MOTILAL OSWAL FINANCIAL SERVICES

1 February 2025

MORNING INDIA

Market snapshot

Equities - India	Close	Chg .%	CY24.%
Sensex	77,501	1.0	8.2
Nifty-50	23,508	1.1	8.8
Nifty-M 100	53,712	1.9	23.9
Equities-Global	**Close**	**Chg .%**	**CY24.%**
S&P 500	6,041	-0.5	23.3
Nasdaq	19,627	-0.3	28.6
FTSE 100	8,674	0.3	5.7
DAX	21,732	0.0	18.8
Hang Seng	7,382	0.0	26.4
Nikkei 225	39,572	0.1	19.2
Commodities	**Close**	**Chg .%**	**CY24.%**
Brent (US$/Bbl)	77	-0.9	-4.5
Gold ($/OZ)	2,798	0.1	27.2
Cu (US$/MT)	8,928	-0.9	2.2
Almn (US$/MT)	2,592	-1.2	7.7
Currency	**Close**	**Chg .%**	**CY24.%**
USD/INR	86.6	0.0	2.9
USD/EUR	1.0	-0.3	-6.2
USD/JPY	155.2	0.6	11.5
YIELD (%)	**Close**	**1MChg**	**CY24 chg**
10 Yrs G-Sec	6.7	0.02	-0.4
10 Yrs AAA Corp	7.2	0.00	-0.5
Flows (USD b)	**31-Jan**	**MTD**	**CYTD**
FIIs	-0.1	1.18	-0.8
DIIs	0.26	4.27	62.9
Volumes (INRb)	**31-Jan**	**MTD***	**YTD***
Cash	1,100	1019	1019
F&O	60,600	1,91,994	1,91,994

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Punjab National Bank: Strong quarter; asset quality continues to improve; Upgrade to Buy

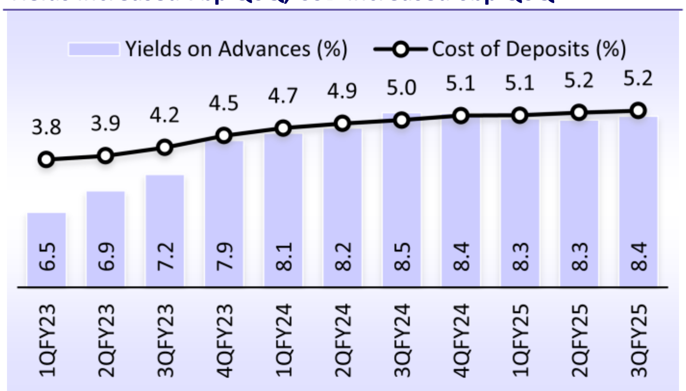
- Punjab National Bank (PNB) reported a healthy 3QFY25 PAT of INR45.1b (103% YoY growth, 24% beat), primarily driven by provisioning reversal. NII grew 7% YoY/5% QoQ to INR110.3b (in line), while NIM inched up 1bp QoQ to 2.93% (3.09% domestic NIMs).
- We raise our EPS estimates by 9.4%/9.2% for FY26/FY27, factoring in a sharp reduction in provisions. We estimate RoA/RoE at 1.0%/14.9% in FY27.
- **We upgrade PNB to BUY given its comfortable CD ratio, strong provision reversal potential, and a healthy recovery pipeline, which should support earnings. NIMs have an upside bias on the back of improving asset yields, PNB's potential to grow faster than the system, and strong cost control. With a steady RoA outlook and margin tailwinds, we see a favorable risk-reward. Our TP of INR125 is based on 1.0x Sep'26E ABV.**

Research covered

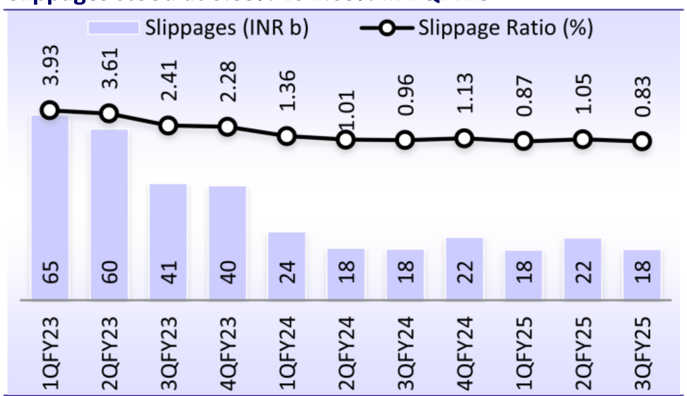
Cos/Sector	Key Highlights
Punjab National Bank	Strong quarter; asset quality continues to improve
Sun Pharma	Domestic formulations/EM/ROW drive earnings growth
Nestlé India	Moderate growth; miss on margins
Other Updates	Vedanta | Cholamandalam Inv. & Finance | Max Healthcare | Marico | IndusInd Bank | Prestige Estates Projects | Phoenix Mills | Coromandel International | UPL | Container Corporation | Biocon | Brigade Enterprises | Vedant Fashions | Poonawalla Fincorp | Bandhan Bank | Blue Dart Express | Jyothy Laboratories | Relaxo Footwears | Raymond Lifestyle | Equitas Small Finance Bank | Automobiles | IRB Infrastructure Developers | LIC Housing Finance | Five Star Business Finance | Triveni Turbine | Nuvama Wealth | Godrej Agrovet | Mahindra Lifespace | EcoScope

Chart of the Day: Punjab National Bank (Strong quarter; asset quality continues to improve)

Yields increased 7bp QoQ; CoD increased 6bp QoQ



Slippages stood at 0.83% vs 1.05% in 2QFY25



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Economic Survey pegs India's FY26 GDP growth at 6.3-6.8%, domestic growth levers important

Survey projected a growth rate of 6.3-6.8 per cent for 2025-26 on the back of a "strong external account, calibrated fiscal consolidation and stable private consumption", and said domestic growth levers will be more important than external ones...

2

Bullish on Indian market, looking at another strong year in 2025, McLaren

British supercar maker McLaren has surpassed a cumulative sales milestone of 50 units in India since officially entering the market in 2022, selling high-end models priced at Rs 6.5 crore onwards.

3

Economic Survey: Electronics market still 4% of global pie

India has made strides in boosting domestic electronics manufacturing, with programmes like Make in India and Digital India playing crucial roles. The domestic production of electronic goods grew significantly, with a remarkable reduction in smartphone imports.

4

Apollo Hospitals, Hackensack Meridian announce collaboration

Apollo Hospitals Group has teamed up with Hackensack Meridian Health to develop innovative healthcare solutions. They aim to enhance patient care, improve affordability, and promote community health through joint initiatives.

5

Survey predicts steel, cement recovery on govt capex boost

The economic survey forecasts a recovery in cement, iron, and steel sectors with anticipated government spending, though global steel overcapacity and EU regulations may pose challenges. The EU's Carbon Border Adjustment Mechanism and steel scrap export ban significantly affect the Indian steel industry amidst global competition

6

Mumbai property market reaches new heights, records best January ever

Mumbai's real estate market has recorded over 12,000 property registrations in January, marking the highest ever for this month. This strong performance, amid stable economic conditions, has led to a 27% increase in stamp duty revenue.

7

Adoption of AI in Indian healthcare sector faces several challenges

The National Strategy for Artificial Intelligence (2018), developed by NITI Aayog, outlined how AI could tackle issues of quality, accessibility, and affordability for a large portion of the population.

Motilal Oswal | Morning India

1 February 2025

3QFY25 Results Update | Sector: Financials

Punjab National Bank

Estimate change	↑
TP change	↑
Rating change	↑

Bloomberg	PNB IN
Equity Shares (m)	11493
M.Cap.(INRb)/(USDb)	1163.1 / 13.4
52-Week Range (INR)	143 / 92
1, 6, 12 Rel. Per (%)	-1/-13/-20
12M Avg Val (INR M)	5343

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	400.8	434.9	470.9
OP	249.3	275.6	303.6
NP	82.4	167.1	190.5
NIM (%)	2.8	2.7	2.6
EPS (INR)	7.5	14.9	16.6
EPS Gr. (%)	228.8	98.3	11.6
BV/Sh. (INR)	93	107	121
ABV/Sh. (INR)	84	100	114
Ratios			
RoA (%)	0.5	1.0	1.0
RoE (%)	8.7	15.3	14.9
Valuations			
P/E(X)	13.5	6.8	6.1
P/BV (X)	1.1	0.9	0.8
P/ABV (X)	1.2	1.0	0.9

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	70.1	70.1	73.2
DII	14.3	11.7	13.8
FII	5.7	8.4	3.1
Others	9.9	9.8	10.0

FII Includes depository receipts

CMP: INR101 | TP: INR125 (+24%) | Upgrade to Buy

Strong quarter; asset quality continues to improve

Business growth remains healthy

- Punjab National Bank (PNB) reported a healthy 3QFY25 PAT of INR45.1b (103% YoY growth, 24% beat), primarily driven by provisioning reversal.
- NII grew 7% YoY/5% QoQ to INR110.3b (in line), while NIM inched up 1bp QoQ to 2.93% (3.09% domestic NIMs).
- Loan book grew 16.8% YoY (4.9% QoQ) to INR10.7t, led by continued traction in retail loans, up 22.6% YoY/5.0% QoQ. Deposits grew 15.6% YoY/4.9% QoQ. As a result, the C/D ratio was broadly stable at 70%.
- Slippages declined to INR17.7b vs INR21.8b in 2QFY25. GNPA/NNPA ratios moderated by 39bp/5bp to 4.09%/0.41%. PCR ratio was stable at 90.2%.
- We raise our EPS estimates by 9.4%/9.2% for FY26/FY27, factoring in a sharp reduction in provisions. We estimate RoA/RoE at 1.0%/14.9% in FY27. **We upgrade PNB to BUY given its comfortable CD ratio, strong provision reversal potential, and a healthy recovery pipeline, which should support earnings. NIMs have an upside bias on the back of improving asset yields, PNB's potential to grow faster than the system, and strong cost control. With a steady RoA outlook and margin tailwinds, we see a favorable risk-reward. Our TP of INR125 is based on 1.0x Sep'26E ABV.**

Margins broadly stable; C/D ratio comfortable at ~70%

- PNB reported a PAT of INR45.1b (103% YoY growth, 24% beat), primarily driven by provision reversal. In 9MFY25, PAT stood at INR121b (130% YoY). 4QFY25 PAT is expected at INR46.5b (54% YoY).
- NII grew 7% YoY/5% QoQ to INR110.3b (in line), while NIMs inched up 1bp QoQ to 2.93%. Other income increased 28% YoY to INR34.1b (in line). Total revenue thus grew 11% YoY to INR144.4b (in line).
- Opex increased 18% YoY to INR78.23b (3% higher than MOFSLe). As a result, the C/I ratio moderated to 54.2% (vs. 54.6% in 2Q). PPoP thus grew 5% YoY to INR66.2b (in line).
- Loan book grew 16.8% YoY (4.9% QoQ) to INR10.7t amid healthy traction in retail, agri and MSME. PNB expects healthy traction in credit growth at 13-14% in 4QFY25, led by the RAM segment.
- Deposits grew 15.6% YoY/4.9% QoQ to INR15.3t, led by healthy traction in TDs at 6.2% QoQ. The CASA ratio, thus, moderated to 38.1% from 39.3% in 2QFY25.
- On the asset quality front, slippages declined to INR17.7b from INR21.8b in 2QFY25. GNPA/NNPA ratios moderated by 39bp/5bp to 4.09%/0.41%. The PCR ratio was stable at 90.2%.
- SMA-2 (above INR50m) moderated to 0.14% of loans from 0.20% in 2QFY25.

Highlights from the management commentary

- NPA recovery contribution to interest income was INR 6.45b (from GLP and TWO pool) vs. INR 6.06b in the previous quarter. The bank expects a similar recovery run rate to continue.
- PNB expects total recovery of INR50-60b in 4Q. The bank has guided for a full-year FY25 recovery of INR180b (~INR115b for 9MFY25).
- **AS-15 provisions:** With a 30bp decline in the yield, the bank recalculated its provisioning requirement, which led to high provisioning in Sept'24 (INR54b for FY25). In 3Q, these provisions amounted to INR14b and the bank expects them to remain at a similar level in 4QFY25.

Valuation and view: Upgrade to BUY with a TP of INR125

- PNB reported a healthy quarter, characterized by robust business growth, stable margins and continued improvement in asset quality. NII was largely flat QoQ, while NIMs remained broadly stable. Business growth was healthy, with management aiming to increase the mix of RAM portfolio, which should result in steady margins. Asset quality continues to improve, with slippages declining further on a sequential basis. SMA overdue (with loans over INR50m) too saw improvement to 0.14% of domestic loans.
- We raise our EPS estimates by 9.4%/9.2% for FY26/FY27, factoring in a sharp reduction in provisions. We estimate RoA/RoE at 1.0%/14.9% in FY27. We upgrade PNB to BUY given its comfortable CD ratio, strong provision reversal potential, and a healthy recovery pipeline, which should support earnings. NIMs have an upside bias on the back of improving asset yields, PNB's potential to grow faster than the system, and strong cost control. With a steady RoA outlook and margin tailwinds, we see a favorable risk-reward. **Our TP of INR125 is based on 1.0x Sep'26E ABV.**

Quarterly performance (INR b)

Y/E March	FY24				FY25E				FY24	FY25E	FY24	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**95.0**	**99.2**	**102.9**	**103.6**	**104.8**	**105.2**	**110.3**	**114.7**	**400.8**	**434.9**	**107.7**	**2%**
% Change (YoY)	26.0	20.0	12.1	9.1	10.2	6.0	7.2	10.6	16.2	8.5	4.6	
Other Income	34.3	30.3	26.7	42.5	36.1	45.7	34.1	42.0	133.8	157.9	34.4	-1%
Total Income	**129.4**	**129.5**	**129.7**	**146.1**	**140.9**	**150.9**	**144.4**	**156.7**	**534.7**	**592.8**	**142.1**	**2%**
Operating Expenses	69.7	67.3	66.4	82.0	75.0	82.4	78.2	81.6	285.4	317.2	76.3	3%
Operating Profit	**59.7**	**62.2**	**63.3**	**64.2**	**65.8**	**68.5**	**66.2**	**75.1**	**249.3**	**275.6**	**65.8**	**1%**
% Change (YoY)	10.9	11.7	10.8	9.4	10.3	10.2	4.6	17.1	10.7	10.6	4.0	
Provisions	39.7	34.4	27.4	15.9	13.1	2.9	-2.9	3.4	117.4	16.6	7.9	-136%
Profit before Tax	**20.0**	**27.7**	**35.9**	**48.3**	**52.7**	**65.7**	**69.1**	**71.7**	**131.9**	**259.1**	**57.9**	**19%**
Tax	7.5	10.2	13.7	18.2	20.2	22.6	24.0	25.2	49.5	92.0	21.4	12%
Net Profit	**12.6**	**17.6**	**22.2**	**30.1**	**32.5**	**43.0**	**45.1**	**46.5**	**82.4**	**167.1**	**36.5**	**24%**
% Change (YoY)	307.0	327.0	253.5	159.8	159.0	145.1	102.8	54.4	228.8	102.7	64.0	
Operating Parameters												
Deposits	12,979	13,099	13,235	13,697	14,082	14,583	15,297	15,724	13,697	15,724	14,892	
Loans	8,637	8,899	9,164	9,344	9,840	10,196	10,700	10,952	9,344	10,952	10,412	
Deposit Growth (%)	14.2	9.8	9.3	6.9	8.5	11.3	15.6	14.8	6.9	14.8	12.5	
Loan Growth (%)	16.3	15.1	14.5	12.5	13.9	14.6	16.8	17.2	12.5	17.2	13.6	
Asset Quality												
Gross NPA (%)	7.7	7.0	6.2	5.7	5.0	4.5	4.1	3.9	5.7	3.9	4.0	
Net NPA (%)	2.0	1.5	1.0	0.7	0.6	0.5	0.4	0.4	0.7	0.4	0.4	
PCR (%)	75.8	80.0	85.4	87.9	88.4	90.2	90.2	90.9	87.9	90.9	90.0	

E: MOFSL Estimates

Sun Pharma

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	SUNP IN
Equity Shares (m)	2399
M.Cap.(INRb)/(USDb)	4184.2 / 48.3
52-Week Range (INR)	1960 / 1367
1, 6, 12 Rel. Per (%)	-7/7/15
12M Avg Val (INR M)	3878

Financials & valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	522.4	576.3	629.4
EBITDA	144.9	165.6	183.9
Adj. PAT	118.3	143.1	160.2
EBIT Margin (%)	22.9	24.1	24.9
Cons. Adj. EPS (INR)	49.2	59.5	66.6
EPS Gr. (%)	18.7	21.0	11.9
BV/Sh. (INR)	306.9	359.6	426.2
Ratios			
Net D:E	-0.17	-0.26	-0.35
RoE (%)	17.2	17.9	17.1
RoCE (%)	17.0	17.9	17.2
Payout (%)	13.8	11.3	10.1
Valuations			
P/E (x)	35.7	29.5	26.3
EV/EBITDA (x)	30.2	25.9	22.6
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	1.3	2.6	3.1
EV/Sales (x)	8.4	7.4	6.6

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	54.5	54.5	54.5
DII	18.6	18.6	19.5
FII	18.1	18.0	17.1
Others	8.9	8.9	8.9

FII includes depository receipts

CMP: INR1,744 TP: INR2,160 (+24%) Buy

Domestic formulations/EM/ROW drive earnings growth

Delay in clinical trials further reduces the budget for FY25 R&D spending

- Sun Pharmaceutical Industries (SUNP) exhibited in-line 3QFY25 performance, adjusted for USD45m milestone income received for its global specialty products. Domestic formulations (DF), EM, and ROW exhibited robust traction, which drove 21% YoY growth in earnings for 3QFY25.
- We largely maintain our estimates for FY25/FY26/FY27. We value SUNP at 33x 12M forward earnings to arrive at our TP of INR2,160.
- Strong traction in the global specialty portfolio and industry outperformance in the branded generics segment across key markets have enabled significant gross margin expansion of 500bp to ~79% over FY21-9MFY25. With increased MR presence as well as strong marketing efforts, we expect SUNP to deliver 17% YoY growth in earnings over FY25-27.
- While a delay in R&D projects is improving near-term profitability, faster implementation of R&D projects is a must for a sustainable global specialty engine of growth. **Reiterate BUY**.

Better product mix drives EBITDA margin on a YoY basis

- SUNP's sales grew 7.4% YoY, excluding the milestone income of USD45m to INR130.6b (vs. our est of INR133.8b). DF sales grew 13.8% YoY to INR43b (32% of sales). The US sales remained flat YoY to INR40b (USD474m, flat YoY in CC terms; 30% of sales). EM sales grew 12% YoY to INR23.4b (17% of sales). ROW sales grew 23% YoY to INR21.8b (16% of sales).
- Global specialty sales stood at USD325m (excluding one-time milestone income), up 17.5% YoY for 3QFY25.
- Gross margin expanded 150bp YoY to 79.6% for the quarter.
- EBITDA margin expanded 160bp to 27.4% (vs. our est. of 26.9%) led by better GM and lower other expenses (down 20bp as a % of sales).
- Accordingly, EBITDA grew at 14.2% YoY to INR35.7b for the quarter (vs. our est. of INR36).
- After adjusting the forex gain, one-off expenses, and milestone income (USD45m) of INR1.2b the Adj. PAT grew 21% YoY to INR30b (vs. our est. of INR29.6b) for the quarter.
- In 9MFY25, revenue/EBITDA/PAT grew 9%/21%/23% YoY to INR392b/INR112b/INR88b.

Highlights from the management commentary

- SUNP has reduced its guidance for R&D spending to sub-7% from 7-8% earlier. This is the second revision in R&D guidance by SUNP, due to further delay in clinical trials related to certain products in FY25.
- SUNP witnessed lower sales of g-Revlimid on a QoQ basis.
- The trial related to Leqselvi is expected to start in Apr'25.
- Specialty R&D formed about 41% of total R&D spend for the quarter.
- SUNP launched 12 products in DF in 3QFY25. SUNP remains focused on new introductions, which will be one of the growth drivers for the DF market.

Quarterly Performance (Consolidated) **(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	%
Net Revenues	**117.9**	**120.0**	**121.6**	**118.1**	**125.2**	**132.6**	**130.6**	**133.9**	**477.6**	**522.4**	**133.8**	**-2.4**
YoY Change (%)	10.7	11.0	10.5	10.7	6.3	10.5	7.4	13.4	10.8	9.4	10.1	
Total Expenditure	86.1	89.8	90.3	88.9	89.9	94.8	94.8	97.9	355.1	377.5	97.8	
EBITDA	**31.7**	**30.2**	**31.3**	**29.2**	**35.3**	**37.8**	**35.7**	**36.0**	**122.5**	**144.9**	**36.0**	**-0.7**
YoY Change (%)	21.1	-1.0	13.2	13.8	11.2	25.1	14.2	23.2	11.3	18.3	**15.1**	
Margins (%)	26.9	25.2	25.7	24.7	28.2	28.5	27.4	26.9	25.6	27.7	26.9	
Depreciation	6.5	6.3	6.2	6.5	6.6	6.3	6.3	6.3	25.6	25.4	6.3	
EBIT	**25.2**	**23.9**	**25.1**	**22.7**	**28.7**	**31.6**	**29.4**	**29.7**	96.9	119.5	29.7	
YoY Change (%)	24.1	-2.2	19.2	19.8	14.0	32.1	17.4	30.9	14.3	23.3	18.5	
Interest	0.8	0.5	0.3	0.7	0.6	0.7	0.5	0.4	2.4	2.2	0.6	
Net Other Income	3.6	4.8	4.7	7.8	6.6	3.8	7.0	5.8	20.9	23.3	5.6	
PBT before EO Exp	**28.0**	**28.2**	**29.5**	**29.7**	**34.7**	**34.7**	**36.0**	**35.2**	**115.5**	**140.6**	**34.7**	**3.6**
Less: EO Exp/(Inc)	3.2	0.3	-0.5	1.6	0.5	-1.3	1.2	0.0	4.6	0.4	0.0	
PBT	**24.8**	**27.9**	**30.0**	**28.2**	**34.2**	**36.0**	**34.8**	**35.2**	**110.9**	**140.1**	**34.7**	
Tax	4.7	3.9	4.3	1.5	5.5	5.7	5.6	5.0	14.4	21.8	5.0	
Rate (%)	16.7	13.8	14.7	5.0	15.9	16.3	15.5	14.2	12.5	15.5	14.5	
PAT (pre Minority Interest)	**20.1**	**24.0**	**25.7**	**26.7**	**28.7**	**30.3**	**29.2**	**30.2**	**96.5**	**118.4**	**29.7**	
Minority Interest	-0.1	0.3	0.4	0.1	0.4	-0.1	0.1	0.0	0.7	0.4	0.0	
Reported PAT	**20.2**	**23.8**	**25.2**	**26.5**	**28.4**	**30.4**	**29.0**	**30.2**	**95.8**	**118.0**	**29.6**	**-2.0**
Adj Net Profit*	**22.8**	**24.0**	**24.8**	**28.0**	**28.8**	**29.3**	**30.0**	**30.2**	**99.7**	**118.3**	**29.6**	**1.3**
YoY Change (%)	18.5	-3.4	19.2	32.7	26.1	21.9	21.3	7.6	**15.8**	**18.7**	19.7	
Margins (%)	19.4	20.0	20.4	23.7	23.0	22.1	23.0	22.5	20.1	22.6	22.1	

31 January 2025

3QFY25 Results Update | Sector: Consumer

Nestlé India

Estimate changes	↓
TP change	⟷
Rating change	⟷

Bloomberg	NEST IN
Equity Shares (m)	964
M.Cap.(INRb)/(USDb)	2230.3 / 25.7
52-Week Range (INR)	2778 / 2131
1, 6, 12 Rel. Per (%)	7/0/-16
12M Avg Val (INR M)	2401

Financials & Valuations (INR b)

Y/E Dec	FY25E	FY26E	FY27E
Sales	202.7	221.7	242.7
Sales Gr. (%)	-16.9	9.4	9.5
EBITDA	47.9	53.7	59.2
Margin (%)	23.6	24.2	24.4
Adj. PAT	31.6	35.4	39.6
Adj. EPS (INR)	32.7	36.7	41.1
EPS Gr. (%)	-20.2	12.2	11.8
BV/Sh.(INR)	42.5	49.9	58.1
Ratios			
RoE (%)	84.9	79.6	76.1
RoCE (%)	86.4	81.6	77.6
Payout (%)	80.0	80.0	80.0
Valuations			
P/E (x)	70.2	62.6	56.0
P/BV (x)	54.2	46.1	39.6
EV/EBITDA (x)	46.1	40.9	36.9
Div. Yield (%)	1.1	1.3	1.4

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	62.8	62.8	62.8
DII	10.8	9.5	9.2
FII	10.3	11.9	12.1
Others	16.2	15.8	16.0

FII Includes depository receipts

CMP: INR2,313 **TP: INR2,400 (+4%)** **Neutral**

Moderate growth; miss on margins

- Nestle India (Nestle) reported a 4% YoY revenue growth (est. 5%) in 3QFY25. Domestic sales grew 3% YoY, hurt by a slowdown in urban consumption and higher commodity prices. Beverage, pet care, and KitKat delivered double-digit growth, while Milkmaid, toddler range, Maggi noodles, and Masala-e-Magic posted healthy growth. Part of the prepared dishes, milk products, and chocolates experienced weakness in 3Q. Export revenue rose 21% YoY.
- GM contracted 220bp YoY/20bp QoQ to 56.4% (est. 57.8%), leading to a flat GP YoY. RM inflation was high with coffee, cocoa, cereals, and grain prices remaining elevated. EBITDA margin contracted 110bp YoY to 23.4% (est. 24.1%). We model an EBITDA margin of 23.6% for FY25 and 24.2% for FY26.
- Nestle has been a revenue growth outperformer over the past three years (largely due to price hikes), but growth has slowed in the last three quarters. Moderating urban consumption and high food inflation pose risks to near-term recovery. The stock is trading at 63x/56x FY26/FY27 EPS. **Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Dec'26E).**

In-line revenue; miss on margins

- **Domestic sales remain muted:** Nestle's revenue rose 4% YoY to INR47.8b (est. INR48.5b) in 3QFY25. Domestic sales saw 3% YoY growth to INR45.7b hit by muted demand and higher commodity prices. However, exports saw a healthy growth of 21% YoY to INR2.0b.
- **Broad-based growth across categories:** Nestle sustained broad-based growth across segments, though revenue growth was low. Three of its four product groups delivered healthy growth, driven by pricing and volume. The powdered and liquid beverages segment led with high double-digit growth, while confectionery and prepared dishes & cooking aids posted high single-digit growth. E-commerce contributed 9.1% to sales, growing at double digits.
- **Commodity pressure on margin**: Gross margin dipped 220bp YoY to 56.4% (est. 57.8%) on rising RM prices. Prices of coffee, cocoa, cereals, and grains remained elevated, while edible oil, milk, and packaging costs were stable.
- **Miss on profitability**: Employee expenses rose 18% YoY, while other expenses were down 6% YoY. EBITDA margin contracted 110bp YoY to 23.4% (est. 24.1%). EBITDA declined 1% YoY to INR11.2b (est. INR 11.7b). Higher depreciation (+22% YoY) and higher interest (+51% YoY) further hurt profitability. PBT dipped 7% YoY to INR9.6b (est. INR10.5b), and Adj. PAT declined 10% YoY to INR7.0b (est. INR7.9b).
- In 9MFY25, net sales grew 3% YoY, while EBITDA/APAT declined 4%/9%.

Valuation and view

- We cut our EPS estimates by 3% for FY25 and 4% for FY26 on weak revenue growth and moderation in the margins.
- The company has been focusing on its RURBAN strategy; hence, growth was higher in RURBAN markets. Most of Nestle's categories have been reaping the benefits of distribution penetration. Packaged food penetration has improved in the tier-2 and rural markets. The company continues to focus on portfolio enhancement through ongoing innovation and premiumization initiatives.
- Nestle's portfolio is relatively safe from local competition, so it does not need much overhead costs to protect its market share. However, with the ongoing inflation, it is critical to maintain margins. We model ~24% EBITDA margins for FY25/FY26.
- The stock is trading at 63x/56x FY26/FY27 EPS. **Given its expensive valuation, we reiterate our Neutral rating with a TP of INR2,400 (based on 60x P/E Dec'26E).**

Quarterly performance **(INR b)**

Y/E December	FY24					FY25E				FY24*	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4QE			3QE	
Net Sales	**48.3**	**46.6**	**50.4**	**46.0**	**52.7**	**48.1**	**51.0**	**47.8**	**55.8**	**243.9**	**202.7**	**48.5**	**-1.4%**
YoY Change (%)	21.0	15.1	9.5	8.1	9.0	3.3	1.3	3.9	5.8	15.5	-16.9	5.4	
Gross Profit	**26.0**	**26.8**	**28.5**	**27.0**	**29.9**	**27.8**	**28.9**	**27.0**	**31.5**	**136.9**	**115.2**	**28.0**	
Margin (%)	53.8	57.6	56.5	58.6	56.8	57.6	56.6	56.4	56.6	56.1	56.8	57.8	
EBITDA	**11.2**	**11.9**	**12.5**	**11.3**	**13.4**	**11.2**	**11.9**	**11.2**	**13.6**	**59.1**	**47.9**	**11.7**	**-4.2%**
Margins (%)	23.3	25.6	24.8	24.5	25.5	23.3	23.3	23.4	24.4	24.2	23.6	24.1	
YoY Growth (%)	19.8	39.4	21.6	13.5	19.4	(6.1)	(4.7)	(0.8)	1.4	23.9	-18.9	3.5	
Depreciation	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3	5.4	5.0	1.2	
Interest	0.4	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	1.5	1.3	0.3	
Other income	0.3	0.2	0.3	0.3	0.3	0.4	0.1	0.0	0.4	1.5	0.9	0.3	
PBT	**10.2**	**10.8**	**11.4**	**10.3**	**12.3**	**10.2**	**10.4**	**9.6**	**12.4**	**53.7**	**42.5**	**10.5**	**-8.9%**
Tax	2.5	2.4	3.1	2.3	3.2	2.6	3.0	2.3	3.0	13.6	10.9	2.5	
Rate (%)	24.9	22.4	27.6	22.5	25.6	25.8	28.9	23.7	24.5	25.2	25.7	23.7	
Adjusted PAT	**7.5**	**8.3**	**8.1**	**7.8**	**9.1**	**7.4**	**7.7**	**7.0**	**9.3**	**39.6**	**31.6**	**7.9**	**-11.3%**
YoY Change (%)	25.8	53.6	20.7	23.5	21.7	(11.0)	(4.4)	(10.2)	1.8	30.0	-20.2	1.2	

E: MOFSL Estimates

Vedanta

Estimate change	⟷
TP change	↓
Rating change	⟷

Bloomberg	VEDL IN
Equity Shares (m)	3910
M.Cap.(INRb)/(USDb)	1726 / 19.9
52-Week Range (INR)	527 / 250
1, 6, 12 Rel. Per (%)	0/4/53
12M Avg Val (INR M)	6544
Free float (%)	43.6

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	1,523	1,572	1,622
EBITDA	425.7	479.8	510.8
EBITDA margin	27.9	30.5	31.5
APAT	139.9	164.7	190.5
Adj. EPS (INR)	37.6	44.3	51.2
EPS Gr (%)	183.8	17.7	15.7
BV/Sh. (INR)	87.8	110.3	139.6
Ratios			
Net D:E	1.7	1.0	0.5
RoE (%)	44.1	44.7	41.0
RoCE (%)	27.9	28.8	28.7
Payout (%)	96.0	49.3	42.7
Valuations			
P/E (x)	11.7	10.0	8.6
P/BV	5.0	4.0	3.2
EV/EBITDA (x)	6.4	5.5	4.9
Div. Yield (%)	8.2	5.0	5.0
FCF Yield (%)	13.3	16.2	17.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	56.4	56.4	63.7
DII	15.6	16.5	11.3
FII	12.1	11.6	7.8
Others	15.9	15.5	17.2

FII includes depository receipts

CMP: INR441 TP: INR500 (+13%) Neutral

Operational performance in-line; lower tax outgo drives APAT beat

- VEDL reported consolidated net sales of INR391b (+10% YoY and +4% QoQ), in-line with our estimates. The QoQ growth was majorly driven by favorable market prices and higher premiums.
- VEDL's consolidated EBITDA stood at INR111b (+30% YoY and +13% QoQ), in-line with our estimate of INR107b. The EBITDA growth was driven by structural cost-saving initiatives across businesses and favorable output commodity prices, partially offset by input commodity inflation. EBITDA margin for 3QFY25 stood at 28.4%, compared to 26.1% in 2QFY25 and 24.0% in 3QFY24.
- APAT for the quarter stood at INR36b (+76% YoY and +20% QoQ) against our estimate of INR31b.
- Net debt stood at INR574b and net debt/EBITDA improved to 1.4x as of 3QFY25 vs 1.49x in 2QFY25.

Segment highlights

- **Aluminum:** VEDL produced 613kt of aluminum, growing 2% YoY and 1% QoQ. Alumina production from Lanjigarh refinery grew 7% YoY and 1% QoQ to 505kt. Net sales stood at INR153b (YoY/QoQ: +26% / +11%), which was largely in line with our est. of INR156b. Reported EBITDA stood at INR45b (YoY/QoQ: +58% / +9%) against our est. of INR50b. The aluminum Cost of Production (CoP) increased 8% for both YoY and QoQ in 3QFY25.
- **Zinc India (HZL):** Revenue stood at INR86b (YoY/QoQ: +18%/+4%) against our estimate of INR82b. The growth was largely driven by higher zinc and silver prices, along with a strong dollar, which was marginally offset by lower metal volumes. EBITDA stood at INR45b (YoY/QoQ: +28%/+9%) against our estimate of INR41b, led by higher revenues and lower-than-expected CoP. Zinc CoP for 3QFY25 stood at USD1,041/t (INR87,960/t), which declined 5% YoY and 3% QoQ. APAT stood at INR27b (YoY/QoQ: +32%/ +15%) against our estimate of INR23b. Total refined metal production stood at 259kt, flat YoY and marginally down QoQ, led by a planned maintenance shutdown. Silver volume stood at 160t (YoY/QoQ: -19%/ -13%) on account of lower silver output from SK Mine.
- **Zinc International:** Zinc production was up 12% YoY and 5% QoQ, supported by a 21% increase at Gamsberg. Revenue stood at INR10b, up 42% YoY and 3% QoQ. EBITDA came in at INR3.5b (YoY/QoQ: +470% / -6%), led by the lowest CoP at USD1,182/t.
- **Copper:** Copper Cathodes production stood at 45kt, up 3% YoY and 9% QoQ. Revenue came in at INR58b (YoY/QoQ: +8% / -9%); the QoQ decline was due to a decline in prices. EBITDA came in at INR40m (-43% YoY) against an operating loss of INR100m in 2QFY25.

- **Iron Ore:** Saleable ore production stood at ~1.5mt, down 17% YoY (+7% QoQ). Revenue stood at INR18.6b (YoY/QoQ: -25%/ +36%) while EBITDA stood at INR3.8b (YoY/QoQ: -41% / +174%).

Highlights from the management commentary

- The increase in alumina production costs was due to the higher consumption of imported bauxite. Going forward, 60% will be sourced domestically and 25-30% from other sources, while only 10-15% will be imported. Management expects alumina costs to be close to USD320-325/t for the coming year.
- At the Bicholim mine, the company has achieved a production run-rate of 2.4mtpa of sellable ore.
- The pig iron business received ECs for a 1.2mtpa capacity. The company is now focused on improving realization and profitability from the iron ore business.
- Earlier, the Gamsberg mine faced production constraints due to geotechnical issues and under-stripping, which have now been largely resolved. The per month production run rate improved to 18kt in Jan'25, indicating a steady ramp-up.
- Post-expansion, production is expected to increase 20-25% YoY, reaching 240-250kt from Gamsberg & Black Mountain combined.

Valuation and view

- VEDL's 3QFY25 performance came largely in line across segments. Capex plans are progressing well and will likely lead to further cost savings.
- Management targets to maintain strong growth in earnings, led by the upcoming capacity, which will produce higher VAP products. VEDL remains firm on its deleveraging plans, and going forward, higher cash flows will support both its expansion plan and deleveraging efforts.
- **The stock currently trades at 4.9x FY27E EV/EBITDA. We largely maintain our estimates and** reiterate **our Neutral rating on the stock with a SoTP-based TP of INR500.**

Business-wise EBITDA (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
EBITDA	**64.2**	**67.2**	**85.3**	**87.7**	**99.5**	**98.3**	**111.0**	**116.9**	**304.4**	**425.7**	**107.4**	3.4
Copper	(0.0)	(0.6)	0.1	(0.1)	(0.6)	(0.1)	0.0	0.1	(0.7)	(0.6)	0.0	
Aluminum	18.2	19.7	28.7	30.0	44.4	41.6	45.4	54.9	96.6	186.3	49.9	
Iron ore	1.6	3.2	6.3	5.6	1.8	1.4	3.8	4.7	16.8	11.6	3.2	
Power	2.9	2.5	2.1	2.2	2.8	1.9	1.3	1.6	9.7	7.6	1.7	
Zinc-India	33.5	31.4	35.2	36.5	39.5	41.2	45.0	46.0	136.6	171.7	40.5	
Zinc-International	2.8	2.9	0.6	0.6	1.9	3.8	3.5	4.3	6.9	13.5	3.5	
Oil & Gas	11.5	11.0	12.6	15.1	10.8	11.7	8.4	12.1	50.2	42.9	10.2	
Steel	0.2	1.2	1.1	(0.2)	0.8	(0.1)	1.5	1.9	2.2	4.1	1.2	
Others	(6.4)	(4.0)	(1.4)	(2.1)	(2.0)	(3.1)	2.2	(8.5)	(13.9)	(11.4)	-2.8	
Change (YoY %)	(37.0)	(12.7)	20.7	(7.3)	54.9	46.3	30.2	33.4	(11.6)	39.9		
Change (QoQ %)	(32.1)	4.6	27.0	2.8	13.4	(1.2)	13.0	5.3				
As % of Net Sales	**19.0**	**19.7**	**24.0**	**24.7**	**27.8**	**26.1**	**28.4**	**29.4**	**21.9**	**27.9**		

Sources: MOFSL, Company

Quarterly performance (Consolidated) **(INR b)**

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Vs. Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Net Sales	**337.3**	**341.8**	**355.4**	**355.1**	**357.6**	**376.3**	**391.2**	**398.0**	**1,389.7**	**1,523.1**	**383.9**	**1.9**
Change (YoY %)	(12.7)	(6.7)	4.2	(6.4)	6.0	10.1	10.1	12.1	(5.7)	9.6		
Change (QoQ %)	(11.1)	1.3	4.0	(0.1)	0.7	5.2	3.9	1.7				
Total Expenditure	**273.1**	**274.7**	**270.1**	**267.4**	**258.2**	**278.1**	**280.1**	**281.0**	**1,085.3**	**1,097.4**		
EBITDA	**64.2**	**67.2**	**85.3**	**87.7**	**99.5**	**98.3**	**111.0**	**116.9**	**304.4**	**425.7**	**107.4**	**3.4**
Change (YoY %)	(37.0)	(12.7)	20.7	(7.3)	54.9	46.3	30.2	33.4	(11.6)	39.9		
Change (QoQ %)	(32.1)	4.6	27.0	2.8	13.4	(1.2)	13.0	5.3				
As % of Net Sales	19.0	19.7	24.0	24.7	27.8	26.1	28.4	29.4	21.9	27.9		
Finance cost	21.1	25.2	24.2	24.2	22.2	26.7	24.4	21.3	94.7	94.6		
DD&A	25.5	26.4	27.9	27.4	27.3	27.0	26.8	27.4	107.2	108.5		
Other Income	5.5	6.4	7.8	5.8	9.3	13.0	6.8	5.1	25.5	34.3		
PBT (before EO item)	**23.1**	**21.9**	**41.1**	**41.9**	**59.3**	**57.7**	**66.6**	**73.4**	**128.0**	**256.9**	**64.8**	**2.9**
EO exp. (income)	(17.8)	(59.8)	-	2.0	-	(18.7)	-	-	(75.6)	(18.7)		
PBT (after EO item)	**40.9**	**81.8**	**41.1**	**39.9**	**59.3**	**76.3**	**66.6**	**73.4**	**203.6**	**275.6**		
Total Tax	7.8	90.9	12.4	17.2	8.3	20.3	17.9	22.4	128.3	68.9		
% Tax	19.0	111.2	30.1	43.1	14.0	26.6	26.8	30.6	63.0	25.0		
PAT before MI and Asso.	**33.1**	**(9.2)**	**28.7**	**22.7**	**51.0**	**56.0**	**48.8**	**50.9**	**75.3**	**206.7**		
Profit from Asso.	-	-	-	0.0	-	-	-	-	0.0	-		
Minority interest	6.7	8.7	8.6	9.1	14.9	12.5	13.3	12.1	33.0	52.8		
PAT after MI and Asso.	**26.4**	**(17.8)**	**20.1**	**13.7**	**36.1**	**43.5**	**35.5**	**38.8**	**42.4**	**153.9**		
APAT	**8.6**	**4.9**	**20.1**	**15.7**	**36.1**	**29.5**	**35.5**	**38.8**	**49.3**	**139.9**	**30.5**	**16.2**
Change (YoY %)	(80.5)	(65.7)	29.0	(49.6)	319.5	504.8	76.2	147.4	(53.1)	183.7		
Change (QoQ %)	(72.4)	(43.3)	312.5	(22.0)	129.8	(18.2)	20.2	9.5				

Sources: MOFSL, Company

Operational performance – Zinc India (INR b)

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

Sources: MOFSL, Company

Cholamandalam Inv. & Finance

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	CIFC IN
Equity Shares (m)	841
M.Cap.(INRb)/(USDb)	1081.2 / 12.5
52-Week Range (INR)	1652 / 1011
1, 6, 12 Rel. Per (%)	9/-3/0
12M Avg Val (INR M)	2155

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Total Income	135.4	172.1	214.3
PPP	80.6	104.8	134.1
PAT	42.2	57.2	75.4
EPS (INR)	50.2	66.8	88.0
EPS Gr. (%)	23	33	32
BV (INR)	281	363	448
Valuations			
NIM (%)	6.9	7.1	7.2
C/I ratio (%)	40.5	39.1	37.4
RoAA (%)	2.4	2.6	2.8
RoE (%)	19.5	20.9	21.7
Payout (%)	4.0	3.7	3.4
Ratios			
P/E (x)	25.6	19.2	14.6
P/BV (x)	4.6	3.5	2.9
Div. Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	49.9	50.2	50.4
DII	16.1	16.6	18.4
FII	27.4	27.2	24.7
Others	6.5	6.0	6.5

FII Includes depository receipts

CMP: INR1,286 TP: INR1,475 (+15%) Buy

Weak macro plays spoilsport; credit cost guidance raised

Deterioration in asset quality more pronounced in newer businesses

- Cholamandalam Inv. & Finance (CIFC)'s 3QFY25 PAT grew ~24% YoY to INR10.9b (in line). NII grew ~33% YoY to ~INR28.9b (in line).
- Other income grew ~60% YoY to~INR6.5b (~14% higher than MOFSLe). This was primarily driven by upfront assignment income of ~INR650m wherein CIFC undertook an assignment transaction after almost 4-5 years.
- Opex rose ~33% YoY to ~INR14.1b (in line) and the cost-to-income ratio declined ~70bp QoQ to ~40% (PQ and PY: ~41% each). PPoP grew ~40% YoY to INR21.3b (in line). Management shared that opex will remain elevated at ~3% for the next two years since the company will be investing in incubating newer businesses, technology, and branch additions.
- Yields (calc.) improved ~15bp QoQ to ~14.65% while the CoF (calc.) rose ~10bp QoQ to ~8.1%. NIM rose ~3bp QoQ to ~6.8%.
- Management shared that capacity utilization, which was subdued during 1HFY25, has exhibited signs of improvement in Oct/Nov'24. However, it also highlighted that because of weak macros, the utilization levels in 2HFY25 remained lower compared to 2HFY24.
- Management anticipates NIM expansion in a declining rate environment and has guided for improvement in vehicle finance (VF) margin in FY26. We expect NIM to expand to ~7.1%/7.2% in FY26/FY27 (vs. ~6.9% in FY25E). We estimate a CAGR of 17%/24%/29% in disbursement/AUM/PAT over FY24- 27.
- CIFC will have to utilize its levers on NIM (and fee income) to offset the impact of moderation in AUM growth and potentially higher credit costs. We estimate RoA/RoE of ~2.6%/21% in FY26. **Reiterate BUY with a TP of INR1,475 (premised on 3.6x Sep'26E BVPS).**
- **Key risks to our TP are:** 1) weak macros translating into weaker vehicle demand and sustained lower capacity utilization; and 2) deterioration in asset quality, especially in the newer businesses, which could keep the credit costs higher than usual.

AUM rises ~30% YoY; share of new business loans at ~13% of total AUM

- Business AUM grew 30% YoY/6% QoQ to INR1.75t, with newer businesses now forming ~13% of the AUM mix. Total disbursements grew ~15% YoY and ~6% QoQ to ~INR258b. Newer lines of business contributed ~21% to the disbursement mix (PQ: ~24%). VF disbursements grew ~16% YoY.
- Except for Vehicle Finance, none of the other product segments have exhibited any acceleration in disbursements. In addition, the company shared that it is exiting the partnerships business in its CSEL segment, which will result in a loss of business volumes in the segment. **Management guided for disbursements growth of ~18% and AUM growth of ~25% in FY26.**

Minor deterioration in asset quality; GS3 rises ~8bp QoQ

- GS3/NS3 increased ~8bp/6bp QoQ to 2.9%/1.65%, while PCR on S3 declined ~40bp QoQ to ~44%. ECL/EAD increased to 1.86% (PQ: ~1.84%).
- Asset quality deterioration was more pronounced in the CSEL business, with higher NCL primarily stemming from partnership-sourced loans.
- CIFC's 3QFY25 credit costs stood at ~INR6.6b. This translated into annualized credit costs of ~1.6% (PY: 1.1% and PQ: ~1.6%). Write-offs (including repo losses) stood at ~INR4.4b, translating into ~1.3% of TTM AUM (PY: ~1.4% and PQ: 1.1%). Management raised its credit cost guidance to ~1.4% in FY25 (vs. ~1.3% earlier). We estimate credit costs of ~1.35%/1.3% in FY26/FY27.

Key highlights from the management commentary

- Within CSEL, CIFC has already dialed down to three partners (vs. ten partners around two years back). The number of partners will come down further, and it will completely exit all partnerships in CSEL within the next one year.
- CIFC will be introducing consumer durables, and the company has also developed its digital platform, where it is doing personal loans/business loans.
- At an industry level, the early delinquencies have started inching up in HCVs. It will take 3-4 quarters for things to improve in HCVs, but the improvement will be gradual. By choice, CIFC has a small presence in HCVs and will not be much impacted.

Valuation and view

- CIFC reported subdued disbursements across most of its product segments except vehicle finance. Asset quality deteriorated and credit costs remained elevated, which prompted the company to raise its credit cost guidance for FY25. If the macros do not improve, CIFC could be headed for a slowdown in vehicle loan growth and face further asset quality challenges. Having said that, CIFC has a diversified product suite, which it can leverage to deliver a healthy AUM CAGR of ~24% over FY24-27E.
- The stock trades at 2.9x FY27E P/BV. For these premium valuation multiples to sustain, the company will have to keep providing higher confidence in its execution capabilities in the newer product lines. Further, it will have to navigate any cyclicality (if at all) in vehicle demand to deliver healthy AUM growth and asset quality through its diversified product mix. **Reiterate BUY with a TP of INR1,475 (premised on 3.6x Sep'26E BVPS).**

Quarterly Performance												(INR m)
Y/E March	FY24				FY25E				FY24	FY25	3QFY25E	v/s Est.
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25				
Interest Income	38,492	42,205	46,099	49,341	53,695	57,680	61,587	65,149	1,76,137	2,38,110	61,544	0
Interest Expenses	20,071	22,052	24,390	25,793	27,957	30,551	32,718	34,274	92,306	1,25,499	32,445	1
Net Interest Income	**18,421**	**20,153**	**21,709**	**23,548**	**25,738**	**27,128**	**28,869**	**30,875**	**83,831**	**1,12,611**	**29,099**	-1
YoY Growth (%)	24.3	35.4	35.8	33.4	39.7	34.6	33.0	31.1	32.4	34.3	34.0	
Other Income	2,845	3,514	4,088	5,580	4,595	5,248	6,537	6,404	16,026	22,783	5,727	14
Total Income	**21,265**	**23,667**	**25,797**	**29,127**	**30,333**	**32,376**	**35,406**	**37,279**	**99,857**	**1,35,394**	**34,826**	2
YoY Growth (%)	29.7	39.4	40.8	41.4	42.6	36.8	37.2	28.0	38.1	35.6	35.0	
Operating Expenses	7,867	9,461	10,640	12,850	11,834	13,155	14,130	15,679	40,818	54,798	14,364	-2
Operating Profit	**13,399**	**14,206**	**15,157**	**16,278**	**18,499**	**19,221**	**21,276**	**21,601**	**59,039**	**80,597**	**20,462**	4
YoY Growth (%)	26.4	37.1	40.4	27.9	38.1	35.3	40.4	32.7	32.7	36.5	35.0	
Provisions & Loan Losses	3,723	3,998	3,588	1,908	5,814	6,235	6,640	5,067	13,218	23,756	6,200	7
Profit before Tax	**9,675**	**10,208**	**11,569**	**14,369**	**12,685**	**12,986**	**14,636**	**16,534**	**45,821**	**56,840**	**14,262**	3
Tax Provisions	2,415	2,583	2,807	3,788	3,263	3,355	3,771	4,276	11,593	14,665	3,566	6
Net Profit	**7,260**	**7,625**	**8,762**	**10,581**	**9,422**	**9,631**	**10,865**	**12,257**	**34,228**	**42,176**	**10,697**	2
YoY Growth (%)	28.3	35.3	28.0	24.1	29.8	26.3	24.0	15.8	28.4	23.2	22.1	
Key Parameters (Calc., %)												
Yield on loans	14.1	14.3	14.4	14.3	14.4	14.5	14.65		14.1	14.6		
Cost of funds	7.8	7.75	8.04	8.0	7.86	7.94	8.06		8.0	8.2		
Spread	6.3	6.6	6.4	6.2	6.5	6.6	6.6		6.1	6.4		
NIM	6.7	6.74	6.73	6.7	6.84	6.78	6.81		6.7	6.9		
C/I ratio	37.0	40.0	41.2	44.1	39.0	40.6	39.9		40.9	40.5		
Credit cost	1.3	1.3	1.1	0.5	1.5	1.56	1.57		1.0	1.4		
Tax rate	25.0	25.3	24.3	26.4	25.7	25.8	25.8		25.3	25.8		
Balance Sheet Parameters												
Disbursements (INR b)	**200**	**215**	**224**	**248**	**243**	**243**	**258**		**887**	**1,011**		
Growth (%)	50.2	47.3	27.5	17.9	21.6	12.9	15.3		33.4	13.9		
AUM (INR b)	**1,148**	**1,242**	**1,338**	**1,456**	**1,554**	**1,646**	**1,746**		**1,456**	**1,828**		
Growth (%)	40.1	41.7	40.1	36.7	35.4	32.5	30.5		36.7	25.6		
AUM mix (%)												
Vehicle finance	61.9	60.7	59.5	58.0	57.0	55.9	55.4		58.0	55.1		
Home Equity	19.9	19.9	20.1	20.5	20.7	21.2	21.5		20.5	22.5		
Home loans & Others	18.2	19.4	20.4	21.4	22.3	23.0	23.1		12.2	12.1		
Borrowings (INR b)	**1,081**	**1,195**	**1,231**	**1,345**	**1,499**	**1,578**	**1,671**		**1,345**	**1,716**		
Growth (%)	46.3	50.6	37.8	38.1	38.6	32.1	35.7		38.1	27.6		
Asset Quality Parameters												
GS 3 (INR B)	35.5	37.2	38.1	36.5	41.2	47.1	51.3		36.5	49.6		
GS 3 (%)	3.1	3.0	2.8	2.5	2.6	2.8	2.91		2.5	2.7		
NS 3 (INR B)	19.4	19.6	20.9	19.5	22.5	26.1	28.7		19.5	27.8		
NS 3 (%)	1.7	1.6	1.6	1.4	1.5	1.6	1.66		1.7	1.5		
PCR (%)	45.4	47.3	45.1	46.4	45.5	44.5	44.1		46.4	44.0		
Vehicle finance AUM mix (%)												
LCV	20.8	20.7	19.9	19.7	19.8	19.8	19.2		19.7	19.8		
Cars & MUV	20.7	21.2	21.8	22.3	22.8	23.1	23.7		22.3	22.8		
3W & SCV	4.0	3.9	3.9	3.7	3.6	3.6	3.6		3.7	3.6		
Used CV	26.7	26.9	27.0	27.3	27.4	27.6	27.6		27.3	27.4		
Tractor	8.1	7.8	7.5	6.9	6.5	6.2	6.0		6.9	6.5		
HCV	6.9	6.7	6.6	6.7	6.7	6.6	6.6		6.7	6.7		
CE	6.6	6.5	6.5	6.6	6.5	6.3	6.4		6.6	6.5		
Two wheeler	6.1	6.4	6.8	6.7	6.8	6.7	6.8		6.7	6.8		

E: MOFSL estimates

31 January 2025

3QFY25 Results Update | Sector: Healthcare

Max Healthcare

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MAXHEALT IN
Equity Shares (m)	972
M.Cap.(INRb)/(USDb)	1031.7 / 11.9
52-Week Range (INR)	1228 / 706
1, 6, 12 Rel. Per (%)	-5/21/28
12M Avg Val (INR M)	2120

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	86.9	107.4	121.8
EBITDA	23.1	29.0	33.1
Adj. PAT	15.0	20.2	24.0
EBIT Margin (%)	22.0	22.8	23.4
Cons. Adj. EPS (INR)	15.4	20.9	24.7
EPS Gr. (%)	12.4	35.1	18.5
BV/Sh. (INR)	110.1	131.0	155.7
Ratios			
Net D:E	(0.0)	(0.2)	(0.3)
RoE (%)	15.0	17.3	17.3
RoCE (%)	13.9	16.5	17.0
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	68.5	50.7	42.8
EV/EBITDA (x)	44.2	34.5	29.5
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	0.3	1.9	2.2
EV/Sales (x)	11.8	9.3	8.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	23.7	23.7	23.8
DII	15.6	15.1	11.6
FII	56.9	57.3	60.7
Others	3.8	3.8	4.0

FII Includes depository receipts

CMP: INR1,061 TP: INR1,300 (+22%) Buy

Volume and realization drive earnings

Addition of Thane is a new growth driver

- Max Healthcare (MAXH) delivered a better-than-expected performance for the quarter. Despite 3Q being typically a soft quarter due to the festival period, the EBITDA from the existing hospitals has been stable QoQ, largely due to steady demand and better operating efficiency. Further, MAXH continues to deliver steady progress in newer units as well.
- We raise our earnings estimate by 3%/5%/3% for FY25/FY26/FY27 factoring in: 1) a faster scale-up in acquired hospitals, b) consistent improvement in case mix across existing hospitals, and c) the addition of beds at newer hospitals. We value MAXH on an SoTP basis (premised on 35x 12M forward EV/EBITDA, 30x 12M forward EV/EBITDA for Maxlab, and 10x EV/sales for Max@home) to arrive at our TP of INR1,300.
- We remain positive on MAXH on the back of: 1) superior execution of its operational centers and b) a robust plan to sustain growth momentum through bed additions. Notably, MAXH would have the maximum expansion of beds through brownfield expansion, implying the scope of achieving a faster EBITDA break-even. **Reiterate BUY.**

Records 7% ARPOB/9% IP volume growth at existing centers; scale-up of newer centers drives EBITDA on a YoY basis

- For 3QFY25, MAXH's network revenue (including the Trust business) grew 34.9% YoY to INR22.7b (our est. INR21.2b).
- EBITDA margin contracted 45bp YoY to 27.2% (our est. 26.0%) owing to higher other expenses (+390bp YoY as a % of revenue), offset by lower employee expenses (-470bp YoY as a % of revenue).
- EBITDA grew 32.7% YoY to INR6.2b (our est. INR 5.5b) driven by revenue.
- Adjusted PAT grew 16.5% YoY to INR4b (our est. INR3.7b), led by other income, offset by higher interest and depreciation expense.
- EBITDA per bed (annualized) stood at INR7.3m (-4% YoY and -2% QoQ)
- Lucknow hospital revenue/EBITDA margin stood at INR930m/33%. Nagpur Hospital's revenue/EBITDA margin stood at INR540m/20% for the quarter.
- Max Dwarka, a 303-bed greenfield hospital launched on 2nd Jul'24, reported an EBITDA breakeven in Dec'24.
- Revenue/EBITDA/PAT for 9MFY25 grew 26%/22%/8% to INR63.2b/ INR16.8/INR10.8b.

Highlights from the management commentary

- Max Dwarka recorded INR590m revenue and a loss of INR50m in 3QFY25. It achieved breakeven within six months of launch in Dec'24.
- MAXH plans to commission its 500-bed "built-to-suit" Thane hospital by CY28, with an investment of INR3m per bed. ARPOB is expected at INR80-85K, with a 15-year lease agreement.
- Max Lucknow added 128 beds, with 64 commissioned in Jan'25 and the rest in Feb'25. Further, the company plans to add another 140 beds in FY26.

Max Healthcare Institute

Consolidated - Quarterly Earnings Model												(INRm)
Y/E March	FY24				FY25E				FY24	FY25E	FY25E	% var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	
Gross Sales	**16,220**	**17,190**	**16,820**	**17,910**	**19,310**	**21,190**	**22,690**	**23,667**	**68,150**	**86,857**	**21,193**	**7.1**
YoY Change (%)	16.7	16.8	14.9	15.6	19.1	23.3	34.9	32.1	16.0	27.4	26.0	
Total Expenditure	11,930	12,350	12,170	12,970	14,370	15,520	16,520	17,343	49,420	63,753	15,683	
EBITDA	**4,290**	**4,840**	**4,650**	**4,940**	**4,940**	**5,670**	**6,170**	**6,324**	**18,730**	**23,104**	**5,510**	**12.0**
Margins (%)	26.4	28.2	27.6	27.6	25.6	26.8	27.2	26.7	27.5	26.6	26.0	
Depreciation	640	660	700	840	900	970	1,060	1,035	2,840	3,965	980	
Interest	-30	-170	-140	-40	80	50	350	236	-380	716	30	
Other Income	70	130	60	90	40	60	110	94	350	304	80	
PBT before EO expense	**3,750**	**4,480**	**4,150**	**4,230**	**4,000**	**4,710**	**4,870**	**5,147**	**16,620**	**18,727**	**4,580**	
Extra-Ord expense	190	190	40	250	190	270	1,000	0	670	1,460	0	
PBT	**3,560**	**4,290**	**4,110**	**3,980**	**3,810**	**4,440**	**3,870**	**5,147**	**15,950**	**17,267**	**4,580**	
Tax	660	910	730	870	870	950	710	923	3,160	3,453	870	
Rate (%)	18.5	21.2	17.8	21.9	22.8	21.4	18.3	17.9	19.8	20.0	19.0	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**2,900**	**3,380**	**3,380**	**3,110**	**2,940**	**3,490**	**3,160**	**4,223**	**12,790**	**13,813**	**3,710**	
Adj PAT	**3,055**	**3,530**	**3,413**	**3,319**	**3,087**	**3,702**	**3,977**	**4,223**	**13,316**	**14,972**	**3,710**	**7.2**
YoY Change (%)	28.3	24.5	20.3	4.6	1.0	4.9	16.5	27.2	18.6	12.4	8.7	
Margins (%)	18.8	20.5	20.3	18.5	16.0	17.5	17.5	17.8	19.5	17.2	17.5	
EPS	**3.2**	**3.6**	**3.5**	**3.4**	**3.2**	**3.8**	**4.1**	**4.4**	**13.7**	**15.4**	**3.8**	

E: MOFSL Estimates

1 February 2025
3QFY25 Results Update | Sector: Consumer

Marico

Estimate changes	⟷
TP change	⟷
Rating change	⟷

Bloomberg	MRCO IN
Equity Shares (m)	1295
M.Cap.(INRb)/(USDb)	868.7 / 10
52-Week Range (INR)	720 / 486
1, 6, 12 Rel. Per (%)	5/5/19
12M Avg Val (INR M)	1588

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	107.1	118.6	130.7
Sales Gr. (%)	10.9	10.8	10.2
EBITDA	21.7	24.6	27.7
EBITDA Margin. %	20.2	20.7	21.2
Adj. PAT	16.3	18.3	20.1
Adj. EPS (INR)	12.6	14.1	15.5
EPS Gr. (%)	10.1	12.1	9.9
BV/Sh.(INR)	30.7	32.3	34.3
Ratios			
RoE (%)	41.8	44.8	46.6
RoCE (%)	35.8	37.8	39.5
Payout (%)	89.0	86.5	87.0
Valuations			
P/E (x)	53.3	47.5	43.2
P/BV (x)	21.9	20.8	19.5
EV/EBITDA (x)	39.5	34.7	30.7
Div. Yield (%)	1.7	1.9	2.0

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	59.1	59.2	59.4
DII	12.9	11.2	10.0
FII	23.4	25.0	25.8
Others	4.6	4.6	4.9

FII includes depository receipts

CMP: INR671 TP: INR775 (+16%) Buy

Robust revenue growth; miss on margins

- Marico (MRCO) reported consol. revenue growth of 15% YoY (in line) in 3QFY25. Domestic revenue growth was 17% YoY, with 6% volume growth. International growth was 10% YoY (16% cc growth).
- Domestic revenue was driven by strong core category growth and new business expansion. Parachute coconut oil (PCNO) posted 15% YoY value growth and 3% volume growth despite a 1% grammage reduction in the key price-point pack. The growth was driven by a price hike taken during the year. A ~5% price increase was also implemented at the quarter's end. PCNO gained 140bp market share. VAHO revenue was down 2% YoY, affected by persistent weakness in the mass segment. Saffola oil clocked low single digit volume growth, with revenue growing 24% YoY as the pricing cycle turned favorable after two years. Foods sustained strong growth of 31% YoY. Premium Personal Care sustained its healthy growth trajectory.
- Gross margin contracted 180bp YoY to 49.5%. EBITDA margin dipped 210bp YoY to 19.1%. EBITDA grew 4% (miss). We model EBITDA margins of 20.2% for FY25 and 20.7% for FY26.
- The company expects double-digit revenue growth (unlike other FMCG peers) in the medium term, driven by pricing, expanded direct reach, and strong performance in Foods and Premium Personal Care. While rising input costs may impact near-term margins, the long-term outlook remains positive, supported by a favorable product mix and premiumization. We **reiterate our BUY rating on the stock with a TP of INR775 (based on 50x Dec'26E EPS).**

In-line revenue; miss on margins

- **Volume growth at 6%**: Consolidated net sales grew 15% YoY to INR27.9b (in line) in 3QFY25. Domestic revenue growth was 17% YoY and volume growth stood at 6% YoY (est. 6%).
- **International up 16% in CC terms**: International business delivered 16% CC growth, led by Bangladesh/MENA/South Africa, which posted 20%/ 35%/17% CC growth, while Vietnam saw a 1% CC decline.
- **Contraction in margins**: Consolidated gross margin contracted 180bp YoY to 49.5% (est. 50.3%). Copra prices surged by 44% YoY and rice bran oil prices were up 27% YoY in 3QFY25. Crude oil derivatives remained range-bound. Commodity prices are expected to remain elevated in the near term. Employee expenses were up 10% YoY, ad spends were up 19% YoY, and other expenses were also up 19% YoY. EBITDA margin contracted 210bp YoY to 19.1% in 3QFY25 (est. 20.8%).
- **Miss on profitability**: EBITDA/ PBT/Adj. PAT grew 4%/5%/4% YoY to INR5.3b/INR5.2b/INR4.0b/ (est. INR5.8b/5.7/INR4.3b).
- In 9MFY25, net sales, EBITDA, and APAT grew 10%/6%/10%, respectively.

Highlights from the management commentary

- The FMCG sector maintained steady demand momentum during the quarter, with urban sentiment remaining stable and rural demand sustaining its relatively stronger growth.
- Price increases were implemented across core portfolios in response to the sharp escalation in input costs.
- Modern Trade (MT) and E-commerce, including Quick Commerce, led growth with high double-digit volume increases, while General Trade (GT) was flattish.
- In the domestic revenue mix, organized channels contribute ~30%, CSD accounts for 6-7%, and General Trade (GT) makes up 63-64%. Profitability is higher in General Trade than in organized channels.
- Project SETU was extended to one more state during the quarter, bringing the total coverage to 11 states.
-

Valuation and view

- We cut our EPS estimates by 2% each for FY25 and FY26.
- The improvement in market share gain, accelerated growth in Foods and Premium Personal Care, healthy growth in the International business, and the normalization of prices should help MRCO deliver a better revenue print in FY25-26.
- To improve its distribution reach, MRCO has also started Project SETU, which helps drive growth in GT through a transformative expansion of its direct reach.
- We model 11%/13% revenue and EBITDA CAGR during FY25-27E and **reiterate our BUY rating on the stock with a TP of INR775 (based on 50x Dec'26E EPS).**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Domestic volume growth (%)	3.0	3.0	2.0	3.0	4.0	5.0	6.0	6.0	2.8	5.3	5.7	
Net Sales	24,770	24,760	24,220	22,780	26,430	26,640	27,940	26,047	96,530	1,07,057	27,930	0.0%
YoY Change (%)	-3.2	-0.8	-1.9	1.7	6.7	7.6	15.4	14.3	-1.1	10.9	15.3	
Gross Profit	12,380	12,500	12,420	11,750	13,810	13,530	13,830	13,001	49,050	54,171	14,049	-1.6%
Gross margin (%)	50.0	50.5	51.3	51.6	52.3	50.8	49.5	49.9	50.8	50.6	50.3	
EBITDA	5,740	4,970	5,130	4,420	6,260	5,220	5,330	4,858	20,260	21,668	5,802	-8.1%
Margins (%)	23.2	20.1	21.2	19.4	23.7	19.6	19.1	18.7	21.0	20.2	20.8	
YoY Change (%)	8.7	14.8	12.5	12.5	9.1	5.0	3.9	9.9	11.9	7.0	13.1	
Depreciation	360	390	420	410	410	410	440	413	1,580	1,673	420	
Interest	170	200	190	170	170	110	130	140	730	550	150	
Other Income	460	380	430	150	370	400	420	360	1,420	1,550	425	
PBT	5,670	4,760	4,950	3,990	6,050	5,100	5,180	4,666	19,370	20,996	5,657	-8.4%
Tax	1,310	1,160	1,090	790	1,310	1,190	1,120	1,199	4,350	4,819	1,301	
Rate (%)	23.1	24.4	22.0	19.8	21.7	23.3	21.6	25.7	22.5	23.0	23.0	
Adjusted PAT	4,270	3,530	3,830	3,180	4,640	4,132	3,990	3,548	14,810	16,310	4,326	-7.8%
YoY Change (%)	15.1	17.3	16.8	5.3	8.7	17.1	4.2	11.6	13.7	10.1	12.9	
Reported PAT	4,270	3,530	3,830	3,180	4,640	4,230	3,990	3,548	14,810	16,408	4,326	

E: MOFSL Estimates

31 January 2025
3QFY25 Results Update | Sector: Financials

IndusInd Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	IIB IN
Equity Shares (m)	779
M.Cap.(INRb)/(USDb)	772.2 / 8.9
52-Week Range (INR)	1576 / 923
1, 6, 12 Rel. Per (%)	4/-25/-44
12M Avg Val (INR M)	5546

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
NII	206.2	213.3	241.9
OP	158.6	149.2	171.9
NP	89.8	63.9	85.9
NIM (%)	4.2	3.9	4.0
EPS (INR)	115.5	82.1	110.4
EPS Gr. (%)	20.3	-28.9	34.4
BV/Sh. (INR)	810	876	969
ABV/Sh. (INR)	792	852	943
Ratios			
RoA (%)	1.8	1.2	1.4
RoE (%)	15.3	9.8	12.0
Valuations			
P/E (X)	8.6	12.1	9.0
P/BV (X)	1.2	1.1	1.0
P/ABV (X)	1.3	1.2	1.1

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	15.1	15.1	15.1
DII	39.7	32.4	24.5
FII	30.3	39.2	47.1
Others	15.0	13.3	13.2

FII includes depository receipts

CMP: INR991 TP: INR1,200 (+21%) Buy

In-line quarter; near-term challenges persist

Margin contracts further by 15bp QoQ

- IndusInd Bank (IIB)'s PAT declined 39% YoY/rose 5% QoQ to ~INR14b (in line), as NII and NIM were broadly in line, while provisions continued to remain high.
- NII declined 2.2% QoQ to INR52.3b (in line), while NIM contracted by another 15bp QoQ to 3.93% (in line).
- Loan books grew 12% YoY (2.7% QoQ), led by corporate and commercial books, while the VF business has started showing some improvement with robust disbursements. The MFI book dipped 0.5% QoQ. Deposits grew 11% YoY (down 0.7% QoQ), amid the outflow of CA deposits.
- Fresh slippages stood elevated, up 22% QoQ to INR22b, primarily due to a rise in slippages in the consumer finance book to INR19.2b. GNPA/NNPA ratios increased 14bp/4bp QoQ to 2.25%/0.68%. IIB utilized INR2b of the contingent buffer.
- We cut our earnings estimates by 2.8%/1.7% for FY25/26, leading to an RoA/RoE of 1.4%/12% by FY26. **Reiterate BUY with a TP of INR1,200 (premised on 1.2x Sep'26E ABV). The RBI's approval for a fresh term for the MD and CEO remains a key near-term monitorable.**

Fresh slippages rise; VF growth recovers, while MFI remains subdued

- IIB reported a 3QFY25 PAT of ~INR14b as NII and NIM stood broadly in line, while provisions continue to remain higher despite the bank utilizing the contingency provision of INR2b. Its 9MFY25 PAT stood at INR49b (down 26% YoY), while 4QFY25 PAT is expected to be at INR14.8b (down 36% YoY).
- NII declined 1% YoY/2% QoQ to INR52.3b (in-line). Other income declined 1.7% YoY (in line) amid the weak core fee income. Total revenue thus declined 1.4% YoY to INR75.8b. NIM contracted sharply by 15bp QoQ to 3.93% amid slower growth in high-yielding business.
- Opex grew 9% YoY to INR39.8b (in line). C/I ratio increased by 31bp QoQ to 52.5%. PPoP stood flat QoQ at ~INR36b (in line).
- On the business front, loans grew 12% YoY (2.7% QoQ) led by corporate and commercial books, while the VF business has started showing some improvement with healthy disbursements. In the consumer business, MFI books decreased by 0.5% QoQ, while cards remained flat.
- Deposits grew 11% YoY (down 0.7% QoQ), led by 0.8% QoQ growth in term deposits. CASA ratio moderated 99bp QoQ to 34.9%. The retail deposit mix as per LCR improved to 46%. The CD ratio stood at 89.6%, up 300bp QoQ.
- Fresh slippages increased 22% QoQ to INR22b, amid higher slippages in the consumer finance book at INR 19.2b. GNPA/NNPA ratios increased 14bp/4bp QoQ to 2.25%/0.68%. In 3Q, the bank utilized INR2b of contingent provisions, of which INR1.6b was towards MFI and INR0.4b for the corporate portfolio. Restructured book declined 11bp QoQ to 0.18%.

Highlights from the management commentary

- The bank is reducing the share of MFI business and wants to bring this down to 8-10%.
- About 13% of the MFI business pertains to Karnataka, and the bank has reduced this book by 4% QoQ. Early indicators suggest that CE will be down by 1%.
- INR1.6b of the contingent buffer was used against the MFI and INR400m towards the corporate portfolio.
- VF business in good times generates 110bp of credit costs, and in bad times generates 130-140bp of credit costs.

Valuation and view

IIB reported an in-line quarter with overall weakness continuing as provisions continue to remain elevated while business growth moderated sharply. Deposits growth was subdued as the bank moved away from the non-friendly LCR deposits. On the advances side, the growth in MFI continues to remain weak, while VF business has seen some pickup after a few quarters of muted growth. Yields continued to remain weak as the bank slowed down its growth in the high-yielding business. Loan growth estimates remain on the lower side at 12-13% for FY26-27. The MF and Card businesses may continue to report stress in the near term, keeping credit costs elevated. We cut our earnings estimates by 2.8%/1.7% for FY25/26, leading to an RoA/RoE of 1.4%/12% by FY26. **Reiterate BUY with a TP of INR1,200 (premised on 1.2x Sep'26E ABV). The RBI's approval for a fresh term for the MD and CEO remains a key near-term monitorable.**

Quarterly performance (INR b)

	FY24				FY25E				FY24	FY25E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**48.7**	**50.8**	**53.0**	**53.8**	**54.1**	**53.5**	**52.3**	**53.5**	**206.2**	**213.3**	**52.8**	**-1%**
% Change (YoY)	18.0	18.0	17.8	15.1	11.1	5.3	-1.3	-0.5	17.2	3.5	-0.3	
Other Income	22.1	22.8	24.0	25.1	24.4	21.8	23.6	25.6	94.0	95.4	23.3	1%
Total Income	**70.8**	**73.6**	**76.9**	**78.8**	**78.5**	**75.3**	**75.8**	**79.0**	**300.1**	**308.7**	**76.1**	**0%**
Operating Expenses	32.5	34.5	36.5	38.0	39.0	39.3	39.8	41.4	141.5	159.5	40.0	-1%
Operating Profit	**38.3**	**39.1**	**40.4**	**40.8**	**39.5**	**36.0**	**36.0**	**37.7**	**158.6**	**149.2**	**36.0**	**0%**
% Change (YoY)	11.7	10.3	9.7	8.6	3.1	-7.9	-10.9	-7.7	10.0	-6.0	-10.8	
Provisions	9.9	9.7	9.7	9.5	10.5	18.2	17.4	17.7	38.8	63.8	16.8	3%
Profit before Tax	**28.4**	**29.3**	**30.7**	**31.3**	**29.0**	**17.8**	**18.6**	**20.0**	**119.8**	**85.3**	**19.2**	**-3%**
Tax	7.2	7.3	7.7	7.8	7.3	4.5	4.5	5.1	30.0	21.4	4.8	-6%
Net Profit	**21.2**	**22.0**	**23.0**	**23.5**	**21.7**	**13.3**	**14.0**	**14.9**	**89.8**	**63.9**	**14.4**	**-2%**
% Change (YoY)	30.3	22.0	17.2	15.0	2.2	-39.5	-39.1	-36.7	20.6	-28.8	-37.6	
Operating Parameters												
Deposit (INR b)	3,470	3,595	3,688	3,846	3,985	4,124	4,094	4,224	3,846	4,224	4,096	
Loan (INR b)	3,013	3,155	3,271	3,433	3,479	3,572	3,669	3,783	3,433	3,783	3,672	
Deposit Growth (%)	14.5	13.9	13.4	14.4	14.8	14.7	11.0	9.8	14.4	9.8	11.1	
Loan Growth (%)	21.5	21.3	19.9	18.4	15.5	13.2	12.2	10.2	18.4	10.2	12.3	
Asset Quality												
Gross NPA (%)	1.9	1.9	1.9	1.9	2.0	2.1	2.3	2.3	1.9	2.3	2.2	
Net NPA (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.6	
PCR (%)	70.6	70.6	70.6	70.6	70.6	70.1	70.2	70.0	69.5	70.0	70.6	

Prestige Estates Projects

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	PEPL IN
Equity Shares (m)	431
M.Cap.(INRb)/(USDb)	585.6 / 6.8
52-Week Range (INR)	2075 / 967
1, 6, 12 Rel. Per (%)	-19/-19/-1
12M Avg Val (INR M)	1855

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	104.2	114.3	140.7
EBITDA	27.9	30.6	33.5
EBITDA (%)	26.8	26.8	23.8
Adj. PAT	8.1	8.3	9.9
EPS (INR)	21.7	22.2	26.5
EPS Gr. (%)	55.3	86.3	118.4
BV/Sh. (INR)	454.3	474.8	499.6
Ratios			
Net D/E	0.3	0.6	0.0
RoE (%)	5.7	4.8	5.4
RoCE (%)	8.4	6.8	7.2
Payout (%)	8.0	7.8	6.5
Valuations			
P/E (x)	62.7	61.3	51.3
P/BV (x)	3.0	2.9	2.7
EV/EBITDA (x)	20.6	18.9	18.1
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Dec-24	Mar-24	Dec-23
Promoter	61.0	65.5	65.5
DII	16.7	15.0	13.2
FII	19.3	16.1	18.1
Others	3.0	3.5	3.3

CMP: INR1,360 TP: 2,040 (+50%) Buy

Zero launch for residential segment dents performance

Significant guidance miss possible due to lack of launch visibility

- Prestige Estates Projects (PEPL) reported bookings of INR30.1b, which was down 43% YoY and 25% QoQ (54% below our est.) on account of muted residential launches in 3QFY25 and lower inventory. Average realization improved to INR13,684/sft, up 40% YoY, during the quarter.
- PEPL launched 8.2msf vs. 1.9msf in 1QFY24 and 0.8msf in 4QFY24.
- Sales volume also dipped 59% YoY/26% QoQ to 2.2msf, while realizations were up 40% YoY to INR13,684/sf. In terms of value, the contribution from Bengaluru/Mumbai/Hyderabad was 58%/22%/17%.
- Total collections were up 6%/20% YoY/QoQ, which led to an OCF of INR8.7b in 3QFY25. Net debt mounted to INR59.6b (0.37x of equity) after spending on land and because of capex (INR23.5b) in 3QFY25.
- **P&L performance:** PEPL reported an 8% YoY decline in revenue to INR16.5b (41% below our estimate) for 3QFY25, while revenue was up 2% YoY at INR58b for 9MFY25. In 3Q, about 59% of revenue was contributed by the residential segment, followed by hospitality (16%), office (11%), retail (7%), and the remaining by others.
- EBITDA came in at INR5.9b, up 7% YoY (22% below our estimate), with an EBITDA margin of 35.7%, up 496bp YoY. For 9MFY25, PEPL reported EBITDA of INR20.2b, up 21% YoY, with a margin of 34.7%, up 542bp YoY.
- PEPL reported an adjusted PAT of INR177m, down 85% YoY, with a margin of 1%. For 9MFY25, the company reported adj. PAT of INR4.4b, down 22% YoY.

Upcoming launches and pipeline

- PEPL plans to launch The Prestige City Indirapuram NCR, Southern Star & Sunset Park Bangalore, Pallava Gardens Chennai, Prestige Spring Heights Hyderabad, Beach Gardens Goa, and some small projects in Bangalore and Hyderabad earlier to be launched in 3Q, which are now deferred to 4QFY25. Nautilus would also be launched in 4Q. The total GDV of upcoming launches up to FY26E stands at INR569b.
- Office assets: Leasing activity was robust with occupancy at 90% across the operational assets. With the completion of Lakeshore Drive Phase I and Trade Center DIAL by the end of FY25, the exit rentals will be INR7.2b. Further, with the commissioning of all the ongoing and upcoming assets, the exit rental will reach INR33.1b by FY29.
- Retail: Asset leasing was strong, and footfalls surpassed 14m, with a gross turnover (GTO) of INR17b and occupancy of 99.2%. The current exit rentals for the retail business were INR2.2b, which are expected to touch INR9.9b once all the 12 ongoing/upcoming assets are commissioned.

Key highlights from the management commentary

- There were no new launches in 3QFY25 for the residential segment. Launches in Retail, Commercial, and Hospitality were seen in 3Q, with a total area of 1.3msf, 0.3msf, and 0.7msf respectively. About 2msf of sustenance sales were executed during the quarter. Stock in hand stood at 10msf from Bangalore, Hyderabad, and Mulund.
- **Approvals:** Approvals are underway on the new launches. Significant delays hit 3Q sales.
- **Upcoming launches:** Management is confident in achieving the upcoming launches in the mid-income and luxury segments, with an estimated GDV of INR300b across geographies in 4QFY25. The GDV breakdown is as follows: Southern Star in Bengaluru with INR36b GDV (ticket size INR15-30m), Indirapuram in NCR with INR115b GDV, Pallava Gardens in Chennai with INR31b GDV, Spring Heights in Hyderabad with INR32b GDV, and Nautilus in Mumbai with INR87b GDV (ticket size of INR250m+)
- An additional GDV of INR500b is in the planning stage and will be reflected in the pipeline in the upcoming quarters.
- Discussion is ongoing regarding the 5.5msf commercial land near Mumbai Airport. Management will comment more on this in the future.
- In Mahalaxmi, the rehab tower is ready, and the handover of turf and green estate has started. The targeted year of competition is 2028. The rehab tower in BKC will be handed over by Jun'25 and the commercial buildings will be completed by 2028. Trade Centre DIAL in Aerocity is likely to be completed by the end of CY25.
- Fresh borrowings of INR3.4b were made in 3QFY25, thereby increasing the net debt to INR59.6b with a Net Debt/Equity ratio of 0.37x and a reduced borrowing cost of 10.65% (vs. 10.69% in 2Q).
- In the long run, construction spending per quarter will be in the range of INR15-16b, and while some projects will be near completion, construction costs might inch up.
- Further, collections would scale up to INR160-180b per year once the projects in the pipeline are launched.
- PEPL bought land on the Dahisar-Mira Road stretch, which has an area potential of ~1msf; the company has already applied for the approvals.
- The BKC project will be completed by 2028. The Aerocity office space is fully leased out and will be completed by the end of CY25.

Valuation and view

- While the delay in approvals affected launches for 3Q, PEPL is hopeful to achieve INR30b launches in 4Q, thus will miss the annual guidance. We have cut our pre-sales and collection estimates to INR201b and INR173b for FY25, INR262b and INR220b for FY26, and INR315b and INR294b for FY27 respectively.
- PEPL also reported a sharp jump in leverage, but the INR50b of capital raised and intended monetization of the hospitality portfolio will allay concerns about leverage and ensure improvement in the balance sheet position over the course of the year.
- As the company progresses with its growth trajectory in both the residential and commercial segments and unlocks value from its hospitality segment, we believe the stock will further re-rate. **Reiterate BUY** with a revised TP of INR2,040, indicating a 50% upside potential.

Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	
Net Sales	**16,809**	**22,364**	**17,958**	**21,640**	**18,621**	**23,044**	**16,545**	**45,968**	**78,771**	**1,04,178**	**28,128**	**-41**
YoY Change (%)	-13.3	56.6	-22.5	-17.8	10.8	3.0	-7.9	112.4	-5.3	32.3	56.6	
Total Expenditure	11,542	16,439	12,443	13,363	10,658	16,731	10,644	38,225	53,787	76,258	20,590	
EBITDA	**5,267**	**5,925**	**5,515**	**8,277**	**7,963**	**6,313**	**5,901**	**7,743**	**24,984**	**27,920**	**7,538**	**-22**
Margins (%)	31.3	26.5	30.7	38.2	42.8	27.4	35.7	16.8	31.7	26.8	26.8	886.6
Depreciation	1,655	1,741	1,797	1,972	1,905	2,004	2,047	2,103	7,165	8,059	2,064	
Interest	2,382	2,639	2,932	4,238	3,461	3,565	3,451	2,407	12,191	12,884	3,387	
Other Income	2,854	1,684	1,747	685	1,624	1,194	434	2,478	6,970	5,730	1,125	
PBT before EO expense	**4,084**	**3,229**	**2,533**	**2,752**	**4,221**	**1,938**	**837**	**5,711**	**12,598**	**12,707**	**3,213**	**-74**
Extra-Ord expense	0	8,512	0	0	0	0	0	0	8,512	0	0	
PBT	**4,084**	**11,741**	**2,533**	**2,752**	**4,221**	**1,938**	**837**	**5,711**	**21,110**	**12,707**	**3,213**	**-74**
Tax	863	2,564	723	786	1,023	-519	445	957	4,936	1,906	482	
Rate (%)	21.1	21.8	28.5	28.6	24.2	-26.8	53.2	16.8	23.4	15.0	15.0	
Minority Interest & Profit/Loss of Asso. Cos.	552	668	647	566	872	535	215	1,051	2,433	2,673	722	
Reported PAT	**2,669**	**8,509**	**1,163**	**1,400**	**2,326**	**1,922**	**177**	**3,703**	**13,741**	**8,128**	**2,009**	
Adj PAT	**2,669**	**1,856**	**1,163**	**1,400**	**2,326**	**1,922**	**177**	**3,703**	**7,088**	**8,128**	**2,009**	**-91**
YoY Change (%)	174.0	397.2	-9.0	-69.5	-12.9	3.6	-84.8	164.5	-1.7	14.7	72.7	
Margins (%)	15.9	8.3	6.5	6.5	12.5	8.3	1.1	8.1	9.0	7.8	7.1	
Key metrics												
Sale Volume (msf)	3.8	6.8	5.5	4.1	2.9	3.0	2.2	11.0	20.2	19.1	6	**-64**
Sale Value (INRb)	39.1	70.9	53.3	47.1	30.3	40.2	30.1	100.6	210.4	201.2	65	**-54**
Collections - PEPL share (INRb)	25	24	29	33	27	26	31	23	110.5	105.7	38	**-19**
Realization (INR/sft)	10,221	10,369	9,755	11,452	10,593	13,409	13,513	9,175	10,395	10,562	10,500	**29**

Phoenix Mills

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	PHNX IN
Equity Shares (m)	358
M.Cap.(INRb)/(USDb)	586.9 / 6.8
52-Week Range (INR)	2069 / 1155
1, 6, 12 Rel. Per (%)	1/-3/27
12M Avg Val (INR M)	1601

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	40.1	46.7	52.1
EBITDA	23.7	29.0	35.2
EBITDA (%)	59.2	62.1	67.5
PAT	10.8	14.8	19.9
EPS (INR)	30.1	41.3	55.7
EPS Gr. (%)	-2.2	37.2	34.9
BV/Sh. (INR)	292.7	331.0	386.7
Ratios			
Net D/E	0.3	0.1	-0.1
RoE (%)	10.8	13.3	15.5
RoCE (%)	11.4	13.7	15.6
Payout (%)	10.0	7.3	0.0
Valuations			
P/E (x)	54.5	39.7	29.5
P/BV (x)	5.6	5.0	4.2
EV/EBITDA (x)	25.9	20.6	16.4
Div Yield (%)	0.2	0.2	0.0

Shareholding Pattern (%)

As on	Dec-24	Sep-24	Dec-23
Promoter (%)	47.3	47.3	47.3
DII (%)	13.0	13.2	17.7
FII (%)	35.7	35.5	30.8
Others (%)	4.1	4.1	4.2

CMP: INR1,642 TP: 1,810 (+10%) Neutral

Non-core business drags financials; core portfolio going strong

LFL consumption growth 7% up in 9M

- Phoenix Mills (PHNX) reported revenue of INR9.8b, -1%/6% YoY/QoQ (6% below estimate) and EBITDA came in at INR5.5b, flat/7% YoY/QoQ (10% below estimate). Margins were at 56.7%, up 73bp/30bp YoY/QoQ (246bp below estimate).
- Adj. PAT stood was -5%/21% YoY/QoQ at INR2.6b (6% below estimate). Margins were at 27.2%, -117bp/339bp YoY/QoQ. (17bp above estimate).
- In 9MFY25, revenue was up 5% at INR28b. EBITDA was up 3% at INR16b. Margin was down 76bp YoY at 57.3%. Adjusted PAT stood at INR7b, down 7% YoY. PAT margin was at 25.6%, down 332bp YoY.
- In 3QFY25, Phoenix Logistics and Industrial Parks Private Limited (PLIPPL), the subsidiary of PHNX, divested its entire shareholding in Janus Logistics and Industrial Parks Private Limited (100% subsidiary) for a consideration of INR0.5b. PAT of INR0.2b recognized by PLIPPL in this transaction is treated as an exceptional item for PHNX.
- For 9MFY25, PHNX generated net cash flow from operations (post interest) of INR12.2b and incurred INR17.6b on capex, up INR3.8b from 1HFY25 (land acquisition and construction cost). It also received INR2.7b from JV partners, but the consolidated net debt was lower at INR23.2b, (v/s INR24.1b in 2QFY25).

Upcoming malls in Thane and Coimbatore; expansion of Palladium, Mumbai

- Total consumption stood at ~INR40b, up 21% YoY, driven by a healthy ramp-up in Palladium, Millennium, and Mall of Asia at Ahmedabad, Pune, and Bengaluru, respectively. Among the mature assets, PMC Mumbai rentals delivered 9% YoY growth, aided by upgrade measures implemented in the last few years.
- In 3QFY25, on a like for like basis (excluding the contribution from new malls), consumption rose 10% YoY. In 9MFY25, on an overall basis, jewelry/hypermarkets, the key categories, outperformed with 27%/11% YoY growth, while electronics stood at 1% YoY. The entertainment and multiplex segment declined 3% YoY. Overall LFL growth in 9M was at 7%.
- Gross retail collections at INR8.4b were up 21% YoY and the company reported rental income of INR5.1b, up 12% YoY. In 9MFY25, retail collections and rental income were at INR24.8b and INR14.7b, up 27% and 21%, respectively.
- Retail EBITDA was at INR5.1b, up 15% YoY in Q3.
- Weighted average trading occupancy was at 91% (v/s 87% in 4QFY24).
- Palladium Ahmedabad; Mall of the Millennium, Pune; and Mall of Asia, Bengaluru witnessed a push in trading occupancy to 97%/91%/81%, respectively (v/s 86%/76%/57% in 4QFY24). However, occupancy in Phoenix United, Lucknow was down 3pp YoY to 78%.

Office occupancies decline while Hospitality occupancies rise

- **Hospitality:** Occupancy was at 85% for St. Regis in 3QFY25 (v/s 83% in 3QFY24), whereas Marriott Agra was 83% occupied. In Q3FY25, St. Regis/Marriott reported ARR of INR22,343/INR7,468, up 11%/21% YoY.
- Total income in 3QFY25 for St. Regis and Marriott Agra was INR1,480m/INR200m, up 9%/16% YoY. EBITDA stood at INR720m/INR73m up 16%/22% YoY, with a margin of 49% at St. Regis and 37% at Marriott, Agra.
- **Commercial performance:** Occupancy in the office portfolio was at 70%. Gross leasing in Q3FY25 was ~0.17msf, with ~4msf area under development. Income from commercial offices in Q3FY25 increased 7% YoY to INR530m and EBITDA came in at INR330m, up 17% YoY. Gross rent in the portfolio stood at INR112/sf/month.
- Construction of Asia Towers – Bangalore has been completed, with OC received. The launch is expected in 4QFY25. PHNX is also expected to deliver 1.6msf of office assets across Pune and Chennai by the end of CY25. We expect a 42% CAGR in its office rental income over FY24-FY27.

Valuation and view

- While new malls continue to ramp up well, PHNX is taking measures to accelerate consumption at mature malls. These initiatives, along with a further increase in trading occupancy, will help sustain healthy traction in consumption.
- We have added Thane, Coimbatore, and Mohali malls to the estimates, assuming optimal rentals and valuing business at 25x EV/EBITDA further netted for CAPEX to be incurred on the malls. Additionally, we have given a discount of 30% to arrive at NAV of INR56.9b.
- That said, we remain confident in the long-term consumption growth, which should be at least ~7-8%. We value the mature malls at 20x EV/EBITDA and the new malls at 25x EV/EBITDA. **Reiterate Neutral with a revised TP of INR1,810.**

Financial Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	
Gross Sales	**8,106**	**8,750**	**9,861**	**13,059**	**9,041**	**9,180**	**9,751**	**12,084**	**39,777**	**40,057**	**10,415**	-6%
YoY Change (%)	41.1	34.4	44.2	79.1	11.5	4.9	-1.1	-7.5	50.8	0.7	5.6	
Total Expenditure	3,183	3,691	4,343	6,792	3,731	4,003	4,223	4,405	18,009	16,362	4,254	
EBITDA	**4,923**	**5,060**	**5,518**	**6,267**	**5,310**	**5,177**	**5,528**	**7,680**	**21,768**	**23,695**	**6,161**	-10%
Margins (%)	60.7	57.8	56.0	48.0	58.7	56.4	56.7	63.5	54.7	59.2	59.2	-246bps
Depreciation	630	659	656	757	775	775	813	1,330	2,702	3,692	960	
Interest	957	965	1,042	995	1,031	1,031	1,029	1,048	3,959	4,139	1,021	
Other Income	290	316	343	372	383	371	304	474	1,322	1,532	399	
PBT before EO expense	**3,627**	**3,752**	**4,163**	**4,886**	**3,887**	**3,741**	**3,991**	**5,776**	**16,429**	**17,395**	**4,579**	
Extra-Ord expense	0	0	0	0	-5	0	160	0	0	155	0	
PBT	**3,627**	**3,752**	**4,163**	**4,886**	**3,882**	**3,741**	**4,151**	**5,776**	**16,429**	**17,550**	**4,579**	-9%
Tax	730	714	724	998	747	835	641	2,185	3,166	4,409	1,150	
Rate (%)	20.1	19.0	17.4	20.4	19.3	22.3	15.4	37.8	19.3	25.1	25.1	
MI & P/L of Asso. Cos.	492	512	646	621	809	725	862	-18	2,270	2,378	618	39%
Reported PAT	2,405	2,526	2,793	3,267	2,326	2,181	2,648	3,610	10,993	10,764	2,810	-6%
Adj PAT	**2,405**	**2,526**	**2,793**	**3,267**	**2,326**	**2,181**	**2,648**	**3,610**	**10,993**	**10,764**	**2,810**	-6%
YoY Change (%)	48.5	35.9	58.3	58.9	-3.3	-13.7	-5.2	10.5	50.6	-2.1	0.6	
Margins (%)	29.7	28.9	28.3	25.0	25.7	23.8	27.2	29.9	27.6	26.9	27.0	17bps

Source: Company, MOFSL

Coromandel International

Estimate change	↑
TP change	↔
Rating change	↔

Bloomberg	CRIN IN
Equity Shares (m)	295
M.Cap.(INRb)/(USDb)	533.1 / 6.2
52-Week Range (INR)	1978 / 1025
1, 6, 12 Rel. Per (%)	-3/15/64
12M Avg Val (INR M)	712

Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	239.1	257.2	281.1
EBITDA	26.2	31.1	35.9
PAT	17.6	22.4	26.4
EBITDA (%)	10.9	12.1	12.8
EPS (INR)	59.9	76.0	89.8
EPS Gr. (%)	7.4	26.9	18.2
BV/Sh. (INR)	365.9	427.9	503.7
Ratios			
Net D/E	-0.3	-0.3	-0.4
RoE (%)	17.5	19.1	19.3
RoCE (%)	19.6	20.5	20.4
Payout (%)	23.4	18.4	15.6
Valuations			
P/E (x)	30.2	23.8	20.2
EV/EBITDA (x)	19.2	15.8	13.2
Div Yield (%)	0.8	0.8	0.8
FCF Yield (%)	1.0	2.9	3.4

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	57.2	57.3	57.3
DII	21.3	20.8	21.1
FII	7.8	7.5	7.2
Others	13.8	14.4	14.3

CMP: INR1,810 TP: INR2,270 (+25%) Buy

Benign RM costs and better volumes aid 3Q performance

Operating performance above estimates

- Coromandel International (CRIN) reported a strong operating performance in 3QFY25 (EBIT up 2.2x YoY), aided by strong growth in the Nutrient & Other allied business (up 2.5x YoY) and decent performance in the crop protection business (EBIT up 8% YoY). Margin improvement was driven by better manufactured volume (up 8% YoY), operating leverage, and benign raw material prices.
- With improved reservoir levels and above-normal northeast monsoons, the company is expecting healthy growth in fertilizer volumes in the upcoming quarters. This, coupled with the stabilization of agrochemical prices, should lead to a better performance in 4QFY25 and FY26.
- Factoring in a strong performance in 3Q and a healthy trajectory for 4Q, we increase our FY25 earnings estimate by 6% while maintain our FY26/FY27 earnings estimates. We value the company at ~25x FY27E EPS to arrive at a TP of INR2,270. **Reiterate BUY.**

Fertilizer business drives strong operating performance

- CRIN reported total revenue of INR69.4b (est. INR64.4b) in 3QFY25, up 27% YoY, led by higher sales volume. Total manufacturing volumes (NPK+DAP) grew 4% YoY to 0.9mmt, and total phosphate fertilizer manufacturing volumes (including SSP) rose 8% YoY to 1.1mmt.
- Nutrient & other allied business revenue rose 30% YoY to INR63.7b, while crop protection business revenue grew 3% YoY to INR6.3b.
- EBITDA jumped 2x YoY to INR7.2b (est. INR6.6b). As per our calculations, manufacturing EBITDA/mt (including SSP) stood at INR4,609 (up 3.5x YoY), while EBITDA/mt for phosphate fertilizers (DAP and NPK) stood at INR5,287 (up 3.9x YoY).
- EBIT margin for Nutrient & other allied business expanded 470bp YoY to 9.8%, while crop protection business EBIT margin expanded 60bp YoY to 14.3%.
- Adjusted PAT stood at INR5.1b (est. INR4.5b), up 2.2x YoY.
- For 9MFY25, revenue/EBITDA grew 5%/4% YoY to INR191b/INR22b, while adj. PAT remained flat YoY. Our implied growth in 4Q is 23%/52%/72% YoY.

Highlights from the management commentary

- **Capacity:** The Kakinada project for 200KMT of phosphoric acid and sulfuric acid is on track for commissioning in 4QFY26. Moreover, construction of its 750KMT NPK facility has begun, with commercial production likely by 4QCY27. Negotiations with the technology provider and business partner are in the final stages.
- **Subsidy** received in 3Q/9MFY25 stood at ~INR20.4b/INR59b vs. INR7.2b/INR70.3b in 3Q/9MFY24. Subsidy outstanding as of Dec'24 was INR21b vs. INR24.1b in Dec'23.
- **SSP:** CRIN expects margins to improve as the share of differentiated SSP products rises, which can boost margins to INR1,500-2,000/mt or more.

Valuation and view

- CRIN's key product (NPK) witnessed volume resilience (up 8% YoY in 9MFY25), with margin recovery in 3QFY25 led by benign raw material prices and operating leverage. The company is expected to deliver a similar performance in 4QFY25.
- CRIN's longer-term outlook remains strong, led by 1) backward integration (full integration of Kakinada facility by CY26 and Baobab Mining and Chemicals Corporation mines); 2) product diversification (Nano fertilizers and new products across fertilizer and crop protection) and market expansion (such as in UP and MP); 3) scale-up of CDMO business; and 4) ramp-up of its key subsidiary (Daksha).
- We expect a CAGR of ~8%/14%/17% in revenue/EBITDA/adj. PAT over FY24-27E. We value CRIN at ~25x FY27E EPS to arrive at our TP of INR2,270. **Reiterate BUY.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var
Consolidated	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**			**3QE**	**%**
Net Sales	**56,934**	**69,881**	**54,642**	**39,127**	**47,288**	**74,328**	**69,352**	**48,174**	**2,20,584**	**2,39,142**	**64,419**	**8**
YoY Change (%)	-0.6	-30.9	-34.2	-28.5	-16.9	6.4	26.9	23.1	-25.5	8.4	17.9	
Total Expenditure	49,842	59,294	51,063	36,397	42,231	64,581	62,134	44,023	1,96,596	2,12,968	57,782	
EBITDA	**7,092**	**10,587**	**3,578**	**2,730**	**5,058**	**9,748**	**7,218**	**4,151**	**23,988**	**26,174**	**6,637**	**9**
Margins (%)	12.5	15.2	6.5	7.0	10.7	13.1	10.4	8.6	10.9	10.9	10.3	
Depreciation	481	540	635	630	653	690	708	715	2,286	2,765	680	
Interest	405	462	381	617	574	661	731	550	1,866	2,516	640	
Other Income	445	448	585	835	541	650	1,137	1,002	2,314	3,330	800	
PBT before EO expense	**6,651**	**10,033**	**3,147**	**2,319**	**4,372**	**9,047**	**6,916**	**3,888**	**22,150**	**24,223**	**6,117**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**6,651**	**10,033**	**3,147**	**2,319**	**4,372**	**9,047**	**6,916**	**3,888**	**22,150**	**24,223**	**6,117**	
Tax	1,674	2,450	776	578	1,125	2,328	1,752	979	5,478	6,183	1,540	
Rate (%)	25.2	24.4	24.7	24.9	25.7	25.7	25.3	25.2	24.7	25.5	25.2	
Minority Interest & P/L of Asso. Cos.	36	15	61	138	137	79	46	144	250	407	64	
Reported PAT	**4,940**	**7,569**	**2,310**	**1,603**	**3,110**	**6,641**	**5,118**	**2,765**	**16,422**	**17,633**	**4,513**	
Adj PAT	**4,940**	**7,569**	**2,310**	**1,603**	**3,110**	**6,641**	**5,118**	**2,765**	**16,422**	**17,633**	**4,513**	**13**
YoY Change (%)	-1.0	2.2	-56.2	-34.9	-37.1	-12.3	121.6	72.5	-18.4	7.4	95.4	
Margins (%)	8.7	10.8	4.2	4.1	6.6	8.9	7.4	5.7	7.4	7.4	7.0	

Key Performance Indicators

Y/E March	FY24				FY25E				FY24	FY25E
Consolidated	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4QE**		
Volume Growth (%)	**20.3**	**-20.8**	**-7.7**	**-19.5**	**-3.4**	**24.6**	**14.6**	**17.0**	**-9.6**	**13.6**
Manufacturing (%)	**10.6**	**-8.2**	**-9.8**	**-9.6**	**3.3**	**6.3**	**7.6**	**8.9**	**-5.0**	**6.3**
Trading (%)	**59.9**	**-53.0**	**-3.3**	**-31.0**	**-22.4**	**116.1**	**28.3**	**29.4**	**-19.4**	**31.9**
Mfg EBITDA/MT (INR)	**6,754**	**7,230**	**1,330**	**2,890**	**4,261**	**5,435**	**4,609**	**3,920**	**4,190**	**4,186**
Cost Break-up										
RM Cost (% of sales)	74.1	73.2	79.1	72.1	73.6	74.9	76.4	71.0	**74.7**	**74.3**
Staff Cost (% of sales)	2.9	2.5	3.4	4.4	3.9	2.5	3.0	4.4	**3.2**	**3.3**
Freight Cost (% of sales)	5.3	4.3	5.6	6.4	6.0	5.0	5.4	6.5	**5.3**	**5.6**
Other Cost (% of sales)	5.2	4.7	5.3	10.2	5.8	4.5	4.9	9.5	**6.0**	**5.9**
Gross Margins (%)	25.9	26.8	20.9	27.9	26.4	25.1	23.6	29.0	**25.3**	**25.7**
EBITDA Margins (%)	12.5	15.2	6.5	7.0	10.7	13.1	10.4	8.6	**10.9**	**10.9**
EBIT Margins (%)	11.6	14.4	5.4	5.4	9.3	12.2	9.4	7.1	**9.8**	**9.8**

UPL

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	UPLL IN
Equity Shares (m)	751
M.Cap.(INRb)/(USDb)	486.3 / 5.6
52-Week Range (INR)	618 / 430
1, 6, 12 Rel. Per (%)	21/16/9
12M Avg Val (INR M)	1772

Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	465.2	511.2	550.5
EBITDA	79.7	94.1	107.3
PAT	21.3	35.1	51.3
EBITDA (%)	17.1	18.4	19.5
EPS (INR)	27.8	45.9	67.1
EPS Gr. (%)	660.9	64.8	46.2
BV/Sh. (INR)	498	546	627
Ratios			
Net D/E	0.9	0.6	0.4
RoE (%)	8.5	13.3	17.3
RoCE (%)	10.1	10.8	13.3
Payout (%)	76.2	30.5	20.9
Valuations			
P/E (x)	21.7	13.1	9.0
EV/EBITDA (x)	8.7	6.7	5.5
Div Yield (%)	2.4	2.4	2.4
FCF Yield (%)	13.4	15.1	14.8

Shareholding Pattern (%)

	Dec-24	Sep-24	Dec-23
Promoter	33.5	32.5	32.5
DII	18.9	17.7	16.8
FII	35.5	37.5	37.7
Others	12.1	12.3	13.0

Note: FII includes depository receipts

CMP: INR604 TP: INR610 (+1%) Neutral

Demand outlook turns positive, driving margin improvement

Operating performance above expectations

- UPL Ltd (UPLL) reported a strong quarter as EBITDA surged 5.2x YoY on a low base to INR21.6b (est. INR19.9b), due to pricing improvement (up 5% YoY), better product mix, rebate normalization, improved operating efficiency, and lower input costs. The business has normalized, which resulted in healthy volume growth of 9% YoY.
- Overall improvement has been observed in UPLL's global business, with inventory destocking being largely completed in key markets. Further, margins are expected to continue improving, led by an increase in high-margin product sales, favorable regional mix, better operational efficiency, and margin expansion in the Indian business.
- Factoring in the strong performance in 3Q and improved outlook for 4QFY25, we raise our EPS Estimate for FY25 by 10% while largely maintaining our FY26E/FY27E EPS. **Reiterate Neutral with a TP of INR610.**

Robust growth across platforms fueled by higher volume and pricing

- UPLL reported revenue of INR109.1b (in-line) in 3QFY25, up 10% YoY (volume growth: 9%, price surged: 5%, forex down: 4%). EBITDA stood at INR21.6b (est. INR19.9b), 5.2x YoY. EBITDA margin was 19.8% vs. 4.2% in 3QFY24, due to a 150pp expansion in gross margin. The contribution margin was improved due to improved product mix and stabilization in prices.
- Adj. PAT came at INR9.9b (est. Adj. PAT INR8.1b) vs. a net loss of INR5.9b in 3QFY24. The company witnessed a higher profit on account of the impact of the income tax provision's reversal (INR5.9b), previously made due to uncertainty over the allowability of eligible expenditure.
- The **India** revenue rose 28% YoY to INR11.5b, led by higher volumes because of volume growth in natural plant protection (NPP) and steady Rabi placement. **North America** revenue grew 59% YoY to INR15.7b on account of the continued strong in-season demand. **LATAM** revenue grew 12% to INR48.1b, as the strong volume growth (of Mancozeb and differentiated products) in Brazil was offset by price softening and forex. **Europe** revenue rose 28% YoY to INR12.9b, aided by strong volume growth in Fungicides and NPP, while **RoW** revenue declined 22% YoY to INR21.3b, owing to price challenges in Africa, Australia, and China.
- Advanta's revenue increased 11% YoY to INR10b, driven by grain sorghum in Argentina, Sunflower (Argentina, Europe), and Corn in India, while UPLL Specialty Chemical's revenue grew 54% YoY to INR28.5b due to growth in both the non-captive business as well as in the captive business.
- Gross debt (excluding perpetual bonds) declined to INR302.4b in Dec'24 vs. INR361.7b as of Dec'23, Net debt declined to INR258.7b in Dec'24 vs INR313.4b in Dec'23. The decline was due to improved working capital days which declined to 107 in Dec'24 from 155 in Dec'23.
- In 9MFY25, revenue increased 7% to INR310.6b. EBITDA also grew 36% YoY to INR48.8b. Adj. PAT stood at INR7.3b vs Net loss of INR848m in 9MFY24. For 4QFY25, implied revenue/EBITDA growth is 10%/60%, led by margin expansion YoY.

Highlights from the management commentary

- **Guidance & outlook:** UPLL expects strong volume growth as the crop protection market recovers, supported by stable Active Ingredient (AI) prices, normalized farmer buying, and pricing stability for post-patent products. The company is confident in maintaining FY25 EBITDA guidance, projecting 50% YoY EBITDA growth driven by volume recovery, pricing normalization, and cost efficiencies.
- **Debt repayment:** UPLL is focused on debt reduction, utilizing proceeds from the rights issue (USD400m) and Advanta's stake sale of 12.44% (USD350m), with a structured debt repayment plan of USD750m/USD900m in FY26/FY27. Management is aiming for a net debt-to-equity ratio of ~2x by FY27.
- **Capex plans:** UPLL has revised its FY25 CAPEX guidance downward to INR15-16b (from INR18b) and for going ahead it indicated capex to be ~USD250-300m split between product registrations and manufacturing expansion. Further clarity on FY26 CAPEX will be provided post-4QFY25.

Valuation and view

- With the overall macro scenario improving, we expect 4Q to witness robust growth (on a low base) and a margin trajectory, aided by price improvement, better product mix, improved operational efficiency, and a favorable regional mix. Demand is expected to improve with a major part of global inventory destocking being completed.
- **We reiterate Neutral with a TP of INR610 (based on 9x FY27 EPS).**

Consol.: Quarterly Earnings Model (INRb)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3Q	%
Net Sales	**89.6**	**101.7**	**98.9**	**140.8**	**90.7**	**110.9**	**109.1**	**154.5**	**431.0**	**465.2**	**109.6**	**0%**
YoY Change (%)	-17.2	-18.7	-27.7	-15.0	1.2	9.0	10.3	9.8	-19.6	7.9	10.8	
Total Expenditure	73.7	86.0	94.7	121.5	79.2	95.2	87.5	123.6	375.8	385.4	89.7	
EBITDA	**15.9**	**15.8**	**4.2**	**19.3**	**11.5**	**15.8**	**21.6**	**30.9**	**55.2**	**79.7**	**19.9**	**9%**
Margins (%)	17.8	15.5	4.2	13.7	12.6	14.2	19.8	20.0	12.8	17.1	18.2	
Depreciation	6.4	6.6	6.8	7.9	6.6	7.0	6.9	8.1	27.6	28.6	7.3	
Interest	7.0	8.7	11.9	10.9	9.1	10.7	7.3	7.0	38.5	34.1	9.0	
Other Income	1.0	1.1	1.5	1.3	1.0	1.1	1.7	1.3	4.8	5.1	1.4	
Exch. difference on trade rec./payable	3.2	2.5	3.2	0.8	0.5	2.2	2.1	0.0	9.8	4.7	0.0	
PBT before EO expense	**0.4**	**-1.0**	**-16.2**	**0.9**	**-3.7**	**-3.0**	**7.1**	**17.1**	**-15.9**	**17.4**	**5.0**	
Extra-Ord expense	0.4	0.9	0.2	1.1	0.5	0.1	0.8	0.0	2.5	1.3	0.0	
PBT	**0.0**	**-1.9**	**-16.4**	**-0.1**	**-4.2**	**-3.1**	**6.3**	**17.1**	**-18.5**	**16.1**	**5.0**	
Tax	-1.6	-1.0	-0.6	1.1	0.7	1.4	-5.0	3.1	-2.1	0.2	0.9	
Rate (%)	3,280.0	51.9	3.6	-733.3	-17.0	-44.2	-79.0	18.0	11.3	1.2	18.0	
MI & P/L of Asso. Cos.	-0.1	1.0	-3.6	-1.7	-1.1	-0.1	3.0	0.0	-4.4	1.8	-4.0	
Reported PAT	**1.7**	**-1.9**	**-12.2**	**0.4**	**-3.8**	**-4.4**	**8.3**	**14.0**	**-12.0**	**14.0**	**8.1**	
Adj PAT	**4.0**	**1.1**	**-5.9**	**3.6**	**-2.0**	**-0.6**	**9.9**	**14.0**	**2.8**	**21.3**	**8.1**	**22%**
YoY Change (%)	-61.7	-89.8	-144.2	-65.1	-150.8	-159.3	NA	284.8	-93.7	660.9	NA	
Margins (%)	4.5	1.0	-6.0	2.6	-2.2	-0.6	9.1	9.1	0.6	4.6	7.4	

Note: Adjusted PAT = Reported PAT + forex adjustment + exceptional item

Container Corporation

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	CCRI IN
Equity Shares (m)	609
M.Cap.(INRb)/(USDb)	475.3 / 5.5
52-Week Range (INR)	1194 / 705
1, 6, 12 Rel. Per (%)	0/-19/-20
12M Avg Val (INR M)	1960

Financial Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	89.6	107.0	131.3
EBITDA	20.4	25.6	30.6
Adj. PAT	13.7	17.4	21.0
EBITDA Margin (%)	22.7	23.9	23.3
Adj. EPS (INR)	22.4	28.6	34.5
EPS Gr. (%)	11.8	27.4	20.5
BV/Sh. (INR)	206.4	222.2	241.3
Ratios			
Net D:E	(0.3)	(0.4)	(0.4)
RoE (%)	11.2	13.3	14.9
RoCE (%)	11.6	13.7	15.2
Payout (%)	45.7	44.6	44.6
Valuations			
P/E (x)	36.6	28.2	23.4
P/BV (x)	4.0	3.7	3.4
EV/EBITDA(x)	20.7	16.3	13.1
Div. Yield (%)	1.2	1.6	1.9
FCF Yield (%)	2.4	3.4	4.5

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	54.8	54.8	54.8
DII	25.8	25.8	22.9
FII	13.5	13.7	19.6
Others	5.9	5.7	2.8

FII includes depository receipts

CMP: INR780 TP: INR950 (+22%) Buy

Weak EXIM realization hurts earnings; lower depreciation supports APAT

- Container Corporation of India (CCRI)'s revenues were flat YoY at INR22b during 3QFY25 (10% below our estimate). Total volumes grew 12% YoY to 1.3m TEUs, with EXIM/Domestic volumes at 0.97m/0.3m TEUs, respectively (+8%/+25% YoY).
- Blended realization declined ~11% YoY to INR17,138/TEU. EXIM/Domestic realization stood at INR14,245/INR26,254 per TEU, respectively (-10%/-15% YoY). EBITDA margins came in at 20.8% (vs our estimate of 23.2%). EBITDA declined ~10% YoY and was 20% below our estimate.
- Lower depreciation offset the miss in operational performance, which led to an APAT of INR 3.4b (in-line with our estimate). During 3QFY25, the company reassessed the useful life of its wagons based on railway standards, technical advice, experience, and manufacturer certification, extending it from 15 to 30 years. As a result, depreciation for the quarter and nine-month period was INR125m and INR367m, respectively, reflecting a reduction of INR258m and INR792m. This change increased PBT by the same amount.
- During 9MFY25, revenue was INR65.8b (+4% YoY), EBITDA was INR14.7b (+2% YoY), EBITDA margin came in at 22.3%, and APAT was INR9.9b (+6% YoY). The land license fee for 9MFY25 stood at INR2.6b (1.7b in 1HFY25). LLF for FY25 is expected to be INR3.5b (vs. INR3.7b in FY24).
- During 9MFY25, CCRI expanded its logistics network, enhanced double-stack operations, and leveraged the Dedicated Freight Corridor (DFC) for efficiency gains. The company remains focused on integrated logistics solutions, boosting rail freight movement, and infrastructure expansion. Management has revised FY25 capex guidance upwards primarily for new terminals, fleet expansion, and improved multimodal connectivity to strengthen its growth prospects.
- 3QFY25 was impacted by lower realizations and weaker volumes. Given the softened volume growth outlook, we revised our FY25/26/27 EBITDA estimates lower by 7%/6%/5%, respectively. With delays in DFC, the volume growth improvement would be more gradual than earlier estimated. **We reiterate BUY with a revised TP of INR950 (based on 18x EV/EBITDA on Sep'26).**

Highlights from the management commentary

- The LLF for 9MFY25 stood at INR2.6b. LLF for FY25 is expected to be INR3.5b. It is expected to increase 7% annually. The company is looking to surrender some of the underutilized terminals, which would help maintain LLF for FY26 at similar levels to those in FY25.

- The double-stack rake movement grew 11.3% YoY, with 4,608 double-stack rakes operated during 9MFY25. In Dec'24, CCRI commenced double-stack train operations at Nava Sheva, further enhancing efficiency. Additionally, operations at Gangavaram Port have begun, supporting volume growth.
- CCRI has increased its capex budget by 40% to INR8.6b for FY25, up from the previous estimate of INR6.1b. Out of this, INR4.4b has already been spent in 9MFY25.
- By 2028, the company aims to significantly expand its infrastructure. The plan includes 80 terminals, 500 rakes, and a container fleet of 70,000 units. To support this expansion, capex spending has been revised upwards.
- CCRI is experiencing strong demand in both EXIM and domestic segments. It is targeting a handling volume of 5m TEUs in FY26.

Valuation and view

- During 9MFY25, CCRI strengthened its logistics network, advanced double-stack operations, and utilized DFC to enhance efficiency. The company continues to prioritize integrated logistics solutions, rail freight expansion, and infrastructure growth. Management has increased capex guidance, focusing on new terminals, fleet expansion, and multimodal connectivity to reinforce its market leadership and future growth.
- With DFC's commissioning and a continuous ramp-up in the number of double-stacked trains, we expect blended volumes to post a 12% CAGR during FY24-27. We expect EBITDA margin to be 22-23% over FY24-27. **We reiterate BUY with a revised TP of INR950 (based on 18x EV/EBITDA on Sep'26).**

Standalone quarterly snapshot (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Net Sales	19,193	21,904	22,051	23,176	20,971	22,830	22,019	23,741	86,325	89,561	24,581	(10)
YoY Change (%)	-3.0	11.1	10.9	7.0	9.3	4.2	-0.1	2.4	6.5	3.7	11.5	
EBITDA	3,916	5,373	5,117	4,890	4,319	5,750	4,583	5,715	19,296	20,366	5,711	(20)
Margins (%)	20.4	24.5	23.2	21.1	20.6	25.2	20.8	24.1	22.4	22.7	23.2	
YoY Change (%)	-17.1	7.7	20.0	10.0	10.3	7.0	-10.4	16.9	4.8	5.5	11.6	
Depreciation	1,378	1,486	1,543	1,603	1,649	1,617	810	1,292	6,009	5,369	1,620	
Interest	141	147	175	190	181	177	171	171	653	700	170	
Other Income	815	1,025	1,007	937	924	1,301	995	763	3,783	3,983	900	
PBT before EO expense	3,212	4,764	4,406	4,034	3,413	5,257	4,596	5,015	16,416	18,280	4,821	
Extra-Ord expense	0	0	0	71	0	333	0	0	-71	-333	0	
PBT	3,212	4,764	4,406	3,963	3,413	4,923	4,596	5,015	16,345	17,947	4,821	
Tax	771	1,187	1,062	1,017	859	1,213	1,162	1,289	4,037	4,523	1,302	
Rate (%)	24.0	24.9	24.1	25.7	25.2	24.6	25.3	25.7	24.7	25.2	27.0	
Reported PAT	2,441	3,577	3,344	2,945	2,554	3,711	3,434	3,726	12,308	13,425	3,519	(2)
Adj PAT	2,441	3,577	3,344	2,945	2,554	3,960	3,434	3,726	12,237	13,674	3,519	(2)
YoY Change (%)	-16.2	18.1	12.8	5.8	4.6	10.7	2.7	26.5	4.6	11.8	5.2	
Margins (%)	12.7	16.3	15.2	12.7	12.2	17.3	15.6	15.7	14.2	15.3	14.3	

MOTILAL OSWAL | MORNING INDIA

31 January 2024

3QFY25 Results Update | Sector: Healthcare

Biocon

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	BIOS IN
Equity Shares (m)	1201
M.Cap.(INRb)/(USDb)	435.3 / 5
52-Week Range (INR)	405 / 244
1, 6, 12 Rel. Per (%)	0/6/27
12M Avg Val (INR M)	2105

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	148.1	167.2	195.3
EBITDA	29.4	35.5	44.0
Adjusted PAT	-0.2	4.6	10.7
EBIT Margin (%)	8.6	10.7	13.2
Cons. Adj EPS (INR)	-0.1	3.9	9.0
EPS Gro. (%)	NA	NA	131.2
BV/Sh. (INR)	169.2	172.0	178.3
Ratios			
Net D-E	0.8	0.7	0.7
RoE (%)	-0.1	2.3	5.1
RoCE (%)	2.2	3.2	4.7
Payout (%)	29.3	29.3	29.3
Valuations			
P/E (x)	NA	92.2	39.9
EV/EBITDA (x)	18.6	15.3	12.5
Div. Yield (%)	0.4	0.3	0.6
FCF Yield (%)	3.4	5.4	7.8
EV/Sales (x)	3.7	3.3	2.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	60.6	60.6	60.6
DII	15.4	14.4	14.5
FII	5.9	6.2	6.9
Others	18.1	18.8	18.0

FII Includes depository receipts

CMP: INR363 TP: INR420 (+16%) BUY

Execution in Biologics/Syngene drives operational performance

Compliance provides better visibility for niche approval/launches

- Biocon (BIOS) delivered a better-than-expected operational performance in 3QFY25. However, earnings came in below our estimate due to a higher tax outgo. BIOS has been witnessing improved traction in the biologics segment on the back of steady market share gains and its increasing reach in new geographies. After three quarters of YoY revenue declines, Syngene delivered YoY sales growth in 3QFY25, led by better traction in research, CMO and biologics segments.
- While we maintain our sales/EBITDA estimates, we reduce our earnings estimates by 13%/4% for FY26/FY27, factoring in a higher tax rate. We value BIOS on SOTP basis (22x 12M forward EV/EBITDA for 73% stake in Biocon Biologics, 53% stake in Syngene and 14x EV/EBITDA for generics business) to arrive at a TP of INR420.
- With USFDA GMP compliance at Biocon park and Malaysia facility and b-Stellara approval, we expect the company's sales trajectory to strengthen going forward. In fact, the regulatory compliance provides better visibility for Insulin Aspart approval as well, which would be another niche opportunity for BIOS in FY26. We expect Syngene to also deliver better growth in FY25-27 compared to FY23-25 on the back of demand tailwinds and Syngene's capability/capacity. Further, BIOS is implementing efforts in the peptide space within the generics segment, with commercial benefits expected FY26 onward. Maintain BUY.

Operating leverage outweighs higher RM costs

- 3QFY25 revenue grew 6% YoY to INR38.2b (est. INR37.1b). Research services (24% of sales) grew 11% YoY to INR9.4b. Biosimilars (58% of sales) declined 8% YoY to INR2.3b. Generics sales declined 2% YoY to INR6.9b.
- Gross margin (GM) contracted 140bp YoY to 62%.
- EBITDA margin expanded 370bp YoY to 19.7% (est. 19.5%), as lower R&D/other expenses (-390bp/-490bp YoY as % of sales) were offset by higher employee costs (+370bp YoY as % of sales).
- EBITDA grew 30.3% YoY to INR7.5b (est. INR7.2b).
- After adjusting a one-off expense of INR163m and a one-time tax outgo of INR95m for SYNG, BIOS reported PAT of INR339m vs. a loss of INR1.7b in 3QFY24 (est. PAT: INR715m).
- During 9MFY25, revenue/EBITDA grew 3%/1% YoY to INR108b/INR20.6b. BIOS reported an adj. loss of INR900m in 9MFY25 vs. a profit of INR742m last year.

Highlights from the management commentary

- BIOS maintains growth outlook for 2HFY25 and FY26 at the group level.
- BIOS expects to sustain EBITDA margin at 22-23% over the next 18-24 months at BBL level.

Quarterly performance (Consolidated) (INRb)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	vs Est
Net Sales	**34.2**	**34.6**	**36.0**	**39.2**	**34.3**	**35.9**	**38.2**	**39.6**	**144.1**	**148.1**	**37.2**	**2.8%**
YoY Change (%)	57.9	49.2	22.5	7.4	0.3	3.7	6.0	1.2	30.0	2.8	3.1	
Total Expenditure	27.1	27.2	30.3	30.0	28.1	29.0	30.4	31.1	114.6	118.6	29.9	
EBITDA	**7.1**	**7.4**	**5.8**	**9.2**	**6.2**	**6.9**	**7.9**	**8.5**	**29.5**	**29.4**	**7.2**	**8.4%**
YoY Change (%)	53.5	57.4	-16.3	5.1	-12.9	-7.4	36.2	-7.2	18.1	-0.1	25.7	
Margins (%)	20.8	21.4	16.0	23.4	18.1	19.1	20.6	21.5	20.5	19.9	19.5	
Depreciation	3.6	3.9	4.2	4.1	4.1	4.2	4.3	4.2	15.7	16.7	4.2	
EBIT	**3.6**	**3.5**	**1.6**	**5.1**	**2.2**	**2.7**	**3.6**	**4.3**	**13.8**	**12.7**	**3.1**	
Interest	2.3	2.5	2.7	2.3	2.4	2.3	2.2	2.1	9.8	8.9	2.1	
Other Income	0.9	1.6	1.1	0.5	0.8	0.3	0.4	0.5	4.1	1.9	0.6	
Extraordinary Income	0.0	-0.2	8.3	-0.1	10.9	0.3	-0.2	0.0	7.9	11.0	0.0	
Share of Profit/Loss from Associates	-0.3	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	-0.8	0.0	0.0	
PBT	**1.8**	**2.1**	**8.1**	**3.2**	**11.5**	**1.0**	**1.6**	**2.7**	**15.2**	**16.7**	**1.5**	**3.0%**
Tax	0.4	0.4	0.6	1.0	2.8	0.7	0.8	1.5	2.3	5.8	0.3	
Rate (%)	19.1	19.6	6.8	30.1	24.8	71.4	47.9	57.5	15.0	35.0	20.0	
Minority Interest	0.5	0.5	0.9	0.9	2.0	0.4	0.6	0.4	2.8	3.4	0.5	
PAT	**1.0**	**1.3**	**6.6**	**1.4**	**6.6**	**-0.1**	**0.3**	**0.7**	**10.2**	**7.4**	**0.7**	**-64.4%**
Adj PAT	**1.0**	**1.4**	**-1.7**	**1.4**	**-1.6**	**0.4**	**0.3**	**0.7**	**2.2**	**-0.2**	**0.7**	**-52.5%**
YoY Change (%)	-51.1	-16.2	-176.5	-5.0	NA	-74.7	NA	-48.7	-71.1	NA	-141.9	
Margins (%)	2.9	3.6	18.3	3.5	19.2	-0.4	0.7	1.8	7.1	5.0	1.9	

Key performance Indicators (Consolidated)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE
Cost Break-up											
RM Cost (% of Sales)	38.7	35.4	36.6	36.2	37.2	35.6	38.0	37.8	36.7	37.2	35.9
Staff Cost (% of Sales)	15.2	15.3	15.4	13.6	20.4	20.8	19.1	18.4	14.8	19.6	20.2
R&D Expenses(% of Sales)	9.2	7.6	9.1	6.3	6.6	5.6	5.2	5.4	8.0	5.7	6.3
Other Cost (% of Sales)	16.1	20.2	22.8	20.6	17.7	18.9	17.1	16.9	20.0	17.6	18.1
Gross Margins (%)	61.3	64.6	63.4	63.8	62.8	64.4	62.0	62.2	63.3	62.8	64.1
EBITDA Margins (%)	20.8	21.4	16.0	23.4	18.1	19.1	20.6	21.5	20.5	19.9	19.5
EBIT Margins (%)	10.4	10.2	4.5	13.0	6.3	7.4	9.4	10.9	9.6	8.6	8.3

E: MOFSL Estimates

Brigade Enterprises

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	BRGD IN
Equity Shares (m)	244
M.Cap.(INRb)/(USDb)	283.4 / 3.3
52-Week Range (INR)	1453 / 826
1, 6, 12 Rel. Per (%)	-6/-2/5
12M Avg Val (INR M)	535

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	49.7	49.8	61.1
EBITDA	15.8	17.5	22.4
EBITDA	31.8	35.2	36.7
PAT	7.7	9.0	12.9
EPS (INR)	37.8	44.1	63.1
EPS Gr.	71.0	16.6	43.1
BV/Sh.	287.7	329.8	390.9
Ratios			
Net D/E	0.2	0.0	(0.1)
RoE (%)	16.2	14.3	17.5
RoCE (%)	10.9	10.8	13.1
Payout	5.3	4.5	3.2
Valuation			
P/E (x)	31	27	19
P/BV (x)	4.1	3.6	3.0
EV/EBITD	15.9	13.8	10.3
Div Yield	0.2	0.2	0.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	41.4	41.4	43.8
DII	22.9	24.0	25.0
FII	20.2	18.5	13.7
Others	15.5	16.1	17.5

CMP: INR1,160 TP:INR1,540 (+33%) Buy

Strong performance even after approval delays

Bangalore and Chennai to drive growth; 12msf launch pipeline creates growth visibility for near term

- Brigade Enterprises (BRGD) reported bookings of INR24.9b in 3QFY25, up 63% YoY (in line with the estimate). Volume was up 29% YoY at 2.2msf.
- With launches of 1.9msf projects in Bengaluru, Hyderabad, and Mysore, BRGD recorded its highest-ever quarterly realization of INR11,364/sft, up 26% YoY.
- The company intends to launch ~12msf of residential projects in Bangalore (9 projects), Chennai (4 projects), Hyderabad (1 project), and Mysuru (2 projects) in the next four quarters.
- In light of this growth, we expect BRGD to deliver 32% CAGR in pre-sales over FY24-26E to INR105b.
- BRGD's consolidated collections rose 27% YoY to INR17.8b (vs. MOFSLe of INR21b).
- For 9MFY25, BRGD achieved pre-sales of INR54b, up 43% YoY. Collections improved 31% YoY to INR53b.
- BRGD's gross debt was INR45.3b, while net debt was INR11.3b. Its net debt to equity stood at 0.18x by end-3QFY25; the cost of debt was 8.76%.

P&L performance

- Revenue grew 25% YoY to INR14.6b (9% above our estimate). For 9MFY25, BRGD achieved revenues of INR36.1b, up 13.1% YoY, 73% of our full-year estimate.
- EBITDA stood at INR4.1b, up 58% YoY (in line with our estimate). EBITDA margin came in at 28.3%, up 594bp YoY, while it was lower by 374bp against our estimates. For 9MFY25, the company reported an EBITDA of INR10b, up 31% YoY. Its EBITDA margin stood at 27.3%.
- For 3QFY25, BRGD's adj. PAT jumped 221% YoY to INR2.4b, reporting a margin of 16%. During 9MFY25, it reported an adj. PAT of INR4.4b, up 79% YoY.

Annuity business reports healthy growth

- Leasing revenue grew 14% YoY to INR2.8b and the hotel business reported INR1.3b revenue, which rose 16% YoY.
- Over the last few quarters, the company has made good progress in the commercial portfolio's occupancy, which rose to 98% by 3QFY25 from 86% in 1QFY24.
- The company has 2.67msf of Office and Retail area under construction. It has a balance capex commitment of INR7.1b out of a total ongoing capex of INR12.5b for commercial assets.

Valuation and view

- BRGD reported a decent quarter even after approval delays, guided by strong demand for its recently launched projects across its core markets. However, it has a strong launch pipeline of ~12msf, which should enable it to sustain the growth traction going ahead.
- The management intends to keep assessing growth opportunities in the residential segment and expects to spend higher on business development over the next two years. This will provide growth visibility in the residential segment and lead to a further re-rating. **We reiterate a BUY rating with a TP of INR1,540, implying a 32% potential upside.**

Quarterly Performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	
Gross Sales	**6,540**	**13,666**	**11,738**	**17,024**	**10,777**	**10,722**	**14,639**	**13,530**	**48,967**	**49,668**	**13,410**	9%
YoY Change (%)	-27.5	55.4	43.1	102.0	64.8	-21.5	24.7	-20.5	42.1	1.4	14.3	
Total Expenditure	4,792	10,418	9,117	12,696	7,851	7,802	10,502	7,731	37,023	33,887	9,119	
EBITDA	**1,748**	**3,248**	**2,620**	**4,327**	**2,926**	**2,919**	**4,137**	**5,800**	**11,944**	**15,782**	**4,291**	-4%
Margins (%)	26.7	23.8	22.3	25.4	27.1	27.2	28.3	42.9	24.4	31.8	32.0	*-374bps*
Depreciation	681	757	821	762	679	689	763	880	3,021	3,011	724	
Interest	1,081	1,100	1,349	1,380	1,519	1,226	1,143	802	4,910	4,690	1,104	
Other Income	315	413	344	603	357	660	657	84	1,674	1,758	361	
PBT before EO expense	**300**	**1,803**	**795**	**2,788**	**1,084**	**1,664**	**2,888**	**4,202**	**5,687**	**9,839**	**2,825**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**300**	**1,803**	**795**	**2,788**	**1,084**	**1,664**	**2,888**	**4,202**	**5,687**	**9,839**	**2,825**	
Tax	82	679	237	680	279	513	533	1,151	1,676	2,476	711	
Rate (%)	27.1	37.6	29.8	24.4	25.7	30.8	18.5	27.4	29.5	19.0	25.2	
MI & Profit/Loss of Asso. Cos.	-166	-210	-177	48	-32	-39	-7	-283	-506	-361	-97	
Reported PAT	**385**	**1,335**	**735**	**2,061**	**837**	**1,190**	**2,362**	**3,334**	**4,516**	**7,723**	**2,212**	7%
Adj PAT	**385**	**1,335**	**735**	**2,061**	**837**	**1,190**	**2,362**	**3,334**	**4,516**	**7,723**	**2,212**	7%
YoY Change (%)	-52.0	103.0	29.2	289.1	117.3	-10.9	221.5	61.8	79.6	71.0	200.9	
Margins (%)	5.9	9.8	6.3	12.1	7.8	11.1	16.1	24.6	9.2	15.5	16.5	
E: MOFSL Estimates												
Operational Performance												
Pre Sales (msf)	1.5	1.7	1.7	2.7	1.2	1.7	2.2	4.1	7.5	9.1	2.3	-4%
Booking Value (INRb)	10.0	12.5	15.2	22.4	10.9	18.2	24.9	31.3	60.1	85.3	24	4%
Avg rate/sf (INR)	6,822	7,466	8,994	8,246	9,442	10,838	11,364	7,664	7,966	9,364	10,500	8%
Collections (INRb)	12.4	14.4	13.9	18.4	16.2	19.4	17.8	29.0	59.2	82.3	21	-15%

Source: Company, MOFSL Estimates

Vedant Fashions

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MANYAVAR IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	226.8 / 2.6
52-Week Range (INR)	1512 / 886
1, 6, 12 Rel. Per (%)	-27/-13/-15
12M Avg Val (INR M)	282

Financials & Valuations Consol (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	13.7	14.2	16.2
EBITDA	6.6	6.7	7.7
Adj. PAT	4.1	4.1	4.9
EBITDA Margin (%)	48.1	47.1	47.9
Adj. EPS (INR)	17.1	16.7	20.0
EPS Gr. (%)	(3.5)	(2.0)	19.8
BV/Sh. (INR)	64.0	72.1	81.8
Ratios			
Net D:E	(0.4)	(0.5)	(0.6)
RoE (%)	27.6	23.8	23.7
RoCE (%)	23.9	21.2	22.7
Payout (%)	49.8	50.0	50.0
Valuations			
P/E (x)	54.7	55.9	46.6
EV/EBITDA (x)	35.1	34.0	29.1
EV/Sales (X)	16.9	16.0	13.9
Div. Yield (%)	0.9	0.9	1.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	10.4	11.6	13.7
FII	10.6	9.5	7.7
Others	4.1	3.9	3.5

FII Includes depository receipts

CMP: INR934 TP: INR1,065 (+14%) Neutral

Weak results; demand subdued despite higher wedding dates

- Vedant Fashions (VFL) reported a muted performance in 3QFY25, with YoY flat EBITDA and PAT (11-12% miss) due to weak SSSG (2.6%) and higher other expenses.
- VFL management indicated that demand was impacted by a broader slowdown in mid-premium discretionary spends. Further, VFL's growth was also impacted by a weak performance in AP and Telangana markets.
- We lower our FY25-26E EBITDA/PAT estimates by 6-10% due to persisting weaker demand trends. We build in a CAGR of 11% in revenue/EBITDA/PAT over FY24-27E.
- VFL stock price has corrected ~33% in the past three months and now trades at ~47x FY26E P/E (30% below its LT average). However, we await signs of a demand recovery before we turn constructive on VFL. **Reiterate Neutral with a revised TP of INR1,065, premised on 45x Mar'27E P/E.**

EBITDA and PAT stable YoY, 11-12% miss on our estimates

- Customer sales grew ~9% YoY to INR7.1b, driven by a modest 2.6% SSSG.
- Consolidated revenues grew 8% YoY to INR5.1b (2% miss), driven by: 1) muted demand in the second half of 3QFY25, and 2) weak ~3% SSS growth in customer sales.
- The company added 16 stores in 3Q (incl. 12 Shop-in-Shops). The total store count stood at 666 with total store area of 1.75m sq. ft. (up 7% YoY).
- Gross profit increased 8% YoY to INR3.7b (4% miss) as gross margin expanded 30bp YoY to 72% (but 150bp miss on our estimates).
- Employee cost rose 12% YoY, while other expenses jumped 31% YoY (14% ahead), due to higher advertisement expenses and job charges.
- EBITDA was flat YoY at INR2.4b (11% miss), driven by weaker revenue growth and higher other expenses.
- EBITDA margins contracted ~365bp YoY to 47.4% (460bp miss).
- Depreciation/finance costs grew 14%/25% YoY, and other income increased 45% YoY during the quarter.
- Consequently, PAT was stable YoY at INR1.58m (12% miss).
- For 9MFY25, revenue grew by a modest ~1% YoY, while EBITDA/PAT declined 1%/4% YoY.

Highlights from the management commentary

- **Demand trends:** In 3Q, the demand trends were healthy in the first 45 days, but moderated after mid-November. Management attributed the mixed demand trends to general macro-economic headwinds on mid-premium discretionary consumption.
- **Regional demand trends:** Tier 2 and Tier 3 cities saw a strong recovery in 3Q. However, VFL has significant exposure to Andhra Pradesh (AP) and Telangana (TS) markets, which were particularly weak in 3Q. Management indicated that excluding AP and TS markets, SSSG was higher at ~5% (vs. 2.6% reported in 3Q).

- **Competitive intensity:** Management indicated that out of VFL's 650 stores in India, nearly 400 stores do not have any competing stores nearby, while ~250 stores have nearby stores from competitors. Demand trends were largely similar in both these clusters, and stores with competition have outperformed over the longer term.
- **Store expansion:** Store expansion plans have been impacted by inflation in rentals. VFL wants to open correct stores at correct prices as these are long-term commitments. However, over the longer term, management expects stable store additions as per its earlier guidance.

Valuation and view

- VFL's growth trajectory has been impacted by fewer wedding days in FY24 and recently due to a broader slowdown in discretionary consumption.
- However, VFL has a long runway for growth with footprint expansion in Manyavar. Further, the ramp-up of Mohey (women's celebration wear) and Twamev (premium celebration wear), coupled with the company's foray into newer categories (Diwas by Manyavar, fragrances, etc.), provides additional growth triggers. However, sustained demand revival remains the key near-term trigger for a re-rating.
- We lower our FY25-26E EBITDA/PAT estimates by 6-10% due to persisting weaker demand trends. We build in a CAGR of 11% in revenue/EBITDA/PAT over FY24-27E.
- VFL stock price has corrected ~33% in the past three months and now trades at ~47x FY26 P/E (30% below its LT average). However, we await signs of demand recovery before we turn more constructive on the name. **Reiterate Neutral with a revised TP of INR1,065, premised on 45x Mar'27E P/E.**

Quarterly Earnings Snapshot (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
Revenue	**3,116**	**2,183**	**4,745**	**3,632**	**2,398**	**2,679**	**5,113**	**4,002**	**13,675**	**14,192**	**5,234**	**-2.3**
YoY Change (%)	-4.1	-11.6	7.5	6.3	-23.0	22.7	7.8	10.2	0.9	3.8	10.3	
Total Expenditure	1,635	1,255	2,324	1,881	1,271	1,460	2,691	2,093	7,094	7,515	2,512	7.1
EBITDA	**1,482**	**928**	**2,420**	**1,751**	**1,127**	**1,220**	**2,422**	**1,909**	**6,581**	**6,677**	**2,722**	**-11.0**
EBITDA margins (%)	47.5	42.5	51.0	48.2	47.0	45.5	47.4	47.7	48.1	47.1	52.0	
Change YoY (%)	-9.1	-19.6	7.8	4.3	-23.9	31.4	0.1	9.0	96.0	69.6	12.5	
Depreciation	299	325	344	381	372	373	391	402	1,349	1,538	384	1.9
Interest	94	107	112	132	139	137	139	141	445	557	139	0.4
Other Income	150	151	155	241	215	192	224	219	697	850	200	11.8
PBT before EO expense	**1,238**	**648**	**2,119**	**1,479**	**831**	**902**	**2,115**	**1,585**	**5,484**	**5,433**	**2,399**	**-11.8**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
Tax	319	161	542	321	206	233	535	400	1,342	1,374	604	-11.3
Rate (%)	25.7	24.8	25.6	21.7	24.8	25.8	25.3	25.3	24.5	25.3	25.2	0.6
Reported PAT	**919**	**487**	**1,577**	**1,158**	**625**	**669**	**1,580**	**1,185**	**4,142**	**4,058**	**1,795**	**-12.0**
Adj PAT	**919**	**487**	**1,577**	**1,158**	**625**	**669**	**1,580**	**1,185**	**4,142**	**4,058**	**1,795**	**-12.0**
YoY Change (%)	-9	-29	5	6	-32	37	0	2	-3	-2	14	

E: MOFSL Estimates

Poonawalla Fincorp

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	POONAWAL IN
Equity Shares (m)	778
M.Cap.(INRb)/(USDb)	241.5 / 2.8
52-Week Range (INR)	514 / 270
1, 6, 12 Rel. Per (%)	-1/-10/-43
12M Avg Val (INR M)	1049

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Total Income	27.5	37.2	50.1
PPOP	15.3	21.5	30.3
PAT	0.2	10.8	16.3
EPS (INR)	0.2	14.1	21.2
EPS Gr. (%)	-98.4	-	50.6
Standalone BV (INR)	104	117	136
Ratios			
NIM on AUM (%)	8.3	8.4	8.6
C/I ratio (%)	44.4	42.0	39.5
RoAA (%)	0.1	2.8	3.2
RoE (%)	0.2	12.7	16.7
Payout (%)	454.7	14.2	14.2
Valuations			
P/E (x)	-	22.0	14.6
P/BV (x)	3.0	2.6	2.3
Div. Yield (%)	0.3	0.6	1.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	62.4	61.9	62.1
DII	11.8	10.6	5.6
FII	8.8	8.4	7.8
Others	17.0	19.1	24.6

FII Includes depository receipts

CMP: INR310 TP: INR360 (+16%) Buy

Legacy book stress keeps credit costs elevated

AUM grew ~41% YoY; 1QFY26 launch of six new products on track

- Poonawalla Fincorp's (PFL) 3QFY25 PAT declined ~93% YoY to ~INR187m (vs. MOFSLe: INR1.52b).
- NII grew ~25% YoY to ~INR6.1b (in line), while PPoP grew ~7% YoY to ~INR3.7b (in line). Other income declined ~2% YoY and ~32% QoQ to ~INR581m, due to no assignment income or write-backs in 3Q.
- Opex in 3QFY25 rose 50% YoY to INR3b, with C/I ratio declining to ~45% (PQ: 57%). In 2QFY25, there was a one-time opex of INR710m.
- Provisions stood at INR3.5b (est. ~INR1.6b), translating into annualized credit costs of ~4.7% (PQ: 13% and PY: -0.1%). In 2QFY25, the company took a one-time provisioning of INR6.7b on the STPL book.
- The company outlined its vision to evolve into a multi-product lender, expanding its offerings from four to ten products. Additionally, it plans a phased rollout of 400 new branches starting from 1QFY26. The company remains on track to launch its six new products in new locations.
- Management has guided for AUM growth of ~30-35% in FY25 and ~30%-40% from FY26 onward, reaffirming its confidence in achieving these targets. We model AUM growth of ~34%/33% in FY26/FY27.
- We cut our FY25E/FY26E/FY27E PAT by 91%/1%/6% to factor in higher credit costs and high opex. We model a CAGR of 34%/16% in AUM/PAT over FY24-FY27E and expect PFL to deliver RoA/RoE of ~3.2%/~17% in FY27. The near-term outlook warrants a detailed understanding of the various pillars of execution, and we will look forward to more clarity from the company management. **Maintain BUY with a TP of INR360 (premised on 2.8x Sep'26E BVPS).**

Healthy AUM growth of ~41% YoY; new products to be launched

- AUM grew ~41% YoY and ~9% QoQ to ~INR310b. AUM mix consisted of ~36% MSME finance, ~24% personal and consumer finance, ~22% LAP and ~14% pre-owned cars.
- Equipment Lease Financing will be introduced as a new product, in addition to the six products the company had already announced. They will be launched in 1QFY26.

NIM rose ~15bp QoQ due to ~40bp expansion in yields

- NIM (calc.) rose ~15bp QoQ to ~9.35%, driven by improvement in yields. Spreads (calc.) rose ~40bp QoQ, driven by decline in CoB and improvement in yields. CoB (calc.) declined ~20bp QoQ to ~7.8%.
- We model a NIM of ~8.4%/8.6% in FY26E/FY27E.

Credit costs elevated; GS3 improves ~25bp QoQ

- GS3 declined ~25bp QoQ to ~1.9%, while NS3 rose ~50bp QoQ to ~0.8%. PCR on S3 loans declined sharply to ~57% (PQ: ~85% and PY: ~47%). Management guided that credit costs will continue to decline in the subsequent quarters.
- We model credit costs of ~1.9%/1.7% in FY26/FY27 (vs. ~5.5% in FY25E).

Highlights from the management commentary

- Out of provisions of ~INR3.5b taken during the quarter, ~INR2b was toward the STPL book and the rest was spread across other products. Write-offs stood at ~INR6.8b, which was also spread across multiple products. However, the bulk of write-offs (~INR5.2b) were toward the old STPL book.
- PFL has calibrated even its STPL now and is confident of growing it.
- Management has guided for robust profit growth of ~26-27% and AUM growth of 30-40% over the medium term.

Valuation and view

- The near-term outlook will warrant a detailed understanding of the various pillars of execution, and we will look forward to more clarity from the company management. **Reiterate BUY with a TP of INR360 (premised on 2.8x Sep'26E BVPS).**
- **Key downside risks:** a) inability to execute its articulated strategy despite a new management team and investments in technology, distribution, and collections; and b) aggressive competitive landscape leading to pressure on spreads and margins and/or deterioration in asset quality.

Quarterly Performance (Standalone) **(INR M)**

Y/E March	FY24				FY25E				FY24	FY25E	3Q FY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	6,560	6,901	7,144	8,436	8,962	9,107	9,991	11,214	29,061	39,274	9,745	3
Interest Expenses	2,348	2,155	2,237	2,811	3,201	3,516	3,850	4,400	9,503	14,968	3,780	2
Net Interest Income	**4,212**	**4,746**	**4,907**	**5,625**	**5,761**	**5,592**	**6,141**	**6,813**	**19,558**	**24,306**	**5,965**	**3**
YoY Growth (%)	*77.8*	*73.3*	*62.9*	*48.1*	*36.8*	*17.8*	*25.1*	*21.1*	*58.9*	*24.3*	*21.6*	
Other Income	563	539	594	782	997	858	581	768	2,478	3,203	881	-34
Total Income	**4,775**	**5,285**	**5,501**	**6,407**	**6,758**	**6,449**	**6,722**	**7,581**	**22,036**	**27,509**	**6,846**	**-2**
YoY Growth (%)	*70.3*	*57.1*	*52.8*	*57.0*	*35.1*	*22.0*	*22.2*	*18.3*	*54.7*	*24.8*	*24.5*	
Operating Expenses	1,834	1,929	1,998	2,313	2,436	3,657	2,991	3,120	8,074	12,204	3,182	-6
Operating Profit	**2,941**	**3,356**	**3,502**	**4,094**	**4,321**	**2,792**	**3,731**	**4,462**	**13,962**	**15,305**	**3,664**	**2**
YoY Growth (%)	*185.0*	*167.0*	*124.8*	*103.1*	*46.9*	*-16.8*	*6.52*	*9.0*	*128.8*	*9.6*	*4.6*	
Provisions & Loan Losses	266	281	-65	239	425	9,096	3,479	2,085	720	15,085	1,637	112
Profit before Tax	**2,676**	**3,075**	**3,568**	**3,855**	**3,897**	**-6,305**	**252**	**2,376**	**13,242**	**220**	**2,027**	**-88**
Exceptional items		**6,560**				**0**			6,560	**0**		
Tax Provisions	674	775	916	538	980	-1,594	65	600	2,907	51	507	-87
PAT (excl. exceptional)	**2,002**	**2,300**	**2,651**	**3,317**	**2,916**	**-4,710**	**187**	**1,776**	**10,335**	**169**	**1,520**	**-88**
PAT (incl. exceptional)	*2,002*	*8,861*	*2,651*	*3,317*	*2,916*	*-4,710*	*187*	*1,776*	*16,896*	*169*	*1,520*	**-88**
YoY Growth (%)	*86.0*	*76.7*	*76.3*	*83.6*	*45.7*	*-*	*-92.9*	*-46.5*	*73.9*	*-98.4*	*-42.7*	
Key Parameters (Calc., %)												
Yield on loans	16.3	15.8	15.3	16.3	15.5	15.0	15.2		15.6	14.9		
Cost of funds	8.0	7.2	7.5	8.2	8.0	7.98	7.81		7.2	7.8		
Spread	8.3	8.6	7.8	8.1	7.6	7.0	7.4		8.4	7.1		
NIM on loans	10.4	10.9	10.5	10.9	10.0	9.18	9.34		9.5	8.3		
C/I ratio	38.4	36.5	36.3	36.1	36.1	56.7	44.50		36.6	44.4		
Credit cost	0.6	0.6	-0.1	0.4	0.7	13.1	4.7		0.4	5.5		
Tax rate	25.2	17.7	25.7	13.9	25.2	25.3	25.6		21.9	23.0		
Balance Sheet Parameters												
Disbursements (INR b)	**70.6**	**78.1**	**87.3**	**96.9**	**74.0**	**63.1**	**71.5**					
Growth (%)	169.1	151.0	159.2	52.1	-10.6	-19.1	-18.1					
AUM (INR b)	**178**	**202**	**219**	**250**	**270**	**284**	**310**					
Growth (%)	60.4	53.6	57.6	54.9	59.7	40.5	41.2					
AUM mix (%)						5.3	9.1					
Focused	96.3	89.0	91.7	94.1	96.0	97.0	98.2					
Discontinued (Legacy and DA)	3.7	11.0	8.3	5.9	4.0	3.0	1.8					
Asset Quality Parameters												
GS 3 (INR m)	2,450	2,660	2,750	2,680	1,660	5,470	5,390					
GS 3 (%)	1.4	1.4	1.3	1.2	0.7	2.1	1.9					
NS 3 (INR m)	1,310	1,400	1,450	1,360	790	850	2,330					
NS 3 (%)	0.8	0.7	0.7	0.6	0.3	0.3	0.8					
PCR (%	46.5	47.4	47.3	49.3	52.4	84.5	56.8					

E: MOFSL estimates

Motilal Oswal | MORNING INDIA

1 February 2025

3QFY25 Results Update | Sector: Financials

Bandhan Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	BANDHAN IN
Equity Shares (m)	1611
M.Cap.(INRb)/(USDb)	243.9 / 2.8
52-Week Range (INR)	233 / 137
1, 6, 12 Rel. Per (%)	-4/-25/-42
12M Avg Val (INR M)	2876

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	103.3	117.4	130.5
OP	66.4	76.4	76.3
NP	22.3	32.8	35.2
NIM (%)	6.7	6.9	6.8
EPS (INR)	13.8	20.4	21.9
EPS Gr. (%)	1.6	47.2	7.3
BV/Sh. (INR)	134	148	164
ABV/Sh. (INR)	128	140	154
Ratios			
RoA (%)	1.3	1.8	1.7
RoE (%)	10.8	14.4	14.0
Valuations			
P/E(X)	10.9	7.4	6.9
P/BV (X)	1.1	1.0	0.9
P/ABV (X)	1.2	1.1	1.0

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	40.0	40.0	40.0
DII	15.5	16.4	14.9
FII	23.2	26.7	34.7
Others	21.3	16.9	10.4

FII Includes depository receipts

CMP: INR151 TP: INR170 (+12%) Neutral

Weak quarter

Transition away from MFI to keep growth, profitability under check

- Bandhan Bank (BANDHAN) reported 3QFY25 PAT at INR4.3b (down 42% YoY, 46% miss).
- NII declined 12% YoY (down 4% QoQ) to INR28.3b (6% miss). Margins moderated sharply by 50bp QoQ to 6.9%. Other income grew 101% YoY/ 84% QoQ to INR10.9b (6% miss).
- Opex grew 34% YoY/ 13% QoQ to INR19b (8% higher than MOSLe). C/I ratio thus increased to 48.5% (up 87bp QoQ).
- Business growth was weak with advances growing 15.6% YoY/1.1% QoQ; deposits up 20.1% YoY/ down 1.1% QoQ. CASA mix dipped 145bp QoQ.
- GNPA ratio stood flat at 4.7%, while NNPA declined 1bp QoQ to 1.3%. Slippages increased to INR16.2b vs. INR11.1b in 2QFY25 due to continued stress in MFI. SMA book increased 50bp QoQ to 3.8%.
- **We cut our earnings estimates sharply by 10%/8.5% for FY25/FY26 and expect FY26E RoA/RoE of 1.7%/14%. Reiterate Neutral with a revised TP of INR170 (premised on 1.0x Sep'26E ABV).**

Business growth weak; margins decline sharply by 50bp QoQ

- BANDHAN reported 3QFY25 PAT of INR4.3b (down 42% YoY, 54% QoQ, sharp miss of 46%), as the bank missed our estimates on all parameters. In 9MFY25, earnings grew 12% YoY to INR24b, and we estimate 4QFY25 earnings to grow 15x YoY to INR8.6b as the bank took high provisions in 4QFY24.
- NII grew 12% YoY to INR28.3b (6% miss). Margins moderated sharply by 50bp QoQ to 6.9% as the bank is reducing its MFI book and is transitioning toward secured book.
- Other income grew 101% YoY/84.3% QoQ to INR10.9b (6% miss), resulting in 27.9% YoY growth in total revenue to INR39.2b (6% miss). Opex grew 34% YoY/13% QoQ to INR19b (8% high). PPoP thus grew 22.1% YoY/9% QoQ to INR20.2b (16% miss).
- Gross advances grew 13.9% YoY/1% QoQ. EEB book declined 2.6% YoY (down 5% QoQ), while non-micro credit book rose 30% YoY (6% QoQ).
- Deposit grew 20.1% YoY (down 1.1% QoQ). The CASA ratio declined 145bp QoQ to 31.7%.
- GNPA ratio was flat at 4.7%, while NNPA inched down 1bp QoQ to 1.3%. Slippages increased to INR16.2b vs. INR11.1b in 2QFY25 due to stress in MFI. SMA book increased 50bp QoQ to 3.8%. PCR was steady at 73.5%. Collection efficiency for EEB loans was marginally lower at 97.4%.

Highlights from the management commentary

- NIM declined 50bp QoQ to 6.9%, largely due to a change in the secured mix and higher slippages. On 9MFY25, it was ~7.3% (within the guided range of 7-7.5%).
- Provisions stood at INR13.76b, including one-offs of INR3.36b for write-offs and INR0.3b for non-banking assets.
- Slippages stood at INR16.21b – increase was led by EEB book amounting to INR11.96b vs. INR7.52b in previous quarter.
- Out of the total EEB portfolio of INR560b, INR7.4b (group lending is INR4b) pertains to Karnataka. It is not a major concern for the bank. The legislation is targeted toward unregistered RE.

Valuation and view

BANDHAN reported a weak quarter with as margins contracted sharply, business remains subdued while provisions continue to remain elevated. The bank suggested for a continued decline in mix of MFI loans as management de-risks the loan book to deliver sustainable performance. We thus expect business growth to remain modest while reduction in the mix of unsecured/MFI loans will adversely impact margins. Deposit growth was weak alongside slower advances growth. Asset quality deteriorated as slippages continue to rise by 46% QoQ amid rise in stress in MFI book. **We cut our earnings estimates by 10%/ 8.5% for FY25/ FY26 and expect FY26E RoA/RoE of 1.7%/14%. Reiterate Neutral with a revised TP of INR170 (premised on 1.0x Sep'26E ABV).**

Quarterly performance **(INR b)**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	V/S our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Net Interest Income	**24.9**	**24.4**	**25.3**	**28.7**	**30.1**	**29.5**	**28.3**	**29.5**	**103.3**	**117.4**	**30.0**	**-6%**
% Change (YoY)	-0.9	11.4	21.4	16.0	20.7	20.7	12.1	3.0	11.5	13.7	18.7	
Other Income	3.9	5.4	5.5	6.9	5.3	5.9	11.0	7.8	21.6	30.0	11.7	-6%
Total Income	**28.8**	**29.8**	**30.7**	**35.6**	**35.3**	**35.4**	**39.3**	**37.4**	**124.9**	**147.4**	**41.6**	**-6%**
Operating Expenses	13.1	14.0	14.2	17.2	15.9	16.9	19.0	19.2	58.5	71.0	17.7	8%
Operating Profit	**15.6**	**15.8**	**16.6**	**18.4**	**19.4**	**18.6**	**20.2**	**18.2**	**66.4**	**76.4**	**24.0**	**-16%**
% Change (YoY)	-14.2	2.0	-13.9	2.4	24.2	17.2	22.1	-1.0	-6.4	15.0	44.8	
Provisions	6.0	6.4	6.8	17.7	5.2	6.1	13.8	7.8	37.0	32.9	13.3	3%
Profit Before Tax	**9.6**	**9.5**	**9.7**	**0.6**	**14.2**	**12.5**	**6.5**	**10.4**	**29.4**	**43.5**	**10.6**	**-39%**
Tax	2.4	2.3	2.4	0.1	3.5	3.1	2.2	1.8	7.1	10.7	2.7	-18%
Net Profit	**7.2**	**7.2**	**7.3**	**0.5**	**10.6**	**9.4**	**4.3**	**8.6**	**22.3**	**32.8**	**8.0**	**-46%**
% Change (YoY)	-18.7	244.6	152.2	-93.2	47.5	30.0	-41.8	1,466.0	1.6	47.2	8.6	
Operating Parameters												
Deposits (INR b)	1,085	1,121	1,174	1,352	1,332	1,425	1,410	1,512	1,352	1,512	1,486	-5%
Loans (INR b)	982	1,020	1,102	1,211	1,216	1,261	1,274	1,370	1,211	1,370	1,322	-4%
Deposit Growth (%)	16.6	12.8	14.8	25.1	22.8	27.2	20.1	11.8	25.1	11.8	26.5	
Loan Growth (%)	8.0	13.1	19.6	15.6	23.8	23.6	15.6	13.1	15.6	13.1	20.0	
Asset Quality												
Gross NPA (%)	6.8	7.3	7.0	3.8	4.2	4.7	4.7	4.7	3.8	4.7	5.1	
Net NPA (%)	2.2	2.3	2.2	1.1	1.2	1.3	1.3	1.4	1.1	1.4	1.4	
PCR (%)	69.2	70.0	70.0	71.8	73.7	73.5	73.5	71.4	71.8	71.4	73.0	

Blue Dart Express

Estimate change	⟷
TP change	↓
Rating change	⟷

Bloomberg	BDE IN
Equity Shares (m)	24
M.Cap.(INRb)/(USDb)	156.1 / 1.8
52-Week Range (INR)	9489 / 5487
1, 6, 12 Rel. Per (%)	-5/-14/-7
12M Avg Val (INR M)	272

Financial Snapshot (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	58.1	70.0	80.8
EBITDA	5.3	8.5	10.4
Adj. PAT	2.8	4.9	6.2
EBITDA Margin (%)	9.2	12.2	12.9
Adj. EPS (INR)	116.9	208.5	259.7
EPS Gr. (%)	-3.9	78.3	24.6
BV/Sh. (INR)	663.2	811.7	1011.4
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	18.4	28.3	28.5
RoCE (%)	20.3	29.9	29.8
Payout (%)	51.3	28.8	23.1
Valuations			
P/E (x)	56.4	31.6	25.4
P/BV (x)	9.9	8.1	6.5
EV/EBITDA(x)	27.9	17.2	13.8
Div. Yield (%)	0.9	0.9	0.9
FCF Yield (%)	1.4	2.0	3.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	12.5	12.9	11.8
FII	6.0	5.5	5.3
Others	6.5	6.6	7.9

FII includes depository receipts

CMP: INR6,580 TP: INR8,100 (+23%) Buy

In-line performance; focus on expanding surface infrastructure

- Blue Dart Express (BDE)'s revenue grew 9% YoY to INR15.1b, in line with our estimate. The company handled 0.34m tons of cargo volumes (+12% YoY) in 3QFY25. The realization dipped 2% YoY to INR42.1/kg. It carried 96.6m shipments in 3Q.
- EBITDA margin stood at 9.7% vs. our estimate of 9.4%. The margins remained flattish YoY but saw a 130bp improvement QoQ.
- PAT declined 3% YoY to INR791m (against our estimates of INR763m).
- During 9MFY25, revenue was INR43b (+9% YoY), EBITDA was INR3.8b (flat YoY), EBITDA margin came in at 8.8%, and APAT was INR1.9b (-10% YoY).
- During the quarter, surface volumes grew at a faster rate than air volumes. For FY25, surface express is expected to grow in double digits, while air express is expected to report growth of ~5% in FY25.
- EBITDA margin has started to expand as capacity utilization has reached its optimum levels, and BDE has shifted some volumes from third-party cargo to its own aircraft. Additionally, BDE continues to expand in the surface express segment.
- **BDE's 3Q saw margin expansion as capacity utilization of the new aircraft began to improve, and the company benefitted from the festive season surcharge. We retain our estimates for FY26 and FY27 and reiterate our BUY rating with a revised TP of INR8,100 (based on 20x Sep'26E EV/EBITDA). With high capacity in place and utilization expected to pick up, we believe BDE is well-placed to capitalize on the growth opportunity ahead.**

BDE operating at optimum utilization levels; B2C segments growing strongly

- BDE saw a 12% YoY increase in tonnage. The company focuses on improving EBITDA margins through better fleet utilization and price hikes.
- Surface express has outpaced air express, and the company continues to strengthen its position in the e-commerce market, particularly in B2C shipments.
- B2C shipments showed strong growth (16.6% QoQ), and BDE aims to further increase its market share in this segment.

Highlights from the management commentary

- The company has achieved optimal capacity utilization and has mechanisms in place to address fluctuations in ATF prices.
- The key drivers of EBITDA margin expansion during 3Q were higher demand during the festive season, improved fleet utilization, festive season surcharge, and effective cost management.
- A price hike was announced in Jan'25, and its actual impact will become evident in the next quarter's results.
- Capex for CY24 stood at INR 622m, significantly lower than the budgeted INR13b. This reduction was influenced by both internal and external factors, including market demand. The company will soon release its CY25 budget, which will provide further details on growth and capex plans.

Valuation and view

- The recent increase in volumes, driven by the enhanced utilization of newly added aircraft, the growth on newly introduced routes, and ongoing network expansion, is expected to further boost BDE's performance and volumes.
- Given the increasing market share of BDE in the surface express segment, along with network expansion, we expect the company to post a CAGR of ~15%/ 26%/29% in revenue/EBITDA/PAT over FY24-27. **We reiterate our BUY rating with a revised TP of INR8,100 (based on 20x Sep'26E EV/EBITDA).**

Quarterly snapshot - Standalone **INR m**

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	vs Est
Net Sales	**12,376**	**13,245**	**13,829**	**13,229**	**13,427**	**14,485**	**15,117**	**15,022**	**52,678**	**58,051**	**15,102**	**0**
YoY Change (%)	-4.3	-0.1	3.4	8.7	8.5	9.4	9.3	13.6	1.8	10.2	9.2	
EBITDA	**1,133**	**1,305**	**1,343**	**1,394**	**1,094**	**1,219**	**1,462**	**1,571**	**5,175**	**5,346**	**1,422**	**3**
Margins (%)	9.2	9.9	9.7	10.5	8.1	8.4	9.7	10.5	9.8	9.2	9.4	
YoY Change (%)	-40.6	-19.8	-10.8	8.7	-3.4	-6.6	8.9	12.7	-18.2	3.3	5.9	
Depreciation	444	456	473	500	523	519	522	528	1,873	2,092	522	
Interest	45	48	47	53	70	70	73	72	193	285	65	
Other Income	157	151	228	183	191	190	196	177	718	754	185	
PBT before EO expense	**801**	**952**	**1,050**	**1,024**	**693**	**819**	**1,064**	**1,148**	**3,828**	**3,724**	**1,020**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**801**	**952**	**1,050**	**1,024**	**693**	**819**	**1,064**	**1,148**	**3,828**	**3,724**	**1,020**	
Tax	204	240	235	263	178	212	273	287	942	950	257	
Rate (%)	25.4	25.2	22.4	25.7	25.7	25.9	25.6	25.0	24.6	25.5	25.2	
Reported PAT	**598**	**713**	**816**	**761**	**515**	**608**	**791**	**860**	**2,886**	**2,774**	**763**	
Adj PAT	**598**	**713**	**816**	**761**	**515**	**608**	**791**	**860**	**2,886**	**2,774**	**763**	**4**
YoY Change (%)	-49.0	-22.5	-6.2	8.1	-13.8	-14.8	-3.0	13.1	-21.2	-3.9	-6.4	
Margins (%)	4.8	5.4	5.9	5.7	3.8	4.2	5.2	5.7	5.5	4.8	5.1	

Jyothy Laboratories

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	JYL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	146.3 / 1.7
52-Week Range (INR)	596 / 356
1, 6, 12 Rel. Per (%)	1/-19/-31
12M Avg Val (INR M)	509

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Net Sales	28.7	31.6	34.8
Sales Gr. (%)	4.3	10.0	9.9
EBITDA	5.1	5.7	6.3
EBITDA Margins (%)	17.6	18.1	18.1
Adj PAT	3.8	4.3	4.8
Adj. EPS (INR)	10.4	11.7	13.0
EPS Gr. (%)	5.5	13.5	10.3
BV/Sh (INR)	51.4	56.6	63.1
Ratios			
RoE (%)	20.6	21.7	21.7
RoCE (%)	20.2	22.0	21.9
Payout (%)	63.1	55.6	50.4
Valuation			
P/E (x)	46.1	40.6	36.8
P/BV (x)	9.3	8.4	7.6
EV/EBITDA	33.7	29.4	26.2
Div. Yield (%)	1.1	1.1	1.1

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	62.9	62.9	62.9
DII	15.3	15.3	13.9
FII	14.4	15.1	14.7
Others	7.5	6.7	8.6

FII includes depository receipts

CMP: INR400 TP: INR450 (+13%) Neutral

Miss on margins; focus on volume-driven growth

- Jyothy Laboratories (JYL) reported 4% YoY sales growth (in line) in 3QFY25. Volume growth was 8% (est 4%). Excluding HI, value/volume growth stood at 6%/10%. The gap between value and volume growth was due to higher grammage and trade promotions on select SKUs.
- **Fabric Care** delivered 9% value growth (led by liquid detergents), EBIT margin contracted by 300bp YoY to 22.2%, and EBIT declined by 4% YoY. **Dishwash** posted 4% YoY growth, EBIT margin was flat, and EBIT grew 5% YoY. Large packs of Pril saw good momentum in MT.
- **HI** posted a 25% YoY value decline, driven by weak seasonal demand and a shift toward incense sticks. LV also declined in 3Q, though it showed double-digit growth YTD. EBIT margin pressure persisted, down 920bp YoY to -29.7%. **Personal Care** revenue declined 4% due to weak consumption, and EBIT declined 20% YoY.
- Gross margin (GM) was flat YoY at 49.8% (in line). JYL took a low single-digit price hike in soaps in Dec'24, benefits of which will reflect in 4Q. However, EBITDA margin contracted 110bp YoY to 16.4% (est. 17.6%) due to negative operating leverage. EBITDA declined 2% YoY.
- We estimate a CAGR of 10%/12% in revenue/EBITDA during FY25-27E. However, sustaining the operating margins will be challenging due to relatively slow revenue growth and competitive pressure. Going forward, market share gains and the success of new launches will be crucial for JYL's earnings growth. **We reiterate our Neutral rating on the stock with a TP of INR450 (premised on 35x Dec'26E P/E)**.

Healthy volume growth; miss on margins

- **Healthy 8% volume growth:** JYL net sales grew by 4% YoY to INR7,045m (est. INR7,142m). Volume growth was 8% (est. 4%) in 3QFY25. Fabric care saw healthy growth, while HI remained weak.
- **Miss on margins**: GM was flat YoY at 49.8% (est. 49.7%). As a percentage of sales, staff costs rose 40bp YoY to 11.5%, other expenses rose 70bp YoY to 12.8%, and ad spends were flat YoY at 9.0%. EBITDA margin contracted 110bp YoY to 16.4% (est. 17.6%).
- **Decline in profitability**: EBITDA declined 2% YoY to INR1,158m (est. INR1,255m). PBT inched down 1% YoY to INR1,138m (est. INR1,231m). Adj. PAT declined 4% YoY to INR874m (est. INR953m).
- In 9MFY25, net sales, EBITDA and APAT grew by 4% each.

Highlights from the management commentary

- The quarter saw food inflation, moderation in urban consumption, and a gradual recovery in rural demand. Rural demand is improving, supported by a good monsoon and rising wages, while urban demand is under pressure.

- JYL expanded its liquid detergent portfolio with Mr. White and Morelight, strengthening innovation and catering to diverse price segments.
- Jovia was launched in the mass segment at a highly competitive price point of INR25-26, targeting downtrading consumers. The product is expected to be margin-dilutive in the initial years.
- Competitive intensity remains high in small pack grammage in Dishwah. Pril maintains its leadership in Modern Retail and E-commerce, driven by larger SKUs.

Valuation and view

- We cut our EPS estimates by 2% for FY25 and keep FY26E EPS unchanged.
- We believe that the margin-led growth will be normalized in FY25. From hereon, market share gains and the success of new launches will be critical for JYL's earnings growth. JYL's margin expansion beyond ~18% is also constrained by its focus on the mass and rural segments. Therefore, we believe its growth potential is adequately priced in at the current valuation. **We reiterate our Neutral rating on the stock with a TP of INR450 (premised on 35x Dec'26E P/E).**

Consolidated Quarterly Performance (INR m)

Y/E March	FY24				FY25E						FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY24	FY25E	3QE	(%)
Volume growth (%)	9%	9%	11%	10%	11%	3%	8%	6%	9%	9%	4%	
Net Sales	**6,871**	**7,323**	**6,775**	**6,600**	**7,418**	**7,338**	**7,045**	**6,944**	**27,569**	**28,744**	**7,142**	-1.4
YoY change (%)	15.1	11.1	10.6	7.0	8.0	0.2	4.0	5.2	10.9	4.3	5.4	
Gross Profit	**3,289**	**3,604**	**3,371**	**3,267**	**3,805**	**3,683**	**3,506**	**3,436**	**13,531**	**14,429**	**3,550**	-1.2
Margins (%)	47.9	49.2	49.8	49.5	51.3	50.2	49.8	49.5	49.1	50.2	49.7	
EBITDA	**1,174**	**1,354**	**1,186**	**1,084**	**1,335**	**1,385**	**1,158**	**1,159**	**4,798**	**5,051**	**1,255**	-7.8
EBITDA growth %	96.2	68.3	40.6	18.7	13.7	2.3	-2.4	7.0	51.9	5.3	5.8	
Margins (%)	17.1	18.5	17.5	16.4	18.0	18.9	16.4	16.7	17.4	17.6	17.6	
Depreciation	120	123	128	129	134	139	143	139	500	555	136	
Interest	11	12	12	13	14	14	15	9	47	52	13	
Other Income	79	132	106	130	137	125	139	124	447	525	125	
PBT	**1,123**	**1,351**	**1,152**	**1,072**	**1,324**	**1,357**	**1,138**	**1,135**	**4,698**	**4,969**	**1,231**	-7.5
Tax	250	311	243	291	307	307	264	290	1,095	1,168	278	
Rate (%)	22.3	23.0	21.1	27.1	23.2	22.6	23.2	25.5	23.3	23.5	22.6	
Adjusted PAT	**873**	**1,040**	**909**	**781**	**1,017**	**1,050**	**874**	**845**	**3,603**	**3,801**	**953**	-8.3
YoY change (%)	124.1	78.2	34.9	31.9	16.6	1.0	-3.9	8.2	54.8	5.5	4.8	

E: MOFSL Estimates

Relaxo Footwears

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	RLXF IN
Equity Shares (m)	249
M.Cap.(INRb)/(USDb)	136.8 / 1.6
52-Week Range (INR)	950 / 525
1, 6, 12 Rel. Per (%)	-11/-31/-44
12M Avg Val (INR M)	78

Financials & Valuations (INR b)

INRb	FY24	FY25E	FY26E
Net Sales	29.1	28.4	31.1
Gross Profit	16.9	17.1	18.8
EBITDA	4.1	3.9	4.4
Adj. PAT	2.0	1.7	2.0
Gross Margin (%)	58.1	60.1	60.4
EBITDA Margin (%)	14.0	13.6	14.2
Adj. EPS (INR)	8.1	6.9	7.9
EPS Gr. (%)	29.8	-14.9	15.6
BV/Sh. (INR)	80.4	85.5	91.5
Ratios			
Net D:E	0.0	-0.1	-0.1
RoE (%)	10.4	8.3	9.0
RoCE (%)	10.0	8.0	8.7
RoIC (%)	10.6	8.6	10.0
Valuations			
P/E (x)	68.2	80.2	69.4
EV/EBITDA (x)	33.7	34.9	30.5
EV/Sales (X)	4.7	4.7	4.3
Div. Yield (%)	0.5	0.3	0.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	71.3	71.3	71.3
DII	10.5	10.0	8.9
FII	3.3	3.4	3.4
Others	14.9	15.3	16.5

FII includes depository receipts

CMP: INR549 TP: INR425 (-23%) Downgrade to Sell

Another weak quarter; Downgrade to Sell

- Relaxo Footwears (RLXF) reported another weak quarter with revenue declining 6% YoY due to a 15% YoY dip in volume.
- The volume decline was majorly on account of weak consumer demand in the mass and value segments. Over the past few quarters, RLXF has also been facing competitive pressure from unorganized retailers.
- RLXF has been working on revamping its distribution system (consolidating the distribution network), which has led to a loss in volume market share; however, management expects the benefits to accrue after 2-3 quarters.
- We cut our FY25-26E revenue by 4-5% and EBITDA by 5-10% due to uncertainty in volume recovery and ~100bp cut in gross margin assumption.
- We build in a 5-7% CAGR in revenue/EBITDA/PAT over FY24-27E as we optimistically model a volume recovery from FY26.
- However, given the continued volume decline amid market share loss and weaker demand in the mass footwear segment, we **downgrade the stock to Sell with a revised TP of INR425** (premised on 45x FY27E P/E).

~11%/16% miss on revenue/EBITDA as volume decline persists

- Revenue declined 6% YoY to INR 6.7b (11% miss), on account of subdued overall demand, especially in the mass and value segments.
- Volume declined 15% YoY (vs. 10% YoY in 2Q) to 40m pairs, while ASP was up 10% YoY to INR166/pair.
- Gross profit declined ~6% YoY to INR3.8b (15% miss) as gross margin expanded 10bp YoY (-390bp QoQ, 290bp miss).
- RLXF continued to exhibit good cost controls, with employee expenses flat YoY and other expenses declining 10% YoY.
- EBITDA at INR834m, declined 4% YoY (17% miss), as weaker revenue growth was partly offset by good cost controls.
- EBITDA margin expanded ~25bp YoY to 12.5% (90bp miss).
- Depreciation/finance costs rose 7%/11% YoY, while other income increased ~14% YoY during the quarter.
- PAT declined 14% YoY to INR330m (27% miss) due to weaker EBITDA and higher tax rates.
- PAT margin contracted ~45bp YoY to 4.9% (110bp miss).
- 9MFY25 revenue/EBITDA/PAT declined by 3%/6%/18% YoY.

Management commentary

- **Demand environment:** Consumer demand remains weak, particularly in the mass and value segments. This led to ~15% YoY volume decline for RLXF.
- **Distribution strategy**: The company is focused on revamping its distribution system. It has launched the "Relaxo Parivaar" app, which has helped the company to streamline its network of distributors and retailers. The distribution system is likely to stabilize, and management expects the benefits to be visible in the next 2-3 quarters.

- **Online strategy:** RLXF continues to improve its online presence through the "Brand as a Seller" model and is regularly launching exclusives across online channels.
- **Cost optimization**: The company's focus remains on cost optimization efforts. They are targeting operational efficiencies in the manufacturing facilities as well as the vendors.

Valuation and view

- A gradual recovery in rural demand sentiments is crucial for RLXF's volume growth. Recovery in the open footwear category, product mix-led ASP improvement, and an increase in the mix of closed footwear – particularly in the S&A wear – remain the key growth drivers for RLXF.
- RLXF has been working on revamping its distribution system (consolidating the distribution network), which has led to a loss in volume market share, but management expects benefits to accrue after 2-3 quarters.
- We cut our FY25-26E revenue by 4-5% and EBITDA by 5-10% due to uncertainty in volume recovery and ~100bp cut in our gross margin assumption.
- We build in a CAGR of 5-7% in revenue/EBITDA/PAT over FY24-27E as we optimistically model a volume recovery from FY26.
- Despite a sharp correction over the past few months, RLXF still trades at an expensive ~70x FY26E P/E.
- Given the continued volume decline amid market share loss and weaker demand in the mass footwear segment, we **downgrade RLXF to Sell with a revised TP of INR425** (premised on 45x FY27E P/E, in line with its five-year average multiple pre-Covid).

Consolidated - Quarterly earnings summary (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	Var (%)
Gross Sales	**7,388**	**7,153**	**7,127**	**7,472**	**7,482**	**6,794**	**6,669**	**7,496**	**29,141**	**28,440**	**7,452**	**-11**
YoY Change (%)	10.7	6.8	4.7	-2.3	1.3	-5.0	-6.4	0.3	4.7	-2.4	4.6	
Total RM Cost	3,151	3,013	3,065	2,968	2,847	2,648	2,861	2,992	12,197.0	11,348	2,981	-4
Gross Profit	**4,237**	**4,140**	**4,062**	**4,504**	**4,635**	**4,146**	**3,808**	**4,504**	**16,944**	**17,093**	**4,471**	**-15**
Margins (%)	57.4	57.9	57.0	60.3	62.0	61.0	57.1	60.1	58.1	60.1	60.0	-5
Total Expenditure	6,313	6,238	6,255	6,269	6,493	5,917	5,835	6,327	25,075	24,573	6,453	-10
EBITDA	**1,076**	**915**	**872**	**1,204**	**989**	**877**	**834**	**1,168**	**4,066**	**3,868**	**999**	**-16**
Margins (%)	14.6	12.8	12.2	16.1	13.2	12.9	12.5	15.6	14.0	13.6	13.4	-7
Depreciation	346	369	375	385	391	398	402	424	1,475	1,615	409	-2
Interest	45	47	48	47	49	50	54	54	187	207	47	15
Other Income	73	105	60	51	54	66	68	65	289	253	63	7
PBT before EO expense	**758**	**604**	**508**	**823**	**603**	**496**	**446**	**755**	**2,693**	**2,300**	**606**	**-26**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**758**	**604**	**508**	**823**	**603**	**496**	**446**	**755**	**2,693**	**2,300**	**606**	**-26**
Tax	195	162	123	209	160	128	116	190	688	594	153	-24
Rate (%)	25.7	26.8	24.1	25.4	26.5	25.9	26.0	25.2	25.6	25.9	25.2	
Reported PAT	**563**	**442**	**386**	**614**	**444**	**367**	**330**	**564**	**2,005**	**1,705**	**453**	**-27**
Adj PAT	**563**	**442**	**386**	**614**	**444**	**367**	**330**	**564**	**2,005**	**1,705**	**453**	**-27**
YoY Change (%)	45.6	97.0	28.3	-3.0	-21.2	-16.9	-14.4	-8.1	29.8	-14.9	17.5	
Margins (%)	7.6	6.2	5.4	8.2	5.9	5.4	4.9	7.5	6.9	6.0	6.1	-19

E: MOFSL Estimates

31 January 2025

3QFY25 Results Update | Sector: Retail

Raymond Lifestyle

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	RAYMONDL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	90.1 / 1
52-Week Range (INR)	3100 / 1385
1, 6, 12 Rel. Per (%)	-29/-/-
12M Avg Val (INR M)	328

Financials & valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	65.4	63.8	68.7
EBITDA	9.4	6.7	8.4
Adj. PAT	4.9	2.4	3.7
EPS (INR)	80.2	38.7	61.0
EPS Gr. (%)	-	-51.8%	57.7%
Ratios			
BV/Sh. (INR)	1,599	1,628	1,686
RoE (%)	10.9	5.1	7.7
RoCE (%)	15.1	8.6	10.6
Valuations			
P/E (x)	18.5	38.4	24.3
P/BV (x)	0.9	0.9	0.9
EV/EBITDA (x)	10.2	14.3	11.4
Div. Yield (%)	-	-	-

Shareholding pattern (%)

As On	Dec-24	Sep-24
Promoter	54.7	54.7
DII	7.9	7.9
FII	12.4	12.7
Others	25.0	24.8

FII includes depository receipts

CMP: INR1,484 TP: INR1,900 (+28%) Buy

Weak quarter; demand recovery key for re-rating

- Raymond Lifestyle (RLL) reported a weak 3Q with modest ~2% YoY revenue growth. EBITDA declined 37% YoY due to operating deleverage, higher ad spends in branded apparels and adverse segmental mix.
- RLL's secondary sales were healthy, which led to: 1) a decline in the Net Working Capital (NWC) to 89 days (from 97 days in 2Q) and 2) a net cash balance of INR0.6b (vs. net debt of INR5.7b in 2Q).
- RLL has corrected ~33% in the last three months and is trading at reasonable valuations of ~24x FY26 P/E. However, we believe improvement in execution and sustained growth recovery remain the key for re-rating.
- We lower our FY25-26E revenue by 2-5%. However, our EBITDA cut is higher at ~14-19% as we now build in a gradual margin recovery.
- We value RLL at a PE multiple of 25x on Mar'27E to arrive at our TP of INR1,900 per share. We maintain **BUY on RLL, primarily on reasonable valuations.**

Below our conservative estimates due to weak margins

- Consolidated revenue was up by a modest 2% YoY at INR17.5b (2% miss).
- RLL opened 61 new stores (incl. 14 Ethnix by Raymond stores) in 3Q, bringing its total retail store network to 1,653 stores (up 9% YoY).
- Gross profit declined 5% YoY to INR7.5b (10% miss) as gross margin contracted 290bp YoY to 42.5% (350bp miss).
- EBITDA declined 37% YoY to INR1.8b (-16% QoQ, 26% miss) due to higher employee (+4% YoY) and other (+21% YoY) expenses.
- EBITDA margin contracted ~620bp YoY to 10.2% (~325bp miss).
- Depreciation and amortization rose 34% YoY, while finance cost jumped 24% YoY.
- Reported PAT declined 60% YoY due to lower EBITDA, higher D&A, and a higher tax rate.
- RLL has once again become net debt free with net cash of INR0.61b (vs. INR5.7b net debt in 2Q). This is driven by better secondary sales, which, thus, improved collections in 3QFY25.
- Further, RLL's net working capital improved to 89 days (vs. 97 days in 2Q).

Highlights from the management commentary

- **Demand environment:** The 3Q operating environment remained challenging, driven by a slowdown in urban discretionary spending. There has been no significant change in demand trends in January. However, early signs for next year have been positive from the trade channels.
- **Secondary sales:** Secondary sales were healthy, which led to improvement in collections. Further, bookings at retail channels have been positive and management expects FY26 to be a growth year for RLL.
- **Growth strategy:** RLL has a threefold strategy for growth: 1) premiumization in Branded Textiles, 2) ramp-up of Ethnix and foray into adjacencies (sleepwear and innerwear), and 3) customer acquisition in Garmenting.

- **Margins:** EBITDA margins were impacted by weak consumer demand, operating deleverage, higher ad spends in branded apparels, and an adverse segment mix (higher Garmenting and lower Branded Textiles). Management expects margins to gradually recover to ~15% on a sustainable basis once the headwinds and expansions stabilize.

Valuation and view

- RLL has corrected ~33% in the last three months and is trading at reasonable valuations of ~24x FY26 P/E.
- RLL's focus on increasing its network footprint, ramping up Ethnix, and foray into new segments (inner-wear, sleepwear), along with tailwinds in Garmenting, remain the key growth driver. However, we believe improvement in execution and sustained growth recovery remain the key for re-rating.
- We lower our FY25-26E revenue by 2-5%. However, our EBITDA cut is higher at ~14-19% as we now build in a gradual margin recovery.
- We value RLL at a PE multiple of 25x on Mar'27E to arrive at our TP of INR1,900 per share. We maintain BUY on RLL, primarily on reasonable valuations.

Consolidated - Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	Var (%)
Revenue	**13,212**	**18,034**	**17,263**	**16,846**	**12,201**	**17,083**	**17,542**	**17,012**	**65,354**	**63,838**	**17,968**	**-2.4%**
YoY Change (%)					-8%	-5%	2%	1%		-2%		
Total Expenditure	11,745	15,431	14,429	14,383	11,604	14,935	15,745	14,894	55,988	57,178	15,540	1.3%
EBITDA	**1,467**	**2,602**	**2,834**	**2,462**	**597**	**2,148**	**1,797**	**2,119**	**9,366**	**6,661**	**2,428**	**-26.0%**
EBITDA Margin	**11.1%**	**14.4%**	**16.4%**	**14.6%**	**4.9%**	**12.6%**	**10.2%**	**12.5%**	**14.3%**	**10.4%**	**13.5%**	
Change YoY (%)					-59%	-17%	-37%	-14%		-29%		
Depreciation	568	598	595	702	746	763	794	784	2,463	3,087	773	2.8%
Interest	617	428	438	473	463	532	544	568	1,957	2,108	559	-2.6%
Other Income	327	458	329	430	294	270	413	463	1,544	1,439	270	53.2%
PBT	**517**	**2,035**	**2,129**	**1,717**	**-323**	**528**	**867**	**1,230**	**6,398**	**2,303**	**1,366**	**-36.5%**
Tax	34	641	505	423	-91	106	226	310	1,603	552	344	-34.3%
Rate (%)	6.6%	31.5%	23.7%	24.6%	28.1%	20.1%	26.0%	25.2%	25.1%	24.0%	25.2%	
Reported PAT	**483**	**1,393**	**1,624**	**1,294**	**-232**	**422**	**642**	**920**	**4,795**	**1,751**	**1,022**	**-37.2%**
Adj PAT	**575**	**1,393**	**1,624**	**1,294**	**-227**	**1,016**	**645**	**920**	**4,887**	**2,354**	**1,022**	**-36.8%**
YoY Change (%)					-139.5%	-27.1%	-60.3%	-29%		-51.8%		

Equitas Small Finance Bank

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	EQUITASB IN
Equity Shares (m)	1139
M.Cap.(INRb)/(USDb)	75.8 / 0.9
52-Week Range (INR)	110 / 61
1, 6, 12 Rel. Per (%)	4/-12/-44
12M Avg Val (INR M)	373

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
NII	30.8	33.0	38.5
OP	13.8	14.3	17.1
NP	8.0	3.0	7.3
NIM (%)	8.5	7.4	7.2
EPS (INR)	7.1	2.6	6.4
BV/Sh. (INR)	53	54	59
ABV/Sh. (INR)	50	52	56
Ratios			
RoA (%)	2.0	0.6	1.2
RoE (%)	14.4	4.9	11.4
Valuations			
P/E(X)	9.4	25.6	10.5
P/BV (X)	1.3	1.2	1.1
P/ABV (X)	1.3	1.3	1.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	0.0	0.0	0.0
DII	42.6	43.7	45.7
FII	15.4	16.9	19.6
Others	42.0	39.4	34.8

FII includes depository receipts

CMP: INR67 **TP: INR80 (+20%)** **Buy**

NII in line; business growth remains modest

Margin contracts 30bp QoQ

- Equitas SFB (EQUITASB) reported 3QFY25 PAT of ~INR663m (-67% YoY; 17% miss to MOFSLe) amid lower other income, partially offset by slightly lower provisions.
- NII grew 4% YoY to INR8.18b (in line). Margins contracted ~30 bp QoQ to 7.39% in 3QFY25 (18bp contributed by a drop in the MFI portfolio).
- Business growth was healthy with advances growing 21% YoY/4.2% QoQ, while deposit growth stood modest at 25.8% YoY/2.2% QoQ. CASA mix moderated 193bp QoQ to 28.6%.
- Slippages were elevated, with fresh slippages increasing to INR5.9b vs INR5.1b. GNPA increased 2bp to 2.97%, while NNPA declined 1bp QoQ to 0.96%. PCR stood at 68.3%.
- We estimate FY26E RoA/RoE of 1.2%/11.4%. **Reiterate BUY with a TP of INR80 (1.3x Sep'26E ABV).**

Asset quality deteriorates slightly; loan growth healthy

- EQUITASB reported PAT of ~INR663m (-67% YoY; 17% miss on MOFSLe) amid lower other income, partially offset by slightly lower provisions. In 9MFY25, earnings declined 82% YoY to INR1049m (~INR1.9b for 4QFY25; implying a 7.4% YoY decline).
- NII grew 4% YoY to INR8.18b (in line). Margins contracted ~30bp QoQ to 7.39% in 3QFY25. Other income grew 16% YoY/ flat QoQ to INR 2.4b (3% miss on MOFSLe). Treasury income stood at INR400m vs INR460m in 2QFY25.
- Opex grew 15% YoY/ 5% QoQ at INR7.2b (in line). C/I ratio increased to 68.5%. PPoP, thus, grew to INR3.3b (down 8% YoY and 5% QoQ).
- Advances grew 21.1% YoY (up 4.2% QoQ) to INR353.9b, led by healthy traction across segments, barring MFI, as management took a cautious step amid the rising stress in the segment.
- Disbursements stood at INR51.4b in 3QFY25 (8.5% YoY, 6% QoQ), with the MFI disbursement at INR11b. The share of MFI AUM decreased to 13.8% from 15.6% in 2QFY25. Management guided for continued stress in the MFI portfolio and aims to lower the segment share over the medium term.
- Deposits grew at 25.8% YoY/2.2% QoQ to INR407b. CASA mix moderated 193bp QoQ to 28.6%. CD ratio increased to ~87% in 3QFY25.
- On the asset quality front, slippages were elevated, with fresh slippages increasing to INR5.9b vs INR5.1b. GNPA increased 2bp to 2.97%, while NNPA declined 1bp QoQ to 0.96%. PCR stood at 68.3%. Credit cost stood at 2.65% in 3QFY25.

Highlights from the management commentary

- The bank is working on building a team to penetrate the top 15% of MFI loans and scale this to the M-LAP product.
- SMA 0 and 1 have improved, while SMA 2 has risen to 2.73%. Eventually, a part of this will move to NPA. SMA 0 and 1 have stabilized and the ex-bucket has improved.
- 80% of the book is fixed rate and the remaining is floating (which is Affordable). The floating rate is linked to the Repo rate, and the bank is awaiting a reversal in the interest rate cycle, which would benefit the bank.

Valuation and view: Reiterate BUY with a TP of INR80

- EQUITASB reported a modest quarter, characterized by a rise in the slippage run rate and a further 30bp QoQ contraction in margins. Deposit growth also remained modest with CASA ratio moderating further. Loan growth stood relatively better despite the bank's attempt to further bring down the share of the MFI mix. The bank is witnessing higher stress due to the overleveraging of MFI customers. The MFI book is declining at a much faster rate and the bank will require 2-3 quarters to experience a normalized quarter of earnings. We estimate FY26E RoA/RoE of 1.2%/11.4%. **Reiterate BUY with a TP of INR80 (1.3x Sep'26E ABV).**

Quarterly performance (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Est
Interest Income	12.5	13.6	14.3	14.4	15.0	15.5	16.1	17.9	54.9	64.6	16	2%
Interest Expense	5.1	5.9	6.4	6.6	7.0	7.5	7.9	9.2	24.1	31.6	8	2%
Net Interest Income	**7.4**	**7.7**	**7.9**	**7.9**	**8.0**	**8.0**	**8.2**	**8.8**	**30.8**	**33.0**	**8**	**-1%**
% Change (YoY)	28.0	25.6	21.3	11.2	7.9	4.8	4.2	11.5	21.0	7.1	5.7	
Other Income	1.7	1.8	2.1	2.4	2.1	2.4	2.4	2.8	8.0	9.7	2	-3%
Total Income	**9.1**	**9.5**	**9.9**	**10.3**	**10.1**	**10.4**	**10.6**	**11.6**	**38.8**	**42.6**	**11**	**-2%**
Operating Expenses	6.0	6.2	6.3	6.5	6.7	6.9	7.2	7.5	25.0	28.3	7	1%
Operating Profit	**3.1**	**3.3**	**3.6**	**3.7**	**3.4**	**3.5**	**3.3**	**4.1**	**13.8**	**14.3**	**4**	**-7%**
% Change (YoY)	16.4	36.3	29.1	-3.0	9.1	5.9	-7.6	9.8	17.1	4.1	-1.2	
Provisions	0.6	0.6	0.8	1.1	3.0	3.3	2.4	1.6	3.1	10.4	2	-2%
Profit before Tax	**2.5**	**2.7**	**2.8**	**2.7**	**0.4**	**0.2**	**0.9**	**2.5**	**10.6**	**4.0**	**1**	**-16%**
Tax	0.6	0.7	0.7	0.6	0.1	0.1	0.2	0.6	2.6	1.0	0	-13%
Net Profit	**1.9**	**2.0**	**2.0**	**2.1**	**0.3**	**0.1**	**0.7**	**1.9**	**8.0**	**3.0**	**1**	**-17%**
% Change (YoY)	97.1	70.2	18.7	9.3	-86.5	-93.5	-67.2	-7.4	39.3	-62.8	-60.3	
Operating Parameters												
AUM	296	312	328	343	349	361	390	407	343	407	390	0%
Deposits	277	308	324	361	375	399	407	430	361	430	412	-1%
Loans	275	288	292	310	319	340	354	367	310	367	352	1%
AUM Growth (%)	36	37	32	23	18	15	19	18	23	18	19	
Deposit Growth (%)	36	42	38	42	35	29	26	19	42	19	27	
Loan Growth (%)	34	32	25	20	16	18	21	18	20	18	20	
Asset Quality												
Gross NPA (%)	2.8	2.3	2.5	2.6	2.7	3.0	3.0	3.3	2.6	3.3	3.2	
Net NPA (%)	1.2	1.0	1.1	1.2	0.8	1.0	1.0	1.0	1.2	1.0	1.0	
PCR (%)	57.8	57.7	56.0	56.1	70.3	67.7	68.3	70.7	56.1	70.7	69.2	

E: MOFSL Estimates

Automobiles

Demand revival remains elusive

Most sub-segments to post low- to mid-single-digit retail growth in Jan

"With very good reservoir levels and higher MSP for key rabi crops, farmer sentiments are positive and cash flows healthy. Good progress in rabi sowing and a good rabi crop are expected to further boost demand for tractors in coming months."

Mr. Hemant Sikka
President, Farm Equipment Sector - M&M

- **In January, we are not seeing any signs of pick-up on the ground for any of the auto segments. 2W sales are likely to post 1-3% YoY growth, driven by steady rural demand. PV retails are also likely to post low-single-digit growth YoY. Discounts in PVs, although low MoM, are higher by 20-25% on a YoY basis, according to our checks. CV goods demand remained muted, with fleet utilization moderating, but the bus segment showed strength with expected mid-teens YoY growth in retails. Tractor sales are likely to see 3-4% YoY increase, with non-agri demand improving and regional trends varying. Overall, we expect Jan'25 dispatches for PV/2W/tractors/CVs to grow ~1.5%/4%/8%/1% YoY.**
- **2Ws:** Retails during the month are expected to grow 1-3% YoY, reflecting a modest pace of growth. However, rural markets continue to outperform urban areas, driven by improved agricultural sentiments and seasonal marriage demand, leading to stronger sales in states like MP and UP. Growth has been observed across both scooters and premium motorcycles, positioning OEMs like TVS and RE for outperformance. Demand for entry-level models continues to remain weak. TVS is expected to outperform its peers this month. This is mainly driven by outperformance in scooters, particularly due to the strong response to the new Jupiter, which currently has a waiting period of ~3 weeks. The company has also implemented a minor price hike. For Hero MotoCorp, Xtreme125R continues to be its key growth driver, while scooter sales fail to revive despite new launches. Inventory levels are likely to be normal at ~4-5 weeks for 2Ws. All discounts offered during the festive season have now been withdrawn. For Jan'25, we expect dispatches for HMCL/BJAUT/TVSL/RE to grow 1%/3%/8%/12% YoY.
- **PVs:** We expect PV retails to continue to grow in low-single digits, led by steady demand in the North, West, and Central regions, while growth in the South remained relatively subdued. However, cars continue to see weak demand. A notable trend we observed was the continued strength in rural demand. The growth in PV volumes was supported by attractive discounts and strong traction from new model launches, with our feedback indicating that discounts are ~20-25% higher YoY. Stronger retail sales have brought inventory levels below the normal range of 3-4 weeks, creating room for inventory push. Feedback for the new Dzire has been positive, with customers particularly appreciating its mileage. The LXi variant has no waiting period, while other variants have a waiting period exceeding six weeks. Similarly, the waiting period for the Creta EV stands at four months. Despite elevated discounts, demand in the Southern markets remained lackluster, with no significant growth observed. We expect dispatches for MSIL/Hyundai/TTMT PV to decline 1% YoY each, while the same for M&M to grow ~11% YoY during the month.

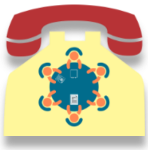
- **CVs:** Driven by a slight pickup in replacement demand, we anticipate CV retail sales to grow 2-3% YoY. However, overall CV demand remains subdued, and contrary to expectations of a recovery, we did not observe any meaningful improvement. Our checks indicate that freight rates remained stable MoM, while fleet utilization softened to 65-70% (75-80% in Oct-Nov). Demand weakness persisted in segments like white goods and construction, though this was partially offset by growth in agriculture and auto categories. Additionally, we noted some pressure on return loads in states such as Rajasthan and MP. Inventory level has declined to 2-3 weeks (vs 3-4 weeks MoM). On a positive note, the bus segment showed some growth, with retail volumes expected to rise ~15-17% YoY. We expect dispatches for TTMT/AL/VECV to grow ~1.5%/3%/3% YoY in Jan'25
- **Tractors:** We expect tractor retail volumes to grow 3-4% YoY this month, with an average inventory at around 40 days. Non-agri tractor demand is also showing improvement, with a smaller YoY decline of 3-4% YoY. Demand across key regions reflects a healthy growth trend, with regional variations influencing overall market performance. Punjab is seeing strong demand. No price hikes have been reported, and discounts are around INR30k. Gujarat also shows good growth, with a price increase of about 2%, while discounts are higher at ~INR60k but show a declining trend. Inventory in this region is about 1.5 months, across key players like MM, TAFE, and Escorts. In Maharashtra, growth is slower, with Johwar prices between INR 2,500-2,800, and discounts increasing to INR40k-50k. Inventory levels are around 60 days, with Swaraj and John Deere having higher inventory. Our interaction in MP too suggested healthy sales, with expectations for demand to improve once wheat harvesting begins. We expect volumes for MM and ESCORTS to grow by 8%/9% YoY in Jan'25.
- **Valuation and view**: Except for the tractor segment, which is experiencing a healthy demand uptick, we are not seeing any signs of pick-up in growth in any other key auto segments at the moment. MSIL is our top pick among auto OEMs as its upcoming new launches are expected to continue to help improve the mix and drive healthy earnings growth. We also like MM given the upcycle in tractors and healthy growth in UVs. Among ancillaries, we prefer MOTHERSO, ENDU, and HAPPYFORG.

IRB Infrastructure Developers

BSE SENSEX	S&P CNX
77,501	23,508

CMP: INR57 — Neutral

Conference Call Details



Date: 1st Feb 2025
Time: 5:00 PM IST
Dial-in details:
Link

Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	73.0	94.6	103.0
EBITDA	34.7	42.6	49.0
Adj. PAT	7.9	12.9	15.0
EBITDA Margin (%)	47.6	45.0	47.5
Adj. EPS (INR)	1.3	2.1	2.5
EPS Gr. (%)	30.8	62.3	16.4
BV/Sh. (INR)	33.3	35.1	37.2
Ratios			
Net D:E	0.5	0.5	0.4
RoE (%)	4.7	6.2	6.9
RoCE (%)	6.8	7.2	7.6
Payout (%)	3.3	17.0	14.6
Valuations			
P/E (x)	42.7	26.3	22.6
P/BV (x)	1.7	1.6	1.5
EV/EBITDA(x)	12.6	10.4	8.6
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	26.8	4.8	11.6

Restructuring of business during 3Q

Earnings snapshot – 3QFY25

- IRB has aligned its business model for investments in InvITs and related assets. As a result, it assessed eligible investments, including joint ventures under Ind AS 28, for fair value measurement through FVTPL. Consequently, a net fair value gain of INR58b (net of tax) was recognized as an exceptional item.
- Revenue grew 3% YoY to INR20.2b in 3Q FY25. Revenue includes a) Gain on InvITs & Related Assets as per fair value measurement and b) Dividend / Interest income from InvITs & Related Assets. This income would be recurring going forward.
- EBITDA margin came in at 48.6% in 3QFY25 (+440bps YoY and +20bps QoQ). EBITDA grew 13% YoY to INR9.8b. APAT grew 18% YoY to INR222m (against our estimate of INR201m).
- Construction revenues stood at INR11.3b (-16% YoY); BOT revenue stood at INR6.5b (+5% YoY); and InvIT & related assets revenue stood at INR2.5b (+90% YoY).
- The order book stood at ~INR315b (excl. GST) as of the end of Dec'24, of which the O&M order book is INR286b and the EPC order book is INR40b.
- The company has declared a third interim dividend of INR0.1 per share.
- During 3Q, the company sold a 41% stake in Meerut Budaun Expressway Limited ("MBEL") to IRB Infrastructure Trust for an aggregate consideration of INR87.5b. The company continues to hold the balance 10% stake in MBEL.
- The Ganga Expressway Project has received three grant tranches totaling INR8.7b from UPEIDA and is progressing in line with the scheduled timelines.
- During 9MFY25, revenue was INR54.6b (+2% YoY), EBITDA was INR26b (+3% YoY), EBITDA margin came in at 48%, and APAT was INR4.6b (+11% YoY).

Quarterly performance (INR m)

Y/E March	FY24				FY25			FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q			3QE	%
Net Sales	16,342	17,450	19,685	20,612	18,529	15,858	20,254	74,090	73,005	16,803	21
YoY Change (%)	(15.1)	29.9	30.0	27.2	13.4	(9.1)	2.9	15.7	(1.5)	(14.6)	
EBITDA	7,778	7,946	8,695	8,899	8,570	7,667	9,842	33,318	34,729	8,131	21
Margins (%)	47.6	45.5	44.2	43.2	46.3	48.3	48.6	45.0	47.6	48.4	
Depreciation	2,367	2,327	2,513	2,742	2,550	2,312	2,651	9,949	10,006	2,555	
Interest	3,815	4,346	4,327	6,145	4,387	4,342	4,614	18,633	16,780	4,000	
Other Income	1,112	1,295	1,088	4,433	1,187	1,658	649	7,928	5,584	1,300	
PBT before EO expense	2,709	2,569	2,942	4,443	2,820	2,671	3,227	12,663	13,527	2,876	
Extra-Ord expense	-	-	-	-	-	-	58,041	-	58,041	-	
PBT	2,709	2,569	2,942	4,443	2,820	2,671	61,268	12,663	71,568	2,876	
Tax	836	858	561	1,201	887	835	1,008	3,456	4,906	863	
Rate (%)	30.9	33.4	19.1	27.0	31.4	31.3	1.6	27.3	6.9	30.0	
Share of profit in Associates	(535)	(753)	(507)	(1,353)	(534)	(837)	-	(3,148)	(1,371)	-	
Reported PAT	1,338	958	1,874	1,889	1,400	999	60,261	6,058	65,291	2,013	
Adj PAT	1,338	958	1,874	1,889	1,400	999	2,219	6,058	7,250	2,013	10
YoY Change (%)	(63.2)	12.2	32.6	45.0	4.6	4.3	18.4	(15.9)	19.7	7.4	
Margins (%)	8.2	5.5	9.5	9.2	7.6	6.3	11.0	8.2	9.9	12.0	

LIC Housing Finance

BSE SENSEX	S&P CNX
77,501	23,508

Conference Call Details

Date: 03rd Feb 2025
Time: 11:30 AM IST
Dial-in details:
+91 22 7115 8046/
+91 22 6280 1145
Link for call

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	80.2	86.7	93.8
PPP	69.9	75.3	81.5
PAT	51.2	52.9	57.0
EPS (INR)	93.1	96.1	103.6
EPS Gr. (%)	7.5	3.2	7.9
BV/Sh (INR)	645	721	803
Ratios			
NIM (%)	2.8	2.7	2.7
C/I ratio (%)	15.3	15.6	15.6
RoAA (%)	1.7	1.6	1.6
RoE (%)	15.3	14.1	13.6
Payout (%)	10.5	10.6	10.6
Valuations			
P/E (x)	6.4	6.2	5.8
P/BV (x)	0.9	0.8	0.7
Div. Yield (%)	1.6	1.7	1.8

CMP: INR598 — Buy

Disbursements weak, but profitability and asset quality healthy

PPOP in line, PAT beat driven by provision write-backs; NIM stable QoQ

- LICHF's 3QFY25 PAT grew ~23% YoY to ~INR14.3b (~12% beat). NII declined ~5% YoY to ~INR20b (in line).
- Opex was elevated and grew ~36% YoY to INR3.6b (~11% higher than MOFSLe) and the cost-to-income ratio rose ~2pp YoY to ~17% (PY: ~12% and PQ: ~15%). Employee expenses were higher and LICHF had a one-off from prior period gratuity adjustments. PPoP at ~INR17.5b (in line) declined ~7% YoY.
- Reported yields declined ~4bp QoQ to ~9.73% while CoF rose ~5bp to ~7.8% leading to spreads of ~1.95% (PQ: 2.05%). 3QFY25 NIM was broadly stable QoQ at ~2.7%.
- Credit costs net of recoveries resulted in writebacks of ~INR440m, translating into annualized credit costs of -6bp (PY: ~60bp and PQ: 10bp). This included a provision reversal from the sale of a stressed corporate loan to an ARC for a cash consideration of INR2.5b. Further, the company has also built management overlays in this quarter.

Weak disbursements; AUM rises ~6% YoY

- Loan disbursements in individual home loans (IHL) declined ~5% YoY while non-housing individual/commercial disbursements rose 16% YoY. Builder/project loan disbursements grew ~160% YoY.
- Total disbursements rose ~2% YoY but declined ~6% QoQ to ~INR155b. Disbursements were lower by ~INR7b-8b because of losses in business from Bangalore (eKhata issues) and Hyderabad (Project Hydra).
- The overall loan book grew ~6.4% YoY and ~1.5% QoQ. Home loans grew ~7% YoY while developer loan books declined ~40% YoY.

Asset quality continues to improve; GNPA declines ~30bp QoQ

- GS3/NS3 improved ~30bp/10bp to ~2.75%/1.45%. Stage 1 PCR was largely stable at ~18bp (PQ: ~19bp), Stage 2 PCR increased to ~4.7% (PQ: ~4.3%) and Stage 3 PCR declined to ~47.5% (PQ: ~49.3%).
- Stage 2 + 3 assets (30+ dpd) declined ~15bp QoQ to 6.75% (vs. ~6.9% in 2QFY25). ECL/EAD declined ~20bp QoQ to ~1.7% (vs. 1.9% in 2QFY25).

Valuation and view

- During the quarter, loan growth and disbursement growth remained muted primarily due to the loss of business volumes in Bangalore and Hyderabad. Meanwhile, NIMs remained broadly stable sequentially, while asset quality saw a healthy improvement. The company reported provision writebacks during the quarter, leading to a beat on earnings.
- It will be interesting to understand the management's outlook on demand for mortgages and its guidance on individual loan growth. Guidance on NIM and credit costs for FY26 will also be important. We will review our estimates after the earnings call on 03rd Feb'25.

Quarterly Performance (INR M)

Y/E March	FY24				FY25E				FY24	FY25E	3QFY25E	Act. v/s est. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	67,037	67,066	67,437	68,875	67,391	68,534	69,516	72,528	2,70,416	2,77,969	69,974	-1
Interest Expenses	44,942	46,000	46,465	46,499	47,501	48,796	49,515	51,977	1,83,907	1,97,788	50,016	-1
Net Interest Income	**22,094**	**21,066**	**20,972**	**22,376**	**19,891**	**19,739**	**20,001**	**20,550**	**86,509**	**80,181**	**19,958**	0
YoY Growth (%)	37.2	81.2	30.6	12.4	-10.0	-6.3	-4.6	-8.2	36.7	-7.3	-4.8	
Fees and other income	429	521	488	493	446	784	1,057	57	1,931	2,344	683	55
Net Income	**22,523**	**21,587**	**21,460**	**22,869**	**20,337**	**20,522**	**21,059**	**20,607**	**88,440**	**82,525**	**20,641**	2
YoY Growth (%)	36.4	79.1	30.6	12.8	-9.7	-4.9	-1.9	-9.9	36.3	-6.7	-3.8	
Operating Expenses	2,425	2,595	2,615	3,829	2,621	3,105	3,564	3,314	11,463	12,604	3,198	11
Operating Profit	**20,098**	**18,993**	**18,845**	**19,041**	**17,715**	**17,417**	**17,495**	**17,294**	**76,976**	**69,921**	**17,442**	0
YoY Growth (%)	38.8	101.1	39.0	8.7	-11.9	-8.3	-7.2	-9.2	40.0	-9.2	-7.4	
Provisions and Cont.	3,608	4,192	4,358	4,279	1,431	773	-440	4,357	16,437	6,122	1,469	-
Profit before Tax	**16,490**	**14,801**	**14,487**	**14,762**	**16,285**	**16,644**	**17,934**	**12,936**	**60,539**	**63,799**	**15,973**	12
Tax Provisions	3,253	2,920	2,858	3,854	3,282	3,355	3,615	2,317	12,885	12,568	3,147	15
Net Profit	**13,237**	**11,881**	**11,629**	**10,908**	**13,002**	**13,289**	**14,320**	**10,620**	**47,654**	**51,231**	**12,826**	12
YoY Growth (%)	43	290	142	-8	-2	12	23	-3	65	8	10	
Key Operating Parameters (%)												
Yield on loans (Cal)	9.72	9.68	9.65	9.70	9.37	9.40	9.37		9.9	9.5		
Cost of funds (Cal)	7.40	7.59	7.61	7.47	7.50	7.64	7.62		7.4	7.6		
Spreads (Cal)	2.33	2.09	2.04	2.23	1.87	1.76	1.75		2.5	2.0		
Margins (Cal)	3.21	3.04	3.00	3.15	2.76	2.71	2.69		3.1	2.7		
Credit Cost (Cal)	0.52	0.60	0.62	0.60	0.20	0.11	-0.06		0.6	0.2		
Cost to Income Ratio	10.8	12.0	12.2	16.7	12.9	15.1	16.9		13.0	15.3		
Tax Rate	19.7	19.7	19.7	26.1	20.2	20.2	20.2		21.3	19.7		
Balance Sheet Parameters												
Loans (INR B)	2,764	2,780	2,812	2,868	2,887	2,946	2,991		2806	3024		
Change YoY (%)	8.1	6.0	4.8	4.3	4.4	6.0	6.4		4.8	7.8		
Indiv. Disb. (INR B)	106	142	148	167	124	151	145		564	615		
Change YoY (%)	-28.8	-13.1	-5.5	15.6	16.9	6.0	-2.1		-8.2	9.0		
Borrowings (INR B)	2,414	2,436	2,451	2,530	2,537	2,574	2,626		2525	2701		
Change YoY (%)	6.8	4.6	2.0	3.4	5.1	5.7	7.1		3.2	7.0		
Loans/Borrowings (%)	114.5	114.1	114.7	113.4	113.8	114.4	113.9		111.1	112.0		
Asset Quality Parameters												
GS 3 (INR B)	137.1	120.4	119.8	94.9	95.3	90.1	82.3		94.9	84.4		
Gross Stage 3 (% on Assets)	5.0	4.33	4.26	3.3	3.30	3.06	2.75		3.3	2.8		
NS 3 (INR B)	79.2	70.8	61.6	46.2	48.0	45.7	43.2		46.2	49.4		
Net Stage 3 (% on Assets)	2.9	2.61	2.25	1.6	1.69	1.58	1.47		1.6	1.6		
PCR (%)	42.3	41.2	48.6	51.4	49.6	49.3	47.5		51.4	41.5		
ECL (%)	2.75	2.34	2.45	2.19	1.96	1.85	1.66					
Loan Mix (%)												
Home loans	83.2	84.4	84.9	85.1	85.3	85.2	85.1					
LAP	12.3	12.1	12.1	12.8	12.7	12.9	13.2					
Non-Individual loans	4.3	3.5	3.0	2.1	2.0	1.9	1.7					
Borrowing Mix (%)												
Banks	31.0	33.0	35.0	34.0	34.0	34.0	33.0					
NCD	54.0	53.0	52.0	52.0	54.0	54.0	54.0					
Sub Debt	1.0	1.0	1.0	1.0	1.0	1.0	1.0					
Deposits	5.0	5.0	4.0	4.0	3.0	3.0	3.0					
NHB	5.0	4.0	4.0	4.0	4.0	4.0	5.0					
CP	4.0	4.0	4.0	5.0	4.0	4.0	4.0					

E: MOFSL Estimates

Five Star Business Finance

Conference Call Details

Date: 01st Feb 2025

Time: 09:00 AM IST

Dial-in details:

+91 22 6280 1148,

+91 22 7115 8049

Link for the call

Financials & Valuation (INR b)

Y/E March	FY25E	FY26E	FY27E
NII	20.9	24.2	28.6
PPoP	15.2	17.2	20.1
PAT	10.7	12.1	14.0
EPS (INR)	37	42	48
EPS Growth (%)	28	13	15
BVPS (INR)	214	255	301
Ratios (%)			
NIM	19.6	18.4	17.3
C/I ratio	30.5	32.3	33.4
Credit Costs	0.9	0.8	0.8
RoAA	8.3	7.6	7.0
RoAE	18.7	17.7	17.2
Dividend Payout	2.7	3.6	4.2
Valuation			
P/E (x)	21.5	19.0	16.4
P/BV (x)	3.7	3.1	2.6
Div. Yield (%)	0.1	0.2	0.3

CMP: INR789 **Buy**

AUM growth moderates to ~25% YoY; deterioration in asset quality

Earnings in line; Reported NIMs declined ~35bp QoQ

- 3QFY25 PAT grew 26% YoY to INR2.74b (in line). NII grew ~28% YoY to INR5.4b (in line), while PPoP rose ~29% YoY to INR3.9b (inline). Other income declined 3% YoY to INR198m, primarily because of lower treasury income. Opex grew 21% YoY to INR1.7b (in line).
- Credit cost stood at INR233m (~13% lower than est.). Annualized credit cost was stable QoQ at ~70bp (PY: ~50bp).

Reported NIMs contract due to decline in yields

- Reported yield declined ~20bp QoQ to 24%, while CoB was stable QoQ at 9.6%. Reported spreads declined ~20bp QoQ to 14.35%. Reported NIM declined ~35bp QoQ to ~16.55%.
- Incremental CoF was stable QoQ at ~9.6%.

Asset quality deteriorates; cash component in collections declines

- GS3/NS3 rose ~15bp/10bp QoQ to ~1.6%/0.8%. PCR declined ~160bp QoQ to ~50.2%.
- The current portfolio declined to 84.9% (PQ: 86%). Stage 2 rose ~55bp QoQ to ~7.5%. 30+ dpd rose ~70bp QoQ to 9.15% and 1+dpd increased ~110bp QoQ to 15.1% Cash collections declined to ~24% (PQ: ~28% and PY: ~52%) because of strong efforts made by the company to reduce cash collections.
- Overall collection efficiency (CE) stood at 98% (PQ: 98.4%). Unique loan collections (Due one, collect one) stood at 96.7% (PQ: 97%).

Sharp decline in disbursements; AUM growth moderates

- Disbursements declined ~22% YoY and ~25% QoQ to ~INR9.4b; AUM grew 25% YoY/2% QoQ to ~INR112b.
- 3QFY25 RoA/RoE stood at 8.1%/18.5%. Capital adequacy stood at ~51.2% as of Dec'24.

Valuation and view

- FIVESTAR reported weak business momentum in 3QFY25. The company reported AUM growth of ~25% YoY, in line with its guidance to moderate its growth momentum in the current weak macro environment and stress in the MFI sector. Interestingly, while the asset quality deteriorated with GS3 rising ~15bp QoQ because a minor sequential decline in collection efficiency, credit costs were broadly stable QoQ.
- The stock currently trades at 2.6x FY27E P/BV. We believe that Five Star's premium valuations will remain intact, given its niche market position, strong growth potential, superior underwriting practices, resilient asset quality, and high return metrics. We will review our estimates after the earnings call on 1st Feb'25.

FIVE STAR BUSINESS: Quarterly Performance (INR M)

Y/E March	FY24				FY25E				FY24	FY25E	3QFY25E	v/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	4,637	5,041	5,495	5,992	6,411	6,793	7,112	7,264	21,166	27,580	7,051	1
Interest Expenses	962	1,059	1,287	1,377	1,582	1,631	1,714	1,757	4,685	6,684	1,697	1
Net Interest Income	**3,676**	**3,982**	**4,208**	**4,615**	**4,829**	**5,161**	**5,399**	**5,507**	**16,481**	**20,896**	**5,354**	**1**
YoY Growth (%)	*35.9*	*34.3*	*31.6*	*33.4*	*31.4*	*29.6*	*28.3*	*19.3*	*33.7*	*26.8*	*27.2*	
Other Income	198	183	205	199	283	266	198	291	785	1,038	248	-20
Total Income	**3,874**	**4,165**	**4,413**	**4,814**	**5,112**	**5,427**	**5,597**	**5,797**	**17,266**	**21,933**	**5,602**	**0**
YoY Growth (%)	*41.3*	*38.4*	*35.5*	*33.0*	*32.0*	*30.3*	*26.8*	*20.4*	*36.7*	*27.0*	*26.9*	
Operating Expenses	1,263	1,389	1,412	1,488	1,565	1,627	1,713	1,787	5,553	6,692	1,694	1
Operating Profit	**2,611**	**2,775**	**3,001**	**3,326**	**3,547**	**3,800**	**3,884**	**4,010**	**11,713**	**15,241**	**3,909**	**-1**
YoY Growth (%)	*40.5*	*37.9*	*45.5*	*43.6*	*35.9*	*36.9*	*29.4*	*20.6*	*42.0*	*30.1*	*30.2*	**-3**
Provisions & Loan Losses	152	106	102	194	185	218	233	306	554	942	268	-13
Profit before Tax	**2,459**	**2,670**	**2,899**	**3,132**	**3,362**	**3,582**	**3,651**	**3,703**	**11,160**	**14,299**	**3,641**	**0**
Tax Provisions	622	676	731	771	846	903	913	913	2,800	3,575	917	-1
Net Profit	**1,837**	**1,994**	**2,168**	**2,361**	**2,516**	**2,679**	**2,739**	**2,790**	**8,359**	**10,724**	**2,723**	**1**
YoY Growth (%)	32	38	44	40	37	34	26	18	*38.5*	*28.3*	*25.6*	
Key Parameters (%)												
Yield on loans	25.6	25.4	25.6	25.8	25.7	25.5	25.7					
Cost of funds	9.0	9.3	9.7	9.1	9.7	9.6	9.6					
Spread	16.6	16.2	15.9	16.7	16.0	16.0	16.1					
NIM	20.3	20.1	19.6	19.9	19.3	19.4	19.5					
Credit cost	0.9	0.5	0.5	0.8	0.7	0.69	0.71					
Cost to Income Ratio (%)	32.6	33.4	32.0	30.9	30.6	30.0	30.6					
Tax Rate (%)	25.3	25.3	25.2	24.6	25.2	25.2	25.0					
Performance ratios (%)												
AUM/Branch (INR m)	196.5	181.2	186	185.4	189.1	165.6	153					
Balance Sheet Parameters												
AUM (INR B)	75.8	82.6	89.3	96.4	103.4	109.3	111.8					
Change YoY (%)	43.2	44.2	43.1	39.4	36.4	32.2	25.2					
Disbursements (INR B)	**11.3**	**12.0**	**12.1**	**13.4**	**13.2**	**12.5**	**9.4**					
Change YoY (%)	99.1	50.0	32.8	20.4	16.5	3.9	-22.2					
Borrowings (INR B)	43.2	48.2	57.9	63.2	67.2	68.8	73.6					
Change YoY (%)	71.3	91.0	82.2	48.7	55.8	42.8	27.1					
Borrowings/Loans (%)	56.9	58.3	64.8	65.5	65.0	63.0	65.9					
Debt/Equity (x)	1.0	1.0	1.2	1.2	1.1	1.1	1.1					
Asset Quality (%)												
GS 3 (INR M)	**1,072**	**1,118**	**1,251**	**1,328**	**1,454**	**1,604**	**1,808**					
G3 %	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.5**	**1.62**					
NS 3 (INR M)	**598**	**557**	**572**	**607**	**697**	**773**	**901**					
NS3 %	**0.8**	**0.7**	**0.7**	**0.6**	**0.7**	**0.7**	**0.8**					
PCR (%)	**44.2**	**50.2**	**54.3**	**54.3**	**52.1**	**51.8**	**50.2**					
ECL (%)	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	**1.7**					
Return Ratios - YTD (%)												
ROA (Rep)	8.4	8.5	8.3	8.4	8.2	8.4	8.1					
ROE (Rep)	16.6	17.1	17.7	18.7	19.0	19.0	18.49					

E: MOSL Estimates

Motilal Oswal | Morning India

RESULTS FLASH

31 January 2025

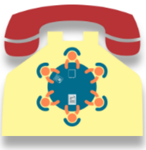
3QFY25 Results Flash | Sector: Capital Goods

Triveni Turbine

BSE SENSEX	S&P CNX
77,501	23,508

CMP: INR667 — Buy

Conference Call Details



Date: 3rd February 2025

Time: 4:30pm IST

Dial-in details:

Diamond pass

In-line quarter

- Revenue came in-line with our estimates at INR5b (up 17% YoY) on the back of robust execution of the opening order book of INR17.9b. Domestic/export revenue grew by 5%/31% YoY.
- EBITDA at INR1.1b grew by 31% YoY on the back of operating leverage benefits, as gross margin was down 130bp YoY to 49.5%. EBITDA margin expanded ~230bp YoY to 21.7%,
- PAT at INR926m (4% above estimates) clocked in 35% YoY growth, aided by higher other income (+29% YoY) and a lower effective tax rate.
- Order inflows declined by 1% YoY to INR5.3b, with continued domestic weakness reflected in a 16% YoY decline, while export orders grew by 9% YoY. This brought the closing order book to a record INR18.2b (+15% YoY).
- For 9MFY25, the company reported revenue/EBITDA/PAT growth of 23%/38%/36%, while order inflows grew by 20% YoY to INR17.3b.
- The Board has approved a dividend of INR2/share for FY25.

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	20.3	26.5	35.6
EBITDA	4.4	5.4	7.3
Adj. PAT	3.7	4.5	6.2
Adj. EPS (INR)	11.5	14.3	19.4
EPS Gr. (%)	36.2	24.2	35.7
BV/Sh.(INR)	38.5	48.8	62.8
Ratios			
RoE (%)	33.6	32.8	34.8
RoCE (%)	33.8	33.0	35.0
Valuations			
P/E (x)	57.9	46.6	34.4
P/BV (x)	17.3	13.7	10.6
EV/EBITDA (x)	47.5	37.9	27.9
Div. Yield (%)	0.5	0.6	0.8

Triveni Turbine

Consolidated - Quarterly Earning Model (INR m)

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Var (%)
Net Sales	**3,764**	**3,878**	**4,317**	**4,581**	**4,633**	**5,011**	**5,034**	**5,650**	**16,539**	**20,328**	**5,020**	**0**
YoY Change (%)	45.3	32.4	32.5	23.9	23.1	29.2	16.6	23.4	32.6	22.9	16.3	
Total Expenditure	3,055	3,134	3,480	3,682	3,677	3,897	3,941	4,443	13,351	15,957	3,966	
EBITDA	**709**	**744**	**837**	**898**	**956**	**1,114**	**1,093**	**1,208**	**3,188**	**4,371**	**1,054**	**4**
Margins (%)	18.8	19.2	19.4	19.6	20.6	22.2	21.7	21.4	19.3	21.5	21.0	
Depreciation	49	51	55	53	62	61	65	61	208	249	62	5
Interest	7	6	6	7	10	8	4	8	27	30	8	-48
Other Income	134	146	172	171	194	196	222	193	622	804	207	7
PBT before EO expense	**786**	**832**	**949**	**1,009**	**1,078**	**1,241**	**1,246**	**1,331**	**3,576**	**4,895**	**1,191**	**5**
PBT	**786**	**832**	**949**	**1,009**	**1,078**	**1,241**	**1,246**	**1,331**	**3,576**	**4,895**	**1,191**	**5**
Tax	177	190	264	252	274	331	320	305	883	1,231	299	
Rate (%)	22.4	22.8	27.8	25.0	25.4	26.7	25.7	22.9	24.7	25.1	25.1	
Reported PAT	**610**	**644**	**686**	**751**	**804**	**910**	**926**	**1,026**	**2,691**	**3,665**	**892**	**4**
Adj PAT	**610**	**644**	**686**	**751**	**804**	**910**	**926**	**1,026**	**2,691**	**3,665**	**892**	**4**
YoY Change (%)	59.2	39.0	30.4	35.1	31.8	41.4	35.0	36.5	39.5	36.0	30.0	
Margins (%)	16.2	16.6	15.9	16.4	17.4	18.2	18.4	18.2	16.3	18.0	17.8	

Nuvama Wealth

BSE SENSEX	S&P CNX
77,501	23,508

Conference Call Details

Date: 3rd February 2025

Time: 4:30pm IST

Dial-in details:

Diamond pass

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Revenues	29.2	34.2	39.1
Opex	16.2	19.4	22.0
PBT	13.0	14.8	17.1
PAT	9.7	11.2	12.9
EPS (INR)	273	315	363
EPS Gr. (%)	62	15	15
BV/Sh. (INR)	936	1,063	1,209
Ratios			
C/I ratio	55.5	56.7	56.2
PAT margin	33.2	32.8	33.1
RoE	31.3	31.8	32.2
Div. Payout	54.6	56.7	57.4
Valuations			
P/E (x)	20.5	17.8	15.4
P/BV (x)	6.0	5.3	4.6
Div. Yield (%)	2.7	3.2	3.8

CMP: INR5,595 Buy

Revenue in line; operational efficiency boosts PAT

- Nuvama Wealth's (NUVAMA) 3QFY25 operating revenue grew 30% YoY to INR7.2b (in line), driven by 19% YoY growth in wealth management revenue (in line), flat AMC revenue (30% miss), and 46% YoY growth in capital market revenue (in line). For 9MFY25, operating revenue grew 45% YoY to INR21.3b.
- Total operating expenses grew 19% YoY to INR3.9b (6% lower than est.), driven by 26% YoY growth in employee expenses (6% lower than est.) and 1% YoY growth in other opex (7% lower than est.). The cost-to-income ratio declined to 53.9% in 3QFY25 vs. 58.7% in 3QFY24 (our est. of 55.5%). Better-than-expected operational efficiency was largely due to lower-than-estimated costs in Nuvama Private and Nuvama Capital Markets.
- PAT grew 43% YoY to INR2.5b (4% beat), driven by operational efficiency. For 9MFY25, PAT grew 76% YoY to INR7.3b.
- In 3QFY25, the closing AUM for the wealth business grew 28 YoY to INR3.1t and for the asset management business it grew 71% YoY to INR113b.
- While Nuvama Wealth and Nuvama AMC reported strong YoY growth in net new flows at INR22.3b/INR12b in 3QFY25 (vs. INR6.4b/INR2.4b in 3QFY24), Nuvama Private's net new flows declined to INR1b (INR53bin 3QFY24).

Valuation and view

- We expect Nuvama to deliver a CAGR of 23%/24%/29% in AAUM/revenue/ PAT over FY24-27E, led by growing wealth management and asset management business. Stable momentum in the capital market segment should strongly support the company's overall profitability. **We maintain BUY rating on Nuvama with a TP of INR8,800, based on 26x Sep'26E EPS.**

Quarterly Performance (INR m)

Y/E March	FY24				FY25				FY24	FY25E	3Q FY25E	Actual vs Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Revenue from Operations	4,166	4,924	5,581	5,956	6,675	7,397	7,229	7,946	20,627	29,247	7,413	-2.5	29.5	(2.3)
Change YoY (%)	19.2	28.8	38.2	35.5	60.2	50.2	29.5	33.4	30.9	41.8	32.8			
Employee expenses	2,087	2,119	2,342	2,517	2,793	2,983	2,946	3,444	9,065	12,166	3,132	-5.9	25.8	(1.2)
Total Operating Expenses	2,924	3,015	3,277	3,575	3,741	3,920	3,894	4,667	12,791	16,221	4,146	-6.1	18.8	(0.7)
Change YoY (%)	8.3	16.1	21.1	25.0	27.9	30.0	18.8	30.5	17.7	26.8	26.5			
PBT before share of profit from associates	**1,242**	**1,909**	**2,304**	**2,381**	**2,934**	**3,477**	**3,335**	**3,279**	**7,836**	**13,025**	**3,267**	**2.1**	44.7	(4.1)
Change YoY (%)	56.6	55.7	72.7	55.0	136.2	82.2	44.7	37.7	60.3	66.2	41.8			
Tax Provisions	317	465	545	564	760	902	814	907	1,891	3,383	849	-4.2	49.3	(9.7)
PAT before share of profit from associates	**925**	**1,444**	**1,759**	**1,817**	**2,174**	**2,575**	**2,521**	**2,372**	**5,945**	**9,642**	**2,418**	**4.3**	43.3	(2.1)
Change YoY (%)	70.2	56.8	68.9	55.7	135.0	78.3	43.3	30.6	61.9	62.2	37.5			
Share of profit of associates (net of taxes)	22	5	3	-10	37	0	6	33	20	75	12	-51.7	123.1	(2,033.3)
Net Profit	**947**	**1,450**	**1,762**	**1,807**	**2,210**	**2,575**	**2,527**	**2,405**	**5,964**	**9,717**	**2,430**	**4.0**	43.4	(1.9)
Change YoY (%)	73.7	56.5	65.9	57.2	133.5	77.6	43.4	33.1	62.8	62.9	37.9			
Key Operating Parameters (%)														
Cost to Income Ratio	70.2	61.2	58.7	60.0	56.0	53.0	53.9	58.7	62.0	55.5	55.9	-206 bps	-485 bps	87 bps
PBT Margin	29.8	38.8	41.3	40.0	44.0	47.0	46.1	41.3	38.0	44.5	44.1	206 bps	485 bps	-87 bps
PAT Margin	22.7	29.4	31.6	30.3	33.1	34.8	35.0	30.3	28.9	33.2	32.8	218 bps	339 bps	14 bps
AUM (INR b)														
Wealth Management	**2,030**	**2,173**	**2,418**	**2,478**	**2,741**	**3,058**	**3,105**		**2,275**	**2,453**	**3,058**		28.4	1.5
Nuvama Wealth	607	654	739	779	878	1,001	1,018		695	763	1,001		37.9	1.8
Nuvama Private	1,423	1,519	1,680	1,699	1,863	2,058	2,086		1,580	1,690	2,058		24.2	1.4
Asset Management	**59**	**62**	**66**	**70**	**77**	**103**	**113**		**64**	**69**	**103**		71.4	9.5

Godrej Agrovet

BSE SENSEX	S&P CNX
77,501	23,508

CMP: INR740 BUY

Operating performance below estimates

- Godrej Agrovet's 3QFY25 consolidated revenue grew 4.5% YoY to INR24.4b (est.INR26b). EBITDA margin expanded 220bp YoY to 9% (est. 9.8%), led by a 200bp YoY expansion in gross margin to 25.6%. EBITDA stood at INR2.2b, up 38% YoY (est.INR2.5b). Adj. PAT grew 21% YoY to INR1.1b*.
- **Note**: **Due to the withdrawal of the indexation benefit on LTCG, the company reversed the deferred tax assets created on certain capital assets (carried at indexed cost), resulting in a one-time non-cash impact of INR98.2m on Adj. PAT for 3QFY25. Without this, Adj. PAT grew 32% to INR1.2b in 2QFY25.*

Segmental performance

- Animal Feed (AF) business revenue declined ~1% YoY to INR12.7b. EBIT margin expanded 200bp YoY to 6%. EBIT stood at INR1.1b, up 47% YoY.
- Palm oil business revenue grew ~38% YoY to INR4.8b. EBIT margin expanded 470bps YoY to 23.7%. EBIT stood at INR1.1b, up 72% YoY.
- Crop Protection (CP) business revenue declined ~13% YoY to ~INR2b. EBIT margins contracted 500bp YoY to 6.2%. EBIT stood at INR119m, down 52% YoY.
- Dairy business revenue marginally grew ~1% YoY to INR3.7b. EBIT margins contracted 29bp YoY to 2.5%. EBIT stood at INR93m, down 9% YoY.
- Poultry and processed food business revenue declined ~3% YoY to INR2.1b. EBIT margin stood at 3%. EBIT stood at INR65m vs an operating loss of INR73m in 3QFY24.

Conference Call Details

Date: 3rd Feb 25

Time: 3:30pm IST

Dial-in details:

click here

Consolidated –Quarterly Earning Model (INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			3QE	(%)
Gross Sales	**25,102**	**25,709**	**23,452**	**21,343**	**23,508**	**24,488**	**24,496**	**24,485**	**95,606**	**96,976**	**26,050**	**-6**
YoY Change (%)	0.0	5.1	0.9	1.9	-6.4	-4.8	4.5	14.7	2.0	1.4	11.1	
Total Expenditure	23,173	23,694	21,861	19,863	21,246	22,254	22,296	22,055	88,591	87,852	23,510	
EBITDA	**1,929**	**2,014**	**1,591**	**1,480**	**2,261**	**2,234**	**2,200**	**2,429**	**7,015**	**9,125**	**2,540**	**-13**
Margins (%)	7.7	7.8	6.8	6.9	9.6	9.1	9.0	9.9	7.3	9.4	9.8	
Depreciation	528	529	530	556	546	583	567	619	2,143	2,316	598	
Interest	295	279	251	254	302	398	345	320	1,079	1,364	340	
Other Income	115	112	84	102	92	126	87	149	413	455	98	
PBT before EO expense	**1,222**	**1,318**	**894**	**772**	**1,506**	**1,379**	**1,376**	**1,640**	**4,206**	**5,900**	**1,700**	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**1,222**	**1,318**	**894**	**772**	**1,506**	**1,379**	**1,376**	**1,640**	**4,206**	**5,900**	**1,700**	
Tax	353	369	191	220	345	541	414	413	1,133	1,713	428	
Rate (%)	28.9	28.0	21.3	28.5	22.9	39.3	30.1	25.2	26.9	29.0	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-185	-104	-215	-19	-190	-121	-153	-118	-523	-582	-138	
Reported PAT	**1,053**	**1,053**	**918**	**571**	**1,352**	**958**	**1,115**	**1,345**	**3,596**	**4,769**	**1,410**	
Adj PAT	**1,053**	**1,053**	**918**	**571**	**1,352**	**958**	**1,115**	**1,345**	**3,596**	**4,769**	**1,410**	**-21**
YoY Change (%)	27.3	46.7	43.5	84.2	28.3	-9.0	21.4	135.4	44.1	32.6	53.5	
Margins (%)	4.2	4.1	3.9	2.7	5.7	3.9	4.6	5.5	3.8	4.9	5.4	

Mahindra Lifespace

BSE SENSEX	S&P CNX
77,501	23,508

Conference Call Details

Date: 03 February 2025
Time: 11:00 IST
Dial-in details:
+91 22 6280 1522

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	4.0	4.9	10.4
EBITDA	-1.8	-0.9	0.6
EBITDA Margin (%)	NM	NM	NM
PAT	0.8	0.9	3.3
EPS (INR)	5.5	6.0	21.4
EPS Gr. (%)	-13.5	9.9	257.2
BV/Sh. (INR)	124.0	127.7	146.8
Ratios			
RoE (%)	4.5	4.8	15.6
RoCE (%)	-3.7	-2.3	2.0
Payout (%)	42.0	38.2	10.7
Valuations			
P/E (x)	76.5	69.6	19.5
P/BV (x)	3.4	3.3	2.8
EV/EBITDA (x)	NM	NM	NM
Div yld (%)	0.5	0.5	0.5

CMP: INR418 — Neutral

Weak bookings; poor sales from JV and IC&IC businesses

Weak collections; debt mounts

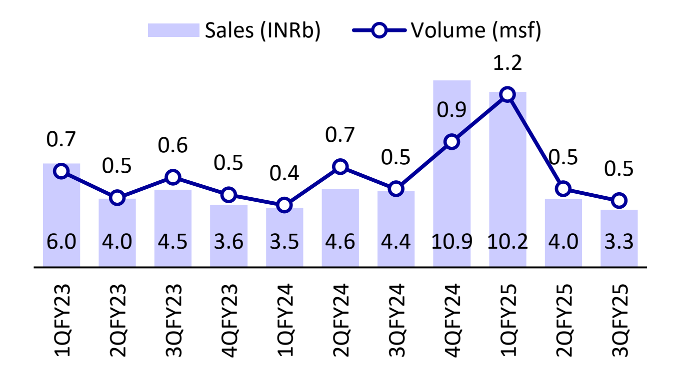
Operational performance

- MLDL achieved bookings of INR3.3b, down 25%/16% YoY/QoQ (44% below estimate), whereas 9MFY25 bookings stood at INR18b, up 41% YoY, backed by strong bookings of INR10.2b for 1QFY25
- Sales volume in 3QFY25 stood at 0.5msf, down 15% each YoY and QoQ. Blended realization was also down 11% YoY to ~INR7,422 psf.
- The company achieved quarterly collections of INR3.7b, down 5%/20% YoY/QoQ.
- In 3QFY25, MLDL added a project located in Bhandup with 3.6msf development potential, translating into a GDV of ~INR120b, by executing a JDA with GKW Ltd.
- Post 3Q, MLDL acquired 8.2 acres of land in North Bengaluru with a development potential of 0.9msf translating to GDV of INR10b. Additionally, the company plans to add a GDV of ~INR95b.
- In 3QFY25, MLDL launched 0.67msf of the project. Launches in the near term are expected to remain strong as the company has a pipeline of ~18.11msf across its new and existing projects.
- In the IC segment, the company leased 12.4 acres for INR0.5b.
- Net debt to equity stood at 0.5x and the cost of debt was 8.9%.

Financial performance

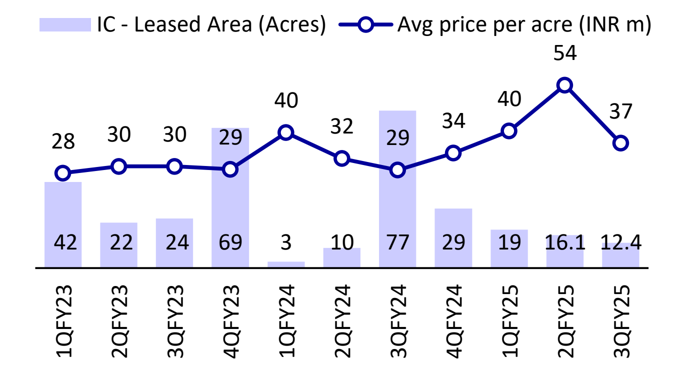
- MLDL's revenue came in at INR1.7b, up 2x/22x YoY/QoQ (90% above estimate).
- For 3QFY25, MLDL reported an operating loss of INR254m against a loss of INR390m for 3QFY24.
- MLDL reported a loss of INR225m, due to lower sales from the JV projects and the IC businesses.

Exhibit 1: Bookings down 25% YoY to INR3.3b



Source: Company, MOSL

Exhibit 2: In the IC segment, MLDL achieved leasing of 12.4 acres



Source: Company, MOSL

Quarterly performance

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	(%/bp)
Income from Operations	**980**	**178**	**820**	**143**	**1,881**	**76**	**1,673**	**369**	**2,121**	**3,999**	**880**	**90**
YoY Change (%)	3.7	-74.5	-56.1	-94.4	91.9	-57.2	104.0	158.1	-65.0	88.6	-77.6	
Total Expenditure	1,412	527	1,210	684	2,297	554	1,927	1,023	3,832	5,800	1,238	
EBITDA	**-431**	**-349**	**-390**	**-541**	**-416**	**-478**	**-254**	**-654**	**-1,711**	**-1,801**	**-358**	**-29**
Margins (%)	-44.0	-196.5	-47.6	-378.6	-22.1	-627.5	-15.2	-177.3	-80.7	-45.0	-40.7	
Depreciation	30	31	38	38	43	40	40	37	137	160	44	
Interest	42	2	3	26	60	70	42	116	74	288	72	
Other Income	120	79	68	403	186	84	185	146	670	600	132	
PBT before EO expense	**-383**	**-303**	**-364**	**-202**	**-334**	**-504**	**-151**	**-661**	**-1,252**	**-1,650**	**-343**	**-56**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**-383**	**-303**	**-364**	**-202**	**-334**	**-504**	**-151**	**-661**	**-1,252**	**-1,650**	**-343**	**-56**
Tax	-94	-108	-109	-129	-97	0	173	-489	-440	-412	-81	
Rate (%)	24.4	35.7	30.1	63.8	28.9	0.0	-114.6	74.0	35.2	25.0	23.6	
Minority Interest & Profit/Loss of Asso. Cos.	247	6	754	788	365	364	99	1,256	1,790	2,084	521	
Reported PAT	**-43**	**-189**	**500**	**715**	**127**	**-141**	**-225**	**1,085**	**979**	**847**	**259**	**-187**
Adj PAT	**-43**	**-189**	**500**	**715**	**127**	**-141**	**-225**	**1,085**	**983**	**847**	**259**	
YoY Change (%)	NM	NM	NM	NM	NM	NM	NM	51.8	NM	-13.8	50.9	
Margins (%)	-4.4	-106.5	61.0	500.2	6.8	-184.6	-13.4	294.2	46.3	21.2	29.4	
E: MOFSL Estimates												
Operational Performance												
Area sold (msf)	0.4	0.7	0.5	0.9	1.2	0.5	0.5	0.9	**2.5**	**3.1**	0.5	**-10**
Booking value (INR b)	3.5	4.6	4.4	10.9	10.2	4.0	3.3	12.5	**23**	**30**	6.0	**-44**
Avg Realization (INR)	8214	6691	8358	12776	8718	7491	7422	13594	**9,391**	**9,779**	12000	**-38**

Source: MOFSL, Company **Note: We will revisit our estimates after the concall**

- **The Union Finance Minister, Nirmala Sitharaman, tabled the Economic Survey 2024-25 on 31st Jan'25, providing key insights into the country's economic performance and outlining future economic prospects. The survey highlighted that India needs to achieve a real GDP growth rate of ~8%, on average, for about a decade or two, to realize its aspirations of becoming "Viksit Bharat" by the time of the centenary of independence (FY47).**
- **To achieve this growth, the investment rate must rise to approximately 35% of GDP, up from the current 31%. Further, it will be essential to develop the manufacturing sector and invest in emerging technologies such as AI, robotics, and biotechnology. India will also need to create 7.85m new non-farm jobs annually until 2030, achieve 100% literacy, develop the quality of our education institutions, and develop high-quality, future-ready infrastructure at scale and speed.**
- **India's real GDP is 6.7%/5.4% in 1QFY25/2QFY25, implying a real GDP growth of 6.0% in 1HFY25, mainly fueled by strong private consumption. The share of private consumption in GDP in 1HFY25 (at 61.2%) was the highest since FY12. *(Exhibits 1 and 2).* The survey mentioned that the agriculture and services sectors emerged as key growth drivers in 1HFY25. However, the overall growth was tempered by moderation in industrial growth, particularly in manufacturing, which faced challenges from slowing global demand and supply chain disruptions.**
- **The survey stated that India's real GDP growth would likely grow in the range of 6.3%-6.8% in FY26, maintaining resilience despite global economic uncertainties. Growth is likely to be driven by strong domestic consumption, investment expansion, and government-led capital expenditure (capex). However, global economic slowdown and geopolitical tensions are key risks affecting India's external demand.**
- **Highlighting the importance of capital markets in enhancing the financialization of domestic savings and enabling wealth creation, the Economic Survey stated that the Indian stock market has achieved new highs, with investor participation growing from 4.9 crore in FY20 to 13.2 crore as of 31st Dec'24. Over the long term, Indian markets have been among the best-performing worldwide, with the Nifty 50 delivering a compounded annual return of 8.8% over the past decade. While it trails behind indices like the US NASDAQ (15.3%) and Dow Jones (9.2%), it outperforms China's Shanghai Composite (3.2%). BSE market capitalization to GDP ratio stood at 136% at the end of Dec'24, rising significantly over the last 10 years. *(Exhibit 3).* Further, India's share in global IPO listings surged to 30% in 2024, up from 17% in 2023, making it the top contributor to primary resource mobilization globally.**
- **Fiscal prudence has been crucial in controlling general government dis-savings, ensuring macroeconomic stability, preventing excessive foreign borrowing, and ensuring self-reliant financing of the current account deficit (CAD). This has further helped maintain overall savings levels, despite a decline in household savings *(Exhibits 4 and 5).***
- **Retail headline inflation has softened from 5.4% in FY24 to 4.9% in Apr-Dec'24. The decline is attributed to a 0.9 pp reduction in core inflation. While the average inflation in FY25 has trended downward, monthly volatility in food prices and a select few commodities (namely tomato, potato, and onion) have been responsible for CPI inflation printing towards the upper side of the tolerance band. *(Exhibits 6 and 7).* Going forward, food inflation is likely to soften in 4QFY25 with the seasonal easing of vegetable prices and Kharif harvest arrivals. Good Rabi production is likely to contain food prices in the first half of FY26.**
- **The survey highlighted that India's robust services exports have propelled the country to secure the seventh-largest share in global services exports. In addition to the services trade surplus, remittances from abroad led to a healthy net inflow of private transfers. As per the World Bank, India was the top recipient of remittances in the world, driven by an uptick in job creation in OECD economies. These two factors combined to ensure that India's current account deficit (CAD) remained relatively contained at 1.2% of GDP in Q2 FY25 *(Exhibit 8).***
- **The survey stated that the power sector has been bolstered primarily by large-scale solar and wind initiatives. By the end of Dec'24, the country's total renewable energy installed capacity increased by 15.8% YoY, reaching 209.4 GW, up from 180.8 GW in Dec'23. Renewable energy now constitutes about 47% of India's total installed capacity, highlighting a growing dependence on cleaner, non-fossil fuel-based energy sources. *(Exhibits 9 and 10).***
- **According to the 2023-24 annual Periodic Labour Force Survey (PLFS) report, the unemployment rate for individuals aged 15 years and above has steadily declined from 6% in 2017-18 to 3.2% in 2023-24. The labor force participation rate (LFPR) and the worker-to-population ratio (WPR) have also increased *(Exhibit 11).***
- **The Economic Survey prioritizes deregulation as the driving force for India's domestic growth and resilience in the face of global economic and political shifts. It suggests focusing on areas like land, labor, building regulations, and utilities.**

Examples of deregulation measures are provided, including liberalizing standards and controls, setting legal safeguards for enforcement, reducing tariffs and fees, and applying risk-based regulation. *(Exhibit 12).* "A fundamental prerequisite is to accelerate and amplify the deregulation agenda already underway in the last ten years and work towards giving people back their agency and enhancing the economic freedoms of individuals and organizations," the survey read.

- **The Economic Survey FY26 emphasized deregulation, investment expansion, and supply-chain resilience as key levers for sustained growth. Despite global uncertainties, India's economy remains well-positioned to achieve strong medium-term expansion. However, geopolitical risks, trade protectionism, and inflation management will require continued policy vigilance and strategic interventions.**

Exhibit 1: Real GDP growth at 6% in 1HFY25

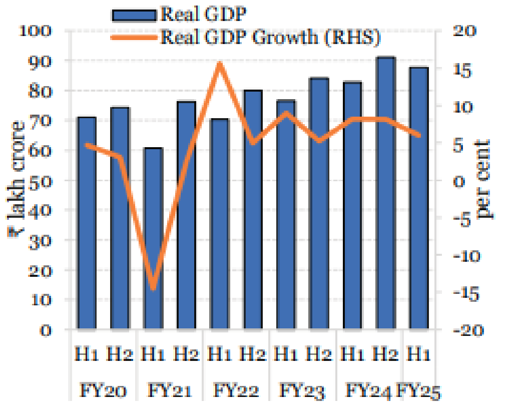
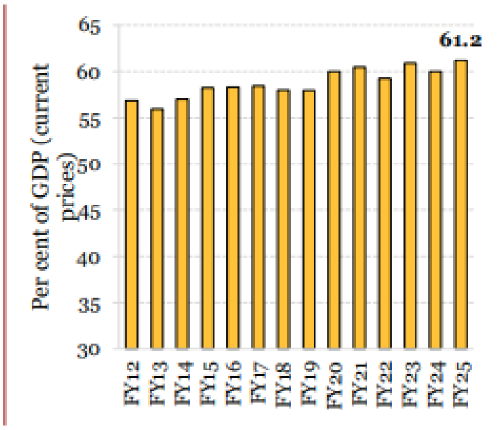


Exhibit 2: Highest share of private consumption across all years



Source: MoSPI

Exhibit 3: BSE's market capitalization to GDP ratio stood at 136% at the end of Dec'24

Table II.1: Market capitalisation to nominal GDP ratio (percentage)

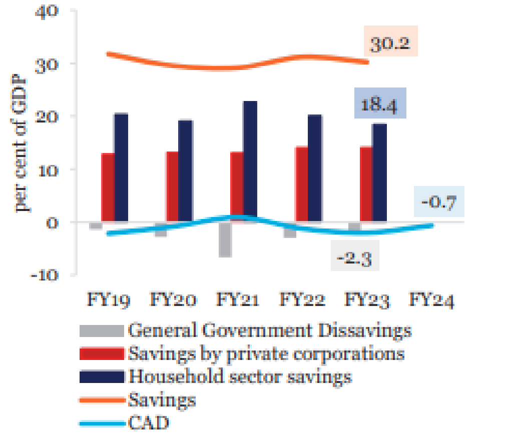
	India	China	Brazil	Japan	South Korea	United Kingdom	United States
Dec-19	77	60	65	121	89	106	158
Dec-20	95	79	68	129	122	92	195
Dec-21	113	80	50	136	127	108	206
Dec-22	105	65	42	126	96	91	157
Dec-23	124	61	44	147	114	71	179
Dec-24*	136	65	37	157	90	84	213

Source: CEIC Database, IMF and WFE

Note: The data has been revised based on the 1st advance estimate of GDP released on 7 January 2025. Projected figures: GDP figures are taken from IMF projections, and market capitalisation is taken as at the end of Q2 of FY25 (i.e., Sep-24 end) for the US, India, Japan, Korea, and China, the UK and Brazil market cap figures are as on the end of December 2024. Market capitalisation was taken country-wise as Brazil (Brasil, Bolsa, Balcão), China (Shanghai and Shenzhen Stock Exchange), All India, Japan (Japan Exchange Group Inc.), South Korea (Korea Exchange), United Kingdom (London Stock Exchange) and USA (NYSE and NASDAQ)

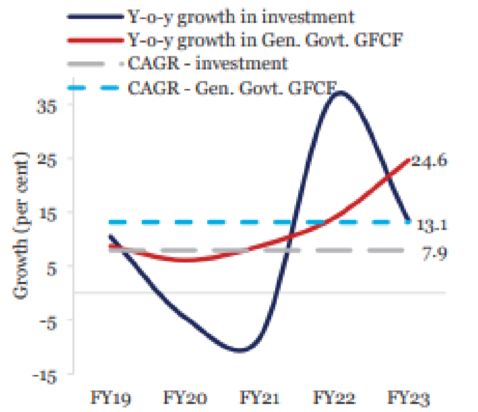
Source: CEIC

Exhibit 4: Containment of general Govt. dis-savings has contributed to macro-stability



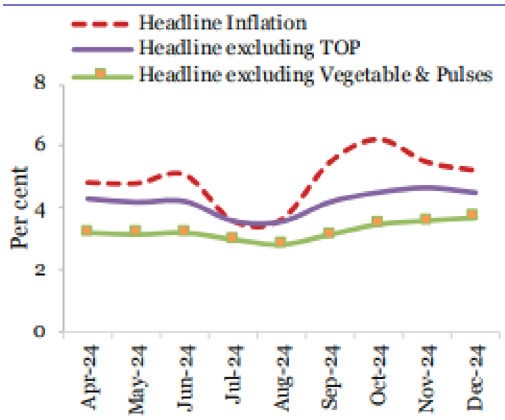
Source: MoSPI, Handbook of Statistics on the Indian Economy, RBI

Exhibit 5: General government GFCF growth has outpaced overall investment growth



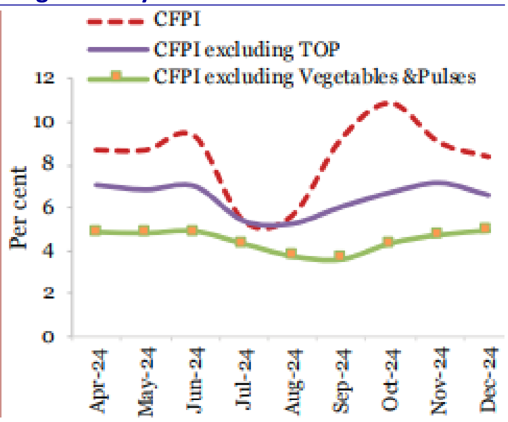
Source: MoSPI

Exhibit 6: Food price pressures driving retail inflation



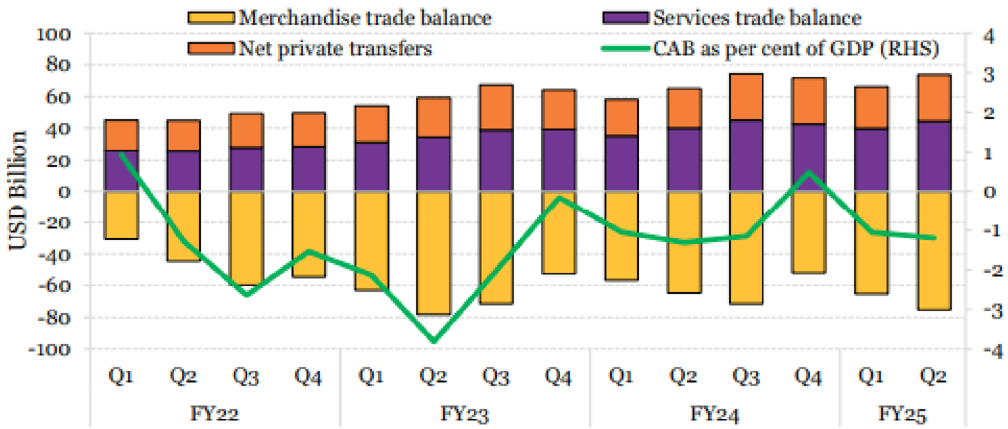
Source: MoSPI

Exhibit 7: CPI ex-TOP commodities significantly lower



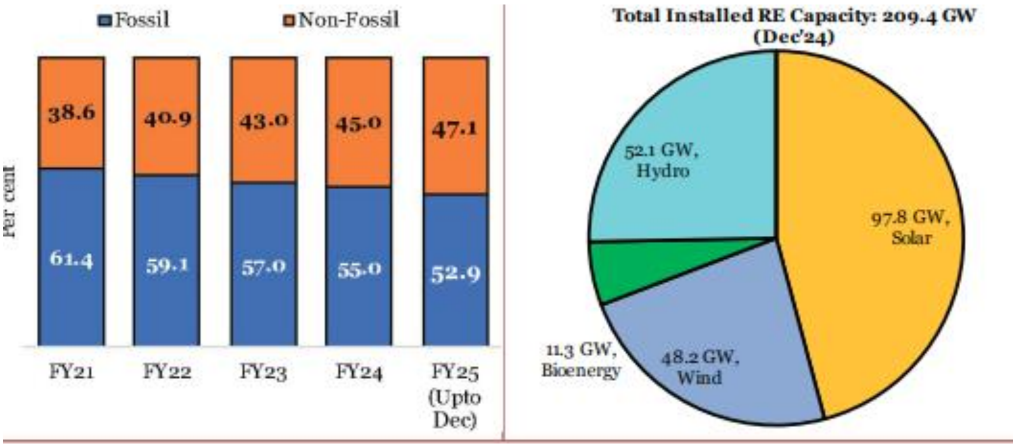
Source: MoSPI

Exhibit 8: Services trade and private transfers lending balance to the external sector



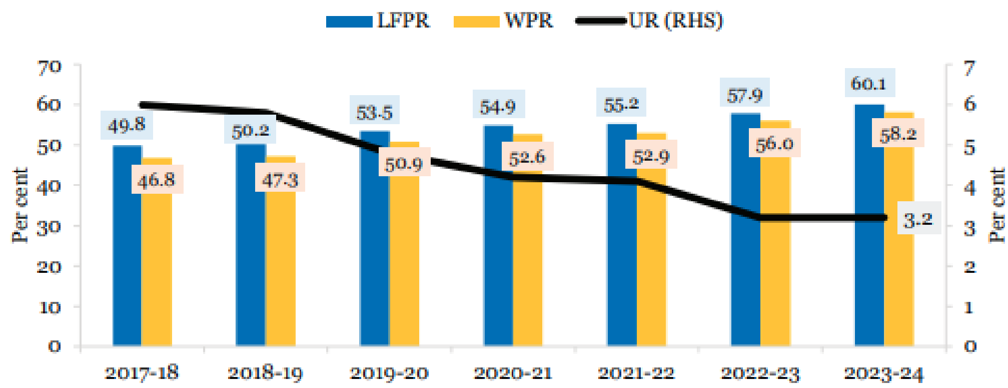
Source: RBI.

Exhibits 9 & 10: Growing reliance on renewables



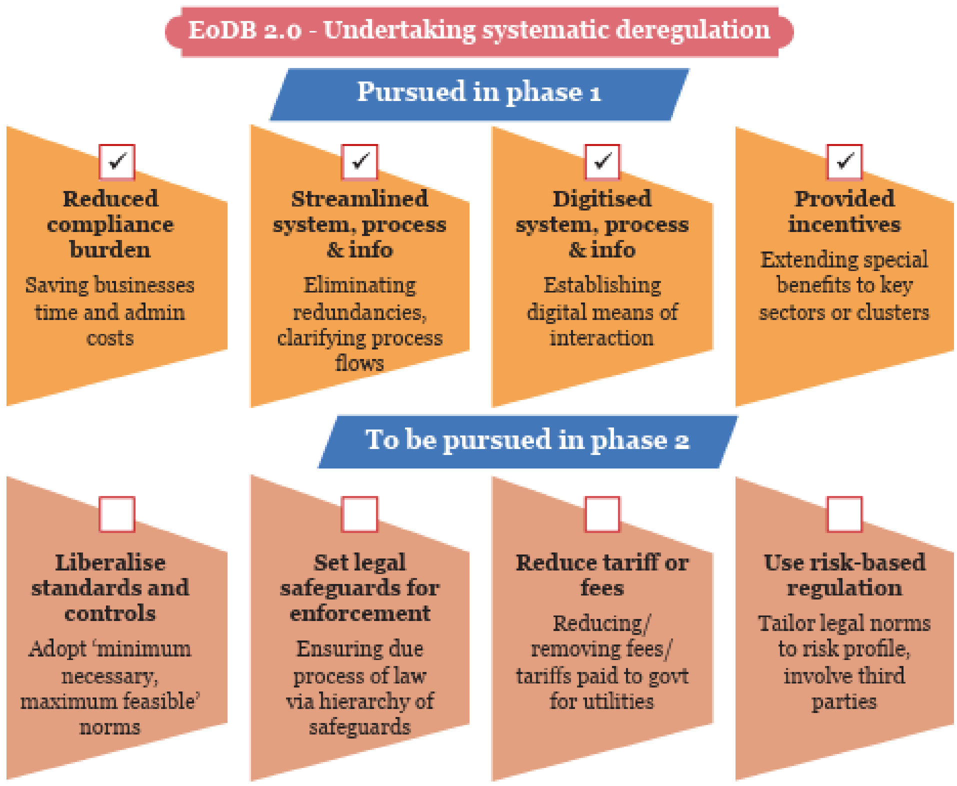
Source: Annual PLFS report 2023-24, MoSPI

Exhibit 11: Improvement in employment indicators



Source: Annual PLFS report 2023-24, MoSPI

Exhibit 12: Deregulation drives growth



Source: Annual PLFS report 2023-24, MoSPI

Total spending picks up, led by capex

Fiscal deficit at 56.5% of FY25BE in Apr-Dec'24

- **Total spending growth by the central government picked up to 22.1% in Dec'24 vs. 3.6% growth in Nov'24. At the same time, core spending (total spending excluding interest payments and subsidies) grew at a 10-month high of 37.6% in Dec'24 vs. a contraction of 5.1% in Nov'24.**
- **Acceleration in total spending growth was mainly led by capital spending, which grew at the five-month highest pace of 95.3% YoY in Dec'24 (vs. 21.3% in Nov'24). Capital spending was INR 1.7t in Dec'24, the highest ever in a month. Notably, capital spending excluding loans and advances marked its first expansion in Dec'24 after declining for four straight months (70.1% in Dec'24 vs. -20.2% in Nov'24). On the other hand, total revenue spending remained muted in Dec'24 (1.3% YoY in Dec'24 vs. 0.5% in Nov'24). *(Exhibits 1 and 2).***
- **In order to meet the budgeted target of INR11.1t, capex should grow 75% YoY in 4QFY25, implying a spending of >INR4.0t. However, there have only been five months in the past 25 years with monthly spending >INR1.0t. The shortfall in capex could still be substantial.**
- **Accordingly, the government's total spending in Apr-Dec'24 stood at INR32.3t, up 5.8% YoY and accounting for 67% of FY25BE, the lowest in a decade (vs. INR30.5t in Apr-Dec'23; 68% of FY24BE). Capital spending in Apr-Dec'24 stood at INR6.8t (up 1.7% YoY), representing 61.7% of FY25BE (vs. 67% of FY24BE or INR6.7t in Apr-Dec'23). Capital spending excluding loans and advances was now only 3.7% YoY lower in Apr-Dec'24 (vs 15.4% as of Apr-Dec'23) and was at a decade low of 61.3% of BEs (except FY21). On the other hand, revenue spending stood at INR25.5t (up 7.0% YoY) in Apr-Dec'24, representing 68.6% of FY25BE (vs. 68% of FY24BE or INR22.3t in Apr-Dec'23).**
- **Meanwhile, total receipts picked up, growing at the six-month highest pace of 29.8% YoY in Dec'24 (vs. 10.6% growth in Nov'24). *(Exhibit 3).* While net tax revenue grew 35.8% in Dec'24 (3.5% in Nov'24), non-tax receipts contracted 26.3% (lowest in 15 months). The pick-up in net tax revenue was mainly led by corporate tax collections (10.6% in Dec'24, highest in three months) and indirect tax collections, especially GST collections. However, income tax collections growth decelerated to 15.9% YoY in Dec'24 (vs. 60.9% in Nov'24). Indirect tax collections growth picked up to 7.1% in Dec'24 (vs. 1.0% growth in Nov'24), mainly led by higher GST collections (12.9% in Dec'24 vs. -4.8% YoY in Nov'24).**
- **Therefore, for Apr-Dec'24, the total receipts of the government rose 11.9% YoY. Corporate tax collection was up 2.7% YoY and income tax revenue grew 22.2% YoY. Total receipts stood at INR23.1t, representing 73.4% of FY25BE (vs. INR20.1t or 78% of FY24BE during Apr-Dec'23).**
- **Consequently, in Apr-Dec'24, the government's fiscal deficit stood at INR9.1t, accounting for 56.6% of FY25BE vs. 55% of its FY24BE (or INR9.8t) in Apr-Dec'23 *(Exhibit 4).***

Exhibit 1: Total spending picked up to 22.1% in Dec'24…

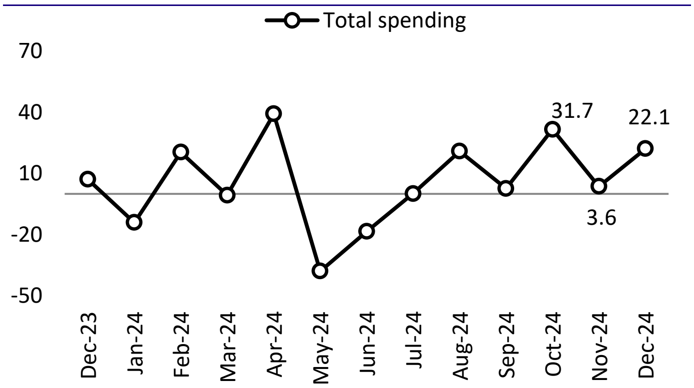
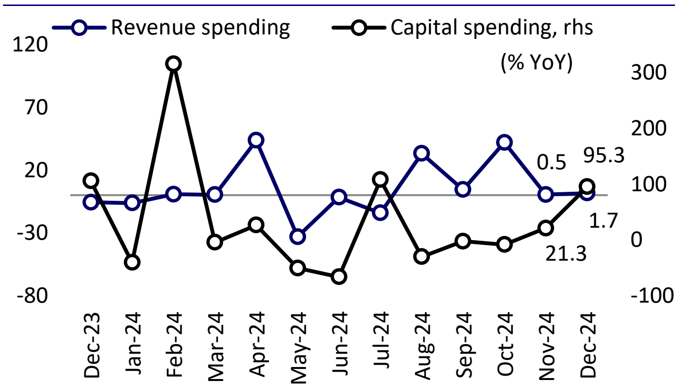


Exhibit 2: …mainly led by acceleration in capital spending



Source: Controller General of Accounts (CGA), MOFSL

Exhibit 3: Total receipts picked up in Dec'24

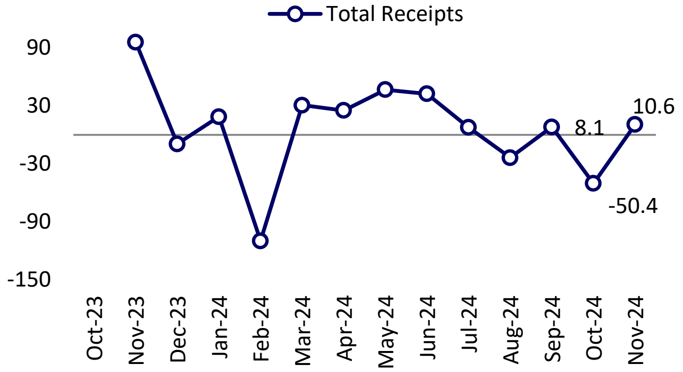
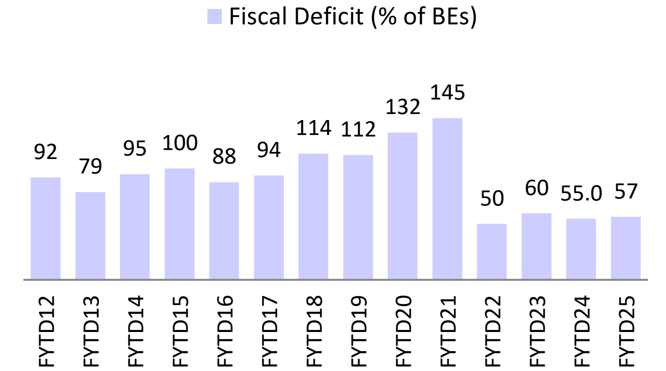


Exhibit 4: Fiscal deficit stood at 56.5% of BEs in Apr-Dec'24 vs. 55% in Apr-Dec'23



Apr-Dec for all years; Source: CGA, MOFSL

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- No concrete plan of cash on Books, No Initial intention of reducing cash balance
- Expect Growth to exceed 30% over the next few QTRs
- Aims to Double profit in FY26

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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

Grievance Redressal Cell:

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

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