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# Aadhar Housing Finance (AADHARHF)

Diversified Financials

**BUY**

CMP(₹): 390

Fair Value(₹): 550

 Sector View: **Attractive**

NIFTY-50: 25,279

September 02, 2024

## The largest bastion

Aadhar is a large affordable HFC (Rs211 bn of AUM in FY2024, 7% market share in the affordable segment) with a long track-record, well-diversified geographical presence and customer profile. Its multipronged expansion and appraisal strategy will drive 21% AUM CAGR (FY2024-27E) with low credit costs. Stable margins and improving leverage will accelerate RoEs back to high-teens. Initiate coverage with a BUY rating; FV Rs550.

### Initiate with BUY; FV Rs550

We initiate coverage on Aadhar with a BUY rating and RGM-based FV of Rs550/share (41% upside). Aadhar stands out versus most affordable peers due to a larger balance sheet, longer vintage and superior RoEs. On the other hand, its loan growth (21% CAGR during FY2024-27E) is comparable more to mature housing finance companies than fast-growing smaller affordable HFCs.

### Aadhar: Large, seasoned and diversified

Aadhar (AUM Rs211 bn in FY2024), the largest among compared affordable HFCs with 7% market share in FY2024, leverages its diversified customer (57% salaried, 43% self-employed AUMs) and geographic profile (15% of AUM from the largest state, i.e. Uttar Pradesh). Its multipronged expansion strategy of increased penetration through a variety of branch formats, augmented by industry-first initiative of Aadhar-mitra, will likely support 21% AUM CAGR (FY2024-27E). A combination of centralized underwriting (at regional processing units) for the salaried and decentralized (at local branches) for the informal profiles, coupled with a dedicated collections team, underpins its low NPLs. Overall credit cost at 0.2-0.4% during FY2021-24 was comparable to listed peers (0.1-1.1%), even though gross stage-2 is a tad higher than peers and gross stage-3 loans are in line.

### Heading back to high-teen RoEs

We expect Aadhar to deliver 22% EPS CAGR during FY2024-27E on the back of 21% AUM growth, near-stable spreads, higher fees and consistent improvement in operating leverage. RoE would head back to high-teens, after IPO-driven reduction in 1HFY25E, as leverage gradually rises and core profitability (4.4-4.7% RoA) remains strong. While rising funding costs and competition in the affordable space put pressure on NIM, Aadhar's strategy to grow in the interiors will help offset the same; higher insurance distribution income supplements core NII. A shift toward non-home loans (25% of AUMs in FY2024), self-employed (43% of AUMs) and informal (44% of AUMs) is accretive to profitability.

### Key risks: Competition, effective execution and higher share of self-employed

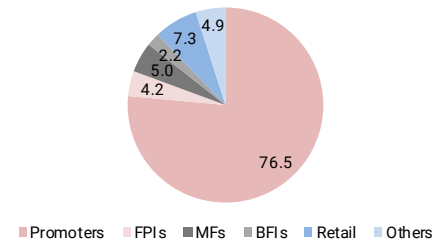
Key risks include (1) lower NIM or growth due to increase in competition in larger centers or from large HFCs eyeing the affordable housing space, (2) effective execution of consistent growth strategies, especially due to its multipronged growth and appraisal approach and (3) risk to asset quality from rising share of self-employed and implications of cross-default and cross-acceleration clauses in loan agreements.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	390/550/BUY
52-week range (Rs) (high-low)	487-292
Mcap (bn) (Rs/US\$)	167/2.0
ADTV-3M (mn) (Rs/US\$)	0/0.0

#### Shareholding pattern (%)



#### Price performance (%)

	1M	3M	12M
Absolute	(9)	13	0
Rel. to Nifty	(11)	1	0
Rel. to MSCI India	(11)	1	0

#### Forecasts/Valuations

	2024	2025E	2026E
EPS (Rs)	18.3	22.0	27.6
EPS growth (%)	36.7	20.4	25.2
P/E (X)	21.3	17.7	14.1
P/B (X)	3.5	2.6	2.2
BVPS (Rs)	112.7	149.8	177.4
RoE (%)	18.4	17.4	16.9
Div. yield (%)	0.0	0.0	0.0
NII (Rs bn)	13	16	19
PPOP (Rs bn)	10	13	16
Net profits (Rs bn)	7	9	12

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of September 02, 2024

[Full sector coverage on KINSITE](#)

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## Aadhar Housing Finance: Company overview

Exhibit 1: Aadhar Housing Finance—key financial highlights, March fiscal year-ends, 2021-27E

	Disbursements	YoY	AUM	YoY	Profit after tax	Net worth	Diluted EPS	YoY	BVPS	PER	PBR	ROA	ROE	Yields	Spread	NIM	Cost-to-average AUM	Credit cost	Gross stage-3	Overall ECL coverage	CAR
	(Rs bn)	(%)	(Rs bn)	(%)	(Rs mn)	(Rs bn)	(Rs)	(%)	(Rs)	(X)	(X)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2021	35	NA	133	17	3,401	27	8	NA	68	46	5.6	2.6	13.5	13.1	5.0	4.9	2.2	0.4	1.1	1.1	44
2022	40	13	148	11	4,449	31	11	30	80	35	4.8	3.2	15.2	12.8	5.5	5.5	2.5	0.3	1.5	1.4	45
2023	59	48	172	17	5,448	37	13	23	94	29	4.1	3.5	15.9	12.8	5.8	6.1	3.0	0.3	1.2	1.3	43
2024	71	20	211	23	7,496	44	18	37	113	21	3.4	4.2	18.4	13.7	6.2	6.7	3.1	0.2	1.1	1.2	38
2025E	85	21	257	22	9,404	64	22	20	150	17	2.6	4.4	17.4	13.9	5.9	6.7	3.0	0.3	1.2	1.2	NA
2026E	103	21	311	21	11,773	76	28	25	177	14	2.2	4.6	16.9	13.8	5.9	6.7	2.9	0.3	1.2	1.2	NA
2027E	124	21	377	21	14,577	90	34	24	212	11	1.8	4.7	17.6	13.8	6.1	6.8	2.8	0.3	1.2	1.2	NA

Source: Company

Exhibit 2: Aadhar Housing Finance—key growth rates and ratios, March fiscal year-ends, 2021-27E

	2021	2022	2023	2024	2025E	2026E	2027E
<b>Key income statement growth rates (%)</b>							
<b>Net interest income</b>	<b>45.1</b>	<b>27.2</b>	<b>25.7</b>	<b>31.3</b>	<b>21.7</b>	<b>22.0</b>	<b>23.2</b>
Total income	27.7	27.4	28.6	28.6	23.9	22.2	20.9
Operating expenses	7.0	29.1	35.0	26.4	16.6	18.1	16.7
Pre-provision operating profit	43.4	26.4	25.0	30.0	28.3	24.4	23.1
PBT	87.3	31.2	22.6	37.9	25.4	25.2	23.8
PAT	79.6	30.8	22.5	37.6	25.4	25.2	23.8
<b>Core PBT</b>	<b>51.6</b>	<b>23.8</b>	<b>24.6</b>	<b>32.6</b>	<b>28.7</b>	<b>24.5</b>	<b>23.5</b>
<b>Key balance sheet items growth rates (%)</b>							
Loans	19.1	12.7	15.8	22.0	23.9	22.0	21.2
Net assets	10.2	5.5	15.6	14.9	22.5	20.9	21.0
Borrowings	7.6	2.9	13.9	14.9	16.4	22.3	22.0
Net worth	14.7	16.9	17.5	20.3	43.6	18.4	19.3
<b>Other key growth rates and ratios (%)</b>							
Disbursements	11.1	12.6	47.9	19.8	20.6	20.6	20.6
AUM	16.6	10.9	16.5	22.6	21.6	21.2	21.2
Repayment rate (%)	14.4	19.1	23.4	18.4	18.7	18.8	18.6
<b>Key ratios (%)</b>							
Yield on loanbook	13.1	12.8	12.8	13.7	13.9	13.8	13.8
Cost of borrowings	8.2	7.2	7.0	7.6	8.0	7.9	7.7
Spread	5.0	5.5	5.8	6.2	5.9	5.9	6.1
<b>Net interest margin</b>	<b>6.1</b>	<b>6.8</b>	<b>7.5</b>	<b>8.2</b>	<b>8.2</b>	<b>8.2</b>	<b>8.3</b>
Cost-to-income	35.8	36.3	38.1	37.5	35.2	34.1	32.9
<b>Cost-to-average assets</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>
Credit cost	0.4	0.3	0.3	0.2	0.3	0.3	0.3
<b>RoA</b>	<b>2.6</b>	<b>3.2</b>	<b>3.5</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>
<b>RoE</b>	<b>13.5</b>	<b>15.2</b>	<b>15.9</b>	<b>18.4</b>	<b>17.4</b>	<b>16.9</b>	<b>17.6</b>
<b>Key asset quality ratios (%)</b>							
Gross stage 2	6.3	5.4	4.1	3.6	3.5	3.5	3.5
<b>Gross stage 3</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
ECL coverage on stage 1	0.2	0.3	0.4	0.3	0.3	0.3	0.3
ECL coverage on stage 2	11.6	12.5	13.3	12.5	13.0	13.0	13.0
ECL coverage on stage 3	32.1	29.7	34.2	41.3	42.0	42.0	42.0
<b>Overall ECL coverage</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

Source: Company

**Exhibit 3: Aadhar Housing Finance—financial summary, March fiscal year-ends, 2021-27E**

	2021	2022	2023	2024	2025E	2026E	2027E
<b>Income statement (Rs mn)</b>							
<b>Operational income</b>	<b>15,753</b>	<b>17,283</b>	<b>20,432</b>	<b>25,868</b>	<b>31,899</b>	<b>38,480</b>	<b>46,243</b>
Interest income	14,269	15,383	17,763	22,693	27,677	33,294	40,400
Fee and commission income	758	736	1,047	1,742	2,472	3,186	3,842
Net gain on fair value change	88	235	318	224	250	300	300
Net gain on de-recognition of FI	638	930	1,304	1,209	1,500	1,700	1,700
Interest expense	8,160	7,612	7,992	9,867	12,073	14,256	16,949
<b>Net interest income</b>	<b>6,110</b>	<b>7,771</b>	<b>9,771</b>	<b>12,826</b>	<b>15,604</b>	<b>19,037</b>	<b>23,452</b>
Other income	2	3	3	2	—	—	—
Net operational income	7,594	9,671	12,440	16,001	19,826	24,224	29,294
<b>Total income</b>	<b>7,596</b>	<b>9,674</b>	<b>12,443</b>	<b>16,003</b>	<b>19,826</b>	<b>24,224</b>	<b>29,294</b>
Operating expenses	2,721	3,513	4,743	5,995	6,988	8,253	9,634
Employee expense	1,888	2,482	3,220	4,035	4,523	5,370	6,303
Other expenses	833	1,031	1,523	1,960	2,465	2,883	3,332
<b>Pre-provision operating profit</b>	<b>4,872</b>	<b>6,158</b>	<b>7,697</b>	<b>10,007</b>	<b>12,838</b>	<b>15,971</b>	<b>19,660</b>
Provisions	549	487	492	412	800	900	1,000
Profit before tax	4,325	5,674	6,958	9,596	12,038	15,071	18,660
Tax	924	1,225	1,511	2,100	2,634	3,297	4,083
<b>Profit after tax</b>	<b>3,401</b>	<b>4,449</b>	<b>5,448</b>	<b>7,496</b>	<b>9,404</b>	<b>11,773</b>	<b>14,577</b>
<b>Core PBT</b>	<b>4,782</b>	<b>5,920</b>	<b>7,377</b>	<b>9,781</b>	<b>12,588</b>	<b>15,671</b>	<b>19,360</b>
<b>Balance sheet (Rs mn)</b>							
Cash and bank balances	21,713	17,102	19,180	12,734	14,008	15,409	18,706
<b>Loans</b>	<b>106,133</b>	<b>119,603</b>	<b>138,515</b>	<b>169,029</b>	<b>209,369</b>	<b>255,392</b>	<b>309,445</b>
Investment	4,971	3,380	4,594	4,620	5,313	6,110	7,331
Property plant and equipment	164	208	248	300	345	397	456
Other assets	3,323	3,465	3,643	4,247	4,843	5,555	6,373
<b>Net assets</b>	<b>136,303</b>	<b>143,758</b>	<b>166,179</b>	<b>190,931</b>	<b>233,877</b>	<b>282,861</b>	<b>342,311</b>
Borrowings	103,745	106,746	121,535	139,596	162,554	198,876	242,603
Other liabilities	5,630	5,545	7,668	6,837	7,422	8,309	9,457
<b>Total liabilities</b>	<b>109,375</b>	<b>112,291</b>	<b>129,202</b>	<b>146,433</b>	<b>169,976</b>	<b>207,186</b>	<b>252,059</b>
Equity share capital	3,948	3,948	3,948	3,948	4,265	4,265	4,265
Reserves and surplus	22,981	27,519	33,029	40,550	59,637	71,410	85,987
<b>Shareholders' funds</b>	<b>26,928</b>	<b>31,467</b>	<b>36,977</b>	<b>44,498</b>	<b>63,902</b>	<b>75,675</b>	<b>90,252</b>
<b>Total liabilities and shareholders' funds</b>	<b>136,303</b>	<b>143,758</b>	<b>166,179</b>	<b>190,931</b>	<b>233,877</b>	<b>282,861</b>	<b>342,311</b>
<b>AUM and disbursements (Rs mn)</b>							
<b>AUM</b>	<b>133,271</b>	<b>147,778</b>	<b>172,228</b>	<b>211,209</b>	<b>256,894</b>	<b>311,453</b>	<b>377,372</b>
Home loan	112,960	120,918	134,593	157,951	185,406	219,221	260,485
Loan against property	20,293	26,849	37,635	53,258	71,488	92,232	116,887
<b>Disbursements</b>	<b>35,447</b>	<b>39,919</b>	<b>59,026</b>	<b>70,702</b>	<b>85,246</b>	<b>102,788</b>	<b>123,946</b>
Home loan	30,409	31,168	42,055	50,521	60,625	72,750	87,300
Loan against property	5,038	8,751	16,971	20,181	24,621	30,037	36,646

Notes:

(a) Core PBT: Interest income + fee income + assignment income-interest expense-operating expenses.

Source: Company

**Exhibit 4: Valuation summary of select HFCs, March fiscal year-ends, 2024-27E**

	CMP (Rs)	Mcap (Rs bn)	FV (Rs)	Rating	EPS (Rs)				PER (X)				BVPS (Rs)				PBR (X)				ROE (%)			
					2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
Aadhar Housing Finance	390	167	550	BUY	18	22	28	34	21	18	14	11	113	150	177	212	3.5	2.6	2.2	1.8	18.4	17.4	16.9	17.6
Aavas Financiers	1,645	135	2,200	BUY	62	74	92	112	27	22	18	15	477	551	642	755	3.5	3.0	2.6	2.2	13.9	14.4	15.4	16.1
Aptus Housing	308	160	380	ADD	12	15	17	20	25	21	18	15	76	86	98	112	4.1	3.6	3.1	2.7	17.2	18.0	18.7	19.2
Can Fin Homes	803	117		NR	56	64	75	86	14	12	11	9	326	384	453	532	2.5	2.1	1.8	1.5	18.5	18.0	17.6	17.5
Home First Finance	1,044	102	1,300	BUY	35	42	54	69	30	25	19	15	240	277	326	388	4.4	3.8	3.2	2.7	15.5	16.3	17.9	19.2
India Shelter	750	80	800	BUY	25	33	39	47	30	23	19	16	216	248	288	335	3.5	3.0	2.6	2.2	14.0	14.0	14.6	15.1
LIC Housing Finance	676	372	800	BUY	87	85	95	102	8	8	7	7	570	641	713	808	1.2	1.1	0.9	0.8	16.3	14.0	12.6	13.4
PNB Housing Finance	975	253		NR	59	67	82	97	17	15	12	10	575	647	745	838	1.7	1.5	1.3	1.2	12.1	12.1	12.1	12.1
Repcos Home Finance	478	32		NR	61	67	73	72	8	7	7	7	477	523	589	658	1.0	0.9	0.8	0.7	14.1	13.2	12.8	11.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## 1

**Initiate with BUY**

We initiate coverage on Aadhar with a BUY rating and RGM-based FV of Rs550 (41% upside). Aadhar stands out versus most affordable peers due to a larger balance sheet, longer vintage and seasoning, with superior RoEs. On the other hand, its loan growth (21% CAGR during FY2024-27E) is comparable more to mature housing finance companies than fast-growing smaller affordable HFCs.

**A mature affordable HFC; higher vintage than peers**

Aadhar has a higher vintage than most listed peers. Established in FY2010, the erstwhile Aadhar Housing Finance Company Ltd was a partnership between Dewan Housing Finance and IFC aimed at improving mortgage penetration in India, specially to segments that were devoid of coverage by larger peers.

**Seasoned senior management.** Mr Deo Shankar Tripathi (Executive VP and Whole-time Director) has been associated with the company since 2015. Rishi Anand, MD and CEO, has been with the company since 2018.

**Aadhar, through the grind, emerged stronger.** Most affordable HFCs have scaled up in past few years, having negligible operations before Covid. Arguably, some of the affordable HFCs have not seen any macro stress. Aadhar had a challenging past, from which it emerged strong. Apart from facing macro headwinds during demonetization and Covid, ownership transition issues, with challenges faced by erstwhile promoters, increased liabilities-side headwinds tempered its new business momentum.

- ▶ **Parent defaulted on its bonds, increasing Aadhar's funding costs in FY2019.** Aadhar's erstwhile promoters faced financial and liquidity challenges, DHFL's bonds were downgraded to CARE BBB- (from CARE A) in May 2019 and it defaulted on its bond obligations in August 2019. Consequently, Aadhar's cost of funding increased 60 bps yoy in FY2019, reflecting impact of stress at the parent; most peers reported decline in funding costs in FY2019. Aadhar's sources of funds were partly curtailed from February 2019 when the agreement for change in management control was signed, until the conclusion of the transaction in June 2019.
- ▶ **While business slowed down, credit costs remained low.** Aadhar's disbursements declined 18% in FY2019 and flat yoy in FY2020, likely reflecting impact of liability-side challenges. This was followed by Covid pandemic during FY2021-22, where the management prioritized asset quality over growth. Disbursement growth picked up in FY2023 to 48% and AUM growth picked up with a lag to 23% in FY2024. Aadhar ensured that its asset quality performance remains strong throughout the period. Exhibit 8 shows gross stage-2, gross stage-3 and credit costs has been rangebound over the period.

**Aadhar lagged peers on AUM growth during FY2020-22**

**Exhibit 5: AUM and yoy growth for select HFCs, March fiscal year-ends, 2018-24**

	2018	2019	2020	2021	2022	2023	2024
<b>AUM (Rs bn)</b>							
Aadhar	80	100	114	133	148	172	211
Aavas	41	59	78	95	114	142	173
Aptus	14	22	32	41	52	67	87
Grihum	18	24	33	40	51	63	83
Home First	14	24	36	41	54	72	97
India Shelter	8	12	15	22	31	44	61
Shriram	18	18	23	39	54	80	138
Vastu	7	13	18	26	37	61	91
<b>AUM growth yoy (%)</b>							
Aadhar	60	26	14	17	11	17	23
Aavas	51	46	31	21	20	25	22
Aptus	67	59	42	28	27	30	29
Grihum	1	34	35	21	27	24	32
Home First	60	80	48	14	30	34	35
India Shelter	46	47	29	45	40	42	40
Shriram	1	3	25	70	36	50	71
Vastu	270	80	33	44	43	67	50

Source: Company, Kotak Institutional Equities

**Aadhar's disbursements were weak during FY2019-22**

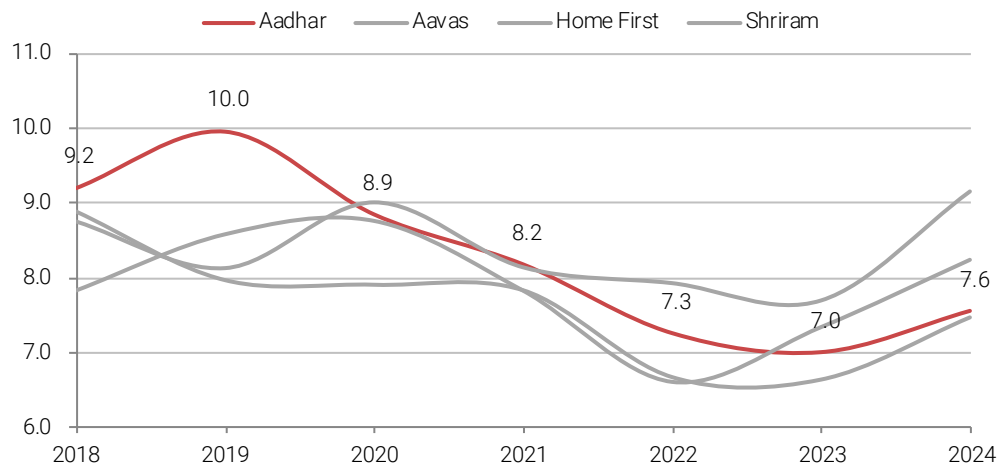
**Exhibit 6: Disbursements and yoy growth for select HFCs, March fiscal year-ends, 2018-24**

	2018	2019	2020	2021	2022	2023	2024
<b>Disbursements (Rs bn)</b>							
Aadhar	39	32	32	35	40	59	71
Aavas	21	27	29	27	36	50	56
Aptus	8	11	13	13	16	24	30
Grihum	6	11	13	13	20	26	29
Home First	7	16	16	11	20	29	40
India Shelter	9	13	20	26	33	42	51
Shriram	8	8	12	22	27	41	68
Vastu	6	8	7	11	10	36	50
<b>Disbursements growth yoy (%)</b>							
Aadhar	67	(18)	(0)	11	13	48	20
Aavas	47	30	10	(9)	36	40	11
Aptus	79	47	16	1	26	44	27
Grihum	18	93	21	(5)	57	31	13
Home First	76	111	3	(32)	85	44	36
India Shelter	62	45	52	35	24	29	21
Shriram	(21)	0	62	79	25	51	65
Vastu	218	20	(3)	49	(9)	262	37

Source: Company, Kotak Institutional Equities

**Aadhar's cost of borrowings increased in FY2019, declined thereafter**

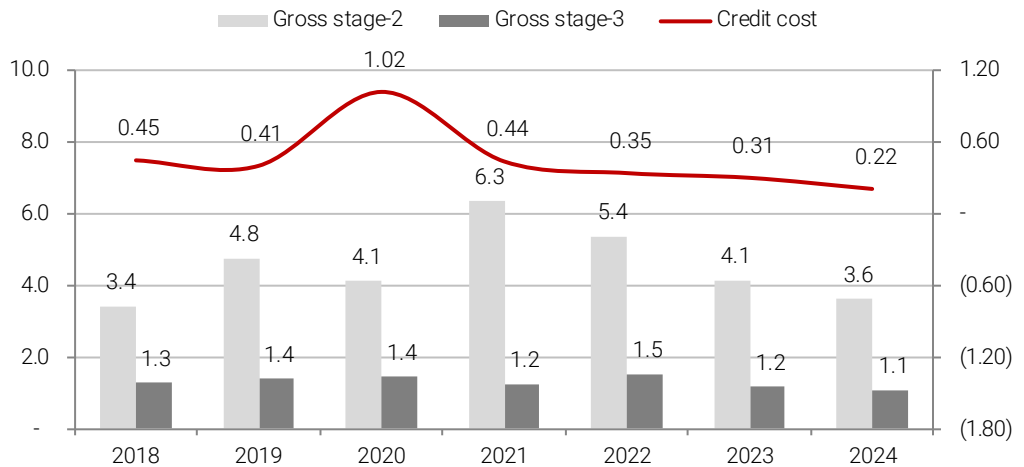
**Exhibit 7: Cost of borrowings of select HFCs, March fiscal year-ends, 2018-24**



Source: Company, Kotak Institutional Equities

**Aadhar's asset quality performance remained strong**

**Exhibit 8: Asset quality parameters of Aadhar, March fiscal year-ends, 2018-24 (%)**



Source: Company, Kotak Institutional Equities

**Multiple industry firsts**

Aadhar launched the '**Aadhar Mitra Program**' in 2018, with a view to lower its cost of acquisition for new loans and widen its reach. Aadhar Mitras are individuals who may be in a non-allied industry (for example, hardware store owners, property brokers and building material suppliers) and act as lead providers to in-house direct sales team (DST). Select peers have followed up with establishing connectors or ecosystem partners, on similar lines.

Aadhar focused on **spreading out its loan book and entering into unentrenched locations**, in line with its mandate to increase mortgage penetration. Versus peers that constrained themselves to traditional crowded markets, Aadhar migrated to new states such as Uttar Pradesh, which have traditionally been ignored by NBFCs. The company was lending mostly to salaried borrowers and scaled up the self-employed segment over time; share of self-employed increased to 43% in FY2024 from 34% in FY2019.

**Larger and more diversified versus peers**

- ▶ **Large balance sheet.** Exhibit 9 shows that Aadhar is the largest of select HFCs, focusing on affordable housing finance. With AUM of Rs211 bn in FY2024, the company's AUM are a tad higher than that of Aavas.
- ▶ **A diversified book.** (1) Exhibit 10 shows that Aadhar has 15% exposure in its largest state, i.e. UP. Home First is second with 31% exposure to its largest state, Gujarat. The book is geographically more diversified than the rest. (2) Exhibit 11 shows Aadhar (57%) has higher share of salaried as compared to most peers (26-68%).
- ▶ **Higher productivity than peers.** Exhibit 12 compares cost ratios and productivity metrics of key affordable HFCs for past six years. Aadhar (Rs428 mn AUM/branch) has third highest branch productivity after Aavas (Rs465 mn) and Home First (Rs740 mn) and on cost-to-AAUM ratio as well Aadhar (3.1%) has third lowest ratio after Aptus (2.7%) and Home First (2.7%). Aadhar benefits from vintage of branches and Home First follows a decentralized model that is not directly comparable.



**Aadhar is the largest of select HFCs**

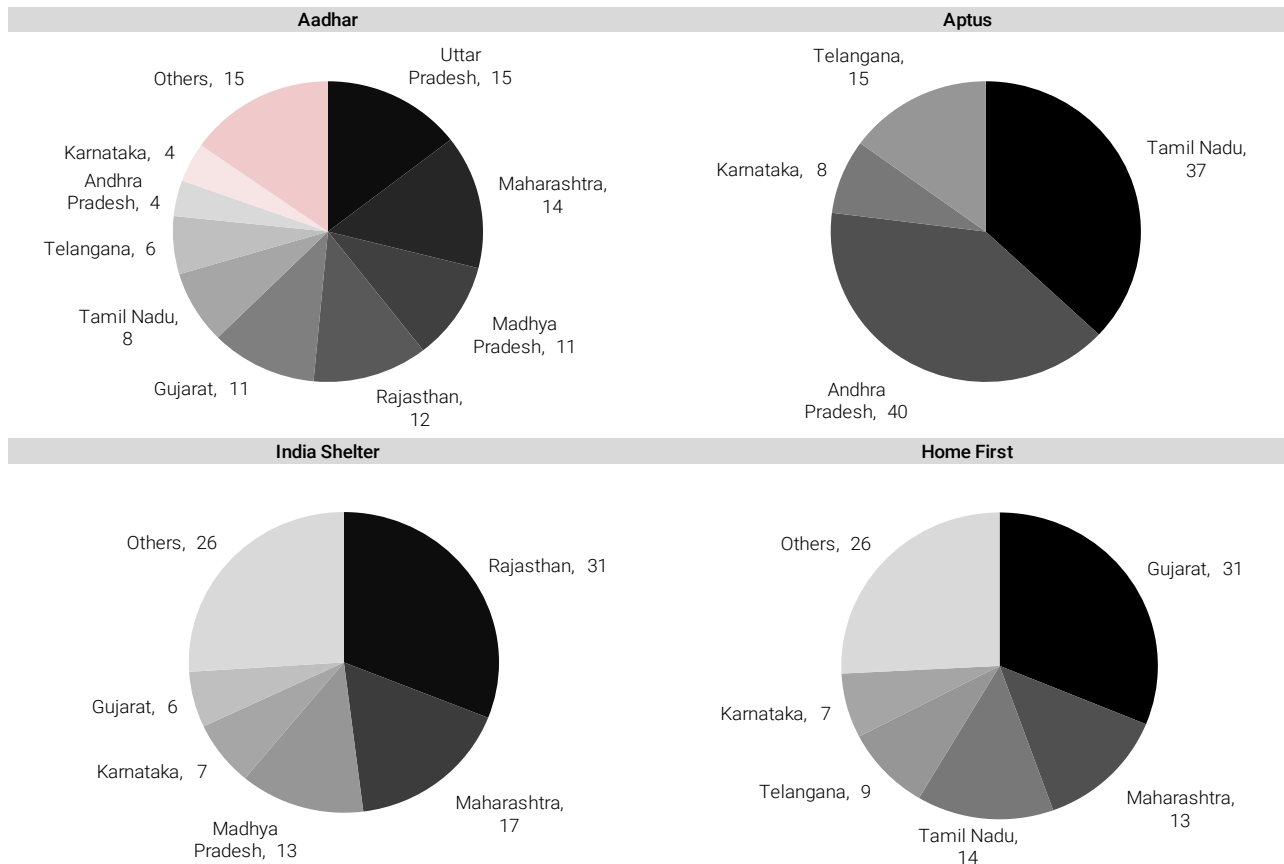
**Exhibit 9: AUM and disbursements of affordable housing players, March fiscal year-ends, 2018, 2024**

	AUM (Rs bn)		6-yr CAGR	Disbursements (Rs bn)		6-yr CAGR
	2018	2024	(%)	2018	2024	(%)
<b>Aadhar Housing Finance</b>	<b>80</b>	<b>211</b>	<b>18</b>	<b>39</b>	<b>71</b>	<b>10</b>
Aavas Financiers	41	175	27	21	60	20
Aptus Housing	14	87	35	8	30	26
GIC Housing	112	103	(1)	36	13	(16)
Home First	14	97	39	7	40	32
India Shelter Finance	8	61	40	9	51	34
Poonawalla Housing	18	83	29	6	29	32
Mahindra Rural Housing	62	72	2	28	21	(5)
Manappuram Home Finance	4	15	26	–	6	NM
Motital Oswal Housing Finance	49	41	(3)	14	10	(6)
Muthoot Home Finance	15	15	0	11	2	(25)
Repcos Home Finance	99	135	5	28	31	2
Shriram Housing	18	138	40	8	76	47
Shubham Housing	11	42	25	6	NA	NM
Sundaram Home Finance	84	138	9	26	50	11
Svantantra Micro Housing	5	20	28	2	7	26
Vastu Housing Finance	7	91	52	6	50	41

Source: Company, Kotak Institutional Equities

**Aadhar's loan book is more diversified than peers**

**Exhibit 10: Geographical mix of AUM of select peers, March fiscal year-end, 2024 (%)**



Source: Company, Kotak Institutional Equities

**Aadhar's share of salaried borrowers is higher than most peers**

Exhibit 11: Share of salaried borrowers in AUM, March fiscal year-ends, 2018-24 (%)

	2018	2019	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>66</b>	<b>66</b>	<b>65</b>	<b>64</b>	<b>62</b>	<b>59</b>	<b>57</b>
Aavas Financiers	36	35	35	40	40	40	40
Aptus Housing	17	23	27	28	28	29	26
Manappuram Home Finance	5	16	20	25	25	25	20
Can Fin Homes	73	71	71	73	74	73	72
Home First	74	73	73	74	72	69	68
India Shelter Finance	56	50	47	43	32	30	28
Mahindra Rural Housing	52	NA	58	64	64	64	64
Repco Home Finance	43	46	48	49	49	48	NA
Shriram Housing	NA	NA	17	17	19	22	22
Srg Housing	18	20	22	19	22	24	NA

Source: Company, Kotak Institutional Equities

**Aadhar's operations are more productive than most peers with high AUM/branch and low cost/AUM ratios**

Exhibit 12: AUM per branch and cost-to-AAUM ratio of affordable housing players, March fiscal year-ends, 2019-24

	AUM per branch (Rs mn)						Cost-to-AAUM (%)					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>233</b>	<b>286</b>	<b>307</b>	<b>337</b>	<b>350</b>	<b>428</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>	<b>3.1</b>
Aavas Financiers	283	312	338	361	409	465	3.8	3.3	3.0	3.4	3.6	3.4
Aptus Housing	158	183	214	249	292	333	3.7	3.3	2.7	2.5	2.8	2.7
Magma Housing	231	319	410	395	349	394	3.9	3.6	2.8	3.4	4.3	5.2
Manappuram Home Finance	148	134	142	116	166	232	7.0	5.7	4.8	7.4	8.7	7.9
Svatantra Micro Housing	1,909	2,309	1,624	2,261	NA	NA	2.4	3.1	2.6	2.8	3.0	3.6
Can Fin Homes	973	1,046	1,105	1,336	1,540	1,598	0.5	0.6	0.6	0.6	0.6	0.8
GIC Housing	1,744	1,763	1,710	1,493	1,461	1,285	0.7	0.7	0.8	0.9	1.1	1.3
Home First	407	532	575	673	648	740	3.8	3.4	2.7	2.7	2.8	2.7
India Shelter Finance	145	181	191	236	238	273	7.8	5.8	4.5	5.0	4.9	4.5
Mahindra Rural Housing	131	130	118	117	97	96	5.9	5.6	4.9	6.3	8.5	8.6
Motital Oswal Housing Finance	386	334	339	338	353	370	2.2	2.4	2.4	3.0	3.2	3.9
Muthoot Home Finance	197	185	158	136	133	NA	3.1	3.5	2.8	3.1	4.1	NA
Repco Home Finance	649	668	685	657	648	637	0.9	0.9	1.0	1.0	1.2	1.3
Shubham Housing	150	200	233	220	NA	NA	6.8	7.1	6.2	6.3	6.6	NA
Shriram Housing	257	355	479	520	614	888	6.1	5.4	3.7	3.2	3.3	3.4
Sundaram Home Finance	805	831	849	879	1,035	1,279	1.3	1.3	1.2	1.4	1.7	2.0
Vastu Housing Finance	304	240	269	290	341	444	5.2	4.0	4.2	4.2	4.4	4.2

Source: Company, Kotak Institutional Equities

**Higher RoEs than faster-growing peers, 20%+ growth**

Exhibit 13 compares key profitability parameters of affordable HFCs. Aadhar, with 4.2% RoA, is lower than most peers' 2.7-7.6%. This likely reflects lower yields of the company (high focus on salaried segment); the difference between calculated spread and NIM is lower for Aadhar, reflecting higher leverage versus most peers. Aadhar RoE was higher at 18.4% than many peers in FY2024; the ratio will likely moderate to 16.9-17.6% for FY2025-27E due to capital issuance during IPO.

We expect Aadhar to deliver 21% loan book CAGR during FY2024-27E as compared to 22-30% for listed affordable HFC peers. Aadhar faced multiple headwinds over FY2020-22, leading to muted AUM growth of 11-17% compared to 14-48% for listed peers. Disbursement growth picked up to 48% in FY2023 and AUM growth picked up with a lag in FY2024 to 23%. Aadhar is large with AUM of Rs211 bn in FY2024 and will likely grow at a slower pace than peers.

**Aadhar's RoE is heading back to high-teens with 20%+ loan growth**

**Exhibit 13: Peer comparison of affordable housing companies, March fiscal year-ends, 2024-27E**

	Aadhar				Aavas				Aptus				Home First				India Shelter			
	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
AUM (Rs bn)	211	257	311	377	173	210	257	316	87	111	139	174	97	129	167	213	61	81	107	135
<b>AUM growth yoy (%)</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>29</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>35</b>	<b>33</b>	<b>29</b>	<b>28</b>	<b>40</b>	<b>34</b>	<b>31</b>	<b>27</b>
PAT (Rs bn)	7.5	9.4	11.8	14.6	4.9	5.9	7.3	8.9	6.1	7.3	8.6	10.1	3.1	3.7	4.8	6.1	2.5	3.5	4.2	5.0
Yield (%)	13.7	13.9	13.8	13.8	13.5	13.4	13.4	13.2	17.1	17.0	17.0	16.7	14.4	14.2	14.1	14.1	15.8	15.2	15.0	14.9
Cost of borrowing (%)	7.6	8.0	7.9	7.7	7.5	7.4	7.3	7.2	8.6	8.9	8.8	8.8	8.3	8.4	8.3	8.3	9.0	8.6	8.5	8.4
Spread (%)	6.2	5.9	5.9	6.1	6.1	6.0	6.1	6.0	8.5	8.1	8.2	8.0	6.2	5.8	5.8	5.8	6.8	6.6	6.5	6.6
<b>NIM (%)</b>	<b>8.2</b>	<b>8.2</b>	<b>8.2</b>	<b>8.3</b>	<b>6.0</b>	<b>5.9</b>	<b>5.9</b>	<b>6.0</b>	<b>12.1</b>	<b>11.5</b>	<b>11.2</b>	<b>10.8</b>	<b>7.4</b>	<b>6.7</b>	<b>6.6</b>	<b>6.6</b>	<b>9.3</b>	<b>9.1</b>	<b>8.5</b>	<b>8.2</b>
<b>Cost-to-AAUM (%)</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>4.5</b>	<b>4.0</b>	<b>3.8</b>	<b>3.7</b>
Credit cost (% of AAUM)	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.7	0.7	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6
<b>RoA (%)</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>7.6</b>	<b>7.1</b>	<b>6.7</b>	<b>6.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>4.2</b>	<b>4.4</b>	<b>4.0</b>	<b>3.7</b>
Leverage (X)	4.4	3.9	3.7	3.8	5.1	5.4	5.6	5.8	2.3	2.5	2.8	3.0	4.8	5.6	6.1	6.6	3.3	3.2	3.7	4.1
<b>RoE (%)</b>	<b>18.4</b>	<b>17.4</b>	<b>16.9</b>	<b>17.6</b>	<b>13.9</b>	<b>14.4</b>	<b>15.4</b>	<b>16.1</b>	<b>17.2</b>	<b>18.0</b>	<b>18.7</b>	<b>19.2</b>	<b>15.5</b>	<b>16.3</b>	<b>17.9</b>	<b>19.2</b>	<b>14.0</b>	<b>14.0</b>	<b>14.6</b>	<b>15.1</b>
EPS (Rs)	19	22	28	34	62	74	92	112	12	15	17	20	35	42	54	69	25	33	39	47
EPS growth (%)	37	16	25	24	14	19	24	22	22	19	18	18	33	22	29	27	45	29	21	20
BPS (Rs)	113	150	177	212	477	551	642	755	76	86	98	112	240	277	326	388	216	248	288	335
Networth (Rs bn)	44	64	76	90	38	44	51	60	38	43	49	56	21	25	29	34	23	26	31	36
<b>PBR (X)</b>	<b>3.5</b>	<b>2.6</b>	<b>2.2</b>	<b>1.8</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.3</b>	<b>4.3</b>	<b>3.7</b>	<b>3.3</b>	<b>2.9</b>	<b>4.8</b>	<b>4.1</b>	<b>3.5</b>	<b>2.9</b>	<b>3.5</b>	<b>3.0</b>	<b>2.6</b>	<b>2.2</b>
PER (X)	21	18	14	11	28	23	19	15	26	22	19	16	33	27	21	17	30	23	19	16

Source: Company, Kotak Institutional Equities estimates

**Strong performance drives investor appetite to absorb large sell-off from PE funds**

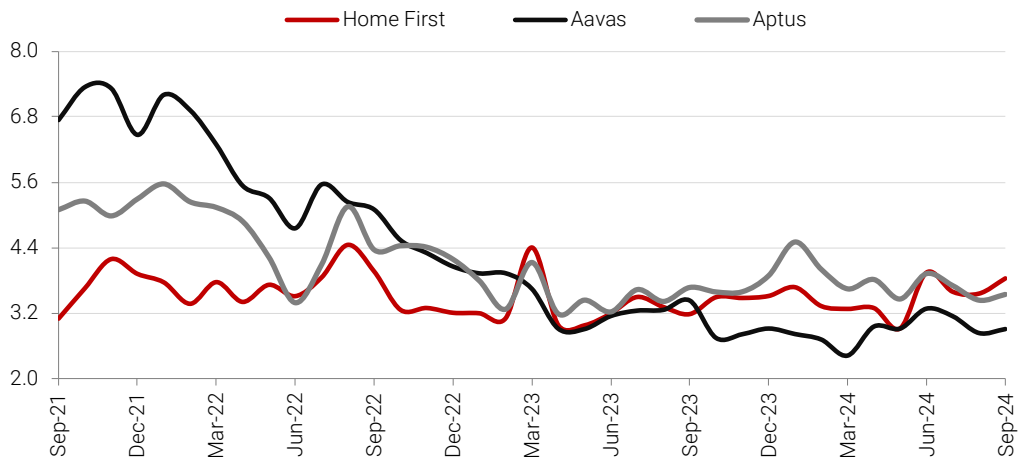
Exhibit 14 shows that listed affordable HFCs have derated in CY2022 despite improving RoE and high growth. Apart from the change in management of Aavas that led to its sharp stock price movement, large doses of stake-sales by large PE funds likely put pressure on stock performance of most of these lenders. Exhibit 15 shows that collective investment of private equity holders in four affordable HFCs and two business loan NBFCs aggregates Rs460 bn.

We note that not all of this is available for sale, as companies have signed covenants for minimum promoter shareholding with lenders; however, these covenants can be revised on mutual consent.

We believe that consistent performance—high growth, stable asset quality and improving RoE will keep investor appetite in the sector. The recent large proposal of PE shifts in Aavas reflects investors' appetite in the high growing space; this will help reduce the aforesaid overhang. We expect similar shifts (to private/public funds from PEs) in other NBFCs as well.

**Listed affordable HFCs derated in CY2022**

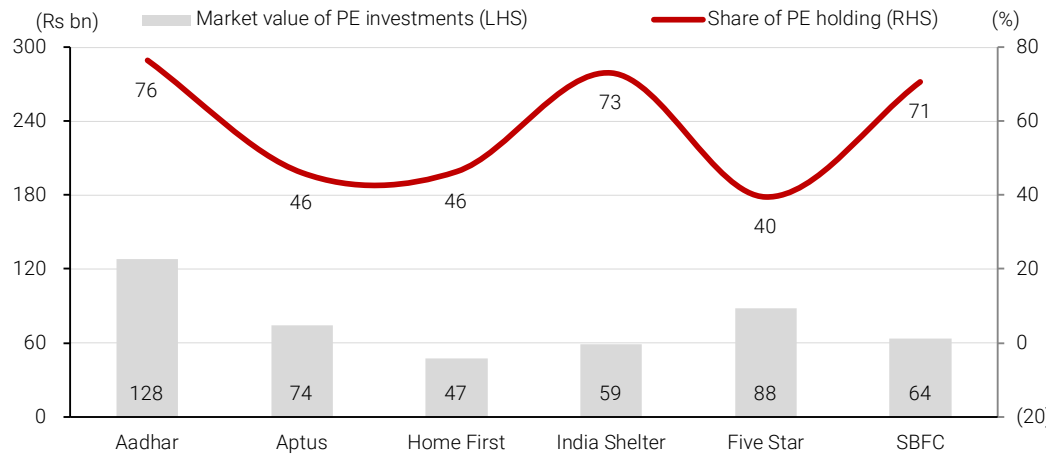
**Exhibit 14: Rolling one-year forward PBR, March fiscal year-ends, September 2021-September 2024 (X)**



Source: Company, Bloomberg, Kotak Institutional Equities estimates

**PEs hold Rs443 bn across select HFC/NBFCs**

**Exhibit 15: PE shareholding in select HFC/NBFCs, September 2024**



Source: Company, Bloomberg, Kotak Institutional Equities

**Initiate with BUY; RGM-based FV of Rs550**

We initiate coverage on Aadhar with a BUY rating and RGM-based FV of Rs550; at our FV, the stock will trade 3.1X book and 20X earnings June 2026E. Our RGM model assumes cost of equity of 13.5%, in line with affordable HFCs under coverage. Our estimates for these companies build in high multi-year growth, and as such, the execution risk is high. We factor in the above risks through a higher cost of equity versus the rest of the NBFCs (12.5-13.5%).

We estimate medium-term earnings growth of 18% (FY2026-36E) on a high base, 13% over the next 10 years and a moderation to 11% in the next decade. We assume long-term growth of 7%—this is broadly comparable with others.

Exhibit 16 shows our FVs, implied PER and PBR multiples at our FV estimates and our expectations of EPS CAGR and RoEs.

- ▶ Aadhar is comparable with Aavas on loan book and medium-term earnings growth CAGR; it’s a tad lower on loan growth and higher on RoEs. Aavas’ current estimates are a bit depressed, reflecting ongoing margin pressure; its consistently strong asset quality performance and scalability of its model commands its rich multiple.
- ▶ Home First has consistently delivered 30%+ loan growth since listing and now approaching ~18% RoE; it has visibility of the highest (26%) EPS CAGR (FY2024-27E), leading to its rich valuations in the sector.
- ▶ Aptus is the most profitable HFC with 12% NIM and 17% RoE in FY2024 and 11% and 19%, respectively, in FY2026E; our estimates factor in higher credit costs, reflecting higher risk-return profile of the company versus other HFCs; with a large fixed-rate book (79% of total), the company is a beneficiary of fall in interest rates.
- ▶ India Shelter’s lower multiples juxtaposed to its current high growth momentum reflect its newer set-up, smaller size and lack of seasoning of its book; the management team, though experienced, has low vintage in the company.

**Exhibit 16: Implied multiple and growth rates in our valuation of affordable HFCs, March fiscal year-ends, 2024-56E**

	AUM (Rs bn)	PER at FV (X)	PBR at FV (X)	Earnings growth (%)			RoE (%)			Terminal	Cost of
	2024	2026E	2026E	2026-36E	2036-46E	2046-56E	2026-36E	2036-46E	2046-56E	growth rate (%)	equity (%)
Aadhar	211	19.2	3.0	17.2	12.8	10.9	20.7	20.1	17.6	7.0	13.5
Aavas	173	22.9	3.3	18.6	13.7	11.0	20.3	21.4	18.6	7.0	13.5
Aptus	87	21.5	3.8	17.5	13.8	10.7	22.5	21.9	18.3	7.0	13.5
Home First	97	22.7	3.8	18.8	14.0	9.5	22.6	22.4	17.8	7.0	13.5
India Shelter	61	19.9	2.7	17.6	12.9	10.9	19.2	20.1	17.6	7.0	13.5

Source: Kotak Institutional Equities estimates

**Exhibit 17: RGM-based valuation for India Shelter, March fiscal year-ends, 2024-56E**

**Aadhar Housing Finance**

Risk free rate (%)	7.5
Beta (X)	1.2
Risk premium (%)	5.0
Discount rate (%)	13.50
Terminal growth rate (%)	7.0
Dividend payout from FY2025E (%)	30

Year	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E...	...2056E	Terminal year
				1	2	3	4	5	6	7	8	9	30	30
EPS (Rs)	19	22	28	34	41	49	58	67	78	91	104	119	1,271	1,360
Growth (%)	37	16	25	24	20	19	18	17	16	16	15	14	10	7
BVPS (Rs)	113	150	177	212	240	274	315	362	417	480	553	636	8,614	9,381
Growth (%)	20	33	18	19	14	14	15	15	15	15	15	15	12	
BVPS X cost of equity (Rs)	13	15	20	24	29	32	37	42	49	56	65	75	1,043	94
Residual income (Rs)	6	7	7	10	12	16	21	25	29	34	39	44	228	1,443
Growth (%)	108	8	8	39	22	31	26	21	18	17	15	12	3	
RoE (%)	20	20	18	19	19	20	21	21	22	22	22	21	16	14.5
PV of residual income (Rs)	6	7	7	9	10	11	12	13	14	14	14	14	5	32
Current BVPS (Rs)														177
NPV of residual income (Rs)														354
Fair value (Current BVPS+NPV of residual income) (Rs)														531
PBR (X) at fair value														3.0
PER (X) at fair value														19.2

Source: Company, Kotak Institutional Equities estimates

**Exhibit 18: RGM-based valuation for India Shelter, March fiscal year-ends, 2024-57E**

**Aadhar Housing Finance**

Risk free rate (%)	7.5
Beta (X)	1.2
Risk premium (%)	5.0
Discount rate (%)	13.50
Terminal growth rate (%)	7.0
Dividend payout from FY2025E (%)	30

Year	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E...	...2057E	Terminal year
				1	2	3	4	5	6	7	8	30	30	
EPS (Rs)	19	22	28	34	41	49	58	67	78	91	104	119	1,398	1,496
Growth (%)	37	16	25	24	20	19	18	17	16	16	15	14	10	7
BVPS (Rs)	113	150	177	212	240	274	315	362	417	480	553	636	9,593	10,319
Growth (%)	20	33	18	19	14	14	15	15	15	15	15	15	11	
BVPS X cost of equity (Rs)	13	15	20	24	29	32	37	42	49	56	65	75	1,163	103
Residual income (Rs)	6	7	7	10	12	16	21	25	29	34	39	44	235	1,588
Growth (%)	108	8	8	39	22	31	26	21	18	17	15	12	3	
RoE (%)	20	20	18	19	19	20	21	21	22	22	22	21	16	14.5
PV of residual income (Rs)	6	7	7	10	11	13	14	15	16	16	16	16	5	36
Current BVPS (Rs)														212
NPV of residual income (Rs)														395
Fair value (Current BVPS+NPV of residual income) (Rs)														607
PBR (X) at fair value														2.9
PER (X) at fair value														17.8

Source: Company, Kotak Institutional Equities estimates

## 2

**Aadhar: Large, seasoned and diversified**

Aadhar (AUM Rs211 bn in FY2024), the largest among compared affordable HFCs with 7% market share in FY2024, leverages its diversified customer (57% salaried, 43% self-employed AUMs) and geographic profile (15% of AUM from the largest state, i.e. Uttar Pradesh). Its multipronged expansion strategy of increased penetration through a variety of branch formats, will likely support 21% AUM CAGR (FY2024-27E) with profitability accretion from a shift toward non-home loans (25% of AUMs in FY2024), self-employed (43% of AUMs) and the informal (44% of AUMs). Aadhar-mitra, an industry-first initiative to source leads from the allied industries (19% of disbursements in FY2023), will continue to augment DST (39% of disbursements).

**Large diversified player with 20%+ growth trajectory**

- ▶ **Large player in the affordable housing segment.** Exhibit 19 shows that Aadhar is the largest HFC focused on the low-income housing segment (ticket size less than Rs1.5 mn). The company reported AUM of Rs211 bn in FY2024, followed by Aavas (Rs173 bn). Home First is the third-largest company (AUM of Rs87 bn) among select peers with a wide gap. As of March 2023, the company has 4.0% market share; this compares with 3.3% for Aavas and 1.7% for Home First.
- ▶ **Diversified geographical presence.** Aadhar has a geographically diversified AUM mix with no state contributing more than 15% and top-3 states contributing 40% of AUM, lower than 50-75% for peers. Branches are also spread evenly, with top-9 states having 83% of branches and generating 80% of AUM.
- ▶ **Wide customer segmentation.** Aadhar has balanced customer mix with lower share of informal borrowers (44% as on 1HFY24), self-employed borrowers (43% as on FY2024) and non-home loans (25% as on FY2024) compared to peers. Increase in share of these segments driven by deeper penetration through low-cost sales offices (deep impact branches) will support margins for Aadhar despite increased competition from other HFCs and banks.
- ▶ **20%+ growth trajectory.** We expect Aadhar's loan growth to pick up to 21% during FY2024-27E, in line with most other HFCs, driven by strong expansion of footprint. Aadhar has delivered 19.5% AUM CAGR during FY2022-24, lagging peers such as Aavas (23.5%), Aptus (29.8%) and Home First (34.2%). Liquidity issues during FY2019-20 and focus on collections during Covid-19 (FY2021-22) led to muted loan growth for Aadhar. Disbursements picked up to 33.4% during FY2022-24 and the trend will likely sustain over the medium term. The company opened 13 branches in 1QFY25 and has guided for 75 new branches in FY2025E.
  - **Wide reach to support growth.** Aadhar's strong market position is underpinned by its wide branch presence among select peers (see Exhibit 20); the company has 523 branches in FY2024, followed by Aavas at 376. Aadhar opened 213 branches (41% of total branches) in the past three years increasing district level penetration to >90% in the top 9 states. We bake in 66-75 branch additions per year over the medium term driving deeper penetration into existing geographies to support loan growth.

**Aadhar is the largest HFC focused on low-income housing in the list below**

Exhibit 19: AUM, disbursement and market share of select affordable HFCs, March fiscal year-end, 2024

	AUM (Rs bn)	Disbursement (Rs bn)	AUM market share (%)	Disbursement market share (%)
<b>Aadhar Housing Finance</b>	<b>211</b>	<b>71</b>	<b>7.2</b>	<b>3.2</b>
Aavas Financiers	175	60	6.0	2.7
Aptus Housing	87	30	3.0	1.4
GIC Housing	103	13	3.5	0.6
Home First	97	40	3.3	1.8
India Shelter Finance	61	51	2.1	2.3
Poonawalla Housing	83	29	2.8	1.3
Mahindra Rural Housing	72	21	2.5	0.9
Manappuram Home Finance	15	6	0.5	0.3
Motital Oswal Housing Finance	41	10	1.4	0.5
Muthoot Home Finance	15	2	0.5	0.1
Repc Home Finance	135	31	4.6	1.4
Shriram Housing	138	76	4.7	3.5
Shubham Housing	42	NA	1.4	NM
Sundaram Home Finance	138	50	4.7	2.3
Svantantra Micro Housing	20	7	0.7	0.3
Vastu Housing Finance	91	50	3.1	2.3

Note:

(1) Market share is calculated on outstanding housing loan book of HFCs with ticket size < Rs2.5 tn.

Source: CRISIL MI&A

**Aadhar has the largest branch network among peers in the list below**

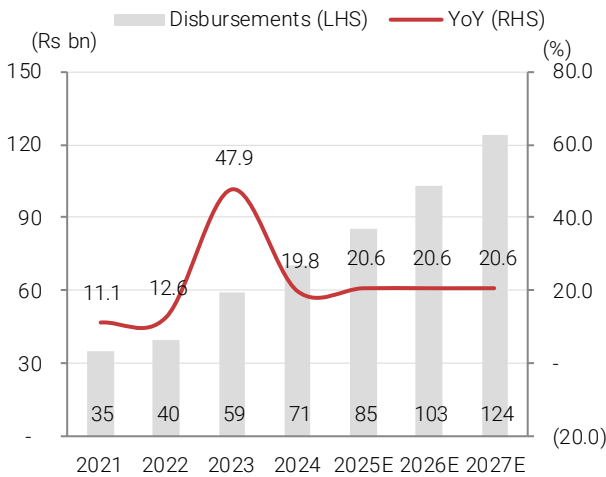
Exhibit 20: Branches and employees of select affordable HFCs, March fiscal year-ends, 2021-24 (#)

	Branches				Employees			
	2021	2022	2023	2024	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>319</b>	<b>332</b>	<b>464</b>	<b>523</b>	<b>2,310</b>	<b>2,769</b>	<b>3,621</b>	<b>3,913</b>
Aavas Financiers	280	314	346	376	5,679	5,222	6,034	6,184
Aptus Housing	190	208	231	262	1,913	2,241	3,098	2,903
Magma Housing	97	128	180	210	988	1,749	2,637	4,000
Can Fin Homes	200	200	205	219	887	909	976	1,061
GIC Housing	75	75	76	80	319	320	321	335
Home First	72	80	111	131	687	851	993	1,249
India Shelter Finance	115	130	183	223	1,576	2,200	2,709	3,409
Mahindra Rural Housing	650	650	743	750	8,716	9,440	10,731	8,435
Repc Home Finance	177	179	192	212	980	898	951	1,076
Shriram Housing	82	103	131	155	824	787	1,750	3,232
Sundaram BNP Home Finance	108	108	108	108	784	822	1,108	1,529

Source: CRISIL MI&A

**We expect 21% disbursements growth for FY2025-27E**

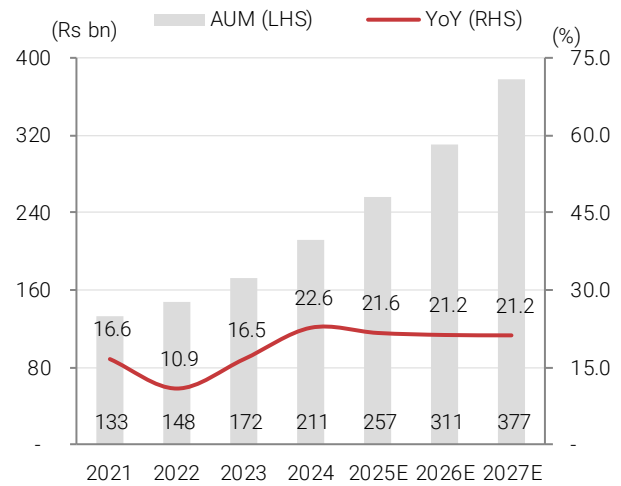
**Exhibit 21: Disbursement and yoy growth for Aadhar Housing Finance, March fiscal year-ends, 2021-27E**



Source: Company, Kotak Institutional Equities estimates

**AUM growth at 20%+**

**Exhibit 22: AUM and yoy growth for Aadhar Housing Finance, March fiscal year-ends, 2021-27E**



Source: Company, Kotak Institutional Equities estimates

**More diversified than most**

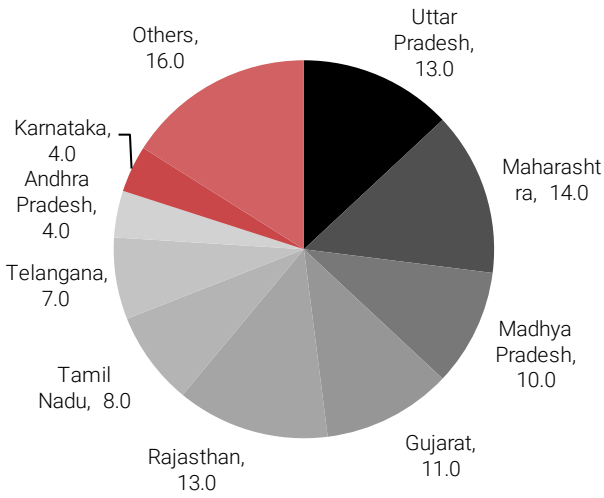
**No state over 15%.** Exhibit 23 shows that Aadhar has a well-diversified book, with the largest share of business from state of Maharashtra at 14.0% in FY2024. In other words, none of the states contribute to over 15% of its AUMs. Top-2 states (Uttar Pradesh and Maharashtra) account for 27.0% of loan book and top-5 states 61.0% of the loan book. The trend is similar in 1QFY25 with share of top-2 states at 27.5%, management has guided for 100 bps increase in share of Andhra Pradesh, Telangana and Tamil Nadu driven by faster expansion of footprint in these states.

**Less concentrated than peers.** The wide portfolio spread reflects distribution of its branches (see Exhibit 24). Top-5 states had 53.9% of its branches and sales offices in FY2024. The company actively expanded its branch and sales office network and has increased the number of branches (including sales offices) to 523 in FY2024 from 310 branches as of FY2021. Exhibit 25 shows that other HFCs have relatively higher regional concentration. The largest state for Aavas is Rajasthan, contributing 38% of its AUMs; Gujarat contributes 33% of Home First’s AUM; Tamil Nadu drives 43% of AUM for Aptus (FY2023).



**Aadhar has a geographically diversified AUM mix**

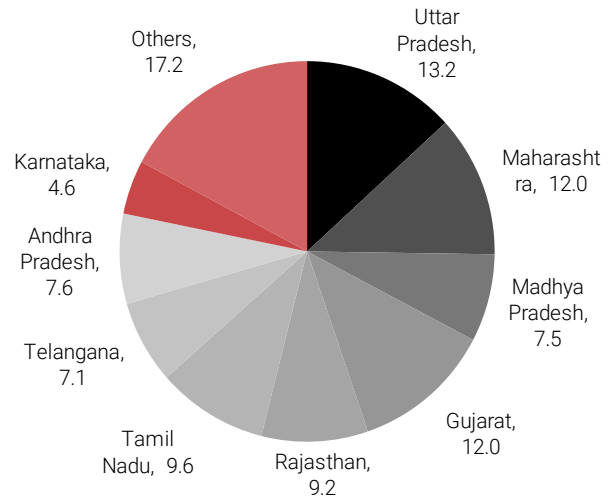
Exhibit 23: Geography-wise AUM mix of Aadhar Housing Finance, March fiscal year-end, 2024 (%)



Source: Company

**Aadhar has a spread-out branch network**

Exhibit 24: Geography-wise branch mix of Aadhar Housing Finance, March fiscal year-end, 2024 (%)



Source: Company

**Aadhar has lower regional concentration than peers**

Exhibit 25: Geographical concentration of loan book of select affordable HFCs, March fiscal year-end, 2023 (%)

	Largest state	Share of top state (%)	Share of top 5 states (%)
<b>Aadhar Housing Finance</b>	<b>Uttar Pradesh</b>	<b>14</b>	<b>62</b>
Aavas Financiers	Rajasthan	38	NA
Aptus	Andhra Pradesh and Telangana	49	100
Home First Finance Company	Gujarat	33	74
India Shelter Finance	Rajasthan	31	77
Motilal Oswal Home Finance	Maharashtra	65	91
Muthoot HomeFin	Maharashtra	42	NA
Poonawala Housing Finance	Madhya Pradesh	16	NA
SMFG India Home Finance	Maharashtra	19	66

Source: CRISIL MI&A

**Expansion to drive 20%+ growth over the medium term**

We find two growth levers for Aadhar. The company will likely expand its reach through the low-cost sales office model and increase penetration into existing states.

- ▶ Exhibit 27 shows that the company has 89-100% district penetration in top-9 states as of 1HFY24. In the rest of the states, district penetration is lower at 40%. The company has been actively **scaling up beyond the top three states** of Maharashtra, Uttar Pradesh and Madhya Pradesh (discussed below).
- ▶ **Faster growth in sales offices** will likely drive loan growth (21% CAGR over FY2024-27E) over the medium term, while keeping operating expenses (17% CAGR) under control.

### Leveraging benefits of large branch addition in FY2023

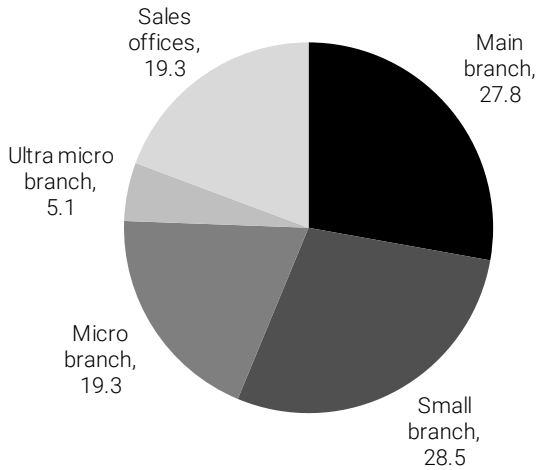
- ▶ **Large branch addition in FY2023.** Exhibit 28 shows that Aadhar added 128 branches in FY2023, i.e. stepping up on growth post Covid following 22 branches added in FY2022; on a high base, branch addition in FY2024 was lower at 54; the company has guided for addition of 75 branches per year (added 13 branches in 1QFY25).
- ▶ **Stepping beyond top states.** Apart from large states, in FY2022, Aadhar stepped up on growth in Gujarat (34 new branches), Rajasthan (18 new branches), Tamil Nadu (12 new branches) and Telangana (18 new branches) of the total 128 branches added during the year.
- ▶ **Three states deliver 27% CAGR (FY2022-24) versus company average of 20%.** Exhibit 29 shows that AUM growth was high in three states of Rajasthan, Tamil Nadu and Telangana at 23-30% CAGR (FY2022-24) while growth in large states (Uttar Pradesh, Maharashtra and Madhya Pradesh) was lower at 11-16% CAGR during this period.
- ▶ **Divergent trends in per branch AUM.** AUM per branch declined yoy in FY2023, following large branch addition (see Exhibit 30), but picked up in FY2024. Highest growth in per branch AUM was reported in Gujarat, Rajasthan and Telangana while Tamil Nadu was weak. Per branch AUM growth in Madhya Pradesh was strong in FY2024 due to flat branch network.

**Aadhar's current operating model is scalable.** Various categories (discussed below) help to manage costs and risks while expanding its presence. The larger formats of main branches (27.8% of branches and sales offices) and small branches (28.5% of branches and sales offices) dominate total branches of the company.

- ▶ Aadhar has main branches (over Rs240 mn of annual disbursements) and small branches (Rs120-240 mn of annual disbursements) to provide higher levels of disbursements and cater to a larger pool of customers; these branch act has hubs.
- ▶ The company penetrates deeper through micro (Rs70-120 mn of annual disbursements) or ultra-micro branches (Rs50-70 mn of annual disbursements) under the ambit of main or small branches; these (micro and ultra-micro branches) are minimally staffed but have the ability to source customers for certain locations.
- ▶ It also has sales offices (also known as deep impact branches with annual disbursements of Rs50-70 mn) that are opened in remote locations with a limited number of officers.
- ▶ Stepping up in key states. The company added 59 new branches in FY2024, taking total branch count to 523. Notably, four key states of Andhra Pradesh, Maharashtra, Tamil Nadu and UP accounted for 83% of branches added in FY2024.

**Main and small branch formats contribute 56.3% of total branches and sales offices**

Exhibit 26: Branch and sales offices split of Aadhar Housing Finance, March fiscal year-end, 2024 (% of branches)



Source: Company, Kotak Institutional Equities

**Aadhar has high district penetration across states**

Exhibit 27: District penetration of Aadhar Housing Finance, March fiscal year-end, 1HFY24 (#)

	Number of branches (including sales offices)	Number of districts with a point of presence	Number of districts in the state	District penetration (%)
Uttar Pradesh	64	66	74	89
Maharashtra	48	35	36	97
Madhya Pradesh	39	55	56	98
Gujarat	63	33	33	100
Rajasthan	48	48	51	94
Tamil Nadu	40	38	38	100
Telangana	37	33	33	100
Karnataka	24	31	31	100
Andhra Pradesh	36	23	25	92
Others	72	171	424	40
<b>Total</b>	<b>471</b>	<b>533</b>	<b>801</b>	<b>66</b>

Source: Company, Kotak Institutional Equities

**Branch addition is strong beyond top three states**

Exhibit 28: Branches and yoy change for Aadhar Housing Finance, March fiscal year-ends, 2021-24 (#)

	2021	2022	2023	2024	YoY change		
					2022	2023	2024
Uttar Pradesh	43	45	63	69	2	18	6
Maharashtra	39	42	47	63	3	5	16
Madhya Pradesh	39	39	39	39	-	(0)	0
Gujarat	26	29	63	63	3	34	0
Rajasthan	25	30	48	48	5	18	0
Tamil Nadu	31	31	43	50	-	12	7
Telangana	18	18	36	37	-	18	1
Andhra Pradesh	14	15	24	40	1	9	16
Karnataka	21	23	34	24	2	11	(10)
Others	63	69	72	90	6	3	18
<b>Overall</b>	<b>319</b>	<b>341</b>	<b>469</b>	<b>523</b>	<b>22</b>	<b>128</b>	<b>54</b>

Source: Company, Kotak Institutional Equities

**Rajasthan, Tamil Nadu and Telangana have grown at a faster pace**

Exhibit 29: State-wise AUM and yoy growth for Aadhar Housing Finance, March fiscal year-ends, 2021-24 (Rs mn)

	2021	2022	2023	2024	YoY (%)		
					2022	2023	2024
Uttar Pradesh	21,221	22,240	24,390	27,457	5	10	13
Maharashtra	20,001	21,901	24,282	29,569	10	11	22
Madhya Pradesh	15,206	16,022	17,609	21,121	5	10	20
Gujarat	14,154	16,298	18,860	23,233	15	16	23
Rajasthan	13,579	16,727	21,451	27,457	23	28	28
Tamil Nadu	9,722	11,240	14,062	16,897	16	25	20
Telangana	7,598	8,809	11,204	14,785	16	27	32
Andhra Pradesh	5,144	5,640	6,784	8,448	10	20	25
Karnataka	6,457	6,591	6,732	8,448	2	2	26
Others	20,189	22,310	26,856	33,793	11	20	26
<b>Overall</b>	<b>133,271</b>	<b>147,778</b>	<b>172,228</b>	<b>211,209</b>	<b>11</b>	<b>17</b>	<b>23</b>

Source: Company, Kotak Institutional Equities

**Branch productivity picked up in FY2024**

**Exhibit 30: State-wise AUM per branch for Aadhar Housing Finance, March fiscal year-ends, 2021-24 (Rs mn)**

	2021	2022	2023	2024	YoY (%)		
					2022	2023	2024
Uttar Pradesh	494	494	388	398	0	(21)	3
Maharashtra	513	521	518	469	2	(1)	(9)
Madhya Pradesh	390	411	452	542	5	10	20
Gujarat	544	562	300	369	3	(47)	23
Rajasthan	543	558	448	572	3	(20)	28
Tamil Nadu	314	363	326	338	16	(10)	4
Telangana	422	489	310	400	16	(37)	29
Andhra Pradesh	367	376	284	211	2	(25)	(26)
Karnataka	307	287	199	352	(7)	(30)	77
Others	320	323	372	375	1	15	1
<b>Overall</b>	<b>418</b>	<b>433</b>	<b>368</b>	<b>404</b>	<b>4</b>	<b>(15)</b>	<b>10</b>

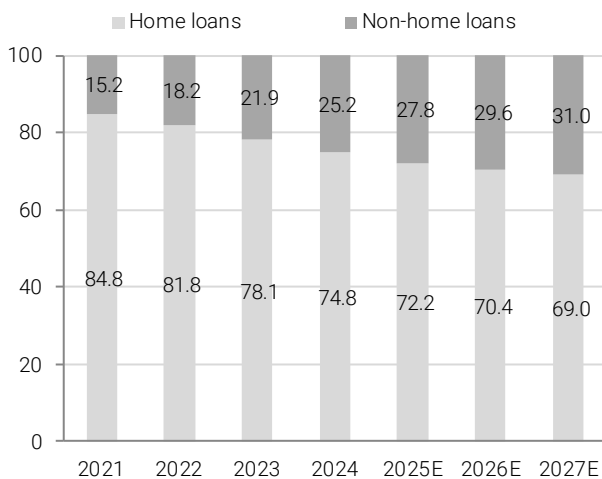
Source: Company, Kotak Institutional Equities

**Share of non-home loans to inch up over the medium term**

Home loans will continue to dominate the loan book at 68.8% of AUM in FY2027E despite moderation (74.9% in FY2024). Share of non-home loans (loans against property) will likely inch up to 31.2% by FY2027E from 25.1% in FY2024. Aadhar has significant leeway to increase its share of non-home loans as the regulatory cap is at 40%. Exhibit 33 compares contribution of non-home loans to loan book across peers. India Shelter and Aptus have 40-42% of non-home loans in their loan book, Aavas is at 31% and Home First is lower at 14. The company has negligible exposure to project finance.

**Share of non-home loans to inch up over the medium term**

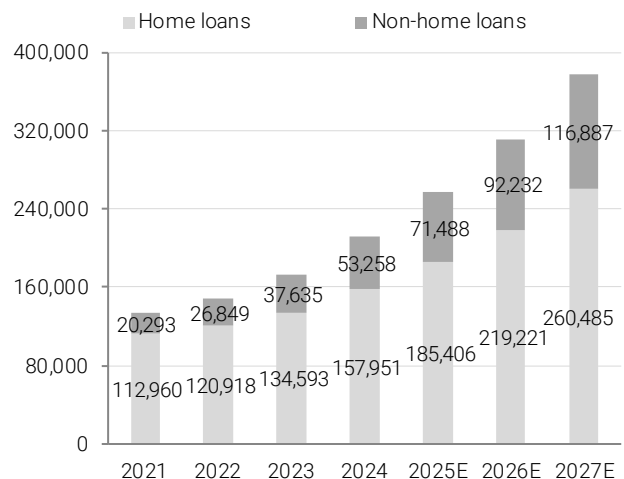
**Exhibit 31: Product-wise AUM mix for Aadhar Housing Finance, March fiscal year-ends, 2021-27E (%)**



Source: Company

**Home loans to dominate Aadhar's loan book**

**Exhibit 32: Product-wise AUM mix for Aadhar Housing Finance, March fiscal year-ends, 2021-27E (Rs mn)**



Source: Company

**Low share of non-home loans for Aadhar****Exhibit 33: Share of non-home loans for select affordable HFCs, March fiscal year-ends, 2020-24 (%)**

	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>15</b>	<b>15</b>	<b>18</b>	<b>22</b>	<b>25</b>
Aavas Financiers	27	27	28	30	31
Aptus Housing	48	48	44	42	40
Can Fin Homes	10	10	10	11	11
Home First	8	8	9	13	14
India Shelter Finance	41	43	46	43	42
Grihum Housing	45	41	37	35	33
Manappuram Home Finance	26	27	33	34	30
Repco Home Finance	19	19	19	23	21
Shriram Housing	40	36	35	36	38
Sundaram Home Finance	30	30	31	37	36
Svatantra Micro Housing	3	8	8	12	15
Vastu Housing Finance	36	43	44	44	42

Source: CRISIL MI&amp;A

**Shifting toward self-employed and informal**

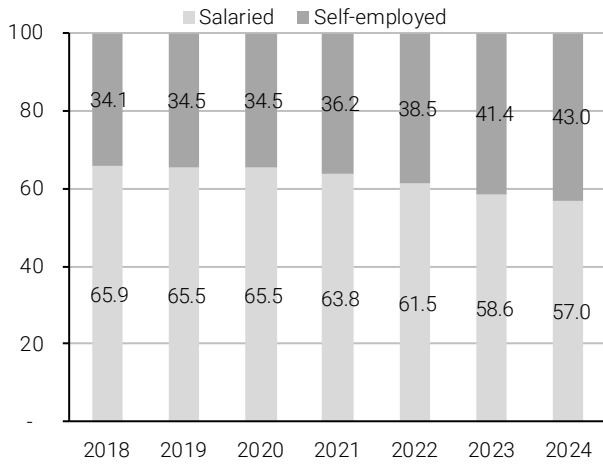
Aadhar continues to focus on low-income mortgage market in India, with offerings to both salaried and self-employed categories; it caters to the economically weaker and low-to-middle income groups. Aadhar services salaried and self-employed retail customers in both formal and informal segments. The company has traditionally focused on loans to salaried customers, as these customers are typically more resilient to economic cycles. Exhibit 34 shows that Aadhar has gradually increased the portion of loans disbursed to self-employed customers, which usually have a significantly higher yields and lower increase in gross stage-3 loans (see Exhibits 36-37).

Loans to self-employed increased to 43% in FY2024 from 36% in FY2021, with a consequent decline in salaried segment. Further, there is increased focus to the informal segment (customers that do not have formal income documentation); share of informal self-employed segment increased to 33% in 1HFY24 from 20% in FY2021. The share of informal salaried customers (customers that receive a monthly salary that is not supported by documentation and may be paid in cash) has been in the range of ~11% (see Exhibit 38).

**Higher yields for self-employed versus salaried.** The company earned yield of 12.5% from salaried customers versus 16.1% from the self-employed in 1HFY24; the difference in gross NPAs is higher by only 110 bps. That said, gross NPAs for the self-employed customers of the company have been more volatile, ranging 1.7-2.8% during FY2021-1HFY23 while gross NPAs for salaried customers of the company have been in the range of 0.7-1.3%.

**Share of self-employed has increased**

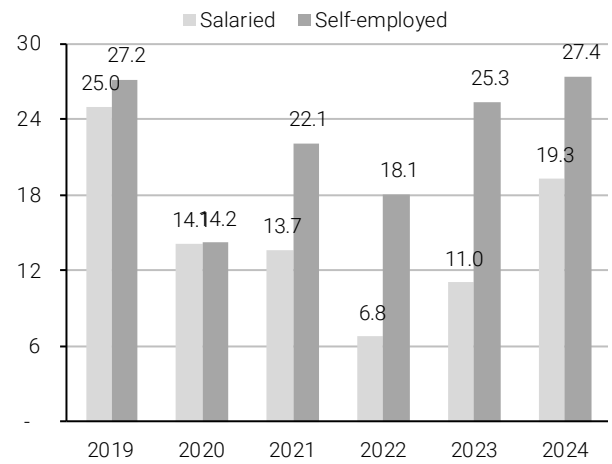
**Exhibit 34: Customer-wise AUM mix of Aadhar Housing Finance, March fiscal year-ends, 2018-24 (%)**



Source: Company, Kotak Institutional Equities

**Self-employed AUM grew fast at 25-27% during FY2023-24**

**Exhibit 35: Customer-wise AUM growth yoy of Aadhar Housing Finance, March fiscal year-ends, 2019-24 (%)**



Source: Company, Kotak Institutional Equities

**Yields for self-employed higher by 360 bps in 1HFY24 for Aadhar**

**Exhibit 36: Yields across customer segments for Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**GNPAs of self-employed higher by 110 bps in 1HFY24 for Aadhar**

**Exhibit 37: GNPAs across customer segments for Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**Informal self-employed segment grew faster than other segments**

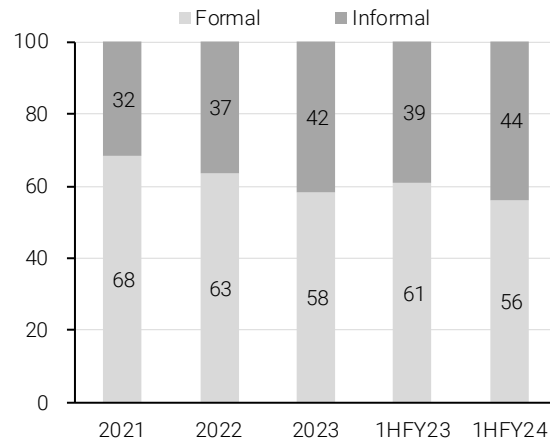
**Exhibit 38: Customer-wise AUM mix of Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY23-1HFY24**

	2021	2022	2023	YoY (%)	1HFY23	1HFY24	YoY (%)
<b>AUM mix (Rs mn)</b>							
<b>Salaried</b>	<b>85,093</b>	<b>90,891</b>	<b>100,933</b>	<b>11</b>	<b>94,625</b>	<b>109,012</b>	<b>15</b>
Formal	70,117	74,258	82,361	11	76,930	88,845	15
Informal	14,976	16,633	18,572	12	17,695	20,167	14
<b>Self-employed</b>	<b>48,178</b>	<b>56,887</b>	<b>71,295</b>	<b>25</b>	<b>62,579</b>	<b>79,837</b>	<b>28</b>
Formal	20,909	19,569	18,109	(7)	18,899	17,404	(8)
Informal	27,269	37,318	53,186	43	43,680	62,432	43
<b>Overall AUM</b>	<b>133,271</b>	<b>147,778</b>	<b>172,228</b>	<b>17</b>	<b>157,204</b>	<b>188,849</b>	<b>20</b>
<b>AUM mix (%)</b>							
<b>Salaried</b>	<b>64</b>	<b>62</b>	<b>59</b>	<b>-290 bps</b>	<b>60</b>	<b>58</b>	<b>-247 bps</b>
Formal	53	50	48	-243 bps	49	47	-189 bps
Informal	11	11	11	-47 bps	11	11	-58 bps
<b>Self-employed</b>	<b>36</b>	<b>38</b>	<b>41</b>	<b>290 bps</b>	<b>40</b>	<b>42</b>	<b>247 bps</b>
Formal	16	13	11	-273 bps	12	9	-281 bps
Informal	20	25	31	563 bps	28	33	527 bps

Source: Company, Kotak Institutional Equities

**Share of informal borrowers up to 44% from 32% earlier**

**Exhibit 39: Customer-wise AUM mix of Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY23-1HFY24 (%)**



Source: Company, Kotak Institutional Equities

**Select peers have higher share of self-employed**

Exhibit 40 compares the share of self-employed borrowers in AUM across select HFCs. The share of self-employed, though increased for Aadhar (43% of AUMs), is lower than many peers, viz., Aavas (60%), Aptus (74%) but that for Home First is lower (32%).

**Aadhar's share of salaried is higher than Aavas and Aptus; lower than Home First**

**Exhibit 40: Share of self-employed for select affordable HFCs, March fiscal year-ends, 2018-24**

	2018	2019	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>39</b>	<b>41</b>	<b>43</b>
Aavas Financiers	64	65	65	60	60	60	60
Aptus Housing	83	77	73	72	72	71	74
Manappuram Home Finance	95	85	80	75	75	75	80
Can Fin Homes	27	29	29	27	26	27	28
Home First	26	27	27	26	28	31	32
India Shelter Finance	44	50	53	57	68	70	72
Mahindra Rural Housing	48	NA	42	36	36	36	36
Repco Home Finance	57	54	52	52	51	52	NA
Shriram Housing	NA	NA	83	83	81	78	78
Srg Housing	82	80	78	81	78	76	NA

Source: CRISIL MI&A

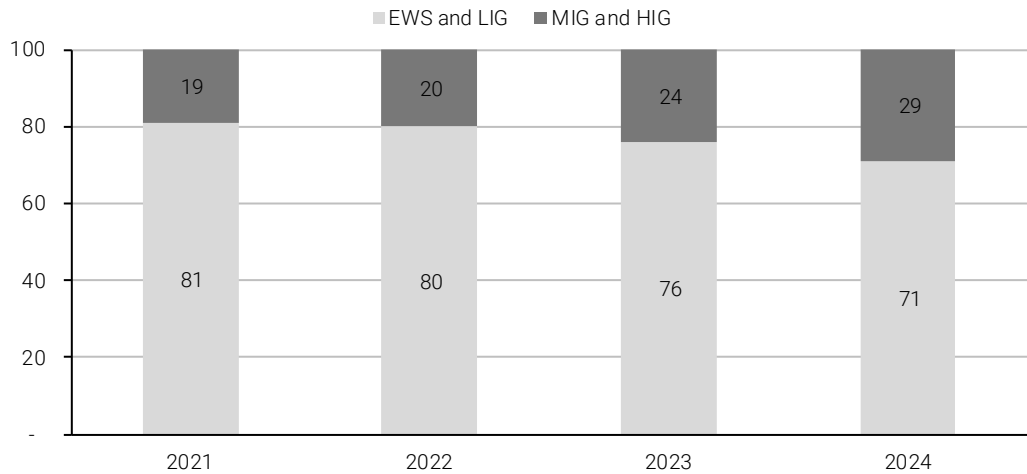
**LIG remains the largest segment; PMAY covers 21% of AUM**

Irrespective of the shift between salaried and self-employed or formal to informal, LIG (income of Rs0.3-0.6 mn/year) and EWS borrowers (income up to Rs0.3 mn/year) dominate its AUM mix at 71-81% over FY2021-24. Loans to MIG (income of Rs0.6-1.8 mn/year) and HIG (income above Rs1.8 mn/year) have increased to 29% from 19% of AUM during the period (see Exhibit 41).

Loans under Pradhan Mantri Awas Yojana (PMAY), which benefits economically weaker segments, low-income group and medium-income group citizens in urban and rural areas, constitute 25.2% and 21.2% of live accounts and gross AUM, respectively, in 1HFY24.

**EWS and LIG contribute 71% of AUM for Aadhar**

**Exhibit 41: AUM mix based on income group for Aadhar Housing Finance, March fiscal year-ends, 2021-24 (%)**



Source: Company

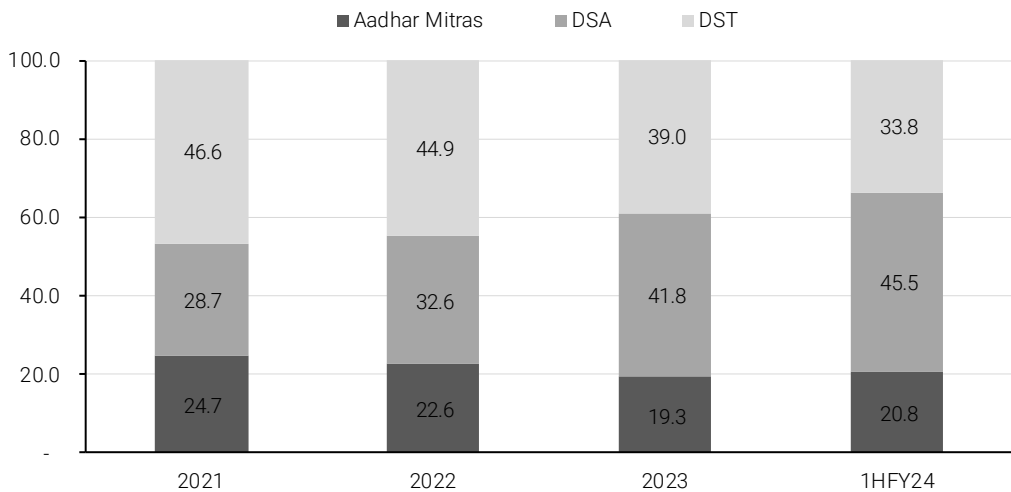
**A diversified sourcing strategy; Aadhar-Mitra was industry first**

Exhibit 42 shows that Aadhar originates business through in-house and external sources. This includes DSA (45.5% share in disbursements in 1HFY24), DSTs (i.e., in-house team has contributed 33.8% of 1HFY24 disbursements) and Aadhar Mitras (20.8% of 1HFY24 disbursements). The company has 5,045 DSAs, direct selling team of 3,010 members and 12,221 Aadhar Mitras (detailed below) in 1HFY24.

**Aadhar Mitra-lead providers.** In 2018, with a view to lowering its cost of acquisition for new loans and to widen its reach, Aadhar launched the 'Aadhar Mitra Program'. Aadhar Mitras are individuals who may be in a non-allied industry (for example, hardware store owners, property brokers and building material suppliers) and act as lead providers to in-house direct sales team (DST). The company incentivizes Aadhar Mitras with a referral fee for every referral that results in a loan disbursal.

**Diversified sourcing mix for Aadhar**

**Exhibit 42: Sourcing mix for Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company



### Tech implementation for better throughput and more

**Digitization program from FY2022.** Aadhar appointed Tata Consultancy Services (TCS) to implement its 'Lending and Securitization Platform' across its systems. In October 2021, the company launched a Digital Transformation Program, which provides a more integrated digital platform for various stages of a loan cycle: onboarding, loan origination, accounting and reporting.

**Multiple operational benefits of digitalization.** These measures are intended to improve customers' experience while transacting with the company. Operationally, Aadhar benefits through improved underwriting processes, increased productivity, cost reduction and improved collections through data-driven early warning systems. In order to improve its productivity, Aadhar has implemented mobility solutions, viz., sales mobility for employees and field staff, collections mobility and an employee connect application.

**Gradual use of analytics.** These technologies will further enable a shift to an analytics-based approach. The company implemented analytics platforms to enable data-backed decision making and develop a comprehensive information management system. It has developed a credit risk scoring engine to provide a credit risk score based upon customer demographics and income profile, which supplements the underwriting process.

**Underwriting benefits.** Technology helps in improving asset quality by enhancing the robustness of existing risk analytics framework, specifically in credit risk underwriting (application scorecards), collections analysis, and the identification of high-risk customer cohorts using the Red-Amber-Green (RAG) segmentation model and risk-based pricing.

**Other benefits.** Branch opening strategy has undergone a transformation as well, and is driven by data science methodologies. Finally, the company emphasizes on customer retention through data-driven strategies to mitigate outward balance transfers and identify refinancing opportunities.

## 3

## Low NPLs and credit costs

We expect Aadhar to maintain strong asset quality performance with gross stage-2 loans at ~3.5-3.6% and gross stage-3 loans at ~1.1-1.2%. Consistently improving asset quality matrices post Covid, its gross stage-2 is a tad higher than peers though gross stage-3 loans are in line; overall credit costs at 0.2-0.4% during FY2021-24 was comparable to listed peers (0.1-1.1%). While we see some upside risk from rising share of self-employed, a combination of centralized underwriting (at regional processing units) for the salaried and decentralized (at local branches) for the informal profiles, coupled with a dedicated collections team underpins its strong performance. The company maintained ECL coverage of 1.2% in FY2024 (down from 1.4% in FY2022), higher than listed peers' 0.6-1.1%.

### Two-pronged approach balances TAT and underwriting quality

Aadhar has a two-pronged approach to balance TAT and underwriting quality. The relatively straightforward cases of formal salaried borrowers are processed at regional processing units (RPU), and the underwriting of other segments (informal salaried and self-employed) is done through a decentralized approach.

- ▶ Aadhar has set up an RPU for each business region (15 across India) to process the formal salaried cases. The credit manager conducts discussion over phone for salaried borrowers.
- ▶ For the informal segments, the branch credit officer performs on-ground verification and income assessment. The credit manager located in the hub branch visits the residence and place of business of prospective customer to validate the credit assessment of the credit officer.

### Joint responsibility of asset quality

Aadhar has a joint responsibility model where the sales, collections, credit and risk teams have joint responsibility to manage delinquencies.

- ▶ 10-15% of the incentive/KPI of field sales staff are linked to 12-month collections.
- ▶ Branch manager is appraised on both sales and credit quality of portfolio originated through the branch.
- ▶ Credit and collections staff located in branch have dual reporting with ~75% of their KPI/incentives linked to branch manager and ~25% to central heads of collection and credit.

**Additional checks augment.** Apart from credit team, the risk containment unit screens all loan applications. Any suspicious documents are sampled and verified at the source of the document. The company has a team of in-house lawyers and technical members. As an additional measure, about 5% of the underlying properties are revalued quarterly to review the variance in valuation.

### Strong asset quality performance

Aadhar has reported strong asset quality performance over the years. Its gross stage-2 and gross stage-3 ratios are broadly comparable with peers. Exhibit 43 shows that Aadhar's gross stage-2 loans are higher than that of Aavas, Home First and India Shelter while lower than Aptus; the latter operates down the risk-return curve. Its gross stage-3 ratio is lower than listed peers but for Home First. Exhibit 43 shows that the company has been making consistent improvements in gross stage-2 and gross stage-3 ratios in past four years. Gross stage-2 ratio improved to 3.6% in FY2024 from 4.1% in FY2023 and 5.4-6.3% in FY2021-22; we believe that the ratio has optimized and expect stable performance hereon. Gross stage-3 ratio is 1.1% in FY2024 from peak of 1.5% in FY2022. Write-offs have been low at 10-28 bps over the past four years.

- ▶ Aadhar has higher ECL coverage ratio than peers with overall ECL coverage at 1.3% versus 0.6-1.1% for listed peers in FY2023. Similarly, coverage on stage-3 loans is higher at 34.2% compared to 25.0-34.0% for peers. The higher coverage ratios provide additional comfort.
- ▶ Despite higher coverage ratios, Aadhar's credit cost is in line with peers at 0.2% in FY2024 compared to 0.0-3.6% for peers (0.2-0.4% for listed players). Even during Covid, peak credit cost was benign at 1.0% in FY2020.

**Aadhar's gross stage-2 loans are a tad higher, gross stage-3 loans broadly in line with peers**

**Exhibit 43: Asset quality comparison of affordable housing players, March fiscal year-ends, 2019-24 (%)**

	Gross stage-2						Gross stage-3					
	2019	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>4.8</b>	<b>4.1</b>	<b>6.3</b>	<b>5.4</b>	<b>4.1</b>	<b>3.6</b>	<b>1.4</b>	<b>1.4</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>
Aavas Financiers	1.6	1.0	2.9	3.0	1.8	1.5	0.5	0.5	1.0	1.0	0.9	0.9
Aptus Housing	1.3	26.4	10.0	8.7	4.3	6.0	0.4	1.7	0.7	1.2	1.1	1.3
Can Fin Homes	4.8	6.0	5.4	4.8	6.0	5.2	0.6	1.8	0.9	0.6	0.5	0.8
GIC Housing	4.5	3.8	5.0	8.5	5.9	5.5	2.9	5.4	7.6	7.3	4.4	3.7
Home First	0.9	0.9	2.3	1.6	1.2	1.2	0.8	1.0	1.8	2.3	1.7	1.7
India Shelter Finance	0.6	1.4	2.5	3.2	2.1	2.2	1.4	1.1	2.3	2.1	1.1	1.0
Grihum Housing	5.8	3.8	8.7	8.2	2.6	2.0	1.8	1.6	1.6	1.0	0.7	1.0
Mahindra Rural Housing	20.0	19.5	27.3	26.6	15.0	8.3	13.0	15.1	13.2	11.3	10.5	9.0
Manappuram Home Finance	8.1	4.4	15.9	4.1	6.5	5.6	4.0	5.3	6.7	6.4	2.1	2.6
Repco Home Finance	12.2	2.3	13.9	16.5	16.5	13.7	3.2	4.8	4.2	7.5	7.5	6.4
Shriram Housing	11.0	6.7	3.4	1.5	1.5	1.4	2.8	2.4	1.9	1.7	0.9	1.0
Sundaram Home Finance	5.4	4.4	6.7	5.4	5.3	4.7	3.9	4.8	4.5	3.0	2.3	1.2
Svatantra Micro Housing	2.7	1.6	2.6	3.0	2.3	2.4	1.5	1.6	1.8	1.7	2.1	2.1
Vastu Housing Finance	0.6	1.2	1.2	2.2	2.5	2.6	0.1	0.3	0.5	1.2	0.9	1.1

Source: Company, Kotak Institutional Equities

**Aadhar's overall ECL coverage is higher than listed peers**

**Exhibit 44: ECL coverage ratios across select HFCs, March fiscal year-ends, 2022-24 (%)**

	2022				2023				2024			
	Stage 1	Stage 2	Stage 3	Overall	Stage 1	Stage 2	Stage 3	Overall	Stage 1	Stage 2	Stage 3	Overall
<b>Aadhar Housing Finance</b>	<b>0.3</b>	<b>12.5</b>	<b>29.7</b>	<b>1.4</b>	<b>0.4</b>	<b>13.3</b>	<b>34.2</b>	<b>1.3</b>	<b>0.3</b>	<b>12.5</b>	<b>41.3</b>	<b>1.2</b>
Aavas Financiers	0.2	8.1	23.1	0.7	0.2	8.1	26.9	0.6	0.2	7.4	28.8	0.6
Aptus Housing	0.3	2.3	25.0	0.8	0.4	8.0	25.0	1.1	0.4	9.5	25.0	1.1
Can Fin Homes	0.2	2.7	36.1	0.6	0.3	2.7	52.3	0.7	0.2	4.0	48.5	0.8
Home First	0.3	10.0	24.9	1.1	0.3	9.1	34.0	0.9	0.3	7.5	29.7	0.8
India Shelter Finance	0.6	5.1	42.3	1.3	0.5	7.6	30.7	1.0	0.5	3.9	28.3	0.9
Grihum Housing	0.3	12.9	37.4	1.7	0.4	12.1	55.9	1.1	0.3	13.9	41.2	0.9
Mahindra Rural Housing	2.0	12.0	27.5	7.6	1.0	8.8	27.6	4.9	0.3	8.2	32.4	3.8
Manappuram Home Finance	0.1	1.2	46.6	3.2	0.3	2.7	29.4	1.1	0.3	2.9	27.8	1.2
Motital Oswal Housing Finance	NA	NA	45.0	2.4	NA	NA	46.0	1.8	NA	NA	46.0	1.6
Muthoot Home Finance	NA	NA	57.6	1.7	NA	NA	82.0	3.9	NA	NA	NA	NA
Repco Home Finance	NA	NA	29.6	4.0	NA	NA	29.6	4.0	NA	NA	44.7	4.2
Shriram Housing	0.7	3.1	23.4	1.1	0.5	4.3	25.4	0.8	0.3	7.6	26.3	0.7
Sundaram Home Finance	0.5	15.0	48.6	2.7	0.4	16.0	50.5	2.4	0.5	12.6	56.9	1.7
Svatantra Micro Housing	0.1	6.0	17.0	0.6	0.2	4.4	22.6	0.7	0.2	4.7	24.1	0.8
Vastu Housing Finance	0.6	10.1	29.0	1.1	0.4	7.9	31.5	0.9	0.4	7.7	34.0	0.9

Source: Company, Kotak Institutional Equities

**Low credit cost of most affordable HFCs**

**Exhibit 45: Credit cost comparison of affordable HFCs, March fiscal year-ends, 2018-24 (%)**

	2018	2019	2020	2021	2022	2023	2024
<b>Aadhar Housing Finance</b>	<b>0.5</b>	<b>0.4</b>	<b>1.0</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>
Aavas Financiers	0.1	0.2	0.2	0.4	0.2	0.1	0.2
<b>Aptus Housing</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.7</b>	<b>0.6</b>	<b>0.3</b>
Magma Housing	1.1	0.1	0.8	3.6	3.6	3.6	3.6
Manappuram Home Finance	1.4	0.2	1.0	1.6	1.1	(1.2)	0.5
Svantantra Micro Housing	0.0	(0.2)	0.1	0.5	0.1	0.5	0.4
Can Fin Homes	0.2	0.0	0.3	0.3	0.2	0.1	0.2
GIC Housing	0.6	0.3	0.8	1.4	1.0	0.2	0.2
<b>Home First</b>	<b>0.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>
<b>India Shelter Finance</b>	<b>0.4</b>	<b>0.3</b>	<b>0.9</b>	<b>1.1</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
Mahindra Rural Housing	1.9	1.1	3.2	3.3	4.2	2.3	1.9
Motital Oswal Housing Finance	3.0	7.6	1.9	2.2	2.1	0.5	0.3
Repco Home Finance	0.8	0.2	0.5	0.7	2.0	0.4	(0.0)
Shubham Housing	0.9	1.1	0.8	0.5	1.2	0.2	NA
Shriram Housing	0.7	1.4	1.2	0.6	0.2	0.1	0.3
Sundaram Home Finance	0.8	0.5	0.5	0.6	0.9	0.6	0.2

Source: Company, Kotak Institutional Equities

**Self-employed segment has a better risk-reward**

Self-employed borrowers have higher delinquencies as well as yields. Self-employed borrowers have volatile cash flows and are more prone to delinquencies, this reflects in higher GNPLs of 1.7-2.2% reported in the segments compared to 0.7-1.0% in the salaried segment. The higher credit costs in the self-employed segment are more than offset by higher yields (350 bps) offered to borrowers in the segment, leading to better risk-reward profile.

**GNPAs are higher in self-employed**

**Exhibit 46: Segmental GNPLs of Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**Higher yields compensate for higher delinquencies in self-employed segment**

**Exhibit 47: Segmental yields of Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**Credit costs and delinquencies to remain moderate over the medium term**

We model moderate credit cost of 26-34 bps over the medium term (22 bps in FY2024) for Aadhar driven by stable delinquency and coverage ratios and moderate write-offs of 7-14 bps (10 bps in FY2024). Aadhar has elaborate underwriting processes to contain risk on portfolio and has demonstrated superior asset quality performance over a prolonged period. This provides comfort on the benign credit cost assumptions.

**Overall ECL coverage to remain stable, leading to moderate credit cost**

Exhibit 48: Detailed asset quality of Aadhar Housing Finance, March fiscal year-ends, 2021-27E

	2021	2022	2023	2024	2025E	2026E	2027E
<b>Gross loan mix (Rs mn)</b>							
Gross stage-1	99,848	112,973	132,944	163,054	199,633	243,516	295,056
Gross stage-2	6,849	6,512	5,806	6,189	7,328	8,939	10,831
<b>Gross stage-3</b>	<b>1,350</b>	<b>1,837</b>	<b>1,626</b>	<b>1,869</b>	<b>2,408</b>	<b>2,937</b>	<b>3,559</b>
<b>Overall gross loans</b>	<b>108,047</b>	<b>121,322</b>	<b>140,376</b>	<b>171,112</b>	<b>209,369</b>	<b>255,392</b>	<b>309,445</b>
<b>Gross loan mix (%)</b>							
Gross stage-1	92.4	93.1	94.7	95.3	95.4	95.4	95.4
Gross stage-2	6.3	5.4	4.1	3.6	3.5	3.5	3.5
<b>Gross stage-3</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>ECL provisions (Rs mn)</b>							
Stage-1	249	355	529	538	599	731	885
Stage-2	796	817	775	772	953	1,162	1,408
<b>Stage-3</b>	<b>434</b>	<b>546</b>	<b>557</b>	<b>771</b>	<b>1,011</b>	<b>1,234</b>	<b>1,495</b>
<b>Overall ECL provisions</b>	<b>1,478</b>	<b>1,718</b>	<b>1,861</b>	<b>2,081</b>	<b>2,563</b>	<b>3,126</b>	<b>3,788</b>
<b>Overall ECL coverage (%)</b>							
Stage-1	0.2	0.3	0.4	0.3	0.3	0.3	0.3
Stage-2	11.6	12.5	13.3	12.5	13.0	13.0	13.0
<b>Provision coverage on stage-3 (%)</b>	<b>32.1</b>	<b>29.7</b>	<b>34.2</b>	<b>41.3</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>
<b>Overall ECL coverage</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Credit cost break-up (%)</b>							
<b>Credit cost to average total assets (%)</b>	<b>0.44</b>	<b>0.35</b>	<b>0.31</b>	<b>0.22</b>	<b>0.34</b>	<b>0.32</b>	<b>0.29</b>
Provision for loans	0.17	0.17	0.09	0.11	0.21	0.20	0.19
Write-offs	0.28	0.18	0.22	0.10	0.14	0.12	0.10

Source: Company

## 4

**Key risks: Competition, effective execution and higher share of self-employed**

Key risks include (1) lower NIM or growth (higher balance transfers) due to increase in competition in larger centers or from large HFCs eyeing affordable housing space, (2) effective execution of consistent growth strategies, especially due to its multipronged growth and appraisal approach and (3) risk to asset quality from rising share of self-employed and implications of cross-default and cross-acceleration clauses in loan agreements.

**Elevated competition may lead to pressure on NIM and growth**

Aadhar has maintained NIM in the range of 6.1-8.2% in FY2021-24. We model 8.2-8.3% in FY2024-27E, reflecting elevated competition and some benefit of falling rates. The company reported BT-out (balance transfer-out) of 6.9% in FY2024 and 5.5% in 1QFY25.

Housing finance is a competitive business. Competition may prompt Aadhar to reduce its lending rate without a proportionate reduction in cost of borrowings. Further, if the company does not pass on the reduced interest rates to its borrowers, some of the borrowers may prepay the loan. Competition in affordable housing finance is increasing, following the success of multiple listed affordable HFCs, many large NBFCs are increasing focus in this segment. These including Aditya Birla Home Loans, PNB Housing Finance etc. These companies have lower cost of funding and hence can have competitive edge over peers.

The company has recently raised lending rates by 25 bps in June 2024. This follows raise of lending rates by 50 bps and 75 bps in September 2022 and April 2023, respectively. About 32% of Aadhar's borrowings carry fixed rate of interest while only about 20% of its AUMs are fixed in nature.

**Challenges in effective execution of its growth strategy**

We expect Aadhar to deliver 21% AUM CAGR during FY2024-27E. Aadhar's ability to sustain rate of growth depends significantly on its ability to expand into new markets and managing key issues such as selecting and retaining key management personnel, maintaining effective risk management policies, continuing to offer relevant products and service.

Housing finance business requires smooth execution and frictionless processes. Catering to different set of customer needs diverse approaches increasing complexities in operations posing risk of slowing down overall momentum.

For example, the company has split its underwriting process such that underwriting for salaried customers is undertaken at regional central processing units and that for all other customer segments at the branch level, which has specialized teams for credit underwriting.

**Deterioration in asset quality: Limited track record in self-employed segment**

Aadhar has less experience in the self-employed segment that may be more volatile. The company has traditionally focused on loans to salaried customers, as these customers are typically more resilient to economic cycles. Exhibit 49 shows that Aadhar has gradually increased the portion of loans disbursed to self-employed customers, which usually have a significantly higher yields and lower increase in gross stage-3 loans (see Exhibit 50-51).

Loans to self-employed increased to 43% in FY2024 from 36% in FY2021, with a consequent decline in salaried segment. Further, there is increased focus to the informal segment (customers that do not have formal income documentation); share of informal in self-employed segment increased to 78.2% from 56.6% during the period. Within the salaried segment, share of informal salaried customers (customers that receive a monthly salary that is not supported by documentation and may be paid in cash) has been in the range of 18-19%.

**Share of self-employed borrowers in AUM has increased to 43%**

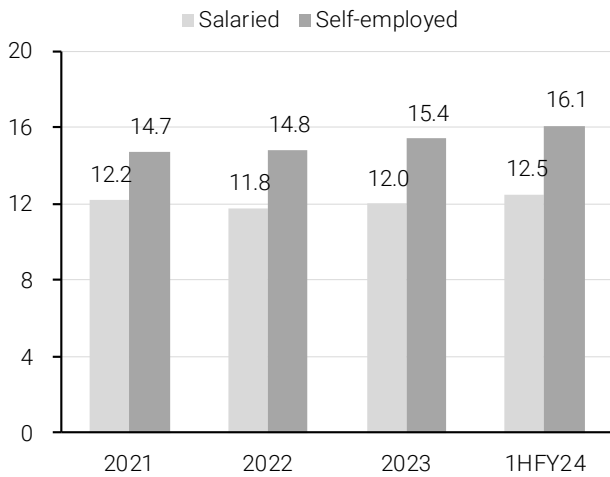
**Exhibit 49: Occupation-wise AUM mix of Aadhar Housing Finance, March fiscal year-ends, 2018-24 (%)**



Source: Company, Kotak Institutional Equities

**Yields for self-employed higher by 360 bps in 1HFY24 for Aadhar**

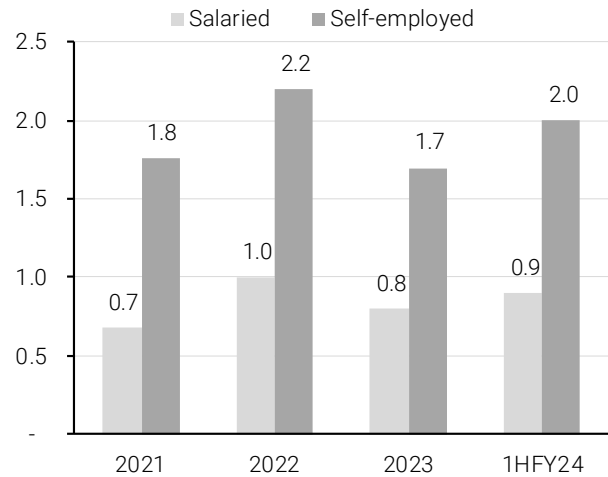
**Exhibit 50: Yields across customer segments for Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**GNPAs of self-employed higher by 110 bps in 1HFY24 for Aadhar**

**Exhibit 51: GNPAs across customer segments for Aadhar Housing Finance, March fiscal year-ends, 2021-23, 1HFY24 (%)**



Source: Company

**Other risks to asset quality performance**

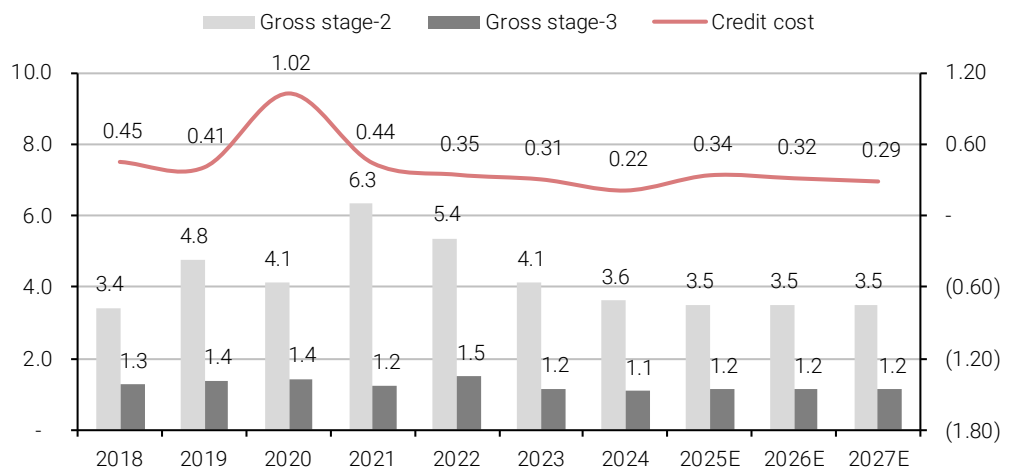
Aadhar has maintained its asset quality with gross stage-3 loans in the ratio of 1.1-1.5% during FY2021-24 and gross stage-2 loans at 3.6-6.3% during the period. We are building in inch-up in gross stage-3 loans to 1.2% by FY2027E, leading to normalized credit costs of 29-34 bps. If the company grows its loan book too rapidly or fails to make proper assessments of credit risks associated, gross stage-3 loans/GNPLs may rise.

- ▶ Income of informal customers (i.e., customers that do not have formal income documentation) is assessed by its credit manager during personal discussion through verification and collection of other secondary data. Such an assessment of income for customers from the informal segment may be incorrect or inaccurate for multiple reasons, which may result in an increased chance of delinquencies and defaults from such customers.

- ▶ Households in EWS and LIG segments may be exposed to economic volatilities. As of March 2024, 71% AUM was from customers who belonged to the economically weaker and low-income group, respectively, earning less than Rs50,000 per month. Any slowdown of or disruption to the macroeconomic environment may adversely affect retail borrowers’ ability to service their loans, which could lead to increased customer defaults and eventual NPLs.
- ▶ Property records may not be available online for inspection, may be illegible, untraceable, tampered and incomplete, may not have been updated regularly, **may be inaccurate in certain respects** or may have been kept in poor condition, which may impede title investigations. Title may also suffer from irregularities, such as **non-execution or non-registration of conveyance/title deeds** and inadequate stamping and may be subjected to encumbrances. Any defects in, or irregularities of, title may result in a loss of development or operating rights over the land.

**Asset quality trends remain benign**

**Exhibit 52: Asset quality parameters of Aadhar, March fiscal year-ends, 2018-27E (%)**



Source: Company, Kotak Institutional Equities

**Secondary impact of deterioration in financial ratios**

Aadhar’s loan agreements with its lenders require it to maintain certain periodic financial ratios. Certain loan facilities can be recalled by lenders without any cause. Any downgrade in Aadhar’s credit ratings (AA by CARE and ICRA) may also trigger an event of default or acceleration of certain of its borrowings and also lead to lenders imposing additional terms and conditions to any financing or refinancing arrangements. Most of the financing agreements also contain cross-default and cross-acceleration clauses. In particular, in December 2021, Aadhar was in breach of a covenant with one lender to maintain a certain level of NPLs (this was due to increase in NPLs as a result of the November 12 Circular) and received a condonation from the relevant lender. However, the company has long relations with bankers over the years; the latter have seen the company coming out smoothly from challenging periods after erstwhile promoters faced challenges. We believe that banks have, over the years, developed more comfort on quality of business of Aadhar versus other lenders in the segment who have scaled up post Covid.



# 5

## Heading back toward high-teen RoE

We expect Aadhar to deliver 22% EPS CAGR during FY2024-27E on the back of 21% AUM growth, near-stable spreads, higher fees income and consistent improvement in operating leverage. While rising funding costs and competition in the affordable space put pressure on NIM, Aadhar's strategy to grow in the interiors will help offset the same; higher insurance distribution income supplements core NII. We expect RoE to head back to high-teens, after IPO-driven reduction in FY2025E as leverage gradually rises and core profitability (4.4-4.7% RoA) remains strong.

### Strong core earnings growth

We expect Aadhar to deliver EPS CAGR of 22% (FY2024-27E). Core earnings growth of 26% CAGR over FY2024-27E is driven by (1) 21% CAGR in AUM, (2) higher realization of fee income and (3) moderation in cost ratios as operating leverage kicks in. Aadhar renegotiated their commission on credit protection attachment product with Pramerica Life, this will likely lead to higher fee income over the medium term. Additionally, Rs10 bn raised in IPO will likely lead to moderate 4 bps NIM compression in FY2025E despite sharp 25 bps compression in spreads. Operating expense growth at 17% CAGR over FY2024-27E will likely lag AUM growth as the operating leverage kicks in.

### Low leverage drags RoE over the medium term

Aadhar's leverage will likely drop to 3.9X in FY2025E from 4.4-4.8X during FY2022-24, post IPO, leading to lower RoE of 16.9-17.6% over the medium term (18.4% in FY2024). RoA will likely remain strong at 4.4-4.7% over FY2025-27E (4.2% in FY2024), higher than most peers (2.7-4.0%).

- ▶ While yields of Aadhar are lower than peers, it is offset by lower operating and credit costs leading to RoA of 4.4-4.7% over FY2025-27E, still higher than 2.7-4.0% RoA expected for most of its peers.
- ▶ Aadhar has higher share of salaried borrowers (57% as compared to 26-68% for listed peers), leading to lower yields of 13.8-13.9%, compared to 13.4-15.2% for peers.
- ▶ Focus on cost control enables Aadhar to maintain low cost-to-AAUM ratio of 2.8-3.0% over FY2025-27E compared to 2.4-4.0% for peers.
- ▶ Credit costs also remain muted at 0.3% compared to 0.2-0.7% for peers. Aptus operates at higher RoA of 6.3-7.1% due to low leverage (2.5-3.0X) and high share of non-home loans (40% of AUM compared to 25% for Aadhar in FY2024).

Exhibit 53: Peer comparison on key metrics, March fiscal year-ends, 2024-27E

	Aadhar				Aavas				Aptus				Home First				India Shelter			
	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
AUM (Rs bn)	211	257	311	377	173	210	257	316	87	111	139	174	97	129	167	213	61	81	107	135
<b>AUM growth yoy (%)</b>	<b>23</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>29</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>35</b>	<b>33</b>	<b>29</b>	<b>28</b>	<b>40</b>	<b>34</b>	<b>31</b>	<b>27</b>
PAT (Rs bn)	7.5	9.4	11.8	14.6	4.9	5.9	7.3	8.9	6.1	7.3	8.6	10.1	3.1	3.7	4.8	6.1	2.5	3.5	4.2	5.0
Yield (%)	13.7	13.9	13.8	13.8	13.5	13.4	13.4	13.2	17.1	17.0	17.0	16.7	14.4	14.2	14.1	14.1	15.8	15.2	15.0	14.9
Cost of borrowing (%)	7.6	8.0	7.9	7.7	7.5	7.4	7.3	7.2	8.6	8.9	8.8	8.8	8.3	8.4	8.3	8.3	9.0	8.6	8.5	8.4
Spread (%)	6.2	5.9	5.9	6.1	6.1	6.0	6.1	6.0	8.5	8.1	8.2	8.0	6.2	5.8	5.8	5.8	6.8	6.6	6.5	6.6
<b>NIM (%)</b>	<b>8.2</b>	<b>8.2</b>	<b>8.2</b>	<b>8.3</b>	<b>6.0</b>	<b>5.9</b>	<b>5.9</b>	<b>6.0</b>	<b>12.1</b>	<b>11.5</b>	<b>11.2</b>	<b>10.8</b>	<b>7.4</b>	<b>6.7</b>	<b>6.6</b>	<b>6.6</b>	<b>9.3</b>	<b>9.1</b>	<b>8.5</b>	<b>8.2</b>
<b>Cost-to-AAUM (%)</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>4.5</b>	<b>4.0</b>	<b>3.8</b>	<b>3.7</b>
Credit cost (% of AAUM)	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.7	0.7	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6
<b>RoA (%)</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>	<b>7.6</b>	<b>7.1</b>	<b>6.7</b>	<b>6.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>4.2</b>	<b>4.4</b>	<b>4.0</b>	<b>3.7</b>
Leverage (X)	4.4	3.9	3.7	3.8	5.1	5.4	5.6	5.8	2.3	2.5	2.8	3.0	4.8	5.6	6.1	6.6	3.3	3.2	3.7	4.1
<b>RoE (%)</b>	<b>18.4</b>	<b>17.4</b>	<b>16.9</b>	<b>17.6</b>	<b>13.9</b>	<b>14.4</b>	<b>15.4</b>	<b>16.1</b>	<b>17.2</b>	<b>18.0</b>	<b>18.7</b>	<b>19.2</b>	<b>15.5</b>	<b>16.3</b>	<b>17.9</b>	<b>19.2</b>	<b>14.0</b>	<b>14.0</b>	<b>14.6</b>	<b>15.1</b>
EPS (Rs)	19	22	28	34	62	74	92	112	12	15	17	20	35	42	54	69	25	33	39	47
EPS growth (%)	37	16	25	24	14	19	24	22	22	19	18	18	33	22	29	27	45	29	21	20
BPS (Rs)	113	150	177	212	477	551	642	755	76	86	98	112	240	277	326	388	216	248	288	335
Networth (Rs bn)	44	64	76	90	38	44	51	60	38	43	49	56	21	25	29	34	23	26	31	36

Source: Company, Kotak Institutional Equities estimates

**Higher scale leads to lower cost of borrowings and opex for Aadhar.** While Aadhar’s yield of 14.6% are close to the median yields of 14.2%, cost of borrowing is lower than peers (8.4%) at 7.6%. Larger scale of Aadhar translates to better operating leverage, leading to lower cost-to-AAUM ratio of 3.1% compared to 3.4% for peers. Credit costs are benign at 0.2% similar to peers (0.3%), leading to higher RoA of 3.5% for Aadhar (2.4% for peers). Similarly, RoE is also higher than most peers at 18.4%.

**Aadhar reported highest RoE at 18.4% in FY2024 among select peers**

Exhibit 54: Key business financial highlights for select HFCs, March fiscal year-end, 2024

	AUM (Rs bn)	Yields	Core Yields	Cost of borrowings	NIM	Cost-to- AAUM	Credit cost	RoA	Leverage (X)	RoE
<b>Aadhar Housing Finance</b>	<b>211</b>	<b>14.6</b>	<b>13.7</b>	<b>7.6</b>	<b>8.2</b>	<b>3.1</b>	<b>0.2</b>	<b>3.5</b>	<b>5.3</b>	<b>18.4</b>
Aavas Financiers	175	13.5	12.4	7.5	7.1	3.4	0.2	2.7	5.1	13.9
Aptus Housing	87	17.1	16.8	8.6	12.1	2.7	0.3	7.6	2.3	17.2
Magma Housing	83	14.7	13.8	8.6	7.7	5.2	3.6	1.7	4.5	7.8
Manappuram Home Finance	15	17.8	17.8	9.4	9.8	7.9	0.5	1.4	5.7	8.1
Svantantra Micro Housing	20	13.4	12.8	9.2	5.3	3.6	0.4	1.2	5.9	7.0
Can Fin Homes	350	10.5	10.1	7.3	3.8	0.8	0.2	2.2	8.7	18.8
GIC Housing	103	10.3	10.1	8.0	3.3	1.3	0.2	1.3	6.4	8.6
Home First	97	14.4	13.6	8.3	7.4	2.7	0.3	3.2	4.8	15.5
India Shelter Finance	61	15.8	14.6	9.0	9.3	4.5	0.4	4.2	3.3	14.0
Mahindra Rural Housing	72	17.3	16.4	8.1	9.8	8.6	1.9	0.0	5.7	0.2
Motital Oswal Housing Finance	41	14.1	12.7	8.5	7.8	3.9	0.3	3.1	3.6	10.9
Repco Home Finance	135	11.5	11.5	8.2	5.0	1.3	(0.0)	3.0	4.8	14.6
Shriram Housing	138	12.7	12.1	9.2	4.4	3.4	0.3	1.8	7.4	13.5
Sundaram Home Finance	138	10.9	10.6	7.8	4.0	2.0	0.2	1.8	7.0	12.8
Vastu Housing Finance	91	16.1	15.4	9.8	9.5	4.2	0.6	4.0	3.1	12.4
<b>Mean</b>	<b>109</b>	<b>14.0</b>	<b>13.4</b>	<b>8.4</b>	<b>7.1</b>	<b>3.7</b>	<b>0.6</b>	<b>2.7</b>	<b>5.2</b>	<b>12.1</b>
<b>Median</b>	<b>89</b>	<b>14.2</b>	<b>13.2</b>	<b>8.4</b>	<b>7.6</b>	<b>3.4</b>	<b>0.3</b>	<b>2.4</b>	<b>5.2</b>	<b>13.1</b>

Source: CRISIL MI&A

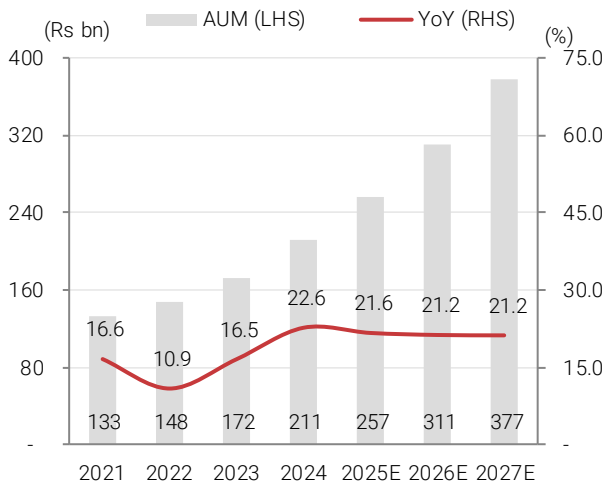
**Strong disbursements momentum to sustain over the medium term**

We expect Aadhar’s disbursements to grow at 21% over the medium term. Repayment rate will likely remain moderate at 18.6-18.8%, leading to 21% AUM CAGR during FY2024-27E.

- ▶ **Growth to sustain as headwinds taper off.** Aadhar faced liquidity issues during FY2019-20 and focus on collections during Covid-19 led to moderate disbursements during FY2021-22. As these headwinds tapered off, disbursement growth picked up to 17% in FY2023 and 23% in FY2024. We expect the trend to sustain over the medium term driven by deeper penetration into existing states.
- ▶ **Deeper penetration key driver.** Aadhar currently operates in 20 states and has achieved >90% district penetration in nine states. Management plans to open 70-75 branches per year to increase penetration into smaller towns and districts with sufficient demand of affordable housing.
- ▶ **BT-outs remain moderate.** BT-outs at 6.9% in FY2024 (6.6% in FY2023) were broadly in line with peers despite having higher share of salaried borrowers. Aadhar actively monitors the portfolio for BT-out risk and takes preventive action to retain customers with strong repayment history. This compares with BT-out of 6-8% for peers.
- ▶ **Repayment rate to remain moderate.** We bake in moderate repayment rate of 18.6-18.8% over the medium term (18.7% in FY2024). Aadhar received CLSS subsidy of Rs2 bn and Rs7 bn in FY2022 and FY2023, respectively, leading to elevated repayment rate of 19.1% and 23.4%. Adjusting for this, subsidy repayment rate was 17.5% in FY2023 and 18.9% in FY2024.

**AUM growth to remain strong at 21% over the medium term...**

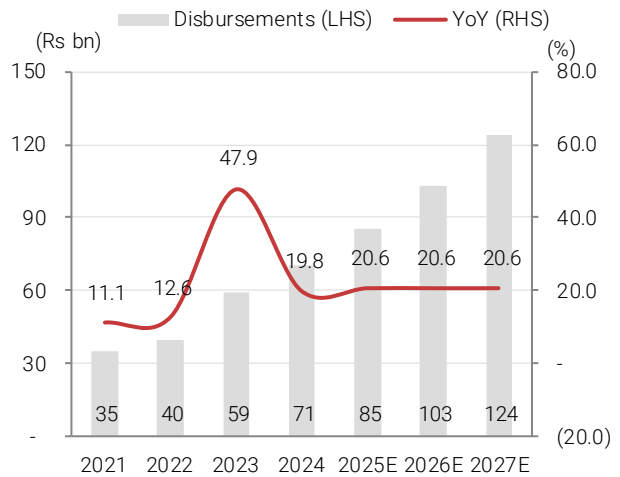
Exhibit 55: AUM of Aadhar Housing Finance, March fiscal year-ends, 2021-27E



Source: Company

**...driven by sustained growth in disbursements**

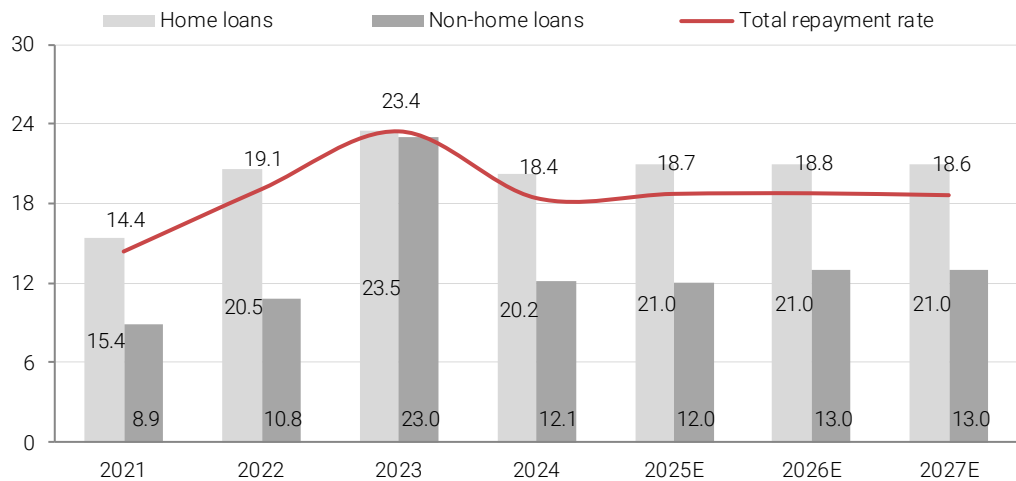
Exhibit 56: Disbursements of Aadhar Housing Finance, March fiscal year-ends, 2021-27E



Source: Company

**Repayment rate to remain rangebound at 18.6-18.8% over the medium term**

Exhibit 57: Repayment rate of Aadhar Housing Finance, March fiscal year-ends, 2021-27E (%)



Source: Company, Kotak Institutional Equities estimates

**NIM to remain stable at 8.2-8.3% over the medium term**

**NIM margins.** NIMs are likely to remain stable over the medium term due to interplay of (1) rise in cost of borrowings, (2) delayed impact of lending rate hike and (3) benefit of capital issuance.

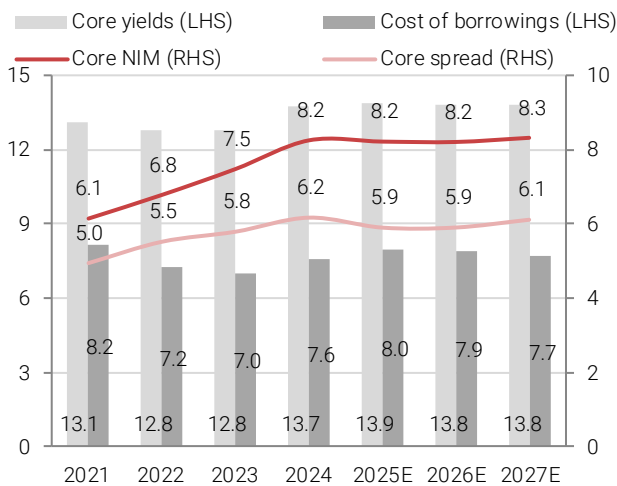
- ▶ Cost of borrowings will likely inch up to 8.0% in FY2025E from 7.6% in FY2024 as the book cost catches up to incremental cost.
- ▶ Aadhar increased its retail prime lending rate by 25 bps to existing customers on June 16, 2024. We bake in moderate 15 bps rise in yields to 13.8% in FY2025E driven by the lending rate hike. Aadhar also raised capital of Rs10 bn in May 2024, resultantly NIM will likely compress by 4 bps yoy to 8.2% in FY2025E despite sharp 25 bps compression in spreads.
- ▶ We bake in 10-20 bps moderation in cost of borrowings over FY2026-27E driven by rate cuts. Yields will also decline but with a lag, leading to almost stable spreads and NIM over the medium term.

**NIM expanded in 1Q.** In 1QFY25, NIM expanded 20 bps qoq to 8.2% driven largely by benefit of capital issuance; spreads were flat qoq at 6.7%. Management has guided that incremental yields were up by 10-15 bps and cost of borrowings was up 20-25 bps, resultantly spreads will likely compress by 10-15 bps sequentially over the next nine months.

**Deeper penetration may provide upside to NIM.** Management has guided that of the 75 branches that they plan to open each year, 50 will be deeper impact branches. These are low-cost sales offices set up in lower-tier towns and cities that source high-yielding informal self-employed borrowers (about 15% of loans may be sourced through such branches in FY2025E, for now, AUM of deep impact branches is low at 5%). Faster growth in loan book sourced through these branches may provide upside risk to our margin estimates.

**We model stable NIM of 8.2-8.3% over the medium term**

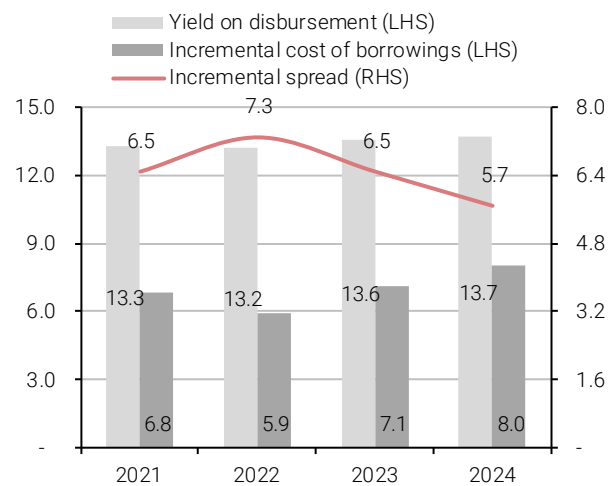
Exhibit 58: Core yields, costs of borrowings and NIM, March fiscal year-ends, 2021-27E (%)



Source: Company

**Incremental spreads at 5.7% in FY2024**

Exhibit 59: Incremental yields and cost of borrowings, March fiscal year-ends, 2021-24 (%)



Source: Company

**Aadhar has a low-risk, low-yield profile versus peers**

Lower exposure to high-yielding segments leads to lower yields for Aadhar (14.6%) compared to peers (13.5-17.1% in FY2024). Aadhar has low share of self-employed (43%) and informal borrowers (44%), similarly the share of non-home loans (25%) is lower than most peers (21-42%), leading to lower yields for Aadhar.

The cost of borrowings for Aadhar is on the lower end at 7.6% compared to 7.5-9.0% for listed peers. Resultantly, NIM at 7.5% is lower than peers (7.7-13.1%). This likely reflects 50% share of NHB borrowings under low-cost Rural Housing Fund (loan assets need to have a fixed spread) as compared to 25-40% for peers.

**Aadhar's cost of borrowing is lower than peers; yields in line**

Exhibit 60: Yields, core yields, cost of borrowings and NIM of affordable HFCs, March fiscal year-ends, 2020-24 (%)

	Yields (%)					Core yields					Cost of borrowings (%)					NIM (%)				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Aadhar Housing Finance	14.1	14.3	13.4	13.6	14.6	13.2	13.1	12.8	12.8	13.7	8.9	8.2	7.3	7.0	7.6	4.9	6.1	6.8	7.5	8.2
Aavas Financiers	14.4	14.2	13.5	13.4	13.5	13.5	13.1	12.8	12.6	12.4	7.9	7.8	6.7	6.6	7.5	7.9	7.5	7.8	7.7	7.1
Aptus Housing	17.9	17.2	17.1	17.8	17.1	17.3	16.8	16.7	17.3	16.8	10.2	9.1	8.0	8.5	8.6	11.1	11.5	12.6	13.1	12.1
Can Fin Homes	10.3	9.4	8.1	9.3	10.5	10.3	9.4	7.9	8.9	10.1	7.5	6.4	5.3	6.3	7.3	3.5	3.7	3.3	3.5	3.8
GIC Housing	9.5	9.3	9.4	10.2	10.3	9.5	9.3	9.4	10.0	10.1	8.1	7.2	6.5	7.2	8.0	2.3	3.0	3.6	3.7	3.3
Home First	13.7	13.4	13.3	13.9	14.4	13.2	12.7	12.4	13.1	13.6	8.8	7.8	6.6	7.3	8.3	6.2	6.6	7.7	8.0	7.4
India Shelter Finance	16.1	15.7	15.9	15.7	15.8	15.3	14.7	14.9	14.5	14.6	10.4	8.7	8.3	8.3	9.0	10.4	9.7	9.6	9.2	9.3
Grihum Housing	14.2	15.2	12.5	13.0	14.7	14.1	14.8	12.3	12.7	13.8	9.9	10.0	7.2	7.2	8.6	6.0	6.7	6.7	7.3	7.7
Mahindra Rural Housing	18.3	17.8	17.6	17.6	17.3	18.3	17.5	17.4	16.9	16.4	9.2	8.9	7.6	7.8	8.1	11.1	10.3	10.8	10.5	9.8
Manappuram Home Finance	14.4	14.4	15.6	16.5	17.8	14.4	14.3	15.6	16.5	17.8	9.6	9.7	9.2	8.5	9.4	8.0	8.0	9.3	9.6	9.8
Motital Oswal Housing Finance	14.0	14.7	14.2	13.9	14.1	13.4	13.6	13.0	12.9	12.7	10.5	10.0	8.4	8.0	8.5	5.5	6.7	7.7	8.0	7.8
Repc Home Finance	11.6	11.3	10.5	10.4	11.5	11.6	11.3	10.5	10.4	11.5	8.5	8.0	6.9	7.1	8.2	4.3	4.6	4.8	4.6	5.0
Shriram Housing	14.3	12.1	11.6	11.9	12.7	14.0	11.7	11.2	11.4	12.1	9.0	8.1	7.9	7.7	9.2	5.9	4.5	4.6	4.9	4.4
Sundaram Home Finance	11.2	10.8	9.9	10.4	10.9	10.9	10.5	9.6	10.1	10.6	8.3	7.4	6.3	6.7	7.8	3.7	4.1	4.2	4.4	4.0
Svantantra Micro Housing	11.7	12.1	11.4	13.1	13.4	11.4	11.7	11.0	12.5	12.8	10.2	9.3	8.2	8.7	9.2	3.4	3.9	3.7	5.0	5.3
Vastu Housing Finance	16.8	15.4	15.2	14.8	16.1	15.0	14.4	14.4	14.3	15.4	9.7	8.9	8.6	6.8	9.8	9.5	9.0	10.2	10.7	9.5
Mean	14.4	14.2	13.7	13.5	14.0	14.1	13.7	13.3	13.0	13.4	9.4	8.7	7.8	7.6	8.4	6.7	7.0	7.4	7.5	7.1
Median	14.1	14.3	13.4	13.5	14.2	13.4	13.6	12.8	12.7	13.2	9.4	8.9	7.9	7.5	8.4	5.9	6.7	7.7	7.6	7.6

Source: Company, Kotak Institutional Equities

**Well-diversified borrowings mix**

Aadhar's borrowings mix is diversified with funding from bank loans (55%), NHB (25%) and NCDs (20%). Share of NHB refinance has gradually inched up to 25% in FY2024 from 16% in FY2021. Of the NHB borrowings, 50% come from the fixed spread affordable housing scheme. 80% of Aadhar's assets are on floating rate and similarly 78% of borrowings are on floating rates, allowing for swift pass-through of changes in interest rates. Aadhar has a credit rating of AA.

**Share of NHB refinance has increased**

Exhibit 61: Borrowings mix for Aadhar Housing Finance, March fiscal year-ends, 2021-24

	2021	2022	2023	2024	YoY (%)
<b>Borrowings mix (Rs mn)</b>					
Secured term loans from banks	64,123	63,586	65,407	76,778	17
Secured term loans from NHB	16,981	23,854	30,021	34,899	16
Secured NCDs	21,403	17,643	25,421	27,919	10
Subordinate debt	832	833	655	-	(100)
Deposits	406	80	31	-	(100)
Cash credit/overdraft	-	750	-	-	NM
<b>Total</b>	<b>103,745</b>	<b>106,746</b>	<b>121,535</b>	<b>139,596</b>	<b>15</b>
<b>By lender</b>					
Secured term loans from banks	62	60	54	55	118 bps
Secured term loans from NHB	16	22	25	25	30 bps
Secured NCDs	21	17	21	20	-92 bps
Subordinate debt	1	1	1	-	-54 bps
Deposits	0	0	0	-	-3 bps
Cash credit/overdraft	-	1	-	-	0 bps

Source: Company

**Co-lending and assignment to supplement balance sheet business**

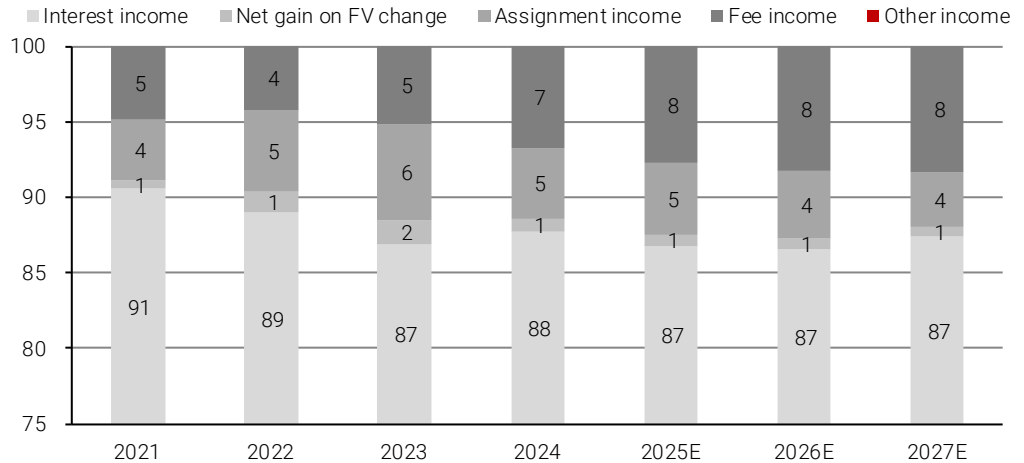
With a strategy to leverage its distribution network and widen sources of funds, Aadhar signed co-lending agreements with two public sector banks and one private bank. This arrangement allows Aadhar to cater to a larger customer base with lesser capital by leveraging the larger balance sheet of partner banks. Under this arrangement, Aadhar will source and disburse loans in its usual course of business in accordance with its existing policies and subsequently, may request these banks to participate in the specific home loans or loan against property with pre-agreed parameters. The partner banks, after completing their internal due diligence, may agree to participate by transferring 80% share of the loan from Aadhar through an escrow account. Aadhar will continue to service the loan as a servicing agent, and continue to have interface with the customers, and share the collections with these banks.

**Interest on loans is the major contributor to revenue, fee income to inch up**

Interest on loans is the major contributor to revenues at 88% of revenue in FY2024. Fee income contributes 7% of revenue and is likely to inch up to 8% by FY2025E, driven by higher commissions on attached insurance products. Aadhar has an agreement with Pramerica Life Insurance and GoDigit Life for distribution of life insurance products. Assignment income is another major contributor (5% of revenue in FY2024).

**Interest income is the major contributor to revenue**

**Exhibit 62: Break-down of revenues for Aadhar Housing Finance, March fiscal year-ends, 2021-27E (%)**



Source: Company

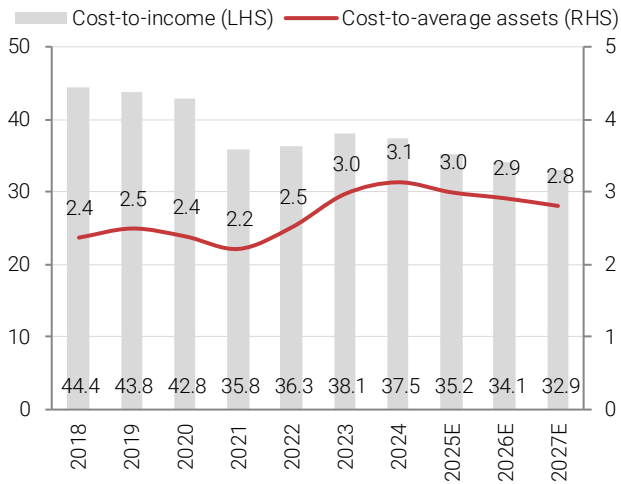
**Cost ratios to remain elevated, driven by investments in distribution**

While operating leverage will lead to gradual moderation in cost-to-AAUM ratio to 2.8% by FY2027E (3.1% in FY2024), it will remain higher than 2.4-2.5% reported during FY2018-20. Aadhar’s cost-to-AAUM ratio rose to 3.1% in FY2024 from 2.2% in FY2021, driven by investments in employee base and branches (see Exhibit 63). The cost ratio will likely remain elevated over the medium term at 2.8-3.0% due to continued investments in distribution.

We bake in 66-75 branch openings every year over the medium term, most of these will be low-cost deep impact branches, hence the growth in other expense per branch will likely remain moderate at 5% during FY2025-27E. To staff these newly opened branches and expand the existing branches, Aadhar will likely increase its employee count by 500 every year, reaching ~5,400 employees by FY2027E. We bake in 6% growth in per employee cost. While the expansion footprint will drive loan growth, it will keep cost ratios elevated over the medium term.

**Cost ratios to remain elevated over the medium term**

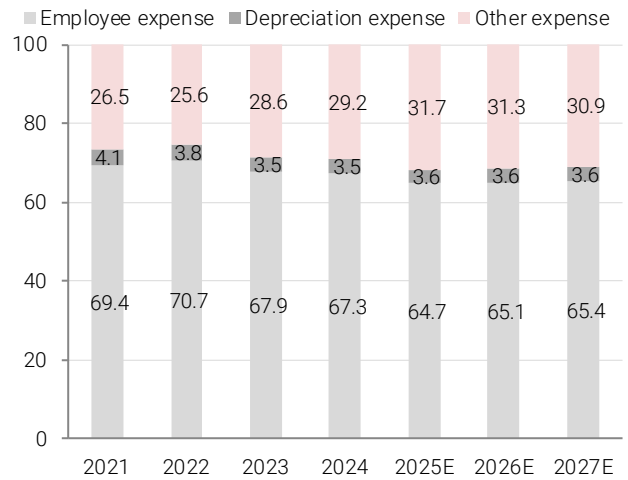
**Exhibit 63: Cost ratios of Aadhar Housing Finance, March fiscal year-ends, 2018-27E (%)**



Source: Company

**Employee expenses account for 65% of operating expenses**

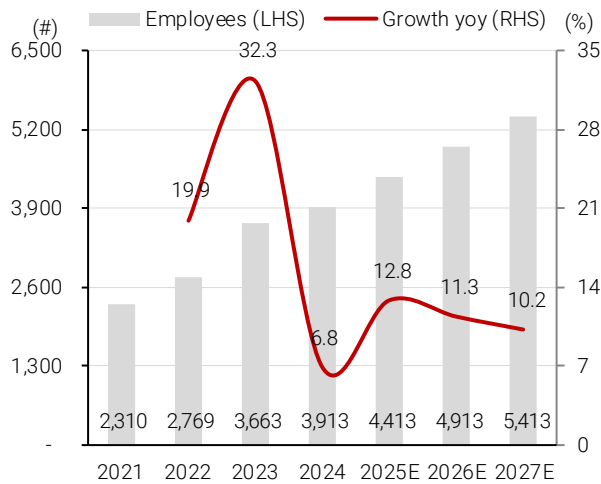
**Exhibit 64: Expenses mix of Aadhar Housing Finance, March fiscal year-ends, 2021-27E (Rs mn)**



Source: Company

**Employee count to grow at 11% CAGR during FY2024-27E**

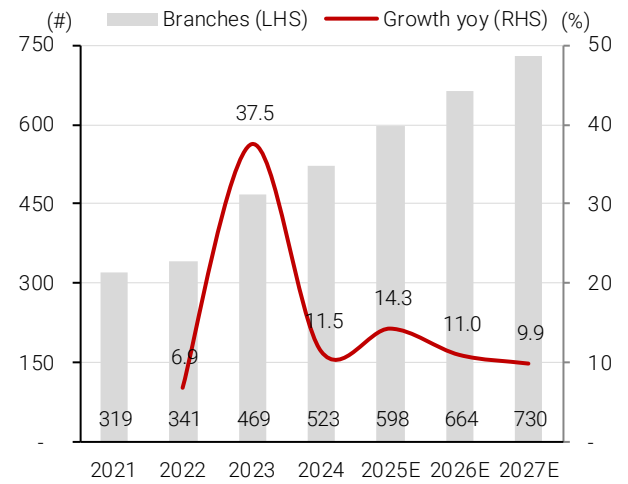
**Exhibit 65: Employees of Aadhar Housing Finance, March fiscal year-ends, 2021-27E**



Source: Company

**Branch count to grow at 12% CAGR during FY2024-27E**

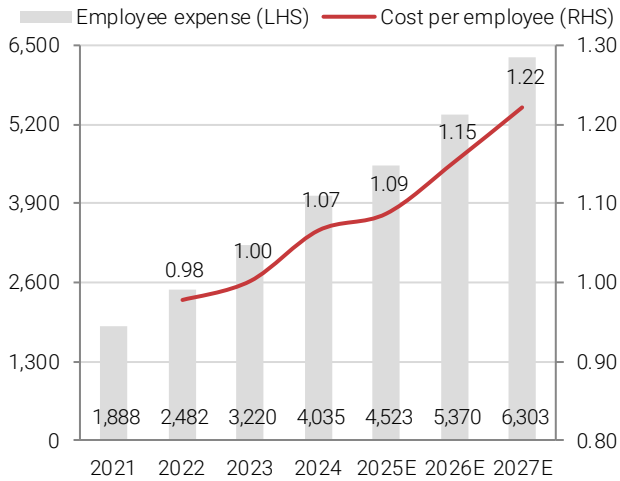
**Exhibit 66: Branches of Aadhar Housing Finance, March fiscal year-ends, 2021-27E**



Source: Company

**Employee expenses to grow at 6% during FY2026-27E**

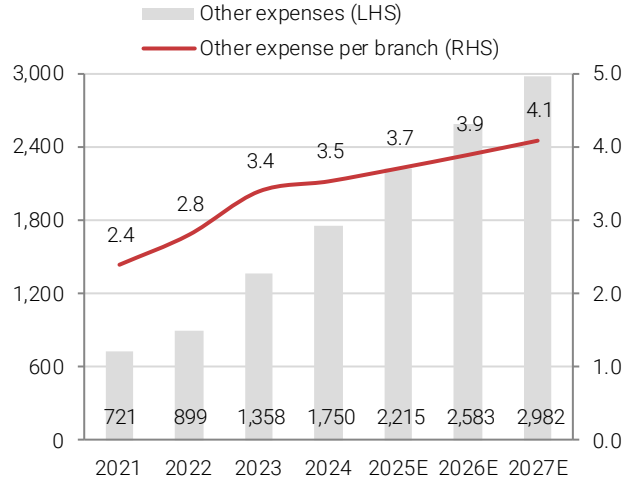
Exhibit 67: Employee expenses of Aadhar Housing Finance, March fiscal year-ends, 2021-27E (Rs mn)



Source: Company

**Other expenses will likely grow at 5% during FY2025-27E**

Exhibit 68: Other expenses of Aadhar Housing Finance, March fiscal year-ends, 2021-27E (Rs mn)



Source: Company

**Credit cost to remain moderate at 0.3% over the medium term**

We expect Aadhar’s credit cost to remain moderate at 0.3% over the medium term (0.2%-0.3% during FY2022-24). Increase to provisions driven by growth will account for 0.2% and the rest 0.1% will be on account of write-offs. We expect delinquency ratios to remain largely stable at 1.2% gross stage-3 and 3.5% gross stage-2 ratio (1.1% gross stage-3 and 3.6% gross stage-2 in FY2024).

Exhibit 69: Detailed asset quality of Aadhar Housing Finance, March fiscal year-ends, 2021-27E

	2021	2022	2023	2024	2025E	2026E	2027E
<b>Gross loan mix (Rs mn)</b>							
Gross stage-1	99,848	112,973	132,944	163,054	199,633	243,516	295,056
Gross stage-2	6,849	6,512	5,806	6,189	7,328	8,939	10,831
<b>Gross stage-3</b>	<b>1,350</b>	<b>1,837</b>	<b>1,626</b>	<b>1,869</b>	<b>2,408</b>	<b>2,937</b>	<b>3,559</b>
<b>Overall gross loans</b>	<b>108,047</b>	<b>121,322</b>	<b>140,376</b>	<b>171,112</b>	<b>209,369</b>	<b>255,392</b>	<b>309,445</b>
<b>Gross loan mix (%)</b>							
Gross stage-1	92.4	93.1	94.7	95.3	95.4	95.4	95.4
Gross stage-2	6.3	5.4	4.1	3.6	3.5	3.5	3.5
<b>Gross stage-3</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>ECL provisions (Rs mn)</b>							
Stage-1	249	355	529	538	599	731	885
Stage-2	796	817	775	772	953	1,162	1,408
<b>Stage-3</b>	<b>434</b>	<b>546</b>	<b>557</b>	<b>771</b>	<b>1,011</b>	<b>1,234</b>	<b>1,495</b>
<b>Overall ECL provisions</b>	<b>1,478</b>	<b>1,718</b>	<b>1,861</b>	<b>2,081</b>	<b>2,563</b>	<b>3,126</b>	<b>3,788</b>
<b>Overall ECL coverage (%)</b>							
Stage-1	0.2	0.3	0.4	0.3	0.3	0.3	0.3
Stage-2	11.6	12.5	13.3	12.5	13.0	13.0	13.0
<b>Provision coverage on stage-3 (%)</b>	<b>32.1</b>	<b>29.7</b>	<b>34.2</b>	<b>41.3</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>
<b>Overall ECL coverage</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Credit cost break-up (%)</b>							
<b>Credit cost to average total assets</b>	<b>0.44</b>	<b>0.35</b>	<b>0.31</b>	<b>0.22</b>	<b>0.34</b>	<b>0.32</b>	<b>0.29</b>
Provision for loans	0.17	0.17	0.09	0.11	0.21	0.20	0.19
Write-offs	0.28	0.18	0.22	0.10	0.14	0.12	0.10

Source: Company

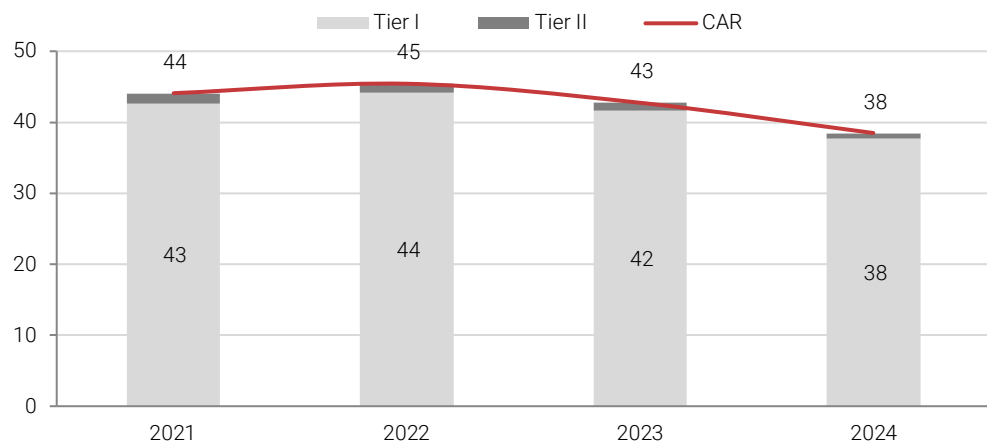


**Capital position is comfortable**

Aadhar’s capital adequacy ratio (CAR) of 38% in FY2024 is higher than regulatory requirement of 15%. Lower LTV of Aadhar (59% average LTV in FY2024) aids in maintaining high CAR. Notably, home loans up to Rs3 mn, which are classified as standard assets and have LTV ratios of 80% or lesser, attract a risk weight of 35% and LTV ratios of 80% to 90% attract a risk weight of 50%.

In November 2023, the RBI issued a circular providing for an increased risk weight on consumer credit exposure (excluding home loans) from 100% to 125%. As a result, loans against property (excluding housing loans) without end-use as business may attract the requirement of higher risk weights, which may reduce Aadhar’s CAR in the future.

**Exhibit 70: Capital adequacy of Aadhar Housing Finance, March fiscal year-ends, 2021-24 (%)**



Source: Company

**Exhibit 71: ALM of Aadhar Housing Finance, March fiscal year-end, 2024**

	0-1 year	1-3 years	3-5 year	>5 years
Assets (1)	39,183	47,670	38,953	63,367
Liabilities (2)	24,747	55,547	39,037	26,594
Gap (3: 1-2)	14,436	(7,877)	(84)	36,774
<b>Gap (% , 4:3/2*100)</b>	<b>58</b>	<b>(14)</b>	<b>(0)</b>	<b>138</b>
Cumulative gap	14,436	6,558	6,475	43,249
<b>Cumulative gap (%)</b>	<b>58</b>	<b>8</b>	<b>5</b>	<b>30</b>

Source: Company

Exhibit 72: Aadhar Housing Finance—key growth rates and ratios, March fiscal year-ends, 2021-27E (%)							
	2021	2022	2023	2024	2025E	2026E	2027E
<b>Key income statement growth rates (%)</b>							
<b>Net interest income</b>	<b>45.1</b>	<b>27.2</b>	<b>25.7</b>	<b>31.3</b>	<b>21.7</b>	<b>22.0</b>	<b>23.2</b>
Total income	27.7	27.4	28.6	28.6	23.9	22.2	20.9
Operating expenses	7.0	29.1	35.0	26.4	16.6	18.1	16.7
Pre-provision operating profit	43.4	26.4	25.0	30.0	28.3	24.4	23.1
PBT	87.3	31.2	22.6	37.9	25.4	25.2	23.8
PAT	79.6	30.8	22.5	37.6	25.4	25.2	23.8
<b>Core PBT</b>	<b>51.6</b>	<b>23.8</b>	<b>24.6</b>	<b>32.6</b>	<b>28.7</b>	<b>24.5</b>	<b>23.5</b>
<b>Key balance sheet items growth rates (%)</b>							
Loans	19.1	12.7	15.8	22.0	23.9	22.0	21.2
Net assets	10.2	5.5	15.6	14.9	22.5	20.9	21.0
Borrowings	7.6	2.9	13.9	14.9	16.4	22.3	22.0
Net worth	14.7	16.9	17.5	20.3	43.6	18.4	19.3
<b>Other key growth rates and ratios (%)</b>							
Disbursements	11.1	12.6	47.9	19.8	20.6	20.6	20.6
AUM	16.6	10.9	16.5	22.6	21.6	21.2	21.2
Repayment rate (%)	14.4	19.1	23.4	18.4	18.7	18.8	18.6
<b>Key ratios (%)</b>							
Yield on loanbook	13.1	12.8	12.8	13.7	13.9	13.8	13.8
Cost of borrowings	8.2	7.2	7.0	7.6	8.0	7.9	7.7
Spread	5.0	5.5	5.8	6.2	5.9	5.9	6.1
<b>Net interest margin</b>	<b>6.1</b>	<b>6.8</b>	<b>7.5</b>	<b>8.2</b>	<b>8.2</b>	<b>8.2</b>	<b>8.3</b>
Cost-to-income	35.8	36.3	38.1	37.5	35.2	34.1	32.9
<b>Cost-to-average assets</b>	<b>2.2</b>	<b>2.5</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>
Credit cost	0.4	0.3	0.3	0.2	0.3	0.3	0.3
<b>RoA</b>	<b>2.6</b>	<b>3.2</b>	<b>3.5</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>
<b>RoE</b>	<b>13.5</b>	<b>15.2</b>	<b>15.9</b>	<b>18.4</b>	<b>17.4</b>	<b>16.9</b>	<b>17.6</b>
<b>Key asset quality ratios (%)</b>							
Gross stage 2	6.3	5.4	4.1	3.6	3.5	3.5	3.5
<b>Gross stage 3</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
ECL coverage on stage 1	0.2	0.3	0.4	0.3	0.3	0.3	0.3
ECL coverage on stage 2	11.6	12.5	13.3	12.5	13.0	13.0	13.0
ECL coverage on stage 3	32.1	29.7	34.2	41.3	42.0	42.0	42.0
<b>Overall ECL coverage</b>	<b>1.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Du Pont analysis (% of average total assets)</b>							
Total income	NA	12.3	13.2	14.5	15.0	14.9	14.8
Interest expense	NA	5.4	5.2	5.5	5.7	5.5	5.4
<b>Net interest income</b>	<b>NA</b>	<b>5.5</b>	<b>6.3</b>	<b>7.2</b>	<b>7.3</b>	<b>7.4</b>	<b>7.5</b>
Operating expenses	NA	2.5	3.1	3.4	3.3	3.2	3.1
<b>Pre-provision operating profit</b>	<b>NA</b>	<b>4.4</b>	<b>5.0</b>	<b>5.6</b>	<b>6.0</b>	<b>6.2</b>	<b>6.3</b>
Provisions	NA	0.3	0.3	0.2	0.4	0.3	0.3
PBT	NA	4.1	4.5	5.4	5.7	5.8	6.0
(1-tax rate)	NA	0.8	0.8	0.8	0.8	0.8	0.8
<b>ROA</b>	<b>2.6</b>	<b>3.2</b>	<b>3.5</b>	<b>4.2</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>
Leverage (X)	5.2	4.8	4.5	4.4	3.9	3.7	3.8
<b>ROE</b>	<b>13.5</b>	<b>15.2</b>	<b>15.9</b>	<b>18.4</b>	<b>17.4</b>	<b>16.9</b>	<b>17.6</b>

Source: Company

Exhibit 73: Aadhar Housing Finance—financial summary, March fiscal year-ends, 2021-27E

	2021	2022	2023	2024	2025E	2026E	2027E
<b>Income statement (Rs mn)</b>							
<b>Operational income</b>	<b>15,753</b>	<b>17,283</b>	<b>20,432</b>	<b>25,868</b>	<b>31,899</b>	<b>38,480</b>	<b>46,243</b>
Interest income	14,269	15,383	17,763	22,693	27,677	33,294	40,400
Fee and commission income	758	736	1,047	1,742	2,472	3,186	3,842
Net gain on fair value change	88	235	318	224	250	300	300
Net gain on de-recognition of FI	638	930	1,304	1,209	1,500	1,700	1,700
Interest expense	8,160	7,612	7,992	9,867	12,073	14,256	16,949
<b>Net interest income</b>	<b>6,110</b>	<b>7,771</b>	<b>9,771</b>	<b>12,826</b>	<b>15,604</b>	<b>19,037</b>	<b>23,452</b>
Other income	2	3	3	2	-	-	-
Net operational income	7,594	9,671	12,440	16,001	19,826	24,224	29,294
<b>Total income</b>	<b>7,596</b>	<b>9,674</b>	<b>12,443</b>	<b>16,003</b>	<b>19,826</b>	<b>24,224</b>	<b>29,294</b>
Operating expenses	2,721	3,513	4,743	5,995	6,988	8,253	9,634
Employee expense	1,888	2,482	3,220	4,035	4,523	5,370	6,303
Other expenses	833	1,031	1,523	1,960	2,465	2,883	3,332
<b>Pre-provision operating profit</b>	<b>4,872</b>	<b>6,158</b>	<b>7,697</b>	<b>10,007</b>	<b>12,838</b>	<b>15,971</b>	<b>19,660</b>
Provisions	549	487	492	412	800	900	1,000
Profit before tax	4,325	5,674	6,958	9,596	12,038	15,071	18,660
Tax	924	1,225	1,511	2,100	2,634	3,297	4,083
<b>Profit after tax</b>	<b>3,401</b>	<b>4,449</b>	<b>5,448</b>	<b>7,496</b>	<b>9,404</b>	<b>11,773</b>	<b>14,577</b>
<b>Core PBT</b>	<b>4,782</b>	<b>5,920</b>	<b>7,377</b>	<b>9,781</b>	<b>12,588</b>	<b>15,671</b>	<b>19,360</b>
<b>Balance sheet (Rs mn)</b>							
Cash and bank balances	21,713	17,102	19,180	12,734	14,008	15,409	18,706
<b>Loans</b>	<b>106,133</b>	<b>119,603</b>	<b>138,515</b>	<b>169,029</b>	<b>209,369</b>	<b>255,392</b>	<b>309,445</b>
Investment	4,971	3,380	4,594	4,620	5,313	6,110	7,331
Property plant and equipment	164	208	248	300	345	397	456
Other assets	3,323	3,465	3,643	4,247	4,843	5,555	6,373
<b>Net assets</b>	<b>136,303</b>	<b>143,758</b>	<b>166,179</b>	<b>190,931</b>	<b>233,877</b>	<b>282,861</b>	<b>342,311</b>
<b>Borrowings</b>	<b>103,745</b>	<b>106,746</b>	<b>121,535</b>	<b>139,596</b>	<b>162,554</b>	<b>198,876</b>	<b>242,603</b>
Other liabilities	5,630	5,545	7,668	6,837	7,422	8,309	9,457
<b>Total liabilities</b>	<b>109,375</b>	<b>112,291</b>	<b>129,202</b>	<b>146,433</b>	<b>169,976</b>	<b>207,186</b>	<b>252,059</b>
Equity share capital	3,948	3,948	3,948	3,948	4,265	4,265	4,265
Reserves and surplus	22,981	27,519	33,029	40,550	59,637	71,410	85,987
<b>Shareholders' funds</b>	<b>26,928</b>	<b>31,467</b>	<b>36,977</b>	<b>44,498</b>	<b>63,902</b>	<b>75,675</b>	<b>90,252</b>
<b>AUM and disbursements (Rs mn)</b>							
<b>AUM</b>	<b>133,271</b>	<b>147,778</b>	<b>172,228</b>	<b>211,209</b>	<b>256,894</b>	<b>311,453</b>	<b>377,372</b>
Home loan	112,960	120,918	134,593	157,951	185,406	219,221	260,485
Loan against property	20,293	26,849	37,635	53,258	71,488	92,232	116,887
<b>Disbursements</b>	<b>35,447</b>	<b>39,919</b>	<b>59,026</b>	<b>70,702</b>	<b>85,246</b>	<b>102,788</b>	<b>123,946</b>
Home loan	30,409	31,168	42,055	50,521	60,625	72,750	87,300
Loan against property	5,038	8,751	16,971	20,181	24,621	30,037	36,646

Notes:

(a) Core PBT: Interest income + fee income + assignment income-interest expense-operating expenses.

Source: Company

## 6

## Housing Finance: Company background and overview

### Company overview

Aadhar was originally incorporated as 'Vysya Bank Housing Finance Limited' at Bengaluru, Karnataka on November 26, 1990. The name of the company was changed to 'DHFL Vysya Housing Finance Limited' with fresh certificate of incorporation dated October 15, 2003.

Separately, an entity named 'Aadhar Housing Finance Private Limited' (pre-merger AHFPL) was incorporated as a private limited company on May 3, 2010; it commenced its operations in February 2011. Pre-merger AHFPL was later converted into a public company and consequently, its name was changed to 'Aadhar Housing Finance Limited'.

Pre-merger AHFPL was later merged into DHFL Vysya Housing Finance Limited, pursuant to a scheme of amalgamation on October 27, 2017. The name was changed to 'Aadhar Housing Finance Limited' with a fresh certificate of incorporation.

### Blackstone purchased the company in FY2020

In June 2019, Blackstone, through its affiliate BCP Topco, acquired Aadhar from its erstwhile promoters, Wadhawan Global Capital Limited (WGCL) and Dewan Housing Finance Limited (DHFL). Blackstone infused capital of Rs13 bn into the company in FY2020.

### Current operations of Aadhar

Aadhar is the largest HFC focused on the low-income housing segment in India in terms of AUM (Rs211 bn in FY2024), from HFCs analyzed by CRISIL. While most peers are geographically concentrated, Aadhar has the most geographically diversified AUM with the top state contributing only 14% of its AUM. The company is retail-focused, serving economically weaker and low-to-middle income customers, who require small-ticket mortgage loans. The company offers a range of mortgage-related loan products, including loans for residential property purchase and construction; home improvement and extension loans; and loans for commercial property construction and acquisition.

Exhibit 74: Shareholding pattern for Aadhar Housing Finance, June 2024

	Number of shares (# mn)	Shareholding (%)
<b>Promoter and promoter group</b>	<b>326</b>	<b>76.5</b>
BCP Topco (affiliate of Blackstone)	326	76.5
<b>Public</b>	<b>100</b>	<b>23.5</b>
FPIs	18	4.2
Mutual Funds	21	5.0
AIFs	6	1.3
ICICI Bank	5	1.1
Insurance companies	5	1.1
<b>Total</b>	<b>427</b>	<b>100.0</b>

Source: Company

**Exhibit 75: Brief profile of board of directors of Aadhar Housing Finance**

<b>Name</b>	<b>Designation</b>	<b>Educational background</b>	<b>Brief profile</b>
Om Prakash Bhatt	Non-Executive Chairman and Independent Director	Bachelor's degree in science and master's degree in english literature from Meerut University	He was previously the chairman of State Bank of India and is serving as a director on the boards of Hindustan Unilever Limited, Tata Motors Limited, Greenko Energy Holdings Mauritius, Tata Daewoo Commercial Vehicle Limited and Tata Consultancy Services Limited.
Deo Shankar Tripathi	Whole-time Director and Executive Vice President	Bachelor's and master's degree in science from Lucknow University	He has previously worked as a general manager at Union Bank, and president and chief operating officer at DHFL. Prior to joining Aadhar Housing Finance, he was the chief executive officer of Pre-Merger AHFPL. Presently, he is serving as a director on the boards of ASSPL, Fort Finance Limited and Auxilo Finserve Private Limited.
Rishi Anand	Managing Director and Chief Executive Officer	Post-graduate certification in business management from Indian Institute of Management, Kozhikode	Previously he has worked at Shelters (A Citibank Associate), ICICI Bank Limited, GE Countrywide Consumer Financial Services Limited, BHW Birla Home Finance Limited, Reliance Capital Limited, AIG Home Finance India Limited (now Indo Pacific Housing Finance Limited) and DHFL.
Sharmila A Karve	Independent Director	Bachelor's degree in commerce from University of Bombay and qualified chartered accountant from the Institute of Chartered Accountants of India	She is serving as a director on the boards of EPL Limited (formerly known as Essel Propack Limited), EPL Packaging (Guangzhou) Limited, Lamitube Technology Limited, Mauritius, EPL America LLC, Fairfax India Holdings Corporation, Syngene International Limited, Vanaz Engineers Limited, CSB Bank Limited, Thomas Cook (India) Limited and School for Social Entrepreneurs India.
Nivedita Haran	Independent Director	Doctor in philosophy in humanities and social sciences from the Indian Institute of Technology, Delhi	She was earlier the Additional Chief Secretary, Department of Home Affairs, Government of Kerala, India. She is also on the board of NESL Asset Data Limited. She serves as the honorary chairperson on the board of directors of Centre for Migration and Inclusive Development.
Amit Dixit	Non-Executive Nominee Director	Bachelor's degree in civil engineering from the Indian Institute of Technology-Bombay, master's degree in science from Leland Stanford Junior University and master's degree in business administration from Harvard University.	He is the senior managing director, head of Asia for the private equity business group at Blackstone Advisors India Private Limited. Previously, he has worked as an associate at Warburg Pincus. He is serving as a director on the board of several companies including Mphasis Limited, Sona BLW Precision Forgings Limited, EPL Limited (formerly known as Essel Propack Limited), Blackstone Advisors India Private Limited, ASK Investment Managers Limited, TU Topco Inc., TU Midco Inc., TU Bidco Inc. and VFS Global AG.
Mukesh Mehta	Non-Executive Nominee Director	Bachelor's and master's degrees in commerce from the University of Mumbai, qualified Chartered Financial Analyst (USA) and chartered accountant from the Institute of Chartered Accountants of India	He is the senior managing director within the private equity business group of Blackstone Advisors India Private Limited. He has 17.5 years of experience in Private Equity. Previously, he worked at Carlyle India Investment Advisors Private Limited and Citicorp Finance (India) Limited. He also worked in the Assurance and Business Advisory Group at Price Waterhouse & Co. He is also serving as a director on the board of International Gemmological Institute (India) Private Limited, R Systems International Limited, Simplilearn Solutions Private Limited, PGP Glass Private Limited, TU Topco Inc., TU Midco Inc., TU Bidco Inc. and VFS Global AG.
Prateek Roongta	Non-Executive Nominee Director	Bachelor's degree in commerce from the University of Delhi, post graduate diploma in business administration degree from Indian Institute of Management-Ahmedabad, qualified chartered accountant and company secretary.	He is the Managing Director within the Portfolio Operations Group at Blackstone Advisors India Private Limited. He has more than 21 years' experience and has previously, worked at Boston Consulting Group (India) Private Limited, True North Managers LLP (formerly known as India Value Fund Advisors Private Limited) and A.T. Kearney Consulting (India) Private Limited. He is also serving as a director on the board of ASK Investment Managers Limited, ASK Long-Short Fund Managers Private Limited, ASK Wealth Advisors Private Limited, International Gemmological Institute (India) Private Limited, Fino Payments Bank Limited and Fino Paytech Limited.

Source: Company

**Exhibit 76: Brief profile of key managerial personnel and senior management**

Name	Designation	Educational background	Brief profile
Rishi Anand	Managing Director and Chief Executive Officer	Post-graduate certification in business management from Indian Institute of Management, Kozhikode	Previously he has worked at Shelters (A Citibank Associate), ICICI Bank Limited, GE Countrywide Consumer Financial Services Limited, BHW Birla Home Finance Limited, Reliance Capital Limited, AIG Home Finance India Limited (now Indo Pacific Housing Finance Limited) and DHFL.
Deo Shankar Tripathi	Whole-time Director and Executive Vice President	Bachelor's and master's degree in science from Lucknow University	He has previously worked as a general manager at Union Bank, and president and chief operating officer at DHFL. Prior to joining Aadhar Housing Finance, he was the chief executive officer of Pre-Merger AHFPL.
Rajesh Viswanathan	Chief Financial Officer	Bachelor's degree in commerce from University of Mumbai, qualified chartered accountant from the Institute of Chartered Accountant of India and qualified cost and works accountant from the Institute of Cost and Works Accountants of India	Previously, he was associated with A F Ferguson & Co., Mahindra & Mahindra Limited, DSP Financial Consultants Limited, KPMG Bahrain, Bajaj Allianz Life Insurance Corporation Limited, Bajaj Finance Limited & Capital Float.
Anmol Gupta	Chief Treasury Officer	Bachelor's degree in commerce (Hons.) from University of Delhi and a qualified chartered accountant from the Institute of Chartered Accountant of India	Previously, he has worked with BHW Birla Home Finance Limited and as the Accounts Officer of CIMMYT- India
R Anil Kumar Nair	Chief Business Officer	Bachelor's, master's degree in commerce from the Rani Durgavati Vishwavidyalaya, Jabalpur, Madhya Pradesh and master's in business administration degree in Finance & Marketing from the Sikkim Manipal University	He has previously worked with various organizations including Bata India Limited, MIRC Electronics Limited – ONIDA, ICICI Bank Limited, DHFL, Aspire Home Finance Corporation
Haryyaksha Ghosh	Chief Data Officer	Master's degree in physics from the Indian Institute of Technology, Kharagpur and post graduate diploma in management from the Indian Institute of Management, Calcutta	He has previously worked with Infosys Technologies Limited, M/s Eckelon, Mindwave Solutions Pte. Limited (Singapore), Knowledge Management Solutions Pte. Limited (Singapore), Network 18 Media & Investments Limited, and ECL Finance Limited. He is also a director on the board of Aashaa Global Solutions & Services Private Limited.
Nirav Shah	Chief Risk Officer	Bachelor's degree in commerce from P. D. Lion's College of Commerce and Economics, University of Mumbai and a qualified chartered accountant from the Institute of Chartered Accountants of India	He has previously worked with Deloitte Haskins & Sells, ICICI Prudential Life Insurance Company Limited and Tata Capital Housing Finance Limited.
Sreekanth V.N.	Chief Compliance Officer	Bachelor's degree in commerce and law from Mahatma Gandhi University, master's in business administration (finance) from OJPS University and a qualified company secretary from the Institute of Company Secretaries of India	He has previously worked with the Bureau of Police Research & Development, Ministry of Home Affairs and Department of Supply, Ministry of Commerce. Prior to joining Aadhar Housing Finance he has worked with ICICI Bank Limited, Firestone International Private Limited, KM Trading Co LLC, Malabar Institute of Medical Science and Ocean Bounty Limited.
Harshada Pathak	Company Secretary and Compliance Officer	Bachelor's degree in commerce from Mulund College of Commerce, bachelor's in law from University of Mumbai and a qualified company secretary from the Institute of Company Secretaries of India	She has 18 years of experience and has previously worked as the compliance officer & company secretary for Volkswagen Finance Private Limited, in the secretarial department of Mahindra & Mahindra Financial Services and in the compliance department of Essar Investments Limited.
Vikas Bansal	Chief Human Resource Officer	Master's degree in personnel management from Symbiosis I.B.M., Pune	Prior to joining Aadhar Housing Finance he served as a director at Edelweiss Tokio Life Insurance Company Limited. Previously he has worked at Hindustan Unilever Limited, Dr Reddy's Laboratories Limited, and Hero Honda Motors Limited.

Source: Company

# Strategy

September 02, 2024

## A most curious mid-cap. rally

Our analysis of the mid-cap. rally shows a mix of (1) hyper-growth and (2) 'hype' stocks being the primary contributors to the rally over the past 12-18 months. The top-25 stocks in the Nifty Midcap 150 Index have contributed almost 50% of the returns in the past 12 months. As many as 36 stocks (many traditional favorites) have delivered less than 10% return over the same time.

### A strange mix of hyper-growth, hype and disappointment

Mid- and small-cap. indices have done rather well over the past 18 months when the SMID rally started (see Exhibit 1). However, the rally has been quite diverse with (1) new leaders emerging from the investment-related sectors; some have strong fundamentals, some are mere narratives and (2) old favorites (building materials, apparel and footwear retailing, QSR, specialty chemicals) struggling. Exhibit 2 gives the breakdown of the 150 stocks in the Nifty Midcap 150 Index by the magnitude of their returns in the past 12 months. We note that 61 stocks have delivered more than 50% return, 42 stocks 20-50% return, 11 stocks 10-20% return, 18 stocks 0-10% and 18 stocks negative returns in the past year.

### Hyper-growth and hype stocks in investment sector behind the mid-cap. rally

25 stocks have contributed about 50% of the rally in the Nifty Midcap 150 Index in the past 12 months (see Exhibit 3) and most are in the investment category (capital goods, electricity NBFCs, EMS, railways, real estate). More importantly, we would place several of the investment-related stocks in the 'narrative' category with a lot of hope and hype supporting their valuations. Exhibit 4 shows the 1-year performance of the top-25 stocks split between (1) change in earnings and (2) change in multiples. Re-rating in multiples has been unsurprisingly the prime driver of performance.

### Erstwhile market favorites have struggled in the mid-cap. rally

The odd nature of the mid-cap. rally can be seen in the fact that only a handful of the top-25 contributors are in the consumption-related (TRENT, PBFINTECH, MAXHEALTH) or outsourcing sectors (two in the IT services sector, two in pharmaceuticals). We note that several traditional market favorites in the building/construction materials, apparel and footwear retailing, QSR, specialty chemicals have struggled over the past 12 months and many have delivered negative returns too. This is despite the general optimism in the market and irrational exuberance in the mid-cap. space. Exhibit 5 shows the sector-wise contribution to the Nifty Midcap 150 Index over the past 12 months.

### Narratives can have a nasty, brutish and short life

It would be interesting to see if the narratives behind the investment stocks sustain or fizzle out. Narratives have a short span of investment life, as can be seen in the fact that several of the narratives supporting the stragglers have been forgotten along with the stocks in the current rally. However, a lot of real money from new investors has gone into mid-cap. and small-cap. funds in the past two years (see Exhibits 6-8).

### Key estimates summary

	2024	2025E	2026E
<b>Nifty estimates</b>			
Earnings growth (%)	20.0	7.9	16.0
Nifty EPS (Rs)	988	1,072	1,244
Nifty P/E (X)	25.5	23.5	20.3
<b>Macro data</b>			
Real GDP (%)	8.2	6.9	6.5
Avg CPI inflation (%)	5.4	4.5	4.2

Source: CEIC, Companies, Kotak Institutional Equities estimates

### Quick Numbers

NSE Midcap 150 Index is up 22% in the past six months and 48% in the past 12 months

Top-25 stocks have contributed about 50% of the returns

61 stocks have delivered more than 50% in the past 12 months; many are in the 'narrative' category

18 stocks have delivered 0-10% return and 18 stocks have delivered negative returns in the past 12 months; many of these are traditional favorites

[Full sector coverage on KINSITE](#)

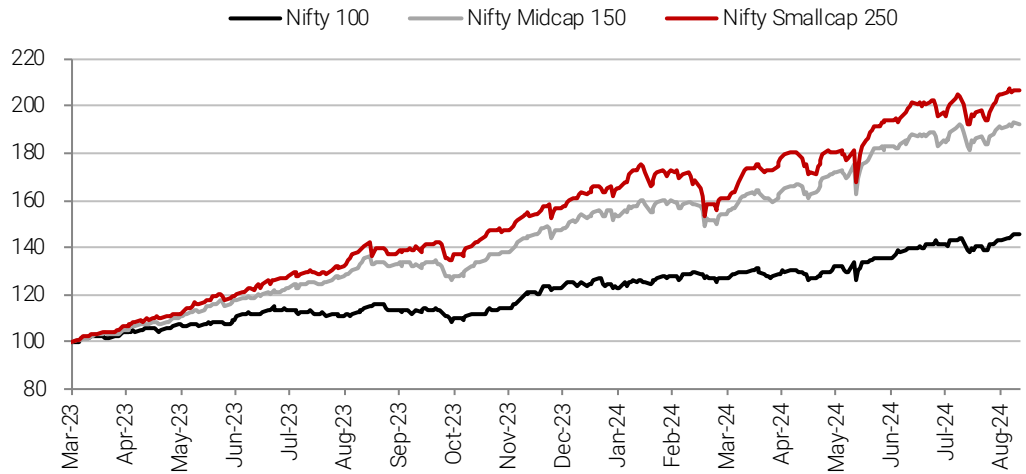
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**Midcap and Smallcap indices have delivered strong returns in the past 18 months**

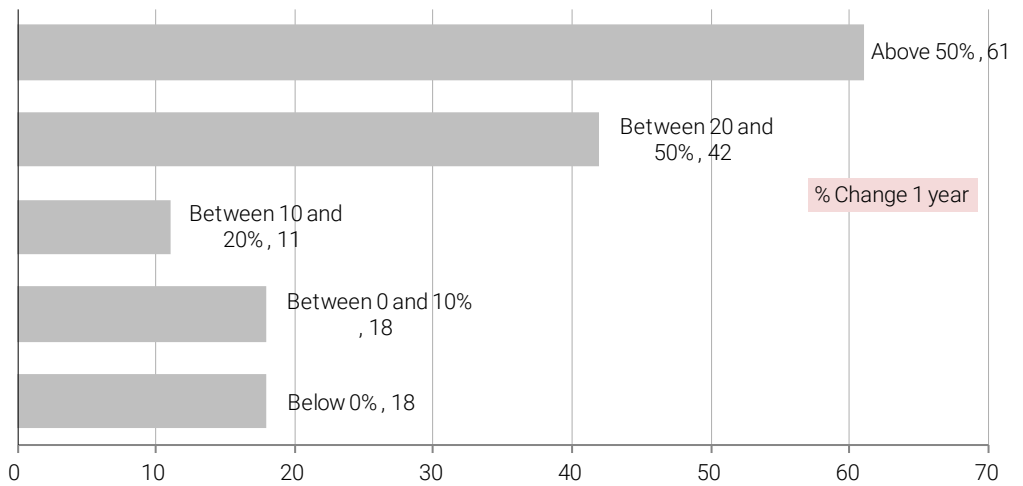
**Exhibit 1: Performance of Nifty 100, Nifty Midcap 150 and Nifty Smallcap 250 indices (base=100)**



Source: Bloomberg, Capitaline, Kotak Institutional Equities

**40% of stocks have given more than 50% while 20% of stocks have given less than 10% return in the past 1 year**

**Exhibit 2: Number of stocks of Nifty Midcap 150 Index in various 1Y performance buckets (X)**

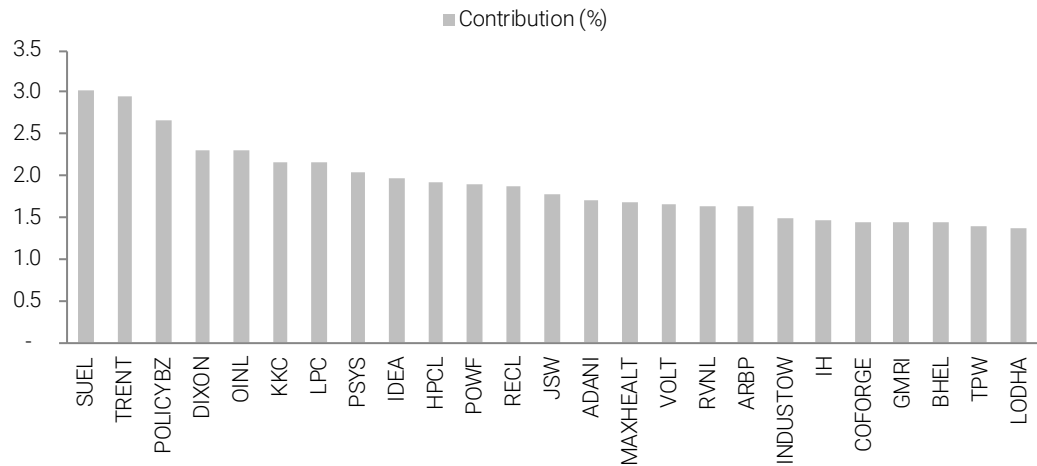


Source: Bloomberg, Kotak Institutional Equities



**Top-25 Nifty Midcap-150 stocks contributed almost 50% of the index performance**

**Exhibit 3: Contribution of top-25 Nifty Midcap-150 Index stocks to 12-m trailing performance, September 2024 (%)**



Source: NSE, Bloomberg, Kotak Institutional Equities estimates

**Most top performing mid-cap. stocks have seen rerating-driven price return over the past 12 months**

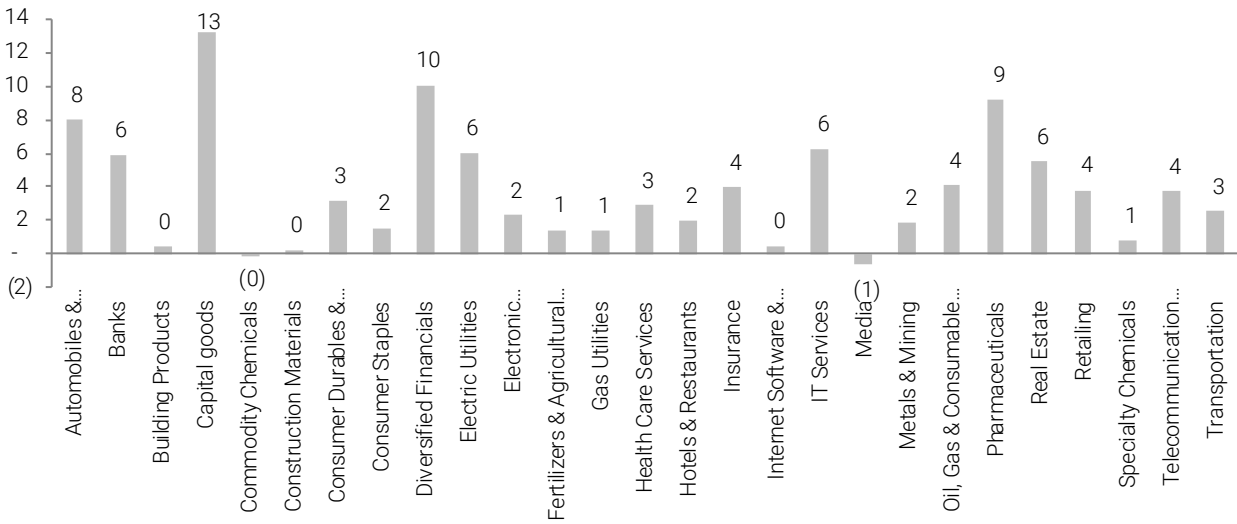
**Exhibit 4: Return split between multiple (1-year forward P/E multiple) change and EPS change**

Company	Sep-23 to Sep-24		
	Price return	Multiple expansion	Earnings growth
Suzlon Energy	187	98	88
Trent	246	89	158
PB Fintech	130	(113)	244
Dixon Technologies India	151	69	82
Oil India	299	260	39
Cummins India	123	80	43
Lupin	104	21	84
Persistent Systems	89	72	17
Vodafone Idea	110	NA	NA
Hindustan Petroleum Corp	156	163	(6)
Power Finance Corp	166	138	28
REC	158	130	29
JSW Energy	112	39	72
Adani Power	103	NA	NA
Max Healthcare Institute	53	28	25
Voltas	103	51	52
Rail Vikas Nigam	335	NA	NA
Aurobindo Pharma	88	51	37
Indus Towers	142	108	34
Indian Hotels Co/The	55	24	31
Coforge	27	19	8
GMR Airports Infrastructure	159	NA	NA
Bharat Heavy Electricals	111	18	93
Torrent Power	166	140	26
Macrotech Developers	90	54	37

Source: Factset, Kotak Institutional Equities

**Capital goods, diversified financials and pharmaceuticals delivered the bulk of the index return**

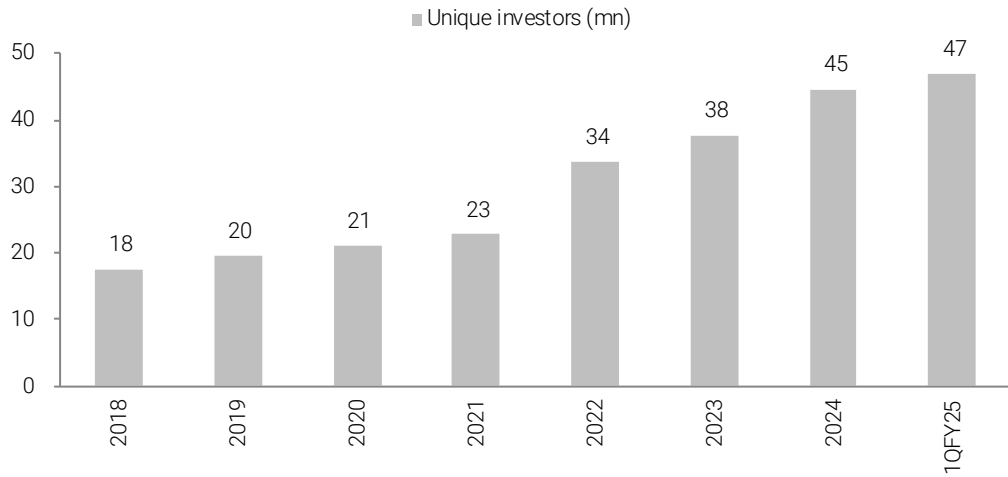
Exhibit 5: Contribution of various sectors to trailing 12-month Nifty Midcap 150 Index return, September 2024 (%)



Source: NSE, Bloomberg, Kotak Institutional Equities

**More than 50% of current investors in domestic mutual funds have become MF investors in the past three years**

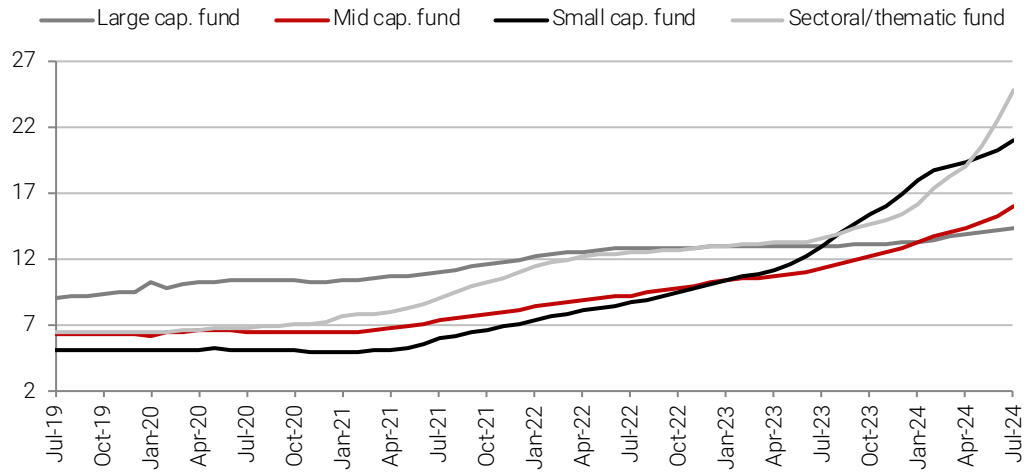
Exhibit 6: Unique domestic mutual fund investors in India, March fiscal year-ends, 2018-25 (mn)



Source: Industry, SEBI, NSE, AMFI, Kotak Institutional Equities

**A sharp jump in the folios of sectoral/thematic funds in CY2024, mid- and small-cap. folios in CY2023**

**Exhibit 7: No. of folios under large-cap., mid-cap., small-cap. and thematic funds, March fiscal year-ends, 2019-25 (mn)**



Source: AMFI, Kotak Institutional Equities

**A large share of inflows into domestic mutual funds have come from NFOs in sectoral/thematic funds**

**Exhibit 8: Net inflows to various categories of domestic mutual funds in India, calendar year-ends, 2020-24 (Rs bn)**

	2020	2021	2022	2023	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	CYTD24
Flexi cap. fund	–	179	220	116	24	26	27	22	32	31	31	192
Large cap. fund	(24)	29	137	(30)	13	9	21	4	7	10	7	70
Large & mid Cap. fund	18	87	200	189	23	32	32	26	24	29	26	193
Mid cap. fund	5	106	205	229	21	18	10	18	26	25	16	135
Small cap. fund	14	38	198	410	33	29	(1)	22	27	23	21	154
Sectoral/thematic fund	83	255	209	308	48	113	79	52	192	224	184	891
Value/contra/focused	(3)	60	184	92	16	13	18	17	11	17	16	108
Dividend yield/ELSS/multi cap. fund	(3)	213	258	300	40	28	39	29	28	48	71	284
<b>Total</b>	<b>91</b>	<b>967</b>	<b>1,610</b>	<b>1,616</b>	<b>218</b>	<b>269</b>	<b>226</b>	<b>189</b>	<b>347</b>	<b>406</b>	<b>371</b>	<b>2,026</b>

Source: AMFI, Kotak Institutional Equities

# Kaynes Technology (KAYNES)

Electronic Manufacturing Services

ADD

CMP(₹): 4,663

Fair Value(₹): 4,950

 Sector View: **Cautious**

NIFTY-50: 25,279

September 02, 2024

## OSAT: A potential game changer for Kaynes

Kaynes receiving the approval to set up an OSAT facility paves the way for the company to enter into the semiconductor value chain. The focus for Kaynes in the near term would be to ramp up execution; however, over the medium term, the focus would be on shifting revenues toward advance packaging solution, which would hold the key to move margins and return profile in line with global peers (without PLI incentives). We raise our FY2027 estimates by 1% and FV to Rs4,950 as we roll forward to September 2026E.

### Diversifying into semiconductor value chain with OSAT approval

Kaynes Technology has received a cabinet approval to set up an OSAT facility in Sanand, Gujarat ([link](#)) with a total outlay of Rs33 bn (70% capital subsidy- 50% from central government and 20% from state government). Kaynes has signed three key partnerships for semiconductor packing with Globetronics from Malaysia, Aptos Technologies from Taiwan, and AOI in Japan and has plans to manufacture 6 mn chips/day with 13 assembly lines. We expect Kaynes to start commercial production from 2QFY26 and reach Rs33 bn revenues by FY2031 (1X asset turn 6 years after start of commercial production) versus the company's target of Rs15 bn revenues by FY2028 and Rs30 bn topline by FY2030.

### Ability to scale up margins, return ratios in line with global peers remains key

Kaynes' initial focus would be on QFN packaging solution considered to be the low-end packaging solution and then move onto advance FCBGA within a short period of time (over time 75% of topline from advance packaging). While global players enjoy 20%+ EBITDA margins, we are baking in only 17% margins in the steady state for Kaynes, driven by higher investments. In our view, the key risk is the company's ability to further invest in this business over the medium term, after the PLI incentive scheme, without compromising on its return ratios. For the company to generate 13% RoCE (ex-subsidy), OSAT margins would need to improve to 25%, with working capital days (as days of sales) in line with global majors' higher mix of advance packaging revenue holding the key for Kaynes.

### Diversifying into new growth areas—smart metering a near-term catalyst

Kaynes recently inaugurated its new smart metering manufacturing facility in Hyderabad (fully automated with backward integration into plastic components). The total addressable market for smart meters is worth ~Rs250 bn over the next 5 years (250 mn smart meters with ~Rs1,000 revenue per smart meter) with Kaynes aiming ~Rs8 bn (~17% of FY2026E revenues) from smart metering. Kaynes has made smart meters for Iskraemeco and L&T in the past and has added new clients such as Brightgrid Technologies LLP recently. Further, the company has won a 3.5 mn smart meter order from Gujarat state.

### We raise our FY2027 estimates by 1% and FV to Rs4,950 (from Rs4,650)

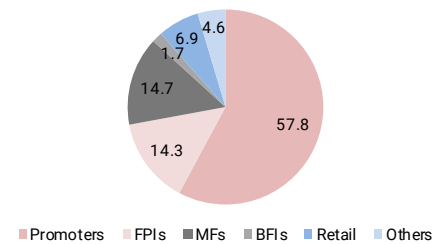
We fine-tune our FY2027 estimates by 1% as we expect a slight pick-up in OSAT execution for Kaynes (higher impact seen in FY2028-31 estimates). We raise our Fair Value to Rs4,950 (from Rs4,650) as we roll forward to September 2026E.

#### Company data and valuation summary

##### Stock data

CMP(Rs)/FV(Rs)/Rating	4,663/4,950/ADD
52-week range (Rs) (high-low)	5,385-1,894
Mcap (bn) (Rs/US\$)	298/3.6
ADTV-3M (mn) (Rs/US\$)	1,360/16.2

##### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	7	38	134
Rel. to Nifty	5	25	104
Rel. to MSCI India	5	25	95

Forecasts/Valuations	2024	2025E	2026E
EPS (Rs)	28.7	51.2	69.7
EPS growth (%)	92.5	78.5	36.2
P/E (X)	162.6	91.1	66.9
P/B (X)	10.9	9.6	8.3
EV/EBITDA (X)	112.5	64.6	44.3
RoE (%)	10.6	12.3	14.7
Div. yield (%)	0.0	0.0	0.0
Sales (Rs bn)	18	30	47
EBITDA (Rs bn)	3	4	7
Net profits (Rs bn)	2	3	4

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of September 02, 2024

[Full sector coverage on KINSITE](#)

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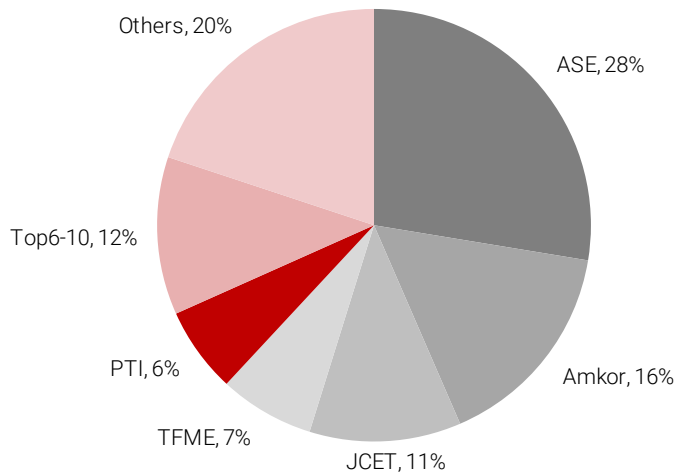
Kaynes' foray into the OSAT segment could help it become an integral part of the semiconductor value chain. We expect the company to start generating revenue from the OSAT segment 2QFY26 onwards and see it reaching Rs33 bn revenues by FY2031 (six years after the start of production). In this segment, Kaynes would be competing with global players, which are well-established in the global semiconductor value chain. While global players enjoy 20%+ EBITDA margins in this segment, we are baking in only 17% margins in the steady state for Kaynes, driven by higher investments during the initial phase. In our view, the key risk is the company's ability to further invest in this business over the medium term, after the PLI incentive scheme, without compromising on its return ratios. We see Kaynes generating 23% RoCE from its OSAT business, with 70% capital subsidy. For the company to generate 13% RoCE (ex-subsidy), OSAT margins would need to improve to 25%, with working capital days (as days of sales) in line with global majors.

**OSAT a US\$45 bn market with 80% share controlled by top 10 players**

Semiconductor packaging is a downstream activity undertaken to protect the semiconductor from impurities and increasing its ability to withstand moisture and other materials. OSAT companies are third party that provide packaging to silicon devices that are manufactured by foundries and provide testing devices before shipping to the market. They usually work in partnership with a semiconductor foundry and semiconductor design firm.

Currently, the global OSAT market size is about ~US\$45 bn with the top 10 firms accounting for nearly 80% share of the market. As per IDC, among the top 10 OSAT vendors, there are six in Taiwan, three in China, and one in the US. Vendors in Taiwan include ASE, PTI, KYEC, Chipbond, ChipMOS, and Sigurd; vendors in China include JCET, TFME, and Hua Tian; and the US vendors are represented by Amkor. Majority of these companies have production facilities in Taiwan, China, Malaysia, Vietnam and Korea. Globally, OSAT manufacturers enjoy 20-25% EBITDA margins with value addition ranging from 10% to 40%. Beyond the top 20 companies, there is a long tail of companies that make up the rest 20% of the market.

**Exhibit 1: Market share of top OSAT companies in 2022**



Source: IDC, Company, Kotak Institutional Equities

**Up to 75% capital subsidy being offered to set up OSAT facilities**

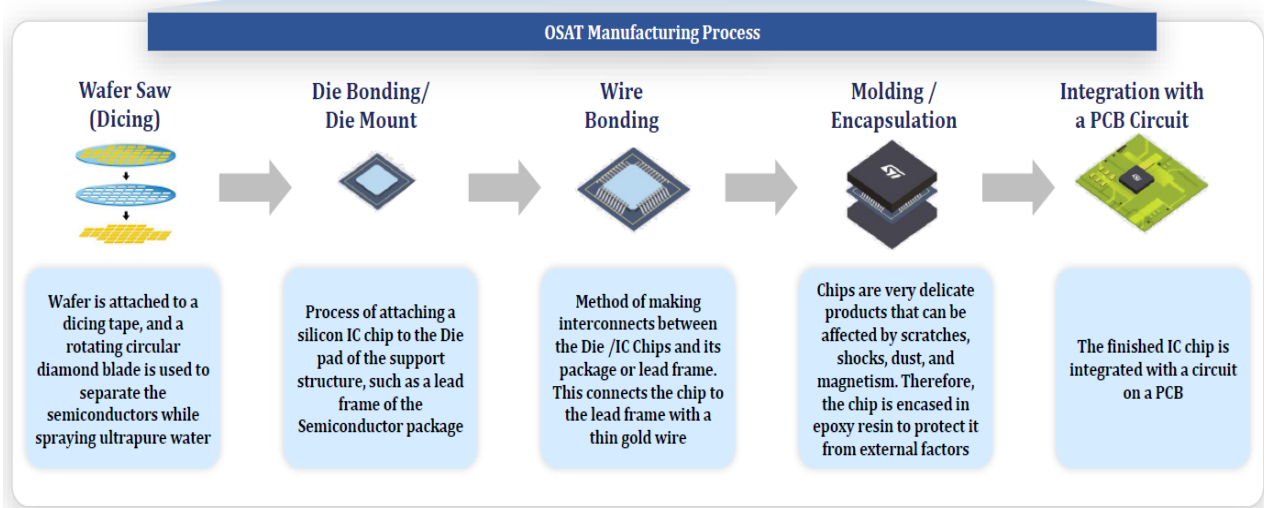
The Indian government with a focus on self-reliance in electronics has launched the Semiconductor PLI scheme (Production-Linked incentive) with a total outlay of Rs760 bn (US\$10 bn) for the development of semiconductor and display manufacturing ecosystem in India. Under this scheme, the government is offering fiscal support of 50% of Capital Expenditure on pari-passu basis under Scheme for setting up of Semiconductor ATMP /OSAT facilities in India. In addition to this, multiple state governments are offering up to 25% fiscal support on capital expenditure to set up OSAT facilities, which the company expects could come with a year's lag. Hence, a 75% capital subsidy is being provided to companies to set up OSAT facilities, which has seen players such as Kaynes participate in this scheme.

**Exhibit 2: Incentives offered for OSAT facilities under the semiconductor PLI**

Description	Companies/joint ventures proposing to set up semiconductor assembly, testing, marking and packaging (ATMP)/outsourced semiconductor assembly and test (OSAT) facilities in India
Operational experience	The applicant companies/joint ventures should have the following experience: A. Own and operate a commercial semiconductor packaging unit or B. Own or possess licensed technologies for the proposed semiconductor packaging unit and demonstrate the roadmap to advanced packaging technologies through licensing or development
Capital investment threshold	Minimum capital investment of Rs500 mn
Fiscal support from Government of India	50 % of capital expenditure

Source: Company, Kotak Institutional Equities

**Exhibit 3: OSAT manufacturing process**



Source: Company, Kotak Institutional Equities estimates

Kaynes will set up its OSAT facility in Gujarat (originally planned in two phases in Telangana and Karnataka). As per this plan, the company would be setting up 13 lines undertaking a total investment of ~Rs33 bn with 50% capex subsidy from the central government in line with the PLI policy and 20% capex subsidy from the state government of Gujarat.

Kaynes has signed three key partnerships for semiconductor packaging: Globetronics from Malaysia, Aptos Technologies from Taiwan, and AOI in Japan and has onboarded three customers in Singapore, Taiwan and Philippines. Overall, the company expects to produce 6 mn chips/per day with 13 assembly lines catering to industrial, automotive, electric vehicles, consumer electronics, telecom and mobile phones end markets.

**Exhibit 4: Kaynes would be procuring raw material from multiple global suppliers**

Raw material	Country
Silicon wafer	Fabs in Taiwan, Germany, etc.
Lead frame/substrate	Singapore, Malaysia, Hong Kong, China
Backgrind/dicing tape	Japan
Silver epoxy	Japan
Gold wire, copper wire	Japan
Mold compound	Japan
Plating chemicals	Singapore

Source: Company, Kotak Institutional Equities

**Exhibit 5: Globetronics, Aptos and AOI are key partnerships that would drive the OSAT business for Kaynes**

Partnership	Capability
Technology partner	Globetronics Technology Bhd, Aptos Technologies and AOI
Execution partner	Ponni Tech
GTM partner	UST Global
Package design	Infinipack Technologies Pvt Ltd

Source: Companies, Kotak Institutional Equities

**Exhibit 6: Kaynes would initially focus on QFN packaging solution considered to be the low-end packaging solution and then move onto FCBGA within a short period of time**

Packaging technologies	QFN packaging	FCBGA	Global SOT packaging
Product offerings	QFN/QFN Stack Die	BGA/BGA Stack Die/SIP/FC BGA	SOT
Potential target applications	Programmable modules, microcomputers and communication equipment	Telecommunication equipment, mobiles, laptops, desktops servers Automotive industry for ADAS and infotainment functions	Consumer electronics products
Potential target geographies	North America, APAC, Europe	North America, Europe, Asia Pacific & EMEA, South America	North America, Europe, Asia Pacific and LAMEA
Note	QFN-Quad flat no lead	BGA-ball grid array	

Source: Kotak Institutional Equities, Company

**Exhibit 7: Financials of select global OSAT players showcase that most players enjoy 20%+ margins**

in US\$ mn	2018	2019	2020	2021	2022
<b>Revenue</b>					
ASE Technology Holding Co	12316	13374	16200	20408	22517
Amkor Technology	4316	4053	5051	6138	7092
JCET	3609	3406	3839	4730	5021
Siliconware Precision	2901	2880	3466	3861	4390
<b>EBITDA</b>					
ASE Technology Holding Co	2288	2395	2926	4150	4515
Amkor Technology	830	799	1021	1392	1591
JCET	448	591	788	1046	1045
Siliconware Precision	811	773	942	1253	1377
<b>EBITDA %</b>					
ASE Technology Holding Co	19	18	18	20	20
Amkor Technology	19	20	20	23	22
JCET	12	17	21	22	21
Siliconware Precision	28	27	27	32	31
<b>PAT</b>					
ASE Technology Holding Co	838	545	937	2288	2084
Amkor Technology	127	121	338	643	766
JCET	-142	13	189	459	480
Siliconware Precision	260	246	390	634	762
<b>PAT %</b>					
ASE Technology Holding Co	7	4	6	11	9
Amkor Technology	3	3	7	10	11
JCET	-4	0	5	10	10
Siliconware Precision	9	9	11	16	17
<b>ROE %</b>					
ASE Technology Holding Co	13	8	13	27	22
Amkor Technology	7	6	16	24	23
JCET	-9	1	10	17	14
Siliconware Precision	11	10	15	20	24
<b>RoCE%</b>					
ASE Technology Holding Co	8	5	7	15	14
Amkor Technology	6	5	11	17	17
JCET	-1	3	7	12	11
Siliconware Precision	8	8	12	18	21
<b>RoIC%</b>					
ASE Technology Holding Co	8	4	7	11	13
Amkor Technology	6	5	11	17	17
JCET	-1	3	7	10	10
Siliconware Precision	8	8	11	16	19

Source: Bloomberg, Kotak Institutional Equities

We expect Kaynes to start generating revenue from the OSAT segment from 2QFY26. Kaynes' ability to have back-to-back tie-ups with foundries that would provide the wafers and end markets for these semiconductor chips holds the key, in our view.

With a gross asset turn of 1X in this business, we see Kaynes reaching Rs33 bn revenues by FY3031 (6 years after start of production). Kaynes in this segment would be competing with global players who are well established in the global semiconductor value chain. While global players enjoy 20%+ EBITDA margins in this segment, we are baking in only 17% margins in the steady state for Kaynes as ability to gain a foothold in the global market would require some investments from the company.

We see Kaynes generating 23% RoCE from its OSAT business with 70% capital subsidy, assuming 1X asset turns, 17% EBITDA margins and 75 days net working capital (as days of sales).



Kaynes would be generating only 7% RoCE from the OSAT business ex-subsidy should it margins and working capital remain at current level. Margins and net working capital moving in line with global peers (25% EBITDA margins with 50 days net working capital; as days of sales) would be the key for RoCE to be at least 13%.

With this business having a very high capital requirement and lower asset turns, we see Kaynes' return ratios declining over the near term. However, better margins and working capital terms should aid margins over the medium term.

The key risk in our view is the ability of Kaynes to further invest in this business over the medium term post the PLI incentive scheme without compromising on its return ratios and ability to fund future investments with internal accruals or partnerships.

**Exhibit 8: Kaynes OSAT revenue and margin estimates for Gujarat plant**

(Rs mn)	2026E	2027E	2028E	2029E	2030E	2031E
Revenue	2,500	4,500	9,000	17,600	27,000	33,000
yoy growth %		80%	100%	96%	53%	22%
EBITDA	125	450	1,080	2,640	4,590	5,610
EBITDA margin%	5%	10%	12%	15%	17%	17%

Source: Company, Kotak Institutional Equities estimates

**Exhibit 9: We expect Kaynes to generate 23% RoCE with 70% subsidy for the OSAT business**

Metric	Unit	Quantum	Comment
Capex	Rs bn	33.0	
Subsidy	Rs bn	23.1	70%
Debt	Rs bn	5.9	60% of net capex
Equity	Rs bn	4.0	
Revenues (after 7 years of commissioning)	Rs bn	33.0	1X asset cover
EBITDA	Rs bn	5.6	17% margin
Interest cost	Rs bn	0.6	10% interest cost
Depreciation	Rs bn	0.7	15 years on adjusted gross asset (after subsidy)
PBT	Rs bn	4.4	
PAT	Rs bn	3.3	25% tax rate
<b>RoCE</b>		<b>23%</b>	

Source: Company, Kotak Institutional Equities estimates

**Exhibit 10: For Kaynes to generate 13% RoCE (ex- subsidy), OSAT margins would need to improve to 25% with working capital days (as days of sales) in line with global majors**

Metric	Unit	Quantum	Comment
Capex	Rs bn	33.0	
Subsidy	Rs bn	—	0%
Debt	Rs bn	23.1	70% of net capex
Equity	Rs bn	9.9	
Revenues (after 7 years of commissioning)	Rs bn	33.0	1X asset cover
EBITDA	Rs bn	8.3	25% margin
Interest cost	Rs bn	2.3	10% interest cost
Depreciation	Rs bn	2.2	15 years on adjusted gross asset (after subsidy)
PBT	Rs bn	3.7	
PAT	Rs bn	2.8	25% tax rate
<b>RoCE</b>		<b>13%</b>	

Source: Company, Kotak Institutional Equities estimates

**We fine tune our FY2027 estimates by 1% as we expect a slight pick-up in OSAT execution for Kaynes**

**Exhibit 11: Change in estimates for Kaynes—consolidated, March fiscal year-ends (Rs mn)**

	2020	2021	2022	2023	2024	New estimates			Old estimates			% revision		
						2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
<b>Income statement</b>														
Net revenue	3,682	4,206	7,063	11,261	18,046	30,318	46,945	66,649	30,318	46,945	65,800	—	—	1
Yoy growth (%)		14.2	67.9	59.4	60.3	68	55	42	68	55	40			
EBITDA	423	421	937	1,683	2,542	4,457	6,592	9,572	4,457	6,592	9,445	—	—	1
EBITDA margin (%)	11.5	10.0	13.3	14.9	14.1	14.7	14.0	14.4	14.7	14.0	14.4	0 bps	0 bps	0 bps
Other income	19	40	41	114	559	868	535	428	868	535	474			
PBDIT	443	461	978	1,797	3,101	5,325	7,127	10,001	5,325	7,127	9,919	—	—	1
Interest & finance charges	(246)	(252)	(256)	(349)	(534)	(643)	(459)	(459)	(643)	(459)	(459)			
Depreciation	(84)	(101)	(132)	(187)	(251)	(541)	(1,026)	(1,564)	(541)	(1,026)	(1,564)			
PBT	113	109	590	1,260	2,316	4,141	5,641	7,978	4,141	5,641	7,896	—	—	1
Tax	(19)	(11)	(174)	(308)	(483)	(870)	(1,185)	(1,675)	(870)	(1,185)	(1,658)			
PAT	94	97	417	952	1,833	3,271	4,457	6,302	3,271	4,457	6,238	—	—	1
Exceptional items														
Minority interest & Share of JVs	—	—	—	—	—	—	—	—	—	—	—			
Reported PAT	94	97	417	952	1,833	3,271	4,457	6,302	3,271	4,457	6,238	—	—	1
Consolidated EPS (Rs)	1	2	7	15	29	51	70	99	51	70	98	—	—	1

Source: Company, Kotak Institutional Equities estimates

**We arrive at a valuation of Rs4,950/share for Kaynes Technology**

**Exhibit 12: DCF valuation of Kaynes Technology (consolidated), March fiscal year-ends, 2023-45E (Rs mn)**

(March fiscal year-ends, Rs mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2045E
<b>Free cash flow calculation</b>														
Revenue	11,261	18,046	30,318	46,945	66,649	92,811	128,838	170,493	213,990	258,189	310,595	366,644	424,604	1,029,521
yoy growth (%)	59.4	60.3	68.0	54.8	42.0	39.3	38.8	32.3	25.5	20.7	20.3	18.0	15.8	4.0
EBIT (excl. other income)	1,496	2,290	3,915	5,566	8,009	11,682	16,811	23,219	29,483	35,725	43,237	51,267	59,562	144,419
EBIT margin (%)	13.3	12.7	12.9	11.9	12.0	12.6	13.0	13.6	13.8	13.8	13.9	14.0	14.0	14.0
Effective tax rate (%)	24.5	20.8	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21
NOPAT	1,130	1,813	3,093	4,397	6,327	9,229	13,281	18,343	23,291	28,223	34,157	40,501	47,054	114,091
Change in working capital (excl. cash)	(1,629)	(1,534)	(2,665)	(4,007)	(4,748)	(6,304)	(8,682)	(10,038)	(10,482)	(10,651)	(12,629)	(13,507)	(13,967)	(9,764)
Depreciation	187	251	541	1,026	1,564	2,025	2,915	3,385	3,836	4,317	4,827	5,357	5,899	14,302
Capex	(581)	(3,826)	(5,000)	(11,500)	(10,750)	(9,236)	(17,789)	(9,394)	(9,022)	(9,635)	(10,182)	(10,604)	(10,838)	(14,302)
Govt capital grant	—	—	1,750	6,250	5,500	4,900	7,000	4,200	3,500	3,500	3,500	3,500	3,500	—
FCFF	(893)	(3,296)	(2,281)	(3,834)	(2,108)	614	(3,275)	6,496	11,123	15,754	19,673	25,247	31,648	104,327

Post tax cost of debt (%)	7.6
Risk free rate (%)	7.0
Risk premium (%)	4.9
Beta	1.3
Cost of equity	13.3
1HFY24 debt	2,592
1HFY24 equity	10,173
WACC (%)	12.1

		WACC %				
		11.1	11.6	12.1	12.6	13.1
Terminal growth rate (%)	3.0	5,690	5,140	4,660	4,230	3,860
	3.5	5,900	5,310	4,800	4,350	3,960
	4.0	6,140	5,500	4,950	4,480	4,060
	4.5	6,410	5,720	5,130	4,630	4,190
	5.0	6,730	5,970	5,340	4,790	4,320

September 2026E-based Fair value (Rs/share) 4,950

Source: Company, Kotak Institutional Equities estimates

Exhibit 13: Summary financials of Kaynes Technology India Ltd (consolidated), March fiscal year-ends, 2020-27E (Rs mn)

	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Income statement</b>								
<b>Net revenues</b>	<b>3,682</b>	<b>4,206</b>	<b>7,063</b>	<b>11,261</b>	<b>18,046</b>	<b>30,318</b>	<b>46,945</b>	<b>66,649</b>
Total operating expenses	(3,259)	(3,786)	(6,126)	(9,578)	(15,505)	(25,861)	(40,353)	(57,077)
<b>EBITDA</b>	<b>423</b>	<b>421</b>	<b>937</b>	<b>1,683</b>	<b>2,542</b>	<b>4,457</b>	<b>6,592</b>	<b>9,572</b>
Depreciation & Amortization	(84)	(101)	(132)	(187)	(251)	(541)	(1,026)	(1,564)
<b>EBIT</b>	<b>340</b>	<b>320</b>	<b>805</b>	<b>1,496</b>	<b>2,290</b>	<b>3,915</b>	<b>5,566</b>	<b>8,009</b>
Other income	19	40	41	114	559	868	535	428
Interest expense	(246)	(252)	(256)	(349)	(534)	(643)	(459)	(459)
<b>PBT</b>	<b>113</b>	<b>109</b>	<b>590</b>	<b>1,260</b>	<b>2,316</b>	<b>4,141</b>	<b>5,641</b>	<b>7,978</b>
Tax expense	19	11	174	308	483	870	1,185	1,675
<b>Net profit</b>	<b>94</b>	<b>97</b>	<b>417</b>	<b>952</b>	<b>1,833</b>	<b>3,271</b>	<b>4,457</b>	<b>6,302</b>
<b>Reported PAT</b>	<b>94</b>	<b>97</b>	<b>417</b>	<b>952</b>	<b>1,833</b>	<b>3,271</b>	<b>4,457</b>	<b>6,302</b>
<b>Recurring EPS</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>15</b>	<b>29</b>	<b>51</b>	<b>70</b>	<b>99</b>
<b>Balance sheet</b>								
<b>Shareholders' funds</b>	<b>1,027</b>	<b>1,387</b>	<b>2,026</b>	<b>9,590</b>	<b>24,869</b>	<b>28,140</b>	<b>32,597</b>	<b>38,899</b>
Share capital	68	79	465	581	639	639	639	639
Reserves & surplus	959	1,308	1,560	9,009	24,230	27,501	31,958	38,260
Debt	1,438	1,395	1,695	1,359	3,061	3,061	3,061	3,061
Deferred tax liabilities	79	52	68	77	102	102	102	102
Minority interest and other liabilities	123	105	216	218	207	1,957	8,207	13,707
<b>Total sources of funds</b>	<b>2,667</b>	<b>2,939</b>	<b>4,005</b>	<b>11,244</b>	<b>28,239</b>	<b>33,260</b>	<b>43,966</b>	<b>55,769</b>
Net fixed assets	638	659	864	1,587	4,091	8,550	19,024	28,210
Net working capital (ex-cash)	1,668	1,795	2,429	4,505	6,198	8,863	12,870	17,619
Investments	238	342	496	293	2,694	2,694	2,694	2,694
Cash and bank balances and current investments	123	143	216	4,860	15,256	13,153	9,379	7,247
<b>Total application of funds</b>	<b>2,667</b>	<b>2,939</b>	<b>4,005</b>	<b>11,244</b>	<b>28,239</b>	<b>33,260</b>	<b>43,966</b>	<b>55,769</b>
<b>Free cash flow</b>								
Operating profit before wcap. changes	427	196	722	1,713	2,717	5,325	7,127	10,001
Change in working capital / other adjustments	44	(112)	(734)	(1,629)	(1,534)	(2,665)	(4,007)	(4,748)
Direct tax paid	(19)	172	224	(503)	(481)	(870)	(1,185)	(1,675)
<b>Net cashflow from operating activities</b>	<b>452</b>	<b>256</b>	<b>211</b>	<b>(419)</b>	<b>701</b>	<b>1,790</b>	<b>1,935</b>	<b>3,577</b>
Capex	(312)	(250)	(422)	(581)	(3,826)	(5,000)	(11,500)	(10,750)
<b>Free cash flow (CFO + net capex)</b>	<b>140</b>	<b>6</b>	<b>(211)</b>	<b>(1,001)</b>	<b>(3,125)</b>	<b>(3,210)</b>	<b>(9,565)</b>	<b>(7,173)</b>
<b>Growth (%)</b>								
Revenue growth		14.2	67.9	59.4	60.3	68.0	54.8	42.0
EBITDA growth		(0.6)	122.6	79.7	51.0	75.3	47.9	45.2
Recurring PAT growth		4.2	327.8	128.5	92.5	78.5	36.2	41.4
<b>Key ratios</b>								
EBITDA margin (%)	11.5	10.0	13.3	14.9	14.1	14.7	14.0	14.4
Net debt/equity (X)	1.3	0.9	0.7	(0.4)	(0.5)	(0.4)	(0.2)	(0.1)
Net debt/EBITDA (X)	3.1	3.0	1.6	(2.1)	(4.8)	(2.3)	(1.0)	(0.4)
Book value per share (Rs)	18	24	35	165	428	484	561	670
RoAE (%)	9.1	8.1	24.4	16.4	10.6	12.3	14.7	17.6
RoACE (%)	11.4	10.9	17.5	15.4	9.3	10.5	13.2	16.3

Source: Company, Kotak Institutional Equities estimates

# Automobiles & Components

India

Sector View: **Cautious**

NIFTY-50: 25,279

September 02, 2024

## Weak across most segments; eyes on upcoming festive season

The auto sector reported a weak set of wholesale numbers, especially driven by PV, CV and tractor OEMs. Domestic 2W segment performance was marginally ahead of our expectations (except Royal Enfield) led by channel filling and steady demand trends. Domestic PV and CV segments reported yoy decline in volumes due to (1) weak demand trends and (2) lower conversion in sales due to monsoon, whereas tractor volumes remained flat on yoy basis. Export 2W demand remained flat on a yoy basis in August 2024 and EV 2W segment witnessed strong growth driven by newer launches by incumbents.

### Domestic PV volumes declined by low single digit yoy in August 2024

As per our estimates, domestic PV industry wholesale volumes declined by low single digit yoy due to weak retail demand trends and higher inventory levels (~70 days) at the dealerships. Also, retail sales declined by mid-single digit yoy in August 2024. MSIL's total volumes declined by 4% yoy in August 2024 owing to 5% yoy decline in domestic volumes, partly offset by 6% yoy growth in exports volumes. As per our estimates, MSIL's wholesales market share stood at ~40.5-41% (-250 bps yoy). Tata Motors reported 3% yoy decline in PV volumes, whereas M&M's PV volumes increased by 16% yoy in August 2024. Hyundai Motors reported 8% decline in volumes whereas Toyota India posted a growth of 37% yoy in August 2024. Kia and MG Motors witnessed uptick in volumes.

### Domestic 2W wholesales witnessed high single digit yoy growth in August 2024

Domestic 2W wholesale segment volumes witnessed high single digit yoy growth partly on account of channel filling ahead of festival season for most of the OEMs. Also, domestic ICE retail sales growth improved to mid-single digit on a yoy basis. EV 2W retail sales posted an increase of 41% yoy in August 2024 led by mass market EV launches by incumbents and sharp discounts offered by a few players. Exports volume growth remained flat on a sequential basis. HMCL's volumes improved by 5% yoy whereas TVS Motor reported a 14% yoy increase in 2W volumes driven by 13-19% yoy growth in domestic and export segments. Royal Enfield volumes declined by 5% yoy whereas Bajaj Auto volumes grew by 18% on yoy basis driven by domestic 2W segment.

### CV segment volumes remained below our expectations

Domestic CV segment volumes declined by low double digit yoy due to weakness in MHCV truck and LCV segments. Tata Motors domestic CV volumes declined by 15% yoy, led by (1) 23% yoy decline in SCV cargo and (2) 15% decline in M&HCV trucks. Ashok Leyland reported 7% yoy decline in volumes, whereas VECV's volumes increased by 1% yoy in August 2024.

### Domestic tractor volumes remained flat on a yoy basis in August 2024

As per our estimates, domestic tractor industry volumes remained flat (5-6% below our estimates) on a yoy basis owing to uneven spatial distribution of rain with deficit rainfall in northern and eastern regions. However, we expect pickup in tractor sales during 2HFY25E. M&M tractor volumes grew by 1% yoy whereas Escort Kubota's tractor volumes remained flat yoy in August 2024.

### Quick Numbers

MSIL total volumes declined by 4% yoy led by 5% yoy decline in domestic volumes, partly offset by 6% yoy increase in exports segment volumes in August 2024

M&M PV volumes grew by 16% yoy in August 2024

Tata Motors PV volumes declined by 3% yoy in August 2024

TVS Motor total volumes increased by 14% yoy in August 2024

Bajaj Auto total volumes increased by 18% yoy in August 2024

Royal Enfield volumes declined by 5% yoy in August 2024

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**Maruti Suzuki total volumes declined by 4% yoy in August 2024; domestic volumes declined by 5% on a yoy basis**

**Exhibit 1: Exhibit 1: Maruti Suzuki monthly sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
Mini (Alto, S Presso)	12,209	10,351	14,568	9,959	2,557	15,849	14,782	11,829	11,519	9,902	9,395	9,960	10,648	51,424	62,199
Compact (Swift, Baleno, Ritz, Celerio, Dzire, New Wagnor, Ignis)	72,451	68,552	80,662	64,679	45,741	76,533	71,627	69,844	56,953	68,206	64,049	58,682	58,051	305,941	350,378
UV (Ertiga, S-Cross, Brezza, XL6, Grand Vitara, Fronx, Jimny, Invicto)	58,746	59,271	59,147	49,016	45,957	62,038	61,234	58,436	56,553	54,204	52,373	56,302	62,684	282,116	247,196
Van (Omni and Eeco)	11,859	11,147	12,975	10,226	10,034	12,019	12,147	12,019	12,060	10,960	10,771	11,916	10,985	56,692	56,572
Sedan (Ciaz)	849	1,491	695	278	489	363	481	590	867	730	572	603	707	3,479	5,950
Light commercial vehicle	2,564	2,294	3,894	2,509	1,714	3,412	3,126	3,612	2,496	2,692	2,758	2,891	2,495	13,332	13,202
Sales to other OEMs	5,790	5,726	5,325	4,822	4,175	5,229	5,147	4,974	5,481	10,490	8,277	10,702	10,209	45,159	23,214
<b>Total domestic</b>	<b>164,468</b>	<b>158,832</b>	<b>177,266</b>	<b>141,489</b>	<b>110,667</b>	<b>175,443</b>	<b>168,544</b>	<b>161,304</b>	<b>145,929</b>	<b>157,184</b>	<b>148,195</b>	<b>151,056</b>	<b>155,779</b>	<b>758,143</b>	<b>758,711</b>
Exports	24,614	22,511	21,951	22,950	26,884	23,921	28,927	25,892	22,160	17,367	31,033	23,985	26,003	120,548	110,031
<b>Total volumes</b>	<b>189,082</b>	<b>181,343</b>	<b>199,217</b>	<b>164,439</b>	<b>137,551</b>	<b>199,364</b>	<b>197,471</b>	<b>187,196</b>	<b>168,089</b>	<b>174,551</b>	<b>179,228</b>	<b>175,041</b>	<b>181,782</b>	<b>878,691</b>	<b>868,742</b>
<b>Yoy change (%)</b>															
Mini (Alto, S Presso)	(44.9)	(65.0)	(41.6)	(45.4)	(73.8)	(37.7)	(32.4)	2.1	(18.4)	(19.1)	(33.2)	3.9	(12.8)	(17.3)	
Compact (Swift, Baleno, Ritz, Celerio, Dzire, New Wagnor, Ignis)	1.2	(5.0)	9.5	(11.2)	(20.5)	3.6	(10.4)	(2.8)	(24.0)	(4.5)	(0.7)	(12.5)	(19.9)	(12.7)	
UV (Ertiga, S-Cross, Brezza, XL6, Grand Vitara, Fronx, Jimny, Invicto)	118.1	82.0	91.0	50.5	39.2	75.5	82.5	57.7	53.9	17.2	20.7	(9.3)	6.7	14.1	
Van (Omni and Eeco)	(1.2)	(12.2)	46.4	42.4	(5.2)	2.6	7.0	0.2	14.8	(14.5)	15.1	(1.0)	(7.4)	0.2	
Sedan (Ciaz)	(44.0)	9.7	(63.1)	(82.1)	(57.6)	(63.7)	(39.3)	96.7	(14.7)	(26.4)	(67.2)	(55.3)	(16.7)	(41.5)	
Light commercial vehicle	(23.9)	(8.4)	33.7	(5.7)	12.4	(15.1)	(6.9)	(10.2)	13.5	(6.8)	(7.8)	13.0	(2.7)	1.0	
Sales to other OEMs	(5.9)	42.5	39.3	13.4	4.0	38.5	19.9	57.2	35.7	109.4	128.1	125.5	76.3	94.5	
<b>Total domestic</b>	<b>14.5</b>	<b>2.5</b>	<b>20.5</b>	<b>1.6</b>	<b>(5.9)</b>	<b>13.1</b>	<b>8.7</b>	<b>15.3</b>	<b>1.7</b>	<b>3.7</b>	<b>6.1</b>	<b>(5.3)</b>	<b>(5.3)</b>	<b>(0.1)</b>	
Exports	14.6	5.2	7.4	16.3	23.3	37.5	68.1	(14.0)	30.6	(34.4)	57.0	8.0	5.6	9.6	
<b>Total volumes</b>	<b>14.5</b>	<b>2.9</b>	<b>18.9</b>	<b>3.4</b>	<b>(1.3)</b>	<b>15.5</b>	<b>14.6</b>	<b>10.1</b>	<b>4.7</b>	<b>(2.0)</b>	<b>12.4</b>	<b>(3.6)</b>	<b>(3.9)</b>	<b>1.1</b>	

Source: Company, Kotak Institutional Equities

**Automotive volumes increased by 9% yoy in August 2024; total tractor volumes improved by 1% yoy in August 2024**

**Exhibit 2: Exhibit 2: Mahindra & Mahindra monthly sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
Passenger UVs (incl. Verito)	37,270	41,267	43,708	39,981	35,184	43,068	42,401	40,631	41,008	43,218	40,022	41,623	43,277	209,148	173,637
Commercial Vehicles	23,613	23,997	25,715	22,211	17,888	23,481	22,825	20,930	22,372	19,826	20,594	19,713	21,092	103,597	105,763
3-wheelers	7,044	7,921	9,402	6,568	5,307	5,649	6,158	5,279	5,504	5,967	6,184	3,593	9,326	30,574	31,305
Exports (Auto sector)	2,423	2,419	1,854	1,816	1,819	1,746	1,539	1,573	1,857	2,671	2,597	1,515	3,060	11,700	11,897
<b>Auto division</b>	<b>70,350</b>	<b>75,604</b>	<b>80,679</b>	<b>70,576</b>	<b>60,198</b>	<b>73,944</b>	<b>72,923</b>	<b>68,413</b>	<b>70,741</b>	<b>71,682</b>	<b>69,397</b>	<b>66,444</b>	<b>76,755</b>	<b>355,019</b>	<b>322,602</b>
Tractors (Dom + Exp)	21,676	43,210	50,460	32,074	19,138	23,948	21,672	26,024	37,039	37,109	47,319	27,209	21,917	170,593	161,860
<b>Total</b>	<b>92,026</b>	<b>118,814</b>	<b>131,139</b>	<b>102,650</b>	<b>79,336</b>	<b>97,892</b>	<b>94,595</b>	<b>94,437</b>	<b>107,780</b>	<b>108,791</b>	<b>116,716</b>	<b>93,653</b>	<b>98,672</b>	<b>525,612</b>	<b>484,462</b>
<b>Yoy change (%)</b>															
Passenger UVs (incl. Verito)	24.8	19.6	35.3	31.6	23.7	30.4	39.7	12.9	18.2	31.5	22.8	15.0	16.1	20.5	
Commercial vehicles	9.9	10.8	22.6	13.4	(10.9)	8.1	9.5	(6.1)	10.6	(1.2)	(1.7)	(5.7)	(10.7)	(2.0)	
3-wheelers	47.0	37.2	85.0	26.4	5.0	(13.9)	15.1	(7.3)	(0.9)	2.0	(3.0)	(44.6)	32.4	(2.3)	
Exports (Auto sector)	(16.8)	(4.7)	(32.7)	(41.8)	(41.3)	(42.0)	(31.6)	(25.6)	2.4	2.1	3.7	(40.4)	26.3	(1.7)	
<b>Auto division</b>	<b>19.1</b>	<b>17.2</b>	<b>32.0</b>	<b>21.1</b>	<b>6.2</b>	<b>14.9</b>	<b>24.0</b>	<b>3.5</b>	<b>13.6</b>	<b>16.7</b>	<b>11.2</b>	<b>0.5</b>	<b>9.1</b>	<b>10.0</b>	
Tractors (Dom + Exp)	0.7	(11.3)	(3.0)	5.1	(17.7)	(17.2)	(16.0)	(25.7)	1.7	8.7	6.4	8.1	1.1	5.4	
<b>Total</b>	<b>14.2</b>	<b>5.0</b>	<b>15.9</b>	<b>15.6</b>	<b>(0.7)</b>	<b>5.0</b>	<b>11.8</b>	<b>(6.6)</b>	<b>9.2</b>	<b>13.9</b>	<b>9.2</b>	<b>2.6</b>	<b>7.2</b>	<b>8.5</b>	

Source: Company, Kotak Institutional Equities

**Tata Motors total volumes declined by 8% on a yoy basis in August 2024**

**Exhibit 3: Exhibit 3: Tata Motors monthly sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
CVs	32,077	39,064	34,317	28,029	34,180	32,092	35,085	42,262	29,538	29,691	31,980	27,042	27,207	145,458	150,816
PVs	45,933	45,317	48,637	46,143	43,675	54,033	51,321	50,297	47,983	47,075	43,624	44,954	44,486	228,122	234,072
<b>Total sales</b>	<b>78,010</b>	<b>84,381</b>	<b>82,954</b>	<b>74,172</b>	<b>77,855</b>	<b>86,125</b>	<b>86,406</b>	<b>92,559</b>	<b>77,521</b>	<b>76,766</b>	<b>75,604</b>	<b>71,996</b>	<b>71,693</b>	<b>373,580</b>	<b>384,888</b>
<b>Yoy change (%)</b>															
CVs	1.9	12.0	4.3	(3.5)	0.7	(2.1)	(4.0)	(9.7)	31.3	2.4	(6.8)	(17.9)	(15.2)	(3.6)	
PVs	(3.0)	(5.3)	7.1	(0.6)	8.1	11.9	19.0	13.7	1.9	2.4	(7.9)	(5.7)	(3.2)	(2.5)	
<b>Total sales</b>	<b>(1.1)</b>	<b>2.0</b>	<b>5.9</b>	<b>(1.7)</b>	<b>4.7</b>	<b>6.2</b>	<b>8.4</b>	<b>1.7</b>	<b>11.4</b>	<b>2.4</b>	<b>(7.4)</b>	<b>(10.7)</b>	<b>(8.1)</b>	<b>(2.9)</b>	

Source: Company, Kotak Institutional Equities

**VECV volumes improved by 1% yoy in August 2024**

Exhibit 4: Exhibit 4: VECV monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
Domestic volumes	5,907	6,715	7,078	4,686	7,468	6,503	6,930	10,525	4,898	6,304	6,893	6,044	6,028	30,167	29,463
Export volumes	332	250	201	303	321	355	316	461	356	415	421	400	255	1,847	1,514
Volvo Volumes	237	233	208	205	236	208	178	256	123	182	110	178	260	853	947
<b>Total sales</b>	<b>6,476</b>	<b>7,198</b>	<b>7,487</b>	<b>5,194</b>	<b>8,025</b>	<b>7,066</b>	<b>7,424</b>	<b>11,242</b>	<b>5,377</b>	<b>6,901</b>	<b>7,424</b>	<b>6,622</b>	<b>6,543</b>	<b>32,867</b>	<b>31,924</b>
<b>Yoy change (%)</b>															
Domestic volumes	30.4	12.1	27.4	4.5	11.9	(4.2)	1.9	(6.6)	(20.3)	7.3	10.7	13.8	2.0	2.4	
Export volumes	(8.5)	(50.6)	(43.5)	27.8	(3.3)	76.6	5.0	11.4	38.5	66.0	68.4	(5.9)	(23.2)	22.0	
Volvo Volumes	115.5	75.2	63.8	12.0	8.3	10.1	(5.8)	11.8	(26.8)	(14.6)	(41.5)	26.2	9.7	(9.9)	
<b>Total sales</b>	<b>29.4</b>	<b>8.6</b>	<b>24.0</b>	<b>5.9</b>	<b>11.1</b>	<b>(1.6)</b>	<b>1.9</b>	<b>(5.6)</b>	<b>(18.1)</b>	<b>8.9</b>	<b>11.4</b>	<b>12.7</b>	<b>1.0</b>	<b>3.0</b>	

Source: Company, Kotak Institutional Equities

**Royal Enfield volumes declined by 5% yoy in August 2024**

Exhibit 5: Exhibit 5: Royal Enfield monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
<b>Royal Enfield</b>	<b>77,583</b>	<b>78,580</b>	<b>84,435</b>	<b>80,251</b>	<b>63,327</b>	<b>76,187</b>	<b>75,935</b>	<b>75,551</b>	<b>81,870</b>	<b>71,010</b>	<b>73,141</b>	<b>67,265</b>	<b>73,629</b>	<b>366,915</b>	<b>378,466</b>
Domestic	69,393	74,261	80,958	75,137	57,231	70,556	67,922	66,044	75,038	63,531	66,117	61,208	65,623	331,517	342,686
Exports	8,190	4,319	3,477	5,114	6,096	5,631	8,013	9,507	6,832	7,479	7,024	6,057	8,006	35,398	35,780
<b>Yoy change (%)</b>															
<b>Royal Enfield</b>	<b>10.7</b>	<b>(4.3)</b>	<b>2.7</b>	<b>13.4</b>	<b>(7.4)</b>	<b>1.9</b>	<b>6.1</b>	<b>4.6</b>	<b>11.9</b>	<b>(8.3)</b>	<b>(5.1)</b>	<b>(8.1)</b>	<b>(5.1)</b>	<b>(3.1)</b>	
Domestic	10.3	0.8	5.8	14.3	(4.3)	4.2	5.4	10.3	8.9	(10.3)	(2.0)	(7.4)	(5.4)	(3.3)	
Exports	13.4	(48.9)	(39.1)	2.2	(28.9)	(20.1)	12.7	(23.0)	60.6	12.2	(26.9)	(14.1)	(2.2)	(1.1)	

Source: Company, Kotak Institutional Equities

**Escorts Kubota volumes improved by 1% on a yoy basis in August 2024**

Exhibit 6: Exhibit 6: Escorts Kubota monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
<b>Escorts Kubota</b>	<b>5,593</b>	<b>10,861</b>	<b>13,205</b>	<b>8,258</b>	<b>4,536</b>	<b>6,185</b>	<b>6,481</b>	<b>8,587</b>	<b>7,515</b>	<b>8,612</b>	<b>9,593</b>	<b>5,769</b>	<b>5,624</b>	<b>37,113</b>	<b>37,745</b>
Domestic	5,198	10,114	12,642	7,855	4,131	5,817	6,041	8,054	7,168	8,232	9,359	5,346	5,215	35,320	35,585
Exports	395	747	563	403	405	368	440	533	347	380	234	423	409	1,793	2,160
<b>Yoy change (%)</b>															
<b>Escorts Kubota</b>	<b>(8.5)</b>	<b>(11.2)</b>	<b>(8.9)</b>	<b>3.7</b>	<b>(18.6)</b>	<b>(7.0)</b>	<b>(17.0)</b>	<b>(16.7)</b>	<b>(0.7)</b>	<b>(6.1)</b>	<b>(2.6)</b>	<b>3.6</b>	<b>0.6</b>	<b>(1.7)</b>	
Domestic	(2.1)	(11.2)	(8.7)	6.7	(17.0)	(6.7)	(16.6)	(16.1)	(1.2)	(5.4)	1.0	3.6	0.3	(0.7)	
Exports	(50.8)	(11.9)	(13.3)	(32.9)	(31.8)	(11.1)	(22.3)	(24.3)	10.9	(17.9)	(59.7)	3.4	3.5	(17.0)	

Source: Company, Kotak Institutional Equities

**TVS Motor's total volumes increased by 13% yoy in August 2024**

Exhibit 7: Exhibit 7: TVS Motor monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Sales volume (units)</b>															
Motorcycles	153,047	186,438	201,965	172,386	148,049	155,611	184,023	171,611	188,110	173,627	152,701	153,942	170,486	838,866	769,810
Scooters	142,502	155,256	165,135	135,749	103,167	132,290	132,152	131,472	144,126	145,305	128,986	139,995	163,629	722,041	614,459
Mopeds	36,561	45,261	53,510	43,968	38,848	42,036	41,635	41,363	42,356	40,658	40,481	45,739	44,726	213,960	178,630
Three-wheelers	13,738	15,598	14,104	12,128	11,834	9,576	10,614	10,146	9,023	10,324	11,478	14,464	12,747	58,036	62,170
<b>Total sales</b>	<b>345,848</b>	<b>402,553</b>	<b>434,714</b>	<b>364,231</b>	<b>301,898</b>	<b>339,513</b>	<b>368,424</b>	<b>354,592</b>	<b>383,615</b>	<b>369,914</b>	<b>333,646</b>	<b>354,140</b>	<b>391,588</b>	<b>1,832,903</b>	<b>1,625,069</b>
<b>Yoy change (%)</b>															
Motorcycles	(2.6)	10.1	22.7	18.9	18.7	28.6	45.8	21.5	23.5	7.0	3.0	0.0	11.4	9.0	
Scooters	16.9	7.6	22.2	62.2	34.4	24.2	26.1	2.1	34.1	19.9	6.3	14.8	14.8	17.5	
Mopeds	0.0	(5.8)	19.3	25.8	48.3	13.2	15.8	10.3	21.3	13.3	16.2	25.6	22.3	19.8	
Total three-wheelers	(24.7)	(9.7)	(9.9)	(10.0)	(17.5)	(8.0)	16.3	5.8	(21.1)	(8.8)	(4.4)	5.8	(7.2)	(6.6)	
<b>Total sales</b>	<b>3.6</b>	<b>6.2</b>	<b>20.7</b>	<b>31.4</b>	<b>24.7</b>	<b>23.4</b>	<b>33.4</b>	<b>11.8</b>	<b>25.3</b>	<b>11.9</b>	<b>5.4</b>	<b>8.6</b>	<b>13.2</b>	<b>12.8</b>	

Source: Company, Kotak Institutional Equities

**Ashok Leyland volumes declined by 7% yoy in August 2024**

Exhibit 8: Exhibit 8: Ashok Leyland monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD		
														2025	2024	
<b>Sales volume (units)</b>																
LCV	5,813	6,450	6,679	5,553	5,524	5,721	6,095	7,304	5,148	5,439	5,421	5,488	5,800	27,296	26,474	
MHCV	9,763	12,752	10,185	8,500	10,798	10,218	11,369	15,562	9,123	9,243	9,519	8,440	8,663	44,988	45,499	
<b>Total CVs</b>	<b>15,576</b>	<b>19,202</b>	<b>16,864</b>	<b>14,053</b>	<b>16,322</b>	<b>15,939</b>	<b>17,464</b>	<b>22,866</b>	<b>14,271</b>	<b>14,682</b>	<b>14,940</b>	<b>13,928</b>	<b>14,463</b>	<b>72,284</b>	<b>71,973</b>	
<b>Yoy change (%)</b>																
LCV	1.2	3.4	15.0	9.2	(6.0)	(7.0)	3.3	2.1	2.1	11.8	3.1	(0.2)	(0.2)	3.1		
MHCV	16.5	12.7	12.5	(10.3)	(11.9)	(7.5)	(10.3)	(7.2)	15.0	11.8	(4.4)	(11.8)	(11.3)	(1.1)		
<b>Total CVs</b>	<b>10.3</b>	<b>9.4</b>	<b>13.5</b>	<b>(3.5)</b>	<b>(10.0)</b>	<b>(7.3)</b>	<b>(6.0)</b>	<b>(4.4)</b>	<b>10.0</b>	<b>11.8</b>	<b>(1.8)</b>	<b>(7.6)</b>	<b>(7.1)</b>	<b>0.4</b>		

Source: Company, Kotak Institutional Equities

**HMCL reported 5% yoy increase in volumes in August 2024**

Exhibit 9: Exhibit 9: Hero MotoCorp monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
Total sales	488,717	536,499	574,930	491,050	393,952	433,598	468,410	490,415	533,585	498,123	503,448	370,274	512,360	2,417,790	2,232,601
<b>Yoy change (%)</b>	<b>5.7</b>	<b>3.1</b>	<b>26.6</b>	<b>25.6</b>	<b>(0.1)</b>	<b>21.6</b>	<b>18.7</b>	<b>(5.6)</b>	<b>34.7</b>	<b>(4.1)</b>	<b>15.2</b>	<b>(5.4)</b>	<b>4.8</b>	<b>8.3</b>	

Source: Company, Kotak Institutional Equities

**Bajaj Auto reported 16% volume growth yoy in August 2024**

Exhibit 10: Exhibit 10: Bajaj Auto monthly sales volume, March fiscal year-ends (units)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD		
														2025	2024	
<b>Sales volume (units)</b>																
Domestic motorcycles	160,820	202,510	278,486	218,597	158,370	193,350	170,527	183,004	216,950	188,340	177,207	168,847	208,621	959,965	845,741	
Export motorcycles	124,211	125,202	129,658	130,451	124,631	114,898	124,157	130,881	124,839	117,142	126,439	128,694	126,557	623,671	597,460	
<b>Total motorcycles</b>	<b>285,031</b>	<b>327,712</b>	<b>408,144</b>	<b>349,048</b>	<b>283,001</b>	<b>308,248</b>	<b>294,684</b>	<b>313,885</b>	<b>341,789</b>	<b>305,482</b>	<b>303,646</b>	<b>297,541</b>	<b>335,178</b>	<b>1,583,636</b>	<b>1,443,201</b>	
Domestic three-wheelers	44,280	50,683	51,132	39,147	32,549	36,693	36,367	37,389	32,133	36,747	39,244	42,150	45,206	195,480	180,178	
Exports three-wheelers	12,337	14,163	11,912	14,808	11,256	11,069	15,611	14,630	14,334	13,094	15,587	14,478	17,420	74,913	65,423	
<b>Total three-wheelers</b>	<b>56,617</b>	<b>64,846</b>	<b>63,044</b>	<b>53,955</b>	<b>43,805</b>	<b>47,762</b>	<b>51,978</b>	<b>52,019</b>	<b>46,467</b>	<b>49,841</b>	<b>54,831</b>	<b>56,628</b>	<b>62,626</b>	<b>270,393</b>	<b>245,601</b>	
<b>Total sales</b>	<b>341,648</b>	<b>392,558</b>	<b>471,188</b>	<b>403,003</b>	<b>326,806</b>	<b>356,010</b>	<b>346,662</b>	<b>365,904</b>	<b>388,256</b>	<b>355,323</b>	<b>358,477</b>	<b>354,169</b>	<b>397,804</b>	<b>1,854,029</b>	<b>1,688,802</b>	
<b>Yoy change (%)</b>																
Domestic motorcycles	(31.2)	(9.2)	35.1	77.0	26.2	37.7	41.7	20.2	19.3	(3.3)	6.6	18.9	29.7	13.5		
Exports motorcycles	2.0	(0.2)	(4.5)	(5.9)	2.6	14.1	7.9	38.2	17.6	3.8	(0.7)	1.5	1.9	4.4		
<b>Total motorcycles</b>	<b>(19.9)</b>	<b>(5.9)</b>	<b>19.4</b>	<b>33.2</b>	<b>14.6</b>	<b>27.8</b>	<b>25.2</b>	<b>27.1</b>	<b>18.7</b>	<b>(0.7)</b>	<b>3.4</b>	<b>10.7</b>	<b>17.6</b>	<b>9.7</b>		
Domestic three-wheelers	93.8	59.6	37.7	34.2	41.3	11.7	10.4	9.2	2.5	9.4	16.5	13.1	2.1	8.5		
Exports three-wheelers	(46.2)	(3.3)	(32.6)	(1.8)	0.6	(8.1)	31.0	41.6	20.0	(5.5)	14.3	6.2	41.2	14.5		
<b>Total three-wheelers</b>	<b>23.6</b>	<b>39.8</b>	<b>15.0</b>	<b>22.0</b>	<b>28.0</b>	<b>6.4</b>	<b>15.8</b>	<b>16.7</b>	<b>7.3</b>	<b>5.0</b>	<b>15.8</b>	<b>11.2</b>	<b>10.6</b>	<b>10.1</b>		
<b>Total sales</b>	<b>(14.9)</b>	<b>(0.6)</b>	<b>18.8</b>	<b>31.5</b>	<b>16.2</b>	<b>24.5</b>	<b>23.7</b>	<b>25.5</b>	<b>17.2</b>	<b>0.0</b>	<b>5.1</b>	<b>10.8</b>	<b>16.4</b>	<b>9.8</b>		

Source: Company, Kotak Institutional Equities

**PV retail volumes declined by 5% yoy in August 2024**

**Exhibit 11: OEM wise PV retail sales volume, March fiscal year-ends (units, %)**

Player-wise retail volumes (units)	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
Maruti Suzuki	136,047	141,596	148,250	153,345	120,250	175,808	133,437	128,708	139,400	123,482	116,103	132,188	124,560	635,733	610,617
Hyundai Motors	48,260	50,576	52,099	51,206	40,183	52,851	47,488	44,480	49,170	45,423	39,087	44,043	42,061	219,784	223,274
Mahindra & Mahindra	32,500	34,705	37,454	41,497	32,631	43,087	39,619	39,602	38,594	34,349	36,495	39,269	38,367	187,074	158,816
Tata Motors	40,903	41,041	51,566	56,544	45,847	54,014	45,740	46,325	46,667	42,010	37,979	44,148	38,759	209,563	210,494
Kia Motors	18,936	21,621	21,924	20,753	16,171	19,529	20,896	20,059	19,777	19,344	16,764	19,275	18,496	93,656	85,069
Honda	4,739	7,042	8,559	8,533	8,095	9,378	6,767	6,476	6,245	4,901	4,329	4,993	4,725	25,193	24,780
Toyota	17,825	18,488	19,004	17,531	14,799	21,096	20,241	19,411	19,876	19,001	19,196	22,078	21,573	101,724	79,017
Renault	3,979	3,586	4,156	3,938	2,964	3,869	3,582	3,708	4,033	3,661	2,994	3,111	2,982	16,781	20,758
Nissan	2,013	2,176	2,299	2,518	2,127	2,825	2,461	2,128	2,254	2,073	1,599	1,859	1,946	9,731	10,826
MG Motor	4,283	4,020	4,285	4,257	3,470	4,537	3,913	3,791	4,255	4,468	3,827	4,066	3,889	20,505	21,653
Skoda	7,903	8,159	8,157	7,929	7,159	9,009	5,894	5,811	6,712	6,510	5,632	6,397	5,877	31,128	35,422
Others	5,724	6,203	6,696	6,753	6,249	5,967	6,101	5,749	5,582	4,760	4,730	5,396	4,518	24,986	31,856
<b>Total PV volumes</b>	<b>323,112</b>	<b>339,213</b>	<b>364,449</b>	<b>374,804</b>	<b>299,945</b>	<b>401,970</b>	<b>336,139</b>	<b>326,248</b>	<b>342,565</b>	<b>309,982</b>	<b>288,735</b>	<b>326,823</b>	<b>307,753</b>	<b>1,575,858</b>	<b>1,512,582</b>
<b>Yoy change (%)</b>	<b>9.2</b>	<b>21.5</b>	<b>1.7</b>	<b>22.0</b>	<b>5.3</b>	<b>15.1</b>	<b>13.9</b>	<b>(4.9)</b>	<b>18.0</b>	<b>1.1</b>	<b>(4.4)</b>	<b>12.6</b>	<b>(4.8)</b>	<b>4.2</b>	
<b>Market share</b>															
Maruti Suzuki	42.1	41.7	40.7	40.9	40.1	43.7	39.7	39.5	40.7	39.8	40.2	40.4	40.5	40.3	40.4
Hyundai Motors	14.9	14.9	14.3	13.7	13.4	13.1	14.1	13.6	14.4	14.7	13.5	13.5	13.7	13.9	14.8
Mahindra & Mahindra	10.1	10.2	10.3	11.1	10.9	10.7	11.8	12.1	11.3	11.1	12.6	12.0	12.5	11.9	10.5
Tata Motors	12.7	12.1	14.1	15.1	15.3	13.4	13.6	14.2	13.6	13.6	13.2	13.5	12.6	13.3	13.9
Kia Motors	5.9	6.4	6.0	5.5	5.4	4.9	6.2	6.1	5.8	6.2	5.8	5.9	6.0	5.9	5.6
Honda	1.5	2.1	2.3	2.3	2.7	2.3	2.0	2.0	1.8	1.6	1.5	1.5	1.5	1.6	1.6
Toyota	5.5	5.5	5.2	4.7	4.9	5.2	6.0	5.9	5.8	6.1	6.6	6.8	7.0	6.5	5.2
Renault	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.2	1.2	1.0	1.0	1.0	1.1	1.4
Nissan	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.7
MG Motor	1.3	1.2	1.2	1.1	1.2	1.1	1.2	1.2	1.2	1.4	1.3	1.2	1.3	1.3	1.4
Skoda	2.4	2.4	2.2	2.1	2.4	2.2	1.8	1.8	2.0	2.1	2.0	2.0	1.9	2.0	2.3
Others	1.8	1.8	1.8	1.8	2.1	1.5	1.8	1.8	1.6	1.5	1.6	1.7	1.5	1.6	2.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note:

(1) Retail sales do not include sales from Telangana and Lakshadweep

Source: Parivahan Sewa, Kotak Institutional Equities

**2W ICE retail volumes improved by 4% yoy in August 2024; EV segment volumes increased by 41% yoy in August 2024**

**Exhibit 12: OEM-wise 2W ICE retail sales volume, March fiscal year-ends (units)**

Player-wise retail volumes (units)	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
Hero MotoCorp	349,553	353,991	419,358	801,757	463,447	410,094	412,890	448,615	511,696	444,124	394,695	396,087	354,668	2,101,270	2,082,699
Bajaj Auto	141,926	142,523	170,226	263,183	172,002	177,342	171,532	181,490	196,244	175,340	144,817	144,073	132,326	792,800	763,873
TVS Motors	210,364	213,964	236,368	347,840	221,527	240,257	235,857	228,912	274,222	252,628	223,350	232,565	219,156	1,201,921	1,068,747
Honda	311,099	349,904	403,673	515,169	345,193	358,348	356,291	356,480	395,471	392,076	352,505	369,795	352,674	1,862,521	1,409,740
Royal Enfield	59,606	64,140	69,854	83,931	56,020	67,299	65,929	65,609	73,474	64,505	56,351	58,331	54,810	307,471	309,834
Classic Legends	2,369	2,481	2,773	3,311	2,519	2,887	2,618	2,544	2,831	2,503	2,088	2,191	2,058	11,671	11,855
Others	123,630	127,784	140,384	152,003	118,860	138,272	130,909	132,420	138,743	141,234	127,576	139,150	135,044	681,747	564,699
<b>Total ICE 2W</b>	<b>1,198,547</b>	<b>1,254,787</b>	<b>1,442,636</b>	<b>2,167,194</b>	<b>1,379,568</b>	<b>1,383,636</b>	<b>1,364,287</b>	<b>1,398,016</b>	<b>1,585,172</b>	<b>1,463,323</b>	<b>1,301,382</b>	<b>1,342,192</b>	<b>1,250,736</b>	<b>6,959,401</b>	<b>6,211,447</b>
<b>Yoy change (%)</b>	<b>6.1</b>	<b>22.3</b>	<b>(12.5)</b>	<b>21.8</b>	<b>28.6</b>	<b>14.8</b>	<b>13.1</b>	<b>2.1</b>	<b>35.6</b>	<b>4.9</b>	<b>2.5</b>	<b>13.8</b>	<b>4.4</b>	<b>12.0</b>	
<b>Total EV 2W</b>	<b>62,770</b>	<b>64,082</b>	<b>75,155</b>	<b>92,068</b>	<b>75,887</b>	<b>84,587</b>	<b>85,180</b>	<b>143,025</b>	<b>65,540</b>	<b>77,300</b>	<b>79,954</b>	<b>107,475</b>	<b>88,473</b>	<b>418,742</b>	<b>335,948</b>
<b>Yoy change (%)</b>	<b>20.2</b>	<b>20.3</b>	<b>(2.7)</b>	<b>19.9</b>	<b>17.4</b>	<b>30.7</b>	<b>28.9</b>	<b>65.6</b>	<b>(2.0)</b>	<b>(26.8)</b>	<b>73.4</b>	<b>96.8</b>	<b>40.9</b>	<b>24.6</b>	
<b>Total domestic 2W</b>	<b>1,261,317</b>	<b>1,318,869</b>	<b>1,517,791</b>	<b>2,259,262</b>	<b>1,455,455</b>	<b>1,468,223</b>	<b>1,449,467</b>	<b>1,541,041</b>	<b>1,650,712</b>	<b>1,540,623</b>	<b>1,381,336</b>	<b>1,449,667</b>	<b>1,339,209</b>	<b>7,378,143</b>	<b>6,547,395</b>
<b>Yoy change (%)</b>	<b>6.8</b>	<b>22.2</b>	<b>(12.0)</b>	<b>21.7</b>	<b>28.0</b>	<b>15.6</b>	<b>13.9</b>	<b>5.9</b>	<b>33.6</b>	<b>2.7</b>	<b>4.9</b>	<b>17.5</b>	<b>6.2</b>	<b>12.7</b>	
<b>Player-wise retail market share - ICE segment (%)</b>															
Hero MotoCorp	29.2	28.2	29.1	37.0	33.6	29.6	30.3	32.1	32.3	30.4	30.3	29.5	28.4	30.2	33.5
Bajaj Auto	11.8	11.4	11.8	12.1	12.5	12.0	11.7	11.7	11.9	11.4	11.1	10.7	10.6	11.4	12.3
TVS Motors	17.6	17.1	16.4	16.1	16.1	17.4	17.3	16.4	17.3	17.3	17.2	17.3	17.2	17.3	17.2
Honda	26.0	27.9	28.0	23.8	25.0	25.9	26.1	25.5	24.9	26.8	27.1	27.6	28.2	26.8	22.7
Royal Enfield	5.0	5.1	4.8	3.9	4.1	4.9	4.8	4.7	4.6	4.4	4.3	4.3	4.4	4.4	5.0
Classic Legends	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Others	10.3	10.2	9.7	7.0	8.6	10.0	9.6	9.5	8.8	9.7	9.8	10.4	10.8	9.8	9.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note:

(1) Retail sales do not include sales from Telangana and Lakshadweep

Source: Parivahan Sewa, Kotak Institutional Equities



**2W EV retail volumes increase by 41% yoy in July 2024 led by mass market EV launches by incumbents and price discounts by new age OEMs**

**Exhibit 13: OEM-wise 2W EV retail sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD		
														2025	2024	
<b>Player-wise retail volumes (units)</b>																
Ather Energy	7,154	7,194	8,481	9,339	6,552	9,370	9,078	17,304	4,142	6,149	6,206	10,181	10,830	37,508	41,675	
Okinawa	2,001	1,791	1,475	1,606	965	683	660	681	593	491	374	374	203	2,035	13,012	
Hero Electric	783	845	666	824	552	419	327	321	279	279	283	286	193	1,320	8,142	
Ampere	3,699	4,199	4,542	4,695	3,350	2,536	2,609	3,149	2,512	1,958	2,716	3,158	2,816	13,160	29,980	
Revolt	515	890	689	671	682	530	479	594	746	687	660	868	721	3,682	2,811	
TVS Motors	15,484	15,616	16,508	19,161	12,326	15,347	14,622	26,605	7,762	11,866	14,026	19,640	17,544	70,838	62,944	
Bajaj Auto	6,588	7,105	9,071	11,914	10,419	10,886	11,749	18,054	7,559	9,246	9,046	17,744	16,706	60,301	27,921	
Ola Electric	18,745	18,709	23,875	30,031	30,421	32,359	33,955	53,409	34,157	37,374	36,832	41,712	27,517	177,592	106,649	
Hero MotoCorp	915	534	1,937	3,046	1,599	1,496	1,756	4,077	956	2,460	3,081	5,060	4,742	16,299	3,266	
Others	6,743	7,032	7,807	10,680	8,942	10,893	9,881	18,747	6,834	6,790	6,730	8,452	7,201	36,007	38,348	
<b>Total EV two-wheelers</b>	<b>62,770</b>	<b>64,082</b>	<b>75,155</b>	<b>92,068</b>	<b>75,887</b>	<b>84,587</b>	<b>85,180</b>	<b>143,025</b>	<b>65,540</b>	<b>77,300</b>	<b>79,954</b>	<b>107,475</b>	<b>88,473</b>	<b>418,742</b>	<b>335,805</b>	
<b>Yoy change (%)</b>	<b>20.2</b>	<b>20.3</b>	<b>(2.7)</b>	<b>19.9</b>	<b>17.4</b>	<b>30.7</b>	<b>28.9</b>	<b>65.6</b>	<b>(2.0)</b>	<b>(26.8)</b>	<b>73.4</b>	<b>96.8</b>	<b>40.9</b>	<b>24.7</b>		
<b>Market share (%)</b>																
Ather Energy	11.4	11.2	11.3	10.1	8.6	11.1	10.7	12.1	6.3	8.0	7.8	9.5	12.2	9.0	12.4	
Okinawa	3.2	2.8	2.0	1.7	1.3	0.8	0.8	0.5	0.9	0.6	0.5	0.3	0.2	0.5	3.9	
Hero Electric	1.2	1.3	0.9	0.9	0.7	0.5	0.4	0.2	0.4	0.4	0.4	0.3	0.2	0.3	2.4	
Ampere	5.9	6.6	6.0	5.1	4.4	3.0	3.1	2.2	3.8	2.5	3.4	2.9	3.2	3.1	8.9	
Revolt	0.8	1.4	0.9	0.7	0.9	0.6	0.6	0.4	1.1	0.9	0.8	0.8	0.8	0.9	0.8	
TVS Motors	24.7	24.4	22.0	20.8	16.2	18.1	17.2	18.6	11.8	15.4	17.5	18.3	19.8	16.9	18.7	
Bajaj Auto	10.5	11.1	12.1	12.9	13.7	12.9	13.8	12.6	11.5	12.0	11.3	16.5	18.9	14.4	8.3	
Ola Electric	29.9	29.2	31.8	32.6	40.1	38.3	39.9	37.3	52.1	48.3	46.1	38.8	31.1	42.4	31.8	
Hero MotoCorp	1.5	0.8	2.6	3.3	2.1	1.8	2.1	2.9	1.5	3.2	3.9	4.7	5.4	3.9	1.0	
Others	10.7	11.0	10.4	11.6	11.8	12.9	11.6	13.1	10.4	8.8	8.4	7.9	8.1	8.6	11.4	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Note:

(1) Retail sales do not include sales from Telangana and Lakshadweep

Source: Parivahan Sewa, Kotak Institutional Equities

**Goods vehicle retail volumes declined by 10% on a yoy basis in August 2024**

**Exhibit 14: Goods vehicle retail sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD		
														2025	2024	
<b>Player-wise retail volumes (units)</b>																
Tata Motors	25,644	27,261	30,605	28,383	24,837	30,121	29,745	30,261	29,078	25,915	22,132	23,638	21,871	122,634	128,444	
Ashok Leyland	11,118	12,106	13,630	12,185	10,725	13,161	13,359	13,302	14,549	11,632	9,685	11,967	10,323	58,156	62,509	
VECV	4,312	4,802	5,612	4,859	4,161	5,187	5,219	5,421	5,577	4,919	3,921	4,808	4,731	23,956	24,277	
Daimler	1,361	1,527	1,768	1,645	1,419	2,050	1,765	1,789	1,845	1,654	1,345	1,451	1,347	7,642	7,556	
M&M	18,834	20,362	22,534	23,237	19,400	23,324	20,945	21,424	20,218	19,286	16,860	18,563	18,099	93,026	85,907	
Others	6,413	6,457	7,137	6,920	6,709	6,660	5,795	5,263	4,976	5,015	4,260	5,053	4,837	24,141	34,003	
<b>Total LGV</b>	<b>67,682</b>	<b>72,515</b>	<b>81,286</b>	<b>77,229</b>	<b>67,251</b>	<b>80,503</b>	<b>76,828</b>	<b>77,460</b>	<b>76,243</b>	<b>68,421</b>	<b>58,203</b>	<b>65,480</b>	<b>61,208</b>	<b>329,555</b>	<b>342,696</b>	
<b>Yoy change (%)</b>	<b>(2.8)</b>	<b>(3.2)</b>	<b>4.0</b>	<b>(10.8)</b>	<b>(8.0)</b>	<b>(2.5)</b>	<b>(0.9)</b>	<b>(10.7)</b>	<b>(2.6)</b>	<b>(0.5)</b>	<b>(8.9)</b>	<b>2.2</b>	<b>(9.6)</b>	<b>(3.8)</b>		
<b>Market share (%)</b>																
Tata Motors	37.9	37.6	37.7	36.8	36.9	37.4	38.7	39.1	38.1	37.9	38.0	36.1	35.7	37.2	37.5	
Ashok Leyland	16.4	16.7	16.8	15.8	15.9	16.3	17.4	17.2	19.1	17.0	16.6	18.3	16.9	17.6	18.2	
VECV	6.4	6.6	6.9	6.3	6.2	6.4	6.8	7.0	7.3	7.2	6.7	7.3	7.7	7.3	7.1	
Daimler	2.0	2.1	2.2	2.1	2.1	2.5	2.3	2.3	2.4	2.4	2.3	2.2	2.2	2.3	2.2	
M&M	27.8	28.1	27.7	30.1	28.8	29.0	27.3	27.7	26.5	28.2	29.0	28.3	29.6	28.2	25.1	
Others	9.5	8.9	8.8	9.0	10.0	8.3	7.5	6.8	6.5	7.3	7.3	7.7	7.9	7.3	9.9	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	

Note:

(1) Retail sales do not include sales from Telangana and Lakshadweep

Source: Parivahan Sewa, Kotak Institutional Equities

**3W retail volumes increased by 1% yoy in August 2024**

**Exhibit 15: 3W retail sales volume, March fiscal year-ends (units)**

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	FYTD	
														2025	2024
<b>Player-wise retail volumes (units)</b>															
Bajaj Auto	36,334	38,014	41,931	39,147	30,826	37,148	35,432	36,669	29,934	35,531	34,237	38,729	37,760	176,191	159,743
Piaggio	8,346	8,280	9,362	8,892	7,708	8,272	8,267	9,452	5,894	7,017	6,858	8,444	7,378	35,591	34,473
M&M	6,131	5,862	5,901	6,429	5,908	4,814	5,459	8,016	3,638	5,151	5,354	7,543	5,669	27,355	26,111
Atul Auto	1,719	2,162	2,186	2,108	1,938	2,074	1,967	2,182	1,764	2,450	2,023	2,376	2,102	10,715	7,897
TVS Motors	1,538	1,424	1,584	1,567	1,550	1,840	1,939	1,807	1,588	1,717	1,747	1,981	2,242	9,275	6,757
Others	49,716	50,078	49,230	45,285	49,416	46,008	42,978	47,205	37,297	46,408	44,116	51,431	50,327	229,579	212,238
<b>Total 3Ws</b>	<b>103,784</b>	<b>105,820</b>	<b>110,194</b>	<b>103,428</b>	<b>97,346</b>	<b>100,156</b>	<b>96,042</b>	<b>105,331</b>	<b>80,115</b>	<b>98,274</b>	<b>94,335</b>	<b>110,504</b>	<b>105,478</b>	<b>488,706</b>	<b>447,219</b>
<b>Yoy change (%)</b>	<b>77</b>	<b>59</b>	<b>57</b>	<b>31</b>	<b>45</b>	<b>41</b>	<b>26</b>	<b>17.2</b>	<b>9.2</b>	<b>19.5</b>	<b>4.9</b>	<b>12.9</b>	<b>1.6</b>	<b>9.3</b>	
<b>Market share (%)</b>															
Bajaj Auto	35.0	35.9	38.1	37.8	31.7	37.1	36.9	34.8	37.4	36.2	36.3	35.0	35.8	36.1	35.7
Piaggio	8.0	7.8	8.5	8.6	7.9	8.3	8.6	9.0	7.4	7.1	7.3	7.6	7.0	7.3	7.7
M&M	5.9	5.5	5.4	6.2	6.1	4.8	5.7	7.6	4.5	5.2	5.7	6.8	5.4	5.6	5.8
Atul Auto	1.7	2.0	2.0	2.0	2.0	2.1	2.0	2.1	2.2	2.5	2.1	2.2	2.0	2.2	1.8
TVS Motors	1.5	1.3	1.4	1.5	1.6	1.8	2.0	1.7	2.0	1.7	1.9	1.8	2.1	1.9	1.5
Others	47.9	47.3	44.7	43.8	50.8	45.9	44.7	44.8	46.6	47.2	46.8	46.5	47.7	47.0	47.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note:

(1) Retail sales do not include sales from Telangana and Lakshadweep

Source: Parivahan Sewa, Kotak Institutional Equities

**Tata launched Curvv EV, whereas M&M launched Thar Roxx in August 2024**

**Exhibit 16: PV launch pipeline, March fiscal year-ends**

Manufacturer	Model	Segment	Expected timeline
Tata Motors	Punch EV	Compact SUV	Launched in January 2024
Hyundai	New Creta facelift	Mid-size SUV	Launched in January 2024
Kia	New Sonet facelift	Compact SUV	Launched in January 2024
Mahindra	XUV 3XO	Compact SUV	Launched in April 2024
Maruti Suzuki	New Swift	Hatchback	Launched in May 2024
Nissan	X-Trail	SUV	Launched in July 2024
Tata Motors	Curvv EV	SUV	Launched in August 2024
Mahindra	Thar Roxx (5-door)	SUV	Launched in August 2024
Tata Motors	Curvv ICE	SUV	Launched in September 2024
Hyundai	Alcazar refresher	Large SUV	To be launched in 2QFY25
Maruti Suzuki	New Dzire	Sedan	To be launched in 2QFY25
Tata Motors	Altroz EV	Hatchback	To be launched in 3QFY25
Mahindra	XUV.e8	Large SUV	To be launched in 3QFY25
Maruti Suzuki	eVX	SUV	To be launched in 3QFY25
Tata Motors	Harrier EV	Large SUV	To be launched in 4QFY25
Hyundai	Creta EV	Mid-size SUV	To be launched in 4QFY25
Renault	Duster	Compact SUV	To be launched in FY2025
Skoda	Unnamed	Compact SUV	To be launched in FY2025
Volkswagen	Tayron	Large SUV	To be launched in FY2025
Honda	New WR-V	Compact SUV	To be launched in FY2025
Tata Motors	Sierra	SUV	To be launched in FY2026
Tata Motors	Avinya EV	SUV	To be launched in FY2026
Mahindra	BE.05	Large SUV	To be launched in FY2026
Mahindra	XUV.e9	Large SUV	To be launched in FY2026

Source: Carwale, AutoCar, Economic Times, Kotak Institutional Equities

## Ola Electric launched roadster motorcycle series and Royal Enfield launched Classic 350 refresh in August 2024

### Exhibit 17: 2W launch pipeline, March fiscal year-ends

Manufacturer	Model	Segment	Expected timeline
<b>Bikes</b>			
Royal Enfield	Shotgun 650	Premium	Launched in January 2024
Hero Motorcorp	Mavrick	Premium	Launched in January 2024
Hero Motorcorp	Xtreme 125	Premium	Launched in January 2024
Jawa	Perak	Premium	Launched in April 2024
Bajaj Auto	Pulsar (400 cc)	Premium	Launched in May 2024
Bajaj Auto	Freedom 125	Executive	Launched in July 2024
Royal Enfield	Guerrilla 450	Premium	Launched in July 2024
Yezdi	Adventure	Premium	Launched in August 2024
Ola Electric	Roadster X	Economy	Launched in August 2024
Ola Electric	Roadster	Executive	Launched in August 2024
Ola Electric	Roadster Pro	Premium	Launched in August 2024
BSA	Gold star 650	Premium	Launched in August 2024
Royal Enfield	Classic 350 refresh	Premium	Launched in September 2024
Classic legends	Jawa 42	Premium	To be launched in September 2024
Husqvarna	Vitpilen 101	Premium	To be launched in September 2024
Yezdi	Roadking	Premium	To be launched in December 2024
Yamaha	XSR 155	Premium	To be launched in FY2025
Torq	Kratos X	Electric	To be launched in FY2025
Revolt	RV1	Electric	To be launched in FY2025
Royal Enfield	ElectriK01	Electric	To be launched in FY2025
Ola	Roadrunner	Electric	To be launched in FY2025
Ola	Roadster	Electric	To be launched in FY2025
Ola	Adventure	Electric	To be launched in FY2025
Ola	Crusier	Electric	To be launched in FY2025
<b>Scooters</b>			
TVS	Creon	Electric	Launched in August 2023
Simple Energy	Dot one	Electric	Launched in December 2023
Kinetic	Zulu	Electric	Launched in December 2023
Bajaj	Chetak Urbane	Electric	Launched in December 2023
Ather	450X Apex	Electric	Launched in January 2024
Bajaj	Chetak premium	Electric	Launched in January 2024
Ola	S1X	Electric	Launched in January 2024
Ather	Ritza	Electric	Launched in April 2024
Ampere	Nexus	Electric	Launched in April 2024
TVS	iQube ST	Electric	Launched in May 2024
Bajaj	Chetak 2901	Electric	Launched in June 2024
TVS	Jupiter	110 cc	Launched in August 2024
Suzuki	Burgman	Electric	To be launched in September 2024
Yamaha	Nmax	155cc	To be launched in September 2024
Hero Motorcorp	Xoom	160cc	To be launched in 4QFY25
Okinawa	Cruiser	Electric	To be launched in FY2025
Honda	Activa	Electric	To be launched in FY2025
Gogoro	2 series	Electric	To be launched in FY2025
Hero Motorcorp	LEAP Hybrid SES	Electric	To be launched in FY2025

Source: Carwale, AutoCar, Economic Times, Kotak Institutional Equities

**Demand trends in PV and CV segment continues to disappoint; upcoming festive remains the key**

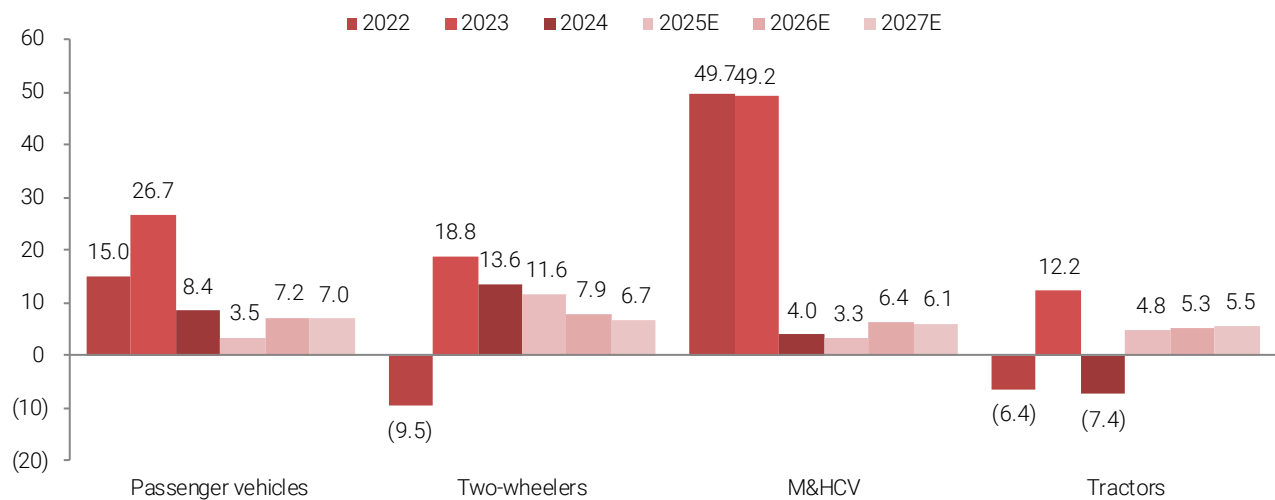
**Exhibit 18: OEM-wise residual monthly volume run rate estimated for remainder of FY2025E**

OEM	Aug-24	Yoy chg (%)	Mom chg (%)	FYTD25	Yoy chg (%)	Residual monthly volume run rate	Residual volume run rate (Yoy growth)
Ashok Leyland	14,463	(7.1)	3.8	72,284	0.4	19,187	9.5
Bajaj Auto	397,804	16.4	12.3	1,854,029	9.8	406,171	7.3
Eicher Motor (RE)	73,629	(5.1)	9.5	366,915	(3.1)	81,935	7.4
Eicher Motor (VECV)	6,543	1.0	(1.2)	32,867	3.0	8,235	7.5
Escorts Kubota	5,624	0.6	(2.5)	37,113	(1.7)	8,988	8.3
Hero Motocorp	512,360	4.8	38.4	2,417,790	8.3	514,884	6.4
Maruti Suzuki	181,782	(3.9)	3.9	878,691	1.1	186,363	3.0
Mahindra and Mahindra	98,672	7.2	5.4	525,612	8.5	111,347	8.4
Tata Motors	71,693	(8.1)	(0.4)	373,580	(2.9)	90,485	8.4
TVS Motors	391,588	13.2	10.6	1,832,903	12.8	400,824	9.3

Source: Company, Kotak Institutional Equities estimates

**We expect demand moderation for automobile sector in FY2025-26E; 2W segment should outperform other segments**

**Exhibit 11: Exhibit 19: Automobile segment-wise volume growth estimates, March fiscal year-ends, 2021-26E (%)**



Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Automobiles &amp; Components</b>																											
Amara Raja Energy & Mobility	SELL	1,504	1,120	(26)	275	3.3	183	50	59	67	30	26	23	4.1	3.6	3.1	17	15	14	14	15	15	0.7	0.4	0.4	43	19
Apollo Tyres	SELL	499	410	(18)	317	3.8	638	28	25	28	18	20	18	2.3	2.1	1.9	8	8	7	13	11	11	1.2	1.2	1.4	21	8
Ashok Leyland	REDUCE	251	240	(5)	738	8.8	2,936	9	11	11	27	23	22	8.1	6.7	5.6	16	14	13	30	32	28	2.0	1.8	1.8	40	17
Bajaj Auto	SELL	11,126	6,800	(39)	3,106	37	279	268	307	330	42	36	34	12.5	11.7	10.9	33	28	26	30	33	34	0.7	2.2	2.4	43	21
Balkrishna Industries	SELL	2,895	2,325	(20)	560	6.7	193	76	82	91	38	35	32	6.3	5.5	4.9	24	22	18	18	17	16	0.6	0.6	0.7	13	7
Bharat Forge	SELL	1,562	1,070	(32)	727	8.7	466	20	32	39	79	49	40	10.1	8.9	7.6	31	25	22	13	19	21	0.4	0.5	0.5	29	14
CEAT	SELL	2,796	2,000	(28)	113	1.3	40	169	157	162	16	18	17	2.8	2.5	2.3	8	8	8	18	15	14	1.1	1.4	1.5	9	4
CiE Automotive	SELL	588	530	(10)	223	2.7	378	21	25	28	28	24	21	3.7	3.3	3.0	16	14	13	14	15	15	0.8	1.0	1.2	3	1
Eicher Motors	SELL	4,912	3,550	(28)	1,346	16.0	272	147	165	173	33	30	28	8.5	7.3	6.3	29	25	23	28	26	24	1.0	1.1	1.3	37	21
Endurance Technologies	SELL	2,456	1,850	(25)	345	4.1	141	48	57	68	51	43	36	6.9	6.2	5.4	26	22	19	14	14	15	0.3	0.5	0.6	5	3
Escorts Kubota	SELL	3,784	2,700	(29)	418	5.0	111	94	105	115	40	36	33	4.5	4.1	3.7	35	31	27	11	11	11	0.5	0.4	0.5	13	5
Exide Industries	SELL	491	315	(36)	417	5.0	850	12	15	17	40	33	30	3.2	2.9	2.7	22	19	17	9	9	10	0.4	0.5	0.5	38	14
Hero Motocorp	SELL	5,578	4,000	(28)	1,116	13.3	200	204	225	247	27	25	23	6.2	5.8	5.4	19	17	15	24	24	25	2.5	2.8	3.1	49	24
Mahindra & Mahindra	ADD	2,777	3,050	10	3,453	41.1	1,159	92	98	110	30	28	25	6.2	5.2	4.4	25	21	19	22	20	19	0.8	0.5	0.6	112	65
Maruti Suzuki	SELL	12,427	11,750	(5)	3,907	46.6	314	423	461	494	29	27	25	4.7	4.2	3.8	20	18	16	18	16	16	1.0	1.5	1.6	99	54
MRF	SELL	134,195	97,000	(28)	569	6.8	4	4,909	4,710	5,079	27	28	26	3.4	3.1	2.8	13	12	11	13	11	11	0.1	0.2	0.2	17	6
Samvardhana Motherson	ADD	193	185	(4)	1,309	15.6	6,776	4	6	7	45	30	26	5.0	4.4	3.8	15	12	11	12	16	16	0.4	0.5	0.5	61	29
Schaeffler India	REDUCE	3,868	4,000	3	605	7.2	156	58	64	74	67	61	52	12.6	11.3	10.1	45	40	34	20	20	20	0.1	0.1	0.0	10	6
SKF	ADD	5,220	5,500	5	258	3.1	49	112	135	153	47	39	34	9.6	8.5	7.4	34	29	25	21	22	22	2.1	1.0	1.1	5	3
Sona BLW Precision	REDUCE	715	675	(6)	419	5.0	583	9	12	14	78	60	49	14.9	12.6	10.6	46	36	30	21	22	23	0.2	0.4	0.5	14	7
Tata Motors	ADD	1,093	1,250	14	4,185	49.9	3,677	52	70	83	21	16	13	4.9	3.7	3.0	8	7	6	31	27	25	0.6	0.6	0.9	169	80
Timken	ADD	3,786	4,000	6	285	3.4	75	52	62	78	73	61	49	11.8	10.0	8.3	49	42	33	18	18	19	0.0	0.0	0.0	7	4
TVS Motor	SELL	2,791	1,800	(36)	1,326	15.8	475	44	53	61	64	53	46	17.1	17.5	13.8	38	32	28	30	33	34	0.2	0.5	0.5	34	19
Uno Minda	ADD	1,168	1,000	(14)	671	8.0	572	15	18	21	78	66	57	13.5	11.4	9.6	43	38	32	17	17	17	0.2	0.2	0.2	17	9
Varroc Engineering	SELL	561	500	(11)	86	1.0	153	36	20	29	15	28	19	5.6	4.7	3.8	12	11	9	36	17	20	-	-	-	5	2
<b>Automobiles &amp; Components</b>	<b>Cautious</b>				<b>26,775</b>	<b>319.0</b>					<b>32.5</b>	<b>28.0</b>	<b>24.8</b>	<b>6.2</b>	<b>5.4</b>	<b>4.7</b>	<b>17.0</b>	<b>15.1</b>	<b>13.4</b>	<b>19.0</b>	<b>19.2</b>	<b>18.8</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>	<b>#N/A</b>	<b>421</b>
<b>Banks</b>																											
AU Small Finance Bank	ADD	681	675	(1)	506	6.0	743	23	31	42	30	22	16	3.7	3.0	2.6	-	-	-	13	16	17	-	-	-	31	13
Axis Bank	BUY	1,189	1,500	26	3,676	43.8	3,087	81	83	95	15	14	13	2.5	2.2	1.9	-	-	-	18	16	16	0.1	1.0	1.2	157	85
Bandhan Bank	BUY	202	250	24	325	3.9	1,611	14	25	28	15	8	7	1.6	1.4	1.2	-	-	-	11	17	17	0.7	2.0	2.2	44	17
Bank of Baroda	ADD	254	280	10	1,313	15.6	5,178	34	30	33	7	8	8	1.3	1.2	1.1	-	-	-	17	13	13	2.7	2.4	2.6	65	29
Canara Bank	REDUCE	113	106	(6)	1,023	12.2	9,071	16	15	17	7	7	7	1.5	1.3	1.1	-	-	-	18	15	15	2.9	2.7	3.0	56	26
City Union Bank	ADD	170	165	(3)	126	1.5	741	14	14	16	12	12	11	1.6	1.5	1.3	-	-	-	13	12	12	0.9	1.3	1.5	10	4
DCB Bank	BUY	123	160	30	39	0.5	313	17	19	23	7	6	5	0.9	0.8	0.7	-	-	-	11	11	12	1.0	1.4	2.1	4	2
Equitas Small Finance Bank	ADD	81	105	29	92	1.1	1,135	7	6	9	12	13	9	1.6	1.5	1.3	-	-	-	14	11	14	-	-	-	6	3
Federal Bank	BUY	195	225	16	477	5.7	2,435	15	16	17	13	13	11	1.7	1.5	1.4	-	-	-	15	12	12	0.6	1.2	1.3	33	14
HDFC Bank	BUY	1,627	1,850	14	12,396	147.7	7,597	80	89	107	20	18	15	2.9	2.6	2.3	-	-	-	17	15	16	1.2	1.3	1.6	504	289
ICI Bank	BUY	1,230	1,400	14	8,662	103.2	7,023	58	60	66	21	20	19	3.7	3.3	2.9	-	-	-	19	17	16	0.8	1.0	1.1	247	124
IndusInd Bank	BUY	1,449	1,800	24	1,129	13.4	778	115	126	135	13	12	11	1.8	1.6	1.4	-	-	-	15	15	14	1.1	1.2	1.3	77	41
Karur Vysya Bank	BUY	224	230	3	179	2.1	804	20	21	23	11	11	10	1.8	1.6	1.5	-	-	-	17	16	15	1.1	2.4	2.7	7	3
Punjab National Bank	SELL	117	110	(6)	1,283	15.3	11,011	7	14	13	16	8	9	1.4	1.2	1.1	-	-	-	8	14	12	1.3	2.4	2.3	58	22
SBI Cards and Payment Services	BUY	744	900	21	708	8.4	951	25	27	40	29	28	19	5.9	5.0	4.0	-	-	-	22	19	24	0.4	0.5	0.6	13	7
State Bank of India	BUY	822	975	19	7,337	87.4	8,925	68	63	76	12	13	11	2.2	1.9	1.7	-	-	-	17	14	15	1.7	1.8	1.9	205	80
Ujjivan Small Finance Bank	ADD	44	55	25	85	1.0	1,931	7	6	6	7	8	7	1.5	1.3	1.2	-	-	-	27	18	17	3.4	2.8	3.2	11	6
Union Bank	ADD	122	155	27	935	11.1	7,634	18	20	21	7	6	6	1.1	0.9	0.8	-	-	-	16	15	14	2.9	3.3	3.4	27	13
Utkarsh Small Finance Bank	BUY	49	65	32	54	0.6	1,099	5	5	6	11	10	8	1.8	1.6	1.3	-	-	-	20	17	18	-	-	-	2	1
YES Bank	SELL	24	19	(20)	748	8.9	28,768	0	1	2	55	22	15	1.7	1.6	1.4	-	-	-	3	7	9	-	-	-	68	24
<b>Banks</b>	<b>Attractive</b>				<b>41,093</b>	<b>489.6</b>					<b>15.4</b>	<b>14.5</b>	<b>12.6</b>	<b>2.3</b>	<b>2.0</b>	<b>1.8</b>				<b>14.7</b>	<b>13.8</b>	<b>14.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>1,624</b>	<b>804</b>
<b>Building Products</b>																											
Astral	SELL	1,917	1,800	(6)	515	6.1	269	20	27	34	94	72	57	16.2	13.7	11.4	56	44	36	18.5							

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Capital goods</b>																											
ABB	SELL	7,699	6,100	(21)	1,632	19.4	212	59	86	99	131	90	77	27.4	21.4	17.0	106	71	61	23	27	24	0.0	0.1	0.1	39	16
Bharat Electronics	SELL	297	200	(33)	2,170	25.9	7,310	5	6	7	54	48	40	13.3	11.4	9.8	41	35	29	26	26	26	0.7	0.8	1.0	160	70
BHEL	SELL	287	100	(65)	999	11.9	3,482	1	(1)	3	384	NM	101	4.0	4.1	3.9	NM	229	47	1	NM	4	0.0	0.0	(0.1)	90	28
Carborundum Universal	SELL	1,513	1,320	(13)	288	3.4	190	24	29	35	62	52	43	9.2	8.1	7.0	38	32	28	16	17	17	0.3	0.4	0.5	4	2
CG Power & Industrial	SELL	684	415	(39)	1,046	12.5	1,527	6	7	8	123	102	85	34.6	27.9	22.6	92	73	61	28	27	27	(0.2)	(0.3)	(0.3)	27	13
Cochin Shipyard	SELL	1,851	740	(60)	487	5.8	263	30	28	30	62	66	62	9.7	8.9	8.1	52	52	45	17	14	14	0.5	0.5	0.6	113	38
Cummins India	ADD	3,804	4,000	5	1,055	12.6	277	62	71	85	61	54	45	17.1	15.1	13.3	59	51	42	30	30	32	0.9	1.0	1.2	45	23
G R Infraprojects	SELL	1,589	1,040	(35)	154	1.8	97	204	70	100	8	23	16	2.1	2.0	1.7	14	15	11	19	9	12	0.0	0.0	0.0	2	1
IRB Infrastructure	ADD	63	73	16	381	4.5	6,039	1	2	3	63	30	23	2.8	2.8	2.7	16	13	12	4	9	12	2.3	3.3	3.8	67	30
Kalpataru Projects	ADD	1,385	1,400	1	225	2.7	160	32	55	86	43	25	16	4.3	3.7	3.1	16	12	9	10	16	21	0.6	0.3	0.5	11	5
KEC International	REDUCE	926	790	(15)	238	2.8	257	13	31	46	69	30	20	5.8	5.0	4.1	23	15	11	9	18	22	0.2	0.4	0.5	14	6
L&T	SELL	3,683	3,150	(14)	5,064	60.3	1,375	94	112	135	39	33	27	7.2	6.3	5.5	26	22	19	18	20	21	0.6	0.7	0.9	138	79
Siemens	SELL	6,780	4,600	(32)	2,414	28.8	356	74	80	93	91	84	73	16.1	14.1	12.3	76	65	55	19	18	18	0.3	0.3	0.4	39	19
Thermax	REDUCE	4,385	4,600	5	522	6.2	113	51	66	82	87	67	54	11.1	9.9	8.6	66	52	39	14	16	17	0.0	0.3	0.3	17	10
<b>Capital goods</b>		<b>Cautious</b>			<b>16,674</b>	<b>198.7</b>					<b>59.3</b>	<b>50.5</b>	<b>40.1</b>	<b>9.0</b>	<b>8.1</b>	<b>7.1</b>	<b>38.1</b>	<b>32.3</b>	<b>26.3</b>	<b>15.3</b>	<b>16.0</b>	<b>17.8</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>766</b>	<b>342</b>
<b>Commercial &amp; Professional Services</b>																											
SIS	REDUCE	410	435	6	59	0.7	147	13	19	25	32	21	17	2.5	2.2	2.0	11	10	9	8	11	13	-	-	-	1	1
TeamLease Services	SELL	3,188	2,920	(8)	53	0.6	17	67	94	123	47	34	26	6.7	5.6	4.6	38	28	22	14.0	17.9	19.5	-	-	-	2	1
<b>Commercial &amp; Professional Services</b>		<b>Neutral</b>			<b>113</b>	<b>1.3</b>					<b>37.2</b>	<b>25.6</b>	<b>19.8</b>	<b>3.5</b>	<b>3.1</b>	<b>2.7</b>	<b>16.1</b>	<b>14.2</b>	<b>11.8</b>	<b>9.4</b>	<b>12.1</b>	<b>13.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3</b>	<b>2</b>
<b>Commodity Chemicals</b>																											
Asian Paints	REDUCE	3,151	2,600	(17)	3,022	36.0	959	57	51	55	55	61	58	16.1	14.2	12.6	39	43	40	31	25	23	0.8	0.8	0.9	53	29
Berger Paints	SELL	576	475	(18)	672	8.0	1166	10	10	11	57	57	54	12.5	10.9	9.7	36	36	34	24	20	19	0.6	0.6	0.7	15	7
Indigo Paints	REDUCE	1,449	1,325	(9)	69	0.8	48	31	33	35	47	44	42	7.6	6.7	5.9	28	26	24	18	16	15	0.2	0.3	0.5	2	1
Kansai Nerolac	REDUCE	298	300	1	241	2.9	808	8	9	9	35	33	32	4.3	4.0	3.8	22	21	21	13	12	12	1.3	1.5	1.6	4	2
Tata Chemicals	SELL	1,084	830	(23)	276	3.3	255	45	33	37	24	33	30	1.2	1.2	1.2	8	9	8	5	4	4	1.4	1.4	1.4	17	7
<b>Commodity Chemicals</b>		<b>Cautious</b>			<b>4,280</b>	<b>51.0</b>					<b>49.7</b>	<b>54.8</b>	<b>51.3</b>	<b>8.1</b>	<b>7.5</b>	<b>6.9</b>	<b>30.9</b>	<b>32.7</b>	<b>30.9</b>	<b>16.3</b>	<b>13.7</b>	<b>13.5</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>46</b>	<b>46</b>
<b>Construction Materials</b>																											
ACC	REDUCE	2,336	2,375	2	439	5.2	188	112	107	131	21	22	18	2.7	2.4	2.2	13	12	9	14	12	13	0.3	0.9	1.1	15	7
Ambuja Cements	SELL	620	435	(30)	1,528	18.2	2,463	15	16	20	42	39	30	3.4	2.9	2.7	22	19	15	9	8	9	0.3	0.4	0.5	33	16
Dalmia Bharat	REDUCE	1,920	1,750	(9)	360	4.3	187	44	50	66	44	38	29	2.2	2.1	2.0	14	14	12	5	6	7	0.5	0.4	0.5	13	7
Grasim Industries	REDUCE	2,691	2,415	-	1,812	21.6	675	93	97	111	29	28	24	2.0	1.9	1.8	11	11	10	7	7	8	0.4	0.4	0.5	35	19
J K Cement	SELL	4,482	2,700	(40)	346	4.1	77	103	109	128	44	41	35	6.5	5.7	5.0	19	18	16	16	15	15	0.4	0.3	0.3	8	4
Nuvoco Vistas Corp.	ADD	337	360	7	120	1.4	357	4	1	7	82	232	48	1.3	1.3	1.3	10	10	9	2	1	3	0.0	0.0	0.0	2	1
Orient Cement	SELL	293	200	(32)	60	0.7	205	9	9	11	34	31	28	3.4	3.2	2.9	13	13	11	10	11	11	0.8	0.8	0.8	12	5
Shree Cement	SELL	25,450	18,000	(29)	918	10.9	36	684	415	531	37	61	48	4.5	4.2	3.9	20	21	17	13	7	9	0.4	0.3	0.3	17	9
The Ramco Cements	SELL	832	580	(30)	197	2.3	236	15	18	22	55	47	38	2.7	2.6	2.4	16	15	14	5	6	7	0.3	0.2	0.3	14	6
UltraTech Cement	SELL	11,425	7,000	(39)	3,298	39.3	289	244	281	324	47	41	35	5.5	5.0	4.5	26	23	20	12	13	14	0.6	0.7	0.8	62	34
<b>Construction Materials</b>		<b>Cautious</b>			<b>9,078</b>	<b>108.2</b>					<b>38.7</b>	<b>37.1</b>	<b>30.7</b>	<b>3.4</b>	<b>3.1</b>	<b>2.8</b>	<b>16.3</b>	<b>15.9</b>	<b>13.8</b>	<b>8.8</b>	<b>8.3</b>	<b>9.3</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>211</b>	<b>109</b>
<b>Consumer Durables &amp; Apparel</b>																											
Aditya Birla Fashion and Retail	SELL	320	245	(23)	325	3.9	1,070	(6)	(5)	(3)	NM	NM	NM	8.0	6.8	7.3	24	16	13	NM	NM	NM	-	-	-	24	11
Campus Activewear	ADD	277	300	8	84	1.0	304	3	4	5	94	62	51	12.9	10.7	9.2	40	31	26	15	19	19	-	-	0.5	5	2
Cello World	ADD	901	975	8	199	2.4	221	16	17	21	58	52	44	16.6	9.2	8.1	39	33	28	45	23	20	-	0.6	0.7	3	2
Crompton Greaves Consumer	REDUCE	465	425	(9)	299	3.6	643	7	9	11	68	50	40	10.0	8.9	7.8	42	33	28	16	19	21	0.6	0.9	1.1	21	11
Eureka Forbes	BUY	500	700	40	97	1.2	208	5	7	10	109	70	51	2.5	2.4	2.3	48	38	30	2	3	4	-	-	-	3	2
Havells India	SELL	1,885	1,400	(26)	1,182	14.1	628	20	25	30	93	75	63	15.9	14.1	12.4	62	51	42	18	20	21	0.3	0.5	0.6	28	16
Page Industries	SELL	41,814	34,000	(19)	466	5.6	11	510	593	705	82	71	59	29.2	24.5	20.6	53	47	39	38	38	38	0.7	0.8	1.0	11	5
Polycab	SELL	6,718	4,500	(33)	1,010	12.0	151	118	135	154	57	50	44	12.4	10.4	8.8	40	34	29	24	23	22	0.4	0.5	0.6	53	22
TCNS Clothing Co.	REDUCE	584	420	(28)	37	0.4	69	(42)	(16)	(5)	NM	NM	NM	13.2	17.3	17.2	(23)	140	66.4	NM	NM	NM	-	-	-	4	2
Vedant Fashions	REDUCE	1,241	980	(21)	301	3.6	243	17	19	21	73	66	58	18.8	16.0	13.5	45	38	32	28	26	25	-	-	-	3	2
Voltas	SELL	1,770	1,100	(38)	586	7.0	331	8	28	33	232	63	54	10.1	9.0	8.1	123	46	41	4	15	16	0.3	0.5	0.6	33	16
Whirlpool	SELL	2,221	1,500	(32)	282	3.4	127	19	30	40	119	74	55	7.6	7.1	6.6</											

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Consumer Staples</b>																											
Britannia Industries	ADD	5,922	5,800	(2)	1,426	17.0	241	89	97	111	67	61	53	36.2	31.6	28.4	45	42	37	57	55	56	1.2	1.5	1.8	22	12
Colgate-Palmolive (India)	REDUCE	3,630	2,875	(21)	987	11.8	272	49	56	62	74	64	58	52.7	51.4	48.3	51	45	41	75	81	86	1.6	1.5	1.6	18	10
Dabur India	ADD	637	650	2	1,128	13.4	1,772	10	12	13	61	54	47	11.4	10.4	9.5	47	41	36	20	20	21	0.9	1.0	1.1	28	15
Godrej Consumer Products	ADD	1,470	1,590	8	1,504	17.9	1,023	19	22	27	78	66	54	11.9	10.9	9.8	51	44	39	15	17	19	0.7	0.7	0.9	22	12
Hindustan Unilever	ADD	2,789	2,850	2	6,553	78.1	2,350	43	47	52	65	60	54	12.9	12.6	12.1	45	42	38	20	21	23	1.5	1.5	1.6	76	45
Honasa Consumer	ADD	505	475	(6)	164	2.0	322	3	4	7	147	115	72	14.8	12.7	10.5	114	85	52	13	12	16	0.0	0.0	0.0	9	4
ITC	ADD	510	535	5	6,378	76.0	12,428	16	17	19	31	30	27	8.8	8.4	8.1	25	23	21	27	27	29	2.7	2.9	3.1	95	54
Jyothys Labs	SELL	548	460	(16)	201	2.4	367	10	11	12	55	49	45	11.1	10.0	9.0	41	37	33	22	21	21	0.6	1.0	1.1	8	3
Marico	REDUCE	651	625	(4)	843	10.0	1,290	11	13	14	57	51	47	21.9	20.4	19.0	41	37	33	39	41	42	1.5	1.6	1.8	24	13
Nestle India	ADD	2,510	2,575	3	2,420	28.8	964	41	35	40	62	71	63	72.4	50.4	38.2	42	48	42	135	83	69	1.3	0.8	1.0	28	17
Sula Vineyards	ADD	488	570	17	41	0.5	84	11	11	13	44	43	39	7.5	6.6	5.9	25	23	21	17	16	16	1.7	0.6	0.8	2	1
United Breweries	ADD	2,031	2,050	1	537	6.4	264	16	22	32	131	94	63	12.8	12.0	10.9	77	56	40	10	13	18	0.5	0.8	1.2	8	4
United Spirits	ADD	1,485	1,350	(9)	1,080	12.9	727	18	19	22	81	78	66	15.0	13.4	11.9	63	53	45	20	18	19	0.3	0.5	0.6	19	11
Varun Beverages	ADD	1,522	1,625	7	1,978	23.6	1,299	16	20	26	96	75	59	28.5	21.4	16.2	56	43	35	34	32	31	0.2	0.2	0.2	44	26
<b>Consumer Staples</b>	<b>Attractive</b>				<b>26,441</b>	<b>315.0</b>					<b>53.9</b>	<b>50.5</b>	<b>44.6</b>	<b>13.5</b>	<b>12.4</b>	<b>11.5</b>	<b>39.4</b>	<b>36.1</b>	<b>31.8</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>1.5</b>	<b>1.5</b>	<b>1.7</b>	<b>429</b>	<b>241</b>
<b>Diversified Financials</b>																											
360 One	REDUCE	1,087	1,050	(3)	396	4.7	355	23	27	31	48	41	36	11.2	10.4	9.7	-	-	-	25	27	28	1.5	1.8	2.1	10	6
Aadhar Housing Finance	BUY	390	550	41	167	2.0	427	18	22	28	21	18	14	3.5	2.6	2.2	-	-	-	18	17	17	-	-	-	-	4
Aavas Financiers	BUY	1,710	2,200	29	135	1.6	79	62	74	92	28	23	19	3.6	3.1	2.7	-	-	-	14	14	15	-	-	-	7	4
ABSL AMC	ADD	745	750	1	215	2.6	288	27	29	33	28	25	23	6.8	6.1	5.5	-	-	-	NM	NM	NM	2.2	2.4	2.6	5	3
Aptus Value Housing Finance	ADD	322	380	18	160	1.9	499	12	15	17	26	22	19	4.3	3.7	3.3	-	-	-	17	18	19	1.4	1.3	1.6	3	2
Bajaj Finance	NR	7,440	-	(100)	4,605	54.9	618	234	279	359	32	27	21	6.0	5.0	4.1	22	21	22	22	21	22	0.3	0.5	0.6	98	50
Bajaj Finserv	NR	1,841	-	(100)	2,939	35.0	1,593	51	88	101	36	21	18	7.2	6.1	5.0	-	-	-	19	32	30	0.1	0.1	0.1	39	22
Cholamandalam	ADD	1,486	1,500	1	1,249	14.9	840	41	51	62	36	29	24	6.4	5.3	4.1	-	-	-	20	20	20	0.0	0.1	0.3	24	12
Computer Age Management Services	REDUCE	4,418	3,750	(15)	217	2.6	49	72	94	106	61	47	42	23.7	19.4	16.2	-	-	-	42	46	42	1.0	1.2	1.4	23	9
CRISIL	SELL	4,537	3,800	(16)	332	4.0	73	90	98	112	50	46	41	16.5	14.7	13.2	-	-	-	33	31	32	1.2	1.4	1.6	3	2
Five Star Business Finance	ADD	762	900	18	223	2.7	291	29	36	44	27	21	17	4.3	3.6	2.9	-	-	-	18	18	19	-	-	-	5	2
HDFC AMC	REDUCE	4,403	4,000	(9)	941	11.2	213	91	108	125	48	41	35	13.3	12.5	11.6	-	-	-	29	32	34	1.6	2.0	2.3	31	16
Home First Finance	BUY	1,142	1,300	14	102	1.2	89	35	42	54	33	27	21	4.8	4.1	3.5	-	-	-	16	16	18	-	0.4	0.5	5	3
ICRA	REDUCE	5,960	5,200	(13)	58	0.7	10	158	173	196	38	35	30	5.4	5.1	4.8	-	-	-	15	16	17	-	-	0.2	1	0
India Shelter	BUY	750	800	7	80	1.0	106	25	33	39	30	23	19	3.5	3.0	2.6	-	-	-	14	14	15	-	-	-	2	1
Kfin Technologies	REDUCE	1,024	770	(25)	175	2.1	171	14	19	22	71	54	47	15.3	13.6	11.8	-	-	-	19	21	21	0.6	0.7	0.9	16	7
L&T Finance Holdings	SELL	171	155	(9)	426	5.1	2,480	9	12	15	18	14	12	1.8	1.7	1.5	-	-	-	10	12	13	1.5	2.2	2.6	24	11
LIC Housing Finance	BUY	676	800	18	372	4.4	550	87	86	95	8	8	7	1.2	1.1	0.9	-	-	-	16	14	14	2.1	2.1	2.3	30	13
Mahindra & Mahindra Financial	ADD	322	300	(7)	398	4.7	1,234	14	18	21	23	18	16	2.2	2.0	1.8	-	-	-	10	12	12	2.0	1.1	1.3	12	6
Muthoot Finance	ADD	1,957	2,050	5	786	9.4	401	101	127	152	19	15	13	3.2	2.8	2.4	-	-	-	18	19	20	1.2	1.5	1.8	14	7
Nippon AMC	REDUCE	684	700	2	433	5.2	630	18	21	23	39	33	30	10.8	10.5	10.1	-	-	-	30	32	34	2.4	2.7	3.0	9	5
SBFC	ADD	84	95	13	90	1.1	1,107	2	3	4	39	27	21	3.7	3.2	2.8	-	-	-	11	12	14	-	-	-	2	1
Shriram Finance	BUY	3,225	3,400	5	1,213	14.4	376	191	285	290	17	11	11	2.5	2.1	1.9	-	-	-	16	17	17	0.9	1.3	1.4	55	30
UTI AMC	REDUCE	1,192	1,100	(8)	152	1.8	127	60	51	51	20	23	24	3.5	3.4	3.3	-	-	-	19	15	14	3.9	3.4	3.4	4	2
<b>Diversified Financials</b>	<b>Attractive</b>				<b>15,863</b>	<b>189.0</b>					<b>28.1</b>	<b>21.6</b>	<b>18.4</b>	<b>4.7</b>	<b>4.1</b>	<b>3.5</b>				<b>16.9</b>	<b>18.9</b>	<b>18.9</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>422</b>	<b>219</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Electric Utilities</b>																											
CESC	SELL	196	140	(29)	260	3.1	1,326	10	13	14	19	15	14	2.5	2.0	1.8	10	8	8	13	14	14	2.3	2.3	2.4	23	9
JSW Energy	SELL	706	312	(56)	1,234	14.7	1,744	10	18	21	67	40	34	5.6	4.3	3.9	27	17	15	9	13	12	0.3	0.3	0.3	31	14
NHPC	SELL	98	68	(31)	983	11.7	10,045	4	4	6	27	23	17	2.5	2.4	2.2	26	21	11	10	11	14	1.9	1.8	2.4	91	34
NTPC	SELL	410	290	(29)	3,976	47.4	9,895	21	22	24	19.5	18.7	17	2.5	2.3	2.1	12	11	10	13	13	13	1.9	1.9	1.9	98	53
Power Grid	SELL	336	265	(21)	3,121	37.2	9,301	17	18	20	20.0	18.5	17	3.6	3.4	3.1	11	10	9	18	19	19	3.4	3.6	3.7	71	40
Tata Power	SELL	433	300	(31)	1,384	16.5	3,196	11	13	16	40	33	28	4.3	3.8	3.3	16	15	13	11	12	13	—	—	—	78	33
<b>Electric Utilities</b>	<b>Cautious</b>				<b>10,957</b>	<b>130.5</b>					<b>23.5</b>	<b>21.1</b>	<b>18.6</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>13.4</b>	<b>11.9</b>	<b>10.4</b>	<b>13.1</b>	<b>13.3</b>	<b>13.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>393</b>	<b>183</b>
<b>Electronic Manufacturing Services</b>																											
Amber Enterprises	ADD	4,466	4,660	4	151	1.8	34	39	77	109	113	58	41	7.3	6.5	5.6	32	24	19	7	12	15	—	—	—	10	5
Avalon Technologies	SELL	508	410	(19)	33	0.4	65	4	8	12	118	60	42	6.1	5.5	4.9	53	37	24	5	10	12	—	—	—	1	0
Cyient DLM	SELL	732	580	(21)	58	0.7	79	8	14	19	95	51	38	6.4	5.7	4.9	49	34	25	7	11	13	—	—	—	6	4
Dixon Technologies	SELL	12,614	6,900	(45)	755	9.0	60	63	129	167	201.2	98.0	76	44.5	30.3	21.2	108	56	43	25	37	33	—	—	—	83	28
Kaynes Technology	ADD	4,663	4,950	6	298	3.6	58	29	51	70	162.6	91.1	67	10.9	9.6	8.3	112	65	44	11	12	15	—	—	—	16	7
Syrma SGS Technology	REDUCE	437	420	(4)	78	0.9	176	6	8	12	72	54	37	4.8	4.4	3.9	40	27	20	7	8	11	—	—	—	5	2
<b>Electronic Manufacturing Services</b>	<b>Cautious</b>				<b>1,373</b>	<b>16.4</b>					<b>152.3</b>	<b>80.4</b>	<b>59.6</b>	<b>14.7</b>	<b>12.5</b>	<b>10.3</b>	<b>75.1</b>	<b>45.7</b>	<b>34.3</b>	<b>9.7</b>	<b>15.5</b>	<b>17.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>121</b>	<b>46</b>
<b>Fertilizers &amp; Agricultural Chemicals</b>																											
Bayer Cropscience	SELL	6,314	5,620	(11)	284	3.4	45	165	180	209	38	35	30	9.9	9.5	9.1	29	26	23	27	28	31	2.1	2.4	2.8	4	2
Godrej Agrovet	ADD	814	850	4	156	1.9	192	19	27	32	43	30	25	5.4	5.1	4.6	24	18	15	13	18	19	1.2	1.7	2.0	5.2	2.5
Rallis India	SELL	347	200	(42)	68	0.8	195	8	8	10	46	43	35	3.7	3.5	3.3	—	—	—	8	8	10	0.7	0.9	1.0	6	2
UPL	SELL	600	400	(33)	450	5.4	751	(18)	4	22	NM	148	28	1.8	1.8	1.7	16	10	8	NM	2	7	0.2	0.2	0.2	21	9
<b>Fertilizers &amp; Agricultural Chemicals</b>	<b>Cautious</b>				<b>958</b>	<b>11.4</b>					<b>586.0</b>	<b>49.2</b>	<b>27.6</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>	<b>17.6</b>	<b>11.9</b>	<b>9.7</b>	<b>0.5</b>	<b>5.9</b>	<b>9.8</b>	<b>1.0</b>	<b>1.1</b>	<b>1.3</b>	<b>37</b>	<b>16</b>
<b>Gas Utilities</b>																											
GAIL (India)	SELL	234	165	(30)	1,539	18.3	6,575	13	15	14	17	16	17	2.4	2.2	2.1	13	11	11	15	14	13	2.3	2.6	2.8	70	32
GSPCL	RS	460	-	(100)	259	3.1	564	23	13	13	20	37	36	2.5	2.4	2.3	13	21	22	13	7	7	1.1	1.1	1.1	16	9
Indraprastha Gas	SELL	548	370	(32)	383	4.6	700	29	27	28	19	20	20	4.5	4.1	3.7	15	16	15	26	21	20	1.6	1.9	2.0	20	9
Mahanagar Gas	SELL	1,807	1,160	(36)	178	2.1	99	130	104	98	14	17	19	3.5	3.1	2.8	9	11	11	28	19	16	1.7	2.0	1.9	16	6
Petronet LNG	SELL	366	235	(36)	549	6.5	1,500	21	30	27	17	12	14	3.2	2.7	2.3	10	8	10	20	24	18	2.7	1.4	0.7	21	10
<b>Gas Utilities</b>	<b>Cautious</b>				<b>2,909</b>	<b>34.7</b>					<b>17.5</b>	<b>16.3</b>	<b>17.1</b>	<b>2.8</b>	<b>2.5</b>	<b>2.3</b>	<b>12.4</b>	<b>11.2</b>	<b>11.7</b>	<b>15.8</b>	<b>15.3</b>	<b>13.4</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>143</b>	<b>65</b>
<b>Health Care Services</b>																											
Apollo Hospitals	ADD	6,880	7,300	6	989	11.8	144	62	97	136	110	71	51	14.3	12.1	10.0	42	34	27	14	18	22	0.2	0.2	0.2	33	18
Aster DM Healthcare	ADD	402	410	2	201	2.4	500	4	8	12	112	47	35	4.4	4.1	3.8	34	23	18	6	9	11	29.4	0.5	0.5	13	7
Dr Lal Pathlabs	REDUCE	3,389	3,065	(10)	283	3.4	84	43	51	60	79	67	57	15.3	13.8	12.4	45	39	33	20	22	23	0.7	0.8	0.9	10	5
Global Health	REDUCE	1,130	1,100	(3)	303	3.6	268	18	19	22	61	61	52	10.4	9.1	7.9	36	34	28	19	16	16	0.0	0.2	0.3	7	4
KIMS	ADD	2,545	2,425	(5)	204	2.4	80	39	41	53	66	63	48	11.1	9.5	7.9	33	28	23	18	16	18	0.0	0.0	0.0	3	2
Max Healthcare	REDUCE	882	835	(5)	857	10.2	971	13	16	20	67	56	43	9.2	8.0	6.8	46	37	29	15	15	17	0.1	0.1	0.2	19	12
Metropolis Healthcare	REDUCE	2,111	1,925	(9)	108	1.3	51	25	36	47	84	59	45	9.8	8.7	7.6	38	30	25	12	16	18	0.2	0.3	0.4	4	2
Narayana Hrudayalaya	ADD	1,272	1,380	8	260	3.1	204	39	41	47	33	31	27	9.0	7.0	5.6	23	20	17	31	25	23	—	—	—	7	4
Rainbow Children's Medicare	REDUCE	1,278	1,275	(0)	130	1.5	102	21	22	29	60	57	45	10.3	9.0	7.7	30	27	22	19	17	19	0.2	0.3	0.4	2	1
<b>Health Care Services</b>	<b>Neutral</b>				<b>3,336</b>	<b>39.7</b>					<b>71.7</b>	<b>57.2</b>	<b>44.5</b>	<b>10.2</b>	<b>8.9</b>	<b>7.5</b>	<b>38.0</b>	<b>31.6</b>	<b>25.3</b>	<b>14.3</b>	<b>15.5</b>	<b>16.9</b>	<b>1.9</b>	<b>0.2</b>	<b>0.3</b>	<b>98</b>	<b>55</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates



Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)			Mkt cap.			EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	Fair Value (Rs)	Upside (%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Hotels &amp; Restaurants</b>																											
Chalet Hotels	ADD	856	900	5	187	2.2	218	14	18	30	63	47	28	9.5	5.8	4.9	37	24	17	16	16	19	(0.1)	(0.2)	(0.2)	2	1
Devyani International	ADD	176	182	3	212	2.5	1,204	1	1	1	140	306	150	20.1	19.4	18.2	34	25	21	15	6	13	0.0	0.0	0.0	7	4
Indian Hotels	ADD	656	625	(5)	934	11.1	1,423	9	12	16	74	54	42	9.9	8.6	7.3	42	31	24	14	17	19	0.3	0.3	0.4	34	18
Jubilant Foodworks	REDUCE	649	540	(17)	429	5.1	660	4	4	6	174	150	110	19.4	17.7	15.8	39	35	29	11	12	15	0.2	0.2	0.3	22	9
Lemon Tree Hotels	REDUCE	133	125	(6)	105	1.3	792	2	4	5	71	36	28	10.9	9.3	7.8	24	15	13	16	28	30	0.0	1.1	1.2	8	4
Restaurant Brands Asia	REDUCE	109	110	1	54	0.6	495	(1)	(1)	(0)	NM	NM	NM	2.9	3.0	3.0	22	18	14	NM	NM	NM	-	-	-	6	3
Samhi Hotels	BUY	214	250	17	47	0.6	220	(7)	6	9	NM	37	24	4.5	4.0	3.5	25	15	13	NM	12	16	(0.4)	(0.7)	(0.9)	4	4
Sapphire Foods	BUY	1,665	1,800	8	106	1.3	64	8	6	12	204	260	139	8.0	7.7	7.3	23	21	17	4	3	5	-	-	-	4	2
Westlife Foodworld	REDUCE	822	740	(10)	128	1.5	156	4	2	6	185	333	133	21.7	20.7	18.4	35	36	27	12	6	15	-	-	-	1	1
<b>Hotels &amp; Restaurants</b>	<b>Attractive</b>				<b>2,202</b>	<b>26.2</b>					<b>111.5</b>	<b>74.9</b>	<b>52.9</b>	<b>10.8</b>	<b>9.3</b>	<b>8.1</b>	<b>35.4</b>	<b>26.8</b>	<b>21.3</b>	<b>9.7</b>	<b>12.4</b>	<b>15.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>88</b>	<b>42</b>
<b>Insurance</b>																											
HDFC Life Insurance	BUY	745	805	8	1,604	19.1	2,020	7	8	10	102	88	76	10.9	10.4	9.8	-	-	-	11	12	13	0.2	0.3	0.3	44	24
ICICI Lombard	REDUCE	2,186	1,550	(29)	1,080	12.9	493	39	53	63	56	41	35	9.0	7.6	6.4	-	-	-	17	20	20	0.3	0.4	0.4	24	15
ICICI Prudential Life	BUY	753	740	(2)	1,088	13.0	1,441	6	6	7	127	118	104	9.9	9.4	8.8	-	-	-	8	8	9	0.4	0.4	0.4	16	8
LIC	BUY	1,059	1,300	23	6,696	79.8	6,325	64	67	70	16	16	15	8.1	5.8	4.5	-	-	-	63	43	34	-	-	-	52	21
Max Financial Services	BUY	1,114	1,225	10	385	4.6	345	2	2	2	672	598	521	-	-	-	-	-	-	1	1	1	-	-	-	12	7
PB Fintech	REDUCE	1,750	1,400	(20)	798	9.5	455	1	6	12	1,222	298	142	-	-	-	-	-	-	1	4	9	-	-	-	41	23
SBI Life Insurance	BUY	1,889	1,900	1	1,892	22.5	1,005	19	20	23	100	94	83	13.0	11.7	10.4	-	-	-	14	13	13	0.2	0.2	0.2	29	16
Star Health and Allied Insurance	ADD	620	650	5	363	4.3	585	14	18	22	43	34	28	5.7	4.9	4.2	-	-	-	14	16	16	-	-	-	9	6
<b>Insurance</b>	<b>Attractive</b>				<b>13,905</b>	<b>165.7</b>					<b>29.0</b>	<b>27.2</b>	<b>25.5</b>	<b>9.1</b>	<b>7.2</b>	<b>5.9</b>				<b>31</b>	<b>27</b>	<b>23</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>226</b>	<b>119</b>
<b>Internet Software &amp; Services</b>																											
Cartrade Tech	SELL	845	575	(32)	40	0.5	51.5	3	14	16	304	61	53	2.1	2.0	2.0	43	36	29	0.7	3.4	3.8	-	-	-	5	3
FSN E-commerce Ventures	ADD	209	195	(7)	598	7.1	2,875.0	0	1	2	1,377	352	138	47.7	42.1	32.3	174	112	65	3.3	12.7	27	-	-	-	33	16
Indiamart	SELL	2,969	2,530	(15)	178	2.1	59.9	60	75	87	49	40	34	10.0	8.5	7.1	44	32	26	18.9	23	23	0.7	0.7	0.7	10	4
Info Edge	ADD	7,567	7,700	2	979	11.7	129.1	66	77	93	115	98	81	3.8	3.7	3.6	98	84	69	4.7	3.9	4.5	0.4	0.3	0.3	25	13
Just Dial	BUY	1,254	1,240	(1)	107	1.3	85.0	43	65	67	29	19	19	2.7	2.3	2.1	28	16	13	9.4	12.8	11.7	-	-	-	11	4
Zomato	BUY	244	270	10	2,159	25.7	9,131	0	2	4	636	153	67	10.9	9.9	8.4	4,772	199	72	1.8	6.8	13.5	0.0	0.0	0.0	178	85
<b>Internet Software &amp; Services</b>	<b>Attractive</b>				<b>4,061</b>	<b>48.4</b>					<b>205</b>	<b>110</b>	<b>66</b>	<b>7.4</b>	<b>6.9</b>	<b>6.2</b>	<b>192</b>	<b>106</b>	<b>62</b>	<b>3.6</b>	<b>6.3</b>	<b>9.4</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>263</b>	<b>124</b>
<b>IT Services</b>																											
Coforge	ADD	6,341	6,600	4	423	5.0	67	133	136	185	48	47	34	10.9	7.1	6.7	29	24	18	25	19	20	1.2	1.5	1.9	36	15
Cyent	BUY	1,985	2,050	3	220	2.6	111	66	66	79	30	30	25	4.8	4.5	4.1	16	17	14	18	15	17	1.5	2.0	2.5	13	8
HCL Technologies	ADD	1,807	1,740	(4)	4,903	58.4	2,716	58	62	69	31	29	26	7.2	7.0	6.6	19	18	17	24	24	26	2.9	3.0	3.2	67	40
Infosys	BUY	1,965	2,050	4	8,157	97.2	4,146	59	63	72	34	31	27	9.2	8.6	8.0	22	20	18	30	29	30	2.3	2.4	2.8	174	112
KPIT Technologies	SELL	1,766	1,150	(35)	484	5.8	273	21	28	37	83	62	48	22.3	17.2	13.6	48	38	29	30	31	32	0.4	0.5	0.6	25	11
L&T Technology Services	SELL	5,739	4,400	(23)	607	7.2	106	123	129	147	46	44	39	11.4	10.0	8.7	30	29	26	25	24	24	0.7	0.8	1.0	13	5
LTIMindtree	ADD	6,154	6,200	1	1,823	21.7	296	155	168	206	40	37	30	9.1	8.0	7.0	27	25	21	25	23	25	1.1	1.3	1.5	38	18
Mphasis	SELL	3,103	2,750	(11)	587	7.0	189	82	90	102	38	35	30	6.7	6.3	5.9	24	22	19	19	19	20	1.8	2.1	2.3	47	23
Persistent Systems	SELL	5,207	4,140	(20)	805	9.6	155	74	84	107	71	62	49	16.3	13.9	11.7	46	40	32	26	24	26	0.5	0.6	0.7	33	14
RateGain	ADD	763	840	10	90	1.1	119	13	18	23	59	43	33	5.9	5.4	4.6	45	35	25	13	13	15	-	-	-	4	2
Tata Elxsi	SELL	7,796	5,500	(29)	486	5.8	62	127	137	163	61	57	48	19.4	17.2	15.1	45	40	34	35	32	34	0.9	1.1	1.3	30	16
Tata Technologies	SELL	1,051	650	(38)	426	5.1	406	17	18	22	62	60	49	13.2	11.9	10.6	44	41	33	22	21	23	1.0	0.8	1.0	33	19
TCS	ADD	4,521	4,500	(0)	16,358	194.9	3,619	130	142	156	35	32	29	17.6	15.9	14.3	25	22	20	50	53	52	1.3	2.5	2.8	141	87
Tech Mahindra	REDUCE	1,647	1,400	(15)	1,453	17.3	890	32	48	62	52	35	26	5.5	5.4	5.2	28	20	16	10	16	20	2.1	2.3	2.4	42	21
Wipro	SELL	532	460	(14)	2,785	33.2	5,234	21	23	25	25	23	21	3.8	3.2	3.0	15	14	13	14	15	15	0.2	0.2	2.3	63	27
<b>IT Services</b>	<b>Neutral</b>				<b>39,607</b>	<b>471.9</b>					<b>35.1</b>	<b>31.8</b>	<b>28.2</b>	<b>9.7</b>	<b>8.9</b>	<b>8.1</b>	<b>23.1</b>	<b>21.2</b>	<b>18.8</b>	<b>27.7</b>	<b>27.8</b>	<b>28.9</b>	<b>1.5</b>	<b>2.1</b>	<b>2.5</b>	<b>759</b>	<b>402</b>
<b>Media</b>																											
PVR INOX	ADD	1,514	1,480	(2)	149	1.8	98	12	14	43	130	107	35	1.8	1.7	1.7	23	21	14	1	2	5	0.1	0.1	0.3	11	4
Sun TV Network	SELL	811	830	2	319	3.8	394	49	49	55	17	16	15	3.0	2.7	2.5	12	12	10	19	17	18	2.1	2.4	2.7	16	6
Zee Entertainment Enterprises	REDUCE	142	160	13	136	1.6	960	5	9	10	29	17	14	1.3	1.2	1.2	14	9	7	4	7	9	0.7	2.8	3.2	37	17
<b>Media</b>	<b>Attractive</b>				<b>604</b>	<b>7.2</b>					<b>24.0</b>	<b>20.8</b>	<b>16.8</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>14.3</b>	<b>12.5</b>	<b>10.1</b>	<b>8.4</b>	<b>9.2</b>	<b>10.6</b>	<b>1.3</b>	<b>1.9</b>	<b>2.2</b>	<b>63</b>	<b>26</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)			Upside (%)	Mkt cap.			O/S shares (mn)	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)	
		2-Sep-24	Fair Value (Rs)			(Rs bn)	(US\$ bn)			2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered
<b>Metals &amp; Mining</b>																													
Gravita India	BUY	2,221	1,650	(26)	153	1.8	69	35	46	60	64	49	37	18.3	13.9	10.5	47.7	35.8	28.0	34	32	32	0.2	0.3	0.4	14	6		
Hindalco Industries	REDUCE	684	650	(5)	1,537	18.3	2,220	46	54	55	15	13	12	1.4	1.3	1.2	7.6	6.5	6.2	10	11	10	0.5	0.8	0.8	60	31		
Hindustan Zinc	SELL	494	365	(26)	2,087	24.9	4,225	18	24	24	27	21	20	13.7	13.7	13.7	15.2	12.3	11.8	55	66	68	2.6	4.8	4.9	18	10		
Jindal Steel and Power	BUY	965	1,165	21	985	11.7	1,020	58	50	81	17	19	12	2.2	2.0	1.7	10.8	10.1	7.1	14	11	16	0.2	0.3	0.4	25	13		
JSW Steel	REDUCE	940	900	(4)	2,300	27.4	2,445	34	44	74	27	21	13	3.0	2.6	2.3	10.8	10.1	7.6	12	13	19	0.8	0.7	1.2	26	12		
National Aluminium Co.	SELL	179	160	(10)	328	3.9	1,837	9	18	16	20	10	11	2.3	1.9	1.7	10.4	6.0	6.5	12	21	17	2.8	3.0	2.7	39	15		
NMDC	SELL	216	220	2	634	7.6	2,931	20	23	24	11	9	9	2.5	2.1	1.9	7.5	6.2	5.9	24	24	22	3.4	4.3	4.4	32	14		
SAIL	SELL	133	65	(51)	550	6.6	4,130	9	5	5	15	24	25	1.0	0.9	0.9	7.6	8.6	8.8	7	4	4	1.8	1.2	1.2	57	21		
Tata Steel	REDUCE	153	150	(2)	1,909	22.7	12,486	3	8	13	57	20	12	2.1	1.9	1.7	11.8	8.2	6.4	3	10	16	2.4	1.8	2.2	101	44		
Vedanta	SELL	463	390	(16)	1,811	21.6	3,717	9	31	41	54	15	11	5.6	4.1	3.7	8.2	5.9	4.9	9	32	34	6.4	5.0	6.0	107	48		
<b>Metals &amp; Mining</b>		<b>Cautious</b>			<b>12,294</b>	<b>146.5</b>					<b>24.5</b>	<b>17.2</b>	<b>13.2</b>	<b>2.6</b>	<b>2.4</b>	<b>2.1</b>	<b>10.0</b>	<b>8.2</b>	<b>6.9</b>	<b>10.8</b>	<b>13.9</b>	<b>16.3</b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>	<b>481</b>	<b>207</b>		
<b>Oil, Gas &amp; Consumable Fuels</b>																													
BPCL	SELL	358	265	(26)	1,555	18.5	4,259	66	22	29	5	16	12	2.0	1.9	1.7	3.7	8.9	7.4	44	12	14	5.9	2.1	2.7	70	32		
Coal India	SELL	521	410	(21)	3,210	38.2	6,163	61	49	53	9	11	10	3.9	3.3	2.8	8.3	9.4	8.2	53	34	31	4.9	4.8	4.8	73	33		
HPCL	SELL	428	190	(56)	910	10.8	2,128	69	18	34	6	23	13	2.2	2.1	1.9	6.2	14.1	9.9	43	9	16	4.9	1.3	2.4	51	22		
IOCL	SELL	179	110	(38)	2,524	30.1	14,121	28	13	16	6	14	11	1.4	1.3	1.3	4.4	7.7	6.7	25	10	11	6.5	3.0	3.7	56	26		
Oil India	SELL	726	350	(52)	1,181	14.1	1,627	69	45	48	11	16	15	1.8	2.4	2.2	12.9	11.5	10.4	19	16	15	2.2	2.0	2.3	71	29		
ONGC	REDUCE	326	280	(14)	4,104	48.9	12,580	40	42	46	8	8	7	1.2	1.1	1.0	4.5	4.7	4.1	16	15	15	3.8	3.9	4.0	97	43		
Reliance Industries	ADD	3,033	3,200	6	20,519	244.5	6,766	103	113	130	29	27	23	2.6	2.4	2.2	14.3	13.0	11.1	9	9	10	-	0.3	0.4	249	137		
<b>Oil, Gas &amp; Consumable Fuels</b>		<b>Neutral</b>			<b>34,003</b>	<b>405.1</b>					<b>13.7</b>	<b>17.1</b>	<b>14.9</b>	<b>2.2</b>	<b>2.0</b>	<b>1.8</b>	<b>8.5</b>	<b>9.8</b>	<b>8.3</b>	<b>16.0</b>	<b>11.7</b>	<b>12.2</b>	<b>2.0</b>	<b>1.6</b>	<b>1.7</b>	<b>667</b>	<b>321</b>		
<b>Pharmaceuticals</b>																													
Aurobindo Pharma	SELL	1,554	1,175	(24)	911	10.8	586	57	66	76	27	23	21	3.0	2.9	2.6	16	13	12	12	13	13	0.3	1.2	1.4	26	12		
Biocon	REDUCE	363	310	(15)	436	5.2	1,202	2	1	10	192	276	36	1.7	1.7	1.6	19	16	12	1	1	5	0.5	1.0	1.0	23	9		
Blue Jet Healthcare	ADD	465	545	17	81	1.0	173	10	12	17	47	38	27	9.5	7.8	6.1	34	28	19	22	22	25	0.0	0.2	0.3	2	1		
Cipla	ADD	1,647	1,670	1	1,330	15.8	806	51	60	66	32	28	25	5.0	4.4	3.8	20	18	16	16	17	16	0.5	0.8	0.9	33	19		
Concord Biotech	ADD	1,735	1,650	(5)	181	2.2	105	29	35	47	59	49	37	11.9	10.1	8.3	41	34	27	22	22	25	0.4	0.5	0.7	2	1		
Divis Laboratories	SELL	5,037	3,600	(29)	1,337	15.9	265	60	80	101	84	63	50	9.8	9.1	8.2	59	44	35	12	15	17	0.6	0.7	0.9	33	17		
Dr Reddy's Laboratories	REDUCE	6,872	6,300	(8)	1,147	13.7	166	335	358	362	20	19	19	4.0	3.4	3.0	14	12	11	22	19	17	0.6	0.7	0.7	37	20		
Gland Pharma	SELL	1,833	1,375	(25)	302	3.6	164	47	50	63	39	37	29	3.5	3.3	3.1	21	21	17	9	9	11	-	1.3	1.4	13	8		
Glenmark Life Sciences	BUY	1,059	950	(10)	130	1.5	123	38	42	49	28	25	22	5.6	5.1	4.5	19	17	15	21	21	22	2.1	2.2	2.3	3	1		
JB Chemicals & Pharma	BUY	1,971	2,125	8	306	3.6	157	35	43	55	56	45	36	10.6	9.0	7.5	34	29	23	20	21	23	0.5	0.5	0.6	4	2		
Laurus Labs	SELL	463	330	(29)	249	3.0	536	3	6	10	154	77	45	6.0	5.6	5.0	35	26	19	4	8	12	0.3	-	-	13	6		
Lupin	ADD	2,233	2,135	(4)	1,018	12.1	455	46	59	80	48	38	28	7.1	6.1	5.2	26	21	16	16	17	20	0.2	0.5	0.6	35	19		
Mankind Pharma	ADD	2,391	2,370	(1)	958	11.4	401	48	55	67	50	43	36	10.2	8.7	7.4	37	32	26	23	22	22	-	0.6	0.7	23	15		
Sun Pharmaceuticals	ADD	1,816	1,825	0	4,357	51.9	2,399	42	48	57	43	38	32	6.8	6.0	5.2	32	28	23	17	17	17	0.7	0.5	0.6	46	27		
Torrent Pharmaceuticals	REDUCE	3,430	2,945	(14)	1,161	13.8	338	46	59	76	74	58	45	16.9	13.9	11.3	35	30	26	24	26	28	0.9	0.4	0.5	12	6		
<b>Pharmaceuticals</b>		<b>Neutral</b>			<b>13,903</b>	<b>165.7</b>					<b>42.2</b>	<b>36.4</b>	<b>30.2</b>	<b>5.8</b>	<b>5.2</b>	<b>4.6</b>	<b>26.1</b>	<b>22.4</b>	<b>18.9</b>	<b>13.8</b>	<b>14.3</b>	<b>15.2</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>305</b>	<b>164</b>		
<b>Real Estate</b>																													
Brigade Enterprises	ADD	1,241	1,320	6	287	3.4	231	20	27	36	64	46	34	7.9	6.8	5.8	27	20	15	13	16	18	0.2	0.2	0.2	8	4		
Brookfield India Real Estate Trust	ADD	266	290	9	127	1.5	439	(0)	8	12	NM	35	22	0.9	1.2	1.3	19	14	12	0	2	4	9.5	7.4	8.1	1	1		
DLF	ADD	848	960	13	2,100	25.0	2,475	11	14	22	77	59	38	5.3	5.1	4.6	99	95	47	7	9	13	0.6	0.7	0.8	41	19		
Embassy Office Parks REIT	RS	386	-	(100)	366	4.4	948	9	10	13	42	37	31	1.6	1.7	1.7	18	16	14	4	4	6	5.5	5.9	6.2	4	4		
Godrej Properties	SELL	2,886	2,035	(29)	803	9.6	278	27	48	48	107	60	60	8.0	7.1	6.3	(666)	2,145	299	8	13	11	-	-	-	31	13		
Macrotech Developers	ADD	1,254	1,450	16	1,248	14.9	995	17	29	41	75	43	31	7.1	6.1	5.1	49	29	21	11	15	18	-	-	-	25	14		
Mindspace REIT	ADD	340	395	16	202	2.4	593	9	11	13	36	31	26	1.4	1.4	1.5	15	14	13	4	5	6	6.1	6.4	6.9	1	1		
Nexus Select Trust	ADD	138	162	17	209	2.5	1,515	1	4	5	215	32	27	1.4	1.5	1.5	17	15	14	1	5	6	29.0	6.2	6.8	10	9		
Oberoi Realty	REDUCE	1,758	1,550	(12)	639	7.6	364	53	54	100	33	32	18	4.6	4.0	3.3	27	22	12	15	13	21	0.5	0.6	0.7	20	10		
Phoenix Mills	SELL	3,700	2,830	(24)	661	7.9	179	71	72	90	52	52	41	7.0	6.2	5.4	30	25	21	14	13	14	0.1	0.1	0.2	23	13		
Prestige Estates Projects	ADD	1,786	1,830	2	716	8.5	401	34	16	24	52	111	74	6.3	6.0	5.6	32	29	23	13	6	8	0.1	0.1	0.1	36	18		
Signature Global	ADD	1,496	1,555	4	210	2.5	141	1	37	81	1,299	40																	

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			P/E (X)			P/B (X)			EV/EBITDA (X)			RoE (%)			Dividend yield (%)			ADV-3M (US\$ mn)		
		2-Sep-24	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	Traded	Delivered	
<b>Retailing</b>																												
Avenue Supermarts	SELL	5,000	3,850	(23)	3,254	38.8	651	39	49	60	128	102	83	17.4	14.9	12.6	79	64	52	15	16	16	—	—	—	33	19	
Metro Brands	REDUCE	1,280	1,150	(10)	348	4.1	272	15	14	18	84	89	71	18.7	16.4	14.1	49	43	36	24	20	21	—	—	0.5	3	1	
Titan Company	REDUCE	3,588	3,175	(11)	3,185	37.9	888	39	44	53	91	82	68	33.9	27.6	21.5	61	53	45	33	37	36	0.3	0.4	0.4	68	37	
Trent	ADD	7,148	6,615	(7)	2,541	30.3	356	25	57	81	282	126	88	62.5	42.0	28.5	132	85	61	27	40	38	—	—	—	66	32	
<b>Retailing</b>	<b>Neutral</b>				<b>6,787</b>	<b>111.1</b>					<b>127.0</b>	<b>98.3</b>	<b>78.1</b>	<b>27.4</b>	<b>22.4</b>	<b>17.9</b>	<b>77.8</b>	<b>62.4</b>	<b>50.7</b>	<b>22</b>	<b>23</b>	<b>23</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>171</b>	<b>90</b>	
<b>Specialty Chemicals</b>																												
Aarti Industries	SELL	627	470	(25)	227	2.7	363	11	14	19	55	44	32	4.3	3.9	3.6	26	21	17	8	9	12	0.2	0.3	0.5	15	6	
Atul	SELL	7,895	4,530	(43)	232	2.8	29	110	174	208	72	45	38	4.6	4.2	3.9	35	23	20	7	10	11	0.2	0.4	0.5	7	3	
Castrol India	SELL	263	185	(30)	260	3.1	989	9	10	11	30	27	25	12.2	11.4	10.4	21	19	17	43	43	44	2.9	3.0	3.2	34	12	
Clean Science & Technology	ADD	1,473	1,610	9	157	1.9	106	23	32	42	64	46	35	13.0	10.7	8.6	47	34	26	22	26	27	0.3	0.5	0.6	5	2	
Deepak Nitrite	SELL	2,912	2,310	(21)	397	4.7	136	59	65	80	49	45	37	8.2	7.1	6.0	35	32	27	18	17	18	0.3	0.2	0.3	17	6	
Navin Fluorine	REDUCE	3,296	3,490	6	163	1.9	50	44	55	93	75	60	35	6.9	6.3	5.4	44	36	23	10	11	16	0.5	0.3	0.4	11	5	
Neogen Chemicals	BUY	1,497	2,000	34	39	0.5	26	14	27	50	107	56	30	5.0	4.8	4.2	39	30	20	6	9	15	0.1	0.3	0.5	2	1	
Pidlite Industries	ADD	3,162	3,225	2	1,608	19.2	509	35	43	49	89	74	64	19.1	17.1	15.4	59	51	44	23	24	25	0.5	0.7	0.9	14	8	
PI Industries	REDUCE	4,578	4,160	(9)	695	8.3	152	111	113	129	41	41	36	8.0	6.8	5.9	33	28	25	21	18	18	0.3	0.3	0.4	20	11	
SRF	ADD	2,590	2,420	(7)	768	9.1	296	45	54	79	57	48	33	6.7	6.0	5.2	31	26	19	12	13	17	0.4	0.5	0.5	18	10	
Vinati Organics	SELL	1,954	1,160	(41)	203	2.4	104	31	37	46	63	53	42	8.2	7.3	6.3	43	35	28	14	15	16	0.2	0.3	0.4	3	2	
<b>Specialty Chemicals</b>	<b>Neutral</b>				<b>4,749</b>	<b>56.6</b>					<b>59.0</b>	<b>50.3</b>	<b>40.4</b>	<b>9.0</b>	<b>8.0</b>	<b>7.0</b>	<b>38.0</b>	<b>31.6</b>	<b>26.1</b>	<b>15.3</b>	<b>15.9</b>	<b>17.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>	<b>146</b>	<b>65</b>	
<b>Telecommunication Services</b>																												
Bharti Airtel	ADD	1,571	1,580	1	9,406	112.1	5,753	20	42	53	80	38	29	11.0	9.8	7.9	14	12	9	14	28	30	0.5	1.0	1.4	147	91	
Indus Towers	SELL	439	370	(16)	1,183	14.1	2,638	22	33	30	20	13	15	4.4	3.5	2.9	8	6	6	25	29	21	—	—	0.5	4.6	145	74
Vodafone Idea	SELL	15	10	(34)	1,022	12.2	69,645	(6)	(4)	(3)	NM	NM	NM	NM	NM	NM	20	18	16	NM	NM	NM	—	—	—	175	67	
Tata Communications	SELL	1,965	1,625	(17)	560	6.7	285	42	47	67	47	42	29	31.4	20.6	13.7	16	13	11	73	59	56	0.8	0.9	1.3	11	5	
<b>Telecommunication Services</b>	<b>Attractive</b>				<b>12,170</b>	<b>145.0</b>					<b>NM</b>	<b>170.1</b>	<b>76.8</b>	<b>182</b>	<b>66</b>	<b>30</b>	<b>14.1</b>	<b>11.8</b>	<b>10.0</b>	<b>NM</b>	<b>39</b>	<b>39</b>	<b>0.4</b>	<b>0.8</b>	<b>1.6</b>	<b>479</b>	<b>237</b>	
<b>Transportation</b>																												
Adani Ports and SEZ	BUY	1,495	1,710	14	3,228	38.5	2,160	42	54	63	36	28	24	6.1	5.1	4.3	23	19	16	18	20	20	0.3	0.5	0.6	97	40	
Container Corp.	SELL	962	710	(26)	586	7.0	609	20	22	26	47	43	37	5.0	4.7	4.4	29	26	23	11	11	13	0.9	1.0	1.2	35	18	
Delhivery	BUY	416	560	35	308	3.7	747	(3)	4	6	NM	107	74	3.4	3.2	3.0	229	60	34	NM	3	4	—	—	—	18	12	
Gateway Distriparks	ADD	100	105	5	50	0.6	500	5	4	6	19	23	18	2.6	2.4	2.2	14	15	12	14	11	13	1.7	1.9	2.0	2	1	
GMR Airports	SELL	93	69	(26)	986	11.7	6,036	(1)	(1)	1	NM	NM	90	NM	NM	NM	40	33	20	NM	1,238	NM	—	—	—	45	19	
Gujarat Pipavav Port	SELL	228	175	(23)	110	1.3	483	8	9	10	27	26	22	5.3	4.3	3.6	17	16	13	18	18	18	—	—	—	16	6	
InterGlobe Aviation	BUY	4,793	5,400	13	1,851	22.1	383	214	219	230	22	22	21	91.9	17.7	6.0	9	8	6	NM	135	60	—	—	—	106	64	
JSW Infrastructure	SELL	319	215	(33)	671	8.0	2,119	6	7	9	56	46	37	8.4	7.4	25.7	34	30	26	20	17	18	0.2	0.4	0.5	15	7	
Mahindra Logistics	SELL	481	340	(29)	35	0.4	71	(8)	3	13	NM	188	37	7.0	6.8	5.9	18	14	10	NM	4	17	—	—	—	2	1	
<b>Transportation</b>	<b>Attractive</b>				<b>7,825</b>	<b>93.2</b>					<b>40.1</b>	<b>34.1</b>	<b>28.1</b>	<b>8.8</b>	<b>7.2</b>	<b>5.8</b>	<b>20.1</b>	<b>17.1</b>	<b>13.6</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>	<b>334</b>	<b>168</b>	
<b>KIE universe</b>					<b>327,708</b>	<b>3,905</b>					<b>29.2</b>	<b>27.0</b>	<b>23.0</b>	<b>4.6</b>	<b>4.1</b>	<b>3.6</b>	<b>17.6</b>	<b>16.6</b>	<b>14.2</b>	<b>15.7</b>	<b>15.2</b>	<b>15.9</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>			

Notes:

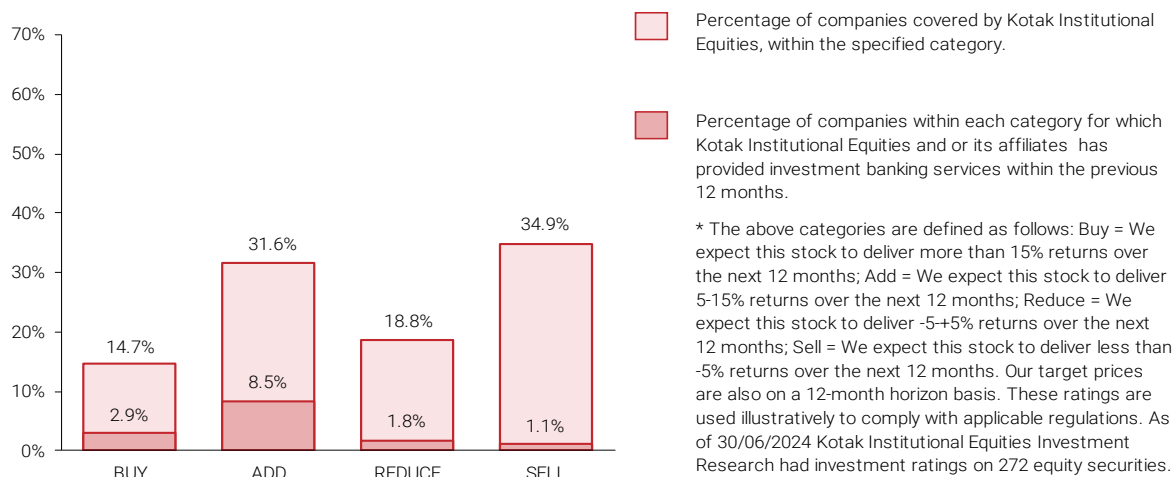
- (a) We have used adjusted book values for banking companies.
- (b) 2024 means calendar year 2023, similarly for 2025 and 2026 for these particular companies.
- (c) Exchange rate (Rs/US\$)= 83.9

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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**Distribution of ratings/investment banking relationships**

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of June 30, 2024

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**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

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