MOTILAL OSWAL FINANCIAL SERVICES

23 January 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CY24.%
Sensex	76,405	0.7	8.2
Nifty-50	23,155	0.6	8.8
Nifty-M 100	53,114	-1.3	23.9
Equities-Global	**Close**	**Chg .%**	**CY24.%**
S&P 500	6,086	0.6	23.3
Nasdaq	20,009	1.3	28.6
FTSE 100	8,545	0.0	5.7
DAX	21,254	1.0	18.8
Hang Seng	7,177	-2.0	26.4
Nikkei 225	39,646	1.6	19.2
Commodities	**Close**	**Chg .%**	**CY24.%**
Brent (US$/Bbl)	80	-0.6	-4.5
Gold ($/OZ)	2,756	0.4	27.2
Cu (US$/MT)	9,105	-0.7	2.2
Almn (US$/MT)	2,614	-0.5	7.7
Currency	**Close**	**Chg .%**	**CY24.%**
USD/INR	86.3	-0.3	2.9
USD/EUR	1.0	-0.2	-6.2
USD/JPY	156.5	0.6	11.5
YIELD (%)	**Close**	**1MChg**	**CY24 chg**
10 Yrs G-Sec	6.7	-0.01	-0.4
10 Yrs AAA Corp	7.2	0.00	-0.5
Flows (USD b)	**22-Jan**	**MTD**	**CYTD**
FIIs	-0.5	0.85	-0.8
DIIs	0.42	4.44	62.9
Volumes (INRb)	**22-Jan**	**MTD***	**YTD***
Cash	1,021	1008	1008
F&O	2,09,280	1,88,799	1,88,799

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

HDFC Bank: Earnings in line; asset quality blips amidst seasonality

- HDFC Bank (HDFCB) reported 3QFY25 net profit of INR167.4b (2.2% YoY growth, in line).
- NII grew 7.7% YoY to INR306.5b (in line). NIMs contracted 3bp QoQ to 3.43%.
- Other income stood at INR114.5b (3% YoY growth, in line). Opex grew 1.3% QoQ, while the C/I ratio stood flat at 40.6%.
- Provisions declined 25% YoY to INR31.5b. The bank utilized INR3b of contingent provisions and holds total provisions (floating and contingent) of INR259b.
- GNPA/NNPA ratio increased 6bp/5bp QoQ to 1.42%/0.46%, respectively. PCR decreased 207bp QoQ to 67.8%. Fresh slippages stood at INR88b (however, excl agri, it stood stable at INR65b).
- Advances book grew 3% YoY / 1% QoQ to INR25.2t; deposits grew 16% YoY /3% QoQ to INR25.6t. CD ratio declined to 98.2%, while CASA ratio declined to 34%.
- **We lower our earnings estimate for FY26/27 by 3% each and estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/13.9%. Reiterate BUY with a TP of INR2,050 (2.3x FY27E ABV + INR294 for subs).**

Research covered

Cos/Sector	Key Highlights
HDFC Bank	Earnings in line; asset quality blips amidst seasonality
Hindustan Unilever	Muted print; recovery delays further
Persistent Systems	From strength to strength
Tata Communications	A mixed bag; Digital recovers, core connectivity weak
KEI Industries	Revenue growth strong, but margins weak
Other Updates	Dalmia Bharat | Zensar Tech. | EcoScope | Pidilite Inds. | B P C L | Polycab India | Gravita India

Chart of the Day: HDFC Bank (Earnings in line; asset quality blips amidst seasonality)

Loan growth was modest at 0.9% QoQ amid modest growth in home loans and corporate book, while agri book saw a decline

Gross Loan composition - Internal (INR b)	3Q24	2Q25	3Q25	YoY (%)	QoQ (%)
Auto Loans	1,280	1,375	1,399	9.3%	1.7%
2 wheeler loans	113	125	122	8.0%	-2.4%
Personal loans	1,815	1,896	1,944	7.1%	2.5%
Payment Products	971	1,097	1,123	15.7%	2.4%
Home loans	7,450	8,028	8,171	9.7%	1.8%
Gold Loans	131	159	167	27.5%	5.0%
Other Retail	446	475	499	11.9%	5.1%
Retail Total	**12,206**	**13,155**	**13,425**	**10.0%**	**2.1%**
Commercial and Rural Banking	6,787	7,427	7,532	11.0%	2.7%
Agriculture	930	1,081	1,076	15.7%	-0.5%
Corporate & Other wholesale	5,365	4,671	4,806	-10.4%	0.9%
Total Gross Advances	**25,288**	**26,334**	**26,839**	**6.1%**	**1.9%**
IBPC/BRDS	-594	-1144	-1413	137.9%	23.5%
Gross Advances exc. IBPC/BRDS	**24,694**	**25,190**	**25,426**	**3.0%**	**0.9%**

*standalone numbers

Source: MOFSL, company

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In the news today

Kindly click on textbox for the detailed news link

1

Davos 2025 | Maharashtra signs ₹3.05 lakh crore MoU with Reliance Industries

The investment spans several key sectors, including petrochemicals, polyester, renewable energy, bioenergy, green hydrogen, green chemicals, industrial area development, retail, data centres and telecommunications, hospitality, and real estate.

2

Paras Defence signs MoU with Maharashtra for ₹12,000-crore Optics Park in Navi Mumbai

Paras Defence and Space Technologies Ltd on Wednesday (January 22) said it signed a Memorandum of Understanding (MoU) with the Maharashtra government to develop an Optics Park Project in Navi Mumbai.

3

Railway capex progressing well, on track for completion by March: Ashwini Vaishnaw at Davos

India's railway infrastructure under the current capital expenditure (capex) plan has made significant progress, Union Railway Minister Ashwini Vaishnaw said on Wednesday, January 22, at the World Economic Forum in Davos.

4

Shiva Cement inks ₹380-cr agreement with Bhushan Power for 1 MTPA Odisha grinding unit

Odisha-based Shiva Cement Ltd, a subsidiary of JSW Cement Ltd, on Wednesday (January 22) announced the execution of an agreement with Bhushan Power and Steel Ltd (BPSL) for the development of a 1MTPA (million tonne per annum) cement grinding unit.

5

Argentina and India sign strategic MoU for LNG, Lithium, and Hydrocarbons Cooperation

Argentina and India have inked a landmark MoU for LNG exports, shale gas, and lithium cooperation, marking a significant step towards energy security and growth. The partnership focuses on long-term energy collaboration, including clean energy and electric mobility.

6

NRAI to move CCI in 10 days, push small restaurants to join ONDC platform

The National Restaurants Association of India (NRAI) said it will approach the Competition Commission of India (CCI) within 7-10 days to take legal action against private labelling by food aggregators Zomato and Swiggy.

7

Path beyond diesel engines depends on various factors: Cummins India Head

The path beyond diesel engines in India hinges on how automobile manufacturers evaluate the need for new powertrains based on their diverse requirements, such as operating conditions, performance expectations, duty cycles, affordability, and the availability of retail fuel…

HDFC Bank

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	HDFCB IN
Equity Shares (m)	7648
M.Cap.(INRb)/(USDb)	12742.5 / 147.6
52-Week Range (INR)	1880 / 1363
1, 6, 12 Rel. Per (%)	-4/7/5
12M Avg Val (INR M)	33220

Financials & Valuations (INR b)

Y/E	FY24	FY25E	FY26E
NII	1,085	1,215	1,312
OP	944	997	1,096
NP	608	673	724
NIM (%)	3.4	3.4	3.4
EPS (INR)	80.0	88.7	95.4
EPS Gr. (%)	1.0	10.7	7.6
BV/Sh. (INR)	580	648	723
ABV/Sh. (INR)	555	617	690
Ratios			
RoA (%)	1.8	1.8	1.8
RoE (%)	14.6	14.4	13.9
Valuations			
P/E(X)	20.9	18.9	17.5
P/E(X)*	17.2	15.5	14.4
P/BV (X)	2.9	2.6	2.3
P/ABV (X)*	2.5	2.2	2.0

* adjusted for subs

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	29.9	30.6	26.6
FII	56.0	55.0	58.8
Others	14.1	14.4	14.6

FII includes depository receipts

CMP: INR1,666 TP: INR2,050 (+23%) Buy

Earnings in line; asset quality blips amidst seasonality

NIM contracts 3bp QoQ

- HDFC Bank (HDFCB) reported 3QFY25 net profit of INR167.4b (2.2% YoY growth, in line).
- NII grew 7.7% YoY to INR306.5b (in line). NIMs contracted 3bp QoQ to 3.43%.
- Other income stood at INR114.5b (3% YoY growth, in line). Opex grew 1.3% QoQ, while the C/I ratio stood flat at 40.6%.
- Provisions declined 25% YoY to INR31.5b. The bank utilized INR3b of contingent provisions and holds total provisions (floating and contingent) of INR259b.
- GNPA/NNPA ratio increased 6bp/5bp QoQ to 1.42%/0.46%, respectively. PCR decreased 207bp QoQ to 67.8%. Fresh slippages stood at INR88b (however, excl agri, it stood stable at INR65b).
- Advances book grew 3% YoY / 1% QoQ to INR25.2t; deposits grew 16% YoY /3% QoQ to INR25.6t. CD ratio declined to 98.2%, while CASA ratio declined to 34%.
- **We lower our earnings estimate for FY26/27 by 3% each and estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/13.9%. Reiterate BUY with a TP of INR2,050 (2.3x FY27E ABV + INR294 for subs).**

Asset quality outlook stable; CD ratio eases to 98.2%

- HDFCB reported 3QFY25 net profit of INR167.4b (2.2% YoY growth, in line). In 9mFY25, earnings grew 12.3% YoY to INR497b and we estimate 4QFY24 earnings to grow 7.9% YoY to INR170.1b.
- NII grew 7.7% YoY to INR306.5b (inline). NIMs declined 3bp QoQ to 3.43%. Other income grew 2.8% YoY/ down 0.3% QoQ. Treasury gains declined to INR0.7b vs INR14.7b in 3QFY24.
- Opex grew 7% YoY/1.3% QoQ (in line). C/I ratio stood flat at 40.6%. PPoP grew 6% YoY to INR250b (in line).
- Loans grew at a modest 0.9% QoQ amid slower growth in home and two-wheeler loans and 0.9% QoQ growth in corporate book, while most of the other segments continued to perform well. Deposits grew 16% YoY /3% QoQ, with the CASA ratio declining 130bp QoQ to 34.0%. CD ratio declined 158bp QoQ to 98.2%, due to the bank's efforts to bring down the CD ratio at an accelerated pace while also focusing on profitability. As a result, we estimate a modest loan growth of 5%/10% YoY in FY25/FY26 and expect a ~15% deposit CAGR over FY24-26. We estimate the CD ratio to decline to 90.5% by FY26.
- GNPA/NNPA ratios increased 6bp/5bp QoQ to 1.42% / 0.46%, respectively. PCR declined 207bp QoQ to 67.8%. Fresh slippages stood at INR88b (however, excl agri, it stood stable at INR65b). CAR improved to 20%, with Tier 1 at 18% (CET1 at 17.5%).
- **Subsidiary performance: HDB Financial** reported loan growth of 22% YoY/ 4% QoQ to INR1021b, while PAT stood at INR4.7b. GS3 assets increased to 2.2%, while CAR was 19.2%. **HDFC Securities:** Revenue grew 13% YoY to INR7.9b, while PAT rose 16% YoY to INR2.7b.

Highlights from the management commentary

- 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 provision policy for retail loans varies by product type: Unsecured loans are written off at 150DPD, while secured loans are written off at 150-180DPD.
- Loan mix: 70% is floating (of which, Repo is 45% and the remainder is MCLR and other benchmarks), while the remaining 30% is fixed.

Valuation and view: Reiterate BUY with a TP of INR 2,050

HDFCB reported in-line earnings while margins contracted 3bp QoQ. Deposit growth was strong, while advances growth stood tepid, aligning with the bank's strategy to reduce the CD ratio at an accelerated pace. CASA ratio also declined to 34%. Asset quality witnessed a marginal deterioration, while PCR declined to ~67.8%. However, HDFCB holds healthy provisions (floating + contingent) of INR259b or 1.0% of loans. Given the bank's focus on reducing the CD ratio at an accelerated rate, we factor in a moderation in loan growth in FY25/FY26 to 5%/10%. However, the gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will support return ratios over the coming years. **We cut our earnings estimate for FY26/27 by 3% each, reflecting slower loan growth and CASA moderation. We estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/13.9%. Reiterate BUY with a TP of INR2,050 (2.3x FY27E ABV + INR294 for subs).**

Quarterly performance **(INR b)**

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est (%)
Net Interest Income	**236.0**	**273.9**	**284.7**	**290.8**	**298.4**	**301.1**	**306.5**	**309.3**	**1,085.3**	**1,215.3**	**303.4**	**1.0%**
% Change (Y-o-Y)	21.1	30.3	23.9	24.5	26.4	10.0	7.7	6.4	25.0	12.0	6.5	
Other Income	92.3	107.1	111.4	181.7	106.7	114.8	114.5	126.8	492.4	462.9	117.1	-2.2%
Total Income	**328.3**	**380.9**	**396.1**	**472.4**	**405.1**	**416.0**	**421.1**	**436.1**	**1,577.7**	**1,678.2**	**420.5**	**0.1%**
Operating Expenses	140.6	154.0	159.6	179.7	166.2	168.9	171.1	175.4	633.9	681.5	172.9	-1.0%
Operating Profit	**187.7**	**226.9**	**236.5**	**292.7**	**238.8**	**247.1**	**250.0**	**260.7**	**943.9**	**996.6**	**247.6**	**1.0%**
% Change (Y-o-Y)	22.2	30.5	24.3	57.2	27.2	8.9	5.7	-10.9	34.1	5.6	4.7	
Provisions	28.6	29.0	42.2	135.1	26.0	27.0	31.5	29.4	234.9	113.9	26.8	17.5%
Profit before Tax	**159.1**	**197.9**	**194.3**	**157.6**	**212.8**	**220.1**	**218.5**	**231.3**	**709.0**	**882.7**	**220.8**	**-1.0%**
Tax	39.6	38.1	30.6	-7.5	51.1	51.8	51.1	55.2	100.8	209.2	54.3	
Net Profit	**119.5**	**159.8**	**163.7**	**165.1**	**161.7**	**168.2**	**167.4**	**176.2**	**608.1**	**673.5**	**166.4**	**0.5%**
% Change (Y-o-Y)	30.0	50.6	33.5	37.1	35.3	5.3	2.2	6.7	37.9	10.7	1.7	
Operating Parameters												
Deposit	19,131	21,729	22,140	23,798	23,791	25,001	25,638	27,391	23,798	27,391	25,873	
Loan	16,157	23,312	24,461	24,849	24,635	24,951	25,182	26,041	24,849	26,041	25,656	
Deposit Growth (%)	19.2	29.8	27.7	26.4	24.4	15.1	15.8	15.1	26.4	15.1	16.9	
Loan Growth (%)	15.8	57.5	62.3	55.2	52.5	7.0	3.0	4.8	55.2	4.8	4.9	
Asset Quality												
Gross NPA (%)	1.2	1.3	1.3	1.2	1.3	1.4	1.4	1.4	1.2	1.4	1.4	
Net NPA (%)	0.3	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.3	0.5	0.4	
PCR (%)	74.9	74.4	75.3	74.0	71.2	69.9	67.8	67.8	74.0	67.8	70.2	

E: MOFSL Estimates

22 January 2025

3QFY25 Results Update | Sector: Consumer

Hindustan Unilever

Estimate changes	↔
TP change	↓
Rating change	↔

Bloomberg	HUVR IN
Equity Shares (m)	2350
M.Cap.(INRb)/(USDb)	5505 / 63.8
52-Week Range (INR)	3023 / 2162
1, 6, 12 Rel. Per (%)	2/-9/-12
12M Avg Val (INR M)	5113

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	632.3	687.2	743.4
Sales Gr. (%)	2.2	8.7	8.2
EBITDA	148.7	164.5	179.7
EBITDA mrg. (%)	23.5	23.9	24.2
Adj. PAT	103.5	115.8	127.2
Adj. EPS (INR)	44.1	49.3	54.1
EPS Gr. (%)	0.8	11.9	9.8
BV/Sh.(INR)	218.5	221.3	225.9
Ratios			
RoE (%)	20.2	22.4	24.2
RoCE (%)	28.1	30.7	33.1
Payout (%)	102.1	97.4	94.2
Valuations			
P/E (x)	53.1	47.5	43.2
P/BV (x)	10.7	10.6	10.4
EV/EBITDA (x)	36.7	33.1	30.2
Div. Yield (%)	1.9	2.1	2.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	61.9	61.9	61.9
DII	14.7	14.2	12.4
FII	11.4	12.2	13.7
Others	11.9	11.7	12.1

FII includes depository receipts

CMP: INR2,340 TP: INR2,850 (+22%) Buy

Muted print; recovery delays further

- Hindustan Unilever's (HUVR) 3QFY25 revenue was up 2% at INR155.9b (in line), with flat underlying volume growth (est. 1%, 3% in 2QFY25). Demand recovery continues to witness a delay, with urban consumption reeling 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. The company's own initiatives are inspiring, but urban recovery is essential for translating them into volume pickup.
- Home Care maintained high-single-digit volume growth and clocked 5% revenue growth. Fabric Wash and Household Care sustained strong growth. The segment continues to see margin expansion, with a 10% YoY EBIT growth.
- The Beauty & Wellbeing segment witnessed a low-single-digit volume decline, with revenue growth of 3% (standalone 1%) impacted by the delayed winter and mass skin portfolio. Hair Care portfolio reported mid-single-digit volume growth and non-winter portfolio delivered mid-single-digit growth. Margin pressure sustained, with EBIT declining 7% YoY.
- 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. EBIT growth was 9% despite a high RM inflationary scenario.
- Food & Refreshment (F&R) posted a mid-single-digit volume decline with flat revenue growth. Tea witnessed low single-digit growth, led by pricing, while premium tea witnessed growth in mid-single digits. Coffee reported double-digit growth while Nutrition drinks saw a decline. The Ice Cream business was flat during the quarter. EBIT growth was at 6%.
- The company focuses on volume-led growth through various initiatives to strengthen its core portfolio, expand TAM, drive premiumization, and transform its Beauty & Wellbeing (B&W) and Foods portfolio. The company is also exploring new growth levers through inorganic opportunities. However, near-term performance will remain muted due to urban weakness. We reiterate our BUY rating with a TP of INR2,850 (55x on Dec'26E EPS).

Flat volume growth; marginal miss in EBITDA

- Net sales grew 2% YoY to INR155.9b (est. INR158.0b), with flat underlying volume growth (est. 1%, 3% in 2QFY25). Home Care remains the showstopper, while the B&W segment was the weakest.
- Gross margin contracted 60bp YoY to 51.3% (in-line). Employee expenses were up 5% YoY. Other expenses were up 4% YoY, while ad spends declined 7% YoY. This led to a lower contraction in EBITDA margin by 20bp to 23.4% (in line).
- EBITDA was flat YoY at INR37.0b (est. INR38.4b), PBT was flat YoY at INR34.7b (est. INR36.8b), and PAT (bei) grew 1% YoY to INR25.6b (est. INR27.1b).

- Reported PAT was up 19% YoY at INR29.8b. There was an exceptional item of INR5,070m which included a gain of INR5,740m from the divestment of 'Pureit' water purifier business, restructuring expenses of INR720m, and a profit of INR50m from the sale of property.

Management conference call highlights

- FMCG demand trends remained subdued during the quarter, with continued moderation in urban growth, while rural sustained its gradual recovery. Wage growth, food inflation, and employment need to improve to drive overall consumption.
- 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.
- Organized trade continues to outpace growth compared to other channels and has grown in the double digits during the quarter.
- HUVR is under-indexed in the premium beauty and wellbeing category and has targeted to shift its portfolio toward premiumization by 900bp. Recent acquisitions have been made to address the same.

Minimalist acquisition to drive premium B&W

- 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.
- 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.
- The acquisition of Minimalist supports this transformation by expanding HUVR's beauty portfolio. Minimalist operates in the masstige segment with strong e-commerce capabilities.

Valuation and view

- We cut our EPS estimates by 2% for FY25 and 3% for FY26 as we factor in the delay in demand recovery.
- HUVR has continued to strengthen its brand, distribution network, and quality of personnel, thereby remaining ahead of its peers. Additionally, with its analytics and R&D initiatives (much ahead of peers) in recent years, HUVR ensures it remains adaptive in a dynamically changing environment.
- HUVR is expected to take corrective actions to address the white space, particularly in B&W and Foods. The company commands strong leadership in Home Care, which can be capitalized during improving macros.
- We reiterate our BUY rating with a TP of INR2,850 (55x on Dec'26E EPS).

Quarterly performance (Consolidated) **(INR b)**

Y/E March	FY24				FY25E						FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY24	FY25E	3QE	
Domestic volume growth (%)	**3.0**	**2.0**	**2.0**	**2.0**	**4.0**	**3.0**	**0.0**	**1.0**	**2.3**	**2.0**	**1.0**	
Revenue	**155.0**	**156.2**	**155.7**	**152.1**	**157.1**	**159.3**	**158.2**	**157.8**	**619.0**	**632.3**	**160.5**	-1.5%
YoY change (%)	*6.0*	*3.2*	*-0.2*	*0.0*	*1.4*	*1.9*	*1.6*	*3.7*	*2.2*	*2.2*	*3.1*	
COGS	76.8	73.5	74.8	72.6	75.5	77.1	77.0	77.1	298	307	78.3	
Gross Profit	**78.2**	**82.8**	**80.9**	**79.5**	**81.6**	**82.2**	**81.2**	**80.7**	**321.4**	**325.6**	**82.2**	
Margin %	*50.4*	*53.0*	*52.0*	*52.3*	*52.0*	*51.6*	*51.3*	*51.1*	*51.9*	*51.5*	*51.2*	
EBITDA	**36.7**	**38.0**	**36.7**	**35.4**	**37.4**	**37.9**	**37.0**	**36.4**	**146.6**	**148.7**	**38.4**	-3.7%
YoY change (%)	*7.7*	*9.1*	*-0.8*	*-1.1*	*2.2*	*-0.1*	*0.8*	*3.0*	*3.6*	*1.4*	*4.7*	
Margins (%)	*23.7*	*24.3*	*23.5*	*23.2*	*23.8*	*23.8*	*23.4*	*23.1*	*23.7*	*23.5*	*23.9*	
Depreciation	2.9	3.0	3.1	3.2	3.3	3.4	3.4	3.4	12.2	13.5	3.3	
Interest	0.5	0.9	0.9	1.1	0.9	1.1	1.1	1.0	3.3	4.2	1.1	
Other income	1.8	1.8	2.1	2.3	2.6	2.2	2.3	2.3	8.1	9.4	2.4	
PBT	**35.1**	**36.0**	**34.8**	**33.4**	**35.8**	**35.6**	**34.7**	**34.3**	**139.2**	**140.5**	**36.4**	-4.5%
Tax	9.2	9.3	9.4	8.6	9.2	9.5	9.9	8.8	36.4	37.4	9.3	
Rate (%)	*26.1*	*25.9*	*27.0*	*25.7*	*25.6*	*26.6*	*28.6*	*25.7*	*26.2*	*26.6*	*25.5*	
PAT bei	**25.8**	**26.6**	**25.3**	**25.0**	**26.5**	**26.0**	**25.6**	**25.4**	**102.7**	**103.5**	**27.1**	-5.5%
YoY change (%)	*8.0*	*-1.1*	*-2.0*	*-1.6*	*2.5*	*-2.1*	*1.0*	*1.7*	*0.7*	*0.8*	*6.9*	
Reported Profit	**25.5**	**26.6**	**25.1**	**25.6**	**26.1**	**25.9**	**29.8**	**25.4**	**102.8**	**107.4**	**27.1**	

E: MOFSL Estimates

22 January 2025

3QFY25 Results Update | Sector: Technology

Persistent Systems

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	PSYS IN
Equity Shares (m)	156
M.Cap.(INRb)/(USDb)	885.7 / 10.3
52-Week Range (INR)	6789 / 3232
1, 6, 12 Rel. Per (%)	-9/25/36
12M Avg Val (INR M)	2626

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	119.1	143.9	171.8
EBIT Margin (%)	14.5	15.1	15.4
Adj. PAT	13.9	17.4	21.2
Adj. EPS (INR)	90.7	113.5	138.0
EPS Gr.(%)	20.8	25.2	21.5
BV/Sh.(INR)	377.5	445.6	528.4
Ratios			
RoE (%)	25.9	27.6	28.3
RoCE (%)	23.4	25.0	25.7
Payout (%)	40.0	40.0	40.0
Valuations			
P/E (x)	62.3	49.8	41.0
P/BV (x)	15.0	12.7	10.7
EV/EBITDA (x)	41.7	32.9	26.8
Div. Yield (%)	0.6	0.8	1.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	30.7	30.7	31.1
DII	26.3	27.4	26.1
FII	25.8	25.0	25.9
Others	17.2	17.0	16.9

FII Includes depository receipts

CMP: INR5,655 TP: INR7,600 (+34%) Buy

From strength to strength

Company eyes USD5b by FY31; we keep one eye on margins

- Persistent Systems (PSYS) reported 3QFY25 revenue of USD360.2m, up 4.3% QoQ in USD terms (est. 3.9%) and 4.6% in CC. EBIT margin stood at 14.9% (est. 14.4%). EBIT grew 12.2% QoQ/25.5% YoY to INR4.5b. PAT came in at INR3.7b (est. INR3.5b), up 14.8% QoQ/30.4% YoY. For 9MFY25, revenue/EBIT/PAT grew 20.3%/19.7%/21.5% vs. 9MFY24. We expect revenue/EBIT/PAT to grow by 24.2%/27.3%/22.9% YoY in 4QFY25. TTM TCV was USD594.1m, up 12% QoQ and 14% YoY (1.6x book-to-bill). We value PSYS at 55x FY27E EPS**.** Reiterate BUY with a TP of INR7,600.

Our view: Growth converging across verticals

- **Revenue growth strong and broad-based:** Unlike in previous quarters when the healthcare deal ramp-up was the key driver, revenue growth in 3QFY25 was broad-based. BFSI, Healthcare, and Hi-Tech all registered healthy growth of 4.9%, 4.3% and 3.7%, respectively.
- **We expect FY26E growth to be of a similar flavour:** While Healthcare ramp-down and short-term headwinds in the sector may lead to some slowdown, we expect BFSI and Hi-Tech to be the fastest-growing verticals for the industry overall and for PSYS as well.
- **On track for USD2b in revenues by FY27, but the goal-post shifts to FY31**: We are enthused by the management's continued guidance of achieving USD2b in revenue by FY27. This implies a CAGR of 19% over FY24-FY27, making PSYS one of the fastest-growing companies in the industry. We admire management's focus and clarity of thought, though we seek more clarity on the FY31 revenue target of USD5b, which implies a CAGR of 25% over FY27-31.
- **Margins, however, are a risk**: Despite healthy 3% headcount addition, utilization stands at 87% and key margin levers are now maxed out. SG&A leverage still remains a key lever; however, we estimate only a modest margin expansion of 50bp over FY26E (another 20bp by FY27E) despite the management reiterating its target of 200-300bp margin expansion over the medium term.

Valuation and changes in our estimates

- **We project a 19% USD revenue CAGR over FY24-27E for PSYS**, which, combined with margin expansion, could result in a ~21%+ EPS CAGR. This places PSYS in a league of its own as a diversified product engineering and IT services player, justifying a premium valuation multiple.
- Our estimates are largely unchanged. The stock is currently trading at an admittedly expensive valuation. That said, owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 55x FY27E EPS. **Reiterate BUY with a TP of INR7,600.**

Revenue and margins beat estimates; BFSI & Healthcare led growth

- 3QFY25 revenue stood at USD360.2m, up 4.3% QoQ in USD terms (above our estimate of 3.9% QoQ). It reported CC growth of 4.6% QoQ.
- Growth was led by BFSI (up 4.9% QoQ) and Healthcare (up 4.3% QoQ).
- EBIT margin at 14.9% was up by 90bp QoQ and above our estimate of 14.4%.
- TTM TCV was USD594.1m, up 12% QoQ and 14% YoY (1.6x book-to-bill; in line with average for the past two years).
- Net new TCV was down 14%% QoQ at USD333.6m. ACV stood at USD428.3m.
- Net headcount improved by 3.0% QoQ. Utilization was up 260bp QoQ at 87.4%. TTM attrition was up 60bp QoQ at 12.6%.
- The top-5 clients witnessed 2.3% QoQ growth, whereas the top 10 clients remained flat QoQ.
- EBITDA grew 11.9% QoQ/21.7% YoY to INR5.4b and EBITDA margin came in at 17.6%, above our estimate of 17.0%.
- Adj. PAT stood at INR3.7b (up 14.8% QoQ/30.4% YoY), above our estimate of INR3.5b.

Key highlights from the management commentary

- The sentiment is improving in certain business segments, with a buoyant outlook.
- 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.
- 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.
- Future margin improvements are anticipated through cost optimization, including pricing strategies to drive non-linear revenues and optimizing SG&A expenses.
- Utilization at 85% is comfortable. It increased to 87.4% in 3Q and is expected to be around that level for a few quarters.
- An interim dividend of INR20 per share was declared for the quarter.

Valuation and view

- Our estimates are broadly unchanged. The stock is currently trading at an admittedly expensive valuation. That said, owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 55x FY27E EPS. **Reiterate BUY with a TP of INR7,600.**

Quarterly Performance (IFRS)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var. (% /
(Consolidated)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY25	bp)
Revenue (USD m)	**282.9**	**291.7**	**300.6**	**310.9**	**328.2**	**345.5**	**360.2**	**374.2**	**1,186**	**1,408**	**358.9**	**0.4**
QoQ (%)	3.0	3.1	3.0	3.4	5.6	5.3	4.3	3.9	14.5	18.7	3.9	37bp
Revenue (INR m)	**23,212**	**24,117**	**24,982**	**25,905**	**27,372**	**28,972**	**30,623**	**32,180**	**98,216**	**1,19,146**	**30,267**	**1.2**
QoQ (%)	3.0	3.9	3.6	3.7	5.7	5.8	5.7	5.1			4.5	123bp
YoY (%)	23.6	17.7	15.2	14.9	17.9	20.1	22.6	24.2	17.6	21.3	21.2	143bp
GPM (%)	**34.2**	**33.1**	**33.8**	**33.3**	**33.0**	**33.4**	**34.7**	**34.0**	**33.6**	**33.8**	**33.5**	**119bp**
SGA (%)	**16.0**	**16.3**	**16.1**	**15.7**	**16.4**	**16.8**	**17.1**	**16.5**	16.0	16.7	**16.5**	63bp
EBITDA	**4,229**	**4,052**	**4,418**	**4,544**	**4,552**	**4,807**	**5,378**	**5,632**	**17,243**	**20,369**	**5,145**	**4.5**
EBITDA Margin (%)	**18.2**	**16.8**	**17.7**	**17.5**	**16.6**	**16.6**	**17.6**	**17.5**	**17.6**	**17.1**	**17.0**	**56bp**
EBIT	**3,466**	**3,308**	**3,631**	**3,744**	**3,840**	**4,062**	**4,557**	**4,768**	**14,149**	**17,227**	**4,367**	**4.3**
EBIT Margin (%)	**14.9**	**13.7**	**14.5**	**14.5**	**14.0**	**14.0**	**14.9**	**14.8**	**14.4**	**14.5**	**14.4**	**45bp**
Other income	90	250	262	210	165	283	263	257	813	969	242	8.7
ETR (%)	22.0	26.0	26.5	20.3	23.5	25.2	22.6	22.9	23.7	23.5	23.0	
Adj. PAT	**2,774**	**2,633**	**2,861**	**3,153**	**3,064**	**3,250**	**3,729**	**3,876**	**11,421**	**13,919**	**3,549**	**5.1**
QoQ (%)	10.3	-5.1	8.7	10.2	-2.8	6.1	14.7	3.9			9.2	553bp
YoY (%)	31.1	19.7	6.9	25.4	10.5	23.4	30.3	22.9	20.1	21.9	24.0	628bp
Reported EPS (INR)	**15.0**	**17.3**	**18.8**	**20.7**	**19.9**	**21.2**	**24.3**	**25.3**	**71.9**	**90.7**	23.2	5.0

Tata Communications

Estimate change	
TP change	
Rating change	

Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USDb)	478.2 / 5.5
52-Week Range (INR)	2175 / 1586
1, 6, 12 Rel. Per (%)	0/-1/-11
12M Avg Val (INR M)	1000

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY25E
Net Sales	209.7	231.1	246.8
EBITDA	42.3	46.3	52.8
Adj. PAT	12.0	10.1	15.6
EBITDA Margin (%)	20.2	20.0	21.4
Adj. EPS (INR)	42.3	35.3	54.8
EPS Gr. (%)	-30.0	-16.5	55.4
BV/Sh. (INR)	62.7	84.2	124.4
Ratios			
Net D:E	4.9	4.0	2.2
RoE (%)	72.9	48.0	52.5
RoCE (%)	14.4	11.8	15.4
Payout (%)	39.5	39.7	32.9
Valuations			
EV/EBITDA (x)	13.4	12.4	10.6
P/E (x)	39.7	47.6	30.6
P/BV (x)	26.8	19.9	13.5
Div. Yield (%)	1.0	0.8	1.1
FCF Yield (%)	2.0	2.9	4.6

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	58.9	58.9	58.9
DII	13.7	13.5	12.1
FII	17.8	18.1	19.2
Others	9.7	9.6	9.8

FII includes depository receipts

CMP: INR1,678 TP: INR1,850 (+10%) Neutral

A mixed bag; Digital recovers, core connectivity weak

- Tata Communications (TCOM)'s 3Q results were a mixed bag as ~10% YoY revenue growth in the Digital portfolio was offset by continued weakness in core connectivity (-1% QoQ).
- TCOM's adjusted EBITDA margin improved ~150bp QoQ to 20% on account of the deconsolidation of lower-margin TCPSL and NetFoundry business and slightly lower losses in the Digital portfolio.
- TCOM's revenue and EBITDA were boosted by INR285m prior period revenue recognition. Adjusted revenue/EBITDA missed our estimates by ~3-4%, due to weaker growth in core connectivity.
- Management indicated that funnel additions remain robust, especially in the international business. However, order booking was relatively slower in 3Q (vs. 1HFY25) on account of elongated deal conversion cycle. Management maintained its ambition of doubling data revenue and improving EBITDA margins to 23-25% by FY27.
- We currently build in ~11% CAGR in TCOM's data revenue over FY24-27 and expect digital to account for ~51% of TCOM's data revenue (vs. ~47% in 3Q). An acceleration in digital revenue along with margin improvement remains the key for re-rating.
- We roll forward our estimates to Mar'27 and raise our SoTP-based TP to INR1,850. After the recent correction, the stock trades at ~10% premium to its LT average EV/EBITDA. **We reiterate our Neutral rating and await consistency in growth before turning more constructive on the stock**.

Data revenue up ~6% YoY (~2% miss); adj. EBITDA flat YoY (4% miss)

- Adj. consolidated revenue inched up modest ~2% QoQ (+3% YoY) to INR57.7b (~3% miss). TCOM recognized INR285m in other operating income pertaining to reversals from the prior period (vs. INR865m in 2Q).
  - Data revenue at INR49b (2% miss) grew by 1% QoQ (+6% YoY), with core connectivity declining ~1% QoQ (+3% YoY), while the Digital portfolio grew ~4% QoQ (+10% YoY).
  - Adjusted for FX benefits, the reported revenue growth would have been lower at ~2% YoY (flat QoQ).
- Adj. consol EBITDA rose ~11% QoQ (but flat YoY) to INR 11.5b (~4% miss), likely on account of weaker growth in the loss-making incubation business and deconsolidation of the lower-margin subsidiaries.
  - Consolidated adjusted EBITDA margin improved 150bp QoQ (-65bp YoY) to 20% (15bp miss). Deconsolidation of TCPSL and NetFoundry boosted margin by ~40bp.
- Reported Consol PAT at INR2.4b inched up ~4% QoQ (19% miss).
- Adjusted PAT (including losses from assets held for sale) declined ~4% YoY to INR2.2b (24% miss) due to lower EBITDA and a higher tax rate.
- Net debt was stable QoQ at INR105b despite adverse FX and TCPSL's deconsolidation impact.

- Committed capex further inched up to INR7.5b in 3Q (vs. INR10.2b in 1H), while cash capex was up ~9% QoQ at INR4.9b.
- Reported FCF improved sharply to INR8.4b (vs. outflows of INR5.8b in 1H).
- Reported RoCE (annualized) declined further to 16.0% from 16.4% in 2QFY25.

Key takeaways from the management interaction

- **Demand outlook:** Management indicated that funnel additions remained robust, especially in the international markets, with the 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 for improving margins to the 23-25% range by FY27. Management noted that growth acceleration in digital portfolios remains the key lever for margin improvement.
- **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 the topline by INR360m but boosted the EBITDA margin by ~40bp.

Valuation and view

- We currently model ~18% CAGR in digital revenue over FY24-27 and expect digital to account for ~51% of TCOM's data revenue (vs. ~47% in 3Q). An acceleration in digital revenue remains key for re-rating.
- We cut our FY25-27E revenue by ~1% and build in ~11% data revenue CAGR over FY24-27, with data revenue reaching INR236b by FY27 (vs. TCOM's ambition of INR280b). We believe TCOM's ambition of doubling data revenue by FY27 remains a tall ask without further acquisitions.
- We lower our FY25-26E EBITDA by ~1% each as the cut in revenue is offset by a slight improvement in margin. We now assume the FY27 EBITDA margin at ~22.6%. However, with a rising share of inherently lower-margin businesses in TCOM's mix, we believe that margin expansion to 23-25% by FY27 could be difficult.
- We ascribe 10X EV/EBITDA to TCOM's data business and 5X EV/EBITDA to voice and other businesses. We ascribe an INR27b (or INR95/share) valuation to TCOM's 26% stake in STT data centers. We roll forward our estimates to Mar'27 and raise our SoTP-based TP to INR1,850. After the recent correction, the stock now trades at ~10% premium to its LT average EV/EBITDA. **Reiterate Neutral.**

Cons. Quarterly Earnings (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	Var (%)
Revenue	**47.7**	**48.7**	**56.3**	**56.9**	**56.3**	**56.4**	**57.7**	**59.1**	**209.7**	**231.1**	**59.5**	-3
YoY Change (%)	10.7	10.0	24.4	24.6	18.1	15.8	2.4	3.8	17.5	10.2	5.6	
Total Expenditure	37.5	38.6	45.0	46.4	45.1	46.0	46.2	47.0	167.4	184.8	47.5	-3
EBITDA	**10.2**	**10.2**	**11.3**	**10.6**	**11.2**	**10.4**	**11.5**	**12.1**	**42.3**	**46.3**	**12.0**	-4
YoY Change (%)	-4.9	-10.1	5.3	2.1	9.8	2.7	1.6	14.2	-2.0	9.4	5.6	
Depreciation	5.8	6.1	6.2	6.7	6.5	6.5	6.4	6.7	24.7	26.1	6.6	-4
Interest	1.3	1.4	1.9	1.9	1.7	1.9	1.9	1.9	6.4	7.4	1.9	-2
Other Income	1.9	0.3	0.1	0.6	0.3	0.1	0.3	0.3	2.8	1.0	0.3	4
PBT Before EO Expense	**5.0**	**3.0**	**3.4**	**2.6**	**3.3**	**2.2**	**3.6**	**3.8**	**14.0**	**13.7**	**3.7**	-4
Exceptional (gain)/loss	0.0	0.0	1.9	0.5	-0.9	-1.3	0.0	0.0	2.4	-1.1	0.0	
PBT	**5.0**	**3.0**	**1.5**	**2.1**	**4.2**	**3.4**	**3.6**	**3.8**	**11.6**	**14.9**	**3.7**	-4
Tax	1.3	0.8	1.1	-1.1	0.9	1.0	1.3	0.8	2.1	4.0	0.8	
Rate (%)	25.9	26.1	73.8	-52.4	20.8	28.3	35.3	22.5	18.4	26.6	22.5	
MI & P/L of Asso. Cos.	-0.1	0.0	0.0	-0.1	0.0	0.2	0.1	-0.1	-0.2	-0.3	0.0	
Reported PAT	**3.8**	**2.2**	**0.4**	**3.2**	**3.3**	**2.3**	**2.2**	**3.0**	**9.7**	**11.2**	**2.9**	-24
Adj PAT	**3.8**	**2.2**	**2.3**	**3.7**	**2.5**	**1.0**	**2.2**	**3.0**	**12.0**	**8.7**	**2.9**	-24
YoY Change (%)	-30.2	-51.5	-41.5	14.5	-34.9	-55.8	-3.5	-18.9	-30.0	-27.8	26.8	

E: MOFSL Estimates

KEI Industries

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	KEII IN
Equity Shares (m)	96
M.Cap.(INRb)/(USDb)	394.4 / 4.6
52-Week Range (INR)	5040 / 2884
1, 6, 12 Rel. Per (%)	1/6/29
12M Avg Val (INR M)	1200
Free float (%)	65.0

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	93.3	108.9	127.4
EBITDA	9.3	11.2	14.2
Adj. PAT	6.5	7.8	9.6
EBITDA Margin (%)	9.9	10.3	11.2
Cons. Adj. EPS (INR)	68.2	82.4	100.7
EPS Gr. (%)	6.0	20.7	22.3
BV/Sh. (INR)	605	682	776
Ratios			
Net D:E	(0.3)	(0.3)	(0.3)
RoE (%)	14.6	12.8	13.8
RoCE (%)	14.9	13.1	14.2
Payout (%)	7.0	7.3	6.0
Valuations			
P/E (x)	60.5	50.1	41.0
P/BV (x)	6.8	6.1	5.3
EV/EBITDA (x)	40.2	33.3	26.2
Div Yield (%)	0.1	0.1	0.1
FCF Yield (%)	(1.6)	(0.2)	0.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	35.0	37.1	37.1
DII	20.7	16.0	16.1
FII	29.8	31.1	31.0
Others	14.5	15.8	15.9

FII Includes depository receipts

CMP: INR4,128 TP: INR4,780 (+16%) BUY

Revenue growth strong, but margins weak

Targets a 20%+ revenue CAGR to reach INR250b by FY30

- KEI Industries (KEII)'s 3QFY25 revenue grew 20% YoY (in line, as strong revenue growth in the C&W/SSW segment offset lower-than-estimated EPC revenue). Its EBITDA grew ~12% YoY to INR2.4b (3% miss). OPM contracted 70bp YoY to 9.8% (-70bp vs. our estimate) due to a lower margin in the C&W segment. KEII's PAT grew ~9% YoY to INR1.6b (-6% vs. our estimates).
- Management remains optimistic about the demand outlook both in the domestic and export markets. KEI estimates a revenue growth of 19-20% YoY in FY26 and an EBITDA margin of ~11%. The company aims to clock a revenue CAGR of 20%+ over FY26-30E to reach INR250b by FY30. EBITDA margin is likely to improve to 12.5% by FY28E (vs. ~10% in FY25E).
- We cut our FY25-27 EPS estimates by ~6-7% as we factor in lower EPC revenue and reduced margin in the C&W/EPC segment. We estimate an EPS CAGR of ~21% over FY25-27. We value KEII at 50x Dec'26E EPS to arrive at our revised TP of INR4,780 (vs. INR5,150 earlier). **Reiterate BUY.**

Revenue/EBITDA up 20%/12% YoY; OPM down 70bp YoY to 9.8%

- KEII's revenue/EBITDA/Adj. PAT stood at INR24.7b/INR2.4b/INR1.6b (+20%/ +12%/+9% YoY and +3%/-3%/-6% vs. our est.) in 3QFY25. Gross margin contracted 1.0pp YoY (flat QoQ) to 22.7%. OPM was down 70bp YoY to 9.8%.
- **Segmental highlights:** 1) **C&W's** revenue was up ~26% YoY to INR23.5b, EBIT rose ~20% YoY to INR2.4b, while EBIT margin dipped 50bp YoY to 10.1% (90bp below our estimate). 2) **EPC's** revenue declined ~80% YoY to INR759m, EBIT declined 96% YoY to INR19m, and EBIT margin contracted 9.2pp YoY to 2.5%. 3) **Stainless Steel Wires (SSW)'s** revenue grew 19% YoY to INR551m, EBIT dipped 15% YoY to INR30m, and EBIT margin was down 2.3pp YoY at 5.5%.
- In 9MFY25, KEII's revenue/EBITDA/PAT grew 18%/13%/14% YoY. EBITDA margin was down 40bp YoY to 9.9%. C&W's revenue/EBIT grew 21%/26% YoY, and EBIT margin surged 40bp YoY to 10.5%. We estimate a revenue/ EBITDA/PAT growth of 9%/5%/6% YoY considering the high base.

Key highlights from the management commentary

- Volume growth for cables & wires was 16-17% in 3Q. Domestic institutional sales of C&W stood at INR8.1b; up 45% YoY. Domestic institutional EHV sales stood at INR410m; down 78% due to non-receipt of ROW permissions and clearances for undertaking the works. Management expects a 50bp margin improvement in 4QFY25.
- Capacity utilization stood at 85% for cable, 70% for housing wire, and 91% for stainless steel wire during 9MFY25.
- The company has reduced RM purchases through LCs due to surplus funds, which will help save interest expenses.

Valuation and view

- We estimate KEII's overall revenue CAGR at ~17% over FY25-27, driven by ~18% growth in the C&W segment and ~8% growth in the SSW segment, while EPC's revenue is projected to decline ~10% annually. EBITDA is estimated to clock a CAGR of ~24%, with margins expanding 120bp to 11.2% by FY27. Margin expansion is likely to be led by higher revenue, better operating leverage, and improved gross margin from the retail, exports, and product mix. Adjusted PAT is estimated to post ~21% CAGR.
- KEII has delivered strong revenue growth led by a strong demand environment, a diversified customer base, and a significant presence across domestic and international markets. Its growing focus on the retail segment and capacity expansion would continue to drive growth for the company. The stock is trading at 50x/41x FY26E/FY27E EPS. We value KEII at 50x Dec'26E EPS to arrive at our revised TP of INR4,780 (vs. earlier TP of INR5,150). **Reiterate BUY.**

Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Sales	**17,826**	**19,466**	**20,594**	**23,156**	**20,605**	**22,796**	**24,673**	**25,270**	**81,041**	**93,344**	**23,912**	**3**
Change (%)	13.9	21.1	15.4	18.6	15.6	17.1	19.8	9.1	17.3	15.2	**16**	
Adj. EBITDA	**1,783**	**2,039**	**2,146**	**2,409**	**2,146**	**2,206**	**2,408**	**2,523**	**8,375**	**9,283**	**2,493**	**(3)**
Change (%)	11.7	27.0	17.8	19.1	20.4	8.2	12.3	4.7	19.3	10.8	**16**	
Adj. EBITDA margin (%)	10.0	10.5	10.4	10.4	10.4	9.7	9.8	10.0	10.3	9.9	**10.4**	(66)
Depreciation	147	156	154	158	155	163	190	207	614	715	**170**	12
Interest	89	75	109	165	142	133	143	104	439	521	**130**	10
Other Income	83	77	142	189	178	169	136	185	490	669	**160**	(15)
Extraordinary Items	-	-	-	(2)	-	-	-	-	(2)	-	**-**	
PBT	**1,630**	**1,884**	**2,024**	**2,274**	**2,027**	**2,079**	**2,212**	**2,397**	**7,813**	**8,715**	**2,353**	**(6)**
Tax	416	482	518	587	525	531	564	614	2,002	2,234	**605**	
Effective Tax Rate (%)	25.5	25.6	25.6	25.8	25.9	25.5	25.5	25.6	25.6	25.6	**25.7**	
Reported PAT	**1,214**	**1,402**	**1,507**	**1,686**	**1,502**	**1,548**	**1,648**	**1,783**	**5,808**	**6,481**	**1,748**	**(6)**
Change (%)	17.0	31.2	17.2	22.1	23.8	10.4	9.4	5.7	22.2	11.6	**16.0**	
Adj. PAT	**1,214**	**1,402**	**1,507**	**1,688**	**1,502**	**1,548**	**1,648**	**1,783**	**5,811**	**6,481**	**1,748**	**(6)**
Change (%)	17.0	31.2	17.2	22.2	23.8	10.4	9.4	5.6	22.3	11.5	**16.0**	

Dalmia Bharat

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	337.4 / 3.9
52-Week Range (INR)	2320 / 1651
1, 6, 12 Rel. Per (%)	2/7/-26
12M Avg Val (INR M)	804
Free float (%)	44.2

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	142.9	155.8	170.0
EBITDA	25.0	31.0	35.9
Adj. PAT	6.5	9.6	12.3
EBITDA Margin (%)	17.5	19.9	21.1
Adj. EPS (INR)	34.9	51.0	65.8
EPS Gr. (%)	-14.3	46.0	29.1
BV/Sh. (INR)	892	925	971
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	4.0	5.6	6.9
RoCE (%)	4.7	5.9	7.1
Payout (%)	37.2	35.3	30.4
Valuations			
P/E (x)	51.4	35.2	27.3
P/BV (x)	2.0	1.9	1.8
EV/EBITDA(x)	13.3	11.3	9.7
EV/ton (USD)	83	82	80
Div. Yield (%)	0.7	1.0	1.1
FCF Yield (%)	-3.0	0.5	2.5

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.8	55.8	55.9
DII	14.7	13.8	9.6
FII	8.9	9.4	14.1
Others	20.5	21.0	20.5

FII includes depository receipts

CMP: INR1,795 TP: INR2,100 (+17%) Buy

Weak performance due to subdued volume growth

Estimates industry volume growth at ~6-7% YoY in 4QFY25

- Dalmia Bharat (DALBHARA)'s 3QFY25 EBITDA declined 34% YoY to INR5.1b (11% miss due to lower-than-estimated volume and higher variable cost/t). EBITDA/t was down 33% YoY to INR767 (est. INR800). OPM contracted 5.6pp YoY to ~16%. PAT declined 78% YoY to INR590m (60% below our estimates).
- Management indicated that cement demand recovery was below estimates due to slippages in government capex, unseasonal rains, and state elections. The company believes that the government's focus on increasing capex will be crucial for strong growth moving forward. Cement prices rose in Dec'24 and have sustained so far. The company expects additional price hikes in 4QFY25. However, heightened competitive intensity may cap the potential for higher growth. The company's focus remains on cost reduction (targeting cost savings of INR150-200/t through internal measures by FY27E).
- We cut our EBITDA estimates ~7%/4%/2% for FY25/FY26/FY27 due to a lower volume growth assumption and competitive pricing, which is expected to drive lower EBITDA/t vs. historical average. We value DALBHARA at 12x Dec'26E EV/EBITDA to arrive at our revised TP of INR2,100 (earlier INR2,250). **Reiterate BUY.**

EBITDA/t declines 33% YoY to INR767 (vs. est. INR800)

- Consolidated revenue/EBITDA/PAT stood at INR31.8b/INR5.1b/INR590m (-12%/-34%/-78% YoY and -6%/-11%/-60% vs. our estimates) in 3QFY25. Sales volumes declined 2% YoY to 6.7mt (7% below our estimate). However, sales volume ex-JPA was up ~4% YoY. Realization stood at INR4,773/t (down 10% YoY; up 4% QoQ). However, cement realization (adj. for incentives) grew ~2% QoQ, in line with the estimate.
- Variable costs/t declined ~11% YoY (5% above estimate). Other expenses/ freight cost per ton increased 4%/3% YoY (in line). Opex/t was down 4% YoY (+2% vs. estimate). OPM contracted 5.5pp YoY to ~16%, and EBITDA/t declined 33% YoY to INR767. Depreciation/interest costs dipped 2%/6% YoY. Other income decreased 38% YoY.
- In 9MFY25, consolidated revenue/EBITDA/PAT declined 5%/19%/34% YoY. Volume increased 4% YoY to 20.8mt, while realization declined ~8% YoY. OPM contracted 2.8pp to ~16% and EBITDA/t declined 22% YoY to INR777. In 4QFY25, we estimate revenue/EBITDA/PAT to increase 2%/36%/25% YoY, albeit on a low base. Volume is likely to grow ~4% YoY, while realization is expected to decline ~1%. EBITDA/t is estimated to increase 31% YoY to INR970 (led by lower opex/t, estimated to decline ~7% YoY).

Highlights from the management commentary

- Cement demand growth was modest at low single digits in 3QFY25. The company expects demand to grow ~6-7% YoY in 4Q, translating into ~3-4% YoY growth for FY25E.
- Fuel consumption cost stood at INR1.31/Kcal vs. INR1.36/Kcal in 2Q. The benefits of lower fuel prices were offset by a reduction in the RE share (at ~33% vs. ~39% in 2Q).

Quarterly Performance (Consolidated) **(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**36.3**	**31.5**	**36.0**	**43.1**	**36.2**	**30.9**	**31.8**	**44.0**	**146.9**	**142.9**	**33.8**	-6
YoY Change (%)	10.0	6.0	7.4	10.1	-0.3	-2.0	-11.7	2.2	8.5	-2.7	-6.2	
Total Expenditure	30.1	25.6	28.3	36.5	29.5	26.5	26.7	35.1	120.5	117.9	28.1	-5
EBITDA	**6.2**	**5.9**	**7.8**	**6.5**	**6.7**	**4.3**	**5.1**	**8.9**	**26.4**	**25.0**	**5.7**	-11
Margins (%)	17.0	18.7	21.6	15.2	18.5	14.1	16.1	20.2	18.0	17.5	17.0	-90
YoY Change (%)	5.3	55.4	21.0	-7.5	8.4	-26.3	-34.4	35.7	13.9	-5.2		6
Depreciation	4.0	4.0	3.7	3.3	3.2	3.4	3.6	3.3	15.0	13.4	3.4	1
Interest	0.8	1.0	1.1	0.9	1.0	1.0	1.0	1.4	3.9	4.4	1.0	-52
Other Income	0.5	0.9	0.6	1.2	0.5	0.7	0.4	0.6	3.2	2.2	0.8	-60
PBT before EO Expense	**1.9**	**1.7**	**3.6**	**3.5**	**3.1**	**0.7**	**0.8**	**4.8**	**10.7**	**9.4**	**2.1**	
Extra-Ord expense	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	1.1	0.0	-60
PBT after EO Expense	**1.9**	**1.7**	**3.6**	**3.5**	**1.9**	**0.7**	**0.8**	**4.8**	**10.7**	**8.3**	**2.1**	
Tax	0.4	0.5	1.0	0.3	0.5	0.2	0.2	1.5	2.2	2.4	0.6	
Prior Period Tax Adjustment	0.0	0.0	0.1	-0.6	0.0	0.1	0.0	0.0	-0.6	0.1	0.0	
Rate (%)	22.2	27.9	24.7	26.7	16.0	20.5	22.9	31.2	15.0	29.7	27.0	-56
Reported PAT (Pre Minority)	**1.4**	**1.2**	**2.7**	**3.2**	**1.5**	**0.5**	**0.7**	**3.3**	**8.5**	**5.9**	**1.5**	
Minority + Associate	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.3	0.2	0.0	-60
Adj. PAT	**1.2**	**1.2**	**2.7**	**2.5**	**2.3**	**0.6**	**0.6**	**3.2**	**7.6**	**6.5**	**1.5**	-6
YoY Change (%)	-36.9	325.0	33.8	-3.1	82.9	-53.8	-78.1	24.8	11.5	-14.3	-45.0	
Per Ton Analysis (Blended) INR/t												
Sales Dispatches (m ton)	**7.0**	**6.2**	**6.8**	**8.8**	**7.4**	**6.7**	**6.7**	**9.2**	**28.8**	**30.0**	**7.2**	-7
YoY Change (%)	12.4	6.9	7.9	18.9	6.2	8.1	-1.5	4.0	12.1	4.0	5.4	
Net Realization	**5,209**	**5,079**	**5,300**	**4,894**	**4,893**	**4,607**	**4,748**	**4,809**	**5,101**	**4,771**	**4,717**	1
YoY Change (%)	-2.2	-0.8	-0.5	-7.4	-6.1	-9.3	-10.4	-1.7	-3.2	-6.5	-11.0	
RM Cost	812	860	921	1,111	818	664	764	699	939	735	650	18
Employee Expenses	319	365	325	230	308	327	333	253	302	301	312	7
Power, Oil & Fuel	1,294	1,126	1,068	898	1,023	1,055	994	1,027	1,082	1,025	1,040	-4
Freight and Handling Outward	1,161	1,018	1,093	1,159	1,122	1,099	1,116	1,119	1,112	1,114	1,125	-1
Other Expenses	739	761	749	753	719	815	778	742	750	761	790	-2
Total Expenses	**4,324**	**4,129**	**4,154**	**4,151**	**3,989**	**3,960**	**3,985**	**3,839**	**4,185**	**3,936**	**3,917**	2
EBITDA	**885**	**950**	**1,146**	**743**	**904**	**648**	**763**	**970**	**916**	**835**	**800**	-5

Source: Company, MOFSL Estimates

Zensar

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ZENT IN
Equity Shares (m)	227
M.Cap.(INRb)/(USDb)	170.2 / 2
52-Week Range (INR)	840 / 513
1, 6, 12 Rel. Per (%)	0/6/26
12M Avg Val (INR M)	772

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	52.9	58.8	64.9
EBIT Margin (%)	13.7	14.1	14.5
PAT	6.5	7.4	8.4
EPS (INR)	28.4	32.4	36.6
EPS Gr. (%)	-2.5	14.3	12.7
BV/Sh. (INR)	177.7	201.3	227.9
Ratios			
RoE (%)	17.1	17.3	17.2
RoCE (%)	13.6	13.9	14.0
Payout (%)	24.0	24.0	24.0
Valuations			
P/E (x)	26.6	23.3	20.6
P/BV (x)	4.2	3.8	3.3
EV/EBITDA (x)	18.6	15.9	13.5
Div Yield (%)	0.9	1.0	1.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.1	49.1	49.2
DII	19.8	19.1	16.5
FII	15.1	14.8	17.1
Others	16.0	17.0	17.2

FII Includes depository receipts

CMP: INR750 TP: INR850 (+13%) Neutral

Upbeat performance

But Hi-tech concerns persist; reiterate Neutral

- ZENT reported a decent 3QFY25, with revenue growth of 0.7% QoQ CC (est. flat growth), driven by Manufacturing & Consumer services (up 6.5% QoQ CC) and Healthcare & Lifesciences (up 3.2% QoQ CC). Deal TCV came in at USD205.3m (up 1.7% QoQ/22.6% YoY). EBIT margin expanded 70bp QoQ to 13.8%, above our estimate of 13.2%. PAT of INR1,598m (up 2.6% QoQ/down 1.2% YoY) beat our estimate of INR1,431m, led by higher EBIT & other income. For 9MFY25, revenue grew 6.8%, whereas EBIT/PAT declined 5.8%/3.7% vs. 9MFY24. For 4QFY25, we expect revenue/EBIT/PAT to grow by 11.4%/10.1%/1.3% YoY. Our TP of INR850 is based on 23x FY27E EPS. **Reiterate Neutral.**

Our view: Strong deal wins in 3Q

- **Growth (excl. Hi-tech) robust despite furloughs**: ZENT reported decent overall growth, led by strong growth in Healthcare and BFSI. The TMT (Telecom, Media, and Technology) segment faced declined by 3.5% QoQ CC due to client-specific furloughs. Despite persistent issues in the top account, we believe ZENT's execution is impressive, and as the company continues to diversify, growth should de-couple in the coming quarters.
- **Deal wins healthy**: ZENT achieved its highest-ever order book of USD205m in 3Q, with a book-to-bill ratio of 1.3x, supported by broad-based deal wins. Notably, this was the second consecutive quarter of more than USD200m in order bookings. Since ZENT's practice of counting only signed statements of work ensures almost a 100% conversion rate, underscoring revenue predictability, in our view.
- **Discretionary spending slowly coming back**: Management noted that discretionary spending is gradually recovering. This recovery aligns with client interest in emerging technologies such as GenAI and Agentic AI, which ZENT has proactively embraced through its innovative AI solutions. Despite macroeconomic uncertainties, we believe early signs of client optimism suggest that discretionary spending could further accelerate if these technologies gain widespread adoption.
- **Stable margins**: Margins were impacted by SG&A (-180bp), which was offset by volume and utilization benefits (+10bp), higher leave utilization (+90bp), operational efficiencies (+80bp) and exchange impact on GM (+10bp). As a result, EBITDA margin expanded 20bp QoQ. We believe the new management has proven that it can deliver on margins.
- **Hi-tech may continue to drag down growth in FY26E: We note the company's impressive execution in banking, manufacturing, and healthcare, and expect ZENT revenue (excl. Hi-Tech) to grow by ~16% in FY26E. That said, a 10% decline in Hi-Tech could drag down overall revenue growth to 10% in FY26E. Hence, we sit on the sidelines.**

Valuation and change in estimates

- We expect ZENT to deliver EBITDA margin of 15.6%/15.9%/16.3% in FY25/ FY26/FY27. This will result in an INR PAT CAGR of 8.0% over FY24-27E. We have raised our FY25/FY26/FY27 estimates by ~5%, supported by a decent 3Q print in a seasonally weak quarter and a robust order book. Our TP of INR850 is based on 23x FY27E EPS. **Retain Neutral.**

Revenue largely in line and margins beat; TMT declined QoQ

- ZENT revenue stood at USD157m, up 0.5% QoQ in USD terms, ahead of our estimate of flat growth QoQ. Reported USD revenue rose 0.7% QoQ CC.
- Growth was driven by Manufacturing & Consumer services (up 6.5% QoQ CC), followed by Healthcare & Life Sciences (up 3.2% QoQ CC). TMT/BFSI declined 3.5%/1.3% QoQ CC.
- Deal TCV: bookings came in at USD205.3m (up 1.7% QoQ/22.6% YoY) and the book-to-bill was 1.3x.
- EBIT margin was 13.8% (est. 13.2%), up 70bp QoQ.
- In 3Q, total headcount increased by 2.7% QoQ to 10,517. LTM attrition was 10% (flat QoQ). Utilization was flat QoQ at 82.9%.
- PAT of INR1,598m (up 2.6% QoQ/down 1.2% YoY) beat our estimate of INR1,431m, led by higher EBIT and other income.

Key highlights from the management commentary

- 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 Generative AI (Gen-AI) gains widespread adoption, it could lead to a significant increase in discretionary spending.
- 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 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.
- 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.

Valuation and view

- We believe the company's exposure to the Hi-Tech vertical could continue to weigh on growth in the near term; however, it will be offset by a recovery in BFS. We have raised our FY25/FY26/FY27 estimates by 5%, supported by a solid 3Q performance (despite the impact of furloughs) and a robust order book. Our TP of INR850 is based on 23x FY27E EPS. **Retain Neutral**.

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY25	
Revenue (USD m)	**149**	**150**	**145**	**148**	**154**	**156**	**157**	**159**	**592**	**627**	**156**	**0.6**
QoQ (%)	1.2	0.6	-3.7	2.3	4.3	1.2	0.5	1.4	-2.0	5.8	-0.1	58bp
Revenue (INR m)	**12,272**	**12,408**	**12,041**	**12,297**	**12,881**	**13,080**	**13,256**	**13,696**	**49,018**	**52,913**	**13,162**	**0.7**
YoY (%)	2.0	0.5	0.5	1.4	5.0	5.4	10.1	11.4	1.1	7.9	9.3	78bp
GPM (%)	**33.6**	**31.8**	**31.1**	**30.6**	**30.4**	**28.1**	**30.1**	**30.5**	**31.8**	**29.8**	**29.3**	**80bp**
SGA (%)	14.9	13.2	13.9	14.1	15.2	12.7	14.5	14.3	14.0	14.2	13.8	69bp
EBITDA	**2,301**	**2,308**	**2,076**	**2,030**	**1,961**	**2,011**	**2,069**	**2,219**	**8,715**	**8,260**	**2,040**	**1.4**
EBITDA Margin (%)	**18.8**	**18.6**	**17.2**	**16.5**	**15.2**	**15.4**	**15.6**	**16.2**	**17.8**	**15.6**	**15.5**	**11bp**
EBIT	**1,878**	**1,942**	**1,764**	**1,793**	**1,714**	**1,714**	**1,832**	**1,974**	**7,377**	**7,235**	**1,737**	**5.5**
EBIT Margin (%)	**15.3**	**15.7**	**14.6**	**14.6**	**13.3**	**13.1**	**13.8**	**14.4**	**15.0**	**13.7**	**13.2**	**62bp**
Other income	224	306	356	493	383	366	270	342	1,379	1,361	171	57.8
ETR (%)	25.7	22.7	23.8	24.2	24.7	25.1	24.0	24.2	24.1	24.5	25.0	
Adj. PAT	**1,562**	**1,738**	**1,616**	**1,733**	**1,579**	**1,558**	**1,597**	**1,756**	**6,649**	**6,490**	**1,431**	**11.6**
QoQ (%)	30.9	11.3	-7.0	7.2	-8.9	-1.3	2.5	10.0			-8.2	
YoY (%)	108.0	206.0	111.2	45.3	1.1	-10.4	-1.2	1.3	102.9	-2.4	-11.5	
EPS (INR)	**6.8**	**7.6**	**7.1**	**7.6**	**6.9**	**6.8**	**7.0**	**7.7**	**29.1**	**28.4**	**6.3**	11.4

A few details regarding "Other Personal Loans"

The majority of these loans are long-term in nature with a ticket size of INR0.5-2.5m

India's household (HH) debt has risen from 31-32% of GDP a decade ago to 36.9% in FY20 and further to 43.5% of GDP as of 2QFY25[1] *(Exhibit 1)*. Scheduled Commercial Banks (SCBs; excluding regional rural banks) account for about three-fourths of the total household debt in the country, and their data confirm that unsecured personal loans have increased at a faster pace in the past few years *(Exhibits 2 and 3)*. "Other personal loans (OPLs)" account for about four-fifths of all unsecured personal loans *(Exhibit 4)*. While there is no official data to find out the constituents of OPLs, RBI documents publish various other details on OPLs, which we discuss in this note. Below are the key findings[2,3]:

- **How big are OPLs?** The OPLs now account for more than 9% of SCBs total loan book, almost double that of a decade ago. They amount to 15-16% of the total household debt of SCBs, compared to 10% a decade ago and 29% of all PLs, much higher than 23-24% a decade ago, but lower than its peak share of 31% in FY23 *(Exhibits 5 and 6)*. OPLs have grown at a CAGR of 20-21% during the past 4-5 years, compared to 12-14% growth in SCBs' total loan book and 16-17% growth in SCB's HH debt.
- **What is the maturity profile[4] of OPLs?** More than 70% of OPLs are long-term in nature, which are granted for a period of above three years, and another 11-12% are medium-term loans (with 1-3 year maturity). The former has increased in the past decade, while the latter has been largely unchanged *(Exhibit 7)*. This comes as the most surprising finding since we had imagined (before looking at this data) OPLs to be of medium-term maturity profile. It is, however, still unclear as to what sort of loans would comprise OPLs.
- **Size of credit limit[5] of OPLs:** The share of small loans (with a sanctioned credit limit of up to INR0.5m) and large loans (above INR2.5m) has declined in the past decade, while medium-sized loans (INR0.5-2.5m) have mushroomed. Over the past five years, small-sized OPLs have accounted for less than a third, while large-sized OPLs have only made up 15-16% compared to about a quarter of a decade ago. It means that the share of medium-sized OPLs has almost doubled in the past decade to reach 54% now *(Exhibit 8)*.
- **Population-wise distribution[6] of OPLs:** The share of rural and semi-urban loans has increased in the past decade, while it has fallen for the urban and metropolitan areas *(Exhibit 9)*. OPLs to the rural population group have increased to their highest level of 11.2% in 2QFY25 (vs. 10% a decade ago), while it has increased to 23% for the semi-urban population group. In other words, OPLs to rural populations have increased at the fastest pace in the past decade (or five years), followed by semi-urban and other groups.
- **State-wise[7] classification of OPLs:** The share of Eastern, Western, and Central India has increased in OPLs, while it has fallen sharply for Northern and Southern India in the post-pandemic period *(Exhibit 10)*. Arranging the states by the change in their share in OPLs since Dec'19, Maharashtra (MH), Tamil Nadu (TN), Bihar (BH), Uttar Pradesh (UP), and Andhra Pradesh (AP) have gained the maximum, while Delhi (DL), Karnataka (KA), Kerala (KL), Punjab (PB), and Gujarat (GJ) have been the main losers *(Exhibit 11)*.
- **Weighted average lending rate (WALR) of OPLs:** The cost of OPLs has increased from its low of 10.5% in 4QFY22 to 11.4% in 2QFY25. Not only has it increased more slowly than the rise in the repo rate since 2022, but the cost of OPLs is still lower than 13% a decade ago. Importantly, it is surprising to notice that the interest rates on housing (secured) loans have increased much faster than on OPLs since 2022, due to which the spread between these two kinds of loans at two extremes on the risk scale, is about 2.5 percentage points (pp) lower than in the pre-CY23 years *(Exhibit 12)*.

Overall, the majority of the OPLs are: a) long-term loans, b) with a credit limit of INR0.5-2.5m, c) growing at a faster pace in the rural and semi-urban population, d) rising more in Eastern, Central, and Western India, with Maharashtra witnessing the highest rise in share and Delhi the largest drop, and e) witnessing gradually higher costs, though its spread vis-à-vis housing loans remains much lower than in the pre-CY23 years.

Pidilite

BSE SENSEX	S&P CNX
76,405	23,155

Conference Call Details

Date: 23ed January 2025

Time: 4:00pm IST

Dial-in details:

Diamond Pass

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	132.6	150.2	170.1
Sales Gr. (%)	7.1	13.3	13.3
EBITDA	30.6	35.0	39.6
EBITDA Margin (%)	23.1	23.3	23.3
Adj. PAT	21.6	24.9	28.5
Adj. EPS (INR)	42.4	49.0	56.0
EPS Gr. (%)	18.4	15.5	14.1
BV/Sh.(INR)	187.7	208.5	257.0
Ratios			
RoE (%)	24.0	24.7	24.0
RoCE (%)	22.1	22.9	22.7
Payout (%)	47.1	46.9	13.4
Valuations			
P/E (x)	64.8	56.1	49.1
P/BV (x)	14.6	13.2	10.7
EV/EBITDA (x)	44.7	38.8	33.8
Div. Yield (%)	0.7	0.8	0.3

CMP: INR2,750 **Neutral**

Volume-led growth sustains; miss on EBITDA

Consolidated performance

- Consolidated sales grew 8% YoY to INR33.7b (est. INR33.8b).
- Underlying volume growth remained strong at 9.7% (9.0% est., 8.0% in 2QFY25). UVG was 7.3% for C&B and 21.7% for B2B businesses.
- **The Consumer & Bazaar (C&B) segment's** revenue was up 5% YoY to INR26.7b (est. INR26.7b), with segmental EBIT growing 2% YoY to INR7.9b (est. INR7.7b). Segmental EBIT margin contracted 90bp YoY to 29.4% during the quarter.
- **The B2B segment's** revenue rose 19% YoY to INR7.6b (est. INR6.6b), with segmental EBIT increasing 76% to INR1.3b (est. INR0.8b). Segmental EBIT margin expanded 580bp YoY to 17.6%.
- **Gross margin improved ~140bp YoY** to 54.3% (in line) fueled by moderate RM prices.
- Employee expenses were up 16% YoY, and other expenses rose 11% YoY.
- EBITDA margin was flat YoY at 23.7% (est. 24.6%).
- EBITDA grew 8% YoY to INR8.0b (est. INR8.3b).
- PBT grew 9% YoY to INR7.5b (est. INR7.9b).
- Adj. PAT increased 9% YoY to INR5.6b (est. INR5.9b).

Subsidiaries

- Domestic subsidiaries delivered double-digit revenue growth with improvement in EBITDA margin.
- Owing to global economic uncertainty, inflation, and political instability in some countries, the company's international subsidiaries (excluding Pidilite USA and Pulvitec Brazil) reported modest sales growth.

Other takeaways

- The company remains cautiously optimistic about improved demand from a good monsoon and increased construction activities.
- The company's focus remains on driving profitable, volume-led growth through brand, supply chain, and people investments.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Volume growth (%)	**7.9**	**8.2**	**10.4**	**15.2**	**9.6**	**8.0**	**9.7**	**10.0**	**10.4**	**9.3**	**9.0**	
Net Sales	**32,751**	**30,760**	**31,300**	**29,019**	**33,954**	**32,349**	**33,689**	**32,572**	**1,23,830**	**1,32,563**	**33,804**	-0.3
YoY change (%)	5.6	2.2	4.4	7.9	3.7	5.2	7.6	12.2	4.9	7.1	8.0	
Gross Profit	**16,054**	**15,783**	**16,551**	**15,503**	**18,268**	**17,583**	**18,301**	**17,574**	**63,890**	**71,726**	**18,356**	-0.3
Margin (%)	49.0	51.3	52.9	53.4	53.8	54.4	54.3	54.0	51.6	54.1	54.3	
EBITDA	**7,070**	**6,797**	**7,425**	**5,769**	**8,127**	**7,688**	**7,984**	**6,804**	**27,073**	**30,604**	**8,313**	-4.0
YoY change (%)	33.5	36.0	49.7	25.6	15.0	13.1	7.5	17.9	36.4	13.0	12.0	
Margins (%)	21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.9	21.9	23.1	24.6	
Depreciation	734	752	795	1,125	844	879	895	897	3,407	3,515	880	
Interest	119	131	128	134	118	117	125	106	512	466	117	
Other Income	234	316	370	489	539	571	558	479	1,397	2,147	550	
PBT	**6,451**	**6,230**	**6,872**	**4,999**	**7,704**	**7,263**	**7,522**	**6,280**	**24,551**	**28,770**	**7,866**	-4.4
Tax	1,704	1,631	1,765	1,219	1,984	1,848	1,947	1,414	6,319	7,193	1,966	
Rate (%)	26.4	26.2	25.7	24.4	25.7	25.4	25.9	22.5	26.5	25.0	25.0	
Reported PAT	**4,737**	**4,585**	**5,109**	**3,043**	**5,713**	**5,403**	**5,571**	**4,846**	**17,425**	**21,488**	**5,902**	-5.6
Adj PAT	**4,746**	**4,599**	**5,107**	**3,779**	**5,721**	**5,415**	**5,575**	**4,866**	**18,231**	**21,578**	**5,899**	-5.5
YoY change (%)	34.0	37.4	66.8	31.5	20.5	17.8	9.2	28.8	42.2	18.4	15.5	
Margins (%)	14.5	15.0	16.3	13.0	16.8	16.7	16.5	14.9	14.7	16.3	17.5	

E: MOFSL Estimates

Consolidated segmental performance

Segmental (INRm)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Consumer and Bazaar											
Sales (INRm)	24,358	24,315	24,216	21,128	26,609	25,083	25,413	22,472	27,408	25,805	26,726
Sales Growth (%)	63.9	14.1	6.9	10.4	9.2	3.2	4.9	6.4	3.0	2.9	5.2
EBIT (INRm)	5,352	5,265	5,372	4,560	7,078	6,935	7,704	5,448	8,039	7,710	7,865
% Contribution	87.5	91.5	92.6	86.5	88.5	90.8	91.0	86.7	87.8	88.1	85.6
EBIT Growth %	44.5	-9.6	-4.6	9.2	32.3	31.7	43.4	19.5	13.6	11.2	2.1
EBIT margin %	22.0	21.7	22.2	21.6	26.6	27.6	30.3	24.2	29.3	29.9	29.4
Business to Business											
Sales (INRm)	7,220	6,237	5,999	6,340	6,780	6,153	6,373	7,079	7,256	7,036	7,572
Sales Growth (%)	49.8	17.2	-3.0	-1.8	-6.1	-1.3	6.2	11.7	7.0	14.3	18.8
EBIT (INRm)	748	495	391	707	917	685	757	835	1,103	1,040	1,335
% Contribution	12.2	8.6	6.7	13.4	11.5	9.0	8.9	13.3	12.0	11.9	14.5
EBIT Growth %	78.1	88.4	-2.2	59.3	22.5	38.3	93.4	18.1	20.3	51.9	76.4
EBIT margin %	10.4	7.9	6.5	11.2	13.5	11.1	11.9	11.8	15.2	14.8	17.6

BPCL

BSE SENSEX	S&P CNX
76,405	23,155

Conference Call Details

Date: 23 Jan'25
Time: 1100 hours IST
Dial-in details:
+91 22 6280 1342
+91 22 7115 8243

CMP: INR278 Neutral

Performance largely in line led by strong marketing margins

- **BPCL's reported 3QFY25 financial performance was largely in line with our expectations, as weaker-than-expected refining performance was offset by higher-than-expected marketing margins. EBITDA was 6% below our estimate, marred by forex and marketing inventory losses (total INR10b). The surge in opex in 3QFY25 was likely attributable to variable pay-related expenses, which typically occur for OMCs in 3Q every year. LPG under-recoveries were ~50% higher on a quarterly basis vs. 1HFY25 (~INR20b/INR21b/INR31b in 1Q/2Q/3Q). Overall, refining GRM has remained soft in Jan'25, and though MS/HSD marketing margins are down 16%/23% QoQ in 4QFY25 so far, OMCs continue to generate healthy marketing margins.**
- BPCL's reported GRM stood at USD5.6/bbl (vs. our est. of USD6.4/bbl and USD4.4/bbl in 2QFY25).
- Refining throughput was in line with our estimate at 9.5mmt (-3% YoY).
- Marketing volumes, excluding exports, were in line with our estimate at 13.4mmt (+4% YoY).
- Marketing margin (including inv.) was 6% above our estimate at INR7.4/lit (vs. INR5.8/lit in 2QFY25).
- EBITDA stood at INR75.8b (our est. INR80.8b), with marketing inventory loss/forex loss amounting to INR7.2b/INR2.7b in 3QFY25.
- LPG under-recovery amounted to INR31.1b, which we believe could be reversed in due course as LPG remains a controlled product.
- Reported PAT was in line with our estimate at INR46.5b, while other income came in INR4.7b above our estimate.
- **In 9MFY25,** net sales were flat YoY at INR3.3t, while EBITDA/PAT declined 49%/55% to INR178b/INR101b.
- **As of Dec'24,** BPCL's debt stood at INR196.2b vs. INR215.3b/INR152b as of Sep'24/Jun'24.
- As of Dec'24, BPCL had a cumulative negative net buffer of INR72.3b due to the under-recovery on LPG cylinders (INR41.2b as of Sep'24).
- The board declared an interim dividend of INR5/share (FV: INR10/share).

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY24				FY25					Var	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	3QE	(%)	(%)	(%)
Net Sales	**1,129.8**	**1,029.9**	**1,154.9**	**1,165.6**	**1,131.0**	**1,027.6**	**1,131.4**	**910.3**	**1,013.9**	**12%**	**-2%**	**10%**
YoY Change (%)	*-6.7*	*-10.3*	*-3.1*	*-1.3*	*0.1*	*-0.2*	*-2*	*-21.9*	*-12.2*			
EBITDA	**158.1**	**130.1**	**62.8**	**92.7**	**56.5**	**45.1**	**75.8**	**43.5**	**80.8**	**-6%**	**21%**	**68%**
Forex loss	-0.2	1	0.5	0.5	-0.2	0.4	2.7	0	0			
Depreciation	16.1	16	18.2	17.2	16.8	17.7	18	19.1	19.1			
Interest	6.8	7.7	5	5.2	4.4	4.7	4.3	2.2	3.8			
Other Income	4.7	7.7	6.8	4.7	4.8	9.6	11	5.2	6.3			
PBT before EO expense	**140.1**	**113.1**	**45.8**	**74.4**	**40.3**	**31.9**	**61.8**	**27.4**	**64.2**	**-4%**	**35%**	**93%**
Extra-Ord expense	0	0	0	18	0	0	0	0	0			
PBT	**140.1**	**113.1**	**45.8**	**56.4**	**40.3**	**31.9**	**61.8**	**27.4**	**64.2**	**-4%**	**35%**	**93%**
Rate (%)	*24.7*	*24.8*	*25.8*	*25.1*	*25.2*	*24.9*	*24.7*	*25.2*	*25.2*			
Reported PAT	**105.5**	**85**	**34**	**42.2**	**30.1**	**24**	**46.5**	**20.5**	**48**	**-3%**	**37%**	**94%**
Adj PAT	**105.5**	**85**	**34**	**55.7**	**30.1**	**24**	**46.5**	**20.5**	**48**	**-3%**	**37%**	**94%**
YoY Change (%)	*LP*	*LP*	*73.4*	*-47.2*	*-71.4*	*-71.8*	*36.9*	*-63.2*	*41.3*			
Margin (%)	*9.3*	*8.3*	*2.9*	*3.6*	*2.7*	*2.3*	*4.1*	*2.3*	*4.7*			
Key Assumptions												
Refining throughput (mmt)	10.4	9.4	9.9	10.4	10.1	10.3	9.5	10.3	9.2	4%	-3%	-7%
Reported GRM (USD/bbl)	12.6	18.5	13.4	12.5	7.9	4.4	5.6	6.7	6.4	-13%	-58%	27%
Marketing sales volume excld exports (mmt)	12.8	12.2	12.9	13.2	13.2	12.4	13.4	13.7	13.4	0%	4%	8%
Marketing GM incld inv (INR/litre)	9.3	5.9	3.5	5.7	4.8	5.8	7.4	3.6	7	6%	113%	28%

Polycab India

BSE SENSEX	S&P CNX
76,405	23,155

Conference Call Details

Date: 23rd January 2025
Time: 12:00 IST
Dial-in details:
+ 91 22 6280 1443
+ 91 22 7115 8338
Link for the call

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	218.6	251.5	289.4
EBITDA	27.5	32.6	39.7
Adj. PAT	19.3	22.9	27.6
EBITDA Margin (%)	12.6	13.0	13.7
Adj. EPS (INR)	128.6	152.6	183.7
EPS Gr. (%)	8.3	18.7	20.4
BV/Sh. (INR)	643.5	761.1	909.8
Ratios			
Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	20.0	20.0	20.2
RoCE (%)	21.2	21.3	21.4
Payout (%)	23.3	22.9	19.1
Valuations			
P/E (x)	47.9	40.3	33.5
P/BV (x)	9.6	8.1	6.8
EV/EBITDA(x)	33.4	28.1	22.8
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.5	1.0	1.5

CMP: INR6,154 **Buy**

EBITDA above estimate, but growth in C&W lower

- POLYCAB's 3QFY25 revenue grew 20% YoY to INR52.3b (2% below our est.). EBITDA grew ~26% YoY to INR7.2b (+9% vs. est.) and OPM surged 65bp YoY to 13.8% (+140bp vs. est.) led by higher-than-estimated margin in C&W and lower-than-estimated loss in the FMEG segment. PAT grew ~11% YoY to INR4.6b (in line, as the EBITDA beat was offset by lower-than-estimated other income).
- The company shared guidance for the next five years under **Project Spring**. In the C&W segment, it intends to grow ~1.5x the market growth rate in core segments and aims to maintain an EBITDA margin of ~11-13%. The export share should be ~10%+ of revenue. In the FMEG business, it intends to grow 1.5-2.0x the market growth rate and aims to maintain an EBITDA margin of 8-10%. Under capital allocation, it guided a cumulative capex of INR60-80b and a dividend payout ratio of 30%+.

C&W revenue up 12% YoY (~5% miss)

- Revenue for the C&W segment grew ~12% YoY to INR43.8b (~5% miss), while EBIT increased ~8% YoY to INR5.9b (in line). EBIT margin contracted 60bp YoY (up 1.2pp QoQ) to 13.5% (est. 13.0%).
- Revenue for the ECD segment increased ~43% YoY. It reported a loss of INR128m (estimated loss of INR201m) vs. a loss of INR366m in 3QFY24. Gross margin expansion and improvement in operating leverage helped it reduce the segment losses.
- Revenue for the EPC business surged 3.0x YoY (+10% QoQ) to INR4.2b. EBIT increased 31% YoY (down ~12% QoQ) to INR447m. EBIT margin dipped 13.6pp YoY and 2.6pp QoQ to 10.7%.
- Overall gross margin stood at 25.7% vs. 27.0%/23.6% in 3QFY24/2QFY25. AD spending was 0.7% of revenue vs. 1.0%/0.6% in 3QFY24/2QFY25. Depreciation and interest expense increased 27%/55% YoY, while other income declined 65% YoY.
- In 9MFY25, revenue/EBITDA/PAT grew 24%/12%/4% YoY. EBITDA margin dipped 1.3pp YoY to 12.5%. The C&W segment's revenue/EBIT grew 16%/3% YoY, while the EBIT margin contracted 1.7pp YoY to 12.8%. FMEG revenue grew 28% YoY, while the segment losses stood at INR408m vs. INR483m in 9MFY24.

Highlights from the management commentary

- Demand for cables remained healthy. However, the downward trend in copper prices combined with the high channel inventory of wires at the beginning of the quarter led to a slowdown in the wires business.
- International business grew 62% YoY and 29% QoQ. Contribution from the international business to the consolidated revenue stood at 8.3% for the quarter and 6.6% for 9MFY25.

- In the FMEG business, fans continued a growth journey led by a premiumization strategy. The lights and luminaires segment registered strong volume and value growth, aided by festive demand as well as the execution of various strategic initiatives. Switchgears, conduit pipes & fittings, and switches too delivered healthy growth driven by sustained demand from real estate.

Valuation and view

- POLYCAB's 3Q operating performance was in line. However, C&W's revenue growth was below estimates. The C&W margin improved QoQ, led by the normalization of margin in the wires business and an increase in share from the international business. FMEG business also reported strong growth led by strategic initiatives.
- **We have a BUY rating on the stock.** However, we will review our estimates after the concall on 23rd Jan'25 (Concall Link).

Quarterly performance INR m

	FY24				FY25E				MOSL	Var.	YoY	QoQ
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	3QE		(%)	(%)
Sales	**38,894**	**42,177**	**43,405**	**55,919**	**46,980**	**54,984**	**52,261**	**64,415**	**53,165**	**-1.7%**	**20.4%**	**-5.0%**
Change (%)	42.1	26.6	16.8	29.3	20.8	30.4	20.4	15.2	22.5			
EBITDA	**5,486**	**6,089**	**5,695**	**7,615**	**5,834**	**6,316**	**7,199**	**8,187**	**6,588**	**9.3%**	**26.4%**	**14.0%**
Change (%)	76.3	42.4	13.0	24.9	6.3	3.7	26.4	7.5	15.7			
EBITDA margin (%)	14.1	14.4	13.1	13.6	12.4	11.5	13.8	12.7	12.4	138	65	229
Depreciation	571	603	619	657	671	721	786	710	740	6.2%	27.0%	9.0%
Interest	249	268	322	244	413	453	498	454	460	8.2%	54.5%	9.9%
Other Income	640	353	710	538	584	762	250	1,404	790	-68.3%	-64.8%	-67.2%
Share of JV's loss	-	-	-	-	-	-	-	-	-			
PBT	**5,305**	**5,572**	**5,464**	**7,253**	**5,334**	**5,903**	**6,166**	**8,427**	**6,178**	**-0.2%**	**12.8%**	**4.4%**
Tax	1,273	1,274	1,299	1,718	1,317	1,451	1,522	2,037	1,514			
Effective Tax Rate (%)	24.0	22.9	23.8	23.7	24.7	24.6	24.7	24.2	24.5			
MI	35	42	37	75	57	54	68	10	55			
Exceptional	-	-	-	-	-	-	-	-	-			
Reported PAT	**3,996**	**4,256**	**4,129**	**5,460**	**3,960**	**4,398**	**4,576**	**6,380**	**4,609**	**-0.7%**	**10.8%**	**4.0%**
Change (%)	81.8	58.9	15.4	28.6	-0.9	3.3	10.8	16.8	11.6			
Adj. PAT	**3,996**	**4,256**	**4,129**	**5,460**	**3,960**	**4,398**	**4,576**	**6,380**	**4,609**	**-0.7%**	**10.8%**	**4.0%**
Change (%)	81.8	58.9	15.4	28.6	-0.9	3.3	10.8	16.8	11.6			

Segmental Performance INR m

	FY24				FY25E				MOSL	Var.	YoY	QoQ
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	3QE		(%)	(%)
Sales												
Cable and wires	35,338	38,047	39,041	48,647	39,421	47,200	43,846	57,987	46,068	-4.8%	12.3%	-7.1%
ECDs	3,145	3,300	2,962	3,581	3,855	3,975	4,232	2,875	3,347	26.4%	42.9%	6.5%
Others (incl. EPC)	411	830	1,402	3,691	3,704	3,809	4,183	3,553	3,750	11.5%	198.4%	9.8%
EBIT												
Cable and wires	5,223	5,547	5,474	7,363	4,967	5,793	5,904	7,647	5,989	-1.4%	7.8%	1.9%
ECDs	(57)	(60)	(366)	(459)	(28)	(252)	(128)	(189)	(201)	NA	NA	NA
Others (incl. EPC)	85	110	340	265	425	507	447	467	450	-0.7%	31.3%	-11.8%
EBIT Margin (%)												
Cable and wires	14.8	14.6	14.0	15.1	12.6	12.3	13.5	13.2	13.0	46	(56)	119
ECDs	(1.8)	(1.8)	(12.4)	(12.8)	(0.7)	(6.4)	(3.0)	(6.6)	(6.0)	298	934	333
Others (incl. EPC)	20.6	13.3	24.3	7.2	11.5	13.3	10.7	13.1	12.0	(132)	(1,359)	(261)

Gravita India

BSE SENSEX	S&P CNX
76,405	23,155

CMP: INR2,169 — Buy

Conference Call Details

Date: 23rd Jan'25
Time: 12:00pm IST
Dial-in details:
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Operating performance in line

- Consol. revenue grew 31% YoY to INR9.9b in 3QFY25.
- Gross margin contracted 370bp YoY to 15.8%.
- Adjusted EBITDA grew 14% YoY to INR1b during the quarter.
- Adjusted EBITDA margin contracted 160bp YoY to 10.3%.
- Adj. PAT grew 29% YoY to INR779m.
- Consolidated volumes rose 33% YoY to 53KMT in 3QFY25.

Segmental performance

- Lead business revenue grew 23% YoY to INR8.4b, led by 27% YoY volume growth, reaching 44KMT in 3QFY25. EBITDA/MT stood at INR19,030 (down 19% YoY).
- Aluminum business revenue grew 2.4x YoY to INR1.2b. Volumes stood at 6.3KMT, up 1.9x YoY, while EBITDA/MT increased 2.3x YoY to INR20,861.
- Plastic business revenue grew 44% YoY to INR255m and volumes were up 33% YoY to 3.3KMT. EBITDA/MT declined 7% YoY to INR10,353.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Sales	**7,034**	**8,362**	**7,578**	**8,634**	**9,079**	**9,274**	**9,964**	**11,128**	**31,608**	**39,445**	**9,554**	**4**
YoY Change (%)	5.6	44.2	11.0	9.4	29.1	10.9	31.5	28.9	12.9	24.8	14.3	
Total Expenditure	6,349	7,563	6,681	7,705	8,166	8,259	8,942	9,924	28,298	35,291	8,476	
Adjusted EBITDA	**685**	**798**	**897**	**929**	**912**	**1,015**	**1,023**	**1,204**	**3,309**	**4,154**	**1,078**	**-5**
Margins (%)	9.7	9.5	11.8	10.8	10.1	10.9	10.3	10.8	10.5	10.5	11.3	
Depreciation	79	86	90	125	65	72	76	90	380	303	85	
Interest	127	112	130	124	130	120	128	20	492	398	125	
Other Income	132	69	61	42	33	23	73	35	304	165	20	
PBT before EO expense	**612**	**670**	**738**	**722**	**751**	**847**	**891**	**1,129**	**2,742**	**3,618**	**888**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**612**	**670**	**738**	**722**	**751**	**847**	**891**	**1,129**	**2,742**	**3,618**	**888**	
Tax	86	82	123	28	71	128	111	147	319	456	120	
Rate (%)	14.1	12.2	16.7	3.9	9.4	15.1	12.4	13.1	11.6	12.6	13.5	
Minority Interest & Profit/Loss of Asso. Cos.	5	10	12	4	7	-1	1	10	31	17	15	
Reported PAT	**521**	**579**	**603**	**690**	**673**	**720**	**779**	**972**	**2,392**	**3,144**	**753**	
Adj PAT	**521**	**579**	**603**	**690**	**673**	**720**	**779**	**972**	**2,392**	**3,144**	**753**	**4**
YoY Change (%)	26.0	36.1	35.2	37.4	29.3	24.4	29.3	40.8	18.9	31.4	30.1	
Margins (%)	7.4	6.9	8.0	8.0	7.4	7.8	7.8	8.7	7.6	8.0	7.9	

Cyient DLM: Large defence-related order impacted margin; Anthony Maltonbano, CEO

- Have A guidance of 30% topline CAGR growth
- Certain programs experienced timing shifts
- Order patterns for selected patterns are uneven
- Continue to hold on double digit EBITDAM

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PNBHF: Corporate book will remain below 10% of the total book at all times; Girish Kousgi, MD & CEO

- Q3 was good and demand remained robust
- Have been able to maintain the cost and increase the yield
- Prime book is growing at a slower pace
- Will start lending to corporates which will aid margins

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South Indian Bank: Focus is on retail deposits; PR Sheshadri, MD & CEO

- Avoiding bulk deposits which led to soft deposit growth
- Can grow deposits at 8-10% & assets in early teens
- 4Q would be slightly lower growth as we cycle lower yielding assets
- We are not looking to expand bank branches

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Jana SFB: Expect cost of deposits to reduce, net interest margin to improve; Ajay Kanwal, CEO

- MF collections continue to be a challenging effort
- The challenge lies in asset quality and the microfinance business
- We are making every effort to apply for a universal banking license
- Growth in secured book will be 35%+ for the entire year

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UCO Bank: Intend to maintain net interest margin at around 3-3.10%; Ashwani Kumar, MD & CEO

- 4Q loan growth is expected to exceed 14%
- Likely to surpass loan growth FY25 guidance
- NIMs improved by retaining CoF
- The loan growth target for FY26 is set at 12-14%

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BUY	>=15%
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NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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