Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	80,182	-0.6	11.0
Nifty-50	24,199	-0.6	11.4
Nifty-M 100	58,723	-0.6	27.2
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	5,872	-2.9	23.1
Nasdaq	19,393	-3.6	29.2
FTSE 100	8,199	0.0	6.0
DAX	20,243	0.0	20.8
Hang Seng	7,181	1.1	24.5
Nikkei 225	39,082	-0.7	16.8
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	75	1.7	-3.6
Gold ($/OZ)	2,585	-2.3	25.3
Cu (US$/MT)	8,910	0.5	5.3
Almn (US$/MT)	2,486	-0.5	6.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	85.0	0.1	2.1
USD/EUR	1.0	-1.3	-6.2
USD/JPY	154.8	0.9	9.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.7	-0.01	-0.4
10 Yrs AAA Corp	7.3	-0.01	-0.5
Flows (USD b)	**18-Dec**	**MTD**	**CYTD**
FIIs	-0.2	2.74	0.8
DIIs	0.48	1.80	60.2
Volumes (INRb)	**18-Dec**	**MTD***	**YTD***
Cash	1,119	1146	1261
F&O	2,15,016	1,88,109	3,68,167

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

MTAR Technologies: Fueling clean energy liftoff

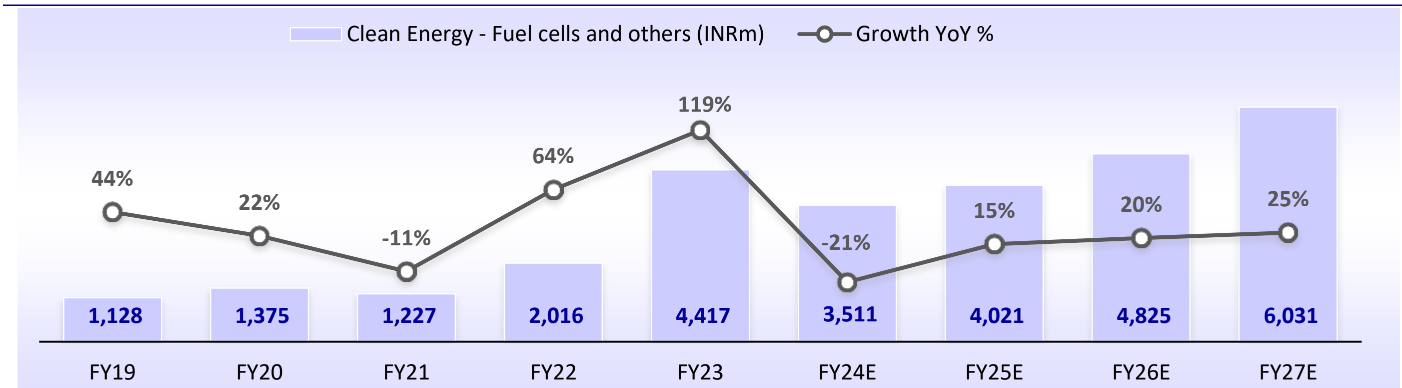
- MTARTECH derives the majority of its revenue (~60% in 1HFY25) from the clean energy segments, with most of it coming from one customer, Bloom Energy (BE). As the transitory impact of BE's product changes is over now, we expect the company to report strong growth in the near term in this segment, led by the revival of orders from BE and the addition of new clients.
- MTARTECH witnessed a rough patch over the last couple of quarters due to product transition by BE. As the transition is completed, we are witnessing strong demand for BE's fuel cells, thereby boosting our confidence on the company's near-term growth outlook.
- BE is witnessing a surge in demand as it has signed large deals recently, e.g., an agreement with American Electric Power (AEP) to install 1GW of power over the next couple of years. This opportunity has a revenue potential of INR9-11b for MTARTECH.
- To further diversify its customer mix, MTARTECH has been adding new clients across segments, such as Fluence Energy, which has similar revenue potential as BE in the near future.
- MTARTECH, a key supplier of precision-engineered systems, benefits from growing fuel cell demand, particularly as the largest supplier to BE. We expect MTARTECH to deliver a CAGR of 28%/42%/58% in revenue/EBITDA/Adj. PAT over FY24-27.

Research covered

Cos/Sector	Key Highlights
MTAR Technologies	Fueling clean energy liftoff
Financials	ICRA Webinar on NBFC-MFIs sector outlook
Technology	Healthcare vertical: A pause in the party?

Chart of the Day: MTAR Technologies (Fueling clean energy liftoff)

Clean Energy – Fuel cells expected to retrace its growth trajectory



Source: MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

ABB to buy power electronics business from Siemens Gamesa

ABB has agreed to acquire the power electronics unit of Gamesa Electric in Spain from Siemens Gamesa to boost its position in the renewable power conversion technology market.

2

Asian Paints' Top Two Executives Resign Citing 'Personal Circumstances'

Asian Paints confirmed that Shyam Swamy, vice president of home improvement, and Vishu Goel, associate vice president of retail sales, have stepped down due to personal reasons.

3

Borosil Renewables unveils ₹675-crore expansion plan and ₹700-crore fundraising

The board of directors have approved key decisions, including a temporary cooldown of its German subsidiary's furnace, a production capacity expansion in India, and revised fundraising strategies to support growth amid improving market conditions.

4

Brigade Enterprises launches net-zero residential project, Citrine, at GDV of Rs 500 crore

The company has launched India's first net-zero residential project with an estimated Gross Development Value (GDV) of about Rs 500 crore, with project size of 4.3 acre, having 420 residential units.

5

Lupin receives FDA approval for generic HIV tablets

Lupin is one of the first companies to receive approval for this formulation originally developed by Gilead Sciences, making it eligible for 180 days of shared generic exclusivity in the US market.

6

Gandhar Oil Refinery says USFDA closed inspection on co's Taloja facility

Gandhar Oil Refinery says USFDA closed inspection on co's Taloja facility.

7

FDC gets USFDA approval for Cefixime 400 mg tablets to treat bacterial infections

Cefixime is used to treat bacterial infections in many different parts of the body. It belongs to the class of medicines known as cephalosporin antibiotics.

MTAR Technologies

BSE SENSEX	S&P CNX
80,182	24,199

Building Nation with Exceptional Engineering

Stock Info

Bloomberg	MTARTECH IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	47.9 / 0.6
52-Week Range (INR)	2353 / 1495
1, 6, 12 Rel. Per (%)	-7/-21/-46
12M Avg Val (INR M)	541
Free float (%)	63.6

Financials Snapshot (INR b)

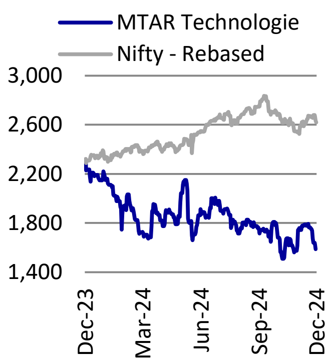
Y/E MARCH	2025E	2026E	2027E
Sales	7.4	9.2	12.2
EBITDA	1.5	2.3	3.2
Adj. PAT	0.8	1.4	2.2
EBITDA Margin (%)	20.9	24.5	26.5
Cons. Adj. EPS (INR	27.0	46.5	71.9
EPS Gr. (%)	48.0	72.1	54.7
BV/Sh. (INR)	246.9	293.4	365.3
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	11.6	17.2	21.8
Payout (%)	11.0	15.8	20.6
Valuations			
P/E (x)	57.7	33.5	21.7
EV/EBITDA (x)	32.0	21.5	14.9

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	36.4	36.4	39.1
DII	17.3	16.0	24.1
FII	7.8	7.8	8.8
Others	38.5	39.9	28.0

FII includes depository receipts

Stock Performance (one-year)



CMP: INR1556 TP: INR2,100 (+35%) Buy

Fueling clean energy liftoff

MTARTECH derives the majority of its revenue (~60% in 1HFY25) from the clean energy segments, with most of it coming from one customer, Bloom Energy (BE). As the transitory impact of BE's product changes is over now, we expect the company to report strong growth in the near term in this segment, led by the revival of orders from BE and the addition of new clients.

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Client concentration risk has played out – what's next?

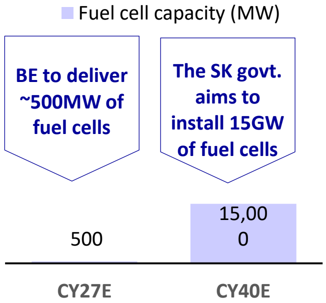
- BE is the largest customer of MTARTECH, accounting for ~70% of its total revenue in FY24. BE is the global leader in manufacturing standard oxide fuel cells (SOFC).
- MTARTECH supplies critical components such as hotboxes (named Santacruz) to BE, which are used in a fuel cell where the chemical reaction to generate power takes place. Moreover, MTARTECH also supplies electrolyzers, sheet metals and wiring to BE.
- MTARTECH currently caters to ~70-75% of BE's hotbox requirements, making the former a key vendor. The company is also looking to increase its wallet share with BE by providing more services, with an end target of fully assembling fuel cells for BE in India.
- The client concentration risk has been a key concern for MTARTECH, as seen in FY24 when BE went into product transition to Santacruz (65kw energy generation) from Yuma (50kw). This led to a slowdown in BE's order flows to MTARTECH, thereby impacting the company's revenue and profitability. Revenue from clean energy fuel cells declined by 21% YoY in FY24 vs. 2.2x growth in FY23.
- However, the transition was completed two quarters ago and we are seeing normalized order flows from BE. In 2QFY25, the clean energy fuel cell segment posted 9% YoY growth vs. a decline in the last four quarters.

- Going ahead, we expect strong growth in this segment as the closing order book for BE as of 1HFY25 stood at INR4.9b. BE is returning to the original demand scenario as it has indicated an execution of 4,000 units in CY25 vs. 3,000 units indicated earlier. Further to this, BE have been witnessing strong demand tailwinds in the recent period as discussed in detail below.

BE witnessing strong demand tailwinds

- We have further analyzed BE's demand scenario to gauge the order flow trends for MTARTECH.
- Over the last few years, BE has signed multiple large agreements to scale up its clean energy technology across diverse industries and geographies.
- **Some of the large deals include**: SK ecoplant (in Dec'23) to deliver 500MW SOFC through 2027 generating ~USD1.5b in product revenue and USD3b in service revenue over 20 years for BE; Parenco (Jun'24) in UK to install 2.5MW SOFC in the largest commercial procurement of fuel cells with an initial order of 100MW and a potential expansion to 1GW focusing on powering AI data centers.
- BE has expanded its existing partnership with Quanta Computers, aiming to deliver more than 150% of the power capacity provided in the client's existing installations. Other notable collaborations are with CoreWeave and Amazon.
- Additionally, BE orders include deployments for decarbonizing the industrial sectors, powering AI/data centers, and enhancing energy resilience. Collectively, these orders contribute to BE's projected revenue path of USD1.8b for the next fiscal year.
- BE's proven track record, with over 1.3GW deployed globally, and its capacity to scale up production for large orders make it a significant player in clean and reliable energy solutions.
- **Since MTARTECH is BE's largest vendor, the company benefits significantly from strong order flows from BE. For instance, under a recent agreement with AEP, BE will supply ~15,000 hotboxes to AEP. For MTARTECH, it can translate into INR10-11b in revenue (refer exhibit 1) over the next couple of years (incremental to current order book).**

South Korea Demand



Expanding clientele in clean energy space

- Apart from the key client (BE) coming back on track with a strong outlook, MTARTECH has been proactive in diversifying its client base to safeguard from the client concentration risk in the future.
- One such addition in clean energy is Fluence Energy (Fluence). Fluence, established in 2018, is a leading global provider of energy storage products and services. It is a joint venture between Siemens AG and AES Corporation.
- Fluence collaborates with MTARTECH to address India's growing need for renewable energy integration and grid stability.
- As per the indications from MTARTECH's management, the revenue potential from Fluence can be similar to BE in the near future.
- Currently, the contribution from Fluence is nil as Fluence has not yet won any orders in India, but when it does, the orders from Fluence will start flowing in to MTARTECH.

Valuation and view

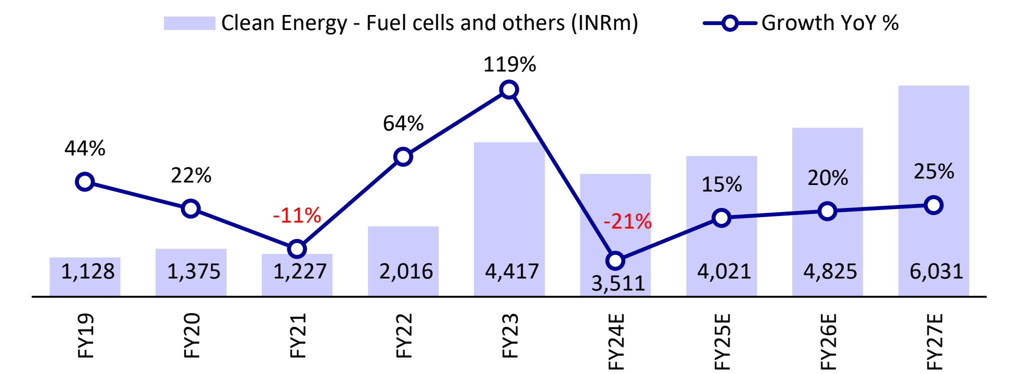
- MTARTECH, being the key supplier of precision engineered systems to large global MNCs, government departments, and large Indian public and private sector enterprises, has over the years created a niche for itself in the industry.
- As the largest supplier of fuel cell components to BE (global leader), the company will benefit from the emerging demand for fuel cells in the coming years. Further, the company is also increasing its wallet share with BE by offering more products, such as precision sheet metal fabrication and enclosures, with the aim of carrying out a complete fuel cell integration for BE.
- We believe the BE-related headwind is over now, and going ahead, strong order flows and agreements by BE should boost the business scenario for MTARTECH. Moreover, the diversification across segments by the company is expected to result in healthy revenue growth going ahead.
- We estimate MTARTECH to deliver a CAGR of 28%/42%/58% in revenue/ EBITDA/adj. PAT over FY24-27 on the back of strong order inflows. We retain our BUY rating on the stock with a TP of INR2,100 (34x Dec'26E EPS).

Opportunity size of AEP orders for MTAR

Particulars	*Metrics*	Units	Units
AEP potential order for BE	***MW***	**1000**	
Hotboxes needed			
Santacruz unit capacity	*KW*	65	
Hotboxes needed	*units*	15,385	15,385
MTAR's supply share	*%*	70%	80%
MTAR's Hotboxes share	*units*	10,769	12,308
Revenue/hotbox	*USD*	10,800	10,800
Total Revenue for MTAR	***USDm***	**116**	**133**
Total Revenue for MTAR	***INRb***	**9.8**	**11.2**

Source: MOFSL

Clean Energy – Fuel cells expected to retrace its growth trajectory



Source: MOFSL

Banks	MFI growth (% YoY, 2QFY25)	MFI Mix (%)
Federal Bank	75.8	1.8
AUSFB	NA	7.6
Bandhan Bank	9.8	45.4
RBL Bank	2.7	7.9
Equitas	-4.1	15.6
IDFC First Bank	-4.6	5.8
IndusInd Bank	-4.8	9.2

ICRA Webinar on NBFC-MFIs sector outlook

FY25 AUM growth to decline to 0-5%; Credit cost to peak at 5.4%-5.6%

The MFI and unsecured lending space are currently navigating a difficult landscape, characterized by a significant rise in bad loans. This trend has raised alarms about overleveraging and prompted warnings from regulators. RBI has implemented measures such as raising risk weights, while the MFIN has introduced tighter controls to rein in loan growth. ICRA hosted a webinar to discuss MFI industry trends, asset quality, and profitability outlook. The webinar was presented by Mr. Karthik Srinivasan, Senior Vice President & Group Head, Mr. A M Karthik, Senior Vice President & Co-Group Head, and Mr. Prateek Mittal, Assistance Vice President & Sector head. Following are the key insights from the session –

Asset quality deterioration led by overleveraging, socio-political disruptions, and operational challenges

- MFI asset quality deterioration is led by several factors –

a. **Borrowers Overleveraging**: The growing trend of borrowers having multiple lending relationships has led to a sharp rise in overall indebtedness. With debt spread across various lenders, borrowers faced increased financial pressure, making it difficult to manage repayments and thus contributing to financial instability.

b. **Climatic Impact**: Severe heatwaves, floods, and cyclones have significantly undermined asset quality.

c. **Socio-Political Disruptions**: Farmers' protests and loan waiver movements have led to write-offs, impacting asset quality.

d. **Operational Strain**: Challenges such as low center attendance, high field-level attrition, and rising door-to-door collections are affecting operations.

e. **High inflation has further aggravated the stress**: Post-COVID, many businesses and jobs were severely impacted, leading to increased borrowing and strong credit growth during a period of high liquidity. However, wage and business growth have not kept pace with inflation, which has been especially challenging for the rural households. As a result, there has been a de-prioritization of unsecured lending leading to rising delinquencies.

Near term stress to continue; condition expected to stabilize post 1QFY26

- Delinquencies (90+ DPD) in the NBFC-MFI sector have increased from 1.7% in FY20 to 2.2% in FY24, and are expected to rise further.
- The borrower rejection rate is expected to rise in the near term due to increasing financial strain on borrowers. Additionally, 20% of borrowers have more than three lenders, while 80% have one or two lenders. A significant unwinding of leverage, totaling INR400b, has already occurred.
- Asset quality is likely to further deteriorate in 2HFY25 due to customer over-leveraging and other macroeconomic factors. This period is transitional and unavoidable, with near-term stress expected in the current financial year and upto 1QFY26. However, conditions are expected to stabilize thereafter.

ICRA expects muted AUM growth at 0-5% in FY25 for NBFC-MFIs

- AUM growth in the NBFC-MFI sector has slowed significantly, dropping from 50% in FY18 to 29% in FY24, and is expected to decline sharply to 0-5% by end of FY25 given the rising concerns about asset quality.
- However, a recovery in AUM growth is anticipated from 2QFY26, with an estimated growth of 10-15% in FY26 driven by disbursement of high quality loans in MFI segment.

Credit cost to peak at 5.4%-5.6% in FY25; est. FY26 credit cost at 3.7-3.9%

- Credit costs have increased in 1HFY25 owing to stress in MFI industry. ICRA estimates credit cost to peak at ~5.4-5.6% by FY25 led by borrower overleveraging and operational challenges.
- Credit costs are expected to gradually decline in FY26 as lenders tighten their underwriting criterias alongside improved credit bureau checks. These checks now include validation of voter IDs with the help of multiple vendors, and efforts are also made to enhance the quality of other parameters, such as entering the last four digits of Aadhar, which will help streamline borrower identification.
- Additionally, addressing the overlap of loans across various sectors apart from MFI, such as gold loans, home loans, and agricultural KCC loans, will also ensure better underwriting and enable lower delinquencies, contributing to a reduction in credit costs. ICRA thus estimate credit cost to decline to 3.7-3.9% by the end of FY26.

Profitability trends to remain muted in near term; expect recovery in FY26

NIMs have remained under pressure in 1HFY25, largely due to decline in AUM growth in MFI sector and ongoing rise in funding costs. This compression in margins and rising credit costs may affect profitability in near future. ICRA expects RoA in the range of 0.4-0.8% in FY25 and this is likely to improve to 1.3-1.7% in FY26, with bulk of recovery anticipated during 2HFY26. Also, an additional funding of INR180-200b is required to support growth, apart from refinancing of existing/maturing lines.

Developments in the Banking Sector: Unsecured loan growth to moderate

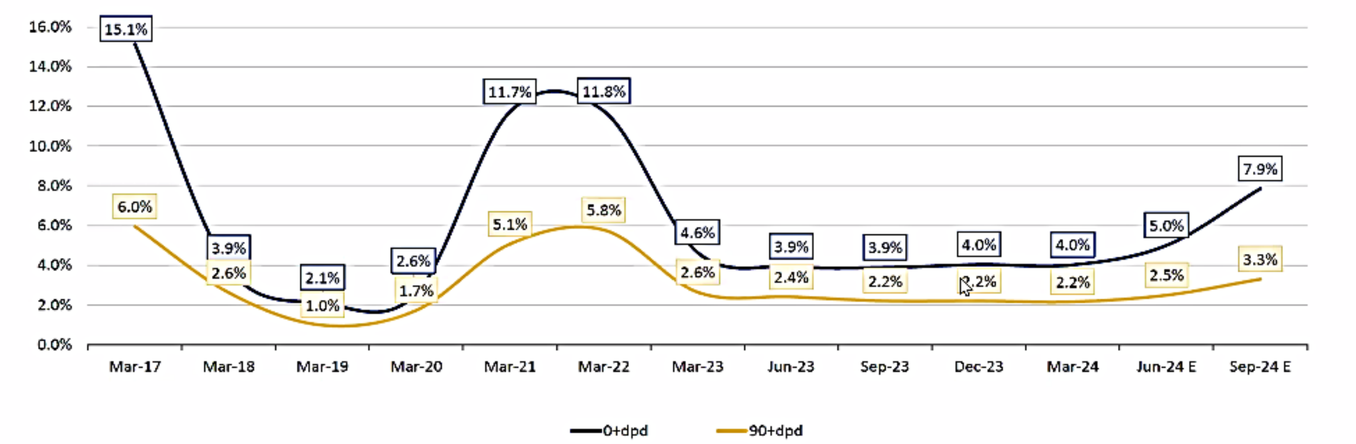
- After a peak of 90.2% YoY growth in FY21, MFI lending growth has slowed to 13.1% in 2QFY25, with further moderation expected in the seasonally strong 2HFY25.
- Although the overall loan book continues to grow, the quality of new disbursements isn’t very encouraging. Borrowers in some rural and semi-urban areas are experiencing income volatility, which is negatively affecting their repayment behavior.
- Growth for lenders has sharply declined from the high levels seen in FY24, with unsecured loan growth weakening further in 2QFY25, signaling a notable slowdown.
- The proportion of unsecured loans in the total loan book has decreased after years of growth. For banks, stress in the MFI segment and ongoing challenges in the credit card sector have contributed to slower growth. After peaking at 9.2% of total loans, the share has slightly moderated in 1HFY25, and is expected to decline further as unsecured loan growth continues to moderate.

- MFI slippages have contributed disproportionately more to overall slippages of the lenders highlighting the significant stress within the sector. For Bandhan, MFI slippages accounted for 68% of total slippages, despite the MFI loan mix being only 47%. The situation is even more severe for RBL and IIB, where the ratio of MFI slippages to total slippages is 2-3 times higher than their MFI loan mix. We remain cautious and expect slippages to increase further in 3QFY25.

Outlook for FY26: RoA to recover to 1.3-1.7%

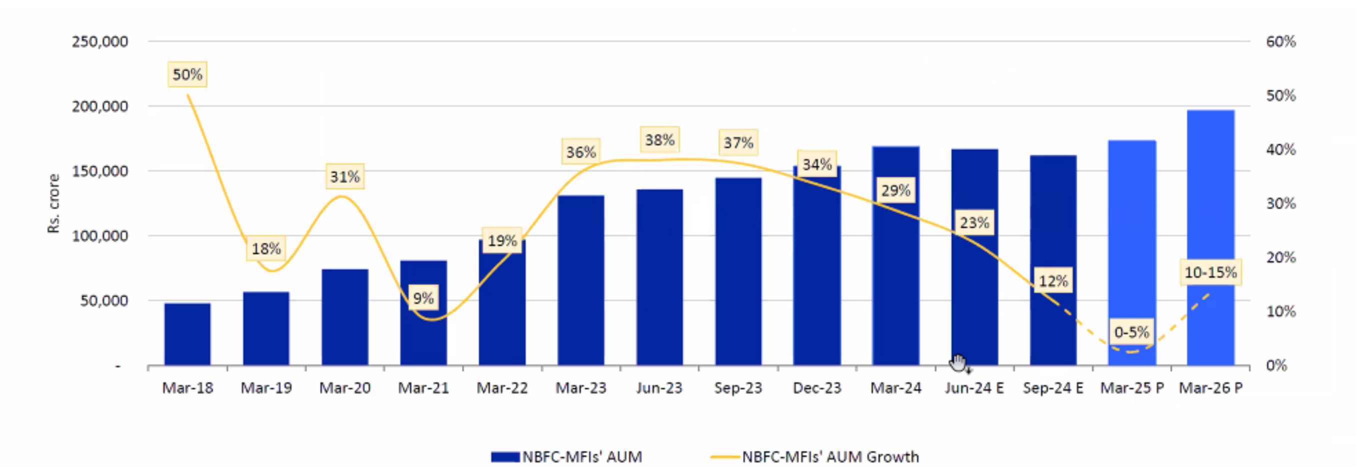
ICRA expects credit costs to decline to 3.7-3.9% by the end of FY26 after peaking in FY25. The industry, which had been growing at 30%, is now expected to grow at a slower rate of 10-15%. Southern states with higher per capita income (e.g., Kerala, Tamil Nadu) are performing better, even amidst adverse conditions like floods while states like Odisha and Jharkhand face significant challenges. The economy's cash flow in Nov and Dec has shown improvement, with positive signs emerging from the Kharif season and a good harvest, leading to optimism about increased cash availability. This, combined with the positive impacts of festival activities, is expected to boost disbursements and collection performance. RoA is expected to be in the range of 0.4-0.8% in FY25 and in the range of 1.3-1.7% in FY26.

Exhibit 1: Trend in Delinquencies of NBFC-MFIs (ICRA's sample set of companies)



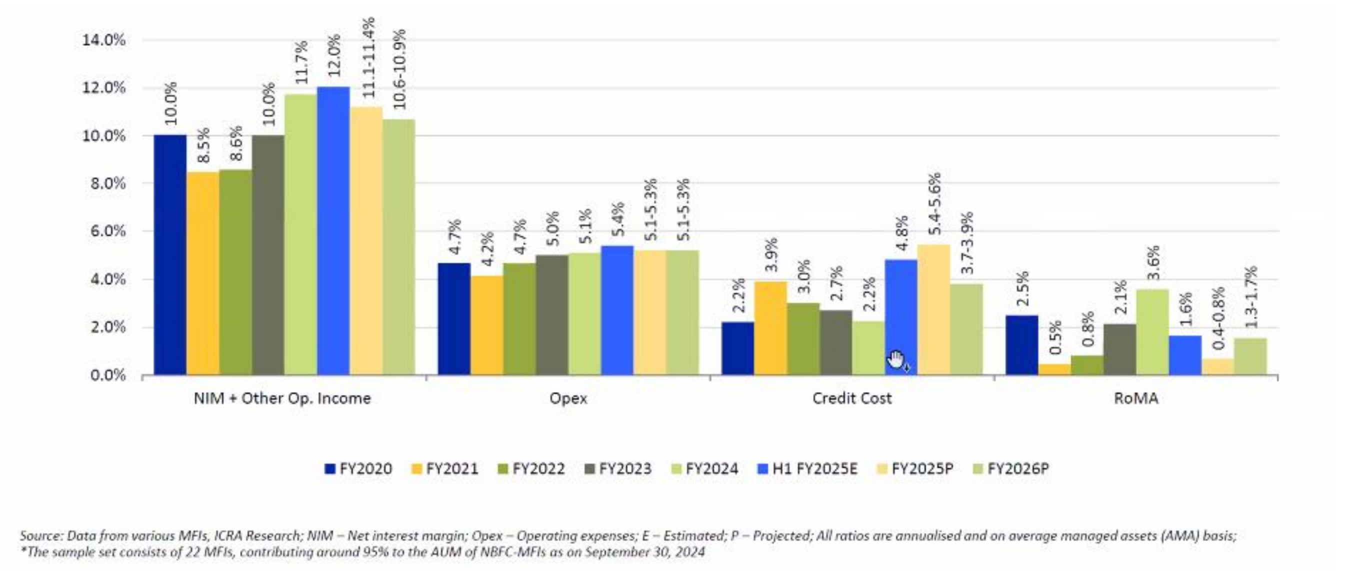
Source: ICRA, MOFSL

Exhibit 2: Growth-trend of AUM of NBFC-MFIs to moderate in FY25



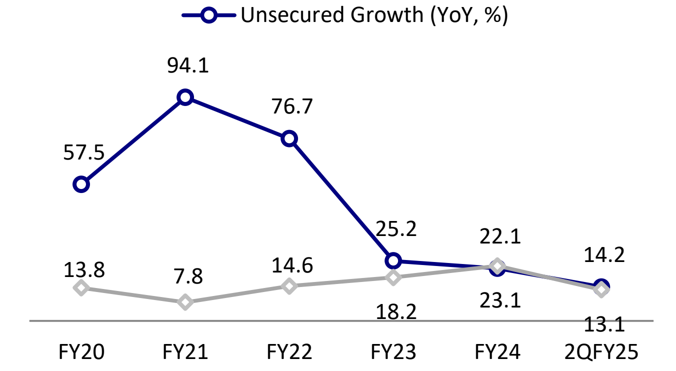
Source: ICRA, MOFSL

Exhibit 3: Projected trends in profitability metrics



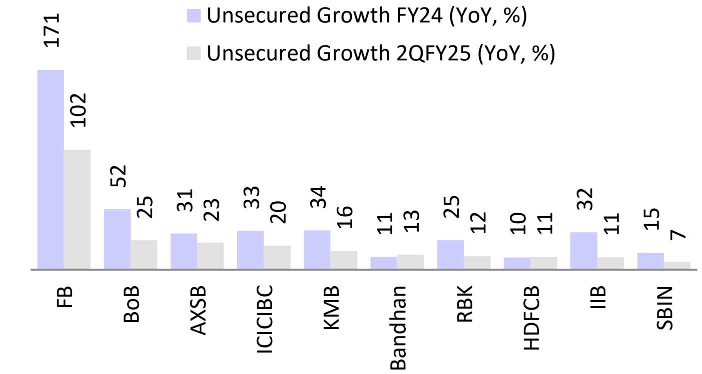
Source: ICRA, MOFSL

Exhibit 4: Declining growth in Unsecured Loans



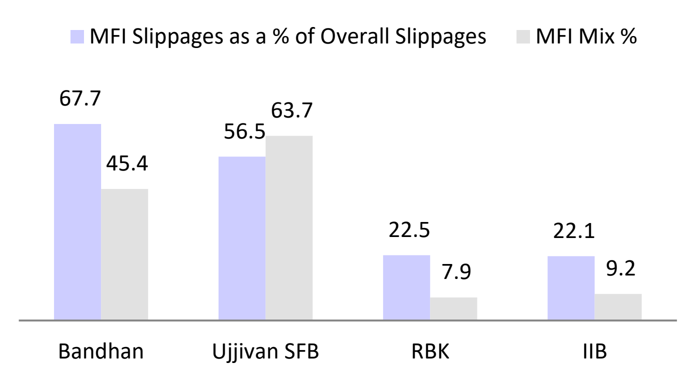
Source: MOFSL

Exhibit 5: Unsecured loan book growth by banks for FY24 and 2QFY25



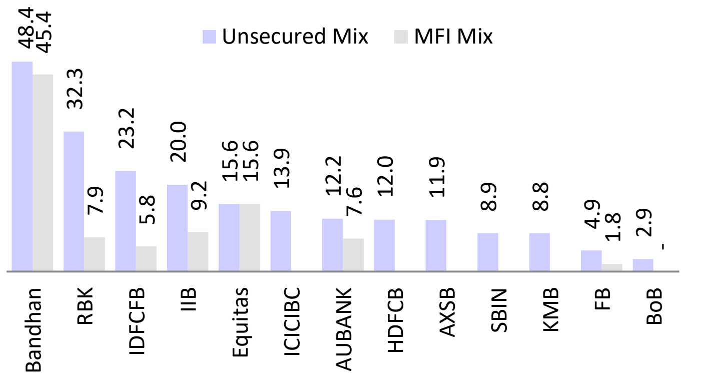
Source: MOFSL

Exhibit 6: MFI Slippages as a % of overall slippage of banks



Source: MOFSL

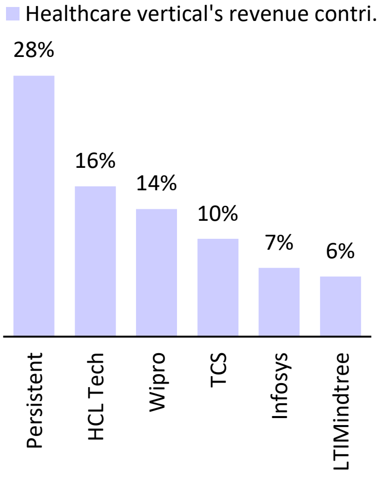
Exhibit 7: Unsecured and MFI Loan Mix as a Percentage of Total Loans by Bank



Source: MOFSL

Technology

PSYS tops the revenue contribution from healthcare vertical



Healthcare vertical: A pause in the party?

The healthcare vertical has been the fastest-growing vertical and has done heavy lifting for growth in recent times. However, with the potential return of Mr. Donald Trump as US President and the prospect of new healthcare reforms, there could be some short-term uncertainty in healthcare spending. In this note, we explore how these potential changes might impact the healthcare sector and what it could mean for the vertical's growth trajectory. We also examine the implications for Indian IT companies with significant exposure to this sector, assessing how their performance might be influenced by the shifts in the US healthcare landscape.

US healthcare: Bracing for impact

- Mr. Trump's second term is likely to bring many changes to US healthcare policy, with a focus on repealing the Affordable Care Act (ACA), altering Medicaid funding mechanisms, and potentially reshaping drug pricing regulations.
- The healthcare industry is bracing for these shifts, indicating expectations of a more favorable environment for private insurers and Medicare Advantage plans.
- Mr. Trump's reelection is likely to have a mixed impact on providers and hospitals, which face challenges from reduced reimbursements and rising costs.
- The life sciences sector has a mixed outlook, with expedited FDA approvals boosting revenues but increased scrutiny on drug pricing pressuring margins.

Indian IT: Healthcare structurally strong, could have short-term snags

- Persistent Systems (PSYS) has the highest reliance on the healthcare vertical with 28% revenue contribution, followed by HCL Tech (16%) and Wipro (14%).
- PSYS has achieved impressive growth, averaging 51% YoY, in its healthcare vertical over the last four quarters on the back of the ramp-up of large deals. While this has to moderate going forward as the initial ramp-up recedes, we believe the company could continue to deliver growth as BFS and Hi-tech, its two other key verticals, recover in FY26.
- HCLT's healthcare vertical has been slightly erratic (down 4% QoQ in 1QFY25 followed by ~3% growth in 2QFY25), whereas for Wipro it has clocked an ~8.5% CAGR over the past two years, underscoring structural tailwinds in the sector.

Plotting the recovery: Healthcare ranks one

- As highlighted in our recent thematic report (Bounce-Back! Charting the path to revival for the IT services), we expect healthcare to be the fastest-growing vertical over the medium to long term due to neutral tailwinds from rate cuts, a low threat of insourcing, and stable spends backed by the need for investment in drug discovery, biotechnology and clinical trials.
- However, we would watch out for commentary on the vertical in the upcoming earnings season and a potential impact from the new administration in the US. While we expect growth to moderate in the short term, it should resume once policy clarity emerges in 1HCY25.

Maruti Suzuki: Have Reached A Historic Milestone Of 2 M Units Produced In A Calendar Year; Rahul Bharti, Executive Director

- 2.9 lakh units were exported, showcasing global reach.
- India to reach 6.5 million cars/year by 2030.
- Exports expected to triple by the end of the decade.
- Maruti's production surpasses entire countries like France and Canada.
- Retail sales growth anticipated to be between 3-4%.

Read More

Route Mobile: Now We Have A Global Footprint, Will Be A Differentiator For Large Scale Opportunities; Rajdipkumar Gupta, MD

- Projected collective revenue of approximately $2 billion.
- Enhanced ability to pursue large-scale strategic opportunities.
- Expected global EBITDA synergies of €100 million.
- Focus on driving operational efficiency post-integration.
- Maintaining revenue guidance of 18-22% growth and 13-13% margins.

Read More

One MobiKwik: Distribution Of Insurance, Credit Products, Savings Products Will Be Key For Growth; Upasana Taku, Chairperson & CFO

- The company aims for 50-59% growth, focusing on sustainable expansion.
- Distribution of insurance, savings, and credit products to enhance revenue.
- MobiKwik has 161 million users, with a significant percentage having full KYC.
- Achieved profitability in FY24, indicating a positive financial trend.
- Fixed costs are decreasing, allowing for better margins as revenue grows.
- Digital payments remain the foundation, driving user acquisition and merchant growth.

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Narayana Health: Not Doing Premium Pricing As Yet As Robotic Surgeries Not Yet Margin Accretive; Sandhya J, Group CFO

- Opportunistic about M&A but cautious due to high asset prices in India.
- Affordability issues remain, particularly for the "missing middle" demographic.
- Only about half of the surgeries needed in India are being performed.
- The company is expanding its robotic surgery program, aiming for 10,000 surgeries annually.
- Price increases for procedures will be in the low single digits, primarily to cover inflation.
- Robotic surgeries improve recovery times but currently do not offer significant cost reductions.

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NOTES

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

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