradually improving. Credit life business contributed 38% of the protection business, within which MFI business contributed 45%.

- The key focus segments – protection and annuity contributed 42% of the new business.
- Group fund business is lumpy in nature and witnessed an uptick during this quarter.

VNB

- Product-level VNB margin has been stable and the company is working towards improving the margin.
- Well-diversified distribution network along with multiple levers will help in delivering some alpha on the market. The company endeavours to deliver APE through VNB growth.
- APE growth was 27% YoY but a mix shift toward lower-margin products adversely impacted VNB. However, compared to 1H, there has been a positive movement for 9M.
- The focus is on offering products as per customer's demand without any preference towards margins. Cost structures have to be aligned for products that are in demand to achieve operational efficiency.
- Cost ratios are on a declining trajectory. The sequential decline in costs has been around 10%.

Surrender value regulations

- Post surrender guideline changes, different partners have agreed to different structures aligned with their opex requirements and separate business models. Pending discussions will be over in a few weeks.

Channel mix

- Measures taken in the agency channel have resulted in significant growth for new advisor licensing. 25-30% of advisor activation was witnessed in the last nine months.
- Advisor stack was launched through Ipru Edge, which has been adopted well. Learning Academy for employees and advisors has also received a good response.
- Open architecture depends on the regulator but agency business in insurance is different compared to MF distribution, requiring a lot of training to enhance capabilities. Products can be copied but management of advisors will improve productivity.
- ICICI Bank's focus is on the protection line of business. Persistency is a measure of the quality of sales being done and that has been improving.

Life Insurance Corporation — Buy

Current Price INR 764

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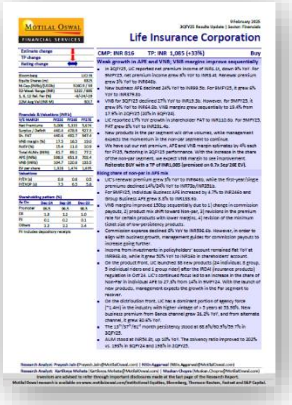
9MFY25 highlights

- The expense ratio was 13% in 9MFY25 vs. 15.3% in 9MFY24.
- Policies sold declined 7% YoY in 9MFY25.
- Renewal commission rates will be slightly higher going forward. Commission payouts will also increase, aligned with business growth.
- A better understanding of surrender value regulations and a wider product range will improve the growth trajectory.
- Management expects an improvement in VNB margins, driven by a shift in the business mix. Growth in the ticket size and the number of policies will boost APE growth.



VNB margin

- VNB margin was aided by a change in commission payouts, a product mix shift toward non-par, a revision in premium rates for certain lower-margin products, and a revision in the minimum ticket size for low-persistency products.
- Distributor incentives have been aligned with the surrender value regulations to maintain a high policy tenure.
- A new hedging mechanism was introduced in Jan'25 to maintain VNB sensitivity related to interest rates. Going forward, a combination of product mix shift and hedging through derivatives will be used to maintain margins.
- The cost of hedging will flow through the EV walk, and its impact will be visible in the sensitivity numbers from next quarter, as per management.
- Non-par margins declined YoY due to higher sales of ULIP and the impact of a decline in the risk-free rate on annuity products. However, strong growth in non-par business has compensated for this.

Product mix

- Following the introduction of new insurance product regulations, LIC has launched 38 fully compliant products as of Dec'24. It plans to launch more innovative products to expand its product range and enhance sales opportunities for agents.
- The non-par share in individual APE grew to 27.3% in 9MFY25 from 14% in 9MFY24, up 106.5%, driven by a focus on shifting toward the non-par business.
- The group business contributes to both revenue growth and VNB, and the company remains focused on this segment.

Channel mix

- Total agent count was ~1.4m as on Dec'24, reflecting market share of 47.4% (49.6% in 31 Dec'23).
- Policies sold by agency channel declined by 6.3% YoY. 90% of policies sold in 9MFY25 and 95% of new business premium came through agency channel.
- New business premium from banca channel grew 31.2% YoY, while from alternate channel, it grew 30.6% YoY. Share of banca and alternate channels increased to 5% in 9MFY25 from 4% in 9MFY24, with respect to new business premium.
- Policies sold through the app grew 23.9% YoY. The number of active agents grew 27.3% on the app.

Max Financial Services — Neutral

Current Price INR 1,048

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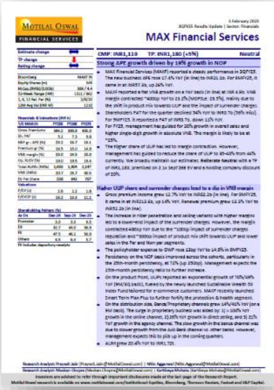
Business:

- The individual APE for 3Q grew at 25% outperforming the private market growth at 19% and overall industry growth at 25%
- Achieved highest ever rider attachment ratio of 45% vs 32% in 9MFY24 with Rider APE growing by 250% during 9MFY25
- Recently launched, the Smart Term Plan Plus offers seven flexible plan variants to further strengthen the protection and health segment.
- On the digital front, it launched a new edge product configurator, enabling do-it-yourself product setup and automated journey configurations, resulting in a reduction of product launch time by almost 50%.



- Axis Group's ownership in the AXIS Max Life Insurance declined to ~19.02% from 19.2%.
- The merger with Axis Group will further lead to penetration improvement in tier 2 and tier 3 cities with the number of policies to surge 1.5x of the current number.
- Approval is awaited for Section 35 and remains positive on the same.
- Persistency on NOP basis improved across the cohorts particularly in the 25th-month persistency at 72% improved by 250 bps. Management expects the 25th-month persistency ratio to further improve.

Product mix

- The future strategies for product mix rebalance as stated are: 1) customer centricity, 2) improving the market share and 3) focusing on profitability.
- Management guided product mix rebalancing by reducing the share of the ULIP segment in the mix by ~5-7 % and increasing the share of the non-par segment.
- The growth in the ULIP segment remained robust at 49% despite a decline in the capital markets. The share in the overall product mix has improved from 35% to 44%. Management has guided bringing down the ULIP share in the mix to the range of 35-40%.

VNB margin

- Margins contracted 400bp YoY on account of ~100bp impact due to surrender charges regulation and ~300bp impact due to product mix shift towards ULIP and lower sales in Par and Non-par segment.
- The increase in rider penetration and selling variants with higher margins led to a lower-end impact of the surrender charges.

Channel mix

- On the growth front, the proprietary channel will be the key focus area basis secular growth within online channel (>100% YoY growth), agency (21% YoY growth), and direct selling (26% growth).
- Successfully on-boarded 33 new partners during 9MFY25, i.e., three Banks including Indian Post Payments Bank, 15 GCL partners, seven online & offline brokers, and eight corporate agents.
- On the Banca channel, during the quarter, the growth rate from the Axis bank channel was lower than other banks. Management guided the growth rate to pick up in the coming year as new partners have been onboarded and the growth rate of existing partners further improves.

Guidance

- Management guided 20% growth in overall sales and a higher single-digit growth rate for VNB for FY25. Management guided to maintain margin in the range of 25%.

SBI Life Insurance — Buy

Current Price INR 1,470

SBI Life INSURANCE With Us, You're Sure

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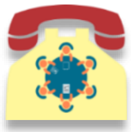
Distribution Channels:

- The APE channel mix for bancassurance/agency/other channels stood at 63%/28%/9%, respectively, for 9MFY25.
- The company is focused on building a stronger base in the Banca and Agency channels. For 9MFY25, the growth guidance on an IRP basis has been maintained at 15% (Banca channel currently growing at 10% and Agency




SBI Life Insurance

CMP: INR1,541 TP: INR1,900 (+23%) BUY

VNB margins in-line with estimates; guidance maintained

channel growing at 29-30%). This growth momentum is expected to continue through FY25.

- Over the last 12 months, the company has added ~75,000 new agents, bringing the total to 241,251 agents. The company will continue to add more agents.
- During the quarter, the company removed ~42,000-45,000 agents as part of a one-time initiative to improve productivity, leading to lower net additions.
- Individual NBP of the Agency channel increased 36% YoY to INR52.6b in 9MFY25 and Individual NBP of the Other channel increased 26% YoY to INR25.3b in 9MFY25.
- The Agency channel holds a 32% NBP share in the private market and a 36% share in NOPs.
- Agency channels continue to deliver a higher double digit growth in the non-par segment, especially in the non-par protection and non-par savings segments. Management guides for this momentum to continue in 4QFY25.
- Following the launch of Agent 2.0, agent productivity increased 19% YoY to INR0.3m from INR0.2m on an individual APE basis. Active agent productivity grew 16% YoY to INR1.7m, which was one of the best in the private industry.
- The agency channel enjoys better product mix and persistency compared to banca, and margins are not expected to contract from hereon.
- SBI productivity per branch, on an individual APE basis, improved to INR6.9m from INR5.5m, +9% YoY.
- More than 50k customers opted for protection through digital channels at SBIN.
- The company has ties with five banking partners, and the focus remains on maintaining strong relationships with all of them.

Product Mix:

- On the non-par side, the company launched the 'Smart Platina Supreme' product, which received a good initial response and is expected to maintain momentum going forward, subject to the interest rate. On the APE front, the company has collected >INR2.5b in the last 20 days. The margin profile on this product is better than the average margins on other products.
- The group segment has witnessed some headwinds, leading to an INR64b decline for group NBP in 9MFY25 vs INR82.4b in 9MFY24.
- The share of ULIP in the product mix grew 25% YoY, contributing to ~64% of the individual new business, on account of the equity market growth.

Business:

- The company has maintained its leadership position in Individual Rated Premium, reporting INR145.5b with a 25.3% private market share as of 9MFY25.
- NBP for 9MFY25 stood at INR262.6b, marking one of the highest-ever collections, despite the high benchmark set in previous quarters.
- The renewal premium saw a healthy 15% YoY growth to INR347.3b in 9MFY25, accounting for 57% share in the gross premium. Additionally, 97% of the premium was collected digitally.
- The individual new business sum assured grew 33% YoY to INR18.2b, reflecting strong growth in customer awareness.
- VNB margins contracted 46bp YoY to 26.9% in 3QFY25, due to a shift in the product mix toward the ULIP segment.

- The company sold ~1.6m new policies, accounting for a 24.6% share in the private market. It covered 18.4m new lives with sum assured at INR6.4t.
- The company sold ~73,000 individual protection product policies over the last four months on the YONO platform, with an increasing share of pure protection products being sold compared to written of premium products. Currently, the ROP: Renewal ratio stands at 67:33%, and the company aims to bring this to 60:40.
- While the company has made no changes in the commission structure, it has made a few adjustments in the benefit structure.
- The PAT for the quarter grew 71% YoY to INR5.5b, driven by an increase in investment income, supported by non-par products and a healthy 15% YoY growth in the renewal book.
- The total costs ratio stood at 10.2% as of 9MFY25 vs 9.9% as of 9MFY24. SBILIFE records one of the lowest cost ratios in the industry.
- Strong growth has been observed in the 13th month and 61st month persistency (based on premium) in 9MFY25, increasing 83bp and 521bp, respectively. This is attributed to the ongoing focus on improving the quality of business and customer retention.
- Robust solvency ratio of 2.04 was maintained as of Dec'24 against the regulatory requirement of 1.50, indicating the company's strong financial position.
- The company's mis-selling ratio stood at 0.03%, which was the lowest in the industry.

Guidance:

- The company has added 46 new branches over the last 12 months and plans to add additional 40 branches, expanding its presence to underpenetrated tier 3 and 4 cities.
- Management has guided for Individual APE growth to be maintained at 15-17%, with total APE expected to grow at 10-11%. The absolute VNB is projected to grow in the higher single digit to 10%, with VNB margins at ~27-29%.
- Management has guided for minimal impact on the ULIP segment, even with the market correcting since the last three months.
- Management has guided to further increase the number of agents as it pursues more branch expansions.

Star Health — Buy

Current Price INR 389

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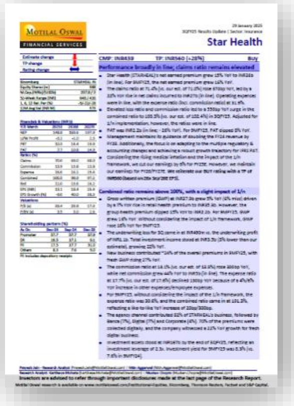
9MFY25 performance

- STARHEAL continues to dominate the retail health industry with a market share of 32.2% in 9MFY25.
- Excluding 1/n accounting impact, GWP grew 16% YoY and fresh GWP grew by 27% YoY. Fresh retail policies witnessed growth of 13% YoY.
- Excluding 1/n accounting impact, the expense ratio was at 30.6% while the combined ratio was at 101.3% (101.8% including 1/n impact).
- The retail health claims ratio was at 69.2% and the Group health claims ratio was at 90.4% for 9MFY25.
- The average sum insured grew 10% YoY to INR1.06m.



Operational Highlights

- For 3QFY25, claims retention rate was at 10.22%.
- Star Health has completed repricing of 65% of the retail health portfolio, the impact of which will be witnessed over the next few quarters.
- The price hike is driven by medical inflation. FHO price hike was done two years back and another was done this quarter. The impact of the same will be seen over the next 18-24 months.
- Group health constitutes only 4% of the overall portfolio focusing largely on SMEs and big corporates. The company is taking corrective measures to tackle the depleting claims ratio in this segment.
- 7% of growth was contributed by volume growth and 7% from value growth.
- Most of the regulatory and accounting changes have been done in 3QFY25 and Jan'25 has witnessed the impact of the same. However, no change has been witnessed in policies.

Distribution

- Agency strength increased to 761,000 agents with 19,000 agents added during the quarter. Agency activation has grown 13% YoY.
- Banca has been facing challenges on the PSU side. Banca contributed 8% to total business growing by 20% YoY. Star Health currently has 69 bancassurance partners.
- Digital channels contributed 8% of the business in 9MFY25.

Regulatory changes

- STARHEAL is already following the 1/365 method for URR, and thus, no significant impact of the new 1/n accounting framework is expected.
- Net acquisition cost will be deferred in line with policy tenure post-IFRS implementation. 1/n method is a partial move towards IFRS accounting.
- Star Health is operating below the requirement of EoM regulations, enabling the company to strategically focus on retail business expansion.

HEALTHCARE

- **In Healthcare, companies indicated sustained growth momentum in the chronic category of therapies in the DF segment, offset by the adverse impact of the weak season in acute therapies. Notably, the margins remained elevated due to lower raw material prices as per management. For the US generics space, management indicated that while price erosion is in mid-single to low-single digits for the base portfolio, the growth prospects are promising given their effort toward building a complex product pipeline. The overall filing pace has reduced due to the inclination toward limited competition products. Additionally, the companies indicated that they are building capabilities/ capacities towards GLP-1 products to position themselves for business opportunities FY26 onwards in many emerging markets. Further, the management teams indicated that the freight costs will moderate from their elevated levels as the geopolitical issue in the Middle East is over. In the CDMO space, the companies indicated that the increased inquiries due to the Bio-secure Act are yet to convert into businesses. On the hospital front, companies are implementing efforts towards adding beds and focusing on increasing the volumes. Some companies indicated the international patient flow was impacted due to political unrest in Bangladesh.**
- **Overall, the pharma space continues to witness tailwinds led by niche pipelines in the US and EU. Hospitals remain poised to benefit from the considerable demand-supply gap by not only adding infrastructure but also nurturing the doctor-nurse resources.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	Other key Updates
Aurobindo Pharma	▪ ARBP has guided an EBITDA margin of 21.5-22% for FY25. ▪ ARBP has completed remedial actions at Eugia and expects production to ramp up to 60-70% in 4Q, compared to the current capacity utilization of 45-50%. ▪ Overall biosimilar revenue for ARBP is expected to begin in FY26 onwards. ▪ ARBP reported an operational loss of INR600m related to Pen-G for the quarter. It expects to break even by Mar'25.	▪ Overall, 6-7 biosimilar products are expected to be commercialized in CY27. ▪ ARBP is working on the entire portfolio of GLP-1 peptides, with the device to be outsourced, in line with other industry players.
Cipla	▪ CIPLA aims to end FY25 with a higher-than-guided EBITDA margin of 24.5-25.5%. ▪ It has filed g-Advair from its US facility and expects a launch in 1HFY26, subject to USFDA inspection and approval. The company expects to launch g-Abraxane in 2HFY26, indicating some delay. ▪ Despite facing competition in g-Revlimid, CIPLA expects growth in FY26.	▪ Production of Lanreotide is down 60%, and CIPLA is trying to scale it up notably by Mar'25. The new capacity addition is expected to further improve the supply by 25% in FY26. ▪ CIPLA expects Symbicort approval in 18 months.
Dr. Reddy's Labs	▪ DRRD would file the abatacept biosimilar in Dec'25 for US markets. ▪ It expects steady growth momentum in the Russian market. ▪ DRRD indicated Canada, India, and Brazil will be the initial focus markets for Semaglutide over the next 12-18 months.	▪ It got CRL for Iron sucrose, implying additional queries to be resolved before approval. ▪ DRRD expects SGA expenses to be 28% of sales in FY25. It indicated R&D spending to be 8.5-9% of sales in FY25.
Gland Pharma	▪ Gland has the capability towards pen-side (40m per annum) as well as autoinjectors. ▪ Gland remains confident of EBITDA positive in FY26 for the Cenexi business. ▪ Commercial production of a new inactivated vaccine and an ophthalmic gel will ramp up gradually in CY25.	▪ Gland intends to add one more line to add 100m dosages per annum; capex is largely done. Some capacity would be commercialized in FY26 for the ROW/Canadian markets, but a majority of it would be started by end-FY27.
Sun Pharma.	▪ SUNP has reduced its guidance for R&D spending to sub-7% from 7-8% earlier. This is the second revision in R&D guidance by SUNP, due to further delay in clinical trials related to certain products in FY25. ▪ The trial related to Leqselvi is expected to start in Apr'25.	▪ Antibe's leading drug (otenaproxesul) is still under clinical hold as the USFDA wants further study for evaluation. ▪ SUNP expects the tax rate to rise in a couple of quarters due to the end-of-tax benefits.
Divi's Lab	▪ DIVI indicated logistics costs to be softening given the ease of geopolitical pressures and gradual return to the shorter route of the global supply chain. ▪ The company shifted to a new tax regime rate, owing to which the tax rate in 3QFY25 stood lower at 19%.	▪ Phase 2 of Kakinada will be commissioned in the next six months. ▪ Currently, the KSMs from Units 1 & 2 would be transferred to Unit 3, thereby freeing the capacity for newer projects to be manufactured at Units 1 & 2.

ajanta pharma

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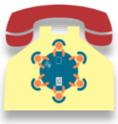

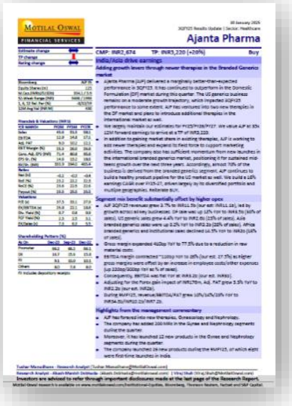

Ajanta Pharma — Buy

Current Price INR 2,792

- AJP has forayed into new therapies, Gynaecology and Nephrology.
- The company has added 200 MRs in the Gynae and Nephrology segments during the quarter.
- Moreover, it has launched 12 new products in the Gynae and Nephrology segments during the quarter.
- The company launched 26 new products during the 9MFY25, of which eight were first-time launches in India.
- At a base of 3,000+ MRs, the PCPM stood at INR3.5lacs during the quarter, excluding the 450 MRs added over the last six months.
- AJP launched nine new products during the quarter, bringing the total number of launches to 22 products in the Asian market in 9MFY25.
- AJP is well-positioned to sustain a low- to mid-teens revenue CAGR in the Asian market over the next three years, driven by new launches and market share gains.
- AJP launched seven new products during the quarter, bringing the total number of launches to 10 products in the African market during 9MFY25.
- African Institutional sales declined during the quarter due to lower procurements by global funds/institutional agencies.
- The company plans to file four more ANDAs in 4QFY25 for the US market.
- In FY26, the company expects healthy growth, driven by 6-8 launches, including 2-3 limited competition products in the US.

Alembic Pharma

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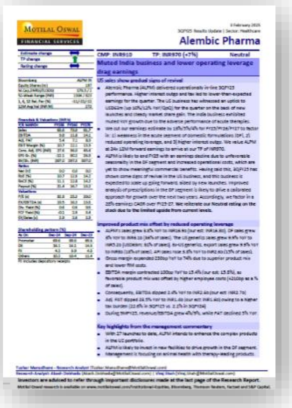
Results Update



Alembic Pharma — Neutral

Current Price INR 812

- With 27 launches to date, ALPM intends to enhance the complex products in the US portfolio.
- ALPM is likely to invest in new facilities to drive growth in the DF segment.
- Management is focusing on animal health with therapy-leading products.

US: Focus on expanding niche product pipeline

- In 9MFY25, ALPM's US business grew 9.9% YoY to USD175m, led by market share gains in a few products and the scaling up of the recently commercialized products.
- ALPM filed four ANDAs in 9MFY25 and received approval for 22 products in the US market. ALPM is investing more in complex injectables, ophthalmic, oncology, and inhalation products.
- It plans to launch more than five products in 4QFY25. Moreover, the launch of new products from the new facilities will drive growth in the coming quarters.
- Further, due to increased demand, ALPM is raising its capacity in oral solids to drive growth over the medium term.
- Considering the new launches of complex products and a scale-up in existing products, we expect a 15% sales CAGR to USD316m over FY25-27.

India: Weak show in Acute therapies affect overall performance

- In 9MFY25, ALPM's overall India business grew 5.8% YoY to INR18b. The growth was led by ~6-7% YoY growth in the specialty segment, largely driven by strong performance in gynaec/cardio/anti-diabetic/ophthalmology.

- In 9MFY25, ALPM's animal health segment registered a growth of 21.5% YoY to INR3.3b, led by strong brand recall and enhanced efforts by MRs.
- The acute segment registered a decline of 5.5% YoY in 9MFY25, led by a muted performance in the anti-infective and respiratory segments.
- In MAT Dec'24, ALPM's prescription base was stable at 128m. Additionally, the company plans to launch key products in FY25 and improve the depth of the products launched in FY24, which would drive growth.
- Accordingly, we expect a 10.2% sales CAGR to INR28.4b over FY25-27.

Alkem Labs — Neutral

Current Price INR 4,743

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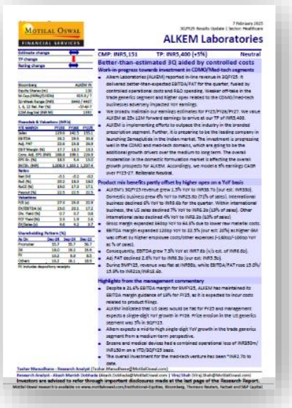
ALKEM Laboratories

- Despite a 21.6% EBITDA margin for 9MFY25, ALKEM has maintained its EBITDA margin guidance of 19% for FY25, as it is expected to incur costs related to product filings.
- ALKEM indicated that US sales would be flat for FY25 and management expects a single-digit YoY growth in FY26. Price erosion in the US generics segment was 5% in 3QFY25.
- Alkem expects a mid-to-high single-digit YoY growth in the trade generics segment from a medium-term perspective.
- Enzene and medical devices had a combined operational loss of INR350m/ INR150m on a YTD/3QFY25 basis.
- The overall investment for the med-tech venture has been ~INR2.7b to date.
- Management expects additional overhead expenses of INR200-300m in 4QFY25 due to the acquisition of new businesses and Enzene's US business.
- The company will launch a hip and knee replacement product in Dec'25. The market size of the same is INR24b in India. The company would manufacture around 2,400 units annually.
- Over the past couple of months, the PENG prices have gone up by 25-30%. The company expects to stabilize going forward.

India (71% of sales)

- The company expects that 4QFY25 YoY growth would be stronger, compared to earlier quarters.
- The company would be in the first wave of GLP-1 launches of Semaglutide.
- Volume growth during the quarter was 1.1% vs. IPM volume growth of 0.3%.
- The trade generic sales for 3Q were INR4.8b and on a YTD basis sales stood at INR13.8b.

US (19% of sales)

- ALKEM has an ANDA approval for Sacrubitril Valsartan. The generics market formation would start from Jul'25 and ALKEM would be in the first wave launch.
- Price erosion for the quarter was ~5% and the company expects mid-single price erosion in FY26.
- The company would file five more products in 4QFY25.

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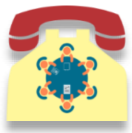

Apollo Hospitals — Buy

Current Price INR 6,419

- All the necessary regulatory approvals are in place for insurance products through Apollo 24/7. Three life insurance and three health insurance companies would be onboarded soon, and the business would be reflected from 4QFY25 onwards.
- APHS is working on the recalibrated cost structure for Apollo 24/7 and subsequently would indicate the growth prospects in this segment. INR9b-INR10b quarterly GMV would enable EBITDA to break even in Apollo 24/7.
- Pune, Kolkata, and Delhi would start in 1HFY26, followed by Gurgaon and Hyderabad in 2H. Expect Kolkata/Delhi to have an EBITDA break-even in 12M.
- About 50% of the bed expansion projects will be commercialized in FY26, and the remaining is likely to come in FY27. Pune, Kolkata, and Delhi would start in 1HFY26, followed by Gurgaon and Hyderabad in 2HFY26. Expect Kolkata/Delhi to have an EBITDA break-even within 12M.
- APHS expects 15-18% growth in AHLL, primarily driven by diagnostic growth with ~200bp EBITDA margin growth annually.
- APHS expects occupancy levels to rise to 72-73% in FY26/FY27 and anticipates 6-7% ARPOB growth moving forward
- International (ex-Bangladesh) revenue grew 19% YoY. The impact of revenue from Bangladesh was 1.5%. APHS, however, expects growth going forward with patients emerging from the Middle East, Africa, Indonesia, and Iraq.
- Pharma AOV in 3QFY25 stood at INR1,001.
- The west cluster has seen some moderation in CGHS patient flow in Ahmedabad. This will be offset by better execution at the Navi Mumbai Hospital.

Other operational highlights

Hospitals segment (50% of sales)

- Hospital EBITDA grew 14% YoY to INR6.7b. EBITDA margin improved 30bp YoY to 24.1%.
- ARPOB grew 8% YoY to INR 60,839. Effectively, the volume of patients treated grew ~5% YoY.
- Occupancy stood at 68% vs. 66% in 2QFY24.
- ALOS was flat at 3.3 days.

Healthco (offline/online pharmacy and Apollo 24/7; 43% of sales)

- Healthco posted EBITDA of INR566m vs. INR521m in 2QFY25.
- Platform GMV grew 11% YoY to INR7.6b (stable QoQ).
- Opened net 132 stores during the quarter, taking the total store count to 6,360. It added 330 stores on a YTD basis.

AHLL (7% of sales)

- Revenue/EBITDA grew by 15.3%/32% YoY to INR3.9b/INR342m.
- Revenue of primary care grew 17% YoY to INR1.1b.
- Revenue of specialty care rose 13% YoY to INR1.7b.
- The number of network collection centers increased 180 YoY to 2,221 centers.

Capex plans

- AHEL plans to add 3,512 beds over four years across 11 locations in India.

- It entered into a definitive agreement to build and operate a 500-bed hospital in Worli, Mumbai.
- It plans to add 200 beds to its Lucknow facility to a total bed capacity of 500 beds.

Aurobindo Pharma — Neutral

Current Price INR 1,136

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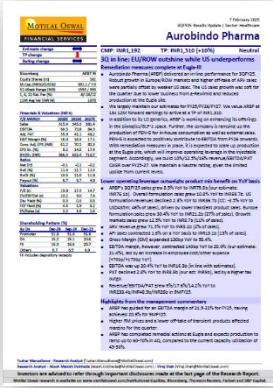

- ARBP has guided for an EBITDA margin of 21.5-22% for FY25, having achieved 20.9% for 9MFY25.
- Higher RM prices and a lower off-take of transient products affected margins for the quarter.
- ARBP has completed remedial actions at Eugia and expects production to ramp up to 60-70% in 4Q, compared to the current capacity utilization of 45-50%.
- Following the positive opinion by the European Medical Agency for filgrastim and long-acting filgrastim, approval is expected within 2M. Overall biosimilar revenue for ARBP is expected to begin in FY26 onwards
- Oral generics sales witnessed 4% YoY growth, led by volume gains and new launches.
- B-Xolair – There has been some delay in patient recruitment, but the number of sites for patient recruitment has increased.
- ARBP reported an operational loss of INR600m related to Pen-G for the quarter. It expects to break even by Mar'25. ARBP has manufacturing capacities across the value chain for Pen-G products.
- ARBP exhibited superior performance across geographies, driving 23% YoY growth in the EU.
- Overall, 6-7 biosimilar products are expected to be commercialized in CY27.
- ~30-35% of R&D is spent on biosimilars.
- ARBP is working on the entire portfolio of GLP-1 peptides, with the device to be outsourced, in line with other industry players.

Biocon — Buy

Current Price INR 337

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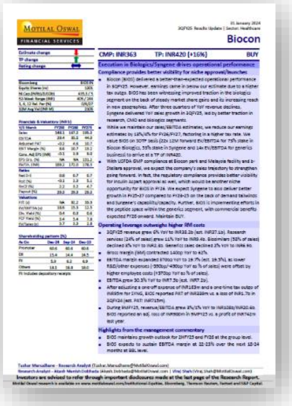
Segmental margins:

- EBITDA margin for Biocon Biologics stood at 21.3% (down 1220bp YoY/20bp QoQ).
- EBITDA margin for Syngene was 30.1% (up 290bp YoY/150bp QoQ basis).
- The generics business reported EBITDA margin loss of 2.8%, which improved from -52.4% YoY/-5.9% QoQ.

BBL (58% of total revenue):

- BIOS has guided for R&D expenses at 7-9% (as % of sales) over the next 18-24 months.
- It plans to launch bUstekinumab in US/EU market in Feb'25.
- The company has filed bDenosumab in the US, EU, Japan and other geographies. It expects to launch the product by early or mid-FY26.
- The growth in biosimilars would come from expansion in EU markets and tender wins in EM market.
- BIOS is witnessing volume growth and steady price erosion in the US market.
- It expects to launch five biosimilars in the US market and three globally.



- Geography-wise revenue share for NA:EU:EM is 45:30:25.
- The company is expanding its reach in the Mediterranean and UK-Nordics regions.
- Insulin Aspart remains a potential opportunity given no competition for the product.

Generics (17% of total revenue):

- The company expects mid-teen growth in FY26, driven by niche product launches like GLP-1, tacrolimus and other OSDs.
- In 4QFY25, BIOS plans to launch GLP-1 product in EU and UK markets and expects approval of GLP-1 in the US market in 2HFY26.
- BIOS has filed US DMF for Semaglutide. It has done bio-equivalence study in India and is ready to file in certain geographies. Approvals are expected by CY26 end.
- The OSD facility acquired by BIOS in Cranbury, US, has been qualified by USFDA. The site has three approved statin products, which are vertically integrated, and the company has started commercial supply of the product.
- BIOS has secured a contract from government agencies in the US for national supply of statin products recently.
- During the quarter, BIOS has filed two ANDA in the US market. It has received approval for seven products globally, including one for the US market.
- BIOS will file semaglutide product in Canada, Brazil, Mexico and other markets in 1QFY26. It has already filed DMF in the US market for semglutide.
- Initially BIOS will launch semaglutide from the CMO site; however, it is building semaglutide capacity for the US and EU markets, which will be commercialized in FY26.
- BIOS expects to file semaglutide in Canada in 1HFY26.

Syngene (24% of total revenue):

- SYNG expects revenue growth in FY25 to be in single digits, implying strong YoY growth in 4QFY25. SYNG indicated flat YoY PAT for FY25.
- SYNG has guided for a capex of USD60m for the year.
- ETR stood at 22.2% in 3QFY25 (vs. 19.3% in 3QFY24).
- Capex was USD34m (50% in Research Services and 25% of multi-modal facility (Unit 3) of Stelis Biopharma) for 9MFY25.
- Net cash was INR8.4b as of Dec'24.

Other key highlights:

- As of Dec'24, net debt stood at USD1.3b in BBL and USD100m in generics, whereas Syngene has net cash of USD100m.

Cipla
Caring for life

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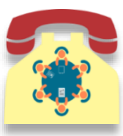

Cipla — Neutral

Current Price INR 1,464

- CIPLA aims to end FY25 with higher-than-guided EBITDA margin of 24.5%-25.5%.
- It has filed g-Advair from its US facility and expects a launch in 1HFY26, subject to USFDA inspection and approval. The company expects to launch g-Abraxane in 2HFY26, indicating some delay.
- Despite facing competition in g-Revlimid, CIPLA expects growth in FY26.

- Production of Lanreotide is down 60% and CIPLA is trying to scale it up notably by Mar'25. The new capacity addition is expected to further improve the supply by 25% in FY26.
- It added ~500 field force in the trade generics segment.
- CIPLA expects Symbicort approval in 18 months.
- It expects g-Revlimid sales to be stable in 4QFY25 as well.
- The company's efforts in DF segment have led to chronic share increasing to 61.5% as of 3QFY25 end.
- CIPLA's share increased to 21% in albuterol for the US market in 3QFY25.
- The company launched 13 products in multiple therapies in 9MFY25 for the South Africa market.

Divi's Lab — Neutral

Current Price INR 5,929

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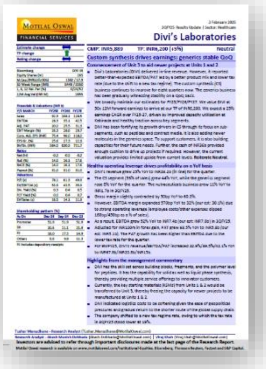

- DIVI has the skill set across building blocks, fragments, and the polymer level for peptides. It has the capability for solid as well as liquid phase synthesis, thereby providing multiple service offerings to innovator customers.
- Currently, the key starting materials (KSMs) from Units 1 & 2 would be transferred to Unit 3, thereby freeing the capacity for newer projects to be manufactured at Units 1 & 2.
- DIVI indicated logistics costs to be softening given the ease of geopolitical pressures and gradual return to the shorter route of the global supply chain.
- The company shifted to a new tax regime rate, owing to which the tax rate in 3QFY25 stood lower at 19%.
- Capacity utilization in 3QFY25 stood at 80%.
- DIVI commissioned Phase 1 of its Unit III at the Kakinada facility in Jan'25, with a total investment of INR 13.4B. Phase 2 of Kakinada will be commissioned in the next six months.
- Exports to Europe and the US stood at 72% of total revenue for 3QFY25.
- The generic-to-custom synthesis ratio stood at 48:52 for 9MFY25 and 47:53 for 3QFY25. This implies 44%/8% YoY growth in revenue of CS/generics for 3QFY25.
- The nutraceutical business is INR5.8b for 9MFY25.
- Cash balance as of Dec'24 stood at INR36b.

Dr Reddy's Labs — Neutral

Current Price INR 1,165

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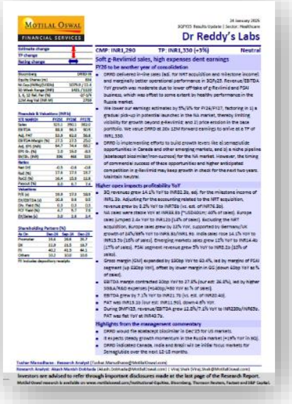
- 3Q revenues grew 14.1% YoY to INR82.3b, adj. for the milestone income of INR1.3b. Adjusting for the accounting related to the NRT acquisition, revenue grew by 8.2% YoY to INR78b (vs. est. of INR76.3b).
- NA sales were stable YoY at INR33.8b (~USD401m; 40% of sales). Europe sales jumped 2.4x YoY to INR12b (14% of sales). Excluding the NRT acquisition, Europe sales grew by 22% YoY, supported by Germany/UK growth of 24%/39% YoY to INR3.3b/INR1.9b. India sales rose 14.1% YoY to INR13.5b (16% of sales). Emerging markets sales grew 12% YoY to INR14.4b (17% of sales). PSAI segment revenue grew 5% YoY to INR8.2b (10% of sales).



- Gross margin (GM) expanded by 190bp YoY to 60.4%, led by margins of PSAI segment (up 830bp YoY), offset by lower margin in GG (down 60bp YoY as % of sales).
- EBITDA margin contracted 30bp YoY to 27.8% (our est: 26.8%), led by higher SG&A/R&D expenses (+140bp/+80 YoY as % of sales).
- EBITDA grew by 7.1% YoY to INR21.7b (vs. est. of INR20.4b). PAT was INR13.1b (our est: INR11.9b), down 4.6% YoY.
- During 9MFY25, revenue/EBITDA grew 12.8%/7.1% YoY to INR239b/INR65b. PAT was flat YoY at INR40.7b.
- DRRD is fully integrated to manufacture abatacept as well as semaglutide.
- It got CRL for Iron sucrose, implying additional queries to be resolved before approval.
- Price erosion in the base portfolio affected growth in the NA market in 3Q.
- DRRD expects SGA expenses to be 28% of sales in FY25. It indicated R&D spend to be 8.5-9% of sales in FY25.
- R&D expenses stood at INR6.7b (8.5% of sales).
- DRRD launched Toripalimab, the first and only immuno-oncology drug approved for the treatment of nasopharyngeal carcinoma in India.
- DRRD launched Elobixibat, a first-in-class drug to treat chronic constipation, under the brand name BixiBat, in India.

Eris Life Science — Neutral

Current Price INR 1,281

Eris POWER OF EMPATHY TRUTH OF SCIENCE

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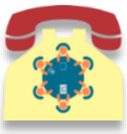

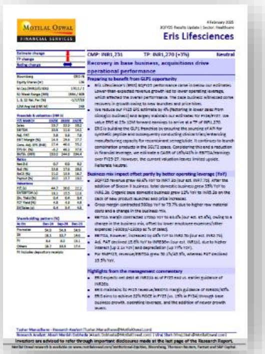

- ERIS expects net debt at INR21b as of FY25 end vs. earlier guidance of INR26b.
- ERIS maintains its FY25 revenue/EBIDTA margin guidance of INR30b/35%.
- ERIS aims to achieve 22% ROCE in FY25 (vs. 19% in FY24) through base business growth, operating leverage, and the addition of newer growth levers.
- ERIS expects its Bhopal facility to be operational from FY26 onward. Insourcing of vials will give benefits from 1QFY26. Subsequently, insourcing of cartridges would also drive margin expansion. ERIS targets EU-GMP and ROW market approvals.
- Brazil ANVISA inspection is expected in May'25 at its AMD unit.
- ERIS is launching new products (Dapagliflozin combination, sitaglitpin combination) in 4QFY25.
- ERIS has already launched certain Dapagliflozin combinations in 3QFY25.
- Liraglutide sales reached INR10m per month after its launch in Sep'24.
- ERIS would be conducting human trials related to Levim. The commercial launch is expected by CY26 end.

Gland Pharma — Buy

Current Price INR 1,500

GLAND PHARMA LIMITED

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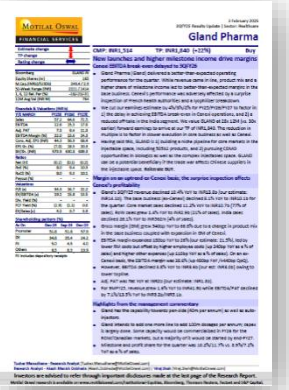
- Gland has the capability towards pen-side (40m per annum) as well as auto-injectors.
- Gland intends to add one more line to add 100m dosages per annum; capex is largely done. Some capacity would be commercialized in FY26 for the ROW/Canadian markets, but a majority of it would be started by end-FY27.

- Milestone and profit share for the quarter was 10.2%/11.7% vs. 8.9%/7.2% YoY as a % of sales.
- Cenexi's 3QFY25 production was affected by the surprise inspection of ANSM, the French health authority. The implementation of CAPA and summer shutdown is leading to a delay in EBITDA break-even to 3QFY26 vs. 4QFY25 earlier. Having said this, Gland remains confident of EBITDA positive in FY26.
- Milestone and profit share for the quarter was 10.2%/11.7% vs. 8.9%/7.2% YoY as a % of sales.
- Despite decent launches, the QoQ US sales have been stable due to lower off-take of Enoxa (12% down QoQ) and ketorolac.
- Commercial production of a new inactivated vaccine and an ophthalmic gel commenced in Dec'24, as anticipated, and will ramp up gradually in CY25.
- Gland has completed nine filings in the targeted portfolio of 19 complex products. Six of these are already launched, and three will be launched in due course. Additionally, 15 complex products are under co-development with MAIA Pharmaceuticals.
- R&D expense for the quarter is INR437m (4.3% of sales) for 3QFY25.
- Net cash stood at INR24b as of Dec'24.


Gland Pharma

Global Health — Buy

Current Price INR 1,149

GLOBAL HEALTH
Connecting Clinicians and Consumers

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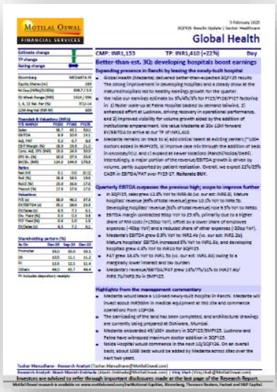
Global Health

- Medanta would lease a 110-bed newly-built hospital in Ranchi. Medanta will invest about INR500m in medical equipment at this site and commence operations from 1QFY26.
- The barricading of the land has been completed, and architectural drawings are currently being prepared at Oshiwara, Mumbai.
- Medanta onboarded 49/100+ doctors in 3QFY25/9MFY25. Lucknow and Patna have witnessed maximum doctor addition in 3QFY25.
- Noida Hospital would commence in the next 1Q/2QFY26. On an overall basis, about 1000 beds would be added by Medanta across sites over the next two years.
- Lucknow has seen a surge in patient volumes and revenue growth, partly on the back of empanelment with CGHS, railways, and other PSUs.
- The PPP business in Patna and the scheme business are affecting ARPOB at developing hospitals to some extent.
- The Ophthalmology Specialty has been added in 3QFY25 at Lucknow.
- Architectural drawings are currently under preparation for the hospital to be set up at Pitampura, New Delhi.
- Patna's capacity expanded by adding 28 ICU beds in 3QFY25.
- About 10% of patients belong to the scheme business, with the largest share coming from the Gurgaon facility. Lucknow scheme's patient share will be ~4-5%.

Other operating highlights

- Mature hospitals' revenue (69% of total revenue) grew 10.1% YoY to INR6.5b. EBITDA was INR1.6b during 3QFY25, while the margin dipped 30bp YoY to 25%.

- Developing hospitals' revenue (31% of total revenue) grew 9.5% YoY to INR3b. EBITDA was INR1b during the quarter, with a margin contraction of 150bp YoY to 33.8%.
- The company added 34 beds (six beds at Lucknow; 28 beds at Patna) in 3QFY25 to a total bed capacity of 3,042.
- In 3QFY25, ARPOB grew 1.2% YoY to INR61.3K due to a combination of tariff hikes in matured facilities and changes in the case mix across the group.
- International patient revenue grew 14.3% YoY to INR541m in 3QFY25.
- IPD/OPD volumes increased 13.2%/8.7% YoY during the quarter.
- Occupancy levels stood at 63.6% (vs. 64% in 3QFY24 and 64.3% in 2QFY25).
- ALOS stood at 3.23 days (vs. 3.3/3.2 days in 3QFY24/2QFY25).
- OPD Pharmacy revenue increased 21.4% YoY to INR290m.
- The share of cash and insurance in the payor mix declined from 85% in 3QFY24 to 82% in 3QFY25.

Granules India Buy

Current Price INR 532

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- GRAN indicated complete implementation of CAPAs at the Gagillapur site by Mar'25. GRAN is applying systemic changes from a regulatory perspective.
- The production at Gagillapur has started in a staggered manner from Oct'24.
- The near-term growth would be driven by new launches from the GPI site, which includes products under the CNS/ADHD segment.
- The company is working on 7-8 products under the oncology segment.
- GRAN has commissioned phase 1 of Genome Valley (2.5b dosage capacity). Phase II would be completed by 4QFY25 and validation activities would begin in 1QFY26.
- Freight, FTS, and professional expenses have gone up on account of the recent USFDA inspection, which has slightly affected the EBITDA margin.
- API prices have risen and stabilized at a new base, with further increases expected. However, high paracetamol inventory stocking is likely to result in flat API growth for 4QFY25.
- Gross borrowing at the end of 3QFY25 stands at INR10.2b.
- The increase in receivables is primarily led by increased sales for the quarter.
- R&D spending was INR568m in 3QFY25 (vs INR486m in 3QFY24).

IPCA Labs Buy

Current Price INR 1,469

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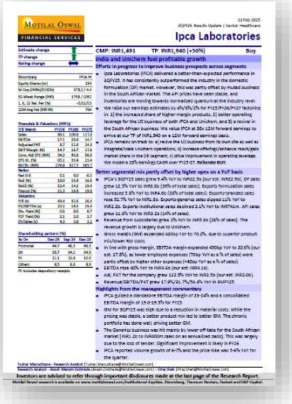
- IPCA guided a standalone EBITDA margin of 23-24% and a consolidated EBITDA margin of 19.0-19.5% for FY25.
- GM for 3QFY25 was high due to a reduction in material costs. While the pricing was stable, a better product mix led to better GM. The chronic portfolio has done well, driving better GM.
- The Generics business was hit mainly by lower off-take for the South African market (INR1.2b to INR400m sales on an annualized basis). This was largely due to the loss of tender. Significant improvement is likely in FY26.



- IPCA reported volume growth of 6-7% and the price hike was 5-6% YoY for the quarter.
- IPCA shipped four products and seven to eight products are in the pipeline for the US market.
- IPCA's Acute segment reported YoY sales growth of 8.7% vs. +6.0% for IPM in3Q. Cello
- IPCA posted a sales growth of 17.1% YoY for the Chronic segment vs. +9.7% for IPM in 3QFY25.
- Backward integration, using IPCA API for Unichem formulation, to start reflecting in a couple of quarters.
- API segment has scope to grow 8-10% YoY. The Dewas facility started and running at 30-35% capacity utilization.
- Unichem – 3 / 4 product launches can be expected on an annual basis for the next 4-5 years. Unichem would not need any further formulation capacity expansion over the next 4-5 years. IPCA would also file 5-6 ANDAs every year going forward.
- The Zerodol portfolio continues to grow well. However, it was offset partly by subdued growth in anti-malaria, infective, and cough & cold.
- IPCA's MR strength stood at ~6,700 in 3QFY25 (vs. 6,300 in 3QFY24) with per month MR productivity of INR0.45m in 9MFY25 vs. INR0.43m in 9MFY24. Going ahead, the company expects per month productivity improvement of INR25-30k
- Expected to add 300MR in the cardiology segment and add one more division indermatology/cosmetology to sustain industry outperformance in the DF segment.
- ETR- 27-28% for FY25.

Laurus Labs — Buy

Current Price INR 546

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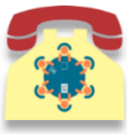

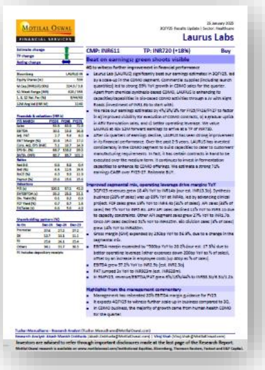

- Management has reiterated 20% EBITDA margin guidance for FY25.
- It expects 4QFY25 to witness further scale-up in business compared to 3Q.
- In CDMO business, the majority of growth came from human health CDMO for the quarter.
- Laurus Bio has signed a definitive agreement to raise INR1.2b equity investment from Eight Roads Ventures and F-Prime Capital. It is investing additional INR400m in this JV, which is building a 400KL fermentation facility in Vizag by CY26 end.
- Tech transfer for KRKA JV is on track; full expanded formulation lines to come online by Dec'25.
- FY26 may see healthy traction in animal health CDMO segment.
- ARV formulation business was INR3b for the quarter.
- ND at the end of 3QFY25 was INR27b.
- API growth prospects to be better going forward on the back of new products.

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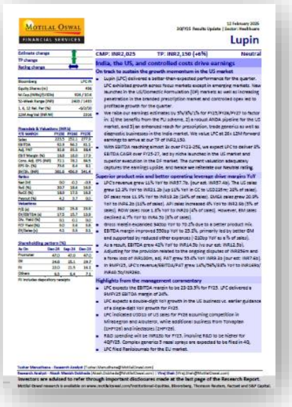

Lupin — Neutral

Current Price INR 1,977

- LPC expects the EBITDA margin to be 23-23.5% for FY25. LPC delivered a 9MFY25 EBITDA margin of 24%.
- LPC expects a double-digit YoY growth in the US business vs. earlier guidance of a single-digit YoY growth for FY25.
- LPC indicated USD1b of US sales for FY26 assuming competition in Mirabegron and Albuterol, while additional business from Tolvaptan (1HFY26) and injectables (2HFY26).
- R&D spending will be INR18b for FY25, implying R&D to be higher for 4QFY25. Complex generics 5 nasal sprays are expected to be filed in 4Q.
- LPC filed Ranibizumab for the EU market.
- LPC is readying itself for the Semaglutide business opportunity and would be in the first wave of launches in Canada, India, and other international markets for injectables. It is developing oral solids internally.
- The expected ETR for FY25 to be ~21-22%
- In M&A, the company's main focus would be India and its Specialty portfolio and then the US generic markets.

US market (38% of sales)

- FY26 would have potential launches like g-Tolvaptan, g-Glucagon, g-Liraglutide, and g-Risperdal-consta in the US market.
- LPC hopes to receive 30-40% market share in Tolvaptan based on the partnership established with channel partners. It expects 2-3 additional players in this product post-exclusivity.
- Risperdal-consta will be manufactured at CMO in the Netherlands and the site will be inspected without any USFDA classification.
- The company plans to file Ranibizumab in the US in the coming quarters.
- The flu season is picking up in the US, which would benefit the respiratory portfolio during 4QFY25.
- The company expects that g-Etnercept to be an FY29 opportunity.
- From FY27, the company would file many green propellant products in the US market including NDA products in respiratory therapy.
- LPC expects to continue to sell g-Mirabegron at risk. LPC has witnessed an increase in market share as well in this product.
- LPC working on the Respiratory platform, and injectables (Robust pipeline of peptide, iron colloid, depot, liposomal, and 505(b)(2) injectable products in development).
- The company expects that Suprep's market share to increase above 40% in FY26. The current TRx and Rx market share for Suprep is 50%+ and 40%+.
- The company witnesses low-single-price erosion in the base business during the quarter.

India Market (34% of sales)

- Innovative products, 10K MRs, and in-licensed products to drive IPM outperformance in the Indian market.
- The Rx growth during the quarter is 5.8% YoY and for 9MFY25 is 9.1% YoY.

- For Semaglutide the company would outsource the manufacturing of injectables to its partner. Further, it has an additional capacity at Nagpur to scale up manufacturing, if required.

EMEA Market (11% of sales)

- The company expects a growth of 21% led by market share gains in key products like luforbec and expansion in new markets.

Mankind Pharma — Buy

Current Price INR 2,364

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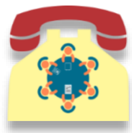

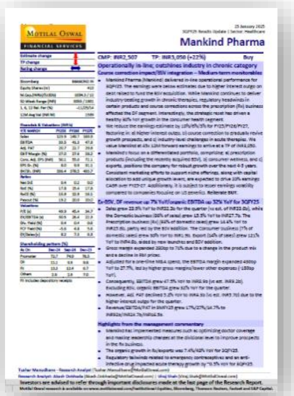
Mankind Pharma

- Mankind has implemented measures such as optimizing doctor coverage and making leadership changes at the divisional level to improve prospects in the Rx business.
- The organic growth in Rx/exports was 7.4%/43% YoY for 3QFY25.
- Regulatory tailwinds related to emergency contraceptives and an anti-infective drug impacted acute therapy growth by ~0.5% YoY for 3QFY25.
- The overall cost of debt for INR67b stands at 7.9-8%. The interest cost for 4QFY25 is expected to be ~INR1.8b.
- Mankind signed an in-licensing deal with Innovent Biologics to introduce Sintilimab, an anti-cancer PD-1 immunotherapy, in India.
- Ex. BSV, Mankind's field force increased from 16,043 in Mar'24 to 16,570 in Dec'24.
- In 3QFY25, volume/price/NI growth were -1%/3%/3%, respectively. For 9MFY25, the growth stood at 1%/4.4%/2.6%.
- The Panacea transplant business grew at ~20%, while Glizid is growing at 25%+.
- The company is restructuring BSV's Rx business i.e. merging into Mankind. Ongoing initiatives related to this restructuring have led to softer growth in the Rx segment.
- Mankind expects single-digit revenue growth for BSV in FY25, followed by 15%+ growth in FY26 with margins of 26-28%. Over the next 2-3 years, margins are projected to reach ~30%.
- DMF grade SKUs increased to 215 in Dec'24 from 150 in FY24, with ~90% of medicines in the chronic segment.

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Max Healthcare — Buy

Current Price INR 1,019

- Max Dwarka recorded INR590m revenue and a loss of INR50m in 3QFY25. It achieved breakeven within six months of launch in Dec'24.
- MAXH plans to commission its 500-bed "built-to-suit" Thane hospital by CY28, with an investment of INR3m per bed. ARPOB is expected at INR80- 85K, with a 15-year lease agreement.
- Max Lucknow added 128 beds, with 64 commissioned in Jan'25 and the rest in Feb'25. Further, the company plans to add another 140 beds in FY26.
- MAXH plans to add 115 beds at its Nagpur facility, with project completion expected in the next 24 months. Currently, RoCE stands at 10-11%, with a target of 25%.
- 268 beds at Max Nanavati are scheduled to be completed by end-FY25.
- MAXH expects 400-bed Max Smart, Saket, and 155-bed Mohali facilities to be commissioned in 1QFY26.
- By 3QFY26, 300 beds at the Sector 56 Gurgaon hospital are likely to be completed.
- Phase 1 of the 267-bed hospital at Patparganj is projected to be completed by 2QFY26.
- Management expects a delay at the 415-bed Vikrant Saket Hospital owing to the ongoing litigation regarding cutting trees in the eco-sensitive zone without approval. The next set of ~500 beds at the Saket complex would be commercialized by FY28.
- In the next 30 months, 400 beds at Zirakpur, Mohali are expected to be completed. ARPOB is expected to be INR60-65k.
- Capex for 9MFY25 stood at INR7.9b. In the next 3-4 months, Max plans INR5-6b of capex towards brownfield expansion.
- MAXH expects a price increase on the institutional side of the business in the next 2-3 months.
- The company's Net Debt/EBITDA ratio's upper limit is 2.5x, while its current Net Debt/EBITDA stands at 0.7x.

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Piramal Pharma — Buy

Current Price INR 200

- The company has reiterated its guidance for FY25 revenue/EBITDA growth in early-teens.
- PIRPHARM aims to double its revenue by FY30 with ~25% EBITDA margins.
- The net debt-to-EBITDA ratio for 3QFY25 stood at 2.8x.
- Continued traction in the on-patent commercial manufacturing and generic API business in CDMO segment.
- CY24 biotech funding improved over CY23, enough to replenish biotech cash burn but not enough to accelerate R&D spends in CDMO segment.
- Cost optimization initiatives in the areas of sourcing, manufacturing, distribution, and operational excellence, showing results in CHG segment.
- Capacity expansion at Dahej and Digwal underway to capture Inhalation Anaesthesia (IA) opportunities in the RoW markets.

- PIRPHARM is investing in Differentiated and Specialty Products - 505(b)(2)'s, Complex generics, Differentiated generics, Branded products to enable long-term growth.
- In ICH business, growth in i-range was adversely impacted by regulatory mandated price reductions.
- Overall biotech funding has improved over the last one year; however, the same remains uneven due to current volatility and uncertainty in the market.

Sun Pharma — Buy

Current Price INR 1,678

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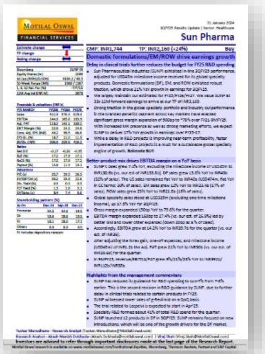

- SUNP has reduced its guidance for R&D spending to sub-7% from 7-8% earlier. This is the second revision in R&D guidance by SUNP, due to further delay in clinical trials related to certain products in FY25.
- SUNP witnessed lower sales of g-Revlimid on a QoQ basis.
- The trial related to Leqselvi is expected to start in Apr'25.
- Specialty R&D formed about 41% of total R&D spend for the quarter.
- SUNP launched 12 products in DF in 3QFY25. SUNP remains focused on new introductions, which will be one of the growth drivers for the DF market.
- Antibe's leading drug (otenaproxesul) is still under clinical hold as the USFDA wants further study for evaluation.
- During the quarter, the growth in specialty business from the US and non-US geographies stood at 50:50 excluding milestone income.
- The volume and new prices contributed to 50-55% of the growth of the DF business, while the remaining growth was contributed by price hikes during 3Q.
- SUNP had 14K MRs at the end of 9MFY25.
- Recognition of certain grants led to higher other operating income for the quarter.
- The US generics sales have been stable on ex-Revlimid, and ex-Taro basis.
- SUNP launched four generic products in the US business during the quarter.
- SUNP expects the tax rate to rise in a couple of quarters due to the end-of-tax benefits.

Torrent Pharma — Neutral

Current Price INR 3,117

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- TRP would commence the dispatches of insulin CMO sales in Jan'25. 4QFY25 would witness additional business due to the spillover from the earlier quarter.
- TRP aims to maintain 32.5% EBITDA margin in 4QFY25.
- It has about 20 products under ANVISA review for the Brazil market.
- The company expects high-single-digit YoY growth in Germany revenue in
- FY25, led by incremental tender wins.
- DF revenue growth was led by 8%/2.5%/1.5% growth in price/new launches/volume. At the therapy level, cardiac, diabetes and CNS continued to drive overall growth for the company.


Torrent Pharma

- TRP added 200/500 MRs in India during 3QFY25/9MFY25.
- During the quarter, the USFDA has issued an EIR with a VAI classification for the manufacturing facility at Pithampur, Madhya Pradesh.
- TRP has 26 ANDAs pending for approval at the end of 3QFY25.
- From next year, the company is entering the new tax regime, hence the new tax rate will be 25%.

zydus Dedicated To Life

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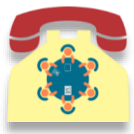
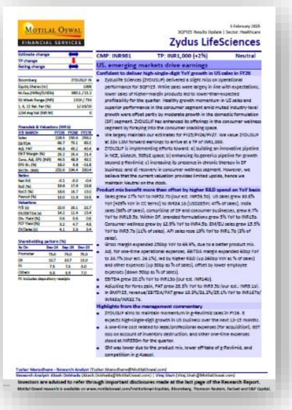



Zydus LifeSciences

Zydus Lifesciences — Neutral

Current Price INR 891

- ZYDUSLIF aims to maintain momentum in g-Revlimid sales in FY26. It expects high-single-digit growth in US business over the next 12-15 months.
- A one-time cost related to legal/professional expenses (for acquisition), GST loss on account of inventory destruction, and other one-time expenses stood at INR950m for the quarter.
- GM was lower due to the product mix, lower off-take of g-Revlimid, and competition in g-Asacol.
- Better off-take in base business, more number of contracts, Mirabegron sales and new launches led to stable US sales QoQ, despite lower g-Revlimid sales.
- There is scope for one more competitor in g-Asacol once CGT exclusivity expires.
- The USFDA has accepted for filing and granted a priority review to an NDA for CUTX101, a copper histidinate product candidate for treatment of Menkes disease. ZYDUSLIF is ready for the commercialization of CUTX-101 after USFDA approval. CUTX101 is for chronic treatment.
- The emerging market witnessed healthy growth on the back of superior execution. There is scope for achieving 23+% EBITDA margin in this segment over the next couple of years.
- ZYDUSLIF would be in the first wave of launches in India for Semaglutide as well as in other markets. In addition to in-house manufacturing, it has a second source as well.
- India business witnessed moderate 5% YoY growth due to a high base of 3QFY24. Its chronic portfolio accounted for 42.4% of sales in 3Q, as per IQVIA, up 370bp over the past three years.
- ZYDUSLIF entered into an agreement with CVS Caremark to add ZituvioTM, Zituvimet TM and Zituvimet TM XR tablets to its formulary. The products were added to the formulary from Jan’25.

LOGISTICS

- **In the logistics sector, demand remained subdued in 3QFY25, primarily due to a slowdown in consumption, high inflation affecting MSME customers, and weaker e-commerce volumes. E-commerce and express logistics companies experienced sluggish growth during the quarter, driven by muted volumes and intense competition. However, multi-modal logistics companies outperformed pure-play freight operators and express logistics providers. Management expects operational performance to improve in FY26, supported by lower fuel costs and stable operating expenses. Over the long term, companies remain optimistic about sector growth, fueled by e-way bills, GST implementation, the expansion of Dedicated Freight Corridor (DFC) routes, and improved connectivity to major ports, which are likely to drive a shift towards the organized sector.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	Highlights – 3QFY25
Adani Ports & SEZ Ltd	■ During FY25, cargo volumes are expected to range from 460 to 480MMT, with revenue projected to be between INR290b and INR310b. ■ EBITDA guidance has been revised upwards and is estimated to be in the range of INR188b-INR190b, with a net debt-to-EBITDA ratio of 2.2-2.5x. ■ The company is targeting higher market share in key commodities (e.g., iron ore and fertilizer). India's total port capacity is expected to reach 10,000 MTPA by 2047, from the current 2,500 MTPA.	■ Adani Ports & SEZ (APSEZ) reported a revenue growth of 15% YoY to INR79.6b in 3QFY25. Cargo volumes grew 4% YoY to 113mmt. The growth was primarily led by containers. ■ EBITDA margin came in at 60.3% in 3QFY25 (-20bp YoY, -150bp QoQ). EBITDA grew 15% YoY to INR48b), while APAT increased 14% YoY to INR26.7b. ■ During 3QFY25, port revenues grew 8% YoY to INR59.9b. Port EBITDA margins stood at 73% in 3Q FY25 (+200bp YoY). Logistics revenues grew 31% YoY to INR6.9b. EBITDA margins in the logistics business stood at 23% in 3Q FY25 (28% in 3QFY24).
JSW Infrastructure	■ Cargo growth of 10% is expected in FY25. ■ Capacity utilization averages between 65-70%, with long-term growth supported by ongoing capex to reach a 400 MMT capacity by FY30. ■ Management is targeting a revenue of INR80b, an EBITDA of INR20b, and it aims to undertake a capex of INR90b for building the logistics infrastructure under JSW Ports Logistics. ■ The effective tax rate for FY25 will be ~25%.	■ The 3QFY25 results are not comparable with those of the corresponding periods due to the integration of Navkar Corporation Ltd. ■ JSWINFRA's consolidated revenues grew 26% YoY to INR11.8b. During 3Q, the company handled cargo volumes of 29.4m tonnes (+5% YoY). ■ EBITDA grew ~22% YoY to INR5.9b. EBITDA margin was 49.6% and was lower by ~150bp YoY/~240bp QoQ. APAT grew ~43% YoY to INR4.4b. Lower tax outgo drove APAT. ■ The share of third parties in the overall volumes stood at 49% in 3QFY25 vs. 39% in 3QFY24.
Container Corporation	■ CCRI is experiencing strong demand in both EXIM and domestic segments. It is targeting a handling volume of 5m TEUs in FY26. ■ CCRI has increased its capex budget by 40% to INR8.6b for FY25, up from the previous estimate of INR6.1b. Out of this, INR4.4b has already been spent in 9MFY25. ■ LLF for FY25 is expected to be INR3.5b (vs. INR3.7b in FY24).	■ Revenues were flat YoY at INR22b during 3QFY25. Total volumes grew 12% YoY to 1.3m TEUs, with EXIM/Domestic volumes at 0.97m/0.3m TEUs, respectively (+8%/+25% YoY). ■ Blended realization declined ~11% YoY to INR17,138/TEU. EXIM/Domestic realization stood at INR14,245/INR26,254 per TEU, respectively (-10%/-15% YoY). EBITDA margins came in at 20.8%. EBITDA declined ~10% YoY. ■ Lower depreciation offset the miss in operational performance, which led to an APAT of INR 3.4b. ■ LLF for 9MFY25 stood at INR2.6b (1.7b in 1HFY25).
Transport Corporation	■ In FY25, the company expects revenue/PAT growth of 10%/15% YoY with capex to the tune of INR 2.5b. ■ The company aims for 40% LTL penetration by FY26, with a continued focus on network expansion, including the opening of 32 new branches. ■ TRPC maintains a net debt-free position, with cash reserves of INR6-7b and debt of INR1b.	■ Revenue grew 14.5% YoY to ~INR11.5b in 3QFY25. EBITDA margin came in at 10.3%, up 40bp YoY. EBITDA increased 19% YoY to INR1.2b, while APAT grew 27% YoY to ~INR1b. ■ Supply chain revenues grew 14.8% YoY, while the freight and seaways divisions reported ~19%/9% YoY growth. ■ EBIT margin for the freight /supply chain/seaways divisions stood at 2.4%/6.1%/32.7% in 3QFY25. EBIT margin for the freight/supply chain businesses contracted by 70bp/40bp YoY, while EBIT margin for the seaways business expanded by ~1100bp YoY.

Blue Dart Express	▪ A price hike was announced in Jan'25, and its actual impact will become evident in the next quarter's results. ▪ Capex for CY24 stood at INR 622m, significantly lower than the budgeted INR13b. This reduction was influenced by both internal and external factors, including market demand.	▪ Blue Dart Express (BDE)'s revenue grew 9% YoY to INR15.1b. The company handled 0.34m tons of cargo volumes (+12% YoY) in 3QFY25. ▪ The realization dipped 2% YoY to INR42.1/kg. It carried 96.6m shipments in 3Q. ▪ EBITDA margin stood at 9.7%. The margins remained flattish YoY but saw a 130bp improvement QoQ. ▪ PAT declined 3% YoY to INR791m.
Mahindra logistics	▪ MLL has seen improvement in volumes in Jan'25. Seasonal challenges and pricing competition continue to pose short-term hurdles. ▪ Management remains focused on expanding retail volumes, enhancing partnerships, and launching new offerings. ▪ The B2B express business is expected to achieve EBITDA breakeven in the next two quarters. ▪ MLL aims for revenue of INR100b and an RoE of 18% by FY26, with a focus on growing the 3PL business in the mid-teens.	▪ Mahindra Logistics (MLL)'s revenue grew ~14% YoY to INR15.9b in 3QFY25. ▪ EBITDA margin came in at 4.6% (+90bp YoY and +20bp QoQ). EBITDA rose 41% YoY to INR737m. ▪ Adjusted net loss narrowed to INR90m in 3QFY25 from INR212m in 3QFY24. ▪ Supply Chain management recorded revenue of INR15.1b (+15.5% YoY) and EBIT loss of INR18.8m. Enterprise Mobility Services (EMS) reported revenue of INR781m (-6.9% YoY) and EBIT of INR7.6m.
TCI Express	▪ Despite industry challenges, Jan'25 witnessed a volume recovery. TCIE plans to expand its branch network and invest INR5b in automation and infrastructure by FY27. ▪ The multimodal express segment is expected to contribute 20-22% of revenue, with long-term growth outpacing real GDP. ▪ By FY26, the company plans to establish 7-8 fully automated centers. Each of these centers requires a capex of ~INR500m to achieve full automation.	▪ TCIE's 3QFY25 revenue decreased 5% YoY to ~INR3b, while volumes declined 3% YoY. Volumes were hit by slower growth in the manufacturing, automobiles, and consumer durables sectors. ▪ Volumes stood at 0.24m tons (-3% YoY), while realization was INR12,226 per ton (down 2% YoY). ▪ EBITDA came in at INR289m, with a margin of 9.8%. ▪ TCIE faced cost pressures in its Air Express division along with slower growth in key sectors. In line with weak operating performance, TCIE's APAT dipped 40% YoY to INR192m.
VRL Logistics	▪ In FY26, VRL anticipates an overall revenue growth of 12-13%, with a more balanced volume growth pattern likely to emerge after 1QFY26. Beyond 1QFY26, volume growth is expected to return to 8-10%. ▪ Management expects to sustain EBITDA margins at around 18% in FY26, along with projected revenue growth of 12-13%. ▪ VRL will also continue to focus on bulk fuel purchases, which currently provide a cost advantage of INR5-6 per liter.	▪ VRL's 3QFY25 revenue grew 12% YoY (+3% QoQ) to ~INR8.3b. Volumes inched up 1% YoY to 1.1m tons, while realizations improved 11% YoY. ▪ EBITDA margin stood at 20.2%. The margins were supported by the price hikes. Further, the fuel costs as a % of revenue declined as the company procured more from refineries. EBITDA jumped 76% YoY to INR1.7b in 3QFY25. APAT increased to INR594m in 3QFY25 from INR 137m in 3QFY24. ▪ Net debt rose to INR4.65b at the end of Dec'24 (INR2.6b at FY24 end).

adani Ports and Logistics

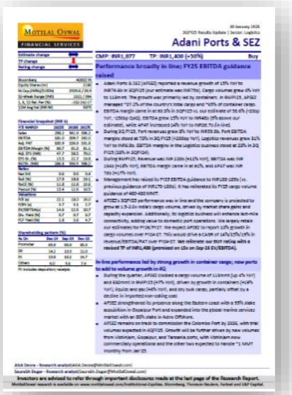
Adani Ports & SEZ — Buy

Current Price INR 1,081

Operational highlights

- APSEZ domestic cargo volumes grew 4% YoY to 113mmt. APSEZ clocked 332mmt (+7% YoY) cargo volume in 9MFY25 led by growth in containers (+19% YoY), liquids and gas (+8% YoY) and dry and dry bulk cargo (iron ore, limestone, minerals, coking coal, etc.), partially offset by the decline in imported non-coking coal.
- In 3QFY25, port revenue rose 8% YoY to INR59.9b and the EBITDA margin stood at 73% (+200bp YoY). Logistics revenues grew 31% YoY to INR6.3b and EBITDA margins stood at 23% (vs. 28% in 3QFY24).
- The net debt-to-EBITDA ratio stood at 2.1x from 2.3x in Mar'24. As of Dec'24, gross debt was INR450b, net debt was INR 380b, and short-term debt was INR23b
- In 9MFY25, APSEZ managed ~27.2% (up from 26.5% in FY24) of the country's total cargo and ~45.2% of container cargo (up from 44.2% in FY24).

Click below for Results Update



- Of the INR 75b capex in 9MFY25, 20% was allocated to non-port investments, while the rest focused on ports.
- Container volumes grew 14-15% YoY in 9M FY25, outpacing the 7-8% growth in all-India container volumes, leading to market share gains.
- The trucking business operates at ~10% margins, while traditional logistics had 28% margins in 3Q FY25. The introduction of new services like trucking has impacted logistics margins YoY, but the segment continues to grow.
- Focus continues to be a transport utility with Logistics being an integral part of the business.

Port vertical

- APSEZ completed the acquisition of a 95% stake in Gopalpur Port, enhancing its presence along the Eastern coast of India. As a deep-draft, a multi-cargo port plays an important role in supporting the growth of mineral-based industries in its hinterland.
- Completed acquisition of 80% stake in Astro Offshore group. This investment is in line with the company's strategy to increase its footprint in the global marine service market.
- APSEZ remains on track to commission the Colombo port by 2026 and expects trial volumes in 4Q.
- New volumes from Vizhinjam, Gopalpur, and Tanzania ports will further boost growth. Vizhinjam port commenced commercial operations, post extensive trials. Tanzania and Gopalpur ports are expected to handle ~1 MMT of monthly volumes from January 2025.
- Adani Ports aims to expand its market share over the next five years through both organic and inorganic growth.
- The company is leveraging its port network to drive growth in the logistics business and will invest in ICDs, warehousing, and trucking expansion.
- Domestic port acquisition opportunities are limited, but the company remains open to opportunities as they arise.
- Lower margins at Krishnapatnam and Gangavaram were due to lower coal volumes, but business at Gangavaram is ramping up.
- Gopalpur handled 1.3 MMT, with higher revenue due to other income sources; normal realizations are expected to return.

Logistics business

- Logistics revenue grew 31% YoY to INR6.9b. EBITDA margin stood at 23% in 3QFY25 (28% in 3QFY24).
- The total number of rakes at the end of Dec'24 increased to 132 (127 rakes at the end of Mar'24).
- The total warehousing capacity at the end of Dec'24 expanded to 3.1m sq. ft.
- Started Trucking Management Solution (TMS), a technology platform that acts as a transformational marketplace plus fulfillment solution to streamline the supply chain for customers.

Guidance

- During FY25, cargo volumes are expected to range from 460mmt to 480mmt, with revenue projected to be between INR290b and INR310b.
- EBITDA margins for international operations are expected to remain around 30% (USD).

- Management has raised its EBITDA guidance for FY25 to INR 188-189b (earlier guidance was INR 170-180b) with a net debt-to-EBITDA ratio of 2.2-2.5x. The increase is despite no change in the tonnage guidance or revenue guidance. The focus on value-added solutions is aiding to higher margins which is leading to an improved outlook on EBITDA.
- The container business remains a key driver of market share gains and is expected to sustain growth into FY26.

BLUE DART

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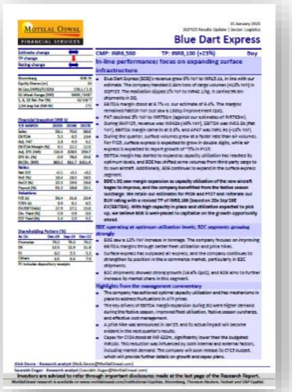

Blue Dart Express — Buy

Current Price INR 6,129

Volume and other highlights

- BDE reported a 12% YoY growth in tonnage for 3Q FY25, with absolute tonnage reaching 0.35mt. The company also saw a 7.2% YoY increase in shipment volumes, totaling 98.6m shipments during the quarter.
- The company has achieved optimal capacity utilization and has mechanisms in place to address fluctuations in ATF prices.
- The key drivers of EBITDA margin expansion during 3Q were higher demand during the festive season, improved fleet utilization, festive season surcharge, and effective cost management.
- A price hike was announced in Jan'25, and its actual impact will become evident in the next quarter's results.
- The company has provided a consolidated EBIT margin guidance of 8-9% in the coming period.
- There has been no significant change in BDE's market share, which remains strong.

Operations

- BDE is witnessing consistent growth in ground-based e-commerce, catering to niche customer requirements with a strong focus on service quality. The volume growth in 3Q was primarily driven by surface express, rather than air express.
- The Dart Plus service has been a game-changer for the company, enhancing its competitiveness in the e-commerce sector.
- The B2C segment has been a key growth driver in recent quarters, and the company aims to increase its market share in this space.
- Regarding segment margins, the margin difference between surface and air express is minimal. B2B shipments grew 16.8% quarter-over-quarter, while B2C shipments grew 16.6%.
- In the surface express segment, competition remains intense, whereas in air express, competition is primarily limited to commercial airline operators. The quality of service continues to be BDE's key differentiator in the market.

Guidance

- BDE remains optimistic about expanding its ground infrastructure and increasing its focus on the B2C segment. Investments will continue to be directed toward the ground express business. The company plans structured investments aimed at profitable growth.
- Capex for CY24 stood at INR 622m, significantly lower than the budgeted INR13b. This reduction was influenced by both internal and external factors, including market demand. The company will soon release its CY25 budget, which will provide further details on growth and capex plans.

- Looking ahead, margins are expected to remain stable or expand compared to Q3 FY25 levels. Over the last 3-4 years, there has been a 10-15% shift from air to surface express, with the ground segment growing at double-digit rates, while air express is expanding at a slower pace of 5%.
- No new aircraft addition is expected in the near term, considering the pace of industry growth.

Container Corp — Buy

Current Price INR 696

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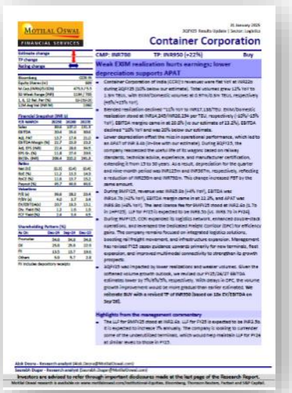

Operational highlights

- The LLF for 9MFY25 stood at INR2.6b. LLF for FY25 is expected to be INR3.5b. It is expected to increase 7% annually. The company is looking to surrender some of the underutilized terminals, which would help maintain LLF for FY26 at levels similar to those of FY25.
- CCRI reported a 7.8% growth in throughput during 9MFY25. This growth was driven by a 5% increase in EXIM volumes and ~8% rise in domestic volumes.
- The company expanded its market share by ~70bp across India. At the Mundra Port, the market share grew 180bp, while at Pipavav Port, it increased by 280bp.
- The port-wise volume mix stood as follows: JNPT 33%; Mundra 38%; Pipavav 10.5%; Vizag 5.5%; and Chennai 3.8%.
- The overall CCRI market share for 9MFY25 stood at 55.28% for EXIM, 58% for domestic, and 56% in total.
- The rail freight margin expanded from 25.6% in 9MFY24 to 25.8% in 9MFY25, reflecting efficiency gains in rail transportation.
- Rail coefficients at major ports werfe: JNPT 15.7%, Mundra 24%, and Pipavav 58% for 9MFY25.
- To expand its fleet, the company procured 6,868 new containers, bringing the total container fleet to 51,236 units as of Jan'25.
- The Board has declared the 3rd Interim dividend of INR4.3 per equity share, amounting to INR2.6b.

Volumes

- Total volumes grew 12% YoY to 1.3m TEUs, with EXIM/Domestic volumes at 0.97m/0.3m TEUs, respectively (+8%/+25% YoY).
- Blended realization declined ~11% YoY to INR17,138/TEU. EXIM/Domestic realization stood at INR14,245/INR26,254 per TEU, respectively (-10%/-15% YoY).
- Originating Volumes: EXIM - 0.52m TEUs, Domestic - 0.11m TEUs, Total - 0.64m TEUs.
- The double-stack rake movement grew 11.3% YoY, with 4,608 double-stack rakes operated during 9MFY25. In Dec'24, CCRI commenced double-stack train operations at Nava Sheva, further enhancing efficiency. Additionally, operations at Gangavaram Port have begun, supporting volume growth.

Capex

- CCRI has increased its capex budget by 40% to INR 8.6b for FY25, up from the previous estimate of INR6.1b. Out of this, INR4.4b has already been spent in 9MFY25.
- By 2028, the company aims to significantly expand its infrastructure. The plan includes 80 terminals, 500 rakes, and a container fleet of 70,000 units. To support this expansion, capex spending has been revised upwards.
- Over the next three years, CONCOR expects to spend around INR 8.5-9b annually on capex, focusing on fleet expansion, terminal development, and rolling stock upgrades.

Guidance

- EXIM volumes saw double-digit growth in Jan’25, and this trend is expected to continue through Mar’25.
- Due to DFC, there has been a significant shift of 11% in freight movement from road to rail at Dadri. The DFC is expected to be a game-changer for CCRI, boosting efficiency and lowering transportation costs.
- The company has also commissioned five MMLPs under the DFC, which will help drive future growth.
- CONCOR remains focused on providing total logistics solutions to customers. The company has identified several key growth drivers:
- CCRI plans to procure 1,000 tank containers in the coming months. Tank containers are expected to be a major growth driver for the company.
- The company is working on establishing double-stack connectivity to JNPT, which is expected to enhance logistics efficiency.
- The demand for rice exports remains robust, contributing to volume growth.
- CCRI is experiencing strong demand in both EXIM and domestic segments. It is targeting a handling volume of 5m TEUs in FY26, which would be a record milestone for the company.
- DFC at Nava Sheva is expected to be commissioned by Mar’25.

JSW Infrastructure

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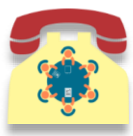

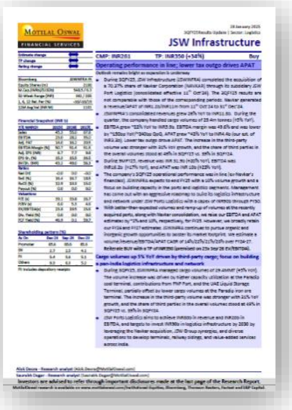

JSW Infra — Buy

Current Price INR 225

Operational highlights

- JSWINFRA handled 29.4MMT of cargo in 2QFY25, achieving a 5% YoY growth. The volume increase was driven by higher capacity utilization at the Paradip coal terminal, contributions from PNP Port, and the UAE liquid storage terminal, partially offset by lower cargo volumes at the Paradip iron ore terminal.
- Third-party cargo has increased to 14.3MT from 10.9MT, representing 31% YoY growth, and the share of third-party volume stood at 49% in 3Q FY25 versus 39% in 3Q FY24.
- The company handled nearly 90,000 tons of liquid edible oil this quarter.
- JSWINFRA maintained a strong balance sheet with a net debt of INR 8.3b and a Net Debt to EBITDA ratio of 0.4x, enabling further growth initiatives.

Logistics business roadmap:

- Management is targeting a revenue of INR80b, an EBITDA of INR20b, and it aims to undertake a capex of INR90b for building the logistics infrastructure under JSW Ports Logistics.
- The breakdown of capex of INR90b will be as follows: INR30b for GCT & terminal development, INR30b for rake acquisitions or leasing, INR15b for specialized containers and other types of containers, and INR5b for other activities.
- Navkar Corporation, acquired in Oct’24, is central to JSWINFRA’s logistics strategy, which contributed to 3QFY25 revenue and EBITDA growth, with a logistics revenue margin of 85% for the UAE operations. JSWINFRA has integrated Navkar into its JSW Port Logistics company platform to drive future growth and enhance operational synergies.
- The company plans to set up 15-20 terminals across India to increase Navkar's cargo and create a base cargo for further movement. The company is trying to leverage the group's cargo into Navkar and the Pan-India logistics platform.
- The logistics business under JSW Ports Logistics Ltd will capitalize on JSW Group's diverse business locations (Steel, Cement, Paints, etc.) to establish

railway sidings and develop infrastructure for storage, bagging, stuffing, and other value-added services.

Port updates

- Port capacity expansion is a key priority, with a target to achieve 400MTPA by FY30. The current capacity increased to 174 MTPA (from 170 MTPA). Projects at JNPA, Tuticorin, Mangalore, and TNT ports contributed to the increase in the current capacity.
- Interim operations have commenced at JNPA (Liquid Terminal), and Tuticorin is expected to commence in 4QFY25.
- The cargo handling capacity at the Mangalore Coal Terminal has been increased from 6.7 MTPA to 8.1 MTPA, while PNP Port's capacity has risen from 5 MTPA to 8 MTPA.
- The EBITDA margin for the port cargo business is 50-53%. The EBITDA margin for the oil tank terminal business in the UAE is 85% plus. The inclusion of the oil tank business into the port business is generating a higher EBITDA margin.
- JSWINFRA expects its EBITDA margin to improve to 58% due to the shift in cargo composition to private ports. Green-field ports have EBITDA margins of 65%-70% because there is no revenue sharing with the government.

Guidance

- The company maintains its 10% cargo volume growth guidance for FY25, driven by third-party cargo expansion and ramped-up utilization at existing terminals.
- Management expects revenue and EBITDA to grow faster than the 10% guidance due to other businesses, such as Navkar or other acquisitions, contributing to growth.
- JSWINFRA is targeting a logistics revenue of INR 80b by FY2030 with an EBITDA margin of 25%
- Guidance for Navkar will be provided in the Mar'25 quarter and is expected to be much better than current projections.

Mahindra LOGISTICS

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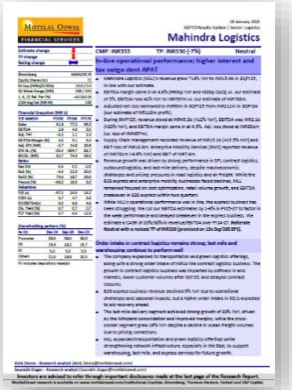
Mahindra Logistics — Neutral

Current Price INR 288

Business update:

- In 3QFY25, MLL achieved revenue growth of ~14% YoY, driven by strong performance in the 3PL contract logistics and outbound logistics segments, supported by account additions, new offerings, and product launches. Despite sectoral pricing headwinds, the cross-border and last-mile business segments continued to demonstrate volume growth.
- The company expanded its transportation and green logistics offerings and progressed on new warehousing developments in western and eastern India, with over 70% capacity already sold out.
- MLL remains focused on improving margins through cost optimization and driving a turnaround in the B2B express business.
- Macroeconomic challenges, including weaker consumption trends, driver shortages, and rising toll and fuel costs, created pressure on the road logistics business.
- Pricing softness in air freight and continued volatility impacted contract values across the industry.



Segment-wise performance and overview:

- **Contract logistics** business reported revenue of INR12.6b, up 14% YoY growth. Gross margins improved by 5% YoY and 8% QoQ. However, the segment faced softness in end markets, with lower volumes from existing customers after Oct'24. Seasonal factors also delayed key contract closures, which are now expected in 4QFY25.
- **B2B express business** revenue declined 9% YoY to INR870m, with volumes down 5% QoQ due to operational challenges and seasonal impacts. Cost-leverage benefits fell short of expectations, but a higher order intake in 3Q is anticipated to support volume recovery in the coming quarters.
- **In the cross-border** and freight-forwarding segment, revenue grew by 19% YoY to INR710m, with gross margins up 27% YoY but down 12% QoQ. Air freight volumes inched up, while ocean freight volumes declined due to sharp pricing corrections across both categories.
- **The last-mile delivery segment** saw strong growth, with revenue rising 80% YoY to INR1b, driven by the consolidation of Whizzard. Gross margins improved by 440bp YoY and 30bp QoQ, supported by reduced fleet costs due to supply synergy and advancements in fleet management technology for EVs.
- **In enterprise mobility**, revenue declined 8% YoY to INR770m and gross margins contracted by 12% YoY and 10% QoQ. The segment faced challenges from supply shortages and customer churn, though airport passenger load grew by 8% YoY.
- **Warehousing:** Warehousing volumes grew 14% YoY, with significant progress in expansions in Kolkata, Guwahati, and Pune. An additional 7,000–8,000 sq. ft. of space is expected to be utilized by 1QFY26.

Guidance:

- The company has seen improvement in volumes in Jan'25. Seasonal challenges and pricing competition continue to pose short-term hurdles. Management remains focused on expanding retail volumes, enhancing partnerships, and launching new offerings.
- The B2B express business is expected to achieve EBITDA breakeven in the next two quarters.
- E-commerce business continued to expand, supported by demand from quick commerce companies.
- Enterprise mobility growth is anticipated to benefit from new airports in Noida and Navi Mumbai.

TCI EXPRESS
LEADER IN EXPRESS

TCI Express | Neutral

Current Price INR 694

Operational highlights

- Volumes in 3QFY25 stood at 0.24m tons (down 3% YoY).
- Lower-than-expected demand in key sectors such as automobiles and consumer goods contributed to softer volumes. The rise in transportation costs, driven by increased expenses for labor, tolls, insurance, and driver shortages, further impacted profitability.
- TCIE has taken strategic measures, including launching direct delivery services in metro cities to strengthen its air express network. The company has also expanded its Rail Express services, now serving over 5,000 customers and continuing to increase revenue contribution.

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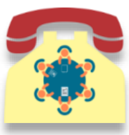

- During 9MFY25, capacity utilization was 82%.
- The automation of sorting centers in Gurugram and Pune has significantly improved process efficiency.
- The revenue mix remained balanced, with 49% of contributions coming from SME customers and 51% from other segments.
- Cash profit for 9MFY25 stood at INR858m, lower than INR1.1b in 9MFY24, reflecting the impact of industry headwinds and cost pressures.
- Capex incurred for branch network expansion, sorting center construction, and IT infrastructure upgrades was INR200m during 9MFY25. During 3QFY25, capex was INR94m.
- While branch network expansion has been relatively moderate due to subdued SME demand, TCIE plans to add 50-75 branches in FY26 and 75-100 new branches in FY27 to support future growth. The company's overall service contribution currently stands at 17-18% from new services, while Surface Express remains the primary revenue driver.
- The contribution from e-commerce logistics has declined slightly from 4% to 2-3%, reflecting shifting market dynamics. The months of November and December saw a dip in performance, primarily due to seasonal reductions in inventory levels.
- In the Air Express segment, the company continues to improve efficiency, offering 24-48 hour deliveries and operating across 72 air gateways, while expanding services to Tier 2 and Tier 3 cities.
- The company has already automated two sorting centers in Gurugram and Pune and plans to implement similar automation in Ahmedabad and Kolkata by 1Q FY27.

Guidance

- SME customers who are already facing economic challenges have found it difficult to absorb price hikes. However, TCIE plans to implement a 1% YoY price increase in 4Q FY25, with further improvements expected from 1QFY26 onwards.
- Jan'25 has seen a notable improvement in volume growth on a year-on-year basis, signaling early signs of recovery. However, the company remains cautious and is not aggressively pressuring SME customers for price hikes due to ongoing economic uncertainties.
- Despite the challenges in FY25, the company remains optimistic about its long-term growth, aiming to grow at 1.5x the real GDP growth rate in FY26.
- The ROE and ROCE have declined, primarily due to lower volumes and ongoing capex. However, once the capex cycle is completed, TCIE is targeting a 35% ROCE profile.
- The multimodal express segment is expected to contribute 20-22% of total revenue over the next 2-3 years, enhancing the company's overall competitiveness.
- Looking ahead, the company has outlined an INR5b capex plan for FY23-FY27, with INR3.1b allocated for 4QFY26 and FY27. Future investments will focus on automation, infrastructure expansion, and enhancing service capabilities in Ahmedabad and Kolkata.

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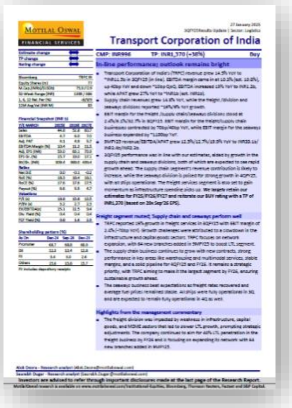
Transport Corporation of India

Transport Corporation of India — Buy

Current Price INR 968

Industry trend

- The logistics industry saw moderate trends, with TRPC's multimodal capabilities providing a hedge against downturns in any single segment.
- The services sector is growing at a faster pace than manufacturing, with the company targeting high-growth industries. While the MSME sector remains sluggish, the chemical sector is recovering from a period of slowdown.
- The company's multimodal logistics network remains strong, supporting road, rail, and sea transportation for renewable sector clients and providing comprehensive logistics solutions.
- TRPC has reported growth for 18 consecutive quarters, driven by its multimodal capabilities and diversification into new business areas.

Freight Segment

- Growth in the freight division has been moderate, affected by weakness in the infrastructure and capital goods sectors. Further, the freight division has seen slower growth due to the underperformance of MSMEs and a gradual shift toward LTL operations.
- LTL business growth has been below expectations, leading to strategic adjustments to boost its share in the freight division. Also, consumption sectors are lagging, largely due to reduced volumes from the MSME sector, which constitutes a significant portion of the LTL business.
- For 9MFY25, the freight business reported 7% growth, with margin pressure from the underperformance in the industrial, electrical, and paint sectors.
- The company aims for 40% LTL penetration by FY26, with continued focus on network expansion, including the opening of 32 new branches.

Supply Chain Segment

- The supply chain business has maintained growth momentum through the addition of new contracts.
- Strong traction has been witnessed in warehousing, quick commerce, multimodal services, and expansion of the hub-and-spoke network for the auto sector.
- Margins have remained stable and resilient amid various cost pressures.
- Ongoing contracts are expected to make a significant contribution to performance in 4QFY25 and FY26, with a solid pipeline reinforcing growth prospects.
- The supply chain business remains a strategic priority, and TRPC expects to grow it to be its largest segment by FY26.
- This segment would see strong sustainable growth ahead for TRPC.

Seaways Segment

- With all ships operational during the quarter, the seaways segment delivered strong performance in 3QFY25, aided by bolstered freight rates, leading improved margins.
- All ships are expected to remain operational in 4QFY25 as well.
- International rates were observed in certain domestic routes, which helped realizations.
- Second-hand ship prices remain high, and capacity utilization and operational continuity are anticipated in 4QFY25.

- Going ahead, realization could decline, but the revenue run rate would remain intact and volumes would pick up.

Technology Integration

- TRPC has made significant strides in technology, notably with ULIP integration, which allows direct API connections within its systems. This advancement places TRPC ahead of many peers in technological integration, enabling seamless operations and more efficient data management.

Joint Ventures

- Joint venture businesses showed decent growth, although cold chain margins experienced a slight dip due to recent capital expenditures.
- Transystem continues to perform well, and management is exploring options for capacity expansion.
- Joint ventures, particularly in the cold chain and storage facilities, continue to perform well, enhancing the company's service offerings.

Guidance

- The company plans INR2.5b in capex for FY25, including INR800m for advance payments for new ships. Capex for FY26/FY27 is expected to be around INR2.5b.
- TRPC targets revenue growth of 10-15% and profit growth of 20% for FY25.
- TCI ChemLog has been incorporated as a new entity, with operations already underway.
- The company continues to show resilience across various sectors and maintains a net debt free position, with cash reserves of INR6-7b and debt of INR1b.

VRL LOGISTICS LIMITED

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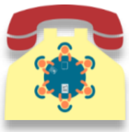

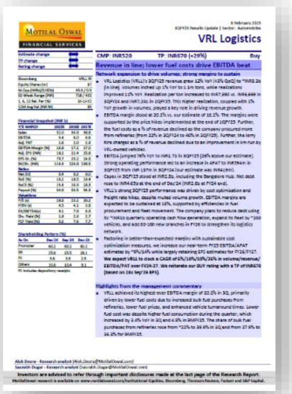

VRL Logistics — Buy

Current Price INR 477

Operational highlights

- VRLL reported revenue growth of 12% YoY/3% QoQ in 3QFY25 and 11% YoY in 9MFY25. Revenue growth was primarily driven by freight rate hikes, which resulted in higher realizations and improved margins. In 3Q, realization per ton increased to INR7,390 vs. INR6,669 in 3Q and INR7,241 in 2Q. This higher realization, coupled with a 1% YoY increase in volumes, played a key role in driving revenue growth.
- The company achieved its highest-ever EBITDA margin of 20.2% in 3Q. This margin improvement was primarily attributed to lower fuel costs due to increased bulk fuel purchases from refineries, lower fuel prices, and enhanced vehicle turnaround times. Lower fuel cost was despite higher fuel consumption during the quarter, which increased by 3.4% YoY in 3Q and 4.9% in 9MFY25. The share of bulk fuel purchases from refineries rose from ~22% to 39.9% in 3Q and from 27.9% to 36.3% for 9MFY25.
- The reduction in lorry hire charges due to increased reliance on owned vehicles further contributed to margin expansion.
- The company improved fleet utilization by increasing the number of kms covered by its own vehicles, reducing dependency on hired vehicles. As a result, lorry hire charges decreased by ~200bp YoY. The enhanced operational efficiency contributed to improved margins.
- VRLL focused on route optimization by reducing reliance on multiple transshipment hubs, thereby minimizing frequent loading and unloading costs.

- During 9MFY25, VRLL expanded its branch network, increasing the total number of branches from 1,209 in Mar'24 to 1,248 by Dec'24, with a net addition of 39 branches. The company also expanded its fleet, adding 107 new vehicles, bringing the total number of GT vehicles to 6,101 as of Dec'24.
- The company incurred a capex of INR2.8b in 3Q and INR3.95b in 9MFY25, with major investments in property acquisitions in Bengaluru, Mysuru, and Mangaluru. Due to these investments, net debt increased from INR2.6b in Mar'24 to INR4.7b in Dec'24.

Operational Efficiency & Network Expansion

- VRLL successfully increased the total kms driven by its owned fleet, thereby minimizing loading and unloading charges. While VRL's hub-to-hub operations are running at full capacity, the company has also started monitoring hub-to-spoke utilization to further enhance vehicle efficiency.
- VRLL maintains one of the lowest receivable cycles in the industry, with receivable days limited to 11-12 days, ensuring strong working capital management.
- To strengthen its logistics network, management has set a target of adding 20-25 new branches per quarter and expects to open 80-100 new branches in FY26.

Guidance

- For 4QFY25, VRLL expects revenue growth to remain in the range of 12-13%, with volume growth staying at around 1%, primarily driven by improved realizations.
- In FY26, VRLL anticipates total revenue growth of 12-13%, with a more balanced volume growth pattern emerging after 1QFY26. Beyond 1QFY26, volume growth is expected to return to 8-10%.
- Management expects to sustain EBITDA margins of around 18% in FY26, along with projected revenue growth of 12-13%. VRLL will also continue to focus on bulk fuel purchases, which currently provide a cost advantage of INR5-6 per liter.
- VRLL's higher-than-usual capex in FY25 was largely attributed to hub acquisition. It expects a normalized capex of INR1.5-1.6b in FY26.
- Although net debt increased due to hub investments, VRLL plans to significantly reduce debt in the coming quarters. The company generates ~INR1b in operating cash flow per quarter, which will be used for both debt reduction and future capital expenditures.
- As part of its sustainability initiatives, VRLL's new Bengaluru hub is equipped with solar panels, which will help generate electricity to power the company's EV fleet and reduce overall electricity costs.
- The company also benefited from GST-driven market consolidation, as stricter compliance regulations have increased its market share across certain product categories.
- In FY26, VRLL plans to expand its fleet with a net addition of ~200 vehicles.

METALS

- **In the Ferrous Metals space, management teams across companies pointed to: 1) a steady decline in coking coal costs; and 2) the development of captive raw material mines. Though a better performance from Indian operations is backed by better volumes in 3Q, weak NSR is keeping margins under pressure. Management believes that global uncertainties might pose challenges to international steel, base metal, and raw material prices in the short term. In the non-ferrous space, management guided the CoP to increase, led by rising scrap prices and rising domestic auction coal, which may be offset by favorable pricing conditions leading to sustained margin in 4QFY25.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	Drivers
Tata Steel	■ Management expects EBITDA losses from UK operations to further reduce in coming quarters, along with capacity ramp-up in the Netherlands and lower fixed costs, which should boost the overall EBITDA performance of its European operations. ■ Though there are near-term challenges related to high imports and lower realizations, the long-term outlook remains strong for TATA. While the India business is expected to continue its strong performance, improving performance in the European business would support overall earnings.	■ For the India business, management guided NSR to be flat QoQ in 4QFY25. For the Netherlands/UK, NSR is likely to decline by GBP60/t QoQ in 4QFY25 over the renewal of annual contracts. ■ Coking coal costs (on a consumption basis) for India operations are likely to be USD10/t lower QoQ in 4QFY25. For the Netherlands operations, coking coal may fall by USD20/t QoQ and iron ore may decline by USD3-4/t QoQ. ■ Operating losses for the UK operations were lower in 3QFY25, and considering the current pricing/demand environment, management expects the UK business to break-even in the coming quarters.
JSW Steel	■ JSTL is well placed with new capacities coming on-stream, an expected pickup in domestic demand, and a rising share of value-added proportion in the sales mix. Its focus on increasing the captive share of iron ore and improving coal linkages will support earnings. ■ We expect strong revenue/EBITDA/APAT performance, driven by healthy volume, improving realization, and muted costs. This will result in healthy CFO, which can be diverted toward planned expansions.	■ Iron ore costs declined by USD27/t QoQ in 2QFY25 and 3QFY25. Management expects coking coal costs to fall further by USD20-25/t sequentially. ■ For 3QFY25, management sounded cautious about iron ore price hike by NMDC. Management believes NMDC iron ore prices to moderate in the near future to be in line with global iron ore prices. ■ JSTL also aims to increase the captive iron share to offset the impact of higher iron ore market price. ■ Management expects to achieve ~98% of the earlier guided sales volume of 27mt since there was a delay in starting the JVNL blast furnace.
JSPL	■ With the completion of its ongoing Angul expansion, JSPL's crude steel capacity will increase by 65% to 15.9mtpa and finish steel capacity by 90% to 13.8mtpa, providing significant headroom for earning growth. ■ The company has reduced its debt significantly, with a net debt-to-EBITDA ratio of 1.2x as of 3Q end. JSPL aims to keep the debt level in check ahead.	■ Coking coal costs declined by USD39/t in 3QFY25 and management expects a further moderation of USD10/t in 4QFY25. Earnings are expected to be better in 4QFY25, driven by healthy volumes and lower costs. ■ Management indicated that NSR will remain flat QoQ in 4QFY25. In 3Q, the sales split between Flat and long was 41% and 59%, respectively. ■ Management guided that BFS-BOF is in the last leg of commissioning and will reach its optimum utilization level by FY26 end.
Hindalco	■ The Chakla captive coal mine is on track to start operations by the end of 3Q or in 4QFY26. HNDL has secured the Meenakshi coal mine, which has a 12mtpa capacity and will boost captive consumption. ■ Management expects scrap prices to normalize in the coming quarters, and with strong domestic operations, we expect a healthy consolidated performance for FY26/27E.	■ HNDL's coal cost remained stable, with 50% sourced through linkage and 50% from e-auctions. Management has guided that new captive coal mines (Chakla + Meenakshi coal mine) will reduce the company's coal costs by 30%. ■ HNDL hedged ~35% of its aluminum at USD2,600/t for 4QFY25 and secured 12% hedging at USD2,700/t for FY26.

Hindustan Zinc Limited

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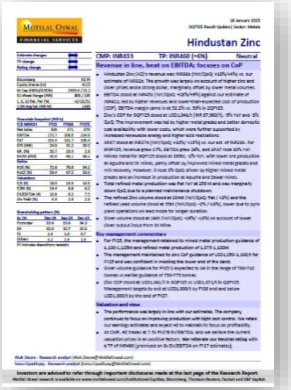

Hindustan Zinc — Neutral

Current Price INR 413

Performance guidance

- For FY25, the management retained its mined metal production guidance of 1,100-1,125kt and refined metal production of 1,075-1,100kt
- The decline in CoP during 3QFY25 was largely on account of better grades, softened coal and input commodity prices, and better linkage coal materialization. The management maintained its zinc CoP guidance of USD1,050-1,100/t for FY25 and was confident in meeting the lower end of the band.
- Silver volume guidance for FY25E is expected to be in the range of 700-710 tonnes vs earlier guidance of 750-775 tonnes.
- Hedging gain during the 9MFY25 period stood at INR580mn.
- Zinc COP stood at USD1,041/t in 3QFY25 vs USD1,071/t in Q2FY25. Management targets to exit USD1,000/t by FY26 end and below USD1,000/t by FY27 end.
- HZL has paid advance royalties of INR6.5b for FY25E.

Other highlights

- Mine development plan to reach 2mtpa run rate – HZL will be increasing its capacities from 1,200ktpa to 1,450ktpa in the first phase by FY28E and then add another 500-550ktpa single plant to achieve the targeted volumes. The total expected capex from this expansion is set to be between USD2-2.5b.
- Despite technical difficulties, the fumers are steadily ramping up. Design inefficiencies and possible problems with parts have been identified in the last 5-6 months. It should start giving good results by Q4FY25. The fumer has given around 5 tons of silver so far and is running at a 30% utilization level as per its designed capacity (expected to reach 60% by the end of FY25E).
- About 18-20% of energy share will be RE by the end of the next quarter (dipped from 25% estimated earlier). The current share stands at 15%.
- Supreme Court ruling on retrospective taxes on royalties – a net impact of INR830m had been provided for in exceptional items in the 2QFY25 results. The company expects to see this as a reversal in the next quarter as no tax notices have been received.

Update on capex

- 510kt of DAP/NPK fertilizer plant at Chanderiya is progressing as per timelines and will be commissioned by 4QFY26, which is expected to generate an EBITDA of INR4.5-5b and revenue to be in line with INR20b.
- The new roaster at Debari is on track and will be commissioned by 4QFY25
- Hindustan Zinc Alloy Plant has generated an EBITDA of INR430m for Q3FY25 with PAT of INR310m. At peak capacity, it should give INR2b of EBITDA on a full-year basis. Further, being a new company, the effective tax rate will be 17.44%.

ADITYA BIRLA HINDALCO

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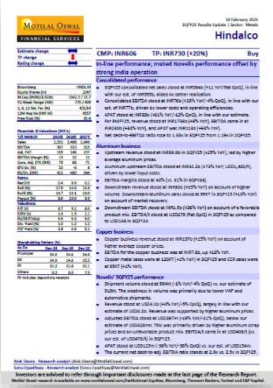
Hindalco Inds — Buy

Current Price INR 627

Guidance:

- HNDL's coal cost remained stable, with 50% sourced through linkage and 50% from e-auctions. Management has guided that new captive coal mines (Chakla + Meenakshi coal mine) will reduce the company's coal costs by 30% from current levels.
- HNDL hedged ~35% of its aluminum at USD2,600/t for 4QFY25 and secured 12% hedging at USD2,700/t for FY26.
- Out of the 300MW of renewables capacity, HNDL commissioned 6.3MW of floating solar capacity at Mahan, bringing the total RE power to 189MW.



- Further, 100MW hybrid capacity (with storage) will be commissioned in H1CY25. 9MW of solar capacity is underway, and an additional 20MW of hybrid capacity (Solar + Wind) is expected to be operational by H2FY26.

Capex:
- The expansion of Aditya Alumina Refinery (850KT) in Odisha is under construction, with a total capex of INR75-80b. The Aditya Aluminum FRP project of 200KT will be commissioned in Jun'25 (FY26), bringing the total downstream capacity to 600kt.
- The 180KT aluminum smelter expansion at Aditya and 300KT copper smelter expansion are awaiting environmental clearance. These projects will be commissioned phase-wise over FY28-29 (aluminum smelter expected to start contributing from FY29 onwards).
- The Silvassa Extrusion Facility is set to be commissioned in mid'25, which will increase aluminum extrusion production.
- Capex guidance is INR80b for FY26 and ~INR60b for FY25 (9M - INR44b). Key projects include alumina refinery expansion, copper smelter expansion, and aluminum smelter expansion.
- For the copper business, the company has also planned downstream capacity expansion: 1) 25Kt Greenfield inner grooved tubes (INR27b) expected in 4QFY25, and 2) 50kt of e-waste and copper scrap recycling plant.
- The Chakla captive coal mine is on track to start operations by the end of 3Q-4QFY26. HNDL has secured the Meenakshi coal mine, which has a 12mtpa capacity and will boost captive consumption. The company will begin applying for clearance and approvals, which is expected to take close to two years, with completion targeted by FY28.

Global outlook:
- Global aluminum demand grew due to an increase in solar installations and EV production, though the construction sector remained weak. Copper consumption outpaced production, leading to a deficit of 0.1mt in Q4CY24.
- Global beverage can demand remains strong, with robust demand in beverage packaging shipments offsetting muted demand in specialty products and the European and Chinese automotive sectors.
- The Indian FRP market is estimated to grow by ~20% in FY25, led by growth in packaging and consumer durables.
- TC/RC prices were under pressure, with the current TC/RC benchmark settled at USD0.054/pound (-73% YoY from USD0.205 in CY24), which has increased smelting costs and impacted margins. The restarting of Indonesia's copper concentrate exports will provide significant relief.

Jindal Steel & Power — Buy

Current Price INR 859

Guidance for 4Q/FY25
- Coking coal costs declined by USD39/t in 3QFY25 and Management expects a further moderation of USD10/t in 4QFY25. Earnings are expected to be better in 4QFY25, driven by healthy volumes and lower costs.
- Management indicated that NSR will remain flat QoQ in 4QFY25. In 3Q, the sales spilt between Flat and Long was at 41% and 59%, respectively.
- In 3Q, the company's iron ore cost increased by INR96/t and the company expects it to moderate by INR100-200/t in 4Q.

Capex and timelines
- In 3QFY25, the company spent ~INR28.6b on Angul capex. Out of the total ~INR310b capex announced for Angul, JSPL has spent ~INR236b so far and the remaining INR74b will be spent in FY26.

JINDAL STEEL & POWER

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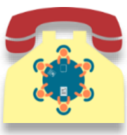

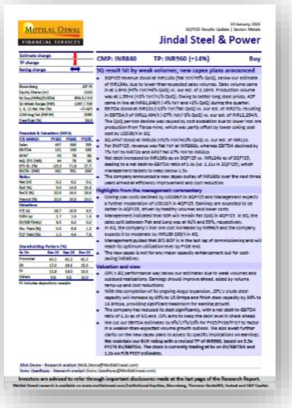

- Management guided that BFS-BOF is in the last leg of commissioning and will reach its optimum utilization level by FY26 end.
- Management has proposed an additional capex of INR160b for the next three years (FY26-28). The proposed expansion will be directed toward the following areas: 1) INR57b for enhancement/VAP projects (galvanizing 600kt and color coated 500kt in both Raigarh /Angul), 2) INR45b for integrated supply chain projects (ports, higher rake, transmission project and logistic); 3) INR57b for
- sustenance and contingency capex. Altogether, management expects this capex will lead to better realization and margin accretion.
- The slurry pipeline is on track to be commissioned by FY25 end.
- JSPL has received all approvals for Utkal B1 mines. It is in the advanced stage of opening the mines, which may start operations by 4QFY25.
- Utkal B2 is on track and will be open by FY25 end. Management plans to raise the EC limit of both Utkal B1 & B2 to 5MT each from the current 3.37mt.
- The company is planning to increase the EC limit of Gare Palma IV/6 coal mine to 5MTPA by FY25-end from 4MTPA.

Other highlights

- Global steel prices came down below USD500/t. Meanwhile, long prices in the domestic market remain resilient, aided by better consumption by the construction sector.
- Management expects to keep the net debt-to-EBITDA ratio below 1.5x.
- Angul pellet plant utilization reached +90% from 40% earlier.

JSW Steel — Buy

Current Price INR 977

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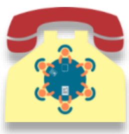

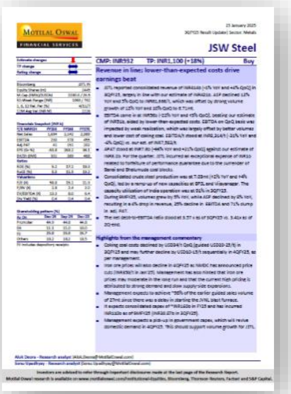

Guidance:

- Coking coal costs declined by USD34/t QoQ (guided USD20-25/t) in 3QFY25 and may further decline by USD10-15/t sequentially in 4QFY25.
- Iron ore prices will also decline in 4QFY25 as NMDC has announced price cuts (INR350/t in Jan'25). Management has also hinted that the iron ore prices may moderate in the long run and that the current high pricing is attributed to the strong demand and slow supply side expansions.
- Management expects to achieve ~98% of the earlier guided sales volume of 27mt since there was a delay in starting the JVNL blast furnace.

Capex:

- JSTL has guided for consolidated capex of ~INR160b in FY25. It has incurred INR110b as of 9MFY25 (INR30.87b in 3QFY25).
- The 5MTPA Vijayanagar integrated facility (RHMS, Sinter and BF) was commissioned. One SMS unit and caster started operations in 3Q and the second caster also started in Jan'25. The capacity ramp-up is underway.
- Dolvi Phase-III expansion: Long lead-time ordered and letter of credit established. This expansion will increase the steel-making capacity by 5MTPA to 15MTPA, and is expected to be completed by Sep'27.
- BPSL phase II (from 3.5MTPA to 5MTPA) expansion is completed and ramped up to 4.5MTPA in 3QFY25. The balance 0.5MTPA expansion will be achieved by debottlenecking by FY27.
- The 0.12MTPA color-coating line in Jammu & Kashmir is commissioned; operation has started in 3QFY25 and is under the trial run.

Iron ore linkages:

- JSTL has nine mines in Karnataka with an existing EC of ~7mt and it recently added 4mt, taking the total capacity to 11mt. The company was also allotted three new mines with EC of ~4.5mt, taking the total production capacity to 15.5mt.

- Management said that the commissioning of three new mines is on track; one mine will be commissioned in 4QFY25 and the other two mines in 1QFY26.
- The mining operation at Cudnem is expected to start by 1QFY26, Surla mines by 4QFY26 and Codli mine by 4QFY27. JSTL will operate three mines in Goa with cumulative production capacity of 3.5mt, which will support Dolvi operations.
- From Odisha mines, the company is targeting to generate 30mt of iron ore by enhancing ECs. BPSL mine is expected to start operations in 1QFY26.
- The company surrendered its iron ore mine in Odisha, i.e. Jajang mine, due to its higher premium and lower grade of iron ore, making it unviable.
- Captive use of iron ore stood at 39% in Q3FY25 vs. ~41% in 2QFY25 and the rest is procured from merchant miners. The company expects the captive linkage to reach 50%, offsetting the market price volatility.

Demand outlook:

- Management expects a pick-up in government capex, which will revive domestic demand in 4QFY25.
- Chinese exports have reduced steadily, yet remain significant.
- China's property sector continues to be a drag on the steel industry; however, it was offset by strong growth in manufacturing and investments.
- India remained a net importer of steel in 3QFY25. To address rising steel imports, DGTR has initiated trade investigations, including safeguard and anti-dumping probes, which are ongoing.

Other highlights:

- Ohio operations restarted after the maintenance shutdowns in Sep'24, reaching utilization levels of 64%.
- The company reduced its inventory by 92kt during this quarter.
- As the iron ore Fe content is deteriorating, management may consider a beneficiation plant as a solution for improving the Fe content. The company is planning to commission a beneficiation plant in Vijaynagar.
- The mining tax proposed by Karnataka state govt. will see some intervention from the central government as the proposed taxation will hurt volume growth and affect jobs in the state. Currently on auctioned mine, only INR100/t of land tax is being proposed by state govt.

NALCO — Neutral

Current Price INR 187

नालको NALCO

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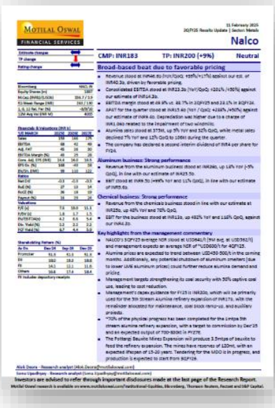

Capacity update and timeline

- Management's capex guidance for FY25 is INR20b, of which INR17b will be used for the 1mtpa 5th Stream Alumina refinery expansion (capex outlay INR57b), with the remainder for maintenance, coal block ramp-up, and auxiliary projects.
- ~70% of the physical progress has been completed for the 5th stream alumina refinery expansion, which will be commissioned by Dec'25, with an expected output of 700-800kt in FY27E.
- The Pottangi Bauxite Mines Expansion (capex outlay of INR20b) will produce 3.5mtpa of bauxite to feed the refinery expansion. The mines have a reserve of 120mt, with an expected lifespan of 15-20 years. Tendering for the MDO is in progress and production is expected to start from 3QFY26.
- The company has planned for a new aluminum smelter capacity of 0.5mtpa, with a capital outlay of INR170b, which is expected to be commissioned by FY30. NALCO has partnered with Rio Tinto (RTEK) as a technology partner and the DPR has been approved. Management expects the initial spending to start from FY27, with full-scale capex during FY28-FY30.

- To support incremental operations, the company plans to add a new 1,200MW captive power plant with a capex outlay of INR130b by FY30. This will be a JV with NTPC, and discussions are yet to be finalized. The CPP will include 25-30% renewable power according to the government's new advisory.
- NALCO currently has zero debt but will need to leverage debt to fund such a large capex. The projected debt-equity ratio is expected to be ~70:30.

Guidance

- NALCO's 3QFY25 average NSR stood at USD641/t (9M avg. at USD562/t) and management expects an average NSR of ~USD600/t for 4QFY25.
- Alumina prices surged USD800/t in mid-24 due to supply constraints in Australia and bauxite supply issues from New Guinea. The situation has stabilized and spot prices have corrected to USD530/t.
- Both alumina and aluminum prices are expected to decline further due to increasing supply and the reopening of previously closed smelter/refinery units.
- Alumina prices are expected to trend between USD450-500/t over the coming months. Additionally, any potential shutdown of aluminum smelters (due to lower LME aluminum prices) could further reduce alumina demand and pricing.
- Management targets to strengthen its coal security with 50% captive coal use, leading to cost reduction.

Coal outlook

- NALCO currently requires ~7mt of coal annually for its captive power plant, which sourced 47% from captive coal mines (Utkal D & E), 49% from linkage coal, and 4% from e-auction.
- To reduce costs and reliance on e-auction coal, NALCO is ramping up captive coal production, targeting 3mtpa in FY25 and 4mtpa by FY26.
- As both Utkal D & E mines reach full capacity of 4mtpa, the regulatory provisions allow NALCO an additional +20% automatic expansion. This will increase the captive output to 4.8mtpa by FY27.
- Management guided that the shift towards captive coal will provide cost savings of INR400/t compared to linkage coal.

Industry outlook

- India's aluminum consumption is expected to grow from 4.9mt FY24 to 8.3mt by FY30. Domestic demand has remained strong, driven by infrastructure, transportation, and electrical sectors.
- NALCO has prioritized domestic sales over exports as domestic realizations are currently more attractive.
- The US is expected to impose a 25% tariff on aluminum imports, which could disrupt global supply chains and impact aluminum prices.
- The excess aluminum supply in other markets will put downward pressure on global prices and force some smelters to shut down, which will negatively impact alumina demand.

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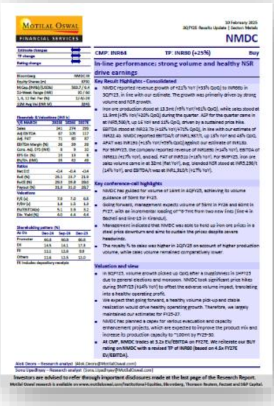

NMDC — Buy

Current Price INR 65

Guidance

- NMDC has gui ded for volume of 16mt in 4QFY25, achieving its volume guidance of 50mt for FY25.
- Going forward, management expects volume of 53mt in FY26 and 60mt in FY27, with an incremental loading of ~6-7mt from two new lines (line-4 in Bacheli and line-13 in Kirandul).
- Management indicated that NMDC was able to hold up iron ore prices in a steel price downturn and aims to maintain the prices amid severe headwinds.
- The royalty % to sales was higher in 3QFY25 on account of higher production volume, while sales volume remained comparatively lower.
- Management indicated that NMDC has not started any provisioning related to the Karnataka bill.

Capex and mine developments

- NMDC has guided for a capex of ~INR40b in FY25. It has planned a long-term capex of ~INR650-800b for the next 5-6 years to reach its capacity target of ~100mtpa.
- NMDC has terminated the slurry pipeline Phase-II (Nagarnar to Vizag) due to uncertainty about the slurry pipeline culmination.
- Management targets to complete the 2mtpa pellet plant (could be updated to 6mtpa) by CY25 end.
- Out of the 131km slurry pipeline, ~31km is pending and the rest is completed.

Other highlights:

- NMDC's supply mix stood at RINL 18%, Vizag 15%, JSW 26% and JSPL 7%.
- RINL received a grant of ~INR110b from the Government of India and NMDC has started receiving payments for the supplied iron ore. Management expects liquidation of the outstanding soon.
- The company is in talks with 5-6 vendors in India to supply rakes, with a target of having at least one rake available per day by mid-Mar'25 or Apr'25.
- India hardly exports steel to the US; therefore, management does not expect any immediate impact of the 25% tariff.

NMDC Steel:

- NMDC steel production stood at 3.67LT in 3QFY25, with a monthly production run rate of 1.5LT in Dec'24.
- Management has guided that NMDC steel would achieve 4.65-4.8Lt of production for breakeven.

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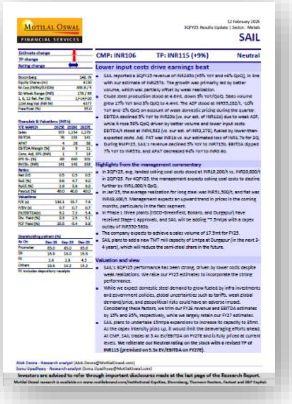
Steel Authority of India — Neutral

Current Price INR 107

Guidance:

- In 3QFY25, avg. landed coking coal costs stood at INR19,200/t vs. INR20,600/t in 2QFY25. For 4QFY25, the management expects coking coal costs to decline further by INR1,000/t QoQ.
- The long steel prices increased from INR52,000/t in 3QFY25 to INR53,400/t in 3QFY25, while the flat steel prices declined from INR49,000/t in 2QFY25 to INR46,800/t in 3QFY25. The overall blended average steel price fell by INR800/t due to weakness in the flat steel market.


SAIL

CMP: INR106 TP: INR115 (+9%) Neutral

Lower input costs drive earnings beat

- In Jan'25, the average realization for long steel was INR51,500/t, and flat was INR48,400/t. Management expects an upward trend in prices in the coming months, particularly in the flats segment.
- SAIL is actively working on improving operational efficiency by reducing coke consumption, increasing coal dust injection (CDI), and enhancing blast furnace productivity.
- The total inventory of finished and semi-finished goods stands at 2.98mt, valued at around ~INR120-130b. The finished goods inventory decreased to 1.79mt from 1.93mt in Sep'24.
- Management guided to achieve a sales volume of 17.5mt for FY25 and in Jan'25 volume stood at 1.57mt.
- SAIL plans to add a new TMT mill capacity of 1mtpa at Durgapur (in the next 3-4 years), which will reduce the semi-steel share in the future.

Capex:

- SAIL plans to expand capacity by 15mtpa with a total outlay of INR1.1-1.15t by FY31, with phase-wise approvals.
- In Phase I, three plants (IISCO-Greenfield, Bokaro, and Durgapur) have received Stage-1 approvals, and SAIL will be adding ~7.5mtpa with a capex outlay of INR550-560b.
- Total capex for FY25 is projected at INR57b, with INR39b already spent in 9MFY25. It targets to spend INR75b during FY26E.
- In phase II (7.5mtpa), management expects to undertake a 3.5mtpa expansion at Rourkela and the rest to be at Durgapur.

Debt & Other highlights:

- SAIL has submitted recommendations for a 25% safeguard duty on imports, but the decision is pending with the Finance Ministry.
- Royalty rates on mineral resources have increased in Jharkhand by INR100/t, while in Odisha and Chhattisgarh, the decision is awaited.
- Major expansion will start from mid-FY26, which will increase the debt level to a peak of INR1t in FY28-29E. It aims to maintain a net debt-to-EBITDA ratio of 1.1x.
- Borrowings decreased by INR17b in 3QFY25, bringing the total debt to INR326b compared to INR356b in 2QFY25.
- SAIL plans to expand palletization capacity (under approval) to utilize sub-grade iron ore fines inventory located at Goa mines.

Tata Steel — Neutral

Current Price INR 136

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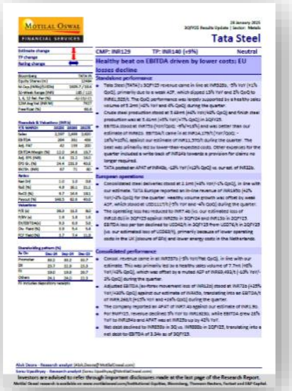
Detailed Concall Transcript &
Results Update

Management guidance

- For the India business, management guided NSR to be flat QoQ in 4QFY25. Any safeguard duties announcement will support pricing in the near term.
- For the Netherlands/UK, management foresees an NSR decline of GBP60/t QoQ in 4QFY25 over the renewal of annual contracts.
- Coking coal costs (on a consumption basis) for India operations are likely to be USD10/t lower QoQ in 4QFY25. For the Netherlands operations, coking coal may see a fall of USD20/t QoQ, whereas iron ore might be lower by USD3-4/t QoQ.



TATA – European operations

- Operating losses for the UK operations were lower in 3QFY25, and considering the current pricing/demand environment, management expects the UK business to break even in the coming quarters.
- TSUK transformation efforts progressing well and closed BFs/coke oven, leading to efficiency and fixed cost reduction of GBP80/t QoQ in 3QFY25. Workforce reductions continued, with 1,900 employees left since Mar'24.
- Netherland spreads hit multi-year lows to ~EUR170/t, adversely impacting TSUN's profitability. As a result, management is keen to undertake a restructuring plan for TSN by reducing people and fixed costs.
- TSN is focused on a gas-based production with hydrogen to be an add-on in the future based on cost dynamics, unlike other European peers that are committed to hydrogen.
- Management is expecting a final investment decision (FID) for TSN in the next 4-5 months, contingent on business viability, government support, and market conditions. (shutting down of coke plants will commence from 2029)

Indian operations

- Automotive and special products saw strong demand and Tata Tiscon sales grew +20% YoY.
- NINL achieved all operational targets and is running at full capacity. The EBITDA margin improved from 13% in Q2FY25 to 20% in Q3FY25, supported by a rise in volumes and cost efficiency measures that reduced conversion costs by INR3,000/t.
- The NINL ECs process for expansion investment is underway.
- Tata Steel is expanding its production capacities in Kalinganagar, Neelachal, and other sites, and is moving closer to ports. This proximity is expected to help the company in reducing transportatio n costs.
- Growth projects in India – 1) Kalinganagar is about to get completed now 2) Ludhiana steel plant of 0.8mtpa should be done by 2026. 3) NINL expansion 4) Kalinganagar, and Meramandali plants.

Capex and Debt

- Investments in cold rolling mill expansion and an electric arc furnace-based plant in Ludhiana are progressing well.
- Tata Steel has 500-600mt of iron ore reserves available beyond, which are being sourced from acquisitions (Neelachal, Bhushan, Usha Martin, and Gandhalpada) and the costs vary based on the premiums paid.
- Management cautiously evaluates future auctions (Jharkhand, Odisha, and potentially Chhattisgarh) while ensuring cost-effectiveness.
- Tata Steel is focused on deleveraging, aiming for a net debt-to-EBITDA of around 2.75x, and intends to prioritize growth without excessively increasing debt.

Other Highlights

- Steel prices remained weak globally, particularly in China, where prices hovered around USD480/t despite stimulus efforts.
- Chinese steel exports surged to ~111mt (highest ever recorded).
- Steel demand remained weak across Europe, with high imports affecting the European steel market.
- In India, steel demand continued to grow but faced pressure from cheap imports.
- The DGTR initiated investigations on safeguard duties, while global trade measures like anti-dumping duties were implemented.

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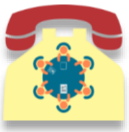
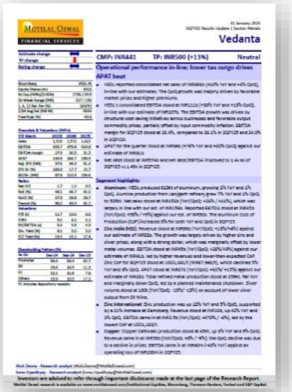
Results Update





Vedanta — Neutral

Current Price INR 423

Capacity update

- BALCO's rolled products facility expansion project of 50ktpa has been commissioned, bringing the total rolled products capacity to 100ktpa. In addition, the company has added 30ktpa of aluminum silicon products and 50ktpa of slabs. This expansion would significantly contribute to increasing the VAP portfolio to 68% from 62%, with a target to reach 90%.
- Lanjigarh Train-1 is ramping up steadily, and the ongoing Train-2 expansion of 1.5mtpa is expected to be completed in Q4FY25.
- Meenakshi and Athena power plants are scheduled to operate at full capacity in FY26, reaching an operating capacity of 5GW within the next 12-15 months.
- The company targets to commission the next phase of 250ktpa of smelters by FY27-28, in view to reach 2mtpa of smelter expansion.
- Zinc International's Gamsberg Phase 2 expansion is in full swing, with commissioning targeted in 2HFY26. This expansion will significantly increase production capacity, ensuring higher output and lower costs. By FY27, Gamsberg will be running at full capacity, with both Phase 1 and Phase 2 operational, which will further reduce production costs.
- The company has completed 96% of land acquisition for the Sijimali bauxite mine and expects its commissioning in Q1FY26. Meanwhile, the Ghogharpalli coal mine is on track to be commissioned by Q4 FY26, with all land acquisition and regulatory approvals progressing well.
- Nine new infill wells were drilled in Mangala and Aishwarya fields in Q3FY25, totaling 18 wells in 9 months. The ASP injection project for production ramp-up is expected to show significant benefits in H2FY26. Additionally, the company has been awarded deepwater block exploration contracts, with results expected by May'25.
- Konkola Copper Mines (KCM) is ramping up steadily, with the current run rate of 160-175 KT copper per year, expected to reach 200 KT per year in FY26. Management expects full-scale production (300 KT per year) by FY27.
- The Radhikapur coal block is likely to start operations by 1QFY26. VEDL has secured the EC, completed the land acquisition, and is currently following up with compliance checks.

Guidance

- The increase in alumina production costs was due to the higher consumption of imported bauxite. Going forward, 60% will be sourced domestically and 25-30% from other sources, while only 10-15% will be imported. Management expects alumina costs to be close to USD320-325/t for the coming year.
- At the Bicholim mine, the company has achieved a production run-rate of 2.4mtpa of sellable ore.
- The pig iron business has received ECs for a 1.2mtpa capacity. The company is now focused on improving realization and profitability from the iron ore business.
- Earlier, the Gamsberg mine faced production constraints due to geotechnical issues and under-stripping, which have now been largely resolved. The per month production run rate has improved to 18kt in Jan'25, indicating a steady ramp-up.
- Post-expansion, production is expected to increase 20-25% YoY, reaching 240-250kt from Gamsberg & Black Mountain combined.

Other highlights

- Vedanta Resources Limited (VRL)'s debt has reduced by USD4.3b over the last 2.5 years to USD4.8b, the lowest in a decade.

- The company's demerger plan is progressing well, with shareholder and creditor meetings scheduled for 18th Feb'25.
- Saudi Arabia Smelter Project: The USD2b integrated smelter refinery project is progressing. The project will be under VEDL, not VRL. The Saudi government is expected to provide significant incentives, including low-cost power and funding.
- The company refinanced USD3.1b bond portfolio, securing longer maturities and reducing debt cost by 250bp.
- The company expects an improved momentum in the coming months for key businesses such as Zinc International, Iron Ore, and Steel.

- **OMCs: While various management teams expect marketing segment performance to remain strong, weak refining performance might continue in the short term amid subdued refining margins (mid-term GRM expected to be ~USD5-6/bbl). In 4QFY25, the management teams expect LPG under-recovery to be in the similar range QoQ, and under-recoveries should start tapering off from 1QFY26 onwards. CGDs were hit by a sharp APM de-allocation in 3Q, and the various management teams expect similar margins QoQ in 4Q, post APM re-allocation, and New Well Gas allocation. However, CGDs' management teams remain optimistic about robust volume growth. ONGC and OINL also forecast strong production growth due to KG-98 and NRL, respectively. Additionally, gas utility entities are anticipating stable transmission volumes.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

Oil & Gas	Outlook	Quarterly snapshot
Gas Utilities	▪ **GAIL's** management expects transmission volumes to grow ~10mmscmd in FY26 and remains hopeful of tariff hike approval for the transmission business in 1QFY26. LPG production could drop 75tmt due to APM de-allocation in 4QFY25. ▪ **PLNG:** The Dahej terminal expansion is expected to be completed by Jun'25 (three months delay). In 4Q, management expects capacity utilization at Dahej to remain ~95%-100%.	▪ **GAIL's** EBITDA was 25% below our estimate, primarily due to weak gas marketing segment performance. Petchem's EBITDA fell 27% YoY. ▪ **PLNG's** EBITDA marginally missed our estimate by 5%; however, its total volumes declined to 228Tbtu (est. of 249.5Tbtu, -2% YoY). ▪ **GUJS'** 3QFY25 EBITDA was in line with our estimate, as lower-than-estimated volumes were offset by higher-than-estimated tariffs.
Upstream	▪ **ONGC** aims to increase production at a ~3.4% CAGR, reaching 42.44/44.51/45.61mmtoe in FY25/FY26/FY27. In FY26, crude oil/gas production shall be 21.96/22.63mmtoe. ▪ **OINL's** production volume guidance: FY25/FY26/FY27 oil production is likely to be 3.48mmt/3.65mmt/4.0mmt. FY25/FY26/FY27 gas production is anticipated to be 3.3bcm/4.0bcm/5.0bcm.	▪ **ONGC/OINL's** 3QFY25 EBITDA came in line with our estimate, as crude oil/gas sales came in line. Both crude oil and natural gas production trends were flat QoQ/YoY.
CGDs	▪ **IGL** has secured ~1.65mmscmd contracts at competitive rates for sourcing R-LNG gas. Management expects to end FY25, with volumes reaching 9.5mmscmd. Further, it expects volumes to grow 1mmscmd p.a., reaching 10.5mmscmd/11.5mmscmd in FY26/FY27. ▪ **MAHGL's** management expects ~12.5%-13% YoY growth in volumes in FY25. Further, it has guided for 10% YoY volume growth for FY26, with CNG being the key growth driver. EBITDA margins are expected to range between INR9 and INR11 per scm moving forward. ▪ **GUJGA:** Amid the recent APM de-allocation and elevated spot LNG prices, management has marginally lowered its margin guidance back to INR4.5-INR5.5 per scm. It has also guided for a capex of INR8.5b/INR10b for FY25/FY26.	▪ **MAHGL/GUJGA's** EBITDA came in line with our estimate on account of steady margins and strong volume growth. **IGL's** EBITDA beat our estimate by 12% due to higher margins and strong volume growth. ▪ EBITDA/scm margins contracted to INR8.3/INR4.3 /INR4.4 for MAHGL/IGL/GUJGA on account of APM twin de-allocation. ▪ Volumes for MAHGL/IGL/GUJGA increased 12%/7%/3% YoY to 4.1/9.1/9.5mmscmd.
OMCs	▪ **HPCL's** management expects the mid-cycle SG GRM to be ~USD5-6/bbl, and its GRM would be at some premium to SG GRM + USD2-3/bbl after the RUF unit commissioning at Visakh. Around INR130-140b p.a. capex shall be incurred going forward (INR40b/INR60b/INR40b on Refining/ Marketing/ Equity contribution in JVs). ▪ **BPCL's** petchem product slate after Bina refinery expansion: PE/PP/PTA shall be 1.2mmt /0.45mmt /1.35mmt. The total capex for the Andhra Pradesh coastal refinery project might be ~INR950b if approved. Further, management stated that an annual capex of INR200b is expected in FY26. Capex shall increase from FY27 and amount to ~INR250b-260b going forward.	▪ While **HPCL's** EBITDA beat our estimate by 30%, primarily led by a higher-than-estimated GRM, **IOCL's** EBITDA missed our estimate by 11%, due to a lower-than-expected reported GRM and high inventory losses. **BPCL's** performance was largely in line with our expectations, as weaker-than-expected refining performance was offset by robust marketing margins. In addition, their earnings continued to take a significant hit due to the LPG under-recovery, amounting to INR31b/ INR55b/INR31b for HPCL/IOCL/BPCL.

Bharat Petroleum — Neutral

Current Price INR 256

Click below for Results Update

Macro Outlook:

- Global oil demand to rise 1.2-1.3mb/d in CY25.
- Global oil supply to improve 2.0-2.1mb/d in CY25.

Capex:

- INR119b capex was incurred during 9mFY25. INR150b-160b is expected to be incurred in FY25.
- INR200b annual capex expected in FY26. Capex shall increase from FY27 and shall amount to ~INR250b-260b going forward.
- The five-year capex plan: INR1.7t, of which INR1.3t is already approved by the Board.
- 26 CBG plants across India in the next three years (SA or via-JVs). Capex of INR25b is planned for CBG plants and 200tmt volume might be generated.

CGD business segment:

- During FY25/FY26/FY27/FY28, 150/165/200/200 CGD station additions are planned.
- INR12b capex has been incurred in 9mFY25. Planned capex: INR30.3b/INR30.5b to be incurred in FY26/FY27.
- Volume performance over 9MFY25: 96tmt. Positive EBITDA shall be generated from FY27.
- APM allocation has been ~49%. Mostly spot R-LNG is purchased for the remaining volumes.

Inventory loss:

- Marketing inventory loss in 3Q amounted to INR7.2b. BPCL maintains 25-27-day marketing inventory.
- The company does not calculate refining inventory losses as the inventory days are less than 10 and inventory is priced at the past 30-day average crude price.

Russian crude:

- Russian crude utilization stood at 34% - 35% historically, however was at 31% in 3QFY25. Sufficient cargo is available for Jan'25 and Feb'25, but not for Mar'25. USD3/bbl discount commercial benefit will not be available if crude is sourced from others.
- The company considers the Russian crude shortage to be a temporary phenomenon and expects the situation to get normalized in 2-3 months.
- Crude sourcing: 55% is long-term sourced and the rest is short-term. This ratio is maintained in the current year also.
- BPCL does not have any long-term contracts w.r.t. Russian crude.

Bina petchem project:

- 7.5% physical progress has been achieved as of Dec'24. All licenses, PMC consultants, and units have been on-boarded.
- INR490b capex is approved.
- Planned capacities: Refining: 3mmt & Petchem: 3mmt (1.2-1.3mmt refinery throughput shall be an intermediary for the 3mmt Petchem capacity).
- Petchem product slate: PE/PP/PTA shall be 1.2mmt/0.45mmt/1.35mmt.
- INR10b has been spent in 9mFY25. INR185b-190b shall be incurred in FY26. Major capex amounting ~INR230b-240b shall be spent in FY27.
- The project shall be commissioned by May'28.

Andhra Pradesh coastal refinery project:

- INR61b has been approved by the Board for pre-project activities (land acquisition and other studies).
- Planned capacity: 9mmt-12mmt refining capacity and 3mmt-4mmt petchem capacity.
- Capex: INR950b is the gross level of capex estimated currently for the project; however, the capex number shall be finalized by Dec'25.
- The company is also exploring to find a JV partner.

One-time employee expenses:

- INR3.7b was attributable to one-time employee payable expenses.

BPRL:

- Most of the loans are planned to be refinanced as no cash is getting generated.
- Mozambique
- For the force majeure in Mozambique, there may be positive news anytime soon. Gas from Mozambique filed will come up in FY29.

BPCL renewable energy outlook

- Lowest bidder for 150MW NTPC tender. BPCL shall reach 300MW-350MW operational capacity which shall be for captive use.
- The company aims to achieve the 2GW mark in a couple of years and ramp up to 10GW by FY30.
- Capex plan: INR100b in the next 2-3 years (INR30b/INR30b in FY26/FY27).
- INR7.5b capex is planned to be spent on a Solar project.

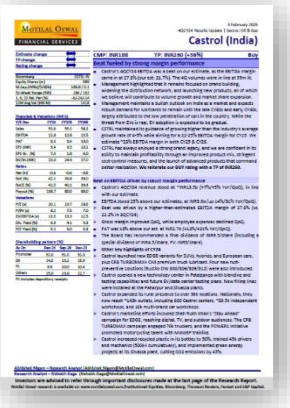
Refining margin weakness in 3Q was due to:

- In 3Q, there was ~30-day refinery shutdown at Kochi/Mumbai.
- Lower Russian throughput at ~31% in 3Q (vs 34%/39% in 2Q/1Q).

Castrol India — Buy

Current Price INR 208

Click below for Results Update



CY25 aim:

- Focus on providing high-quality products and services, and increasing the company's footprint.

Volume growth outlook:

- Market volumes shall grow at 4-5% and CSTRL shall grow at a higher rate.
- 4QCY24 volumes stood at 59m lit.
- In CY24, 4% out of 6% YoY volume growth came from the 'essentials' range.
- Rural volume growth is much higher in, double digits.

EBITDA margin guidance:

- CSTRL aims EBITDA margin to stay between 22% and 25%.
- CSTRL receives a rebate on annual volumes in every 4Q.
- In 1QCY25, margins shall decline QoQ as the rebate goes away.

Inventories:

- Inventories are priced as per WAM. No inventory losses were there in 4Q.
- Base oil & additives and FG inventory days average: 40-50 days (RM days much higher than FG days)

Rise in crude oil prices & raw material costs:

- Input cost split: base oil 60-70%, additives 10-15%, packing 5-7%, rest is others
- 50-60% of inputs are imported.

Liquid cooling:
- In India, the liquid cooling market can grow in double digits, led by Data Centers (DC).
- Castrol India shall not be spending on DC R&D.

Others:
- Advertisement & sales promotion expense in 4Q: 8% of revenue (shall be +8% going forward).
- B2C (retail) volume growth: single-digit growth
- B2B volume growth: double-digit growth.

GAIL — Buy

Current Price INR 164

Click below for Results Update

3Q performance highlights:
- GAIL registered its highest-ever quarterly and nine-month PBT and PAT.
- Gross turnover stood at INR349b in 3Q (+6% QoQ).
- Gas marketing volume stood at 103.46mmscmd. 37 LNG cargoes were imported in 3Q, taking the total count to 107 in 9MFY25.
- Natural gas volume decreased to 125.9mmscmd due to reduced offtake by the power segment. Capacity utilization stood at ~60%.
- Polymer production stood at 216tmt. Capacity utilization stood at ~106%.
- LHC production came in at 283tmt. Capacity utilization stood at 79%.
- LPG transmission throughput stood at 1157tmt, running at 100% capacity.

Marketing segment
- NG marketing EBIT guidance of INR45b maintained for the year, excluding exceptional gains. The same shall be maintained in coming years.
- In 3Q, marketing margin declined by INR8-9b due to the following factors:
- Amid falling crude prices in early 3Q, a loss of INR2b was booked on a few contracts as per pricing terms. As per management, this loss will naturally reverse over a period of one year.
- Higher Henry Hub (HH) prices led to margin contractions, resulting in a loss of INR1.5b.
- GAIL had marketed ~2mmscmd of volumes in excess of volumes actually sourced, which were then covered via sourcing costly Spot LNG. This led to losses of INR4.5b.
- In 3Q, volumes increased on account of 9mmscmd international sales.

Gas transmission:
- FY25 volume guidance: Volumes to be in the range of 129-130mmscmd.
- FY26-27 volume guidance: Expected to increase yearly by 10mmscmd (2-3-4mmscmd CGD, 1mmscmd NRL, other refinery expansions and pipeline expansions).
- The drop in transmission volume to 125.9mmscmd was due to lower offtake (3mmscmd) by the power segment and the rest 1.5mmscmd because of a pipeline operated by GIGL and authorized by PNGRB has begun supplying to IOCL, resulting in a reduction of GAIL's gas volume.
- GAIL will challenge the same.
- The company has signed a contract for 0.75mmtpa, for which the supply will begin in Apr'25 and another contract for 1.53mmtpa is signed, for which the supply will begin in FY26 to meet the future demand.

- Transmission volume split: 41% fertilizers, 25% CGDs, 7% Power, 9% oil and refinery, 2% steel 6% internal and rest for others.

APM gas cut:

- GAIL used to get 1.75mmscmd volume, which is cut down to 1.13mmscmd.
- MOPNG's cut in APM gas allocation to GAIL for LPG production is expected to reduce its 4Q output by ~75 TMT.

Update on price hike:

- The anticipated transmission tariff increase is now expected in 1QFY26 (previous guidance Mar'25).
- The current tariff stands at INR58.6/mmbtu.

Gail Gas:

- 3Q turnover was down 3% QoQ, PBT down 7% QoQ at INR1.6b, PAT down 8% at INR1.1b.
- 25k DPNG connections and 5 CNG stations were established during the quarter.
- Target: 170 new CNG stations and 0.5m new DPNG connections in the next two years.

Update on the ongoing projects

- Dhabol terminal to be completed by Mar'25.

FY26

- Mumbai-Nagpur-Jharsuguda Pipeline.
- Jagdishpur-Haldia-Bokaro-Dharma Pipeline.
- Kochi-Mangalore-Bangalore Pipeline.
- Srikakulam-Angul main pipeline.
- 500ktpa PDH-PP plant at Usar
- 1250ktpa GAIL Mangalore petrochemical plant
- 60ktpa Polypropylene plant at Pata
- Phase I - Indradhanush Gas Grid Ltd.

FY 27

- Gurdaspur-Jammu Natural gas pipeline.
- Phase II and III - Indradhanush Gas Grid Ltd. Phase II and III

Capex:

- INR21.2b was done in 3QFY25.
- INR4b on pipelines, INR7.5b on petrochemicals, INR400m on CGDs, INR1.3b in equity contribution and rest INR8b on various other projects

Petchem segment:

- Gas sourcing costs stand at USD10 per mmbtu.
- At Pata, INR88k per mt prices are at the bottom already. The cheaper the gas is for the Pata plant, the higher the profit is (better than FY25).

Gujarat Gas — Buy

Current Price INR 395

GUJARAT GAS

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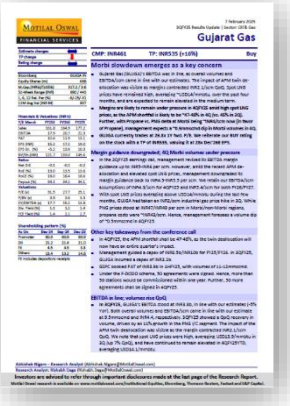
EBITDA margin guidance:

- EBITDA/scm shall be between INR4.5-INR5.5 going forward (vs. INR5-6 guided previously).

Industrial segment

- **In 3Q, average Morbi volumes 3.35mmscmd (2.86mmscmd in 2QFY25)** (current price: INR47/scm);
- The entire Morbi market size is ~8-9mmscmd.



- In 3Q, non-Morbi volumes: 2.10mmscmd (1.88mmscmd in 3QFY24) (current price: INR49/scm)
- In 3Q, INR2/scm increase in industrial gas prices was taken, led by elevated spot LNG prices.
- Management expects Morbi volumes to decline QoQ (~2.75-3mmscmd in 4Q vs. 3.35mmscmd in 3Q).
- The current propane vs. NG delta is INR4/scm (current Propane price: INR43/scm).
- CNG segment
- Growth: 12% YoY increase overall, +25% YoY increase outside Gujarat
- CNG is 40%/15% cheaper than petrol/diesel.

Capex
- In 3Q, GUJGA incurred a capex of INR2.2b (9MFY25 capex stood at INR5.5b).
- INR8.5b/INR10b capex guided for FY25/FY26.

APM gas:
- 45% (D-PNG + CNG segment) APM shortfall in 3Q was fulfilled by NW gas, HPHT RIL, and Spot LNG.
- In 4Q, the shortfall shall be similar (47-48%) as the twin de-allocation will now have an entire quarter's impact.

Gas sourcing contracts:
- No new contracts have been signed recently.
- GSPC, GUJGA's sourcing partner, is already looking for new contracts.

Sourcing mix:
- 2.57mmscmd was Spot LNG (price in 3Q: INR41/scm, current prices INR48/scm)
- 1.35mmscd gas was sourced from other domestic sources (0.5mmscmd NW gas)

GSPC 1HFY25 performance:
- Volumes traded: 11-12mmscmd
- EBITDA ~INR12b, PAT INR8.9b.

F-DODO scheme:
- 50 agreements signed. Hence, 50+ stations would be commissioned within one year.
- Another 50 agreements shall be signed in 4Q.
- RoCE (%) shall increase due to the F-DODO model.

Dealer commission:
- F-DODO: INR5/kg
- Other: INR10/kg

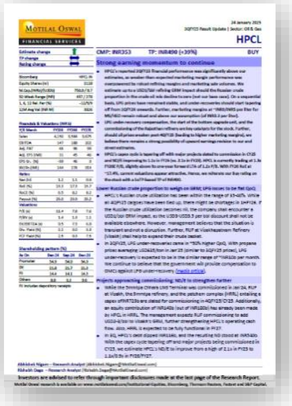
Other highlights:
- Scheme of Amalgamation and Merger: Filing with MCA will be done next week.
- Positive growth in the domestic segment (48lakh customers added in 3Q).
- The commercial segment showed steady growth (15,500+ customers).

Hindustan Petroleum — Buy

Current Price INR 324

Lubricant business listing:
- The company is pursuing carve-out approval from the Government as a top priority.
- It will take 9m post approval for listing of the business.

Click below for Results Update



HRRL:

- Mechanical completion by Sep'25, commissioning by Dec'24, and complete operations will be seen in FY27.
- The debt shall not be consolidated since HRRL is under JV. Debt as of Dec'24 amounts to INR340b.
- Equity contribution: INR140b out of INR180b has already been made.

Russian crude:

- Russian Crude utilization stands at 35%-40%. Also, all cargoes for 4Q are been tied up.
- The company does not see the recent developments as a disruption. Additionally, RUF at Visakh shall help expand its crude basket.

HPCL LNG:

- Long-term contract tie-ups shall be concluded in the near term. Till then, the company shall buy Spot LNG.
- Captive LNG requirement shall be 1.5mmt-1.7mmt p.a.
- Initially, there will be losses. The break-even level shall be achieved in 1-2 years.

The decline in debt by INR116b:

- Better operational performance led to debt reduction.
- INR20b oil bonds which matured in 3Q were used for debt repayment.
- As of Dec'24, HPCL's ND stands at INR540b, out of which INR440b is long-term debt.

Capex:

- Run-rate: INR130b-140b capex shall be incurred (INR40b/INR60b/INR40b on Refining/Marketing/Equity contribution in JVs).

Inventory losses:

- In 3Q, INR3.5b/4.6b inventory loss pertains to refining/marketing.
- In 9mFY25, INR11b/INR14.5b inventory loss pertains to refining/marketing.
- W.r.t. Crude/finished goods, 15/30 days inventories are maintained.

GRM outlook:

- The average GRM for 3QFY25 was USD6/bbl. HPCL's management expects the mid-cycle SG GRM to be ~USD5-6/bbl, and HPCL's GRMs to be at some premium to SG GRM + USD2-3/bbl post-RUF unit commissioning at Visakh.

HMEL:

- During 3Q, refinery GRM was at USD9/bbl.
- 3QFY25: Net Loss: INR7.1 (vs Net Loss of INR3b in 1HFY25) primarily due to subdued polymer prices, 3Q EBITDA remains positive.
- A margin of USD150-USD170 per ton shall enable HMEL to break even, while current margins are USD70-USD80 per ton.
- As of Dec'24, HMEL's ND stands at INR330b.

LPG under-recovery:

- The company hopes that the government might consider LPG loss compensation in the upcoming budget.

Interest and depreciation outlook:

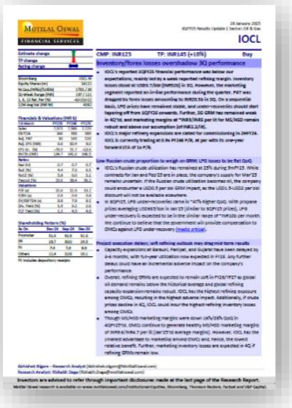
- INR5-6b/INR6b interest and depreciation increase might be seen going forward.

Visakh RUF:

- 93% conversion in distillates. Fuel Oil shall be fully eliminated and outputs shall be Diesel, Naphtha, and Gasoil.

IndianOil

Click below for Results Update



Indian Oil — Buy

Current Price INR 120

Capex

- The company plans to invest INR720b to increase its SA refinery capacity by 25% to 88mmtpa.
- Panipat Refinery: Capacity expansion from 15mmtpa to 25mmtpa; Capex INR380b; Completion by Dec'25.
- Gujarat Refinery: Capex INR190b; Completion by 4QFY26.
- Barauni Refinery: Capacity expansion from 6mmtpa to 9mmtpa; Capex INR148b; Completion by 4QFY26.
- Full-year utilization is anticipated for all three refineries in FY28.
- Petchem production will also increase with an investment of INR138b in the Paradip Refinery; completion expected by FY26.
- In 9mFY25, the company incurred capex of INR280b. A total of INR350b/INR330b is expected to be spent in FY25/FY26.

Operational Performance:

- IOCL achieved the highest-ever sales volume in 3QFY25 despite sectoral headwinds.
- In 3QFY25, the company did a refinery throughput of 18.1mmt (CUF 102.3%) and achieved a distillate yield of 82.2%. Fuel losses were at 8.7%.
- Inventory losses amounted to INR52b in 3Q. (INR55b in 9mFY25).
- The company achieved an ethanol blending rate of 18.2% and is on track to achieve 20% ethanol blended fuel by year-end.
- Debt stands at INR1315b, with debt to equity ratio of 0.77x.

Pipelines:

- IOCL operates an 18,500km pipeline network, representing ~50% of India's total pipeline infrastructure.
- It achieved capacity utilization of 70% and throughput of 24.9mmt during the quarter.

CGD Business:

- The company operates 26 GAs across India and holds stakes in additional 49 through JVs. It has allocated INR200b for capital expenditure on its own CGD networks and aims to achieve EBITDA profitability by FY26.

Macro Environment

- MS cracks improved slightly, reaching USD3.3/bbl. HSD cracks fluctuated, declining from USD20.6/bbl in 3QFY24 to USD9.8/bbl in 2QFY25 before recovering to USD12.2/bbl in 3QFY25. Polymer spreads remained stable year-over-year, while BD and MEG spreads contracted. Despite some improvement, MEG spreads remain negative. Global petrochemical capacity expansion continues to pressure margins.
- The company expects significant growth in Petchem demand to reach INR100b in 2027 and INR400b by 2040.

Russian Crude

- In 9mFY25, 25% of total crude imports came from Russia. The company does not have any long-term contracts with Russian fuel suppliers. While contracts for Jan and Feb'25 are in place, the company's supply for Mar'25 remains uncertain.
- According to the management, the discount on Russian crude has fallen from USD3 to USD1.5-2.

- The company has long-term contracts with the Middle East and has acknowledged that the freight advantage associated with Middle Eastern crude can occasionally surpass the discount offered for Russian crude. Therefore, it has ensured adequate crude availability.

Renewables

- The company intends to have an RE portfolio of 31GW by FY30 through organic and inorganic acquisitions.
- It has issued a tender for 1GW of RE, with an additional 4GW in progress.
- The company, through strategic collaborations with NTPC Green, SJVN, and other players, is confident in achieving its target.
- It plans to set up a 10KTA green hydrogen production facility in Panipat and has established its first hydrogen dispensing station in Faridabad.
- The company is undertaking trial runs of 15 fuel cell buses in Delhi.
- It has formed a JV with Renew and L&T to focus on green hydrogen projects.
- It is setting up a sustainable aviation fuel plant in Panipat.
- Indian Oil became the first company to sell CBG under the ‘IndiGreen’ brand through 97 retail outlets.

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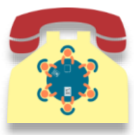

Indraprastha Gas — Neutral

Current Price INR 194

Margin and volume guidance:

- EBITDA/scm – INR7-INR8 to be maintained going forward.
- To maintain the target, INR2/scm price hike will be required.
- Though APM gas will be replaced by NW gas, which will result in a ~20% cost increase, management does not expect more than 20% of the APM gas to be replaced.
- FY25 exit sales target: 9.5mmscmd.
- In 3Q, IGL had to limit volumes post the APM de-allocation due to high Spot LNG prices. However, management is confident of achieving 7-8% QoQ growth, resulting in 9.5mmscmd volume exit rate.
- Volumes are expected to reach 10.5mmscmd/11.5mmscmd in FY26/FY27 (1mmscmd increase p.a. in FY26/FY27).

APM de-allocation details:

- The allocation will be reduced from 5.11mmscmd to 3.23mmscmd (1.08mmscmd in Oct’25 and 0.8mmscmd in Nov’25).

Gas sourcing updates:

- The company has sourced the following additional gas volumes at competitive prices.
- 1mmscmd has been linked to Henry Hub (HH) for five years.
- 0.65mmscmd was initially linked to HH, but from FY27, it will be converted to Brent-linked (volumes will also increase to 1mmscmd gradually).
- On 16 Jan’24, the domestic APM gas allocation was restored by 1mmscmd (out of 1.88mmscmd).
- Another 0.5mmscmd NW gas has also been allocated from 1st Feb’24.

CNG gas sourcing now:

- 51%: APM allocation
- 15-20%: NW gas allocation
- 30%-35%: R-LNG (Re-gassified LNG)

Current total portfolio:
- 47% APM + Non-APM + NW gas
- 3% HPHT (High Pressure High Temperature)
- 53% in R-LNG
- 2/3 is HH (gas-linked) and 1/3 is oil-linked
- At today's prices, both contracts lead to a gas price of ~INR40/scm

Capex:
- INR13b-INR15b p.a. in FY26/FY27, with an upside risk to capex if any inorganic opportunities materialize.

Other KTAs:
- CNG stations: 898 operational (500 in Delhi), serving 2m vehicles per day.
- CNG PNG 12% growth (I-PNG 16% up YoY, D-PNG 17%, C-PNG 10% YoY).
- In new GAs, CNG PNG volumes are growing at 30% YoY (0.6-0.7mmscmd CNG sale volume in 3Q), while Delhi NCR grew at 5% YoY.
- CNG vehicle additions in 3Q: 17,100 new and retrofitted vehicles.
- Private vehicle sales during Diwali witnessed a huge increase, which led to higher demand.
- Additionally, the commercial segment continues to drive demand.
- PNG – 3lakh customers added p.a.
- CNG station split: 45% IGL, 50% OMCs & DODOs.

Mahanagar Gas — Buy

Current Price INR 1,293

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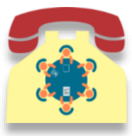

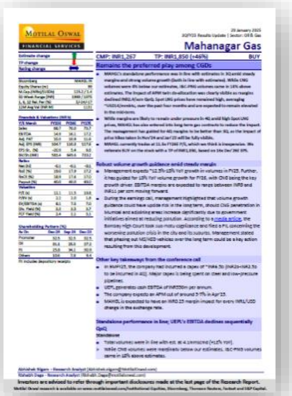

3QFY25 performance:
- Domestic household connections increased 98,469, bringing the total connectivity to 2.68m households.
- The company has laid 99km of steel and PE pipeline, bringing the total length to 7,224 km.
- It has added 9 CNG stations, bringing the total number to 361.
- The company has added 83 industrial and commercial customers, bringing the total count to 4,974.
- It has added 83 industrial and commercial customers, bringing the total to 4,974 industrial and commercial customers.

Volume guidance:
- 12.5%-13% YoY growth is expected in FY25. Additionally, at least 10% YoY growth can be expected in FY26, with CNG being the key growth driver.

Margin guidance and price hikes:
- Price hikes in Nov and Jan are likely to support margins, and no further price hikes will be required.
- While 4Q margins are expected to be higher than 3Q margins, they may not be as high as INR12/scm.
- Going forward, margins are expected to be between INR9 and INR11 per scm.

APM gas allocation:
- ~50% - CNG APM allocation
- 15mmscmd-16mmscmd of ONGC's total gas allocated as APM to the CGD sector
- 100% - D-PNG allocation
- A cut of around 5-7% expected in the APM allocation in the next meeting
- Next domestic gas de-allocation/re-allocation to occur in April

Current gas portfolio:
- 1.5mmscmd APM, 0.5mmscmd domestic gas
- 1.45mmscmd Henry Hub based (current pricing ~USD9.5-USD10.5 per mmbtu)
- 0.5mmscmd HPHT gas (~USD11/mmbtu)
- 0.1mmscmd - RIL contract
- 0.25mmscmd NW gas expected
- Brent linked gas costs ~7.5mmbtu as of now

Capex:
- In 9MFY25, the company incurred a capex of ~INR6.5b (INR2b-INR2.5b to be incurred in 4Q). Major capex is being spent on steel and low-pressure pipelines.
- UEPL capex for FY25: INR1.3b-INR1.5b; INR2.5b-INR3b in FY26.

UEPL:
- UEPL revenue stood at INR1b and net profit came in at INR13m.
- UEPL generates cash EBITDA of INR550m per annum.
- It expects volume growth of around 20%.
- Tax losses of INR350m are available in the books of UEPL.
- In 3Q, it achieved overall sales volumes of 0.192mmscmd (+17.38% YoY).
- In 9M, it achieved average sales volume of 0.175mmscmd.
- CNG sales volume stood at 0.162mmscmd.
- PNG sales volume was 0.013mmscmd.

Forex risk:
- The gas purchased is not hedged.
- INR0.25 impact per INR1/USD change in the exchange rate.

GA-wise sales volume breakup:
- 9MFY25 average breakup: 1.92/1.85/0.25mmscmd for GA1/GA2/GA3.
- GA3 experienced growth of ~50% YoY; GA2 experienced double digits while GA1 was in the normal range of 4-5%.
- Zone-wise tariff break-up: 40/80/108 per mmbtu for Zone1/Zone2/Zone3.

Phasing out of MS/HSD vehicles from the Mumbai metro region:
- The Bombay High Court has set up a committee to prepare a report for the same.
- If things remain in favor of CNG, MAHGL could see a 15-20% volume growth.
- The Commercial Vehicle (CV) segment could be a key driver, as the current CV CNG penetration is only 9.5-10%.
- Large commercial vehicles/small commercial vehicles consume 30kg/7.5kg of gas per day.

EV cell/battery business:
- Total capex: INR8.8b (40% equity)
- 1GW project to be completed in 1.5 years
- Tentative revenue: INR10b/GW
- Plans to increase the same to 5GW

Mahanagar LNG:
- The company commissioned its first LNG station in Aurangabad in Oct'24 and sold 91 tons of LNG during the quarter.

Oil India Limited

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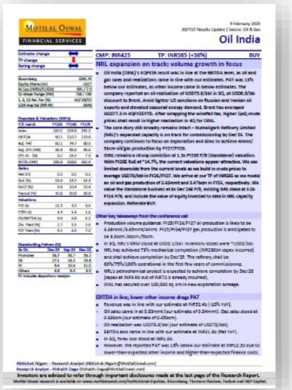

Oil India — Buy

Current Price INR 396

Production volume guidance:

- FY25: crude oil/natural gas production guidance: 3.48mmt/3.3bcm
- FY26: crude oil/natural gas production guidance: 3.65mmt/4bcm
- FY27/FY28: OINL's vision remains to achieve 4mmt/5bcm production of crude oil/gas.

NRL's GRM:

- In 3Q, GRM stood at USD2.1/bbl. Inventory losses were around USD2/bbl.

NRL's capacity expansion:

- The cost of the project is INR290b, of which INR230b+ has already been incurred.
- The project is 73% physically completed.
- The ongoing capacity expansion from 3mmtpa to 9mmtpa will be commissioned by Dec'25.
- The refinery shall be 60%/75%/100% operational in the first few years of commissioning.
- The crude pipeline shall also be completed by Dec'26.
- Increase in gas offtake for OINL: The current offtake of 1mmscmd from NRL will increase to 2.5-2.75mmscmd.
- DNPL line has a 1mmtpa capacity. The line is under expansion currently (INR433cr). Phase 1 completion: Mar'25 and Phase 2 completion: Mar'26
- Petchem project:
- INR72.b capex project out of which INR9.9b has been spent. Expected completion: Dec'28

Others:

- Major customers: Assam Power Generation Company is under expansion. Other major customers are fertilizer companies and tea gardens (650+ tea customers currently supplied by Assam CGD company).
- Once IGGL is commissioned, gas uptake will increase significantly from these customers and CGD companies.
- Fertilizer customer, post IGGL completion, might use an additional 1.1-1.2mmscmd gas.
- Flaring is down to 4% in 9mFY25, vs 8% in 9mFY24.
- OINL has secured over 100,000 sq. km in new exploration acreage.
- The company is focusing on promising discoveries from Barikuri and Sesabil.
- The Duliajan line connection (3.3mmscmd) shall be beneficial to OINL. This shall be connected to the North-East Gas Grid.

ONGC

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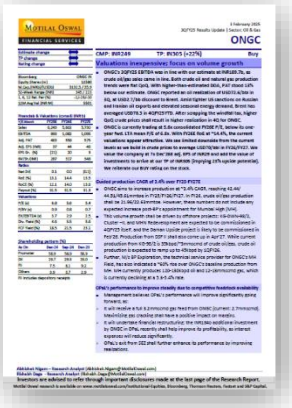
ONGC — Buy

Current Price INR 238

Production growth:

- ONGC aims to increase production at ~3.4% CAGR (42.44mmtoe/44.51mmtoe/45.61mmtoe in FY25/FY26/FY27).
- FY26 split: 21.96/22.63mmtoe w.r.t oil/gas. These numbers do not include any expected increase post-BP appointment.



- Offshore projects KG-DWN-98/2, Cluster –II, and MHN Redevelopment envisaging a gain of 44.74mmtoe/4.69mmtoe shall start in 4QFY25 itself, while 13.89mmtoe Daman Upside project shall commission in Feb'26. DSF II (12.29mmtoe) shall come up in Apr'27.

Exploration growth:

- ONGC aims to increase exploration at a ~9% CAGR (accretion in mmtoe - 55mmtoe/61mmtoe/65mmtoe in FY25/FY26/FY27).

Green energy roadmap summary:

- The company plans to reach 10GW by FY30 (60-70% solar/30-40% onshore wind) (organic & inorganic).
- Expected capex shall be INR1,000b.
- 1GW capacity shall be achieved in FY25 (INR10b capex).
- 40% of the target shall be achieved by FY26 (mostly inorganic).
- ONGC is in the final stage of multiple projects, which will be announced soon.

M/s BP Exploration appointed as TSP for ONGCs MH Field:

- The current recovery from MH is 28%-29% (70% of the reserves are still there). The recovery has to go up not only to cover the decline but also to provide growth.
- Baseline decline is ~5.3-5.4% p.a. TSP promises a 60% growth over the baseline.
- The increase in production compensates for ONGCs entire decline.
- MH currently produces 120-130kbpd oil and 12-13mmscmd gas.

KG-98/2:

- Current production: Oil: 35kb/d from 13 active wells, Gas: ~3mmscmd.
- A total of 26 wells are there. Four more gas wells will come up by mid-CY25.
- Peak production: Crude oil production to ramp up to 45kb/d by 1QFY26.

Capex:

- FY26 capex plan: INR370b (38%/30%/20%/8%/4% on Capital/Development Drilling/Exploratory Drilling/Survey/others).
- FY25 capex is higher on account of investment in OPaL.
- This shall result in a significant reduction in OPaL's debt.

OPAL:

- Inputs: Gas and Naphtha from ONGC
- OpaL shall get full 3.2mmscmd gas feed from ONGC (current: 2.7mmscmd)
- Going forward, the company shall maximize gas utilization.
- SEZ exit shall also help increase EBITDA.
- Financial restructuring shall help in improving financial performance.
- Management expects OPAL to perform better in FY26, primarily led by gas cracking.

Oil Field Regulation Bill:

- Passed by Lok Sabha and it is with Rajya Sabha.
- The Chairman of ONGC believes that the new bill is being passed to attract foreign O&G players.

Other KTAs:

- ONGC is on track to drill 500+ wells in FY25.
- APM price to rise to USD6.75/mmbtu from 1 Apr'25.
- 10% p.a. (~5mmscmd) of ONGCs gas production shall be converted to NW gas every year (pricing: 12% of crude) (NW gas now: 5.5mmscmd).
- NW gas is identified every month which is approved by DGH.

- The Chairman of ONGC believes that it is unlikely that SAED will come back, given crude prices remain below USD100/bbl.

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Petronet LNG — Neutral

Current Price INR 298

Volumes
- Lower long-term volumes at Dahej (below 100Tbtu): These are scheduled cargoes and the company does not foresee any risk.
- Spot and services cargoes are affected due to higher Spot LNG prices.

Tax structure
- PLNG is pursuing MoPNG to include NG under GST.
- Gujarat/Kerala VAT rate: 15%/5% levied on off-takers while selling R-LNG & LNG.
- No ITC is availed when this gas is consumed outside the state where it is sold.

UoP charges
- BG is in place and all the off-takers are informed. The off-takers are expected to reply by 31st Mar'25. CY21 dues are expected to be paid by Mar'25.
- CY21: ~85% is already provisioned. Any excess recovery by Mar'25 will be beneficial for the company.
- CY23: PLNG shall receive BGs for FY23 and aims to recover these charges by Dec'26.
- Only INR1.2b defaulted in the current year.

Capex
- FY25 expected total capex: INR14-15b (INR9.8b already spent); INR40b-INR45b total capex shall be incurred in FY26.
- Petchem capex: In 9MFY25, INR3.4b has been incurred (INR4b by Mar'25); FY26 planned capex: INR30b-INR35b.

Update on Dahej Terminal
- Dahej expansion is expected to be completed by Jun'25 (Mar'25 previously), increasing the capacity by 5mmtpa to 22.5mmtpa, available from FY26. Utilization will be 95%-100% in 4QFY25.
- Though capacity utilization may not reach 100%, it is expected to be ~40%-50%, which is good enough. Utilization will increase if prices soften.
- The company is already in talks with off-takers. The management is not worried about any under-utilization amid increasing volumes, robust demand growth, and range-bound LNG prices. The Dahej Terminal will play a key role in increasing consumption volumes in the country.
- The construction of the third jetty is already underway and will be capable of handling all three kinds of hydrocarbons.
- A 5% tariff hike has been taken at Dahej from 1st Jan'25.

Update on Kochi Terminal
- Post connection to the National Gas Grid, utilization could reach 50%.

Petchem expansion
- Most of the long-lead items have been finalized and important orders will be placed.
- Petchem capex: In 9MFY25, INR3.4b has been incurred (INR4b by Mar'25); FY26 planned capex: INR30b-INR35b.
- Capex will be ~15%/~30%/~35% in FY26/FY27/FY28.
- The debt:equity ratio will be 70:30.

- Ethane/Propane long-term contracts: Rigorous follow-up on contracting is going on. However, long-term contracts for ethane still need to be finalized.
- The project will be commissioned by Nov'27.

Other KTAs

- During 3Q, inventory gains amounted to INR830m, while trading gains stood at INR260m.
- In 3Q, Regas revenues stood at INR8.4b (INR7.3b in 2QFY25).
- No marketing margin is charged on long-term contracts.
- Spot LNG is likely to remain in the range of USD12-USD14 per mmbtu. Post FY27, these prices will be around USD7-USD8 per mmbtu as supply glut is expected.
- There is no forex risk to the company w.r.t. LNG, as it is passed on to consumers.

Reliance Industries — Buy

Current Price INR 1,227

Reliance Industries Limited

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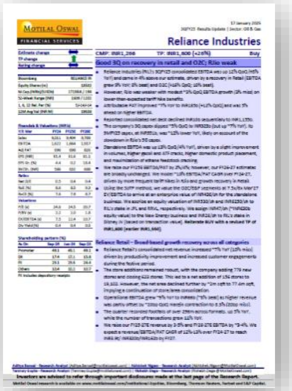
Reliance Industries

- Overall performance: The growth across the business was led by productivity improvement and the festive season. However, various initiatives that were taken over the last few years (new product launches/promotions and so on) are now yielding results.
- Grocery: Despite the quick commerce impact, the B2C grocery business saw rapid broad-based growth across all categories: general merchandise & value apparel (20% YoY) and premium personal care & beauty (16% YoY). The company is focusing on express deliveries.
- Consumer Brands: The company is focusing on three strategies in the segment: 1) expanding reach in priority states through a network of distributors and merchant outlets, 2) strengthening brand & product portfolio through new launches and partnerships, 3) building brand salience through targeted marketing and promotions.
- Consumer electronics: The segment saw good improvement in sales, supported by the festive and wedding season. This was majorly led by an increase in ABV and footfall conversion. ResQ expanded to 75 additional cities (total 225 cities).
- Fashion and lifestyle: The segment recorded a strong bounce-back in Apparel & Footwear business, led by the launch of trendy designs, improved store experience and category addition. Also, the company added beauty and sleepwear across multiple store formats. The brands Avaasa, Netplay & DNMX, which are leading brands in their respective categories, were the growth drivers for footfalls across stores and also recorded the highest-ever brand revenue.
- Franchisee and JVs: The company entered into India franchise for Saks Fifth Avenue and entered into a JV with Mothercare PLC to acquire Mothercare brand and its IP assets for the Indian subcontinent. Here the company owns a majority share, which will give it more flexibility to expand the range and source locally to grow margins.
- Ajio B2C: ABV saw a 7% YoY increase and overall 1.9mn customer addition. The segment saw several launches during the quarter (ON, Forever 21, Saucony). Black Friday sales grew 17% YoY, with the campaign reach up 300% YoY.
- Other business: Premium brand business saw steady growth. The company launched EL&N Café on the men's side. On the women's side, it launched

Sandro brand, while super luxury saw the launch of Saks Fifth Avenue. The company set up 3rd store in Italy for Hamleys.

- Jewellery business volume was impacted by gold price increases. While Dhanteras and wedding seasons drove good footfall and higher customer engagement.

RJio – key takeaways from the management interaction

Rapid 5G adoption; 5G now accounts for ~40% of overall data usage

- Robust growth in the digital services business was driven by the residual benefit of tariff hikes and consistent improvement in customer engagement metrics.
- This was well supported by a favourable subscriber mix, with an increasing number of users upgrading to 5G networks. The company continues to be the world's leading standalone 5G operator (outside China) with a subscriber base of over 170m (with 5G now accounting for 40% of RJio's wireless traffic).
- According to the management, RJio continues to attract ~70% of the incremental 5G devices sold in India.

Subscriber trends start to normalize; tariff hike benefits to continue

- After ~13m wireless subscriber declines in 2Q, subscriber net adds have picked up towards the exit month (Dec'24).
- According to the management, the full impact of the tariff hike is still to play out for RJio.

Fast-tracked growth in Home broadband – beyond 1,000 cities/towns

- JioAirFiber is rapidly expanding connectivity beyond the top 1,000 cities/towns, with the subscriber base rising to ~4.5m in a short period.
- According to the management, 70%+ of incremental JioAirFiber additions are coming from the beyond 1,000 cities/towns.
- The overall pace of home connect for RJio has continued to accelerate with a total installed base of ~17m (~2m adds in 3QFY25).
- A large greenfield opportunity will enable RJio to connect 100m homes.
- Customer engagement continues to be strong with 350 GB of per capita monthly data usage.

Enterprise business – outpacing industry growth

- Strong 280% YoY increase in large government tender wins and increasing share in state government connectivity infrastructure.
- Recent wins across cooperative banks increase the addressable market to ~150K bank branches.
- RJio is being selected as an exclusive service provider for pan-India locations of large corporates.
- Positioning JioCx, IoT, and Cloud for wallet share gains across BFSI, Govt, and SMB clients.
- Strong success in SIP business: 50%+ growth in the installed base in the first quarter of launch.

JioAICloud

- The AI-powered cloud service was launched for consumers during the quarter, offering up to 100 GB of free cloud storage.
- Offering a rich bouquet of AI services for consumers and enterprises on the back of gigawatt-scale AI infrastructure in India.
- Multiple AI inference facilities to enable the world's lowest-cost inference in India.

JioBrain

- A machine learning platform for seamless integration across operations. Offerings showcased include JioEducation (immersive learning), JioFrames, JioPartnerWorld, and JioKrishi (improving crop productivity).
- Jio also introduced JioCloudPC, which enables users to convert a TV screen into a computer through STB.
- Pay as you go with no lock-in and zero maintenance.

- **Management is confident of achieving a 20-30% YoY presales growth for FY25 even after the delays in approvals, fueled by strong demand. Moreover, real estate companies indicate that demand will remain intact in the coming years. Average growth in price realization will trend between 7% and 10% depending on various geographies. Approval delays are easing out steadily, and projects will be ready for launches consequently. Management is focusing on replenishing the land to strengthen the project pipeline.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Quarterly Snapshot	Near-term outlook/launch pipeline
DLF	▪ DLF reported pre-sales of INR121b in 3QFY25, up 34% YoY/17x QoQ (2.4x estimate; exceeds FY25 pre-sales guidance). This strong performance was backed by healthy sales from its super-luxury project, 'The Dahlias,' which recorded pre-sales of INR118b (98%). DLF sold 173 units with a total area of 1.85msf at an average realization of INR0.7b/residence. By 9MFY25, the company exceeded its full-year pre-sales guidance. Hence, we now estimate FY25 pre-sales to increase to INR238b (previously INR181b).	▪ The launch pipeline for FY25 has further increased by INR31b to INR441b, which is INR146b higher than the initial guidance of INR295b announced in 3QFY24. The pipeline beyond FY25 now stands at INR704b vs. INR635b in 2QFY25. Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing landbank). In the coming months, DLF is set to launch Mumbai, Goa and Privana phase 3. Hence, there is little scope for acquisitions, though DLF will surely evaluate good opportunities in the future.
Godrej Prop.	▪ GPL's pre-sales volume for 3Q declined 6% YoY (-21% QoQ) to 4.1msf, resulting in a pre-sales value of INR54.5b (-5% YoY/5% QoQ). Notably, 77% of the contribution came from newly launched projects. For 9MFY25, pre-sales were up 48% YoY at INR193b. In 3QFY25, GPL launched seven projects across four cities, with a total cumulative saleable potential of 2.2msf, and delivered 2.6msf.	▪ Management is optimistic about building on the current momentum and is confident of meeting its FY25 sales guidance of INR270b, which would translate to a 4QFY25 run rate of INR77b. The remaining inventory to be launched in Q4 is currently at INR64b. Upcoming launches are expected in Hyderabad, Noida, Gurgaon, MMR, Pune, and Indore.
Macrotech Dev.	▪ LODHA achieved 3QFY25 bookings of INR45b (2% below estimate), up 32% YoY. Among key markets, south and central regions, extended eastern suburbs, and western suburbs outperformed with 2x YoY growth in pre-sales. Average price growth is 4% YTD (3% as of 2QFY25). Another large land deal was executed in Palava at INR210m/acre. LODHA achieved data center deals at INR200m/acre in 2QFY25, higher than the guidance.	▪ The company has concluded its pilot phase and is moving to the growth phase in Bangalore, in line with the laid-down strategy. It added one new project with GDV potential of INR28b (achieving 93% of full-year BD guidance). Currently, Bangalore accounts for 2-3% of total sales, which LODHA aims to increase to 15% in a decade.
Oberoi Realty	▪ OBER pre-sales grew 144% YoY to INR19.2b (13% lower than estimate) in 3QFY25, driven by lofty bookings at newly launched project 'Jardin' at Oberoi Garden City, Thane, which contributed INR13.3b to pre-sales (70% of 3QFY25 bookings) across bookings of 466 units. Elysian pre-sales grew 88% YoY to INR2.3b, while project 360 West grew 93% YoY to INR1.5b. Sales traction was weak for other projects - Eternia (INR0.2b), Enigma (INR1.0b), Sky City (INR0.4b), and Forestville Thane (INR0.4b).	▪ OBER has a launch pipeline at Borivali (1 tower), Goregaon (2 towers), and Forestville Thane (2 towers), which is expected to be launched in 4QFY25 or FY26. The Gurugram, Adarsh Nagar, Worli, and Tardeo projects will be launched in FY26. The company is witnessing strong leasing traction across all three office assets. Commerz I and Commerz II are nearly fully leased out following an increase in occupancy in 3QFY25. With this, all three office assets are expected to be fully leased out by the end of FY25.
Mahindra Lifespace	▪ MLDL clocked bookings of INR3.3b in 3QFY25 (44% miss), down 25% YoY, as volumes declined 15% YoY to 0.5msf. In 3QFY25, MLDL launched 0.67msf of its projects. Launches in the near term are expected to remain strong, as the company has a pipeline of ~18.11msf across its new and existing projects.	▪ MLDL has a large launch pipeline for Q4FY25 and FY26. Upcoming launches: Project Vista phase 2 in Kandivali with a GDV of INR12-14b, Project Ivy Lush in Pune with a GDV of INR7-7.5b, Zen 2 in Bengaluru with a GDV of INR2.5b, Citadel new tower with a GDV of INR1.5-1.8b, Project Navy in Malad with a GDV of INR10b in 1Q-2QFY26, Project Pink in Jaipur (INR2b plotted) in 4QFY25-FY26, Citadel phase 3 in

		Pune by FY26, Saibaba redevelopment in Borivali with a GDV of INR18b in FY26, and Bhandup in FY26.
BRGD	■ BRGD reported bookings of INR24.9b in 3QFY25, up 63% YoY (in line with the estimate). Volume was up 29% YoY at 2.2msf. With launches of 1.9msf projects in Bengaluru, Hyderabad, and Mysore, BRGD recorded its highest-ever quarterly realization of INR11,364/sft, up 26% YoY.	■ The company intends to launch ~12msf of residential projects in Bangalore (9 projects), Chennai (4 projects), Hyderabad (1 project), and Mysuru (2 projects) in the next four quarters. Management guides for ~15% growth YoY on pre-sales.
SOBHA	■ SOBHA reported bookings of INR14b (37% below estimate), down 29% YoY/up 18% QoQ. SOBHA's share of sales stood at INR12.5b, down 28% YoY/up 27% QoQ. However, its share in total bookings rose to 90% due to high contributions from its 'own' projects of Sobha Neopolis and Sobha Ayana in Bangalore. In 3Q, sales were mostly driven by Bangalore projects (72% of total bookings). The newly launched luxury project - 'Sobha Ayana' - in Bangalore contributed to ~50% of Bangalore sales. In 9M, SOBHA launched six new projects with a total area of ~4.7msf.	■ Due to approval delays, the launch of Town Park (3.5msf) and another 0.7msf project was moved to 4Q. In 4QFY25, the company expects to launch 4.3msf, taking the yearly launches to ~9msf across four projects in Bangalore. Further, the company plans to launch 10msf in FY26.
Kolte Patil	■ KPDL reported pre-sales of INR6.8b in 3QFY25, down 9% YoY/12% QoQ (28% below estimate) due to delay in launches. Volumes also fell 17% YoY/ 21% QoQ to 0.8msf (28% below estimate). Realization increased 11% YoY/12% QoQ to INR8.4b, due to higher realizations at the premium project 'Canvas' at Life Republic (LR) and 24K projects in Baner and Pimple Nilakh.	■ Management has reiterated its business development guidance of INR80b and expects a 25% CAGR in pre-sales over FY25-27. KPDL expects to recognize ~INR18b in revenue in FY25 and would report a blended EBITDA margin of ~12.5%. KPDL's margin threshold for outright acquisition deals is 25%-28%, and for JV/JDA/redevelopment projects, it is 16-18%.
Prestige Estates	■ PEPL reported bookings of INR30.1b, down 43% YoY and 25% QoQ (54% below est.) on account of muted residential launches in 3QFY25 and lower inventory. Average realization improved to INR13,684/sft, up 40% YoY, during the quarter. PEPL launched 8.2msf vs. 1.9msf in 1QFY24 and 0.8msf in 4QFY24.	■ The launch of The Prestige City Indirapuram NCR, Southern Star & Sunset Park Bangalore, Pallava Gardens Chennai, Prestige Spring Heights Hyderabad, Beach Gardens Goa, and some small projects in Bangalore and Hyderabad has now been deferred to 4QFY25 (earlier to be launched in 3Q). Nautilus would also be launched in 4Q. Total GDV of the upcoming launches up to FY26E stands at INR569b.
Phoenix Mills	■ PHNX reported revenue of INR9.8b, -1%/6% YoY/QoQ (6% below estimate). EBITDA came in at INR5.5b, flat/7% YoY/QoQ (10% below estimate). Margins were at 56.7%, up 73bp/30bp YoY/QoQ (246bp below estimate).	■ Phoenix Grand Victoria in Kolkata and Palladium in Gujarat are expected to be completed by 2027. PHNX is also expected to deliver 1.6msf of office assets in Pune and Chennai by 2025. Phoenix Asia Towers in Bangalore would be launched in 4Q after receiving the occupancy certificate in 3Q.
Signature Global	■ SIGNATUR reported 3QFY25 pre-sales of INR27.7b (26% beat), up 119% YoY and flat QoQ. Strong pre-sales were aided by volumes of 2.49msf, up 117% YoY and 5% QoQ. During 9MFY25, volumes jumped 127% YoY to 6.9msf.	■ Management reiterated its guidance of INR100b in pre-sales and INR60b in collections for FY25, keeping in mind the upcoming completions lined up. Further, management is confident to achieve revenue recognition of INR38b in FY25. As of 9MFY25, it had already achieved 52% of revenue recognition from 2.7msf of completions, keeping the realization at INR7,000psf. Spending on land would be INR15b in Gurgaon on an annual basis. Management believes Gurugram has a lot of areas for greenfield development, and the company wishes to target those areas.
Sunteck Realty	■ SRIN reported pre-sales of INR6.35b in 3QFY25, up 40% YoY (in line with estimate of INR6.5b). Traction in uber-luxury projects nearly tripled, with bookings of INR4.2b, or 66% of overall	■ Aided by a strong launch pipeline, management guided for presales growth of 25-30% in FY26. SRIN will not compromise on margins for acquisitions, and most of the acquisitions will be skewed toward the

	presales. The upper-middle-income segment accounted for 19% of presales.	uber-luxury segment as it is witnessing strong demand.
Anant Raj	■ In 3QFY25, revenue came in at INR5.3b, up 36% YoY/4% QoQ (50% above estimate). EBITDA was at INR1.3b, up 48% YoY/18% QoQ (50% below the estimate), driven by higher total expenditure of INR4b vs. estimated INR1b. EBITDA margin stood at 25%, up 2% YoY but ~50% below the estimate.	■ The approval process for the recently acquired 11.35 acres is in its advanced stage, with the Letter of Intent for land conversion already received. Construction of The Estate Residences (Group Housing 1) and Aashray 2 in Tirupati has already commenced and is progressing rapidly, remaining on track for timely delivery.

Brigade Enterprises — Buy

Current Price INR 1,023

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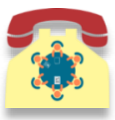

- **Demand:** Management sees strong demand on the ground. Launches will continue to be fully priced. BRGD's strategy is to sell 50% of the inventory in the initial few quarters. Management guides for ~15% growth YoY on pre-sales.
- **New launches:** The company launched Brigade Citrine, Gateway, and Vantage with areas of 0.7/1.2/0.1msf in Bengaluru, Hyderabad, and Mysore, respectively, in 3Q.
- Brigade Gateway Hyderabad is a 4.5msf integrated mixed-use development, featuring 600 premium residences, offices, an intercontinental 5-star hotel, World Trade Centre – Hyderabad (1msf), and Orion Mall (0.6msf). 300 units have been launched, and 200 units have been sold for INR10b, with an average price realization of ~INR13,500-14,000, inclusive of taxes.
- Brigade Citrine in Bangalore is a Net Zero luxury residential development with a GDV of ~INR7b, of which 50% has been sold.
- 72% of total sales in this quarter were from new launches and ~50% sales were from Bangalore.
- The company has nearly 12msf of upcoming launches, with expectations to launch 4msf in 4QFY25 across Bangalore and Chennai. The total GDV is ~INR40 (~2msf from Chennai).
- Approvals for the Mysuru launch are still pending and, hence, the launch is likely to be deferred to FY26.
- **Business Development:** Total BD in 9MFY25 was 8msf, worth INR100b, of which 3msf was added in 3Q. An additional INR9b remains to be spent on land. The company is still negotiating on other projects in Hyderabad.
- **Leasing portfolio growth:** Ongoing projects for leasing are ~2.67msf. BRGD is coming up with 2 commercial projects - Twin Towers and Padmini Tech Valley. Twin Towers will be ~1.2msf, of which 0.5msf will be kept for residential sale. Padmini Tech Valley will be ~0.7msf (Block C – 0.26msf to be operationalized in the next quarter). Leasing activity witnessed robust growth in India, up 14% in the previous quarter. The company achieved an overall leasing of 98% across the office portfolio while maintaining a consistent rental collection of 99%. Industry-wide, Global Capability Centers (GCCs) led leasing activity at 34%, followed by technology companies, flexible office space operators, and BFSI companies. Bangalore and Hyderabad accounted for 50% of leasing activity, highlighting their strong growth potential.
- Highlighting its comments in 2QFY25, management stated that one of its Twin Towers, totaling 0.55msf, is slated for strata sales, while the company plans to retain all other under-construction assets under the leasing model. BRGD has commenced construction of Brigade Tech Boulevard, Chennai (0.8msf), and

Brigade Padmini Tech Valley Block B (0.7msf). Over the next nine months, the company will commence construction for 1.5msf of assets across Bengaluru, Kochi, and the GIFT City.

- **Hospitality:** The company has filed a draft paper with the regulator, proposing a sheet of requisite approvals to list its hospitality arm as a wholly-owned subsidiary, named Brigade Hotel Ventures Ltd. As a result, no related information was shared on Hospitality.
- BRGD is set to expand its footprint in Kerala by developing a World Trade Centre (WTC) in Thiruvananthapuram featuring 1.5msf of office space. The group has already signed and initiated the expansion of WTC in Kochi Infopark with its third tower, bringing its IT infrastructure to 1msf. It also has future investment plans of INR15b in Kerala over the coming years, and the development is expected to generate employment opportunities.
- BRGD has signed a JDA for developing a residential project of ~1msf located at West Chennai with a GDV of ~INR8b. The project will be developed as part of a 1.5msf mixed-use development.
- BRGD has signed a definitive agreement for a prime land parcel located on Whitefield-Hoskote Road, Bengaluru, to develop a residential project spanning 20 acres. The project will have a total saleable area of ~2.5msf with a GDV of about INR27b and a total land cost of about INR6.3b through its subsidiary Ananthay Properties.

DLF — Buy

Current Price INR 690

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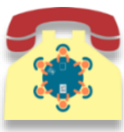

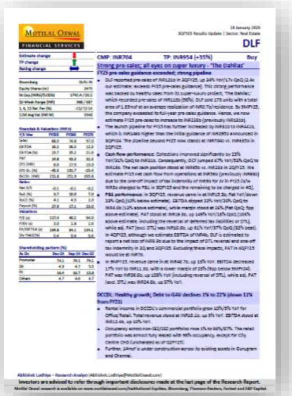

Residential business:

- **Approvals and launches:** Goa, Mumbai and the Privana phase 3 are in different stages of approval. DLF is confident of launching its Mumbai project (~0.9msft of area) in 4QFY25. Privana phase-3 and Goa would be launched in FY26.
- **Super Luxury - 'The Dahlias':** 'The Dahlias' is a luxury benchmark in the world, with 4mtrs floor-to-ceiling height, 17ft decks, 1,0300sft minimum size of apartment and 0.45msf of club (2.5x of Camellias). In 3QFY25, it was launched with sales of INR118b (98%) of total pre-sales. DLF sold 173 units with total area of 1.85 msft at an average realization of INR0.7b/residence. With this, in 9MFY25, the company has surpassed its FY25 total pre-sales guidance. Collections from 'The Dahlias' stood at INR12.3b in 3QFY25. Total revenue potential of the project is now INR350b (35% more than the RERA filing), of which inventory worth ~INR230b (~247 units) is unsold. Construction cost for the project is 30% of sales.
- **Launches beyond FY25:** Projects worth INR704b are planned beyond FY25. For the Mumbai project, the total potential saleable area can go beyond 5msf. Goa will be a super-luxury project and will have its own set of demand. No delays in both places. Once approvals are secured, the Mumbai project will be launched in 4QFY25, followed by Goa and Privana phase 3 in FY26.
- **RERA cash:** With the virtuous cycle of high-rise coming into play in future, cash escrowed with RERA account of ~INR71b will go down.
- **Business development (BD):** Currently, DLF focuses only on NCR, Tri-City, MMR, and Goa (existing landbank). In the coming months, DLF is set to launch Mumbai, Goa and Privana phase 3. Hence, there is little scope for acquisitions, though DLF will surely evaluate good opportunities in the future.

- **Tax indemnity of JV:** Total liability of INR9b has arisen out of tax indemnity, of which INR3b is booked. The entire amount will be booked by 4QFY25, including INR9b of cash outflow impact.

Commercial business:
- Vacancy for office and retail stands at 7% and 2%, respectively.
- For FY25, DCCDL should achieve ~INR50b in rental revenue and should add another ~INR3b from DLF, which tallies to INR53b. For FY26, the company expects to garner annuity income of ~INR63b from DCCDL and ~INR8b from DLF, so exit rental income should be INR71b. For FY27, rental income in DLF commercial should be INR10-12b.
- DLF sold Kolkata IT Park because of no relative impact on rentals and received benchmark rates.

Downtown (DT) Gurugram:
- Phase 2 construction has commenced.
- Block-4 (2msft) is 92% pre-leased and expected to be completed in 4QFY25. Rent will commence in FY26. OC will come in 4Q. Cost of construction initially was INR6,200psft of GLA, which post inflation and other adjustments lies at INR8,000psft.
- Construction has commenced for Block-5/6/7/8 and Mall of India (total ~7.5msft). On Retail, the cost of construction is at ~INR10,000 psft on GLA.
- Balance potential is 0.9msft
- **Downtown Chennai:** Downtown-3 (1.1msf) is expected to receive OC in a few days. Rentals will commence by May/Jun'25, while construction for Downtown 4&5 (3.6msf) has already commenced in Jul'24 and should take ~36 months for commissioning.
- **Atrium place:** Rentals for 2.1msf Phase-1 will start from May/Jun'25, which will give rentals for 9-10 months. And the next tower (1.1msf) is slated to be completed in Dec'25, for which rentals will start from May/Jun'26.

Godrej Properties — Buy

Current Price INR 2,047

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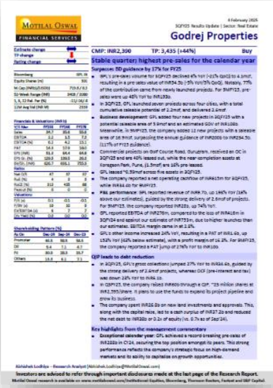
- Exceptional calendar year: GPL achieved a record-breaking pre-sales of INR288b in CY24, securing the top position amongst its peers. This strong performance reflects the company's strategic focus on high-demand markets and its ability to capitalize on growth opportunities.
- Long-term goal: The company aspires to lead in each individual market besides maintaining a strong national presence.
- Promoter stake: The promoter stake reduced to 46.5% following the QIP issue in Q3, vs 58.5% in Q2.
- 4QFY25 anticipation: The management is optimistic about building on the current momentum and is confident in meeting its FY25 sales guidance of INR270b, which would translate to a 4QFY25 run rate of INR77b.
- Launches: The company launched seven projects across four cities in 3QFY25, with a total saleable area of ~2.2msf, contributing ~77% of Q3 pre-sales.
- MMR: Reserve, Avenue Eleven, Godrej City, Horizon
- Pune: Evergreen Square
- NCR: Miraya
- Kolkata: Blue


Godrej Properties

- Upcoming launches: Management is confident in meeting the FY25 launch guidance of INR300b. The remaining inventory to be launched in Q4 is currently at INR64b. Upcoming launches are expected in Hyderabad, Noida, Gurgaon, MMR, Pune, and Indore.
- QIP issue: In Q3FY25, the company raised INR60b through a QIP, ~23 million shares at INR2,595/share. It plans to use the funds to expand its project pipeline and grow its business.
- Sustenance sales: Management believes that sustenance sales momentum is in line with the strategy and will continue to build on it in future.
- Bangalore experiencing growth: The growth in Bangalore sales, which reached INR48b in 9MFY25, was ~2x the sales of INR24b in FY24. Therefore, Bangalore will remain a key market for GPL, with continued growth expected.
- NCR market: Management believes that there is demand and pricing opportunity in both the premium and luxury segments. The Golf Course Road project is expected to drive growth in terms of value, while Noida is poised to deliver volume growth.

Kolte Patil Developers — Buy

Current Price INR 266

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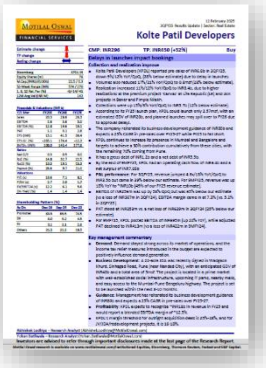
Kolte Patil Developers

- **Demand**: Demand stayed strong across its market of operations, and the income tax relief measures introduced in the budget are expected to positively influence demand generation.
- **Business Development:** A 22-acre JDA was recently signed in Wadgaon Khurd, Sinhagad Road, Pune (near Nanded City), with an anticipated GDV of INR40b and a total area of 5msf. The project is located in a prime market with well-established social infrastructure, upcoming IT parks, nearby malls, and easy access to the Mumbai-Pune-Bengaluru highway. The project is set to be launched within the next 8-10 months.
- **Guidance:** Management has reiterated its business development guidance of INR80b and expects a 25% CAGR in pre-sales over FY25-27.
- **Profitability:** KPDL expects to recognize ~INR18b in revenue in FY25 and would report a blended EBITDA margin of ~12.5%.
- KPDL's margin threshold for outright acquisition deals is 25%-28%, and for JV/JDA/redevelopment projects, it is 16-18%.
- **Launches:** The launches of Laxmi Ratan Versova, Jal Mangal Deep Goregaon, Vishwakarma Nagar, and Jal Nidhi project, with overall GDV of INR20b from the Mumbai portfolio, have been pushed to FY26 due to approval delays. Unsold inventory currently stands at INR25b, with 3.5msf of area. Of this, Life Republic contributes ~INR10b, with an area of 1.6msf.

LODHA

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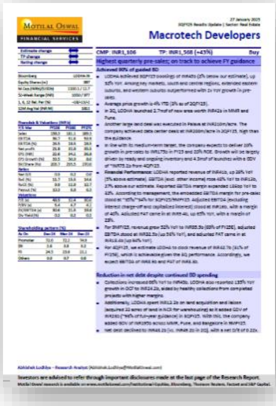
Macrotech Developers

Macrotech Developers — Buy

Current Price INR 1,182

- **Demand:** LODHA noted that demand has been robust, with consumers increasingly focusing on buying high-quality homes. Hence, the company believes that, even during a future slowdown or lean period, branded players will be in a good position.
- **Bangalore's growth phase to begin:** The company has concluded its pilot phase and is moving to the growth phase in Bangalore, in line with the laid-down strategy. It added one new project with GDV potential of INR28b (achieving 93% of full year BD guidance). Currently, Bangalore accounts for 2-3% of total sales, which LODHA aims to increase to 15% in a decade.
- **Township projects:** LODHA has launched premium projects "Lodha Hanging Garden" and "Golf View" in Palava. The company has finally closed the land transaction of 33 acres in Palava for another global hyper-scale data center at INR210m/acres (INR25m/acres at the time of listing; INR120m/acre in 2QFY25). Land monetization will contribute regularly to sales. On average, 60-80 acres/annum of land sales will be executed, of which 70%-80% will be for the data center. The visibility of Palava is expected to increase further with the opening of the Airoli-Katai tunnel in the next 3-4 months, the Navi Mumbai Airport commencing operations in the next 12 months, and the completion of the Bullet Train project by 2029.
- **Townships** – Sales mix: In 3QFY25, sales stood at INR5b, of which ~INR1b sales came from the premium and luxury projects with realization of INR20,000/sqft on carpet and INR4b from casa and entry-level sales with realization of INR10,000/sqft on carpet.
- **Launches:** In 3QFY25, LODHA launched 2.7msft of new area worth INR42b. 4QFY25 is expected to see launches in Alibaug, Vikhroli, Palava, Pune, Bangalore and new phases in the existing projects, with total estimated area of 4.3msft and GDV of INR75.2b.
- **Digital infrastructure:** The company further leased 0.3msft under the digital infrastructure segment, with Skechers, Mitsui, Delhivery, etc. as tenants.
- LODHA aims to generate INR15b in annual rental income, with clear visibility of INR12b from the operational/under-construction projects by FY31 and INR5b by FY26 end. INR5b covers interest costs, so LODHA would be net debt free. Yield on cost is almost on rental asset and is in high-teens or better.
- **Management update:** Mr. Sushil Modi, earlier CFO, moves to a new role as Whole Time Director of the company and Mr. Sanjay Chauhan is appointed as CFO (earlier Dep. CFO)
- **Trademark dispute with HOABL:** A recent lawsuit has been filed against HOABL for their use of Lodha's brand name. The management has clarified that there is no ongoing impact on the company's operational performance due to this dispute.

Mahindra LIFESPACES

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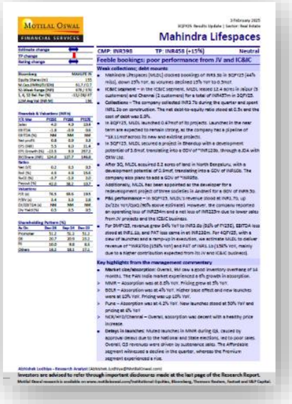
Mahindra Lifespaces — Neutral

Current Price INR 352

- Market size/absorption: Overall, 9M saw a good inventory overhang of 14 months. The PAN India market experienced a 6% growth in absorption.
- MMR – Absorption was at 8.8% YoY. Pricing grew at 5% YoY.
- BGLR – Absorption was at 4% YoY. Higher base effect and new launches were at 10% YoY. Pricing was up 10% YoY.
- Pune – Absorption was at 4.2% YoY. New launches stood at 50% YoY and pricing at 6% YoY


Mahindra Lifespaces

- NCR/HYD/Chennai – Overall, absorption was decent with a healthy price increase.
- Delays in launches: Muted launches in MMR during Q3, caused by approval delays due to the National and State elections, led to poor sales. Overall, Q3 revenues were driven by sustenance sales. The Affordable segment witnessed a decline in the quarter, whereas the Premium segment experienced a rise.
- Upcoming launches: MLDL has a large launch pipeline for Q4FY25 and FY26.
- Project Vista phase 2 in Kandivali with a GDV of INR12-14b
- Project Ivy Lush in Pune with a GDV of INR7-7.5b
- Zen 2 in Bengaluru with a GDV of INR2.5b
- Citadel new tower with a GDV of INR1.5-1.8b
- Project Navy in Malad with a GDV of INR10b in Q1-Q2FY26
- Project Pink in Jaipur (INR2b plotted) in Q4FY25-FY26
- Citadel phase 3 in Pune by FY26
- Saibaba redevelopment in Borivali with a GDV of INR18b in FY26
- Bhandup in FY26
- Business development: While targeting an 18%-20% IRR internally from the projects, MLDL has signed a GDV of INR120b in 3QFY25 (~6x of 2QFY25) at Bhandup, with 3.6msf of development potential (JDA with a revenue share of 29.5% to the landowner). Post-3Q, it added 8.2 acres of land in North Bengaluru, with a development potential of 0.9msf and a GDV of INR10b. It currently has a pipeline of INR95b.
- Thane land of 68 acres with a GDV of ~INR70-80b
- Jaipur land with a GDV of ~INR20b
- Murud land of 1291 acres with a GDV of ~INR15b
- IC&IC Business: The business signed an extension of the contract for Origins Chennai Phase 2 and an MoU for Phase 2 of an INR2.3b partnership with Sumitomo (60% contribution by MLDL). Overall, the business is expected to generate a PAT of INR15-20b over the next 10 years.
- MLDL believes that a continued momentum in the business, driven by end-user demand, is favorable and will help meet the anticipated launches in Q4FY25.

Oberoi Realty — Neutral

Current Price INR 1,603

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- **Launches:** The Jardin Project, Thane, launched in Q3FY25, showed phenomenal response with sales of INR13.3b in just the first three days of the launch, which contributed a hefty 70% of total Oberoi bookings in 3QFY25. The entire project spans 80 acres and is a mixed-use development with JW Marriott Hotel and Oberoi International School, estimated to be completed by 2027-2028. Additionally, OBER has a launch pipeline at Borivali (1 tower), Goregaon (2towers), and Forestville Thane (2 towers), which is expected to be launched in4QFY25 or FY26. The Gurugram, Adarsh Nagar, Worli, and Tardeo projects will be launched in FY26.
- The company witnessed lower bookings from existing projects due to an increase in price, but management is confident that sales will pick up in thecoming quarters.
- **Annuity portfolio:** The company is witnessing strong leasing traction across all three office assets. Commerz I and Commerz II are nearly fully leased out

following an increase in occupancy in 3QFY25. With this, all three office assets are expected to be fully leased out by the end of FY25.

- **Funds raised (INR 15b)** via non-convertible debentures will be used to accelerate growth by acquiring land parcels. This is expected to happen in thenext 4-6 months as the company is currently evaluating opportunities.
- The company has successfully concluded the Mulund acquisition transaction of Nirmal Lifestyle through NCLT.
- It has entered into a joint development agreement for ~81.05 acres in Alibaug.

THE PHOENIX MILLS LIMITED

Phoenix Mills — Neutral

Current Price INR 1,553

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- The Core portfolio delivered a strong quarter performance. Operating revenue was up 14% YoY at INR9.3b and EBITDA was up 21% YoY at INR5.6b. Overall revenue was down 1% to INR9.8b and EBITDA was flat at INR5.5b, due to weak residential and non-core performance.
- LfL consumption growth: LfL growth was 10% in 3Q (excluding new malls) and 7% overall in 9M, guided by jewelry, hyper markets, and fashion.
- Business development: The company expanded Phoenix Palladium Mumbai by 0.25msf and PMC Bangalore by 0.6msf. There were no new acquisitions in 3Q. However, with the 2Q acquisition in Coimbatore & Chandigarh Mohali, totaling 22.1 acres, PHNX is set to double its portfolio by FY30.
- Total capex including land acquisition and construction cost stood at INR17.6b.
- Phoenix Grand Victoria - Kolkata and Palladium – Gujarat is expected to be completed by 2027. PHNX is also expected to deliver 1.6msf of office assets across Pune and Chennai by 2025.
- Upcoming malls:
- At Thane, Majiwada, the mall will have a GLA of 1.3msf, with an additional FSI potential of 2.5msf. The mall is currently in the approval stage and is scheduled to begin construction by 2025.
- The Coimbatore mall will feature a 1.0 msf retail area.
- The Chandigarh Mohali mall will have a 1.3msf GLA and unlimited FSI potential.
- Overall, PHNX expects to launch at least 1msf each year post 2027.
- Phoenix Asia Towers, Bangalore is set to launch in 4Q after receiving the occupancy certificate in Q3.
- The residential business saw a downturn in Q3, with 0.38 msf inventory remaining at a current value of INR10b. Plans are in place to launch the Kolkata residential project in 1QFY26.

Click below for
Results Update

Prestige Estates — Buy

Current Price INR 1,229

- There were no new launches in 3QFY25 for the residential segment. Launches in Retail, Commercial, and Hospitality were seen in 3Q, with a total area of 1.3msf, 0.3msf, and 0.7msf respectively. About 2msf of sustenance sales were executed during the quarter. Stock in hand stood at 10msf from Bangalore, Hyderabad, and Mulund.
- Approvals: Approvals are underway on the new launches. Significant delays hit 3Q sales.
- Upcoming launches: Management is confident in achieving the upcoming launches in the mid-income and luxury segments, with an estimated GDV of INR300b across geographies in 4QFY25. The GDV breakdown is as follows: Southern Star in Bengaluru with INR36b GDV (ticket size INR15-30m), Indirapuram in NCR with INR115b GDV, Pallava Gardens in Chennai with INR31b GDV, Spring Heights in Hyderabad with INR32b GDV, and Nautilus in Mumbai with INR87b GDV (ticket size of INR250m+)
- An additional GDV of INR500b is in the planning stage and will be reflected in the pipeline in the upcoming quarters.
- Discussion is ongoing regarding the 5.5msf commercial land near Mumbai Airport. Management will comment more on this in the future.
- In Mahalaxmi, the rehab tower is ready, and the handover of turf and green estate has started. The targeted year of competition is 2028. The rehab tower in BKC will be handed over by Jun'25 and the commercial buildings will be completed by 2028. Trade Centre DIAL in Aerocity is likely to be completed by the end of CY25.
- Fresh borrowings of INR3.4b were made in 3QFY25, thereby increasing the net debt to INR59.6b with a Net Debt/Equity ratio of 0.37x and a reduced borrowing cost of 10.65% (vs. 10.69% in 2Q).
- In the long run, construction spending per quarter will be in the range of INR15-16b, and while some projects will be near completion, construction costs might inch up.
- Further, collections would scale up to INR160-180b per year once the projects in the pipeline are launched.
- PEPL bought land on the Dahisar-Mira Road stretch, which has an area potential of ~1msf; the company has already applied for the approvals.
- The BKC project will be completed by 2028. The Aerocity office space is fully leased out and will be completed by the end of CY25.

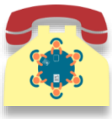
Signature Global

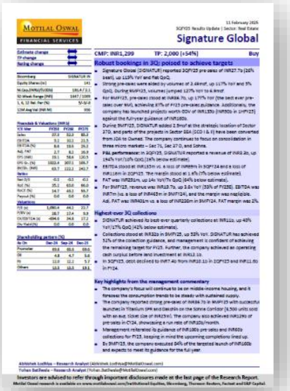
Click below for
Detailed Concall Transcript &
Results Update

SignatureGlobal — Buy

Current Price INR 1,104

- The company's focus will continue to be on middle-income housing, and it foresees the consumption trends to be steady with sustained supply.
- The company reported strong pre-sales of INR86.7b in 9MFY25 with successful launches in Titanium SPR and Dakshin on the Sohna Corridor (3,500 units sold with an avg. ticket size of INR25m). The company also achieved INR129b of pre-sales in CY24, showcasing a run rate of INR10b/month.





- Management reiterated its guidance of INR100b pre-sales and INR60b collections for FY25, keeping in mind the upcoming completions lined up.
- By 9MFY25, the company executed 84% of the targeted launch of INR160b and expects to meet its guidance for the full year.
- Of the INR12b operating surplus in 9MFY25, INR5.7b was towards land acquisition, INR4.2b towards reduction in net debt, and INR2.2b towards debt servicing. Further, management is confident to achieve a revenue recognition of INR38b for FY25. By 9MFY25, it had already achieved 52% of revenue recognition from 2.7msf of completions, keeping the realization at INR7,000psf.
- For FY26, revenue recognition is expected to be ~INR60b (40-50% more than FY25) with ~16msf likely to be delivered over FY25-26, having a potential GDV of INR110b. Additionally, management is confident of a blended embedded operating margin of 35% for the projects.
- Spending on land would be INR15b for Gurgaon on an annual basis. Management believes Gurugram has a lot of areas for greenfield development, and the company wishes to target those areas.
- In 3QFY25, debt declined to INR7.4b from INR10.1b in 2QFY25 and INR11.6b in FY24. SIGNATUR aims to keep FY25 net debt well below 0.5x of the projected surplus.
- To date, completions stand at 13.5msf. Another 11msf is in the advanced stage of completion, which should be completed by 1QFY27.
- SIGNATUR intends to launch a project worth GDV of IN350b (21.6msf) over FY26-27E. It plans to keep replenishing inventory in the present markets.

Sobha — Buy

Current Price INR 1,201

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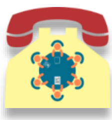
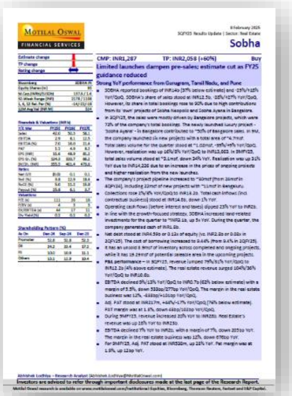
Results Update





- **Launches:** in 3QFY25, SOBHA launched a luxury project, "Sobha Ayana", in Bangalore that contributed to 50% of Bangalore sales. With this, it launched six projects in 9MFY25 with an area of ~4.7msf. Due to approval delays, the launch of Town Park (3.5msf) and another 0.7msf project was moved to 4Q. In 4QFY25, the company expects to launch 4.3msf, taking the yearly launches to ~9msf across four projects in Bangalore. Further, the company plans to launch 10msf in FY26.
- **Sales:** Due to a delay in approval on several projects, management reduced its initial FY25 pre-sales guidance of INR85b to ~INR66b (i.e. on the same lines as FY24).
- **MMR launch:** The MMR project is in the early stages of the approval process. Management believes that Mumbai offers a range of opportunities across segments, and the management intends to build a strong presence in the city over the long term. The project is estimated to be launched in FY26.
- **Margins:** The management targets 28% embedded PBT margins to be attained at a project level and 15-18% excluding overheads and interest. Overall margins were down in 3Q due to losses incurred from contractual business. A reduction in JV projects of RE is also expected to pick up in 4Q.
- SOBHA has a robust upcoming pipeline of 21.22msf across 19 residential projects in 10 cities and a commercial pipeline of 1.19msf across four projects spread over two cities. These projects are scheduled for launch in the next 6-8

quarters. The effective share of SOBHA from the upcoming launches is guided at ~79%.

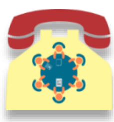
- Sobha has a completed inventory of 8.92msf valued at INR140b. With the building up of the inventory and launch acceleration, management expects decent sales in FY26.
- Revenue, yet to be recognized from the Real Estate business, was INR150b.
- **Rights Issue:** INR9b was utilized for debt reduction, and the balance of INR12b will be utilized towards business development expansion. Further, due to the deployment of proceeds from the Rights Issue towards land investment, the company's net debt mounted to INR4.6b and net D/E increased to 0.13x (from INR2.8b and 0.08x in 2QFY25). The borrowing costs also increased to 9.44%.
- The company has spent INR6.3b in land outflow for 9MFY25 compared to INR1.7b in 9MFY24, which is aligned with its growth and expansion plan.
- In Gurgaon, the company has three projects in the pipeline, which will be brought to the market in FY26.
- Apart from the forthcoming projects of 21msf, the company has 22msf of identified projects on which it will start the approval process and 1,795 acres of land bank.
- The company is comfortable in keeping the gross debt levels to INR15b, due to which the interest cost is mounting. The net debt moves up due to the deployment of the Rights Issue.

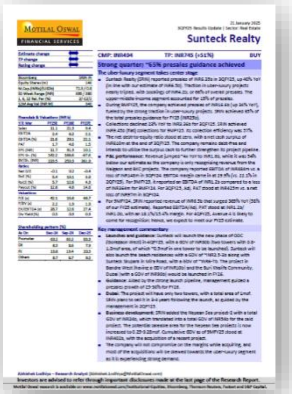
Sunteck

Sunteck Realty — Buy

Current Price INR 403

Click below for
Detailed Concall Transcript &
Results Update





- **Launches and guidance:** Sunteck will launch the new phase of ODC (Goregaon West) in 4QFY25, with a GDV of INR30b (two towers with 0.8-1.0msf area, of which ~0.5msf in one tower to be launched). Sunteck will also launch the beach residences with a GDV of ~INR2.5-3b along with Sunteck Skypark in Mira Road, with a GDV of ~INR6-7b. The project in Bandra West (having a GDV of INR10b) and the Burj Khalifa Community, Dubai (with a GDV of INR90b) would be launched in FY26.
- **Guidance:** Aided by the strong launch pipeline, management guided a presales growth of 25-30% for FY26.
- Dubai: The project will have only two towers, with a total area of 1msf. SRIN plans to sell it in 3-4 years following the launch, as guided by the management in 2QFY25.
- **Business development:** SRIN added the Nepean Sea project-2 with a total GDV of INR24b, which translated into a total GDV of INR54b for the said project. The potential saleable area for the Nepean Sea projects is now increased to 0.25-0.28msf. Cumulative GDV as of 9MFY25 stood at INR402b, with the acquisition of a recent project.
- The company will not compromise on the margins while acquiring, and most of the acquisitions will be skewed towards the uber-luxury segment as it is experiencing strong demand.
- SRIN would start the construction of commercial in Avenue 5, as the company has secured an important approval. Average annual rental income at INR2.5b. The timeline for commissioning remains intact, which is by the end of FY27.

RETAIL

- **Retail: Most retailers indicated that demand picked up during the festive season, but the momentum could not be sustained after the festive period. Retailers such as Metro Brands and Vedant Fashions highlighted that store additions would be lower than their earlier guidance due to continued inflation in rentals. BIS implementation continues to weigh on gross margins for footwear companies; however, management teams expect the impact of non-BIS inventory liquidation to be significantly lower going forward. Overall, despite continued weaker demand trends, retailers remain optimistic about growth recovery aided by the recent tax cuts announced in the Union Budget.**
- **Jewelry: The companies continued to post strong sales growth, fueled by festive demand, wedding purchases, and higher gold prices. Jan'25 saw healthy growth; however, the sharp rise in gold prices led to some softness in the last 7-10 days. Companies anticipate an increase in gold lease rates due to US tariff-related changes, prompting banks to raise lease costs. Inventory losses related to customs duty reduction were accounted for in 2Q and 3Q, and no further losses are expected in the coming quarters.**
- **QSR: The companies witnessed a slight improvement in demand trends during 3Q, particularly toward the quarter's end. Same-store sales growth (SSSG) saw an uptick, supported by a favorable base. The revenue gap between dine-in and delivery has narrowed, driven by increased dine-in footfall. However, subdued underlying growth continued to weigh on operating margins, exerting pressure on both restaurant and EBITDA margins for most brands. To drive recovery, companies are focusing on innovation, customer engagement, and value-driven offerings. Additionally, government measures aimed at the middle class in the budget could aid demand revival. Despite the challenges, most companies have maintained their store expansion guidance.**

KEY HIGHLIGHTS FROM DEPARTMENTAL RETAIL CONFERENCE CALL

	Salient takeaways from the 3QFY25 performance	Outlook
Aditya Birla Fashions	The festive and wedding season saw an uptick in footfalls; however, demand tapered through the rest of the period as macro factors continued to weigh on consumer sentiments. Urban markets witnessed demand moderation, while low-price consumption (value retail) continued to grow and expand, driven by a recovery in rural/tier 2/tier 3 markets. Festive and wedding occasions drove the sales of premium products.	Management's focus was on consolidating unprofitable stores in FY25. However, it expects to roll out 300+ stores in the next 12 months across the ABLBL portfolio and plans to accelerate value fashion play (to be part of the demerged ABFRL) after the recent fundraiser.
Shoppers Stop	Demand trends in 3QFY25 were mixed, with strong LFL growth in October driven by the festive season, followed by a weak November. Further, demand trends in Dec'24 were below expectations for most retailers. Discretionary spending remained subdued, though slightly better than 2QFY25.	Management reiterated its guidance of ~5% LFL growth in 2HFY25 (delivered 4% LFL in 3Q), driven by the wedding season. SHOP expects to sustain ~5% LFL over the medium term, supported by its customer-relevant campaigns.
V-Mart	V-Mart witnessed a healthy performance during the festive season; however, it was not at par with management's expectations. Demand trends picked up after the festive season, driven by weddings and the onset of winter.	V-Mart will take price corrections on certain products and focus more on volume growth rather than margin improvement in the near term. Further, management indicated that margins are unlikely to recover to pre-COVID levels due to higher competition.
Bata	Volume growth was broad-based across channels, majorly led by better execution of the EOSS calendar and the company's initiative to provide superior value propositions to customers.	Gross store additions during 3Q remained normative, while there were aggressive closures of unprofitable stores. Bata indicated that store closures will continue for the next couple of quarters. However, BATA intends to add 30-40 stores per quarter, including through franchises.
Campus	Primary sales were driven by replenishment demand, following a healthy pickup in secondary and tertiary sales in 3Q, and were not push sales. However, as compared to 2-3 years ago, the demand has not yet completely picked up, and there are still some macro headwinds.	The management reiterated its aspiration to improve EBITDA margins to 17-19% over the medium term.
Metro Brands	Diwali was two weeks earlier this year, driving strong growth in Oct'24. While growth continued in November, it began to slow slightly in Dec'24 due to the early onset of EOSS by several retailers. Management expects demand to remain reasonably strong in 4Q, aided by a rise in the number of weddings.	The management expects to clock ~15-18% revenue CAGR over the long term, with gross margins in the ~55% plus range and EBITDA in the ~30% plus range.

Raymond Life	▪ The operating environment in 3Q remained challenging, driven by a slowdown in urban discretionary spending. There has been no significant change in demand trends in January. However, early signs for next year have been positive from the trade channels.	▪ Management expects margins to gradually recover to ~15% on a sustainable basis once the headwinds and store expansions in branded apparel stabilize.
Vedant Fashions	▪ In 3Q, the demand trends were healthy in the first 45 days but moderated after mid-November. Management attributed the mixed demand trends to general macroeconomic headwinds on mid-premium discretionary consumption.	▪ Store expansion plans have been impacted by inflation in rentals. VFL wants to open the correct stores at the correct prices, as these are long-term commitments. However, over the longer term, management expects stable store additions as per its earlier guidance.

KEY HIGHLIGHTS FROM QSR- CONFERENCE CALL

	Salient takeaways from the 3QFY25 performance	Outlook
Jubilant Food works	▪ The demand environment remained soft during the quarter. However, JUBI is seeing a gradual pickup in demand. ▪ Domino's orders grew 34%, with LFL growth of 12.5%. Delivery business saw strong 30% YoY revenue growth with 25% LFL growth (71% of total revenue). Dine-in revenue declined 2%. The waiver of delivery charges continued to shift demand from dine-in to delivery.	▪ JUBI aims for a ~100bp improvement in gross margin over the next three quarters, backed by cost optimization initiatives and lowering discounting. The company maintains a payback period of 2-2.5 years for its new stores as well. ▪ Domino's India added 60 new stores (+11% YoY) and entered 19 new cities in 3Q. The expansion spree for Domino's and other brands will continue to broaden the customer reach and gain market share.
Devyani International	▪ India revenue rose 10% YoY, as 20% YoY store growth was offset by weak SSSG across brands. ▪ Consumer sentiment remained subdued, though the QSR sector saw some green shoots in T1 and metros. ▪ Value-added offerings aided 3Q volumes. ▪ While Nigerian currency is showing signs of stabilization. Devyani is currently evaluating the expansion plans given currency devaluation.	▪ Pizza Hut margin continued to contract, but management expects margin improvement in the coming quarters, led by marketing cost optimization. ▪ KFC ROM can reach 19-20% with ADS of INR100k over the next few quarters. Devyani is adopting some strategic measures to achieve the same. ▪ For the three modern QSR brands: TeaLive, New York Fries, and SANOOK KITCHEN, the company remains on track to launch by 1QFY26.
Sapphire Foods	▪ The company reported 14% YoY revenue growth and 13% YoY store growth in 2QFY25. ▪ KFC revenue grew 12% YoY and same-store sales declined 3%. For PH, revenue grew 10% YoY and same-store sales grew 5%. ▪ Competitive intensity across the QSR industry remains largely unchanged. Delivery continues to outperform for both KFC and Pizza Hut.	▪ KFC's restaurant margins are expected to remain at ~18% in the near term. The company plans to open 70-80 new KFC stores per year. For PH, management remains cautious about store expansion and plans to add 20-25 stores per year.
Barbeque Nation	▪ Consol. revenue was flat YoY at INR3.3b, hit by competition in South India and sluggish demand. ▪ Same-store sales fell 2% YoY despite a favorable base of -4.9% in 3QFY24 (-2.5% in 2QFY25). ▪ Dine-in revenue declined 2% YoY to INR2.8b, while delivery was up 7% at INR0.5m. ▪ The company acquired a 51% stake in French ice cream brand Omm Nom Nomm for INR170m, with ARR of INR40m and double-digit EBITDA margins, strengthening its delivery portfolio.	▪ In FY26, the company plans to open 22-25 new restaurants in India, 5-6 new restaurants in international markets, and 6-7 new premium CDR outlets, taking the total count to 270. ▪ It expects a total cash requirement of INR1.4b for FY25, including INR0.2b for maintenance expenses and INR1.2b for new store openings. If operating cash flows are insufficient, the company may consider raising debt to meet capex requirements.
Restaurants Brand Asia	▪ Dine-in sales saw positive same-store sales growth (SSSG), with double-digit transaction growth, reinforcing the company's leadership in value offerings. ▪ The company focuses on improving delivery profitability, optimizing the menu, and reducing fixed costs such as utilities. It is also renegotiating commission terms with aggregators. In 3QFY25, delivery profitability	▪ The company aims 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 in Indonesia is to reach cash breakeven at a country level.

	improved by 70bp. ▪ The company added 46 stores in 3Q in India, taking the total store count to 510 stores.	
Westlife Foodworld	▪ Revenue grew 9% YoY to INR6.5b with SSSG of 2.8% YoY on a favorable base (-9% in 3QFY24). Average sales per store fell 7% YoY to INR60m (annually) in 3QFY25. ▪ Growth was broad-based, with both on-premise and off-premise up 9%. ▪ WLDL added net 13 new stores (+11% YoY) in 3Q (24 stores in 9MFY25). ▪ A 50bp price increase was implemented at the portfolio level in Nov'24.	▪ GP improved sequentially despite RM inflation, led by efficient supply chain and cost initiatives. The company expects its gross margin to revive to 70%+ levels in the near term. Management has guided for 18-20% EBITDA margin by FY27. ▪ WLDL remains on track to open 45-50 new stores in FY25 with a focus on South India, smaller towns, and drive-thru stores.

KEY HIGHLIGHTS FROM Jewel- CONFERENCE CALL

	Highlights from 3QFY25 commentary	Outlook for FY25
Titan	▪ Strong 3Q growth was driven by robust festive demand, higher gold prices, and 29% growth in wedding purchases. 4QFY25 demand started strong in early January, but the company remains cautious due to record-high gold prices and global volatility. ▪ New vs. repeat customer mix in 3Q stood at 48:52. Festive periods typically attract a higher share of new buyers. Growth was driven by both increasing buyer base and higher ticket sizes.	▪ TTAN expects jewelry EBIT margin of 11% to 11.5% for FY25. ▪ Gold lease rates are rising due to US tariff related changes, leading banks to increase lease costs. TTAN is monitoring this closely. GC margin dilution in studded jewelry was due to a shift in the gold-to-diamond ratio within diamond jewelry amid rising gold prices and stable diamond prices. TTAN plans to offset this through better material sourcing and cost efficiencies.
Kalyan Jewelers	▪ Strong revenue growth was driven by robust festive and wedding demand across gold and studded jewelry categories. In January, both wedding and non-wedding demand remained stable despite gold price fluctuations. ▪ While the solitaire category plays a significant role in LGD sales, Kalyan does not focus on solitaires, ensuring that LGD sales do not affect overall business performance. ▪ Kalyan focuses on new customer acquisition (33% share of new customers in 3Q). Revenue growth in studded (+54%) outpaced gold revenue growth (+37%), leading to an increase in studded share to 30% (27% in 3QFY24). ▪ The Middle East delivered 23% revenue growth with SSSG of 16%. Studded share stood at 19%. There was no store addition during the quarter. Kalyan opened its first store in USA.	▪ Kalyan expects PBT growth in FY26 to exceed revenue growth, driven by continued operational efficiencies and reduced interest costs following debt repayments. ▪ In FY26, Kalyan plans to launch 170 showrooms across Kalyan and Candere formats - 75 Kalyan showrooms (all FOCO) in non-south India, 15 Kalyan showrooms (all FOCO) across south India and international markets, and 80 Candere showrooms in India
Senco	▪ Senco posted strong revenue growth, driven by robust festive demand in 3Q. In Jan'25, it recorded 19% YoY revenue growth. However, revenue growth slowed in the last 7-10 days due to rising gold prices. ▪ GM contracted sharply by 740bp YoY to 11.3% even after adjusting the customs duty-led inventory loss of INR276m. This is despite a stable studded ratio of 10.4% YoY. The hedging related cost (>INR500m) from rising gold prices impacted the margins. It led to EBITDA margin (excl. customs duty impact) contraction of 580bp YoY to 5.1%.	▪ The company maintains its revenue growth guidance of 18-20% and remains on track to open 18-20 new stores in FY25, having already launched 12 stores YTD. Additional 8-10 stores are planned in 4Q, including 5-7 franchised outlets. ▪ Management has maintained its EBTIDA margin guidance of 7-8% for 4QFY25 and for the coming years.

P N Gadgil

- Despite price increases, footfall remained stable in 4Q. Rising gold prices have led to an increase in old gold exchanges.
- The company has seen no demand for LGD as PNG primarily sells 11-12 cent diamonds, whereas LGD demand is in the 30-40 cent range, thus facing no competition in this segment.
- The company hedged 83.6% through GML by Dec'24 and has now become fully hedged.
- Wedding jewelry sales are primarily 22K gold-driven, while lightweight jewelry sales were 18K.
- In FY26, the company plans to add 25 stores, including 8 COCO stores, 7 FOCO stores, and 10 'LiteStyle by PNG' stores (split equally between COCO and FOCO), along with two stores in the US.

Barbeque Nation Hospitality — Neutral

Current Price INR 283

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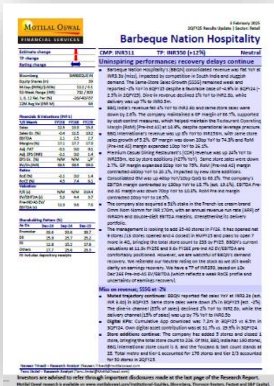

Business environment

- The southern region faces higher competition, leading to decline in same store sales, while two other regions are experiencing low single-digit SSSG growth and one region saw flattish growth.
- The company has currently implemented a 2% price hike, aligning with its strategy of maintaining a 2-3% price increase over the long term to offset inflationary pressures.
- It has closed stores that continue to incur losses and believes that these locations are unlikely to turn profitable in the near-to-medium term.
- The company expects a total cash requirement of INR1.4b for FY25, including INR0.2b for maintenance expenses and INR1.2b for new store openings. If operating cash flows are insufficient, the company may consider raising debt to meet capital expenditure requirements.

Barbeque Nation India

- BBQN is focused on driving same-store sales growth through targeted marketing campaigns and promotional activities.
- The company will continue to introduce culinary innovations to enhance the overall guest experience and differentiate its offerings in the market.
- The company plans to upgrade and refurbish older restaurants to maintain a consistent and high-quality dining experience for customers.
- It will implement efficient cost-control measures to sustain and improve operating margins despite economic and competitive challenges.

Barbeque Nation International

- The company will prioritize maintaining SSSG by focusing on customer engagement and operational efficiencies.
- Barbeque Nation International aims to sustain strong operating margins by optimizing costs and enhancing the dining experience.
- The company will use its strong operating cash flow to fund planned network expansion.

Premium CDR

- The company aims to maintain its leadership position in the Italian cuisine casual dining restaurant segment by offering high-quality dining experiences.
- Toscano, BBQN's premium dining brand, will continue to expand in newly launched cities, including Delhi, Mumbai, and Hyderabad.

- The company plans to expand Salt, another premium dining brand, into new metropolitan markets to capture a wider customer base.
- BBQN is committed to maintaining strong operating margins in the premium casual dining restaurant segment, ensuring profitability despite aggressive expansion.
- The company expects that premium CDR revenue contribution will increase to 20% within two years vs 10-11%, currently.

Store expansion

- Barbeque Nation India added four new restaurants in 3QFY25, bringing the total count to 190 stores.
- BBQ International operates a total of eight restaurants, with three additional restaurants under construction.
- In 4QFY25, the company plans to expand its restaurant network to 193 outlets in India, 10 outlets in international markets, and 20 outlets in the premium CDR segment, bringing the total count to 233 restaurants.
- In FY26, the company plans to open 22-25 new restaurants in India, 5-6 new restaurants in international markets, and 6-7 new premium CDR outlets, bringing the total restaurant count to 270.

Product innovation

- The company has introduced three new desserts to the menu, adding a sweet touch to its extensive buffet selections.
- In the delivery segment, the company introduced specialized grilled items and curated meal combos for an enhanced at-home dining experience.
- Toscano launched seasonal handmade pasta, wood-fired pizzas, and gourmet risottos.
- Salt expanded its menu with regional Indian delicacies and fusion dishes. It has added seasonal thalis, innovative kebab platters, and artisanal Indian breads.

Food festival initiatives

- BBQN organized the Royal Rajasthani Rasoi Feast, bringing traditional Rajasthani flavors to its customers and celebrating the rich culinary heritage of India.
- The Sea Food Festival was another major event organized by the company, focusing on fresh and diverse seafood dishes, appealing to seafood enthusiasts, and broadening the restaurant's culinary offerings.
- In its international markets, the company hosted the GT Road Food Festivals, which showcased the rich and diverse culinary traditions of India, attracting a global audience.

Acquisition of Omm Nom Nomm (Ice-cream brand)

- Omm Nom Nomm is an artisanal luxury French ice cream brand, operating through a delivery-first model.
- The company has a manufacturing facility in Bangalore and operates three cloud kitchens in the city.
- It maintains a 4.8+ rating across delivery platforms and has high repeat customer engagement (~62%).
- BBQN is investing INR170m to acquire a 51% stake in Willow Gourmet Private Limited, the parent company of Omm Nom Nomm.
- The company strengthens its delivery portfolio, aligning with its strategy to build a portfolio of scalable brands.

- The acquisition offers synergies with BBQN's existing kitchens and backend capabilities for cost efficiencies.
- Omm Nom Nomm has a current ARR of INR40m with double-digit EBITDA margins.
- The transaction is expected to be completed by Apr'25.

Bata India — Neutral

Current Price INR 1,257

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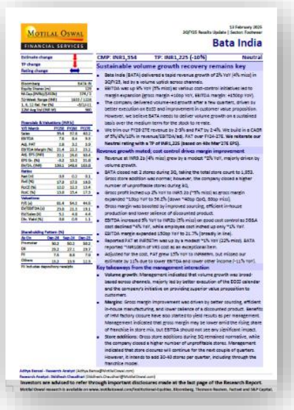

- **Volume growth:** Management indicated that volume growth was broad-based across channels, majorly led by better execution of the EOSS calendar and the company's initiative on providing superior value proposition to customers.
- **Margins:** Gross margin improved owing to better sourcing, efficient in-house manufacturing, and lower salience of a discounted product. Benefits of IHM factory closure have also started to yield results as per management. Management indicated that gross margin may be lower amid the rising share of franchise in store mix, but EBITDA should not see any significant impact.
- **Store additions:** Gross store additions during 3Q remained normative, while there were aggressive closures of unprofitable stores. Management indicated that store closures will continue for next couple of quarters. However, BATA intends to add 30-40 stores per quarter, including through franchise.
- **Zero Base Merchandising (ZBM):** There are 17 stores under the initiative now (from 8 earlier). The benefits from ZBM include an ~8% increase in footfalls, a reduction in lines in these stores by 60%, 7% growth in sales per sq.ft, inventory reduction (0.62x), and increase in store RoIC. Initially, management aims to roll out the ZBM initiative in 100 stores, which collectively contribute 25% to BATA's turnover. Further, management indicated that a ~33% reduction in the planned range for stores led to clutter reduction and improved customer experience.
- **Floatz:** Floatz maintained the growth momentum, with its contribution rising to 8-10% of turnover in certain stores. There was slight supply disruption during 3Q, which has now been smoothened out. Floatz released its new collection of Dual density and launched kids' collection in collaboration with Marvel and Disney, which is expected to be scaled up in the coming quarters.
- **Power:** It is the second-largest brand for the company after Bata and is a key growth driver. Power brand sales volume grew 9% YoY in 3Q. The company has launched its new collections under Easy slides and Staima series, which are ASP accretive. The turnover and trade density have improved sequentially.
- **Bata contribution in mix:** In line with the rising trend of premiumization, growth in Sneakers and Hush Puppies has outpaced growth in Bata banner. Bata is also migrating to more relevant variants such as Comfit, Bata red label and Floatz by Bata. Products with a price point of below INR500 in MBO channel are showing some early signs of recovery, but in the long term they have declined in the overall mix.
- **Customer focus:** Management indicated that the company focuses on core consumers of Bata. It is looking to seed other formats like Power and Floatz, as Bata brand may not be able to straddle across customer segments.
- The company added its product on quick commerce platform Zepto, with many others in the pipeline.

Campus Activewear **Buy**

Current Price INR 272

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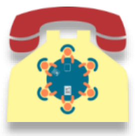

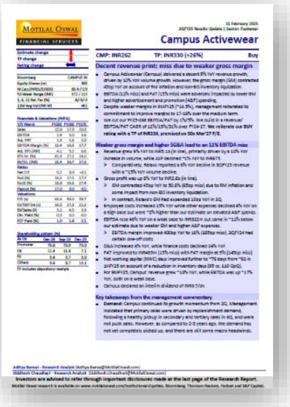

- **Demand:** Campus continued its growth momentum from 2Q. Management indicated that primary sales were driven by replenishment demand, following a healthy pickup in secondary and tertiary sales in 3Q, and were not push sales. However, as compared to 2-3 years ago, the demand has not yet completely picked up, and there are still some macro headwinds.
- **Geographical demand trends:** The company registered double-digit growth in key states in the North, Central, and West regions, while increasing focus on the South through the scale-up of online presence. North contributes 42%, East 21%, West 22%, Central 7% and South 7%.
- **Store count:** The company opened six stores, taking the store count to 290 (implying two net store additions). Management indicated that EBO additions remained lower in 3Q due to weaker market conditions. However, the company plans to add 40-50 stores every year.
- **Margins:** GM was hit by raw material price inflation, adverse mix, and liquidation of non-BIS inventory. TPU (RM) price increased because of the CVD increase. EBITDA was higher, led by lower inventory provisioning and normalized SG&A. The management reiterated its aspiration to improve EBITDA margins to 17-19% over the medium term.
- **Price increase:** Campus has taken a 7-10% price increase on select product categories to pass on the raw material price increase. The price increases have been taken in relatively less price-sensitive segments.
- **Non-BIS inventory:** Non-BIS inventory liquidation has affected GM by 20-40bp, which should reduce further to ~10-20bp in 4Q. Non-BIS inventory still accounts for 10% of overall inventory. However, management expects the majority to clear a large part of the non-BIS inventory by Mar'25.
- **Capex:** The capex for the sole manufacturing facility at Ganaur was completed in 3Q. The Haridwar upper facility capex is likely to be completed in 4QFY25 and the commercial production is expected to start in Mar'25.
- **Sneakers:** The response for sneakers is overall encouraging. The sneaker category registered 116% growth. ASP for sneakers is 15-20% higher than the company's blended ASP, though the cost would also be higher. Overall, on a net basis higher sneaker salience is expected to be margin accretive.
- **Gender mix:** During the quarter, the gender mix was more skewed towards men (vs. normal 80%). This was led by higher sales of sneakers in the men's category. Campus continues to increase its SKU offerings in the women's and kids' categories.
- **Open Footwear:** The company has increased the SKUs in open footwear. This will have some ASP impact but will help penetrate the South and remove the seasonality impact during summers. Management indicated that margins in open footwear are broadly in line with the overall margins.
- **Market share:** Market share in the North was earlier impacted owing to a conflict between offline and online channels (because of higher discounts online). Over the last two years, management has segregated the portfolio for online and offline channels. This has helped the company regain the market

share back, especially in the North. Overall, the salience of North has come down for Campus, but that is driven by higher growth in other geographies.

- **Channel growth**: Revenue from trade distribution channel grew 9% YoY, while online sales grew 11% YoY. In online sales, marketplace growth was slightly lower as compared to outright sales.

Devyani International — Buy

Current Price INR 169

DEVYANI INTERNATIONAL LIMITED

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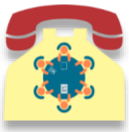

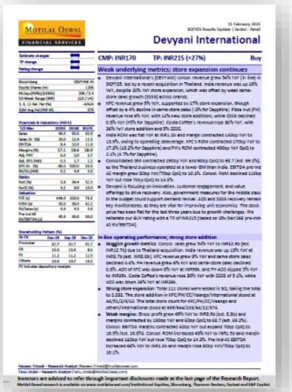

Business and Environment

- Management is optimistic about the proposals announced in the Union Budget 2025-26, particularly the income tax relief as it will boost consumption trends for QSR.
- Consumer sentiment has remained subdued. However, QSR has seen some green shoots in T1 and metros.
- Value-added offerings supported 3Q volumes.

KFC

- Recent marketing initiatives for KFC have received a good response, while they were not very encouraging for PH. Devyani will be recalibrating its marketing spends.
- KFC ROM can reach 19-20% levels at ADS of INR100k over the next few quarters. Devyani is adopting some strategic measures to achieve the target. These measures are focused on ADS and cost optimization.
- The management expects KFC margin to recover 4QFY25 onwards, while PH the company will remain cautious and wait and watch.

Pizza Hut

- In 9MFY25, Devyani added 93 KFC and 77 PH stores. In 3Q, PH store opening was high as the company was delaying the store opening plans given the subdued brand performance, but had some DA commitments, so they had to open.
- Going forward, store additions will be lower than the current level.
- Pizza Hut margin continued to contract, but management expects margin improvement in the coming quarters, led by marketing cost optimization.

Vaango

- Vaango is doing better in SSSG as old stores are doing better. In 9MFY25, the company opened 31 stores, which dragged down ADS.

International markets

- For Thailand, the company will target 20-25 store additions (~9% store addition), along with SSSG of 3% to 4%, implying c12% revenue growth in FY26.
- While Nigerian currency is showing signs of stabilization, the company is currently evaluating its expansion plans given currency devaluation.

Product innovation & new launches

- Devyani has introduced KFC cafes, currently in select stores only. Its strategy is different from peers (McCafe, BK Café) as Devyani is focusing more on reducing the store size to optimize costs to make stores more efficient in terms of paybacks and margins.
- For the three modern QSR brands: TeaLive, New York Fries, and SANOOK KITCHEN, the company remains on track to launch by 1QFY26.

- No threat from the ready-to-eat snacks category to the company's product offerings.

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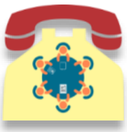

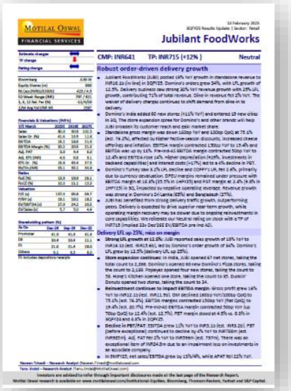

Jubilant Foodworks — Neutral

Current Price INR 709

Business Environment

- The demand environment remained soft during the quarter. However, JUBI is seeing a gradual pickup in demand.
- Revenue growth of 18.3% was led by strong order growth of 33.8% YoY, powered by product innovation and improvement in operational KPIs.
- Enhanced value offerings for consumer resulted in strong order growth and share gains.
- Delivery channel revenue rose 29.7% YoY, backed by order-led growth (+36.2%), and Delivery channel mix is now at 71.4% (+6.2% points YoY). In addition, new customer acquisitions grew 55% YoY in 3QFY25.
- The 20-minute delivery initiative and free delivery have aided delivery growth.
- LFL growth of 12.5% was driven by Delivery LFL growth of 24.7%; LFL growth in the near term might remain elevated given the lower base; however, Delivery LFL is expected to continue growing and support the overall LFL growth.
- The shift from dine-in to delivery continues in both India and international markets. Thus, JUBI is recalibrating its store size to c1,200 sq.ft., with more focus on delivery for its high-street stores.
- On dine-in channel, management indicated that the channel includes dine-in as well as takeaway orders. For takeaways, orders have been shifted to delivery channel and thus JUBI is seeing a decline in on-premise sales. Dine-in continues to gain traction, backed by its INR99 lunch offering and store renovations.
- Opened 60 new stores and entered 19 new cities - Network is now 2,139 stores strong serving consumers across 466 cities.
- Popeyes continues to gain traction and the progress is in line with JUBI's internal estimates. Management alluded that ADS and margins for Popeyes are improving. JUBI remains cautious with its store locations, and thus, the store opening pace might seem a little slow.
- JUBI saw record-high monthly active users of 13.7m (+30.5% YoY) and app installs at 11.7m (+28.6% YoY).
- Domino's loyalty program members now stand at 30.8m (+43.3% YoY).

Costs and Margin

- JUBI aims to improve gross margin by 100bp over the next three quarters, backed by cost optimization initiatives and lower discounting. The company focused on gaining market share, backed by high discounting and higher payout to delivery partners during the festive period, which led to GM pressure in 3Q.
- The company maintains 2-2.5 years of payback period for its new stores as well.
- JUBI stated that rental growth is lower than the new store growth.

Product Innovation

- Introduced three new flavors in the Cheese Burst range and extended Cheesiken range across all regions.
- Launched a new Domino's Chicken Feast Range starting at INR99. JUBI believes this category will support in a higher ticket size and repeat customer orders. Initially, it was only available in South India and is now launched across India.

- Launched Dunkin' Brownies in six new flavors.
- Introduced a new No-Onion and No-Garlic range in Hong's Kitchen.

International business

- Domino's Sri Lanka revenue grew 65% YoY to INR213m. No store has been opened in Sri Lanka.
- Domino's Bangladesh revenue rose 39% YoY to INR173m. Two stores were opened in Bangladesh, taking the total count to 37 stores.

Kalyan Jewellers — Buy

Current Price INR 483

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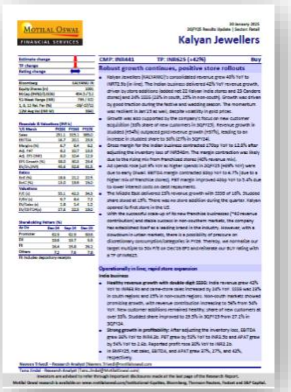

Demand environment and outlook

- The strong revenue growth was driven by robust festive and wedding demand across both gold and studded jewelry categories.
- The new customer additions continue to stay healthy; share of new customers was over 33% in 3QFY25.
- In January, both wedding and non-wedding demand remained stable despite gold price fluctuations.
- The franchisee store revenue contribution stood at ~40% during the quarter.
- A&SP spends as a percentage of revenue were lower this quarter, as a part of the festive ad spends was captured in 2QFY25 due to early Diwali this year.
- While the solitaire category plays a significant role in LGD sales, Kalyan does not focus on solitaires, ensuring that LGD sales do not hurt overall business performance.
- The growth in studded jewelry (+54%) outpaced the growth in gold jewelry (+37%).
- Candere revenue up 90% YoY to INR550m and reported a loss of INR69m in 3QFY25 vs loss of INR16m in 3QFY24.
- The company aims to make Candere store EBITDA-positive by the next fiscal year.
- The company expects PBT growth in FY26 to exceed revenue growth, driven by continued operational efficiencies and reduced interest costs following debt repayments.

Cost and margin

- Gross margins for the quarter were lower due to a one-time write-off of INR548m.
- All customs duty effects on inventory were fully accounted for in 2Q and 3Q, with no further duty impact going forward.
- Store-level gross margins have remained stable, reflecting consistent operational efficiency.

Store Expansion

- In India, the company opened net 45 showrooms (opened 24 and closed 2 Kalyan India, opened 23 Candere), bringing the total to 312 (253 Kalyan India, 59 Candere) in 3QFY25.
- On 31st Dec'24, the total number of stores stood at 349, with 253 stores of Kalyan India, 59 stores of Candere, 1 store in USA and 36 stores of Kalyan Middle East.
- Kalyan plans to open 30 Kalyan showrooms and 15 Candere showrooms in India in 4QFY25.

- In FY26, Kalyan plans to launch 170 showrooms across Kalyan and Candere formats - 75 Kalyan showrooms (all FOCO) in non-south India, 15 Kalyan showrooms (all FOCO) across south India and international markets, and 80 Candere showrooms in India.
- The company has already started signing LOIs for FOCO showrooms planned for FY26 in India and international markets.
- In FY27, the company intends to resume opening COCO stores once debt repayment is completed, which is expected to enhance margins.

International business

- Middle East revenue grew by 23%, driven by SSSG of 16%.
- PAT margin was hit by the recent implementation of corporate tax in the UAE.
- Kalyan has opened its first COCO showroom in the USA.

Metro Brands — Buy

Current Price INR 1,159

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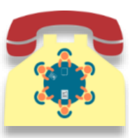

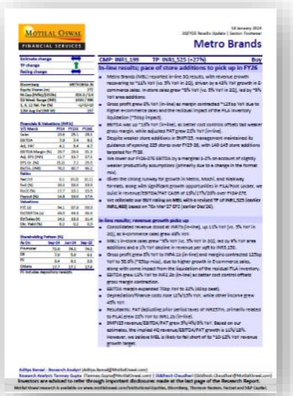

- **Demand environment:** Diwali was two weeks earlier this year, driving strong growth in Oct'24. While growth continued in November, it began to slow slightly in December due to the early onset of EOSS by several retailers. Management expects demand to remain reasonably strong in 4Q, supported by a higher number of weddings.
- **Gross margin impact:** In Q3FY25, the company's gross margin contracted ~125bp YoY. Management indicated that the margin contraction was driven by the rising contribution from E-commerce, as well as ~50bp impact from the residual FILA inventory liquidation (vs. ~100bp impact in 2Q).
- **Guidance:** Management expects to clock ~15-18% revenue CAGR over the long term, with gross margins in the ~55% plus range and EBITDA in the ~30% plus range.
- **Store additions:** Management indicated that the target of 100 store additions for FY25 will likely be missed. However, it reiterated the guidance of opening ~225 stores over FY25-26, with ~140-145 store additions expected in FY26 (ex-FILA). Additionally, management reiterated that demand for retail space had increased during the post-COVID recovery period. However, the market has now become more rational, with several retailers rationalizing their high-rental stores in the past few quarters.
- **BIS:** There is no impact from the BIS implementation on MBL's core businesses (Metro/Mochi). Further, management expects BIS-related challenges to resolve in the medium term, as several factories in Southeast Asian countries (Vietnam and Indonesia) have started receiving BIS certifications.
- **Foot Locker:** Due to challenges posed by the BIS implementation on high-end sneakers, management is taking a cautious approach to Foot Locker expansions in the near term. The company expects to open ~3 stores over the next 6-9 months. The typical ASP range in Foot Locker is ~INR6,000-19,000. Further, according to the contractual agreement, MBL will receive warehousing margins even for online sales of Foot Locker products through the Nykaa platform.
- **Walkway:** Management reaffirmed that a strategy is in place for Walkway, but it will take some time for results to be visible. It continues to see green shoots in

Walkway and appears more confident on executing the value format (vs. earlier).

- **FILA:** FY25 will be the year of repositioning for FILA. MBL plans to launch capsule collections initially, with plans to eventually increase both the frequency and width of the collections. The royalty for FILA has been re-aligned with sales growth. The first drop of FILA was completed in 3Q and received a positive response. Currently, FILA is sold through ~90-100 Metro/Mochi MBOs, in addition to FILA EBOs and Foot Locker. This distribution will expand over time as the frequency of new drops increases (2-3 drops planned per season). FILA production has been set up in India, and management expects FILA EBOs to open from 2HFY26.
- **Decline in sales per sq ft:** Slower growth in sales per sq ft is attributed to higher store additions in Tier 3-4 cities and a lower share of Crocs in the incremental store mix. However, management focuses on store profitability as the key metric rather than evaluating stores based on sales/sq ft.
- **New cities:** Management expects to expand to ~25-40 new cities next year. The company aims to add 60% of its stores in existing cities, with the remaining store additions coming from new cities.

Other:

- **Inventory:** WC days improved from 82 to 76 days as of End-Dec’24 as inventory levels have now started to rationalize.
- **ASPs:** Accessories sales have been on a rising trend (in volumetric terms), which weighs on the reported average ASPs.

PN Gadgil — Buy

Current Price INR 543

Financial and operational metrics

- In Oct’24, the company's revenue surpassed INR10,500m, driven by strong festive demand during Navratri and Diwali, with Navratri sales increasing by 18% and Diwali sales by 53%.
- Despite price increases, footfall remained stable in 4Q. Rising gold prices led to an increase in old gold exchanges
- The company had hedged 83.6% through GML by Dec’24 and is now fully hedged.
- The transaction count grew by 21% and ATV increased by 22% to INR86K.
- Consumer footfalls increased by 36%, supported by a strong conversion rate of 94%.
- There was no impact of customs duty on inventory in 3Q as the complete loss was absorbed in 2Q.
- The company has repaid INR3b in debt using IPO proceeds.
- Wedding jewelry sales are primarily driven by 22K gold, while lightweight jewelry is typically 18K.
- The company has seen no demand for LGD, as it primarily sells 11-12 cent diamonds, while LGD demand is typically in the 30-40 cent range, resulting in no competition in this segment.
- The company booked an inventory gain of INR25m in 3QFY25.
- In 3QFY25, gold volume growth stood at 14%, while value growth reached 44%.

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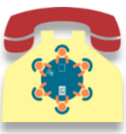

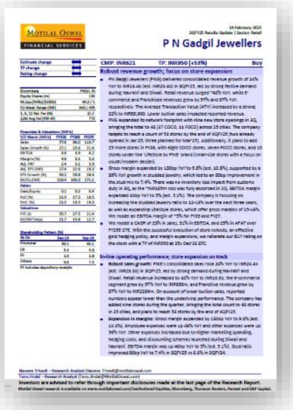
P N Gadgil Jewellers

- Over 9MFY25, the 22 stores that operated last year recorded a 27% increase in gold value, a 5% growth in gold volume, and an overall volume growth of 13%, along with a value growth of 40%.
- Normal hedging expenses are included in COGS, but for gold programs hedged in advance, the mark-to-margin expenses are recorded under other expenses.

Cost and margins

- Other expenses increased due to higher marketing spending, mark-to-market adjustments for GML, and discounting schemes launched during Diwali and Navratri.
- The company expects margins to improve further with a higher studded ratio and full gold hedging.
- The company expects PAT margins to expand further, driven by savings in interest costs, as it has fully hedged its inventory.
- The company targets a studded ratio of 12-13% over the next 2-3 years.
- The annualized marketing spend run rate is INR550-600m, ~1% of revenue.
- Other income increased due to an insurance cover of INR50m received from the US store theft.

Inventory and hedging strategies

- As of Dec'24, the company held inventory worth INR18,000m and GML of ~INR 5,500m.
- The company sources its gold procurement as follows: 32-35% from GML, 30% from old gold exchanges, and the remaining from spot purchases through bullion vendors and IEBX.

Store expansion

- During Navratri in Oct'24, the company opened nine stores, bringing the total count to 48.
- The company plans to reach 53 stores by 4QFY25. Two stores were added in Jan'25, with three more planned for Mar'25 in Pimpri, Laxmi Road, and the Pune-Mumbai Highway.
- A new store typically takes 15-18 months to break even. However, the nine stores opened during Navratri are currently operating without cash infusion and are on track to achieve cash break even within a year.
- The nine stores opened in Oct'24 contributed INR2400m to topline revenue in 3Q, with a break-even target at INR10,000m.
- In FY26, the company plans to add 25 stores, including a mix of COCO, FOCO, and Lifestyle by PNG formats.
- The expansion plan includes eight COCO stores, seven to eight FOCO stores, 10 lifestyle by PNG stores (split equally between COCO and FOCO), along with two stores in the US.
- The company launched LiteStyle by PNG in 2023 as a dedicated brand for lightweight jewelry crafted in 22K and 18K gold. Currently, the brand operates a single store on JM Road, Pune.
- The Lifestyle by PNG format requires a lower capex of INR 50-70m per store, spanning 1,000-1,100sp ft. These stores target younger customers seeking stylish jewelry.
- The Lifestyle stores will offer 18K-22K gold designs with a greater focus on diamonds, featuring premium pricing and an expected gross margin of 15-16%.

- They are projected to break even within 12 months, with their ATV being lower than that of standard PNG showrooms.
- New store expansion will be funded through internal accruals.

Raymond LIFESTYLE LIMITED

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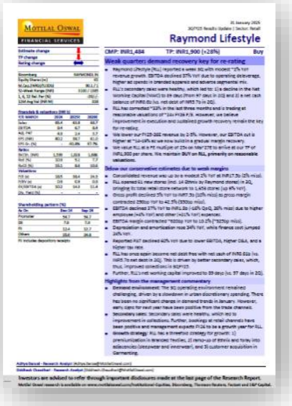


Raymond Lifestyle — Buy

Current Price INR 1,172

- **Demand environment:** The 3Q operating environment remained challenging, driven by a slowdown in urban discretionary spending. There has been no significant change in demand trends in January. However, early signs for next year have been positive from the trade channels.
- **Secondary sales:** Secondary sales were healthy, which led to improvement in collections. Further, bookings at retail channels have been positive and management expects FY26 to be a growth year for RLL.
- **Growth strategy:** RLL has a threefold strategy for growth: 1) premiumization in Branded Textiles, 2) ramp-up of Ethnix and foray into adjacencies (sleepwear and innerwear), and 3) customer acquisition in Garmenting.
- **Margins:** EBITDA margins were impacted by weak consumer demand, operating deleverage, higher ad spends in branded apparels, and adverse segment mix (higher Garmenting and lower Branded Textiles). Management expects margins to gradually recover to ~15% on a sustainable basis once the headwinds and expansions stabilize.
- **Segmental margins:** Branded Textiles is the key margin driver for the company and management expects margins to improve to 21-22%. Further, it expects: 1) 12-13% margins in the long run in the branded apparel segment and 2) double-digit margins in Garmenting.
- **Garmenting:** The company added 15 new clients during 3Q. While this led to better growth for the segment, margins were impacted by a weaker product mix, as new clients have started with lower-end products. Further, there was an impact from blue collar manpower training for expansion.
- **Branded Textiles:** RLL typically takes 1-2% price hikes every year in the segment. However, management has made a conscious decision not to implement price hikes this year. Despite this, it remains optimistic about premium bookings and scale benefits to drive growth in FY26.

SapphireFoods

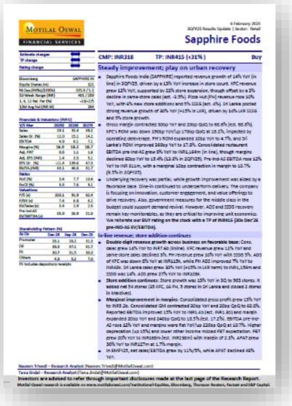
Click below for Detailed Concall Transcript & Results Update

Sapphire Foods — Buy

Current Price INR 308

Business environment

- Competitive intensity across the QSR industry remains largely unchanged.
- The revision of tax slabs in the budget is a positive development for middle-class consumers. While the impact may not be immediate, it will be important to monitor how it influences consumer spending over time.
- Brand affinity remains strong for SAPPHIRE. Even non-users exhibit high brand awareness, presenting an opportunity to improve accessibility and convert them into customers. For a brand like KFC, which still has significant headroom for penetration, this strategy can drive substantial growth, and the company is actively working on expanding its reach.
- The demand trajectory showed some marginal improvement in 3QFY25, reflecting better trends compared to 1HFY25.


Sapphire Foods

- Gross margins remain stable across both dine-in and delivery. However, dine-in offers better operating margins, as delivery comes with additional costs.
- Delivery continues to outperform for both KFC and PH. However, the company expects dine-in sales to improve in the medium term, supported by product innovations and customer engagement initiatives.
- Capital expenditure stood at INR20m per KFC outlet and INR14-15m per PH outlet, with no anticipated revisions in per-store capex.

Segmental information

KFC

- In 3QFY25, KFC's SSTG was flat, supported by a focus on value offers for core products that have been declining since 1HFY25.
- Late-night sales contribute around 10% of total store revenue in locations where late-night operations are active.
- While there has been some improvement in demand trends, overall consumer sentiment remains subdued.
- With a favorable base, SSSG is expected to improve, but no significant positive momentum has been observed yet.
- The company estimates that SSSG needs to exceed 5% for restaurant margins to expand beyond 18%. At 5% SSSG, margins are expected to remain stable at 18%.
- KFC is not experiencing any competitive pressure from Popeyes.
- The company offers core meals at INR99, individual meals at INR149, and group meals at INR399, catering to different customer segments.
- It plans to open 70-80 new KFC stores per year.
- In order to revive SSSG, the company has adopted the following strategy –
- **Expand consumption occasions:** Boost purchase frequency by enhancing value-driven offerings and introducing diversified product variants, such as Chicken Rolls and Zinger Burgers. Extend options within the Snackers category to appeal to varied tastes.
- **Target-specific dayparts:** Increase customer footfall by focusing on key meal times, including lunch, late night, and mid-week days (like Wednesdays) to capture broader demand.

PH

- System sales grew by 10%, with same-store sales growing 5% after eight quarters, primarily driven by a favorable base.
- The company remains cautious about store expansion and plans to add 20-25 stores per year.
- It will focus on expansion only when store-level EBITDA margins reach double digits.
- To revive growth in the segment, the company is focusing on marketing initiatives and product innovations.
- At ADS of INR47-48k, margins remain stable. At INR50k ADS, margins are in high single digits. To achieve double-digit margins, the company will need to reach an ADS target of INR55k.

Sri Lanka business

- During the quarter, the company introduced Festive Chicken Magic and Minced Mutton Treat Pizza. Additionally, a special dessert pizza, Chocolate Caramel Crunch, was launched, along with Christmas Swirls Soft Dough for the festive season.

- The company expects a 15% revenue CAGR in Sri Lanka over the medium term, primarily driven by higher SSSG, supported by the country's economic recovery.

Senco Gold — Neutral

Current Price INR 322

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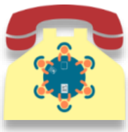

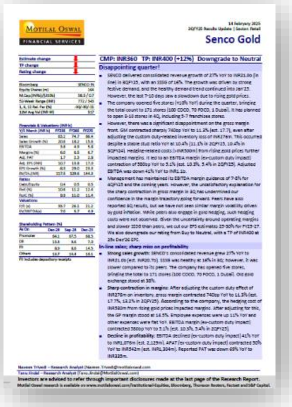

Motilal Oswal

Senco Gold

Demand environment and performance

- The company experienced strong top-line growth, driven by robust festive demand in 3QFY25.
- Retail revenue grew 19% in 9MFY25, with SSSG of 16.4%.
- The studded jewelry ratio stood at 10.5% for 9MFY25, vs 11.6% in 9MFY24, and 11% in Q3FY25.
- In Jan'25, the company recorded 19% YoY revenue growth. However, revenue growth slowed in the last 7-10 days due to rising gold prices.
- With gold prices reaching an all-time high, consumer preference initially shifted toward gold jewelry over diamonds, leading to a decline in the studded jewelry ratio. However, as gold prices continued to rise, a gradual shift back towards diamond jewelry was observed from the end of 3Q onwards.
- As of 4QFY25 to date, diamond jewelry sales have grown 59% YoY.
- The old gold exchange ratio stood at 38% during the quarter.
- The GML interest rate, which was ~3% until Jan'25, is expected to increase to 6-7% due to the impact of U.S. tariff-related changes.
- The company has announced the incorporation of its wholly-owned subsidiary, Sennes Fashion Limited, which will cater to the consumer lifestyle segment, including premium leather accessories, lab-grown diamond jewelry, and perfumes.
- The company has seen category-wise growth of 21% in gold jewelry, 9% in diamond jewelry, 35% in silver jewelry, and 18% in Gossip jewelry during the quarter.
- The company does not engage in price competition and refrains from offering random discounts on gold metal to maintain its premium brand image. However, when entering a new market, the company offers higher discounts and promotions to attract customers and gain market share.

Cost and margins

- Gross margins remain largely stable, with variations primarily due to price volatility, hedging positions, unwinding of hedging positions, mark-to-market of future positions, and timing effects.
- There was an inventory loss of INR276m due to the custom duty reduction, which has now been fully absorbed, ensuring no further impact going forward.
- There was also an impact of INR580m due to hedging costs, resulting from rising gold prices.
- Adjusted gross margin was at 13.7% for 9MFY25 and 14.5% for 3QFY25.
- The GP margin includes a making charge of ~10-11%, with an additional 4-5% revenue contribution from diamonds, platinum, silver, and other jewelry.
- The margin on diamond jewelry has been impacted as gold prices have risen faster than diamond prices, resulting in a lower percentage share of diamonds in total jewelry sales.

- EBITDA margin is influenced by factors such as product mix, geographical sales mix, studded jewelry ratio, and channel sales mix.

Guidance

- The company remains on track to open 18-20 new stores in FY25, having already launched 12 stores YTD. An additional 8-10 stores are planned in 4Q, including 5-7 franchisee outlets.
- The company's regional focus is 60-70% in East India, 20% in North India, and 10% in South & West India.
- It maintains its revenue growth guidance of 18-20%.
- The GP margin guidance is 14-15%, while the EBITDA margin guidance is 7-8%. Owned stores deliver a GP margin of 19-20%, whereas franchisee stores deliver 6-7%.
- As of now, the company has achieved a revenue of INR57b and is confident of exiting FY25 with an annual revenue of INR63-64b.

Shoppers Stop — Neutral

Current Price INR 530

SHOPPERS STOP

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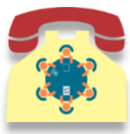
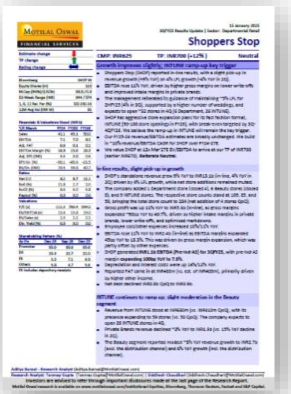
Results Update





- **Demand trends:** Demand trends in 3QFY25 were mixed, with strong LFL growth in October driven by the festive season, followed by a weak November. Management indicated that demand trends in Dec'24 were below expectations for most retailers. Discretionary spending remained subdued, though slightly better than 2QFY25.
- **Demand outlook:** Management reiterated its guidance for ~5% LFL growth in 2HFY25 (delivered 4% LFL in 3Q), driven by the wedding season. SHOP expects to sustain ~5% LFL over the medium term, supported by its customer-relevant campaigns.
- **Store openings:** SHOP plans to open 32 stores in Q4 across all formats (6 Department/26 INTUNE). Management noted that ~11 INTUNE stores could not be opened in 3QFY25 due to the GRAP order banning construction in Delhi NCR. For FY26, the company aims to add gross 12-15 Department stores (closure of 2-3) and ~80-90 INTUNE stores.
- **Store closures:** Management noted that store rationalization is an important aspect of retail in line with demand/market trends. However, a large part of the company's store rationalization was completed in 3Q.
- **INTUNE:** Management indicated that INTUNE is closer to store EBITDA breakeven at current store productivity levels of ~INR9k/sq ft. Mature stores (>6 months) are at ~25% higher productivity levels. 3QFY25 was the first winter season for most INTUNE stores, so the company was conservative on the availability of winter wear, which pulled down productivity. However, overall trends remained positive. SHOP expects to achieve complete breakeven in INTUNE by 3QFY26/4QFY26.
- **INTUNE store economics:** A typical INTUNE store is ~5k sq ft in size, with 6-8 weeks of inventory. At current store productivity, the store payback period is ~3 years, which management expects to further reduce as store productivity improves.
- **Premiumization:** There has been a consistent progress on premiumization over the last 18 months, with contribution of premium products to the overall mix rising to 64% (vs 54% in 1QFY24). To ride the premiumization wave, the company has been adding new brands, such as D&G, Jimmy Choo, Gant, A|X, etc.
- **Beauty segment:** Beauty remains a strategic pillar for the company, with its contribution to the SHOP's revenue mix on the rise. During 3Q, there was some

softness in the Beauty segment, especially in the masstige category. However, the company remains focused on sustainable long-term growth rather than relying on discount-led customer acquisition strategy. The company has stepped up its beauty distribution and launched same-day delivery from two of its stores.
- **Capex guidance:** Expect FY25 overall capex of INR2.3b (including INR200m for a warehouse in Bhiwandi). However, working capital is expected to remain similar, except for a slight increase due to the ramp-up of INTUNE.

Titan **Buy**

Current Price INR 3,208

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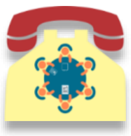

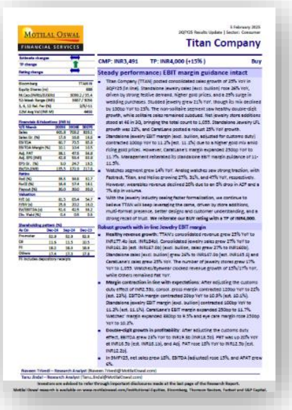

Performance and Outlook

- Strong 3Q growth was driven by robust festive demand, higher gold prices, and a 29% increase in wedding purchases.
- 4Q demand started strong in early January, but the company remains cautious due to record-high gold prices and global volatility.
- TTAN expects that growth momentum seen in 2Q and 3Q is expected to sustain in the long term.
- Gold lease rates are rising due to US tariff-related changes, leading banks to increase lease costs. The company is monitoring this closely.
- New vs. repeat customer mix in 3Q stood at 48:52. Festive periods typically attract a higher share of new buyers. Growth was driven by both an increasing buyer base and higher ticket sizes.
- Wedding jewelry sales saw strong traction, supported by exhibitions and new launches like Rivaah 2.0.
- The growth in South and East India was faster than the national average in 3Q.
- Tier-2 and Tier-3 towns are outperforming metros due to continued expansion in smaller cities.
- The company has seen strong growth in studded jewelry (+21%), but the growth rate of gold jewelry has outpaced that of studded jewelry due to the surge in gold prices. TTAN aims to maximize growth across both categories.
- Gold coin sales surged as an investment option, but they did not contribute significantly to new buyer growth, unlike gold jewelry, which attracted more first-time customers moving toward organized retail.
- Studded jewelry continues to attract new buyers, especially in the sub-INR100k segment across Mia, CaratLane, and Tanishq.
- Non-solitaire jewelry saw strong double-digit growth, while solitaire sales remained muted.
- The higher share of gold jewelry and gold coins resulted in a ~1% YoY decline in the studded jewelry mix.
- GC margin dilution in studded jewelry was due to a shift in the gold-to-diamond ratio within diamond jewelry amid rising gold prices and stable diamond prices. TTAN plans to offset this through better material sourcing and cost efficiencies.
- Diamond prices remain stable in the retail segment. While large-stone diamond prices (wholesale, in USD) have declined, prices of smaller retail diamonds have remained stable.

Standalone EBIT margin (excl. bullion) guidance remains at 11-11.5%, with a stronger focus on absolute growth.

- SSSG remains a priority over margins, reinforcing the company's growth strategy.
- Tanishq historically held a higher market share in studded jewelry and a lower share in gold jewelry, but rising gold prices have led to stronger gold jewelry growth, causing some contraction in the studded-to-gold ratio.

- Customs duty-related inventory losses from previous quarters have been fully absorbed in 3Q, eliminating further impact.

Segmental Information

Caratlane

- Caratlane income increased by ~27% YoY, driven by strong performance across categories.
- Revenue from the studded jewelry segment (excluding solitaires) grew by ~24% YoY, while gold jewelry, gold coins, and solitaires collectively grew by ~40% YoY.
- Buyer base expanded by ~8% YoY, while ASP rose by ~17% YoY, reflecting a combination of volume growth and premiumization.
- Festive season activations and promotions led to a ~22% increase in brand searches, indicating strong consumer engagement.
- The brand introduced "The Holiday Edit" curation during Diwali, which generated significant consumer interest.
- The product portfolio was further enhanced with the expansion of Disney-themed offerings through the Lion King collection, alongside the introduction of stretchable bangles.
- The brand opened its first international store in New Jersey, USA, during the quarter.

Watches & Wearables Segment

- Business revenue grew by ~14% YoY, driven primarily by ~20% YoY growth in analog watches.
- Within the analog segment, the Titan brand led overall performance with 18% YoY growth, supported by ~12% YoY growth in volumes.
- Premiumization trends were evident, with international brands registering a robust ~30% YoY growth, reflecting strong consumer demand for high-end offerings.
- In the affordable watch category, Sonata grew by 23% YoY, while Fastrack expanded by 30% YoY, benefiting from a product strategy that balances fashion and affordability.
- The wedding season continues to be a key driver of premium watch sales, with over 50% of retail watch purchases being for gifting purposes.
- The wearables segment declined by ~20% YoY, impacted by an 8% YoY decline in ASP and a 7% YoY drop in volumes. The company is undertaking strategic initiatives to enhance consumer engagement, with a revamped approach expected to be implemented over the next 6-8 months.

EyeCare (Domestic):

- The division reported ~16% YoY growth, driven by strong double-digit volume expansion.
- International brands outperformed, recording ~56% YoY growth, while house brands remained largely flat.
- Among product categories, sunglasses led the growth trajectory with ~35% YoY growth, while prescription lenses and frames posted mid-double-digit growth.
- ASP declined, reflecting price corrections implemented in 3QFY24 and the launch of affordable fashion frames in 4QFY24.
- Margin expansion was supported by higher revenue growth, driving improved operating leverage.

Emerging businesses

- Women's bags achieved ~25% YoY growth, primarily driven by new store openings.
- Fragrances reported robust growth of ~27% YoY, supported by ~23% YoY growth in the SKINN brand and solid double-digit volume growth.

- Taneira saw flat YoY growth, although retail growth was strong at 30%, and buyer growth reached 28%. The introduction of products at new affordable price points contributed to the slowdown in overall growth.
- Expansion efforts remain concentrated in metro and Tier-1 cities. IRTH debuted its first store in Mumbai during the quarter, followed by another store opening in Chennai.

International Businesses

- Revenue from international jewelry operations increased ~64% YoY, largely led by growth from North America and new store expansions.
- During the quarter, two new Tanishq stores were opened, one in Dubai and one in Seattle, taking the total Jewelry international footprint to 20 stores (18 Tanishq stores and two Mia stores).

V-Mart Retail — Neutral

Current Price INR 3,145

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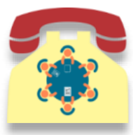

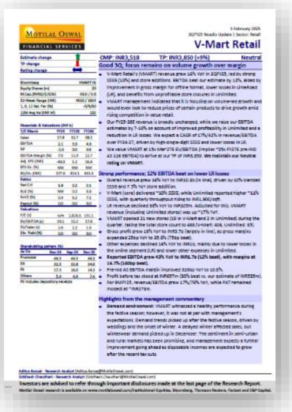

- **Demand environment:** VMART witnessed a healthy performance during the festive season; however, it was not at par with management's expectations. Demand trends picked up after the festive season, driven by weddings and the onset of winter. A delayed winter affected sales, but winterwear demand picked up in December. The sentiment in semi-urban and rural markets has been promising, and management expects a further improvement going ahead as disposable incomes are expected to grow after the recent tax cuts.
- **Geographical:** East region saw muted growth due to a shift in Pujo days to 2Q. North India saw good growth on a low base. UP has now started showing good growth. South India, especially Tamil Nadu, is showing good growth. Telangana is not doing well as per the expectation of the management.
- **Store expansion:** VMART opened 21 stores in 3Q and 49 so far in FY25. Management expects to end the year with 50+ net store addition, with some closures in 4Q. A one-time correction on stores was done last year, and going ahead, management expects only 1-2% closure annually.
- **Margin:** Gross margin improved by 30bp despite 38% lower revenue from LR (flows directly in margins). The improvement was led by better fresh merchandise sell-through and winter merchandise mix. EBITDA improvement was led by the closure of unprofitable stores and lower Unlimited losses.
- **Volume over margin:** Management highlighted that going ahead it will take price corrections on certain products and focus more on volume growth rather than margin improvement. Further, it indicated that margins are unlikely to improve to pre-Covid levels, as earlier the competition was low and VMART had a monopoly in certain markets.
- **Inventory:** The quarter ended with INR8.2b of inventory or 92 days (~15% YoY reduction). Inventory days have improved, led by technology improvement in designing, sourcing, quality control and overall supply chain. The company's focus on freshness of inventory and new design also led to a higher turn. Management aims to further reduce inventory days by ~5% to 87-88 days.
- **Wage hike:** Minimum wages have increased considerably in a few states. Odisha saw a 29% wage hike, while Jharkhand saw a 30% wage hike. This is putting some pressure on manpower costs. With elections coming up in Bihar, there could be an increase in minimum wages in Bihar as well. However, in the long term, higher wages lead to an improvement in consumption for value retailers.
- **Capex:** The company spent INR830m on capex YTD for ~49 new stores. The new warehouse has now fully stabilized and helps VMART improve the working capital cycle and inventory turnover.
- **Unlimited:** Unlimited offers differentiated products vs, V-Mart. Unlimited also houses partner brand business on the SIS model, which contributes 18-19% of

Unlimited revenue. This business has higher ASP. New Unlimited stores have better margin, at par with V-Mart margin. As the share of new stores increases in the mix, Unlimited margins are also likely to improve.

Vedant Fashions — Neutral

Current Price INR 869

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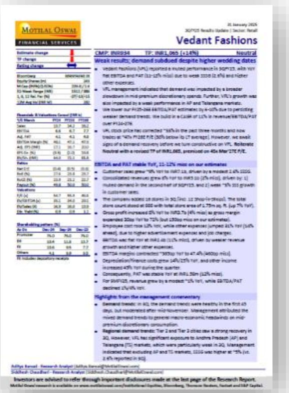


- **Demand trends:** In 3Q, the demand trends were healthy in the first 45 days, but moderated after mid-November. Management attributed the mixed demand trends to general macro-economic headwinds on mid-premium discretionary consumption.
- **Regional demand trends:** Tier 2 and Tier 3 cities saw a strong recovery in 3Q. However, VFL has significant exposure to AP and TS markets, which were particularly weak in 3Q. Management indicated that excluding AP and TS markets, SSSG was higher at ~5% (vs. 2.6% reported in 3Q).
- **Competitive intensity:** Management indicated that out of VFL's 650 stores in India, nearly 400 stores do not have any competing stores nearby, while ~250 stores have nearby stores from competitors. Demand trends were largely similar in both these clusters, and stores with competition have outperformed over the longer term.
- **Store expansion:** Store expansion plans have been impacted by inflation in rentals. VFL wants to open correct stores at correct prices as these are long-term commitments. However, over the longer term, management expects stable store additions as per its earlier guidance.
- **Mohey:** Mohey brand grew significantly higher than the company's overall growth. Further, management indicated that Mohey brand typically gets 25-30% of the retail space in Manyavar-Mohey stores and the productivity level has improved from ~70% of Manyavar's productivity earlier to largely similar productivity now. The gross margin for Mohey is lower than company level margins, while working capital is broadly similar to company level.
- **Twamev:** The contribution of Twamev in flagship stores has been on a rising trend. VFL opened two EBOs for Twamev in 3Q, taking total EBO count to seven. Further, management indicated that Twamev now accounts for ~25-30% of business in Lower Parel store, despite a lower ~8-10% share in inventory due to its higher ASP.
- **Other expenses:** Other expenses increased primarily due to higher spends on advertisements. Management indicated that ad spends in 9MFY25 stood at ~5.6% of revenue (vs. 5.8% YoY) as ad spends were lower in 1H. However, for FY25, VFL does not expect a significant difference in ad spends (could be 40-70bp higher).

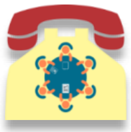
Westlife Foodworld — Neutral

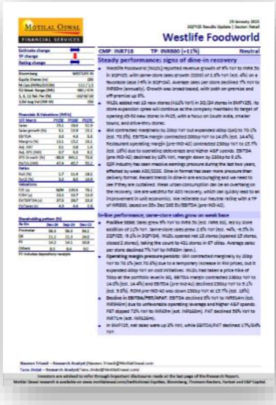
Current Price INR 734

Click below for
Detailed Concall Transcript &
Results Update

Performance and outlook

- Consumption trends remain soft, though the company expects a gradual recovery in dining-out frequency.
- Stability in retail inflation and budgetary measures to boost disposable income and purchasing power could provide near-term support to consumption.




Westlife Foodworld

- The company remains focused on delivering value to consumers, which is increasingly crucial for brand trust. This approach has led to higher footfall, driven by improved value perception and affordability scores.
- Value is not just about price but also encompasses product quality and the overall customer experience across different price segments. The company continues to reinforce its value proposition across entry-level, core, and affordable premium price points.
- The Everyday McSaver Meals platform continues to enhance affordability perception and drive higher customer foot traffic.
- The McCrispy campaign, #ShordaarCrunch, gained strong traction during the quarter, driving premiumization and increasing sales of McCrispy burgers.
- Same-store sales improved 2.8% YoY in 3QFY25, (-6.5% growth in 2QFY25) on the back of higher footfalls.
- Growth was broad-based, with both On-Premise and Off-Premise businesses expanding by 9% YoY. The Off-Premise segment contributed 42% to total sales, remaining stable and in line with the past two-year average.
- Digital sales accounted for over 70% of total sales, fueled by the growing adoption of self-ordering kiosks and increasing enrollments in the MyMcDonald's Rewards program, enhancing throughput efficiency.
- The company remains on track to open 45-50 new restaurants in FY25 and aims to expand its network to 580-630 restaurants by 2027.
- A 50bp price increase was implemented at the portfolio level in Nov'24.
- The company follows a pricing strategy of taking small annual price hikes, typically in the range of 2%-4% per year, to offset inflation. It aims to pass on at least 50% of inflation through price adjustments to maintain competitiveness.
- The average sales per store for outlets that were operational last year grew, but overall average sales per store declined 7% YoY due to the impact of new store additions and the closure of some underperforming locations

Strategic focus

- The company focuses on expanding its value portfolio, driving product innovation, and optimizing costs to navigate current challenges.
- The three strategic focus areas for WLDL over the medium term are:
- Meals Strategy: Achieving market leadership in core day parts (such as lunch and dinner) through brand relevance, driven by menu innovation and focused marketing efforts.
- Omnichannel Strategy: Integrating various customer touchpoints and channels into a unified "One McDonald's" platform to offer consumers a seamless experience across in-store, delivery, and digital platforms.
- Network Expansion: Expanding aggressively into unserved geographies and strengthening presence in existing markets, with a goal of achieving significant footprint growth.

Cost and margins

- Despite RM inflation, GP improve sequentially due to efficient supply chain and cost initiatives. The company expects gross margin to rise to over 70% in the near term.
- EBITDA margins were also impacted by higher marketing expenses on new product launches and operating deleverage.

- The company has guided for EBITDA margin of 18-20% by FY27.

New innovation and new launches

- The company launched the McCrispy platform, which has been well received by customers.
- WLDL has been focusing on product innovations, such as McCrispy, to drive growth.
- It has been working on getting the foundation right, which includes product development, training, and mindset, to establish cheap chicken leadership in the South.

- **The management teams of IT companies remain cautiously optimistic, as the demand from discretionary projects remains unchanged compared to the previous quarter. However, they note a gradual recovery in shorter-term engagements this quarter, with early signs of a revival in discretionary spending. Cost optimization continues to be a key focus area for clients, but the company is seeing robust momentum in BFSI, with Hi-Tech also showing a positive outlook as semiconductor clients and hyperscalers plan to increase spending. While manufacturing and life sciences face near-term challenges, management expects an improvement as the demand environment stabilizes and policy clarifications provide better visibility. Margins are expected to improve in FY26, driven by operational efficiencies, including better pricing, automation, and an optimized revenue mix. With deal ramp-ups, a gradual revival in discretionary spending, and vendor consolidation efforts, management remains confident about an improved growth trajectory in FY26.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Revenue outlook for FY25	Margin (%)
HCL Tech	■ For FY25, the revenue growth guidance has been upgraded to 4.5%- 5.0% YoY cc (including ~50bp contribution from the HPE CTG acquisition, with organic growth at 4.0%-4.5%) from the earlier range of 3.5%-5.0%. ■ The implied organic growth rate for IT&BS in 4Q is ~0.6% in CC at the upper end of the guidance.	■ The margin improvement of 93bp QoQ in 3Q included 114bp from software business, offset by 22bp decline in IT services business. There was wage hike impact of 80bp in 3Q. ■ EBIT margin guidance is unchanged at 18% to 19%.
Infosys	■ Clients continue to prioritize cost take-out over discretionary spending. The company has observed strong momentum in BFSI, with Europe joining the growth trajectory alongside the US, and in the retail sector in the US. ■ The revenue growth guidance has been upgraded to 4.5-5.0% from the earlier range of 3.75-4.5%. Furloughs are expected in 4Q. Factors such as third-party pass-through and fewer working days in 4Q have been considered in the guidance.	■ EBIT margin guidance remains at 20-22%. ■ Wage hikes will be implemented in two phases, starting in January and followed by the second phase in April. Wage growth in India is expected to be 6-8%, while overseas growth will be in the low single digits. ■ Utilization stood at 86%, slightly above the comfortable range of 83%-85% preferred by the company.
TCS	■ Client conversations are showing early signs of revival in discretionary spending. ■ Deal cycles shortened by a few weeks in 3Q compared to the last, indicating improved decision-making cycles by clients. ■ TCS expects to compensate for BSNL revenue in multiple geographies in CY25. Growth will be driven by core markets and regional markets outside India. ■ The overall outlook for Hi-tech is positive. Semiconductor clients and hyperscalers plan to increase their spending in the coming years. ■ The manufacturing sector is expected to bottom out in 4Q. Life sciences and healthcare sectors, which are waiting for policy clarifications, should start performing better as near-term headwinds subside.	■ The margin aspiration of 26-28% in the near term remains intact. In 4Q, margin expansion is expected to exceed 3Q levels. ■ About 70% of the BSNL contract has been executed. The tapering off of this contract, along with a favorable product mix, will act as a lever for margin improvement. ■ Operational levers such as hiring done in 1Q and 2Q are expected to benefit the pyramid structure in 4Q.
Tech Mahindra	■ TECHM is focused on enhancing its capabilities and optimizing its revenue mix to achieve better pricing outcomes. ■ The outlook for discretionary spending in manufacturing is conservative, reflecting softness in the sector. ■ The company has expanded its deal pipeline by strengthening its relationships with advisory firms and hiring new talent. ■ There is substantial headroom for growth within the partner ecosystem, with much of the growth expected to come from partnerships with hyperscalers and ISVs.	■ Wage hikes planned for 4QFY25 could impact margins by 100-150bp. ■ Levers for margin improvement: better pricing, improved performance in fixed-price contracts, reduced seasonality in the Comviva business, and lean automation in fixed-price contracts to enhance cost efficiency.

	Revenue outlook for FY25	Margin (%)
LTIM	■ There has been a promising increase in deal activity, driven by clients' focus on cost reduction and vendor consolidation. FY26 is projected to be better than FY25. Clients are in the process of finalizing their budgets for CY25. ■ Revenue growth in the short term is expected to be driven by deal ramp-ups and the reversal of furloughs. ■ There are specific short-cycle deals, such as regulatory deals in BFS, alongside some discretionary spending in this vertical.	■ Margins are expected to improve in FY26, assuming double-digit revenue growth, which remains the biggest lever for margin expansion. ■ Depreciation is likely to increase slightly before stabilizing. ■ The absorption of wage hikes may take 2-3 more quarters in the current environment.
Wipro	■ 4Q guidance: -1% to 1% in CC. Growth in the last two quarters has been above the midpoint of guidance. ■ Many clients are currently in the budgeting phase, with ongoing discussions to finalize agreements. Client hunting and account mining remain strategic priorities for the company. ■ Discretionary spending in the Americas is evident in BFSI, though it is not widespread at this point.	■ For 4QFY25, margins are expected to remain in a narrow band (+/- 17.5%), with no significant headwinds anticipated. ■ Reduced costs in third-party services also contributed to margin expansion. The company is seeing improved quality of revenue.

Coforge

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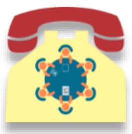

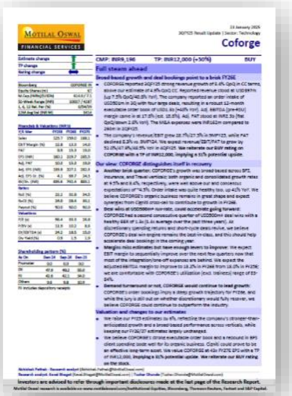

Coforge — Buy

Current Price INR 7,779

Demand outlook

- The company reported an exceptionally strong quarter. Despite a seasonally challenging period, COFORGE achieved 8.4% QoQ CC growth.
- The USD 2b revenue mark is progressing at a rapid pace. CY25 is anticipated to show robust growth.
- Growth rates are expected to remain sustainable due to maturing partnerships with ServiceNow and Microsoft, investments in initiatives like "Quasa" (an AI platform framework), and a demand environment that is increasingly AI-infused and hyperscaler-oriented. Additionally, the company's deep functional knowledge is becoming more critical.
- The company is conducting a bottoms-up integration of client intents and has observed a definite but gradual demand pickup.
- USD revenue stood at 397m, reflecting a 7.5% QoQ growth. The non-Cigniti business grew 9.4% QoQ in constant currency. Growth has been broad-based across all verticals, geographies, and service lines, demonstrating robust performance.
- Order intake for the quarter was USD501m, while the executable order book stands at USD1.3b. Four large deals were signed during the quarter, including one in the Cigniti portfolio.
- Deal wins are expected to strengthen further in the coming quarters.
- GCC deals are being structured in either of three modes: Build-Operate-Transfer (BOT) greenfield setups, and virtual GCCs. Margins for these deals are normalized as with other engagements. GCC employees are on the company's payroll.
- **BFS:** There is strong demand across multiple micro-areas, including operational resilience and regulatory and compliance requirements.
- **Insurance:** The SMB market is transforming, with SMBs seeking right-sized partners with domain expertise and experience in platforms such as Duck Creek, Guidewire, Majesco, and Sapiens. Low-code and no-code platforms represent a sweet spot for the company. COFORGE has developed an underwriting co-pilot solution in collaboration with Microsoft.
- **Transportation:** The company remains bullish on the travel sector, which has demonstrated resilience despite challenges. Forecasts from IATA indicate a 7%

growth in revenue passenger kilometers (RPK) by FY26, driven by low-cost carriers. Demand is coming from travel-tech players focused on loyalty programs, legacy modernization, and network and capacity expansion. Airlines and airports are transforming themselves into digital malls, contributing to sustained demand.
- Headcount increased by 2% QoQ. Attrition remains stable at 11.9%. Utilization excluding trainees stands at 84%. The company aims to maintain lateral utilization levels within the comfortable range of 83-84%.
- **Cigniti:** Synergies from the Cigniti acquisition have exceeded the company's expectations.
- A large deal was signed with limited cross-selling from COFORGE.
- The cross-sell pipeline typically takes around three quarters to mature. The company expects to see benefits from these efforts starting in 4QFY25 or 1QFY26.
- The Cigniti business reported an adjusted EBITDA margin of 17.3% in 3QFY25, which represents a 600-bps improvement from 4QFY24.

Margin performance and other comments
- Adjusted EBITDA grew 122bp QoQ to 17.8% in a seasonally weak quarter. The Cigniti business reported an adjusted EBITDA margin of 17.3% in 3QFY25, which represents a 600bp improvement from 4QFY24.
- Headwinds included furloughs, which impacted BFSI by 50bp. However, a furlough revival is expected in the next quarter, creating a tailwind in 4QFY25.
- Guidance for FY25 includes a 50bp expansion in adjusted EBITDA margin and flat reported EBITDA margin.
- ESOP costs accounted for 2.1% of revenue, in line with guidance, following the ESOP grant made in 2QFY25. These costs are expected to decline marginally over the next two quarters.
- The older ESOP scheme will contribute to a 20-25 bps cost reduction in 4QFY25 and 1QFY26, stabilizing at approximately 1.5% in 1Q and 2QFY26. By 3QFY26, ESOP costs are expected to reduce to 100 bps of revenue.
- Other income was negative for 3QFY25 due to idle cash in the Cigniti business. Interest expenses are expected to decrease in 4QFY25.
- The tax rate is gradually inching towards 25%.

CYIENT

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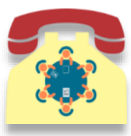
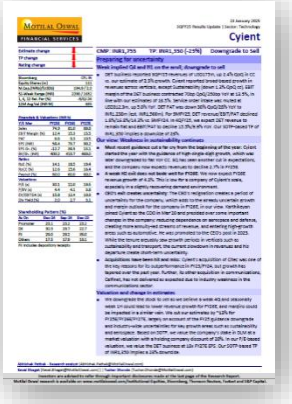


Cyient Sell

Current Price INR 1,475

Commentary on verticals
- **Transportation:** Growth is driven by ramp-ups in aerospace deals and increased demand from major customers. Rail business has stabilized after stagnation and is showing signs of recovery. Cyient is gaining wallet share from competitors and has signed new customers.
- **Connectivity:** The company has seen strong execution and ramp-up in North American deals within this vertical. No risks are foreseen in the telecom segment due to administrative changes in the US, as clients do not rely on federal funding for network projects. Opportunities are emerging with satellite communication providers.
- **Sustainability:** Challenges exist due to the project-based nature of this business vertical, with some projects nearing completion and delays in initiating new ones. Drilling activities in America and energy sufficiency initiatives are expected to become significant focus areas due to administrative changes in the US, positioning Cyient well for new energy projects.



- **New growth areas:** The Semcon division is performing well; however, automotive remains flat. Promising deals are emerging within new technologies.

Demand and outlook

- The Semcon business is gaining traction, with Cyient establishing a CoE with Allegro Microsystems to develop magnetic sensors and power semiconductor products for the automotive industry.
- Management believes that while this year may not be the best, it sees tangible opportunities in 1Q.
- The company believes it can improve salesforce efficiency and better align its solutions portfolio to sell the right services to the right customers.
- The biggest challenge this year was starting with an insufficient order book; however, the current order book provides confidence for FY26.
- FY25 margins are expected to follow the revenue trajectory, with Q1 anticipated to show stronger margins.
- For FY25, DET revenue is expected to decline by approximately 2.7% YoY in CC (revised from earlier flat growth expectations) due to delays in deal ramp-ups to Q4.

Margin

- DET margins came in at 13.5%, aligning with estimates but down 70bp QoQ and 250bp YoY.
- Wage hikes and currency headwinds impacted margins, though revenue growth and operational efficiencies provided some offset.
- The Q4FY25 exit EBIT margin is expected to be around 13.5%, revised down from an earlier forecast of 16%, due to delayed revenue realization within the year.
- In FY25, margins are expected to follow the revenue trajectory, with Q1 anticipated to show stronger margins.
- Management remains confident of achieving a 16% EBIT margin for FY26; however, it will prioritize revenue growth over margin expansion.

HCL

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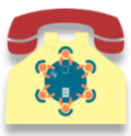
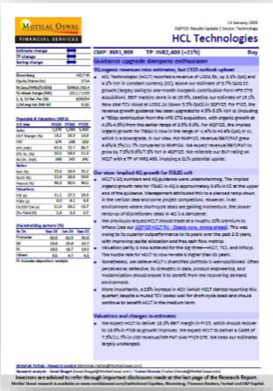


HCL Technologies — Buy

Current Price INR 1,711

Demand and industry outlook

- The company anticipates increased technology spending in CY25, driven by transformation and efficiency-related initiatives. Discretionary spending is expected to improve overall.
- Growth in small deals was observed, aligning with client spending patterns. Deals were largely driven by AI transformation projects, with a noticeable reduction in average deal cycles.
- TCV moderated due to shorter-cycle deals, but Annual Contract Value (ACV) grew 23% YoY and 9% QoQ.
- **4Q outlook:** A planned reduction in megadeals is expected. Discretionary deal ramp-ups in the telecom sector will taper off in 4Q. The execution of one major project is nearing completion in 3Q. Declines are anticipated in the telecom and retail sectors in 4Q, leading to a softer quarter.
- No ramp-downs of megadeals are expected in FY26. Customer conversations are progressing positively regarding data estate modernization and app modernization.
- **BFSI:** HCLT sees continued momentum in client spending. AI adoption is moving from POCs to enterprise-level implementations in this vertical. Medium and large-sized deals in platform modernization enabled by AI are being observed in Europe.


HCL Technologies

- **Manufacturing:** The weakness in the automotive sector is expected to persist for 1-2 more quarters, while this gives time to construct large transformation deals. Excluding the automotive sector, the vertical shows promising performance, with discretionary spending led by SAP implementations.
- **Life Sciences and Healthcare:** Discretionary spending has not picked up yet.
- **Telecommunications and Media:** Growth was partly driven by the HPE CTG acquisition, contributing one month of inorganic growth. Discretionary spending by OEMs remains cautious, but there is focus on network modernization and client experience.
- **Retail & CPG:** Performance in the US retail sector was strong, driven by the completion of a significant project that contributed double-digit sequential growth. Overall improvement is being observed, and the pipeline looks promising. However, 4Q growth may moderate due to a one-off in this quarter.
- **IT business:** Organic growth for the services business in 4Q is estimated between -1.3% and 0.6%. Good projects were received in telecom and technology.
- **P&P:** Delayed renewals from some customers and new on-boarding's led to sub-par YoY growth, with caution expected in renewals in 4Q. SAP business continues to see strong interest due to S4HANA cloud implementation. Full-year growth is expected to be in the low single digits. Margins improved due to reduced costs, lower amortization, and product discontinuation.
- **Gen AI:** The cost of using large language models (LLMs) has dropped by 85% since 2023, making more use cases viable. Agentic AI presents significant opportunities, especially for cost optimization, and is expected to accelerate the adoption. Customers are increasingly focusing on leveraging AI for legacy modernization.

Margin performance

- EBIT margin stood at 19.5%. FCF conversion on LTM basis was 134%.
- EBIT margin improved by 93bp QoQ from 18.6% in 2QFY25.
- Margin walk: The margin improvement of 93bp QoQ in 3Q included 114bp from software business on account of improved margins in segment, offset by 22bp decline in IT services business.

Other highlights

- The management declared an interim dividend of INR18/share, including a special dividend of INR6/share.
- Cash generation has improved on the back of improved DSO performance. Total DSO, including unbilled, is currently at 77 days, an improvement of two days QoQ and nine days YoY.

Infosys — Buy

Current Price INR 1,811

Performance in 3QFY25 and demand outlook

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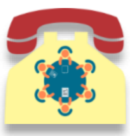
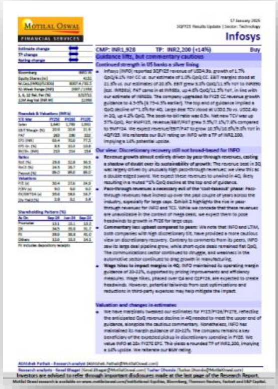


- Clients continue to prioritize cost take-out over discretionary spending. The company observed strong momentum in BFSI, with Europe joining the growth trajectory alongside US, and in the retail sector in the US.
- While the focus of clients remains on cost optimization, there is increased spending in emerging growth areas such as AI, cloud adoption, and cybersecurity.
- Strong growth was seen across all verticals, driven by effective execution despite a seasonally weak quarter. AI-driven productivity gains are being shared with clients.


Infosys

- Large deal TCV stood at USD2.5b, with a stronger large deal pipeline. New deals were robust, accounting for 63% of the TCV. These deals are witnessing good traction in areas such as cloud, generative AI, SAP S4HANA, and cost take-outs.
- The small deal pipeline remains stable compared to the previous quarter.
- Trends in third-party costs will depend on deal structures with clients.
- The revenue growth guidance has been upgraded to 4.5-5.0% from the earlier range of 3.75-4.5%. Factors such as third-party pass-through and fewer working days in Q4 have been considered in the guidance.

Furloughs are expected in 4Q.

- **BFSI:** Revival in Europe's financial segment contributed to growth. Deals signed in areas such as cloud and vendor consolidation are expected to support growth in the coming quarters. Capital markets, mortgages, and payments have shown increased activity.
- Retail and CPG: Discretionary pressure in the US is easing, with improved consumer sentiment and a strong holiday season. The company closed several good deals during the quarter.
- **Manufacturing:** Clients in this vertical are prioritizing cost take-out initiatives over transformational projects. The automotive sector in Europe continues to experience slow demand.
- **Communication and Media:** The demand environment remains challenging, with opex issues persisting. Discretionary spending remains muted, and deals in this vertical are primarily focused on efficiency and consolidation.
- **Energy & Utilities, Resources, and Services:** Growth in demand for electricity to support data centers is expected to drive increased investments in the energy sector.

Margin performance

- EBIT margin stood at 21.3% in 3Q, an increase of 20bp QoQ.
- **Margin Walk:** Tailwinds: 40bp from favourable currency, 30bp from Project Maximus, and 20bp from lower credit costs and provisions. Headwinds: 70bp due to furloughs and fewer working days.
- Wage hikes will be implemented in two phases, starting in January and followed by the second phase in April. Wage growth in India is expected to be 6-8%, while overseas growth will be in the low single digits.
- Utilization stood at 86%, slightly above the comfortable range of 83%-85% preferred by the company.
- EBIT margin guidance remains at 20-22%.

LTIMindtree

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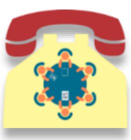
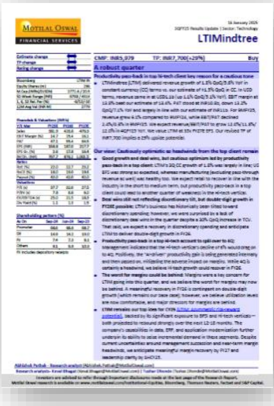


LTIMindtree — Buy

Current Price INR 5,471

Demand and industry outlook

- Growth momentum continued in 3Q, building on trends from the last few quarters, and is expected to persist into 4Q. The company recorded YoY growth across all verticals, with notable traction in BFSI.
- There has been a promising increase in deal activity, driven by a client focus on cost reduction and vendor consolidation. FY26 is projected to be better than FY25. Clients are in the process of finalizing their budgets for CY25.
- Technology, Media, and Communications – Technology companies remain at the forefront of AI adoption, with the company passing AI-driven productivity gains to clients. Productivity gains for a top client impacted revenue for two months in Q3 but are expected to enhance market share in the medium to long term. The top client in the hi-tech sector is significantly increasing its AI spend, with the company leveraging opportunities such as co-pilots to achieve further productivity gains.


LTIMindtree

- Manufacturing – This vertical led growth with an 8.1% QoQ increase, partly due to pass-through revenue in 3Q. Pass-through revenues are becoming a recurring part of the company's overall revenue. A significant AI deal was secured in this vertical, which has lower exposure to the automotive segment.
- BFSI – Agentic AI is being used to assist underwriters in the insurance sector, with a partnership established with Voice.AI for this purpose. A large deal was signed in the BFS segment.
- AI spending is shifting from proof-of-concept (POC) projects to scaled implementations in select areas.
- Revenue growth in the short term is expected to be driven by deal ramp-ups and the reversal of furloughs.
- The company achieved a strong order inflow of USD 1.68 billion, marking ~30% QoQ growth. The deals largely consist of cost takeout's and vendor consolidation initiatives.
- There are specific short-cycle deals, such as regulatory deals in BFS, alongside some discretionary spending in this vertical.
- New client logos were added in manufacturing, along with two significant deals in the BFSI vertical.
- The headcount increased by 2.8% QoQ to support growth. Utilization dropped to 85.4% (from 87.7% in 2Q) but is expected to improve in 4Q. The company is focusing on pyramid correction to improve margins.
- TTM attrition remained stable at 14.3%.
- AI may cannibalize some revenue streams in the short term. In the current business landscape, every deal is being evaluated through an AI lens. The "AI for Everyone" strategy has been implemented, with foundational AI training completed for all employees.
- Discussions are ongoing with 40 clients regarding AI adoption. The company is focusing on hyperscalers, enterprise transformation, and both open and closed large language models (LLMs).
- Days Sales Outstanding (DSO) improved to 80 days, with an aspirational target of reaching 75 days.

Margin performance

- EBIT stood at 13.8%, a decline of 170bp QoQ, primarily due to a 220bp impact from wage hikes effective from 1st Oct'24.
- This impact was partially offset by 50bp from operational efficiencies, despite challenges posed by furloughs.
- The absorption of wage hikes may take 2–3 more quarters in the current environment.
- Margins are expected to improve in FY26, assuming double-digit revenue growth, which remains the biggest lever for margin expansion.
- Depreciation is likely to increase slightly before stabilizing.

L&T Technology **Buy**

Current Price INR 4,869

L&T Technology Services

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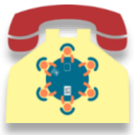
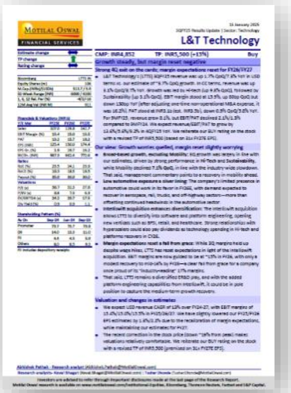
Demand and industry outlook

- The demand outlook is steadily improving. The company expects all verticals to grow in the 4Q. FY26 is anticipated to be a better year than FY25.
- The cybersecurity deal with the Government of Maharashtra is expected to contribute to revenue in 4Q.
- The company has reiterated its guidance of 10% YoY CC growth, with the organic contribution to be around 8%. LTTS is confident of achieving its guidance,




L&T Technology

supported by deal wins in 3Q and seasonality. The inorganic contribution from Intelliswift will further aid in achieving the upper end of the guidance.

- The large deal pipeline remains robust, with engagements focused on product and platform development and business transformation. The average tenure of deals won in 3Q is about three years, with a focus on AI/Gen-AI segments and proprietary frameworks.
- The "go deeper scale" strategy implemented in 1HFY25 is yielding results, as reflected in deal bookings.
- EBIT margin improved to 15.9%, up 80bp QoQ. 2H EBIT margin is expected to be better than 1H, driven by organic growth.
- SG&A expenses were at 10.3%, compared to ~11% in 1H. The company considers 10.5% to 11% a comfortable range for SG&A.
- The deal pipeline is stronger compared to last year, and similar booking levels are expected in 4Q. No significant impact on large deal ramp-ups is expected in the coming quarter.
- The consolidation of Intelliswift in 4Q will impact margins by 150bp in 4Q.
- The company has an aspirational organic EBIT margin target of 16% for FY25. Tailwinds include improved revenue quality, a better employee pyramid structure, and operational efficiencies.
- The company expects non-linearity in headcount additions and revenue growth. Headcount growth has been subdued owing to automation and improved utilization.
- LTTS plans to combine the ISV segment with Intelliswift to introduce a new "Products and Platforms" segment.

Vertical-specific demand commentary

- Mobility: The deal pipeline is growing in key areas such as software-defined vehicles (SDVs) and hybridization. Select OEMs and Tier 1 companies are facing challenges across regions. It has a good deal pipeline due to vendor consolidation. Expects pickup in this vertical in 1QFY26. Demand weakness persists in the agriculture and construction sectors due to potential tariff changes. While automotive saw furloughs in 3Q, aero and rail segments were unaffected. Automotive will likely face stress for a couple of quarters, but other sub-segments are expected to expand. Aero and rail segments are experiencing increased engagement in testing and automation, particularly in AI applications.
- Sustainability: The vertical recorded strong growth with 4% QoQ in process and industrial firing. It proactively won deals in USD20m+ segment. Industrials are witnessing a robust deal pipeline in the USD25m segment. Growth continues in the oil and gas (O&G), chemicals, energy, and data center segments, except for certain parts of industrial machinery. Digital automation work is driving hiring in the plant engineering segment.
- Hi-Tech: Achieved 11.1% QoQ CC growth, driven by ramp-ups in Medtech, hyperscalers, and communication. Communication growth is fuelled by network performance management, network modernization, and AI-driven initiatives. Medtech growth is supported by digital manufacturing. Excluding certain semiconductor majors, the company anticipates growth in Hi-Tech.

Margin performance and outlook

- EBIT margin improved to 15.9%, up 80bp QoQ. 2H EBIT margin is expected to be better than 1H margin, driven by organic growth.

- SG&A expenses were at 10.3%, compared to ~11% in 1H. The company considers 10.5% to 11% a comfortable range for SG&A.
- The company has an aspirational organic EBIT margin target of 16% for FY25. Tailwinds include improved revenue quality, a better employee pyramid structure, and operational efficiencies.
- The consolidation of Intelliswift in 4Q will impact margins by 150bp.
- Consolidated EBIT margin for 4QFY25 is projected to be 15%. ~16.5% EBIT margins are expected between 4QFY27 and 1QFY28.

Mphasis — Neutral

Current Price INR 2,610

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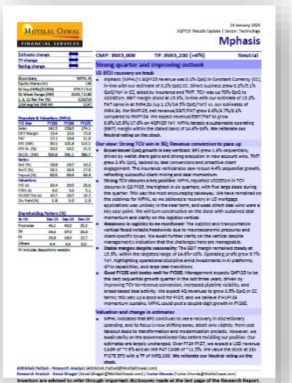

Demand and industry outlook

- A continued recovery in discretionary spending has been observed.
- Vendor consolidation opportunities are emerging using the service-led transformation approach.
- The outcome of elections has brought clarity, enabling companies to plan budgets confidently, as tax cuts are likely to be extended, reducing uncertainty.
- For 4Q, the company expects continued execution as demand moves in the right direction, projecting it to be the best quarter on a sequential basis in the last three years.
- Investments are being made in GTM strategies, such as setting up a large deals team and expanding into newer verticals and geographies.
- The company expects the pace of revenue growth to remain strong, driven by themes like cost savings and debt transformation.
- Furloughs had an approximately 2% impact on 3Q revenue, but a partial reversal is expected in 4Q. AI-led productivity gains have not posed any headwinds to wallet share or margins.
- The company's portfolio diversification strategy, particularly reducing dependency on BFSI, has proven beneficial, especially in the TMT segment.
- Revenue acceleration in managed services has improved due to reduced transition timelines, enabled by a combination of right-shoring and effort elimination.
- TCV for the quarter was USD351m, marking the highest in the past six quarters, and included five large deals. The pace of TCV-to-revenue conversion is improving. The company is making structural investments in leadership for large deal cohorts.
- **BFS:** Growth was driven by wallet share gains in existing accounts and strong execution with new clients. Gradual recovery is being observed in the mortgage business. Visible momentum in pipeline conversions gives confidence in achieving above-industry growth.
- **Insurance:** Growth was linked to the nuclear acquisition and market share expansion. No significant conversations around the California wildfires have taken place yet, but some impact on clients is expected.
- **Logistics and Transportation:** Revenue declined 7% QoQ, with the decrease spread across clients rather than being tied to a specific account. Airlines are showing growth, albeit from a low base, and are expected to perform well over the next 12-18 months.

- The workforce pyramid is being reshaped, with plans to infuse talent at the lower levels.
- Utilization rates have improved over the past four quarters and are expected to stay steady. Headcount optimization will take place as the company scales its operations.
- The company is implementing agentic AI projects that are progressing rapidly beyond the pilot and proof-of-concept stages.

Margin performance

- EBIT margin stood at 15.3% vs our estimate of 15.2% QoQ. PAT was INR4.2b, reflecting a 1.1% QoQ increase, compared to an estimate of INR4.3b.
- Stable margins were maintained within the target range of 14.6% to 16%, driven by disciplined execution.

Persistent Systems — Buy

Current Price INR 5,899

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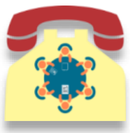

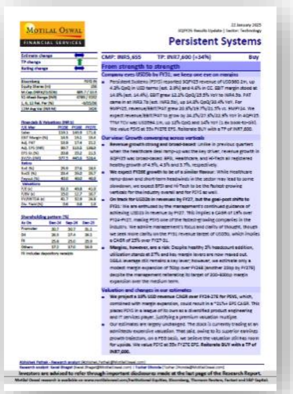
Persistent Systems

Growth and demand outlook

- The sentiment is improving in certain business segments.
- All verticals have now achieved a quarterly revenue run rate of USD100m+.
- The company has set near-term revenue aspirations of USD2b by FY27 and USD5b by FY31. Key initiatives include: 1) doubling down on the top 100 clients, 2) expanding alternative service lines, such as Private Equity, and 3) developing 12-15 sub-vertical growth engines within three primary verticals.
- Revenue stood at USD360.2m, up 4.6% QoQ in CC. Furloughs had a 100bp impact on revenue, while contributions from Starfish and Arkaa added 35bp.
- TCV was USD594m. Strong bookings in 3Q were driven by renewals occurring at the fiscal year-end in North America.
- The layering of TCV is contributing to revenue growth, and the pipeline remains healthy.
- While there are signs of improvement, the company believes it is too early to declare a victory for these green shoots.
- Healthcare & Life Sciences: Achieved a revenue run rate of USD100m+. The company believes there are opportunities for growth under the new administration as well.
- The company aims to increase its revenue contribution from Europe to 12-13% from the current 8-9%.
- Utilization at 85% is comfortable. It increased to 87.4% in 3Q and is expected to be around that level for a few quarters.
- It plans to improve the employee pyramid structure over the coming quarters.
- PSYS aims to decouple revenue growth from headcount growth, enhancing revenue per employee.
- The company has filed over 20 patents in areas such as core AI, Agentic AI, and productivity measurement.
- Its AI-driven tech platform, SASVA, enhances end-to-end lifecycle solutions. SASVA's quality engineering (QE) capabilities reduce testing time and facilitate legacy framework migration.
- An interim dividend of INR20/share was declared for the quarter.

Margin performance and outlook

- EBIT margin stood at 14.9%, up 90bp QoQ.
- Margin walk: Headwinds: Furloughs (-60bp), lower earn-out credit compared to the previous quarter (-100bp).
- Tailwinds: Improved utilization, rationalization of contract costs in healthcare, and successful offshoring efforts (+140 bps), cross-currency benefits (+50bp),

lower ESOP costs (+20bp), and a combination of reduced resale revenue and improved pricing (+40bp).

- The impact of the earn-out reversal is expected to spill over into the next quarter.
- Future margin improvements are anticipated through cost optimization, including pricing strategies to drive non-linear revenues and optimizing SG&A expenses.
- The company aims to leverage its intellectual property (IP) to achieve differentiated pricing, which will act as a growth lever.

Tata Consultancy Services — Buy

Current Price INR 3,781

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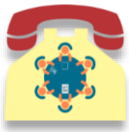

3QFY25 performance and demand outlook

- Improvement is being seen in discretionary spending. The BFSI and retail verticals are showing good traction. Client conversations are showing early signs of revival in discretionary spending.
- Revenue realization is expected to improve compared to past quarters due to shorter deal cycles and increased discretionary spending by clients, leading to better revenue productivity.
- The company expects to compensate for BSNL revenue in multiple geographies in CY25. Growth will be driven by core markets and regional markets outside India.
- The manufacturing sector is expected to bottom out in 4Q. Life sciences and healthcare sectors, which are waiting for policy clarifications, should start performing better as near-term headwinds subside.
- Revenue stood at USD7.5b, down 1.0% QoQ in CC terms and up 4.5% YoY CC, assuming a 70bp currency headwind. The decline was mainly due to seasonality and softer discretionary spending during the quarter.
- In 3Q, customer priorities continued to focus on cost optimization and business transformation projects.
- The company is optimistic about regional markets and international markets in 4Q. The UK region saw good deal wins across all geographies.
- The company reported a strong and broad-based TCV of USD10.2b, up 19% QoQ. This performance is notable as there were no mega deals.
- Deal cycles have shortened by a few weeks in this quarter compared to the last, indicating improved decision-making cycles by clients. While FY25 saw some project deferrals, the company is seeing early signs of a revival, which provides confidence for strong performance in CY25 and CY26.
- There is an increased proportion of deals related to application modernization, cloud, and data, driven by the adoption of generative AI (Gen AI) by clients.
- Large accounts in BFSI and the North American region are continuing to grow. Deal wins are good in BFSI.
- Retail & CPG witnessed good deal wins, with a positive outlook for growth. Essential items and fashion apparel segments have shown growth.
- The manufacturing sector continues to experience softness due to industry and macroeconomic issues. However, TCV addition has been robust.
- The overall outlook for Hi-tech is positive. Semiconductor clients and hyperscalers are planning to increase their spending in the coming years.
- Growth was driven by the Indian market. While the BSNL ramp-up was a substantial driver, there was also growth in non-BSNL revenues.
- TCS declared an interim dividend of INR 10 per share and a special dividend of INR 66 per share for 3Q.

Margin performance and outlook

- **Margin walk:** EBIT margins stood at 24.5%, up 40bp QoQ, despite headwinds from furloughs and seasonality. This was offset by operational efficiencies achieved through productivity improvements, utilization, and the pyramid structure.
- The margin aspiration of 26-28% in the near term remains intact. In 4Q, margin expansion is expected to exceed 3Q levels. About 70% of the BSNL contract has been executed. The tapering off of this contract, along with a favourable product mix, will act as a lever for margin improvement.
- Effective hedging helped mitigate the negative impact of currency fluctuations. Hedging is conducted for rolling two quarters.
- Operational levers such as hiring done in 1Q and 2Q are expected to benefit the pyramid structure in 4Q.

Tech Mahindra — Neutral

Current Price INR 1,686

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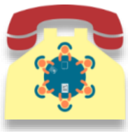

Demand and industry outlook

- TECHM is focused on enhancing its capabilities and optimizing its revenue mix to achieve better pricing outcomes.
- The company anticipates that CY25 will show better performance than CY24.
- There is substantial headroom for growth within the partner ecosystem, with much of the growth expected to come from partnerships with hyperscalers and ISVs.
- 3Q revenue stood at USD1.5b, up 1.2% QoQ CC but down 1.3% on a reported basis due to unfavourable currency movements.
- The net new TCV was USD745m, up 23% QoQ and 95% YoY. Many deals originate from prioritized verticals and regional markets, with a focus on securing qualitative, large-scale agreements.
- The rate of deal wins has improved in key verticals such as Telecom and Hi-Tech.
- The nature of deals varies by industry: Telecom saw deals in consolidation and cost reduction, while SAP S4HANA and data analytics deals were seen in Retail and Healthcare.
- Renewal deals have demonstrated healthy renewal rates, though there are challenges in passing on productivity benefits.
- The company has expanded its deal pipeline by strengthening its relationships with advisory firms and hiring new talent.
- TECHM has made significant investments in its generative AI suite, TechM AgentX, with ongoing R&D efforts.
- Telecom – The APAC region is witnessing growing momentum, while Europe remains competitive but is stable and improving. In Europe, TECHM secured a new Telecom logo in consolidation. The US segment faces challenges in discretionary spending by large clients.
- Manufacturing: Declined due to pressures in the automotive segment, including Pininfarina. Most of the company’s automotive exposure is in the US, which remains more resilient than Europe.
- The net employee addition was 3,785, down 2.5% QoQ. Despite adding freshers, the overall headcount decreased due to a focus on optimizing costs through fixed-price contracts.
- The organizational structure is aligning with the company’s strategic plan.
- TECHM has established a Center of Excellence (CoE) with Nvidia to advance large language models (LLMs), agentic AI, and physical AI.

- Launched TechM AgentX, a comprehensive suite of generative AI-powered solutions designed to drive intelligent automation globally.
- The company is focused on creating horizontal and vertical AI solutions, in collaboration with partners such as hyperscalers and chip manufacturers.

Margin performance

- EBIT margins improved to 10.2%, up 60bp QoQ, driven by operational leverage and cost optimization under Project Fortius.
- Wage hikes planned for 4QFY25 could impact margins by 100-150bp.
- Levers for margin improvement: better pricing, improved performance in fixed-price contracts, reduced seasonality in the Comviva business, and lean automation in fixed-price contracts to enhance cost efficiency.

Wipro — Neutral

Current Price INR 314

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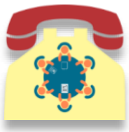

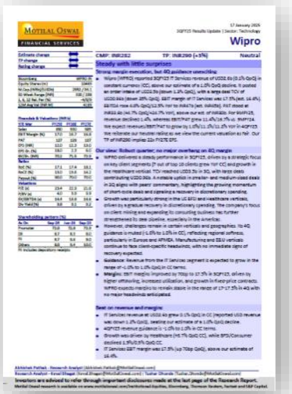

3QFY25 performance and demand outlook

- While cost optimization remains a priority, the company is witnessing growing investments in AI. Demand is steadily increasing in the Americas.
- The consulting business is expanding, with improving demand environments in BFSI and Healthcare.
- Discretionary spending in BFSI and Capco has seen good traction in smaller deals.
- The top 25 clients, particularly in BFSI and Healthcare, are showing growth. The company plans to mine these accounts further through enhanced account management and delivery.
- Bookings in the USD1-5m and USD5-20m account segments are growing at a faster pace.
- **4Q guidance:** -1% to 1% in CC. Growth in the last two quarters has been above the midpoint of guidance.
- Discretionary spending in the Americas is evident in BFSI, though it is not widespread at this point.
- Many clients are currently in the budgeting phase, with ongoing discussions to finalize agreements. Client hunting and account mining remain strategic priorities for the company.
- 3Q TCV was USD3.5b, including large deals worth USD0.96b, with strong traction across geographies. There has been an improvement in small- and medium-sized deals this quarter, with ACV conversion. The deal tenure has shortened.
- **BFSI:** Demonstrated the strongest traction in large deals. Impacted by furloughs in 3Q but still achieved YoY growth, driven by discretionary spending and the Capco business. An uptick in budgets is being observed.
- **Healthcare:** Maintained growth momentum. Budgets are expected to grow, although at a slower pace than last year. Broad-based growth was observed across payers, providers, pharmaceutical companies, and medical device manufacturers.
- Europe performance remained soft. The company has established a new leadership team for deal conversions.
- Attrition is expected to decline in the next quarter. The company plans to ramp up hiring in the coming quarters.
- The company has revised its capital allocation strategy, committing to returning over 70% of net income to shareholders over a three-year block, starting in FY26.

Margin outlook

- EBIT margin for the quarter stood at 17.5%, up 70bp QoQ. Key contributors to margin improvement in 3Q included better execution in core and consulting businesses, improved utilization, increased offshoring, and growth in fixed-price contracts.
- Overheads were consciously reduced. Wage hike impact is now absorbed.
- Reduced costs in third-party services also contributed to margin expansion. The company is seeing improved quality of revenue.
- For 4QFY25, margins are expected to remain in a narrow band (+/- 17.5%), with no significant headwinds anticipated.

zensar™

Zensar Technologies — Neutral

Current Price INR 809

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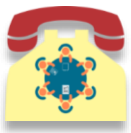

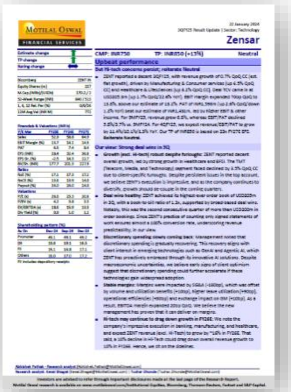

Growth and outlook

- The company is observing early signs of discretionary spending based on client conversations. Operational excellence, robust database governance, and a strong focus on client centricity have boosted the company's resilience. ZENT now feels optimistic and confident about adopting an aggressive approach to business growth.
- Both farming (deepening existing client relationships) and hunting (acquiring new clients) are critical for building large accounts. Over the past two years, the company has significantly strengthened its farming efforts, successfully adding one client to the USD20m revenue bucket.
- Discretionary spending trends will align with emerging market trends. For example, if Gen-AI gains widespread adoption, it could lead to a significant increase in discretionary spending.
- Operational excellence, robust database governance, and a strong focus on client centricity have boosted the company's resilience. ZENT now feels optimistic and confident about adopting an aggressive approach to business growth.
- Despite a seasonally weak quarter, the company achieved 8.6% YoY growth. Some pockets experienced furlough-related challenges, but the impact was limited. The company's healthcare segment was not significantly affected by the Bridgeview integration and is now reported as a combined entity.
- Order bookings were broad-based and did not include any large deals. However, the company is currently in discussions regarding 2-3 significant deals. The deal pipeline remains healthy, albeit slightly lower, as win rates have improved.
- While furlough effects and fewer working days may slightly affect performance, the company expects a positive outlook for the next quarter. A significant portion of the order book is concentrated in the BFSI sector and Europe.
- ZENT considers signed statements of work as deal wins, implying a 100% conversion of the order book.
- The company is focusing more on building annuity revenue, which provides stability, rather than relying on discretionary spending. Large deals are a key avenue for this strategy.
- Manufacturing & Consumer led growth with a 6.5% QoQ CC increase. One client progressed from the USD10m revenue bucket to the USD20m bucket.
- Health Care & Life Science: The demand environment remained soft. Life sciences faced uncertainty regarding competition between Viva and Salesforce

in the CRM space. The industry is preparing for reduced remuneration rates for certain drugs, with the new trump administration expected to adopt stricter healthcare cost policies, leading to conservative spending.

- Telecommunications, Media & Technology: Revenue declined 3.5% QoQ CC. ZENT is focusing on growing other business segments faster than TMT to diversify its revenue mix. The TMT segment's revenue share dropped from 27% last year to about 21% this quarter. The company added a new client in the semiconductor space and expects mild growth in TMT in 4Q as furlough impacts subside.
- ZENT remains committed to talent development and innovation, with plans to increase headcount. The company expects to recruit more talent from campuses as growth accelerates.
- During the quarter, ZENT deployed four major AI stack solutions for clients. The company highlighted the significance of Gen AI (based on large language models) and Agentic AI, which creates agents on top of these models. ZENT believes that Agentic AI is crucial for the adoption and popularity of GenAI.

Margin performance and outlook

- EBITDA margins stood at 15.6%, a 20bp QoQ improvement. Margins were impacted by SG&A (-180bp), offset by volume and utilization benefits (+10bp), higher leave utilization (+90bp), operational efficiencies (+80bp) and exchange impact on GM (+10bp), leading to a net increase of 20bp QoQ in EBITDA margin.
- EBIT margins improved by 70bp QoQ to 13.8%.
- EBITDA margin was in line with the guidance of mid-teen margin. Depreciation as a percentage of revenue declined to 1.7% and is expected to remain at this level.
- The increase in SG&A expenses was attributed to higher investments in sales and marketing.

- **The benefits of tariff hikes are largely reflected in 3Q results for Bharti and Vi, while RJio management indicates that tariff hike benefits are still to completely flow through. The subscriber losses to BSNL, after the tariff hikes, are now reversing for all three private telcos. Vi expects capex to increase further in 4Q with ~INR100b guidance for FY25 (vs. INR53b in 9M), while Bharti expects capex to trend downwards both in FY25 and FY26. Bharti and RJio have increased their focus on accelerating the FWA rollout.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	Management guidance
Bharti Airtel	▪ **Capital allocation:** The main priorities for BHARTI would be 1) to further deleverage the balance sheet, 2) to step up dividend payments, and 3) selective and prudent investments to bolster capabilities in B2B adjacencies through bolt-on acquisitions.	▪ **Capex:** Reiterated guidance for FY25 India capex (INR199b in 9M) to be lower than FY24 (INR330b). Management expects capex to further unwind in FY26 with capex as a percentage of revenue to trend lower and soon be at par with global telcos.
Indus Towers	▪ **Tower and tenancy additions** improved due to a pickup in rollouts by Bharti and Vi. The order book is likely to remain healthy for the next 3-4 quarters and Indus expects to maintain a dominant share in Vi's network rollouts.	▪ **Dividends:** Dividend policy remains linked to FCF generation, and the call on reinstating dividends will be taken at FY25-end, based on FY25 FCF generation.
Tata Communications	▪ **Demand:** Funnel additions remained robust, especially in the international markets, with the large deal funnel growing 50% YoY. However, the pace of order booking was slower in 3Q (as compared to 1HFY25) as the large deal conversion cycle remains elongated.	▪ **Growth:** FY27 revenue ambition was predicated on the Enterprises' rising needs for network fabric. However, adverse macroeconomic factors were not considered in its guidance of doubling data revenue to INR280b by FY27. TCOM continues to invest in people and capabilities to meet the ambition of doubling data revenue by FY27. ▪ **Margins:** TCOM continues to aim for improving margins to the 23-25% range by FY27. Growth acceleration in digital portfolios remains the key lever for margin improvement.
Vodafone Idea	▪ **Subscriber trends:** Vi is seeing some green shoots from network rollouts, with VLR net adds in 11 circles in Dec'24 and Jan'25. Further, it expects trends to improve with the progress on network rollout and the upcoming 5G launch. ▪ **Tariff hike:** The benefits of tariff hikes are largely reflected in 3Q (~12% customer ARPU growth over the last two quarters). Further, management reiterated its stance on the need for further tariff hikes (possibly in the next 3-6 months) and a change in the tariff construct to usage-based plans.	▪ **Capex:** Vi rolled out ~3.5k towers (~4k MBB towers) and ~21k net MBB sites during 3Q, leading to an increase in 4G population coverage by a further ~20m to 1.07b. The company expects to reach 4G population coverage of 1.1b by Mar'25 and 1.2b (~90%) over the medium term. Further, the company plans to commercially launch 5G services in Mumbai in Mar'25, followed by launches in Delhi, Bangalore, Chandigarh, and Patna in Apr'25. FY25 capex target stands at INR100b (vs. INR53b capex in 9MFY25).

airtel

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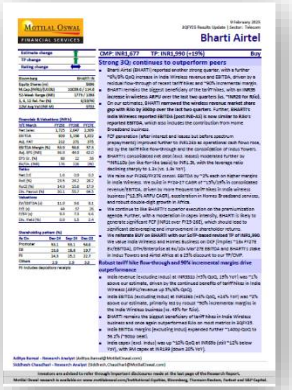
Bharti Airtel — Buy

Current Price INR 1,646

- **Captive tower sales to Indus:** BHARTI plans to transfer 16,100 towers (12,700 from Bharti Airtel and 3,400 from Bharti Hexacom) to Indus Towers at a consideration not exceeding INR33.1b (implies ~INR2.05m/tower). This will free up BHARTI management's bandwidth and also create greater efficiency, scale and add long-term value for Indus.
- **Capex:** BHARTI management has reiterated their guidance for FY25 India capex (INR199b in 9M) to be lower than FY24 (INR330b). Management expects capex to further unwind in FY26. Going ahead, the priorities for capex would be on



investments in the transport layer, Home Broadband, data center and B2B. Management expects capex as a percentage of revenue to trend lower and soon be at par with global telcos.

- **Capital allocation:** The main priorities for Bharti would be to 1) further deleverage the balance sheet, 2) step up dividend payments, and 3) selective and prudent investments to bolster capabilities in B2B adjacencies through bolt-on acquisitions.
- **Deleveraging:** The company prepaid INR36b of spectrum dues pertaining to 2016 during 3Q (~INR355b high-cost debt prepayments in the past few years). BHARTI has now prepaid all the spectrum dues prior to 2021 spectrum auctions. As a result, India net debt-to-EBITDAaL moderated to 1.3x (vs. 2.1x YoY).
- **APRU:** BHARTI once again delivered industry-leading ARPU growth in 3Q. The major drivers for ARPU growth remained upgrades from feature phone to smart phone, prepaid to postpaid upgrades, data monetization, and international roaming growth. Management has reiterated that ARPU in India is still among the lowest globally and more tariff repair is required for the industry to be financially stable and deliver reasonable returns on a sustainable basis.
- **5G:** The company's 5G user base expanded to 120m (vs. 105m QoQ and ~170m for RJio). Further, management indicated that ~80% of overall smartphone shipments are now 5G enabled and BHARTI has been gaining its fair share in the growing 5G handset adoption. BHARTI's core network is fully ready for SA 5G on converged basis and would require just a small software fee to turn it on, as and when required.
- **Home Broadband:** Bharti added 674k users in Home Broadband through a combination of FTTH/FWA. Further, management indicated that broadband business is seeing increased momentum MoM, with Jan'25 ending better than Dec'24. BHARTI management believes that the Indian fixed broadband market size can potentially double from ~45m to 80-90m homes over the medium term. BHARTI has scaled up its performance and sees significant room to increase its competitiveness, with a focus on 1) increasing the addressable market by stepping up the rollout of Fiber Home passes (~35m currently) and FWA (live in 2000+ cities), 2) offering more value through bundled content (22 OTT Apps on platform) and IPTV offerings, 3) using the mass retail channel for selling broadband services (opening around 0.1m points of presence).
- **B2B:** Data center continues to grow steadily. In the global connectivity business, BHARTI is seeing some improvement in the order book from global OTT players in 4Q. Further, management has decided to exit the global wholesale commodity voice and messaging business over the next few quarters. This decision will impact ~10-12% of revenue over the next few quarters, but will not have any significant impact on B2B EBITDA as margins in these businesses were very low. In domestic business, the company is seeing strong growth in digital and stable growth in connectivity. Airtel will be launching a comprehensive cloud solution in the next few months.
- **Bajaj Finance partnership:** Airtel has entered into a strategic partnership with Bajaj Finance (BAF). The partnership combines Airtel's digital and omnichannel capabilities with BAF's financial expertise in underwriting and product offerings. The partnership is expected to boost digital revenue and generate value for both through deeper market penetration. Revenue will be consolidated under Bharti Airtel through its Xtelify unit.
- **ESG:** BHARTI has deployed 43k sites over the past few years and expanded its network to connect over 89k villages. Further, it continues to harness 1) green energy by solarizing 3.3k sites in 3Q (~28k sites solarized in last six quarters) and 2) Artificial Intelligence (AI) to turn off radios based on the real-time traffic pattern to reduce carbon footprint and lower energy bills.

Indus Towers — Neutral

Current Price INR 342

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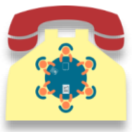

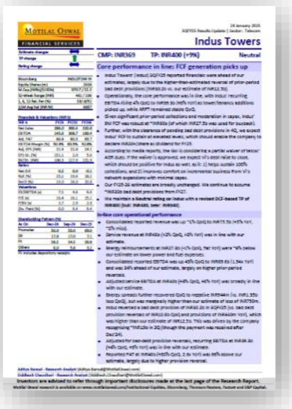

- **Tower/tenancy additions:** Tower and tenancy additions improved due to a pick-up in rollouts by Bharti and Vi. The order book remains healthy for the next 3-4 quarters and management expects to maintain a dominant share in Vi's network rollouts.
- **Prior-period due collections and receivables:** Indus reversed bad debt provision of INR30b during 3Q, while receivables temporarily increased and has subsequently normalized on the receipt of payments from Vi. Outstanding bad debt provisions stood at modest ~INR5b.
- **Dividends:** Management reiterated that its dividend policy remains linked to FCF generation and it will take a call on reinstating dividends at FY25-end, based on FY25 FCF generation.
- **EV charging:** Management indicated that Indus will opt for a measured approach in its EV foray and would look to leverage its expertise in providing space, power, and O&M solutions in the EV charging space.
- **ARPT movement:** Despite second tenancies on a few towers and related discounts, Indus' ARPT remained stable (up ~0.6% QoQ). Management attributed this to the impact of better seasonality. Further, in general, ARPT benefits from 5G loadings and annual escalation, but these gains are offset by a change in the mix (lower capex, lower rental towers) and renewal discounts.
- **Energy under-recoveries:** Energy under-recoveries were lower QoQ in 3Q on account of lower diesel usage. Further, management indicated that revenue from solarization accrues under service rentals, which makes energy under-recoveries appear higher.
- **Energy efficiency initiatives**: Indus has been taking several steps to reduce the overall diesel consumption (-8% YoY in 3Q and -7% YoY in FY24). The company deployed additional ~3k solar sites in 3Q (~28.5k overall solar sites) to further reduce diesel consumption.
- **Lower capex**: Despite higher tower/tenancy adds QoQ, Indus' capex declined QoQ due to differences in procurement timelines.

Tata Communications — Neutral

Current Price INR 1,501

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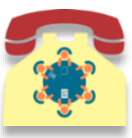

- **Demand outlook:** Management indicated that funnel additions remain robust, especially in the international markets, with large deals funnel growing 50% YoY. However, the pace of order-booking was slower in 3Q (as compared to 1HFY25) as the large deal conversion cycle remains elongated.
- **Benefits of improvement in discretionary spending:** Management noted that improvement in discretionary (IT) spending does not necessarily correlate to the demand drivers for network investments, which account for ~60% of TCOM's portfolio. However, it expects an improvement in discretionary spending to benefit TCOM's interaction and IoT businesses.
- **Doubling of data revenue:** Management indicated that FY27 revenue ambition was predicated on the Enterprise's rising needs for network fabric. However, adverse macroeconomic factors were not considered in its guidance of doubling data revenue to INR280b by FY27. TCOM continues to invest in people and capabilities to meet the ambition of doubling data revenue by FY27.
- **Margin improvement:** TCOM continues to aim to improve margins to the 23-25% range by FY27. Management noted that growth acceleration in digital portfolios remains the key lever for margin improvement.


Tata Communications

- **FX and one-off impacts:** Adjusted for the boost from rupee depreciation, TCOM's revenue growth would have been even lower at 1.8% YoY (+0.2% QoQ). Further, the deconsolidation of TCPSL and Net Foundry adversely impacted revenue by INR360m but boosted EBITDA margin by ~40bp.
- **AI:** TCOM has launched GPU as a service for customers recently and expects to launch AI Studio, which will have platform capability on top of the GPU in 4Q.
- **Core-connectivity:** TCOM's core-connectivity growth has been impacted by cable cuts, pricing erosion, and churn in FY25. With cable repairs done, management expects to win customers back and deliver an uptick in growth.
- **Land monetization:** TCOM has secured the necessary approvals for the monetization of the land parcel to STT and expects to close the transaction worth INR8.5b in 4QFY25.

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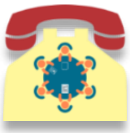

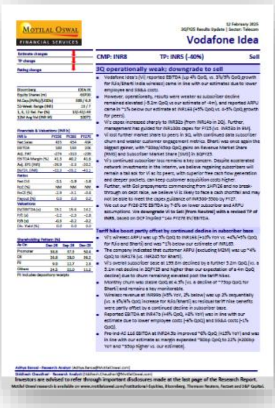
Vodafone Idea

Vodafone Idea — Sell

Current Price INR 8

- **Subscriber trends:** Management indicated that it is seeing some green shoots from network rollouts, with VLR net adds in 11 circles in Dec'24 and Jan'25. Further, it expects trends to improve with the progress on network rollout and the upcoming 5G launch.
- **Network rollout:** Vi rolled out ~3.5k towers (~4k MBB towers) and ~21k net MBB sites during 3Q, leading to an increase in 4G population coverage by a further ~20m to 1.07b. Management expects to reach 4G population coverage of 1.1b by Mar'25 and 1.2b (~90%) over the medium term. Further, it plans to commercially launch 5G services in Mumbai in Mar'25, followed by launches in Delhi, Bangalore, Chandigarh, and Patna in Apr'25.
- **Tariff hike:** Management noted that benefits of tariff hike is largely reflected in 3Q (~12% customer ARPU growth over the last two quarters). Further, management reiterated its stance on the need for further tariff hikes (possibly over the next 3-6 months) and a change in tariff construct to usage-based plans.
- **Debt raise:** Vi remains engaged with lenders for a debt raise. Further, management highlighted that the recent BG waivers indicate GoI's commitment to a three-player market and have helped advance discussions with lenders.
- **Network opex:** Management indicated that it is looking to expand its tower presence to 215-220k (from ~187k currently). Typically, a new site addition results in a ~60-70k per month increase in network opex. However, there has been some offset from seasonally lower energy costs and green site initiatives in 3Q, which led to QoQ stable network opex.
- **User engagement metrics:** Despite generous offerings such as free data during night hours, Vi's data usage on network and on per sub basis has been on a declining trend. However, management indicated that user engagement trends such as data usage per sub have started improving in 4Q.
- **Impact from voice-only packs:** Management indicated that it is too early to quantify any impact, but it expects the impact to be minimal, given the pricing construct for such plans. Management indicated that subscribers would prefer to have data allowances, even if it costs ~INR20/month more, and it does not expect any material down-trading.

3Q results review: Largely in line results; capex rises sharply

- Vi's overall revenue at INR111b (+2% QoQ, +4% YoY) was ~2% below our estimate as tariff hike benefits continued to be offset by subscriber base declines.
- Reported EBITDA at INR47b (+4% QoQ, +8% YoY, vs. +3%/+9% QoQ for RJio and Bharti-India wireless) was in line with our estimate due to lower employee costs (-6% QoQ, 7% below) and SG&A costs (-1% QoQ, 6% below).

- Reported EBITDA margin expanded ~75bp QoQ to 42.4% (~165bp YoY, -25/+180bp QoQ for RJio and Bharti India wireless) and was ~40bp above our estimate.
- Pre Ind-AS 116 EBITDA at INR24.5b improved ~6% QoQ (+15% YoY) and was in line with our estimate. Pre Ind-AS 116 EBITDA margin expanded ~80bp QoQ to 22% (+200bp YoY and ~35bp higher vs. our estimate).
- Vi's reported losses stood at INR66b (vs. INR72b QoQ and our estimate of INR71b), largely driven by lower net finance costs (11% below, -10% QoQ, certain one-offs pertaining to vendor dues).

Tariff hike boost partly offset by a continued decline in subscriber base

- Wireless ARPU was up 5% QoQ to INR163 (+10% YoY vs. +4%/+5% QoQ for RJio and Bharti) and ~1% below our estimate of INR165, on account of residual benefits of tariff hikes.
- Vi indicated that customer ARPU (excluding M2M) was up ~4% QoQ to INR173 (vs. INR245 for Bharti).
- Vi’s overall subscriber base at 199.8m declined by a further 5.2m QoQ (vs. a 5.1m net decline in 2QFY25 and higher than our expectation of 4m QoQ decline) due to churn remaining elevated after tariff hikes.
- Vi’s monthly churn was stable QoQ at 4.5% (vs. a decline of ~75bp QoQ for Bharti) and remains a key monitorable.
- Vi’s postpaid subscriber base (including M2M) further improved QoQ (rising by ~0.7m QoQ) to 25.2m, 4G/5G subscriber base inched up by a modest 0.1m QoQ, while data subs declined by a further ~0.7m QoQ).

Other highlights: Consumer engagement weaker and remains well below peers; trade payables decline

- Enterprise revenue at INR12b (flat QoQ, -1% YoY) was ~1% below our estimate.
- Despite a lower base, Vi’s data volume declined ~2% QoQ (-2% QoQ in 2QFY25 as well) and was significantly weaker vs. +2-3% QoQ growth for Bharti and RJio, including FTTH.
- Data usage per data subscriber declined to 14.5GB/month (from 14.7GB QoQ) and remains significantly below peers [RJio (32.3GB including FTTH contribution), Bharti 24.5GB].
- Voice usage on the Vi network declined ~1% QoQ (vs. -5% QoQ in 2QFY25, weaker vs. +3% QoQ for Bharti and RJio).
- Implied minutes of usage per subscriber improved marginally to 593min/month (from 587min QoQ) but remained significantly below 1,160mins/ 1,013mins for Bharti/RJio.

Progress on network rollout

- Vi added ~3.5k towers (~4k MBB towers) and 21k net broadband sites in 3Q. This is the largest quarterly rollout for Vi since the merger.
- As a result, Vi’s 4G population coverage increased by ~20m, reaching 1.07b by Dec’24 (vs. 1.05b by Sep’24).
- Management indicated that 4G population coverage would be further ramped up to 1.1b by Mar’25 and 1.2b (90% of the overall population).
- Vi plans to commercially launch 5G services in Mumbai in Mar’25, followed by Delhi, Bangalore, Chandigarh, and Patna in Apr’25.

Bharti was once again the biggest gainer

- On our estimates, Bharti continued to be the biggest gainer on RMS in 3QFY25, gaining a further ~80bp QoQ (+225bp YoY), as RJio lost ~50bp QoQ (-70bp YoY) and Vi lost a further ~30bp QoQ (and -160bp YoY) market share among three private telcos.

- **The management teams noted a moderation in 3QFY25 power demand growth to 2.7% due to a high base effect from last year's 9.9% growth. However, they highlighted that a surge in demand in the past month and an anticipated intense summer could push peak demand to 265–270 GW, with current levels already above 230 GW despite summer not having commenced. The ministry plans to add 40–50 GW of renewable capacity annually until 2030, which is expected to enhance sell-side liquidity on power exchanges in the coming years. To ensure winter power availability, MoP extended the Section 11 directive until February 28, 2025. The Union Budget increased funding for the PM Surya Ghar scheme, providing opportunities for rooftop solar expansion. Additionally, proposed amendments to the Nuclear Power Act will enable private sector participation, which the management is keen to explore as policy details unfold.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY25	3QFY25 Highlights
Power Grid	▪ Management raised its FY25 capex guidance to INR230b (from INR200b previously) with INR39b/ INR142b allocated to RTM/TBCB projects and INR48.7b to other projects. Capitalization for FY25 should be ~180b. ▪ The dividend for FY25 is expected to be INR9/share, lower than the previous period due to the need to allocate funds for capital expenditure.	▪ Reported SA PAT was in line aided by higher other income (partly attributable to the gain on the monetization of the remaining stake in some InvIT assets). ▪ On a consolidated basis, the reported PAT was flat YoY.
JSW Energy	▪ Management has maintained its guidance of achieving 10GW in operational capacity by FY25 end. ▪ The FY25 capex target is revised to INR100b from the earlier estimate of INR150b due to the inorganic growth route.	▪ JSWE substantially missed our EBITDA estimates due to lower short-term merchant spreads and higher opex, while APAT was negatively impacted by higher finance costs and lower other income. ▪ The commissioning of 377MW wind capacity during the lean season led to higher capitalization, finance costs, and depreciation.
NTPC	▪ Management guided the conventional capacity (thermal + hydro) commissioning target at 3GW in FY25. NGEL plans to commission 3,088 MW of RE capacity in FY25 ▪ Resources for FY25 and FY26 RE capacity commissioning, including land, are in place. ▪ Under-recovery in the coal-based plants stood at INR4.7b in 9MFY25 and is likely to decline to INR3b by the end of FY25.	▪ Standalone revenue and EBITDA came in line. PAT was marginally below due to higher-than-expected tax rates, previous year adjustments, and changes in regulatory account balances. ▪ Gross generation was up 2% YoY in 3QFY25, while plant availability across both coal and gas plants improved on a YoY basis.
IEX	▪ Plans are underway to establish India's first coal exchange by 2025 under a regulatory framework. ▪ Management forecasts that gas prices will decrease, leading to increased affordability and consumption.	▪ Standalone revenue and PAT both surpassed our estimate, primarily due to a 15.9% YoY rise in electricity volumes and other income. ▪ IEX saw strong volume growth in Q3, with overall volumes up 17% year-over-year, including a 15.9% rise in electricity and a 31% surge in renewables.
Tata Power	▪ The company commissioned 865MW RE capacity in 9MFY25, with a target of commissioning a further 600MW in Q4FY25. ▪ INR120b was spent in 9MFY25, with an additional INR100b planned for Q4FY25, bringing the total to ~INR220b for FY25. ▪ A 0.3GW TOPCon Cell line is expected to be commissioned in Q4FY25.	▪ EBITDA came in 4% below our estimate but was up 38% on a YoY basis driven by robust growth in the standalone business amid strong PLFs and regulatory upside in Mundra and rising contribution from the RE business amid progressive commissioning of RE generation capacity and earnings contribution from the cell and module business. ▪ Profitability at the PAT level was driven by other income, which came in higher than our estimates.

Indian Energy Exchange — Neutral

Current Price INR 169

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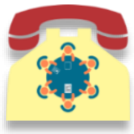

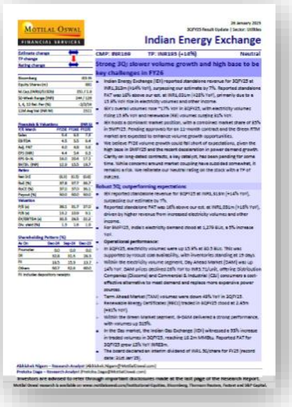

Financial performance and market overview

- Electricity volumes in 3QFY25 grew 16% YoY, while total volumes for 9MFY25 increased 19% to 89BUs.
- Standalone profit stood at INR1,030m, reflecting a 15.5% YoY growth; consolidated profit rose 17% to INR1,070m.
- Consolidated revenue increased 13.7% YoY in 3QFY25 to INR1,605m, with consolidated PAT rising 16.9% to INR1,073m.
- The company declared an interim dividend of INR1.50/share.
- Trading volumes and market segments
- RECs: 2.65m RECs were traded in 3QFY25, reflecting a 31% increase YoY.
- RTM: Volumes grew 30% YoY in Q3FY25 to 9.3b units; cumulative volumes for nine months reached 29.3b units, reflecting a 29% growth.
- Green Market: Volumes rose over 300% in 3QFY25 to 2.5Bus compared to the previous year.
- DAM: Average prices in 3QFY25 were INR3.71/unit, down 26% YoY.

IGX performance

- IGX traded 16.2m MMBTU in 3QFY25, up from 8.4m MMBTU in 3QFY24.
- Cumulative trading volumes for 9MFY25 stood at 39.8m MMBTU, reflecting a 24% growth YoY.
- Standalone profit for IGX was INR83m, a 13% YoY growth.
- Gas prices increased to USD14/MMBTU in 3QFY25 but are projected to decline to USD8-9/MMBTU by 2026-27, enhancing affordability and consumption.

Indian Coal Exchange (ICX) performance

- ICX posted a profit of INR2m in 3QFY25 compared to an INR10m loss in the same period last year.
- Coal trading has yet to commence, pending government approval.
- Regulatory updates and policy initiatives
- Late Payment Surcharge (LPSC) Rules: Generating stations with long-term PPAs can now offer un-requisitioned power in the day-ahead and real-time markets.
- Deviation Settlement Mechanism (DSM) Regulation 2024: The regulation links deviation charges to grid frequency and narrows the permissible deviation levels for solar and wind generators to 10%.
- Carbon Market Framework: Carbon credit certificates will soon be traded on power exchanges.
- CERC is finalizing orders on long-duration contracts and has sought public feedback for Green RTM.

Market share and market coupling

- IEX's market share for the collective segment, i.e. DAM and RTM, is ~100% and for TAM, it is ~40%, which translates into an overall market share of 83-84% in the electricity trading segment.
- In RECs, IEX holds a 60-65% market share.
- In light of potential market coupling, IEX has emphasized its focus on enhancing customer service.

Future outlook and market drivers

- Emerging models, such as battery storage arbitrage and Virtual Power Purchase Agreements (VPPAs) , are expected to drive market evolution.
- Competitive pricing in SECI's recent solar-plus-storage tender (INR3.52/kWh) signals future opportunities.
- Battery storage is expected to improve liquidity during non-solar hours and address peak demand.
- Plans are underway to establish India's first coal exchange by 2025 under a regulatory framework.
- Peak power demand is projected to reach 458GW by 2032, creating growth opportunities.
- Increasing renewable energy supply is anticipated to lower clearing prices and boost trading volumes.
- Amendments to LPSC rules and DSM Regulation 2024 will enhance liquidity in renewable markets.

JSW Energy — Buy

Current Price INR 455

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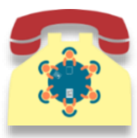

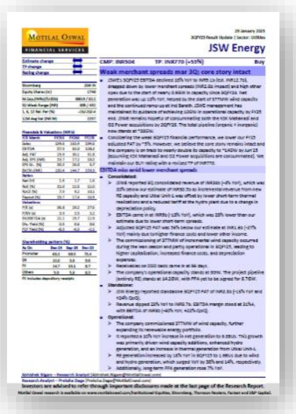

Indian power sector and market dynamics

- India's total installed power capacity stands at 462GW, with 20GW added during 9MFY25. Of this, 19GW came from renewable energy (RE), including 16GW from solar. In 3QFY25, 9.3GW of capacity was added, with 7.9GW from RE, comprising 7.1GW solar and 0.8GW wind. Utility-scale auctions in 9MFY25 totaled 38GW, with 16GW bid during 3QFY25, dominated by hybrid and FDRE projects.
- Coal prices remained stable at USD100/ton in 3QFY25, down from USD116/ton in 3QFY24. Merchant markets showed a 16% increase in cleared volumes at power exchanges during 9MFY25. However, average DAM prices declined 26% YoY to INR3.71/unit, which impacted short-term sales spreads.

Financial performance

- In 3QFY25, JSWE reported flat revenue as incremental sales from new RE capacity and Utkal Unit-1 were offset by lower short-term thermal realizations at the Ratnagiri and Vijayanagar plants and reduced hydro tariffs due to changes in depreciation policy under CERC tariff regulations.
- EBITDA for the quarter declined 18% YoY to INR11b, impacted by higher finance costs and depreciation due to the commissioning of 377MW wind capacity during the lean season. Reported PAT stood at INR1.68b, down 27% YoY.

Balance sheet and capex

- As of Dec'24, net debt stood at INR265b, with cash and cash equivalents of INR50b.
- Receivables amounted to INR25b, representing 96 days of sales.
- The company has incurred a capex of INR62 during 9MFY25. The FY25 capex target is revised to INR100b from the earlier estimate of INR150b due to the inorganic growth route.

Operational performance and generation highlights

- JSWE added 377MW of wind capacity in 3QFY25 and is constructing 1.1GW of wind projects for SECI. RE generation increased, while thermal PLF stood at a healthy 72%.

- The company has 7.8GW of projects under construction with PPAs, while an additional 3.9GW capacity is awaiting PPA agreements.

Key acquisitions and strategic initiatives

- O2 Power Acquisition: JSWE acquired 4.7GW of O2 Power assets for INR124b. The assets include 2.3GW of operational capacity targeted by Jun’25, featuring high-quality RE projects with a blended tariff of INR3.7/unit. The acquisition is expected to generate an annualized EBITDA of INR1.5b at steady-state operations.
- Hetero Group Acquisition: The acquisition features a blended tariff of INR5.22/unit with a plant life of 15 years. These assets align with JSW Energy’s focus on expanding its renewable portfolio.
- KSK Mahanadi: The company received the LoI for acquiring 3.6GW of capacity at the KSK Mahanadi thermal plant, the largest thermal asset under the IBC process. Of the total, 1.8GW is fully operational and tied up under PPAs with Uttar Pradesh and Tamil Nadu. The BoP for the full 3.6GW is mostly complete, ensuring a lower incremental cost compared to setting up a greenfield project.

RE and energy storage developments

- JSWE remains committed to scaling up its RE portfolio. The company is on track to achieve 14GW of operational capacity by Jun’25, well ahead of its 2030 target of becoming a 20GW generation company.
- Energy Storage Projects: 1 GWh BESS- Although CERC disallowed tariff adoption due to the absence of a guaranteed off-taker for 40% of capacity, JSWE has appealed the decision and remains optimistic. 12 GWh BESS- A PPA has been signed for a 40-year term starting Oct’24, with fixed capacity charges of INR84.66 lakh/MW annually.
- The company is also exploring solar-plus-storage solutions for peak hours, leveraging underutilized grid infrastructure to optimize operations.

NTPC — Neutral

Current Price INR 315

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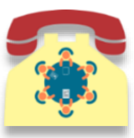
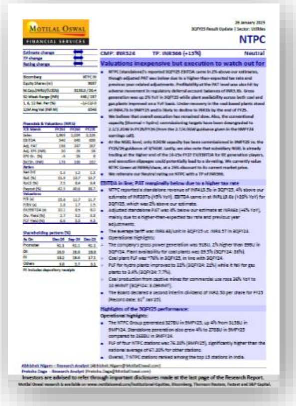


Operational performance:

- Generation Growth: NTPC Group generated 327BU in 9MFY25, up 4% from 315BU in 9MFY24. Standalone generation also grew 4% to 278BU in 9MFY25 compared to 268BU in 9MFY24.
- PLF performance: PLF of four NTPC stations: 76.20% (9MFY25), significantly higher than the national average of 67.20% for other stations. Overall, 7 NTPC stations ranked among the top 15 stations in India.

Financial performance:

- Standalone basis: 3QFY25 Total income: INR423b, up 5% YoY. 3QFY25 PAT: INR47b, up 3% YoY. 9MFY25 total income: INR1,286b, a growth of 6% YoY. 9MFY25 PAT: INR138.7b, up 11% YoY.
- Consolidated basis: 9MFY25 total income: INR1,397b, up 6% YoY. 9MFY25 PAT: INR160b, up 8% YoY.
- Regulated equity: Standalone (as of Dec 31, 2024): INR902.8b, up 7% YoY. Consolidated (as of Dec 31, 2024): INR1,058b, up 5% YoY.
- Dividend: The second interim dividend of INR2.5/share was declared for FY25.
- Group capex: 9MFY25: INR311b, compared to INR216b in 9MFY24.



Coal production:

- NTPC achieved its highest-ever coal production of 30.88 MMT in 9MFY25, registering a 23% growth over 27.12 MMT in 9MFY24.
- Cumulative expenditure on coal mine development: INR118b (as of Dec 31, 2024).

Capacity expansion:

- Thermal: Actively considering the awarding of 7.2GW of thermal capacity by FY27 (all of this would be under JVs). The expansion would primarily be brownfield in nature, with no recent developments in greenfield thermal projects.
- Renewable energy: Under construction: 10.3GW and Hydro capacity under construction: 2.2GW. The target of 60 GW of renewable energy by 2032.
- Nuclear: Established Anushakti Vidyut Megham Limited, a JV with NPCIL, to develop nuclear projects. Transferred 2,800 MW Mahi Banswara Atomic Power Project to JV. Planning site studies for nuclear projects in 4 approved locations.

NTPC's commissioning plans:

- For FY25- 6,976 MW planned (2,780 MW thermal, 250 MW hydro, and 3,946 MW RE)
- FY26 - 7,771 MW (1,460 MW thermal, 750 MW hydro, 5,561 MW RE).
- FY27 - 9,904 MW (1,460 MW thermal, 444 MW hydro, 8,000 MW RE).
- Resources for FY25 and FY26 RE capacity commissioning, including land, are in place.

NGEL highlights:

- Capacity Growth: Added 550 MW commercial RE capacity in 9MFY25; commercial capacity is now at 3,475 MW. Plans to commission 3,088 MW of RE capacity in FY25, 5 GW in FY26, and 8 GW in FY27, with 2.2 GW of LOIs issued.
- Generation: RE generation: 4,742 MU in 9MFY25 (+13% YoY).
- Financials: 3QFY25 total income: INR5.8b (+25% YoY). 9MFY25 total income: INR17b (+15% YoY). 3QFY25 EBITDA: INR5b (+22% YoY). 9MFY25 EBITDA: INR14.8b (+11% YoY).
- Project wins: Secured 2,200 MW in tariff-based auctions in FY25, including 1,000 MW (UPPCL, INR2.56/kWh), 500 MW (SECI, INR3.52/kWh with 250 MW storage) and 300 MW (NHPC, INR3.52/kWh with 150 MW storage).

Green hydrogen initiatives:

- Key developments: Commissioned India’s first Green Hydrogen Mobility Project in Leh. Launched Solar Hydrogen Microgrid Project for the Indian Army in Ladakh.
- MOUs signed: Collaboration with Andhra Pradesh and Chhattisgarh for green hydrogen and renewable projects. Partnership with Kandla Port for hydrogen filling stations.

Bangladesh plant status:

- Both units of the Bangladesh plant have been commissioned but are currently under shutdown due to coal unavailability.
- Coal supply is expected to resume shortly, post which the plants will restart operations. NTPC has invested INR13.24b as equity into the plant.

Under-recoveries (UR) in coal-based operations:

- NTPC reported a UR of INR4.68b from its coal-based plants during 9MFY25.
- The company anticipates a reduction in UR to below INR3b in 4QFY25.

Incentive earnings:

- NTPC earned INR7.6b in incentives during 9MFY25, including INR2.5b in 3QFY25, with a similar amount expected in 4QFY25.

Project execution updates:

- BHEL-related challenges are being resolved, with the Urja I project commissioned and Patratu Unit 1 and North Karanpura Unit 3 expected by 4QFY25.

Power Grid Corporation — Buy

Current Price INR 263

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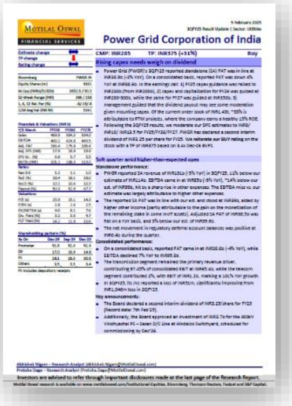


Recent project wins:

- PWGR emerged as the L1 bidder in 7 ISTS TBCB projects (levelized tariff INR20.7b) in 3QFY25 and INR80b in 9MFY25.
- Have a share of 50% of annual tariff and 58% and 57% of NCT cost and project wins, respectively.

Project execution and financial performance in 3QFY25:

- In 3QFY25, on a consol. basis, capex was INR76.4b, and capitalization was INR34b.
- About 1,399ckm of transmission lines and 9,185MVA transformation capacity added.
- Transmission system availability: 99.8%. in 9MFY25.
- Reliability: 0.24 trippings per line in 9MFY25.
- Average Borrowing Cost: 7.54% on a standalone basis in 3QFY25.
- Debt stood at INR1,292b and Debt:Equity was 59:41

Telecom division highlights:

- Customer Growth: Added 12 new customers.
- Financial Performance: Income for 3QFY25 was INR2.3b.
- 9MFY25 income rose by 22% to INR7.2b from INR5.9b in 9MFY24.
- PowerTel received its first ILD Order.

Capex guidance and work in hand:

- FY25 Capex Plan: INR230b with INR39b allocated to RTM projects, INR142b allocated to TBCB projects, and INR48.7b to other projects. Capitalization for FY25 should be ~180b.
- INR280-300b capex and 250b capitalization projection for FY26 and capex and capitalization of INR350b for FY27.
- Work in hand: INR1.43t, including INR936.8b for TBCB projects, INR83.3b for ongoing RTM projects, INR385.6b for new RTM projects, and INR31.6b for other projects. Additionally, PWGR won an INR35b transmission project in Karnataka today.

Growth outlook:

- Growth in the transmission network is attributable to the government's goal of 500 GW in non-fossil capacity + supporting the Green Hydrogen mission which requires 125 GW of renewable energy, necessitating additional connectivity requirements.
- One Sun One Grid Initiative: The possibility of international interconnections is a growth driver for PWGR.

- With the central government adjusting its transmission capex estimate to INR9.16t till FY32 as per NEP 2032, PWGR is strategically positioned to leverage these investments as the NEP represents a significant commitment to capacity expansion and the advancement of clean energy technologies.

Projects under bidding and dividend:

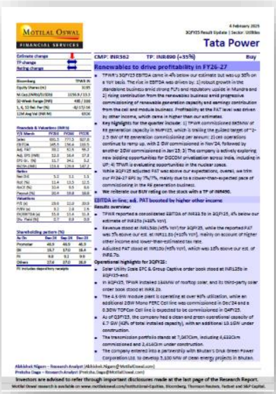
- Currently, ~INR520b worth of projects are under bidding. Assuming a project win rate of ~50%, ~INR250-270b worth of projects are likely to be won by PWGR, in addition to the current work in hand of INR1.43t. This would take the total value of projects to INR1.7t.
- Dividend Outlook: The dividend for FY25 is expected to be INR9/share, lower than the previous period due to the need to allocate funds for capital expenditure.

Other Highlights

- First in India: Implementation of Dynamic Line Loading on the 400 kV D/C Madurai-Tuticorin line. Implementation of E-Vegetation Management initiated on six high vegetation-prone transmission lines in the North Eastern Region.
- Green loan: USD200m agreement signed with Sumitomo Mitsui Banking Corporation (SMBC) to fund PWGR's RE projects.
- PWGR was granted a patent by the Indian Patent Office for "System and method for health assessment of transformers/reactors.

TATA POWER

Click below for Results Update



Tata Power — Buy

Current Price INR 348

Financial Performance:

- Revenue was INR483b for 9MFY25 and reported PAT was INR34.6b for 9MFY25.
- Net debt for 9MFY25 was INR447b and debt-to-equity ratio was 1.1:1.
- Capex: INR120b was spent in 9MFY25, with an additional INR100b planned for Q4FY25, bringing the total to ~INR220b for FY25.

Renewables:

- The company commissioned 865MW in 9MFY25, with a target of 600 MW for commissioning in Q4FY25. It plans to add 2-2.5 GW annually in FY26 and FY27, comprising solar and wind capacity.
- 2 GW Solar Cell line, commissioned in Nov'24, is operating at 90% capacity. An additional 2 GW Cell line, commissioned in Jan'25, is undergoing stabilization and is expected to be fully operational by Feb'25.

Transmission:

- The aggregate transmission capacity, including ongoing projects, exceeds ~7,000Ckm.
- TPWR remains selective in bidding, prioritizing projects with optimal returns and manageable complexities.
- The completion of major transmission projects is expected in FY26, with financial contributions beginning thereafter.

Distribution:

- The stabilization of Odisha DISCOMs reflects improvements in billing, collection efficiency, and AT&C loss reduction.
- Significant enhancements in billing and collections are expected in Q4FY25.
- The company is actively exploring new bidding opportunities for DISCOM privatization across India, including UP DISCOMs, under a potential public-private partnership model.

EPC Business:

- The company has a strong third-party EPC order book, including DCR modules. Execution is expected to be completed within FY25, along with some spillover into FY26.
- The company has a strategic focus on EPC projects that do not require land acquisition, ensuring the completion of existing projects before onboarding new orders.
- The company has an in-house EPC pipeline of over 2 GW, prioritizing group captive and utility-scale projects.

Strategic Outlook:

- The company is targeting a 70% clean energy mix by FY30 (currently at 43%).
- It anticipates peak power demand of 265-270 GW in summer FY25, with recent demand trends indicating a potential upside.
- The company is encouraged by the Union Budget FY26, which includes increased funding for PM Suryaghar (rooftop solar) and proposed amendments to the Atomic Energy Act and the Civil Liability for Nuclear Damage to allow private sector participation.
- Nuclear energy: The business model and approval process are under evaluation. Regulatory approvals typically take ~24 months, with construction spanning 4-5 years.

APL Apollo Tubes — Buy

Current Price INR 1,380

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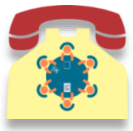

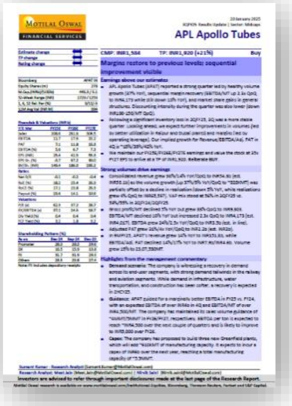

Operating performance

- APAT achieved record-high quarterly sales volume, EBITDA, and PAT in 3QFY25 despite a challenging macroeconomic environment, weak retail demand, and a continued slowdown in government infrastructure spending.
- The company received substantial orders from Saudi, with part of the supply coming from Dubai (for pipes up to 300mm) and India (for pipes over 300mm).
- The EBITDA/MT difference between 2Q and 3Q is ~INR2,000/MT, primarily due to the inventory loss in 2Q.

Outlook & guidance

- Management expects sales volume to increase sequentially, led by market share gains from sponge iron steel pipes to HR coil pipes. This growth will be supported by higher utilization in the Dubai plant, which is currently operating at 58%, and a focus on adjacent round pipes (part of the building materials portfolio), as these pipes are used in buildings for HVAC and other piping needs.
- Additionally, the ramp-up of innovative products at the Raipur plant, coupled with penetration into eastern markets through the commencement of two plants in Gorakhpur and Siliguri, will drive volume growth. These plants will cater to eastern UP and north-eastern markets of India, respectively, where the government is making significant infrastructure investments.
- Management has indicated three key levers for margin expansion: 1) a margin expansion of ~INR400-500/MT, driven by operating leverage benefits on EBITDA from the addition of 5MMTPA capacity over the next year; 2) another INR400-500/MT margin expansion from increased utilization at the Raipur and Dubai plants, leading to a better VAP mix; and 3) a reduction in discounting once industry demand recovers, with management expecting recovery to begin in 2HCY25.
- The company targets ~3.1-3.2MMT of sales in FY25, with absolute EBITDA expected to be slightly better YoY, implying an EBITDA of over INR4b in 4QFY25 and EBITDA/MT of over ~INR4,500/MT.
- Steel prices have now bottomed out and are not expected to decrease further, supported by an improving demand scenario and operating leverage.
- In terms of demand, the company is witnessing a recovery across its end-user segments, with particularly strong demand tailwinds in the railway and aviation segments. While demand in infrastructure, water transportation, and construction has been softer, a recovery is expected in 2HCY25.

Capacity and capex

- APAT's total manufacturing capacity as of 3QFY25 stood at ~4.3MMT.
- In 3QFY25, Raipur's utilization could be only ~55% due to a delay in raw material supply from one of the suppliers (following a minor shutdown at the Tata Steel plant). Volumes could have been higher by ~5,000-10,00MT, but this disruption has now been normalized.
- Going forward, the company expects to build a Greenfield plant in the northern and eastern markets to increase penetration in those areas.

- Overall, the company expects to build three new Greenfield plants, adding ~610KMT of capacity.
- With an improved penetration from these three new Greenfield plants (which will be located in Eastern UP, West Bengal, and Karnataka), APAT expects to tap into an additional market of ~1.5 MMT on an annual basis.
- The company expects to incur a residual capex of INR6b over the next year, reaching a manufacturing capacity of ~5.5MMT. As part of the additional 0.5MMT capacity, the company is also installing a cold rolling mill in South India.
- Of the total 5MMT capacity, the general segment capacity is ~1.5MMT, and if demand increases, the company may ramp up production to ~1.6MMT.

Others

- Going forward, the company aims to aggressively capture market share from the sponge iron pipes segment.
- The industry is witnessing strong traction in general products, with demand shifting from sponge iron to HRC pipes.
- The increasing volume in the general segment will not impact the sales of VAP products, as both segments have separate capacities and distinct working capital needs.
- Sales through Shankara currently stand at ~35,000MT per month.
- APAT is currently handling ~60-70KTPA volumes in the Middle Eastern market and is experiencing increased demand in the region.
- The company offers three types of products in the solar segment: i) Alu-zinc coated sheets and thicker colour sheets used in ground-mounted solar; ii) Specialized tubes for solar trackers used in slow-moving products; and iii) Standard pipes used in residential rooftops. It is also educating its channel partners to increase the use of tubes in these applications.

Cello World — Buy

Current Price INR 605

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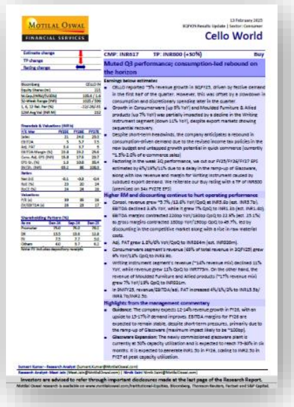
Detailed Concall Transcript & Results Update

Guidance

- The company expects revenue growth of 12-14% in FY26, with the possibility of reaching 15-17% if demand conditions improve.
- The newly added glassware plant is projected to contribute an additional 3.5-4% to overall revenue.
- The Consumerware segment is expected to grow steadily at 8%, while the Writing Instruments business is projected to achieve 8-10% growth.
- The Furniture segment, which has been showing signs of recovery, is anticipated to grow 5-7% in the coming year.

Margin trends & cost pressures

- EBITDA margins for FY26 are expected to remain stable, despite short-term pressures.
- The ramp-up of the glassware plant will temporarily impact margins by ~100bp.
- Gross margins have slightly contracted due to a 0.5-0.7% impact from higher discounting in a competitive market, coupled with rising raw material prices and unfavorable product mix, though better pricing strategies have helped offset these pressures.



- While EBIT margins will see a greater impact in the early phase of the glassware expansion, strong gross margins in the Glassware segment are expected to drive improvements in FY26.

Demand outlook

- While the export market remains challenging, early signs of improvement are becoming visible.
- The company anticipates strong momentum in e-commerce and quick commerce channels, expecting 15-20% growth from these segments.
- Higher e-commerce penetration, along with capacity utilization ramp-up in the Glassware and Opalware segments, is expected to drive revenue growth and support margin recovery.
- New product launches already contribute 15% to total revenue, with further expansion planned in Writing Instrument and Premium Homeware. Additionally, the focus on premiumization and an improved product mix is expected to enhance margins and profitability.

Capacity expansion & capex plans

- The company has earmarked INR2.75b for capex in FY25, while FY26 capex is projected to be lower at INR750-1000m.
- The glassware plant, commissioned on 1st February and currently operating at 50% efficiency, is expected to scale up to 75-80% over the next six months. The first-year revenue contribution is estimated at INR1.5b, with expectations to increase to INR2.5b at full capacity in FY27.
- Opalware production utilization currently stands at 80% and is anticipated to improve further to 90-95% next year.

Working capital & cash flow management

- Trade receivables improved from 124 days in Q2FY25 to 111 days, with a target to reduce by another 15 days.
- Inventory turnover has improved, with inventory days decreasing from 98 to 88, while trade payables remain stable at 25 days, ensuring a healthy cash flow cycle.
- The company continues to focus on working capital optimization, aiming for a 90-95 day cycle in the coming quarters.

Others

- Management is closely monitoring geopolitical risks that could affect export performance, while the domestic market remains strong, supported by favorable budget policies and interest rate cuts.
- Despite a competitive landscape, the company has not faced significant market share loss as industry-wide growth has been slower.
- Temporary margin contraction due to additional market discounts is expected to stabilize, while the company remains focused on improving ROCE and ROE to drive long-term shareholder value.

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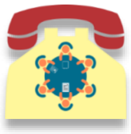

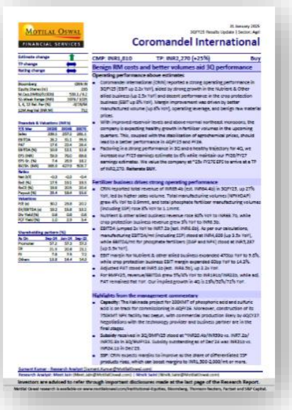

Coromandel Intl — Buy

Current Price INR 1,714

Industry scenario

- Raw material prices remained stable overall, except for a sharp decline in sulphur and sulphuric acid, driven by demand from China and Indonesia.
- The northeast monsoon, which is a major rainfall activity over the south peninsula, particularly in key markets of AP, Rajasthan, Tamil Nadu, and Karnataka, was good, and all regions have reported good rains, especially in Oct-Dec'24. The majority of these regions received above-normal rains.
- Forecasts for the upcoming cropping season indicate low to neutral conditions, supporting stable agricultural growth and minimizing weather-related risks.
- Storage levels remain strong, particularly in the south, with most regions reporting higher reserves than last year's average.
- The gross value addition from agri industries is also expected to grow ~3.8% compared to ~1.4% in the previous year, making it the fastest-growing sector in the country.
- The government has advanced infrastructure efforts, including the recently announced Ken-Betwa River Linking Project, which is aimed at providing assured irrigation to 3.5 million hectares.

Operating performance

- The company delivered a resilient performance with volume growth across business segments, driven by higher throughput of intermediate phosphoric and sulphuric acid, lower conversion costs, and improved power generation in fertilizer units.
- The plant's capacity utilization stood at ~95%, with a capacity of ~840KMT of NPKs.
- Phosphoric acid production reached record levels in 3QFY25. The newly commissioned sulphuric acid plant has been running at full capacity.
- In 9MFY25, CRIN increased its market share to ~17% from ~13% last year
- New product mix stands at ~24% currently vs. 14% last year

Outlook and Guidance

- The retail segment added 18 stores this quarter, bringing the total store count to 810. The company targets to double its store network by FY27.
- CRIN anticipates improved performance in the coming periods, driven by resilient business segments, improved operational efficiencies, and product growth.
- The blended margin of the company's products is expected to increase to INR2,500 per ton, driven by the increased volume of value-added products like GroPlus and Urea SSP.
- Since the crop season will end by Feb'25, the next phase of consumption will start in May'25. While significant volume improvements in POS are expected in Jan'25, the management expects volumes to not grow in double digits going ahead and be more or less aligned with the market demand.

Subsidy

- The subsidy/non-subsidy business share stood at ~84%/16% in 3QFY25, compared to ~82%/18% in 3QFY24.
- The subsidy EBITDA share stood at ~69%/79% in 3QFY25/9MFY25 vs. ~77%/74% in 3QFY24/9MFY24.
- CRIN received a subsidy of ~INR20.36b in 3QFY25 vs. ~INR7.2b in 3QFY24.
- Outstanding subsidy as of Dec'24 stood at ~INR21b.

Crop protection business

- The crop protection business had a robust performance, with domestic formulation shipments growing by 15% and global exports up by 5%.
- The business also improved its margin structure, with EBIT rising by ~8%, driven by domestic B2B and formulation shipments. The overall EBIT margin for the segment stood at ~14.3%.
- The new products introduced during the year have performed exceptionally well, with sales from these products accounting for ~24% of total sales, compared to ~14% last year.

Capacity

- The Kakinada project, aimed at setting up 200KMT of phosphoric acid and related sulfuric acid capacity, is progressing as planned, with the plant expected to be commissioned by 4QFY26.
- The company is in the final stages of negotiations with its technology partner for the additional capacity of 750KMT for the NPK facility, which is expected to commence commercial production by 4QFY27.

SSP

- SSP has revived in this quarter and the current performance is much better, driven by the good monsoon and also due to the shortage of DAP.
- The company expects margins to improve with the increase in the share of differentiated SSP products, which can boost margins to INR1,500-2,000 or more.
- The Capacity of stands ~1MMT, with the company aiming to achieve a full capacity in two years.

Nano DAP

- The agronomy team has been actively engaging with farmers across the country, conducting field trials with positive responses. During the nine-month period, the company sold 25 lakh bottles of Nano DAP, representing almost 40% of the total sales in the country.

Other key highlights

- The company launched the GrowMore Drive, a drone spraying initiative, over the last nine months. During this period, it covered more than 1.1 lakh acres, including services provided through retail outlets.
- In export markets, demand for its key products has started rising, driven by positive momentum in Brazil.
- CRIN engaged proactively with the GST authorities and represented the matter relating to a demand of ~INR5b against the earlier GST applications, and refunds have been received.
- Mancozeb prices in the international market have started to move up.
- The company is doing debottlenecking in its Kakinada and Vizag plants, and this is expected to add to volume growth next year.
- Going ahead, the company expects softness in rock phosphate prices.
- The overbook for Daksha stands at ~INR2.5b.

DreamFolks

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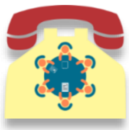
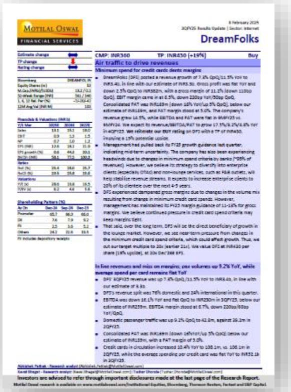




DreamFolks — Buy

Current Price INR 274

Quarterly performance & outlook

- DFS successfully added 13 enterprise clients, including MakeMyTrip and TBO. The company is strategically expanding its enterprise client base to diversify beyond banking clients.
- Over the next 4-5 years, business from enterprise clients is projected to contribute 20% of the company's revenues. Currently, approximately 95% of revenues come from banking and networking clients.
- Enterprise clients generate smaller revenue per client compared to banking clients.
- Some banking clients transitioned to DFS due to competitive pressures.
- The government's budget aims to stimulate the industry, with 'Project Udaan' expected to enhance connectivity.
- DFS emphasized that lounge operators from competitors such as GMR and Adani will need to focus on volume and revenue, areas where DFS currently leading.
- FY26 outlook: The company has achieved 14.5% growth for 9MFY25. It expects to deliver above the industry's projected growth of 6-9%.
- DFS' revenue for 3QFY25 increased by 7.3% QoQ and 11.5% YoY to INR3.4b, in line with estimates of INR3.3b.
- The revenue split for this quarter was 76% domestic and 24% international.
- Key revenue drivers, including air traffic and credit card usage, grew in the mid-single digits.
- The company remains focused on growth and diversification. Expansion into international lounges and the introduction of F&B services, such as coffee, are expected to drive more transactions and reduce costs.
- The number of airlines does not impact DFS. Airline-operated lounges primarily cater to business-class and priority customers. However, DFS' customer base largely comprises non-business class travelers.
- Banks have implemented structural changes to ensure spending is focused on the right set of users by setting minimum spend thresholds.
- The credit card industry continues to grow, driven by technological advancements, regulatory reforms, and evolving spending patterns.
- The revenue contribution from international business increased to 6.9% in the first nine months of FY25, up from 5.2% during the same period in FY24.
- The company added 16 new lounges and 18 new F&B outlets globally.
- DFS is initially targeting the Middle East market for international expansion.
- The gestation period for onboarding new clients, particularly banks, is lengthy. The company is working with international network providers to develop this market.
- On Margins: Bank clients continued to raise minimum spending thresholds on cards, focusing on high-value users. This shift affected the company's volume mix and exerted slight pressure on gross margins.
- Gross margins for FY25 are expected to remain between 11-13%.
- The hiring of top talent in India also impacted margins.

Others:

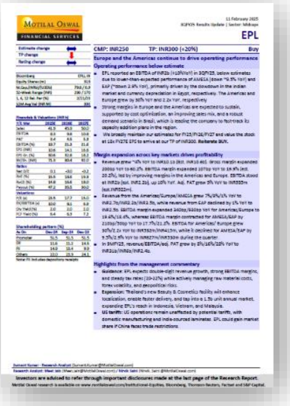
- The company expanded its service offerings with new features, such as baggage wrapping, coffee services at malls, and the addition of nine F&B outlets and two airport lounges in India.

- F&B unit values are 60% of lounge values, but the propensity to consume F&B is higher due to the wide range of options available to customers. This is a key element of the company's strategy to expand F&B outlets.

EPL — Buy

Current Price INR 238

Click below for Results Update



Guidance & outlook

- Despite near-term macroeconomic volatility, EPL is confident of delivering double-digit revenue growth over the medium term.
- EBITDA margins remain strong, with further improvement expected as restructuring benefits take effect.
- Europe and the Americas continue to expand margins, driven by cost optimization and an improved sales mix.
- Exports from India and China will be scaled up significantly, supported by additional business development teams.
- Raw material cost fluctuations are being actively managed, with pricing adjustments and efficiency measures ensuring minimal impact on margins.
- The company is focused on achieving EcoVadis Platinum Certification, reinforcing its position as a leader in sustainable packaging solutions.
- EPL remains agile in managing geopolitical risks, particularly in the context of the US election cycle and potential tariff changes.
- Management expects the long-term tax rate to remain in the 20-22% range, influenced by jurisdictional tax changes.

Operating performance

- India’s EBITDA margins contracted to 17% due to lower revenue growth, higher personnel costs from increased sales investments, and an unfavorable Q3 product mix. However, corrective measures aim to recover 150bp in the coming quarters.
- EPL has achieved 10 consecutive quarters of EBITDA margin expansion, highlighting consistent operational efficiency and cost control.
- Net debt-to-EBITDA improved to 0.76x, reflecting strong cash flow generation and a commitment to deleveraging.

Expansion & new investments

- EPL is setting up a Beauty & Cosmetics manufacturing facility in Thailand to enable faster delivery and better localization, targeting a 1.5b unit annual market and expanding into Indonesia, Vietnam, and Malaysia.
- Due to strong Beauty & Cosmetics demand, EPL is accelerating its Brazil expansion, focusing on premium tubes with higher ASPs and superior EBITDA margins to strengthen its position in high-margin categories.
- The company has enhanced its capabilities in China by expanding from laminated tubes to extruded tubes, increasing its addressable market.
- Aggressive export strategies are being implemented to mitigate domestic challenges in China and capture growth in ASEAN markets.

Regional performance

- Europe benefited from restructuring, improved cost efficiencies, and better customer penetration, while the Americas' growth was driven by strong Beauty & Cosmetics demand and increased adoption of NeoSeam tubes.
- India & AMESA revenue grew just 1%, impacted by a temporary demand slowdown in India and currency depreciation in Egypt, though India saw a 5% YoY volume growth.

- Beauty & Cosmetics demand in India remained sluggish, but management expects a rebound in the coming quarters due to an expanding customer pipeline and strategic sales efforts.
- China's revenue declined 1% YoY due to macroeconomic headwinds, though domestic demand remained stable. EPL is expanding extruded tube production to diversify revenue and capture high-end market share.
- Brazil continues to outperform, particularly in Beauty & Cosmetics, prompting the company to fast-track capacity expansion, with additional production expected to go live in 1QFY26.

Forex & US tariffs

- Currency devaluation in Brazil and Egypt impacted 3Q financials, but management expects forex movements to balance out over time.
- Operating in over 10 different currencies provides EPL with a natural hedge against forex volatility.
- Management anticipates some reversal in forex losses in 4Q, as the Brazilian Real and Egyptian Pound have recently strengthened.
- EPL does not expect major impact from potential US tariffs as its US operations are self-sufficient, with all tubes manufactured domestically and laminates now sourced from India instead of China.
- If tariffs are imposed on China, EPL could benefit by capturing additional market share from US buyers seeking alternative suppliers.

Others

- EPL's lower 3QFY25 tax rate resulted from a renewed high-tech enterprise tax concession in China, confirmed in Dec'24, leading to the reversal of prior higher tax provisions under China's concessional tax framework.
- India's demand weakness is temporary, with management expecting a strong recovery in Beauty & Cosmetics sales, while Thailand's expansion will secure a larger share of the Southeast Asian market.
- Brazil's faster-than-expected capacity expansion reinforces its long-term growth potential, further strengthening EPL's position.
- Diversification into Beauty & Cosmetics, sustainability, and high-value markets is set to drive superior growth and margin expansion, with sustainable tubes now contributing 31% of total sales, up from 21% in FY24.

Godrej Agrovet — Buy

Current Price INR 727

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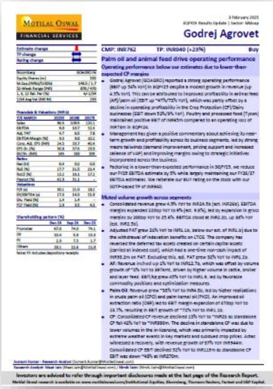
Results Update

Palm Oil

- Higher realizations in both CPO and PKO, improved OER, and downstream value-added products resulted in improved profitability in 3QFY25.
- While fresh fruit bunch (FFB) arrivals remained flat, segment revenue saw robust growth due to improved realizations in both CPO/PKO.
- Palm oil prices have risen due to Indonesia (one of the largest producers) using ~40% of palm oil for biodiesel, the imposition of an import duty by India, and lower yields in Indonesia and Malaysia.
- In case of any increase in palm oil prices, only 20% accrues to the company, with the remaining allocated to farmers.
- The company will end FY25 with ~13,000-14,000 hectares of plantation vs. 6,000 hectares in FY24.
- FFB arrivals stood at ~146KMT in 3QFY25 and ~479KMT in 9MFY25.



AF

- Total sales volume increased ~10% YoY to 397kmt, driven by growth in cattle/broiler/layer feed (12.9%/10.1%/7.8%).
- EBIT/kg grew 45% YoY to INR1.9, led by the favorable commodity price movement, R&D and operational efficiencies.
- The company targets EBIT/MT to be in the range of INR1,800-2,000 in FY26.
- Going forward, 4QFY25 is expected to be better sequentially in terms of volume and profitability. Milk prices are likely to remain high, which will result in higher placements. This is expected to further improvement in FY26.

Crop protection

- Revenue and margins were adversely affected in a seasonally weak quarter, mainly due to lower volumes in the in-licensing category, which was primarily impacted by extreme weather events in key markets and subdued crop prices.
- Lower volume was due to a lot of materials taken back due to hygiene issues, due to farmers not using the products when not required.
- The company's portfolio is majorly focused on chilies, which got impacted by lower production and sowing. Cotton, another major product, is expected to do well.
- 4QFY25 is expected to be normal and can see significant sequential improvement in revenue and profit, with customers already started to ask for material for Kharif.
- The company anticipates a strong performance in FY25.

Astec

- Astec reported QoQ and YoY performance improvements in 3QFY25, driven by higher volumes in its CDMO business.
- However, these gains were partially offset by lower realizations in key enterprise products, reflecting continued pricing pressure or demand shifts.
- The company anticipates this positive trend to continue in the coming quarter.
- The earlier guidance of ~40% revenue growth for FY25 will be difficult to achieve as some orders are still getting postponed and the company expects flat revenue growth YoY.
- FY26 revenue is expected to grow ~30%, based on written confirmation the company has in hand. All projects are returning at a normal scale. While price predictions remain challenging, there are indications of stabilization or a marginal increase.
- The company operates in three CDMOs, serving the US, EU, and Japan markets. These CDMOs specialize in a combination of fungicides and herbicides. However, customers are currently reducing procurement activities and delaying orders due to high inventory levels in the market.
- The company is currently working on 12 projects at various stages of R&D, primarily in innovative segments. All projects are progressing according to their timelines for commercialization.

Dairy business

- The salience of value-added products has improved to 34%/40% of total sales in 3QFY25/9MFY25.
- Over 9MFY25, revenue growth was flat, but margins saw a significant increase. However, the trend reversed due to a sudden rise in milk procurement prices. Despite this, the industry, including GOAGRO, is preparing for further price increases to safeguard market stability.
- Gross margins are now in line with the competitors, i.e., in the range of 27-30%, so now the company will push volumes in VAP segment.

- 4Q is traditionally good for the segment, driven by better consumption of value-added products such as lassi, flavored milk, etc.
- Direct farmer procurement is now 58% in 3QFY25 and ~65% in 9MFY25, which the company targets to increase to ~75-80% going ahead.
- The company's ability to pass on prices is improving. It is gaining market share in some regions, such as Chennai, etc.

Godrej Tyson Foods (GTFL)

- Revenue declined marginally in 3QFY25 due to lower volumes in live-bird business as the management continued to focus on the branded segment and reduce exposure to the live-bird segment.
- Profitability improved substantially in 3QFY25 due to higher realizations in the live-bird segment.
- Live-bird/Yummiez/RGC revenue contributions stood at 26%/16%/54% in 9MFY25 compared to 41%/10%/43% in 9MFY24.

Others

- ACI Godrej reported a weak performance due to ongoing economic challenges and political instability in Bangladesh.
- The company incurred a capex of INR1.b by 9MFY25 and targets a total capex of INR2.2b in FY25, with a similar capex plan for FY26.

GR Infra — Buy

Current Price INR 1,061

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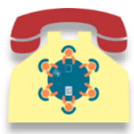

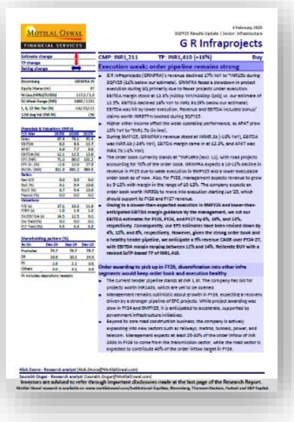

Business updates

- The pending Equity contribution towards HAM projects is INR18.8b, with INR2b to be infused in 4QFY25 and INR7-8b each in FY26 and FY27 respectively.
- The company's standalone debt as of Dec'24 was INR5.9b, with debt-to-equity at 0.08x vs. 0.1x as of Sep'24.
- Standalone debtors stood at INR16.1b, of which INR14.7b are from SPVs.
- Trade payables amounted to INR7.6b.
- Credit receivables stood at INR6.1b, while unbilled revenue was INR7.4b.
- Inventory as of Dec'24 was INR6.2b, down from INR7.7b in Mar'24.
- Capex for FY25 is expected to be INR1.25b (with INR3-4b expected in 4QFY25), while FY26 capex is projected at INR1.5b.
- Investment in fixed assets during 3Q was INR780m.
- InVIT dividend income for 9MFY25 was INR1.8b (vs INR400m in FY24); an additional INR600m is expected in 4Q FY25. Management expects a steady INR2-2.5b annual InVIT income run rate in FY26.

Order book

- The order book (excl. L1) stood at INR169b. As of Dec'25, the company has 30 projects, with two awaiting AD.
- Projects worth INR50b will start from June 2025, just before monsoons.
- The Maharashtra state government's L1 project may take 6-8 months for approval.
- GRINFRA has submitted bids in 13 projects (highways, railway, and metro) worth ~INR140b which are yet to open. GRINFRA is expecting appointed dates (AD) for road projects worth INR21b in Feb'25 and the balance AD should come by March 2025.
- FY25 order inflow target revised to INR170b (earlier INR200b); FY26 guidance at INR200b, with 25-30% from the transmission sector and ~40% from the roads segment. New order inflows of INR80-90b are expected by March 2025, with road projects not exceeding 40% of the total.

- The order pipeline stands at INR1.3t, covering highways, road tunnels, railways, and metros.

Guidance

- In FY25, management expects a revenue decline of ~10-12% due to the current execution run rate. The company anticipates 9-12% growth in FY26 aided by more EPC projects in the portfolio.
- EBITDA margin for FY26 is expected to be in the range of 10-12% based on the existing order backlog.
- The company is actively diversifying beyond roads, venturing into ropeways, power, tunneling, metro, and telecom sectors.

Gravita India — Buy

Current Price INR 1,732

GRAVITA

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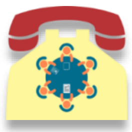
Results Update



Operating performance

- Recyclers Ghana Ltd., a step-down subsidiary of GRAVITA, has commenced operations for commercial production of recycled aluminum with a capacity of 4KMTPA in phase 1, which will be expanded to 8KMTPA in phase 2.
- Gravita Netherlands BV has increased its stake in Navam Lanka Ltd. from 52% to 100%.
- Its first rubber recycling plant and lithium recycling facility are on track to start commercial operations in 1HFY26
- Gravita is on track to increase its capacity to over 500KMTPA by FY27 from 300KMTPA currently.
- EBITDA margin growth was lower than revenue growth as there was not much arbitrage compared to the previous quarter.

Outlook and guidance

- The company targets a volume CAGR/profitability growth of 25%+/35%+, ROIC of 25%+, and the contribution of value-added products at 50%+ and non-lead business at 30%+ by FY28.
- It expects volume growth of ~40% in aluminum, 60-70% in plastics and 18%-20% in lead in the next 3-4 years.
- EBITDA/kg in lead will be in the range of INR18-19 in FY26. The overseas business and the contribution of value-added business will boost margins.
- Lead: EBITDA margin/kg from was ~INR11-12 from India and ~INR28 from overseas. The company targets EBITDA margin/kg of ~INR18-19, with ~INR14-15 in aluminum and INR10 in plastics.
- GRAVITA is exploring growth opportunities in both overseas and Indian markets, with a potential M&A target of ~INR8-9b in all three segments.

MCX listing

- MCX aluminum hedging has not been materialized as of now. The government has introduced BIS in this.
- The company will see volume of ~4000MT per quarter until it is listed on MCX.
- As soon as the hedging mechanism starts, the company will see significant volume growth and realizations in the aluminum segment, with the aluminum MCX expected to be listed by 1QFY26.

Industry scenario

- With the new favorable regulation, the availability of car batteries will surge 3x in the next three years.
- More battery scrap inflow is expected from ELVs in India; however, this may take time. Currently, most of the batteries actually come from the replacement market (~70%),ELV policy will be effective from 1st Apr’25. As per that

regulation, used cars will be going to RVSFs, which will supply the scrap to respective recyclers.
- As the EVL targets are met (in the next 1-2 years), there will be more flow of such batteries to recyclers.
- The availability of domestic scrap will improve going ahead due to the implementation of extended producer responsibility guidelines, reverse charge mechanism (RCM), battery waste management rules, and the shift from unorganized markets to organized markets.

Capex
- Over the next three years, the company will spend ~INR25b, of which ~INR15b will be from internal cash flows.
- GRAVITA will spend ~INR15b for new expansions and another INR10b for the additional working capital needs.

Fund raise
- The funds raised in the QIP will be strategically utilized to drive the company's vision of becoming a global leader, increasing capacity and diversifying into new verticals.
- About INR2.45b from the fund raise was used for the repayment of borrowings and working capital.

Capacity expansion
- The Mundra plant's capacity will be expanded to 100KMTPA from the current ~72KMTPA by 1HFY26.
- Lithium ion is a pilot project and the company is not expecting any revenue in the next 3-4 years. Once scrap comes in from EVs, the company wants to be ready for the scrap procurement and recycling.
- Capacity utilization for aluminum is 46% in 9MFY25 and 44% in 3QFY25.
- The company has plans to fast track the Oman expansion
- The company is currently expanding its capacity in Dominican Republic, where the company is expecting a license by 1HFY26.

Other
- The current gross debt is ~INR3.4b, which is expected to be zero by year end (through QIP proceeds).
- Overall 44% of the total scrap processed in India comes from domestic sources and the company can easily increase it; however, the company has restricted it as overseas scrap is more profitable currently
- The acquisition of a rubber recycling unit in Romania would be complete by 4QFY25. FDA approval is already in place.
- EPR regulations will help the plastic segment to grow ~70%. If RCM comes into the plastic recycling, the company will witness higher growth in this segment.
- Margins in lithium will be higher, though this is only speculative as the entry barriers are higher.

IHCL

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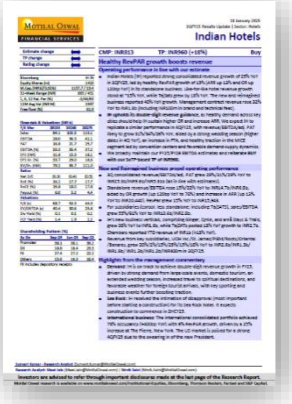
Indian Hotels — Buy

Current Price INR 747

Operating performance
- In 3QFY25, IH set a new benchmark of growth, with 55 signings and 20 openings in 9MFY25 (85% of signings being capital-light), taking the total portfolio to 360 hotels.
- The company is on track to open 25 hotels in FY25 and another 30 in FY26.
- The management strongly believes that IHCL is well on its path to reach its target of 700 hotels by CY30.


Indian Hotels

Outlook and demand

- IH is on track to achieve its guidance of double-digit revenue growth, with 4QFY25 expected to be in the similar line as 3QFY25, on the back of a continued favorable demand scenario, large-scale events and concerts facilitated by convention centers, continued momentum in domestic tourism, a prolonged wedding season with a higher number of dates in 4QFY25, traction in the travel season for spiritual destinations, and favorable weather conditions for foreign tourist arrivals.
- Domestic tourism will get a boost from key sporting events, such as the Hockey India League, the World Pickle Ball League, the Women Premiere League, and the Indian Premiere League, and other events like Bharat Mobility Expo, Aero India, Pravasi Bhartiya Diwas, and Mahakumbh.
- FY26 is expected to have a higher number of wedding dates (5-6 days).
- Occupancy rates have almost peaked, with only marginal increases expected, and going forward, growth in ARR is expected to drive up RevPAR.
- The management does not expect demand to normalize in the near term, with an additional pick-up in foreign tourist arrivals. However, these numbers are still 10-15% lower than pre-Covid levels.
- Currency tailwinds led by appreciating USD remain a positive sign for the company, as Indian hotels become more lucrative for foreigners.

New and reimagined business

- New and reimagined business grew 40% YoY in 3QFY25, largely driven by the opening of marquee properties in prime locations. Ginger Mumbai Airport is operating at occupancy of 85%+ and ARR of INR6,750.
- Loyalty-led programs contributed ~40% of enterprise revenue of Ginger in 3QFY25.

International business

- The international consolidated portfolio reported occupancy of 78% YoY (+ 400bp YoY), resulting in RevPAR growth of 9% YoY, led by 25% RevPAR growth in The Pierre, New York.
- Management expects hotels in the US to witness a strong quarter in 4QFY25 due to the swearing-in ceremony of the new President, as people will travel to as well as in and around Washington.
- The UK markets experienced some softness due to the addition of new supply; however, the increased tourism of Indians in the UK remains a positive for the company as Indians travelling abroad prefer staying with Taj.

Others

- Launched a new and redesigned website for ama stays and is in process of launching a reimagined website for Ginger and Tree of life.
- In Goa, the management is set to invest in a holiday village and the company is witnessing a strong traction of check-ins even after 2nd Jan'25, which generally is a slow period for this market.
- Management expects MICE tourism to witness strong traction in certain cities like Mumbai and Delhi, driven by new convention centers organizing large events.
- The company has received the most important IOD approval for Sea Rock and now only a few minor approvals are pending. Management expects to start its construction by the second half of CY25. IOD is a preliminary approval that developers must obtain before starting construction.
- Vivanta hotels in Srinagar and Surajkund were upgraded to Taj in 3QFY25.

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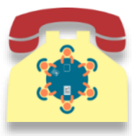

IndiaMart Intermesh — Buy

Current Price INR 2,063

Collections, paying suppliers, and customer additions

- Collections grew 10% YoY to INR 3.6b. Despite this growth, the flat trend in customer additions is limiting collections growth.
- The collections are not reflective of poor execution as seen in the previous quarter. The company expects clearer trends to emerge over the next 2-3 quarters and believes a growth rate of 10% or below will be sustainable in the long term.
- Paying subscribers declined 3.7k QoQ due to reduced gross supplier additions. However, ARPU increased 14% YoY to INR 63k.
- The company is actively working to reduce churn rates. Initiatives include refining the matchmaking process between unique and delivered inquiries, with a focus on geography. However, these efforts are taking longer than expected.
- INMART is conducting a segment-wise analysis to identify industries and geographies where the platform is underperforming. Investments in these areas are being avoided until positive outcomes are visible. Marketing costs have been reduced from 15% to 13%, and the company plans to remain in a wait-and-watch mode for the next 2-3 quarters.
- Churn rates in the Silver bucket remain largely consistent, though price hikes have impacted churn rates. If performance does not improve within the next 2-3 quarters, the company will reassess its pricing strategy. Despite these challenges, gross additions have not slowed down, and the company is intentionally avoiding over-investment in market expansion.
- Gold and Platinum subscribers demonstrate lower churn rates. Their success stories generate word-of-mouth referrals, contributing to a systematic increase in ARPU.
- Inquiries have grown on an LTM basis, driven primarily by repeat buyers and improved search engine optimization, including a shift from Google desktop to mobile indexing. The company plans to reassess sustainable growth after one more quarter.
- Pharma and Healthcare verticals are experiencing growth. To strengthen this trend, the company is investing in category-specific insights and plans to hire industry-specific professionals.
- Less than 20% of total inquiries are directed to free suppliers. Individual BuyLeads and RFQ options are available for purchase on the platform.
- The company is prioritizing the onboarding of quality suppliers, resulting in a QoQ decline in supplier numbers. Efforts are focused on improving matchmaking relevancy.
- The company scaled back its tele-based operations in tier-4 centers during FY24. Regional differences in Customer Acquisition Cost (CAC) have been identified, and specific channels are being developed to target companies with turnovers exceedingINR150m.

Cost and margin

- EBITDA margin stood at 39%, up 30bp QoQ and exceeding the estimate of 29.9%. This margin expansion is attributed to lower outsourced sales costs and other expenses.
- The company continues to make minor adjustments to its incentives program for employees.

Other highlights

- The company's accounting software investment, Busy, reported revenue of INR163m, up 30% YoY, with collections amounting to INR176m. Additional 7,000 licenses were sold during the quarter, bringing the total to 388,000 licenses. INMART plans to fully acquire Livekeeping.

infoedge

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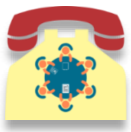
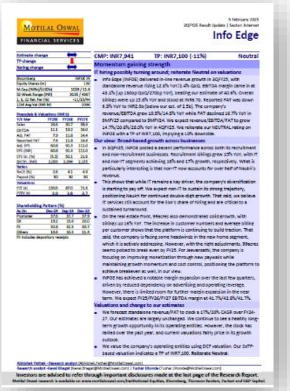
Results Update





Info Edge — Neutral

Current Price INR 7,592

Recruitment

- In 3QFY25, the overall billings grew by 15% YoY.
- Billing growth was broad-based, with the IT segment growing by 16%, the non-IT segment by 17%, and the recruitment consultant segment by 9%.
- Approximately 50-52% of Naukri's revenue comes from the non-IT segment. Although there are more customers in this segment, the ARPUs are lower. The company expects around 20% growth through new customer additions and pricing improvements.
- The platform has become more efficient for IT hiring.
- Key non-IT sectors, such as BFSI, healthcare, infrastructure, and manufacturing, saw robust double-digit growth.
- The GCC segment has performed well, with GCCs increasingly using hiring platforms as they scale up operations. IT hiring has shown some signs of recovery.
- Recruiter searches continue to grow, and the company remains optimistic about maintaining this momentum.
- AI presents both opportunities and challenges. The company is investing aggressively in AI, as its impact on jobs could influence Naukri's business.

Real Estate

- Billings grew by 16% YoY in 3QFY25, driven by improvements in both the number of billed customers and the average billing per customer.
- Broker billings grew faster than developer billings.
- The platform will continue to focus on increasing its user base.
- The company expressed dissatisfaction with the performance of the new home segment in real estate and is working on internal improvements.
- If the market and competition intensity remain reasonable, 99acres is expected to break even on a cash basis.
- It is too early to comment on steady-state margins.

Other highlights

- Billing momentum continued, with marketing expenses slightly increasing ahead of the wedding season and Diwali.
- The matchmaking industry remains competitive, with the top three players vying to expand their market share.
- Key metrics, such as acceptances and two-way chats on the platform, remain healthy.
- The company is exploring additional ways to monetize platform traffic.
- Growth in billings and sustained cost control have led to reduced operating losses.
- The new paid plans introduced in previous quarters have enhanced value realization and driven sales conversions.
- More paywalls are being tested to improve monetization while maintaining customer engagement.
- **Shiksha:** Domestic private universities and colleges continue to expand their course offerings beyond engineering, providing students with more choices.
- Students' interest in studying abroad for the 2024 season has been impacted by the weak external environment. However, the company continues to make long-term investments in strengthening the Study Abroad platform.
- Margin expansion was primarily due to lower advertisement expenses, which accounted for 9.9% of revenue compared to 11.5% in 2QFY25.

- The company reported an exceptional loss of INR592m. One of its subsidiaries in the ed-tech business was impaired on a prudence basis to reflect a more realistic valuation.
- The company announced the stock split in the ratio of 1:5, tentatively to be completed in two months.
- The board has approved INR10b to establish a fund for investing in startups and new-age companies, with a focus on those leveraging AI.
- AI enablement has led to a better search experience on both Jeevansathi and Naukri.

Interglobe Aviation — Neutral

Current Price INR 4,399

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- Air travel saw substantial growth in 3QFY25, thanks to the festive period, year-end holidays and a general rise in consumer spending, leading to robust revenue growth.
- Ancillary revenue continues to grow as cargo business gathers pace for INDIGO.
- INR continued to depreciate in 3QFY25, leading to a forex loss of INR14.6b.
- INR has further depreciated in Jan'25.
- As international operations expand, it would serve as a natural hedge – 10% of total revenue.
- Currently, over 60 aircraft are grounded due to P&W engine issues, and management believes this number would be in the 40s by FY26.
- For 4QFY25, capacity in terms of ASK is expected to increase by ~20% YoY.
- Yields to grow in low single digits YoY.
- Operated a peak of 2,200 daily flights and served a record 31.1m passengers during the quarter.
- Management continues to work on key promises with the customer-first approach
- IndiGo Stretch: Delhi-Bangalore stretch started recently and Delhi-Chennai to start soon, as per management
- 10 more metro-to-metro routes to be started in CY25
- 2 new domestic destinations announced in 3QFY25
- 4 new international destinations announced in 3QFY25; 38 total international destinations as of now and management plans to end CY25 with 40
- Company has added 50 new routes in 3QFY25
- Management sees tremendous potential in Indian aviation and believes the long-term structural story is intact.

IRB Infra — Neutral

Current Price INR 47

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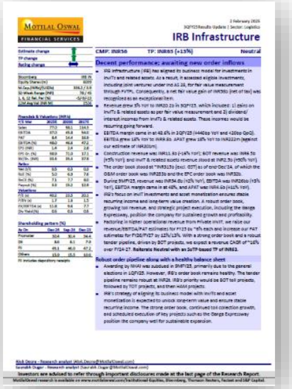
- Toll revenue across projects in Private InVIT, Mumbai-Pune, and Ahmedabad-Vadodara grew by approximately 21% year-on-year in Q3 FY25. Toll revenues from newly awarded TOT projects have exceeded initial estimates.
- The Ganga Expressway Project has received three tranches of grants from the UPEIDA, amounting to INR8.7b. The project is progressing as per the scheduled timelines.
- The Vadodara-Mumbai Expressway (Package-7) HAM and Palsit-Dankuni BOT projects are nearing completion.
- The Private InVIT has been generating positive cash flow since FY24, with cumulative distributions amounting to INR1.9b in 9MFY25.
- The Private InVIT has an enterprise value of INR600b, with IRB holding a 51% stake.


IRB Infrastructure

Order Inflows

- IRB has set a target order inflow of ~INR60b for the next financial year.
- Project awards by NHAI have remained flat due to elections.
- Some TOT and BOT bids have already taken place after 1HFY25. Order momentum is expected to pick up in the next two months.
- As of Sep'24, the company's order book stood at INR315b. The EPC segment accounts for INR32b of the order book, providing robust revenue visibility for IRB's construction segment for the next two years. The O&M order book is close to INR286b.

Monetization of Private InVIT assets to Public InVIT

- The first tranche of asset transfer to the Public InVIT was valued at INR150b, of which INR70b is debt. The remaining INR80b will be received by the Private InVIT, which can be utilized for project bidding worth up to INR250b. As more funds from monetization are transferred to the Private InVIT, it enhances the feasibility of project bidding and overall growth
- IRB has a market share of over 25-30% in BoT and ToT projects it bids for. It expects to maintain that share in the future as well.
- The EPC and HAM bidding process may slow, but the ToT and BOT pipelines remain active, with more projects likely to be awarded in the coming months.
- The board has declared a third interim dividend of INR0.1 per share.

Guidance

- Cash flows generated by the InVIT are distributed to unit holders. Since assets under the Private InVIT have a long lifespan, their value is expected to rise as cash flows increase. The monetization of these assets is an ongoing process, and revenue generated from the Private InVIT will be treated as recurring operating income in the Profit & Loss statement.
- The construction vertical is likely to clock ~15% CAGR over the next two to three years with a stable EBITDA margin.

Kajaria

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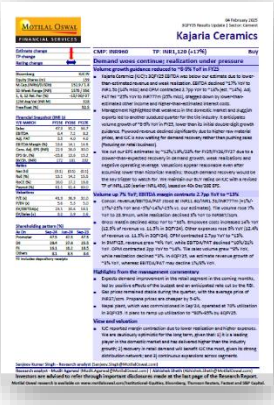
Kajaria Ceramics — Buy

Current Price INR 881

Demand trend and sector outlook

- The overall demand environment remained challenging during the quarter, with persistent weakness in the domestic market and a lack of momentum in exports. Despite these headwinds, the company's tile volumes grew ~7% YoY. Due to more supplies on project-driven sales, realizations dropped, pressuring overall profitability.
- EBITDA margin declined due to muted margin in the bathware division and ongoing losses in the sanitaryware unit in Morbi. The plant faced challenges in stabilizing operations and managing costs.
- The company expects full-year volume growth of ~8-9% in FY25, lower than its initial double-digit target, due to demand challenges.
- Export revenue declined 16% YoY to INR116b during Apr-Nov '24. This was largely due to a significant increase in ocean freight rates caused by the Red Sea crisis and continuing uncertainties in the Gulf region.
- Management is positive about improvement in retail demand in the coming quarters, citing potential positive effects of the government budget and anticipated rate cuts by the RBI.



Other operational highlights

- Gas prices remained stable during the quarter, with the average price of INR37/scm. Regional gas prices stood at INR38/INR38/INR37 in North/South/ West.
- Dealer inventory levels were tightly managed (inventory of about one month), supported by a solid supply-chain system that discouraged large stockpiles at distributor locations. The company has 1,880 active dealers across India, with 460 exclusive dealers.
- In 3Q, plywood revenue declined 76% YoY to INR81m due to an increase in raw material prices. It is focusing on market recovery rather than sales.
- Bathware revenue rose 2% YoY to INR945m. Adhesives revenue grew to INR205m from INR128m in 3QFY24.
- Revenue mix in tiles: ceramics 37%, GVT 37% and PVT 26%. About 75% of sales come through retail and the balance through projects.

Expansions and debt position

- The board has approved the acquisition of an additional 1% equity stake in its Nepal JV, taking its total stake to 51% and making it a subsidiary company. The transaction is likely to be completed in the next six months. The newly established Nepal plant, which was commissioned in Sep'24, operated at ~70% utilization in 3QFY25, which KJC plans to ramp up to ~80%-85% by 4QFY25. Investments in Nepal included setting up additional warehouses and inventory management infrastructure, leading to higher capex during the quarter.
- The company reiterated its capex guidance of INR2.0b for FY25, with INR1.35b already spent in 9MFY25 (INR1.0b for the Nepal project).

KNR Constructions Limited.

KNR Constructions — Buy

Current Price INR 237

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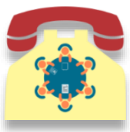

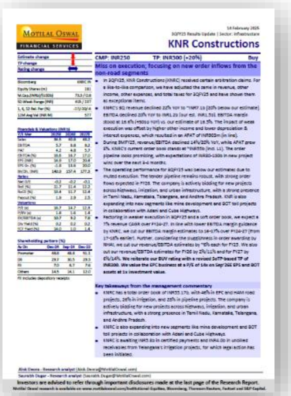

Arbitration claims

- In Patel KNR Heavy Infrastructures Ltd, KNR received claims of INR355m which were included in revenue, and INR1b towards interest on such claim which was included in other income.
- Further, expenses related to such claims of INR12.9m were included in other expenses and INR347m was included in the current tax.

Industry opportunity

- The road construction sector has seen aggressive bidding, with some NHAI tenders awarded at discounts of 20–25%.
- Additionally, slow disbursement of funds for irrigation projects continues to be a challenge.
- After a slowdown in project awards due to elections, a significant project bidding pipeline of around INR1.1t has emerged, largely comprising HAM and EPC projects.

Order book and bidding pipeline

- As of Dec'24, KNRC's order book was worth INR38.8b. This excluded two HAM projects valued at INR12b and two irrigation projects totaling INR4.4b. Including these, the total order book rose to INR55b, which is set to be executed over the next 1.5 to 2 years.
- The order book composition includes 46% EPC and HAM road projects, 26% irrigation projects, and 28% pipeline projects. ~71% of the order book consists of third-party projects, with 58% from state government contracts, 10% from central government projects, and 3% from private clients. The remaining 29% comprises captive HAM projects.

- Several key projects are progressing well. The Magadi to Somwarpet HAM project is 88% complete, while the Ramanattukara to Valanchery project has reached 90% completion. The Valanchery to Kappirikkad project is 86% complete, the Chittor to Thatchur project stands at 84%, and the Marripudi to Somvarappadu project has reached 23% completion.
- KNRC is actively bidding for projects across highways, irrigation, and urban infrastructure. In Tamil Nadu, it is preparing bids for the INR19b highway flyover, the INR9b highway project, and the INR6b flyover in Coimbatore.
- In Karnataka, KNRC is targeting two state government projects worth INR6b and INR18b. In Telangana, the company is focusing on two flyover projects valued at INR990m and INR9b, respectively. Additionally, KNRC is exploring irrigation projects in Rajasthan under the HAM model, with values ranging from INR5b to INR50b.
- KNRC is expanding into new segments, including mine development and operation (MDO) contracts. While this segment offers lower margins than roads and irrigation, the company expects it to provide steady revenue. KNRC is also collaborating with Adani and Cube Highways for large BOT toll projects. It has already submitted an EPC bid for Adani's Agra-Gwalior BOT toll project, valued at INR34b.
- As of Dec'24, KNCR had a net debt-to-equity ratio of 0.33x, up from 0.3x in Mar'24.
- The company's working capital includes INR12.2b in receivables, INR11.1b in unbilled revenue, INR3b in retention money, and INR300m in mobilization advances. Inventory stood at INR1.96b, while creditors totaled INR3.32b.

Irrigation projects

- KNRC is pursuing pending payments from the Telangana government. As of Dec'24, the company is awaiting INR5.8b in certified payments and INR4b in unbilled receivables. Legal action has been initiated to expedite these settlements.
- KNRC is also interested in participating in Jal Shakti projects and exploring opportunities in Telangana's irrigation sector.

Guidance

- KNRC has provided cautious guidance in the near to medium term. The company expects a 10–15% revenue decline in FY25 due to a lower order book and delays in irrigation project payments.
- For FY26, revenue is projected to be in the INR35b-40b. Growth is expected to pick up in FY27 as new projects progress. EBITDA margin is anticipated to remain within 15.0-16.5%.
- The company aims to secure INR80-100b of new orders within the next 3–4 months.

Lemon Tree Hotels — Buy

Current Price INR 133

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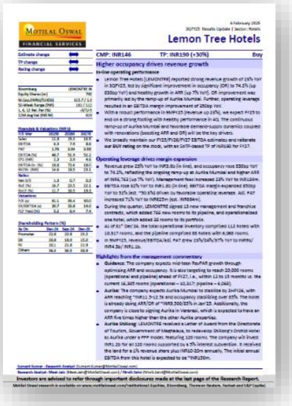
Detailed Concall Transcript &
Results Update

Guidance and outlook

- Moving forward, the company remains confident in its ability to sustain growth in the coming quarters by focusing on key strategic drivers: I) accelerating the expansion of its management and franchised portfolio, resulting in a proportional increase in fee-based income. (II) Ensuring the timely completion of renovation activities in its owned portfolio to enhance Gross ARR and occupancy rates.



- The company aims to significantly increase EBITDA, while operating at an EBITDA margin of 60%, with Keys expected to double its EBITDA.
- The company aims for mid-teen growth in RevPAR by optimizing the right combination of ARR and occupancy rate growth.
- The company is confident of reaching its target of 20k rooms well ahead of FY27, potentially achieving this milestone within the next 12 to 15 months.
- The company expects management fee income to double in the next two years.
- Demand growth is expected to continue exceeding supply in the mid-market hotel segment in India.

Shillong – Public-Private-Partnership

- The company has received a Letter of Award from the Directorate of Tourism, Government of Meghalaya, for the redevelopment, operation, and maintenance of the existing Orchid Hotel in Shillong. This project will be undertaken under the Design, Build, Finance, Operate, and Transfer model through a Public-Private Partnership. The hotel will be redeveloped as Aurika, Shillong, and is expected to become operational within the next three years.
- The property will feature 120 elegantly designed rooms and suites, with an all-day dining restaurant, a bar, and rejuvenating recreational facilities.
- This hotel is situated in the prime location of Polo Market, opposite the Chief Minister's Bungalow, and will mark the company's first Public-Private Partnership.
- The project qualifies for capital subsidy and various incentives, including full GST reimbursement after seven years.
- Currently, two hotels are operating in Shillong – the Taj and Courtyard by Marriot – operating at an ARR of INR10,000 /INR12,000. The management targets an ARR of ~INR12,000/INR13,000 because of its superior location.
- The company has received the land for 1% of the revenue and INR10-INR20m and the company plans to incur a capex of ~INR1.2b for all the 120 rooms.

Keys – renovations

- The renovation of the 101 keys in Pune led to higher occupancy rates and a ~24% increase in ARR compared to pre-renovation levels. The property is currently operating at an occupancy rate of approximately 80-90%
- The renovation at Pimpri, Pune, has been fully completed, while Keys Whitefield is 50% renovated. Renovations at Keys Ludhiana and Keys Visakhapatnam are approximately 70% complete, whereas renovations at Keys Thiruvananthapuram and Cochin have yet to begin.

Aurika

- The company expects Aurika Mumbai to stabilize by the 2HFY26. Currently, the occupancy rate is around 70%, with an ARR of ~INR9k by 3QFY25, the company is seeing further improvement, with ARR ~INR9.5k and OR ~85% in Jan'25. In the long term, the company targets an ARR of ~INR11.5k, with occupancy rates above 85%.
- In Mumbai, the ARR for crew typically is under ~USD100, which is around INR7.5k to INR8k. For corporate clients, the ARR varies depending on the corporate, ranging from INR9k to INR 11k. Retail rates fluctuate based on the time of year and day of the week, ranging from INR9k to INR16k.

- The company has amicably parted ways with the Coorg Hotel, reasons undisclosed.
- The company is close to signing Aurika in Varanasi, which is expected to have an ARR 5x higher than that of the other Aurika properties.

Fleur

- The company is looking to list Fleur in the most tax-friendly form possible and aims to have all of its owned assets in Fleur, and Fleur will then transform into a pure asset company.
- LEMONTRE will continue to be a significant shareholder of Fleur.
- It is expected that within the next three to four months, a clearly defined picture of what will happen with Fleur will emerge.

Other key highlights

- The management is confident that the company will achieve a debt-free status within the next two years.
- The company believes it has a competitive moat due to its network effect, which is difficult for competitors to overcome
- The company does not directly compete with the hotel industry for talent, as only about 15% of its workforce is interchangeable with staff from five-star hotels.
- The company has a practice of transferring employees to other hotels and replacing them with employees who have a lower salary, which helps manage rising wage costs.
- The company is focused on eliminating lower-price businesses and replacing them with higher-price businesses.

MTAR Technologies — Buy

Current Price INR 1,289

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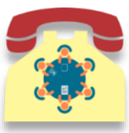

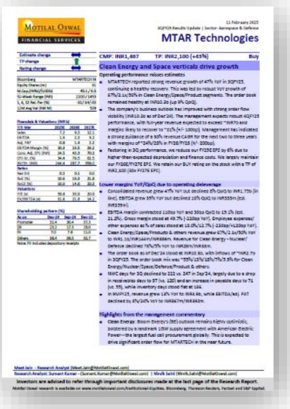

Overall Guidance

- FY25 revenue is expected to exceed INR7b, with EBITDA margins of ~21% (±100bp).
- FY26 revenue is projected to grow by 30%, with a similar growth trajectory anticipated over the next two to three years.
- FY26 EBITDA margins are projected at 24% (±200bp), while FY28 EBITDA margins are expected to expand to 28%. Management anticipates sequential improvements in margins going forward on the back of operating leverage and a better segment mix.
- MTAR has implemented strategic initiatives in recent years, including customer expansion and product diversification, which are expected to yield benefits in 4QFY25 and over the next few years.
- MTAR expects to generate INR2.5b in revenue from battery storage in FY27.

Clean Energy

- In the clean energy fuel cell segment, the company has executed orders worth INR3.04b year-to-date.
- Additionally, order execution of INR1b or more is expected in 4QFY25.
- The outlook for BE appears highly optimistic. The company has signed a landmark supply agreement with American Electric Power for up to 1 gigawatt of its products, marking the largest commercial procurement of fuel cells globally to date.

- FY26 revenue is expected to exceed INR5b, with revenue from hot boxes to be close to INR4b-INR4.7b.
- No visible impact from Deepseek on BE's data center outlook yet.
- Order intensity from BE is expected to increase in the coming quarters.

Space

- Continued to experience significant growth in the space and MNC aerospace divisions. Year-to-date, it has executed INR240m worth of orders for ISRO and an additional INR240m for MNC Aerospace.
- The company expects to execute an additional INR250m worth of orders for MNC Aerospace and INR150m for ISRO in 4FY25. The closing order book for this segment stood at INR1.87b at the end of 3QFY25.
- The company projects order execution of ~INR1.25b in MNC Aerospace and INR500m for ISRO in FY26, supported by strong order growth.
- The company has signed a long-term agreement with IAI and has received INR380m worth of orders so far in FY25. IAI remains a key customer, and the company anticipates additional orders for various projects in the future.
- The company expects a ramp-up in FY26 with INR350m in execution, as several products are already scaling up; a major volume breakthrough in the MNC aerospace segment is anticipated in FY27, supported by the commissioning of a new plant by the end of this month.

Defense

- Year-to-date revenue stands at INR122m, with annual execution estimated at INR300m. The company has seen increased order inflow in the defense segment, and with further growth expected in the coming quarters, exponential growth in defense is projected from FY26 onward.
- The company projects more than INR400m in execution for FY26 and has initiated the execution of a developmental order for combustion assemblies of the Scramjet engine for hypersonic missiles.
- The company has been declared L1 in multiple defense projects, positioning it for exponential growth from FY26 onwards.

Products

- The company continues to register significant growth, with year-to-date execution of INR1b. An additional INR300m in revenue is expected from product execution in 4QFY25. This vertical is projected to achieve revenue of around INR1.7b to INR1.8b in FY26.

Nuclear

- The company anticipates orders from Kaiga - five and six reactors soon, along with orders for refurbishment of five reactors.
- About INR10b worth of nuclear orders are expected to come in over the next three to six months.
- Refurbishment orders are to be executed in 18 months.
- The nuclear segment is projected to be the primary revenue contributor in FY27 and FY28.

Order book

- The company has recently secured significant orders exceeding ~INR4b in the clean energy and aerospace sectors, further strengthening its order book. As a result, the total order inflow across various sectors in FY25 stands at INR8.2b.

Others

- The company is executing first-article orders for multiple MNCs, including Fluence, III, and Weatherford, with progressive volume production set to commence from FY26.
- The Hyderabad facility has achieved 100% equipment installation to support rising demand.
- The company is expanding into oil & gas and battery storage systems while strengthening its presence in aerospace and other priority sectors.
- Long-term debt stands at INR1.3b, while cash reserves total INR250m.
- The company plans to repay ~INR460m in FY26 and FY27, with annual repayments of INR250m from FY28 onward.
- The debt is expected to increase by INR250m-INR300m next year to support capex requirements, after adjusting for the planned repayments.
- The company aims to reduce working capital days to 225 by the end of FY25, 200 days in FY26, and further to 175 days by FY27 as part of its long-term strategy.

PVR Inox — Neutral

Current Price INR 990

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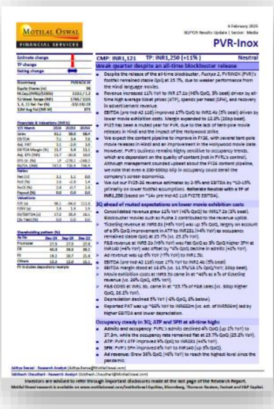

- **Demand trends:** 3QFY25 saw the highest box office collections of 2024 and the highest ever quarterly ATP and SPH, led by the massive success of Pushpa 2. The quarter also saw the highest advertisement revenue since the pandemic. October collections were boosted by regional movies, while the Hindi box office remained muted. However, Singham and Bhul Bhulaiya-3 led to a recovery in Nov'24, which was followed by the massive success of Pushpa 2, which accounted for ~36% of Indian box office in 3Q and ~12% of 2024 box-office collections.
- **Content pipeline:** The content pipeline during 2024 was subdued as there was no superstar movie release. Further, the Hollywood strike also hit the box-office performance in 2024. Hollywood started to pick up momentum with the release of Mufasa in 3Q. The upcoming content pipeline, both in Hindi (Sikander, Chhava, Sitare Zameen Par, etc.) and Hollywood (several franchise movies, F1), is strong and should drive higher footfalls. Further, management also expects some boost from the recent tax cuts.
- **Screen additions:** PVR added 77 screens to date and closed 67 screens. The management has guided for 100-110 gross screen additions and ~30-40 net screen additions. PVR expects to add another ~100 screens next year, with 35-40% of the screens to be opened in the South.
- **Capital-light model:** The company has signed 100 screens in the capital-light model with 31 screens on the management contract and 69 screens in the asset-light model. The management aims to ramp up screen additions through the capital-light model going forward and use the cashflows to further deleverage the balance sheet.
- **Asset light vs. management contract:** In the Asset light model, 40%-80% of capital would be deployed by the developer. It is comparable to the lease model and the developer will get ~15-20% as rentals plus a fixed yield of 6-12% for the capex incurred. In the FOCO model i.e. management contract, the developer is responsible for 100% of the capex and the gain or loss is recorded in his books. PVR would get ~6-10% net of GST revenue as the management fees.
- **Merger Synergies:** The cost structure reflects the bulk of merger synergies as per the management. Fixed costs have remained stagnant despite cost inflation.

Further, management indicated that during the pre-Covid period, the company required ~32% occupancy to deliver ~18% margin but is now able to deliver 15% margin at 25% occupancy. As occupancy improves the benefits of synergies on revenue and margins will start reflecting.

- **F&B :** The company takes inflation-linked price hikes every year and will undertake a 5-7% price increase on certain product items. The management aims to get a 50% SHP increase through volume and the remaining 50% through value.
- **Capex:** PVR expects FY25 capex at ~INR4b capex (vs. INR 6.25b in FY24). Further, management indicated that capex in FY26 is likely to be ~INR 4-5b.
- **Alternative content:** Alternative content like re-releases, sports and concert streaming accounted for ~4.8% of total footfalls in 3Q. Re-releases accounted for ~90% of footfalls with the remaining 10% through events.

QUESS
WINNING TOGETHER

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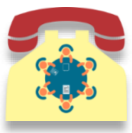

Quess Corp — Neutral

Current Price INR 611

3QFY25 performance

- In WFM, the company secured 124 new contracts with an ACV of INR1500m, including 87 new contracts in GS with an ACV of INR1360m.
- The company's growth was driven by Telecom and Retail, while Logistics, E-commerce, and Manufacturing & Infrastructure (M&I) remained subdued.
- Strong GCC contribution was observed in IT staffing. A focus on niche skills and higher realization roles has improved margins in domestic IT. IT staffing remains stable, despite furloughs and delayed onboarding, with a shift towards high-margin roles.
- The Middle Eastern (ME) region sees strong topline growth due to demand tailwinds. GS headcount addition was 5,000 during the quarter, with YTD net HC addition at 46,000.
- EBITDA declined due to weakness in Singapore and festive payouts. GS headcount growth in BFSI remained flat due to softness in unsecured lending; a near-term slowdown is expected in BFSI.
- There are 14,000 open mandates across Manufacturing and Retail. IT staffing benefited from GCC contributions, though overall IT hiring was modest; margins improved due to better mandate quality.
- GCC traction is expected to increase, with IT hiring set to recover in 4Q. Currently, there are 1,600 open IT mandates. The IT segment saw a steady 9%
- QoQ growth. Additionally, there was INR1600m in pass-through costs with no revenue recognition.
- EBITDA margins are expected to bounce back to 2.4%-2.5% moving forward. IT hiring has bottomed out, and any further increase will be reflected in numbers.
- Singapore remains the only market under pressure, while GCC headcount in niche roles has grown 4x YoY to 1,000 out of a total of 6,000.
- GCC hiring in India is expected to be driven by both new setups and expansion of existing centers. GCC-as-a-service is expected to be a significant business driver in India in the coming quarters.
- In GTS, 61 new contracts were signed, with sales bookings up 25% sequentially (ACV ~INR1470m). The platform business grew 11% QoQ, driving growth in Tech & Digital.
- Significant investments were made in sales, leadership, and product development within the GTS platform to drive post-demerger growth. High-value, niche hiring in IT has helped offset weakness in Singapore.
- For OAM, 52 new contracts were signed, with an ACV of INR1700m+. Margins declined due to revenue mix changes in the food business and increased

investments in sales and leadership. Product mix changes continue to put downward pressure on margins.

- In PLB, revenue declined 28% QoQ due to a weak hiring season and headwinds in the IT/ITeS sector. Foundit achieved an 83%+ ORR, supported by large renewal deals.
- Foundit faced a weak quarter due to sluggish IT hiring and leadership transitions. It reported an EBITDA loss of ~INR90m in this quarter.
- The company launched new Foundit features, including AI 2.0 for recruiter outreach, conversational registration flow, and direct recruiter-seeker chat to improve engagement and platform adoption.
- EBITDA margin stood at 3.6%, impacted by investments in sales and leadership, festive payouts to associates, and one-time demerger-related costs.
- 3Q is subdued due to seasonality and bonus payouts.
- Gross debt reduced to INR2240m from INR3700m as of 31st'24.
- The Board has approved an interim dividend of INR4 per share.
- Some one-off merger-related costs will be incurred in 4Q. The demerger is on track, with all three entities expected to be listed by 1QFY26.

One 97 Communications — Neutral

Current Price INR 745

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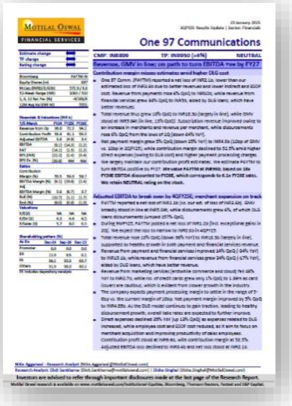

Revenue and expenses

- Revenue growth was 10% QoQ due to an increase in GMV, healthy growth in subscription revenues, and an increase in revenues from distribution of financial services.
- Higher financial services revenue was on account of a higher share of merchant loans, higher trail revenue from the default loss guarantee (DLG) portfolio and better collection efficiencies.
- The merchant side of the business has grown, but the consumer side of the business has been flat or slightly declined.
- In Rupay on UPI, the company makes MDR, but it is still a small part of merchant transactions.
- Credit cards running on QR generate more revenue on the acquiring side than on the consumer side.
- A couple of customers were added. The company will expand its merchant acquisition as it will also lead to consumer addition.
- PAYTM has many subsidiaries; none of them have anything to do with Paytm business and are related to One 97 business. It is in the process of rationalizing these subsidiaries.
- The company has a long-term goal to set up three specific subsidiaries: Two in the Middle East and one in South Asia as the reach is more in these areas.
- The cost of devices has come down. It does not expect capex to go back to the FY24 level. Refurbishment and supply will be there in the next 2-3 quarters. A reduction in depreciation will be seen given high capex in FY24.
- Only 600k merchants have taken financial services products from the company, less than 1% of the base; therefore, PAYTM will be able to expand this segment and generate revenue.
- Growth in the no. of consumers is encouraging; the company will continue to drive product-led growth and less of marketing-led growth.
- Money and insurance businesses are works in progress. Money is mainly mutual fund distribution. Insurance business is embedded insurance, which the company will continue.
- PAYTM records 15-20% growth in eligible GMV.
- Sourcing fee in the month of disbursal is slightly higher than DLG costs. However, it does not lead to negative margins in that month.

- Expects calibrated growth in marketing costs and sales employee expenses, as the company invests in customer and merchant acquisition.
- As communicated earlier, the company is picking up inactive devices and redeploying them at new merchants after refurbishment. The company expects this strategy to continue for the next 1-2 quarters. This is leading to higher revenue per merchant and lower capex.
- Credit card distribution is scaling at a slower pace as issuers are currently taking a cautious stance, which is evident in slower growth for the industry. There are 13.9 Lakh activated credit cards as of Dec'24, compared to 10.1 Lakh last year.

Net payment margin

- Growth in net payment margin was largely on account of higher subscription revenue. Payment processing margin remains in the guided range.
- The company provides waivers basis only if large volume is done, then subscription fees is not being paid.

DLG

- Continues to see increased interest from lenders to partner using the DLG model for both merchant and personal loans, which will help to increase disbursements with the existing partners and expand partnerships with new lenders.
- The outstanding AUM amount for DLG portfolios was INR42.4b in 3QFY25 vs. INR16.5b in 2QFY25.
- About 80% of merchant loans came from the DLG model.
- More lending partners are showing interest in the DLG model. The DLG book is doing better than the rest of the book.
- ECL has come down to 4.5% to 5.0% due to improvement in collection efficiency. Earlier there was elevated churn on the merchant side, which also led to more ECL.
- On the blended basis, DLG cost is less than 5%. So far, for all DLG loans, the company provisions them immediately in the same quarter in other expenses, and for provisions which are not getting used, there would be a reversal in this cost.
- There is a small amount of personal loans that are disbursed through DLG and are only on collection basis.
- 5-6 lakh merchants have loan O/S. There is a 2-3-year period opportunity of increasing penetration % to 15-20%.
- Tenure increase is independent of the ticket size increase.
- The gross take rate over the life time of loan in DLG business earlier was 3-4% on sourcing and 1-2% on collection. Currently, 3.5% of FLDG amount is to be added here.
- Non-lending revenue in financial services is broadly in the range of 10-20% of financial services revenue.

Cost

- The company is optimistic about continuing to reduce costs and is exploring as many areas as possible for cost savings.
- Int. income is going up, whereas depreciation and ESOP costs are going down, which will remove the gap between PAT and EBITDA before ESOP, once this is profitable.

Lending business

- Merchant loan distribution continues to see strong growth, with a significant proportion of merchant loans distributed under the DLG model. More than 50% of loans were distributed to repeat borrowers.
- The company has been primarily focusing on the distribution-only model, wherein it has seen a reduction in disbursements on account of tightening risk policies by lenders, in line with industry trends.

- For personal loans, the company has resumed loans, which will help in both distribution and collection, to a selective cohort of new and repeat customers, which have shown steady asset quality trends.
- Personal loan is market dependent; partners are being cautious and they want to make sure that their credit cycle is good.
- Merchant loans are seeing steady growth largely because of medium-term penetration, with the base and ticket size rising.
- Unless the FY26 macro situation is worse than FY25, the company expects FY26 to be better and will add more partners going forward.
- PAYTM has actually both models (distribution and collection) with multiple partners. The aim is to work with partners who offer a win-win situation.
- There is a fair mix of both distribution and distribution + collection. Distribution and collection together give more margins. Distribution gives diversity and collection gives more margins.

Margin

- The company focuses on becoming profitable by the end of the year and may even surpass its guidance.
- Contribution margin (without UPI incentives) was marginally down QoQ at 52%, due to an increase in DLG costs as the amount disbursed under the DLG program more than doubled QoQ.
- The QoQ jump in the take rate was partly due to trail revenue and second collection efficiencies. In the non-FLDG book, collection efficiencies are better.

Cash on the balance sheet

- The cash is sitting overseas; the company does not need cash in India now and therefore, it will see if it would use it in overseas business or bring back to India.
- It currently holds INR100b of cash and does not foresee any immediate need for utilizing this cash.

Guidance

- Expects contribution margin, excluding UPI incentives, to remain in the 50-55% range, and including UPI incentives, it would be in the 55-60% range.

SBI Cards & Payment Services — Neutral

Current Price INR 857

SBI card

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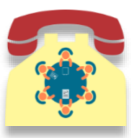

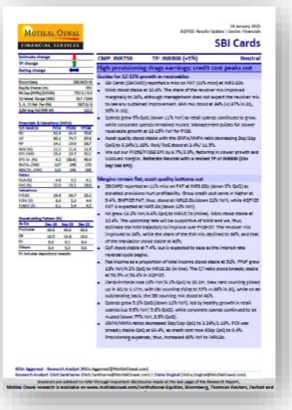

Opening Remarks

- The CIF stands at 20.2m, reflecting a 10% YoY growth, with 1.17m new accounts acquired.
- According to an RBI report, as of Dec'24, SBICARD's market share in O/S cards stood at 18.7%, whereas in spends, it stood at 15.6%.
- Retail spends continued to grow at 10% YoY, with IBNEA remaining stable at 60%.
- The digital economy is expected to contribute 20% to GDP by 2026 and exceed USD1t by 2028.
- The company has crossed the 20m milestone in terms of cards in force.
- 100+ festive offers were introduced, along with collaborations with Flipkart and Amazon to drive customer acquisition.
- SBICARD recorded over 47% QoQ growth in UPI spends in 3QFY25.
- Corporate spends remained stable, while retail spends per card stood at ~INR0.16m.
- Total revenue grew 5% QoQ, contributed by both interest and fee income.
- Receivables are expected to grow at a lower rate.
- The cost of funds is expected to remain at the current level going forward.
- Credit card industry defaults have remained elevated due to the unsecured portfolio.

- There has been a continued reduction in delinquency flows, with asset quality improving.
- GNPA for the quarter remained stable and is expected to start improving now.
- The company believes that it is at an inflection point in the credit cycle. The liquidity position continues to be strong.
- The company has launched the Hyper-Personalisation platform to scale personalized customer engagement.
- SBICARD has achieved an A rating from MSCI and an ESG rating of 16.5 from Sustainalytics, placing it in the low-risk category.
- ROA stood at 2.4% for the quarter and 3% for the nine-month period.
- The credit card industry in India is expected to grow steadily, with projections indicating continuous growth in the number of credit cards in use till 2029.
- The cost to income ratio stood at 53.5%, reflecting festive offers during the quarter.
- Corporate spends remained stable at INR53b. Online spending accounted for 58.5% of total retail spends for the nine-month period.
- There has been a decline in delinquencies among new acquisitions.
- The liquidity position remains robust, with a strong CRAR of 22.9% and an LCR of 114%.

Asset Quality

- The reduction in provisions indicates a better asset mix, with lower Stage 2 and Stage 3 composition, signaling an improvement in asset quality. We expect this positive trend to continue, with improvements visible from the next quarter.
- While the NPA pool has decreased, the extent of write-offs and how the company manages the remaining Stage 3 assets will determine the future trajectory of GNPA and credit costs. However, it is optimistic about reaching an inflection point moving forward.
- The mix continues to be on the better side, and delinquencies have been lower.
- SBICARD has proactively identified customers with increased leverage and enhanced early warning framework to take prompt actions, such as reducing limits, to mitigate exposure before delinquency occurs. This strategy has been successfully implemented over the last few quarters, helping manage potential risks.
- Customer behavior is changing sharply over time, with a set of customers going straight into write-off. The composition of Stage 1 and 2 accounts has improved, and Stage 3 accounts have decreased.
- The GNPA ratio was stable at 3.24% (compared to 3.27% last quarter). Gross credit cost increased 40bp to 9.4%.
- Efforts are being made to tighten underwriting standards and enhance portfolio management to improve asset quality.
- The NPA pool composition remains varied, with both older and newer vintages showing a mix of transactors and revolvers, some of whom default despite having a good history.
- However, portfolio actions have helped lower delinquencies, and the company will continue monitoring the NPA pool closely in the coming quarter to assess its behavior.

Opex and Other Income

- The C/I ratio was high at 53.5% due to the festive season, but is expected to be 52% for the year.
- Fee income is composed of spend-based, instance-based, and subscription-based components. While moderation may occur in instance-based fees, spend-based and subscription-based fees are expected to grow with the increase in card numbers and spending.

Sourcing

- In the near future, the company expects a slight slowdown in growth, with rates standing at ~18-20% compared to the previous 30% growth.
- The company will continue to add new customers and focus on maintaining or growing its market share.

Revolver Mix and Receivables

- The company is not taking proactive measures to increase the revolver mix share; it has remained stable at 24% and is expected to stay within this range or slightly lower.
- In the past 6-7 quarters, the company has been selective with new customer acquisitions, and the receivable growth has slowed down.
- It expects ~12-15% YoY receivables growth next year.
- The company is focusing on point-of-sale EMI conversion and its other product, FlexiPay, which allows customers to convert their spends into installments before the payment due date.
- Some of the new vintages being acquired are currently showing slightly lower revolving behavior than the average spectrum.

Regulatory Requirements and Underwriting

- For self-employed customers, the focus is on analyzing cash flows through bank account data, whether sourced via account aggregators or the banca channel, which has seen an increase this quarter. This underwriting process helps assess credits and debits to determine the appropriate card and limit.
- There has been a surge in investment, as in line with regulatory requirements, SBICARD has gradually been increasing HQLA for LCR purposes, and with the growth in its liability book, it needs to consistently add around 10% in a phased manner.
- Monthly bureau reviews are conducted to assess the overall customer profile.
- The company has taken proactive actions, such as reducing credit limits, limiting certain spends, and early blocking based on bureau triggers that provide real-time updates on account changes.
- Additionally, it is exploring ways to reduce the bureau pool review period with new fortnightly updates.

Guidance

- Receivables are expected to grow at ~12-15% next year.
- C/I ratio of ~52% is expected for the year.

SIS — Buy

Current Price INR 324

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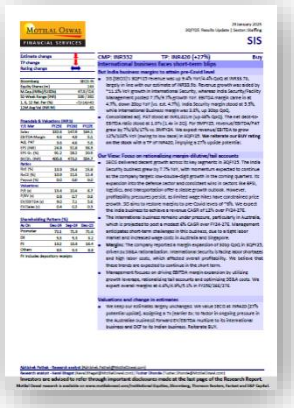
Quarterly performance and outlook

- The company sees an opportunity to grow 2x the GDP growth rate. Historically, it has achieved a CAGR of over 15% and aims to maintain double-digit growth (~10% or more).
- Volume growth has been satisfactory. However, price growth depends on the government's decision on minimum wage hikes, which have been subdued since pre-COVID levels. The government's upcoming minimum wage code is expected to benefit the company. The minimum wage hike was ~3% during 9MFY25 compared to the pre-Covid range of 8-9%.
- Every SIS contract is linked to the minimum wage code, meaning wage hikes will proportionately increase contract billing without the need for renegotiation.
- The security services market is worth ~USD200b (60% manpower-centric). APAC is the fastest-growing region, with India positioned as a growth driver.



- Security Solutions – India: The company has expanded into the defense sector, which will contribute to growth in the coming quarters. No significant sequential growth due to deferred contracts in January.
- Facility Management Solutions: The company exited certain margin-dilutive contracts and faced delays in securing government contracts, particularly in railways.
- About 30% of revenue is based on outcome-driven pricing rather than headcount, making headcount growth a less reliable revenue indicator.
- Collections have lagged compared to other segments, but the cash conversion cycle is expected to improve in 4Q.
- Security Solutions – International: Seasonal activities in southern Australia (such as the Australian Open and cricket events) contributed to revenue growth. Margins remained stable.
- Margins are expected to return to pre-Covid levels of ~4.5%.
- The post-Covid tight labor market conditions in Australia and Singapore have affected margins.
- Singapore is undergoing structural shifts with the introduction of a progressive wage model similar to a minimum wage code.
- SECIS operates in Australia (APAC's second-largest market), New Zealand, and Singapore (a hub for regional security contracts).
- Cash Logistics Solutions: The company aims to decouple its business from ATMs. Margins are in the 17-18% range, with PAT margin at ~8%.
- The company has a JV with Prosegur for the past 15 years (49% share), leading to no recognition in consolidated books. The company is exploring IPO option in agreement to monetize the value of the business.
- Seasonal wins and high-margin businesses supported margin growth in International Security Solutions.
- Other income rose significantly due to interest from FDs, tax refunds and interest on them (~INR125m).
- The company aims to restore EBITDA margins (~6%) to pre-Covid levels.
- Levers: Revenue growth and SG&A rationalization will drive operational leverage.
- Debt on the balance sheet primarily consists of working capital borrowings to ensure timely salary payments to employees, regardless of client payments.
- Return ratios are expected to improve as debt declines.
- VProtect Business: This alarm solution business reported ~1,000 connections during the quarter. The company aims to transition from manpower-based services to tech-driven solutions.
- Static guards will remain essential for critical business operations (e.g., cement factories and mines), but tech solutions like VProtect will increasingly replace traditional guard services.
- Net debt declined to INR6.3b from INR8.6b in 2QFY25. The net debt-to-EBITDA ratio stood at 1.07x, the lowest in three years, compared to 1.47x in 2QFY25.
- DSO improved by four days to 69 days.

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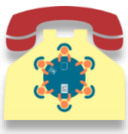

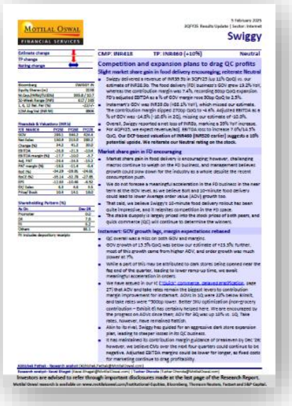

Swiggy Neutral

Current Price INR 378

Demand and growth outlook

- **Food delivery:** Geographic expansion within existing cities remains a key focus, especially in metros with increasing peripheries (e.g., NCR, Bangalore).
- Average order values (AOVs) are expanding. Delivery costs are becoming more efficient.
- Bolt continues to drive faster growth, with its share of total food delivery orders increasing to 9% within the quarter.
- Margins have grown, supported by operating leverage.
- New use cases such as daily corporate meal subscriptions are being explored to boost demand.
- Future innovation is expected from Bolt, which will drive advancements in the restaurant ecosystem.
- There has been a positive response from restaurant partner ecosystems.
- No dilution in margins was observed despite Bolt's rapid expansion, as cost efficiencies balance out investments.
- **Instamart:** The company is focusing on store additions to drive category growth in the medium term. Its strategy is centered on densification within existing cities.
- The company faced headwinds due to fewer store expansions than anticipated, with store additions being back-ended. It is prioritizing wallet size and spending based on higher retention ratios.
- Structural P&L continues to improve, driven by higher AOV and an expanded take rate. Delivery costs are steadily decreasing as network densification progresses.
- The company acknowledges being slightly behind the curve in store maturity. A positive contribution margin is expected by the third quarter of FY26.
- Stores typically take 6 to 9 months to break even.
- The store count has reached nearly 800. The guidance targets 4m sq. ft., up from 2m, with growth expected to accelerate later in the period.
- Shorter last-mile delivery distances (under 2 km) and fast preparation menus contribute to improved efficiency.
- Monthly transacting users (MTUs) have been increasing steadily. There is room for growth in average order values (AOVs).
- It is prioritizing wallet size and spending based on higher retention ratios.
- The company has incurred significant spending on performance and brand marketing, which is expected to continue for the next 1 to 2 quarters due to competition.
- It takes approximately 30 to 35 days for a store to become operational.
- Cost efficiencies are steadily improving.
- Contribution margins are expected to remain within a tight range in the fourth quarter.
- Employee stock options (ESOPs) are issued at Rs. 525 and Rs. 700.
- The company tracks promised versus actual delivery times, with an average delivery time of 12 minutes.
- There is latent demand for QC across various cities.

Margins

- Swiggy reaffirms its adjusted EBITDA breakeven target for 3QFY26 at the corporate level.
- Instamart’s contribution margin is expected to turn positive by 3QFY26, with near-term modulation based on market density.
- Food Delivery segment EBITDA margin remains on track to reach 5% in the medium term, supported by operational efficiencies and increased order values.

Team Lease — Buy

Current Price INR 2,021

Demand and growth outlook

- The third quarter is traditionally a festive period, providing a one-time increase in billing.
- The BFSI sector remains stable, although tightened norms around lending in MFI and KYC processes impacted growth in 3Q and 4Q.
- The retail, consumer, and e-commerce segments experienced moderation due to an earlier-than-usual scale-back.
- The manufacturing and telecom sectors saw low single-digit growth. Sales efforts brought in 34 new clients, with 80% of contracts based on variable markup agreements.
- The Employment-Linked Incentive scheme, announced in a previous budget, has yet to be formalized.
- If labor code changes are announced in the budget, they may improve revenues. However, from a relative margin perspective, they could be detrimental since contracts follow a fixed-price model.
- General staffing: The planned absorption of associates in the BFSI sector is underway, impacting net additions in Q3 and Q4 of FY25. Normalization is expected post-Q4.
- EBITDA for Staffing & Allied Services grew by 6% QoQ, driven by FTE productivity and contributions from value-added services.
- Growth remained muted due to seasonality and hiring challenges in BFSI.
- BFSI accounts for ~22% of the company's headcount and revenue.
- Retail, quick commerce and FMCG sectors are expected to grow between 4Q and 1QFY26.
- Large listed credit card companies reported experiencing a slowdown, resulting in flat or backfill positions in this vertical. The company anticipates a marginal decline in headcount in Q4, although productivity is expected to hold steady.
- The company aims to maintain current PAPM levels. Value-based selling strategies are expected to help sustain these levels despite wage hikes, with a continued focus on absolute profitability.
- Manufacturing contributes around 10-12% to the business, with PAPM expected to remain at INR800.
- The company will continue prioritizing high-margin clients, driven by a resilient hiring team.
- Specialized Staffing: The company has returned to headcount growth after several quarters, believing it has now bottomed out.

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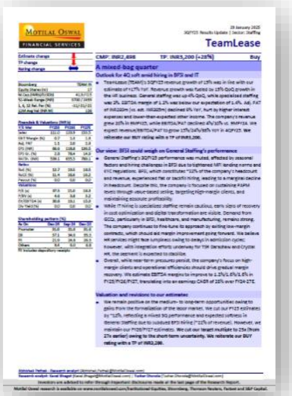

- Investments are being made in IKIGAI, providing a presence in Singapore and the Middle East. No contribution is expected in FY25, but a meaningful contribution is anticipated in FY26 and beyond.
- IT services remain cautious in the near term, though early signs of improvement are emerging in cost optimization and digital transformation.
- GCCs are a strong growth driver, particularly in BFSI, healthcare, and manufacturing, with increased focus on tech and specialized roles in non-tech industries.
- The company had to relinquish two mandates due to low-margin contracts.
- HR Services led the growth with a 19% QoQ rise.
- Profitability was impacted due to further delays in the admission cycle and downstream payment delays.
- The integration of TSR Darashaw (into managed payroll services) and Crystal HR (SAP platform for HR records) is ongoing, with a focus on this for the next 12-15 months.
- The company anticipates achieving 6-7% margins for the HR business and expects the segment to be positive on a full-year basis.
- Lumpiness in the HR business may occur in Q4 due to delays in admission fees.

Margin outlook

- EBITDA grew by 4%, driven largely by efficiencies in employment clusters.
- Productivity improvements in FTE and operational excellence have supported the margins.
- The company anticipates achieving 6-7% margins for the HR business and expects the segment to be positive on a full-year basis.
- If labor code changes are announced in the budget, they may improve top-line revenue. However, from a relative margin perspective, they could be detrimental since contracts follow a fixed-price model.

Updater Services — Buy

Current Price INR 310

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Quarterly performance and outlook

- Revenue grew 9% YoY and 2% QoQ to INR7.0 b, below our estimate of INR7.5b.
- The company is focusing on increasing cross-sales between the IFM and BSS segments to enhance synergies. The revenue split between IFM and BSS remained at 65% and 35%, respectively.
- The company is confident of achieving 2.5-3x higher growth than the economic growth rate (between 15-20% organically) without compromising margins.
- Growth acceleration is expected, particularly in the global airport handling business.
- IFM: Its focus on operational excellence and optimizing low-margin contracts has started yielding positive results, though there are opportunities for contract optimization.
- Revenue growth has been lower than initially anticipated, but the company is prioritizing high-value, high-margin business.
- The outsourced IFM market is projected to grow at a 10% CAGR by FY29, and UDS aims to grow three times the nominal GDP growth rate in this segment.
- Vendor consolidation continues to favor the company.

- In BSS, the company successfully implemented generative AI sales services, which should help customers close deals faster and improve conversion rates.
- Leadership is expanding across platforms, with a focus on regional customer expansion.
- Denave remains at the forefront of technological innovation for the group. Despite some churn in sales enablement due to technology, new client acquisitions are anticipated, and remote agent adoption efforts are expected to yield results. Margins are expected to stabilize.
- Athena experienced the loss of key clients in 9MFY25, resulting in flat revenue. One client closed operations in India, and another underwent restructuring.
- Athena is adding clients in the non-BFSI segment, with positive results anticipated from 1QFY26. Full-year revenue is expected to remain flat at ~INR1,350m.
- 3Q revenue declined by 12% QoQ. However, diversification into retail and education sectors is underway.
- Lead cycle is 2-3 quarters for business clients. The company remains confident that Athena will rebound in the next few quarters.
- Growth is seen in demand for employer background verification services.
- Audit and assurance services are experiencing growth due to increased focus on corporate governance.
- The supply chain and logistics solutions segment showed improved efficiency and margins. Avon Solutions aims to be a holistic player in supply chain and warehouse management.
- The company currently operates in 22 airports, with 6-7 not yet fully operational. Air India Express has added operations at seven airports, contributing positively to profitability.
- The company anticipates achieving 3x GDP growth in the BSS segment, along with improved margins.
- The company expects operational leverage to boost margins by 20-25bp YoY, with contributions from higher-margin businesses.
- The cash position stands at INR1,270m.

UPL — Neutral

Current Price INR 650

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Outlook and Guidance

- **Global Crop Protection Market Recovery:** UPLL reports that channel destocking is largely complete in key markets, and the crop protection sector is seeing a recovery. Ordering patterns are stabilizing as AI prices have normalized, and farmer buying behavior has returned to more typical levels. Prices for post-patent products have also stabilized, contributing to strong volume growth.
- **Industry Outlook:** While the global crop protection market is projected to experience mid-to-low single-digit volume growth, UPLL expects to outperform the broader industry, driven by its strong product pipeline and solid market positioning. Export prices from China are stable, and recovery in global crop protection is expected to continue.
- **Revenue and EBITDA Growth:** UPLL is confident in maintaining its revenue and margin guidance for FY25. The company is projecting a 50% YoY growth in

EBITDA, with growth driven by volume recovery, pricing normalization, and ongoing cost efficiencies. The 4QFY25 margin is expected to remain strong, consistent with the 3Q levels.

- **Corporate Actions:** UPLL has announced two key corporate actions:
- A rights issue of USD400m, with an initial payment of USD100m received in Dec'24. The company expects to receive the first call for an additional USD100m by Mar'25.
- **Stake sale in Advanta:** Alpha Wave Global will invest USD350m for a 12.44% stake in Advanta Enterprises Limited. This includes a primary investment of USD100m at a post-equity valuation of approximately USD2.85b, as well as a secondary sale of USD250m by UPLL, which will be utilized for debt reduction.

Operational performance:

- **Margin Expansion:** UPLL has reported strong margin accretion, with improvements in contribution margins driven by price increases, product mix, and rebate normalization. Additionally, the cost of goods sold has reduced, contributing to higher profitability. EBITDA margins expanded due to contribution growth, productivity enhancements, and overhead savings.
- **Employee Cost and Restructuring:** The company saw a significant decline in employee costs QoQ due to a restructuring initiative. However, employee costs are expected to rise marginally in 4Q due to bonuses and appraisals.
- **Working Capital Improvements:** UPLL reduced working capital days to 107 days in Dec'24, compared to 155 days in Dec'23. This was achieved through better inventory management (inventory days reduced by 31 days, equating to INR39b) and improved collections (receivable days down by 24 days, a reduction of INR31b). The company is on track to achieve USD300-400m in free cash flow, with further improvements in working capital.
- **Debt Reduction Strategy:** UPLL has a clear plan for debt reduction, utilizing proceeds from the rights issue and the Advanta stake sale. The company expects to repay USD250m in FY25, USD750m in FY26, and USD900m in FY27. The company's gross debt currently stands at USD3.53b, and its net debt-to-equity ratio is expected to be around 2x in FY26.

Segment-Wise Performance

- **UPL Corp (Global Crop Protection):** The company has seen strong growth in Brazil, driven by Mancozeb volumes, fungicides (Evolution, Proxanil), and insecticides (Feroce). Margin-accretive growth was observed in Europe and
- Brazil, particularly in the natural plant protection (NPP) segment. However, pricing challenges persist in regions like Africa, Australia, and China. UPLL expects growth in 4Q to be supported by fresh inventory, operating efficiencies, and improved working capital.
- **UPL SAS (Sustainable Agri Solutions):** The segment reported 44% YoY revenue growth, driven by strong demand for NPP products and selective post-emergent herbicides. The contribution margin improved by 530 bps YoY, supported by new product launches, better pricing, and an improved product mix. UPLL expects margins to remain stable in Q4, with further improvements in cash flow.
- **Advanta (Seeds Business):** Advanta experienced an 11% YoY revenue growth, driven by higher volumes and better pricing in key markets like Argentina (grain sorghum and sunflower) and India (corn seed). However, contribution margins

were impacted by higher input costs and an unfavorable crop mix. UPLL expects volume-led growth in Q4 but anticipates some margin pressure.

CAPEX and debt position:

- **Capex Update:** UPLL has spent INR12b on CAPEX so far in FY25, including a small acquisition. The company has revised its FY25 CAPEX guidance downward to INR15-16b (from INR18b). UPLL's typical annual CAPEX allocation for product registrations and manufacturing capacity expansion is USD250-300m, split equally. Further clarity on FY26 CAPEX will come post 4Q.
- **Debt Reduction:** UPLL has made significant progress in reducing its debt. The company plans to utilize the proceeds from the rights issue and Advanta stake sale to reduce its debt burden. The rights issue will contribute USD400m, while the Advanta stake sale will provide USD350m (USD100m for Advanta's growth and USD250m for debt reduction).
- **Debt Repayment Schedule:** The debt repayment schedule is as follows: FY25: USD250m; FY26: USD750m; FY27: USD900m

Other key developments

- **Bio-Stimulants and Bio-Control Products:** UPLL is witnessing strong demand for bio-stimulants and bio-control products, particularly in Brazil and Europe. The company is capitalizing on faster bio-product registration processes in several countries, creating additional growth opportunities. The company's Orígio platform in Brazil, in partnership with Bunge, is also expanding its reach to large growers.
- **Product Innovation:** UPLL has a strong innovation pipeline, with ~85 product launches planned for the next two years, focusing on differentiated and sustainable products to enhance margins. These innovations are expected to drive growth and contribute to margin improvements in the coming quarters.

Zee Entertainment — Neutral

Current Price INR 99

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- **Demand environment:** The green shoots in ad revenue that were seen in Sep'24 couldn't be sustained in 3Q as broad-based consumption slowdown outweighed the boost from the festive season, leading to lower ad spending by FMCG companies. The impact was more pronounced in urban regions and the Hindi heartland, while South India and rural markets performed relatively better.
- **Ad revenue outlook:** Management expects a gradual recovery in FY26 and remains hopeful of the government introducing measures to boost consumption in the upcoming budget.
- **Advertisement revenue recovery:** The management's focus is to boost ad revenue from sectors other than FMCG as well. Zee has also increased its focus on international ad sales. For 9MFY25 the international ad sales revenue is up 22%+ YoY. Further, management indicated that Zee's ad revenue in 9MFY25 is higher than its peers.
- **Subscription revenue:** Zee has published new tariffs in line with the TRAI's tariff order, and management expects the growth to reflect in a few quarters after the implementation of tariffs.


Zee Entertainment

- **Guidance:** Zee management aims to improve margins further to 18-20% by FY26. However, it indicated that the next leg of margin expansion would largely be driven by the recovery in revenue growth rather than further cost controls.
- **Zee5:** The growth was impacted by delays in renewal of a B2B deal (expired in Sep'24). Management remains engaged for renewal of deal on favorable terms
- **Deployment of the recent fundraise:** Zee continues to evaluate various opportunities, but nothing has materialized so far. The next tranche of FCCB is expected to come by Aug'25.
- **Content investment:** Zee continues to maintain a strong foothold in the regional languages. Management saw a healthy uptick in the Marathi market where it has invested time and energy over the last few quarters. Management remains focused on strengthening Hindi programming, and significant investment is made in content to enhance value to the customers.

zomato

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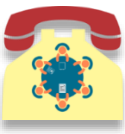

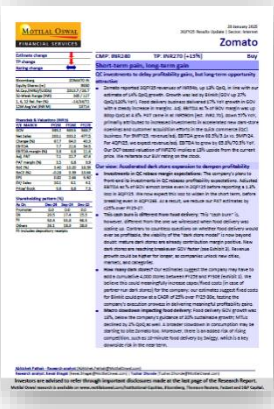
Zomato

Zomato | Buy

Current Price INR 234

Demand and growth outlook

- Adj. revenue growth was steady YoY at 58% and continued to trend above the stated outlook of 40%+.
- Food delivery GOV grew 17% YoY (2% QoQ); QC GOV grew 120% YoY (27% QoQ).
- Consolidated adj. revenue grew 58% YoY (12% QoQ), broadly in line with GOV growth.
- **Food delivery business:** No notable changes in the take rate for core and non-core businesses.
- Zomato to offer <15 mins delivery by curating menu items and providing a dedicated delivery fleet. This is currently live in select locations and will be scaled up over time.
- Currently Zomato is going through a broad-based slowdown in demand, which started during the second half of Nov'24. Notwithstanding the current slowdown, management is positive about a recovery soon and remains confident of its long-term outlook of 20%+ yearly GOV growth in the business given the strong fundamentals.
- **Blinkit (QC):** Losses in its QC business in 3Q were largely due to the front-loading of growth investments in the business that would have otherwise been made in a staggered manner over the next few quarters.
- As of now, it seems like Zomato will achieve its target of 2,000 stores by Dec'25, much earlier than its previous guidance of Dec'26.
- Mature stores are generating a healthy amount of contribution margin.
- Its expansion strategy focuses on densification in existing areas, with smaller fractions in new cities.
- Strong customer adoption indicates that QC is finding its product-market fit in India.
- Around 80% of the business comes from the top 8 cities, with growing traction in smaller cities.
- Marketing costs have increased, impacting take rates. Higher AOV during festivals like Diwali, especially in electronics, contributed positively.

- Customer acquisition costs are expected to rise.
- No significant changes in the break-even target of 1,000 orders per store in the next 2-3 months.
- Dark store expansion will lead to higher losses in the next 1-2 quarters.
- Mature stores' contribution margins are expected to improve in the long term due to scale and operational efficiencies.
- Expansion is focused on top-8 cities (50% of new stores) and new cities (20%).
- Marketing spend is anticipated to rise as new players enter the market.
- Except for F&B, MRP of all other categories is included in the calculation of AOV.
- **Bistro (10-minute food delivery)** is targeting the large in-office population requiring quick access to snacks, meals, and beverages within 10-15 mins. This market is currently addressed by on-site vendor's/vending machines and is not catered to evenly across geographies by the existing food delivery options.
- **District app:** While the core business continues to be profitable, the quarterly loss in 3QFY25 was largely driven by the investment in the new District app (team, marketing, tech costs). Most of the investments from hereon will be focused on getting customers to transition to the new app and growing selection on the platform. It is likely to operate in losses for the next year.

Margins

- Consol. adj. EBITDA declined QoQ despite the improvement in food delivery margins, largely due to accelerated investments in QC store network expansion, where quarterly losses increased byINR0.9b.
- Heightened activity in advertisement: Ad spending rose later in the quarter, driven by the need to promote newly opened stores.
- Dark store – additions will be more dynamic. 300 stores added in last 4-5 months.
- Food delivery margins improved due to increased platform fees and cost optimizations, with margins expected to stabilize around 5% in the coming quarters.

GALLERY

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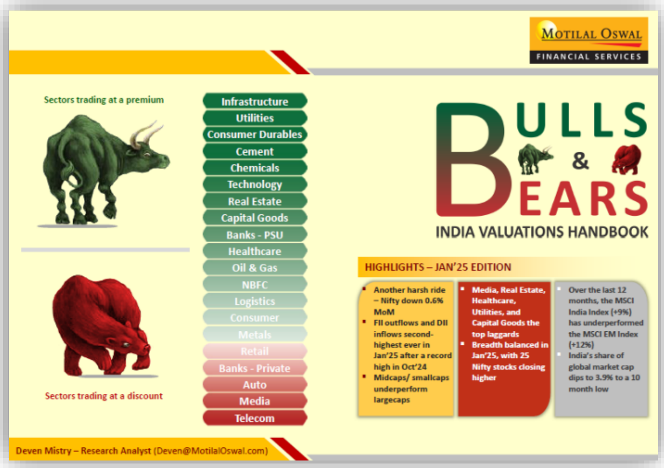

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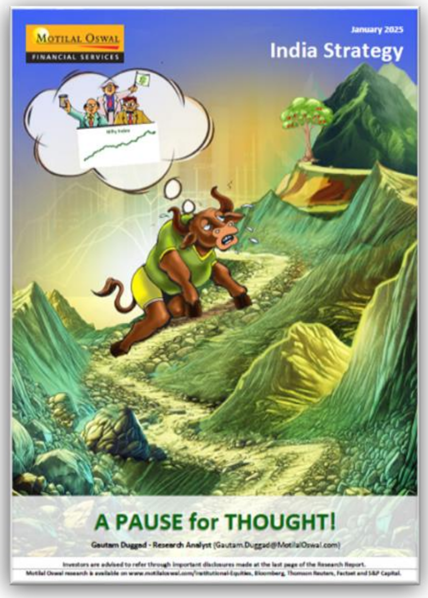

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