Market snapshot

Equities - India	Close	Chg .%	CY24.%
Sensex	75,901	0.7	8.2
Nifty-50	22,957	0.6	8.8
Nifty-M 100	51,529	-0.5	23.9
Equities-Global	**Close**	**Chg .%**	**CY24.%**
S&P 500	6,068	0.9	23.3
Nasdaq	19,734	2.0	28.6
FTSE 100	8,534	0.4	5.7
DAX	21,431	0.7	18.8
Hang Seng	7,382	0.0	26.4
Nikkei 225	39,017	-1.4	19.2
Commodities	**Close**	**Chg .%**	**CY24.%**
Brent (US$/Bbl)	78	-0.1	-4.5
Gold ($/OZ)	2,764	0.8	27.2
Cu (US$/MT)	8,861	-1.2	2.2
Almn (US$/MT)	2,565	-1.1	7.7
Currency	**Close**	**Chg .%**	**CY24.%**
USD/INR	86.5	0.2	2.9
USD/EUR	1.0	-0.6	-6.2
USD/JPY	155.5	0.7	11.5
YIELD (%)	**Close**	**1MChg**	**CY24 chg**
10 Yrs G-Sec	6.7	0.01	-0.4
10 Yrs AAA Corp	7.2	0.00	-0.5
Flows (USD b)	**28-Jan**	**MTD**	**CYTD**
FIIs	-0.6	0.75	-0.8
DIIs	0.79	4.80	62.9
Volumes (INRb)	**28-Jan**	**MTD***	**YTD***
Cash	1,219	1014	1014
F&O	1,38,641	1,87,448	1,87,448

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology: DeepSeek AI and Indian IT: Our view on the impact

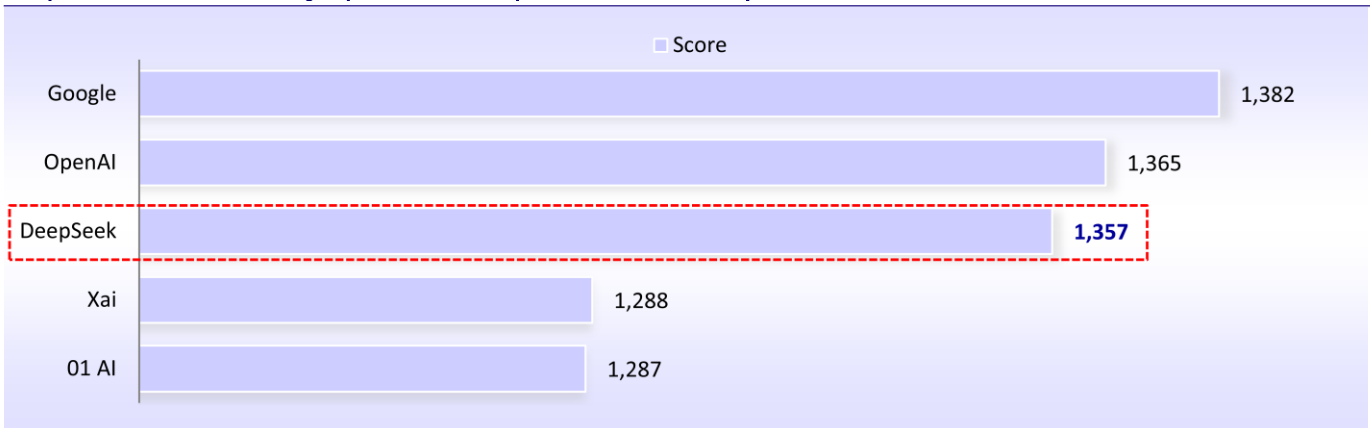
- DeepSeek, a Chinese AI startup, has developed the R1 model, which rivals leading AI reasoning models such as OpenAI's O1. Using a Mixture-of-Experts (MoE) architecture, R1 activates only 37 billion of its 671 billion parameters during processing, significantly reducing computational costs and energy consumption while maintaining top-tier performance.
- Remarkably, DeepSeek achieved this with a development cost of around USD6m (although this is being debated), defying industry norms, which take about 10x the price to achieve similar results. Further, by making R1 fully open-source, DeepSeek has not only increased access to cutting-edge AI but also intensified global competition, pushing U.S. companies to rethink their strategies and investments. While most stock prices for most chip makers have reacted negatively as this implies much lower compute than earlier anticipated, we believe this could shift focus from capex to cost efficient AI platforms, possibly benefitting Indian IT.

Research covered

Cos/Sector	Key Highlights
Technology	DeepSeek AI and Indian IT: Our view on the impact
Bajaj Auto	In-line result; favorable FX supports margins
Hindustan Zinc	Revenue in line, beat on EBITDA; focuses on CoP
Other Updates	I O C L | Tata Steel | Hyundai Motor | Cipla | TVS Motor Co. | JSW Energy | Bosch | Union Bank | Colgate-Palmoliv | SBI Cards | JSW Infra. | Petronet LNG | Federal Bank | Kaynes Tech | M & M Fin. Serv. | Exide Inds. | Indraprastha Gas | Emami | Aditya AMC | UTI AMC | L T Foods | Prudent Corp. | Mahindra Logis. | Updater Services | Healthcare | Piramal Pharma | Star Health Insu | R R Kabel | Mahanagar Gas | Home First Finan | Syrma SGS Tech.

Chart of the Day: Technology (DeepSeek AI and Indian IT: Our view on the impact)

DeepSeek ranks third among top AI model competitors in community evaluations



Source: Chatbot Arena, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

A budgetary approach to unlock India's solar & renewable energy potential

Union Budget: India's renewable energy sector is undergoing a remarkable transformation, driven by its ambitious goal of achieving 500 GW of renewable energy capacity. Solar power has been the primary catalyst, with record-breaking growth in 2024.

2

Cipla sees no major impact on biz from Donald Trump admin's decision to pause foreign aid: Umang Vohra

Cipla, a drugmaker involved in supplying HIV medications through US-supported programmes, anticipates minimal impact from the Trump administration's decision to pause foreign aid, including PEPFAR.

3

Hospitality sector sees $340 million worth of transaction activity in 2024

The hospitality sector witnessed $340 million in transaction activity in 2024, continuing its growth trajectory from $337 million in 2023. High-value deals were seen in major cities like Mumbai and Bengaluru, with significant contributions from tier-II and tier-III cities. Diverse investor participation was noted

4

L&T bags significant order to build Uzbekistan's first AI-enabled data centre

Larsen and Toubro (L&T) on Tuesday announced that it has received a significant order to build Uzbekistan's first AI-enabled and sustainable 10-Megawatt data centre in Tashkent.

5

Zomato ropes in former executive Shalin Bhatt to head dining out vertical

Bhatt replaces Sankalp Kathuria, who quit Zomato last month. Bhatt is the third head of dining at Zomato in the last two years. Zomato is currently migrating its dining-out users to its newly launched District app.

6

US Fed to unveil first interest rate decision for 2025 on Jan 29: Will Donald Trump's remarks impact FOMC policy?

US Federal Reserve has a dual mandate to act independently and keep inflation and employment in check, primarily by raising and lowering short-term interest ratesof clients.

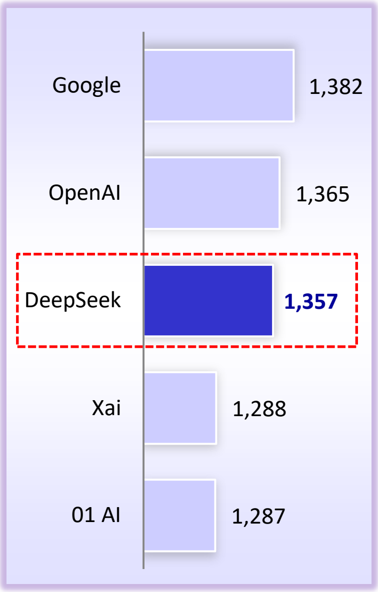
7

IOC sets capex target for FY26 at Rs 33,000 crore

State-owned major oil marketing company Indian Oil Corp (IOC) has set its capex target for the next fiscal year 2025-26 at Rs 33,000 crore against the capex target of Rs 35,000 crore in FY25, the company said

Technology

DeepSeek ranks third among top AI model competitors in community evaluations - Score



DeepSeek AI and Indian IT: Our view on the impact

Pivot from brute capex to cost-efficient AI platforms could benefit Indian IT

- DeepSeek, a Chinese AI startup, has developed the R1 model, which rivals leading AI reasoning models such as OpenAI's O1. Using a Mixture-of-Experts (MoE) architecture, R1 activates only 37 billion of its 671 billion parameters during processing, significantly reducing computational costs and energy consumption while maintaining top-tier performance. Remarkably, DeepSeek achieved this with a development cost of around USD6m (although this is being debated), defying industry norms, which take about 10x the price to achieve similar results. Further, by making R1 fully open-source, DeepSeek has not only increased access to cutting-edge AI but also intensified global competition, pushing U.S. companies to rethink their strategies and investments. **While most stock prices for most chip makers have reacted negatively as this implies much lower compute than earlier anticipated, we believe this could shift focus from capex to cost efficient AI platforms, possibly benefitting Indian IT.**

GenAI and Cloud: How does Indian IT make the most of this?

- Services spending generally seems to follow the big-tech capex cycle (just like during the cloud adoption phase), and we could see something similar with AI. Back then, IaaS was merely a starting point, with hyperscalers differentiating themselves through PaaS and SaaS offerings.
- **Similarly, LLM may lose its edge as the primary moat. Just as PaaS and SaaS, built around basic compute infrastructure, became the true kingmakers, interfaces built around LLMs are likely to become kingmakers.**
- Indian IT can play a significant role in this evolution by driving platform engineering and outsourced engineering capabilities, enabling enterprises to design, build, and scale these interfaces effectively. This could position Indian IT as a key player in the low-cost GenAI wave.

Services, not LLM, to be the kingmaker

- We have argued in our thematic report (Technology: Bounce-back! Charting the path to revival for IT services – page 16) that spending in high-tech may resume in earnest once major hyperscalers shift their focus from capex investments to building platforms and interfaces (exhibits 4 & 5). **DeepSeek may accelerate this trend, as it is becoming increasingly clear that LLM superiority is short-lived**—whether it is ChatGPT, Gemini, or DeepSeek, the quality of output is converging.
- **As a result, attention and spending are likely to pivot toward the services and platforms built around these LLMs rather than the models themselves**. This shift presents a significant opportunity for Indian IT to drive platform engineering, integration, and outsourced AI services, positioning it as a key enabler in the evolving AI ecosystem.

Auto ER&D: Lessons from the Chinese (and Tesla's) invasion of EVs

- **Indian IT and outsourced engineering often take a backseat during capex cycles but become integral to the value chain once the focus shifts from innovation to cost optimization**.
- A clear example of this was the capex and R&D squeeze faced by auto OEMs during 2020-2023 (exhibit 3). As EVs and SDVs became the industry's focal point, led by Tesla and Chinese players like BYD, European automakers faced intense pressure to innovate despite constrained R&D budgets**. This necessity to drive technological advancements while managing costs led to a surge in outsourced ER&D, positioning Indian IT as a key enabler in the evolving automotive landscape.**
- A similar dynamic is unfolding in AI, where DeepSeek's innovation has demonstrated that cutting-edge AI can be developed at a fraction of the cost. **As the AI ecosystem prioritizes efficiency over brute-force compute, enterprises will need to optimize spending on platforms, software, and infrastructure.** This shift is likely to drive a wave of outsourced services spending, with Indian IT playing a central role in enabling cost-efficient AI development and deployment.

What does this development mean for data centers?

- As AI applications move closer to end-users through smartphones, IoT devices, and edge data centers, we expect this to drive even greater demand for data centers. **With India generating 28% of the global data but holding only a 1% share of global data centers, the need for more localized infrastructure is clear.**
- The shift toward distributed and edge computing will require more localized infrastructure to support the increasing volume of data. Thus, we do not foresee any major risks to the overall growth of data center expansion due to DeepSeek's advancements.
- **Colocation data centers**, in particular, should feel less of an impact than hyperscale data centers. The nature of colocation services, where providers lease racks and manage their own hardware, means that these facilities can remain more flexible and adaptable to changing demands, such as AI-driven data workloads, without needing massive shifts in infrastructure.
- **In the long term, we believe DeepSeek's developments will be a net positive for the industry** as demand for new hardware and additional space is expected to increase.

View on stocks

- We believe it is too early to ascertain the impact on individual stocks, as GenAI currently remains a small proportion of the overall deal TCV. We will keep monitoring this story further.

Bajaj Auto

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BJAUT IN
Equity Shares (m)	279
M.Cap.(INRb)/(USDb)	2345.3 / 27.1
52-Week Range (INR)	12774 / 7475
1, 6, 12 Rel. Per (%)	-2/-4/3
12M Avg Val (INR M)	4738

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	503	570	641
EBITDA	101.2	114.1	128.5
EBITDA (%)	20.1	20.0	20.0
Adj. PAT	80.2	91.8	105.4
EPS (INR)	287	329	378
EPS Gr. (%)	4.0	14.5	14.8
BV/Sh. (INR)	983	1,091	1,203
Ratios			
RoE (%)	30.7	31.7	32.9
RoCE (%)	30.2	30.8	31.3
Payout (%)	69.6	69.9	71.5
Valuation			
P/E (x)	29.2	25.5	22.2
P/BV (x)	8.5	7.7	7.0
Div. Yield (%)	2.4	2.7	3.2
FCF Yield (%)	2.5	3.4	3.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	55.0	55.0	54.9
DII	10.1	8.8	8.7
FII	12.5	14.3	14.7
Others	22.5	21.9	21.7

FII Includes depository receipts

CMP: INR8,393 TP: INR8,770 (+5%) Neutral

In-line result; favorable FX supports margins

Exports revive, but long-term outlook remains uncertain

- BJAUT delivered an in-line performance in 3QFY25, with volume growth of ~2%. Favorable FX and a higher spares mix helped BJAUT sustain margins at 20%+ despite a rising EV mix.
- We have marginally lowered our FY25/FY26 earnings estimates by 2% each. The key concern is that BJAUT has lost share in domestic 125cc+ segment on YTD basis. While exports seem to have revived in the near term, the longer-term outlook remains uncertain given the adverse macro globally. Hence, despite a correction in the stock price recently, BJAUT at ~25.5x FY26E/22.2x FY27E EPS appears fairly-valued. Therefore, we maintain a Neutral rating with a TP of **INR8,770, based on 24x Dec'26E consolidated EPS**.

Margins maintained at 20%+ despite increase in EV mix

- 3QFY25 standalone revenue/EBITDA/PAT grew ~6%/6%/3% YoY to INR128.1b/INR25.8b/INR21.2b (est. INR130.3b/INR25.8b/INR21.7b). 9MFY25 revenue/EBITDA/adj. PAT grew 14%/17%/14% YoY.
- Revenue growth was led by 2% YoY growth in volumes and ~4% YoY growth in ASP at INR104.6k (est. INR106.4k).
- The green energy portfolio contributes ~45% of revenue (vs. 30% YoY).
- Gross margin was flat QoQ at 28.7%, (-20bp YoY, est. 28.4%). Raw material basket remained flat QoQ. Net impact of pricing was also minimal in 3Q.
- EBITDA margin stood at 20.2% (+10bp YoY/flat QoQ, est. 19.8%) despite the ramp-up of EVs due to favorable currency and improved spares (+21% YoY).
- Despite lower other income, adj. PAT came in line with our estimate.
- Cash balance stood at INR150b. BJAUT has invested INR15b in its finance subsidiary BACL. It has also invested INR4.5b in capex, two-thirds of which was invested in EVs.

Highlights from the management commentary

- **Domestic 2Ws:** Management expects the industry to post 6-8% growth in the near term. Given its focus on 125cc+ segment, BJAUT targets to outperform industry growth.
- **Exports:** Management expects exports to grow 20%+ for the next couple of quarters. The fastest-growing markets for BJAUT are Latin America (+30% YoY) and ASEAN. Even Africa has recovered, with Nigeria now clocking close to 30k units per month. However, BJAUT has refrained from giving a long-term outlook for exports given the current uncertainty in global markets.
- BJAUT expects the L5 segment to grow at 5-7%, driven by rising EV penetration and BJAUT targets to outperform industry growth with new launches.
- For its EV portfolio, BJAUT has posted EBIDTA in 3Q vs. just break-even in 2Q.
- Management has indicated that input cost is likely to see headwinds in 4Q, which is likely to be partially offset by favorable currency movement.

Valuation and view

- We have marginally lowered our FY25/FY26 earnings estimates by 2% each. BJAUT has lost market share in the domestic motorcycle segment by 150bp to 17%. The key concern is that it has lost share in 125cc+ segment as well on YTD basis.
- While exports seem to have revived in the near term, the longer-term outlook remains uncertain given the adverse macro globally. Further, the ramp-up of its CNG bike Freedom has been slower than expected. Hence, despite a correction in the stock price recently, BJAUT at ~25.5x FY26E/22.2x FY27E EPS appears fairly valued. Therefore, we maintain a Neutral rating with a TP of **INR8,770, based on 24x Dec'26E consolidated EPS**.

Quarterly Performance **(INR m)**

	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Volumes ('000 units)	1,027	1,054	1,201	1,069	1,102	1,222	1,224	1,162	4,351	4,710	1,224
Growth YoY (%)	10.0	-8.4	22.1	24.3	7.3	15.9	2.0	8.7	10.8	8.2	2.0
Realization (INR/unit)	1,00,347	1,02,256	1,00,862	1,07,476	1,08,234	1,07,470	1,04,591	1,06,714	1,02,703	1,06,714	1,06,395
Growth YoY (%)	17.0	15.4	6.5	3.8	7.9	5.1	3.7	-0.7	10.7	3.9	5.5
Net Sales	**1,03,098**	**1,07,773**	**1,21,135**	**1,14,847**	**1,19,280**	**1,31,275**	**1,28,069**	**1,23,949**	**4,46,852**	**5,02,572**	**1,30,278**
Change (%)	28.8	5.6	30.0	29.0	15.7	21.8	5.7	7.9	22.7	12.5	7.5
EBITDA	**19,539**	**21,329**	**24,299**	**23,063**	**24,154**	**26,522**	**25,807**	**24,749**	**88,229**	**1,01,232**	**25,839**
EBITDA Margins (%)	19.0	19.8	20.1	20.1	20.2	20.2	20.2	20.0	19.7	20.1	19.8
Other Income	3,463	3,614	3,461	3,487	3,209	3,845	3,347	3,568	14,025	13,970	3,800
Interest	121	65	121	228	207	159	143	161	535	670	120
Depreciation	835	876	881	906	937	956	997	1,015	3,498	3,905	960
PBT after EO	**22,046**	**24,000**	**26,758**	**25,416**	**26,219**	**27,139**	**28,015**	**27,141**	**98,220**	**1,08,514**	**28,559**
Effective Tax Rate (%)	24.5	23.5	23.7	23.8	24.2	26.1	24.7	24.1	23.9	24.8	24.2
Adj. PAT	**16,648**	**18,361**	**20,419**	**19,360**	**19,884**	**22,160**	**21,087**	**20,589**	**74,788**	**83,200**	**21,660**
Change (%)	41.9	20.0	36.9	35.1	19.4	20.7	3.3	6.3	32.9	11.2	6.1

E: MOFSL Estimates

Hindustan Zinc

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	HZ IN
Equity Shares (m)	4225
M.Cap.(INRb)/(USDb)	1830.4 / 21.2
52-Week Range (INR)	808 / 285
1, 6, 12 Rel. Per (%)	-1/-21/31
12M Avg Val (INR M)	1480

Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Sales	336	371	379
EBITDA	171.7	208.5	214.9
PAT	101.4	131.7	135.4
EPS (INR)	24.0	31.2	32.0
GR. (%)	30.7	29.9	2.8
BV/Sh (INR)	30.0	49.1	69.2
Ratios			
ROE (%)	72.8	78.8	54.2
RoCE (%)	59.4	67.5	53.6
Valuations			
P/E (X)	18.0	13.9	13.5
P/BV (X)	14.4	8.8	6.2
EV/EBITDA (X)	10.6	8.3	7.5
Div Yield (%)	6.9	2.8	2.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	63.4	63.4	64.9
DII	32.0	32.7	32.5
FII	1.4	1.0	0.7
Others	3.2	2.9	1.9

FII Includes depository receipts

CMP: INR433 TP: INR460 (+6%) Neutral

Revenue in line, beat on EBITDA; focuses on CoP

- Hindustan Zinc (HZ)'s revenue was INR86b (YoY/QoQ: +18%/+4%) vs. our estimate of INR82b. The growth was largely on account of higher zinc and silver prices and a strong dollar, marginally offset by lower metal volumes.
- EBITDA stood at INR45b (YoY/QoQ: +28%/+9%) against our estimate of INR41b, led by higher revenues and lower-than-expected cost of production (COP). EBITDA margin came in at 52.2% vs. 50% in 2QFY25.
- Zinc's COP for 3QFY25 stood at USD1,041/t (INR 87,960/t), -5% YoY and -3% QoQ. The improvement was led by higher metal grades and better domestic coal availability with lower costs, which were further supported by increased renewable energy and higher acid realizations.
- APAT stood at INR27b (YoY/QoQ: +32%/ +15%) vs. our est. of INR23b. For 9MFY25, revenue grew 17%, EBITDA grew 26%, and APAT rose 30% YoY.
- Mined metal for 3QFY25 stood at 265kt, -2% YoY, with lower ore production at Agucha and SK mines, partly offset by improved mined metal grades and mill recovery. However, it rose 3% QoQ driven by higher mined metal grades and an increase in production at Agucha and Zawar mines.
- Total refined metal production was flat YoY at 259 kt and was marginally down QoQ due to a planned maintenance shutdown.
- The refined Zinc volume stood at 204kt (YoY/QoQ: flat / +3%) and the refined Lead volume stood at 55kt (YoY/QoQ: -2% /-13%), lower due to pyro plant operations on lead mode for longer duration.
- Silver volume stood at 160t (YoY/QoQ: -19%/ -13%) on account of lower silver output input from SK Mine.

Key management commentary

- For FY25, the management retained its mined metal production guidance of 1,100-1,125kt and refined metal production of 1,075-1,100kt
- The management maintained its zinc CoP guidance of USD1,050-1,100/t for FY25 and was confident in meeting the lower end of the band.
- Silver volume guidance for FY25 is expected to be in the range of 700-710 tonnes vs earlier guidance of 750-775 tonnes.
- Zinc COP stood at USD1,041/t in 3QFY25 vs USD1,071/t in Q2FY25. Management targets to exit at USD1,000/t by FY26 end and below USD1,000/t by the end of FY27.

Valuation and view

- The performance was largely in line with our estimates. The company continues to focus on improving production with tight cost control. We retain our earnings estimates and expect HZ to maintain its focus on profitability.
- At CMP, HZ trades at 7.5x FY27E EV/EBITDA, and we believe the current valuation prices in all positive factors. **We reiterate our Neutral rating** with a TP of INR460 (premised on 8x EV/EBITDA on FY27 estimates).

Quarterly Performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			2QE	%
Mine prodn. (kt)	**257**	**252**	**271**	**299**	**263**	**256**	**265**	**299**	**1,079**	**1,083**		
Sales												
Zinc refined (kt)	208	185	203	221	211	198	201	218	817	828		
Lead refined (kt)	50	57	56	53	51	63	55	62	216	231		
Silver (tonnes)	179	181	197	179	167	184	160	168	736	679		
Net Sales	**72.8**	**67.9**	**73.1**	**75.5**	**81.3**	**82.5**	**86.1**	**86.5**	**289.3**	**336.5**	**82.0**	**5.0**
Change (YoY %)	(22.4)	(18.5)	(7.1)	(11.3)	11.6	21.5	17.8	14.6	(15.2)	16.3		
Change (QoQ %)	(14.4)	(6.7)	7.6	3.3	7.7	1.5	4.4	0.4				
EBITDA	**33.5**	**31.4**	**35.2**	**36.5**	**39.5**	**41.2**	**45.0**	**46.0**	**136.6**	**171.7**	**40.5**	**11.0**
Change (YoY %)	(34.8)	(28.8)	(5.0)	(14.2)	17.9	31.3	27.8	26.0	(22.0)	25.7		
Change (QoQ %)	(21.3)	(6.2)	12.2	3.6	8.1	4.5	9.1	2.2				
As % of Net Sales	46.0	46.2	48.2	48.3	48.5	50.0	52.2	53.2	47.2	51.0		
Finance cost	2.2	2.3	2.4	2.6	2.6	3.0	2.9	3.2	9.6	11.7		
DD&A	8.0	8.3	9.1	9.4	8.4	8.8	9.1	9.5	34.7	35.8		
Other Income	2.8	2.2	3.0	2.7	2.7	2.7	2.2	2.9	10.7	10.4		
PBT (before EO item)	**26.1**	**23.1**	**26.7**	**27.2**	**31.1**	**32.1**	**35.3**	**36.1**	**103.1**	**134.7**		
EO exp. (income)	-	-	-	-	-	(0.8)	-	-	-	(0.8)		
PBT	26.1	23.1	26.7	27.2	31.1	33.0	35.3	36.1	103.1	135.5		
Total Tax	6.5	5.8	6.4	6.9	7.7	8.0	8.5	9.0	25.5	33.3		
% Tax	24.8	25.0	24.0	25.2	24.7	24.4	24.1	25.1	24.7	24.5		
Reported PAT	**19.6**	**17.3**	**20.3**	**20.4**	**23.5**	**24.9**	**26.8**	**27.1**	**77.6**	**102.2**		
Adjusted PAT	**19.6**	**17.3**	**20.3**	**20.4**	**23.5**	**24.1**	**26.8**	**27.1**	**77.6**	**101.4**	**23.1**	**16.1**
Change (YoY %)	(36.5)	(35.5)	(5.9)	(21.1)	19.4	34.6	32.1	32.8	(26.2)	29.6		
Change (QoQ %)	(24.0)	(12.0)	17.3	0.5	15.1	(0.8)	15.1	1.1				

IOCL

Estimate change	↑
TP change	↓
Rating change	↔

Bloomberg	IOCL IN
Equity Shares (m)	14121
M.Cap.(INRb)/(USDb)	1731 / 20
52-Week Range (INR)	197 / 121
1, 6, 12 Rel. Per (%)	-6/-23/-22
12M Avg Val (INR M)	4362

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	7,573	7,586	7,729
EBITDA	346	398	389
Adj. PAT	83	143	123
Adj. EPS (INR)	6.0	10.4	9.0
EPS Gr. (%)	-79.5	71.7	-13.6
BV/Sh.(INR)	134.7	141.0	146.5
Ratios			
Net D:E	0.7	0.7	0.7
RoE (%)	4.4	7.3	6.1
RoCE (%)	5.8	6.0	5.2
Payout (%)	33.6	38.4	36.2
Valuations			
P/E (x)	20.4	11.9	13.7
P/BV (x)	0.9	0.9	0.8
EV/EBITDA (x)	8.8	7.8	8.1
Div. Yield (%)	1.9	3.2	2.6
FCF Yield (%)	1.3	4.9	4.8

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.5	51.5	51.5
DII	29.7	30.0	29.5
FII	7.4	7.9	8.9
Others	11.4	10.6	10.1

FII includes depository receipts

CMP: INR123 TP: INR145 (+18%) Buy

Inventory/forex losses overshadow 3Q performance

- **IOCL's reported 3QFY25 financial performance was below our expectations, mainly led by a weak reported refining margin. Inventory losses stood at USD3.7/bbl (INR52b) in 3Q. However, the marketing segment reported an in-line performance during the quarter. PAT was dragged by forex losses amounting to INR20.5b in 3Q. On a sequential basis, LPG prices have remained stable, and under-recoveries should start tapering off from 1QFY26 onwards. Further, SG GRM has remained weak in 4Q'td, and marketing margins at ~INR9/INR5 per lit for MS/HSD remain robust and above our assumption (of INR3.3/lit).**
- **IOCL's major refinery expansions are slated for commissioning in 2HFY26. IOCL is currently trading at 0.9x FY26E P/B, at par with its one-year forward LTA of 1x P/B.**

Low Russian crude proportion to weigh on GRM; LPG losses to be flat QoQ

- IOCL's Russian crude utilization has remained at 25% during 9mFY25. While contracts for Jan and Feb'25 are in place, the company's supply for Mar'25 remains uncertain. If the Russian crude utilization becomes nil, the company could encounter a USD0.5 per bbl GRM impact, as the USD1.5-USD2 per bbl discount will not be available elsewhere.
- In 3QFY25, LPG under-recoveries came in ~47% higher QoQ. With propane prices averaging USD635/ton in Jan'25 (similar to 3QFY25 prices), LPG under-recovery is expected to be in the similar range of ~INR10b per month. We continue to believe that the government will provide compensation to OMCs against LPG under-recovery (*media article*).

Project execution delays; soft refining outlook may drag mid-term results

- Capacity expansions at Barauni, Panipat, and Gujarat have been delayed by 4-6 months, with full-year utilization now expected in FY28. Any further delays could have an incremental adverse impact on the company's performance.
- Overall, refining GRMs are expected to remain soft in FY26/YF27 as global oil demand remains below the historical average and global refining capacity expansion remains robust. IOCL has the highest refining exposure among OMCs, resulting in the highest adverse impact. Additionally, if crude prices decline in 4Q, IOCL could incur the highest refining inventory losses among OMCs.
- Though MS/HSD marketing margins were down 16%/23% QoQ in 4QFY25'td, OMCs continue to generate healthy MS/HSD marketing margins of INR9.6/INR4.7 per lit (Jan'25'td average margins). However, IOCL has the smallest advantage to marketing among OMCs and, hence, the lowest relative benefit. Further, marketing inventory losses are expected in 4Q if refining GRMs remain low.

- **IOCL's major refinery expansions are slated for commissioning in 2HFY26. IOCL is currently trading at 0.9x FY26E P/B, slightly below its one-year forward LTA of 1x P/B. Considering the sequentially weak refining performance and expected medium-term weakness in the segment, we reduce our target multiple from 1.3x P/B to 1x P/B and arrive at a TP of INR145 (based on Dec'26E book value). Reiterate BUY.**

Other key takeaways from the conference call

- In 9mFY25, the company incurred capex of INR280b. A total of INR350b/INR330b is expected to be spent in FY25/FY26.
- The company intends to have a RE portfolio of 31GW by FY30 through organic and inorganic acquisitions.
- Inventory losses amounted to INR52b in 3Q. (INR55b in 9mFY25).
- The company plans to invest INR720b to increase its SA refinery capacity by 25% to 88mmtpa.

High inventory losses drag 3Q performance

- Reported GRM came in sharply below our est., even as core GRM was largely in line (USD6.6/bbl), implying an inventory loss of USD3.7/bbl during the quarter.
- Both marketing and refining throughput and marketing margin came in line with our estimate.
  - However, the petchem segment's EBIT loss stood at INR1.5b (vs. EBIT loss of INR916m in 2QFY25).
- EBITDA was 11% below our est. at INR71.2b (down 54% YoY).
  - Additionally, INR54.6b LPG under-recovery was booked in 3Q (INR37.1b in 2Q).
- Reported PAT came in at INR28.7b (our est. of INR42.7b, down 64% YoY). The higher-than-estimated finance cost was partially offset by higher-than-estimated other income.
  - PAT was dragged by forex losses amounting to INR20.5b in 3Q.
  - Following the favorable ruling from the Hon'ble Supreme Court on 2nd Aug'24, regarding VAT input tax credit under the Gujarat VAT Act of 2005, a previously established provision of INR6.8b has been reversed and reported as an exceptional item in the current quarter.
  - Hence, after adjusting the above provision reversal, IOCL reported an APAT of INR21.9b in 3Q.
- **In 9MFY25**, net sales were similar YoY at INR5.6t, while EBITDA/APAT declined 67%/89% YoY to INR195b/INR39b. **In 4QFY25,** we expect net sales/EBITDA/PAT to decline 2%/43%/81% YoY.
- **As of Dec'24,** IOCL had a cumulative negative net buffer of INR143.3b due to under-recovery on LPG cylinders (INR88.7b as of Sep'24).

Valuation and View

- IOCL is set to commission multiple projects over the next two years, driving further growth. The refinery projects currently underway, expected to be completed in 2HFY26-FY27, include the Panipat refinery (25mmtpa), Gujarat refinery, and Barauni refinery (9mmtpa).
- The stock trades at 11.9x consolidated FY26E EPS of INR10.4 and 0.9x FY26E P/B. **We reiterate our BUY rating on the stock with a TP of INR145, valuing at 1x Dec'26E P/B.**

Standalone - Quarterly Earning Model (INR b)

Y/E March	FY24				FY25E				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**1975.3**	**1797.4**	**1991.0**	**1979.8**	**1932.4**	**1738.5**	**1939.0**	**1942.7**	**7743.5**	**7552.5**	**2442.5**	**-21%**
YoY Change (%)	-11.9	-13.4	-2.8	-2.5	-2.2	-3.3	-2.6	-1.9	-7.8	-2.5	22.7	
EBITDA	**221.5**	**221.6**	**155.9**	**106.9**	**86.3**	**41.9**	**91.7**	**60.5**	**705.8**	**280.5**	**102.8**	**-11%**
Margin (%)	11.2	12.3	7.8	5.4	4.5	2.4	4.7	3.1	9.1	3.7	4.2	
Depreciation	31.5	32.8	43.4	37.4	37.6	37.2	39.0	38.8	145.1	152.5	37.2	
Forex loss	-0.2	8.4	1.0	2.5	0.0	4.2	20.5	0.0	11.8	24.7	0.0	
Interest	16.3	18.5	18.3	20.2	19.6	24.1	23.1	23.7	73.3	90.6	18.7	
Other Income	6.9	9.8	14.5	16.6	5.3	13.7	18.8	13.9	47.8	51.8	10.1	
PBT	**180.7**	**171.7**	**107.7**	**63.3**	**34.5**	**1.7**	**34.7**	**12.0**	**523.4**	**82.9**	**57.0**	**-39%**
Rate (%)	23.9	24.5	25.1	23.6	23.4	-4.2	17.2	25.2	24.3	20.5	25.2	
Adj PAT	**137.5**	**129.7**	**80.6**	**48.4**	**26.4**	**-9.8**	**21.9**	**9.0**	**396.2**	**47.6**	**42.7**	**-49%**
YoY Change (%)	LP	LP	1699.8	-51.9	-80.8	-107.5	-72.8	-81.5	380.7	-88.0	-47.1	
Margin (%)	7.0	7.2	4.0	2.4	1.4	-0.6	1.1	0.5	5.1	0.6	1.7	
Key Assumptions												
Refining throughput (mmt)	17.8	17.8	18.5	18.3	18.2	16.7	18.1	18.2	72.3	71.2	17.4	4%
Reported GRM	8.3	18.2	13.5	8.4	6.4	1.6	2.9	6.2	12.1	4.3	6.1	-52%
Domestic sale of refined products (mmt)	21.9	21.9	23.3	23.7	24.1	21.9	24.8	24.7	90.9	95.5	24.3	2%
Marketing GM incld. inv. per litre (INR/litre)	5.5	5.5	4.5	5.2	4.9	5.9	6.4	3.6	5.2	5.2	6.5	-2%

Tata Steel

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	TATA IN
Equity Shares (m)	12484
M.Cap.(INRb)/(USDb)	1605.7 / 18.6
52-Week Range (INR)	185 / 123
1, 6, 12 Rel. Per (%)	-4/-13/-11
12M Avg Val (INR M)	7427
Free float (%)	66.8

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	2,197	2,469	2,620
EBITDA	264	361	439
Adj. PAT	42	139	200
EBITDA Margin (%)	12.0	14.6	16.7
Adj. EPS (INR)	3.4	11.2	16.0
EPS Gr. (%)	24.4	231.9	43.6
BV/Sh. (INR)	67	71	80
Ratios			
Net D:E	1.0	1.0	0.8
RoE (%)	4.9	16.1	21.1
RoCE (%)	9.7	14.9	18.1
Payout (%)	148.5	62.6	43.6
Valuations			
P/E (x)	38.3	11.5	8.0
P/BV (x)	1.9	1.8	1.6
EV/EBITDA(x)	9.3	6.9	5.6
Div. Yield (%)	3.9	5.4	5.4
FCF Yield (%)	3.7	7.4	11.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	33.2	33.2	33.7
DII	23.7	22.9	23.3
FII	19.0	19.9	20.7
Others	24.1	24.0	22.3

FII Includes depository receipts

CMP: INR129 TP: INR140 (+9%) Neutral

Healthy beat on EBITDA driven by lower costs; EU losses decline

Standalone performance

- Tata Steel (TATA)'s 3QFY25 revenue came in line at INR328b, -5% YoY (+1% QoQ), primarily due to a weak ASP, which dipped 13% YoY and 2% QoQ to INR61,929/t. The QoQ performance was largely supported by a healthy sales volume of 5.3mt (+8% YoY and 4% QoQ) during the quarter.
- Crude steel production stood at 5.69mt (+6% YoY/+8% QoQ) and finish steel production was at 5.41mt (+5% YoY/+7% QoQ) in 3QFY25.
- EBITDA stood at INR75b (YoY/QoQ: -9%/+13%) and was better than our estimate of INR62b. EBITDA/t came in at INR14,179/t (YoY/QoQ: -16%/+10%), against our estimate of INR11,570/t during the quarter. The beat was primarily led by lower-than-expected costs. Other expenses for the quarter included a write-back of INR14b towards a provision for claims no longer required.
- TATA posted an APAT of INR40b, -13% YoY (+13% QoQ) vs. our est. of INR32b.

European operations

- Consolidated steel deliveries stood at 2.1mt (+8% YoY/-1% QoQ), in line with our estimate. TATA Europe reported an in-line revenue of INR195b (+2% YoY/-2% QoQ) for the quarter. Healthy volume growth was offset by weak ASP, which stood at USD1117/t (-5% YoY and -4% QoQ) during the quarter.
- The operating loss has reduced to INR7.4b (vs. our estimated loss of INR10.6b) in 3QFY25 against INR29b in 3QFY24 and INR13b in 2QFY25.
- EBITDA loss per ton declined to USD42/t in 3QFY25 from USD76/t in 2QFY25 (vs. our estimated loss of USD60/t), primarily because of lower operating costs in the UK (closure of BFs) and lower energy costs in the Netherlands.

Consolidated performance

- Consol. revenue came in at INR537b (-3% YoY/flat QoQ), in line with our estimate. This was primarily led by a healthy sales volume of 7.7mt (+8% YoY/+3% QoQ), which was offset by a muted ASP of INR69,493/t (-10% YoY/-3% QoQ) during the quarter.
- Adjusted EBITDA (ex-forex movement loss of INR12b) stood at INR72b (+25% YoY/+30% QoQ) against our estimate of INR45b, translating into an EBITDA/t of INR9,268/t (+15% YoY and +26% QoQ) during the quarter.
- The company reported an APAT of INR7.4b against our estimate of INR1.9b.
- For 9MFY25, revenue declined 5% YoY to INR1623b, while EBITDA grew 28% YoY to INR194b and APAT was at INR25b up by 42% YoY.
- Net debt declined to INR858b in 3Q vs. INR888b in 2QFY25, translating into a net debt-to-EBITDA of 3.34x as of 3QFY25.

Highlights from the management commentary

- For the India business, management guided NSR to be flat QoQ in 4QFY25. Any safeguard duties announcement will support pricing in the near term.
- For the Netherlands/UK, management foresees an NSR decline of GBP60/t QoQ in 4QFY25 over the renewal of annual contracts.
- Coking coal costs (on a consumption basis) for India operations are likely to be USD10/t lower QoQ in 4QFY25. For the Netherlands operations, coking coal may see a fall of USD20/t QoQ, whereas iron ore might be lower by USD3-4/t QoQ.
- Operating losses for the UK operations were lower in 3QFY25, and considering the current pricing/demand environment, management expects the UK business to break even in the coming quarters.
- NINL achieved all operational targets and is running at full capacity. The EBITDA margin improved to 20% in 3QFY25 from 13% in 2QFY25, supported by the rise in volumes and cost efficiency measures that reduced conversion costs by INR3,000/t.

Valuation and view

- The India business posted a decent performance, driven by lower costs. Domestic demand is expected to improve in 4Q, with rising govt. spending and construction activities. The management expects EBITDA losses from UK operations to further reduce in coming quarters, along with capacity ramp-up in the Netherlands and lower fixed costs, which should boost the overall EBITDA performance of its European operations.
- Though there are near-term challenges related to high imports and lower realizations, the long-term outlook remains strong for TATA. While the India business is expected to continue its strong performance, improving performance in the European business would support overall earnings.
- We have marginally reduced our revenue/EBITDA estimates by 4%/5% for both FY25/26 and PAT by 5%/10% for FY26/FY27. TATA is trading at 5.6x FY27E EV/EBITDA and 1.6x FY27E P/B. **We reiterate our Neutral rating with a revised SOTP-based TP of INR140.**

Standalone quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales Vol (kt)	**4,790**	**4,820**	**4,880**	**5,420**	**4,940**	**5,110**	**5,290**	**5,624**	**19,910**	**20,964**	**5,344**	**(1.0)**
Change (YoY %)	17.7	-1.8	6.3	5.2	3.1	6.0	8.4	3.8	8.4	5.3		
Change (QoQ %)	-7.0	0.6	1.2	11.1	-8.9	3.4	3.5	6.3				
ASP (INR/t)	**74,083**	**70,924**	**71,069**	**67,592**	**66,720**	**63,404**	**61,929**	**63,049**	**70,812**	**63,718**	**60,959**	**1.6**
Abs Change (QoQ)	203	-3,159	146	-3,478	-872	-3,316	-1,475	1,120	-7,002	-7,094		
Change (YoY %)	-16.9	0.5	-3.9	-8.5	-9.9	-10.6	-12.9	-6.7	-9.0	-10.0		
Net Sales	**354.9**	**341.9**	**346.8**	**366.3**	**329.6**	**324.0**	**327.6**	**354.6**	**1,409.9**	**1,335.8**	**325.7**	**0.6**
Change (YoY %)	-2.2	-1.3	2.2	-3.7	-7.1	-5.2	-5.5	-3.2	-1.3	-5.3		
Change (QoQ %)	-6.7	-3.7	1.5	5.6	-10.0	-1.7	1.1	8.2				
Total Expenditure	**288.2**	**273.2**	**264.3**	**285.9**	**261.9**	**257.9**	**252.6**	**280.6**	**1,111.5**	**1,052.9**		
As a % of net sales	81.2	79.9	76.2	78.0	79.4	79.6	77.1	79.1	78.8	78.8		
EBITDA	**66.7**	**68.7**	**82.5**	**80.5**	**67.7**	**66.1**	**75.0**	**74.0**	**298.3**	**282.9**	**61.8**	**21.3**
Change (YoY %)	-32.0	47.2	60.6	-7.0	1.6	-3.8	-9.1	-8.0	5.5	-5.2		
Change (QoQ %)	-22.9	3.0	20.1	-2.5	-15.8	-2.4	13.5	-1.3				
(% of Net Sales)	18.8	20.1	23.8	22.0	20.6	20.4	22.9	20.9	21.2	21.2		
EBITDA(INR/t)	**13,924**	**14,248**	**16,905**	**14,846**	**13,711**	**12,935**	**14,179**	**13,163**	**14,984**	**13,493**	**11,571**	**22.5**
Interest	10.4	11.4	10.6	9.4	9.2	11.3	10.8	11.8	41.8	43.2		
Depreciation	14.7	14.7	15.1	15.3	15.2	15.6	15.6	15.1	59.7	61.5		
Other Income	14.9	8.2	3.3	4.8	3.7	8.5	4.6	6.9	31.2	23.7		
PBT (before EO Inc.)	**56.5**	**50.9**	**60.1**	**60.6**	**47.0**	**47.7**	**53.2**	**54.0**	**228.1**	**201.9**		
EO Income(exp)	-0.1	-129.9	0.1	-6.4	-2.4	0.1	-1.5		-136.4	-3.7		
PBT (after EO Inc.)	**56.4**	**-79.0**	**60.2**	**54.2**	**44.6**	**47.9**	**51.7**	**54.0**	**91.7**	**198.2**	**43.1**	**20.0**
Current Tax	12.0	8.2	16.7	12.7	10.8	11.1	3.8	20.8	49.5	46.4		
Current Tax Rate%	21.3	-10.4	27.7	23.4	24.3	23.1	7.3	38.4	54.0	23.4		
Deferred Tax	-1.8	-2.1	-3.0	1.0	0.5	0.9	9.2	-7.1	-5.9	3.4		
Total Tax	10.2	6.1	13.7	13.7	11.3	11.9	13.0	13.6	43.6	49.9		
% Tax	18.1	-7.7	22.7	25.2	25.4	25.0	25.0	25.2	47.6	25.2		
Reported PAT	**46.2**	**-85.1**	**46.5**	**40.5**	**33.3**	**35.9**	**38.8**	**40.4**	**48.1**	**148.4**		
Adjusted PAT	**46.3**	**44.8**	**46.4**	**46.9**	**35.7**	**35.8**	**40.2**	**40.4**	**184.4**	**152.1**	**32.3**	**24.4**
Change (YoY %)	-22.7	100.5	95.8	-3.7	-23.0	-20.1	-13.3	-13.9	19.3	-17.6		
Change (QoQ %)	-5.0	-3.2	3.7	1.1	-24.0	0.3	12.5	0.3				

Source: MOFSL, Company

Consolidated quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales (k tons)	**7,200**	**7,070**	**7,150**	**7,980**	**7,390**	**7,520**	**7,720**	**8,134**	**29,400**	**30,764**	**7,754**	**(0.4)**
Change (YoY %)	8.6	-2.2		2.6	2.6	6.4	8.0	1.9	2.1	4.6		
Avg Realization (INR/t)	**82,625**	**78,758**	**77,359**	**73,543**	**74,116**	**71,682**	**69,493**	**70,523**	**77,949**	**71,411**	**67,407**	**3.1**
Net Sales	**594.9**	**556.8**	**553.1**	**586.9**	**547.7**	**539.0**	**536.5**	**573.6**	**2,291.7**	**2,196.9**	**522.7**	**2.6**
Change (YoY %)	-6.2	-7.0	-3.1	-6.8	-7.9	-3.2	-3.0	-2.3	-5.8	-4.1		
Change (QoQ %)	-5.5	-6.4	-0.7	6.1	-6.7	-1.6	-0.5	6.9				
EBITDA	**51.7**	**42.7**	**57.4**	**66.0**	**66.9**	**55.2**	**71.5**	**70.3**	**223.1**	**264.1**		
Change (YoY %)	-65.4	-29.6	41.9	-8.6	29.4	29.4	24.6	6.6	-30.9	18.4		
Change (QoQ %)	-28.3	-17.5	34.5	15.0	1.4	-17.5	29.6	-1.7				
(% of Net Sales)	8.7	7.7	10.4	11.2	12.2	10.2	13.3	12.3	9.7	12.0		
EBITDA (INR/t)	**7,186**	**6,037**	**8,031**	**8,271**	**9,059**	**7,343**	**9,268**	**8,648**	**7,587**	**8,583**		
Interest	18.3	19.6	18.8	18.4	17.8	19.7	18.0	19.8	75.1	75.3		
Depreciation	24.1	24.8	24.2	25.7	25.4	26.0	25.7	23.6	98.8	100.6		
Other Income	11.8	2.3	2.3	1.8	2.6	6.0	2.2	4.8	18.1	15.6		
PBT (before EO Inc.)	**21.1**	**0.6**	**16.7**	**23.7**	**26.4**	**15.5**	**30.0**	**31.8**	**67.3**	**103.7**		
EO Income(exp)	0.1	-69.0	1.9	-5.9	-3.6	6.4	-13.8		-78.1	-11.0		
PBT (after EO Inc.)	**21.3**	**-68.4**	**18.5**	**17.7**	**22.8**	**21.9**	**16.3**	**31.8**	**-10.9**	**92.8**	**5.1**	**NA**
Current Tax	10.3	11.0	18.1	13.5	5.7	11.4	4.5	33.2	52.9	54.9		
Deferred Tax	3.0	-13.3	-4.0	-1.0	8.9	2.6	9.2	-17.3	-15.3	3.4		
Total Tax	13.3	-2.3	14.1	12.5	14.6	14.1	13.8	15.9	37.6	58.3		
% Tax	63.0	NA	84.3	53.0	55.2	90.5	45.8	50.1	55.9	56.2		
PAT before MI and Sh. of associate	**8.0**	**-66.1**	**4.5**	**5.2**	**8.3**	**7.8**	**2.5**	**15.9**	**-48.5**	**34.4**		
Minority Interests	-1.1	-3.1	0.1	-0.6	-0.4	-0.7	-0.3		-4.7	-1.5		
Share of Asso. PAT	-2.7	1.0	0.7	0.4	0.9	-0.3	0.5	1.1	-0.6	2.2		
Reported PAT (After MI & asso.)	**6.3**	**-62.0**	**5.1**	**6.1**	**9.6**	**8.3**	**3.3**	**16.9**	**-44.4**	**38.1**		
Adj. PAT (after MI & asso)	**6.2**	**7.0**	**4.4**	**12.1**	**13.2**	**4.5**	**7.4**	**16.9**	**33.8**	**42.0**	**1.9**	**NA**
Change (YoY %)	-92.0	-54.2	LP	-28.8	112.3	-35.8	68.8	40.2	-61.0	24.4		
Change (QoQ %)	-63.4	13.2	-37.6	175.1	9.3	-65.8	64.1	128.6				

Source: MOFSL, Company

Hyundai Motor

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	HYUNDAI IN
Equity Shares (m)	813
M.Cap.(INRb)/(USDb)	1319.9 / 15.3
52-Week Range (INR)	1970 / 1615
1, 6, 12 Rel. Per (%)	-6/-/-
12M Avg Val (INR M)	2604

Financials & valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	681	728	806
EBITDA	85	91	103
Adj. PAT	53	56	64
EPS (INR)	65	69	78
EPS Gr. (%)	(12)	5	14
BV/Sh. (INR)	180	228	283
Ratios			
RoE (%)	41.9	33.7	30.6
RoCE (%)	37.8	30.1	27.4
RoIC (%)	112.9	85.1	82.2
Valuations			
P/E (x)	25.0	23.7	20.8
P/BV (x)	9.1	7.1	5.8
EV/EBITDA (x)	14.4	13.1	11.2
Div. Yield (%)	1.0	1.3	1.4

Shareholding pattern (%)

As On	Dec-24
Promoter	82.5
DII	7.1
FII	6.7
Others	3.7

CMP: INR1,624 TP: INR1,975 (+22%) Buy

Higher discount and adverse mix hurt margins

Commercialization of new plant to be next key growth driver

- Hyundai Motor (HMI) reported a weak operating performance in 3QFY25, as EBITDA/adj. PAT of INR18.8b/INR11.6b came in below our estimates of INR20.4b/INR12.4b. The 3Q performance was impacted by a weaker product mix, higher discounts, and operating de-leverage. Nonetheless, we remain optimistic about HMI's ability to outperform the domestic PV industry, driven by its strong SUV portfolio and export opportunities.
- We cut our FY25E/FY26E consol EPS by ~3%/9% to factor in lower margins. We expect its exports to stabilize in 4Q and then pick up from Q1 onward. Further, HMI is likely to start launching new models, once the new Pune plant commences production, which will be the growth driver in coming years. We believe HMI remains well placed to benefit from the premiumization trend in India given its mix in favor of SUVs. Maintain BUY with a TP of INR1,975, valued at 26x Dec'26E.

Higher discounts, mix and one-time employee expenses dent margins

- 3QFY25 consol revenue/EBITDA/adj. PAT declined ~1%/14%/19% YoY to INR166.5b/INR18.8b/INR11.6b (est. INR165.9b/INR20.4b/INR12.4b). 9MFY25 revenue/EBITDA/adj. PAT declined ~2%/3%/8% YoY.
- Volumes declined ~2% YoY. Net realizations grew 1% YoY (flat QoQ) to INR893.1k/unit.
- Gross margin contracted 60bp QoQ to 26.9% (est. 27.3%). This, coupled with lower volumes, led to a 14% YoY drop in EBITDA to INR18.8b (est. INR20.4b).
- EBITDA margin contacted 160bp YoY/150bp QoQ to 11.3% (est. 12.3%). Margins were impacted by 1) growth in exports to Africa with the help of pricing levers, 2) high discounts in the domestic market, 3) one-time compensation given to employees after the IPO.
- Discounts in 3Q stood at 2.6% of domestic ASP, up from 1.9% QoQ. Discounts have declined QoQ in 4Q so far.
- The weak operating performance led to a miss in adj. PAT at INR11.6b (-19% YoY, est. INR12.4b).

Highlights from the management commentary

- HMI expects stability in export markets in coming quarters. Growth drivers: 1) Hyundai India is an export hub for Latin America, the Middle East and Africa; 2) HMI intends to evaluate global export opportunities for Creta EV; and 3) Exter left-hand drive should see huge opportunities in key markets.
- Management expects the domestic PV industry to post low-single-digit growth in CY25 as well.
- Management has indicated that, with the support of its parent, HMI would look at alternate powertrains, including EVs, flex fuels, CNG and hybrid for the Indian market to comply with emission laws.
- Its Pune plant is on track to commercialize production by CY25 end, with initial capacity of 170k units p.a. New launches may coincide with this.

Valuation and view

- We cut our FY25E/FY26E consol EPS by ~3%/9% to factor in lower margins.
- We expect its exports to stabilize in 4Q and then pick up from Q1 onward. Further, HMI is likely to start launching new models, once the new Pune plant commences production, which will be the growth driver in coming years. We believe HMI remains well placed to benefit from the premiumization trend in India given its mix in favor of SUVs. Maintain BUY with a TP of INR1,975, valued at 26x Dec'26E EPS.

Cons Quarterly Performance (INR B)

Y/E March	FY24				FY25E				FY24	FY25	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q
Financial Performance											
Volumes ('000 units)	183.4	209.8	191.0	193.7	192.1	191.9	186.4	198.0	777.9	768.4	186.4
Change (%)					4.7	-8.5	-2.4	2.2	0.0	-1.2	-2.4
ASP (INR '000/car)	906.4	889.5	883.6	912.2	903.1	899.3	893.1	848.4	897.7	885.6	890.3
Change (%)					-0.4	1.1	1.1	-7.0	0.0	-1.3	0.8
Net operating revenues	**166.2**	**186.6**	**168.7**	**176.7**	**173.4**	**172.6**	**166.5**	**168.0**	**698**	**681**	166
Change (%)					4.3	-7.5	-1.3	-4.9	0.0	-2.5	-1.7
RM Cost (% of sales)	75.7	74.8	73.2	71.8	71.9	72.5	73.1	72.8	73.9	72.6	72.7
Staff Cost (% of sales)	2.9	2.6	3.0	2.8	3.2	3.2	3.6	3.3	2.8	3.3	3.3
Other Cost (% of sales)	9.4	9.5	10.9	11.1	11.5	11.5	12.0	11.7	10.2	11.7	11.7
EBITDA	**20.0**	**24.4**	**21.7**	**25.2**	**23.4**	**22.1**	**18.8**	**20.5**	**91.3**	**84.8**	**20.4**
EBITDA Margins (%)	12.0	13.1	12.9	14.3	13.5	12.8	11.3	12.2	13.1	12.5	12.3
Depreciation	5.6	5.6	5.3	5.6	5.3	5.2	5.3	5.3	22.1	21.0	5
EBIT	**14.4**	**18.8**	**16.4**	**19.6**	**18.1**	**16.9**	**13.5**	**15.3**	**69.2**	**63.7**	**15**
EBIT Margins (%)	8.6	10.1	9.7	11.1	10.4	9.8	8.1	9.1	9.9	9.4	9.2
Interest	0.4	0.3	0.5	0.4	0.3	0.3	0.3	0.3	1.6	1.2	0.3
Non-Operating Income	3.9	3.8	3.7	3.3	2.2	1.9	2.4	2.3	14.7	8.9	1.8
PBT	**17.9**	**22.3**	**19.6**	**22.6**	**20.0**	**18.5**	**15.6**	**17.3**	**82.4**	**71.5**	**16.7**
Effective Tax Rate (%)	25.7	27.0	27.3	25.8	25.6	25.6	25.7	25.8	26.5	25.7	26.0
Adjusted PAT	**13.3**	**16.3**	**14.3**	**16.8**	**14.9**	**13.8**	**11.6**	**12.8**	**60.6**	**53.1**	**12.4**
Change (%)					12.1	-15.5	-18.6	-23.5	0.0	-12.4	-13.3

*4Q numbers derived from full year numbers reported

Cipla

Estimate change	↑
TP change	↓
Rating change	↔

Bloomberg	CIPLA IN
Equity Shares (m)	808
M.Cap.(INRb)/(USDb)	1147.3 / 13.3
52-Week Range (INR)	1702 / 1312
1, 6, 12 Rel. Per (%)	-2/-2/-4
12M Avg Val (INR M)	2855

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	277.3	294.2	323.0
EBITDA	72.9	73.6	81.4
Adj. PAT	49.8	49.4	55.0
EBIT Margin (%)	22.4	21.0	21.4
Cons. Adj. EPS (INR)	61.7	61.2	68.2
EPS Gr. (%)	17.5	-0.8	11.4
BV/Sh. (INR)	387.5	442.7	504.9
Ratios			
Net D:E	-0.2	-0.2	-0.3
RoE (%)	15.9	13.8	13.5
RoCE (%)	17.9	14.7	14.4
Payout (%)	9.3	9.8	8.8
Valuations			
P/E (x)	23.0	23.2	20.8
EV/EBITDA (x)	15.6	15.1	13.2
Div. Yield (%)	0.4	0.4	0.4
FCF Yield (%)	4.2	3.1	3.0
EV/Sales (x)	4.1	3.8	3.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	29.1	30.9	33.4
DII	27.7	24.1	24.3
FII	26.8	29.0	25.9
Others	16.4	16.1	16.4

FII Includes depository receipts

CMP: INR1,421 TP: INR1,530 (+8%) Neutral

3Q results beat estimates; yet to scale up Lanreotide supply

USFDA clarity on niche products is key monitorable over medium term

- CIPLA delivered better-than-expected 3QFY25 earnings. While revenue was in line, EBITDA/adj. PAT beat our estimates, aided by a better product mix and lower R&D spending. Among the segments, CIPLA continued to improve chronic share in prescription (Rx) business and scale up trade generics (Gx) business. US sales were flat YoY/QoQ due to certain product-specific issues.
- We raise our FY25 EPS estimate by 14% to factor in healthy traction in the domestic formulation (DF) business and controlled opex. We largely maintain our estimates for FY26/FY27. We value CIPLA at 23x 12M forward earnings to arrive at a TP of INR1,530.
- We expect CIPLA to deliver 18% YoY earnings growth in FY25 after posting strong 39% YoY growth in FY24. However, considering the delay in niche approvals/launches, we expect earnings growth to moderate to 5% over FY25-27. We maintain Neutral, given limited upside from current levels.

Segmental mix/lower R&D spend boost profitability

- 3QFY25 revenue increased by 7.1% YoY to INR70.7b (est. INR69.7b). DF sales (44% of sales) grew 10% YoY to INR31.5b. EM sales (12% of sales) rose 22% YoY to INR8.2b. SAGA sales (14% of sales) grew 19.6% YoY to INR9.8b. API sales (2% of sales) were up 16.7% YoY at INR1.3b. US sales (27% of sales) declined by 1% YoY to INR19b (USD226m, down 1.7% in CC terms).
- Gross margin expanded 160bp YoY to 68% (est. 66.6%), aided by lower raw material costs.
- EBITDA margins expanded 170bp YoY to 28.1% (est. 25.5%) thanks to a better gross profit. R&D expenses decreased by 100bp YoY as a percentage of sales, while employee costs/other expenses increased by 80bp/20bp YoY.
- EBITDA increased by 13.8% YoY to INR19.9b (est. INR17.8b).
- Adjusting for one-off gains of INR670m and tax write-backs of INR1.6b, PAT grew 14% to INR13.6b (est. INR11.9b).
- In 9MFY25, revenue/EBITDA/PAT grew 6.2%/12.4%/14.2% YoY to INR208b/INR55.9b/INR38.4b.

Highlights from the management commentary

- CIPLA aims to end FY25 with higher-than-guided EBITDA margin of 24.5%-25.5%.
- It has filed g-Advair from its US facility and expects a launch in 1HFY26, subject to USFDA inspection and approval. The company expects to launch g-Abraxane in 2HFY26, indicating some delay.
- Despite facing competition in g-Revlimid, CIPLA expects growth in FY26.

Quarterly Performance (Consolidated) (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	% Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Net Revenues	**63.3**	**66.8**	**66.0**	**61.6**	**66.9**	**70.5**	**70.7**	**69.1**	**257.7**	**277.3**	**69.7**	**1.5**
YoY Change (%)	17.7	14.6	13.7	7.4	5.8	5.6	7.1	12.1	13.3	7.6	5.5	
Total Expenditure	48.3	49.4	48.6	48.5	49.8	51.7	50.8	52.1	194.8	204.3	51.9	
EBITDA	**14.9**	**17.3**	**17.5**	**13.2**	**17.2**	**18.9**	**19.9**	**17.0**	**62.9**	**72.9**	**17.8**	**11.9**
YoY Change (%)	30.7	24.8	24.2	12.1	14.9	8.8	13.8	29.3	23.0	15.9	1.7	
Margins (%)	23.6	26.0	26.5	21.4	25.6	26.7	28.1	24.6	24.4	26.3	25.5	
Depreciation	2.4	2.5	2.3	2.9	2.5	2.7	2.8	2.8	10.1	10.8	2.7	
EBIT	**12.5**	**14.9**	**15.1**	**10.3**	**14.7**	**16.1**	**17.1**	**14.2**	**52.8**	**62.1**	**15.1**	
YoY Change (%)	41.1	36.4	33.3	24.2	17.1	8.5	12.9	38.1	34.0	17.6	-0.5	
Margins (%)	19.8	22.3	22.9	16.7	21.9	22.9	24.2	20.5	20.5	22.4	21.6	
Interest	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.9	0.6	0.1	
Other Income	1.4	1.8	1.3	1.8	1.6	1.9	1.5	1.4	6.2	6.5	1.7	
Profit before Tax	**13.7**	**16.4**	**16.1**	**11.9**	**16.1**	**17.9**	**18.5**	**15.5**	**58.2**	**68.0**	**16.6**	
One-time (expense)/income	0.0	-0.4	-1.4	0.7	0.0	0.0	0.7	0.0	-1.1	0.7	0.0	
PBT after EO expense	**13.7**	**15.9**	**14.7**	**12.6**	**16.1**	**17.9**	**19.2**	**15.5**	**57.0**	**68.6**	**16.6**	**15.1**
Tax	3.8	4.4	4.1	3.2	4.4	4.8	3.3	4.1	15.5	16.7	4.7	
Rate (%)	27.5	26.8	25.1	27.3	27.0	27.0	18.0	26.8	26.6	24.5	28.5	
Minority Interest	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.3	0.1	0.0	
Reported PAT	**10.0**	**11.3**	**10.6**	**9.4**	**11.8**	**13.0**	**15.7**	**11.3**	**41.2**	**51.8**	**11.9**	**32.4**
Adj PAT	**10.0**	**11.7**	**12.0**	**8.7**	**11.8**	**13.0**	**13.6**	**11.3**	**42.4**	**49.8**	**11.9**	**15.0**
YoY Change (%)	45.1	37.7	49.4	22.7	18.3	10.9	14.0	30.5	39.0	17.5	-0.9	

E: MOFSL Estimates

Key performance indicators

Y/E March	FY24				FY25E				FY24	FY25E	Est.
INR b	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Domestic formulation	27.7	28.2	28.6	24.2	29.0	29.5	31.5	26.3	108.7	116.3	30.6
YoY Change (%)	11.6	9.8	11.5	7.0	4.5	4.7	10.0	9.0	10.1	7.0	7.0
North America	18.2	18.9	19.2	18.8	20.9	19.9	19.1	18.4	75.0	78.2	18.3
YoY Change (%)	52.0	29.5	19.8	11.8	14.5	5.2	-0.5	-1.8	26.9	4.3	-4.7
South Africa	7.5	9.9	8.2	7.6	7.0	10.7	9.8	9.3	30.6	36.7	9.6
YoY Change (%)	-5.1	13.6	19.9	-8.5	-7.1	7.6	18.0	22.4	-3.4	20.0	18.0
Emerging market	7.8	7.3	7.5	8.3	8.5	8.1	8.2	8.6	30.9	33.4	8.3
YoY Change (%)	8.2	-3.1	-2.1	5.5	9.0	9.8	10.5	3.9	1.9	8.1	11.8
API	1.4	1.5	1.1	1.9	1.0	1.6	1.3	1.4	5.8	5.2	1.3
YoY Change (%)	0.7	-15.9	-26.5	41.0	-27.9	8.8	18.0	-26.5	2.3	-10.0	18.0
Cost Break-up											
RM Cost (% of Sales)	35.3	34.6	33.6	33.3	32.8	32.4	32.0	33.3	39.6	38.4	33.4
Staff Cost (% of Sales)	16.9	16.3	16.2	17.6	17.8	17.1	16.9	17.3	17.7	17.0	16.8
R&D Expenses(% of Sales)	5.5	5.7	6.1	7.2	5.3	5.5	5.1	5.4	6.0	4.5	5.8
Other Cost (% of Sales)	18.7	17.4	17.7	20.6	18.5	18.3	17.8	19.4	19.5	17.6	18.5
Gross Margin (%)	64.7	65.4	66.4	66.7	67.2	67.6	68.0	66.7	60.4	61.6	66.6
EBITDA Margin (%)	23.6	26.0	26.5	21.4	25.6	26.7	28.1	24.6	24.4	26.3	25.5
EBIT Margin (%)	19.8	22.3	22.9	16.7	21.9	22.9	24.2	20.5	20.5	22.4	21.6

Source: MOFSL, Company

TVS Motor Company

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	TVSL IN
Equity Shares (m)	475
M.Cap.(INRb)/(USDb)	1109.7 / 12.8
52-Week Range (INR)	2958 / 1873
1, 6, 12 Rel. Per (%)	0/1/13
12M Avg Val (INR M)	2237

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	356.8	409.0	462.8
EBITDA	41.7	49.1	56.9
Adj. PAT	25.0	30.6	36.6
EPS (INR)	52.5	64.4	77.0
EPS Gr. (%)	19.8	22.7	19.5
BV/Sh (INR)	206.3	259.7	322.7
Ratios			
RoE (%)	28.5	27.7	26.4
RoCE (%)	34.2	34.2	33.7
Payout (%)	17.1	17.1	18.2
Valuations			
P/E (x)	44.4	36.2	30.3
P/BV (x)	11.3	9.0	7.2
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	1.7	2.4	2.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	50.3	50.3	50.3
DII	20.0	19.0	21.8
FII	21.3	22.4	19.3
Others	8.5	8.3	8.7

FII Includes depository receipts

CMP: INR2,336 TP:INR2,570 (+10%) Neutral

Operationally in line; margin expansion continues

Market share loss in motorcycles remains a cause for concern

- TVS Motor (TVSL) delivered an in-line operating performance, with its EBITDA margin showing continued improvement, reaching 11.9% in 3QFY25 (up 70bp YoY). For the first time in many years, TVSL has underperformed the industry in FY25 YTD. More importantly, TVSL has underperformed in the 125cc segment, which has been its key growth driver in recent years.
- At ~36x/30x FY26E/FY27E EPS, we believe most of the positives are in the price. We maintain our FY25E/26E EPS estimates. **Reiterate Neutral** with a TP of ~INR2,570 (based on ~32x Dec'26E EPS and INR205/sh for the NBFC).

Better mix and FX realization lead to sequential margin improvement

- TVSL's revenue/EBITDA/adj. PAT grew 10%/17%/4% YoY in 3QFY25 to INR90.97b/INR10.8b/INR6.2b (est. INR91.1b/10.5b/6.5b). Its 9MFY25 revenue/EBITDA/adj. PAT grew 13%/21%/16% YoY.
- Revenue growth of ~10% YoY was entirely driven by volume growth. ASPs remained flat both YoY/QoQ at INR75.2k per unit.
- RM costs were largely flat QoQ with a minimal price increase.
- Overall, EBITDA margin improved marginally by 20bp QoQ (70bp YoY) to 11.9% (est. 11.6%). This led to ~17% YoY EBITDA growth to INR10.8b (est. INR10.5).
- Other income for the quarter includes INR411.6m loss on the fair valuation of investments held by the company.
- This led to a lower Adj. PAT of INR6.2b (+4% YoY, est. INR6.5b). Adjusted for fair valuation in other income, Adj. PAT would have been in line.

Key takeaways from the management interaction

- **Domestic:** Expect growth momentum to continue in FY26. The 2W retail market grew ~9% YoY in FY25YTD, with rural growth slightly higher at ~10%. Healthy reservoir levels, improved crop outlook, and higher infrastructure investments are expected to support demand going forward.
- **International:** During 3Q, Africa showed improvement, with expectations for further growth in 4Q. LATAM continues to perform well, with consistent MoM growth. Sri Lanka's reopening is a positive development in the Asia market, where Nepal is performing well. While Bangladesh faces challenges, a recovery is anticipated in the coming quarters. The Middle East also continues to perform well overall.
- **Capex:** Guided for capex for FY25 of ~INR13b and investments of INR17b. Investments are focused on product readiness, e-bikes, new technology via TVS Singapore, and setting up a new international hub in Dubai to tap into opportunities in Africa, the Middle East, and Europe.

Valuation and view

- The recently launched Jupiter 110 has been very well received by customers and is likely to help TVSL gain a share in scooters in the coming quarters. However, in motorcycles, for the first time in many years, TVSL has underperformed the industry in FY25 YTD. More importantly, TVSL has underperformed in the 125cc segment, which has been its key growth driver in recent years. Additionally, while there is a recovery in the export market, its full recovery is yet to be realized.
- Given these factors, we believe TVSL at 36x/30x FY26E/FY27E EPS appears fairly valued. **Reiterate Neutral with a TP of ~INR2,570 (based on ~32x Dec'26E EPS and INR205/sh for the NBFC).**

S/A Quarterly Performance

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Vols ('000 units)	**953.2**	**1,074.4**	**1,100.8**	**1,062.5**	**1,087.2**	**1,228.2**	**1,212.0**	**1,179.9**	**4,191**	**4,707**	**1,212.0**
Growth (%)	5.1	4.6	25.2	22.4	14.1	14.3	10.1	11.0	13.8	12.3	10.1
Realn (INR '000/unit)	**75.7**	**75.8**	**74.9**	**76.9**	**77.0**	**75.1**	**75.1**	**76.1**	**75.8**	**75.8**	**75.1**
Growth (%)	14.3	7.9	0.6	1.1	1.7	(0.9)	0.2	(1.0)	5.8	(0.0)	0.3
Net Sales	**72,179**	**81,446**	**82,450**	**81,688**	**83,756**	**92,282**	**90,971**	**89,786**	**3,17,764**	**3,56,795**	**91,060**
Growth (%)	20.1	12.8	26.0	23.7	16.0	13.3	10.3	9.9	20.5	12.3	10.4
Total RM Cost	**53,818**	**60,276**	**60,756**	**59,440**	**59,804**	**66,018**	**65,112**	**64,281**	**2,34,290**	**2,55,215**	**65,381**
RM (% of sales)	74.6	74.0	73.7	72.8	71.4	71.5	71.6	71.6	73.7	71.5	71.8
Emp cost (% of sales)	5.2	4.8	4.9	5.1	5.7	5.4	5.5	5.5	5.0	5.5	5.4
Other exp (% of sales)	9.6	10.1	10.2	10.8	11.4	11.4	11.1	11.2	10.2	11.3	11.2
EBITDA	**7,638**	**8,998**	**9,244**	**9,262**	**9,602**	**10,798**	**10,815**	**10,531**	**35,141**	**41,745**	**10,530**
EBITDA Margin (%)	10.6	11.0	11.2	11.3	11.5	11.7	11.9	11.7	11.1	11.7	11.6
Interest	474	523	448	372	372	319	338	364	1,816	1,392	340
Depreciation	1,636	1,701	1,781	1,887	1,763	1,806	1,883	1,923	7,004	7,376	1,850
Other Income	576	462	734	-287	363	299	-227	315	1,485	750	320
PBT before EO Exp	**6,104**	**7,237**	**7,750**	**6,716**	**7,829**	**8,972**	**8,367**	**8,559**	**27,807**	**33,727**	**8,660**
EO Exp	0	0	0	0	0	0	0	0			0
PBT after EO Exp	**6,104**	**7,237**	**7,750**	**6,716**	**7,829**	**8,972**	**8,367**	**8,559**	**27,807**	**33,727**	**8,660**
Tax	1,427	1,871	1,817	1,862	2,056	2,346	2,182	2,185	6,977	8,769	2,165
Total Tax	**1427**	**1871**	**1817**	**1862**	**2056**	**2346**	**2182**	**2185**	**6977**	**8769**	**2165**
Tax rate (%)	23.4	25.9	23.4	27.7	26.3	26.1	26.1	25.5	25.1	26.0	25.0
Reported PAT	**4,677**	**5,366**	**5,934**	**4,854**	**5,773**	**6,626**	**6,185**	**6,374**	**20,830**	**24,958**	**6,495**
Adjusted PAT	**4,677**	**5,366**	**5,934**	**4,854**	**5,773**	**6,626**	**6,185**	**6,374**	**20,830**	**24,958**	**6,495**
Growth (%)	45.9	31.7	68.2	33.4	23.4	23.5	4.2	31.3	44.4	19.8	9.5

29 January 2025

3QFY25 Result Update | Sector: Utilities

JSW Energy

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(USDb)	880.9 / 10.2
52-Week Range (INR)	805 / 452
1, 6, 12 Rel. Per (%)	-16/-20/-4
12M Avg Val (INR M)	2357

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	134.6	163.4	194.6
EBITDA	57.9	83.0	108.3
Adj. PAT	23.9	30.1	31.8
Adj. EPS (INR)	13.7	17.2	18.2
EPS Gr. (%)	30.3	26.0	5.7
BV/Sh.(INR)	130.4	144.7	159.9
Ratios			
Net D:E	1.5	1.7	1.6
RoE (%)	11.0	12.5	12.0
RoCE (%)	7.9	9.2	10.1
Payout (%)	19.7	17.4	16.5
Valuations			
P/E (x)	36.8	29.2	27.6
P/BV (x)	3.9	3.5	3.2
EV/EBITDA (x)	21.2	15.7	12.3
Div. Yield (%)	0.5	0.6	0.6
FCF Yield (%)	-8.3	-6.3	-2.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	69.3	69.3	73.4
DII	10.0	9.8	9.6
FII	14.7	15.1	8.7
Others	5.9	5.8	8.3

FII Includes depository receipts

CMP: INR504 TP: INR770 (+53%) Buy

Weak merchant spreads mar 3Q; core story intact

- JSWE's 3QFY25 EBITDA declined 18% YoY to INR9.1b (est. INR12.7b), dragged down by lower merchant spreads (INR2.6b impact) and high other opex due to the start of nearly 0.9GW in capacity since 3QFY24. Net generation was up 10% YoY, helped by the start of 377MW wind capacity and the continued ramp-up at Ind Barath. JSWE management has maintained its guidance of achieving 10GW in operational capacity by FY25 end. JSWE remains hopeful of consummating both the KSK Mahanadi and O2 Power acquisitions by 2QFY26. The total pipeline (organic + inorganic) now stands at ~28GW.
- Considering the weak 3QFY25 financial performance, we lower our FY25 adjusted PAT by ~5%. However, we believe the core story remains intact and the company is on track to nearly double its capacity to ~14GW by Jun’25 (assuming KSK Mahanadi and O2 Power acquisitions are consummated). We maintain our BUY rating with a revised TP of INR770.

EBITDA miss amid lower merchant spreads

- **Consolidated:**
  - JSWE reported 3Q consolidated revenue of INR24b (-4% YoY), which was 20% below our estimate of INR30.5b as incremental revenue from new RE capacity and Utkal Unit-1 was offset by lower short-term thermal realizations and a reduced tariff at the hydro plant due to a change in depreciation policy.
  - EBITDA came in at INR9b (-18% YoY), which was 28% lower than our estimate due to lower short-term spreads.
  - Adjusted 3QFY25 PAT was 56% below our estimate at INR1.6b (-27% YoY) mainly due to higher finance costs and lower other income.
  - The commissioning of 377MW of incremental wind capacity occurred during the lean season and partly operational in 3QFY25, leading to higher capitalization, increased finance costs, and depreciation expenses.
  - Receivables on DSO basis came in at 96 days.
  - The company's operational capacity stands at 8GW. The project pipeline (entirely RE) stands at 14.2GW, with PPA yet to be signed for 6.7GW.
- **Standalone:**
  - JSW Energy reported standalone 3QFY25 PAT of INR2.8b (-13% YoY and +24% QoQ).
  - Revenue dipped 23% YoY to INR9.7b. EBITDA margin stood at 31%+, with EBITDA of INR3b (-40% YoY, +22% QoQ).
- **Operational:**
  - The company commissioned 377MW of wind capacity, further expanding its renewable energy portfolio.
  - It reported a 10% YoY increase in net generation to 6.8BUs. This growth was primarily driven wind capacity additions, enhanced hydro generation, and an increase in thermal generation from Utkal Unit-1.
  - RE generation increased by 18% YoY in 3QFY25 to 1.6BUs due to wind and hydro generation, which surged YoY by 38% and 14%, respectively.
  - Additionally, long-term PPA generation rose 7% YoY.

3QFY25 highlights:

- **Financial Performance**
  - 3QFY25 revenue remained flat. EBITDA declined 18% YoY to INR11b, impacted by higher costs and depreciation. PAT fell 27% YoY to INR1.68b.
  - Net debt stood at INR265b, with cash and cash equivalents of INR50b.
  - Capex in 9MFY25 was INR62b. The FY25 capex target is revised to INR100b from INR150b. Receivables stood at INR25b (96 days of sales).
- **Operational Highlights**
  - 377 MW of wind capacity added in 3QFY25. The company is constructing 7.8GW with PPAs, while 3.9GW awaits PPA agreements.
  - Thermal PLF stood at 72%.
  - It is on track to achieve 14GW operational capacity by Jun'25, targeting 20GW by 2030.
- **Key Acquisitions**
  - O2 Power: Acquired 4.7GW assets for INR124b (2.3GW operational by Jun'25) with a blended tariff of INR3.7/unit and EBITDA of INR15b.
  - Hetero Group: Acquired assets with a blended tariff of INR5.22/unit and a 15-year plant life.
  - KSK Mahanadi: LoI for 3.6GW thermal capacity (1.8GW operational, 1.8GW near completion), offering cost benefits over greenfield projects.

Valuation and view

- The valuation of JSWE is based on SoTP:
  - Thermal being valued at 10x FY27E EBITDA and renewable energy at 15x FY27E EBITDA (FY28E EBITDA discounted by 1 yr)
  - Hydro at 3x FY27E book value and green hydrogen equity at a 2x multiple
- Additionally, the company's stake in JSW Steel is valued at a 25% discount to the current market price, acknowledging the strategic significance of this holding while incorporating a conservative valuation approach.
- By aggregating the values from these different components, the total equity value of JSWE was determined, leading to a TP of INR770/share.

Consolidated performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var.	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%	(%)	(%)
Net Sales	**29,279**	**30,894**	**25,428**	**27,559**	**28,795**	**32,377**	**24,389**	**49,056**	**1,13,159**	**1,34,616**	**30,578**	**-20%**	**-4**	**-25**
YoY Change (%)	*-3.3*	*29.4*	*13.1*	*3.2*	*-1.7*	*4.8*	*-4.1*	*78.0*	*9.5*	*19.0*	*20.3*			
Total Expenditure	17,058	13,790	14,320	15,873	14,617	15,528	15,252	31,283	61,041	76,680	17,820		-12	4
EBITDA	**12,221**	**17,104**	**11,108**	**11,685**	**14,177**	**16,849**	**9,137**	**17,773**	**52,118**	**57,937**	**12,758**	**-28%**	**-18**	**-46**
Margin (%)	*41.7*	*55.4*	*43.7*	*42.4*	*49.2*	*52.0*	*37.5*	*36.2*	*46.1*	*43.0*	*41.7*			
Depreciation	3,979	4,087	4,001	4,267	3,755	3,918	4,055	4,273	16,334	16,000	5,149	**-21%**	1	3
Interest	4,857	5,137	5,208	5,332	5,111	5,183	5,645	5,189	20,534	21,127	5,039	**12%**	8	9
Other Income	854	1,279	1,186	1,235	1,632	2,217	2,012	2,729	4,554	8,590	2,332	**-14%**	70	-9
PBT before EO expense	**4,238**	**9,159**	**3,086**	**3,321**	**6,944**	**9,965**	**1,449**	**11,041**	**19,804**	**29,399**	**4,902**			
Extra-Ord income/(exp.)	0	1,700	0	0	0	0	0	0	1,700	0	0			
PBT	**4,238**	**10,859**	**3,086**	**3,321**	**6,944**	**9,965**	**1,449**	**11,041**	**21,504**	**29,399**	**4,902**	**-70%**	**-53**	**-85**
Tax	1,356	2,351	779	-64	1,641	1,282	-74	2,444	4,423	5,292	919	**-108%**	-110	-106
Rate (%)	*32.0*	*21.6*	*25.3*	*-1.9*	*23.6*	*12.9*	*-5.1*	*22.1*	*20.6*	*18.0*	*18.7*			
Minority Interest	5	66	9	-61	124	235	-104	220	19	475	*195.5*			
Share of JV & associates	21	59	16	69	38	84	52	81	165	255	66			
Reported PAT	**2,899**	**8,502**	**2,313**	**3,513**	**5,218**	**8,533**	**1,678**	**8,459**	**17,227**	**23,887**	**3,854**	**-56%**	**-27**	**-80**
Adj PAT	**2,899**	**7,170**	**2,313**	**3,513**	**5,218**	**8,533**	**1,678**	**8,459**	**15,877**	**23,887**	**3,854**	**-56%**	**-27**	**-80**
YoY Change (%)	*-26.4*	*54.0*	*28.8*	*31.1*	*80.0*	*19.0*	*-27.4*	*140.8*	*22.6*	*50.5*	*66.6*			
Margin (%)	*9.9*	*23.2*	*9.1*	*12.7*	*18.1*	*26.4*	*6.9*	*17.2*	*14.0*	*17.7*	*12.6*			

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3QFY25 Results Update | Sector: Automobile

Bosch

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BOS IN
Equity Shares (m)	29
M.Cap.(INRb)/(USDb)	878.8 / 10.2
52-Week Range (INR)	39089 / 22533
1, 6, 12 Rel. Per (%)	-9/-7/23
12M Avg Val (INR M)	1299

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	177.1	198.5	220.3
EBITDA	22.5	25.8	28.7
Adj. PAT	20.5	23.1	26.9
EPS (INR)	694.6	784.7	912.1
EPS Gr. (%)	11.9	13.0	16.2
BV/Sh. (INR)	4,465	4,890	5,382
Ratios			
RoE (%)	16.2	16.8	17.8
RoCE (%)	21.0	21.6	22.8
Payout (%)	46.1	45.9	46.0
Valuations			
P/E (x)	42.9	38.0	32.7
P/BV (x)	6.7	6.1	5.5
Div. Yield (%)	1.1	1.2	1.4
FCF Yield (%)	1.1	1.3	1.5

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	70.5	70.5	70.5
DII	15.9	15.8	17.3
FII	6.1	6.2	3.7
Others	7.4	7.5	8.5

FII Includes depository receipts

CMP:INR29,790 TP: INR30,810 (+3%) Neutral

Operationally in-line quarter

Initiates another restructuring exercise to remain competitive

- Bosch's (BOS) 3QFY25 operational performance was in line, while lower other income and higher taxes led to Adj. PAT miss at INR4.9b (up 5% YoY, est. INR5.4b).
- The auto demand outlook continues to be subdued across key segments in the near term. We cut our FY25E/26E EPS by ~4%/8% to factor in a weak demand outlook and higher employee expenses. At ~38x FY26E/33x FY27E EPS, the stock appears fairly valued. **We reiterate our Neutral stance on the stock with a TP of INR30,810 (based on ~35x Dec'26E EPS).**

High employee expenses impact the EBITDA margin

- 3QFY25 revenue/EBITDA/PAT grew ~6%/1%/5% YoY to INR44.7b/5.8b/4.9b (est. INR45.4b/6.1b/5.4b). 9MFY25 revenue/EBITDA/PAT grew ~5%/8%/15% YoY.
- Its mobility segment grew 1.6% YoY, led by growth in the aftermarket (8.8%) and 2W (+23.9%) segments. The aftermarket growth was led by high demand for diesel systems, batteries, and lubricants, while the 2W segment growth was led by strong demand for exhaust gas sensors as well as the ramp-up of OBD2-based models by some OEMs. The after sales division is likely to grow at 8-10% in the long run.
- The consumer goods segment posted 8.8% YoY growth, led by the strong growth of grinders, drillers, cutters, spares, and accessories.
- The energy and building technology division also posted 8% YoY growth, which was supported by higher orders for the installation of public address systems and video surveillance systems.
- EBITDA margin came in at 13% (-70bp YoY/+30bp QoQ, est. 13.3%). Margins were impacted due to high employee costs, as the company continued to invest in new products. It expects employee costs to continue to rise gradually for the same reason.
- **Segmental PBIT margins**: Auto business - expanded 40bp YoY/70bp QoQ to 14.6%; consumer goods - margins stood at 4.7% (vs 11.7% in 3QFY24/ 9.3% in 2QFY25) due to seasonality factors; Others - 15.8% (-30bp YoY/+110bp QoQ).
- Further, lower other income and higher taxes led to a PAT miss.
- The company has allocated INR471m toward the restructuring of the business to sustain the competitiveness of the mobility division in India.

Highlights from the management commentary

- BOS is in the process of further restructuring its operations to remain competitive in the mobility business in India. As part of this, it has provided INR 471m as an exceptional expense in Q3.
- The company has entered into an agreement with Keenfinity India Private Ltd (wholly-owned subsidiary of its parent company) to sell the Building Technology division's products, comprising video systems, access and intrusion systems, and communication systems, for a cash consideration of around INR 5.95b. This segment generated revenue of INR4b and EBIT margin of about 6%. This sale is part of the parent company's global strategy to exit this business at a global level.

Valuation and view

- The auto demand outlook will continue to be subdued across key segments in the near term. Further, while BOS continues to work toward the localization of new technologies, given the long gestation projects, its margin remains under pressure with no visibility of improvement, at least in the near term.
- We cut our FY25E/26E EPS by ~4%/8% to factor in the weak demand outlook and higher employee expenses. While BOS is outperforming the underlying auto industry growth with new order wins, visibility for margin recovering to 15-16% is low. At ~38x FY26E/33x FY27E EPS, the stock appears fairly valued. **We reiterate our Neutral stance on the stock with a TP of INR30,810 (based on ~35x Dec'26E EPS).**

Quarterly performance (S/A) **(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	3QE
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Net Sales	**41.6**	**41.3**	**42.1**	**42.3**	**43.2**	**43.9**	**44.7**	**45.3**	**167.3**	**177.1**	**45.4**
YoY Change (%)	17.3	12.8	14.9	4.2	3.8	6.4	6.2	7.1	12.0	5.9	8.0
RM Cost (% of sales)	64.5	66.8	62.3	65.5	64.6	65.1	61.6	64.0	64.8	63.8	64.0
Staff Cost (% of sales)	7.4	8.1	7.9	8.5	7.8	7.8	8.8	8.7	8.0	8.3	7.7
Other Expenses (% of sales)	17.9	13.2	16.0	12.8	15.7	14.3	16.5	14.4	14.7	15.2	15.0
EBITDA	**4.7**	**4.9**	**5.8**	**5.6**	**5.2**	**5.6**	**5.8**	**5.9**	**20.9**	**22.5**	**6.1**
Margins (%)	11.3	11.9	13.8	13.2	12.0	12.8	13.0	12.9	12.5	12.7	13.3
Depreciation	0.9	1.0	1.2	1.2	0.9	0.9	1.0	1.0	4.3	3.8	1.1
Interest	0.3	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.5	0.2	0.0
Other Income	1.9	1.5	1.5	2.3	1.8	2.1	1.9	2.1	7.2	7.9	2.0
PBT before EO expense	**5.3**	**5.3**	**6.1**	**6.6**	**6.1**	**6.8**	**6.6**	**6.9**	**23.4**	**26.4**	**7.0**
Extra-Ord expense	0.0	-7.9	-0.6	0.0	0.0	-0.5	0.5	0.0	-8.4	0.0	0.0
PBT after EO Expense	**5.3**	**13.2**	**6.7**	**6.6**	**6.1**	**7.3**	**6.2**	**6.9**	**31.8**	**26.4**	**7.0**
Tax Rate (%)	23.2	24.2	22.8	14.6	23.8	26.2	25.8	14.5	21.7	22.5	22.0
Adj PAT	**4.1**	**3.8**	**4.7**	**5.6**	**4.7**	**5.0**	**4.9**	**5.9**	**18.1**	**20.5**	**5.4**
YoY Change (%)	22.4	3.2	48.0	41.5	13.8	29.7	4.8	4.5	26.8	13.4	15.3

Segmental Mix (INR b)	FY24				FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Auto	36.2	35.7	36.5	35.1	37.4	37.6	38.9
Growth (%)	16.5	13.3	12.7	2.8	3.3	5.3	6.6
PBIT margin (%)	10.9	12.5	14.2	13.9	13.8	13.9	14.6
Contribution (%)	87.1	86.5	86.8	82.9	86.7	85.6	87.2
Non-Auto	5.4	5.6	5.8	7.3	5.8	6.4	5.9
Growth (%)	23.6	7.6	29.1	8.6	7.2	14.0	3.0
PBIT margin (%)	16.4	9.3	13.5	11.4	7.9	11.1	9.0
Contribution (%)	13.0	13.6	13.7	17.1	13.5	14.6	13.3
a) Consumer goods	3.8	3.9	3.3	5.2	3.9	4.3	3.6
Growth (%)	17.8	10.5	31.0	10.1	4.9	10.1	8.4
PBIT margin (%)	15.5	7.2	11.7	11.5	3.1	9.3	4.7
b) Others	1.7	1.7	2.4	2.0	1.9	2.1	2.3
Growth (%)	39.2	1.6	26.7	4.8	12.3	22.6	(4.4)
PBIT margin (%)	18.3	14.0	16.1	11.2	18.0	14.7	15.8
Total Revenue (post inter segment)	41.6	41.3	42.1	42.3	43.2	43.9	44.7
Growth (%)	17.3	12.8	14.9	4.2	3.8	6.4	6.2

E:MOFSL Estimates

Union Bank of India

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	UNBK IN
Equity Shares (m)	7634
M.Cap.(INRb)/(USDb)	844 / 9.8
52-Week Range (INR)	173 / 101
1, 6, 12 Rel. Per (%)	-3/-9/-29
12M Avg Val (INR M)	2362

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	365.7	372.3	401.8
OP	282.1	310.3	332.7
NP	136.5	171.0	174.1
NIM (%)	2.9	2.7	2.7
EPS (INR)	18.9	22.4	22.8
EPS Gr. (%)	52.9	18.7	1.8
BV/Sh. (INR)	123	141	160
ABV/Sh. (INR)	112	132	151
RoA (%)	1.0	1.2	1.1
RoE (%)	16.7	17.4	15.5
Valuations			
P/E(X)	5.9	5.0	4.9
P/BV (X)	0.9	0.8	0.7
P/ABV (X)	1.0	0.8	0.7

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	74.8	74.8	77.0
DII	11.9	11.2	12.3
FII	6.5	6.9	4.0
Others	6.9	7.1	6.8

CMP: INR111 TP: INR135 (+22%) Buy

Robust other income drives earnings

Asset quality improves; CD ratio rises to 75.6%

- Union Bank of India (UNBK) reported 3QFY25 PAT of INR46b (28.2% YoY, 27% beat), led by lower provisions and higher-than-expected other income.
- NII grew 0.8% YoY to INR92.4b (up 2.1% QoQ; inline). NIMs expanded slightly, 1bp QoQ to 2.91%, during the quarter.
- Loan book grew at 6.7% YoY/2.6% QoQ while deposits grew 3.8% YoY/ declined 2% QoQ; CD ratio thus increased to 75.6%.
- Fresh slippages improved to INR19.7b from INR52.2b in 2Q, down 27% YoY/62% QoQ. GNPA/NNPA ratios improved 51bp/16bp QoQ to 3.85%/0.82%, respectively. PCR ratio increased to 79.3%.
- We increase our earnings estimate for FY26/27 by 5.9%/3.5%, factoring in lower credit costs and higher other income, and estimate RoA/RoE of 1.1%/15.5% by FY26. **Reiterate BUY with a TP of INR135 (based on 0.8x Sep'26E ABV).**

Business growth modest; NIMs remain broadly stable

- UNBK reported 3QFY25 PAT of INR46b (28.2% YoY, 27% beat), led by lower provisions and higher-than-expected other income. In 9mFY25, earnings grew 25.8% YoY to INR130b and we estimate 4QFY25 earnings to grow 23.7% YoY to INR41b.
- NII grew 0.8% YoY to INR92.4b (up 2.1% QoQ; inline). NIMs expanded slightly, 1bp QoQ to 2.91%, during the quarter.
- Other income grew 17% YoY to INR44.2b (6% higher than MOFSLe). Total income, thus, grew 5.5% YoY to INR136.6b (inline).
- Opex increased 8.8% YoY to INR61.6b (down 1.6% QoQ, inline). Provisions came in at INR16b (22% lower than MOFSLe). As a result, the overall C/I ratio increased 158bp QoQ to 45.1%. PPoP, thus, grew 2.9% YoY to INR75b (7% beat).
- Business growth was modest, with advances growing at 6.7% YoY/2.6% QoQ to INR9.2t. Retail book grew 16.4% YoY (4.9% QoQ) and commercial book grew 4.3% YoY (1.9% QoQ). MSME book declined 7.4% QoQ whereas agri book de-grew by 3.5% QoQ.
- Deposits grew 3.8% YoY/ declined 2% QoQ as the bank has shed ~INR300b of bulk deposits. CD ratio, thus, increased to 75.6%. CASA ratio improved 71bp QoQ to 33.4%.
- Fresh slippages improved to INR19.7b from INR52.2b in 2Q, down 27% YoY/62% QoQ. GNPA/NNPA ratios improved 51bp/16bp QoQ to 3.85%/0.82%, respectively. PCR ratio increased to 79.3%. SMA pool stood at 0.83%.

Highlights from the management commentary

- The bank has maintained its guidance of FY25 NIM at ~2.8-3%.
- MSME growth has been muted, primarily due to many INR 50b of MSME loans being upgraded to the mid-corporate segment and INR120b being declassified due to the unavailability of URN numbers. Additionally, agri growth was affected by state government waivers.
- The bank has a pipeline of INR750b in sanction limits, of which INR360b is pending disbursements and INR397b is awaiting sanction.
- Unsecured personal loans stood at INR128b, with a GNPA of ~1.8% in the personal loan segment.

Valuation and view

UNBK reported a steady quarter, driven by healthy other income and lower provisions, leading to an earnings beat. Margins expanded slightly by 1bp QoQ. Business growth was modest, with deposits declining sequentially due to the shed of bulk deposits; however, the CASA ratio showed improvement. Management continues to guide for NIMs in the range of 2.8-3%. There has been an improvement in overall asset quality ratios, with lower slippages leading GNPA/NNPA ratios to improve by 51bp/16bp QoQ. Credit costs were also well under control at 63bp during the quarter. We increase our earnings estimate for FY26/27 by 5.9%/3.5%, factoring in lower credit costs and higher other income, and estimate an RoA/RoE of 1.1%/15.5% by FY26. **Reiterate BUY with a TP of INR135 (based on 0.8x Sep'26E ABV).**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**88.4**	**91.3**	**91.7**	**94.4**	**94.1**	**90.5**	**92.4**	**95.3**	**365.7**	**372.3**	**91.8**	**1%**
% Change (YoY)	16.6	9.9	6.3	14.4	6.5	-0.9	0.8	1.0	11.6	1.8	0.2	
Other Income	39.0	37.0	37.7	47.1	45.1	53.3	44.2	47.2	160.8	189.7	41.6	6%
Total Income	**127.4**	**128.2**	**129.4**	**141.4**	**139.2**	**143.8**	**136.6**	**142.5**	**526.5**	**562.0**	**133.4**	**2%**
Operating Expenses	55.6	56.0	56.6	76.1	61.4	62.6	61.7	66.1	244.4	251.7	63.4	-3%
Operating Profit	**71.8**	**72.2**	**72.8**	**65.3**	**77.9**	**81.1**	**74.9**	**76.4**	**282.1**	**310.3**	**70.0**	**7%**
% Change (YoY)	31.8	9.8	9.9	-4.3	8.4	12.4	2.9	16.9	10.8	10.0	-3.8	
Provisions	20.1	17.7	17.5	12.6	27.6	17.1	16.0	19.5	67.8	80.2	20.5	-22%
Profit before Tax	**51.7**	**54.5**	**55.3**	**52.7**	**50.3**	**64.0**	**58.9**	**56.9**	**214.3**	**230.1**	**49.5**	**19%**
Tax	19.4	19.4	19.4	19.6	13.5	16.8	12.9	15.9	77.8	59.1	13.1	-2%
Net Profit	**32.4**	**35.1**	**35.9**	**33.1**	**36.8**	**47.2**	**46.0**	**41.0**	**136.5**	**171.0**	**36.4**	**27%**
% Change (YoY)	107.7	90.0	59.9	19.0	13.7	34.4	28.2	23.7	61.8	25.3	1.4	
Operating Parameters												
Deposit (INR b)	11,281	11,376	11,725	12,215	12,242	12,419	12,166	12,631	12,215	12,631	12,783	
Loan (INR b)	7,705	8,036	8,621	8,708	8,787	8,971	9,202	9,483	8,708	9,483	9,205	
Deposit Growth (%)	13.6	9.0	10.1	9.3	8.5	9.2	3.8	3.4	9.3	3.4	9.0	
Loan Growth (%)	13.9	10.5	14.0	14.3	14.0	11.6	6.7	8.9	14.3	8.9	6.8	
Asset Quality												
Gross NPA (%)	7.3	6.4	4.8	4.8	4.5	4.4	3.9	3.7	4.8	3.7	4.1	
Net NPA (%)	1.6	1.3	1.1	1.0	0.9	1.0	0.8	0.8	1.1	0.8	0.9	
PCR (%)	79.8	80.7	78.4	79.1	80.9	78.4	79.3	79.4	78.4	79.4	78.0	

E: MOFSL Estimates

Colgate

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	CLGT IN
Equity Shares (m)	272
M.Cap.(INRb)/(USDb)	728.8 / 8.4
52-Week Range (INR)	3893 / 2466
1, 6, 12 Rel. Per (%)	2/-8/0
12M Avg Val (INR M)	1390

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	61.5	66.5	71.7
Sales Gr. (%)	8.2	8.1	7.9
EBITDA	20.1	22.1	24.0
EBITDA Margin (%)	32.7	33.3	33.5
Adj. PAT	14.4	15.9	17.3
Adj. EPS (INR)	53.1	58.4	63.6
EPS Gr. (%)	7.8	10.2	8.8
BV/Sh.(INR)	77.0	85.4	94.0
Ratios			
RoE (%)	72.7	72.0	70.9
RoCE (%)	71.4	71.6	70.6
Payout (%)	84.8	85.5	86.5
Valuation			
P/E (x)	50.3	45.7	42.0
P/BV (x)	34.7	31.3	28.4
EV/EBITDA (x)	35.5	32.1	29.5
Div. Yield (%)	1.7	1.9	2.1

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	51.0	51.0	51.0
DII	6.8	5.8	5.9
FII	23.7	24.9	24.6
Others	18.4	18.2	18.5

FII includes depository receipts

CMP: INR2,679 TP: INR2,850 (+6%) Neutral

Moderation in growth; miss on profitability

- Colgate (CLGT) delivered a 5% YoY revenue growth to INR14.6b (miss), with mid-single-digit intrinsic volume growth in toothpaste (est. 5%). Toothbrush experienced competitive growth. Demand has shown some softness, particularly in the urban market, while rural recovery has remained steady. Consumer promotions saw an uptick during the quarter. HUVR reported mid-single-digit revenue growth in oral care in 3QFY25.
- Gross margin contracted 230bp YoY to 69.9% (est. 71.0%) from the all-time high of 72.2% in 3QFY24, while improving 140bp QoQ. EBITDA margin contracted 250bp YoY to 31.1% (est. 32.8%). EBITDA declined 3% YoY.
- Product innovations and marketing efforts have supported CLGT's volume growth. The company did not implement any material price hikes in 3Q, and last year's price hikes have been anniversarized, removing any pricing contribution to revenue. Moving forward, it will be important to monitor the volume growth momentum.
- We model ~8% revenue growth for FY25/FY26. EBITDA margin is already at an elevated level; however, sustaining it may be challenging. The current valuations at 46x/42x P/E for FY26E/ FY27E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR2,850 (based on 45x Dec'26E EPS).**

Mid-single-digit volume growth; miss on margins

- **Volumes grew in mid-single digit:** CLGT's sales grew 5% YoY to INR14.6b (est. INR14.9b), and the last four quarters clocked 10% YoY average growth. Toothpaste delivered mid-single-digit intrinsic volume growth (est. 5%), with better traction from premium products.
- **Miss on margins**: Gross margins contracted 230bp YoY to 69.9% (est. 71.0%). Gross profit was up only 1%. Ad spends and employee expenses were largely stable YoY, while higher other expenses (up 15% YoY) impacted EBITDA performance. EBITDA margin contracted ~250bp YoY to 31.1%.
- **Decline in profitability**: EBITDA declined 3% YoY to INR4.5b (est. INR4.9). PBT declined 2% YoY to INR4.3b (est. INR4.7b). APAT contracted 2% YoY to INR3.2b (est. INR3.5b).
- In 9HFY25, sales/EBITDA/PAT grew 9%/7%/9%, respectively.

Key highlights from management commentary

- The company started experiencing softness in demand from mid-September, with significant challenges in urban markets due to high inflation.
- Rural growth is outpacing urban growth, although the pace of growth remains gradual. The volume growth is positive both in urban and rural areas, though urban growth was moderate.
- Similar trends were observed for January, with softness persisting and no material improvement in demand.
- Promotional intensity has increased, with a considerable focus on freebies in urban markets.

- The company has taken no price cuts during the quarter, as raw material costs remained stable with no significant inflationary pressures.
- Pricing actions implemented last year have now been fully cycled, eliminating their contribution to revenue growth.
- The premium portfolio continues to perform well, supported by new launches, although its contribution to overall sales remains in single digits.
- Volume growth reported by the company is grammage growth but does not include the freebies offered by the company.
- Margins contracted YoY due to a high base; however, the company expects similar margin trends to continue going forward.

Valuation and view

- We cut our EPS by 3% each for FY25/FY26 to factor in the slow growth and slight cut in margin.
- Historically, CLGT's volume growth has been weaker than that of its peers. Hence, tracking the volume trajectory will be critical in upcoming quarters given the weak urban demand. The stock has witnessed a sharp re-rating over the last 12-15 months. Similar to the margin miss in 3Q, there is a risk associated with maintaining a high operating margin in the coming quarters.
- The current valuations at 46x/42x P/E for FY25E/ FY26E capture most of the near-term triggers. **We reiterate our Neutral rating on the stock with a TP of INR2,850 (based on 45x Dec'26E EPS).**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Volume Gr %	**3.0**	**-1.0**	**-1.0**	**1.0**	**7.0**	**8.0**	**4.0**	**4.0**	**0.5**	**5.8**	**5.0**	
Net Sales (incldg. OOI)	**13,237**	**14,711**	**13,957**	**14,900**	**14,967**	**16,191**	**14,618**	**15,685**	**56,804**	**61,462**	**14,934**	**-2.1%**
YoY change (%)	10.6	6.0	8.1	10.3	13.1	10.1	4.7	5.3	8.7	8.2	7.0	
Gross Profit	**9,058**	**10,117**	**10,073**	**10,327**	**10,574**	**11,098**	**10,220**	**10,947**	**39,574**	**42,839**	**10,603**	**-3.6%**
Gross margin (%)	68.4	68.8	72.2	69.3	70.6	68.5	69.9	69.8	69.7	69.7	71.0	
EBITDA	**4,181**	**4,821**	**4,684**	**5,322**	**5,083**	**4,974**	**4,544**	**5,473**	**19,008**	**20,073**	**4,893**	**-7.1%**
Margins (%)	31.6	32.8	33.6	35.7	34.0	30.7	31.1	34.9	33.5	32.7	32.8	
YoY growth (%)	28.4	18.2	29.6	17.8	21.6	3.2	-3.0	2.8	22.9	5.6	4.5	
Depreciation	438	443	414	421	415	417	411	409	1,715	1,653	420	
Interest	11	11	15	14	10	12	11	22	50	55	16	
Financial other Income	150	210	179	227	234	195	204	251	765	884	230	
PBT	**3,883**	**4,578**	**4,434**	**5,114**	**4,893**	**4,740**	**4,325**	**5,292**	**18,008**	**19,250**	**4,687**	**-7.7%**
Tax	951	1,178	1,133	1,315	1,253	1,354	1,097	1,283	4,577	4,987	1,172	
Rate (%)	24.5	25.7	25.6	25.7	25.6	28.6	25.4	24.2	25.4	25.9	25.0	
Adj PAT	**2,883**	**3,401**	**3,301**	**3,798**	**3,640**	**3,555**	**3,228**	**4,009**	**13,383**	**14,432**	**3,515**	**-8.2%**
YoY change (%)	33.1	22.3	35.7	19.6	26.2	4.6	-2.2	5.6	26.8	7.8	6.5	
Reported PAT	**2,737**	**3,401**	**3,301**	**3,798**	**3,640**	**3,951**	**3,228**	**4,009**	**13,237**	**14,827**	**3,515**	

E: MOFSL Estimates

SBI Cards

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	SBICARD IN
Equity Shares (m)	951
M.Cap.(INRb)/(USDb)	722.2 / 8.3
52-Week Range (INR)	817 / 648
1, 6, 12 Rel. Per (%)	16/13/-8
12M Avg Val (INR M)	1212

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	51.5	61.5	70.6
OP	65.2	74.7	87.8
NP	24.1	19.6	28.7
NIM (%)	11.2	11.4	11.5
EPS (INR)	25.4	20.7	30.1
EPS Gr. (%)	6.2	(18.6)	45.9
BV/Sh. (INR)	127	145	173
ABV/Sh. (INR)	123	141	168
Ratios			
RoA (%)	4.6	3.2	4.1
RoE (%)	22.0	15.2	18.9
Valuations			
P/E(X)	29.9	36.7	25.2
P/BV (X)	6.0	5.2	4.4
P/ABV (X)	6.1	5.4	4.5

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	68.6	68.6	68.8
DII	16.5	16.8	16.3
FII	9.5	9.2	9.4
Others	5.4	5.5	5.6

FII includes depository receipts

CMP: INR759 TP: INR800 (+5%) Neutral

High provisioning drags earnings; credit cost peaks out

Guides for 12-15% growth in receivables

- SBI Cards (SBICARD) reported a miss on PAT (11% miss) at INR3.82b.
- NIMs stood stable at 10.6%. The share of the revolver mix improved marginally to 24%, although management does not expect the revolver mix to see any sustained improvement. EMI mix stood at 36% (vs 37% in 2Q, 38% in 1Q).
- Spends grew 5% QoQ (down 11% YoY) as retail spends continued to grow, while corporate spends remained muted. Management guides for slower receivable growth at 12-15% YoY for FY26.
- Asset quality stood stable with the GNPA/NNPA ratio decreasing 3bp/1bp QoQ to 3.24%/1.18%. RoA/ RoE stood at 2.4%/ 11.5%.
- We cut our FY25E/FY26E EPS by 6.7%/3.9%, factoring in slower growth and subdued margins. **Reiterate Neutral with a revised TP of INR800 (23x Sep'26E EPS)**.

Margins remain flat; asset quality bottoms out

- SBICARD reported an 11% miss on PAT at INR3.82b (down 5% QoQ) as elevated provisions hurt profitability. Gross credit cost came in higher at 9.4%. 9MFY25 PAT, thus, stood at INR13.8b (down 21% YoY), while 4QFY25 PAT is expected at INR5.8b (down 12% YoY).
- NII grew 13.2% YoY/4.6% QoQ to INR15.7b (inline). NIMs stood stable at 10.6%. The upcoming rate will be supportive of NIMs and we, thus, estimate the NIM trajectory to improve over FY26-27. The revolver mix improved to 24%, while the share of the EMI mix declined to 36%, and that of the transactor stood stable at 40%.
- CoF stood stable at 7.4%, but is expected to ease as the interest rate reversal cycle begins.
- Fee income as a proportion of total income stood stable at 51%. PPoP grew 13% YoY/4.2% QoQ to INR18.3b (in line). The C/I ratio stood broadly stable at 53.5% vs 53.4% in 2QFY25.
- Cards-in-force rose 10% YoY/3.1% QoQ to 20.2m. New card sourcing picked up in 3Q to 1.17m, with SBI sourcing rising to 55% vs 38% in 2Q, while on an outstanding basis, the SBI sourcing mix stood at 41%.
- Spends grew 5.1% QoQ (down 11% YoY), led by healthy growth in retail spends (up 9.9% YoY/ 5.8% QoQ), while corporate spends continued to be muted (down 77% YoY, 3.5% QoQ).
- GNPA/NNPA ratios decreased 3bp/1bp QoQ to 3.24%/1.18%. PCR was broadly stable QoQ at 64.4%, as credit cost rose 40bp QoQ to 9.4%. Provisioning expenses, thus, increased 49% YoY to INR13b.

Highlights from the management commentary

- The management indicated that credit cost has peaked, and the asset quality stress is likely to ease moving forward.
- The company is not taking proactive measures to increase the revolver mix share; it has remained stable at 24% and is expected to stay within this range or slightly lower.
- Receivables are expected to grow at ~12-15% next year. C/I ratio of ~52% is expected for the year.

Valuation and view: Reiterate Neutral with a revised TP of INR800

SBICARD reported another weak quarter, led by an earnings miss and elevated provisions. The revolver mix improved while the EMI mix moderated marginally. Management guides for no pickup in the revolver mix, but it has revamped the strategy towards the EMI conversion. Spends grew 5% QoQ, led by retail spends, while corporate spends stood muted. NIMs stood flat; however, the cost of funds is expected to provide some relief as the rate-cut cycle begins. Credit cost further inched up to 9.4%, with the trajectory likely to continue in 4Q. We cut our FY25E/FY26E EPS by 6.7%/3.9%, factoring in slower growth and subdued margins. **Reiterate Neutral with a revised TP of INR800 (23x Sep'26E EPS).**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**12.3**	**13.0**	**13.9**	**14.1**	**14.8**	**15.0**	**15.7**	**16.0**	**51.5**	**61.5**	**15.7**	**0%**
% Change (Y-o-Y)	14.3	16.1	21.2	21.4	19.7	15.8	13.2	13.0	17.0	19.4	13.0	
Other Income	22.4	23.2	26.6	23.4	22.4	22.7	23.7	23.9	97.4	92.7	25.7	-8%
Total Income	**34.8**	**36.2**	**40.5**	**37.5**	**37.2**	**37.7**	**39.4**	**39.9**	**148.9**	**154.1**	**41.3**	**-5%**
Operating Expenses	19.6	20.7	24.3	19.2	18.2	20.1	21.1	20.1	83.7	79.4	23.2	-9%
Operating Profit	**15.2**	**15.5**	**16.2**	**18.3**	**19.0**	**17.6**	**18.3**	**19.9**	**65.2**	**74.7**	**18.2**	**1%**
% Change (Y-o-Y)	17.3	23.9	33.1	28.2	25.4	13.3	13.0	8.3	25.6	14.6	12.1	
Provisions	7.2	7.4	8.8	9.4	11.0	12.1	13.1	12.1	32.9	48.3	12.4	6%
Profit before Tax	**8.0**	**8.1**	**7.4**	**8.9**	**8.0**	**5.5**	**5.2**	**7.8**	**32.3**	**26.4**	**5.8**	**-11%**
Tax	2.0	2.1	1.9	2.3	2.0	1.4	1.3	2.0	8.2	6.8	1.5	-9%
Net Profit	**5.9**	**6.0**	**5.5**	**6.6**	**5.9**	**4.0**	**3.8**	**5.8**	**24.1**	**19.6**	**4.3**	**-11%**
% Change (Y-o-Y)	-5.4	14.7	7.8	11.0	0.2	-32.9	-30.2	-12.0	6.6	-18.4	-21.5	
Operating Parameters												
Loan (INRb)	418.1	435.6	471.6	490.8	508.1	536.0	528.1	552.6	490.8	552.6	557.6	
Loan Growth (%)	30.3	19.3	26.3	24.7	21.5	23.0	12.0	12.6	24.7	12.6	18.2	
Borrowings (INRb)	329.6	340.8	380.1	398.9	408.7	432.2	439.1	458.3	398.9	458.3	451.4	
Borrowing Growth (%)	32.9	20.9	29.3	28.2	24.0	26.8	15.5	14.9	28.2	14.9	19	
Asset Quality												
Gross NPA (%)	2.4	2.4	2.6	2.8	3.1	3.3	3.2	3.1	2.8	3.1	3.4	
Net NPA (%)	0.9	0.9	1.0	1.0	1.1	1.2	1.2	1.1	1.0	1.1	1.2	
PCR (%)	63.8	64.1	64.1	64.9	64.4	64.4	64.4	64.7	64.9	64.7	65.1	

Source: Company, MOFSL

JSW Infrastructure

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	JSWINFRA IN
Equity Shares (m)	2100
M.Cap.(INRb)/(USDb)	548.5 / 6.3
52-Week Range (INR)	361 / 205
1, 6, 12 Rel. Per (%)	-16/-16/19
12M Avg Val (INR M)	1101

Financial Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	45.3	55.0	67.8
EBITDA	23.0	28.2	35.0
Adj. PAT	14.0	16.2	20.5
EBITDA Margin (%)	50.7	51.4	51.5
Adj. EPS (INR)	6.7	7.7	9.8
EPS Gr. (%)	15.3	15.5	26.5
BV/Sh. (INR)	43.2	49.0	56.3
Ratios			
Net D:E	-0.0	0.0	-0.0
RoE (%)	16.4	16.7	18.5
RoCE (%)	12.9	13.3	15.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	39.1	33.8	26.7
P/BV (x)	6.0	5.3	4.6
EV/EBITDA(x)	23.8	19.5	15.6
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	46.9	0.1	59.7

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	85.6	85.6	85.6
DII	2.7	2.5	4.1
FII	5.4	5.6	5.1
Others	6.3	6.3	5.2

FII Includes depository receipts

CMP: INR261 TP: INR350 (+34%) Buy

Operating performance in line; lower tax outgo drives APAT

Outlook remains bright as expansion is underway

- During 3QFY25, JSW Infrastructure (JSWINFRA) completed the acquisition of a 70.37% share of Navkar Corporation (NAVKAR) through its subsidiary JSW Port Logistics (consolidated effective 11th Oct'24). The 3QFY25 results are not comparable with those of the corresponding periods. Navkar generated a revenue/APAT of INR1.2b/INR11m from 11th Oct'24 to 31st Dec'24.
- JSWINFRA's consolidated revenues grew 26% YoY to INR11.8b. During the quarter, the company handled cargo volumes of 29.4m tonnes (+5% YoY).
- EBITDA grew ~22% YoY to INR5.9b. EBITDA margin was 49.6% and was lower by ~150bp YoY/~240bp QoQ. APAT grew ~43% YoY to INR4.4b (our est. of INR3.3b). Lower tax outgo drove APAT. The increase in the third-party volume was stronger with 31% YoY growth, and the share of third parties in the overall volumes stood at 49% in 3QFY25 vs. 39% in 3QFY24.
- During 9MFY25, revenue was INR 31.9b (+20% YoY), EBITDA was INR16.2b (+17% YoY), and APAT was INR 10b (+23% YoY).
- The company's 3QFY25 operational performance was in line (ex-Navkar's financials). JSWINFRA expects to end FY25 with a 10% volume growth and a focus on building capacity in the ports and logistics segments. Management has come out with an aggressive roadmap to build its logistics infrastructure and network under JSW Ports Logistics with a capex of INR90b through FY30.
- With better-than-expected volumes and ramp-up of volumes at the recently acquired ports, along with Navkar consolidation, we raise our EBITDA and APAT estimates by ~2% and 10%, respectively, for FY25. However, we broadly retain our FY26 and FY27 estimates. JSWINFRA continues to pursue organic and inorganic growth opportunities to bolster its market footprint. We estimate a volume/revenue/EBITDA/APAT CAGR of 14%/22%/21%/20% over FY24-27. **Reiterate BUY with a TP of INR350 (premised on 23x Sep'26 EV/EBITDA).**

Cargo volumes up 5% YoY driven by third-party cargo; focus on building a pan-India logistics infrastructure and network

- During 3QFY25, JSWINFRA managed cargo volumes of 29.4MMT (+5% YoY). The volume increase was driven by higher capacity utilization at the Paradip coal terminal, contributions from PNP Port, and the UAE Liquid Storage Terminal, partially offset by lower cargo volumes at the Paradip iron ore terminal. The increase in the third-party volume was stronger with 31% YoY growth, and the share of third parties in the overall volumes stood at 49% in 3QFY25 vs. 39% in 3QFY24.
- JSW Ports Logistics aims to achieve INR80b in revenue and INR20b in EBITDA, and targets to invest INR90b in logistics infrastructure by 2030 by leveraging the Navkar acquisition, JSW Group synergies, and diverse operations to develop terminals, railway sidings, and value-added services across India.

Highlights from the management commentary

- Port capacity expansion is a key priority, with a target to achieve 400MTPA by FY30. The current capacity increased to 174 MTPA (from 170 MTPA). Projects at JNPA, Tuticorin, Mangalore, and TNT ports contributed to the increase in the current capacity.
- Management is targeting a revenue of INR80b, an EBITDA of INR20b, and it aims to undertake a capex of INR90b for building the logistics infrastructure under JSW Ports Logistics.
- The breakdown of capex of INR90b will be as follows: INR30b for GCT & terminal development, INR30b for rake acquisitions or leasing, INR15b for specialized containers and other types of containers, and INR5b for other activities.
- The EBITDA margin for the port cargo business is 50-53%. The EBITDA margin for the oil tank terminal business in the UAE is 85% plus. The inclusion of the oil tank business into the port business is generating a higher EBITDA margin.

Valuation and view

- Leveraging its strong balance sheet, JSWINFRA aims to pursue organic and inorganic growth opportunities, strengthen its market presence, and expand its capacity to 400MMT by 2030, up from the current capacity of 170MMT.
- Considering stable growth levers at its existing ports and terminals, a higher share of third-party customers, sticky cargo volume from JSW Group companies, and an expanding portfolio, we expect JSWINFRA to strengthen its market dominance, leading to a 14% volume CAGR over FY24-27. This should drive a 21% CAGR in revenue and a 23% CAGR in EBITDA over the same period. **We reiterate our BUY rating with a TP of INR350 (based on 23x Sep'26 EV/EBITDA).**

Quarterly snapshot — INR m

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q*	4QE			3QE	vs Est
Net Sales	8,781	8,483	9,401	10,964	10,098	10,014	11,818	13,367	37,629	45,297	10,650	11
YoY Change (%)	7.1	28.1	17.8	19.8	15.0	18.0	25.7	21.9	17.8	20.4	13.3	
EBITDA	4,513	4,522	4,799	5,812	5,146	5,205	5,861	6,775	19,646	22,988	5,751	2
Margins (%)	51.4	53.3	51.0	53.0	51.0	52.0	49.6	50.7	52.2	50.7	54.0	
YoY Change (%)	4.7	32.6	27.5	23.2	14.0	15.1	22.1	16.6	21.3	17.0	19.8	
Depreciation	947	1,005	1,076	1,337	1,346	1,339	1,376	1,391	4,365	5,452	1,400	
Interest	714	752	672	754	740	747	974	787	2,892	3,248	715	
Other Income	401	472	782	1,039	939	868	835	671	2,694	3,314	750	
PBT before EO expense	3,253	3,237	3,834	4,760	3,999	3,988	4,346	5,269	15,083	17,602	4,386	
Extra-Ord expense	-872	-45	763	587	83	-1,551	1,586	0	433	118	0	
PBT	4,125	3,282	3,071	4,174	3,916	5,539	2,759	5,269	14,650	17,484	4,386	
Tax	903	723	535	883	951	1,802	-597	1,341	3,043	3,497	1,097	
Rate (%)	21.9	22.0	17.4	21.2	24.3	32.5	-21.6	25.4	20.8	20.0	25.0	
Minority Interest	-13.1	-14.7	-29.1	9.3	-41.1	-22.2	-58.6	74.1	-47.8	-47.8	-12.0	
Profit/Loss of Asso. Cos	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	3,209	2,544	2,507	3,300	2,924	3,715	3,298	4,002	11,559	13,939	3,278	1
Adj PAT	2,555	2,510	3,079	3,740	2,983	2,629	4,408	4,002	11,884	14,022	3,278	34
YoY Change (%)	5.7	52.3	40.6	6.9	16.7	4.7	43.2	7.0	21.8	18.0	6.5	
Margins (%)	29.1	29.6	32.7	34.1	29.5	26.3	37.3	29.9	31.6	31.0	30.8	

*Note - Company completed acquisition of 70.37% share of Navkar Corporation (Consolidated effective Oct 11, 2024). The results of 3Q FY25 are not comparable with those of the corresponding periods

Petronet LNG

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	PLNG IN
Equity Shares (m)	1500
M.Cap.(INRb)/(USDb)	435.8 / 5
52-Week Range (INR)	385 / 253
1, 6, 12 Rel. Per (%)	-11/-14/6
12M Avg Val (INR M)	1646

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	515.6	523.7	550.0
EBITDA	51.9	63.9	68.4
Adj. PAT	36.5	43.9	46.9
Adj. EPS (INR)	24.3	29.2	31.3
EPS Gr. (%)	3.1	20.3	7.0
BV/Sh.(INR)	126.1	141.8	158.6
Ratios			
Net D:E	-0.5	-0.5	-0.5
RoE (%)	20.3	21.8	20.8
RoCE (%)	21.4	22.9	21.8
Payout (%)	46.3	46.3	46.3
Valuation			
P/E (x)	12.0	10.0	9.3
P/BV (x)	2.3	2.1	1.8
EV/EBITDA (x)	6.7	5.1	4.5
Div. Yield (%)	3.9	4.7	5.0

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	50.0	50.0	50.0
DII	11.1	11.8	11.0
FII	28.6	27.3	26.8
Others	10.3	10.9	12.2

FII includes depository receipts

CMP: INR291 TP: INR330 (+14%) Neutral

Dahej expansion and Kochi connectivity serve as medium-term catalysts

- Petronet LNG's 3QFY25 revenue came in below our estimates, as total volumes stood below our estimates, primarily due to lower third-party cargos. While EBITDA was also marginally below estimates, higher-than-expected other income led to PAT coming in-line with our estimates. We believe that higher Spot LNG prices, averaging USD13.9/mmbtu in 3Q (up 7% QoQ), led to a decline in total volumes. Spot LNG prices continue to remain elevated in 4QFY25'td, averaging USD14.2/mmbtu.
- The Dahej terminal expansion from 17.5mmt to 22.5mmt is expected to be completed by Jun'25 (three months delay), after which it will be available for use. In 4Q, the management expects capacity utilization at Dahej to remain ~95%-100%. It believes that post connection to the National Gas Grid, Kochi terminal utilization could reach 50%. Management also stated that while Spot LNG is likely to remain in the range of USD12-USD14 per mmbtu, post FY27, these prices should be around USD7-USD8 per mmbtu due to the global supply glut.
- Going forward, the key catalysts will be: 1) the commissioning of the expanded Dahej capacity, and 2) pipeline connectivity for the Kochi terminal. While the PDH-PP project and Gopalpur FSRU can support the future volume trajectory, we believe that the economics of these projects are yet to be established and that they are longer-dated projects. As such, we maintain our **Neutral rating with a TP of INR330.**

Other key takeaways from the conference call

- The expected total capex for FY25 shall be INR14b-15b (INR9.8b has already been spent); total capex of INR40b-INR45b will be incurred in FY26.
- Petchem capex during 9MFY25 stood at INR3.4b (expected: INR4b by Mar'25). FY26 planned capex related to petchem amounts to INR30b-INR35b.
- A 5% tariff hike has been taken at Dahej from 1st Jan'25.
- During 3Q, inventory gains amounted to INR830m, while trading gains stood at INR260m. In 3Q, Regas revenues stood at INR8.4b (INR7.3b in 2QFY25).

PAT in line; Dahej utilization drops

- In 3QFY25, revenue came in below our estimate, as total volumes were below estimate.
- We note that Spot LNG prices were high in 3Q, averaging USD13.9/mmbtu (up 7% QoQ).
- EBITDA was 5% below our estimates at INR12.5b (-27% YoY), with employee expenses coming in above our estimate.
- Reported PAT stood in line with our est. at INR8.7b (-27% YoY), with other income coming in above our estimate.

Operational performance

- Volumes came in below our estimates, primarily due to lower third-party cargos.
- Dahej utilization was below estimates, while Kochi utilization stood in line.
- In 3Q, PLNG provisioned INR1b for UoP dues. Additionally, PLNG has waived off UoP charges of INR489m (INR1.8b in 9mFY25).
- **In 9MFY25,** net sales/EBITDA/PAT were similar YoY at INR387b/ INR40b/ INR29b. **In 4QFY25**, we estimate EBITDA/PAT to grow 14%/19% YoY.
- **As of Dec'24,** provisions on UoP dues stood at INR7b.
- UoP dues of INR16.7b (net provision INR9.6b) were included in trade receivables as of Dec'24. The company has obtained bank guarantees from customers to recover UoP charges for FY22 and FY23. The customers have not given balance confirmations toward these dues. However, the management is confident about recovering these charges.

Valuation and view

- PLNG's volume utilization improved substantially in 9MFY25 amid moderate spot LNG prices in 1HFY25 and robust demand. While we remain positive about the volume growth, we believe the ongoing uncertainty around UoP provisioning and rising competition will prevent a further re-rating.
- We value PLNG at 11x Dec'26E EPS to arrive at a TP of INR330. **We reiterate our Neutral rating** on the stock.

Standalone - Quarterly Earning Model **(INR b)**

Y/E March	FY24				FY25				FY24	FY25	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**116.6**	**125.3**	**147.5**	**137.9**	**134.2**	**130.2**	**122.3**	**129.8**	**527.3**	**516.5**	**133.9**	**-9%**
YoY Change (%)	-18.3	-21.6	-6.5	-0.6	15.1	3.9	-17.1	-5.9	-12.0	-2.1	-9.2	
EBITDA	**11.8**	**12.1**	**17.1**	**11.0**	**15.6**	**12.0**	**12.5**	**12.6**	**52.1**	**52.7**	**13.2**	**-5%**
Margin (%)	10.1	9.7	11.6	8.0	11.7	9.2	10.2	9.7	9.9	10.2	9.9	
Depreciation	1.9	1.9	2.0	1.9	1.9	2.0	2.1	2.1	7.8	8.1	2.0	
Interest	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	2.9	2.6	0.7	
Other Income	1.5	1.6	1.6	1.6	2.2	2.0	2.0	1.7	6.2	7.9	1.5	
PBT	**10.6**	**11.0**	**16.0**	**10.0**	**15.2**	**11.4**	**11.7**	**11.6**	**47.6**	**49.9**	**12.0**	**-2%**
Tax	2.7	2.8	4.1	2.6	3.8	2.9	3.0	2.9	12.2	12.6	3.0	
Rate (%)	25.6	25.8	25.5	25.9	24.9	25.7	25.8	24.6	25.7	25.2	25.2	
Reported PAT	**7.9**	**8.2**	**11.9**	**7.4**	**11.4**	**8.5**	**8.7**	**8.7**	**35.4**	**37.3**	**9.0**	**-3%**
Adj PAT	**7.9**	**8.2**	**11.9**	**7.4**	**11.4**	**8.5**	**8.7**	**8.7**	**35.4**	**37.3**	**9.0**	**-3%**
YoY Change (%)	12.7	9.9	0.9	20.1	44.5	3.6	-27.2	18.6	9.1	5.5	-24.8	
Margin (%)	6.8	6.5	8.1	5.3	8.5	6.5	7.1	6.7	6.7	7.2	6.7	
Key Assumptions												
Total Volumes (TBtu)	230.0	223.0	232.0	234.0	262.0	239.0	228.0	231.5	919.0	960.5	249.0	-8%
Dahej utilization (%)	98%	95%	99%	99%	112%	102%	96%	98%	98%	102%	106%	-9%
Kochi utilization (%)	21%	21%	22%	24%	22%	22%	24%	24%	22%	23%	23%	3%

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3QFY25 Results Update | Sector: Financials

Federal Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	FB IN
Equity Shares (m)	2454
M.Cap.(INRb)/(USDb)	451.8 / 5.2
52-Week Range (INR)	217 / 140
1, 6, 12 Rel. Per (%)	-3/1/22
12M Avg Val (INR M)	2420

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
NII	82.9	95.6	110.3
OP	51.7	61.9	72.4
NP	37.2	40.6	46.4
NIM (%)	3.3	3.2	3.3
EPS (INR)	16.3	16.7	19.0
EPS Gr. (%)	14.5	2.0	14.1
BV/Sh. (INR)	119	135	152
ABV/Sh. (INR)	113	128	144
Ratios			
ROA (%)	1.3	1.2	1.2
ROE (%)	14.7	13.1	13.3
Valuations			
P/E(X)	11.3	11.1	9.7
P/BV (X)	1.5	1.4	1.2
P/ABV (X)	1.6	1.4	1.3

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	48.4	46.7	44.2
FII	27.1	28.5	30.1
Others	24.5	24.8	25.7

CMP: INR184 TP: INR225 (+18%) Buy

PPoP in line; prudent provisions lead to an earnings miss

Asset quality remains steady

- Federal Bank (FB) reported 3QFY25 earnings of INR9.5b (7% miss), amid accelerated provisions, while PPoP stood broadly in line.
- NII was in line, while NIM stood broadly flat (down 1bp QoQ to 3.11%), as the bank focuses on reorienting its asset mix with a vision to improve yields.
- Advances stood flat as the bank followed a conservative policy to stay away from unsecured lending. Deposits declined 1% QoQ as the bank reduced wholesale deposits by INR40b. The CASA mix improved 9bp QoQ to 30.2%
- Fresh slippages increased 15% QoQ to INR4.98b. GNPA/NNPA ratios declined 14bp/8bp, respectively, to 1.95%/0.49%, while restructured book declined 3bp QoQ to 0.7%.
- We cut our estimates by 3.5%/2.6% for FY26/27E respectively, and estimate RoA/RoE of 1.3%/14.6% by FY27E. **Reiterate BUY rating with a TP of INR225 (1.4x Sep'26E ABV).**

Business growth weak; CD ratio rises to ~86.5%

- FB reported an earnings miss of 7% at INR9.5b, amid prudent accelerated provisions, while PPoP stood broadly in line. NII stood in line at INR24.3b (up 14.5% YoY/ 2.7% QoQ), while NIMs contracted marginally by 1bp QoQ to 3.11%. With the new strategy in place, the bank's NIMs trajectory will be watched closely. For 9MFY25, the bank's PAT grew 7% YoY, while 4QFY25 PAT is expected to grow 15% YoY to INR10.3b.
- Other income rose 6% YoY (down 5% QoQ) to INR9.2b (in line) amid steady core fee income.
- Opex stood at INR17.8b (in line), while the C/I ratio stood at 53%. The bank aims to bring this down to 50% over the next few quarters, with income being the main driver for the reduction. PPoP increased 9% YoY/0.3% QoQ to INR15.7b (in line).
- On the business front, advances grew 15.7% YoY/stood flat QoQ as the bank remains cautious in the unsecured space. Retail growth stood flat, while SMEs grew 2.7% QoQ, and corporate declined 0.6% QoQ.
- Deposits declined 1% QoQ to INR2.66t, led by an outflow in CA deposits by 6.8% QoQ. As a result, the CASA ratio improved 9bp QoQ to 30.2%. The bank's overall CD ratio stood at 86.5% (up 90bp QoQ).
- Fresh slippages increased 15% QoQ to INR4.9b from INR4.2b in 2QFY25, while the GNPA/NNPA ratios declined marginally 14bp/8bp. Reported PCR stood healthy at 74.2%, as the bank took prudential accelerated provisions. Restructured book declined 3bp to 0.7%.
- With the new strategy in place, the bank will see a transition in advances as well as deposits, which may lead to short-term fluctuations but will ensure longer-term consistency. In 3Q, growth was weak, but the bank aims to accelerate the growth of its book while maintaining quality. The bank guides for healthy growth at 1.5X systemic credit growth.

Highlights from the management commentary

- The bank aims to deliver 1.5X of the banking system growth.
- Average advances and deposits have led to stable NIMs, with no offs in the quarter.
- Auto loans have shifted from floating to fixed rates, with 80% of disbursements now at fixed rates, resulting in improved yields.
- On the MFI front, there has been a high level of stress in the system, but the bank has experienced a lower level of stress compared to others.
- Going forward, the bank expects the credit cost to be at 0.4%.

Valuation and view: Reiterate BUY with a TP of INR225

FB reported a muted quarter as higher provisions led to an earnings miss. Business growth also remained muted as the bank reoriented its growth strategy to focus on profitable growth. Credit costs stood elevated as the bank took prudent provisions to boost its PCR. Management has guided for credit cost of 0.4-0.5%. Asset quality stood broadly stable, while accelerated provisions brought PCR to healthy levels at 74%. NIMs contracted marginally by 1bp QoQ to 3.11%. We believe that FB is well placed among the mid-sized private sector banks to deliver a healthy earnings trajectory, aided by steady business growth and gradual improvements in margins and operating leverage. Under the new leadership, the bank plans to unveil a revised business strategy in Feb'25, with an intent to deliver sustained growth and superior profitability. We cut our estimates by 3.5%/2.6% for FY26/27E, respectively, and estimate RoA/ RoE of 1.3%/14.6% by FY27E. **Reiterate a BUY rating with a TP of INR225 (1.4x Sep'26E ABV).**

Quarterly performance (INR b)

	FY24				FY25				FY24	FY25E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**19.2**	**20.6**	**21.2**	**22.0**	**22.9**	**23.7**	**24.3**	**24.7**	**82.9**	**95.6**	**24.4**	**-0.4%**
% Change (YoY)	19.6	16.7	8.5	15.0	19.5	15.1	14.5	12.4	14.7	15.2	15.0	
Other Income	7.3	7.3	8.6	7.5	9.2	9.6	9.2	9.3	30.8	37.3	9.3	-1%
Total Income	**26.5**	**27.9**	**29.9**	**29.5**	**32.1**	**33.3**	**33.5**	**34.0**	**113.7**	**132.8**	**33.7**	**-1%**
Operating Expenses	13.5	14.6	15.5	18.4	17.1	17.7	17.8	18.4	62.0	70.9	18.2	-2%
Operating Profit	**13.0**	**13.2**	**14.4**	**11.1**	**15.0**	**15.7**	**15.7**	**15.5**	**51.7**	**61.9**	**15.5**	**1%**
% Change (YoY)	33.8	9.3	12.8	-16.8	15.2	18.2	9.2	39.9	7.9	19.6	7.9	
Provisions	1.6	0.4	0.9	-0.9	1.4	1.6	2.9	1.6	2.0	7.6	1.7	68%
Profit before Tax	**11.5**	**12.8**	**13.5**	**12.0**	**13.6**	**14.1**	**12.8**	**13.9**	**49.8**	**54.3**	**13.8**	**-7%**
Tax	2.9	3.3	3.4	3.0	3.5	3.5	3.2	3.5	12.6	13.7	3.5	-7%
Net Profit	**8.5**	**9.5**	**10.1**	**9.1**	**10.1**	**10.6**	**9.6**	**10.4**	**37.2**	**40.6**	**10.3**	**-7%**
% Change (YoY)	42.1	35.5	25.3	0.4	18.2	10.8	-5.1	14.8	23.6	9.2	2.2	
Operating Parameters												
Deposit (INR b)	2,225	2,329	2,396	2,525	2,661	2,691	2,664	2,768	2,525	2,768	2,788	
Loan (INR b)	1,835	1,928	1,992	2,094	2,208	2,303	2,304	2,366	2,094	2,366	2,373	
Deposit Growth (%)	21.3	23.1	19.0	18.3	19.6	15.6	11.2	9.6	18.3	9.6	16.4	
Loan Growth (%)	21.0	19.6	18.4	20.0	20.3	19.4	15.7	13.0	20.0	13.0	19.1	
Asset Quality												
Gross NPA (%)	2.4	2.3	2.3	2.1	2.1	2.1	2.0	1.9	2.1	1.9	2.1	
Net NPA (%)	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.7	0.5	0.6	
PCR (%)	71.3	72.3	72.3	72.3	71.9	72.9	75.2	75.5	69.6	75.5	72.5	

28 January 2025
3QFY25 Results Update | Sector: Midcaps

Kaynes Technologies

Estimate change	↓
TP change	↓
Rating change	⟷

Bloomberg	KAYNES IN
Equity Shares (m)	64
M.Cap.(INRb)/(USDb)	298.4 / 3.4
52-Week Range (INR)	7825 / 2424
1, 6, 12 Rel. Per (%)	-30/17/54
12M Avg Val (INR M)	2131

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	28.0	43.7	67.9
EBITDA	4.2	6.8	10.8
Adj. PAT	3.0	5.5	8.7
EBITDA Margin (%)	14.8	15.6	15.9
Cons. Adj. EPS (INR)	47.4	85.4	136.1
EPS Gr. (%)	65.2	80.2	59.3
BV/Sh. (INR)	436.5	521.9	658.0
Ratios			
Net D:E	-0.3	-0.0	-0.2
RoE (%)	11.5	17.8	23.1
RoCE (%)	13.0	17.9	23.7
Valuations			
P/E (x)	98	55	34
EV/EBITDA (x)	69	44	27

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	57.8	57.8	57.8
DII	15.0	16.1	19.1
FII	14.8	14.9	12.7
Others	12.4	11.3	10.4

Note: FII includes depository receipts

CMP: INR4,661 TP: INR6,500 (+39%) Buy

Robust order book reaffirms strong growth visibility

Earnings below estimates

- Kaynes Technologies (KAYNES) reported a strong 3Q performance, with revenue rising 30% YoY, led by strong traction in the Industrials vertical (up 38% YoY, including EV) and automotive (up 28% YoY). The order book jumped 60%/12% YoY/QoQ to ~INR60.5b, and its EBITDA margin expanded 50bp YoY during the quarter, fueled by the favorable business mix.
- Despite strong revenue growth in 3Q, it missed our estimates by 16% due to a delay in the execution of smart meter orders (~INR1b). The majority of this delay is expected to be executed in 4QFY25. We believe the earlier momentum of higher growth will resume considering the strong order book at hand. Margins are also expected to expand as a result of a favorable business mix toward high-margin sectors (industrials - smart meter, aerospace, and railways).
- We cut our EPS estimates for FY25/FY26/FY27 by 11%/8%/10%, by incorporating a guidance cut for FY25 and factoring in its 3Q numbers. **We reiterate our BUY rating on the stock with a TP of INR6,500 (premised on 48x FY27E EPS).**

Improved operating performance aided by a favorable business mix

- KAYNES' consol. revenue grew 30% YoY to INR6.6b (est. INR7.9b) in 3QFY25, while EBITDA rose 35% YoY to INR940m (est. INR1.2b). EBITDA margin expanded 50bp YoY to 14.2% (est. 15.2%), led by a corresponding expansion in gross margin (up 650bp YoY) due to a favorable business mix. Adjusted PAT grew 47% YoY to INR665m (est. of INR892m).
- The order book rose to INR60.4b as of Dec'24 from INR54.2b/INR37.9b in Sep'24/Dec'23. Order inflows in 3Q grew ~54% YoY to INR12.9b. The order book was generated mainly from the Industrials & EV, Aerospace, and Automotive sectors.
- In 9MFY25, KAYNES's revenue/EBITDA/Adj. PAT grew 49%/53%/74% YoY to INR17.4b/INR2.4b/INR1.8b; implied revenue/EBITDA/Adj. PAT growth in 4QFY25 is expected to be 67%/82%/54%
- Net working capital days deteriorated to 117 in 9MFY25 from 107 days in 9MFY24. Net debt was ~INR6b as of 9MFY25 vs. INR2.4b as of 9MFY24.

Highlights from the management commentary

- **Guidance:** Management reduced its revenue guidance to INR28-29b from the earlier guidance of over INR30b for FY25, while its EBITDA margin guidance remains intact at ~15%. For FY26, management expects INR45b of revenue (ex-inorganic revenue) with further improvement in margins led by better gross margin and operating leverage.
- **QIP:** The company highlighted its plans to raise funds through QIP to support its future growth drivers, such as geographical expansion (in North America), scaling up the ODM business, and deepening its technological footprint in certain niche areas of semiconductors.
- **Smart meters:** The new plant ramp-up is progressing well, and the current order book makes it mandatory for the company to further increase its capacity soon.

Valuation and view

- With a strong order book and healthy order inflows, KAYNES is likely to resume its strong revenue growth momentum going forward. Further, the increased traction in some of the high-margin verticals will lead to margin expansion for the company.
- We estimate a revenue/EBITDA/Adj. PAT CAGR of 56%/62%/68% over FY24-FY27. **Reiterate BUY with a TP of INR6,500 (premised on 48x FY27E EPS).**

Consolidated - Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Gross Sales	**2,972**	**3,608**	**5,093**	**6,373**	**5,040**	**5,721**	**6,612**	**10,643**	**18,046**	**28,016**	**7,894**	**-16**
YoY Change (%)	49.1	32.1	76.2	74.8	69.6	58.5	29.8	67.0	60.3	55.2	55.0	
Total Expenditure	2,569	3,121	4,394	5,421	4,371	4,900	5,671	8,914	15,505	23,856	6,698	
EBITDA	**403**	**488**	**699**	**952**	**669**	**821**	**940**	**1,729**	**2,542**	**4,160**	**1,196**	**-21**
Margins (%)	13.5	13.5	13.7	14.9	13.3	14.4	14.2	16.2	14.1	14.8	15.2	
Depreciation	53	65	60	74	84	86	108	110	251	388	95	
Interest	113	118	148	153	227	221	270	270	533	988	200	
Other Income	81	90	94	294	283	336	246	200	559	1,065	200	
PBT before EO expense	**319**	**394**	**585**	**1,019**	**641**	**849**	**808**	**1,549**	**2,317**	**3,848**	**1,101**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**319**	**394**	**585**	**1,019**	**641**	**849**	**808**	**1,549**	**2,317**	**3,848**	**1,101**	
Tax	72	71	133	207	133	247	144	294	483	819	209	
Rate (%)	22.6	18.0	22.7	20.3	20.8	29.1	17.8	19.0	20.8	21.3	19.0	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**246**	**323**	**452**	**813**	**508**	**602**	**665**	**1,255**	**1,834**	**3,029**	**892**	
Adj PAT	**246**	**323**	**452**	**813**	**508**	**602**	**665**	**1,255**	**1,834**	**3,029**	**892**	**-25**
YoY Change (%)	149.0	52.8	97.7	97.3	106.0	86.4	47.1	54.4	92.9	65.2	97.4	
Margins (%)	8.3	9.0	8.9	12.8	10.1	10.5	10.1	11.8	10.2	10.8	11.3	

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3QFY25 Results Update | Sector: Financials

Mahindra & Mahindra Financial

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MMFS IN
Equity Shares (m)	1236
M.Cap.(INRb)/(USDb)	336.1 / 3.9
52-Week Range (INR)	343 / 246
1, 6, 12 Rel. Per (%)	5/0/-7
12M Avg Val (INR M)	954

Financials & valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	82.7	100.4	117.2
PPP	48.7	62.5	74.5
PAT	24.6	30.2	38.0
EPS (INR)	19.9	24.5	30.8
EPS Gr. (%)	40	23	26
BV/Sh.(INR)	168	185	206
Ratios			
NIM (%)	6.7	7.0	7.0
C/I ratio (%)	41.1	37.7	36.4
RoA (%)	2.0	2.1	2.3
RoE (%)	12.3	13.9	15.8
Payout (%)	35.2	32.7	29.3
Valuations			
P/E (x)	13.6	11.0	8.8
P/BV (x)	1.6	1.5	1.3
Div. Yield (%)	2.6	3.0	3.3

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	52.2	52.2	52.2
DII	31.2	31.6	27.0
FII	10.5	10.3	12.8
Others	6.1	6.0	8.1

FII Includes depository receipts

CMP: INR270 TP: INR335 (+24%) Buy

Operationally in line; earnings beat aided by provision release

NIM improves ~10bp QoQ; macro environment remains challenging

- Mahindra & Mahindra Financial (MMFS)'s 3QFY25 PAT grew ~62% YoY to ~INR9b (~31% beat). NII stood at INR19.1b (in line) and grew ~13% YoY. Other income rose ~60% YoY to ~INR1.9b, driven by healthy fee income.
- NIM (calc.) improved ~10bp QoQ to ~6.7%. Credit costs stood at ~INR91m, resulting in annualized credit costs of ~3bp (PQ: ~2.6% and PY: ~1.4%). Credit costs were benign, driven by the ECL provision release of INR4.3b in 3QFY25. Between Mar'21 and Jun'21, there was an addition of ~INR40b to the GS3 reference pool. MMFS demonstrated much better recoveries in this incremental pool, which resulted in lower LGDs in the ECL model.
- Management shared that disbursements in vehicle finance (particularly PVs and tractors) saw a positive momentum during the quarter, and it guided for mid-to-high-teen loan growth in FY26. We model loan growth of ~17% in FY25 and ~16% loan CAGR over FY24-FY27E.
- MMFS acknowledged that the macro environment is tough and that more efforts are being put into collections. Despite that, with focused efforts, the company managed to keep its asset quality largely stable with GS3 rising only ~10bp QoQ. It continued to guide for credit costs in the range of ~1.3%-~1.5% in FY25. We estimate a ~29% PAT CAGR over FY24-FY27, with FY27E RoA/RoE of 2.3%/16%. **Reiterate BUY with an unchanged TP of INR335 (based on 1.7x Sep'26E BVPS).**
- **Key risks:** a) yield compression because of higher competitive intensity and a change in product mix, b) weakening of auto demand resulting in muted loan growth, and 3) volatility in PCR and credit costs continuing like earlier.

NIM expands ~10bp QoQ due to yield improvement & higher fee income

- Yields (calc.) rose ~20bp QoQ to ~14.4%, while CoF (calc.) rose ~10bp QoQ to 7.9%. This led to ~10bp expansion in spreads.
- NIM (calc.) improved ~10bp QoQ to ~6.7%. Management shared that NIM improvement over the medium to long term will come from a combination of asset diversification and improvement in fee income.
- The company guided a NIM of 6.5-6.7% in FY25 with a long-term target of ~7.0%. We expect the company's NIM to improve in a declining interest rate environment and estimate NIM to improve ~25bp in FY26 to ~7.0%.

Key takeaways from the management commentary

- Management shared that LGD reduction and PCR rationalization benefits have crystallized in the current quarter. Going forward, the Stage 3 PCR could exhibit a minor uptick but remain within the range of 51-54%. The company could also look at creating a management overlay in the future.
- Tier 1 stood at ~15% as of Dec'24. Management shared that the company will begin preparations to raise equity capital at an appropriate time.

- Within used vehicles, the LCV/HCV business is not growing, and replacement demand in this segment is muted. MMFS acknowledged that it could have executed better in its pre-owned vehicles segment.

Valuation and View

- MMFS exhibited improved disbursement momentum during the current quarter, supported by robust growth in vehicle financing, particularly in PVs and tractors, despite subdued performance in the CV segment. The company reported benign credit costs, aided by provision releases from lower provision cover (PCR) following its annual ECL model refresh.
- MMFS currently trades at 1.3x FY27E P/BV. Risk-reward is favorable for a PAT CAGR of ~29% over FY24-FY27E and RoA/RoE of 2.3%/16% in FY27E. **Reiterate BUY with an unchanged TP of INR335 (based on 1.7x Sep'26E BV).**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	3QFY25E	v/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest income	30,349	31,535	33,733	35,471	36,122	37,448	39,572	41,127	1,31,088	1,54,268	39,059	1
Interest Expenses	14,505	15,665	16,750	17,351	18,286	19,343	20,459	21,095	64,269	79,182	20,271	1
NII	**15,844**	**15,870**	**16,983**	**18,121**	**17,836**	**18,106**	**19,113**	**20,031**	**66,818**	**75,086**	**18,788**	2
YoY Growth (%)	5.3	9.6	9.4	13.2	12.6	14.1	12.5	10.5	9.4	12.4	10.6	
Other income	905	870	1,172	1,590	1,480	1,802	1,872	2,423	4,537	7,577	2,034	-8
Net Total Income	**16,750**	**16,740**	**18,155**	**19,710**	**19,316**	**19,908**	**20,985**	**22,454**	**71,355**	**82,663**	**20,822**	1
YoY Growth (%)	6.9	8.7	10.1	14.4	15.3	18.9	15.6	13.9	10.1	15.8	14.7	
Operating Expenses	6,750	7,312	7,530	7,980	7,970	7,947	8,768	9,268	29,572	33,953	8,433	4
Operating Profit	**10,000**	**9,428**	**10,625**	**11,730**	**11,345**	**11,961**	**12,217**	**13,186**	**41,783**	**48,709**	**12,388**	-1
YoY Growth (%)	5.7	9.2	6.4	24.2	13.5	26.9	15.0	12.4	11.4	16.6	16.6	
Provisions	5,264	6,266	3,284	3,415	4,482	7,035	91	4,106	18,228	15,714	3,143	-97
Profit before Tax	**4,735**	**3,163**	**7,341**	**8,315**	**6,864**	**4,927**	**12,126**	**9,080**	**23,555**	**32,996**	**9,245**	31
Tax Provisions	1,209	811	1,813	2,126	1,734	1,232	3,131	2,317	5,959	8,414	2,357	33
Net Profit	**3,527**	**2,352**	**5,528**	**6,190**	**5,130**	**3,695**	**8,995**	**6,763**	**17,596**	**24,582**	**6,888**	31
YoY Growth (%)	58.2	-47.5	-12.1	-9.5	45.5	57.1	62.7	9.3	-11.3	39.7	24.6	
Key Operating Parameters (%)												
Yield on loans (Cal)	14.9	14.6	14.7	14.7	14.3	14.2	14.4		14.7	14.3		
Cost of funds (Cal)	7.5	7.6	7.8	7.8	7.8	7.8	7.9		8.0	8.0		
Spreads (Cal)	7.4	6.9	6.9	7.0	6.5	6.4	6.5		6.7	6.3		
Credit Cost (Cal)	~	2.8	1.4	1.4	1.7	2.6	0.03		2.0	1.4		
Cost to Income Ratio	40.3	43.7	41.48	40.49	41.3	39.9	41.8		41.4	41.1		
Tax Rate	25.5	25.6	24.7	25.6	25.3	25.0	25.8		25.3	25.5		
Balance Sheet Parameters												
Loans (INR B)	832	899	934	992	1028	1085	1116		992	1170		
Change YoY (%)	42.6	29.3	27.2	24.8	30.4	20.6	19.5		24.8	18.0		
Borrowings (INR B)	790	849	864	922	953	1032	1046		919	1081		
Change YoY (%)	43.6	26.0	21.9	23.1	30.7	21.6	21.0		22.6	17.6		
Loans/Borrowings (%)	105.4	106.0	108.0	107.6	107.8	105.1	106.7		108	108		
Debt/Equity (x)	4.5	5.0	4.9	5.1	5.1	5.6	5.5		4.8	5.2		
Asset Quality Parameters (%)												
GS 3 (INR B)	37.7	40.2	38.5	34.9	37.9	43.1	45.3		34.9	43.4		
Gross Stage 3 (% on Assets)	4.3	4.3	4.0	3.4	3.6	3.8	3.9		3.4	3.6		
NS 3 (INR B)	15.0	15.6	14.4	12.9	15.2	17.5	22.6		12.9	21.5		
Net Stage 3 (% on Assets)	1.8	1.7	1.5	1.3	1.5	1.6	2.0		1.3	1.8		
PCR (%)	66.9	61.2	62.7	63.2	73.5	59.5	50.1		63.2	50.5		
ECL (%)	4.0	4.0	3.8	3.3	3.3	3.5	3.0		3.8	3.1		
Return Ratios (%)												
ROAA	1.4	0.9	2.1	2.2	1.8	1.2	2.8		1.7	2.0		
ROAE	8.2	5.5	12.8	13.9	11.1	8.0	19.2		9.9	12.3		

E: MOFSL estimates

Motilal Oswal | Morning India

29 January 2025

3QFY25 Results Update | Sector: Automobile

Exide

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	EXID IN
Equity Shares (m)	850
M.Cap.(INRb)/(USDb)	291.8 / 3.4
52-Week Range (INR)	620 / 290
1, 6, 12 Rel. Per (%)	-14/-30/3
12M Avg Val (INR M)	2719

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	164.4	179.6	197.7
EBITDA	19.4	21.6	23.8
Adj. PAT	11.2	12.1	13.2
Adj. EPS (INR)	13.1	14.2	15.5
EPS Gr. (%)	6.2	7.9	9.2
BV/Sh. (INR)	165.2	176.4	188.6
Ratio			
RoE (%)	8.0	8.0	8.2
RoCE (%)	8.3	8.5	8.8
Payout (%)	19.0	21.1	21.0
Valuations			
P/E (x)	26.1	24.2	22.1
P/BV (x)	2.1	1.9	1.8
Div Yield (%)	0.7	0.9	0.9
FCF Yield (%)	2.1	3.7	4.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	46.0	46.0	46.0
DII	17.6	18.0	19.2
FII	11.7	12.3	12.9
Others	24.6	23.7	21.8

FII Includes depository receipts

CMP: INR343 TP: INR360 (+5%) Neutral

Weak demand drags quarterly performance

OE and industrials demand weak; replacement/exports better off

- Exide (EXID)'s 3QFY25 performance was disappointing, primarily driven by subdued demand in the Auto OE segment and a decline in industrial infrastructure activity. Despite the challenges, the company benefited from lower lead prices, which supported a sequential margin expansion of 40bp QoQ to 11.7%, slightly surpassing our estimate of 11.5%
- To factor in the weakness in the above-mentioned categories, we cut our FY25E/26E EPS by 5%/13%. Moreover, while the market appears to be upbeat on EXID's lithium-ion foray, we remain cautious of the returns from the same in the long run. The stock at ~24x/22x FY26/27E EPS appears fairly valued. **Reiterate Neutral with a TP of INR360 (based on 20x Dec'26E EPS).**

Commodity benefits aid margin expansion

- EXID's 3QFY25 standalone revenue growth was flattish YoY at INR38.5b (est. INR43b), while EBITDA/Adj. PAT grew ~2% YoY each at INR4.5b/2.5b (est. INR4.9b/2.8b). 9MFY25 revenue/EBITDA/PAT grew 3%/5%/7% YoY.
- The 2W and 4W replacement segments posted double-digit growth, supported by strong demand in the Automotive aftermarket. Solar revenue also grew robustly, driven by govt. incentives and solarization programs.
- However, muted demand from Automotive OEMs and subdued industrial infrastructure performance impacted overall growth. Automotive exports continued strong growth, fueled by export-focused strategies.
- Gross margin expanded 50bp YoY/QoQ to 32% (est. 31%), led by a decline in lead prices.
- However, higher other operating expenses hurt EBITDA, which grew by just 2% YoY. EBITDA margin expanded 20bp YoY/40bp QoQ to 11.7% (est. 11.5).
- Weak operating performance & lower other income led to a miss on adj. PAT.
- During the quarter, EXID invested nearly INR4b as equity in its wholly owned subsidiary, Exide Energy Solutions (EESL), with an additional INR1.5b invested in Jan'25. This brings the total equity investment in EESL to INR33.02b, including investments in the erstwhile merged subsidiary EEPL.

From the Press Release

- Overall sales were flat during the quarter due to a slowdown in government capex and macroeconomic factors, but the auto replacement and export segments showed promising growth.
- The near-term outlook remains positive, supported by buoyant replacement markets and expectations of a rebound in government and private capex, which could boost industrial demand.
- With stable commodity prices and a diversified product portfolio complemented by strong brand recall, the company is well-positioned to capture growth across sectors and deliver robust performance.
- Construction for the lithium-ion cell manufacturing project is progressing rapidly, with the team focused on timely completion. Commercial operations are targeted to begin in FY26.

Valuation and view

- We cut our EPS estimates by 5%/13% over FY25/FY26 to factor in slower-than-expected demand pick-up in key segments, including Auto OEM and Industrial.
- Given the significant imminent risk to its core business, Exide has forayed into the manufacturing of lithium-ion cells in partnership with S-Volt at a total investment of INR60b in two phases. While the market appears to be upbeat on EXID's lithium-ion foray, we remain cautious of the returns from the same. **We, hence, reiterate our Neutral rating on the stock with a revised TP of INR360 (based on 20x Dec-26E EPS).**

S/A Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
Net Sales	**40,726**	**41,067**	**38,405**	**40,094**	**43,128**	**42,673**	**38,486**	**40,071**	**1,60,292**	**1,64,358**	**43,014**	**-10.5**
Growth YoY (%)	4.4	10.4	12.6	13.2	5.9	3.9	0.2	-0.1	9.8	2.5	12.0	
RM cost (%)	71.7	68.9	68.5	67.0	69.3	68.5	68.0	68.1	69.1	68.5	69.0	
Employee cost (%)	5.8	6.2	6.4	6.1	6.1	6.3	6.8	6.7	6.1	6.5	6.3	
Other Exp(%)	11.8	13.1	13.6	14.1	13.1	13.9	13.5	12.4	13.1	13.2	13.2	
EBITDA	**4,322**	**4,831**	**4,399**	**5,162**	**4,943**	**4,836**	**4,486**	**5,134**	**18,714**	**19,399**	**4,947**	**-9.3**
EBITDA Margin(%)	10.6	11.8	11.5	12.9	11.5	11.3	11.7	12.8	11.7	11.8	11.5	
Change (%)	11.8	17.1	9.7	40.6	14.4	0.1	2.0	-0.5	19.3	3.7	12	
Non-Operating Income	192	392	227	34	142	528	132	153	845	954	250	**-47.4**
Interest	98	115	145	128	87	103	120	121	486	430	130	
Depreciation	1,194	1,259	1,274	1,248	1,257	1,270	1,244	1,248	4,975	5,020	1,290	
PBT after EO Exp	**3,222**	**3,849**	**3,208**	**3,819**	**3,741**	**3,991**	**3,253**	**3,918**	**14,099**	**14,903**	**3,777**	**-13.9**
Effective Tax Rate (%)	24.9	25.4	25.1	25.7	25.3	25.4	24.7	24.6	25.3	25.0	25.4	
Adj. PAT	**2,419**	**2,870**	**2,403**	**2,838**	**2,796**	**2,978**	**2,450**	**2,954**	**10,530**	**11,177**	**2,818**	**-13.0**
Change (%)	6.9	16.6	7.7	36.5	15.6	3.8	2.0	4.1	16.5	6.2	17.3	

Key performance indicators

Cost Break-up												
RM(%)	71.7	68.9	68.5	67.0	69.3	68.5	68.0	68.1	69.1	68.5	69.0	-100bp
Employee cost (%)	5.8	6.2	6.4	6.1	6.1	6.3	6.8	6.7	6.1	6.5	6.3	50bp
Other Exp(%)	11.8	13.1	13.6	14.1	13.1	13.9	13.5	12.4	13.1	13.2	13.2	30bp
Gross Margin (%)	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.9	30.9	31.5	31.0	100bp
EBITDA Margin(%)	10.6	11.8	11.5	12.9	11.5	11.3	11.7	12.8	11.7	11.8	11.5	20bp
EBIT Margin(%)	7.7	8.7	8.1	9.8	8.5	8.4	8.4	9.7	8.6	8.7	8.5	-10bp
Lead Price (INR/Kg)	174.0	180.1	176.4	172.3	180.5	170.2	169.5	-	172.3	172.3	-	

Indraprastha Gas

Estimate change	↑
TP change	↑
Rating change	↑

Bloomberg	IGL IN
Equity Shares (m)	700
M.Cap.(INRb)/(USDb)	268 / 3.1
52-Week Range (INR)	571 / 306
1, 6, 12 Rel. Per (%)	2/-22/-13
12M Avg Val (INR M)	1693

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	142.7	147.1	156.2
EBITDA	19.1	24.1	26.4
Adj. PAT	14.1	16.3	18.1
Adj. EPS (INR)	20.1	23.3	25.8
EPS Gr. (%)	-19.4	15.9	10.7
BV/Sh.(INR)	136.3	152.6	170.7
Ratios			
Net D:E	-0.2	-0.2	-0.2
RoE (%)	15.6	16.2	16.0
RoCE (%)	15.0	15.6	15.5
Payout (%)	30.0	30.0	30.0
Valuation			
P/E (x)	19.0	16.4	14.8
P/BV (x)	2.8	2.5	2.2
EV/EBITDA (x)	12.9	10.1	9.1
Div. Yield (%)	1.6	1.8	2.0
FCF Yield (%)	1.6	2.7	3.7

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	45.0	45.0	45.0
DII	31.1	28.2	27.7
FII	14.3	19.3	17.9
Others	9.6	7.5	9.4

FII includes depository receipts

CMP: INR383 TP: INR435 (+14%) Upgrade to Neutral

Valuations inexpensive as margin recovery resumes

- **IGL delivered a 12% beat on our EBITDA estimates as margin came in 9% above our estimates and volumes remained strong. The impact of APM twin de-allocation was clearly visible as margins contracted INR2.2/scm QoQ. Spot LNG prices have remained high, averaging ~USD14/mmbtu, over the past four months and are expected to remain elevated in the mid-term. Post the APM re-allocation, the net reduction in APM allocation now stands at ~0.9mmscmd. Further, IGL is expected to receive 0.5mmscmd New Well (NW) gas from Feb'25.**
- **While margins are likely to remain under pressure in 4Q amid high Spot LNG prices, IGL has entered into long-term gas contracts to reduce the impact. In addition, we believe that the opportunity to implement CNG price hikes in Delhi will arise post Delhi elections, which are due in Feb'25.**
- **Since the downgrade in Feb'23, IGL has delivered a negative return of 12% over the past two years. With volume and margin expectations at a weak level, we upgrade the stock to neutral. IGL currently trades at 12x 1Y fwd P/E, which we think is inexpensive. Our revised TP on the stock is INR435, which is based on 15 Dec'26 EPS.**

NW gas allocation and long-term contracts to support margins

- While the twin APM de-allocation in 3Q led to a ~1.9mmscmd decline in APM allocated toward CNG, ~1mmscmd APM gas was restored w.e.f. 16th Jan'25. Hence, the net reduction in APM allocation stands at ~0.9mmscmd.
- From Feb'25, the company will also receive 0.5mmscmd NW gas, which will be ~25% costlier than APM gas. Further, management does not expect more than 20% of the current APM gas to be replaced by NW gas.
- IGL has secured ~1.65mmscmd contracts at competitive rates for sourcing R-LNG gas. This includes 1mmscmd gas with pricing linked to Henry Hub (HH) for five years, and another 0.65mmscmd gas initially linked to HH-based pricing, which will get converted to Brent-linked pricing from FY27 (volumes will also increase to 1mmscmd gradually).

Possibility of CNG price hike in 4Q; guided margins at INR7-INR8/scm

- On 25th Nov'25, IGL implemented CNG price hikes of ~INR1.5 to INR4 per kg, which impacted ~30%-35% of the regions where IGL's CNG business operates (i.e. excluding Delhi). We believe that post Delhi elections in Feb'25, IGL might implement further price hikes in Delhi.
- Management guided for EBITDA margin of INR7-INR8 per scm, going forward. At current prices, management believes that an INR2/scm CNG price hike will be required to deliver the guided margin.

~1mmscmd p.a. guided volume growth in FY26/FY27

- Management expects to end FY25 with volumes reaching 9.5mmscmd. Further, it expects volumes to grow 1mmscmd p.a., reaching 10.5mmscmd/11.5mmscmd in FY26/FY27.

- This growth will be driven by:
  - 30% YoY growth in new gas, which accounts for 0.7mmscmd CNG volumes in 3Q, and 5% YoY growth in Delhi NCR
  - Increase in PNG customers by 300k p.a.
  - Robust CNG vehicle additions (~17,100 CNG vehicles added in 3Q)
- We estimate total volumes for IGL to reach 9.8mmscmd/10.4mmscmd in FY26/FY27 (7% CAGR over FY24-FY27E), as we continue to maintain a conservative stance over CNG volume uptake in Delhi.

Upgrade to Neutral as we build in an increase in FY26E/FY27E margins

- With 56% of the APM gas cut being compensated by NW gas, which is cheaper in comparison to Spot LNG, and post the signing of long-term gas sourcing contracts, we increase our FY25E/FY26E/FY27E margin assumption to INR5.8/INR6.8/INR7 per scm (vs. INR5.4/INR6.3/INR6.9 previously), led by:
  - A bulk of the APM gas cut being compensated by NW gas, which is cheaper in comparison to Spot LNG, leaving only 0.4mmscmd uncovered,
  - IGL entering into long-term gas sourcing contracts for 1.65mmscmd, and
  - Possibility of CNG price hikes in 4Q.
- **The stock has corrected 12% post our downgrade in Feb'23. Further, the stock currently trades at 12x 1Y fwd P/E, which we think is inexpensive and we foresee a limited downside from this level. Hence, we upgrade our rating on the stock from Sell to Neutral, with a TP of INR435 (valued at 15x Dec'26 EPS).**

Beat on EBITDA driven by stronger-than-anticipated margins

- Total volumes were in line with our estimate at 9.1mmscmd (+7% YoY).
  - While CNG volumes came in line with estimates, PNG volumes were above estimates.
- EBITDA/scm came in above our est. at INR4.3.
  - Gross margin was lower QoQ, while opex remained similar QoQ.
- Resulting EBITDA was 12% above our estimate at INR3.6b (-35% YoY), primarily due to higher-than-estimated margins and robust volumes.
- Other income was significantly above our estimate, resulting in a 41% beat on PAT of INR2.9b (-27% YoY).
- The company has authorized a 1:1 bonus issue, with 31st Jan'25 set as the record date.
- **In 9MFY25,** IGL's net sales grew 5% to INR110b, while EBITDA/PAT declined 20%/18% YoY to 14.8b/11.2b. **In 4QFY25,** we estimate net sales/EBITDA/PAT to decline 9%/18%/24% YoY.

Valuation and view

- IGL recently had a 0.9mmscmd net decline in APM gas allocation for its CNG businesses. While IGL's volumes posted a 9.8% CAGR in FY16-24, we estimate a 7% CAGR in FY24-27.
- The stock has corrected 12% post our downgrade in Feb'23. Further, the stock currently trades at 12x 1Y fwd P/E, which we think is inexpensive and we foresee a limited downside from this level. Hence, we upgrade our rating on the stock from Sell to Neutral, with TP of INR435 (valued at 15x Dec'26 EPS).

Standalone Quarterly performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**34,070**	**34,585**	**35,504**	**35,968**	**35,206**	**36,973**	**37,591**	**32,897**	**140,000**	**142,667**	**35,237**	**7%**
Change (%)	6.7	-2.7	-4.3	-2.3	3.3	6.9	5.9	-8.5	-1.0	1.9	-0.8	
EBITDA	**6,424**	**6,569**	**5,582**	**5,225**	**5,819**	**5,359**	**3,636**	**4,264**	**23,669**	**19,078**	**3,244**	**12%**
EBITDA (INR/scm)	8.6	8.6	7.2	6.6	7.4	6.5	4.3	5.2	7.7	5.8	4.0	**9%**
Change (%)	4.0	24.5	30.3	13.4	-9.4	-18.4	-34.9	-18.4	16.3	-19.4	-41.9	
Depreciation	989	1,022	1,018	1,108	1,143	1,184	1,216	1,177	4,138	4,720	1,163	5%
Interest	24	25	18	26	22	23	21	23	92	90	21	
Other Income	457	1,340	610	1,094	727	1,493	1,288	961	3,632	4,468	647	99%
PBT before EO	**5,867**	**6,862**	**5,155**	**5,187**	**5,380**	**5,645**	**3,687**	**4,024**	**23,072**	**18,737**	**2,708**	**36%**
Tax	1,483	1,514	1,235	1,359	1,366	1,334	829	1,118	5,591	4,647	682	**22%**
Rate (%)	25.3	22.1	23.9	26.2	25.4	23.6	22.5	27.8	24.2	24.8	25.2	
PAT	**4,384**	**5,348**	**3,921**	**3,828**	**4,015**	**4,311**	**2,858**	**2,907**	**17,481**	**14,090**	**2,027**	**41%**
PAT (INR/scm)	5.9	7.0	5.0	4.8	5.1	5.2	3.4	3.5	5.7	4.0	2.5	37%
Change (%)	4.2	28.5	40.9	16.1	-8.4	-19.4	-27.1	-24.1	21.0	-19.4	-48.3	
Gas volumes (mmscmd)												
CNG	6.17	6.25	6.33	6.37	6.45	6.78	6.70	6.80	6.28	6.68	6.63	1%
PNG	2.03	2.06	2.15	2.35	2.18	2.24	2.41	2.40	2.15	2.31	2.21	9%
Total	**8.20**	**8.30**	**8.48**	**8.73**	**8.63**	**9.02**	**9.11**	**9.20**	**8.43**	**8.99**	**8.83**	**3%**

28 January 2025

3QFY25 Results Update | Sector: Consumer

Emami

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	HMN IN
Equity Shares (m)	439
M.Cap.(INRb)/(USDb)	243.9 / 2.8
52-Week Range (INR)	860 / 417
1, 6, 12 Rel. Per (%)	-2/-23/5
12M Avg Val (INR M)	627

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	38.0	41.0	44.1
Sales Gr. (%)	6.2	7.9	7.7
EBITDA	10.3	11.3	12.4
EBIT Margin (%)	27.1	27.6	28.1
Adj. PAT	8.8	9.6	10.4
Adj. EPS (INR)	20.2	22.0	23.9
EPS Gr. (%)	12.0	9.1	8.4
BV/Sh.(INR)	63.3	71.3	79.8
Ratios			
RoE (%)	33.9	32.8	31.6
RoCE (%)	36.5	35.5	34.2
Payout (%)	54.4	56.7	58.6
Valuation			
P/E (x)	36.0	33.0	30.4
P/BV (x)	11.5	10.2	9.1
EV/EBITDA (x)	29.9	27.0	24.3
Div. Yield (%)	1.5	1.7	1.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	54.8	54.8	54.8
DII	21.7	21.5	24.0
FII	14.1	14.4	12.9
Others	9.4	9.3	8.3

FII Includes depository receipts

CMP: INR556 TP: INR750 (+35%) Buy

In-line performance; winter portfolio performs well

- Emami reported consolidated sales growth of 5% YoY in 3QFY25 (est. 6%). The core domestic business (excl. D2C portfolio) grew 9% YoY, led by volume growth of 6%. While overall domestic value/volume growth was 7%/4%. Demand was healthy in rural markets (~55% revenue), while demand softness continued in urban markets.
- Winter portfolio saw healthy demand despite delayed and mild winters. Boroplus delivered 20% YoY growth, led by strong demand for its core portfolio, led by rural markets and enhanced trade schemes. Healthcare segment maintained double-digit revenue growth of 13% YoY, led by new launches and strong traction on the digital platform. Navratna, Dermicool and pain management each reported 3% growth. Kesh King and male grooming dipped 10% and 4% YoY, respectively. D2C portfolio declined 13% owing to a sharp increase in competitive pressure due to discounting.
- GM trajectory remained healthy, with 150bp YoY expansion to 70.3% (est. 69.5), driven by a price hike (1.5-2.5%) and cost-control initiatives. EBITDA margin expanded by 70bp YoY to 32.3% (12-quarter high). The organized channel grew 13% YoY in 3Q with revenue contribution of 28.6% (+160bp), while general trade saw a slowdown.
- With improving rural recovery and Emami's own initiatives related to distribution, new launches, and marketing spends, it is expected to sustain revenue growth. We reiterate our BUY rating on the stock with a TP of INR750 (premised on 35x Dec'26E EPS).

In-line performance; sustaining margin expansion

- **Healthy growth in core business:** Consolidated net sales grew by 5% YoY to INR10,495m (est. INR10,530m). Core domestic business (excl. D2C portfolio) grew by 9% YoY, with volume growth of 6%. Overall domestic business delivered value/volume growth of 7%/4%. (est. 5%, 1.7% in 2Q). International business revenue declined 3% YoY (-2% in cc terms).
- **GM expansion continues**: Gross margin expanded by 150bp YoY to 70.3%. (est. 69.5%). Absolute ad spends increased by 6% YoY to INR1,757m. As a % of sales, ad spends rose 10bp YoY to 17%, employee expenses increased by 50bp YoY to 11%, and other expenses grew 30bp YoY to 11% in 3Q. EBITDA margin expanded by 70bp YoY to 32.3% (est. 31.9%), 12-quarter high.
- **High-single-digit growth in profitability:** EBITDA grew 8% YoY to INR3,387m (est. INR3,357m). PBT grew 10% YoY to INR3,059m (est. INR3,019m). APAT rose 6% YoY to INR3,006m (est. INR3,046m).
- In 9MFY25, net sales/EBITDA/APAT increased by 6%/9%/13%.

Highlights from the management commentary

- Urban demand is facing headwinds, primarily due to rising food inflation and liquidity constraints in retail and wholesale trade channels. Rural demand exhibited resilience, driven by favorable monsoon conditions and a strong harvest.
- Emami focuses on small packs catering to middle-income consumers (~20% revenue contribution). Rural salience in the domestic business stands at 53-54%, with organized channels contributing 28-29% and urban GT contributing 16-18%.
- In The Man Company portfolio, Emami is strategically calibrating discounts to ensure sustainable long-term growth, despite a temporary impact on revenue. It also plans to invest judiciously in branding initiatives to achieve sustainable and profitable growth over the next two quarters.
- The international business witnessed a decline, primarily due to lower growth in Russia and Ukraine. However, performance was stable in Bangladesh and other markets.

Valuation and view

- We broadly maintain our FY25/FY26 EPS estimates.
- Emami's core categories are niche, and they have been witnessing slow user addition over the last five years. Although it commands a high market share in core categories, the share gain is no longer a catalyst for volume growth.
- The management has initiated several steps (e.g., team additions, new launches, hiring consultants, marketing spending, etc.) over the last two to three years to revive volume growth.
- Emami is currently trading at 33x FY26E and 30x FY27E EPS. **We reiterate our BUY rating** with a TP of INR750, based on 35x Dec'26E EPS.

Consol. Quarterly performance (INR m)

Y/E MARCH	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Domestic volume growth (%)	3.0	2.0	-1.0	6.4	8.7	1.7	4.0	4.0	2.6	4.6	5.0	
Net Sales	**8,257**	**8,649**	**9,963**	**8,912**	**9,061**	**8,906**	**10,495**	**9,529**	**35,781**	**37,991**	**10,530**	**-0.3%**
YoY change (%)	6.8	6.3	1.4	6.6	9.7	3.0	5.3	6.9	5.1	6.2	5.7	
Gross Profit	**5,401**	**6,061**	**6,851**	**5,863**	**6,131**	**6,296**	**7,377**	**6,296**	**24,176**	**26,100**	**7,318**	**0.8%**
Gross margin (%)	65.4	70.1	68.8	65.8	67.7	70.7	70.3	66.1	67.6	68.7	69.5	
EBITDA	**1,900**	**2,337**	**3,149**	**2,110**	**2,165**	**2,505**	**3,387**	**2,256**	**9,495**	**10,313**	**3,357**	**0.9%**
Margins (%)	23.0	27.0	31.6	23.7	23.9	28.1	32.3	23.7	26.5	27.1	31.9	
YoY change	9.6	19.6	7.0	5.6	13.9	7.2	7.6	6.9	10.1	8.6	6.6	
Depreciation	460	461	458	480	444	447	456	476	1,859	1,823	463	
Interest	21	23	27	29	21	23	22	34	100	100	25	
Other Income	83	111	167	107	105	216	149	154	468	624	150	
PBT	**1,502**	**1,964**	**2,831**	**1,708**	**1,805**	**2,251**	**3,059**	**1,900**	**8,005**	**9,014**	**3,019**	**1.3%**
Tax	129	158	155	225	278	94	224	305	667	901	181	
Rate (%)	8.6	8.1	5.5	13.2	15.4	4.2	7.3	16.1	8.3	10.0	6.0	
Adj. PAT	**1,413**	**1,967**	**2,828**	**1,669**	**1,702**	**2,333**	**3,006**	**1,775**	**7,876**	**8,823**	**3,046**	**-1.3%**
YoY change (%)	36.9	12.5	11.0	13.0	20.5	18.6	6.3	6.4	15.7	12.0	7.7	
Reported PAT	**1,368**	**1,800**	**2,607**	**1,468**	**1,506**	**2,110**	**2,790**	**1,579**	**7,241**	**7,984**	**2,827**	**-1.3%**
YoY change (%)	88.1	-0.1	11.9	3.6	10.1	17.2	7.0	7.6	15.4	10.3	8.5	

E: MOFSL Estimates

Aditya Birla Sun Life AMC

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	ABSLAMC IN
Equity Shares (m)	288
M.Cap.(INRb)/(USDb)	176.5 / 2
52-Week Range (INR)	912 / 450
1, 6, 12 Rel. Per (%)	-21/-6/23
12M Avg Val (INR M)	317

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
AAUM	3,768	4,322	4,961
MF Yield (bps)	43.2	42.2	41.2
Rev from Ops	17.1	19.1	21.4
Core PAT	7.3	8.3	9.5
PAT	9.4	10.7	12.1
PAT (bps as AAUM)	25	25	24
Core EPS	25	29	33
EPS	33	37	42
EPS Grw. (%)	21	13	13
BVPS	123	138	154
RoE (%)	28	28	29
Div. Payout (%)	61	59	62
Valuations			
Mcap/AUM (%)	4.7	4.1	3.6
P/E (x)	18.7	16.5	14.6
P/BV (x)	5.0	4.4	4.0
Div. Yield (%)	3.3	3.6	4.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	74.9	75.0	86.5
DII	11.5	12.4	5.2
FII	5.0	4.5	1.7
Others	8.5	8.1	6.6

FII Includes depository receipts

CMP: INR612 TP: INR850 (+39%) Buy

Yield improvement boosts revenue

- Aditya Birla Sun Life AMC's (ABSLAMC) 3QFY25 operating revenue grew 30% YoY to ~INR4.5b (5% beat), leading to a ~250bp YoY improvement in yield on management fees to 46.4bp (vs. our est. of 44.3bp). For 9MFY25, revenue grew 27% YoY to INR12.6b.
- Total opex grew 16% YoY to INR1.7b (in line), with a cost-to-income ratio of 38.4% (vs. 43.1% in 3QFY24). Revenue growth and operational efficiency resulted in 41% YoY growth in EBITDA to INR2.7b (10% beat), with a 470bp YoY improvement in EBITDA margin to 61.6% (our est. 58.5%).
- A 20% miss in other income resulted in a largely in-line PAT of INR2.2b, up 7% YoY.
- The alternates business's revenue contribution declined to 7-8% from 14-15% earlier. The management aims to increase this back to 14-15%.
- We have increased our EPS estimates by 2% for FY25, considering yield improvement in 3QFY25. We have cut FY25/FY26 EPS estimates by 1%/2%, factoring in slower AUM growth and stable investment yield. **We maintain our BUY rating with a TP of INR850, based on 28x Sep'26E core EPS.**

AUM growth flat QoQ; steep decline in other income dents PAT

- Total MF QAAUM grew 23% YoY to INR3.8t, led by 29%/16%/30%/38% YoY growth in equity/debt/ETF/ Hybrid funds (Index funds remained flat). Equity QAAUM contributed 37% to the mix in 3QFY25 vs. 35% in 3QFY24.
- The alternate and offshore business is gaining traction, with 33% YoY growth in AUM to INR162b in 3QFY25. PMS/AIF AUM grew 44% YoY to INR38b, while offshore AUM grew 28% YoY to INR127b. Multiple fundraising events are underway across AIF/PMS, offshore and real estate segments.
- SIP flows increased 38% YoY to INR13.8b (down 3% QoQ), driven by ~3x YoY growth in new SIP registrations to 670,000. About 95%/89% of total SIPs have a total tenure over 5/10 years.
- The distribution mix remained stable in overall AUM. The direct channel continued to dominate the mix with a 42% share, followed by MFDs (33%), national distributors (17%), and banks (8%). However, in equity AUM, MFDs contributed 54% to the distribution mix.
- Opex declined to 17.8bp of QAAUM in 3QFY25 from 18.9bp in 3QFY24 (our est. of 18.4bp). Employee costs grew 11% YoY to INR877m (in line), while other expenses grew 20% YoY to INR707m (in line).
- Other income at INR384m declined 52% YoY (20% miss), which resulted in PAT growth of 7% YoY to INR2.2b (in line) in 3QFY25. However, core PAT grew 34% YoY to INR2b (9% beat).

Key takeaways from the management commentary

- Jan'25 is witnessing similar trends as in 3QFY25, with net sales improvement in some schemes. SIP remains in focus and there has not been any significant deviation in SIP cancellations. However, lump-sum flows may get impacted considering the current market volatility.
- For 3QFY25, equity yields were at 70-71bp, debt at 25bp, liquid at 13bp and ETF at 7-8bp. Equity yields are likely to remain in the similar range. A marginal improvement is expected in fixed income yields with interest rate declining.
- Alternate growth is likely to be faster than MF growth. In the AIF fixed income business, ABSL expects AUM to reach INR50b over the next three years. Real estate fund is expected to reach INR50b from INR10.5b currently over the next three years on the back of global investor participation. Passives AUM is currently at INR320b and ABSL is planning to increase it to INR1t in the next three years.

Valuation and view

- Overall yields are expected to improve slightly, especially in the debt segment, driven by an increase in TER of a few schemes. Expansion of the alternate business, strong fund performance for equity schemes and debt mix shifting toward longer duration funds will be beneficial for the company's profitability.
- We have increased our FY25 EPS estimate by 2%, considering yield improvement in 3QFY25. We have cut FY25/FY26 EPS estimates by 1%/2%, factoring in slower AUM growth and stable investment yield. **We maintain our BUY rating with a TP of INR850, based on 28x Sep'26E core EPS.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY25E	3Q FY25E	Act v/s Est. %	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE					
Revenue from Operations	3,112	3,350	3,415	3,656	3,866	4,242	4,451	4,504	17,064	4,255	5	30.4	4.9
Change YoY (%)	2.2	7.7	8.7	23.1	24.3	26.6	30.4	23.2	26.1	24.6			
Fees & Commission	82	82	87	99	105	121	124	124	473	122.2	1.4	41.9	2.8
Employee Expenses	774	798	794	842	892	894	877	897	3,560	913	-3.9	10.5	(1.9)
Other expenses	557	550	591	666	667	723	707	716	2,813	733	-3.5	19.6	(2.3)
Total Operating Expenses	1,412	1,431	1,472	1,607	1,664	1,738	1,708	1,738	6,847	1,768	-3	16.0	(1.7)
Change YoY (%)	15	11	12	16	18	21	16	8	15.6	20.1			
EBITDA	1,700	1,919	1,943	2,049	2,203	2,504	2,743	2,767	10,217	2,487.2	10.3	41.2	9.5
EBITDA margin (%)	54.6	57.3	56.9	56.0	57.0	59.0	61.6	61.4	59.9	58.5	318 bps	474 bps	260 bps
Other Income	778	557	795	745	948	958	384	527	2,818	479	-20	(51.7)	(59.9)
Depreciation/Reversal	66	92	88	101	91	98	111	115	415	98.0	13.7	26.7	13.8
Finance Cost	8	17	15	17	14	14	17	18	63	14.0	22.9	17.0	22.9
PBT	2,403	2,368	2,635	2,676	3,045	3,351	2,999	3,162	12,557	2,854	5	13.8	(10.5)
Tax Provisions	557	587	542	592	688	928	754	769	3,139	699	8	39.2	(18.7)
Net Profit	1,846	1,781	2,093	2,084	2,357	2,423	2,245	2,393	9,418	2,155	4	7.2	(7.4)
Change YoY (%)	79.4	-7.1	25.9	53.7	27.7	36.1	7.2	14.8	20.7	2.9			
Core PAT	1,249	1,362	1,462	1,504	1,623	1,730	1,957	1,994	7,304	1,793	9	33.9	13.1
Change YoY (%)	-0.4	2.5	12.8	34.9	30.0	27.0	33.9	32.5	30.9	22.7			

UTI AMC

Estimate change	↑
TP change	↓
Rating change	↔

Bloomberg	UTIAM IN
Equity Shares (m)	128
M.Cap.(INRb)/(USDb)	134.6 / 1.6
52-Week Range (INR)	1408 / 785
1, 6, 12 Rel. Per (%)	-12/8/15
12M Avg Val (INR M)	323

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
AAUM	3,409	3,987	4,668
MF Yield (bps)	34.1	33.1	32.1
Rev from Ops	14.8	16.8	19.1
Core PAT	5.3	6.3	7.5
PAT	9.0	10.0	11.4
PAT (bps as AAUM)	26	25	24
Core EPS	42	49	59
EPS	71	79	89
EPS Grw. (%)	12	11	13
BVPS	412	436	462
RoE (%)	18	19	20
Div. Payout (%)	70	70	70
Valuations			
Mcap/AUM (%)	3.9	3.3	2.9
P/E (x)	14.8	13.4	11.8
P/BV (x)	2.6	2.4	2.3
Div. Yield (%)	4.7	5.2	5.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	59.3	60.2	61.1
FII	7.9	7.2	5.6
Others	32.9	32.6	33.3

FII Includes depository receipts

CMP: INR1,052 TP: INR1,300 (+24%) BUY

Strong SIP flows led to growth in the MF segment

Higher-than-expected other income drives a beat on PAT

- UTI AMC's operating revenue grew 29% YoY to INR3.8b (in line). Yields remained flat YoY and QoQ at 42.6bp in 3QFY25. For 9MFY25, revenue grew 26% YoY to INR10.9b.
- EBITDA was INR1.9b (4% beat) in 3QFY25, +68% YoY, and EBITDA margin improved to 50.8% in 3QFY25 from 39.2% in 3QFY24. Total opex came in at INR1.8b, recording 5% YoY growth. As bp of QAAUM, the costs declined YoY to 21bp in 3QFY25 from 25.8bp in 3QFY24 (vs. 22.2bp in 2QFY25).
- PAT for the quarter declined 14% YoY/34% QoQ to INR1.7b in 3QFY25 (8% beat). For 9MFY25, PAT grew 15% YoY to INR7.1b.
- Yields in the equity segment are likely to moderate due to the telescopic structure affecting the TER. However, expected stronger growth in longer-term debt funds should cushion the impact. We expect UTI to report FY24-27 AUM/Revenue/Core PAT CAGR of 20%/17%/29%. The stock trades at FY26E P/E and core P/E of 13x and 21x, respectively. **We reiterate our BUY rating** with a one-year TP of INR1,300 (based on 24x Core Sep'26E EPS).

The distribution mix remains stable

- Overall MF QAAUM grew 29% YoY/3% QoQ to INR3.5t. This was driven by Equity/ETFs/Index/Debt funds' growth of 21%/35%/76%/14% YoY.
- Equity QAAUM contributed 28% to the mix in 3QFY25 vs. 30% in 3QFY24. Debt/Liquid schemes contributed 7%/15% to the mix in 3QFY25 (7%/17% in 3QFY24).
- Overall net inflows for UTI were INR102b vs. INR35b in 2QFY25 and INR22b in 3QFY24. Strong flows were witnessed across categories, with Equity/Passives/Income/Liquid funds garnering inflows of INR10/INR38/ INR21/INR33b.
- Gross inflows mobilized through SIP stood at INR22b for the quarter ended Dec'24. SIP AUM stood at INR383.7b, +29.4% YoY. Total live folios stood at 13.2m (as of Dec'24).
- The market share declined to 5.14% from 5.54% in Dec'23 in the overall MF QAAUM. UTI AMC's market share in Passive/NPS AUM stood at 13.54%/ 25.02%.
- The market share in the Equity/Hybrid/Index & ETFs/Cash & Arbitrage/Debt Funds stood at 3.16%/4.26%/13.54/4.53%/3.24%.
- On the product front, UTI AMC has launched two more index funds on the passives side during the quarter.
- UTI AMC has further expanded its geographical presence by opening 68 new branches, taking the total to 223 branches (172 located in B30 cities) in the underpenetrated Tier II and Tier III cities across India as of Dec'24.

- The distribution mix in the QAAUM for 3QFY5 remained largely stable with direct channel dominating the mix with 70% share, followed by MFDs at 23%, BND at 7%. However, with respect to equity AUM, MFDs contributed 55% to the distribution mix.
- Total expenses grew 5% YoY to INR1.8b with employee costs growing 7% YoY to INR1.1b while other expenses remained flat YoY at INR714m. Resulting in the CIR at 49.2% vs 60.8% in 3QFY24 and 51% in 2QFY25.
- Other income declined 72% YoY/73% QoQ to INR451m.
- The number of digital transactions during the quarter grew 20% at 5.1m showing a strong focus on growing SIP Book digitally. Capitalizing on cross-selling and upselling opportunities has helped in growth in online gross sales at 95.02%.
- Total investments as of Dec'24 stood at INR39.8b, with 67%/17%/8%/8% being segregated into MFs/Offshore/Venture Funds/G-Sec/Bonds.

Growth across non-MF segments

- Total Group AUM stood at INR20.8t, up 18% YoY, of which MF AUM stood at 17%. The Non-MF AUM comprising PMS/UTI Capital//UTI RSL/UTI International grew 15%/41%/20%/4% YoY to INR13.5t/27b/3.4t/293b.
- Yields on MF/PMS/RSL remained stable YoY, while for the Capital and venture segment, it declined to 0.59bp. Yields on International business improved to 0.48bp from 0.45bp in 3QFY24.
- In the UTI International Segment, the UTI India Innovation Fund, domiciled in Ireland, has an AUM of USD50.41m as of Dec'24.
- The UTI Pension Fund manages 25.02% of the NPS Industry AUM as of Dec'24, with a market share of 25.02%.
- In the Alternatives Business, UTI AMC has gross commitments of USD200m in the IFSC GIFT City as of Dec'24.

Valuation and view: Reiterate BUY

- Yields on the equity segment are expected to decline at a relatively moderate pace compared to the past couple of years. The decline in overall yields will be protected by a higher share of equities and a mix in Debt AUM is likely to move towards longer-duration funds.
- Improving fund performance and scaling up non-MF business will improve profitability over the medium term. **We reiterate our BUY rating with a TP of INR1,300, based on 24x Sep'26E Core EPS.**

Quarterly Performance **(INR m)**

Y/E March	FY24				FY25				FY24	FY25E	3Q FY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Revenue from Operations	2,828	2,916	2,900	3,177	3,368	3,730	3,754	3,937	11,821	14,789	3,776	-1	29.4	0.6
Change YoY (%)	-1.6	0.3	2.2	17.9	19.1	27.9	29.4	23.9	4.5	25.1	30.2			
Fees & Commission	5	3	5	6	6	6	7	5	19	24	6	5	40.4	6.5
Employee Expenses	1,063	1,112	1,053	1,165	1,137	1,153	1,128	1,151	4,393	4,569	1,170	-4	7.1	-2.2
Other expenses	612	611	704	704	638	742	714	734	2,631	2,827	774	-8	1.3	-3.8
Total Operating Expenses	1,680	1,725	1,762	1,876	1,781	1,901	1,848	1,890	7,043	7,420	1,951	-5	4.9	-2.8
Change YoY (%)	11.9	4.6	-0.9	5.0	6.0	10.2	4.9	0.8	4.9	5.4	10.7			
EBITDA	**1,148**	**1,191**	**1,138**	**1,301**	**1,587**	**1,829**	**1,906**	**2,047**	**4,778**	**7,369**	**1,825**	**4**	67.5	4.2
EBITDA margin (%)	40.6	40.8	39.2	41.0	47.1	49.0	50.8	52.0	40.4	49.8	48	244 bp	1154 bp	175 bp
Other Income	1,858	1,140	1,602	1,026	1,970	1,671	451	595	5,626	4,686	418	7.9	-71.9	-73.0
Depreciation	96	104	104	118	112	112	113	128	423	465	118	-4.2	8.3	0.5
Finance Cost	25	28	29	30	32	31	32	30	113	124	31	3.2	11.1	4.9
PBT	**2,884**	**2,198**	**2,607**	**2,180**	**3,413**	**3,357**	**2,212**	**2,484**	**9,869**	**11,466**	**2,094**	**6**	-15.2	-34.1
Tax Provisions	540	370	573	365	670	726	476	598	1,848	2,470	482	-1	-17.0	-34.4
Net Profit	**2,344**	**1,828**	**2,034**	**1,815**	**2,743**	**2,631**	**1,736**	**1,886**	**8,020**	**8,996**	**1,612**	**8**	-14.6	-34.0
Change YoY (%)	148.3	-9.9	236.5	111.7	17.0	43.9	-14.6	3.9	80.9	12.2	-20.7			
Core PAT	**834**	**880**	**784**	**960**	**1,160**	**1,321**	**1,382**	**1,434**	**3,458**	**5,298**	**1,290**	**7**	76.3	4.6
Change YoY (%)	-25.0	0.4	43.3	68.2	39.1	50.1	76.3	49.4	12.1	53.2	64.6			
Key Operating Parameters (%)														
Revenue / AUM (bps)	45.6	43.6	42.5	43.7	43.4	43.6	42.6	44.0	43.8	47.6	43	-85 bp	11bp	-95bp
Opex / AUM (bps)	27.1	25.8	25.8	25.8	22.9	22.2	21.0	21.1	26.1	23.9	22	-148 bp	-485bp	-123bp
PAT / AUM (bps)	37.8	27.3	29.8	25.0	35.3	30.7	19.7	21.1	29.7	29.0	19	115 bp	-1010 bp	-1102 bp
Cost to Operating Income Ratio	59.4	59.2	60.8	59.0	52.9	51.0	49.2	48.0	59.6	50.2	51.7	-244 bp	-1154 bp	-175 bp
EBITDA Margin	40.6	40.8	39.2	41.0	47.1	49.0	50.8	52.0	40.4	49.8	48.3	244 bp	1154 bp	175 bp
Tax Rate	18.7	16.8	22.0	16.8	19.6	21.6	21.5	24.1	18.7	21.5	23.0	-148 bp	-47 bp	-10 bp
PAT Margin	82.9	62.7	70.1	57.1	81.4	70.5	46.2	47.9	67.9	60.8	42.7	355 bp	-2389 bp	-2429 bp
Core PAT Margin	29.5	30.2	27.0	30.2	34.4	35.4	36.8	36.4	29.3	35.8	34.2	264 bp	979 bp	139 bp
Opex Mix (%)														
Fees & Commission	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0 bp	9 bp	3 bp
Employee Expenses	63.3	64.4	59.8	62.1	63.8	60.7	61.0	60.9	62.4	61.6	60.0	67 bp	126 bp	36 bp
Others	36.4	35.4	40.0	37.6	35.8	39.0	38.6	38.8	37.4	38.1	39.7	-67 bp	-135 bp	-39 bp
Key Parameters														
QAUM (INR b)	2,481	2,678	2,729	2,909	3,106	3,425	3,524	3,579	2,699	3,106	3,475	-1.4	29.1	2.9

pdf

LT Foods

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	LTFOODS IN
Equity Shares (m)	347
M.Cap.(INRb)/(USDb)	123.9 / 1.4
52-Week Range (INR)	452 / 160
1, 6, 12 Rel. Per (%)	-8/32/74
12M Avg Val (INR M)	394

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	88.8	102.2	115.7
EBITDA	9.9	12.4	14.5
Adj. PAT	6.1	8.3	9.9
EBITDA Margin (%)	11.1	12.2	12.5
Cons. Adj. EPS (INR)	17.5	23.8	28.5
EPS Gr. (%)	2.7	35.9	19.7
BV/Sh. (INR)	112.1	131.0	154.5
Ratios			
Net D:E	0.1	0.0	-0.1
RoE (%)	16.8	19.6	20.0
RoCE (%)	15.8	18.5	19.6
Valuations			
P/E (x)	20	15	13
EV/EBITDA (x)	13	10	8

Shareholding pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter	51.0	51.0	51.0
DII	5.9	5.8	5.1
FII	9.3	8.0	5.7
Others	33.8	35.2	38.1

Note: FII includes depository receipts

CMP: INR358 TP: INR460 (+29%) Buy

Consistent growth trajectory continues

Earnings below estimates due to higher interest cost

- LT Foods (LTFOODS) reported a healthy quarter with revenue growing 17%, led by Basmati and Other Specialty Rice (up 17% YoY) and Organic Foods (up 26% YoY). EBITDA margins took a hit of 130bp due to higher freight costs.
- The higher freight cost impact will weigh on the company's margins for 4QFY25/1QFY26 before tapering down with renewed contracts (at lower rates). Additionally, paddy procurement has been at a lower rate for the current year (~INR32/kg, i.e. down 10-15% YoY), which will help improve margins in FY26.
- We largely maintain our EPS estimates for FY25/FY26/FY27. We reiterate our BUY rating on the stock with a TP of INR460 (16x FY27E EPS).

Volume growth remains strong, led by healthy demand

- In 3QFY25, consolidated revenue stood at INR22.7b (+17% YoY, +8% QoQ), in line with our est. EBITDA grew 14%/9% YoY/QoQ to INR2.5b during the quarter (in line). EBITDA margin contracted 130bp YoY, while it expanded 10bp to 11% (in line).
- Adj. PAT declined 5%/3% YoY/QoQ to INR1.4b vs. estimate of INR1.5b, with earnings missed largely due to higher-than-anticipated finance costs of INR236m (+28% YoY/+21% QoQ).
- The Basmati & Other Specialty Rice segment grew 19% YoY, led by strong growth in the International segment (up 22% YoY), while domestic grew ~14% YoY. Gross/EBITDA margins stood at 32.4%/11.7%, down 160/310bp YoY, due to higher input and freight costs.
- Organic foods grew 26% YoY, while gross/EBITDA margins expanded 860/290bp YoY to 42.6%/11.8%.
- The Convenience & Health segment's revenue declined 16% YoY, primarily due to the discontinuance of Daawat Sehat. Gross margin expanded 410bp to 41.1% and operating loss stood at INR42m.

Highlights from the management commentary

- **Guidance**: The company guided for margin improvement in FY26, led by better pricing strategy and lower freight cost. The Organic Foods segment is expected to grow 10% in FY26 (revenue of INR10b+) with EBITDA margins of over 14%.
- **Basmati Business**: The company is seeing healthy demand growth in both India and international markets, which has led to a higher inventory stock in 3QFY25. The management guided the overall volume growth for FY25/FY26 to be in the range of 12-13%.
- **Freight Cost:** EU and US are two regions that have been impacted by Red Sea issues. US freight costs remain high, while EU freight costs have started to decline. Last year, freight costs were ~5% of sales, which have increased to 7.2% now. However, the company expects freight costs to decrease to 6% in FY26.

Valuation and view

- LTFOODS has reported consistent performance over the longer term and is expected to continue this momentum, led by: higher growth in the Basmati and Other Specialty Rice segment in both Indian and international markets, and margin expansion supported by lower input prices and an increasing mix of Organic and Convenience & Health segments.
- We estimate a CAGR of 15%/19%/36% in revenue/EBITDA/Adj. PAT over FY24-FY27. We reiterate our BUY rating on the stock with a TP of INR460 (16x FY27E EPS).

Consolidated - Quarterly Earning Model (INRm)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Gross Sales	**17,781**	**19,778**	**19,417**	**20,748**	**20,705**	**21,078**	**22,748**	**24,283**	**77,724**	**88,814**	**22,067**	**3%**
YoY Change (%)	10.4	14.7	9.2	13.9	16.4	6.6	17.2	17.0	12.1	14.3	13.6	
Total Expenditure	15,644	17,373	17,031	18,297	18,296	18,785	20,250	21,584	68,345	78,915	19,635	
EBITDA	**2,137**	**2,405**	**2,386**	**2,451**	**2,409**	**2,293**	**2,498**	**2,699**	**9,379**	**9,899**	**2,432**	**3%**
Margins (%)	12.0	12.2	12.3	11.8	11.6	10.9	11.0	11.1	12.1	11.1	11.0	
Depreciation	356	360	361	453	420	448	458	430	1,529	1,756	435	
Interest	220	191	185	235	187	196	236	220	830	840	145	
Other Income	107	140	80	169	175	263	134	120	496	692	150	
PBT before EO expense	**1,669**	**1,995**	**1,920**	**1,933**	**1,977**	**1,911**	**1,938**	**2,169**	**7,517**	**7,995**	**2,002**	
PBT	**1,669**	**1,995**	**1,920**	**1,933**	**1,977**	**1,911**	**1,938**	**2,169**	**7,517**	**7,995**	**2,002**	
Tax	438	539	510	542	530	494	525	546	2,029	2,094	504	
Rate (%)	26.2	27.0	26.6	28.1	26.8	25.8	27.1	25.2	27.0	26.2	25.2	
MI & Profit/Loss of Asso. Cos.	-143	-143	-102	-97	-84	-66	-19	-20	-486	-189	-40	
Reported PAT	**1,374**	**1,599**	**1,512**	**1,488**	**1,532**	**1,484**	**1,433**	**1,643**	**5,973**	**6,091**	**1,538**	
Adj PAT	**1,374**	**1,599**	**1,512**	**1,488**	**1,532**	**1,484**	**1,433**	**1,643**	**5,973**	**6,091**	**1,538**	**-7%**
YoY Change (%)	53.2	78.7	58.7	15.9	11.4	-7.2	-5.2	10.4	48.3	2.0	1.8	
Margins (%)	7.7	8.1	7.8	7.2	7.4	7.0	6.3	6.8	7.7	6.9	7.0	

Prudent Corporate Advisory

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	PRUDENT IN
Equity Shares (m)	41
M.Cap.(INRb)/(USDb)	82.3 / 1
52-Week Range (INR)	3741 / 1129
1, 6, 12 Rel. Per (%)	-27/-8/51
12M Avg Val (INR M)	195

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Revenues	11,247	14,200	17,059
Opex	8,625	10,835	12,947
PBT	2,609	3,353	4,231
PAT	1,946	2,501	3,157
EPS (INR)	47.0	60.4	76.2
EPS Gr. (%)	40.3	28.5	26.2
BV/Sh. (INR)	31.8	42.6	56.1
Ratios (%)			
EBIDTA Margin	23.3	23.7	24.1
PAT margin	17.3	17.6	18.5
RoE	34.2	32.5	30.9
Div. Payout	9.6	9.9	11.8
Valuations			
P/E (x)	42.3	32.9	26.1
P/BV (x)	62.5	46.6	35.4
Div. Yield (%)	0.2	0.3	0.5

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	55.7	55.7	58.4
DII	23.6	23.9	15.7
FII	14.8	14.6	3.8
Others	5.9	5.7	22.1

FII includes depository receipts

CMP: INR1,986 TP: INR2,200 (+11%) Neutral

Strong revenue growth in MF business

- **Prudent reported operating revenue of INR2.9b, +36% YoY (in line) in 3QFY25, driven by 36% YoY growth in commission and fees income to INR2.8b. For 9MFY25, operating revenue rose 45% YoY to INR8.2b.**
- **EBITDA grew 32% YoY to INR659m (6% miss), with EBITDA margin of 23.1% (vs. 23.8% in 3QFY24 and 24.0% in 2QFY25). Operating expenses increased by 37% YoY to INR2.2b (in line), led by 49%/25% YoY growth in commission & fees expenses/ employee expenses.**
- **PAT rose 35% YoY to INR482m in 3QFY25 (8% miss). For 9MFY25, PAT increased 53% YoY to INR1.4b.**
- **Management guided for revenue growth of ~25% for the non-MF segments and 12-14% YoY growth in overall operating costs.**
- **We have cut our earnings estimates by 5%/10%/13% for FY25/26/27 due to a decline in blended yields and lower growth in the non-MF businesses. However, we expect Prudent to deliver a CAGR of 28%/29%/32% in revenue/EBITDA/PAT over FY24-27E, fueled by growing MF AUM and focus on increasing the share of non-MF business in the overall mix. The company is expected to maintain RoE of 30%+ for FY25/FY26/FY27. We reiterate our Neutral rating on the stock with a TP of INR2,200 (based on 33x EPS Sep'26E).**

Revenue from Non-MF segments guided to grow 25% YoY

- QAAUM stood at INR1.1t, up 47% YoY. The monthly SIP flow grew to INR9.4b (from INR6.5b in 3QFY24) and management expects the flow to touch INR10b by Mar'25 on the back of a strong retail base.
- Total premium for the quarter came in at INR1.5b, of which life insurance premium stood at INR1.2b and general insurance premium stood at INR372m.
- Commission and fees income for the quarter rose 36% YoY to INR2.8b, of which INR2.4b and INR286m were contributed by the distribution of MF products and insurance products, respectively.
- Revenue from distribution of MF reported strong growth of 46% due to strong SIP inflows and active participation from MFDs.
- Revenue from the sale of insurance products dropped 4% YoY on account of a fall in the life insurance premium, led by the implementation of surrender charges regulations. Management expects a slowdown in the Life segment to continue and targets to build a strong health premium book.
- Revenue from the stock broking segment fell 20% YoY mainly due to reduced market activity amid weak sentiment. Management guides for the revenue contribution to remain stable at 3-4% and has recently introduced a margin trading facility to boost volumes.
- Revenue from other financial and non-financial products remained flat YoY due to the discontinuation of P2P product flows since Aug'24 (RBI regulations); however, it is expected to pick up on the back of healthy growth in the AIF/PMS/FD segments.

- Other income for 3QFY25/9MFY25 rose 46%/60% YoY to INR66m (6% miss)/INR214m.
- Fee and commission expenses grew 49% YoY to INR1.7b on account of an increase in the pay-out ratio to 64.6% from 63.4%. An additional provision of ~INR30m was included in 3Q expenses for higher net sales done by MFDs.
- While SIP market share on overall basis has been declining, its market share, excluding direct SIPs, has been rising. The company has guided for a stable improvement in market share within the regular category.

Key takeaways from the management commentary

- The blended yield in the insurance segment declined due to the impact of surrender charges, a fall in insurance premium and a shift in the product mix toward ULIPs (at 15%).
- AIF/PMS and FD segments witnessed strong growth, with average PMS/AIF in 9MFY25 doubling to INR10.6b from INR6.1b in FY24. This strong growth is expected to more than compensate for the decline in P2P.
- Management stated that any commission cuts done by the AMC will be passed on to distributors, and thus, it will not impact net margins of Prudent.

Valuation and view

- We expect the revenue growth momentum to be sustained in the medium to long term, primarily because of the following reasons: 1) increasing MF AUM mainly driven by improving SIP participation, and 2) focus on a one-stop-shop solution, which should result in an increase in distribution revenue from higher-margin products such as insurance.
- We have cut our earnings estimates by 5%/10%/13% for FY25/26/27 due to a decline in blended yields and lower growth in the non-MF businesses. However, we expect Prudent to deliver a CAGR of 28%/29%/32% in revenue/EBITDA/PAT over FY24-27E, fueled by growing MF AUM and focus on increasing the share of non-MF business in the overall mix. The company is expected to maintain RoE of 30%+ for FY25/FY26/FY27. We reiterate our Neutral rating on the stock with a TP of INR2,200 (based on 33x EPS Sep'26E).

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	3Q FY25E	Act v/t Est. (%)	YoY %	QOQ %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Commission and Fees Income	1,644	1,886	2,084	2,376	2,477	2,845	2,827	3,020	7,990	11,169	2,907	-2.8	36	-1
Other Operating revenue	10	14	15	21	17	15	23	22	61	78	15	51.3	52	51
Revenue from Operations	**1,654**	**1,900**	**2,099**	**2,397**	**2,494**	**2,861**	**2,850**	**3,042**	**8,051**	**11,247**	**2,922**	-2.5	36	0
Change YoY (%)	28.7	28.7	32.5	35.5	50.8	50.5	35.8	26.9	31.7	39.7	39.2			
Operating Expenses	1,262	1,469	1,599	1,789	1,904	2,174	2,191	2,356	6,120	8,625	2,222	-1.4	37	1
Change YoY (%)	31.1	39.4	38.1	51.0	50.8	48.0	37.0	31.7	40.4	40.9	39.0			
EBIDTA	**392**	**432**	**500**	**608**	**590**	**687**	**659**	**686**	**1,932**	**2,622**	**700**	**-5.8**	32	-4
Depreciation	59.6	61.3	63.0	64.3	62.9	67.2	73.7	76.2	248	280	67	9.7	17	10
Finance Cost	6.0	5.0	3.6	7.8	4.9	5.7	6.4	7.1	21	24	6	11.7	78	12
Other Income	49	41	45	62	70	78	66	77	196	291	70	-5.9	46	-16
PBT	**375**	**406**	**479**	**598**	**592**	**693**	**645**	**680**	**1,858**	**2,609**	**697**	**-7.5**	35	-7
Change YoY (%)	34.1	9.6	24.4	5.6	57.9	70.6	34.7	13.7	18.5	40.4	45.7			
Tax Provisions	95.5	101.7	121.6	152.1	149.9	177.9	163.1	171.7	471	663	174	-6.0	34	-8
Net Profit	**279**	**304**	**357**	**446**	**442**	**515**	**482**	**508**	**1,387**	**1,947**	**524**	**-8.0**	35	-6
Change YoY (%)	31.4	10.0	25.1	4.6	58.3	69.2	35.0	14.0	18.9	40.3	46.7			
Key Operating Parameters (%)														
EBIDTA Margin	23.7	22.7	23.8	25.4	23.6	24.0	23.1	22.6	24.0	23.3	24.0	-83bp	-70bp	-90bp
Cost to Income Ratio	21.3	23.0	22.2	21.3	19.5	18.9	17.8	18.6	21.9	18.7	18.8	-104bp	-440bp	-112bp
PBT Margin	22.7	21.4	22.8	24.9	23.7	24.2	22.6	22.3	23.1	23.2	23.9	-123bp	-17bp	-159bp
Tax Rate	25.5	25.0	25.4	25.4	25.3	25.7	25.3	25.3	25.3	25.4	24.9	39bp	-12bp	-39bp
PAT Margins	16.9	16.0	17.0	18.6	17.7	18.0	16.9	16.7	17.2	17.3	17.9	-101bp	-10bp	-109bp
MF revenue / QAAUM (bps)	94.1	91.3	91.9	90.0	91.9	91.8	91.8	89.1	91.8	91.3	90.0	175bp		
Revenue from Operations (INR Mn)														
Commission and Fees Income														
Distribution of MF Products-Trail Revenue	1,385	1,519	1,653	1,820	2,052	2,343	2,421	2,445	6,377	7,044	2,388	1.4	54	14
Distribution of Insurance Products	163	251	299	395	261	339	286	427	1,108	1,206	356	-19.7	35	30
Stock Broking and Allied Services	41	59	61	76	77	73	49	61	237	273	68	-27.9	24	-5
Other Financial and Non-Financial Products	56	57	71	84	87	90	71	87	268	299	95	-25.3	58	3
Revenue from Operations Mix (%)														
As % of Commission and Fees Income														
Distribution of MF Products	83.7	79.9	78.7	75.9	82.3	81.9	84.9	80.4	79.2	62.6	81.7	322bp	620bp	304bp
Distribution of Insurance Products	9.9	13.2	14.2	16.5	10.5	11.9	10.0	14.1	13.8	10.7	12.2	-215bp	-421bp	-182bp
Stock Broking and Allied Services	2.5	3.1	2.9	3.2	3.1	2.6	1.7	2.0	2.9	2.4	2.3	-61bp	-119bp	-83bp
Other Financial and Non-Financial Products	3.4	3.0	3.4	3.5	3.5	3.1	2.5	2.9	3.3	2.7	3.3	-76bp	-89bp	-66bp

28 January 2025

3QFY25Results Update | Sector: Logistics

Mahindra Logistics

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	25.5 / 0.3
52-Week Range (INR)	555 / 342
1, 6, 12 Rel. Per (%)	-4/-26/-26
12M Avg Val (INR M)	100

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	61.8	77.3	94.3
EBITDA	2.8	4.0	5.0
Adj. PAT	-0.3	1.1	1.9
EBITDA Margin (%)	4.6	5.1	5.4
Adj. EPS (INR)	-3.7	14.8	26.8
EPS Gr. (%)	-55.4	-504.7	81.7
BV/Sh. (INR)	62.7	74.9	99.3
Ratios			
Net D:E	0.4	0.2	-0.3
RoE (%)	-5.4	21.0	30.3
RoCE (%)	73.6	18.7	26.6
Payout (%)	-68.5	16.9	9.3
Valuations			
P/E (x)	-97.2	24.0	13.2
P/BV (x)	5.7	4.7	3.6
EV/EBITDA(x)	9.5	6.6	4.6
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	6.7	4.4	12.6

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	58.0	58.0	58.0
DII	15.9	18.2	15.7
FII	5.0	5.0	5.9
Others	21.0	18.8	20.3

FII Includes depository receipts

CMP: INR355 TP: INR330 (-7%) Neutral

In-line operational performance; higher interest and tax outgo dent APAT

- Mahindra Logistics (MLL)'s revenue grew ~14% YoY to INR15.9b in 3QFY25, in line with our estimate.
- EBITDA margin came in at 4.6% (+90bp YoY and +20bp QoQ) vs. our estimate of 5%. EBITDA rose 41% YoY to INR737m vs. our estimate of INR788m.
- Adjusted net loss narrowed to INR90m in 3QFY25 from INR212m in 3QFY24 (our estimate of INR116m profit).
- During 9MFY25, revenue stood at INR45.3b (+12% YoY), EBITDA was INR2.1b (+20% YoY), and EBITDA margin came in at 4.5%. Adj. loss stood at INR291m (vs. loss of INR457m).
- Supply Chain management recorded revenue of INR15.1b (+15.5% YoY) and EBIT loss of INR18.8m. Enterprise Mobility Services (EMS) reported revenue of INR781m (-6.9% YoY) and EBIT of INR7.6m.
- Revenue growth was driven by strong performance in 3PL contract logistics, outbound logistics, and last-mile delivery, despite macroeconomic challenges and pricing pressures in road logistics and air freight. While the B2B express and enterprise mobility businesses faced declines, MLL remained focused on cost optimization, retail volume growth, and EBITDA breakeven in B2B express within two quarters.
- While MLL's operational performance was in line, the express business has been struggling. We cut our EBITDA estimates by 1-6% in FY25-27 to factor in the weak performance and delayed breakeven in the express business. We estimate a CAGR of 20%/30% in revenue/EBITDA over FY24-27. **Reiterate Neutral with a revised TP of INR330 (premised on 15x Sep'26E EPS).**

Order intake in contract logistics remains strong; last mile and warehousing continue to perform well

- The company expanded its transportation and green logistics offerings, along with a strong order intake of INR1b the contract logistics business. The growth in contract logistics business was impacted by softness in end markets, lower customer volumes after Oct'25, and delayed contract closures.
- B2B express business revenue declined 9% YoY due to operational challenges and seasonal impacts, but a higher order intake in 3Q is expected to aid recovery ahead.
- The last-mile delivery segment achieved strong growth of 80% YoY, driven by the Whizzard consolidation and improved margins, while the cross-border segment grew 19% YoY despite a decline in ocean freight volumes due to pricing corrections.
- MLL expanded transportation and green logistics offerings while strengthening network infrastructure, especially in the East, to support warehousing, last-mile, and express services for future growth.

Highlights from the management commentary

- Volume growth in B2B Express Business was impacted by customer churn and a lower-than-expected win ratio. Cost-leverage benefits fell short of expectations, but a higher order intake in 3Q is expected to support volume recovery in the coming quarters.
- The company has seen improvement in volumes in Jan'25. Seasonal challenges and pricing competition continue to pose short-term hurdles. Management remains focused on expanding retail volumes, enhancing partnerships, and launching new offerings.
- The company expanded its transportation and green logistics offerings and progressed on new warehousing developments in western and eastern India, with over 70% capacity already sold out.

Valuation and view

- The losses in the express business are anticipated to decrease as volumes grow, which should enhance MLL's overall EBITDA. However, there would be a delay in the breakeven considering the industry-wide slowdown and heightened competition.
- We cut our EBITDA estimates by 1-6% for FY25-27, due to weak performance and delayed breakeven in the express logistics business. We estimate a CAGR of 20% in revenue and 30% in EBITDA over FY24-27. **We reiterate our Neutral rating with a revised TP of INR330 (premised on 15x Sep'26E EPS).**

Quarterly snapshot INR m

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	12,932	13,648	13,972	14,508	14,200	15,211	15,942	16,464	55,060	61,818	15,759	1
YoY Change (%)	7.8	2.9	5.1	14.0	9.8	11.5	14.1	13.5	7.4	12.3	12.8	
EBITDA	666	536	522	566	663	664	737	772	2,290	2,835	788	(6)
Margins (%)	5.2	3.9	3.7	3.9	4.7	4.4	4.6	4.7	4.2	4.6	5.0	
YoY Change (%)	1.4	-20.7	-16.8	-11.2	-0.5	23.9	41.1	36.3	-11.8	23.8	50.9	
Depreciation	545	518	515	513	550	540	590	571	2,090	2,250	530	
Interest	178	165	164	174	195	191	221	198	682	805	170	
Other Income	62	66	23	29	57	17	63	57	179	193	50	
PBT before EO Items	6	-82	-134	-92	-25	-50	-11	59	-302	-26	138	
Extra-Ord expense	0	0	-38	0	0	0	0	0	38	0	0	
PBT	6	-82	-96	-92	-25	-50	-11	59	-340	-26	138	
Tax	89	73	68	27	53	46	61	14	257	175	29	
Rate (%)	NA	NA	NA	NA	NA	NA	NA	23.4	NA	NA	21.0	
PAT before MI, Associates	-83	-155	-164	-119	-78	-96	-72	46	-597	-201	109.0	
Share of associates/ MI	-3	-5	-10	-9	-15	-11	-18	-16	-27	-60	7	
Reported PAT	-86	-159	-174	-128	-93	-107	-90	30	-624	-261	116	
Adj PAT	-86	-159	-212	-128	-93	-107	-90	30	-586	-261	116	NA
YoY Change (%)	NA	PL	PL	NA	NA	NA	NA	LP	NA	NA	NA	
Margins (%)	-0.7	-1.2	-1.5	-0.9	-0.7	-0.7	-0.6	0.2	-1.1	-0.4	0.7	

Updater Services

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	UDS IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	25.7 / 0.3
52-Week Range (INR)	405 / 243
1, 6, 12 Rel. Per (%)	9/17/21
12M Avg Val (INR M)	145

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	27.4	32.2	37.2
EBIT	1.3	1.5	2.0
PAT	1.1	1.4	1.8
Adj PAT	1.2	1.5	1.9
EPS (INR)	16.8	20.9	27.2
Adj EPS (INR)	17.7	21.7	28.0
EPS growth (%)	20%	23%	29%
BV/Sh (INR)	145.9	166.9	194.1
Ratios			
RoE (%)	20.2	16.1	12.4
RoCE (%)	2.3	2.0	1.7
Valuations	12.3	13.4	15.1
P/E (x)	10.8	11.1	12.5
P/BV (x)	27.4	32.2	37.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	58.9	58.9	58.7
DII	15.0	15.3	15.3
FII	3.1	3.5	7.3
Others	23.0	22.3	18.8

CMP: INR337 TP: INR460 (+36%) Buy

A steady quarter

Short-term hiccups expected in BSS business

- Updater Services (UDS) reported revenue growth of 9% YoY/2% QoQ to INR7.0b, below our estimate of ~INR7.5b. Core EBITDA margin came in at 6.7%, up 40bp YoY (vs. est. 6.1%). IFM's PBT margin was up 10bp QoQ at 5.3%. BSS's PBT margin was up 40bp QoQ at 6.2%. Consolidated adj. PAT stood at INR312m (up 52% YoY), above our estimate of INR276m. The company's revenue/EBITDA/PAT grew 11.8%/34.6%/101% in 9MFY25 vs. 9MFY24. We expect revenue/EBITDA/adj. PAT to grow organically by 13.3%/13.8%/14.2% YoY in 4QFY25. We reiterate our BUY rating and a TP of INR460 (premised on 18x Dec'26E EPS).

Our view: IFM drives growth in 3Q

- IFM segment (~65% revenue contribution) saw steady growth, driven by operational improvements and low-margin contract rationalization, with a focus on high-value contracts. IFM margins should improve as the company continues to focus on high-margin contracts. While BSS faced headwinds due to loss of clients in Athena business, we expect slowed momentum for the next couple of quarters. Recent challenges in Athena are expected to ease as new client acquisitions in non-BFSI segments start contributing from 1QFY26.
- We estimate a revenue CAGR of 17% for BSS over FY24-27, underscoring a shift toward higher-margin opportunities to boost revenue growth and profitability. For IFM, we anticipate a 13% CAGR over FY24-27, with improved margins.
- **Margins:** Core EBITDA margin was 6.7% (est. 6.1%). With its strategy to optimize low-margin contracts in IFM and high-margin business in BSS, along with operational leverage, we believe the company can accrue margins by ~20bp/60bp over FY26-27E. We expect operational leverage to improve margins by 20-25bp in FY26E, with contributions from high-margin businesses.

Valuation and changes in our estimates

- We broadly retain our estimates, given solid foothold of UDS in the IFM business and the high-margin BSS business. We expect a CAGR of 15%/26% in revenue/EBITDA over FY24-27. **Reiterate BUY with a TP of INR460 (premised on 18x Dec'26E EPS).** The recent correction in the stock price (down ~23% from peak) makes valuations relatively comfortable. Our TP implies a 36% upside potential.

Miss on revenue and beat on margins

- Revenue grew 9% YoY and 2% QoQ to INR7.0b, below our estimate of ~INR7.5b.
- Revenue growth was aided by 9% YoY growth in IFM, whereas BSS reported a growth of 7% YoY.
- EBITDA margin came in at 6.7%, up 40bp YoY (est. 6.1%). IFM's PBT margin was up 10bp QoQ at 5.3%. BSS's PBT margin was up 40bp QoQ at 6.2%.

- Consolidated adj. PAT stood at INR312m (est. INR276m), up 52% YoY.
- Adj. RoCE stood at 22.3% on an annualized basis in Dec'24 vs. 23.4% in Mar'24. The company added 95 logos during 3QFY25.
- Long-standing relationships with customers have 95%/93% retention over a five-year window in the IFM/BSS businesses.

Key highlights from the management commentary

- The company is focusing on increasing cross-sales between the IFM and BSS segments to enhance synergies.
- UDS is confident of achieving 2.5-3x higher growth than the economic growth rate (between 15-20% organically) without compromising margins.
- Growth acceleration is expected, particularly in the global airport handling business.
- **In IFM**, its focus on operational excellence and the optimization of low-margin contracts has started yielding positive results, though there are opportunities to further optimize low-margin contracts.
- **Denave** remains at the forefront of technological innovation for the group. Despite some churn in sales enablement due to technology, new client acquisitions are anticipated, and remote agent adoption efforts are expected to yield results. Margins are expected to stabilize.
- **Athena** experienced the loss of key clients in 9MFY25, resulting in flat revenue. One client closed operation in India, and another underwent restructuring.
- Athena is adding clients in the non-BFSI segment, with positive results anticipated from 1QFY26. Full-year revenue is expected to remain flat at ~INR1,350m.
- The company expects operational leverage to boost margins by 20-25bp YoY, with contributions from higher-margin businesses.

Valuation and view

- We believe the company will benefit from the long-term trend of outsourcing non-core business operations for greater efficiency and service quality. With continued momentum in the IFM space and an inorganic growth engine in the high-margin BSS vertical, we expect UDS to deliver sustainable and profitable growth**.**
- We expect a CAGR of 15%/26% in revenue/EBITDA over FY24-27. **Reiterate BUY with a TP of INR460 (premised on 18x Dec'26E EPS).** The recent correction in the stock price (down ~23% from peak) makes valuations relatively comfortable. Our TP implies a 36% upside potential.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Est.	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QFY25	(%/bp)
Gross Sales	**5,764**	**6,001**	**6,361**	**6,318**	**6,522**	**6,800**	**6,949**	**7,159**	**24,444**	**27,429**	**7,464**	**-6.9**
YoY Change (%)	20.3	16.7	17.3	10.5	13.1	13.3	9.3	13.3	16.0	12.2	17.4	**-810bp**
Total Expenditure	5,404	5,616	5,959	5,944	6,112	6,363	6,487	6,701	22,923	25,663	7,009	-7.5
Core EBITDA	**360**	**385**	**401**	**374**	**409**	**437**	**462**	**458**	**1,520**	**1,767**	**455**	**1.5**
Margins (%)	6.3	6.4	6.3	5.9	6.3	6.4	6.7	6.4	6.2	6.4	6.1	60bp
ESOP cost	0.0	31.7	21.7	18.9	0.0	0.0	0.0	0.0	72.3	0.0	0.0	NA
Fair value changes	31.8	57.2	31.8	-47.4	0.0	0.0	0.0	0.0	105.9	0.0	0.0	
EBITDA	**329**	**296**	**348**	**403**	**409**	**437**	**462**	**458**	**1,342**	**1,767**	**455**	**1.5**
Margins (%)	5.7	4.9	5.5	6.4	6.3	6.4	6.7	6.4	5.5	6.4	6.1	60bp
Depreciation	131	137	149	123	115	123	121	143	539.6	501.7	149	-19.1
Interest	56	63	42	31	34	29	20	21	192.8	104.7	26	-24.0
Other Income, net	27	27	93	56	65	69	57	43	236	234	45	26.6
PBT	**169**	**123**	**250**	**305**	**326**	**354**	**378**	**336**	**846**	**1,394**	**325**	**16.5**
Tax	45	31	44	63	69	74	67	61	183.2	270.3	49	37.2
Rate (%)	26.7	25.2	17.7	20.7	21.3	20.8	17.7	18.0	21.7	19.4	15.0	270bp
Minority Interest & Profit/Loss of Asso. Cos.	-5	-8	-3	-17	3	-1	3	0	-17	4	0	
Adjusted PAT	**202**	**197**	**275**	**194**	**256**	**280**	**312**	**276**	**885**	**1,186**	**276**	**-95.1**
YoY Change (%)	-22.6	-19.8	114.2	-10.3	27.2	41.8	13.5	42.1	137.9	34.0	0.5	
Margins (%)	3.5	3.3	4.3	3.1	3.9	4.1	4.5	3.9	3.6	4.3	3.7	80bp

Healthcare

Disproportionate reaction to US freeze on foreign aid

The US State Department has frozen all existing and new foreign assistance for 90 days to reevaluate if the aid is aligned with President Donald Trump's foreign policy, according to news reports. In this report, we have analyzed the total funding assistance by the US for certain indications, such as human immunodeficiency virus (HIV), anti-malaria, tuberculosis (TB), etc. globally..

- The US provided 27% of global funds available (USD19.8b) for antiretroviral (ARV)- related health initiatives in FY24 through multiple channels of assistance. Domestic resources of respective countries meet about 59% of the total funding requirement.
- About 45% of the total spending is related to treatment/medicines, implying the maximum US assistance of ~USD2.6b.
- Notably, the US contributed USD12.3b across indications in CY23.
- Considering the chronic nature of HIV and the maximum shortage of funds (USD2.6b if the temporary freeze turns into a complete stoppage), the recipient countries will have to look for alternatives to continue the treatment program, implying a business opportunity for ARV medicine manufacturers.
- **Interestingly, Mr. Trump is considering U-turn with respect to withdrawal of US from WHO as per news reports. While we await clarity on changes in the funding structure, we highlight, in this note, the proportion of business from institutional agencies to certain companies across indications.**

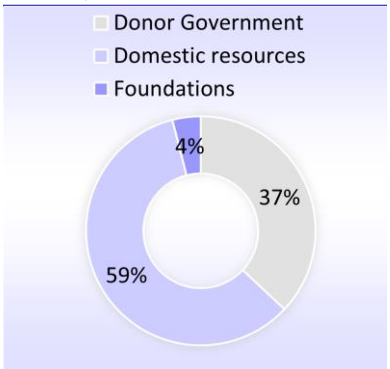
Limited scope for recipient countries to stop HIV treatment programs despite US review of financial aid

- Globally, spending on ARV-HIV indication has been stable for the past five years at ~USD20b. The funding gap for HIV responses has also been steady at USD8b. The financial resources are used for prevention (18% of total funding), care & treatment (~45% of total funding), and governance (32%) and mitigation impact (5%).
- The US has been a major contributor in bridging the funding gap; hence, the reduction of assistance from the US will affect the ARV-HIV program.
- Having said this, the care and treatment would be the least impacted, based on the resource reprioritization by recipient countries. Effectively, the funding gap for medication can be maximum about USD2.6b at the global level.
- Given that there is no effective cure for HIV and that ARV medications are used to slow the progress of the disease and prevent secondary infections/complications, respective countries would continue to re-prioritize the allocation for healthcare expenditure toward HIV program.

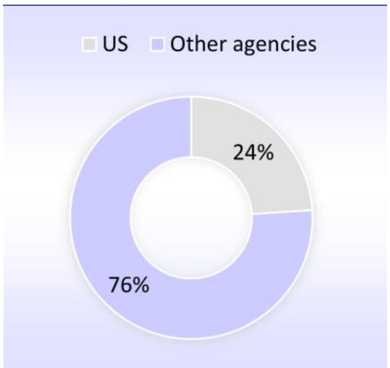
US provides ~USD12b in financial aid across health programs

- We have analyzed the total funding of USD12b by the US for other health initiatives, with USD5.4b for HIV, USD1.7b for a global fund, USD1.3b for mother and child health, and USD1b for malaria.

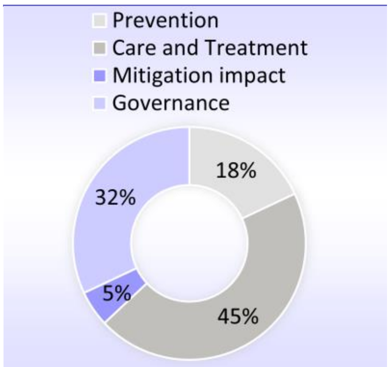
Domestic resources formed 59% of the global HIV funding (USD19.8b in CY23)



US accounts for 24% of the global HIV funding



Care and treatment accounts for 45% of the total HIV fund allocation



- The financial assistance by the US has been at the similar level (USD12b)across therapy level on an annual basis for the past decade, except in FY21, when it rose to USD21b due to Covid-19.

Gradual de-focus across companies for HIV/ARV/anti-malaria business

- With potential growth levers being added/scaled up by companies, the dependency on HIV/ARV/anti-malaria has reduced for companies like Laurus/Ipca/Ajanta Pharma/Cipla/Aurobindo Pharma.
- Specifically for Laurus, given that ARV accounts for 45% of sales, PEPFAR-related ARV business would be ~INR5b, forming 9% of consolidated sales.
- ARV business is relatively less profitable than other segments of Laurus. We believe that if the pause turns into a complete closure, the maximum impact on EBITDA could be 4-5% of FY26E EBITDA. During 9MFY25, the contribution from institutional anti-malaria business stood at 3.5% for Ajanta, 5% for Ipca, 2.4% for Cipla, and 2.8% for Aurobindo Pharma. Given that profitability is lower than the corporate level, EBITDA contribution would be further lower than revenue contribution.

Valuation table

Company	Reco	MCap	EPS (INR)			EPS Gr. YoY (%)		PE (x)		EV/EBITDA (x)		ROE (%)		
		(USD B)	FY25E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY25E	FY26E	FY27E
Ajanta Pharma	Buy	4.1	72.4	82.4	97.0	13.7	17.8	32.3	27.5	24.2	21.3	23.5	22.6	22.5
Alembic Pharma	Neutral	2.2	31.7	37.9	47.5	19.6	25.4	24.8	19.8	15.7	13.0	12.1	13.1	14.5
Alkem Lab	Neutral	7.0	183.8	204.8	231.2	11.4	12.9	24.2	21.4	21.6	18.9	19.7	18.9	18.4
Aurobindo Pharma	Neutral	8.2	61.7	70.8	81.1	14.8	14.5	16.6	14.5	8.8	7.6	11.5	11.8	12.1
Biocon	Buy	5.4	2.0	4.7	9.6	139.9	105.6	79.0	38.4	16.3	13.3	1.2	2.7	5.4
Cipla	Neutral	13.2	57.1	62.6	66.0	9.6	5.5	22.3	21.1	14.1	12.8	15.0	14.3	13.3
Divi's Lab.	Neutral	17.7	74.8	97.1	119.6	29.8	23.2	57.4	46.6	42.9	35.3	13.9	16.3	17.8
Dr Reddy's Labs	Neutral	11.8	64.7	74.4	68.2	15.0	-8.3	16.1	17.6	9.0	8.9	17.6	17.3	13.7
Eris Lifescience	Neutral	1.9	28.6	40.1	54.2	40.4	35.1	28.5	21.1	13.6	11.5	14.3	17.6	20.1
Gland Pharma	Buy	3.0	46.2	58.7	70.0	26.9	19.4	24.6	20.6	15.6	13.3	8.4	9.7	10.5
Glenmark Pharma	Buy	4.7	47.3	60.7	70.6	28.2	16.3	23.1	19.9	13.6	11.5	15.7	17.0	16.7
Glaxosmit Pharma	Neutral	4.1	50.2	56.2	64.6	12.1	14.9	36.7	31.9	26.9	23.6	39.3	36.0	33.4
Granules India	Buy	1.6	19.5	26.5	33.4	35.7	26.0	20.5	16.3	13.1	10.8	13.7	16.2	17.3
Ipca Labs.	Buy	4.5	33.1	44.3	55.5	33.8	25.1	32.5	26.0	19.0	15.6	12.6	14.9	16.4
Laurus Labs	Buy	3.8	5.1	10.7	14.9	110.2	39.5	50.0	35.9	25.0	20.7	6.5	12.5	15.5
Lupin	Neutral	11.2	68.9	75.7	83.9	9.8	10.9	27.5	24.8	16.6	14.3	19.8	18.2	17.0
Mankind Pharma	Buy	12.0	50.1	55.0	72.1	9.9	31.1	44.7	34.1	25.0	21.6	17.8	15.4	17.8
Piramal Pharma	Buy	3.6	2.0	4.7	7.1	132.9	52.1	47.8	31.4	19.1	15.4	3.3	7.3	10.2
Sun Pharma.Inds.	Buy	50.6	49.3	59.3	67.4	20.2	13.7	30.1	26.5	24.8	21.2	17.2	17.8	17.1
Torrent Pharma.	Neutral	12.7	57.3	75.3	94.3	31.4	25.3	44.3	**35.4**	24.5	20.6	26.0	28.7	29.8
Zydus LifeScience	Neutral	11.1	44.6	49.4	43.6	10.8	-11.7	18.7	21.2	12.0	12.9	19.8	18.1	14.0

Source: MOFSL, Company

Piramal Pharma

BSE SENSEX	S&P CNX
75,901	22,957

Conference Call Details

Date: 29th Jan 2025
Time: 5:30 pm IST
Dial-in details:
Zoom Link

Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	90.9	105.4	122.6
EBITDA	13.7	18.3	22.6
Adj. PAT	2.7	6.2	9.4
EBIT Margin (%)	6.7	9.8	11.7
Cons. Adj. EPS (INR)	2.0	4.7	7.1
EPS Gr. (%)	375.3	132.9	52.1
BV/Sh. (INR)	68.5	73.7	81.6
Ratios			
Net D:E	0.5	0.5	0.4
RoE (%)	3.3	7.3	10.2
RoCE (%)	3.4	5.9	7.7
Payout (%)	17.6	17.6	17.6
Valuations			
P/E (x)	108.3	46.5	30.6
EV/EBITDA (x)	24.3	18.1	14.6
Div. Yield (%)	0.1	0.3	0.5
FCF Yield (%)	0.0	0.0	0.0
EV/Sales (x)	3.6	3.1	2.7

CMP: INR219

Result in line; higher other income drives profitability

- PIRPHARM's revenues grew 12.5% YoY to INR22.0b (our est: INR20.7b) for the quarter.
  - CDMO segment's (58% of total sales) revenue grew 13% YoY to INR12.8b, driven by continued traction in the on-patent commercial manufacturing and generic API business.
  - Complex hospital generics segment's (CHG; 30% of total sales) revenue grew 14% YoY to INR6.5b, driven by healthy volumes in the Inhalation Anesthesia business.
  - The India consumer healthcare segment's (ICH; 13% of total sales) revenue grew 10% YoY to INR2.8b, driven by strong growth in power brands.
- Gross margin contracted 210bp YoY to 63.4% due to a change in the product mix.
- However, EBITDA margin expanded 160bp YoY to 15.3% (our est: 11.0%), largely due to a decrease in employee costs/other expenses (down 150/220bp as a % of sales).
- EBITDA grew 25.8% YoY to INR3.4b (our est: INR2.3b), supported by operating leverage, cost optimization initiatives, and a superior revenue mix.
- Adj Profit contracted 89.5% YoY to INR37m (our est: 108m) for the quarter, owing to the high tax burden (94% of PBT in 3QFY25 vs 48% of PBT in 3QFY24).
- In 9MFY25, Revenue/EBITDA grew 14%/33% YoY to INR64b/INR8.8b, while Adj loss for 9MFY25 grew 7% YoY to INR625m.

Other highlights

- **CDMO:**
  - Biotech funding has improved over the previous years but remains uneven across months.
  - It continues to witness a steady order inflow momentum, particularly for on-patent commercial manufacturing.
  - Healthy demand was observed in the generic API business.
  - Timely capacity expansions and targeted business development efforts are generating more customer inquiries, though decision-making is prolonged.
  - The company has successfully cleared 24 regulatory inspections and 142 customer audits in 9MFY25.
- **CHG:**
  - Good volume growth was observed in the inhalation anesthesia portfolio in the US, driven by order wins for Sevoflurane and Isoflurane.
  - Capacity expansion at Dahej and Digwal is underway to capture growth opportunities in the RoW markets.
  - The company continues to command a leading position in Baclofen in the US market.
  - It is investing in Differentiated and Specialty Products, including 505(b)(2) applications, complex generics, differentiated generics, and branded products, to enable long-term growth.

- **ICH:**
  - Power Brand grew 19% YoY in 9MFY25 and contributed to 48% of ICH sales.
  - E-commerce sales grew over 40% YoY in 3QFY25 and contributed 20% to the ICH business vs 16% in 3QFY24.
  - 16 new products and 23 new SKUs were launched during 9MFY25.

Consolidated - Quarterly Earning Model **INR m**

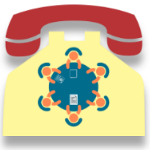
	FY24				FY25E				FY24	FY25E	FY25E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	
Revenues	**17,489**	**19,114**	**19,586**	**25,524**	**19,511**	**22,418**	**22,042**	**26,857**	**81,712**	**90,885**	**20,709**	**6%**
growth YoY(%)	18.0	11.1	14.1	18.0	11.6	17.3	12.5	5.2	15.4	11.2	5.7	
CDMO	8,980	10,680	11,340	16,490	10,570	13,240	12,780	16,836	47,490	53,426	11,453	12%
CHG	6,170	5,890	5,760	6,770	6,310	6,430	6,540	7,277	24,590	26,557	6,509	0%
ICH	2,390	2,560	2,520	2,380	2,640	2,770	2,780	2,744	9,850	10,934	2,747	1%
Expenses	16,165	16,457	16,902	20,224	17,467	19,001	18,665	21,724	69,749	77,220	18,428	
CDMO	8,980	10,680	11,340	16,490	10,570	13,240	12,780	16,836	47,490	53,426	11,453	**12%**
CHG	6,170	5,890	5,760	6,770	6,310	6,430	6,540	7,277	24,590	26,557	6,509	**0%**
ICP	2,390	2,560	2,520	2,380	2,640	2,770	2,780	2,744	9,850	10,934	2,747	**1%**
EBITDA*	**1,323**	**2,657**	**2,684**	**5,299**	**2,044**	**3,416**	**3,377**	**5,133**	**11,963**	**13,665**	**2,281**	**48%**
margin (%)	7.6	13.9	13.7	20.8	10.5	15.2	15.3	19.1	14.6	15.0	11.0	
growth YoY(%)	55.5	54.0	124.1	50.9	54.5	28.6	25.8	-3.1	64.2	14.2	-15.0	
Depreciation	1,736	1,845	1,863	1,961	1,846	1,922	1,968	1,818	7,406	7,554	1,900	
EBIT	**-413**	**812**	**821**	**3,338**	**198**	**1,494**	**1,409**	**3,315**	**4,557**	**6,111**	**381**	**270%**
Other income	383	492	615	264	195	611	121	922	1,754	1,850	550	
Interest expense	1,185	1,099	1,059	1,142	1,070	1,076	1,033	741	4,485	3,920	980	
Share from Asso. Co	144	191	140	120	224	173	171	233	595	800	210	
PBT	**-1,071**	**396**	**516**	**2,580**	**-452**	**1,201**	**668**	**3,730**	**2,421**	**4,841**	**161**	**316%**
EO Expenses/(gain)	-	-	323	310	-	-	-	-	633	-	-	
Taxes	**-85**	**345**	**93**	**1,262**	**436**	**975**	**631**	**136**	**1,615**	**2,178**	**53**	
Tax Rate (%)	8.0	87.3	47.8	55.6	-96.4	81.2	94.5	3.7	90.3	45.0	33.0	
Reported PAT	**-986**	**50**	**101**	**1,008**	**-888**	**226**	**37**	**3,593**	**173**	**2,662**	**108**	**-66%**
Adj. PAT	**-986**	**50**	**350**	**1,146**	**-888**	**226**	**37**	**3,593**	**560**	**2,662**	**108**	**-66%**
Change (%)	NA	LP	LP	128.6	NA	348.2	-89.5	213.7	NA	375.3	-69.3	

E: MOFSL Estimates

Star Health

BSE SENSEX	S&P CNX
75,901	22,957

Conference Call Details



Date: 29th January 2025
Time: 08:30am IST
Link for the call

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
NEP	149.7	175.3	205.9
U/W Profit	-3.0	-1.0	1.9
PBT	10.9	14.4	19.5
PAT	8.2	10.8	14.6
Ratios (%)			
Claims	69.5	68.5	67.5
Commission	13.8	13.8	13.8
Expense	16.6	16.2	15.7
Combined	99.9	98.5	97.0
RoE	11.6	13.5	15.8
EPS (INR)	13.9	18.4	25.0
Valuations			
P/E (x)	34.6	26.1	19.3
P/BV (x)	3.8	3.3	2.8

CMP: INR445 **Buy**

In-line performance on NEP and PAT; combined ratio at 103.3%

- Gross written premium at INR37.9b grew 5%YoY (6% lower than est.), driven by 7% YoY growth in retail health premium while group health premium declined 15% YoY.
- Net earned premium grew 15% YoY to INR38b (in line with est.). For 9MFY25, the net earned premium grew 16% YoY.
- The claims ratio at 71.4% (vs. our est. of 71%) increased 375bp YoY, driven by a 22% YoY rise in net claims incurred to INR27b (in line).
- The commission ratio at 14.1% (vs. our est. of 13.8%) increased 303bp YoY, while net commission grew 44% YoY to INR5b (in line).
- The expense ratio at 17.7% (vs. our est. of 17.6%) declined 130bp YoY on account of a 4%/6% YoY increase in other expenses/ employee expenses. Operating expenses were in line with our estimates.
- The combined ratio was at 103.3% largely led by a miss in GDPI/NWP of 6%/3%. The combined ratio was higher by 550bp YoY. For 9MFY25 the combined ratio was at 101.8% vs 98.2% YoY.
- Total investment income stood at INR3.5b (3% lower than est.), growing by 22% YoY.
- PAT was at INR2.2b (in line), declining 26% YoY. For 9MFY25, PAT was down 8% YoY.
- The solvency ratio for 3QFY25 stood flat at 2.2x on a YoY basis.

Valuation and view

Regulatory changes in the accounting of long-term health policies hurt the expense and combined ratio during 3QFY25. We remain optimistic about the overall prospects for Star Health, backed by: a) consistent growth in retail health, given its under-penetration, b) a strong push from the Banca channel, and c) sustained growth in specialized products and deepening presence. We believe that Star Health can deliver long-term growth with the investments made in profitable channels and products. We may review our estimates and TP after the concall on 29th Jan'25.

Quarterly Performance **(INR m)**

Y/E March	FY24				FY25				FY24	FY25E	3Q FY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Gross premium	29,486	37,317	36,058	49,683	34,759	43,713	37,961	59,117	1,52,545	1,75,550	40,385	-6.0	5%	-13%
Net written premium	28,008	35,446	31,519	45,700	31,702	39,750	35,604	53,045	1,40,674	1,60,102	36,831	-3.3	13%	-10%
Net earned premium	30,438	32,056	32,936	33,953	35,203	37,039	37,997	39,456	1,29,383	1,49,695	37,936	0.2	15%	3%
Investment Income	1,460	1,510	1,626	1,810	1,713	2,103	2,015	2,557	6,407	8,388	2,100	-4.1	24%	-4%
Total Income	**31,898**	**33,566**	**34,563**	**35,764**	**36,916**	**39,142**	**40,012**	**42,013**	**1,35,790**	**1,58,083**	**40,036**	**-0.1**	16%	2%
Change YoY (%)	13.6	15.0	15.9	17.1	15.7	16.6	15.8	17.5	15.4	16.4	15.8			
Incurred claims	19,909	22,022	22,295	21,774	23,789	26,959	27,145	26,145	85,999	1,04,038	26,935	0.8	22%	1%
Net commission	3,668	4,854	3,499	6,516	4,288	5,489	5,032	7,285	18,537	22,094	5,083	-1.0	44%	-8%
Employee expense	3,577	3,952	3,861	4,732	3,739	4,520	4,089	5,386	16,122	17,734	4,346	-5.9	6%	-10%
Other expenses	1,829	2,012	2,140	1,842	1,984	2,018	2,220	2,583	7,823	8,806	2,136	3.9	4%	10%
Total Operating Expenses	28,983	32,839	31,794	34,864	33,800	38,986	38,487	41,400	1,28,480	1,52,672	38,500	-0.0	21%	-1%
Change YoY (%)	14.5	17.0	16.0	17.1	16.6	18.7	21.1	18.7	16.2	18.8	21.1			
Underwriting profit	1,454	-784	1,142	-911	1,404	-1,947	-490	-1,943	903	-2,977	-564		-143%	-75%
Operating profit	2,915	726	2,769	900	3,117	156	1,525	614	7,309	5,412	1,536	-0.7	-45%	875%
Shareholder's P/L														
Transfer from Policyholder's	2,915	726	2,769	900	3,117	156	1,525	614	7,309	5,412	1,536	-0.7	-45%	875%
Investment income	1,040	1,066	1,223	1,146	1,255	1,464	1,464	1,776	4,475	5,959	1,500	-2.4	20%	0%
Total Income	3,954	1,792	3,992	2,046	4,371	1,620	2,989	2,389	11,784	11,370	3,036		-25%	84%
Provisions other than taxation	1	2	1	21	0	0	-	-	25	1	-			
Other expenses	110	119	114	128	109	132	120	109	470	471	132	-9.5	5%	-10%
Total Expenses	111	121	115	149	110	133	120	109	496	471	132	-9.5	4%	-10%
PBT	**3,844**	**1,671**	**3,877**	**1,897**	**4,262**	**1,488**	**2,870**	**2,280**	**11,289**	**10,899**	**2,904**	**-1.2**	-26%	93%
Change YoY (%)	33.5	38.5	37.6	39.5	10.9	-11.0	-26.0	.	36.6	-3.5	-25.1			
Tax Provisions	965	418	981	474	1,072	375	718	555	2,838	2,720	726	-1.1	-27%	91%
Net Profit	**2,879**	**1,253**	**2,896**	**1,423**	**3,189**	**1,113**	**2,151**	**1,725**	**8,450**	**8,179**	**2,178**	**-1.2**	-26%	93%
Change YoY (%)	35.0	34.6	37.6	39.8	10.8	-11.2	-25.7	21.2			-24.8			
Key Parameters (%)														
Claims ratio	65.4	68.7	67.7	64.1	67.6	72.8	71.4	66.3	66.5	69.5	71.0	44bp	375bp	-135bp
Commission ratio	13.1	13.7	11.1	14.3	13.5	13.8	14.1	13.7	13.2	13.8	13.8	33bp	303bp	33bp
Expense ratio	19.3	16.8	19.0	14.4	18.1	16.4	17.7	15.0	17.0	16.6	17.6	12bp	-132bp	127bp
Combined ratio	97.8	99.2	97.8	92.8	99.2	103.0	103.3	95.0	96.7	99.9	102.4	89bp	547bp	25bp
Solvency	2.2	2.1	2.2	2.2	2.3	2.2	2.2	-	2.2	2.1				

RESULTS FLASH

29 January 2025

3QFY25 Results Flash | Sector: Consumer Durable

R R Kabel

BSE SENSEX	S&P CNX
75,901	22,957

Conference Call Details

Date: 29th January 2025

Time: 14:30 IST

Dial-in details:

+ 91 22 6280 1550

+ 91 22 7115 8378

[Link for the call]

Consol. Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	73.3	86.3	100.3
EBITDA	4.1	6.6	9.0
PAT	2.4	4.1	5.8
EBITDA Margin (%)	5.6	7.7	8.9
Adj. EPS (INR)	21.6	36.6	51.4
EPS Gr. (%)	(18.4)	69.9	40.4
BV/Sh. (INR)	176.6	204.2	246.7
Ratios			
Net D:E	0.0	0.0	(0.0)
RoE (%)	12.7	19.2	22.8
RoCE (%)	13.0	18.6	22.2
Payout (%)	32.5	24.6	17.5
Valuations			
P/E (x)	66.1	38.9	27.7
P/BV (x)	8.1	7.0	5.8
EV/EBITDA(x)	39.2	24.3	17.8
Div. Yield (%)	0.5	0.6	0.6
FCF Yield (%)	(0.1)	0.8	1.8

CMP: INR1,199 **Buy**

EBITDA above our estimate; OPM at 6.2% (est. 5.9%)

- RRKABEL's 3QFY25 earnings were above our estimate due to higher-than-expected margins in C&W and lower-than-expected losses in the FMEG segment. Consol. Rev increased 9% YoY to INR17.8b (2% above estimates). However, EBITDA declined 2% YoY at INR1.1m (8% above estimates). EBITDA margin declined 70bp YoY to 6.2% (est. 5.9%). Adj. PAT declined 3% YoY to INR686m (18% above our estimate), supported by better operational performance and higher other income (58% above our estimate).
- The management indicated that volume growth was muted to moderate in both wires & cables segments. Exports contributed ~27% (flat QoQ) of cable & wires' revenues vs. 26% in 3QFY24. Net working capital stood at 65 days vs. 64 days in Mar'24 and 63 days in Sep'24. In the FMEG segment, it recorded robust volume growth in fans, appliances, and switches. The segment's loss reduced substantially due to savings in operational costs along with a marginal increase in contribution on account of product mix and volume growth.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 29th Jan'25.

Revenue up 9% YoY; EBITDA declines 2% YoY

- Consol. revenue/EBITDA/PAT stood at INR17.8b/INR1.1b/INR686m (up 9%/ down 2%/3% YoY and up 2%/ 8%/18% vs. our estimates). Gross margin was down 70bp YoY to 18.3%. Employee cost increased 11% YoY (5.1% of revenue vs. 5.0% in 3QFY24). Other expenses increased 7% YoY (7.0% of revenue vs. 7.2% in 3QFY24).
- Segmental highlights: a) Cables and Wires: revenue was up 8% YoY at INR15.4b, while EBIT declined 6% YoY to INR1.1b. EBIT margin dipped 1pp YoY to 7.0%. b) FMEG business: revenue was up 20% YoY at INR2.4b. EBIT loss decreased to INR44m from INR124m/INR117m in 3QFY24/2QFY25.
- During 9MFY25, revenue grew 12% YoY to INR54b led by 10% growth in the C&W segment and 22% growth in the FMEG segment. EBIT of the C&W segment declined 19% YoY, and EBIT margin was at 6.4% vs. 8.6% in 9MFY24. FMEG segment reported an EBIT loss of INR368m vs. a loss of INR491m in 9MFY24. EBITDA of the company declined 16% YoY to INR2.9b, and OPM was 5.4% vs. 7.2% in 9MFY24. Profit declined 17% YoY to INR1.8b.

Valuation and view

- Profitability of the company has been impacted in YTDFY25 due to volatility in RM prices which has impacted demand and margin of wires. With stability in RM prices seen over last few months; demand is expected to pick up going ahead. In the FMEG segment; revenue growth came above our estimates in 3QFY25 and there was a reduction in EBIT loss led by volume growth and product-mix change.
- **We have a BUY rating on the stock.** However, we will review our assumptions after the concall on 29th Jan'25 (Concall Link).

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	MOSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales	**15,973**	**16,097**	**16,335**	**17,541**	**18,081**	**18,101**	**17,822**	**19,338**	**65,946**	**73,342**	**17,494**	**2**
YoY Change (%)	29.2	17.7	10.4	15.7	13.2	12.5	9.1	10.2	17.8	13.2	**7.1**	
EBITDA	**1,129**	**1,209**	**1,126**	**1,153**	**949**	**858**	**1,105**	**1,200**	**4,617**	**4,113**	**1,026**	**8**
YoY Change (%)	182.5	87.7	(4.3)	14.8	(15.9)	(29.1)	(1.8)	4.1	43.2	(10.9)	**(8.9)**	
Adj EBITDA margin (%)	7.1	7.5	6.9	6.6	5.3	4.7	6.2	6.2	7.0	5.6	**5.9**	34
Depreciation	161	166	165	163	162	175	178	194	655	709	**183**	(3)
Interest	144	142	124	128	116	156	162	136	539	570	**145**	11
Other Income	163	148	122	193	185	72	134	46	626	438	**85**	58
PBT	**987**	**1,049**	**959**	**1,055**	**857**	**599**	**900**	**917**	**4,050**	**3,272**	**782**	**15**
Tax	250	310	250	270	218	101	219	313	1,080	851	**200**	
Effective Tax Rate (%)	25.4	29.5	26.0	25.6	25.4	16.9	24.3	34.1	26.7	26.0	**25.6**	
JV share	7	2	0	2	5	(2)	4	3	11	10	**1**	
Reported PAT	**743**	**741**	**710**	**787**	**644**	**495**	**686**	**607**	**2,981**	**2,431**	**583**	**18**
Change (%)	309.8	111.7	(0.7)	20.6	(13.4)	(33.2)	(3.4)	(22.9)	57.0	(18.4)	**(18)**	
Adj PAT	**743**	**741**	**710**	**787**	**644**	**495**	**686**	**607**	**2,981**	**2,431**	**583**	**18**
YoY Change (%)	309.8	111.7	(0.7)	20.6	(13.4)	(33.2)	(3.4)	(22.9)	57.0	(18.4)	**(17.8)**	
Margins (%)	4.7	4.6	4.3	4.5	3.6	2.7	3.8	3.1	4.5	3.3	**3.3**	

Segmental Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	MOFSL	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales												
Cables & Wires	14,231	14,504	14,331	15,231	15,782	16,118	15,425	17,223	58,296	64,548	15,312	0.7
FMEG	1,851	1,598	2,005	2,310	2,300	1,984	2,396	2,184	7,764	8,863	2,182	9.8
EBIT												
Cables & Wires	1,246	1,329	1,147	1,320	1,130	818	1,075	1,183	5,043	4,206	949	13.2
FMEG	(170)	(198)	(124)	(194)	(207)	(117)	(44)	(182)	(685)	(550)	(120)	NA
EBIT Margin (%)												
Cables & Wires	8.8	9.2	8.0	8.7	7.2	5.1	7.0	6.9	8.6	6.5	6.2	77
FMEG	(9.2)	(12.4)	(6.2)	(8.4)	(9.0)	(5.9)	(1.8)	(8.3)	(8.8)	(6.2)	(5.5)	366

Mahanagar Gas

BSE SENSEX	S&P CNX
75,901	22,957

Conference Call Details

Date: 29 Jan'25

Time: 1630 hours IST

Dial-in details:

+91 22 6280 1342

+91 22 7115 8243

CMP: INR1,278 Buy

Standalone performance in line; UEPLs' EBITDA declines sequentially QoQ

MAHGL's standalone performance was in line with estimates in 3Q amid steady margins and strong volume growth (both in line with estimates). While CNG volumes were 4% below our estimates, I&C-PNG volumes came in 18% above estimates. The impact of APM twin de-allocation was clearly visible as margins contracted INR2.4/scm QoQ. We note that Spot LNG prices were high, averaging USD13.9/mmbtu in 3Q (up 7% QoQ), and continue to remain elevated in 4QFY25'td, averaging USD14.2/mmbtu. On 22 Nov'24, Mahanagar Gas Limited (MAHGL) implemented a price hike of INR2/kg for Compressed Natural Gas (CNG) in Mumbai and nearby regions. In a recent press release, IGL stated that, as communicated by GAIL, its domestic gas allocations had been increased by 31%, effective from 16 Jan'25. A similar reallocation can be assumed for MAHGL as well. Recently (press release), MAHGL received an order from the JC, CGST, and Central Excise, Mumbai East Commissionerate, confirming a demand of ~INR543m, along with applicable interest and a 100% penalty of the same amount. Any update on the matter remains a key monitorable.

Standalone 3Q performance

- Total volumes were in line with est. at 4.1mmscmd (+12% YoY).
- While CNG volumes were marginally below our estimates, I&C-PNG volumes came in 18% above estimates.
- EBITDA/scm came in line with our estimate at INR8.3 (-38% YoY). Gas costs and other expenses were higher QoQ.
- The resultant standalone EBITDA was in line with our estimate at INR3.1b (-30% YoY).
- While other income was above our estimates, depreciation stood above our estimates.
- Hence, PAT came in line with our estimate at INR2.3b (our est. INR2.2b, -29% YoY).

Consolidated figures, including Unison Enviro Private Limited (UEPL)

- In 3QFY25, net sales stood at INR18.5b (+3% QoQ).
- EBITDA stood at INR3.3b (-21% QoQ), led by a decline in margins and higher employee benefits expense QoQ.
- On a QoQ basis, EBITDA for UEPL contracted sharply (-30% QoQ) in 3QFY25, leading to lower consolidated EBITDA QoQ.

Standalone - Quarterly Earning												(INR m)
Y/E March	FY24				FY25					**Var.**	**YoY**	**QoQ**
	1Q	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**	**3QE**	**(%)**	**(%)**	**(%)**
Net Sales	**15,378**	**15,709**	**15,688**	**15,671**	**15,896**	**17,116**	**17,576**	**17,571**	**17,782**	**-1%**	**12%**	**3%**
YoY Change (%)	*5.7*	*0.5*	*-6.1*	*-2.7*	*3.4*	*9.0*	*12.0*	*12.1*	*13.3*			
EBITDA	**5,213**	**4,789**	**4,487**	**3,938**	**4,185**	**3,985**	**3,144**	**3,241**	**3,239**	**-3%**	**-30%**	**-21%**
EBITDA/SCM	*16.8*	*14.6*	*13.3*	*11.5*	*11.9*	*10.7*	*8.3*	*9.0*	*8.5*	*-2%*	*-38%*	*-23%*
Margin (%)	*33.9*	*30.5*	*28.6*	*25.1*	*26.3*	*23.3*	*17.9*	*18.4*	*18.2*	*-0.0*	*-0.4*	*-0.2*
Depreciation	620	658	683	775	719	735	791	771	742			
Interest	25	25	27	38	31	31	34	32	31			
Other Income	390	437	481	446	402	512	463	425	446			
PBT before EO expense	**4,957**	**4,543**	**4,258**	**3,570**	**3,837**	**3,731**	**2,782**	**2,863**	**2,912**	**-4%**	**-35%**	**-25%**
PBT	**4,957**	**4,543**	**4,258**	**3,570**	**3,837**	**3,731**	**2,782**	**2,863**	**2,912**	-4%	-35%	-25%
Tax	1,273	1,158	1,086	920	992	903	529	731	733			
Rate (%)	*25.7*	*25.5*	*25.5*	*25.8*	*25.8*	*24.2*	*19.0*	*25.5*	*25.2*			
Reported PAT	**3,684**	**3,385**	**3,172**	**2,650**	**2,845**	**2,828**	**2,254**	**2,133**	**2,179**	**3%**	**-29%**	**-20%**
YoY Change (%)	*98.9*	*106.4*	*84.3*	*-1.4*	*-22.8*	*-16.5*	*-28.9*	*-19.5*	*-31.3*			
Margin (%)	*24.0*	*21.5*	*20.2*	*16.9*	*17.9*	*16.5*	*12.8*	*12.1*	*12.3*	*0.0*	*-0.4*	*-0.2*
Sales Volumes (mmscmd)												
CNG	2.5	2.6	2.6	2.7	2.8	2.9	2.9	3.0	3.0	-4%	11%	1%
PNG - Domestic	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.6	-3%	4%	4%
PNG - Industrial/ Commercial	0.4	0.5	0.5	0.6	0.5	0.6	0.6	0.4	0.5	18%	27%	3%
PNG - Total	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.0	1.1	7%	15%	4%
Total Volumes	**3.4**	**3.6**	**3.7**	**3.8**	**3.9**	**4.0**	**4.1**	**4.0**	**4.1**	**-1%**	**12%**	**2%**

HomeFirst Finance

BSE SENSEX	S&P CNX
75,901	22,957

Conference Call Details

Date: 29/01/2025
Link for the call
Time: 04:00 pm IST
Dial in: +91 22 6280 1382

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	6.3	8.1	9.9
PPoP	5.1	6.3	7.6
PAT	3.8	4.7	5.6
EPS (INR)	42.4	52.4	63.3
EPS Gr. (%)	22.8	23.6	20.7
BV/Sh. (INR)	278	325	384
ABV/Sh.(INR)	269	315	371
Ratios			
NIM (%)	5.6	5.6	5.4
C/I ratio (%)	36.3	36.6	37.0
RoAA (%)	3.5	3.4	3.3
RoAE (%)	16.4	17.4	17.8
Valuations			
P/E (x)	22.6	18.3	15.2
P/BV (x)	3.5	3.0	2.5
P/ABV (x)	3.6	3.1	2.6
Div. yield (%)	0.4	0.5	0.5

CMP: INR958 **Buy**

Healthy AUM growth of ~33% YoY; enabling resolution for equity raise

Asset quality stable; NIM contraction of ~30bp QoQ due to negative carry

- 3QFY25 PAT grew 24% YoY to INR974m (in line). NII grew 21% YoY to INR1.6b (in line). Other income grew 42% YoY to INR517m (10% above MOFSLe), aided by higher fee and commission income during the quarter.
- Opex grew 23% YoY to INR752m (in line). PPoP rose ~27% YoY to INR1.4b (7% beat). Credit costs stood at INR98m (vs. MOFSLe of INR55m) and translated into annualized credit cost of ~35bp (PQ: ~20bp and PY: ~30bp).
- **The Board of the company has passed an enabling resolution to raise equity capital of up to INR12.5b through QIP**. This capital will support the company in achieving its medium-term AUM goal of ~INR200b by Mar'27. This reflects a strong confidence in HomeFirst's ability to drive its growth plans and gain market share in the affordable housing finance segment.

Healthy AUM growth of ~33% YoY; BT-out rate inches up

- Disbursements grew 18% YoY to ~INR11.9b (+1.4% QoQ), leading to AUM growth of 33% YoY to ~INR119b.
- BT-out rate (annualized) in 3QFY25 rose to 7.3% (PQ: ~6.7% and PY ~7.5%).

NIM contracts ~30bp QoQ due to higher liquidity; CoF rises ~10bp QoQ

- Reported yield was stable QoQ at 13.6% and reported CoF rose ~10bp QoQ to 8.4%. Reported spreads (excl. co-lending) declined ~10bp QoQ to 5.2%.
- Reported NIM contracted ~30bp QoQ to 4.9%, impacted by negative carry from higher liquidity on the balance sheet. Incremental CoF and origination yield in 3QFY25 stood at 8.5% and 13.4%, respectively.

Minor increase in 1+dpd and 30+ dpd; bounce rate up QoQ

- GS3 and NS3 remained stable QoQ at 1.7% and 1.3%, respectively. PCR declined ~125bp QoQ to ~25.5%.
- 1+dpd increased ~30bp QoQ to 4.8%. Bounce rates increased ~80bp QoQ to ~16.0% in 3QFY25 (v/s ~15.2% in 2QFY25). In Jan'25, bounce rates were stable at 16%.
- Capital adequacy stood at ~33% (Tier 1: 32.7%).

Valuation and view

HomeFirst has made strategic investments in establishing a franchise, positioning the company effectively to capitalize on the strong growth potential of affordable housing finance. The company continues to expand its distribution network in a contiguous manner across Tier I, II, and III cities within its existing states. We expect cost efficiencies to kick in and drive a sustained improvement in its operating cost ratios over the medium term. Despite a tough macro environment, HomeFirst has managed to keep its asset quality largely stable with a minor increase across its 1+dpd and 30+dpd. We expect credit costs to remain benign at ~30bp in the foreseeable future. We might revise our estimates after the earnings call on 29th Jan'24.

Quarterly Performance												(INR m)
Y/E March	FY24				FY25E				FY24	FY25E	3QFY25E	Act V/s Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	2,313	2,491	2,646	2,827	3,032	3,322	3,558	3,687	10,277	13,600	3,557	0
Interest expenses	1,068	1,170	1,302	1,459	1,568	1,756	1,926	2,062	4,999	7,311	1,972	-2
Net Interest Income	**1,246**	**1,321**	**1,344**	**1,368**	**1,464**	**1,566**	**1,631**	**1,625**	**5,278**	**6,288**	**1,586**	3
YoY Growth (%)	32.6	30.1	21.4	22.4	17.5	18.6	21.4	18.8	26.3	19.1	18.0	
Other Income	285	289	364	351	382	421	517	418	1,289	1,737	470	10
							42					
Net Income	**1,530**	**1,610**	**1,708**	**1,719**	**1,846**	**1,987**	**2,148**	**2,043**	**6,567**	**8,025**	**2,056**	5
YoY Growth (%)	40.9	36.1	35.7	24.2	20.6	23.4	25.8	18.9	33.7	22.2	20.4	
Operating Expenses	553	565	611	584	655	726	752	784	2,313	2,917	753	0
Operating Profit	**977**	**1,044**	**1,097**	**1,135**	**1,191**	**1,261**	**1,396**	**1,259**	**4,254**	**5,108**	**1,302**	7
YoY Growth (%)	39.8	40.9	34.5	24.8	21.9	20.7	27.2	11.0	34.3	20.1	18.7	
Provisions and Cont.	77	80	70	27	56	57	98	25	254	236	55	78
Profit before Tax	**900**	**964**	**1,027**	**1,107**	**1,135**	**1,204**	**1,298**	**1,234**	**4,000**	**4,873**	**1,247**	4
Tax Provisions	209	221	239	273	258	281	324	243	942	1,106	287	13
Net Profit	**691**	**743**	**788**	**835**	**878**	**922**	**974**	**991**	**3,057**	**3,767**	**961**	1
YoY Growth (%)	34.9	36.9	34.5	30.4	27.0	24.1	23.55	18.7	33.9	23.2	21.9	
Key Operating Parameters (%)												
Other income to Net Income Ratio	18.6	17.9	21.3	20.4	20.7	21.2	24.1	20.5	19.6	21.6		
Credit Cost	0.41	0.40	0.32	0.12	0.22	0.21	0.34	0.08	1.4	1.0		
Cost to Income Ratio	36.1	35.1	35.7	34.0	35.5	36.5	35.0	38.4	35.2	36.3		
Tax Rate	23.2	23.0	23.3	24.6	22.7	23.4	25.0	19.7	23.6	22.7		
Balance Sheet Parameters												
AUM (INR m)	77,760	83,654	90,137	96,978	1,04,781	1,12,294	1,19,494	1,27,177	96,978	1,27,177		
Change YoY (%)	33.3	33.3	33.5	34.7	34.7	34.2	32.6	31.1	34.7	31.1		
Loans (INR m)	65,194	70,253	75,479	81,434	87,940	94,465	1,00,649	1,05,867	81,434	1,05,988		
Change YoY (%)	38.1	36.5	34.9	35.8	34.9	34.5	33.3	30.0	35.8	30.2		
Borrowings (INR m)	68,215	72,792	82,514	87,954	95,120	1,05,869	1,10,391	93,905	73,021	93,905		
Change YoY (%)	41.0	39.2	42.2	47.7	39.4	45.4	33.8	6.8	51.7	28.6		
Loans/Borrowings (%)	95.6	96.5	91.5	92.6	92.5	89.2	91.2	112.7	112	113		
Asset Quality Parameters (%)												
GS 3 (INR m)	1,077	1,233	1,295	1,393	1,540	1,640	1,770	0	1,393	1,607		
Gross Stage 3 (% on Assets)	1.6	1.7	1.7	1.7	1.7	1.7	1.7	0.0	1.70	1.50		
NS 3 (INR m)	743	859	908	979	1,116	1,202	1,319	0	979	1,093		
Net Stage 3 (% on Assets)	1.13	1.21	1.19	1.19	1.26	1.26	1.30	0.00	1.19	1.02		
PCR (%)	31.0	30.3	29.9	29.7	27.5	26.7	25.5	0.0	29.7	32.0		
ECL (%)	0.94	0.91	0.89	0.86	0.83	0.80	0.80	0.00	0.94	0.91		
Return Ratios (%)												
ROAA (Rep)	3.9	3.8	3.7	3.6	3.6	3.4	3.4	0.0	3.8	3.5		
ROAE (Rep)	15.0	15.6	15.8	16.1	16.3	16.5	16.6	0.0	15.5	16.4		

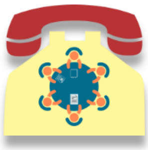
E: MOFSL Estimates

Syrma SGS Technology

BSE SENSEX	S&P CNX
75,901	22,957

CMP: INR421 Buy

Conference Call Details



Date: 29th Jan 2025
Time: 10:30am IST
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Operating performance above our estimates

- Consolidated revenue grew 23% YoY to INR8.7b (est. INR10b) for the quarter.
- EBITDA margins expanded 360bp YoY to 9.1% (est.7%), led by gross margin expansion of 410bp YoY to 26.7%.
- EBITDA grew 2x YoY to INR791m (est. INR704m).
- Adjusted PAT grew 3.3x YoY to INR509m (est. INR367m).
- Auto/Consumer/Healthcare/Industrial/IT & Railways segments accounted for ~24%/31%/8%/31%/6% of total sales during 3QFY25.

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Gross Sales	**6,013**	**7,117**	**7,067**	**11,341**	**11,599**	**8,327**	**8,692**	**14,176**	**31,538**	**42,795**	**10,035**	**-13**
YoY Change (%)	54.4	52.4	37.9	66.9	92.9	17.0	23.0	25.0	54.0	35.7	42.0	
Total Expenditure	5,644	6,627	6,679	10,604	11,153	7,618	7,901	12,983	29,554	39,655	9,331	
EBITDA	**369**	**490**	**388**	**737**	**446**	**710**	**791**	**1,194**	**1,984**	**3,140**	**704**	**12**
Margins (%)	6.1	6.9	5.5	6.5	3.8	8.5	9.1	8.4	6.3	7.3	7.0	
Depreciation	101	116	139	158	174	167	202	182	515	725	180	
Interest	75	80	100	123	130	136	154	100	378	521	120	
Other Income	221	89	121	156	153	100	223	177	587	653	200	
PBT before EO expense	**413**	**383**	**270**	**612**	**295**	**507**	**657**	**1,088**	**1,678**	**2,547**	**604**	
Extra-Ord expense	0	14	0	0	0	0	21	0	14	21	0	
PBT	**413**	**370**	**270**	**612**	**295**	**507**	**635**	**1,088**	**1,664**	**2,526**	**604**	
Tax	130	64	67	160	91	110	105	274	421	581	152	
Rate (%)	31.5	17.4	24.8	26.1	31.0	21.8	16.6	25.2	25.3	23.0	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-2	22	48	103	10	34	42	56	170	143	85	
Reported PAT	**285**	**283**	**155**	**349**	**193**	**362**	**488**	**758**	**1,073**	**1,802**	**367**	
Adj PAT	**285**	**297**	**155**	**349**	**193**	**362**	**509**	**758**	**1,087**	**1,823**	**367**	**39**
YoY Change (%)	84.0	4.8	-53.2	-17.4	-32.3	22.0	228.2	117.0	-8.9	67.7	136.6	
Margins (%)	4.7	4.2	2.2	3.1	1.7	4.4	5.9	5.3	3.4	4.3	3.7	

Bank of India: Retail Buss Drives Loan book Growth ; Rajnessh Karnatak, MD & CEO

- FY26 Credit growth could moderate to ~14%
- Guardrails in place for MFI & Personal Loans
- Credit Pipeline for Corporate loans at ~Rs60k Cr
- 655 of Personal loan book caters to salaried class

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- Credit cost may rise in Q4
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- Aim to Grow 1.5x of Industry

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Canara Bank: NIMs Will not Deteriorate Further in Q4 ; Satyanarayana Rajum MD & CEO

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- Agri sector continues to see steady Growth
- NIMs Will not Deteriorate Further in Q4
- Aim to launch New Products

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- Have got Synergies from new Distribution Channels
- Urban Demand seems to be improving
- Order Pipeline and New Products in the Offing

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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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