Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	84,675	0.0	8.4
Nifty-50	25,939	0.0	9.7
Nifty-M 100	59,914	-0.1	4.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,896	-0.1	17.3
Nasdaq	23,419	-0.2	21.3
FTSE 100	9,941	0.8	21.6
DAX	24,490	0.6	23.0
Hang Seng	8,991	1.1	23.3
Nikkei 225	50,339	-0.4	26.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	62	0.0	-15.7
Gold ($/OZ)	4,390	1.3	67.3
Cu (US$/MT)	12,253	0.0	41.6
Almn (US$/MT)	2,914	0.0	15.3
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	89.8	-0.2	4.9
USD/EUR	1.2	0.0	13.7
USD/JPY	155.8	-0.2	-0.9
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.6	-0.01	-0.2
10 Yrs AAA Corp	7.3	0.00	0.1
Flows (USD b)	**30-Dec**	**MTD**	**CYTD**
FIIs	-0.43	-1.86	-17.6
DIIs	0.69	8.10	88.7
Volumes (INRb)	**30-Dec**	**MTD***	**YTD***
Cash	1,486	1012	1067
F&O	6,63,430	2,79,163	2,36,592

Note: Flows, MTD includes provisional numbers. *Average

Today's top research idea

V-Mart Retail: Improved productivity and margin expansion led re-rating on the cards

- V-MART remains a key beneficiary of the unorganized-to-organized retail shift and the massive growth opportunity in value fashion. We expect V-Mart to deliver a robust ~18% revenue CAGR over FY25-28, driven by consistent ~13% annual store additions and mid-single-digit SSSG.
- The improving productivity of V-MART and Unlimited stores, the closure of non-performing stores, and lower losses in LimeRoad (LR) have led to an improvement in V-MART's overall profitability. However, it still lags value fashion peers on profitability, which provides room for margin expansion.
- With a significant reduction in LR losses, improving productivity of new Unlimited stores, cost efficiency measures, and operating leverage, we expect ~290bp expansion in preINDAS EBITDA margins to reach ~7.2% by FY28, driving ~39% CAGR over FY25-28.
- Despite strong growth and margin expansion potential, V-Mart trades at a modest ~19x FY27 pre-INDAS EV/EBITDA (vs. 40x for VMM).
- We reiterate our BUY rating on V-Mart with a revised TP of INR1,040, premised on 23x Dec'27E pre-INDAS 116 EV/EBITDA (implies ~12x Dec'27 EBITDA and ~39x Dec'27 EPS).
- Our scenario analysis indicates compelling risk reward (bull case: INR1,250; bear case: INR685). V-Mart is among our top picks in the retail sector for 2026.

Research covered

Cos/Sector	Key Highlights
V-Mart Retail	Improved productivity and margin expansion led re-rating on the cards
Shriram Finance	Strategic investor strengthens AUM growth and return outlook
KFIN Technologies	Strong annuity base with emerging international upside
VA Tech Wabag	Strong order book supports robust outlook
Automobiles	2025 ends on a strong note

Chart of the Day: V-Mart Retail (Improved productivity and margin expansion led re-rating on the cards)

Scenario analysis for V-Mart

	Bull			Base			Bear		
Scenario Analysis	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**	**FY26E**	**FY27E**	**FY28E**
Revenue (INR b)	39.0	46.9	56.2	38.3	45.2	52.8	37.4	43.0	49.5
YoY growth	20%	20%	20%	18%	18%	17%	15%	15%	15%
EBITDA (pre-INDAS)	2.35	3.27	4.24	2.27	3.02	3.82	2.07	2.58	3.24
Margins	6.0%	7.0%	7.5%	5.9%	6.7%	7.2%	5.5%	6.0%	6.5%
Dec'27 EV/EBITDA (x)		25			23			18	
EV (INR mn)		**1,00,018**			**83,321**			**55,200**	
less: net debt/ (cash)		798			798			798	
Equity value (INR mn)		**99,220**			**82,522**			**54,401**	
TP (INR/sh)		**1,250**			**1,040**			**685**	
CMP (INR/sh)		715			715			715	
Return		75%			45%			-4%	

Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

MORNING INDIA

In the news today

Kindly click on textbox for the detailed news link

1

Gen Z stands at the heart of India’s big manufacturing pivot

India's electronics and semiconductor manufacturing growth is poised to be driven by GenZ. This digital-native generation brings technical fluency and an appetite for innovation, transforming the sector from assembly to invention.

2

Cement volumes to rise 6–7% in FY27 as capacity expands

India's cement sector anticipates robust growth in the coming years. Cement volumes are set to expand by 6-7 percent in FY27.

3

IHCL exits Taj GVK after selling 25.52% stake

Indian Hotels Company has exited Taj GVK Hotels & Resorts. The company sold its entire 25.52% stake, comprising 1.6 crore shares, to Shalini Bhupal.

4

Fast fashion, delivery apps tap India's next billion consumers

India's next wave of growth is coming from smaller cities. Brands are adapting products and pricing to reach millions of aspirational yet price-conscious consumers.

5

50 percent of cars sold in South Africa are connected to India

India's automotive influence in South Africa is set to surge. By 2025, half of all cars sold will have Indian links, either through manufacturing or components.

6

'Watch business on course to clock $1bn revenue'

Even as jewellery continues to account for about 90% of Titan’s revenue, its other businesses- watches and CaratLane are now in the fast lane, within striking distance of the $1b revenue mark over the next few years

7

India's petrochemical consumption growth to remain at 6-7% annually, capacity expansion to cut imports

India's petrochemical sector anticipates strong growth of 6-7% annually. Major capacity expansions are underway to cut import reliance.

V-Mart Retail

BSE SENSEX	S&P CNX
84,675	25,939

Bloomberg	VMART IN
Equity Shares (m)	79
M.Cap.(INRb)/(USDb)	56.8 / 0.6
52-Week Range (INR)	1010 / 675
1, 6, 12 Rel. Per (%)	-8/-18/-36
12M Avg Val (INR M)	180
Free float (%)	55.8

Financials & Valuations (INR b)

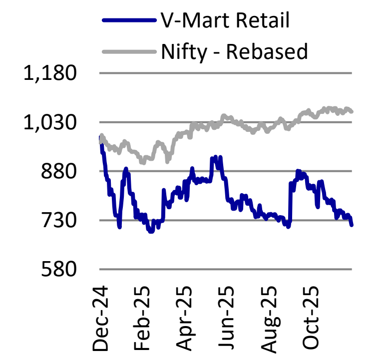
Y/E March	FY26E	FY27E	FY28E
Sales	38.3	45.2	52.8
EBITDA	5.0	6.3	7.7
Adj. PAT	1.2	1.7	2.3
EBITDA Margin (%)	13.1	13.9	14.5
Adj. EPS (INR)	15.7	21.9	28.7
EPS Gr. (%)	NM	NM	NM
BV/Sh. (INR)	117.8	139.7	168.3
Ratios			
Net D:E	0.9	0.7	0.6
RoE (%)	14.3	17.0	18.6
RoCE (%)	10.6	12.1	13.4
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	45.5	32.6	24.9
EV/EBITDA (x)	12.9	10.3	8.4
EV/Sales (X)	1.5	1.3	1.1

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	44.2	44.2	44.3
DII	32.1	31.5	32.8
FII	17.5	18.3	16.0
Others	6.3	6.0	6.9

FII includes depository receipts

Stock Performance (1-year)



CMP: INR715 TP:INR1,040 (+45%) Buy

Improved productivity and margin expansion led re-rating on the cards

With basic needs in rural India being fulfilled through government initiatives, such as free food schemes and cash handouts for women, disposable incomes have risen, driving growth in aspirational spends that benefits value fashion retailers. V-Mart remains a key beneficiary of the unorganized-to-organized shift and rising preference for one-stop shops in tier 2+ towns in India. We expect V-Mart to deliver a robust ~18% revenue CAGR over FY25-28, driven by consistent ~13% annual store additions and mid-single-digit SSSG. Further, with a significant reduction in LimeRoad (LR) losses, improving productivity of new Unlimited stores, cost efficiency measures, and operating leverage, we expect ~290bp expansion in pre-INDAS EBITDA margins to reach ~7.2% by FY28, driving ~39% CAGR over FY25-28. Despite strong growth and margin expansion potential, V-Mart trades at a modest ~19x FY27 pre-INDAS EV/EBITDA (vs. 40x for VMM). We reiterate our BUY rating on V-Mart with a revised TP of INR1,040, premised on 23x Dec'27E pre-INDAS 116 EV/EBITDA (implies ~12x Dec'27 EBITDA and ~39x Dec'27 EPS). Our scenario analysis indicates compelling risk reward (bull case: INR1,250; bear case: INR685). V-Mart is among our top picks in the retail sector for 2026.

Consistent ~12-13% annual store additions to drive growth

- Over FY19-25, V-Mart added stores/area at ~12% CAGR in the core V-Mart format, and also acquired Unlimited to expand its presence in South and West India.
- ~80% of V-Mart's recent store expansions have been in tier-3 markets, which indicates a focus on deepening its presence in core markets while strategically expanding into newer areas.
- After three years of store rationalizations and pricing adjustments, the new Unlimited stores are now performing in line with core V-Mart stores. Improved performance of Unlimited, especially in markets such as Tamil Nadu, has been a key factor behind management's decision to raise its store addition target to ~75 for FY26 (vs. 60-65 earlier).
- With the cleanup of legacy underperforming Unlimited stores largely complete, V-Mart is entering into the next phase of expansion with a clear, regionally differentiated strategy.
- Core V-Mart will continue to scale in its stronghold markets of North and East India, where brand recall and proven unit economics support steady store expansion. Meanwhile, Unlimited will focus on states such as Tamil Nadu, while selectively expanding in other Southern states.
- We expect ~50-55 annual store additions in core V-Mart and ~20-25 annual store additions in Unlimited, bringing V-Mart's total store count to ~720 by FY28 (~13% CAGR over FY25-28).

Improved Unlimited productivity and mid-single digit SSSG to drive 18% revenue CAGR

- V-Mart is emerging from a prolonged period of disruption and strategic reset. FY19-23 experienced margin contraction, led by a series of events, such as COVID-19, the integration of acquisitions (Unlimited and LR), and high cotton prices, which impacted both growth and profitability.
- Over the last three years, management has decisively addressed these issues through aggressive store rationalization, sharper merchandising, ASP resets (especially at Unlimited), faster design to shelf cycles, higher private label mix, refreshed store formats, and tighter cost controls.
- These strategic actions have led to improved footfalls and higher conversions, translating into strong volume growth and SSSG recovery.
- As a result, V-Mart's monthly SPSF posted ~10% CAGR over FY22-25, reaching ~INR667/sqft (though still significantly below peers, with V2 at INR957/sqft and VMM at INR771/sqft).
- Going ahead, we expect the mid-single-digit SSSG and the rising share of better-performing Unlimited stores to drive ~INR100/sqft improvement in V-Mart's overall monthly SPSF to INR762/sqft (~5% CAGR) over FY25-28.
- Overall, we build in ~18% revenue CAGR over FY25-28, driven by ~13% store additions and mid-single-digit SSSG.

Margin inflection firmly underway

- V-Mart's productivity was adversely impacted by the tepid growth recovery following COVID-19, as well as integration and profitability challenges in its acquisitions.
- Corrective measures, such as the closure of unviable legacy Unlimited stores and rationalization of growth ambitions in LR, coupled with improved productivity, have led to a rebound in pre-INDAS EBITDA margins to ~4.4% in FY25, though still significantly below ~7-8% profitability for value fashion peers.
- Improved productivity in newer Unlimited stores and their rising share in the mix, coupled with mid-single-digit SSSG-driven operating leverage in core V-Mart stores and continued reduction in LR losses, are expected to lift pre-INDAS EBITDA margin by ~285bp over FY25-28, reaching ~7.2% by FY28.

Valuation and view

- V-MART remains a key beneficiary of the unorganized-to-organized retail shift and the massive growth opportunity in value fashion.
- The improving productivity of V-MART and Unlimited stores, the closure of non-performing stores, and lower losses in LR have led to an improvement in V-MART's overall profitability. However, it still lags value fashion peers on profitability, which provides room for margin expansion.
- We lower our FY26-28 EBITDA estimates by a marginal 1-2%, while the earnings cut is higher primarily due to higher depreciation (linked to accelerated store additions).
- We model a CAGR of 18%/27% in revenue/reported EBITDA over FY25-28E, driven by ~13% CAGR in store additions, mid-single-digit SSSG, and further reduction in LR losses.

- Despite strong growth and margin expansion potential, V-Mart trades at modest ~19x FY27 pre-INDAS EV/EBITDA (vs. 40x for VMM)
- We reiterate our **BUY rating on V-Mart with revised TP of INR1,040**, premised on 23x Dec'27E pre-INDAS 116 EV/EBITDA (implies ~12x Dec'27 EBITDA and ~39x Dec'27 EPS).
- Our scenario analysis indicates compelling risk reward (**bull case: INR1,250; bear case: INR685**). V-Mart is among our top picks in the retail sector for 2026.

We ascribe a TP of INR1,040 based on ~23x pre-IND-AS Dec'27 EV/EBITDA (implying ~12x Dec'27 EV/reported EBITDA)

Dec'27	Methodology	Driver (INR m)	Multiple	Fair Value (INR m)	Value/sh (INR)
Pre-INDAS 116 EBITDA	Dec'27 EV/EBITDA	3,623	23	83,321	1,050
Less net debt				798	10
Total Value				**82,522**	**1,040**
Shares o/s (m)				79.4	
CMP (INR)					715
Upside (%)					**45**

Source: MOFSL, Company

Valuation comparison for value fashion retailers

	Mcap	P/E (X)			Pre IND-AS EV/EBITDA(X)			EV/Sales(X)			CAGR (%)
	(INR b)	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	Pre-INDAS EBITDA
VMART	57	45.5	32.6	24.9	25.5	19.0	16.9	1.5	1.3	1.1	39
V2 Retail	87	68.7	38.1	24.2	35.2	21.5	14.8	3.2	2.1	1.6	59
Vishal Mega Mart	6428	74.5	58.0	45.5	51.0	39.8	31.4	4.9	4.1	3.4	26
Baazar Style	20	56.3	37.2	22.9	16.8	12.6	10.0	1.6	1.3	1.1	33
Value fashion retailers		**61.3**	**41.5**	**29.4**	**32.1**	**23.2**	**18.3**	**2.8**	**2.2**	**1.8**	**39**

Note: Bloomberg estimates for uncovered companies

Source: MOFSL, Company

Summary of our estimate changes

Particulars	FY26E	FY27E	FY28E
Revenue (INR m)			
Old	38,305	45,341	53,240
Actual/New	38,292	45,154	52,828
Change (%)	0.0	-0.4	-0.8
EBITDA (INR m)			
Old	5,083	6,378	7,832
Actual/New	5,030	6,286	7,675
Change (%)	-1.0	-1.4	-2.0
EBITDA margin (%)			
Old	13.3	14.1	14.7
Actual/New	13.1	13.9	14.5
Change (bp)	-13	-14	-18
Net Profit (INR m)			
Old	1,197	1,895	2,722
Actual/New	1,246	1,738	2,274
Change (%)	4.1	-8.3	-16.5
EPS (INR)			
Old	15.1	23.9	34.3
Actual/New	15.7	21.9	28.7
Change (%)	4.1	-8.3	-16.5

Source: MOFSL, Company

Shriram Finance

BSE SENSEX	S&P CNX
84,675	25,939

CMP: INR979 TP: INR1,180 (+20%) Buy

Strategic investor strengthens AUM growth and return outlook

Growth strategy anchored in customer retention and multi-product execution

- Shriram Finance (SHFL) hosted an investor call on 30th Dec'25 to provide further clarity and address investor queries regarding the proposed preferential allotment of a ~20% equity stake to MUFG Bank for an aggregate consideration of USD4.4b. Management emphasized that MUFG is being onboarded as a long-term strategic partner, bringing not only significant capital support but also meaningful value addition through funding diversification, treasury and capital market expertise, and digital capabilities.
- The company highlighted that the proposed capital infusion will materially strengthen SHFL's balance sheet and is expected to accelerate AUM growth from the current ~16-17% to ~18-20% over the medium term. Management reiterated confidence in sustaining this higher growth trajectory without any change to the core business model, with growth largely driven by customer retention and upward migration of existing customers rather than aggressive expansion into new products or geographies.
- A key positive from the transaction is the anticipated structural reduction in CoF. Management guided for a ~100bp decline in CoB over the next 2-3 years, driven by liability repricing, moderation in retail deposit rates, repricing of capital market borrowings, and credit rating upgrades.
- As highlighted in our earlier note after the MUFG deal announcement, we had expected the deal to potentially catalyze a credit rating upgrade for SHFL. In line with this expectation, CARE Ratings upgraded SHFL's long-term rating from AA+ to AAA with a stable outlook on 29th Dec'25, barely a week after the deal announcement. We believe this upgrade is likely to be followed by similar actions from other CRAs in the coming quarters, which should ease CoF.
- After the capital raise, leverage is expected to decline sharply from ~4.3x to ~2.6x, providing substantial balance sheet headroom. Leverage is expected to gradually normalize as capital is deployed, with steady-state leverage guided at 4-5x (optimal ~4.5x) over the next 5-6 years. Profitability is expected to remain healthy, with RoA guided at ~3.6% by FY31 and RoE expected to revert to pre-capital raise levels of ~16-17% as leverage normalizes.
- While we had earlier upgraded our EPS estimates after the capital raise to reflect lower leverage and marginally higher growth assumptions, we have further fine-tuned our forecasts to align more closely with management's guidance. Accordingly, we raise our FY26/FY27 EPS estimates by 3% each to reflect slightly higher growth, lower credit costs and lower CoF.
- **We expect SHFL to deliver a PAT CAGR of ~26% over FY25-28E and RoA/RoE of 3.9%/13.6% by FY28. Reiterate our BUY rating on the stock with a revised TP of INR1,180, based on 2.2x Mar'28E P/BV.**

Stock Info

Bloomberg	SHFL IN
Equity Shares (m)	1881
M.Cap.(INRb)/(USDb)	1842.6 / 20.5
52-Week Range (INR)	985 / 493
1, 6, 12 Rel. Per (%)	16/37/58
12M Avg Val (INR M)	4838
Free float (%)	74.6

Financials Snapshot (INR b)

Y/E March	FY26E	FY27E	FY28E
Total Income	268	334	406
PPOP	187	240	299
PAT	97.5	130.6	164.9
EPS (INR)	51.9	55.5	70.1
EPS Gr. (%)	18	7	26
Standalone BV*	343	487	546
Valuations			
NIM on assets (%)	8.2	8.9	9.1
C/I ratio (%)	30.5	28.0	26.3
RoAA (%)	3.2	3.7	3.9
RoE (%)	16.1	14.6	13.6
Div. Payout (%)	22.2	22.9	20.3
Valuations			
P/E (x)	18.9	17.6	14.0
P/BV (x)	2.9	2.0	1.8
Div. Yield (%)	1.2	1.3	1.5

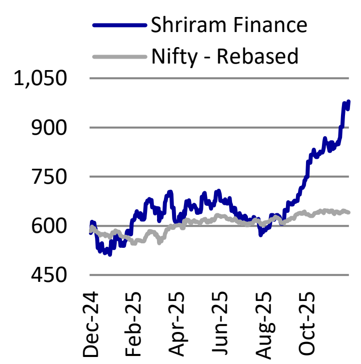
*(INR)

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	25.4	25.4	25.4
DII	18.7	16.3	16.2
FII	49.6	52.6	53.3
Others	6.3	5.7	5.1

FII Includes depository receipts

Stock Performance (1-year)



Multi-product strategy and branch productivity

- SHFL is now capable of deploying a multi-product strategy across almost its entire branch network. Nearly all branches can offer multiple lending products, which improves customer cross-selling, enhances retention and drives better branch-level economics.
- Management believes this structural shift will continue to support higher growth and operating leverage over the coming years, without requiring aggressive geographic expansion or major changes to the core business model.

Growth with discipline: Focus on core segments and retention

- SHFL will continue to anchor its strategy around small-ticket lending while progressively enabling customers to migrate to new vehicles and moderately higher ticket sizes as their income profiles and business scale improve. New vehicle loans will be targeted largely at existing customers, with this segment expected to account for ~5% of AUM.
- Management shared that customer retention remains a key growth driver, with SHFL highlighting that ~30% of customers typically exit as their credit needs rise beyond current ticket sizes. Improving retention and facilitating customer upgrades alone provide sufficient runway to sustain ~20% AUM growth over the medium term.
- The company does not intend to enter large-ticket lending or LAP in the near term. In MSME lending, SHFL will continue to focus on cash-flow-based underwriting, with a preference for secured products over the next few years as the segment matures further.
- In new vehicle financing, SHFL currently holds ~3% market share and aims to double this over the next three years. Growth is expected to be driven primarily by upgrades from the existing customer base rather than aggressive new customer acquisition, with a focus on higher-ticket, lower-risk sub-segments. In two-wheelers, SHFL remains the market leader and plans to retain this position while selectively expanding into premium bikes where risk-adjusted returns are attractive.

Geographic focus and portfolio mix

- SHFL shared it does not plan aggressive expansion into metro markets and will continue to leverage its strong franchise in rural and semi-urban regions. While southern states remain faster growing, management sees meaningful headroom in northern, central and eastern regions, where penetration is relatively low.
- The portfolio mix is expected to remain broadly stable over time. Vehicle-related lending and non-vehicle segments are likely to gradually shift from the current ~80:20 mix to ~78:22 driven by strong growth expected in gold finance. Gold finance may see a modest ~2% increase in portfolio share, with no material change envisaged in the overall asset mix.

Multiple tailwinds resulting in structural decline in CoF

- Management has guided for a meaningful decline in CoF following the capital raise. The cost of borrowing is expected to decline by ~100bp over the next 2-3 years, driven by repricing of liabilities, reduction in retail deposit rates, repricing of capital market borrowings, and credit rating upgrades.
- Additionally, CARE Ratings upgraded SHFL's long-term rating from AA+ to AAA with a stable outlook on 29th Dec'25, barely a week after the deal

announcement. We believe this upgrade is likely to be followed by similar actions from other CRAs over the coming quarters, which should translate into sustained benefits to the company's CoF.

- The benefit will accrue gradually as incremental liabilities reprice. Management indicated that part of the funding benefit may be selectively passed on to customers to support retention, particularly in new vehicle financing, without impacting overall NIMs. Despite an increase in new vehicle disbursements, the company does not expect NIM compression, as new vehicle customers will form only around 5% of the total customer base and funding costs are expected to decline in tandem.

Leverage, profitability and return metrics

- Immediately after the capital infusion, leverage is expected to decline from around 4.3x to 2.6x. As the company deploys capital and as growth accelerates, leverage is expected to gradually increase over time.
- Management views steady-state leverage in the range of 4-5x as optimal, with 4.5x being the sweet spot, and expects it to take ~5-6 years to reach this level. On profitability, RoA is guided to be around 3.6% by FY31, with the possibility of a temporary uptick to around 3.8% in the interim before normalizing as the balance sheet expands.
- RoE is expected to recover to pre-capital raise levels of around 16-17% over the next five years. Credit costs are also expected to trend lower, with management indicating a potential improvement of 10-20bp over the medium term.

Valuation and view

- The entry of MUFG as a strategic partner represents a transformative milestone for SHFL, materially strengthening its capital base and enhancing its credit credibility. This strategic partnership not only de-risks the company's growth trajectory but also expands its ability to serve a broader customer base across the CV, MSME, and retail segments, while reinforcing long-term franchise positioning.
- SHFL has navigated recent asset-quality pressures better than most vehicle financiers, delivering stronger performance than peers. NIMs are expanding as excess liquidity normalizes, and growth is set to accelerate, supported by GST rate cuts, a favorable monsoon, and easing inflation.
- Despite strong stock performance (~33% in the past two months and ~67% since Jan'25, when we identified SHFL as a top CY25 idea), we see a further upside as the company enters a phase of stronger execution and profitability. Valuations have re-rated from ~1.5x to ~2.9x FY26E P/BV, with room for additional expansion if growth and asset quality trends hold. At ~2x FY27E P/BV (post money), valuations remain attractive for ~26% PAT CAGR and RoA/RoE of ~3.9%/13.6% by FY28E. We reiterate BUY with a revised TP of INR1,180 (2.2x Mar'28E BVPS).

KFin Technologies

BSE SENSEX	S&P CNX
84,675	25,939

Bloomberg	KFINTECH IN
Equity Shares (m)	172
M.Cap.(INRb)/(USDb)	189.7 / 2.1
52-Week Range (INR)	1641 / 784
1, 6, 12 Rel. Per (%)	3/-19/-41
12M Avg Val (INR M)	1760

Financials Snapshot (INR b)

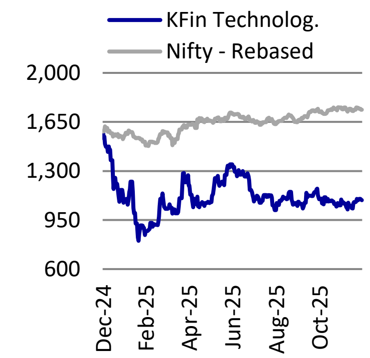
Y/E March	2026E	2027E	2028E
Revenue	12.4	14.4	16.9
EBITDA	5.4	6.3	7.5
PAT	3.7	4.5	5.4
EPS	21.8	26.4	31.6
EPS Grw. (%)	12.0	21.0	19.8
BVPS	84.2	96.6	116.2
RoE (%)	27.4	29.2	29.7
Div. Payout (%)	60.0	60.0	60.0
Valuations			
P/E (x)	49.9	41.2	34.4
P/BV (x)	12.9	11.3	9.4
Div. Yield (%)	1.2	1.5	1.7

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	22.9	22.9	33.0
DII	24.8	23.7	20.6
FII	25.5	27.8	24.6
Others	26.8	25.6	21.7

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,092 TP: INR1,200 (+10%) Neutral

Strong annuity base with emerging international upside

- KFintech remains a **dominant**, cash-generative market infrastructure platform with leadership across domestic MF investor solutions and issuer services, underpinned by deep AMC relationships (~54% of AMCs; ~32% industry AAUM), strong annuity visibility and consistently high mandate win rates.
- **MF revenue** continues to grow steadily (up 10% YoY with ~70% revenue share), supported by marginally higher-than-industry AAUM growth, resilient SIP flows and increasing contribution from value-added services (5.2% in 2QFY26 vs. 4.8% in 1QFY26). Structural yield compression (~3.5-4% annually) has been largely de-risked, leaving only two renewals over the next two years. However, the recent changes in TER regulations pose risk to future yields.
- **Issuer Services** business is structurally scaling up to a high-mix, annuity-led growth engine, contributing ~16% of revenue. Growth is driven by a strong IPO pipeline, a rising share in large mainboard listings (43.8% share by issue size in 2QFY26 vs. 34.4% in 2QFY25), deeper NSE-500 penetration (49.6% share) and an expanding post-listing annuity base, reducing cyclicality and supporting a stable mix.
- **International business (14% of revenue mix):** The scale-up is driven by higher realizations, larger mandates and platform cross-selling. Ascent Fund Services acquisition has expanded KFintech's addressable market into private-markets fund administration and supports faster growth with medium-term margin expansion.
- We expect a CAGR of ~16%/16%/18% in revenue/EBITDA/PAT over FY25-28E. The stock trades at a premium to traditional capital-market intermediaries, reflecting revenue visibility and high RoCE. **We reiterate Neutral rating with a one-year TP of INR1,200, based on 40x Sep'27E EPS.**

Industry trends in India

- **Duopolistic structure with strong moats:** CAMS (~68% AUM) and KFin (~32% AUM) dominate the MF RTA market, with deep moats from analytics, MIS, and digital-physical integration, creating high switching barriers and pricing power.
- **Robust industry growth:** India's MF AUM grew at a ~20% CAGR to INR67.4t (FY14-25), with equity MF AUM recording ~55% CAGR. Medium-term AUM CAGR is expected at ~14-15%, driven by rising incomes, investor awareness, and tech-enabled investing.
- **High stickiness and defensibility:** RTAs operate under strict SEBI norms, ensuring compliance and data security. High switching costs make them stable, annuity-like partners for AMCs, supporting strong margins and RoE.

- **Revenue diversification:** KFin generated ~30% of 2QFY26 revenue from non-MF segments, including international fund administration, issuer solutions, and AIFs, reducing concentration and providing higher realization growth opportunities.
- **Strategic positioning:** Leveraging domestic MF dominance, international expansion, and private-market administration (Ascent acquisition), KFin is positioned for scalable, high-quality growth with strong margins and premium valuation.

Market dominance in MF RTA continues

- KFin continues to **dominate** India's MF investor solutions space, supported by leadership in AMCs serviced (29 of 54 AMCs), rising SIP flow market share (38%) and a consistently high win rate in new mandates (21 of 34 new AMCs historically; 4 of 4 recent launches).
- In 2QFY26, KFintech serviced **MF AAUM** of ~INR25t (+16.8% YoY), marginally outperforming industry growth of 16.5%. Equity AAUM rose 14.1% YoY to INR14.6t, accounting for ~58.5% of total MF AAUM, with overall and equity market shares steady at ~32.5% and ~33%, respectively.
- **SIP** flows remained resilient despite market volatility, rising to INR330.9b in 2QFY26 (19% YoY/6.2% QoQ), with market share remaining stable at 38% as of Sep'25. Transaction volumes grew 15.6% YoY to 144.7m. However, live SIP folios declined 13.8% YoY to 36.7m, underperforming the industry decline of ~1.5% YoY, reflecting heightened churn in smaller-ticket accounts.
- **MF revenue** increased 10% YoY to INR2.2b, driven by strong net inflows and stable market share, contributing ~70% of overall revenue. Management indicated that MF's revenue share is likely to moderate over time, as international operations (including Ascent) scale faster (~30% growth vs. ~15-20% growth in the domestic MF segment).
- **Value-added services (VAS)** continue to gain traction, contributing ~5.2% of MF revenue in 2QFY26 (vs. ~4.8% in 1QFY26). The quarter saw a key data-lake contract win from an existing AMC, incremental SIF mandates from three AMCs, and a new RTA mandate from Lakshya Asset Management, with revenue contribution expected to build meaningfully over a 3-4-year horizon.
- **Yields** moderated to ~3.5bp (vs. 3.7bp in 2QFY25), though sequential stability has emerged. Management reiterated expectations of structural yield compression of ~3.5-4.0% annually under the telescopic pricing model, with pricing risks largely mitigated as most contract renegotiations are complete and only two large renewals remain over the next two years.
- On the **technology** front, KFin is re-engineering **FinEx**—its 40-year-old core MF technology stack supporting ~50% of retail investors and ~INR30t+ AUM—with 2 of 16 modules now live. This is expected to enhance operating efficiency, shorten client onboarding timelines and lower long-term technology costs. New platforms such as **IGNITE** (distributor engagement) and **IRIS** (multi-product advisory across MF, pensions, loans and cards) further strengthen digital depth and client stickiness.
- **Overall**, the MF business remains a high-quality annuity franchise with strong client retention, predictable AUM- and transaction-linked revenue and technology-led scalability, continuing to serve as a core cash-generative pillar even as growth increasingly shifts toward international and adjacent platforms.
- **We expect this segment to post a 13% revenue CAGR over FY25-28E.**

30 December 2025

Company Update | Sector: Water Infrastructure

VA Tech Wabag

CMP: INR1,271 | TP: INR1,900 (+49%) | Buy

BSE Sensex	S&P CNX
84,675	25,939

Bloomberg	VATW IN
Equity Shares (m)	62
M.Cap.(INRb)/(USDb)	79.2 / 0.9
52-Week Range (INR)	1690 / 1109
1, 6, 12 Rel. Per (%)	-5/-16/-33
12M Avg Val (INR M)	549

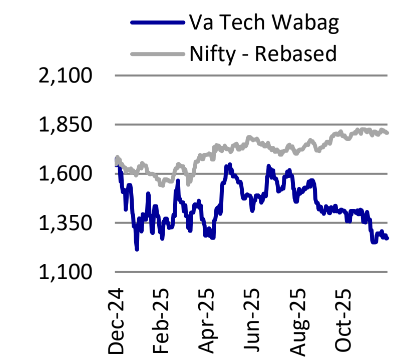
Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	38.6	44.9	52.4
EBITDA	5.1	6.4	7.6
Adj. PAT	3.9	4.5	5.4
Adj. EPS (INR)	62.8	73.1	87.9
EPS Gr. (%)	31.9	16.3	20.2
BV/Sh. (INR)	402.0	467.0	544.9
Ratios			
RoE (%)	15.6	15.6	16.1
RoCE (%)	22.0	22.5	23.4
Payout (%)	9.6	10.9	11.4
Valuations			
P/E (x)	20.2	17.4	14.5
P/BV (x)	3.2	2.7	2.3
EV/EBITDA (x)	13.9	10.8	8.6
Div. Yield (%)	0.5	0.6	0.8

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	19.1	19.1	19.1
DII	4.5	3.7	3.6
FII	18.4	18.7	14.7
Others	58.0	58.5	62.6

Stock Performance (1-year)



Strong order book supports robust outlook

We remain constructive on VA Tech Wabag's (VATW) prospects on the back of regular order inflows and a robust book-to-bill ratio of ~4.6x. In Dec'25, VATW secured a large repeat order worth up to ~INR7b from Saudi Water Authority for a technologically advanced 50 MLD BWRO Plant at Aljouf, Saudi Arabia, and was also declared the preferred bidder by the Saudi Water Partnership Company (SWPC) for the Hadda Independent Sewage Treatment Plant (ISTP) Project. Earlier in Nov'25, it secured a large repeat order from Melamchi Water Supply Development Board, Nepal, for design, build and operate (DBO) of Sundarijal Water Treatment Plant with a capacity of 255 MLD in Kathmandu Valley, funded by the Asian Development Bank (ADB). The ultra-pure water segment is an emerging segment and is expected to be an INR35b opportunity for VATW.

Regular order inflows, focus on profitable growth aid robust outlook

- VATW's current order book of over INR160b (~4.6x TTM revenue), preferred bidder status in orders worth INR30b, and a strong bid pipeline of INR150-200b (~30% win rate) provide strong 15-20% revenue growth visibility for the next 3-4 years.
- While the current order book is more inclined toward EPC projects having high volumes and relatively lower margins, the company focuses on profitable growth by bidding selectively on high-margin EPC and O&M jobs in India, the Middle East, Africa, and CIS countries.
- VATW's strength will continue to lie in leveraging technology and tie-ups with local entities.
- VATW is tracking well on its guided adj. EBITDA margin range of 13-15% (1HFY26 at ~13%) and net-cash status (INR5.6b at 1H-end, INR6.7b excluding HAM Projects).
- Key margin levers include its healthy order book, execution of large projects (INR25.6b 400 MLD Chennai desalination plant, INR21b 300 MLD Yanbu desalination plant, INR14.2b Al Haer KSA ISTP plant), and greater focus on winning orders in the EP, O&M, industrial, and overseas segments and markets.
- Bad debt provisioning expenses have declined materially in the last 6-8 years owing to selective bidding in well-funded projects by sovereign funds or multilateral agencies.

Valuation and view: Reiterate BUY

- After delivering a CAGR of 4%/18%/28% in revenue/EBITDA/PAT over FY21-25, we estimate a CAGR of 17%/22%/23% over FY25-28 for VATW.
- Its greater focus on executing large-scale projects in high-margin segments such as EP, Industrial, and O&M augurs well for margins.
- The outlook for strong FCF generation, a net cash status, and expansion in return ratios makes VATW's scrip attractive at ~17x/~14x FY27E/28E P/E. We, thus, reiterate BUY rating and a TP of INR1,900, based on 26x FY27E P/E (~+1SD on an improved outlook) (our IC note dated Jul'25).

Automobiles

2025 ends on a strong note

Auto demand continued to be upbeat across all segments even in Dec'25. As per retail trends in Vahan, all segments are likely to post double-digit growth in the month. In the PV segment, we expect the four listed players to post 19% YoY growth in dispatches. Except HMIL, we expect the other three PV OEMs to post 20% and above growth in the month. In 2Ws, aggregate retail growth for the top four players is expected to be around 10%, while dispatches are expected to grow 20% as OEMs look to normalize inventory after a strong festive season. Within 2Ws, retail growth continues to be driven by RE and TVSL. Demand momentum, even in CVs, has been strong, and we expect the top three CV OEMs to post 19% aggregate growth in Dec. Even tractor demand has remained healthy, with the top two OEMs likely to post about 20% YoY growth in tractors. We expect auto demand to remain healthy in the coming quarters as well, led by GST rate cuts and favorable rural sentiment. Our top OEM picks are MSIL, MM and TVSL.

- **PVs:** After a strong festive and wedding season in Nov, PV demand continued to be healthy even in Dec. Players like MSIL and TTMT continued to push demand with healthy discounts to sustain the growth momentum. MSIL is expected to sustain its growth momentum on the back of its new launch, Victoris, revival in small car demand, and strong momentum in exports, led by e-Vitara ramp-up. Driven by a healthy revival in the compact SUV segment, we expect TTMT to post double-digit growth in Dec. Further, MM is also likely to maintain its healthy growth momentum in Dec. We expect even HMIL to post double-digit growth, largely driven by healthy momentum in exports. Overall, for Dec, we expect the PV segment to post 19% YoY growth in dispatches, largely in line with retail growth.
- **2Ws:** Like PVs, 2W demand seems to have remained intact in Dec. The key demand driver is positive rural sentiment, along with the GST rate cut benefit. Within OEMs, we expect RE and TVSL to continue to outperform peers even in Dec. On the other hand, retail sales for HMCL and BJAUT seem to be relatively weaker. However, this is likely to be a temporary phenomenon given the solid sales growth concluded in the last couple of months and the momentum is likely to revive in coming months given the upcoming wedding season in 4Q and positive consumer sentiment. Further, one has to note that dispatches for all players are likely to remain healthy given the relatively lean stock with dealers. Hence, overall, we expect 2W dispatches to grow 20% YoY for Dec.
- **CVs:** Demand trends seem positive for all segments within CVs. We are seeing a good demand in the LCV segment, which is possibly a function of a pick-up in consumption trends in the country. Even MHCV demand has held up well in Dec, which is visible in Vahan retails. The current demand momentum is likely to sustain in the coming months given the positive sentiment and favorable lead indicators. Overall, we expect the CV segment to post 19% YoY growth in dispatches in Dec.
- **Tractors:** This segment has been seeing strong momentum since the beginning of FY26. A normal monsoon, healthy crop patterns, and improved MSPs, among

others, have boosted rural sentiment. Further, the government has lowered the GST rate to 5% for this segment, not only on tractors but also on components. Given these favorable drivers, we expect the demand momentum to remain strong in this segment going forward. Overall, we expect the tractor segment to post a healthy 20% YoY volume growth in Dec.

- **Valuation and view:** Following the GST rationalization, demand has picked up across segments and seems to have remained intact even after the festive season. A notable trend is that entry-level vehicles, both 2Ws and PVs, are seeing a marked pickup in demand. With a recovery in demand, we expect discounts to gradually reduce after the festive season. MSIL is our top pick among auto OEMs, as its new launches and the current export momentum are likely to drive healthy earnings growth. We also like MM, given the uptrend in tractors and healthy growth in UVs. In 2Ws, we are positive on TVSL. Our top auto ancillary picks are Endurance, SAMIL, and Happy Forgings.

Auto OEM sales estimates for Dec'25

Company Sales	Dec-25	Dec-24	YoY (%) chg	Nov-25	MoM (%) chg	YTDFY26	YoY (%) chg	FY26E	Gr. (%)
Maruti Suzuki	**2,13,615**	**1,78,248**	**19.8**	**2,29,021**	**-6.7**	**17,42,265**	**6.9**	**23,47,233**	**5.1**
Domestic	1,71,706	1,40,829	21.9	1,82,964	-6.2	14,15,536	2.4	19,31,634	1.6
Export	41,909	37,419	12.0	46,057	-9.0	3,26,729	32.0	4,15,599	25.0
Hyundai Motor	**60,864**	**55,078**	**10.5**	**66,840**	**-8.9**	**5,68,918**	**-0.3**	**7,80,852**	**2.5**
Domestic	45,163	42,208	7.0	50,340	-10.3	4,21,075	-5.4	5,83,890	-2.5
Exports	15,701	12,870	22.0	16,500	-4.8	1,47,843	18.0	1,96,962	20.6
Mahindra & Mahindra	**1,09,153**	**92,711**	**17.7**	**1,37,863**	**-20.8**	**12,05,957**	**18.2**	**15,73,157**	**15.2**
UV (incl. pick-ups)	49,709	41,424	20.0	56,336	-11.8	4,75,239	18.1	6,36,781	15.5
Tractors	27,532	22,943	20.0	44,048	-37.5	4,02,265	19.5	4,87,913	14.9
Escorts Kubota	**6,521**	**5,472**	**19.2**	**10,580**	**-38.4**	**1,00,357**	**12.9**	**1,27,572**	**10.4**
Tata Motors CV	**39,900**	**33,875**	**17.8**	**35,539**	**12.3**	**2,93,256**	**8.1**	**3,87,031**	**5.9**
Tata Motors PV	**53,906**	**44,289**	**21.7**	**59,199**	**-8.9**	**4,43,606**	**8.4**	**5,84,102**	**5.0**
Hero MotoCorp	**3,97,000**	**3,24,906**	**22.2**	**6,04,490**	**-34.3**	**46,95,070**	**3.9**	**62,85,004**	**6.5**
Bajaj Auto	**3,67,280**	**3,23,125**	**13.7**	**4,53,273**	**-19.0**	**37,44,080**	**5.5**	**49,64,587**	**6.7**
Domestic	1,82,071	1,62,420	12.1	2,47,516	-26.4	21,19,336	-2.5	27,75,495	-0.4
Exports	1,85,209	1,60,705	15.2	2,05,757	-10.0	16,24,744	18.3	21,89,092	17.5
TVS Motor	**4,01,333**	**3,21,687**	**24.8**	**5,19,508**	**-22.7**	**42,48,520**	**20.4**	**57,42,547**	**21.1**
Domestic	2,65,622	2,17,294	22.2	3,71,193	-28.4	30,96,122	15.9	41,92,489	18.2
Exports	1,35,711	1,04,393	30.0	1,48,315	-8.5	11,52,398	34.6	15,50,058	29.7
Eicher Motors									
Royal Enfield	**98,000**	**79,466**	**23.3**	**1,00,670**	**-2.7**	**9,15,524**	**26.1**	**12,02,854**	**19.1**
VECV	**10,000**	**8,324**	**20.1**	**7,652**	**30.7**	**69,215**	**12.6**	**97,996**	**8.7**
Ashok Leyland	**20,400**	**16,957**	**20.3**	**18,272**	**11.6**	**1,49,846**	**10.2**	**2,09,540**	**7.4**
M&HCV	13,400	11,474	16.8	11,681	14.7	94,735	10.0	1,34,820	7.0
LCV	7,000	5,483	27.7	6,591	6.2	55,111	10.7	74,720	8.2

Cholamandalam : Not Unduly Concerned About Plausible Increase In Competition; Arul Selvan, CFO

- Home loan segment saw moderation in Q1 & Q2
- Expect FY27 To see 20%+ AUM Growth
- Will be watchful for shriram strategy

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- Company is a strong contender for low level lightweight radars
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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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