

Emkay Global Financial Services Limited

Discussion Document – Media Roundtable

At Emkay Global Financial Services Limited, we provide our customers with secure, customized, and comprehensive financial solutions to achieve sustained growth. As a leading financial service provider in India, we bring decades of expertise in the equity markets. Our philosophy is built on the principle that "Your Success is our Success."

Manufacturing, Infra and Energy driving the next Investment Cycle

Manufacturing, Infra & Energy sectors form a mutually complimenting triad – with growth in each sector fueling the other

Manufacturing
From scale to strategic capability

- ✓ China+1 & supply chain diversification positioning India as a global manufacturing hub
- ✓ Policy support (PLI, localization, defence indigenization) improving project IRRs
- ✓ Operating leverage + export optionality driving earnings visibility

Infrastructure
Consistent public Capex; Private funding crowding in

- ✓ Roads, railways, ports, airports, urban & digital infra with multi-year visibility
- ✓ Asset monetization (InvITs, TOT) recycling capital and improving ROCE
- ✓ High GDP multiplier supporting core materials and capital goods

Energy
Security + Transition = A decade long capex story

- ✓ Renewables, grid, storage, green hydrogen alongside conventional power
- ✓ Rising electricity demand from manufacturing, EVs, data centres
- ✓ Energy shifting from yield to capex-compounding sector

How is the current cycle different.?

Aspect	Previous Cycles	Current Cycle
Balance Sheets	Leveraged	Deleveraged, cash-rich
Driver	Credit / Consumption based	Policy + Capex
Duration	Short and volatile	Long, structural
Private Capex	Hesitant – minimal participation	Crowding in
Risk	Macro shocks	Execution-focused

*The three sectors together are expected to define India's next decade of **investment-led growth**, offering **scale, visibility, and compounding** opportunities for long-term capital.*

Change in promoter mindset – Obsession for control to willingness to dilute ownership in pursuit of scale & opportunity

A generational and structural shift in the promoter mindset is underway: Prioritizing opportunity over Control

Promoters' obsession for control led to various missed opportunities in the past

- ✓ Missed growth cycles
- ✓ Overleveraged corporate balance sheets (pre-2013, pre-2018)
- ✓ Cyclical boom-bust capex patterns
- ✓ Lower ROCE sustainability

**Shift towards
growth
mindset**



New age promoters see dilution as an opportunity to grow rather than loss of control

- ✓ Equity dilution seen as growth capital, not loss of control
- ✓ Acceptance of institutional capital as a strategic partner
- ✓ Focus on market share, scale, and speed, not just family ownership
- ✓ Greater comfort with professional management and board oversight

**Key Drivers of
Change**

Size of the Opportunity Has Expanded

- ✓ Current day industries need orders of higher magnitude – rising need for higher Capex which need external funding
- ✓ Missing scale now means losing global relevance later

Abundant but Selective capital availability

- ✓ Abundant capital options like Global PE, sovereign funds, and long-only capital are available but prefer companies with clean balance sheets, governance, and alignment
- ✓ Promoters must choose either to partner or stagnate

Lessons from leveraging cycle

- ✓ The 2011–2018 debt overhang was a hard reset to the companies
- ✓ Survivors internalized that equity is permanent capital; debt is fragile
- ✓ Today's capex is increasingly equity-funded or equity-backed

Market Rewards Scale and Transparency

- ✓ Public markets now reward faster growth, higher reinvestment and willingness to dilute for value-accretive capex
- ✓ Valuation multiples often expand post-dilution if capital is deployed well

Fair Valuations and strong structural story

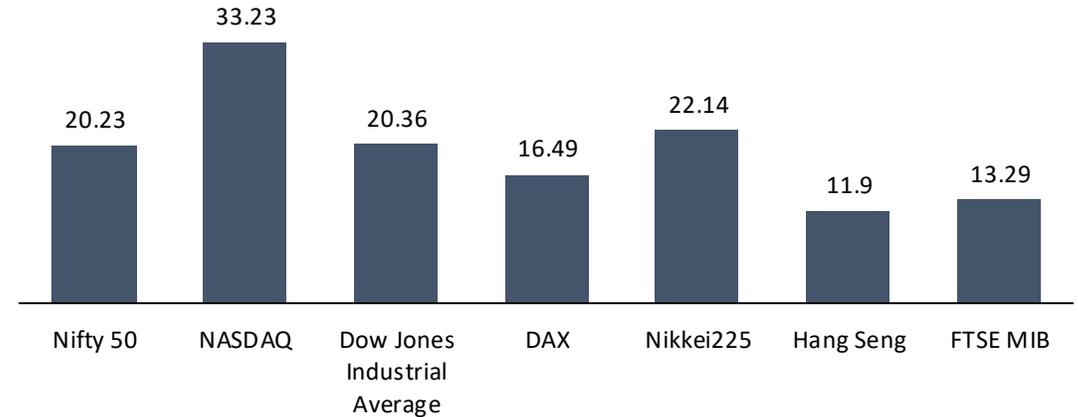
In the recent months, Nifty P/E has drastically corrected to fair valuation levels

Nifty 50 is currently trading at fair valuations vs the global peers



Source: Screener.in

TTM P/E for global market indices



Source: Bloomberg

Strong structural growth story supporting the valuations

- ✓ Currently Nifty 50 has corrected to a reasonable valuation level of ~20x which is much lower than the 1 year and 5 year median PE
- ✓ Given the strong economy and supportive macros (ex the Iran – Israil & US war), India commands a valuation premium vs emerging market peers because of:
 - ❖ Fast growing GDP - ~7.3–7.5% growth (Fitch, MOSPI, consensus) for FY26
 - ❖ Nifty earnings expected to grow at low-to-mid-teens CAGR over FY26–FY28
 - ❖ Political & policy stability
 - ❖ Deep domestic capital flows (SIPs, EPFO, insurance)

Structural hotspots for deals & capital raising

Automobiles and EVs

- ✓ Gradual **shift from ICEs to EVs, CNG and other alternative fuels** to attract new investments for automobile manufacturers
- ✓ Government initiatives like the **FAME and PLI Schemes** for advanced chemistry Cells offer promising investment opportunities in the EV manufacturing and charging infrastructure
- ✓ Tax reforms allowing **100% FDI** through automatic route to boost the investments

Electronics & Semiconductors

- ✓ Supportive initiatives like the **PLI** and the **SEMICON India** Program to boost the growth
- ✓ Leading manufacturers, such as Micron Technologies, Foxconn, Samsung and Tata Group, are setting up manufacturing facilities in India, marking a major milestone in the 'Make in India for the World' story

Renewable Energy

- ✓ India reached 106GW installed RE capacity in FY25
- ✓ With annual tendering target of 50 GW of RE capacity to fuel growth in the medium term – majority being solar, considering govt target of ~300 GW capacity by CY30, India is at a watershed moment in its journey towards a more sustainable and equitable energy future

Real Estate

- ✓ India's real estate market is projected to grow from ~USD 0.3tn in 2025 to USD 1tn by 2030 and USD 5tn by 2047
- ✓ Real Estate's contribution to GDP will rise from 6–8% in 2025 to 14–20% by 2047, driven by urbanization, infrastructure, and policy support
- ✓ Within the broader segment, Commercial real estate (CRE)— especially office space segment— continues to attract substantial long-term capital

Agro & Food Processing

- ✓ Increased agricultural production and improved food processing infrastructure offer investors appealing possibilities in India's agro and food-processing sector.
- ✓ Government initiatives like the PLI Scheme for the Food Processing Industry, Pradhan Mantri Kisan Sampada Yojana, 100% FDI via both the automatic and government approval route adds to the attraction towards the sector for savvy investors

Risks to watch but no break in the long-term story

While the long-term structural story remains intact, investors need to watch-out for certain company specific risks

Valuation – Earnings Mismatch

- ✓ Valuation multiples expanding faster than earnings upgrades
- ✓ Market factors in perfect execution but the earnings delivery lags behind the expectations

Risk of execution and capacity ramp-up

- ✓ Aggressive expansion timelines and steep ramp-up of existing capacities
- ✓ No/bad history of project execution/expansion; Significant delays in the green field projects

Poor capital allocation

- ✓ Deviation of usage of funds from the actual planned usage during the fund raise
- ✓ Continuous dilution of promoter's stake without stabilization of ROCE

Global Macro & Capital flow

- ✓ Global macros including geo-political conditions – impacts the exports, raw material & shipping prices
- ✓ Continuous outflow of foreign capital triggered by currency devaluation, increasing bond yields and decline in appetite for equity risk

Regulatory & Policy changes

- ✓ Changes in key government policies and incentives (incl. PLI, import tariffs, Anti dumping duties, Minimum price support etc)
- ✓ Environmental, land, or compliance-related delays

Corporate Governance

- ✓ Sudden and unexplained changes/exits in the top management/auditors
- ✓ Aggressive accounting practices, Related-party transactions or opaque subsidiaries

Buildup of excessive capacity while demand declines

- ✓ Buildup of capacities despite reduction in the demand leading to over capacity problem
- ✓ Growth supported purely by volumes while the realizations decline

Get In Touch

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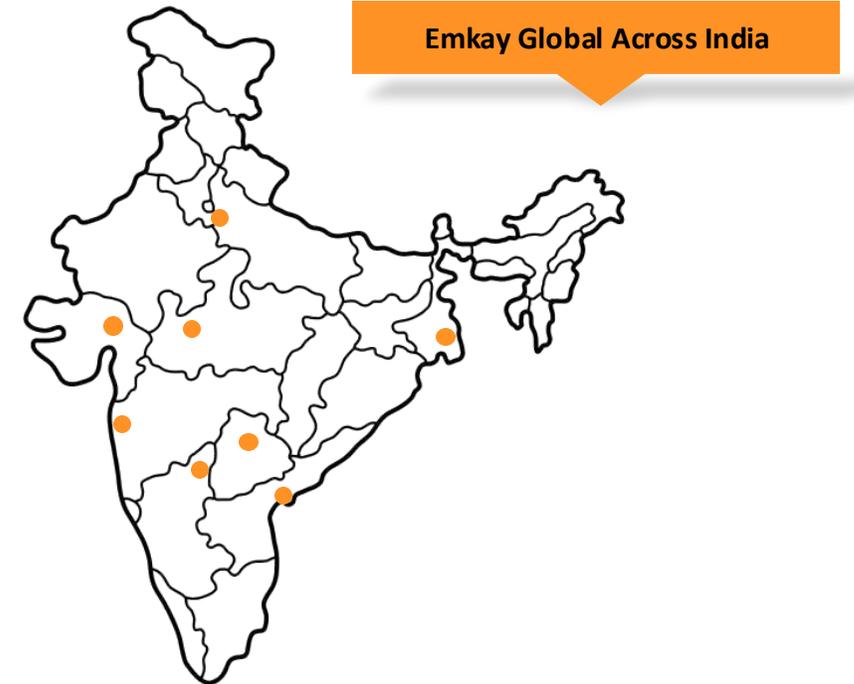


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