

## Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	82,727	0.7	5.9
Nifty-50	25,220	0.6	6.7
Nifty-M 100	59,307	0.3	3.7
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	6,359	0.78	8.1
Nasdaq	21,020	0.61	8.9
FTSE 100	9,061	0.4	10.9
DAX	24,241	0.8	21.8
Hang Seng	9,241	1.8	26.8
Nikkei 225	41,171	3.5	3.2
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	70	0.0	-5.8
Gold (\$/OZ)	3,424	-0.2	30.4
Cu (US\$/MT)	9,931	0.8	14.8
Almn (US\$/MT)	2,651	-0.4	4.9
Currency	Close	Chg .%	CYTD.%
USD/INR	86.4	0.1	0.9
USD/EUR	1.2	-0.2	13.3
USD/JPY	146.4	-0.1	-6.9
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.3	0.00	-0.4
10 Yrs AAA Corp	7.2	0.00	-0.1
Flows (USD b)	23-Jul	MTD	CYTD
FII's	-0.5	-0.73	-8.4
DII's	0.50	4.58	45.6
Volumes (INRb)	23-Jul	MTD*	YTD*
Cash	1,034	1016	1075
F&O	1,92,447	1,96,394	2,09,073

Note: Flows, MTD includes provisional numbers.

\*Average



## Today's top research idea

### Infosys: Encouraging start, unchanged backdrop

- ❖ Infosys (INFO) reported 1QFY26 revenue of USD4.9b, up 2.6% QoQ in CC/ 3.8% YoY in CC vs. our estimate of +1.5% QoQ in CC. EBIT margin stood at 20.8% vs. our estimate of 20.9%. EBIT increased 2.6% QoQ/6.2% YoY to INR88b (est. INR87b). PAT came in at INR69b, up 1.7% QoQ/8.7% YoY, above our estimate of INR66b.
- ❖ Management upgraded the lower end of its FY26 CC revenue growth guidance from 0% to 1%, now expecting growth in the 1–3% range. Large deal TCV stood at USD3.8b, up 46% QoQ. The book-to-bill ratio was 0.8x. Net new TCV was up 50% QoQ. For 1QFY26, revenue/EBIT/PAT grew 7.5%/6.2%/1.7% YoY in INR terms.
- ❖ We expect INFO's revenue/EBIT/PAT to grow 7.1%/9.7%/11.0% YoY in 2QFY26. The company's work in Enterprise AI has been promising, but near-term catalysts remain limited. We reiterate our NEUTRAL rating on INFO with a TP of INR1,750, implying an 11% potential upside.

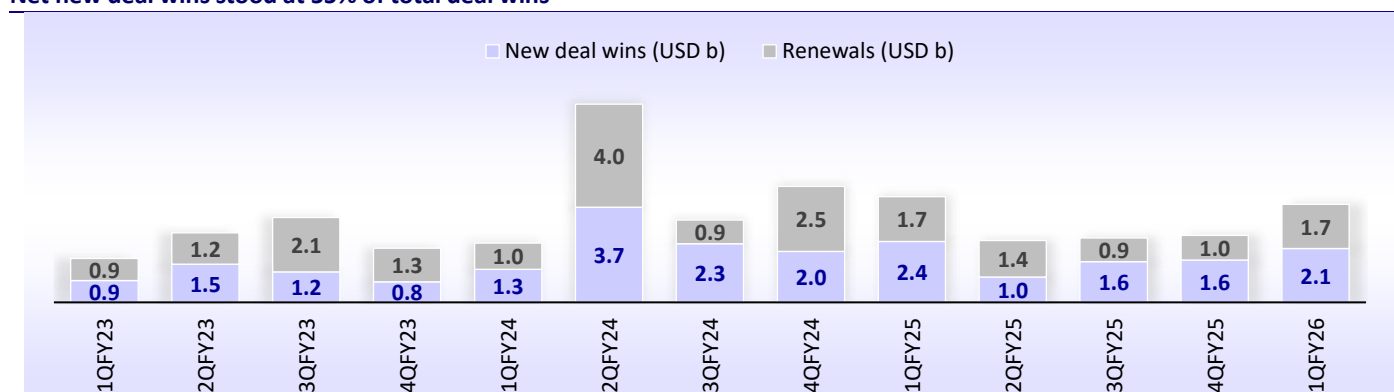


## Research covered

Cos/Sector	Key Highlights
Infosys	Encouraging start, unchanged backdrop
Tata Consumer Products	Moderating tea prices to aid margin expansion going forward
Dr Reddy's Labs	Out-licensing income/lower R&D spend drive better-than-expected EBITDA
Persistent Systems	Steady steps toward USD2b ambition
United Breweries	Beat in volume growth; pressure on margins
Other Updates	Dalmia Bharat   KEI Industries   Godrej Agrovet   Blue Jet Healthcare   Mahanagar Gas   Westlife Foodworld   Sapphire Foods   Oil & Gas   SRF   Syrma SGS Technology   MAS Financial Services   Bajaj Housing Finance

## Chart of the Day: Infosys (Encouraging start, unchanged backdrop)

Net new deal wins stood at 55% of total deal wins



Source: Company, MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.



## In the news today



Kindly click on textbox for the detailed news link

1

### Potential US tariff a significant 'unknown' for business, says Dr Reddy's Lab CEO

Dr. Reddy's Laboratories is closely monitoring a potential US tariff on the pharma sector, viewing it as both a risk and opportunity. The company plans a significant expansion with the generic version of semaglutide across 87 countries by 2026

2

### Make in India: Plan afoot to list key transmission gear

The government is planning to boost local manufacturing of critical power transmission equipment, especially for HVDC lines, through stakeholder discussions and initiatives like technology acquisition.

3

### India becomes world's 3rd-largest mobile exporter at \$20.5 billion

India has dramatically transformed its mobile phone sector, becoming a major exporter with USD 20.5 billion in exports in 2024. This shift, driven by policy interventions like the PLI scheme and integration into global value chains, has led to increased domestic value addition and job creation.

4

### Infosys profit surges 8.7% on deals, Europe show

Infosys raised its lower-end growth forecast for the fiscal, with revenue expected to expand between 1% and 3% from the earlier 0-3%. The company is also gaining from increased adoption of artificial intelligence, top executives said.

5

### Radisson Hotel Group launches Radisson Flights in India with Etraveli Group

Radisson Hotel Group has introduced Radisson Flights in India, collaborating with Etraveli Group to provide a seamless booking experience. This digital platform allows Indian guests to book flights and hotels in a single transaction via the Radisson Hotels platform.

6

### Majority Indian consumers now prefer preservative-free snacks: Farmley

Farmley's Healthy Snacking Report 2025 reveals that 55% of Indian consumers now prioritize preservative-free snacks, with 52% favoring eco-conscious packaging. Snacking habits are evolving due to lifestyle changes, as 45% prefer on-the-go formats. Brand loyalty is diversifying, with quick commerce and influencers

7

### Renault plans to double India parts sourcing, says MD Venkatram Mamillapalle

Renault aims to significantly increase component sourcing from India to ₹400 million in the next five years, enhancing its global supply chain. This move follows a profit warning and cost-cutting measures. The company is committed to the Indian market, planning to introduce four new models...

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR1,575      TP: INR1,750 (+11%)      Neutral**

## Encouraging start, unchanged backdrop

### Outlook for FY26E improves, despite cut to organic guidance

- Infosys (INFO) reported 1QFY26 revenue of USD4.9b, up 2.6% QoQ in CC/ 3.8% YoY in CC vs. our estimate of +1.5% QoQ in CC. EBIT margin stood at 20.8% vs. our estimate of 20.9%. EBIT increased 2.6% QoQ/6.2% YoY to INR88b (est. INR87b). PAT came in at INR69b, up 1.7% QoQ/8.7% YoY, above our estimate of INR66b.
- Management upgraded the lower end of its FY26 CC revenue growth guidance from 0% to 1%, now expecting growth in the 1–3% range. Large deal TCV stood at USD3.8b, up 46% QoQ. The book-to-bill ratio was 0.8x. Net new TCV was up 50% QoQ. For 1QFY26, revenue/EBIT/PAT grew 7.5%/6.2%/1.7% YoY in INR terms. We expect INFO's revenue/EBIT/PAT to grow 7.1%/9.7%/11.0% YoY in 2QFY26. The company's work in Enterprise AI has been promising, but near-term catalysts remain limited. **We reiterate our NEUTRAL rating on INFO with a TP of INR1,750, implying an 11% potential upside.**

### Our view: Macro concerns still in play

- **Organic growth outlook slightly better despite optics of a cut:** While the organic revenue guidance was cut at the upper end by 40bp, the actual performance trajectory has improved. Earlier, we assumed 2% CC growth for FY26E; however, INFO could potentially deliver **2.5% organic growth now, on the back of a stronger 1H.**
- **Lower pass-through revenue a positive:** FY26 will see a decline in third-party (pass-through) revenues, which is a growth headwind but encouragingly points to newer deal wins with lower third-party content, implying better margins.
- **Macro commentary still subdued:** Despite the strong 1Q, INFO continues to see a wait-and-watch posture among clients, with no material improvement in discretionary budgets or decision cycles. Tariff uncertainties and geopolitical tensions continue to weigh on sentiment. Management stated that the macro environment remains unchanged vs. 4Q, which was a key reason for the cautious stance on guidance.
- **Sequential margin outlook better, but AI productivity gains may create headwinds:** INFO's EBIT margin in 1Q came in at 20.8%, down 20bp QoQ—impacted by 100bp headwind from compensation hikes and variable pay, 30bp from currency, and 20bp from increased S&M. This was partly offset by a 70bp benefit from realization (Project Maximus + seasonality) and 60bp from lower amortization and third-party costs. While 2Q onwards should see tailwinds from realization, lower third-party, and stable comp costs, productivity-led AI programs may be leading to price compression and margin pressures across the industry.

Bloomberg	INFO IN
Equity Shares (m)	4154
M.Cap.(INRb)/(USDb)	6540.9 / 75.7
52-Week Range (INR)	2007 / 1307
1, 6, 12 Rel. Per (%)	-2/-23/-15
12M Avg Val (INR M)	11868

### Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	1,630	1,736	1,827
EBIT Margin (%)	21.1	21.4	21.5
PAT	265	285	301
EPS (INR)	63.9	68.6	72.6
EPS Gr. (%)	9.3	7.4	5.8
BV/Sh. (INR)	231	232	232

### Ratios

RoE (%)	28.8	29.7	31.3
RoCE (%)	23.9	24.7	25.9
Payout (%)	67.2	85.0	85.0

### Valuations

P/E (x)	24.7	23.0	21.7
P/BV (x)	6.8	6.8	6.8
EV/EBITDA (x)	16.6	15.2	14.4
Div Yield (%)	2.7	3.7	3.9

### Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	13.1	13.1	13.1
DII	35.4	34.5	33.8
FII	39.4	40.2	39.8
Others	12.2	12.3	13.3

FII includes depository receipts

## Valuation and changes to our estimates

- Despite an upgrade to the lower end of the guidance, management remained cautious of discretionary spending and no material improvement from clients. INFO's work in Enterprise AI has been promising, but near-term catalysts remain limited. Our estimates are unchanged. We value INFO at 24x FY27E EPS. This yields a rounded TP of INR1,750, implying an 11% potential upside. We reiterate our **NEUTRAL** rating on the stock.

## Beat on revenue and deal wins up 46% QoQ; the bottom end of FY26 guidance upgraded

- INFO's revenue in USD terms increased 4.5% QoQ to USD4.9b. In CC, it was up 2.6% QoQ, above our estimate of 1.5% QoQ. Growth for the quarter was not led by pass-through (the pass-through revenue was down QoQ).
- The company guided for FY26E CC revenue growth between 1% and 3% and **upgraded the lower end of guidance from 0% to 1%.**
- In 1QFY26, growth was broad-based across most verticals – BFSI/ Communications was up 2.6%/7.1%, Manufacturing/Energy also reported growth of 9.3%/5.8%, while Hi-Tech declined 1.8% QoQ.
- EBIT margin was at 20.8%, in line with our estimate of 20.9%. EBIT margin guidance was maintained in the 20-22% range.
- PAT was down 1.5% QoQ /up 8.7% YoY at INR69b (above our est. of INR66b).
- Employee count was flat QoQ and stood at 323,788.
- The large deal TCV stood at USD 3.8b, up 46% QoQ. The book-to-bill ratio was 0.8x for the quarter.
- LTM attrition was up 30bp QoQ at 14.4%. Utilization improved 30bp QoQ to 85.2% from 84.9% in 4QY25 (ex-trainees).

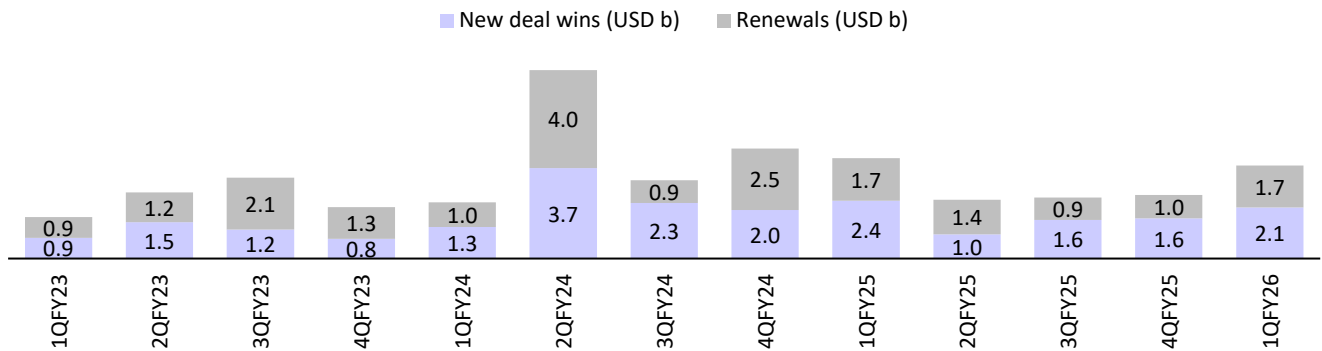
## Key highlights from the management commentary

- The company has seen some impact in logistics, consumer products, and manufacturing, but has also benefited from its work in AI and consolidation.
- AI, digital transformation, and cloud are expected to drive future growth. The company believes it can further scale its work in Enterprise AI, potentially opening additional revenue streams.
- While logistics, consumer, and manufacturing sectors are being impacted by changing economic conditions, clients continue to prioritize cost and operational efficiency, even if not directly affected by macro headwinds.
- 1H FY26 is expected to be stronger than 2H due to seasonality and near-term visibility.
- Deal wins are broad-based across consolidation, transformation, and AI. The company remains well-positioned with clients.
- Growth was supported by pricing increases, volume expansion, and acquisitions. As utilization is near peak, future volume growth will require additional hiring.
- FY26 CC revenue growth guidance has been raised to 1-3%, with the lower end increased from 0% to 1%.
- Project Maximus continues to deliver benefits. However, headwinds from fixed costs in growth areas and transitions in large deals will play out during the year.

### Valuation and view

- Despite an upgrade to the lower end of the guidance, management remained cautious of discretionary spending and no material improvement from clients. INFO's work in Enterprise AI has been promising, but near-term catalysts remain limited. Our estimates are unchanged. We value INFO at 24x FY27E EPS. This yields a rounded TP of INR1,750, implying an 11% potential upside. We reiterate our **NEUTRAL** rating on the stock.

### Net new deal wins stood at 55% of total deal wins



Source: Company, MOFSL

### Quarterly Performance (IFRS)

Y/E March	FY25				FY26E				FY25	FY26E	(INR b)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			Est. 1QFY26	Var. (%/bp)
Revenue (USD m)	4,714	4,894	4,939	4,730	4,941	5,063	5,063	5,013	19,277	20,080	4,868	1.5
QoQ (%)	3.3	3.8	0.9	-4.2	4.5	2.5	0.0	-1.0	3.9	4.2	2.9	154bp
Revenue (INR b)	393	410	418	409	423	439	439	435	1,630	1,736	417	1.5
YoY (%)	3.6	5.1	7.6	7.9	7.5	7.1	5.1	6.2	6.1	6.5	5.9	160bp
GPM (%)	30.9	30.5	30.3	30.2	30.9	31.0	30.5	30.5	30.5	30.7	30.3	58bp
SGA (%)	9.8	9.4	8.9	9.2	10.1	9.4	8.9	9.1	9.3	9.4	9.4	66bp
EBITDA	94	99	101	98	100	107	108	106	392	421	99	1.2
EBITDA Margin (%)	24.0	24.1	24.3	23.9	23.7	24.5	24.5	24.3	24.1	24.2	23.8	-7bp
EBIT	83	86	89	86	88	95	95	93	344	371	87	1.1
EBIT Margin (%)	21.1	21.1	21.3	21.0	20.8	21.6	21.6	21.4	21.1	21.4	20.9	-8bp
Other income	7	6	8	8	9	6	6	6	29	28	6	60.7
ETR (%)	29.3	29.6	29.5	27.0	28.9	28.5	28.5	28.5	28.9	28.6	28.5	41bp
PAT	64	65	68	68	69	72	72	71	265	285	66	4.2
QoQ (%)	4.8	2.2	4.6	0.0	1.7	4.3	0.2	-2.0			-2.4	411bp
YoY (%)	7.1	4.7	11.5	12.1	8.7	11.0	6.3	4.1	8.8	7.5	4.3	439bp
EPS (INR)	15.4	15.7	16.4	16.4	16.7	17.4	17.4	17.1	63.9	68.6	16.0	4.3



# Tata Consumer Products

Estimate change	↑
TP change	↔
Rating change	↔

**CMP: INR1,063 TP: INR1,270 (+20%) Buy**

## Moderating tea prices to aid margin expansion going forward

### Operating performance in line with estimates

- Tata Consumer Products (TATACONS) reported 10% revenue growth in 1QFY26, while EBIT declined 12% YoY. EBIT was affected by higher input costs in the Branded business (India/international business EBIT down 11%/12% YoY) and declining coffee prices in the non-branded business (EBIT down 33%).
- However, with moderating tea prices and improving product mix (higher sales of premium tea), consol margins are expected to expand from 2QFY26, led by better gross margins in the tea business, as indicated by management. The company has guided for consolidated EBITDA margin to gradually reach ~16% by 3Q.
- Factoring in the improving margin trajectory, we increase our FY26/FY27 EBITDA estimates by **7%/3%**. **We reiterate BUY with an SoTP-based TP of INR1,270.**

### Operating profitability muted across businesses this quarter

- Consolidated revenue in 1Q grew 10% YoY to ~INR48b (est. in line). EBITDA margin contracted 260bp YoY to 12.7% (est. 13%), led by lower gross margins (down 480bp YoY) at 40.1%. EBITDA declined 9% YoY to INR6.1b (est. in line).
- The Indian branded business grew 11% YoY to INR31b, led by revenue growth of 8%/14% YoY in the Indian branded beverage/Indian food businesses to INR16.5b/INR15.3b. EBIT declined 11% YoY to INR2.9b.
- The core India business saw double-digit growth in both tea and salt. The salt segment's revenue grew 13% YoY, with 5% growth in volume. The Tata Sampann portfolio grew 27% YoY, led by new launches.
- The RTD segment (NourishCo) witnessed a ~3% YoY decline to ~INR2.7b, driven by trade price corrections, while volumes recorded a moderate growth of 3%, impacted by unfavorable weather conditions. The premium business reported a healthy volume growth of 20% in 1QFY26.
- Growth businesses (including RTD, Capital Foods, and Organic India) reported weak growth this quarter (7% YoY), led by muted growth in RTD and Capital Foods (up 1% YoY), while Organic India grew 31% YoY.
- International branded beverages revenue grew 9% YoY to ~INR11.5b, EBIT declined 12% YoY to INR1.5b, and EBIT margins stood at 13%, down 330bp YoY. The non-branded business revenue increased 7% YoY to ~INR5.4b, while EBIT declined 33% YoY to INR645m.
- Adj. PAT grew 10% YoY to INR3.3b (in line), led by a decrease in finance cost by 64% YoY.

Bloomberg	TATACONS IN
Equity Shares (m)	990
M.Cap.(INRb)/(USDb)	1051.5 / 12.2
52-Week Range (INR)	1247 / 883
1, 6, 12 Rel. Per (%)	-5/0/-17
12M Avg Val (INR M)	1762
Free float (%)	66.2

### Financials & valuations (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	176.2	192.9	208.0
EBITDA	24.8	27.5	31.7
Adj. PAT	13.9	16.7	19.6
EBITDA Margin (%)	14.1	14.3	15.2
Cons. Adj. EPS (INR)	14.0	16.8	19.8
EPS Gr. (%)	-2.4	20.2	17.4
BV/Sh. (INR)	202.1	227.3	240.8

### Ratios

Net D:E	-0.1	-0.1	-0.2
RoE (%)	7.7	8.1	9.1
RoCE (%)	9.1	9.7	10.9
Payout (%)	46.6	38.6	32.9

### Valuations

P/E (x)	75.9	63.2	53.8
EV/EBITDA (x)	39.0	34.8	29.7
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	1.5	1.4	1.9

### Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	33.8	33.8	33.6
DII	22.0	22.0	18.7
FII	22.0	21.5	24.1
Others	22.2	22.7	23.6

Note: FII includes depository receipts

### Highlights from the management commentary

- **Tea pricing:** The tea segment is expected to operate at gross margins of 34-37%, though it currently lags by approximately 10pp. Tea prices declined 13% YoY this quarter and are expected to moderate further, supporting margin expansion. In May, tea production rose 25-30% YoY, and with a normal monsoon expected, the company anticipates further softening in tea prices.
- **India branded beverage business:** Management expects realization growth to moderate going forward, while volume is likely to pick up to mid-single digit YoY. For FY26, the company maintains its total value growth guidance of 6-8% YoY.
- **Growth business:** The company expects growth to exceed 30% for growth businesses starting Q2. Stability is already visible in the Capital Foods business, with full normalization anticipated from Q2 onwards.

### Valuation and view

- We expect margin to recover in the Indian beverage business due to increasing gross margins in the tea business (led by moderating tea prices) and signs of a decent tea crop growth this harvest season. Further, Growth businesses are expected to show strong traction from Q2 onwards. The International business is expected to maintain a similar performance in FY26.
- The continued synergy benefits from the integration of Capital Foods and Organic India are expected to be a key driver of growth for the Indian food business.
- We expect TATACONS to clock a CAGR of 10%/12%/13% in revenue/EBITDA/PAT during FY25-27. **Reiterate BUY with an SoTP-based TP of INR1,270.**

### Consolidated - Quarterly Earning Model

(INR Million)

Y/E March	FY25				FY26				FY25	FY26E	FY25E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	
<b>Gross Sales</b>	<b>43,521</b>	<b>42,145</b>	<b>44,436</b>	<b>46,082</b>	<b>47,789</b>	<b>46,476</b>	<b>48,196</b>	<b>50,433</b>	<b>1,76,183</b>	<b>1,92,894</b>	<b>47,115</b>	<b>1</b>
YoY Change (%)	16.3	12.9	16.8	17.3	9.8	10.3	8.5	9.4	15.9	9.5	8.3	
Total Expenditure	36,847	35,882	38,788	39,873	41,720	40,054	40,881	42,733	1,51,390	1,65,388	41,001	
<b>EBITDA</b>	<b>6,674</b>	<b>6,263</b>	<b>5,647</b>	<b>6,210</b>	<b>6,069</b>	<b>6,422</b>	<b>7,315</b>	<b>7,700</b>	<b>24,794</b>	<b>27,506</b>	<b>6,115</b>	<b>-1</b>
Margins (%)	15.3	14.9	12.7	13.5	12.7	13.8	15.2	15.3	14.1	14.3	13.0	
Depreciation	1,480	1,493	1,503	1,531	1,489	1,520	1,540	1,550	6,007	6,099	1,550	
Interest	936	987	579	400	338	340	345	350	2,902	1,373	400	
Other Income	392	460	516	565	412	575	600	635	1,933	2,222	550	
<b>PBT before EO expense</b>	<b>4,650</b>	<b>4,242</b>	<b>4,081</b>	<b>4,844</b>	<b>4,654</b>	<b>5,137</b>	<b>6,030</b>	<b>6,435</b>	<b>17,817</b>	<b>22,256</b>	<b>4,715</b>	
Extra-Ord expense	-171	-272	-62	453	0	0	0	0	-51	0	0	
<b>PBT</b>	<b>4,479</b>	<b>3,971</b>	<b>4,019</b>	<b>5,297</b>	<b>4,654</b>	<b>5,137</b>	<b>6,030</b>	<b>6,435</b>	<b>17,766</b>	<b>22,256</b>	<b>4,715</b>	
Tax	1,337	377	1,022	1,226	1,190	1,293	1,518	1,601	3,962	5,601	1,187	
Rate (%)	29.9	9.5	25.4	23.2	25.6	25.2	25.2	24.9	22.3	25.2	25.2	
Minority Interest	-11	28	30	39	-24	31	33	43	86	83	-11.8	
Profit/Loss of Asso. Cos.	-249	79	-178	-584	-147	-15	-169	-554	-932	-885	-237	
<b>Reported PAT</b>	<b>2,903</b>	<b>3,644</b>	<b>2,789</b>	<b>3,449</b>	<b>3,342</b>	<b>3,798</b>	<b>4,309</b>	<b>4,237</b>	<b>12,785</b>	<b>15,686</b>	<b>3,303</b>	
<b>Adj PAT</b>	<b>3,031</b>	<b>3,848</b>	<b>2,835</b>	<b>3,109</b>	<b>3,342</b>	<b>3,798</b>	<b>4,309</b>	<b>4,237</b>	<b>12,823</b>	<b>15,686</b>	<b>3,303</b>	<b>1</b>
YoY Change (%)	-5.4	10.2	-18.4	-17.9	10.2	-1.3	52.0	36.3	-8.1	22.3	9.0	
Margins (%)	7.0	9.1	6.4	6.7	7.0	8.2	8.9	8.4	7.3	8.1	7.0	

# Dr Reddy's Labs

Estimate change



TP change



Rating change



Bloomberg	DRRD IN
Equity Shares (m)	835
M.Cap.(INRb)/(USDb)	1041.1 / 12
52-Week Range (INR)	1421 / 1020
1, 6, 12 Rel. Per (%)	-6/-11/-12
12M Avg Val (INR M)	2659

## Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	324.3	349.9	374.5
EBITDA	85.5	83.6	84.3
Adj. PAT	56.1	55.7	52.5
EBITDA Margin (%)	26.4	23.9	22.5
Adj. EPS (INR)	67.3	66.9	63.1
EPS Gr. (%)	6.1	-0.6	-5.7
BV/Sh. (INR)	405	467	525

## Ratios

Net D:E	-0.1	-0.3	-0.5
RoE (%)	18.2	15.3	12.7
RoCE (%)	14.7	11.4	10.1
Payout (%)	7.7	7.5	8.0

## Valuations

P/E (x)	17.2	17.3	18.4
EV/EBITDA (x)	11.0	10.8	9.9
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	1.4	3.2	7.5
EV/Sales (x)	2.9	2.6	2.2

## Shareholding Pattern (%)

As on	Jun-25	Mar-25	Jun-24
Promoter	26.6	26.6	26.7
DII	26.7	25.6	20.7
FII	36.6	37.6	42.4

**CMP: INR1,247**
**TP: INR1,190 (-5%)**
**Neutral**

## Out-licensing income/lower R&D spend drive better-than-expected EBITDA

### Canada Semaglutide opportunity hinged on timely approvals

- Dr Reddy's Labs (DRRD) reported sales in line with our estimates in 1QFY26, while EBITDA/PAT came in higher than expected, primarily led by higher out-licensing income and lower R&D expenses.
- North America sales declined for the first time in 16 quarters in 1QFY26, partly due to volatility in sales of certain products and rising competition in g-Revlimid.
- Growth momentum remained intact in the domestic formulation (DF) market in 1QFY26, aided by new launches and price hikes.
- DRRD witnessed healthy off-take in volume and newer introductions, driving growth in Europe market for the quarter. There was a steady pick-up in NRT business post acquisition.
- Moderate demand and price erosion affected the performance of the pharmaceutical services and active ingredient (PSAI) segment in 1QFY26.
- We reduce our earnings estimates by 5%/4% for FY26/FY27, factoring in a) higher competitive intensity in g-Revlimid, b) moderate weakness in PSAI segment, c) growth-oriented opex in NRT and Nestle JV. We value DRRD at 18x 12M forward earnings to arrive at a TP of INR1,190.
- We expect that the semaglutide opportunity for Canada market and other markets like India/Brazil would be able to offset the impact of a reduction in g-Revlimid business 3QFY26 onward. However, considering the strong contribution from g-Revlimid in FY25, we expect a 3% compounded decline in earnings over FY25-27. Hence, we maintain Neutral rating on the stock.

### Product mix impact marginally offset by lower R&D spend

- DRRD's 1QFY26 revenue grew 11% YoY to INR85.4b (est. of INR84.4b). Europe sales jumped 1.4x YoY to INR12.7b (15% of sales). Excluding NRT acquisition, Europe sales grew by 13% YoY, supported by Germany/UK, which grew 13%/10% YoY to INR3.2b/INR1.7b. India sales grew 11% YoY to INR14.7b (17% of Sales). Emerging markets sales grew 23% YoY to INR9.1b (11% of sales). US sales decreased by 11% YoY to INR34b (~USD397; 40% of sales) on higher price erosion in certain products, including Lenalidomide.
- Gross margin (GM) contracted 350bp YoY to 57%, largely due to lower margins in PSAI (down 1200bp YoY) and Global Generics (down 375bp YoY). This was partly offset by higher gross margin in other segments.
  - EBITDA margin contracted 260bp YoY to 25% (our est: 22.6%) as lower GM was offset by lower expenses (R&D down 76bp YoY as % of sales).
  - EBITDA was largely stable YoY at INR21.5b (est. of INR19.1b). Income from the innovative product segment was higher at INR1.6b in 1Q vs. INR1.5b in FY25. Adj. for this income, EBITDA would be INR20.3b for the quarter. R&D spend was lower at 7.3% of sales in 1Q vs. 8.4% in FY25.
  - PAT grew 2% YoY to INR14.2b.



### Highlights from the management commentary

- DRRD expects g-Revlimid sales to be stable in 2QFY26 and then decline sharply due to competition.
- Semaglutide opportunity for Canada market is subject to litigation outcome in India and regulatory approval in Canada.
- DRRD has a single pen version product for Canada market. It intends to sell 12m pens in FY26.
- Its own capacity of manufacturing pens would be available from FY28 onward.
- The R&D expenditure for FY26 is expected to be in the range of 7-7.5% of total sales (~8.5% in FY25).
- PLI income is expected to be minimal in FY26 and scale up in FY27-28.
- DRRD's work on phase III trials related to abatacept is on track, with read-out expected in Nov'25. DRRD intends to launch the product in CY27. The subcutaneous version is expected to be launched a year later. Both launches are subject to timely approval for US market.

### Quarterly Performance - IFRS

Y/E March	(INRb)											
	FY25				FY26E				FY25	FY26E	Estimates	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	% Var
<b>Sales</b>	<b>76.7</b>	<b>80.2</b>	<b>82.3</b>	<b>85.1</b>	<b>85.5</b>	<b>87.3</b>	<b>85.6</b>	<b>91.5</b>	<b>324.3</b>	<b>349.9</b>	<b>84.4</b>	<b>1.2</b>
YoY Change (%)	13.9	16.5	14.1	20.1	11.4	8.9	4.0	7.6	16.2	7.9	10.0	
<b>EBITDA</b>	<b>21.3</b>	<b>22.0</b>	<b>21.7</b>	<b>20.5</b>	<b>21.5</b>	<b>20.1</b>	<b>17.8</b>	<b>24.2</b>	<b>85.5</b>	<b>83.6</b>	<b>19.1</b>	<b>12.7</b>
YoY Change (%)	4.0	10.3	7.1	16.1	1.1	-8.8	-18.0	18.3	9.1	-2.2	-10.3	
Margins (%)	27.7	27.5	26.4	24.1	25.2	23.0	20.8	26.5	26.4	23.9	22.6	
Amortization	3.8	4.0	4.7	4.6	4.8	4.6	4.4	4.8	17.1	18.5	4.6	
<b>EBIT</b>	<b>17.5</b>	<b>18.1</b>	<b>17.0</b>	<b>16.0</b>	<b>16.7</b>	<b>15.5</b>	<b>13.4</b>	<b>19.4</b>	<b>68.5</b>	<b>65.1</b>	<b>14.5</b>	
Other Income	1.4	2.6	0.5	3.4	2.3	2.3	2.4	2.2	7.8	9.2	2.7	
<b>PBT before EO expenses</b>	<b>18.8</b>	<b>20.7</b>	<b>17.5</b>	<b>19.3</b>	<b>19.0</b>	<b>17.8</b>	<b>15.8</b>	<b>21.6</b>	<b>76.3</b>	<b>74.3</b>	<b>17.2</b>	<b>10.8</b>
One-off income/(expense)	0.0	-1.5	1.3	0.7	0.0	0.0	0.0	0.0	0.5	0.0	0.0	
<b>Profit before Tax</b>	<b>18.8</b>	<b>19.2</b>	<b>18.7</b>	<b>20.1</b>	<b>19.0</b>	<b>17.8</b>	<b>15.8</b>	<b>21.6</b>	<b>76.8</b>	<b>74.3</b>	<b>17.2</b>	<b>10.8</b>
Tax	4.9	5.8	4.7	4.2	5.0	4.6	3.9	5.5	19.5	19.0	4.2	
Rate (%)	26.0	30.0	25.1	20.8	26.0	25.5	25.0	25.5	25.4	25.5	24.5	
<b>PAT</b>	<b>13.9</b>	<b>13.4</b>	<b>14.0</b>	<b>15.9</b>	<b>14.1</b>	<b>13.3</b>	<b>11.8</b>	<b>16.1</b>	<b>57.2</b>	<b>55.3</b>	<b>13.0</b>	<b>8.6</b>
<b>Adjusted PAT</b>	<b>13.9</b>	<b>13.6</b>	<b>13.2</b>	<b>15.4</b>	<b>14.2</b>	<b>13.4</b>	<b>11.9</b>	<b>16.2</b>	<b>56.1</b>	<b>55.7</b>	<b>13.1</b>	<b>8.6</b>
YoY Change (%)	2.0	2.4	-4.3	26.7	1.8	-1.6	-9.6	5.6	6.1	-0.6	-6.2	
Margins (%)	18.1	17.0	16.0	18.1	16.6	15.3	13.9	17.7	17.3	15.9	15.5	
<b>EPS</b>	<b>16.7</b>	<b>16.3</b>	<b>15.8</b>	<b>18.4</b>	<b>17.0</b>	<b>16.1</b>	<b>14.3</b>	<b>19.5</b>	<b>67.3</b>	<b>66.9</b>	<b>15.7</b>	<b>8.6</b>

### Key performance Indicators (Consolidated)

Y/E March	FY25				FY26				FY25	FY26E	FY26
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE
<b>INRm</b>											
North America	38,462	37,281	33,834	35,586	34,123	33,970	32,005	35,707	1,45,163	1,35,805	34,425
YoY Change (%)	20.3	17.6	1.0	9.1	-11.3	-8.9	-5.4	0.3	11.8	-6.4	-10.5
Europe	5,265	5,770	12,096	12,750	12,744	13,848	13,910	14,280	35,881	54,782	12,373
YoY Change (%)	3.8	9.2	143.4	144.8	142.1	140.0	15.0	12.0	74.9	52.7	135.0
India	13,252	13,971	13,464	13,047	14,711	15,508	14,541	14,874	53,734	59,634	14,445
YoY Change (%)	15.4	17.8	14.1	15.8	11.0	11.0	8.0	14.0	15.8	11.0	9.0
Russia & Others CIS	7,400	9,000	9,400	8,900	9,100	8,829	9,592	9,968	34,700	37,489	8,510
YoY Change (%)	-2.6	12.5	14.6	23.6	23.0	-1.9	2.0	12.0	12.3	8.0	15.0
Others	3,741	5,600	4,958	5,081	4,942	5,320	5,454	5,469	19,380	21,185	5,050
YoY Change (%)	-5.3	32.1	7.0	3.9	32.1	-5.0	10.0	10.0	9.2	9.3	35.0
PSAI	7,657	8,407	8,219	9,563	8,181	9,668	9,863	10,806	33,846	38,518	9,495
YoY Change (%)	14.1	19.5	4.8	16.4	6.8	15.0	20.0	13.0	13.6	13.8	24.0
<b>Cost Break-up</b>											
COGS (% of Sales)	39.6	40.4	42.0	44.4	43.1	45.0	48.0	42.0	41.7	44.5	45.5
SG&A (% of Sales)	24.6	23.0	23.6	22.9	24.4	24.5	24.0	24.0	23.5	24.2	23.5
R&D Expenses(% of Sales)	8.1	9.1	8.1	8.5	7.3	7.5	7.2	7.5	8.4	7.4	8.4
Gross Margins(%)	60.4	59.6	58.0	55.6	56.9	55.0	52.0	58.0	58.3	55.5	54.5
EBITDA Margins(%)	27.7	27.5	26.4	24.1	25.2	23.0	20.8	26.5	26.4	23.9	22.6
EBIT Margins(%)	22.8	22.5	20.7	18.8	19.6	17.8	15.7	21.2	21.1	18.6	17.2

# Persistent Systems

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	PSYS IN
Equity Shares (m)	156
M.Cap.(INRb)/(USD\$)	876.7 / 10.1
52-Week Range (INR)	6789 / 4149
1, 6, 12 Rel. Per (%)	-9/-19/14
12M Avg Val (INR M)	3013

## Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	119.4	142.8	170.3
EBIT Margin (%)	14.7	15.5	16.0
Adj. PAT	14.0	17.9	21.9
Adj. EPS (INR)	90.2	114.5	140.1
EPS Gr.(%)	20.2	26.9	22.3
BV/Sh.(INR)	411.9	477.2	561.9
<b>Ratios</b>			
RoE (%)	24.8	26.1	27.2
RoCE (%)	22.8	23.6	24.7
Payout (%)	38.8	40.0	40.0
<b>Valuations</b>			
P/E (x)	62.1	48.9	40.0
P/BV (x)	13.6	11.7	10.0
EV/EBITDA (x)	41.1	32.7	26.8
Div. Yield (%)	0.6	0.8	1.0

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	30.6	30.7	31.0
DII	27.8	26.9	28.2
FII	24.8	25.2	23.2
Others	16.9	17.3	17.5

FII Includes depository receipts

**CMP: INR5,606 TP: INR6,800 (+21%) Buy**

## Steady steps toward USD2b ambition

### Although keeps one eye on margins

- Persistent Systems (PSYS) reported 1QFY26 revenue of USD390m (vs. est. USD392m), up 3.9% QoQ in USD terms and 3.3% in CC (est. +4.0%). EBIT margin stood at 15.5% (est. 15.8%).
- EBIT grew 3.3% QoQ/31.1% YoY to INR5.1b. Adj. PAT came in at INR4.2b (est. INR4.2b), up 7.4% QoQ/38.7% YoY. For 1QFY26, revenue/EBIT/PAT grew 21.8%/34.8%/38.7% YoY in INR terms.
- We expect PSYS's revenue/EBIT/PAT to grow 20.8%/35.3%/36.9% YoY in 2QFY26. TTM TCV was USD520.8m, up 1% QoQ and up 12% YoY (1.3x book-to-bill). We value PSYS at 48x FY27E EPS. **Given its consistent execution and visibility on growth**, we value PSYS at 48x FY27E EPS. Reiterate **BUY** with a TP of INR 6,800.

### Our view: BFSI and Hi-Tech to sustain momentum in FY26

- **Growth moderates, but FY27 target holds steady:** PSYS reported 3.3% QoQ CC growth in 1QFY26, moderating from its ~4.5% recent run-rate due to client-specific delays and macro caution. That said, growth was broad-based with BFSI and Hi-Tech continuing to lead. The company reaffirmed its USD2b revenue goal by FY27, implying an 18-19% cc CAGR over FY25-27.
- **BFSI & Hi-Tech continue to drive momentum:** BFSI/Hi-Tech registered healthy growth of 9.0%/3.6% QoQ in USD terms. BFSI stood out this quarter with healthy traction across sub-segments and strong deal wins. PSYS expects BFSI to continue driving growth in FY26. Further, deal activity in Hi-Tech is gradually improving, with early traction in modernization and AI-led programs. We expect momentum in both to sustain through FY26.
- **Pipeline remains healthy, but conversion remains key:** TTM TCV stood at USD520.8m (+12% YoY) with a 1.3x book-to-bill, slightly below historical levels. While deal conversions may remain uneven in the near term, PSYS continues to pursue large deals and is sharpening its TCV-to-ACV conversion focus.
- **Margins, however, are a risk:** Headline EBIT margin contracted just 10bp QoQ to 15.5%. This included a 230bp benefit from lower ESOP costs. Adjusting for this, core margins stood at ~13.2%.
- With wage hikes deferred and ESOP costs expected to remain stable in the near term, some room exists for margin expansion through SG&A leverage. We factor in margin expansion of 80bp over FY26E (another 60bp by FY27E) despite the management reiterating its target of 200-300bp margin expansion over the medium term.

### Valuation and revisions to our estimates

- We project an 18% USD revenue CAGR over FY25-27 for PSYS, which, combined with margin expansion, could result in a ~25% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We largely maintain our estimates for FY26E/FY27E. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 48x FY27E EPS. **Reiterate BUY with a TP of INR6,800.**

### In-line revenues and miss on margins; BFSI & Hi-Tech led growth

- 1QFY26 revenue stood at USD390m (vs. est. USD392m), up 3.9% QoQ in USD terms. It reported CC growth of 3.3% QoQ vs our estimate of 4.0% QoQ CC growth.
- Growth was led by BFSI (up 9.0% QoQ) and Hi-Tech (up 3.6% QoQ) in USD terms.
- EBIT margin at 15.5% was down 10bp QoQ and below our estimate of 15.8%.
- TTM TCV stood at USD520.8m, up 1% QoQ and up 12% YoY (1.3x book-to-bill).
- Net new TCV was up 2.4% QoQ at USD337m. ACV stood at USD385.3m.
- Net headcount improved 3% QoQ. Utilization was up 60bp QoQ at 88.7%. TTM attrition was up 100bp QoQ at 13.9%.
- EBITDA grew 4.6% QoQ/34.4% YoY to INR6.1b and EBITDA margin came in at 18.3%, in line with our estimate of 18.3%.
- Adj. PAT stood at INR4.2b (up 7.4% QoQ/38.7% YoY), in line with our estimate of INR4.2b.

### Key highlights from the management commentary

- The environment remains cautious, with delays in client decision-making cycles.
- The company's strategy for the next couple of years is to deepen its presence in existing verticals before expanding into new ones such as Auto—potentially through inorganic acquisitions.
- There was a secular increase in revenues across all top 100 clients. The company remains committed to achieving USD2b in revenue by FY27.
- The focus will be on delivering profitable growth without compromising margins. There may be tuck-in acquisitions (especially in Europe, which is targeted to contribute 15% of total revenues) that will be capability-led over scale.
- The deal pipeline remains healthy, and the company remains confident about the large deals in progress.
- The focus remains on improving TCV to ACV conversion.
- Wage hikes have been deferred by a quarter; historically, they occur in 2Q.
- Management expects 200-300bp margin expansion by FY27.
- HLS declined QoQ, primarily due to a planned transition of work from onsite to offshore and some client-specific issues.
- No further decline is expected in this vertical; growth is expected to resume in the remainder of the year.

## Valuation and view

- We project an 18% USD revenue CAGR over FY25-27 for PSYS, which, combined with margin expansion, could result in a ~25% EPS CAGR. This places the company in a league of its own as a diversified product engineering and IT services player.
- We largely maintain our estimates for FY26E/FY27E. Owing to its superior earnings growth trajectory, on a PEG basis, we believe the valuation still has room for upside. We value PSYS at 48x FY27E EPS. **Reiterate BUY with a TP of INR6,800.**

## Quarterly Performance (IFRS)

Y/E March (Consolidated)	FY25				FY26E				FY25	FY26E	Est. 1QFY26	Var. (% / bp)
	2Q	3Q	4Q	1Q	2QE	3QE	4QE					
Revenue (USD m)	328	346	360	375	390	404	420	439	1,409	1,652	392.1	-0.6
QoQ (%)	5.6	5.3	4.3	4.2	3.9	3.6	4.0	4.5	18.8	17.2	4.5	-63bp
Revenue (INR m)	27,372	28,972	30,623	32,421	33,336	35,010	36,410	38,049	1,19,387	1,42,805	33,546	-0.6
QoQ (%)	5.7	5.8	5.7	5.9	2.8	5.0	4.0	4.5			3.5	-65bp
YoY (%)	17.9	20.1	22.6	25.2	21.8	20.8	18.9	17.4	21.6	19.6	22.6	-77bp
GPM (%)	33.0	33.4	34.7	34.9	35.3	35.0	34.0	35.0	34.0	34.8	35.0	28bp
SGA (%)	16.4	16.8	17.1	16.8	16.9	16.6	16.6	16.6	16.8	16.7	16.7	23bp
EBITDA	4,552	4,807	5,378	5,844	6,116	6,442	6,335	7,001	20,581	25,894	6,139	-0.4
EBITDA Margin (%)	16.6	16.6	17.6	18.0	18.3	18.4	17.4	18.4	17.2	18.1	18.3	5bp
EBIT	3,840	4,062	4,557	5,053	5,178	5,497	5,389	6,012	17,512	22,075	5,300	-2.3
EBIT Margin (%)	14.0	14.0	14.9	15.6	15.5	15.7	14.8	15.8	14.7	15.5	15.8	-27bp
Other income	165	283	263	-1	376	280	291	304	710	1,252	268	40.1
ETR (%)	23.5	25.2	22.6	21.7	23.5	23.0	23.3	23.5	23.2	23.3	23.0	
Adj. PAT	3,064	3,250	3,729	3,958	4,249	4,448	4,357	4,832	14,001	17,886	4,288	-0.9
QoQ (%)	-2.8	6.1	14.7	6.1	7.4	4.7	-2.1	10.9			8.3	-97bp
YoY (%)	10.5	23.4	30.3	25.5	38.7	36.9	16.8	22.1	22.6	27.8	39.9	-126bp
Reported EPS (INR)	19.9	21.0	23.9	25.4	27.2	28.5	27.9	30.9	90.2	114.5	27.5	-1.1

## Key Performance Indicators

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q		
Revenue (QoQ CC %)	5.6	5.1	4.6	4.5	3.3		
<b>Margins</b>							
Gross Margin	33.0	33.4	34.7	34.9	35.3		34.0
EBIT Margin	14.0	14.0	14.9	15.6	15.5		14.7
Net Margin	11.2	11.2	12.2	12.2	12.7		11.7
<b>Operating metrics</b>							
Headcount	23,519	23,237	23,942	24,594	25,340		24,594
Voluntary Attrition (%)	11.9	12.0	12.6	12.9	13.9		12.9
Utilisation (%)	82.1	84.8	87.4	88.4	88.7		88.4
<b>Effort Mix(%)</b>							
Global Delivery Centers	15.2	15.8	15.1	14.8	14.5		15.2
India	84.8	84.2	84.9	85.2	85.5		84.8

# United Breweries

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	UBBL IN
Equity Shares (m)	264
M.Cap.(INRb)/(USDb)	533.3 / 6.2
52-Week Range (INR)	2300 / 1810
1, 6, 12 Rel. Per (%)	3/-11/-3
12M Avg Val (INR M)	496

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Net Sales	89.1	101.9	115.0
Sales Gr. (%)	9.7	14.5	12.8
EBITDA	8.4	10.4	13.7
Margin (%)	9.4	10.2	11.9
Adj. PAT	4.7	6.3	8.8
Adj. EPS (INR)	17.7	23.8	33.4
EPS Gr. (%)	13.6	34.6	40.4
BV/Sh. (INR)	164.9	177.6	195.5

## Ratios

RoE (%)	10.9	13.9	17.9
RoCE (%)	11.0	14.2	18.0

## Valuations

P/E (x)	114.4	85.0	60.5
P/BV (x)	12.3	11.4	10.3
EV/EBITDA (x)	63.1	49.6	38.5

## Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	70.8	70.8	70.8
DII	17.5	17.3	17.5
FII	6.7	6.9	6.4
Others	4.9	4.9	5.2

FII includes depository receipts

**CMP: INR2,020      TP: INR2,000 (-1%)      Neutral**

## Beat in volume growth; pressure on margins

- United Breweries (UBBL) delivered strong revenue growth of 16% YoY (est. 10%) in 1QFY26. Volume growth was 11% YoY (est. 4%, 5% in 4Q, 6% in FY25), aided by share gain and a low base from the election-impacted quarter last year. Of the overall growth, **2-2.5% was attributed to the low base**. The **premium portfolio continued its strong momentum**, growing **46% YoY in 1QFY26** (vs. 32% in FY25), and now contributes **10% to overall volumes**.
- Regionally, North, West, and South posted growth of 8%, 13%, and 16%, respectively, while the East declined 1%. Volume growth was led by Andhra Pradesh, Assam, and Uttar Pradesh, though partly offset by declines in Karnataka and West Bengal. A favorable price mix supported revenue, aided by hikes in Telangana, UP, Orissa, and Rajasthan, along with continued premiumization.
- Gross margin contracted by 50bp YoY to 42.5% (vs. est. 43.7%) due to temporary pressures from inter-state transfers and an adverse state mix, partially offset by revenue management and cost controls. EBITDA margin declined 70bp YoY to 10.8% (vs. est. 12.1%), with the majority of the impact stemming from weakness in Karnataka. However, underlying margin trends remain healthy, supported by stable raw material costs and improved bottle returns. The company reiterated its focus on achieving double-digit EBITDA margins over the medium term. We model EBITDA margins of 10.2% in FY26 and 11.9% in FY27.
- UBBL remains focused on volume-led growth and further market share gains in the premium segment. However, the ongoing shortage of cans (which account for 20-22% of the portfolio) remains a key near-term headwind. To address long-term supply chain risks, the company is prioritizing backward integration in both bottles and cans to improve scalability and resilience.
- We expect a ~14% revenue CAGR over FY25-27, led by high single-digit volume growth and a steady recovery in margins, which have been under pressure for the past five years. However, given the rich valuations and lingering regulatory headwinds, we maintain our Neutral stance on the stock with a TP of INR2,000 (55x Jun'27E EPS).

## Strong volume growth despite seasonal headwinds; miss on margin

- **Beat on revenue:** UBBL's standalone net sales grew 16% YoY to INR28.6b (est. INR27.2b). Volume growth stood at 11% YoY (est. 4%), with premium segment's volume posting a sharp 46% YoY growth.
- **Regional performance:** The North, West, and South regions posted 8%, 13%, and 16% growth, respectively, while the East reported a 1% drop. Volume growth, mainly driven by Andhra Pradesh, Assam, and Uttar Pradesh, was partially offset by declines in Karnataka and West Bengal. The positive price mix was driven by price increases in Telangana, Uttar Pradesh, Orissa, and Rajasthan, coupled with a favorable mix, mainly from premiumization.



- **Miss on margins:** Gross margin contracted 50bp YoY to 42.5% (est. 43.7%; 42.1% in 4QFY25). Employee expenses grew 9% YoY and other expenses were up 19% YoY. EBITDA margin contracted 70bp YoY to 10.8% (est. 12.1%, 8% in 4QFY25).
- EBITDA increased 9% YoY to INR3.1b (est. INR3.3b). Interest cost jumped ~600% YoY to INR112m (est. INR24m). APAT rose 6% YoY to INR1.8b (est. INR2.1b).

#### Highlights from the management commentary

- The company is facing major headwinds due to the shortage of cans, which account for 20-22% of the portfolio. The government has also imposed BIS regulations on the import of cans.
- In Telangana, receivables have improved compared to the prior quarter; old dues have been cleared, though some new payments are still pending.
- With the recent hike in excise duty on spirits, retailers in Maharashtra have stocked up in anticipation of further price hikes. However, spirit companies protest the hike, but if the state maintains the current policy, it could help to drive double-digit volume growth for beer.
- Karnataka saw a 16-17% volume decline, largely in line with the contraction in the overall category due to a steep hike in excise duties. Importantly, the company retained its market share.
- West Bengal witnessed a double-digit category decline, exacerbated by price competition, as some players did not pass on tax increases in the economy segment.

#### Valuation and view

- We cut our estimates by ~5% for FY26 and 4% for FY27, factoring in the miss on EBITDA margin in 1Q.
- The company is facing numerous challenges, including stiff competition from both local and international brands in India and state regulatory issues in the industry.
- UBBL posted 6% volume growth in FY25, while its premium volume grew ~32%, maintaining its robust growth momentum. We estimate a CAGR of 14%/28%/37% in revenue/EBITDA/adj. PAT over FY25-27.
- We estimate EBITDA margin recovery in FY26 and FY27; any delay in margin recovery could lead to further earnings cuts. We maintain our Neutral rating on the stock. **Our TP of INR2,000 is based on 55x Jun'27E EPS.**

## Standalone Quarterly Performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Variance
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	
Volume growth (%)	5	5	8	5	11	8	8	9	6	7	4	
Net Sales	24,730	21,147	19,984	23,214	28,624	24,107	22,781	26,432	89,074	1,01,945	27,202	5.2%
YoY Change (%)	8.8	12.0	9.6	8.9	15.7	14.0	14.0	13.9	9.7	14.5	10.0	
Gross Profit	10,642	9,272	8,619	9,772	12,176	10,438	9,864	11,868	38,305	44,346	11,887	2.4%
Margin (%)	43.0	43.8	43.1	42.1	42.5	43.3	43.3	44.9	43.0	43.5	43.7	
EBITDA	2,847	2,268	1,411	1,862	3,105	2,628	1,800	2,908	8,390	10,440	3,291	-5.7%
YoY Change (%)	27.8	22.9	-3.0	31.2	9.1	15.8	27.5	56.1	20.5	24.4	15.6	
Margins (%)	11.5	10.7	7.1	8.0	10.8	10.9	7.9	11.0	9.4	10.2	12.1	
Depreciation	577	571	613	567	628	594	613	515	2,327	2,349	582	
Interest	16	22	32	59	112	26	26	11	129	175	24	
Other Income	73	105	101	79	110	116	119	120	357	464	109	
PBT before EO expense	2,327	1,781	867	1,316	2,475	2,124	1,280	2,502	6,291	8,380	2,794	
Tax	595	458	227	342	638	531	320	607	1,622	2,095	699	
Rate (%)	25.5	25.7	26.2	26.0	25.8	25.0	25.0	24.2	26.9	25.0	25.0	
Reported PAT	1,733	1,322	383	974	1,837	1,593	960	1,895	4,412	6,285	2,096	-12.3%
Adj PAT	1,733	1,322	640	974	1,837	1,593	960	1,895	4,669	6,285	2,096	-12.3%
YoY Change (%)	27.3	22.9	-24.5	20.5	6.0	20.4	50.0	94.6	13.6	34.6	20.9	
Margins (%)	7.0	6.3	3.2	4.2	6.4	6.6	4.2	7.2	5.2	6.2	7.7	

E: MOFSL Estimates

# Dalmia Bharat

Estimate change



TP change



Rating change


**CMP: INR2,270**
**TP: INR2,660 (+17%)**
**Buy**

## Margin improves due to price hikes and lower input costs

### Anticipates industry volume growth at ~6-7% YoY in FY26

- Dalmia Bharat's (DALBHARA) 1QFY26 EBITDA grew ~32% YoY to INR8.8b (9% beat, led by lower-than-estimated opex/t). EBITDA/t increased 40% YoY to INR1,261 (~12% above our estimate), and OPM expanded 5.8pp/4.9pp YoY/QoQ to ~24% (vs. est. ~22%). Adjusted profit (adjusted for reversal of provisions) surged ~66% YoY to INR3.7b (~15% above our estimates).
- Management indicated cement demand growth of ~6-7% YoY in FY26, led by increased government spending and a recovery in the housing sector, despite a soft start to 1Q. Cement prices in its core markets have seen a healthy recovery and held steady despite the monsoon season. The company believes prices will hold well at these levels in the near term. Management also laid out its (clinker-backed) capacity expansion plan of 14.0-14.5mtpa across the South and Northeast markets to increase its grinding capacity to ~64mtpa by FY28 from 49.5mtpa currently. DALBHARA reiterated its aspiration to become a pan-India player in the medium to longer term.
- We raise our EBITDA estimate by ~6% for FY26, while we maintain the same for FY27. We also introduce our FY28 estimates with this note. We value the stock at 13x Jun'27E EV/EBITDA to arrive at our TP of INR2,660. **Reiterate BUY.**

### EBITDA/t improves 40% YoY to INR1,261 (vs. est. INR1,126)

- DALBHARA's consolidated revenue/EBITDA/adj. PAT stood at INR36.4b/INR8.8b/INR3.7b (flat/+32%/+66% YoY and -3%/+9%/+15% vs. our estimate) in 1QFY26. Sales volume declined ~5% YoY to 7.0mt. However, adjusted for the JPA volume of 0.4mt in the base, volume was flat YoY. Realization improved ~6%/9% YoY/QoQ to INR5,194/t.
- Opex/t declined 1% YoY, led by ~7% reduction in variable costs/t. Other expenses/Staff costs/Freight costs per ton increased ~7%/5%/1% YoY. OPM expanded 5.8pp YoY to ~24%, and EBITDA/t increased 40% YoY to INR1,261. Depreciation/interest cost increased ~2%/14% YoY, whereas other income declined ~2% YoY. ETR stood at 24.5% vs. 16.0% in 1QFY25.

### Highlights from the management commentary

- DALBHARA is consistently working on brand building, deepening the distribution network, and improving price positioning. The company's NSR has improved ~9% QoQ in 1FY26. In the near term, management will continue to balance volume growth and profitability.
- Management is committed to a cost reduction of INR150-200/t over the next two years. It believes cost savings from 1) renewable energy will kick in from 2HFY26, and 2) logistics optimization will accrue from 4QFY26.
- Capex is pegged at INR40b for FY26/FY27 each (incurred INR6.12b in 1QFY26); of this, ~70-75% will be towards growth and expansions, while the rest will be for renewable energy, maintenance, and cost efficiency measures.

### Valuation and view

- DALBHARA's operating performance was above our estimates, led by better cost control. Though volumes were slightly below estimates. We believe the resilient pricing in its core markets (East and South) and a likely recovery in cement demand post-monsoon will help the company drive healthy OPM. Further, the company announced expansion plans to fuel its medium-to-long-term growth and remain competitive in its core markets.

Bloomberg	DALBHARA IN
Equity Shares (m)	188
M.Cap.(INRb)/(USDb)	425.7 / 4.9
52-Week Range (INR)	2343 / 1601
1, 6, 12 Rel. Per (%)	9/16/25
12M Avg Val (INR M)	705
Free float (%)	44.2

### Financial Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	157.1	170.7	186.1
EBITDA	34.9	39.1	43.6
Adj. PAT	13.7	13.0	15.6
EBITDA Margin (%)	22.2	22.9	23.4
Adj. EPS (INR)	73.2	69.6	83.5
EPS Gr. (%)	97.4	-4.9	20.0
BV/Sh. (INR)	988	1,042	1,111

### Ratios

Net D:E	0.1	0.2	0.2
RoE (%)	7.6	6.9	7.8
RoCE (%)	7.4	7.2	7.7
Payout (%)	16.4	21.6	18.0

### Valuations

P/E (x)	31.0	32.6	27.1
P/BV (x)	2.3	2.2	2.0
EV/EBITDA(x)	12.4	11.1	10.2
EV/ton (USD)	101	91	93
Div. Yield (%)	0.5	0.7	0.7
FCF Yield (%)	-2.6	-1.4	1.9

### Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	55.8	55.8	55.8
DII	17.5	16.6	13.8
FII	8.2	8.3	9.4
Others	18.4	19.3	21.0

FII includes depository receipts

- We estimate a revenue/EBITDA/PAT CAGR of 10%/22%/31% over FY25-28. We also estimate a volume CAGR of ~7% over FY25-28 and an EBITDA/t of INR1,130/INR1,170/INR1,210 in FY26/FY27/FY28E vs. INR820 in FY25E (avg. EBITDA/t of INR1,070 over FY20-24). At CMP, the stock is trading attractively at 12x/11x FY26E/FY27E EV/EBITDA and USD101/USD91 EV/t. We value DALBHARA at 13x Jun'27E EV/EBITDA to arrive at our TP of INR2,660. **Reiterate BUY.**

#### Quarterly Performance (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Net Sales</b>	<b>36.2</b>	<b>30.9</b>	<b>31.8</b>	<b>40.9</b>	<b>36.4</b>	<b>35.3</b>	<b>36.7</b>	<b>48.8</b>	<b>139.8</b>	<b>157.1</b>	<b>37.4</b>	<b>-3</b>
YoY Change (%)	-0.3	-2.0	-11.7	-5.0	0.4	14.4	15.4	19.2	-4.8	12.4	3.3	
Total Expenditure	29.5	26.5	26.7	33.0	27.5	28.0	29.1	37.6	115.7	122.2	29.3	-6
<b>EBITDA</b>	<b>6.7</b>	<b>4.3</b>	<b>5.1</b>	<b>7.9</b>	<b>8.8</b>	<b>7.3</b>	<b>7.6</b>	<b>11.2</b>	<b>24.1</b>	<b>34.9</b>	<b>8.1</b>	<b>9</b>
Margins (%)	18.5	14.1	16.1	19.4	24.3	20.6	20.6	23.0	17.2	22.2	21.7	254
YoY Change (%)	8.4	-26.3	-34.4	21.3	32.0	67.8	48.1	41.2	-8.8	44.9	21.5	
Depreciation	3.2	3.4	3.6	3.1	3.2	3.2	3.3	3.9	13.3	13.7	3.2	1
Interest	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.9	4.0	5.2	1.1	-2
Other Income	0.5	0.7	0.4	0.9	0.5	0.6	0.7	0.9	2.5	2.7	0.6	-18
<b>PBT before EO Expense</b>	<b>3.1</b>	<b>0.7</b>	<b>0.8</b>	<b>4.7</b>	<b>5.0</b>	<b>3.5</b>	<b>3.8</b>	<b>6.3</b>	<b>9.3</b>	<b>18.6</b>	<b>4.4</b>	<b>13</b>
Extra-Ord expense	1.1	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	1.1	-0.2	0.0	
<b>PBT after EO Expense</b>	<b>1.9</b>	<b>0.7</b>	<b>0.8</b>	<b>4.7</b>	<b>5.2</b>	<b>3.5</b>	<b>3.8</b>	<b>6.3</b>	<b>8.2</b>	<b>18.8</b>	<b>4.4</b>	<b>17</b>
Tax	0.5	0.2	0.2	0.3	1.2	0.9	1.0	1.6	1.2	4.7	1.1	
Prior Period Tax Adjustment	0.0	0.1	0.0	-0.8	0.0	0.0	0.0	0.0	-0.7	0.0	0.0	
Rate (%)	16.0	20.5	22.9	22.9	24.5	25.6	25.6	25.9	5.6	25.2	25.6	
<b>Reported PAT (Pre Minority)</b>	<b>1.5</b>	<b>0.5</b>	<b>0.7</b>	<b>4.4</b>	<b>4.0</b>	<b>2.6</b>	<b>2.8</b>	<b>4.7</b>	<b>7.0</b>	<b>14.0</b>	<b>3.3</b>	<b>20</b>
Minority + Associate	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.1	
<b>Adj. PAT</b>	<b>2.3</b>	<b>0.6</b>	<b>0.6</b>	<b>3.6</b>	<b>3.7</b>	<b>2.6</b>	<b>2.8</b>	<b>4.6</b>	<b>7.0</b>	<b>13.7</b>	<b>3.2</b>	<b>15</b>
YoY Change (%)	82.9	-53.8	-78.1	40.7	65.8	365.4	371.2	29.4	-9.0	96.8	44.3	

#### Per Ton Analysis (Blended) INR/t

<b>Sales Dispatches (m ton)</b>	<b>7.4</b>	<b>6.7</b>	<b>6.7</b>	<b>8.6</b>	<b>7.0</b>	<b>6.9</b>	<b>7.3</b>	<b>9.6</b>	<b>29.4</b>	<b>30.8</b>	<b>7.2</b>	<b>-3</b>
YoY Change (%)	6.2	8.1	-2.0	-2.3	-5.4	3.4	9.2	12.0	2.0	5.0	-2.4	
<b>Net Realization</b>	<b>4,893</b>	<b>4,607</b>	<b>4,773</b>	<b>4,757</b>	<b>5,194</b>	<b>5,094</b>	<b>5,044</b>	<b>5,062</b>	<b>4,760</b>	<b>5,095</b>	<b>5,176</b>	<b>0</b>
YoY Change (%)	-6.1	-9.3	-9.9	-2.8	6.2	10.6	5.7	6.4	-6.7	7.0	5.8	
RM Cost	818	664	768	891	667	870	870	974	793	856	920	-27
Employee Expenses	308	327	335	250	324	314	306	281	301	304	327	-1
Power, Oil & Fuel	1,023	1,055	999	899	1,036	950	940	860	988	939	970	7
Freight and Handling Outward	1,122	1,099	1,122	1,130	1,136	1,105	1,130	1,144	1,119	1,130	1,120	1
Other Expenses	719	815	782	665	770	804	759	640	739	734	713	8
<b>Total Expenses</b>	<b>3,989</b>	<b>3,960</b>	<b>4,006</b>	<b>3,835</b>	<b>3,933</b>	<b>4,043</b>	<b>4,004</b>	<b>3,899</b>	<b>3,940</b>	<b>3,964</b>	<b>4,050</b>	<b>-3</b>
<b>EBITDA</b>	<b>904</b>	<b>648</b>	<b>767</b>	<b>922</b>	<b>1,261</b>	<b>1,051</b>	<b>1,040</b>	<b>1,163</b>	<b>820</b>	<b>1,131</b>	<b>1,126</b>	<b>12</b>

Source: Company, MOFSL Estimates

# KEI Industries

Estimate change



TP change



Rating change



Bloomberg	KEII IN
Equity Shares (m)	96
M.Cap.(INRb)/(USDb)	379.4 / 4.4
52-Week Range (INR)	4780 / 2424
1, 6, 12 Rel. Per (%)	5/-20/-8
12M Avg Val (INR M)	1736
Free float (%)	65.0

## Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	114.4	134.0	157.1
EBITDA	11.9	14.5	17.4
Adj. PAT	8.6	10.2	12.0
EBITDA Margin (%)	10.4	10.8	11.1
Cons. Adj. EPS (INR)	90.1	106.3	125.7
EPS Gr. (%)	23.6	18.0	18.3
BV/Sh. (INR)	690	790	910

## Ratios

Net D:E	(0.3)	(0.3)	(0.2)
RoE (%)	13.9	14.4	14.8
RoCE (%)	14.2	14.9	15.3
Payout (%)	6.7	5.6	4.8

## Valuations

P/E (x)	44.1	37.3	31.6
P/BV (x)	5.8	5.0	4.4
EV/EBITDA (x)	30.3	24.8	20.6
Div Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.3	0.2	0.4

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	35.0	35.0	37.1
DII	25.6	23.5	16.6
FII	26.6	25.8	30.8
Others	12.8	15.6	15.6

FII Includes depository receipts

CMP: INR3,970

TP: INR4,200 (+6%)

Neutral

## Earnings beat; Sanand Phase I commissioning by Sep'25

### Management reaffirms ~18-19% revenue growth for FY26

- KEI Industries (KEII)'s 1QFY26 revenue increased ~26% YoY to INR25.9b (~9% beat, fueled by higher-than-estimated revenue in C&W). EBITDA grew ~20% YoY to INR2.6b (~12% beat). However, OPM contracted 45bp YoY to 10.0% (+20bp vs. our estimate). PAT grew ~30% YoY to INR2.0b (~12% beat).
- Management indicated the demand outlook remains strong, led by power T&D, renewable energy, data center, and manufacturing sectors. KEII retains its FY26 growth guidance of ~18-19% and ~20% in next two to three years. This will be led by the completion of the Sanand expansion and KEII's continued expansion strategy (bought land in Gujarat and Rajasthan for future expansions). KEII aims to achieve an OPM of ~11%, considering the strong order book of domestic institutional cables as well as export orders of cables/EH cables. Further, the completion of Sanand Phase I is likely to improve its margins.
- We raise our FY26/FY27E EPS by ~4%/3%, factoring in higher revenue growth in C&W. We also introduce our FY28 estimates with this note. We value KEII at 38x Jun'27E EPS (5% discount to POLYCAB's, given the lower margins of KEII vs. POLYCAB) to arrive at our TP of INR4,200. **Reiterate Neutral.**

### C&W revenue up 32% YoY; EBIT margin dips 30bp YoY to 10.8%

- KEII's revenue/EBITDA/Adj. PAT stood at INR25.9b/INR2.6b/INR2.0b (+26%/+20%/+30% YoY and +9%/+12%/+12% vs. our estimates) in 1QFY26. OPM contracted 45bp YoY to 10.0%. Depreciation spiked 28% YoY due to the completion of brownfield expansion in the Silvassa and Pathredi plants in 1HFY25, whereas interest costs inched up ~2% YoY. Other income jumped 122% YoY due to higher interest earned from the unutilized QIP money.
- Segmental highlights: 1) **C&W** revenue was up ~32% YoY to INR24.8b; EBIT rose ~29% YoY to INR2.7b, while EBIT margin dipped 30bp YoY to 10.8%; 2) **EPC business** revenue declined ~56% YoY to INR994m; EBIT declined ~73% YoY to INR79m, and EBIT margin contracted 5.2pp YoY to 8.0%; 3) **Stainless Steel Wires (SSW)** revenue declined ~3% YoY to INR521m; EBIT jumped 312% YoY to INR42m, and EBIT margin surged 6.2pp YoY to 8.1%.

### Key highlights from the management commentary

- C&W volume growth was ~28-30% in 1QFY26. Cable institutional sales came in at 45% vs. 39% last year. Sales through the distribution network rose 22% YoY. B2C sales stood at 51% vs. 53% in 1QFY25.
- The pending order book stood at INR39.2b vs. INR38.4b in 4QFY25. The order book breakup is as follows: EPC (INR5.40b), EHV (INR5.38b), domestic cable (INR21.4b), and exports (INR7.03b).
- Export revenue increased 61% YoY to INR3.7b. The C&W export jumped 122% YoY to INR3.2b. The company is trying to raise its export share and has entered the US and European markets. KEII targets to increase its export share to 17-18% in the next two years.



## Valuation and view

- KEII's 1QFY26 earnings were above our estimates, led by strong revenue growth in the C&W segment. We estimate KEII to achieve its full-year revenue growth guidance of ~18-19% YoY for FY26, fueled by a strong demand outlook in the industry and its capacity expansion plans. We estimate KEII's margin to gradually improve to ~11% by FY28.
- We estimate KEII's total revenue CAGR at ~17% over FY25-28, driven by ~18% growth in the C&W segment and ~5% growth in the SSW segment. However, EPC's revenue is projected to decline ~12% annually. We project its EBITDA and PAT to clock a CAGR of ~21% and 20% over FY25-28, respectively. We estimate the company to generate healthy cash flows, which should support its annual capex requirement of INR6-7b. We project KEII's RoE/RoCE at ~15% (each), lower than its historical average of the last seven years, at 21%/19%.
- We value KEII at 38x Jun'27E EPS (5% discount to POLYCAB's, given the lower margins of KEII vs. POLYCAB) to arrive at our TP of INR4,200. **Reiterate Neutral.**

## Quarterly performance

(INR m)

Y/E March	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Sales</b>	<b>20,605</b>	<b>22,796</b>	<b>24,673</b>	<b>29,148</b>	<b>25,903</b>	<b>25,907</b>	<b>28,521</b>	<b>34,091</b>	<b>97,359</b>	<b>1,14,422</b>	<b>23,685</b>	<b>9</b>
Change (%)	15.6	17.1	19.8	25.7	25.7	13.6	15.6	17.0	20.1	17.5	14.9	
<b>Adj. EBITDA</b>	<b>2,146</b>	<b>2,206</b>	<b>2,408</b>	<b>3,013</b>	<b>2,580</b>	<b>2,623</b>	<b>2,927</b>	<b>3,764</b>	<b>9,910</b>	<b>11,894</b>	<b>2,311</b>	<b>12</b>
Change (%)	20.4	8.2	12.3	23.2	20.3	18.9	21.5	24.9	18.3	20.0	7.7	
Adj. EBITDA margin (%)	10.4	9.7	9.8	10.3	10.0	10.1	10.3	11.0	10.2	10.4	9.8	20
Depreciation	155	163	190	193	199	220	236	393	701	1,047	195	2
Interest	142	133	143	139	145	140	150	163	556	598	120	21
Other Income	178	169	136	371	396	350	300	290	718	1,336	350	13
Extraordinary Items	-	-	-	-	-	-	-	-	-	-	-	
<b>PBT</b>	<b>2,027</b>	<b>2,079</b>	<b>2,212</b>	<b>3,052</b>	<b>2,632</b>	<b>2,613</b>	<b>2,841</b>	<b>3,498</b>	<b>9,370</b>	<b>11,585</b>	<b>2,346</b>	<b>12</b>
Tax	525	531	564	786	675	672	730	898	2,406	2,974	603	
Effective Tax Rate (%)	25.9	25.5	25.5	25.8	25.6	25.7	25.7	25.7	25.7	25.7	25.7	
<b>Reported PAT</b>	<b>1,502</b>	<b>1,548</b>	<b>1,648</b>	<b>2,265</b>	<b>1,957</b>	<b>1,942</b>	<b>2,111</b>	<b>2,601</b>	<b>6,964</b>	<b>8,611</b>	<b>1,743</b>	<b>12</b>
Change (%)	23.8	10.4	9.4	34.4	30.3	25.4	28.1	14.8	19.9	23.6	16.0	
<b>Adj. PAT</b>	<b>1,502</b>	<b>1,548</b>	<b>1,648</b>	<b>2,265</b>	<b>1,957</b>	<b>1,942</b>	<b>2,111</b>	<b>2,601</b>	<b>6,964</b>	<b>8,611</b>	<b>1,743</b>	<b>12</b>
Change (%)	23.8	10.4	9.4	34.2	30.3	25.4	28.1	14.8	19.9	23.6	16.0	

## Segmental performance (INR m)

Y/E March	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Sales</b>												
Cables (Power + Housing wires)	18,757	21,402	23,517	27,968	24,771	24,613	27,280	32,923	91,644	24,771	22,133	12
Stainless steel wires	538	598	551	462	521	616	578	489	2,148	521	581	(10)
EPC Business	2,261	1,309	759	2,234	994	1,178	1,063	2,344	6,562	994	1,922	(48)
<b>Growth YoY (%)</b>												
Cables (Power + Housing wires)	16.4	20.5	26.0	35.2	32.1	15.0	16.0	17.7	25.1	(73.0)	18.0	
Stainless steel wires	(8.9)	1.3	19.4	(19.3)	(3.0)	3.0	5.0	6.0	(3.0)	(75.7)	8.0	
EPC Business	22.4	(58.2)	(79.9)	(34.4)	(56.0)	(10.0)	40.0	4.9	(46.0)	(84.9)	(15.0)	
<b>EBIT</b>												
Cables (Power + Housing wires)	2,067	2,241	2,372	3,069	2,665	2,634	2,946	3,700	9,749	2,665	2,412	10
Stainless steel wires	10	29	30	25	42	30	29	27	94	42	32	32
EPC Business	298	121	19	170	79	100	96	227	608	79	202	(61)
<b>EBIT Margin (%)</b>												
Cables (Power + Housing wires)	11.0	10.5	10.1	11.0	10.8	10.7	10.8	11.2	10.6	10.8	10.9	(14)
Stainless steel wires	1.9	4.8	5.5	5.4	8.1	4.8	5.0	5.6	4.4	8.1	5.5	259
EPC Business	13.2	9.2	2.5	7.6	8.0	8.5	9.0	9.7	9.3	8.0	10.5	(254)

# Godrej Agrovet

BSE SENSEX

82,727

S&P CNX

25,220



## Stock Info

Bloomberg	GOAGRO IN
Equity Shares (m)	192
M.Cap.(INRb)/(USDb)	163.2 / 1.9
52-Week Range (INR)	874 / 654
1, 6, 12 Rel. Per (%)	13/9/0
12M Avg Val (INR M)	253
Free float (%)	32.5

## Financial Snapshot (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	93.8	107.1	117.3
EBITDA	8.2	10.0	11.9
Adj. PAT	4.3	5.7	7.1
EBITDA Margin (%)	8.7	9.3	10.1
Cons. Adj. EPS (INR)	22.4	29.7	36.7
EPS Gr. (%)	19.5	32.6	23.8
BV/Sh. (INR)	124	95	121

## Ratios

Net D:E	0.6	1.1	0.7
RoE (%)	17.5	27.1	34.1
RoCE (%)	11.7	15.5	18.7
Payout (%)	46.9	35.4	28.6

## Valuations

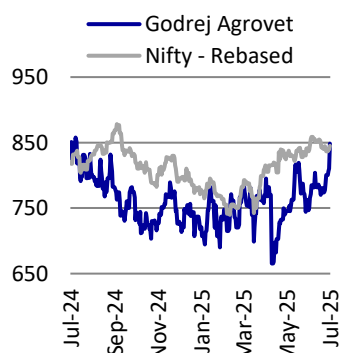
P/E (x)	37.9	28.6	23.1
EV/EBITDA (x)	21.9	18.5	15.2
Div. Yield (%)	1.2	1.2	1.2
FCF Yield (%)	4.6	3.1	3.5

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	67.6	67.6	74.1
DII	9.2	10.4	12.9
FII	3.8	2.9	1.7
Others	19.5	19.1	11.4

FII Includes depository receipts

## Stock performance (one-year)



**CMP: INR849**

**TP: INR980 (+15%)**

**Buy**

## Capitalizing on crop protection and palm oil momentum

Godrej Agrovet (GOAGRO), a leading agribusiness company with a diversified presence across multiple segments, is well placed to leverage the growing domestic crop protection industry and the increasing realizations in the palm oil segments.

- Despite a challenging macroeconomic environment, the company's domestic crop protection segment delivered a strong performance in FY25, led by robust growth in the in-house portfolio, particularly the Hitweed herbicides. With a favorable monsoon outlook for CY25 and a planned expansion into new crops and geographies, we expect this momentum to continue in FY26.
- With improving price trends, the normalization in volumes across geographies and management's strategic initiative to increase the revenue contribution of the CDMO business, Astec is well on its recovery path and is expected to turn EBITDA positive in FY26.
- GOAGRO's palm oil segment is positioned for robust growth, supported by recent investments in crude palm oil refinery and Kernel palm oil refinery, along with the introduction of value-added products. With palm oil prices projected to increase by 6% in CY25, we expect margin to expand going forward.

## Domestic crop protection outlook steady with expansion on track

- The domestic agrochemical sector experienced a challenging FY25, led by subdued farmer demand due to erratic weather patterns and a decline in prices of key agricultural crops.
- Despite a challenging macroeconomic environment, **GOAGRO's standalone crop protection business delivered a resilient performance in FY25**, achieving a higher margin of ~40%. This was primarily driven by strong growth of the in-house portfolio, particularly the **Hitweed** range of herbicides, which witnessed substantial volume expansion during the year.
- The outlook for Indian agriculture remains positive, driven by favorable monsoon forecasts and improving rural demand. The IMD has projected "above-normal" rainfall, supporting expectations of a strong recovery and potential record-high food grain production.
- Looking ahead, the company intends to expand its presence across new geographies and additional vegetable crops.
- However, this expansion is expected to result in a contraction in margin to ~30% — **still likely to remain among the highest in the industry. The management anticipates these growth initiatives to drive ~30% growth in revenue in FY26E.**
- Additionally, the company maintains a healthy product pipeline, with plans to launch around five molecules over the next three years.

### Turning the corner with volume-led recovery of Astec

- During FY24 and FY25, Astec faced significant headwinds due to a decline in volumes of key active ingredients and intermediates amid high industry inventory levels, widespread de-stocking, and a persistent demand-supply imbalance.
- Additionally, price corrections in enterprise and contract manufacturing portfolios (deferment of orders), coupled with challenges from high-priced inventory in the enterprise segment, further pressured profitability. **The company has since responded by strategically liquidating high-cost inventories to realign with market conditions.**
- With better raw material availability, favorable pricing, and a likely volume recovery from 2QFY26 amid improving demand in key markets like the US, the enterprise business appears to have moved past its challenging phase.
- Alongside the ongoing recovery in the enterprise business, management is focusing on improving profitability by increasing the contribution of the CDMO segment. Currently, CDMO contributes around 60% to Astec's revenue, and the company plans to raise this share to 70-75% over the medium term, which is expected to result in a more favorable margin profile.
- **With the normalization of raw material dynamics, a recovery in key end-markets, and a strategic shift toward a higher-margin CDMO portfolio, Astec is well-positioned to deliver improved and sustainable performance. We estimate Astec to achieve ~35% YoY revenue growth in FY26 and transition to positive EBITDA.**

### Better realizations and investment initiatives to support palm oil outlook

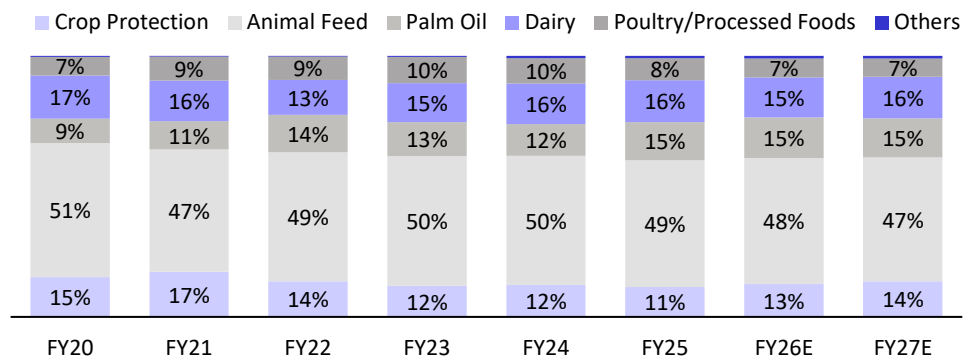
- FY24 was a subdued year for the vegetable oil segment, as volume growth of ~6% was offset by an ~11% decline in realization due to the volatility in prices of CPO and PKO (down 20% and 30% YoY, respectively).
- The pricing scenario changed in FY25, with higher average realizations in both CPO and PKO (up 32% and 43% YoY, respectively). The palm oil segment delivered revenue growth of ~17% and margin expansion of ~170bp.
- While the prices have begun to soften since 4QFY25, we expect them to remain stable, driven by steady demand.
- The monthly average prices of CPO/PKO in Jul'25 are currently standing at USD925/USD1,860 per MT (as per World Bank commodities price data) compared to USD1,067/USD2,063 per MT in Mar'25 and USD873/USD1,155 per MT in Jul'24.
- With the additional investment in PKO refining and the sale of associated value-added products, management anticipates this initiative to contribute an incremental 1%-1.2% to overall profits, subject to product price realizations. Combined with the earlier investments in CPO refining capacity, the **cumulative increase to overall profitability is expected to be in the range of 2%-2.5%.**
- Going forward, GOAGRO plans to manufacture shortenings, bakery fats, and cocoa butter substitutes, which would add another 1-2% to the overall profitability once the company starts these products, for which the company has already set up an R&D facility in Rabale, Navi Mumbai.
- With the palm oil prices projected to rise by 6% in CY25 (as per World Bank data), led by favorable demand-supply dynamics, we expect the palm oil

segment's revenue to grow by 20% YoY and EBITDA margins to pick up going ahead.

#### Valuation and view

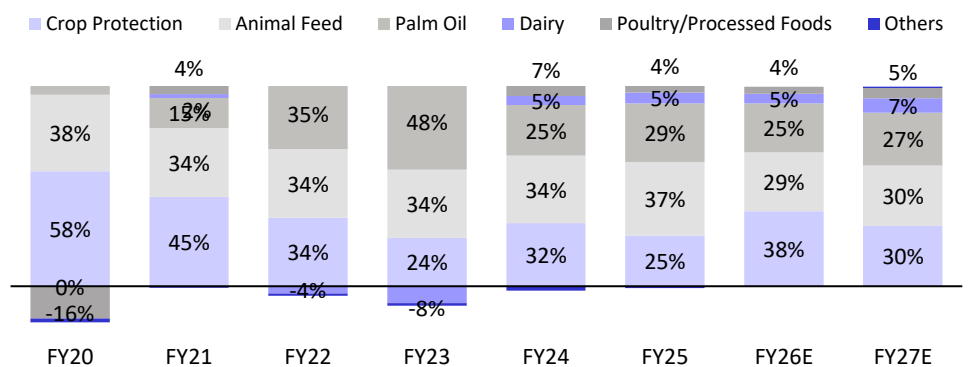
- On the back of a strong FY25, we expect GOAGRO to witness healthy revenue growth and margin expansion in the near term. Growth will be led by i) the improving outlook for the domestic crop protection segment, ii) the strategic shift toward the CDMO business in Astec, and iii) the improving pricing scenario in the palm oil segment.
- Moreover, with the VAP mix expected to cross ~40% in the dairy segment, along with price hikes and stabilization in live bird prices in the poultry segment, we expect a CAGR of 12%/21%/28% in revenue/EBITDA/PAT over FY25-27. We reiterate our BUY rating on the stock with an SOTP-based TP of INR980.

#### GOAGRO revenue mix trend



Source: Company, MOFSL

#### Segmental EBIT mix trend



Source: Company, MOFSL

# Blue Jet Healthcare

**CMP: INR817    TP: INR1,100 (+35%)    Buy**

Estimate changes

TP change

Rating change

Bloomberg	BLUEJET IN
Equity Shares (m)	173
M.Cap.(INRb)/(USDb)	141.7 / 1.6
52-Week Range (INR)	1028 / 403
1, 6, 12 Rel. Per (%)	-6/29/83
12M Avg Val (INR M)	302

## Financial Snapshot (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	10.3	15.0	18.8
EBITDA	3.8	5.7	7.1
PAT	3.1	4.4	5.6
EPS (INR)	17.6	25.3	32.2
EPS Gr. (%)	78.5	43.6	27.2
BV/Sh.(INR)	65.3	88.9	118.8

## Ratios

Net D:E	-0.1	0.2	0.0
RoE (%)	30.9	32.8	31.0
RoCE (%)	30.7	29.1	26.5
Payout (%)	6.8	6.8	6.8

## Valuations

P/E (x)	46.3	32.3	25.3
P/BV (x)	12.5	9.2	6.9
EV/EBITDA (x)	37.1	25.4	19.9
Div. Yield (%)	0.1	0.2	0.3
FCF Yield (%)	-0.2	-2.7	1.0

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	86.0	86.0	86.0
DII	0.9	1.3	2.2
FII	2.0	2.3	2.0
Others	11.1	10.4	9.8

FII Includes depository receipts

## Gross margin under pressure in 1Q, but recovery imminent EBITDA lower than the estimate

- Blue Jet Healthcare (BLUEJET) reported an EBITDA of INR1.2b up 2.7x YoY (vs. our est. of INR1.5b), with a gross margin of 48.8% (vs. 54.9% in 1QFY25). EBITDA margin contracted to 34.1% from 41.1% in 1QFY25 (est. 41.6%). EBITDA missed our estimate due to a shift in product mix and reduced inventory levels, resulting in lower overhead absorption.
- The pharma intermediates & API segment sustained its robust momentum, with the cardiovascular intermediate continuing to scale under long-term contracts. We expect this trend to persist owing to the strong customer demand visibility and expected additional launches in the near term.
- Factoring in the 1QFY26 performance, we cut our FY26/FY27 earnings estimates by 6% each and value the stock at 35x FY27E EPS to arrive at our TP of INR1,100. **Reiterate BUY.**

## Pharma intermediaries drive revenue growth

- The company reported a revenue of INR3.5b, up 2.2x YoY and 4% QoQ (in line). The revenue growth was fueled by growth in the 1) contrast media intermediaries, which rose 51% YoY to INR972m, and 2) pharma intermediaries, which surged 3.5x YoY to INR2.1b, while revenue from high-intensity sweeteners remained flat at INR349m.
- Gross margin stood at 48.4%, which contracted 620bp YoY/650bp QoQ primarily due to a shift in product mix and reduced inventory levels resulting in lower overhead absorption.
- EBITDA surged 2.7x YoY, while it declined 14% QoQ to INR1.2b (est. INR1.5b). EBITDA margin expanded 690bp YoY but contracted 700bp QoQ to 34.1% (est. 41.6%).
- Adj. PAT stood at INR912m (up 2.4x YoY, down 17% QoQ) in 1QFY26, below our estimate of INR1.2b.

## Highlights from the management commentary

- Gross margin:** The dip in gross margin to 48.4% in 1Q from 54.7% in 4QFY25 was mainly due to a shift in product mix and reduced inventory levels. This led to lower overhead absorption for the quarter. Going forward, management guides that the gross margin will be normalized in the range of 53%.
- Capacity addition:** BLUEJET is focusing on amino acid derivatives and late-stage intermediates and additionally plans to add 1,000 KL of capacity over the next 2–3 years through a newly acquired land parcel, which will be developed in three phases. This expansion will support a range of products, including APIs, with one of the key targets being the API for Bempedoic Acid.
- R&D:** The company has committed to a capex of INR400m towards R&D capabilities and maintains a strong pipeline of 20 opportunities with high client interest, with ~30% (six opportunities) in the late phase 3 or commercial phase.



## Valuation and view

- We anticipate the pharma intermediates and APIs to continue their robust growth momentum in FY26, supported by strong customer demand visibility and additional product launches.
  - Further, contrast media molecules are likely to see growth driven by ramp-up in client offtake, while high-intensity sweeteners are expected to sustain the steady volume performance.
  - We expect a revenue/EBITDA/ PAT CAGR of 35%/ 38%/ 35% during FY25-27, led by the structural tailwinds because of the de-risking of supply chains by global innovators and the increasing adoption of complex APIs and NCE intermediates.
  - Factoring in the 1QFY26 performance, we cut our FY26/FY27 earnings estimates by 6% each and value the stock at 35x FY27E EPS to arrive at our TP of INR1,100.
- Reiterate BUY.**

## Standalone - Quarterly Snapshot

Y/E March	FY25				FY26				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY25	FY26E	FY26 1QE	Var. (%)
<b>Gross Sales</b>	<b>1,629</b>	<b>2,083</b>	<b>3,174</b>	<b>3,404</b>	<b>3,548</b>	<b>3,603</b>	<b>3,764</b>	<b>4,097</b>	<b>10,290</b>	<b>15,012</b>	<b>3,689</b>	<b>-4%</b>
YoY Change (%)	-9.3	14.8	90.3	85.1	117.8	73.0	18.6	20.4	44.6	45.9	126.4	
Gross Margin (%)	54.7%	57.0%	54.5%	54.9%	48.4%	52.5%	53.8%	55.7%	55.2%	52.7%	54.9%	-6.4%
<b>EBITDA</b>	<b>443</b>	<b>695</b>	<b>1,230</b>	<b>1,400</b>	<b>1,210</b>	<b>1,325</b>	<b>1,443</b>	<b>1,683</b>	<b>3,767</b>	<b>5,661</b>	<b>1,534</b>	<b>-21%</b>
Margin (%)	27.2	33.4	38.8	41.1	34.1	36.8	38.3	41.1	36.6	37.7	41.6	-7.5
Depreciation	35	46	47	49	57	62	77	79	178	275	52	
Interest	0	0	0	0	7	10	15	15	1	47	1	
Other Income	87	121	132	122	83	123	133	180	463	519	132	
<b>PBT before EO expense</b>	<b>495</b>	<b>769</b>	<b>1,315</b>	<b>1,472</b>	<b>1,229</b>	<b>1,377</b>	<b>1,483</b>	<b>1,769</b>	<b>4,051</b>	<b>5,858</b>	<b>1,613</b>	<b>-24%</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>495</b>	<b>769</b>	<b>1,315</b>	<b>1,472</b>	<b>1,229</b>	<b>1,377</b>	<b>1,483</b>	<b>1,769</b>	<b>4,051</b>	<b>5,858</b>	<b>1,613</b>	<b>-24%</b>
Tax	117	186	335	371	317	376	376	406	1,009	1,474	406	
Rate (%)	23.6	24.1	25.5	25.2	25.8	27.3	25.3	22.9	24.9	25.2	25.2	
<b>Reported PAT</b>	<b>378</b>	<b>583</b>	<b>980</b>	<b>1,101</b>	<b>912</b>	<b>1,001</b>	<b>1,107</b>	<b>1,364</b>	<b>3,042</b>	<b>4,384</b>	<b>1,206</b>	<b>-24%</b>
<b>Adj. PAT</b>	<b>378</b>	<b>583</b>	<b>980</b>	<b>1,101</b>	<b>912</b>	<b>1,001</b>	<b>1,107</b>	<b>1,364</b>	<b>3,042</b>	<b>4,384</b>	<b>1,206</b>	<b>-24%</b>
YoY Change (%)	-14.4	21.9	149.5	177.6	141.3	71.5	13.0	23.9	77.9	44.1	219.3	
Margin (%)	23.2	28.0	30.9	32.3	25.7	27.8	29.4	33.3	29.6	29.2	32.7	-7.0
<b>Segment revenue (INR m)</b>												
Contrast Media Intermediates	645	1,134	1,249	1,011	972	1,302	1,473	1,734	4,039	5,481	1,184	-18%
High intensity sweeteners	350	316	371	297	349	393	438	474	1,334	1,654	336	4%
Pharma Intermediaries	602	596	1,465	1,959	2,120	1,963	1,797	1,747	4,622	7,626	2,112	0%
Others	21	25	82	118	97	60	61	33	246	251	56	72%

# Mahanagar Gas

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	MAHGL IN
Equity Shares (m)	99
M.Cap.(INRb)/(USD\$)	146.5 / 1.7
52-Week Range (INR)	1989 / 1075
1, 6, 12 Rel. Per (%)	5/5/-15
12M Avg Val (INR M)	1033

## Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	69.2	78.3	84.3
EBITDA	15.1	15.9	16.6
Adj. PAT	10.4	10.8	11.1
Adj. EPS (INR)	105.8	108.9	111.9
EPS Gr. (%)	-18.9	3.0	2.8
BV/Sh.(INR)	596.2	661.6	728.7

## Ratios

Net D:E	0.0	0.0	0.0
RoE (%)	18.9	17.3	16.1
RoCE (%)	19.0	17.4	16.2
Payout (%)	28.4	40.0	40.0

## Valuation

P/E (x)	14.0	13.6	13.2
P/BV (x)	2.5	2.2	2.0
EV/EBITDA (x)	9.5	9.0	8.6
Div. Yield (%)	2.0	2.9	3.0
FCF Yield (%)	2.0	1.8	1.6

## Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	32.5	32.5	32.5
DII	32.5	33.8	26.7
FII	25.5	23.8	31.5
Others	9.5	9.9	9.3

FII includes depository receipts

**CMP: INR1,483 TP: INR1,700 (+15%) Buy**

## FY26 margin and volume guidance moderated

- Mahanagar Gas (MAHGL)'s 1QFY26 adj. EBITDA margin of INR9.7/scm was below our est. of INR10.6/scm (reported EBITDA: INR12.9/scm). Total volumes were in line with our estimate at 4.2mmscmd (up 10% YoY). On a QoQ basis, adj. EBITDA margin expanded by INR1.3/scm (lower than our est. of INR2.2/scm growth), as adj. realization improved INR0.6/scm and opex decreased INR0.7/scm. Gas cost remained flat QoQ at INR32.1/scm.
- MAHGL reported a soft 7.5% YoY growth in CNG volumes, led by lower CNG vehicle additions in 1Q and a sequential decline in BEST bus volumes. Further, the 7% QoQ decline in CNG APM gas allocation offset the gains from higher New Well (NW) gas allocation and the benefit of lower-priced Henry Hub-linked gas (with HH index down 23% QoQ in 1Q), leading to a broadly flat overall gas cost on a sequential basis.
- Management has guided for an INR0.6-0.7/scm CNG EBITDA margin impact due to PNGRB's upcoming shift from a 3-zone to 2-zone gas transmission tariff regime. While we continue to believe that MAHGL is best-placed to pass on the cost increase to customers, we lower our adj. EBITDA/scm margin assumption for FY26/FY27 by INR1/INR0.5 to INR9.2/INR9.5.
- We model MAHGL's volumes to clock a 9% CAGR over FY25-27 and estimate an EBITDA margin of INR9.2-9.5 per scm during the period. MAHGL currently trades at 13.2x FY27E SA P/E, while its one-year forward LTA is 13.7x P/E. Reiterate BUY.

## Volume growth and EBITDA margin guidance lowered slightly

- Management expects high-single-digit YoY growth in volumes in FY26, mainly led by CNG. EBITDA margin is expected to range around INR9-9.5 per scm in FY26.
- **Other key takeaways from the conference call**
  - CNG volume growth moderated to ~7.5% YoY in 1Q, likely due to a slowdown in CNG vehicle additions owing to higher vehicle costs, lower volumes from the bus segment, and a marginal impact from the early onset of the monsoon.
  - **UEPL merger update:** The merger is expected to be completed by 15 Aug'25, and the company is set to **report merged financials starting 2QFY26**. The merger is also likely to yield some tax benefits.
  - **Zonal tariff split and margin impact:** Currently, Zone 1 accounts for 68-70% and Zone 2 makes up 30-32% of volumes. The revised zonal tariff is estimated to **impact CNG EBITDA margins by around INR0.6-0.7/scm**.
  - In 1Q, CNG APM allocation stood at 37% (vs. 44% in 4QFY25). MAHGL sourced ~1.69/0.5/ 1.15/0.5/0.4 mmscmd gas from APM/New Well Gas/Henry Hub linked/ HP-HT / via IGX.
  - The company plans to incur a capex of INR11-13b in FY26.

## Provision reversal drives beat; volumes in line

- Total volumes were in line with our estimate at 4.2mmscmd (+10% YoY).

- Both CNG and D-PNG volumes came in line with estimates. I/C PNG volumes stood 11% above our estimate.
- **EBITDA/scm came in above our estimate at INR12.6.** However, adjusted EBITDA/scm came in at **INR9.7 (our est. INR10.6).**
- The margin beat was on account of the reversal of provisions amounting to INR1.1b (impact of INR2.9/scm), based on negotiations with OMCs with respect to the trade margins.
- On a QoQ basis, **adj. EBITDA/scm margin expanded by INR1.3 (lower than our est. of INR2.2 growth)**, as adj. realization improved INR0.6/scm and opex decreased INR0.7/scm. **Gas cost remained flat QoQ at INR32.1/scm.**
- Reported EBITDA came in 20% above our est. at INR4.9b (+16% YoY).
- MAHGL's PAT also came in 18% above our est. at INR3.2b (+14% YoY).
- Depreciation stood above our est., while other income was below our est.

### Valuation and view

- We expect a 9% CAGR in volume over FY25-27, driven by multiple initiatives implemented by the company, such as collaborating with OEMs to drive conversions of commercial CNG vehicles and providing guaranteed price discounts to new I/C-PNG customers.
- The stock trades at 13.2x FY27E EPS of INR111.9. We value it at 15x FY27E EPS to arrive at our TP of INR1,700. **Reiterate BUY.**

### Standalone - Quarterly Earning Model

Standalone - Quarterly Earning Model												(INR m)
Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	15,896	17,116	17,576	18,649	19,759	19,331	19,605	19,621	69,237	78,315	18,294	8%
YoY Change (%)	3.4	9.0	12.0	19.0	24.3	12.9	11.5	5.2	10.9	13.1	15.1	
EBITDA	4,185	3,985	3,144	3,784	4,854	3,641	3,730	3,687	15,098	15,911	4,057	20%
EBITDA/SCM	11.9	10.7	8.3	10.0	12.6	9.0	9.1	9.0	10.2	9.9	10.6	19%
Margins (%)	26.3	23.3	17.9	20.3	24.6	18.8	19.0	18.8	21.8	20.3	22.2	
Depreciation	719	735	791	818	826	786	847	819	3,063	3,277	769	
Interest	31	31	34	39	37	34	38	41	134	150	35	
Other Income	402	512	463	464	387	527	477	504	1,840	1,894	413	
PBT	3,837	3,731	2,782	3,391	4,378	3,347	3,322	3,332	13,741	14,378	3,667	19%
Tax	992	903	529	869	1,135	842	836	806	3,292	3,619	923	
Rate (%)	25.8	24.2	19.0	25.6	25.9	25.2	25.2	24.2	24.0	25.2	25.2	
Reported PAT	2,845	2,828	2,254	2,522	3,243	2,504	2,486	2,526	10,449	10,759	2,744	18%
YoY Change (%)	-22.8	-16.5	-28.9	-4.8	14.0	-11.4	10.3	0.2	-18.9	3.0	-3.6	
Margins (%)	17.9	16.5	12.8	13.5	16.4	13.0	12.7	12.9	15.1	13.7	15.0	
Sales Volumes (mmscmd)												
CNG	2.8	2.9	2.9	2.9	3.0	3.1	3.1	3.2	2.9	3.1	3.0	-1%
PNG - Domestic	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-1%
PNG - Industrial/ Commercial	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.6	0.7	0.6	11%
PNG - Total	1.1	1.2	1.2	1.3	1.2	1.3	1.3	1.4	1.2	1.3	1.2	5%
Total Volumes	3.9	4.0	4.1	4.2	4.2	4.4	4.5	4.6	4.1	4.4	4.2	1%

# Westlife Foodworld

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	WESTLIFE IN
Equity Shares (m)	156
M.Cap.(INRb)/(USD\$)	121.2 / 1.4
52-Week Range (INR)	960 / 641
1, 6, 12 Rel. Per (%)	5/-5/-10
12M Avg Val (INR M)	138

## Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	27.3	31.2	35.2
Sales growth (%)	9.7	14.2	12.8
EBITDA	3.7	4.5	5.3
Margins (%)	13.5	14.4	15.0
Adj. PAT	0.3	0.7	1.3
Adj. EPS (INR)	1.9	4.6	8.1
EPS Growth (%)	136.9	149.6	74.1
BV/Sh.(INR)	41.8	46.4	54.5

## Ratios

RoE (%)	4.6	10.5	16.0
RoCE (%)	5.7	7.3	8.9

## Valuations

P/E (x)	418.7	167.8	96.4
P/BV (x)	18.6	16.7	14.3
EV/Sales (x)	4.4	3.8	3.3
EV/EBITDA (x)	52.1	39.8	32.9

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	56.3	56.3	56.3
DII	24.0	22.3	21.0
FII	11.6	13.2	14.2
Others	8.1	8.2	8.6

FII Includes depository receipts

**CMP: INR777 TP: INR750 (-4%) Neutral**

## Similar weak print; strengthening presence in South

- Westlife Foodworld (WESTLIFE) reported revenue growth of 7% YoY to INR6.5b in 1QFY26, with same-store sales growth (SSSG) of 0.5% YoY (est. 1.5%) on a favorable base (-6.7% in 1QFY25). Average sales per store rose 1% YoY to INR62m (annually) in 1QFY26. Growth was broad-based, with on-premise sales growing 8% YoY and off-premise sales growing 4% YoY.
- Consumption trends remain stable, and WESTLIFE expects eating-out frequency to gradually pick up in FY26. This improvement is likely to be supported by lower inflation and government stimulus. That said, while performance remains strong in the West, the company's focus on strengthening presence in the South will remain a key focus area.
- The company has added net six new stores (+10% YoY) in 1Q. It plans to maintain its store expansion pace, targeting 45-50 new stores annually. It aims to grow its network to 580-630 restaurants by 2027, with a focus on South India, smaller towns, and drive-thru stores.
- GM expanded 100bp YoY to 71.6% (est. 70.3%). EBITDA margin was flat YoY at 13.0%. EBITDA margin (pre-IND AS) contracted 50bp YoY to 7.7%. Restaurant operating margin (pre-IND AS) expanded 35bp YoY to 14.6%, led by a strong focus on operational excellence.
- The dine-in format, which was under pressure for the past two years, has witnessed positive growth momentum over the last 2-3 quarters, albeit on a lower base. While further recovery is expected in the segment, soft urban consumption could weigh on recovery. We remain watchful of demand improvement and ADS recovery, which could support better unit economics. In addition, the performance in the Southern market and implementation of initiatives under Horizon 2 will be key monitorables. **We reiterate our Neutral rating with a TP of INR750, based on 35x Jun'27E EV/EBITDA (pre-IND AS).**

## In-line performance; no improvement in growth metrics

- Flattish reported SSSG:** Sales grew 7% YoY to INR6.5b (est. INR6.7b), led by store addition of 10% YoY. Same store sales growth was 0.5% YoY in 1QFY26 (est. +1.5%, 0.7% in 4QFY25, -6.7% in 1QFY25). WESTLIFE opened net six stores (opened nine stores, closed three stores), taking the count to 444 stores in 71 cities. Average sales per store rose 1% YoY to INR62m (annually).
- In-line margins:** Gross margin expanded 100bp YoY and 160bp sequentially to 71.6% (est. 70.3%), driven by significant enhancements in supply chain efficiencies. EBITDA grew 7% YoY to INR855m (est. INR856m), led by a strong focus on operational excellence. EBITDA margin was flat YoY at 13.0% (est. 12.8%). EBITDA margin (pre-IND AS) contracted 50bp YoY to 7.7% (est. 8.2%), while EBITDA (pre-IND AS) rose 1% YoY. ROM pre-IND AS increased 35bp YoY to 14.6% (est. 14.1%).
- APAT witnessed a decline:** APAT declined 65% YoY to INR11m (est. INR67m).

### Key takeaways from the management commentary

- Consumption trends remained stable, and the company expects eating-out frequency to gradually pick up in FY26. This improvement is likely to be supported by lower inflation and government stimulus.
- While performance remains strong in the West, the company is focused on strengthening its team and rolling out initiatives to boost its presence in South India.
- Over the next couple of years, the company expects to reach mid- to high-single-digit SSSG level.
- WESTLIFE is on track to achieve its target of 580-630 restaurants by 2027.
- The company's gross margin expanded 100bp YoY and 160bp sequentially to 71.6%, driven by significant enhancements in supply chain efficiencies. It expects gross margin to remain in the +70% range in the near term.
- To enable sustained growth in the long-term, the company has established a new vertical focused solely on long-term initiatives, 'Horizon 2 projects'.

### Valuation and view

- We maintain our EBITDA (pre-IND AS) estimates for FY26 and FY27.
- Demand remained stable in 1Q, with flattish SSSG YoY on a low base. WESTLIFE has been aggressive in store additions, which was not the case historically. However, the current demand environment is not conducive to such rapid expansion, and performance in South India remains a challenge. Therefore, the benefits of its various initiatives may take longer to materialize than initially expected.
- The revenue gap between dine-in and delivery has narrowed, supported by improved dine-in footfalls. However, weak underlying growth, coupled with rising costs related to strategic initiatives, could weigh on the operating margin, exerting pressure on restaurant margins and EBITDA margins.
- **We reiterate our Neutral rating with a TP of INR750, based on 35x Jun'27E EV/EBITDA (pre-IND AS).**

### Consolidated quarterly performance

(INR m)

Y/E March	FY25				FY26				FY25	FY26E	FY26	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
SSSG %	(6.7)	(6.5)	2.8	0.7	0.5	2.5	4.0	5.0	-2.9	3.0	1.5	
No. of McDonald's restaurants	403	408	421	438	444	454	464	478	438	478	448	
<b>Net Sales</b>	<b>6,163</b>	<b>6,180</b>	<b>6,537</b>	<b>6,031</b>	<b>6,576</b>	<b>6,753</b>	<b>7,199</b>	<b>6,808</b>	<b>24,912</b>	<b>27,336</b>	<b>6,669</b>	<b>-1.4</b>
YoY Change (%)	0.3	0.5	8.9	7.3	6.7	9.3	10.1	12.9	4.2	9.7	8.2	
<b>Gross profit</b>	<b>4,351</b>	<b>4,306</b>	<b>4,581</b>	<b>4,221</b>	<b>4,709</b>	<b>4,815</b>	<b>5,133</b>	<b>4,834</b>	<b>17,459</b>	<b>19,491</b>	<b>4,688</b>	<b>0.5</b>
Margin (%)	70.6	69.7	70.1	70.0	71.6	71.3	71.3	71.0	70.1	71.3	70.3	
<b>EBITDA</b>	<b>799</b>	<b>786</b>	<b>914</b>	<b>794</b>	<b>855</b>	<b>886</b>	<b>990</b>	<b>953</b>	<b>3,293</b>	<b>3,683</b>	<b>856</b>	<b>-0.1</b>
YoY Change (%)	-24.1	-21.1	-4.8	3.0	6.9	12.7	8.3	20.0	-12.9	11.8	7.1	
Margins (%)	13.0	12.7	14.0	13.2	13.0	13.1	13.7	14.0	13.2	13.5	12.8	
Depreciation	506	528	549	550	553	576	575	593	2,133	2,296	559	
Interest	298	316	330	328	354	345	345	334	1,272	1,379	313	
Other Income	51	65	29	98	68	105	105	100	242	378	105	
<b>PBT</b>	<b>45</b>	<b>7</b>	<b>65</b>	<b>13</b>	<b>16</b>	<b>70</b>	<b>174</b>	<b>126</b>	<b>131</b>	<b>386</b>	<b>89</b>	<b>-82.2</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT after EO expense</b>	<b>45</b>	<b>7</b>	<b>65</b>	<b>13</b>	<b>16</b>	<b>70</b>	<b>174</b>	<b>126</b>	<b>131</b>	<b>386</b>	<b>89</b>	
Tax	13	3	-5	-2	4	18	44	31	9	96	22	
Rate (%)	27.9	48.1	-8.0	-13.9	27.4	25.0	25.0	24.7	6.9	25.0	25.0	
<b>Reported PAT</b>	<b>33</b>	<b>4</b>	<b>71</b>	<b>15</b>	<b>11</b>	<b>53</b>	<b>131</b>	<b>95</b>	<b>122</b>	<b>289</b>	<b>67</b>	
<b>Adj PAT</b>	<b>33</b>	<b>4</b>	<b>71</b>	<b>15</b>	<b>11</b>	<b>53</b>	<b>131</b>	<b>95</b>	<b>122</b>	<b>289</b>	<b>67</b>	<b>-82.8</b>
YoY Change (%)	-88.7	-98.3	-59.1	96.5	-64.8	1,307.1	85.4	521.2	-82.4	136.9	104.8	
Margins (%)	0.5	0.1	1.1	0.3	0.2	0.8	1.8	1.4	0.5	1.1	1.0	

E: MOFSL Estimates



# Sapphire Foods

Estimate changes



TP change



Rating change



Bloomberg	SAPPHIRE IN
Equity Shares (m)	321
M.Cap.(INRb)/(USDb)	110.6 / 1.3
52-Week Range (INR)	401 / 242
1, 6, 12 Rel. Per (%)	3/4/7
12M Avg Val (INR M)	288

## Financials & Valuations (INR b)

Y/E Mar	2026E	2027E	2028E
Sales	28.8	32.3	36.6
Sales Gr. (%)	11.1	12.0	13.2
EBITDA	4.8	5.2	6.3
Margins (%)	16.5	16.2	17.2
Adj. PAT	0.3	0.4	0.9
Adj. EPS (INR)	1.0	1.2	2.8
EPS Gr. (%)	-38.4	20.6	136.4
BV/Sh.(INR)	43.5	44.7	47.6

## Ratios

RoE (%)	2.3	2.7	6.2
RoCE (%)	5.0	4.9	6.7

## Valuations

P/E (x)	338.3	280.5	118.7
P/BV (x)	7.7	7.5	7.1
EV/Sales (x)	3.7	3.3	2.9
Pre Ind-AS EV/EBITDA (x)	41.2	38.3	29.3

## Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	26.1	26.1	30.8
DII	38.5	38.3	32.4
FII	30.4	30.7	30.0
Others	5.0	4.9	6.8

FII includes depository receipts

**CMP: INR344**
**TP: INR400 (+16%)**
**Buy**

## Subdued performance but in-line with expectations

- Sapphire Foods India (SAPPHIRE) reported revenue growth of 8% YoY (in line) in 1QFY26, driven by a 10% YoY increase in store count. KFC's revenue grew 11% YoY, supported by 15% store expansion. KFC's same store sales growth (SSSG) remained flat (in line). Pizza Hut's (PH) revenue declined 5% YoY, as same store sales (SSS) declined 8% (est. -6%). PH's new store additions were 5%. Sri Lanka posted healthy revenue growth of 19% YoY (+15% in LKR), driven by 12% LKR SSSG and 7% store growth.
- Gross margin contracted 120bp YoY and 80bp QoQ to 67.4% (est. 68.3%). KFC's ROM contracted 310bp YoY to 15.7%, impacted by lower ADS (down 5% YoY to INR116k), higher mix of delivery orders, and operating leverage. PH's ROM contracted 710bp YoY to -2.5%. Sri Lanka's ROM contracted 50bp YoY to 12.7%, impacted by higher employee costs. Consolidated restaurant EBITDA pre-Ind-AS declined 13% YoY to INR943m (in line), and margins contracted 300bp YoY to 12.1% (12% in 4QFY25). Pre-Ind-AS EBITDA was down 22% YoY to INR548m, with a 280bp contraction in margin to 7.1% (7.1% in 4QFY25).
- The company continues to face challenges in unit economics, with dine-in seeing more pressure than delivery. To drive recovery, the focus remains on product innovation, enhancing customer engagement, and strengthening value-led offerings. However, improvement in ADS and SSSG will be key monitorables, as they are essential for restoring unit-level profitability. The store expansion spree is expected to slow down in FY26 (mainly in PH) to fix profitability metrics. We reiterate **our BUY rating on the stock with a TP of INR400 (32x Jun'27 pre-IND-AS EV/EBITDA).**

## Operationally in-line; growth weakness persists

- In-line revenue growth:** Consolidated sales grew 8% YoY to INR7.7b (est: INR7.8b). KFC's revenue grew 11% YoY, while SSS remained flat. PH's revenue declined 6% YoY, with an SSS decline of 8%. KFC's ADS declined 5% YoY to INR116k and PH's ADS declined 8% YoY to INR44k. Sri Lanka sales grew 19% YoY (+15% in LKR terms) to INR1,164m and SSSG stood at 12%. ADS grew 16% YoY to INR103k.
- Moderate store addition:** Store growth was 10% YoY in 4Q to 974 stores. It added net 11 stores during the quarter (8 KFC, 2 PH, and 1 in Sri Lanka).
- Contraction in margins:** Consolidated gross profit grew 6% YoY to INR5.2b (est. INR5.3b). GM contracted 120bp YoY to 67.4%. Reported EBITDA declined 9% YoY to INR1.1b (est. INR1.2b), while margins contracted 280bp YoY and 40bp QoQ to 14.5% (est. 15.1%). Consolidated ROM (Pre-Ind-AS) contracted 300bp YoY to 12.1%. EBITDA Pre-Ind AS contracted 280bp YoY to 7.1%. The company's reported loss before tax (after 14 quarters) amounted to INR18m.

### Highlights from the management commentary

- The demand situation remains neutral, showing no significant improvement or deterioration compared to the last 3-4 quarters. Competitive pressure has intensified, but efforts are underway to drive growth.
- KFC reported flat SSSG for the quarter, while SSTG turned positive after several quarters with low single-digit growth. The pickup in transactions is a positive indicator.
- The 'Juicylicious' pizza range launched in Apr'25 received encouraging feedback from consumers. In Tamil Nadu, mass media advertising support drove positive SSSG and SSTG, with a double-digit delta vs the rest of the market. In other regions, marketing remained focused on below-the-line (BTL) activities.
- The company plans to implement a 3-5% price hike in Sri Lanka, which is expected to support margin expansion from 2Q onwards.

### Valuation and view

- We marginally cut our EBITDA estimates by ~3% for FY26/FY27.
- KFC's store addition is expected to continue in FY26, while PH's store addition will be muted as management focuses on addressing ADS and profitability challenges within the current network.
- The company continues to face challenges in unit economics, with dine-in seeing more pressure than delivery. To drive recovery, the focus remains on product innovation, enhancing customer engagement, and strengthening value-led offerings. However, improvement in ADS and SSSG will be key monitorables, as they are essential for restoring unit-level profitability. The stock trades at 38x and 29x pre-Ind-AS EV/EBITDA on FY26E and FY27E, respectively. We reiterate **our BUY rating on the stock with a TP of INR400 (32x Jun'27 pre-IND-AS EV/EBITDA).**

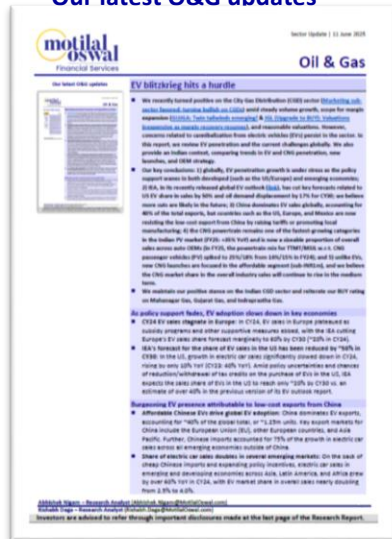
### Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26	(INR m)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var. (%)
KFC - No. of stores	442	461	496	502	510	528	546	577	502	577	512	
PH - No. of stores	320	323	339	334	336	340	347	354	334	354	336	
KFC - SSSG (%)	-6.0	-8.0	-3.0	-1.0	0.0	2.0	5.0	3.0	-4.0	2.5	0.0	
PH - SSSG (%)	-7.0	-3.0	5.0	1.0	-8.0	-2.0	2.0	4.0	-1.0	-1.0	-6.0	
<b>Net Sales</b>	<b>7,183</b>	<b>6,957</b>	<b>7,565</b>	<b>7,113</b>	<b>7,768</b>	<b>7,788</b>	<b>8,498</b>	<b>8,235</b>	<b>28,819</b>	<b>32,289</b>	<b>7,823</b>	-0.7
YoY change (%)	9.8	8.3	13.7	12.6	8.1	11.9	12.3	15.8	11.1	12.0	8.9	
<b>Gross Profit</b>	<b>4,927</b>	<b>4,786</b>	<b>5,189</b>	<b>4,848</b>	<b>5,235</b>	<b>5,281</b>	<b>5,810</b>	<b>5,534</b>	<b>19,750</b>	<b>21,880</b>	<b>5,345</b>	-2.1
Margin (%)	68.6	68.8	68.6	68.2	67.4	67.8	68.4	67.2	68.5	67.8	68.3	
<b>EBITDA</b>	<b>1,242</b>	<b>1,120</b>	<b>1,343</b>	<b>1,062</b>	<b>1,129</b>	<b>1,236</b>	<b>1,504</b>	<b>1,371</b>	<b>4,768</b>	<b>5,239</b>	<b>1,182</b>	-4.5
EBITDA growth %	2.3	-2.7	10.3	3.2	-9.1	10.3	11.9	29.1	3.4	9.9	-4.9	
Margin (%)	17.3	16.1	17.8	14.9	14.5	15.9	17.7	16.7	16.5	16.2	15.1	
Depreciation	904	881	1,005	850	920	969	1,105	1,065	3,639	4,059	994	
Interest	273	271	275	298	295	298	303	318	1,116	1,214	300	
Other Income	53	85	105	130	68	115	125	242	372	550	110	
<b>PBT</b>	<b>118</b>	<b>53</b>	<b>168</b>	<b>45</b>	<b>-18</b>	<b>84</b>	<b>220</b>	<b>230</b>	<b>384</b>	<b>516</b>	<b>-2</b>	
Tax	36	1	41	-14	-1	21	56	54	64	130	-1	
Rate (%)	30.8	2.2	24.3	-31.7	5.7	25.2	25.2	23.6	16.7	25.2	25.2	
<b>Adjusted PAT</b>	<b>82</b>	<b>52</b>	<b>127</b>	<b>59</b>	<b>-17</b>	<b>62</b>	<b>165</b>	<b>176</b>	<b>320</b>	<b>386</b>	<b>-2</b>	
YoY change (%)	-67.1	-65.9	29.5	189.3	-121.2	20.6	29.5	198.3	-38.4	20.6	-102.1	

E: MOFSL Estimates

# Oil & Gas

## Our latest O&G updates



## PLNG strong value play amid limited opportunities

- The O&G sector has had a strong run in the last four months, with OMC stock prices up 35-50%, CGDs up 10-30% and upstream stocks up 10-30%. In this short note, we highlight that : 1) domestic mutual funds' relative underweight position in the O&G sector vs. BSE 200 continues to decline, down only 2% now (FY22: ~5%); 2) average one-year fwd. P/E for our O&G coverage is 16.8x, up significantly vs. LT avg of 13x; 3) while OMCs are well owned, we see the possibility of a sharp excise duty hike in 2QFY26, which could halt share price momentum; 4) with the O&G sector trading above the LT average, we see PLNG as the only strong value play in the sector ([Tide is turning, slowly](#)).

## Sharp auto fuel excise duty hike could be coming in 2QFY26

- Three key takeaways:** Based on historical trends, we believe that: 1) the possibility of an excise duty hike in 2QFY26 remains high (given high gross marketing margins); 2) the next excise duty adjustment will likely be sharper than the modest INR2/lit for both MS/HSD in Apr'25; 3) often duty adjustments happen when gross marketing margins cross the INR7-9/lit mark. Note that the current MS/HSD marketing margins are above this level.
- Sharp duty adjustments in the past:** During the Nov'14 to Feb'16 period, the government increased MS/HSD excise duty by INR11.8/INR13.6 per lit. During this period, crude prices fell from highs of USD100+/bbl to USD35/bbl. In Mar'20, MS/HSD excise duty was increased by INR3/lit when the marketing margins averaged INR7-9/lit. Later, with crude prices plunging below the USD20/bbl mark and marketing margins soaring above INR18/lit, an additional MS/HSD duty hike of INR10/INR13 per lit was implemented in May'20.

## Continue to believe excise duty adjustments preferred over retail price cuts

- Limited retail price cut in the past:** We continue to believe that an excise duty adjustment has higher probability than a retail price cut. Note that in the last few years, the central government has taken limited price cuts for MS/HSD.
- No major elections scheduled in next six months:** Apart from Bihar, which accounts for ~7% of seats in Lok Sabha (elections due in Oct/Nov'25), there are no other major elections scheduled in the next six months. Also, instead of a pan-India retail price cut by the central government, individual states might resort to fuel price adjustments, thus lowering the impact on OMC gross marketing margins.

## Capex cycle tapering off; ND/EBITDA to improve across OMCs

- Capex cycle tapering at HPCL/IOCL:** We think the probability of excise duty adjustments remains high, as barring BPCL, the capex cycle is set to taper off at OMCs and FY27E ND/EBITDA metrics at 2x-3x are within control, thus reducing the need for super-normal profitability. With the recent commissioning of Chhara LNG Terminal, expected completion of Bottom Upgradation Unit at Visakhapatnam refinery in 2QFY26, expected completion of HRRL refinery by Jan'26, and no mega-projects in pipeline, HPCL's capex intensity is expected to soften. IOCL is also expected to increase refining capacity by 17.3mmtpa during 4QFY26-1HFY27. However, beyond this, the capex will start to moderate.

- **BPCL though is embarking on new capex:** BPCL has already entered a new capex cycle with the ongoing Bina Refinery expansion, and the clarity on a 9-12mmtpa Andhra Refinery is yet to come. ND/EBITDA ratio for OMCs is expected to improve to 2x-3x in FY27E from 5.5x-7.5x in FY20.

#### At least partial LPG reimbursement likely; under-recovery declining

- **With strong marketing margins, LPG compensation might be limited:** LPG under-recovery was a key concern for OMCs during FY25, with combined under-recovery for OMCs amounting to INR413b (INR199/INR104b/INR109b for IOCL/BPCL/ HPCL). No support has been provided by the government yet, even as OMCs continue to earn super-normal MS/HSD marketing margins. Our base case remains for at least partial LPG compensation as under-recovery per cylinder has continued to decline.
- **LPG under-recovery down to INR115/cyl now (vs. INR180 in 4QFY25):** As per our estimate, LPG under-recovery per 14.2kg cylinder stood at ~INR180 in 4QFY25. With average Saudi propane prices down ~3% QoQ and a price hike of INR50/cyl in domestic LPG cylinder ([media article](#)), we estimate LPG under-recovery to reduce to INR115/cyl in 1QFY26. Further, we believe that propane prices should start correcting further, leading to higher earnings momentum for OMCs.
- **Last compensation payment was in CY22:** In CY22, the government had announced a compensation of INR220b for OMCs for a cumulative loss of INR280b they incurred. Assuming INR200b compensation (~50% of current outstanding) is received by OMCs in FY26, INR7/INR12/INR25 would be added to FY26E BVPS of IOCL/BPCL/HPCL.

#### Upside to FY26E BVPS for OMCs led by LPG compensation

Particulars	IOCL	BPCL	HPCL	Total
FY25 LPG under-recovery (INR b)	199	105	109	413
LPG under-recovery %	48%	25%	26%	
Compensation (INR b)	97	51	53	200
<b>Increase in BVPS</b>	<b>7</b>	<b>12</b>	<b>25</b>	
<b>FY26E Consol. BVPS</b>	<b>145</b>	<b>217</b>	<b>276</b>	
<b>Increase in FY25E BVPS (%)</b>	<b>5%</b>	<b>6%</b>	<b>9%</b>	

Source: Company, MOFSL

#### OMC valuations no longer inexpensive, but still below historical highs

- **Only BPCL trading below LTA:** OMC valuations are not inexpensive any more, although they are still significantly below the historical peak. Only BPCL is trading below its 1yr fwd. LTA P/B, though re-rating for the stock might be crimped by the commencement of a heavy capex cycle. While we do not think that valuations are inexpensive, a weak crude price outlook, declining LPG under-recovery and recent strength in GRMs can sustain valuations for OMCs. HPCL currently trades at 1.6x one-year fwd. P/B, marginally below its mean +1SD P/B. IOCL/BPCL trade at 1x/1.5x one-year fwd. P/B, at par/below their LTA.
- **ROE has to ramp up sharply for OMC valuations to sustain at mean + 1 S.D.:** All OMCs traded comfortably above their mean +1SD P/B during FY17/18, even touching highs of 1.8x/3.1x/2.5x one-year fwd. P/B, as ROE stood at 20%/+30%/+35%+ for IOCL/BPCL/HPCL, respectively. Current MS/HSD marketing margins, zero LPG under-recovery and stable mid-cycle GRMs will imply RoE of 25%/+35%/+45%+ for IOCL/BPCL/HPCL in FY26/27 (our current FY26E ROE: 7.9%/17.9%/22%).



**BSE SENSEX**  
82,727

**S&P CNX**  
25,220

**CMP: INR3,193**
**Buy**

### Conference Call Details


**Date:** 24<sup>th</sup> Jul 2025

**Time:** 3:00pm IST

**Dial-in details:**
[Click Here](#)

### Operating performance in line

- SRF reported a total revenue of INR38.2b (est. INR41.6b) in 1QFY26, up ~10% YoY. The Chemical/Packaging film revenue grew 24%/6% YoY to ~INR18.3b/INR14.3b, while Technical textile revenue declined 11% YoY to INR4.6b.
- EBITDA margin expanded 360bp YoY to 21.5% (est. 20%), while gross margin expanded 270bp YoY to 50% in 1QFY26 compared to 47.3% in 1QFY25. As a percentage of sales, employee costs stood at 7.3% (vs. 7.3% in 1QFY25), power costs were 9.5% (vs. 9.9%), and other expenses came in at 11.7% (vs. 12.2%). EBITDA stood at INR8.2b (est. INR8.3b), up 32% YoY.
- EBIT margins in the Chemical /Packaging film businesses expanded 670bp/340bp YoY to 27.3%/7.4%, while Technical Textile's EBIT margin contracted 480bp YoY to 8.1%.
- Adj. PAT grew 57% YoY to INR4.2b (est. INR4.4b) – adjusted for the forex gain of INR87m in 1QFY26.
- The Board of Directors approved two new projects: 1) a BOPP film manufacturing facility in Indore, Madhya Pradesh, with a capex of INR4.9b, and (ii) an agrochemical production facility in Dahej, Gujarat, at a capex of INR2.5b.
- Specialty Chemicals experienced strong growth due to rising agrochemical intermediate demand, strategic pricing, and export strength. Fluorochemicals also performed well, aided by higher refrigerant gas prices and increased exports, offsetting domestic market weakness.
- In 1QFY26, the Performance Films & Foil Business achieved a record production, supported by better efficiency and focus on high-impact value-added products. Meanwhile, Nylon Tyre Cord Fabric's demand declined domestically, and the Belting Fabrics segment faced pricing pressure from the continued Chinese dumping.

### Consolidated – Quarterly Earnings Model

(InR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	%
<b>Net Sales</b>	<b>34,641</b>	<b>34,243</b>	<b>34,913</b>	<b>43,133</b>	<b>38,186</b>	<b>39,685</b>	<b>40,382</b>	<b>49,386</b>	<b>146,931</b>	<b>167,639</b>	<b>41,618</b>	<b>-8</b>
YoY Change (%)	3.8	7.8	14.4	20.8	10.2	15.9	15.7	14.5	11.8	14.1	20.1	
Total Expenditure	28,435	28,637	28,375	33,108	29,975	31,921	31,954	36,499	118,555	130,348	33,298	
<b>EBITDA</b>	<b>6,207</b>	<b>5,606</b>	<b>6,538</b>	<b>10,025</b>	<b>8,212</b>	<b>7,764</b>	<b>8,428</b>	<b>12,887</b>	<b>28,376</b>	<b>37,291</b>	<b>8,319</b>	<b>-1</b>
Margin (%)	17.9	16.4	18.7	23.2	21.5	19.6	20.9	26.1	19.3	22.2	20.0	
Depreciation	1,882	1,939	1,943	1,952	2,032	2,000	2,100	2,393	7,715	8,525	1,950	
Interest	965	938	963	894	799	895	900	871	3,760	3,465	890	
Other Income	253	333	396	345	291	365	375	436	1,327	1,467	350	
<b>PBT before EO expense</b>	<b>3,612</b>	<b>3,063</b>	<b>4,029</b>	<b>7,525</b>	<b>5,671</b>	<b>5,234</b>	<b>5,803</b>	<b>10,060</b>	<b>18,229</b>	<b>26,768</b>	<b>5,829</b>	
Extra-Ord expense & DO	172	226	342	451	-87	0	0	0	1,192	-87	0	
<b>PBT</b>	<b>3,440</b>	<b>2,837</b>	<b>3,687</b>	<b>7,074</b>	<b>5,758</b>	<b>5,234</b>	<b>5,803</b>	<b>10,060</b>	<b>17,037</b>	<b>26,855</b>	<b>5,829</b>	
Tax	918	822	976	1,813	1,435	1,282	1,422	2,465	4,529	6,605	1,428	
Rate (%)	25.4	26.9	24.2	24.1	25.3	24.5	24.5	24.5	24.8	24.7	24.5	
<b>Reported PAT</b>	<b>2,522</b>	<b>2,014</b>	<b>2,711</b>	<b>5,261</b>	<b>4,323</b>	<b>3,952</b>	<b>4,381</b>	<b>7,595</b>	<b>12,508</b>	<b>20,251</b>	<b>4,401</b>	
<b>Adj. PAT</b>	<b>2,695</b>	<b>2,240</b>	<b>3,053</b>	<b>5,712</b>	<b>4,236</b>	<b>3,952</b>	<b>4,381</b>	<b>7,595</b>	<b>13,700</b>	<b>20,164</b>	<b>4,401</b>	<b>-4</b>
YoY Change (%)	-29.6	-30.0	12.4	30.4	57.2	76.4	43.5	33.0	-3.0	47.2	63	
Margin (%)	7.8	6.5	8.7	13.2	11.1	10.0	10.8	15.4	9.3	12.0	10.6	



# Syrma SGS Technology

BSE SENSEX  
82,727

S&P CNX  
25,220

**CMP: INR700**

**Buy**

## Conference Call Details



**Date:** 24<sup>th</sup> July 2025

**Time:** 10:30 am IST

**Dial-in details:**

[Click Here](#)

## Profitability beats estimates

- 1QFY26 consol. revenue declined 18.6% YoY to INR9.4b (est. in line).
- EBITDA margins expanded 530bp YoY to 9.2% (est. 8%), led by gross margin expansion of 7pp YoY to 22%.
- EBITDA grew 94% YoY to INR866m (est. INR784m).
- Adj. PAT surged 2.6x YoY to INR497m (est. INR457m).
- Auto/Consumer/Healthcare/Industrial/IT & Railways segments accounted for ~23%/34%/7%/30%/5% of total sales during 1QFY26.

## Consolidated - Quarterly Earning Model

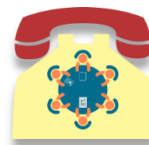
(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	%
<b>Gross Sales</b>	<b>11,599</b>	<b>8,327</b>	<b>8,692</b>	<b>9,244</b>	<b>9,440</b>	<b>12,075</b>	<b>13,473</b>	<b>14,877</b>	<b>37,862</b>	<b>49,864</b>	<b>9,743</b>	<b>-3</b>
YoY Change (%)	92.9	17.0	23.0	-18.5	-18.6	45.0	55.0	60.9	20.1	31.7	-16.0	
Total Expenditure	11,153	7,618	7,901	8,169	8,574	11,083	12,335	13,615	34,841	45,606	8,959	
<b>EBITDA</b>	<b>446</b>	<b>710</b>	<b>791</b>	<b>1,075</b>	<b>866</b>	<b>992</b>	<b>1,138</b>	<b>1,261</b>	<b>3,021</b>	<b>4,257</b>	<b>784</b>	<b>10</b>
Margins (%)	3.8	8.5	9.1	11.6	9.2	8.2	8.4	8.5	8.0	8.5	8.0	
Depreciation	174	167	202	208	206	206	206	207	751	825	204	
Interest	130	136	154	156	149	120	109	99	577	477	150	
Other Income	153	100	223	223	160	230	250	223	699	863	200	
<b>PBT before EO expense</b>	<b>295</b>	<b>507</b>	<b>657</b>	<b>934</b>	<b>672</b>	<b>896</b>	<b>1,073</b>	<b>1,178</b>	<b>2,392</b>	<b>3,818</b>	<b>630</b>	
Extra-Ord expense	0	0	21	0	0	0	0	0	21	0	0	
<b>PBT</b>	<b>295</b>	<b>507</b>	<b>635</b>	<b>934</b>	<b>672</b>	<b>896</b>	<b>1,073</b>	<b>1,178</b>	<b>2,371</b>	<b>3,818</b>	<b>630</b>	
Tax	91	110	105	219	172	226	270	296	526	964	159	
Rate (%)	31.0	21.8	16.6	23.5	25.7	25.2	25.2	25.2	22.2	25.3	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	10	34	42	60	2	48	59	84	147	193	15	
<b>Reported PAT</b>	<b>193</b>	<b>362</b>	<b>488</b>	<b>654</b>	<b>497</b>	<b>623</b>	<b>744</b>	<b>797</b>	<b>1,698</b>	<b>2,661</b>	<b>457</b>	
<b>Adj PAT</b>	<b>193</b>	<b>362</b>	<b>509</b>	<b>654</b>	<b>497</b>	<b>623</b>	<b>744</b>	<b>797</b>	<b>1,719</b>	<b>2,661</b>	<b>457</b>	<b>9</b>
YoY Change (%)	-32.3	22.0	228.2	87.3	157.8	71.8	46.0	21.8	58.2	54.8	136.7	
Margins (%)	1.7	4.4	5.9	7.1	5.3	5.2	5.5	5.4	4.5	5.3	4.7	

# MAS Financial Services

**BSE Sensex** 82,727  
**S&P CNX** 25,220

## Conference Call Details



**Date:** 24<sup>th</sup> July 2025  
**Time:** 03:30 PM IST  
**Dial-in details:**  
[Link](#) for the call  
**Number:** (+91 22) 7195 0000

### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Total income	8.0	9.8	12.3
PPP	5.4	6.6	8.3
PAT	3.1	3.7	4.7
EPS (INR)	16.9	20.2	25.7
EPS Gr. (%)	11.6	20.1	26.9
BVPS (INR)	140	158	182
<b>Ratios (%)</b>			
NIM	7.1	7.0	6.9
C/I ratio	32.8	32.8	32.0
RoA	2.9	2.8	2.9
RoE	14.4	13.6	15.1
Payout	10.0	9.2	9.1
<b>Valuations</b>			
P/E (x)	20	16	13.0
P/BV (x)	2.4	2.1	1.8
Div. yield (%)	0.5	0.6	0.7

**CMP: INR333**
**Buy**

### Earnings in line with stable asset quality; AUM rises ~20% YoY

#### NIM expanded ~10bp QoQ

- MASFIN's 1QFY26 PAT grew ~19% YoY to INR839m (in line).
- Fee income rose ~55% YoY to ~INR300m. Net total income (NTI) was up 36% YoY to INR2.4b (in line), while opex at INR827m grew ~46% YoY (8% higher than MOFSLe). PPOP stood at INR1.5b (in line) and grew 31% YoY.
- Credit costs were at similar levels as the last quarter and stood at INR424m, translating into annualized credit costs of 1.4% (PQ: 1.4% and PY: 0.9%).
- GNPA (basis AUM) rose ~5bp QoQ to 2.5%, while NNPA was stable at 1.6%. PCR on Stage 3 assets rose ~1pp QoQ to ~41%.
- CRAR stood at ~25.2%, with Tier 1 at ~23.2%.

#### AUM grows ~20% YoY; asset quality broadly stable

- Standalone AUM stood at ~INR125b and rose ~20% YoY/3% QoQ. Within this, AUM of Micro-enterprise/SME/2W/CV loans rose 11%/20%/30%/18% YoY. Salaried personal loans grew ~92% YoY to ~INR11.3b.
- About ~35% of underlying assets in the standalone AUM were through partner NBFCs. The MSME segment contributed 60% to the incremental YoY AUM growth.
- Yields (calc.) were largely stable QoQ at ~14.85%, while CoF (calc.) rose ~20bp QoQ to 9.3%. This resulted in ~20bp QoQ contraction in spreads to ~5.5%.
- NIM (calc.) expanded ~10bp QoQ to ~7.7%, while reported CoF was stable QoQ at ~9.8%.

#### Other highlights

- The average ticket size of micro-enterprise loans rose to ~INR66k (PQ: ~INR63k).
- RoTA was largely stable QoQ at ~2.85% in 1QFY26.
- MASFIN Insurance Broking Pvt Ltd, a subsidiary of MAS Financial, has received in-principle approval from IRDAI to operate as a Direct Insurance Broker (Life & General), subject to compliance with IRDAI regulations and final conditions.

#### HFC subsidiary

- MAS Housing reported AUM of ~INR7.7b, which grew ~27% YoY.
- GS3 in the HFC subsidiary declined ~2bp QoQ to ~0.92%.

#### Valuation and view

- MASFIN reported in-line earnings for 1QFY26, supported by strong disbursement growth of ~17% YoY, which resulted in AUM growth of ~20% YoY. Asset quality remained largely stable, while credit costs continued to remain elevated at 1.4%. The company has a niche expertise in the SME segment and maintains asset quality that is the best among (M)SME lending peers.
- The company is well-placed to achieve its target AUM CAGR of 20%, supported by robust liability management, a strong capital base, and healthy asset quality. We will look to revise our estimates following the earnings call on 24<sup>th</sup> Jul'25.

## Quarterly Performance

(INR M)

Y/E March	FY25				FY26E				FY25	FY26E	1Q FY26E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue from Operations</b>	<b>3,465</b>	<b>3,670</b>	<b>3,901</b>	<b>4,169</b>	<b>4,438</b>	<b>4,597</b>	<b>4,840</b>	<b>4,600</b>	<b>15,205</b>	<b>18,474</b>	<b>4,312</b>	<b>3</b>
Interest Income	2,952	3,078	3,332	3,535	3,687	3,820	4,030	4,084	12,896	15,621	3,641	1
Gain on assignments	304	375	356	396	430	447	470	442	1,431	1,789	416	3
Other operating Income	210	217	213	239	320	329	340	74	877	1,064	256	25
Interest expenses	1,714	1,754	1,845	1,910	2,062	2,144	2,277	2,188	7,224	8,671	2,006	3
<b>Total income</b>	<b>1,751</b>	<b>1,916</b>	<b>2,056</b>	<b>2,259</b>	<b>2,376</b>	<b>2,452</b>	<b>2,563</b>	<b>2,412</b>	<b>7,981</b>	<b>9,803</b>	<b>2,307</b>	<b>3</b>
Growth Y-o-Y (%)	27	26	31	34	36	28	25	7	31	23	32	
Operating Expenses	567	632	673	744	827	852	878	656	2,615	3,213	766	8
<b>Operating Profits</b>	<b>1,183</b>	<b>1,284</b>	<b>1,383</b>	<b>1,516</b>	<b>1,549</b>	<b>1,600</b>	<b>1,685</b>	<b>1,756</b>	<b>5,366</b>	<b>6,590</b>	<b>1,541</b>	<b>1</b>
Growth Y-o-Y (%)	25	24	25	35	31	25	22	16	27	23	30	
Provisions	239	263	332	427	424	403	423	428	1,261	1,678	431	-2
<b>Profit before tax</b>	<b>944</b>	<b>1,021</b>	<b>1,051</b>	<b>1,089</b>	<b>1,124</b>	<b>1,197</b>	<b>1,262</b>	<b>1,329</b>	<b>4,104</b>	<b>4,912</b>	<b>1,110</b>	<b>1</b>
Growth Y-o-Y (%)	25	28	24	20	19	17	20	22	24	20	18	
Tax Provisions	240	255	270	281	285	299	315	338	1,045	1,238	277	3
<b>Net Profit</b>	<b>704</b>	<b>766</b>	<b>781</b>	<b>808</b>	<b>839</b>	<b>898</b>	<b>946</b>	<b>991</b>	<b>3,059</b>	<b>3,674</b>	<b>832</b>	<b>1</b>
Growth Y-o-Y (%)	23	28	25	19	19	17	21	23	23	20	18	
<b>Key Operating Parameters (%)</b>												
Yield on loans (Cal)	14.76	14.7	14.8	14.8	14.85	14.8	14.8	14.2				
Cost of funds (Cal)	9.61	9.37	9.31	9.12	12.16	11.78	8.98	7.99				
Spreads (Cal)	5.1	5.3	5.5	5.7	2.7	3.0	5.8	6.2				
NIM on AUM (Cal)	6.83	7.2	7.2	7.60	7.73	7.7	7.6	6.8				
Credit Cost (%)	0.9	1.0	1.2	1.4	1.4	1.3	1.3	1.2				
Cost to Income Ratio	32.4	33.0	32.7	32.9	34.8	34.7	34.2	27.2				
Tax Rate	25.4	25.0	25.0	25.8	25.4	25.0	25.0	25.0				
<b>Balance Sheet Parameters</b>												
<b>Standalone AUM (INR B)</b>	<b>103.8</b>	<b>110.2</b>	<b>116.8</b>	<b>121.0</b>	<b>125.0</b>	<b>131.0</b>	<b>139.3</b>	<b>145.4</b>				
Change YoY (%)	23.4	21.8	20.7	19.5	20.4	18.9	19.3	20.2				
<b>Disbursements (INR B)</b>	<b>27.3</b>	<b>30.2</b>	<b>31.6</b>	<b>30.9</b>	<b>31.9</b>	<b>34.8</b>	<b>37.9</b>	<b>37.8</b>				
Change YoY (%)	19.5	21.0	18.6	10.7	17.1	15.0	20.0	22.4				
<b>Borrowings (INR B)</b>	<b>71.9</b>	<b>77.9</b>	<b>80.6</b>	<b>87.0</b>	<b>48.6</b>	<b>97.0</b>	<b>105.9</b>	<b>113.2</b>				
Change YoY (%)	20.1	16.1	18.6	22.9	-32.4	24.4	31.4	30.1				
Debt/Equity (x)												
<b>Asset liability Mix</b>												
<b>AUM Mix (%)</b>												
Micro Enterprises	43.6	43.1	40.3	39.6	40.1							
SME loans	36.4	36.1	36.6	37.2	36.2							
2W loans	6.4	6.5	6.9	6.5	7.0							
CV loans	7.9	8.2	8.3	8.1	7.7							
<b>Borrowings Mix (%)</b>												
Direct Assignment	24.4	22.9	22.1	21.3	21.2							
Cash Credit	11.3	14.6	13.2	11.6	10.1							
Term Loan	52.9	50.6	50.4	51.1	51.6							
NCD	8.1	8.9	11.3	13.3	14.4							
Sub Debt	3.3	3.1	3.0	2.8	2.7							
<b>Asset Quality Parameters (%)</b>												
GS 3 (INR m)	2,043	2,235	2,423	2,480	2,620							
GS 3 (%)	2.29	2.36	2.41	2.44	2.49							
NS 3 (INR m)	1,243	1,361	1,505	1,483	1,541							
NS 3 (%)	1.52	1.57	1.62	1.62	1.63							
PCR (%)	39.1	39.1	37.9	40.2	41.2							
<b>Return Ratios (%)</b>												
ROA	3.0	3.0	2.9	2.9	0.0							
Tier I ratio	25.4	23.8	23.1	22.6	23.2							

E: MOFSL estimates

# Bajaj Housing Finance

BSE SENSEX  
82,727

S&P CNX  
25,220

**CMP: INR122**
**Not Rated**

## Heightened competition prompts a cut in growth guidance

### FY26 AUM growth guidance now at ~21-23%; NIM stable QoQ

- Bajaj Housing (BHFL)'s 1QFY26 PAT grew 21% YoY to ~INR5.8b. NII grew 33% YoY to ~INR8.9b in 1QFY26. Other income declined 13% YoY to ~INR1.3b.
- BHFL's opex rose ~26% YoY to INR2.1b. The opex was slightly higher, driven by continued investments in new business segments and expansion into non-metro cities, which will continue over the next few quarters. PPOP grew ~25% YoY to INR8b for the quarter.
- Net credit costs stood at INR411m, which translated into annualized credit costs of ~16bp (PQ: ~12bp and PY: ~5bp). The company guided for FY26 credit costs of ~15-20bp (v/s ~20-25bp in the medium term).

## Disbursements rise ~22% YoY; BT-outs inch up

- AUM grew 24% YoY to ~INR1.2t, while disbursements rose ~22% YoY to ~INR147b. Home Loans grew ~21% YoY, LAP rose 30% YoY, LRD grew 29% YoY, and Developer Financing grew 32% YoY in 1QFY26.
- Run-down during the quarter was elevated at ~31% (PQ: 29% and PY: 27.6%) due to higher portfolio attrition to the banks.
- Management guided for FY26 AUM growth of ~21-23%. This moderation was due to heightened competitive intensity on the acquisition of new loans, increased portfolio attrition, coupled with moderation in real estate demand.
- Management highlighted that the cut in the AUM growth guidance was primarily driven by high competition on prices and higher attrition in the portfolio. If there were no further significant policy rate cuts and no significant change in industry home loan pricing, then the portfolio attrition should normalize within 4-5 months.

## Reported NIM steady QoQ; asset quality broadly stable

- BHFL's reported NIM in 1QFY26 was stable QoQ at ~4.0%. Reported yields declined ~20bp QoQ to ~9.5%, and CoB also declined ~20bp to ~7.7%, leading to spreads remaining stable QoQ at ~1.8%.
- Management shared that NIM will decline by 15-20bp in FY26 due to a reduction in investment income (which in FY25 was higher due to two rounds of capital raises) and lower income on derecognized loans due to the lower quantum of assignments planned in FY26.
- Asset quality was largely stable, with GS3/NS3 at 0.3%/0.13%. PCR declined ~4pp QoQ to ~56% (PQ: ~60.3%).
- Management guided a GNPA of ~35-40bp, credit costs of 15-20bp, and PCR of 40-50%. There was an improvement in the guidance on asset quality and credit costs as the risk metrics continue to hold well across product portfolios.
- The RoA/RoE stood at ~2.3%/11.6% in 1QFY26 (4QFY25: RoA/RoE: 2.4%/12.1%), and CRAR was ~26.9% as of Jun'25. Leverage stood at 5.4x as of Jun'25.



## Cut in FY26 guidance; Opex-to-NTI would remain stable despite efficiencies

**BHFL shared the following assessment for opex and return metrics in FY26:**

- **Opex-to-NTI:** The ratio will remain stable YoY between 20% and 21%. This was due to investments in SBU and the NIM moderation explained earlier.
- **Return metrics:** RoA stood at 2.0-2.2%, and RoE was 11-12%; leverage came in at 5.5-6.0x. The moderation in RoE was due to the equity overhang of the capital raise done in FY25.

## Highlights from the management commentary

### Guidance (FY26 Assessment)

- Medium-term guidance remains intact
- FY26 AUM growth guidance of 21-23% (Medium term: 24-26%) due to heightened competitive pricing on the acquisition of new loans, increased portfolio attrition, coupled with a benign real estate market
- Lower demand or stagnation in Real Estate would not have led to the company revising its AUM growth guidance. The cut in the AUM growth guidance was primarily driven by high competition on prices and higher attrition in the portfolio. If there are no further big rate cuts and any big change in market Home Loan pricing, the portfolio attrition should normalize within 4-5 months.
- Risk metrics continue to hold well across product portfolios, so credit costs should continue to remain benign.
- Guided for Spreads of 1.8% (+/-5bp)
- NII for FY26 is largely expected to be stable and in line with FY25; however, NIM is expected to moderate by 15-20 bps due to a reduction in investment income, which in FY25 was higher due to two rounds of capital raises and lower income on derecognized loans due to lower assignments planned in FY26.
- RoA is expected to remain rangebound between 2.0-2.2% and will be in line with the previous two quarters.

### Yields and PLR cuts

- 3 PLR Rate Cuts totaling ~45bp, including ~20bp which was passed on to the customers on 1<sup>st</sup> Jul'25.
- A significant part of the loan book is also linked to external benchmarks, wherein the complete 100bp Repo rate cut has been passed onto the customers.
- Incremental HL yields stood at 8.76% in 1QFY26 and 9.7-9.9% in LAP.
- The lowest rate offered by BHFL in HL is currently ~7.49%. PSU Banks are offering home loans at 7.35% and it goes up to 7.8-7.9% for Private Banks
- HL Portfolio yields stood at 9% as of Jun'25.
- Softness in the real estate market always results in higher competitive intensity in the mortgage market. Pricing of the Home Loan portfolio in the market (even today) is much softer because of the overall weakness in credit growth.

### Opex

- Employee costs have grown 20% YoY. Growth in employees' expenses is coming from investments in the new SBU (which will continue for the next 1-2 years) and non-metro cities (which will continue over the 1-2 quarters).



### Non-interest income

- In FY26, BHFL will have lower assignment income and a reduction in Investment Income from the utilization of two rounds of the Capital Raise, and also because the interest rate environment is lower.

### Home Loans

- Growth rate in HL has declined because the Real Estate market has been showing some moderation for the last 2-3 quarters. There is no disbursal growth at an industry level, while there is a growth in the AUM. Retail HL disbursements were up 12% YoY in 1QFY26, but the attrition in the portfolio is higher.
- If there is no pricing disruption in the market, it can revert to its previous growth levels.
- Pure HL proportion has to be above 50% (as per PBC criteria), and Pure HL is 50.9%
- Risk weights on top-ups on Home Loans had earlier been increased to 125% (v/s 100% earlier)
- Within its HL Portfolio, ~84% is Prime and ~16% is non-Prime/Affordable customers.

### LAP Business

- Risk-return metrics are more favorable in LAP, and it will continue to drive strong growth in LAP.
- Disbursement yields in LAP are higher by 100bp
- ATS in LAP has increased by ~20% YoY. It operates in the ticket size between INR4m-5m and INR20m-30m.
- Discontinued the smaller-ticket affordable LAP around 6-9 months back. This could have also pushed the ATS in LAP up now.

### Financial Performance

- Capital adequacy remains comfortable with CRAR at 26.9% and PBC at 61.7%
- AUM grew 25% YoY. Home Loans grew 21% YoY, LAP at 30% YoY, LRD grew 29% YoY, and Developer Finance at 32% YoY.
- Disbursements grew 22% YoY to INR146.5b. Retail disbursements grew 12% YoY in 1QFY26.
- CoF declined by ~20bp QoQ; Borrowing Mix remained well-diversified
- Portfolio yield reduced by ~20bp QoQ and ~30bp YoY. NIM stood at 4% (stable QoQ)
- Opex to NTI was flat QoQ at 21.2%
- Healthy asset quality during the quarter - annualized credit costs
- PAT grew 21% YoY to INR5.83b
- RoA/RoE in 1QFY26 stood at 2.3%/11.6%
- Well-diversified AUM mix, even as the LRD in the AUM mix improved sequentially
- PCR on Stage 3 declined to 56.25% (down 4pp QoQ) but still remains healthy

### Others

- BHFL prefers to build businesses organically and does not see opportunities for itself in doing co-lending.
- It will continue to drive operating efficiencies but since the income itself will be lower in the current year, the opex to NTI will be flat YoY in FY26.
- The differential in interest rate between bank borrowings and NCDs was ~20bp in 1QFY26.

## Quarterly performance

INR m

Particulars	FY25				FY26	FY24	FY25
	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26		
Interest Income	20,635	22,269	23,220	23,737	24,926	72,036	89,862
Interest expense	13,988	15,137	15,159	15,509	16,060	46,926	59,793
<b>Net interest income</b>	<b>6,648</b>	<b>7,133</b>	<b>8,060</b>	<b>8,228</b>	<b>8,866</b>	<b>25,110</b>	<b>30,069</b>
Growth YoY (%)	9.7	13.0	24.9	30.9	33.4	22.0	19.7
Other operating income	1,452	1,833	1,270	1,343	1,259	4,152	5,898
<b>Net total income</b>	<b>8,100</b>	<b>8,966</b>	<b>9,331</b>	<b>9,571</b>	<b>10,125</b>	<b>29,262</b>	<b>35,967</b>
Growth YoY (%)	15.3	17.9	25.1	33.4	25.0	19.2	23.0
Operating expenses	1,701	1,840	1,846	2,078	2,145	7,040	7,464
<b>Operating profits</b>	<b>6,399</b>	<b>7,126</b>	<b>7,485</b>	<b>7,493</b>	<b>7,980</b>	<b>22,222</b>	<b>28,503</b>
Growth YoY (%)	20.1	20.1	30.8	43.1	24.7	21.9	28.3
Provisions	100	50	355	296	411	609	801
<b>Profit before tax</b>	<b>6,299</b>	<b>7,076</b>	<b>7,130</b>	<b>7,198</b>	<b>7,569</b>	<b>21,613</b>	<b>27,702</b>
Tax expenses	1,473	1,620	1,650	1,331	1,736	4,301	6,073
<b>Net profit</b>	<b>4,826</b>	<b>5,456</b>	<b>5,480</b>	<b>5,867</b>	<b>5,833</b>	<b>17,312</b>	<b>21,629</b>
Growth YoY (%)	4.5	20.9	25.4	53.8	20.9	37.6	24.9
<b>Key Parameters (%)</b>							
Reported Yields	9.8	9.90	9.80	9.70	9.5		
Reported Cost of funds	7.9	7.90	7.90	7.90	7.7		
Spread	1.9	1.90	1.90	1.80	1.8		
Reported NIMs	3.9	4.1	4.0	4.0	4.0		
Credit cost on loans	0.0	0.0	0.15	0.12	0.16		
Cost to Income Ratio (%)	21.0	20.5	19.8	21.7	21.2		
Tax Rate (%)	23.4	22.9	23.1	18.5	22.9		
<b>Balance Sheet Parameters</b>							
<b>AUM (INR B)</b>	<b>971</b>	<b>1,026</b>	<b>1,083</b>	<b>1,147</b>	<b>1,204</b>		
Change YoY (%)	31.0	26.3	26.1	25.5	24.1		
<b>Loans (INR B)</b>	<b>853</b>	<b>899</b>	<b>956</b>	<b>995</b>	<b>1,059</b>		
% of AUM	87.9	87.6	88.2	86.8	88.0		
<b>Disbursements (INR B)</b>	<b>120</b>	<b>120</b>	<b>126</b>	<b>143</b>	<b>147</b>		
Change YoY (%)	15.6	-1.2	17.2	25.1	22.1		
<b>Borrowings (INR B)</b>	<b>733</b>	<b>745</b>	<b>792</b>	<b>820</b>	<b>885</b>		
Change YoY (%)	25.3	19.3	24.3	18.6	20.7		
<b>Asset Quality (%)</b>							
<b>GS 3 (INR M)</b>	<b>2,360</b>	<b>2,580</b>	<b>2,810</b>	<b>2,870</b>	<b>3,150</b>		
G3 %	0.3	0.3	0.3	0.3	0.3		
<b>NS 3 (INR M)</b>	<b>960</b>	<b>1,090</b>	<b>1,250</b>	<b>1,140</b>	<b>1,380</b>		
NS3 %	0.1	0.1	0.1	0.1	0.1		
PCR (%)	59.3	57.8	55.5	60.3	56.2		
ECL (%)	0.6	0.6	0.6	0.6	0.6		
<b>Return Ratios - YTD (%)</b>							
ROA (Rep)	2.3	2.5	2.4	2.4	2.3		
ROE (Rep)	14.3	13.0	11.5	12.1	11.6		

E: MOFSL Estimates



### **Jana small finance Bank : NPA drops are expected next 2 QTRs; Ajay Kanwal, MD & CEO**

- MFI Accounts to 25% of our book rest is Non MFI
- Increase in delinquencies is observed in MFI book
- 20% Asset Growth is achievedable
- Key moniterable is Do we grow MFI ? And how does MDI Stress comes down

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### **United Breweries : Expect Premium Volume To Continue To Grow Over 30%; Vivek Gupta**

- Volume Growth in Q1 was broad based, premium vols is expected to grow 30%
- Double Digit share growth seen in Telangana
- Aim to focus on category growth and Eke out margin efficiencies
- Expect Premium Volume To Continue To Grow Over 30%

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### **KEI Industries : Aim To Improve Margin By 0.5-1%, As The Share Of Exports Grows; Anil Gupta, CMD**

- Guidance: Sticking to full year growth guidance of 18-20% for FY26
- Maintain Our Guidance of Increasing export to total sales to 20% in 2-3 years
- Both Govt and private capex growing at healthy rate

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### **Dixon Tech : Mobiles Followed By Telecom Will Lead Revenue Mix In FY26; Saurabh Gupta, CFO**

- Healthy order book is expected in Q2
- Full year Revenue Growth is expected around 40-45%, Margins expected to be at same level as last year
- Laptops to start making meaningful impact from next year
- Telecom will also lead to revenue mix in FY25

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

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