Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	75,449	0.2	-3.4
Nifty-50	22,908	0.3	-3.1
Nifty-M 100	50,817	2.6	-11.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,675	1.1	-3.5
Nasdaq	17,751	1.4	-8.1
FTSE 100	8,696	-0.1	6.4
DAX	23,349	-0.1	17.3
Hang Seng	9,164	-0.2	25.7
Nikkei 225	37,752	-0.2	-5.4
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	72	0.0	-3.1
Gold ($/OZ)	3,036	0.1	15.7
Cu (US$/MT)	9,914	0.6	14.6
Almn (US$/MT)	2,669	0.1	5.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	86.4	-0.1	1.0
USD/EUR	1.1	-0.5	5.3
USD/JPY	149.8	0.3	-4.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	-0.01	-0.1
10 Yrs AAA Corp	7.3	0.00	0.1
Flows (USD b)	**19-Mar**	**MTD**	**CYTD**
FIIs	-0.1	-2.63	-16.3
DIIs	0.25	4.51	21.7
Volumes (INRb)	**19-Mar**	**MTD***	**YTD***
Cash	1,102	924	979
F&O	1,83,804	1,96,997	1,90,351

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Dr. Agarwals Health Care - Initiating Coverage: Transforming sight!

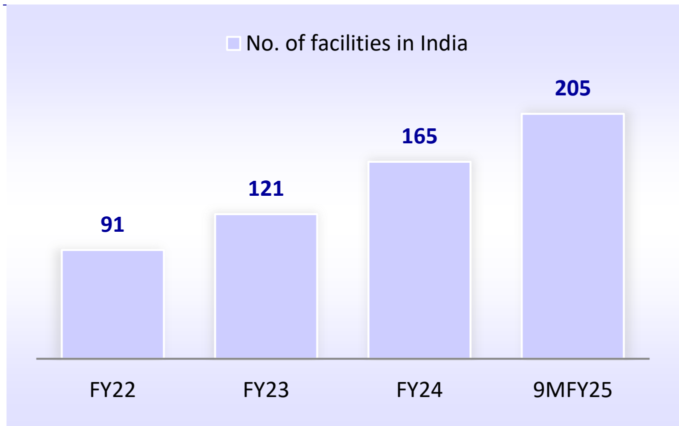
- With three generations of the promoter family involved in comprehensive eye care services, Dr. Agarwals Health Care (DAHL) has built one of the largest eye care franchises (221 facilities as of Dec'24) in India. DAHL is strengthening its reach by deepening market penetration and expanding through a hub-and-spoke model, currently operating 28 hubs and 193 spokes. With a focus on established locations, it has the potential to add 40-50 centers annually.
- The latent demand for eye care (industry CAGR likely to be 12-14% over FY24-28), coupled with DAHL's efforts to treat more patients at existing centers as well as add new centers, is expected to drive industry outperformance over the next five years. DAHL has delivered a robust revenue/EBITDA CAGR of 38%/41% over FY22-24 aided by organic as well as inorganic growth levers. We expect a 21%/23% revenue/ EBITDA CAGR, reaching INR24.9b/INR6.9b over FY25-27, fueled by a 19% CAGR in surgical volumes, a 20% CAGR in pharmacy revenues, and stable operating profitability.
- We value DAHL on an SoTP basis (premised on 24x 12M forward EV/EBITDA for the surgery/consultancy businesses, 14x EV/EBITDA for the optical business, 12x EV/EBITDA for the pharmacy business, and adjusted for a non-promoter stake in Dr Agarwals Eye Hospital (AEHL) and Dr. Thind) to arrive at our TP of INR510. Initiate coverage with a BUY rating.

Research covered

Cos/Sector	Key Highlights
Dr. Agarwals Health Care	Initiating Coverage: Transforming sight!
InterGlobe Aviation	Reiterates its strategic expansion, financial resilience, and sustainable growth
Voltas	Focus on market share improvement
One 97 Communications	Merchant business gaining traction; EBITDA to achieve breakeven by FY27E
Metals and Mining	DGTR recommends 12% provisional safeguard duty for 200 days; likely to benefit the steel sector

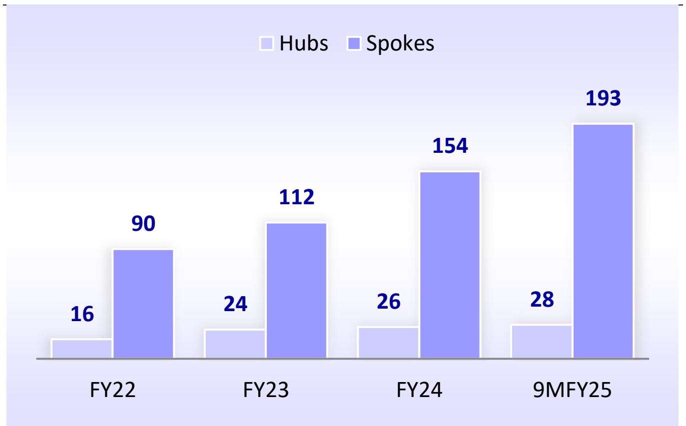
Chart of the Day: Dr. Agarwals Health Care - Initiating Coverage (Transforming sight!)

Strong ramp-up in domestic facilities over three years



Source: MOFSL, Company

Capex light expansion



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Adani arm Kutch Copper forms metal & cable JV with Praneetha Ventures

Kutch Copper Limited (KCL), has completed the incorporation of a joint venture company, Praneetha Ecocables Limited (PEL), in partnership with Praneetha Ventures Private Limited.

2

Hyundai Motor India to hike car prices by up to 3% from April

Hyundai Motor India announced plans to raise car prices by up to 3% starting April 2025, due to increasing raw material and operational costs.

3

CEAT looks to strengthen play in premium car tyre segment

Tyre manufacturer CEAT Ltd aims to strengthen its presence in the premium ultra-high performance and luxury four-wheeler tyre segment, anticipating significant growth in the next 3-5 years.

4

Avenue Supermarts invests Rs 174.99 crore in e-commerce arm DMart ready

This investment reflects Avenue Supermarts' confidence in the potential of the online grocery market and its dedication to providing customers with a seamless and convenient shopping experience.

5

New skincare labels catch the fancy of young India, eating into demand for many biggies

Established beauty brands faced a sales growth slowdown in FY24, while new-age and global labels surged.

6

Race for JAL heats up: Adani Group, GMR, Vedanta among bidders in Rs 17,300 crore insolvency case

Several major business groups including JSW, Dalmia Bharat, Vedanta, and others have expressed interest in Jaiprakash Associates Ltd.

7

Wipro launches Agentic AI services to boost sovereignty and innovation

Wipro launched Agentic AI services, leveraging NVIDIA technologies, to help nations build AI capabilities while ensuring data sovereignty.

Dr. Agarwals Health Care

BSE Sensex	S&P CNX
75,449	22,908

CMP: INR418 **TP: INR510 (+22%)** **Buy**

Stock Info

Bloomberg	AGARWALE IN
Equity Shares (m)	316
M.Cap.(INRb)/(USDb)	131.9 / 1.5
52-Week Range (INR)	464 / 366
1, 6, 12 Rel. Per (%)	-1/-/-
12M Avg Val (INR M)	838
Free float (%)	67.6

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	17.0	20.7	24.9
EBITDA	4.5	5.6	6.9
Adjusted PAT	0.9	1.2	1.7
EBIT Margin (%)	13.1	14.7	15.4
Cons. Adj EPS (INR)	2.9	4.0	5.3
EPS Growth (%)	9.7	37.2	32.2
BV/Share (INR)	67.3	71.3	76.6
Ratios			
Net D-E	-0.2	-0.2	-0.1
RoE (%)	5.3	5.8	7.1
RoCE (%)	7.9	8.3	9.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	144.9	105.6	79.9
EV/EBITDA (x)	28.1	23.1	18.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-14.2	-4.6	0.8
EV/Sales (x)	7.5	6.2	5.2

Transforming sight!

- **With three generations of the promoter family involved in comprehensive eye care services, Dr. Agarwals Health Care (DAHL) has built one of the largest eye care franchises (221 facilities as of Dec'24) in India. DAHL offers a comprehensive range of services, including surgeries (65% of revenue), consultation (14% of revenue), and products such as opticals (13% of revenue)/pharmaceuticals (8% of revenue).**
- **DAHL is strengthening its reach by deepening market penetration and expanding through a hub-and-spoke model, currently operating 28 hubs and 193 spokes. With a focus on established locations, it has the potential to add 40-50 centers annually.**
- **The latent demand for eye care (industry CAGR likely to be 12-14% over FY24-28), coupled with DAHL's efforts to treat more patients at existing centers as well as add new centers, is expected to drive industry outperformance over the next five years.**
- **DAHL has delivered a robust revenue/EBITDA CAGR of 38%/41% over FY22-24 aided by organic as well as inorganic growth levers. We expect a 21%/23% revenue/ EBITDA CAGR, reaching INR24.9b/INR6.9b over FY25-27, fueled by a 19% CAGR in surgical volumes, a 20% CAGR in pharmacy revenues, and stable operating profitability.**
- **We value DAHL on an SoTP basis (premised on 24x 12M forward EV/EBITDA for the surgery/consultancy businesses, 14x EV/EBITDA for the optical business, 12x EV/EBITDA for the pharmacy business, and adjusted for a non-promoter stake in Dr Agarwals Eye Hospital (AEHL) and Dr. Thind) to arrive at our TP of INR510. Initiate coverage with a BUY rating.**

Single specialty niche play

- Unlike conventional super-specialty hospitals that offer a wide range of services, DAHL has carved out a niche for itself with a strong focus on ophthalmology.
- Eye care is notably less capital-intensive and has a shorter gestation period for setting up clinics and tertiary centers, making it an attractive business model.
- As a vital sensory organ, the eye plays a critical role in human function, making its treatment indispensable, even within an asset-light business model.
- In this fragmented industry, DAHL stands as the largest eye-care chain, with a revenue of INR16b and EBITDA of INR4.3b over 12M ending Dec'24, demonstrating strong potential to sustain its growth momentum.

Hub-and-spoke model/extensive services enable treatment for a broader patient pool

- To address the full range of patients' eye care needs, from diagnosis to treatment, and efficient capital allocation, DAHL has adopted a hub-and-spoke model to establish a presence in 14 states, four union territories and nine countries in Africa.
- DAHL has 193 spokes, consisting of 61 primary facilities and 132 secondary facilities. The primary facilities provide initial diagnosis/consultancy services, while the secondary facilities offer select services, including cataract surgeries.

- It has 28 hubs (tertiary centers) equipped with super-specialty surgical capabilities, including retinal, corneal, and refractive surgeries. The company remains committed to adding hubs and spokes across both metro and non-metro cities, thereby increasing patient accessibility while optimizing the efficiency of critical resources across its network.

Demand tailwinds and strong business scope for organized chains bode well for DAHL

With organized eye care chains comprising only 13-15% of the industry, there is considerable potential for these chains (including DAHL) to outpace the industry, leveraging economies of scale and offering enhanced services to patients

- The eye care industry is expected to post a 12-14% CAGR over FY24-28, reaching INR550-650b.
- Among single-specialty healthcare services, eye care is expected to be the fastest-growing category, alongside oncology.
- This growth is driven by the increasing prevalence of eye disorders, fueled by changing lifestyles, increased screen time, an aging population, and the rise in diseases such as diabetes.
- The higher penetration of insurance is likely to drive higher patient volume.
- The rise of organized corporate eye care chains has enhanced service quality by providing consistent and reliable treatments.
- With organized eye care chains comprising only 13-15% of the industry, there is considerable potential for these chains (including DAHL) to outpace the industry, leveraging economies of scale and offering enhanced services to patients.

Ingredients in place to fortify growth prospects

Expect Revenue/EBITDA CAGR of 21%/23% to reach INR24.9b/INR6.9b over FY25-27

- DAHL's efforts to expand the patient base through: a) increased treatments at existing facilities, b) upgrading of facilities, and c) the addition of new facilities have resulted in a revenue CAGR of 38% over FY22-24, reaching INR13.3b.
- It has delivered a 9MFY25 revenue growth of 27% YoY, reaching INR12.5b. The overall performance during FY22-24 was driven by a 38% CAGR in surgery volume, a 35% CAGR in pharma product sales, and a 26% CAGR in optical sales.
- While the gross margin has remained stable, the EBITDA margin expanded 100bp over FY22-24 despite higher opex related to new facilities and higher marketing spending. EBITDA reached INR3.6b in FY24, clocking a 41% CAGR over FY22-24. DAHL delivered a PAT CAGR of 48% over FY22-24 to reach INR831m.
- Notably, its EBITDA grew 27.5% YoY to INR3.3b in 9MFY25. However, PAT grew at a slower rate of 7% YoY for 9M due to higher finance costs and depreciation.
- ROE weakened to 8% in FY24 vs. 17.7% in FY22 due to funds raised in earlier years.
- While return ratios are expected to improve gradually, the allocation of capex for greenfield projects/facility upgrades is expected to drive a 21%/23% CAGR in revenue/EBITDA, reaching INR24.9b/INR6.9b.

Valuation and view: Initiate coverage with a BUY rating

- The hospital sector in the listed space is currently trading at an average of 22x 12M forward EV/EBITDA. The positive factors supporting DAHL's valuation include: a) its asset-light business model, b) the significant market share shift from unorganized to organized players, c) the strong ophthalmology expertise of DAHL's management, d) efforts to expand its presence across regions (south, west, north, and east), and e) superior growth and profitability compared to its peers in the organized space. However, these positives are partially offset by: a) moderate return ratios in the medium term and b) the existence of a separately listed subsidiary. Based on these factors, we assign a 24x 12M forward EV/EBITDA multiple to the surgery/consultancy business, a 12x multiple to the pharmacy business, and a 14x multiple to the opticals business and adjust for a non-promoter stake in AEHL/Dr. Thind to arrive at our TP of INR510.

- The bull case scenario assumption of 28% CAGR in surgeries can drive an EBITDA CAGR of 30.4% over FY25-27, reaching INR7.5b. Valuing optimal execution at a higher multiple (assigning 25x 12M forward EV/EBITDA to the surgery/ consultancy business, 13x EV/EBITDA to the pharmacy business, and 15x EV/EBITDA to the opticals business, and adjusting for a non-promoter stake in AEHL/Dr. Thind) would lead to a TP of INR560, implying a 34% potential upside.
- The bear case scenario assumption of a lower 17.8% CAGR in surgeries may lead to an 11.5% EBITDA CAGR over FY25-27. Accordingly, assigning a lower multiple (23x 12M forward EV/EBITDA to the surgery/consultancy business, 11x EV/EBITDA to the pharmacy business, and 13x EV/EBITDA to the opticals business, and adjusting for a non-promoter stake in AEHL/Dr. Thind) would lead to a TP of INR370, implying an 11% potential downside.
- Considering an upside of 22% in the base case scenario, **we initiate coverage on the stock with a BUY rating.**

Valuation table (INR b)

Companies	Market Cap (INR b)	CMP	FY25 (INRb)			CAGR % (FY25-27)			PE (x)			EV/EBITDA(x)		
			Sales	EBITDA	PAT	Sales	EBITDA	PAT	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
DAHL	**130**	**418**	**17.0**	**4.5**	**0.9**	**21.1**	**23.1**	**34.7**	**146**	**106**	**80**	**28**	**23**	**19**
Apollo Hospital	911	6,339	216.3	30.3	14.4	15.9	16.3	25.0	63	52	40	30	26	21
Max Healthcare	1036	1065	86.9	23.1	15.0	18.4	19.8	26.4	69	51	43	44	35	30
Medanta	329	1,225	36.7	8.9	5.3	16.7	21.7	25.6	63	49	40	38	31	25
Fortis Health	459	608	78.2	23.3	13.0	13.9	21.0	25.8	56	46	35	30	24	20
Narayana	337	1,648	55.5	16.6	10.8	12.9	16.1	17.1	43	37	31	28	24	21
AsterDM	215	431	42.4	14.7	7.5	24.5	35.6	47.3	63	46	35	28	20	15
KIMS	237	593	30.4	12.7	6.7	26.8	26.2	32.4	62	49	36	32	26	20
Rainbow	133	1307	15.4	7.0	3.8	18.0	18.6	24.8	54	43	35	27	23	19
Jupiter	102	1,562	12.8	4.0	2.9	16.1	16.7	19.7	50	40	35	34	28	25

*Note: Estimates are taken from Bloomberg; Source: MOFSL, Bloomberg

InterGlobe Aviation

BSE SENSEX	S&P CNX
75,449	22,908

CMP: INR4,981 TP: INR4,660 (-6%) Neutral

Reiterates its strategic expansion, financial resilience, and sustainable growth

Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	386
M.Cap.(INRb)/(USDb)	1924.6 / 22.3
52-Week Range (INR)	5053 / 3181
1, 6, 12 Rel. Per (%)	13/12/49
12M Avg Val (INR M)	5471
Free float (%)	50.7

Financials Snapshot (INR b)

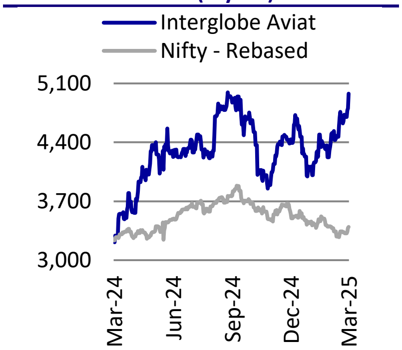
Y/E March	FY25E	FY26E	FY27E
Sales	790.3	815.2	887.1
EBITDA	166.4	213.2	236.6
NP	61.9	96.1	92.2
EPS (INR)	160.3	248.9	238.8
Growth (%)	-24.3	55.2	-4.1
BV/Sh (INR)	211.2	461.1	700.8
Ratios			
Net D:E	2.8	1.0	0.4
RoE (%)	123.1	74.3	41.3
RoCE (%)	25.0	28.9	28.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	31.1	20.0	20.9
P/BV (x)	23.6	10.8	7.1
Adj.EV/EBITDAR(x)	12.0	9.7	8.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	1.2	3.2	4.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.3	49.3	63.1
DII	21.2	20.7	14.7
FII	24.8	25.4	18.7
Others	4.7	4.7	3.5

FII Includes depository receipts

Stock Performance (1-year)



We attended IndiGo analyst day at its iFly Training Center in Gurugram on 19th Mar'25. Below are the key highlights:

India's aviation growth amid market expansion and global connectivity

- **India's aviation boom**: The Indian aviation industry is witnessing a rapid expansion, with domestic air travel set to **double by CY30**. This growth will be driven by a **rising middle class, increasing disposable incomes, and government-led infrastructure projects**. IndiGo, as the market leader, is well-positioned to capitalize on this trend by expanding its fleet and network.
- **Global expansion**: India is emerging as a key player in international travel, projected to be the **5th largest international outbound tourism market by CY27**. With over **50 countries offering visa-free or visa-on-arrival access for Indian travelers**, outbound tourism is increasing. IndiGo is strategically growing its international presence through **new routes and partnerships with global airlines via codeshare agreements**.
- **Infrastructure and policy support**: The Indian government is **investing USD25b** to expand and modernize airport infrastructure by CY27. With the **number of airports doubling in the last decade**, increased capacity will support IndiGo's expansion plans. Additionally, **favorable policies**, such as incentives for domestic aircraft manufacturing and MRO (maintenance, repair, and overhaul) services, provide a strong foundation for future growth.

IndiGo's strategic growth initiatives

- **Fleet expansion**: IndiGo has placed one of the **largest aircraft orders in global aviation history**, with **925 aircraft deliveries secured (pending) until CY35**. This includes the **A321 XLR for mid-haul and A350 wide-body aircraft for long-haul routes**, enhancing its global connectivity and fleet flexibility.
- **Internationalization in focus**: IndiGo aims to **increase its international capacity share to 40% by FY30**, expanding beyond its traditionally strong domestic network. It is targeting underserved international routes through **long-range aircraft and codeshare partnerships**, positioning itself as a preferred airline for international travelers.
- **Operational efficiency**: IndiGo leads the industry with its **best-in-class operational metrics**, including **on-time performance, high aircraft utilization, and cost efficiencies**. Its **fuel-efficient fleet and streamlined network optimization** ensure profitability even in challenging market conditions.

Continued profitability after Covid

- **Revenue and profitability**: IndiGo posted **INR795b in total income for the 12 months ending CY24**, up **18% YoY growth**. PAT stood at **INR61b**, showcasing strong **cost discipline and revenue diversification** despite global economic headwinds.

- **Healthy cash reserves**: IndiGo has built a **robust balance sheet, with free cash reserves tripling since Mar'20**. This financial strength provides a **safety net against external shocks**, supports **fleet expansion**, and enables **continued reinvestment in operations and digital transformation**.
- **Diversified revenue streams**: IndiGo is aggressively expanding its **non-ticket revenue sources**, including **IndiGo Stretch (business class seating), BluChip (loyalty program), and a growing cargo division**. These initiatives are aimed at **increasing per-passenger revenue while enhancing customer experience**.

Management working on future growth drivers

- **Capacity expansion and fleet growth**: IndiGo aims to **double its size by CY30**, targeting a fleet of **600+ aircraft** and **200m passengers annually**. The airline has begun operating its **first damp-leased B787 in FY25**, with plans to add **three more by CY25-end**. Future fleet expansion includes **A350-900 aircraft deliveries starting CY27**, ensuring long-term international growth.
- **Changing distribution channels**: IndiGo is **shifting toward direct agent engagement** to enhance **customer reach and sales efficiency**. The airline is leveraging **its extensive domestic and international network** to optimize distribution and improve passenger experience.
- **Digital transformation**: IndiGo is implementing **AI-driven solutions like 6ESkai, 6E Digi Breathalyzer, and BagWatch** to enhance **customer experience, employee efficiency, and operational processes**. These innovations are aimed at **streamlining airline operations and improving service reliability**.
- **FY26 growth outlook**: IndiGo expects **early double-digit YoY capacity growth**, supported by **more than one aircraft delivery per week in CY25**. Confidence in **supply-side stability** reinforces the company's expansion plans.

Valuation and view

- IndiGo is striving to improve its international presence through strategic partnerships and loyalty programs. It served 106.7m customers in FY24, with a net increase of 63 aircraft. The company had eight strategic partners with a 27% international share in terms of available seat per kilometer (ASK) in FY24.
- Management has also taken several preemptive measures to increase its global brand awareness as it expects to capture a bigger share of growth in the international market over the coming years. IndiGo is further enhancing its international travel and working relentlessly to adjust schedules to reassure customers.
- The stock is trading at ~20x FY26E EPS of INR248.9 and ~10x FY26E EV/EBITDAR. We reiterate our Neutral rating on the stock with a TP of INR4,660, based on 8x FY27E EV/EBITDAR.

Voltas

BSE SENSEX	S&P CNX
75,449	22,908

Bloomberg	VOLT IN
Equity Shares (m)	331
M.Cap.(INRb)/(USDb)	494.7 / 5.7
52-Week Range (INR)	1946 / 1032
1, 6, 12 Rel. Per (%)	17/-13/38
12M Avg Val (INR M)	2965
Free float (%)	69.7

Financials & Valuations (INR b)

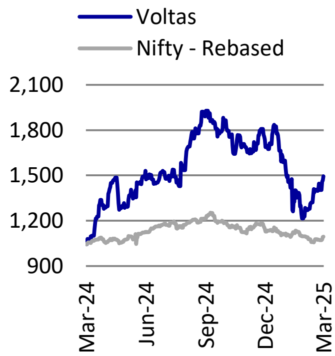
Y/E MARCH	FY25E	FY26E	FY27E
Sales	148.3	164.2	184.4
EBITDA	10.9	13.0	15.6
Adj. PAT	8.3	10.0	12.6
EBITA Margin (%)	7.3	7.9	8.5
Cons. Adj. EPS (INR)	25.1	30.4	38.0
EPS Gr. (%)	247.1	20.9	25.1
BV/Sh. (INR)	198.9	223.0	253.4
Ratios			
Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	12.6	13.6	15.0
RoCE (%)	13.6	14.3	15.0
Payout (%)	25.0	25.0	25.0
Valuations			
P/E (x)	59.5	49.2	39.4
P/BV (x)	7.5	6.7	5.9
EV/EBITDA (x)	45.0	37.3	30.7
Div Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.8	1.8	2.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	30.3	30.3	30.3
DII	34.6	37.5	37.2
FII	21.3	18.1	17.2
Others	13.8	14.2	15.3

FII includes depository receipts

Stock's performance (one year)



CMP: INR1,495 TP: INR1,710 (+14%) Buy

Focus on market share improvement

Volume to be prioritized over margins; growth to be higher than peers

We interacted with the management of Voltas (VOLT) to gain insights into current demand trends, as well as its views on compressors, margins, market share, and more. Management believes that current demand trends for RAC remain strong, and its focus will be on growing faster than its peers. While market share will be prioritized over margins, it aims to increase value engineering to save costs and protect margins, rather than opting for price hikes, which could impact margins. The government has relaxed import norms for compressors above 2 tons (~10% of the industry's volumes) and the industry is awaiting approvals for compressors below 2 tons. We expect VOLT to benefit from a strong start to the summer season and anticipate the UCP segment's margin to be ~7.5% in 4QFY24. We reiterate Buy on the stock with a TP of 1,710 based on SOTP.

Managing compressors for ongoing season; tie-up needed to set up capacity

- Amid concerns over a decline in compressor imports from China during 3QFY25, management has indicated that it has successfully managed the situation for the ongoing summer season through alternate sources. It believes that the government will allow imports to continue until domestic capacities are sufficient to meet the demand.
- VOLT had previously planned to set up compressor manufacturing capacity through a technological collaboration with a Chinese player; however, this plan did not materialize. Under PLI 3.0, the company has announced investments of ~INR2.6b to establish compressor capacity and is currently evaluating potential partners for technological collaboration. If the demand for RAC continues to grow strongly, as seen in FY25, the company will need to fast-track its plans.
- Recently, the government relaxed import norms for compressors of 2 tons or more from China, but this accounts for only ~10% of the industry size. A notification is still awaited for compressors below 2 tons.

Strong RAC demand; focus on protecting market share

- Demand for RAC has started strong in the ongoing summer season of CY25, and the current inventory, along with the tie-up for compressors, will support the company's growth in 4QFY25. The competition is projecting ~30% YoY growth in 4Q, and the company aims to outperform its peers. During Apr'24-Jan'25, the industry grew 30% YoY, while VOLT's RAC volumes grew 35% YoY.
- There have not been material price increases since May-Jun'24. As a mass category player, the focus will be on balancing revenues and profitability (with an emphasis on higher volumes and absolute EBITDA). While some peers have recently implemented price hikes due to cost inflation and rupee depreciation, VOLT will evaluate whether a price hike is necessary. The company will prioritize value engineering and internal cost-saving measures over price hikes.

- Although there was some market share loss in Jan'25, it remains better on a YTD basis. VOLT traditionally has a lower market share in 4Q. The company is working to recoup some of the lost market share and expects to see gains as the Chennai plant ramps up production.
- The Chennai plant is currently operating at 40-45% capacity and is expected to reach optimum levels in FY26. Its Pant Nagar, Uttarakhand plant is operating at 100% capacity (installed capacity is 1.5m units).
- Demand for air coolers grew 80-85% in 9MFY25. The company is aiming for 70-80% YoY growth in the future and has made several strategic tie-ups. Demand for commercial ACs remained strong throughout the year, with a 12-15% YoY growth in 9MFY25. This segment is expected to record a 15-18% CAGR going forward.

Competitive intensity and view on margins

- There is ample growth opportunity for all players, as current demand remains strong in the South, North, and West markets. Inventory depletion is occurring at a faster pace. VOLT is well-positioned to outperform peers in distribution channels, insourcing, and servicing, which will help improve its market share.
- Copper prices have increased 10-11%, and some compressors are also being sourced at higher prices this summer. The company is working to mitigate the cost impact through value engineering rather than relying on price hikes. The UCP segment's margin is expected to remain in the high single digits.
- Demand for commercial refrigerators remains better in 4Q; however, it is still on the lower side. Margins are also expected to be lower than historical levels and remain in single digits (lower than 8%-9%).

BG encashment for Qatar entity

- Volt informed the stock exchanges in Feb'25 of an expected financial loss of INR4.0b due to an order passed by Qatar Court regarding the encashment of bank guarantees for damages claimed by a party named Joint Venture of OHL International, Spain, and Contrack (Cyprus).
- This order was passed by the lower court, and the company plans to appeal to higher courts against this order. It will decide later whether any provision has to be made for this amount but believes it has strong grounds and that the bank guarantee should not be encashed.

View on VoltBeko

- VoltBeko had envisaged a target market share of 10% and EBITDA break-even by FY26; however, this will be slightly delayed. The company has already achieved a market share of ~15% in semi-automatic washing machines and has a presence in automatic washing machines. Its products are available across various geographies.

Valuation and view

- We expect a CAGR of 12%/20%/23% in Volt’s revenue/EBITDA/adj. PAT over FY25-27. While we estimate the UCP segment’s margin to be in the high single digits, higher volume growth could surprise positively. The company focuses on absolute profitability, sales growth, and optimization of production facilities.
- We reiterate our BUY rating on the stock with an SoTP-based TP of INR1,710, with 50x FY27E EPS for the UCP segment, 25x FY27E EPS for the PES and EMPS segments, and INR22/sh for Voltbek.

19 March 2025

Update | Sector: Financials

One 97 Communications

BSE SENSEX	S&P CNX
75,449	22,908

Bloomberg	PAYTM IN
Equity Shares (m)	638
M.Cap.(INRb)/(USDb)	486.6 / 5.6
52-Week Range (INR)	1063 / 310
1, 6, 12 Rel. Per (%)	3/26/83
12M Avg Val (INR M)	5610
Free float (%)	100.0

Financials & Valuations (INR b)

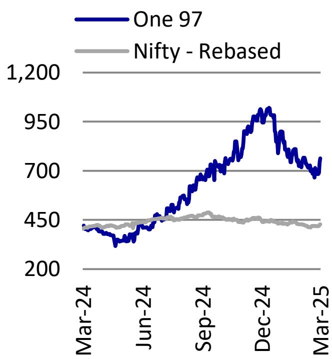
Y/E March	FY24	FY25E	FY26E
Revenue from Op	99.8	71.5	91.6
Contribution Profit	55.4	38.6	51.4
Adjusted EBITDA	5.6	(5.8)	5.6
EBITDA	(9.1)	(15.2)	(0.8)
PAT	(14.1)	(2.0)	1.8
EPS (INR)	(22.2)	(3.2)	2.7
EPS Gr. (%)	(20.8)	NM	NM
Ratios			
Contribution Margin %	55.5	54.0	56.1
Adjusted EBITDA Margin (%)	(9.1)	(21.3)	(0.9)
EBITDA Margin (%)	5.6	(8.1)	6.1
RoE (%)	(10.7)	(1.5)	1.3
RoA (%)	(8.0)	(1.1)	0.8
Valuations			
P/E(X)	NA	NA	283.0
P/BV (X)	3.6	3.7	3.8
P/Sales (X)	4.9	6.9	5.5

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	11.9	8.5	6.1
FII	56.2	55.5	63.7
Others	31.9	36.0	30.2

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR763	TP: INR870 (+14%)	Neutral

Merchant business gaining traction; EBITDA to achieve breakeven by FY27E

Contribution margin to remain steady at 57% by FY27E

- **Paytm has successfully navigated through the regulatory challenges while retaining most of its merchant base. The company's merchant base grew 9% YoY to 43m in 3QFY25, while the number of merchants with devices rose 10% YoY to 11.7m.**
- **With 85% of GMV coming from merchants, Paytm maintains a robust market share in merchant business, though its UPI market share has moderated. We estimate a 24% CAGR in GMV over FY25-27E.**
- **Leveraging its merchant network, Paytm is scaling up loan distribution through the first loss default guarantee (FLDG), with 18 lending partners on its platform. The financial services business is expected to contribute 27% of total revenue by FY28E (~20% in FY24), thus driving a 25% CAGR in total revenue.**
- **The reduction in capex and depreciation expenses, along with strong cost-control, should help Paytm deliver positive adj. EBITDA by 4QFY25E and positive overall EBITDA by FY27E. We, thus, estimate Paytm to regain its strong hold on profitability in FY27E, with estimated PAT of INR12.1b.**
- **As per recent media reports the potential introduction of MDR on UPI will be a significant boost PayTM's revenue and will incentivize the company to push for market share gains in the consumer payments.**
- **We remain watchful on the challenging macro-environment, traction in the financial distribution business and near-term UPI market share. Maintain Neutral rating with a revised TP of INR870 (based on 17.7xSep'26E EBITDA).**

Merchant base retained; focusing on gaining market share

Paytm has navigated through the regulatory restrictions while retaining most of its merchant base, which grew 9% YoY to 43m merchants as of 3QFY25. The company has also increased the share of devices by 10% YoY to 11.7m. Moreover, Paytm has seen improvements in payments business revenue, which grew 13% in the last two quarters from the lows of 1QFY25. We expect a 26% CAGR in payment revenue over FY25-27E. With growing merchant market share, the company expects growth in subscription revenue and has an opportunity to grow stronger in the merchant loan product, which offers higher take rates.

GMV tracking well led by merchant business; estimate 24% CAGR in GMV from FY25-27E

Paytm has strengthened its focus on growing the more profitable merchant business, which forms ~85% of total GMV. The company has demonstrated healthy resilience in total GMV on the platform, which has recovered to the 3QFY24 levels (up 15% after adjusting discontinued businesses). We estimate a steady 24% CAGR in GMV over FY25-27E. The company expects the consumer business to gain traction as it looks to grow its customer base as it has secured NPCI approval for on-boarding new customers on UPI. In 3QFY25, Paytm's average MTUs declined 30% YoY/1% QoQ to 70m, which inched up to 72m in Dec'24 from 69m in Oct'24.

FLDG to boost loan disbursements; expect 29% CAGR in FY25-27

Paytm has started offering FLDG loans to lending partners, which will help to speed up loan disbursements, thereby boosting financial services business growth. FLDG mitigates lender risk by covering initial losses and enabling faster approvals, thus boosting disbursement efficiency. We estimate a 29% CAGR in overall loan disbursements over FY25-27E. The FLDG structure also provides a better take rate, which will enable faster revenue growth of financial services business. The FLDG approach enhances business opportunities, allowing Paytm to efficiently leverage its vast merchant and customer base.

Financial services to contribute 27% of total revenue by FY28E

Paytm is well poised to leverage its strong positioning in merchant business, thus driving healthy revenue growth in financial services. We estimate that the financial business, encompassing loan distribution and other services, will contribute ~27% of Paytm's total revenue by FY28E vs. 20% in FY24. This shift is underpinned by the company's growing merchant base, which serves as a strong moat despite setbacks in products like wallet and BNPL. The financial services arm currently earns 15-20% of revenue from non-lending activities such as equity broking and sales of financial products, which are also witnessing healthy traction. Paytm has partnered with 18 lenders on the platform, with the current count expected to be more than what it was prior to the RBI's restrictions. This will drive healthy growth in financial business as market sentiment improves and personal loan business starts gaining traction.

Contribution margin to improve to ~58% by FY28E

- Paytm's contribution margins are expected to rise to ~58% by FY28E (including UPI incentive), supported by efficient cost management and an improving mix of financial services business. We estimate a 25% CAGR in revenue over FY25-28E, while direct costs are expected to increase at a slower pace of 21% CAGR during the same period.
- A key driver of this growth is financial services revenue, which is anticipated to clock a robust 33% CAGR over FY25-28E, driven by strong loan disbursement momentum (~29% CAGR). With an estimated 23% CAGR in GMV from FY25-28E and payment processing charges under control, net payment margin (including subscription fees) is expected to be sustained at 12bp of GMV by FY28E.

Estimate PAT to break-even in FY26E and accelerate thereafter

Paytm is actively pursuing cost optimization strategies to improve underlying profitability while exerting strong control on capex, which has helped the company reduce the breakeven period on devices to 12-13 months. Depreciation expenses are likely to decline sharply, with refurbishing acting as a pivot; however, ESOP costs are expected to remain elevated. We anticipate Paytm to deliver positive adj. EBITDA by 4QFY25E and achieve overall EBITDA breakeven by FY27E, assuming no further disruptions. We, thus, estimate Paytm to regain its strong hold on profitability by FY27E, with estimated PAT of INR12.1b.

Valuation and view: Maintain Neutral with TP of INR870

Paytm's strategic focus on financial services business and cost optimization should boost profitability, with the financial business contributing 27% of revenue by FY28E. Leveraging its merchant network, the company remains focused on scaling up its loan distribution, supported by strong lender partnerships. Cost reductions and an estimated revenue CAGR of 26% from FY25-27E (INR114b by FY27E) will enable Paytm to achieve EBITDA breakeven in FY27E. We expect the company to gain traction in new customer on-boarding and grow its MTU base, which will enable healthy cross-selling, while growth in the merchant business will remain the key profitability driver in the near term. The company's exploration of global markets, albeit with limited capital commitment, and its strong cash position (INR128.5b in 3QFY25) further provide comfort. As per recent media reports the potential introduction of MDR on UPI will be a significant boost PayTM's revenue and will incentivize the company to push for market share gains in the consumer payments. Additionally, the company may shift its focus towards expanding its market share in the consumer segment. The recent SEBI approval for Paytm Money to venture into investment insights and research services presents an opportunity to diversify into wealth management, potentially unlocking a new stream of fee-based income. **We remain watchful on the challenging macro-environment, traction in the financial distribution business and near-term UPI market share. Maintain Neutral rating with a revised TP of INR870 (based on 17.7xSep'26E EBITDA).**

Metals and Mining

DGTR recommends 12% provisional safeguard duty for 200 days; likely to benefit the steel sector

- The Directorate General of Trade Remedies (DGTR) has recommended imposing a provisional safeguard duty of 12% for 200 days. This duty will be levied on hot/cold-rolled coils, sheets, and plates, including HR Plate Mill Plates, metallic-coated steel (zinc, aluminum-zinc, or zinc-aluminum-magnesium), and color-coated steel.
- DGTR has also recommended a price-based exemption to the proposed safeguard duty. Specifically, imports of HRC/CRC (sheets, plates) and coated steel will be exempt from the duty if their CIF import prices meet the specified thresholds: USD675/t, USD824/t, and USD964/t, respectively.
- The imposition follows an ongoing investigation into the dumping of cheap imports into India, which is affecting domestic steelmakers. This measure aims to protect domestic producers while allowing the continuation of VAP imports.
- This development is expected to benefit steelmakers, especially those with a high share of flat steel products, as they were most impacted by increased imports into India at lower prices. During Apr-Feb'25, India's steel imports stood at ~9mt (+16% YoY). In contrast, exports during the same period declined 34% YoY to 4.4mt. The share of finished flat steel imports stood at an overwhelming +95% in 11MFY'25, with the remainder consisting of semi-finished and finished long products.
- With the duty in place, the landed cost of imports is expected to rise by nearly INR5,000/t, potentially leading to reduced imports at lower prices. Prior to the duty, domestic prices were at a premium to the landed cost of imports by nearly 5-7%. However, with the duty in place, domestic prices are likely to be at a discount to the landed costs, creating room for further price hikes.
- As a result, we may see domestic prices increase further, following the price hikes already implemented. In Feb'25, steel mills implemented a price hike of INR1,500-2,000/t. Due to this new development, an additional price hike of INR1,000-1,500/t is expected in the near term.
- **We expect JSW Steel, Tata Steel, and SAIL to benefit the most, as they have a high share of flat steel products in their portfolio. Although the duty is proposed to be implemented for 200 days and will be reviewed thereafter, it is expected to improve realizations and earnings in the near term.**

Implication of the safeguard duty on import prices

Cost Component	Import Parity
China FOB Price ($/t)	465
Freight/Insurance ($/t)	10
CIF Price ($/t)	**475**
Basic Customs Duty (BCD) incl surcharge ($/t)	39
Cost of Imports ($/t)	**514**
Price threshold for levying SafeGuard duty ($/t)	**675**
Safeguard Duty incl cess ($/t)	68
Port Handling & Clearance Charges ($/t)	20
Total Landed Cost ($/t)	**602**
USD/INR	87
Landed Costs in INR/t	**52,350**
Domestic HRC, Ex-Mumbai, India in INR/t	**49,800**
Domestic Premium/(Discount) to Landed costs	(2,550)

Source: MOFSL, Bigmint

Muthoot Finance: Will see 40% AUM growth in FY25 vs the guidance of 25-30%; George Alexander Muthoot, MD

- Surpassed ₹1 trillion, reflecting 38% YoY growth, exceeding earlier 25-30% guidance
- Portfolio shrank from ₹10,000 Cr+ to ₹8,000-9,000 Cr, with two more quarters of pressure expected
- Expecting 40% AUM growth this year, moderating to 15%+ in FY26, with NIMs of 10-12%.
- Reaffirms 15% growth target and long-term resilience of the business.

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Shriram Capital: Will look to start asset mgmt biz with Sanlam Group in India in 3-6 months; MD & CEO Subhasri

- Shriram Group & South Africa's Sanlam to invest ₹200 Cr in a 50/50 wealth management JV, Fream Wealth.
- Sanlam sees long-term growth in India, leveraging its expertise with Shriram's local network - $50-$60 Mn investment planned.
- Announcement expected in 3-6 months, pending approvals. No immediate IPO plans for insurance entities
- Shriram remains focused on commercial vehicle & auto finance, benefiting from strong credit growth & stable funding access

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Sarda Group: Safeguard duty will lead to positive sentiment in the steel industry; Manish Sarda, Director

- New safeguard duty on HR & CR flat products to support domestic steelmakers, though Sarda Group (long products) remains unaffected
- Calls for a level playing field amid high raw material costs (coking coal) and cheap imports from China & Korea.
- Expected price hikes in flat products ($30-$35/ton), boosting steel sector profitability.
- Production cuts in China could aid Indian players, while strong infra-led demand counters pricing pressures.

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Raymond: Expect 20-25% growth in the aerospace business by next year; Amit Agarwal, Group CFO

- ₹32,000 Cr potential revenue, with 6+ JDAs signed (₹14,000 Cr pipeline)
- Project revenue realization over 6-7 years, targeting 20% growth.
- Aerospace sector to grow 25-30% YoY, expanding aircraft engine component supply; Auto sector impacted by global tariffs & EU slowdown.
- De-merger of real estate unit by June-July. FY26 targets 20% revenue growth across segments with >15% margins.

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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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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