Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	83,606	-0.5	7.0
Nifty-50	25,517	-0.5	7.9
Nifty-M 100	59,741	0.6	4.4
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,205	0.5	5.5
Nasdaq	20,370	0.5	5.5
FTSE 100	8,761	-0.4	7.2
DAX	23,910	-0.5	20.1
Hang Seng	8,678	-1.0	19.0
Nikkei 225	40,487	0.8	1.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	-1.5	-8.3
Gold ($/OZ)	3,303	0.9	25.9
Cu (US$/MT)	10,051	-0.7	16.2
Almn (US$/MT)	2,597	0.1	2.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	85.8	0.3	0.2
USD/EUR	1.2	0.6	13.8
USD/JPY	144.0	-0.4	-8.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.3	0.01	-0.4
10 Yrs AAA Corp	7.1	0.01	-0.1
Flows (USD b)	**30-Jun**	**MTD**	**CYTD**
FIIs	-0.1	2.18	-8.3
DIIs	0.41	8.87	41.5
Volumes (INRb)	**30-Jun**	**MTD***	**YTD***
Cash	1,139	1214	1083
F&O	1,19,475	2,17,754	2,10,825

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Technology | 1QFY26 Preview: Indian IT's stop-start recovery

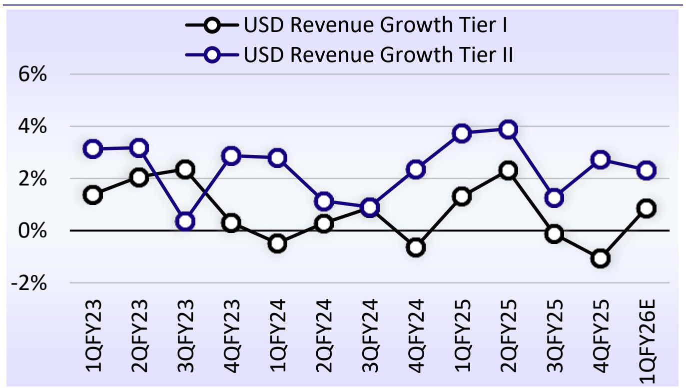
- 1QFY26 has been an uncertain, albeit better-than-expected quarter for IT services, in our view. While a host of geopolitical events as well as tariff uncertainty would have played spoilsport on notable deal signings, widespread client deferrals/ ramp-downs have largely been avoided.
- We expect 1Q numbers to reflect this reality: QoQ revenue and deal TCV across large-caps could be unexciting (expect QoQ cc growth range of -2.5% to +1.5% for large-caps. Mid-caps are expected to outperform once again with a growth range of -2.0% to +7.0%). A weak dollar against a basket of currencies will lead to 100-200bp of QoQ cross-currency tailwinds, aiding estimates.
- For 1Q, we expect aggregate revenue for our coverage universe to grow by 6.0% YoY, while EBIT and PAT are likely to grow at 7.0% and 6.5% YoY (all in INR terms), respectively.

Research covered

Cos/Sector	Key Highlights
Technology	1QFY26 Preview: Indian IT's stop-start recovery
Apollo Hospitals	Demerger to unlock value
One 97 Communications	Business metrics steady; earnings closer to inflection point
ACME Solar Holdings	Strong execution and EBITDA upgrade drive positive view
Capital Goods	Genset demand improvement continues
EcoScope	IIP growth at a nine-month low in May'25
	Capital spending remains robust in Apr-May'25; grows by massive 54%

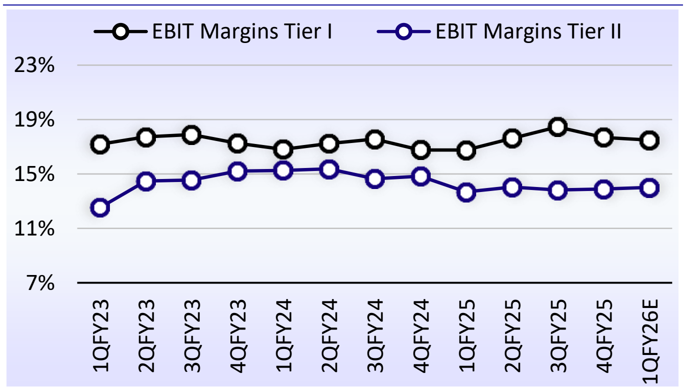
Chart of the Day: Technology | 1QFY26 Preview (Indian IT's stop-start recovery)

Tier II companies shall outperform Tier I companies



Source: MOFSL, Company

Margins largely remain range-bound for most Tier-I and Tier-II companies



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Bharat Forge transfers defence business worth ₹500 crore to Kalyani Strategic Systems

Global metal forging company Bharat Forge Limited, said its board has approved two key strategic actions — an internal restructuring of its defence business and an upward revision in the acquisition cost of AAM India Manufacturing Corporation.

2

Federal Bank board approves fundraising plans via equity and debt instruments up to ₹6,000 crore

South India-based private lender, Federal Bank Limited, on Monday (June 30) said the board has approved a comprehensive fundraising plan through both equity and debt routes, subject to necessary shareholder and regulatory approvals.

3

NCC bags ₹1,691.5-crore building contracts from state agencies, private firm

Infrastructure company NCC Ltd on Monday (June 30) announced the receipt of new orders worth ₹1,690.51 crore (excluding GST) in June 2025.

4

Sona Comstar may manufacture rare earth magnets locally, awaits govt incentive scheme

The company said it is likely to apply for the upcoming incentive scheme aimed at boosting local production of rare earth magnets, which are key components in several automotive systems.

5

Mindspace REIT plans to acquire five commercial space

Mindspace Business Parks REIT is actively pursuing the acquisition of five new commercial properties, each valued between Rs 500 crore and Rs 2,000 crore, in key Indian cities including Pune, Mumbai, and Ahmedabad

6

Zoomcar narrows net losses to $25.6 million in FY25 on lower expenses

Car-sharing marketplace Zoomcar on Monday reported narrowing of net losses to $25.62 million in the financial year ended on March 31, 2025.

7

Akasa Air's net loss widens to ₹1,983 crore in FY25 as costs, delays rise

Akasa Air's standalone net loss rose 18.7 per cent year-on-year (Y-o-Y) to roughly ~1,983 crore in 2024–25 (FY25), driven by rising employee costs, aircraft maintenance and airport charges, and a sharp increase in foreign exchange (forex) expenses

Technology

Indian IT's stop-start recovery

Growth remains uneven, but early signs of stability welcomed

- 1QFY26 has been an uncertain, albeit better-than-expected quarter for IT services, in our view. While a host of geopolitical events as well as tariff uncertainty would have played spoilsport on notable deal signings, widespread client deferrals/ ramp-downs have largely been avoided. We expect 1Q numbers to reflect this reality: QoQ revenue and deal TCV across large-caps could be unexciting (expect QoQ cc growth range of -2.5% to +1.5% for large-caps. Mid-caps are expected to outperform once again with a growth range of -2.0% to +7.0%). A weak dollar against a basket of currencies will lead to 100-200bp of QoQ cross-currency tailwinds, aiding estimates.
- Outlook on deal signing in 2QFY26 and beyond will be crucial. While this environment is not conducive to discretionary spending, we expect client enthusiasm to pick up, as serious GenAI projects, especially around productivity gains, start picking up and clients shrug off the uncertainty to focus on critical upgrades.
- On margins: We expect margins to be range-bound and supply-side pressures to remain muted; however, meaningful margin gains are restricted by low growth, visa costs and pressure from a strong INR vs USD.
- As argued in our note (dated 28th Apr'25: What lies ahead for Indian IT: The good, the bad, and the unlikely), a major re-rating for the sector hinges on the emergence of a new tech cycle and meaningful earnings upgrade. The set-up for IT services stocks, selectively, however, looks good: a US fed rate cut cycle on the horizon, a seasonally strong 1HFY26, and improving deal win rates, especially for a few mid-tier firms. Valuations across the sector are also palatable: not cheap, but there is room to expand if earnings and outlook spring a surprise.
- Our top picks earlier in the year have focused on bottom-up execution and revenue visibility (view our note dated 11th Mar'25: Recovery stuck in second gear). We believe there is a chance to look at more "risk-on" stocks now, with improving deal outlook and good vertical exposures. Our top picks in the large-cap space remain HCLT and TECHM. We could turn constructive on Infosys if commentary/guidance meaningfully improves and deal wins pick up. In mid-caps, Coforge remains our top pick, and we also like LTIMindtree in an improving environment. A materially better deal TCV outlook for MPHL could prompt us to upgrade our rating on the stock. Persistent's execution remains the best in class, but admittedly potential for re-rating is now restricted.
- For 1Q, we expect aggregate revenue for our coverage universe to grow by 6.0% YoY, while EBIT and PAT are likely to grow at 7.0% and 6.5% YoY (all in INR terms), respectively.

Growth expectations across our coverage

- We expect TCS and HCLT to report QoQ cc revenue decline of 0.5% and 1.2%, respectively, in 1QFY26. INFO is anticipated to clock 1.5% growth, driven by recent deal ramp-ups and 20bp inorganic contribution from its recent acquisition. Meanwhile, TECHM/WPRO are likely to post QoQ cc revenue decline of 1.0%/2.5%. LTIM could deliver 1.5% QoQ cc growth, driven by deal ramp-ups and seasonally strong 1Q.
- Among mid-tier firms, we expect COFORGE to lead the pack with ~7% cc QoQ revenue growth, driven by strong organic momentum and steady ramp-up of the Sabre deal, along with contributions from recent acquisitions. PSYS/HEXT are also likely to deliver 4.0%/2.2% cc QoQ growth, while Mphasis could post 1.5% cc QoQ growth.
- We expect Cyient DET to report yet another weak quarter, with QoQ cc revenue decline of 2.0%. We are factoring in a cross-currency tailwind of ~100-150bp for most companies.

Margins a mixed bag

- We expect TCS EBIT margins to remain flat QoQ, with some pressure from talent investments and constrained operating leverage. HCLT's margin may decline 50bp QoQ, in line with the typical 1Q software seasonality reset similar to prior years. Infosys may see a dip of 10bp due to wage hikes (effective Apr'25) for senior pyramid levels and ramp-up of large deals.
- LTIM's EBIT margins are likely to improve by 60bp QoQ as visa-related headwinds are offset by operating leverage.
- Among mid-caps, Coforge margins may rise to 14.0% (80bp up QoQ) as most one-offs are now behind. HEXT margins are expected to stay flat QoQ at ~14.3%, with ERP costs phasing out by end-Jun'25. LTTS may see a 40bp QoQ margin dip, due to the ramp-up of large deals and muted revenue growth.

HCLT and COFORGE remain our top picks

- Our top picks earlier in the year have focused on bottom-up execution and revenue visibility (view our note dated 11th Mar'25: Recovery stuck in second gear). We believe there is a chance to look at more "risk-on" stocks now, with an improving deal outlook and good vertical exposures. Our top picks in the large-cap space remain HCLT and TECHM. HCLT benefits from its all-weather business mix, which should support growth in the current environment. We could turn constructive on Infosys if commentary/guidance meaningfully improves and deal wins pick up.
- In mid-caps, Coforge remains our top pick, and we also like LTIM in an improving environment. MPHL's recent strong TCV wins and healthy conversion trends lend confidence to the near-term momentum. A material improvement in its deal TCV outlook could prompt us to upgrade our rating on the stock.

Apollo Hospitals

BSE SENSEX	S&P CNX
83,606	25,517

Conference Call Details

Date: 01st July 2025
Time: 12:00 IST
Dial-in details:
Call details: Link

Financials & Valuations (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	217.9	246.5	290.0
EBITDA	30.2	34.5	41.8
Adj. PAT	14.5	17.6	22.1
EBIT Margin (%)	13.9	14.0	14.4
Cons. Adj. EPS (INR)	100.6	122.5	153.8
EPS Gr. (%)	61.1	21.9	25.5
BV/Sh. (INR)	590.3	710.9	863.8
Ratios			
Net D:E	0.2	-0.1	-0.2
RoE (%)	19.1	19.5	20.2
RoCE (%)	15.3	15.0	16.4
Payout (%)	5.8	4.8	3.8
Valuations			
P/E (x)	68.5	56.2	44.8
EV/EBITDA (x)	34.1	29.2	23.6
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.4	2.4	2.8
EV/Sales (x)	4.7	4.1	3.4

CMP: INR7242

Demerger to unlock value

- Apollo Hospital Enterprise (AHEL) proposes a demerger of its **omnichannel pharmacy distribution (OCP), Apollo 24|7 digital health platform, and remote telehealth division** into a newly created listed entity (NewCo), **followed by the merger** of Apollo HealthCo Ltd (AHL) and Keimed Pvt Ltd into NewCo to form a unified digital health and pharmacy platform.
- As part of the scheme, **AHEL shareholders will receive 195.2 shares of NewCo for every 100 shares held in AHEL**, ensuring direct ownership in the high-growth combined entity. Following the completion of the scheme, the total outstanding shares in NewCo, including a 3% ESOP pool, will stand at approximately 667m shares (FV INR2 each).
- The listing of NewCo on the stock exchanges is expected to take place within the next 18-21 months, subject to necessary regulatory and statutory approvals.
- It allows for a **sharper strategic focus,** with AHEL concentrating on core healthcare services, while NewCo drives growth in digital health and pharmacy distribution under dedicated leadership.

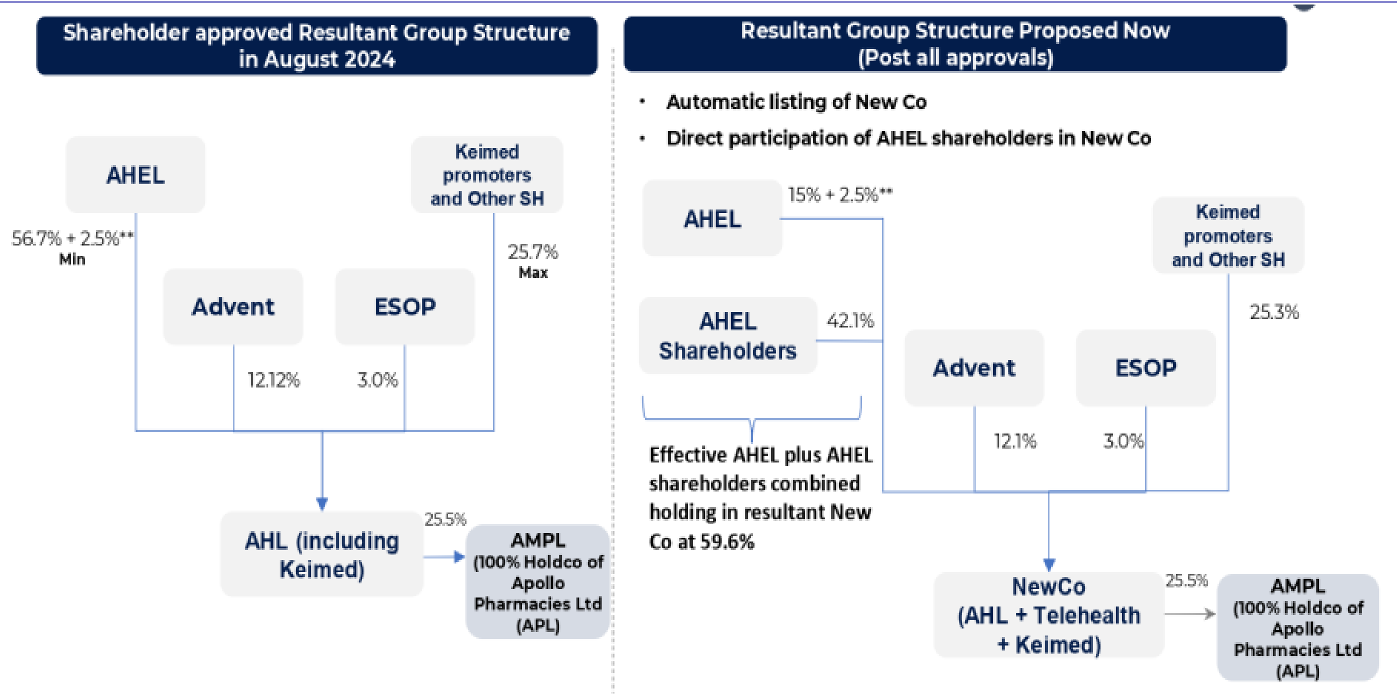
Strategic rationale for proposed structure

- The structure ensures **efficient capital allocation and governance**, with clear growth plans for both AHEL and NewCo as independent yet strategically aligned entities.
- AHEL retains a **15-17.5% stake in NewCo** and board representation, ensuring continuity and synergies through arm's-length commercial arrangements.
- The demerger **unlocks hidden value** by separating high-growth businesses and allowing them to be valued independently, which typically leads to **better price discovery and shareholder returns**.

Profitable offline pharmacy with telehealth in growth phase

- The proforma revenue of NewCo of INR163b in FY25 demonstrates strong revenue consolidation across digital and offline channels. Further, EBITDA of INR5.8b and PAT of INR2.2b reflect the scale-up in its digital segment and the rationalization of the cost structure for the telehealth segment.
- While the offline pharmacy segment remains profitable and stable, the digital and telehealth verticals are still in their growth and investment phase, with margin expansion contingent on effective post-merger execution, operational integration, and scaling efficiencies.
- ***AHEL has guided for the demerged entity (NewCo) to achieve INR250b in revenue by FY27, with a targeted EBITDA margin of 7%, driven by a scale-up in digital health and deeper pharmacy penetration.***

Composite scheme overview



.** Includes economic interest of AHEL holding of 49% in FHPL; AHEL effective economic interest through FHPL post merger/ demerger process is ~ 2.5%.

One 97 Communications

BSE SENSEX	S&P CNX
83,606	25,517

Bloomberg	PAYTM IN
Equity Shares (m)	638
M.Cap.(INRb)/(USDb)	589.6 / 6.9
52-Week Range (INR)	1063 / 403
1, 6, 12 Rel. Per (%)	1/-17/124
12M Avg Val (INR M)	6690
Free float (%)	100.0

Financials & Valuations (INR b)

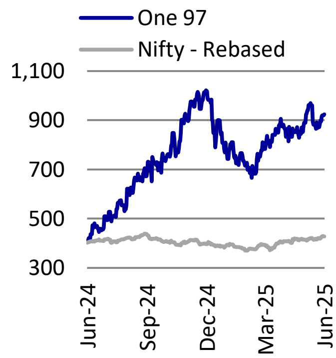
Y/E March	FY25	FY26E	FY27E
Revenue from Op	69.0	82.4	102.7
Contribution Profit	36.8	46.0	59.1
Adjusted EBITDA	(6.9)	1.6	9.1
EBITDA	(15.1)	(2.3)	6.7
PAT	(6.6)	1.0	9.2
EPS (INR)	(10.4)	1.5	13.7
EPS Gr. (%)	NM	NM	812.2
Ratios			
Contribution Margin %	53.3	55.8	57.6
Adjusted EBITDA Margin (%)	(21.8)	(2.7)	6.5
EBITDA Margin (%)	(10.0)	1.9	8.9
RoE (%)	(4.7)	0.6	6.0
RoA (%)	(3.6)	0.5	4.0
Valuations			
P/E(X)	NA	617.5	67.7
P/BV (X)	3.9	4.0	4.0
P/Sales (X)	8.6	7.3	6.0

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	0.0	0.0	0.0
DII	14.0	11.9	6.9
FII	55.4	56.2	60.4
Others	30.6	31.9	32.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR924 **TP: INR1,000 (+8%)** **Neutral**

Business metrics steady; earnings closer to inflection point

Contribution margin to improve to ~58% by FY28E

- **Paytm's business metrics continue to see a gradual recovery, led by healthy momentum in merchant business, while disbursement volumes and GMV are also growing at a steady rate. Resumed customer onboarding, stabilization in MTUs and continued recovery in financial services business will drive healthy growth in revenues. After a sharp decline in FY25, payment revenue is also estimated to grow by 17% in FY26E.**
- **The company plans to expand its merchant market share by leveraging deeper financial integration, robust device deployment and focus on high-GMV merchants alongside FLDG-backed monetization opportunities.**
- **Paytm's GMV is thus expected to clock a 23% CAGR over FY25-28E and its disbursement growth rate is estimated to accelerate to 35%, led by a continued thrust on the merchant business and a recovery in consumer lending.**
- **We estimate a 26% CAGR in financial services revenue, with the segment's share in total revenue expected to rise by more than 250bp to ~27% by FY28E. Healthy revenue growth and disciplined cost control will boost contribution margins to ~58% by FY28E, supporting a steady path toward long-term profitability.**
- **While structural levers are strong, the fast-evolving digital payment industry, a decline in UPI market share and regulatory risks (recent government disapproval of MDR on UPI transactions) keep us cautious. Maintain Neutral with a revised TP of INR1,000.**

Payment business revenues to recover gradually; estimate 22% overall revenue CAGR over FY25-28E

Paytm's payment business revenue is set to witness a recovery, led by a stronger thrust on Merchant business expansion, while Consumer services business also gains traction. After a slowdown caused by regulatory hurdles, the company has resumed customer onboarding and is seeing a stabilization/recovery trend in MTUs after three quarters of decline. Although merchant payments remain the key revenue contributor, the consumer segment is poised for a recovery in 2HFY26. With this momentum, payment business revenue is expected to grow 17% compared with a sharp decline in FY25, signaling a healthy revival in both merchant and consumer ecosystems. We estimate a 22% CAGR in revenue over FY25-28E.

Merchant market share to strengthen as Paytm deepens ecosystem integration

Paytm is poised to expand its merchant market share by leveraging its strong device deployment and scalable tech stack and deepening financial services integration. As of 4QFY25, its merchant base grew 8% YoY to 44m, with device deployments up 16% YoY to 12.4m. With significantly higher GMV sourced from merchants, Paytm is doubling its efforts on retention and acquisition, particularly in offline markets, where it holds significant market share. Enhanced monetization through subscription revenue and faster growth in merchant loans under the FLDG model should allow faster scalability. The company's focus on high-GMV merchants and seamless front-end and back-end integration further will further enable steady business growth.

Estimate GMV to grow at 23% cagr

Paytm's GMV is expected to maintain strong momentum, supported by robust merchant expansion and a recovery in consumer business. The company's continued growth in device penetration and deeper lending partnerships are key enablers. GMV is projected to post a healthy 23% CAGR over FY25-28E. On the consumer front, Paytm has resumed onboarding new users after NPCI approval, and it is enhancing app usability to drive engagement.

FLDG model to support disbursement growth; PL disbursements may witness an uptick in 2HFY26

Paytm's lending momentum is set to accelerate, particularly in 2HFY26, supported by the FLDG model and improved risk appetite in the personal loan business. Moreover, the credit environment has also improved after the RBI reduced risk-weights. With over 18 partners onboarded, the company is witnessing steady traction in merchant loans, which should grow 30-50% annually. The blended disbursement run rate is thus likely to grow at a healthy pace, while the FLDG model allows Paytm to maintain healthy take rates. As the mix tilts toward high-repeat merchant loans and select consumer credit offerings, FLDG will be helpful in driving scalable and profitable loan growth. We estimate a 26% CAGR in financial services revenue and a 35% CAGR in disbursements in FY25-28E.

Contribution margin to improve to ~58% by FY28E

- Paytm's contribution margin is estimated to expand to 55-58% in the coming years, powered by diversified revenue streams and strong cost controls. The company is benefiting from a multi-channel approach spanning merchant payments, consumer services, financial products and advertising. As the high-margin financial services business gains further scale, aided by FLDG-backed lending and expanded merchant loans, the revenue mix is shifting favorably.
- Simultaneously, operating expenses remain under control, with marketing spends rationalized and AI-led efficiencies reducing indirect costs. Direct expenses are projected to grow slower than revenue, supporting margin expansion. We thus estimate the mix of financial services business to improve by more than 250bp to ~27% by FY28E.
- **This strategic balance of revenue diversification and operational discipline is expected to lift contribution margins steadily to ~58% by FY28E, reinforcing Paytm's path to sustainable profitability.**

Focus to remain on core business as MDR on UPI remains distant

- The recent reduction in UPI incentive had raised hopes of potential MDR levy on UPI transactions. However, the Finance Ministry's clarification confirmed that MDR on UPI remains off the table for now. This decision limits the revenue potential in payments business driving company to limit at other business opportunities.
- In FY24, Paytm received INR2.9b in UPI incentives, which has declined to INR700m currently. While the absence of this support slightly tempers near-term revenue, Paytm remains firmly focused on its dual-core strategy of scaling up its payments business and financial services businesses.
- With merchant payments and FLDG-backed lending gaining ground, the company continues to work on sustainable profitability, targeting EBITDA breakeven by FY26E, even in the absence of MDR-linked incentives.

Reassessing the profitability path of new-age tech firms; Will improving profitability drive superior shareholder returns?

- The evolving trajectory of Paytm bears a resemblance to the profitability path of few other new age tech companies (Zomato, PB Fintech etc.). Despite regulatory challenges in FY24 and early FY25, Paytm has shown resilience with focused execution, leaning on a stable merchant base, improving consumer monetization and strong cost discipline.
- We note that the market has rewarded such transitions to sustained and improving profitability with both Zomato and PB Fintech witnessing robust returns as the companies became profitable (Zomato: 245% returns in past two years | PB Fintech: 156% returns in same period). In contrast, companies like Paytm and Swiggy, which are still loss-making, are yet to unlock returns and have relatively underperformed since listing.
- With contribution margins set to cross 55% and adjusted EBITDA projected to turn positive in FY26E, the glide path to sustainable profitability is becoming clearer. Paytm is well-positioned among new-age tech firms to report a sharp rise in profitability over the next few years and we estimate the company to deliver FY28E PAT of INR16.2b.

Valuation and view

Paytm is making steady progress toward profitability, underpinned by its strategic shift toward financial services and disciplined cost management. With financial services expected to contribute 27% of revenue by FY28E (~25% in FY24), the business model is becoming more margin-accretive. An estimated revenue CAGR of 22% over FY25-28E (to INR126b) and continued merchant-centric growth should help the company achieve EBITDA breakeven by FY26E. Key catalysts include loan growth via FLDG-backed partnerships, continued thrust on merchant expansion, and exemplary cost control. However, regulatory overhangs, market share volatility in UPI, and execution risks in the rapidly evolving digital payment space keep us cautious. Although Paytm's INR156b cash cushion offers comfort, consistent delivery is critical for sustainable shareholder returns. **We maintain a Neutral rating with a revised TP of INR1,000, reflecting 20.0x FY27E EBITDA, balancing near-term uncertainties while maintaining long-term stability.**

ACME Solar Holdings

BSE SENSEX	S&P CNX
83,606	25,517

Leading Through Innovation

Stock Info

Bloomberg	ACMESOLA IN
Equity Shares (m)	605
M.Cap.(INRb)/(USDb)	150.8 / 1.8
52-Week Range (INR)	292 / 168
1, 6, 12 Rel. Per (%)	-9/0/-
12M Avg Val (INR M)	400
Free float (%)	16.6

Financials Snapshot (INR b)

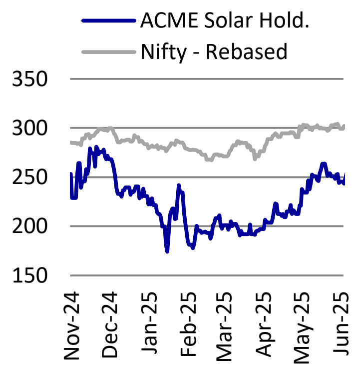
Y/E March	FY25	FY26E	FY27E
Sales	14.1	22.4	39.3
EBITDA	12.4	19.5	34.8
Adj. PAT	2.7	4.5	6.2
EPS (INR)	4.5	7.5	10.3
EPS Gr. (%)	-563.2	65.5	37.2
BV/Sh.(INR)	74.6	82.0	92.3
Ratios			
ND/Equity	1.7	4.1	6.6
ND/EBITDA	6.1	10.5	10.5
RoE (%)	7.7	9.5	11.8
RoIC (%)	6.2	5.7	5.7
Valuations			
P/E (x)	55.1	33.3	24.2
EV/EBITDA (x)	19.1	18.8	15.2

Shareholding pattern (%)

As On	Mar-25	Dec-24
Promoter	83.4	83.4
DII	7.1	7.0
FII	4.7	5.5
Others	4.8	4.1

FII Includes depository receipts

Stock performance (one-year)



CMP: INR249 TP: INR347 (+40%) Buy

Strong execution and EBITDA upgrade drive positive view

- **Multiple projects being commissioned contribute to building a strong execution track record:** ACME Solar Holdings (Acme)'s operational capacity currently stands at 2.9GW vs. only 1.3GW at the time of IPO. Commissioning of the 1.6GW capacity over the past few quarters has demonstrated strong project management skills, boosted earnings and cash flow visibility, and eased investor concerns related to the execution of a robust 4GW project pipeline, in our opinion. Further, based on our estimates, the annualized EBITDA from the entire pipeline of 6.9GW will amount to ~INR81b post-commissioning. We are currently modeling 0.45GW/1.9GW/0.83GW of capacity to be commissioned in FY26/FY27/FY28. Overall, Acme has a total operational + under construction + pipeline of 6.9GW, which we expect to be commissioned by the end of FY29.
- **Raise FY28E EBITDA by 7%; net debt estimate reduces amid lower capex:** We cut our FY26E EPS by 8.5%, mainly as we adjust the commissioning timeline for the 350MW (300MW Sikar Solar project and 50MW Pokhran wind project) projects from 4QFY25 to late 1QFY26. However, our FY28 EBITDA estimates now increase by 7%, as we prepone commissioning of Sikar Solar (capacity: 300MW) to FY28 (FY29 earlier). We also reduce our overall capex estimates across the project pipeline following lower battery and solar module prices. This results in a downward revision of our FY27 net debt estimates to INR367b (vs. INR404b). Consequently, our ND/EBITDA estimate dips to 6.4x by FY28 (vs.
- **Catalysts include the commissioning of new capacity and lower borrowing costs:** Acme will commission 1.9GW capacity in FY27, which will be a key catalyst for the stock. Of the 450MW capacity to be commissioned in FY26, 78% is already commissioned. Further, with 70% of its gross debt on floating interest rates, we estimate a 25bp reduction in average interest cost adds 4% to our FY26E PAT (FY25 gross debt: INR104b). Commissioning of slated projects, lower borrowing costs, and new project wins remain key catalysts for the stock.
- **Reasonable valuations and strong execution offer a margin of safety:** We continue to value Acme at 10x FY28E EBITDA (discounted by one year) to arrive at our TP of INR347, implying 40% potential upside. In the last three months, Acme's share price has outperformed its close competitor NTPC Green by 24%. While Acme has demonstrated commissioning of 1.6GW since IPO, NTPC Green has missed capacity addition targets, commissioning only 1.9GW (including a 50% share in Ayana acquisition of 2.1GW) vs. the guided commissioning target of 3GW in FY25. Acme is currently trading at 8.9x FY28 EV/EBITDA, which we believe offers a reasonable margin of safety given the aggressive PPA-backed capacity ramp-up and strong execution track record.

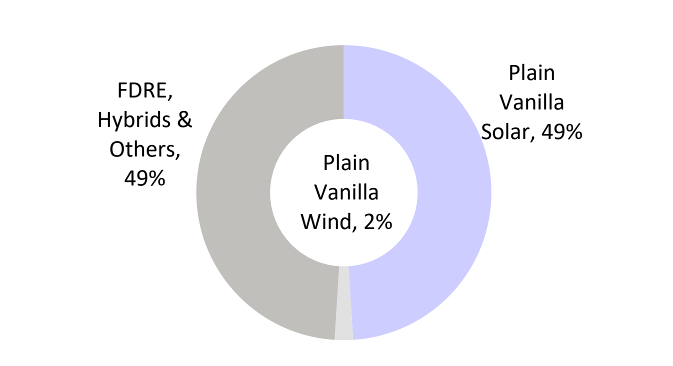
Story in charts

Valuation table

Valuation		
FY28 EBITDA discounted by 1 yr	INR m	59,216
EV/EBITDA	INR m	10
EV	**INR m**	**5,76,766**
Net debt - FY27		3,66,661
Market Cap	**INR m**	**2,10,105**
NoSH	m	605
Target Price	**INR/sh**	**347**
CMP	INR/sh	**249**
Upside/(Downside)	**%**	**39%**

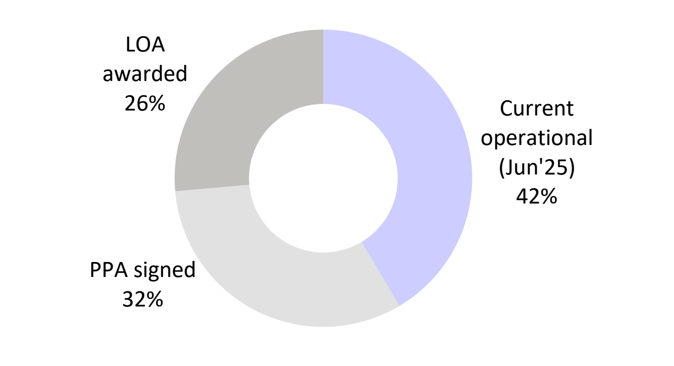
Source: MOFSL

Breakup of the total project portfolio of 6,970MW



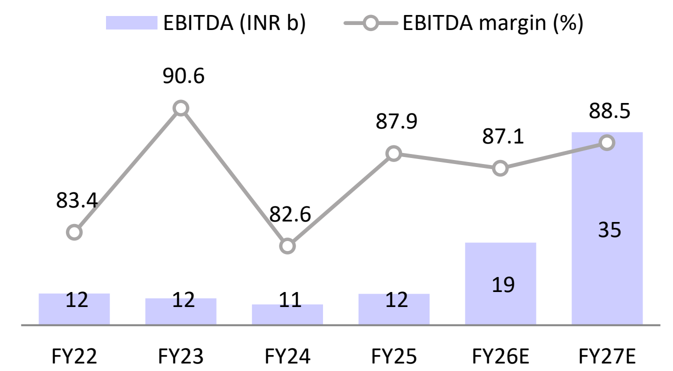
Source: Company, MOFSL

Status of the total project portfolio of 6,970MW



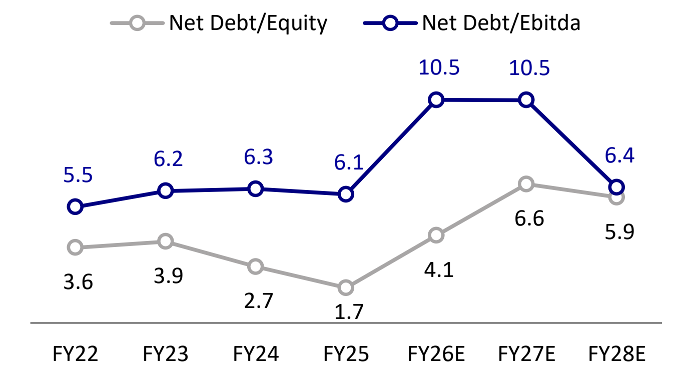
Source: Company, MOFSL

EBITDA and EBITDA margin trends



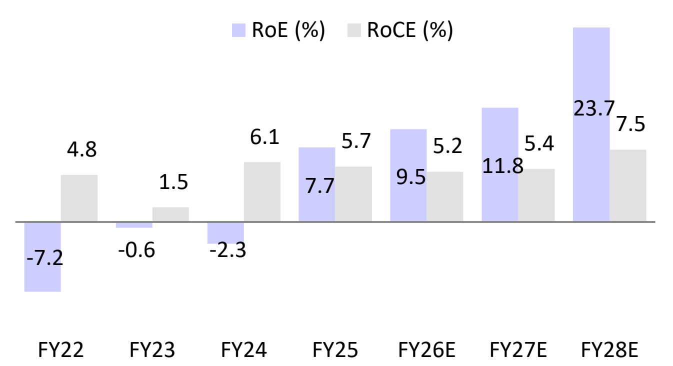
Source: Company, MOFSL

ND/Equity & ND/EBITDA trends



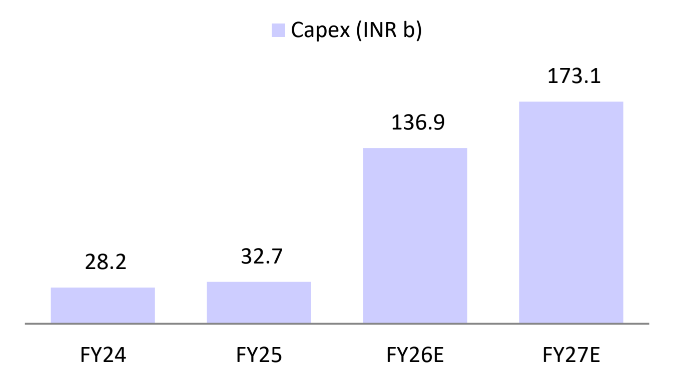
Source: Company, MOFSL

RoE and RoCE trends



Source: Company, MOFSL

Capex trend (INRb)



Source: Company, MOFSL

Capital Goods

KKC - Financials Snapshot (INR b)

Y/E MAR	FY25	FY26E	FY27E
Net Sales	103.4	120.5	140.6
EBITDA	20.7	23.7	27.7
PAT	19.9	23.1	27.1
EPS (INR)	71.7	83.3	97.9
GR. (%)	16.6	16.2	17.6
BV/Sh (INR)	253.2	285.6	323.9
Ratios			
ROE (%)	30.2	30.9	32.1
RoCE (%)	28.9	29.4	30.6
Valuations			
P/E (X)	46.6	40.1	34.1
P/BV (X)	13.2	11.7	10.3
EV/EBITDA (X)	43.6	37.9	32.3
Div Yield (%)	1.2	1.4	1.6

KOEL - Financials Snapshot (INR b)

Y/E MAR	FY25	FY26E	FY27E
Net Sales	51.1	58.4	67.5
EBITDA	6.5	7.6	9.1
PAT	4.2	4.9	5.9
EPS (INR)	28.8	33.6	40.9
GR. (%)	15.1	16.7	21.8
BV/Sh (INR)	205.6	232.4	265.0
Ratios			
ROE (%)	14.9	15.3	16.4
RoCE (%)	14.3	15.0	16.1
Valuations			
P/E (X)	29.6	25.3	20.8
P/BV (X)	4.1	3.7	3.2
EV/EBITDA (X)	18.6	15.7	12.7
Div Yield (%)	0.7	0.8	1.0

Genset demand improvement continues

Genset channel checks

Our genset channel checks indicate that demand momentum is building up and inquiry levels have increased from Apr'25 onwards. Volumes have improved by nearly 10-12% from 4QFY25 levels, though they remain lower 15-20% YoY on account of the genset industry's high base in 1QFY25, fueled by pre-buying activities. 1QFY26 will be the last quarter impacted by the base effect of CPCB 2 gensets, after which it will be a like-to-like comparison. Pricing is broadly stabilizing with only select nodes witnessing pressure. With demand and competition normalizing by 1QFY26, we expect pricing to stabilize thereafter. We expect revenue growth in the overall powergen segment in 1QFY26 to be driven by a 25-28% YoY price hike and a 5-15% YoY decline in volumes for listed players. Export markets may remain volatile in the near term due to geopolitical issues. We maintain our positive stance on genset players and believe that, following this transitory phase, companies with a strong product portfolio and an extensive distribution network will stand ahead of the competition in the medium to long run. We broadly maintain our estimates for KKC and KOEL and reiterate BUY on both KKC (TP: INR4,100) and KOEL (TP: INR1,150).

Key highlights from our interaction with genset channel partners

Demand has improved sequentially

Demand and inquiry levels have improved quite well since Apr'25. Volumes have increased by 10-12% from 4QFY25 levels, driven by improved construction activity across key areas such as manufacturing, government projects, retail, and hospitality. The summer season, starting Apr'25, has also contributed to the uptick, with increased demand for backup gensets. Demand from the real estate segment, which accounts for 10-15% of overall demand, is improving selectively but remains lower YoY. Meanwhile, demand from the rental market, which accounts for nearly 10% of overall demand, remains weak due to lower acceptance of CPCB 4+ products. We, thus, believe that genset players could see a 10-12% improvement in volumes QoQ and 5-15% decline in volumes YoY due to the base effect for products up to 750kVA. HHP demand remains strong across both product and project sides, with the segment continuing to grow at 15-20% YoY. KKC continues to maintain its leadership in the HHP segment, while KOEL is actively working to increase its HHP sales. Overall, for the full FY26, we expect industry volumes to improve by 10-15% YoY.

Prices stabilizing with only select nodes witnessing pressure

The powergen industry witnessed a price correction of roughly 10-12% for CPCB 4+ products in FY25, following the initial hikes of 20-40%. This was driven by lower demand, higher competition, and inventory stocking of CPCB 2 products last year. Pricing is now stabilizing, with only smaller nodes up to 300-400kva witnessing a 2-4% QoQ correction. In contrast, nodes of 400kVa and above are witnessing improved demand and stable pricing. KKC's product prices continue to remain at a premium to other players, though select nodes have seen some correction. KOEL has maintained its pricing, while Mahindra Powerol may now contemplate price hikes of 2-4% from next month. Other players like Ashok Leyland and Greaves Cotton continue to price below the top three players.

Distribution reach continues to differentiate players

Although the number of players remains high in the low to mid kVA ranges, distribution reach is the key factor that differentiates them. This is where Cummins and KOEL hold an advantage over other players. Both players have strong dealer, distributor, and OEM networks, which will benefit them in the long run as demand for spares and services begins to pick up for CPCB 4+ products. KOEL had organized various customer and dealer connect events in the last quarter to increase awareness about its product range across the mid kVA to HHP segments. Cummins is the preferred choice where brand, quality, and distribution reach are key considerations—even for HHP. Mahindra Powerol is typically preferred in L1-based contracts due to its pricing. Other players up to the 500kVA range are working to increase their distribution reach, though this will take time. Tata and Eicher Motors are also expanding their presence across various nodes. Baudouin is partnering with other players in the high kVA ranges to increase market penetration and is cheaper in pricing for HHP nodes.

Engineering exports for Apr'25-May'25 up YoY

India's engineering exports have been on the rise since Jul'24 (Exhibit 9). KKC's export revenue growth has historically mirrored overall engineering exports, and we expect this trend to continue going forward. In FY25, Middle East and Latin America exports contributed 20%/32% of overall KKC's exports. KOEL is still at a nascent stage as far as export markets are concerned and is currently focusing on the Middle East and US markets. Any geopolitical tensions in the Middle East could impact exports for these companies in the near term.

Key monitorables over next few months

We believe that the high base impact of volumes due to pre-buying will continue to play until 1QFY26, and following that it will be a like-to-like comparison. KKC's revenue for 1QFY25 had normalized to some extent, while KOEL's 1QFY25 revenue continued to reflect the pre-buying impact. In the forthcoming quarters, we will continue to monitor: 1) demand improvement from current levels, 2) product mix of various players across kVA ranges, 3) stability of price points, 4) continuity of HHP demand from the data center market, and 5) recovery in the export markets.

Valuation and recommendation

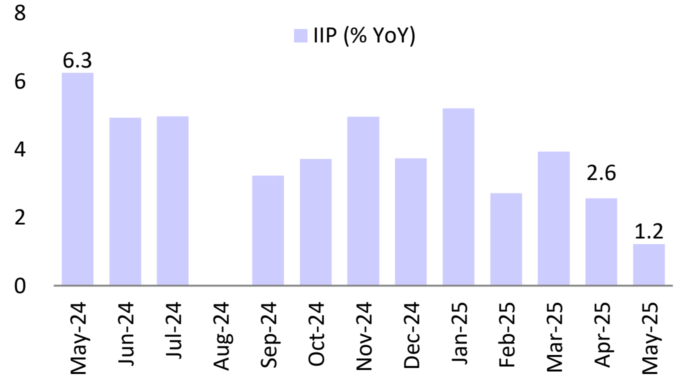
KKC at INR3,395 is currently trading at 34.1 P/E, and KOEL at INR850 is trading at 17.7x P/E on Mar'27E EPS. We value KKC at 41x P/E on two-year forward estimates and KOEL at 25x P/E on two-year forward estimates for core businesses. We maintain our estimates and reiterate a BUY rating on both KKC (TP: INR4,100) and KOEL (TP: INR1,150).

IIP growth at a nine-month low in May'25

Mainly led by a slowdown in the mining and electricity sectors

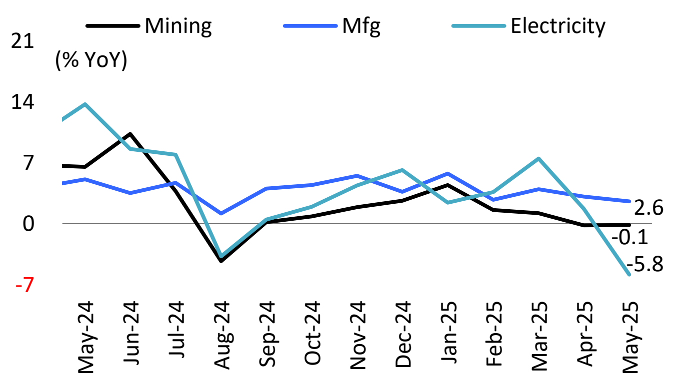
- **Industrial output grew at a nine-month low of 1.2% YoY in May'25 (vs. 2.6%/6.3% in Apr'25/May'24). The deceleration in industrial output was mainly led by a contraction in the mining and electricity sectors (worst in 59 months). Mining output shrank 0.1% in May'25 while electricity output contracted 5.8%. (Exhibits 1 and 2).**
- **At the same time, manufacturing output grew at a steady pace of 2.6% in May'25 (the lowest growth in three months) but still remained weak. (Exhibit 1). In Apr-May'25, IIP growth averaged 1.9% YoY, compared to 5.7% in the corresponding period last year. The details of the manufacturing sector suggest that 78.4% of the sub-sectors grew at a slower rate compared to May'24 (vs. 59.2% in Apr'25), 57% of the items grew less than 5% (vs. 50% in Apr'25), and 28% of the items posted a contraction (vs. 39% in Apr'25). (Exhibit 3).**
- **Among manufacturing segments, 13 of 23 industry groups registered positive growth. The manufacture of machinery and equipment grew by 11.8%, basic metals by 6.4%, and other non-metallic mineral products by 6.9%. Item groups such as cement, glassware, and certain types of steel products contributed to growth in the sector.**
- **According to the use-based classification, capital goods output increased by 14.1% in May'25, infrastructure and construction goods by 6.3%, and intermediate goods by 3.5% Primary goods dipped by 1.9%. Output of consumer durables and consumer non-durables declined by 0.7% and 2.4%, respectively. (Exhibit 4).**

Exhibit 1: IIP growth decelerated to a nine-month low of 1.2% YoY in May'25…



Source: CSO, MOFSL

Exhibit 2: …led by a slowdown in the mining and electricity sectors



Source: CSO, MOFSL

Exhibit 3: 78.4% of the manufacturing sector grew slower than last year in May'25 vs. 59% in Apr'25

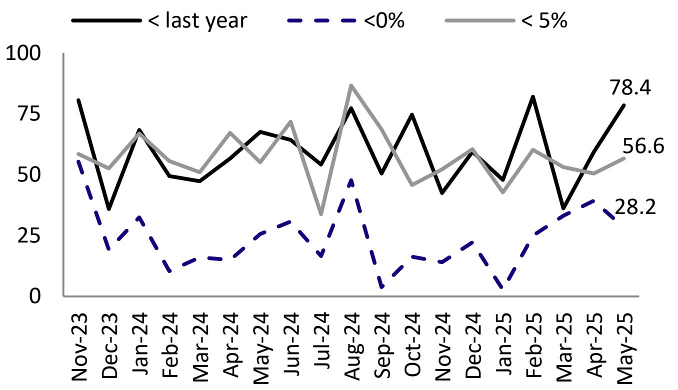
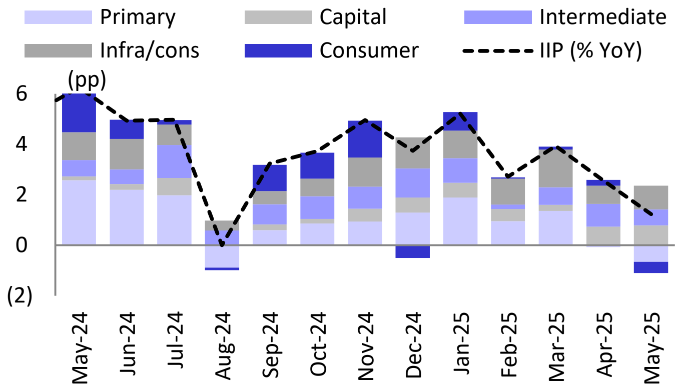


Exhibit 4: Consumer goods witnessed contraction in May'25



Source: CSO, MOFSL

Exhibit 5: Key components of IIP

% YoY	Weight	FY24	FY25	FY25#	FY26#	May'24	Mar-25	Apr-25	May'25
Industry-based classification									
Mining	14.4	7.5	3.0	6.7	(0.1)	6.6	1.2	(0.2)	(0.1)
Manufacturing	77.6	5.5	4.1	4.6	2.9	5.1	4.0	3.1	2.6
Electricity	8.0	7.1	5.3	12.0	(2.0)	13.7	7.5	1.7	(5.8)
IIP	**100.0**	**5.9**	**4.1**	**5.7**	**1.9**	**6.3**	**3.9**	**2.6**	**1.2**
Use-based classification									
Primary Goods	34.0	6.1	3.9	7.2	(1.0)	7.3	3.9	(0.2)	(1.9)
Capital Goods	8.2	6.3	5.7	2.7	14.0	2.6	3.6	14.0	14.1
Intermediate Goods	17.2	6.3	4.2	3.7	4.2	3.5	3.8	4.9	3.5
Infrastructure/Construction	12.3	9.7	6.7	8.0	5.5	7.6	9.9	4.7	6.3
Consumer Goods	28.2	3.9	2.3	4.5	(0.4)	6.7	0.5	0.9	(1.7)
Durable Goods	12.8	3.6	8.1	11.6	2.8	12.6	6.9	6.2	(0.7)
Non-Durable Goods	15.3	4.1	(1.4)	0.2	(2.5)	2.8	(4.0)	(2.7)	(2.4)

#Apr'25-May'25 period

Source: CSO, MOFSL

Capital spending remains robust in Apr-May'25; grows by massive 54%

Fiscal deficit at an all-time low of 0.8% of FY26BE in Apr-May'25

- **Total spending growth by the central government picked up to 40.3% in May'25 vs. 10% in Apr'25. The acceleration in total spending was broad-based. Capital spending growth remained robust, posting 8.7% growth in May'25 vs. a contraction of 50.3% in May'24 and a growth of 61% in Apr'24. Notably, capital spending excluding loans and advances grew 72.2% in May'25 (vs. -58% in May'24 and 21% in Apr'25). At the same time, total revenue spending grew at a seven-month high of 40.7% in May'25 (-33.1% YoY in May'24 and -5.7% in Apr'25). *(Exhibits 1 and 2).***
- **The latest data appears to reflect front-loaded expenditure in early FY26, particularly a resurgence in capital spending, which had slowed during the first quarter of FY25 due to the national election. In Apr-May'25, capital outlay surged to INR2.2t (up 54.1% YoY) or 19.7% of FY26BE, a marked increase from INR1.4t in FY25. At the same time, revenue spending stood at INR5.2t (up 9.4% YoY) in Apr-May'25, representing 13.3% of FY26BE (vs. 12.9% of FY25BE or INR4.8t in Apr-May'24). Accordingly, the government's total spending in Apr-May'25 stood at INR7.5t, up 19.7% YoY and accounting for 14.7% of FY26BE, the highest in the last three years (vs. INR6.2t in Apr-May'24; 12.7% of FY25BE).**
- **Total receipts grew at a decent pace of 26.2% YoY in May'25 (vs. 46.6%/30.9% growth in May'24/Apr'25). *(Exhibit 3).* While net tax revenue grew 20.3% in May'25, the highest in three months (2.5% in Apr'25), non-tax receipts grew 29.1%. The pick-up in net tax revenue was mainly led by corporate tax collections (157.6% in May'25, the highest in three months) and the 14-month highest growth in indirect tax collections (21.1% in May'25). However, income tax collections growth decelerated to 1.0% YoY in May'25 (vs. 10.8% in Apr'25).**
- **Therefore, for Apr-May'25, the total receipts of the government rose 28% YoY. Corporate tax collection contracted 0.8% YoY and income tax revenue grew 6.8% YoY. Total receipts stood at INR7.3t, representing 21.2% of FY26BE (vs. INR5.7t or 18% of FY25BE during Apr-May'24).**
- **Consequently, the Union government reported a fiscal deficit of INR0.13t for Apr-May'25, amounting to 0.8% of FY26BE vs. INR0.5t for Apr-May'24 (or 3.1% of FY26BE). India's cumulative fiscal deficit at 0.8% of the full-year target is the lowest level since the Centre began publishing monthly fiscal data in April 1997.**
- **Overall, India's fiscal deficit showed a marked improvement in the first two months of FY26, supported by strong growth in non-tax revenue even as the government's capital expenditure increased. The government has maintained a strong commitment to fiscal consolidation, with the deficit for FY26 projected at INR15.7t or 4.4% of GDP vs. 4.8% of GDP reported in FY25.**

Exhibit 1: Total spending picked up to 40.3% in May'25

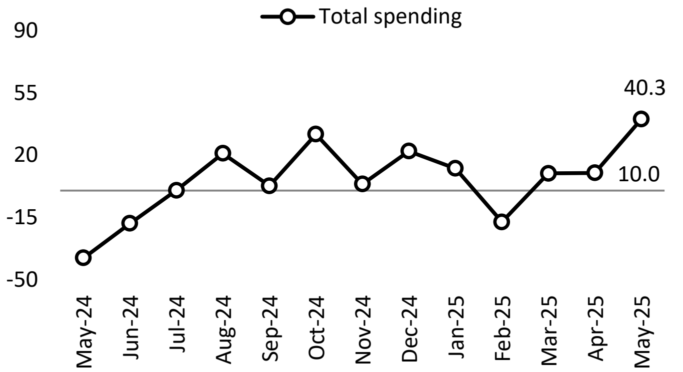
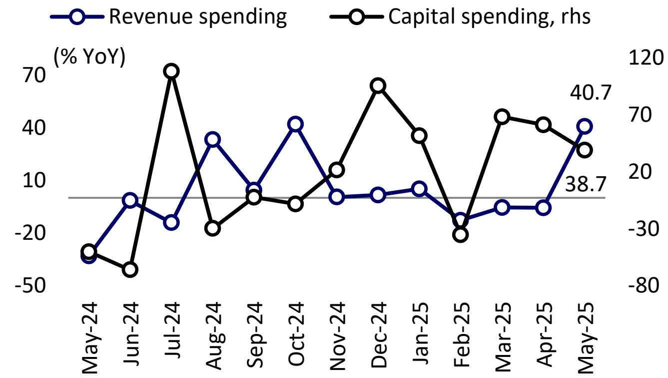


Exhibit 2: Acceleration in spending was broad-based



Source: Controller General of Accounts (CGA), MOFSL

Exhibit 3: Total receipts grew 26.2% in May'25

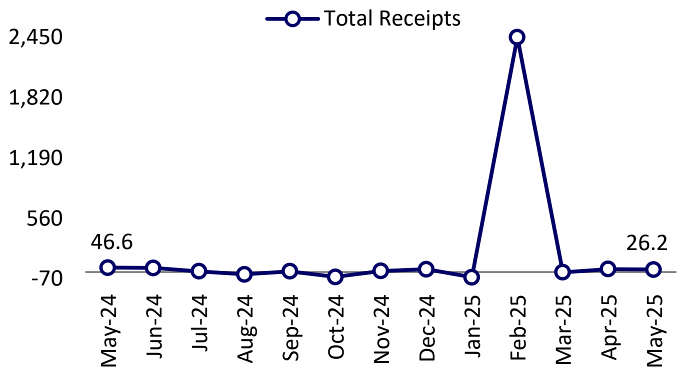
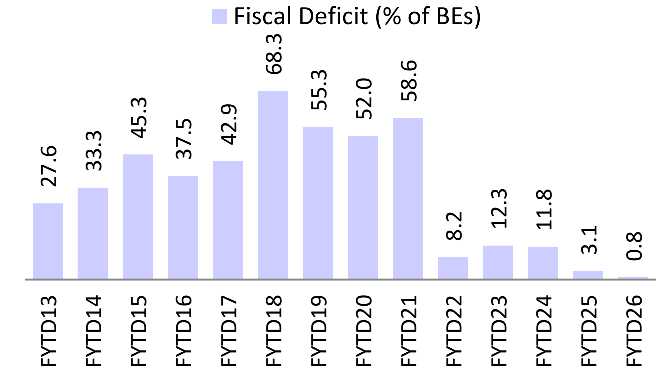


Exhibit 4: Fiscal deficit stood at an all-time low of 0.8% of BEs in Apr-May'25 vs. 3.1% in Apr-May'24



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

IOC: There Was Price Volatility During The Iran-Israel War, But It Was Quickly Subsided; AS Sahney, Chairman

- We don't import any oil from Iran
- There was price volatility during the war, but it has quickly subsided
- 40% of Cos. Crude comes from West Asia, rest from Russia, West Africa & others
- Weren't impacted on crude supplies, due to the Iran-Israel war

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Zydus Wellness: Glucon D & Nycil Businesses Have Been Badly Affected By Unseasonal Rains; Tarun Arora, CEO

- Glucon D & Nycil businesses have been badly affected by unseasonal rains
- Hope to make up for lost sales in Q1 over next 3 quarters
- Will maintain double-digit revenue growth over the medium term
- Targeting 8-10% of revenue from international biz in next 4 to 5 years

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- Margin should be in high-teens for the recent order
- This one of the largest order for an Indian co. in rolling stock segment
- 560 wagons will be delivered in the next 24 months
- Final call on upsizing the deal to be confirmed in the next 2 years

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- Warangal is a large city, rainbow is a well-recognized brand there
- Have 900 beds in Hyderabad
- Occupancy level is around 30% for Prashanthi hospitals, EBITDAM is around 17%
- International biz has never been significant for Rainbow

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PTC Industries: See Huge Potential From Aerolloy Tech-Safran Aircraft MoU; Sachin Agarwal, CMD

- Previous MoU with Safran was related to Civil aviation, new MoU is for military ops
- Difficult to put a number to the value of the deal right now
- See huge potential from MoU, Gels well with other investments we are making in this field
- Approx INR700-800 cr. Worth of orders booked so far

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